ANNUAL REPORT 2016

Banco Económico

Somos futuro

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1. STATEMENT BY THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

In 2016, Angola experienced its second year of a cycle of considerable economic and financial adversity. Considering the country's macroeconomic circumstances, Banco Nacional de Angola made a huge effort to offset foreign exchange imbalances in order to ensure the stability of its currency. As a result of this effort, it was able to maintain the official US dollar-kwanza exchange rates at sustainable levels.

After the initial depreciation of the kwanza in the first quarter of the year, it's value remained stable recording a low volatility of US dollar-Kwanza exchange rate, even in the informal market.

The Angolan government considered request aid from the International Monetary Fund for a Country's technical assistance programme, however it was decided to implement a robust strategy of economic development for Angola, focusing particularly on measures to replace foreign products by domestic products and step up economic diversification programmes.

The constant high inflation rates resulted into an ongoing increase of interest rates, especially on Treasury Bonds, which had a negative effect on the economy.

The high interest rates also impacted negatively the banking industry's performance and consequently created a more challenging environment. Banco Económico is currently implementing the last steps of its restructuring process, which was completed in 2017.

Nonetheless, in 2016 Banco Económico was able to capitalise the positive impact of the launch of its brand in 2015 and the market positioning strategy that it pursued.

CONVERTING A CRISIS INTO OPPORTUNITIES

In spite of these 12 challenging months in 2016, Banco Económico recorded an annual growth above average for the Angolan banking sector, mainly through the constant introduction of new Bank products and services.

Banco Económico's solid strategy of segmentation in order to create and develop more personalised products, which are focused in the specific needs of each type of customer also helped to maintain the customers' preference and trust and to increase their involvement with the Bank.

In 2016 Banco Económico continued the process of consolidating its operations by following a strategy focused on profitability. This option resulted in the discontinuation of some less successful branches and expansion to business areas with greater growth potential.

Considering that crises also bring with them opportunities and greater motivation to innovate, the Bank's efforts were rewarded with two international awards in 2016. Banco Económico was distinguished for Best Bank Governance Angola 2016 by the Capital Finance International (CFI.co) award programme. Its technological innovation strategy was also recognised internationally when it was voted the Best Internet Bank Angola 2016 by Global Banking & Finance Review.

The Bank's involvement in Angolan society was also a source of great pride for our team. The Bank's social responsibility unit was very active in undertaking initiatives for society, especially in the areas of health, education and financial literacy.

The Banco Económico Art Gallery hosted a number of exhibitions by renowned Angolan artists in 2016 and is already considered a venue of reference on the national art and culture scene.

The economic environment in 2016 was challenging and intense, however, Banco Económico continued its path towards consolidation of its operations, mainly focused on an innovation strategy through the high diversified and customized products and services, anticipating the customers' needs in the dynamics of the Angolan economy.

The results of the Bank's business activities in 2016 also reflect the extreme dedication, great professionalism and solid motivation of the entire Banco Económico team that I have the honour of leading.

I would also like to thank our shareholders for the unconditional support that they have shown for our management team.

WE WILL CONTINUE TO FOCUS ALL OUR EFFORTS ON MAKING BANCO ECONÓMICO A SUCCESS STORY IN ANGOLA'S BANKING SECTOR.

2. 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 69 BRANCHES AND CUSTOMER SERVICE UNITS IN 16 PROVINCES, 10 CORPORATE CENTRES AND ONE CENTRE FOR PRIVATE BANKING, MAJOR COMPANIES, OIL COMPANIES AND INSTITUTIONAL CUSTOMERS.

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 in order to valorise their employees and contribute to the economic, social, cultural and environmental development of the country and the communities in which we operate, 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 differentiation. 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 own spirit 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, elegant colours that created a sophisticated brand environment. The elegance of the combination of this image makes Banco Económico stand apart from all 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 fits in this strategy. The building was opened at the end of 2015 and housed the Bank's central services. This allows to optimise resources by connecting all the institution's operating areas.

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, with 111 metres high and a total covered area of 41,684.9 m2. The building has 25 floors above ground and five below ground 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 level 1 is where the Banco Económico Auditorium and its canteen are located.

The building's entrance interacts with 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, business-like image.

Banco Económico's head office encompasses modern units, such as the Training Centre, which continues the Bank's commitment to the quality of its human resources. It provides specific training plans for the integration of new employees and new 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. It 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 whole with space for 300 people or divided up into smaller units for special environments. 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 vast 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

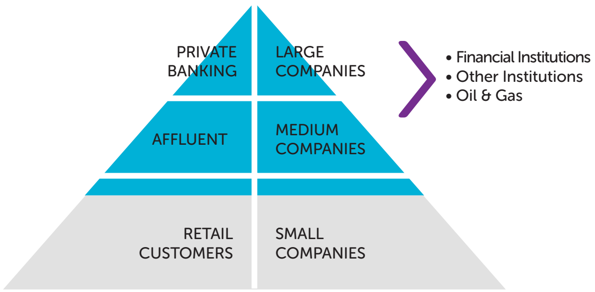
Banco Económico based its market approach strategy on five main tactics:

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.

Market approach



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.

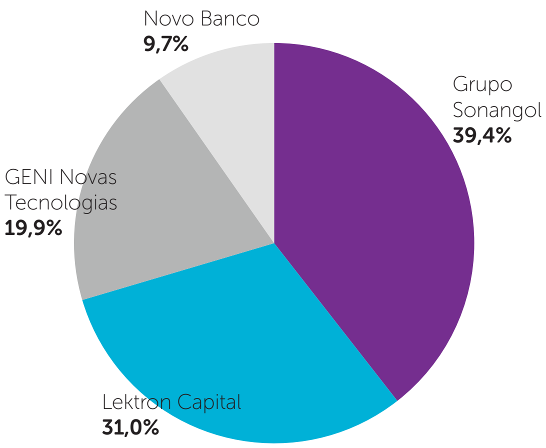
QUALITY

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 INVESTED COMPANIES

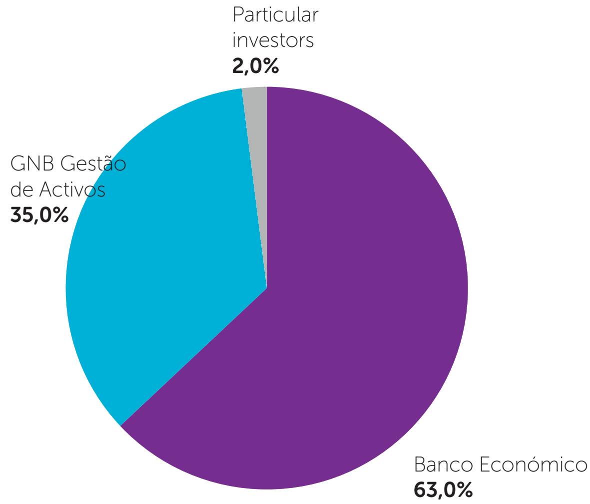
Banco Económico complements its business activity with holdings in two asset management companies, one engaged in the management of investment funds and the other in pension funds, and one Insurance Company Tranquilidade.

ECONÓMICO FUNDOS

Económico Fundos, Sociedade Gestora de Organismos de Investimento Colectivo S.A. started its operation on 21st April 2008, and its social 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.

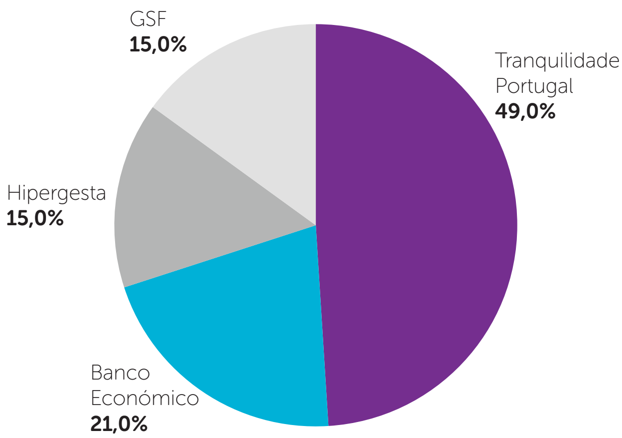
The companies' ownership structure is as follows:



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

29 October 2014
Incorporation of Banco Económico

March 2015
Opening of Cruzeiro branch

June 2015
Brand launch campaign and opening of new head office branch

November 2015
Official opening of Head Office Building

November 2015
Official opening of Banco Económico Art Gallery

December 2015
Opening of Xyami Nova Vida branch

2016

2016 witnessed a number of strategic and operational developments and the introduction of new products and services.

In February, the Bank launched the **first transparent Multicaixa card** in Angola, with an innovative look and unique features. In addition to a modern, attractive, distinctive design, the new Banco Económico card has a notch on the side to show users the right position for inserting the card in the ATM, which allows sight-impaired customers to use their Multicaixa easily and independently.

In April, Banco Económico was admitted as a m**ember of the Angolan Debt and Stock Exchange (BODIVA).** The membership agreement was signed on 7 April, after which Banco Económico was authorised to perform operations with securities issued by the Government or Angolan companies for its own portfolio or for third parties, such as customers and other banking and financial institutions. Banco Económico's admission to BODIVA added another banking institution to the list of entities authorised to trade Treasury Bonds and other fixed-income securities.

Membership of BODIVA was an important step in Banco Económico's business strategy, as it was now able to trade in public debt assets on the financial and interbank markets. This constitutes an opportunity for attracting new investors to the regulated securities markets and stimulating greater sustainable development of economic activities.

Also in April, Banco Económico launched a new 12-month term investment with anticipated interests and a special rate of 10%.
The launch of the deposit **"Rendimento Imediato"** the Bank had another highly competitive financial product to its offer. This product was designed to encourage saving habits and to meet new needs for investments in new customer segments, in line with the dynamics of the Angolan economy.

In June, Banco Económico **opened its first branch in N'Dalatando**, thereby starting its operations in Cuanza Norte Province.

To celebrate this opening in the capital of Cuanza Norte, it offered a number of special conditions for new customers in the "garden city", which included exemption from account maintenance fees for accounts opened before the end of 2016. In addition, the Bank marked the opening with the exclusive **Depósito Boas Vindas N'Dalatando**, for new local customers, with three months duration and 7% anticipated interest rate.

The arrival of the new branch to the capital of Cuanza Norte was another step in the Bank's geographical expansion strategy, which aspire to be closer to its customers, supporting the rise in the number of people with bank accounts and stimulate the regional economy.

In October, **Banco Económico** and A**ssociação Nacional do Ensino Particular (National Private Education Association, ANEP)** signed an agreement on the provision of banking services to respond to the financial needs of ANEP and its members and employees.

This was how the Bank created the Banco Económico Private Education Solution. It includes a package of banking services designed to help in the management of schools which are facing financial challenges, assisting the maintenance of excellence in education.

The initiative has reinforced Banco Económico's commitment to the future and Angola's economic diversification by fostering excellence in education as one of the pillar of the country's economic and social development.

In November, **Banco Económico introduced its EconomicoNet App service,** a mobile banking service designed for mobile phones with iOS and Android operating systems and available to all private, business and institutional customers. The EconomicoNet App is a service provided by the EconomicoNet family and reflects Banco Económico's permanent focus in mobility, convenience, innovation and proximity to its customers ensuring the existence of "a branch always available" providing countless banking operations anywhere at any time.

Banco Económico customers can use the EconomicoNet App on a mobile device to access their bank at work, at home, when shopping or travelling, i.e. anywhere at any time.

The App was designed with cutting-edge technology and high security standards. It was designed from scratch for mobile phones and abides by the rules of each operating system to make it a user-friendly, intuitive and positive experience.

In the last quarter, Banco Económico introduced an **innovative service for reserving Road Tax stickers**. The **Circula Fácil** service is specially designed for companies and enables them to reserve the road tax stickers for their company vehicles at a pre-reservation discount based on the total value of stickers requested. An additional advantage of this campaign for both individuals and companies is that if they insure their vehicles under the Tranquilidade Valor or Prestígio package through Banco Económico they will receive a discount on the insurance premium of the same amount as the road tax.

This was a way for Banco Económico to assist the General Tax Authority in collecting Road Tax and help taxpayers to fulfil their tax obligations easily and efficiently.

2016 also witnessed the launch of Banco Económico Umoxi. In line with its segmentation strategy, in 2016 Banco Económico introduced a new service for affluent private customers, in order to provide a service that lived up to the expectations of different types of customer.

These customers are demanding, well-informed, ambitious and lead sophisticated lifestyles. Banco Económico created a brand concept to match their characteristics, resulting in the launch of **Umoxi** service in November.

Umoxi means 'unique' in Quimbundo and is based on an exclusive personalised service, dedicated offices, a specialised, focused team and a portfolio of solutions to anticipate the needs of each customer.

The Banco Económico Umoxi segment provides a solid opportunity for the Bank's development. This segmentation strategy represents another step in Banco Económico's commitment to create innovative solutions and financial services that meet current needs and trends in a new class of more demanding, more challenging customers, contrasting to the traditional products and services offered by the Angolan banking sector.

Throughout the year, Banco Económico played an active part in exhibitions and regional events, such as FIB, Expo Huíla, Festas do Namibe and Festas do Uíge. The idea of the Bank's presence at these events was to stimulate regional and sectorial economic development and promote the Bank's solutions for assisting Angolan entrepreneurs in implementing their business projects, stimulating local economies and boost economic diversification in Angola's regional business world.

BANCO ECONÓMICO ART GALLERY

It was not only on areas directly associated with banking that Banco Económico focused its attention in 2016. Culture and art were also constantly on the bank's agenda. Banco Económico Art Gallery is located in the head office building and is a contemporary space devoted to promoting culture and art. It embodies Banco Económico's commitment to the valorisation of the people and heritage involved in Angola's culture. It held three major exhibitions in 2016.

"Fragmentação 1.0"

The first opened in February 2016 and featured **Januário Jano** in his first major solo exhibition in Angola, entitled **"Fragmentação 1.0"** In the artist's first solo exhibition in Luanda he showed around 30 new works including paintings, installations, site-specific and video art.

It opened on 18 February and stayed at the Banco Económico Gallery, at no. 8 Rua do 1º Congresso do MPLA in Luanda for two months.

"Conexões Femininas"

From July to the end of August, the **Banco Económico Gallery presented an exhibition entitled "Conexões femininas"** by artists Ana Maria Silva, Lola Keyezua and Rita GT.

These three internationally renowned artists showed 52 works of art in the form of installations, paintings, photographs and video in a relaxed atmosphere designed to show art from a female point of view.

"Not Bok Aglomeração no Espaço e nas Memórias"

In November 2016, the Banco Económico Art Gallery received the exhibition "Not Bok Aglomeração no Espaço e nas Memórias" by the Angolan artist Nelo Teixeira.

This solo exhibition was the result of the transformation of items that the artist found in the streets of Luanda, the vertical (tall buildings) and horizontal (shanty towns) city.

BANCO ECONÓMICO ART GALLERY IS CURRENTLY ONE OF THE LARGEST AND BEST EQUIPPED EXHIBITION HALLS IN ANGOLA, WITH ARCHITECTURAL FEATURES THAT RIVAL THE BEST IN THE WORLD. IT HAS ALREADY BECOME A POINT OF REFERENCE ON THE ANGOLAN CULTURAL SCENE.

3, GOVERNANCE AND SUPERVISION MODEL

3.1 CORPORATE BODIES

OFFICERS OF THE GENERAL MEETING
Abílio Augusto Ferreira Lemos Almeida Gomes (Chair)
Ana Paula Marques Godinho (Vice-Chair)
Domingos António Monteiro (Secretary)

BOARD OF DIRECTORS
António Paulo Kassoma (Chair)
Sanjay Bhasin
Inocêncio Francisco Miguel
Pedro Filipe Pedrosa Pombo Cruchinho
Eduardo Araújo Nunes Pinto

EXECUTIVE COMMITTEE
Sanjay Bhasin (Chair)
Inocêncio Francisco Miguel
Pedro Filipe Pedrosa Pombo Cruchinho
Eduardo Araújo Nunes Pinto

AUDIT BOARD
Mazars Angola represented by Carlos Freitas (Chair)
Mário Lourenço
Adilson Humberto Sá Nogueira

INDEPENDENT AUDITOR
Ernst & Young Angola Lda

3.2 EXECUTIVE COMMITTEE

The Board of Directors delegates the Bank's current management to its Executive Committee, which is responsible for strategy's implementation and management of all business activities and operations as well as the Bank's organisation.

EXECUTIVE COMMITTEE MEETINGS

The most important aspects of the current management of the Bank, including strategy implementation, are approved by the Executive Committee at its ordinary and extraordinary meetings.

MONITORING COMMITTEES

The Executive Committee has a number of committees to monitor the Bank's different business activities with the following proposes:

Credit Committee: Analyses and approves loan operations proposed by the commercial departments, with an opinion from the Risk Department.

Business Committee: Analyses the Bank's commercial activity and proposes future improvements.

Treasury Committee: Analyses market conditions and the liquidity position, monitors financial flows and approves payments.

ALCO: Analyses the balance sheet evolution in its assets, liabilities, profits and losses, and analyses the financial policy based on the macroeconomic outlook.

Risk Committee: Analyses the different banking risks, with special focus on the credit risk of loans portfolio, and proposes measures for improving and controlling the inherent risk.

Control Committee: Analyses and monitors the main regulatory changes and internal control procedures.

Resource Committee: Monitors and approves the main organisational, operational and IT projects.

DISTRIBUTION OF RESPONSIBILITIES

Banco Económico divides its different business, support and control areas into departments and offices, which are grouped into divisions, reporting to the respective executive director. This areas division is made in order to ensure a proper functions' segregation and specialisation.

3.3 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 relevant 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, operational, ethical and conduct requirements imposed by the competent supervision authority.

It is responsible for promoting and ensuring the Bank's Compliance policy updates 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 submit their activity reports to the Bank's Board of Directors and Audit Board with reference to 30 November.

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. This access covers documents, digital devices, apps and physical, computer and 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: Code of Conduct, Internal Audit Regulations and Internal Audit Manual.

In 2016, the Internal Audit Department continued its plan for full adoption of the function's international standards, especially the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).

It also increased its workforce, implemented predictive analysis tools over alert situations, conducted training and reinforced the specialisation, with particular focus on the creation of the IT Audit Unit.

The assessments performed contributed considerably in mitigating the business risks, reinforcing the control environment and strengthening the internal control system.

The main challenge expected for 2017 is the platform's implementation allowing an end-to-end management of internal audit process.

4, 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.

At the top of the list during its business management are impartiality and independence in what they do 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 AND TERRORISM FINANCING POLICY

The ability to detect and prevent possible money laundering and terrorist financing results directly from Banks' knowledge of certain key elements about their 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). Its 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 these phenomena, 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 the transaction and counterparty risks. There are two moments when this knowledge is particularly important:

- When opening 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 for fulfilling the Bank's legal and regulatory obligations.

The prevention of money laundering and terrorist financing is one of the pillar of trust in the financial system and it is constantly being considered by Banco Económico.

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

5. BUSINESS ACTIVITY

5.1 MACROECONOMIC BACKGROUND

THE GLOBAL ECONOMY

The global economy grew by 3.2% in 2016, which represented a slight slowdown comparing the 3.4% recorded in 2015. The emerging and developing countries essentially contributed to this result with their 4.3% growth rate in 2016. The developed economies recorded a slowdown of five tenths to 1.7% in 2016, which affected the overall picture.

Among the developed economies, the United States made a negative impression with a growth of 1.6% in 2016 as opposed to 2.6% in 2015. In spite of a robust recovery in the labour market, which drew close to full employment by reaching an unemployment rate of 4.7%, low productivity led to salaries stagnation, which affected the country's growth. The activity was stronger in the second half of the year, perhaps due to the "Trump effect". The new US president promised 4% annual growth in the economy and his agenda included tax cuts for companies and individuals, public investment in infrastructure and a reduction in regulation in order to stimulate economic growth to reduce the negative effect of gradual reduction in monetary incentives that the a Federal Reserve (Fed) had under way.

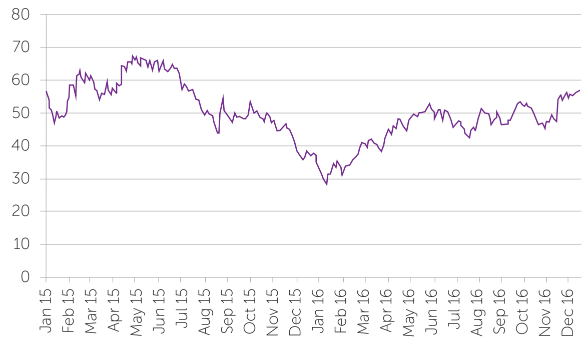
The Euro Area maintained a moderate growth rate of 1.8%, two tenths lower than the previous year, but within expectations. The low prices of raw materials and the depreciation of the Euro helped to support growth, though the effect was diluted by a reduction in trade activity and increased political uncertainty at a global level. The European Central Bank (ECB) continued to play an important role and maintained its accommodative monetary policy, while interest rates are maintained in negative territory. The United Kingdom surprised the market by voting to leave the European Union (known as Brexit), which led to the resignation of Prime Minister David Cameron. Meanwhile, in spite of the uncertainty generated resulting into a sharp devaluation of the British Pound, domestic demand did not suffer as much as expected, and the UK showed solid growth of 1.8%.

Regarding the emerging and developing markets the picture is mixed. The 6.7% growth in China exceeded expectations supported by growth stimulation policies. However, in Latin America economic activity decreased, which include the recession verified in Argentina (-2.3%) and Brazil (-3.6%). The Russian economy stagnated (-0.2%), which was in fact an improvement comparing to the -2.8% recorded in 2015, due partly to the performance of oil prices.

OIL MARKET

In 2016 we witnessed the recovery of oil prices with investors' positive reaction to the agreement signed by the main oil producers to reduce supply. The agreement was negotiated by the OPEC countries but later expanded to other producers. For the first time in many years there were no unilateral breaches. The expectation of United States economic recovery as a result of Trump's new policies and the decreasing fear of a hard landing in China supported the prices growth. The price per barrel rose more than 50% in 2016, thereby recovering almost completely from the fall in 2015.

Evolution of BRENT's price

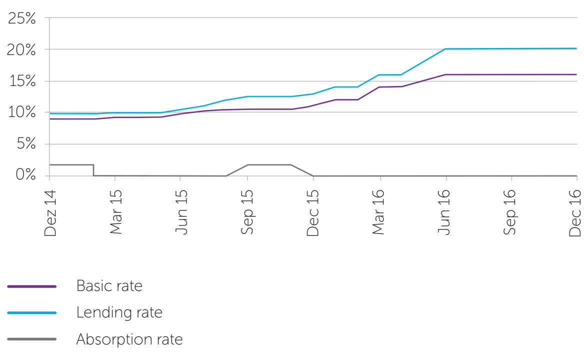


THE ANGOLAN ECONOMY

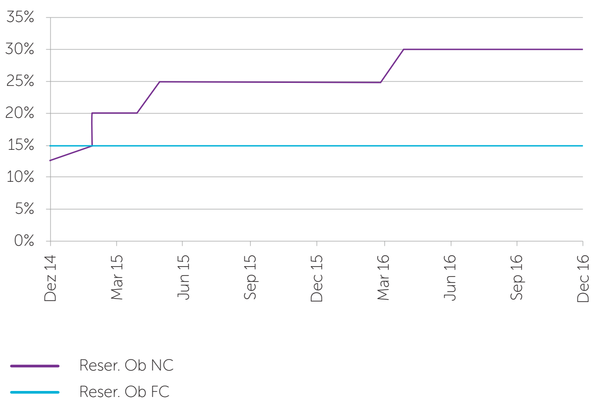
The effects of the fall in oil prices that began in mid-2014 continued to affect the Angolan economy in 2016, with considerable impacts on tax revenue, exports and the exchange rate. Economic growth stagnated in 2016 comparing to the 3% growth in 2015. The non-oil sector grew 1.2%, pressured by the manufacturing sector, whose growth was limited by problems in importing raw materials and other industrial components due to the lack of foreign currency, in spite of the potential for replacing imports. The oil sector was strongly affected by operational problems in some production blocks, delays in the implementation of some projects and the investment reduction in the sector.

The restrictive monetary policy introduced in 2015 continued into 2016. Banco Nacional de Angola (BNA) increased the basic interest rate from 11% to 16% during the year. Loans and advances to credit institutions also rose from 13% to 20%, the rediscount Interest rate went up from 15% to 20% and Mandatory Reserves in domestic currency went from 25% to 30%.

Evolution of BNA Interest rates

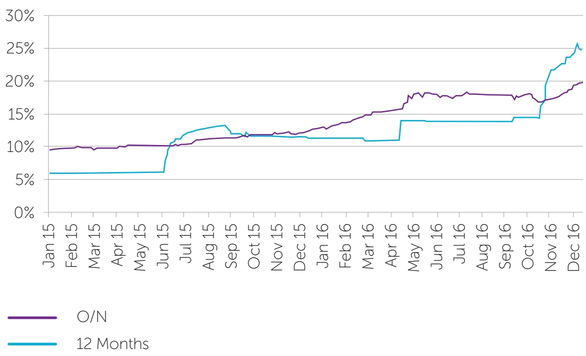


Evolution of Reserves' Interest rate

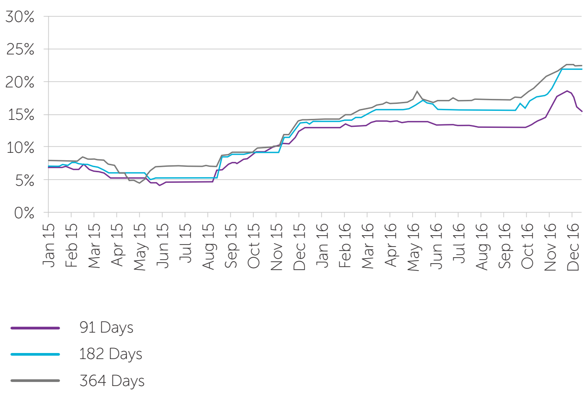


This policy resulted in an increase in interest rates of 5 to 6 percentage points on the interbank market, with particular attention to the overnight rate, which rose 14 p.p. and ended the year at 25%. Treasury Bills accompanied the same trend while the rates on indexed bonds remained stable.

Evolution of Luibor

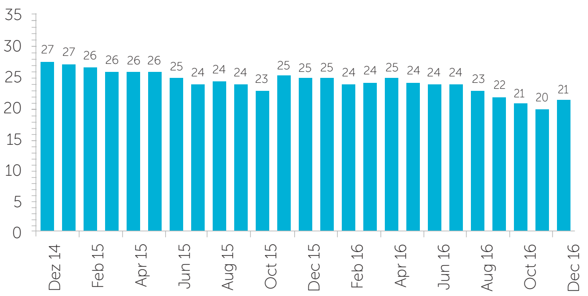


Evolution of Treasury bills' Interest rates

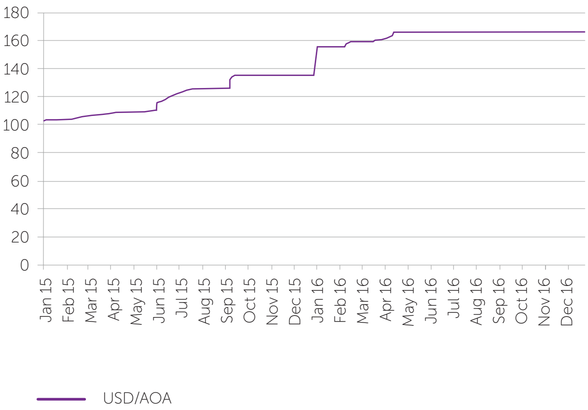


The BNA kept a close monitoring on the foreign exchange market, with very prudent management over the sales of foreign currency, allowing to avoid a sharp drop in international reserves. At the end of the year, the balance of international reserves stood at USD 21.4 billion, which was USD 3.1 billion lower than 2015, though the levels were still relatively comfortable. In spite of all efforts, the international circumstances resulted in the continued devaluation of kwanza comparing to dollar of around 22%, essentially concentrated in the first quarter of 2016. After that, the exchange rate stabilised and ended the year at 166.728 comparing to USD. The total amount of foreign currency provided by BNA in 2016 was AKZ 11.6 billion, 30% less than the previous year.

Net International Reserves (MM USD)



Evolution of Foreign Exchange rates



The rise in fuel prices and the effects of the kwanza devaluation on the price of imported products, which represent a substantial part of domestic demand, led to a sharp increase of inflation to 42% at the end of 2016, the highest rate in over a decade. It is expected that the importance of these factors will gradually fade and inflation will slow down in 2017.

In terms of the commercial balance, the fall in the average price of oil and the constraints on production affected Angolan exports, though imports also fell 27.8% as a result of the adjustments that were made to the lack of foreign currency. The balance of payments showed a deficit of 4.3% of GDP at the end of 2016, which was less than half the figure verified in 2015 thanks to considerable efforts on the expenditure component. However, the needs for finance are still high, and the general level of borrowing rose to over 70% essentially through foreign loans.

5.2 COMMERCIAL BANKING

2016 witnessed a strengthening in recognition of the Banco Económico brand. This was reflected by an increase in our customer portfolio, resources and more dynamic and commercial focus from our teams on meeting customers' needs.

A new segment was launched for private customers as part of our service segmentation strategy. The Umoxi brand was created as a new service for medium-high income customers who are looking for personalised care and high-quality advice on the management of their assets and investments in financial products and services. Umoxi customers have their own separate service area with an exclusive account manager focusing on quality, satisfaction and efficiency.

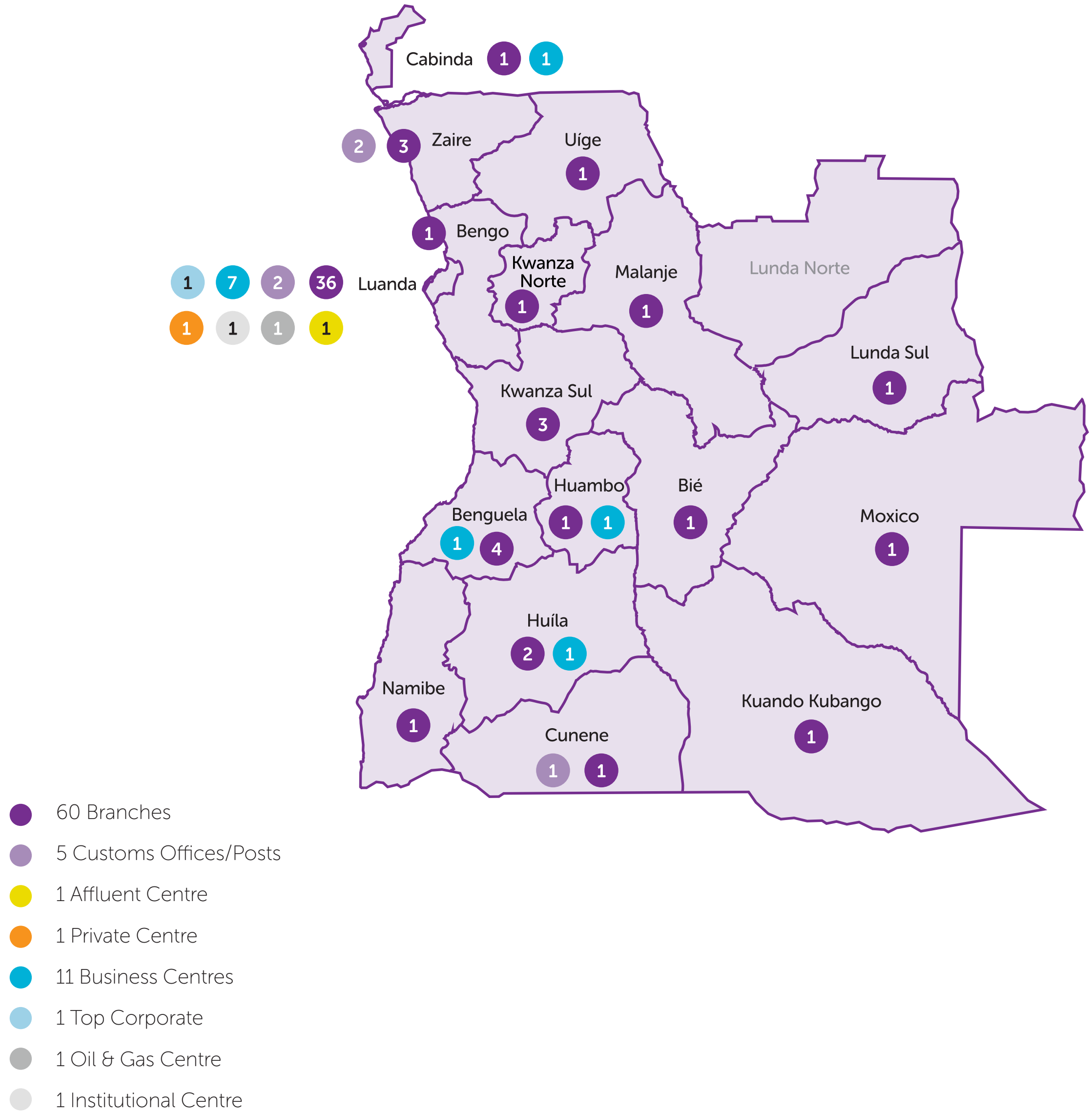
GEOGRAPHICAL COVERAGE

In 2016, Banco Económico made small adjustments to its distribution structure and optimised its positioning to match its customers' profile.

It opened its first operation in Kwanza Norte Province through a branch in the city of N´dalatando. In Luanda, a new business centre was opened, the first Umoxi affluent centre was set up and three branches were closed.

One branch was closed in Huila Province, remaining two branches and a business centre. An agency was closed in Benguela and its services were incorporated into other existing branches.

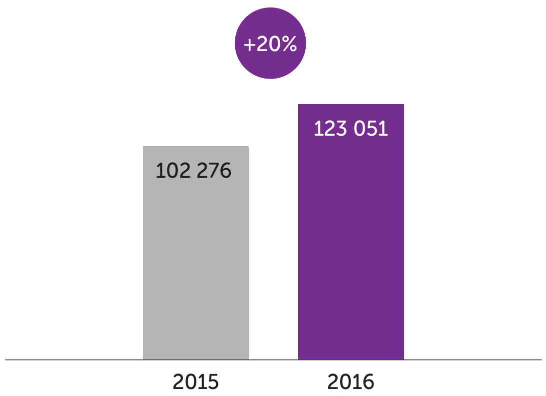
Banco Económico ended 2016 with 81 customer service points and has national coverage being present in the main cities.



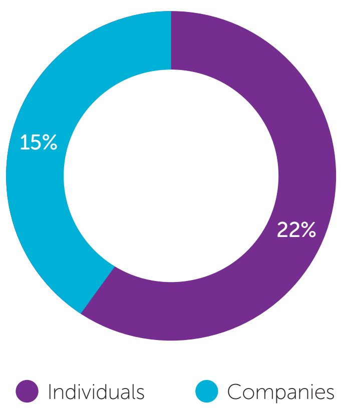
CUSTOMER PORTFOLIO

There was another substantial growth in our customer portfolio (+20%; 2015: +18%) to a total of 123,000 customers. This reflects the attraction of around 20,000 new customers. The private segment grew by 15%, while the business segment increased 22%.

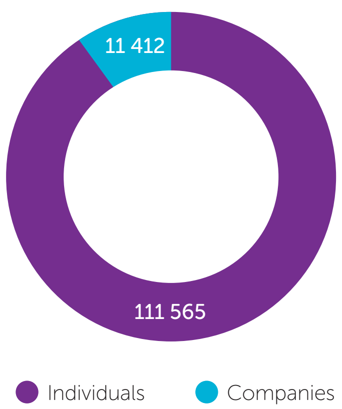
Customer portfolio



Growth in the customer portfolio



Customer portfolio by segment



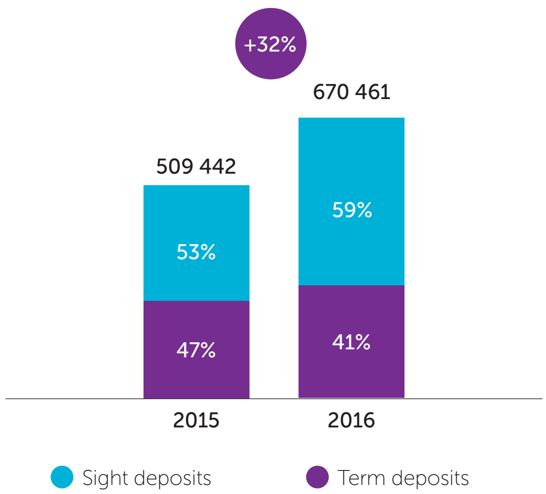
The increase in our customer portfolio clearly demonstrates confidence in the BE brand, the continuing effort on growing the financial services offer and consolidation of our distribution network.

CUSTOMER DEPOSITS

The banking sector's total customer deposits rose by 15% to 7.043 billion kwanzas.

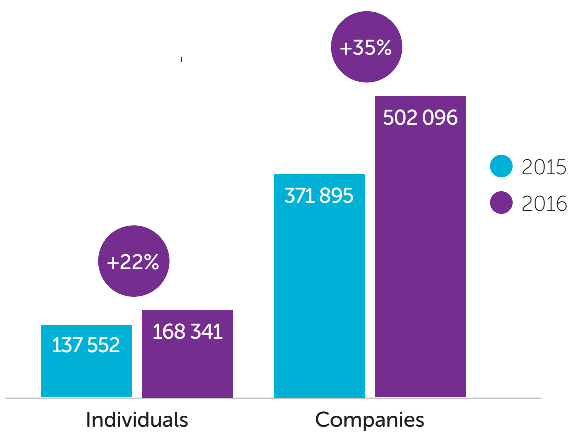
In 2016, BE showed a growth of 32%, corresponding to AOA 160 billion. This increased its market share from 8.3% to 9.4% and consolidated its position as the sixth largest Bank in the system in terms of deposits.

Customer deposits (AOA million)



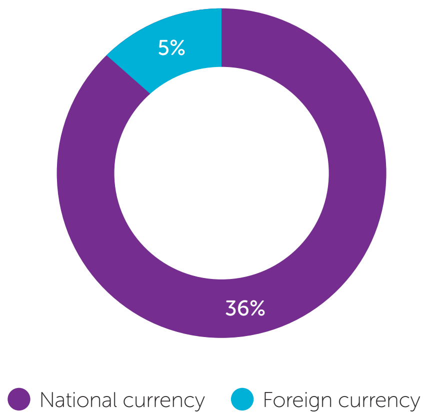
The growth in our client's deposit portfolio occurred simultaneously in the private segment (+21%) and business segment (+35%).

Deposits by segment



Customer funds denominated in kwanzas rose 36% in 2016, while those in foreign currency grew 5%. This performance resulted in a 2% reduction in the weight of customer funds in foreign currency to 58% of total deposits.

Growth in deposits by currency

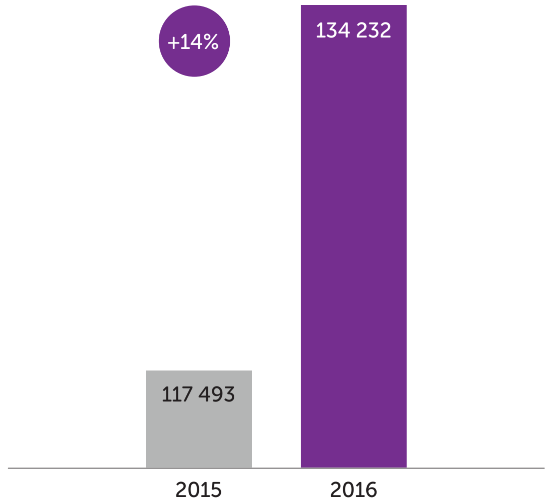


The introduction of new savings and investment products contributed to the growth in our customer deposit portfolio.

LOANS AND ADVANCES TO CUSTOMERS

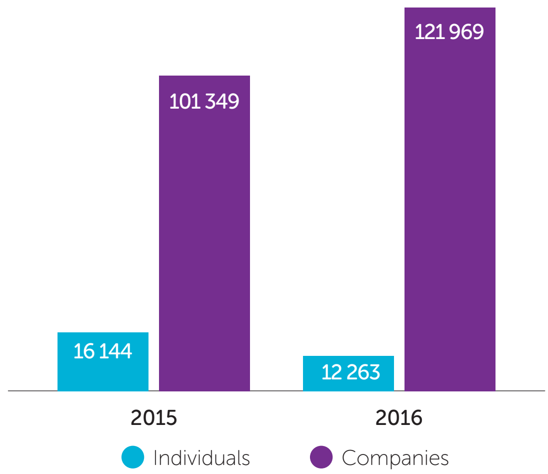
In 2016, Banco Económico stepped up its support for the economy with loans growing 14% comparing to 2015, in spite of the general contraction in the different sectors of the economy and a substantial rise in interest rates caused by a stricter monetary policy.

Loans and advances to customers (AOA million)



The growth in loans and advances focused mainly on production sector, corroborated by the increase of 20% on Loans granted to companies and a reduction of 24% on private customers.

Loans and advances to customers by segment (AOA million)



The support granted to production sector has been provided preferably through leasing operations and the Angola Investe Programme.

The loans and advances to customers' portfolio includes AOA 47 billion from a Treasury bond and respective accrued interest. The balance has not been considered in this analysis due to its distinctive nature.

DIRECT CHANNELS

New services and development of existing services

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

2016 was a year of consolidation and closure of a cycle with the introduction of three new services:

- The **Economico**Net App, a mobile banking solution for private and business customers available on Android and iOS mobile phones;
- Consult@Cartão, an internet banking solution for corporate credit card users;
- The **Economico**Net Balcão service, a solution that makes the platform's new multi-channel services available to the Bank's commercial networks.

At the same time, it continued to improve its two existing internet banking services, EconomicoNet CORPORATE (companies) and EconomicoNet (private banking customers), with the introduction of new functionalities.

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

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.

Performance of services

At the end of 2016, the **Economico**Net CORPORATE internet banking service for companies reached a total of 2,241 subscribers, which represent an increase of 72% comparing to December 2015. Transactions grew 30% to almost 70,000.

Regarding the private customers, the subscription number to the internet banking services rose 398% comparing to 2015 reaching a total of 9,752. In terms of transactions, the number grew 2,626% to 39,479.

At the end of 2016, the EconomicoNet App, a mobile banking solution for private and business customers, was introduced to complement the internet channel, making it one of the most complete services in the Angolan market. The service can be used on Android and iOS smartphones offering to Banco Económico customers a pleasant experience and a high mobility service.

INSTRUMENTS OF PAYMENT

The upward trend in cards, ATMs and APTs/POSs continued in 2016.

Debit and credit cards

Multicaixa debit cards grew by 19.4% in number of cards and 63.7% in invoiced amount, which reached 27.249 billion kwanzas.
Regarding credit cards, despite the increase of 8.9% in the number of cards, there was a decrease of 24.7% in invoiced amount, due to foreign exchange limitations.

SERVICE AND METRICS	2015	2016	Δ 2016/15	
			#	%
Multicaixa debit cards | No. cards	45 434	54 248	+8 814	+19,4%
Multicaixa debit cards | Invoiced amount AOA (thousands)	16 649	27 249	+10 600	+63,7%
Multicaixa credit cards | No. cards	4 968	5 408	+440	+8,9%
Visa cards | Invoiced amount AOA (thousands)	11 971	9 008	-2 963	-24,7%

Automatic payment terminals

Activity in automatic payment terminals (TPA) grew substantially. The number of terminals rose 29% and transactions 86.6%.

SERVICE AND METRICS	2015	2016	Δ 2016/15	
			#	%
Automatic payment terminals | no.	1 735	2 238	+503	+29,0%
Automatic payment terminals | Invoiced amount AOA (thousands)	28 380	52 958	+24 578	+86,6%

ATMs | Teller machines

Even though the number of the bank's Multicaixa ATMs increased by only one to 89 machines, the value of financial transactions rose 44.1%, due to greater availability and operability of the installed machines, which reflected the improvement in quality indicators for ATM services in terms of operability, lack of notes and absence of paper.

SERVICE AND METRICS	2015	2016	Δ 2016/15	
			#	%
Business activity indicators				
ATMs | No.	88	89	+1	+1,2%
ATMs | Invoiced amount AOA (thousands)	42 601	61 399	+18 798	+44,1%
Quality of service indicators				
ATMs | Operability rate	94,69%	96,37%	+1,68%	-1,77%
ATMs | Down time due to a lack of notes	16,10%	13,82%	-2,28%	-14,16%
ATMs | Down time due to lack of paper	8,21%	6,18%	-2,03%	-24,73%

5.3 BANCASSURANCE

The 2016 was the second year of the bancassurance project with Tranquilidade Angola where was consolidated the knowledge over distribution network, products and their insurance coverages. It was also verified a reinforcement of Commercial dynamism and the revision of some coverages in the non-life products.

The insurance policies sold in 2016 reached AOA 432 billion in premiums, with a predominance of non-life products, representing 96% of total sales. Our insurance penetration rate is only 1.4% of the current customer portfolio which represents a great potential for growth in this field.

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' promoters which present a best position to fit the government's aim 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.

The Bank prioritized the allocation of the available financial resources to most promising sectors considering the growth potential, namely those based on sustainable use of Angola's natural resources, focused on replacement of imported products and focused on promoting the products' exportations with competitive advantages in the regional markets of sub-Saharan Africa. In spite of the difficulties in recent years, Angola has reduced the part of GDP originating from the oil and diamond industries: 30% in 2016 comparing to 46% in 2010. Nonetheless, this space has been occupied by service sectors (over 40% of GDP) and not by the production sectors, which still have a little expression: agriculture (11%) and industry (7%).

In this scenario, the DBI stepped up support provided to Bank's commercial areas in order to achieve an understanding of customers' needs and respond to their expectations in a realistically and adapted way considering the current economic context. The offer of loan products is always preceded by a careful assessment of the projects and their promoters. In this assessment is considered the way that customer manage and maintain the viability and sustainability of its businesses, being important a balance between private equity and bank loans, which are very costly at the moment.

In addition to loan provider, Banco Económico wishes to be a partner and financial adviser for customers by establishing a medium/long-term relationship focusing in success of their business and ensuring the fulfilment of Banks' and other stakeholders commitments.

In order to compensate the business 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 operational monitoring of projects with the assistance of external consultants and institutional monitoring with government bodies (MINEC, INAPEM, FGC).

In 2016 the DBI approved 18 projects, amounting to AOA 6.9 billion of financing, 13 of which are currently in disbursement stage. We expect the programme continuance during 2017 with support of MINEC. The DBI already assure a promising pipeline of projects in the analysis phase.

There has also been an increase in requests for support services for companies in the preparation of information packages (their credentials, size and sectorial and economic importance) for submission to government authorities (Ministry of the Economy (MINEC) and other ministries) to justify their needs of foreign currency in pursuing their operations.

In spite of a reduction in intentions to make foreign investments, the DBI continues to monitor international investors that are interested in investing in Angola. It provides detailed information on the economic, financial, tax, legal and regulatory situation and gives advice on the best solutions for undertaking investment projects, partnership possibilities, increasing the future establishment and cross-selling possibilities.

Finally, through its capital market area, the DBI accompanied and assisted the regulator (CMC) and the management body of the regulated market (BODIVA) in 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). This new public debt market was officially opened on 15 November 2016, which included on its platform (SIMER) the services of securities trading, post-trading, settlement and custody.

The DBI plans 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 fixed and float income securities), and in the secondary market (brokering securities in the organised market).

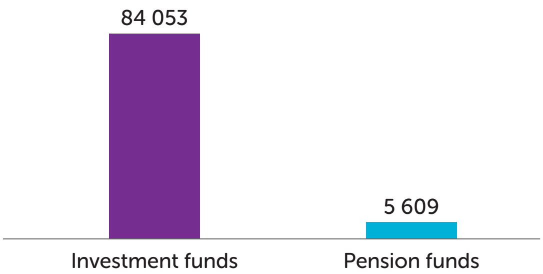
The Bank is registered with the CMC and has been admitted to BODIVA as a trading and settlement member for this purpose.

5.5 ASSET MANAGEMENT

The companies operating under the brand Económico Fundos currently manage two real estate investment funds, one aimed to rentals and the other one for asset appreciation, and five pension funds.

The total assets managed amounts to AOA 90 billion, and could be divided as follows:

Assets under management (AOA million)

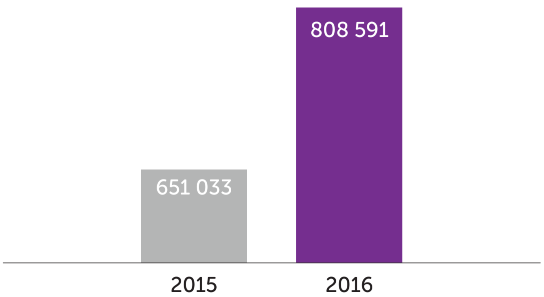


Regarding Real estate investment funds, are managed and commercialized six top-quality buildings in Luanda:

- Torres Oceano
- Torres Loanda
- Torre ESCOM
- Edifício Vitória
- Quinta da Rosa Linda
- Acquaville

Management fees grew 24% comparing to 2015.

Management fees (AOA millions)



5.6 FINANCIAL MANAGEMENT

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

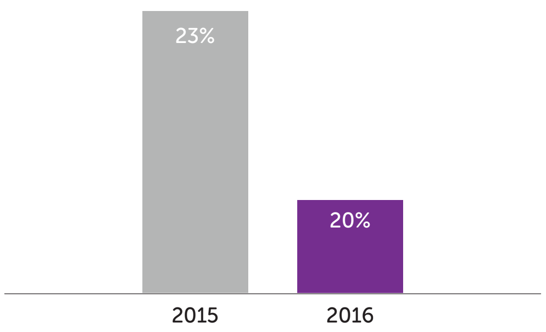
LIQUIDITY MANAGEMENT

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

- 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.

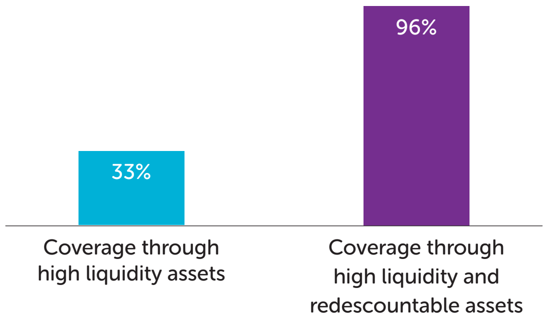
These measures resulted in a 32% rise in customer deposits in 2016. This, combined with a 14% increase in loans and advances, reduced the credit to deposit ratio by 3 pp to 18% at the end of 2016.

Credit to deposit ratio



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.

Liquidity ratio



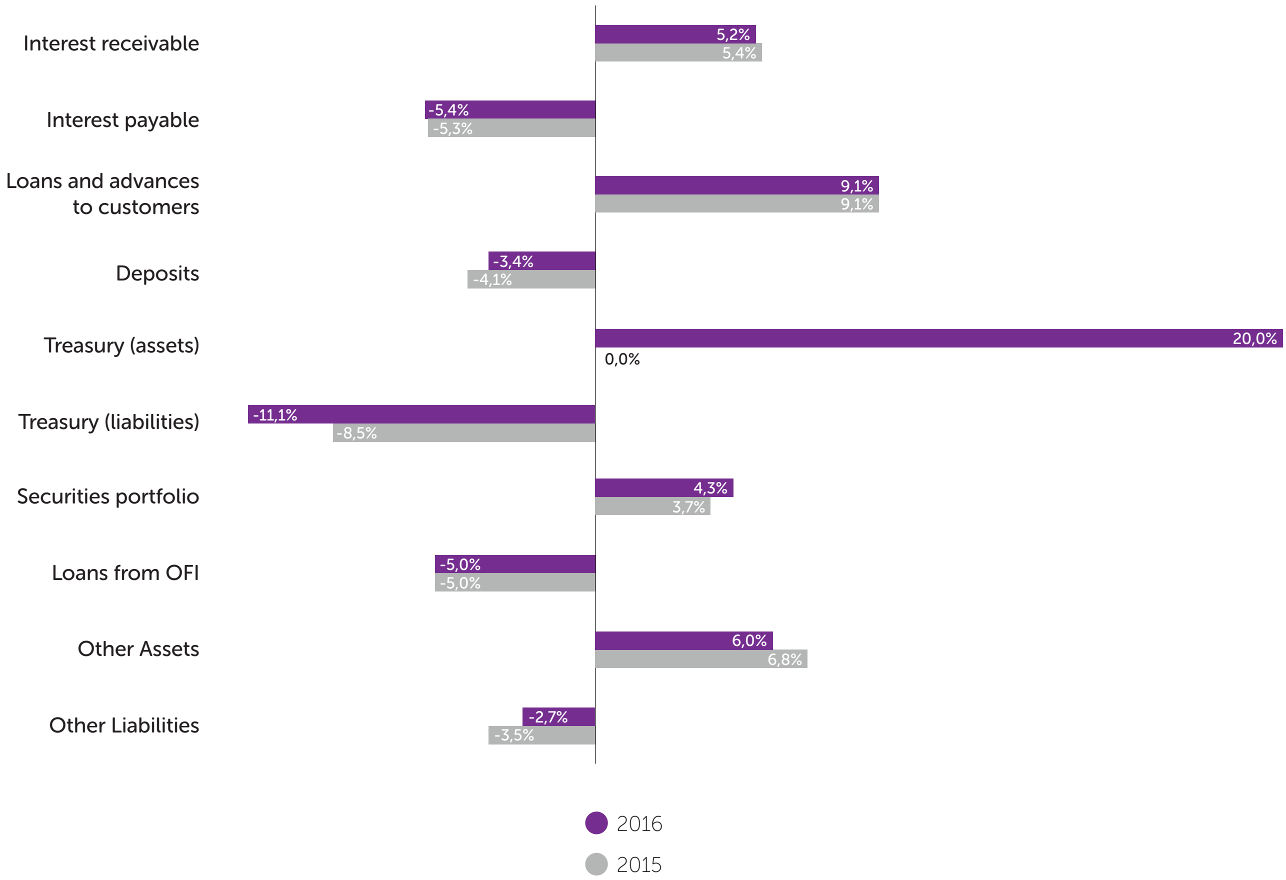
ASSET AND LIABILITY MANAGEMENT

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.

There was a significant rise in the cost of loans and advances from Banco Nacional de Angola in 2016 due to an increase in interest rate from 13% to 20%. Although it was mitigated by a 1.9 pp increase in the average interest rate on loans and advance to customers and a 0.7 pp reduction in the average interest rate on deposits, this increase resulted in a financial loss of around AOA 2.5 billion in 2016. In March 2017, the bank reimbursed completely the funding obtained from Banco Nacional de Angola, which will enable us to recover our net interest income during 2017.

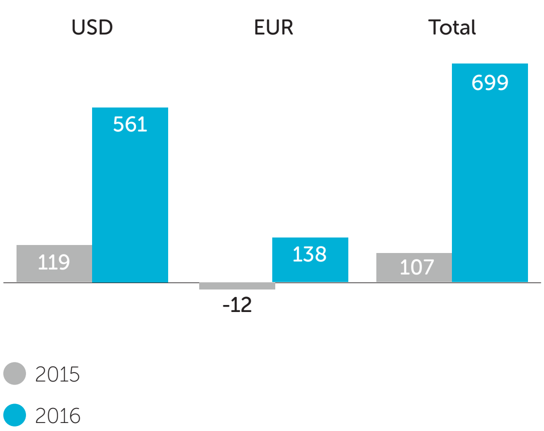
Average asset and liabilities rates of return



EXCHANGE MANAGEMENT

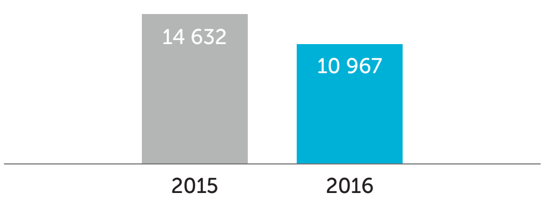
As part of its exchange management, Banco Económico permanently monitors its exposure in order to ensure its correct macroeconomic positioning by adopting strategies to neutralise the devaluation risk of the Angolan currency.

Exchange position (USD millions)



Due to bank's exchange position and fluctuations in exchange rates, exchange gains in 2016 were around AOA 11 billion, which was 25% lower than in 2015, essentially due to the lower devaluation of the kwanza in 2016.

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 equity and business activity, as well as the assessment of its risk profile comparing to the return on each business line.

In 2016, Banco Nacional de Angola issued new regulations on risk management and reporting by financial institutions.

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.

The Risk Management Office (GGR) was set up in this context in 2016. Its main objective is to coordinate and supervise risk management policies and risk governance practices, as well as create tools and models for risk management and analysis of exposure.

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 degree.

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 degrees 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 quantitative and qualitative potential effect;
- Prevent the risk by monitoring relations with customers and transactions recorded through the business reports issued by other offices and departments;
- Create and implement mitigating mechanisms over the impact of reputational risks;
- Record and control the variables that characterise the bank's reputation in order to maintain exposure at the established tolerance level and timely mitigate potential deviations.

LIQUIDITY RISK

In addition to the liquidity risk policies mentioned, the bank has been taking the prudential measures introduced by Banco Nacional de Angola, such as the regulatory liquidity ratio and observation ratios.

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 in profits and Equity.

INTEREST RATE RISK

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

EXCHANGE RATE RISK

Concerning the exchange rate risk, in addition to Bank's financial management strategy, is regularly quantified the effect on profits of 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, namely the customers' ability to meet payment deadlines and offered guarantees, and provides its opinion.

All loan applications are analysed and approved by the Loan Board, considering the information regarding the operation context and opinion provided by the loan analyst.

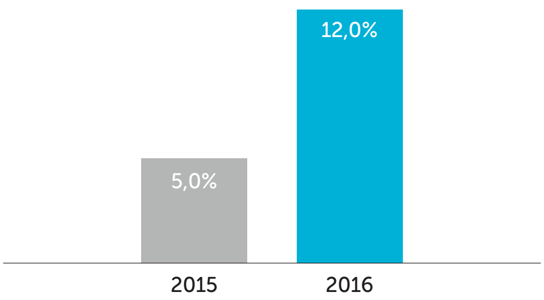
The Risk and Credit Control Department and the commercial areas permanently monitor the bank's loan portfolio and credit risk. The Risk Committee meets every month and analyses the main indicators and risk positions.

Extrajudicial and judicial recovery is handled by the Risk and Credit Control Department with the support of Legal Department after all commercial measures to recovery.

Quality of our credit portfolio

There was an increase in overdue credit and credit at risk in our portfolio compared to 2015, due to the deterioration in economic conditions, especially in the corporate segment.

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 reinforcing its internal control system in accordance with best international practices and regulatory requirements, as set out in BNA Notice 02/2013 of 22 March and laid down under 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 mapping of risk and controls in the bank's processes, analysis of the data gathered in assessment (qualitative) questionnaires and (quantitative) records of events. 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 on that Committee, while the third is adjusted to the Banco Económico reality.

5.8 CAPITAL

The reduction in the bank's solvency ratio comparing to 2015 was due to an increase in forex exposure and the deduction of major risks, both related to the participation in the priority goods import programme.

Solvency ratio

	2015	2016	var
Assets in risk	**574 382**	**822 760**	**43%**
Credit Risk	486 092	648 960	33%
Foreign exchange Risk	88 290	173 800	97%
Risk Average	67%	75%	8%
Regulatory Equity	**102 306**	**98 383**	**-4%**
Tier 1	44 313	39 838	-10%
Tier 2	57 993	71 013	22%
Great risks	0	-12 468	100%
Solvency ratio	**17,81%**	**11,96%**	**-5,83%**

5.9 RESOURCES

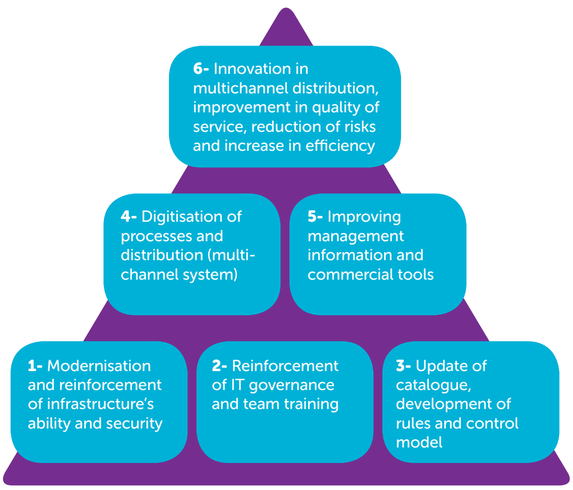
OPERATIONAL TRANSFORMATION PLAN

In 2016, Banco Económico continued its operational transformation plan with four central goals:

- Technological modernisation and digital conversion of its operating model;
- Innovation in products, services and distribution channels;
- Operational efficiency and quality of service;
- Risks 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.

The projects were divided into six transformation initiatives over 2016:



Modernisation and reinforcement of infrastructure's ability and security

In 2016, the IT Department renewed its leadership and began renovating its IT management model (IT governance) and improving the human resources abilities. At the same time, it stepped up the capacity and resilience of its data communication infrastructure and data processing centres and worked on the convergence of technological solutions and a reduction in operating costs in a commitment to improve quality of service. The measures included:

- Modernisation and optimisation of data communications
  - Reorganisation of the WAN data network, connection to branches, replacement of VSat technology by MPLS, reduction in costs and improvement of service;
  - Redesign and optimisation of redundant circuits (backup).

- Modernisation of data processing centres
  - Migration of the main data processing centre to new, custom-built facilities equipped with cutting-edge APC technology and the best practices, thereby eliminating the operational risk of the previous facilities;
  - Launch of the outsourcing plan for the contingency data processing centre, restructuring of disaster recovery architecture and separation of non-productive and disaster recovery environments;
  - Start of 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.

- Infrastructure management
  - Reinforcement of 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 available services.

Reinforcement of IT governance and team training

In 2016, 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:

- Reinforcement 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;
  - Increase in cost control, in line with the bank's corporate budget management model;

– Purchase and first steps in implementation of the new ITSM program (IT) management.

• Improving skills
– Hiring of critical resources in the areas of systems administration and database management;
– Drafting of an ambitious training plan suited to the bank's medium-term needs with courses in critical areas.

Update of catalogue, development of rules and control model

Update of catalogue and development of rules

The bank continued its work of updating its catalogue of processes and improvement of 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 84 rules and 49 forms in 2017:

Processes and procedures		Forms	
New	Reformulated	Digitised	Altered
35	49	25	24

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 departments in 2016.

• Satisfaction survey
Banco Económico stepped up its concern with quality and customer satisfaction regarding its products and services with the ambition of being the best bank in Angola. In 2016, the bank conducted its first general customer satisfaction survey to measure their opinion and be able to rectify the causes of low satisfaction. 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.

• Complaints
The bank improved its processes for the receipt, registration and handling of complaints in order to provide a better response to its customers' concerns and reduce response times. We also introduced a warning system to avoid exceeding internal and regulatory deadlines.

Digitisation 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 conversion, with three central goals: improve quality of service to a level of excellence, eliminate the operational risk and risk of fraud and increase operating efficiency.

Digitisation of processes | Workflow and document management

Since 2014, the bank has been digitising its processes based on two tools: Workflow (BPM) and digital document management (ECM/DMS).

In 2016, we continued the digitisation of our operational model, with 45 new processes in Workflow to make a total of 115 digital processes.

At the same time, the development accelerator (Gx BPM), which develops and executes workflows on the IBM BPM platform, was equipped with new functionalities: integration with the banking system for checks and operations, despatch of communications to customers (texts/emails) informing them of the status of requests, rules for automatic forwarding of requests and rules on confidentiality and visibility of requests.

The digitisation of Workflow processes provided strict 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 showed below the defined levels of service.

After three years using the platform, we drew up a plan for updating it. This plan will be implemented in 2017 and allow the portability of the solution via mobile terminals, creation of a corporate (single) solution for digital document management and introduction of a business rules engine.

Multi-channel distribution model

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

2016 was a year of consolidation and closure of a cycle with the introduction of three new services:

- The **Economico**Net App, a mobile banking solution for private and business customers available on Android and iOS mobile phones;
- Consult@Cartão, an internet banking solution for corporate credit card users;
- The **Economico**Net Balcão service, a solution that makes the platform's new multi-channel services available to the bank's commercial networks.

At the same time, it continued to improve its two existing internet banking services, EconomicoNet CORPORATE (companies) and EconomicoNet (private bank customers), with the introduction of new functionalities.

Improving management information and commercial tools

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

The bank reintroduced the MAC – Commercial Monitoring Model, a CRM (Customer Relationship Management) solution that will help its two customer departments to provide a more effective service (operational CRM) and in the development of business figures in line with its goals.

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

The work that the bank has been doing on policies, processes, methods, tools and infrastructure has been aimed at providing the bank with a robust, efficient, compliant operating model, offering excellent service to customers and promoting the innovation in its range of products and services.

Concerning the business support, the bank committed strongly to reinforcing services on the **Economico**Net multi-channel platform. It was intended not only for customers through the apps for Android and iOS but also for re-use of the **Economico**Net architecture to improve services available on the internal channel called **Economico**Net Balcão, which provides payment services (taxes and services) that integrate in real time with the systems of the entities (AGT or suppliers of goods and services).

Concerning the services, we expanded our range of term deposits, types of account and agreements. We also conducted an in-depth revision and ensured the reliability of the bank's tariffs. In 2016, around 160 new products were brought out and the characteristics of around another 160 were altered.

Main projects in 2016 by type:

Strategic
- New Flexcube | Preparation for modernisation of our core banking system

Innovation of products and services
- Securities portfolio management | Custody for customers' and the bank's own portfolio
- Circula Fácil | Road Tax
- Direct debits | Periodic payment of invoices for services provided by companies
- Agreements and salary-linked accounts
- New savings products

Multi-channel distribution
- **Economico**Net Mobile | Apps for IOS and Android mobile phones
- **Economic**oNet | Consult@Cartão portal for checking Corporate credit cards
- **Economico**Net Balcão | Simple, secure, real-time payment of taxes at all branches

Operating efficiency
- New SWIFT Standards | Update of format of SWIFT messages
- Workflow | Integration with Flexcube (banking core)
- Workflow | text / email alerts to customers

Legal and regulatory
- SWIFT Sanctions Screening | AML operations screening tool
- Kiwi Platform | Impairment handling tool
- Taxes | Implementation of Contribuição Especial Sobre Operações Bancárias (CEOB - Special levy on banking operations) and improvement in handling of subjective exemptions

Internal control

- Credit cards | Improvement in operating control reports and reconciliation of accounts process

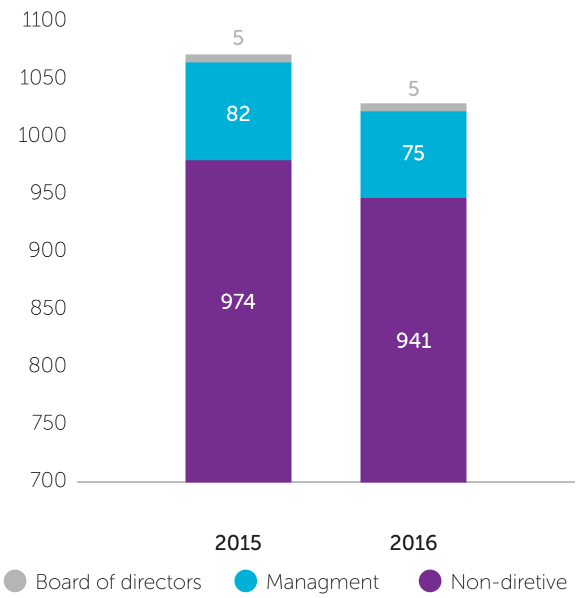
5.10 HUMAN RESOURCES

Aware of the importance that human resources have in the strategy implementation to achieve the goals, in 2016 Banco Económico amended its human resource policies. These amendments affected the key pillars of the policies with a view to accompanying good practices in the sector and making Banco Económico a benchmark in human capital in the Angolan banking sector.

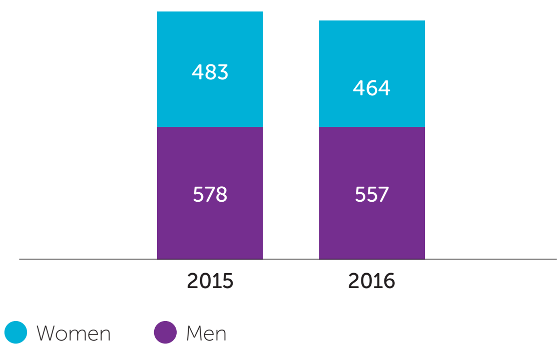
The new policy on functions and competencies, the performance evaluation model and the restructuring of internal processes and the internal communication process are examples of some of the initiatives involved in this change, which has helped to improve the use of the employee portal and create a closer dynamic between employees and the Human Resource Department.

In 2016, the workforce was reduced slightly by 3.8% and currently consists of 1,021 employees (97% Angolans), 464 of whom (45%) are women and 557 (55%) are men.

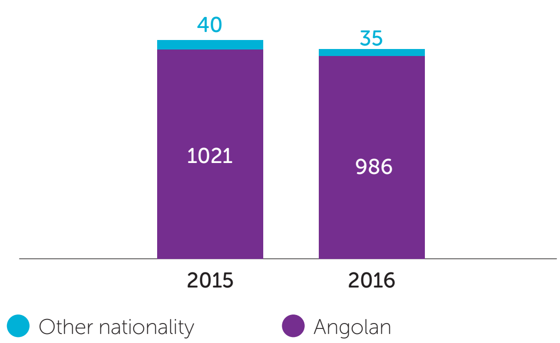
Total human resources



Human resources by gender



Human resources by nationality



In 2017, Banco Económico will continue to change its human resource policies, taking new strategic paths for the development of its employees in order to foster the excellence of its people as a stand-out factor in the market.

5.11 SOCIAL RESPONSIBILITY

Since it went into operation, Banco Económico has always had a strong commitment to promoting corporate social responsibility. The bank's corporate citizenship position involves the creation of a close relationship of involvement with society via the participation of its employees and their families and the community.

In 2016, Banco Económico undertook countless social responsibility activities especially in the areas of health, financial literacy, education and culture.

YELLOW FEVER CAMPAIGN

In response to an appeal from the Ministry of Health, Banco Económico donated USD 50,000 for it to buy vaccines. The donation was supported by the bank's Charity Fund.

The campaign was waged in a number of locations according to the most pressing needs. Light meals were donated in Camama Municipality in support for the Ministry of Health. In Kilamba Kiaxi Municipality 300 light meals plus chairs and tables were donated as back-office support for the vaccination campaign conducted by the local health delegation.

The Bank also disseminated and implemented a vaccination initiative to employees, their families and service companies. The activity took place at the Banco Económico Clinic at the new head office, where 408 people were vaccinated. The campaign was undertaken in partnership with the health delegation.

HPV CAMPAIGN

HPV, or Human Papiloma Virus, is responsible for a large number of infections. Both men and women may be carriers of HPV, sometimes without even knowing, because they have no symptoms. Transmission can occur very easily, through skin or another kind of contact and only vaccination against HPV provides effective protection.

Banco Económico conducted an awareness campaign on the prevention of HPV. It included a talk on the subject and a presentation on the possibility of reducing the cost of vaccines for employees, families and friends. Around 100 people took part in the initiative.

SPONSORSHIP OF THE HUÍLA REGIONAL MUSEUM

Banco Económico joined Huíla Regional Museum in an initiative to collect children's books for the museum's new "Story Teller" section. The bank's Charity Fund was behind the initiative and encouraged employees and customers to donate children's books to the museum, which is a public educational and scientific institution that researches, collects, classifies, conserves, exhibits and disseminates the culture of the herding communities of southern Angola.

The Story Teller section has contributed to the museum's educational sector and fosters a taste for literature among children. The section operates as a workshop for arts and crafts and projection of educational movies and documentaries focusing on the importance of preserving heritage, the environment and different species. These activities stimulate the children's creativity and make the section more attractive and dynamic.

In addition to collecting books, Banco Económico also gave the section teaching materials and equipment - around 250 books, 20 chairs, 3 tables, 2 bookshelves, 1 laptop, 1 projector, 1 television, 50 notebooks, 10 boxes of crayons, 50 boxes of coloured pencils and 8 boards - to make it completely functional.

Banco Económico provided this help, because cultural stimulation of traditional children's literature also supports, disseminates and valorises Angolan children's writers. This initiative is in line with the bank's social responsibility strategy, which focuses on the promotion of culture and knowledge in Angolan society.

DROP-BY-DROP BLOOD DRIVE

Banco Económico formed a partnership with Instituto Nacional do Sangue (INS National Blood Institute) for a blood drive to help the INS, which was experiencing a worrying shortage of blood reserves at public hospitals all over the country.

The campaign was organised by the bank's Social Responsibility Department in close cooperation with Instituto Nacional do Sangue. It began in Luanda and was later extended to two other provinces in Angola.

In this initiative the Bank's employees participated jointly with interested members of the public, as Banco Económico appealed for massive participation by society during the donation campaign for Angola's public hospitals.

The first phase was held at the bank's head office building in Luanda from 20 June to 1 July. From the total of 119 donors, 88 bags of blood were considered usable, the equivalent of around 370 lives saved.

The second phase of the blood drive took place in Zaire Province between 10 and 22 October, again in partnership with Instituto Nacional de Sangue. It lasted two weeks. The first involved publicity and awareness campaigns and a field study. In the second week, blood donations were collected at Hospital Geral do Soyo. In the Zaire drive there were 83 donors and 80 bags of blood were obtained, which could be enough to save around 360 lives.

The third phase was held in Benguela Province from 7 to 19 November. It lasted two weeks and was based on the methods used in the previous campaign.

The first week involved publicity and awareness campaigns and a field study. In the second week, blood donations were collected at Hospital Geral de Benguela and Centro da Nossa Senhora da Graça.

In Benguela there were 117 donors and 106 bags of blood were collected, enough to save 430 lives.

The INS sent 70% of the blood collected to paediatric departments and the rest was distributed to the areas of obstetrics, accident and emergency, dialysis and cardiac surgery. Banco Económico considers that donating blood is a question of social responsibility. Giving blood is not only an act of personal generosity but is an act of humanity and solidarity with those who need it.

AGREEMENTS WITH ÓPTICA OKUTALA, CLINICAS MIRADENTE AND MALÓ CLINIC

Banco Económico considers it a priority to contribute to the wellbeing and quality of life of its employees and their families. As a result, the Department of Social Responsibility has agreements with different healthcare entities, in addition to their health insurance, to ensure further benefits for them.

In 2016, the bank's agreements meant 20% discounts on expenses for employees and their direct families at Óptica Okutala and 10% at the Miradente and Maló Clinic dental clinics.

SPONSORSHIP OF HOSPITAL MUNICIPAL DE CACUACO

In 2016, Banco Económico supported social causes in the area of health. Examples are the fight against yellow fever and the blood campaigns. However, it felt that there was still a lot to do to reduce the high number of deaths in Angola.

It therefore decided to sponsor Hospital Municipal de Cacuaco, after making a visit there and witnessing firsthand the difficulties that it was experiencing. The support came from the Banco Económico Charity Fund and consisted of donating equipment and consumables and volunteering at the hospital by bank employees.

It was decided to donate equipment twice a year for priority patient care. Donations of essential consumables were also defined for every three months.

Inpatients also received visits for the donation of these goods and for volunteer work by a group of Banco Económico employees.

The cooperation agreement with the hospital was signed and a commemorative plaque was unveiled in September. The total cost of the project was 8,000,000 kwanzas.

BE - SOMOS SOLIDÁRIOS (WE CARE)

In 2016, Banco Económico decided to celebrate its second anniversary in a special way. It was not an easy year for Angola and the bank decided to organise an initiative in line with its social responsibility strategy.

It undertook a charity campaign to collect food, clothes and toys in an appeal to all the bank's employees, customers, friends, family, suppliers and the general public.

The fruits of the collections went to Aldeias SOS in Benguela, Huambo and Huíla. Centro Social Santa Bárbara in Luanda and Centro de Caridade das Irmãs Mercedárias de Cabinda. These organisations work mainly with disadvantaged children and provide accommodation, meals, health care, education and social assistance to families.

Though it was the bank's anniversary, the presents went to those who needed them most. The collections totalled more than 1,500 kilos of staple foodstuffs, such as rice, beans, sugar, fuba, flower, chickpeas and salt, more than 600 litres of liquids such as oil, milk, water and juice, and over 2,800 boxes, packages and tins of foodstuffs, such as pasta, cereals, baby cereals, biscuits, chocolate milk, chocolate spreads, yoghurt, powdered milk, cured sausage, margarine, chicken and sauces, among other types of food.

More than 280 kilos of girls' clothes, 200 kilos of boys' clothes, five bags of shoes for girls and two for boys, baby bottles, bibs and dummies and eight boxes of toys were also collected.

The campaign also managed to donate two washing machines, hundreds of boxes of washing powder, soap, toothpaste and insect repellent.

A donation ceremony was held at Centro Social de Santa Barbara in Luanda on 29 October, the day of Banco Económico's anniversary. The Department of Social Responsibility and a group of volunteers from the bank made the official presentation in an event held with the institution's children. The centre was also given a vehicle, 50% of whose cost was covered by Banco Económico.

A total of 4,180,500 kwanzas was also collected in cash, which was used to buy food and clothing that were distributed to beneficiaries in the other provinces.

UPDATE OF THE ELECTORAL ROLL

As a financial institution, Banco Económico accepts its duty to support the basic principles of citizenship. In partnership with the National Electoral Commission, the bank conducted a campaign to update the electoral roll of its employees and their families to ensure that they were able to exercise their civic rights.

Employees and their families interested in submitting proof of life and updating their voter's cards or applying for a new one took part in the initiative. The campaign took place at Banco Económico on 3, 4 and 9 November and 240 people participated.

HEALTHCARE CLINIC

Banco Económico's Healthcare Clinic was opened on level 7 at its head office on 8 November. The clinic was set up to provide medical care initially to bank employees and later to their direct family members, also offering internal and family medicine consultations.

The Banco Económico Healthcare Clinic consists of three offices, triage, nursing and doctor, all fully equipped for each area. It also has a reception area and waiting room.

Its administrative management is the responsibility of the Department of Social Responsibility while the clinical management and maintenance of medical equipment is the job of Luanda Medical Center, a company specialised in provided health care. It has allocated to the clinic a multidisciplinary team of professionals consisting of a receptionist, a nurse and a doctor specialised in internal and family medicine on the basis of a partnership between the two organisations.

This is yet another Banco Económico initiative under its strategy of valuing its human resources. The Bank considers that its employees are its most important asset and therefore it has being investing in the health and wellbeing of its teams by introducing a preventive medicine model.

CHRISTMAS SAVINGS ACCOUNT

The Christmas Savings Account was a present that Banco Económico gave to all its employees' children aged under 12 and consisted of a term deposit to the amount of 10,000 kwanzas. In addition, it gifted savings books and invited its employees to take a guided tour of a Banco Económico branch.

The project began on 1 December and lasted until 15 January 2017. On 5 December 2016, there was a seminar on saving, designed to encourage the financial education of the bank employees' children by teaching them the basic principles of saving.

CHILDREN'S CHRISTMAS

As part of the project under way at Hospital Municipal de Cacuaco (HMC), a group of volunteers from Banco Económico, who were good-will ambassadors from each department, decided that the Christmas party should be held at the HMC for the children hospitalised there.

Therefore, on 17 December 2016 there was a celebration for them, which consisted of a tea party and recreational activities including decorating the Christmas tree, music, theatre and face painting. The party was opened by the Banco Económico Santa.

The employees that took part also had the opportunity to visit the hospital and find out more details about the project that they support and which is financed by the bank's Charity Fund.

Around 200 children and over 50 employees took part in the activities.

CELEBRATING THE FESTIVE SEASON

There was no way that 2016 could end without a Christmas party for the employees of Banco Económico and their families. The Department of Social Responsibility and the bank's Recreational, Cultural and Sports Club got together to organise a day of celebrations.

These took place on 18 December and included a morning's party for employees and their children on a beach on Luanda Island, where there were activities such as gymnastics led by Bruno Samora, competitions and the game barra do lenço. Parents and children had plenty of fun together.

The morning's activities were accompanied by sound from DJ Mauro Mauricio (employee and DRS partner) and the children were served snacks and given presents.

The party was attended by around 140 participants.

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 bring 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.

5.13 SEPARATE AND CONSOLIDATED PROFIT / LOSS

Banco Económico posted a separate loss of AOA 4.329 billion and a consolidated loss of AOA 4.327 million in the period.

Income statement

	Separate			Consolidated		
Millions of kwanzas	2015	2016	Var.	2015	2016	Var.
Financial Results	3 656	-2 478	-168%	3 697	-2 431	-166%
Commissions	3 185	4 807	51%	3 836	5 578	45%
Exchange gains and losses	14 632	10 967	-25%	14 858	11 185	-25%
Other	347	-101	-129%	-5	-457	9040%
Banks operating income	**21 819**	**13 195**	**-40%**	**22 386**	**13 875**	**-38%**
Operating costs	15 438	16 714	8%	15 586	16 978	9%
Provisions	-2 935	810	-128%	-2 935	811	-128%
Taxes	0	0	0%	221	226	2%
Non-controling interests	0	0	0%	198	-187	-6%
Net Income	**9 317**	**-4 329**	**-146%**	**9 316**	**-4 327**	**-146%**

FINANCIAL LOSS

The loss was due basically to the adverse effect of the higher cost of financing from Banco Nacional de Angola. The interest rate on loans and advances from the central Bank rose from 13% to 20% in the period and this resulted in an average increase in the cost of this loans from 8.5% in 2015 to 11.0% in 2016.

Considering the negative effect that change in monetary policy had on its net interest income, in mid-2016 Banco Económico established a plan to reduce the loans and advances from the central bank and repaid all its loans in March 2017.

FEES AND COMMISSIONS

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

Millions of kwanzas	2015	2016	Var.
Financial Results	**3.185**	**4.807**	**51%**
Trade Finance	337	1 224	263%
Debit and credit cards	750	1 066	42%
Transfers	485	594	23%
Loans and guarantees	371	427	15%
Tax collection	589	231	-61%
Others	653	1 265	94%

Fees from asset management of investment and pension funds contributed to the increase in consolidated fees and consequently in the consolidated profit/Loss for the year.

FOREIGN EXCHANGE RESULTS

Earnings from exchange operations fell 23% comparing to 2015, as a result of a lower devaluation of 23% in the kwanza in 2016 as opposed to 32% in 2015. In spite of this reduction, earnings from exchange operations were around AOA 11 billion, also incremented by the recovery of international activity in payment instruments and trade finance.

OPERATING COSTS

Our programme of reduction and control of costs that began in 2015 continued to show good results, and total costs grew 5% in 2016, which was far below the 42% in 2015.

Millions of kwanzas	2015	2016	Var.
Personnel expenses	6 821	6 917	1%
Services	6 598	6 891	4%
Amortization and depreciations	2 019	2 389	18%
Banks operating income	**15 438**	**16 198**	**5%**

The 18% increase in depreciation was due to the fact that the new Banco Económico head office building went into operation in 2016.

PROVISIONS

2016 witnessed an increase in provisions for credit representing 3.4% of our total portfolio.

Millions of kwanzas	2015	2016	Var.
Provisions	**-2 935**	**810**	**-128%**
Loans and advances to customers	2 739	4 618	69%
General	-5 674	-3 807	-33%

5.14 OUTLOOK FOR FUTURE ACTIVITY

As defined in the Bank's Business Plan, Banco Económico foresees the preservation of liquidity and Equity autonomy, and is not being considered further measures concerning this matters.

It will be privileged the growth through the increment of customers portfolio by introducing new products, services and Bank's commercial performance and quality.

The economy financing will be assured based on the increment of Bank's sources of financing, ensuring the maintenance of the factual transformation ratio.

The total amortization of Banco Nacional de Angola loan, occurred in March 2017, jointly with the costs reducing measures, allowed the Bank to return to the profit, at that date.

The foreseen increment of Bank's commercial development, will enable an increase in rate of return, which will progressively reinforce the solvency levels.

6. 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.

Under good corporate governance practices, the Board of Directors hereby states that it is not aware of any aspects 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 2016 and 2015, 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 2016 and 2015.

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 incorporation of the profit/loss for 2016 into retained earnings.

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, 12th December 2017

BOARD OF DIRECTORS

António Paulo Kassoma (Chair)
Sanjay Bhasin
Inocêncio Francisco Miguel
Pedro Filipe Pedrosa Pombo Cruchinho
Eduardo Araújo Nunes Pinto

7. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 AND 2015

FINANCIAL STATEMENTS

INCOME STATEMENT

SEPARATE INCOME STATEMENT OF THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

	Notes	31.12.2016	31.12.2015 Pro-forma
Interest and similar income	4	54 306 149	41 285 449
Interest and similar expenses	4	(56 783 680)	(37 629 926)
Net interest income		**(2 477 531)**	**3 655 523**
Fees and Comissions income	5	5 369 879	3 493 298
Fees and Comissions expenses	5	(562 676)	(308 704)
Foreign exchange gains/losses	6	10 967 281	14 631 592
Other operating income	7	(483 484)	(179 764)
Operating income		**12 813 469**	**21 291 945**
Income from banking and insurance		**12 813 469**	**21 291 945**
Staff costs	8	(7 433 592)	(6 820 886)
General administrative expenses	10	(6 891 448)	(6 598 259)
Depreciation and amortisation	18 e 19	(2 389 098)	(2 018 816)
Other provisions	27	82 952	9 522 568
Impairment for loans and advances	16	(4 617 769)	(2 738 652)
Impairment for other assets	15 e 22	3 724 327	(3 848 729)
Profit/(loss) from associated companies and joint ventures	20	382 135	527 055
Profit/(Loss) Before Taxation		**(4 329 024)**	**9 316 226**
Taxation		-	-
Profit / (Loss) for the year		**(4 329 024)**	**9 316 226**
Non-controling interests			
Profit / (Loss) for the year		**(4 329 024)**	**9 316 226**
Average number of ordinary shares issued		75 000 000	75 000 000
Earnings per share (in Euros)			
Basic profit/(loss) per ordinary share	18	(0,06)	0,12
Diluted profit/(loss) per ordinary share	18	(0,06)	0,12

The attached explanatory notes are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT OF THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

	Notes	31.12.2016	31.12.2015 Pro-forma
Interest and similar income	4	54 303 813	41 284 024
Interest and similar expenses	4	(56 734 835)	(37 586 681)
Net interest income		**(2 431 022)**	**3 697 343**
Fees and Comissions income	5	6 177 610	4 144 332
Fees and Comissions expenses	5	(599 232)	(308 704)
Foreign exchange gains/losses	6	11 184 908	14 857 856
Other operating income	7	(520 123)	(194 231)
Operating income		**13 812 141**	**22 196 596**
Insurance activity technical margin		-	-
Income from banking and insurance		**13 812 141**	**22 196 596**
Staff costs	8	(7 519 232)	(6 867 470)
General administrative expenses	10	(7 061 584)	(6 694 256)
Depreciation and amortisation	18 e 19	(2 397 165)	(2 024 186)
Other provisions	27	82 952	9 522 568
Impairment for loans and advances	16	(4 615 634)	(2 738 651)
Impairment for other assets	15 e 22	3 721 972	(3 848 729)
Profit/(loss) from associated companies and joint ventures	20	63 160	189 372
Results on net monetary position[1]			
Profit/(Loss) Before Taxation		**(3 913 390)**	**9 735 244**
Taxation			
Current	21	(226 163)	(220 696)
Profit / (Loss) for the year		**(4 139 553)**	**9 514 548**
Results from discontinued operations			
Non-controling interests		(187 335)	(198 322)
Profit / (Loss) for the year		**(4 326 888)**	**9 316 226**
Average number of ordinary shares issued		75 000 000	75 000 000
Earnings per share (in Euros)			
Basic profit/(loss) per ordinary share	18	(0,06)	0,12
Diluted profit/(loss) per ordinary share	18	(0,06)	0,12

The attached explanatory notes are an integral part of these financial statements.

[1] This item applies only in situations of hyperinflation and institutions must consider the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies.

BALANCE SHEET STATEMENT

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2016, 2015 AND 2014

(AOA '000)

	Notes	31.12.2016	31.12.2015 Pro-forma	01.01.2015 Pro-forma
ASSETS				
Cash and deposits at central banks	12	72 344 391	79 618 280	61 544 475
Cash and deposits at other credit institutions	13	69 847 033	4 196 022	3 592 746
Loans and advances to central banks and other credit institutions	14	56 070 540	23 319 330	617 255
Available for sale financial assets	15	133 507 887	104 945 220	84 041 104
Loans and advances to customers	16	163 997 223	103 961 180	77 601 561
Non-current assets held for sale	17	414 534	160 125	-
Other tangible assets	18	46 367 972	48 438 116	49 189 912
Intangible assets	19	1 463 292	1 239 404	1 349 252
Investments in associates and joint ventures	20	1 216 878	919 169	509 864
Other assets	22	558 594 598	490 740 163	383 867 910
Total assets		**1 103 824 348**	**857 537 009**	**662 314 079**
LIABILITIES AND EQUITY				
Deposits from central banks and other credit institutions	23	267 585 362	205 291 700	168 671 287
Deposits from customers and other loans	24	670 436 508	509 446 914	374 587 235
Provisions	25	4 004 022	1 646 212	8 393 394
Current tax liabilities	27	22 972	19 823	2 734 116
Subordinated debt	26	71 092 571	57 993 020	44 084 809
Other liabilities	27	48 243 893	36 651 608	25 482 949
Total liabilities		**1 061 385 328**	**811 049 277**	**623 953 790**
Share capital	29	72 000 000	72 000 000	72 000 000
Fair value reserves	28	(79 567)	104 605	1 293 388
Other reserves	28	23 903 096	21 908 865	21 908 865
Retained earnings	28	(49 055 485)	(56 841 964)	(56 841 964)
Profit / (Loss) for the year		(4 329 024)	9 316 226	-
EQUITY				
Total equity		**42 439 020**	**46 487 732**	**38 360 289**
Total liabilities and equity		**1 103 824 348**	**857 537 009**	**662 314 079**

The attached explanatory notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016, 2015 AND 2014

(AOA '000)

	Notes	31.12.2016	31.12.2015 Pro-forma	01.01.2015 Pro-forma
ASSETS				
Cash and deposits at central banks	12	72 344 393	79 618 283	61 544 648
Cash and deposits at other credit institutions	13	69 847 033	4 467 097	3 594 462
Loans and advances to central banks and other credit institutions	14	56 070 540	23 319 330	617 255
Available for sale financial assets	15	133 509 334	104 946 666	84 042 550
Loans and advances to customers	16	163 945 978	103 961 180	77 601 561
Non-current assets held for sale	17	414 534	160 125	-
Other tangible assets	18	46 381 453	48 456 896	49 198 200
Intangible assets	19	1 465 225	1 244 104	1 352 962
Investments in associates and joint ventures	20	166 427	173 186	73 582
Other assets	22	558 849 483	490 674 685	383 898 979
Total assets		**1 102 994 400**	**857 021 552**	**661 924 199**
LIABILITIES AND EQUITY			-	
Deposits from central banks and other credit institutions	23	267 585 362	205 291 700	168 671 287
Deposits from customers and other loans	24	668 408 829	508 177 512	373 743 074
Provisions	25	3 987 211	1 650 116	8 322 149
Current tax liabilities	27	432 146	233 575	2 867 467
Subordinated debt	26	71 092 571	57 993 020	44 084 809
Other liabilities	27	48 463 462	36 761 180	25 658 478
Total liabilities		**1 059 969 581**	**810 107 103**	**623 347 264**
Share capital	29	72 000 000	72 000 000	72 000 000
Fair value reserves	28	(79 567)	104 605	1 293 388
Other reserves	28	23 903 096	22 067 511	22 024 384
Retained earnings	28	(49 055 485)	(57 000 610)	(56 936 035)
Non-controling Interests		583 663	426 715	195 198
Profit / (Loss) for the year		(4 326 888)	9 316 226	-
EQUITY				
Total equity		**43 024 819**	**46 914 449**	**38 576 935**
Total liabilities and equity		**1 102 994 400**	**857 021 552**	**661 924 199**

The attached explanatory notes are an integral part of these financial statements.

COMPREHENSIVE INCOME STATEMENT

SEPARATE COMPREHENSIVE INCOME STATEMENT OF THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

	Notes	31.12.2016	31.12.2015
Profit / (Loss) for the year		(4 329 024)	9 316 226
Other comprehensive profit/(loss) for the year			
Items that will not be reclassified as profit/(loss)			
Pensions		-	-
		-	-
Items that may be reclassified as profit/(loss)			
Available for sale financial assets			
Gains and losses for the financial year	15	(184 172)	(1 188 783)
Deferred taxes		-	-
		(184 172)	(1 188 783)
Total comprehensive profit/(loss) for the year		(4 513 196)	8 127 443

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT OF THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

	Notes	31.12.2016	31.12.2015
Profit / (Loss) for the year		(4 326 888)	9 316 226
Other comprehensive profit/(loss) for the year			
Items that will not be reclassified as profit/(loss)			
Pensions		-	-
		-	-
Items that may be reclassified as profit/(loss)			
Available for sale financial assets			
Gains and losses for the financial year	15	(184 172)	(1 188 783)
Deferred taxes		-	-
		(184 172)	(1 188 783)
Total comprehensive profit/(loss) for the year		(4 511 060)	8 127 443

CHANGES IN EQUITY

SEPARATE STATEMENT OF CHANGES IN EQUITY IN THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

				Reserves, retained earnings and other comprehensive income				
	Share Capital	Share Premium	Own shares	Fair value reserves	Other reserves, retained earnings and other comprehensive income	Total	Profit/(loss) for the year	Total equity
Balance as at 01 January 2015	72 000 000	-	-	1 293 388	(34 933 099)	(33 639 711)	-	38 360 289
Other comprehensive income								
Changes in fair value net of tax	-	-	-	(1 188 783)	-	(1 188 783)	-	(1 188 783)
Actuarial deviations	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	9 316 226	9 316 226
Total comprehensive income for the year	-	-	-	(1 188 783)	-	(1 188 783)	9 316 226	8 127 443
Increase in Capital	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	72 000 000	-	-	104 605	(34 933 099)	(34 828 494)	9 316 226	46 487 732
Other comprehensive income								
Changes in fair value net of tax	-	-	-	(184 172)	-	(184 172)	-	(184 172)
Actuarial deviations	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	(4 329 024)	(4 329 024)
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 31 December 2016	72 000 000	-	-	(79 567)	(25 152 389)	(25 231 956)	(4 329 024)	42 439 020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2016 AND 2015

(AOA '000)

	Share Capital	Share Premium	Own shares	Reserves, retained earnings and other comprehensive income			Non-Controling interests	Profit/(loss) for the year	Total equity
				Fair value reserves	Other reserves, retained earnings and other comprehensive income	Total			
Balance as at 01 January 2015	72 000 000	-	-	1 293 388	(34 911 651)	(33 618 263)	195 198	-	38 576 935
Other comprehensive income									
Changes in fair value net of tax	-	-	-	(1 188 783)	-	(1 188 783)	-	-	(1 188 783)
Actuarial deviations	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-		9 316 226	9 316 226
Total comprehensive income for the year	-	-	-	(1 188 783)	-	(1 188 783)	-	9 316 226	8 127 443
Non-controling interests							231 517		231 517
Increase in Capital	-	-	-	-	-	-	-	-	-
Transfers of Reserves	-	-	-	-	-	-		-	-
Other movements	-	-	-	-	(21 448)	(21 448)	-	-	(21 448)
Balance as at 31 December 2015	72 000 000	-	-	104 606	(34 933 099)	(34 828 494)	426 715	9 316 226	46 914 449
Other comprehensive income									
Changes in fair value net of tax	-	-	-	(184 172)	-	(184 172)	-	-	(184 172)
Actuarial deviations	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	-	-	-	(4 326 888)	(4 326 888)
Total comprehensive income for the year	-	-	-	(184 172)	-	(184 172)	-	(4 326 888)	(4 511 060)
Non-controling 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 31 December 2016	72 000 000	-	-	(79 567)	(25 152 389)	(25 231 956)	583 663	(4 326 888)	43 024 819

CASH-FLOW STATEMENT

SEPARATE CASH-FLOW STATEMENT FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2016 AND 2015

Description	Notes	31.12.2016	31.12.2015
Cash Flow From Financing Activities		-34 585 987	-27 660 896
Income Recieved From Financial Instruments		20 852 834	9 926 610
Income Recieved From Loans And Advances To Other Financial Institutions		309 601	10 248
Income Recieved From Bonds And Securities		5 774 880	3 042 566
Income Recieved From Loans To Customers		14 768 353	6 873 796
(-) Payments Of Debt Financial Instruments Expenses		-55 438 820	-37 587 507
Payments Of Customer Deposit Expenses		-22 411 817	-18 577 306
Payments Of Loans And Advances From Other Financial Institution Expenses		-29 495 463	-15 969 443
Payments Of Other Funding Expenses		-3 531 541	-3 040 758
Cash Flow From results of Foreign Exchange Rate operations		300 574	14 631 592
Cash Flow From Financial Services Provided		4 807 203	3 335 953
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-29 478 210	-9 693 351
(-) Payments Of Comercial And Administration Costs		-14 325 040	-13 002 120
Cash Flow From Operation on Settlement System		-278 242	-1 679 944
Cash Flow From Trade Receivables and Payables		-56 262 150	-67 983 398
Cash Flow From income on Investments in subsidiaries, associates and Joint Ventures		382 135	527 055
Cash Flow From Other Expenses and Operating Income		-483 484	-80 725
RECEIVABLES AND PAYMENTS FROM OTHER OPERATING INCOME AND EXPENSES		-70 966 781	-82 219 132
CASH FLOW FROM OPERATIONS		-100 444 990	-91 912 483
Cash Flow From Loans and advances to other financial institutions		-32 751 210	-22 697 596
Cash Flow From Investments In Bonds And Security		-28 773 251	-21 689 807
Cash Flow From Investment In Foreign Exchange Rate Operations		0	-352
Cash Flow From Credit to customers		-15 925 986	-29 797 566
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		-77 450 447	-74 185 322
CASH FLOW FROM INVESTMENTS IN TRADE PAYABLES		-254 409	-160 125
Cash Flow From Investments In Fixed Assets		144 162	-2 069 035
Cash Flow From On Sale Of Fixed Assets		0	-21 780
CASH FLOW FROM FIXED ASSETS		144 162	-2 090 815
CASH FLOW FROM INVESTMENT ACTIVITIES		-77 560 694	-76 436 262
Cash Flow From Customer Deposits		160 989 594	135 570 164
Cash Flow From Loans And Advances From Other Financial Institutions		62 293 662	37 668 093
Cash Flow From Other Funding Operations		13 099 551	13 787 569
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		236 382 807	187 025 826
CASH FLOW FROM FINANCING ACTIVITIES		236 382 807	187 025 826
OPENING BALANCE OF CASH AND CASH EQUIVALENT	12 e 13	83 814 302	65 137 221
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	12 e 13	142 191 424	83 814 302
CHANGE IN CASH AND CASH EQUIVALENT		58 377 122	18 677 081

CONSOLIDATED CASH-FLOW STATEMENT FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2016 AND 2015

Description	Notes	31.12.2016	31.12.2015
Cash Flow From Financing Activities		**-34 857 065**	**-27 389 820**
Income Recieved From Financial Instruments		**20 852 834**	**9 926 610**
Income Recieved From Loans And Advances To Other Financial Institutions		309 601	10 248
Income Recieved From Bonds And Securities		5 774 880	3 042 566
Income Recieved From Loans To Customers		14 768 353	6 873 796
(-) Payments Of Debt Financial Instruments Expenses		**-55 709 898**	**-37 316 430**
Payments Of Customer Deposit Expenses		-22 411 817	-18 577 306
Payments Of Loans And Advances From Other Financial Institution Expenses		-29 495 463	-15 969 443
Payments Of Other Funding Expenses		-3 802 619	-2 769 681
Cash Flow From results of Foreign Exchange Rate operations		**300 574**	**14 631 592**
Cash Flow From Financial Services Provided		**4 807 203**	**3 335 953**
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		**-29 749 288**	**-9 422 275**
(-) Payments Of Comercial And Administration Costs		-14 325 040	-13 002 292
Cash Flow From Operation on Settlement System		-278 240	-1 681 660
Cash Flow From Trade Receivables and Payables		-56 262 150	-67 983 398
Cash Flow From income on Investments in subsidiaries, associates and Joint Ventures		382 135	527 055
Cash Flow From Other Expenses and Operating Income		-483 484	-80 725
RECEIVABLES AND PAYMENTS FROM OTHER OPERATING INCOME AND EXPENSES		**-70 966 779**	**-82 221 020**
CASH FLOW FROM OPERATIONS		**-100 716 066**	**-91 643 295**
Cash Flow From Loans and advances to other financial institutions		-32 751 210	-22 697 596
Cash Flow From Investments In Bonds And Security		-28 773 251	-21 689 807
Cash Flow From Investment In Foreign Exchange Rate Operations		0	-352
Cash Flow From Credit to customers		-15 925 986	-29 797 566
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		**-77 450 447**	**-74 185 321**
CASH FLOW FROM INVESTMENTS IN TRADE PAYABLES		**-254 409**	**-160 125**
Cash Flow From Investments In Fixed Assets		144 162	-2 069 035
Cash Flow From On Sale Of Fixed Assets		0	-21 780
CASH FLOW FROM FIXED ASSETS		**144 162**	**-2 090 815**
CASH FLOW FROM INVESTMENT ACTIVITIES		**-77 560 694**	**-76 436 261**
Cash Flow From Customer Deposits		160 989 594	135 570 164
Cash Flow From Loans And Advances From Other Financial Institutions		62 293 662	37 668 093
Cash Flow From Other Funding Operations		13 099 551	13 787 569
CASH FLOW FROM INTERMEDIATE OPERATING FINANCING ACTIVITIES		**236 382 807**	**187 025 826**
CASH FLOW FROM FINANCING ACTIVITIES		**236 382 807**	**187 025 826**
OPENING BALANCE OF CASH AND CASH EQUIVALENT	12 e 13	**84 085 380**	**65 139 110**
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	12 e 13	**142 191 426**	**84 085 380**
CHANGE IN CASH AND CASH EQUIVALENT		**58 106 046**	**18 946 270**

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIODS ENDING ON 31 DECEMBER 2016 AND 2015

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 went into operation on 24 January 2002. BE has always been a privately owned banking institution established under Angolan law and its company object is universal banking on the terms and within the scope allowed by law. BE's shared 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 ending on 31 December 2016.

Considering that until 31 de December 2015 the Bank prepared its financial statements in accordance with CONTIF, the financial statements ending on that date, presented in this report, were restated (Pró-forma) in accordance with the IFRS for comparative purposes, as required by IFRS 1 (see Note 4).

The financial statements are stated in thousands of kwanzas, rounded to the nearest thousand. They were prepared on the 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 2016 were approved at a meeting of the Board of Directors on 14 December 2017.

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.

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 in a regularly 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
PRIVATE	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
	Bank guarantees, CDIs and SBLCs
	Leasing - companies
PUBLIC SECTOR	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.

(i) 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	All segments	DRCC	Flexcube	Restructured operations resulting from client's 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 with more than 30 days.	1 year
Material decrease on real guarantee's value	T8	All segments	DRCC	KIWI	Loans with material decrease in the guarantees value (more than 20%), resulting in a debt-to-value ratio greater than 80%.	Not applicable
Operation in litigation on the last 5 years	T9	All segments	DRCC	KIWI	Clients with loans operation in litigation records on the last 5 years.	Not applicable
Internal risk rating bellow than x (to be defined)	T11	All segments	DRCC	KIWI	Internal risk rating bellow than x (to be defined), based on internal reports prepared by DRCC	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.

(ii) 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:

Signal	#	Segment	Responsability	Support App.	Inclusion Criteria	Exclusion Criteria
CIRC Information	T3	All segments	DRCC	Kiwi (1)	Client has at 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 responsabilities 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 a 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/reorganization 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 is 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.

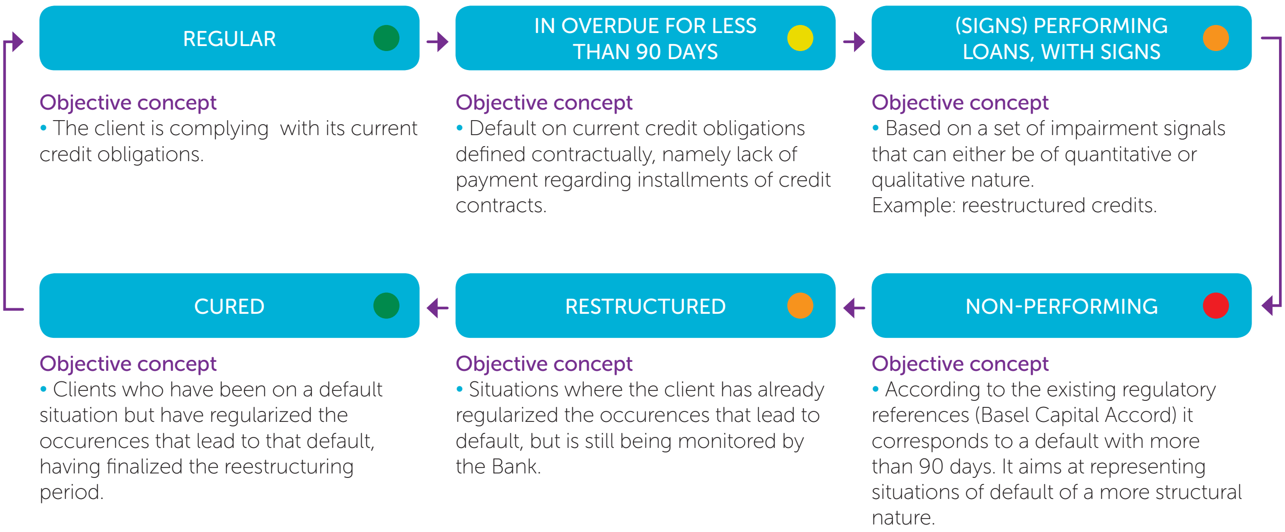
In order to identify individually significant exposures, the Bank has defined the institution's own funds as a benchmark for identifying significant exposures. The Bank's criteria for identifying individually significant customers or economic groups were as follows[1]:

(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	- 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. 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.	A loan may be moved from default to quarantine when it is less than 30 days overdue and the amount owed has been reduced. 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).
(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	De-flagging after a minimum of two years from the date of restructuring until all the following conditions have been met: 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 of 12 months.

Collateral assessment process

Guarantees are assessed regularly ensuring that the Bank have 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 (DPMI) 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 periodical reassessment of collateral on the basis of Notice 10/2014 with regard to a 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 between the appraised value and the maximum mortgage amount, after the amounts of other mortgages not belonging to 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 six 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 it 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 involves 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 occurs 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 recovering them 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) Classificação, reconhecimento inicial e mensuração subsequente

O Banco reconhece contas a receber e a pagar, depósitos, títulos de divida emitidos e passivos subordinados na data em que são originados. Todos os outros instrumentos financeiros são reconhecidos na data da transacção, que é o momento a partir do qual o Banco se torna parte integrante do contracto e são classificados considerando a intenção que lhes está subjacente de acordo com as categorias descritas seguidamente:

- Activos financeiros ao justo valor através de resultados, e dentro desta categoria como:
    - -Detidos para negociação;
    - -Designados ao justo valor através de resultados.
- Investimentos detidos até à maturidade;
- Activos financeiros disponíveis para venda;
- Passivos Financeiros.

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 in 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 contracts.

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 two years.

3) Available for sale financial assets

These are non-derivative financial assets that: (i) the Bank intends to hold for an undetermined 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, we must consider financial instruments 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 - it must include (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, on each balance sheet date we assess for objective evidence of impairment for all other financial assets that are not recorded at fair value through profit or loss. A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment 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 assess for 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 has 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. If we have 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 transfers 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 amortisations 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:

	Nº of years
Buildings	8 a 50
Transportation	3 a 5
Material and furniture	4 a 8
Machinery and tools	4 a 5
Equipment	4 a 8
Installations	1 a 10
Safety equipment	1 a 8
Improvements to leasehold properties	5 a 8

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 for the estimated useful life, which is normally 5 to 10 years.

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 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 in 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
- provision of 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 establish the existence of retirement pension to 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 is comprised by Bank's effective employees.

Following the accession, the Bank's effective Employees which complete 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 do not cover health benefits. The BE start contributing with a fixed proportion of the wages of its employees, which could be increased by 50% of the employees voluntary contribution with a maximum of 5% of each employee wages.

The responsibilities for the contributions to be made by BE, as an associate, do not have a retroactive effects 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 in the Personal expenses in the 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 in which they are owed. Contributions paid in advance are recognised as an asset if a return or reduction of future payments in 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 period 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 credit unit method.

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

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

A responsabilidade líquida do Grupo relativa a benefícios de longo prazo a empregados é o montante de benefício futuro que os empregados se estima que irão usufruir em troca do seu serviço no período corrente e em períodos passados. Esse benefício é descontado para determinar o seu valor presente. As re-mensurações são reconhecidas nos resultados do exercício.

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 ongoing 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: ongoing 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 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 caries 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.

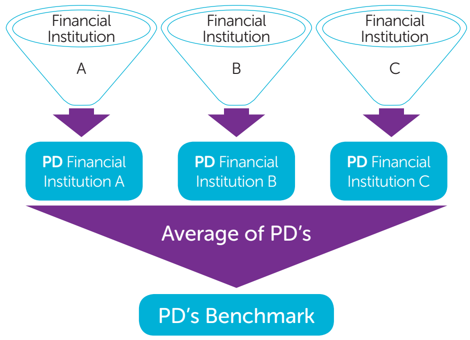
In the absence of historical data, the Probability of Default (PD's) and the Loss Given Default (LGD's), the Bank used the information provided by an external consultant, and had the following assumptions:

(i) The PD's calculation resulted from the average of PD's for a group of Bank's.

For each Bank considered as benchmark, were calculated PD's based on the historical data of 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, it was calculated the benchmark:



Morgage 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 DEZ 2015	**1,86%**	**10,80%**	**17,07%**	**46,60%**	**100%**

The calculated PD's for 2016 and 2015 were as follows:

PD BENCHMARK DEZ16

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%

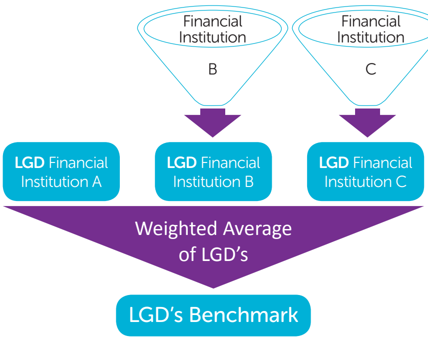
PD BENCHMARK DEZ15

Benchmark segment	Regular	Overdue from 30 to 60 days	Overdue from 60 to 90 days	Cured	Performing (with signs)	Restructured	Default
Employee Loans	3.14%	60.84%	81.20%	20.35%	40.60%	40.60%	100%
Particular loans	4.28%	51.40%	80.92%	14.28%	32.84%	32.84%	100%
Mortgage Loans	1.86%	17.07%	46.60%	10.80%	13.94%	13.94%	100%
Consumption loans	8.54%	43.11%	67.85%	14.56%	28.83%	28.83%	100%
Overdrafts - particular	1.11%	28.63%	55.80%	18.92%	23.77%	23.77%	100%
Guarantees issued and documentary loans - particular	0.00%	50.09%	68.86%	25.05%	37.57%	37.57%	100%
Guarantees issued and documentary loans - Companies	0.32%	25.00%	58.33%	12.66%	18.83%	18.83%	100%
Current accounts	6.54%	43.21%	63.95%	6.54%	24.88%	24.88%	100%
Term Loans - Companies	7.67%	51.37%	70.77%	12.81%	32.09%	32.09%	100%
Overdrafts - Companies	9.24%	47.06%	67.97%	9.24%	28.15%	28.15%	100%
Leasing - particular	3.14%	39.30%	61.22%	21.22%	30.26%	30.26%	100%
Leasing - Companies	3.86%	50.09%	68.86%	26.98%	38.54%	38.54%	100%

(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 were calculated the LGD's for each type of client (Particular, Company) based on the Loans portfolio historical data.

Considering the estimated historical LGD's for each Bank was calculated the Benchmark (LGD average of all Banks, weighted by total loan portfolio exposure as at December 2015 and 2016):



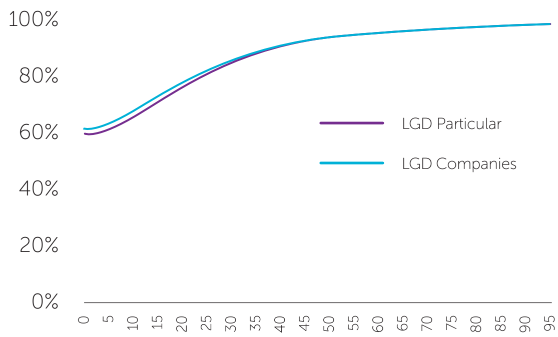
	LGD		
	Particular	Companies	Employees
Bank A	54,90%	65,98%	10,00%
Bank B	68,41%	55,56%	10,00%
Bank C	50,74%	52,72%	10,00%
Bank D	-	-	-
Bank E	-	-	-
Bank F	-	-	-
Benchmark DEZ 2015	58,84%	60,87%	10,00%

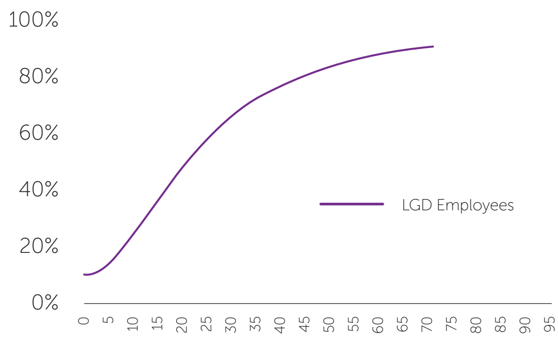
Theoretical Parameter for LGD of employee at moment 0 was 10%.

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, it was estimated the LGD curve according to the following assumptions:

- The recuperation process ends (LGD=100%) after 6 and 8 years to particular/employees and companies, respectively;
- Half of adjustment is made in the first two years.

	Particular	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 the LGD's were as follows:

	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 account other receivables and assets includes amounts to be received as a result of the transfer operation of economic rights over a loan portfolio, Funds' participation uanits 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 Espirito 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 the referred assets sale operation; (iii) the Ministry of finance , through an order from the Minister of Finance from 8 of October, instructed to extent the operations' payment date, with the purpose to reduce the probability of new debt securities issuance to comply with contractual payment schedule. It is Bank's expectation that the amounts to be received do not present 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 it 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 to available for sale financial assets, with the resulting measurement at fair value and not at amortised cost.

Assets held to maturity are subjected for impairment tests, followed by an analysis and decision by the Group. The use of different methods and assumptions from those used in the calculations may have different impacts 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 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 tax authorities are allowed to review the calculation of taxable income made by the Bank 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. Because of their probability, the Board of Directors does not consider that they will have any materially relevant effect on the financial statements.

3.7 Pensions and other employee benefits

Determination of responsibilities 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 responsibilities 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:

(AOA '000)

	31.12.2016			31.12.2015		
	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	14 768 353	-	14 768 353	9 023 973	-	9 023 973
Interest on deposits and loans to credit institutions	309 601	-	309 601	14 727	-	14 727
Interest on available for sale financial assets	5 774 880	-	5 774 880	3 345 174	-	3 345 174
Other interest and similar income	33 453 315	-	33 453 315	28 901 576	-	28 901 576
	54 306 149	-	54 306 149	41 285 449	-	41 285 449
Interest expenses and similar charges						
Interest on deposits from central banks	27 074 704	-	27 074 704	11 773 522	-	11 773 522
Interest for other credit institutions	2 420 759	-	2 420 759	4 055 564	-	4 055 564
Interest on customer deposits	22 411 817	-	22 411 817	17 866 821	-	17 866 821
Interest on subordinated liabilities	3 531 541	-	3 531 541	2 612 784	-	2 612 784
Other interests and similar charges	1 344 860		1 344 860	1 321 235	-	1 321 235
	56 783 680	-	56 783 680	37 629 926	-	37 629 926
NET INTEREST INCOME	(2 477 531)	-	(2 477 531)	3 655 523	-	3 655 523

And in consolidated terms is:

(AOA '000)

	31.12.2016			31.12.2015		
	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	14 766 017	-	14 766 017	9 022 548	-	9 022 548
Interest on deposits and loans to credit institutions	309 601	-	309 601	14 727	-	14 727
Interest on available for sale financial assets	5 774 880	-	5 774 880	3 445 963	-	3 445 963
Other interest and similar income	33 453 315	-	33 453 315	28 800 787	-	28 800 787
	54 303 813	-	54 303 813	41 284 024	-	41 284 024
Interest expenses and similar charges						
Interest on deposits from central banks	27 074 704	-	27 074 704	11 773 522	-	11 773 522
Interest for other credit institutions	2 371 914	-	2 371 914	4 055 564	-	4 055 564
Interest on customer deposits	22 411 817	-	22 411 817	17 823 575	-	17 823 575
Interest on subordinated liabilities	3 531 541	-	3 531 541	2 612 784	-	2 612 784
Other interests and similar charges	1 344 860		1 344 860	1 321 236	-	1 321 236
	56 734 835	-	56 734 835	37 586 681	-	37 586 681
NET INTEREST INCOME	(2 431 022)	-	(2 431 022)	3 697 343	-	3 697 343

The Bank's margin was negative in 2016 due to a significant rise in the cost of financing loans and advances from Banco Nacional de Angola as result of the increase in interest on these loans from 13% to 20%.

Interest from loans and advances includes AOA 3,556,688,000 (2015: AOA 1,908,612,000) for earnings from loans and advances with signs of impairment (individual and collective analysis).

These amounts correspond essentially to contracts that are not yet overdue in spite of showing signs of impairment. The recoverability of these amounts is analysed in the impairment process, which covers the probability of recovery of overdue amounts.

The account Interest on loans and advances includes AOA 437,829,000 in fees and other earnings accounted for in accordance with the effective interest rate method.

Other interest and similar income refer exclusively to the amounts of accrued interest over the receivables from Grupo ENSA regarding the transfer operation of economic rights over assets, as mentioned in Note 35.

Other interests and similar charges essentially refer to amounts payable to Grupo ENSA, related to the amounts recovered from assets involved in the above-mentioned operation and not paid until 31 December 2016. As part of the restructuring on 5 October 2017, the total interest receivable was capitalised.

NOTE 5 - INCOME FROM SERVICES AND FEES

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

(AOA '000)

	31.12.2016	31.12.2015
Fees and Comissions income	**5 369 879**	**3 493 298**
Collection of amounts	16 069	9 557
Securities operations	20 348	4 851
Guarantees provided	81 981	430 458
Management of instruments of payment	654 076	486 855
Fees on loans and similar operations	101 819	7 142
Documentary credits	1 223 605	275 122
Cards	1 374 339	1 042 024
Bancassurance	27 888	1 886
Earnings from services provided to the state	506 299	589 435
Other services	1 363 455	645 969
Fees and Comissions expenses	**(562 676)**	**(308 704)**
Management of instruments of payment	(4 838)	(2 108)
Cards	(357 660)	(292 239)
Other services	(200 178)	(14 357)
	4 807 203	3 184 594

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Fees and Comissions income	**6 177 610**	**4 144 332**
Collection of amounts	16 069	9 557
Securities operations	20 348	4 851
Guarantees provided	81 981	430 458
Management of instruments of payment	654 076	486 855
Fees on loans and similar operations	101 819	7 142
Documentary credits	1 223 605	275 122
Cards	1 374 339	1 042 024
Bancassurance	27 888	1 886
Earnings for services provided to the state	506 299	589 435
Asset management	808 591	651 033
Other services	1 362 595	645 969
Fees and Comissions expenses	**(599 232)**	**(308 704)**
Management of instruments of payment	(4 838)	(2 108)
Cards	(357 660)	(292 239)
Other services	(236 734)	(14 357)
	5 578 378	3 835 628

In 2016, there was a growth in fees that can be mainly explained by an increase in documentary credit operations for imports performed by the Bank.

As mentioned in Note 2, during the implementation of the IAS/IFRS, the Bank detected an adjustment to fees associated with loan operations which should have been recognised under margin, in accordance with the effective interest rate method. This resulted in a significant reduction in fees in 2015, when it was restated.

NOTE 6 – FOREIGN EXCHANGE GAINS AND LOSSES

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

(AOA '000)

	2016	2015
Foreign exchange balances revaluation	10 666 707	12 674 408
Foreign exchange operations	300 574	1 957 184
	10 967 281	14 631 592

And in consolidated terms is:

(AOA '000)

	2016	2015
Foreign exchange balances revaluation	10 884 334	12 900 672
Foreign exchange operations	300 574	1 957 184
	11 184 908	14 857 856

Foreign Exchange gains/(losses) is essentially related to the exchange revaluation of assets and liabilities presented in the balance sheet denominated in foreign currency as a result of AOA devaluation comparing to other currencies, especially the EUR and USD.

The above mentioned account includes the results arising from the revaluation of receivables assets considered 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, totalizing AOA 63,325,834,000. The overall amount in 2015 was AOA 66,440,261,000.

Currency	31-12-2015	31-12-2016
USD	135,32	165,90
EUR	147,83	185,38

This accounts 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.

NOTE 7– OTHER OPERATING INCOME

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

(AOA '000)

	31.12.2016	31.12.2015
Other operating income/ (expenses)		
Direct and indirect taxes	(308 531)	(72 382)
Membership fees and donations	(21 094)	(69 135)
Others	(153 858)	(38 247)
	(483 484)	(179 764)

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Other operating income/ (expenses)		
Direct and indirect taxes	(329 816)	(77 067)
Membership fees and donations	(21 094)	(69 135)
Others	(169 212)	(48 029)
	(520 123)	(194 231)

NOTE 8 – STAFF COSTS

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

(AOA '000)

	31.12.2016	31.12.2015
Salaries and Remunerations	**5 907 455**	**5 932 886**
Remuneration	4 860 312	3 987 386
Holiday allowance	458 178	383 135
Christmas allowance	400 368	385 983
Food allowance	151 434	149 193
Variable remuneration	37 162	1 027 188
Mandatory social contributions	**339 330**	**256 258**
Other costs	**1 186 806**	**631 742**
	7 433 592	6 820 886

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Salaries and Remunerations	**5 993 095**	**5 979 470**
Remuneration	4 945 953	4 003 971
Holiday allowance	458 178	383 135
Christmas allowance	400 368	385 983
Food allowance	151 434	149 193
Variable remuneration	37 162	1 027 188
Mandatory social contributions	**343 164**	**256 258**
Other costs	**1 182 972**	**631 742**
	7 519 232	6 867 470

The significant increase in Other costs is mainly explained to the recognition of cost related to the acquired rights to holidays in the amount of AOA 282,454,000.

This account includes the Group's payments to the defined contribution pension fund in the amount of AOA 155,884,000 for 2016 and AOA 14,909,000 for 2015, as mentioned in Note 9.

The number of Bank's employees, considering permanent and fixed-term contracts, can be disaggregated through job category, in individual terms, as follows:

	31.12.2016	31.12.2015
Directors	85	85
Supervisors	150	132
Specialists	295	298
Administrative and other positions	491	546
	1 021	1 061

And in consolidated terms is:

	31.12.2016	31.12.2015
Directors	88	87
Supervisors	152	134
Specialists	302	301
Administrative and other positions	492	547
	1 034	1 069

NOTE 9 – EMPLOYEE BENEFITS

As mentioned in Note 2.15, the Bank has a defined contribution plan. This means that it assigns a fixed amount or percentage to all participants in the plan, which will be invested until the repayment time established by law.

This costs are recognised as a personnel cost. Unlike defined benefit plans, it does not require an actuarial study.

The Banco Económico pension plan participants can be broken down as follows:

	31.12.2016	31.12.2015
Active	901	1 002
Pensioners and survivors	1	-
	902	1 002

The participants totalled 1,008 as at 31 December 2016.

The performance of the pension fund in the years ending on 31 December 2015 and 2016 was as follows:

(AOA '000)

	31.12.2016	31.12.2015
Fund balances at start of year	**790 334**	**545 727**
Real fund's income	62 487	54 979
Real fund's income	155 884	14 909
Participants' contributions	20 501	89 942
Pensions paid by the fund	(74 489)	(1 871)
Other	2 310	86 648
Balances at end of year	**957 023**	**790 334**

The pension fund's assets are as follows:

(AOA '000)

	31.12.2016	31.12.2015
Bonds		
Other variable income securities		
Loans and advances to credit institutions	644 596	457 155
Shares		
Properties	305 468	329 737
	950 065	786 893

The values presented above includes the Fund's overall portfolio of assets, not only those related to the Bank.

The pension fund assets used by the Bank or representing securities issued by the Bank's related parties are detailed on the right:

(AOA '000)

	31.12.2016	31.12.2015
Bonds		
Other variable income securities		
Loans and advances to credit institutions	644 596	457 155
Shares		
Properties	305 468	329 737
	950 065	786 893

As at 31 December 2016, the pension fund's quoted and unquoted assets are as follows:

(AOA '000)

	Activos do Fundo	Com cotação de mercado	Sem cotação de mercado
Variable income security			
Shares			
Share investment funds			
Participation units			
Bonds			
Properties	**305 468**	**-**	**305 468**
Property investment funds			
Securities investment funds			
Venture capital funds			
Hedge funds - non-correlated inv.			
Loans to banks and other credit institutions	**644 596**	**-**	**644 596**
Total	950 065	-	950 065

NOTE 10 – GENERAL ADMINISTRATIVE EXPENSES

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

(AOA '000)

	31.12.2016	31.12.2015
Rentals and leases	1 110 041	1 157 501
Advertising and publications	210 227	258 624
Communications and postage	577 594	610 762
Maintenance and repairs	432 081	409 884
Travel and representation expenses	369 064	594 986
Water, power and fuel	300 518	218 396
Cash transportation	483 289	427 236
Current consumables	292 397	148 988
IT services	349 690	372 306
Cleaning services	149 937	170 479
Insurance	717 500	500 147
Legal, litigation and notaries	162 159	63 061
Consultancy and audit	492 944	241 190
Security and Surveillance	795 930	682 927
Other expenses	448 078	741 772
	6 891 448	6 598 259

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Rentals and leases	1 110 041	1 157 501
Advertising and publications	210 317	259 614
Communications and postage	579 043	612 215
Maintenance and repairs	434 359	411 464
Travel and representation expenses	391 445	622 963
Water, power and fuel	301 018	219 155
Cash transportation	483 289	427 236
Current consumables	293 969	149 548
IT services	349 690	372 306
Cleaning services	149 937	170 479
Insurance	719 057	501 444
Legal, litigation and notaries	162 159	63 061
Consultancy and audit	633 252	302 470
Security and Surveillance	795 930	682 927
Other expenses	448 078	741 873
	7 061 584	**6 694 256**

During 2016, the account General Administrative Expenses 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 during the preparation of the financial statements in accordance with Banco Nacional de Angola Notice 6/2016 of 22 June.

NOTE 11 - EARNINGS PER SHARE

According to 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 the average number of its own shares held by the Bank.

(AOA '000)

	31.12.2016	31.12.2015
Net profit attributable to Bank's shareholders	**(4 329 024)**	**9 316 226**
(-) Remuneration of perpetual bonds	-	-
(+) Gains and losses recorded in reserves	-	-
Adjusted net consolidated profits attributable to bank's shareholders	**(4 329 024)**	**9 316 226**
Weighted average number of ordinary shares issued ('000)	75 000 000	75 000 000
Weighted average number of own shares ('000)		
Average number of ordinary shares in circulation ('000)	**75 000 000**	**75 000 000**
Basic Earnings per share attributable to Bank's shareholders (AOA '000)	-0,06	0,12

NOTE 12 - CASH AND DEPOSITS AT CENTRAL BANKS

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

(AOA '000)

	31.12.2016	31.12.2015
Cash	5 549 516	5 567 464
Deposits at central banks	66 794 875	74 050 816
Banco Nacional de Angola	66 794 875	74 050 816
Other central banks	-	-
	72 344 391	79 618 280

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Cash	5 549 518	5 567 467
Deposits at central banks	66 794 875	74 050 816
Banco Nacional de Angola	66 794 875	74 050 816
Other central banks	-	-
	72 344 393	79 618 283

The caption Deposits at central banks reflects 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. This deposits are made in order to comply with mandatory reserves defined by BNA through Instructions 02 and 04/2016 of 11 April and 13 May 2016, 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 30% 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 sets out that the Bank can use up to 20% of the mandatory reserves via Treasury Bonds (in accordance with the full compliance mentioned above).

		National Currency	Foreign Currency
Reserves over basis of assessment			
Central, Local government	Daily assessment	50%/75%	100%
Other sectors	Weekly assessment	30%	15%

Banco Económico was exempted from compliance with the mandatory reserves during the adoption of restructuring measures defined by Banco Nacional de Angola. As at 31 December 2016, the lack of liquidity to comply with mandatory reserves in Angolan currency was AOA 27 billion and in foreign currency was USD 305 million. After the settlement in March 2017 of the financing operations granted by Banco Nacional de Angola, Banco Económico is now in compliance with the reserve requirements.

NOTE 13 – CASH AND DEPOSITS AT OTHER CREDIT INSTITUTIONS

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

(AOA '000)

	31.12.2016	31.12.2015
Deposits at other credit institutions in Angola		
Cheques for collection	1 312 451	772 621
Deposits at sight	-	-
	1 312 451	772 621
Deposits at other credit institutions abroad		
Cheques for collection	-	-
Deposits at sight	68 534 582	3 423 400
	68 534 582	3 423 400
	69 847 033	4 196 022

And in consolidated terms is:

(AOA '000)

	31.12.2016	31.12.2015
Deposits at other credit institutions in Angola		
Cheques for collection	1 312 451	1 043 697
Deposits at sight	-	-
	1 312 451	1 043 697
Deposits at other credit institutions abroad		
Cheques for collection	-	-
Deposits at sight	68 534 582	3 423 400
	68 534 582	3 423 400
	69 847 033	4 467 097

The amount of deposits at other credit institutions abroad grew substantially in 2016 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 refers to cheques with pending clearance at the balance sheet date. They were sent for collection on the first business days following the reference date.

NOTE 14 – LOANS AND ADVANCES TO CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The amount of this account, in separate and consolidated terms, as at 31 December 2016 and 2015, is comprised as follows:

(AOA '000)

	31.12.2016	31.12.2015
Loans to credit institutions abroad		
Deposits	-	-
Interbank money market	56 070 540	23 319 330
Very short-term loans	-	-
Operations with resale agreements	-	-
Loans	-	-
Other loans and advances	-	-
	56 070 540	23 319 330
Impairment losses		
	56 070 540	23 319 330

The amount of loans and advances to credit institutions abroad includes accrued interest receivable calculated until the balance sheet date.

The scheduling of loans and advances to central banks and other credit institutions by residual maturities, as at 31 December 2016 and 2015, is as follows:

(AOA '000)

	31.12.2016	31.12.2015
Up to 3 months	33 174 581	16 240 003
3 months to one year	22 895 959	7 079 327
1 to 5 years	-	-
More than 5 years	-	-
Indefinite duration	-	-
	56 070 540	23 319 330

Loans and advances to central banks and other credit institutions abroad as at 31 December 2016 were earning an average interest rate of 0.688% (31 December 2015: 0.3%). These are the market rates where the Bank operates.

NOTE 15 – AVAILABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2016 and 31 December 2015 this account, in separate terms, is comprised as follows:

(AOA '000)

		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Balance sheet value
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 31 December 2016	**133 613 867**	**46 462**	**(126 029)**	**(26 414)**	**133 507 887**
Bonds and other fixed-income securities					
From public issuers	104 798 234	105 489	(886)	-	104 902 837
From other issuers	-	-	-	-	-
Shares	42 383	-	-	-	42 383
Balance as at 31 December 2015	**104 840 616**	**105 489**	**(886)**	**-**	**104 945 220**

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

And in consolidated terms:

(AOA '000)

		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Balance sheet value
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 31 December 2016	**133 615 314**	**46 462**	**(126 029)**	**(26 414)**	**133 509 334**
Bonds and other fixed-income securities					
From public issuers	104 798 234	105 489	(886)	-	104 902 837
From other issuers	-	-	-	-	-
Shares	43 829	-	-	-	43 829
Balance as at 31 December 2015	**104 842 063**	**105 489**	**(886)**	**-**	**104 946 666**

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

The Bank maintains at purchase cost a security in USD called "Fomento Empresarial", as there are no comparable references in the market.

The average interest rates and the contracted and denominated currencies of securities are detailed below:

(AOA '000)

Nature and type of securities	Currency	Average interest rate	Amortised purchase cost	Earnings receivable	Fair value reserve	Balance sheet value 2016	Balance sheet value 2015
Treasury bonds indexed to USD	AOA	7,09%	14 352 433	177 407	(79 567)	14 450 274	8 085 580
Treasury bonds in USD	USD	4,26%	116 973 228	2 064 399	-	119 037 627	96 818 908
Total			**131 325 661**	**2 241 806**	**(79 567)**	**133 487 901**	**104 904 488**

The securities in the Bank's available for sale portfolio are as follows:

ISIN Code	Description	Type	31.12.2016
AOTNOI416N13	Index to Foreign exchange currency rate	Treasury bond	123 849
AOTNTX618B11	Index to Foreign exchange currency rate	Treasury bond	9 211 070
AOTNFE100808	Fomento Empresarial	Treasury bond	119 037 627
AOTNTX201M16	Index to Foreign exchange currency rate	Treasury bond	752 024
AOTNTX224I16	Index to Foreign exchange currency rate	Treasury bond	1 013 494
AOTNOI070916	Index to Foreign exchange currency rate	Treasury bond	3 349 837
	BVDA	Shares	(0)
	EMIS	Shares	102 117

In accordance with the accounting policy described in Note 3.1, the Bank regularly verify if there is an objective evidence of impairment in its portfolio of available for sale financial assets, complying to the criteria described in Note 3.2.

As at 31 December 2016 the amount of AOA 75,317 million of Bank's available for sale financial assets was pledged to Banco Nacional de Angola. As described in Note 35, in March 2017 securities in the amount of AOA 14,086 million were transferred to the BNA.

There is also securities in the amount of AOA 35,038 million given as collateral to Novo Banco, as part of a common loan with this bank.

An analysis of available for sale financial assets net of impairment by valuation levels in separate terms, as at 31 December 2016 and 2015, is detailed as follows:

(AOA '000)

	Level 1	Level 2	Level 3	Cost (1)	Impairment	Total
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 31 December 2016	**-**	**14 449 421**	**-**	**119 084 880**		**133 507 887**
Bonds and other fixed-income securities						
From public issuers	-	8 083 929	-	96 818 907		104 902 837
From other issuers	-	-	-	-		-
Shares	-	-	-	42 383		42 383
Balance as at 31 December 2015	**-**	**8 083 929**	**-**	**96 861 290**		**104 945 220**

(1) Purchase cost for shares and other equity instruments and amortised cost for debt securities

And in consolidated terms:

(AOA '000)

	Level 1	Level 2	Level 3	Cost (1)	Impairment	Total
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 31 December 2016	**-**	**14 449 421**	**-**	**119 086 327**		**133 509 334**
Bonds and other fixed-income securities						
From public issuers	-	8 083 929	-	96 818 907		104 902 837
From other issuers	-	-	-	-		-
Shares	-	-	-	42 829		43 829
Balance as at 31 December 2015	**-**	**8 083 929**	**-**	**96 862 737**		**104 946 666**

(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 considered for its assessment on each balance sheet date.

Changes in impairment losses in available for sale financial assets are analysed as follows:

(AOA '000)

	31.12.2016	31.12.2015
Balance as at 1 January	-	-
Charge for the year	(26 414)	-
Charged-off	-	-
Reversals	-	-
Balance as at 31 December	(26 414)	-

As at 31 December 2016 and 2015, the scheduling of available for sale financial assets by residual maturities, in separate terms, was as follows:

(AOA '000)

	Less than three months	From three months to one year	From on to five years	More than five years	Indefinite duration	Total
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 31 December 2016	-	9 334 066	120 803 145	3 349 837	20 839	133 507 887
Bonds and other fixed-income securities						
From public issuers	-	403 870	104 498 967	-	-	104 902 837
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	42 383	42 383
Balance as at 31 December 2015	-	403 870	104 498 967	-	42 383	104 945 220

And in consolidated terms:

(AOA '000)

	Less than three months	From three months to one year	From on to five years	More than five years	Indefinite duration	Total
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 31 December 2016	-	9 334 066	120 803 145	3 349 837	22 286	133 509 334
Bonds and other fixed-income securities						
From public issuers	-	403 870	104 498 967	-	-	104 902 837
From other issuers	-	-	-	-	-	-
Shares	-	-	-	-	43 829	43 829
Balance as at 31 December 2015	-	403 870	104 498 967	-	43 829	104 946 666

NOTE 16 – LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2016 and 31 December 2015 this account, in separate terms, is comprised as follows:

(AOA '000)

	31.12.2016	31.12.2015
Active loans and advances		
To companies		
Current accounts	9 361 329	12 188 046
Loans	63 554 467	53 298 454
Discounts and other securitised credits by effects	-	-
Factoring	-	-
Overdrafts	18 147	430 235
Leasing	3 082 361	4 339 719
Other credits	121 549	-
To private customers	-	-
Mortgages	6 122 646	5 536 353
Consumer and other credits	2 818 476	6 144 423
	85 078 973	81 937 230
Overdue loans and advances		
To companies		
Loans	34 394 210	22 755 379
Current accounts	4 144 043	3 485 847
Overdrafts	4 974 644	3 574 530
Discounts and other securitised credits by effects	-	-
Leasing	2 430 366	1 265 364
Factoring	-	-
Other credits	-	-
To private customers		
Mortgages	1 607 546	2 126 218
Consumer and other credits	1 713 600	2 337 863
	49 264 408	35 545 201
Other securitised credits	47 974 356	-
	182 317 738	117 482 431
Impairments losses	(18 320 515)	(13 521 251)
	163 997 223	103 961 180

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Active loans and advances		
To companies		
Current accounts	9 361 329	12 188 046
Loans	63 501 087	53 298 454
Discounts and other securitised credits by effects	-	-
Factoring	-	-
Overdrafts	18 147	430 235
Leasing	3 082 361	4 339 719
Other credits	121 549	-
To private customers	-	-
Mortgages	6 122 646	5 536 353
Consumer and other credits	2 818 476	6 144 423
	85 025 593	81 937 230
Overdue loans and advances		
To companies		
Loans	34 394 210	22 755 379
Current accounts	4 144 043	3 485 847
Overdrafts	4 974 644	3 574 530
Discounts and other securitised credits by effects	-	-
Leasing	2 430 366	1 265 364
Factoring	-	-
Other credits	-	-
To private customers		
Mortgages	1 607 546	2 126 218
Consumer and other credits	1 713 600	2 337 863
	49 264 408	35 545 201
Other securitised credits	**47 974 356**	**-**
	182 264 357	117 482 431
Impairments losses	**(18 318 379)**	**(13 521 251)**
	163 945 978	103 961 180

The item other securitised credits includes the amount of AOA 47.040.000 of principal and the amount of AOA 934,356,000 of accrued interest regarding the bond issued by the state during the transfer of economic rights over assets (see Note 35), which matures in 2040 and has an annual 5% interest rate.

The scheduling of loans and advances to customers by maturity, in separate terms, as at 31 December 2016 and 2015 was as follows:

(AOA '000)

	31.12.2016	31.12.2015
Up to 3 months	16 170 054	16 945 997
From three months to one year	15 150 657	19 776 264
From one to five years	30 394 590	21 982 828
More than five years	109 670 926	55 032 529
Indefinite duration	10 931 510	3 744 813
	182 317 738	117 482 431

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Up to 3 months	16 170 054	16 945 997
From three months to one year	15 150 657	19 776 264
From one to five years	30 394 590	21 982 828
More than five years	109 670 926	55 032 529
Indefinite duration	10 878 130	3 744 813
	182 264 357	117 482 431

Changes in impairment losses shown under assets as a correction of loan amounts were as follows in separate terms:

(AOA '000)

	31.12.2016	31.12.2015
Opening balance	**13 521 251**	**11 936 842**
Charge for the year	18 272 703	76 809 657
Charged-off	-	(1 936 327)
Reversals	(15 844 460)	(73 704 072)
Exchange rate differences	2 371 021	415 151
Closing balance	18 320 515	13 521 251

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Opening balance	**13 521 251**	**11 936 842**
Charge for the year	18 270 568	76 809 657
Charged-off	-	(1 936 327)
Reversals	(15 844 460)	(73 704 072)
Exchange rate differences	2 371 021	415 151
Closing balance	18 318 379	13 521 251

Loans and advances to customers by type of rate in separate terms is as follows:

(AOA '000)

	31.12.2016	31.12.2015
Fixed rate	152 025 299	93 492 671
Variable rate	30 292 439	23 989 760
	182 317 738	117 482 431

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Fixed rate	151 971 919	93 492 671
Variable rate	30 292 439	23 989 760
	182 264 357	117 482 431

Leasing by residual maturities is shown as follows, and is the same in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Rents and residual amounts outstanding		
Up to one year	744 482	1 053 032
From one to five years	7 247 742	5 150 812
More than five years	-	-
	7 992 224	6 203 844
Interest outstanding		
Up to one year	-	57 178
From one to five years	212 136	427 636
More than five years		
	212 136	484 814
Principal not yet due		
Up to one year	-	664 188
From one to five years	1 397 904	1 575 590
More than five years		
	1 397 904	2 239 778
Impairment		
	1 397 904	2 239 778

As at 31 December 2016 and 2015 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 2016:

	Exposure 2016						Impairment 2016		
Segment	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 - Mortgages	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 for 2015:

Exposure 2015							Impairment 2015		
Segment	Total exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total impairment	Performing loans	Non-performing loans
E - Current accounts - companies	15 680 865	12 188 046	-	-	3 492 819	-	2 894 725	523 745	2 370 980
E - Overdrafts – companies	4 090 954	430 225	-	-	3 660 728	-	2 136 192	39 594	2 096 598
E -Loans- companies	75 128 571	52 490 459	-	-	22 638 111	-	4 238 662	2 578 237	1 660 425
E - Leasing – companies	5 538 966	4 245 957	-	-	1 293 010	-	808 842	241 201	567 641
E - Public sector	4 235 548	4 235 548	-	-	-	-	-	-	-
P - Employees	4 360 329	4 351 669	-	-	8 660	-	23 295	21 481	1 815
P - Mortgages	3 869 472	1 743 254	-	-	2 126 218	-	2 070 976	32 163	2 038 813
P - Consumer credit	240 864	104 295	-	-	136 569	-	66 548	5 601	60 947
P - Overdrafts – private customers	1 159 568	449 384	-	-	710 184	-	722 244	15 080	707 164
P - Loans – private customers	3 075 984	1 600 508	-	-	1 475 477	-	554 604	76 820	477 783
P - Leasing – private customers	101 309	97 885	-	-	3 424	-	5 162	3 136	2 026
Total	117 482 431	81 937 230	-	-	35 545 201	-	13 521 251	3 537 060	9 984 191

And in consolidated terms:

Exposure 2016							Impairment 2016		
Segment	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 - Mortgages	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

Exposure 2015							Impairment 2015		
Segment	Total exposure	Performing loans	Cured	Restructured	Non-performing loans	Restructured	Total impairment	Performing loans	Non-performing loans
E - Current accounts - companies	15 680 865	12 188 046	-	-	3 492 819	-	2 894 725	523 745	2 370 980
E - Overdrafts – companies	4 090 954	430 225	-	-	3 660 728	-	2 136 192	39 594	2 096 598
E -Loans- companies	75 128 571	52 490 459	-	-	22 638 111	-	4 238 662	2 578 237	1 660 425
E - Leasing – companies	5 538 966	4 245 957	-	-	1 293 010	-	808 842	241 201	567 641
E - Public sector	4 235 548	4 235 548	-	-	-	-	-	-	-
P - Employees	4 360 329	4 351 669	-	-	8 660	-	23 295	21 481	1 815
P - Mortgages	3 869 472	1 743 254	-	-	2 126 218	-	2 070 976	32 163	2 038 813
P - Consumer credit	240 864	104 295	-	-	136 569	-	66 548	5 601	60 947
P - Overdrafts – private customers	1 159 568	449 384	-	-	710 184	-	722 244	15 080	707 164
P - Loans – private customers	3 075 984	1 600 508	-	-	1 475 477	-	554 604	76 820	477 783
P - Leasing – private customers	101 309	97 885	-	-	3 424	-	5 162	3 136	2 026
Total	117 482 431	81 937 230	-	-	35 545 201	-	13 521 251	3 537 060	9 984 191

The details of the loan portfolio by segment and year granted 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	5	7	8	9	8	6	43
	Amount	2 547 976	448 128	1 407 406	453 713	3 353 241	5 301 395	13 511 858
	Impairment constituted	2 526 452	63 606	324 853	176 846	202 323	216 544	3 510 624
E - Overdrafts – companies	Number of operations	86	21	36	25	19	17	204
	Amount	4 908 265	566	4 953	65 948	11 551	121 641	5 112 924
	Impairment constituted	4 131 291	298	3 520	40 444	7 203	29	4 182 784
E - Loans – companies	Number of operations	9	3	5	12	18	23	70
	Amount	16 129 043	12 645 315	4 755 502	7 958 644	32 279 594	18 243 400	92 011 498
	Impairment constituted	418 349	900 464	185 614	1 029 802	1 933 052	4 221 749	8 689 031
E - Leasing – companies	Number of operations	-	4	16	108	80	41	249
	Amount	-	11 325	232 274	1 605 220	998 647	1 150 201	3 997 667
	Impairment constituted	-	4 736	95 771	177 369	94 537	40 656	413 069
E - Public sector	Number of operations	-	-	-	2	7	15	24
	Amount	-	-	-	1 475 082	3 365 410	2 612 670	7 453 162
	Impairment constituted	-	-	-	-	-	-	-
P - Employees	Number of operations	6	-	1	307	156	111	581
	Amount	270 862	-	49 251	2 684 576	806 794	760 942	4 572 425
	Impairment constituted	123 465	-	4 201	16 733	3 257	2 417	150 073
P - Mortgages	Number of operations	16	1	6	5	6	11	45
	Amount	1 110 258	55 260	175 208	198 252	211 560	309 974	2 060 512
	Impairment constituted	312 188	34 233	43 246	62 950	9 877	111 948	574 442
P - Consumer credit	Number of operations	98	21	46	38	21	30	254
	Amount	108 811	15 573	3 227	336 290	52 988	85 302	602 190
	Impairment constituted	96 777	13 087	1 914	4 620	5 187	12 889	134 474
P - Overdrafts – private customers	Number of operations	91	23	71	77	79	84	425
	Amount	1 552	3 838	1 984	1 723	31 126	3 324	43 547
	Impairment constituted	1 076	2 805	1 361	1 297	21 342	1 869	29 750
P - Loans – private customers	Number of operations	33	-	4	7	4	2	50
	Amount	2 604 273	-	1 853	125 218	334 470	1 579 715	4 645 529
	Impairment constituted	520 787	-	1 239	54 200	42 867	10 895	629 989
P - Leasing – private customers	Number of operations	-	-	1	12	5	13	31
	Amount	-	-	269	26 018	6 136	299 646	332 069
	Impairment constituted	-	-	86	1 810	476	3 906	6 278

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	5	7	8	9	8	6	43
	Amount	2 547 976	448 128	1 407 406	453 713	3 353 241	5 248 015	13 458 478
	Impairment constituted	2 526 452	63 606	324 853	176 846	202 323	214 409	3 508 489
E - Overdrafts – companies	Number of operations	86	21	36	25	19	17	204
	Amount	4 908 265	566	4 953	65 948	11 551	121 641	5 112 924
	Impairment constituted	4 131 291	298	3 520	40 444	7 203	29	4 182 784
E - Loans – companies	Number of operations	9	3	5	12	18	23	70
	Amount	16 129 043	12 645 315	4 755 502	7 958 644	32 279 594	18 243 400	92 011 498
	Impairment constituted	418 349	900 464	185 614	1 029 802	1 933 052	4 221 749	8 689 031
E - Leasing – companies	Number of operations	-	4	16	108	80	41	249
	Amount	-	11 325	232 274	1 605 220	998 647	1 150 201	3 997 667
	Impairment constituted	-	4 736	95 771	177 369	94 537	40 656	413 069
E - Public sector	Number of operations	-	-	-	2	7	15	24
	Amount	-	-	-	1 475 082	3 365 410	50 587 026	55 427 518
	Impairment constituted	-	-	-	-	-	-	-
P - Employees	Number of operations	6	-	1	307	156	111	581
	Amount	270 862	-	49 251	2 684 576	806 794	760 942	4 572 425
	Impairment constituted	123 465	-	4 201	16 733	3 257	2 417	150 073
P - Mortgages	Number of operations	16	1	6	5	6	11	45
	Amount	1 110 258	55 260	175 208	198 252	211 560	309 974	2 060 512
	Impairment constituted	312 188	34 233	43 246	62 950	9 877	111 948	574 442
P - Consumer credit	Number of operations	98	21	46	38	21	30	254
	Amount	108 811	15 573	3 227	336 290	52 988	85 302	602 190
	Impairment constituted	96 777	13 087	1 914	4 620	5 187	12 889	134 474
P - Overdrafts – private customers	Number of operations	91	23	71	77	79	84	425
	Amount	1 552	3 838	1 984	1 723	31 126	3 324	43 547
	Impairment constituted	1 076	2 805	1 361	1 297	21 342	1 869	29 750
P - Loans – private customers	Number of operations	33	-	4	7	4	2	50
	Amount	2 604 273	-	1 853	125 218	334 470	1 579 715	4 645 529
	Impairment constituted	520 787	-	1 239	54 200	42 867	10 895	629 989
P - Leasing – private customers	Number of operations	-	-	1	12	5	13	31
	Amount	-	-	269	26 018	6 136	299 646	332 069
	Impairment constituted	-	-	86	1 810	476	3 906	6 278

The details of the amount of credit gross exposure and the amount of impairment set up for the exposures analysed on separate and collective terms by segment, business sector and geographical location are as follows 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 for 2015:

2015		Individual impairment	Collective impairment	Impairment IBNR	Total
E - Current accounts – companies	Total exposure	14 277 089	1 403 777	-	15 680 865
	Impairment	2 580 019	314 706	-	2 894 725
E - Overdrafts – companies	Total exposure	4 055 546	35 408	-	4 090 954
	Impairment	2 129 097	7 095	-	2 136 192
E - Loans – companies	Total exposure	71 192 231	3 936 340	-	75 128 571
	Impairment	3 551 688	686 974	-	4 238 662
E - Leasing – companies	Total exposure	2 716 215	2 822 752	-	5 538 966
	Impairment	279 345	529 497	-	808 842
E - Public sector	Total exposure	4 235 548	-	-	4 235 548
	Impairment	-	-	-	-
P - Employees	Total exposure	-	4 360 329	-	4 360 329
	Impairment	-	23 295	-	23 295
P - Mortgages	Total exposure	2 365 984	1 503 488	-	3 869 472
	Impairment	1 912 073	158 902	-	2 070 976
P - Consumer credit	Total exposure	-	240 864	-	240 864
	Impairment	-	66 548	-	66 548
P - Overdrafts – private customers	Total exposure	703 762	455 806	-	1 159 568
	Impairment	703 758	18 486	-	722 244
P - Loans – private customers	Total exposure	1 239 703	1 836 282	-	3 075 984
	Impairment	345 035	209 568	-	554 604
P - Leasing – private customers	Total exposure	-	101 309	-	101 309
	Impairment	-	5 162	-	5 162
Total	Total exposure	100 786 077	16 696 354	-	117 482 431
	Impairment	11 501 016	2 020 235	-	13 521 251

And in consolidated terms in 2016 and 2015 respectively:

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

2015		Individual impairment	Collective impairment	Impairment IBNR	Total
E - Current accounts – companies	Total exposure	14 277 089	1 403 777	-	15 680 865
	Impairment	2 580 019	314 706	-	2 894 725
E - Overdrafts – companies	Total exposure	4 055 546	35 408	-	4 090 954
	Impairment	2 129 097	7 095	-	2 136 192
E - Loans – companies	Total exposure	71 192 231	3 936 340	-	75 128 571
	Impairment	3 551 688	686 974	-	4 238 662
E - Leasing – companies	Total exposure	2 716 215	2 822 752	-	5 538 966
	Impairment	279 345	529 497	-	808 842
E - Public sector	Total exposure	4 235 548	-	-	4 235 548
	Impairment	-	-	-	-
P - Employees	Total exposure	-	4 360 329	-	4 360 329
	Impairment	-	23 295	-	23 295
P - Mortgages	Total exposure	2 365 984	1 503 488	-	3 869 472
	Impairment	1 912 073	158 902	-	2 070 976
P - Consumer credit	Total exposure	-	240 864	-	240 864
	Impairment	-	66 548	-	66 548
P - Overdrafts – private customers	Total exposure	703 762	455 806	-	1 159 568
	Impairment	703 758	18 486	-	722 244
P - Loans – private customers	Total exposure	1 239 703	1 836 282	-	3 075 984
	Impairment	345 035	209 568	-	554 604
P - Leasing – private customers	Total exposure	-	101 309	-	101 309
	Impairment	-	5 162	-	5 162
Total	Total exposure	100 786 077	16 696 354	-	117 482 431
	Impairment	11 501 016	2 020 235	-	13 521 251

And by business sector, in individual terms, in 2016:

2016		Individual impairment	Collective impairment	Impairment IBNR	Total
Real estate, rentals and services provided 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
Housing	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	3 889 941	1 806 177	-	5 706 058
	Impairment	537 807	560 464	-	1 098 271
Total	Total exposure	165 371 589	16 946 149	-	182 317 738
	Impairment	16 356 470	1 964 045	-	18 320 515

And for 2015:

2015		Individual impairment	Collective impairment	Impairment IBNR	Total
Real estate, rentals and services provided to companies	Total exposure	41 278 440	235 858	-	41 514 298
	Impairment	5 278 192	150 297	-	5 428 489
Board and lodging	Total exposure	1 452 755	90 822	-	1 543 576
	Impairment	748 375	56 589	-	804 964
Wholesale and retail trade	Total exposure	16 687 829	515 909	-	17 203 738
	Impairment	814 933	40 859	-	855 792
Construction	Total exposure	3 156 526	437 330	-	3 593 855
	Impairment	268 165	21 051	-	289 215
Consumption	Total exposure	-	922 641	-	922 641
	Impairment	-	32 823	-	32 823
Education	Total exposure	1 631 645	208	-	1 631 853
	Impairment	86 051	10	-	86 060
Housing	Total exposure	1 636 056	7 088 829	-	8 724 885
	Impairment	2 215 246	175 928	-	2 391 174
Food, beverage and tobacco industries	Total exposure	2 250 000	191 670	-	2 441 670
	Impairment	93 948	117 266	-	211 214
Metal industries	Total exposure	726 840	-	-	726 840
	Impairment	72 684	-	-	72 684
Manufacturing industries	Total exposure	8 340 011	-	-	8 340 011
	Impairment	371 290	-	-	371 290
Other collective, social and personal services	Total exposure	13 344 975	4 398 397	-	17 743 372
	Impairment	477 173	1 152 971	-	1 630 144
Transport, storage and communications	Total exposure	8 211 114	-	-	8 211 114
	Impairment	329 339	-	-	329 339
Other purposes	Total exposure	2 069 887	2 814 692	-	4 884 579
	Impairment	745 621	272 440	-	1 018 061
Total	Total exposure	100 786 077	16 696 354	-	117 482 431
	Impairment	11 501 016	2 020 235	-	13 521 251

And in consolidated terms in 2016 and 2015 respectively:

2016		Individual impairment	Collective impairment	Impairment IBNR	Total
Real estate, rentals and services provided 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
Housing	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

2015		Individual impairment	Collective impairment	Impairment IBNR	Total
Real estate, rentals and services provided to companies	Total exposure	41 278 440	235 858	-	41 514 298
	Impairment	5 278 192	150 297	-	5 428 489
Board and lodging	Total exposure	1 452 755	90 822	-	1 543 576
	Impairment	748 375	56 589	-	804 964
Wholesale and retail trade	Total exposure	16 687 829	515 909	-	17 203 738
	Impairment	814 933	40 859	-	855 792
Construction	Total exposure	3 156 526	437 330	-	3 593 855
	Impairment	268 165	21 051	-	289 215
Consumption	Total exposure	-	922 641	-	922 641
	Impairment	-	32 823	-	32 823
Education	Total exposure	1 631 645	208	-	1 631 853
	Impairment	86 051	10	-	86 060
Housing	Total exposure	1 636 056	7 088 829	-	8 724 885
	Impairment	2 215 246	175 928	-	2 391 174
Food, beverage and tobacco industries	Total exposure	2 250 000	191 670	-	2 441 670
	Impairment	93 948	117 266	-	211 214
Metal industries	Total exposure	726 840	-	-	726 840
	Impairment	72 684	-	-	72 684
Manufacturing industries	Total exposure	8 340 011	-	-	8 340 011
	Impairment	371 290	-	-	371 290
Other collective, social and personal services	Total exposure	13 344 975	4 398 397	-	17 743 372
	Impairment	477 173	1 152 971	-	1 630 144
Transport, storage and communications	Total exposure	8 211 114	-	-	8 211 114
	Impairment	329 339	-	-	329 339
Other purposes	Total exposure	2 069 887	2 814 692	-	4 884 579
	Impairment	745 621	272 440	-	1 018 061
Total	Total exposure	100 786 077	16 696 354	-	117 482 431
	Impairment	11 501 016	2 020 235	-	13 521 251

By geographical location in separate terms:

	Angola	
2016	Total 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**

	Angola	
2015	Total exposure	Impairment
Individual impairment	100 786 077	11 501 016
Collective impairment	16 696 354	2 020 235
Impairment IBNR	-	-
Total	**117 482 431**	**13 521 251**

And in consolidated terms:

	Angola	
2016	Total 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**

	Angola	
2015	Total exposure	Impairment
Individual impairment	100 786 077	11 501 016
Collective impairment	16 696 354	2 020 235
Impairment IBNR	-	-
Total	**117 482 431**	**13 521 251**

The distribution of our loan portfolio in terms of credit and impairment measured by internal degrees of risk, as at 31 December 2016, is as follows. The degree of coverage of risk G is positively influenced by the value of the associated collaterals, essentially in the segment Loans – companies. This segment includes loans to the amount of AOA 10,286 million whose economic rights were transferred to GRUPO ENSA with a purchase option to the Bank (Note 27):

2016		Low risk		Medium risk			High risk		
Segment		A	B	C	D	E	F	G	Total
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	182 317 738
	Impairment	6 538 352	308 696	451 560	349 323	224 838	32 578	10 415 168	18 320 515
Coverage		5,42%	5,64%	4,33%	12,57%	22,60%	46,19%	24,80%	10,05%

And for 2015:

2015		Low risk		Medium risk			High risk		
Segment		A	B	C	D	E	F	G	Total
E - Current accounts – companies	Exposure	8 187 577	41 898	3 958 571	730 459	34 677	268 562	2 459 122	15 680 865
	Impairment	346 020	2 553	175 172	76 125	21 216	140 661	2 132 978	2 894 725
E - Overdrafts – companies	Exposure	338 220	-	92 006	723 178	9 130	430 165	2 498 255	4 090 954
	Impairment	35 890	-	3 705	73 027	1 027	43 518	1 979 026	2 136 192
E - Loans – companies	Exposure	49 663 221	2 827 238	-	866	140 362	10 829 552	11 667 330	75 128 571
	Impairment	2 339 055	239 183	-	373	85 875	1 288 326	285 851	4 238 662
E - Leasing – companies	Exposure	5 538 966	-	-	-	-	-	-	5 538 966
	Impairment	808 842	-	-	-	-	-	-	808 842
E - Public sector	Exposure	4 235 548	-	-	-	-	-	-	4 235 548
	Impairment	-	-	-	-	-	-	-	-
P - Employees	Exposure	4 350 798	-	871	638	3 461	374	4 187	4 360 329
	Impairment	21 428	-	53	52	371	40	1 352	23 295
P - Mortgages	Exposure	955 091	637 048	151 115	6 567	45 691	73 061	2 000 899	3 869 472
	Impairment	10 449	6 534	15 179	1 801	27 035	43 230	1 966 746	2 070 976
P - Consumer credit	Exposure	222 689	-	1 781	4 949	1 149	5 535	4 760	240 864
	Impairment	56 409	-	452	1 976	680	3 275	3 756	66 548
P - Overdrafts – private customers	Exposure	359 522	64 001	25 938	1 884	487	126	707 610	1 159 568
	Impairment	9 148	1 610	4 370	619	287	75	706 136	722 244
P - Loans – private customers	Exposure	1 312 381	158 749	129 378	64 359	1 077 693	15 655	317 770	3 075 984
	Impairment	33 695	3 993	39 132	30 644	123 517	9 263	314 359	554 604
P - Leasing – private customers	Exposure	101 309	-	-	-	-	-	-	101 309
	Impairment	5 162	-	-	-	-	-	-	5 162
Total	Exposure	75 265 321	3 728 935	4 359 659	1 532 901	1 312 652	11 623 031	19 659 933	117 482 431
	Impairment	3 666 098	253 873	238 062	184 617	260 009	1 528 388	7 390 203	13 521 251
Coverage		4,87%	6,81%	5,46%	12,04%	19,81%	13,15%	37,59%	11,51%

And in consolidated terms for 2016 and 2015, respectively:

2016		Low risk		Medium risk			High risk		
Segment		A	B	C	D	E	F	G	Total
E - Current accounts – companies	Exposure	8 238 852	967 512	241 746	118 933	502 828	-	3 441 312	13 511 183
	Impairment	386 526	12 018	115 752	58 854	43 571	-	2 891 769	3 508 489
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	49 586 986	4 367 841	8 391 238	2 459 829	87 180	-	27 065 043	91 958 118
	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	120 524 463	5 469 371	10 429 058	2 778 112	994 679	70 526	41 998 149	182 264 357
	Impairment	6 536 217	308 696	451 560	349 323	224 838	32 578	10 415 167	18 318 379
Coverage		5,42%	5,64%	4,33%	12,57%	22,60%	46,19%	24,80%	10,05%

2015		Low risk		Medium risk			High risk		
Segment		A	B	C	D	E	F	G	Total
E - Current accounts – companies	Exposure	8 187 577	41 898	3 958 571	730 459	34 677	268 562	2 459 122	15 680 865
	Impairment	346 020	2 553	175 172	76 125	21 216	140 661	2 132 978	2 894 725
E - Overdrafts – companies	Exposure	338 220	-	92 006	723 178	9 130	430 165	2 498 255	4 090 954
	Impairment	35 890	-	3 705	73 027	1 027	43 518	1 979 026	2 136 192
E - Loans – companies	Exposure	49 663 221	2 827 238	-	866	140 362	10 829 552	11 667 330	75 128 571
	Impairment	2 339 055	239 183	-	373	85 875	1 288 326	285 851	4 238 662
E - Leasing – companies	Exposure	5 538 966	-	-	-	-	-	-	5 538 966
	Impairment	808 842	-	-	-	-	-	-	808 842
E - Public sector	Exposure	4 235 548	-	-	-	-	-	-	4 235 548
	Impairment	-	-	-	-	-	-	-	-
P - Employees	Exposure	4 350 798	-	871	638	3 461	374	4 187	4 360 329
	Impairment	21 428	-	53	52	371	40	1 352	23 295
P - Mortgages	Exposure	955 091	637 048	151 115	6 567	45 691	73 061	2 000 899	3 869 472
	Impairment	10 449	6 534	15 179	1 801	27 035	43 230	1 966 746	2 070 976
P - Consumer credit	Exposure	222 689	-	1 781	4 949	1 149	5 535	4 760	240 864
	Impairment	56 409	-	452	1 976	680	3 275	3 756	66 548
P - Overdrafts – private customers	Exposure	359 522	64 001	25 938	1 884	487	126	707 610	1 159 568
	Impairment	9 148	1 610	4 370	619	287	75	706 136	722 244
P - Loans – private customers	Exposure	1 312 381	158 749	129 378	64 359	1 077 693	15 655	317 770	3 075 984
	Impairment	33 695	3 993	39 132	30 644	123 517	9 263	314 359	554 604
P - Leasing – private customers	Exposure	101 309	-	-	-	-	-	-	101 309
	Impairment	5 162	-	-	-	-	-	-	5 162
Total	Exposure	75 265 321	3 728 935	4 359 659	1 532 901	1 312 652	11 623 031	19 659 933	117 482 431
	Impairment	3 666 098	253 873	238 062	184 617	260 009	1 528 388	7 390 203	13 521 251
Coverage		4,87%	6,81%	5,46%	12,04%	19,81%	13,15%	37,59%	11,51%

Impairment by segment and risk bucket, in separate terms, is as follows:

Segment	Regular	Days past due from 30 to 60 days	Days past due from 60 to 90 days	Cured	With evidence	Restructured	Default
			Impairment 2016				
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%

Segment	Regular	Days past due from 30 to 60 days	Days past due from 60 to 90 days	Cured	With evidence	Restructured	Default
			Impairment 2015				
E - Current accounts – companies	6,54%	43,21%	63,95%	6,54%	24,88%	24,88%	100,00%
E - Overdrafts – companies	9,24%	47,06%	67,97%	9,24%	28,15%	28,15%	100,00%
E - Loans – companies	7,67%	51,37%	70,77%	12,81%	32,09%	32,09%	100,00%
E - Leasing – companies	3,86%	50,09%	68,86%	26,98%	38,54%	38,54%	100,00%
E - Public sector	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
P - Employees	3,14%	60,84%	81,20%	20,35%	40,60%	40,60%	100,00%
P - Mortgages	1,86%	17,07%	46,60%	10,80%	13,94%	13,94%	100,00%
P - Consumer credit	8,54%	43,11%	67,85%	14,56%	28,83%	28,83%	100,00%
P - Overdrafts – private customers	1,11%	28,63%	55,80%	18,92%	23,77%	23,77%	100,00%
P - Loans – private customers	4,28%	51,40%	80,92%	14,28%	32,84%	32,84%	100,00%
P - Leasing – private customers	3,14%	39,30%	61,22%	21,22%	30,26%	30,26%	100,00%

NOTE 17 – NON-CURRENT ASSETS HELD FOR SALE

(AOA '000)

	31.12.2016	31.12.2015
Non-current tangible assets held for sale		
Property	414 534	160 125
Equipment	-	-
Other fixed assets	-	-
	414 534	160 125
Impairment losses	-	-
	414 534	160 125

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 2016. The value of non-current assets held for sale still in the process of being legally registered as at 31 December 2016 is AOA 52,625,000.

The item non-current assets held for sale consists exclusively of properties and similar that are not an integral part of the Bank's facilities and are not used for the pursuit of its company object. They are the product of properties transferred in lieu of payment of debts and discontinued Bank premises.

Changes in non-current assets held for sale in 2016 and 2015 were as follows:

(AOA '000)

	31.12.2016	31.12.2015
Opening balance	**160 125**	**-**
Received	361 909	160 125
Sales	(107 500)	-
Other operations	-	-
Closing balance	414 532	160 125

NOTE 18 – OTHER TANGIBLE ASSETS

As at 31 December 2016 and 2015 this account, in separate terms, is comprised as follows::

(AOA '000)

	31.12.2016	31.12.2015
Property		
Own use	44 893 582	44 928 162
Works in rented properties	2 442 047	2 418 238
Others	-	-
	47 335 629	47 346 400
Equipment		
IT equipment	1 924 527	1 989 693
Interior facilities	1 577 496	1 543 492
Furnishings and material	1 726 495	1 714 259
Security equipment	1 797 783	1 793 117
Tools and machines	434 015	431 768
Vehicles	1 543 027	1 392 398
Others	-	-
	9 003 343	8 864 727
Works in progress		
Works in rented properties		
Property	13 251	407 820
Equipment	20 607	52 710
Others	-	-
	33 858	460 530
Other fixed assets		
Others	-	-
	-	-
	56 372 830	56 671 657
Accumulated depreciation		
Charge for the year	(1 771 317)	(1 670 416)
Accumulated charge for the previous years	(8 233 541)	(6 563 125)
	(10 004 858)	(8 233 541)
Impairment	-	-
	46 367 972	48 438 116

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Property		
Own use	44 893 582	44 928 162
Works in rented properties	2 442 047	2 418 238
Others	-	-
	47 335 629	47 346 400
Equipment		
IT equipment	1 924 527	1 989 693
Interior facilities	1 577 496	1 543 492
Furnishings and material	1 761 837	1 749 601
Security equipment	1 797 783	1 793 117
Tools and machines	434 015	431 768
Vehicles	1 543 027	1 392 398
Others	-	-
	9 038 685	8 900 069
Works in progress		
Works in rented properties	13 251	
Property	20 607	407 820
Equipment	-	52 710
Others	33 858	-
	33 858	460 530
Other fixed assets		
Others	-	-
	-	-
	56 408 172	56 706 999
Accumulated depreciation		
Charge for the year	(1 776 616)	(1 675 788)
Accumulated charge for the previous years	(8 250 103)	(6 574 315)
	(10 026 719)	(8 250 103)
Impairment	-	-
	46 381 453	48 456 896

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 2016.

The value of non-legalised property as at 31 December 2016 was AOA 42,491,621,000 and corresponded to 38 of 47 properties used in the Bank's business.

Changes in other tangible assets in separate terms in 2016 were as follows:

(AOA '000)

	Balance as at 01.01.2016	Acquisitions/ charge	Sells/ Write-offs	Transfers and changes in perimeter	Balance as at 31.12.2016
Property					
Own use	44 928 162	6 736	(82 143)	40 827	44 893 582
Works in rented properties	2 418 238	68 468	(258 007)	213 348	2 442 047
Others	-				-
	47 346 400	75 204	(340 150)	254 175	47 335 629
Equipment					
IT equipment	1 989 693	111 320	(176 551)	65	1 924 527
Interior facilities	1 543 492	34 004	-	-	1 577 496
Furnishings and material	1 714 259	20 106	(8 800)	930	1 726 495
Security equipment	1 793 117	4 666	-	-	1 797 783
Tools and machines	431 768	2 247	-	-	434 015
Vehicles	1 392 398	177 948	(27 319)	-	1 543 027
Others	-				-
	8 864 727	350 290	(212 669)	995	9 003 343
Construction in progress					
Works in rented properties	-	-	-	-	-
Property	407 820	-	(183 959)	(210 609)	13 251
Equipment	52 710	-	(32 103)	-	20 607
Others	-				-
	460 530	-	(216 062)	(210 609)	33 858
Other fixed assets					
Others					-
	-	-	-	-	-
	56 671 657	425 494	(768 881)	44 561	56 372 831
Accumulated depreciation					
Property					
Own use	(1 378 973)	(783 999)	17 201	-	(2 145 771)
Works in rented properties	(1 360 411)	(243 085)	157 351	-	(1 446 144)
Others	-				-
	(2 739 384)	(1 027 083)	174 552	-	(3 591 915)
Equipment					
IT equipment	(1 413 711)	(239 774)	176 442	-	(1 477 043)
Interior facilities	(765 383)	(195 614)	-	-	(960 997)
Furnishings and material	(685 202)	(205 846)	8 596	-	(882 452)
Security equipment	(1 317 984)	(289 799)	-	-	(1 607 783)
Tools and machines	(319 575)	(43 302)	-	-	(362 877)
Vehicles	(992 302)	(156 802)	27 312	-	(1 121 791)
Others					-
	(5 494 157)	(1 131 137)	212 351	-	(6 412 943)
	(8 233 541)	(2 158 220)	386 903	-	(10 004 858)
	48 438 116	(1 732 726)	(381 979)	44 561	46 367 972

And in consolidated terms:

(AOA '000)

	Balance as at 01.01.2016	Acquisitions/ charge	Sells/ Write-offs	Transfers and changes in perimeter	Balance as at 31.12.2016
Property					
Own use	44 928 162	6 736	(82 143)	40 827	44 893 582
Works in rented properties	2 418 238	68 468	(258 007)	213 348	2 442 047
Others	-	-	-	-	-
	47 346 400	75 204	(340 150)	254 175	47 335 629
Equipment					
IT equipment	1 989 693	111 320	(176 551)	65	1 924 526
Interior facilities	1 543 492	34 004	-	-	1 577 496
Furnishings and material	1 749 601	20 106	(8 800)	930	1 761 836
Security equipment	1 793 117	4 666	-	-	1 797 784
Tools and machines	431 768	2 247	-	-	434 015
Vehicles	1 392 398	177 948	(27 319)	-	1 543 027
Others	-	-	-	-	-
	8 900 069	350 291	(212 670)	995	9 038 684
Construction in progress					
Works in rented properties	-	-	-	-	-
Property	407 820	-	(183 959)	(210 609)	13 251
Equipment	52 710	-	(32 103)	-	20 607
Others	-	-	-	-	-
	460 530	-	(216 062)	(210 609)	33 858
Other fixed assets					
Others	-	-	-	-	-
	-	-	-	-	-
	56 706 999	425 495	(768 882)	44 560	56 408 172
Accumulated depreciation					
Property					
Own use	(1 378 973)	(783 999)	17 201	-	(2 145 771)
Works in rented properties	(1 362 395)	(243 085)	159 335	-	(1 446 144)
Others	-	-	-	-	-
	(2 741 368)	(1 027 083)	176 536	-	(3 591 915)
Equipment					
IT equipment	(1 413 711)	(239 774)	176 442	-	(1 477 043)
Interior facilities	(765 383)	(195 614)	-	-	(960 997)
Furnishings and material	(699 780)	(213 129)	8 596	-	(904 312)
Security equipment	(1 317 984)	(289 799)	-	-	(1 607 783)
Tools and machines	(319 575)	(43 302)	-	-	(362 877)
Vehicles	(992 302)	(156 802)	27 312	-	(1 121 791)
Others	-	-	-	-	-
	(5 508 735)	(1 138 420)	212 351	-	(6 434 804)
	(8 250 103)	(2 165 503)	388 887	-	(10 026 719)
	48 456 896	(1 740 008)	(379 995)	44 560	46 381 453

NOTE 19 – INTANGIBLE ASSETS

The item is as follows in separate terms:

(AOA '000)

	31.12.2016	31.12.2015
Intangible assets		
Generated in-house		
Automatic data processing system	-	-
Others	-	-
	-	-
Purchased from third parties		
Automatic data processing system	2 758 878	2 433 644
Others	117 755	-
	2 876 633	2 433 644
Accumulated depreciation		
Charge for the year	(219 101)	(215 756)
Accumulated charge for the previous years	(1 401 080)	(1 185 324)
	(1 620 181)	(1 401 080)
	1 256 452	1 032 564
Differences in consolidation and revaluation (goodwill)		
Subsidiaries		
Tranquilidade Angola S.A.	206 840	206 840
Others	-	-
	206 840	206 840
Impairment	-	-
	206 840	206 840
	1 463 292	1 239 404

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Intangible assets		
Generated in-house		
Automatic data processing system	-	-
Others	-	-
	-	-
Purchased from third parties		
Automatic data processing system	2 785 292	2 460 057
Others	117 755	-
	2 903 047	2 460 057
Accumulated depreciation		
Charge for the year	(221 868)	(215 756)
Accumulated charge for the previous years	(1 422 794)	(1 207 038)
	(1 644 662)	(1 422 794)
	1 258 385	1 037 264
Differences in consolidation and revaluation (goodwill)		
Subsidiaries		
Tranquilidade Angola S.A.	206 840	206 840
Others	-	-
	206 840	206 840
Impairment	-	-
	206 840	206 840
	1 465 225	1 244 104

Goodwill is the difference between the purchase cost and fair value of assets and liabilities and contingent liabilities.

These intangible assets do not have a finite useful life and so their recoverable value is revised 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 separate terms was as follows in 2016:

(AOA '000)

	Balance as at 01.01.2016	Acquisitions/ charge	Sells/ Write-offs	Transfers and changes in perimeter	Balance as at 31.12.2016
Intangible assets					
Generated in-house					
Automatic data processing system	-	-	-	-	-
Others	-	-	-	-	-
	-	-	-	-	-
Purchased from third parties					
Automatic data processing system	2 433 644	346 020	(20 786)	-	2 758 878
Others	-	117 755	-	-	117 755
	2 433 644	463 775	(20 786)	-	2 876 633
Accumulated depreciation					
Automatic data processing system	(1 401 080)	(219 101)	-	-	(1 620 181)
Others	-	-	-	-	-
	(1 401 080)	(219 101)	-	-	(1 620 181)
Differences in consolidation and revaluation (goodwill)	206 840	-	-	-	206 840
Impairment	-	-	-	-	-
Net balance as at 31 December	1 239 404	244 674	(20 786)	-	1 463 292

And in consolidated terms:

(AOA '000)

	Balance as at 01.01.2016	Acquisitions/ charge	Sells/ Write-offs	Transfers and changes in perimeter	Balance as at 31.12.2016
Intangible assets					
Generated in-house					
Automatic data processing system	-	-	-	-	-
Others	-	-	-	-	-
	-	-	-	-	-
Purchased from third parties					
Automatic data processing system	2 460 057	346 020	(20 786)	-	2 785 291
Others	-	117 755	-	-	117 755
	2 460 057	463 775	(20 786)	-	2 903 046
Accumulated depreciation					
Automatic data processing system	(1 422 794)	(221 868)	-	-	(1 644 662)
Others	-	-	-	-	-
	(1 422 794)	(221 868)	-	-	(1 644 662)
Differences in consolidation and revaluation (goodwill)	206 840	-	-	-	206.840
Impairment	-	-	-	-	-
Net balance as at 31 December	1 244 104	241 907	(20 786)	-	1 465 226

NOTE 20 – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The financial data on subsidiaries, associates and joint ventures, in separate terms, are presented in the table below:

	31.12.2016							31.12.2015						
	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	Profit/loss assignable to BE	Balance sheet amount	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	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	993 751	1 050 451	1 000	90 000	63,00%	55 800	55 800	690 184	745 983
ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A.	1 000	105 000	63,00%	66 150	66 150	-122 797	66 150	1 000	105 000	63,00%	65 100	65 100	-85 565	65 100
Tranquilidade Angola S.A.	1 050	747 790	21,00%	157 035	363 876	9 392	166 427	1 050	747 790	21,00%	157 035	363 876	16 150	173 186
					486 726	**880 346**	**1 283 028**					**484 776**	**620 769**	**984 269**
Impairment losses							-66 150							-65 100
							1 216 878							919 169

And in consolidated terms:

	31.12.2016							31.12.2015						
	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	Profit/loss assignable to BE	Balance sheet amount	No. of shares	Share capital	Direct shareholding	Face value AOA	Cost of holding	Profit/loss assignable to BE	Balance sheet amount
Tranquilidade Angola S.A.	1 050	747 790	21,00%	157 035	363 876	9 392	166 427	1 050	747 790	21,00%	157 035	363 876	16 150	173 186
					363 876	**9 392**	**166 427**					**363 876**	**16 150**	**173 186**
Impairment losses							-							-
							166 427							173 186

Impairment losses in investments in subsidiaries, associates and joint ventures were as follows:

(AOA '000)

	31.12.2016	31.12.2015
Opening balance	(65 100)	(65 100)
Charge for the year	-	-
Reversals	-	-
Exchange fluctuations	(1 050)	
Closing balance	(66 150)	(65 100)
	122 797	85 565

The amount recorded in impairment losses refers to an investment in ECONÓMICO FUNDOS DE PENSÕES – Sociedade Gestora de Fundos de Pensões, S.A.

As mentioned in Note 25, was constituted a provision associated with the Bank's holding in Económico Fundos de Pensões in the amount of AOA 56,647 (2015: AOA 19,415) as a result of its negative equity.

NOTE 21 – TAXES

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

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

Current tax for the years ending on 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 review and correction by the tax authorities for a period of five years, which may result in possible corrections to taxable profit from 2012 to 2016, due to different interpretations of tax legislation.

Nonetheless, no corrections for these financial years are expected to occur and, if eventually they occur, they are not expected to have any significant impacts 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, which correspond to the rates approved or substantially approved on the balance sheet date. In any case, for 2016 and 2015, the Bank did not record any amounts under deferred taxes.

The reconciliation of taxes costs recognised in profit/(loss) is as follows in separate terms:

(AOA '000)

	31.12.2016		31.12.2015	
	%	Amount	%	Amount
Profit/(Loss) Before Taxation		(4 329 024)		9 316 226
		-		-
Tax rate	30,0	-	30,0	-
Tax calculated on basis of tax rate		(1 298 707)		2 794 868
Income excluded from tax	139,3	(6 032 458)	(152,3)	(14 191 774)
Tax and accounting differenced on (gains)/losses	-	-	-	-
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplies)	(81,6)	3 531 541	28,0	2 612 784
Unforeseen provisions	-	-	47,9	4 458 301
Non-deductible (earnings)/costs	(4,8)	207 097	0,5	44 547
Changes in estimates	-		-	
Changes in rates and taxable base arising from reform of Industrial Tax	-		-	
Others	-		-	
Tax calculated	83,0	(3 592 528)	(46,0)	(4 281 274)
Tax for the year	-	-	-	-

And in consolidated terms:

(AOA '000)

	31.12.2016		31.12.2015	
	%	Amount	%	Amount
Profit/(Loss) Before Taxation		(4 326 888)		9 316 226
		-		-
Tax rate	30,0	-	30,0	-
Tax calculated on basis of tax rate		(1 298 066)		2 794 868
Income excluded from tax	139,3	(6 032 458)	(152,3)	(14 191 774)
Tax and accounting differenced on (gains)/losses	-	-	-	-
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplies)	(81,6)	3 531 541	28,0	2 612 784
Unforeseen provisions	-	-	47,9	4 458 301
Non-deductible (earnings)/costs	(4,8)	207 097	0,5	44 547
Changes in estimates	-		-	
Changes in rates and taxable base arising from reform of Industrial Tax	-		-	
Others	-		-	
Tax calculated	83,0	(3 591 887)	(46,0)	(4 281 274)
Tax for the year	-	-	-	-

The Bank chose not to record any deferred tax assets considering the profit/(loss) registered in 2014 and 2016.

Earnings from public debt securities resulting from 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 due.

Earnings from public debt securities resulting from 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 ending on 31 December 2016 and 2015, these earnings were deducted from taxable profit.

The cost related to Capital Investment Tax is also excluded from acceptable costs for calculating tax liability, as set out in Article 18 (1) (a) of the Industrial Tax Code.

NOTE 22 – OTHER ASSETS

As at 31 December 2016 and 2015 this account, in separate terms, is comprised as follows:

(AOA '000)

	31.12.2016	31.12.2015
Current accounts		
Collaterals in operations of documentary credits	14 346 554	-
Administrative public sector	1 240 346	2 737 956
Other debtors	526 344 218	475 335 459
Earnings receivable	-	-
Deferred costs	865 347	901 729
Securities unsettled operations	32 346	32 346
Other unsettled operations	(16 210)	659 921
Other assets	17 816 155	16 718 099
	560 628 755	**496 385 510**
Impairment losses	**(2 034 157)**	**(5 645 347)**
	558 594 598	**490 740 163**

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Current accounts		
Collaterals in operations of documentary credits	14 346 554	-
Administrative public sector	1 240 346	2 737 956
Other debtors	526 344 218	475 335 459
Earnings receivable	-	-
Deferred costs	865 347	901 729
Other unsettled operations	(16 210)	659 921
Other assets	17 816 155	16 718 099
	560 628 755	**496 385 510**
Impairment losses	**(2 034 157)**	**(5 645 347)**
	558 594 598	**490 740 163**

The amount of Other debtors essentially refers to the transfer of economic rights over assets occurred in 2014. This operation amounted to AOA 523,822,261,000 in capital terms, accrued interest and other amounts due to the Bank as at 31 December 2016 (2015: AOA 473,172,450,000).

The amount consists of AOA 454,196,127,000 in terms of principal, AOA 69,002,321,000 in terms of accrued interest and AOA 623,813,000 in amounts paid by the Bank. In 2015, they were AOA 442,206,546,000 and AOA 30,965,963,000, respectively. See Note 35 for a better understanding of the operation.

The changes in impairment losses under other assets, in separate and consolidated terms were as follows:

(AOA '000)

	31.12.2016	31.12.2015
Opening balance	(5 645 347)	(1 631 103)
Charge for the year	(418 422)	(3 862 798)
Charge-off	-	115 243
Reversals	4 169 163	15 255
Transfers	**512 085**	**-**
Foreign Exchange differences	**(651 636)**	**(281 944)**
Closing balance	**(2 034 157)**	**(5 645 347)**

NOTE 23 – DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

As at 31 December 2016 and 2015 this account, in separate terms, is comprised as follows:

(AOA '000)

	31.12.2016	31.12.2015
Deposits from central banks		
Interbank money market	230 371 815	143 762 224
Deposits	-	-
Repo agreement	-	-
Other deposits	-	-
	230 371 815	**143 762 224**
Deposits from other credit institutions		
Interbank money market	23 117	(1)
Deposits	-	-
Loans	35 453 940	61 002 795
Repo agreement	-	-
Other deposits	1 736 490	526 682
	37 213 547	**61 529 476**
Corrections of value through hedging operations	-	-
	267 585 362	**205 291 700**

In terms of residence it is as follows:

(AOA '000)

	31.12.2016	31.12.2015
In Angola		
Deposits	-	-
Interbank money market	230 371 815	143 762 224
Very short-term deposits	-	-
Repo agreement	-	-
Other deposits	1 736 490	526 682
	232 108 305	**144 288 906**
Abroad		
Deposits	23 117	(1)
Loans	35 453 940	61 002 795
Very short-term deposits	-	-
Repo agreement	-	-
Other deposits	-	-
	35 477 057	**61 002 794**
	267 585 362	**205 291 700**

The scheduling of deposits from central banks and other credit institutions by residual maturities as at 31 December 2016 and 2015 is as follows:

(AOA '000)

	31.12.2016	31.12.2015
Up to 3 months	185 116 068	146 795 323
3 months to one year	47 015 354	-
One to three years	35 453 940	58 496 377
More than five years	-	-
Indefinite duration	-	-
	267 585 362	205 291 700

On 20 March 2017 the entire debt was repaid to Banco Nacional de Angola through assets transfer as referred in Note 35.

NOTE 24 – DEPOSITS FROM CUSTOMERS AND OTHER LOANS

The balance of this account could be presented by nature and in separate terms as follows:

(AOA '000)

	31.12.2016	31.12.2015
Deposits at sight		
Current accounts	396 715 896	280 829 468
Term deposits		
Term deposits	273 720 612	228 617 446
Deposits redeemable at notice	-	-
Others		
	273 720 612	**228 617 446**
Other deposits		
Operations with repo agreement		
Other deposits		
	-	-
	670 436 508	509 446 914

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Deposits at sight		
Current accounts	395 886 726	280 648 515
Term deposits		
Term deposits	272 522 103	227 528 997
Deposits redeemable at notice	-	-
Others		
	272 522 103	**227 528 997**
Other deposits		
Operations with repo agreement		
Other deposits		
	-	-
	668 408 829	508 177 512

The scheduling of deposits from customers and other loans by residual maturities, as at 31 December 2016 and 2015, in separate terms, could be presented as follows:

(AOA '000)

	31.12.2016	31.12.2015
Payable at sight	396 715 896	280 829 468
Payable at term		
Up to three months	172 328 329	84 840 726
3 months to one year	95 382 128	135 949 458
One to five years	5 622 901	7 785 326
More than five years	387 255	41 936
	273 720 612	228 617 446
	670 436 508	509 446 914

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Payable at sight	395 886 726	280 648 515
Payable at term		
Up to three months	171 129 820	84 842 512
3 months to one year	95 382 128	134 859 233
One to five years	5 622 901	7 785 316
More than five years	387 255	41 936
	272 522 104	227 528 997
	668 408 829	508 177 512

NOTE 25 – PROVISIONS

As at 31 December 2016 and 2015, provisions were as follows in separate terms:

(AOA '000)

	Provisions for guarantees and other commitments	Other provisions for risks and expenses	Total
Balance as at 31 December 2014	512 743	7 880 651	8 393 394
Charge for the year	2 687 297	225 783	2 913 080
Reversals	(3 054 230)	(9 761 912)	(12 816 141)
Transfers	-	-	-
Foreign exchange differences and other regularisations	283 091	2 872 789	3 155 880
Balance as at 31 December 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 regularisations	-	239 480	239 480
Balance as at 31 December 2016	2 618 428	1 385 594	4 004 022

The balance under other provisions for risks and expenses includes a provision of AOA 56,647,000 for a holding in Económico Fundo de Pensões S.A., as a result of its negative equity.s.

And in consolidated terms:

(AOA '000)

	Provisions for guarantees and other commitments	Other provisions for risks and expenses	Total
Balance as at 31 December 2014	**512 743**	**7 809 406**	**8 322 149**
Charge for the year	2 687 297	202 972	2 890 268
Reversals	(3 054 230)	(9 725 541)	(12 779 771)
Transfers	-	-	-
Foreign exchange differences and other regularisations	283 091	2 934 379	3 217 470
Balance as at 31 December 2015	**428 901**	**1 221 215**	**1 650 116**
Charge for the year	5 175 808	16 517	5 192 325
Reversals	(2 986 282)	(82 952)	(3 069 233)
Transfers	-	-	-
Foreign exchange differences and other regularisations	-	214 003	214 003
Balance as at 31 December 2016	**2 618 427**	**1 368 784**	**3 987 211**

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 the probability of its payment.

The main balances are as follows in separate terms:

	31.12.2016	31.12.2015
Provisions		
Provisions for issued guarantees	2 618 428	428 900
Provisions for investments in subsidiaries	56 647	19 415
Provisions for legal contingencies	165 903	202 973
Provisions for loans and advances to OFI	45 010	36 712
Provisions for documentary credits	1 118 035	958 212
	4 004 022	1 646 212

And in consolidated terms:

	31.12.2016	31.12.2015
Provisions		
Provisions for issued guarantees		
Provisions for investments in subsidiaries	2 618 428	428 900
Provisions for legal contingencies	165 903	202 973
Provisions for loans and advances to OFI	84 845	60 031
Provisions for documentary credits	1 118 035	958 212
	3 987 211	1 650 116

NOTE 26 – SUBORDINATED ASSETS

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

(AOA '000)

	31.12.2016	31.12.2015
Non-perpetual bonds	71 092 571	57 993 020
Perpetual bonds	-	-
	71 092 571	57 993 020

The main characteristics of subordinated loans are as follows:

(AOA '000)

				31.12.2016			
Issuing company	Description	Currency	Date of issue	Amount of issue	Balance sheet value	Interest rate	Maturity
Banco Económico, S.A.	Subordinated loan	USD	30-10-2014	70 485 612	71 092 571	5,00%	30-10-2024
				70 485 612	71 092 571		

The changes under other subordinated assets in 2016 were as follows:

(AOA '000)

	Balance as at 01.01.2016	Issues	Reimbursements	Purchases (net)	Other operations (a)	Balance as at 31.12.2016
Bonds	57 993 020	-	-	-	13 099 551	71 092 571
Perpetual bonds	-	-	-	-	-	-
	57 993 020	-	-	-	13 099 551	71 092 571

a) The other operations include accrued interest in the balance sheet and foreign exchange variations.

This loan from Novo Banco resulted from a BNA resolution of 4 August 2014 after the conversion of AOA 41.595 billion of the senior interbank loan into a subordinated loan in US dollars with an interest rate of 5%, with quarterly payments, repayable in 10 years, with the possibility of future conversion into share capital up to the end of the repayment period, if the lenders' participation remained less than 19.99%.

On 31 December 2016 and 2015, 50% of this loan was covered by 21,244 treasury bonds with a face value of USD 10,000 maturing in 2018, issued by the Republic of Angola.

NOTE 27 – CURRENT TAX LIABILITIES AND OTHER LIABILITIES

This account as at 31 December 2016 and 2015, in separate terms, was comprised as follows:

(AOA '000)

	31.12.2016	31.12.2015
Current tax liabilities	**22 972**	**19 823**
Sundry creditors	43 991 235	31 858 349
Tax expenses payable - hold from third parties	679 089	577 810
Suppliers	1 316 971	1 760 804
Social security contributions	40 077	38 961
Others	11	-
Provisions for employee benefit expenses	2 216 510	2 415 684
Other liabilities	**48 243 893**	**36 651 608**
	48 266 865	36 671 431

And in consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Current tax liabilities	**432 146**	**233 575**
Sundry creditors	44 175 484	31 937 898
Tax expenses payable - hold from third parties	684 707	580 969
Suppliers	1 316 971	1 760 803
Social security contributions	40 077	38 961
Dividends	21 832	21 832
Others	11	-
Provisions for employee benefit expenses	2 224 380	2 420 717
Other liabilities	**48 463 462**	**36 761 180**
	48 895 608	36 994 755

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 35).

These amounts refer essentially to loans and advances to customers with a repurchase option, settlements paid on loans transferred and the corresponding accrued interests, which as at 31 December 2016 amounted to AOA 43,270,760 thousands and AOA 31,172,611 thousands in 2015 (see Note 35).

NOTE 28 – RESERVES, RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

Legal reserve

This accounts 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 these account were as follows:

(AOA '000)

	Fair value reserves			Other reserves and retained earns		
	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 as at 1 January 2015	**1 293 388**	**-**	**1 293 388**	**21 908 865**	**3 995 756**	**25 904 621**
Changes in fair value	(1 188 783)	-	(1 188 783)	-	-	-
Other operations		-	-	-	(60 837 720)	(60 837 720)
Balance as at 31 December 2015	**104 605**	**-**	**104 605**	**21 908 865**	**(56 841 964)**	**(34 933 099)**
Changes in fair value	(184 172)	-	(184 172)	-	-	-
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 as at 31 December 2016	**(79 567)**	**-**	**(79 567)**	**23 903 096**	**(49 055 485)**	**(25 152 389)**

And in consolidated terms:

(AOA '000)

	Fair value reserves			Other reserves and retained earns		
	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 as at 1 January 2015	**1 293 388**	**-**	**1 293 388**	**22 024 384**	**(56 936 034)**	**(34 911 650)**
Changes in fair value	(1 188 783)	-	(1 188 783)	-	-	-
Other operations		-	-	-	(21 448)	(21 448)
Balance as at 31 December 2015	**104 605**	**-**	**104 605**	**22 024 384**	**(56 957 482)**	**(34 933 098)**
Changes in fair value	(184 172)	-	(184 172)	-	-	-
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 as at 31 December 2016	**(79 567)**	**-**	**(79 567)**	**24 018 615**	**(49 171 003)**	**(25 152 388)**

The Bank's General Meeting decided that the profit for 2015 would be distributed as follows:

(i) Increase in the legal reserve by 20% of the profit (calculated with the accounting plan for financial institutions) to the amount of AOA 1,994,231,000;
(ii) and the remaining 80%, AOA 7,976,926,000 to offset negative retained earnings.

Other changes refer to adjustments made to balances from previous years associated essentially with the value of shareholdings and employees' performance bonuses.

NOTE 29 – CAPITAL, ISSUE PREMIUMS AND OWN SHARES

Ordinary shares

As at 31 December 2016, the Bank's share capital of AOA 72,000 millions was represented by 72,000 ordinary shares, which were fully subscribed and paid up by different shareholders, as per the list below:

	% Capital	
	31.12.2016	31.12.2015
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 30 – GUARANTEES AND OTHER COMMITMENTS

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

(AOA '000)

	31.12.2016	31.12.2015
Guarantees provided	100 638 085	20 441 102
Commitments to third parties	11 998 874	16 757 391
Securities deposited in the central depository	-	-
Other off-balance accounts	-	-
	112 636 959	37 198 493

The amounts of guarantees and sureties provided and commitments made to third parties are as follows:

(AOA '000)

	31.12.2016	31.12.2015
Guarantees provided		
Guarantees	11 148 035	13 097 659
Financial assets given as collateral	-	-
Documentary credits	89 490 050	7 343 442
Others	-	-
	100 638 085	**20 441 102**
Commitments to third parties		
Irrevocable commitments	-	-
Irrevocable lines of credit	9 709 397	16 757 391
Others		
Revocable commitments		
Revocable lines of credit	2 289 477	-
Others	-	-
	11 998 874	16 757 391

The caption Guarantees is related 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 a 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 lines of credit) which are generally contracted for fixed periods or with other expiration 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 counterparties 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.

Furthermore, the liabilities related to banking services provided, included in off-balance-sheet accounts could be presented as follows:

(AOA '000)

	31.12.2016	31.12.2015
Deposit and custody of securities	134 169 991	126 805 933
Values received for collection	152 882	50 296
Loan servicing	-	-
Other responsibilities for provision of services	(15 662)	(173 230)
	134 307 211	126 683 000

The Bank acts as custodian of customers' values, as part of its fiduciary activity.

Recognition in off-balance-sheet accounts is described in accounting policy referred in Note 2.20.

NOTA 31 – 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 fulfils 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 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 the entity's key management personnel (or of a parent company of the entity).

The value of the Bank's transactions with related parties as at 31 December 2016 and 2015 and their respective costs and earnings recognised in the period were as follows:

(AOA '000)

	31.12.2016					31.12.2015				
	Assets	Liabilities	Guarantees	Earnings	Costs	Assets	Liabilities	Guarantees	Earnings	Costs
Subsidiaries										
Economico Fundos Investimento	-	(2 004 981)	-	54	48 730	43 640	(3 020)	-	589	-
Economico Fundos Pensões	51 245	(22 698)	-	239	-	-	(1 272 270)	-	-	(44 209)
	51 245	(2 027 679)	-	293	48 730	43 640	(1 275 290)	-	589	(44 209)
Associates										
Tranquilidade	-	(4 310 293)	-	508	175 599	3 287	(2 865 449)	-	357	(103 324)
	-	(4 310 293)	-	508	175 599	3 287	(2 865 449)	-	357	(103 324)

As at 31 December 2016 and 2015, 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:

(AOA '000)

31.12.2016	Assets								
	Loans and advances to credit institutions	Loans and advances	Securities	Others	Total	Guarantees	Liabilities	Earnings	Costs
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 SA							(437 464)	20	-
Pension fund									
BESA OPCOES DE REFORMA							(646 135)	755	(20 506)
TOTAL	21 549 045	-	-	-	21 549 045	-	(107 689 266)	13 539	(5 978 617)

(AOA '000)

31.12.2015	Assets								
	Loans and advances to credit institutions	Loans and advances	Securities	Others	Total	Guarantees	Liabilities	Earnings	Costs
Shareholders									
NOVO BANCO S.A.	7 011 050				7 011 050		(118 505 981)	5 864	(5 040 139)
GENI, S.A.R.L							(27 945)	4 423	(1 676)
LEKTRON CAPITAL SA							(437 484)	15	-
Pension fund									
BESA OPCOES DE REFORMA							(488 566)	187	(103 324)
TOTAL	7 011 050	-	-	-	7 011 050	-	(119 459 976)	10 488	(5 145 139)

Costs of remunerations and other benefits for the Bank's key management personnel (short and long term) were as follows:

(AOA '000)

	Board of Directors				
	Executive Committee	Other members	Total	Other key management personnel	Total
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
31 December 2015					
Remuneration and other short-term benefits	121 184	2 978 155	3 099 339	1 432 976	4 532 315
Variable remuneration	-	11 850	11 850	475	12 325
Subtotal	**121 184**	**2 990 005**	**3 111 189**	**1 433 451**	**4 544 640**
Long-term benefits and other social expenses	41 858	459 328	501 186	295 430	796 615
Other remuneration and bonuses for years of service	-	-	-	-	-
Total	163 042	3 449 332	3 612 374	1 728 881	5 341 255

"Other key management personnel" is considered to be 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 the principle of fair value.

NOTE 32 – 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 assessed, taking account of the real circumstances in which the institution operates.

In this context and with the available information, the fair value obtained is influenced by the parameters used in the assessment model, which necessarily include some degree of subjectivity and exclusively reflect the value given to the different financial instruments.

The fair value of the Bank's financial assets and liabilities are as follows in separate terms:

(AOA '000)

		Valued at fair value				
	Cost of acquisition/ depreciated cost	Market prices	Valuation models with observable market parameters	Valuation models with parameters not observable on the market	Total balance sheet value	Fair value
		(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
Available for sale financial assets	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	**1039 912 251**	**-**	**14 449 421**	**-**	**1054 361 672**	**1042 350 439**
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	-	-	-	71 092 571	71 092 571
Other liabilities	48 243 893	-	-	-	48 243 893	48 243 893
Financial liabilities	**1057 358 334**	**-**	**-**	**-**	**1057 358 334**	**1057 358 334**

And in 2015:

(AOA '000)

	Cost of acquisition/ depreciated 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 2015						
Cash and deposits at central banks	79 618 280	-	-	-	79 618 280	79 618 280
Cash and deposits at other credit institutions	4 196 022	-	-	-	4 196 022	4 196 022
Loans and advances to central banks and other credit institutions	23 319 330	-	-	-	23 319 330	23 319 330
Available for sale financial assets	42 383	-	104 902 837	-	104 945 220	104 945 220
Bonds from public issuers	-	-	104 902 837	-	104 902 837	104 902 837
Shares	42 383	-	-	-	42 383	42 383
Loans and advances to customers	103 961 180	-	-	-	103 961 180	103 961 180
Other assets	490 740 163	-	-	-	490 740 163	490 740 163
Financial assets	**701 877 358**	**-**	**104 902 837**	**-**	**806 780 195**	**806 780 195**
Deposits from central banks and other credit institutions	205 291 700	-	-	-	205 291 700	205 291 700
Deposits and other loans from customers	509 446 914	-	-	-	509 446 914	509 446 914
Subordinated liabilities	57 993 020	-	-	-	57 993 020	57 993 020
Other liabilities	36 651 608	-	-	-	36 651 608	36 651 608
Financial liabilities	**809 383 242**	**-**	**-**	**-**	**809 383 242**	**809 383 242**

And in consolidated terms in 2016:

(AOA '000)

	Cost of acquisition/ depreciated cost	Valued at fair value: Market prices	Valued at fair value: Valuation models with observable market parameters	Valued at fair value: Valuation models with parameters not observable on the market	Total balance sheet value	Fair value
		(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
Available for sale financial assets	119 059 913	-	14 449 421	-	133 509 334	133 509 334
Bonds from public issuers	119 037 627	-	14 449 421	-	133 487 048	133 487 048
Shares	22 286	-	-	-	22 286	22 286
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**	**-**	**1 054 566 760**	**1 042 606 773**
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**

And in 2015:

(AOA '000)

	Cost of acquisition/ depreciated cost	Valued at fair value: Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with parameters not observable on the market (Level 3)	Total balance sheet value	Fair value
31 December 2015						
Cash and deposits at central banks	79 618 283	-	-	-	79 618 283	79 618 283
Cash and deposits at other credit institutions	4 467 097	-	-	-	4 467 097	4 467 097
Loans and advances to central banks and other credit institutions	23 319 330	-	-	-	23 319 330	23 319 330
Available for sale financial assets	96 862 736	-	8 083 929	-	104 946 666	104 946 666
Bonds from public issuers	96 818 907	-	8 083 929	-	104 902 837	104 902 837
Shares	43 829	-	-	-	43 829	43 829
Loans and advances to customers	103 961 180	-	-	-	103 961 180	103 961 180
Other assets	490 674 685	-	-	-	490 674 685	490 674 685
Financial assets	**798 903 311**	**-**	**8 083 929**	**-**	**806 987 241**	**806 987 241**
Deposits from central banks and other credit institutions	205 291 700	-	-	-	205 291 700	205 291 700
Deposits and other loans from customers	508 177 512	-	-	-	508 177 512	508 177 512
Subordinated liabilities	57 993 020	-	-	-	57 993 020	57 993 020
Other liabilities	36 761 180	-	-	-	36 761 180	36 761 180
Financial liabilities	**808 223 413**	**-**	**-**	**-**	**808 223 413**	**808 223 413**

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. Considering that applicable interest rates are renewed for periods of less than one year, there are no materially relevant 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 2016 and 2015 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:

(%)

	31.12.2016			31.12.2015		
	AOA	EUR	USD	AOA	EUR	USD
Overnight	24,91%	0,00%	0,69%	11,32%	0,00%	0,37%
1 month	17,11%	-0,37%	0,77%	11,43%	-0,21%	0,43%
3 months	18,04%	-0,32%	1,00%	11,85%	-0,13%	0,61%
6 months	17,96%	-0,22%	1,32%	12,19%	-0,04%	0,84%
9 months	19,55%	-0,14%	0,00%	12,48%	0,00%	0,00%
1 year	20,07%	-0,08%	1,69%	12,75%	0,06%	1,17%

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:

			Volatility (%)				
Foreign exchange	31.12.2016	31.12.2015	1 month	3 months	6 months	9 months	1 year
AOA/USD	165,903	135,315	0,00%	0,00%	0,00%	0,90%	32,09%
AOA/EUR	185,379	147,832	0,00%	0,00%	0,00%	0,90%	34,66%

The group's valuation models use the spot rate observed in the market at the time of assessment where exchange rates are concerned.

NOTE 33 – BUSINESS RISK MANAGEMENT

The Bank is subject to different kinds of risks in the pursuit of its business. Risks management is centralised in comparison to 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 volatilities. 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 Economico also set up a risk management office (GGR) in 2016. 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 the third sector from the other business sectors, while for sole proprietorships and micro-enterprises we use the business scoring model.

There follows information on the Bank's exposure to the credit risk in 2016 and 2015, in separate terms:

(AOA '000)

	31.12.2016		
	Gross book value	Impairment	Net book value
On balance sheet			
Loans and advances to customers	182 317 738	(18 320 515)	163 997 223
Loans and advances to central banks and credit institutions	135 329 457	-	135 329 457
Portfolio of securities	133 534 301	(26 414)	133 507 887
Interbank loans and advances	56 070 540	-	56 070 540
Other assets	523 822 261	-	523 822 261
	1 031 074 296	**(18 346 929)**	**1 012 727 368**
Off balance sheet			
Guarantees	11 148 035	(924 683)	10 223 352
Documentary credits	89 490 050	(1 693 743)	87 796 307
	100 638 086	**(2 618 426)**	**98 019 659**
	1 131 712 382	(20 965 355)	1 110 747 027

And in 2015:

(AOA '000)

	31.12.2015		
	Gross book value	Impairment	Net book value
On balance sheet			
Loans and advances to customers	117 482 431	(13 521 251)	103 961 180
Loans and advances to central banks and credit institutions	77 474 217	-	77 474 217
Portfolio of securities	104 945 220	-	104 945 220
Interbank loans and advances	23 319 330	-	23 319 330
Other assets	473 172 450	-	473 172 450
	796 393 648	**(13 521 251)**	**782 872 397**
Off balance sheet			
Guarantees	13 097 659	(366 104)	12 731 555
Documentary credits	7 343 442	(62 796)	7 280 647
	20 441 102	**(428 900)**	**20 012 202**
	816 834 750	(13 950 151)	802 884 599

The figure under other assets has to do with receivables in the operation with GRUPO ENSA (see Note 35).

And in consolidated terms:

(AOA '000)

	31.12.2016		
	Gross book value	Impairment	Net book value
On balance sheet			
Loans and advances to customers	182 264 358	(18 318 379)	163 945 979
Loans and advances to central banks and credit institutions	136 641 908	-	136 641 908
Portfolio of securities	133 535 748	(26 414)	133 509 334
Interbank loans and advances	56 070 540	-	56 070 540
Other assets	523 822 261	-	523 822 261
	1 032 334 815	**(18 344 793)**	**1 013 990 022**
Off balance sheet			
Guarantees	11 148 035	(924 683)	10 223 352
Documentary credits	89 490 050	(1 693 743)	87 796 307
	100 638 086	**(2 618 426)**	**98 019 659**
	1 132 972 900	(20 963 219)	1 112 009 681

And in 2015:

(AOA '000)

	31.12.2015		
	Gross book value	Impairment	Net book value
On balance sheet			
Loans and advances to customers	117 482 431	(13 521 251)	103 961 180
Loans and advances to central banks and credit institutions	78 517 913	-	78 517 913
Portfolio of securities	104 946 666	-	104 946 666
Interbank loans and advances	23 319 330	-	23 319 330
Other assets	473 172 450	-	473 172 450
	797 438 790	**(13 521 251)**	**783 917 539**
Off balance sheet			
Guarantees	13 097 659	(366 104)	12 731 555
Documentary credits	7 343 442	(62 796)	7 280 647
	20 441 102	**(428 900)**	**20 012 202**
	817 879 892	(13 950 151)	803 929 741

The quality of the credit risk of financial assets as at 31 December 2016 and 2015 were as follows in separate terms:

(AOA '000)

			2016		
	Origin of rating	Level of rating	Gross exposure	Impairment	Net exposure
1.70 - Loans and advances to customers	Internal rating	Low	125 933 748	6 847 049	119 086 699
		Medium	14 316 230	1 025 721	13 290 509
		High	42 067 760	10 447 745	31 620 015
	Total		**182 317 738**	**18 320 515**	**163 997 223**

(AOA '000)

			2015		
	Origin of rating	Level of rating	Gross exposure	Impairment	Net exposure
1.70 - Loans and advances to customers	Internal rating	Low	78 832 581	3 919 972	74 912 610
		Medium	7 718 184	682 688	7 035 495
		High	30 931 666	8 918 591	22 013 075
	Total		**117 482 431**	**13 521 251**	**103 961 180**

And in consolidated terms:

(AOA '000)

			2016		
	Origin of rating	Level of rating	Gross exposure	Impairment	Net exposure
1.70 - Loans and advances to customers	Internal rating	Low	125 880 368	6 844 913	119 035 455
		Medium	14 316 229	1 025 721	13 290 508
		High	42 067 760	10 447 745	31 620 015
	Total		**182 264 357**	**18 318 379**	**163 945 978**

(AOA '000)

			2015		
	Origin of rating	Level of rating	Gross exposure	Impairment	Net exposure
1.70 - Loans and advances to customers	Internal rating	Low	78 832 581	3 919 972	74 912 610
		Medium	7 718 184	682 688	7 035 495
		High	30 931 666	8 918 591	22 013 075
	Total		**117 482 431**	**13 521 251**	**103 961 180**

The division of the business sector of exposure to the credit risk in separate terms as at 31 December 2016 and 2015 is shown below:

(AOA '000)

	2016						
	Loans and advances to customers					Impairment	
	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Impairment/ total exposure
Companies							
Agriculture, livestock, hunting, forestry and fishery	-	-	32 948	32 948	0,01%	-	0,00%
Extractive industries	-	-	-	-	0,00%	-	0,00%
Manufacturing industries	19 272 567	-	18 342 789	37 615 356	12,75%	557 678	1,48%
Food, beverage and tobacco industries	1 816 094	189 717	331 806	2 337 617	0,79%	190 213	8,14%
Textile industry	-	-	-	-	0,00%	-	0,00%
Leather industry	-	-	-	-	0,00%	-	0,00%
Timber and cork industry	-	-	-	-	0,00%	-	0,00%
Pulp, paper, cardboard industries	-	-	-	-	0,00%	-	0,00%
Metal industry	-	519 794	-	519 794	0,18%	363 856	70,00%
Generation/production and distribution of electricity, gas and water	-	-	-	-	0,00%	-	0,00%
Construction	1 882 787	2 930 895	10 891 642	15 705 324	5,32%	2 456 802	15,64%
Wholesale and retail trade	12 201 483	1 080 590	80 396 807	93 678 880	31,76%	2 540 489	2,71%
Hospitality industry	-	1 582 704	-	1 582 704	0,54%	735 985	46,50%
Transport , storage and communications	7 882 294	224 806	318 648	8 425 748	2,86%	912 853	10,83%
Financial activities	-	-	-	-	0,00%	-	0,00%
Property and rental activities and services to companies	25 653 039	30 174 320	-	55 827 359	18,93%	10 921 485	19,56%
Education	332 264	1 718 360	-	2 050 623	0,70%	2 877	0,14%
Health and welfare	-	-	599 379	599 379	0,20%	-	0,00%
Other collective, social and personal services	53 012 984	7 522 078	1 266 708	61 801 769	20,95%	726 764	1,18%
International bodies and other foreign institutions	-	-	-	-	0,00%	-	0,00%
Private customers							
Consumption	1 285 112	55 155	-	1 340 267	0,45%	48 332	3,61%
Housing	6 835 542	439 268	-	7 274 810	2,47%	383 336	5,27%
Other purposes	2 879 162	2 826 722	456 233	6 162 118	2,09%	1 098 271	17,82%
Total	**133 053 330**	**49 264 408**	**112 636 959**	**294 954 697**		**20 938 941**	

(AOA '000)

	2015						
	Loans and advances to customers					Impairment	
	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Impairment/ total exposure
Companies							
Agriculture, livestock, hunting, forestry and fishery	-	-	26 874	26 874	0,02%	-	0,00%
Extractive industries	-	-	-	-	0,00%	-	0,00%
Manufacturing industries	406 840	8 806 171	-	9 213 012	5,96%	380 866	4,13%
Food, beverage and tobacco industries	2 291 568	191 670	545 352	3 028 590	1,96%	211 214	6,97%
Textile industry	-	-	-	-	0,00%	-	0,00%
Leather industry	-	-	-	-	0,00%	-	0,00%
Timber and cork industry	-	-	-	-	0,00%	-	0,00%
Pulp, paper, cardboard industries	-	-	-	-	0,00%	-	0,00%
Metal industry	-	726 840	-	726 840	0,47%	72 684	10,00%
Generation/production and distribution of electricity, gas and water	-	-	-	-	0,00%	-	0,00%
Construction	2 820 489	844 750	13 246 888	16 912 127	10,93%	729 108	4,31%
Wholesale and retail trade	16 487 223	864 327	3 463 441	20 814 990	13,46%	1 068 694	5,13%
Hospitality industry	7	1 589 243	-	1 589 251	1,03%	806 609	50,75%
Transport , storage and communications	8 233 466	-	67 946	8 301 412	5,37%	381 828	4,60%
Financial activities	-	-	-	-	0,00%	-	0,00%
Property and rental activities and services to companies	23 217 210	15 767 214	16 757 391	55 741 815	36,04%	5 634 085	10,11%
Education	1 842 273	-	-	1 842 273	1,19%	239	0,01%
Health and welfare	-	-	-	-	0,00%	-	0,00%
Other collective, social and personal services	15 923 934	2 290 905	2 718 486	20 933 326	13,53%	1 219 531	5,83%
International bodies and other foreign institutions	-	-	-	-	0,00%	-	0,00%
Private customers							
Consumption	884 235	40 940	-	925 175	0,60%	36 013	3,89%
Housing	6 927 889	3 109 551	-	10 037 440	6,49%	3 094 933	30,83%
Other purposes	2 902 095	1 313 589	372 116	4 587 801	2,97%	314 347	6,85%
Total	**81 937 230**	**35 545 201**	**37 198 493**	**154 680 924**		**13 950 151**	

In terms of consolidations:

(AOA '000)

	2016						
	Loans and advances to customers					Impairment	
	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Impairment/ total exposure
Companies							
Agriculture, livestock, hunting, forestry and fishery	-	-	32 948	32 948	0,01%	-	0,00%
Extractive industries	-	-	-	-	0,00%	-	0,00%
Manufacturing industries	19 272 567	-	18 342 789	37 615 356	12,76%	557 678	1,48%
Food, beverage and tobacco industries	1 816 094	189 717	331 806	2 337 617	0,79%	190 213	8,14%
Textile industry	-	-	-	-	0,00%	-	0,00%
Leather industry	-	-	-	-	0,00%	-	0,00%
Timber and cork industry	-	-	-	-	0,00%	-	0,00%
Pulp, paper, cardboard industries	-	-	-	-	0,00%	-	0,00%
Metal industry	-	519 794	-	519 794	0,18%	363 856	70,00%
Generation/production and distribution of electricity, gas and water	-	-	-	-	0,00%	-	0,00%
Construction	1 882 787	2 930 895	10 891 642	15 705 324	5,33%	2 456 802	15,64%
Wholesale and retail trade	12 201 483	1 080 590	80 396 807	93 678 880	31,77%	2 540 489	2,71%
Hospitality industry	-	1 582 704	-	1 582 704	0,54%	735 985	46,50%
Transport , storage and communications	7 882 294	224 806	318 648	8 425 748	2,86%	912 853	10,83%
Financial activities	-	-	-	-	0,00%	-	0,00%
Property and rental activities and services to companies	25 599 659	30 174 320	-	55 773 979	18,91%	10 919 350	19,58%
Education	332 264	1 718 360	-	2 050 623	0,70%	2 877	0,14%
Health and welfare	-	-	599 379	599 379	0,20%	-	0,00%
Other collective, social and personal services	53 012 984	7 522 078	1 266 708	61 801 769	20,96%	726 764	1,18%
International bodies and other foreign institutions	-	-	-	-	0,00%	-	0,00%
Private customers							
Consumption	1 285 112	55 155	-	1 340 267	0,45%	48 332	3,61%
Housing	6 835 542	439 268	-	7 274 810	2,47%	383 336	5,27%
Other purposes	2 879 162	2 826 722	456 233	6 162 118	2,09%	1 098 271	17,82%
Total	**132 999 950**	**49 264 408**	**112 636 959**	**294 901 317**		**20 936 806**	

(AOA '000)

	2016						
	Loans and advances to customers					Impairment	
	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Impairment/ total exposure
Companies							
Agriculture, livestock, hunting, forestry and fishery	-	-	26 874	26 874	0,02%	-	0,00%
Extractive industries	-	-	-	-	0,00%	-	0,00%
Manufacturing industries	406 840	8 806 171	-	9 213 012	5,96%	380 866	4,13%
Food, beverage and tobacco industries	2 291 568	191 670	545 352	3 028 590	1,96%	211 214	6,97%
Textile industry	-	-	-	-	0,00%	-	0,00%
Leather industry	-	-	-	-	0,00%	-	0,00%
Timber and cork industry	-	-	-	-	0,00%	-	0,00%
Pulp, paper, cardboard industries	-	-	-	-	0,00%	-	0,00%
Metal industry	-	726 840	-	726 840	0,47%	72 684	10,00%
Generation/production and distribution of electricity, gas and water	-	-	-	-	0,00%	-	0,00%
Construction	2 820 489	844 750	13 246 888	16 912 127	10,93%	729 108	4,31%
Wholesale and retail trade	16 487 223	864 327	3 463 441	20 814 990	13,46%	1 068 694	5,13%
Hospitality industry	7	1 589 243	-	1 589 251	1,03%	806 609	50,75%
Transport , storage and communications	8 233 466	-	67 946	8 301 412	5,37%	381 828	4,60%
Financial activities	-	-	-	-	0,00%	-	0,00%
Property and rental activities and services to companies	23 217 210	15 767 214	16 757 391	55 741 815	36,04%	5 634 085	10,11%
Education	1 842 273	-	-	1 842 273	1,19%	239	0,01%
Health and welfare	-	-	-	-	0,00%	-	0,00%
Other collective, social and personal services	15 923 934	2 290 905	2 718 486	20 933 326	13,53%	1 219 531	5,83%
International bodies and other foreign institutions	-	-	-	-	0,00%	-	0,00%
Private customers							
Consumption	884 235	40 940	-	925 175	0,60%	36 013	3,89%
Housing	6 927 889	3 109 551	-	10 037 440	6,49%	3 094 933	30,83%
Other purposes	2 902 095	1 313 589	372 116	4 587 801	2,97%	314 347	6,85%
Total	**81 937 230**	**35 545 201**	**37 198 493**	**154 680 924**		**13 950 151**	

Where credit risk is concerned, the portfolio of securities financial assets maintains its position mainly in sovereign bonds of the Republic of Angola.

The geographical concentration of the credit risk in separate terms as at 31 December 2016 and 2015:

(AOA '000)

	2016				
	Geographical area				
	Angola	Other African countries	Europe	Others	Total
Assets					
Cash and deposits at central banks	72 344 391	0	0	0	72 344 391
Cash and deposits at credit institutions	1 312 451	8 235 634	60 245 755	53 193	69 847 033
Loans and advances to central banks and other 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
Non-current assets held for sale	414 534	0	0	0	414 534
Other tangible assets	46 367 972	0	0	0	46 367 972
Intangible assets	1 463 292	0	0	0	1 463 292
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					
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
Provisions	4 004 022	0	0	0	4 004 022
Current tax liabilities	22 972	0	0	0	22 972
Subordinated liabilities	0	0	71 092 571	0	71 092 571
Other liabilities	48 243 893	0	0	0	48 243 893
Net exposure	**10 115 308**	**8 235 634**	**24 034 886**	**53 193**	**42 439 020**

(AOA '000)

	2015				
	Geographical area				
	Angola	Other African countries	Europe	Others	Total
Assets					
Cash and deposits at central banks	79 618 280	0	0	0	79 618 280
Cash and deposits at credit institutions	772 621	1 666 190	1 713 752	43 458	4 196 022
Loans and advances to central banks and other credit institutions	23 319 330	0	0	0	23 319 330
Financial assets available for sale	104 945 220	0	0	0	104 945 220
Loans and advances to customers	103 961 180	0	0	0	103 961 180
Non-current assets held for sale	160 125	0	0	0	160 125
Other tangible assets	48 438 116	0	0	0	48 438 116
Intangible assets	1 239 404	0	0	0	1 239 404
Investments in associates and joint ventures	919 169	0	0	0	919 169
Other assets	490 740 163	0	0	0	490 740 163
Liabilities					
Deposits from central banks and other credit institutions	144 288 906	0	61 002 795	0	205 291 700
Customer deposits and other loans	509 446 914	0	0	0	509 446 914
Provisions	1 646 212	0	0	0	1 646 212
Current tax liabilities	19 823	0	0	0	19 823
Subordinated liabilities	0	0	57 993 020	0	57 993 020
Other liabilities	36 651 608	0	0	0	36 651 608
Net exposure	**162 060 147**	**1 666 190**	**-117 282 063**	**43 458**	**46 487 732**

And in consolidated terms:

(AOA '000)

	2016				
	Geographical area				
	Angola	Other African countries	Europe	Others	Total
Assets					
Cash and deposits at central banks	72 344 393	0	0	0	72 344 393
Cash and deposits at credit institutions	1 312 451	8 235 634	60 245 755	53 193	69 847 033
Loans and advances to central banks and other 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
Non-current assets held for sale	414 534	0	0	0	414 534
Other tangible assets	46 381 453	0	0	0	46 381 453
Intangible assets	1 465 225	0	0	0	1 465 225
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					
Deposits from central banks and other credit institutions	232 087 206	0	35 498 157	0	267 585 362
Customer deposits and other loans	668 408 829	0	0	0	668 408 829
Provisions	3 987 211	0	0	0	3 987 211
Current tax liabilities	432 146	0	0	0	432 146
Subordinated liabilities	0	0	71 092 571	0	71 092 571
Other liabilities	48 463 462	0	0	0	48 463 462
Net exposure	**10 701 108**	**8 235 634**	**24 034 886**	**53 193**	**43 024 819**

(AOA '000)

	2015				
	Geographical area				
	Angola	Other African countries	Europe	Others	Total
Assets					
Cash and deposits at central banks	79 618 283	0	0	0	79 618 283
Cash and deposits at credit institutions	1 043 697	1 666 190	1 713 752	43 458	4 467 097
Loans and advances to central banks and other credit institutions	23 319 330	0	0	0	23 319 330
Financial assets available for sale	104 946 666	0	0	0	104 946 666
Loans and advances to customers	103 961 180	0	0	0	103 961 180
Non-current assets held for sale	160 125	0	0	0	160 125
Other tangible assets	48 456 896	0	0	0	48 456 896
Intangible assets	1 244 104	0	0	0	1 244 104
Investments in associates and joint ventures	173 186	0	0	0	173 186
Other assets	490 674 685	0	0	0	490 674 685
Liabilities					
Deposits from central banks and other credit institutions	144 288 906	0	61 002 795	0	205 291 700
Customer deposits and other loans	508 177 512	0	0	0	508 177 512
Provisions	1 650 116	0	0	0	1 650 116
Current tax liabilities	233 575	0	0	0	233 575
Subordinated liabilities	0	0	57 993 020	0	57 993 020
Other liabilities	36 761 181	0	0	0	36 761 181
Net exposure	**162 486 865**	**1 666 190**	**-117 282 063**	**43 458**	**46 914 449**

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 that the replacement position at risk are also considered.

Direct reduction also applies to credit operations collateralised by financial sureties, such as deposits, Angolan state bonds, among others.

For real mortgage guarantees, the assets are appraised by independent appraisers or by a unit belonging to the Bank, but independent 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 on the interest rate risk in banking books (financial instruments not held in the trading portfolio).

Where the information on the analysis of the market risk is concerned, 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 or counterparty and the rating of the credit.

Our investment portfolio is concentrated in the Angolan Treasury bonds, and on December 2016 they accounted for AOA 181,333,047 (2015: AOA 104,904,488).

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, its expected cash flows are projected in accordance with the rate reset dates and any assumptions made as to conduct.

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 reset time.

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 times.

Here are details of the assets and liabilities grouped   into types of rate as at 31 December 2016 and 2015:

(AOA '000)

	2016				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	**881 234 112**	**149 330 066**	**36 568 493**	**-**	**1 067 132 670**
Laons and advances to clients	152 025 299	30 292 439	-	-	182 317 738
Cash and cash deposits	135 329 457	-	1 312 451	-	136 641 908
security portfolio	14 449 421	119 037 627	20 839	-	133 507 887
Interbank Transactions other assets	56 070 540	-	-	-	56 070 540
Other Asset	523 359 395	-	35 235 203	-	558 594 598
Liabilities	**1 020 300 409**	**32 372 724**	**4 685 201**	**-**	**1 057 358 333**
Deposits from central banks and other intitutes	265 535 401	-	2 049 961	-	267 585 362
Customer deposits and other loans	638 063 784	32 372 724	-	-	670 436 508
Subtordinated liabilitites	71 092 571	-	-	-	71 092 571
Other liabilities	45 608 653	-	2 635 240	-	48 243 893
Total	**(139 066 297)**	**116 957 343**	**31 883 292**	**-**	**9 774 337**

(AOA '000)

	2015				
	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	**678 478 329**	**120 808 668**	**15 446 986**	**-**	**814 733 982**
Laons and advances to clients	93 492 671	23 989 760	-	-	117 482 431
Cash and cash deposits	77 474 217	-	772 621	-	78 246 838
security portfolio	8 083 930	96 818 907	42 383	-	104 945 220
Interbank Transactions other assets	23 319 330	-	-	-	23 319 330
Other Asset	476 108 181	-	14 631 982	-	490 740 163
Liabilities	**799 467 181**	**3 856 105**	**6 059 955**	**-**	**809 383 241**
Deposits from central banks and other intitutes	204 765 018	-	526 682		205 291 700
Customer deposits and other loans	505 590 809	3 856 105	-	-	509 446 914
Subtordinated liabilitites	57 993 020	-	-	-	57 993 020
Other liabilities	31 118 335	-	5 533 273	-	36 651 608
Total	**(120 988 853)**	**116 952 563**	**9 387 031**	**-**	**5 350 742**

Details of financial instruments with exposure to the interest rate risk based on date of maturity or reset as at 31 December 2016 and 2015, in separate terms:

(AOA '000)

	2016								
	Reset dates / maturity dates								
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets									
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 other credit institutions	8 332 991	24 841 590	22 774 194	121 765	0	0	0	0	56 070 540
Financial assets available for sale	0	119 037 627	0	0	14 449 421	0	0	20 839	133 507 887
Loans and advances to customers	23 537 119	12 371 240	14 331 915	904 178	11 755 219	19 271 590	81 825 963	0	163 997 223
Other assets	0	0	0	104 671 879	209 343 758	209 343 758	0	35 235 203	558 594 598
Liabilities									
Deposits from central banks and other credit institutions	185 116 068	0	47 015 354	0	35 453 940	0	0	0	267 585 362
Customer deposits and other loans	424 943 142	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	71 092 571	0	71 092 571
Other liabilities	0	0	0	45 608 653	0	0	0	2 635 240	48 243 893
Net exposure	**-435 997 676**	**65 431 329**	**-50 449 126**	**-18 304 701**	**164 950 321**	**228 403 780**	**10 348 610**	**32 620 802**	**-2 996 661**

(AOA '000)

	2015								
	Reset dates / maturity dates								
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets									
Cash and deposits at central banks	79 618 280	0	0	0	0	0	0	0	79 618 280
Cash and deposits at other credit institutions	4 196 022	0	0	0	0	0	0	0	4 196 022
Loans and advances to central banks and other credit institutions	16 240 003	7 079 328	0	0	0	0	0	0	23 319 330
Financial assets available for sale	0	96 818 908	0	0	8 083 929	0	0	42 383	104 945 220
Loans and advances to customers	9 301 095	8 130 345	8 293 353	5 901 141	12 332 955	6 693 644	53 308 648	0	103 961 180
Other assets	0	0	0	50 323 779	170 313 761	170 313 761	85 156 880	14 631 982	490 740 163
Liabilities									
Deposits from central banks and other credit institutions	146 795 324	0	0	0	58 496 376	0	0	0	205 291 700
Customer deposits and other loans	319 441 450	15 558 167	88 886 494	77 681 097	4 145 780	3 312 591	421 335	0	509 446 914
Subordinated liabilities	0	0	0	0	0	0	57 993 020	0	57 993 020
Other liabilities	0	0	0	31 118 335	0	0	0	5 533 273	36 651 608
Net exposure	**-356 881 374**	**96 470 413**	**-80 593 141**	**-52 574 512**	**128 088 488**	**173 694 813**	**80 051 173**	**9 141 092**	**-2 603 047**

And in consolidated terms:

(AOA '000)

2016 Reset dates / maturity dates	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets									
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 other credit institutions	8 332 991	24 841 590	22 774 194	121 765	0	0	0	0	56 070 540
Financial assets available for sale	0	119 037 627	0	0	14 449 421	0	0	22 286	133 509 334
Loans and advances to customers	23 485 874	12 371 240	14 331 915	904 178	11 755 219	19 271 590	81 825 963	0	163 945 978
Other assets	0	0	0	104 671 879	209 343 758	209 343 758	0	35 490 088	558 849 483
Liabilities									
Deposits from central banks and other credit institutions	185 116 068	0	47 015 354	0	35 453 940	0	0	0	267 585 362
Customer deposits and other loans	422 915 463	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	71 092 571	0	71 092 571
Other liabilities	0	0	0	45 608 653	0	0	0	2 831 837	48 440 490
Net exposure	**-434 021 240**	**65 431 329**	**-50 449 126**	**-18 304 701**	**164 950 321**	**228 403 780**	**10 348 610**	**32 680 537**	**-960 490**

(AOA '000)

2015 Reset dates / maturity dates	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets									
Cash and deposits at central banks	79 618 282	0	0	0	0	0	0	0	79 618 282
Cash and deposits at other credit institutions	4 467 097	0	0	0	0	0	0	0	4 467 097
Loans and advances to central banks and other credit institutions	16 240 003	7 079 328	0	0	0	0	0	0	23 319 330
Financial assets available for sale	0	96 818 908	0	0	8 083 929	0	0	43 829	104 946 666
Loans and advances to customers	9 301 095	8 130 345	8 293 353	5 901 141	12 332 955	6 693 644	53 308 648	0	103 961 180
Other assets	0	0	0	50 323 779	170 313 761	170 313 761	85 156 880	14 566 504	490 674 685
Liabilities									
Deposits from central banks and other credit institutions	146 795 324	0	0	0	58 496 376	0	0	0	205 291 700
Customer deposits and other loans	318 172 048	15 558 167	88 886 494	77 681 097	4 145 780	3 312 591	421 335	0	508 177 512
Subordinated liabilities	0	0	0	0	0	0	57 993 020	0	57 993 020
Other liabilities	0	0	0	31 118 335	0	0	0	5 642 845	36 761 180
Net exposure	**-355 340 895**	**96 470 413**	**-80 593 141**	**-52 574 512**	**128 088 488**	**173 694 813**	**80 051 173**	**8 967 488**	**-1 236 172**

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 2016 and 2015, the analysis of sensitivity of financial instruments to variations in interest rate was as follows in separate terms:

(AOA '000)

	2016					
	Variations in interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets						
Cash and deposits at central banks	72 402 267	72 373 329	72 358 860	72 329 922	72 315 453	72 286 516
Cash and deposits at other credit institutions	69 902 911	69 874 972	69 861 002	69 833 063	69 819 094	69 791 155
Loans and advances to central banks and other credit institutions	56 322 415	56 196 477	56 133 509	56 007 571	55 944 602	55 818 665
Financial assets available for sale	134 392 482	133 939 765	133 713 407	133 281 528	133 055 170	132 602 453
Loans and advances to customers	180 777 898	172 387 561	168 192 392	159 802 054	155 606 885	147 216 548
Other assets	546 952 437	535 155 916	529 257 656	552 696 338	546 798 077	535 001 557
Liabilities						
Deposits from central banks and other credit institutions	269 358 944	268 472 153	268 028 758	267 141 967	266 698 571	265 811 781
Customer deposits and other loans	673 840 193	672 138 350	671 287 429	669 585 586	668 734 665	667 032 822
Subordinated liabilities	83 990 185	77 541 378	74 316 975	67 868 167	64 643 764	58 194 957
Other liabilities	46 260 856	45 934 754	45 771 704	48 080 842	47 917 791	47 591 689
Net impact	**-9 703 107**	**-21 161 954**	**-26 891 378**	**-5 729 424**	**-11 458 847**	**-22 917 694**

(AOA '000)

	2015					
	Variations in interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets						
Cash and deposits at central banks	79 681 975	79 650 128	79 634 204	79 602 357	79 586 433	79 554 586
Cash and deposits at other credit institutions	4 199 378	4 197 700	4 196 861	4 195 182	4 194 343	4 192 665
Loans and advances to central banks and other credit institutions	23 354 976	23 337 153	23 328 242	23 310 419	23 301 508	23 283 685
Financial assets available for sale	105 506 104	105 204 470	105 053 653	104 794 403	104 643 586	104 341 953
Loans and advances to customers	114 721 212	109 341 196	106 651 188	101 271 172	98 581 164	93 201 148
Other assets	510 253 589	493 180 885	484 644 533	482 203 810	473 667 458	456 594 754
Liabilities						
Deposits from central banks and other credit institutions	207 532 555	206 412 128	205 851 914	204 731 487	204 171 273	203 050 846
Customer deposits and other loans	511 959 403	510 703 158	510 075 036	508 818 792	508 190 669	506 934 425
Subordinated liabilities	68 514 113	63 253 566	60 623 293	55 362 746	52 732 473	47 471 926
Other liabilities	31 563 327	31 340 831	31 229 583	36 540 360	36 429 112	36 206 615
Net impact	**20 750 884**	**5 804 896**	**-1 668 098**	**-7 472 994**	**-14 945 988**	**-29 891 976**

And in consolidated terms:

(AOA '000)

	2016					
	Variations in interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets						
Cash and deposits at central banks	72 402 269	72 373 331	72 358 862	72 329 924	72 315 455	72 286 518
Cash and deposits at other credit institutions	69 902 911	69 874 972	69 861 002	69 833 063	69 819 094	69 791 155
Loans and advances to central banks and other credit institutions	56 322 415	56 196 477	56 133 509	56 007 571	55 944 602	55 818 665
Financial assets available for sale	134 392 482	133 939 765	133 713 407	133 260 689	133 034 331	132 581 614
Loans and advances to customers	180 726 612	172 336 295	168 141 137	159 750 819	155 555 661	147 165 344
Other assets	546 952 437	535 155 916	529 257 656	517 461 135	511 562 875	499 766 354
Liabilities						
Deposits from central banks and other credit institutions	269 358 944	268 472 153	268 028 758	267 141 967	266 698 571	265 811 781
Customer deposits and other loans	671 810 892	670 109 860	669 259 344	667 558 313	666 707 797	665 006 765
Subordinated liabilities	83 990 185	77 541 378	74 316 975	67 868 167	64 643 764	58 194 957
Other liabilities	46 260 856	45 934 754	45 771 704	45 445 602	45 282 551	44 956 449
Net impact	**-9 761 261**	**-21 220 899**	**-26 950 718**	**-38 410 355**	**-44 140 174**	**-55 599 812**

(AOA '000)

	2015					
	Variations in interest rates					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets						
Cash and deposits at central banks	79 681 977	79 650 130	79 634 206	79 602 359	79 586 435	79 554 588
Cash and deposits at other credit institutions	4 470 670	4 468 883	4 467 990	4 466 203	4 465 310	4 463 523
Loans and advances to central banks and other credit institutions	23 354 976	23 337 153	23 328 242	23 310 419	23 301 508	23 283 685
Financial assets available for sale	105 506 104	105 204 470	105 053 653	104 752 020	104 601 203	104 299 569
Loans and advances to customers	114 721 212	109 341 196	106 651 188	101 271 172	98 581 164	93 201 148
Other assets	510 253 589	493 180 885	484 644 533	467 571 828	459 035 476	441 962 772
Liabilities						
Deposits from central banks and other credit institutions	207 532 555	206 412 128	205 851 914	204 731 487	204 171 273	203 050 846
Customer deposits and other loans	510 688 985	509 433 249	508 805 380	507 549 643	506 921 775	505 666 038
Subordinated liabilities	68 514 113	63 253 566	60 623 293	55 362 746	52 732 473	47 471 926
Other liabilities	31 563 327	31 340 831	31 229 583	31 007 087	30 895 839	30 673 342
Net impact	**20 925 720**	**5 979 116**	**-1 494 186**	**-16 440 790**	**-23 914 092**	**-38 860 696**

Based on the interest rate gaps observed on 31 December 2016, an instantaneous positive parallel variation in interest rates of 200 basis points would cause a (+/-) variation of around AOA 3,581,730,000 in the economic value expected from the banking book (2015: AOA 3,808,441,000). 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 met this requirement in 2016.

The Bank's banking book has a considerable component in 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 separate terms as at 31 December 2016 and 2015 were as follows:

(AOA '000)

	2016				
	Kwanzas	United States 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 credit institutions	171 059	53 899 411	15 751 448	25 116	69 847 033
Loans and advances to central banks and other 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	135 198 301	28 731 675	67 247	0	163 997 223
Non-current assets held for sale	414 534	0	0	0	414 534
Other tangible assets	46 367 972	0	0	0	46 367 972
Intangible assets	1 433 030	0	30 262	0	1 463 292
Investments in associates and joint ventures	1 216 878	0	0	0	1 216 878
Other assets	168 235 088	390 540 965	-182 034	578	558 594 598
Assets	**379 463 295**	**696 982 769**	**27 350 770**	**27 513**	**1 103 824 348**
Deposits from central banks and other credit institutions	184 778 018	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
Provisions	2 926 265	1 077 756	0	0	4 004 022
Current tax liabilities	22 972	0	0	0	22 972
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	**485 738 068**	**567 878 401**	**7 731 010**	**37 850**	**1 061 385 328**
Position per currency	**-106 274 772**	**129 104 369**	**19 619 760**	**-10 337**	**42 439 020**

(AOA '000)

	2015				
	Kwanzas	United States dollars	Euros	Other currencies	Total
Cash and deposits at central banks	34 843 484	44 731 411	39 068	4 318	79 618 280
Cash and deposits at credit institutions	221 252	2 470 860	1 434 127	69 782	4 196 022
Loans and advances to central banks and other credit institutions	0	23 319 330	0	0	23 319 330
Financial assets available for sale	8 104 768	96 840 452	0	0	104 945 220
Loans and advances to customers	78 538 899	25 364 089	58 193	0	103 961 180
Non-current assets held for sale	160 125	0	0	0	160 125
Other tangible assets	48 438 116	0	0	0	48 438 116
Intangible assets	1 235 567	0	3 837	0	1 239 404
Investments in associates and joint ventures	919 169	0	0	0	919 169
Other assets	203 243 444	287 474 108	22 610	1	490 740 163
Assets	**375 704 824**	**480 200 249**	**1 557 835**	**74 101**	**857 537 010**
Deposits from central banks and other credit institutions	144 287 713	59 689 791	1 314 197	0	205 291 700
Customer deposits and other loans	204 612 202	299 679 163	5 142 864	12 684	509 446 914
Provisions	699 506	946 705	0	0	1 646 212
Current tax liabilities	19 823	0	0	0	19 823
Subordinated liabilities	0	57 993 020	0	0	57 993 020
Other liabilities	16 105 775	20 063 938	481 894	0	36 651 608
Liabilities	**365 725 020**	**438 372 618**	**6 938 955**	**12 684**	**811 049 276**
Position per currency	**9 979 804**	**41 827 632**	**-5 381 120**	**61 418**	**46 487 733**

And in consolidated terms:

(AOA '000)

	2016				
	Kwanzas	United States dollars	Euros	Other currencies	Total
Cash and deposits at central banks	17 195 605	54 586 216	560 753	1 819	72 344 393,00
Cash and deposits at credit institutions	171 059	53 899 411	15 751 448	25 116	69 847 032,88
Loans and advances to central banks and other credit institutions	0	44 947 445	11 123 095	0	56 070 539,92
Financial assets available for sale	9 232 277	124 277 057	0	0	133 509 334,02
Loans and advances to customers	135 147 056	28 731 675	67 247	0	163 945 978,07
Non-current assets held for sale	414 534	0	0	0	414 534,37
Other tangible assets	46 381 453	0	0	0	46 381 452,61
Intangible assets	1 434 963	0	30 262	0	1 465 224,95
Investments in associates and joint ventures	166 427	0	0	0	166 427,38
Other assets	168 489 974	390 540 965	-182 034	578	558 849 483,00
Assets	378 633 348	696 982 769	27 350 770	27 513	1 102 994 400
Deposits from central banks and other credit institutions	184 778 018	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
Provisions	2 909 455	1 077 756	0	0	3 987 211
Current tax liabilities	432 146	0	0	0	432 146
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	484 322 321	567 878 401	7 731 010	37 850	1 059 969 581
Position per currency	**-105 688 974**	**129 104 369**	**19 619 760**	**-10 337**	**43 024 819**

(AOA ’000)

	2015				
	Kwanzas	United States dollars	Euros	Other currencies	Total
Cash and deposits at central banks	34 843 485	44 731 411	39 068	4 319	79 618 283
Cash and deposits at credit institutions	492 327	2 470 860	1 434 127	69 782	4 467 097
Loans and advances to central banks and other credit institutions	0	23 319 330	0	0	23 319 330
Financial assets available for sale	8 106 215	96 840 452	0	0	104 946 666
Loans and advances to customers	78 538 899	25 364 089	58 193	0	103 961 180
Non-current assets held for sale	160 125	0	0	0	160 125
Other tangible assets	48 456 896	0	0	0	48 456 896
Intangible assets	1 240 267	0	3 837	0	1 244 104
Investments in associates and joint ventures	173 186	0	0	0	173 186
Other assets	203 177 966	287 474 108	22 610	2	490 674 685
Assets	375 189 366	480 200 249	1 557 835	74 103	857 021 553
Deposits from central banks and other credit institutions	144 287 713	59 689 791	1 314 197	0	205 291 700
Customer deposits and other loans	203 342 801	299 679 163	5 142 864	12 684	508 177 512
Provisions	703 411	946 705	0	0	1 650 116
Current tax liabilities	233 575	0	0	0	233 575
Subordinated liabilities	0	57 993 020	0	0	57 993 020
Other liabilities	16 215 347	20 063 938	481 894	0	36 761 180
Liabilities	364 782 846	438 372 618	6 938 955	12 684	810 107 103
Position per currency	**10 406 519**	**41 827 632**	**-5 381 120**	**61 419**	**46 914 450**

An analysis of the sensitivity of the book value of the financial instruments to variations in exchange rates as at 31 December 2016 and 2015 was as follows in separate terms:

(AOA '000)

	2016					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States dollars	25 820 874	12 910 437	6 455 218	-6 455 218	-12 910 437	-25 820 874
Euros	7 798 448	3 899 224	1 949 612	-1 949 612	-3 899 224	-7 798 448
Other currencies	0	0	0	0	0	0

(AOA '000)

	2015					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States dollars	8 365 526	4 182 763	2 091 382	-2 091 382	-4 182 763	-8 365 526
Euros	-1 076 224	-538 112	-269 056	269 056	538 112	1 076 224
Other currencies	0	0	0	0	0	0

And in consolidated terms:

(AOA '000)

	2016					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States dollars	25 820 874	12 910 437	6 455 218	-6 455 218	-12 910 437	-25 820 874
Euros	7 798 448	3 899 224	1 949 612	-1 949 612	-3 899 224	-7 798 448
Other currencies	0	0	0	0	0	0

(AOA '000)

	2015					
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States dollars	8 365 526	4 182 763	2 091 382	-2 091 382	-4 182 763	-8 365 526
Euros	-1 076 224	-538 112	-269 056	269 056	538 112	1 076 224
Other currencies	0	0	0	0	0	0

The result of the test shown represents the expected impact (before taxes) on equity, including non-controlling interests, caused by an appreciation of 20% of the kwanza against the other currencies.

Liquidity risk

The liquidity risk uses internal metric established by the management, including setting exposure limits.

This control is reinforced with monthly monitoring of sensitivity analyses in order to adapt the Bank's risk profile to the requirements of its business and ensure that its obligations are fulfilled in a liquidity crisis scenario.

The aim of monitoring liquidity levels is to maintain a satisfactory amount of cash and cash equivalents available to meet short-, medium- and long-term cash needs. The liquidity risk is monitored daily, and reports are drawn up for the purpose of control, supervision and to assist decisions by ALCO or the Executive Committee.

The analysis of liquidity is based particularly on future cash flows estimated for different time frames, taking account of 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 the amounts calculated thereby determining 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 2016, the liquidity gap of the Bank's balance sheet was as follows in separate terms:

(AOA '000)

	2016									
	Residual maturities									
	At sight	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets										
Cash and deposits at central banks	72 344 391	0	0	0	0	0	0	0	0	72 344 391
Cash and deposits at credit institutions	69 847 033	0	0	0	0	0	0	0	0	69 847 033
Loans and advances to central banks and other 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
Other assets	0	0	0	0	104 671 879	209 343 758	209 343 758	0	35 235 203	558 594 598
Liabilities										
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	32 620 802	-2 996 661
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	-2 996 661	-5 993 323

(AOA '000)

	2015									
	Residual maturities									
	At sight	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets										
Cash and deposits at central banks	79 618 280	0	0	0	0	0	0	0	0	79 618 280
Cash and deposits at credit institutions	4 196 022	0	0	0	0	0	0	0	0	4 196 022
Loans and advances to central banks and other credit institutions	0	16 240 003	7 079 328	0	0	0	0	0	0	23 319 330
Financial assets available for sale	0	0	0	0	0	104 902 837	0	0	42 383	104 945 219
Loans and advances to customers	2 119 899	7 252	19 127	5 979 169	5 901 141	12 332 955	8 938 504	68 663 133	0	103 961 180
Other assets	0	0	0	0	50 323 779	170 313 761	170 313 761	85 156 880	14 631 982	490 740 163
Liabilities										
Deposits from central banks and other credit institutions	146 795 324	0	0	0	0	58 496 376	0	0	0	205 291 700
Customer deposits and other loans	295 800 456	23 640 994	15 558 167	88 886 494	77 681 097	4 145 780	3 312 591	421 335	0	509 446 914
Subordinated liabilities	0	0	0	0	0	0	0	57 993 020	0	57 993 020
Other liabilities	0	0	0	0	31 118 335	0	0	0	5 533 273	36 651 608
Liquidity gap	-356 661 578	-7 393 740	-8 459 712	-82 907 325	-52 574 512	224 907 395	175 939 674	95 405 658	9 141 092	-2 603 047
Accumulated liquidity gap	-356 661 578	-364 055 318	-372 515 030	-455 422 355	-507 996 866	-283 089 471	-107 149 797	-11 744 139	-2 603 047	-5 206 094

And in consolidated terms:

(AOA '000)

2016 – Residual maturities	At sight	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets										
Cash and deposits at central banks	72 344 393	0	0	0	0	0	0	0	0	72 344 393
Cash and deposits at credit institutions	69 847 033	0	0	0	0	0	0	0	0	69 847 033
Loans and advances to central banks and other 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	22 286	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
Other assets	0	0	0	0	104 671 879	209 343 758	209 343 758	0	35 490 088	558 849 483
Liabilities										
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	399 892 814	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	**-246 032 575**	**-195 974 636**	**-65 600 617**	**-54 890 348**	**-18 304 701**	**283 987 948**	**228 403 780**	**34 770 121**	**32 657 565**	**-983 462**
Accumulated liquidity gap	**-246 032 575**	**-442 007 211**	**-507 607 828**	**-562 498 176**	**-580 802 877**	**-296 814 928**	**-68 411 148**	**-33 641 027**	**-983 462**	**-1 966 925**

(AOA '000)

2015 – Residual maturities	At sight	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Indefinite	Total
Assets										
Cash and deposits at central banks	79 618 282	0	0	0	0	0	0	0	0	79 618 282
Cash and deposits at credit institutions	4 467 097	0	0	0	0	0	0	0	0	4 467 097
Loans and advances to central banks and other credit institutions	0	16 240 003	7 079 328	0	0	0	0	0	0	23 319 330
Financial assets available for sale	0	0	0	0	0	104 902 837	0	0	43 830	104 946 666
Loans and advances to customers	2 119 899	7 252	19 127	5 979 169	5 901 141	12 332 955	8 938 504	68 663 133	0	103 961 180
Other assets	0	0	0	0	50 323 779	170 313 761	170 313 761	85 156 880	14 566 504	490 674 685
Liabilities										
Deposits from central banks and other credit institutions	146 795 324	0	0	0	0	58 496 376	0	0	0	205 291 700
Customer deposits and other loans	294 531 054	23 640 994	15 558 167	88 886 494	77 681 097	4 145 780	3 312 591	421 335	0	508 177 512
Subordinated liabilities	0	0	0	0	0	0	0	57 993 020	0	57 993 020
Other liabilities	0	0	0	0	31 118 335	0	0	0	5 642 845	36 761 180
Liquidity gap	**-355 121 099**	**-7 393 740**	**-8 459 712**	**-82 907 325**	**-52 574 512**	**224 907 395**	**175 939 674**	**95 405 658**	**8 967 489**	**-1 236 171**
Accumulated liquidity gap	**-355 121 099**	**-362 514 839**	**-370 974 551**	**-453 881 876**	**-506 456 388**	**-281 548 992**	**-105 609 318**	**-10 203 660**	**-1 236 171**	**-2 472 342**

The Bank has the amount of AOA 20.88 billion in Angolan public debt securities that can be used as collateral for borrowing.

As at 31 December 2016 and 2015, the Bank's liquidity ratio calculated in accordance with Instruction 19/2016 of 30th August totals 56% (2015: 44%), which does not meet the requirement set out in the instruction of AOA 243,267,873,000 (2015: AOA 230,743,660,000). This instruction sets a minimum ratio of 100% for exposure in AOA and 150% of exposure in foreign currency.

In the operation described in Note 35 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 overcome in accordance with the performance of the Bank's financial situation.

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 handed over lieu of payment.

Our exposure to property and real estate fund units as at 31 December 2016 and 2015 were as follows in separate and consolidated terms:

(AOA '000)

	31.12.2016	31.12.2015
Properties received in settlement of debts	414 534	160 125
Investment properties	-	-
Units in real estate funds	-	-
	414 534	**160 125**

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, loans and advances, of the balances of the 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 deviation;

- 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;
- Prevent the risk by monitoring relations with customers and transactions recorded in the business reports issued by the other offices and departments;
- Create and use mechanisms for mitigating the impact of reputational risks;
- 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 fashion.

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 in 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 general lines 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 improving them, and request a decision.

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

The Bank's own funds are calculated in accordance with applicable regulations, such as Notice 05/2007 of the 12 September, Instruction 03/2011 of the 8 June, Notice 2/2015 of the 26 of January and Notice 10/2014 of 5 of December.

Angolan financial institutions must maintain a level of own funds compatible with the nature and scale of their operations duly weighted by the risks inherent in them. The regulatory minimum solvency ratio is 10%.

Regulatory own funds comprise:

1. Basic own funds – which consist of (i) paid up share capital, (ii) a reserve for recording the amount of the monetary update of paid up share capital, (iii) retained earnings from previous years, (iv) legal, statutory and other reserves from undistributed profits or set up for an increase in share capital and (v) the net profit/(loss) of the year.

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 – which consist of (i) repurchased own company shares, (ii) redeemable preference shares with fixed, cumulative dividends, (iii) loans granted of a capital nature, (iv) loans granted of a capital nature, value of holdings, (v) tax credits arising from tax losses, (vi) goodwill (lease transfer), (vii) other intangible assets net of depreciation, (viii) other values, determined as such by Banco Nacional de Angola the National Bank of Angola.

Notice 08/2007 of the 12th of September sets out that, for the purpose of calculating the solvency ratio, the surplus in the risk exposure limit per customer should be deducted from regulatory own funds).

The calculations of capital requirements for the Bank on the 31 December 2016 and 2015 can be summarised as follows:

(AOA '000)

		31.12.2016	31.12.2015
Risk-weighted assets			
With factor 0%		-	-
With factor 20%		4 168	125 703
With factor 30%		27 587 226	8 022 819
With factor 50%		78 303 442	95 571 835
With factor 60%		222 581 070	170 638 234
With factor 100%		158 818 747	166 436 354
With factor 130%		165 767 459	51 123 982
Guarantees received		(3 930 559)	(5 827 218)
Total risk-weighted assets	**A**	**649 131 553**	**486 091 709**
Exchange and gold risk	**B**	**17 380 034**	**8 828 970**
Total	**C = A + B**	**666 511 587**	**494 920 678**
Own funds			
Base	D	39 838 416	44 313 444
Additional	E	71 013 004	57 993 020
	F = D + E	110 851 421	102 306 463
Excess credit risk	**G**	**(12 468 135)**	**-**
Regulatory own funds	**H = F + G**	**98 383 285**	**102 306 463**
Solvency ratio	**K = I + J**	**11,96%**	**17,81%**
Level I	I = (D + G)/ (A+B/10%)	3,33%	7,71%
Level II	J = E/ (A+B/10%)	8,63%	10,10%

NOTE 34 – IMPACTS OF TRANSITION TO THE IFRS

Main impacts of the transition to the IFRS on equity and net profit/(loss) for the year ending on 31 December 2015

The forced entry of the IFRS on 1 January 2016, as set out by the National Bank of Angola Notice 6/16 of 22 of June made it necessary to make adjustments before implementing the new accounting principles. They resulted in changes to the amounts in the balance sheet, equity and profit/(loss) for 2015, which had been prepared in accordance with the former accounting standards set out in the Accounting Plan for Financial Institutions ("CONTIF").

These are the first separate and consolidated **Banco Económico** financial statements prepared in accordance with the IFRS. The provisions of IFRS 1 for the determination of transition adjustments with reference to 1 January 2015 were complied with. The impacts in the transition only affected the separate accounts and the analysis made here is based on this assumption. The reconciliation of the net profit/(loss) and equity for 2015 accordance with CONTIF and IFRS as defined in IFRS 1

When preparing the separate financial statements on the transition date, **Banco Económico** decided to opt for some of the exceptions allowed in IFRS 1, as shown below:

(i) Derecognition of financial assets

In accordance with the option in IFRS 1, **Banco Económico** decided to use the derecognition requirements in IAS 39 only for operations performed after 1 January 2015. As a result, the assets derecognised up to that date were not restated in the Balance Sheet, as required by the old accounting principles.

(ii) Valuation of tangible fixed assets

Banco Económico decided to consider the value of the Balance sheet determined under the previous accounting policies that were followed as a cost of tangible fixed assets with reference to 1 January 2015.

With the exception of the situations mentioned above, **Banco Económico** adopted the remaining IFRS retrospectively.

An explanation of how the transition to the IAS/IFRS affected the Bank's Balance Sheet is set out below.

	01 Jan 2015				31 Dec 2015			
	CONTIF	Reclassifications	Transition adjustments	IAS/IFRS	CONTIF	Reclassifications	Transition adjustments	IAS/IFRS
Assets								
Cash and deposits at central banks	61 544 475	-	-	61 544 475	79 618 280	-	-	79 618 280
Cash and deposits at other credit institutions	3 592 746	-	-	3 592 746	4 196 022	-	-	4 196 022
Loans and advance to central banks and other credit institutions	617 255	-	-	617 255	23 319 330	-	-	23 319 330
Financial assets available for sale	84 001 081	42 686	(2 663)	84 041 104	104 904 488	42 383	(1 651)	104 945 220
Loans and advance to customers	81 098 168	-	(3 496 607)	77 601 561	108 343 819	-	(4 382 639)	103 961 180
Non-current assets held for sale	-	-	-	-	160 125	-	-	160 125
Other tangible assets	47 854 468	1 335 444	-	49 189 912	47 390 361	1 047 755	-	48 438 116
Intangible assets	2 487 928	(1 138 676)	-	1 349 252	2 419 401	(850 987)	(329 010)	1 239 404
Investments in associates and joint ventures	798 931	(289 067)	-	509 864	1 367 055	(447 886)	-	919 169
Other assets	381 927 757	49 613	1 890 540	383 867 910	488 066 319	208 735	2 465 109	490 740 163
Total assets	**663 922 808**	**-**	**(1 608 730)**	**662 314 079**	**859 785 200**	**-**	**(2 248 191)**	**857 537 009**
Liabilities and equity								
Deposits from central banks and other credit institutions	168 671 287	-	-	168 671 287	205 291 700	-	-	205 291 700
Deposits from customers and other loans	374 405 640	-	181 595	374 587 235	509 442 025	-	4 889	509 446 914
Provisions	9 121 878	-	(728 484)	8 393 394	2 182 521	-	(536 309)	1 646 212
Current tax liabilities	2 734 116	-	-	2 734 116	19 823	-	-	19 823
Subordinated liabilities	44 084 809	-	-	44 084 809	57 993 020	-	-	57 993 020
Other liabilities	25 482 949	-	-	25 482 949	36 651 608	-	-	36 651 608
Total liabilities	**624 500 679**	**-**	**(546 888)**	**623 953 790**	**811 580 697**	**-**	**(531 420)**	**811 049 277**
Share capital	72 000 000	-	-	72 000 000	72 000 000	-	-	72 000 000
Issue premiums	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-
Other capital instruments	-	-	-	-	-	-	-	-
Fair value reserves	1 293 388	-	-	1 293 388	104 605	-	-	104 605
Other reserves	21 908 865	-	-	21 908 865	21 908 865	-	-	21 908 865
Revaluation reserves	-		-	-	-	-	-	-
Retained earnings	(55 780 123)	-	(1 061 841)	(56 841 964)	(55 780 123)	-	(1 061 841)	(56 841 964)
Prepaid dividends	-		-	-	-	-	-	-
Net profit/loss	-		-	-	9 971 156	-	(654 930)	9 316 226
Total equity	**39 422 130**	**-**	**(1 061 841)**	**38 360 289**	**48 204 503**	**-**	**(1 716 771)**	**46 487 732**
Total liabilities and equity	**663 922 809**	**-**	**(1 608 729)**	**662 314 079**	**859 785 200**	**-**	**(2 248 191)**	**857 537 009**

	31 Dec 2015			
	CONTIF	Reclassifications	Transition adjustments	IAS/IFRS
Interest and similar income	41 016 367	-	269 082	41 285 449
interest and similar costs	(37 806 632)	-	176 706	(37 629 926)
Net interest income	**3 209 735**	**-**	**445 788**	**3 655 523**
Income from capital instruments				-
Income from services and commissions	3 644 657	-	(151 359)	3 493 298
Costs of services and fees	(308 704)	-	-	(308 704)
Profit/loss from available for sale financial assets	-	-	-	-
Profit/loss from investments held to maturity	-	-	-	-
Profit/loss from other financial assets	-	-	-	-
Forex profit/loss	14 631 592	-	-	14 631 592
Other operating profit/loss	(179 764)	-	-	(179 764)
Operating income	**20 997 516**	**-**	**294 429**	**21 291 945**
Personnel costs	(6 670 344)	-	(150 542)	(6 820 886)
Trade payables	(6 254 518)	-	(343 741)	(6 598 259)
Depreciation and amortisation for the year	(2 033 547)	-	14 731	(2 018 816)
Provisions net of annulments	9 522 568	-	-	9 522 568
Impairment for loans and advances to customers net of reversals and recoveries	(2 268 845)	-	(469 807)	(2 738 652)
Impairment for other financial assets net of reversals and recoveries	-	-	-	-
Impairment for other assets net of reversals and recoveries	(3 848 729)	-	-	(3 848 729)
Profit/loss from associates and joint ventures	527 055	-	-	527 055
Operating costs	**(11 026 360)**	**-**	**(949 359)**	**(11 975 718)**
Profit/loss before tax	**9 971 156**	**-**	**(654 930)**	**9 316 226**
Income tax				
Current	-	-	-	-
Deferred	-	-	-	-
Net profit/loss	**9 971 156**	**-**	**(654 930)**	**9 316 226**

The differences between CONTIF and the IAS/IFRS with an impact on the separate financial statements as at 1 January and 31 December 2015 and the reconciliation of equity and profit/(loss) on these dates are as follows:

(AOA '000)

	31 Dec 2015		01 Jan 2015
	Equity	Net Profit/Loss	Equity
Local Policy (CONTIF)			
Security Investment Interest Rate (a)	(1 651)	1 012	(2 663)
Deferrred Interest rate on Clients Credit Security (b)	(614 231)	(33 831)	(580 400)
Impairment on Loan Portfolio- Direct Loan (c)	(1 303 299)	(277 632)	(1 025 667)
Expenses (d)	(329 010)	(329 010)	-
Interest in saving Accounts (e)	(4 889)	176 706	(181 595)
Impairment on Loan Portfolio- Indirect Loan (C)	536 309	(192 175)	728 484
Deferred Tax - Asset (f)	-	-	
Total adjustments of transition	**-1 716 771**	**-654 930**	**-1 061 841**
Equity - IAS/IFRS			

(a) Adjustment resulting from financial instruments classified as held to maturity according to the criteria in IAS 39, in which the effective rate is determined separately for each of the securities in the investment portfolio. It is by using this rate until the date of derecognition of the security that the purchase discount or premium is recognised under profit/(loss)

The effective rate is the discount rate that, when applied to future inflows estimated for the expected life of the financial instrument, results in the net book value of the financial asset.

(b) The effective interest rate method for a financial asset or liability (or a group thereof) is intended to allocate income or costs with interest in the period in question. The calculations include fees and other eligible transaction costs paid or received by the parties to the contract.

Considering that it has not yet been possible to implement IT systems to calculate loan fees with the effective tax method, the adjustment is based on the linear deferral of fees for the remaining life of the credits in portfolio on the reporting date.

Adjustments of AOA -479,666,000 and AOA 33,831,000 with reference to 1 January 2015 and 31 December 2015, respectively, were determined. These amounts will be recognised under net interest income in upcoming years until the loans mature.

(c) Pursuant to IAS 39, a loan portfolio is measured at amortised cost and subject to impairment tests. Impairment losses result from the difference between the balance sheet value of the loans and the value of expected future cash flows discounted at their effective interest rate calculated at the start of the contract (effective rate calculated separately by contract). The expected value of cash flows is estimated on the basis of the recoverable value of the loan as a result of its economic analysis.

The Bank's impairment policy is to regularly check for any objective evidence of impairment. The impairment losses identified are recorded against profit/(loss) and then reversed through profit/(loss) in a later period is there is a reduction in the estimated loss.

The total AOA 766,989,000 increase is the result of the change from the CONTIF method to the one described above.

(d) Pursuant to IAS 38, an intangible asset must meet the definition of an asset to be recognised as such:

- be controlled by an entity as a result of past events;
- be expected to produce future economic benefits for the entity.

The Bank disbursed sums for which it is not possible to measure whether they will bring future economic benefits and so, as they do not meet the above definition, they are adjusted as an expense of the year in which they occur.

(e) The Bank had in its balance sheet savings products with a growing interest rate, i.e. it increases in each period in which the product is in effect. On the date of the deposit contract the interest rates of the different period had been defined.

Under IAS 39, the effective interest rate should be determined for each deposit the portfolio and the cost should not be recognised in the period on the basis of the nominal rate. The cost is therefore recognised on the basis of a single rate for the life of the product.

(f) In accordance with CONTIF deferred tax assets were not recognised. Pursuant to IAS 12, deferred taxes are calculated by the liabilities method on the basis of the balance sheet, considering temporary differences between the book value of assets and liabilities for accounting purposes and amounts used for tax purposes using the taxation rates approved or substantially approved on the Balance sheet date that are expected to be levied on the date of reversal of the temporary differences.

Deferred taxes are recognised when there is a reasonable expectation that there will be future taxable profits that will be able to absorb the temporary tax-deductible differences (including reportable tax losses).

The transition adjustments with reference to 1 January 2015 and 31 December 2015 do not result in any variations in net worth. According to the current Industrial Tax Code, negative changes in net worth are not relevant to the calculation of tax payable, i.e. for the purpose of current tax.

As the conversion adjustments are reversed, e.g. as the fees associated with a loan are recognised under profit/(loss), the amount of the deferred tax asset should be reversed through profit/(loss) for the year.

NOTE 35 – RELEVANT FACTS AND SUBSEQUENT EVENTS

Transfer of economic rights over Assets used in operations

Banco Económico resulted from the renaming of Bank Espírito Santo of Angola following the restructuring measures decided upon 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) decided that Bank Espírito Santo of Angola must take extraordinary restructuring measures. They included a detailed assessment of its loan portfolio and what component should be allocated to losses, identification of assets to be sold and the restructuring and revocation of 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 5.7 billion (AOA 556.4 billion) including USD 0.2 billion for other types of assets. According to this ordinance, the Sovereign Guarantee was 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 report on the revision of the special purpose submitted by a specially hired independent auditor. These reports identified need to adjust the own funds of Bank Espírito Santo Angola to a total of AOA 488.78 billion, as its own funds were then negative to the amount of AOA 383.886 billion.

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, to the amount of AOA 360.768 billion, followed by a reduction in shareholders' equity by absorption of all accumulated debts. As a result of this operation, the current shareholders' shareholdings were reduced to zero;

b)Share capital increase in the amount of AOA 65 billion by the shareholders or entities invited by them and accepted by the National Bank of Angola , to be carried out in cash in order to restore the Bank's share capital and comply with minimum prudential ratios;

c) Conversion of AOA 7 billion 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 billion 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 billion 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 billion 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 billion 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 the conditions announced.

As the shareholders showed no interest in capitalising the Bank due to the said conditions, except for GENI Novas Tecnologias S.A., the following operations were approved:

1. A share capital increase to the amount of AOA 65 billion to be performed by the following entities and in the proportions approved by Banco Nacional de Angola:

a) GENI Novas Tecnologias SA would put up AOA 14.328 billion, representing a shareholding of 19.9% of the share capital.

b) LEKTRON CAPITAL SA would put up AOA 22.304 billion, representing a shareholding of 30.978% of the share capital.

c) SONANGOL EP would put up AOA 11.52 billion, representing a shareholding of 16% of the share capital.

d) SONANGOL SA would put up AOA 11.52 billion, representing a shareholding of 16% of the share capital.

e) SONANGOL HOLDINGS LIMITADA would put up AOA 5.328 billion, representing a shareholding of 7.4% of the share capital.

2. Share capital increase of AOA 7 billion by converting the senior loan securitised by Novo Banco S.A, representing a shareholding of 9.722% of the share capital.

The General Meeting marked the end of 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 to the amount of AOA 50 billion, 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 , with reference to 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 values to the amount of AOA 111.886 billion and USD 1.981 billion. The Bank holds an option to repurchase two loan operations in the amount of AOA 10.286 billion. 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 provisioned.

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 billion.

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 billion.

d) Sale of sundry assets not for own use and fixed assets under construction in the amount of AOA 4.975 billion.

The transfer of economic rights to assets came into effect on 31 December 2014 and the Bank derecognised said assets on that date, to the total amount of AOA 380.743 billion (AOA 176.939 billion and USD 1.981 billion), with the exception of direct loans for which the Bank maintains the repurchase option in the amount of AOA 10.286 billion, against other debtors (see Note 22).

The following timeline was agreed upon for payment of the selling price of the assets:

i. On signing of the contracts, payment of AOA 47.04 billion to be realised with the transfer of public debt securities from the Republic of Angola (see Note 16).

ii. Five constant annual payments of the remainder of the amount owed as of 15 July 2017.

The amount owed is subject to interest at a rate of 7%.

2 Novo Banco, S.A. loan

Total repayment of the principle of the ordinary loan of USD 424,860,000 set up as a result of the National Bank of Angola restructuring measures was scheduled for 30th of April 2016. Due to the foreign exchange restrictions in effect, 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 the amount of USD 94,667,233.65, on 13 June 2016 the amount of USD 50 million and on 30 September 2016 the amount of USD 73 million were paid. The remainder will be paid off on 15 August 2018. In the addendum to the contract, Banco Económico reinforced 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 GRUPO ENSA

Instead of the issue on the market of additional subordinated instruments to the amount of AOA 50 billion, 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 selling assets owned by Banco Económico to GRUPO ENSA Investments and Participants with reference to 31 December 2014, pursuant to Presidential Decrees 196/15 and 123/16, the details of which are shown below.

e) Transfer of economic rights to direct loans by signature and other values to the amount of AOA 111.886 billion and USD 1.981 billion. The Bank holds an option to repurchase two loan operations in the amount of AOA 10.286 billion. The economic rights to loans written off assets were also transferred, to the gross amount of AOA 88,716,000, totally provisioned.

f) 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 billion.

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 billion.

h) Sale of sundry assets not for own use and fixed assets under construction in the amount of AOA 4.975 billion.

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 said assets on that date, to the total amount of AOA 380.743 billion (AOA 176.939 billion and USD 1.981 billion), with the exception of direct loans for which the Bank maintains the repurchase option in the amount of AOA 10.286 billion, against other debtors (see Note 22).

The following timeline was agreed upon for payment of the price of the different assets:

iii. On signing of the contracts, payment of AOA 47.04 billion to be made with the transfer of public debt securities from the Republic of Angola (recorded in securitised loans - Note 16)

iv. Five constant annual payments of the remainder of the amount owed as of 15 July 2017 (in two parts - AOA 25.98 billion and USD 396 million).

The amount owed is subject to interest at a rate of 7%.

The payment agreement between the parties provides for the above-mentioned five instalments to be paid in one of the following ways to be approved by public legal persons 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 precedence.

ii. in cash, without prejudice to line iii) below, which takes precedence.

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 GRUPO ENSA to make the payment by the above-mentioned means, it may be made in bonds issued by ENSA in 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.

(AOA '000)

Items in Financial Statements	31.12.2016	31.12.2015	Note
Profit / Loss	**95 434 278**	**94 020 601**	
Financial Margin	32 108 455	27 580 340	
Interest Income	33 453 315	28 901 576	4
Interest Expense	-1 344 860	-1 321 236	4
Foreign exchange related with transfer operation of economic rights over assets	63 325 823	66 440 261	6
Balance	**538 188 344**	**452 286 139**	
Credit	58 260 656	10 286 300	
Repurchase Credit Agreement	10 286 300	10 286 300	16
Other Credit Securities	47 974 356	0	16
Capital	47 040 000	0	16
Interest Accrued	934 356	0	16
Other Assets	523 198 448	473 172 450	
Capital	454 196 127	442 206 787	22
Interest Accrued	69 002 321	30 965 963	22
Other Liabilities	-43 270 760	-31 172 611	
Repurchase Credit Agreement	-10 286 300	-10 286 300	27
Settlements paid on loans transferred	-33 855 581	-19 488 021	27
Interest and Other Expenses	-3 124 135	-1 398 290	27
Taxes on Credit Disposals	3 995 257	0	27

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 to the amount of AOA 14.662 billion and amounts receivable from the operation transferring and selling assets from GRUPO ENSA Investments and Participant E.P. to the amount of AOA 256.963 billion (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 that totalled AOA 271.625 billion (AOA 230.372 billion 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 referring to the operations to transfer economic rights and sell assets to a total amount of AOA 179.360 billion (AOA 54.36 million and USD 749 million, of which AOA 25.98 billion and USD 396 billion were principal and AOA 28.38 billion and USD 352 million were interest), AOA 76.734 billion of which were owed to the National Bank of Angola for the transfer of rights receivable by the Banco Económico, as mentioned in the preceding paragraph. As set out in an order from the Minister of Finance dated 9th of October 2017, as the supervisory body of GRUPO ENSA, in order to adjust the payment to the rate of recovery of the loans and other assets allowed by 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 serving 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 billion, 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 in the amounts of USD 201 million and AOA 28.38 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.

NOTE 36 – ACCOUNTING STANDARDS AND RECENT INTERPRETATIONS

The accounting standards and recently issued recommendations that are currently in effect and that the Bank considers when preparing its financial statements are as follows:

IAS 19 (amended) – Defined benefit plans:

Employee contributions

The IASB issued this amendment on 21 November 2013, with retroactive effect to periods beginning on or after 1 July 2014.

This amendment clarifies guidelines on contributions made by employees or third parties connected to services, requiring the entity to disclose these contributions in accordance with Paragraph 70 of IAS 19 (2011). These contributions are disclosed using the contribution formula or in a linear fashion.

The amendment reduces its complexity by introducing a simple way that allows an entity to recognise contributions that are made by employees or third parties connected to the service and are independent from the number of years of service (e.g. a percentage of their salary) as a reduction in the cost of the services in the period in which the service is provided.

There was no relevant impact on the Bank in applying this amendment to its financial statements.

Improvement to the IFRS (2010-2012)

The annual improvements in the 2010-2012 cycle issued by the IASB on 12 December 2013 introduced amendments effective for periods beginning in or after 1 July 2014 to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 – Definition of vesting conditions

The amendment clarifies the meaning of vesting conditions in Appendix A of IFRS 2 – Share-based Payment, separating the definition of "performance conditions" and "service conditions" from "vesting conditions" and giving a clearer description of each.

IFRS 3 – Accounting for a contingent consideration in a business combination

The amendment clarifies certain aspects of accounting for a contingent consideration in a business combination, such as classification of the contingent consideration taking account of whether the consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 Aggregating operating segments and reconciliation between total assets of reportable segments and the company's assets

The amendment clarifies the aggregation criteria and requires an entity to disclose the factors used to identify reportable segments when the operating segment has been aggregated. In order to achieve internal consistency, a total reconciliation of assets in the reportable segments for all an entity's assets must be disclosed if the amounts are regularly provided to the operating decision maker.

The Bank did not apply IFRS 8 to its accounts for 2015 or 2016.

IFRS 13 Short-term receivables or payables

The IASB amended the bases for conclusion to clarify that, by eliminating AG 79 of IAS 39, it did not mean to eliminate the need to determine the current value of a short-term receivable or payable, whose invoice has been issued without interest, if this discount is material. Paragraph 8 of IAS 8 allows an entity not to apply accounting policies set out in the IFRS if their impact is immaterial.

IAS 16 and IAS 40 Revaluation model – proportional reformulation of accumulated depreciation or amortisation

In order to clarify the calculation of accumulated depreciation or amortisation on the date of revaluation, the IASB amended Paragraph 35 of IAS 16 and Paragraph 80 of IAS 38 as follows: (i) measurement of accumulated depreciation (or amortisation) does not depend on the selection of the valuation method and (ii) accumulated depreciation (or amortisation) is calculated by the difference between the gross amount and net book value.

IAS 24 Transactions with related parties – services of key management personnel

In order to clear up some concern about the identification of costs of key management personnel (KMP), when these services are provided by an entity (a management company as in investment funds, for example), the IASB clarified that the disclosure of amounts paid for the services of KMP provided by a separate management entity must be disclosed, but it is not necessary to disclose the breakdown provided for in Paragraph 17.

The Bank experienced no relevant impact on applying these amendments to its financial statements.

Improvements to the IFRS (2012-2014)

The annual improvements in the 2012-2014 cycle issued by the IASB on 25 September 2014 introduced amendments to IFRS 5, IFRS 7, IFRS 8, IAS 19 and IAS 34 effective for periods beginning on or after 1 January 2016.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Amendment to the disclosure method - The amendments to IFRS 5 clarify that, if an entity reclassifies an asset (or a group being discontinued) directly from held for sale to held for distribution to owners (or vice-versa), then the change in classification is considered a continuation of the original plan for disposal. Therefore, no measurement gain or loss will be carried in the income statement or comprehensive income statement.

IFRS 7 Financial Instruments - Disclosures: servicing contracts

The amendments to IFRS 7 clarify, by adding guidelines for additional application, when servicing contracts constitute continued involvement for the purposes of applying the disclosure requirements in Paragraph 42 42 C of IFRS 7.

IFRS 7 Financial Instruments: Disclosures

Applicability of Amendment to IFRS 7 when offsetting financial assets and liabilities for condensed interim financial statements.

This amendment clarifies that the required additional disclosures that were introduced in December 2011 by the amendments to IFRS 7 - offsetting financial assets and liabilities - are not necessary in interim periods after the year of their initial application, unless IAS 34 Interim Financial Reporting requires these disclosures.

IAS 19 Employee benefits Discount rate – regional market issue

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate must be determined in the same currency as that in which the benefits will be paid.

As a result, the depth of the high quality corporate bond market must be assessed in terms of the currency and not the country. If there is no active market, the market rate for government securities denominated in this currency must be used.

IAS 34 Interim financial reporting: Disclosure of information “in other parts of the interim financial reporting“

The amendments clarify that “other disclosures” required by Paragraph 16A of IAS 34 must be carried either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other document (e.g. management comments or a risk report) that is available for users of the financial statements on the same terms as the interim financial statements and at the same time.

The amendments to IAS 34 also clarify that if users of the financial statements have not had access to this information, even by cross reference, on the same conditions and at the same time, the interim financial reporting is incomplete.

The Bank had no impact on the application of these amendments, as it does not prepare interim financial statements in accordance with IAS 34.

IAS 27 Equity method in separate financial statements

On 12 August 2014, the IASB issued amendments to IAS 27, effective for periods beginning on or after 1 January 2016, with the aim of introducing an option for measuring subsidiaries, associates or joint ventures by the equity method in separate financial statements.

The Bank did not take this option in its separate accounts (if the IFRS are applied to the separate accounts).

Exception to consolidation (amendments to IFRS 10, IFRS 12 and IAS 28)

On 18 December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 applicable to periods beginning on or after 1 January 2016. Investment entities: Application of the consolidation, exception allowing investment entities to be exempt from consolidation provided that they meet certain requirements.

These amendments do not apply to the Bank.

Other amendments

The following amendments applicable to periods beginning on or after 1 January 2016 were also issued by the IASB in 2014:

- Amendments to IAS 16 and IAS 38: Clarification of accepted depreciation and amortisation methods (issued on 12 May) ;

- Amendments to IFRS 11: Accounting for acquisitions of interests in joint ventures (issued on 6 May);

- Amendments to IAS 1: Disclosure initiative (issued on 18 December) the Bank experienced no relevant impact on applying these amendments to its financial statements. The Bank decided against early application of the following standards and interpretations.

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 an 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.

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.

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

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.

The new IFRIC 22 lays down that, if there has been advance considerations in foreign currency for the purpose of purchasing assets, paying costs or generating income, when applying Paragraphs 21 and 22 of IAS 21, the date of the transaction considered for the purpose of determining the exchange rate to be used when recognising the inherent asset, cost or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or liability resulting from the payment or receipt of the advance in foreign currency (or if there are several advances, the rates in effect at the time of each advance).

The Bank is currently assessing the impacts of adoption of this standard.

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.

The IASB also issued other amendments:

- On 19 January 2016, and applicable to periods beginning on or after 1 January 2017, amendments to IAS 12 aimed at clarifying the requirements to recognise deferred tax assets to unrealised losses to settle deviations

- On 29 January 2016, and applicable to periods beginning on or after 1 January 2017, amendments to IAS 7, disclosure initiative, requiring companies to provide information on changes in the financial liabilities and supply information that helps investors understand companies' indebtedness

- On 20 June 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IFRS 2 – Share-based payment;

- On 8 December 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IAS 40 – Investment property, clarifying the moment at which the entity must transfer properties under construction or development from or to investment properties when there is a change in the use of said properties that is evidence based (in addition to the list in Paragraph 57 of IAS 40)

- The annual improvements in the 2014-2016 cycle issued by the IASB on 8 December 2016 make amendments that are effective for periods beginning on or after 1 July 2018, to IFRS 1 (elimination of the short-term exception for first-time application of the IFRS) and IAS 28 (measurement of an association or joint venture at fair value) effective on or after 1 January 2017 and to IFRS 12 (clarification of scope of the standard's application).

The Bank is currently assessing the impacts of adoption of this standard.

8. INDEPENDENT AUDITOR'S REPORT

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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 financial statements of Banco Económico (hereinafter called "Bank"), which comprise the balance sheet as of December 31, 2016 that presents a total of 1,103,824,348 mAOA and a total equity of 42,439,020 mAOA, including a net loss for the year of 4,329,024 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 preparation and presentation in a proper way of this 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 have to 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 selected audit procedures depend on the auditors' judgement, 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 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 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 balance sheet accounts "Non-current assets held for sale" and "Other tangible assets", includes real estate in the amount of 52,625 mAOA and 42,298,891 mAOA, respectively, whose legalization process is still ongoing (Notes 17 and 18). Based on the information obtained, we are not able to assess the impact of this matter on the Bank's financial statements.

7. In the analysis of collective impairment losses for loan portfolio, which covered 11.1% of the total loan portfolio excluding securitized credit in the amount of 14,887,453 mAOA, considering the absence of historical internal information, the Bank used information provided by a 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 verified that the process of calculating the impairment losses has a high manual intervention during the data transformation and consequently high operational risk. In this context, we are not able to conclude over the reasonability of the collective impairment losses for loan portfolio in the amount of 1,964,045 mAOA.

8. The balance sheet account "Other liabilities" as at December 31, 2016, includes a debit balance in the amount of 3,995,257 mAOA, related to stamp duty tax that was improperly paid by the Bank, over the loan contracts which economic rights were transferred to GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA"). The Bank requested the reimbursement of the improperly paid taxes to the Tax Authority ("AGT") and has not yet received a response. Additionally, we do not obtain documentary evidence that GRUPO ENSA will accept to reimburse the Bank if no favorable order from AGT is obtained. Consequently, we are not able to conclude over the recoverability of the above mentioned amounts.

Opinion

9. In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" section, the financial statements give a true and fair view, in all material respects, of the financial position of the Banco Económico, S.A. as at December 31, 2016, 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

10. Without modifying the opinion express in the previous paragraph, we draw attention to the following matters:

    a. As referred in note 35, Banco Económico resulted from the redenomination of Banco Espírito Santo Angola as a result of the reorganization measures established by Banco Nacional de Angola ("BNA") during 2014. During this process, on 15 July 15, 2016 were executed agreements with GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA") 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 retroactive effects to December 31, 2014.

       The balances related to those operations are disclosed in nº3 of Note 35 and represent in the balance sheet statement 53% of the total Assets and 4% of the total Liabilities. In terms of income statement 62% of the account "Interests and similar income" are related to this operation, which also had a significant positive effect in the foreign exchange gains as a result of foreign currency positions valuation.

       We also highlight that on March 20, 2017, the Bank proceeded with a lieu of payment to reimburse the money market operations provided by BNA in the amount of 271,625 million AOA (230,372 million AOA were in balance sheet since 2016 – Note 23) transferring debt securities issued by Angolan Republic in the amount of 14,662 million AOA (Note 15) and receivables from GRUPO ENSA in the amount of 256,963 million AOA (49% of the amount of "Other assets" – Note 22).

       Additionally, as referred in the order of Mr. Minister of Finance, of October 9, 2017, aiming to adjust the schedule of payments to the reimbursement of cash flows by the loans and other assets portfolio as a result of the actual economic environment, and minimizing the public debt amounts to be issued in order to reduce the deficit, it was authorised the restructuration of the agreements' established with GRUPO ENSA as referred in Note 35.

       Therefore, for the remaining part of the operation recorded as at December 31, 2016, which wasn't subjected of the lieu of payment process, in the amount of 276,522 million AOA (25% of total Assets), the schedule of reimbursement was extended through annual instalments until 2041. The regular payment of those instalments is conditioned to the recoverability of the loans portfolio which economic rights were transferred and the realized value of the assets sold to GRUPO ENSA or the eventual issuance of Treasury Bonds of the Republic of Angola, as referred in the Operation's Payment Agreement.

    b. As disclosed in Note 2.1, the Bank prepares the financial statements on a going concern basis, considering the outlook for future activity referred in the section 5.14 of the Annual Report.

    c. In compliance with the Notice 6/2016, of May 16, issued by Banco Nacional de Angola, the Bank adopted the International Financial Reporting Standards (IFRS) during 2016 financial year. During the transition process from the previous accounting standards (Plano de Contas das Instituições Financeiras – CONTIF) to IFRS, the Bank followed the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards. The transition date was January 1, 2015, and the financial information to that date and for the 2015 financial year, previously submitted in accordance with CONTIF, were restated according to IFRS for comparison purposes. The disclosures related to the effects from the transition to IFRS are presented in Note 34.

Luanda, December 18, 2017

Ernst & Young Angola, Lda.
Represented by:

(signed)	(signed)
Daniel Guerreiro Chartered Accountant n.º 20130107	Ana Salcedas Partner

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Relatório do Auditor Independente

(valores expressos em milhares de Kwanzas - "mAOA"

Ao Conselho de Administração e Accionistas
do Banco Económico, S.A.

Introdução

1. Auditámos as demonstrações financeiras anexas do Banco Económico, S.A. ("Banco"), as quais compreendem o Balanço em 31 de Dezembro de 2016 (que evidencia um total de 1.103.824.348 mAOA e um total de capital próprio de 42.439.020 mAOA, incluindo um resultado líquido negativo de 4.329.024 mAOA), as Demonstrações dos Resultados por naturezas, do Rendimento Integral, de Alterações no Capital Próprio e de Fluxos de Caixa do exercício findo naquela data e as notas do correspondente Anexo às demonstrações financeiras.

Responsabilidade do Conselho de Administração pelas demonstrações financeiras

2. O Conselho de Administração do Banco é responsável pela preparação e apresentação de modo apropriado destas demonstrações financeiras de acordo com as Normas Internacionais de Relato Financeiro e pelo controlo interno que determine ser necessário para possibilitar a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou a erro.

Responsabilidade do Auditor

3. A nossa responsabilidade consiste em expressar uma opinião independente sobre estas demonstrações financeiras com base na nossa auditoria, a qual foi conduzida de acordo com as Normas Técnicas da Ordem dos Contabilistas e Peritos Contabilistas de Angola. Estas Normas exigem que cumpramos requisitos éticos e planeemos e executemos a auditoria para obter garantia razoável sobre se as demonstrações financeiras estão isentas de distorção material.
4. Uma auditoria envolve executar procedimentos para obter prova de auditoria acerca das quantias e divulgações constantes das demonstrações financeiras. Os procedimentos seleccionados dependem do julgamento do auditor, incluindo a avaliação dos riscos de distorção material das demonstrações financeiras devido a fraude ou a erro. Ao fazer essas avaliações do risco, o auditor considera o controlo interno relevante para a preparação e apresentação apropriada das demonstrações financeiras pelo Banco a fim de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não com a finalidade de expressar uma opinião sobre a eficácia do controlo interno do Banco. Uma auditoria inclui também avaliar a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas feitas pelo Conselho de Administração, bem como avaliar a apresentação global das demonstrações financeiras.
5. Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião de auditoria com reservas.

Bases para a Opinião com Reservas

6. As rubricas do Balanço "Activos não correntes detidas para venda" e "Outros Activos Tangíveis" incluem imóveis, respectivamente, no montante de 52.625 mAOA e 42.298.891 mAOA cujo processo de legalização ainda se encontra em curso (Notas 17 e 18). Com base na informação disponível não estamos em condições de avaliar o impacto deste assunto nas demonstrações financeiras.

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7. Na análise colectiva de imparidade para a carteira de crédito, que abrangeu 11,1% da carteira de crédito sem crédito titulado no valor total de 14.887.453 mAOA, dada a ausência de informação histórica interna o Banco recorreu a informação disponibilizada por um consultor externo para o cálculo da Probabilidade de Incumprimento (PD's) e de perda dado o Incumprimento (LGD's) (pressupostos divulgados na Nota 3.3). Não obtivemos informação suficiente para suportar os parâmetros de cálculo utilizados e constatámos que o processo de apuramento das perdas por imparidade teve uma elevada intervenção manual com transformação da informação de base e consequentemente elevado risco operacional associado. Neste contexto, não pudemos concluir quanto à razoabilidade do valor de imparidade colectiva registado no montante de 1.964.045 mAOA.

8. A rubrica "Outros Passivos" em 31 de Dezembro de 2016 inclui um saldo devedor no montante de 3.995.257 mAOA relativo a imposto de selo que o Banco liquidou indevidamente sobre contratos de crédito cujos direitos económicos foram transmitidos à GRUPO ENSA - Investimentos e Participações E.P. ("GRUPO ENSA"). O Banco solicitou à Autoridade Geral Tributária ("AGT") o reembolso do imposto liquidado indevidamente, não tendo ainda obtido resposta. Adicionalmente, não obtivemos evidência documental que a GRUPO ENSA aceitará reembolsar o Banco caso não seja obtido despacho favorável da AGT. Consequentemente, não foi possível concluir sobre a recuperabilidade do saldo devedor acima referido.

Opinião

9. Em nossa opinião, excepto quanto aos possíveis efeitos dos assuntos descritos nos parágrafos 6 a 8 da secção "Bases para Opinião com Reservas", as demonstrações financeiras referidas no parágrafo 1 acima apresentam de forma apropriada, em todos os aspectos materialmente relevantes a posição financeira do Banco Económico, S.A., em 31 de Dezembro de 2016, e o seu desempenho financeiro e fluxos de caixa relativos ao exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro.

Ênfases

10. Sem modificar a opinião expressa no parágrafo anterior, chamamos à atenção para as seguintes situações:

    a) Conforme referido na Nota 35 do Anexo às Demonstrações Financeiras, o Banco Económico resultou da redenominação do Banco Espírito Santo Angola em sequência das medidas de saneamento deliberadas pelo Banco Nacional de Angola ("BNA") em 2014. Ainda neste âmbito, em 15 de Julho de 2016 foram concretizadas com a GRUPO ENSA operações de transmissão de direitos económicos de uma carteira de créditos e de unidades de participação em fundo de investimento, assim como de venda de outros activos detidos pelo Banco, as quais foram enquadradas no disposto nos Decretos Presidenciais nº 196/15 e nº 123/16 e tiveram efeitos retroagidos a 31 de Dezembro de 2014.

    Os saldos relacionados com estas operações encontram-se divulgados no nº 3 da referida Nota 35 e no Balanço representam 53% do total do Activo e 4% do total do Passivo. Ao nível dos Resultados destaca-se que 62% dos juros e proveitos equiparados são relacionados com estas operações, as quais tiveram também um efeito positivo significativo nos resultados cambiais potenciais decorrentes das valorizações das posições.

    Salientamos, ainda, que em 20 de Março de 2017, o Banco realizou uma operação de dação em pagamento com o BNA para liquidação integral das operações de redesconto no montante total nesta data de 271.625 milhões de AOA (dos quais 230.372 milhões de AOA transitaram de 2016 – Nota 23), contra entrega de uma carteira de obrigações do tesouro da República de Angola no valor de 14.662 milhões de AOA (Nota 15) e valores a receber da GRUPO ENSA no

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montante de 256.963 milhões de AOA (49% do saldo da rubrica do Activo "Outros Devedores" - Nota 22),

Adicionalmente, conforme referido no Despacho do Sr. Ministro das Finanças datado de 9 de Outubro de 2017, por forma a ajustar o plano de pagamentos ao ritmo de recuperação dos créditos e outros activos permitido pelo atual contexto económico e minimizar os valores de dívida pública a emitir futuramente para suprir eventual défice, foi autorizada a reformulação do Acordo de Pagamento da dívida da Grupo ENSA nas condições também divulgadas na Nota 35.

Assim, para parte do saldo em balanço à data de 31 de Dezembro de 2016 que não foi objecto de dação ao BNA, no montante de 276.522 milhões de AOA (25% do Activo) o prazo de recebimento foi prolongado para prestações anuais até 2041. O regular pagamento destas prestações anuais está dependente do grau de recuperabilidade dos créditos cujos direitos económicos foram transmitidos e do valor de realização dos activos vendidos à GRUPO ENSA ou da eventual emissão de Obrigações do Tesouro da República de Angola, conforme mencionado no Acordo de Pagamento das operações.

11. As demonstrações financeiras foram preparadas com o pressuposto de continuidade das operações (Nota 2.1. do Anexo às Demonstrações Financeiras) tendo em conta as perspectivas de evolução da actividade do Banco referidas no capítulo 5.14 do Relatório de Gestão.

12. Em cumprimento do disposto no Aviso nº 6/2016, de 16 de Maio, do Banco Nacional de Angola, no exercício de 2016 o Banco adoptou as Normas Internacionais de Relato Financeiro (IFRS). No processo de transição das normas contabilísticas anteriormente adoptadas (Plano de Contas das Instituições Financeiras - CONTIF) para as IFRS, o Banco seguiu os requisitos previstos na Norma Internacional de Relato Financeiro 1 - "Adopção pela Primeira vez das Normas Internacionais de Relato Financeiro". A data da transição foi reportada a 1 de Janeiro de 2015, pelo que a informação financeira referente àquela data e ao exercício de 2015, anteriormente apresentada de acordo com o CONTIF, foi reexpressa para a IFRS para efeitos de comparabilidade. As divulgações relativas aos efeitos da transição para as IFRS são apresentadas na Nota 34.

Luanda, 18 de Dezembro de 2017

Ernst & Young Angola, Lda.
Representada por:

AnaSalcedas

João Carlos Miguel Alves
Perito Contabilista nº 20120081

Ana Salcedas
Partner

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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 (hereinafter called "Bank") and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016 that presents a total of 1,102,994,400 mAOA and a total equity of 43,024,819 mAOA, including a net loss for the year of 4,326,888 mAOA, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the cash flows consolidated statement for the year then ended and the corresponding notes to the consolidated financial statements.

Responsibilities of management for the consolidated financial statements

2. The Board of Directors is responsible for the preparation and presentation in a proper way of this consolidated 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 consolidated financial statements

3. Our responsibility is to express an 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 have to 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 selected audit procedures depend on the auditors' judgement, 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 consolidated 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 consolidated balance sheet accounts "Non-current assets held for sale" and "Other tangible assets", includes real estate in the amount of 52,625 mAOA and 42,298,891 mAOA, respectively, whose legalization process is still ongoing (Notes 17 and 18). Based on the information obtained, we are not able to assess the impact of this matter on the Bank's consolidated financial statements.

7. In the analysis of collective impairment losses for loan portfolio, which covered 11.1% of the total loan portfolio excluding securitized credit in the amount of 14,887,453 mAOA, considering the absence of historical internal information, the Bank used information provided by a 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 verified that the process of calculating the impairment losses has a high manual intervention during the data transformation and

consequently high operational risk. In this context, we are not able to conclude over the reasonability of the collective impairment losses for loan portfolio in the amount of 1,964,045 mAOA.

8. The consolidated balance sheet account "Other liabilities" as at December 31, 2016, includes a debit balance in the amount of 3,995,257 mAOA, related to stamp duty tax that was improperly paid by the Bank, over the loan contracts which economic rights were transferred to GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA"). The Bank requested the reimbursement of the improperly paid taxes to the Tax Authority ("AGT") and has not yet received a response. Additionally, we do not obtain documentary evidence that GRUPO ENSA will accept to reimburse the Bank if no favorable order from AGT is obtained. Consequently, we are not able to conclude over the recoverability of the above mentioned amounts.

Opinion

9. In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" section, the consolidated financial statements 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, 2016, 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

10. Without modified our opinion express previously, we draw attention to the following matters:

    a. As referred in note 35, Banco Económico resulted from the redenomination of Banco Espírito Santo Angola as a result of the reorganization measures established by Banco Nacional de Angola ("BNA") during 2014. During this process, on 15 July 15, 2016 were executed agreements with GRUPO ENSA – Investimentos e Participações E.P. ("GRUPO ENSA") 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 retroactive effects to December 31, 2014.

       The balances related to those operations are disclosed in nº3 of Note 35 and represent in the consolidated balance sheet statement 53% of the total Assets and 4% of the total Liabilities. In terms of consolidated income statement 62% of the account "Interests and similar income" are related to this operation, which also had a significant positive effect in the foreign exchange gains as a result of foreign currency positions valuation.

       We also highlight that on March 20, 2017, the Bank proceeded with a lieu of payment to reimburse the money market operations provided by BNA in the amount of 271,625 million AOA (230,372 million AOA were in consolidated balance sheet since 2016 – Note 23) transferring debt securities issued by Angolan Republic in the amount of 14,662 million AOA (Note 15) and receivables from GRUPO ENSA in the amount of 256,963 million AOA (49% of the amount of "Other assets" – Note 22).

       Additionally, as referred in the order of Mr. Minister of Finance, of October 9, 2017, aiming to adjust the schedule of payments to the reimbursement of cash flows by the loans and other assets portfolio as a result of the actual economic environment, and minimizing the public debt amounts to be issued in order to reduce the deficit, it was authorised the restructuration of the agreements' established with GRUPO ENSA as referred in Note 35.

       Therefore, for the remaining part of the operation recorded as at December 31, 2016, which wasn't subjected of the lieu of payment process, in the amount of 276,522 million AOA (25% of total Assets), the schedule of reimbursement was extended through annual instalments until 2041. The regular payment of those instalments is conditioned to the recoverability of the loans portfolio which economic rights were transferred and the realized value of the assets sold to GRUPO ENSA or the eventual issuance of Treasury Bonds of the Republic of Angola, as referred in the Operation's Payment Agreement.

    b. As disclosed in Note 2.1, the Bank prepares the consolidated financial statements on a going concern basis, considering the outlook for future activity referred in the section 5.14 of the Annual Report.

    c. In compliance with the Notice 6/2016, of May 16, issued by Banco Nacional de Angola, the Bank adopted the International Financial Reporting Standards (IFRS) during 2016 financial year. During the transition process from the previous accounting standards (Plano de Contas das Instituições Financeiras – CONTIF) to IFRS, the Bank followed the requirements of IFRS 1 - First-time Adoption of International Financial

Reporting Standards. The transition date was January 1, 2015, and the financial information to that date and for the 2015 financial year, previously submitted in accordance with CONTIF, were restated according to IFRS for comparison purposes. The disclosures related to the effects from the transition to IFRS are presented in Note 34.

Luanda, 18 December 2017

Ernst & Young Angola, Lda.
Represented by:

(Signed)	(Signed)
Daniel Guerreiro Chartered Accountant n.º 20130107	Ana Salcedas Partner

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Relatório do Auditor Independente

(valores expressos em milhares de Kwanzas - "mAOA"

Ao Conselho de Administração e Accionistas
do Banco Económico, S.A.

Introdução

1. Auditámos as demonstrações financeiras consolidadas anexas do Banco Económico, S.A. ("Banco") e suas subsidiárias, as quais compreendem o Balanço Consolidado em 31 de Dezembro de 2016 (que evidencia um total de 1.102.994.400 mAOA e um total de capital próprio de 43.024.819 mAOA, incluindo um resultado líquido negativo de 4.326.888 mAOA), as Demonstrações Consolidadas dos Resultados por naturezas, do Rendimento Integral, de Alterações no Capital Próprio e de Fluxos de Caixa do exercício findo naquela data e as notas do correspondente Anexo.

Responsabilidade do Conselho de Administração pelas demonstrações financeiras

2. O Conselho de Administração do Banco é responsável pela preparação e apresentação de modo apropriado destas demonstrações financeiras de acordo com as Normas Internacionais de Relato Financeiro e pelo controlo interno que determine ser necessário para possibilitar a preparação de demonstrações financeiras consolidadas isentas de distorção material devido a fraude ou a erro.

Responsabilidade do Auditor

3. A nossa responsabilidade consiste em expressar uma opinião independente sobre estas demonstrações financeiras consolidadas com base na nossa auditoria, a qual foi conduzida de acordo com as Normas Técnicas da Ordem dos Contabilistas e Peritos Contabilistas de Angola. Estas Normas exigem que cumpramos requisitos éticos e planeemos e executemos a auditoria para obter garantia razoável sobre se as demonstrações financeiras consolidadas estão isentas de distorção material.

4. Uma auditoria envolve executar procedimentos para obter prova de auditoria acerca das quantias e divulgações constantes das demonstrações financeiras consolidadas. Os procedimentos seleccionados dependem do julgamento do auditor, incluindo a avaliação dos riscos de distorção material das demonstrações financeiras consolidadas devido a fraude ou a erro. Ao fazer essas avaliações do risco, o auditor considera o controlo interno relevante para a preparação e apresentação apropriada das demonstrações financeiras consolidadas pelo Banco a fim de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não com a finalidade de expressar uma opinião sobre a eficácia do controlo interno do Banco. Uma auditoria inclui também avaliar a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas feitas pelo Conselho de Administração, bem como avaliar a apresentação global das demonstrações financeiras consolidadas.

5. Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião de auditoria com reservas.

Bases para a Opinião com Reservas

6. As rubricas do Balanço "Activos não correntes detidas para venda" e "Outros Activos Tangíveis" incluem imóveis, respectivamente, no montante de 52.625 mAOA e 42.298.891 mAOA cujo processo de legalização ainda se encontra em curso (Notas 17 e 18). Com base na informação disponível não estamos em condições de avaliar o impacto deste assunto nas demonstrações financeiras consolidadas.

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7. Na análise colectiva de imparidade para a carteira de crédito, que abrangeu 11,1% da carteira de crédito sem crédito titulado no valor total de 14.887.453 mAOA, dada a ausência de informação histórica interna o Banco recorreu a informação disponibilizada por um consultor externo para o cálculo da Probabilidade de Incumprimento (PD's) e de perda dado o Incumprimento (LGD's) (pressupostos divulgados na Nota 3.3). Não obtivemos informação suficiente para suportar os parâmetros de cálculo utilizados e constatámos que o processo de apuramento das perdas por imparidade teve uma elevada intervenção manual com transformação da informação de base e consequentemente elevado risco operacional associado. Neste contexto, não pudemos concluir quanto à razoabilidade do valor de imparidade colectiva registado no montante de 1.964.045 mAOA.

8. A rubrica "Outros Passivos" em 31 de Dezembro de 2016 inclui um saldo devedor no montante de 3.995.257 mAOA relativo a imposto de selo que o Banco liquidou indevidamente sobre contratos de crédito cujos direitos económicos foram transmitidos à GRUPO ENSA - Investimentos e Participações E.P. ("GRUPO ENSA"). O Banco solicitou à Autoridade Geral Tributária ("AGT") o reembolso do imposto liquidado indevidamente, não tendo ainda obtido resposta. Adicionalmente, não obtivemos evidência documental que a GRUPO ENSA aceitará reembolsar o Banco caso não seja obtido despacho favorável da AGT. Consequentemente, não foi possível concluir sobre a recuperabilidade do saldo devedor acima referido.

Opinião

9. Em nossa opinião, excepto quanto aos possíveis efeitos dos assuntos descritos nos parágrafos 6 a 8 da secção "Bases para Opinião com Reservas", as demonstrações financeiras consolidadas referidas no parágrafo 1 acima apresentam de forma apropriada, em todos os aspectos materialmente relevantes, a posição financeira consolidada do Banco Económico, S.A. e suas subsidiárias, em 31 de Dezembro de 2016, e o seu desempenho financeiro consolidado e fluxos de caixa consolidados relativos ao exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro.

Ênfases

10. Sem modificar a opinião expressa no parágrafo anterior, chamamos à atenção para as seguintes situações:

    a) Conforme referido na Nota 35 do Anexo às Demonstrações Financeiras, o Banco Económico resultou da redenominação do Banco Espírito Santo Angola em sequência das medidas de saneamento deliberadas pelo Banco Nacional de Angola ("BNA") em 2014. Ainda neste âmbito, em 15 de Julho de 2016 foram concretizadas com a GRUPO ENSA operações de transmissão de direitos económicos de uma carteira de créditos e de unidades de participação em fundo de investimento, assim como de venda de outros activos detidos pelo Banco, as quais foram enquadradas no disposto nos Decretos Presidenciais nº 196/15 e nº 123/16 e tiveram efeitos retroagidos a 31 de Dezembro de 2014.

    Os saldos relacionados com estas operações encontram-se divulgados no nº 3 da referida Nota 35 e no Balanço representam 53% do total do Activo e 4% do total do Passivo. Ao nível dos Resultados destaca-se que 62% dos juros e proveitos equiparados são relacionados com estas operações, as quais tiveram também um efeito positivo significativo nos resultados cambiais potenciais decorrentes das valorizações das posições.

    Salientamos, ainda, que em 20 de Março de 2017, o Banco realizou uma operação de dação em pagamento com o BNA para liquidação integral das operações de redesconto no montante total nesta data de 271.625 milhões de AOA (dos quais 230.372 milhões de AOA transitaram de 2016 - Nota 23), contra entrega de uma carteira de obrigações do tesouro da República de Angola no valor de 14.662 milhões de AOA (Nota 15) e valores a receber da GRUPO ENSA no

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montante de 256.963 milhões de AOA (49% do saldo da rubrica do Activo "Outros Devedores" – Nota 22),

Adicionalmente, conforme referido no Despacho do Sr. Ministro das Finanças datado de 9 de Outubro de 2017, por forma a ajustar o plano de pagamentos ao ritmo de recuperação dos créditos e outros activos permitido pelo atual contexto económico e minimizar os valores de dívida pública a emitir futuramente para suprir eventual défice, foi autorizada a reformulação do Acordo de Pagamento da dívida da Grupo ENSA nas condições também divulgadas na Nota 35.

Assim, para parte do saldo em balanço à data de 31 de Dezembro de 2016 que não foi objecto de dação ao BNA, no montante de 276.522 milhões de AOA (25% do Activo) o prazo de recebimento foi prolongado para prestações anuais até 2041. O regular pagamento destas prestações anuais está dependente do grau de recuperabilidade dos créditos cujos direitos económicos foram transmitidos e do valor de realização dos activos vendidos à GRUPO ENSA ou da eventual emissão de Obrigações do Tesouro da República de Angola, conforme mencionado no Acordo de Pagamento das operações,

11. As demonstrações financeiras foram preparadas com o pressuposto de continuidade das operações (Nota 2.1. do Anexo às Demonstrações Financeiras) tendo em conta as perspectivas de evolução da actividade do Banco referidas no capítulo 5.14 do Relatório de Gestão.

12. Em cumprimento do disposto no Aviso nº 6/2016, de 16 de Maio, do Banco Nacional de Angola, no exercício de 2016 o Banco adoptou as Normas Internacionais de Relato Financeiro (IFRS). No processo de transição das normas contabilísticas anteriormente adoptadas (Plano de Contas das Instituições Financeiras - CONTIF) para as IFRS, o Banco seguiu os requisitos previstos na Norma Internacional de Relato Financeiro 1 – "Adopção pela Primeira vez das Normas Internacionais de Relato Financeiro". A data da transição foi reportada a 1 de Janeiro de 2015, pelo que a informação financeira referente àquela data e ao exercício de 2015, anteriormente apresentada de acordo com o CONTIF, foi reexpressa para a IFRS para efeitos de comparabilidade. As divulgações relativas aos efeitos da transição para as IFRS são apresentadas na Nota 34.

Luanda, 18 de Dezembro de 2017

Ernst & Young Angola, Lda.
Representada por:

João Carlos Miguel Alves
Perito Contabilista nº 20120081

Ana Salcedas

Ana Salcedas
Partner

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 2016.

2. Acompanhamos o complexo e por consequência demorado 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 35 – 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 cujo conteúdo e compreensão se revelam fundamentais (i) à apreciação das demonstrações financeiras e respectivos anexos do Banco em 31.12.2016 assim como (II) à apreciação objectiva das condições de continuidade harmoniosa das operações da Instituição.

4. Porque as circunstâncias excecionais relacionadas com o saneamento financeiro do Banco assim o exigem, analisamos com a maior profundidade possível o conteúdo dos relatórios do Auditor Independente nomeadamente as Enfases que reproduzem as várias fases da operação de saneamento e as consequências presentes e futuras sobre a estrutura e o equilíbrio financeiro do Banco.

5. Concordamos com o conteúdo dos relatórios do Auditor Independente, relativos às demonstrações financeiras individuais e consolidadas.

6. Analisamos o Balanço patrimonial em 31 de Dezembro de 2016, 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 2016, 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, 27 de Dezembro de 2017

O Conselho Fiscal

Mazars, Auditores & Consultores, Lda.

Mazars Angola – Auditores e Consultores, Lda

Representada por Dr Carlos Freitas

Presidente

Dr Mário Lourenço

Vogal

Adilson H. de sá Nogueira

Dr Humberto Sá Nogueira

Vogal