ANNUAL REPORT 2018

BancoEconómico

Somos futuro

2018

Banco Económico remained focused on responding to its Customers' needs, trying to provide increasingly customised products and services. Within this context, the Bank continued to invest in its Digital Transformation Programme, providing an increasingly closer, more dynamic and digital value proposition, and allowing for remote operations and from different platforms.

In 2019, and based on its strategic pillars (Customers, Employees, Technology and Digitisation, Risk and Code of Conduct), Banco Económino will pursue its strategy, strengthening its positioning, as an institution of reference in the Angolan banking market.

Somos Banco Económico.
Somos Futuro!

Contents

Statement from the Executive Committee

Despite the firm steps towards recovering macroeconomic stability, 2018 presented a set of challenges that seriously conditioned the performance of the Angolan financial sector.

Indeed, the strong devaluation of the Kwanza, which, by the end of the year, reached approximately 86%, contributed to a decrease in purchasing power, in local investment, as well as in the savings level of economic agents, having an impact particularly on their ability to respond to commitments towards financial institutions. In that regard, Angola continued to face a limited growth level. Although oil represented over 90% of exports and despite the price recovery recorded in international markets, it was not enough to promote a sustained economic recovery, enhancing the need felt to promote a larger diversification of the national economic base, which is being addressed by the Angolan Government.

Along with the constraints felt given the economic scenario, the banking sector faced countless challenges. The increase in credit default levels, the resulting deterioration of economic conditions, the introduction of new banking regulations, continuing the alignment with best international practices, and the challenges posed by digital banking innovation, were all matters that demanded and will continue to require from banking institutions a strong adaptability and resilience capacity.

Turning the Page

Despite the constraints imposed by the difficult external environment, 2018 represented a turning point for Banco Económico, and the beginning of a new chapter that will focus on strengthening its positioning, clearly assuming its role as a vital pillar of support for the development of the Angolan economy.

In 2018, there was a strong growth in turnover. At operational level, there was an increase of 15% in the number of customers compared to the previous year, with a portfolio of 162,542 customers. Throughout 2018, there was an increase of 62% in the volume of deposits raised, standing at AOA 1.059 million. This behaviour reflects the investment in a diversified and innovative offer in line with the actual needs of the Bank's customers.

Through the Bank's distinctive strategic positioning close to citizens and companies, there was an outstanding appreciation of its assets portfolio, showing a substantial increase in the amount of credit granted, signalling a 39% year-on-year appreciation. Thus, in 2018, and despite the adverse economic conditions, Banco Económico clearly contributed to financing the economy, with the growth of its consumer credit portfolio (+124%) and mortgage loans (+22%).

In the capital market, Banco Económico recorded a sustained evolution in turnover and an increase in its Customer portfolio.

There was a substantial increase in the amount of assets under custody, having doubled this amount compared to 2017. Activity in the secondary public debt market is increasingly prominent, having carried out intermediation operations in sovereign debt securities amounting to AOA 46.7 million.

The Bank's financial performance clearly shows its good performance in 2018, having achieved a net result significantly higher than the value recorded in 2017, totalling AOA 36.374 million, also managing to improve its profitability and solvency indicators:

- The net interest income reached AOA 32.262 million, a 181% increase over the previous year;
- Banking income recorded an increase of 413% over the previous year;
- The cost-to-income ratio stood at 17%, showing a more significant growth in revenues than the evolution in the cost item, standing at adequate levels;
- The Bank's return on equity increased, with a return-on-equity of 50%, varying 45 p.p. compared to the previous year;
- The solvency ratio reached 21%;
- Equity reached AOA 72.856 million, showing 64% growth compared to 2017.

The Bank's concern with innovation and the digitalisation of its services and means of payment was a reality, with steps being taken to ensure that the Bank is increasingly aligned with the best international practices, following the trends of digital and technological disruption and assuming itself as a reference in this matter in Angola. Investment was made to update home and mobile banking, EconomicoNet and EconomicoNet App, contributing to earning the "Best Mobile Application Angola" award from the Global Banking & Finance Review Awards.

These results reflect the Bank's positive synergy with its Customers, based on a strategy that focuses on the development of solutions adapted to their actual needs, as well as the quality of service provided, and the search for a segmentation that enhances value creation.

The Bank's human capital is of paramount and cross-cutting importance, the employees being the drivers that guarantee the proper implementation of the outlined strategy. As such, the Bank maintained investment in their valorisation as a priority. The offer of empowerment activities such as the "Balcão Escola" and the "Programa +Talento" projects aims to strengthen employee know-how and contribute to accelerated professional growth. Therefore, in 2018 there was a strong increase of 73% in the volume of training hours.

At the same time, Banco Económico allocates particular focus to Social Responsibility topics, with an awareness positively shaped by the institution's values, offering a central role to Angolan economy and society. In 2018, the Bank had a positive impact in the areas of Health, Education, Sports, Environment, Culture and the Arts. It should be noted that, on average, each area was financed with AOA 25 million, and in the Education area alone, 100 scholarships were made available by the Bank for a total of AOA 40 million. Banco Económico does not just intend to be present in the market, but, rather, to play a vital and integrating role in a path shared with the Customer and the Society.

Looking Towards the Future

According to economic forecasts, 2019 will continue to be a challenging year of adjustment for Angolan banks. On the other hand, the strong competition felt will continue to challenge financial institutions to strengthen their position. As such, Banco Económino outlined a set of strategic goals which consider the following aspects vital to strengthening the Bank's positioning as a reference financial institution in Angola:

- Focus on the customers and on the development of solutions that create value for them
- Digital innovation
- Quality of service
- Human capital par excellence
- Creation of value for shareholders

Within this scope, the Bank's goal is to reach a growth rate higher than that of the sector, focusing on the growth of credit granted, while maintaining the quality of the Bank's assets, seeking a commercial positioning that supports the achievement of the above-mentioned premises.

We believe that competition, customer sophistication, the constant need to optimise operating costs and ease in approaching the customer can be decisive variables in the Bank's digital transformation. As such, the investment in digital transformation will continue to leverage the Bank operationally, continuously reinforcing the ease and quality of Customer service.

2019 will be the year when the Bank will strengthen its position as a benchmark bank and a true partner for its customers, contributing to the growth, development and modernisation of the Angolan economy. We will also have the opportunity to assert our disruptive image in the banking sector, and as a leading bank in the provision of services using digital channels.

Special Thanks

The Executive Committee of Banco Económico wants to express its special thanks to all employees, who, in a unique and personal way, left their imprint throughout 2018. Their commitment, endeavour and resilience demonstrated the bank's values in the banking sector and contributed exponentially to the bank's consolidation in the sector. We also thank all Customers,regulatory bodies, shareholders and suppliers for their trust and friendship in a relationship which is expected to be long lasting. Banco Económico is committed to strengthening the relationship with all economic agents and continue to leave its personal stamp on the Angolan economy, in a future of digital transformation, where the Bank intends to position itself as one of the biggest competitors in Angola.

SIMPLI CITY

Simplicity will be the deepest expression of refinement, on the one hand, and of simplicity, on the other. Let us take a noble piece of primitive art: a wholesome, sober and accessible object, source of affinities and concordance, which generates a sense of belonging. So can the relationship of a customer with his bank be determined, as an extension of his own will.

BancoEconómico
Somos futuro

HIGHLIGHTS IN 2018

1.1. Main Events

In 2018, Banco Económico maintained a solid performance dynamic, in both operational and strategic terms. The Bank focused its activities on launching innovative products, engaging in initiatives to promote national economic activities and carrying out various activities to develop commercial synergies.

162,542
Customers Total
+15% against 2017

3,385
Active ATMs
+16% against 2017

87,542
Active Cards
+28% against 2017

Total Assets
1.35761
AOA Million
+47% against 2017

Net Income
36.374
AOA Million
+505% against 2017

13,786
Training Hours
+73% against 2017

225
AOA Million
Investment in Social Responsibility Initiatives

"Best mobile banking application Angola"
Global Banking & Finance Review Awards

In 2018, Banco Económico became the second Angolan financial institution to have Moody's risk rating.

Rating Moody's
Medium and Long Term

	ANGOLA	BANCO ECONÓMICO
DEC 2018	B3 Stable outlook	B3 Stable outlook
APR 2018	B3 Stable outlook	B3 Stable outlook
FEB 2018	B2 Stable outlook	
OCT 2017	B2 Stable outlook	

1.2. Main Indicators

Amounts in Thousand AOA	Dec 2017	Dec 2018	Var. 17-18	Var. % 17-18
Total Assets	920,655,858	1,357,610,391	436,954,533	47%
Loans and Advances to Customers	151,725,509	210,620,981	58,895,472	39%
Customer Deposits	651,833,602	1,059,122,420	407,288,819	62%
Equity	44,417,999	72,855,605	28,437,606	64%
Net Operating Income	27,923,814	143,294,911	115,371,097	413%
Net Operating Income / Employees	27,868	140,073	112,205	403
Net Interest Income	11,471,934	32,262,429	20,790,495	181%
Complementary Margin	12,662,709	13,146,382	483,673	4%
Staff Costs	9,146,276	12,668,298	3,522,022	39%
Structural Costs	19,172,684	23,839,224	4,666,539	24%
Net Income	6,012,325	36,374,286	30,361,961	505%
Return On Assets (ROA)	0.2%	2.7%	-	2 p.p.
Return on Equity (ROE)	4.5%	49.9%	-	45 p.p.
Cost-to-Income	68.7%	16.7%	-	-52 p.p.
Total Assets / Employees	918,818	1,325,791	406,973	44%
Transformation Ratio	21.0%	20.0%	-	-1 p.p.
Regulatory Solvency Ratio	15.5%	20.8%	-	5 p.p.
Overdue Credit	24,276,081	40,860,470	16,584,389	68%
% Overdue Credit	16%	19%	-	3 p.p.
% Total Hedging	14%	41%	-	27 p.p.
Number of Branches	79	80	+1	+1%
Number of Active ATMs	88	92	4	5%
Number of Active APTs	2,907	3,385	478	16%
Number of Active Cards	68,512	87,542	19,030	28%
Number of Employees	1,009	1,023	14	2%
Number of Customers	141,947	162,542	20,595	15%

Amounts in Thousand USD	Dec 2017	Dec 2018	Var. 17-18	Var. % 17-18
Total Assets	5,548,660	4,399,156	-1,149,504	-21%
Loans and Advances to Customers	914,428	682,489	-231,938	-25%
Customer Deposits	3,928,507	3,431,946	-496,561	-13%
Equity	267,701	236,079	-31,622	-12%
Net Operating Income	168,293	464,328	296,035	176%
Net Operating Income / Employees	168	454	286	170%
Net Interest Income	69,140	104,542	35,402	51%
Complementary Margin	76,316	42,599	-12,524	-23%
Staff Costs	55,123	41,050	-14,073	-26%
Structural Costs	115,551	77,248	-38,303	-33%
Net Income	36,235	117,866	81,631	225%
Return On Assets (ROA)	0.7%	2.7%	-	2 p.p.
Return on Equity (ROE)	4.5%	49.9%	-	45 p.p.
Cost-to-Income	68.7%	16.7%	-	-52 p.p.
Total Assets / Employees	5,538	4,295	-1,242	-22%
Transformation Ratio	21.0%	20.0%	-	-1 p.p.
Regulatory Solvency Ratio	15.5%	20.8%	-	5 p.p.
Overdue Credit	146,308	132,403	-13,906	-10%
% Overdue Credit	16%	19%	-	3 p.p.
% Total Hedging	14%	41%	-	27 p.p.
Number of Branches	79	80	+1	+1%
Number of Active ATMs	88	92	4	5%
Number of Active APTs	2,907	3,385	478	16%
Number of Active Cards	68,512	87,542	19,030	28%
Number of Employees	1,009	1,023	14	2%
Number of Customers	141,947	162,542	20,595	15%

1.3. About Us

Members of the Board of Directors

António Paulo Kassoma
Chairman of the Board of Directors

Training
Electronic Engineering

Work Experience
— Secretary-General of the MPLA Party
— President of the National Assembly of the Republic of Angola
— Governor of the Huambo Province
— Prime-Minister of the Republic of Angola

António Ramos da Cruz
Vice-Chairman of the Board of Directors

Training
Economics

Work Experience
— Adviser to the Governor of the BNA
— Executive Director of BNA
— Interim Director appointed by the BNA for the BESA
— Director of the Currency Department of the BNA

Pedro Pombo Cruchinho
Chairman of the Executive Committee

Training
Corporate Management

Work Experience
— Manager: Risk Control of Financial Markets at BES
— Manager: Securities Division at BES
— Auditor at PWC (Portugal)

Inocêncio Francisco Miguel
Executive Director

Training
Law

Work Experience
— Executive Director at Imprensa Nacional
— Adviser of the Secretariat of the Council of Ministers of Angola

Eduardo Augusto Pinto
Executive Director

Training
Corporate Management and Organisation

Work Experience
— Deputy Director-General / Director-General of Resources of the Aman Bank Commerce
— Manager of the International Development Unit, International Department of BES
— Director-General of Resources of BES (Spain)

Henda Nzinga Teixeira
Executive Director

Training
Corporate Management and Control

Work Experience
— Advisor / Executive Manager for Commercial Areas of Banco Económico
— Sales Manager at SONAIR
— Head of the Management and Contracts Department of SONAIR's Sales Division
— Cost Control Technical Manager at the Board of Economic Concessions of Sonangol

José Alves do Nascimento
Executive Director

Training
Corporate Management and Control

Work Experience
— Financial Consultant / QSL: Logistical Bases and Oil Installations
— Deputy CEO / BPPH – Banco de Poupança e Promoção Habitacional
— Executive Director / BDP - Banco de Promoção e Desenvolvimento
— Executive Director: Sonangol Limited

Alberto Cardoso Pereira
Non-Executive Director

Training
Accounting and Finance

Work Experience
— Member of the Audit Board of Banco Angolano de Investimentos
— Risk Management Director, Sonangol E.P.
— CEO of BDP - Banco de Promoção e Desenvolvimento
— Executive Director of Sonangol Holding

Arlindo das Chagas Rangel
Non-Executive Director

Training
Corporate Management

Work Experience
— CEO of Banco Keve
— Executive Director of Banco Económico
— Treasury and Markets Manager at Banco de Poupança e Crédito
— Executive Director of Grupo Score

Mission

The central purpose of Banco Económico's business is to generate value for its Customers and Shareholders, by adopting strategies that ensure its long-term growth and sustainability.

Banco Económico also aims to contribute to the progress of Angolan people and companies, to value its human capital and to the economic, social, cultural and environmental development of Angola and of the communities in which it operates, whilst complying with the rules of ethics and professional codes of conduct.

We are committed to continuing anticipating market trends and investing in innovation, digital transformation and in the creation of exclusive products and services, in line with the highest standards of the banking industry, both nationally and internationally.

Our Mission is:

– To serve our Customers by promoting a service of excellence

– To contribute to the development of the Angolan economy and of its human capital

– To have the best professionals and reference financial solutions

– To sustainably create value for all stakeholders

Vision

Banco Económico aims to be the consumer's partner of choice, the benchmark for regulators, the driver of its employees, an example for shareholders, an participant in the community and responsible towards society.

Focusing on the differentiation factor, Banco Económico's vision is to: be the financial partner of reference for the present and for the future.

Values

–
We are always available for the Customer

–
We always do things well

–
We always carry out the mission until the end

–
We always act ethically

–
We always invest in the Community

Identity

The Angolan banking sector was generically undifferentiated and in need of specialisation and segmentation.

Banco Económico understood that need and optimised it, appearing with a strongly innovative and exclusive corporate image, composed of a solid symbol. The bank invested in a strong, imposing and positive abbreviation, highlighted by the colours chosen. The elegance of the combination of the two colours is different from all operators, making Banco Económico stand out in the Angolan banking market.

Head Office of the Bank

Inaugurated at the end of 2015, Banco Económico's Head Office remains a reference building to this day, at both national and international level.

This building brings together the Bank's central services and enables a better optimisation of resources by connecting all of the institution's operations.

The Head Office is an ultramodern and intelligent building, equipped with the most advanced technological and energy efficiency solutions, and integrated building management systems that favour the operational synergies of the Bank's teams.

In addition to the traditional work environment and office spaces, the building also has other infrastructures, such as meeting rooms, foyers, a canteen, the Bank's main branch, the Training Centre, Banco Económico's Art Gallery and Banco Económico's Auditorium.

Banco Económico's Art Gallery is a contemporary and sophisticated space, being one of the best exhibition rooms in Angola, with architectural features that rival the best exhibition spaces in the world. The Gallery covers an area of 763 square metres and is very versatile, allowing for it to completely used or to create smaller spaces, adapted to specific environments.

Banco Económico's Grand Auditorium, equipped with state-of-the-art technology systems, seats 206 people, and is ideal to hold a wide variety of meetings, such as summits, congresses, concerts, conferences, seminars, workshops and training activities.

The Training Centre brings continuity to the Bank's investment in the skills and quality of its human resources, by providing specific training plans for integrating new employees and new theme-based modules for retraining knowledge and developing new skills, which are essential to the empowerment and career management of the Bank's workforce.

Our Presence

80
Service Points

Customers
162,542

80,244
Multicaixa Debit Cards

7,298
VISA Credit Cards

3,385
APTs

92
ATMs

Positioning

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

01. Segmentation

Banco Económico uses a matrix model in its approach to the market by offering financial products and services geared to its target segments and developing a specialised offer to certain business sectors. Banco Económico currently provides its products and services offer to the activity sectors and segments of greater added-value and with a greater contribution to Angola's growth and development.

Companies

— Small Companies
— Medium Companies
— Large Companies
— Specialised approach for the institutional segment and for Oil & Gas

Retail Customers

— Retail
— Umoxi (*Affluent*)
— *Private Banking*

02. Offer

Banco Económico is positioned as a multi-specialised bank, with a broad offer of financial products and services, capable of distinctively and effectively meeting its Customers' different needs. Main products and services: Leasing, Trade Finance, Investment Banking, Electronic Banking, Investment and Saving Products, Foreign Exchange Hedging Products, Insurance, Investment Funds and Pension Funds.

03. Values

Total respect for the rules of ethics and professional code of conduct are values by which all Banco Económico employees must abide, guaranteeing compliance with absolute independence between the interests of the Bank, of the Customers and of the Shareholders. Banco Económico stands out for its well-established values, namely: i) We are always available to the Customer, ii) We always do things well, iii) We always carry out the mission until the end, iv) We always act ethically, v) We always invest in the Community.

04. Marketing

Banco Económico has been developing a solid marketing strategy, to communicate the Bank's projects to the different segments of Customers, partners, stakeholders and Angolan society.

By relying on a specialised and multidisciplinary team, Banco Económico's marketing activates several communication tools to publicise institutional campaigns, corporate social responsibility programmes, and launching new products and services. It is also in the marketing department that cultural activities presented at the Gallery and at Banco Económico's Auditorium are organised and developed.

05. Quality

One of Banco Económico's main goals is to provide a good experience in Customers' contact with the Bank, exceeding 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 customer satisfaction, Banco Económico conducts service monitoring campaigns using satisfaction surveys, mystery shopper programmes and measurement of response times to several needs.

Shareholding Structure

Banco Económico is a solid, dynamic, competitive institution strategically prepared to face the current challenges of the country's economic context and of the Angolan banking sector, always aiming to be considered a benchmark of excellence and success.

Formally established on 29 October 2014, the Bank has a shareholding structure composed of six exchange resident and non-resident entities.

Seventy-five million shares are distributed among those shareholders. They are all entitled to vote at the General Meeting, to the extent that, according to the Articles of Association, each group of one hundred shares corresponds to one vote. In the future, should there be shareholders that do not have the necessary number of shares to have the right to vote, they may get together in order to achieve it, appointing, by mutual agreement, one person to represent them at the General Meeting.

All shares representing the share capital are nominative and their transfer to third parties, for a fee, free of charge or by exchange, requires the prior consent of the company, to be provided by the Board of Directors, with non-transferring shareholders enjoying the pre-emptive right in relation to all of the shares to be transferred (Article 12, paragraph 1 of the Bank's Articles of Association).

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Shareholding Structure

31% Lektron Capital, S.A.

20% Geni Novas Tecnologias, S.A.

16% Sonangol, E.P.

16% Sonangol Vida, S.A.

10% Novo Banco, S.A.

7% Sonangol Holding, Lda.

Investments

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

Económico Fundos de Pensões

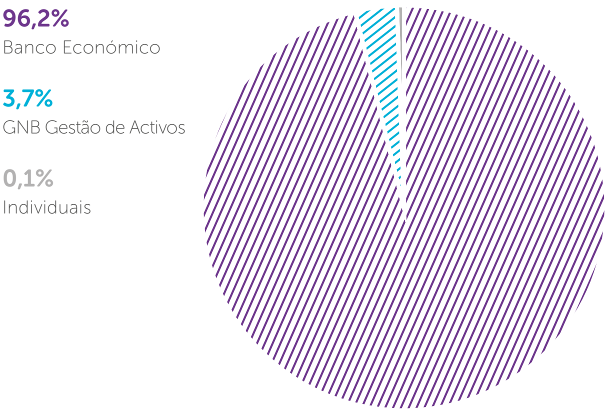
Económico Fundos, Sociedade Gestora de Fundos de Pensões started its operation in April 2009, and its aim is to create, develop and manage pension funds.

Económico Fundo de Investimento

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

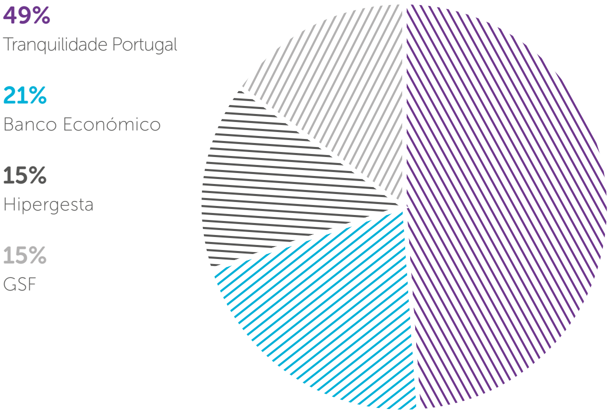
Tranquilidade

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, and its products are also distributed through Banco Económico's channels.



Participation in Económico Fundos de Investimento

Participation in Económico Fundos de Investimento



Participation in Tranquilidade

1.4. Corporate Governance

Governance Model

Over the past few years, the Bank has been taking significant steps towards strengthening and improving its governance structure, in line with its long-term strategy and the highest international regulatory standards, with the aim of increasing the trust of its Shareholders, Customers, Employees and other interested parties.

The Corporate Governance system is at a consolidation phase, allowing it to effectively, robustly and confidently face the challenges of an increasingly demanding business and regulatory environment.

The Board of Directors is determined to respect the Bank's values, culture and strategy, using its experience, knowledge and dedication in order to, in accordance with the Bank's vision and mission, promote a solid risk management culture and ensure a perfect alignment between Corporate Governance, the strategic plan, the financial and capital plan and the remuneration policies.

The following main developments were recorded throughout 2018:

I. By-Laws revision which determined:

The recomposition of the number of members of the Board of Directors, and the creation of specialised Commissions, which started operating in January 2019;

Extending the terms of members of the governing bodies from three to four years, in order to allow a greater possibility of planning in the medium/long term;

The imposition, on the members of the governing bodies, of an exercise limit of two consecutive terms, with the possibility of a new exercise after an interval of at least four years.

II. Creation of the Committees of the Board of Directors, namely:

The Internal Control Committee;
The Risk Management Committee;
The Human Resources Management Committee.

III. Approval of the regulations of the corresponding Committees

IV. Approval/update of a set of Policies and Manuals

However, despite this, Banco Económico believes that there is still a way to go, aiming at the full consolidation of its Corporate Governance.

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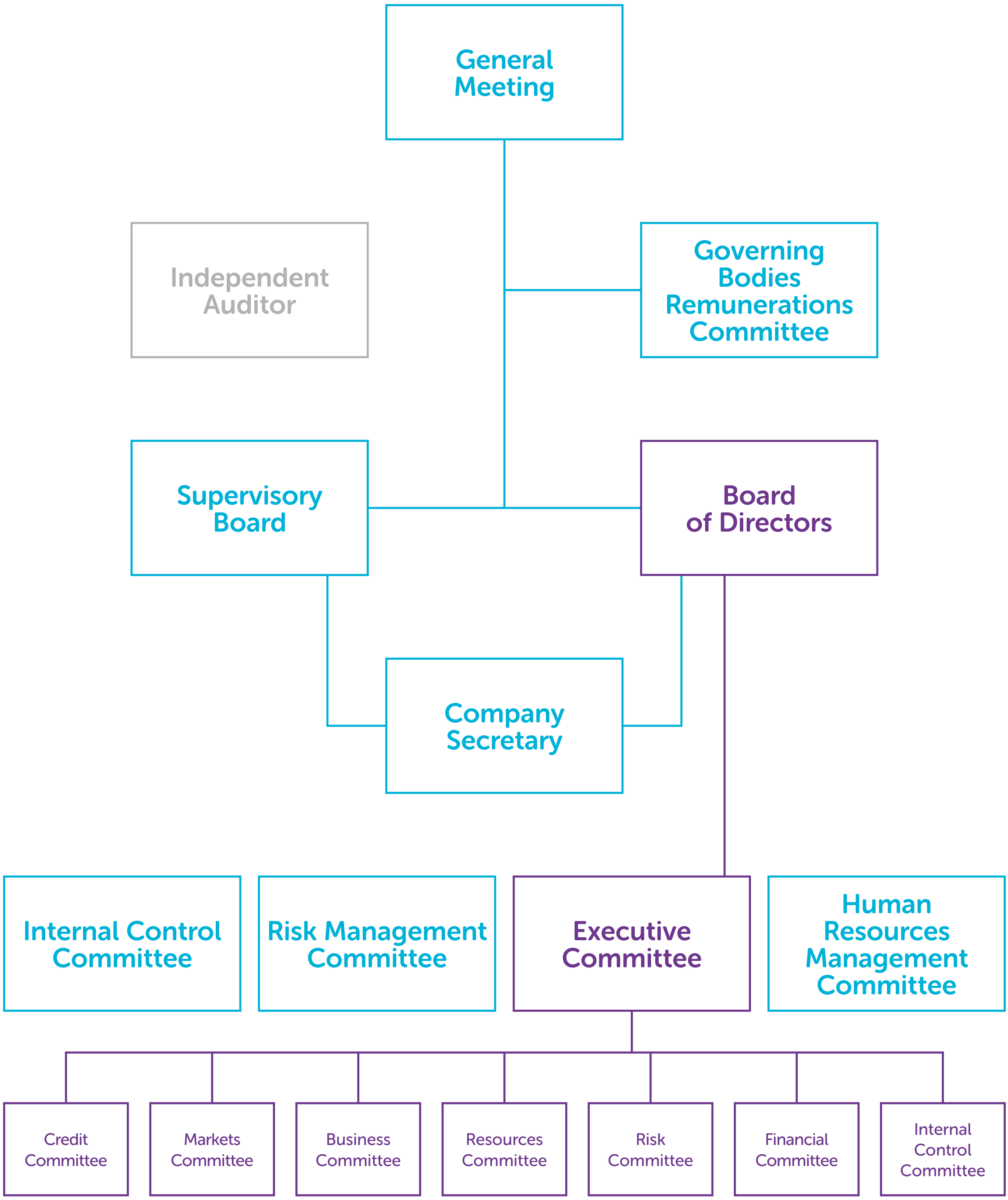
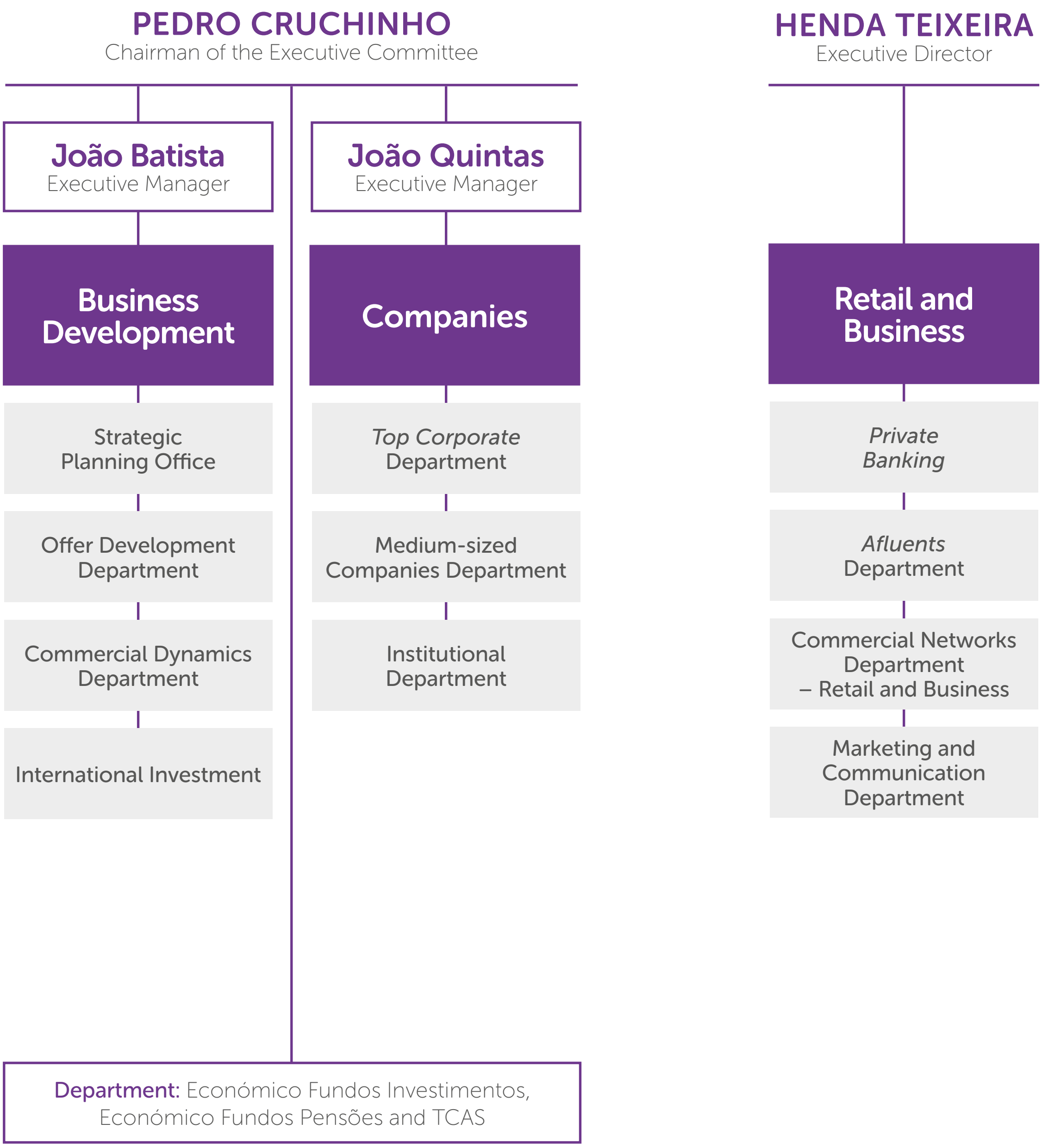
The structure of Banco Económico's Governance Model was designed to respond to the demands placed on an institution with its size, relevance and positioning.



Banco Económico's Corporate Governance, and the way it interacts with its Internal Control System, is also determined by the performance of its departments, whether they are business-, support- or control-related.



All Banco Económico departments have a duty to ensure the Bank's good governance, respecting a culture of transparency, honesty and compliance with all relevant regulatory diplomas issued by the national regulator.

JOSÉ ALVES NASCIMENTO
Executive Director

Financial

- Financial Department
- Accounting and Budget Control Department
- Credit Department
- Investment Banking Department

EDUARDO PINTO
Executive Director

Support

- Operations Department
- Cards and Direct Channels Departments
- Organisation and Quality Department
- Information Technologies Department
- Assets and Logistics Department
- Security Department

INOCÊNCIO MIGUEL
Executive Director

Control

- Exchange Control Office
- Compliance Department
- Internal Audit Department
- Legal Department
- Human Resources Department
- Risk Department
- Social Responsibility Department

Governing Bodies and Committees

The structure of Banco Económico's Governance Model allows for the delegation of powers and responsibilities to a wide group of Governing Bodies, namely: General Meeting and its Governing Bodies Remuneration Committee, Board of Directors and its committees and Supervisory Board.

General Meeting

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

Responsibilities

— To assess the Report and Accounts of the Board of Directors
— To deliberate on the appropriation of the annual results
— To elect the members of the Board of the General Meeting and Corporate Bodies of the Company
— To deliberate on any change to Articles of Association
— To appoint a Governing Bodies Remuneration Committee, composed of one or more shareholders

The Board of the General Meeting is composed of a Chairman, a Vice-Chairman and a Secretary, elected for four-year terms, and their re-election is permitted. It is currently composed of the following members:

Ana Paula Godinho Marques da Conceição
Chairman
Januário Capita Vicente
Vice-Chairman
Desidério Albano César
Secretary

Board of Directors

The Board of Directors is elected by the General Meeting, which in the same session appoints its Chairman and Vice-Chairman.

Responsibilities

— Monitor the day-to-day management of the Executive Committee
— Resolve on matters of its exclusive competence according to regulations and the Articles of Association
— Submit the annual report and accounts to the approval of the General Meeting

The Board of Directors is the company's management body, which is responsible for carrying out all acts of management and corporate representation, and meets in an ordinary manner, once every quarter and, extraordinarily, whenever necessary. The Board of Directors is composed of executive and non-executive directors.

In the event of a permanent impossibility for a member of the Board of Directors to fulfil his/her mandate, this body has the competence to co-opt a substitute until the end of the mandate.

According to the recently amended Articles of Association, the Board of Directors is composed of an odd number of members, with a minimum of three and a maximum of eleven, elected for a four-year term, with re-election permitted up to a limit of two terms in a row.

In 2018 this body was composed of seven Directors, namely:

António Paulo Kassoma
Chairman
Sanjay Bhasin
Vice-Chairman
Inocêncio Francisco Miguel
Member
Pedro Filipe Pedrosa Pombo Cruchinho
Member
Eduardo Araújo Nunes Pinto
Member
Henda N'zinga Pires Teixeira
Member
António Ramos da Cruz
Member

Considering the end of the mandates of the members of the governing bodies, in general, and of the Board of Directors, in particular, the shareholders, participating in the General Meeting on 8 November 2018, elected, for the 2019/2022 term, the following composition of the Board:

António Paulo Kassoma
Chairman, Non-Executive
António Manuel Ramos da Cruz
Vice-Chairman, Non-Executive/Independent
Pedro Filipe Pedrosa Pombo Cruchinho
Member, Executive/PCE
Inocêncio Francisco Miguel
Member, Executive
Eduardo Araújo Nunes Pinto
Member, Executive
Henda N'zinga Pires Teixeira
Member, Executive
José Alves do Nascimento
Member, Executive
Alberto Cardoso Severino Pereira
Member, Non-Executive
Arlindo das Chagas Rangel
Member, Non-Executive

As part of its duties, and in addition to the Executive Committee, the Board of Directors also has three specialised committees. These committees were constituted at the Board of Directors' meeting on 20 November 2018, and began their duties on 01 January 2019.

Committees of the Board of Directors

Internal Control Committee

The Committee is composed of non-executive directors, namely:

António Manuel Ramos da Cruz
Chairman, Non-Executive
Alberto Cardoso Severino Pereira
Member, Non-Executive
Arlindo das Chagas Rangel
Member, Non-Executive

Members are appointed by the Board of Directors for a period of four calendar years, coinciding with the mandate of the Board of Directors, which delegates upon it the following powers:

— Assess whether the policies, processes and procedures implemented are adequate for the size, nature and complexity of the Bank's activity;

— Ensure the formalisation and operationalisation of an effective and properly documented reporting system, including the process of preparation and disclosure of financial statements;

— Supervise the formalisation and operationalisation of Banco Económico's accounting policies and practices;

— Review all financial information for internal publication or disclosure, namely the Board of Directors' annual accounts;

— Supervise the independence and effectiveness of the internal audit, approve and review the scope and frequency of its actions and supervise the implementation of any corrective measures proposed;

— Supervise the performance of the Compliance function;

— Supervise the performance of the Exchange Control function;

— Assess the transactions with related parties and issue an opinion;

— Supervise the activity and independence of independent auditors, communicating with them for the purpose of learning the conclusions of examinations performed and reports issued;

Risk Management and Control Committee

The members of the Committee are selected by the Board of Directors, who appoint the following:

Alberto Cardoso Severino Pereira
Chairman
António Manuel Ramos da Cruz
Member
Arlindo das Chagas Rangel
Member
Inocêncio Francisco Miguel
Member
Eduardo Araújo Nunes Pinto
Member

These are appointed for a period of four calendar years, coinciding with the mandate of the Board of Directors, chiefly tasked with advising the Board of Directors on the risk strategy, taking into consideration:

— The Bank's financial situation;

— The nature, size and complexity of its activity;

— Its ability to identify, assess, monitor and control risks;

— The work performed by the external audit and by the delegation of monitoring competences of the Internal Control System;

— All of the most relevant risk categories, namely credit, market, liquidity, operational, strategy and reputational risk, in accordance with Notice no˚. 02/2013, regarding the Internal Control System;

— Supervise the implementation of the risk strategy by the institution;

— Supervise the performance of the risk management function in accordance with Notice no˚. 02/2013.

Human Resources Management Committee

The Human Resources Management Committee is composed of directors who perform executive and non-executive duties, namely:

António Paulo Kassoma
Chairman
António Manuel Ramos da Cruz
Member
Pedro Filipe Pedrosa Pombo Cruchinho
Member
Inocêncio Francisco Miguel
Member
Henda N'zinga Pires Teixeira
Member

They have the following duties:

— Outline, formalise, implement and review the remuneration policy for the institution;

— Set Employee remuneration policies and processes, suited to the culture and long-term strategy, considering business, risk and market conditions aspects;

— Support and supervise the establishment and implementation of the Employees' evaluation policy and processes;

— Set forth the policy for hiring new Employees;

— Recommend to the management body the appointment of new Employees for management positions, for which they must prepare a detailed job description, taking into account the existing internal skills.

Executive Committee

The Executive Committee consists of an uneven number of members, and is currently composed as follows:

Pedro Filipe Pedrosa Pombo Cruchinho
Chairman
Inocêncio Francisco Miguel
Member
Eduardo Araújo Nunes Pinto
Member
Henda N'zinga Pires Teixeira
Member
José Alves do Nascimento
Member

It exercises all day-to-day management powers of the Bank, except those which, by the act of delegation of powers of the Board of Directors, pursuant to the law and the Articles of Association, are exclusive to the Board of Directors. The Bank's Executive Committee meets on a monthly base.

The performance of the Executive Directors is assessed in two instances; first, by the Board of Directors; and second, by the Governing Bodies Remuneration Committee, according to criteria outlined in the respective regulations.

The functioning of the Executive Committee is largely aided by the existence of specialised Committees, organised by the Bank's Departments, for the technical approach of topics transversal to several areas. These committees discuss plans, programmes, policies, strategies and activities, and make relevant decisions, validated by the participation of members of the Executive Committee in sufficient numbers to guarantee the Bank's commitment.

Independent Auditor

Since December 2016, the Bank's Independent Auditor has been Ernest & Young The independent auditor is hired in accordance with the rules established by Notice 1/2013 of the BNA, and is approved by the General Meeting, upon opinion of the Supervisory Board.

The Policy for this purpose was approved by the Board of Directors on 20 November 2018. In this regard, Ernest & Young does not provide any other service to the company or any subsidiary, in addition to the independent audit service.

Committees of the Board of Directors

Credit Committee

Analyses and approves credit proposals, under the supervision of the Executive Committee

Duties: Analyse and approve credit proposals, under the supervision of the Executive Committee.

Departments: Credit Department; Commercial Departments.

Meetings held in 2018: 30 meetings.

Business Committee

Analyses the development of the Bank's business and approval of action plans in the different segments and product lines, under the supervision of the Executive Committee.

Duties: Monitor the Bank's commercial activity (evolution and degree of fulfilment of goals); Setting of priorities for commercial action; Analysis of the business context and proposal of actions of commercial nature.

Departments: Commercial Dynamics Department; Offer Development Department; Commercial Departments; Cards and Direct Channels Department; Investment Banking Department; Organisation and Quality Department.

Meetings held in 2018: 9 meetings.

Markets Committee

Analyses the conditions of the markets, the financial flows and the treasury position, under the supervision of the Executive Committee.

Duties: Understand market trends and possible impacts on the institution's activity; Assess the institution's transactional conditions; Assess payment flows and the impacts on the treasury; Understand Customers' expectations regarding new business or a certain economic and entrepreneurial reality; Approve payments taking into account commercial priorities.

Departments: Financial Department; Commercial Departments; Operations Departments; Exchange Control Office.

Meetings held in 2018: 24 meetings.

Financial Committee

Analyses the evolution of the balance sheet structure and results, under the supervision of the Executive Committee.

Duties: Analyse the macroeconomic context and market trends, identifying, recommending and approving the best investment options taking into account the risk limits that the institution is willing to accept; Approve and monitor the implementation of the Institution's Investment policy, taking into account the current market situation and the potential of existing opportunities; Approve the risk coverage options, taking into account the risk management policy in force; Decide on changes to the Bank's Funding Structure, taking into account the various financing alternatives available on the market; Monitor the evolution of the Bank's net interest income and approve changes in Assets/Liabilities pricing in order to ensure that the set margin objectives are met;

Departments: Financial Department; Commercial Dynamics Department; Offer Development Department; Investment Banking Department; Credit Department; Risk Department; Accounting and Budget Control Department; Commercial Departments;

Meetings held in 2018: 4 meetings.

Resources Committee

Analyses the Bank's organisational model, process changes, quality assessment and operational performance, system evolution and cost reduction initiatives, under the supervision of the Executive Committee.

Duties: Monitor the implementation of the Operational Transformation Plan; Monitor the evolution of the computer and organisational projects; Monitor Human Resources-related KPIs; Monitor the evolution of the Bank's costs and the implementation of cost optimisation initiatives; Monitor main process-related KPIs; Monitor the projects and service quality KPIs; Monitor the maintenance of the Business Continuity Plan and Disaster Recovery exercises; Monitor indicators related to physical security, namely branch robbery, and crime in general, and the evolution of valuables collection and transportation services; Monitor the implementation of the main projects and activity plans of the IT, Operations, Organisation, Human Resources, Security and Heritage departments.

Departments: Organisation and Quality Department; Operations Departments; Information Technology Department; Security Department; Human Resources Department; Asset and Logistics Department; Cards and Direct Channels Department; Accounting and Budget Control Department.

Meetings held in 2018: 5 meetings.

Risk Committee

Analyses the loans and capital portfolio, monitors the main impaired operations and guarantees the implementation of risk models, under the supervision of the Executive Committee.

Duties: Monitor the suitability of the Bank's Risk Management System; Analyse the evolution of the loans and overdue credit portfolio; Monitor the exposure to each type of risk, using their respective monitoring indicators; Analyse the progression of provisions and impairments; Analyse the main restructuring operations; Approve the general guidelines of processes related to the Bank's risk sources.

Departments: Risk Department; Credit Department; Compliance Department; Accounting and Budget Control Department; Financial Department.

Meetings held in 2018: 2 meetings.

Supervisory Board

Banco Económico's Supervisory Board has the following responsibilities:

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

The Supervisory Board is composed of a Chairman and two Members, all of which are independent. Independence means the non-association with any specific interest group in relation to the Bank, nor being under any circumstance likely to affect its exemption of analysis or decision.

In 2018 this body was composed of:

Carlos Freitas
Chairman, representing the Mazars Angola Society
Mário Bruno da Conceição Ferreira Lourenço
Member
Adilson Humberto de Sá Nogueira
Member

Corporate Bodies Remuneration Committee

The Corporate Bodies Remuneration Committee aims to outline, implement and review the remuneration policy of the members of the corporate bodies under the terms of article 17, Notice no. 1/13 of Banco Nacional de Angola.

Main Ethics and Codes of Conduct Policies

1. Human Resources Regulation

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 Resources Policy, which is set forth and guided according to the Bank's strategy, and includes hiring Employees with personal attitudes and professional skills that guarantee a strong 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 and healthy environment, regular training and flexibility policies that ensure a balance between personal and professional life.

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 transparent management that is free of conflicts of interest.

As part of this culture of responsibility, the Bank has introduced a Code of Conduct, which outlines the essential principles and rules to be applied during the professional activity of the Board of Directors and supervisory bodies' members, as promoters of an ethical culture in the institution, and of all Employees in their interactions with Customers, Suppliers, Service Providers and Competitors.

Employees must be skilled, diligent, loyal and trustworthy professionals, and behave in a correct, conscientious, courteous, accessible and available manner.

The Code of Conduct, in terms of informing Employees regarding its content and application, is monitored by the Compliance Department, which, whenever necessary, may turn to other Departments, such as the Internal Audit Department and the Human Resources Department.

3. Policy on Conflicts of Interest

Considering the susceptibility to the occurrence of possible conflicts of interest, Banco Económico has established internal rules and procedures, which ensures that the behaviour of its Employees and Members of the Governing Bodies is guided by principles of an Ethical nature and under Codes of Conduct, that reflect the highest standards of moral and professional conduct.

This Policy considers impartiality and independence a priority for running and managing its business, in order to prevent and manage conflicts of interest, as required by law, be it between the interests of the Bank and those of its Customers, or between the interests of its different Customers.

4. Related Parties Policy

In order to guarantee its independence from its shareholders based on best Corporate Governance practices, Banco Económico has set out rules and consolidated procedures for transactions with related parties, in order to mitigate the risks involved and to identify ways of ensuring Legal Security and Economic Order.

5. Whistleblowing

Banco Económico has implemented a policy and procedures as part of the internal and external reporting of suspicious operations. All Employees are obliged to report suspicious operations to the Compliance Department, which subsequently informs the Financial Information Unit– UIF.

In addition to suspicious operations, all operations above 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, including transactions divided in tranches which altogether reach that limit.

6. Anti-Money Laundering Policy

The ability to detect and prevent activities liable to constitute Money Laundering and Terrorist Financing Activities directly results from the Banks' knowledge of certain key information about their counterparties and corresponding transactions. Therefore, Banco Económico's business activities are developed based on policies and criteria for the prevention of money laundering and fight against Terrorist Financing, as required by legislation in force.

Banco Económico is committed to the highest Anti-Money Laundering (AML) standards. Its Management and other Employees abide by the best practices to prevent the use of our services and products for money laundering purposes, thus recognising the importance of fighting against this kind of financial crime and the negative impact arising from the risk of non-compliance with these practices.

In view of the growing relevance of fighting against these phenomena, the Bank has been paying greater attention to identifying weaknesses and areas of greater exposure, in order to ensure the existence of adequate methods for controlling and mitigating risks inherent to transactions and counterparties, identifying two moments in which this knowledge must be especially applied:

- When initiating a contract or changing the holders of an existing contract, through what is known as KYC (Know your Customer) procedures, i.e. verifying the identity of the holders, representatives and actual beneficiaries.
- Monitoring the contract's characteristics, namely by identifying atypical situations, in advance and also during the contact with the customer after detecting the situation.

The Bank constantly analyses its Anti-Money Laundering strategies, targets and goals, and maintains an effective AML programme for its business which reflects the best practices for a financial institution. Training courses are held regularly, in order to identify suspected Money Laundering situations, and which are also useful in fulfilling the Bank's legal and regulatory obligations.

The prevention of Money Laundering and the fight against terrorist financing is one of the pillars of trust in the financial system, and, as such, this topic will be constantly monitored by Banco Económico.

2

MACROECONOMIC BACKGROUND

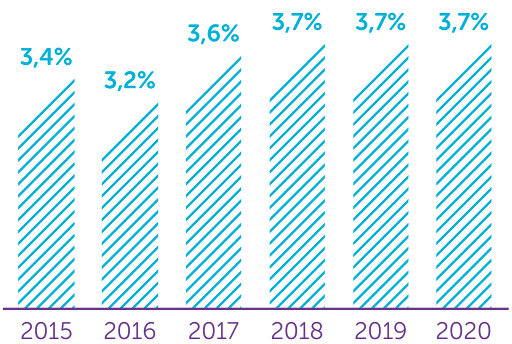
2.1. Global Economy

According to the projections of the International Monetary Fund (IMF), the global economy's pace of growth for the period between 2017 and 2019 should have stabilised at around 3.7%.

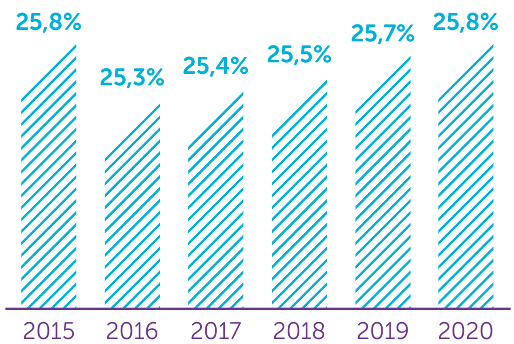
Regarding the most developed economies, those are expected to have reached a GDP growth rate of around 2.4% in 2018, although a slight drop in this growth rate is expected in 2019 and 2020 to approximately 2.1% and 1.7%, respectively.

Global Economy Growth

The evolution of the world economy will depend on the answer to a set of structural questions that will affect not only developed economies, but also emerging and developing markets: What will be the impact of the withdrawal of tax incentives by the US government? What will be the impact of the slowdown in USA's growth rate? What will be the impact of ECB's reduction in quantitative easing? Taking into account the current expansionist monetary policy, what are the prospects for the evolution of the general price level? What are the risks of the slowdown of the Chinese economy and of the increase of imbalances of its growth model?



GDP Growth Rate
(% year-on-year) Source: IMF



Global Investment
(% of the GDP) Source: IMF

The growth rates predicted by the IMF reflect a slight slowdown compared to previous estimates, which pointed to an overall growth rate close to 4.0%, mostly justified by worsening international trade tensions, and in particular between the United States of America and China. This revision of world projections was also due to factors such as the introduction in Germany of new requirements regarding the automotive industry, risks and uncertainties about the sovereign debt in Italy, a break in the feeling of trust in the financial markets or even the economic contraction of Turkey that was higher than expected. Finally, all doubts and uncertainties surrounding the UK's withdrawal from the European Union have also undermined the stability and growth of these regions.

The growing risk aversion, together with the deterioration of confidence regarding the prospects for economic growth and the expectations of monetary policy, contributed to a fall in the value of sovereign debt securities, namely from the USA, Germany and the United Kingdom.

The interest rate on Italian debt was also pressured in the course of the budgetary stalemate between the country's government and the European Commission.

This cooling of the global economic climate was also felt by emerging economies, with the IMF's downward revision of growth rates for the group of emerging and developing economies, for both 2018 and 2019. Stock market indices in emerging markets recorded strong sales movements in a context of commercial tensions and greater risk aversion. Concerns about inflationary pressures primarily driven by increases in the price of oil and the devaluation of the national currency led many central banks in emerging economies (for example: Chile, Indonesia, Mexico, the Philippines, Russia, South Africa, Thailand) to raise their benchmark interest rates.

According to the IMF, growth in emerging and developing economies is expected to reach 4.5% in 2019, after having recorded 4.6% in 2018. A slight recovery to 4.9% in growth rates is expected in 2020.

Interest Rates

Regarding the United States of America, the country faces a scenario of great pressure on the balance of its current account balance sheet. Despite the protectionist trade measures adopted throughout 2018, the North American Federal Reserve (FED) has, in a phased manner, been standardising the monetary policy, having increased the interest rate on federal funds. The FED is expected to implement new interest rate increases in 2019.

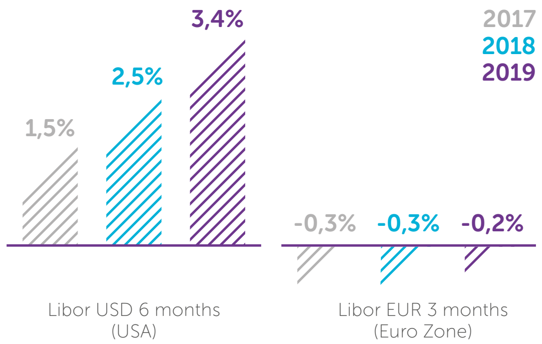
In the Euro Zone, the European Central Bank reduced its Quantitative Easing Programme from 30 billion euros to 15 billion euros, while keeping the benchmark interest rate unchanged.

Regarding the main emerging and developing economies (for example: India, Indonesia, Mexico, Argentina, Turkey), their central banks promoted an increase in benchmark interest rates, as a result of inflationist and exchange rate pressures, and in order to prevent capital flight from their countries.

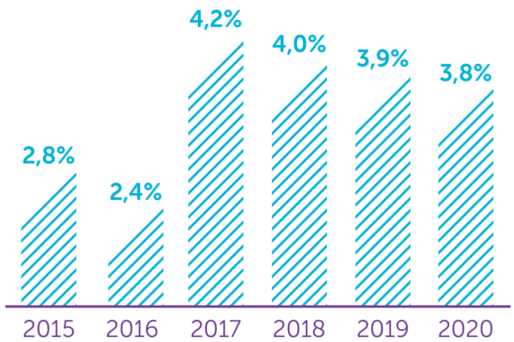
International Trade

As a result of less encouraging forecasts for growth in goods and services trade for both advanced economies and emerging and developing economies, the IMF has revised downward the projections for growth in the volume of goods and services trade, from 4.8% and 4.5% in 2018 and 2019, respectively, to 4.2% in 2018 and 4.0% in 2019.

The commercial conflict between the USA and China largely contributed to this scenario, with successive retaliatory measures. Nevertheless, the USA's new commercial policy had equally negative impacts upon a large group of economies, such as Japan, European Union and NAFTA (North American Free Trade Agreement) countries.



Benchmark Interest Rates (%)
Source: IMF



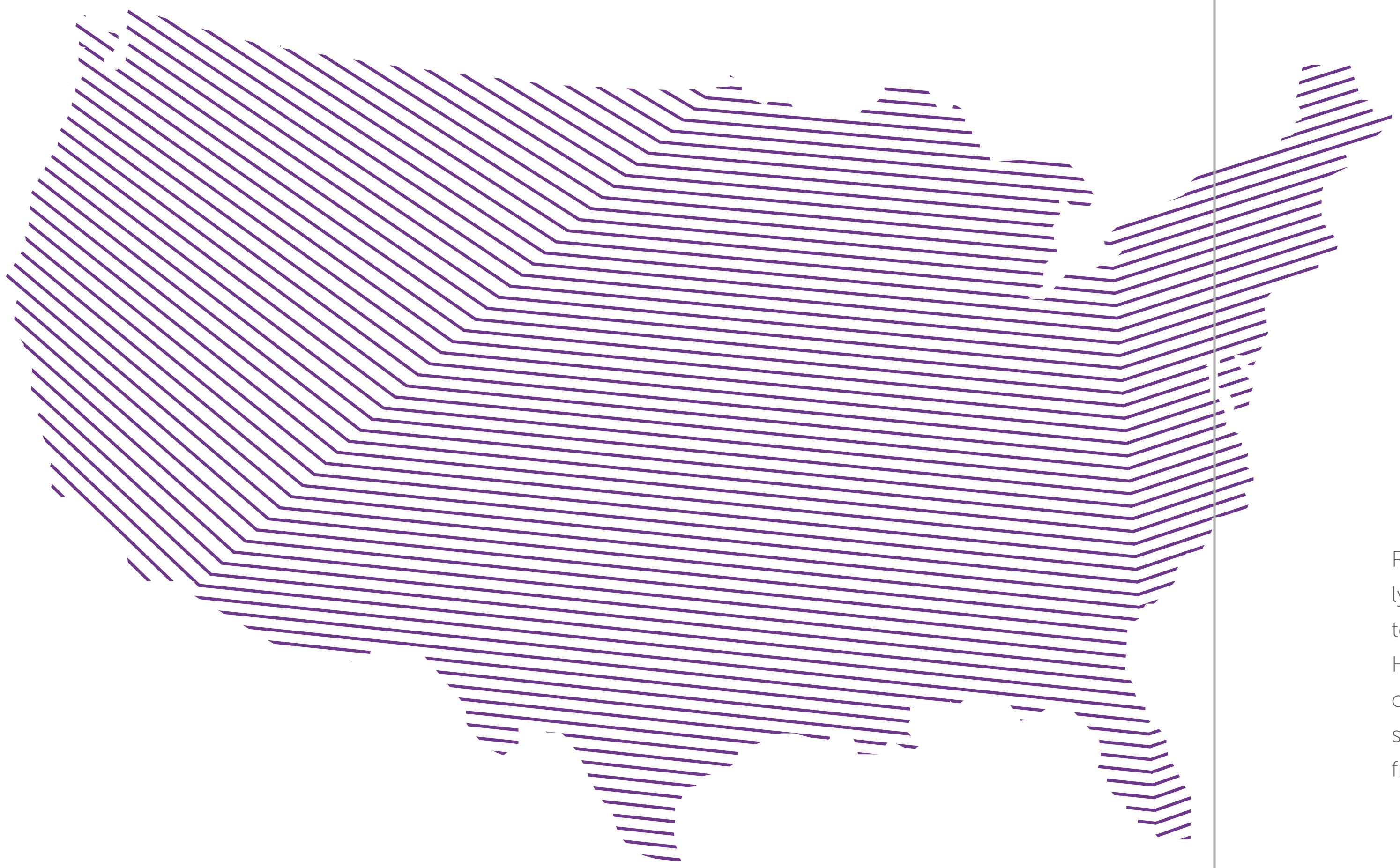
World Trade
(% year-on-year) Source: IMF

Evolution of the Oil Sector

In 2018, the average price of a barrel of oil was of around USD 72, which meant an increase of 30% over the previous year. According to the IMF, the growth in oil prices in 2018 is mainly explained by the greater demand on the supply side.

Although the increase in global consumption has led to higher prices, it is on the supply side that reside the main reasons for this movement in 2018. The decrease in Venezuela's production capacity and USA-imposed sanctions on Iran pushed the price of a barrel of oil to USD 86 in October 2018. As of that date, prices began to decrease as a result of the agreement between Organisation of Petroleum Exporting Countries (OPEC countries) and non-OPEC oil producing countries, agreeing to increase oil production by about 1 million barrels per day.

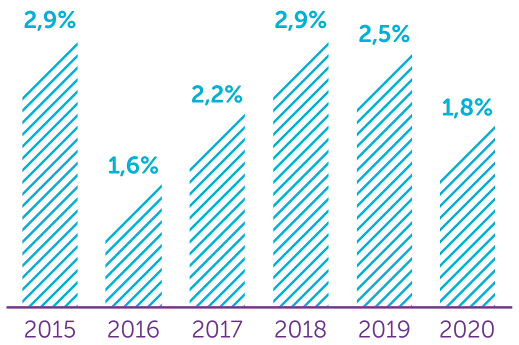
In addition, according to the futures markets, the price of a barrel of oil is expected to decrease over the next four to five years, mainly due to the substantial increase in schist production by the USA.



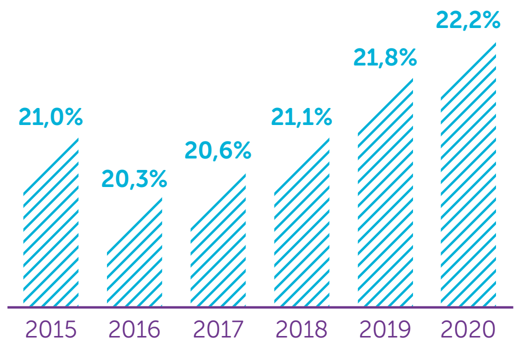
UNITED STATES OF AMERICA

Regarding the U.S. economy, its growth in 2018 is essentially explained by a pro-cyclical tax policy, which is expected to reach a growth rate of about 2.4%, according to the IMF. However, there are some concerns about the sustainability of the growth of the American economy, as it appears to be strongly leveraged by domestic demand, which in turn results from low interest rates.

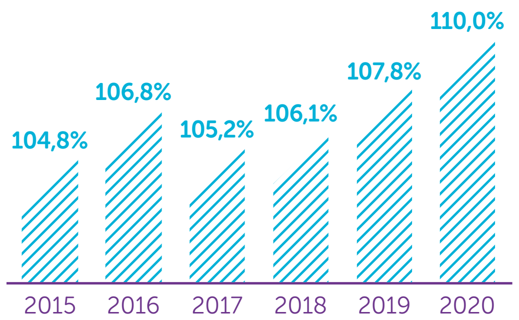
In this context, the IMF revised downwards its projections for the U.S. economy in 2019, forecasting a growth of around 2.5%. This downward revision of growth is also explained by the trade "war" with the Chinese economy, which applied retaliatory measures in view of the tariff barriers introduced by the USA.



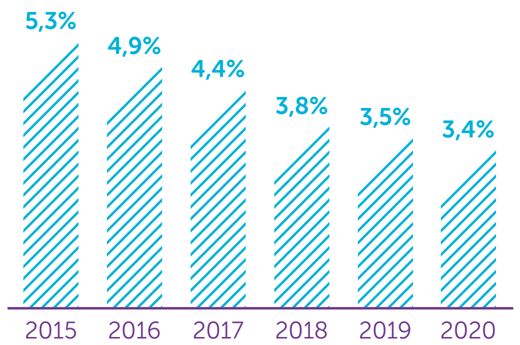
GDP Growth Rate
(% year-on-year) Source: IMF



Investment
(% of the GDP) Source: IMF



Gross Public Debt
(% of the GDP) Source: IMF



Unemployment Rate
(% of total workforce) Source: IMF

EURO ZONE

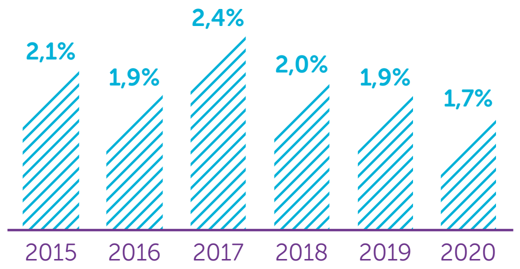
Growth in the euro area is expected to go from 1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020. Growth rates were revised downwards in the latest IMF projections, mainly for the German (reduced industrial production as a result of higher demands on the automotive industry and weakened domestic demand), Italian (reduced domestic demand and higher cost of debt) and French economies (negative impact on industrial production, as a result of successive strikes and street protests).

The inclusion of Asian economies (in particular, China) and their export profile in international markets, justify the drop in the value of global trade, despite the increase in the pace of trade worldwide. This situation has led to the erosion of the old continent's market share.

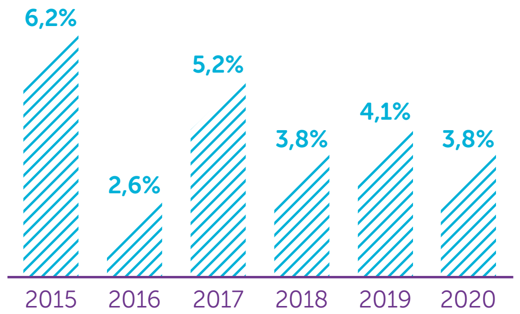
In the case of the USA, its economy is strongly supported by domestic consumption, with the U.S. share of international trade having remained identical for the past 10 years.

Although the interest rates that remunerate the banks' reserves with the ECB are below 0%, the banks' reserves have increased, and the difficulties experienced in the period following the collapse of Lehman Brothers are still present.

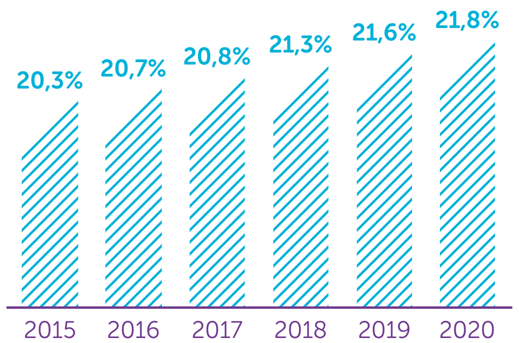
Additionally, fears about the UK's exit from the European Union (Brexit) increase without an agreement between the parties. The United Kingdom's exit is expected to cause a break in trade relations and investment between the two blocs.



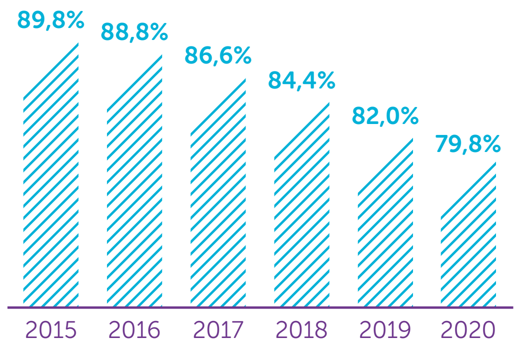
GDP Growth Rate
(% year-on-year) Source: IMF



Exports of Goods and Services
(% year-on-year) Source: IMF



Investment
(% of the GDP) Source: IMF



Gross Public Debt
(% of the GDP) Source: IMF

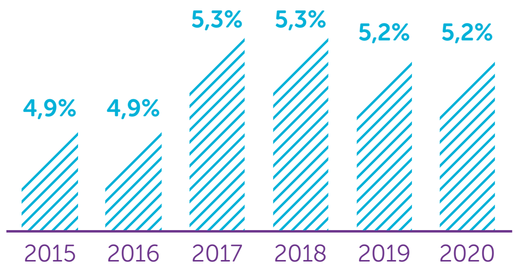
ASIAN ECONOMY

The Japanese economy is expected to grow around 1.1% in 2019, essentially reflecting additional tax support to the economy, including measures to offset the negative effect of the increase in consumption taxes planned for October 2019.

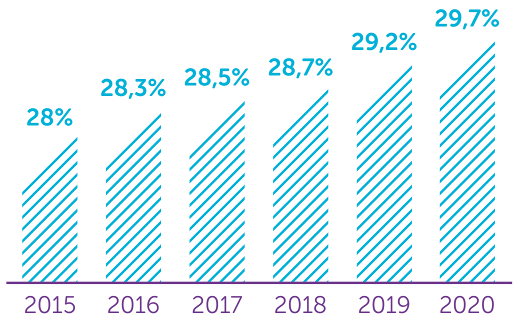
China is expected to grow in 2019 at the same pace as in 2018, around 6.3%-6.6%, driven by domestic demand and the growth of the services sector. The climate of commercial tension with the USA could hinder the growth of the Chinese economy, although support in terms of the tax and monetary policy guarantees a continuity of the country's economic growth. However, there is widespread fear regarding the breakdown of the Asian economies' growth model, sustained by state support and strong private indebtedness. This situation will be even more worrisome in view of the possibility of rising interest rates.

In turn, India is preparing to increase its growth rate in 2019 (7.6% compared to 7.3% in 2018), benefiting from the reduction in oil prices and from pressures on its monetary policy and inflation rate lower than expected. Domestic demand and export growth are the main drivers of the Indian economy.

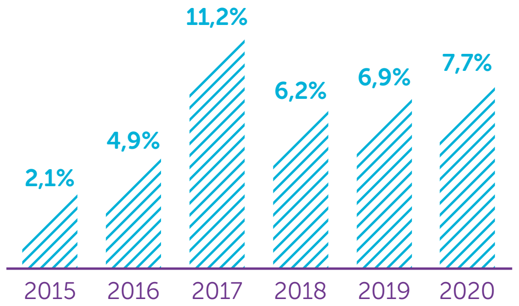
According to the IMF, growth in emerging and developing countries in Asia is expected to decrease from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020.



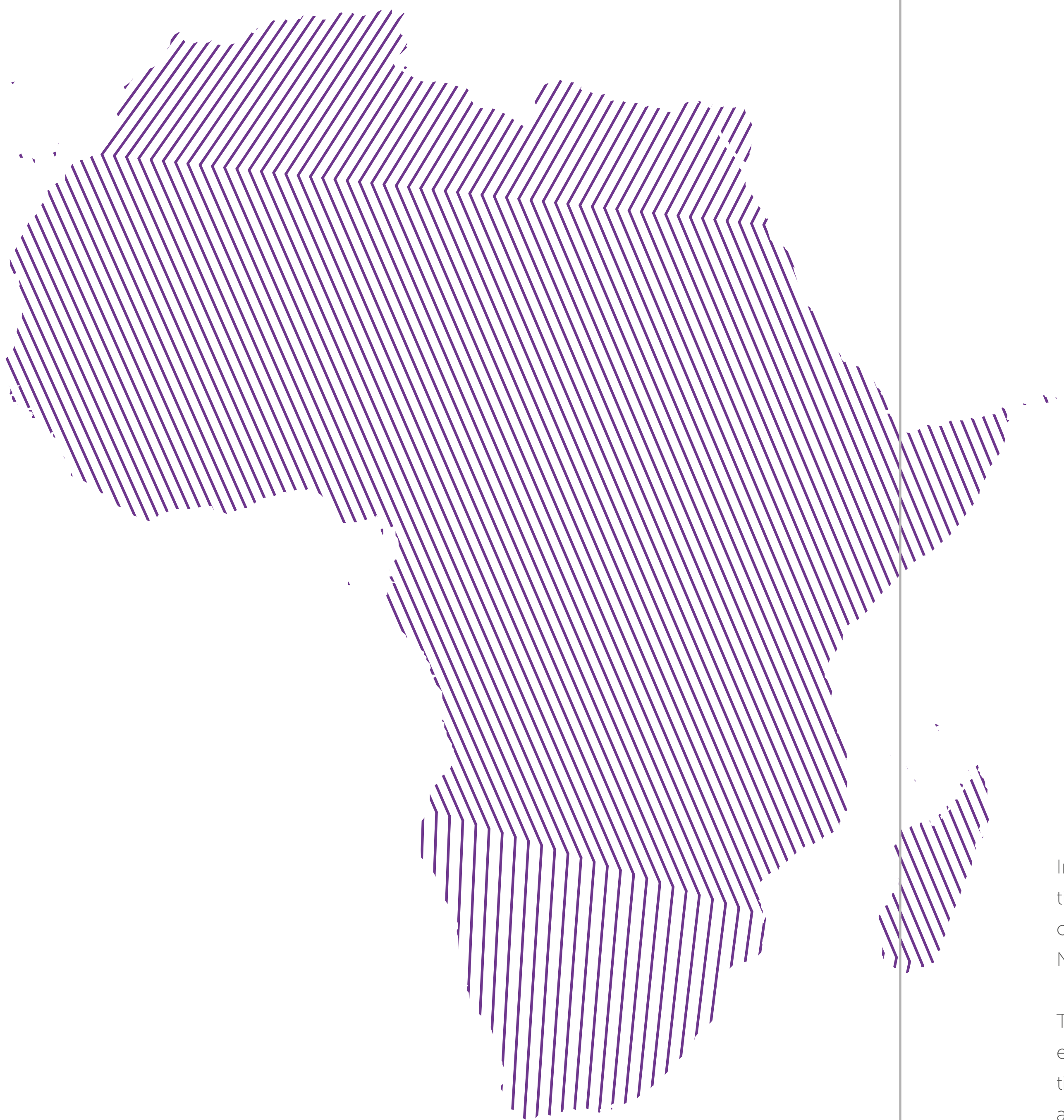
GDP Growth Rate: ASEAN-5
(% year-on-year) Source: IMF



Investment: ASEAN-5
(% of the GDP) Source: IMF



Exports of Goods and Services: ASEAN-5
(% year-on-year) Source: IMF



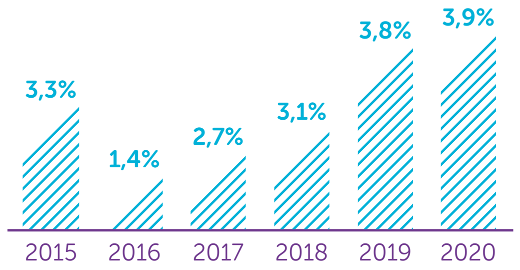
SUB-SAHARAN AFRICA

In 2018, the pace of economic growth in the region continued to recover, despite the slowdown in activity in some of the main economies in the region, particularly in Angola, Nigeria and South Africa.

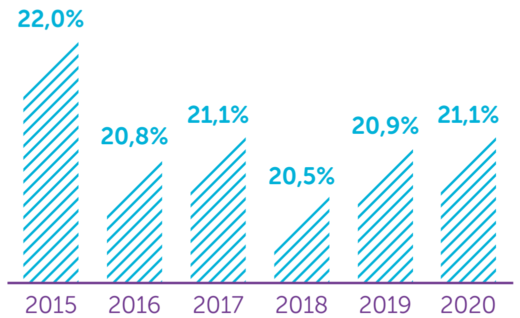
The continent was naturally affected by the more demanding external environment, characterised by moderate international trade, financial markets surrounded by uncertainty and averse to risk, and a U.S. Dollar appreciated against the main currencies of both developed and emerging markets.

The region was also affected by the reduction in the price of commodities (for example: metals and agricultural products) in international markets, as a result of the reduction in global demand, as well as by the reduction in the price of a barrel of oil from the last quarter of 2018 onward.

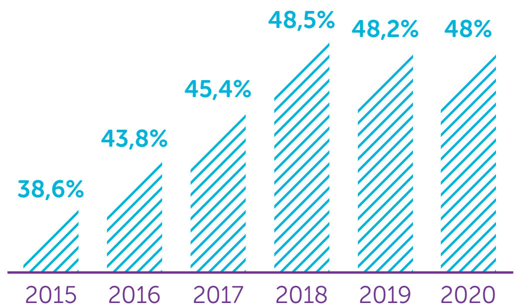
In 2019, it will be essential to adopt measures to attract Foreign Direct Investment (FDI), facilitating access to foreign capital, diversifying revenue sources and investing in infrastructures.



GDP Growth Rate
(% year-on-year) Source: IMF



Investment
(% of the GDP) Source: IMF



Gross Public Debt
(% of the GDP) Source: IMF

Main Challenges for 2019

Taking into account the risks faced by the stability and growth of the world economy, as well as the reduced scope for action for many countries, it is essential that both national policies and multilateral agreements are implemented in order to avoid a slowdown in the pace of global growth. The creation of conditions for mid-term sustainable growth and for greater financial inclusion should be shared priorities at a global level.

Should the main world economies manage to resolve their disagreements without introducing more protectionist barriers, and should there be a recovery of trust indicators, a growth cycle may be generated in which the various countries and regions will help each other, feeding a virtuous economic cycle. However, there are several risks and uncertainties that could harm the normal functioning of the world economy, namely the existence of commercial tensions and a feeling of distrust and uncertainty in the various stock markets.

Trade Tensions

Should the negotiations between the USA and China be unsuccessful and protectionist measures continue to be implemented between the two countries, there will be an increase in the cost of imported goods, resulting in an increase in acquisition costs for consumers. Higher levels of uncertainty about the trade policy and concerns about escalating retaliation will certainly reduce private investment and lower productivity levels. In turn, by lowering the profitability levels of the entrepreneurial fabric, there will certainly be a breach in the feeling of confidence in the stock markets, thus also fuelling a break in the economic cycle.

Financial Markets

The escalation of trade tensions, together with uncertainties regarding Italy's tax policy, the possibility of the United Kingdom leaving the European Union without a clear agreement between the parties, the budgetary health of several emerging economies, of European and U.S. economies, have shaken the feeling of confidence in the stock markets, contributing to a decrease in share prices.

Other Relevant Factors

There is another set of factors that could cause a slowdown in the pace of global economic growth, namely the pressure on the US debt, which in 2018 led to the closure, for several consecutive days, of various public services, as well as the potential increase in interest rates, which will jeopardise the ability of several emerging economies to service their debt, going into default and being forced to turn to foreign aid programmes.

Priorities for 2019

According to the countries' maturity and development stage, the discussion on policies to be adopted in 2019 may be relatively different. In the case of developed economies, the focus should be on implementing policies that reinforce increased productivity and levels of participation in the labour market (particularly by women and younger population age groups), as well as on promoting adequate levels of social security for the most vulnerable population strata. In terms of monetary policy, the control of inflation rates should be ensured, while tax policy should create the necessary budget margins for periods of slower growth.

Emerging markets and developing countries have been tested by challenging external conditions, as a result of trade tensions, the rise in U.S. interest rates, the appreciation of the U.S. Dollar, capital flight and oil price volatility. An additional problem may be the high level of indebtedness in the private sector, both at corporate and household levels. Tax policy should ensure that public debt levels remain under control, while social support policies must be implemented and extended to more population strata, thus promoting the strengthening of social inclusion, of domestic demand and of the bases for economic growth. For economies of low income and highly dependent on natural resources, a significant effort should also be made to diversify their sources of revenue, contributing to the sustainability of their mid-/long-term growth.

–

Multilateral cooperation to solve differences in tariff barriers

–

Continuity of regulatory reforms in the financial sector

–

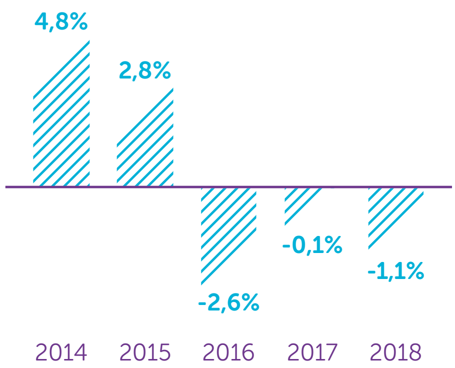
Strengthening supervision over corruption and tax evasion situations

–

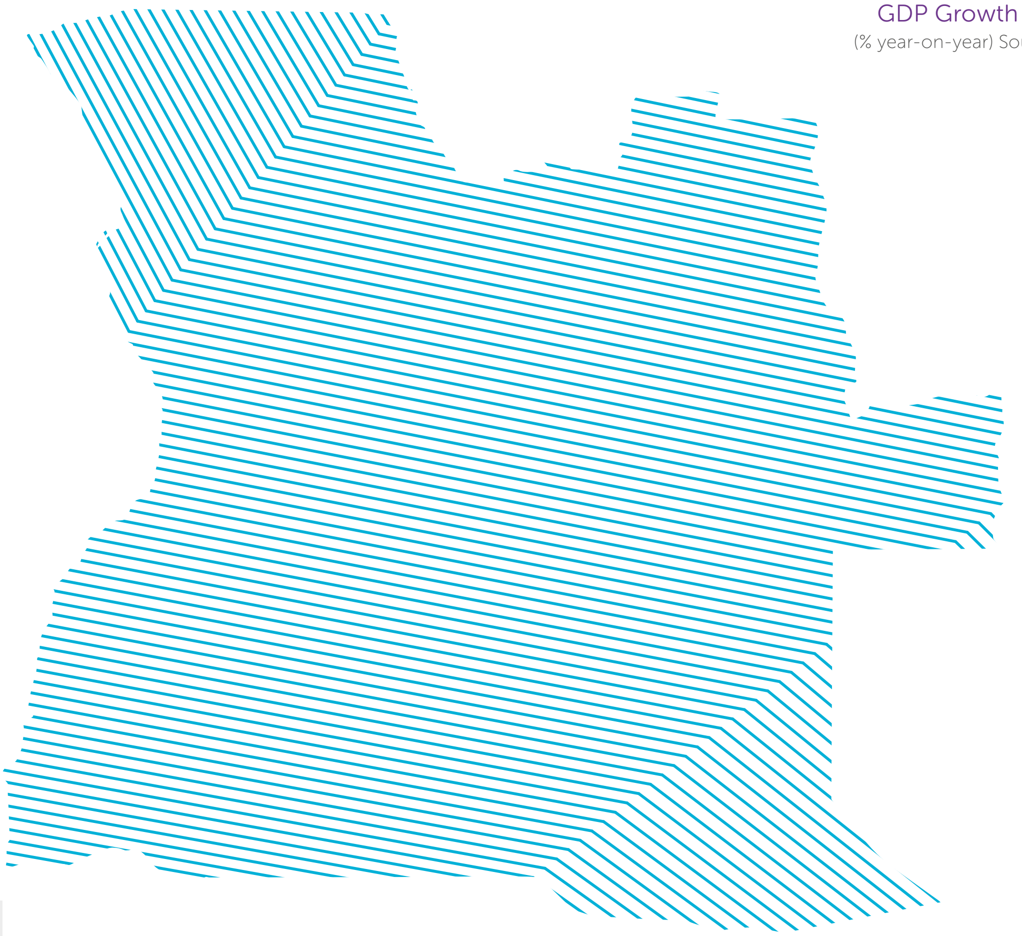
Mitigation of climate change impacts (humanitarian and financial, high temperatures, storms, drought)

2.2. Angolan Economy

In 2018, the Angolan economy continued to be significantly affected by the decrease in oil production in the international market, clearly showing Angola's dependence on the oil sector. In order to respond to these imbalances, in 2018 the Angolan Government approved the Macroeconomic Stabilisation Programme (PEM) and the 2018-2022 National Development Plan.



GDP Growth Rate
(% year-on-year) Source: INE



Domestic Economic Growth

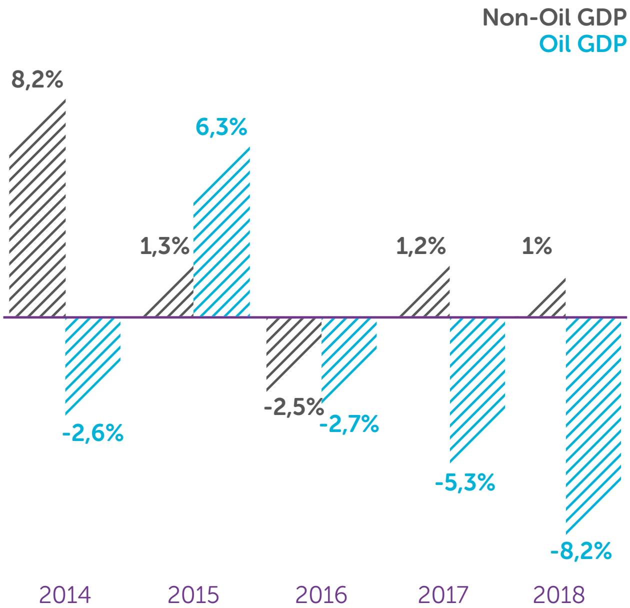
The economic recession trajectory which started in 2016 was mainly due to reduced oil production and the subsequent imbalances caused to the domestic economy. For this reason, the Angolan Government continued its efforts to restore macroeconomic stability and recover the country's economic growth. To do so, a Macroeconomic Stabilisation Programme (PEM) was approved in 2018, as well as a wide range of measures that constitute the 2018-2022 National Development Plan.

According to the 2018 State Budget (OGE), formulated based on an average oil price of around USD 50 a barrel, a GDP growth rate of 4.9% had been forecast. This growth expectation was supported by the positive evolution of the oil sector (6.1%) and of the non-oil sector (4.4%). However, this figure for the domestic economy's growth rate would be revised downwards, for a further contraction of around 1.1%.

This negative movement is explained, on the one hand, by the continued decline in oil production levels, and on the other hand, by the lower dynamics of the non-oil sectors.

.

Thus, although the average price of a barrel of oil throughout 2018 was situated at USD 72, 43% above the USD 50 forecast in the OGE for 2018, in real terms, Angola's oil production has performed below expectations. Given the poor performance of the oil sector in the first six months of the year, daily oil production for 2018 was revised downwards by around 10%, from 1.698 million barrels/day to 1.524 million barrels/day.



GDP Growth Rate:
Oil and Non-Oil
(% year-on-year) Source: INE

Oil Production
(1,000 barrels/day)

1.776
2015

1.726
2016

1.637
2017

1.524
2018

Source: Background Report
2019 State Budget Proposal

Macroeconomic Stabilisation Programme ("PEM") & 2018-2022 National Development Plan

Promote economic diversification

Foster inclusive growth

Reduce poverty and inequality

Reduce tax vulnerabilities

Strengthen the sustainability of public debt

Reduce the inflation rate

Implement a flexible foreign exchange scheme in order to guarantee the stability of Net International Reserves

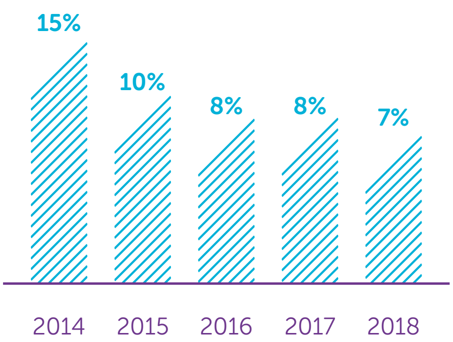
Guarantee the stability of the financial sector

Strengthen Anti-Money Laundering measures and the fight against terrorist financing

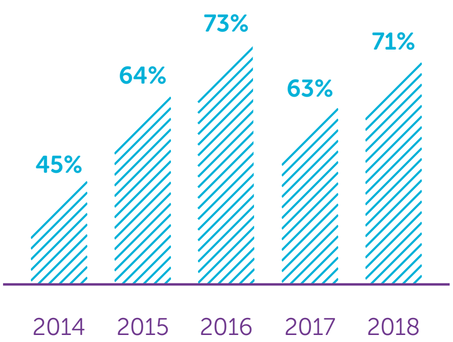
In turn, growth prospects for the non-oil sector show a positive evolution, pointing towards a growth of around 1%, a level that, even so, remains below the 4.4% forecast in the 2018 OGE. This positive behaviour resulted mainly from the contribution of the energy, agriculture and construction sectors, whose growth rates, in 2018, were of around 30%, 3% and 2%, respectively.

Despite the positive evolution of the non-oil sector, it is essential to continue the solid investment in the process of Angola's economic activity diversification, as it remains extremely exposed to the performance of the oil sector. The oil sector currently represents about 70% of tax revenues and more than 95% of Angola's exports.

Associated with the domestic economy transformation process, the Angolan government is expected to also focus its attention on controlling public debt, placing it on a downward trajectory. To such end, it will be vital to motivate the private sector to contribute to this process, increasing its investment levels and reducing public costs.



Total Investment
(% of the GDP) Source: IMF



Public Debt
(% of the GDP)
Source: Background Report 2019 State Budget Proposal

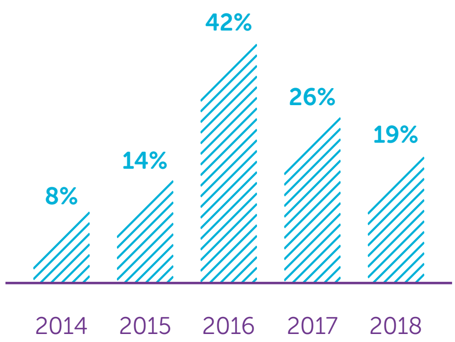
Inflation Rate

The decrease in oil prices in 2016 triggered a huge instability over the general price level in Angola. That same year, the inflation rate reached 42%.

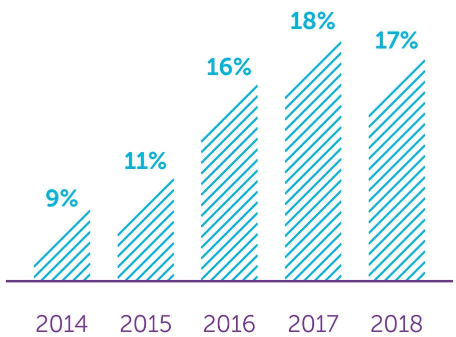
In 2017, an effort to standardise the inflation rate was initiated, with it decreasing to 26%. Although this inflation rate stabilisation effort allowed for a reduction in average monthly inflation from 3% to 2%, it also implied a significant reduction in the level of Net International Reserves (RIL).

In January 2018, and taking into account the urgency to correct the imbalances in the flexible foreign exchange market, with fluctuation bands and the need to preserve international reserves, the BNA implemented a flexible foreign exchange rate scheme with fluctuation bands. As a result, the year-on-year inflation rate slowed down to 19% by the end of 2018.

The monthly inflation rate accelerated quite sharply since the beginning of 2018, having grown from 1.2% in August to 4.98% in September. Despite this upward trend, the average inflation rate (1.4%) decreased, when compared to those observed in 2017 (2%) and 2016 (3%).



Inflation Rate
(% year-on-year) Source: IMF

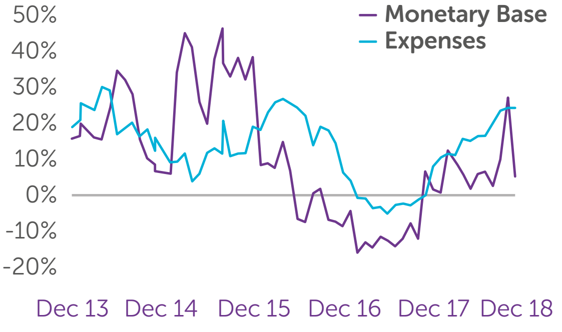


BNA Interest Rate
Source: BNA

This significant reduction in the inflation rate is the result of the combination between a restrictive monetary policy and an execution of public expenditure that has been far from budgeted levels, due to the difficulty in obtaining financing.

As a result of the more restrictive liquidity conditions, in 2018 the BNA once again reduced the National Currency Mandatory Reserve Coefficient, from 21% to 19%, and to 17% regarding deposits from the private sector, the Central Government and Local Governments. The key interest rate (BNA interest rate) was also reduced to 16.5%

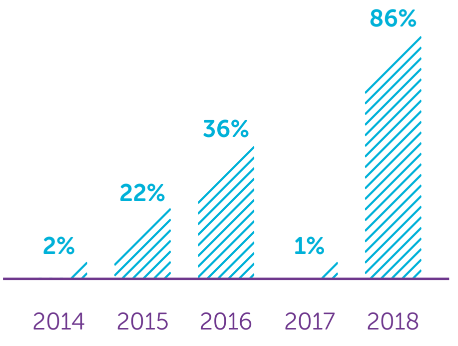
Following the above, and with regard to monetary policy, the monetary base in domestic currency recorded 5% growth compared to the figures recorded at the end of 2017, while the monetary aggregate M2 (reference for determining the inflation rate), in domestic currency, presented growth of 24% in 2018.



Evolution of Monetary Aggregates
(% year-on-year) Source: BNA

Exchange Rate

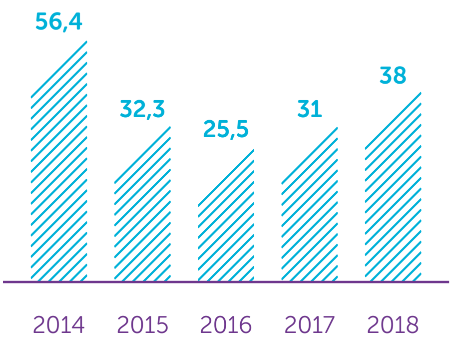
The new foreign exchange scheme has contributed to stabilising the macroeconomic setting, the dynamization of the domestic economy and the settlement of overdue foreign exchange operations. Within this context, in 2018 there was an approximately 86% devaluation of the Kwanza against the US Dollar. According to the State Budget Proposal, the differential between Kwanza's informal and reference foreign exchange rates also decreased sharply, from 150% in January 2018 to 33.9% in August of the same year, thus converging towards the 20% target.



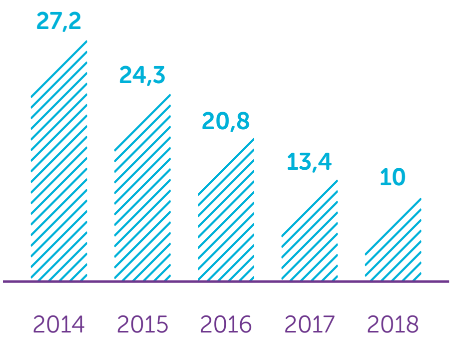
Exchange Rate
(% year-on-year depreciation) Source: BNA

Foreign Trade

After 3 consecutive years of external current deficits (8.9%, 3.0% and 0.5% of GDP in 2015, 2016 and 2017, respectively), the external position of the economy recorded significant improvements in 2018. Estimates for 2018 point towards a positive balance of around 3.7% of GDP, as a result of increasing oil prices.



Oil Exports
(Billion USD) Source: BNA



Net International Reserves
(Billion USD) Source: BNA

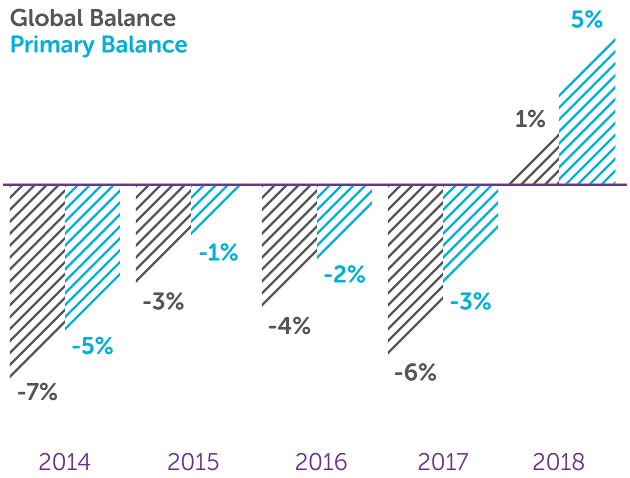
Despite the positive evolution of the balance of Trade Balance, the Balance of Payments maintains its negative record of 0.3% of GDP; however, this represents an improvement compared to the overall deficit of 3.8% in 2017. This negative Balance of Payments record is mostly explained by the low Foreign Direct Investment, high public debt costs and the low levels of acquisition of Angolan public debt by foreign investors.

Additionally, Net International Reserves decreased to values close to USD 10 billion, by the end of 2018, against USD 13.4 billion by the end of 2017. Even so, the 2018 figure stayed above the minimum desirable limit indicated by the IMF, equivalent to 6 months of imports. This evolution in Net International Reserves is explained by the increase in the sale of foreign currency by the BNA, thus reducing the list of transfer requests that had been waiting over the past few years.

Tax Policy

2018 was marked by the return of the global and primary balances in the black, reaching 0.6% and 4.8% of GDP, respectively. These figures exceed OGE forecasts for 2018 (-3.4% and 0.7% of GDP). Given the global (6.3% of GDP) and primary (3.0% of GDP) deficits recorded in 2017, the effort that has been made by the Angolan Government in tax matters is remarkable.

The primary surplus, which in 2018 is expected to be of around 4.8% of GDP, will allow the country to meet public debt interest payments, which should get close to 4.2% of GDP. This 0.6% differential allows us to continue to reducepublic indebtedness. It is important to mention that the increase in public revenues, originated mostly from the oil sector, has contributed largely to this positive primary balance.



Budget Implementation
(% of the GDP) Source: Background Report:
2019 State Budget Proposal

In the first six months of the year, oil sales translated into a revenue of AOA 1.5621 billion, an amount 15.6% higher than the amount initially forecast. On the other hand, revenues from the remaining sectors stood at AOA 821.2 billion, 7.7% below the initial prospects.

In terms of expenditure, it is concluded that primary expenditure (which does not take into account the interest on public debt) was only carried out at 77.5% of the amount initially forecast for this period, corresponding to approximately AOA 1.385 billion. Capital expenditures also did not reach the expected levels, having been implemented to less than 40%.

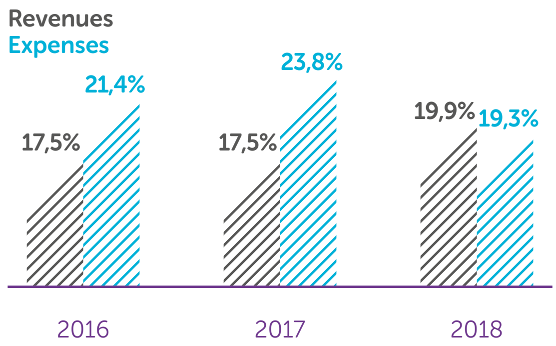
Regarding 'public securities' interest rates, there was a decrease of 7 p.p. in the first half of 2018 (from 24% to 17% for 365-days Treasury Bills). On the other hand, the volume of domestic financing attracted suffered a deviation of 50% from what was programmed.

However, this difference in the financing obtained was fulfilled by the surplus in oil revenue raised for this same period.

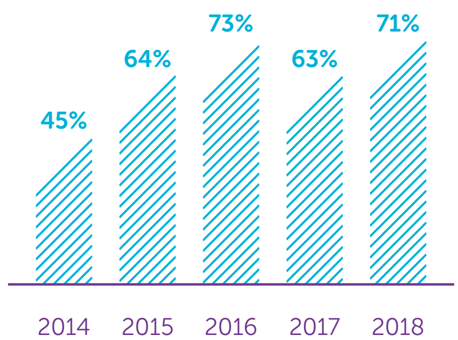
Despite the reduction of the interest rate on Treasury Bills, interest charges increased by 14.9% when compared to the first half of 2017. The impact of the devaluation of the Kwanza over indexed internal and external debt may help explain this acceleration in interest payment expenditure.

In 2018 the public debt stock amounted to AOA 20.31996 billion, equivalent to 70.5% of GDP.

As part of the 2018-2022 National Development Plan, analyses performed on the tax trajectory planned for this period allow us to ensure the solvency of public debt in the mid/long term. According to this technical assessment, the drop in the price of oil, the consecutive creation of primary deficits and the depreciation of the exchange rate were the main reasons for this abnormal growth in public debt.



Public Revenue and Expenditure
(% of the GDP) Source: Background Report:
2019 State Budget Proposal



Public Debt
(% of the GDP) Source: Background Report:
2019 State Budget Proposal

Economy Priorities for 2019

The National Development Plan for the 2018-2022 period establishes the following main priorities: macroeconomic recovery, inclusive economic growth, sustainable economic diversification and populational well-being improvement. To do so, the Angolan Government outlined 6 priority axes.

Human Development and Well-Being

Improving citizens' well-being, reducing inequalities and poverty, and promoting a better quality of life for Angolan families.

Sustainable, Diversified and Inclusive Economic Development

Recovering macroeconomic stability and sustainability of public finances, promoting corporate competitiveness, diversifying economic activity and ensuring environmental sustainability.

Infrastructures Necessary for Development

Improving the following: transport infrastructures; energy transportation and distribution; water and sanitation infrastructures; and communication infrastructures.

Peace Consolidation, Reinforcement of the Democratic State, Good Governance, State Reform and Decentralisation

Improving the foundations of democracy and civil society, modernising Public Administration and increasing the capacity and quality of public goods and services.

Harmonious Territorial Development

Ensuring harmonious development, improving spatial planning and developing sustainable and quality urbanisation.

Ensuring Angola's Territorial Stability and Integrity and Reinforcing its Role within an International and Regional Context

Guaranteeing the security of the nation and its people, strengthening Angola's role at the international level and deepening strategic partnerships at the international level.

Economy Risks for 2019

Notwithstanding Angola's commitment to resuming economic growth, the forecasts and reforms intended to be implemented are not exempt from risks and uncertainties, and the IMF listed the following main risks as those that could adversely divert the country's economy.

—

International oil price lower than expected

—

Deviations or delays in implementing policies and reforms

—

Delay in the treatment of non-performing loans

—

Insufficient adjustment of the foreign exchange market

—

Continuous decrease in oil production

3

BANCO ECONÓMICO

3.1. 2018 Activity

Commercial Banking

Through its business areas, Banco Económico has been seeking to provide an increasingly closer, personalised and digital value offer to its Customers, and corresponding segments.

The main objective of Banco Económico's Digital Transformation Programme is not only to place the Customer at the centre of the Bank's operations, but also to make him/her part of the solution, understanding those that may be the best ways to respond to his/her real needs.

Banco Económico takes on the vision of being a reference financial partner in Angola, with ambitious goals for developing its activity. The Bank's teams are duly prepared to advise all segments on the best investment solutions and to help identify the most appropriate financial product and service options for each Customer profile.

The Bank has several business units in order to guarantee this closer and more customised service: International Financial Department, Corporate Commercial Department, TOP Corporate and Oil & Gas Department, Institutional Department, Commercial Networks Department, Private Banking Department, Affluent Department, Leasing Department and Investment Banking Department. These Business Departments monitor four different Customer segments on a daily basis:

- Retail Customers
- *Private*
- Umoxi *(Affluent)*
- Companies

Segment Offer

Banco Económico is established by the concept of relational bank, aiming to be the reference partner to entrepreneurs and business-men - to support them in their business and projects - and Angolan consumers, to anticipate and present the best solutions for their financial and banking needs.

Retail Customers
Umoxi Customers

01. Day-to-day solutions

Multicaixa cards, Credit cards, Current accounts, Savings Accounts

02. Services

EconomicoNet, EconomicoNet APP, EconomicoDirecto, ADC, Transfers, Cheques, Road Tax.

03. Savings

Term deposits, Foreign exchange protection solution.

04. Credit

Personal and housing loans, Leasing.

05. Insurance

Domestic servants, Family protection, Vehicle, Life, Travel and Health

Corporate Customers

01. Treasury
Current accounts, Collection solutions, Payments, Financial investments, Foreign Exchange protection.

02. Credit
Short-term and mid-/long-term products, Bank guarantees.

03. Services
EconomicoNet Corporate, EconomicoNet APP, Collection and transportation of Valuables.

04. Specialised Solutions
Personalised support for large, medium and small companies and businesses, Institutional, Oil & Gas, Trading Room, Investment Banking and Fund Management.

05. Insurance
Freight transport, Group Health, Vehicle Fleets, Occupational accidents, Travel, Industrial multi-risk.

Private Customers

01. Investment
Banco Económico's Private Banking specialised asset management team performs a full analysis of each Customer's financial profile, professional and personal context, life plans and also goals to be reached. Based on this assessment, an investment strategy is presented, in line with the investor's risk profile, taking into account the deadline to achieve those goals and the corresponding profitability expectations.

02. Financing
Banco Económico's Private Banking team of consultants shows permanent attention to its Customer's Financial expectations, in order to help them find financing solutions adapted to the specificities of each of their projects.

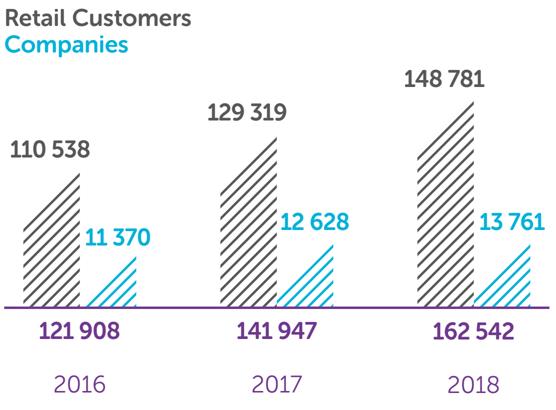
03. Financial Advisory
The specialised, multidisciplinary and fully dedicated teams of Banco Económico's Investment Banking Department ensure Private Customers access to the highest levels of financial advice to manage their assets.

04. Insurance
Life and health, watercraft, personal accidents, travel, multi-risk housing, auto insurance and domestic servants. In addition, Private Customers also have the Private Banking Securities Deposit Boxes available, which are a convenient option to protect and store documents and personal items of greater value.

Commercial Banking

During 2018, Banco Económico continued to strengthen its position in the Angolan banking sector, by launching marketing campaigns for new products and services, as well as new banking technological solutions that provide the customer with greater convenience in daily banking operations.

This investment has resulted in a very positive evolution in the Bank's Customer base. After growing 16% in 2017, it once again presented highly satisfactory growth in 2018 (15%), having reached a total of 162,542 Customers. In 2018, Retail Customers represented approximately 92% of the total base.



Evolution in the Number of Customers

Growth of the Customer base compared to 2017

Geographic Coverage

In 2018, Banco Económico continued to present a distribution structure capable of responding to the requirements and needs of its Customers, providing close and personalised service. As a supplement to its digital transformation strategy, making it possible to carry out operations remotely and through multiple channels, Banco Económico also continues to invest in its physical distribution network, maintaining the connection with its Customers on the ground.

Service Points

- Branch
- Business Centre
- Station
- Umoxi Centre

80 Service Points

56 Branches

12 Business Centres

6 Stations

3 Umoxi Centres

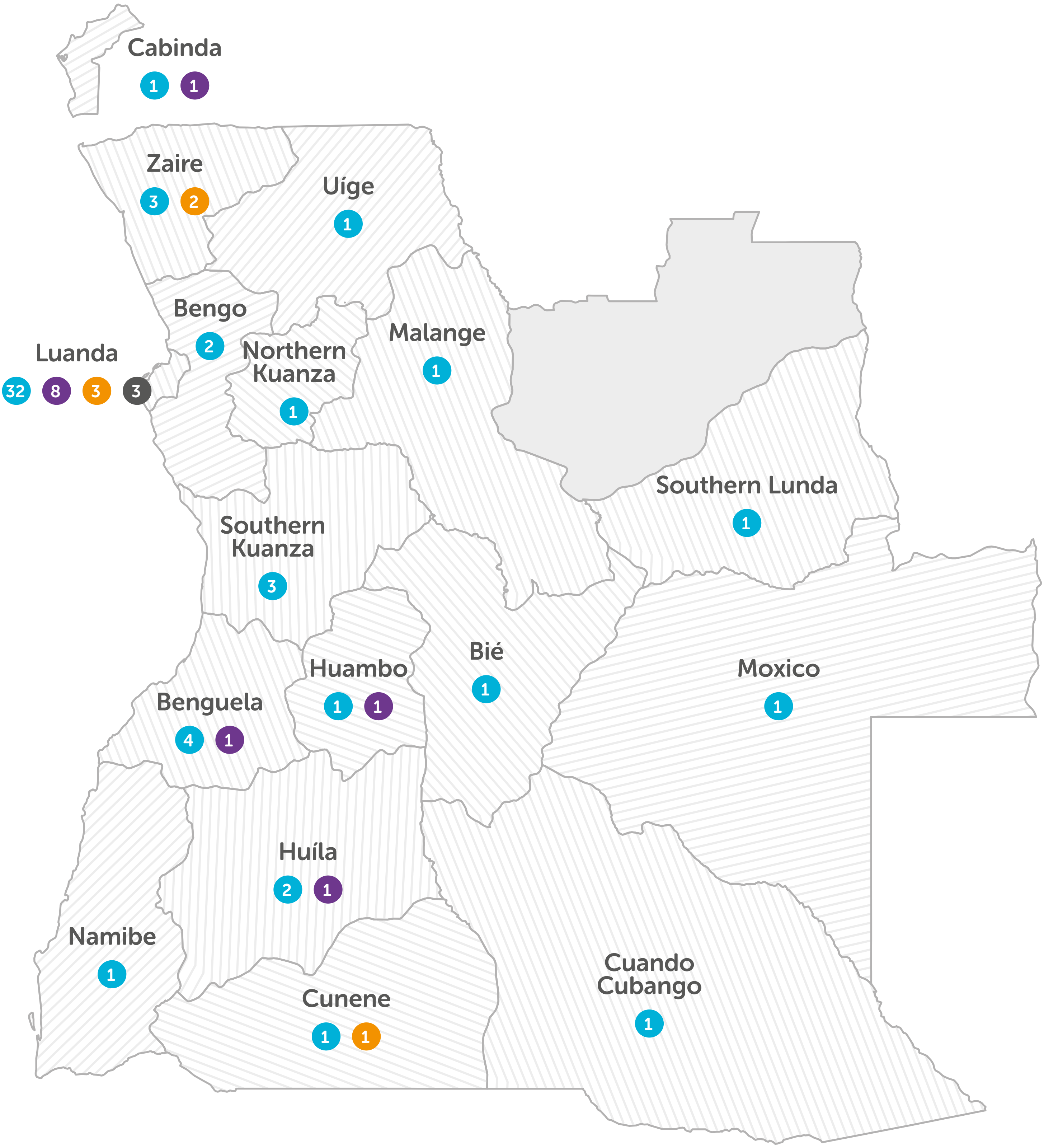
Banco Económico ended 2018 with 80 service points, ensuring nationwide coverage and presence in Angola's main cities.

In addition, the Bank also has:

— 1 Private Centre

— 1 TOP Corporate and Oil & Gas Centre

— 1 Institutional Centre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Zaire
3 2
Uíge
1
Bengo
2
Luanda
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Northern Kuanza
1
Malange
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1
Southern Kuanza
3
Bié
1
Huambo
1 1
Moxico
1
Benguela
4 1
Huíla
2 1
Namibe
1
Cuando Cubango
1
Cunene
1 1

Luanda Branches

Maianga Branch
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Fax: +244 222 334973

Valódia Branch
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Luanda – Angola
Phone: +244 222 693654; 923 166254
Fax: +244 222 447971

Luanda Customs Branch
Avenida 4 de Fevereiro,
Largo Diogo Cão
Edifício da Alfândega
Luanda – Angola
Phone: +244 222 693623; 923 166223
Fax: +244 222 311279

Porto Pesqueiro Branch
Estrada direita do Cacuaco Km4
Porto Pesqueiro – Boavista
Luanda – Angola
Phone: +244 222 693628; 923 166228
Fax: +2244 84 15 29

Mutamba Branch
Rua do 1º Congresso do MPLA
nº 27/31
Ingombota
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Phone: +244 222 693621; 923 166221
Fax: +244 222 693698

Private
Rua do 1º Congresso do MPLA
nº 8, Piso 21
Ingombota
Luanda – Angola
Phone: +244 222 693600

Mutamba Umoxi Centre
Rua do 1º Congresso do MPLA
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Ingombota
Luanda – Angola
Phone: +244 222 693600

Rainha Ginga Branch
Rua Rainha Ginga nº 4, RC
Ingombota
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Fax: +244 222 339882

Fayol Station
Rua da Cavalaria, Fayol Logística
(close to INEA)
Bairro Palanca – Kilamba Kiaxi
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Fax: +244 222 260427

Talatona Branch
Avenida Talatona,
Centro Empresarial Kissama
Bairro Talatona – Luanda-Sul
Phone: +244 222 693644; 923 166244
Fax: +244 222 693673

N'Dunduma Branch
Rua N'dunduma nº 319 A
Bairro Miramar,
Município Sambizanga
Phone: +244 222 693648; 923 166248
Fax: +244 222 431302

Vila-Alice Branch
Rua Eugénio de Castro nº 100
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Fax: +244 222 693698

Torre Branch
Rua Marechal Brós Tito nº 35/37
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Fax: +244 222 693681

Centro Empresas Miramar
Rua Marechal Brós Tito nº 35/37
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Torre Umoxi Centre
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Bairro Operário Branch
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Viana Vila Branch
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Viana Industrial Branch
Zona industrial de Viana,
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Ho Chi Minh Branch
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Bairro Popular Branch
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Bairro Neves Bendinha Luanda – Angola
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Almeida Garret Branch
Rua Fernão de Sousa no. 57,
Edifício Condomínio Bengo
Bairro Vila Alice
Phone: +244 222 693607; 923 166207

Clt Branch
Centro de logística Talatona
Via CA3 loja nº J
Talatona, Luanda – Angola
Phone: +244 222 693632; 923 166232

CLT Business Centre
Centro de logística Talatona Via CA3 loja nª J
Talatona, Luanda – Angola
Tel: +244 222 693693; 923 166293

Morro Bento Branch
Avenida 21 de Janeiro,
Edifício Prenda Mat, Loja S/ Nº
Morro Bento I
Comuna do Futungo
Município da Samba
Phone:+244 693646; 923 166246

Patriota Branch
Urbanização do Patriota, Benfica
Benfica – Município de Belas
Luanda – Angola
Phone: +244 222 693643; 923 166243

Patriota Business Centre
Estrada do Lar do Patriota,
Edifício Galerias do Patriota,
Loja G1
Benfica – Município de Belas
Luanda – Angola
Phone: 244 923 166271

Viana Park Business Centre
Estrada de Calumbo, Município de Viana,
Pavilhão nº 2 de Viana Park
Quarteirão nº 1
Phone: +244 222 693694; 923 166294

Estalagem Branch
Estrada de Viana Km 12
Viana
Phone: +244 222 693637; 923 166237

Dolce Vita Branch
Condomínio Dolce Vita, Via S/8
Talatona
Phone: +244 222 693635; 923 166235

Dolce Vita Umoxi Centre
Condomínio Dolce Vita,Via S/8
Talatona
Phone: +244 222 693635; 923 166235

Filda Branch
Condomínio Vila de Luanda,
Torre Menongue
Município do Cazenga
Phone: +244 222 693639; 923 166239

Viana Park Branch
Quilometro 12, Município de Viana
Calumbo,
centro comercial de Viana Park
Phone: +244 222 693656; 923 166256

Cacuaco Branch
Estrada principal, vila de Cacuaco
in front of the church
Bairro Mulemba, comuna do Kikolo
Phone: +244 222 693608; 923 166208

Zango Branch
Estrada principal de Calumbo,
close to Pumangol petrol station.
Zango 1
Phone: +244 222 693660; 923 166260

Centro de Empresas Zango
Estrada principal de Calumbo
close to Pumangol petrol station.
Zango 1
Phone: +244 222 693614; 923 166214

Tourada Branch
Rua Ngola Mbandi,
Bairro Calemba
Maianga
Phone: +244 222 693653; 923 166253

Bairro Azul Branch
Rua da Samba nº 46/48 r/
Bairro Azul
Phone: +244 222 693625; 923166225

Caxito Branch
Rua da Administração Provincial
next to SIAC.
Main road at the entrance of Caxito
Phone: +244 222 693661; 923 166261

Mulemba Branch
Rua Direita de Cacuaco,
Zona Industrial da Mulemba
Frente para Induve
Phone: +244 222 693647; 923 166247

Mulemba Business Centre
Rua Direita de Cacuaco,
Zona Industrial da Mulemba
Frente para Induve
Phone: +244 222 693647; 923 166247

Rocha Pinto Branch
Avenida 21 de Janeiro,
Bairro rocha pinto distrito da Maianga
(after Fapa bridge)
Phone: +244 222 693652; 923 166252

Main Branch
Calçada Domingos Tehakanga nº18
Mutamba
Phone: +244 222 693620; 923 166220

Alvalade Business Centre
Baixa Business Centre
Rua do 1º Congresso do MPLA nº 8, piso 20
Ingombota
Luanda – Angola
Phone: +244 222 693600; 923 166 200

Xyami Branch
Avenida Pedro de Castro Van-Dúnen Loy
Estrada projecto Nova Vida.
Shopping Xyami – Loja 0.02
Phone: +244 222 693659; 923 166259

SME Station
Rua Rainha Ginga nº 29/31,
Edifico Sonangol
Ingombota
Phone: +244 222 693600

Provincial Branches

Lubango Branch
Rua Pinheiro Chagas,
Hoje Ya Henda nº 57/59
Lubango – Huila
Phone: +244 693670; 923 166270
Fax: +244 261 225020/21

Lubango Business Centre
Rua Pinheiro Chagas,
Hoje Ya Henda nº 57/59
Lubango – Huila
Phone: +244 693670; 923 166270
Fax: +244 261 225020/21

Benguela Branch
Rua Dr. António José de Almeida nº 132/136
Benguela
Phone: +244 222 693669; 923 166269
Fax: +244 272 235915

Benguela Business Centre
Rua Dr. António José de Almeida nº 132/136
Benguela
Phone: +244 222 693669; 923 166269
Fax: +244 272 235915

Alfândega de Santa Clara Branch
Municipality of Namacumbe
Edifício da Alfândega
Ondjiva – Cunene
Phone: +244 222 693681; 923 166281
Fax: +244 265 223046

Alfândega do Soyo Branch
Rua Marcelo Caetano.
Zaire – Soyo
Phone: +244 222 693683; 923 166283

Kwanda Base Branch
Kwanda Base
Zaire – Soyo
Phone: +244 222 693684; 923166284

Lobito Shoprite Branch
Rua Silveira Pereira, Largo 1º de Maio
Bairro da Caponte-Lobito
Loja nº 4/5
Benguela – Lobito
Phone: +244 222 693667; 923 166267
Fax: +244 272 226477

Cabinda Branch
Rua Comendador Henrique Serrano R/C, Edifício
Bairro Marien Guabi
Cabinda
Phone: +244 222 693682; 923 166282
Fax: +244 231 224884

Cabinda Business Centre
Rua Comendador Henrique Serrano R/C, Edifício
Bairro Marien Guabi
Cabinda
Phone: +244 222 693682; 923 166282
Fax: +244 231 224884

Soyo Branch
Rua Principal da Baixa da Cidade
Zaire – Soyo
Phone: +244 222 693685; 923 166285
Fax: +222 23 22 78 140

Ekuikui Branch
Largo do Mercado Municipal
Edifício S/N
Huambo
Phone: +244 222 693662; 923 166262

Huambo Business Centre
Largo do Mercado Municipal
Edifício S/N
Huambo
Phone: +244 222 693662; 923 166262

Ondjiva Branch
Avenida 11 de Novembro
Ondjiva - Cunene
Phone: +244 222 693678; 923 166278
Ondjiva-Cunene

Lubango Shoprite Branch
Avenida Agostinho Neto
Bairro Comandante Cowboy
Huila-Lubango
Phone: +244 222 693672; 923 166272

Kwanda Station Base
Rua direita do Kikala Kiaku
Porto do Soyo
Zaire – Soyo
Phone: +244 222 693686; 923 166286

Mbanza Congo Branch
Rua Comandante Dangeroux,
Bairro Sagrada Esperança, Zona 1
Zaire – Soyo
Phone: +244 222 693687; 923 166287

Uige Branch
Rua Dr. António Agostinho Neto,
Centro da cidade, Talhão 235
Uige
Phone: +244 222 693664; 923 166264

Catete Branch
Rua da administração municipal,
Before the INSS.
Município de Icolo e Bengo
Bengo
Phone: +244 222 693631; 923 166231

Panguila Branch
Bairro do Panguila,
Comuna da Barra do Dande
Bengo
Phone: +244 222 693649; 923 166249

Waku Kungo Branch
Avenida de Cuba
Município do Waku Kungo
South Kwanza
Phone: +244 222 693689; 923 166289

Kuito Branch
Rua Joaquim Kapango nº 1573,
Bairro centro urbano
Kuito – Bié
Phone: +244 222 693663; 923 166263

Porto Amboim Branch
Rua José Sabino, Zona B,
Município de Porto Amboim
South Kwanza
Phone: +244 222 693679; 923 166279

Sumbe Branch
Bairro Chingo,
Avenida Principal Xidade do Sumbe
South Kwanza
Phone: +244 222 693680; 923 166280

Lobito Colina Branch
Rua 15 de Agosto,
Zona comercial
Benguela – Lobito
Phone: +244 222 693665; 923 166265

Benguela Business Centre
Rua 15 de Agosto,
Zona comercial
Benguela – Lobito
Phone: +244 222 693665; 923 166265

Lobito Retail Park Branch
Zona industrial do Lobito, Bairro da Luz
Centro Lobito Retail Park talhão nº 456 e 457
Benguela – Lobito
Phone: +244 222 693668; 923 166268

Luena Branch
Rua Comandante N´zage/Rua da OMA
Bairro N´zage
Móxico – Luena
Phone: +244 222 693673; 923 166273

Menongue Branch
Estrada Marginal do Hospital,
In front of the post office
Menongue – Kuando Kubango
Phone: +244 222 693676; 923 166276

Malange Branch
Avenida Comandante Dangereux s/n
Malange
Phone: +244 222 693675; 923 166275

Namibe Branch
Rua Kahumba r/c e 1º andar,
facing Praça H Geraldo
Namibe
Phone: +244 222 693677; 923 166277

Saurimo Branch
Bairro Agostinho Neto
Saurimo – South Lunda
Phone: +244 222 693674; 923 166274

N'Dalatando Branch
Rua Doutor António Agostinho Neto,
Município do Cazengo S/N
(straight road to Malange)
Phone: +244 222 6936330; 923 166230

For service purposes, the Benguela Business Centre is divided between the Benguela Branch and the Lobito Colina Branch.

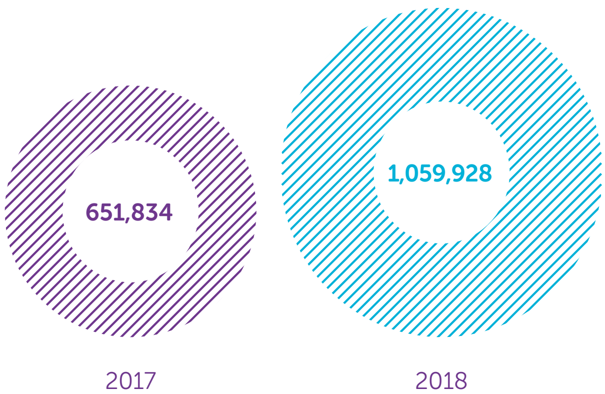
2018 in Numbers

Customer Deposits

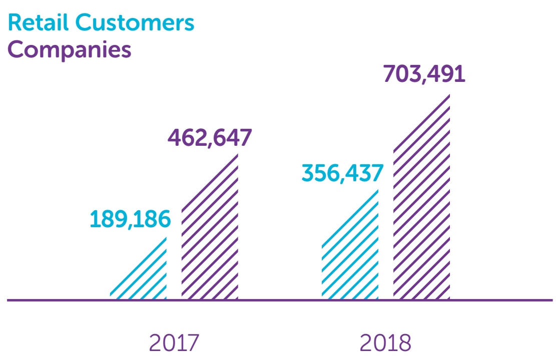
2018 was marked by a significant growth in the Banco Económico's amount of deposits, which grew by 63%, reaching AOA 1.059 billion, compared to AOA 651 billion in 2017.

This movement is justified by the increase in both Retail Customers (88%) and Corporate Customers (52%) deposits. Corporate Customers deposits currently represent 66% of the Bank's total amount of deposits.

This behaviour of deposits in 2018 largely demonstrates Customers' trust in the Banco Económico brand, as well as the results of the continuous investment in the offer of innovative products and services and in the consolidation of the Bank's distribution channels.



Deposits
(Million AOA)

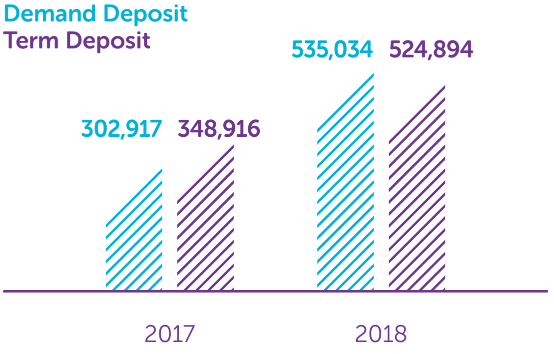


Deposits by Customer Segment
(Million AOA)

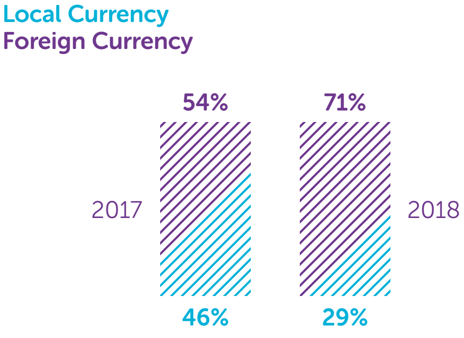
In turn, this growth in the amount of deposits in 2018 is also explained by both the increase in Demand Deposits (77%) and the increase in Term Deposits (50%), with an even distribution between these two products.

In 2018 the volume of deposits in domestic currency grew around 2%.

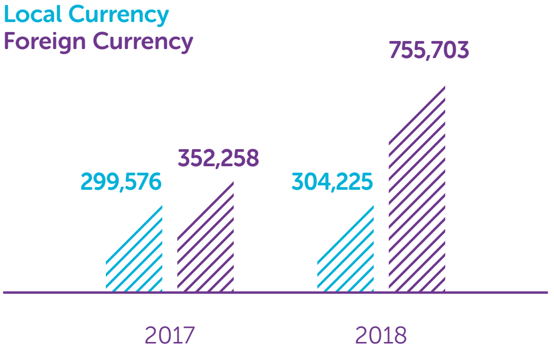
Thus being, the growth in deposits in 2018 is essentially associated with the growth of Foreign Currency-denominated deposits, as a result of the strong devaluation of the domestic currency against the US Dollar and also of the increase in foreign currency availability.



Deposits by Nature
(Million AOA)



Deposits by Currency
(%)



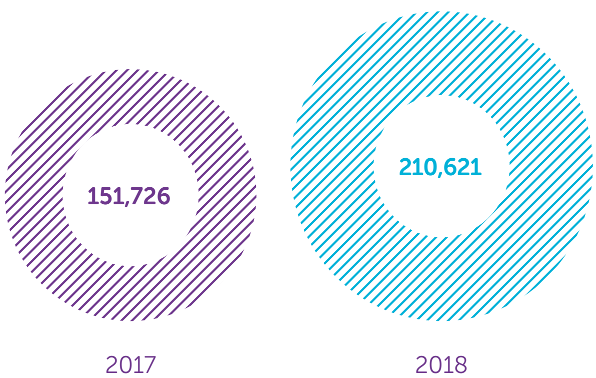
Deposits by Currency
(Million AOA)

Loans and Advances to Customers

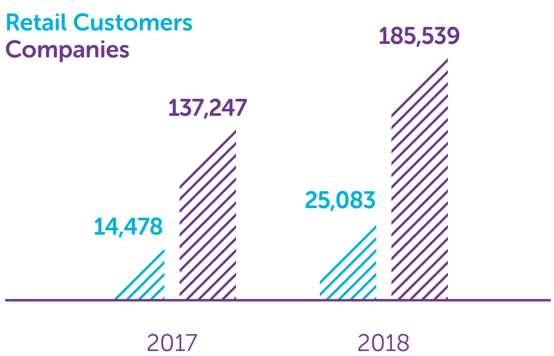
In 2018, there was an increase in the amount of credit granted, materialising an increase of 39% and standing at AOA 211 billion, compared to AOA 152 billion in 2017.

This movement is justified by both the increase in loans and advances to Retail Customers (52%) and to Corporate Customers (26%). Loans and Advances to Corporate Customers currently represent 90% of the total Loans and Advances portfolio.

This behaviour of the loans and advances portfolio shows Banco Económico's position as a financier and partner for Angolan citizens and companies, thus contributing as an important driver of Angola's economic activity.



Loans
(Million AOA)



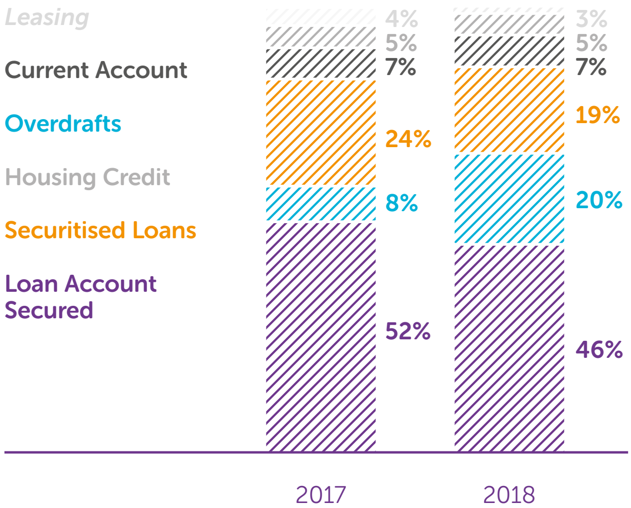
Loans by Customer Segment
(Million AOA)

Considering the credit products offered by Banco Económico, there is a very marked growth in the following products: Bank Overdrafts (230%), Consumer Credit (124%), Secured Current Accounts (29%) and Mortgage Credit (22%).

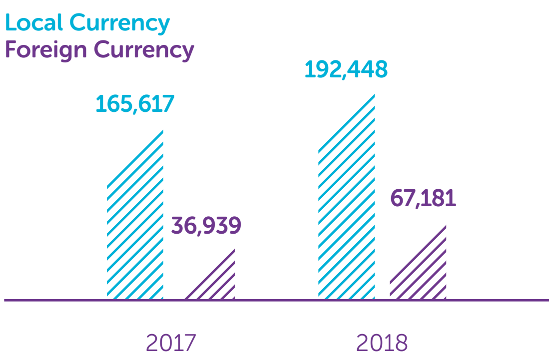
In 2018, Domestic Currency credit, which represents about 75% of the Bank's credit portfolio, grew by 16%. In turn, Foreign Currency credit increased by 82%, following the sharp devaluation of the Kwanza against the US Dollar.

The quality of the credit portfolio deteriorated slightly, as the ratio of loans in arrears for more than ninety days rose from 34% in 2017 to 39% in 2018. This increase is justified by the ratio increase for both Retail Customers (+4 p.p.) and Corporate Customers (+5 p.p.).

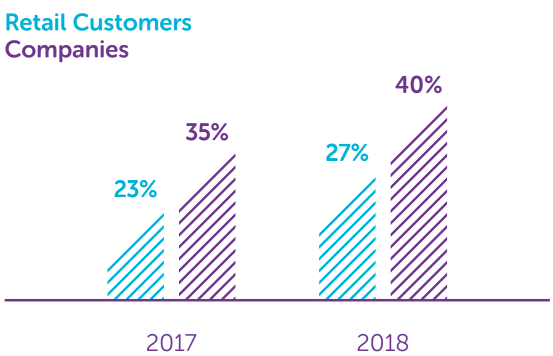
The growth of deposits led to a reduction in the transformation ratio, from 21% in 2017 to 20% in 2018



Credit by Type of Product
(%)



Deposits by Currency
(Million AOA)



Overdue Credit > 90 days
(%)

Pillars of Commercial Performance

The business areas strategy for 2019 is duly aligned with the strategy outlined by Banco Económico for its strategic pillars: Customers, Employees, Technology and Digitisation, and Risk and Code of Conduct.

Customers

Provide a close and increasingly digital service, while Banco Económico continues to be a benchmark regarding the quality of the products and services available.

This way, the Bank will be able to increase its Customers base, investing in both attracting new and retaining the current ones.

Employees

Similarly to previous years, Banco Económico will continue to invest in its Employees, one of the institution's most important assets. The provision of training will continue to be a reality with the aim of enriching their experience and contributing to their professional growth and development.

Banco Económico believes that the more regular the training of its Employees, the greater the impact on the level of Customers satisfaction and loyalty.

Technology and Digitisation

Banco Económico, and its business areas in particular, will continue to materialise the Bank's digital transformation process, by introducing technologically innovative products and services and being present in multiple channels simultaneously and in real time.

This way, the Bank's different segments will enjoy a closer, simple, digital and flexible service. Procedural automation will also be a focus area, expediting the relationship with the Customer.

Risk and Code of Conduct

Banco Económico intends to continue to develop all its activity and investments based on respect for all principles of ethics, as well as complying with the regulatory framework and internal policies in force.

The growth and development of the Bank's activity must always be carried out in a sustainable manner and within a long-term perspective.

Direct Channels

Since 2014, Banco Económico's service provision strategy has included multi-channel distribution, with increasing importance for direct channels, being developed under the brands EconomicoDirecto (for the contact centre) and EconomicoNet (for the remaining remote channels).

Throughout 2018, this vision evolved to the omnichannel, allowing for a transaction or event initiated on a given channel to be continued on the remaining channels.

The multi-channel strategy is one of the initiatives of the Bank's Digital Transformation Programme, aiming at digitising all of Banco Económico's activity.

Within this context, the Bank has increasingly invested in the development of its multi-channel distribution platform, aiming to provide the best digital banking service in Angola, 24 hours a day, 7 days a week.

As a complement to the omnichannel concept, Banco Económico is currently developing specific apps by segment, having namely started a solution for the University segment.

New Services and Developments in 2018

2018 marked the launching of new features in order to promote the digitisation of processes, thereby increasing the penetration rate in the Bank's Customers base and allowing for the consolidation of its multichannel service development strategy.

As part of this, the existing channels - EconomicoNet CORPORATE (companies), EconomicoNet (retail customers) and the EconomicoNet App (Mobile) - were enriched with numerous functionalities, most Notebly the following:

— Enrichment and innovation in available services

— Improvement of information and communication with the Customer

— Usability, simplicity and redesign of the channels usage experience

— Easy service subscription and maintenance (for example, password replacement)

— Digitisation of Processes and Procedures

In addition, several projects have been initiated that aim to ensure continuously improving the services already available, which should be launched commercially throughout 2019.

The new "Easy Receipt" service was also developed and launched in 2018, intended for companies that make regular payments for products and services. This service allows companies to provide their Customers with payment of invoices at any of their Bank's ATM, TPA or Internet Banking. Through this service, the company simply diversifies its receipt channels, allowing Customers to pay more easily, conveniently and securely. As a technological and business partner, Banco Económico thus allows companies in the country to benefit from faster receipts, easier reconciliation of receipts, easier treasury management and greater security in the receipt process. This service is available through EconomicoNet CORPORATE.

The use of the most recent technology available in the market has been guaranteed transversally in all of the Bank's technological developments, and the highest security standards have been guaranteed. In this regard, the EconomicoNet multi-channel platform currently supports five channels:

Channel	Segment	User
EconomicoNet *CORPORATE*	Companies and Institutional	Customer
EconomicoNet	Retail Customers	Customer
EconomicoNet App	All	Customer
Consult@Cartão	Companies and Institutional	Card Holder
EconomicoNet Branch	All	Bank Employees

It is within this context that, in 2018, the Bank once again witnessed the acknowledgement of its effort and investment, both in terms of innovation and technology, and in the greater proximity to its Customers.

The quality of the Mobile Banking service was once again acknowledged by the prestigious international publication Global Banking & Finance Review, with the EconomicoNet App service being distinguished for the second consecutive year with the "Best Mobile Banking Application Angola 2018" award. The award distinguishes the superior quality of usability, functionality and performance of the Bank's Mobile Banking service, considered by this entity to be the best in the Angolan market, in 2017 and 2018.

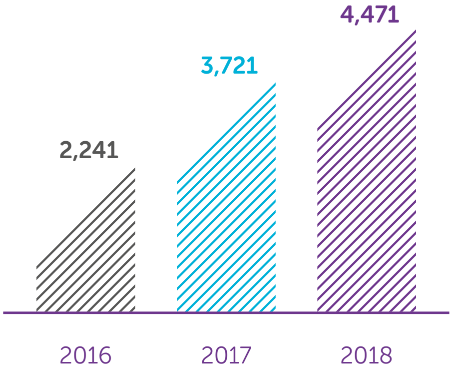
Direct Channels in Numbers

EconomicoNet Subscriptions

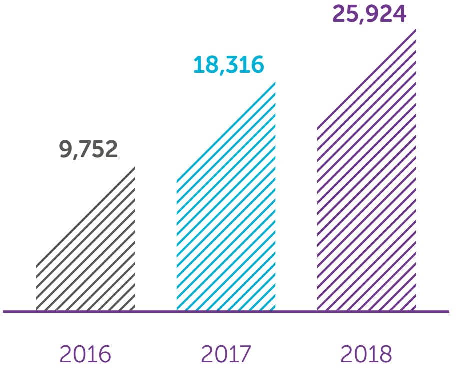
At the end of 2018, the Internet Banking service for companies (EconomicoNet CORPORATE) reached 4,471 accumulated subscriptions, which represents a 20% growth compared to December 2017, with the volume of transactions growing 41%, with approximately 134,000 financial transactions, against the 95,000 transactions of 2017.

In the EconomicoNet service (Internet Banking for Retail Customers), the number of subscriptions increased by 42% compared to the end of 2017, reaching 25,924 accumulated subscriptions. The volume of transactions grew 63%, with the number of transactions reaching 157,645, against the 96,524 of 2017.

In view of Banco Económico's investment and dedication to ensuring greater proximity and better service to its Customers, the Bank naturally observes the growth in the penetration rate of EconomicoNet services. For Retail Customers, it grew from 14% to 17%, between 2017 and 2018, respectively, while for Corporate and Institutional Customers, it increased from 29% in 2017 to 32% in 2018.



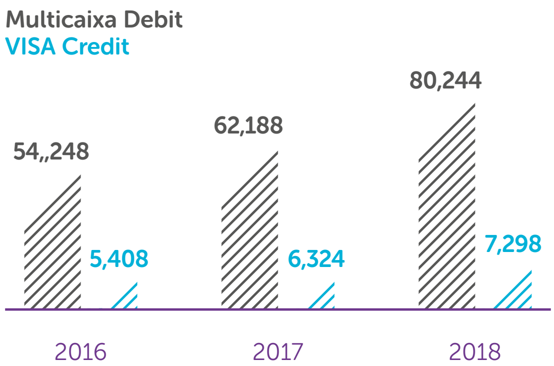
EconomicoNet Subscriptions
(Corporate)



EconomicoNet Subscriptions
(Retail Customers)

Payment Methods

In 2018, the growth trajectory regarding cards, ATMs and TPAs / POSs was maintained, thus continuing the strategic plan for the 2018-2020 triennium, which involves the renewal of platforms, processes and the strengthening of the offer.



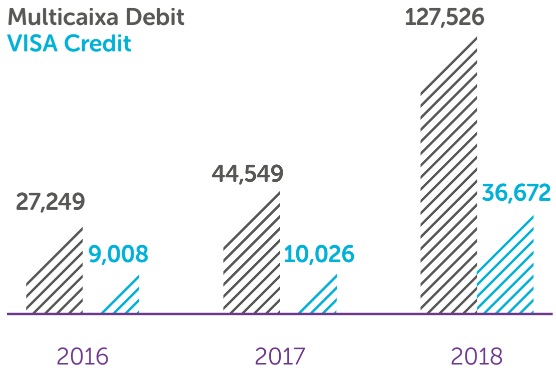
Number of Cards

New Services and Developments in 2018

Following the technological investment that Banco Económico has been carrying out, a new application of debit cards and terminals was implemented in 2018 (Tranzway ACT), which allowed for the availability of new services on debit cards and the most effective and efficient management of Automatic Payment Terminals and ATMs.

Following this evolution, the Bank is also investing in implementing a new application for managing prepaid and credit cards, and corresponding interfaces with the EMIS WAY4 application. These developments will allow for a more effective management at both operational and procedural level and in terms of the offer of this type of products.

As part of the activity's Digital Transformation Programme, the Bank is replacing its electronic payments business support applications, aiming to strengthen its operational and offer model in the issuing and acquiring businesses..



Cards Transaction
(million AOA)

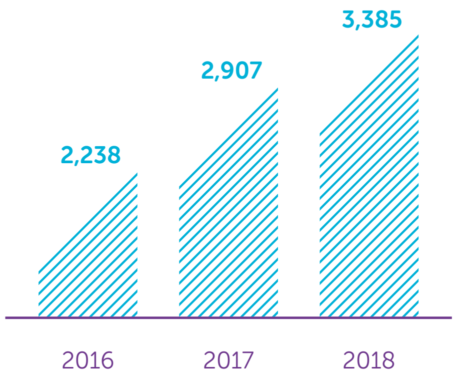
Debit and Credit Cards

Compared to 2017, Multicaixa debit cards grew by 29% regarding the number of cards in circulation and by 186% in terms of volume of transactions, having reached a value of AOA 127.524 billion.

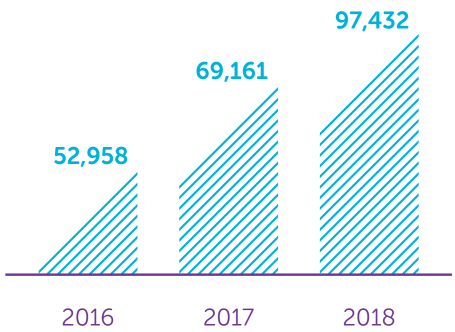
Regarding VISA credit cards, the number of cards increased by 16% and the transaction volume by 266%, reaching an amount of AOA 36.672 billion.

Automatic Payment Terminals

Regarding automatic payment terminals (TPA), the number of TPAs continued to increase in 2018, from 2,907 in 2017 to 3,385 in 2018, representing a growth of 17%. The traded value also recorded significant growth of around 31%, reaching AOA 97.432 billion in 2018.



Number of TPAs



TPA Transactions
(million AOA)

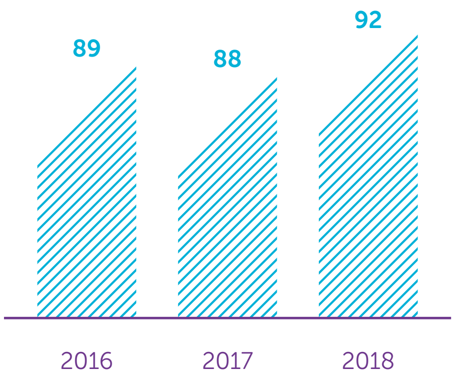
ATMs | Teller Machines

There were four more Banco Económico Teller Machines in 2018, reaching a total of 92 ATMs.

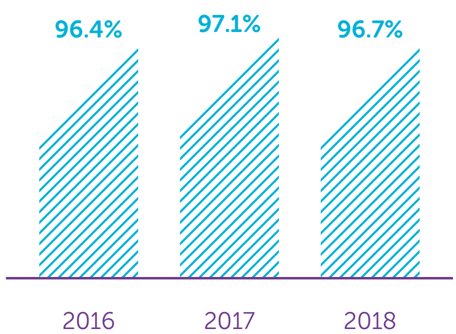
Regarding financial transactions, there was an increase of approximately 4.3% in the value of transactions, reaching the amount of AOA 87.609 billion.

Also noteworthy is an improvement in the Down Time indicator due to lack of banknotes, which went from 14% in 2017 to 11% in 2018.

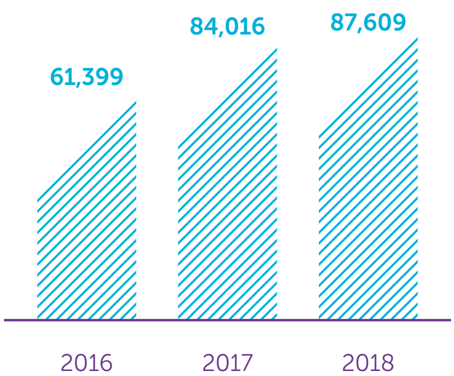
Finally, Banco Económico began its ATM machine renovation programme, with the aim of replacing some of the Bank's oldest teller machines.



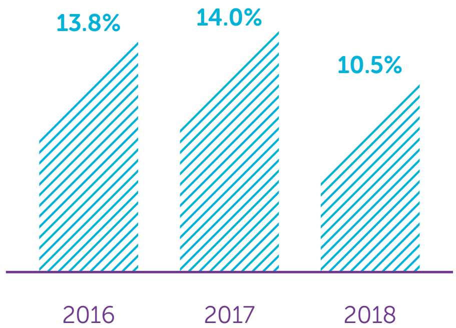
Number of ATMs



ATMs
Operability Rate



ATM Transactions
(million AOA)



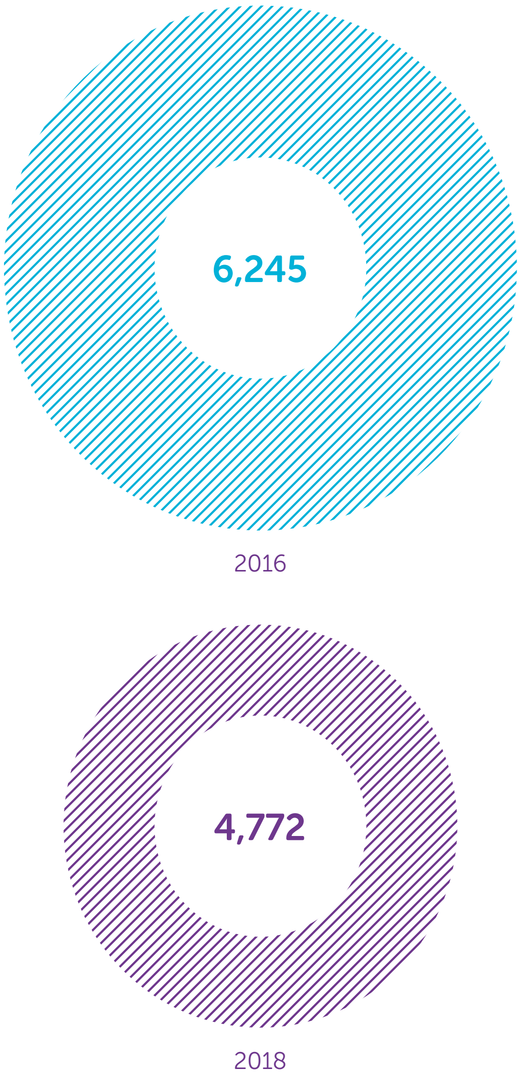
ATMs
% Down Time due to Lack of Banknotes

Bancassurance

2018 was the fourth consecutive year of the bancassurance project with Tranquilidade Corporacão Angolana de Seguros, consolidating the knowledge acquired by the distribution network regarding the products and corresponding coverage, improving the counselling capacity and focusing on reinforcing commercial dynamism.

After an increase, in 2017, in the volume of premium sales compared to the previous year, in 2018 the total volume of insurance sales decreased by 24%, from AOA 6.245 billion to AOA 4.772 billion, between 2017 and 2018, respectively.

In 2018, and considering Banco Económico's Active Customers base, the insurance penetration rate evolved positively compared to the previous year, reaching approximately 8% (compared to 5% in 2017).



Total Volume of Insurance Sales
(million AOA)

Investment Banking

In an adverse, highly challenging macroeconomic setting for Corporate & Investment Banking, the Investment Banking Department (DBI) focused on supporting the investment projects that are best aligned with the government's plan to reverse the cycle and stimulate economic growth.

Consultancy and Structured Financing

In this regard, Banco Económico gave priority to the sectors of agriculture and agro-industry, livestock, fishery and fish farming, extraction of non-oil natural resources (wood, ornamental rocks and other minerals), manufacturing industry, tourism and services.

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

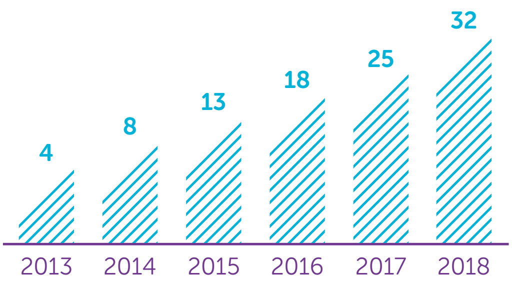
Although over the last few years there was a reduction in the percentage of GDP generated by the oil and diamond sector, this gap has been filled in mainly by the service sector (ex: trade and distribution, construction) and not by productive sectors (ex: agriculture, fisheries, industry) which still have a low representation in domestic GDP.

At same time, the Investment Banking Department increased its support to the Bank's commercial activities, to better approach customers' needs and respond to their expectations. This way, the offer of loan products is always preceded by a careful assessment of the projects and their promoters, in a balanced relationship in which the Customer must ensure the management, viability and sustainability of his business, having available capital so as not to depend solely on bank funding.

In addition to being a loan provider, Banco Económico positions itself as a partner and financial adviser to its Customers, establishing a medium-/long-term relationship, focusing on the success of their business and ensuring compliance with the financial commitments before the Bank and other stakeholders of the project.

In order to compensate for the reduction in major investment projects, the Investment Banking Department has further invested in financing Micro, Small and Medium Enterprises (MSMEs) under the Angola Investe Programme. The Investment Banking Department is responsible for managing this programme of support to Angolan entrepreneurs, as well as for organising and structuring the financing. In addition, the Bank monitors the projects' operation with the assistance of specialised external consultants and institutional support from government bodies (MINEC, INAPEM, FGC).

Until 2018 the Investment Banking Department approved 32 projects under the PAI, amounting to a financing total of AOA 19.3 billion. Although the PAI was discontinued during 2018, the execution of projects already approved continues, with public guarantee granted by the Credit Guarantee Fund (FGC) and with interest subsidies from the State.



Number of Projects Approved

Number of Projects Approved by Sector (2018)

15 Agriculture, Livestock and Fishery

4 Productive Sector

11 Manufacturing and Extraction Industry

1 Construction Materials

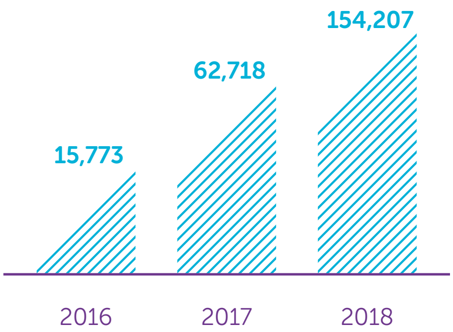
1 Tourism

Projects Angola Investe, by Province

Associated with Banco Económico's image of solidity and security, and despite the retraction in foreign investment intentions, the Investment Banking Department continues to perform significant work supporting international investors that are interested in investing in Angola, providing detailed information on the economic, financial, tax, legal and regulatory situation, including the procurement of local and international partnership opportunities.

To overcome the continuous need to support the Angolan economy and the MSMEs, the Ministry of Economic Affairs and Planning (MEP) is structuring a new Credit Support Programme (PAC), with characteristics similar to those of Angola Investe. The new Programme is expected to be launched during the first half of 2019, and Banco Económico is already negotiating to ensure its participation in this programme.

Capital Market



Assets in Custody

Through its Capital Markets activity, the Investment Banking Department accompanied the main initiatives for launching the new Treasury Securities Exchange (MBTT), with the incorporation of public securities (Treasury Bonds and Bills) in the new Securities Centre (CEVAMA).

In 2018 the Bank substantially increased the amount of assets under custody, having more than doubled the amount achieved in 2017.

Currently the Department provides its Customers with a complete and integrated Capital Market services offer, in the primary market (organisation of public and private offerings of securities with fixed and variable returns), and in the secondary market (brokering securities in the organised market), the Bank being registered at the Capital Markets Commission and accredited by BODIVA, as a Trading and Settlement Member.

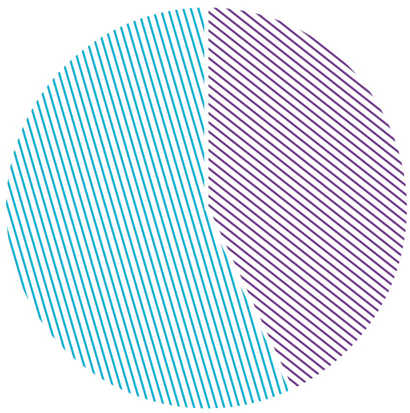
Following the change in the foreign exchange policy by Banco Nacional de Angola, there were successive devaluations of the domestic currency against the US Dollar, which encouraged the demand for Public Debt instruments, namely Indexed Treasury Bonds (OTTX).

Throughout 2018, the Investment Banking Department carried out intermediation operations of public debt securities in domestic currency, in the BODIVA markets, for the total amount of AOA 46.7 billion.

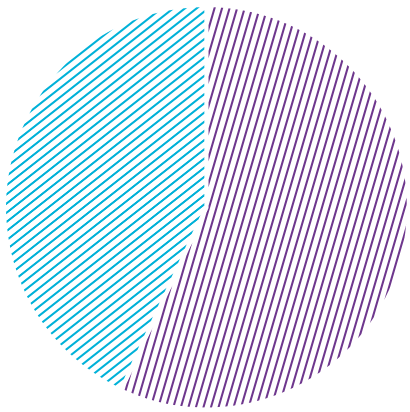
In addition to transactions carried out on the regulated market of BODIVA (Treasury Securities Exchange Market - MBTT), the Department channelled a significant amount of purchases of government securities by Customers, to investment in Treasury Bonds (OT) and shorter maturity securities, of up to one year (Treasury Bills - BT), through participation in primary market auctions.

In 2018, BODIVA recorded a considerable increase in turnover, as economic agents sought to hedge the risk of exchange rate devaluation by investing in government bonds, with preference for issues indexed to the foreign exchange rate (USD-AOA). As such, throughout 2018 BODIVA recorded more than 3,800 trades, an increase of 83% compared to 2017, for a total of AOA 767.4 billion traded.

By examining the typology of trades carried out over the year, in terms of number of trades, there is a slight predominance of trades on Treasury Bonds (57%) compared to Treasury Bills (43%).



Number of Business Deals by Product



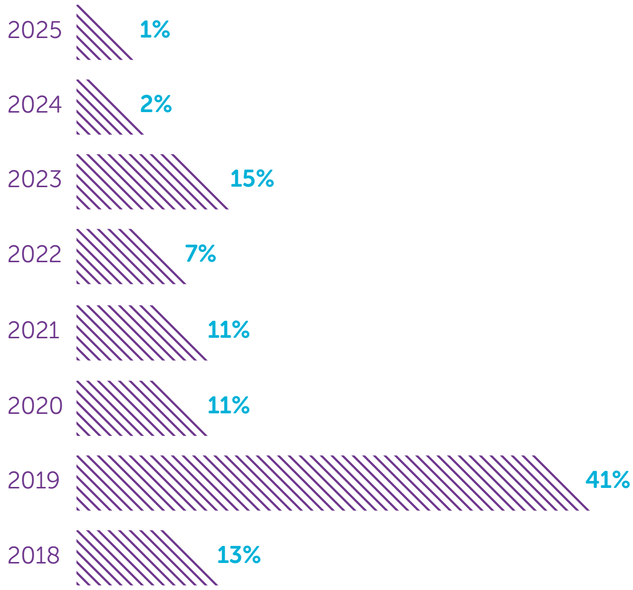
Number of Business Deals by Market

When considering the distribution by traded amount, there's a clear predominance of Treasury Bonds, which represent 90% of the value traded on BODIVA.

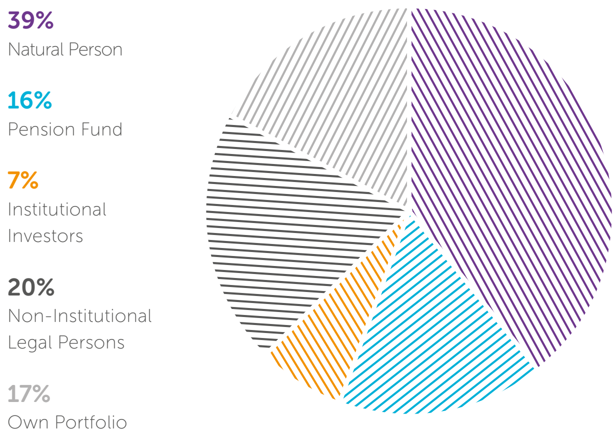
Maturities of up to 3 years were the most sought after, representing more than 60% of demand, with a greater number of business carried out by Retail Customers.

Throughout 2018, the number of accounts opened with CEVAMA (BODIVA Securities Central) also increased significantly, from 244 accounts in 2016 to more than 6,000.

At the end of 2018, Banco Económico had 118 open and active accounts, which represents a weight of 3% of the total accounts opened at CEVAMA. The evolution of customer portfolios held by the Bank and the turnover of the capital market reflects a sustained growth in transactions and revenues in this business area.



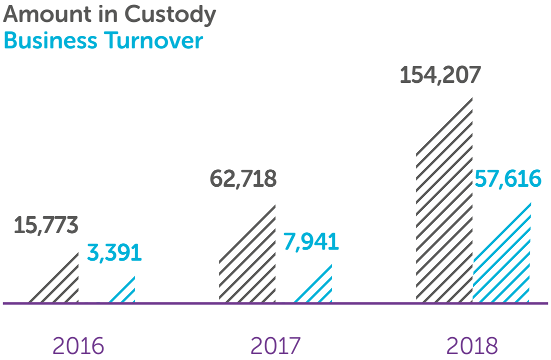
Amounts Negotiated by Maturity



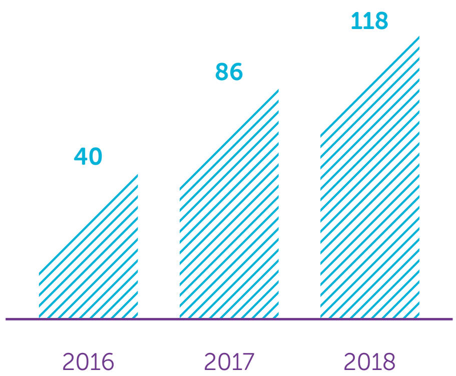
Amounts Traded by Type of Customer

Since the migration of securities from BNA Central (SIMER) to BODIVA Central (CEVAMA), the number of Bank Customers has tripled, the value of transactions has grown exponentially (x17) and Turnover (Transactions / Stock Securities) has increased from 12% in 2017 to 37% in 2018, boosting revenues in this new business area.

These numbers demonstrate not only Banco Económico's good performance in 2018, but also the growing confidence that current and potential Customers have been placing in the Bank.



Amounts in Custody and Turnover
(Million AOA)



Number of Accounts Opened at CEVAMA

Asset Management

Pension Funds - Económico SGFS

The main mission of Económico Fundos de Pensões – Sociedade Gestora de Fundos de Pensões, S.A. ("Económico SGFP") is to contribute to the future of the Participants and Beneficiaries of the Pension Funds under their management, guaranteeing their right to a decent retirement and future benefits, through careful and efficient management of their contributions.

The management company's activity is complementary to that of public social security, offering members, participants and beneficiaries the possibility of constituting autonomous assets (Pension Funds) that guarantee, in the future, the inalienable right of the human person to a decent retirement pension, at the culmination of his/her active life and history of contributing to society.

The company's mission is also to contribute to companies' progress, enhancing the improvement of its Employees and fostering the Country's economic and social development, in strict respect for the rules of ethics and professional code of conduct.

The Company started its activity in April 2009, has been registered with the Angolan Authority for Insurance Regulation and Supervision ("ARSEG") since 2 March 2009, under nº 56143, and its main shareholders include Banco Económico, SA and GNB - Gestão de Activos, SGPS, S.A. of the Novo Banco Group (Portugal).

In September 2018, at the General Meeting, to provide the Company with the financial resources and solvency margin for the growth of its activity, the shareholders decided to increase their capital from AOA 105 million to AOA 1 billion, by subscription reserved to shareholders, already carried out, the current shareholders structure being as follows:

EFP SGFP - Ownership Structure on 31.Dec.2018

Shareholders	No. of Shares	Nominal Value	%
Banco Económico, S.A.	9,620	962,200	96.2%
GNB – Gestão de Activos, SGPS, S.A	370	36,800	3.7%
Individual shareholders	10	1,000	0.1%
TOTAL	**10,000**	**1,000,000**	**100%**

They also decided to strengthen corporate governance through the creation of an Executive Committee that started to ensure the day-to-day and operational management of the Company.

Sustained Growth in a Challenging Environment

On 31 December 2018 the Company managed five Pension Funds, two open and three closed:

Pension Funds Managed

Pension Funds	Set-up Date	Transfer Date	Type of Fund	Pension Plan
Pension Fund Besa Retirement Options	1-Feb-10	-	Open	Set Contribution
Pension Fund 1-5-10 a Day	1-Jul-01	1-Dec-13	Open	Set Contribution
ENE Workers' Pension Fund	1-May-08	1-Feb-14	Closed	Set Benefit
MINPET Workers' Pension Fund	1-Jan-03	1-Apr-14	Closed	Set Benefit
UNITEL Workers' Pension Fund	1-Dec-07	1-Feb-14	Closed	Set Contribution

Although legislation on Pension Funds was created in Angola almost two decades ago with the publication of the Regulation on Pension Funds (Decree no. 25/98 of 7 August), the implementation of private social security has not been easy. In 2018, in a context of strong reduction in economic activity, the Pension Funds sector experienced many difficulties, as the financial crisis is reflected in the new adhesions to the Funds - at the corporate and individual level - and also, in the constraints and delays of associated companies in paying their contributions.

Nevertheless, Económico SGFP continued its positive evolution, with sustained growth in its activity, in collaboration with its shareholders and ARSEG, consolidating its presence in the market. It is worth highlighting the significant increase in managed values, which, in December, amounted to AOA 13.8 billion, compared to AOA 7.5 billion at the end of 2017 (annual increase of 58%, considering the average growth of the last three years).

Value of the Managed Funds Portfolios

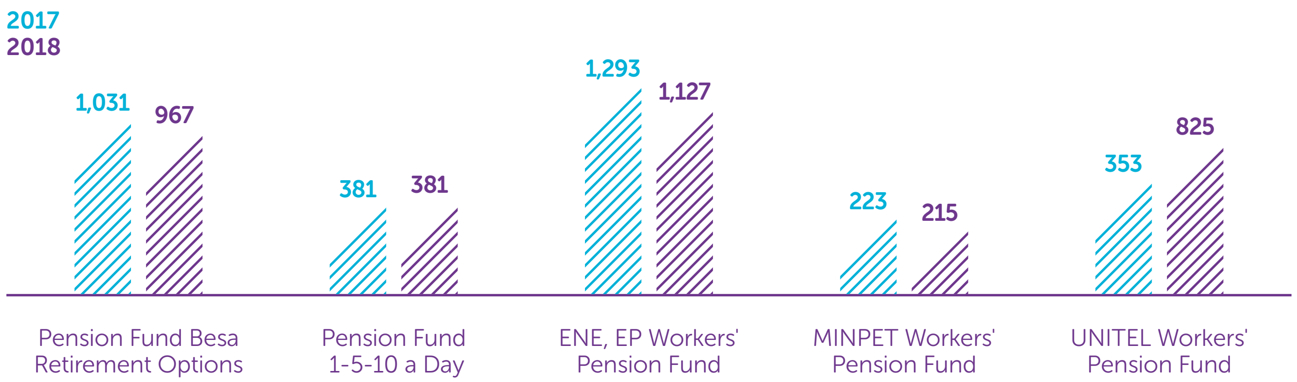
Pension Funds	2016	2017	2018	CAGR 18/16
Pension Fund Besa Retirement Options	957,023	1,326,393	1,969,589	43%
Pension Fund 1-5-10 a Day	98,166	97,352	115,031	8%
ENE, EP Workers' Pension Fund	3,020,116	2,929,547	3,049,806	0%
MINPET Workers' Pension Fund	1,458,285	1,499,087	1,987,449	17%
UNITEL Workers' Pension Fund	-	1,609,455	6,702,348	-
TOTAL	5,533,731	7,461,834	13,824,223	58%

In line with this evolution, Económico SGFP has achieved a positive evolution in its revenues, which have been consistently growing over the last few years:

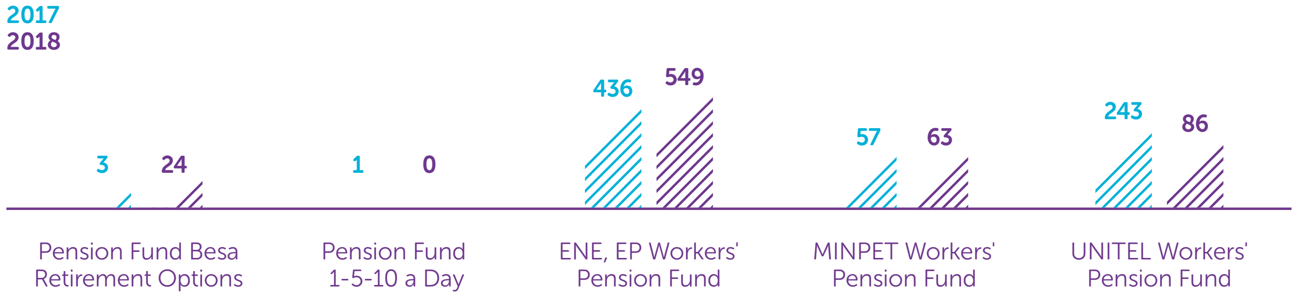
Value of Management Fees

Management Fees	2016	2017	2018	CAGR 18/16
Pension Fund Besa Retirement Options	15,610	18,499	25,184	27%
Pension Fund 1-5-10 a Day	1,411	1,468	1,630	7%
ENE, EP Workers' Pension Fund	86,073	83,492	84,535	-1%
MINPET Workers' Pension Fund	6,273	10,501	13,930	49%
UNITEL Workers Pension Fund	-	-	51,700	-
TOTAL	92,346	93,993	150,165	28%

In terms of subscriptions, we highlight the Unitel Fund (+290 Participants), offsetting the reduction in the remaining ones, particularly in the ENE Fund (-166 participants). This evolution reflects the profile of the Associates' active population, the former being a younger and growing company, and the latter with a stabilised population and with greater growth of beneficiaries, as they reach retirement age.



Pension Funds Participants



Pension Funds Beneficiaries

Investment Funds - Económico SGOIC

The main mission of Económico Fundos de Investimento – Sociedade Gestora de Organismos de Investimento Colectivo, S.A. ("Económico SGOIC"), in terms of Real Estate Investment Funds (FII), is the management of its Customers' real estate assets, including the promotion, commercialisation, leasing, management and technical maintenance, and remaining activities covered by applicable regulation, aimed at developing building construction projects with different types of properties, uses and dimensions.

In Angola, Económico SGOIC plays a relevant role in the valuation of real estate heritage, contributing to the Country's economic and social development, respecting the rules of professional ethics and code of conduct, offering a better quality of life and allowing for an enhanced valuation of its Customers' investments.

Económico SGOIC is a financial institution, not a bank, authorised by the Minister of Finance by Order of 7 January 2008, incorporated on 14 March 2008 and which began operations on 21 April of the same year. It is registered at the Companies Register of Luanda under number 263-08 and has been registered with the Capital Market Commission (CMC) since 21 April 2008, under number 05/GSC-DJR/04-08.

The Company's corporate purpose is the institution, organisation and management of Collective Investment Bodies (investment funds, securities and real estate, real estate investment companies, among others) in accordance with the rules that regulate this activity.

Its current shareholder structure includes, as holders of qualified holdings, Banco Económico, SA and GNB - Gestão de Activos SGPS, S.A. (a subsidiary of Portugal's Novo Banco Group, for the assets management area) and an individual shareholder.

EFI SGOIC - Ownership Structure on 31.Dec.2018

Shareholders	No. of Shares	Nominal Value	%
Banco Económico, S.A.	640	56,700	64.0%
GNB – Gestão de Activos, SGPS, S.A	350	31,500	35.0%
Individual shareholders	10	1,800	1.0%
TOTAL	**1,000**	**90,000**	**100%**

Real Estate Funds Management

Económico SGOIC has recognised experience in managing real estate investment funds (FII), having managed two Funds which were settled in 2018:

–

BESA Valorização
Closed Real Estate Investment Fund

–

BESA Património
Closed Real Estate Investment Fund

The BESA Valorização Fund was created on 10 August 2012, with Banco Económico as depositary. In the course of its activity, it concentrated its investments in the property development market, mainly in the housing and office segments. The Fund was liquidated and distributed on 22 February 2018.

BESA Património began operations on 13 December 2008, as a closed fund, with an initial duration of 5 years. In 2013, by resolution of the Assembly of Participants, it was decided to extend its term for an additional period of 3 years.

The Fund's objective was to achieve, in the long term, an appreciation of the capital invested by the Participants, through the creation and management of a diversified asset portfolio. The Fund focused on real estate developments, such as construction and rehabilitation projects, for resale or lease, as well as the acquisition of real estate properties, units, ownership rights or rights of mandatory nature (surface, use, enjoyment and fruition rights) for resale, lease or other forms of for-profit operation.

As of the settlement date, 13 July 2018, the Fund's assets were concentrated in the office market but having also housing units in the portfolio. The Fund closed with a slight appreciation compared to the initial capital, although, in the last 4 years (2014-2018), it suffered the strong impact of the adverse economic and financial situation in Angola, as a result of falling oil prices in the international market, with highly negative results in the development of the real estate sector, which entered a deep crisis.

2018 was also a very challenging year, characterised by the tendency to reduce the prices of real estate assets, considerably penalising Investment Funds due to the impact on the devaluation of assets and the strong reduction in commercial activity, namely in property purchase and sale transactions. In this context, the Management Company sought to make the Funds' assets more profitable and to face the fixed costs of their holding, boosting the commercial leasing segment (housing and offices), but adopting a prudent and conservative management, until its liquidation.

Real Estate Portfolio Management

After the liquidation of the Funds and until the integration of the assets under management into new FII to be established, Económico SGOIC referred its activity towards providing real estate management, commercialisation, maintenance and conservation services to Banco Económico, its main shareholder, and to the ENSA Group, the latter as sole beneficiary of the liquidation of the Funds and the current holder of its assets.

As Banco Económico is a financial institution, it does not have specialised technical and human resources for managing and maintaining these assets and to guarantee their profitability and conservation, holding, in its assets' sphere, properties received in kind in compliance with borrowers and not allocated to its banking activity; thus, the bank intended to keep them under the management of Económico SGOIC.

The services provided make it possible to maintain and enhance the market value of the Bank's real estate, ensure its proper maintenance and enable its sale or transfer to new Funds to be created, subject to CMC regulation. This solution also makes it possible to relaunch the activity of Económico SGOIC as part of its corporate purpose and is part of a set of initiatives, including the project to set up and manage a new Closed Real Estate Investment Fund that will include a significant part of the assets that are currently part of the Bank's real estate portfolio.

The Management Company also intends to expand its activity to manage another type of ICO, namely Securities Investment Funds (FIM), and, during 2019, it plans to launch a Treasury Fund whose marketing and depositary entity will be Banco Económico.

3.2. Human Capital

General Overview

In 2018, the Human Capital Department continued its goal of monitoring and implementing the best practices in the sector, making Banco Económico a benchmark in terms of human resources management.

The Bank has continuously invested in training its Employees, contributing to developing skills and to creating new career opportunities.

Associated with this objective, in 2018, the process of consolidating internal processes implemented in previous years continued, making the Bank closer and more efficient in the support and services provided to its Employees.

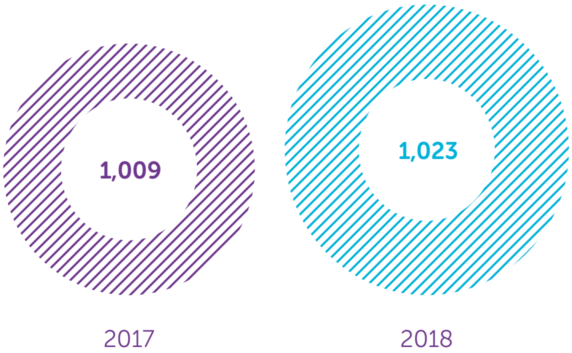
As it considers that its Employees are one of Banco Económico's most important assets, the activities of the Human Capital Department focused on implementing a set of projects to support the Bank's activities, namely associated with updating work tools and training and capacity-building. Within this scope, its training plan was completely restructured, implementing a behavioural and technical training programme, as well as designing structural policies to strengthen the Bank's culture.

In addition, there was an investment in improving working conditions and promoting a culture of meritocracy, thus ensuring high levels of skill and motivation, and reinforcing Banco Económico's values.

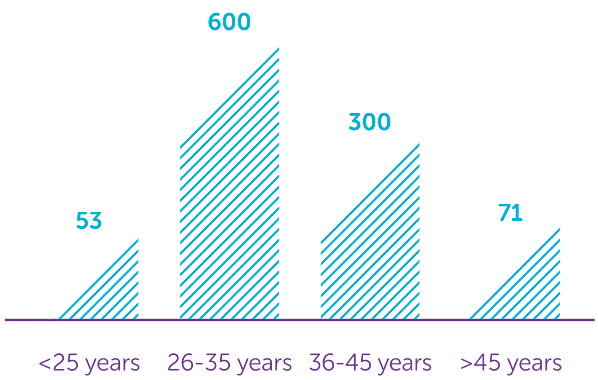
Regarding the scope of the activities of each area that constitutes the Human Capital Department, there was a concern and care so that the various ongoing projects were executed in a solid and consistent manner, guaranteed a positive impact on the institution and were aligned with the Bank's strategic vision.

Human Capital in 2018

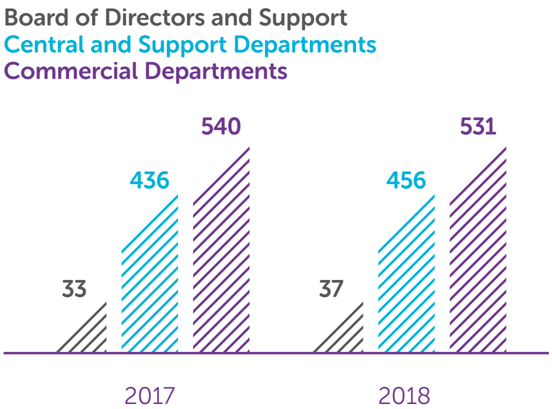
In 2018 there was a 2% growth in the Bank's number of Employees, reaching a total of 1,023 Employees. Additionally, Banco Económico's commitment to qualifying and training its human resources is evident, as 55% have a higher education degree and 12% are currently pursuing a university degree.



Number of Employees



Employees by Age Group (2018)



Employees by Functional Area

Employees by Functional Area

In 2018, Employees distribution, either by gender or nationality, remained stable, with 55% of Employees being male and 97% of Employees being Angolan. The Bank confirms its multiculturalism by integrating Employees from different countries, such as the United Kingdom, Cape Verde, São Tomé and Príncipe, India, Mozambique and Portugal.

Employee Qualifications (2018)

31%
Secondary Education

1%
Bachelor's Degree

12%
Attending University

55%
Higher Education

Employees by Gender

45%
Female Employees

55%
Male Employees

Employees by Nationality

3%
Employees of Other Nationalities

97%
Employees of Angolan Nationality

Reception and Integration

Reception and Integration are an integral part of the stages of the Employee's organisational socialisation process, aimed at getting him or her to know the institution's culture and values, as well as what is expected of him/her as a member of the Bank.

Bearing in mind the importance of this process, during 2018 Banco Económico revised its Reception and Integration policy, in order to create the best conditions for welcoming its new Employees, as well as to contribute to effectively developing a sense of belonging.

"Reception" is understood as the first contact of the Employee as an effective member of the Bank, and it is at this stage that the Employee is introduced to the institution's culture and values, initiating the "Integration" process. The latter aims for new Employees to acquire in-depth knowledge about their duties and their positioning inside the Bank, which is naturally a longer and more continuous process.

The Reception and Integration process is mandatory for all new Employees who are hired on to Banco Económico, and is divided into 3 main moments:

Pre-admission: interaction with the new Employee from the moment he/she accepts Banco Económico's proposal to his/her effective hiring.

Hiring: interaction with the Employee on his/her first days of work at Banco Económico, with a process of reception to the Bank and reception to the job.

Integration: interaction with the Employee during the first 6 months of activity at Banco Económico.

The Human Capital Department is responsible for triggering a set of actions in order to ensure that the reception and integration of new Employees is carried out in accordance with the corresponding functional framework. In order to guarantee a process that is as close and personalised as possible, Banco Económico has outlined three types of process:

General: Considers all Employees hired on to work at the Bank, with the exception of the Management Group and Employees who will be allocated to the other provinces.

Management Group: Considers all Employees hired to take up Management duties, regardless of their respective area of activity.

Provinces: Considers all Employees hired to work in the provinces, where Banco Económico is present through its branches.

Furthermore, and transversally to all new Employees, the reception and integration process is also composed of a set of mandatory training courses on relevant topics, both for the performance of their respective duties and for training on issues crucial to the Bank's sustainability and good image: FATCA, AML, Compliance Principles, Operational and Reputational Risk, among others.

Vocational Internship

Banco Económico is constantly looking for new talents and professionals capable of adding value to the Bank's activity. As such, it offers Vocational Internships which consist of getting a new Employee to work at various departments considered relevant to his/her duty, with the following objectives: i) promoting a better integration of the Employee; ii) getting to know the business areas and consolidating knowledge based on the Bank's reality and, iii) getting to know the practices, methodologies and procedures of the commercial processes in the business and operational areas, based on market and Bank specificities.

The duration of the Vocational Internship is variable, and established based on Employee experience, as well as the number of departments that must be experienced, this information being set forth in the Vocational Internship registration form.

Performance Assessment

Banco Económico's culture is based on meritocracy. In this regard, the performance assessment process is of paramount importance, contributing to developing and growing its Employees and, as a result, of its activity. The Bank has a sufficiently established, solid and transparent performance assessment cycle.

The performance assessment process is particularly important, since it acts as a cornerstone of the Employees' personal and professional development, fosters their motivation and contributes to assessing the degree of compliance with the proposed objectives. In turn, the existence of motivated and duly trained Employees will promote the growth of Banco Económico's activity and income.

In order to ensure maximum transparency throughout this process, the Human Resources Department starts the Performance Assessment Cycle by informing all Bank Employees. This information specifies the dates to be considered for completing each assessment stage, as well as any changes to the skills to be assessed. Banco Económico has implemented a formal performance assessment process that covers the entire Bank, called the Performance Assessment Cycle.

Performance Assessment Cycle

I. Skills Review
Review process of the Employee assessment form criteria, as well as of the behavioural and technical skills subject to assessment.

II. Head Positions Assessment
Employees can complete a closed-ended, voluntary and anonymous questionnaire on the performance of their immediate superior.

III. Self-assessment
Employees must complete a self-assessment form, which aims to reflect on their performance, strengths and opportunities for improvement.

IV. Top-Down Assessment
The immediate superior/evaluator fills in the Employee evaluation form, taking into account the analysis of the performance shown by the evaluated person.

V. Alignment Meeting and Evaluation Interview
Meetings held to validate the classifications attributed to the Employee in the Top-Down Assessment stage. These meetings are designed to ensure alignment between evaluators.

VI. 2nd Level Management Review
Validation of the marks attributed during the previous phases.

VII. Harmonisation Meeting
After closing the assessments, the Human Capital Department holds a series of meetings with the evaluators of each Department, so as to examine the results of the assessment, identify the improvement activities appropriate for the Employee and detect any situations of inconsistency.

VIII. Communication of the Assessment and Creation of the Personal Development Plan
Scheduling a face-to-face meeting, where the final result of the skills assessment is communicated to the Employee. The Employee's Personal Development Plan must be prepared in the assessment meeting.

IX. Assessment Confirmation
The Employee must formally confirm that he/she is aware of the result of the Skills assessment.

X. Biannual Follow-up Meeting
A follow-up meeting must be held with the Employee every six months. The purpose of this meeting is to analyse the Employee's performance during the first half of the year, as well as to identify areas for improvement for the second half of the year.

Training and Development

Banco Económico acknowledges that the development and updating of Employees' individual knowledge and skills are essential conditions for their satisfaction and professional fulfilment, as well as for the sustainable growth of the institution. Therefore, the Bank has revised its training policy in order to become a benchmark in this area, increasing its ability to attract and retain talent and optimising its investment in training its human resources.

Banco Económico advocates a culture of development and learning, based on the following pillars:

01. Learning

Promote across-the-board learning to all Bank Employees, with the aim of boosting Employees' growth, allowing for career development with integration, promotions and internal mobility.

02. Talent Promotion

Talent development, understanding which career path the Employee should pursue in the following years. It also includes promoting internal talent by adopting progression axes such as internal mobility, valuing Employees and increasing their motivation.

03. Integrity and Cohesion

Integrate professionals in the goals of the Bank and of the functional area where they are placed.

04. Critical Spirit

Improve occupational performance, by motivating and promoting team spirit, initiative, critical thinking and the quality of the work to be carried out.

05. Customer Satisfaction

Empower Employees so that they can respond to Customers' needs and contribute to the efficiency, effectiveness and quality of the services provided by the Bank.

06. Formative and Informative Culture

Contribute to improving individual performance, personal, cultural and professional fulfilment, by preparing Employees to perform several duties.

In order to ensure the fulfilment of the institution's strategic objectives, Banco Económico has stipulated a set of guiding principles that serve as a basis for operationalising the Bank's Training Policy:

Strategic Alignment

Aligning the Policy with the needs and objectives of the business, guaranteeing training programmes geared to the development and performance par excellence in the different duties and/or levels.

Employee Development

Focusing on motivation and professional enrichment, valuing specific needs and learning processes.

Continuous Training

Developing the training offer according to different levels of detail, complexity and by topics, which must be properly adjusted to the identified segments and effectively addressed to the needs of the Bank and its Employees.

Hands-on Training

Focusing on hands-on training to the detriment of purely expository, theoretical and classroom training, enhancing Employees' knowledge through practical activities.

Accountability

Possibility of measuring actual results of the training, through assessment models that verify the acquisition of knowledge.

The Bank's Training Policy was structured in two training paths (Commercial and Central Departments) that respond to the needs for developing specific skills for each career level, namely: Technical and Behavioural Skills and Business Knowledge. In order to enhance the results of the training activities, these have been developed in five different formats:

Classroom Training

Training sessions traditionally held in training rooms

E-Learning

Training that takes place via a computer platform, with no face-to-face meetings between trainers and trainees.

On-the-Job

Training developed directly at the Employee's workplace, based on the specific needs of his/her work environment.

Experiential (Hands-on)

Training carried out through the practical application of concepts that must be grasped.

Promotion Activities

Training actions of an experiential nature that allow for developing skills through practical activities, such as games.

The construction of Banco Económico's Annual Training Plan is based on an exercise in diagnosing the needs felt by all areas of the Bank regarding the existence of training activities.

In addition to the training needs resulting from the diagnosis carried out with all those responsible for the Bank's different Areas/Services and, due to very specific and targeted learning specificities, Banco Económico's Annual Training Plan includes:

Legally Required Training

Training on risk management, internal control system, and money laundering and financing of terrorism.

Training Proposed by the Bank's Cross-cutting Areas

Training requested i) following the needs identified to obtain certain specific skills in order to comply with the Board's objectives, ii) for acquiring knowledge about new processes, new products and services to be provided by the Bank, or, iii) for acquiring knowledge about new computer applications being implemented at the Bank.

Training Proposed by the Bank's Board of Directors

Training focused on the Bank's strategic and development objectives, being requested following identified needs to obtain certain specific skills

Employees' Individual Requests

Correspond to the indication of training by the Bank's Employees, showing the need to update or even acquire new knowledge.

73%

Increase in Training Hours Volume Compared to 2017

The Annual Training Plan is approved by the Board of Directors, together with the Human Resources Management Commission. After approval of this Training Plan, the Human Resources Department communicates and publishes it to the Bank's entire internal structure as the dates for the corresponding training activities approach.

Throughout 2018, the statistics of the training activities developed by Banco Económico demonstrate that this is indeed a priority area for the institution, thus ensuring the development of the professional and personal skills of the Bank's Employees.

	2017	2018
Management Area	987	1,974
Coordination Area	1,495	3,474
Technical/ Specialised Area	3,494	5,199
Operational Area	1,813	2,995
Support A rea	163	144

Volume of Training Hours

Excel, SAP, Banking Techniques, ORACLE, Finance, Credit Recovery, Auditing, Agile Methodology, Financial Calculation, Financial Analysis of Banks, Assets and Liabilities Management...

Examples of Programme Contents for 2019

— Financial Calculation in Uncertainty Scenarios

— Credit Recovery Analysis and Techniques

— Corporate Economic and Financial Analysis

— Bank Risk Management Risk Governance in Information Systems

— Trade Finance

— Internal Audit

— Legislation, Contract and Mortgages

In addition to developing the Annual Training Plan, Banco Económico is committed to implementing/restructuring some projects that aim to reinforce the continuous training of Employees, integrating them more effectively in the institution and giving them the bases for developing their careers at the Bank.

"Balcão Escola" Project

Banco Económico's investment in training and development was also proven by the restructuring of the "Balcão Escola" project, which started in 2005. In the beginning, this project was aimed at the new Employees who joined the Bank's commercial areas. In 2018, the aforementioned project was adapted in order to fit a new reality, as the recruitment of the Bank is currently more geared to internal/support areas than to commercial areas, as was the case in 2005.

"+Talento" Programme

In 2018, the "Balcão Escola" project is followed by the "+ Talento" Programme This training programme, which is expected to last 2 years starting in April 2019, aims to reinforce the Bank's culture.

This Programme is based on three action pillars: i) Banco Económico DNA: Promote a feeling of belonging and greater alignment between Employees and the Bank's way of acting, ii) Management and Leadership: Develop leadership skills and, iii) Focus on the Customer: Build a culture of service par excellence to Banco Económico's Customers, reinforcing its brand and positioning.

Employee Benefits

In addition to the Employees' salary and to the Bank's investment in their training and development, Banco Económico has also provided a number of benefits for its Employees and their family members.

Banco Económico is focused on continuing to value its Employees and guarantee their well-being, as they are one of the institution's main assets.

Health Insurance

The Tranquilidade Advance Care Health Insurance covers all Banco Económico Employees and members of their household. This insurance covers outpatient, inpatient, medication, medical evacuation and repatriation, maternity and travel assistance coverage, and includes a network of providers in Angola, Portugal, South Africa and Namibia.

Mortgage Loans

Banco Económico provides its Employees with access to mortgage loans with more advantageous conditions, including the acquisition of their own housing, land for construction, construction and maintenance works, improvement and expansion of permanent own housing, among other possibilities.

Leasing Credit

Banco Económico provides its Employees with access to leasing credit with more advantageous conditions, including the acquisition of new vehicles for their own use, new generators for their own use and used vehicles or generators, in situations of recovery due to Customer default and/or vehicles of the Bank's fleet.

Consumer Credit

Banco Económico provides its Employees with access to consumer credit with more advantageous conditions, including the purchase of goods and equipment for current use and a non-luxurious nature.

3.3. Marketing and Communication

Banco Económico has been developing a solid marketing strategy, to communicate the Bank's projects to the different segments of Customers, partners, stakeholders and Angolan society.

By relying on a specialised and multidisciplinary team, Banco Económico's marketing activates several communication tools to publicise institutional campaigns, corporate social responsibility programmes, and launch new products and services.

It is also in the marketing department that cultural activities presented at the Banco Económico Gallery and Auditorium are organised and developed.

Advertising

Anniversary Deposit

Deposit referring to the anniversary of Banco Económico, for retail customers and companies. This deposit, with a maturity of 3 months, consisted of increasing rates from 4% (1st month) to 22% (3rd month).

Flexible Income Deposit

The savings concept still faces some challenges in the Angolan market.

In line with the Bank's objectives of being an active agent in promoting greater inclusion and financial literacy in Angola, this deposit favoured longer-term subscription modalities, in order to encourage the creation of more sustainable savings, with a more attractive return rate.

With a return rate of up to 12%, it allowed immediate access to an overdraft limit on the current account, in cases where the Customer unexpectedly needs liquidity.

This term deposit reflects another step in Banco Económico's commitment to creating innovative and competitive products and services, which generate added value for Customers and contribute to developing the Angolan banking industry.

World Deposit

Banco Económico was inspired by the 2018 Football World Cup to launch the World Term Deposit, with a maturity of nine months, with an increasing rate of up to 18% and with the possibility of a bonus of more than 2% upon deposit renewal.

The Bank developed a strong audio-visual campaign to increase its impact, namely: television, radio, printed press, digital media, Bank branches and Outdoors

Personal Loan

This personal loan product was first marketed in August 2018, chiefly aimed at reinforcing Banco Económico's credit offer, thus responding to consumer needs on the Retail Customer side (namely those belonging to the retail and affluent segment). In addition, with this product, the Bank intended to reinforce the loyalty levels of its current Customers, attract new Customers and boost cross-selling businesses, namely by attracting salaries, transactional channels and insurance.

Raízes Deposit

Term deposit exclusively for Customers of branches located outside Luanda, created to facilitate access to savings products for lower-income population groups or for those less inclined to save.

With this term savings application, the Bank aimed to attract new customers, foster the habit of saving and mark a greater local presence of the Bank in each province with a local communication appealing to traditional habits and roots.

Xyami Sale Deposit

Special offer for the Xyami branch during the Xyami - Nova Vida sales campaign period from 14 September to 21 October 2018, with special benefits for new customers and promotional term deposit for new resources.

The product also included offering a smartphone for every 50th subscription and balance discount for taking out Car insurance.

Easy Receipt

A service that allows companies to submit, through EconomicoNet, the necessary information to manage their customers' payment data, allowing the latter to be available for payment at Banco Económico and in all channels of the Multicaixa Network.

This way, Banco Económico developed a complete solution that exempts companies from the costs inherent to developing treasury management tools, becoming the only Bank with a fully integrated solution.

Domestic Servants' Insurance

Personal Accident Insurance designed to guarantee domestic employees, drivers, among other people who provide services at our customers' homes, a level of protection in the event of incidents that result in expenses with medical treatment, death or permanent disability and temporary incapacity due to hospitalisation.

The Bank's goals with this product were to expand the insurance product base and provide a range of additional protection products that provide financial comfort to customers.

Unitel Pension Fund

The Unitel Workers' Pension Fund is an option complementary to Social Security that guarantees access to future savings, safeguarding the employee's quality of life at retirement age.

It is a Closed Fund, reserved for Employees, and with a Contributions Pension Plan, i.e., with Employees and UNITEL as the sole funders of the Fund, contributing jointly, every month, to creating and increasing their assets.

Fairs and Events

In addition to holding promotional campaigns for products and services, Banco Económico has also developed several activities such as participation and support to fairs and events that allow for brand awareness in the market, the presence of bank staff at conferences and congresses, as well as the development of its own initiatives; these activities enable reinforcing the brand's strategy as a relational bank, looking for moments of proximity with its customers and potential customers in different environments.

01.
Congress of the Medical Association

Held from 25 to 26 January 2018, at the Talatona Convention Centre, in which the Bank participated as sponsor and exhibitor.

02.
1st Congress of the Doctors' Union in Angola

Congress for doctors and medical students, intended for public presentation of the draft of the Union's Articles of Association. Took place on 27 January 2018, at the Royal Plaza Hotel, sponsored by Banco Económico.

03.
Formal session of the 1st National Production Congress

Event that took place on 13 April, at Casa de Viana, for the presentation, to the Congress, of the programme of the Confederação Empresarial de Angola "CEA" and of the "1000 Projectos" campaign. The Bank attended as a sponsor of the Congress.

04.
Benguela International Fair

Fair that took place on the 16 and 20 May, at the Ombaka stadium. The Bank participated in this event as an exhibitor, promoting the World term deposit and Leasing solutions.

05.
International Embassies Fair

Took place at the Armed Forces Museum, between 24 and 26 May, and had the institutional support of Banco Económico. This was the 2nd edition of FIE, in reference to the 55th anniversary of the Foundation of the Angolan Unity Organisation.

06.
International Banana Fair

Took place between 14 and 16 June, at Bengo province. The Bank participated in this event as an exhibitor, promoting the opening of accounts and the World term deposit.

07.
1st National Production Congress

Event that took place between 27 and 28 June at Casa de Viana, organised by CEA, with the aim of supporting and promoting the relaunch of the national economy diversification programme.

08.
8th Banking Forum

Annual banking sector meeting, held on 29 June at the Epic SANA Hotel, in Luanda. "What is the best foreign exchange scheme for Angola?" was the main topic of this year's edition, which brought together professionals and authorities of the sector, entrepreneurs and senior managers.

09.
Expo-Kongo

Took place between 5 and 8 July, at Mbanza Kongo city, Zaire province, an event to which the Bank provided institutional support.

10.
Luanda International Fair (FILDA)

Multi-sectoral fair that took place for the first time in the SEZ (special economic zone), between 10 and 14 July. The Bank participated in this event as an exhibitor, promoting the opening of accounts, term deposits

11. Expo-Huíla

Expo-Huíla took place between 8 and 12 August, in the city of Lubango.

12. Sponsorship of the Creating new Opportunities Workshop

Participation as institutional sponsor in UK Angola Chamber of Commerce, on 28 August.

UK ANGOLA
Chamber of Commerce

13. Job Fair at Agostinho Neto University

Held in Luanda between 3 and 5 September, aiming to attract recent graduates and trainees.

14. Jobartis Job Fair

Fair held in the HCTA between 7 and 9 September, aiming to attract recent graduates and trainees.

15.
Academic Fair

Catholic University of Angola

Event held between 10 and 14 September, with the main objective of opening of new accounts by the participants and of promoting digital banking.

16.
Investor Fair - CMC

Fair that took place between 3 and 5 October at Luanda's media library.

17.
2nd Scientific and Methodological Seminar of the National Air Force

This seminar took place between 18 and 19 October, at the Catumbela Air Base (Benguela).

18.
Capital Market Forum

Event sponsored by the Bank on the topic "The role of Investors in Economy Diversification" on 20 November at the Talatona Convention Centre.

19.
ABANC, Training on IFRS 9

Aimed at all associated banks, in partnership with KPMG, this training took place on 21 and 22 November 2018, at the Banco Económico Auditorium.

20.
Conference on Banking Digital Transformation

Promoted by the Economia & Mercado Magazine, this conference was sponsored by the Bank, and took place on 28 November, at Trópico Hotel in Luanda.

21.
Jazz at Kubico/ Fusion 2018

Alternative art movement held in Luanda, which gathered national and international artists from different sectors. The Bank participated in this event as a sponsor.

22.
Luanda Tennis Club

The Bank has contributed to the financing of deeper works by this Tennis Club, while taking advantage of this space for advertising its brand.

23.
Poetry Recital
The Roses and the Delights

Poetry recital organised by the Levarte Movement and supported by Banco Económico, exclusively for women on 15 March in celebration of Woman March.

24.
French-Speaking Month Short Films

Banco Económico supported the Alliance Française in organising a film festival of French-speaking short films with the aim of celebrating the month of French-speaking.

25.
Coffee with Books

Within the celebrations of the month of women, Banco Económico supported the Levarte Movement in organising the first edition of the initiative "CAFÉ COM LIVRO" with the topic "Representation of Feminism in Literary Writing".

26.
01 Untitled Art Show Room

Collective contemporary art exhibition, open from 21 March to 20 April, with works and artists in a rotation system that guaranteed a more dynamic cultural exhibition, bringing together more than 40 works by more than 20 artists, with diversified aesthetics and techniques, and different

27.
Yog'Arte

Banco Económico carried out yet another innovative activity to promote well-being, in a very special session of fusion of Yoga with art, providing a sharing of essential aspects for the female universe, to achieve greater self-awareness and quality of life.

28.
African Modernism Independence Architecture

The Bank and the Goethe-Institut Angola presented, from 28 April to 25 May, the photographic exhibition that included pictures of 80 buildings from five African countries and portrayed modernity, the search for identity and architectural boldness inspired by the achievements of their independences.

29.
2nd Edition Golf Tournament Invitational

On 22 September the Bank held the 2nd edition of the Golf Tournament at the "Golf Resort Mangais" with the aim of generating a moment of conviviality, in a sports context, and stimulating a sport that is attracting a growing number of players in Angola." The day ended with an award ceremony, at Banco Económico's Gallery, in a cocktail with lots of entertainment.

30.
Expo Wakpon

On 19 June the Alliance Française of Luanda presented an innovative exhibition of contemporary art, based on augmented reality technology, which included 10 representations of African cloths that hid more than 40 works by contemporary artists from Africa, only visible through an application created by the Zinsou Foundation.

31.
Ser Cidade Exhibition

Collective exhibition, which brought together four of Angola's most respected contemporary artists - Cristiano Mangovo, Nelo Teixeira, Ricardo Kapuka and Paulo Kussy - and two new Angolan talents, around a reflection on the existential concept of the city.

32.
Panorama Exhibition

First solo exhibition by Mónica de Miranda to be displayed in Angola. The exhibition included a total of 33 pieces of photography, some of them unpublished with topics related to affective geography, poetry of belonging and identity construction processes.

33.
Show Cooking Chef Ricardo Helton

On 7 December Banco Económico organised an exclusive event for Umoxi customers, commemorating the anniversary of this segment. The culinary experience was based on a fusion of Art & Gourmet .

3.4. Social Responsibility

Banco Económico is strongly committed to its Employees, but also to Angolan civil society.

Banco Económico positions itself as a benchmark institution in the context of developing social responsibility activities, with the aim of supporting both its Employees and civil society in general. As such, and with the goal of carrying out various social projects, Banco Económico created a Solidarity Fund that is financed through monthly contributions by its Employees. In addition to this monthly financial contribution, Banco Económico's Employees actively and voluntarily participate in various social responsibility activities. Throughout 2018, the Bank carried out several projects that had an impact on Health, Education, Sports, Environment, Culture and Arts.

... Banco Económico's Social Mission consists of Creating Value for a Sustainable Future in Angola.

Education

Health

Culture and Arts

Environment

Employees

Education AOA 43.8 million

External Scholarships

This project aims to guarantee access to quality education, help to reduce the school dropout rate and contribute to creating staff in Angola, helping people with greater financial difficulties. In 2018 the Bank granted 100 scholarships

Spelling Angola

This project aims to stimulate students' linguistic knowledge, encourage a taste for reading and mitigate academic difficulties. Eighteen schools participated in this contest, where participants have to correctly spell the largest number of words and their meanings.

Apprentices of Good

This project is the result of the commitment of five youngsters from the Municipality of Cazenga who decided to create a school, being supported by Banco Económico since 2016. The school is currently attended by 342 children and 40 adults. As part of the various activities promoted by the Bank, the "Económico return to school" initiative was developed in favour of the children of the "Apprentices of Good" and "Under the Tent" projects. Each child received a school kit consisting of notebook, pencil, pen, pencil sharpener, eraser and a game. Dusters, chalk and markers were offered to the school.

Health AOA 27 million

Drop by Drop Give Life to Those Who Need It

Since 2016, Banco Económico has held blood drives in partnership with the National Blood Institute, both in Luanda and in the other provinces, contributing to reducing the number of deaths. Eleven campaigns were carried out until 2018, which was the best year in terms of litres of blood collected.

Angolan Cancer Control Institute

In partnership with the construction company Zinia S.A., the Bank paid for the construction of a water reservoir for the entire hospital, as well as for the refurbishment of the paediatric unit's waiting room.

Donor Day Ceremony

An activity was carried out in the Atlântico cinema, in partnership with the National Blood Institute, on the topic of "Make a difference in someone's life, give blood and share life".

Sponsorship of the Municipal Hospital of Cacuaco

Protocol with the Hospital, aiming to mitigate the difficulties felt, donating material semi-annually and consumables quarterly. Banco Económico also agreed to promote several activities throughout the year (for example: Christmas Party), as well as to make visits to the Hospital.

Culture and Arts

AOA 6.9 million

Banco Económico Visits

This project aims to provide the children of the "Apprentices of Good" project with visits (for example: Currency Museum), promoting ethical, moral and educational values, expanding horizons and demonstrating that in the future they can "be whatever they want".

Miss World Angola Gala

This gala represented a beauty contest, whose winner participated in the "Miss World", held in China, which is the biggest beauty and culture event in the world. It should be noted that 10% of the box office receipts were transferred to help ANCAA (National Association of the Blind and Partially Sighted of Angola), an institution dedicated to supporting people with blindness.

Environment

AOA
2.0 million

Banco Económico Garden

The "Banco Económico Garden" project consisted of recovering and maintaining the garden located at the lane adjacent to the Head Office Building.

Sustainable Christmas

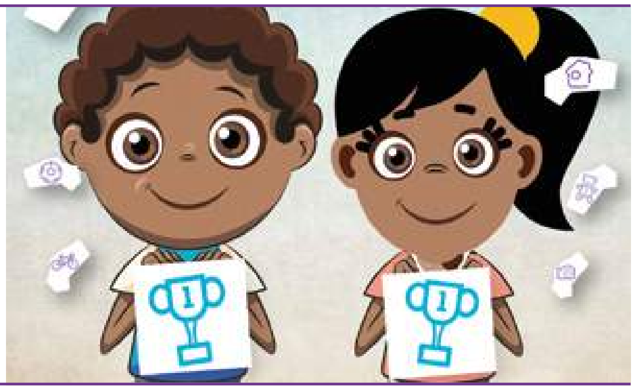
Banco Económico proposed a greener Christmas, raising the awareness of Employees and civil society to more sustainable consumption habits and to the importance of recycling. The Bank built a six-meter-high Christmas tree, reusing more than 700 plastic bottles. In addition, the Bank promoted several shows and concerts.

Employees

AOA
145.47 million

Staff Kids Savings

Aiming to promote the financial education of the Employees and their children, Banco Económico presented the latter with a junior savings product. There are currently 741 open accounts.



Doctor's Office

In order to facilitate faster and closer access to health care, in 2016 Banco Económico created its own Doctor's Office. In 2018 there were 432 medical appointments.

World HIV Day

Awareness campaign about the AIDS virus in the Bank's auditorium, alerting participants to the need to use condoms. A theatrical play was also performed, developed through a partnership with Grupo Henrique Artes.

Huíla Regional Museum

Banco Económico sponsored 1,000 catalogues called "The Secular Heritage of the Peoples of Southern Angola", which intend to disseminate the entire cultural collection of the museum and of the entire region.

Africa Day Celebration

In order to celebrate Africa Day (25 May), the Bank invited its Employees to participate in a series of activities that took place at Banco Económico's Head Office.

For a Year in Shape

Banco Económico, in partnership with Samora Fit, developed the project "For a year in shape", aiming to encourage Employees to practise sports and adopt healthy lifestyle habits. Three activities were carried out in 2018, involving Employees, family members and civil society.

Banco Económico Gymnasium

Banco Económico's Corporate Gym was created, aiming to promote the practice of physical exercise. This gym is managed in partnership with Samora Fit, and the Bank's Employees pay only a symbolic amount, which proceeds going to Banco Económico's Solidarity Fund.

Sports, Recreational and Cultural Group

In 2018 the Bank's Sports, Recreational and Cultural Group organised an internal futsal tournament and also an external tournament including teams from other banking institutions.

Since Banco Económico's Employees are the main agents of social responsibility, as well as the driving force of the institution itself, several activities were also developed in 2018 focusing on their families, in the areas of Sports, Culture and Arts, Financial Literacy, Society and Health.

Children's Month

In Children's Month (June), the Bank held an activity for the children of the Bank's Employees, which involved the participation of 300 children. This activity implied a cost of AOA 180,000, fully paid by the Bank.

State Housing Projects

Banco Económico embraced the project outlined by the Angolan Government, so that all Employees can purchase their own housing. In addition, the Bank provided access to mortgage loans with more advantageous conditions for its Employees, and 450 Employees applied to purchase their own housing.

Banco Económico Photography Exhibition

Photography competition for all Bank Employees, in which the winner's prize was a Professional Photography Workshop. The photos of the exhibition were auctioned off, and all proceeds went to "Casa dos Rapazes do Huambo". This institution currently houses 55 children, in addition to the help it provides to street children.

Support in Decease

The Bank provided support to its Employees when a direct family member (mother, father, spouse and children) was deceased. The Bank also supports the Employee's family members in the event of his/her death. In 2018 the Bank supported costs in the total amount of AOA 2.7 million.

Christmas Voucher

Banco Económico offered a gift to all its Employees, namely a card for purchases at Kero or Nosso Super stores worth AOA 20,000. This initiative cost the Bank around AOA 20.4 million.

Collective Internal Transport

Taking into account the traffic felt in Luanda, as well as the lack of public transports, the Bank created a collective internal transport. This transport consists of 6 cars distributed over 5 routes. The annual cost of this initiative is AOA 72.0 million.

Assistance to Employees

This assistance to Employees and their families is carried out through solidarity credits (amount assigned for a period of 1 year interest free) and outright grants (amounts assigned with no possibility of return). The Solidarity Fund granted approximately AOA 1.3 million.

Visit to the National Assembly

Guided tour to the National Assembly's Main Building aiming to inform participants about the Sovereign Bodies of the Republic of Angola. This initiative involved 26 children of the Bank's Employees and cost the Solidarity Fund AOA 39,000.

3.5. Awards and Recognition

In 2018, Banco Económico continued to be recognised as a Customer-focused bank. The Bank has been awarded for restructuring its organisation, revitalising its image and financing major projects in Angola. Banco Económico has also stood out for its pioneering spirit in the field of corporate social responsibility and financial inclusion, as well as in the evolution of its digital channels and the development of more advanced technological solutions.

2016

"Best Internet Bank Angola"

Global Banking & Finance Review Awards

"Best Bank Governance"

Capital Finance International Awards (CFI.co)

2017

"Best Mobile Banking Application Angola"

Global Banking & Finance Review Awards

"Best Bank Governance"

Capital Finance International Awards (CFI.co)

2018

"Best Mobile Banking Application Angola"

Global Banking & Finance Review Awards

3.6. Technology, Transformation and Innovation

General Overview

Banco Económico has been consolidating its position in the market by adopting a Customer segmentation strategy, developing increasingly digital products and services customised to the specific needs of each type of Customer and seeking to predict their consumption trends.

Alongside this segmentation strategy, and the strengthening of its policies, processes, methodologies and quality management, Banco Económico has been making significant investments in the technological area, namely in modernising its infrastructure, support systems and digital channels.

The work carried out by the Bank has contributed to growing and strengthening its operational model and the service provided to Customers. The goal will be to continue generating value in order to: i) be able to retain and derive greater value from current Customers and, ii) attract new Customers, belonging to the different segments.

As a result, throughout 2018, Banco Económico outlined its digital innovation strategy: B.digital. This strategy aims to reformulate and reinvent the Bank's brand, positioning and way of acting, making it a benchmark in the Angolan banking system regarding innovation and digital offer.

Banco Económico's Digital Transformation Programme

Taking into account Banco Económico's vision and the assessment of the market in which it operates, as well as its current position and that of its competitors, the following strategic priorities were outlined:

Attract New Customers with special attention to the Affluent, "Up mass-market" and SME segments, providing different, innovative and disruptive experiences.,

Capture More Value from the Customers base, providing innovative products and services based on digital solutions.

Increase Customer Retention by making the relationship with Customers closer and, above all, more active.

Differentiate the Brand by building Banco Económico's digital identity.

Improve Operational Efficiency by simplifying, automating and dematerialising processes, and subsequently reducing operating costs.

Strengthen Digital Channels by developing increasingly customised products that allow for remote and multi-channel operations.

Reduce Costs resulting from the ability to serve new Customers through the current branch network and reduce "cost-to-serve" by inducing self-service behaviours.

In order to address these strategic priorities, three main areas of action were outlined: i) Commercial Efficiency, ii) Digital Channels, and iii) Operational Efficiency.

The Bank's digital transformation requires that several pillars of the organisation be addressed, leveraging the technological component to boost business and activity. Therefore, and for the Digital Transformation Programme to be an actual reality for Banco Económico, 7 basic pillars were identified: digitisation approach, organic model, team and competences, work methodologies, culture, partnerships/fintechs and relationship with other entities (for example: BNA, EMIS, Telco).

Also noteworthy in 2018 is the project for modernising the existing core banking system Flexcube (Oracle), by introducing new developments and functionalities, with significant gains in operational efficiency, risk reduction and commercial efficiency.

Regarding infrastructure security, and in the context of improving network access control, the Bank redefined a more robust solution of equipment firewalls. Additionally, a Global Information Security Policy was approved and a coordinator for the Information Security Hub was appointed, who will be in charge of ensuring Policy compliance and of providing an adequate environment for developing the information security management plan. In addition to this policy, several standards and information security policies have been developed that should be approved throughout 2019. In 2018, the Bank was also committed to executing and validating the SWIFT Customer Security Programme 2018 mandatory controls, in order to comply with its standards.

Fully Digital Account Opening

Greater Efficiency, Simplicity, Speed and Convenience

The first results of Banco Económico's Digital Transformation Programme were already felt in 2018 through the availability of EconomicoNet and EconomicoNet App.

More recently, the Bank took a new step forward by adopting a new technological solution that has significantly simplified the account opening process. This became an innovative and totally dematerialised process, where the traditional paper forms were replaced with digital documents, which are now signed by Customers using a digital pen.

The benefits of this new account opening process are evident. It allows greater efficiency, simplicity, speed and offers greater convenience to Customers when they go to an branch to open their account, providing an experience par excellence in a traditionally painful process. In addition to these benefits, this new model also grants full mobility to Banco Económico's commercial teams, who are now able to open accounts at the Customer's preferred location, without the need to travel to Bank branches.

DIGITAL FUTURE

The digital universe is ubiquitous in global civilisation, the stage for every technology. Financial platforms spread knowledge and provide means for the most sophisticated banking operations, connecting people and companies in an easy, fast and secure way. Ensuring proximity, they foster the creation of wealth with a subtle combination between desire and reality.

BancoEconómico
Somos futuro

4

INTERNAL CONTROL SYSTEM

4.1. General Overview

The Bank acknowledges that, in the current context, the success of institutions depends not only on the managers' acumen for the business, but also on the ability to adapt to new trends and requirements, maintaining high standards of integrity and compliance. As such, Banco Económico has a robust Internal Control System duly aligned with the best international practices.

The Bank is determined to ensure that it conducts its activity in accordance with the highest ethical standards, putting into practice methods and behaviours that will make sure that the Bank's services are not used as a platform for operations outside legal and regulatory norms that govern the institution.

In this regard, in addition to the auditing duties of the Supervisory Board and of the Independent Auditor, Banco Económico, in line with the regulations in force, has implemented the Risk Function, Compliance Function and Internal Audit Function.

Risk Function

The Risk Function aims to identify, assess, monitor and report all materially relevant risks Banco Económico is exposed to, both internally and externally, so that those remain at appropriate levels and do not negatively affect the Bank's equity situation. To this purpose, the Bank has a solid structure for risk prevention and control, comprising the Risk Committee, the Treasury Committee, the Control Committee, the Risk and Credit Control Department, the Compliance Department, the Internal Audit Department, the Internal Control and Operational Risk Department and the Risk Management Office.

Compliance Function

The Compliance Function is responsible for ensuring that Banco Económico and all members of its Governing Bodies, Directors and Employees strictly comply with all applicable legal, statutory, operational, ethical and conduct requirements. In addition, it must also guarantee the compliance with the Bank's Compliance Policy, while assessing the processes for preventing and detecting criminal activity, including anti-money laundering and terrorist financing (BC/FT) As part of its duties, it must also plan, develop and maintain an effective relationship with regulators.

Internal Audit Function

The Internal Audit Function operates on a permanent basis and independently from any other function or unit, and its mission is to provide the Board of Directors with an independent guarantee of the quality and effectiveness of internal control, risk management and governance processes and systems. The work of the internal audit teams is based on the principles set out in Banco Nacional de Angola's Notice no. 2/2013 and on internal regulations, namely: Code of Conduct, Internal Audit Regulation and Internal Audit Manual.

As such, the various functions, guidelines, policies and procedures implemented by Banco Económico have contributed to continuously improving the Bank's Internal Control System, which is duly aligned with the best international practices, as well as for protecting the institution's value, solvency and reputation.

Key developments in 2018

Taking into account Banco Económico's focus on strengthening its Internal Control System, the following activities/initiatives were developed in 2018:

Policies and Procedures

1

Review of the Bank Process Catalogue;

2

Review of the Policies Catalogue / Manuals and Bank Regulations;

3

Formalisation and approval of the Policy on Conflicts of Interest, Related Parties Policy and Code of Conduct:

Conflict of Interests Code

This policy is based on the following principles: i) Ensure that Employees, while performing their duties, do not act to their own benefit, ii) Ensure the segregation of functions in order to avoid situations of conflict of interests and contributing to their adequate performance, iii) Ensure that the Employee abstains from using inside information.

Related Parties Policy

This policy is based on the following principles: i) Promote transparency and full respect as part of action with related parties, ii) Ensure the formalisation of processes, specifying the main mandatory and necessary conditions for the analysis of Related parties, and iii) Ensure the timely and clear disclosure of Financial Statements of the company in sufficient detail to identify the Related parties and the basic conditions for carrying out the transactions.

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 transparent management that is free of conflicts of interest.

Training

1
According to the Annual Training Plan, the training of Employees on matters of Compliance, Money Laundering and Financing of Terrorism was reinforced, as the Bank trained 926 Employees on these topics.

2
Workshops on Compliance and AML.

3
Review and approval of the Bank's Training Policy.

Systems

1
Implementation of solution to monitor the AML risk.

2
Acquisition of support application for process documentation and monitoring of improvement opportunities.

Reports

1
Submission of management and regulatory reports, namely:

- Reporting to the Central Tax Administration Customers with FATCA status.
- Periodic regulatory reports (CMC and BNA).
- Annual Corporate Governance report to CMC and of Corporate Governance and Internal Control System to BNA.

2
Response to KYC questionnaires from national and international entities.

Focus Areas in 2019

Promote the training and certification of Employees in the Control Areas

Develop a communication and awareness plan, transversal to the entire Bank, to root the Compliance culture

Consolidate the Bank's transformation plan to ensure process automation

Ensure the formalisation and periodic review of policies and processes

Establish the assessment of the Bank's Risk of Money Laundering and Terrorist Financing

Strengthen and deepen control processes for the risk of Money Laundering and Terrorist Financing

Implement a whistleblowing channel for possible violations of the Code of Conduct

4.2. Compliance Function

According to Banco Nacional de Angola, and as part of the Internal Control System of financial institutions, those must establish, in their governance structure, the Compliance Function and the corresponding position of Compliance Officer.

In order to strengthen and adapt financial institutions to international standards on Money Laundering and Terrorism Financing (BC/FT), Law 34/11 establishes the need to periodically implement and review the system for Preventing and Combating Money Laundering and Terrorism Financing.

In 2018, in order to reinforce the competences of this internal control function, and in accordance with regulatory requirements and international best practices, Banco Económico continued to adapt its Compliance Function processes, as well as to develop a set of initiatives integrated in the Bank's strategic plan.

Accordingly, in May 2018 the Bank initiated a restructuring process of the Compliance Function, based on 8 intervention pillars.

1 Bank Management Support

Management must repeatedly monitor the implementation and consolidation of all processes and programmes leading to the strengthening of the Risk Assessment Compliance Function.

2 Risk Assessment

The Bank must continue to identify, assess and monitor the risks inherent to processes with potentially negative impacts on the institution's objectives.

3 Code of Conduct

and Compliance Policies

The Bank must continue its efforts to standardise its work environment by disclosing and communicating its policies, rules and internal procedures, in order to ensure the full functioning of its activities, within acceptable standards of ethics and conduct.

4 Training and Communication

The Bank must adopt an institutional communication strategy (internal and external) that promotes knowledge of values, rules, policies and internal procedures. It should also invest in training and developing the human capital to better absorb the Compliance culture.

5 Internal Controls

The Bank must reinforce and consolidate control mechanisms, in order to achieve business objectives, the reliability of financial information and compliance with regulatory standards.

6 Whistleblowing Channel

The Bank must provide the opportunity for Employees and partners to be able to report situations of potential violation of the Code of Conduct, namely inappropriate conduct of Employees or third parties acting on behalf of the institution.

7 Due Diligence

The Bank must complete the process of detailed assessment of information from counterparties (Customers, representatives, suppliers, Employees) before, during and after contracting.

8 Monitoring

The Compliance Department must ensure a routine and permanent monitoring of the activity of the Bank's various areas in order to ensure that they continue to comply with internal rules and procedures, preserving the Bank's good image and reputation.

The Bank periodically provides all Employees with training on topics related to the Compliance Function, namely:

- Risk of Money Laundering and Terrorist Financing
- Applicable legislation on the prevention and repression of Money Laundering and fight against Terrorist Financing
- Procedures for identifying and reporting suspicious transactions to proper entities
- Internal Control and risk assessment System as part of the Prevention of Money Laundering and Terrorist Financing

Compliance Culture

Acknowledging the importance of maintaining an integrity, honesty, conformity and transparency behaviour as a principle of action, Banco Económico has invested in following the Compliance risk management principles by the various areas. The aim is to foster a true culture of Compliance when exercising the Bank's activity.

Principles of the Compliance Culture

Commitment

All Employees and members of the Bank's Governing Bodies must comply with any national and international legislation applicable to them, with an impact on their activity, as well as on the control of risks that may involve the payment of sanctions.

Ethics

The Bank's Employees and Management Bodies base their professional performance on high standards of integrity and personal honesty, complying with all legal, regulatory and internal provisions in force.

Transparency

The Bank has a set of duly disclosed codes, regulations, processes and procedures that guide its relationship with Customers, Employees and stakeholders, in order to guarantee the efficiency and quality of the products and services provided.

Strategy

Alignment of the Compliance policy with the Bank's strategy and long-term objectives.

Professionalism

Employees must carry out their duties with high levels of technical skills, in an efficient, neutral manner with absolute respect for the interests of Customers and of the Bank.

Diligence

Employees must act judiciously and prudently, in accordance with the principle of risk sharing, privileging the strict interest of partners, Customers and suppliers.

Monitoring

The Bank has a constant process to monitor the operation of the Compliance Programme, ensuring that it works according to planned.

Organisational Structure

In order to consolidate the development of the Bank's Internal Control System, and in line with best market practices, in 2018 the Executive Committee decided to review the strategic positioning of the Compliance Function at the Bank, through the merger of the Internal Control area with the Compliance Department.

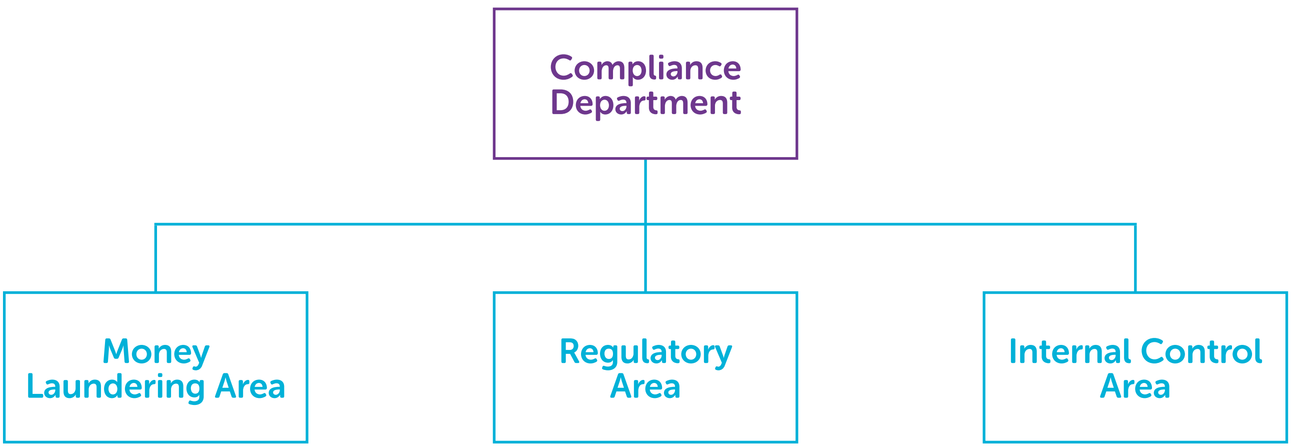
The new Department reports to the Internal Control Committee of the Board of Directors and its main duties are:

Ensure, together with the other Departments, the adequacy, strengthening and functioning of the Bank's Internal Control System, in addition to acting to prevent activities and conducts that may put the Bank's image at risk.

Reinforce Compliance, transparency and responsibility awareness and culture.

Banco Económico's Management has the authority and independence to develop its responsibilities, access to all relevant information held by the Bank, as well as the authority to conduct all necessary diligences to identify any risks, contingencies or breaches of compliance with the current regulatory framework.

The Compliance Department consists of a team of 14 Employees, which hold the following organisational structure:



Responsibilities of the Compliance Department

- Outline and implement processes in order to identify and assess the risk resulting from failure to comply with the legal obligations and duties of the institution.

- Establish processes to rectify the non-compliances detected.

- Outline and implement a work plan that restricts the activities to be carried out and proposes the approach according to the risk involved.

- Maintain a permanent and updated record of the rules the Bank is subject to, both internal and external, accompanied by the identification of those responsible for ensuring their compliance, and the record of non-compliances detected.

- Control the processes of prevention and detection of criminal activities, namely the prevention of Money Laundering and Terrorism Financing.

- Ensure that any request for information from the Financial Information Unit or any other monitoring or supervisory entity is promptly answered.

- Participate in all types of administrative or judicial procedures regarding the data collected in notifications made.

- Produce periodical reports on evidence or concrete situations of non-compliance with the rules of conduct in the relationship with Customers, as well as situations that may subject the institution or its Employees to transgression proceedings.

- Manage training plans for Employees and for the entities that support the promotion of the business.

- Properly document all processes associated with their field of intervention.

- Develop approaches, together with other functions of the institution, in order to achieve conformity between internal and external regulations.

- Prepare an annual report on the effectiveness of the institution's internal control and risk assessment system, as part of prevention of money laundering and terrorist financing.

Money Laundering Area

The Money Laundering Area's mission is to validate and authorise the account opening processes, through the Know your client Customers analysis. In addition, it must also monitor national and international transactions, as well as analyse the remaining counterparties (Employees, suppliers and correspondent banks). Finally, as part of its duties, it is also responsible for preparing reports to be sent to the FIU.

Regulatory Area

The Regulatory Area must ensure compliance with the regulations in force, as well as the Bank's legal standards (for example: Policy on Conflicts of Interest, Code of Conduct). Additionally, it also has the mission of monitoring the process of handling Customer complaints, as well as monitoring the process of launching new products.

Internal Control Area

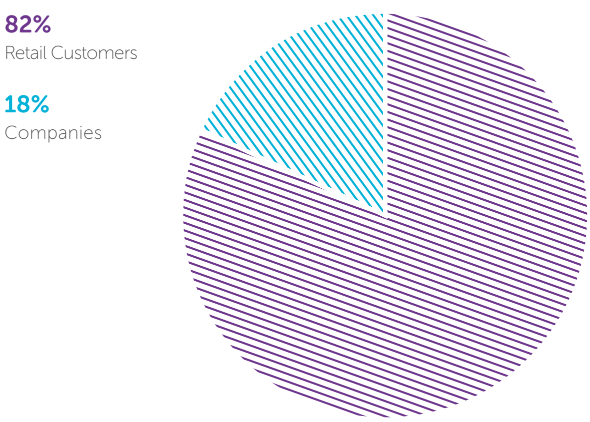
The Internal Control Area must prepare the area's Policies/Manuals/Regulations, as well as accompany supervisors and auditors in matters related to the Bank's Internal Control System. It also has the mission of monitoring the improvement opportunities determined by the External and Internal Auditor. Finally, it must also perform access management in business applications.

Monitoring in 2018

Considering the responsibilities attributed to the Compliance Department, the monitoring processes performed throughout 2018 are presented hereinafter.

I. KYC Analysis

In 2018, within the opening of accounts scope, the list of necessary documents was revised, and the corresponding form was changed. In accordance with the risk matrix established for Customer acceptance, the Compliance Department analyses and authorises high-risk Customers. In the analysed period, the Department authorised the opening of 10,453 accounts of retail and corporate Customers.



Accounts Opening

II. Analysis of Other Counterparties

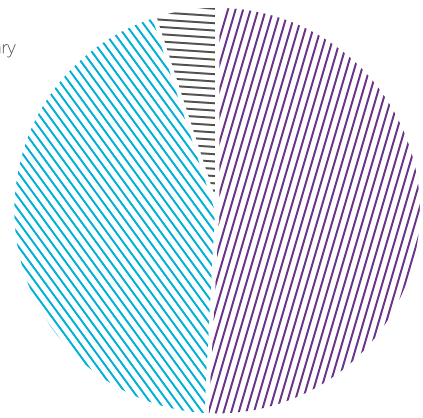
(Know your employee / Know your partner/ Know your suppliers)

Candidates to become Employees, suppliers, Customers of our Customers (operation beneficiaries) and the correspondent Banks were analysed at this point, reaching a total of 1,356 processes.

51%
Customers/Beneficiary

44%
Correspondent Banks

5%
Employees



III. Know Your Transactions Analysis

The following operations were monitored in 2018 in terms of transactions:

Withdrawal and deposit operations over 15,000 USD:
3,143 statements were analysed, and 4,361 transactions were reported to the UIF.

Foreign Operations (OPE)/Letters of Credit (CC):
10,825 OPE and 1,114 CC transactions were analysed.

IV. Reports

As part of the monitoring of compliance with reporting obligations to the BNA, to the UIF and to the remaining regulatory bodies, the following reports were produced in 2018:

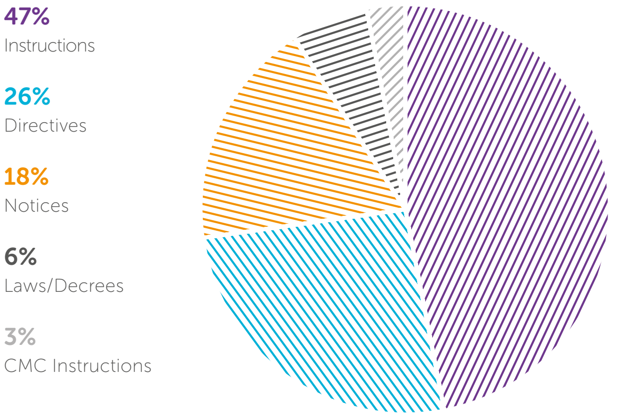
- Annual Report of the Compliance Function
- Daily report of the withdrawal and deposit operations equal to or over 15,000 USD
- Annual Report on Corporate Governance and Internal Control System
- AML and Compliance self-assessment questionnaire

In addition, the Compliance Department monitored all reports submitted to the regulators by the remaining areas.

V. Legal Acts

The Compliance Department monitored the implementation of 34 regulatory acts, most Notebly the following:

- Instruction no. 09/2018 Limits of Foreign Exchange and Goods Operations
- Instruction no. 10/2018 on the Delay in Sending Periodic Information
- Instruction No. 13/2018 on the Prevention of Money Laundering and Terrorist Financing in International Trade Operations
- Instruction No. 14/2018 on Remuneration of Deposits of Collateral Associated with Letters of Credit



Legal Acts

VI. Conferences/Workshops

During 2018, the Employees of the Compliance Department participated in several conferences and workshops on Compliance and AML, ensuring continuous alignment with the best international practices:

- 1st International Compliance Congress by the World Compliance Association
- 2018 ACCPA Compliance Conference
- Money Laundering Conferences: ENAD
- 4th Audit, Risk Management and Compliance Meeting
- of Central Banks of Portuguese Speaking Countries

VII. Complaints Management

Regarding the monitoring of the complaints handling process, the Bank recorded a total of 88 complaints in 2018, 90% of which refer to transfers in foreign currency.

VIII. Products and Services

In 2018 the Department examined 19 products, which, after conformity validation, were submitted to BNA's approval for licensing. We highlight the following:

- Flexible Income Deposit
- Staff Kids Savings Account
- International Income

4.3. Internal Audit Function

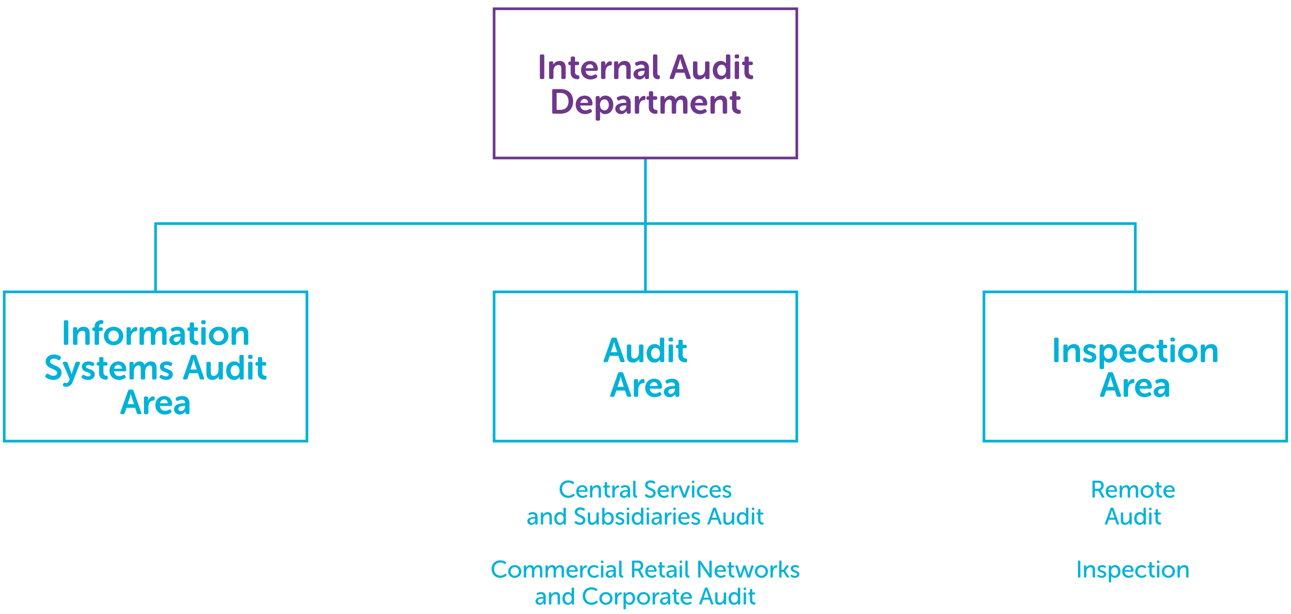
The mission of the Internal Audit Department is to ensure an autonomous and objective assessment of the effectiveness, efficiency and adequacy of the Bank's Internal Control System, considering the risk associated with each activity.

The Internal Audit Department acts permanently and independently of any other function or unit, with the mission of providing the Bank's Board of Directors with a guarantee on the quality and effectiveness of internal control, risk management (current or emerging) and governance processes and systems, thus contributing to protecting the organisation's value, solvency and reputation.

To do so, Banco Económico's Internal Audit teams are guaranteed full and free access to any information they need to perform their mission, engaging with all Bank bodies as well as with all subsidiaries of the Banco Económico Group.

The work of the internal audit teams is based on the principles set out in Banco Nacional de Angola's Notice no. 2/2013 and on internal regulations approved by the Management Body, namely: Code of Conduct, Internal Audit Regulation and Internal Audit Manual, the latter drafted based on international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors (IIA).

The Audit Department is organised according to the following structure:



Internal Audit Function

Responsibilities of the Internal Audit Department

Ensure an independent opinion on the Internal Control System to the Management Body.

Periodically examine and assess whether the Internal Control System, outlined and implemented by those responsible for the Bank's various structures and activities, are adequate and ensure that:

— Risks are properly identified and managed;
— Management, financial and operational information is correct, reliable and timely;
— Employees' actions are in compliance with the applicable policies, rules, procedures, laws and regulations;
— Resources are purchased economically, are efficiently used and adequately protected;
— The programmes, plans and objectives are successfully fulfilled;
— A quality approach and continuous improvement of the Bank's control processes are guaranteed;
— Legal and regulatory requirements are identified and properly addressed.

Evaluate risk models, as part of the use of internal rating systems, in accordance with existing regulatory requirements.

Follow up and monitor the measures adopted by management, regarding the implementation of the recommendations made and correction of the deficiencies detected.

Prepare a proposal for the function's strategic plan, within the framework of the Bank's global strategy and in the overall plan of actions to be carried out.

Perform internal and external fraud investigation work.

Formalise the criteria underlying its assessment of policies and processes.

Prepare a plan for each specific action, considering a comprehensive examination of all aspects related to internal control.

Support with documents the conclusions of the audit actions and accordingly update the set of permanent information associated with the audited processes.

Record, document and prepare information provision reports in an appropriate manner for all deficiencies detected

Issue recommendations following the actions, with subsequent monitoring of corrective measures

Include in its action the assessment of the risk management, compliance and quality of information provided to the Management Body functions

Implement and maintain a programme for continuously improving its activity that ensures the functioning of the Internal Audit Function in accordance with professional internal audit standards, the regulatory requirements for the function and the alignment with the expectations of the Management Bodies and other interested parties

Participate in the testing and implementation phase of various projects or initiatives adopted by the Bank

Centralise the data and applications migration certification process

Audits and Inspections

As proof of the high levels of precision, integrity and discipline which characterise Banco Económico's Internal Audit Department, 2018 was marked by the release of 78 audit reports, 19 monitoring reports and 25 inspections divided among the three Management areas.

Information Systems Audit Area

Audit Area

Inspection Area

Follow-up and conclusion of the 2017 Plan	Information Security	Corporate Governance
Risk Function	Governance of the Exchange Transactions process	Credit Cards
Operational Risk Governance	Business Centres and Service Points	Implementation plan monitoring of the various projects
Review of physical and logical accesses	Branches	SGA
Suppliers Management	Budget Management	Treasuries
Governance of the labour litigation process	Logística de aprovisionamento e património	Produtos disponibilizados aos Clientes
Gestão Fiscal	Supply and heritage logistics	Products provided to Customers

4.4. Risk Function

Banco Económico's Risk Function aims to identify, assess, monitor and report all materially relevant risks the Bank is exposed to, both internally and externally, so that those remain at appropriate levels and do not negatively affect the Bank's equity situation.

The Risk Management Office is responsible for guaranteeing support to the Executive Committee in risk management policies and practices, centralising the coordination of all necessary activities.

Taking into account Banco Económico's size and scope of action, as well as the multidisciplinary reality associated with its activities, it is exposed to different types of risks, varying in nature, origin and type of impact on the Bank's activity. The following risks are, therefore, considered materially relevant:

Strategic Risk

Concentration Risk

Operational Risk

Credit Risk

Reputational Risk

In addition to the aforementioned risks, the International Financial Department is also responsible for managing the following risks:

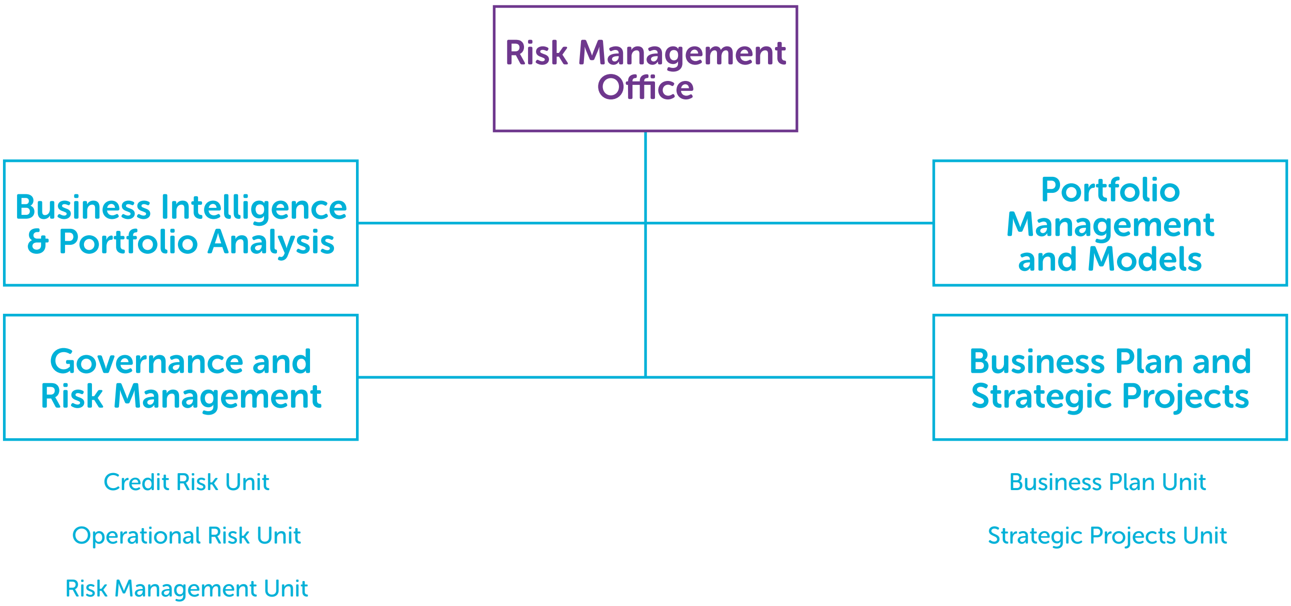
Market Risk

Liquidity Risk

Counterparty Risk

In accordance with best practices and regulatory standards, the Risk Function's main objectives are to monitor key risk management indicators, assess governance adequacy and evaluate the effectiveness of risk mitigation measures.

In view of the size of the institution and its scope of action, and taking into account the importance of preventing and controlling the risks inherent to banking activity, Banco Económico has structures complementary to the Risk Management Office, namely: Risk Committee, Treasury Committee, Control Committee, Risk and Credit Control Department, Compliance Department, Internal Audit Department, Internal Control and Operational Risk Department, and International Financial Department.



Indicator Monitoring

Taking into account the responsibilities of the Risk Function, throughout 2018, a wide range of monitoring actions were carried out on the various types of risk Banco Económico is exposed to. These actions were intended to monitor several indicators and corresponding exposure limits, taking into account the risk profile and alert limits previously established by the Bank.

Reputational Risk

- Negative references in the Media
- Information provided to Stakeholders (R&C)
- Customer Satisfaction Level (retail and corporate)
- Average number of days to handle customer complaints
- Number of disciplinary proceedings with a direct impact on the Bank's reputation
- Number of legal proceedings against Bank employees brought by people external to the Bank
- Number of Audited Deficiencies with a direct impact on the customer
- Number of BNA Fines
- Number of Fines from other government institutions
- Number of Social Responsibility Activities (Quarterly)
- Number of successful cyber attacks
- ATM Network Operability Rate
- Availability of electronic channels
- Average Service Level of the Branch Network
- Number of days for handling international transfers above the SLA

Interest Rate Risk

- Sensitivity of the Economic Value
- Sensitivity of the Net Interest Income

Credit Risk

- Real guarantees hedging ratio
- Hedging of credit overdue > 90 days by provisions
- Ratio of credit in default by > 90 days
- Hedging of credit overdue > 180 days by provisions

Liquidity Risk

- Funding limit in the interbank market
- Deposits ratio
- Immediate availability ratio
- Ratio of observation from 1M to 3M
- Ratio of observation from 1M to 3M for Foreign Currency

Counterparty Risk

- Investment in counterparties

Foreign Exchange Risk

- Analysis of sensitivity to exchange rates
- Foreign Exchange Exposure

Concentration Risk

- Deposits by entity (customer/economic group)
- Counterparty granting's (according to the Bank's FPR)
- Loans and Advances by Customer
- Concentration Ratio (HHI)
- Credit by Economic Group
- Major Risks Ratio
- Credit by Sector

Operational Risk

- Quantity of Reversals
- Open transactions Nostro Accounts
- Quantity of Cash Shortage and Surplus
- % GL Flex/DWH Reconciliation
- Number of Operations with Synchronisation Errors
- KRI surpassing activation limit / Total KRI

Strategic Risk

- Economic Trends
- GDP v Actual Projection
- Inflation Index
- Strategic Planning and Business Model
- Return on Equity (ROE)
- Return On Assets (ROA)
- Market Share (deposits)
- Other Risks
- Physical Security Risk

5

RISK MANAGEMENT MODEL

5.1. General Overview

In 2018, Banco Económico continued to focus on closely monitoring the various risks inherent to the Bank's activity, ensuring their effective management and treatment. The Bank's Risk Management Model consists of an integrated set of policies, procedures, limits, controls and systems, with the aim of identifying, assessing, monitoring and controlling the main risks the Bank is exposed to.

Risk Management Model

The Risk Management Model is presented as one of the components of the Internal Control System, being essential for the development, profitability and sustainability of the business, ensuring compliance with legal requirements and definitions, a correct determination of own funds and liquidity management adequate for the exposure to the various risks inherent in financial activity.

As such, Banco Económico has a duly solid Risk Management Policy, which establishes a set of guiding principles to support the management and monitoring of materially relevant risks as part of its activity.

This policy includes, on the one hand, the regulatory guidelines issued by the national supervisory bodies, in particular the requirements established by the BNA in Notice No. 02/2013, of 19 April, regarding the Risk Management Function and, on the other hand, risk management principles and best practices outlined by the Basel Committee on Banking Supervision. This way, Banco Económico ensures the efficiency and adequacy of its Risk Management Policy to the multidisciplinary reality the Bank is exposed to.

In order to establish an adequate risk management strategy, the Bank outlined its Risk Profile, which corresponds to the risks and risk levels the Bank intends to be exposed to. The main vectors of the Bank's Risk Profile include its strategic positioning, its structural characteristics and its degree of risk acceptance. The risk profile establishes the appetite and tolerance indicators for each of the Bank's risks. In addition, each of the areas responsible for risk management also has an additional set of indicators, which are regularly controlled and monitored.

The Bank's Risk Management Model allows for a more effective and efficient risk management, namely:

- Standardisation and formalisation of requirements for risk identification, assessment, monitoring and control
- Compliance with risk exposure policies and limits set by the Bank
- Response to the market context, by improving risk management and prevention, reducing losses related to unexpected risk

The implementation of the Risk Management Model, and in particular of the Risk and Compliance Functions, allows for integrated management of the various risks the Bank is exposed to, adequately directing the corresponding prevention and mitigation actions.

Within this context, the Bank outlined a set of structural values in order to minimise its exposure to risk, namely:

- Business conduction with integrity and independence from other functions
- Compliance with business objectives, profitability and growth projections
- Communication with the Customers in an objective, transparent and clear manner
- Maintenance of an open and cooperative relationship with the regulators

Guiding Principles

In order to guide the daily implementation and execution of the Risk Management Model, Banco Económico outlined a set of guiding principles in line with the Basel Committee, COSO and the best market practices.

01. Universality

Develop a risk management environment throughout the organisation, ensuring that the general risk management strategy and policies are effectively disseminated and assimilated by Employees;

02. Totality

Identify, measure, control and mitigate all risks inherent to products and business areas, on an individual or portfolio basis, as well as to characterise, execute and monitor the controls that mitigate them;

03. Adequacy

Adapt the Risk Management Model to the size, nature and complexity of the Bank's activity. It must be ensured that all Employees are able to perform their assigned functions effectively and efficiently and that they understand and promote the ethical and professional principles that govern the Bank;

04. Independence

Establish a governance model that ensures an independent Risk Management Model, allowing its results to be measured, evaluated and reported to the Board of Directors for decision making;

05. Segregation of Functions

Promote a clear segregation of functions between the business and risk areas. This segregation encompasses the differentiation of allocated resources and the hierarchical and functional independence of the two functions and of the elements that perform them, being also reflected upon the operations' life cycle;

06. Timeliness

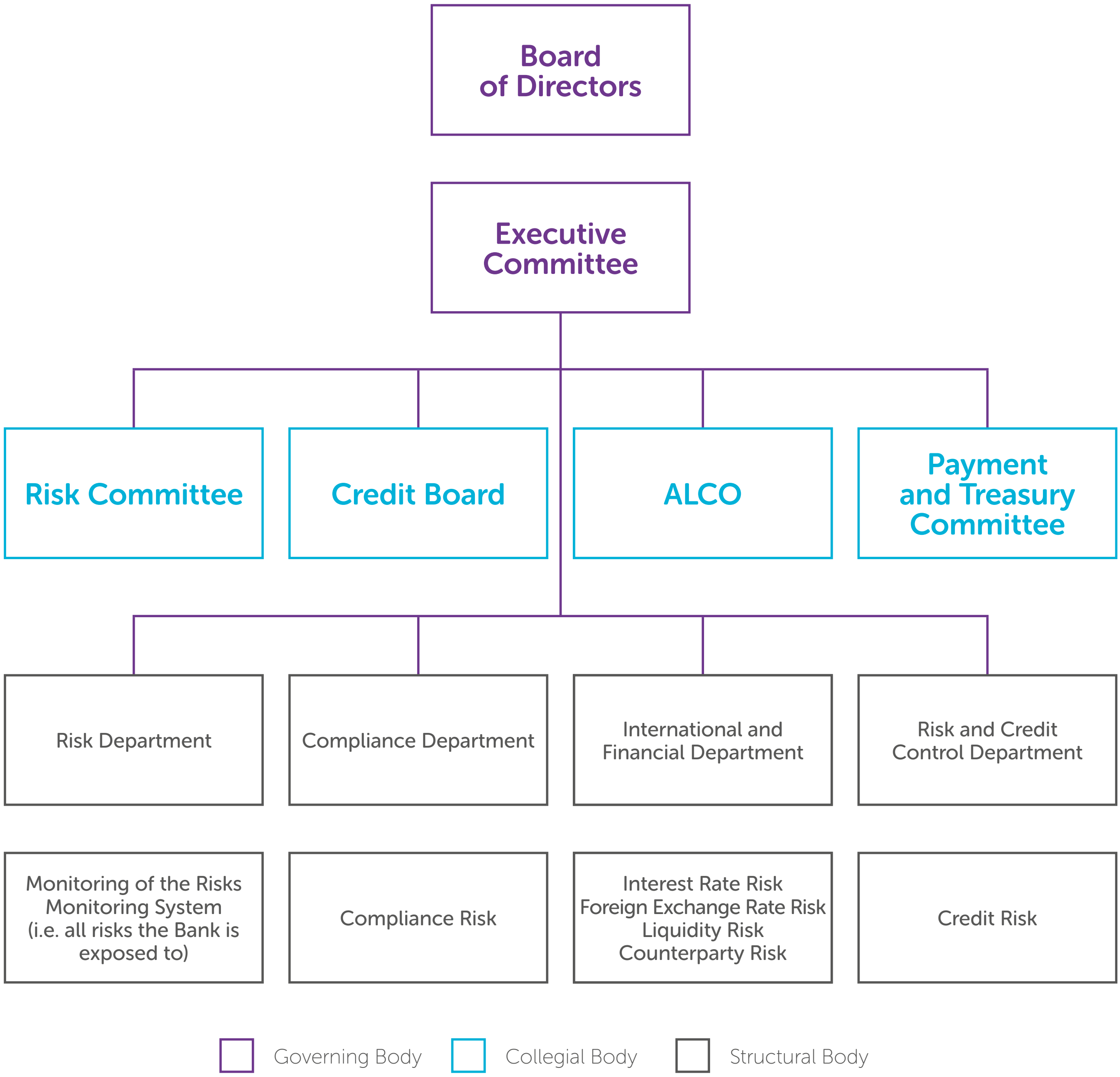
Ensure that activities within the risk management and internal control scope respect the rules and set deadlines, with any delays being immediately reported;

07. Homogeneity and Transparency

Ensure homogeneity and transparency in the application of outlined processes, by documenting/ formalising procedures.

Governance Model

Based on Banco Económico's organic structure, as well as on the need to ensure the correct implementation of the Risk Management Policy, the Bank outlined a risk management governance model, allowing for the participation of a diversified set of Bodies.



Recurrent risk management and mitigation activities are the responsibility of all Bank Managers and Employees, and are naturally supported by the mechanisms and functions of the Internal Control System.

Risk Management Cycle

In order to ensure an effective and efficient management of the various risks the Bank is exposed to, the Risk Management Cycle has been clearly outlined and is composed of 6 complementary activities: i) Strategy, ii) Identification, iii) Evaluation, iv) Mitigation, v) Monitoring and, vi) Communication.

01. Strategy

Outlining the Bank's strategy, objectives and risk profile, as well as analysis of internal or external factors that may imply the need to revise the Risk Management Model.

Intervening Parties: Executive Committee, Risk Committee, Financial and International Department

02. Identification

Identification of the needs for planning, implementation or change to the Risk Management Model, as well as identification of new risk sources and causes resulting from changes occurring in the context of the institution.

Intervening Parties: Risk Committee, Financial and International Department

03. Assessment

Planning and execution of inherent and residual risk assessment methodology This phase also includes the cost-benefit analysis or previous studies of the needs for revising and planning the Risk Management Model, based on its importance, complexity and implementation effort.

Intervening Parties: Risk Department, Risk and Credit Control Department, Financial Department, Compliance Department

04. Mitigation

Detailed designing and documentation of changes to be implemented in order to ensure the mitigation of detected weaknesses. Planning, execution and implementation of previously designed changes to the Risk Management Model.

Intervening Parties: Risk Department, Risk and Credit Control Department, Financial Department, Compliance Department

05. Monitoring

Monitoring of the subcomponents of the Risk Management Model, through the critical analysis of the internal and external evaluations carried out, and of the monitoring of indicators and action plans outlined to correct detected weaknesses. This phase also includes the systematisation of the results obtained and the documentation of the opinion on the effectiveness and adequacy of the Risk Management Model.

Intervening Parties: Executive Committee, Risk Department, Risk and Credit Control Department, Financial Department, Compliance Department

06. Communication

Outlining of the communication and training plans associated with the Risk Management Model and preparation of reports and opinions to report, internally and externally, the conclusions regarding the adequacy and effectiveness of the Risk Management Model.

Intervening Parties: Executive Committee, Risk Department

Types of Risks

Taking into account the multidisciplinary reality associated with Banco Económico's activities, it is exposed to different types of risks, varying in nature, origin and type of impact on the Bank's activity. The following risks are, therefore, considered materially relevant:

Strategic Risk

Reputational Risk

Operational Risk

Compliance Risk

Credit Risk

Counterparty Risk

Liquidity Risk

Market Risk

Concentration Risk

5.2. Strategic Risk

STRATEGIC RISK: risk of a current or potential impact on the Bank's earnings, capital, reputation or survival capacity resulting from changes in the surrounding environment, adverse strategic decisions, inadequate implementation of decisions or due to the inability to respond to social, economic or technological changes.

The Strategic Risk is classified by the Bank according to the following categories:

01. Economic Trends

Risks resulting from changes in the macroeconomic situation;

02. Strategic Planning and Business Model

Risks resulting from a different reality in view of the profitability, objectives and costs expectations;

03. Solvency, Liquidity and Capital Planning

Challenges for solvency, liquidity management and risks to comply with capital requirements;

04. Competition

Entry of new competitors to the market or new products launched by existing competitors. Expansion or diversification of competitors in different geographic locations. Innovation or competitive changes (such as new technologies or disruptive business models) that result in decreased profitability;

05. Regulation

Risk for the Bank's business, capital or sustainability due to regulatory changes;

06. Reputation

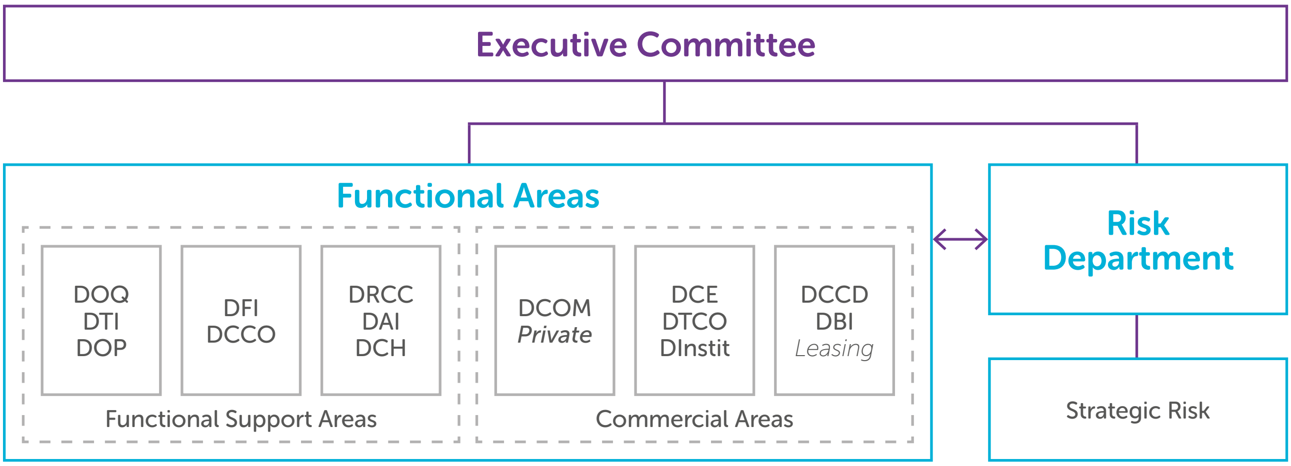
Management of Customers complaints and of the use of social media and networks to manage the way the Bank is perceived in the market;

07. Other Risks

Risk represented by large-scale fraud, physical security, risk of social unrest, risk related to fixed assets.

Governance Model

Banco Económico's Strategic Risk management involves the articulation between several organisational functions, namely: Board of Directors, Executive Committee, Risk Department and Functional Areas (i.e., functional support areas and commercial areas).



DOQ: Organisation and Quality Department
DTI: Information Technology Department
DOP: Operations Department
DFI: International Financial Department
DCCO: Accounting and Budget Control Department
DRCC: Risk and Credit Control Department
DAI: Internal Audit Department
DCH: Human Capital Department
DCOM: Commercial Department
Private: Private Banking
DCE: Companies Commercial Department
DTCO: TOP Corporate and Oil & Gas Department
DInstit: Institutional Department
DCCD: Cards and Direct Channels Department
DBI: Investment Banking Department

01. Responsibilities of the Executive Committee

The Executive Committee has ultimate responsibility for strategic risk management, and is also responsible for effectively implementing the risk management structure.

- Establishing and ensuring the implementation of the strategic risk management structure;
- Obtaining shareholders' commitment to the strategies envisaged for the Bank;
- Ensuring the segregation of the strategic plan for business and non-commercial areas;
- Ensuring the proper execution of the strategic plan, by allocating adequate resources for carrying out all the necessary functions and tasks;
- Approving the implementation and monitoring the results of the performance evaluation system.

02. Responsibilities of the Functional Departments

The Functional Departments support the Executive Committee in formulating and implementing strategies and contribute to the planning and strategic management processes.

- Assist the Executive Committee in formulating strategies regarding the areas under its responsibility;
- Ensure that its departmental activities are in line with the Bank's strategic objectives;
- Ensure that the department's risk management practices and controls are consistent with the Bank's strategic risk management structure, and that departmental policies, processes, procedures and human resources are fully operational;
- Annually review its policies and governance models;
- Conduct regular performance analysis, monitoring departmental performance against desired results and recommending corrective actions.

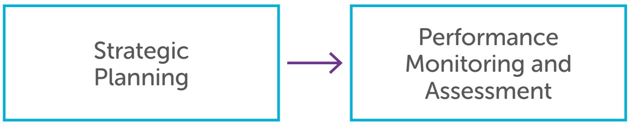
03. Responsibilities of the Strategic Risk Function

This function is currently performed by the Risk Department, and its purpose is to support the Board of Directors and the Executive Committee in managing the Bank's strategic risks.

- Coordinate with the various functional departments in developing the Strategic Business Plan;
- Identify, assess and report strategic risks posed to the Bank through the Strategic Risk Report;
- Perform stress tests for strategic planning and risk management purposes;
- Monitor and assess the implementation of the strategic plan, presenting the results every three months;
- Help the Executive Committee and functional departments to manage changes necessary to implement new strategies;
- Report to the Executive Committee on strategic risk deficiencies.

Strategic Risk Management Process

Banco Económico's Strategic Risk management process considers the existence of two key elements:
i) Strategic Planning (i.e., Business Plan) and, ii) Performance Monitoring and Assessment.



Strategic Planning

Banco Económico prepares the Business Plan with the purpose of outlining the Bank's path/focus for a period of 3 years and establishing medium- to long-term objectives. The Business Plan is thus a complementary piece to financial planning.

The Business Plan allows the Bank to identify and assess potential risks, such as the risk represented by the requirement for additional provisions, the deterioration in certain sectors of the economy, changes in the financial support provided by the State or changes in regulatory requirements for reserves. It is reviewed annually, in order to guarantee its effective adequacy and in order to anticipate any updates that may be necessary.

Strategic Risk can affect the Bank's overall profitability, growth, stability and its very existence. Its monitoring allows the Bank to evaluate the performance of the strategies implemented.

Performance Monitoring and Assessment

The Executive Committee, with the support of the Strategic Risk Function, ensures the effective monitoring and control of outlined strategies. In turn, the Objectives and Incentives System (SOI) is used in order to monitor the implementation and assessment of the Business Plan. In addition, Banco Económico has outlined a broad set of indicators to monitor the most relevant strategic risks.

Strategic Planning and Business Model

- Return-on-Equity (ROE)
- Return-on-Assets (ROA)
- Volume of Deposits
- Transformation Ratio
- Volume of Fees
- Amount of Costs
- Net Operating Income
- Credit Portfolio
- Fixed Assets

Competition, Regulation & Reputation

- Gaps in product offer
- Products launched by the Bank and competing Banks
- Market share
- Geographic expansion
- Disruptive technological innovation
- Analysis of computer systems' breaches and attacks
- Analysis of changes to the regulatory context
- Analysis of complaints and negative news

Economic Trends

- Projection of GDP vs. Current GDP
- Inflation rate
- USD/AOA Exchange rate
- Oil price projections
- Interest rates
- Monetary policy
- Availability of USD

Other Risks

- Physical security risk analysis
- Risk of fraud and money laundering
- Number of complaints related, for example, to bribes and irregular charges
- Analysis of the Compliance and Internal Audit reports
- Monitoring of the behaviour and performance of key people (key man risk)

Support Processes

In addition to the Strategic Risk management process, Banco Económico also has other support processes, namely:

01. Capital Planning

Capital Planning is a crucial element in strategic planning, as inadequate planning can lead to the disruption of operations and hinder the implementation of strategic goals. Taking into account the need for current and future capital, the Bank monitors the following Solvency and Liquidity indicators: solvency ratio, BNA's financing ratio, long-term assets / short-term financing ratio, capital requirements, and asset and liability profile in USD.

02. Support of Management Information Systems

Existence of a close articulation between the Risk Department and the Organisation and Quality, Information Technology, Supply Development, Risk and Control, and Accounting and Budget Control Departments. This way, the Bank has broader control over the quality of data for financial management and risk management, as well as over risk analysis and report models and tools.

03. Stress Tests

The results of the stress tests provide decision-making support information, making it possible to determine whether the implemented strategy remains adequate or whether a change in strategy or reversal of the strategic decision is justified. The Bank performs the following stress tests: i) sensitivity analysis, ii) reverse stress test, and iii) scenario analysis.

5.3. Reputational Risk

REPUTATIONAL RISK: reputation has always played a vital role in the sustainability of any financial institution. Reputational Risk is defined as the probability of occurrence of events with a negative impact on the Bank's income or capital, resulting from the unfavourable perception of the institution's image by Customers, counterparties, shareholders, investors and regulators.

Considering the need to monitor the expectations and confidence levels of the Bank's various internal and external stakeholders, the Risk Department adopts the following principles:

01. Identification of the risk resulting from a negative perception of the Bank by its stakeholders, and quantitative and qualitative assessment of the potential effect thereof;

02. Monitoring relationships kept with Customers and transactions recorded in the business reports prepared by the Departments/Offices;

03. Creation and implementation of mechanisms to mitigate the impact of reputational risks;

04. Record and control of variables that characterise the Bank's reputation, guaranteeing its conformity with the established level of tolerance and mitigating potential deviations in a timely manner.

Employees are also responsible for managing the activities of their Department in order to proactively avoid reputational risks for the Bank. They have a duty to respect local laws, rules and regulations in force, as well as procedures and internal policies implemented for developing their activity.

Governance Model

01. Responsibilities of the Executive Committee

- Ensure the adequacy and efficiency of the Reputational Risk management policy
- Approve and point out the appropriate actions based on the indications of the different Departments (ex .: Marketing and Communication, Organisation and Quality, Human Capital, Internal Audit, Compliance, Information Technology, Internal Control, Legal, Risk Department), in order to promote a positive image and reputation of the Bank

02. Risk Department

- Determine the sources and levels of reputation
- Monitor the reputational risk level
- Report the results of the monitoring actions, as well as determine contingency measures

03. Responsibilities of Other Areas

- Qualitatively and quantitatively determine the negative references in the media
- Select source(s) of information
- Provide means and/or tools to assess the Customers' satisfaction level
- Assess the number of days required for the Bank to contact the Customer after filing a complaint
- Provide means and/or tools to assess the average number of days required to process international transfers
- Measure the number of disciplinary proceedings
- Measure the number of legal proceedings together with the Legal Department
- Assess and quantify the number of detected deficiencies with direct impact on the Customer
- Assess and quantify the number of fines imposed by the regulator
- Measure the number of cyber attacks
- Measure the availability of electronic channels according to the infrastructure's uptime
- Measure the number of legal proceedings together with the Human Resources Department

Complaints Management

The quality of the service provided is considered an essential factor for the satisfaction and loyalty of the Bank's Customers. Therefore, and in order to guarantee to its Customers the best possible follow-up, Banco Económico has a quality area dedicated to complaints analysis and monitoring.

Banco Económico adopted a complaints management and monitoring system based on the following model:

01. Provision of several channels to file complaints: Bank branch, letter, telephone, BNA portal, email and complaints book;

02. Centralised management of Customer complaints;

03. Recording of all complaints in the system, making it possible to manage the different stages, monitor the response time and produce statistical information;

04. Formalisation of processes and procedures in order to guarantee a timely response to the Customer;

05. Training Employees on transparency standards, consumer protection and relevant legislation;

06. Periodic reporting of statistical information to both the Board of Directors and the BNA.

In 2018, Banco Económico continued to excel in the quality of its customer service, showing a...

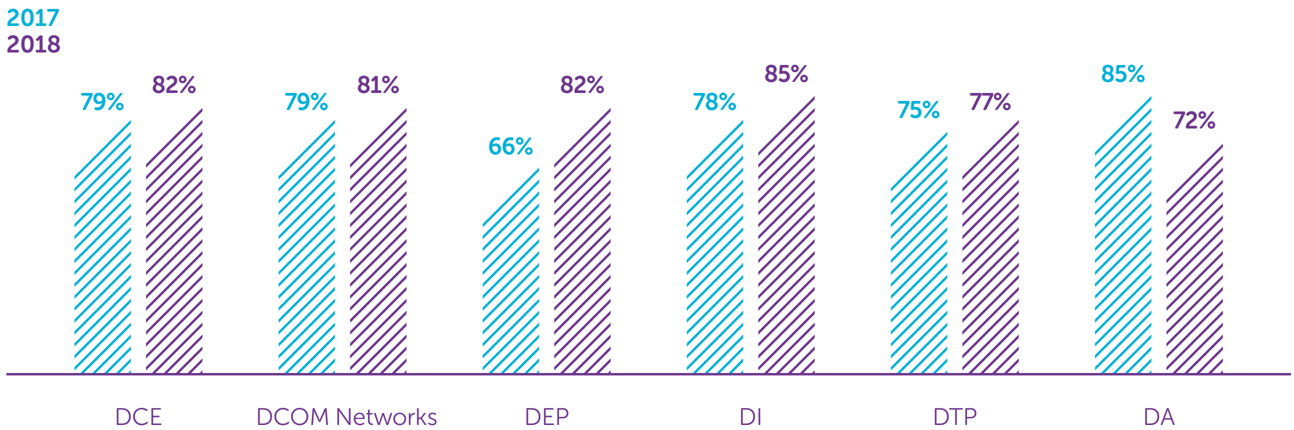
26%
Reduction in the Number of Complaints

17%
Reduction in Average Response Time

Satisfaction Survey

The Customer Satisfaction Survey falls within the scope of Banco Económico's service quality policy, with the objective of listening to Customers' opinion, as well as outlining actions for continuously improving care and services provided.

The survey is composed of specific questions about the services provided by the commercial structure and questions about overall satisfaction with the Bank.



Overall Satisfaction Rate

DCE: Companies Commercial Department **DCOM Networks:** Commercial Networks Department **DI:** Institutional Department **DTC:** TOP Corporate Department **DEP:** Oil Companies Department **DA:** Affluent Department

Overall, there was an increase in Customer satisfaction levels regarding the service provided by the different Departments. As a result, there was an increase in the overall satisfaction level from 77% to 80%, having reached the target set for 2018.

77%

2017 Customer
Satisfaction Levels

80%

2018 Customer
Satisfaction Levels

5.4. Operational Risk

OPERATIONAL RISK: consists of the probability of occurrence of negative impacts on income or on capital, resulting from losses resulting from flaws or shortcomings in internal processes, people, systems, internal or external fraud or inoperable structures.

Operational Risk also includes Information Systems Risk, which corresponds to the possible occurrence of negative impacts resulting from the inadequacy of information systems to the Bank's needs regarding processing, security, control, availability and continuity.

Operational Risk Policy

The Operational Risk Policy establishes a set of guiding principles to support the management and monitoring of the Operational Risk Banco Económico is exposed to. This Policy includes, on the one hand, the regulatory guidelines set forth by the responsible supervisory bodies and, on the other hand, the risk management principles and best practices, which aim to ensure their adequacy to the Bank's reality.

Banco Económico's Operational Risk Policy takes national legislation into due consideration, in particular Notice no. 05/2016, Notice no. 07/2016 and Instruction no. 28/2016, which establish the requirement for regulatory capital to be considered under Operating Risk and the governance model for this risk.

Within this scope, the outlining of methodologies and processes related to prevention, identification, assessment, monitoring, control and mitigation of operational risk are the responsibility of the Risk Department.

Governance Model

Banco Económico has been reinforcing its operational risk culture, clearly establishing the governance model and responsibilities of each area, promoting an adequate internal control system, as well as the articulation between the Bank's different Bodies and Departments.

01. Responsibilities of the Executive Committee

- Analysing Banco Económico and its macroeconomic surroundings
- Ensuring the implementation and monitoring of operational risk policies by the Departments
- Deciding whether to maintain, increase or decrease the Bank's exposure to risk
- Approving Operational Risk Policies

02. Responsibilities of the Risk Department

- Ensuring the existence of Operational Risk management policies and processes
- Ensuring the review of the Operational Risk policy and processes
- Ensuring that the launching of new products, processes, activities and systems is properly assessed regarding the inherent Operational Risk
- Ensuring that the Bank has contingency and business continuity plans that maintain the capacity to operate due

to partial or total interruption of activity
- Establishing and disseminating throughout the Bank the outlining of Operational Risk, as well as criteria and procedures for its identification, assessment, control, monitoring, mitigation and reporting, in a timely manner

03. Responsibilities of the Internal Audit Department

- Globally validating the Operational Risk management system, setting clear assessment criteria
- Auditing the functioning of the Operational Risk management system at the level of each area / Department and of the GGR
- Reporting audit results and the state of implementation and compliance with any recommendations possibly made
- Reporting the flaws/weaknesses identified in the Operational Risk management system and corresponding recommendations for improvement
- Sharing the results of the audits so that the GGR may promote the implementation of additional measures to strengthen the internal control system, reassessing the degree of exposure to operational risk of the audited processes and identifying potential unreported operational risk events

04. Responsibilities of the Organisation and Quality Department

- Manage the Bank's Process Catalogue together with the GGR
- Document the processes that form the basis of the risk and control mapping work
- Ensure the updating of processes after implementation of the outlined measures
- Publish the measures outlined in internal regulations

05. Responsibilities of the IT Department

- Provide the necessary support for the availability of the operational risk tool
- Support the automation of KRI and KCI calculations and of the reports, when requested by the GGR
- Warn about control risks and failures at information systems level

06. Responsibilities of the Accounting and Budget Control Department

- Ensure the reliability of all information used and reported

07. Responsibilities of the Risk Committee

- Approve and complement the reports issued by the GGR
- Report to the Executive Committee all information relevant to the definition of policies and about the status of the Operational Risk Management System
- Analyse the risk mitigation reports and proposals issued by the Risk Department
- Analyse and decide which areas/processes should be subject to intervention

Guiding Principles

In terms of Operational Risk, the Risk Department adopts the following guiding principles:

01. Development of an Operational Risk culture;

02. Regular identification of operational risks the Bank's products, activities, processes and systems are exposed to;

03. Development and implementation of operational risk management policies, processes and procedures;

04. Development, implementation and maintenance of an Operational Risk management model integrated into the Bank's risk management processes, which ensures the principles of risk identification, assessment, monitoring, control and mitigation, periodically approved and reviewed by the Board of Directors;

05. Implementation of a regular Operational Risk profile and exposure to losses monitoring process;

06. Development of processes and procedures to control and mitigate the operational risks incurred;

07. Assessment of the severity and frequency of occurrence of each of the risks related to each of the Bank's processes, identifying clear opportunities for improvement of the processes most exposed to the identified risk;

08. Establishment of procedures and controls that guarantee the effectiveness and performance of tasks, the integrity of information and compliance with regulatory requirements;

09. Outlining of contingency plans that guarantee the completion of all operational processes in case of extreme situations;

10. Disclosure of sufficient information to allow the market to evaluate the Bank's approach to Operational Risk management.

Operational Risk Management Model

The Operational Risk Management Model is based on the mapping of risks and controls, the analysis of information collected in the assessment questionnaires (qualitative data) and the events log (quantitative data).

In addition, it also comprises the monitoring of risk identification and management activities, the production of operational risk reports and mitigation techniques.

01. Identification

The Bank guarantees the identification and measurement of the presence of Operational Risk events inherent to products, activities, operations, processes and systems in order to ensure that the inherent risks and incentives are properly understood. In addition, the Bank collects and saves events that resulted in an effective financial loss for future analysis and improvement of procedures.

02. Monitoring and Report

The Bank implements a process for regularly monitoring risk profiles, material exposures to losses, detection of suspicious behaviours (which are investigated in a timely and accurate manner), and also appropriate reporting mechanisms in order to support proactive operational risk management. The monitoring process is performed in order to assess the efficiency of the approach to operational risk, identify weaknesses at the management level and improve the robustness of the control environment.

03. Control and Mitigation

The Bank guarantees the development of a control environment based on appropriate policies, processes, systems and internal controls, also implementing risk mitigation processes and procedures. Based on confirmed or potential fraud situations, the controls that prevent the recurrence of these events are strengthened.

Due to the need to catalogue all of the Bank's processes, risks and controls, the Risk Department carries out a periodic analysis. All business processes, risks and controls are fully documented, as a way to support their periodic monitoring.

5.5. Compliance Risk

COMPLIANCE RISK: Probability of occurrence of events with negative impacts on income or capital, as a result of violations or non-compliance with laws, regulations, contracts, principles of ethics and conduct and established practices. It may result in legal or regulatory penalties, in the limitation of business opportunities, in a reduction of the expansion potential or in the impossibility of demanding compliance with contractual obligations.

Over the past few years, the increasing complexity of activities and operations carried out by financial institutions has led supervisory and regulatory bodies to develop a set of initiatives related to Internal Control topics.

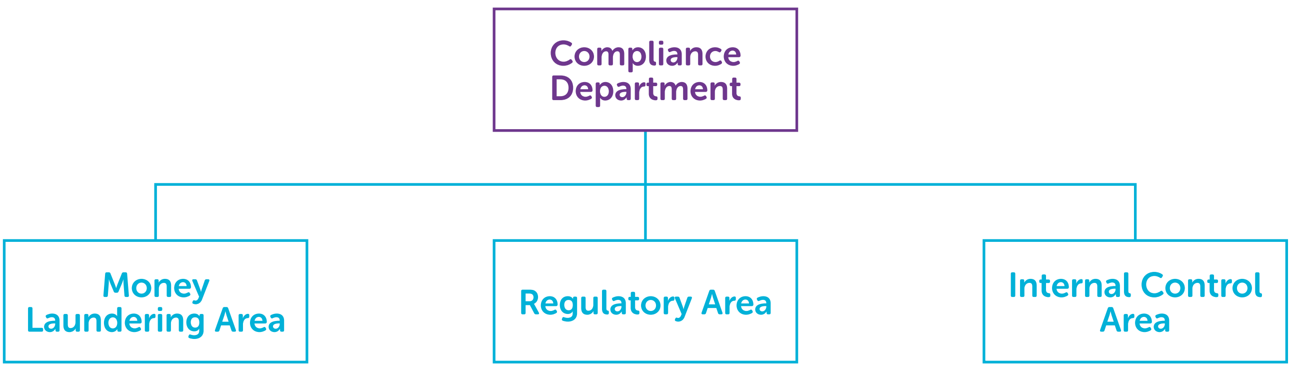
This way, the Bank's Compliance Policy sets forth the Compliance Risk management principles and procedures in order to promote the standardisation of behaviours and practices, ensuring full compliance with the legislation, rules, codes and standards in force.

Governance Model

The Compliance Department is composed of a team of 14 Employees, dedicated to complying with the rules that regulate the Compliance Function, namely Notice no. 22/2012 and Notice no. 02/2013, of the Banco Nacional de Angola.

Responsibilities of the Compliance Department

- Outline and implement processes in order to identify and assess the risk resulting from failure to comply with the institution's legal obligations and duties
- Establish processes to rectify the non-compliances detected
- Outline and implement a work plan that determines the activities to be carried out
- Maintain a permanent and updated record of both internal and external rules the Bank is subject to, accompanied by the identification of those responsible for ensuring their compliance, and the record of non-compliances detected
- Control the processes for preventing and detecting criminal activities, namely the prevention of Money Laundering and Terrorist Financing
- Ensure that any request for information from the Financial Information Unit or any other monitoring or supervisory entity is promptly answered
- Produce periodic reports on evidence or concrete situations of non-compliance with the rules of conduct in the relationship with Customers, as well as situations that may subject the institution or its Employees to transgression proceedings
- Manage training plans for Employees and for the entities that support the promotion of the business
- Properly document all processes associated with their field of intervention
- Develop approaches, together with other functions of the institution, in order to achieve conformity between internal and external regulations
- Prepare an annual report on the effectiveness of the institution's internal control and risk assessment system, as part of prevention of money laundering and terrorist financing



Compliance Risk Management

Compliance Risk management and control processes and procedures are duly described and formalised through the Bank's process manual. The main Compliance Risk monitoring procedures include:

01. Inventory Needs

Perform daily searches in order to identify possible changes to the legal framework applicable to the Bank. This activity aims to identify emerging legislation and ensure the organisation's adjustment to new standards;

02. Analyse Identified Needs

Interpret the legislation identified, recognising the implications and impacts on the Bank's activities. The probability of non-compliance is established for each requirement, and risk exposure is also calculated, according to the corresponding probability of occurrence;

03. Classify the Needs

After identifying and analysing Compliance needs, the Compliance Department must identify the impacts at the Bank level, namely the level of coverage in terms of processes, people and technological needs, as well as plan the activities necessary for their implementation;

04. Adjust the Organisation

This adjustment aims to ensure compliance with the Compliance needs identified and previously analysed. To this end, adaptations in terms of processes, people and technology are outlined, involving several Bank Departments. In this phase, there must also be internal communication, disseminating the changes implemented, and there may be a need for training sessions for Employees;

05. Monitor the Activities

Prepare the Bank's activities monitoring plan, which must be preventive and corrective. There are also audits on standards adequacy and compliance, as well as the production of reports on the results of the monitoring carried out;

06. Systematise and Report

The Compliance Department ensures the systematisation and reporting of events related to Compliance Risk, centralising all inspection and monitoring reports, in order to identify recommendations, opportunities for improvement or corrections;

07. Inspection by Regulatory Entities

The Compliance Department centralises notifications from external regulatory authorities in order to coordinate the inspection with the Department or Office to be inspected, gathering documents and information relevant to the inspection.

5.6. Credit Risk

CREDIT RISK: risk associated with the possibility of a financial institution incurring in financial losses, resulting from the non-compliance of contractual obligations by borrowers in their respective credit operations.

The objective of Credit Risk management is to maximise the results generated by the financial institution, maintaining exposure to this risk at levels considered desirable and acceptable, in view of the growth objectives outlined for its business and respecting the regulatory requirements it is subject to.

Credit Risk Policy

The main objectives of the Credit Risk Policy are to:

01. Guarantee the alignment with the Bank's credit strategy;

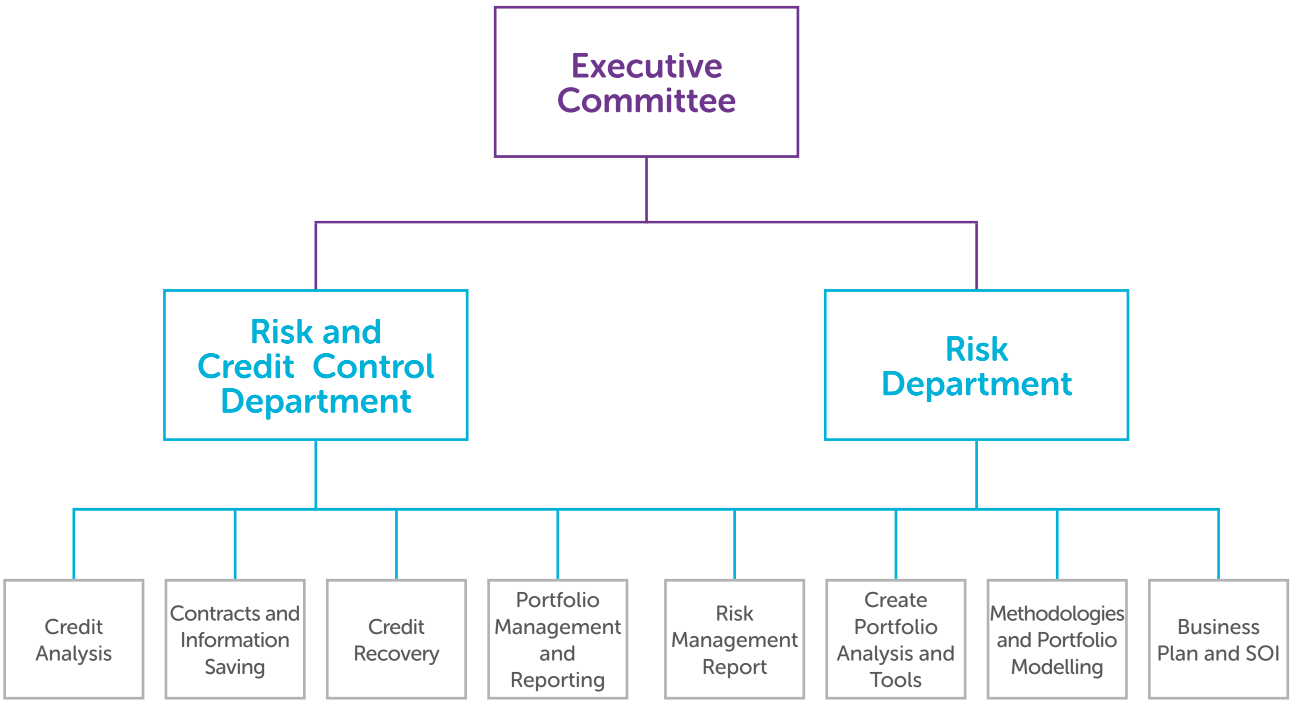
02. Ensure compliance with the rules and procedures that govern Banco Económico's credit operations approval process;

03. Ensure compliance with BNA rules and regulations on Credit Risk;

04. Monitor the implementation of Credit Risk management models in accordance with the relevant BNA regulations.

Governance Model

The Risk and Credit Control Department is responsible for Credit Risk management including all aspects of credit analysis, drafting of credit agreements, credit recovery and publication of credit reports. The Risk Department is responsible for creating and reviewing Credit and Concentration Risk policies, risk control and overall portfolio management.



01. Responsibilities of the Executive Committee

- Analyse and approve the Credit Risk Policy, ensuring its implementation and compliance
- Approve Credit and Concentration Risk monitoring limits and tolerance
- Analyse and approve the general objectives of the DRCC and GGR regarding credit risk management
- Review and decide on specific credit proposals submitted at the Credit Council
- Ensure that credit analysis is carried out in accordance with the Credit Policy
- Ensure that the Credit Council and Risk Committee occur on a periodic basis
- Guarantee the effective implementation of its recommendations to correct/improve risk management at the Bank

02. Responsibilities of the Risk and Credit Control Department

- Develop processes and procedures to identify, quantify, monitor and control credit risk in all business products and areas
- In collaboration with the GGR, periodically prepare, review and update the Credit Risk Policy
- Ensure that the Credit Risk analysis function is managed efficiently
- Ensure that the credit risk approval criteria are met in accordance with the Credit Policy
- Manage the Credit Portfolio Concentration Risk according to the Credit Policy
- Ensure that limits and tolerances are effectively monitored and implemented
- Regularly send the Bank's credit information to the CIRC, as determined by BNA regulations
- Manage and implement the credit recovery function, including providing support to the legal proceedings
- Periodically report information on the credit portfolio and risk management
- Organise Credit Council meetings (Ordinary Credit Council and Special Credit Council)

03. Responsibilities of the Risk Department

- Together with the DRCC, periodically prepare, review and update the Credit Policy
- Establish the Bank's credit strategy, in collaboration with the Commercial and DRCC Departments
- Prepare pricing models for credit products Develop and review credit scoring and rating models, together with the DRCC
- Ensure that risk limits and tolerances are effectively monitored and implemented
- Monitor and assess the Concentration Risk limits
- Establish and monitor credit recovery processes with the Commercial Departments
- Identify needs related to analytical tools, models, systems to support the DRCC and promote its development and availability

Credit Strategy

Banco Económico is one of the largest banks in Angola, with a diversified customer base that includes retail customers and companies. The Bank aims to continue improving the profitability of the loans granted to its Customers.

Loans to Companies

Expand the Customer base:
develop new relationships with corporate Customers, in both the small and medium enterprises segment and in the large enterprises segment.

Strengthen credit relationships with existing Customers:
continue to actively support existing Customers who have good business models and are growth-oriented.

Develop new credit products:
increase the offer of credit products by exploring new products or creating greater flexibility in terms of product characteristics, in order to respond to Customers' needs and to diversify the Bank's risk profile.

Provide competitive prices:
regularly update the Bank's credit pricing, considering the evolution of market conditions.

Promote profitable solutions in credit products:

Banco Económico will continue to be a relevant institution in the financial sector, supporting export financing and providing foreign exchange, taking into account the foreign exchange allocation made by the BNA.

Reduction of non-performing loans and defaults:

An important factor in the credit strategy is to focus on the recovery and loss minimisation process to improve profitability. The Bank's strategy includes the training of Employees and the acquisition of tools that allow for a better risk assessment in the credit granting and monitoring phase. Banco Económico will continue to invest in its specialised credit recovery team and in its credit restructuring processes in order to avoid defaults and minimise losses

Retail Credit

Regarding this Customers segment, the Bank's strategy is aimed at upper-middle class and high-income individuals. The Bank has implemented efforts to increase its Customer base, offering products with attractive conditions. The Bank intends to increase loans granted in the car leasing, credit cards and consumer credit areas.

Main Guidelines for Granting Credit

- In order to reduce the level of default and improve the recovery of overdue amounts, the Bank has set forth the following guidelines:
- Restrict new loans to Customers with a history of default in the Bank
- Restrict the granting of credit to Customers under investigation by the Legal, Compliance or Internal Audit Departments
- Restrict the granting of credit to Customers under investigation by the BNA or any other national authorities
- Update, at least once a month, the list of BNA customers in default on the CIRC platform

Credit Risk Management

Banco Económico's credit-granting process respects a set of rules and principles of power segregation. This process involves the following activities:

01. Credit Request/Granting

- The Bank's Commercial Departments begin the process by filling in a credit proposal that will be submitted for analysis and review to the Risk and Credit Control Department. This request must contain all the necessary and updated information of the Customer, the characterisation of the operation and quantitative and qualitative information about the operation.
- Before any submission to the Risk and Credit Control Department, the Commercial Departments are also responsible for pre-validating the Customer's repayment capacity, as well as assessing the Customer's repayment history for other loans at the Bank.

02. Credit Risk Analysis (Assessment)

The Risk and Credit Control Department is responsible for analysing the Bank's Credit Risk, by relying on a team of analysts specialised in assessing and analysing credit applications. The credit analysis process includes the following steps:

- Analyse all relevant information submitted by the Commercial Departments
- Analyse Customer information managed by the BNA through CIRC
- Ensure that the Customer's mandatory documentation is in the process and duly updated
- Request additional information from the Commercial Departments, whenever necessary for decision-making

Credit analysis is supported by risk assessment models specifically developed for each credit segment. Banco Económico's credit analysts regularly perform the following analyses:

- Risk assessment of debtor companies at least once a year
- Risk assessment of private debtors with over USD 0.5M, or equivalent in Kwanzas, at least once a year
- Guarantee assessment at least once a year

The Credit Risk Management Model is duly aligned with Banco Nacional de Angola's rules on impairment. This model assigns a specific rating to each credit, based on the Customer's information, and the corresponding operation, collected in qualitative and quantitative analysis questionnaires.

<table>
<tr><th>Risk Weight</th><th>Risk Level</th><th>Rating</th><th>Decision-Making</th></tr>
<tr><td>1 – 2</td><td>Insufficient</td><td>G</td><td rowspan="4">Deny Request</td></tr>
<tr><td>2 – 3</td><td>Very Weak</td><td>F</td></tr>
<tr><td>3 – 4</td><td>Weak</td><td>E</td></tr>
<tr><td>4 – 5</td><td>Medium - Low</td><td>D</td></tr>
<tr><td>5 – 6</td><td>Medium</td><td></td><td rowspan="4">Approve Request</td></tr>
<tr><td>6 – 7</td><td>Medium - High</td><td>C</td></tr>
<tr><td>7 – 8</td><td>Good</td><td>B</td></tr>
<tr><td>8 – 9</td><td>Very Good</td><td>A</td></tr>
</table>

Each variable analysed is given a score and an overall risk weight. The assessment is characterised in different groups from "Insufficient" to "Very Good". The average risk of the operations is calculated on a scale from 1 to 10, based on the average risk of each variable and the weight of the variables.

03. Decision-Making

- The decision to approve or deny the credit proposal is made through the Bank's Credit Council, which is composed of the Risk and Credit Control Department, Commercial Departments and Executive Committee.
- After the analysis, the DRCC issues one of the following recommendations: i) issue a favourable opinion under the proposed conditions, ii) issue an unfavourable opinion under the proposed conditions, iii) issue a favourable opinion, but with restrictions or proposing new conditions.

04. Follow-Up

- The overall credit portfolio must be maintained in accordance with the strategy of exposure limits, diversification and coverage by guarantees and provisions.
- Each operation, Customer or group of Customers is individually accompanied, in order to monitor the evolution of the probability of receiving expected future cash-flows and the adoption of measures that minimise the probability of losses arising from an unfavourable evolution of the Customer's financial situation.
- The guarantees received are periodically reassessed and the risk exposure is recalculated due to fluctuations in the value of the guarantees. In addition, all Employees have a duty to report any factor that may indicate non-compliance or a possible reduction in a Customer's ability to fulfil his/her commitments towards the Bank.
- The Bank monitors the signs of non-compliance by its Customers, such as non-compliance with Banking, devaluation of guarantees, existence of overdraft checks, changes in the socio-economic context that may negatively impact the Customer's ability to repay.

05. Recovery

- The Bank ensures an overdue credit monitoring process through the credit recovery area. This area should manage a Customer's responsibilities, including all operations and outstanding credit, as well as assess the potential for recovering outstanding amounts through the renegotiation or execution of existing guarantees
- The Bank strictly outlines the characteristics of credit renegotiation and restructuring operations, ensuring that, at the date of the review of the contracts, there is no default situation that could mean an increase in risk with an impact at the provisions level
- In turn, after the recovery, renegotiation or restructuring of a credit operation, the Risk and Credit Control Department keeps the operation under surveillance

Initiatives and Indicators

Setting of Limits and Tolerances

Setting of credit and concentration risk indicators allowing for monitoring of the coverage of operations by real guarantees, the coverage of overdue loans through provisions, and the exposure of the Bank's deposits and credit granting to economic groups, Customers and sectors.

Preparation of Reports

- Provisions/Impairment
- Information on the credit portfolio
- Information on exposure by Customer
- Credit report on credit follow-up and risk
- Non-compliance maps
- Information for monitoring irregular Customers
- Information on the evolution of non-performing loans and outlining of corrective actions
- Summary of concentration risk indicators and overall view of the portfolio in terms of Customers and sectors
- Overall view of the credit portfolio
- Overview of non-performing loans, used by the Commercial Departments to monitor the status of each Customer / recovery progress

Stress Test Implementation

Stress tests are simulations applied to the Bank's credit portfolio in order to assess the potential effects on the Bank's financial conditions. The results of the stress tests provide decision-making support information, making it possible to determine whether the implemented strategy remains adequate or whether a change in strategy or reversal of the previous decisions is necessary.

5.7. Counterparty Risk

COUNTERPARTY RISK: Possibility of occurrence of losses associated with non-compliance, by the counterparty, with its respective financial obligations under the contracted terms and which reduce the institution's ability to resolve its commitments, with direct impact on the reduction of Banco Económico's gains or profitability.

Counterparty risk management consists of the process of identifying and assessing existing or potential risks, and their effective monitoring and control, conducted through policies, processes and limits consistent with the strategy and methodology set forth by the Bank.

Within this context, the Bank has established exposure limits and a counterparty risk control methodology, considering possible negative impacts on its activity.

Guiding Principles

Taking into account the need to respond to the expectations and confidence levels of the Bank's various internal and external interlocutors, as well as in order to comply with the legal framework in force (in particular, Notice 2/2013 and Notice 9/2016), the Bank has outlined the following principles:

01. Focus on the need to generate value for the Bank's shareholders;

02. Ensure a balanced counterparty base to support the Bank's growth strategy;

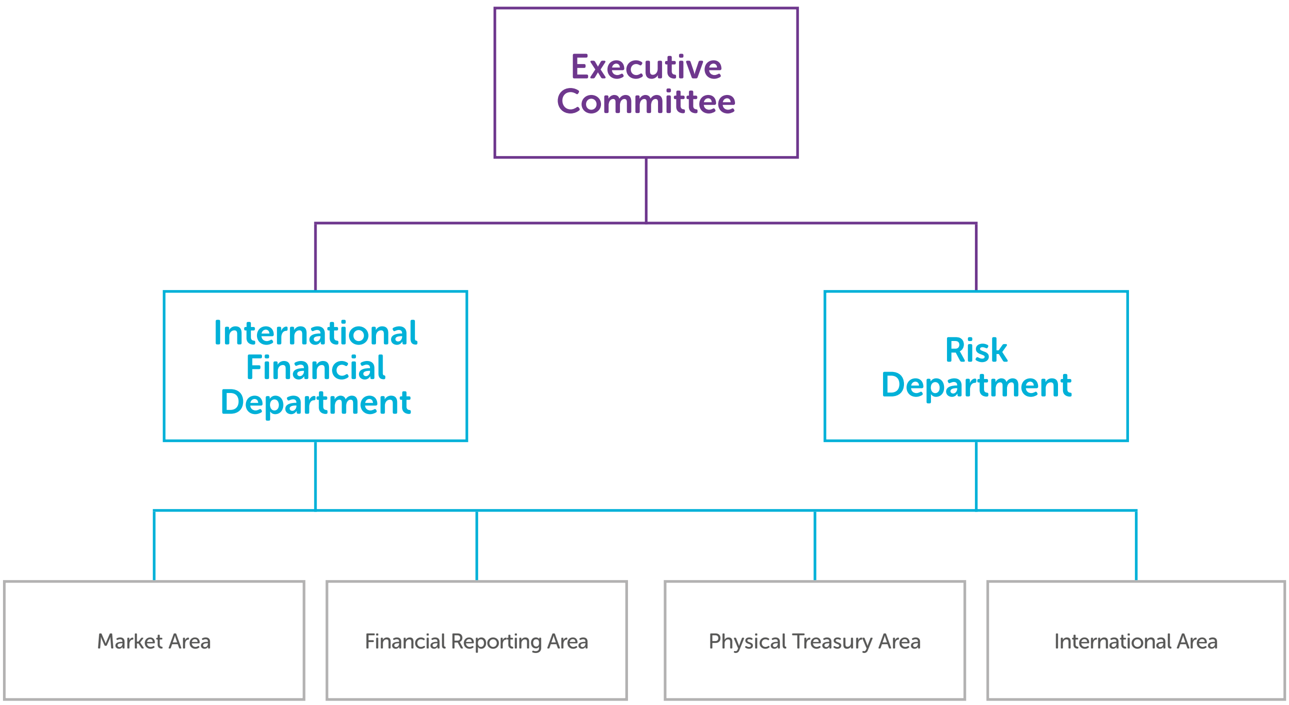
03. Maintain the return on investments at the highest possible level;

04. Diversify investments at counterparty level and the type of instruments;

05. Comply with the rules established by the Angolan banking system supervisor.

Governance Model

To correctly application enforce of the policies and procedures associated with Counterparty Risk, Banco Económico has set forth the organisational structure and responsibilities of the various Bodies involved in outlining, controlling and measuring Counterparty Risk.



01. Responsibilities of the Executive Committee

- Promote Counterparty Risk management, specifying the involvement and the necessary incentives to maintain the best practices in its outlining, approval and management policy enforcement processes
- Approve the Counterparty Risk management organisational structure, as well as the corresponding policy, limits and management strategy, in accordance with Banco Económico's objectives
- Approve the Counterparty Risk management policy and strategy, as well as the contingency plan
- Ensure compliance with the requirements of regulatory and supervisory bodies

02. Responsibilities of the International Financial Department

- Establish and propose to the Executive Committee the Counterparty Risk management policy, processes, guidelines, instruments and strategies, in accordance with internal as well as regulatory and supervisory bodies' recommendations
- Propose to the Executive Committee counterparty exposure limits
- Prepare contingency plans in the event that Counterparty Risk exposure may be higher than established

03. Responsibilities of the Risk Department

- Ensure effective application of the integrated risk management system through the continuous monitoring of its adequacy and effectiveness, as well as the application of measures to correct potential shortcomings of the Counterparty Risk Management model
- Advise the Executive Committee, reporting information on Counterparty Risk and identifying measures to correct any deficiencies possibly detected
- Implement and maintain a process to identify the factors that, for Counterparty Risk, may affect the Bank's ability to materialise its global strategy and achieve the outlined objectives
- Develop, implement and maintain a process for assessing the likelihood of losses and the respective magnitude in relation to Counterparty Risk
- Establish policies and procedures to systematise the tasks performed by each risk function
- Identify needs related to analysis instruments, models, tools and systems to support the Risk Department and promote its development and availability

2018 Positioning

Over the past few years, the Angolan banking system has experienced a period of deterioration in credit quality, with direct implications for the counterparty management policy and its level of exposure.

As a result of credit degradation, there is a reduction in the ability to contract bank correspondence services, thereby reducing the number and quality of bank correspondents.

There is a considerable concentration of the Bank's operations, due to the relatively small number of counterparties present in the Bank's portfolio. Approximately USD 2.311 billion, divided between interbank money market and capital market operations, are concentrated in 9 counterparties. This amount represents about 44% of Banco Económico's total assets.

Interbank Money Market

Interbank Money Market Operations represent about 23% of Banco Económico's total assets.

Exposure by Counterparty in the MMI

(Million USD)

Entity	Exposure
BNA	606
Novo Banco	213
BAI Europe	131
BPA Europe	95
Standard Bank	59
Mashereq Bank	13
Byblos Europe	12
BCP Suisse	1
TOTAL	**1 130**

Capital Market

The securities portfolio consists of public debt securities - Republic of Angola, which represent approximately 21% of Banco Económico's total assets.

Exposure by Issuer in the MC

(Million USD)

Entity	Exposure
Republic of Angola	601
TOTAL	**601**

Several reports are produced in order to monitor Counterparty Risk exposure, namely: i) Daily Liquidity Position, ii) Liquidity Risk Map and, iii) Liquidity Report.

Counterparty Risk Management Model

At Banco Económico, counterparty risk is managed through methodologies and models consistent with the best market practices and compatible with the complexity of the institution's activities.

01. Counterparty Identification

Identify counterparties with which the Bank intends to establish a bank correspondence relationship and make investments in interbank money market or capital market products. Counterparty selection, although being also subject to business opportunities, follows qualitative criteria such as: the quality of its shareholders (and final beneficiaries), the quality of its main managers and the quality of its assets and solvency. Exposure limits are only set after identification and careful selection of the counterparty.

02. Setting of the Exposure Limit

Counterparty exposure limit is established in accordance with the large risk limits set by BNA in its Instruction No. 09/2016, which establishes a maximum counterparty exposure limit of 25% of Regulatory Own Funds. Exposure limits are set in Kwanzas for domestic counterparties and in US Dollars for foreign counterparties.

03. Risk management

Counterparty Risk management must ensure that all exposure is in accordance with the limits previously established and approved by the Executive Committee.

04. Monitoring and Reporting

Using the standards outlined by Banco Económico's internal policies, the International Financial Department is responsible for monitoring, measuring and reporting Counterparty Risk.

In addition, the Bank has tools complementary to its Counterparty Risk management process, namely:

— **Stress Scenario analysis :** tests the level of non-compliance in operations in the interbank money market, level of non-compliance in the capital market and devaluation of collaterals

— **Contingency Plan:** triggered whenever there is a clear and persistent difficulty in complying with exposure limits, assessing the need to increase the collateral amount required from the counterparty, the diversification of investments by counterparty and the coverage of investments using credit derivatives

5.8. Liquidity Risk

LIQUIDITY RISK: possibility of an institution not being able to honour its commitments on the due date, or do so with high losses. In addition to the interest rate and reputational risk, the existence of liquidity problems may also imply a contamination problem for the financial system.

Liquidity management is defined as the set of processes that aim to guarantee the institution's payment capacity, considering the financial planning, risk limits and optimisation of available resources. Liquidity management is one of the most important activities for institutions operating in the financial market.

Therefore, Banco Económico has a liquidity management policy consistent with its financing structure, as well as a contingency policy capable of responding to moments of imminent rupture.

These policies determine the methodology for identifying, measuring and controlling liquidity risk, so that the Bank may manage its exposure and reduce the probability of occurrence of problems related to lack of liquidity.

Guiding Principles

01. Ensure a balanced financing base to support the institutions' growth strategy;

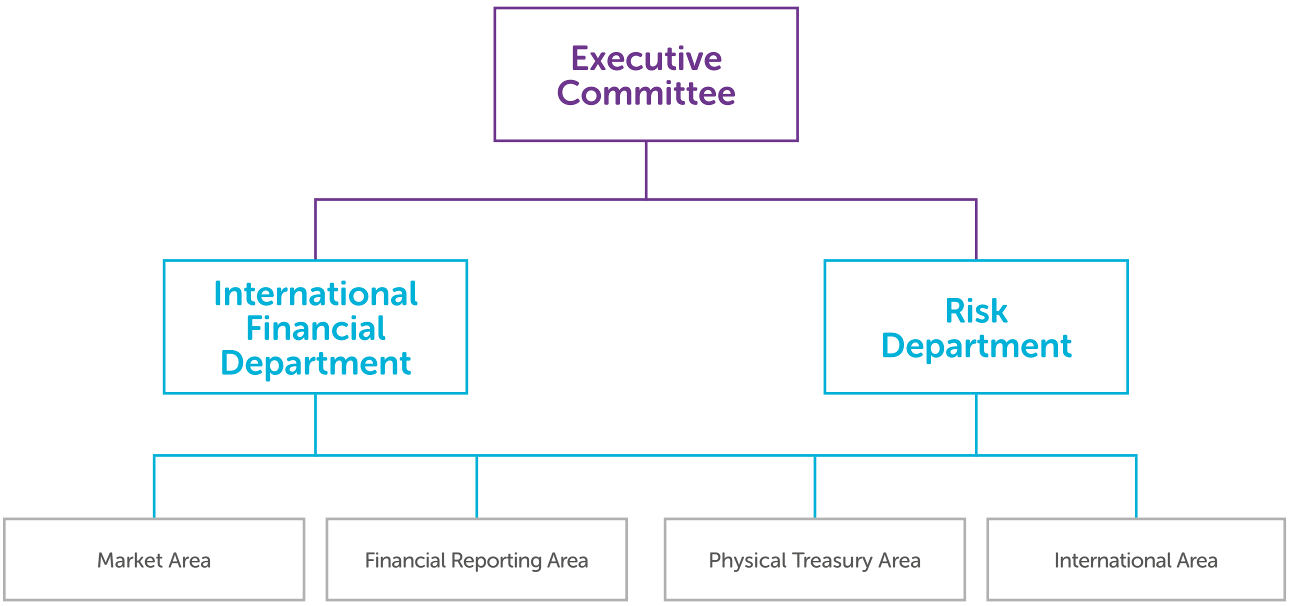
02. Maintain the refinancing cost as low as possible;

03. Ensure that the Bank is always in a position to fulfil its obligations towards its Customers;

04. Comply with the rules established by the Angolan banking system supervisor.

Governance Model

Banco Económico has a well-defined structure, governance model and responsibilities to correctly enforce the policies and procedures used in measuring and controlling the Bank's Liquidity Risk.



01. Responsibilities of the Executive Committee

- Ensure that the Bank maintains adequate and sufficient levels of liquidity
- Promote Liquidity Risk management, specifying the involvement and the necessary incentives to maintain the best practices in its outlining, approval and management policy enforcement processes
- Approve the Liquidity Risk management organisational structure, as well as the corresponding policy, limits and management strategy, in accordance with Banco Económico's objectives
- Approve the Liquidity Risk management policy and strategy, as well as the liquidity contingency plan
- Ensure compliance with the requirements of regulatory and supervisory bodies

02. Responsibilities of the International Financial Department

- Outline the Liquidity Risk limits management policy in collaboration with the Risk Department
- Establish Liquidity Risk limits management procedures ensuring compliance with the Bank's financial strategy
- Prepare contingency plans to respond to adverse situations
- Regularly monitor the Bank's liquidity position and monitor internal and external events that may result in an adverse impact on the liquidity level
- Propose to the Risk Department updates necessary for the Bank's liquidity management policies and procedures
- Keep the Executive Committee regularly informed about the evolution of the Bank's liquidity position
- Keep Employees responsible for liquidity management duly informed and updated on procedures

03. Responsibilities of the Risk Department

- Outline the Liquidity Risk limits management policy in close collaboration with the International Financial Department
- Propose follow-up mechanisms
- Keep the Executive Committee regularly informed about the evolution of the Bank's Liquidity Risk
- Send to the regulator the mandatory reports on compliance with Liquidity Risk limits
- Ensure effective application of an integrated risk management system through the continuous monitoring of its adequacy and effectiveness, as well as the application of measures to correct potential shortcomings of the Liquidity Risk Management model
- Advise the Executive Committee, reporting exposure to various risks and identifying corrective actions
- Develop, implement and maintain a process for assessing the likelihood of losses and the respective magnitude in relation to each risk
- Identify needs related to analysis instruments, models, tools and systems to support the Risk Department and promote its development and availability

Guiding Principles

As part of Liquidity Risk, the following initiatives are specially monitored:

01. Outlining and periodic review of the Bank's liquidity management manual;

02. Setting the adequate solvency level, through tools and measures focused on achieving a profitability compatible with the consumption of own resources;

03. Implementation, assessment and analysis of Liquidity Risk exposure indicators and respective limits, in line with the Bank's strategy and production of periodic reports;

04. Outlining and implementation of a liquidity plan that incorporates a strategic and prospective view of what the evolution of the balance sheet and of the markets will be, in order to ensure the management of the cash needs and surplus generated by its activity. This liquidity plan is based on a desired financing structure for the expected evolution of assets and liabilities, as well as on the outlining of a set of actions to comply with such structure;

05. Monitoring the investment of existing funds, in order to comply with and ensure adequate and necessary liquidity levels for a correct liquidity position of the Bank;

06. Active management of the intra-daily liquidity position and risks associated with the ability to meet its obligations, both under normal business conditions as in conditions of liquidity crisis;

07. Outlining and performance of stress tests based on scenarios that allow testing the resilience of the Bank's liquidity plan and anticipating mitigation actions in the event of a possible liquidity crisis;

08. Preparation of a Liquidity Contingency Plan, establishing those responsible for monitoring events indicative of potential liquidity crisis and the actions to be taken in such case;

09. Incorporation of costs, benefits and liquidity risks in the Bank's internal prices. This factor must be considered when analysing the performance of products, services and business units and in approving new products and services;

10. Promotion and preservation of relationships with diversified financing sources that support regular financing;

11. Identification of the main factors that ensure the Bank's financing capacity, guaranteeing regular monitoring of the corresponding indicators.

Liquidity Optimisation

In addition to the various monitoring reports used (ex: Daily liquidity position, Liquidity Risk Map, Liquidity Report), Banco Económico has sought to implement a set of measures to optimise cash flows in order to mitigate the factors that enhance Liquidity Risk, thus avoiding financial losses for the Bank.

01. Measures at Financing Structure Level

- Increase Customer resources and diversify the Customer base, by attracting new Customers and funds from large companies
- Provide new financial products to attract new Customers and new resources, extending the average maturity of Customer resources
- Find alternative medium- and long-term sources of financing

02. Measures at Investment Structure Level

- Assume a relatively more restrictive credit-granting policy, given the attraction of new resources from Customers
- Promote credit quality improvement, by adopting tighter credit risk assessment criteria, reducing the risk of default
- Reinforce real guarantees in granting credit, reducing exposure to the Customer
- Promote the use of more profitable investment alternatives with greater capacity to generate liquidity

These measures will make it possible to increase credit quality and profitability, having a direct impact on the Bank's liquidity performance and, therefore, on the strength of its activity.

Liquidity Risk Management

The choice of Banco Económico's Liquidity Risk management models is in line with the legal framework of the financial system, as well as with the Bank's internal policies. Liquidity Risk management is carried out at Banco Económico using two different models: Cash Flow Model and Liquidity Ratios.

Cash Flows

The Cash Flow model aims to identify gaps or lags in the temporal cash flow of all assets and liabilities, according to the corresponding characteristics of the operations. The cash flow analysis is used to assess the Bank's liquidity, since it allows for the mapping of all assets and liabilities within a given time horizon.

Asset and liability cash flows are grouped in time bands, with the Bank ensuring that it has sufficient assets to cover the respective liabilities in each time band. In addition, the Bank conducts adherence tests on projections made, in order to try to measure the adherence of the projection and take measures aiming at converging the projected values with the effective liquidity and, subsequently, increase the security of the forecasts.

Liquidity Ratios

Liquidity Ratios allow for comparative analysis between different periods or in relation to other institutions with the same profile. Banco Económico applies the following Liquidity Ratios:

- Mandatory Minimum Reserves
- Net Assets / Total Liabilities
- Net Assets / Short-Term Liabilities
- (Cash + Investments) / Short-Term Liabilities
- Net Assets / Total Assets
- Credit / Deposits
- Financing in the Interbank Money Market / Total Financing

5.9. Market Risk

MARKET RISK: possibility of occurrence of losses resulting from the fluctuation in the market values of positions held by Banco Económico in foreign exchange products, interest rate products, shares and commodities).

Market Risk management is an ongoing process for identifying, evaluating, monitoring and controlling exposure resulting from positions held in foreign exchange products, interest rate products, shares and commodities, to keep them within the regulatory and internal limits set forth by the Bank.

The Market Risk management process requires observing the nature of its main operations, products and services offered, degree of exposure and searching for an alignment with the best practices, standards and other applicable regulations.

Guiding Principles

01. Adopt conservative positions in relation to the risks involved in the operations, assuming adverse scenarios;

02. Maintain transparency in Market Risk management;

03. Previously identify the risks inherent to new activities and products;

04. Monitor market information and trends in order to mitigate risks;

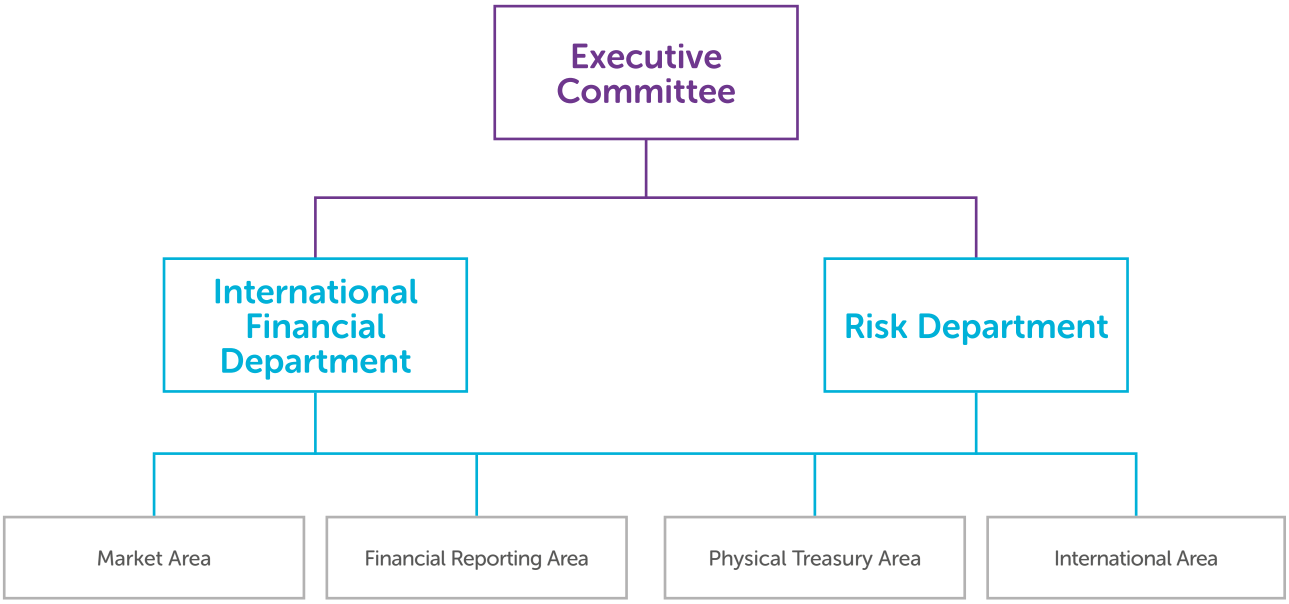
05. Be based on BNA's recommendations, seeking to solidify the internal risk management processes;

06. Adopt the best market practices through benchmarking with other banks;

07. Adjust, position and maintain the risk management structure adjusted to the Bank's size and characteristics.

Governance Model

The bodies responsible for outlining, controlling and measuring this risk were determined, in order to ensure the correct application of the policies and procedures used by the Bank in Market Risk measurement and management.



01. Responsibilities of the Executive Committee

- Promote the Market Risk management process, outlining the involvement and the necessary incentives to maintain the best practices in establishing, approving and managing guidelines execution processes regarding this risk
- Approve the organisational structure for Market Risk management
- Approve the guidelines, policy and strategy for Market Risk management
- Ensure compliance with the requirements of regulatory and supervisory bodies

02. Responsibilities of the International Financial Department

- Propose the Market Risk management policy, limits, guidelines and instruments for approval by the Executive Committee
- To be responsible for implementing the Market Risk management structure, with clearly established functions and responsibilities and appropriate instruments that enable identifying, assessing, managing and communicating Market Risk
- Establish risk management patterns and procedures, in accordance with BNA's recommendations

- Assess, document and inform the Executive Committee and the Supervisory Bodies about Market Risk management
- Ensure the review of the Market Risk management policy
- Assess the characteristics of new products and corresponding risks involved

03. Responsibilities of the Risk Department

- Ensure effective application of an integrated risk management system by continuously monitoring its adequacy and effectiveness, as well as the application of measures to correct potential shortcomings of the Market Risk Management model
- Advise the Executive Committee, reporting exposure to various risks and identifying corrective measures
- Propose follow-up mechanisms
- Develop, implement and maintain a process for assessing the likelihood of losses and the respective magnitude in relation to each risk
- Establish policies and procedures to systematise the tasks performed by each risk function
- Identify needs related to analysis instruments, models, tools and systems to support the Risk Department and promote its development and availability

Market Risk Management Model

Market risk management is performed by turning to two different models, both of which are regularly monitored.

01. Analysis of Risk-Exposed Positions

Positions analysis consists of calculating the amounts exposed, by maturity interval, to managed Market Risks. A mismatch analysis is performed on the assets and liabilities that make up the balance sheet structure, while calculating the values at risk resulting from:

- Interest rate mismatch where asset remuneration exceeds liability remuneration
- Amounts at risk resulting from the repricing of assets and liabilities

However, position monitoring and control does not provide a complete view of the actual exposure to the various risk factors. For this reason, Banco Económico supplements this measure with other Market Risk control tools, namely with the sensitivity analysis.

02. Sensitivity Analysis

The sensitivity analysis demonstrates the impact that the change of a given risk factor has on Banco Económico's results.

Sensitivity analysis is a particularly important measurement for Market Risk management, since small changes in risk factors can generate significant losses/gains to the institution's results.

This model aims to assess the impacts on the Bank over its current value or the economic value of its positions and on its return, given possible changes in a set of market variables considered risk factors. Part of the market variables relevant to Banco Económico include:

- Interest Rates
- Exchange Rates
- Financial Instrument Market Prices
- Money Offer Expansion and Contraction Measures

Market Risk Management Process

The Market Risk management process can be outlined in 4 stages:

01. Identification of Risk Factors

The International Financial Department and the Risk Management Office are responsible for identifying specific risk-enhancing factors the Bank is exposed to, in order to assess possible impacts on the asset/liability structure, resulting from the change or variation of these risk factors.

02. Market Risk Measurement

The International Financial Department is responsible for monitoring and measuring Market Risk factors, using the models outlined by the Bank.

The amount exposed to Market Risk is quantified according to the type of instrument and model adopted, and then the set limit is evaluated. The International Financial Department is responsible for the market information and for the accounting information used in the models.

03. Adequacy of the Risk Limits established

The Market Risk limits are set by the International Financial Department and approved by the Executive Committee.

Once the phase of quantifying risk exposure amounts is completed, it is compared with the limits set internally by the Bank, and this analysis will enable concluding whether the Bank is within the set risk limits and redefine the future approach (i.e., assume greater risk, containment or corrective measures).

04. Market Risk Report

The International Financial Department is responsible for reporting the evolution of the specific risks under its management, the Risk Management Office being responsible for preparing reports that demonstrate Banco Económico's overall risk management.

Within this context, the Market Risk Management report is prepared at least once a month and submitted to the Executive Committee.

5.10. Concentration Risk

CONCENTRATION RISK: exposure or group of exposures with the potential to produce significant losses (in relation to capital, total assets, or overall risk levels) that threaten the institution's ability to maintain its main operations.

This way, Concentration Risk management consists of a set of processes for identifying and outlining risk tolerance indicators, so as not to exceed the overall limit of each counterparty or portfolio.

Risk concentration may have considerable impacts on an institution's financial stability, in cases where there is, for example, default by Customers, bankruptcy of companies or massive mobilisation of deposits to competition.

In order to counter and predict possible situations of financial instability, Banco Económico's Concentration Risk management considers the following key elements:

01. Ensure a balanced financing to support the Bank's growth strategy;

02. Ensure that the Bank precisely sets the concentration limits and sublimits of its portfolio;

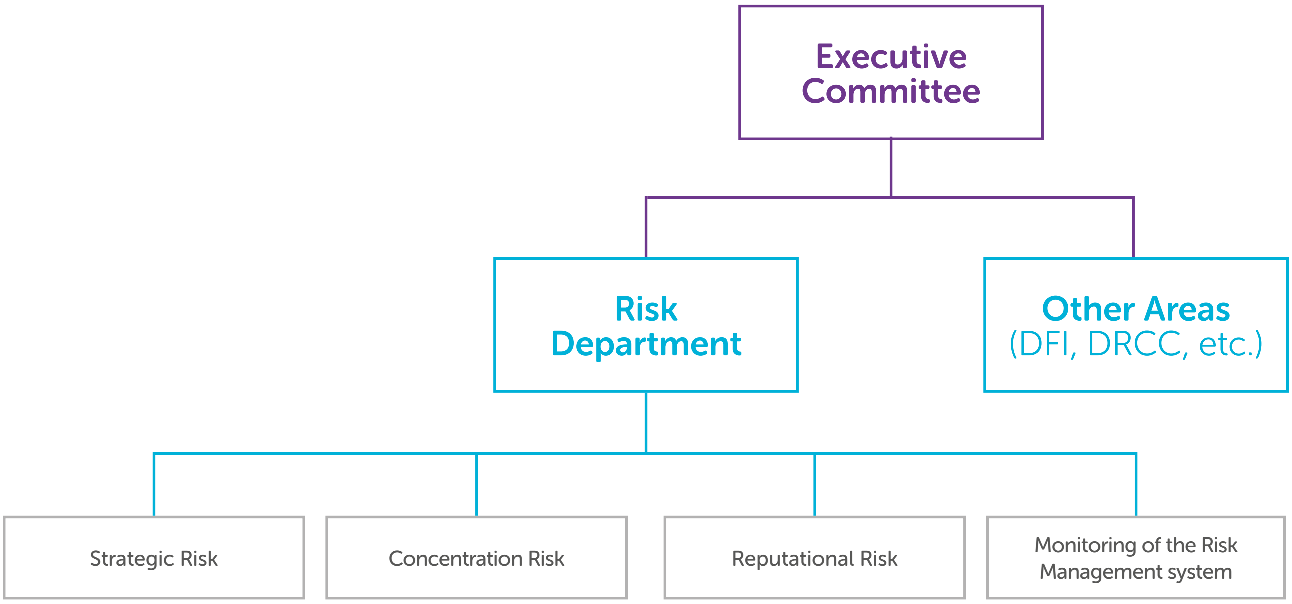
03. Ensure the diversification of the portfolio's exposure;

04. Previously deal with and respond to possible non-compliance situations;

05. Comply with the following legal requirements: BNA Notices no. 2/2013, no. 7/2016 and no. 9/2016.

Governance Model

In order to ensure the correct application of the procedures for measuring and managing the Concentration Risk, Banco Económico has outlined and formalised the organisational structure responsible for managing this type of risk.



01. Responsibilities of the Executive Committee

- Ensure that Banco Económico maintains adequate levels of Regulatory Own Funds, taking into account the limits set for Concentration Risk
- Promote the Concentration Risk management process, by outlining the involvement and the incentives necessary to maintain the best practices in outlining, approving and managing guideline enforcement
- Approve the organisational structure for Concentration Risk management
- Approve the Concentration Risk management policy and strategies, as well as the contingency plan

02. Responsibilities of the Risk Department

- Establish the limits for concentration ratios
- Monitor and assess the Concentration Risk
- Conduct stress tests
- Provide feedback on the results obtained and suggest contingency measures

03. Responsibilities of Other Areas

- Cooperate in developing Concentration Risk procedures that correlate with their areas of activity
- Share the information needed for Concentration Risk management
- Cooperate in setting limits and corresponding calculation base

Support Processes

In addition to the Concentration Risk management process, Banco Económico also has other support processes, namely:

01. Stress Tests

Stress tests are simulations applied to the Bank's assets and liabilities in order to assess the potential effects on the Bank's financial conditions. Therefore, the analysis of concentration scenarios is an essential aspect of risk management.

02. Management Information

In order to measure and monitor the Concentration Risk, the Bank guarantees the quality of the management information stored, allowing for the measurement of concentration levels, such as details related to Credit Portfolios (Customer, contract, type of credit, interest rates, dates, amounts, BNA risk, rating, currency), Deposit Portfolios (Customer, contract, type of deposit, interest rates, dates, amounts, currency) or Balance Sheet information.

03. Contingency Plan

Banco Económico is prepared to implement its Contingency Plan for cases of occasional or chronic concentration risk crisis. This Contingency Plan must be activated when limits in concentration management are not met.

Concentration Risk management caution includes procedures which, in an organised and methodical manner, keep the concentration levels below set limits, or solutions that offset possible non-compliance with the concentrated risks. Should the concentration levels exceed the set limits, the actions required include: reducing risk exposure through credit sale; freezing credit-granting to segments where there is greater concentration; fostering credit sale to the remaining segments; increasing equity.

MODERN ITY

In a constantly changing world, it is important to establish progress goals, based on modernity criteria, which connect us, today and always, to the future. Choosing a bank that understands customer expectations and puts forth innovative solutions is a wise decision. Choosing well now means ensuring stability and confidence for tomorrow's development.

BancoEconómico
Somos futuro

6

FINANCIAL INFORMATION

Path of Growth...

Throughout 2018, and in a challenging macroeconomic context, there was a significant growth in Banco Económico's results, once again showing that Customers trust the Bank and its Employees..

Net Interest Income
AOA
32.262
billion
(+181% against 2017)

Net Operating Income
AOA
143.295
billion
(+413% against 2017)

Net Income
AOA
36.374
billion
(+505% against 2017)

Total Assets
AOA
1.357610
trillion
(+47% against 2017)

Loans and Advances
AOA
210.621
billion
(+39% against 2017)

Customer Deposits
AOA
1.059122
trillion
(+62% against 2017)

...Towards the Future

Cost-to-Income
17%
(-52 p.p. against 2017)

Return-on-Equity (ROE)
50%
(+45 p.p. against 2017)

Solvency Ratio
21%
(+5 p.p. against 2017)

Return-on-Assets (ROA)
3%
(+3 p.p. against 2017)

Transformation Ratio
20%
(-1 p.p. against 2017)

6.1. Separate Financial Information

Balance Sheet

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Cash and deposits at central banks	138,549,166	194,901,353	41%	835,016	631,552	-24%	14
Cash at other credit institutions	34,755,931	53,976,813	55%	209,469	174,905	-17%	15
Investments at central Banks and other credit institutions	81,968,105	109,871,667	34%	494,010	356,025	-28%	16
Securities portfolio	148,723,508	181,917,398	22%	896,335	589,479	-34%	17
Loans and Advances to Customers	178,835,613	124,537,742	-30%	1,077,816	403,548	-63%	18
Non-current assets held for sale	5,155,788	27,548	-99%	31,073	89	-100%	19
Other tangible assets	45,324,533	42,123,013	-7%	273,164	136,494	-50%	20
Intangible assets	2,144,991	3,763,903	75%	12,928	12,196	-6%	21
Investment in associates and joint ventures	1,517,075	2,480,184	63%	9,143	8,037	-12%	22
Other assets	283,681,147	644,010,772	127%	1,709,705	2,086,831	22%	23
ASSETS	**920,099,641**	**1,357,610,391**	**47%**	**5,548,660**	**4,399,156**	**-21%**	

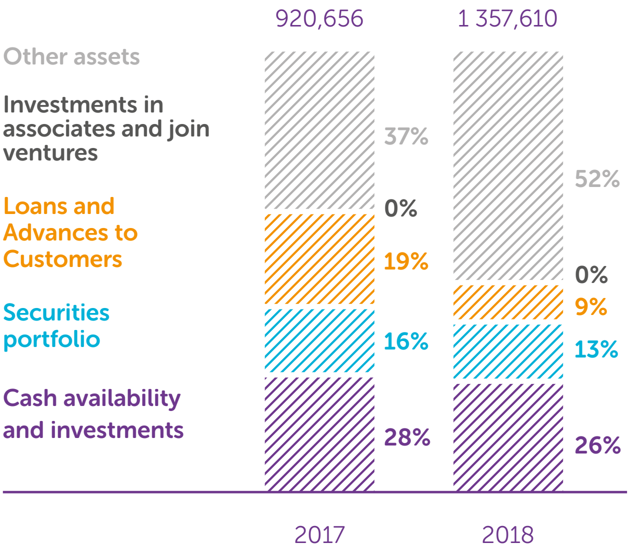
	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Deposits from central Banks and other credit institutions	119,894,301	29,334,097	-76%	722,586	95,053,	-87%	24
Deposits form Customers and other loans	651,833,602	1,059,122,420	62%	3,928,507	3,431,946	-13%	25
Financial liabilities held for trading	1,157	-	-	7	-	-	
Subordinated liabilities	71,111,361	132,262,143	86%	428,578	428,578	0%	26
Provisions	4,671,044	13,100,684	180%	28,152	42,451	51%	27
Current tax liabilities	24,843	5,057,634	20,258%	150	16,389	10,846%	28
Other liabilities	28,701,550	45,877,808	60%	172,980	148,661	-14%	29
LIABILITIES	**876,237,859**	**1,284,754,786**	**47%**	**5,280,959**	**4,163,077**	**-21%**	

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Share Capital	72,000,000	72,000,000	0%	433,934	233,306	-46%	30
Fair value reserves	(0)	-	-	(0)	-	-	31
Other reserves	23,903,096	24,504,329	3%	144,061	79,403	-45%	31
Retained earnings	(57,497,422)	(60,023,010)	4%	(346,529)	(194,497)	-44%	31
Net income	6,012,325	36,374,286	505%	36,235	117,866	225%	
OWN FUNDS	**44,417,999**	**72,855,605**	**64%**	**267,701**	**236,079**	**-12%**	

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand AOA	2018 Thousand AOA	Variation	Notes
LIABILITIES AND OWN FUNDS	**920,655,858**	**1,357,610,391**	**47%**	**5,548,660**	**4,399,156**	**-21%**	

Balance Sheet Analysis

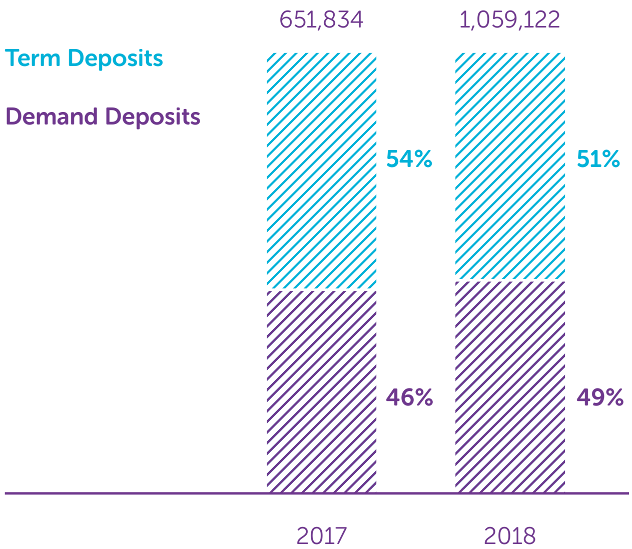
By the end of 2018, Banco Económico's net assets amounted to AOA 1.35761 trillion, reflecting a 47% increase when compared year-on-year. This increase resulted from a positive variation of items, such as: Cash availability and investments (+41%), securities portfolio (+22%) and investments in associates and joint ventures (+63%).



Asset Composition
(Million AOA)

The reduction in the amount of loans and advances to customers from AOA 178.836 billion in 2017 to AOA 124.538 billion in 2018 resulted from a context of greater uncertainty, risk, higher interest rates and deterioration in credit quality, making it harder to grant it. Within this context, the weight of loans and advances to Customers on the Bank's total assets decreased approximately 10 percentage points.

In turn, in 2018, funds raised from Customers recorded highly significant growth of around 62%, compared to the amounts raised in 2017, having reached a value of AOA 1.059122 trillion. Although this movement is mainly explained by a growth in deposits in foreign currency (+115%), as a result of the devaluation of the Kwanza against the US Dollar, it is also a sign of trust in Banco Económico's sustainability and integrity by its Customers, to the extent that there was also an increase in deposits in domestic currency compared to the figures for 2017 (+2%).



Customer Deposits Structure
(Million AOA)

Credit Portfolio	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
ACTIVE LOANS AND ADVANCES	**82,373,250**	**110,577,645**	**34%**	**496,452**	**358,312**	**-28%**
Companies						
Current account credit	10,975,568	12,227,549	11%	66,148	39,622	-40%
Loans	57,749,400	52,405,670	-9%	348,047	169,814	-51%
Overdrafts	202,404	24,980,958	12,242%	1,220	80,947	6,536%
Financial leasing	2,817,802	2,773,224	-2%	16,982	8,986	-47%
Retail Customers						
Housing	5,253,019	8,802,026	68%	31,659	28,522	-10%
Consumption and other	5,375,058	9,388,218	75%	32,395	30,421	-6%
OVERDUE LOANS AND ADVANCES	**69,352,259**	**100,043,336**	**44%**	**417,976**	**324,177**	**-22%**
Companies						
Loans	45,803,252	65,990,885	44%	276,050	213,835	-23%
Current account credit	4,072,006	7,118,719	75%	24,541	23,067	-6%
Overdrafts	11,802,385	16,671,029	41%	71,131	54,020	-24%
Financial leasing	3,824,539	3,370,293	-12%	23,050	10,921	-53%
Retail Customers						
Housing	1,816,875	3,192,334	76%	10,950	10,344	-6%
Consumption and other	2,033,202	3,700,076	82%	12,254	11,990	-2%
CREDIT RATING						
Total Retail Customers Credit	14,478,154	25,082,654	73%	87,258	81,277	-7%
Total Corporate Credit	137,247,355	185,538,327	35%	827,170	601,212	-27%
Impairments Retail Customers	1,329,335	6,489,473	388%	8,012	21,028	162%
Impairments Corporate Customers	19,930,026	79,593,766	299%	120,115	257,913	115%
Total impairment	21,259,361	86,083,239	305%	128,127	278,941	118%
% Retail Customers Hedging	9%	26%	17 p.p.	9%	26%	17 p.p.
% Corporate Hedging	15%	43%	28 p.p.	15%	43%	28 p.p.
% Total Hedging	14%	41%	27 p.p.	14%	41%	27 p.p.

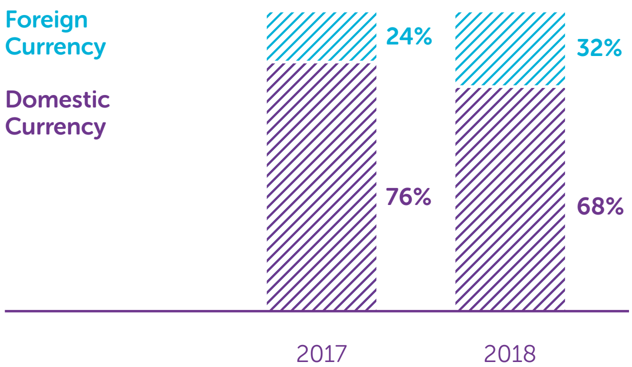
Credit Portfolio

In 2018, the volume of the credit portfolio grew 39%, from AOA 151.725 billion to AOA 210.621 billion, between 2017 and 2018, respectively.

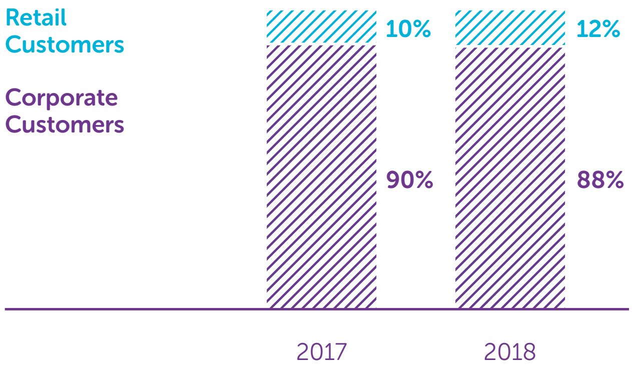
By type of currency, in 2018, there was an increase in credit granted in Domestic Currency of approximately 25%, reflecting the support provided by Banco Económico financing both retail Customers and corporate activities in Angola.

On the other hand, Foreign Currency credit increased exponentially (82%) between 2017 and 2018. However, this increase is explained by the strong devaluation of the Kwanza against the US Dollar. In this regard, we should note that, after analysing credit granted in USD, there is a 2% contraction. This effect is, however, offset by the growth in credit denominated in EUR (8%) and AOA (25%).

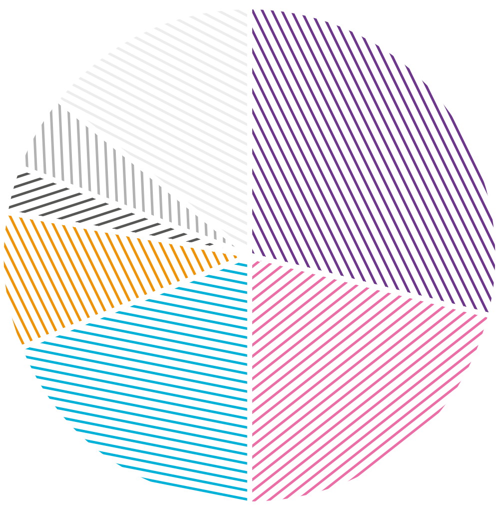
By Customer segment, there was a considerable growth in the volume of credit granted, both to Corporate Customers (35%) and to Retail Customers (73%), representing an overall increase in the credit portfolio of 39%, when compared to 2017.



Credit by Currency
(Million AOA)



Credit by Customer Segment
(Million AOA)



Credit by Activity Sector

29% Real estate, rentals and services to companies

21% Manufacturing industries

19% Wholesale and retail business

9% Other collective, social and personal services

5% Housing

3% Transport, warehousing and communications

14% Other purposes

Credit Rating

In a context of high uncertainty, risk and an increase in interest rates, 2018 was characterised by a deterioration in the quality of Banco Económico's credit portfolio. In this context, the overdue credit ratio over total credit increased by 3.4 pp, since the growth in credit granted (39%) was not sufficient to offset the growth in overdue credit (68%).

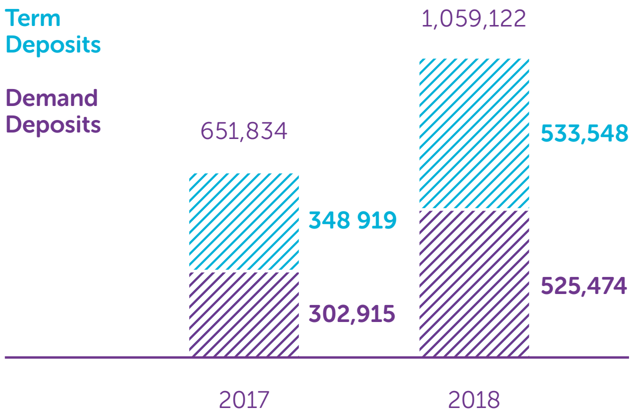
On the other hand, there was also a significant increase of 303% in impairment losses, reflected in a 27 p.p. increase in the total hedging ratio, between 2017 and 2018.

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
TOTAL CREDIT	151,725,509	210,620,981	39%	914,428	682,489	-25%
Retail Customers	14,478,154	25,082,654	73%	87,258	81,277	-7%
Companies	137,247,355	185,538,327	35%	827,170	601,212	-27%
OVERDUE CREDIT	24,276,081	40,860,470	68%	146,308	132,403	-10%
% OVERDUE CREDIT	16%	19%	3 p.p.	16%	19%	3 p.p.
TOTAL IMPAIRMENTS	21,259,361	86,083,239	305%	128,127	278,941	118%
Retail Customers	1,329,335	6,489,473	388%	8,012	21,028	162%
Companies	19,930,026	79,593,766	299%	120,115	257,913	115%
% TOTAL HEDGING	14%	41%	27 p.p.	14%	41%	27 p.p.
% Retail Customers Hedging	9%	26%	17 p.p.	9%	26%	17 p.p.
% Corporate Hedging	15%	43%	28 p.p.	15%	43%	28 p.p.

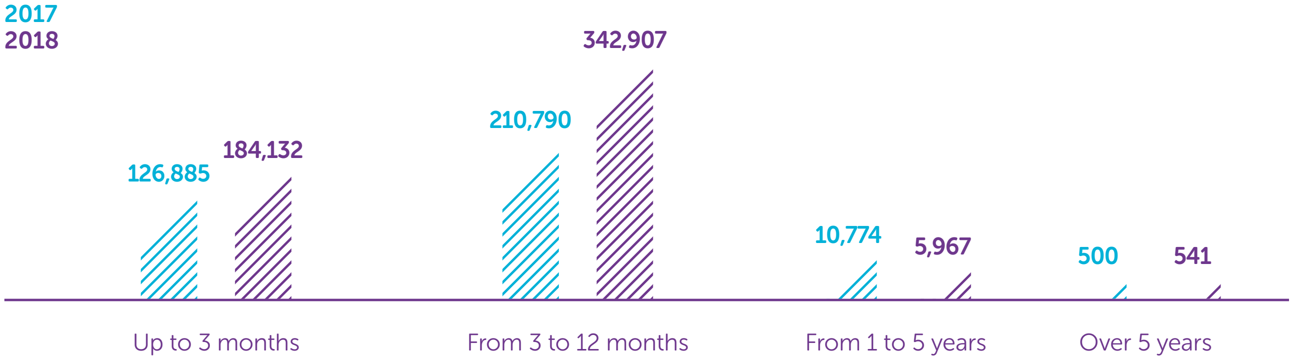
Customer Deposits

In 2018, the deposit portfolio was equitably composed of Demand Deposits and Term Deposits, totalling AOA 1.059 billion.

Compared to 2017, there was a growth in both types of deposit, namely of 74% in Demand Deposits and 53% in Term Deposits



Customer Deposits
(Million AOA)



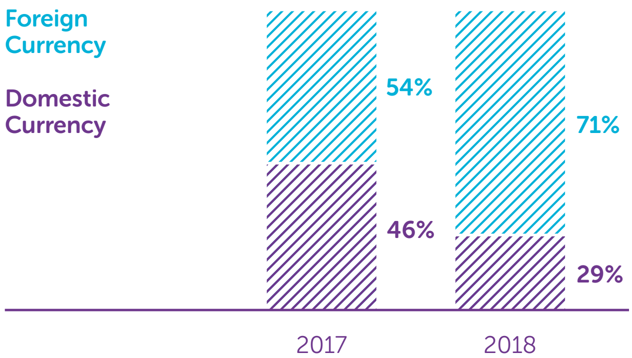
Maturity of Term Deposits
(Million AOA)

In 2018, foreign currency deposits started to present a predominant weight in the Bank's overall deposit portfolio (71%).

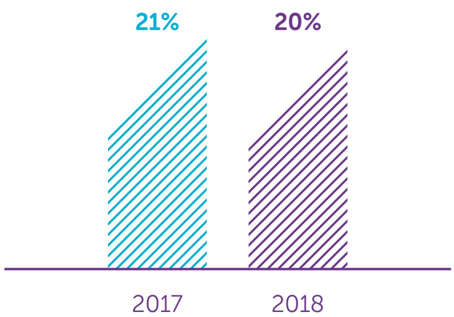
Although the growth in the deposits raised by the Bank is mainly explained by a growth in deposits in foreign currency (+115%), as a result of the devaluation of the Kwanza against the US Dollar, there was also an increase in deposits in domestic currency compared to the figures for 2017 (+2%). This is a very positive sign for the Bank, contributing to its long-term sustainability.

In 2018, the amount of deposits in foreign currency and in domestic currency recorded by the Bank was AOA 755.681 billion and AOA 300.441 billion, respectively.

In this context, and given the developments in loans and advances granted, the Transformation Ratio remained virtually unchanged, dropping from 21%, in 2017, to 20%, in 2018.



Customer Deposits, by Currency
(Million AOA)



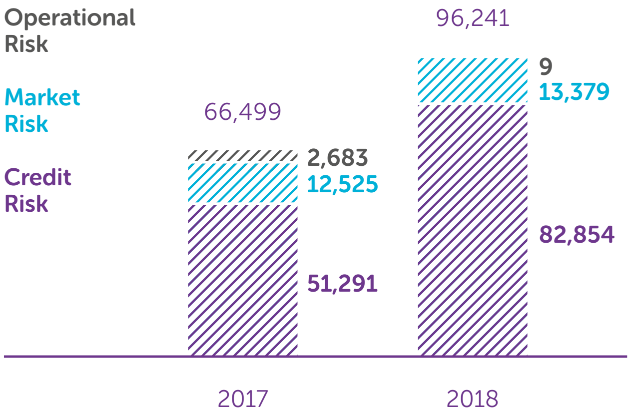
Transformation Ratio

Own Funds

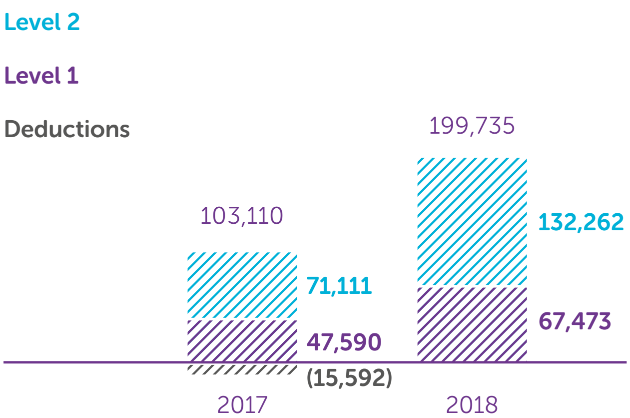
In 2018, Banco Económico's Own Funds reached AOA 72.856 billion, representing growth of 64%, compared to 2017.

Taking into account the growth in the amount of risk assets in 2018, from AOA 66.499 billion to AOA 96.1 billion, compared to 2017, there was also a very significant increase in regulatory capital levels (94%).

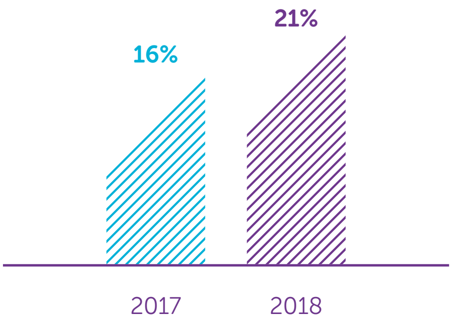
At the same time, the Solvency Ratio, which is calculated in line with Instruction No. 02/2016 of the Banco Nacional de Angola, grew by 5 p.p. Thus, in 2018, the Solvency Ratio remained considerably above the minimum limit required by the BNA, i.e., the minimum limit of 10%.



Risk Assets
(Million AOA)



Regulatory Capital
(Million AOA)



Solvency Ratio

Income Statement

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Interest and similar income	51,723,050	66,618,611	29%	311,727	215,869	-31%	5
Interest and similar expenses	(40,251,116)	(34,356,181)	-15%	-242,588	-111,327	-54%	5
NET INTEREST INCOME	**11,471,934**	**32,262,429**	**181%**	**69,14**	**104,542**	**51%**	**-**
Income from services and fees	8,506,130	14,683,856	73%	51,265	47,581	-7%	6
Expenses with services and fees	-411,14	-745,077	81%	-2,478	-2,414	-3%	6
Results from financial assets and liabilities carried at fair value through profit or loss	-23	-222,797	-	0	-722	-	7
Results from financial assets at fair value through other comprehensive income	433,306	0	-	2,611	0	-	8
Foreign exchange income	3,789,171	97,886,100	2,48%	22,837	317,187	1,29%	9
Other operating income	4,134,436	-569,6	-114%	24,918	-1,846	-107%	10
BANKING INCOME	**27,923,814**	**143,294,911**	**413%**	**168,293**	**464,328**	**176%**	**-**
Staff Costs	(9,146,276)	(12,668,298)	39%	-55,123	-41,05	-26%	11
Third-party supplies and services	(7,786,884)	(8,591,035)	10%	-46,93	-27,838	-41%	12
Depreciations and amortisations for the year	(2,239,524)	(2,579,890)	15%	-13,497	-8,36	-38%	20 21
Provisions net of cancellations	-280,034	-584,306	109%	-1,688	-1,893	12%	27
Impairment on other financial assets, net of reversals and recoveries	-	-142,145	-	-	-461	-	16 17
Impairment on Customer loans, net of reversals and recoveries	(2,224,675)	(58,602,894)	2,53%	-13,408	-189,895	1,32%	18 27
Provisions and Losses Impairment on other assets, net of reversals and recoveries	(4,405,900)	(19,156,752)	4,62%	-2,446	-62,075	2,44%	23
Income from Associates and Joint Ventures	171,804	419,834	144%	1,035	1,36	31%	22
PRE-TAX INCOME	**6,012,325**	**41,389,424**	**588%**	**36,235**	**134,117**	**270%**	**-**
Income taxes	-	(5,015,138)	-	-	-16,251	-	-
Current	-	(5,015,138)	-	-	-16,251	-	28
Deferred	-	-	-	-	-	-	-
NET INCOME	**6,012,325**	**36,374,287**	**505%**	**36,235**	**117,866**	**225%**	**-**

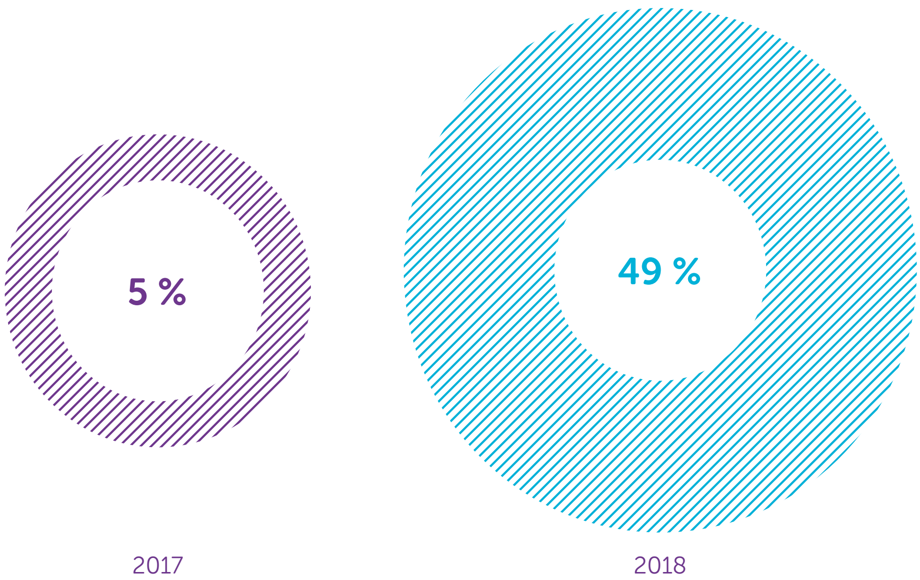
Income Development

In 2018, Banco Económico's net income grew exponentially compared to the previous year, from AOA 6.012 billion, in 2017, to AOA 36.274 billion, in 2018 (i.e., 505% growth). Despite the excellent result obtained in 2018, this is mainly explained by foreign exchange rate issues, as the "Foreign Exchange Gains and Losses" item grew by 2,483%, from AOA 3.789 billion to AOA 97.886 billion.

As a result of the analysis of the income statement, we can also point out a very favourable development in the Net Interest Income, which grew significantly (181%), compared to 2017. Therefore, and also taking into account the growth of the complementary margin, Banco Económico was able to present significant growth in its Operating Product, which reached an amount of AOA 143.295 billion, resulting in a growth rate of 413%, compared to 2017.

Regarding costs, in 2018 there was an increase in staff costs (39%), costs with supplies and external services (10%) and costs with depreciations and amortisations (15%). It is also important to highlight the sharp growth of the item "Impairment for Customers loans and advances, net of reversals and recoveries" (2,534%), as a result of an environment of greater uncertainty and deterioration in the quality of the credit portfolio.

The very significant growth of Banco Económico's revenues considering the developments in cost items, allowed the Bank to significantly improve its cost-to-income ratio, which dropped from 69%, in 2017, to 17%, in 2018.



Return-on-Equity (ROE)

At the same time, in 2018 Banco Económico recorded an increase in the return on the Bank's equity, with an ROE of 49%, i.e., 44 percentage points more than in the previous year.

Net Interest Income and Complementary Margin

In 2018, Banco Económico reinforced its ability to generate income, having shown a highly satisfactory development in terms of net interest income, which grew 181% between 2017 and 2018. This increase is explained not only by a growth in interest and income (+29% compared to 2017), but also by its ability to reduce the amount of interest and charges (-15% compared to 2017). In addition, it is worth noting the fact that income from loans and advances granted (i.e., AOA 21.026 billion) is slightly lower than the cost of remunerating Customer deposits (i.e., AOA 26.539 billion).

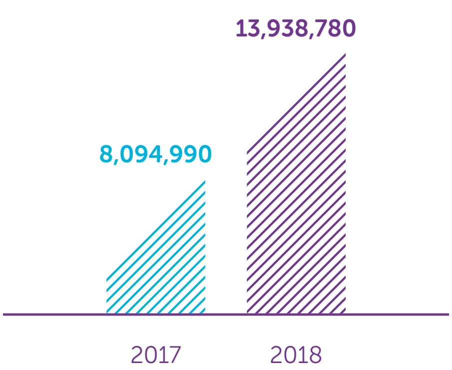
Regarding the complementary margin, the growth of the net fees item (i.e., difference between income and charges for services and fees) stands at about 72%, compared to 2017.

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
INTEREST AND SIMILAR INCOME	51,723,050	66,618,611	29%	311,727	215,869	-31%
Credit interest	20,442,631	21,026,268	3%	123,205	68,133	-45%
Interest on cash balances and investments in credit institutions	1,010,737	1,351,309	34%	6,092	4,379	-28%
Interest on securities	10,431,547	12,492,620	20%	62,869	40,481	-36%
Other interest and similar income	19,838,135	34,870,197	60%	119,562	102,877	-14%
INTEREST AND SIMILAR COSTS	40,251,116	34,356,181	-15%	242,588	111,327	-54%
Interest from central banks resources	11,115,988	1,492,356	-87%	66,994	4,836	-93%
Interest on Customer deposits	24,222,241	26,538,568	10%	145,984	85,995	-41%
Interest from subordinated liabilities	3,573,514	5,446,515	52%	21,537	17,649	-18%
Other interest and similar costs	1,339,373	878,743	-34%	8,072	2,847	-65%
NET INTEREST INCOME	**11,471,934**	**32,262,429**	**181%**	**69,14**	**104,542**	**51%**
Income from services and fees	8,506,130	14,683,856	73%	51,265	47,581	-7%
Expenses with services and fees	-411,14	-745,077	81%	-2,478	-2,414	-3%
Results from financial assets and liabilities carried at fair value through profit or loss	-23	-222,797	-	0	-722	-
Results from financial assets at fair value through other comprehensive income	433,306	0	-	2,611	0	-
Other operating income	4,134,436	-569,6	-114%	24,918	-1,846	-107%
COMPLEMENTARY MARGIN	**12,662,709**	**13,146,382**	**4%**	**76,316**	**42,599**	**-44%**

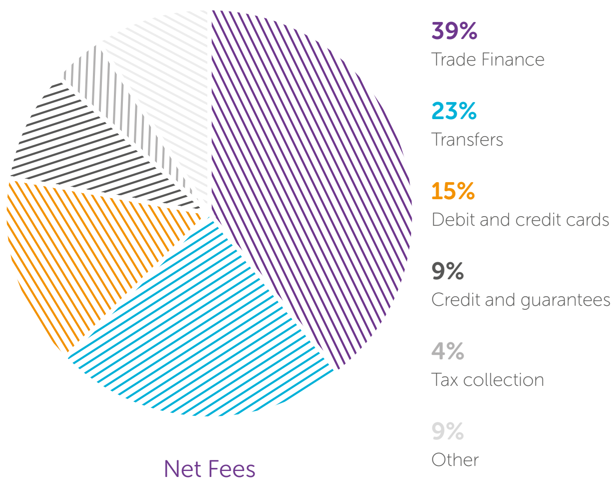
Developments in Commissioning

This growth in net fees is mainly explained by the growth in income from securities transactions (511%), management of instruments of payment (174%), documentary credits (101%), bancassurance (92%) and cards (73%).

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
INCOME FROM SERVICES AND FEES	**8,506,130**	**14,683,856**	**73%**	**51,265**	**47,581**	**-7%**
Securities Transactions	25,324	154,830	511%	153	502	229%
Guarantees Provided	265,394	166,863	-37%	1,599	541	-66%
Management of Instruments of Payment	1,230,925	3,368,642	174%	7,419	10,916	47%
Fees on Loans and Similar Operations	1,042,362	1,201,362	15%	6,282	3,893	-38%
Documentary Credits	2,840,532	5,117,147	80%	17,119	16,581	-3%
Cards	1,664,533	2,882,516	73%	10,032	9,340	-7%
Bancassurance	53,220	102,026	92%	321	331	3%
Earnings from Services Provided to the State	558,000	650,018	16%	3,363	2,106	-37%
Other Services	825,840	1,040,453	26%	4,977	3,371	-32%
EXPENSES WITH SERVICES AND FEES	**(411,140)**	**(745,077)**	**81%**	**(2,478)**	**(2,414)**	**-3%**
Managing Payment Instruments	(1,638)	(1,407)	-14%	(10)	(5)	-54%
Cards	(403,214)	(692,434)	72%	(2,430)	(2,244)	-8%
Other Services	(6,288)	(51,236)	715%	(38)	(166)	338%



Net Fees
(Thousand AOA)

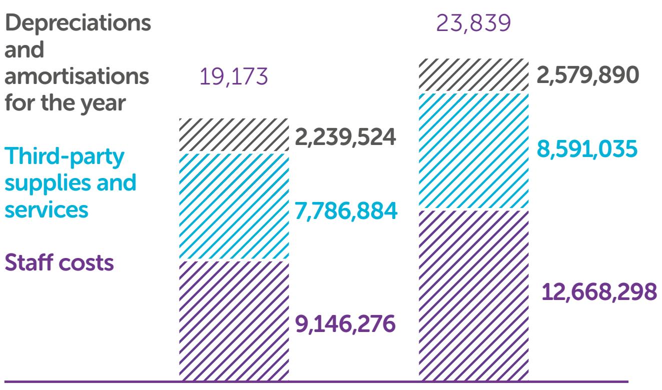


Net Fees by Type

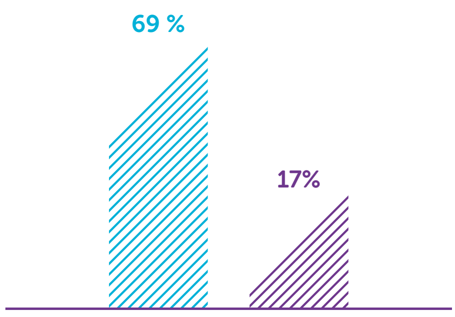
Structural Costs

A significant portion of the structural costs is represented by staff costs, which in 2018 represented approximately 53% of the overall structural costs, a figure which is higher than the one recorded in 2017 (48%).

In 2018, and considering the figures for 2017, there was a very substantial improvement in the Cost-to-income ratio, which dropped from 69% to 17%, justified by a considerable increase in operating product (391%) which grew at faster pace than costs (24%). This movement reflects not only the good dynamics of Banco Económico's business, but also the Bank's concern with becoming increasingly efficient and promoting a better use of its resources.



Structural Costs
(Million AOA)



Cost-to-Income

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
STRUCTURAL COSTS	**19,172,684**	**23,839,224**	**24%**	**115,551**	**77,248**	**-33%**
Staff costs	9,146,276	12,668,298	39%	55,123	41,050	-26%
Third-party supplies and services	7,786,884	8,591,035	10%	46,930	27,838	-41%
Depreciations and amortisations for the year	2,239,524	2,579,890	15%	13,497	8,360	-38%

6.2. Consolidated Financial Information

Balance Sheet

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Cash and deposits at central banks	138,549,167	194,901,353	41%	835,016	631,552	-24%	14
Cash at other credit institutions	34,944,313	53,976,813	55%	210,604	174,905	-17%	15
Investments at central Banks and other credit institutions	81,968,105	109,871,667	34%	494,010	356,025	-28%	16
Securities portfolio	148,723,508	181,983,244	22%	896,335	589,693	-34%	17
Loans and Advances to Customers	178,818,324	124,537,742	-30%	1,077,712	403,548	-63%	18
Non-current assets held for sale	5,155,788	27,548	-99%	31,073	89	-99%	19
Other tangible assets	45,486,377	42,283,390	-7%	274,140	137,014	-50%	20
Intangible assets	2,146,429	3,764,847	75%	12,936	12,199	-6%	21
Investment in associates and joint ventures	433,968	530,587	63%	2,615	1,719	-34%	22
Other assets	283,873,662	644,385,487	127%	1,710,866	2,088,046	22%	23
ASSETS	**920,099,641**	**1,356,262,677**	**47%**	**5,545,308**	**4,394,789**	**-21%**	

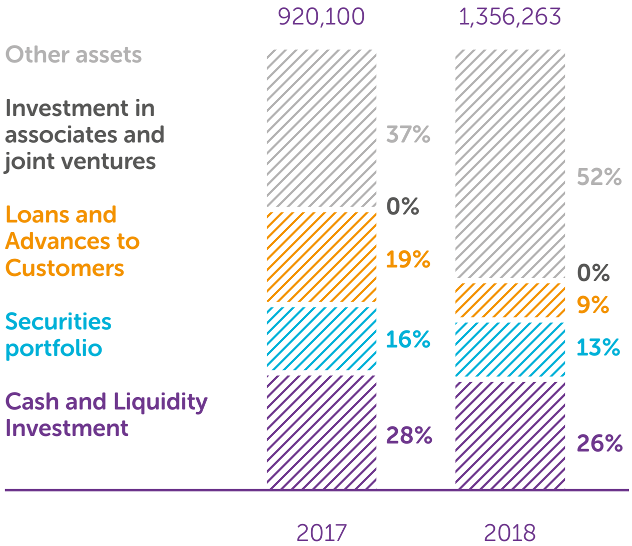
	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Deposits from central Banks and other credit institutions	119,894,301	29,333,360	-76%	722,586	95,051	-87%	24
Deposits form Customers and other loans	649,811,984	1,056,201,043	62%	3,916,323	3,422,479	13%	25
Financial liabilities held for trading	1,157	-	-	7	-	-	
Subordinated liabilities	71,111,361	132,262,143	86%	428,578	428,578	0%	26
Provisions	4,592,128	13,275,926	189%	27,676	43,019	55%	27
Current tax liabilities	491,31	5,315,573	982%	2,961	17,224	482%	28
Other liabilities	29,060,051	46,233,268	59%	175,141	149,813	-14%	29
LIABILITIES	**874,962,292**	**1,282,621,312**	**47%**	**5,273,271**	**4,156,164**	**-21%**	

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Share Capital	72,000,000	72,000,000	0%	433,934	233,306	-46%	30
Fair value reserves	-	-	-	(0)	-	-	31
Other reserves	23,903,096	24,504,329	3%	144,061	79,403	-45%	31
Retained earnings	(57,495,285)	(60,023,010)	4%	(346,516)	(194,497)	-44%	31
Net income	6,008,847	36,396,624	505%	36,214	117,938	226%	
Own Funds attributable to shareholders	44,416,658	72,877,943	64%	267,693	236,151	-12%	
Non-controlled interests	720,692	763,422	6%	101,452	238,996	136%	31
OWN FUNDS	**45,137,350**	**73,641,365**	**63%**	**369,145**	**475,147**	**29%**	

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
LIABILITIES AND OWN FUNDS	**920,099,641**	**1,356,262,678**	**47%**	**5,545,308**	**4,394,789**	**-21%**	

Balance Sheet Analysis

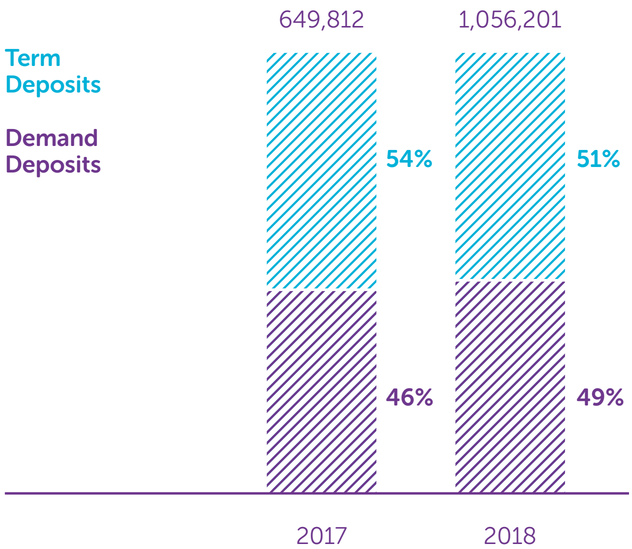
By the end of 2018, Banco Económico's net assets amounted to AOA 1.356263 trillion, reflecting a 47% increase when compared year-on-year. This increase resulted from a positive variation of items such as: Cash availability and investments (+41%), securities portfolio (+22%) and investments in associates and joint ventures (+63%).



Assets Composition
(Million AOA)

The reduction in the amount of loans and advances to customers from AOA 178.818 billion in 2017 to AOA 124.538 billion in 2018 resulted from a context of greater uncertainty, risk, higher interest rates and deterioration in credit quality, making it harder to grant it. Within this context, the weight of loans and advances to Customers on the Bank's total assets decreased approximately 10 percentage points.

In turn, in 2018, funds raised from Customers recorded a very significant growth of around 62%, compared to the amounts raised in 2017, having reached a value of AOA 1.056201 trillion. Although this movement is mainly explained by a growth in deposits in foreign currency (+115%), as a result of the devaluation of the Kwanza against the US Dollar, it is also a sign of trust in Banco Económico's sustainability and integrity by its Customers, to the extent that there was also an increase in deposits in domestic currency compared to the figures for 2017 (+2%).



Customer Deposits Structure
(Million AOA)

Credit Portfolio	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
ACTIVE LOANS AND ADVANCES	**82,373,250**	**110,577,645**	**34%**	**496,452**	**358,312**	**-28%**
Companies						
Current Account Loans	10,975,568	12,227,549	11%	66,148	39,622	-40%
Loans	57,749,400	52,405,670	-9%	348,047	169,814	-51%
Overdraft facilities	202,404	24,980,958	12,242%	1,220	80,947	6,536%
Financial Leasing	2,817,802	2,773,224	-2%	16,982	8,986	-47%
Retail Customers						
Housing	5,253,019	8,802,026	68%	31,659	28,522	-10%
Consumer credit and other	5,375,058	9,388,218	75%	32,395	30,421	-6%
OVERDUE LOANS AND ADVANCES	**69,352,259**	**100,043,336**	**44%**	**417,976**	**324,177**	**-22%**
Corporate Customers						
Loans	45,803,252	65,990,885	44%	276,050	213,835	-23%
Current account loans	4,072,006	7,118,719	75%	24,541	23,067	-6%
Overdraft facilities	11,802,385	16,671,029	41%	71,131	54,020	-24%
Financial leasing	3,824,539	3,370,293	-12%	23,050	10,921	-53%
Retail Customers						
Housing	1,816,875	3,192,334	76%	10,950	10,344	-6%
Consumer credit and other	2,033,202	3,700,076	82%	12,254	11,990	-2%
LOAN QUALITY						
Total Loans Retail Customers	14,478,154	25,082,654	73%	87,258	81,277	-7%
Total Loans Corporate Customers	137,247,355	185,538,327	35%	827,170	601,212	-27%
Impairments Retail Customers	1,329,335	6,489,473	388%	8,012	21,028	162%
Impairments Corporate Customers	19,930,026	79,593,766	299%	120,115	257,913	115%
Total Impairment	21,259,361	86,083,239	305%	128,127	278,941	118%
% Hedging Retail Customers	9%	26%	17 p.p.	9%	26%	17 p.p.
% Hedging Corporate Customers	15%	43%	28 p.p.	15%	43%	28 p.p.
% Total Hedging	14%	41%	27 p.p.	14%	41%	27 p.p.

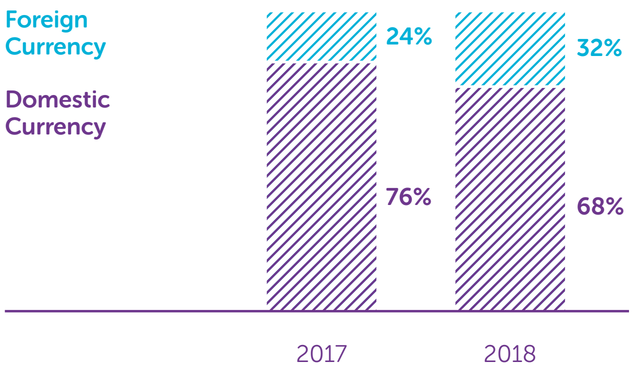
Credit Portfolio

In 2018, the volume of the credit portfolio grew 39%, from AOA 151.725 trillion to AOA 210.621 trillion, between 2017 and 2018, respectively.

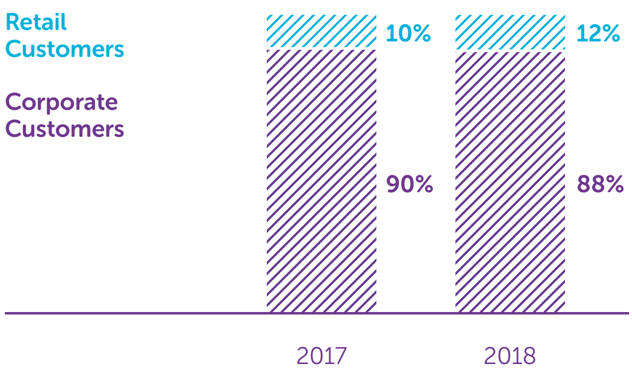
By type of currency, in 2018, we can see that loans granted in Domestic Currency grew by approximately 25%, reflecting the support provided by Banco Económico both with the aim of financing retail Customers and financing business activity in Angola.

On the other hand, Foreign Currency loans increased exponentially (82%) between 2017 and 2018. However, this increase is explained by the strong devaluation of the Kwanza against the US Dollar. In this regard, we should note that, after examining loans granted in USD, we found a contraction of 2%. This effect is, however, offset by the growth in loans denominated in EUR (8%) and AOA (25%).

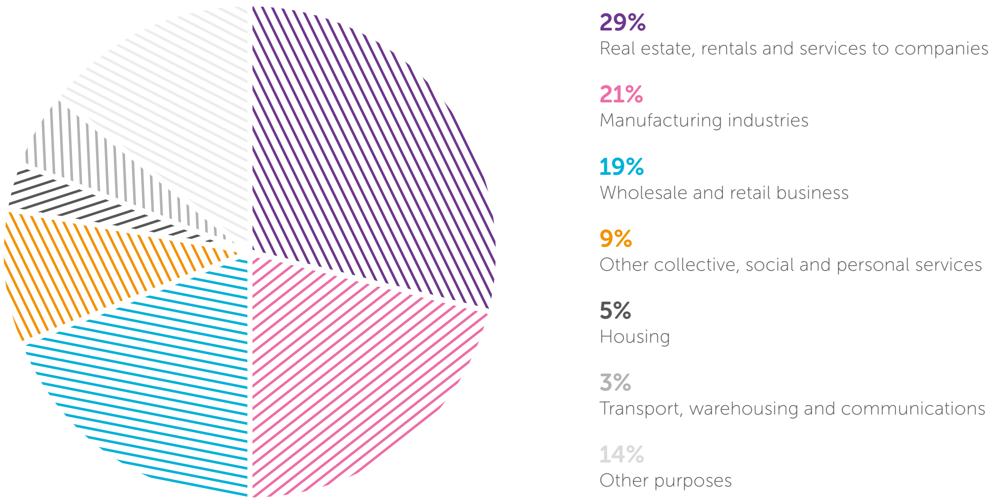
By Customer segment, there was a considerable growth in the volume of loans granted, both to Corporate Customers (35%) and to Retail Customers (73%), representing an overall increase in the credit portfolio of 39%, compared to 2017.



Credit by Currency
(Million AOA)



Credit by Customer Segment
(Million AOA)



Credit by Activity Sector

Loan Quality

In a context of high uncertainty, risk and an increase in interest rates, 2018 was characterised by a deterioration in the quality of Banco Económico's credit portfolio. In this context, the ratio of overdue loans to total loans increased by 3.4 pp, since the growth in loans granted (39%) was not sufficient to offset the growth in overdue loans (68%).

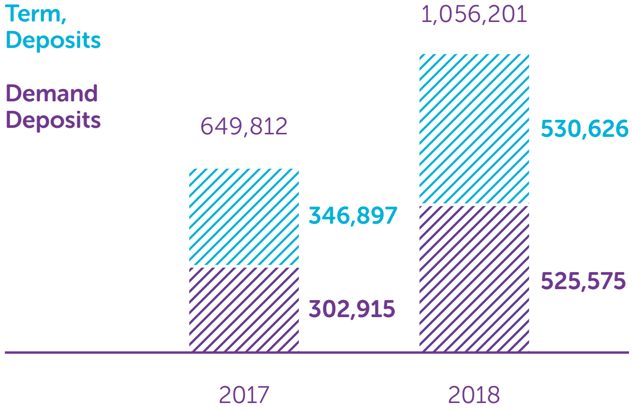
On the other hand, there was also a significant increase of 303% in impairment losses, reflected in a 27 p.p. increase in the total hedging ratio, between 2017 and 2018.

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
TOTAL CREDIT	151,725,509	210,620,981	39%	914,428	682,489	-25%
Retail Customers	14,478,154	25,082,654	73%	87,258	81,277	-7%
Companies	137,247,355	185,538,327	35%	827,170	601,212	-27%
OVERDUE CREDIT	24,276,081	40,860,470	68%	146,308	132,403	-10%
% OVERDUE CREDIT	16%	19%	3 p.p.	16%	19%	3 p.p.
TOTAL IMPAIRMENTS	21,259,361	86,083,239	305%	128,127	278,941	118%
Retail Customers	1,329,335	6,489,473	388%	8,012	21,028	162%
Companies	19,930,026	79,593,766	299%	120,115	257,913	115%
% TOTAL HEDGING	14%	41%	27 p.p.	14%	41%	27 p.p.
% Retail Customers Hedging	9%	26%	17 p.p.	9%	26%	17 p.p.
% Corporate Hedging	15%	43%	28 p.p.	15%	43%	28 p.p.

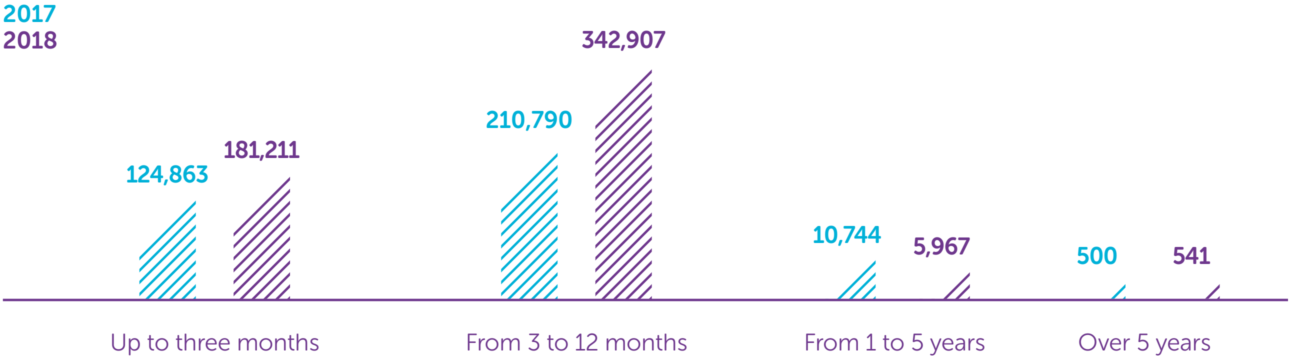
Customer Deposits

In 2018, the deposit portfolio was equitably composed of Demand Deposits and Term Deposits, totalling AOA 1.056 billion.

There was a growth in both types of deposit compared to 2017, namely of 74% in Demand Deposits and 53% in Term Deposits



Customer Deposits
(Million AOA)



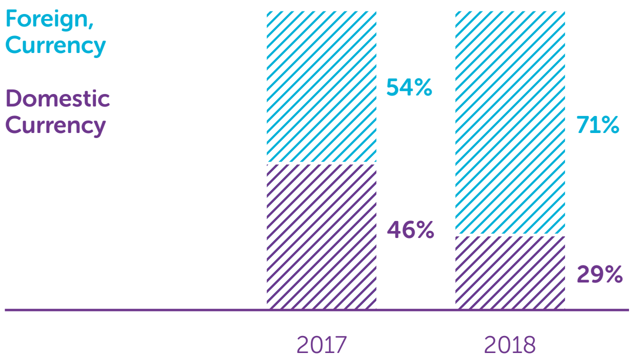
Maturity of Term Deposits
(Million AOA)

In 2018, foreign currency deposits started to present a predominant weight in the Bank's overall deposit portfolio (71%).

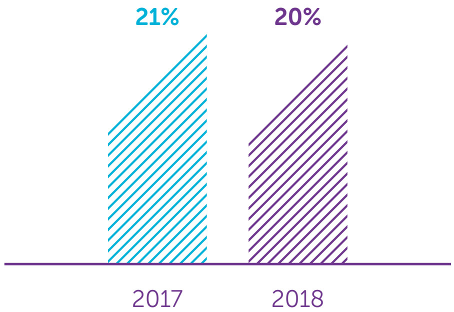
Although the growth in the deposits raised by the Bank is mainly explained by a growth in deposits in foreign currency (+115%), as a result of the devaluation of the Kwanza against the US Dollar, there was also an increase in deposits in domestic currency compared to the figures for 2017 (+2%). This is a very positive sign for the Bank, contributing to its long-term sustainability.

In 2018, the amount of deposits in foreign currency and in domestic currency recorded by the Bank was AOA 755.681 billion and AOA 300.52 billion, respectively.

In this context, and given the developments in loans granted, the Transformation Ratio remained virtually unchanged, dropping from 21%, in 2017, to 20%, in 2018.



Customer Deposits, by Currency
(Million AOA)



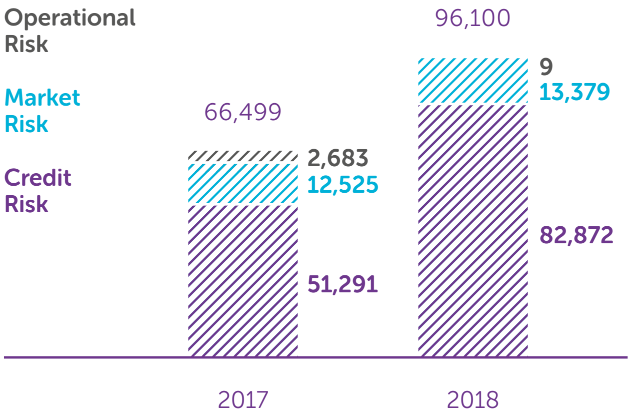
Transformation Ratio

Own Funds

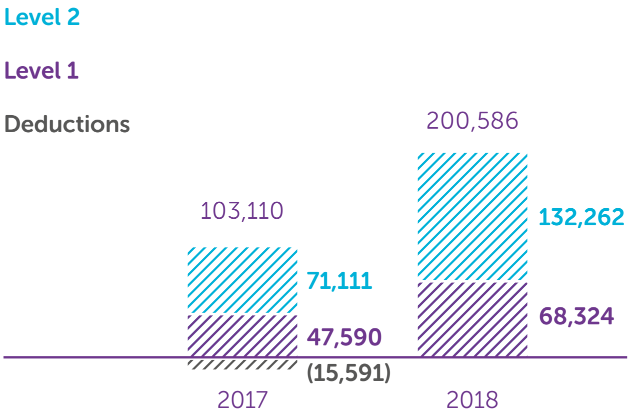
In 2018, Banco Económico's Own Funds reached AOA 73.641 billion, representing a growth of 63%, compared to 2017.

Taking into account the growth in the amount of risk assets in 2018, from AOA 66.499 billion to AOA 96.100 billion, compared to 2017, there was also a very significant increase in regulatory capital levels (94%).

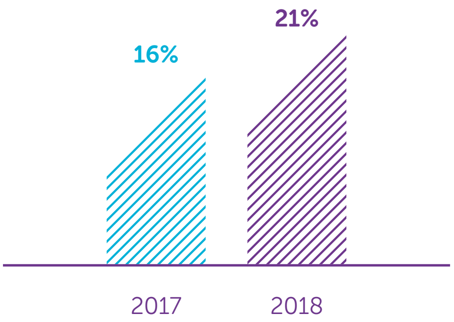
At the same time, the Solvency Ratio, which is calculated in line with Instruction No. 02/2016 of Banco Nacional de Angola, grew by 5 p.p. Thus, in 2018, the Solvency Ratio remained considerably above the minimum limit required by the BNA, i.e., the minimum limit of 10%.



Risk Assets
(Million AOA)



Regulatory Capital
(Million AOA)



Solvency Ratio

Profit and Loss Account

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation	Notes
Interest and similar income	51,723,050	66,619,850	29%	311,727	215,873	-31%	5
Interest and similar costs	(40,237,161)	(34,320,011)	-15%	(242,504)	(111,209)	-54%	5
NET INTEREST INCOME	**11,485,889**	**32,299,839**	**181%**	**69,224**	**104,663**	**51%**	**-**
Income from services and fees	9,217,675	15,171,829	65%	55,554	49,162	-12%	6
Expenses with services and fees	(444,963)	(745,077)	67%	(2,682)	(2,414)	-10%	6
Income from financial assets and liabilities measured at fair value through profit or loss	(23)	(222,797)	-	(0)	(722)	-	7
Income from financial assets at fair value through other comprehensive income	433,306	(0)	-	2,611	(0)	-	8
Foreign exchange gains and losses	3,787,503	99,060,840	2,515%	22,827	319,517	1,300%	9
Other operating income	4,099,509	(753,096)	-118%	24,707	(2,440)	-117%	10
BANKING INCOME	**28,578,896**	**144,811,537**	**407%**	**172,241**	**467,766**	**172%**	**-**
Staff Costs	(9,469,980)	(13,106,136)	38%	(57,074)	(42,469)	-26%	11
Third-party supplies and services	(7,963,341)	(8,942,801)	12%	(47,994)	(28,978)	-40%	12
Depreciation and amortisation in the year	(2,265,560)	(2,634,205)	16%	(13,654)	(8,536)	-37%	20 21
Provisions, net of cancellations	(280,034)	(689,204)	14%	(1,688)	(1,032)	-39%	27
Impairment on other financial assets, net of reversals and recoveries	-	(142,145)	-	-	(461)	-	16 17
Impairment on Customer loans, net of reversals and recoveries	(2,188,584)	(58,580,559)	2,577%	(13,19)	(189,823)	1,339%	18 27
Provisions and Losses Impairment on other assets, net of reversals and recoveries	(405,900)	(19,156,752)	4,620%	(2,446)	(59,629)	2,438%	23
Investments in Subsidiaries, Associates and Joint Ventures	87,132	181,566	108%	525	588	12%	22
PRE-TAX INCOME	**6,092.629**	**41,741,302**	**585%**	**36,719**	**135,257**	**268%**	**-**
Income taxes	-	-	-	-	-	-	-
Current	(57,293)	(5,232,148)	9,032%	(345)	(16,954)	4,810%	-
Deferred	(57,293)	(5,232,148)	9,032%	(345)	(16,954)	4,810%	28
INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS	**6,035,336**	**36,509,154**	**505%**	**36,374**	**118,303**	**225%**	**-**
NON-CONTROLLING INTERESTS	(26,489)	(112,531)	325%	(160)	(365)	128%	31
NET PROFIT/LOSS TO BE ALLOCATED TO THE SHAREHOLDERS	**6,008,847**	**36,396,623**	**505%**	**36,374**	**117,938**	**226%**	**-**

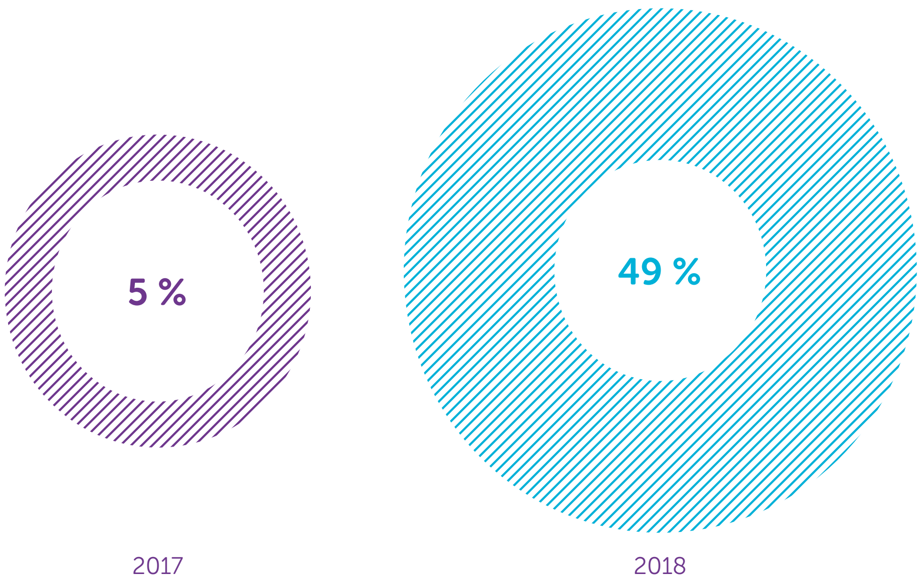
Developments in Profit/Loss

In 2018, Banco Económico's net income grew exponentially compared to the previous year, from AOA 6.092 billion, in 2017, to AOA 36.397 billion, in 2018 (i.e., 505% growth). Despite the excellent result obtained in 2018, this is mainly explained by exchange rate issues, as we can see in the item "Foreign Exchange Gains and Losses", which grew by 2,503%, from AOA 3.788 billion to AOA 99.061 billion.

As a result of the analysis of the income statement, we can also point out a very favourable development in the Net Interest Income, which grew significantly (181%), compared to 2017. Therefore, and also taking into account the growth of the complementary margin, Banco Económico was able to achieve significant growth in its Operating Product, which reached an amount of AOA 144.812 billion, resulting in a growth rate of 407%, compared to 2017.

With regard to costs, in 2018 there was an increase in staff costs (38%), costs with supplies and external services (12%) and costs with depreciation and amortisation (16%). It is also important to highlight the sharp growth of the item "Impairment for Customers loans, net of reversals and recoveries" (2,577%), as a result of an environment of greater uncertainty and deterioration in the quality of the credit portfolio.

The very significant growth of Banco Económico's revenues considering the developments in cost items, allowed the Bank to significantly improve its cost-to-income ratio, which dropped from 69%, in 2017, to 17%, in 2018.



Return-on-Equity (ROE)

At the same time, in 2018 Banco Económico recorded an increase in the return on the Bank's equity, with an ROE of 49%, i.e.., 44 percentage points more than in the previous year.

Net Interest Income and Complementary Margin

In 2018, Banco Económico reinforced its ability to generate income, having shown highly satisfactory development in terms of net interest income, which grew 181% between 2017 and 2018. This increase is explained not only by a growth in interest and income (+29% compared to 2017), but also by its ability to reduce the amount of interest and charges (-15% compared to 2017). In addition, it is worth noting the fact that income from loans granted (i.e., AOA 21.026 billion) is slightly lower than the cost of remunerating Customer deposits (i.e., AOA 26.539 billion).

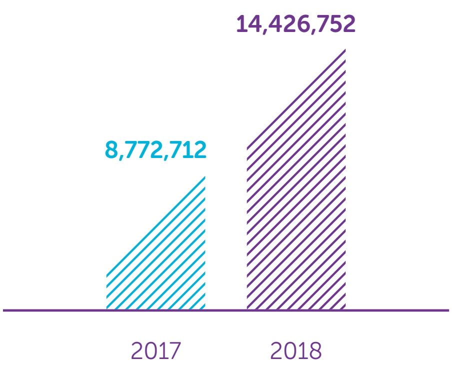
With regard to the complementary margin, the growth of the net fees item (i.e., difference between income and charges for services and fees) stands at about 72%, compared to 2017.

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
INTEREST AND SIMILAR INCOME	51,723,050	66,619,851	29%	311,727	215,873	-31%
Credit interests	20,442,631	21,023,584	3%	123,205	68,133	-45%
Interest on cash balances and investments in credit institutions	1,024,692	1,351,309	32%	6,176	4,379	-29%
Interest on securities	10,417,592	12,496,545	20%	62,785	40,493	-36%
Other interest and similar income	19,838,135	31,748,413	60%	119,562	102,877	-14%
INTEREST AND SIMILAR COSTS	40,237,161	34,320,012	-15%	242,504	111,209	-54%
Interest from central bank deposits	11,115,988	1,492,356	-87%	66,994	4,836	-93%
Interest from customer deposits	24,208,286	26,502,398	9%	145,9	85,878	-41%
Interest from subordinated liabilities	3,573,514	5,446,515	52%	21,537	17,649	-18%
Other interest and similar costs	1,339,373	878,743	-34%	8,072	2,847	-65%
NET INTEREST INCOME	**11,485,889**	**32,299,839**	**181%**	**69,224**	**104,663**	**51%**
Income from services and fees	9,217,675	15,171,829	65%	55,554	49,162	-12%
Expenses with services and fees	-444,963	-745,077	67%	-2,682	-2,414	-10%
Income from financial assets and liabilities measured at fair value through profit or loss	-23	-222,797	-	0	-722	-
Income from financial assets at fair value through other comprehensive income	433,306	-	-	2,611	0	-
Other operating income	4,099,509	-753,096	-118%	24,707	-2,44	-110%
COMPLEMENTARY MARGIN	**13,305,504**	**13,450,859**	**1%**	**80,19**	**43,586**	**-46%**

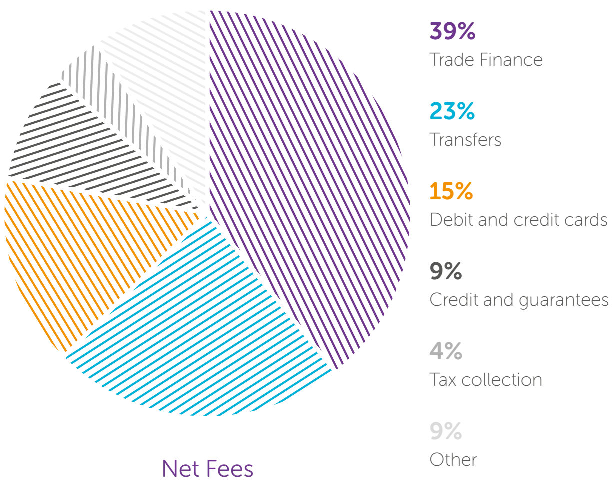
Developments in Commissioning

This growth in net fees is mainly explained by a growth in income from securities transactions (511%), management of instruments of payment (174%), documentary credits (101%), bancassurance (92%) and cards (73%).

	2017 Thousand AOA	2018 Thousand AOA	Variation	2017 Thousand USD	2018 Thousand USD	Variation
INCOME FROM SERVICES AND FEES	**9,217,675**	**15,171,829**	**65%**	**55,554**	**49,117**	**-12%**
Securities transactions	25,324	154,830	511%	153	502	229%
Guarantees Provided	265,394	166,863	-37%	1,599	309	-66%
Management of Instruments of Payment	1,230,925	3,368,642	174%	7,419	10,916	47%
Fee and Loans and Similar Operations	1,023,437	1,201,362	17%	6,168	3,893	-37%
Documentary Credits	2,887,959	5,117,147	77%	17,405	16,581	-5%
Cards	1,708,742	2,882,516	69%	10,298	9,340	-9%
Bancassurance	53,220	102,026	92%	321	331	3%
Earnings from Services Provided to the State	558,000	650,018	16%	3,363	2,106	-37%
Other Services	1,464,673	1,528,426	3%	8,827	4,908	-484%
EXPENSES WITH SERVICES AND FEES	**(444,963)**	**(745,077)**	**67%**	**(2,682)**	**(2,414)**	**-10%**
Management of Instruments of Payment	(1,638)	(1,407)	-14%	(10)	(5)	-54%
Cards	(403,214)	(692,434)	72%	(2,430)	(2,244)	-8%
Other Services	(40,111)	(51,236)	28%	(242)	(166)	-31%



Net Fees
(Thousand AOA)

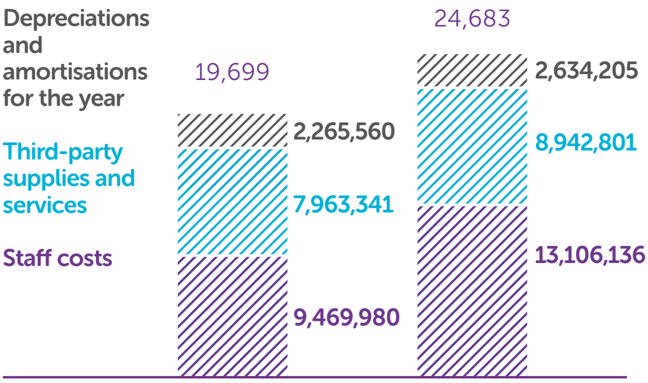


Net Fees by Type

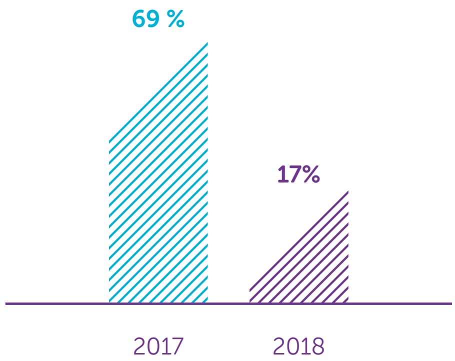
Structural Costs

A significant portion of the structural costs is represented by staff costs, which in 2018 represented approximately 53% of the overall structural costs, a figure which is higher than the one recorded in 2017 (48%).

In 2018, and considering the figures for 2017, there was a very substantial improvement in the Cost-to-income ratio, which dropped from 69% to 17%, justified by a considerable increase in operating product (391%) which grew at faster pace than costs (24%). This growth reflects not only the good dynamics of Banco Económico's business, but also the Bank's concern with becoming increasingly efficient and promoting a better use of its resources.



Structural Costs
(Million AOA)



Cost-to-Income

	2017 Thousand AOA	2018 Thousand AOA	Variation Thousand AOA	2017 Thousand USD	2018 Thousand USD	Variation Thousand USD
STRUCTURAL COSTS	**19,698,881**	**24,683,142**	**25%**	**118,722**	**79,982**	**-33%**
Staff costs	9,469,980	13,106,136	38%	57,074	42,469	-26%
Third-party supplies and services	7,963,341	8,942,801	12%	47,994	28,978	-40%
Depreciation and amortisation in the year	2,265,560	2,634,205	16%	13,654	8,536	-37%

STRATEGY AND OUTLOOK FOR ACTIVITY IN 2019

7.1. Our Strategy

In order to achieve long-term growth and sustainability, Banco Económico based its strategic guidelines on 4 key pillars.

Customers

1
Making sure that the Customers' expectations are anticipated and met, reinforcing the levels of service quality and operational efficiency.

2
Fostering the Customer attraction and retention, increasing the Customer base and establishing trustworthy and long-term relationships.

3
Promoting the offer of digital, innovative, and personalised products and services with competitive interest rates.

4
Continuing to make solid investments in Banco Económico's Marketing , with the aim of boosting all market segments.

Employees

1
Continuing to invest in training initiatives, promoting professional growth and development of the Bank's Employees.

2
Identifying opportunities to improve the current working conditions of the Bank's Employees, and continuing to offer benefits that supplement their salaries.

3
Continuing to promote a culture of meritocracy, ensuring high levels of competence, satisfaction and motivation among Employees.

Banco Económico's strategy is based on a segmented approach to the market, through a multi-specialist offer, using external communication as a factor to promote its brand, products and services, differentiated through quality and values.

Risk and Code of Conduct

1
Continuing to pursue a financing policy based mainly on Customer deposits, thus ensuring the Bank's sustainability.

2
Maintaining prudent investment and risk policies, ensuring strict management focused on the long term.

3
Continuously monitoring the levels of compliance with and respect for the legal framework and the internal policies in force.

Technology and Digitisation

1
Expanding the investment in updating and modernising the Bank's systems and applications, allowing for a more digital and closer service.

2
Continuing to pursue the Bank's digital transformation programme, namely the multichannel strategy, improving Customer experience.

3
Increasing the Bank's operational efficiency, namely by developing procedure automation solutions.

4
Positioning the Bank as a leading provider of digital products and services to Customers in the banking sector in Angola.

7.2. Prospects for Developments

The current macroeconomic environment will lead to a gradual reduction in the recurring profitability of the financial sector.

To overcome the adverse effects of the current economic and financial environment, it will be necessary to adjust the strategic plan in order to strengthen Banco Económico as one of the main banks in the system.

Effects of the Economic Environment

1
The reduction in the level of interest rates introduced by the current monetary policy will determine a reduction in the financial margins of the sector in the medium term.

2
Banco Nacional de Angola has limited the maximum amounts to be charged for providing financial services, which will result in a sharp reduction in the level of fees in the sector, mainly reflected in 2020.

3
The high level of inflation and a stricter regulation is consistently putting pressure on banks to increase their operating costs.

Adequacy of the Strategic Plan

1
To overcome the adverse effects of the current economic and financial environment, it will be necessary to adjust the strategic plan in order to strengthen Banco Económico as one of the main banks in the system.

2
Using new technologies to promote and distribute financial products and services, as a way of swiftly entering new markets with greater capillarity.

3
Containing operating costs by optimising processes and structures.

4
Continuously reinforcing quality by increasing knowledge and improving and digitising processes.

8

APPROVAL FROM THE BOARD OF DIRECTORS

8.1. Report and Accounts and Appropriation of Profits

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.

In line with the best Corporate Governance practices, the Board of Directors declares that it is not aware of any aspects that hinder its belief 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 carried out and recorded in accordance with the rules and procedures in force.
- The separate and consolidated financial statements for the years ended 31 December 2018 and 2017, audited and prepared in accordance with the regulations in force in Angola, give a true and appropriate image of the Assets, Liabilities, Own Funds, Income and Cash Flows in separate and consolidated terms.
- The Management Report faithfully describes the business evolution, performance and financial position in separate and consolidated terms for the 2018 and 2017 financial years.

In line with its statutory competence, the Board of Directors presents to the General Meeting the proposal for appropriation of the results of the 2018 financial year as follows:

- To the legal reserve, the equivalent to 10% of the net profit for the year, in the amount of AOA 3,637,428,675.72.
- To retained earnings, the amount of AOA 32,736,858,081.45.

Due to the fact that the sale of assets to the ENSA Group has been in default since December 2018, the Ministry of Finance and Banco Nacional de Angola have informed Banco Económico that this operation should be replaced with a capital increase operation, and Banco Nacional de Angola has determined that a capital increase operation in the amount of AOA 416 billion should be carried out by 30 June, 2020, still subject to negotiation of the early settlement terms of the operation with the ENSA Group and the result of the asset quality assessment programme, the Board of Directors submits the proposed capital increase to the General Meeting.

The Board of Directors would like to thank its Customers, Suppliers and Shareholders for their trust, its Employees for their loyalty and dedication, and the Governmental and Supervisory Authorities for their cooperation.

Luanda, 6 August 2019
The Board of Directors

9

FINANCIAL STATEMENTS, ATTACHED NOTES AND OPINIONS

9.1. Financial Statements

Separate Balance Sheet

As at 31 December 2018 and 31 December 2017.

(thousand kwanzas)

ASSETS	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Cash and deposits with central banks	14	194,901,353	138,549,166
Deposits with other credit institutions	15	53,976,813	34,755,931
Investments at central banks and other credit institutions	16	109,871,667	81,968,105
Financial assets at fair value through profit or loss	17	4,392,478	1,635
Financial assets at fair value through other comprehensive income	17	99,862	119,236,292
Investments at amortised cost	17	177,425,058	29,485,581
Customer loans	18	124,537,742	178,835,613
Non-current assets held for sale	19	27,548	5,155,788
Other tangible assets	20	42,123,013	45,324,533
Intangible assets	21	3,763,903	2,144,991
Investments in associates and jointly controlled entities	22	2,480,184	1,517,075
Other assets	23	644,010,772	283,681,147
Asset Transfer Op. ENSA Group		638,575,571	275,282,668
Other		5,435,201	8,398,479
TOTAL ASSETS		**1,357,610,391**	**920,655,858**

(thousand kwanzas)

LIABILITIES AND EQUITY	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Deposits from central banks and other credit institutions	24	29,334,097	119,894,301
Customer deposits and other loans	25	1,059,122,420	651,833,602
Financial liabilities held for trading	17	-	1,157
Subordinated liabilities	26	132,262,143	71,111,361
Provisions	27	13,100,684	4,671,044
Current tax liabilities	28	5,057,634	24,843
Other liabilities	29	45,877,808	28,701,550
TOTAL LIABILITIES		1,284,754,786	876,237,859
Share Capital	30	72,000,000	72,000,000
Fair value reserves	31	(0)	(0)
Other reserves	31	24,504,329	23,903,096
Retained earnings	31	(60,023,011)	(57,497,422)
Net income for the year		36,374,287	6,012,325
TOTAL EQUITY		72,855,605	44,417,999
TOTAL LIABILITIES AND EQUITY		**1,357,610,391**	**920,655,858**

Consolidated Balance Sheet

As at 31 December 2018 and 31 December 2017.

(thousand kwanzas)

ASSETS	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Cash and deposits with central banks	14	194,901,353	138,549,166
Deposits with other credit institutions	15	53,976,813	34,944,313
Investments at central banks and other credit institutions	16	109,871,667	81,968,105
Financial assets at fair value through profit or loss	17	4,392,478	1,635
Financial assets at fair value through other comprehensive income	17	99,862	119,236,292
Investments at amortised cost	17	177,490,904	29,485,581
Customer loans	18	124,537,742	178,818,324
Non-current assets held for sale	19	27,548	5,155,788
Other tangible assets	20	42,283,390	45,486,378
Intangible assets	21	3,764,847	2,146,429
Investments in associates and jointly controlled entities	22	530,587	433,968
Other assets	23	644,385,487	283,873,662
Asset Transfer Op. ENSA Group		638,575,571	275,282,668
Other		5,809,916	8,590,994
TOTAL ASSETS		1,356,262,677	920,099,641

(thousand kwanzas)

LIABILITIES AND EQUITY	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Deposits from central banks and other credit institutions	24	29,333,360	119,894,301
Customer deposits and other loans	25	1,056,201,043	649,811,984
Financial liabilities held for trading		-	1,157
Subordinated liabilities	26	132,262,143	71,111,361
Provisions	27	13,275,926	4,592,128
Current tax liabilities	28	5,315,573	491,310
Other liabilities	29	46,233,268	29,060,051
TOTAL LIABILITIES		1,282,621,312	874,962,292
Share Capital	30	72,000,000	72,000,000
Other reserves	31	24,504,329	23,903,096
Retained earnings	31	(60,023,011)	(57,495,285)
Net income for the year		36,396,625	6,008,847
Equity attributable to shareholders		72,877,942	44,416,658
Non-controlling interests	31	763,422	720,692
TOTAL EQUITY		73,641,365	45,137,350
TOTAL LIABILITIES AND EQUITY		**1,356,262,677**	**920,099,641**

Separate Statement of Profit and Loss

For the years ended on 31 December 2018 and 2017.

(thousand kwanzas)

SEPARATE STATEMENT OF PROFIT AND LOSS	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Interest and similar income	5	66,618,611	R51,723,050
Asset Transfer Op. ENSA Group	5	31,748,413	19,838,135
Other	5	34,870,197	31,884,915
Interest and similar costs		(34,356,181)	(40,251,116)
Other		(33,477,439)	(38,911,743)
Asset Transfer Op. ENSA Group	5	(878,743)	(1,339,373)
NET INTEREST INCOME		32,262,429	11,471,934
Income from services and fees	6	14,683,856	8,506,130
Expenses with services and fees	6	(745,077)	(411,140)
Income from financial assets and liabilities measured at fair value through profit or loss	7	(222,797)	(23)
Income from financial assets at fair value through other comprehensive income	8	(0)	433,306
Foreign exchange gains and losses - Other	9	(221,019,549)	3,741,485
Foreign exchange gains and losses - ENSA Group	9	318,905,649	47,686
Other operating income	10	(569,600)	4,134,436
BANKING INCOME		143,294,911	27,923,814
Staff costs	11	(12,668,298)	(9,146,276)
Third-party supplies and services	12	(8,591,035)	(7,786,884)
Depreciation and amortisation in the year	20 and 21	(2,579,890)	(2,239,524)
Provisions, net of cancellations	27	(584,306)	(280,034)
Impairment on other financial assets, net of reversals and recoveries	16, 17 a nd 27	(142,145)	-
Impairment on customer loans, net of reversals and recoveries	18 and 27	(58,602,894)	(2,224,675)
Impairment on other financial assets, net of reversals and recoveries	23 and 27	(19,156,752)	(405,900)
Income from associates and joint ventures	22	419,834	171,804
PRE-TAX EARNINGS FROM ONGOING OPERATIONS		41,389,425	6,012,325
Income taxes		(5,015,138)	-
Current	28	(5,015,138)	-
Deferred		-	-
POST-TAX EARNINGS FROM ONGOING OPERATIONS		36,374,287	6,012,325
Earnings from discontinued and/or to be discontinued operations		-	-
NET INCOME FOR THE YEAR		36,374,287	6,012,325
Average number of ordinary shares issued		72,000,000	72,000,000
Basic earnings per share	13	0.51	0.08
Diluted earnings per share	13	0.51	0.08

Consolidated Income Statement

For the years ended on 31 December 2018 and 2017.

(thousand kwanzas)

CONSOLIDATED INCOME STATEMENT	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Interest and similar income	5	66,619,851	51,723,050
Asset Transfer Op. ENSA Group	5	31,748,413	19,838,135
Others	5	34,871,437	31,884,915
Interest and similar costs	5	(34,320,012)	(40,237,161)
Other	5	(33,441,269)	(38,897,788)
Asset Transfer Op. ENSA Group	5	(878,743)	(1,339,373)
NET INTEREST INCOME		32,299,839	11,485,889
Income from services and fees	6	15,171,829	9,217,675
Expenses with services and fees	6	(745,077)	(444,963)
Income from financial assets and liabilities measured at fair value through profit or loss	7	(222,797)	(23)
Income from financial assets available for sale	8	(0)	433,306
Foreign exchange gains and losses - Other	9	(219,844,807)	3,739,817
Foreign exchange gains and losses - ENSA Group	9	318,905,649	47,686
Other operating income	10	(753,096)	4,099,509
BANKING INCOME		144,811,539	28,578,896
Staff costs	11	(13,106,136)	(9,469,980)
Third-party supplies and services	12	(8,942,801)	(7,963,341)
Depreciation and amortisation in the year	20 and 21	(2,634,205)	(2,265,560)
Provisions, net of cancellations	27	(689,204)	(280,034)
Impairment on customer loans, net of reversals and recoveries	18 and 27	(58,580,559)	(2,188,584)
Impairment on other financial assets, net of reversals and recoveries	16, 17 and 27	(142,145)	-
Impairment on other assets, net of reversals and recoveries	23 and 27	(19,156,752)	(405,900)
Income from associates and joint ventures	22	181,566	87,132
PRE-TAX INCOME FROM ONGOING OPERATIONS AND NON-CONTROLLING INTERESTS		41,741,304	6,092,629
Income taxes		(5,232,148)	(57,293)
Current	28	(5,232,148)	(57,293)
Deferred		-	-
INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS		36,509,156	6,035,336
Non-controlling interests	31	(112,531)	(26,489)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		36,396,625	6,008,847
Average number of ordinary shares issued		72,000,000	72,000,000
Basic earnings per share	13	0.51	0.08
Diluted earnings per share	13	0.51	0.08

Separate Statement of Comprehensive Income

As at 31 December 2018 and 2017.

(thousand kwanzas)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Net Income for the Year		36,374,287	6,012,325
Fair value reserve		-	79,567
Other operations		-	(117,656)
		-	(38,089)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		36,374,287	5,974,236

Consolidated Statement of Comprehensive Income

As at 31 December 2018 and 2017.

(thousand kwanzas)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Net Income for the Year		36,396,625	6,008,847
Fair value reserve		-	79,567
Other operations		-	(117,656)
		-	(38,089)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		36,396,625	5,970,758

Separate Statement of Changes in Equity

As at 31 December 2018 and 31 December 2017.

(thousand kwanzas)

SEPARATE STATEMENT OF CHANGES IN EQUITY	Capital	Share Premiums	Own Shares	Reserves and Retained Earnings: Fair Value Reserves	Reserves and Retained Earnings: Other reserves	Reserves and Retained Earnings: Retained earnings	Reserves and Retained Earnings: Total	Income for the Year	Total Own Funds
BALANCE AS AT 31 DECEMBER 2016	72,000,000	-	-	(79,567)	23,903,096	(49,055,486)	(25.231.956)	(4,329,024)	42,439,020
Adjustment with retained effects									
Impairment on recoverable iSUC	-	-	-	-	-	(3,995,257)	(3,995,257)	-	(3,995,257)
Other comprehensive income									
Changes in fair value, net of tax	-	-	-	79,567	-	-	79,567	-	79,567
Net Income for the Year	-	-	-	-	-	-	-	6,012,325	6,012,325
Total comprehensive income for the year	-	-	-	79,567	-	-	79,567	6,012,325	6,091,892
Creation of Reserves	-	-	-	-	-	(4,329,024)	(4,329,024)	4,329,024	-
Other Operations	-	-	-	-	-	(117,656)	(117,656)	-	(117,656)
BALANCE AS AT 31 DECEMBER 2017 RESTATEMENT	72,000,000	-	-	-	23,903,096	(57,497,422)	(33,594,325)	6,012,325	44,417,999
Appropriation of Profit - Reserves	-	-	-	-	601,233	5,411,092	6,012,325	(6,012,325)	-
Adoption IFRS 9									
Change calculation impairment (Note 4)	-	-	-	-	-	(7,936,681)	(7,936,681)	-	(7,936,681)
BALANCE AS AT 1 JANUARY 2018	72,000,000	-	-	-	24,504,329	(60,023,011)	(35,518,682)	-	36,481,318
Net Income for the Year	-	-	-	-	-	-	-	36,374,287	36,374,287
BALANCE AS AT 31 DECEMBER 2018	72,000,000	-	-	-	24,504,329	(60,023,011)	(35,518,682)	36,374,287	72,855,605

Consolidated Statement of Changes in Equity

As at 31 December 2018 and 31 December 2017.

(thousand kwanzas)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Capital	Reserves and Retained Earnings				Non-controlling interests	Income for the Year	Total Equity
		Fair Value Reserves	Other reserves	Retained earnings	Total			
BALANCE AS AT 31 DECEMBER 2016	72,000,000	(79,567)	23,903,096	(49,055,485)	(25,231,956)	583,663	(4,326,888)	43,024,820
Adjustment with retained effects								
Impairment on recoverable iSUC	-	-	-	(3,995,257)	(3,995,257)	-	-	(3,995,257)
Other comprehensive income								
Changes in fair value, net of tax	-	79,567	-	-	79,567	-	-	79,567
Net Income for the Year	-	-	-	-	-	-	6,008,847	6,008,847
Total comprehensive income for the year	-	79,567	-	-	79,567	-	6,008,847	6,088,414
Non-controlling interests	-	-	-	-	-	137,028		137,028
Creation of Reserves	-	-	-	(4,326,888)	(4,326,888)	-	4,326,888	-
Other Operations	-	-	-	(117,656)	(117,656)	-	-	(117,656)
BALANCE AS AT 31 DECEMBER 2017	72,000,000	-	23,903,096	(57,495,286)	(33,592,190)	583,663	6,008,847	45,000,321
Appropriation of Profit - Reserves	-	-	601,233	5,407,615	6,008,847	-	(6,008,847)	-
Adoption IFRS 9								
Change calculation impairment (Note 4)	-	-	-	(7,935,338)	(7,935,338)	-	-	(7,935,338)
BALANCE AS AT 1 JANUARY 2018	72,000,000	-	24,504,329	(60,023,011)	(35,518,681)	583,663	-	37,064,983
Net Income for the Year	-	-	-	-	-	-	36,396,625	36,396,625
Total comprehensive income for the year	-	-	-	-	-	-	36,396,625	36,396,625
Non-controlling interests	-	-	-	-	-	179,759		179,759
BALANCE AS AT 31 DECEMBER 2018	72,000,000	-	24,504,329	(60,023,011)	(35,518,681)	763,422	36,396,625	73,641,367

Separate Cash-Flow Statement

As at 31 December 2018 and 31 December 2017.

CASH FLOW FROM OPERATING ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Interest, fees and similar income		54,193,926	44,521,313
Interest, fees and other similar costs paid		(64,597,167)	(50,895,977)
Payments to employees and suppliers		(21,259,333)	(16,933,160)
CASH FLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		(31,662,575)	(23,307,824)
(Increase)/Decrease in operating assets and liabilities:			
Investments at central banks and other credit institutions		(27,903,562)	(25,897,565)
Financial assets at fair value through profit or loss		(4,390,843)	-
Financial assets at fair value through other comprehensive income		19,618,436	14,351,158
Investments at amortised cost:			
Debt securities		-	-
Customer loans		5,876,389	-17,777,236
Non-current assets held for sale		27,548	4,134,436
Deposits from central banks and other credit institutions		(90,560,204)	(147,691,061)
Customer deposits and other loans		238,535,696	(18,412,341)
Non-current liabilities held for sale		-	-
Other assets		(45,605,279)	223,703,815
Other liabilities		17,176,258	23,537,600
NET CASH FLOWS FROM OPERATING ACTIVITIES, BEFORE INCOME TAXES		81,111,864	32,640,982
Income tax		-	
NET CASH FLOW FROM OPERATING ACTIVITIES		81,111,864	32,640,982

CASH FLOW FROM INVESTMENT ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Dividends received		55	-
Acquisition of other tangible assets, net of sales		621,63	888,81
Acquisition of intangible assets, net of sales		(1,618,911)	1,157,396
Acquisitions of interests in subsidiaries, associates and joint ventures, net of sales		850	-
NET CASH FLOW FROM INVESTMENT ACTIVITIES		81,019,583	34,687,188

CASH FLOW FROM FINANCING ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Increase/(Decrease) in share capital		-	-
Dividend distribution		-	-
Issue of subordinate liabilities, net of repayments and acquisitions		-	-
Return paid related to subordinated liabilities		(5,446,515)	(3,573,514)
NET CASH FLOW FROM FINANCING ACTIVITIES		75,573,068	31,113,674

CASH AND CASH EQUIVALENTS	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Cash and cash equivalents at beginning of period		173,305,098	142,191,424
Net changes in cash and cash equivalents		75,573,068	31,113,674
Cash and cash equivalents at end of period		248,878,166	173,305,098
CASH AND CASH EQUIVALENTS:			
Cash and deposits with central banks	14	194,901,353	138,549,166
Cash and deposits with other financial institutions	15	53,976,813	34,755,931
		248,878,166	173,305,098

Consolidated Cash-Flow Statement

As at 31 December 2018 and 31 December 2017.

CASH FLOW FROM OPERATING ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Interest, fees and similar income		54,193,926	44,521,313
Interest, fees and other similar costs paid		(64,597,167)	(50,895,977)
Payments to employees and suppliers		(21,259,333)	(16,933,160)
CASH FLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		(31,662,575)	(23,307,824)
(Increase)/Decrease in operating assets and liabilities:			
Investments at central banks and other credit institutions		(27,903,562)	(25,897,565)
Financial assets at fair value through profit or loss		(4,390,843)	-
Financial assets at fair value through other comprehensive income		19,618,436	14,351,158
Investments at amortised cost:			
Debt securities		-	-
Customer loans		5,876,389	(17,777,236)
Non-current assets held for sale		27,548	4,134,436
Deposits from central banks and other credit institutions		(90,560,204)	(147,691,061)
Customer deposits and other loans		238,535,696	(18,412,341)
Non-current liabilities held for sale		-	-
Other assets		(45,605,279)	223,892,195
Other liabilities		17,176,258	23,537,600
NET CASH FLOWS OF OPERATING ACTIVITIES, BEFORE INCOME TAXES		81,111,864	32,829,361
Income tax		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES		81,111,864	32,829,361

CASH FLOW FROM INVESTMENT ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Dividends received		55,000	-
Acquisition of other tangible assets, net of sales		621,630	888,810
Acquisition of intangible assets, net of sales		(1,807,293)	1,157,396
Acquisitions of interests in subsidiaries, associates and joint ventures, net of sales		850,000	-
NET CASH FLOW FROM INVESTMENT ACTIVITIES		80,831,201	34,875,567

CASH FLOW FROM FINANCING ACTIVITIES	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Increase/(Decrease) in share capital		-	-
Dividend distribution		-	-
Issue of subordinate liabilities, net of repayments and acquisitions		-	-
Return paid related to subordinated liabilities		(5,446,515)	(3,573,514)
NET CASH FLOW FROM FINANCING ACTIVITIES		75,384,687	31,302,053

CASH AND CASH EQUIVALENTS	Notes	31/12/2018	31/12/2017 Restatement (Note 2)
Cash and cash equivalents at beginning of period		173,493,479	142,191,426
Net changes in cash and cash equivalents		75,384,687	31,302,053
Cash and cash equivalents at end of period		248,878,166	173,493,479
CASH AND CASH EQUIVALENTS:			
Cash and deposits with central banks	14	194,901,353	138,549,166
Cash and deposits with other financial institutions	15	53,976,813	34,944,313
		248,878,166	173,493,479

9.2. Appendix to the Financial Statements

For the year ended on 31 December 2018

Note 1 Introduction

Banco Económico, SA 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").

The separate ("BE" or "Bank") and consolidated ("BE Group" or "Group") financial statements of Banco Económico published here refer to the financial year ended 31 December 2018.

BE changed its name on 28 October 2014, after applying restructuring measures ordered by the BNA. BE resulted from the renaming of Banco Espírito Santo Angola S.A., which was originally founded in August 2001 and began operations on 24 January 2002. BE has always been a privately owned banking institution established under Angolan law and its company objective is universal banking on the terms and within the scope allowed by law.

The financial statements for the year ending on 31 December 2017 were approved at a meeting of the Board of Directors held on 5 August, 2018. Final approval is still subject to the agreement of the General Shareholders' Meeting, and the Board of Directors expects them to be approved without significant changes.

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. were prepared in accordance with the accounting records of the Bank and the companies included in the consolidation, which were prepared in accordance with the International Financial Reporting Standards. Those standards include the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB"), the International Accounting Standards ("IAS"), issued by the International Accounting Standards Committee ("IASC"), as well as their interpretations - IFRIC and SIC -, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standards Interpretation Committee ("SIC"), in effect for financial years started on 1 January, 2018. Those standards and interpretations as whole shall be hereinafter generically referred to as "IFRS".

The IFRS include accounting rules issued by the International Accounting Standards Board (IASB) and the interpretation guidelines issued by the International Financial Reporting Interpretation Committee (IFRIC), and its predecessor bodies.

The separate and consolidated financial statements of Banco Económico published here refer to the financial year ended 31 December 2018. The financial statements are stated in thousands of kwanzas, rounded to the nearest thousand and, despite the uncertainties disclosed in Note 36, they were prepared on a going concern principle, in accordance with the principle of historical cost, with the exception of assets and liabilities at fair value, such as derivatives, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The accounting policies used by the Group in its preparation are consistent with those used in the preparation of the financial statements with reference to 31 December, 2017, except with regard to the Bank's understanding of the implementation of IFRS 9 and the recoverability of the refund of unduly settled tax, for which the Bank continues to receive no response from the General Tax Authority ("AGT"); in this context, the Bank has chosen to record the impacts of IFRS 9 only on 1 January, 2018 and the impairment on the total amount receivable from AGT in 2017, restating the comparison. These changes are shown below.

Refund of unduly settled tax

The Bank reclassified, with reference to 31 December, 2017, the record of an outstanding balance in the amount of AOA 3,995,257,000, previously recorded to be deducted in the Other liabilities item, related to stamp duty on loan agreements unduly settled by the Bank, a credit whose economic rights were transferred to the ENSA Group, under the Other assets item. Additionally, in order to reflect the best expectation of recoverability of the balances as at that date, the Bank recorded an impairment corresponding to the total amount with reference to 31 December, 2017.

The impacts on the balance sheet and on the Separate and Consolidated income statements as at 31 December, 2017 due to the aforementioned change are shown below:

Separate Financial Statements

(thousand kwanzas)

BALANCE SHEET	Notes	31/12/2017 Published	Reclassification of Tax to Other Assets	Record of impairment on tax receivable	31/12/2017 Restatement
ASSETS					
Other assets	23	283,681,147	3,995,257	(3,995,257)	283,681,147
LIABILITIES					
Other liabilities	29	24,706,293	3,995,257		28,701,550
OWN FUNDS					
Retained earnings	31	53,502,164		3,995,257	57,497,422

Consolidated Financial Statements

(thousand kwanzas)

BALANCE SHEET	Notes	31/12/2017 Published	Reclassification of Tax to Other Assets	Record of impairment on tax receivable	31/12/2017 Restatement
ASSETS					
Other assets	31	283,873,662	3,995,257	(3,995,257)	283,873,662
LIABILITIES					
Other liabilities	31	25,064,794	3,995,257		29,060,051
OWN FUNDS					
Retained earnings	31	53,500,029		3,995,257	57,495,285

The BNA, the Angolan Association of Banks ("ABANC") and the Bank's Board of Directors are of the opinion that the requirements set out in IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29") are not met for the Angolan economy to be considered hyperinflationary as of 31 December, 2018 and 2017 and, subsequently, it was decided not to apply the provisions contained in that Standard to the financial statements on those dates.

2.2 Bases of Consolidation

The consolidated financial statements presented herein reflect the assets, liabilities, income, expenses, other comprehensive income and cash flows of Banco Económico and its subsidiaries (Group or BE Group) and the results attributable to the Group referring to financial investments in associates.

The accounting policies have been consistently applied by all the Group's subsidiaries and associates, for the years covered by these consolidated financial statements.

Subsidiaries

Subsidiaries are entities (including investment funds) controlled by the Group. The Group controls an entity when it is exposed or has rights to the variability of returns from its involvement with this entity and can take possession of them through the power that it has over the entity's business activities (de facto control), having the capacity to affect those variable returns through the power it exercises over the entity's relevant entities. As established in IFRS 10, the Group analyses the objective and the structure of the way in which the operations of a given entity are carried out in the assessment of its control over it. Subsidiaries are fully consolidated from the moment the Group takes control over its activities until the moment that this control ceases. As at 31 December, 2018, third-party holdings in companies are shown in the non-controlling interests item.

The accumulated losses of a subsidiary are attributed to non-controlling interests in the proportion held, which may imply the recognition of non-controlling interests with a negative amount.

In a step acquisition operation that results in the acquisition of control, any minority holding that was previously held is revalued at fair value against profit or loss when calculating the goodwill. At the time of a partial sale, resulting in the loss of control over a subsidiary, any remaining minority interest retained is revalued at fair value on the date of the sale and the gain or loss resulting from that revaluation is recorded against profit or loss.

The entity identified as acquiring or incorporating company, integrates the results of the entity/business that is acquired since the date of acquisition, i.e., since the date of takeover. The accounting treatment of mergers by incorporation, between entities under common control, follows the same principles - the assets and liabilities of the entity to be incorporated are carried out, at the values shown in the consolidated financial statements of the entity that has control over the two entities, at the highest level of the Group's financial holding chain (the "predecessor"). The difference between the book value of the assets and liabilities that are incorporated and the value of the financial investment is recognised as a merger reserve.

Associates

All companies over which the Group has the power to significantly influence its financial and operating policies are classified as associates, despite the fact that the Group does not have control over them. It is normally assumed that the Group exercises significant influence when it has the power to exercise more than 20% of the associate's voting rights, but less than 50% of them.

Even when voting rights are less than 20%, the Group may exercise significant influence by participating in the management of the associate or in the composition of Management bodies with executive powers.

Investments in associates are recorded in the Bank's consolidated financial statements using the equity method, from the moment the Group acquires significant influence until the moment this influence ends. The balance sheet value of investments in associates includes the amount of the corresponding goodwill determined in the acquisitions and is presented net of any impairment losses. Banco Económico undertakes impairment tests for its investments in associates, whenever there are signs of impairment. Impairment losses recorded in past periods may be reversible, up to the limit of accumulated losses.

In a step acquisition operation that results in the acquisition of significant influence, any holding that was previously held is revalued at fair value against profit or less when the equity method is applied for the first time.

When the amount of accumulated losses incurred by an associate and attributable to the Group is equal to or exceeds the book value of the holding and any other medium- and long-term interests in that associate, the equity method is discontinued, unless the Group has a legal or constructive obligation to recognise these losses or has made payments on behalf of the associate.

Gains or losses from the sale of shares of capital in associated companies are recorded against profit or loss, even if that sale does not result in the loss of significant influence. Dividends attributed by associates reduce the balance sheet value recorded by the Group.

Goodwill

Goodwill represents the difference between the acquisition cost of the holding thus determined and the fair value attributable to the acquired assets, liabilities and contingent liabilities.

In accordance with IFRS 3, the Group measures goodwill as the difference between the fair value of the acquisition of the business, including the fair value of any minority holding that was previously held, and the fair value attributable to the assets that are acquired, the liabilities that are assumed and any equity instruments that are issued. Fair values are determined on the acquisition date. Costs directly attributable to the acquisition are recognised at the time of purchase as costs for the year.

On the acquisition date, the Group recognises as non-controlling interests the amounts corresponding to the share of the fair value of the assets that are acquired and the liabilities that are assumed without the corresponding share of goodwill. Thus, the goodwill recognised in these consolidated financial statements corresponds only to the share attributable to the Bank's shareholders.

Positive goodwill is recorded in assets at cost and is not amortised, in accordance with IFRS 3 - Business Combinations. In the case of investments in associates, goodwill is included in the corresponding balance sheet value, which is determined based on the equity method. Negative goodwill is recognised directly as profit or loss for the period in which the acquisition occurs. Impairment losses on goodwill are not reversible in the future.

The recoverable amount of goodwill recorded as assets is reviewed annually, regardless of the existence of signs of impairment. Any impairment losses that may be determined are recognised in the income statement. The recoverable amount corresponds to the lower of the value in use and the market value minus selling costs. In determining the value in use, estimated future cash flows are discounted based on a rate that reflects market conditions, time value, and business risks.

Transactions with non-controlling interests

An acquisition of non-controlling interests which does not result in a change in control over a subsidiary is accounted for as a transaction with shareholders and, as such, no additional goodwill resulting from this transaction is recognised. The difference between the acquisition cost and the balance sheet value of the non-controlling interests that are acquired is recognised directly as reserves. Similarly, gains or losses resulting from a sale of non-controlling interests which does not result in a loss of control over a subsidiary are always recognised against reserves.

Gains or losses resulting from the dilution or sale of part of a financial holding in a subsidiary, with loss of control, are recognised by the Group in the income statement.

Balances and transactions excluded from consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group transactions, are excluded from the consolidation process, except in cases where unrealised losses indicate the existence of impairment that should be recognised in the consolidated accounts.

2.3 Main Accounting Policies

Foreign currency transactions

Foreign currency transactions are converted into functional currency (Kwanza) using the exchange rate in force on the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into functional currency using the exchange rate in force on the balance sheet date. The exchange differences that result from currency conversion are acknowledged in results. The non-monetary assets and liabilities denominated in foreign currency and recorded at the historic cost are converted into functional currency using the exchange rate in force on the date of transaction. 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, whose difference is recognised against equity.

The exchange rates in force at the end of 2018 and 2017 are as follows:

CURRENCY	Notes	Foreign Exchange Rates 31/12/2018	Foreign Exchange Rates 31/12/2017
Pound Sterling	GBP	390.079	223.084
American Dollar	USD	308.607	165.924
Swiss Franc	CHF	314.664	169.612
Swedish Krona	SEK	34.516	20.128
Norwegian Krone	NOK	35.481	20.101
Danish Krone	DKK	47.416	26.621
Canadian Dollar	CAD	226.834	131.737
Japanese Yen	JPY	2.799	1.469
Euro	EUR	353,015	185.400
Namibian Dollar	NAD	21.468	13.951
Rand	ZAR	21.344	13.451

Earnings per share

Basic earnings per share are estimated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of own shares held by the Bank.

For diluted earnings per share, the average number of ordinary shares outstanding is adjusted to reflect the effect of all potential ordinary shares treated as dilutive. Contingent or potential issues are treated as dilutive when their conversion to shares decreases the earnings per share.

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

2.4 Changes in Accounting Policies - Adoption of IFRS 9

In order to prepare the separate financial statements for 31 December, 2018, the Bank and its subsidiaries adopted the accounting standards issued by the IASB and the interpretations of the IFRIC, whose application has been mandatory since 1 January, 2018.

In these financial statements, the Bank applied IFRS 9 and IFRS 15, which are mandatory for periods beginning on or after 1 January, 2018, for the first time. The Bank has not adopted any other standard or interpretation in advance.

IFRS 9 Financial Instruments

IFRS 9 is mandatory and replaces IAS 39 for periods beginning on or after 1 January, 2018. The Bank did not restate comparative information with reference to 2017, thus using the possibility provided for in IFRS 9. Accordingly, comparative information with reference to 2017 is presented in accordance with IAS 39 and is not comparable with the information presented with reference to 2018.

As part of the adoption of IFRS 9, the impacts of the transition were recognised directly as retained earnings on 1 January, 2018, as disclosed in Note 4 to the financial statements.

Changes in classification and measurement

In order to determine classification and measurement, IFRS 9 requires that all financial assets, except equity and derivative instruments, be analysed based on a combination of the Bank's business model that is in place to manage them and the characteristics of the contracted cash flows.

The measurement categories provided for in IAS 39 for financial instruments (i) fair value through profit or loss; (ii) available for sale; (iii) held to maturity and (iv) amortised cost were replaced by: (i) Financial assets at amortised cost; (ii) Financial assets at fair value through other comprehensive income; (iii) Financial assets at fair value through profit or loss; (iv) Financial assets at fair value through mandatory profit or loss.

The process of accounting for financial liabilities remains similar to that provided for in IAS 39, except for the treatment of gains and losses resulting from the entity's own credit risk related to financial liabilities measured at fair value through profit or loss, which are presented as other comprehensive income without subsequent reclassification in the income statement.

Under IFRS 9, embedded derivatives are not highlighted in the main financial asset, but classified based on the business model and contractual terms. The process of accounting for derivatives embedded in financial liabilities and non-financial contracts has not changed compared to IAS 39.

Changes in impairment calculation

The adoption of IFRS 9 has significantly changed the Bank's impairment calculation method, replacing the incurred loss model provided for in IAS 39 with the expected loss model recommended in IFRS 9.

IFRS 9 establishes that an entity should recognise a provision for expected credit losses in relation to financial assets as customer loans, other debt instruments not recognised at fair value through profit or loss, loan commitments and financial guarantee contracts. The entity should measure the provision for losses at an amount equivalent to the expected credit losses within twelve months if there has been no significant increase in credit risk since the asset was recognised. If the financial asset complies with the classification rules for a financial asset purchased or created in credit impairment, the provision for losses must be equivalent to credit losses over the duration of the corresponding asset.

2.5 Change in Accounting Estimates

The preparation of financial statements according to the IFRS requires the Bank to apply judgement and make estimates and use assumptions that affect that application of accounting policies and the amounts corresponding to receipts, costs, assets and liabilities. Changes to such assumptions or any gaps between those and reality may have an impact on the actual 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.

However, we should note that the impacts resulting from the adoption of IFRS 9 are disclosed in Note 4 to the financial statements.

2.6 Other financial assets: Cash Investments, Securities, Customer Loans and Other Assets

Until 1 January, 2018, the Bank classified financial assets as financial assets at amortised cost, at fair value through profit or loss, available for sale, and held to maturity.

Since 1 January, 2018, the Bank is classifying financial assets at the time of acquisition according to the business model that is considered and the characteristics of the contractual cash flows of those assets. This classification determines how the asset starts to be measured after its initial recognition:

— At amortised cost: if it is included in a business model whose objective is only to obtain contractual cash flows, and these are solely payments of principal and interest (SPPI);

— At fair value through other comprehensive income: if it is included in a business model whose objective is to obtain contractual and/or sale cash flows and contractual cash flows fall within the scope of SPPI. Additionally, in the initial recognition it is possible to irrevocably choose to present subsequent changes in the fair value of an investment in an equity instrument as equity;

— At fair value through profit and loss: includes (residually) all other instruments that are not in (i) and (ii), and those that the company chooses to disclose in this way in the initial recognition.

Recognition and initial measurement and derecognition

These financial assets are initially recognised at their fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss, where the transaction costs are directly recognised in the income statement.

Financial assets are derecognised from the balance sheet when (i) the contractual rights of the Bank concerning the corresponding cash flows have expired, (ii) the Bank has transferred a substantial part of risks and benefits associated with holding them, or (iii) regardless of the Bank holding a part, but not a substantial part or all the risks and benefits associated with holding them, the control over the assets has been transferred. When an operation measured at fair value through other comprehensive income is derecognised, the accumulated gain or loss that was previously recognised as other comprehensive income is reclassified as profit or loss. In the specific case of equity instruments, the accumulated gain or loss that was previously recognised as other equity is not reclassified as profit or loss, being transferred between own funds items.

Cash investments and Customer loans are recorded on the date on which the amount of the transaction is given to the counterparty. Acquisitions and sales of securities are recognised on the trade date, i.e., on the date on which the Bank commits to acquiring or selling the asset.

Financial assets at amortised cost or at fair value through other comprehensive income In accordance with IFRS 9 - Financial Instruments, for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it is necessary that:

- the contractual clauses give rise to cash flows that are solely payments of principal and interest (SPPI). For the purposes of the SPPI test, principal is the fair value of the financial asset at the time of initial recognition. Contractual flows that are SPPIs are consistent with a basic loan agreement. Contractual clauses that introduce exposure to risks or volatility in contractual cash flows that are not related to a basic loan agreement, such as exposure to changes in stock or commodity prices, do not give rise to contractual cash flows that are solely payments of capital and interest calculated on the amount of outstanding capital. In these cases, financial assets must be measured at fair value through profit or loss;

- The business model of the financial asset consists of receiving only contractual flows until maturity (asset at amortised cost) or receiving contractual flows until maturity and obtaining capital gains on sales (asset at fair value through other comprehensive income). The evaluation of the business models of the financial asset is crucial for its classification. The Bank determines the business models by groups of financial assets according to how they are managed to achieve a specific business objective. The Bank's business models determine whether cash flows will be generated by obtaining only contractual cash flows, cash flows from the sale of financial assets or both. Upon the initial recognition of a financial asset, the Bank determines whether it is part of an existing business model or whether it reflects a new business model. The Bank reassesses its business models in each reporting period, in order to determine whether there have been changes in the business models since the last reporting period.

The requirements described above are not applicable to lease receivables, which meet the criteria in IAS 17 - Leases.

Financial assets that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

Financial assets at amortised cost are initially recorded at fair value and subsequently measured at amortised cost based on the effective interest rate. Interest, calculated at the effective interest rate, and dividends are recognised in the income statement.

Financial assets at fair value through other comprehensive income are initially recorded at fair value and subsequently measured also at fair value; however, the corresponding variations are recognised as reserves (other comprehensive income) until the assets are derecognised, when the accumulated value of potential gains and losses recorded as reserves is transferred to profit or loss in the item "Income from financial assets at fair value through profit or loss". In the specific case of equity instruments, the accumulated gain or loss that was previously recognised as other comprehensive income is not reclassified as profit or loss, being transferred between own funds items. However, dividends received from these equity instruments are recognised in the income statement for the year.

Financial assets recorded at fair value through profit or loss

An asset recorded at fair value through profit or loss has the following characteristics: (i) contractual cash flows are not SPPI (fair value through mandatory profit or loss); (ii) it is held in a business model whose objective is not to obtain only contractual cash flows or to obtain contractual and sale cash flows; (iii) it is designated at fair value through profit or loss, as a result of the application of the fair value option.

These assets are measured at fair value, and the corresponding gains or losses on revaluation are recognised in the income statement.

The fair value of listed financial assets is determined based on the closing price (bid price), the price of the last transaction that was made or the value of the last known price (bid). In the absence of a price, the Bank estimates the fair value using (i) valuation methodologies, such as the use of prices for recent transactions, similar transactions and transactions carried out under market conditions, discounted cash flow techniques and customised option valuation models in order to reflect the particularities and circumstances of the instrument and (ii) valuation assumptions based on market information.

Impairment

The Bank recognises an impairment for expected credit losses ("ECLs") for the following debt instruments: (i) Cash investments, (ii) Own security portfolio, (iii) Customer loans; (iv) Other financial assets; (v) Guarantees Provided; (vi) Documentary Import Credit; (vii) Unused Credit Lines.

Debt instruments and assets that are classified at amortised cost or fair value through other comprehensive income are considered under impairment calculation. The identified impairment losses are recorded against profit or loss and are subsequently reversed through profit or loss if, in a later period, the estimated loss amount decreases.

The approach followed for the calculation of impairment distinguishes between the calculation of excepted losses at 12 months (Stage 1) and the calculation of lifetime expected losses. In order to determine lifetime expected losses, the approach considers the projection of contractual cash flows (Stage 2) or the current value of expected recoveries (Stage 3). Thus, the Stage-based impairment calculation model is summarised as follows:

STAGE	MARKING CRITERIA - IFRS 9	ECL
Stage 3	— In line with the new definition of Non-Compliance / Default1	Lifetime
Stage 2	— Customers with active impairment signs or triggers; — Customers that are no longer in Default but are still in the quarantine period (12 months); — Customers using credit lines above the approved limit; — Customers with an impairment rate resulting from an individual analysis equal to or greater than 10% and less than 25%.	Lifetime
Stage 1	— Customers that do not meet any of the above criteria.	12 months

The allocation of contracts at each stage determines whether the ECL calculation should be performed based on a 12-month or lifetime approach.

Stage 3 classification

Stage 3 classification is based on the default marking criterion.

Stage 2 classification

Stage 2 classification is based on the observation of a significant increase in the level of credit risk, and the general standard requires this increase in risk to be measured by comparing residual Forward-Looking Lifetime PDs on the reporting date with those estimated in the contract for the same residual maturity.

Since the Bank does not have rating and scoring models with the necessary maturity, classification under stage 2 is based on objective triggers determined based on the available information.

Stage 1 classification

The classification of exposures as Stage 1 results from the absence of active signs of Stage 3 or Stage 2 classification.

The Bank calculates impairment, on a collective or individual basis, for the incidence base by means of an initial classification of the corresponding degree of risk - Stage 1, 2 or 3 - in the collective analysis model, the going concern or the gone concern approach in the individual analysis model.

If, for a given loan, there is no objective evidence of impairment from an individual perspective, that loan is included in a group of loans with similar credit risk characteristics (segment of the loan portfolio), which is assessed collectively by applying estimated risk factors for the corresponding segment of the exposure analysis of impairment on a collective basis. Exposures that are assessed individually and for which, as a result of this analysis, an impairment loss is identified, the corresponding calculated value shall prevail over the impairment determined in a collective analysis.

With regard to materiality criteria, IFRS 9 does not introduce any specific requirements, so the Bank has chosen to maintain the criteria set forth in the IAS 39 model.

In order to identify the individually significant exposures, the Bank has set the institution's equity amount as a reference for identifying significant exposures. The criteria set forth by the Bank for identifying customers or economic groups that are individually significant are as follows:

SEGMENT	CRITERION
Customers/economic groups in stage 2 and 3	0.25% of the amount of accounting own funds
Customers/economic groups in stage 1	1% of the amount of accounting own funds

As part of the impairment analysis on a collective basis, exposures are grouped based on similar credit risk characteristics according to the risk assessment outlined by the Bank. For each of these homogeneous risk groups, risk factors are estimated and then applied as part of the impairment calculation.

However, we should note that the implementation of the impairment model was recently completed by the Bank with some limitations, namely: (i) in terms of qualitative and quantitative criteria for assessing significant degradation of credit risk against the origination date; (ii) the non-incorporation of forward looking information and recovery costs in the calculation of the expected loss estimate, (iii) in the process of compiling data to implement the model. In addition, the process for determining impairment losses has a strong manual component that involves processing basic information, and subsequently a high operational risk. Considering the limitations above, the Board of Directors is outlining an action plan due to be implemented in 2019.

Individual analysis process

— Individual customer analysis

Customer losses should be estimated on a 12-months or lifetime basis according to the customer's stage. If the customer is classified under stage 1, a 12-month loss (collective analysis) will be calculated; otherwise, the analyst must answer a number of questions to assess the customer's going concern or gone concern classification.

Based on the available information, the analyst carries out an analysis in order to establish the most appropriate recovery scenario in view of the individual situation of each customer according to the recovery scenarios, namely with regard to their credit operations, existing collateral and their mitigation capacity, the history of their behaviour with the Bank, etc. The analyst will be responsible for documenting the main characteristics of the selected recovery process through a questionnaire adapted to the selected scenario/scenarios.

The frequency with which individual analyses are revised depends on the stage under which the customer is classified, as follows: (i) The analyses of customers classified under stage 2 and 3 should be revised every three months; (ii) The analyses of customers classified under stage 1 should be revised at least once a year;

— Gone concern and going concern classification

Customers classified under stage 2 or 3 must undergo a gone concern/going concern classification analysis, which will allow determining the recovery strategy that should be considered. For this purpose, we should consider the following criteria for gone concern classification: (i) Delays in payment of more than 18 months; (ii) Low or negative future operating cash flows; (iii) Collateral enforcement is critical for debt recovery; (iv) There is a significant degree of uncertainty surrounding the estimate of future cash flows. This would be the case if the EBITDA of the previous two years was negative or if the business plans for the previous years have failed (due to material discrepancies in back testing); (v) There is not enough information to carry out a going concern analysis.

Policy on loans written off from assets

Assets are derecognised when the Bank's contractual rights to receive their cash flows expire, or when the Bank has substantially transferred the risks and benefits associated with their holding.

Non-significant customers (according to the model's materiality criteria)

- There are no ongoing enforcement/ insolvency/ bankruptcy/ injunction proceedings in which the Bank expects to recover any amounts;
- There is no prospect of entering into a debt restructuring agreement;
- The customer has not made any payments in the last 12 months;
- There are no prospects for the sale of customer of third-party assets to settle commitments with the Bank.

Following a decision by the Credit Committee on the uncollectibility of a credit, information must be sent to the Operations Department, including a list of all operations covered by said decision in order to record them in the Bank's Core System.

Loans written off from assets must be subject to a periodic reconciliation that allows controlling the amount included in off-balance sheet accounts, where, according to legal requirements, they must remain recorded for a minimum of 10 years and until all collection procedures have been exhausted.

2.7 Financial Liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation for a settlement to be carried out by delivering cash or 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 subsequently at amortised cost. Associated transaction costs are part of the effective interest rate. Interest recognised by using the effective interest rate method is recognised in 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.

2.8 Equity Instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out by delivering cash or other financial assets to third parties, regardless of their legal form, showing a residual interest in the assets of an entity after the deduction of all their liabilities.

Transaction costs directly attributable to the issuance of equity instruments are recorded against equity as a deduction from the par value. The amounts paid and received for the purchase and sale of equity instruments are recorded in equity, net of transaction costs.

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

2.9 Fair Value Hierarchy

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

Level 2 - observable market information – valuation of financial instruments that do not have an active market, being measured with valuation techniques based on market data for instruments with identical or similar characteristics, including observable prices on the market for instruments in which there have been substantial reductions in the number of transactions. In this level, financial instruments are measured on the basis of internal models that mostly use observable market data and instruments measured by bids based on observable market data.

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

2.10 Other Tangible Assets

Recognition and measurement

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

Subsequent costs

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

Depreciation

Depreciation is calculated by the straight-line method, in accordance with following periods of expected useful life:

NUMBER OF YEARS	
Buildings	8 to 50
Transport	3 to 5
Furniture and materials	4 to 8
Machinery and tools	4 to 5
Computer equipment	4 to 8
Indoor facilities	1 to 10
Security equipment	1 to 8
Improvements to leasehold properties	5 to 8

When there is an indication that an asset may be impaired, IAS 36 - Impairment of Assets requires that its recoverable amount be estimated, and an impairment loss should be recognised whenever the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the higher of its net selling price and its value in use, which is estimated based on the present value of the estimated future cash flows expected to be derived from the continued use of the asset and the disposal at the end of its useful life.

2.11 Intangible assets

Software

Costs incurred in buying software from third parties are capitalised, as well as the additional expenses incurred by the Bank in its implementation. These costs are depreciated on a linear basis over the estimated useful life, which is normally 5 to 10 years.

Expenses associated with research and development projects

Costs directly related to developing computer applications expected to generate future economic benefits beyond one year are recognised and recorded as intangible assets.

All other expenses related to IT services are recognised as costs.

2.12 Loans of Securities and Transactions with Repo Agreements

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

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

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

2.13 Investments in Subsidiaries and Associated Companies

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

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 associate'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 associate;

- participation in outlining policies, including decisions on dividends or other distributions;
- material transactions between the Bank and the associate;
- interchange of management personnel; and
- supplying essential technical information.

Impairment

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

2.14 Non-Current Assets Held for Sale and Discontinuing Operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with their liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to dispose of such assets and liabilities and the assets or groups of assets are available for immediate sale and are most likely to be sold.

The Bank also classifies as non-current assets held for sale the non-current assets or groups of assets acquired only for the purpose of subsequent sale, which are available for immediate sale and are most likely to be sold.

Immediately before being classified 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 according to 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 real estate held for credit recovery, which is initially measured at the lower of its fair value less costs to sell and the book value of the existing credit at the date of conveyancing or judicial sale of the property.

Fair value is based on the market value (level 2), which is determined on the basis of the expectable selling price obtained after periodic assessments by the bank.

Subsequent measurement of these assets is carried out at the lower of their book value and the corresponding fair value, less costs to sell, and are not subject to amortisation. In the event of unrealised losses, these are recorded as impairment losses against profit or loss for the year.

2.15 Leasing

The Bank classifies leasing operations as financial or operational leasing on the basis of their substance and not their legal form, meeting the criteria established in IAS 17 Leases.

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 as operational leasing.

Financial leasing

Payments made by the Bank under operating lease agreements are recorded as costs.

Operational leasing

(i) As lessee

Financial leasing agreements are recorded on the starting date as assets and liabilities, being capitalised at the lower of the fair value of the leased assets and the minimum lease payments that have been contractualised. Rents consist of (i) the financial charge debited from profit or loss and the (ii) the financial amortisation of the outstanding capital. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability in each period.

(ii) As lessor

Financial leasing agreements are recorded in the balance sheet as loans granted for an amount equivalent to the net investment made in the leased assets, together with any estimated non-guaranteed residual value.

Interest included in rents charged to customers is recorded as income while capital amortisations, also included in rents, are deducted from the amount of the loans granted to customers. The recognition of interest reflects a constant periodic rate of return on the lessor's remaining net investment.

2.16 Income Taxes

Income taxes recorded as profit or loss include the effect of current taxes and deferred taxes.

Current tax

The tax is recognised in the income statement, except when related to items that are moved in equity, a fact that forces them to be recognised as equity. Current tax is the amount calculated for taxable income for the period using the taxation rate in force or substantially approved by the authorities on the balance sheet date and any tax adjustments from previous financial years.

With the publication of Law 19/14, which came into force on 1 January, 2015, the Industrial tax is subject to provisional settlement in a single instalment to be paid in August, determined through the application of a 2% rate on the income arising from financial intermediation operations, calculated in the first six months of the previous fiscal year, excluding income subject to capital investment tax, regardless of the existence of taxable income for the year.

Deferred tax

Deferred taxes recognised as equity resulting from the revaluation of financial assets available for sale and cash flow hedge derivatives are subsequently recognised in the income statement when the gains and losses that gave rise to them are recognised in the income statement. Deferred taxes are calculated in accordance with the liabilities method

on the basis of the balance sheet, on temporary differences between the book values of assets and liabilities and their tax base, using the tax rates approved or substantially approved on the balance sheet date and which 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 purposes, of the differences resulting from the initial recognition of assets and liabilities that do not affect the accounting or tax profit and differences related to investments in subsidiaries since they are unlikely to 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).

The Bank offsets deferred tax assets and liabilities whenever: (i) it has the legally enforceable right to offset current tax assets and liabilities; and (ii) deferred tax assets and liabilities are related to income taxes levied by the same tax authority on the same taxable entity or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities at the same time, in each future period in which the deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Employee Benefits

Pensions

Set contribution plans

Law no. 07/04, of 15 October, which repealed Law no. 18/90, of 27 October, regulating the Angolan Social Security system, provides for the award of retirement pensions to all Angolan workers registered with Social Security. 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 periods immediately preceding the retirement date.

According to Decree Law no. 7/99, of 28 May, the contribution rates for this system are 8% for employers and 3% for employees.

By resolution of the Bank's Board of Directors issued on 1 February, 2010, BE joined the open and set contribution pension fund - BESA Retirement Options - with a collective plan that covers all its permanent employees.

Following this decision, the Bank's permanent employees who are 60 years old and have, at least, 5 years of service, will benefit from an amount to supplement the pension from the National Social Security Institute (INSS), which may be paid in a lump sum or as a pension (optional). Cases of disability are excluded from the scope of the Fund. The Fund does not cover any health benefits. BE is now contributing with a fixed percentage of its employees' wage bill, which may be increased by 50% of the amount that each employee voluntarily contributes up to a maximum of 5% of the salary of each employee.

The responsibility for the contributions to be made by BE, as an Associate, is not retroactive to the date of accession to the Fund. Thus, and due to the characteristics of this Fund, the costs incurred annually by the Bank with this contribution will correspond to the amount actually contributed each year, recognised in the income statement for the year under Administrative and Marketing Costs - Staff.

For set contribution plans, the responsibilities associated with benefits attributable to the Bank's employees are recognised as costs for the financial year when due. Contributions paid in advance are recognised as an asset if a repayment or reduction of future payments is available.

Set benefit plans

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

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

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

Remeasurement gains and losses, such as (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the actual amounts (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected income from the fund's assets and amounts actually obtained, are recognised against equity in other comprehensive income. As of 31 December 2018 and 2017, the Bank has no active benefit plan.

Long-term employee benefits

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

Termination benefits

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

Short-term employee benefits

Short-term employee benefits are recorded as costs once 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.

Loans to employees

In accordance with IFRS 9 - Financial Instruments, all financial instruments must be recorded at fair value when they are recognised in the balance sheet.

Loans to employees are recorded at their nominal value, which is higher than the market value, as they are remunerated at a lower rate than loans granted to customers without any connection to the Bank.

The Bank calculates the fair value of loans to employees, and for this purpose it determines the market interest rate that the Bank is applying at the time the loan was granted to the employee. Since the market interest rate is higher than the one applied to employees, the fair value of their loans will be lower than their nominal value, so their balance sheet value has to be adjusted to reflect the fair value (on the date it is granted).

Once again in accordance with IFRS 9, if the fair value of a given financial instrument at the time of initial recognition is different from the amount paid/received, the difference must be immediately recorded as profit or loss for the year.

However, IAS 19 - Employee Benefits allows for a different approach, as it assumes that this benefit (interest rate below the market rate) is part of the employee's remuneration. Therefore, the amount that results from the difference between the nominal value (amount disbursed) and the fair value of the credit is recognised as other assets (against the reduction in the value of the loan that is granted) and is subsequently recognised in the income statement as staff costs during the shorter period between (i) the duration of the credit or (ii) the number of years between the date on which the loan is granted and the legal date on which the employee retires.

2.18 Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or arisen as a result of past practices or published policies that imply the recognition of certain responsibilities), (ii) its payment is likely to be required, and (iii) when the amount of that obligation can be reliably estimated.

The measurement of provisions takes into account the principles set forth in IAS 37 regarding the best estimate of the expected cost, the most probable result of the actions in progress and taking into account the risks and uncertainties in the process.

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

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate. They are reversed against profit/loss in proportion to payments that are unlikely to occur.

Provisions are derecognised through their use for the obligations for which they were initially constituted or in cases where they are no longer observed.

2.19 Revenue

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), using the effective interest rate method. Interest at the effective rate on financial assets available for sale is also recognised in the net interest income, as well as on financial assets and liabilities at fair value through profit or loss.

The effective interest rate corresponds to the rate discounting estimated future payments or receipts over the expected useful life of the financial instrument (or, where appropriate, for a shorter period) to the net book value of the financial asset or liability.

To determine the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instrument (for example, advance payment options), not considering any impairment losses. The estimation includes fees paid or received which are considered to be 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.

Interest and similar income includes interest on financial assets for which impairment was recognised. Interest on financial assets classified under Stage 3 is calculated using the effective interest rate method applied to the net balance sheet value. When the asset is no longer included in Stage 3, interest is calculated based on the gross balance sheet value.

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).

Recognition of dividends

Dividends (income from equity instruments) are recognised in profit/loss when a right to receive them is allocated.

Recognition of income from services and fees

Income from services and fees is recognised as revenue from contracts with customers to the extent that their performance obligations are met: (i) Income from services and fees obtained in the performance of a significant act, such as fees on loan syndication, are recognised in the income statement when the significant act has been completed; (ii) Income from services and fees obtained as the services are provided are recognised in the income statement in the year to which they refer; (iii) Income from services and fees that are an integral part of the effective interest rate of a financial instrument are recorded in the income statement using the effective interest rate method.

2.20 Income from Financial Operations

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

This income also includes capital gains on sales of financial assets available for sale and financial assets held to maturity. Changes in the fair value of hedging derivatives and hedged instruments, where applicable to fair value hedging relationships, are also recognised here.

2.21 Cash and Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date, which include cash and cash equivalents with other credit institutions.

Cash and cash equivalents exclude mandatory deposits at Central Banks.

2.22 Financial Guarantees and Commitments

Financial guarantees are contracts that require the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to make a payment. Commitments are firm commitments to provide credit under predetermined conditions.

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

Note 3 Main Estimates and Judgements used in Preparing the Financial Statements

IFRS establish a series of accounting treatments and require the Board of Directors to make judgements and make the necessary estimates to decide which accounting treatment is most appropriate. The main accounting estimates and judgements used in the application of the accounting principles by the Bank are presented in this Note, with the purpose of improving the understanding of how their application affects the reported results of the Bank and its disclosure. A broad description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

3.1 Impairment of Financial Assets Held for Sale and at Fair Value Through Other Comprehensive Income

The critical judgements with the greatest impact on the recognised amounts of impairments on financial assets at amortised cost and at fair value through other comprehensive income are as follows:

- Business model assessment: the classification and measurement of financial assets depends on the results of the SPPI test and the establishment of the business model. The Bank determines the business model according to how it wants to manage its financial assets and business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the anticipated derecognition of assets at amortised cost or at fair value through other comprehensive income, assessing whether a prospective change is necessary;

- Significant increase in credit risk: as mentioned in policy 2.6, the determination of the transfer of an asset from stage 1 to stage 2 for the purpose of determining the corresponding impairment is made based on the significant increase in its credit risk; however, IFRS 9 does not objectively establish what constitutes a significant increase in credit risk;

— Classification of default exposure: the internal establishment of default exposure, as referred to in policy 2.6, outlines qualitative criteria for assessing the default unlikely to pay status; these criteria are replicated in the internal establishment implemented by Banco Económico and translated into judgements about the high probability of the borrower failing to fulfil its obligations under the contractually agreed conditions.

— Setting of groups of assets with similar credit risk characteristics: when expected credit losses are measured in a collective model, financial instruments are grouped based on the same risk characteristics. The Bank monitors the adequacy of the credit risk characteristics in order to ensure that there is an appropriate reclassification of assets in the event of a change in credit risk characteristics;

— Models and assumptions used: the Bank uses several models and assumptions to measure estimated expected credit losses. The judgement is applied when identifying the most appropriate model for each type of asset, as well as when determining the assumptions used in these models, including assumptions related to the main credit risk drivers. In addition, in compliance with the IFRS9 regulation, which explains the need for the impairment result to consider multiple scenarios, we've implemented a methodology for incorporating scenarios into risk parameters. Thus, the collective impairment calculation considers several scenarios with a specific weighting, based on the internal methodology outlined for these scenarios - outlining of multiple perspectives on macroeconomic evolution, with a strong probability of occurring.

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 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 determining the amount of tax payable is uncertain during the normal business cycle.

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

Tax Authorities may review the estimation of the tax base carried out by the Bank during a period of five years. Therefore, it is possible that there are corrections to the tax base, mainly resulting from differences in the interpretation of the tax legislation, which, by its probability, the Board of Directors believes will not have a material effect on the financial statements.

Note 4
Disclosure of Impacts Transition to IFRS 9

Next, we will present the impacts of the adoption of IFRS 9 in the Financial Statements, including the effect of replacing the impairment model when calculating credit losses incurred in IAS 39 with the model for expected credit losses in the IFRS 9 model.

The reconciliation of balances as at 1 January, 2018, presented in IAS 39 with balances presented in IFRS 9 is as follows:

(thousand kwanzas)		Measurement IAS 39			Remeasurement	Measurement IFRS 9	
FINANCIAL ASSETS	Ref.	Category	Fair	Reclassification	ECL	Amount	Category
Cash and deposits with central banks		CA	138,549,166	-	-	138,549,166	CA
Cash			7,256,158				
Deposits with the Central Bank			131,293,009				
Deposits with other credit institutions		CA	34,755,931	-	-	34,755,931	CA
Investments at central banks and other credit institutions	(E)	CA	81,968,105	-	(115,831)	81,852,274	CA
Financial assets at fair value through profit or loss			-	-	-	-	
Financial assets available for sale		FVTOCI	119,236,292	-119,236,292	-	-	
Shares available for sale	(A)	FVTOCI	102,125	-102,125	-	-	
Debt securities available for sale	(B)	FVTOCI	119,134,167	-119,134,167	-	-	
Investments held to maturity	(C)	CA	29,485,581	-29,485,581	-	-	
Financial assets held for trading		FVTPL	1,635	-	-	1,635	FVTPL
Customer loans		CA	178,835,613	-48,369,465	(2,625,184)	127,840,965	CA
Customer loans	(E)	CA	130,466,148	0	(2,625,184)	127,840,965	
Credit securities	(D)	CA	48,369,465	-48,369,465	-	-	
Non-current assets held for sale			5,155,788	-	-	5,155,788	
Other tangible assets			45,324,533	-	-	45,324,533	
Intangible assets			2,144,991	-	-	2,144,991	
Investments in associates and jointly controlled entities			1,517,075	-	-	1,517,075	
OTHER ASSETS	(E)	CA	283,681,147	-	(608,447)	283,072,700	CA
Shares recorded as fair value through other comprehensive income	(A)	-	-	102,125	-	102,125	FVTOCI
Debt securities at amortised cost	(B)(C)(D)(E)	-	-	196,989,213	(1,656,722)	195,332,491	CA
TOTAL ASSETS			**920,655,858**	**-**	**(5,006,184)**	**915,649,675**	
Deposits from central banks and other credit institutions		CA	119,894,301	-	-	119,894,301	CA
Customer deposits and other loans		CA	651,833,602	-	-	651,833,602	CA
Financial liabilities held for trading			1,157	-	-	1,157	
Provisions	(E)		4,671,044	-	2,930,498	7,601,543	
Subordinated liabilities		CA	71,111,361	-	-	71,111,361	CA
Current tax liabilities			24,843	-	-	24,843	
Other Liabilities		CA	28,701,550	-	-	28,701,550	CA
TOTAL LIABILITIES			**876,237,859**	**-**	**2,930,498**	**879,168,357**	

Key: CA - Amortised cost; FVTPL - Fair value through profit and loss; FVTOCI - Fair value through other comprehensive income

A

On 1 January 2018, the Bank chose to designate shares previously designated as financial assets available for sale as financial assets at fair value through other comprehensive income.

B

As of 1 January 2018, the Bank classified the debt securities portfolio recorded as available for sale as debt securities at amortised cost. These instruments comply with the SPPI criterion, were not traded and were kept with the intention of collecting cash flows and without the intention to sell them until their maturity date, in August 2018.

C

On 1 January 2018, the Bank did not have any debt instruments that did not meet the SPPI criterion in its portfolio held to maturity, and given the business model, it classified all these instruments as debt securities measured at amortised cost.

D

On 1 January 2018, the Bank's customer loans portfolio included securitised credits in the amount of AOA 48.369 billion (including interest), recorded at amortised cost. The Bank, considering the business model, recorded debt in debt securities at amortised cost, given that the instrument complied with the SPPI requirements.

E

These correspond to the impacts on the reinforcement of impairment/provisions associated with the new expected loss calculation model; the details are shown in the last table of this note.

The impact of the transition to IFRS 9 on retained earnings, in separate and consolidated terms, is as follows:

(thousand kwanzas)

SHAREHOLDER EQUITY	Consolidated Financial Statements Retained Earnings	Consolidated Financial Statements Retained Earnings
Retained earnings on 01/01/2018 - IAS 39	(52,086,328)	(57,495,286)
Recognition of impairment due to IFRS 9 (see following table)	(7,936,682)	(7,935,338)
Retained earnings on 01.01.2019 - after adoption of IFRS 9	(60,023,011)	(65,430,624)
IMPACT OF THE TRANSITION TO IFRS 9 ON RETAINED EARNINGS	**(7,936,681)**	**(7,935,337)**

Due to the immateriality between the amount of the recognition of impairment in the Consolidated and Separate Financial Statements, only the impacts on the Separate Financial Statements will be shown below.

The following table reconciles the impairment on customer loans and provisions for financial guarantees in accordance with IAS 39 and IAS 37, respectively, with the corresponding impairments determined in accordance with IFRS 9.

(thousand kwanzas)

COMPONENT	Note	Impairment	Remeasurement	Impairment IFRS9
ASSETS				
Cash investments	16	-	(115,831)	(115,831)
Debt securities at CA	17	-	(1,656,722)	(1,656,722)
Customer loans	18	(21,259,361)	(2,625,184)	(23,884,545)
Other assets	23	(2,440,193)	(608,447)	(3,048,640)
		(23,699,555)	-(5,006,184)	(28,705,738)
LIABILITIES				
Financial guarantees	27	(834,880)	2,751	(832,129)
Documentary import credits	27	(2,138,351)	(2,225,993)	(4,364,344)
Other commitments		-	(707,256)	(707,256)
		(2,973,231)	(2,930,498)	(5,903,729)
TOTAL		(26,672,786)	(7,936,682)	(34,609,467)

Note 5
Net Interest Income

(thousand kwanzas)

SEPARATE	31/12/2018 Assets / liabilities at amortised cost and assets available for sale	31/12/2018 Assets / liabilities at fair value through profit or loss	31/12/2018 Total	31/12/2017 Assets / liabilities at amortised cost and assets available for sale	31/12/2017 Assets / liabilities at fair value through profit or loss	31/12/2017 Total
INTEREST AND SIMILAR INCOME						
INTEREST AND SIMILAR INCOME - ENSA GROUP	31,748,413	-	31,748,413	19,838,135	-	19,838,135
Credit interests	21,026,268	-	21,026,268	20,442,631	-	20,442,631
Interest on cash balances and investments in credit institutions	1,351,309	-	1,351,309	1,010,737	-	1,010,737
Interest on securities	12,475,647	16,973	12,492,620	10,431,547	-	10,431,547
INTEREST AND SIMILAR INCOME - OTHER	34,853,224	16,973	34,870,197	31,884,915	-	31,884,915
	66,601,637	16,973	66,618,611	51,723,050	-	51,723,050
INTEREST AND SIMILAR INCOME						
INTEREST AND SIMILAR INCOME - ENSA GROUP	878,743	-	878,743	1,339,373	-	1,339,373
Interest from central bank deposits	1,492,356	-	1,492,356	11,115,988	-	11,115,988
Interest from customer deposits	23,916,640	2,621,928	26,538,568	23,121,513	1,100,728	24,222,241
Interest from subordinated liabilities	5,446,515	-	5,446,515	3,573,514	-	3,573,514
INTEREST AND SIMILAR COSTS - OTHER	30,855,511	2,621,928	33,477,439	37,811,015	1,100,728	38,911,743
	31,734,253	2,621,928	34,356,181	39,150,388	1,100,728	40,251,116
NET INTEREST INCOME	34,867,384	(2,604,955)	32,262,429	12,572,663	(1,100,728)	11,471,934

And in consolidated terms::

	31/12/2018			31/12/2017		(thousand kwanzas)
CONSOLIDATED	Assets / liabilities at amortised cost and assets available for sale	Assets / liabilities at fair value through profit or loss	Total	Assets / liabilities at amortised cost and assets available for sale	Assets / liabilities at fair value through profit or loss	Total
INTEREST AND SIMILAR INCOME						
INTEREST AND SIMILAR INCOME - ENSA GROUP	31,748,413	-	31,748,413	19,838,135	-	19,838,135
Credit interests	21,023,584	-	21,023,584	20,442,631	-	20,442,631
Interest on cash balances and investments in credit institutions	1,351,309	-	1,351,309	1,024,692	-	1,024,692
Interest on securities	12,479,572	16,973	12,496,545	10,417,592	-	10,417,592
INTEREST AND SIMILAR INCOME - OTHER	34,854,464	16,973	34,871,437	31,884,915	-	31,884,915
	66,602,878	16,973	66,619,851	51,723,050	-	51,723,050
INTEREST AND SIMILAR INCOME						
INTEREST AND SIMILAR INCOME - ENSA GROUP	878,743	-	878,743	1,339,373	-	1,339,373
Interest from central bank deposits	1,492,356	-	1,492,356	11,115,988	-	11,115,988
Interest from customer deposits	23,880,470	2,621,928	26,502,398	23,107,558	1,100,728	24,208,286
Interest from subordinated liabilities	5,446,515	-	5,446,515	3,573,514	-	3,573,514
INTEREST AND SIMILAR COSTS - OTHER	30,819,341	2,621,928	33,441,269	37,797,060	1,100,728	38,897,788
	31,698,084	2,621,928	34,320,012	39,136,432	1,100,728	40,237,161
NET INTEREST INCOME	34,904,794	(2,604,955)	32,299,839	12,586,617	(1,100,728)	11,485,889

In 2018, the Bank's margin evolved positively, mainly due to three effects: (i) the settlement of the liquidity financing obtained from Banco Nacional de Angola, in March 2017, which allowed a significant reduction in interest costs on deposits with central banks; (ii) growing investment in debt securities, which led to an improvement in the securities margin; (iii) positive effect on the margin associated with the transfer of assets to the ENSA Group due to the devaluation of the Kwanza against the US Dollar.

We should also note that, in 2017, the Bank's margin was heavily penalised due to the effects of liquidity financing obtained from Banco Nacional de Angola, as a result of an increase in the interest rate on the Central Bank's loans in that period from 13% to 20%.

The lending interest heading includes an amount of AOA 14,390,602,000 (2017: AOA 7,130,553,000) concerning loan income with signs of impairment (individual and collective analysis); however, the interest in question has an impairment in the amount of AOA 3,599,278,000.

Additionally, the loan interest heading also includes AOA 3,786,012,000 concerning contracts subject to restructuring.

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

The interest on loans and advances to customers headings include the positive amount of AOA 96,962,000 relating to fees and other income recorded based on the effective interest rate.

The Other interest and similar income - ENSA Group heading relates exclusively to the amount of accrued interest on the value of the assets receivable from the ENSA Group in connection with the transfer of economic rights over Assets, as mentioned in Note 36.

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

Note 6
Income from Services and Fees

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

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
INCOME FROM SERVICES AND FEES	14,683,856	8,506,130
Securities Transactions	154,830	25,324
Guarantees Provided	166,863	265,394
Managing Payment Instruments	3,368,642	1,230,925
Fee and Loans and Similar Operations	1,201,362	1,042,362
Documentary Credits	5,117,147	2,840,532
Cards	2,882,516	1,664,533
Bancassurance	102,026	53,220
Earnings from Services Provided to the State	650,018	558,000
Other Services	1,040,453	825,840
EXPENSES WITH SERVICES AND FEES	(745,077)	(411,140)
Managing Payment Instruments	(1,407)	(1,638)
Cards	(692,434)	(403,214)
Other Services	(51,236)	(6,288)
	13,938,780	8,094,990

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
INCOME FROM SERVICES AND FEES	15,157,917	9,217,675
Collection of Amounts	-	4,422
Securities Transactions	154,830	25,324
Guarantees Provided	166,863	265,394
Managing Payment Instruments	3,368,642	1,230,925
Fee and Loans and Similar Operations	1,201,362	1,023,437
Documentary Credits	5,117,147	2,887,959
Cards	2,882,516	1,708,742
Bancassurance	102,026	53,220
Earnings from Services Provided to the State	650,018	558,000
Asset Management	474,061	808,591
Other Services	1,040,453	651,660
EXPENSES WITH SERVICES AND FEES	(745,077)	(444,963)
Managing Payment Instruments	(1,407)	(1,638)
Cards	(692,434)	(403,214)
Other Services	(51,236)	(40,111)
	14,412,841	8,772,712

During 2018, there was a growth of commissioning, mostly influenced by three components: (i) an increase in the number of transfers and the adjustment of the price list to the Kwanza devaluation effect, as the two effects combined allowed for a significant increase in fee income; (ii) an increase in the number of credit operations associated with import documentary credit carried out by the Bank and the subsequent price adjustment; (iii) an increase in the number of transactions with cards (debit and credit) and a price adjustment during the year.

Note 7
Income from Financial Assets at Fair Value through Profit or Loss

The amount of this account, in separate and consolidated terms, is composed of:

(thousand kwanzas)

	31/12/2018			31/12/2017		
	Income	Costs	Total	Income	Costs	Total
BONDS AND OTHER FIXED-INCOME SECURITIES						
Of public issuers	-	222,797	(222,797)	1,653	1,676	(23)
	-	222,797	(222,797)	1,653	1,676	(23)
TOTAL	-	222,797	(222,797)	1,653	1,676	(23)

In 2018, this item had a negative result of AOA 222.8 million due to the devaluation of the securities portfolio valued at fair value through profit or loss, which were acquired in the secondary market during 2018.

Note 8
Income from Financial Assets at Fair Value Through Other Comprehensive Income

The amount of this account, in separate and consolidated terms, is composed of:

(thousand kwanzas)

	31/12/2018			31/12/2017		
	Income	Costs	Total	Income	Costs	Total
BONDS AND OTHER FIXED-INCOME SECURITIES						
Of public issuers	-	-	-	477,272	43,966	433,306
	-	-	-	477,272	43,966	433,306

The result obtained in 2017 refers to the sale of securities in the secondary market.

Note 9
Foreign exchange gains and losses

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

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Foreign exchange revaluation	(225,659,422)	431,562
Exchange Transactions	4,639,873	3,309,923
FOREIGN EXCHANGE GAINS AND LOSSES - OTHER	(221,019,549)	3,741,485
FOREIGN EXCHANGE GAINS AND LOSSES - ENSA GROUP	318,905,649	47,686
	97,886,100	3,789,171

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Foreign exchange revaluation	(224,484,680)	429,894
Exchange Transactions	4,639,873	3,309,923
FOREIGN EXCHANGE GAINS AND LOSSES - OTHER	(219,844,807)	3,739,817
FOREIGN EXCHANGE GAINS AND LOSSES - ENSA GROUP	318,905,649	47,686
	99,060,841	3,787,503

This item includes earnings arising from the revaluation of monetary assets and liabilities denominated in foreign currency according to the accounting policy described in Note 2.2.

The foreign exchange gains/losses calculated in 2018 are essentially related to the foreign exchange revaluation of assets and liabilities on the balance sheet, denominated in foreign currency, as a result of the devaluation of the AOA against other currencies, namely the EUR and the USD, unlike in 2017, when the figure was mainly the result of gains obtained by the Bank in transactions with customers, ranging from transfers to deals with letters of credit.

The foreign exchange revaluation mainly results from the calculation of values associated with the transfer of assets to the ENSA Group referred to in Note 36.

We should note that the foreign exchange effect of the revaluation of amounts receivable from the transfer of economic rights over Assets in 2018 (see note 36), is AOA 303,123,034,000 in terms of principal and AOA 15,782,614,000 in terms of interest receivable, totalling AOA 318,905,649,000; in 2017 it was AOA 41,452,000 in terms of Principal and AOA 6,234,000 in terms of interest receivable, totalling an amount of AOA 47,686,000.

As a result of the foreign exchange effect presented above, associated with the transfer of economic rights over assets, on 31 December, 2018 the Bank is in breach of Notice no. 6/2018 with regard to the limit of the foreign exchange position, namely due to the fact that the Bank cannot exceed an overall foreign exchange position of 10% of its Regulatory Own Funds. We should note that this non-compliance results from the devaluation of the Kwanza against the US Dollar, a currency to which the Bank is largely exposed as a result of the aforementioned operation, as mentioned in Note 36.

Note 10
Other operating income

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

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
OTHER OPERATING INCOME/(COSTS)		
Direct and indirect taxes	(1,296,489)	(458,758)
Levies and donations	(22,405)	(22,962)
Other	749,296	4,616,156
	(569,598)	4,134,436

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
OTHER OPERATING INCOME/(COSTS)		
Direct and indirect taxes	(1,347,715)	(477,306)
Levies and donations	(22,405)	(37,605)
Other	617,024	4,614,420
	(753,096)	4,099,509

As at 31 December, 2018 and 2017, the tax item includes the amount of AOA 850 million and AOA 185 million, respectively, referring to IAC (Capital Gains Tax) paid. Additionally, the Other item includes a gain of AOA 424 million associated with bank guarantee liabilities matured during the year and not exercised by counterparties, as well as another gain associated with the derecognition of interest associated with two repurchase options contracted with the ENSA Group, which are not exercised by the Bank, generating a profit of AOA 1.084 billion.

In 2017, we should note that a significant amount recorded under Other operating income corresponds to properties received by transfer, as part of credit resolution processes, derecognised from assets, in the amount of AOA 4.719 billion.

Note 11
Staff Costs

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

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Wages and salaries	10,890,369	7,582,667
Remunerations	7,187,103	4,866,712
Holiday Allowance	683,431	468,309
Christmas Allowance	607,347	424,569
Meal Allowance	147,493	144,008
Variable Remuneration	2,264,995	1,679,068
Mandatory social charges	632,761	354,419
Other costs	1,145,168	1,209,190
	12,668,298	**9,146,276**

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Wages and salaries	11,268,195	7,864,549
Remunerations	7,437,120	5,060,199
Holiday Allowance	703,328	486,494
Christmas Allowance	626,542	440,280
Meal Allowance	151,912	147,108
Variable Remuneration	2,349,292	1,730,468
Mandatory social charges	658,997	369,457
Other costs	1,178,944	1,235,974
	13,106,136	**9,469,980**

The significant increase of Staff Costs is largely associated with the Remuneration item, as a result of an increase in wages, as well as with a significant increase in the variable remuneration component.

The number of employees of the Bank, considering permanent and fixed-term employees, is broken down by professional category as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Managerial functions	85	86
Leadership functions	164	158
Specific functions	333	313
Administrative functions and others	441	452
	1,023	1,009

In consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Managerial functions	85	86
Leadership functions	173	158
Specific functions	347	313
Administrative functions and others	448	452
	1,053	1,009

The fair value of loans to employees up to December 2018 and 2017 amounts to AOA 2,555,320,000 and AOA 2,054,815,000, respectively, and the adjustment made on the same date between the net interest income and staff costs amounted to AOA 171,691,000 and AOA 168,720,000, respectively.

As mentioned in note 2.14, the Bank has a set contribution plan; i.e., it allocates a percentage or fixed amount to all participants included in the plan that will be monetised until the time of reimbursement provided by law. This cost is recognised as a staff cost.

There is no need for an actuarial study, as in the set benefit case.

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

(thousand kwanzas)

	31/12/2018	31/12/2017
Assets	823	799
Pensioners and survivors	41	2
	844	**801**

* The figures refer only to the Banco Económico Associate.

The total number of participants in the fund is 967, on 31 December, 2018, and 907, in 2017.

The evolution of the value of the pension fund, solely associated with the set contribution plan, as at 31 December, 2018 and 2017 can be broken down as follows:

(thousand kwanzas)

	31/12/2018*	31/12/2017
Fund balances at start of the year	1,328,192	957,023
Actual fund's income	389,703	61,083
Group contributions	296,379	221,375
Participants' contributions	4,702	108,220
Pensions paid by the fund	(50,865)	(19,509)
Other	-	-
FUND BALANCES AT END OF THE YEAR	**1,968,111**	**1,328,192**

*Note: Overall Asset Portfolio of the Fund (not only of Banco Económico)

The assets of the pension fund which are used by the Bank or represent securities issued by entities related to the Bank, can be broken down as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Bonds	692,132	-
Loans and advances to credit institutions	736,718	1,013,491
Properties	539,261	314,701
	1,968,111	**1,328,192**

The amounts shown refer to the Fund's Overall Asset portfolio, which includes participants that are not Bank employees.

On 31 December 2018, the assets of the pension fund, divided between with and without market quotation, can be broken down as follows:

(thousand kwanzas)

	Fund's Assets	With quotation on the market	No market quotation
Bonds	692,132		692,132
Properties	539,261	-	539,261
Loans and advances to credit institutions	736,718	-	736,718
TOTAL	**1,968,111**	**-**	**1,968,111**

*Note: Overall Asset Portfolio of the Fund (not only of Banco Económico)

Note 12
Third-party Supplies and Services

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

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Rents and leases	809,143	923,975
Advertising and publications	652,796	473,857
Communications and shipping	687,682	650,018
Maintenance and repair	393,612	350,970
Travel and representation	516,781	497,575
Water, power and fuels	217,680	277,343
Cash transport	885,672	719,366
Consumables	297,720	255,025
IT Services	584,252	372,507
Cleaning Services	126,256	106,224
Insurance	1,133,141	1,177,287
Legal fees and costs	236,104	87,925
Consulting and auditing	832,069	799,954
Security and surveillance	660,950	678,862
Other costs	557,176	465,947
	8,591,035	**7,786,884**

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Rents and leases	809,143	950,113
Advertising and publications	653,285	473,977
Communications and shipping	695,901	603,507
Maintenance and repair	393,612	356,940
Travel and representation	516,781	501,392
Water, power and fuels	222,414	280,085
Cash transport	1,048,821	756,922
Consumables	310,741	260,049
IT Services	584,252	372,507
Cleaning Services	126,256	106,570
Insurance	1,137,578	1,179,221
Legal fees and costs	236,104	105,844
Consulting and auditing	970,468	838,748
Security and surveillance	677,690	678,862
Other costs	559,754	498,604
	8,942,801	**7,963,341**

Compared to the same period last year, the item of Third-party supplies and services grew 10.33%, essentially due to an adjustment in prices, but in line with the cost containment process that is being implemented at the Bank. Year-on-year, the items that grew the most were associated with: (i) advertising, resulting from a price adjustment required to counteract inflation; (ii) cash transportation, also associated with the increase in fuel prices; (iii) IT services, as a result of improvements made in the Bank's IT systems; and (iv) legal costs, due to ongoing credit recovery processes.

Note 13
Earnings per Share

Basic Earnings per Share

According to Note 2.3, Basic earnings per share are calculated by dividing the result attributable to the Bank's shareholders by the weighted average number of ordinary shares in circulation during the year, thus excluding the shares held by the Bank itself.

In individual terms:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
NET PROFIT ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	36,374,287	6,012,325
(-) Remuneration of perpetual bonds	-	-
(+) Gains and losses recorded in reserves	-	-
ADJUSTED NET PROFIT ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	36,374,287	6,012,325
Weighted average number of ordinary shares issued (thousands)	72,000,000	72,000,000
Weighted average number of own shares in portfolio (thousands)		
AVERAGE NUMBER OF ORDINARY SHARES IN CIRCULATION	72,000,000	72,000,000
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	0.51	0.08

In consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
NET INCOME ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	36,396,625	6,008,847
(-) Remuneration of perpetual bonds	-	-
(+) Gains and losses recorded in reserves	-	-
ADJUSTED NET PROFIT ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	36,396,625	6,008,847
Weighted average number of ordinary shares issued (thousands)	72,000,000	72,000,000
Weighted average number of own shares in portfolio (thousands)		
AVERAGE NUMBER OF ORDINARY SHARES IN CIRCULATION	72,000,000	72,000,000
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS	0.51	0.08

Diluted Earnings per Share

Diluted earnings per share are estimated by adjusting the effect of all potential dilutive ordinary shares to the weighted average number of ordinary shares in circulation and to the net income attributable to the Bank's Shareholders. On 31 December 2018, diluted earnings per share, considering the effect of own shares, is 0.51 (2017: 0.08).

Note 14
Cash and Deposits with Central Banks

The amount of this account, in separate and consolidated terms, is composed of:

(thousand kwanzas)

	31/12/2018	31/12/2017
Cash	7,953,668	7,256,158
Deposits at central banks	186,947,685	131,293,009
Banco Nacional de Angola	186,947,685	131,293,009
	194,901,353	**138,549,166**

The item Demand deposits at the Central Bank represents the balances from the mandatory minimum reserves system in force in Angola on the Balance Sheet date and consists of non-interest-bearing deposits at the BNA. These deposits are made in order to comply with BNA Instruction 6/2017 of 19 July, 2018, and are summarised as follows:

(thousand kwanzas)

MINIMUM RESERVES		Domestic Currency	Foreign Currency
Reserves over Basis Assessment			
Central Government, Local Governments and Municipal Administrations	Daily Calculation	17%	100%
Other Sectors	Weekly Calculation	17%	15%
		194,901,353	**138,549,166**

The exemption from compliance with the compulsory reserves made available to Banco Económico during the period of adoption of the remedial measures implemented by Banco Nacional de Angola in August 2014 extended to the entire period of restructuring and consequent recovery of Banco Económico, the decisions and practical consequences of which lasted until 2017. As a result, the effort to fully comply with the legal level of mandatory reserves took place in stages, based on the positive results of the recovery process and the evolution of the cash situation. The positive results achieved in the treasury recovery and stability process made it possible to remedy the default in domestic currency in 2017. Compliance with mandatory reserves in foreign currency continued to take place in stages, supported by the decisions issued by the regulatory authority at the beginning of the restructuring process, as mentioned above. However, the non-compliance with mandatory reserves in foreign currency was completely remedied as of 24 August, 2018 following the maturity of assets in US dollars with a positive impact on the foreign currency treasury.

Note 15
Deposits with other Credit Institutions

In separate terms, the balance of the Deposits item is broken down according to their nature as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Deposits with other credit institutions in the country		
Cheques for collection	138,556	1,796,061
	138,556	1,796,061
Deposits with other foreign credit institutions		
Demand deposits	53,838,257	32,959,871
	53,838,257	32,959,871
	53,976,813	34,755,931

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Deposits with other credit institutions in the country		
Cheques for collection	138,556	1,984,443
	138,556	1,984,443
Deposits with other foreign credit institutions		
Demand deposits	53,838,257	32,959,871
	53,838,257	32,959,871
	53,976,813	34,944,313

The increase in the value of Deposits with other credit institutions abroad was a result of the Bank's liquidity management, due to treasury needs that emerged at the beginning of 2019, namely settlements of letters of credit. We should note that, in recent years, Banco Económico was one of the most active banks in the import documentary credit market, and this involvement represented a considerable treasury effort.

The amount of deposits with other credit institutions in Angola – cheques for collection represents cheques pending clearance at the balance sheet date. They were sent for collection on the first business days following the reference date.

Note 16
Loans and Advances to Central Banks and Other Credit Institutions

As of 31 December 2018 and 2017, this line item is analysed as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Investments at foreign credit institutions		
Interbank money market	110,106,444	81,968,105
	110,106,444	81,968,105
Impairment losses	(234,778)	-
	109,871,667	81,968,105

The amount of loans and advances to credit institutions abroad includes accrued interest receivable calculated on the Balance Sheet date.

As at 31 December 2018 and 2017, loans and advances to central banks and other credit institutions are broken down by residual maturities as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Up to 3 months	103,923,057	81,968,105
3 months to one year	6,183,387	-
	110,106,444	81,968,105

Loans and advances to central banks and other credit institutions abroad as at 31 December 2018 were earning an average interest rate of 1.63% (31 December, 2017: 0.43%). These are the rates in markets where the Bank operates.

Changes in impairment losses on liquidity applications are broken down, in separate and consolidated terms, as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Opening balance	-	-
Charge for the year	234,778	-
Uses	-	-
Reversals	(115,831)	-
Effect Transition IFRS 9 (Note 4)	115,831	-
Foreign Exchange Differences	-	-
CLOSING BALANCE	234,778	-

We should note that the Bank determines the impairment of financial counterparties based on the external rating disclosed by the rating agencies, adjusting the level of risk attributed to the maturity of the operations in relation to each reference date.

The amount presented as the effect of the transition to IFRS 9 corresponds to the impairment determined on 1 January, 2018, recognised as Retained earnings.

Note 17
Securities Portfolio

As at 31 December 2018 and 2017, this item is broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
CASH AND CASH EQUIVALENTS WITH CENTRAL BANKS		
Shares	-	128,542
Fixed-income bonds	-	119,134,167
Impairment	-	(26,417)
	-	119,236,292
INVESTMENTS HELD TO MATURITY		
Fixed-income bonds from public issuers	-	29,485,581
	-	29,485,581
FAIR VALUE THROUGH PROFIT AND LOSS		
Fixed-income bonds from public issuers	4,392,478	478
	4,392,478	478
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Shares	99,862	-
	99,862	-
AMORTISED COST		
Fixed-income bonds from public issuers	179,104,977	-
Impairment	(1,679,919)	-
	177,425,058	-
TOTAL OF THE SECURITIES PORTFOLIO	181,917,398	148,722,351

In consolidated terms it is as follows:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
CASH AND CASH EQUIVALENTS WITH CENTRAL BANKS		
Shares	-	128,542
Fixed-income bonds	-	119,134,167
Impairment	-	(26,417)
	-	119,236,292
INVESTMENTS HELD TO MATURITY		
Fixed-income bonds from public issuers	-	29,485,581
	-	29,485,581
FAIR VALUE THROUGH PROFIT AND LOSS		
Fixed-income bonds from public issuers	4,392,478	1,635
	4.392,478	1,635
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Shares	99,862	-
	99,862	-
AMORTISED COST		
Fixed-income bonds from public issuers	179,171,898	-
Impairment	(1,680,994)	-
	177,490,904	-
TOTAL OF THE SECURITIES PORTFOLIO	181,983,244	148,723,508

Changes in impairment on the securities portfolio measured at amortised cost, in separate and consolidated terms, are broken down as follows:

(thousand kwanzas)

31/12/2018	*Stage* 1	Total
BALANCE AS AT 31 DECEMBER 2017	-	-
Impact of transition to IFRS 9 (Note 4)	1,656,722	1,656,722
BALANCE AS AT 1 JANUARY 2018	1,656,722	1,656,722
Charge for the year	1,734,276	1,734,276
Reversals	(1,711,079)	(1,711,079)
Uses (sales)	-	-
Foreign Exchange Differences	-	-
BALANCE AS AT 31 DECEMBER 2018	1,679,919	1.679.919

The average remuneration rates, as well as the currencies in which the Securities are contracted and expressed, are detailed below:

PORTFOLIO	Nature	Currency	Average Weighted
Amortised Cost	Treasury Bonds	USD	4.83%
Amortised Cost	Treasury Bonds	AOA	5.67%
Fair value through profit and loss	Treasury Bonds	USD	8.25%
TOTAL			

(thousand kwanzas)

Nominal	Amortised Cost	Income Receivable	Premium/ Discount	Impairment	Balance Sheet Amount 2018
123,442,800	123,480,347	2,113,272	-	(1,554,221)	124,039,398
54,187,500	51,781,610	2,130,246	-400,498	-125,698	53,385,660
4,629,105	4,375,504	16,973	-	-	4,392,478
182,259,405	**179,637,462**	**4,260,491**	**-400,498**	**(1,679,919)**	**181,817,536**

The financial instruments in the Bank's securities portfolio are as follows:

(thousand kwanzas)

ISIN CODE	Description	Type	Portfolio	Balance Sheet Amount
AOTNOI311L18	Treasury Bond	Treasury Bond	Amortised cost	650,579
AOTNOI411L18	Treasury Bond	Treasury Bond	Amortised cost	601,240
AOTNOI511L18	Treasury Bond	Treasury Bond	Amortised cost	904,268
XS1819680288	Treasury Bond	Treasury Bond	Fair value through profit and loss	4,392,478
AOTNOI5R0M17	Treasury Bond	Treasury Bond	Amortised cost	2,915,870
AOTNR2429L16	Treasury Bond	Treasury Bond	Amortised cost	47,919,523
AOTNR2425F16	Treasury Bond	Treasury Bond	Amortised cost	394,180
AOTNME216G18	Business Development	Treasury Bond	Amortised cost	30,886,029
AOTNME316G18	Business Development	Treasury Bond	Amortised cost	30,974,079
AOTNME416G18	Business Development	Treasury Bond	Amortised cost	31,051,123
AOTNME516G18	Business Development	Treasury Bond	Amortised cost	31,128,167
				181,817,536
	BVDA	Action	Fair value through other comprehensive income	-
	EMIS	Action	Fair value through other comprehensive income	89,981
	SWIFT	Action	Fair value through other comprehensive income	9,881
				99,862
				181,917,398

In accordance with the accounting policy described in Note 2.3, the Bank regularly assesses whether there is objective evidence of impairment in its securities portfolio following the judgement criteria described in Note 3.1.

As described in Note 36, the Bank transferred securities in the amount of 14.662 billion Kwanzas to the BNA in March 2017.

As at 31 December, 2018 and 31 December, 2017, the securities portfolio is broken down by residual maturities as follows:

(thousand kwanzas)

	Under three months	Between three months and one year	One to five years	More than five years	Indefinite duration	Total
FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds and other fixed-income securities						
	-	-	-	4,392,478	-	4,392,478
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
Shares	-	-	-	-	99,862	99,862
Amortised Cost						
BONDS AND OTHER FIXED-INCOME SECURITIES						
	-	-	126,398,796	52,706,181	-	179,104,977
BALANCE AS AT 31 DECEMBER 2018	**-**	**-**	**126,398,796**	**57,098,659**	**99,862**	**183,597,317**

We should note that, on 31 December, 2018, the Amortised cost item contains an amount of AOA 47,428,300,000 referring to principal and AOA 999,159,000 to accrued interest, related to Bonds issued by the State as part of the transfer of economic rights over assets, with ISINs: AOTNR2429L16 and AOTNR2425F16, which mature in 2040 and have a 5% annual interest rate (see Note 36).

Note 18
Customer loans

As at 31 December, 2018 and 2017, this item is broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
ACTIVE LOANS AND ADVANCES		
To corporate customers		
Current account loans	12,227,549	10,975,568
Loans	52,405,670	57,749,400
Overdraft facilities	24,980,958	202,404
Financial leasing	2,773,224	2,817,802
To retail customers		
Housing	8,802,026	5,253,019
Consumer credit and other	9,388,218	5,375,058
	110,577,645	82,373,250
OVERDUE LOANS AND ADVANCES		
To corporate customers		
Loans	65,990,885	45,803,252
Current account loans	7,118,719	4,072,006
Overdraft facilities	16,671,029	11,802,385
Discounts and other credits resulting from effects	-	-
Financial leasing	3,370,293	3,824,539
Factoring	-	-
Other Credits	-	-
To retail customers		
Housing	3,192,334	1,816,875
Consumer credit and other	3,700,076	2,033,202
	100,043,336	69,352,259
OTHER CREDIT SECURITIES	-	48,369,465
	210,620,981	200,094,974
Impairment losses	(86,083,239)	(21,259,361)
	124,537,742	178,835,613

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
ACTIVE LOANS AND ADVANCES		
To corporate customers		
Current account loans	12,227,549	10,975,568
Loans	52,405,670	57,749,400
Overdraft facilities	24,980,958	202,404
Financial leasing	2,773,224	2,817,802
To retail customers		
Housing	8,802,026	5,253,019
Consumer credit and other	9,388,218	5,375,058
	110,577,645	82,373,250
OVERDUE LOANS AND ADVANCES		
To corporate customers		
Loans	65,990,885	45,803,252
Current account loans	7,118,719	4,018,626
Overdraft facilities	16,671,029	11,802,385
Discounts and other credits resulting from effects	-	-
Financial leasing	3,370,293	3,824,539
Factoring	-	-
Other Credits	-	-
To retail customers		
Housing	3,192,334	1,816,875
Consumer credit and other	3,700,076	2,033,202
	100,043,336	69,298,879
OTHER CREDIT SECURITIES	-	48,369,465
	210,620,981	200,041,594
Impairment losses	(86,083,239)	(21,223,270)
	124,537,742	178,818,324

We should note that the item Other Credit Securities, in the total amount of AOA 48,369,465,000 on 31 December, 2017, related to the bond issued by the State in connection with the transfer of economic rights over assets (see Note 36), which matures in 2040 and has a 5% annual interest rate, was transferred to the Securities Portfolio as part of the adoption of IFRS 9, as described in Note 4.

We should point out that the twenty largest customers in terms of direct and indirect loans represent a total of AOA 132,266,007,000, which corresponds to approximately 64.87% of the Bank's Regulatory Own Funds, thus being in accordance with Notice no. 9/2016 of the BNA.

As at 31 December 2018 and 2017, loans and advances to customers are broken down by maturity date as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Up to 3 months	71,333,007	34,701,350
3 months to one year	17,780,454	13,290,798
One to five years	24,788,213	34,560,607
Over five years	83,126,246	107,205,628
Indefinite duration	13,593,061	10,336,591
	210,620,981	**200,094,974**

Changes in impairment losses shown in assets as a correction to loan amounts were as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Opening balance	21,259,361	18,320,515
Charge for the year	63,319,432	12,583,423
Uses	-	(90,328)
Reversals	(8,119,674)	(10,347,064)
Effect Transition IFRS 9 (see Note 4)	2,625,184	-
Exchange rate differences and other differences	6,998,936	792,816
CLOSING BALANCE	**86,083,239**	**21,259,361**

The distribution of customer loans by type of rate is as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Fixed rate	169,614,271	161,143,139
Variable rate	41,006,709	38,951,835
	210,620,981	**200,094,974**

By geographical location:

(thousand kwanzas)

2018 ANGOLA	Exposure	Impairment
Individual Impairment	159,334,359	77,971,336
Collective Impairment	51,286,622	8,111,903
TOTAL	210,620,981	86,083,239

(thousand kwanzas)

2017 ANGOLA	Exposure	Impairment
Individual Impairment	178,846,988	18,201,584
Collective Impairment	21,247,986	3,057,777
TOTAL	200,094,974	21,259,361

Note 19
Non-Current Assets Held for Sale

This item is broken down as follows, in separate and consolidated terms:

(thousand kwanzas)

NON-CURRENT ASSETS HELD FOR SALE	31/12/2018	31/12/2017
Properties	-	5,141,259
Equipment	27,548	14,529
Other fixed assets	-	-
	27,548	5,155,788
Impairment losses	-	-
	27,548	5,155,788

This item is almost exclusively composed of real estate and similar assets, which are not part of the Bank's facilities, nor are they intended to pursue its corporate object, as they were obtained by transfers in compliance with loan agreements and discontinued premises of the Bank. Additionally, there are also vehicles recovered as part of loans granted in Leasing operations.

The change occurred in this item in 2018 is related to the reclassification of their properties as Other Assets, due to the fact that the corresponding sales processes failed to show significant developments, are not expected to be completed within 12 months. Changes in non-current assets held for sale during 2018 are broken down as follows:

The amount of AOA 5,141,259,000 shown in Other operations corresponds to the transfer of real estate to the item Other assets - real estate (Note 23) since the Bank is not expecting them to be sold within 12 months.

(thousand kwanzas)

	31/12/2018	31/12/2017
Opening balance	5,155,788	414,534
Received	13,019	4,741,254
Sales	-	-
Other operations	(5,141,259)	-
CLOSING BALANCE	27,548	5,155,788

Note 20
Other tangible assets

EAs at 31 December 2018 and 2017, this item is broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
REAL ESTATE		
For own use	44,696,397	45,282,275
Improvement works on rented properties	2,200,789	2,465,588
	46,897,187	47,747,863
EQUIPMENT		
Computer equipment	2,266,994	2,037,157
Indoor facilities	1,605,467	1,610,772
Furniture and materials	1,793,311	1,764,357
Security equipment	1,991,397	1,809,713
Machinery and tools	571,818	500,161
Transport material	1,704,030	1,611,864
	9,933,016	9,334,023
PROPERTY, PLANT AND EQUIPMENT IN PROGRESS		
Improvement works on rented properties		
Properties	12,762	92,807
Equipment	280,710	83,608
	293,472	176,415
	57,123,675	57,258,301
ACCUMULATED DEPRECIATION		
Charge for the year	(2,223,353)	(2,239,524)
Accumulated charge for previous years	(11,933,768)	(10,004,858)
For transferred assets	430,280	-
	(13,726,841)	(11,933,768)
Impairment	(1,273,820)	-
	42,123,013	45,324,533

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
REAL ESTATE		
For own use	44,696,397	45,282,275
Improvement works on rented properties	2,200,789	2,465,588
	46,897,186	47,747,863
EQUIPMENT		
Computer equipment	2,283,187	2,037,157
Indoor facilities	1,605,467	1,610,772
Furniture and materials	1,803,222	1,965,146
Security equipment	1,991,397	1,809,713
Machinery and tools	571,902	500,161
Transport material	1,930,782	1,611,864
	10,185,958	9,534,813
PROPERTY, PLANT AND EQUIPMENT IN PROGRESS		
Improvement works on rented properties		
Properties	12,762	92,807
Equipment	280,710	83,608
	293,472	176,415
	57,376,615	57,459,091
ACCUMULATED DEPRECIATION		
Charge for the year	(2,337,393)	(1,945,994)
Accumulated charge for previous years	(11,972,713)	(10,026,719)
For transferred assets	490,702	-
	(13,819,405)	(11,972,713)
Impairment	(1,273,820)	-
	42,283,390	45,486,378

In 2016, the Bank began a process of documenting legal ownership of the real-estate assets; however, the extent and complexity of this procedure did not allow it to be completed by 31 December, 2018.

The value of undocumented real estate as at 31 December, 2018 is AOA 4,817,038,000 (December 2017 AOA 41,609,779,000), and corresponds to 25 of the 45 properties allocated to the Bank's activity.

We should note that, in 2018, the Bank recorded an impairment on properties in the amount of AOA 1.274,000, an amount obtained as a result of an analysis carried out by independent experts.

Changes in Other tangible assets in 2018 are broken down in separate terms as follows:

(thousand kwanzas)

	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Impairment	Balance on 31/12/2018
REAL ESTATE						
For own use	45,282,275	125,853	(6,247)	(705,483)	(1,273,820)	43,422,578
Improvement works on rented properties	2,465,588	30,152	(321,328)	26,377	-	2,200,789
	47,747,863	**156,004**	**(327,575)**	**(679,106)**	**(1,273,820)**	**45,623,366**
EQUIPMENT						
Computer equipment	2,037,157	194,718	(1,866)	36,985	-	2,266,994
Indoor facilities	1,610,772	(4,081)	(8,662)	7,438	-	1,605,467
Furniture and materials	1,764,357	28,953	-	-	-	1,793,310
Security equipment	1,809,713	192,433	(10,750)	-	-	1,991,397
Machinery and tools	500,161	70,836	-	821	-	571,818
Transport material	1,611,864	9,978	(51,795)	133,984	-	1,704,030
	9,334,023	**492,838**	**(73,074)**	**179,229**	**-**	**9,933,016**
PROPERTY, PLANT AND EQUIPMENT IN PROGRESS						
Improvement works on rented properties	-	-	-	-	-	-
Properties	92,807	(2,709)	-	(77,337)	-	12,762
Equipment	83,608	370,452	-	(173,350)	-	280,710
	176,415	**367,743**	**-**	**(250,686)**	**-**	**293,472**
	57,258,301	**1,016,586**	**(400,649)**	**(750,564)**	**(1,273,820)**	**55,849,854**

(thousand kwanzas)

ACCUMULATED AMORTISATIONS	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Impairment	Balance on 31/12/2018
REAL ESTATE						
For own use	(2,946,751)	(1,596,373)	105,475	440,357	-	(3,997,293)
Improvement works on rented properties	(1,684,599)	(233,754)	120,922	(9,439)	-	(1,806,871)
	(4,631,350)	(1,830,127)	226,396	430,917	-	(5,804,164)
EQUIPMENT						
Computer equipment	(1,688,360)	(169,564)	1,866	-	-	(1,856,057)
Indoor facilities	(1,125,151)	(142,146)	5,985	(637)	-	(1,261,950)
Furniture and materials	(1,057,525)	(159,630)	-	-	-	(1,217,154)
Security equipment	(1,763,837)	(29,097)	10,750	-	-	(1,782,185)
Machinery and tools	(407,845)	(40,162)	-	-	-	(448,006)
Transport material	(1,259,700)	(149,421)	51,795	-	-	(1,357,325)
	(7,302,417)	(690,019)	70,396	(637)	-	(7,922,677)
	(11,933,768)	(2,520,146)	296,793	430,280	-	(13,726,841)
	45,324,533	(1,503,561)	(103,856)	(320,283)	(1,273,820)	42,123,013

And in consolidated terms:

(thousand kwanzas)

	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Impairment	Balance on 31/12/2018
REAL ESTATE						
For own use	45,282,275	125,853	(6,247)	(705,483)	(1,273,820)	43,422,578
Improvement works on rented properties	2,465,588	30,152	(321,328)	26,377	-	2,200,789
	47,747,863	156,004	(327,575)	(679,106)	(1,273,820)	45,623,366
EQUIPMENT						
Computer equipment	2,037,157	210,911	(1,866)	36,985	-	2,283,187
Indoor facilities	1,610,772	(4,081)	(8,662)	7,438	-	1,605,467
Furniture and materials	1,965,146	28,953	(190,882)	-	-	1,803,223
Security equipment	1,809,714	192,432	(10,750)	-	-	1,991,397
Machinery and tools	500,161	70,920	-	821	-	571,902
Transport material	1,611,864	236,727	(51,795)	133,984	-	1,930,782
	9,534,814	735,864	(263,956)	179,229	-	10,185,958
PROPERTY, PLANT AND EQUIPMENT IN PROGRESS						
Properties	92,807	(2,709)	-	(77,337)	-	12,762
Equipment	83,608	370,452	-	(173,350)	-	280,710
	176,415	367,743	-	(250,686)	-	293,472
	57,459,092	1,259,611	(591,531)	(750,563)	(1,273,820)	56,102,794

(thousand kwanzas)

ACCUMULATED AMORTISATIONS	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Impairment	Balance on 31/12/2018
REAL ESTATE						
For own use	(2,946,751)	(1,602,510)	105,475	440,357	-	(4,003,430)
Improvement works on rented properties	(1,682,615)	(233,754)	122,906	(9,439)	-	(1,802,903)
	(4,629,366)	(1,836,264)	228,380	430,917	-	(5,806,333)
EQUIPMENT						
Computer equipment	(1,688,360)	(169,564)	1,866	-	-	(1,856,057)
Indoor facilities	(1,125,151)	(142,350)	5,985	(433)	-	(1,261,950)
Furniture and materials	(1,098,454)	(161,796)	-	-	-	(1,260,250)
Security equipment	(1,763,838)	(29,097)	10,750	-	-	(1,782,185)
Machinery and tools	(407,845)	(40,162)	-	-	-	(448,006)
Transport material	(1,259,700)	(196,719)	51,795	-	-	(1,404,623)
	(7,343,347)	(739,688)	70,396	(433)	-	(8,013,072)
	(11,972,714)	(2,575,951)	298,777	430,484	-	(13,819,404)
	45,486,378	(1,316,340)	(292,754)	(320,079)	(1,273,820)	42,283,390

The amounts shown in Transfers and changes in perimeter for Own Properties, in the amounts of AOA 705,483,000 and AOA 440,357,000, refer to the acquisition cost and accumulated amortisations, respectively, of Properties transferred to other assets that are no longer allocated to the Bank's activity and for which there are no ongoing sale processes/efforts.

In terms of impairment, the changes occurred in 2018, in separate and consolidated terms, as a result of valuations of the Bank's properties, can be broken down as follows:

(thousand kwanzas)

	01/01/2018	Charge for the year	Reversals	Transfers	31/12/2018
REAL ESTATE	-	1,273,820	-	-	1,273,820
	-	1,273,820	-	-	1,273,820

Note 21
Intangible assets

This item is broken down as follows, in separate terms:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
INTANGIBLE ASSETS		
PURCHASED FROM THIRD PARTIES		
Automatic data processing system	4,167,658	3,177,821
Other	1,845,158	859,547
	6,012,816	4,037,368
ACCUMULATED AMORTISATION		
Charge for the year	(356,537)	(272,195)
Accumulated charge for previous years	(1,892,376)	(1,620,181)
	(2,248,913)	(1,892,376)
	3,763,903	2,144,991
IMPAIRMENT	-	-
	-	-
	3,763,903	2,144,991

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
INTANGIBLE ASSETS		
PURCHASED FROM THIRD PARTIES		
Automatic data processing system	4,194,071	3,204,234
Other	1,845,158	859,547
	6,039,229	4,063,781
ACCUMULATED AMORTISATION		
Charge for the year	(382,006)	(272,690)
Accumulated charge for previous years	(1,892,376)	(1,644,662)
	(2,274,382)	(1,917,351)
	3,764,847	2,146,429
IMPAIRMENT	-	-
	-	-
	3,764,847	2,146,429

Changes in Intangible assets in 2018 are broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Balance on 31/12/2018
INTANGIBLE ASSETS					
PURCHASED FROM THIRD PARTIES					
Automatic data processing system	3,177,821	670,542	-	319,294	4,167,658
Other	859,546	1,304,022	-	(318,410)	1,845,158
	4,037,368	1,974,564	-	884	6,012,816
Automatic data processing system	(1,892,376)	(356,537)	-	-	(2,248,913)
	(1,892,376)	(356,537)	-	-	(2,248,913)
IMPAIRMENT	-	-	-	-	-
NET BALANCE AS AT 31 DECEMBER	2,144,991	1,618,027	-	884	3,763,903

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	Balance on 01/01/2018	Acquisitions/ Charge for the year	Disposals/ Write-offs	Transfers and changes in perimeter	Balance on 31/12/2018
INTANGIBLE ASSETS					
PURCHASED FROM THIRD PARTIES					
Automatic data processing system	3,204,234	670,542	-	319,294	4,194,071
Other	859,547	1,304,022	-	(318,410)	1,845,159
	4,063,781	1,974,564	-	884	6,039,229
Automatic data processing system	(1,917,351)	(357,031)	-	-	(2,274,382)
	(1,917,351)	(357,031)	-	-	(2,274,382)
IMPAIRMENT	-	-	-	-	-
NET BALANCE AS AT 31 DECEMBER	2,146,430	1,617,533	-	884	3,764,847

The main acquisitions associated with intangible assets are associated with the changes that the Bank is making in its core banking system.

The values shown in Transfers and changes in perimeter results from the reclassification of a number of assets initially recorded as Other, which actually correspond to components of the autonomous data processing systems, meaning that the net effect of transfers in terms of intangible is assets is minimal.

Note 22
Investments in Subsidiaries, Associates and Joint Ventures

Financial data relating to subsidiaries, associates and joint ventures, in separate terms, are shown in the following table:

(thousand kwanzas)

31/12/2018	No. of Shares	Share Capital	Direct Shareholdin	Nominal Value AOA	Cost of Holding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
ECONÓMICO FUNDOS DE INVESTIMENTO - Sociedade Gestora de Organismos de Investimento Colectivo, S.A.	1,000	90,000	64.00%	57,600	57,600	882,979	403,100	1,312,714
ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A.	10,000	1,000,000	96.20%	962,000	962,000	-602,291	-164,832	636,883
Tranquilidade Angola S.A.	1,050	747,790	21.00%	157,035	363,876	45,889	181,566	530,587
					1,383,476	326,577	419,834	2,480,184
Impairment Losses								-
								2,480,184

(thousand kwanzas)

31/12/2017	No. of Shares	Share Capital	Direct Shareholdin	Nominal Value AOA	Cost of Holding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
ECONÓMICO FUNDOS DE INVESTIMENTO - Sociedade Gestora de Organismos de Investimento Colectivo, S.A.	1,000	90,000	63.00%	56,700	56,700	188,433	46,696	908,714
ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A.	1,000	105,000	63.00%	66,150	66,150	-	-37,688	66,150
Tranquilidade Angola S.A.	1,050	747,790	21.00%	157,035	363,876	-47,693	162,795	608,361
					486,726	140,741	171,804	1,583,225
Impairment Losses								-66,150
								1,517,075

And in consolidated terms:

(thousand kwanzas)

31/12/2018	No. of Shares	Share Capital	Direct Shareholdin	Nominal Value AOA	Cost of Holding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
Tranquilidade Angola S.A.	1,050	747,790	21.00%	157,035	363,876	45,889	181,566	530,587
					363,876	45,889	181,566	530,587
Impairment Losses								-
								530,587

(thousand kwanzas)

31/12/2017	No. of Shares	Share Capital	Direct Shareholdin	Nominal Value AOA	Cost of Holding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
Tranquilidade Angola S.A.	1,050	747,790	21.00%	157,035	363,876	(47,693)	162,795	433,968
					363,876	(47,693)	162,795	433,968
Impairment Losses								-
								433,968

In summary, the following table shows the main data from the Financial Statements of the aforementioned subsidiaries:

(thousand kwanzas)

SUBSIDIARIES - FINANCIAL INDICATORS	Assets	Liabilities	Share Capital	Reserves	Income
ECONÓMICO FUNDOS DE INVESTIMENTO - Sociedade Gestora de Organistmos de Investimento Colectivo, S.A.	2,608,937	557,820	90,000	1,678,755	282,360
ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundos de Pensões, S.A.	919,046	257,142	1,000,000	(625,952)	287,855
Tranquilidade Angola S.A.	11,726,228	9,432,927	747,790	1 126,537	418,974

Changes in impairment losses related to investments in subsidiaries and associates was as follows, and applies only in separate terms:

(thousand kwanzas)

	31/12/2018	31/12/2017
Opening balance	(66,150)	(65,100)
Charge for the year	-	-
Reversals	66,150	-
Foreign Exchange Differences	-	(1,050)
CLOSING BALANCE	-	(66,150)

The reversal of the impairment associated with the entity ECONÓMICO FUNDOS DE PENSÕES - Sociedade Gestora de Fundo de Pensões, S.A., in the amount of AOA 66,150,000, stems from the fact that the entity had a positive equity on 31 December, 2018.

This is the result of the capital increase in Económico Fundo de Pensões, from a share capital of AOA 105 million to AOA 1 billion. This capital increase was solely subscribed by Banco Económico, thereby increasing the percentage held in the company from 63% to 96.2%.

Note 23
Other Assets

As at 31 December 2018 and 2017, the item Other assets in broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017 Restatement (Note 2)
Administrative public sector	12,191,188	1,735,794
Other debtors	8,169,529	9,218,481
Deferred expenses	2,692,325	882,756
Other operations pending settlement	255,940	298,275
Other assets	2,677,744	2,698,624
Properties	5,451,036	-
Other assets - ENSA Group	638,575,571	275,282,668
	670,013,333	290,116,597
Impairment losses	(26,002,561)	(6,435,450)
	644,010,772	283,681,147

In consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017 Restatement (Note 2)
Administrative public sector	12,191,188	1,735,794
Other debtors	8,484,247	9,383,983
Deferred expenses	2,752,322	909,768
Other operations pending settlement	255,940	298,275
Other assets	2,677,744	2,698,624
Properties	5,451,036	-
Other assets - ENSA Group	638,575,571	275,282,668
	670,388,048	290,309,112
Impairment losses	(26,002,561)	(6,435,450)
	644,385,487	283,873,662

The value in Other assets - ENSA Group is mainly related to the Transfer of economic rights over assets that took place in 2014. As at 31 December, 2018, the value in question is AOA 616,673,846,000, in terms of principal and accrued interest (2017: AOA 259,024,532,000).

This value is split between AOA 563,658,811,000 in terms of Principal and AOA 53,017,559,000 in terms of Accrued Interest and was, in 2017, AOA 254,156,472,000 and AOA 4,868,059,000, respectively. In 2017, there were two operations that had a significant impact on this value - the Settlement of the Bank's Financing with the BNA and the restructuring of the operation itself. To better understand the operation as a whole, please see Note 36. Additionally, this item includes amounts referring to advances for real estate, in the amount of AOA 20,481,064,000 (2017: AOA 15,343,720,000) and an impairment in the amount of AOA 19,064,674,000.

The changes in the amount relating to Properties results from the reclassification of properties previously recorded as Non-Current Assets Available for Sale, which, given that there is no evidence of their negotiability, were transferred within the Bank's Balance Sheet, and from a number of properties no longer used in banking activities, which were transferred from tangible assets to Other assets since the Bank intends to sell them.

In 2016, the Bank began a process of documenting legal ownership of the real-estate assets; however, the extent and complexity of this procedure did not allow it to be completed until 31 December, 2018. This process is still ongoing, so the recorded values refer to assets that are mostly documented, or already legally held by the Bank. The value of properties in these conditions recognised as other assets as at 31 December, 2018 is AOA 3,652,216,000.

The value in Administrative public sector shows a significant variation arising from the fact, in the second semester of 2018, the Bank acquired a Fiscal credit in the approximate amount of AOA 10 billion.

The amount shown in the table above for Other debtors corresponds mainly to amounts receivable from the State within the scope of the Angola Investe programme and an amount corresponding to the ISUC of loans transferred to the ENSA Group settled in excess, which is fully impaired.

Changes in impairment losses on Other assets are broken down, in separate and consolidated terms, as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017 Restatement (Note 2)
Opening balance	(6,435,450)	(6,029,414)
Charge for the year	(19,156,751)	(405,900)
Uses	778,993	-
Reversals	-	-
Effect Transition IFRS 9 - see Note 4	(608,447)	-
Foreign Exchange Differences	(580,906)	(136)
CLOSING BALANCE	**(26,002,561)**	**(6,435,450)**

In 2018, the significant amount in charge for the year resulted from discussions held with the Ministry of Finance and Banco Nacional de Angola, regarding the possibility of offering a discount over the outstanding amount USD 61,777,000 (AOA 19,064,674,000). This amount was deducted from the amount receivable from GENSA recorded in the balance sheet and the corresponding loss was included in profit and loss for the year.

In 2017, the significant amount in charge for the year resulted from the constitution of impairments on amounts receivable referring to Stamp Duty on the use of credit improperly settled by the Bank in loan agreements whose economic rights were transferred to ENSA Group – Investimentos e Participações, E.P. In this context, the Bank asked AGT to return an amount of AOA 3,995,257,000, and is yet to receive a response.

Note 24
Deposits from Central Banks and Other Credit Institutions

The item Deposits from central banks and other credit institutions is broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
DEPOSITS FROM CENTRAL BANKS		
Interbank money market	1,932,211	81,218,787
	1,932,211	81,218,787
DEPOSITS FROM OTHER CREDIT INSTITUTIONS		
Interbank money market	21,938,439	36,981,199
Other deposits	5,463,447	1,694,315
	27,401,886	38,675,514
	29,334,097	119,894,301

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
DEPOSITS FROM CENTRAL BANKS		
Interbank money market	1,932,211	81,218,787
	1,932,211	81,218,787
DEPOSITS FROM OTHER CREDIT INSTITUTIONS		
Interbank money market	21,937,702	36,981,199
Other deposits	5,463,447	1,694,315
	27,401,149	38,675,514
	29,333,360	119,894,301

In terms of geographic market, it is broken down in separate terms as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
DOMESTIC		
Interbank money market	1,932,211	81,218,787
Other deposits	5,463,447	1,694,316
	7,395,658	82,913,103
FOREIGN		
Deposits	21,938,439	1,316,802
Loans	-	35,664,396
	21,938,439	36,981,198
	29,334,097	119,894,301

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
DOMESTIC		
Interbank money market	1,932,211	81,218,787
Other resources	5,463,447	1,694,316
	7,395,659	82,913,103
FOREIGN		
Deposits	21,937,702	1,316,802
Loans	-	35,664,396
	21,937,702	36,981,198
	29,333,360	119,894,301

In separate terms, as at 31 December 2018 and 2017, Deposits from central banks and other credit institutions are broken down by residual maturities as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Up to 3 months	29,334,097	37,095,916
3 months to one year	-	82,798,385
	29,334,097	119,894,301

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Up to 3 months	29,333,360	37,095,916
3 months to one year	-	82,798,385
	29,333,360	119,894,301

Note 25
Customer Deposits and other Loans

In separate terms, the balance of the customer deposits and other loans item is broken down according to their nature as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Sight deposits		
Demand deposits	525,574,822	302,914,550
Term deposits		
Term deposits	452,389,341	310,938,588
Other	-	2,638
	452,389,341	310,941,226
Indexed deposits		
Term deposits	81,158,257	37,977,827
	1,059,122,420	651,833,602

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
Sight deposits		
Demand deposits	525,370,796	302,095,935
Term deposits		
Term deposits	449,671,989	309,735,584
Other	-	2,638
	449,671,989	309,738,222
Indexed deposits		
Term deposits	81,158,257	37,977,827
	1,056,201,043	649,811,984

In separate terms, as at 31 December 2018 and 2017, customer deposits and other loans are broken down by residual maturities as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
PAYABLES ON DEMAND	525,574,822	302,914,550
LONG-TERM PAYABLES		
Up to three months	184,132,297	126,885,185
3 months to one year	342,906,907	210,790,051
One to five years	5,967,470	10,743,849
Over five years	540,925	499,966
	533,547,598	348,919,052
	1,059,122,420	651,833,602

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
PAYABLES ON DEMAND	525,370,796	302,095,935
LONG-TERM PAYABLES		
Up to 3 months	184,132,297	125,682,182
3 months to one year	340,189,555	210,790,051
One to five years	5,967,470	10,743,849
Over five years	540,925	499,966
	530,830,246	347,716,049
	1,056,201,043	649,811,984

Note 26
Subordinated Liabilities

This item is broken down as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Non-perpetual bonds	132,262,143	71,111,361
	132,262,143	**71,111,361**

This loan, taken out with Novo Banco, in the amount of USD 424,860,000, with a countervalue on 30 October, 2014 of AOA 105,902,398,000, arises from the resolution issued by the BNA on 4 August, 2014 resulting from the conversion of AOA 41.595 billion of the senior interbank loan to a subordinated loan in US dollars at a rate of 5%, with quarterly payments, repayable in 10 years, whose settlement will begin in 2020 at an annual rate of 20% of the principal until 2024.

We should also highlight the possibility of future conversion into share capital, until the end of the repayment term, provided that the loan holder's share remains below 19.99%.

The amount of interest payable on 31 December, 2018 is AOA 1,147,255,000, being AOA 616,827,000 on 31 December, 2017; the change occurred in this value between 2018 and 2017 corresponds almost entirely to a foreign exchange revaluation, given that the subordinate liability is denominated in US dollars.

Note 27
Provisions and Impairments

In separate terms, as at 31 December 2018 and 2017, changes in Provisions are broken down as follows:

(thousand kwanzas)

SEPARATE	Provisions for guarantees and other commitments	Other provisions for risks and charges	Total
BALANCE AS AT 31 DECEMBER 2016	**2,618,428**	**1,385,594**	**4,004,022**
Charge for the year	3,832,977	280,034	4,113,011
Reversals	(3,844,660)	-	(3,844,660)
Uses	-	-	-
Foreign exchange differences and other corrections	366,486	32,185	398,671
BALANCE AS AT DECEMBER 2017	**2,973,231**	**1,697,813**	**4,671,044**
Charge for the year	6,333,634	771,675	7,105,309
Reversals	(2,930,498)	(187,368)	(3,117,866)
Uses	-	-	-
Effect Transition IFRS 9 (Note 4)	2,930,498	-	2,930,498
Foreign exchange differences and other corrections	596,056	915,644	1,511,700
BALANCE AS AT 31 DECEMBER 2018	**9,902,921**	**3,197,763**	**13,100,684**

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	Provisions for guarantees and other commitments	Other provisions for risks and charges	Total
BALANCE AS AT 31 DECEMBER 2016	**2,618,428**	**1,368,783**	**3,987,211**
Charge for the year	3,832,977	280,034	4,113,011
Reversals	(3,844,660)	-	(3,844,660)
Transfers	-	-	-
Foreign exchange differences and other corrections	366,486	(29,920)	336,566
BALANCE AS AT DECEMBER 2017	**2,973,230**	**1,618,898**	**4,592,128**
Charge for the year	6,287,361	1,247,438	7,534,799
Reversals	(2,930,498)	(558,234)	(3,488,732)
Uses	-	-	-
Effect Transition IFRS 9 (Note 4)	2,930,498	-	2,930,498
Foreign exchange differences and other corrections	619,994	1,087,239	1,707,233
BALANCE AS AT 31 DECEMBER 2018	**9,880,585**	**3,395,340**	**13,275,926**

The charge for the year in Other provisions for risks and charges is mostly justified by the recording of a provision for a fine applied by the Ministry of the Environment in the amount of AOA 600 million, while the reversals are related to the fact that the entity Económico Fundo de Pensões S.A., in which Banco Económico holds a share, had a positive equity on 31 December, 2018, unlike what happened at the end of 2017.

The balance of this item aims to cover certain duly identified contingencies arising from the Bank's activity, reviewed on each reporting date in order to reflect the best estimate of the amount and the corresponding likelihood of payment.

The main balances are as follows, in separate terms:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
PROVISIONS FOR POSSIBLE RESPONSIBILITIES		
Provisions for guarantees provided	9,902,921	2,973,231
Provisions for investments in subsidiaries	-	94,334
Provisions for legal contingencies	908,607	165,924
Provisions for loans and advances to OFI	-	45,016
Provisions for documentary credits	2,018,430	1,112,505
Provisions for suppliers	270,726	280,034
	13,100,684	**4,671,044**

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
PROVISIONS FOR POSSIBLE RESPONSIBILITIES		
Provisions for guarantees provided	9,902,921	2,973,231
Provisions for legal contingencies	1,083,849	165,924
Provisions for loans and advances to OFI	-	45,016
Provisions for documentary credits	2,018.430	1,112,505
Provisions for suppliers	270,726	295,453
	13,275,926	4,592,128

In consolidated terms, the balance shows a significant change in provisions for legal contingencies, related to contingencies associated with the Funds, namely with income taxes paid by the Managing Company.

In separate terms, the overall change in provisions and impairment is shown below:

(thousand kwanzas)

SEPARATE	Investments at other credit institutions	Investments at amortised cost	Impairment on other financial assets	Customer loans	Provisions for guarantees and other commitments	Impairment on loans	Impairment on other assets net of cancellations	Provisions, net of cancellations
NOTE	16	17		18	27		23	27
BALANCE AS AT 31 DECEMBER 2016	-	-	-	(18,320,515)	(2,618,428)	(20,938,943)	(6,029,414)	(1,385,594)
Charge for the year	-	-	-	(12,583,423)	(3,832,977)	(16,416,400)	(405,900)	(280,034)
Reversals	-	-	-	10,347,064	3,844,660	14,191,724	-	-
Uses	-	-	-	(90,328)	-	(90,328)	-	-
Foreign exchange differences and other corrections	-	-	-	792,816	366,486	1,159,302	(136)	32,185
EFFECT PROFIT AND LOSS ACCOUNT	-	-	-	(2,236,358)	11,683	(2,224,675)	(405,900)	(280,034)
Charge for the year	(234,778)	(1,734,276)	(1,969,054)	(63,319,432)	(6,333,634)	(69,653,066)	(19,156,752)	(771,675)
Reversals	115,831	1,711,079	1,826,909	8,119,674	2,930,498	11,050,172	-	187,368
Uses	-		-	-	-	-	778,993	-
Effect Transition IFRS 9 (Note 4)	(115,831)	(1,656,722)	(1,772,553)	(2,625,184)	(2,930,498)	(5,555,682)	(608,447)	-
Foreign exchange differences and other corrections	-		-	(6,998,936)	(596,056)	(7,594,992)	(580,906)	(915,644)
EFFECT PROFIT AND LOSS ACCOUNT	(118,947)	(23,197)	(142,145)	(55,199,758)	(3,403,136)	(58,602,894)	(19,156,752)	(584,306)

Em termos consolidateds:

(thousand kwanzas)

CONSOLIDATED	Investments at other credit institutions	Investments at amortised cost	Impairment on other financial assets	Customer loans	Provisions for guarantees and other commitments	Impairment on loans	Impairment on other assets net of cancellations	Provisions, net of cancellations
NOTE	16	17		18	27		23	27
BALANCE AS AT 31 DECEMBER 2016	-	-	-	18,318,379	2,618,428	20,936,807	(6,029,414)	(1,385,594)
Charge for the year	-	-	-	(12,549,467)	(3,830,842)	(16,380,309)	(405,900)	(280,034)
Reversals	-	-	-	10,347,064	3,844,660	14,191,725	-	-
Uses	-	-	-	90,328	-	90,328	-	-
Foreign exchange differences and other corrections	-	-	-	(792,816)	(368,621)	(1,161,437)	(136)	32,185
EFFECT PROFIT AND LOSS ACCOUNT	-	-	-	(2,202,403)	13,818	(2,188,584)	(405,900)	(280,034)
Charge for the year	(234,778)	(1,734,276)	(1,969,054)	(63,343,370)	(6,287,361)	(69,630,731)	(19,156,752)	(1,247,438)
Reversals	115,831	1,711,079	1,826,909	8,119,674	2,930,498	11,050,172	-	558,234
Uses	-		-	-	-	-	778,993	-
Effect Transition IFRS 9 (Note 4)	(115,831)	(1,656,722)	(1,772,553)	(2,625,184)	(2,930,498)	(5,555,682)	(608,447)	-
Foreign exchange differences and other corrections	-		-	(6,998,936)	(619,994)	(7,618,930)	(580,906)	(1,087,239)
EFFECT PROFIT AND LOSS ACCOUNT	(118,947)	(23,197)	(142,145)	(55,223,696)	(3,356,863)	(58,580,559)	(19,156,752)	(689,204)

Note 28
Taxes

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

Income tax (current or deferred) is translated in income for the year, except for cases in which the originating transactions have been translated in other shareholder equity items. In these situations, the corresponding tax is also translated against shareholder equity, not affecting the income for the year.

Current tax for the periods ending 30 June of each of the dates under analysis was calculated in accordance with Article 4 (1) and (2) of Law no. 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 5 years, which, due to different interpretations of tax legislation, may result in possible corrections to taxable profit of tax years 2012 to 2016. However, it is not foreseeable that any correction concerning these tax years may occur and, should it occur, no significant impacts on the financial statements are expected.

Tax losses calculated in a given tax year, as provided for in Article 46 of the Industrial Tax Code, may be deducted from the taxable profits of the three subsequent years.

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

The reconciliation of the tax rate, in the part corresponding to the amount recognised in profit or loss, can be broken down as follows, in separate terms:

(thousand kwanzas)

SEPARATE	31/12/2018		31/12/2017	
PRE-TAX INCOME		**41,389,425**		**6,012,325**
Non-taxable income	(85.5) %	(35,379,597)	30.0 %	1,802,654
Tax and accounting differences regarding (gains)/losses	-	-	-	-
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplementary capital)	13.2 %	5,446,515	59.4 %	3,573,514
Unforeseen provisions	20.1 %	8,324,284	-	-
Non-deductible (income)/costs	25.1 %	10,392,905	-	-
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from the Industrial Tax Reform	-	-	-	-
Other	-	-	-	-
Taxable Profit		30,173,531		11,388,493
Tax Loss	-	-	-	-
Tax Loss - previous years	32.5 %	13,456,405		515,426,921
Taxable Income		16,717,126		-
Tax rate	30.0 %	-	30.0 %	-
Tax determined on the basis of the legal tax rate		5,015,138		-
TAX CALCULATED	**-**	**5,015,138**	**-**	**-**
TAX FOR THE FINANCIAL YEAR	**-**	**-**	**-**	**-**

In consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018		31/12/2017	
PRE-TAX INCOME		41,741,304		6,092,629
Non-taxable income	(85.5) %	(35,379,597)	29.6 %	1,802,654
Tax and accounting differences regarding (gains)/losses	-	-	-	-
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplementary capital)	13.2 %	5,446,515	58.7 %	3,573,514
Unforeseen provisions	20.1 %	8,324,284	-	-
Non-deductible (income)/costs	26.0 %	10,764,393	-	-
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from the Industrial Tax Reform	-	-	-	-
Other	-	-	-	-
Taxable Profit		30,896,898		11,468,797
Tax Loss	-	-	-	-
Tax Loss - previous years	32.5 %	13,456,405		515,426,921
Taxable Income		17,440,493		-
Tax rate	30.0 %	-	30.0 %	-
Tax determined on the basis of the legal tax rate		5,232,148		-
TAX CALCULATED	-	5,232,148	-	-
TAX FOR THE FINANCIAL YEAR	-	-	-	-

The Bank chose not to record any deferred tax assets, considering the losses reported in previous years.

Earnings from public debt securities relating to Treasury Bonds and Treasury Bills issued by the Angolan Government until 31 December, 2012, whose issuance was regulated by the Framework Law on Direct Public Debt (Law no. 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 no. 18/92, of 3 July) in force until 31 December 2014, which expressly states that income from any Angolan public debt securities is not considered earnings for the purpose of calculating Industrial Tax.

Earnings from public debt securities relating to Treasury Bonds and Treasury Bills issued by the Angolan Government after 31 December 2012 are subject to Capital Investment Tax, as set forth in Article 9(1)(k) of Presidential Legislative Decree no. 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 no. 19/14, of 12 October).

Therefore, when determining taxable profit for the financial years ended 31 December of each of the dates under analysis, these earnings were deducted from taxable profit.

Similarly, costs related to the settlement of the Capital Investment Tax are excluded from the costs accepted for calculating the taxable amount, as provided for in Article 18(1)(a) of the Industrial Tax Code.

In separate terms, current tax assets and liabilities recognised in the balance sheet on 31 December 2018 and 2017 can be broken down as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
CURRENT TAX LIABILITIES		
Current income taxes	5,015,138	-
Other	42,496	24,843
TOTAL	5,057,634	24,843

In consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017
CURRENT TAX LIABILITIES		
Current income taxes	5,232,148	57,293
Other	83,425	434,017
TOTAL	5,315,573	491,310

We should note that the Bank settled the aforementioned current income tax in 2019, using fiscal credits that are recorded as Other assets (Note 23).

Note 29
Other Liabilities

In separate terms, as at 31 December 2018 and 2017 the item Other liabilities is broken down as follows:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017 Restatement (Note 2)
ENSA Group	38,148,832	22,960,905
Tax expenses payable	1,011,102	235,834
Supplier Evaluation	1,531,624	1,115,355
Social Security Contribution	199,095	46,844
Other	-	91,201
Operations pending settlement	3,733,113	2,583,951
Provisions for employee benefit expenses	1,254,042	1,667,460
OTHER LIABILITIES	45,877,808	28,701,550

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED	31/12/2018	31/12/2017 Restatement (Note 2)
ENSA Group	38,148,832	22,960,905
Tax expenses payable - held from third parties	1,085,023	283,886
Supplier Evaluation	1,786,476	1,115,355
Social Security Contribution	199,095	46,844
Dividends	3,862	3,862
Other	-	91,201
Operations pending settlement	3,733,113	2,829,897
Provisions for employee benefit expenses	1,276,868	1,728,101
OTHER LIABILITIES	46,233,268	29,060,051

The amount shown in the ENSA Group item is mainly related to the liabilities arising to the Bank as a result of the Transfer of economic rights over Assets. There were changes in these values as a result of payments made to the ENSA Group, as well as of the restructuring of the operation (see Note 36).

These amounts are mainly related to settlements occurred in loans granted and the corresponding interest payable, totalling AOA 38,148,832,000 on 31 December, 2018 and AOA 22,960,905,000 in 2017 (see Note 36).

The value recorded as provisions for employee benefit expenses corresponds to responsibilities acquired by employees on 31 December, 2018 relating to holidays and holiday allowance.

Note 30
Share Capital

Ordinary Shares

As at 31 December 2018 and 2017, the share capital of the Bank, in the amount of AOA 72 billion, was represented by 72,000,000 ordinary shares, with the unit value of AOA 1,000, and with a countervalue of USD 9.90 at the date of issue, fully subscribed and paid up by different shareholders according to the list below:

(% Capital)

	31/12/2018	31/12/2017
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 31
Reserves, Retained Earnings, Other Comprehensive Income and Non-Controlling Interests

Legal Reserve

This item is fully constituted by the Legal reserve, which may only be used to cover accrued losses or for Share capital increases.

Applicable Angolan legislation requires that the legal reserve should be credited annually with at least 10% of the annual net profit, until its concurrence with the value of the share capital.

In separate terms, changes in this item are broken down as follows:

Other Reserves and Retained Earnings (thousand kwanzas)

SEPARATE	Legal Reserve and Other Reserves	Retained Earnings	Total Other Reserves and Retained Earnings
BALANCE AS AT 1 JANUARY 2017	23,903,096	(49,055,485)	(25,152,389)
Impairment on recoverable iSUC	-	(3,995,257)	(3,995,257)
Transfers to Retained Earnings	-	(4,329,024)	(4,329,024)
Other operations	-	(117,656)	(117,656)
BALANCE AS AT 31 DECEMBER 2017	23,903,096	(57,497,422)	(33,594,326)
Creation of Reserves	601,232	5,411,092	6,012,325
Adoption IFRS 9 - Note 4	-	(7,936,681)	(7,936,681)
BALANCE AS AT 01 JANUARY 2018	24,504,329	(60,023,011)	(35 518 682)
Other entries	-	-	-
BALANCE AS AT 31 DECEMBER 2018	24,504,329	(60,023,011)	(35,518,682)

And in consolidated terms:

Other Reserves and Retained Earnings (thousand kwanzas)

CONSOLIDATED	Legal Reserve and Other Reserves	Retained Earnings	Total Other Reserves and Retained Earnings
BALANCE AS AT 1 JANUARY 2017	23,903,096	(49,055,485)	(25,152,389)
Impairment of recoverable iSUC (stamp duty on credit used)	-	(3,995,257)	(3,995,257)
Creation of reserves	-	(4,326,888)	(4,326,888)
Other entries	-	(117,656)	(117,656)
BALANCE AS AT 31 DECEMBER 2017	23,903,096	(57,495,285)	(33,592,189)
Creation of reserves	601,232	5,407,615	6,008,847
Adoption of IFRS 9 - Note 4	-	(7,935,338)	(7,935,338)
BALANCE AS AT 1 JANUARY 2018	24,504,329	(60,023,011)	(35,518,681)
Other entries	-	-	-
BALANCE AS AT 31 DECEMBER 2018	24,504,329	(60,023,011)	(35,518,681)

"Other entries" in 2018 and 2017 relates to adjustments made to the balances of previous years, essentially associated with the value of financial investments.

Fair Value Reserves

Fair value reserves are the unrealised gains and losses net of impairment recognised in the financial year and/or previous financial years. The amount of this reserve is presented net of deferred tax.

Non-controlling interests

"Non-controlling interests" per subsidiary is broken down as follows:

(thousand kwanzas)

31/12/2018	Balance Sheet	Profit/(Loss)	% non-controlling interests
Económico Fundos de Investimento	715,285	101,650	36.00%
Económico Fundos de Pensões	48,137	10,881	3.78%
	763,422	**112,531**	

(thousand kwanzas)

31/12/2017	Balance Sheet	Profit/(Loss)	% non-controlling interests
Económico Fundos de Investimento	683,978	48,623	37%
Económico Fundos de Pensões	36,714	(22,134)	37%
	720,692	**26,489**	

Note 32
Guarantees and other commitments

On a separate and consolidated basis, "Guarantees and other Commitments" is broken down as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Guarantees and endorsements provided	62,192,582	79,610,231
Guarantees and endorsements received	(265,459,600)	(173,501,469)
Commitments to third parties	9,836,245	8,623,408
Third-party commitments	(15,515,000)	(15,515,000)
Liabilities related to the provision of banking services	154,913,107	145,215,448
Amounts received in deposits	(40,883,016)	(12,441,350)
OTHER GUARANTEES AND COMMITMENTS	**(94,915,682)**	**31,991,268**

On a separate and consolidated basis, the amounts under "guarantees and endorsements provided" and under "commitments to third parties" are broken down as follows:

	Stage 1		*Stage* 2		*Stage* 3		Total	
31/12/2018	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
GUARANTEES AND ENDORSEMENTS PROVIDED								
Guarantees and endorsements	5,804,927	130,625	3,112	169	7,744,979	6,738,975	13,553,018	6,869,769
Documentary credits	20,822,219	229,892	10,104,762	313,517	17,712,583	1,584,673	48,639,564	2,128,083
	26,627,145	**360,517**	**10,107,874**	**313,687**	**25,457,563**	**8,323,648**	**62,192,582**	**8,997,852**
COMMITMENTS TO THIRD PARTIES								
Irrevocable lines of credit	1,216,001	6,217	2,047,690	96,075	1,303,822	682,407	4,567,513	784,699
Revocable lines of credit	1,904,655	15,743	3,129,452	78,274	234,625	26,353	5,268,732	120,370
	3,120,656	**21,960**	**5,177,142**	**174,349**	**1,538,447**	**708,760**	**9,836,245**	**905,069**

(thousand kwanzas)

	Stage 1		*Stage* 2		*Stage* 3		Total	
01/01/2018	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
GUARANTEES AND ENDORSEMENTS PROVIDED								
Guarantees and endorsements	8,567,867	91,636	-	-	3,271,867	747,896	11,839,734	839,532
Documentary credits	12,897,444	219,886	32,131,544	2,058,686	22,741,510	2,078,214	67,770,497	4,356,786
	21,465,311	**311,522**	**32,131,544**	**2,058,686**	**26,013,376**	**2,826,110**	**79,610,231**	**5,196,318**
COMMITMENTS TO THIRD PARTIES								
Irrevocable lines of credit	1,216,001	4,095	2,046,385	35,176	1,303,822	7,022	4,566,208	46,293
Revocable lines of credit	693,123	35,176	3,129,452	556,999	234,625	20,731	4,057,200	612,907
	1,909,124	**39,271**	**5,175,837**	**592,175**	**1,538,447**	**27,753**	**8,623,408**	**659,199**

(thousand kwanzas)

Guarantees and endorsements provided are banking operations which do not imply any outflow by the Bank.

Documentary credits are irrevocable commitments undertaken by the Bank, on behalf of its customers, to pay/arrange the payment of a certain amount to the supplier of a given good or service, within a stipulated period, against the presentation of documents related to the shipment of the goods or provision of the services. The irrevocable condition resides in the fact that the cancellation or change thereof is not possible without the express agreement of all parties involved.

Revocable commitments are contractual agreements for granting credit to customers of the Bank (for example, unused lines of credit), which are generally contracted on fixed terms or with other expiration requirements, and usually require payment of a fee. Substantially all existing credit-granting commitments require customers to meet certain requirements when formalising them.

Notwithstanding the specificities of these commitments, the assessment of these operations complies with the same basic principles of any other business transaction, namely the solvency of both the customer and the business underlying it, the Bank requiring that these operations be duly collateralised when necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loan portfolio, in particular regarding the assessment of the adequacy of the provisions made as set out in the accounting policy described in Note 3.3. The maximum credit exposure is represented by the nominal value that could be lost on contingent liabilities and other commitments undertaken by the Bank in the event of default by the respective counterparties, without taking into consideration potential credit or collateral recoveries.

The Bank provides custody, wealth management, investment management and ancillary services that include deciding on the purchase and sale of different types of financial instruments. Profitability goals and levels for assets under management are established for certain services provided.

Moreover, the liabilities stated in off-balance-sheet accounts related to the provision of banking services are broken down as follows:

(thousand kwanzas)

	31/12/2018	31/12/2017
Deposit and safeguard of assets	154,267,737	144,870,571
Amounts received for collection	89,197	53,954
Loan servicing)	-	-
Other liabilities from services provided	556,174	290,923
	154,913,107	**145,215,448**

The bank acts as custodian of its customers' assets, as part of its fiduciary services. Recognition of off-balance-sheet items is described in the accounting policy under Note 2.19.

Note 33
Related Party Transactions

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 family member is related to a reporting entity, if they have control or joint control of said reporting entity, have significant influence over the reporting entity or if they are a member of the key management personnel of the reporting entity or parent company thereof;

B .

An entity is related to the reporting entity if it meets any of the following conditions:

- The entity and the reporting entity are members of the same group (which means that the parent companies, subsidiaries and fellow subsidiaries are related to each other);
- An entity is associated with or is in a joint venture with the other entity (or is associated with or in a joint venture with a member of a group that belongs to another entity);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- The entity is controlled or jointly controlled by a person identified as a related party in subparagraph (a);
- A person identified in subparagraph (a) has significant influence over the entity or is a member of the key management personnel of this entity (or of a parent company thereof).

The amount of the Bank's transactions with subsidiaries and associates as at 31 December 2018 and 2017, and the respective costs and income recognised in the period under review, are individually broken down as follows:

(thousand kwanzas)

31/12/2018	Assets	Liabilities	Guarantees	Income	Costs
SUBSIDIARIES					
Económico Fundos de Investimento	-	(2,313,557)	-	(101)	34,574
Económico Fundos de Pensões	-	(614,336)	-	(3,026)	976
	-	**(2,927,892)**	**-**	**(3,128)**	**35,550**
ASSOCIATES					
Tranquilidade	906	(7,784,318)	-	(305)	1,841,970
	906	**(7,784,318)**	**-**	**(305)**	**1,841,970**

(thousand kwanzas)

31/12/2017	Assets	Liabilities	Guarantees	Income	Costs
SUBSIDIARIES					
Económico Fundos de Investimento	-	(2,016,573)	-	(131)	13,960
Económico Fundos de Pensões	53,380	(16,510)	-	(52)	-
	53,380	**(2,033,082)**	**-**	**(184)**	**13,960**
ASSOCIATES					
Tranquilidade	128,473	(5,377,207)	-	(533)	116,947
	128,473	**(5,377,207)**	**-**	**(533)**	**116,947**

And on a consolidated basis:

(thousand kwanzas)

31/12/2018	Assets	Liabilities	Guarantees	Income	Costs
ASSOCIATES					
Tranquilidade	906	(7,784,318)	-	(305)	1,841,970
	906	**(7,784,318)**	**-**	**(305)**	**1,841,970**

(thousand kwanzas)

31/12/2017	Assets	Liabilities	Guarantees	Income	Costs
ASSOCIATES					
Tranquilidade	128,473	(5,377,207)	-	(533)	116,947
	128,473	**(5,377,207)**	**-**	**(533)**	**116,947**

As at 31 December 2018 and 2017, the total amount of the Bank's assets and liabilities associated with shareholder transactions, in addition to those mentioned above, was as follows:

(thousand kwanzas)

31/12/2018	Assets: Loans and advances to credit institutions	Assets: Loans and advances	Assets: Securities	Assets: Other	Assets: Total	Guarantees	Liabilities	Income	Costs
ACCIONISTAS									
NOVO BANCO S.A.	65,594,357	-	-	-	65,594,357	-	(132,259,487)	485,110	(6,846,303)
GENI	-	-	-	-	-	-	(102,884,464)	(115)	(1,478,723)
LEKTRON CAPITAL SA	-	-	-	-	-	-	(437,368)	-	-
FUNDO DE PENSÕES									
BESA OPCOES DE REFORMA	-	-	-	-	-	-	(739,597)	89	(47,567)
TOTAL	65,594,357	-	-	-	65,594,357	-	(236,320,917)	485,084	(8,372,593)

(thousand kwanzas)

31/12/2017	Assets: Loans and advances to credit institutions	Assets: Loans and advances	Assets: Securities	Assets: Other	Assets: Total	Guarantees	Liabilities	Income	Costs
ACCIONISTAS									
NOVO BANCO S.A.	14,150,615	-	-	-	14,150,615	-	(106,775,758)	119,434	(5,211,768)
GENI	-	-	-	-	-	-	(12,286,873)	1,098	(399,763)
LEKTRON CAPITAL SA	-	-	-	-	-	-	(437,426)	38	-
FUNDO DE PENSÕES									
BESA OPCOES DE REFORMA	-	-	-	-	-	-	(1,017,150)	1,207	(30,459)
TOTAL	14,150,615	-	-	-	14,150,615	-	(120,517,205)	121,778	(5,641,990)

It should be noted that the changes in the liability amount under Novo Banco, S.A. are the result of the depreciation of the Angolan kwanza against the US dollar, given that the subordinated liability is still USD 424,860,000.

Costs with remuneration and other benefits attributed to the Bank's key management personnel (short- and long term) are broken down as follows:

(thousand kwanzas)

31/12/2018	Board of Directors: Executive Committee	Board of Directors: Other member	Board of Directors: Total	Other key management personnel	Total
31 DECEMBER 2018					
Remunerations and other short-term benefits	1,307,461	12,909	1,320,370	2,169,986	3,490,356
Variable pay	776,627	-	776,627	568,651	1,345,279
SUBTOTAL	**2,084,088**	**12,909**	**2,096,997**	**2,738,638**	**4,835,635**
Long-term benefits and other social expenses	43,038	-	43,038	120,332	163,369
TOTAL	**2,127,126**	**12,909**	**2,140,035**	**2,858,969**	**4,999,004**
31 DECEMBER 2017					
Remunerations and other short-term benefits	307,117	3,970,298	4,277,415	1,587,991	5,865,406
Variable pay	852,457	504,132	1,356,589	283,566	1,640,155
SUBTOTAL	**1,159,574**	**4,474,429**	**5,634,004**	**1,871,557**	**7,505,561**
Long-term benefits and other social expenses	221,645	759,970	981,615	396,113	1,377,728
TOTAL	**1,381,219**	**5,234,400**	**6,615,619**	**2,267,670**	**8,883.289**

"Other key management personnel" are coordinating directors and executive directors.

All transactions with related parties are carried out at normal market prices, based on the fair value principle.

Note 34
Fair Value of Financial Assets and Liabilities

Fair value is based on market prices, whenever these are available. However, the local financial market is not very dynamic and most transactions are OTC (over-the-counter market). Very few transactions take place on the stock exchange (BODIVA). This means that market prices are generally not the actual value of assets or securities, given the real environment in which the institution operates.

In this context and based on available market information, the fair value is influenced by the parameters used in the assessment model, which necessarily includes some degree of subjectivity and only reflects the value attributed to the different financial instruments.

The fair value of the Bank's financial assets and liabilities is individually broken down as follows:

(thousand kwanzas)

SEPARATE 31/12/2018	Acquisition Cost/ Amortised Cost net of impairment	At Fair Value			Total Amount Balance Sheet	Fair Value
		Market prices (Level 1)	Valuation models With observable market parameters (Level 2)	Valuation models with non-observable market parameters (Level 3)		
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	53,976,813	53,976,813
Loans and advances to central banks and other credit institutions	109,871,667	-	-	-	109,871,667	109,871,667
Fair value through profit and loss	-	4,392,478	-	-	4,392,478	4,392,478
Securities	-	4,392,478	-	-	4,392,478	4,392,478
Bonds from public issuers	-	4,392,478	-	-	4,392,478	4,392,478
Derivatives	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair value through other comprehensive income	99,862	-	-	-	99,862	99,862
Securities	99,862	-	-	-	99,862	99,862
Shares	99,862	-	-	-	99,862	99,862
Amortised Cost	177,425,058	-	-	-	177,425,058	177,425,058
Bonds from public issuers	177,425,058	-	-	-	177,425,058	177,425,058
Loans and advances to customers	124,537,742	-	-	-	124,537,742	118,131,089
Other assets	644,010,772	-	-	-	644,010,772	644,010,772
FINANCIAL ASSETS	**1,304,823,265**	**4,392,478**	**-**	**-**	**1,309,215,743**	**1,302,809,091**
Deposits from central banks and other credit institutions	29,334,097	-	-	-	29,334,097	29,334,097
Debt securities	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from other credit institutions	-	-	-	-	-	-
Deposits from customers and other loans	977,964,163	-	81,158,257	-	1,059,122,420	1,059,122,420
Subordinated liabilities	132,262,143	-	-	-	132,262,143	132,262,143
Other liabilities	45,877,808	-	-	-	45,877,808	45,877,808
FINANCIAL LIABILITIES	**1,185,438,211**	**-**	**81,158,257**	**-**	**1,266,596,468**	**1,266,596,468**

And in consolidated terms:

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Acquisition Cost/ Amortised Cost net of impairment	At Fair Value: Market prices (Level 1)	At Fair Value: Valuation models With observable market parameters (Level 2)	At Fair Value: Valuation models with non-observable market parameters (Level 3)	Total Amount Balance Sheet	Fair Value
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	53,976,813	53,976,813
Loans and advances to central banks and other credit institutions	109,871,667	-	-	-	109,871,667	109,871,667
Fair value through profit and loss	-	4,392,478	-	-	4,392,478	4,392,478
Securities	-	4,392,478	-	-	4,392,478	4,392,478
Bonds from public issuers	-	4,392,478			4,392,478	4,392,478
Derivatives	-	-	-	-	-	-
Other	-	-	-	-	-	-
Fair value through other comprehensive income	99,862	-	-	-	99,862	99,862
Securities	99,862	-	-	-	99,862	99,862
Shares	99,862	-	-	-	99,862	99,862
Amortised Cost	177,490,904	-	-	-	177,490,904	177,490,904
Bonds from public issuers	177,490,904	-	-	-	177,490,904	177,490,904
Loans and advances to customers	124,537,742	-	-	-	124,537,742	118,131,089
Other assets	644,385,487	-	-	-	644,385,487	644,385,487
FINANCIAL ASSETS	**1,305,263,827**	**4,392,478**	**-**	**-**	**1,309,656,305**	**1,303,249,652**
Deposits from central banks and other credit institutions	29,333,360	-	-	-	29,333,360	29,333,360
Debt securities	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Deposits from other credit institutions	-	-	-	-	-	-
Deposits from customers and other loans	975,042,786	-	81,158,257	-	1,056,201,043	1,056,201,043
Subordinated liabilities	132,262,143	-	-	-	132,262,143	132,262,143
Other liabilities	46,233,268	-	-	-	46,233,268	46,233,268
FINANCIAL LIABILITIES	**1,182,871,557**	**-**	**81,158,257**	**-**	**1,264,029,814**	**1,264,029,814**

And in 2017, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2017	Acquisition Cost/ Amortised Cost net of impairment	At Fair Value: Market prices (Level 1)	At Fair Value: Valuation models With observable market parameters (Level 2)	At Fair Value: Valuation models with non-observable market parameters (Level 3)	Total Amount Balance Sheet	Fair Value
Cash and cash equivalents at central banks	138,549,166	-	-	-	138,549,166	138,549,166
Cash and cash equivalents at other credit institutions	34,755,931	-	-	-	34,755,931	34,755,931,
Loans and advances to central banks and other credit institutions	81,968,105	-	-	-	81,968,105	81,968,105,
Fair value through profit and loss	-	-	1,635	-	1,635	1,635
Derivatives	-	-	1,635	-	1,635	1,635
Other	-	-	1,635	-	1,635	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125	102,125
Securities	102,125	-	-	-	102,125	102,125
Shares	102,125	-	-	-	102,125	102,125
Amortised Cost	148,619,748	-	-	-	148,619,748	148,619,748
Bonds from public issuers	148,619,748	-	-	-	148,619,748	148,619,748
Loans and advances to customers	178,835,613	-	-	-	178,835,613	174,976,056
Other assets	283,681,147	-	-	-	283,681,147	283,681,147
FINANCIAL ASSETS	**866,511,835**	**-**	**1,635**	**-**	**866,513,470**	**862,653,914**
Deposits from central banks and other credit institutions	119,894,301	-	-	-	119,894,301	119,894,301
Debt securities	-	-	-	-	-	-
Financial liabilities held for trading	-	-	1,157	-	1,157	1,157
Deposits from other credit institutions	-	-	-	-	-	-
Deposits from customers and other loans	613,855,775	-	37,977,827	-	651,833,602	651,833,602
Subordinated liabilities	71,111,361	-	-	-	71,111,361	71,111,361
Other liabilities	28,701,550	-	-	-	28,701,550	28,701,550
FINANCIAL LIABILITIES	**833,562,987**	**-**	**37,978,984**	**-**	**871,541,971**	**871,541,971**

		At Fair Value				(thousand kwanzas)
CONSOLIDATED 31/12/2017	Acquisition Cost/ Amortised Cost net of impairment	Market prices (Level 1)	Valuation models With observable market parameters (Level 2)	Valuation models with non-observable market parameters (Level 3)	Total Amount Balance Sheet	Fair Value
Cash and cash equivalents at central banks	138,549,167	-	-	-	138,549,167	138,549,167
Cash and cash equivalents at other credit institutions	34,944,313	-	-	-	34,944,313	34,944,313
Loans and advances to central banks and other credit institutions	81,968,105	-	-	-	81,968,105	81,968,105
Fair value through profit and loss	-	-	1,635	-	1,635	1,635
Derivatives	-	-	1,635	-	1,635	1,635
Other	-	-	1,635	-	1,635	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125	102,125
Securities	102,125	-	-	-	102,125	102,125
Shares	102,125	-	-	-	102,125	102,125
Amortised Cost	148,619,748	-	-	-	148,619,748	148,619,748
Bonds from public issuers	148,619,748	-	-	-	148,619,748	148,619,748
Loans and advances to customers	178,818,324	-	-	-	178,818,324	174,976,056,
Other assets	283,873,662	-	-	-	283,873,662	283,873,662
FINANCIAL ASSETS	**866,875,443**	**-**	**1,635**	**-**	**866,877,078**	**863,034,811,**
Deposits from central banks and other credit institutions	119,894,301	-	-	-	119,894,301	119,894,301
Debt securities	-	-	-	-	-	-
Financial liabilities held for trading	-	-	,1,157,	-	1,157	1,157
Deposits from other credit institutions	-	-	-	-	-	-
Deposits from customers and other loans	611,834,157	-	37,977,827	-	649,811,984	649,811,984
Subordinated liabilities	71,111,361	-	-	-	71,111,361	71,111,361
Other liabilities	29,060,051	-	-	-	29,060,051	29,060,051
FINANCIAL LIABILITIES	**831,899,870**	**-**	**37,978,984**	**-**	**869,878,854**	**869,878,854**

The Bank uses the following three-level fair value hierarchy 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 when assessing the fair value of instruments, in accordance with IFRS 13:

Level 1

Fair value is determined based on 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 prevails in the instrument's main market, or the most advantageous market to which there is access;

Level 2

Fair value is determined using valuation techniques based on observable data in active markets. These may be direct data (prices, rates, spreads, among other information) or indirect data (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 disclosed by independent entities with less liquid markets; and,

Level 3

Fair value is determined based on data not observable in active markets, using techniques and assumptions that market participants would use to value the same instruments, including hypotheses on the inherent risks, the valuation technique used, the inputs used, and considered processes to review the accuracy of the values thus obtained.

The Bank considers a market active for a given financial instrument, at the measurement date, depending on the turnover and liquidity of the transactions carried out, the relative volatility of quoted prices and the readiness and availability of the information. To this end, the following minimum conditions must be met:

— There have been frequent daily trading prices in the past year;

— The aforementioned prices change regularly;

— There are executable prices from more than one entity;

— A parameter used in a valuation technique is considered data observable in the market if the following conditions are met:

— Its value is determined in an active market;

— There is an OTC market and it is reasonable to assume that it meets active market conditions, with the exception of the trading volume condition; and,

— The parameter value can be obtained by the reverse calculation of the prices of the financial instruments and/or derivatives where the remaining parameters necessary for the initial valuation are observable in a liquid market or in an OTC market that complies with the previous paragraphs.

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

Cash and cash equivalents at central banks, cash and cash equivalents at other credit institutions, and loans and advances to Central Banks and other credit institutions

These are very short-term assets and, therefore, the carrying amount is a reasonable estimate of their fair value.

Financial assets and liabilities at fair value through profit and loss, fair value through other comprehensive income.

These financial assets are carried at fair value. Fair value is based on bid prices, whenever these are available. If they do not exist, fair value is calculated using numeric models based on techniques for discounted cash flows which, to estimate fair value, use the market interest rate curves adjusted by associated factors, predominantly credit and liquidity risks, determined in accordance with market conditions and their respective maturities.

Market interest rates are calculated based on information provided by financial news agencies

[Reuters, Bloomberg, etc.], in particular those resulting from interest rate swaps. Very short-term rates are obtained from similar sources, but which are related to the interbank money market. Interest rates for specific cash flow maturities are calculated using appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as reference rates.

Amortised Cost

The Bank has bonds expressed in local and foreign currency at amortised cost in its investment portfolio which account for a significant amount of its investments. The Bank's goal is to attract financial flow in the medium and long term. However, the Bank believes that, for nearly all securities held in its portfolio, it cannot identify an active market that allows it to determine said fair value and, as such, considers the amortised cost to be close to fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the update of expected cash flows from payments of the principal and interest, assuming that the instalments are paid on time. Expected future cash flows from similar loan portfolios, such as home loans, are estimated on a portfolio basis. The discount rates used are those currently charged for loans with similar characteristics.

Other Assets

The Bank currently has an amount to receive from Grupo ENSA taken out with Novo Banco, which has a residual maturity of more than five years and an interest rate of 7%. However, given the characteristics of the asset and the long-term residual maturity, the Bank believes that there are no reasonable market data to determine fair value. As such, the asset is carried at its book value and the respective fair value is being analysed as described in Note 36.

Deposits from Central Banks and other Credit Institutions

The fair value of these liabilities is estimated based on the updates of excepted cash flows from payment of the principal and interest, assuming that the instalments are paid on time.

Taking into account that applicable interest rates are renewed for periods of less than one year, and the maturities of these deposits, there are no materially relevant differences in fair value.

Deposits from Customers and other Loans

The fair value of these financial instruments is estimated based on the update of expected cash flows from payment of the principal and interest. The discount rate used is that which reflects the rates applied to deposits with similar characteristics as at the balance sheet date. As applicable interest rates are renewed for periods of less than one year, there are no materially relevant differences in fair value.

Debt Securities and Subordinated Liabilities

Fair value is based on market prices whenever these are available. If they do not exist, fair value is estimated based on the updates of expected future cash flow from payments of the principal and interest for these instruments. If these do not exist, fair value is calculated using numeric models based on techniques for discounted cash flows which, to estimate fair value, use the market interest rate curves adjusted by associated factors, predominantly credit risk and mark-up, the latter used only for issues placed with the Bank's non-institutional customers.

The Bank currently has a subordinated liability taken out from Novo Banco, which has a residual maturity of more than five years and an interest rate of 5%. However, the Bank considers the security's rate of return to be similar to the market interest rate it pays for similar maturities and currencies. As such, the Bank believes that there are no materially relevant differences between its fair value and book value. The main parameters used during the 2018 and 2017 financial years for the valuation models were as follows:

Interest Rate Curves

The short-term interest rates indicated in the table below reflect indicative rates used on the money market. For long-term interest rates, the rates indicated represent the interest rate swap rates for the respective periods::

	31/12/2017			31/12/2018		(%)
	AOA	EUR	USD	AOA	EUR	USD
Overnight	17.77%	n.a.	1.43%	16.75%	n.a.	2.38%
1 month	18.27%	-0.37%	1.56%	16.81%	-0.36%	2.50%
3 months	18.92%	-0.33%	1.69%	17.09%	-0.31%	2.81%
6 months	20.16%	-0.27%	1.84%	17.35%	-0.24%	2.88%
9 months	21.90%	-0.22%	n.a.	17.82%	-0.19%	n.a.
1 year	23.08%	-0.19%	2.11%	17.99%	-0.12%	3.01%

Forex and Exchange Rate Volatility

Below are the exchange rates (Banco Nacional de Angola) as at the Balance Sheet date and at-the-money implied volatilities for the main currency pairs used to value derivatives:

			Volatility (%)				(%)
Exchange rate	31/12/2017	31/12/2018	1 month	3 months	6 months	9 months	1 year
AOA/USD	165.924	308.607	0.32%	1.66%	4.47%	5.72%	13.99%
AOA/EUR	185.400	353.015	1.26%	2.22%	4.44%	5.07%	15.06%
3 months	18.92%	18.92%	18.92%	-0.33%	1.69%	17.09%	-0.31%
6 months	20.16%	20.16%	20.16%	-0.27%	1.84%	17.35%	-0.24%
9 months	21.90%	21.90%	21.90%	-0.22%	n.a.	17.82%	-0.19%
1 year	23.08%	23.08%	23.08%	-0.19%	2.11%	17.99%	-0.12%

With regard to exchange rates, in its assessment models the group uses the spot rate observed in the market at the time of assessment.

Note 35
Business Risk Management

The Bank is subject to different types of risks in the pursuit of its business. Risk management is centralised with regard to the specific risks of each business.

The Bank's risk management policy aims at constantly maintaining its capital adequacy for its business activity, and at assessing its return/risk profile per business area.

To this end, monitoring and controlling the main types of risks to which the Bank is subject - strategic, credit, market, liquidity, property, operational and reputational - is particularly important.

Main Risk Categories

Strategic – The key factors of the strategy include outlining business growth areas, profitability goals, liquidity and capital management. The Bank's strategy is outlined by the CEO and the Executive Committee. "Strategic risk" means the risk of a current or potential impact on the Bank's earnings, reputation or survival capacity as a result of changes in the environment, adverse strategic decisions, inadequate implementation of decisions or the inability to respond to social, economic or technological changes.

Credit - Credit risk is associated with the degree of uncertainty of recovering an investment and its respective return due to incapacity of the debtor (and their guarantor, if any), thereby causing a financial loss to the creditor. Credit risk occurs in debt securities and other receivables.

Market - The concept of market risk reflects the potential loss that can occur in a given portfolio as a result of interest and exchange rate fluctuations and/or variations in the prices of the different financial instruments that it comprises, considering both the correlations between them and their corresponding volatility. Market Risk, therefore, includes interest rate, exchange rate and other price risks.

Liquidity – 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 in conditions of access to financing (financing risk) and/or the sale of its assets at lower-than-market prices (market liquidity risk).

Property - Property risk is borne as a result of possible negative impacts on the Bank's profit or equity due to fluctuations in real estate market prices.

Operational – Operational risk is the potential loss resulting from flaws or shortcomings in internal processes, people and systems or those resulting from external events.

Reputational – Reputation plays an important role in the sustainability of any bank. Reputational Risk Management is, essentially, a way to protect the Bank from potential threats to its reputation and serves to warn of a possible crisis that could affect people's perception of the Bank and their expectations.

Internal Organisation

In accordance with the regulatory framework set forth by the BNA, Banco Económico has implemented a Risk Management System with integrated policies and processes, including procedures, thresholds, controls and systems to identify, assess and monitor information on different types of risks.

In this context, Banco Económico set up a Risk Management Office (GGR) in 2017. The GGR coordinates and supervises risk management policies and risk governance practices, and designs tools and models for risk management and portfolio analysis. The GGR's remit, therefore, includes different risk areas, such as strategic risk, reputational risk, concentration risk and capital management.

It is incumbent upon the Risk Management Office to assist the Executive Committee with risk management policies and practices, by managing and monitoring said risks, and coordinating all risk management activities.

Risk Assessment

Credit Risk

Credit risk models play an essential role in the loan decision process. Thus, decision-making in loan portfolio transactions is based on policies that use scoring models for private and business customers, and ratings for the corporate segment.

Loan decisions depend on risk scores and compliance with various rules on the financial capacity and behaviour of the applicants. There are scoring models for the main loan portfolios of private customers, namely home loans and personal loans, considering the required segmentation between customers and non-customers (or recent customers).

In loans and advances to companies, the Bank uses internal rating models for medium-sized and large enterprises, distinguishing the construction and the tertiary sector from the other business sectors. A business credit scoring model is used for sole traders (ENI) and micro-enterprises.

Information on the Bank's exposure to credit risk in December 2018 is provided below, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2018	Gross book value	Impairment	Net book value
BALANCE SHEET ITEMS	1,425,745,558	(114,049,631)	1,311,695,927
Cash and cash equivalents at central banks	194,901,353	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	53,976,813
Loans and advances to central banks and other credit institutions	110,106,444	(234,778)	109,871,667
Fair value through profit and loss	4,392,478	-	4,392,478
Fair value through other comprehensive income	148,996	(49,134)	99,862
Amortised Cost	179,104,977	(1,679,919)	177,425,058
Loans and advances to customers	210,620,981	(86,083,239)	124,537,742
Investments in associates and joint ventures	2,480,184	-	2,480,184
Other assets	670,013,333	(26,002,561)	644,010,772
OFF-BALANCE-SHEET ITEMS	72,028,827	(9,902,921)	62,125,906
Guarantees and endorsements	13,553,018	(7,527,478)	6,025,540
Documentary credits	48,639,564	(2,018,430)	46,621,134
Commitments to third parties	9,836,245	(357,013)	9,479,232
TOTAL	1,497,774,385	(123,952,552)	1,373,821,834

The amount indicated for "Guarantees and endorsements" and "Documentary Credits" is the contract amount without taking into account conversion factors applied to balance sheet exposure.

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Gross book value	Impairment	Net book value
BALANCE SHEET ITEMS	1,424,236,523	(114,049,631)	1,310,186,892
Cash and cash equivalents at central banks	194,901,353	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	53,976,813
Loans and advances to central banks and other credit institutions	110,106,444	(234,778)	109,871,667
Fair value through profit and loss	4,392,478	-	4,392,478
Fair value through other comprehensive income	148,996	(49,134)	99 862
Amortised Cost	179 170 824	(1 679 919)	177 490 904
Loans and advances to customers	210 620 981	(86 083 239)	124 537 742
Investments in associates and joint ventures	530 587	-	530 587
Other assets	670 388 048	(26 002 561)	644 385 487
OFF-BALANCE-SHEET ITEMS	72 028 827	(9 902 921)	62 125 906
Guarantees and endorsements	13,553,018	(7,527,478)	6,025,540
Documentary credits	48,639,564	(2,018,430)	46,621,134
Commitments to third parties	9,836,245	(357,013)	9,479,232
TOTAL	1,496,265,350	(123,952,552)	1,372,312,798

The amount indicated for "Guarantees and endorsements" and "Documentary Credits" is the contract amount without taking into account conversion factors applied to balance sheet exposure.

And as at 31 December 2017, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2017	Gross book value	Impairment	Net book value
BALANCE SHEET ITEMS	891,756,517	(23,725,972)	868,030,545
Cash and cash equivalents at central banks	138,549,166	-	138,549,166
Cash and cash equivalents at other credit institutions	34,755,931	-	34,755,931
Loans and advances to central banks and other credit institutions	81,968,105	-	81,968,105
Financial assets available for sale	119,262,709	(26,417)	119,236,292
Investments held to maturity	29,485,581	-	29,485,581
Financial assets held for trading	1,635	-	1,635
Loans and advances to customers	200,094,974	(21,259,361)	178,835,613
Investments in associates and joint ventures	1,517,075	-	1,517,075
Other assets	286,121,340	(2,440,193)	283,681,147
OFF-BALANCE-SHEET ITEMS	79,610,231	(2,973,231)	76,637,000
Guarantees and endorsements	11,023,753	(834,880)	10,188,873
Documentary credits	68,586,478	(2,138,351)	66,448,127
Commitments to third parties	-	-	-
TOTAL	971,366,748	(26,699,203)	944,667,545

(thousand kwanzas)

CONSOLIDATED 31/12/2017	Gross book value	Impairment	Net book value
BALANCE SHEET ITEMS	888,560,734	(21,249,688)	867,311,046
Cash and cash equivalents at central banks	138,549,167	-	138,549,167
Cash and cash equivalents at other credit institutions	34,944,313	-	34,944,313
Loans and advances to central banks and other credit institutions	81,968,105	-	81,968,105
Financial assets available for sale	119,262,709	(26,417)	119,236,292
Investments held to maturity	29,485,581	-	29,485,581
Financial assets held for trading	1,635	-	1,635
Loans and advances to customers	200,041,594	(21,223,270)	178,818,324
Investments in associates and joint ventures	433,968	-	433,968
Other assets	283,873,662	-	283,873,662
OFF-BALANCE-SHEET ITEMS	79,610,231	(2,973,231)	76,637,000
Guarantees and endorsements	11,023,753	(834,880)	10,188,873
Documentary credits	68,586,478	(2,138,351)	66,448,127
Commitments to third parties	-	-	-
TOTAL	968,170,965	(24,222,919)	943,948,046

The amount indicated for "Other assets" is related to receivables from the Grupo ENSA transaction (see Note 36).

As at December 2018, the credit risk quality of the financial assets is broken down as follows, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2018	Origin of rating	Rating level	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at central banks	External Rating	B-	186,947,685	-	186,947,685
		No Rating	7,953,668	-	7,953,668
Cash and cash equivalents at other credit institutions	External Rating	A	34,178	-	34,178
		B-	9,256,494	-	9,256,494
		BB+	0	-	0
		BBB-	12,163,919	-	12,163,919
		CCC	22,228,709	-	22,228,709
		No Rating	10,293,512	-	10,293,512
Loans and advances to central banks and other credit institutions	External Rating	BBB-	6,183,387	-2,835	6,180,552
		B-	34,836,931	-63,611	34,773,320
		CCC	43,365,649	-162,188	43,203,461
		No Rating	25,720,478	-6,145	25,714,333
Fair value through profit and loss	External Rating	B-	4,392,478	-	4,392,478
Fair value through other comprehensive income	External Rating	No Rating	148,996	-49,134	99,862
Amortised Cost	External Rating	B-	179,104,977	(1,679,919)	177,425,058
Loans and advances to customers	Internal Rating	Low	111,054,541	(38,109,738)	72,944,802
		Medium	5,528,421	(1,696,840)	3,831,582
		High	94,283,135	(46,521,777)	47,761,358
Investments in associates and joint ventures	External Rating	No Rating	2,480,184	-	2,480,184
Other assets	External Rating	B-	606,176,993	(19,064,674)	587,112,319
		No Rating	63,836,339	(6,937,887)	56,898,452
TOTAL			**1,425,990,675**	**(114,294,747)**	**1,311,695,927**

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Origin of rating	Rating level	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at central banks	External Rating	B-	186,947,685	-	186,947,685
		No Rating	7,953,668	-	7,953,668
Cash and cash equivalents at other credit institutions	External Rating	A	34,178	-	34,178
		B-	9,256,494	-	9,256,494
		BB+	0	-	0
		BBB-	12,163,919	-	12,163,919
		CCC	22,228,709	-	22,228,709
		No Rating	10,293,512	-	10,293,512
Loans and advances to central banks and other credit institutions	External Rating	BBB-	6,183,387	-2,835	6,180,552
		B-	34,836,931	-63,611	34,773,320
		CCC	43,365,649	-162,188	43,203,461
		No Rating	25,720,478	-6,145	25,714,333
Fair value through profit and loss	External Rating	B-	4,392,478	-	4,392,478
Fair value through other comprehensive income	External Rating	No Rating	148,996	-49,134	99,862
Amortised Cost	External Rating	B-	179,170,823	(1,679,919)	177,490,904
Loans and advances to customers	Internal Rating	Low	111,054,541	(38,109,738)	72,944,802
		Medium	5,528,421	(1,696,840)	3,831,582
		High	94,283,135	(46,521,777)	47,761,358
Investments in associates and joint ventures	External Rating	No Rating	530,587	-	530,587
Other assets	External Rating	B-	606,176,993	(19,064,674)	587,112,319
		No Rating	64,211,054	(6,937,887)	57,273,167
TOTAL			**1,424,481,639**	**(114,294,747)**	**1,310,186,892**

And in 2017, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2017	Origin of rating	Rating level	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at central banks		B-	131,293,008	-	131,293,008
		No Rating	7,256,158	-	7,256,158
Cash and cash equivalents at other credit institutions	External Rating	A	13,34	-	13,34
		B	5,455,633	-	5,455,633
		B-	20,771,673	-	20,771,673
		BB+	32,066	-	32,066
		BBB-	443,477	-	443,477
		No Rating	8,039,742	-	8,039,742
Loans and advances to central banks and other credit institutions	External Rating	B	8,694,982	-	8,694,982
		B-	8,687,472	-	8,687,472
		No Rating	64,585,651	-	64,585,651
	External Rating	B-	1,635	-	1,635
Fair value through profit and loss	External Rating	No Rating	128,542	-26,417	102,125
Fair value through other comprehensive income	External Rating	B-	148,619,748	-	148,619,748
Amortised Cost	External Rating	B-	48,369,465	-	48,369,465
Loans and advances to customers	Internal Rating	Low	75,051,520	(8,088,624)	66,962,897
		Medium	9,125,522	-367,213	8,758,309
		High	67,548,467	(12,803,524)	54,744,943
Investments in associates and joint ventures	External Rating	No Rating	1,517,075	-	1,517,075
Other assets	External Rating	B-	259,024,532	-	259,024,532
		No Rating	31,092,065	(6,435,450)	24,656,615
TOTAL			**895,751,773**	**-27,721,229**	**868,030,545**

(thousand kwanzas)

CONSOLIDATED 31/12/2017	Origin of rating	Rating level	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at central banks	External Rating	B-	131,293,008	-	131,293,008
		No Rating	7,256,159	-	7,256,159
Cash and cash equivalents at other credit institutions	External Rating	A	13,34	-	13,34
		B	5,455,633	-	5,455,633
		B-	20,771,673	-	20,771,673
		BB+	32,066	-	32,066
		BBB-	443,477	-	443,477
		No Rating	8,228,124	-	8,228,124
Loans and advances to central banks and other credit institutions	External Rating	B	8,694,982	-	8,694,982
		B-	8,687,472	-	8,687,472
		No Rating	64,585,651	-	64,585,651
	External Rating	B-	1,635	-	1,635
Fair value through profit and loss	External Rating	B-	128,542	-26,417	102,125
Fair value through other comprehensive income	External Rating	No Rating	148,619,748	-	148,619,748
Amortised Cost	External Rating	B-	48,369,465	-	48,369,465
Loans and advances to customers	Internal Rating	Low	74,998,140	(8,052,533)	66,945,607
		Medium	9,125,522	-367,213	8,758,309
		High	67,548,467	(12,803,524)	54,744,943
Investments in associates and joint ventures	External Rating	No Rating	433,968	-	433,968
Other assets	External Rating	B-	259,024,532	-	259,024,532
		No Rating	24,849,130	-	24,849,130
TOTAL			888,560,734	(21,249,688)	867,311,047

Risk levels were assigned primarily using S&P ratings. Other agencies were used when required.

Internally, the rating was calculated based on the Bank's internal model.

The breakdown of loans and advances to customers per stage, as at 31 December and 1 January 2018 is as follows:

		Stage 1	
SEGMENT	31/12/2018	On Balance	Off Balance
Employees	Exposure	3,943,909	277,617
	Impairment	166,987	-
Companies	Exposure	13,634,912	28,157,609
	Impairment	521,710	382,477
Government	Exposure	2,793,553	-
	Impairment	24,894	-
Private Customers	Exposure	10,092,098	608,859
	Impairment	99,173	-
TOTAL	**Exposure**	**30,464,472**	**29,044,085**
	Impairment	**812,764**	**382,477**

		Stage 1	
SEGMENT	01/01/2018	On Balance	Off Balance
Employees	Exposure	5,919,239	-
	Impairment	261,667	-
Companies	Exposure	9,100,408	22,002,271
	Impairment	153,234	350,948
Government	Exposure	4,457,613	-
	Impairment	14,548	-
Private Customers	Exposure	2,393,199	-
	Impairment	103,360	-
TOTAL	**Exposure**	**21,870,460**	**22,002,271**
	Impairment	**532,810**	**350,948**

(Thousand de kwanzas)

	Stage 2		Stage 3		Stage 4	
	On Balance	Off Balance	On Balance	Off Balance	On Balance	Off Balance
	113,984	-	14,497	-	4,072,391	277,617
	30,953	-	7,426	-	205,366	-
	17,051,985	15,283,711	149,089,960	27,699,726	179,776,857	71,141,046
	2,279,384	488,036	76,760,250	9,032,408	79,561,344	9,902,921
	-	-	5,524,837	-	8,318,390	-
	-	-	7,528	-	32,422	-
	528,964	1,305	7,832,280	-	18,453,343	610,164
	201,418	-	5,983,516	-	6,284,107	-
	17,694,934	**15,285,016**	**162,461,574**	**27,699,726**	**210,620,981**	**72,028,827**
	2,511,755	**488,036**	**82,758,720**	**9,032,408**	**86,083,239**	**9,902,921**

(Thousand de kwanzas)

	Stage 2		Stage 3		Stage 4	
	On Balance	Off Balance	On Balance	Off Balance	On Balance	Off Balance
	79,563	-	5,093	-	6,003,896	-
	26,822	-	790	-	289,279	-
	54,521,097	32,131,544	57,838,528	26,013,376	121,460,033	80,147,191
	7,499,707	2,698,919	13,822,801	2,853,863	21,475,743	5,903,729
	-	-	2,612,908	-	7,070,521	-
	-	-	6,138	-	20,686	-
	3,976,098	-	4,159,776	-	10,529,074	-
	216,534	-	1,778,943	-	2,098,837	-
	58,576,759	**32,131,544**	**64,616,305**	**26,013,376**	**145,063,523**	**80,147,191**
	7,743,063	**2,698,919**	**15,608,672**	**2,853,863**	**23,884,545**	**5,903,729**

The transfer matrix for stages between 1 January 2018 and 31 December 2018 is as follows:

	31/12/2018			(thousand kwanzas)
STAGE 01/01/2018	*Stage* 1	*Stage* 2	*Stage* 3	Total
Stage 1	470,888	293,326	4,240,596	5,004,810
Stage 2	29,181	270,769	7,761,892	8,061,842
Stage 3	-	37,112	78,464,469	78,501,581
New Exposure in 2018	695,171	2,398,584	1,324,172	4,417,927
TOTAL	**1,195,241**	**2,999,791**	**91,791,128**	**95,986,160**

As at 31 December and 1 January 2018, the gross credit exposure amount and the impairment amount posted for the exposures analysed individually and collectively, per segment, are broken down as follows:

	Individual Impairment		Collective Impairment		Total	(Thousand kwanzas)
31/12/2018 ON BALANCE	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Employees	-	-	4,072,391	205,366	4,072,391	205,366
Companies	154,712,406	74,321,991	25,064,450	5,239,352	179,776,857	79,561,344
Government	-	-	8,318,390	32,422	8,318,390	32,422
Private Customers	4,621,952	3,649,345	13,831,391	2,634,762	18,453,343	6,284,107
TOTAL	**159,334,359**	**77,971,336**	**51,286,622**	**8,111,903**	**210,620,981**	**86,083,239**

	Individual Impairment		Collective Impairment		Total	(Thousand kwanzas)
31/12/2018 OFF BALANCE	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Employees	-	-	-	2,098	-	2,098
Companies	39,350,749	9,374,374	32,152,500	525,578	71,503,249	9,899,953
Government	-	-	-	-	-	-
Private Customers	-	-	-	871	-	871
TOTAL	**39,350,749**	**9,374,374**	**32,152,500**	**528,547**	**71,503,249**	**9,902,921**

(Thousand kwanzas)

01/01/2018 ON BALANCE	Individual Impairment		Collective Impairment		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Employees	-	-	3,949,081	289,279	3,949,081	289,279
Companies	83,591,897	16,825,581	46,584,937	4,650,162	130,176,834	21,475,743
Government	2,533,314	5,951	4,537,207	14,735	7,070,521	20,686
Private Customers	2,678,522	774,804	7,850,552	1,324,032	10,529,074	2,098,837
TOTAL	**88,803,732**	**17,606,336**	**62,921,777**	**6,278,209**	**151,725,509**	**23,884,545**

(Thousand kwanzas)

01/01/2018 OFF BALANCE	Individual Impairment		Collective Impairment		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Employees	-	-	-	1,102	-	1,102
Companies	33,994,342	4,243,109	46,152,850	1,657,929	80,147,191	5,901,038
Government	-	-	-	-	-	-
Private Customers	-	-	-	1,589	-	1,589
TOTAL	**33,994,342**	**4,243,109**	**46,152,850**	**1,660,620**	**80,147,191**	**5,903,729**

As at 31 December 2018, credit risk exposure by sector of activity is broken down as follows, on a separate and consolidated basis, respectively:

(thousand kwanzas)

	Loans and advances to customers					Impairment	
31/12/2018	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Irregularity/ Total exposure
COMPANIES	92,387,400	93,150,926	78,660,018	264,198,344	91.33%	90,287,748	93.29%
Farming, livestock, hunting, forestry and fishery	991,404	215,792	-	1,207,197	0.42%	71,338	0.07%
Manufacturing industries	11,582,041	29,353,538	805,251	41,740,829	14.43%	20,879,401	21.57%
Food, beverage and tobacco industries	118,069	17,934	711,631	847,634	0.29%	12,825	0.01%
Manufacture of basic metals and metal product industries	309,326	3,206	-	312,532	0.11%	218,772	0.23%
Construction	1,806,562	3,033,873	8,964,995	13,805,430	4.77%	8,411,395	8.69%
Wholesale and retail trade	27,725,051	12,734,734	51,195,756	91,655,542	31.68%	15,962,882	16.49%
Hospitality and restaurants	1,199,591	145	-	1,199,736	0.41%	706,337	0.73%
Transport, storage and communications	7,131,063	39,427	-	7,170,490	2.48%	1,845,223	1.91%
Real estate and rental activities and services to companies	19,465,692	44,212,803	1,723,135	65,401,631	22.61%	37,691,504	38.95%
Education	2,015,578	442,990	-	2,458,568	0.85%	1,380,422	1.43%
Health and welfare	-	-	48,258	48,258	0.02%	1,107	0.00%
Other collective, social and personal services	15,601,099	2,372,104	463,669	18,436,872	6.37%	2,024,444	2.09%
International organisations and other extraterritorial entities	4,441,925	724,380	14,747,323	19,913,628	6.88%	1,082,101	1.12%
PRIVATE CUSTOMERS	18,190,244	6,892,409	-	25,082,653	8.67%	6,492,441	6.71%
Consumption	1,254,425	28,964	-	1,283,389	0.44%	74,077	0.08%
Housing	8,802,026	3,192,334	-	11,994,360	4.15%	2,393,827	2.47%
Other purposes	8,133,792	3,671,111	-	11,804,903	4.08%	4,024,537	4.16%
TOTAL	110,577,644	100,043,335	78,660,018	289,280,997		96,780,190	

E em 2017, em termos individuais e consolidateds, respectivamente:

(thousand kwanzas)

SEPARATE 31/12/2017	Loans and advances to customers: Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Impairment: Amount	Irregularity/ Total exposure
COMPANIES	120,114,638	65,502,182	79,610,231	265,227,051	94.82%	22,307,986	8.41%
Farming, livestock, hunting, forestry and fishery	274,603	308,182	430,947	1,013,731	0.36%	360,950	35.61%
Manufacturing industries	10,332,203	11,039,372	8,032,402	29,403,976	10.51%	2,766,739	9.41%
Food, beverage and tobacco industries	123,761	189,717	-	313,478	0.11%	172,209	54.94%
Manufacture of basic metals and metal product industries	-	192,583	-	192,583	0.07%	134,808	70.00%
Construction	3,551,580	3,518,962	6,778,856	13,849,398	4.95%	2,784,556	20.11%
Wholesale and retail trade	23,865,953	1,118,642	55,613,169	80,597,764	28.82%	5,017,550	6.23%
Hospitality and restaurants	1,417,805	45	-	1,417,850	0.51%	855,298	60.32%
Transport, storage and communications	8,820,638	32,052	710,294	9,562,984	3.42%	1,765,566	18.46%
Real estate and rental activities and services to companies	17,492,302	41,711,149	1,595,879	60,799,330	21.74%	7,136,361	11.74%
Education	103,366	2,717,641	-	2,821,006	1.01%	141,835	5.03%
Health and welfare	-	-	629,743	629,743	0.23%	18,892	3.00%
Other collective, social and personal services	54,132,429	4,673,839	5,818,941	64,625,209	23.10%	1,153,220	1.78%
PRIVATE CUSTOMERS	10,628,077	3,850,077	-	14,478,154	5.18%	1,924,607	13.29%
Consumption	1,234,486	37,729	-	1,272,215	0.45%	34,306	2.70%
Housing	7,172,978	1,061,681	-	8,234,659	2.94%	799,641	9.71%
Other purposes	2,220,613	2,750,667	-	4,971,280	1.78%	1,090,659	21.94%
TOTAL	130,742,715	69,352,259	79,610,231	279,705,205		24,232,592	

(thousand kwanzas)

	Loans and advances to customers					Impairment	
CONSOLIDATED 31/12/2017	Not yet due	In arrears	Guarantees provided	Total exposure	Relative weight	Amount	Irregularity/ Total exposure
COMPANIES	120,061,258	65,502,182	79,610,231	265,173,671	94.82%	22,271,895	8.40%
Farming, livestock, hunting, forestry and fishery	274,603	308,182	430,947	1,013,731	0.36%	360,950	35.61%
Manufacturing industries	10,332,203	11,039,372	8,032,402	29,403,976	10.51%	2,766,739	9.41%
Food, beverage and tobacco industries	123,761	189,717	-	313,478	0.11%	172,209	54.94%
Manufacture of basic metals and metal product industries	-	192,583	-	192,583	0.07%	134,808	70.00%
Construction	3,551,580	3,518,962	6,778,856	13,849,398	4.95%	2,784,556	20.11%
Wholesale and retail trade	23,865,953	1,118,642	55,613,169	80,597,764	28.82%	5,017,550	6.23%
Hospitality and restaurants	1,417,805	45	-	1,417,850	0.51%	855,298	60.32%
Transport, storage and communications	8,820,638	32,052	710,294	9,562,984	3.42%	1,765,566	18.46%
Real estate and rental activities and services to companies	17,492,302	41,711,149	1,595,879	60,799,330	21.74%	7,136,361	11.74%
Education	103,366	2,717,641	-	2,821,006	1.01%	141,835	5.03%
Health and welfare	-	-	629,743	629,743	0.23%	18,892	3.00%
Other collective, social and personal services	54,079,049	4,673,839	5,818,941	64,571,828	23.09%	1,117,129	1.73%
PRIVATE CUSTOMERS	10,628,077	3,850,077	-	14,478,154	5.18%	1,924,607	13.29%
Consumption	1,234,486	37,729	-	1,272,215	0.45%	34,306	2.70%
Housing	7,172,978	1,061,681	-	8,234,659	2.94%	799,641	9.71%
Other purposes	2,220,613	2,750,667	-	4,971,280	1.78%	1,090,659	21.94%
TOTAL	130,689,335	69,352,259	79,610,231	279,651,825		24,196,502	

The geographical concentration of credit risk as at 31 December 2018, on a separate and consolidated basis, respectively, was as follows:

	Geographical area				(thousand kwanzas)
SEPARATE 31/12/2018	Angola	Other African Countries	EuropE	Other	Total
ASSETS	1,229,180,276	11,949,600	66,459,568	4,106,483	1,311,695,927
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	2,561,910	11,949,600	35,358,820	4,106,483	53,976,813
Loans and advances to central banks and other credit institutions	78,770,918	-	31,100,748	-	109,871,667
Fair value through profit and loss	6,451,173	-	-	-	6,451,173
Fair value through other comprehensive income	99,862	-	-	-	99,862
Amortised Cost	175,366,362	-	-	-	175,366,362
Loans and advances to customers	124,537,742	-	-	-	124,537,742
Investments in associates and joint ventures	2,480,184	-	-	-	2,480,184
Other assets	644,010,772	-	-	-	644,010,772
LIABILITIES	1,134,334,326	-	132,262,143	-	1,266,596,468
Deposits from central banks and other credit institutions	29,334,097	-	-	-	29,334,097
Deposits from customers and other loans	1,059,122,420	-	-	-	1,059,122,420
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	-	-	132,262,143	-	132,262,143
Other liabilities	45,877,808	-	-	-	45,877,808
TOTAL	94,845,951	11,949,600	(65,802,575)	4,106,483	45,099,459

CONSOLIDATED 31/12/2018	Geographical area (thousand kwanzas) Angola	Other African Countries	EuropE	Other	Total
ASSETS	1,227,671,241	11,949,600	66,459,568	4,106,483	1,310,186,892
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	2,561,910	11,949,600	35,358,820	4,106,483	53,976,813
Loans and advances to central banks and other credit institutions	78,770,918	-	31,100,748	-	109,871,667
Fair value through profit and loss	6,451,173	-	-	-	6,451,173
Fair value through other comprehensive income	99,862	-	-	-	99,862
Amortised Cost	175,432,209	-	-	-	175,432,209
Loans and advances to customers	124,537,742	-	-	-	124,537,742
Investments in associates and joint ventures	530,587	-	-	-	530,587
Other assets	644,385,487	-	-	-	644,385,487
LIABILITIES	1,131,767,671	-	132,262,143	-	1,264,029,814
Deposits from central banks and other credit institutions	29,333,360	-	-	-	29,333,360
Deposits from customers and other loans	1,056,201,043	-	-	-	1,056,201,043
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	-	-	132,262,143	-	132,262,143
Other liabilities	46,233,268	-	-	-	46,233,268
TOTAL	95,903,570	11,949,600	(65,802,575)	4,106,483	46,157,078

And as at December 2017, on a separate and consolidated basis, respectively:

	Geographical area				(thousand kwanzas)
SEPARATE 31/12/2017	Angola	Other African Countries	EuropE	Other	Total
ASSETS	751,306,507	32,067	112,720,504	3,971,467	868,030,545
Cash and cash equivalents at central banks	138,549,166	-	-	-	138,549,166
Cash and cash equivalents at other credit institutions	-	32,066	30,752,399	3,971,466	34,755,931
Loans and advances to central banks and other credit institutions	-	-	81,968,105	-	81,968,105
Fair value through profit and loss	1,635	-	-	-	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125
Amortised Cost	148,619,748	-	-	-	148,619,748
Loans and advances to customers	178,835,613	-	-	-	178,835,613
Investments in associates and joint ventures	1,517,075	-	-	-	1,517,075
Other assets	283,681,145	1	1	1	283,681,147
LIABILITIES	764,766,214	-	106,775,758	-	871,541,971
Deposits from central banks and other credit institutions	84,229,905	-	35,664,397	-	119,894,301
Deposits from customers and other loans	651,833,602	-	-	-	651,833,602
Financial liabilities held for trading	1,157	-	-	-	1,157
Subordinated liabilities	-	-	71,111,361	-	71,111,361
Other liabilities	28,701,550	-	-	-	28,701,550
TOTAL	(13,459,706)	32,067	5,944,747	3,971,467	(3,511,426)

CONSOLIDATED 31/12/2017	Geographical area (thousand kwanzas) Angola	Other African Countries	EuropE	Other	Total
ASSETS	750,398,627	32,067	112,908,886	3,971,467	867,311,046
Cash and cash equivalents at central banks	138,549,167	-	-	-	138,549,167
Cash and cash equivalents at other credit institutions	-	32,066	30,940,781	3,971,466	34,944,313
Loans and advances to central banks and other credit institutions	-	-	81,968,105	-	81,968,105
Fair value through profit and loss	1,635	-	-	-	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125
Amortised Cost	148,619,748	-	-	-	148,619,748
Loans and advances to customers	178,818,324	-	-	-	178,818,324
Investments in associates and joint ventures	433,968	-	-	-	433,968
Other assets	283,873,660	1	1	1	283,873,662
LIABILITIES	763,103,096	-	106,775,758	-	869,878,854
Deposits from central banks and other credit institutions	84,229,905	-	35,664,397	-	119,894,301
Deposits from customers and other loans	649,811,984	-	-	-	649,811,984
Financial liabilities held for trading	1,157	-	-	-	1,157
Subordinated liabilities	-	-	71,111,361	-	71,111,361
Other liabilities	29,060,051	-	-	-	29,060,051
TOTAL	(12,704,470)	32,067	6,133,129	3,971,467	(2,567,807)

Real mortgage guarantees and financial collaterals are important for mitigating credit risk as they allow for a direct reduction in the exposure position. Personal protection guarantees with a substitution effect in exposure are also considered.

In terms of direct reduction, credit operations guaranteed by financial collaterals, namely deposits, Angolan state bonds and other similar collaterals, are considered.

With regard to real mortgage guarantees, asset valuation is carried out by independent experts or by an in-house team with no connection to the commercial department. Revaluation of the assets is carried out onsite by a technical appraiser, in accordance with best market practices.

The Bank's policy is to regularly assess whether there is any objective evidence of impairment in its loan portfolio, as described in Note 2.3.

Risk Assessment

Market Risk

The Bank's market risk management policy is in line with best risk management practices. In this context, the Bank strictly abides by BNA risk legislation, including Notice 08/2016 of 16 May concerning interest rate risk in the banking book (financial instruments not held in the trading portfolio).

As regards market risk analysis and information, regular reports are provided on financial asset portfolios. In terms of the proprietary portfolio, several risk limits are established, including Issuer/Counterparty exposure limits and credit rating levels.).

Interest rate risk from banking book transactions is assessed by performing a sensitivity analysis.

Based on the financial characteristics of each contract, expected cash flows are projected in accordance with the interest rate reset dates and any performance assumptions.

Aggregation of expected cash flows, for each of the currencies analysed, at each of the time intervals allows interest rate gaps to be determined per reset date.

In accordance with the recommendations set forth in BNA Instruction 06/2016 of 8 August on calculating interest rate risk exposure in the balance sheet, the Bank's assets and liabilities were broken down by type of rate (fixed and variable) and per reset (or repricing) dates or periods.).

The breakdown of assets and liabilities grouped into type of rate as at December 2018, on a separate and consolidated basis, respectively, is as follows:

(thousand kwanzas)

SEPARATE 31/12/2018	Fixed rate exposure	Variable rate exposure	Not subject to interest rate risk	Derivatives	Total
ASSETS	979,567,469	23,771,794	308,356,664	-	1,311,695,927
Cash and cash equivalents at central banks	-	-	194,901,353	-	194,901,353
Cash and cash equivalents at other credit institutions	-	-	53,976,813	-	53,976,813
Loans and advances to central banks and other credit institutions	109,871,667	-	-	-	109,871,667
Fair value through profit and loss	4,392,478	-	-	-	4,392,478
Fair value through other comprehensive income	-	-	99,862	-	99,862
Amortised Cost	177,425,058	-	-	-	177,425,058
Loans and advances to customers	100,765,948	23,771,794	-	-	124,537,742
Investments in associates and joint ventures	-	-	2,480,184	-	2,480,184
Other assets	587,112,319	-	56,898,452	-	644,010,772
LIABILITIES	966,540,497	81,952,039	218,103,932	-	1,266,596,468
Deposits from central banks and other credit institutions	24,526,622	-	4,807,475		29,334,097
Deposits from customers and other loans	771,810,969	81,952,039	205,359,412	-	1,059,122,420
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	132,262,143	-	-	-	132,262,143
Other Liabilities	37,940,764	-	7,937,044	-	45,877,808
TOTAL	13,026,972	(58,180,245)	90,252,732	-	45,099,459

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Fixed rate exposure	Variable rate exposure	Not subject to interest rate risk	Derivatives	Total
ASSETS	979,633,316	23,771,794	306,781,782	-	1,310,186,892
Cash and cash equivalents at central banks	-	-	194,901,353	-	194,901,353
Cash and cash equivalents at other credit institutions	-	-	53,976,813	-	53,976,813
Loans and advances to central banks and other credit institutions	109,871,667	-	-	-	109,871,667
Fair value through profit and loss	4,392,478	-	-	-	4,392,478
Fair value through other comprehensive income	-	-	99,862	-	99,862
Amortised Cost	177,490,904	-	-	-	177,490,904
Loans and advances to customers	100,765,948	23,771,794	-	-	124,537,742
Investments in associates and joint ventures	-	-	530,587	-	530,587
Other assets	587,112,319	-	57,273,167	-	644,385,487
LIABILITIES	963,619,120	81,952,039	218,458,655	-	1,264,029,814
Deposits from central banks and other credit institutions	24,526,622	-	4,806,738	-	29,333,360
Deposits from customers and other loans	768,889,591	81,952,039	205,359,412	-	1,056,201,043
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	132,262,143	-	-	-	132,262,143
Other Liabilities	37,940,764	-	8,292,504	-	46,233,268
TOTAL	16,014,196	(58,180,245)	88,323,127	-	46,157,078

And as at December 2017, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2017	Fixed rate exposure	Variable rate exposure	Not subject to interest rate risk	Derivatives	Total
ASSETS	522,214,987	152,370,650	193,443,272	1,635	868,030,545
Cash and cash equivalents at central banks	-	-	138,549,166	-	138,549,166
Cash and cash equivalents at other credit institutions	-	-	34,755,931	-	34,755,931
Loans and advances to central banks and other credit institutions	81,968,105	-	-	-	81,968,105
Financial assets available for sale	-	119,134,167	102,125	-	119,236,292
Investments held to maturity	29,485,581	-	-	-	29,485,581
Financial assets held for trading	-	-	-	1,635	1,635
Loans and advances to customers	145,599,130	33,236,483	-	-	178,835,613
Investments in associates and joint ventures	-	-	1,517,075	-	1,517,075
Other assets	265,162,172	-	18,518,975	-	283,681,147
LIABILITIES	688,502,792	47,991,054	131,051,711	1,157	867,546,714
Deposits from central banks and other credit institutions	118,199,985	-	1,694,316	-	119,894,301
Deposits from customers and other loans	480,225,798	47,991,054	123,616,750	-	651,833,602
Financial liabilities held for trading	-	-	-	1,157	1,157
Subordinated liabilities	71,111,361	-	-	-	71,111,361
Other Liabilities	18,965,648		5,740,645	-	24,706,293
TOTAL	(166,287,805)	104,379,596	62,391,561	478	483,830

(thousand kwanzas)

CONSOLIDATED 31/12/2017	Fixed rate exposure	Variable rate exposure	Not subject to interest rate risk	Derivatives	Total
ASSETS	522,197,698	152,370,650	192,741,063	1,635	867,311,046
Cash and cash equivalents at central banks	-	-	138,549,167	-	138,549,167
Cash and cash equivalents at other credit institutions	-	-	34,944,313	-	34,944,313
Loans and advances to central banks and other credit institutions	81,968,105	-	-	-	81,968,105
Financial assets available for sale	-	119,134,167	102,125	-	119,236,292
Investments held to maturity	29,485,581	-	-	-	29,485,581
Financial assets held for trading	-	-	-	1,635	1,635
Loans and advances to customers	145,581,840	33,236,483	-	-	178,818,324
Investments in associates and joint ventures	-	-	433,968	-	433,968
Other assets	265,162,172	-	18,711,490	-	283,873,662
LIABILITIES	686,481,174	47,991,054	131,410,211	1,157	865,883,597
Deposits from central banks and other credit institutions	118,199,985	-	1,694,316	-	119,894,301
Deposits from customers and other loans	478,204,180	47,991,054	123,616,750	-	649,811,984
Financial liabilities held for trading	-	-	-	1,157	1,157
Subordinated liabilities	71,111,361	-	-	-	71,111,361
Other Liabilities	18,965,648	-	6,099,146	-	25,064,794
TOTAL	(164,283,476)	104,379,596	61,330,851	478	1,427,450

As at December 2018, financial instruments based on their residual maturity date, instead of each date of cash flow from transactions are broken down, respectively, into nominal, separate and consolidated amounts as follows:

Reset dates/Maturity dates

(thousand kwanzas)

SEPARATE 31/12/2018	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	388,539,236	77,788,400	25,509,537	4,544,140	106,545,005	39,170,171	662,500,756	2,639,252	1,307,236,497
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	-	-	-	-	53,976,813
Loans and advances to central banks and other credit institutions	76,711,227	26,982,760	6,172,140	-	-	-	-	-	109,866,127
Fair value through profit and loss	-	-	-	-	-	-	4,629,105	-	4,629,105
Fair value through profit and loss	-	-	-	-	-	-	-	148,996	148,996
Amortised Cost	-	-	-	-	98,015,600	32,186,400	47,428,300	-	177,630,300
Loans and advances to customers	60,660,426	50,805,639	19,337,397	4,544,140	8,529,405	6,983,771	52,856,680	-	203,717,459
Investments in associates and joint ventures	-	-	-	-	-	-	-	2,480,184	2,480,184
Other assets	2,289,417	-	-	-	-	-	557,586,671	10,072	559,886,160
LIABILITIES	671,590,064	71,475,409	80,031,590	283,478,655	3,868,573	345,584	131,628,909	-	1,242,418,783
Deposits from central banks and other credit institutions	26,745,914	-	-	-	-	-	-	-	26,745,914
Deposits from customers and other loans	598,966,342	71,475,409	80,031,590	283,478,655	3,868,573	345,584	514,022	-	1,038,680,174
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	131,114,887	-	131,114,887
Other liabilities	45,877,808	-	-	-	-	-	-	-	45,877,808
NET EXPOSURE	(283,050,828)	6,312,990	(54,522,052)	(278,934,514)	102,676,431	38,824,587	530,871,847	2,639,252	64,817,714

(thousand kwanzas)

CONSOLIDATED 31/12/2018	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	388,913,951	77,788,400	25,509,537	4,544,140	106,610,851	39,170,171	662,500,756	689,655	1,305,727,462
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	-	-	-	-	53,976,813
Loans and advances to central banks and other credit institutions	76,711,227	26,982,760	6,172,140	-	-	-	-	-	109,866,127
Fair value through profit and loss	-	-	-	-	-	-	4,629,105	-	4,629,105
Fair value through profit and loss	-	-	-	-	-	-	-	148,996	148,996
Amortised Cost	-	-	-	-	98,081,447	32,186,400	47,428,300	-	177,696,147
Loans and advances to customers	60,660,426	50,805,639	19,337,397	4,544,140	8,529,405	6,983,771	52,856,680	-	203,717,459
Investments in associates and joint ventures	-	-	-	-	-	-	-	530,587	530,587
Other assets	2,664,132	-	-	-	-	-	557,586,671	10,072	560,260,875
LIABILITIES	669,023,409	71,475,409	80,031,590	283,478,655	3,868,573	345,584	131,628,909	-	1,239,852,129
Deposits from central banks and other credit institutions	26,745,177	-	-	-	-	-	-	-	26,745,177
Deposits from customers and other loans	596,044,964	71,475,409	80,031,590	283,478,655	3,868,573	345,584	514,022	-	1,035,758,796
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	131,114,887	-	131,114,887
Other liabilities	46,233,268	-	-	-	-	-	-	-	46,233,268
NET EXPOSURE	(280,109,458)	6,312,990	(54,522,052)	(278,934,514)	102,742,278	38,824,587	530,871,847	689,655	65,875,333

Em 31 de Dezembro de 2017, também em termos individuais e consolidateds, respectivamente:

Reset dates/Maturity dates

(thousand kwanzas)

SEPARATE 31/12/2017	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	222,031,152	214,463,622	10,541,057	1,054,144	10,179,695	11,137,067	338,693,762	6,133,979	814,234,477
Cash and cash equivalents at central banks	138,549,166	-	-	-	-	-	-	-	138,549,166
Cash and cash equivalents at other credit institutions	34,755,931	-	-	-	-	-	-	-	34,755,931
Cash and cash equivalents at other credit institutions	21,347,606	60,533,839	-	-	-	-	-	-	81,881,446
Financial assets available for sale	-	116,988,035	-	-	-	-	-	102,125	117,090,160
Investments held to maturity	-	30,883,262	-	-	-	-	-	-	30,883,262
Financial assets held for trading	-	-	1,635	-	-	-	-	-	1,635
Loans and advances to customers	7,236,612	6,058,486	10,539,422	1,054,144	10,179,695	11,137,067	84,537,289	-	130,742,715
Investments in associates and joint ventures	-	-	-	-	-	-	-	1,517,075	1,517,075
Other assets	20,141,836	-	-	-	-	-	254,156,472	4,514,779	278,813,088
LIABILITIES	401,228,728	89,530,537	129,248,282	156,681,816	11,172,352	251,758	70,991,376	-	859,104,850
Deposits from central banks and other credit institutions	33,957,064	6,411,125	43,861,716	35,042,012	-	-	-	-	119,271,916
Deposits from customers and other loans	342,565,371	83,119,412	85,386,566	121,639,805	11,171,195	251,758	496,843	-	644,630,949
Financial liabilities held for trading	-	-	-	-	1,157	-	-	-	1,157
Subordinated liabilities	-	-	-	-	-	-	70,494,534	-	70,494,534
Other liabilities	24,706,293	-	-	-	-	-	-	-	24,706,293
NET EXPOSURE	(179,197,576)	124,933,086	(118,707,224)	(155,627,672)	(992,658)	10,885,308	267,702,385	6,133,979	(44,870,373)

Reset dates/Maturity dates

(thousand kwanzas)

CONSOLIDATED 31/12/2017	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	222,166,154	214,463,622	10,541,057	1,054,144	10,179,695	11,137,067	338,693,762	5,243,386	813,478,888
Cash and cash equivalents at central banks	138,549,167	-	-	-	-	-	-	-	138,549,167
Cash and cash equivalents at other credit institutions	34,944,313	-	-	-	-	-	-	-	34,944,313
Cash and cash equivalents at other credit institutions	21,347,606	60,533,839	-	-	-	-	-	-	81,881,446
Financial assets available for sale	-	116,988,035	-	-	-	-	-	102,125	117,090,160
Investments held to maturity	-	30,883,262	-	-	-	-	-	-	30,883,262
Financial assets held for trading	-	-	1,635	-	-	-	-	-	1,635
Loans and advances to customers	7,183,232	6,058,486	10,539,422	1,054,144	10,179,695	11,137,067	84,537,289	-	130,689,335
Investments in associates and joint ventures	-	-	-	-	-	-	-	433,968	433,968
Other assets	20,141,836	-	-	-	-	-	254,156,472	4,707,293	279,005,602
LIABILITIES	399,565,610	89,530,537	129,248,282	156,681,816	11,172,352	251,758	70,991,376	-	857,441,732
Deposits from central banks and other credit institutions	33,957,064	6,411,125	43,861,716	35,042,012	-	-	-	-	119,271,916
Deposits from customers and other loans	340,543,753	83,119,412	85,386,566	121,639,805	11,171,195	251,758	496,843	-	642,609,331
Financial liabilities held for trading	-	-	-	-	1,157	-	-	-	1,157
Subordinated liabilities	-	-	-	-	-	-	70,494,534	-	70,494,534
Other liabilities	25,064,794	-	-	-	-	-	-	-	25,064,794
NET EXPOSURE	(177,399,456)	124,933,086	(118,707,224)	(155,627,672)	-992,658	10,885,308	267,702,385	5,243,387	(43,962,844)

The balance sheet's sensitivity to interest rate risk is calculated based on 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 movements of the market interest rate curve.

As at 31 December 2018, an analysis of the sensitivity of the financial instruments to changes in interest rate shows, on a separate and consolidates basis, respectively:

(thousand kwanzas)

	Change in interest rate					
SEPARATE 31/12/2018	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
ASSETS	127,380,307	63,690,153	31,845,077	(31,845,077)	(63,690,153)	(127,380,307)
Loans and advances to central banks and other credit institutions	192,153	96,077	48,038	(48,038)	(96,077)	(192,153)
Fair value through profit and loss	839,812	419,906	209,953	(209,953)	(419,906)	(839,812)
Fair value through other comprehensive income	-	-	-	-	-	-
Amortised Cost	14,391,317	7,195,658	3,597,829	(3,597,829)	(7,195,658)	(14,391,317)
Loans and advances to customers	10,797,819	5,398,910	2,699,455	(2,699,455)	(5,398,910)	(10,797,819)
Other assets	101,159,205	50,579,603	25,289,801	(25,289,801)	(50,579,603)	(101,159,205)
LIABILITIES	29,440,443	14,720,222	7,360,111	(7,360,111)	(14,720,222)	(29,440,443)
Deposits from central banks and other credit institutions	21,397	10,698	5,349	(5,349)	(10,698)	(21,397)
Deposits from customers and other loans	5,595,481	2,797,741	1,398,870	(1,398,870)	(2,797,741)	(5,595,481)
Subordinated liabilities	23,786,863	11,893,431	5,946,716	(5,946,716)	(11,893,431)	(23,786,863)
Other liabilities	36,702	18,351	9,176	(9,176)	(18,351)	(36,702)
NET IMPACT	97,939,864	48,969,932	24,484,966	(24,484,966)	(48,969,932)	(97,939,864)

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Change in interest rate					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
ASSETS	127,380,307	63,690,153	31,845,077	(31,845,077)	(63,690,153)	(127,380,307)
Loans and advances to central banks and other credit institutions	192,153	96,077	48,038	(48,038)	(96,077)	(192,153)
Fair value through profit and loss	839,812	419,906	209,953	(209,953)	(419,906)	(839,812)
Fair value through other comprehensive income	-	-	-	-	-	-
Amortised Cost	14,391,317	7,195,658	3,597,829	(3,597,829)	(7,195,658)	(14,391,317)
Loans and advances to customers	10,797,819	5,398,910	2,699,455	(2,699,455)	(5,398,910)	(10,797,819)
Other assets	101,159,205	50,579,603	25,289,801	(25,289,801)	(50,579,603)	(101,159,205)
LIABILITIES	29,440,443	14,720,222	7,360,111	(7,360,111)	(14,720,222)	(29,440,443)
Deposits from central banks and other credit institutions	21,397	10,698	5,349	(5,349)	(10,698)	(21,397)
Deposits from customers and other loans	5,595,481	2,797,741	1,398,870	(1,398,870)	(2,797,741)	(5,595,481)
Subordinated liabilities	23,786,863	11,893,431	5,946,716	(5,946,716)	(11,893,431)	(23,786,863)
Other liabilities	36,702	18,351	9,176	(9,176)	(18,351)	(36,702)
NET IMPACT	97,939,864	48,969,932	24,484,966	(24,484,966)	(48,969,932)	(97,939,864)

And as at 31 December 2017, on a separate and consolidated basis, respectively:

	Change in interest rate					(thousand kwanzas)
SEPARATE 31/12/2017	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
ASSETS	63,712,544	31,856,272	15,928,136	(15,928,136)	(31,856,272)	(63,712,544)
Loans and advances to central banks and other credit institutions	211,064	105,532	52,766	(52,766)	(105,532)	(211,064)
Financial assets available for sale	381,229	190,615	95,307	(95,307)	(190,615)	(381,229)
Investments held to maturity	94,354	47,177	23,588	(23,588)	(47,177)	(94,354)
Loans and advances to customers	16,033,666	8,016,833	4,008,417	(4,008,417)	(8,016,833)	(16,033,666)
Other assets	46,992,231	23,496,115	11,748,058	(11,748,058)	(23,496,115)	(46,992,231)
LIABILITIES	17,035,603	8,517,802	4,258,901	(4,258,901)	(8,517,802)	(17,035,603)
Deposits from central banks and other credit institutions	873,486	436,743	218,372	(218,372)	(436,743)	(873,486)
Deposits from customers and other loans	3,241,329	1,620,664	810,332	(810,332)	(1,620,664)	(3,241,329)
Subordinated liabilities	12,901,023	6,450,512	3,225,256	(3,225,256)	(6,450,512)	(12,901,023)
Other liabilities	19,765	9,883	4,941	(4,941)	(9,883)	(19,765)
NET IMPACT	46,676,940	23,338,470	11,669,235	(11,669,235)	(23,338,470)	(46,676,940)

	Change in interest rate					(thousand kwanzas)
CONSOLIDATED 31/12/2017	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
ASSETS	63,712,530	31,856,265	15,928,132	(15,928,132)	(31,856,265)	(63,712,530)
Loans and advances to central banks and other credit institutions	211,064	105,532	52,766	(52,766)	(105,532)	(211,064)
Financial assets available for sale	381,229	190,615	95,307	(95,307)	(190,615)	(381,229)
Investments held to maturity	94,354	47,177	23,588	(23,588)	(47,177)	(94,354)
Loans and advances to customers	16,033,652	8,016,826	4,008,413	(4,008,413)	(8,016,826)	(16,033,652)
Other assets	46,992,231	23,496,115	11,748,058	(11,748,058)	(23,496,115)	(46,992,231)
LIABILITIES	17,033,986	8,516,993	4,258,496	(4,258,496)	(8,516,993)	(17,033,986)
Deposits from central banks and other credit institutions	873,486	436,743	218,372	(218,372)	(436,743)	(873,486)
Deposits from customers and other loans	3,239,711	1,619,856	809,928	(809,928)	(1,619,856)	(3,239,711)
Subordinated liabilities	12,901,023	6,450,512	3,225,256	(3,225,256)	(6,450,512)	(12,901,023)
Other liabilities	19,765	9,883	4,941	(4,941)	(9,883)	(19,765)
NET IMPACT	46,678,544	23,339,272	11,669,636	(11,669,646)	(23,339,272)	(46,678,544)

Based on the interest rate gaps observed as at 31 December 2018, an instantaneous positive parallel change in interest rates of 200 basis points would cause a (+/-) variation of around AOA 97,940,334,000 (2017: AOA 46,676,940,000) in the economic value expected from the banking book. These results are within the limits set by BNA Notice 08/2016 of 16 May for this specific risk.

Pursuant to Article 6 of Notice 08/2016 of 16 May, the Bank must inform Banco Nacional de Angola whenever there is a potential reduction in the economic value of its banking book of 20% or more in its regulatory own funds. The Bank complied with this requirement in the 2017 financial year.

The Bank's banking book has a significant foreign currency component and, as per regulations, it is essential that a sensitivity analysis of the financial instruments for each currency be carried out.

As at December 2018, assets and liabilities, per currency, are broken down as follows, on a separate and consolidated bases, respectively:

(thousand kwanzas)

SEPARATE 31/12/2018	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and cash equivalents at central banks	55,704,839	138,708,503	485,176	2,835	194,901,353
Cash and cash equivalents at other credit institutions	138,556	36,107,761	17,532,644	197,852	53,976,813
Loans and advances to central banks and other credit institutions	-	95,373,032	14,498,635	-	109,871,667
Fair value through profit and loss	2,059,171	4,392,002	-	-	6,451,173
Fair value through other comprehensive income	89,981	-	9,881	-	99,862
Amortised Cost	49,809,815	125,556,548	-	-	175,366,362
Loans and advances to customers	87,748,129	36,249,491	540,121	-	124,537,742
Investments in associates and joint ventures	2,480,184	-	-	-	2,480,184
Other assets	32,067,706	611,930,359	12,707	-	644,010,772
ASSETS	230,098,380	1,048,317,696	33,079,164	200,687	1,311,695,927
Deposits from central banks and other credit institutions	11,184,265	15,715,175	2,434,657	-	29,334,097
Deposits from customers and other loans	303,441,446	741,522,400	14,142,514	16,060	1,059,122,420
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	-	132,262,143	-	-	132,262,143
Other liabilities	18,769,718	26,244,398	854,089	9,603	45,877,808
LIABILITIES	333,395,429	915,744,116	17,431,261	25,663	1,266,596,468
POSITION PER CURRENCY	(103,297,049)	132,573,580	15,647,903	175,024	45,099,459

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and cash equivalents at central banks	55,704,839	138,708,503	485,176	2,835	194,901,353
Cash and cash equivalents at other credit institutions	138,556	36,107,761	17,532,644	197,852	53,976,813
Loans and advances to central banks and other credit institutions	-	95,373,032	14,498,635	-	109,871,667
Fair value through profit and loss	2,059,171	4,392,002	-	-	6,451,173
Fair value through other comprehensive income	89,981	-	9,881	-	99,862
Amortised Cost	49,875,661	125,556,548	-	-	175,432,209
Loans and advances to customers	87,748,129	36,249,491	540,121	-	124,537,742
Investments in associates and joint ventures	530,587	-	-	-	530,587
Other assets	32,442,421	611,930,359	12,707	-	644,385,487
ASSETS	228,589,345	1,048,317,696	33,079,164	200,687	1,310,186,892
Deposits from central banks and other credit institutions	11,183,528	15,715,175	2,434,657	-	29,333,360
Deposits from customers and other loans	300,520,068	741,522,400	14,142,514	16,060	1,056,201,043
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	-	132,262,143	-	-	132,262,143
Other liabilities	19,125,178	26,244,398	854,089	9,603	46,233,268
LIABILITIES	330,828,775	915,744,116	17,431,261	25,663	1,264,029,814
POSITION PER CURRENCY	(102,239,430)	132,573,580	15,647,903	175,024	46,157,078

And as at 31 December 2017, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2017	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and cash equivalents at central banks	83,695,781	54,687,169	164,522	1,695	138,549,166
Cash and cash equivalents at other credit institutions	-	15,731,480	18,914,566	109,885	34,755,931
Loans and advances to central banks and other credit institutions	-	58,818,762	23,149,342	-	81,968,105
Fair value through profit and loss	1,635	-	-	-	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125
Amortised Cost	29,425,434	119,194,315	-	-	148,619,748
Loans and advances to customers	149,725,153	29,085,566	24,894	-	178,835,613
Investments in associates and joint ventures	1,517,075	-	-	-	1,517,075
Other assets	16,189,112	267,476,144	15,891	-	283,681,147
ASSETS	280,656,314	544,993,436	42,269,215	111,580	868,030,545
Deposits from central banks and other credit institutions	1,696,557	117,637,295	560,449	-	119,894,301
Deposits from customers and other loans	299,575,758	344,567,056	7,677,949	12,838	651,833,602
Financial liabilities held for trading	-	1,157	-	-	1,157
Subordinated liabilities	-	71,111,361	-	-	71,111,361
Other liabilities	15,783,097	11,612,771	1,299,699	5,983	28,701,550
LIABILITIES	317,055,412	544,929,641	9,538,097	18,821	871,541,971
POSITION PER CURRENCY	(36,399,098)	63,795	32,731,117	92,758	(3,511,426)

(thousand kwanzas)

CONSOLIDATED 31/12/2017	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and cash equivalents at central banks	83,695,782	54,687,169	164,522	1,695	138,549,167
Cash and cash equivalents at other credit institutions	188,382	15,731,480	18,914,566	109,885	34,944,313
Loans and advances to central banks and other credit institutions	-	58,818,762	23,149,342	-	81,968,105
Fair value through profit and loss	1,635	-	-	-	1,635
Fair value through other comprehensive income	102,125	-	-	-	102,125
Amortised Cost	29,425,434	119,194,315	-	-	148,619,748
Loans and advances to customers	149,707,864	29,085,566	24,894	-	178,818,324
Investments in associates and joint ventures	433,968	-	-	-	433,968
Other assets	16,381,626	267,476,144	15,891	-	283,873,662
ASSETS	279,936,815	544,993,436	42,269,215	111,580	867,311,046
Deposits from central banks and other credit institutions	1,696,557	117,637,295	560,449	-	119,894,301
Deposits from customers and other loans	297,554,140	344,567,056	7,677,949	12,838	649,811,984
Financial liabilities held for trading	-	1,157	-	-	1,157
Subordinated liabilities	-	71,111,361	-	-	71,111,361
Other liabilities	16,141,597	11,612,771	1,299,699	5,983	29,060,051
LIABILITIES	315,392,294	544,929,641	9,538,097	18,821	869,878,854
POSITION PER CURRENCY	(35,455,479)	63,795	32,731,117	92,758	(2,567,807)

An analysis of the sensitivity of the asset value of the financial instruments to exchange rate fluctuations as at December 2018 shows, on a consolidated and separate basis, respectively:

(thousand kwanzas)

31/12/2018	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
CURRENCY								
US Dollars	53,029,432	26,514,716	13,257,358	6,628,679	(6,628,679)	(13,257,358)	(26,514,716)	(53,029,432)
Euros	6,259,161	3,129,581	1,564,790	782,395	(782,395)	(1,564,790)	(3,129,581)	(6,259,161)
Other currencies	-	-	-	-	-	-	-	-
IMPACT	59,288,593	29,644,297	14,822,148	7,411,074	(7,411,074)	(14,822,148)	(29,644,297)	(59,288,593)

(thousand kwanzas)

31/12/2017	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
CURRENCY								
US Dollars	42,911,931	21,455,966	10,727,983	5,363,991	(5,363,991)	(10,727,983)	(21,455,966)	(42,911,931)
Euros	13,218,555	6,609,277	3,304,639	1,652,319	(1,652,319)	(3,304,639)	(6,609,277)	(13,218,555)
Other currencies	-	-	-	-	-	-	-	-
IMPACT	56,130,486	28,065,243	14,032,622	7,016,311	(7,016,311)	(14,032,622)	(28,065,243)	(56,130,486)

The result of this analysis shows the expected (pre-tax) impact on equity, including minority interests, as a result of a 40% appreciation of the kwanza against the other currencies.

Risk Assessment

Liquidity Risk

Liquidity risk is assessed using internal metrics established by the Bank's management, including setting exposure limits.

This control is reinforced by monthly monitoring of sensitivity analyses to adjust the Bank's risk profile to the demands of its business activity and ensure that its obligations are met in the event of a liquidity crisis.

Liquidity levels are monitored in order to maintain a satisfactory amount of cash and cash equivalents to meet short-, medium- and long-term needs. Liquidity risk is monitored daily and specific reports are prepared for control and supervision, and to inform decisions taken by the Financial Committee or the Executive Committee.

Liquidity analysis is, in particular, based on future cash flow estimated for different periods, taking into account the Bank's balance sheet. However, for the purpose of simplicity, the table below shows an analysis based on residual maturity dates, instead of expected future cash flows. The liquidity position on the day of analysis and the amount of highly liquid assets in the portfolio available for liquidity operations are added to these amounts to determine the accumulated liquidity gap for different periods. Liquidity positions are also monitored from a prudential point of view, calculated in accordance with the rules set forth by Banco Nacional de Angola (Instruction 06/2016 of 8 August).

Due to information constraints, we are unable to disclose liquidity tables based on cash flow due dates. As such, book values net of impairment were used. In this context and as at 31 December 2018, the Bank's balance sheet liquidity gap is broken down as follows, on a separate and consolidated basis, respectively:

(thousand kwanzas)

SEPARATE 31/12/2018	Residual Maturities On Demand	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	327,223,272	73,258,528	35,718,794	7,323,843	1,988,517	70,326,292	70,916,425	722,360,209	2,580,046	1,311,695,927
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	-	-	-	-	-	53,976,813
Loans and advances to central banks and other credit institutions	9,330,566	67,323,011	27,037,538	6,180,552	-	-	-	-	-	109,871,667
Fair value through profit and loss	-	-	-	-	-	-	-	4,392,478	-	4,392,478
Fair value through other comprehensive income	-	-	-	-	-	-	-	-	99,862	99,862
Amortised Cost	-	-	-	-	-	62,621,161	62,915,002	51,888,895	-	177,425,057
Loans and advances to customers	12,116,087	5,935,518	8,681,257	1,143,291	1,988,517	7,705,131	8,001,424	78,966,517	-	124,537,742
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	2,480,184	2,480,184
Other assets	56,898,452	-	-	-	-	-	-	587,112,319	-	644,010,772
LIABILITIES	611,479,354	89,131,904	83,080,434	109,035,760	236,697,862	4,044,347	346,817	132,779,991	-	1,266,596,468
Deposits from central banks and other credit institutions	29,334,097	-	-	-	-	-	-	-	-	29,334,097
Deposits from customers and other loans	536,267,449	89,131,904	83,080,434	109,035,760	236,697,862	4,044,347	346,817	517,848	-	1,059,122,420
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	132,262,143	-	132,262,143
Other liabilities	45,877,808	-	-	-	-	-	-	-	-	45,877,808
LIQUIDITY GAP	(284,256,083)	(15,873,376)	(47,361,639)	(101,711,917)	(234,709,345)	66,281,946	70,569,608	589,580,218	2,580,046	45,099,459
ACCUMULATED LIQUIDITY GAP	(284,256,083)	(300,129,459)	(347,491,098)	(449,203,014)	(683,912,359)	(617,630,413)	(547,060,805)	42,519,413	45,099,459	90,198,918

(thousand kwanzas)

CONSOLIDATED 31/12/2018	Residual Maturities									
	On Demand	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	327,597,987	73,258,528	35,718,794	7,323,843	1,988,517	70,392,139	70,916,425	722,360,209	630,449	1,310,186,892
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	-	194,901,353
Cash and cash equivalents at other credit institutions	53,976,813	-	-	-	-	-	-	-	-	53,976,813
Loans and advances to central banks and other credit institutions	9,330,566	67,323,011	27,037,538	6,180,552	-	-	-	-	-	109,871,667
Fair value through profit and loss	-	-	-	-	-	-	-	4,392,478	-	4,392,478
Fair value through other comprehensive income	-	-	-	-	-	-	-	-	99,862	99,862
Amortised Cost	-	-	-	-	-	62,687,007	62,915,002	51,888,895	-	177,490,904
Loans and advances to customers	12,116,087	5,935,518	8,681,257	1,143,291	1,988,517	7,705,131	8,001,424	78,966,517	-	124,537,742
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	530,587	530,587
Other assets	57,273,167	-	-	-	-	-	-	587,112,319	-	644,385,487
LIABILITIES	608,912,700	89,131,904	83,080,434	109,035,760	236,697,862	4,044,347	346,817	132,779,991	-	1,264,029,814
Deposits from central banks and other credit institutions	29,333,360	-	-	-	-	-	-	-	-	29,333,360
Deposits from customers and other loans	533,346,071	89,131,904	83,080,434	109,035,760	236,697,862	4,044,347	346,817	517,848	-	1,056,201,043
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	132,262,143	-	132,262,143
Other liabilities	46,233,268	-	-	-	-	-	-	-	-	46,233,268
LIQUIDITY GAP	(281,314,713)	(15,873,376)	(47,361,639)	(101,711,917)	(234,709,345)	66,347,792	70,569,608	589,580,218	630,449	46,157,078
ACCUMULATED LIQUIDITY GAP	(281,314,713)	(297,188,089)	(344,549,728)	(446,261,645)	(680,970,989)	(614,623,197)	(544,053,589)	45,526,629	46,157,078	92,314,157

And in 2017, on a separate and consolidated basis, respectively:

Residual Maturities (thousand kwanzas)

SEPARATE 31/12/2017	On Demand	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	213,552,110	25,646,951	102,365,326	10,421,831	120,675,146	12,778,431	19,938,051	356,518,721	6,133,978	868,030,545
Cash and cash equivalents at central banks	138,549,166	-	-	-	-	-	-	-	-	138,549,166
Cash and cash equivalents at other credit institutions	34,755,931	-	-	-	-	-	-	-	-	34,755,931
Loans and advances to central banks and other credit institutions	-	21,347,606	60,620,499	-	-	-	-	-	-	81,968,105
Financial assets available for sale	-	-	-	-	119,134,167	-	-	-	102,125	119,236,292
Investments held to maturity	-	-	29,485,581	-	-	-	-	-	-	29,485,581
Financial assets held for trading	-	-	-	1,635	-	-	-	-	-	1,635
Loans and advances to customers	20,105,176	4,299,345	12,259,246	10,420,196	1,540,979	12,778,431	19,938,051	97,494,189	-	178,835,613
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	1,517,075	1,517,075
Other assets	20,141,836	-	-	-	-	-	-	259,024,532	4,514,779	283,681,147
LIABILITIES	331,224,537	70,545,560	90,900,191	130,673,307	160,903,454	11,434,210	254,126	71,611,327	-	867,546,714
Deposits from central banks and other credit institutions	3,011,117	30,945,946	6,411,125	43,861,716	35,664,397	-	-	-	-	119,894,301
Deposits from customers and other loans	303,507,127	39,599,614	84,489,066	86,811,592	125,239,058	11,433,053	254,126	499,966	-	651,833,602
Financial liabilities held for trading	-	-	-	-	-	1,157	-	-	-	1,157
Subordinated liabilities	-	-	-	-	-	-	-	71,111,361	-	71,111,361
Other liabilities	24,706,293	-	-	-	-	-	-	-	-	24,706,293
LIQUIDITY GAP	(117,672,428)	(44,898,609)	11,465,135	(120,251,476)	(40,228,309)	1,344,221	19,683,925	284,907,393	6,133,978	483,831
ACCUMULATED LIQUIDITY GAP	(117,672,428)	(162,571,036)	(151,105,902)	(271,357,378)	(311,585,686)	(310,241,466)	(290,557,541)	(5,650,147)	483,830	967,661

(thousand kwanzas)

CONSOLIDATED 31/12/2017	Residual Maturities On Demand	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	213,723,203	25,646,951	102,365,326	10,421,831	120,675,146	12,778,431	19,938,051	356,518,721	5,243,386	867,311,046
Cash and cash equivalents at central banks	138,549,167	-	-	-	-	-	-	-	-	138,549,167
Cash and cash equivalents at other credit institutions	34,944,313	-	-	-	-	-	-	-	-	34,944,313
Loans and advances to central banks and other credit institutions	-	21,347,606	60,620,499	-	-	-	-	-	-	81,968,105
Financial assets available for sale	-	-	-	-	119,134,167	-	-	-	102,125	119,236,292
Investments held to maturity	-	-	29,485,581	-	-	-	-	-	-	29,485,581
Financial assets held for trading	-	-	-	1,635	-	-	-	-	-	1,635
Loans and advances to customers	20,087,886	4,299,345	12,259,246	10,420,196	1,540,979	12,778,431	19,938,051	97,494,189	-	178,818,324
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	433,968	433,968
Other assets	20,141,836	-	-	-	-	-	-	259,024,532	4,707,293	283,873,661
LIABILITIES	329,561,420	70,545,560	90,900,191	130,673,307	160,903,454	11,434,210	254,126	71,611,327	-	865,883,597
Deposits from central banks and other credit institutions	3,011,117	30,945,946	6,411,125	43,861,716	35,664,397	-	-	-	-	119,894,301
Deposits from customers and other loans	301,485,509	39,599,614	84,489,066	86,811,592	125,239,058	11,433,053	254,126	499,966	-	649,811,984
Financial liabilities held for trading	-	-	-	-	-	1,157	-	-	-	1,157
Subordinated liabilities	-	-	-	-	-	-	-	71,111,361	-	71,111,361
Other liabilities	25,064,794	-	-	-	-	-	-	-	-	25,064,794
LIQUIDITY GAP	(115,838,217)	(44,898,609)	11,465,135	(120,251,476)	(40,228,309)	1,344,221	19,683,925	284,907,393	5,243,386	1,427,450
ACCUMULATED LIQUIDITY GAP	(115,838,217)	(160,736,826)	(149,271,691)	(269,523,167)	(309,751,476)	(308,407,255)	(288,723,330)	(3,815,936)	1,427,450	2,854,899

The Bank achieved significant improvements in its liquidity ratio with the operation described in Note 36 regarding settlement of the short-term financing taken out with BNA, and the upward trend in the Bank's financial situation as a result of the operation is expected to definitively resolve the liquidity shortfall. This improvement has been achieved, judging by performance indicators.

As at 31 December 2018, the liquidity ratio, calculated in accordance with Instruction 19/2016 of 30 August, stood at 174% (2017: 105%), corresponding to a significant improvement in liquidity risk management. This instruction sets a minimum ratio of 100% for exposure in AOA and 150% for exposure in foreign currency, which demonstrates the progress achieved. However, the Bank has a significant short-, medium-term liquidity gap (less than five years) due to the nature and maturity of the asset receivable from GENSA, which has a long-term maturity. In this regard, the Bank expects to resolve the aforementioned liquidity gap with the capital increase indicated in the next note.

Risk Assessment

Property risk

Property risk arises as the result of property exposure (whether from credit recovery proceedings or investment properties) and the exposure of units in real estate funds in the securities portfolio.

These exposures are regularly monitored and scenario analyses are carried out to estimate the impact of any changes in the real estate market on the Bank's property investment fund portfolio, investment property portfolio and that of properties received in lieu of payment.

As at 31 December 2018 and 2017, property exposure and the exposure of units held in real estate investment funds is broken down as follows, on a separate and consolidated basis:

(thousand kwanzas)

SEPARATE	31/12/2018	31/12/2017
Other assets		
Properties received in lieu of payment	5,141,259	-
Other property not allocated to banking activity	309,777	-
Non-current assets held for sale		
Properties received in lieu of payment	-	5,141,259
Other tangible assets		
Property allocated to banking activity	46,897,187	47,747,863
	52,348,223	**52,889,122**

Risk Assessment
Operational Risk

An operational risk management strategy is in place to identify, assess, monitor, measure, mitigate and report this type of risk.

The Bank's Operational Risk Management Department is in charge of managing its operational risk and is assisted by personnel in the Bank's different units who ensure that operational risk is properly managed.

Risk Assessment
Risk Management and Reports

Strategic Risk Management
The Risk Management Office follows the principles below to manage 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 risk tolerance;
- 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 concentration risk, the Bank follows these guiding principles:

- Outline and assess 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, taking into account the results of risk mitigation techniques used to manage concentration in its portfolios;
- Set appropriate limits of exposure to concentration risk in terms of sources of financing, liquidity investments, off-balance-sheet positions, or other limits in line with the Bank's overall risk strategy and profile;
- Outline procedures for regular monitoring of compliance with the established limits and measures to be taken in the event said limits are exceeded;
- Regularly adjust the degree and type of monitoring of concentration risk to reflect the current nature, scale and degree of diversification of the portfolio.

Reputational Risk Management
The Risk Management Office follows the principles below to manage reputational risk:

- Identify the risk resulting from a negative perception of the Bank by its stakeholders and perform a quantitative and qualitative assessment of the potential effect thereof;
- Risk prevention by monitoring relations with customers and transactions recorded in the business reports prepared by the other offices and departments;
- Create and implement mechanisms to mitigate the impact of reputational risk;
- Record and control the variables that characterise the Bank's reputation in order to maintain exposure at the established level of tolerance and to mitigate potential deviations in a timely manner.

Risk Committee
The Risk Committee Office is in charge of convening the Risk Committee, whose remit is as follows:

- Reflect the strategy outlined 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 suitable and up-to-date;
- Assess the suitability of own funds by means of Stress Testing conducted by the GGR;
- Monitor the exposure of each type of risk using their respective monitoring indicators;
- Monitor the suitability of the Risk Management System;
- Analyse the performance of the loan and non-performing loan portfolios;
- Disclose the most significant loan operations, as well as the most significant non-performing loan operations, especially new ones;

- Analyse the progression of provisions and impairments;
- Analyse the main restructuring operations;
- Approve the overall content of risk manuals and changes thereto;
- Submit a regular report to the Executive Committee and Board of Directors on the operation of the risk management systems and recommendations for improvement thereof, requesting that a decision be taken.

Business Intelligence & Portfolio Analysis

The Risk Management Office is in charge of:

- Creating reporting and risk assessment tools.

Portfolio Modelling and Methods

The Risk Management Office is in charge of the following tasks related to portfolio modelling and methods:

- Creating models for the different risk measures such that stress tests can be conducted (starting with simple models and for areas in which they do not exist)
- Creating a model to calculate the solvency ratio.

Risk Assessment

Capital Management and Solvency Ratio

During 2017, two methodologies were used to calculate and report regulatory own funds and the regulatory solvency ratio for financial institutions. Until September, the BNA regulatory package in force was as follows:

- Notice 05/2007 of 12 September;
- Instruction 03/2011 of 8 June;
- Notice 2/2015 of 26 January;
- Notice 10/2014 of 5 December.

After September, a new regulatory package entered into force to regulate FPR (Regulatory Own Funds) and RSR (Regulatory Solvency Ratio):

- Notice 02/2016 of 15 June;
- Instruction 12/2016 of 8 August;
- Instruction 14/2016 of 8 August;
- Instruction 16/2016 of 8 August.

Banks supervised by the BNA must maintain a level of own funds compatible with the nature and scale of operations, duly weighted by the risks inherent to the operations, with a minimum Regulatory Solvency Ratio of 10%.

Compliance with the minimum level of share capital and FPR, and with Notice 2/2016 on the Regulatory Solvency Ratio for Financial Institutions, is essential to operation of the Bank.

Pursuant to the regulatory package published in 2016, regulatory own funds include:

- Original Own Funds, comprising (i) paid-in share capital; (ii) reserves and retained earnings from previous financial years; (iii) deferred tax; and (iv) other amounts authorised by Banco Nacional de Angola.
- Additional Own Funds, comprising (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 securities; and (v) other amounts authorised by Banco Nacional de Angola.

— Deductions, comprising: (i) share capital paid in and held by other financial institutions; (ii) instruments issued and held by other financial institutions; (iii) redeemable preference shares issued and held by other financial institutions; (iv) subordinated debt issued and held by other financial institutions; (v) excesses over the limits set under the notice on prudential limits for major risks; (vi) incomplete transactions as of 5 business days after the second payment has been made or from transfer up to completion of the transaction; and (vii) risks hedged by own funds.

BNA Measures

INDIVIDUAL SOLVENCY RATIO Base de cálculo		31/12/2018
Regulatory Solvency Ratio (RSR)	(FPR/FPR Requirements) x 10% (as a percentage)	20.75%
Regulatory own funds (FPR)	Original own funds + additional own funds (amount in kwanzas)	199,735,255,506
Requisitos de FPR	FPR requirements for credit risk and counterparty credit risk (amount in kwanzas)	82,853,839,571
	FPR requirements for market risk and counterparty credit risk in the trading portfolio (amount in kwanzas)	13,378,503,546
	FPR requirements for operational risk (amount in kwanzas)	9,021,801

BNA Measures

CONSOLIDATED SOLVENCY RATIO Base de cálculo		31/12/2018
Rácio de solvabilidade regulamentar (RSR)	(FPR/FPR Requirements) x 10% (as a percentage)	20.87%
Fundos próprios regulamentares (FPR)	Original own funds + additional own funds (amount in kwanzas)	200,585,968,323
FPR Requirements	FPR requirements for credit risk and counterparty credit risk (amount in kwanzas)	82,712,389,088
	FPR requirements for market risk and counterparty credit risk in the trading portfolio (amount in kwanzas)	13,378,503,546
	FPR requirements for operational risk (amount in kwanzas)	9,185,501

However, it should be noted that the aforementioned ratios do not take into account the subsequent events indicated in Notes 36 and 37.

Note 36
Relevant Events

Transfer of Economic Rights over Assets

Banco Económico resulted from the renaming of Banco Espirito Santo Angola following restructuring measures imposed by Banco Nacional de Angola on 20 October 2014 and the General Meeting held on 29 October 2014.

On 4 August 2014, Banco Nacional de Angola (BNA) resolved to implement extraordinary restructuring measures, which included a comprehensive assessment of the loan portfolio to ascertain amounts allocated to losses, identify assets to be sold and to restructure and cancel the Sovereign Guarantee issued on 31 December 2013 by the Republic of Angola under Internal Presidential Order 7/2013, of 31 December, in the amount of USD 5.7 billion (AOA 556.4 billion), including USD 200 million for other types of assets. In accordance with the aforementioned Presidential Order, the Sovereign Guarantee was issued on the premise that Banco Espirito Santo de Angola held and managed a loan portfolio and transactions for various Angolan businesses, including micro, small and large enterprises that carried out transactions that were important to achieving the goals set in the 2013-2017 National Development Plan and to protect vital interests to balance the Angolan financial system. At the same time, Banco Nacional de Angola appointed two interim directors to perform day-to-day management of the Bank together with the Board of Directors.

On 20 October 2014, Banco Nacional de Angola disclosed the findings of the report on the Bank's net worth, prepared by said appointed interim directors, and a special-purpose audit report submitted by an independent auditor engaged specifically for such purpose. These reports identified the need to adjust Banco Espirito Santo de Angola own funds by AOA 488.78 billion, as it had AOA 383.886 billion in negative own funds.

Also on 20 October 2014, as a result of the own fund adjustments, Banco Nacional de Angola resolved to implement the following restructuring measures:

- A share capital increase by converting part of the senior interbank loan of AOA 360.768 billion, followed by a reduction in shareholder's equity by absorbing all accumulated losses. With this transaction, the equity held by the Bank's current shareholders is reduced to zero;

- A share capital increase of AOA 65 billion by the shareholders or entities invited by the Bank and accepted by Banco Nacional de Angola, to be paid in cash, to replenish the Bank's share capital and comply with minimum prudential ratios;

- Conversion into share capital of AOA 7 billion of the senior interbank loan, corresponding to a shareholding of 9.9% in the Bank. This conversion shall be subject to the holder of the senior interbank loan obtaining authorisation from the competent authorities to subscribe the share capital;

- Conversion of AOA 41.596 billion of the senior interbank loan into an ordinary loan in US dollars and at market rates, repayable in 18 months, with a guarantee provided by the Bank over 50% of the amount thereof in the form of a pledge on public debt securities;

- Conversion of AOA 41.595 billion of the senior interbank loan into a subordinated loan in US dollars and at market rates, repayable in 10 years, with the option of future conversion into share capital up to the end of the repayment period, provided the loan holder's stake remains below 19.99%. This amount may be increased by AOA 7 billion if the conversion into share capital described in subparagraph (c) above does not take place;

- Placing on the market of additional subordinated instruments in the amount of AOA 50 billion, by 31 December 2015, to maintain regulatory ratios.

An extraordinary General Meeting was held on 29 October 2014 in which the interim directors informed shareholders of the restructuring measures to be implemented, inviting them to recapitalise the Bank as recommended.

As the shareholders, with the exception of GENI Novas Technologias, S.A., showed no interest in capitalising the Bank as suggested, the following transactions were approved:

A share capital increase of AOA 65 billion, made in cash by the following entities and in the proportions approved by Banco Nacional de Angola:

- GENI Novas Technologias, S.A. would pay in AOA 14.328 billion, corresponding to a 19.900% shareholding.

- LEKTRON CAPITAL SA would pay in AOA 22.304 billion, corresponding to a 30.978% shareholding.

- SONANGOL EP would pay in AOA 11.52 billion, corresponding to a 16.000% shareholding.
- SONANGOL SA would pay in AOA 11.52 billion, corresponding to a 16.000% shareholding.
- SONANGOL HOLDINGS LIMITED would pay in AOA 5.328 billion, corresponding to a 7.400% shareholding.

A share capital increase of AOA 7,000 million, by converting the senior loan from Novo Banco S.A., corresponding to a 9.722% shareholding.

Banco Nacional de Angola's intervention ended with this General Meeting, in which new governing bodies were appointed and the Bank's new name (Banco Económico), was approved.

The ordinary loan of USD 424,860,000, taken out as a result of the restructuring measures imposed by Banco Nacional de Angola, was expected to be repaid in full on 30 April 2016. Given current exchange restrictions, Banco Económico and Novo Banco, S.A. agreed to amend the repayment terms of the loan. As a result of the addendum, dated 29 April 2016,

USD 94,667,233.65 was repaid on 30 April 2016, USD 50 million was repaid on 13 June 2016, and USD 73 million was repaid on 30 September 2016. The remaining amount was paid in August 2018. Under the addendum, Banco Económico increased the guarantees provided to Novo Banco, S.A., with a pledge over 12,300 Angolan treasury bonds at a par value of USD 10,000, maturing on 15 August 2018.

Instead of issuing additional subordinated instruments on the market, in the amount of AOA 50 billion, as previously approved by Banco Nacional de Angola, transactions to transfer economic interests in a loan portfolio, units of participation and the sale of assets held by the Bank were carried out on 15 July 2016 with GRUPO ENSA - Investimentos e Participações E.P. ("Grupo ENSA Transaction"), under Presidential Decrees 196/15 and 123/16, and which came into effect on 31 December 2014. These transactions were carried out as follows:

- Contractual transfer of economic rights over direct loans and other assets in the amount of AOA 111.886 billion and USD 1.981 billion. The Bank held the option to repurchase two loan operations in the amount of AOA 10.286 billion by 2018. An agreement was reached with Grupo ENSA in 2018 not to exercise such option. Economic rights over written-off loans were also transferred, in the gross amount of AOA 88,716,000 and which were fully provisioned.
- Sale of 49,191 units of participation in the BESA Património Fund, corresponding to a total of 50.2% of all units, in the amount of AOA 5.975 billion.
- Transfer of economic rights over 50,000 units of participation in the BESA Valorização Fund, corresponding to 100% of the funds units, in the amount of AOA 54.102 billion.
- Disposal of sundry assets not for the Bank's own use and property, plant and equipment in progress, in the amount of AOA 4.975 billion.

As the above transactions came into legal and economic effect retroactively on 31 December 2014, following approval by Banco Nacional de Angola on 31 October 2016, the bank derecognised the assets on said date in the amount of AOA 380.743 billion (AOA 176.939 billion and USD 1.981 billion), with the exception of direct loans over which the Bank still has the option to repurchase AOA 10.286 billion, offset in "Other assets" (see Note 23), which were derecognised in 2018 following the agreement entered into with Grupo ENSA not to exercise the option.

The following timeline was agreed on for payment of the price of the transactions:

- Upon signature of the contracts, payment of AOA 47.04 billion would be made by means of the transfer of Angolan debt securities (recorded in the securities portfolio - note 17).
- Five annual and equal instalments to pay the outstanding amount, from 15 July 2017 (with two parts - AOA 25.98 billion and USD 396 million).

Interest at a rate of 7% is charged on the outstanding amount.

The Payment Agreement entered into by the parties stipulates that the five aforementioned instalments be paid by one of the following means, to be approved by two public authorities and/or their respective supervisory, regulatory or other bodies in the appropriate legal and economic instruments, pursuant to prevailing laws:

- by transferring Angolan treasury bonds expressed in the domestic currency as identified in Presidential Decree

196/15, of 8 October, Executive Decree 656/15, of 24 November, issued by the Ministry of Finance, and in Presidential Decree 123/16, of 9 June, or a subsequent law for the same purpose as set forth in legislation on public debt and how to transfer it, without prejudice to the provisions in subparagraph (iii) below, which take precedence;

— in cash, without prejudice to the provisions in subparagraph (iii) below, which take precedence;

— the portion of the price indexed to the US dollar of each annual instalment must be paid by transferring Angolan treasury bonds indexed to the Banco Nacional de Angola AOA/USD exchange rate on the date of each payment or, alternatively, by depositing US dollars into a bank account held at Banco Económico.

Should Grupo ENSA not be able to make payments by the aforementioned means, payment may be made by providing bonds issued by ENSA in the amount, number, par value, interest rate, form of payment, time frame and repayment terms and conditions approved by the competent authorities pursuant to applicable law, but under no circumstances shall these be less advantageous to Banco Económico than those established in the Agreement and in transaction contracts.

On 20 March 2017, Banco Económico transferred, in lieu of payment, to Banco Nacional de Angola an Angolan treasury bond portfolio valued at AOA 14.662 billion, and amounts receivable from the transfer and sale of assets to Grupo ENSA Investimentos e Participações E.P. in the amount of AOA 256.963 billion (49% of the total balance under "Other assets"), to settle financing granted to Banco Económico by Banco Nacional de Angola in full, at the time totalling AOA 271.625 billion (AOA 230.372 billion as at 31 December 2016 - Note 23).

On 15 July 2017, the first of the five annual instalments was expected to be paid together with interest related to the transfer of economic rights and sale of assets, in a total amount of AOA 179.36 billion (AOA 54.36 billion and USD 749 million, of which AOA 25.98 billion and USD 396 million corresponding to the principal, and AOA 28.38 billion and USD 352 million to interest), AOA 76.734 million of which owed to Banco Nacional de Angola for the transfer of rights by Banco Económico, as indicated in the foregoing paragraph. As set forth in the Order issued by the Minister of Finance on 9 October 2017, as the supervisory body of Grupo ENSA, and in order to adjust the payment plan to the rate of recovery of loans and other assets in the current economic environment and to minimise the amount of public debt to be issued in the future to cover any deficit, using amounts recovered thus far for partial payment of interest in arrears, reformulation of the Payment Agreement was authorised as follows:

— Payment of AOA 25.216 billion, of which AOA 388 million with public debt securities, for partial payment of interest to Banco Económico;

— Capitalisation of the remaining unpaid interest, in the amount of USD 201 million and AOA 28.38 billion;

— Change to the payment plan for the transfer of assets from 5 to 24 years, as provided by the Government for issuance of public debt for these types of transactions, maintaining the interest rate at 7%. The new plan envisages annual principal payments of USD 90,940,000 and AOA 6,594,949,000, plus interest calculated on the amount owed.

On 19 December 2017, the Bank and GENSA signed an agreement to formalise the foregoing terms and conditions.

The first of the 24 instalments to pay the principal and interest was expected to be made on 31 December 2018, in the amount of AOA 22,804,429,000 and USD 314,458,000 (AOA 6,594,949,000 and USD 90,940,000 corresponding to the principal, and AOA 16,209,480,000 and USD 138,692,000 to interest), USD 267,131,000 of which (USD 77,253,000 corresponding to the principal and USD 189,878,000 to interest) owed to the Bank. The remaining amount is to be paid to Banco Nacional de Angola as stipulated in the agreement related to transfer of the aforementioned rights.

To date, GENSA has yet to pay the instalment corresponding to the principal and interest.

During discussions held with the Ministry of Finance and Banco Nacional de Angola, the Bank informed these entities of the possibility of offering a discount over the amount owed of USD 61,777,000 (AOA 19,064,674,000). This amount was deducted from the amount receivable from GENSA recorded in the balance sheet and the respective loss included in profit and loss for the year.

In May 2019, Banco Nacional de Angola and the Ministry of Finance notified Banco Económico and its shareholders that they wanted the sale of assets to Grupo ENSA reconverted into a share capital increase carried out by the current shareholders. As part of the discussions with the Ministry of Finance and Banco Nacional de Angola on this issue, these entities informed the Bank of the intention to replace payment of the price for the transfer/sale of assets to Grupo ENSA with a share capital increase to offset the difference between the sale price and the current appraised value of the transferred/sold assets. On 22 July 2019, Banco Nacional de Angola notified Banco Económico to carry out said share capital increase by 30 June 2020, quantified in the amount of AOA 416 billion. However, this amount is subject to review if an adjustment based on ongoing analyses is required, including on the asset quality review underway, to ensure replenishment of Regulatory Own Funds and adequacy of the Regulatory Solvency Ratio (RSR). As indicated in said notice, if, in the course of the capital increase, there are any significant impairment losses still under analysis, the Bank must request that Banco Nacional de Angola make the proportionate change to paid-in capital.

Shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holding Lda formally expressed their intent to subscribe and pay up the share capital increase to be approved by the General Meeting of 7 August 2019, in proportion to their shareholdings or to the total amount of the capital increase, should the other shareholders not exercise their pre-emption right.

Given that the contracts entered into with Grupo GENSA for the sale of assets are currently in effect, that the terms and conditions under which they will be amended to enable the capital increase are unknown and the asset value is yet to be confirmed, Banco Económico has not included the impact of a change in the assumptions of the sale of assets to Grupo ENSA in the financial statements as at 31 December 2018.

As a result of a change in the assumptions of the Grupo ENSA Transaction, the financial statements were prepared on a going concern basis taking into account that shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holdings Lda expressed their intent, in a letter sent on 2 August 2019, to subscribe and pay up the share capital increase to be approved in the General Meeting of 7 August 2019.

The share capital increase required to offset the change in assumptions of the sale of assets to Grupo ENSA may be other than that indicated, depending on when and how it is carried out.

On 19 July 2019, Sonangol EP informed Banco Económico that Lektron Capital SA transferred shares representing 30.978% of the Bank's share capital as payment of the loan taken out by Lektron from Sonangol EP. With the aforementioned transfer in lieu of payment, Sonangol EP and Grupo Sonangol increased their shareholding in Banco Económico to 46.978% and 70.378%, respectively.

The table below provides an overview of the change in balances in the Bank's financial statements related to transactions with Grupo ENSA:

(thousand kwanzas)

FINANCIAL STATEMENT ITEMS	31/12/2018	31/12/2017 Restatement (Note 2)	Note
PROFIT AND LOSS ACCOUNT	**332,216,466**	**14,551,192**	
Net Interest Income	30,869,671	18,498,762	
Other interest and similar income	31,748,413	19,838,135	5
Other interest and similar costs	(878,743)	(1,339,373)	5
Foreign exchange income related to the transfer of assets	318,905,649	47,686	9
Other operating income	1,505,821	-	10
Impairment	(19,064,674)	(3,995,257)	23
BALANCE SHEET	**581,362,065**	**262,608,064**	
Credit	-	10,286,300	
Credit repurchase agreements	-	10,286,300	18
Other assets	619,510,897	275,282,668	
Capital	563,656,288	254,156,472	23
Accrued interest	53,017,559	4,868,059	23
Property receivables/payables	1,420,660	914,417	23
Stamp duty borne by the Bank on loan transfers	3,995,257	3,995,257	23
Impairment on stamp duty	(3,995,257)	(3,995,257)	23
Advances for property	20,481,064	15,343,720	23
Impairment on other assets	(19,064,674)	-	23
Other liabilities	(38,148,832)	(22,960,905)	
Credit repurchase agreements	-	(10,286,300)	29
Settlements paid on loan transfers	(29,008,115)	(11,246,068)	29
Interest and other expenses	(1,803,530)	(1,428,537)	29
Property receivables/payables	(7,337,187)	-	29
Stamp duty borne by the Bank on loan transfers	-	-	29

Note 37
Subsequent Events

Contributions to the Deposit Guarantee Fund

The Deposit Guarantee Fund ("FGD") is a legal person governed by public law, with administrative and financial autonomy, created under Presidential Decree 195/18, of 22 August, to guarantee repayment of deposits made at the branches of credit institutions in Portugal that are members of the fund. The Bank, like most financial institutions operating in Angola, is a member of the FGD covered by the contributions made as a result of payment of an annual fee to BNA, essentially determined based on the Bank's eligible liabilities.

The annual contribution is calculated by applying an annual premium over the eligible deposits made in the previous year.

In accordance with the Notice indicated above, the BNA sets an annual premium, in specific legislation, of up to 0.25% by 31 March or the last business day of March of each year.

However, the initial capitalisation contribution is made by applying 0.23% over the eligible deposits made in the previous year pursuant to BNA Notice 1/19 of 11 January.

As such, the Bank made an initial capitalisation contribution to the FGD in the amount of AOA 365,238,000, on 12 March 2019.

Change in the Shareholder Structure

On 19 July 2019, Sonangol EP informed Banco Económico that Lektron Capital SA transferred shares representing 30.978% of the Bank's share capital as payment of the loan taken out by Lektron from Sonangol EP. With the aforementioned transfer in lieu of payment, Sonangol EP and Grupo Sonangol increased their shareholding in Banco Económico to 46.978% and 70.378%, respectively.

(% Capital)

	Current	31/12/2018
Sonangol E.P.	46.98%	16.00%
Geni, Novas Tecnologias, S.A.	19.90%	19.90%
Sonangol Vida, S.A.	16.00%	16.00%
Sonangol Holding, Lda.	7.40%	7.40%
Novo Banco, S.A.	9.72%	9.72%
Lektron Capital, S.A.	0.00%	30.98%
	100%	100%

Transfer of Economic Rights and Sale of Assets to Grupo ENSA

As indicated in Note 36, as at 31 December 2018 GENSA had not yet paid the principal and interest instalment. As such, to remedy default, the Bank entered into talks with the Ministry of Finance and Banco Nacional de Angola, which informed the Bank of the intention to replace payment of the price of sale of the assets to Grupo ENSA with a share capital increase to offset the difference between the sale price and the current appraised value of the assets sold.

As a result of the entities indicated above expressing the intention to replace payment, on 22 July 2019 Banco Nacional de Angola notified Banco Económico to carry out said share capital increase by 30 June 2020, quantified in the amount of AOA 416 billion. However, this amount is subject to review if an adjustment is required based on the asset quality review underway, to ensure replenishment of Regulatory Own Funds and adequacy of the Regulatory Solvency Ratio (RSR). Shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holding Lda formally expressed their intent to subscribe and pay up the share capital increase requested or which may be requested by BNA in proportion to their shareholdings or to the total amount of the capital increase, should the other shareholders not exercise their pre-emption right.

Moreover, and given the foregoing changes, the terms and conditions for replacing the asset receivable from GENSA under the capital increase are still unknown and the asset value is yet to be determined. As such, Banco Económico has not included the possible effect of a change in the assumptions of the sale of assets to Grupo ENSA in the financial statements as at 31 December 2018. However, it should be noted that shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holding Lda expressed their intent to subscribe and pay up the share capital increase requested by Banco Nacional de Angola as a result of the change in the assumptions of the sale of assets to Grupo ENSA. As such, the financial statements were prepared on an ongoing concern basis, despite the uncertainties described in Note 36.

Note 38 Accounts Standards and recent Interpretations

New Standards and Interpretations applicable to 2018

IFRS 15 - Revenue from contracts with customers

On 28 May 2014, the IASB issued standard IFRS 15 - Revenue from contracts with customers, replacing the following standards and interpretations: IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for Real Estate Construction, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue - Direct Trading Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step model for determining when revenue should be recognised and the amount thereof. The model specifies that revenue must be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on fulfilment of some criteria, revenue is recognised:

- At the precise moment when control of the goods or services is transferred to the customer; or
- Throughout the period, insofar as it reflects the entity's performance. The Bank is still assessing the impacts of adopting this standard.

The Bank adopted IFRS 15 on 1 January 2018 and, as part of the gap analysis performed, the approach used to identify revenue from contracts with customers subject to accounting in accordance with the standard's requirements focused on identifying profit and loss account items that could have revenue posted from contracts with customers.

An analysis of fees or income recorded in the respective accounts was also performed for these items. The standard had no significant impacts on the Bank's financial statements.

IFRIC 22 - Transactions in foreign currency and advance consideration

On 8 December 2016, the IASB issued standard IFRIC 22 - Transactions in foreign currency and advance consideration, setting a mandatory effective date for periods beginning on or after 1 January 2018.

This interpretation clarifies that, when determining the spot exchange rate to be used in the initial recognition of an asset, an expense or an income (or part thereof) associated with the derecognition of non-monetary assets or liabilities related to an advance consideration, the transaction date is that on which the entity initially recognises the non-monetary asset or liability related to an advance consideration.

If there are multiple payments or receivables of an advance consideration, the entity shall determine the transaction date for each payment or receivable.

The aforementioned standard does not have any significant impacts on the Bank's financial statements.

New Standards and Interpretations applicable in 2018 only in the event of earlier application

IFRS 16 – Leases

On 13 January 2016, the IASB issued standard IFRS 16 - Leases, replacing current guidelines on leases, namely, IAS 17 - Leases and IFRIC 4 - Determining whether an arrangement contains a lease.

The scope of IFRS 16 includes the lease of all assets, with some exceptions. A lease is defined as a contract, or part or a contract, that conveys the right to use an asset (underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to recognise all leases using a single on-balance sheet accounting model, just as the IAS 17 does for financial leases. The standard recognises two exceptions to this model: (1) if the underlying asset is of low value (such as personal computers) and a short-term lease period (i.e. a term of less than 12 months). On the lease start date, the lessee is required to recognise its obligation to make lease payments (i.e. the lease liability) and the underlying right-of-use asset throughout the lease term (i.e. right-of-use or ROU).

Lessees must recognise interest on the lease liability and depreciation of the right-of-use asset separately.

The accounting requirements of the lessee remain essentially unchanged in relation to those under IAS 17.

The lessor continues to classify all leases using the same principles under IAS 17 and distinguishing between the two types of leases: operating leases and financial leases.

The Bank will recognise new assets and liabilities for its operating leases related to its branches and offices (central services). The nature of the expenses related to these operating leases will be changed, given that IFRS 16 replaces straight-line expenses in operating leases with depreciation of the right-of-use assets and interest borne on lease liabilities.

The Bank previously recognised operating lease expenses on a straight-line basis throughout the term of the lease contract, and only recognised assets and liabilities when a difference was identified in the time between lease payments and recognition of the expense.

As at 31 December 2018, the Bank is assessing the impact of applying this new standard.

IFRIC 23 - "Uncertainty over income tax treatment":

In June 2017, IASB issued IFRIC 23 - Uncertainty over income tax treatment (the Interpretation), clarifying how the recognition and measurement requirements of IAS 12 - Income taxes, are applied when there is uncertainty over income tax treatments.

The Interpretation addresses accounting requirements for income tax when tax treatments involve uncertainty and affect application of IAS 12. The Interpretation does not apply to rates or taxes that do not fall within the scope of IAS 12, nor does it specifically include requirements pertaining to interest or fines associated with uncertainty regarding tax treatment.

The Interpretation specifically addresses the following:

- Whether an entity considers tax treatment uncertainties separately;
- The assumptions used by an entity on examining tax treatment by tax authorities;
- How an entity determines taxable profit (loss), the tax base, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes to facts and circumstances.

An entity has to determine whether it considers uncertainty over each tax treatment separately or jointly with one or more types of uncertainty over tax treatments. The approach that needs to be followed is that which best enables the outcome of the uncertainty to be predicted.

The Interpretation was endorsed on 23 October 2018 and is applicable to financial years beginning on or after 1 January 2019.

The Bank does not expect the standard to have any impact as a result of the application thereof.

Not Applicable in 2018

Annual Improvements relative to the 2015-2017 cycle

In Annual Improvements relative to the 2015-2017 cycle, the IASB introduced improvements in four standards, as summarised below:

IFRS 3 Business combinations – Previously held interest in a joint operation

The changes clarify that, when an entity gains control of a joint operation, it must apply the requirements of the business combination in stages, including remeasuring the previously held interest in the joint operation's assets and liabilities to their fair value.

In so doing, the acquirer remeasures their previously held interest in that joint operation.

This change applies to business combinations for which the acquisition date falls on or after the start of the first reporting period beginning on or after 1 January 2019.

IFRS 11 Joint arrangements - Previously held interest in a joint operation

A party taking part, but without joint control, in a joint operation may gain joint control of a joint operation whose activity is a business as set forth under IFRS 3. This change serves to clarify that the previously held interest does not have to be remeasured.

This change applies to transactions where the entity gains joint control on or after the start of the first reporting period beginning on or after 1 January 2019.

IAS 12 Income taxes – consequences regarding income tax arising from payments pertaining to financial instruments classified as equity instruments.

These changes serve to clarify that the income tax consequences of dividends are directly associated with the past transaction or event that generated earnings distributable to shareholders. Consequently, the entity recognises the tax impacts on the profit and loss account, on comprehensive income or another equity instrument the same way it recognised those past transactions or events.

These changes apply to annual periods beginning on or after 1 January 2019.

IAS 23 Borrowing costs – borrowing costs eligible for capitalisation

The change serves to clarify that an entity treats, as part of overall borrowings, any borrowing originally obtained for developing the qualifying asset, when substantially all of the activities needed for preparing that asset for its intended use or for sale are complete.

The changes apply to borrowing costs incurred on or after the start of the reporting period when the entity adopts these changes.

These changes apply to annual periods beginning on or after 1 January 2019.

Definition of a business – changes to IFRS 3

This change serves to clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Definition of material – Changes to IAS 1 and to IAS 8

The purpose of this change was to make the definition of "material" consistent in all standards in effect and to clarify some aspects related to the definition. The new definition holds that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The changes clarify that the materiality depends on the nature or magnitude of information, or both. An entity has to assess whether certain information, either individually or in combination with other information, is material in the context of its financial statements.

IAS 19 - Changes to a plan - an amendment, curtailment or settlement

This change serves to clarify the accounting treatment of a plan amendment, curtailment or settlement.

9.3.
Report and Opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE 2018 FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of Banco

Económico S.A.

1. In accordance with the *law* and the Articles of Association, and as part of our audit activity, we hereby offer our report and opinion on the financial statements submitted by the Board of Directors of Banco Económico., S.A. ("Bank") concerning the financial year ended 31 December 2018.

2. We monitored the year-end closing of accounts and *were provided* the information and explanations needed to draw up our opinion & by the Board of *Directors* and the Independent Auditor (Ernst & Young Angola Lda).

3. We analysed the Opinion on the Financial Statements issued by the Independent Auditor (Ernst & Young & Angola Lda), with which we agree, in particular with regard to the expression and rationale for the Qualified Opinions, Emphasis of Matters, and Other Matters contained therein.

4. We are aware of the plan and commitment of the shareholders to increase the Bank's share capital by 416 billion kwanzas, from 72 billion to 488 billion kwanzas.

5. The recapitalisation transaction referred to in item 4 above is based on assumptions that take into account the achievement or maintenance of a solvency ratio of 15% % and a Core Tier 1 ratio %, of 10%, considering the impact of reversal of the GENSA transaction, additional financing from BNA and full settlement of the Novo Banco subordinated debt.

6. We would like to alert the Executive Committee of the need to establish a time frame to carry out the recapitalisation transaction to ensure that it does not jeopardise the goal to maintain the aforementioned ratios and the continuity of operations and sustainability of the Bank.

7. It is our Opinion that the Financial Statements and Accompanying Notes, , read together with the Independent Auditor's Opinion, provide an accurate picture of Banco Económico S.A.'s financial position .as. at 31 December 2018 and that they should be approved by the Shareholders.

8. We would like to take this opportunity to thank the Board of Directors and the Independent Auditor, Ernst & & Young Angola Lda, for their assistance and for the information provided..

Luanda, 7 August 2019

The Supervisory Board

[initials]

Mazars Angola -Auditores e Consultores S.A
Represented by Dr Carlos Freitas
Chairman

[initials]

Dr Mário Bruno da Conceição Ferreira Lourenço
Member of the Board

Dr Jacques dos Santos
Member of the Board

RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE AS DEMONSTRAÇOES FINANCEIRAS DE 2018

Ao Conselho de Administração e Accionistas do

Banco Económico S.A.

1. Nos termos da Lei e dos estatutos, e no âmbito da actividade fiscalizadora apresentamos o relatório e Parecer sobre as demonstrações financeiras apresentadas pelo Conselho de Administração do Banco Económico S.A. ("Banco") relativo ao exercício findo em 31 de Dezembro de 2018.

2. Acompanhamos o processo de fecho de contas do exercício e obtivemos do Conselho de Administração e do Auditor Independente (Ernst & Young Angola Lda) as informações e os esclarecimentos solicitados necessários à emissão do nosso Parecer.

3. Analisamos o Parecer sobre as Demonstrações Financeiras emitido pelo Auditor Independente (Ernst & Young Angola Lda), com o qual concordamos, nomeadamente na expressão e fundamentação das Reservas, Enfâse e Outras Matérias que aí constam.

4. Tomámos conhecimento do projecto e compromisso dos accionistas de aumento do capital de 416 mil milhões de Kwanzas passando assim de 72 mil milhões de Kwanzas para 488 mil milhões de Kwanzas.

5. A operação de recapitalização a que se refere o ponto 4 acima assenta em pressupostos que ponderam a obtenção ou manutenção do rácio de solvabilidade de 15 % e do rácio Core Tier 1 de 10 %, considerando os impactos da reversão da operação GENSA, do financiamento adicional do BNA e liquidação integral da dívida subordinada do Novo Banco.

6. Alertamos a Exma Comissão Executiva sobre a necessidade imperativa de fixar o calendário de concretização da operação de recapitalização, de forma a que a mesma não comprometa os objectivos de manutenção dos rácios acima referidos ou ainda a continuidade harmoniosa das operações e perenidade da Instituição.

7. Assim somos de Parecer que as Demonstrações Financeiras e respectivos Anexos, lidos conjuntamente com o Parecer do Auditor Independente, apresentam de forma apropriada, a posição financeira do Banco Económico S.A. em 31 de Dezembro de 2018 e que as mesmas sejam aprovadas pelos Senhores Accionistas.

8. Gostaríamos de expressar o nosso agradecimento ao Conselho de Administração e ao Auditor Independente, Ernst & Young Angola Lda, pela disponibilidade pessoal e qualidade das informações transmitidas.

Luanda, 7 de Agosto de 2019

O Conselho Fiscal

Mazars Angola – Auditores e Consultores S.A
Representada por Dr Carlos Freitas
Presidente

Dr Mário Bruno da Conceição Ferreira Lourenço
Vogal

Dr Jacques dos Santos
Vogal

9.4.

Independent Auditor's Report

[logo]
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Independent Auditor's Report on the Separate Financial Statements

To the Board of Directors and Shareholders of Banco Económico, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco Económico, S.A. ("Bank"), comprising a balance sheet as at 31 December 2018 (which demonstrates a total of AOA 1,357,610,391,000 and a total equity of AOA 72,855,605,000, including net income of AOA 36,374,287,000), a profit and loss account, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the financial year ended on said date and the corresponding Accompanying Notes.

Responsibility of the Board of Directors for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for the internal control it deems necessary to enable financial statements to be prepared free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements, based on our audit, which was carried out in accordance with the Technical Standards of the Association of Chartered Accountants and Statutory Auditors of Angola. These Standards require us to comply with ethical requirements and that we undertake the audit to obtain a reasonable guarantee as to whether the financial statements are free of material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 preparation and fair presentation of the financial statements by the Bank in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as assessing 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 qualified opinion.

Basis for Qualified Opinion

6. On 15 July 2016, transactions were carried out with Grupo ENSA - Investimentos e Participações, E.P. ("Grupo ENSA") to transfer economic rights over a loan portfolio and units of participation in investment funds, as well as the sale of other assets owned by the Bank, with effects retroactive to 31 December 2014 ("Grupo ENSA Transaction"). As described in Note 36 of the accompanying notes to the financial statements, the balances resulting from the transaction as at 31 December 2018 accounted for 47% of total Assets (31 December 2017: 30%), 3% of total Liabilities (31 December 2017: 3%), 48% of interest and similar income (31 December 2017: 38%) and 326% of exchange rate gains and losses.

[initials]

As regards the balances recognised under Assets, "Other assets", in the amount of 619,510,897,000 kwanzas, includes impairment losses totalling 19,064,674,000 kwanzas which, according to the Bank's Board of Directors, is the result of a discount the Bank was prepared to offer given the default on the agreed payment plan and ongoing negotiations with the Ministry of Finance and Banco Nacional de Angola. Furthermore, as disclosed in said Note, the aforementioned entities informed the Bank of the intention to replace payment of the amount owed by Grupo ENSA with a share capital increase to offset the difference between the amount owed and the appraised amount of the assets concerned. In this context, given that (i) the contracts entered into with Grupo ENSA are still in effect, (ii) the terms and conditions under which the contracts will be amended to enable the share capital increase referred to in paragraph 12 below are unknown, and (iii) the value of the assets underlying the Grupo ENSA Transaction is yet to be confirmed, the Bank's Board of Directors did not include the possible effect of a change in the assumptions of the Grupo ENSA Transaction in the financial statements as at 31 December 2018. Moreover, as part of the external confirmation of the balances related to Grupo ENSA recognised under "Other assets" (Note 23), we were unable to obtain the respective position reconciliation, having identified a discrepancy in the Bank's accounting records in the amount of 30,212,739,000 kwanzas, which reflects a possible undervaluation of the Bank's assets.

With regard to the balances recognised under Liabilities, our request for confirmation of the balances from Grupo ENSA regarding the credit balances included under "Other liabilities", in the amount of 38,148,832,000 kwanzas as at 31 December 2018, went unanswered.

As a result, we were unable to determine the effects settlement thereof may have on the Bank's financial statements with reference to 31 December 2018.

7. The Bank's customer loans portfolio, measured at amortised cost at 210,620,981,000 kwanzas as at 31 December 2018, was individually analysed in the amount of 159,334,359,000 kwanzas (76%) and collectively analysed in the amount of 51,286,622,000 kwanzas (24%) (as disclosed in Note 18 of the accompanying notes to the financial statements). On 1 January 2018, International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") entered into force, introducing, among other changes, a new expected loss impairment model for loan portfolios. However, as indicated in Note 2.6 of the accompanying notes to the financial statements, the Bank recently concluded implementation of the impairment model with the limitations described in said Note. Consequently, given the information available, we were unable to determine the effects, if any, of these limitations on the adoption of the IFRS 9 on 1 January 2018, on impairment losses for the 2018 financial year and on accumulated impairment losses on loans posted on 31 December 2018, in the amount of 2,625,184,000 kwanzas, 55,199,758,000 kwanzas and 86,083,239,000 kwanzas, respectively. Also of note is that the Independent Auditor's Report on the financial statements for the year ended 31 December 2017, which we issued on 18 June 2018, included a reservation due to limitation in scope that affected our assessment of the reasonableness of the impairment losses on the loan portfolio assessed in the collective analysis. As such, our opinion on the financial statements for the year has also been modified due to the possible effect thereof on the comparability of the corresponding figures.

8. "Other tangible assets" and "Other assets" include property in the net amount of 4,817,038,000 kwanzas (2017: 41,609,779,000 kwanzas) and of 3,652,216,000 kwanzas (2017: 3,939,210,000 kwanzas classified under "Non-current assets held for sale"), respectively, whose legalisation is still ongoing (Notes 20 and 23 of the accompanying notes to the financial statements). Based on information provided, we are unable to assess the impact this matter will have on the Bank's financial statements.

9. "Securities Portfolio" includes Angolan public debt securities in the amount of 48,427,460,000 kwanzas (2017: 48,369,465,000 kwanzas), which mature in 2040 and bear annual interest at a rate of 5% (Note 17 of the accompany notes to the financial statements). The Bank initially recognised these securities at their par value, which may differ significantly from their fair value. We did not, however, obtain sufficient information to allow us to accurately quantify the effects of this situation on the Bank's financial statements and the respective accompanying notes as at 31 December 2018, which we believe are material.

[initials]

10. The Angolan Banking Association (ABANC) and Banco Nacional de Angola issued an interpretation stating that not all the requirements under IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") have been met for the Angolan economy to be considered hyperinflationary for the financial year ended 31 December 2018. Consequently, the Bank's Board of Directors once again decided not to apply the provisions of the Standard to its financial statements, just as it did for the year ended 31 December 2017. As at 31 December 2018, the cumulative inflation rate over the past three years exceeded 100%, irrespective of the index used. This objective quantitative measure leads us to believe, together with other criteria stipulated in IAS 29, that the functional currency of the Bank's financial statements as at 31 December 2018 corresponds to that of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements at that date on the basis of and in accordance with the provisions of IAS 29. However, we did not obtain sufficient information to allow us to accurately quantify the effects of this situation on the Bank's financial statements as at 31 December 2018, which we believe are material.

Qualified Opinion

11. In our opinion, except for the possible effects of the matters described in paragraphs 6 to 8 and in paragraphs 9 and 10, under the section "Basis for Qualified Opinion", the financial statements referred to in paragraph 1 above are a fair presentation, in all material respects, of the financial position of Banco Económico, S.A. as at 31 December 2018, and of its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Emphasis of matter

12. Without modifying the opinion expressed in the preceding paragraph, we draw your attention to the following matters described in Notes 36 and 37 of the accompanying notes to the financial statements:

i) Shareholders:

On 19 July 2019, Sonangol EP notified the Bank that Lektron Capital, S.A. transferred shares representing 30.978% of the Bank's share capital as payment of the loan taken out by Lektron from Sonangol EP. With the aforementioned transfer in lieu of payment, Sonangal EP increased its shareholding in the Bank to 46.978% and Grupo Sonangol to 70.378%, thereby becoming the majority shareholder.

ii) Material uncertainty as to continuity:

As indicated in Note 36, Banco Nacional de Angola and the Ministry of Finance notified the Bank and its shareholders in May 2019 that they wanted the Grupo ENSA Transaction to be reconverted into a share capital increase carried out by the current shareholders (also see paragraph 6 above). On 22 July 2019, Banco Nacional de Angola notified the Bank in writing of the need to assess impairment losses on the loan and to carry out a share capital increase, by 30 June 2020, in the amount of 416 billion kwanzas to ensure replenishment of Regulatory Own Funds and adequacy of the Regulatory Solvency Ratio (RSR). As indicated in said notice, if, in the course of the share capital increase, there are any significant impairment losses still under analysis, the Bank must request that Banco Nacional de Angola make the proportionate change to paid-in capital. Furthermore, and taking into account the change in the assumptions of the Grupo ENSA Transaction, shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holdings Lda, in a letter dated 2 August 2019, expressed their intent to subscribe and pay up the share capital increase to be approved in the General Meeting of 7 August 2019, called by the Bank. Consequently, the Board of Directors believes that preparing the financial statements on a going concern basis to be appropriate.

The aforementioned circumstances, together with the other aspects described in Note 36 of the accompany notes to the financial statements, indicate a material uncertainty that could jeopardise the Bank's ability to continue pursuing its normal course of business. As such, continuity of the Bank is reliant upon support from the shareholders, namely by carrying out the aforementioned share capital increase, and the success of future operations.

[initials]

Other Matters

13. On the date hereof, an asset quality review is underway with reference to 31 December 2018, promoted by Banco Nacional de Angola, which could lead to additional obligations to comply with regulatory requirements.

14. As disclosed in Note 2.1 of the accompanying notes, the Bank's financial statements have been prepared on a separate basis (separate financial statements) and on a consolidated basis (consolidated financial statements). With regard to the consolidated financial statements as at 31 December 2018, a separate Independent Auditor's Report will be issued.

Luanda, 7 August 2019

Ernst & Young Angola, Lda.
Represented by:

[initials]
Daniel Guerreiro
Statutory Auditor no. 20130107

[initials]
Silvia Silva

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Relatório do Auditor Independente sobre as Demonstrações Financeiras Individuais

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 2018 (que evidencia um total de 1.357.610.391 milhares de Kwanzas e um total de capital próprio de 72.855.605 milhares de Kwanzas, incluindo um resultado líquido de 36.374.287 milhares de Kwanzas), a demonstração dos resultados, as demonstrações do rendimento integral, das alterações nos fundos próprios e dos fluxos de caixa relativas ao exercício findo naquela data e o correspondente Anexo.

Responsabilidade do Conselho de Administração pelas Demonstrações Financeiras

2. O Conselho de Administração é responsável pela preparação e apresentação de modo apropriado destas demonstrações financeiras de acordo com as Normas Internacionais de Relato Financeiro ("IFRS") 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 é 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 a 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. Foram realizadas, em 15 de Julho de 2016, com o Grupo ENSA - Investimentos e Participações, E.P. ("Grupo ENSA"), operações de transmissão de direitos económicos de uma carteira de créditos e de unidades de participação em fundos de investimento, assim como a venda de outros activos detidos pelo Banco, as quais tiveram efeitos retroactivos a 31 de Dezembro de 2014 ("Operação com o Grupo Ensa"). Tal como detalhado na Nota 36 do Anexo às demonstrações financeiras, os saldos decorrentes desta transacção em 31 de Dezembro de 2018 representavam 47% do total do Activo (31 de Dezembro de 2017: 30%), 3% do total do Passivo (31 de Dezembro de 2017: 3%), 48% dos juros e proveitos equiparados (31 de Dezembro de 2017: 38%) e 326% dos resultados cambiais.

Relativamente aos saldos reconhecidos no Activo, a rubrica "Outros activos", no montante de 619.510.897 milhares de kwanzas, inclui perdas por imparidade no montante de 19.064.674 milhares de Kwanzas as quais, de acordo com o Conselho de Administração do Banco resultam do montante de desconto que o Banco se encontrava disponível para conceder, atendendo ao incumprimento do plano de pagamentos acordado e ao processo de negociação em curso com o Ministério das Finanças e Banco Nacional de Angola. Ainda, conforme divulgado na mesma Nota, as referidas entidades terão informado o Banco da intenção de substituição do pagamento do montante em dívida pela Grupo ENSA por um aumento de capital que compense a diferença entre o montante em dívida e o valor de avaliação dos activos objecto da referida operação. Neste contexto, considerando que (i) os contratos celebrados com a Grupo ENSA ainda se encontram em vigor, (ii) que se desconhecem os termos em que os mesmos serão modificados para dar lugar à operação de aumento de capital referida no parágrafo 12 abaixo e (iii) que se encontra em curso o processo de confirmação do valor dos activos subjacentes à Operação com o Grupo ENSA, o Conselho de Administração do Banco, não incorporou nas demonstrações financeiras em 31 de Dezembro de 2018 o efeito em resultados que poderá advir da eventual alteração dos pressupostos da Operação com o Grupo ENSA. Adicionalmente, no âmbito da confirmação externa dos saldos com o Grupo Ensa reconhecidos em "Outros activos" (Nota 23), não obtivemos as respectivas conciliações das diferenças de posições, tendo sido identificada uma divergência face aos registos contabilísticos do Banco no montante de 30.212.739 milhares de kwanzas, que se traduz numa potencial subavaliação do activo do Banco.

Relativamente aos saldos reconhecidos no Passivo, não obtivemos resposta ao nosso pedido de confirmação de saldos por parte do Grupo ENSA, relativamente a saldos credores incluídos na rubrica de "Outros passivos", em 31 de Dezembro de 2018, no montante de 38.148.832 milhares de Kwanzas.

Consequentemente, não nos é possível concluir quanto aos efeitos que a regularização destes assuntos possa vir a ter nas demonstrações financeiras do Banco com referência a 31 de Dezembro de 2018.

7. A carteira de Crédito a clientes do Banco, mensurada ao custo amortizado por 210.620.981 milhares de Kwanzas em 31 de Dezembro de 2018, foi objecto de análise individual no montante de 159.334.359 milhares de Kwanzas (76%) e foi objecto de análise colectiva no montante de 51.286.622 milhares de Kwanzas (24%) (conforme divulgado na Nota 18 do Anexo às demonstrações financeiras). Em 1 de Janeiro de 2018, entrou em vigor a Norma Internacional de Relato Financeiro 9 - Instrumentos financeiros ("IFRS 9") que veio estabelecer, entre outras alterações, uma nova metodologia de apuramento das perdas esperadas por imparidade na carteira de crédito. No entanto, tal como referido na Nota 2.6 do Anexo às demonstrações financeiras, a implementação do modelo de imparidade foi recentemente concluída pelo Banco condicionada pelas limitações que se encontram detalhadas na referida Nota. Consequentemente, face à informação disponível, não nos foi possível concluir quanto aos efeitos, se alguns, destas limitações nos impactos da adopção da IFRS 9 em 1 de Janeiro de 2018, nas perdas por imparidade do exercício de 2018 e nas perdas por imparidade de crédito acumuladas registadas em 31 de Dezembro de 2018, respectivamente, nos montantes de 2.625.184 milhares de Kwanzas, 55.199.758 milhares de Kwanzas e 86.083.239 milhares de Kwanzas. Adicionalmente, salienta-se que o Relatório do Auditor Independente relativo às demonstrações financeiras do exercício findo em 31 de Dezembro de 2017, por nós emitido em 18 de Junho de 2018, incluía uma reserva por limitação de âmbito que afectava a nossa avaliação da razoabilidade das perdas por imparidade apuradas na análise colectiva para a carteira de crédito, pelo que a nossa opinião sobre as demonstrações financeiras do exercício é também modificada devido aos possíveis efeitos desta matéria sobre a comparabilidade dos números correspondentes.

8. As rubricas de "Outros activos tangíveis" e de "Outros activos" incluem imóveis, no montante líquido de 4.817.038 milhares de Kwanzas (2017: 41.609.779 milhares de Kwanzas) e de 3.652.216 milhares de Kwanzas (2017: 3.939.210 milhares de Kwanzas classificados em "Activos não correntes detidos para venda"), respectivamente, cujo processo de legalização ainda se encontra em curso (Notas 20 e 23 do Anexo às demonstrações financeiras). Com base na informação obtida, não estamos em condições de avaliar o impacto deste assunto nas demonstrações financeiras do Banco.

9. A rubrica "Carteira de títulos" inclui títulos de dívida pública da República de Angola no montante de 48.427.460 milhares de Kwanzas (2017: 48.369.465 milhares de Kwanzas), os quais têm maturidade em 2040 e são remuneradas a taxa de juro anual de 5% (Nota 17 do Anexo às demonstrações financeiras). O Banco procedeu ao reconhecimento destes títulos no momento inicial pelo seu valor nominal, o qual pode diferir significativamente do seu justo valor. Não obtivemos, contudo, informações suficientes que nos permitam quantificar com rigor os efeitos desta situação nas demonstrações financeiras e respectivo anexo do Banco em 31 de Dezembro de 2018, que entendemos serem materiais.

10. A Associação Angolana de Bancos e o Banco Nacional de Angola expressaram uma interpretação de que não se encontra cumprida a totalidade dos requisitos previstos na IAS 29 - Relato financeiro em economias hiperinflacionárias ("IAS 29") para que a economia Angolana seja considerada hiperinflacionária no exercício findo em 31 de Dezembro de 2018 e, consequentemente, a Administração do Banco decidiu continuar a não aplicar as disposições constantes naquela Norma às suas demonstrações financeiras, em linha com o que havia sido a sua posição com referência a 31 de Dezembro de 2017. Em 31 de Dezembro de 2018, a taxa de inflação acumulada nos últimos três anos ultrapassava os 100%, quaisquer que sejam os índices utilizados, o que é uma condição quantitativa objectiva que nos leva a considerar, para além da existência de outras condições previstas na IAS 29, que a moeda funcional das demonstrações financeiras do Banco em 31 de Dezembro de 2018 correspondia à moeda de uma economia hiperinflacionária. Nestas circunstâncias, o Banco deveria ter apresentado as suas demonstrações financeiras naquela data atendendo àquela premissa e de acordo com as disposições previstas na IAS 29. Não obtivemos, contudo, informações suficientes que nos permitam quantificar com rigor os efeitos desta situação nas demonstrações financeiras do Banco em 31 de Dezembro de 2018, que entendemos serem materiais.

Opinião com Reservas

11. Em nossa opinião, excepto quanto aos possíveis efeitos das matérias descritas nos parágrafos 6 a 8 e excepto quanto aos efeitos das matérias descritas nos parágrafos 9 e 10, incluídos na secção "Bases para a 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 2018, o seu desempenho financeiro e os seus fluxos de caixa relativos ao exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro ("IFRS").

Ênfases

12. Sem modificar a opinião expressa no parágrafo anterior, chamamos à atenção para as seguintes situações descritas na Nota 36 e na Nota 37 do Anexo às demonstrações financeiras:

    i) Accionistas:

    Em 19 de Julho de 2019, a Sonangol EP notificou o Banco que a Lektron Capital, SA procedeu à entrega de acções representativas de 30.978% do capital do Banco, como pagamento do empréstimo contraído por aquela entidade junto da Sonangol EP. Com a referida dação em pagamento, a Sonangol EP eleva a sua participação no Banco para 46.978% e o Grupo Sonangol para 70.378%, passando a assumir a posição de Accionista maioritário.

    ii) Incerteza material sobre a continuidade:

    Conforme referido na Nota 36, o Banco Nacional de Angola e o Ministério das Finanças terão comunicado em Maio de 2019, ao Banco e aos seus accionistas, que pretendem que a Operação com o Grupo ENSA seja reconvertida numa operação de aumento de capital a realizar pelos actuais accionistas (ver também parágrafo 6 acima). Em 22 de Julho de 2019, o Banco Nacional de Angola identificou, em carta dirigida ao Banco, a necessidade de constituição de perdas por imparidade de crédito, e indicou a necessidade da realização de um aumento de capital no montante de 416 mil milhões de kwanzas, cuja realização deverá efectivar-se até 30 de Junho de 2020, de forma a garantir a reposição dos Fundos Próprios Regulamentares e a adequação do Rácio de Solvabilidade Regulamentar (RSR). Conforme referido na mesma carta, se no decurso do aumento de capital, ocorrerem alterações significativas nas perdas por imparidade cuja análise ainda se encontra em curso, o Banco deverá requerer ao Banco Nacional de Angola, a alteração proporcional do capital a realizar. Adicionalmente, considerando a alteração dos pressupostos da Operação com o Grupo ENSA, os accionistas Sonangol EP, Sonangol Vida SA e Sonangol Holdings Lda manifestaram, em carta datada de 2 de Agosto de 2019, a intenção de subscrever o aumento de capital a ser aprovado na Assembleia Geral de 7 de Agosto de 2019, conforme convocatória do Banco. Consequentemente, o Conselho de Administração considera adequado o pressuposto da continuidade das operações na preparação das demonstrações financeiras.

    As circunstâncias acima referidas, aliadas aos outros aspectos referidos na Nota 36 do Anexo às demonstrações financeiras, indiciam a existência de uma incerteza material que pode colocar em causa a capacidade do Banco em continuar o seu curso normal de negócios. Assim, a continuidade do Banco está dependente do apoio a prestar pelos accionistas, nomeadamente da realização do referido aumento de capital, e do sucesso das operações futuras.

Outras Matérias

13. À data do presente relatório, encontra-se em curso o programa de Avaliação da Qualidade dos Activos com referência a 31 de Dezembro de 2018, promovido pelo Banco Nacional de Angola, do qual poderão resultar obrigações adicionais para o cumprimento de requisitos regulamentares.

14. Conforme divulgado na Nota 2.1 do anexo às demonstrações financeiras, estas referem-se quer à actividade individual (demonstrações financeiras individuais) quer à actividade consolidada (demonstrações financeiras consolidadas) do Banco. No que respeita às demonstrações financeiras consolidadas, com referência a 31 de Dezembro de 2018, será emitido um Relatório do Auditor Independente em separado.

Luanda, 7 de Agosto de 2019

Ernst & Young Angola, Lda.
Representada por:

Daniel Guerreiro
Perito Contabilista n.º 20130107

Sílvia Silva
Partner

[logo]
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Independent Auditor's Report

To the Board of Directors and Shareholders of Banco Económico, S.A.

Introduction

1. We have audited the accompanying consolidated financial statements of Banco Económico, S.A. ("Bank"), comprising a consolidated balance sheet as at 31 December 2018 (which demonstrates a total of AOA 1,356,262,677,000 and a total equity of AOA 73,641,365,000, including net income of AOA 36,396,625,000), a consolidated profit and loss account, a consolidated statement of comprehensive income, a consolidated statement of changes in equity and a consolidated statement of cash flows for the financial year ended on said date and the corresponding Accompanying Notes.

Responsibility of the Board of Directors for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for the internal control it deems necessary to enable financial statements to be prepared free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements, based on our audit, which was carried out in accordance with the Technical Standards of the Association of Chartered Accountants and Statutory Auditors of Angola. These Standards require us to comply with ethical requirements and that we carry out the audit to obtain a reasonable guarantee as to whether the financial statements are free of material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements by the Bank in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as assessing 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 qualified opinion.

Basis for Qualified Opinion

6. On 15 July 2016, transactions were carried out with Grupo ENSA - Investimentos e Participações, E.P. ("Grupo ENSA") to transfer economic rights over a loan portfolio and units of participation in investment funds, as well as the sale of other assets owned by the Bank, with retroactive effects dating back to 31 December 2014 ("Grupo ENSA Transaction"). As described in Note 36 of the accompanying notes to the financial statements, the balances resulting from the transaction as at 31 December 2018 accounted for 47% of total Assets (31 December 2017: 30%), 3% of total Liabilities (31 December 2017: 3%), 48% of interest and similar income (31 December 2017: 38%) and 326% of exchange rate gains and losses.

[initials]

As regards the balances recognised under Assets, "Other assets", in the amount of 619,510,897,000 kwanzas, includes impairment losses totalling 19,064,674,000 kwanzas which, according to the Bank's Board of Directors, is the result of a discount the Bank was prepared to offer given the default on the agreed payment plan and ongoing negotiations with the Ministry of Finance and Banco Nacional de Angola. Furthermore, as disclosed in said Note, the aforementioned entities informed the Bank of the intention to replace payment of the amount owed by Grupo ENSA with a share capital increase to offset the difference between the amount owed and the appraised amount of the assets concerned. In this context, given that (i) the contracts entered into with Grupo ENSA are still in effect, (ii) the terms and conditions under which the contracts will be amended to enable the share capital increase referred to in paragraph 12 below are unknown, and (iii) the value of the assets underlying the Grupo ENSA Transaction is yet to be confirmed, the Bank's Board of Directors did not include the possible effect of a change in the assumptions of the Grupo ENSA Transaction in the consolidated financial statements as at 31 December 2018. Moreover, as part of the external confirmation of the balances related to Grupo ENSA recognised under "Other assets" (Note 23), we were unable to obtain the respective position reconciliation, having identified a discrepancy in the Bank's accounting records in the amount of 30,212,739,000 kwanzas, which reflects a possible undervaluation of the Bank's assets.

With regard to the balances recognised under Liabilities, our request for confirmation of the balances from Grupo ENSA regarding the credit balances included under "Other liabilities", in the amount of 38,148,832,000 kwanzas as at 31 December 2018, went unanswered.

As a result, we were unable to determine the effects settlement thereof may have on the Bank's consolidated financial statements with reference to 31 December 2018.

7. The Bank's customer loans portfolio, measured at amortised cost at 210,620,981,000 kwanzas as at 31 December 2018, was individually analysed in the amount of 159,334,359,000 kwanzas (76%) and collectively analysed in the amount of 51,286,622,000 kwanzas (24%) (as disclosed in Note 18 of the accompanying notes to the financial statements). On 1 January 2018, International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") entered into force, introducing, among other changes, a new expected loss impairment model for loan portfolios. However, as indicated in Note 2.6 of the accompanying notes to the financial statements, the Bank recently concluded implementation of the impairment model with the limitations described in said Note. Consequently, given the information available, we were unable to determine the effects, if any, of these limitations on the adoption of the IFRS 9 on 1 January 2018, on impairment losses for the 2018 financial year and on accumulated impairment losses on loans posted on 31 December 2018, in the amount of 2,625,184,000 kwanzas, 55,199,758,000 kwanzas and 86,083,239,000 kwanzas, respectively. Also of note is that the Independent Auditor's Report on the consolidated financial statements for the year ended 31 December 2017, which we issued on 31 July 2018, included a reservation due to limitation in scope that affected our assessment of the reasonableness of the impairment losses on the loan portfolio assessed in the collective analysis. As such, our opinion on the consolidated financial statements for the year has also been modified due to the possible effect thereof on the comparability of the corresponding figures.

8. "Other tangible assets" and "Other assets" include property in the net amount of 4.817.036,000 kwanzas (2017: 41,609,779,000 kwanzas) and of 3,652,216,000 kwanzas (2017: 3,939,210,000 kwanzas classified under "Non-current assets held for sale"), respectively, whose legalisation is still ongoing (Notes 20 and 23 of the accompanying notes to the financial statements). Based on information provided, we are unable to assess the impact this matter will have on the Bank's consolidated financial statements.

9. "Securities Portfolio" includes Angolan public debt securities in the amount of 48,427,460,000 kwanzas (2017: 48.369.465,000 kwanzas), which mature in 2040 and bear annual interest at a rate of 5% (Note 17 of the accompany notes to the financial statements). The Bank initially recognised these securities at their par value, which may differ significantly from their fair value. However, we did not obtain sufficient information to allow us to accurately quantify the effects of this situation on the Bank's consolidated financial statements and respective accompanying notes as at 31 December 2018, which we believe are material.

[initials]

6. The Angolan Banking Association (ABANC) and Banco Nacional de Angola issued an interpretation stating that not all the requirements under IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") have been met for the Angolan economy to be considered hyperinflationary for the financial year ended 31 December 2018. Consequently, the Bank's Board of Directors once again decided not to apply the provisions of the Standard to its consolidated financial statements, just as it did for the year ended 31 December 2017. As at 31 December 2018, the cumulative inflation rate over the past three years exceeded 100%, irrespective of the index used. This objective quantitative measure leads us to believe, together with other criteria stipulated in IAS 29, that the functional currency of the Bank's financial statements as at 31 December 2018 corresponds to that of a hyperinflationary economy. Under these circumstances, the Bank should have presented its financial statements at that date on the basis of and in accordance with the provisions of IAS 29. However, we did not obtain sufficient information to allow us to accurately quantify the effects of this situation on the Bank's consolidated financial statements as at 31 December 2018, which we believe are material.

Qualified Opinion

11. In our opinion, except for the possible effects of the matters described in paragraphs 6 to 8 and in paragraphs 9 and 10 under the section "Basis for Qualified Opinion", the consolidated financial statements referred to in paragraph 1 above are a fair presentation, in all material respects, of the consolidated financial position of Banco Económico, S.A. as at 31 December 2018, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Emphasis of matter

12. Without modifying the opinion expressed in the preceding paragraph, we draw your attention to the following matters described in Notes 36 and 37 of the accompanying notes to the financial statements:

i) Shareholders:

On 19 July 2019, Sonangol EP notified the Bank that Lektron Capital, S.A. transferred shares representing 30.978% of the Bank's share capital as payment of the loan taken out by Lektron from Sonangol EP. With the aforementioned transfer in lieu of payment, Sonangal EP increased its shareholding in the Bank to 46.978% and Grupo Sonangol to 70.378%, thereby becoming the majority shareholder.

ii) Material uncertainty as to continuity:

As indicated in Note 36, Banco Nacional de Angola and the Ministry of Finance notified the Bank and its shareholders in May 2019 that they wanted the Grupo ENSA Transaction to be reconverted into a share capital increase carried out by the current shareholders (also see paragraph 6 above). On 22 July 2019, Banco Nacional de Angola notified the Bank in writing of the need to assess impairment losses on the loan and to carry out a share capital increase, by 30 June 2020, in the amount of 416 billion kwanzas to ensure replenishment of Regulatory Own Funds and adequacy of the Regulatory Solvency Ratio (RSR). As indicated in said notice, if, in the course of the share capital increase, there are any significant impairment losses still under analysis, the Bank must request that Banco Nacional de Angola make the proportionate change to paid-in capital. Furthermore, and taking into account the change in the assumptions of the Grupo ENSA Transaction, shareholders Sonangol EP, Sonangol Vida SA and Sonangol Holdings Lda expressed, in a letter dated 2 August 2019, their intent to subscribe and pay up the share capital increase to be approved in the General Meeting of 7 August 2019, called by the Bank. Consequently, the Board of Directors believes that preparing the consolidated financial statements on a going concern basis to be appropriate.

The aforementioned circumstances, together with the other aspects described in Note 36 of the accompany notes to the financial statements, indicate a material uncertainty that could jeopardise the Bank's ability to continue pursuing its normal course of business. As such, continuity of the Bank is reliant upon support from the shareholders, namely by carrying out the aforementioned share capital increase, and the success of future operations.

[initials]

Other Matters

13. On the date hereof, an asset quality review is underway with reference to 31 December 2018, promoted by Banco Nacional de Angola, which could lead to additional obligations to comply with regulatory requirements.

14. As disclosed in Note 2.1 of the accompanying notes, the Bank's financial statements have been prepared on a separate basis (separate financial statements) and on a consolidated basis (consolidated financial statements). With regard to the separate financial statements as at 31 December 2018, a separate Independent Auditor's Report will be issued.

Luanda, 7 August 2019

Ernst & Young Angola, Lda.
Represented by:

[initials]
Daniel Guerreiro
Statutory Auditor no. 20130107

[initials]
Silvia Silva

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Relatório do Auditor Independente

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"), as quais compreendem o balanço consolidado em 31 de Dezembro de 2018 (que evidencia um total de 1.356.262.677 milhares de Kwanzas e um total de capital próprio de 73.641.365 milhares de Kwanzas, incluindo um resultado líquido de 36.396.625 milhares de Kwanzas), a demonstração dos resultados consolidados, a demonstração do rendimento integral consolidado, a demonstração das alterações nos fundos próprios consolidados e a demonstração dos fluxos de caixa consolidados relativas ao exercício findo naquela data e o correspondente Anexo.

Responsabilidade do Conselho de Administração pelas Demonstrações Financeiras

2. O Conselho de Administração é responsável pela preparação e apresentação de modo apropriado destas demonstrações financeiras de acordo com as Normas Internacionais de Relato Financeiro ("IFRS") 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 é 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 a 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. Foram realizadas, em 15 de Julho de 2016, com o Grupo ENSA - Investimentos e Participações, E.P. ("Grupo ENSA"), operações de transmissão de direitos económicos de uma carteira de créditos e de unidades de participação em fundos de investimento, assim como a venda de outros activos detidos pelo Banco, as quais tiveram efeitos retroactivos a 31 de Dezembro de 2014 ("Operação com o Grupo Ensa"). Tal como detalhado na Nota 36 do Anexo às demonstrações financeiras, os saldos decorrentes desta transacção em 31 de Dezembro de 2018 representavam 47% do total do Activo (31 de Dezembro de 2017: 30%), 3% do total do Passivo (31 de Dezembro de 2017: 3%), 48% dos juros e proveitos equiparados (31 de Dezembro de 2017: 38%) e 326% dos resultados cambiais.

Relativamente aos saldos reconhecidos no Activo, a rubrica "Outros activos", no montante de 619.510.897 milhares de kwanzas, inclui perdas por imparidade no montante de 19.064.674 milhares de Kwanzas as quais, de acordo com o Conselho de Administração do Banco resultam do montante de desconto que o Banco se encontrava disponível para conceder, atendendo ao incumprimento do plano de pagamentos acordado e ao processo de negociação em curso com o Ministério das Finanças e Banco Nacional de Angola. Ainda, conforme divulgado na mesma Nota, as referidas entidades terão informado o Banco da intenção de substituição do pagamento do montante em dívida pela Grupo ENSA por um aumento de capital que compense a diferença entre o montante em dívida e o valor de avaliação dos activos objecto da referida operação. Neste contexto, considerando que (i) os contratos celebrados com a Grupo ENSA ainda se encontram em vigor, (ii) que se desconhecem os termos em que os mesmos serão modificados para dar lugar à operação de aumento de capital referida no parágrafo 12 abaixo e (iii) que se encontra em curso o processo de confirmação do valor dos activos subjacentes à Operação com o Grupo ENSA, o Conselho de Administração do Banco, não incorporou nas demonstrações financeiras consolidadas em 31 de Dezembro de 2018 o efeito em resultados que poderá advir da eventual alteração dos pressupostos da Operação com o Grupo ENSA. Adicionalmente, no âmbito da confirmação externa dos saldos com o Grupo Ensa reconhecidos em "Outros activos" (Nota 23), não obtivemos as respectivas conciliações das diferenças de posições, tendo sido identificada uma divergência face aos registos contabilísticos do Banco no montante de 30.212.739 milhares de kwanzas, que se traduz numa potencial subavaliação do activo do Banco.

Relativamente aos saldos reconhecidos no Passivo, não obtivemos resposta ao nosso pedido de confirmação de saldos por parte do Grupo ENSA, relativamente a saldos credores incluídos na rubrica de "Outros passivos", em 31 de Dezembro de 2018, no montante de 38.148.832 milhares de Kwanzas.

Consequentemente, não nos é possível concluir quanto aos efeitos que a regularização destes assuntos possa vir a ter nas demonstrações financeiras consolidadas do Banco com referência a 31 de Dezembro de 2018.

7. A carteira de Crédito a clientes do Banco, mensurada ao custo amortizado por 210.620.981 milhares de Kwanzas em 31 de Dezembro de 2018, foi objecto de análise individual no montante de 159.334.359 milhares de Kwanzas (76%) e foi objecto de análise colectiva no montante de 51.286.622 milhares de Kwanzas (24%) (conforme divulgado na Nota 18 do Anexo às demonstrações financeiras). Em 1 de Janeiro de 2018, entrou em vigor a Norma Internacional de Relato Financeiro 9 - Instrumentos financeiros ("IFRS 9") que veio estabelecer, entre outras alterações, uma nova metodologia de apuramento das perdas esperadas por imparidade na carteira de crédito. No entanto, tal como referido na Nota 2.6 do Anexo às demonstrações financeiras, a implementação do modelo de imparidade foi recentemente concluída pelo Banco condicionada pelas limitações que se encontram detalhadas na referida Nota. Consequentemente, face à informação disponível, não nos foi possível concluir quanto aos efeitos, se alguns, destas limitações nos impactos da adopção da IFRS 9 em 1 de Janeiro de 2018, nas perdas por imparidade do exercício de 2018 e nas perdas por imparidade de crédito acumuladas registadas em 31 de Dezembro de 2018, respectivamente, nos montantes de 2.625.184 milhares de Kwanzas, 55.199.758 milhares de Kwanzas e 86.083.239 milhares de Kwanzas. Adicionalmente, salienta-se que o Relatório do Auditor Independente relativo às demonstrações financeiras consolidadas do exercício findo em 31 de Dezembro de 2017, por nós emitido em 31 de Julho de 2018, incluía uma reserva por limitação de âmbito que afectava a nossa avaliação da razoabilidade das perdas por imparidade apuradas na análise colectiva para a carteira de crédito, pelo que a nossa opinião sobre as demonstrações financeiras consolidadas do exercício é também modificada devido aos possíveis efeitos desta matéria sobre a comparabilidade dos números correspondentes.

8. As rubricas de "Outros activos tangíveis" e de "Outros activos" incluem imóveis, no montante líquido de 4.817.038 milhares de Kwanzas (2017: 41.609.779 milhares de Kwanzas) e de 3.652.216 milhares de Kwanzas (2017: 3.939.210 milhares de Kwanzas classificados em "Activos não correntes detidos para venda"), respectivamente, cujo processo de legalização ainda se encontra em curso (Notas 20 e 23 do Anexo às demonstrações financeiras). Com base na informação obtida, não estamos em condições de avaliar o impacto deste assunto nas demonstrações financeiras consolidadas do Banco.

9. A rubrica "Carteira de títulos" inclui títulos de dívida pública da República de Angola no montante de 48.427.460 milhares de Kwanzas (2017: 48.369.465 milhares de Kwanzas), os quais têm maturidade em 2040 e são remuneradas a taxa de juro anual de 5% (Nota 17 do Anexo às demonstrações financeiras). O Banco procedeu ao reconhecimento destes títulos no momento inicial pelo seu valor nominal, o qual pode diferir significativamente do seu justo valor. Não obtivemos, contudo, informações suficientes que nos permitam quantificar com rigor os efeitos desta situação nas demonstrações financeiras consolidadas e respectivo anexo do Banco em 31 de Dezembro de 2018, que entendemos serem materiais.

10. A Associação Angolana de Bancos e o Banco Nacional de Angola expressaram uma interpretação de que não se encontra cumprida a totalidade dos requisitos previstos na IAS 29 - Relato financeiro em economias hiperinflacionárias ("IAS 29") para que a economia Angolana seja considerada hiperinflacionária no exercício findo em 31 de Dezembro de 2018 e, consequentemente, a Administração do Banco decidiu continuar a não aplicar as disposições constantes naquela Norma às suas demonstrações financeiras consolidadas, em linha com o que havia sido a sua posição com referência a 31 de Dezembro de 2017. Em 31 de Dezembro de 2018, a taxa de inflação acumulada nos últimos três anos ultrapassava os 100%, quaisquer que sejam os índices utilizados, o que é uma condição quantitativa objectiva que nos leva a considerar, para além da existência de outras condições previstas na IAS 29, que a moeda funcional das demonstrações financeiras do Banco em 31 de Dezembro de 2018 correspondia à moeda de uma economia hiperinflacionária. Nestas circunstâncias, o Banco deveria ter apresentado as suas demonstrações financeiras consolidadas naquela data atendendo àquela premissa e de acordo com as disposições previstas na IAS 29. Não obtivemos, contudo, informações suficientes que nos permitam quantificar com rigor os efeitos desta situação nas demonstrações financeiras consolidadas do Banco em 31 de Dezembro de 2018, que entendemos serem materiais.

Opinião com Reservas

11. Em nossa opinião, excepto quanto aos possíveis efeitos das matérias descritas nos parágrafos 6 a 8 e excepto quanto aos efeitos das matérias descritas nos parágrafos 9 e 10, incluídos na secção "Bases para a 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. em 31 de Dezembro de 2018, o seu desempenho financeiro consolidado e os seus fluxos de caixa consolidados relativos ao exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiro ("IFRS").

Ênfases

12. Sem modificar a opinião expressa no parágrafo anterior, chamamos à atenção para as seguintes situações descritas na Nota 36 e na Nota 37 do Anexo às demonstrações financeiras:

i) Accionistas:

Em 19 de Julho de 2019, a Sonangol EP notificou o Banco que a Lektron Capital, SA procedeu à entrega de acções representativas de 30.978% do capital do Banco, como pagamento do empréstimo contraído por aquela entidade junto da Sonangol EP. Com a referida dação em pagamento, a Sonangol EP eleva a sua participação no Banco para 46.978% e o Grupo Sonangol para 70.378%, passando a assumir a posição de Accionista maioritário.

ii) Incerteza material sobre a continuidade:

Conforme referido na Nota 36, o Banco Nacional de Angola e o Ministério das Finanças terão comunicado em Maio de 2019, ao Banco e aos seus accionistas, que pretendem que a Operação com o Grupo ENSA seja reconvertida numa operação de aumento de capital a realizar pelos actuais accionistas (ver também parágrafo 6 acima). Em 22 de Julho de 2019, o Banco Nacional de Angola identificou, em carta dirigida ao Banco, a necessidade de constituição de perdas por imparidade de crédito, e indicou a necessidade da realização de um aumento de capital no montante de 416 mil milhões de kwanzas, cuja realização deverá efectivar-se até 30 de Junho de 2020, de forma a garantir a reposição dos Fundos Próprios Regulamentares e a adequação do Rácio de Solvabilidade Regulamentar (RSR). Conforme referido na mesma carta, se no decurso do aumento de capital, ocorrerem alterações significativas nas perdas por imparidade cuja análise ainda se encontra em curso, o Banco deverá requerer ao Banco Nacional de Angola, a alteração proporcional do capital a realizar. Adicionalmente, considerando a alteração dos pressupostos da Operação com o Grupo ENSA, os accionistas Sonangol EP, Sonangol Vida SA e Sonangol Holdings Lda manifestaram, em carta datada de 2 de Agosto de 2019, a intenção de subscrever o aumento de capital a ser aprovado na Assembleia Geral de 7 de Agosto de 2019, conforme convocatória do Banco. Consequentemente, o Conselho de Administração considera adequado o pressuposto da continuidade das operações na preparação das demonstrações financeiras consolidadas.

As circunstâncias acima referidas, aliadas aos outros aspectos referidos na Nota 36 do Anexo às demonstrações financeiras, indiciam a existência de uma incerteza material que pode colocar em causa a capacidade do Banco em continuar o seu curso normal de negócios. Assim, a continuidade do Banco está dependente do apoio a prestar pelos accionistas, nomeadamente da realização do referido aumento de capital, e do sucesso das operações futuras.

Outras Matérias

13. À data do presente relatório, encontra-se em curso o programa de Avaliação da Qualidade dos Activos com referência a 31 de Dezembro de 2018, promovido pelo Banco Nacional de Angola, do qual poderão resultar obrigações adicionais para o cumprimento de requisitos regulamentares.

14. Conforme divulgado na Nota 2.1 do anexo às demonstrações financeiras, estas referem-se quer à actividade individual (demonstrações financeiras individuais) quer à actividade consolidada (demonstrações financeiras consolidadas) do Banco. No que respeita às demonstrações financeiras individuais, com referência a 31 de Dezembro de 2018, será emitido um Relatório do Auditor Independente em separado.

Luanda, 7 de Agosto de 2019

Ernst & Young Angola, Lda.
Representada por:

Daniel Guerreiro
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Sílvia Silva
Partner

BancoEconómico

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