ANNUAL REPORT 2019

The future inspires us

Banco Económico

Somos futuro

CONTENTS

01 HIGHLIGHT IN 2019

1.1 MAIN EVENTS

In 2019, Banco Económico continued its transformation strategy, with the strengthening of the internal and external value proposition, in order to ensure sustained growth. The Bank strengthened its offer with the introduction of new products and specialised services, as well as supporting the automation of processes with a view to improving the levels of service and quality. Throughout the year, Banco Económico honoured its commitment to promoting social responsibility initiatives with a focus on the qualification of talent.

"Best Bank Governance Angola 2019" Capital Finance International Awards

"Best Mobile Banking Application" Global Banking & Finance Review Awards

171,699
CUSTOMERS TOTAL
+5% against 2018

1,415,853,000,000 AOA
CUSTOMER DEPOSITS
+ 34% against 2018

95
ACTIVE ATMS
+3% against 2018

145,065,000,000 AOA
BANKING INCOME
+ 1% against 2018

1,242,758,000,000 AOA
TOTAL ASSETS
- 8% against 2018

1.2 MAIN INDICATORS

Amounts in Thousand AOA	Dec-18	Dec-19	Var. 18-19	Var. % 18-19
Total Assets	1,325,385,158	1,242,758,408	-82,626,750	-6%
Loans and Advances to Customers	124,537,742	94,172,137	-30,365,605	-24%
Customer Deposits	1,059,122,420	1,415,852,704	356,730,284	34%
Equity	40,630,370	-490,553,071	-531,183,441	-1307%
Net Operating Income	143,442,582	145,065,801	1,623,219	1%
Net Operating Income/ Employees	140,218	139,085	-1132	-1%
Net Interest Income	32,410,100	9,614,585	-22,795,515	-70%
Complementary Margin	46,348,880	21,866,020	-24,482,860	-53%
Staff Costs	12,668,298	13,965,910	1,297,612	10%
Structural Costs	23,839,224	27,751,068	3,911,844	16%
Net Income	36,521,958	-531,183,440	-567,705,397	-1554%
Return On Assets (ROA)	2.8%	-42.7%	-	0
Return On Equity (ROE)	0.899	N/A	-	N/A
Cost-to-Income	16.62%	19.13%	-	0
Total Assets/ Employees	1,295,587	1,191,523	-104,064	-8%
Transformation Ratio	19.9%	15.6%	-	0
Regulatory Solvency Ratio	16.0%	-29.0%	-	-45%
Overdue Credit	100,043,336	124,302,315	-24,258,979	-20%
% Overdue Credit	47%	56%	-	9%
% Total Hedging	41%	57%	-	17%
Number of Branches	80	79	-1	-1%
Number of Active ATMs	92	95	3	3%
Number of Active APTs	3,385	4,153	768	18%
Number of Active Cards	87,542	84,956	-2,586	-3%
Number of Employees	1,023	1,043	20	2%
Number of Customers	162,542	171,699	9,157	5%

1.3 ABOUT US

The Bank was formally incorporated on 29 October 2014 and has established itself as a specialist Bank with in-depth knowledge of the market and the Angolan economy, positioning itself as a solid, dynamic, competitive institution.

Banco Económico operates with a solid customer base and a market segmentation strategy, where it has developed specialised business areas that allow it to provide a service of excellence to its customers.

By setting up its different business areas, Banco Económico ensures total proximity with its customers, the offer of unique and innovative banking products, the support of teams specialised in the key sectors of the Angolan economy, as well as financial instruments to foster and monitor greater diversification of the economy and to promote Angola's sustainable development.

The Bank's steady investment in its human resources is in line with its highly qualified teams and professionals, which is reflected in a benchmark service in the banking market, continuous and sustained action, in favour of developing the Angolan economy and focused on creating added value for all stakeholders.

Banco Económico has its head office at Rua 1.º Congresso do MPLA, in the Ingombota district, Luanda. Its web address is on www.bancoeconomico.ao.

OUR MISSION:

- 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 benchmark financial solutions
- To sustainably create value for all stakeholders.

VISION

- We want 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 brand, 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.

SHAREHOLDING STRUCTURE

In August 2019, Lektron Capital, S.A. transferred all its shares, equivalent to approximately 21% of its share capital, to the shareholder Sonangol, S.A., which now stands out as the largest individual shareholder, with a 47% shareholding.

Currently, the Bank's shareholding structure is composed of five entities, foreign exchange residents and non-residents. Se-

venty-two 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.

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(1) of the Bank's Articles of Association].

SHAREHOLDING STRUCTURE

47%
SONANGOL, EP

20%
GENI NOVAS TECNOLOGIAS, S.A.

16%
SONANGOL VIDA, S.A.

10%
NOVO BANCO, S.A.

7%
SONANGOL HOLDING, LDA.

MEMBERS OF THE BOARD OF DIRECTORS

PEDRO LUÍS DA FONSECA
(CHAIRMAN OF THE BOARD OF DIRECTORS)
Training in Economics
Work Experience
- Minister of Economic Affairs and Planning
- State Secretary for Planning and Territorial Development
- Deputy Minister for Planning
- National Director of Studies and Planning

ANTÓNIO RAMOS DA CRUZ
(VICE-CHAIRMAN OF THE BOARD OF DIRECTORS)
Training in Economics
Work Experience
- Advisor to the Governor of Banco Nacional de Angola
- Executive Director of BNA
- Interim Director appointed by BNA for Banco Espírito Santo Angola
- Director of the Currency Department of BNA

JOÃO SALVADOR QUINTAS
(CHIEF EXECUTIVE OFFICER)
Training in Corporate Management
Work Experience
- Executive Director for Corporate Areas of Banco Económico
- Coordinating Manager of the Top Corporate Division of Banco Económico
- Coordinating Manager of the Commercial Areas of Banco de Poupança e Crédito
- Manager of the Top Corporate Division of Banco de Poupança e Crédito

HENDA PIRES TEIXEIRA
(EXECUTIVE DIRECTOR)
Training in Corporate Management and Control
Work Experience
- Advisor/Executive Manager for the 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 in Corporate Management and Control
Work Experience
- Financial Advisor / QSL: Logistical Bases and Oil Installations
- Acting CEO / BPPH – Banco de Poupança e Promoção Habitacional
- Executive Director / BPD - Banco de Promoção e Desenvolvimento
- Executive Director of Sonangol Limited

ARLINDO DAS CHAGAS RANGEL
(EXECUTIVE DIRECTOR)
Training in Corporate Management
Work Experience
- Non-Executive Director of Banco Económico
- CEO of Banco Keve
- Executive Director of Banco Económico
- Treasury and Markets Manager at Banco de Poupança e Crédito

JORGE PEREIRA RAMOS
(EXECUTIVE DIRECTOR)
Training in Economics
Work Experience
- CEO of Económico Fundos de Investimentos e de Pensões (Banco Económico Group)
- Coordinating Manager of the Investment Banking Division of Banco Económico
- Central Manager and Advisor to the Executive Committee of Banco Espirito Santo de Investimento (now Haitong Bank)
- Chairman of the Board of Directors of Espírito Santo Dealer - Sociedade Financeira de Corretagem, S.A.
- Chairman of the Board of Directors of LusoPartners - Sociedade Corretora, S.A.
- Director of GESFINC - Estudos Financeiros e de Mercado de Capitais
- Vice-Chairman of the Lisbon Stock Exchange (now *Euronext Nyse Lisbon*)

ALICE SOPAS PINTO DA CRUZ
(NON-EXECUTIVE DIRECTOR)
Training in Corporate Management
Work Experience
- Executive Director of Sonangol E.P.
- Chairman of the Management Board of Sonils Integrated Limited
- Chairman of Sonangol Life
- Negotiations Specialist at Sonangol/Quicombo Suporte Logístico, S.A.
- Coordinator of the Economic Area of the Negotiations Division of Sonangol E.P.
- Head of the Planning Sector in the Cabinet of Middle Kwanza River Development.

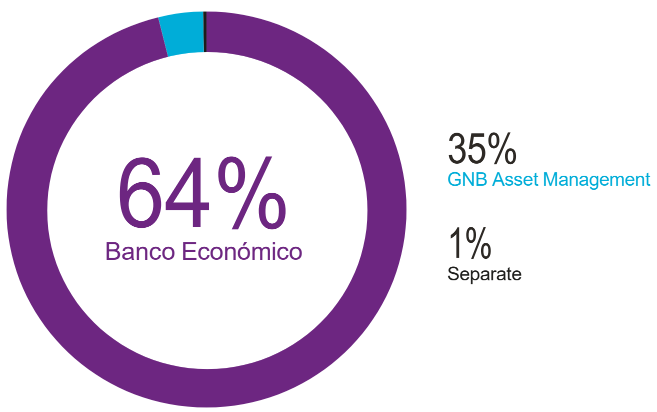
ATANDEL DOMBOLO CHIVACA
(NON-EXECUTIVE DIRECTOR)
Training in Law
Work Experience
- Chairman of the Supervisory Board of Carrinho Empreendimentos, Lda (ex. Group Leonor Carrinho & Filhos, Lda).
- Non-Executive Director and CEO of Miramar Empreendimentos, S.A.
- Member of the Technical Group of the Council of Ministers for Economic and Social Issues of the Government of Angola.
- Financial Director of Sonangol Imobiliária e Propriedades, Lda.
- Director of Sonangol Finance Limited.
- Director of the Office of Fiscal Affairs and Relations with the State of Sonangol, EP.

Among the directors, those who carry out executive duties of everyday management work exclusively for the Bank, with the exception of Arlindo Rangel, who is a member of the Supervisory Board in another company. As for the non-executives, although they carry out other activities, they are fully available for the tasks assigned to them.

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.

Participation in Económico Fundos de Investimento

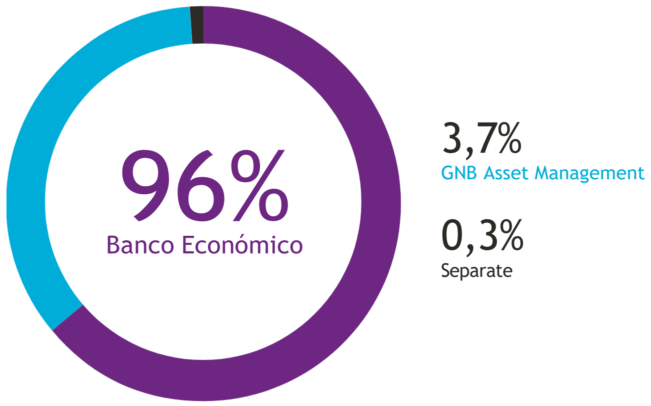


ECONÓMICO FUNDOS DE INVESTIMENTO

Económico Fundos de Investimento - Sociedade Gestora de Organismos de Investimento Colectivo S.A. ("EFI_SGOIC")started its operation on 21 April 2008 and its aim is to create, develop and manage collective investment undertakings distributed through Banco Económico, and the provision of discretionary portfolio management services to customers.

Its capital structure is mainly controlled by Banco Económico.

Económico Fundo de Pensões

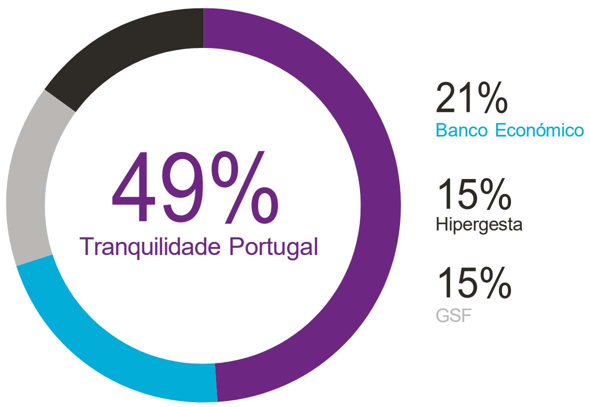


ECONÓMICO FUNDO DE PENSÕES

Económico Fundos, Sociedade Gestora de Fundos de Pensões, S.A. ("EFP-SGFP") started its operation in April 2009, and its aim is to create, develop and manage pension funds.

Its capital structure is mainly controlled by Banco Económico.

Tranquilidade



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.

Its largest shareholder is Companhia de Seguros Tranquilidade, S.A. from Portugal and Banco Económico has a 21% stake in the share capital.

1.4 CORPORATE GOVERNANCE

Banco Económico remains committed to the consolidation of its corporate governance structure.

Banco Económico remains committed to the consolidation of its corporate governance structure to enable it to face, in an effective, robust and confident manner, the challenges of an increasingly demanding economic and regulatory environment.

To this end, 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.

Among these steps, 2019 saw the start of operation of the specialised committees of the Board of Directors, created in 2018, namely the Internal Control Committee, the Risk Management Committee and the Human Resources Management Committee. On the other hand, the Executive Committee, which functions regularly, adjusted the frequency of its meetings to monthly, as required by law. Likewise, the Board of Directors and the Supervisory Board harmonised the frequency of their meetings to the legally set number.

This improvement in the functioning of the governing bodies was reflected in the consolidation of internal control mechanisms, in each of its aspects, namely: compliance, internal audit and risk management.

On a different level, the regulations of the Executive Committee committees were updated and a schedule of meetings was outlined for these committees, which was fully complied with.

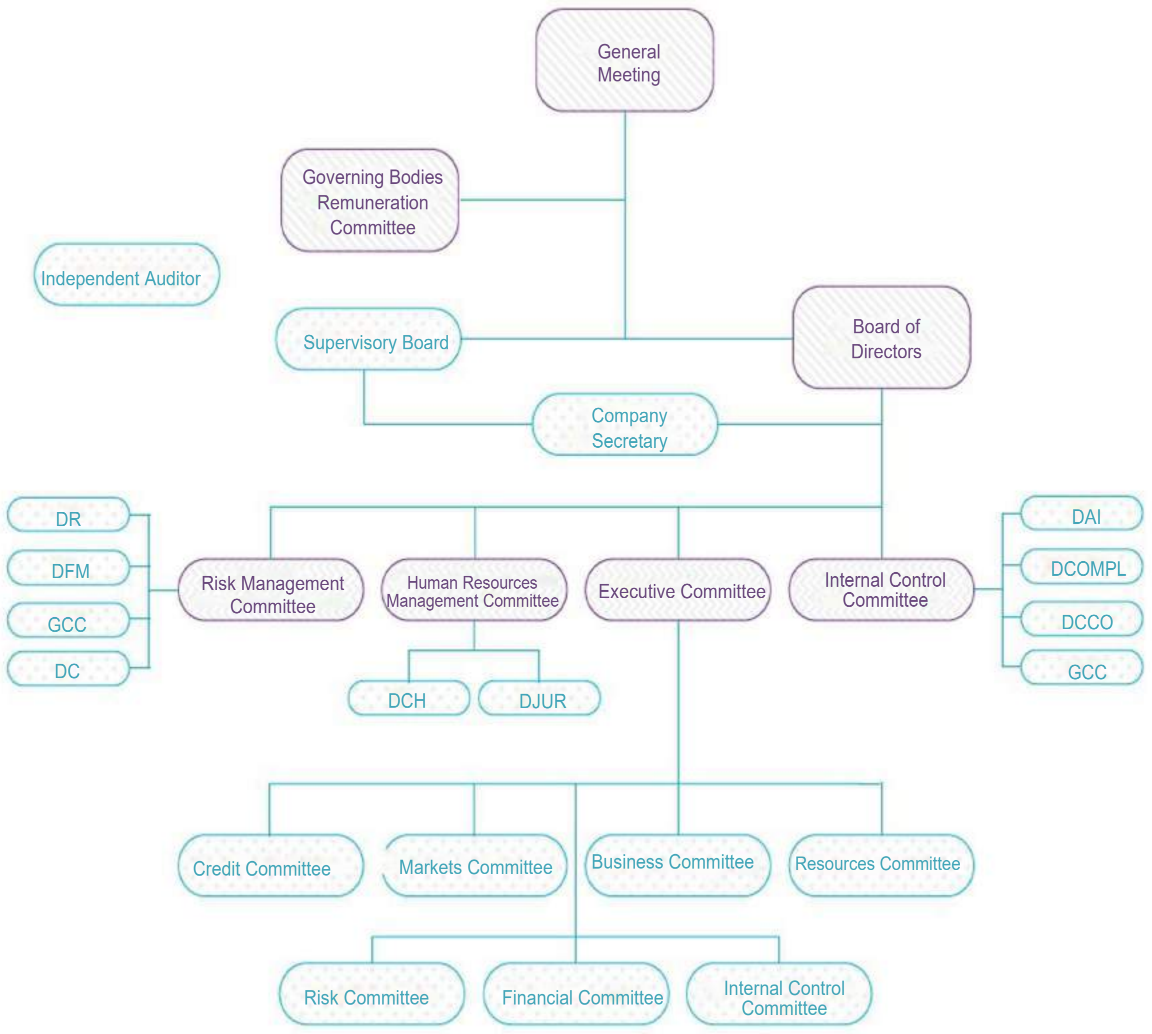
On 7 August, by shareholder resolution, the new members of the governing bodies were appointed: General Meeting, Board of Directors and Supervisory Board.

However, Banco Económico believes that there is still a way to go, aiming at the full consolidation of its Corporate Governance, to which it will devote its best efforts. The Board of Directors and the other governing bodies are determined to respect the Bank's values, culture and strategy, using their 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.

GOVERNANCE MODEL

The corporate governance of Banco Económico is based on the traditional Latin model, provided for in law, based on the General Meeting of Shareholders, which appoints the members of the other governing bodies, the Board of Directors, responsible for corporate management, and the Supervisory Board, in charge of supervising the management.
The Board of Directors groups its members into executives, who deal with the day-to-day management of the Bank, and non-executives, who are away from it and take on the task of advising and monitoring their performance. All the directors are distributed in committees. The Bank's bodies are shown in the organisational chart below:

Structure of the Governance Model of Banco Económico



GOVERNING BODIES AND COMMITTEES

The structure of the Banco Económico's Governance Model establishes the delegation of powers and responsibilities to a wide range of governing bodies, namely: General Meeting and its Governing Bodies Remuneration Committee, Board of Directors and its committees and Supervisory Board. These bodies have their regulations published on the official website of the Institution.

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:

- Hermínio Joaquim Escórcio, Chairman
- Inocêncio Francisco Miguel, Vice-Chairman
- Briggite Quitari Soares, Secretary

BOARD OF DIRECTORS

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.

At the beginning of the 2019 fiscal year, this body was composed of nine Directors, namely:

António Paulo Kassoma, Non-Executive Chairman

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

Meanwhile, by shareholder resolution at the General Meeting of 07 August 2019, the following composition of the Board was elected for the four-year period 2019/2023:

Pedro Luís da Fonseca, Non-Executive Chairman

- António Manuel Ramos da Cruz, Non-Executive/Independent Vice-Chairman
- João Salvador Quintas, Executive Member/PCE
- Henda N'zinga Pires Teixeira, Executive Member
- Arlindo N'gueva Das Chagas Rangel, Executive Member
- José Alves do Nascimento, Executive Member
- Jorge Manuel Torres Pereira Ramos, Executive Member
- Alice Sopas Pinto da Cruz, Non-Executive Member
- Atandel Josua Dombolo Chivaca, Non-Executive Member

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 in November 2018, and began their duties in 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
- Alice Sopas Pinto da Cruz, Member
- Atandel Josua Dombolo Chivaca, Member

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:

- Alice Sopas Pinto da Cruz, Chairman
- António Manuel Ramos da Cruz, Member
- Atandel Josua Dombolo Chivaca, Member
- Jorge Manuel Torres Pereira Ramos, Member
- Arlindo N'gueva Das Chagas Rangel, Member
- José Alves do Nascimento, 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 bank;
- 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:

- Pedro Luís da Fonseca, Chairman
- António Manuel Ramos da Cruz, Member
- João Salvador Quintas, Member
- Henda N'zinga Pires Teixeira, Member

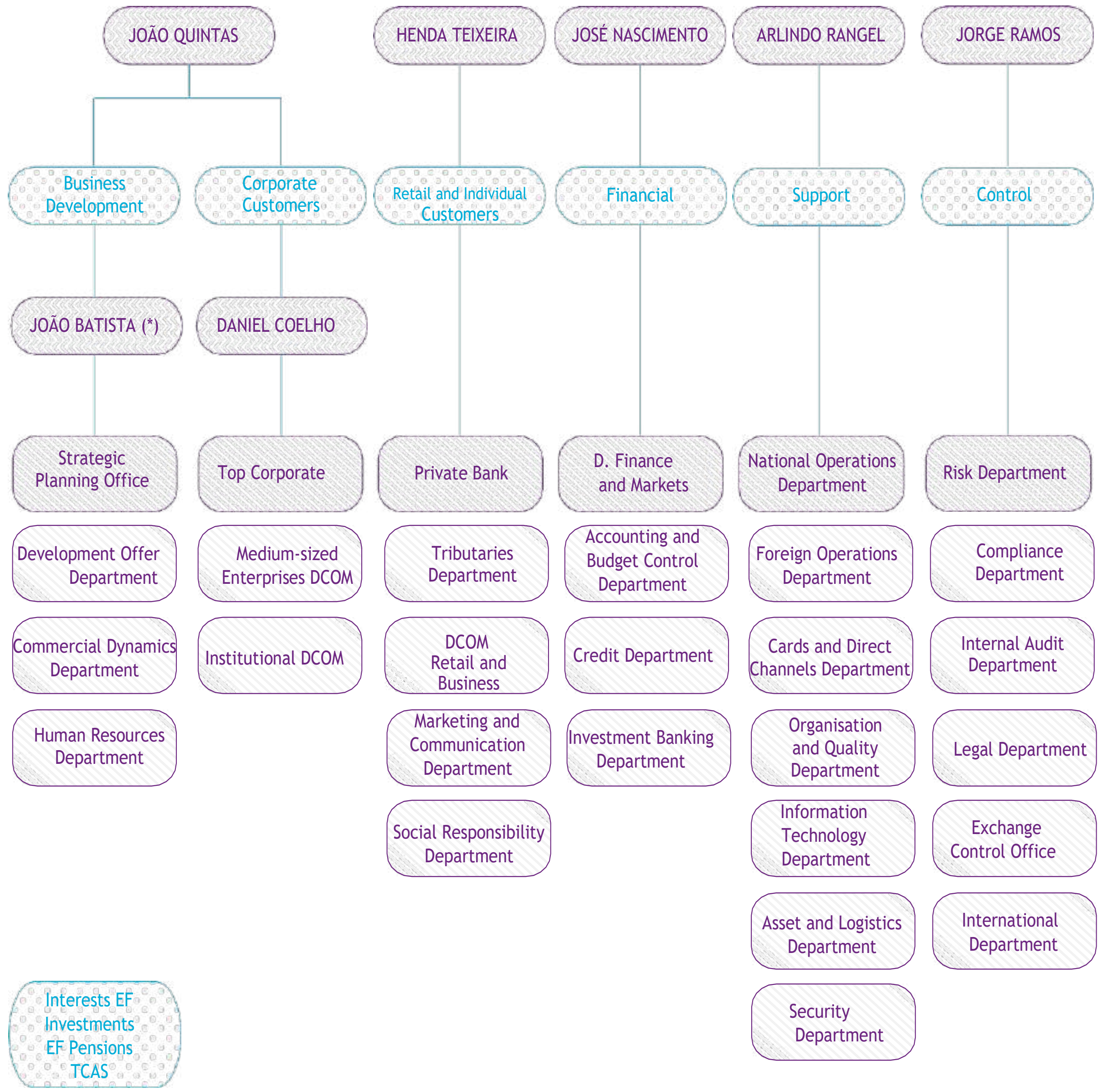
This committee has the following duties:

- 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 performs 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. It is made up of five members, who allocate areas of responsibility as follows:

- João Salvador Quintas, Chairman
- Henda N'zinga Pires Teixeira, Member
- José Alves do Nascimento, Member
- Arlindo N'gueva Das Chagas Rangel, Member
- Jorge Manuel Torres Pereira Ramos, Member



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EXECUTIVE COMMITTEE

The performance of the Executive Directors is assessed by the Board of Directors, which outlines its scope of action, by means of delegated powers and to which the Executive Committee reports on its activity, either in periodic meetings of the body, in the performance of its general management powers, or in meetings of its specialised committees. This procedure results from Articles 12 to 14 of the Board of Directors' Regulations. A similar assessment is also made by the Governing Bodies Remuneration Committee and the General Shareholders' Meeting.

The functioning of the Executive Committee is largely assisted by the existence of specialised committees, organised by the Bank's directorates, to address technical issues across a range of 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.

COMMITTEES OF THE EXECUTIVE COMMITTEE

CREDIT COMMITTEE

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

Frequency: Weekly

Departments: Credit Department; Commercial Departments and Human Resources Department;

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.

Frequency: Monthly

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

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.

Frequency: Weekly

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

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;

Frequency: Bi-monthly

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

RESOURCES COMMITTEE

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

Duties: Monitor the execution of the Operational Transformation Plan; Monitor the evolution of the portfolio of IT and organisational projects; Monitor KPIs related to Human Resources; 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.

Frequency: Bi-monthly

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.

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.

Frequency: Quarterly

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

INTERNAL CONTROL COMMITTEE

Analyses and takes decisions on relevant issues related to the Bank's activity in terms of control environment and compliance, internal audit, operational, security and legal risks.

Frequency: Quarterly

Departments: *Compliance Department*, Internal Audit Department; Exchange Control Office; Risk Department; Accounting and Budget Control Department.

SUPERVISORY BOARD

The Supervisory Board is the body responsible for auditing the Company, particularly the acts carried out by the Board of Directors, including and especially its Executive Committee.

It 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.

Throughout the 2019 fiscal year, the body held four meetings, attended by all its members, who have proven to be available for the performance of their duties, despite performing other functions, outside the scope of the Institution.

It is currently composed of:

- Carlos Freitas, Chairman, representing the Mazars Angola Society
- Mário Bruno da Conceição Ferreira Lourenço, Member
- Jacques dos Santos, Member

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).

Besides these responsibilities, the Supervisory Board is also responsible, under the terms of article 12 of its regulations, for assessing the work plan of the external audit and all reports and opinions issued on behalf of the company, as well as requesting specific controls.

GOVERNING BODIES REMUNERATION COMMITTEE

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

This function is currently performed by the shareholder GENI, S.A.

EXTERNAL AUDITOR

The Bank's external auditor has been Ernst & Young Angola, Lda. since December 2016. Currently, the partner responsible for the audit has been Mr. Daniel Guerreiro, an expert accountant registered with the Angola Accountants and Expert Accountants Association (OCPCA), under No. 20130107, Partner of Ernst & Young Angola, since 2016.

The hiring of the external auditor follows the rules stipulated by law and by the regulations of Banco Nacional de Angola, and is approved by the General Meeting, following an opinion from the Board of Directors. Internally, the Bank has approved a policy of Assessment and Rotation Periodicity of External Auditors.

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 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.

1.5 STRATEGY AND OUTLOOK FOR ACTIVITY

2019
was a challenging year for the country and for the National Banking sector.

EFFECTS OF THE ECONOMIC ENVIRONMENT

The year 2019 was challenging for the country and for the National Banking sector.

The devaluation of the Kwanza by 56% last year and BNA's 11% reduction in the sale of foreign currency had an impact on company performance, with direct repercussions on the financial sector.

"PRESSURE FOR CASH FLOW AND PROFITABILITY CONCERNS"

The Asset Quality Analysis (AQA) carried out by BNA, detected significant impairments in the Angolan financial sector. In the case of Banco Económico the AQA resulted in the need for a share capital increase.

In addition, the increase in regulatory reserves from 17% to 22% adds pressure on bank cash flow, and limits the application of bank resources and the granting of new credit to the economy.

On the other hand, the cost structure of banks has grown by double digits in recent years, skewed by inflation and the provision of foreign currency-indexed services.

2019 witnessed a sector-wide pressure on the net interest income, with banks having to fund their activity at high rates, as illustrated by BNA Repos peaking at 32.75% in December 2019.

2020 is expected to be a year of continuity for structural reforms for the country and in particular for the financial sector.

ADEQUACY OF THE STRATEGIC PLAN

In May 2019, Banco Económico's Strategic Plan for the years 2019 to 2022 was submitted for validation by the (outgoing) Executive Committee. Subsequently it had to be revised to adapt it to the current economic and financial environment of the country.

Additionally, the assumptions of the Strategic Plan were revised to include the impacts of the possible reversal of the ENSA Group Operation and the Bank's recapitalisation needs after the detection of impairments by the Asset Quality Analysis, ordered by BNA.

Based on three pillars, the Strategic Plan (revised) aims at transforming the Bank in order to strengthen its value proposition and sustain BE's position as a leading player in the financial system.

i. Develop the current business model focused on increasing commercial productivity;
ii. Launch a new business model by means of a new disruptive digital concept;
iii. Outline and implement a cross-cutting cost reduction programme.

STRENGTHENING OF THE VALUE PROPOSITION

To meet the main strategic goals, the Bank intends to strengthen its value proposition as follows:

"BOOSTING DIGITISATION TO REINFORCE THE BANKING RELATIONSHIP."

To better serve customers and the market, the Bank is developing customised banking relationships by setting up a differentiated offer of products and services by segment. The development of the Bank's new digital value proposal will allow for greater specialisation and customisation of financial products and services, at competitive prices, as well as fostering access to new market segments, in a swift manner and with greater capillarity.

"REINFORCING EFFICIENCY BY INCREASING KNOWLEDGE AND IMPROVING DIGITISATION PROCESSES".

The Bank will maintain its investment in its Human Resources, providing career development opportunities and providing specialised training to its employees.

We are committed to the continuous digitisation of processes, which will enable efficiency gains and cost reductions, ensuring better service levels, both for external and internal customers.

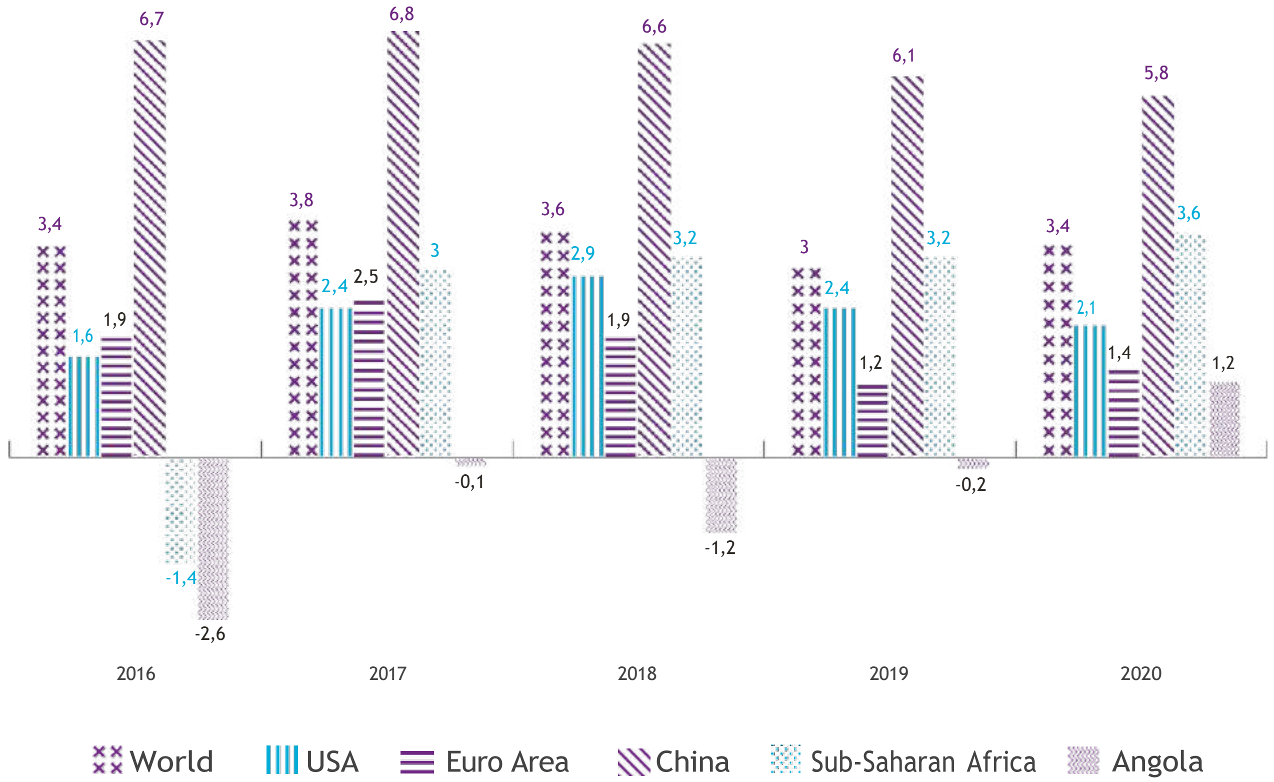
02

MACROECONOMIC BACKGROUND

2.1 GLOBAL ECONOMY

Current projections for 2019 point to world economic growth of 2.9%, which is 0.70% below 2018 growth. In general, the major economic blocs also recorded lower growth rates. Developed Economies are estimated to have grown by 1.7% compared to 2.2% in 2018, most notably the US with the highest growth rate of 2.3% compared to 2.9% in 2018, and the Eurozone with growth of 1.2% compared to 1.9% in 2018. Emerging Economies grew at 3.7%, 0.80% below the previous year's growth, with a major highlight for India, which saw growth fall from 6.8% in 2018 to 4.8% in 2019, a performance penalised by the credit squeeze, which in turn led to a sharp drop in domestic demand. Another highlight was China, which maintained its growth rate stable at over 6%, despite the adverse effects that the trade war with the United States brought to Chinese exports. Finally, it is worth highlighting Sub-Saharan Africa whose growth forecast for 2019 stands at 3.3%, slightly below the 3.2% of 2018, thus showing some resilience in view of the economic context at international level.

GDP growth rate (Δ% per annum)

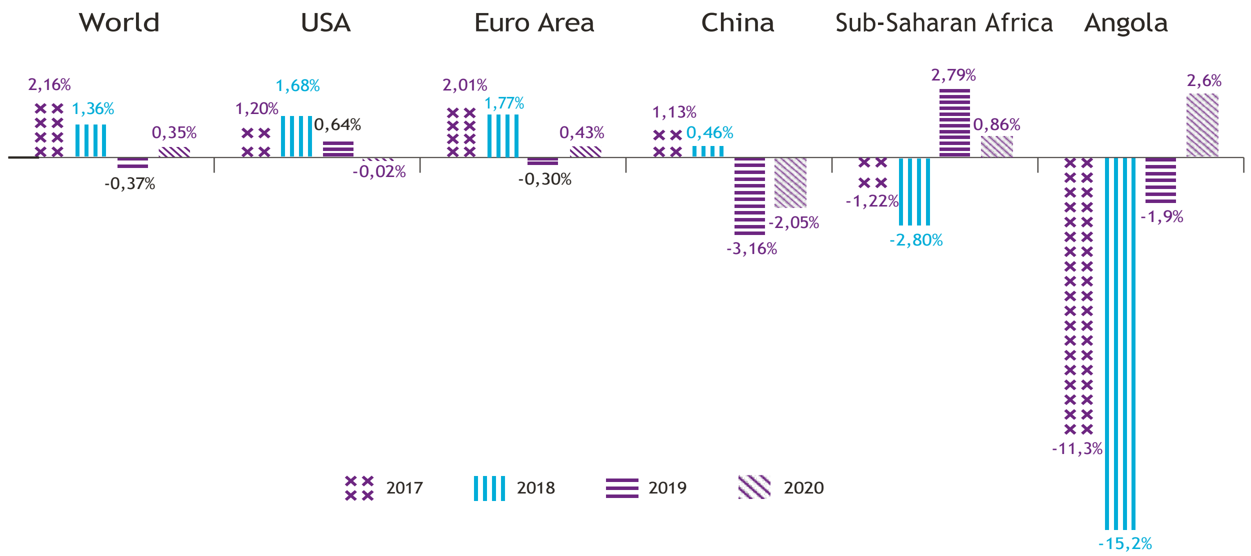


Source: IMF & INE
Note: % year-on-year

Several factors contributed to this slowdown in the world economy, including the climate crises that had considerable impacts on industrial production and the tourism sector in the Asian economic powers, and the geopolitical tensions in the Middle East, which conditioned the normal flow of raw materials. We can, however, single out the tensions in world trade that have spilled over into a "trade war" between the two superpowers (US and China) as the main economic constraint in 2019. 2019 marked an escalation in the imposition of trade tariffs carried out initially by the US and responded to in the same proportion by China, the main target of the Western partner. This policy of imposing tariffs did not stay between the two countries, but also spread to Europe, where the aeronautical sector was the most affected, to Latin America and Canada. This resulted in a drastic reduction in international trade of about 2.7%, or from 3.7% in 2018 to 1.00% in 2019 and subsequent impact on world GDP growth. Against this background, we must

bear in mind that the USA, the Euro Zone and China together represent 47% of world trade, so a reduction in trade between these three parties has a major economic impact.

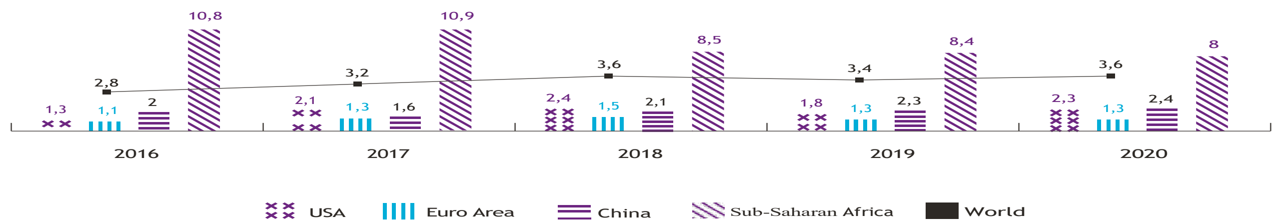
Investment (Δ% per annum)



Source: IMF
Note: % year-on-year

At a time when the world economy was on a recovery path, after a long period of dormancy, and there was a gradual mobilisation of the fiscal and monetary incentives that sustained the large economies through the sovereign debt and subprime crisis, the impact of the factors listed above on the performance of the world economy had to be mitigated by reintroducing or sustaining accommodative monetary and fiscal policies as a means of supporting the growth of their economies. Even the USA, which had already started a cycle of interest rate rises, reversed its position, making its first interest rate cut in July, followed by two more 25 b.p. cuts, setting the reference rate at the end of the year at 1.75%. In Europe, the European Central Bank, in addition to maintaining the reference rate at 0.00% resumed the asset purchase programme (Quantitative Easing), valued at around EUR 20 billion per month.

Inflation rate (% per annum)



Source: IMF & INE
Note: % year-on-year

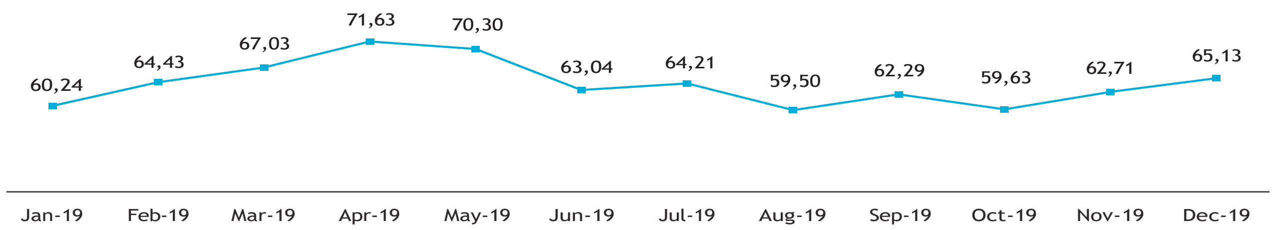
The uncertainties surrounding a "Brexit" with or without a deal and the failure in the US-China negotiations continued to condition the financial markets; however, in the last quarter, as a result of positive signs in the US-China negotiations, the fears began to dissipate leading investors to retract on their stance of risk aversion that dominated the market during the year. Thus, the main equity markets, as a whole, ended the year up around 20-30% with the exception of the London Stock Exchange, which appreciated more moderately as a result of the circumstances mentioned above. This effect of greater appetite for risk was also felt on the foreign exchange market in the last quarter of the year, with the Euro, Real and Renmimbi regaining ground against the USD. Despite this recovery, the annual balance was negative for the main currencies against the USD, with the exception of the Pound Sterling.

The forecasts for 2020 are optimistic, with world economic growth of 3.3% expected, based essentially on the recovery of emerging markets (in particular India, Brazil and the Middle East), which should grow at a rate of 4.4%. This recovery will be the result of the effects of the accommodative monetary and fiscal policies in force in 2019 and expected to continue in 2020, but also of the expected resolution of the "trade wars" between the US, China and Europe as well as the fading of Brexit risks. However, slowdown risks remain eminent in the face of rising geopolitical tensions, in particular between the US and Iran, which could easily spill over to other countries, and the failure to normalise world trade.

OIL MARKET

As with the other financial markets, the oil market also had a good first quarter and spent the rest of the year fluctuating wildly as investors reacted to concerns that the worsening of the trade war would have a significant impact on world growth and consequently affect the demand for oil and other commodities. However, oil price behaviour was much more conditioned by supply-related factors, to the extent that on the demand side the scenario was not favourable to great expansion. From this perspective we would highlight, on the one hand, the successive interventions in the market by OPEC and its allies to guarantee price stability and, on the other, political tensions in the Middle East, which considerably conditioned the commercial flow of raw materials and oil in particular. In this context, OPEC's interventions resulted in a reduction in production of 1700 Mb/a day over the year, with the last cuts decided in July and then in December. The combined effect was positive for the oil price, which rose by more than 25% in 2019, settling above USD 60 a barrel.

Oil price evolution (USD/Barrel)

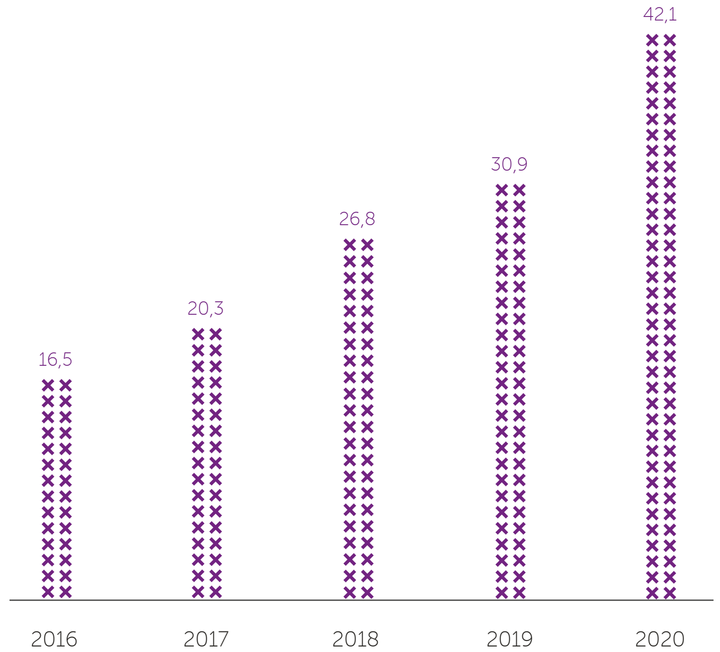


Source: Bloomberg

2.2 ANGOLAN ECONOMY

In 2019, the Angolan economy recorded a decline in its growth of 0.2% year-on-year. According to data from INE, the negative performance of the GDP was mainly due to the decline in the Fishing (-19.9%), Oil (-8.7%) and Manufacturing (-1.5%) sectors. This falls slightly short of the growth forecast of 0.3% inserted in the 2019 Revised State Budget (OGE).

Evolution of nominal GDP (AOA billion)



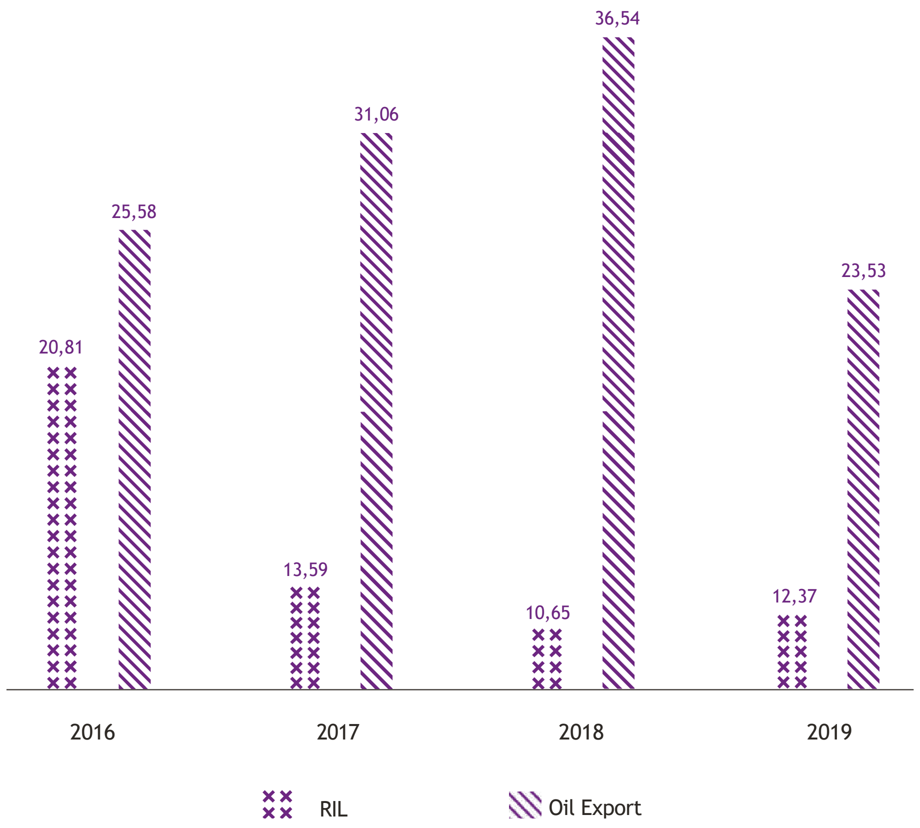
Source: OGE 2020
Note: P= Forecast; e= Estimate

Despite the growth recorded in recent years, the Angolan economy still relies heavily on the oil sector as the driving force for economic growth, which still accounts for 31% of total GDP. Thus, even though the non-oil sector grew by 0.6%, with a particular contribution from the diamond sector, it was not enough to offset the 5.2% drop in the oil sector. It should be noted that the current decline of Angola's oil sector runs counter to the good *performance* of oil prices on the international markets, which is justified by the stagnation of the country's oil production, resulting from reduced investment in the sector over recent years.

In this context, the reform of the oil sector is of particular importance, most notably the creation of the National Agency for Petroleum, Gas and Biofuels, a new body responsible for managing the concession rights, leaving Sonangol merely as the operator. It is expected that such reform will result in a new dynamic for the sector, whose first signs have been given with the bidding in 2019 for new exploration blocks with a positive impact on the increase in domestic oil production in 2020.

Despite the circumstances, Net International Reserves (NIR) registered an increase of 16% in 2019 settling at USD 12.368 billion against USD 11.902 billion in 2018, a level considered stable, USD 2.368 billion above the International Monetary Fund (IMF) recommended threshold. This positive evolution of the NIRs is mainly due to the management efforts made by BNA, which ensured stability and the efficient use of foreign currency.

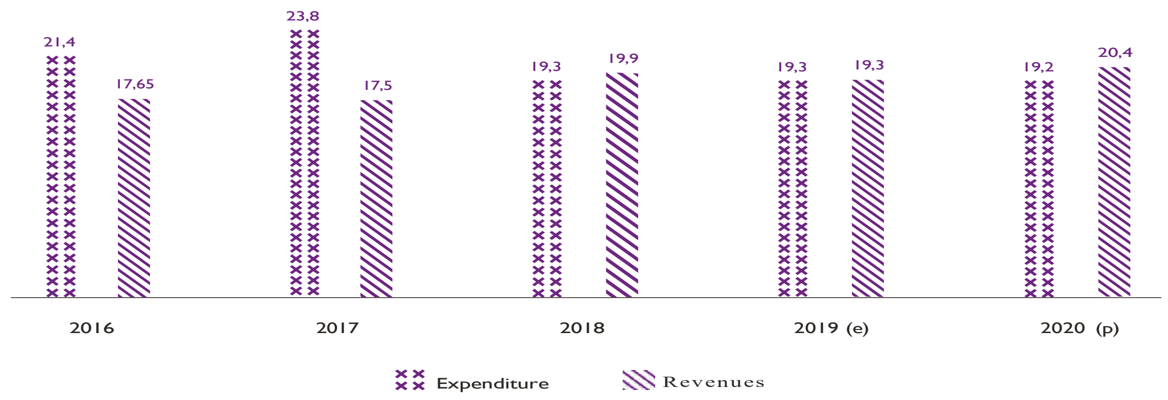
Evolution of NIRs and oil exports (Thousands USD)



Source: BNA

In budgetary terms, the control of public expenditure, the broadening of the tax base and the efficiency of the fiscal machine have been the main strategic vectors of the economic team over the last two years, the primary objective being to diversify the sources of tax revenue and reduce the level of State indebtedness. These objectives are part of the commitments made to the International Monetary Fund. Public debt risk remains high and very vulnerable to macroeconomic fluctuations, with the main risks to sustainability coming from strong exchange rate depreciations and declining oil production. The public debt-to-GDP ratio in 2019 is expected to be 111% according to IMF estimates, against the previous estimate of 95% by the same organisation. The upward revision is due not only to the sharp depreciation of the domestic currency observed in particular in the third quarter of 2019, given that a considerable part of the debt is exposed to this factor, but also to the macroeconomic performance itself, which will remain poor in 2020. With regard to budget execution, the Executive has maintained its efforts to contain public expenditure, which in 2019 stood at 19.3% of GDP, in line with the figure recorded in the previous year. This effort made it possible to end the year with an overall balance of 1.3% and a primary balance of 2.2%.

Evolution of expenditures and revenues (% GDP)



Source: OGE 2020
Note: p= Forecast; e= Estimate

The inflation rate continued on an upward trajectory throughout 2019, despite a 1.54 p.p. year-on-year reduction to 17.06%, 2.06 p.p. above the value forecast in the 2019 Revised State Budget. This is partly due to measures in the area of budget management, such as the adoption of VAT and the adjustment in the prices of some goods and services, such as energy and water tariffs, pushing up prices in general. The exchange rate depreciation also played its part in pushing up the prices of imported goods, which still account for a large part of domestic consumption.

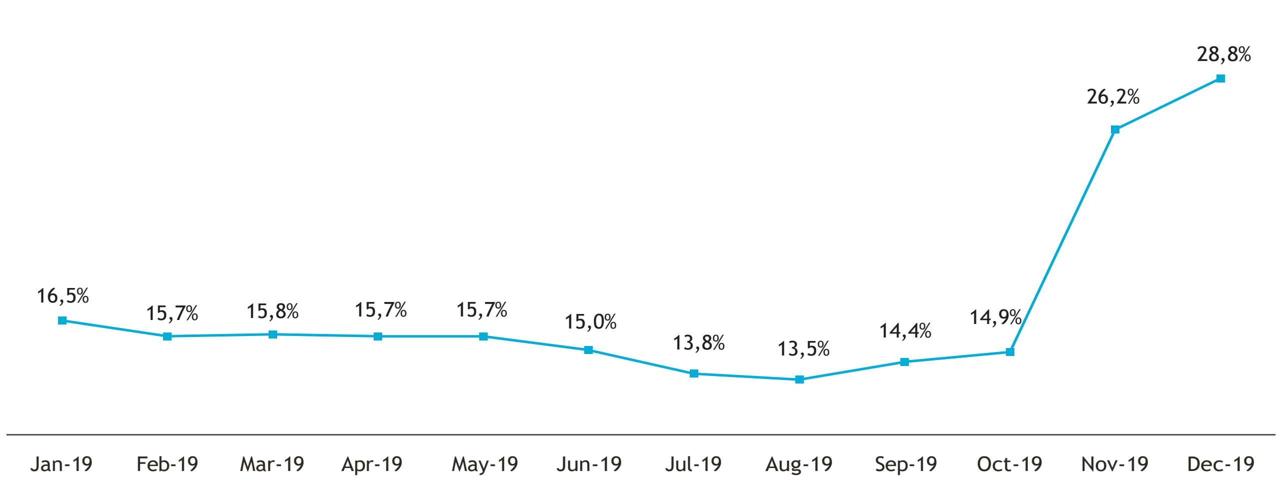
Angola's Main Indicators (2016-2020)

	2016	2017	2018	2019	2020
Public Debt (% GDP)	75.7	69.3	89.0	95.0	89.9
Public Expenditure (% GDP)	21.4	23.8	19.3	19.3	19.2
Δ NIR (%)	-14%	-35%	-22%	16%	
Investment (% GDP)	27.2	24.1	20.5	20.1	20.6
Inflation Rate (% Per Annum)*	30.7	29.8	19.6	17.1	25.0
Central Bank Interest Rate		1.00	2.00	3.00	4.00
Luibor O/N	24.9%	16.4%	16.8%	28.8%	
Exchange Rate	165.9	165.9	308.6	482.2	
Δ Exchange rate (%)	22.6%	1.0%	86.0%	57.1%	
Oil Price - OGE (USD/Barrel)	40.9	53.9	70.9	55.0	
Oil Production (Barrel/day)		1,726.00	1,637.00	1,529.00	1,388.13

Source: IMF, BNA & OGE 2020
(*) Data from 2019 effective INE & Data 2020 OGE projection

In monetary terms, the central bank acted in line with the IMF's recommendations as part of the financial assistance programme underway. In this context, the central bank became more focused on the smooth functioning of the market. In terms of solidifying the financial system, measures were taken to make local financial institutions more robust, including increasing the minimum capital required for commercial banks to AOA 7.5 billion from the previous AOA 2.5 billion, a process carried out until December 2018, but with repercussions in 2019. Another measure with a major impact on the banks' robustness was the Asset Quality Assessment "AQA", whose results called for the capitalisation of two local banking financial institutions. As for other monetary policy instruments, it is worth highlighting the strategy of controlling money supply levels, without, however, compromising the stability of the Kwanza's exchange rate against the US Dollar and the Euro, and at the same time ensuring reasonable interest rate levels in an economy in need of financing. Banco Nacional de Angola (BNA) successively reduced the basic rate to 15.50% but simultaneously increased the Domestic Currency Mandatory Reserve rate from 17% to 22% and the seven-day absorption rate from 0.0% to 10.0%. A combination of objectives that did not always produce the desired outcomes given the levels of interest rates reached on the interbank market and the depreciation of the currency against its peers. The scarcity of liquidity in the market, essentially caused by the increase in the reserve requirement ratio, led to an increase in interest rates in the interbank money market (IMM), even when BNA was signalling interest rate cuts. The Luibor overnight rate reached a four-year high of 29.91% in December, having closed the year at 28.82%. As a reflection of this behaviour, there was also pressure on the remuneration of bank deposits, with large increases in the interest rates charged by the banks.

Evolution of the Luibor O/N Rate



Source: BNA

On the foreign exchange market, the domestic currency once again depreciated sharply against the USD. After a devaluation of 86% in 2018, the Kwanza depreciated by 57% in 2019, ending the year at 487,098 against the USD. This movement was largely a consequence of the measures taken by BNA to liberalise the foreign exchange market, making it more efficient, whereby the exchange rates became an effective reflection of the country's foreign exchange needs. The measures taken include (i) the removal of the 2% currency fluctuation limit previously imposed on banks when participating in currency auctions organised by BNA, (ii) the liberalisation of spreads applied by commercial banks when selling foreign currency to their customers, (iii) the reduction of the currency position limit to 2.5%. This meant that BNA relinquished its role as controller of the foreign exchange market, placing the responsibility on the banks to ensure strict compliance with the law, and took on the role of driving force and provider of exchange stability.

03

BANCO ECONÓMICO

3.1 2019 ACTIVITY

Banco Económico, through its business areas, is committed to serving its customers by always promoting a service of excellence. To achieve this goal, the Bank provides an innovative offer and seeks to differentiate itself through its efficient performance in all its segments.

In order to guarantee a closer and more customised service, the Bank has several business units: 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.

Banco Económico is committed to the country's development and aims to be the partner of reference for entrepreneurs and businessmen - to support them in their businesses and projects - and for Angolan consumers, to anticipate and present the best solutions for their financial and banking needs.

In addition to the branches, the Bank has other distribution channels (Contact Center, EconomicoNet, EconomicoNet App) to market its financial products and services.

Retail Customers

Private

Umoxi *(Affluent)*

Corporate Customers

COMMERCIAL BANKING

During 2019, Banco Económico continued to strengthen its position in the Angolan banking sector, by launching marketing campaigns for new products and services.

This investment has resulted in a very positive evolution in the Bank's Customer base. After growing 15% in 2018, it showed growth again in 2019 of 5%, having reached a total of 171,699 Customers. Retail customers accounted for approximately 92% of the total base in 2019.

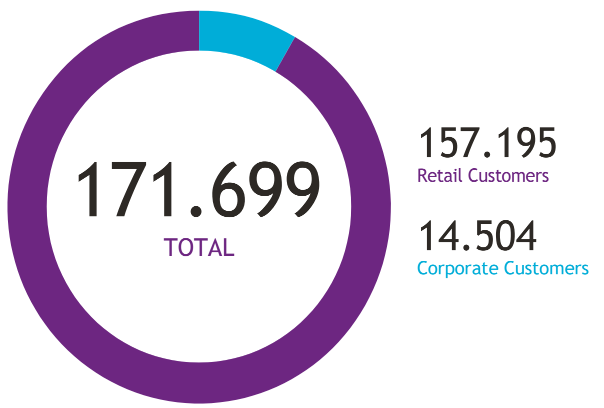
Bank's Customer Base (2018-2019)

	Number of Customers		Variation %	Weight
Type of Customer	2019	2018		
Corporate Customers	14,504	13,761	5%	
Retail Customers	157,195	148,781	6%	92%
Total	171,699	162,542		

15%

Growth of the Customer base compared to 2017

Customer Base



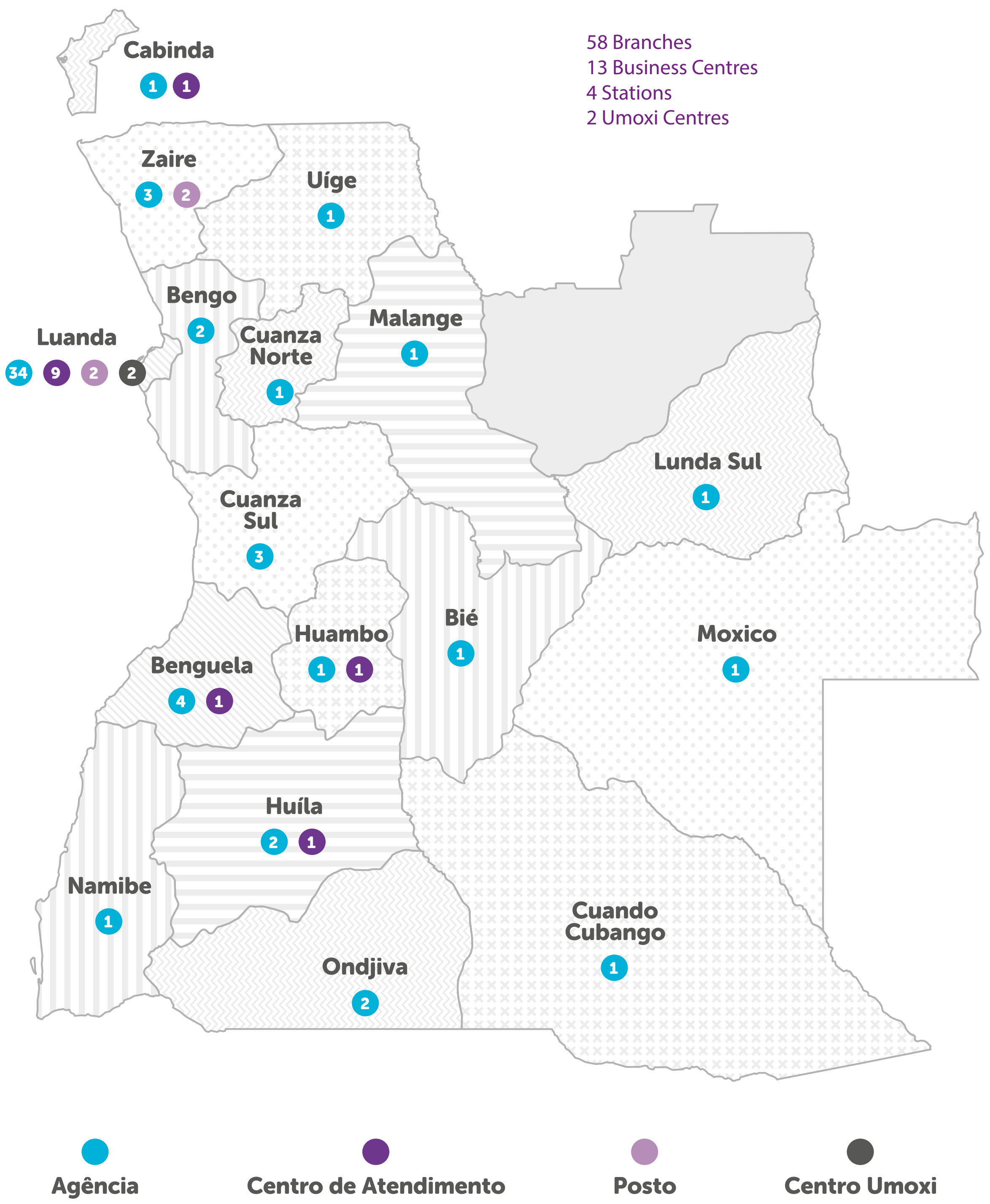
GEOGRAPHIC COVERAGE - BRANCHES

Banco Económico's presence is established through a combination of branches, corporate centres, stations, Umoxi, Private, Institutional and Top Corporate Oil & Gas centres in the country's 17 provinces.

In 2019, the bank saw the opening of two Stations: SME Mutamba and SME Ministério dos Petróleos, reaffirming their commitment to providing a close and customised service, capable of responding to the demands and needs of their customers.

77 Service Points:

58 Branches
13 Business Centres
4 Stations
2 Umoxi Centres



2019 IN NUMBERS

CUSTOMER DEPOSITS

2019 was marked by a significant growth in the Banco Económico's amount of deposits, which grew by (33.68%) reaching AOA 1.416 billion, compared to AOA 1.059 billion in 2018.

This movement is justified by the increase in deposits from both Retail Customers (45.75%) and Corporate Customers (27.43%). Currently, corporate customer deposits represent (63.31%) of the Bank's total deposits.

Segmentation	31-12-2019	31-12-2018	Variation %	Weight
Retail Customers	519,522,203	356,449,193	45.75%	36.69%
Corporate Customers	896,330,501	702,673,227	27.56%	63.31%
	1,415,852,704	1,059,122,420	33.68%	

Amounts expressed in AOA Millions

This behaviour of deposits in 2019 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 portfolio total

Segmentation	31-12-2019	31-12-2018	Variation %	Weight
Demand Deposits	508,922,292	525,574,822	-3.17%	35.94%
Term Deposits	906,930,412	533,547,598	69.98%	64.06%
	1,415,852,704	1,059,122,420		

In turn, this growth in the amount of deposits in 2019 is also explained by the increase in Term Deposits (69.98%) and a slight reduction in Demand Deposits by (3.17%), with an even distribution between these two products.

In 2019, the volume of deposits in Domestic Currency grew around 3.20%.

Currency	31-12-2019	31-12-2018	Variation %	Weight
Domestic Currency	313,152,059	303,441,446	3.20%	22.12%
Foreign Currency	1,102,700,644	755,680,974	45.92%	77.88%
	1,415,852,704	1,059,122,420		

Thus being, the growth in deposits in 2019 is essentially associated with the growth of Foreign Currency-denominated deposits in the order of (45.92%), as a result of the strong devaluation of the domestic currency against the US Dollar and also of the increase in foreign currency availability.

Total Deposits by Currency

Description	Currency	31-12-2019	31-12-2018 "Restatement Note 2"
Sight deposits			
	AOA	142,563,862	125,924,824
	EUR	3,655,683	2,884,972
	US Dollar	362,677,731	396,748,966
	Other	25,016	16,060
		508,922,292	525,574,822

Description	Currency	31.12.2019	31.12.2018
Term deposits			
	AOA	170,588,198	177,516,622
	EUR	17,613,448	11,257,542
	US Dollar	718,728,766	344,773,434
	Other	-	-
		906,930,412	533,547,598
		1,415,852,704	1,059,122,420

Amounts expressed in AOA Millions

LOANS AND ADVANCES TO CUSTOMERS

In 2019, there was an increase in the amount of credit granted, materialising an increase of 5.03% and settling at AOA 221 billion, up from AOA 211 billion in 2018.

This variation is justified by the reduction in loans and advances to Retail Customers (13.02%), as opposed to the increase in loans and advances to Corporate Customers (7.47%). Loans and advances to corporate customers currently represent 90.14% of the total loans and advances portfolio.

This performance 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. At the same time, we must highlight the slowdown in credit granted to corporate customers, justified by the volume of non-performing loans for this segment.

Total loans and advances portfolio

	mAOA		Foreign Exchange	Weight
	31-12-2019	31-12-2018		
Retail Customers	20,035,673	25,082,654	-20.12%	9.06%
Corporate Customers	201,187,285	185,538,327	8.43%	90.94%
Total Credit	221,222,958	210,620,981	5.03%	
Impairment Retail Customers	10,831,920	6,492,441	66.84%	8.53%
Impairment Corporate Customers	116,218,901	79,590,798	46.02%	91.47%
Total Impairment	127,050,821	86,083,239	47.59%	
% Retail Customer Hedging	54%	26%		
% Corporate Hedging	58%	43%		
% Total Hedging	57%	41%		

Considering the credit products offered by Banco Económico, there is a very marked growth in the following products: Loans (27.10%), Secured Current Accounts (30.91%) and Mortgage Loans (14.39%).

In 2019, Domestic Currency credit, which represent about (63.27%) of the Bank's credit portfolio, recorded a decrease in the order of (2.42%). In turn, Foreign Currency credit showed an increase of (20.95%), following the strong devaluation of the Kwanza against the US Dollar.

Credit by currency	31-12-2019	31-12-2018	Foreign Exchange	Weight
Domestic Currency	139,970,338	143,439,975	-2.42%	63.27%
Foreign Currency	81,252,621	67,181,006	20.95%	36.73%
	221,222,959	210,620,981	5.03%	

Amounts expressed in AOA Millions

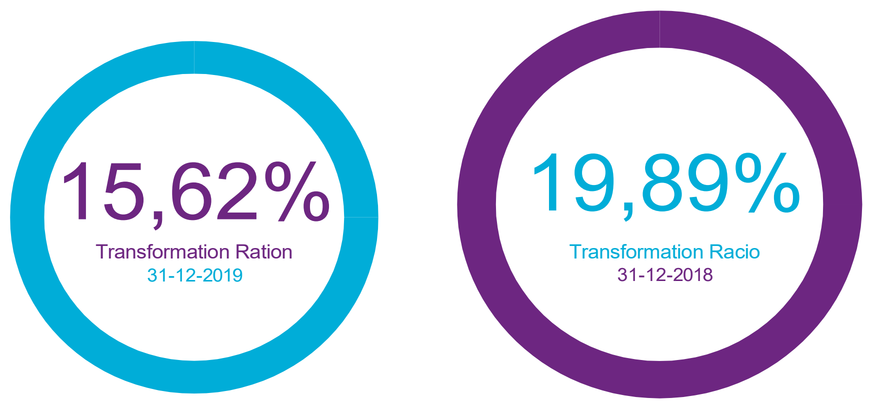
The quality of the credit portfolio showed a slight deterioration, as the ratio of loans in arrears for more than ninety days rose from 19.83% in 2018 to 56.19% in 2019. This variation is justified by the ratio increase for both Retail Customers (+4 p.p.) and Corporate Customers (+5 p.p.).

Overdue Credit	31-12-2019	31-12-2018
Total credit	221,222,959	210,620,981
Overdue Credit	124,302,315	100,043,336
% Overdue Credit	56.19%	47.50%

Amounts expressed in AOA Millions

The growth in deposits has led to a reduction in the transformation ratio from 19.9% in 2018 to 15.6% in 2019.

Transformation Ratio



PILLARS OF COMMERCIAL PERFORMANCE

For 2019, Banco Económico renews its commitment to prioritising the following strategic pillars: Customers, Employees, Technology and Digitisation, and Risk and Code of Conduct.

CUSTOMERS
A constant focus on attracting new customers and retaining existing ones. Banco Económico positions itself as an ideal partner for companies while simultaneously serving all the needs of its retail customers.

EMPLOYEES
Banco Económico encourages its employees to develop new skills through its continuous training programme.

In 2019 the Bank implemented the + Talento project with the aim of consolidating Banco Económico's culture among its employees. Banco Económico believes that the more regular the training of its Employees, the greater the impact on the level of customer satisfaction and loyalty.

TECHNOLOGY AND DIGITISATION

Banco Económico will continue its efforts to materialise the digital transformation process, with the aim of improving the customer interaction experience and achieving productivity gains.

The main priorities are to introduce technologically innovative products and services and to be present on multiple channels simultaneously and in real time. The Bank remains focused on upgrading technology, information, security and working procedures.

RISK AND CODE OF CONDUCT
To ensure sustainable growth, Banco Económico has invested substantially in the Risk Management and Compliance Model. The Bank will always respect and comply with the law in force.

DIRECT CHANNELS
Throughout 2019, the Bank proceeded with its omnichannel vision, as well as the investment in its multi-channel strategy, as one of the pillars of its Digital Transformation programme, with the aim of digitising all of the Bank's activity.

Within the global concept of digital transformation and omnichannel, the bank made available an upgrade to the "Easy Receipt" service and developed specific apps per segment, including a solution for the University segment. In this context, there are also ongoing developments aimed at enabling our customers to subscribe to remote banking services, such as the **Economico**Net service and debit cards.

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.

Direct Channels by Segments

Channel	Segment	User
EconomicoNet CORPORATE	Companies and Institutional	Customer
EconomicoNet	Retail Customers	
EconomicoNet App	All	
Consult@Carton	Companies and Institutional	Card holder
EconomicoNet Branch	All	Bank Employees

NEW SERVICES AND DEVELOPMENTS IN 2019

During 2019, new functionalities were implemented in order to promote the digitisation of processes, improve the experience and information to our customers, thus increasing the penetration rate of this service in the Bank's customer base and, in this way, allowing the consolidation of its multichannel service development strategy.

As part of this, the existing channels - **Economico**Net CORPORATE (companies), **Economico**Net (retail customers), **Economico**-Net App (*Mobile*) and Consult@Cartão - were enriched with numerous functionalities, most Notebly the following:

- Enrichment and innovation in the available services
- Consulting Securities
- Direct Debits
- Improvement of information and communication with the Customer
- Mailbox **Economico**Net
- Usability, simplicity and redesign of the channels usage experience
- Easy service subscription and maintenance
- Biometrics, Authentication by *Face ID*
- Digitisation of processes and procedures
- Consult@Cartão, new App and upgrade of the subscription process

In addition, several projects have been initiated that aim to ensure continuously improving the services already available, which should be launched commercially throughout 2020.

DIRECT CHANNELS IN NUMBERS

ECONOMICONET SUBSCRIPTIONS

At the end of 2019, the Internet Banking service for companies (**Economico**Net CORPORATE) reached 5,376 accumulated subs-criptions, which represents a 20% growth compared to December 2018, with the volume of transactions growing 41%, with approximately 188,000 financial transactions, against the 134,000 transactions of 2018.

In the **Economico**Net service (Internet Banking for Retail Customers), the number of subscriptions increased by 31% compared to the end of 2018, reaching 34,040 accumulated subscriptions. The volume of transactions grew 40%, with the number of transactions reaching 220,686, against the 157,654 of 2018.
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 **Economico**Net services. For Retail Customers, it grew from

EconomicoNet Subscriptions

CORPORATE	2019	2018	2017	Variation % 2018-19
Activated Subscriptions	5,376	4,471	3,721	20%
Traded Volume (in 000 AOA)	188,000	134,000	95,000	40%

RETAIL CUSTOMERS	2019	2018	2017	Variation % 2018-19
Activated Subscriptions	34,040	25,924	18,316	31%
Traded Volume (in 000 AOA)	220,686	157,654	96,524	40%

17% to 22%, between 2018 and 2019, respectively, while for Corporate and Institutional Customers, it increased from 32% in 2018 to 37% in 2019.

PAYMENT METHODS

In 2019, the growth trajectory regarding cards, ATMs and APTs/ POSs was maintained, as well as the improvement of business and control processes and the improvement of the performance of business and operating indicators, thus continuing the strategic plan for the 2018-2020 triennium, which involves the renewal of platforms, processes and the strengthening of the offer.

NEW SERVICES AND DEVELOPMENTS IN 2019

Following the technological investment that Banco Económico has been carrying out, the Bank is investing in the implementation of a new application for managing prepaid and credit cards, and respective interfaces with EMIS WAY4 application. These developments will enable a more effective management of these means of payment, both at the operational and procedural level, and in terms of the offer of this type of products.

We would like to emphasise that as part of this activity, during the 2019 fiscal year, the Bank began negotiations so that during 2020, it may issue and accept products from other international payment systems.

DEBIT AND CREDIT CARDS

Compared to 2018, Multicaixa debit cards recorded a decrease of 2% regarding the number of cards in circulation and a decrease of 26% in terms of volume of transactions, having reached a value of AOA 93,751 billion.

Multicaixa Debit and VISA Credit

Debit	2019	2018	2017	Variation % 2018-19
No. Cards	78,475	80,244	62,188	-2%
Transactions (AOA Millions)	93,751	127,526	44549	-26%

Loans	2019	2018	2017	Variation % 2018-19
No. Cards	6,481	7,298	6,324	-11%
Transactions (AOA Millions)	23,587	36,672	10,026	-36%

Regarding VISA credit cards, the decrease was 11% in the number of cards and a drop of 36% in transactions, reaching an amount of AOA 23.587 billion.

AUTOMATIC PAYMENT TERMINALS

Regarding automatic payment terminals (APTs), the growth in the number of APTs continued in 2019, rising from 3,385 in 2018 to 4,153 in 2019, representing a growth of 23%. The traded value also recorded a significant growth of around 33% to AOA 129.907 billion in 2019.

Automatic payment terminals

	2019	2018	2017	Variation % 2018-19
No. APTs	4,153	3,385	2,907	23%
Transactions (AOA Millions)	129,907	97,432	69,161	33%

ATMS | AUTOMATIC TELLER MACHINES

Banco Económico's ATM park grew by three units in 2019, reaching a total of 95 ATMs.

Regarding financial transactions, there was an increase of approximately 13% in the value of transactions, reaching an amount of AOA 98.914 billion.

Also noteworthy is an improvement in the operability indicator (TOR), which increased from 96.70% in 2018, to 98.10% in 2019.

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

ATMs / Automatic Teller Machines

	2019	2018	2017	Variation % 2018-19
No. ATM's	95	92	88	3%
Operability Rate	98.1%	96.70%	97.1%	
Transaction (AOA Millions)	98,914	87,609	84,016	13%
% *Down Time* due to Lack of Banknotes	14%	10.5%	14%	

BANCASSURANCE

Five years later, the *bancassurance* project with Tranquilidade Corporação Angolana de Seguros continues to show positive results due to the know-how acquired over the years and the commercial dynamics of insurance sales.

The results from this strong commercial momentum materialised in a 54% increase in sales volume from AOA 4.772 billion to AOA 7.371 billion between 2018 and 2019, respectively.

Despite the strong sales growth the penetration rate (considering the Active Customer base) of insurance decreased, standing at approximately 4% (compared to 8% in 2018).

	2019	2018	2017	Variation % 2018-19
Volume of Sales	7,371	4,772	6,247	54%
Penetration Rate	4%	8%	5%	

INVESTMENT BANKING

The main goal of the Investment Banking Department (DBI) is to equip the Bank with the necessary skills and competencies to supply its customers with a comprehensive, integrated and world-class offer of specialised financial products and services in the Corporate & Investment Banking (CIB) areas.

The Investment Banking Department focuses on providing specialised financial services to medium and large companies, the state and other public entities, businesspeople and investors in general, who want to invest and/or enter into business partnerships in Angola.

CONSULTANCY AND STRUCTURED FINANCING

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.

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.

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 government programmes, such as Notice 4/19 of the BNA and the Credit Support Programme (PAC).

The PAC programme was launched during the first half of 2019 and Banco Económico is in negotiations to secure its participation in it. Under Notice 4/19, in which banks must finance 2% of the value of their assets, Banco Económico, in 2019, financed 225% more than the minimum amount required (AOA 27,152,207,820.00) by Banco Nacional de Angola (BNA).

The Angola Investe Programme (PAI) was meanwhile discontinued, although the projects already approved will continue to be carried out, with a public guarantee from the Credit Guarantee Fund (FGC) and with interest subsidies from the State.

The Investment Banking Department is in charge of managing these support programmes for Angolan business, organising and structuring funding, including monitoring the operational execution of projects with the support of specialised external consultants and institutional monitoring with government entities (MEP, FGC, BNA).

Despite the contraction in foreign investment intentions, the Investment Banking Department continues to monitor international investors interested in investing in Angola, providing detailed information on the economic, financial, tax, legal and regulatory reality, etc., including the *procurement* of local and international partnership opportunities.

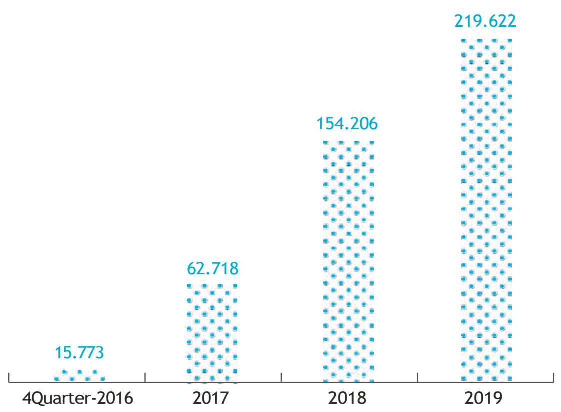
CAPITAL MARKETS

The Investment Banking Department provides capital market services, namely the organisation and underwriting of primary offerings for distribution of securities and the intermediation of securities on the regulated market (secondary market).

In 2019 the Bank substantially increased the amount of assets under custody, having more than tripled 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

Assets in custody



by BODIVA, as a Trading and Settlement Member.

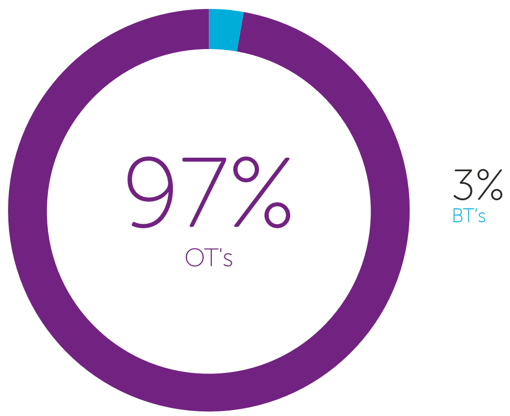
Following the change in the foreign exchange policy by Banco Nacional de Angola, there were successive devaluations of the domestic currency against the US Dollar, which encouraged the demand for Public Debt instruments, namely Indexed Treasury Bonds (OTTX).

Throughout 2019, the Investment Banking Department carried out intermediation operations of public debt securities in domestic currency, in the BODIVA markets (primary and secondary), for the total amount of AOA 45.84 billion.

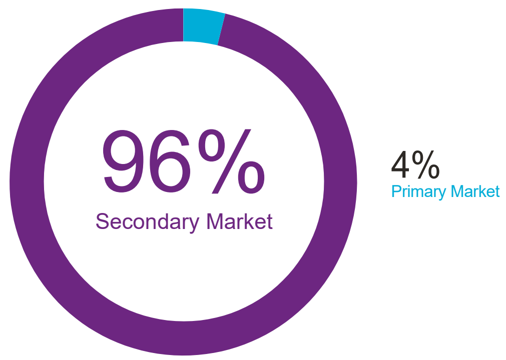
In addition to transactions carried out on the regulated market of BODIVA (Treasury Securities Exchange Market - MBTT), the Department channelled a significant amount of purchases of government securities by Customers, to investment in Treasury Bonds (OT) and shorter maturity securities, of up to one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

In 2019, 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). During 2019, BODIVA recorded over 4,326 trades, an increase of 11.55% compared to 2018, for a total of AOA 874 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 (97%) compared to Treasury Bills (3%). This is because the banks participating in Treasury Bills auctions then resell them to their customers, since they are short-term securities that are normally held to maturity by the

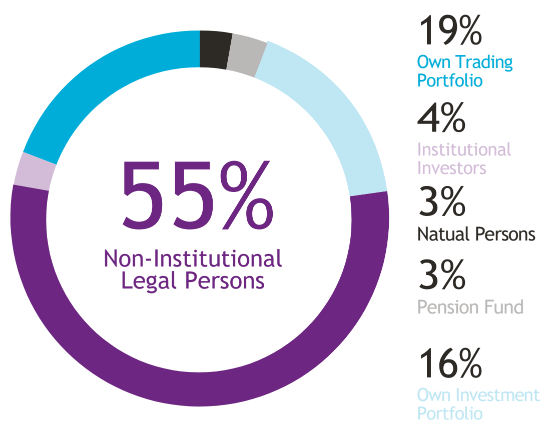
Number of Business Deals by Product



Number of Business Deals by Market



Business Deals by type of Customer



customers until reimbursement (hold to maturity).

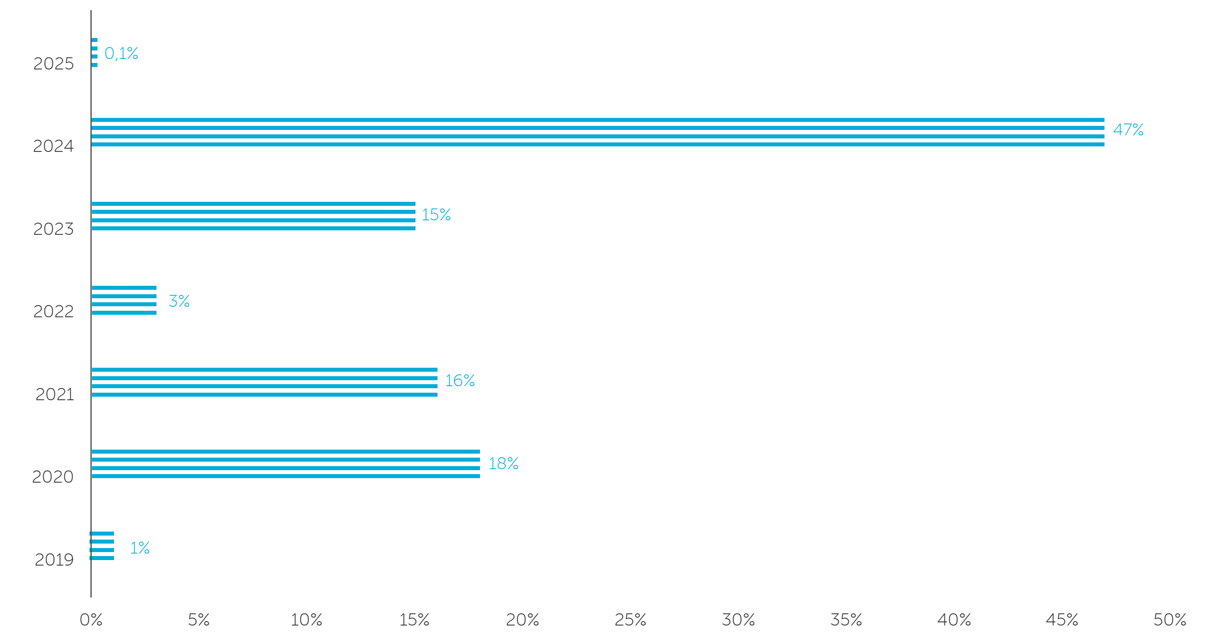
When considering the distribution by traded amount, there's a clear predominance of Treasury Bonds, which represent 97% of the value traded on BODIVA.
Maturities of up to 5 years were the most sought after, representing more than 47% of demand, with a greater number of trades carried out by non-institutional Corporate Customers

Throughout 2019, the number of accounts opened with CEVAMA (BODIVA Securities Central) also increased significantly, from 6,934 accounts in 2018 to more than 11,480, factoring in BODIVA Members' own portfolio accounts, issuers' and customers' accounts.

It should be noted that the legal and operational structure of the Angolan capital market requires complete segregation of the accounts of all participating entities. Thus, each customer, be it retail or corporate, must open and maintain a securities account with a BODIVA Member authorised for this purpose, to be able to trade and keep in deposit or custody the securities purchased.

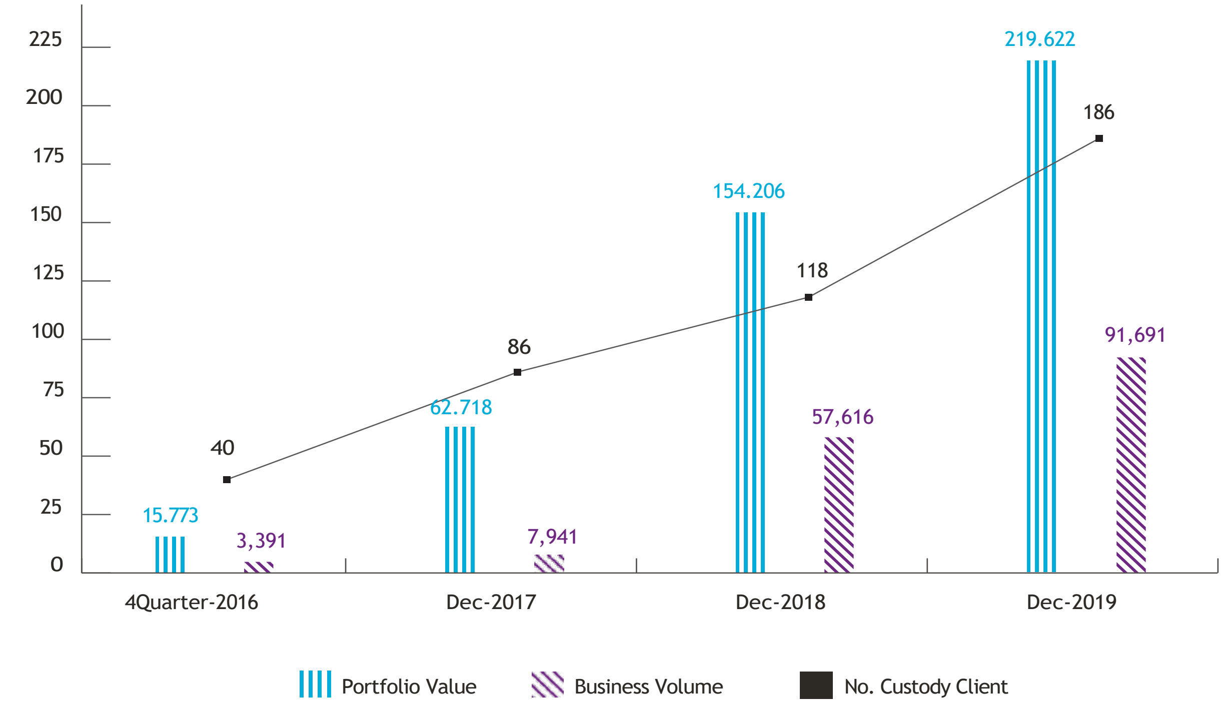
As of 31/12/2019 BE had 186 accounts open and active, which represents a weight of 2% in the total accounts opened at CEVAMA. The evolution of customer portfolios held by the Bank and the turnover of the capital market reflects a sustained growth in transactions and revenues in this business area.

Number of Business Deals by Maturity (AOA million)



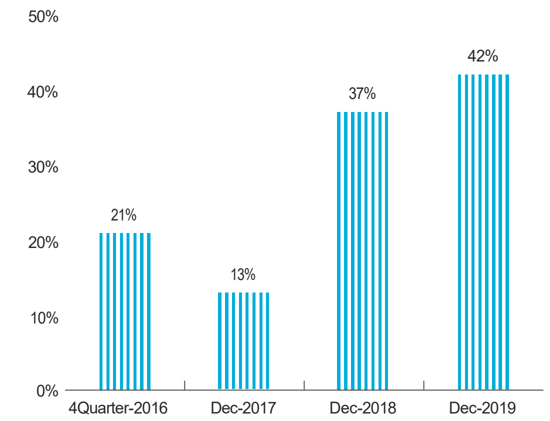
In 2019, the Bank reached the 5th position in the BODIVA ranking, with a market share of 5.05%, in which the volume intermediated in the secondary market amounted to AOA 88,291,861,927.94 with revenues generated in this segment accounting for 90% of the Investment Banking Department's total revenues. Some initiatives set out in its business plan were developed, namely the start-up of the new application tool to support this business area and the continuous training of its employees. Since the migration of securities from BNA Central (SIGMA) to BODIVA Central (CEVAMA), the number of Bank Customers has

Evolution of Customer Portfolios (AOA Millions)



tripled, the value of transactions has grown exponentially (x17) and Turnover (Transactions / Stock Securities) increased from 37% in 2018 to 42% in 2019, boosting revenues in this new business area.

TURNOVER



Banco Económico consolidated its position on the BODIVA organised market and, therefore, with regard to the Secondary Market, the Investment Banking Department reviewed the new status of Market-Maker of public debt.

In the primary market, the Investment Banking Department paid close attention to the new business opportunities on the Buy Side derived from the Privatisation Programme (PROPRIV), namely the identification, advisory and channelling of non-resident investors to acquire assets in Angola; and, on the Sell Side, the presentation of proposals for the organisation and placement of public offerings of the companies undergoing privatisation, in consortium with other domestic and foreign financial intermediaries.

ASSET MANAGEMENT

PENSION FUNDS

• ECONÓMICO SGFP

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 as at 31.12.2019

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 2019 the Company managed five Pension Funds, two open and three closed:

Pension Funds Managed

Pension Funds	Date of Set-up	Date of Transfer	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 EP 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 2019, 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 subscriptions 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 19.3 billion, compared to AOA 13.8 billion at the end of 2019 (annual increase of 61%, considering the average growth of the last three years).

Value of the Managed Funds Portfolios

Pension Funds	2017	2018	2019	CAGR 19/18
Pension Fund Besa Retirement Options	1,326,393	1,969,589	3,006,131	51%
Pension Fund 1-5-10 a Day	97,352	115,031	143,527	21%
ENE, EP Workers' Pension Fund	2,929,547	3,049,806	3,214,480	5%
MINPET Workers' Pension Fund	1,499,087	1,987,449	2,592,237	31%
UNITEL Workers' Pension Fund	1,609,455	6,702,348	10,378,424	154%
TOTAL	7,461,834	13,824,223	19,334,799	61%

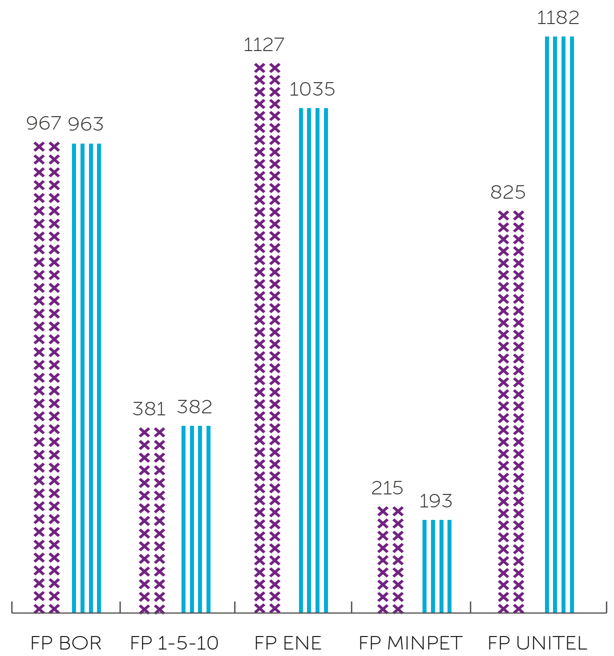
In line with this evolution, Económico SGFP has achieved a positive evolution in its revenues, which have been consistently growing over the last few years:

Value of Management Fees

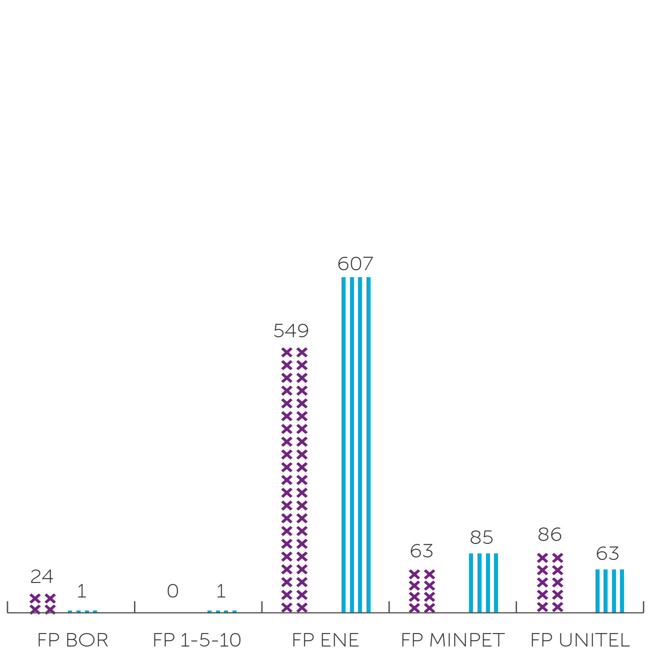
Pension Funds	2017	2018	2019	CAGR 19/18
Pension Fund Besa Retirement Options	18,499	25,184	26,787	20%
Pension Fund 1-5-10 a Day	1,468	1,630	1,287	-6%
ENE, EP Workers' Pension Fund	83,492	84,535	94,300	6%
MINPET Workers' Pension Fund	10,501	13,930	18,174	32%
UNITEL Workers' Pension Fund	-	51,700	66,416	-
TOTAL	93,993	150,165	206,964	48%

In terms of subscriptions, we highlight the Unitel Fund (+357 Participants), offsetting the reduction in the remaining ones, particularly in the ENE Fund (-92 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.

Participants 2018-2019



Beneficiaries 2018-2019



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 Ministry 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 31.12.2018

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-ended Real Estate Investment Fund

BESA PATRIMÓNIO - Closed-ended 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.

2019 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).

Also, the request for registration of the new Real Estate CIU, called "ECONÓMICO PROPERTY FUND - Closed Real Estate Investment Fund" and the primary distribution offer of its shares ("UP") to be placed for public subscription was delivered to the Capital Market Commission on 10 April 2019. By letter of the CMC dated 23 July 2019, the Registration and Primary Distribution Offer of the new Fund was approved, which has a target capital of AOA 20 billion and Banco Económico, S.A. as Depositary Entity.

3.2 HUMAN CAPITAL

2019
was marked as
a year of consolidation
of processes in the Human
Resources Department.

GENERAL OVERVIEW

In line with the Bank's strategic objectives, 2019 was marked as a year of consolidation of processes for the Human Resources Department.

The Human Resources Department underwent a transformation process focused on restructuring the Department and on developing the main Human Resources policies, with activities focused on consolidating processes such as Reception and Integration, reinforcing and implementing development programmes related to the development of the technical and behavioural skills of its employees, and a focus and attention on a number of activities related to the quality of life of its employees. The Human Resources Department has also been involved in the implementation of cross-cutting programmes, change management and strategic objectives across the institution.

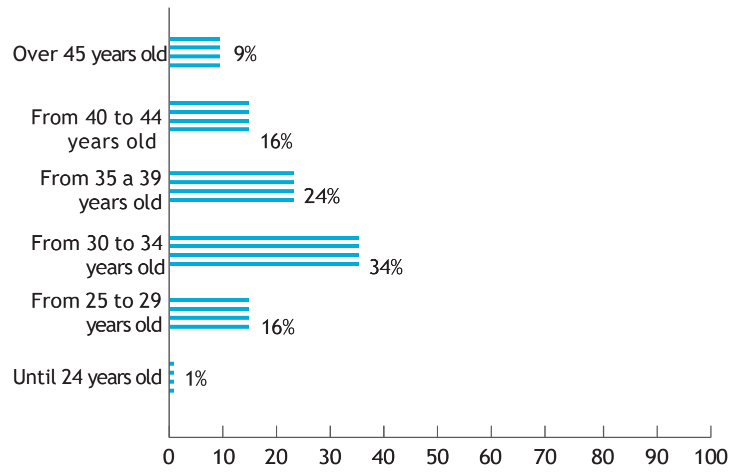
In view of the current economic climate and the major challenges the bank faced, the Human Resources Department also prepared and planned a series of activities aimed at strengthening and providing its human resources with better working tools, in terms of training, simplifying processes and a closer and more dynamic interaction with its employees, thereby promoting greater proximity and quality of service. All this with a view to better preparing its employees and the bank for its future challenges and objectives.

HUMAN CAPITAL IN 2019

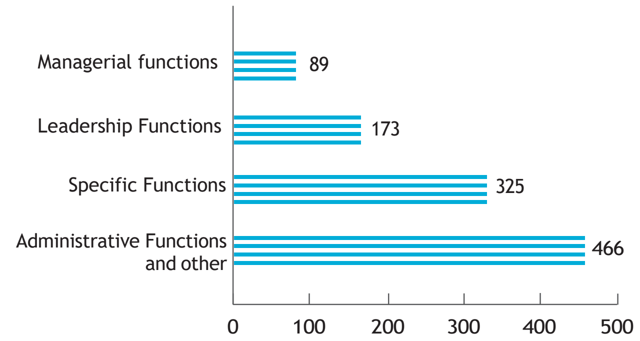
In line with the process of consolidating the Bank's strategy, in 2019, the Bank's workforce recorded little significant changes in relation to the total number of Employees; however, as a consequence of the reorganisation of the commercial and central departments and with the emergence of new departments and structures, the process of mobility and promotions accelerated, as well as the need to strengthen the business support areas, which required careful and specialised recruitment.

There was a growth of 2% in the number of Bank employees, reaching a total of 1,043 employees.

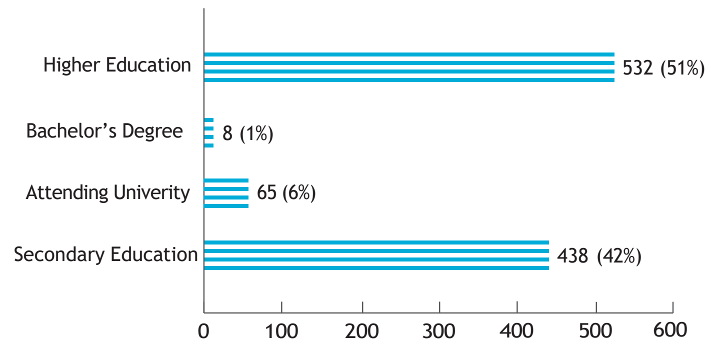
Employees by Age Group



Employees by Functional Area

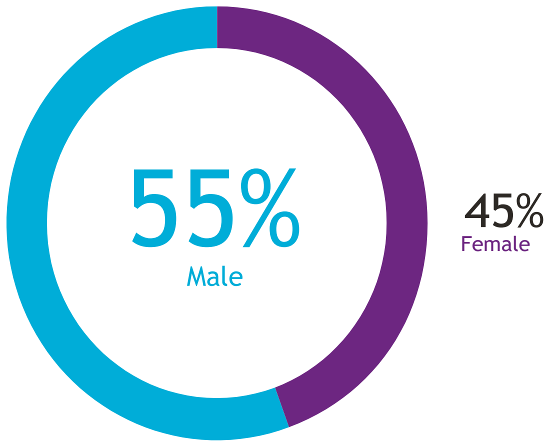


Employee Qualifications

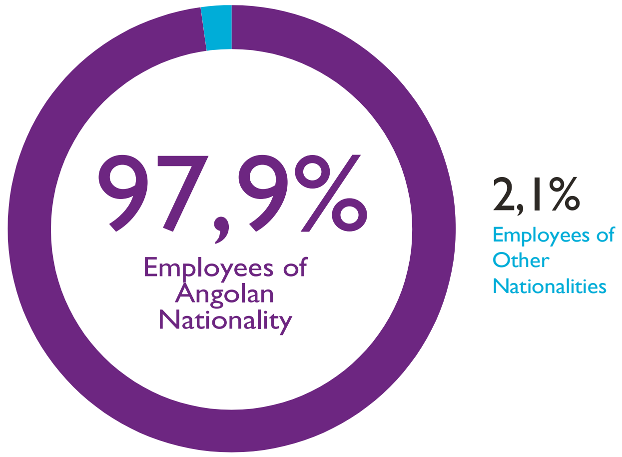


In 2019, the distribution of employees by gender and nationality remained unchanged, 55% being male and 98% of Angolan nationality.

Employees by Gender



Employees by Nationality



The Human Resources Department continued its transformation process focused on restructuring the Department and developing the main Human Resources policies, with the following activities:

- Reception and Integration;
- Specific and behavioural training;
- Careers and Professional Development;
- Human Resources Management Tool;
- Health, Safety and Hygiene at Work System;
- Employee Benefits

RECEPTION AND INTEGRATION

Banco Económico consolidated the process for Reception and Integration of Employees into the Bank.

The process has been enhanced with improvements and adjustments, so that the newly hired employees can experience in the best way their admission to the bank, but also to increasingly personalise their integration path, with a focus on integration internships and associated training paths.

Reception and Integration are an integral part of the stages of the Employee's organisational socialisation process. Its aim is to ensure that he/she knows the culture and values of the organisation, as well as what is expected of him/her as a member of the Banco Económico.

At Banco Económico, Reception and Integration are implemented by the Human Resources Department, as laid down in the Organic Structure Manual.

SPECIFIC AND BEHAVIOURAL TRAINING

Continued implementation of the Specific Training plan with initiatives focused on developing technical and specific skills for certain areas of the Bank, improving Employee performance.

To foster learning across all the Bank's employees, in order to enhance their growth, allowing career development with integration, promotions and in-house mobility.

Throughout 2019, the statistics from the training actions developed by Banco Económico show that this is effectively a priority area for the institution, thus ensuring the development of the professional and personal skills of the Bank's Employees. The training volume between 2018 and 2019, despite a slight decrease, was enhanced and focused on operational and support functions, which represent the bank's investment in staff with less experience and technical qualifications, aimed at strengthening, reinforcing their involvement in the activities under their responsibility, but also empowering its staff to achieve the levels of excellence advocated by the bank.

Number of Employees per Group

	2017	2018	2019
Management Group	987	1,974	1,706
Coordination Group	1,495	3,474	2,332
Technical / Specialised Group	3,494	5,199	3,571
Operational Group	1,813	2,995	3,286
Support Group	163	144	318
Total	7,952	13,786	11,213

A year marked by the start of the development programme called + Talento, whose main goal is to strengthen the Culture of Banco Económico. The programme encompasses all employees and is structured around 3 pillars of intervention: the Banco Economico DNA Pillar, the Management and Leadership Pillar and the Focus on the Customer Pillar.

It is realised in various formats: workshops, training, team buildings and ongoing communication actions that will enhance all the contents over a period of approximately two years.

As per the programmed activities, the "Somos Banco Económico" (We are Banco Económico) workshop was held, aimed at all employees and part of the DNA Pillar, seen as an enhancement of the organisational culture. This workshop transmitted, outlined and shared the bank's values and how they translate and are represented in daily life, how they translate into behaviours associated with each one, so that such values were understood in a simple and clear way.

DNA PILLAR - WE ARE BANCO ECONÓMICO

- We have trained more than 850 employees;
- We have carried out more than 70 workshops;
- We visited 2 Provinces: Benguela and Cabinda;

This stage of the programme will be carried on until all the bank's employees are covered. Preparations began for the second pillar of the programme, the Management and Leadership Pillar, which aims to strengthen and develop the bank's leaders.

CAREERS AND PROFESSIONAL DEVELOPMENT

Given the increasingly demanding and changing corporate dynamics, in a growing need for specialisation of its staff, the bank prepared itself and increasingly focused on training and distinguishing the employees who best perform their functions. Thus, in 2019, special attention was paid to their distinction and performance, providing attractive career plans in view of their professional development, career opportunities and participation in projects or activities of greater responsibility and that also contribute to the retention of its best staff.

Throughout the year there were 44 in-house transfers, 28 function upgrades, 33 promotions and 122 employees distinguished for their high performance. This is representative of the dynamics and as a consequence of the reorganisation of the commercial and central departments, with the emergence of new departments and structures, as well as of the need to strengthen the business support areas, which required recruiting the best and better prepared staff.

HR MANAGEMENT TOOL

Preparation and outlining of proposals on the need to carry out a significant upgrade to SAP, integrating the SAP ERP platforms (solution used) and SAP SuccessFactors into the application framework of Banco Económico, providing Employees with a set of new functionalities in terms of Registration and Administrative Management, Performance Assessment, Training and Succession.

The solution to be implemented is SAP SuccessFactors, SAP's cloud solution for the operationalisation of Human Resources policies and processes. This is an innovative solution and it covers all HR processes, including modules that deal with administrative issues (e.g. Registration) and modules that deal with talent management (e.g. Performance Assessment) and HR information analysis and reporting.

Its main features will enable it to be an integrated and scalable solution, to improve the employee experience compared to the current solution and to manage the entire employee lifecycle in an integrated manner.

HEALTH, SAFETY AND HYGIENE AT WORK SYSTEM

Preparation of the proposal and implementation of the Health, Safety and Hygiene at Work System - SSHT. Pursuant to the requirements of the legislation in force, a series of activities related to Safety, Hygiene and Health in the Bank are to be carried out.

Occupational health is a mandatory action of the Ministry of Labour that has as its main objective to safeguard the quality of life of workers and everything that involves the work routine, as enshrined in Decree Law No. 31/94 of 5 August - Hygiene and Safety at Work System.

It is the responsibility of the Human Resources Department to carry out health-related tasks, such as periodic, admission, occasional and resignation exams, so its implementation was consolidated in the second half of 2019.

EMPLOYEE BENEFITS

The continuous investment in valuing, training and developing its staff, as well as the bank's concern in guaranteeing the well-being and support of its employees and members of their household, has been to continue granting and providing access to a set of benefits in preferential market conditions, knowing that these are of relevant importance in the current economic environment.

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

Every Day
Building a Better Tomorrow

NOTORIETY AND REINFORCEMENT ON SALE

"Todos os Dias a Construir um Amanhã Melhor" ("Every Day Building a Better Tomorrow") was the first major campaign of 2019. The image of the "cool" sign between two generations, disseminated via branches, television, radio, press, billboards and digital media, aimed to strengthen trust with customers, while positioning the bank as an institution committed to all generations.

Among the savings products, emphasis was given to the communication of the "Anniversary Deposit", alluding to the 5th Anniversary of Banco Económico, also on TV, radio, press and billboards. The "Happy Holidays Deposit", lasting 20 days, was advertised on digital channels, and the "Flexible Income Deposit", to encourage the creation of sustainable savings by also favouring credit, with posters at service points.

Throughout the year, in order to promote financing, the "Personal Loan" campaign was disseminated by Banco Económico through displays at its branches, and in the press.

The "University Solution" aimed at university students, and the direct channels, EconomicoNet and EconomicoApp were promoted via the online channels, with the aim of promoting the digital offers made available by the bank.

The year ended with the soft launch of the "Buê Salário Account", with the placement of posters and leaflets in the branches to support sales, with a 360° campaign planned for the beginning of 2020.

PROXIMITY MODEL WITH CUSTOMERS AND THE COMMUNITY

Banco Económico's corporate citizenship stance materialises through the implementation and support of programmes and actions focused on the arts, culture, health, financial literacy, education and sports.

In 2019, Banco Económico maintained its focus on organising events and various initiatives with a view to strengthening its proximity to the community, its customers and employees. Several institutions also used the Bank's facilities to hold their corporate events.

RELATIONAL EVENTS

Banco Económico's policy for cultural affairs, particularly in the artistic field, has shown over time an openness towards the creation of bridges and dialogue between artists, customers and society, as a form of intellectual enrichment and the creation of unprecedented experiences for both.

The Gallery featured three major exhibitions in the course of 2019. "50 years - Present , Past and Future" by the artist António Ole, Ole's first at Banco Económico's Gallery, the show room edition "UNTITLED 02", which, in addition to bringing together 46 national artists of various generations and arts, included an Educational Programme developed with the partner NLONGI and "Intersections - Within the Global South," an exhibition with artists and works from a range of geographical origins from the same "global south".

The "Golf Tournament Invitational", the 3rd edition of the golf tournament that ends with the dinner and the "Soirée Art & Musique", with cartoonists, were the two outstanding events that provided moments of interaction and closeness with customers.

Internally, the 5th Anniversary of the Bank was celebrated, a get-together moment for more than 400 employees.

CORPORATE EVENTS

The Gallery and the Banco Económico Auditorium are open areas for holding meetings and relevant actions for society, having hosted in 2019, several events by external entities.

The workshops and conferences, with varied topics ranging from compliance to corruption, allowed the consolidation of the relationship between the bank and various governmental organisations and international corporations, such as ABANC, AGT, CEFA, PwC, AECIPA Ilungi, the Angola-Spain Business Chamber and the Ministry of Justice and Human Rights.

TRADE SHOWS

The participation in fairs and events has given the Bank an excellent opportunity to generate brand awareness in the market, enabling it to strengthen its brand strategy as a relational bank, seeking moments of proximity with its customers and potential customers in different environments. In 2019, the Bank participated in "FIB" and "FILDA", where it stood out due to the amount of accounts opened and products and services promoted, and "Expo Huila" where it won the "Best Stand" award at the event.

Participation in initiatives such as the "Banking Forum", the "Business and Services Trade Show at São José do Cluny School", and the CMC's "Investor Trade Show 2019" represent very important moments for the Bank as they foster inclusion and financial literacy.

INTERNAL ENGAGEMENT

The main goal of internal communication is to contribute to professional development and to improve the quality of individual work and work teams through the formal and informal circulation of information at all levels of the institution.

The Marketing and Communication Department, in close collaboration with the other areas, is dedicated to strengthening the Bank's intangible assets, by informing, motivating and engaging all employees with the outlined values and objectives, so that everyone can identify with Banco Económico's brand and its projects, with Human Resources and Social Responsibility being the areas with the greatest emphasis on communication during 2019.

SPONSORSHIPS

As part of sponsorships granted in 2019, the Bank associated itself with highly relevant initiatives, with regard to sports, such as cycling and tennis, the Skimboard Championship of the Kalemba Radical social project and also the support for the coverage of the CAN 2019.

On a cultural level, the Bank sponsored the "Festas do Mar" ("Sea Festivals") in Namibe and Axi Luanda, as well as the television programme "Clube da Fantasia", which promotes children's literature.

Regarding institutions, the "Invest Africa Investor Mission to Angola" project of the UK Angola Chamber of Commerce, the New Wave Banking Forum, Expo Huila of the AAPC IL and the Business and Investment Opportunities Forum of Huila were all sponsored by Banco Económico.

Lastly, on a social level, two causes were sponsored: the Miss World Angola Committee, an active platform to support the promotion of social equality, and "Africa Science Week", an event aimed at stimulating learning curiosity and interest in the areas of Science, Technology, Engineering, Arts and Mathematics.

3.4 SOCIAL RESPONSIBILITY

We Always Invest
in the Community

Banco Económico's social mission is to create value for a sustainable future in Angola, so "we always invest in the community".

Therefore, its organic structure includes a Social Responsibility Department (DRS), whose function is to develop internal and external sustainability and social responsibility programmes and projects.

In 2019, on an external level, short- and long-term philanthropic and sustainability programmes and projects were carried out to generate macro social transformation, and internally projects that contributed to the well-being of employees and their families, motivating them and raising their awareness to sustainability causes in a comprehensive scope.

These were developed in the areas of Health and Education (as the most prominent), of Culture and Arts, Sports and Environment, with the following standing out: Gota a Gota dê vida a quem precisa (Drop by Drop, give life to those who need it), Sponsorship of the Municipal Hospital of Cacuaco, BE for education and Capacita Angola.

These actions resulted in the benefit of approximately 7,000 people, including society and employees.

The investment in social projects in the areas mentioned above amounted to approximately AOA 337 million, divided between direct costs of the Bank and the employees' contribution to a Solidarity Fund.

EXTERNAL SOCIAL RESPONSIBILITY
AOA 188 MILLION INVESTED
3,500 PEOPLE BENEFITED

CAPACITA ANGOLA

Health and Education | Training of teachers, parents guidance and child development | 6-month pilot project | 221 teachers reached | 40 parents guided | 22 children reached

Banco Económico is proud to be the first financial institution in Angola to promote a project aimed at the social inclusion of children and young people with special development.

To promote school and social inclusion, the Capacita Angola pilot project was developed for 750 children and young people from the Special Education School Complex located in Benguela Province.

This pilot project has undoubtedly generated social transformation in the lives of the teachers at the Special Education School Complex in Benguela, as well as their children and their families.

The teachers were trained in numerous aspects of child development, in a total of 12 theoretical training courses and about 60 hours of practice, the parents were guided to better care for their children and the children were screened and received their diagnosis, thus being able to adjust their teaching, their home, their daily life, which brought them a better quality of life.

In only 6 months of the project the results were visible, with considerable development in around 75% of the children.

This project has shown that this is indeed a section of our society that needs to be addressed today in order to improve the living conditions of these children and their families, contributing positively to their future, as well as to the future of Angola.

DROP BY DROP - GIVE LIFE TO THOSE WHO NEED IT

Health | Blood drive | 15 campaigns | 7,796 people benefited (until 2019)

A project to collect blood and offer hospital supplies, which began in 2016 and is carried out in partnership with the National Blood Institute, aims to reduce the blood deficit in public hospitals and consequently reduce the mortality rate, as well as raise awareness and mobilise by raising regular voluntary donors. In 2019 Banco Económico held 4 blood drives namely, 2 in Luanda, 1 in Uige and 1 in Bengo.

SPONSORSHIP OF THE MUNICIPAL HOSPITAL OF CACUACO

Health | Material goods and voluntary actions | 29 actions | 2,500 people benefited (until 2019)

The Municipal Hospital of Cacuaco has been sponsored by Banco Económico since 2016, and benefits from the supply of equipment and consumables needed for the good care of patients. During visits to patients in the hospital, meals and other goods are delivered and a Christmas party is held. 2019 also included staff training in the human resources area carried out for 45 employees and the offer of 200 sets of sheets.

BE FOR EDUCATION

Education | Higher Education/specialities | 159 National and International Scholarships | 159 people benefited

In 2019, Banco Económico opened the application for a further 50 national scholarships for higher education, to add to the 100 already awarded in the previous year. These were granted to young students belonging to needy families, through a tender process.

In 2019 the Project reached out to nine 9 recent medical graduates and awarded scholarships to specialise in various health specialties, namely: Neonatology, Endocrinology, Neurosurgery, Cardiology, Gastroenterology, Intensive Medicine and Emergencies, Internal Medicine and Paediatrics. In this way, they will contribute to the health of the Angolan population.

SPONSORSHIP FOR THE APPRENTICES OF GOOD

Education | Primary School | Social Inclusion | 14 actions developed | 1,170 people benefited (until 2019)

Banco Económico has embraced the social project "Apprentices of Good" since 2017, which aims to create strong social values in children and adults in the municipality of Cazenga, as well as to take children off the street and consequently contribute to the reduction of child delinquency. In 2019, about 342 children participated in the classes from initiation to grade 5 and 40 adults in the literacy classes.

FUTSAL TOURNAMENT

Sports | 3 tournaments organised | 24 teams | 300 participants (until 2019)

Banco Económico held the Men's Futsal External Tournament for the 3rd consecutive time, thus reinforcing the importance of sport for the well-being of citizens.

BANCO ECONÓMICO GARDEN

Environment | Recovery and Maintenance | Monthly Action | General population benefited

In 2017, Banco Económico started the "Banco Económico Garden" project, consisting in the recovery and maintenance of the garden located at the lane adjacent to the Head Office Building.

SUSTAINABLE CHRISTMAS

Environment | Awareness for recycling and reuse | Specific action | General population reached

Christmas is a time that brings awareness to people, so Banco Económico thought of developing the Sustainable Christmas project and for the second year running, it set up an ecological Christmas tree, made of 6,000 plastic bottles collected by employees, in order to promote sustainable development and encourage the habit of recycling externally.

RAÍZES DE ANGOLA (ROOTS OF ANGOLA)

Culture and Arts | Donations | One-off Action | Population of Huila Benefited

The Roots of Angola programme has been developed for the benefit of the Huila Regional Museum in Lubango province since 2016.

In 2019 it carried out the 3rd action, which consisted of the offer of a vehicle, to enable the museum team to promote the Museum and carry out archaeological research.

SOLIDARITY BENGUELA

Health and Education | Supply of equipment and material | One-off action | 750 children reached

Banco Económico carries out philanthropic actions in order to improve the quality of life of the institutions and their people (those who work there and their direct beneficiaries).

As such, in 2019, goods and equipment were donated to the Special Education School Complex - BG No. 1038 of Benguela to improve the work of the 58 teachers and 27 employees of the complex, benefiting the students and their families.

INTERNAL SOCIAL RESPONSIBILITY
AOA 149 MILLION INVESTED
3,500 PEOPLE BENEFITED

SUSTENTABILIDADE 18 POR 1 (SUSTAINABILITY 18 FOR 1)

Environment | Awareness for good sustainability practices | 1,043 Employees

This programme aims to generate a long-term sustainable management of adopting conscious attitudes towards reducing negative impacts on the environment, by implementing a set of awareness-raising measures and adopting responsible environmental protection practices.

DESPERTA BE

Various | Awareness | 6 actions | 1,600 People Benefited

It is a programme aimed at Banco Económico employees and includes a set of actions on important dates: Workers' Month, Africa Day, Children's Month, Pink October, Blue November and the Fight against HIV/AIDS.

SPORT

Health and Well-Being | 5 Projects | 870 Employees and family members of the Banco Económico benefited | 200 children benefited

Banco Económico while staying true to its concept of valuing the people, in particular its human resources, proceeded in 2019 with the For a Year in Shape initiative, encouraging and stimulating the use of the gymnasium, and the organisation of the 3rd Men's Internal Futsal Tournament.

Moreover, it has added 2 new projects; Labour Gymnastics and the 1st Interprovincial Men's Futsal Tournament held in Benguela province, which resulted in the donation of food and school material for around 200 boarding children from the social centre - Escola Polivalente Amigo - Joaquim Kapango.

HEALTH PROTOCOLS

Health | 4 Cooperation Protocols | Employees and family members

From 2016, and with the aim of contributing to well-being, the Bank has established health protocols for its Employees and their families, which allow them to benefit from medical care not guaranteed by health insurance, at more advantageous prices.

DOCTOR'S OFFICE

Health and Well-being | Management and Services | Employees

It aims to provide greater comfort in the workplace for employees, with regard to preventive medicine, tests, examinations and regular medical appointments, guaranteeing access to urgent general medicine appointments.

COLLECTIVE INTERNAL TRANSPORT

Social Benefit | Transport for employees | 120 People Benefited

This has been the benefit that Banco Económico provides to its employees that has the greatest impact on its 120 users.

2019 saw an increase of 2 more routes. Currently, the routes in progress are: Benfica, Camama, Kilamba, Sequele, Patriota, Viana, Ulengo Center and Zango.

AWARDS AND RECOGNITION

It should be noted that, in 2019, Banco Económico added to its recognitions and awards the following distinctions: "Best Mobile Banking Application" by the Global Banking & Finance Review Awards and "Best Bank Governance Angola 2019" awarded by Capital Finance International Awards.

"Best Bank Governance Angola 2019" Capital Finance International Awards

"Best Mobile Banking Application" Global Banking & Finance Review Awards

3.5 TECHNOLOGY, TRANSFORMATION AND INNOVATION

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 segment.

This segmentation strategy has been backed by significant technological support and investment to modernise the infrastructure and foster the development of an increasingly digital operation and offer. This strategy will support the continuous automation and dematerialisation of business processes, improve the quality of services and the evolution of management processes so as to follow and provide an adequate response to business and regulatory needs in an increasingly demanding and competitive legal, regulatory and competitive context.

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. retain customers and increase their level of involvement and loyalty
ii. attract new Customers, belonging to the different segments.

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 not only more efficient operationally, but also a benchmark in the Angolan banking system regarding innovation and digital offer.

Over 2019 the bank consolidated the first steps in implementing this strategy with the adoption of an innovative, integrated and fully dematerialised digital solution for customer onboarding. With more than 50% of the service network using the new process, the adoption of this new technological solution has significantly streamlined the account opening process. This became an innovative and totally dematerialised process, where the traditional paper forms were replaced by digital documents, which are now signed by the Customers using a digital pen.

It also ensures the assignment, on the spot, of the Multicaixa card and accesses to the Bank's various channels, guaranteeing immediate access to the offer of digital products and services.

Along these lines, there is also a strong commitment to continuing developing the functionalities of the **Economico**Net, EconomicoNet App and Economico**Net** Directo channel platform, with a view to promoting and increasing the level of use, through innovative solutions for both retail and corporate customers:

- Easy Receipt Service in the area of B2C and B2B;
- Flexibility in managing access, credentials, access recovery and operation signatures;
- Development of offers with products available on digital channels;
- Availability of digital documents (account statement and generic invoice);
- SMS notifications;
- Development of a specific service offer for Universities (Económico Universitário App), which combines the offer of financial services and the daily management of its customers' university agenda.

Also noteworthy in 2019 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, a project that is expected to be completed in the first half of 2020.

As data analysis is currently a master tool for institutions to identify, customise and target their offer to the market and their customers, the Bank is also carrying out a project to implement a new Datawarehouse, which will not only improve the performance of data processing and the generation of regulatory reporting, but will also allow the Bank to be more dynamic in obtaining data and cross-referencing information.

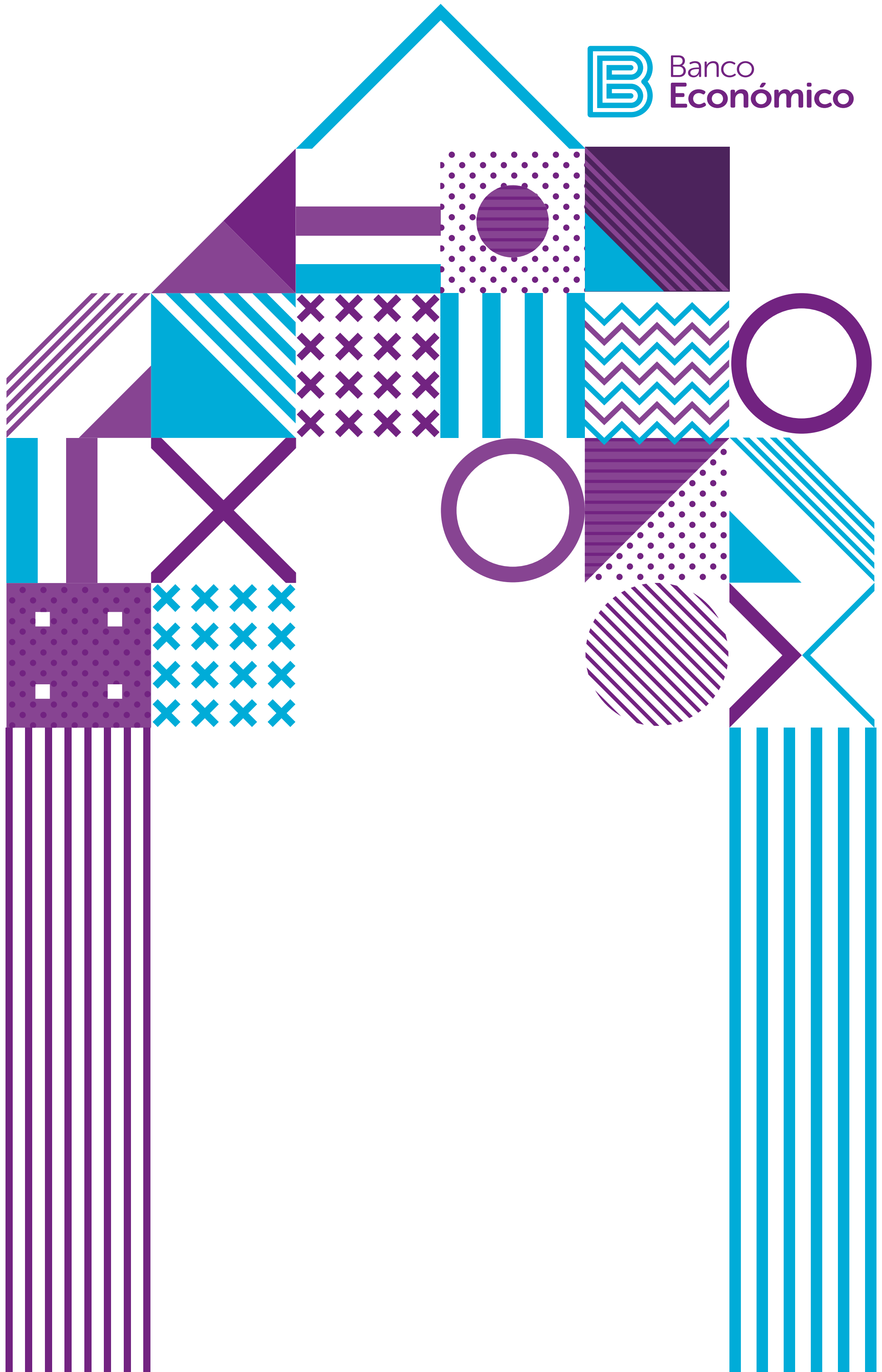
2019 featured 2 pivotal and highly complex regulatory challenges, i) the obligation to issue generic invoices to customers, and ii) the implementation of VAT, challenges to which the bank successfully responded by ensuring the compliance of its applications.

The Bank's digital transformation programme is underpinned by 7 fundamental pillars that go beyond the technological component and that must be addressed for it to become a reality, and those pillars are:
i) digitisation approach,
ii) organic model,
iii) team and competencies,
iv) working methodologies,
v) culture,
vi) partnerships/ fintechs
vii) relationship with other entities.

Banco Económico's initiatives are aligned with the premises of these pillars. Accordingly, in 2019, the first Digital Unit was created comprising a dedicated team to promote and develop the competencies needed to implement the Digital Transformation programme in the Bank.

The organic model in the IT areas was redesigned to enhance the capacity of the support teams and increase the efficiency of their activity, thus better serving the Bank's business departments.

The Bank has implemented the best communication practices between the business areas and the IT support areas, by adopting ticketing and project management tools, as well as appropriate methodologies that allow the whole portfolio of initiatives to be organised, as well as all corrective maintenance, in order to optimise team training, serve the business more efficiently and effectively, as well as greater rigour in the individual and collective assessment of the support areas.



04

INTERNAL CONTROL SYSTEM

4.1 GENERAL OVERVIEW

The Internal Control System (ICS) refers to the integrated set of policies and processes, of a permanent nature and across the entire institution, carried out by the management body and other employees, with the aim of achieving the efficiency goals in the execution of operations and risk control.

The Bank, through its Control Areas, is focused on the development of its Internal Control System (ICS), with the goal of ensuring:

- Business continuity and the perpetuity of the Institution, through the efficient allocation of resources, execution of operations and risk control;
- The existence of rigorous, complete and reliable financial and management information;
- Compliance with legal and regulatory provisions and internal guidelines.

The Bank's Internal Control System operates on four main vectors:

- **Prevention:** ensure that the Bank has the necessary mechanisms and procedures in place to avoid risk situations, or reduce their probability of occurrence and severity;
- **Detection:** develop alerts that will allow for the timely identification of any risk situations that may arise;
- **Mitigation:** develop contingency mechanisms that can control and minimise the negative impact of any risk situations that may arise;
- **Monitoring:** ensure that there is monitoring of all activities under the supervision of the Internal Control area in order to guarantee quality control.

An efficient internal control is a competitive advantage for the Bank, enhancing the tools that allow a quick and effective intervention in a changing environment. However, for the ICS to be fully efficient and effective, it is essential to apply and comply with the following guiding principles, which are aligned with BNA regulations and the best international practices (e.g. Basel Committee):

- **Continuity:** ensure the understanding of the risks inherent to the Bank's business and its drivers, and the implementation of a Business Continuity Plan to ensure business continuity and the Bank's resilience;
- **Universality:** develop an internal control environment throughout the organisation, ensuring that the strategy and general management policies are effectively disseminated and assimilated by Employees;
- **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;
- **Adequacy:** adapt the ICS to the size, nature and complexity of the Bank's business, its risk profile and degree of centralisation and delegation of powers. In addition, ensure 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;
- **Independence:** establish a governance model that ensures an independent ICS, allowing its results to be measured, evaluated and reported to the Board of Directors for decision-making;
- **Segregation of Functions:** promote a clear segregation of functions between the business, control and support 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;
- **Timeliness:** ensure that activities within the internal control scope respect the rules and set deadlines, with any delays being immediately reported;
- **Homogeneity and Transparency:** ensure homogeneity and transparency in the application of outlined processes, by documenting/ formalising procedures.

KEY DEVELOPMENTS IN THE INTERNAL CONTROL SYSTEM

In order to comply with legal and regulatory standards in the field of ICS and Prevention of Money Laundering and the Fight against Financing of Terrorism (ML/FT), the Bank continued with the Regulatory Project, which consisted of documenting and formalising internal regulations, in which the processes impacting on the Compliance function were formalised, namely: Monitor transactions with related parties; Identify and monitor situations of conflict of interest; Make representations to the correspondent Banks.

At the level of the programme to strengthen the Compliance risk management function:

- The AML SAS project was awarded, which will allow the strengthening of the assessment and monitoring process of customers and transactions, through:
  - **a)** Allocating and monitoring customer risk;
  - **b)** Assessing the transactional behaviour of customers;
  - **c)** Risk alert management and reporting.
- The Bank's ML/FT and Sanctions risk assessment process is in progress;
- The communication and awareness plan on Compliance was approved, with the aim of fostering a culture of compliance among all stakeholders.
- Training sessions were held via e-learning for 778 employees.

To ensure the quality and efficiency of the ICS, in line with the established objectives, the Bank permanently seeks to ensure an adequate internal control environment, taking into account its code of conduct and outlined policies.

REMUNERATION POLICY

Meeting the Bank's strategic objectives undoubtedly requires the commitment and contribution of all the Bank's employees in the performance of their duties. So, in order to retain and motivate them, the Employee Remuneration Policy focuses on the following principles:

- Match the compensation practices with the Bank's strategic objectives;
- Retain and motivate Employees through salary conditions that promote internal satisfaction;
- Promote internal equity, through salary conditions that reflect the contribution of comparable functions to business results, taking into account the function and performance as determining factors for remuneration levels;
- Reward performance, through compensation and human resources management mechanisms aligned with the organisation's strategy;
- Meritocracy: acknowledge and positively differentiate Employees who have demonstrated better performance levels and who have contributed most to the company's results;
- Transparency: the rules and criteria for applying remuneration practices must be clear and communicated to Employees at the start of their employment and when the Policy is reviewed;
- Flexibility and Mobility: structured into salary ranges and brackets applicable horizontally to the different functions, in order to facilitate mobility and career development.

CONFLICT-OF-INTEREST POLICY

The Bank considers situations of conflict of interest when:

- Employees receive any gifts of a material nature from Customers, inducing or conditioning their behaviour concerning the provision of the service or the performance of their tasks;
- The interests of the Bank and/or its Employees conflict with the results deriving from the execution of specific instructions from Customers, namely when the Bank obtains, or avoids losing, effective financial benefits at the expense of losses for one or more Customers;
- The Bank and/or its Employees perform the same functions as the Customers.

Once a situation of conflict of interest is identified, the Bank ensures that it is handled in accordance with the legal and regulatory precepts, and the necessary resources must be promptly mobilised for its adequate resolution.

The management of conflicts of interest is the responsibility of the Compliance Department, assisted by the Internal Audit Department.

The Compliance Department shall analyse the situation reported and may request additional information and/or clarification on the specific occurrence from the person who made the communication/complaint and, in the course of the process, question the departments involved on the measures already adopted and others that it considers relevant for managing the conflict of interest.

RELATED PARTIES TRANSACTION POLICY

The Bank establishes rules and procedures when entering into transactions with related parties, ensuring equality and transparency so as to preclude conflicts of interest.

The Bank's related parties are considered to be all entities (natural and legal persons) that:

- Hold, directly and indirectly, up to the 2nd degree of relationship, a percentage in the Bank's share capital or voting rights equal to or greater than 10%;
- The Bank holds, directly or indirectly, at least 10% of the capital or voting rights of that entity;
- Are held, directly or indirectly, in more than 10% of the share capital or voting rights, by the same shareholders.

The Bank establishes as a general rule that, in all acts and procedures relating to Transactions with Related Parties, the following conditions must be observed:

- Transactions are identified as such in any and all documents relating to them;
- Transactions are carried out on market terms, in accordance with the respective risk and utility;
- They are concluded in writing, in full, and there are no unexpressed or unwritten conditions;
- They are assessed, decided, formalised and managed without the intervention of the identified Related Party.

CODE OF CONDUCT

The Bank, acknowledging the extreme importance of ethical values in today's society and the importance of their practice in banking, has a Code of Conduct and, with the assistance of the Compliance Department, has made Employees aware of ethical issues, as well as the ethical standards to be observed in a professional context, through the interpretation and analysis of the rules and principles that govern banking activity, as well as matters on the responsibilities arising from the exercise of the profession.

BE believes that banking requires the implementation of rules or standards of conduct to ensure ethical and professional conduct in relations between banks, their professionals and their customers, in order to achieve efficiency, integrity and transparency.

The Bank's Code of Conduct sets out the fundamental principles and rules of conduct to be observed in the conduct of the professional activities of the members of BE Group's governing and supervisory bodies and employees. The Code is made known to all employees and is available on the Bank's website.

All employees are expected to comply effectively with the Code of Conduct. However, while this applies to all, irrespective of their position in the hierarchy and their individual roles and responsibilities, members of the BE Group's governing and supervisory bodies, as well as its senior management, are expected to set an example and comply with it with particular care.

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

The Compliance Function is responsible for strengthening and monitoring the Bank's Internal Control System, as well as the processes of Prevention of Money Laundering and Combating the Financing of Terrorism (ML/FT) and Conflicts of Interest, ensuring the existence of policies, standards and checkpoints in the processes to mitigate risks associated with non-compliance with these policies, and with the laws and regulatory standards that govern the Bank's activity.

Compliance Risk Management ensures the existence of policies, standards and checkpoints in the processes, to mitigate risks associated with non-compliance with these policies, as well as with the laws and regulatory standards that govern the Bank's activity.

The Bank runs a sustained programme to ensure the dissemination of the Compliance culture based on the following principles:

- **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.
- **Strategy** - alignment of the compliance policy with the Bank's strategy and long-term objectives;
- **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.
- **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, suppliers and others.
- **Monitoring** - The Bank has a constant process to monitor the operation of the Compliance Programme, ensuring that it works according to planned.

MONITORING IN 2019

Considering the responsibilities attributed to the Compliance Department, the monitoring processes performed throughout 2019 are presented hereinafter.

1. KYC analysis

In the period under review, Compliance authorised the opening of 10,658 retail and corporate customer accounts. Retail customers continued to lead the ranking in total requests for the opening of accounts, representing 63% of the total number of requests.

KYC analysis

2. Analysis of Other Counterparties

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

- At the level of counterparties, 52 files were analysed concerning candidate employees and around 735 concerning suppliers (KYS);

Additionally, around 338 requests from Correspondent Banks were handled.

3. *Know Your Transactions Analysis*

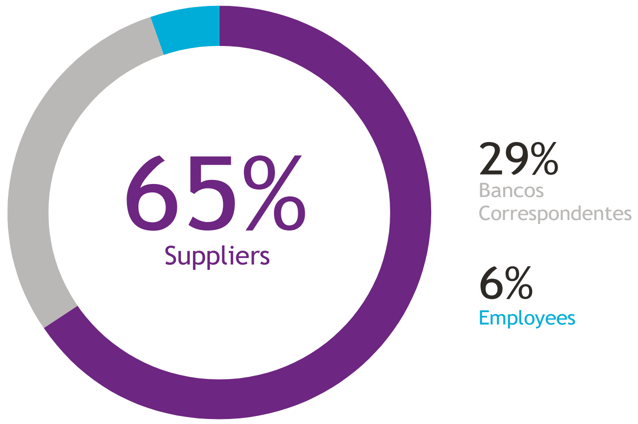
The following operations were monitored in terms of transactions:

- Withdrawal and deposit operations over 15,000 USD: 5,360 statements of Source and Provenance of Funds (DOPF) were analysed out of the 5,486 transactions reported to the Financial Intelligence Unit (UIF), of which:
- 154 corresponding to cash withdrawals;
- 5,332 relating to cash deposits.

Approximately 15,029 transactions with false positive Hits were analysed and validated on Sanctions Screening, broken down into:

- Outgoing transfers: 13,599 transactions;
- Transfers received: 1,430 transactions;
- Letters of Credit (LC): Approximately 2,225 letters of credit with false positive Hits were analysed, and the category that stood out the most was capital goods.

Analysis of Other Counterparties



4. 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:

- 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.

5. Conferences / Workshops

During the period under review, the employees of the Compliance Department participated in 24 skill-building actions, ranging from conferences / workshops and training on Compliance and AML, namely:

- Training on Monitoring Transactions in Cash-based Economies
- Fraud Detection and Prevention Programme
- International Conference on Fighting Corruption, Asset Recovery and Extended Confiscation of Assets
- Seminar on Letters of Credit from a Compliance and Due Diligence Perspective
- *Compliance*in the International Banking sector.

6. Complaints Management

Regarding the monitoring of the complaints handling process, the Bank recorded a total of 63 complaints, which were fully resolved. It should be noted that the majority of customer complaints were motivated by situations involving failed transfers.

7. Products and Services

During the period under review, the Compliance Department analysed 11 products which, after conformity validation, were submitted to the BNA for approval for licensing. We highlight the following:

- Staff Kids Savings Account;
- "Económico Universitário" Demand Deposit Account;
- "Económico Universitário" Notice Deposit;
- Bankita Current Account;
- Savings Bankita a Crescer BE;
- Económico Universitário Term Deposit;
- "Económico Universitário" Demand Deposit Account;

4.3 INTERNAL AUDIT FUNCTION

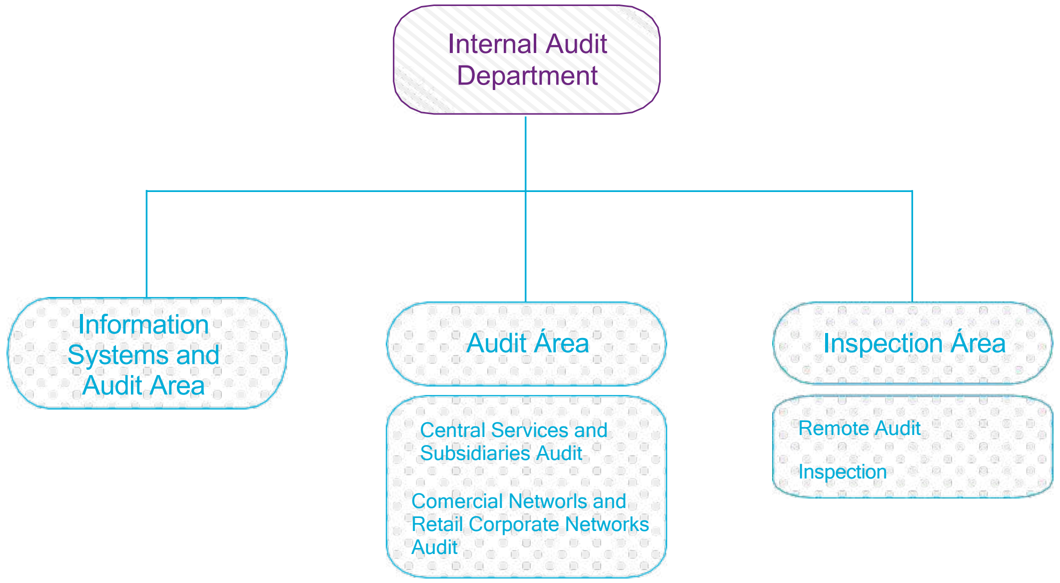
The mission of the Internal Audit Department is to ensure an autonomous and objective assessment of the effectiveness, efficiency and adequacy of the Bank's Internal Control System, considering the risk associated with each activity.

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.

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 no. 7/2016, and on internal regulations, 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).

To this end, the various functions, departments, policies and procedures implemented by Banco Económico have contributed to a continuous improvement of the Bank's Internal Control System, which is duly aligned with the best international practices.

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 Audit Department is organised according to the following structure:



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, is 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 stakeholders.

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, 2019 was marked by the release of 63 audit reports and 50 inspections divided among the three Management areas.

AUDITS AND INSPECTIONS

4.4 EXCHANGE CONTROL FUNCTION

The main responsibility of the Exchange Control function is to ensure strict compliance with the foreign exchange legislation and regulations in force at all times, ensuring that Banco Económico knows and complies with the foreign exchange legislation and regulations, in registering and processing foreign exchange operations and opening of foreign exchange non-resident accounts and that all processes are dealt with in compliance with the provisions of the regulations, including their reporting to the Banco Nacional de Angola.

In view of Instruction no. 7/2018, of 19 June, Banco Económico, under the guidance of Banco Nacional de Angola, created the Exchange Control Office (GCC), as an independent function that reports directly to the Executive Committee (EC) through the respective Director of the department.

THE SCOPE OF THE OFFICE'S ACTION

The scope of the Office covers all operations subject to exchange control and registration rules, including but not limited to:

- Outgoing (OPE) and incoming (OPR) payment orders for abroad;
- Import documentary credits (CDIs) and export documentary credits (CDEs);
- Import and export documentary collections;
- Cash withdrawals;
- Opening of foreign exchange non-resident accounts and the control processes;
- Reporting to and interacting with the Banco Nacional de Angola, as well as other related issues.

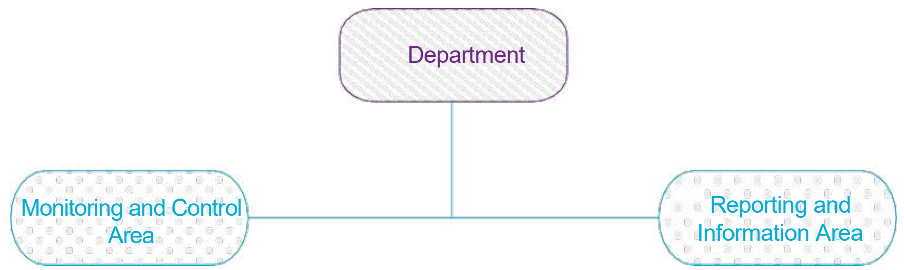
The work of the Exchange Control Office is designed to ensure strict compliance by the Bank with the foreign exchange legislation issued by the Regulator and to report on all information associated with those operations, in an environment of close collaboration to clarify all doubts in a timely manner, and to ensure the operationalisation of processes that are in line with the Bank's policy and strategy.

Objectives:

- Ensure that the processes provide adequate technical and regulatory validation of the operations and their reasonability from a Know Your Customer (KYC) perspective;
- Ensure that operations are registered in SINOC and that they are adequately reported to BNA.

ORGANISATIONAL STRUCTURE

The Exchange Control Office has a team of 7 employees, who support the following organisational structure:



THE MONITORING AND CONTROL AREA

Responsible for the strict compliance with the foreign exchange legislation and regulations in force, ensuring the conformity to BNA standards of all instructions given by customers for the execution of foreign exchange operations, including the procedural and documentary creation, in accordance with the laws, regulations and internal rules for the same.

In addition, it must (i) guarantee all the information necessary for the complete legal and economic breakdown of the transaction, identifying the parties involved, the value of the transaction and the underlying form of compliance with the obligation; (ii) ensure that the procedures are in place to avoid the reuse and subsequent duplication of documents sent, monitoring foreign exchange transactions and atypical customer behaviour; (iii) validate documents concerning data alterations to the processes of accounts opened for foreign exchange non-residents, and (iv) give an immediate response to requests for opinions on foreign exchange processes, requested by the Commercial Network, Legal Department, Audit or Compliance.

THE AREA OF REPORTING AND INFORMATION:

It is responsible for the strict recording and reporting of foreign exchange operations to BNA, ensuring compliance with all information obligations to BNA, the timely delivery of reports with correct and reliable information in relation to the activity of Banco Económico.

This area must also ensure (i) communication with BNA to clarify any type of error/lack of communication/inability to report on time/correctly; (ii) reply to all queries and requests for additional information to BNA; (iii) prepare the monthly report on reporting and regulation; (iv) ensure with the quality area, the timely response to complaints lodged on the BNA portal.

Cross-cutting responsibilities of the exchange control function:

- Strictly comply with and enforce the foreign exchange legislation and regulations in force, whilst regarding the overall objective of the exchange control in the economic context;
- Ensure accurate recording and reporting of foreign exchange transactions to BNA and opening of non-resident foreign exchange accounts;
- Ensure a fair, ethical, professional and transparent conduct in the relations between the Bank, its customers and other market players;
- Maintain effective and efficient communication with BNA on foreign exchange matters, through the head of the function.

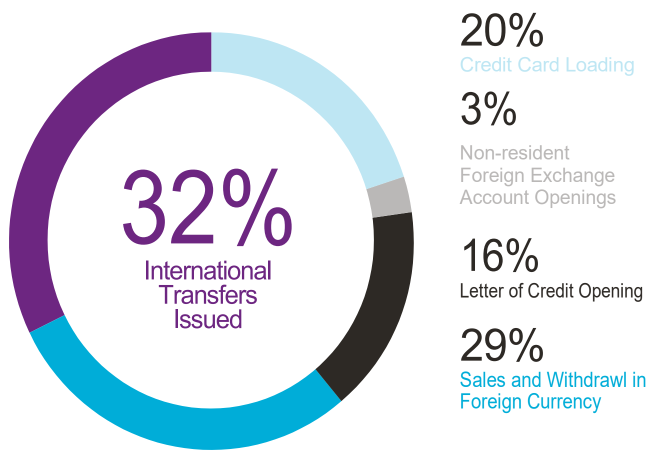
The responsibilities of the exchange control function include, but are not limited to, ensuring:

- The monitoring of all regulations published by BNA on foreign exchange operations;
- The existence of appropriate systems and controls for compliance with legislation and regulations and their updating when necessary;
- The determination of the Bank's staff training needs in foreign exchange matters;
- The proper opening and operation of bank accounts held by foreign exchange non-residents;
- Compliance with foreign exchange laws and regulations for operations not subject to licensing, i.e. where approval has been delegated to the Bank;
- The legitimacy and correctness of all the application processes for licensing or registration of operations and their timely submission to BNA;
- The correct and timely execution of foreign exchange operations as well as their recording in the accounting and reporting systems to BNA;
- The timely and correct reporting of all information to be sent to BNA;
- Representing the Bank before BNA on all foreign exchange matters, through the head of the Office.

MAIN ACTIVITIES CARRIED OUT:

1. During 2019, the GCC reviewed approximately **12,711 requests** concerning the following cases:

Requests analysed



2. Training:

Between 12 August and 30 September 2019, training and clarification sessions were held on the framework of foreign exchange legislation in the processes of payments and receipts abroad. 34 Branches and 9 Business Centres were visited with the aim of (i) informing employees on procedural and documentary control for all foreign exchange operations based on the Law and the Foreign Exchange Scheme; (ii) instruct on the correct filling of the customer's requests and the attachment of supporting documents, in order to avoid files being returned; (iii) clarify existing doubts on the handling of processes and (iv) shed light on the procedures for handling the various foreign exchange operations.

3. Reports made to BNA

As part of reporting foreign exchange transactions, the following reports were submitted to BNA: (i) Chart of Foreign Currency Requirements, (ii) Chart of Submitted and Executed Operations, (iii) Chart of Defaulting Entities, (iv) Payment Commitment Statement, and (v) Oil Sector Report.

4.5 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.

Risk management is essential for the development, profitability and sustainability of the Bank's business, ensuring compliance with the legal requirements and definitions, namely an accurate determination of own funds and liquidity management, as appropriate for the exposure to the various risks inherent to financial activity.

The risk management function seeks to ensure:

- An overview of all the risks to which the Bank is exposed;
- The implementation of measures that contribute to the Bank's objectives of efficiency, effectiveness, quality and risk reduction;
- The development of a risk management environment across the organisation, ensuring that the overall risk management

- strategy and policies are effectively disseminated and assimilated by employees;
- The identification, measurement, control and mitigation of all the risks inherent to the products and business areas, on an individual or portfolio basis, as well as the definition, execution and monitoring of the controls that mitigate them;
- The adjustment to the size, nature and complexity of the Bank's activity, its risk profile, degree of centralisation and delegation of powers;
- The set up of a governance model that ensures an independent Risk Management System to assess, evaluate and report its results to the Board of Directors and collegiality in decision-making;
- The compliance with the rules and deadlines established as part of risk management and internal control activities;
- The homogeneity and transparency in the application of outlined processes, by documenting/ formalising procedures.
- The preparation of a comprehensive report on the risk management system, for the management body with the knowledge of the supervisory body, to be issued with reference to 30 November of each year.

By monitoring the risks to which the Bank is exposed, the Risk Department is responsible for supporting the management body in preparing, updating and implementing risk management policies and practices, centering on itself the coordination of risk monitoring activities.

The Bank has a solid structure for risk prevention and control, consisting of the following Departments:

- Risk Department
- Compliance Department
- Internal Audit Department
- Exchange Control Office

And the following internal collegial bodies:

- Risk Committee
- Treasury Committee
- Risk Management Committee
- Internal Control Committee

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.

05

RISK MANAGEMENT MODEL

5.1 GENERAL OVERVIEW

The Bank's Risk Management Model consists of an integrated set of policies, procedures, limits, controls and systems.

In 2019, 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 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 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.

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 outline, 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

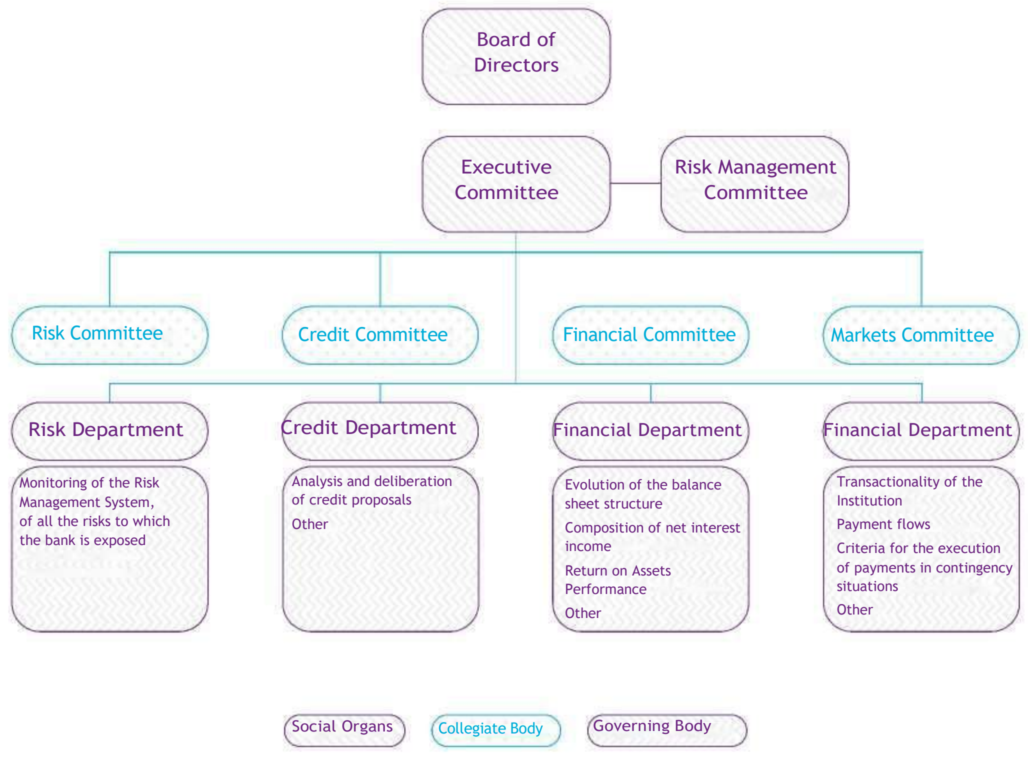
Based on Banco Económico's organic structure, as well as on the need to ensure the correct implementation of the Risk Management Policy, the Bank outlined a risk management governance model, allowing for the participation of a diversified set of Bodies.

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;

Governance Model



ii) Identification;
iii) Assessment;
iv) Mitigation;
v) Monitoring;
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 Markets Department, Risk 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 Markets Department, Risk 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, Credit Department, Financial and Markets 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, Credit Department, Financial and Markets 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, Credit Department, Financial and Markets 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.

5.2 MAIN RISKS AND UNCERTAINTIES

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:

- Credit Risk
- Liquidity Risk
- Market Risk
- Concentration Risk

5.3 CREDIT RISK

Credit risk is the 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 MANAGEMENT

The Bank's credit-granting process respects a set of rules and principles of power segregation. This process involves the following activities:

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 Credit 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 Credit 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.

CREDIT RISK ANALYSIS

The Credit 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 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. The Bank'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 BNA'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.

Credit Risk Ratings

Risk Weight	Risk Level	*Rating*
1 - 2	Insufficient	G
2 - 3	Very Weak	F
3 - 4	Weak	E
4 - 5	Medium - Low	D
5 - 6	Medium	
6 - 7	Medium - High	C
7 - 8	Good	B
8 - 9	Very good	A

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.

DECISION-MAKING

- The decision to approve or deny the credit proposal is made through the Bank's Credit Council, which is composed of the Credit Department, Commercial Departments and Executive Committee;
- After the analysis, the Credit Department issues one of the following recommendations:
  a) issue a favourable opinion under the proposed conditions,
  b) issue an unfavourable opinion under the proposed conditions,
  c) issue a favourable opinion, but with restrictions or proposing new conditions.

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 noncompliance 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.

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 Credit Department keeps the operation under surveillance.

5.4 LIQUIDITY RISK

Liquidity risk is associated with the Bank's potential inability to fund its assets, i.e. the probability of a situation where there are insufficient funds (assets) to meet its obligations and liabilities (liabilities) to its customers or other entities within the contracted deadlines and dates.

Liquidity management is defined as the set of processes that aim to guarantee the Bank'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.

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

5.5 MARKET RISK

Market risk is the 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.

MARKET RISK MANAGEMENT MODEL

Market risk management is performed by turning to two different models, both of which are regulatory monitored.

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.

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

The Market Risk management process can be outlined in 4 stages:

IDENTIFICATION OF RISK FACTORS

The Financial and Markets Department and the Risk Department 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.

MARKET RISK MEASUREMENT

The Risk 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 Risk Department is responsible for the market information and for the accounting information used in the models.

ADEQUACY OF THE RISK LIMITS ESTABLISHED

The Market Risk limits are set by the Risk 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).

MARKET RISK REPORT

The Risk Department is responsible for reporting on the evolution of the specific risks under its management. It is the responsibility of the Risk Department to prepare reports that show the overall risk management of Banco Económico.

Within this context, the Market Risk Management report is prepared at least once a month and submitted to the Executive Committee.

5.6 CONCENTRATION RISK

Concentration Risk is the 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.

SUPPORT PROCESSES

In addition to the Concentration Risk management process, Banco Económico also has other support processes, namely:

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.

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.

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.

5.7 CYBERSECURITY

Cybersecurity is one of the areas of Information Security and represents, nowadays, a constant concern and one of the great challenges for the financial sector, as it is directly linked to safeguarding information, based on the use of technology.

The constant technological evolution, the emergence of new channels for distribution and access to financial products and services, lead financial institutions to a permanent need to improve their information protection mechanisms. With new entities entering the sector and the need to ensure the interconnection between them, as well as the development of increasingly digital solutions, there is increased concern regarding the security of the information that circulates through these systems and entities.

To meet this constant concern, Banco Económico has been strengthening its competencies and its action in this area, so as to increase the level of security in the face of the technological needs of business support and the ability to respond to threats and incidents.

In 2019, Banco Económico, through the Information Security Hub, developed an Activity Plan, where the following initiatives should be highlighted:

1. Review and update of the Information Security Policy;
2. Implementation of a new line of defence, in order to receive and filter VPN (Virtual Private Network) connections with partner sites;
3. Strengthening by means of policies and updating of one of the threat prevention and control solutions;
4. Monitoring and management of some of the information security incidents diagnosed;
5. Outlining an action plan and implementing the security controls required by Swift (CSP 2019);
6. Development of the Information Security awareness programme in collaboration with the Human Resources Department, including it in the process of welcoming new employees.

In the last quarter of 2019, the Bank carried out a more comprehensive project, which aimed to perform a thorough diagnosis and assessment on the maturity level of Information Security, through the verification and addressing of a set of controls established by international reference *frameworks*, such as the ISO/IEC 27000 Series.

The project was conducted by the Information Security Centre, with monitoring and supervision at the strategic level of the Bank's management and resulted in the identification of a set of initiatives, which as a whole outline the Information Security Roadmap for the next 3 years.

These initiatives aim to begin implementing an Information Security Management System (ISMS), outlining the policies, standards and procedures to be implemented, promoting their cross-cutting dissemination, identifying and selecting advanced technological solutions and tools that will improve the ability to identify vulnerabilities in good time and combat the various threats to which the Institution is subject, as well as improving the training and awareness programme for all employees, customers and partners.

5.8 SOLVENCY

Banco Económico's main objective in the process of managing its internal capital is to ensure compliance with the strategic objectives defined by the management body, as regards capital adequacy, respecting and ensuring compliance with the rules for calculating risk-weighted assets, own funds and ensuring compliance with the solvency levels and other prudential limits established by the supervisory entities, namely Banco Nacional de Angola (BNA), and by the regulations in force.

Since 2016, with a view to Angola being ever closer to what are the best international practices, BNA identified in its Notice No. 2/2016, the need to consider new risk categories in the calculation of the solvency ratio, as well as redefining the characteristics of financial instruments considered in the calculation of regulatory own funds.

The outlining of the strategy to be adopted in terms of capital management is the responsibility of the Executive Committee and the Board of Directors, and is integrated in the overall outlining of the Bank's objectives.

Banco Económico's capital ratios are calculated on the basis of the rules set out in Notices Nos. 2/2016 and 3/2016 and Instruction 12/2016 of 08 August, which establish the criteria for access to the activity of credit institutions and determine the prudential requirements to be observed by those same entities namely with regard to the calculation of the ratios.

CALCULATION OF SOLVENCY RATIO

Banco Económico, as a financial institution under the supervision of Banco Nacional de Angola, shall maintain regulatory own funds, consistent with its activity and operations, ensuring a ratio of no less than 10% (ten per cent) - Regulatory Solvency Ratio.

The Regulatory Solvency Ratio (RSR) shall reflect the relationship between Regulatory Own Funds (ROF) and the amount of Regulatory Own Funds Requirements (RCR) in accordance with the following formula:

$$RSR = (ROF/ROF\ requirements) \times 10\%$$

Under the said rules, Banco Económico's capital ratios as at 31 December 2018 and 31 December 2019 were as follows:

Deposits portfolio total

Regulatory Ratios (Base Calculation)		2018 Published	2018 Restated	2019
Regulatory solvency ratio (RSR)	**ROF/ROF requirements) x 10% (percentage value)**	**21%**	**16%**	**-29%**
Regulatory own funds (ROF)	Tier I own funds + ancillary own funds (value in million Kwanzas)	199,735	167,576	-324,512
ROF requirements	ROF requirement for Credit risk and counterparty credit risk (value in millions of Kwanzas)	82,854.00	82,854.00	69,133.00
	ROF requirement for market risk and counterparty credit risk in the trading portfolio (value in millions of Kwanzas)	13,379	13,379	28,347
	ROF requirement for operational risk (value in millions of Kwanzas)	9	9	15,805
	Tier 1 Own Funds	67,473	35,313	-531,183
	Core Tier 1	7%	3%	-48%

The Core Tier 1 Ratio for 31 December 2019 stood at -48%, while the Solvency Ratio (or total own funds ratio) for 31 December 2019 reached -29%. Both ratios are negative due to the recording of impairments associated with the Asset Quality Assessment ("AQA") programme promoted by BNA, causing the Bank's Own Funds to be significantly negative.

06

FINANCIAL INFORMATION

6.1 SEPARATE FINANCIAL STATEMENTS

Separate statements of financial position as at 31-12-2019 and 2018

(thousand Kwanzas)

Assets	Notes	31-12-2019	31-12-2018 - Restatement Note 2
Cash and cash equivalents at central banks	4	234,310 510	194,901,353
Deposits with other credit institutions	5	59,544,828	53,976,813
Investments at central banks and other credit institutions	6	107,061,793	109,871,667
Financial assets at fair value through profit or loss	7	7,519,224	4,392,478
Financial assets at fair value through other comprehensive income	8	102,069	99,862
Investments at amortised cost	9	210,688,002	145,199,822
Customer loans	10	94,172,137	124,537,742
Non-current assets held for sale	11	6,308	27,548
Other tangible assets	12	42,702,350	42,123,013
Intangible assets	13	6,308,383	3,763,903
Investments in associates and jointly controlled entities	14	2,044,333	2,480,184
Current tax assets	15	1,503,761	113,913
Other assets	16	476,794,710	643,896,860
Asset Transfer Op. ENSA Group		451,627,360	619,510,897
Other		25,167,350	24,385,963
Total assets		1,242,758,408	1,325,385,158

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

(thousand Kwanzas)

Liabilities and equity	Notes	31-12-2019	31-12-2018 - Restatement Note 2
Deposits from central banks and other credit institutions	17	26,165,044	29,334,097
Deposits from customers and other loans	18	1,415,852,704	1,059,122,420
Subordinated liabilities	19	206,671,839	132,262,143
Provisions	20	13,848,534	13,100,684
Current tax liabilities	15	-	5,057,634
Other liabilities	21	70,773,358	45,877,808
Asset Transfer Op. ENSA Group		58,275,360	38,148,832
Other		12,497,998	7,728,976
Total liabilities		1,733,311,479	1,284,754,786
Share Capital	22	72,000,000	72,000,000
Other reserves	23	28,141,757	24,504,329
Retained earnings	23	(59,511,388)	(92,395,918)
Net income for the year		(531,183,440)	36,521,959
Equity			
Total equity		(490,553,071)	40,630,370
Total liabilities and equity		1,242,758,408	1,325,385,158

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

Separate Statement of Profit and Loss for the years ended 31-12-2019 and 2018

(thousand Kwanzas)

	Notes	31-12-2019	31-12-2018 - Restatement Note 2
Interest and similar income	24	51,060,458	66,766,282
Asset Transfer Op. ENSA Group		19,897,432	31,748,413
Other		31,163,026	35,017,869
Interest and similar costs	24	(41,445,873)	(34,356,182)
Asset Transfer Op. ENSA Group		(1,912,728)	(878,743)
Other		(39,533,145)	(33,477,439)
Net Interest Income		9,614,585	32,410,100
Income from equity instruments		-	-
Income from services and fees	25	13,344,932	14,683,856
Expenses with services and fees	25	(1,093,497)	(745,077)
Income from securities trading	26	(820,966)	(222,797)
Foreign exchange income - Other	27	(280,448,924)	(221,019,549)
Foreign exchange income - ENSA Group	27	407,256,112	318,905,649
Other operating income	28	(2,786,441)	(569,599)
Banking income		145,065,801	143,442,583
Staff costs	29	(13,965,910)	(12,668,298)
Third-party supplies and services	30	(10,561,105)	(8,591,035)
Depreciation, amortisation and impairment for the year	12 and 13	(3,224,052)	(2,579,890)
Provisions net of cancellations	31	(1,084,297)	(584,306)
Impairment on other financial assets, net of reversals and recoveries	31	(4,739,018)	(142,145)
Impairment on Customer loans, net of reversals and recoveries	31	(31,666 305)	(58,602,894)
Impairment on other assets net of reversals and recoveries	31	(611,286,576)	(19,156,752)
Income from Associates and Joint Ventures	14	278,023	419,834
Pre-tax earnings from ongoing operations		(531,183,440)	41,537,097
Income taxes			
Current	15	-	(5,015,138)
Deferred		-	-
Total Net Income		(531,183,440)	36,521,959
Earnings from discontinued and/or to be discontinued operations		-	-
Separate net income for the year		(531,183,440)	36,521,959

Separate Statements of Other Comprehensive Income as at 31-12-2019 and 2018

(thousand Kwanzas)

	Notes	31-12-2019	31-12-2018 - Restatement Note 2
Separate net income for the year		(531,183,440)	36,521,959
Other comprehensive income			
Items that will not be subsequently restated to profit or loss:			
Fair value reserves		-	-
Gross value		-	-
Fiscal impact		-	-
Revaluation reserves of tangible fixed assets			
Gross value			
Fiscal impact			
Items that will be subsequently restated to profit or loss:			
Available-for-sale financial assets:		-	-
Changes in fair value		-	-
Transfer to income statement due to sale			
Transfer to income statement due to impairment recognised in the period			
Fiscal impact			
Income not included in the profit-and-loss statement		-	-
Separate Statement of Comprehensive Income		(531,183,440)	36,521,959

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

Separate Statement of Changes in Equity as at 31-12-2019 and 2018

(thousand Kwanzas)

	Notes	Capital	Share Premiums	Own shares	Reserves and Retained Earnings				Separate net income for the year	Total Own Funds
					Fair value reserves	Other	Retained earnings	Total		
Balances as at 31 December 2017 (Published)		72,000,000	-	-	(0)	23,903,096	(57,497,421)	(33,594,325)	(57,497,421)	(33,594,325)
Appropriation of Profit - Reserves		-	-	-	-	601,233	5,411,092	6,012,325	5,411,092	6,012,325
Adoption of IFRS 9										
Change in calculation of impairment							(7,936,681)	(7,936,681)	(7,936,681)	(7,936,681)
Adjustment with retained effects										
Fair value at initial recognition - Securities	25	-	-	-	-	-	(32,487,438)	(32,487,438)	(32,487,438)	(32,487,438)
Impact of the new effective rate	25	-	-	-	-	-	114,530	114,530	114,530	114,530
Balances as at 1 January 2018 Restatement		72,000,000	-	-	(0)	24,504,329	(92,395,918)	(67,891,589)	(92,395,918)	(67,891,589)
Net Income for the year (Restated)		-	-	-	-	-	–	–	–	–
Balance as at 31 December 2018 Restatement		72,000,000	-	-	(0)	24,504,329	(92,395,918)	(67,891, 589)	(92,395, 918)	(67,891, 589)
Appropriation of Profit - Reserves		-	-	-	-	3,637,428	32,884,531	36,521,959	32,884,531	36,521,959
Net Income for the Year		-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019		72,000,000	-	-	(0)	28,141,757	(59,511,388)	(31,369,631)	(531,183,440)	(490,553,071)

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

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

Separate Cash-Flow Statement

(thousand Kwanzas)

Description	Notes	31-12-2019	31-12-2018
Cash flow from operating activities			
Interest, fees and similar income		57,199,216	54,193,926
Interest, fees and other similar costs paid		(55,783,854)	(64,597,167)
Payments to employees and suppliers		(23,079,350)	(21,259,333)
Cash flow before changes in operating assets and liabilities		(21,663,988)	(31,662,574)
(Increases)/Decreases in operating assets and liabilities:			
Investments at central banks and other credit institutions		2,809,874	(27,903,562)
Financial assets at fair value through profit or loss		(3,126,746)	(4,390,843)
Financial assets at fair value through other comprehensive income		-	19,618,436
Investments at amortised cost:			
Debt securities		3,595,830	-
Customer loans		18,648,006	5,876,389
Non-current assets held for sale		21,240	27,548
Deposits from central banks and other credit institutions		2,550,783	(90,560,204)
Deposits from customers and other loans		52,252,748	238,535,696
Non-current liabilities held for sale			-
Other assets		(1,828,756)	(45,605,280)
Other liabilities		4,387,563	17,176,258
Net cash flow from operating activities before income taxes		57,646,554	81,111,864
Income tax			
Net cash flow from operating activities		57,646,554	81,111,864
Cash flows from investment activities			
Dividends received		-	55,000
Acquisition of other tangible assets, net of sales		(1,463,679)	621,630
Acquisition of intangible assets, net of sales		(3,013,379)	(1,618,911)
Acquisition of interests in subsidiaries, associates and joint ventures, net of sales		-	850,000
Net cash flow from investment activities		53,169,497	81,019,583
Cash flow from financing activities			
Increase/(Decrease) in share capital		-	-
Dividend distribution		-	-
Payments related to lease liabilities		(332,602)	-

(Cont.) (thousand Kwanzas)

Description	Notes	31-12-2019	31-12-2018
Issue of subordinate liabilities, net of repayments and acquisitions		-	-
Return paid related to subordinated liabilities		(7,859,723)	(5,446,515)
Net cash flow from financing activities		44,977,172	75,573,068
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		248,878,166	173,305,098
Net changes in cash and cash equivalents		44,977,172	75,573,068
Cash and cash equivalents at the end of the period		293,855,338	248,878,166
Cash and cash equivalents:			
Cash and Deposits at Central Banks	14	234,310 510	194,901,353
Deposits at other financial institutions	15	59,544,828	53,976,813
		293,855,338	248,878,166

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

07

APPROVAL OF THE BOARD OF DIRECTORS

7.1 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 2019 and 2018, 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 2019 and 2018 fiscal 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 2019 fiscal year as follows:

• To retained earnings the amount of **AOA - 531,183,439,676.26**.

Due to INVESTPAR's failure to comply with the agreed payment plan (which has since been renegotiated), namely with the payment of the first instalment due on 31 December 2018, the Bank, together with BNA, has since that date initiated a set of interactions to assess reorganisation alternatives, which in the meantime has registered a successive worsening of its economic, financial and operational conditions.

Within this context, on 21 December 2021, BNA approved the measures to be taken into account in the new Restructuring and Recapitalisation Plan (RRP), as proposed by the Bank's Board of Directors, and these measures are set out in Note 37 and 38 of the Notes to the Separate Financial Statements.

It is equally important to mention the relevant developments on the implementation of the RRP measures deemed necessary to proceed with the recapitalisation and profitability of the Bank, of which we highlight the following:
i. Restructuring of the subordinated debt with Novo Banco, which took place at the end of 2021, with the Bank agreeing with Novo Banco on a debt waiver amounting to 75% of the maturing debt;
ii. A General Meeting of Shareholders was held on 15 February 2022, at which the Recapitalisation and Restructuring Plan was presented, which was well received by the Shareholders, having approved part of the measures in the RRP set out therein, namely: i) the issue of Perpetual Bonds, ii) the issue of Convertible Bonds;
iii. Approval by the Ministry of Finance for the issue of Perpetual Bonds, which took place on 1 April 2022, conditional upon the presentation of the interim Management Report and Accounts for 2021, as soon as possible;
iv. Secured a significant part of the agreements of future shareholders, committing to the terms of the RRP, and voluntarily subscribing to the instruments that will make up the new equity capital of Banco Económico.

In view of the above, the Board of Directors firmly believes in the continuity of operations of Banco Económico, S.A., given that: (i) the evolution and progress already recorded in the implementation of the Bank's Recapitalisation and Restructuring Plan ("RRP") since its approval by BNA in December 2021, (ii) the overwhelming adherence to the Plan, by Eligible Depositors and (iii) our full commitment to the implementation of the RRP, with the support of the sector's Regulator (BNA), the Capital Market Supervisor (CMC) and other institutional counterparties involved in it.

Luanda, 11 May 2022
The Board of Directors

08

FINANCIAL STATEMENTS NOTES TO THE ACCOUNTS AND OPINIONS

NOTE 1 - INTRODUCTION

Banco Económico, S.A. (hereinafter also referred to as "Bank" or "BE") is a universal commercial bank that is domiciled and operates in Angola, at Rua 1º Congresso do MPLA, No. 8, Ingombota, Luanda. It has all the necessary authorisations from the competent Angolan authorities, including that granted by Banco Nacional de Angola ("BNA" or "Central Bank").

BE took on the new name on 29 October 2014 following the reorganisation measures implemented by 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, with its corporate purpose being universal banking under the terms and to the extent permitted by law. From its inception up to 19 July 2019, BE established itself as a privately owned banking institution under Angolan law, however after July 2019 BE became a majority publicly owned institution by virtue of Lektron Capital's equity investment through the Sonangol Group.

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 IFRS - International Financial Reporting Standards. These financial statements report the Bank's separate business as at 31 December 2019.

The IAS/IFRS require these statements to be prepared before or disclosed in conjunction with the consolidated financial statements.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies, effective for the fiscal year started on 1 January 2019.

The financial statements were prepared in accordance with the principle of historical cost, with the exception of assets and liabilities recorded at fair value, namely financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income and, despite the material uncertainty disclosed in Note 37, related to the materialisation of the restructuring and recapitalisation measures, were prepared on a going concern basis, based on the efforts being implemented by the Bank's management and on the expectation that these will be materialised.

The financial statements are expressed in thousands of Kwanzas, rounded to the nearest thousand, except where another unit is indicated.

The preparation of financial statements under IFRS requires the Bank to make judgements and estimates and use assumptions that may affect the application of accounting policies and amounts of revenues, costs, assets and liabilities. Changes in these assumptions or any differences between these assumptions and the reality may have impacts on the actual estimates and judgements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements of the Bank as at 31 December 2019 were approved by the Board of Directors. Their final approval is still subject to concurrence by the General Meeting, and the Board of Directors expects that they shall be approved without significant amendments.

The accounting policies used by the Bank in their preparation are consistent with those used in the preparation of the financial statements with reference to 31 December 2018, except for the implementation of IFRS 16 and the determination of the Fair Value upon recording into Assets, of a set of securities recorded as investments at amortised cost, received as payment in kind in 2016 and 2018, to comply with the conditions contracted with the ENSA Group. This change is presented below.

BNA, the Angolan Banking Association ("ABANC") and the Bank's Board of Directors are of the opinion that the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") for the Angolan economy to be considered hyperinflationary as at 31 December 2019 and 2018 are not met and, consequently, it was decided not to apply the provisions of that

Standard to the financial statements on those dates, as well as any effects on the income statement.

Adjustment to the initial fair value of securities in the amortised cost portfolio with contractual terms objectively below normal market terms at that date.

The Bank revalued, with reference to 1 January 2018, the recording of a security (AOTNR2429L16) in the nominal amount of AOA 47.04 billion, previously recorded under the line item Investments at amortised cost, relating to securities with contractual terms objectively below normal market terms at the date of their recording into the Bank's assets, namely with regard to their maturity and interest rate. Accordingly, the Bank determined the fair value at the time of recording into the Balance Sheet and calculated the impacts arising from the new effective rate for the 2018 fiscal year.

It is worth noting that the fair value calculation was based on the methodology used in the Asset Quality Assessment ("AQA"), corresponding to the discounting of future cash flows based on the risk-free interest rate (the United States of America bonds were considered for the closest to the residual maturity, source *U. S. Department of the Treasury*), plus the risk premium for Angola (source information provided by the author Aswath Damodaran), adjusted for the difference in inflation between Angola and the United States of America (source: International Monetary Fund - World Economic Outlook).

The impacts on the balance sheet and income statement as at 31 December 2018 arising from the above change are presented as follows:

(thousand Kwanzas)

Balance Sheet	Notes	31-12-2018 Published	Impact of the adoption of the new initial Fair Value	Impact of the new effective rate	31-12-2018 Restatement
Assets					
Investments at amortised cost	9	177,425,058	(32,487,438)	262,201	145,199,822
Own Funds					
Retained earnings	23	(60,023,011)	(32,487,438)	114,530	(92,395,918)
Net Interest Income					
Interest and similar income	24	66,618,611	-	147,671	66,766,282

It should be noted that the adjustment was calculated with reference to 1 January 2018, with the effects of the change in the effective interest rate as a result of the change in the value of the securities at the time of their recording into the balance sheet having been recognised in interest and income for the year. The effects of the periods between the recognition of the securities and 1 January 2018 were recognised in retained earnings, as shown in the previous statement.

2.2 CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS ISSUED AND STANDARDS AMENDED

In order to prepare the financial statements for 31 December 2019, the Bank adopted the accounting standards issued by the IASB and the interpretations of the IFRIC, whose application has been mandatory since 1 January 2019, outlined in Note 39.

The accounting policies used by the Bank in the preparation of the financial statements, outlined in this note, were adopted accordingly.

The Bank has not adopted any other standard or interpretation in advance.

IFRS 16 - LEASES

The Bank has adopted IFRS 16 Leases with reference to 1 January 2019 and has applied this standard retrospectively with cumulative effect to that date (Modified Retrospective approach), for this purpose the comparative information presented for 2018 has not been restated and is therefore presented, as previously reported, in accordance with IAS 17 and related interpretations. Therefore, no impact on the net position results from the adoption of IFRS 16 as there are no differences between the right to use the asset and the lease liability at the time of initial recognition on 1 January 2019.

The Bank, by using the practical expedient available on transition to IFRS 16, recognised a liability for the current value of future payments using an incremental interest rate at the initial date of application of the standard, and the right to use the underlying asset for the amount of the lease liability.

In accordance with IFRS 16: (i) as a lessee, the standard introduces a single on-balance sheet accounting model, with the recognition of right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments; (ii) as lessor, the accounting remains identical to the existing accounting policies, and leases may be classified as financial or as operational.

The impacts arising from the implementation of IFRS 16 are detailed in the last section of this note.

LEASE DEFINITION

Beforehand, the Bank determines at the start date of the contract whether an agreement is, or contains, a lease. The Bank assesses whether a contract is or contains a lease based on the definition of a lease. In accordance with IFRS 16, a contract is, or contains, a lease if it conveys the right to use an identified asset for a specified period of time in exchange for consideration.

On transition to IFRS 16, the Bank has elected to apply the "practical expedient" permitted by the standard to support the assessment of which transactions are leases. The Bank has applied IFRS 16 to contracts that were identified as leases at the date of application of the standard. For leases where the entity is the lessee, it has been decided not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

LESSEE

The Bank leases various assets, including real estate. As a lessee, the Bank initially classified leases as operational leases or financial leases based on the overall assessment of whether the lease substantially transfers all the risks and rewards associated with ownership of the underlying assets. In accordance with IFRS 16, the Bank recognises right-of-use assets and lease liabilities for some classes of assets, i.e. these leases are included in the Balance Sheet of the entity. However, the Bank has chosen not to recognise right-of-use assets and lease liabilities for short-term leases whose lease term is 12 months or less, and leases of low-value assets. The Bank recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The Bank shows assets under right of use that do not meet the definition of investment property under "property, plant and equipment" in the same line of items as it shows the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are shown as investment property.

The Bank shows lease liabilities under "other liabilities" in the statement of financial position.

Determination of the lease term of contracts

The Bank used judgement to determine the lease term of some contracts, in which it is the lessee, and which include renewal and termination options. The Bank determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease if reasonably certain to be exercised, or any periods covered by an option to terminate the lease if reasonably certain not to be exercised. This assessment will impact the lease term, which will significantly affect the amount of lease liabilities and right-of-use assets recognised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RIGHTS-OF-USE ASSETS

Right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities. Right-of-use assets are depreciated from the inception to the end of the useful life of the underlying asset, or to the end of the lease term if shorter.

The cost of the right-of-use asset includes:

a) the amount of the initial measurement of the lease liability

b) any lease payments made on or before the effective date, less any lease incentives received;

c) any initial direct costs incurred by the lessee; and

d) an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless such costs are incurred to produce inventories.

LEASE LIABILITIES

Lease liabilities are initially measured at the present value of lease payments to be paid over the lease term, discounted at the implicit lease rate or, if the rate cannot be readily determined, the Bank's incremental borrowing rate. In general, the Bank uses its incremental borrowing rate, which is a proxy for the interest rates on treasury bonds, as these issues are close to the Bank's sources of funding.

The incremental borrowing rate is a discount rate that the Bank would benefit to raise, with the same maturity and similar collateral, the funds required to acquire the underlying asset.

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

a) The fixed payments (including fixed payments in substance described in paragraph B42), less lease incentives receivable;

b) Variable lease payments that depend on an index or rate, measured initially using the index or rate at the effective date (as described in paragraph IFRS16.28);

c) The amounts to be paid by the lessee as residual value guarantees;

d) The price to exercise a purchase option, if the lessee is reasonably certain to exercise that option (assessed on the basis of the factors described in paragraphs IFRS 16.B37-40); and

e) Payments of penalties for termination of the lease, should the lease term show that the lessee has exercised an option to terminate the lease.

The lease liability is subsequently increased by the interest cost and decreased by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be paid under a residual value guarantee, or, if appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

TRANSITION

Previously, the Bank classified property leases as operating leases in accordance with IAS 17. Leases typically run for periods of up to 5 years. Some of them include an option to renew the lease for additional periods ranging from 1 month to 20 years after the end of the non-cancellable period.

On transition, for leases classified as operating leases in accordance with IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019. In this regard, the Bank used as approximation discount rate, at transition date, the interest rate on 3-year non-adjustable treasury bonds (23%) for non-indexed annuities, while for indexed annuities it used the interest rate on 7-year indexed treasury bonds (5.50%). Right-of-use assets are measured at the amount equivalent to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

PRACTICAL EXPEDIENT

The Bank has adopted some practical expedients envisaged in the standard in applying IFRS 16 to leases previously classified as operating leases under IAS 17, namely: (i) Applying the exception for non-recognition of right-of-use assets and liabilities for short-term leases (i.e. with a lease term of 12 months or less); (ii) Applying the exception for non-recognition of right-of--use assets and liabilities for low value leases (i.e. new condition value less than USD 5,000); (iii) Failure to separate lease and non-lease components.

AS LESSOR

The accounting policies applicable to the Bank as lessor are no different from the policies applicable under IAS 17. Up to 31 December 2018, the Bank classified lease transactions as financial leases or operational leases on the basis of their substance rather than their legal form, complying with the criteria set out in IAS 17 - Leases.

IMPACTS OF ADOPTING THE STANDARD

(i) Impacts on transition

On transition to IFRS 16, the Bank recognised right-of-use assets and lease liabilities with the following impact on the financial statements:

	01-01-2019
Other tangible assets	
Right-of-use assets	1,870,812
Other liabilities	
Lease liabilities	1,870,812

(ii) Impacts for the year

As a result of the initial application of IFRS 16, as at 31 December 2019, the Bank shows the following balances in its Balance Sheet:

	31-12-2019
Other tangible assets	
Right-of-use assets	1,502,375
Other liabilities	
Lease liabilities	2,405,659

During the year, the Bank recognised depreciation and interest expenses instead of operational leasing expenses, with the following impact on the financial statements:

	31-12-2019
Net Interest Income	
Interest with leases	165,450
Foreign exchange gains and losses	
Foreign Exchange revaluation	669,883
Depreciation and amortisation for the year	
Right-of-use assets	368,438

The increase in lease liabilities is related to the fact that the Bank has, in its leases, liabilities in foreign currency, leading to this increase due to the depreciation of the Kwanza against the US Dollar. In addition, this has an impact on the increase in losses in foreign exchange gains and losses as the liability will be subject to currency revaluation during 2019.

2.3 CUSTOMER LOANS

Customer loans include loans originated by the Bank, which are not intended to be sold in the short term, which are recorded on the date the amount of the loan is advanced to the Customer. Customer loans are initially recorded at fair value and subsequently at amortised cost net of impairment. The costs/profits of the associated transaction are part of the effective interest rate of these financial instruments recognised in Net interest income. The interest component is recognised separately in the respective accounts of the statement of financial position, and the respective income is accrued at the effective rate, except in situations of default of more than 90 days, in which case the recognition of interest is suspended until it is settled.

In addition, fees related to credit operations are represented in the credit spread, according to the life cycle of the operations.

Customer loans are derecognised from the Statement of Financial Position when (i) the Bank's contractual rights to the respective cash flows have expired, (ii) the Bank has substantially transferred all risks and rewards associated with holding them, (iii) notwithstanding the fact that the Bank has retained part, but not substantially all the risks and rewards associated with holding them, control over the assets has been transferred, or (iv) when there are no realistic prospects of recovering the loans, in a perspective, and for collateralised loans, when the funds from the realisation of the collateral have already been received, they are written off from assets.

2.4 OTHER FINANCIAL INSTRUMENTS

i. Classification of financial assets

IFRS 9 features a new classification and measurement approach for financial assets that reflects the business model used in managing the asset as well as the characteristics of its cash flows.

IFRS 9 includes 3 main categories of financial asset classification: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit and loss (FVPL).

The Bank recognises accounts receivable and payable, deposits, debt securities issued and subordinated liabilities on the date they are originated. All other financial instruments are recognised on the transaction date, which is when the Bank becomes part of the contract, and are classified based on their underlying intention, in accordance with the categories described below.

The classification of financial assets is based on two determination criteria, namely: (i) the contractual cash flow characteristics of the financial asset and (ii) the entity's business model for managing its financial assets.

A financial asset or financial liability is initially measured in the Statement of Financial Position at fair value plus transaction costs directly attributable to the acquisition or issue, except if they are items recorded at fair value through profit or loss in which the transaction costs are immediately recognised as expenses for the year.

In accordance with IFRS 13, fair value is the price to be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. At the trade date or at the commencement of an operation the fair value is generally the transaction value.

BUSINESS MODEL ASSESSMENT

The business model reflects the way the Bank manages its assets from a cash-flows perspective, i.e. whether the assets are managed (i) with the intention of receiving the contractual cash flows or (ii) with the intention of receiving the contractual cash flows and the cash flows resulting from the sale of those assets. For both these types of portfolio, the Bank must assess and test whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal amount outstanding, i.e. whether the contractual cash flows are consistent with a basic loan agreement, where interest is generally the consideration for the time value of money. However, in such a contract, interest may also include consideration for other basic lending risks, such as liquidity risk, and other costs, such as administrative costs, associated with holding a financial asset for a certain period of time. In addition, interest can include a profit margin that is consistent with a basic loan agreement if the contractual terms introduce exposure to risk or volatilities inconsistent with a basic loan agreement, a situation that requires the financial instrument to be classified and measured at fair value through profit or loss.

If none of the above situations are met, financial assets are recognised at fair value through profit or loss, as is the case of securities held for trading, which are managed with the objective of being sold in the short term.

The information to be taken into account in this assessment includes: (i) The policies and objectives established for the portfolio and the practicability of those policies, including how the management strategy focuses on receiving contractual interest, maintaining a specific interest rate profile, matching the assets to the liabilities that fund them or generating cash flows through the sale of assets; (ii) The way in which the performance of the portfolio is evaluated and reported to the Bank's management bodies; (iii) The assessment of the risks affecting the performance of the business model (and the financial assets managed within that business model) and how these risks are managed; (iv) How the remuneration of the managers of the business depends on the fair value of the assets under management or the contractual cash flows received; (v) The frequency, volume and timing of sales in prior periods, the reasons for such sales, and expectations about future sales. However, these sales information should be treated separately but as part of an overall assessment of how the Bank sets objectives for how it manages its financial assets and how cash flows are obtained.

Assessment of contractual cash flows in respect of solely payments of principal and interest (SPPI)

In this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount outstanding, other risks and costs associated with the business (e.g. liquidity risk and administrative costs), as well as a profit margin. When assessing the contractual cash flows in relation to the payment of principal and interest, the Bank takes into consideration the contractual terms of the instrument, which includes analysing the existence of situations in which they can change the timing and amount of cash flows so that they do not comply with this condition.

In the assessment, the Bank will consider: (i) Contingent events that will change the timing and amount of cash flows; (ii) Characteristics that result in leverage; (iii) Prepayment and extension of maturity clauses; (iv) clauses that may limit the right to claim cash flows in relation to specific assets (for example, contracts with clauses preventing access to assets in case of default); (v) Characteristics that may change the compensation for the time value of money (e.g. periodic resetting of interest rates).

A contract with the possibility of early payment is consistent with the SPPI criterion, if the early payment amount constitutes unpaid principal and interest amounts of the principal amount outstanding, which may include reasonable compensation for the early payment. In addition, an early payment is consistent with the SPPI criterion if: the financial asset is acquired or originated at a premium or discount to its contractual par value; the early payment represents the contractual par value plus accrued (but unpaid) interest, which may include reasonable compensation for the early payment; and the fair value of the early payment is insignificant at initial recognition.

The Bank classifies and values its debt instruments into:

a. Investments at amortised cost

A financial asset shall be measured at amortised cost if it is held as part of the business model whose objective is solely to collect the contractual cash flows and which give rise, on set dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI solely payments of principal and interest).

These financial assets are recognised at cost upon initial recognition and subsequently measured at amortised cost, using the effective interest rate method. Interest is calculated using the effective interest rate method and recognised in Net interest income. Impairment losses are recognised in profit and loss when identified.

b. Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset will be measured at fair value through other comprehensive income if it is held as part of the business model whose objective is to earn contractual cash flows and sell financial assets and the contractual cash flows fall within the scope of SPPI.

Financial assets at fair value through other comprehensive income are initially recognised at fair value, including costs or income associated with the transactions and subsequently measured at fair value. Changes in fair value are accounted for against other comprehensive income until the assets are sold or impairment losses are recognised, in which case they are recorded against profit or loss.

On sale of financial assets at fair value through other comprehensive income, the cumulative gains or losses recognised in other comprehensive income are recognised under "Income from financial assets at fair value through other comprehensive income" in the profit-and-loss statement.

c. Financial assets at fair value through profit or loss (FVPL)

A financial asset shall be measured at fair value through profit or loss if it does not fall within the above categories.

These assets are valued daily at fair value, taking into consideration the own credit risk and that of the counterparties in the operations. In the case of bonds and other fixed-income securities, the book value includes the amount of accrued and uncollected interest. Gains and losses resulting from changes in fair value are recognised under "Income from financial assets and liabilities measured at fair value through profit or loss" in the profit and loss statement.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, i.e. they are instruments that do not entail a contractual obligation to settle and that show a residual interest in the net assets of the issuer, such as shares. Investments in equity instruments are normally classified as held for trading and carried at fair value through profit or loss. Should the business model and consequently the purpose of the acquisition of the investment pool be to hold in portfolio indefinitely for appreciation, it should be recognised in the category of financial assets at fair value through other comprehensive income and cannot be reclassified subsequently in the trading portfolio (irrevocable condition). Changes in fair value and the income from the sale of these securities are accounted for in other comprehensive income.

d. 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 and other subordinated borrowings.

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Interest is accrued over the period of the operations and 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 as measured at amortised cost, and the fair value of these liabilities is disclosed in these notes to the financial statements.

IFRS 9 introduced a new requirement for financial liabilities at fair value, by option, to separate the component of change in fair value that is attributable to the entity's credit risk and to disclose it in Other Comprehensive Income or OCI, rather than in profit or loss.

ii. Initial recognition and subsequent measurement

a. Recognition and measurement at amortised cost

The amortised cost of a financial asset or liability is the amount at which a financial asset or liability is initially recognised, less principal receipts and plus or minus the cumulative amortisation arising from the difference between the amount initially recognised and the amount at maturity, less any write-downs for impairment losses.

b. Recognition and measurement at fair value

Fair value is the price to be received when selling an asset or paid to transfer a liability in a current transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Bank has access to perform the transaction at that date. The fair value of a liability also reflects the Bank's own credit risk. When available, the fair value of an investment is measured using its quoted market price in an active market for that instrument. A market is considered active if there is sufficient frequency and volume of transactions to provide a price quotation on a consistent basis.

If there is no quoted market price in an active market, the Bank uses valuation techniques that maximise the use of observable market data and minimise the use of unobservable market data. The valuation technique chosen incorporates all the factors that a market participant would take into account in calculating a price for the transaction.

c. Identification and measurement of impairment

In addition to the analysis of impairment on Customer loans, at each balance sheet date an assessment is made as to whether there is objective evidence of impairment for all the other financial assets not carried at fair value through profit or loss.

In accordance with IFRS 9, the Bank assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is considered to be impaired whenever there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for shares and other equity instruments, a significant or prolonged decline in their market value below cost, and (ii) for debt securities, when that event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reasonably estimated.

For investments at amortised cost, impairment losses correspond to the difference between the asset's book value and the present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset and are recorded against profit or loss. These assets are disclosed in the balance sheet net of impairment. In the case of assets with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the effective current interest rate, determined under the rules of each contract. Also regarding investments at amortised cost, if in a subsequent period the amount of the impairment loss decreases, and the decrease can be objectively related to an event occurring after the impairment was recognised, the impairment loss is reversed through profit or loss.

When there is evidence of impairment on financial assets at fair value through other comprehensive income, the accumulated potential loss in reserves, corresponding to the difference between the acquisition cost and the current fair value, less any impairment loss on the asset previously recognised in profit or loss, is transferred to profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised as reserves.

iii. Transfer between categories

The Bank will only transfer financial assets if there is a change in the entity's business model for managing its financial assets. These transfers are made based on the fair value of the assets transferred, determined at the date of transfer. The difference between this fair value and the respective nominal value is recognised in profit and loss until maturity of the asset, based on the effective interest rate method. The amount in other comprehensive income existing at the transfer date is also recognised in profit and loss based on the effective interest rate method. Under IFRS 9, changes in business model are not expected to occur frequently.

iv. Derecognition

Financial assets are derecognised from the balance sheet when (i) the Bank's contractual rights to the related cash flows expire, (ii) the Bank has transferred substantially all risks and rewards of ownership, or (iii) although the Bank has retained part but not substantially all of the risks and rewards of ownership, control over the assets has been transferred.

2.5 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

IFRS 9 introduced the concept of expected credit losses which differs significantly from the concept of incurred losses under IAS 39, thus preempting the recognition of credit losses in the financial statements of institutions. Thus, in determining the ECL, macroeconomic factors are taken into account, whose changes impact the expected losses. This concept of expected losses should be applied to all financial assets except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through equity.

The Bank applies IFRS 9's expected loss concept to financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, other receivables, financial guarantees and credit commitments not valued at fair value.

The expected credit risk loss is a probability-weighted estimate of the present value of credit losses. This estimate derives from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future macroeconomic scenarios, discounted at the interest rate of the financial instruments.

According to the standard, there are two methods for calculating impairment losses: (i) individual analysis and (ii) collective analysis.

The assessment of the existence of impairment losses on an individual basis is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan deemed individually significant, the Bank assesses, at each date of the statement of financial position, the existence of objective evidence of impairment. It should be noted that loans greater than 0.25% of own funds are considered individually significant for stage 2 and 3 customers, while for stage 1 customers the criterion of 1% of own funds is used.

For the remaining customers in the loan portfolio, the Bank performs a collective analysis to determine the impairment losses. The model for collective impairment is in consolidation phase, as its implementation was concluded by the Bank with some limitations, which are still being improved by the Bank.

The main constraints in determining the amount of impairment losses for the loan portfolio with reference to the date of 31 December 2019 and 2018 were as follows:

a) History Recovery: Given the new requirements for marking stages set by the Bank, a history-marking process has been developed based on information and quality of data from January 2015 to December 2019, with the credit operations that have been sold being excluded from the Bank's history credit portfolios, as these are operations with a different credit risk profile from the rest of the current composition of the credit portfolio;

b) Guarantees: the Bank is in the process of verifying and validating the information related to guarantees/collateral considered active by the Bank in that module, and in the calculation of impairment the information reported by the Bank was used as the most reliable information of the guarantees/collateral associated to the credit portfolio. The updating of the information will enable the Bank to significantly improve the quality of information on guarantees and their management;

c) Marking of Stages: the Bank presents an additional risk in the model arising from some triggers being manually marked by the analyst;

d) Loss given default (LGD): the Bank is not yet including the effect of recovery costs incurred in the recovery process, information regarding restructured operations is limited and the model does not include recoveries of guarantees (they are deducted directly from EAD following internal Haircut).

The instruments subject to impairment calculation are divided into three stages (stages) based on their level of credit risk, as follows:
Stage 1: No significant increase in credit risk since the time of initial recognition. In this case, impairment will reflect expected credit losses resulting from default events that may occur within 12 months from the reporting date;
Stage 2: instruments where a significant increase in credit risk is considered to have occurred since initial recognition, but for which no objective evidence of impairment exists as yet. In this case, impairment will reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

Stage 3: instruments for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, the amount of impairment will reflect expected credit losses over the expected residual life of the instrument.

With the exception of purchased or originated credit-impaired financial assets (referred to as POCI), impairment losses, depending on the classification of the stage of the transaction, should be estimated through a loss allowance at an amount equal to:

- 12-month expected loss for credit risk, i.e. estimated total loss resulting from default events on the financial instrument that are possible within 12 months after the reporting date (called Stage 1);
- or expected loss for credit risk to maturity, i.e. estimated total loss that results from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3). A provision for expected loss through credit risk to maturity is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition or if the financial instrument is impaired.

Although the standard does not define the concept of default, the Bank, in its Impairment Policy, decided to update its internal definition of default, introducing a set of criteria to reflect a more forward-looking model in terms of recognition of expected losses on financial assets, where it is only necessary to meet one of the criteria for an operation to be classified as in default. Any given transaction/Customer will no longer be marked in default if it no longer meets the respective entry criteria and after the respective quarantine period has elapsed.

IFRS 9's impairment calculation is complex and requires management decisions, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in risk since the moment of initial recognition; and
- Incorporation of forward-looking information in the calculation of the estimated losses ("ECL").

CALCULATION OF ECLs

ECLs are weighted estimates of credit losses determined as follows:

- financial assets with no sign of impairment at the reporting date: the present value of the difference of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets with signs of impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the contractual cash flows that are due to the Bank should the commitment be realised and the cash flows that the Bank expects to receive; and
- financial guarantees: the amount of expected payments to be reimbursed less the amounts the Bank expects to recover.

The Bank's approach to determining impairment losses for loans subject to collective analysis has as an inherent concept the definition of homogeneous segments based on the quality of its assets and the credit/customer risk characteristics. In this way, the Bank ensures that for the purposes of analysing these exposures and determining the risk parameters (PD and LGD), they present similar risk characteristics. The development of these segments is based on the assumptions of statistical materiality for each segment (in order to estimate the respective risk profile) and the relevance or adequacy of this segmentation to the various processes related to credit risk management in the Bank.

As per IFRS 9, the Bank has developed the lifetime ECL for financial assets as the present value of the difference between the cash flows to which the entity is entitled under the contract and the cash flows that the entity expects to receive. For assets that are not in default, this principle is equivalent.

The Bank has set the 12-month ECL as the part of the lifetime ECL that represents the expected credit losses that result from default events that may happen in the 12 months after the reporting date. For assets in default, the lifetime ECL is obtained through the value of the loss given default, depending on the time passed since the asset went into default.

SIGNIFICANT INCREASE IN CREDIT RISK

Stage 2 classification is based on the observation of a significant increase in the level of credit risk. Since the standard does not determine how this significant increase should be measured, the Bank does not yet have rating and scoring models with the necessary maturity, the classification in stage 2 is made based on objective triggers derived from the available information.

Triggers for significant increase in credit risk are detected through automatic processes, based on information held in the Bank's information systems.

In the case of public debt securities, the Bank considers that a two level change in the rating disclosed by Moody's rating agency is evidence of a significant deterioration in the debtor's credit standing (contamination effect of all public debt securities), and uses this criterion to classify all exposure in stage 2.

INPUTS IN MEASURING ECL

The main inputs used for the measurement of ECL on a collective basis include the following variables:
a) Probability of Default - PD;
b) Loss Given Default - LGD;
c) Exposure at Default - EAD;
d) Discount rate for cash flows (Discount Rate - DR);
e) Credit Conversion Factors - CCF; and
f) These parameters are obtained through internal statistical models and other relevant historical data, adjusted to reflect forward-looking information.

PD is estimated on the basis of a specific historical period and is calculated on the basis of statistical models. These models are based on internal data comprising both quantitative and qualitative factors. If there is a change in the degree of counterparty or exposure risk, the associated PD estimate is also changed.

The degrees of risk are a highly relevant input for determining the PDs associated with each exposure. The Bank gathers performance and default indicators about its credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss expected to occur if the exposure defaults. The Bank estimates LGD parameters based on historical recovery rates after counterparties default. LGD models consider time in default.

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date. The Bank derives the EAD values from the counterparty's current exposure and potential changes to the present value allowed under contractual terms, including write-downs. For financial commitments and guarantees, the value of the EAD accounts for both the amount of credit drawn down and the expectation of the potential future amount that may be drawn down in accordance with the contract ("CCF").

FORWARD-LOOKING INFORMATION

According to this new model set out in IFRS 9, the measurement of expected losses also requires the inclusion of forward-looking information, including future trends and scenarios, namely macroeconomic data. Forward-looking information has not been considered in all risk parameters of the expected loss calculation (LGD and EAD). In this respect, the estimates of expected credit impairment losses now include multiple macroeconomic scenarios whose probability will be evaluated considering past events, the current situation and future macroeconomic trends.

In this context, the Bank used a linear regression model to portray the impact of macroeconomic factors with significant influence on the probability of default.

IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets with credit impairment are referred to as assets classified in Stage 3. The

Bank has adopted the internal definition of non-performing loans as a criterion for identifying Stage 3 loans. The internal definition of non-performing loans is based on objective and subjective criteria and is used for the Bank's credit risk management.

PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS (POCI)

The financial assets classified as POCI are treated differently since they are impaired. For those assets, the Bank at the time of their initial recognition in Stage 3, records the asset at the net value of the expected loss.
In the subsequent measurement, an ECL is always calculated with a lifetime PD and its variations are recorded against profit and loss. The associated interest is calculated by applying the effective interest rate to the net book value of the asset.

In 2019, the Bank has not classified financial assets as POCI.

RECOGNITION OF IMPAIRMENT LOSSES

The Bank recognises impairment losses for expected credit losses on financial instruments as follows:
• **Financial assets at amortised cost:** Impairment losses on financial assets carried at amortised cost reduce the book value of those financial assets against the corresponding entry in profit and loss;

• **Debt instruments at fair value through other comprehensive income:** impairment losses for these instruments are recognised in profit and loss against other comprehensive income (they do not reduce the book value of these financial assets);

• **Subscription Credit Facility:** impairment losses associated with subscription credit facilities are recognised in liabilities, under Provisions for Subscription Credit Facility against profit and loss.

REVERSAL OF IMPAIRMENT

The analysis and subsequent determination of individual impairment of a customer with impairment recorded in previous periods may only result in a reversal if the impairment is related to the occurrence of an event after initial recognition (e.g. improvement in the quality of the customer's rating or reinforcement of guarantees). The amount of the reversal cannot be greater than the accumulated impairment amounts previously recorded.

WRITE-OFF OF FINANCIAL INSTRUMENTS

Given the economic nature of the impairment model, which is based on the requirements of the International Accounting Standards and the requirements set out in Notice No. 11/2014 issued by BNA, which states that loans may be transferred to an off-balance sheet account when the institution considers that, based on available information, the loan in question will be unrecoverable.

As such, the Bank has defined a set of criteria that will be used to identify customers who, according to this perspective, should be subject to write-offs. Write-off is the derecognition of a financial asset from the Bank's balance sheet. It should be noted that state risk contracts and contracts with the Bank's employees are not subject to write-off.

2.6 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.

2.7 OTHER TANGIBLE ASSETS, EXCLUDING LEASES (WHICH ARE IN NOTE 2.2)

i. 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.
Works on leased buildings are capitalised as own assets of the Bank, and are depreciated between the shorter of their useful life and the lease term of the respective contracts.

ii. Subsequent costs

Subsequent costs are recognised as separate assets only if they are likely to result in future economic benefits. Maintenance and repair expenses are recognised as costs as they are incurred in accordance with the accrual principle.

iii. Depreciation

Depreciation of tangible assets 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 profit and loss statement, and are reversed when the events that gave rise to them cease to exist (impairment losses are reversed up to the limit of the amount that the assets would have if no impairment loss had been recognised).

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.

As mentioned in Note 2.2, this line item includes right-of-use assets arising from lease contracts.

iv. Derecognition

a) The carrying amount of an item of property, plant and equipment shall be derecognised: at the time of sale; or
b) when no future economic benefits are expected from its use or sale.

Gains or losses arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Gains/losses will be classified as Other Income.

2.8 INTANGIBLE ASSETS

i. 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 amortised on a linear basis over the estimated useful life, which is normally 5 to 10 years.

ii. 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, when incurred.

iii. Impairment

The recoverable value of intangible assets is assessed whenever there is evidence of impairment. Impairment losses are calculated on the basis of the difference between the recoverable value 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. The recoverable amount is determined based on the income estimated in the Bank's Business Plan, with these cash flows being discounted at a discount rate of the Angolan State's issues for the period of years considered of the future flows.

2.9 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.

2.10 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.

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

Associated companies are entities over which the Bank has significant influence but does not control its financial and operational policy. The Bank is presumed to exercise significant influence if it has the power to exercise more than 20% of the 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:
a) representation on the Board of Directors or equivalent management body of the associate;
b) participation in outlining policies, including decisions on dividends or other distributions;
c) material transactions between the Bank and the associate;
d) interchange of management personnel; and
e) supplying essential technical information.

i. Impairment

The recoverable value of investments in subsidiaries and associates is assessed whenever there is evidence of impairment. Impairment losses, in individual accounts, 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.

2.11 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED 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 (within a period of one year).

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 (within a period of one year).

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.

2.12 INCOME TAXES

Income taxes recorded as profit or loss include the effect of current taxes and deferred taxes. The tax is recognised in the profit and loss statement, except when related to items that are moved in equity, a fact that forces them to be recognised as equity. Deferred taxes recognised as equity resulting from the revaluation of assets at fair value through other comprehensive income and cash flow hedging derivatives are subsequently recognised in the profit-and-loss statement when the gains and losses that gave rise to them are recognised in the profit-and-loss statement.

i. Current tax

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 fiscal years.

Current taxes for current and prior periods shall, to the extent unpaid, be recognised as liabilities. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, that excess shall be recognised as an asset.

With the publication of Law 19/14, of 22 October, 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 gains tax, regardless of the existence of taxable income for the year.

ii. Deferred tax

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.

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred taxes not recognised are revalued at each reporting date and are recognised to the extent that it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in force in the year in which the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the date of the accounting statements.

Current tax and deferred tax shall be recognised outside profit or loss, if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, the current tax and deferred tax related to these items should be recognised in: (i) other comprehensive income; (ii) equity.

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.

iii. Capital Gains Tax (IAC)

Presidential Decree No. 2/14 of 20 October, in force since 19 November, has revised and introduced several legislative amendments to the Capital Gains Tax Code, following the Tax Reform project. The Capital Gains Tax is generally levied on income from the Bank's financial investments, it is withheld at source by BNA and the respective income is excluded from taxation under Industrial Tax. For these reasons, the Bank believes that, under IAS 12, the conditions are met to consider the Capital Gains Tax to be an income tax.

iv. Special Contribution on Current Invisible Foreign Exchange Transactions

The Special Contribution on Current Invisible Foreign Exchange Transactions, whose legal scheme is established in Law No. 3/2018 of 1 March - General State Budget Law 2018, is levied, at the rate of 10%, on payments made related with foreign technical assistance or management contracts, regulated by the provisions of the respective Regulation, approved by Presidential Decree No. 273/11, of 27 October, amended by Presidential Decree No. 123/13, of 28 August.

v. Other taxes

The Bank is also subject to indirect taxation, namely Customs Duties, Stamp Duty, Value Added Tax, as well as other taxes.

2.13 EMPLOYEE BENEFITS

i. Provision for holidays and holiday allowance

The General Labour Law states that the amount of holiday allowance payable to workers in a given fiscal year is a right acquired by them in the immediately preceding year. Therefore, the Bank records in the accounts for the year the amounts relating to holidays and holiday allowance payable the following year, and untaken holidays payable if the employee leaves the Bank.

ii. 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 Statement of financial position.

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 Statement of financial position value has to be adjusted to reflect the fair value (on the date it is granted).

In view of the provisions of IAS 19 - Employee Benefits, this benefit (below market interest rate) should be 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 profit and loss as staff costs during the shorter period between (i) the duration of the loan or (ii) the number of years between the date on which the loan is granted and the legal date on which the employee retires.

iii. 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). Disability cases are an exception. 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 fiscal year when due. Contributions paid in advance are recognised as an asset if a repayment or reduction of future payments is available.

iv. Variable remuneration paid to Employees and directors

The Bank assigns variable remuneration to its Employees and Directors as a result of their performance (performance bonuses). Variable remuneration paid to Employees and Directors is charged against profit/loss for the year to which it relates, although payment will only occur in the following year.

2.14 PROVISIONS AND CONTINGENT LIABILITIES

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.

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.

If the future expenditure of resources is not probable, it is a contingent liability, and only its disclosure shall be made.

2.15 REVENUE

i. 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 statement of financial position net value. When the asset is no longer included in Stage 3, interest is calculated based on the Statement of financial position gross value.

ii. 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 profit and loss 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 profit-and-loss statement using the effective interest rate method.

iii. Recognition of dividends

Dividends (income from equity instruments) are recognised in profit/loss when a right to receive them is allocated.

2.16 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.

2.17 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.

2.18 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 rates with respect to currencies relevant to the Bank's business as at 31 December 2019 and 2018 were as follows:

Currency	31-12-2019	31-12-2018
USD - US Dollar	482.227	308.607
EUR - Euros	540.817	353.015
GBP - Pound Sterling	634.928	390.079

The exchange differences that result from currency conversion are acknowledged in the profit-and-loss statement. 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 financial assets at fair value through other comprehensive income.

2.19 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.

2.20 CASH AND CASH 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.

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.

Given that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could be different if a different treatment were chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements provide a true and fair view of the financial position of the Bank and the results of its operations in all material respects.

3.1 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

The evaluation process in order to determine if an impairment loss should be recognised is subject to numerous estimates and judgements. This process includes factors such as the probability of default, risk ratings, the value of collateral associated with each transaction, recovery rates and estimates of both future cash flows and when they will be received.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a subsequent impact in the income statement of the Bank.
For public debt securities, the Bank follows Directive No. 13/DSB/DRO/2019, considering for this purpose the i) Probability of default ("PD") at 12 months for Angola's rating published in Moody's study applicable to the year in question; and

ii) Loss given default ("LGD") associated with the events of Default events, as indicated in the referred study.

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

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions, time value, yield curve and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair value.

Consequently, the use of different methodologies or of different assumptions or judgements in applying a particular model, could have produced different financial results from the ones reported.

3.3 IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

The Bank reviews its loan portfolio periodically in order to assess the existence of impairment losses, as described in the accounting policy described in Note 2.5.

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

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a subsequent impact in the income statement of the Bank.

The Bank believes that the impairment determined based on the methodology described in Note 2.5 can adequately reflect the risk associated to its portfolio of loans and advances to customers, taking into account the rules established by IFRS 9.

3.4 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST

The Bank reviews its financial assets periodically in order to assess the existence of impairment losses.

This process includes factors such as the probability of default, risk ratings and the probability of recovery assigned by the Bank.

The use of alternative methodologies, assumptions and estimates could result in a higher level of impairment losses recognised with a subsequent impact in the profit and loss of the Bank.

It should be noted that for the GENSA Asset Transfer Operation, the Bank uses the difference between the book value of the operation and its recoverable value to calculate impairment, and this value is calculated on the basis of an evaluation made by an external consultant as part of the Asset Quality Assessment project.

3.5 INCOME TAXES

The Bank is subject to an Industrial Tax, and is considered a Group A taxpayer.

Income taxes are recognised in the profit and loss for the period, except where the transactions giving rise to them have been carried in other equity items. In these situations, the corresponding tax is also reflected against equity, not affecting the profit or loss for the year.

The calculation of the estimated current tax for the periods ended 31 December 2019 and 31 December 2018 was calculated in accordance with Article 64 (1) and (2) of Law No. 19/14, of 22 October, the applicable tax rate being 30%.

Tax returns are subject to review and adjustment by the tax authorities for a period of five years, which may extend to ten years, and may result, due to different interpretations of tax law, in possible adjustments to the taxable income for the years

2015 to 2019.

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.

Tax losses assessed in a given year, as provided for in Article 48(1) of the Industrial Tax Code, may be deducted from the taxable profits of the subsequent three years.

3.6 LEASING

The relevant judgements made by management in applying the Bank's accounting policies and the main sources of estimation uncertainty were the same as those described in the last reported financial statements, except for the new judgements related to accounting as a lessee for leases under IFRS 16.

For contracts in which it is the lessee and which include extension and termination options, the Bank determines the lease term as the non-cancellable period during which it has the right to use an underlying asset, together with the periods covered by an option to extend the lease if there is a reasonable certainty of exercising that option and the periods covered by a termination option if there is a reasonable certainty of not exercising that option. The assessment of whether or not the Bank will exercise such options will impact the lease term, which will significantly affect the amount of lease liabilities and right-of-use assets recognised.

In measuring lease liabilities the Bank discounts payments using its incremental borrowing rate. In this regard, the Bank used as approximation discount rate, at transition date, the interest rate on 3-year non-adjustable treasury bonds (23%) for non-indexed annuities, while for indexed annuities it used the interest rate on 7-year indexed treasury bonds (5.50%).

3.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Determining the recoverable amount of these assets (property, plant and equipment, intangible assets, real estate, among others) involves making projections of future cash flows (essentially the net interest income, revenues, staff costs and other operating expenses) and in other cases obtaining valuations from expert appraisers. These projections involve a high level of uncertainty and volatility and are particularly sensitive to macroeconomic conditions and regulatory aspects.

3.8 PROVISIONS

Provisions require a high level of judgment, both in terms of their recognition (probability of outflow of resources) and in terms of the determination of the best estimate of the amounts necessary to settle the corresponding liability. To this end, the Bank draws on the support of legal consultants and these estimates are reviewed regularly.

The estimates were determined based on the best information available at the date of preparation of the financial statements and based on the best knowledge and experience of past and/or current events. However, events may occur in subsequent periods that, not being foreseeable at the time, were not taken into account in those estimates. Changes to the estimates used by the management that occur after the date of these financial statements, will be recognised prospectively in profit or loss, in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

NOTE 4 - CASH AND DEPOSITS AT CENTRAL BANKS

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Cash		
Amounts in treasury		
In Domestic Currency	5,944,719	6,334,461
In U.S. Dollars	1,751,520	-
In other currencies	1,338,713	-
Amounts in transit		
In Domestic Currency	1,302,070	286,391
In U.S. Dollars	-	844,804
In other currencies	-	488,012
	10,337,022	7,953,668
Demand deposits at Banco Nacional de Angola (BNA)		
In Domestic Currency	65,554,030	49,083,987
In other currencies	158,419,458	137,863,698
	223,973,488	186,947,685
	234,310 510	194,901,353

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 BNA. These deposits are made in order to comply with BNA Instruction No. 17/2019 and directive 8/DMA/DRO/2019, both dated 24 October 2019, which are summarised as follows:

Basis Assessment	Calculation	Domestic Currency	Foreign Currency
Central Government	Daily	22%	100%
Local Governments and Municipal Administrations	Daily	22%	100%
Other Sectors	Weekly	22%	15%

Compliance with the required reserves, for a given weekly observation period, is achieved by using the average value of customer deposit balances, among others, with the Bank during that period. As per the abovementioned Instruction, the mandatory reserves in Foreign Currency can be met by 20% with the amounts deposited with BNA and 80% in treasury bonds in Foreign Currency issued from 2015 onwards.

The total amount due from the Bank is AOA 325,367,000 and it is being serviced with Treasury Bonds in Foreign Currency at 50%.

NOTE 5 - DEPOSITS WITH OTHER CREDIT INSTITUTIONS

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Demand deposits		
In other currencies	59,659,636	53,838,257
	59,659,636	53,838,257
Other Cash equivalents		
Clearing of cheques and other paper	30,550	138,556
	30,550	138,556
Impairment losses	(145,358)	-
	59,544,828	53,976,813

The increase in the value of Deposits with other credit institutions, in other currencies, was the result of the Bank's liquidity management, due to treasury needs that emerged at the beginning of 2020, 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 in Other deposits relates to operations awaiting settlement at the balance sheet date and are sent for collection in the first business days following the reference date.

It should be noted that the Bank has implemented the recommendations of AQA, which has made a change in the methodology for determining impairment for Deposits, with the Bank now having the same methodology as Directive No. 13/DSB/DRO/2019. Since this is a change in estimate, the Bank has not made a retrospective application.

NOTE 6 - INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Investments at domestic credit institutions		
Interbank money market	7,879,732	-
Investments at foreign credit institutions		
Interbank money market	101,742,585	110,106,444
Other investments	101,742,585	110,106,444
Total Investments	109,622,316	110,106,444
Impairment losses	(2,560,523)	(234,778)
	107,061,793	109,871,667

The value of investments in credit institutions includes accrued interest receivable up to the balance sheet date.
As at 31 December 2019 and 2018, the breakdown of investments in central banks and Other Credit Institutions by residual

maturities is as follows:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Up to 3 months	109,622,316	103,923,057
3 months to one year	-	6,183,387
	109,622,316	110,106,444

Investments at central banks and other credit institutions abroad, as at 31 December 2019, were earning an average interest rate of 2.04% (2018: 1.63%). These are the rates in markets where the Bank operates. In addition, the Investments in the country's money market, as at 31 December 2019, bore interest at the weighted average rate of 13.9%.

Changes in impairment losses in Investments in Central Banks and in Other Credit Institutions are broken down as follows:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Opening balance	234,778	-
Charge for the year	2,560,523	234,778
Uses	-	-
Reversals	(234,778)	(115,831)
Effect Transition IFRS 9 (Note 4)	-	115,831
Foreign Exchange Differences	-	-
	2,560,523	234,778

It should be noted that the Bank has implemented the recommendations of AQA, which has made a change in the methodology for determining impairment for Deposits, with the Bank now having the same methodology as Directive No. 13/DSB/DRO/2019, no longer accounting for the residual maturity of operations. Since this is a change in estimate, the Bank has not made a retrospective application.

NOTE 7 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Financial assets at fair value through profit or loss		
Debt instruments		
Public debt	7,519,224	4,392,478
	7,519,224	4,392,478

As at 31 December 2019 and 2018, Financial assets at fair value through profit or loss by residual maturities is broken down as follows:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Up to 3 months	-	4,392,478
1 to 5 years	7,519,224	-
	7,519,224	4,392,478

In accordance with IFRS 13, financial assets measured at fair value through profit or loss are measured in accordance with the valuation levels described in Note 35. As at 31 December 2019 and 2018, all assets were classified as level 2.

As at 31 December 2019 and 2018, financial assets at fair value through profit or loss show the following characteristics:

(thousand Kwanzas)

	Quantity	Weighted average interest rate	Fair value at acquisition	Accrued interest	Foreign Exchange Differences	Nominal value	Currency	Unit market value	Changes in Fair Value	Total Value 31-12-2019
31 December 2019										
Public Debt Securities										
Fixed-rate indexed treasury bonds	9,550	5.00%	3,883,567	80,278	1,806,810	3,648,596	AOA	608	33,624	5,804,279
Fixed-rate non-indexed treasury bonds	17,842	16.27%	1,767,700	5,370	-	1,784,200	AOA	96,118	(58,125)	1,714,945
	27,392								(24,501)	7,519,224

(thousand Kwanzas)

	Quantity	Weighted average interest rate	Fair value at acquisition	Accrued interest	Foreign Exchange Differences	Nominal value	Currency	Unit market value	Changes in Fair Value	Total Value 31-12-2018
31 December 2018										
Public Debt Securities										
Foreign Currency Treasury Bonds	15,000	8.25%	4,375,504	16,973	-	4,629,105	US Dollar	292,832	-	4,392,478
	15,000								-	4,392,478

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2019 and 2018, financial assets at fair value through other comprehensive income show the following characteristics:

(thousand Kwanzas)

Entity	Currency	% of capital	Acquisition value	Balance Sheet Value 31-12-2019	Balance Sheet Value 31-12-2018
EMIS (Shares)	AOA	2.58%	82,834	82,834	82,834
EMIS (Additional Paid-in Capital)	AOA	n.a	4,098	4,098	7,147
BVDA (Shares)	US Dollar	n.a	159	-	-
SWIFT (Shares)	EUR	n.a	28	15,137	9,881
			87,119	102,069	99,862

NOTE 9 - INVESTMENTS AT AMORTISED COST

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018 Restatement Note 2
Investments at amortised cost		
Debt instruments		
Public debt	214,001,915	146,879,741
	214,001,915	146,879,741
Impairment	(3,313,913)	(1,679,919)
	210,688,002	145,199,822

As mentioned in Note 2.1, the Bank has revalued two securities, in the nominal amount of AOA 47,428,300,000, which presented contractual conditions objectively below the normal market conditions on the date of their recording into the Bank's assets.

The calculation of the initial fair value was based on the model adopted in the Asset Quality Assessment (AQA) exercise carried out by Banco Nacional de Angola, based on the assumptions described in Note 2.1, whose impacts are described in that same note.

As at 31 December 2019 and 2018, Investments at amortised cost by residual maturities are broken down as follows:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018 Restatement Note 2
3 months to 1 year	48,900,095	-
1 to 5 years	148,961,311	126,625,819
Over 5 years	16,140,509	20,253,922
	214,001,915	146,879,741

Securities maturing in more than 5 years are mainly explained by securities received as part of the operation with the ENSA Group, which mature in 2040 and bear interest at 5%.

Changes in impairment losses on investments at amortised cost are broken down as follows:

(thousand Kwanzas)

	Stage 1	*Stage 2*	*Stage 3*	Total
Balance as at 31 December 2017	-	-	-	-
Impact of Transition to IFRS 9	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)
Balance as at 31 December 2018	1,679,919	-	-	1,679,919
Charge for the year	1,644,641	-	-	1,644,641
Reversals	(10,647)	-	-	(10,647)
Balance as at 31 December 2019	3,313,913	-	-	3,313,913

It should be noted that the increase in impairment charges arise from the implementation of the recommendations of the AQA, which changed the methodology for determining impairment for securities, with the Bank now having the same methodology as Directive No. 13/DSB/DRO/2019. Since this is a change in estimate, the Bank has not made a retrospective application.

As at 31 December 2019 and 2018, Investments at amortised cost show the following characteristics:

(thousand Kwanzas)

	Quantity	Average interest rate	Amortised cost	Accrued interest	Foreign Exchange Exchange Rate	Amount Nominal value	Currency	Unit market value Unit market	Gross Value	Impairment	Total Value
31 December 2019											
Domestic currency bonds											
Fixed-rate non-indexed treasury bonds	493,044	8.50%	16,266,920	1,313,499	-	49,304,400	AOA	35,071	17,580,419	(288,842)	17,291,577
Foreign currency bonds											
Fixed-rate non-indexed bonds	40,000	4.83%	194,270,677	2,150,819	-	192,890,800	US Dollar	4,834,911	196,421,496	(3,025,071)	193,396,425
	533,044					242,195,200		4,869,982	214,001,915	(3,313,913)	210,688,002

(thousand Kwanzas)

	Quantity	Average interest rate	Amortised cost	Accrued interest	Foreign Exchange Exchange Rate	Amount Nominal value	Currency	Unit market value Unit market	Gross Value	Impairment	Total Value
31-12-2018 Restatement Note 2											
Domestic currency bonds											
Fixed-rate non-indexed treasury bonds	541,875	5.67%	19,745,600	1,540,522	-	54,187,500	AOA	39,050	21,286,122	(125,698)	21,160,424
Foreign currency bonds											
Fixed-rate non-indexed bonds	40,000	4.83%	123,480,347	2,113,272	-	123,442,800	US Dollar	3,100,985	125,593,619	(1,554,221)	124,039,398
	581,875					177,630,300		3,140,035	146,879,741	(1,679,919)	145,199,822

NOTE 10 - CUSTOMER LOANS

The value of this item is made up of:

(thousand Kwanzas)

Description	31-12-2019	31-12-2018
Active Loans and Advances		
To corporate customers		
Loans	65,685,002	52,405,670
Current account loans	16,094,424	12,227,549
Overdraft facilities	392,202	24,980,958
Financial leasing	2,686,484	2,773,224
Other loans	-	-
To retail customers		
Housing	9,135,799	8,802,026
Consumer credit and other	2,926,733	9,388,218
	96,920 644	110,577,645
Overdue Loans and Advances		
To corporate customers		
Loans	89,104,246	65,990,885
Current account loans	9,231,170	7,118,719
Overdraft facilities	13,643,688	16,671,029
Discounts and other credits resulting from effects	-	-
Financial leasing	2,568,526	3,370,293
To retail customers		
Housing	4,585,042	3,192,334
Consumer credit and other	5,169,642	3,700,076
	124,302,314	100,043,336
Gross Credit	221,222,958	210,620,981
Accumulated impairment	(127,050,821)	(86,083,239)
	(127,050,821)	(86,083,239)
	94,172,137	124,537,742

Non-performing loans include all credit operations in the past due situation, including overdue and non-performing instalments.

Loans associated with financial leases correspond to operations arising from loans for the acquisition of light and heavy vehicles, as well as the acquisition of equipment.

As at 31 December 2019 and 2018, Customer Loans by maturity dates are broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Up to 3 months	40,227,144	71,333,007
3 months to 1 year	8,001,346	17,780,454
1 to 5 years	52,998,945	24,788,213
Over 5 years	119,995,524	96,719,306
	221,222,958	210,620,981

Changes in impairment losses shown in assets as a correction to loan amounts were as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Opening balance	86,083,239	21,259,362
Charge for the year	59,142,805	63,319,432
Uses	(18,179,790)	-
Reversals	(14,822,035)	(8,119,674)
Effect Transition IFRS 9 (see Note 4)	-	2,625,184
Foreign exchange differences and other corrections	14,826,601	6,998,936
	127,050,821	86,083,239

The distribution of customer loans by type of rate is as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Fixed rate	170,989,801	169,614,271
Variable rate	50,233,157	41,006,709
	221,222,958	210,620,981

The distribution of customer loans by type of rate is as follows:

(thousand kwanzas)

2019	Value Currency	Value Kwanzas
AOA	139,970,338	139,970,338
EUR	584	316,070
US Dollar	167,839	80,936,551
		221,222,958

(thousand Kwanzas)

2018	Value Currency	Value Kwanzas
AOA	143,439,975	143,439,975
EUR	443	156,203
US Dollar	217,185	67,024,803
		210,620,981

The distribution of loans and impairment shows the following composition by situation and segment:

(thousand Kwanzas)

Segment	Exposure 2019						
	Total exposure	Loans in *Stage* 1	Of which restructured	Loans in *Stage* 2	Of which restructured	Loans in *Stage* 3	Of which restructured
Employees	4,163,487	4,031,395	-	132,092	-	-	-
Corporate Customers	191,852,776	18,752,859	-	8,690,691	4,844,281	164,409,227	89,847,485
State	9,334,510	4,502,910	-	-	-	4,831,600	2,987,258
Retail Customers	15,872,186	4,007,271	-	563,584	268,866	11,301,331	591,288
Total	221,222,958	31,294,434	-	9,386,367	5,113,146	180,542,157	93,426,031

Segment	Impairment 2019			
	Total impairment	Loans in *Stage* 1	Loans in *Stage* 2	Loans in *Stage* 3
Employees	232,749	200,959	31,790	-
Corporate Customers	112,534,367	742,740	1,701,584	110,090,043
State	3,684,534	63,616	-	3,620,918
Retail Customers	10,599,171	298,455	151,225	10,149,491
Average	127,050,821	1,305,770	1,884,599	123,860,453

Segment	Exposure 2018						
	Total exposure	Loans in *Stage* 1	Of which restructured	Loans in *Stage* 2	Of which restructured	Loans in *Stage* 3	Of which restructured
Employees	3,355,265	3,226,783	-	113,984	-	14,497	-
Corporate Customers	180,493,983	14,352,038	-	17,051,985	10,595,264	149,089,960	71,247,483
State	8,318,390	2,793,553	-	-	-	5,524,837	2,989,099
Retail Customers	18,453,343	10,092,098	-	528,964	635	7,832,280	622,991
Total	210,620,981	30,464,473	-	17,694,934	10,595,900	162,461,574	74,859,573

Segment	Impairment 2018			
	Total impairment	Loans in *Stage* 1	Loans in *Stage* 2	Loans in *Stage* 3
Employees	207,464	169,085	30,953	7,426
Corporate Customers	79,558,376	541,108	2,441,986	76,575,282
State	32,422	24,894	-	7,528
Retail Customers	6,284,977	99,637	201,824	5,983,516
Average	86,083,239	834,723	2,674,763	82,573,753

The distribution of loans and impairment shows the following composition by default and impairment by stages, allocated to each segment:

	Exposure 2019						Exposure 2019			Impairment 2019								
	Exposures with no significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition and which are not credit-impaired (Stage 2)			Credit exposures in credit impairment (Stage 3)			Exposures with no significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition and which are not credit-impaired (Stage 2)			Credit exposures in credit impairment (Stage 3)		
Segment	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Employees	4,031,396	-	-	132,084	8	-	-	-	-	200,959	-	-	31,789	1	-	-	-	-
Corporate Customers	18,752,859	-	-	8,384,230	980	305,480	47,698,123	7,810,668	108,900,436	742,740	-	-	1,652,182	158	49,244	26,610,717	6,125,268	77,354,058
State	4,502,910	-	-	-	-	-	-	-	4,831,600	63,616	-	-	-	-	-	-	0	3,620,918
Retail Customers	4,007,271	-	-	531,012	32,120	452	624,329	78,416	10,598,585	298,455	-	-	133,180	17,935	110	614,800	69,787	9,464,905
Total	31,294,435	-	-	9,047,326	33,108	305,932	48,322,452	7,889,084	124,330,620	1,305,770	-	-	1,817,151	18,094	49,354	27,225,517	6,195,055	90,439,881

	Exposure 2018						Exposure 2018			Impairment 2019								
	Exposures with no significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition and which are not credit-impaired (Stage 2)			Credit exposures in credit impairment (Stage 3)			Exposures with no significant increase in credit risk since initial recognition (Stage 1)			Exposures with a significant increase in credit risk since initial recognition and which are not credit-impaired (Stage 2)			Credit exposures in credit impairment (Stage 3)		
Segment	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Employees	3,226,783	-	-	94,372	19,608	5	14,487	-	10	169,085	-	-	25,007	5,945	-	7,418	-	8
Corporate Customers	14,352,038	-	-	15,817,120	1,230,461	4,405	59,541,600	1,221,948	88,326,412	541,108	-	-	2,269,717	171,790	479	34,359,781	348,715	41,866,786
State	2,793,551	-	2	-	-	-	-	89,312	5,435,525	24,894	-	-	-	-	-	-	210	7,318
Retail Customers	10,092,098	-	-	493,869	34,918	178	481,691	466,480	6,884,109	99,637	-	-	189,700	12,090	34	209,836	181,931	5,591,750
Total	30,464,471	-	2	16,405,361	1,284,986	4,587	60,037,778	1,777,740	100,646,056	834,723	-	-	2,484,424	189,825	514	34,577,035	530,855	47,465,863

Loans and impairment show the following composition by year of granting:

Year of granting	Employees			Corporate Customers			State			Retail Customers			Total		
	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded
Previous Years	394	1,225,488	144,126	301	100,590,524	68,987,328	8	4,143,978	119,193	488	12,335,125	9,784,753	1,191	118,295,115	79,035,400
2016	82	524,953	15,504	108	21,823,078	17,757,646	14	1,160,300	454,342	143	476,431	352,403	347	23,984,762	18,579,894
2017	114	380,562	11,477	119	8,958,365	1,647,120	8	3,967,079	3,110,851	147	494,264	105,876	388	13,800,270	4,875,324
2018	148	1,036,887	31,364	137	26,455,570	8,490,799	-	-	-	205	426,380	51,693	490	27,918 836	8,573,856
2019	161	995,598	30,278	134	34,025,239	15,651,474	3	63,152	148	337	2,139,987	304,447	635	37,223,976	15,986,347
Total	899	4,163,487	232,749	799	191,852,776	112,534,367	33	9,334,510	3,684,534	1,320	15,872,186	10,599,171	3,051	221,222,958	127,050,821

Breakdown of the amount of loans and impairment, recorded individually or collectively, per segment:

2019	Employees		Corporate Customers		State		Retail Customers		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Individual impairment	-	-	158,104,793	107,817,343	8,879,398	3,683,465	7,283,368	7,147,092	174,267,559	118,647,900
Collective impairment	4,163,487	232,749	33,747,983	4,717,024	455,112	1,069	8,588,818	3,452,079	46,955,400	8,402,921
Total	4,163,487	232,749	191,852,776	112,534,367	9,334,510	3,684,534	15,872,186	10,599,171	221,222,958	127,050,821

2018	Employees		Corporate Customers		State		Retail Customers		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Individual impairment	-	-	156,300,251	74,610,049	-	-	4,994,502	3,789,495	161,294,753	78,399,544
Collective impairment	3,355,265	207,464	24,193,732	4,498,327	8,318,390	32,422	13,458,840	2,495,482	49,326,228	7,683,695
Total	3,355,265	207,464	180,493,983	79,558,376	8,318,390	32,422	18,453,343	6,284,977	210,620,981	86,083,239

Breakdown of the amount of loans and impairment, individually or collectively, by sector of activity:

	Individual impairment		Collective impairment		Total	
2019	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Real Estate Activities	27,661,035	27,661,035	1,548,426	494,468	29,209,461	28,155,503
Farming, Livestock	54,578,078	40,933,558	549,184	196,601	55,127,262	41,130,160
Hospitality and Restaurants	6,579,370	3,569,480	57,698	8,676	6,637,068	3,578,156
Wholesale and Retail Trade	42,564,245	19,240,177	11,234,669	1,601 542	53,798,913	20,841,719
Other Collective Services	26,394,102	13,612,217	6,846,159	1,252,537	33,240,261	14,864,754
Retail Customers	11,217,681	9,829,245	13,127,214	4,207,828	24,344,895	14,037,073
Health and Welfare	-	-	5,725,500	100,341	5,725,500	100,341
Other	5,273,048	3,802,187	7,866,551	540,929	13,139,598	4,343,116
Total	174,267,559	118,647,900	46,955,400	8,402,921	221,222,958	127,050,821

	Individual impairment		Collective impairment		Total	
2018	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Real Estate Activities	16,928,596	16,605,828	1,980,371	1,706,785	18,908,967	18,312,613
Farming, Livestock	42,746,515	20,426,350	302,735	56,043	43,049,250	20,482,393
Hospitality and Restaurants	4,846,336	4,333,276	81,084	14,788	4,927,420	4,348,064
Wholesale and Retail Trade	41,611,242	17,354,499	9,277,542	1,138,516	50,888,784	18,493,015
Other Collective Services	43,109,244	11,997,734	7,584,177	1,499,340	50,693,421	13,497,074
Retail Customers	5,329,592	4,124,585	19,925,394	2,449,795	25,254,987	6,574,380
Health and Welfare	-	-	3,829,413	90,126	3,829,413	90,126
Other	6,723,228	3,557,271	6,345,511	728,302	13,068,739	4,285,574
Total	161,294,753	78,399,544	49,326,228	7,683,695	210,620,981	86,083,239

Breakdown of Customer Loans and Breakdown of overdue loans without impairment, by stage:

2019	Loans falling due overdue loans	Stages of impairment			Total
		Stage 1	*Stage* 2	*Stage* 3	
Customer loans					
Non-impaired loans					
Based on individual analysis	174,359	-	-	99,797	274,155
Based on collective analysis	-	-	-	-	-
Sub Total	174,359	-	-	99,797	274,155
With impairment based on individual analysis					
Overdue loans and interest	102,192,725	-	3	71,809,837	174,002,564
Impairment	(65,082,336)	-	-3	(53,565,561)	(118,647,900)
Sub Total	37,110,389	-	-	18,244,275	55,354,664
With impairment based on collective analysis					
Overdue loans and interest	41,946,570	282,480	38,916	4,678,273	46,946,240
Impairment	(6,657,896)	(16,193)	(8,130)	(1,720,702)	(8,402,921)
Sub Total	35,288,675	266,286	30,787	2,957,571	38,543,319
Total	72,573,423	266,286	30,787	21,301,643	94,172,139

2018	Loans falling due overdue loans	Stages of impairment			Total
		Stage 1	*Stage* 2	*Stage* 3	
Customer loans					
Non-impaired loans					
Based on individual analysis	8,071,882	-	-	-	8,071,882
Based on collective analysis	-	-	-	-	-
Sub Total	8,071,882	-	-	-	8,071,882
With impairment based on individual analysis					
Overdue loans and interest	123,911,090	-	744,209	36,639,454	161,294,753
Impairment	(56,638,603)	-	(95,779)	(21,236,955)	(77,971,337)
Sub Total	67,272,487	-	648,430	15,402,499	83,323,417
With impairment based on collective analysis					
Overdue loans and interest	35,454,277	617,007	205,695	4,977,367	41,254,346
Impairment	(5,126,398)	(24,549)	(26,243)	(2,934,713)	(8,111,903)
Sub Total	30,327,879	592,458	179,452	2,042,655	33,142,443
Total	105,672,249	592,458	827,881	17,445,154	124,537,742

Breakdown of Customer loans and Breakdown of overdue loans without impairment, by range of days past due:

2019	Loans falling due overdue loans	Class of default				Total
		Up to 30 days	From 30 to 90 days	From 90 to 180 days	Over 180 days	
Customer loans						
Non-impaired loans						
Based on individual analysis	174,359	-	-	-	99,797	274,155
Based on collective analysis	-	-	-	-	-	-
Sub Total	174,359	-	-	-	99,797	274,155
With impairment based on individual analysis						
Overdue loans and interest	102,192,725	6,791	408,540	208,938	71,185,571	174,002,564
Impairment	(65,082,336)	(5,093)	(322,829)	(191,656)	(53,045,986)	(118,647,900)
Sub Total	37,110,389	1,698	85,711	17,282	18,139,585	55,354,664
With impairment based on collective analysis						
Overdue loans and interest	41,946,570	312,436	167,806	112,592	4,406,835	46,946,240
Impairment	(6,657,896)	(23,741)	(105,159)	(78,415)	(1,537,711)	(8,402,921
Sub Total	35,288,675	288,695	62,648	34,177	2,869,124	38,543,319
Total	72,573,423	290,393	148,358	51,459	21,108,506	94,172,139

Breakdown of restructured credit, by type (falling due and overdue) and stage of maturity:

2019	Loans			Impairment
	Falling due	Overdue	Total	
Restructured credit				
Corporate Customers	73,304,681	21,387,084	94,691,765	-54,952,409
Sub Total	73,304,681	21,387,084	94,691,765	-54,952,409
State	2,584,322	402,935	2,987,258	-2,532,756
Sub Total	2,584,322	402,935	2,987,258	-2,532,756
Retail Customers				
Consumption	254	-	254	-62
Housing	44,761	-	44,761	-28,120
Other purposes	708,001	107,139	815,140	-593,715
Sub Total	753,015	107,139	860,154	-621,896
Total	76,642,018	21,897,159	98,539,177	-58,107,061

2018	Loans			Impairment
	Falling due	Overdue	Total	
Restructured credit				
Corporate Customers	53,499,921	28,342,827	81,842,748	-41,422,289
Sub Total	53,499,921	28,342,827	81,842,748	-41,422,289
State	2,786,164	202,935	2,989,100	-2,534,318
Sub Total	2,786,164	202,935	2,989,100	-2,534,318
Retail Customers				
Consumption	635	-	635	-156
Housing	240,208	-	240,208	-3,430
Other purposes	318,694	64,089	382,783	-74,604
Sub Total	559,537	64,089	623,626	-78,191
Total	56,845,622	28,609,852	85,455,473	-44,034,798

Breakdown of loans to corporate and retail customers, by stages of impairment:

2019	Stages of impairment			Total
	Stage 1	*Stage 2*	*Stage 3*	
Customer loans				
Corporate Customers	18,752,859	8,690,691	164,409,227	191,852,776
Sub Total	18,752,859	8,690,691	164,409,227	191,852,776
Retail Customers				
Consumption	166,226	61,529	70,777	298,533
Housing	1,735,177	263,592	1,887,320	3,886,090
Other purposes	2,105,867	238,462	9,343,234	11,687,563
Sub Total	4,007,271	563,584	11,301,331	15,872,186
Total	22,760,129	9,254,275	175,710,558	207,724,962

2018	Stages of impairment			Total
	Stage 1	*Stage 2*	*Stage 3*	
Customer loans				
Corporate Customers	14,352,038	17,051,985	149,089,960	180,493,983
Sub Total	14,352,038	17,051,985	149,089,960	180,493,983
Retail Customers				
Consumption	158,557	2,183	68,780	229,520
Housing	1,589,673	503,151	4,138,595	6,231,420
Other purposes	8,343,869	23,629	3,624,905	11,992,403
Sub Total	10,092,098	528,964	7,832,280	18,453,343
Total	24,444,137	17,580,950	156,922,240	198,947,326

Breakdown of the fair value of the guarantees underlying the loan portfolio of the Corporate, Construction and Real Estate and Housing segments:

2019	Corporate Customers				Construction of Real Estate Development		Construction of Real Estate Development		Housing			
	Properties		Other real guarantees		Properties		Other real guarantees		Properties		Other real guarantees	
Measure applied	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 50 MAOA	6	130,549	72	780,741	3	71,454	4	-	161	2,692,662	452	4,173,092
>= 50 MAOA and < 100 MAOA	-	-	13	836,556	-	-	-	-	8	588,206	16	1,112,822
>= 100 MAOA and < 500 MAOA	16	4,174,427	69	17,751,831	1	147,426	2	379,045	12	2,457,908	19	4,412,733
>= 500 MAOA and < 1 000 MAOA	6	3,841,975	20	13,426,970	-	-	2	1,056,295	4	2,309,847	5	3,178,740
>= 1 000 MAOA and < 2 000 MAOA	-	-	3	3,679,819	1	1,920,286	2	3,707,145	-	-	-	-
>= 2 000 MAOA and < 5 000 MAOA	2	6,860,266	6	24,892,144	2	7,382,080	3	11,347,814	-	-	1	3,903,841
>= 5 000 MAOA	3	40,411,188	7	99,469,684	8	107,852,871	10	81,556 928	-	-	-	-
Total	33	55,418,406	190	160,837,745	15	117,374,118	23	98,047,227	185	8,048,623	493	16,781,229

2018	Corporate Customers				Construction of Real Estate Development		Construction of Real Estate Development		Housing			
	Properties		Other real guarantees		Properties		Other real guarantees		Properties		Other real guarantees	
Measure applied	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 50 MAOA	1	17,544	230	1,510,319	-	-	-	-	171	3,035,762	430	4,850,068
>= 50 MAOA and < 100 MAOA	3	162,633	34	2,297,935	1	93,611	-	-	6	428,675	16	1,110,566
>= 100 MAOA and < 500 MAOA	15	4,298,832	74	18,746,301	-	-	-	-	22	4,825,992	28	6,440,893
>= 500 MAOA and < 1 000 MAOA	8	5,095,012	16	10,232,397	1	887,864	2	1,535,121	-	-	-	-
>= 1 000 MAOA and < 2 000 MAOA	-	-	2	2,735,031	2	2,392,377	6	7,177,132	-	-	-	-
>= 2 000 MAOA and < 5 000 MAOA	2	5,964,489	7	22,005,863	7	25,308,004	18	70,537,792	-	-	-	-
>= 5 000 MAOA	5	66,411,405	9	95,475,804	3	64,734,646	7	52,786,746	-	-	1	8,517,231
Total	34	81,949,915	372	153,003,650	14	93,416,502	33	132,036,791	199	8,290,429	475	20,918,758

Loan to Value Ratio for the Corporate, Construction and Real Estate Development and Housing segments:

2019	Loans in *Stage* 1	Loans in *Stage* 2	Loans in *Stage* 3	Impairment
Segment / Ratio				
Corporate Customers				
No associated guarantee	10,782,567	8,374,892	93,515,743	58,441,882
< 50%	43,368	6,648	8,067,822	1,854,231
>= 50% and < 75%	903,656	302,899	4,913,827	897,026
>= 75% and <100%	5,440,295	-	9,496,927	499,875
>= 100%	167,987	6,226	3,702,876	2,573,286
Construction and real estate development				
No associated guarantee	141,765	26	10,667,766	9,927,094
< 50%	-	-	14,754 977	12,456,224
>= 50% and < 75%	-	-	9,965,127	6,818,961
>= 75% and <100%	5,776,129	-	-	35,810
>= 100%	-	-	17,541,622	13,675,233
Housing				
No associated guarantee	4,298,418	161,131	1,465,926	1,652,974
< 50%	-	-	-	-
>= 50% and < 75%	-	-	-	-
>= 75% and <100%	-	-	54,807	10,381
>= 100%	-	-	39,620	1,469
Total	27,554,187	8,851,821	174,187,040	108,844,445

2018	Loans in *Stage* 1	Loans in *Stage* 2	Loans in *Stage* 3	Impairment
Segment / Ratio				
Corporate Customers				
No associated guarantee	8,825,299	2,996,040	57,031,924	34,503,120
< 50%	3,309,868	94,661	12,559,506	5,990,932
>= 50% and < 75%	212,594	-	511,490	39,391
>= 75% and <100%	16,752	-	22,297,818	1,955,905
>= 100%	781,125	3,294,538	15,939,425	5,962,142
Construction and real estate development				
No associated guarantee	263,574	7,901,640	12,655,958	14,388,446
< 50%	3,736,379	-	4,763,095	4,800,010
>= 50% and < 75%	-	-	12,170,722	7,043,063
>= 75% and <100%	-	-	3,389,129	2,796,215
>= 100%	-	2,765,105	15,491,964	4,552,926
Housing				
No associated guarantee	3,783,456	57,112	1,573,400	1,293,225
< 50%	3,456,117	552,868	2,299,822	2,016,766
>= 50% and < 75%	-	-	-	-
>= 75% and <100%	-	-	39,591	4,682
>= 100%	-	-	240,208	3,430
Total	24,385,165	17,661,965	160,964,054	85,350,253

Breakdown of the fair value and net book value of the properties received in lieu of payment or enforcement, by type of property:

Type of property	31-12-2019 Number of properties	31-12-2019 Fair Value of the asset	31-12-2019 Net book value	31-12-2018 Number of properties	31-12-2018 Fair Value of the asset	31-12-2018 Net book value
Urban						
Plot of land	4	7,038,113	4,250,384	4	9,260,676	4,250,384
Rural	1	875,456	465,816	1	1,151,916	465,816
Buildings under construction						
Housing	1	7,302,015	7,302,015	-	-	-
Buildings constructed						
Housing	4	4,532,026	4,532,026	-	-	-
Other						
Total	10	19,747,610	16,550,240	5	10,412,592	4,716 200

Breakdown of the fair value and net book value of the properties received in lieu of payment or enforcement, by age:

Time elapsed since the settlement / enforcement	21-12-2019 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Urban					
Plot of land	-	4,250,384	-	-	4,250,384
Rural	-	465,816	-	-	465,816
Buildings under construction					
Housing	7,302,015	-	-	-	7,302,015
Buildings constructed					
Housing	4,532,026	-	-	-	4,532,026
Total	11,834,040	4,716 200	-	-	16,550,240

Time elapsed since the settlement / enforcement	21-12-2018 < 1 year	>= 1 year e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Urban					
Plot of land	4,250,384	-	-	-	4,250,384
Rural	-	465,816	-	-	465,816
Total	4,250,384	465,816	-	-	4,716 200

Disclosure of risk factors associated with the impairment model by segment:

Impairment 31-12-2019	Probability of default (%) Stage 1	Stage 2	Stage 3	Loss given default (%)
Employees	3.28%	11.58%	100.00%	91%
Corporate Customers	9.67%	27.54%	100.00%	60%
State	0.52%	N/A	100.00%	60%
Retail Customers	8.39%	26.63%	100.00%	91%
Average	5.47%	21.92%	100.00%	75.50%

Incorporation of prospective information:

	2020	2021	2022	2023	2024
Inflation Rate *Lag 2 Y*					
Baseline scenario	19%	17%	15%	10%	7%
LUIBOR Rate O/N *Lag 1 Y*					
Baseline scenario	22%	22%	22%	22%	22%
USD/AOA Exchange Rate Year-on-Year *Lag 1 Y*					
Baseline scenario	56%	3%	0%	0%	0%
Log Consumer Price Index					
Baseline scenario	5.74	5.84	5.90	5.96	6.02
MA 12M *Oil Prices* USD					
Baseline scenario	61	59	60	61	62

NOTE 11 - NON-CURRENT ASSETS HELD FOR SALE

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Non-current assets held for sale		
Equipment	6,308	27,548
	6,308	27,548

This item is almost exclusively composed of vehicles and machinery recovered as part of loans granted in Leasing operations, which are not an integral part of the Bank's facilities, nor are intended for the pursuit of its corporate object, as they originated as transfers in lieu of loan agreements.

Changes in non-current assets held for sale during the 2019 fiscal year are as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Opening Balance	27,548	5,155,788
Received	6,308	13,019
Sales	(27,548)	-
Other operations	-	(5,141,259)
Closing Balance	6,308	27,548

The amount of AOA 5,141,259,000 shown under Other operations, in 2018, corresponds to the transfer of real estate assets to the item Other assets - real estate (Note 16) as the Bank is not expecting them to be sold within 12 months.

NOTE 12 - OTHER TANGIBLE ASSETS

As at 31 December 2019 and 2018, the value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Properties		
For own use	44,649,091	44,696,397
Improvement works on rented properties	2,234,925	2,200,789
	46,884,016	46,897,186
Equipment		
Computer equipment	2,781,103	2,266,994
Indoor facilities	1,737,103	1,605,467
Furniture and materials	1,826,559	1,793,311
Security equipment	1,994,038	1,991,397
Machinery and tools	577,965	571,818
Transport material	1,625,978	1,704,030
	10,542,747	9,933,016
Property, plant and equipment in progress		
Properties	119,439	12,762
Equipment	713,872	280,710
	833,311	293,472
Right-of-use assets		
Properties	1,870,812	-
	1,870,812	-
Impairment	(1,273,820)	(1,273,820)
	58,857,067	55,849,854
Accumulated depreciation		
Charge for the year	(2,650,094)	(2,223,354)
Accumulated charge for previous years	(13,726,841)	(11,933,768)
For transferred assets	222,219	430,280
	(16,154,716)	(13,726,841)
Total Other tangible assets	42,702,350	42,123,013

The item Other tangible assets includes buildings for own use whose legalisation processes are still under way, and no adjustments are expected as a result of the completion of these processes, since the Bank has other documentation to support its ownership. The value of undocumented real estate assets as at 31 December 2019 is AOS 2,497,275,000 (2018: AOA 4,817,038,000), and corresponds to 14 out of the 45 properties allocated to the Bank's activity.

The item Other tangible assets - Right-of-use assets, corresponds to the impact of the adoption of IFRS 16 as well as to the changes occurred during the period, as mentioned in Note 2.2. It should be noted that the Bank held two call options, but to date these have expired and the Bank has not exercised the right.

Changes in the item, during 2019 and 2018, are broken down as follows:

(thousand Kwanzas)

Fixed Assets	Balance at 01-01-2019	Acquisitions/ Charge for the year	Disposals / Write-offs	Transfers and changes in perimeter	Impairment	Balance at 31-12-2019
Properties						
	57,720,666	1,575,631	(439,233)	-	-	58,857,067
For own use	43,422,578	117,992	-	(165,298)	-	43,375,271
Improvement works on rented properties	2,200,789	11,011	(23,852)	46,976	-	2,234,925
	45,623,366	129,003	(23,852)	(118,322)	-	45,610,196
Equipment						
Right-of-use assets						
Property*	1,870,812	-	-	-	-	1,870,812
	1,870,812	-	-	-	-	1,870,812
Computer equipment	2,266,994	372,103	-	142,006	-	2,781,103
Indoor facilities	1,605,467	15,264	(1,831)	118,202	-	1,737,103
Furniture and materials	1,793,310	33,249	-	-	-	1,826,559
Security equipment	1,991,397	2,641	-	-	-	1,994,038
Machinery and tools	571,818	6,147	-	-	-	577,965
Transport material	1,704,030	182,800	(413,551)	152,699	-	1,625,978
	9,933,016	612,204	(415,382)	412,907	-	10,542,747
Property, plant and equipment in progress						
Properties	12,762	106,677	-	-	-	119,439
Equipment	280,710	727,747	-	(294,585)	-	713,872
	293,472	834,424	-	(294,585)	-	833,311
Accumulated depreciation						
Properties						
For own use	(3,997,293)	(1,436,789)	-	105,538	-	(5,328,544)
Improvement works on rented properties	(1,806,871)	(199,637)	23,852	(55,185)	-	(2,037,842)
	(5,804,164)	(1,636,426)	23,852	50,353	-	(7,366,386)
Equipment						
Computer equipment	(1,856,057)	(189,350)	-	(2)	-	(2,045,409)
Indoor facilities	(1,261,950)	(83,965)	1,827	(50,351)	-	(1,394,438)
Furniture and materials	(1,217,154)	(137,451)	-	-	-	(1,354,605)
Security equipment	(1,782,185)	(28,349)	-	-	-	(1,810,534)
Machinery and tools	(448,006)	(36,032)	-	-	-	(484,038)
Transport material	(1,357,325)	(170,083)	196,540	-	-	(1,330,868)
	(7,922,677)	(645,230)	198,367	(50,353)	-	(8,419,893)
Right-of-use assets						
Properties	-	(368,438)	-	-	-	(368,438)
	-	(368,438)	-	-	-	(368,438)
	(13,726,841)	(2,650,094)	222,219	-	-	(16,154,716)
	43,993,825	(706,026)	(217,015)	-	-	42,702,350

* The balance as at 1 January 2019 of the item Right-of-use assets corresponds to the adjustment arising from the application of IFRS 16, as shown in Note 2.

(thousand Kwanzas)

Fixed Assets	Balance at 01-01-2018	Acquisitions/ Charge for the year	Disposals / Write-offs	Transfers and changes in perimeter	Impairment	Balance at 31-12-2018
Properties						
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	-	9,933,017
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
	57,258,301	1,016,586	(400,649)	(750,564)	(1,273,820)	55,849,854
Accumulated depreciation						
Properties						
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	(1,503,560)	(103,856)	(320,283)	(1,273,820)	42,123,013

In terms of impairment, the changes occurred in 2019, as a result of valuations of the Bank's properties, can be broken down as follows:

(thousand Kwanzas)

	31-12-2018	Charge for the year	Reversals	Transfers	31-12-2019
Properties	1,273,820	-	-	-	1,273,820
	1,273,820	-	-	-	1,273,820

(thousand Kwanzas)

	01-01-2018	Charge for the year	Reversals	Transfers	31-12-2018
Properties	-	1,273,820	-	-	1,273,820
	-	1,273,820	-	-	1,273,820

During the 2018 fiscal year, the Bank recorded impairment on properties amounting to AOA 1.274 billion, an amount determined through the analysis of independent expert valuations.

NOTE 13 - INTANGIBLE ASSETS

As at 31 December 2019 and 2018, the value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Intangible assets		
Purchased from third parties		
Automatic data processing system	5,214,710	4,167,658
Other	3,811,485	1,845,158
	9,026,195	6,012,816
Accumulated depreciation/amortisation		
Charge for the year	(468,899)	(356,537)
Accumulated charge for previous years	(2,248,913)	(1,892,376)
	(2,717,812)	(2,248,913)
	6,308,383	3,763,903

Changes in the item, during 2019 and 2018, are broken down as follows:

(thousand Kwanzas)

	Balance at 01-01-2019	Acquisitions/ Charge for the year	Disposals / Write-offs	Transfers and changes in perimeter	Impairment	Balance at 31-12-2019
Intangible assets						
Purchased from third parties						
Automatic data processing system	4,167,658	906,674	-	140,378	-	5,214,710
Other - in progress	1,845,158	2,106,705	-	(140,378)	-	3,811,485
	6,012,816	3,013,379	-	-	-	9,026,195
Accumulated depreciation/amortisation						
Automatic data processing system	(2,248,913)	(468,899)	-	-	-	(2,717,812)
	(2,248,913)	(468,899)	-	-	-	(2,717,812)
Impairment	-	-	-	-	-	-
	3,763,903	2,544,480	-	-	-	6,308,383

(thousand Kwanzas)

	Balance at 01-01-2018	Acquisitions/ Charge for the year	Disposals / Write-offs	Transfers and changes in perimeter	Impairment	Balance at 31-12-2018
Intangible assets						
Purchased from third parties						
Automatic data processing system	3,177,821	670,542	-	319,294	-	4,167,658
Other - in progress	859,546	1,304,022	-	(318,410)	-	1,845,158
	4,037,368	1,974,564	-	884	-	6,012,816
Accumulated depreciation/amortisation						
Automatic data processing system	(1,892,376)	(356,537)	-	-	-	(2,248,913)
	(1,892,376)	(356,537)	-	-	-	(2,248,913)
Impairment	-	-	-	-	-	-
	2,144,991	1,618,027	-	884	-	3,763,903

The item Other - in progress includes the amount of AOA 3,292,765,000 (2018: AOA 1,765,346,000) relating to the implementation of a new core banking system, enabling the Bank to evolve operationally. During the 2019 fiscal year, the Bank had acquisitions associated with this new core system amounting to AOA 1,530,785. In addition, in 2019, the Bank also made developments associated with systems in various areas of the Bank, such as the autonomous human resources management system, among others. It is the Bank's understanding that the assets in progress relating to the investment made in the core banking system do not show impairment, since, as mentioned in Note 37, the measures the Bank is implementing will allow it to continue operating, and the system will contribute to future operating activities generating economic benefits. Furthermore, the Bank believes that this investment will enable it to sustain future activity levels after the implementation of the measures foreseen in the Recapitalisation and Restructuring Plan ("RRP"), as it incorporates the necessary application developments.

NOTE 14 - INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The value of this item is made up of:

(thousand Kwanzas)

31-12-2019	No. of Shares	Share Capital	Direct Shareholding	Nominal Value AOA	Cost of Holding Direct	Reserves	Profit/loss assignable to BE	Balance Sheet Value
Económico Fundos de Investimento	1,000	90,000	64%	57,600	57,600	1,063,691	80,750	1,411,453
Económico Fundos de Pensões	10,000	1,000,000	96%	962,000	962,000	(325,316)	(3,996)	632,880
Tranquilidade Angola, S.A.	1,050	747,790	21%	157,035	363,876	129,662	201,269	633,921
					1,383,476	868,037	278,023	2,678,254
Impairment losses								(633,921)
								2,044,333

31-12-2018 - Restatement Note 2	No. of Shares	Share Capital	Direct Shareholding	Nominal Value AOA	Cost of Holding Direct	Reserves	Profit/loss assignable to BE	Balance Sheet Value
Económico Fundos de Investimento	1,000	90,000	64%	57,600	57,600	882,979	403,100	1,312,714
Económico Fundos de Pensões	10,000	1,000,000	96%	962,000	962,000	(602,291)	(164,832)	636,883
Tranquilidade Angola, S.A.	1,050	747,790	21%	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

As regards impairment, in 2019, the Bank recorded an impairment in the amount of the full balance sheet value of the holding in Tranquilidade Angola, arising from the fact, that the Independent Auditor's Report identified a material uncertainty about the operational continuity of the Company due to the inspection action carried out by the General Tax Administration to the fiscal years 2015 and 2016. The Bank does not expect the existence of potential liabilities for the Bank arising from the inspection process in progress.

During 2018, there was a reversal of impairment, associated with the entity ECONÓMICO FUNDOS DE PENSÕES, in the amount of AOA 66,150,000 which arose from the fact that the entity presents positive equity, as a result of the share capital increase that occurred in the company.

It is the understanding of the Bank that its liability is limited to its equity holding; therefore, no provisions have been set aside for potential liabilities arising from its position as shareholder.

In terms of impairment, the changes occurred in 2019, as a result of valuations of the Bank's properties, can be broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018 Restatement Note 2
Opening balance	-	(66,150)
Charge for the year	633,921	-
Reversals	-	66,150
Foreign Exchange Differences	-	-
Closing balance	633,921	-

In summary, the following table shows the main data from the Financial Statements of the aforementioned subsidiaries:

(thousand Kwanzas)

	Subsidiaries - Financial Indicators				
31-12-2019	Assets	Liabilities	Share Capital	Reserves	Income
Económico Fundos de Investimento	2,410,533	233,243	90,000	1,961,118	126,172
Económico Fundos de Pensões	950,303	182,970	1,000,000	(338,096)	105,429
Tranquilidade Angola, S.A.	16,561,907	13,099,369	747,790	1,832,448	882,300
	19,922,743	13,515,582	1,837,790	3,455,470	1,113,901

(thousand Kwanzas)

	Subsidiaries - Financial Indicators				
31-12-2018	Assets	Liabilities	Share Capital	Reserves	Income
Económico Fundos de Investimento	2,608,937	557,820	90,000	1,678,755	282,360
Económico Fundos de Pensões	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
	15,254,211	10,247,889	1,837,790	2,179,341	989,189

NOTE 15 - TAXES

As at 31 December 2019 and 2018, the current tax assets and liabilities recognised in the balance sheet can be broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018 Restatement Note 2
Current tax assets		
Current income tax	1,503,761	113,913
Other	-	-
Current tax assets	1,503,761	113,913
Current tax liabilities		
Current income tax	-	5,015,138
Other	-	42,496
Current tax liabilities	-	5,057,634

It should be noted that the amount of current income tax results mostly from the provisional assessment of current income tax amounting to AOA 1,450,599 made in 2019. This tax settlement was made through the use of tax credits that were recorded under the item Other assets (Note 16); however, since at the end of the fiscal years 2019, 2020 and probably 2021 there were no taxable profits, the Bank requested a new tax credit in order to use that amount to settle other taxes, for which the Tax Authority's agreement has not yet been obtained.

The Bank has chosen not to record any deferred tax assets given the profits and losses obtained in past years and considering the uncertainties surrounding the outcome of the measures included in the recapitalisation and restructuring plan referred to in Note 37.

The reconciliation of the tax rate, in the part corresponding to the amount recognised in profit or loss, can be broken down as follows:

	31-12-2019		31-12-2018 - Restatement Note 2	
	%	Amount	%	Amount
Pre-tax income		(531,183,440)		41,537,097
Non-taxable income	4	(16,765,677)	(85)	(35,379,597)
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplementary capital)	-	-	-	-
Unforeseen provisions	(2)	9,571,443	20	8,324,284
Non-deductible (income)/costs	(2)	20,093,144	25	15,839,420
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from the Industrial Tax Reform	-	-	-	-
Other	-	-	-	-
Taxable Profit	-	-	-	30,173,531
Tax Loss	-	(518,284,530)	-	-
Tax Loss - previous years	-	-	33	13,456,405
Taxable Income	-	-	-	16,717,126
Tax rate	-	-	30	-
Tax determined on the basis of the legal tax rate	-	-	-	5,015,138
Tax for the fiscal year	-	-	-	5,015,138

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 Gains 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.

NOTE 16 - OTHER ASSETS

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Administrative public sector	1,526,841	12,077,275
Other debtors	10,661,325	8,169,529
Deferred expenses	2,169,494	2,692,325
Recoverable tax	41,438	-
Other operations pending settlement	53,304	255,940
Other assets	2,698,732	2,677,744
Properties	17,169,921	5,451,036
Other assets - ENSA Group	1,120,962,259	638,575,571
	1,155,283,315	669,899,420
Impairment losses	(678,488,605)	(26,002,561)
Current tax assets	476,794,710	643,896,859

The value in Other assets - ENSA Group is mainly related to the Transfer of economic rights over assets that took place in 2014. Which includes the amount of AOA 1,092,693,624,000, relating to principal and accrued interest as at 31 December 2019 (2018: AOA 618,094,507,000). This value is split between AOA 939,241,391,000 in terms of Principal and AOA 154,989,485,000 in terms of Accrued Interest and was, in 2018, AOA 565,076,948,000 and AOA 53,017,559,000 respectively. In addition, this item shows recorded amounts relating to advances for real estate amounting to AOA 26,731,384,000 (2018: AOA 20,481,064,000) and an impairment amounting to AOA 669,334,900,000 (2018: AOA 19,064,674,000). For a better understanding of the operation as a whole (see Note 37).
The amount relating to Properties includes a number of properties delivered for credit settlement through payment in kind, as well as properties no longer used for banking activities, for which the Bank has no prospect of selling within the next 12 months. It should be noted that in the 2019 fiscal year, the Bank recovered a significant set of credits by way of in-kind payment, with the changes compared to 2018 in this item being justified by the incorporation of 5 new buildings in the amount of AOA 11,718,885,000.

The item Other assets includes buildings whose legalisation processes are still under way, and no adjustments are expected as a result of the completion of these processes, since the Bank has other documentation to support its ownership. The value of properties in these conditions recognised under other assets, as at 31 December 2019, is AOA 3,716,482,000 (2018: AOA 3,652,216,000), with this increase being due to credit recoveries through in-kind payment procedures.

The value shown under administrative public sector shows a significant decrease resulting from the Bank having used in 2019 the Tax Credit it received in the second half of 2018 in the amount of approximately AOA 10 billion.

The amount shown in the table above for Other debtors corresponds mainly to amounts receivable from the State as part of the Angola Investe programme (AOA 5,601,555,000) and an amount corresponding to advances for the incorporation of the company BESA Congo Brazaville (AOA 2,587,240,000), an advance that is 100% impaired as there is no expectation of recovery by the Bank.

In terms of impairment, the changes in 2019 are broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Opening Balance	26,002,561	6,435,450
Charge for the year	640,869,224	19,156,751
Uses	(74,167)	(778,993)
Reversals	(91,387)	-
Effect Transition IFRS 9 - see Note 4	-	608,447
Foreign exchange differences and other corrections	11,782,374	580,906
Closing Balance	678,488,605	26,002,561

In 2019, the significant amount in charge for the year resulted from the appropriation of the proportion of losses calculated as part of the Asset Quality Assessment (AQA) exercise with reference to 31 December 2018, with a significant deviation having been identified relating to the recoverable amount of the receivables from the ENSA Group, and the respective impact has been recorded against impairment losses for the year. For a full understanding of the operation see Note 37.

The value assigned to the assets receivable from the ENSA Group, under the AQA exercise, took into consideration the valuation of the real estate assets assigned and real estate assets associated with loans assigned to that entity, with reference to 31 December 2018, as described in Note 37. However, there are limitations on the outcome of AQA, namely:
a) The contracts with the ENSA Group are in force, despite the current non-compliance, and it is not known under what terms they may be modified to give rise to the sale underlying the valuation made under AQA.
b) Currently, there are no contracts in place that justify the reversion of the real estate assets to the Bank.
c) The potential sales could take place under significantly different conditions to those considered in the AQA conclusions report, taking into account the time that could elapse between the valuation date considered in the exercise and the eventual sale of the same by the Bank.
d) The AQA Conclusions Report identifies relevant limitations on the respective assets, namely:
(i) Failure to carry out external balance confirmation procedures with the ENSA Group;
(ii) Failure to take account of any balances that other entities may have receivable from the ENSA Group as part of the

transfer of assets operation signed between IFB and the ENSA Group, namely the amounts receivable by BNA arising from the transfer of the Bank's contractual position to BNA;

(iii) Failure to obtain the necessary and appropriate support to validate the ownership of the properties belonging to the ENSA Group.

(iv) Failure to validate with reasonable certainty that the external valuations carried out by independent expert appraisers and the internal property valuation reviews of the Bank's internal appraisal department included only fractions of the projects selected for review, and that they were not sold at the time of completion of the Conclusions Report

(v) Failure to provide external valuations carried out by independent expert appraisers for all fractions. In these cases, although the valuations made by the Bank's internal appraisal department based on market research were considered, they were not duly formalised.

Notwithstanding the above limitations, the Bank believes that the indicators obtained from the AQA Conclusions Report represent the best estimate of impairment losses for these assets as at 31 December 2019.

NOTE 17 - DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Interbank money market operations		
Term deposits from central banks		
In Domestic Currency	14,221,589	1,932,211
Term deposits and loans from credit institutions		
In Domestic Currency	2,500,000	-
In Foreign Currency	4,725,152	21,926,484
	21,446,741	23,858,695
Interest payable	124,700	11,956
	124,700	11,956
Liabilities in the payment system		
Relations between agencies		
Clearing of cheques and other paper	45,250	437,246
Other operations pending settlement	4,548,353	5,026,201
	4,593,604	5,463,447
	26,165,044	29,334,097

In terms of geographic market it is broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Domestic		
Deposits	14,344,315	1,932,211
Interbank money market	2,501,974	-
Other deposits	4,593,604	5,463,447
	21,439,892	7,395,659
Foreign		
Deposits	4,725,152	21,938,439
	4,725,152	21,938,439
	26,165,044	29,334,097

As at 31 December 2019 and 2018, Deposits from central banks and other credit institutions are broken down by residual maturities as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Up to 3 months	26,165,044	29,334,097
	26,165,044	29,334,097

NOTE 18 - CUSTOMER DEPOSITS AND OTHER LOANS

The value of this item is made up of:

(thousand kwanzas)

	Currency	31-12-2019	31-12-2018 Restatement Note 2
Sight deposits			
	AOA	142,563,862	125,924,824
	EUR	3,655,683	2,884,972
	US Dollar	362,677,731	396,748,966
	Other	25,016	16,060
		508,922,292	525,574,822
Term deposits			
	AOA	170,588,198	177,516,622
	EUR	17,613,448	11,257,542
	US Dollar	718,728,766	344,773,434
		906,930,412	533,547,598
		1,415,852,704	1,059,122,420

The Bank has incorporated, under the item Term Deposits in Domestic Currency, the amount of AOA 75,930,765,000 (2018: AOA 81,158,257,000) relating to term deposits indexed to the exchange rate of the United States Dollar.

As at 31 December 2019 and 2018, customer deposits and other loans by residual maturities are broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018 Restatement Note 2
Payables on demand	508,922,292	525,574,822
Long-term payables		
Up to 3 months	217,016,262	184,132,297
3 months to one year	686,886,528	342,906,907
One to five years	2,431,904	5,967,470
Over five years	595,718	540,925
	906,930,412	533,547,598
	1,415,852,704	1,059,122,420

As at 31 December 2019 and 2018, term deposits showed the following average interest rates:

	Currency	31-12-2019	31-12-2018
Term deposits			
	AOA	10.66%	5.64%
	EUR	2.44%	2.38%
	US Dollar	3.19%	3.29%

NOTE 19 - SUBORDINATED LIABILITIES

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018 Restatement Note 2
Subordinated Loan		
Non-perpetual bonds	206,671 839	132,262,143
	206,671 839	132,262,143

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 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, 2019 is AOA 1,792,693,000 (2018: AOA 1,147,255,000), the change occurred in this value between 2019 and 2018 corresponds almost entirely to a foreign exchange revaluation, given that the subordinate liability is denominated in US dollars.

NOTE 20 - PROVISIONS

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Provisions for possible responsibilities		
Provisions for guarantees provided	8,168,237	9,902,921
Provisions for legal contingencies	3,186,126	908,607
Provisions for tax contingencies	1,533,641	-
Provisions for suppliers	554,571	270,726
Provisions for maturing letters of credit	405,959	2,018,430
	13,848,534	13,100,684

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.

As at 31 December 2019, the balance of the item provisions for legal contingencies in the amount of AOA 3,186,126,000 is intended to cover for three separate proceedings: (i) a fine applied by the Ministry of the Environment in the amount of AOA 600 million, (ii) severance payments to Directors who left office in August 2019 in the amount of AOA 2,085 billion, and (iii) for legal proceedings pending in Court in the aggregate amount of AOA 500 million.

The item Provisions for tax contingencies refers to provisions for tax due and not paid detected during inspections carried out by the General Tax Authority, plus default interest and fines set in accordance with the Law in force.

The provision shown under contingencies for letters of credit arises from the existence of maturing letters of credit, which the Bank believes may result in financial outflows. However, in the 2019 fiscal year the Bank reversed the amount of USD 5.2 million relating to provisions resulting from the extinction of the potential risk for execution of these maturing letters of credit.

The item Provisions for Subscription Credit Facility refers to the provision determined as part of the application of the credit impairment model used by the Bank on the off-balance sheet liabilities related to letters of credit entered into with Customers, as set out in Note 2.3.

In terms of provisions, the changes in 2019 are broken down as follows:

(thousand Kwanzas)

	Provisions for guarantees and others commitments	Other provisions for risks and charges	Total
Balance as at 31 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	-	-	-
Transfers	-	-	-
Effect Transition IFRS 9	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
Charge for the year	2,077,867	3,637,540	5,715,406
Reversals	(6,131,856)	(2,553,243)	(8,685,099)
Uses	-	-	-
Transfers	-	-	-
Foreign exchange differences and other corrections	2,319,306	1,398,237	3,717,543
Balance as at 31 December 2019	8,168,237	5,680,297	13,848,534

The charge for the year in Provisions for other provisions is mainly justified by the recording of provisions for severance payments to Directors leaving office in August 2019. The reversals occurred during the year are justified by the Bank's understanding that the potential risk for execution of these maturing letters of credit has been extinguished.

NOTE 21 - OTHER LIABILITIES

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
ENSA Group	58,275,360	38,148,832
Operations pending settlement	4,576,857	3,733,113
Accrued employee benefit expenses	1,363,146	1,254,042
Lease liabilities	2,405,659	-
Suppliers	2,818,977	1,531,624
Tax expenses payable	1,333,360	1,210,197
	70,773,358	45,877,808

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. These amounts are mainly related to settlements occurred in loans granted and the corresponding interest payable, calculated at the net rate of 7%. For a better understanding of the operation as a whole (see Note 37). The value recorded as provisions for employee benefit expenses corresponds to the rights acquired by employees on 31 December 2019 relating to performance bonuses, holidays and holiday allowance.

The item Lease liabilities, in the amount of AOA 2,405,659,000 corresponds to the current value of lease payments to be settled over the lease term, as described in Note 2.2. During 2019, the Bank settled AOA 332,602,000, of which Kz 289,185,000 was rent and AOA 43,417,000 was interest.

As at 31 December 2019, lease liabilities by residual maturities are broken down as follows:

(thousand Kwanzas)

	31-12-2019
Up to 1 year	130,010
One to five years	450,643
Over five years	1,825,006
	2,405,659

NOTE 22 - SHARE CAPITAL

ORDINARY SHARES

As at 31 December 2019 and 2018, 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:

(thousand Kwanzas)

	31-12-2019		31-12-2018	
	% of Share Capital	Capital value	% of Share Capital	Capital value
Sonangol E.P.	46.98%	33,825,600	16.00%	11,520,000
Sonangol Vida, S.A.	16.00%	11,520,000	16.00%	11,520,000
Sonangol Holding, Lda.	7.40%	5,328 000	7.40%	5,328 000
Sonangol Group	70.38%	50,673,600	39.40%	28,368,000
Geni, Novas Tecnologias, S.A.	19.90%	14,328,000	19.90%	14,328,000
Novo Banco, S.A.	9.72%	6,998,400	9.72%	6,998,400
Lektron Capital, S.A.	0.00%	-	30.98%	22,305,600
	100%	72,000,000	100%	72,000,000

On 19 July 2019, Sonangol E.P. notified Banco Económico that Lektron Capital, S.A. proceeded to deliver shares representing 30.98% of the Bank's capital, as payment for the loan contracted by Lektron with Sonangol E.P., thereby raising its stake in Banco Económico to 46.98% and Sonangol Group to 70.38%.

NOTE 23 - RESERVES, RETAINED EARNINGS, OTHER COMPREHENSIVE INCOME

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.

FAIR VALUE RESERVES

Fair value reserves are the unrealised gains and losses net of impairment recognised in the fiscal year and/or previous fiscal years. The amount of this reserve is presented net of deferred tax; however, currently the Bank has no value in this item.

Changes occurred in the item Other Reserves and Retained Earnings are presented below:

(thousand Kwanzas)

	Other Reserves and Retained Earnings		
	Legal reserve and other reserves	Income Retained Earnings	Total Other Reserves and Retained Earnings
Balance as at 31 December 2017	23,903,096	(57,497,421)	(33,594,325)
Appropriation of Profit - Reserves	601,233	5,411,092	6,012,325
Adoption IFRS 9 - Change in impairment assessment	-	(7,936,681)	(7,936,681)
Adjustment with retained effects			
Fair value at initial recognition - Securities	-	(32,487,438)	(32,487,438)
Impact of the new effective rate	-	114,530	114,530
Balance as at 1 January 2018	24,504,329	(92,395,918)	(67,891,589)
Balance as at 31 December 2018 Restatement	24,504,329	(92,395,918)	(67,891,589)
Appropriation of Profit - Reserves	3,637,428	32,884,531	36,521,959
Balance as at 31 December 2019	28,141,757	(59,511,388)	(31,369,632)

NOTE 24 - NET INTEREST INCOME

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019		
Description	Assets / liabilities at fair value through profit or loss	Assets / liabilities at amortised cost	Total
Interest and Similar Income			
Interest and similar income - ENSA Group	-	19,897,432	19,897,432
Interest on cash balances and investments in Other Credit Institutions	-	3,231,938	3,231,938
Interest on financial assets at fair value through profit or loss	308,067	-	308,067
Interest on financial assets at amortised cost	-	10,857,107	10,857,107
Credit interests	-	16,765,915	16,765,915
Interest and similar income - Other	308,067	30,854,959	31,163,026
	308,067	50,752,391	51,060,458
Interest and Similar Costs			
Interest and similar costs - ENSA Group	-	(1,912,728)	(1,912,728)
Interest from Customer deposits	(1,453,417)	(28,945,196)	(30,398,613)
Interest from Central Banks and Other Credit Institutions deposits	-	(1,109,359)	(1,109,359)
Interest from subordinated liabilities	-	(7,859,723)	(7,859,723)
Interest from Leases	-	(165,450)	(165,450)
Interest and similar costs - Other	(1,453,417)	(38,079,728)	(39,533,145)
	(1,453,417)	(39,992,456)	(41,445,873)
Net Interest Income	(1,145,350)	10,759,936	9,614,585
31-12-2018			
Interest and Similar Income			
Interest and similar income - ENSA Group	-	31,748,413	31,748,413
Interest on cash balances and investments in Other Credit Institutions	-	1,351,309	1,351,309
Interest on financial assets at fair value through profit or loss	16,973	-	16,973
Interest on financial assets at amortised cost	-	12,623,319	12,623,319
Credit interests	-	21,026,268	21,026,268
Interest and similar income - Other	16,973	35,000,896	35,017,869
	16,973	66,749,309	66,766,282
Interest and Similar Costs			
Interest and similar costs - ENSA Group	-	(878,743)	(878,743)
Interest from Customer deposits	(2,621,928)	(23,916,640)	(26,538,568)
Interest from Central Banks and Other Credit Institutions deposits	-	(1,492,356)	(1,492,356)
Interest from subordinated liabilities	-	(5,446,515)	(5,446,515)
Interest from Leases	-	-	-
Interest and similar costs - Other	(2,621,928)	(30,855,511)	(33,477,439)
	(2,621,928)	(31,734,254)	(34,356,182)
Net Interest Income	(2,604,955)	35,015,056	32,410,101

The Bank's net interest income during the 2019 fiscal year is to be broken down as follows: (i) evolution of the margin associated with the GENSA operation; (ii) evolution of the margin associated with Banco Económico.

In the component associated with the GENSA operation, items identified as ENSA Group, there is a negative evolution associated with interest earned on the operation, due to the fact that the value is in stage 3, and is net of impairment. Thus, given that the operation had a very high impairment charge, this led to a reduction in said charge, despite the gross amount being higher than in 2018, as the underlying asset is largely exposed to the US dollar.

With regard to the Bank's recurrent operations, there are two significant effects that lead to a reduction in income. An increase in interest costs with customer deposits, due to the fact that the Bank's deposit portfolio is largely exposed in foreign currency, thus causing an increase in interest costs. Another significant impact of decreased income occurred at the level of credit interests, explained by the recognition of interest on stage 3 loans, which is determined considering the value of the loan net of impairment, an impact that reached the amount of AOA 8,600,476,000, as well as the reduction in interest recognised with the ENSA Group operation as a result of its default.

In 2018, the item credit interests included the amount of AOA 14,390,602,000 related to credit income with signs of impairment (individual and collective analysis); however, the mentioned interests are impaired by AOA 3,599,278,000.

In addition, in 2018, the item credit interests also includes AOA 14,786,586,000 (2018: AOA 3,786,012,000) relating to contracts targeted for restructuring (Stage 2).

The items of interest from customer loans include the positive amount of AOA 1,131,329,000 (2018: AOA 96,962,000) relating to commissions and other income accounted for in accordance with the effective interest rate.

The item Interest from leases refers to the interest cost related to lease liabilities recognised under the implementation of IFRS 16, as described in the accounting policies (Note 2.2).

NOTE 25 - INCOME FROM SERVICES AND FEES

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018 Restatement
Income from services and fees		
Documentary Credits	3,882,508	5,117,147
Cards	3,644,780	2,882,516
Managing Payment Instruments	2,943,605	3,368,642
Fees on Loans and Similar Operations	804,455	1,201,362
Guarantees provided	463,592	166,863
Securities Transactions	351,080	154,830
Earnings from Services Provided to the State	160,050	650,018
Bancassurance	66,138	102,026
Other Services	1,028,724	1,040,453
	13,344,932	14,683,856
Expenses with services and fees		
Managing Payment Instruments	(678,769)	(430,794)
Cards	(409,351)	(281,365)
Other Services	(5,377)	(32,918)
	(1,093,497)	(745,077)
	12,251,435	13,938,779

Over the course of 2019, the Bank's commissioning showed a behaviour that should be segmented into two phases: (i) until the entry into force of Notice No. 3/2019 at the end of May 2019 and (ii) after the entry into force of the said Notice.

(i) Before the entry into force, the Bank showed a general growth trend, mainly driven by growth in fees on documentary credits and cards. (ii) After the entry of Notice no. 3/2019 on the pricing of transactions in Foreign Currency, and the subsequent implementation of the new pricing system in order to comply with that notice, the Bank's growth across the board was much lower, which generated a significant decrease in income from services and fees. Additionally, there was an increase in card costs due to the increase in fees payable for electronic clearing.

Therefore, the variation occurred in relation to 2018 is explained by the change in the price list to comply with Notice No. 3/2019.

NOTE 26 - INCOME FROM FINANCIAL OPERATIONS

The value of this item is made up of:

(thousand Kwanzas)

31-12-2019	Income	Costs	Total
Bonds and other fixed-income securities			
Of public issuers	-	(820,966)	(820,966)
	-	(820,966)	(820,966)

Income from financial operations (cont.)

(thousand Kwanzas)

31-12-2018 Restatement Note 2	Income	Costs	Total
Bonds and other fixed-income securities			
Of public issuers	-	(222,797)	(222,797)
	-	(222,797)	(222,797)

This item records the potential fair value income and the profit/loss on the sale of securities recorded in the financial assets portfolio at fair value through profit or loss, arising from the trading of securities recorded in that investment portfolio.

As at 31 December 2019, the item includes the amount of AOA 227,024,000 relating to losses recognised by the Bank in the course of recognition at fair value upon initial receipt of the security under the operation with the ENSA Group (ISIN AOTN-R2425F16). This loss was determined because the contractual conditions of this security were objectively below the normal market conditions at the date of its recording into the Bank's assets, namely in terms of maturity and interest rate. The methodology used was the same as that described in Note 2.1 to AOTNR2429L16.

NOTE 27 - FOREIGN EXCHANGE GAINS AND LOSSES

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Foreign exchange gains and losses		
Foreign Exchange revaluation	(293,140,182)	(225,659,422)
Foreign Exchange Transactions	12,691,258	4,639,873
	(280,448,924)	(221,019,549)
Foreign exchange income - ENSA Group	407,256,112	318,905,649
	126,807,188	97,886,100

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 2.17. The foreign exchange gains/losses calculated in 2019 and 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. 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 37.

We should note that the foreign exchange effect of the revaluation of amounts receivable from the transfer of economic rights over Assets in 2019 (see note 37), is AOA 371,305,165,000 in terms of principal and AOA 53,111,429,000 in terms of interest receivable, in 2018 it was AOA 303,123,034,000 in terms of Principal and AOA 15,782,614,000 in terms of interest receivable.

Also of note, the costs arising from the exchange revaluation of indexed deposits, recorded under Customer deposits, in 2019 amounted to AOA 16,806,109,000 (2018: AOA 35,674,477,000).

As a result of the foreign exchange effect presented above, associated with the transfer of economic rights over assets, on 31 December, 2019 the Bank is in breach of Notice no. 14/2019 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 2.5% 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 37.

NOTE 28 - OTHER OPERATING INCOME

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Other operating income / (costs)		
Direct and indirect taxes	(1,354,578)	(1,296,489)
Levies and donations	(16,320)	(22,405)
Other	(1,415,543)	749,295
	(2,786,441)	(569,600)

As at 31 December 2019 and 2018 the tax item shows two significant highlights: (i) relating to the Capital Gains Tax (IAC) borne, with the amount in 2019 being AOA 793 million (2018: AOA 850 million); (ii) relating to special contributions for foreign exchange transactions, totalling AOA 286 million (2018: AOA 148 million).

In addition, the Other item includes a loss of AOA 1.275 billion, arising from the settlement of taxes for the period 2014 to 2017 under the tax relief process granted by the General Tax Authority (AGT).

In 2018, 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.

NOTE 29 - STAFF COSTS

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Salaries and wages		
Remunerations	9,331,015	7,187,103
Holiday Allowance	816,328	683,431
Christmas Allowance	714,748	607,347
Meal Allowance	298,847	147,493
Variable Remuneration	80,298	2,264,995
	11,241,235	10,890,369
Mandatory social charges	820,144	632,761
Other costs	1,904,531	1,145,168
	2,724,675	1,777,929
	13,965,910	12,668,298

The significant increase of Staff Costs is largely associated with the Remuneration item, as a result of the increase in salaries due to the approved remuneration policy having increased the wage bill in order to compensate the loss of purchasing power of employees due to high inflation in 2019.

Arising from the application of IAS 19, relating to Employee loans as at 31 December 2019 and 2018 the effect on net interest income and staff costs amounted to AOA 204,490,000 and AOA 171,691,000 respectively.

The number of employees of the Bank, considering permanent and fixed-term employees, is broken down by professional category as follows:

	31-12-2019	31-12-2018
Number of Employees		
Managerial functions	89	85
Leadership functions	173	164
Specific functions	325	333
Administrative functions and others	456	441
	1,043	1,023

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 staff costs. There is no need for an actuarial study, as in the set benefit case.

As at reporting date, there are 847 active participants in Banco Económico's pension plan (2018: AOA 844), with no pensioners in the plan and the Bank contributed AOA 302,287,000 to the Fund (2019: AOA 225,372,000).

NOTE 30 - THIRD-PARTY SUPPLIES AND SERVICES

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Insurance	1,777,899	1,133,141
Consulting and auditing	1,341,363	832,069
IT Services	999,169	584,252
Advertising and publications	955,356	652,796
Cash transport	901,273	885,672
Communications and shipping	820,912	687,682
Security and surveillance	666,456	660,950
Rents and leases	651,298	809,143
Travel and representation	514,742	516,781
Maintenance and repair	454,426	393,612
Consumables	395,226	297,720
Water, power and fuels	211,224	217,680
Cleaning Services	129,209	126,256
Judicial, Litigation and Notary Services	69,427	236,104
Other costs	673,124	557,176
	10,561,105	8,591,035

Compared to the same period last year, the item of Third-party supplies and services grew 27%, 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: (i) advertising, resulting from a price adjustment required to counteract inflation; (ii) IT services, as a result of improvements made in the Bank's IT systems; (iii) Insurance, resulting from a price adjustment to counteract inflation; and (iv) Consulting and auditing, resulting from various consulting projects that took place during the year.

It should be noted that the item Rents and leases includes the costs related with low-value assets and short term rental contracts, as described in the accounting policies (Note 2.2).

NOTE 31 - PROVISIONS AND IMPAIRMENTS

The values for Provisions and Impairments showed the following changes during the year:

(thousand Kwanzas)

	Cash balances and Investments in Other Credit Institutions	Investments at amortised cost	Investments in subsidiaries, associates and joint ventures	Impairment on other financial assets	Customer loans	Provisions for guarantees and other commitments	Impairment on loans	Impairment for other assets net of cancellations	Provisions net of cancellations
Note	5 + 6	9	14	5 + 6 + 9 + 14	10	20	10 + 20	16	20
Balance as at 31 December 2017	-	-	-	-	(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
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)	-
Effect Profit-and-Loss Account 2018	(118,947)	(1,656,722)	-	(142,145)	(55,199,758)	(3,403,136)	(58,602,894)	(19,156,752)	(584,306)
Charge for the year	(2,705,881)	(23,197)	(633,921)	(4,984,443)	(59,142,805)	(2,077,867)	(61,220,672)	(640,869,224)	(3,637,540)
Reversals	234,778	10,647	-	245,425	14,822,035	6,131,856	20,953,891	91,387	2,553,243
Adjustment *Stage3*	-	-	-	-	8,600,476	-	8,600,476	29,491,261	-
Effect Profit-and-Loss Account 2019	(2,471,103)	(1,633,994)	(633,921)	(4,739,018)	(35,720,295)	4,053,990	(1,666,305)	(611,286,576)	(1,084,297)

NOTE 32 - EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

According to Note 2.18, 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.

(thousand Kwanzas)

	31-12-2019	31-12-2018
Net profit attributable to the Bank's shareholders	(531,183,440)	36,521,959
(-) Remuneration of perpetual bonds	-	-
(+) Gains and losses recorded in reserves	-	-
Adjusted net profit attributable to the Bank's shareholders	(531,183,440)	36,521,959
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 (thousands)	72,000,000	72,000,000
Basic earnings per share attributable to the Bank's shareholders	(7.38)	0.51

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 AOA -7.37 (2018: AOA 0.51).

NOTE 33 - GUARANTEES AND OTHER COMMITMENTS

The value of this item is made up of:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Guarantees and endorsements provided	10,980,397	13,553,018
Guarantees and endorsements received	(274,150,478)	(265,459,600)
Commitments to third parties	38,320,368	58,475,809
Commitments undertaken by third parties	(15,514,893)	(15,514,931)
Liabilities related to the provision of banking services	240,339,099	154,913,107
Amounts received in deposits	(22,185,434)	(40,883,016)
Other guarantees and commitments	(22,210,940)	(94,915,613)

Guarantees and endorsements provided are banking operations that include exposures that are subject to the calculation of impairment loss in accordance with the impairment model outlined by the Bank and in accordance with the requirements of IFRS 9. However, the credit limits component, incorporated in the previous table under the item Commitments to third parties amounts, in 2019, to AOA 6.978 billion (2018: AOA 7.749 billion), whose impairment is recorded under the item Customer loans (Note 10).

As at 31 December 2019 and 2018, these exposures as well as the associated impairment are broken down as follows:

(thousand Kwanzas)

2019	Individual Analysis		Collective Analysis		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Guarantees and Endorsements	6,935,072	6,935,072	4,045,325	101,545	10,980,397	7,036,618
Commitments to third parties	6,143,982	818,539	25,198,471	313,081	31,342,453	1,131,620
Total	13,079,055	7,753,611	29,243,796	414,626	42,322,851	8,168,237

(thousand Kwanzas)

2018	Individual Analysis		Collective Analysis		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Guarantees and Endorsements	3,887,392	3,539,096	9,665,626	3,988,382	13,553,018	7,527,478
Commitments to third parties	29,286,450	2,137,243	21,440,185	238,200	50,726,635	2,375,443
Total	33,173,842	5,676,339	31,105,811	4,226,582	64,279,653	9,902,921

As at 31 December 2019 and 2018, the breakdown by stage of guarantees, endorsements provided and commitments to third parties is as follows:

(thousand Kwanzas)

	Exposure 31-12-2019			
	Stage 1	*Stage* 2	*Stage* 3	Total
Guarantees and Endorsements	10,073,163	-	907,235	10,980,397
Commitments to third parties	25,635,492	3,958,039	1,748,922	31,342,453
Total	35,708,655	3,958,039	2,656,156	42,322,851

	Impairment 31-12-2019			
	Stage 1	*Stage* 2	*Stage* 3	Total
Guarantees and Endorsements	6,129,383	-	907,235	7,036,618
Commitments to third parties	306,819	18,642	806,160	1,131,620
Total	6,436,201	18,642	1,713,394	8,168,237

	Exposure 31-12-2018			
	Stage 1	*Stage* 2	*Stage* 3	Total
Guarantees and Endorsements	5,804,927	3,112	7,744,979	13,553,018
Commitments to third parties	21,330,035	11,093,712	18,302,888	50,726,635
Total	27,134,961	11,096,824	26,047,868	64,279,653

	Impairment 31-12-2018			
	Stage 1	*Stage* 2	*Stage* 3	Total
Guarantees and Endorsements	130,625	169	7,396,683	7,527,478
Commitments to third parties	229,892	498,733	1,646,818	2,375,443
Total	360,517	498,903	9,043,501	9,902,921

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 and irrevocable 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)

	31-12-2019	31-12-2018
Deposit and safeguard of assets	238,955,687	154,267,737
Amounts received for collection	803,753	89,197
Other liabilities from services provided	579,660	556,174
	240,339,099	154,913,107

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 34 - 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:

(i) 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);

(ii) 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);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) 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;

(vi) The entity is controlled or jointly controlled by a person identified as a related party in subparagraph (i);

(vii) A person identified in subparagraph (a)(i) 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 2019 and 2018, and the respective costs and income recognised in the period under review, are broken down as follows:

(thousand Kwanzas)

	Subsidiaries			Corporate Customers Associates	Total
	Económico Fundos Investment	Económico Fundos Pensões	Total	Tranquilidade Angola	
31 December 2019					
Assets	-	-	-	1,836	1,836
Liabilities	(2,208,917)	(43,115)	(2,252,032)	(11,679,760)	(13,931,792)
Income	(179)	(289)	(468)	(387)	(854)
Costs	34,227	1,121	35,348	1,622,643	1,657,990
Guarantees	-	-	-	-	-
31 December 2018					
Assets	-	-	-	906	906
Liabilities	(2,313,557)	(614,336)	(2,927,892)	(7,784,318)	(10,712,211)
Income	(101)	(3,026)	(3,128)	(305)	(3,432)
Costs	34,574	976	35,550	1,841,970	1,877,520
Guarantees	-	-	-	-	-

As a result of the change in shareholdings that occurred during the 2019 fiscal year, namely the delivery in lieu of payment of the shares of Lektron, S.A. to Sonangol E.P. and the subsequent change in the majority of the capital to Sonangol Group, Banco Económico has updated its related entities. Accordingly, below the Bank presents the overall amount of the Bank's assets and liabilities that relate to operations with shareholders, other than subsidiaries and associates, for 31 December 2019 and 2018 with the current base of related entities and also the balances presented in the latest 2018 report and accounts for related parties as at that date.

(thousand Kwanzas)

	Shareholders					Key management personnel			Total
	Sonangol Group	Lektron Capital, S.A.	GENI, S.A.	Novo Banco, S.A.	Total	Board of Directors	Other staff and relatives	Total	
31 December 2019									
Assets	-	-	-	46,597,597	46,597,597	451,314	-	451,314	47,048 911
Cash and cash equivalents at Other Credit Institutions	-	-	-	17,636,491	17,636,491	-	-	-	17,636,491
Loans and advances to Other Credit Institutions	-	-	-	28,961,107	28,961,107	-	-	-	28,961,107
Customer Loans	-	-	-	-	-	451,314	-	451,314	451,314
Liabilities	(449,983)	(437,327)	-	(206,671,839)	(207,559,148)	(1,200,059)	(1,591,523)	(2,791,582)	(210,350,730)
Deposits from Customers	(449,983)	(437,327)	-	-	(887,309)	(1,200,059)	(1,591,523)	(2,791,582)	(3,678,891)
Subordinated liabilities	-	-	-	(206,671,839)	(206,671,839)	-	-	-	(206,671,839)
Income	15	41	-	736,811	736,867	9,392	632,963	642,355	1,379,222
Net Interest Income	-	-	-	736,811	736,811	7,972	295,733	303,704	1,040,515
Fees	15	41	-	-	56	1,420	337,231	338,651	338,707
Costs	-	-	-	(7,865,300)	(7,865,300)	(20,868)	(22,567)	(43,435)	(7,908,735)
Net Interest Income	-	-	-	(7,864,604)	(7,864,604)	(20,868)	(22,567)	(43,435)	(7,908,039)
Fees	-	-	-	(696)	(696)	-	-	-	(696)
Guarantees	-	-	-	96,445	96,445	-	-	-	96,445

31 December 2018									
Assets	-	-	-	65,594,357	65,594,357	358,308	-	358,308	65,952,665
Cash and cash equivalents at Other Credit Institutions	-	-	-	22,228,709	22,228,709	-	-	-	22,228,709
Loans and advances to Other Credit Institutions	-	-	-	43,365,649	43,365,649	-	-	-	43,365,649
Customer Loans	-	-	-	-	-	358,308	-	358,308	358,308
Liabilities	-	(437,368)	-	(132,262,143)	(132,699,510)	(346,402)	(1,051,392)	(1,397,794)	(134,097,304)
Deposits from Customers	-	(437,368)	-	-	(437,368)	(346,402)	(1,051,392)	(1,397,794)	(1,835,162)
Subordinated liabilities	-	-	-	(132,262,143)	(132,262,143)	-	-	-	(132,262,143)
Income	-	58	-	485,054	485,111	5,000	753,417	758,418	1,243,529
Net Interest Income	-	-	-	484,999	484,999	4,881	333,822	338,703	823,702
Fees	-	58	-	54	112	119	419,595	419,714	419,826
Costs	-	-	-	(6,845,223)	(6,845,223)	(34,358)	(11,267)	(45,625)	(6,890,848)
Net Interest Income	-	-	-	(6,844,520)	(6,844,520)	(34,358)	(11,267)	(45,625)	(6,890,145)
Fees	-	-	-	(702)	(702)	-	-	-	(702)
Guarantees	-	-	-	-	-	-	9,990,408	9,990,408	9,990,408

(thousand Kwanzas)

As at 31 December 2018, the published balances with related parties were as follows:

(thousand Kwanzas)

	Loans and advances to credit institutions	Loans	Securities	Other	Total	Loans	Securities	Other	Total
31 December 2018									
Shareholders									
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, S.A.	-	-	-	-	-	-	(437,368)	-	-
Pension Fund									
BESA Opções de Reforma	-	-	-	-	-	-	(739,597)	89	(47,567)
Total	65,594,357	-	-	-	65,594,357	-	(236,320,917)	485,084	(8,372,593)

It should be noted that the change in liabilities with Novo Banco, S.A. is due to the depreciation of the AOA against the USD, as subordinated liabilities remain at 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)

	Board of Directors			Other key management personnel	Total
	Executive Committee	Other Members	Total		
31 December 2019					
Remunerations and other short-term benefits	2,252,351	26,961	2,279,312	2,926,462	5,205,774
Variable remuneration	-	-	-	1,863	1,863
Sub total	2,252,351	26,961	2,279,312	2,928,326	5,207,638
Long-term benefits and other social expenses	103,716	-	103,716	248,331	352,047
Total	2,356,067	26,961	2,383,029	3,176,656	5,559,685

31 December 2018					
Remunerations and other short-term benefits	2,252,351	26,961	2,279,312	2,926,462	5,205,774
Variable remuneration	-	-	-	1,863	1,863
Sub total	2,252,351	26,961	2,279,312	2,928,326	5,207,638
Long-term benefits and other social expenses	103,716,455	-	103,716,455	248,330,733	352,047,189
Total	105,968,806	26,961	105,995,767	251,259,059	357,254,826

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 35 - 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, in 2019 and 2018, is broken down as follows:

(thousand Kwanzas)

	Acquisition Cost/ Amortised Cost net of impairment	Measured at fair value			Total Amount Balance Sheet	Fair Value	Differences in Fair Value
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with non-observable market parameters (Level 3)			
31 December 2019							
Cash and cash equivalents at central banks	234,310 510	-	-	-	234,310 510	234,310 510	-
Cash equivalents at Other Credit Institutions	59,544,828	-	-	-	59,544,828	59,544,828	-
Loans and advances to central banks and Other Credit Institutions	107,061,793	-	-	-	107,061,793	107,061,793	-
Fair value through profit or loss	-	7,519,224	-	-	7,519,224	7,519,224	-
Securities	-	7,519,224	-	-	7,519,224	7,519,224	-
Bonds from public issuers	-	7,519,224	-	-	7,519,224	7,519,224	-
Fair value through other comprehensive income	-	-	-	102,069	102,069	102,069	-
Securities	-	-	-	102,069	102,069	102,069	-
Shares	-	-	-	102,069	102,069	102,069	-
Amortised cost	210,688,002	-	-	-	210,688,002	219,291,726	8,603,724
Bonds from public issuers	210,688,002	-	-	-	210,688,002	219,291,726	8,603,724
Customer Loans	94,172,137	-	-	-	94,172,137	82,032,834	(12,139,303)
Investments in associates and joint ventures	2,044,333	-	-	-	2,044,333	2,044,333	-
Other assets	451,627,360	-	-	-	451,627,360	451,627,360	-
Asset Transfer Op. ENSA Group	451,627,360	-	-	-	451,627,360	451,627,360	-
Financial assets	1,159,448,963	-	7,519,224	102,069	1,167,070,256	1,163,534,677	(3,535,578)
Deposits from Central Banks and Other Credit Institutions	26,165,044	-	-	-	26,165,044	26,165,044	-
Subordinated liabilities	-	-	206,671 839	-	206,671 839	205,228,584	(1,443,255)
Deposits from customers and other loans	1,339,921,939	-	75,930,765	-	1,415,852,704	1,415,852,704	-
Other liabilities	58,275,360	-	-	-	58,275,360	58,275,360	-
Asset Transfer Op. ENSA Group	58,275,360	-	-	-	58,275,360	58,275,360	-
Financial liabilities	1,424,362,343	-	282,602,604	-	1,706,964,947	1,705,521,692	(1,443,255)

(thousand Kwanzas)

	Acquisition Cost/ Amortised Cost net of impairment	Measured at fair value			Total Amount Balance Sheet	Fair Value	Differences in Fair Value
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with non-observable market parameters (Level 3)			
31 December 2018							
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353	194,901,353	-
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 or 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	-
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	145,199,822	-	-	-	145,199,822	145,199,822	-
Bonds from public issuers	145,199,822	-	-	-	145,199,822	145,199,822	-
Customer loans	124,537,742	-	-	-	124,537,742	118,131,089	(6,406,653)
Investments in associates and joint ventures	2,480,184	-	-	-	2,480,184	2,480,184	-
Other assets	637,399,821	-	-	-	619,510,897	619,510,897	-
Asset Transfer Op. ENSA Group	619,510,897	-	-	-	619,510,897	619,510,897	-
Financial assets	1,268,467,263	4,392,478	-	-	1,254,970,817	1,248,564,164	(6,406,653)
Deposits from Central Banks and Other Credit Institutions	29,334,097	-	-	-	29,334,097	29,334,097	-
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	-
Asset Transfer Op. ENSA Group	38,148,832	-	-	-	38,148,832	38,148,832	-
Financial liabilities	1,177,709,234	-	81,158,257	-	1,258,867,491	1,258,867,491	-

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:
a) There have been frequent daily trading prices in the past year;
b) The aforementioned prices change regularly;
c) 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:
a) Its value is determined in an active market;
b) 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,
c) 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. Breaking the securities into two typologies, (i) with active market and observable data; (ii) no active market and off-market data. For (i) the Bank considers the same methodology adopted for financial assets and liabilities at fair value through profit or loss, fair value through other comprehensive income; for (ii) the Bank performs its assessment through an internal valuation model, similar to the one applied in the Asset Quality Assessment (AQA) project, corresponding to the discounting of future cash flows based on the risk-free interest rate (it was taken into consideration the issues of United States bonds for the closest to the residual maturity, source *U. S. Department of the Treasury*), plus the risk premium for Angola (source: information provided by the author Aswath Damodaran) adjusted for the difference in inflation between Angola and the United States of America (source: International Monetary Fund - World Economic Outlook).

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. For loans with no set instalments (bank overdrafts and secured current accounts), the Bank considers fair value to be equivalent to the balance sheet value.

Other assets

The Bank currently has an amount to receive from the ENSA Group 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 considers that there are no reasonable market data to determine its fair value, and therefore the asset is carried at book value. However, the current book value of the Asset corresponds to the fair value of the underlying asset calculated as part of AQA, and the Bank considers that the current fair value reflects the real value of the asset.

Deposits from Central Banks and Other Credit Institutions

The fair value of these liabilities is estimated based on the updates of expected 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%, whose fair value was calculated using as discount rate of the future cash flows the rate of the last issue of indexed debt of 5.25%.
The main parameters used during the 2019 and 2018 fiscal 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:

	31-12-2019			31-12-2018		
	AOA	EUR	US Dollar	AOA	EUR	US Dollar
Overnight	28.82%	0.49%	1.54%	16.75%	N/A	2.38%
1 month	19.40%	-0.45%	1.80%	16.81%	-0.36%	2.50%
3 months	19.58%	-0.39%	1.95%	17.09%	-0.31%	2.81%
6 months	19.14%	-0.33%	1.92%	17.35%	-0.24%	2.88%
9 months	19.18%	-0.19%	N/A	17.82%	-0.19%	N/A
1 year	20.50%	-0.24%	2.00%	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	31-12-2019	31-12-2018	1 month	3 months	6 months	9 months	1 year
AOA/USD	482.23	308.607	3.24%	8.47%	8.20%	8.99%	9.08%
AOA/EUR	540.82	353.015	3.04%	8.85%	8.83%	9.76%	10.05%

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 36 - 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, it is of particular importance to monitor and control the main types of risk - strategic, credit, market, liquidity, property, operational and reputational - to which the Bank's activity is subject.

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. 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 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 regarding the Bank's exposure to credit risk for December 2019 and 2018, respectively, is provided below:

(thousand Kwanzas)

31-12-2019	Gross book value	Impairment	Net book value
Balance Sheet Items	2,004,507,524	-812,269,917	1,192,237,607
Cash and cash equivalents at central banks	234,310 510	-	234,310 510
Cash equivalents at Other Credit Institutions	59,690,186	(145,358)	59,544,828
Loans and advances to central banks and Other Credit Institutions	109,622,315	(2,560,522)	107,061,793
Financial assets at fair value through profit or loss	7,519,224	-	7,519,224
Financial assets at fair value through Other Credit Institutions	178,845	(76,776)	102,069
Investments at amortised cost	214,001,915	(3,313,913)	210,688,002
Customer Loans	221,222,959	(127,050,821)	94,172,138
Investments in associates and jointly controlled entities	2,678,254	(633,921)	2,044,333
Other assets	1,155,283,315	(678,488,605)	476,794,710
Off-balance sheet items	42,322,851	(8,168,238)	34,154,613
Guarantees and endorsements	10,980,397	(7,036,618)	3,943,780
Documentary credits	31,342,453	(1,131,620)	30,210,833
Total	2,046,830,375	(820,438,155)	1,226,392,220

(thousand Kwanzas)

31-12-2018	Gross book value	Impairment	Net book value
Balance Sheet Items	1,393,406,412	(114,049,631)	1,279,356,781
Cash and cash equivalents at central banks	194,901,353	0	194,901,353
Cash equivalents at Other Credit Institutions	63,759,196	(145,358)	63,613,838
Loans and advances to central banks and Other Credit Institutions	109,622,316	(2,560,522)	107,061,794
Financial assets at fair value through profit or loss	7,519,224	0	7,519,224
Financial assets at fair value through other comprehensive income	178,845	(76,776)	102,069
Investments at amortised cost	214,067,762	(3,313,913)	210,753,849
Customer loans	221,222,958	(116,713,979)	104,508,979
Investments in associates and jointly controlled entities	691,129	0	691,129
Other assets	1,155,658,030	(678,488,605)	477,169,425
Off-balance sheet items	42,322,851	(8,102,488)	34,220,363
Guarantees and endorsements	10,980,397	(7,036,618)	3,943,780
Documentary credits	31,342,453	(1,065,870)	30,276,583
Total	2,049,352,822	(809,401,643)	1,239,951,179

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.

The amount under Other Assets refers to amounts receivable under the Operation with ENSA Group (see Note 37).

Regarding the credit risk quality of the financial assets, in 2019 and 2018, respectively:

(thousand Kwanzas)

31-12-2019	Origin of rating	Level of rating	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at central banks	*External Rating*	B-	223,973,488	-	223,973,488
		No Rating	10,337,022	-	10,337,022
Cash equivalents at Other Credit Institutions	*External Rating*	A	4,430,032	(122)	4,429,910
		B+	380,002	(628)	379,374
		B-	28,912,715	(55,845)	28,856,869
		BB+	2,970 298	(1,295)	2,969,003
		BBB-	9,067	(1)	9,066
		CCC+	18,034,309	(87,466)	17,946,843
		No Rating	4,953,763	-	4,953,762
Loans and advances to central banks and Other Credit Institutions	*External Rating*	BB+	38,941,840	(202,449)	38,739,391
		B-	41,719,369	(614,646)	41,104,722
		CCC+	28,961,107	(1,743,428)	27,217,679
Financial assets at fair value through profit or loss	*External Rating*	B-	7,519,224	-	7,519,224
Financial assets at fair value through other comprehensive income	*External Rating*	No Rating	178,845	(76,776)	102,069
Investments at amortised cost	*External Rating*	B-	214,001,915	(3,313,913)	210,688,002
Customer Loans	*Internal Rating*	Low	91,706,822	(34,928,382)	56,778,439
		Medium	8,016,568	(5,766,693)	2,249,875
		High	121,499,568	(86,355,746)	35,143,823
Investments in associates and jointly controlled entities	*External Rating*	No Rating	2,678,254	(633,921)	2,044,333
Other assets	*External Rating*	B-	1,120,962,259	(669,334,900)	451,627,360
		No Rating	34,321,056	(9,153,706)	25,167,350
		Total	2,004,507,523	(812,269,917)	1,192,237,606

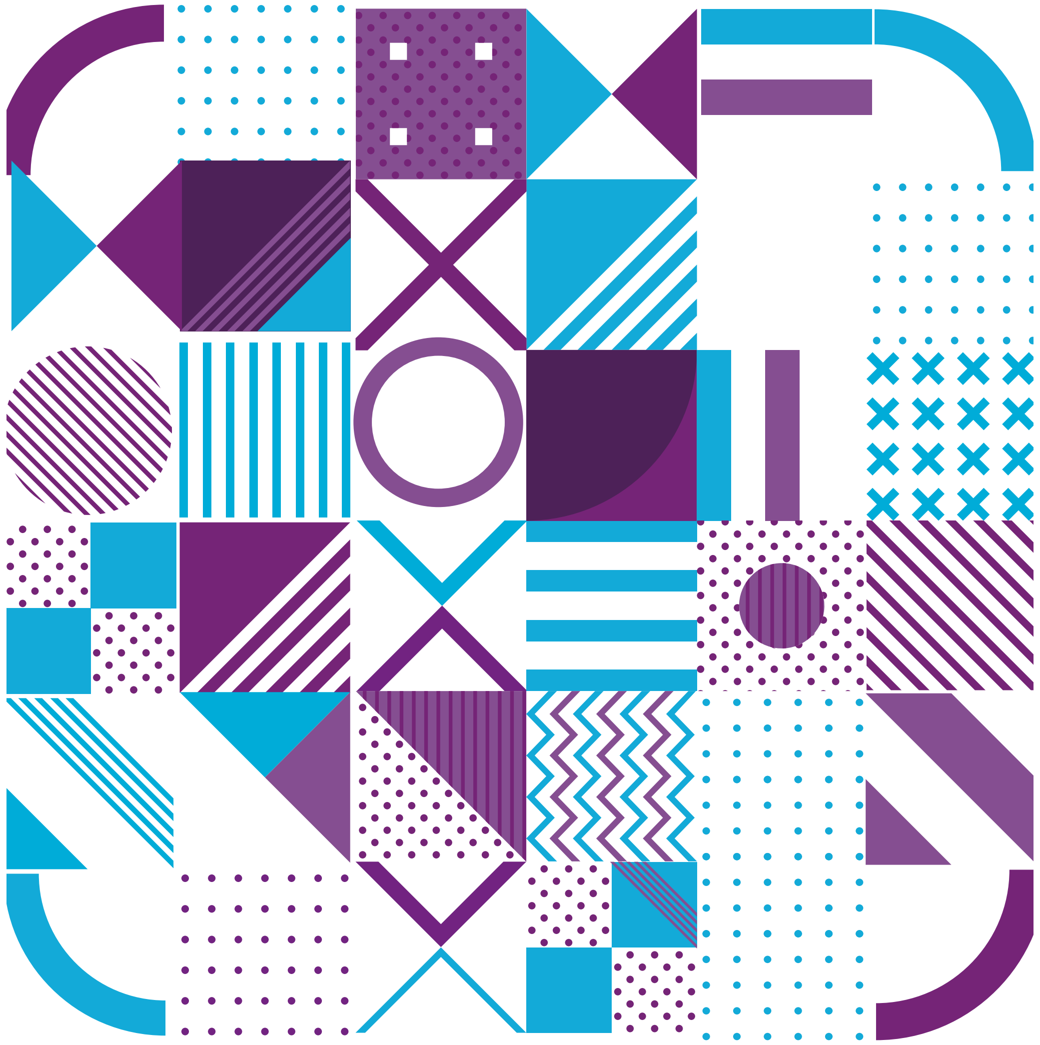
(thousand Kwanzas)

31-12-2018	Origin of rating	Level of rating	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 equivalents at Other Credit Institutions	*External Rating*	A	34,178	-	34,178
		B+	0	-	0
		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	10,293,513	-	10,293,513
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
Financial assets at fair value through profit or loss	*External Rating*	B-	4,392,478	-	4,392,478
Financial assets at fair value through other comprehensive income	*External Rating*	No Rating	148,996	(49,134)	99,862
Investments at amortised cost	*External Rating*	B-	146,879,741	(1,679,919)	145,199,822
	Internal Rating	Low	111,054,541	(38,109,738)	72,944,822
		Medium	5,528,421	1,698,840	3,831,581
		High	94,283,135	(45,521,777)	47,761,358
Investments in associates and joint ventures	*External Rating*	No Rating	2,480,184	-	2,480,184
Other assets	*External Rating*	B-	638,575,571	(19,064,674)	619,510,897
		No Rating	31,323,850	(6,937,887)	24,385,963
Total			1,393,651,529	(114,294,748)	1,279,356,781

The assignment of risk levels was carried out primarily using Moody's and Fitch, which gave a rating of B- (Fitch) or B3 (Moody's) for Angola at the close of 2019. Other agencies were used when required. In addition, for the internal rating, the nomenclature previously adopted by BNA's risk levels is used as follows: Low (letters A and B), Medium (letters C, D and E), High (letters F and G).

In addition, internally, the rating was calculated based on the Bank's internal model.

Banco Económico



The breakdown by sector of activity of the exposure to credit risk, for 31 December 2019 and 2018, respectively, is shown as follows:

(thousand Kwanzas)

	Customer loans		Guarantees provided	Total exposure	Relative weight	Impairment	
31-12-2019	Falling due	Overdue				Amount	Impairment/ Total exposure
Corporate Customers	84,858,112	114,547,630	42,182,243	241,587,984	91.72%	124,096,618	51.37%
Farming, livestock, hunting, forestry and fishery	7,115,818	48,860,580	269,173	56,245,570	21.35%	41,181,246	73.22%
Manufacturing industries	1,244,244	2,886,840	1,267,889	5,398,972	2.05%	2,750,578	50.95%
Public administration, defence and security	391,797	1,844,374	547,126	2,783,297	1.06%	1,095,278	39.35%
Construction	2,805,055	962,448	7,031,341	10,798,844	4.10%	6,478,414	59.99%
Wholesale and retail trade	39,369,689	15,322,456	19,304,239	73,996,384	28.09%	21,964,963	29.68%
Hospitality and restaurants	6,626,599	10,469	-	6,637,068	2.52%	3,578,156	53.91%
Real estate and rental activities and services to companies	768,436	32,787,880	158,331	33,714,648	12.80%	31,373,677	93.06%
Health and welfare	5,725,295	205	301,388	6,026,888	2.29%	103,751	1.72%
Other collective, social and personal services	20,189,835	11,623,120	13,232,756	45,045,710	17.10%	15,441,632	34.28%
International organisations and other extraterritorial entities	621,345	249,259	70,000	940,604	0.36%	128,923	13.71%
Retail Customers	12,062,533	9,754,685	-	21,817,218	8.28%	11,122,440	50.98%
Consumption	1,256,240	68,078	-	1,324,318	0.50%	83,196	6.28%
Housing	9,143,226	4,659,776	-	13,803,001	5.24%	8,305,898	60.17%
Other purposes	1,663,068	5,026,831	-	6,689,898	2.54%	2,733,347	40.86%
Total	96,920,645	124,302,315	42,182,243	263,405,202	100%	135,219,059	51.33%
31-12-2018							
Corporate Customers	92,387,401	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%
Retail 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	

The geographical concentration of credit risk as at 31 December 2019 and 2018, respectively, is as follows:

(thousand Kwanzas)

	Geographical area				
31-12-2019	Angola	Other African countries	Europe	Other	Total
Assets	1,037,990,280	2,970 298	150,916,006	361,022	1,192,237,606
Cash and cash equivalents at central banks	234,310 510	-	-	-	234,310 510
Cash balances at Other Credit Institutions	4,479,563	2,970 298	51,733,945	361,022	59,544,828
Loans and advances to central banks and other credit institutions	7,879,732	-	99,182,061	-	107,061,793
Financial assets at fair value through profit or loss	7,519,224	-	-	-	7,519,224
Financial assets at fair value through other comprehensive income	102,069	-	-	-	102,069
Investments at amortised cost	210,688,002	-	-	-	210,688,002
Customer loans	94,172,137	-	-	-	94,172,137
Investments in associates and jointly controlled entities	2,044,333	-	-	-	2,044,333
Other assets	476,794,710	-	-	-	476,794,710
Liabilities	1,512,791,106	-	206,671 839	-	1,719,462,945
Deposits from central banks and Other Credit Institutions	26,165,044	-	-	-	26,165,044
Deposits from customers and other loans	1,415,852,704	-	-	-	1,415,852,704
Subordinated liabilities	-	-	206,671 839	-	206,671 839
Other liabilities	70,773,358	-	-	-	70,773,358
	(474,800,826)	2,970 298	(55,755,833)	361,022	(527,225,339)

(thousand kwanzas)

	Geographical area				
31.12.2018	Angola	Other African countries	Europe	Other	Total
Assets	1,196,841,129	11,949,600	66,459 568	4,106,483	1,279,356,780
Cash and cash equivalents at central banks	194,901,353	-	-	-	194,901,353
Cash balances 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	-	109,871,666
Financial assets at fair value through profit or loss	4,392,478	-	-	-	4,392,478
Financial assets at fair value through other comprehensive income	99,862	-	-	-	99,862
Investments at amortised cost	145,199,822	-	-	-	145,199,822
Customer loans	124,537,742	-	-	-	124,537,742
Investments in associates and jointly controlled entities	2,480,184	-	-	-	2,480,184
Other assets	643,896,860	-	-	-	643,896,860
Liabilities	1,134,334,325	-	132,262,143	-	1,266,596,498
Deposits from central banks and Other Credit Institutions	29,334,097	-	-	-	29,334,097
Deposits from customers and other loans	1,059,122,450	-	-	-	1,059,122,450
Subordinated liabilities	-	-	132,262,143	-	132,262,143
Other liabilities	45,877,808	-	-	-	45,877,808
	62,506,774	11,949,600	(65,802,575)	4,106,483	12,760,312

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.

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.

(thousand Kwanzas)

31-12-2019	Exposure to: Fixed rate	Exposure to: Variable rate	Not subject to interest rate risk	Derivatives	Total
Assets	841,726,736	30,365,557	320,145,313	-	1,192,237,606
Cash and cash equivalents at central banks	-	-	234,310 510	-	234,310 510
Cash equivalents at Other Credit Institutions	-	-	59,544,828	-	59,544,828
Loans and advances to central banks and Other Credit Institutions	107,061,793	-	-	-	107,061,793
Financial assets at fair value through profit or loss	7,519,224	-	-	-	7,519,224
Financial assets at fair value through other comprehensive income	-	-	102,069	-	102,069
Investments at amortised cost	210,688,002	-	-	-	210,688,002
Customer loans	63,806,580	30,365,557	-	-	94,172,137
Investments in associates and jointly controlled entities	-	-	2,044,333	-	2,044,333
Other assets	452,651,137	-	24,143,573	-	476,794,710
Liabilities	1,626,310,001	75,991,446	17,161,499	-	1,719,462,945
Deposits from central banks and Other Credit Institutions	21,571,440	-	4,593,604		26,165,044
Deposits from customers and other loans	1,339,750,378	75,991,446	110,880	-	1,415,852,704
Subordinated liabilities	206,671 839	-	-	-	206,671 839
Other Liabilities	58,316,343	-	12,457,015	-	70,773,358
Total	(784,583,264)	(45,625,889)	302,983,814	-	(527,225,339)

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 2019 and 2018, respectively, is as follows:

(thousand Kwanzas)

31-12-2018	Exposure to: Fixed rate	Exposure to: Variable rate	Not subject to interest rate risk	Derivatives	Total
Assets	940,634,560	30,365,557	308,356,664	-	1,279,356,781
Cash and cash equivalents at central banks	-	-	194,901,353	-	194,901,353
Cash equivalents at Other Credit Institutions	-	-	53,976,813	-	53,976,813
Investments at central banks and other credit institutions	109,871,667	-	-	-	109,871,667
Financial assets at fair value through profit or loss	4,392,478	-	-	-	4,392,478
Financial assets at fair value through other comprehensive income	-	-	99,862	-	99,862
Investments at amortised cost	145,199,822	-	-	-	145,199,822
Customer loans	94,172,185	30,365,557	-	-	124,537,742
Investments in associates and jointly controlled entities	-	-	2,480,184	-	2,480,184
Other assets	586,998,408	-	56,898,452	-	643,896,860
Liabilities	966,530,498	81,962,039	218,103,931	-	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	771,800,969	81,962,039	205,359,412	-	1,059,122,420
Subordinated liabilities	132,262,143	-	-	-	132,262,143
Other Liabilities	37,940,764	-	7,937,044	-	45,877,808
Total	(25,895,938)	(51,596,482)	90,252,733	-	12,760,313

As at December 2019 and 2018, respectively, financial instruments based on their residual maturity date, instead of each date of cash flow from transactions are broken down as follows:

(thousand Kwanzas)

	Reset dates/Maturity dates								
31-12-2019	Up to 1 Month	Between 1 to 3 Months	Between 3 to 6 Months	Between 6 Months to 1 Year	Between 1 to 3 Years	Between 3 to 5 Years	Over 5 Years	Indefinite	Total
Assets	368,526,887	122,898,582	3,325,295	59,292,445	109,859,275	65,409,928	460,768,721	2,156,474	1,192,237,606
Cash and cash equivalents at central banks	234,310 510	-	-	-	-	-	-	-	234,310 510
Cash equivalents at Other Credit Institutions	59,544,828	-	-	-	-	-	-	-	59,544,828
Loans and advances to central banks and Other Credit Institutions	6,910,270	100,151,523	-	-	-	-	-	-	107,061,793
Financial assets at fair value through profit or loss	-	-	-	688,400	-	6,830,824	-	-	7,519,224
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	102,069	102,069
Investments at amortised cost	-	-	-	52,422,518	105,842,967	52,422,518		-	210,688,002
Customer loans	33,450,294	22,747,058	3,325,295	6,181,527	4,016,308	6,156,587	18,295,068	-	94,172,137
Investments in associates and joint ventures	-	-	-	-	-	-	-	2,044,333	2,044,333
Other assets	34,310,985	-	-	-	-	-	442,473,653	10,072	476,794,710
Liabilities	761,766,976	119,093,878	72,567,627	595,633,078	87,554,323	82,255,988	591,074	-	1,719,462,945
Deposits from Central Banks and Other Credit Institutions	20,112,055	6,052,989	-	-	-	-	-	-	26,165,044
Deposits from customers and other loans	670,881,563	113,040,890	72,567,627	552,864,556	5,602,665	304,330	591,074	-	1,415,852,704
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	42,768,522	81,951,659	81,951,659		-	206,671 839
Other liabilities	70,773,358	-	-	-	-	-	-	-	70,773,358
Net exposure	(393,240,089)	3,804,703	(69,242,332)	(536,340,633)	22,304,952	(16,846,060)	460,177,646	2,156,474	(527,225,339)

(thousand kwanzas)

31-12-2018									
Assets	368,749,847	57,993,470	20,646,913	2,827,920	104,525,922	36,794,780	685,227,812	2,590,118	1,279,356,781
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	194,901,353
Cash equivalents at Other Credit Institutions	53,976,813	-	-	-	-	-	-	-	53,976,813
Loans and advances to central banks and Other Credit Institutions	76,716,767	26,982,760	6,172,140	-	-	-	-	-	109,871,667
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4,392,478	-	4,392,478
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	99,862	99,862
Investments at amortised cost	-	-	-	-	98,015,600	32,186,400	14,997,822	-	145,199,822
Customer loans	40,865,497	31,010,710	14,474,773	2,827,920	6,510,322	4,608,380	24,240,141	-	124,537,742
Investments in associates and joint ventures	-	-	-	-	-	-	-	2,480,184	2,480,184
Other assets	2,289,417	-	-	-	-	-	641,597,371	10,072	643,896,860
Liabilities	674,178,247	76,585,970	85,142,151	293,699,778	3,868,573	345,584	132,776,165	-	1,266,596,468
Deposits from Central Banks and Other Credit Institutions	29,334,097	-	-	-	-	-	-	-	29,334,097
Deposits from customers and other loans	598,966,342	76,585,970	85,142,151	293,699,778	3,868,573	345,584	514,022	-	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
Net exposure	(305,428,400)	(18,592,500)	(64,495,238)	(290,871,858)	100,657,349	36,449,196	552,451,647	2,590,118	12,760,313

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 2019 and 2018, respectively, the analysis of the sensitivity of financial instruments to interest rate changes is as follows:

(thousand Kwanzas)

	Change in interest rates					
31-12-2019	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	(222,537,199)	(111,268,599)	(55,634,300)	55,634,300	111,268,599	222,537,199
Loans and advances to central banks and other credit institutions	(328,062)	(164,031)	(82,015)	82,015	164,031	328,062
Financial assets at fair value through profit or loss	(482,879)	(241,439)	(120,720)	120,720	241,439	482,879
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Investments at amortised cost	(8,354,392)	(4,177,196)	(2,088,598)	2,088,598	4,177,196	8,354,392
Customer loans	(9,979,445)	(4,989,722)	(2,494,861)	2,494,861	4,989,722	9,979,445
Other assets	(203,392,422)	(101,696,211)	(50,848,105)	50,848,105	101,696,211	203,392,422
Liabilities	(19,011,813)	(9,505,906)	(4,752,953)	4,752,953	9,505,906	19,011,813
Deposits from Central Banks and Other Credit Institutions	(35,459)	(17,730)	(8,865)	8,865	17,730	35,459
Deposits from customers and other loans	(9,658,570)	(4,829,285)	(2,414,643)	2,414,643	4,829,285	9,658,570
Subordinated liabilities	(9,261,587)	(4,630,794)	(2,315,397)	2,315,397	4,630,794	9,261,587
Other liabilities	(56,196)	(28,098)	(14,049)	14,049	28,098	56,196
Net impact	(203,525,386)	(101,762,693)	(50,881,346)	50,881,346	101,762,693	203,525,386

(thousand Kwanzas)

	Change in interest rates					
31(12(2018	(200 bp	(100 bp	(50 bp	+50 bp	+100 bp	+200 bp
Assets	(127,380,306	(63,690,154	(31,845,076	31,845,076	63,690,154	127,380,306
Loans and advances to central banks and Other Credit Institutions	(192,153)	(96,077)	(48,038)	48,038	96,077	192,153
Financial assets at fair value through profit or loss	(839,812)	(419,906)	(209,953)	209,953	419,906	839,812
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Investments at amortised cost	(14,391,317)	(7,195,658)	(3,597,829)	3,597,829	7,195,658	14,391,317
Customer loans	(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)	(10,699)	(5,349)	5,349	10,699	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)	(11,893,432)	(5,946,716)	5,946,716	11,893,432	23,786,863
Other liabilities	(36,702)	(18,351)	(9,176)	9,176	18,351	36,702
Net impact	(97,939,863)	(48,969,933)	(24,484,965)	24,484,965	48,969,933	97,939,863

Based on the interest rate gaps observed as at 31 December 2019, an instantaneous positive parallel change in interest rates of 200 basis points would cause a (+/-) variation of around AOA 203,564,522,000 (2018: AOA 97,939,864,000) 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 2019 fiscal 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 2019 and 2018, respectively, assets and liabilities, per currency, are broken down as follows:

(thousand Kwanzas)

31-12-2019	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and cash equivalents at central banks	72,800,819	160,170,979	1,333,931	4,781	234,310 510
Cash equivalents at Other Credit Institutions	(114,807)	37,456,154	21,865,133	338,348	59,544,828
Loans and advances to central banks and Other Credit Institutions	7,879,732	99,182,061	-	-	107,061,793
Financial assets at fair value through profit or loss	1,711,212	5,808,012	-	-	7,519,224
Financial assets at fair value through other comprehensive income	86,932	-	15,137	-	102,069
Investments at amortised cost	17,291,577	193,396,425	-	-	210,688,002
Customer loans	75,200,614	19,040,465	-68,942	-	94,172,137
Investments in associates and jointly controlled entities	2,044,333	-	-	-	2,044,333
Other assets	35,049,057	441,721,328	13,223	11,102	476,794,710
Assets	211,949,468	956,775,424	23,158,483	354,231	1,192,237,606
Deposits from central banks and Other Credit Institutions	22,143,787	4,736,679	-715,423	-	26,165,044
Deposits from customers and other loans	313,152,059	1,081,406 497	21,269,132	25,016	1,415,852,704
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	-	206,671 839	-	-	206,671 839
Other liabilities	21,470,907	44,981,856	4,284,271	36,325	70,773,358
Liabilities	356,766,753	1,337,796,871	24,837,980	61,341	1,719,462,945
Position per currency	(144,817,286)	(381,021,447)	(1,679,497)	292,890	(527,225,340)

(thousand Kwanzas)

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 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
Financial assets at fair value through profit or loss	1,379,802	3,012,676	-	-	4,392,478
Financial assets at fair value through other comprehensive income	89,981	-	9,881	-	99,862
Investments at amortised cost	19,643,274	125,556,548	-	-	145,199,822
Customer Loans	87,748,129	36,249,491	540,121	-	124,537,741
Investments in associates and jointly controlled entities	2,480,184	-	-	-	2,480,184
Other assets	32,067,706	611,816 447	12,707	-	643,896,860
Assets	199,252,471	1,046,824,458	33,079,164	200,687	1,279,356,780
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	17,431,260	25,663	1,266,596,468
Position per currency	(134,142,958)	131,080,342	15,647,904	175,024	12,760,312

An analysis of the sensitivity of the asset value of the financial instruments to exchange rate fluctuations as at 2019 and 2018, respectively, is shown as follows:

(thousand Kwanzas)

31-12-2019	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
US Dollars	-149,525,546	-74,762,773	-37,381,386	-18,690,693	18,690,693	37,381,386	74,762,773	149,525,546
Euros	-644,215	-322,107	-161,054	-80,527	80,527	161,054	322,107	644,215
Other currencies	0	0	0	0	0	0	0	0
Impact	-150,169,761	-75,084,880	-37,542,440	-18,771,220	18,771,220	37,542,440	75,084,880	150,169,761

(thousand Kwanzas)

31-12-2018	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
US Dollar	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)

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.

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 2019 and 2018, respectively, the Bank's balance sheet liquidity gap is broken down as follows:

(thousand Kwanzas)

	Residual maturities									
31-12-2019	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	Over 5 Years	Indefinite	Total
Assets	330,033,564	16,420,572	105,097,025	6,881,073	57,120,645	113,591,401	71,826,982	489,119,942	2,146,402	1,192,237,606
Cash and cash equivalents at central banks	234,310 510	-	-	-	-	-	-	-	-	234,310 510
Cash equivalents at Other Credit Institutions	59,544,828	-	-	-	-	-	-	-	-	59,544,828
Loans and advances to central banks and other credit institutions	-	9,133 653	97,928,140	-	-	-	-	-	-	107,061,793
Financial assets at fair value through profit or loss	-	-	-	-	751,830	-	6,767,394	-	-	7,519,224
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	102,069	102,069
Investments at amortised cost	-	-	-	-	52,698,677	105,290,648	52,698,677	-	-	210,688,002
Customer Loans	10,764,757	7,286,919	7,168,885	6,881,073	3,670,137	8,300,753	12,360,911	37,738,701	-	94,172,137
Investments in associates and jointly controlled entities	-	-	-	-	-	-	-	-	2,044,333	2,044,333
Other assets	25,413,469	-	-	-	-	-	-	451,381,241	-	476,794,710
Liabilities	589,432,237	98,105,256	132,978,102	117,143,504	610,011,138	88,488,994	82,707,996	595,718	-	1,719,462,945
Deposits from central banks and Other Credit Institutions	14,957,006	5,094,182	6,113,856	-	-	-	-	-	-	26,165,044
Deposits from customers and other loans	503,701,874	93,011,073	126,864,246	117,143,504	568,587,136	5,640,989	308,164	595,718	-	1,415,852,704
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	41,424,002	82,848,005	82,399,832	-	-	206,671 839
Other liabilities	70,773,358	-	-	-	-	-	-	-	-	70,773,358
Liquidity gap	(259,398,673)	(81,684,684)	(27,881,076)	(110,262,431)	(552,890,494)	(25,102,407)	(10,881,014)	488,524,224	2,146,402	(527,225,339)
Accumulated liquidity gap	(259,398,673)	(341,083,357)	(368,964,433)	(479,226,865)	(1,032,117,358)	(1,007,014,951)	(1,017,895,965)	(529,371,741)	(527,225,339)	(527,225,339)

(thousand Kwanzas)

	Residual maturities									
31-12-2018	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	Over 5 Years	Indefinite	Total
Assets	327,223,271	73,258,529	35,718,795	7,323,843	1,988,517	59,691,964	60,282,098	711,289,718	2,580,046	1,279,356,781
Cash and cash equivalents at central banks	194,901,353	-	-	-	-	-	-	-	-	194,901,353
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
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	4,392,478	-	4,392,478
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	99,862	99,862
Investments at amortised cost	-	-	-	-	-	51,986,833	52,280,674	40,932,315	-	145,199,822
Customer Loans	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 jointly controlled entities	-	-	-	-	-	-	-	-	2,480,184	2,480,184
Other assets	56,898,452	-	-	-	-	-	-	586,998,408	-	643,896,860
Liabilities	611,479,354	89,131,904	83,080,434	109,035,760	236,697,862	4,044,347	346,817	132,779,991	-	1,266,596,469
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	-	1,059,122 421
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)	(15,873,375)	(47,361,639)	(101,711 917)	(234,709,345)	(55,647,617)	59,935,281	578,509,727	2,580,046	12,760,312
Accumulated liquidity gap	(284,256,083)	(300,129,458)	(347,491,097)	(449,203,014)	(683,912,359)	(628,264,742)	(568,329,461)	10,180,266	12,760,312	12,760,312

As at 31 December 2019, the liquidity ratio, calculated in accordance with Instruction 19/2016 of 30 August, stood at 76% (2018: 174%), corresponding to a significant deterioration in liquidity risk management. This instruction sets a minimum ratio of 100% for exposure in AOA and 150% for exposure in foreign currency. The Bank is in default as it 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 share capital increase indicated in the next note.

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 2019 and 2018, property exposure and the exposure of units held in real estate investment funds is broken down as follows:

(thousand Kwanzas)

	31-12-2019	31-12-2018
Other assets		
Properties received in lieu of payment	16,550,240	5,141,259
Other property not allocated to banking activity	619,681	309,777
Other tangible assets	-	-
Property allocated to banking activity	38,046,727	39,425,285
	55,216,648	44,876,321

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 liaison officers in the Bank's different units who ensure that operational risk is properly managed. In addition, to ensure the management of Operational Risk inherent to the Bank's activity, a dynamic and permanent framework was outlined that materialises the implementation of operational risk management based on the following elements: (i) Mapping of risks and controls; (ii) analysis of information collected in the assessment questionnaires (qualitative data); (iii) Events log (quantitative data); (iv) Monitoring of risk identification and management activities; (v) Production of operational risk reports and mitigation techniques.
Operational Risk Management tools include: (i) Operational Risk Management Tools; (ii) Matrix, Risks and Process Controls (MRC); (iii) OR Event Log Database (LDC); (iv) *Key Risk Indicators*(KRI).

It should also be noted that the current operational risk management is carried out on a daily basis, through the identification, assessment, monitoring and control of operational risk events framed within the risk categories established internationally by the Basel Committee.

NOTE 37 - RELEVANT EVENTS

I - RECAPITALISATION AND RESTRUCTURING PLAN

In 2014 BE was the target of restructuring measures imposed by Banco Nacional de Angola ("BNA"), detailed below in point II - Chronology of events, and which resulted, on 15 July 2016, in the signing with Grupo ENSA - Investimentos e Participações, EP - currently INVESTPAR - ("GENSA" or "INVESTPAR"), of the agreements for the transfer of the economic interests of a portfolio of loans, of share units, and of the sale of assets held by BE ("Operation with the ENSA Group"), with reference to 31 December 2014.

Some years later, and given that INVESTPAR did not comply with the agreed payment plan (since renegotiated), namely with the payment of the first instalment due on 31 December 2018, the Bank, together with BNA, has since then initiated a series of discussions for the assessment of restructuring alternatives (see below in point II - Chronology of events), which has since observed a successive worsening of its economic, financial and operational conditions. In this context, on 21 December 2021, BNA approved the measures to be considered in the new Restructuring and Recapitalisation Plan ("RRP"), as proposed by the Bank's Board of Directors, which include the following recapitalisation and restructuring measures:

a) Total incorporation of losses in the Bank's share capital, with a capital reduction to zero;

b)Increase of the Bank's capital, in the minimum amount of AOA 1.04 trillion, by way of:
- **(i)** Restructuring of the subordinated loan of Novo Banco;
- **(ii)** Partial conversion into capital, by way of negotiation, of the deposits of depositors with a balance equal to or greater than the equivalent of AOA 3 billion, excluding public and similar entities ("Eligible Depositors"), in the following proportions:
  - 45% of these deposits will subscribe for Shares in a Closed-end Securities Investment Fund to be established;
  - 20% of these deposits will subscribe to Perpetual Bonds, with an annual redemption option, at the initiative of the issuer (BE), from the 10th year of issue.
- **(iii)**Issue of bonds convertible into shares up to AOA 50 billion, maturing in ten (10) years, to be subscribed voluntarily by Eligible Depositors or other stakeholders;
- **(iv)**Deferral, using the straight-line method and in equal annual instalments, of the recognition of impairments amounting to AOA 219 billion over a period of five (5) years, with reference to 31 December 2020;
- **(v)**Investors' contribution of an estimated AOA 260 billion to be made by the end of 2022;
- **(vi)**The exchange of bonds received as payment from INVESTPAR with a nominal value of AOA 47.428 billion, for new securities under market conditions;
- **(vii)** The return of the assets received by INVESTPAR identified in point II- "Operation with the ENSA Group";
- **(viii)** Measures to increase operational efficiency and reduce the Bank's costs.

In view of the above, the Bank initiated and maintains an ongoing process of outlining and implementation of activities essential to the fulfilment of the said Plan, having held a General Meeting of Shareholders on 15 February 2022, in which the following, among others, were approved: i) the issue of Perpetual Bonds and ii) the issue of Convertible Bonds.

Despite the Board of Directors' belief that it will have the necessary conditions and support from the different public and private parties involved, with a view to the successful implementation of the measures approved by BNA for the RRP, this will be a long and complex process for which the Board of Directors, at this date, identifies several risks and uncertainties, including:

(i) The effective and timely materialisation of the issue of Perpetual Bonds and Convertible Bonds:
Regarding this measure, the General Meeting of 15 February 2022 approved the issue of the Perpetual Bonds by the current shareholders and received on 1 April 2021 the authorisation from the Ministry of Finance ("MINFIN") for the same issue in the amount of AOA 171.46 billion, subject to the submission of an interim report and accounts of the Bank with reference to 31 December 2021. BE awaits the publishing in the "Official Gazette", of the corresponding Executive Order of the Minister and has already sent the process to the Capital Market Commission ("CMC") for appreciation. The Board of Directors is confident that there will be no obstacles to the approval of the said issue;

(ii) Obtaining the agreement of existing and prospective shareholders in relation to the RRP:
To date, the Bank's management has had discussions with existing and prospective shareholders on the implementation of the RRP. Regarding the existing shareholders, they have already approved the Plan by resolution taken at the General Meeting of 15 February this year. Regarding the new Shareholders, agreements and/or memorandums of understanding are being reached that show the commitment made by the Eligible Depositors and the Bank's governing bodies regarding the recapitalisation proposal presented as a result of BNA's approval of the RRP.

While the Bank considers that there are risks in the implementation of this measure, it is at an advanced stage of implementation and with good prospects of completion, considering that to date 18 memorandums of understanding have been formalised with the entities identified as prospective shareholders, representing a total of AOA 413,655,473,000 deposits to be delivered for capital injections and acquisition of the Bank's Perpetual Bonds.
The General Meeting for share capital increase and admission of shareholders will be held at an early date depending on the complementary steps of the Recapitalisation and Restructuring Plan.

Additionally, the Bank on 27 December 2021 entered into an amendment to the subordinated loan agreement with Novo Banco, providing for the following terms:
- Settlement of the instalment due in October 2021, in two tranches, of which 40% upfront and 60% by September 2022;
- Waiver of 75% of the remaining debt; and,
- Payment of 25% restructured by September 2023.

(iii) The recovery of the asset receivable from INVESTPAR which represents 36% of the Bank's assets, as per point III - "Operation with ENSA Group" as at 31 December 2019:

The Bank expects to renegotiate the terms of the "Operation with the ENSA Group", including the possibility of reversing the operation, under conditions still to be agreed with INVESTPAR. It is the understanding of the Board of Directors that, given the overall valuation of the assets receivable, these are likely to generate future income for the Bank, namely through the reversal of impairment losses and the recovery of the assets within a reasonable period of time.

(iv) The exchange of bonds received as payment from INVESTPAR with a nominal value of AOA 47.428 billion, for new securities under market conditions;

Regarding this measure, the Bank is in discussions with the Ministry of Finance to evaluate the possibility of exchanging the current bonds maturing in 2040 and bearing interest rates of 5%, for bonds under normal market conditions. The Bank's expectation is that this measure would make it possible to recover the losses recorded when these assets were initially recognised at their fair value.

(v) Investors' contributions to be made by the end of 2022:

As outlined in the RRP approved by BNA, the Bank anticipates the need for an additional share capital increase in the estimated amount of AOA 260 billion to be made during 2022, the alternatives for which are under analysis.

(vi) Completion of the process of setting up the Closed-end Securities Investment Fund with the CMC, including the respective Fund Management Company:

The setting up of the Fund is subject to the fulfilment of point b).

(vii) Ensuring compliance with the regulatory, legal and accounting framework:

The Board of Directors is fully committed to the implementation of the Plan within the established deadlines, with the support of the sector regulator (BNA), the Capital Markets Supervisor (CMC) and other institutional counterparts, ensuring the correct legal and regulatory framework to enable the successful implementation of the RRP.

(viii) Ensure compliance with the business plan scheduled for 2021-2027:

As stated in point vii), the Board of Directors is fully committed to the RRP, including the Business Plan, and the activities planned for its implementation are dependent on the developments in the previous points.

Although these circumstances constitute material risks and uncertainties that may cast significant doubt on the Entity's ability to continue as a going concern, the Board of Directors believes that the presentation of the financial statements using the going concern principle is appropriate, given the evolution and progress already achieved, the large number of subscriptions to the Eligible Depositors Plan and the full commitment of the Bank's Management to the implementation of the RRP, with the support of the Regulator (BNA), the Capital Markets Supervisor (CMC) and other institutional counterparties involved in it.

II - CHRONOLOGY OF EVENTS

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) 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;

b) 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;

c) 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;

d) 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;

e) 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;

f) 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) A share capital increase of AOA 65 billion, made in cash by the following entities and in the proportions approved by BNA:

(i) GENI Novas Tecnologias, S.A. would pay in AOA 14.328 billion, corresponding to a 19.900% shareholding.

(ii) LEKTRON CAPITAL, S.A. would pay in AOA 22.304 billion, corresponding to a 30.978% shareholding;

(iii) SONANGOL, EP would pay in AOA 11.52 billion, corresponding to a 16.000% shareholding;

(iv) SONANGOL VIDA, S.A. would pay in AOA 11.52 billion, corresponding to a 16.000% shareholding;

(v) SONANGOL HOLDINGS, Lda. would pay in AOA 5.328 billion, corresponding to a 7.400% shareholding.

b) A share capital increase of AOA 7 billion, 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:

a) 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 the ENSA Group 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;
b) Sale of 49,191 shareholding units in the BESA Património Fund, corresponding to a total of 50.2% of all units, in the amount of AOA 5.975 billion;
c) Transfer of economic rights over 50,000 shareholding units in the BESA Valorização Fund, corresponding to 100% of the funds units, in the amount of AOA 54.102 billion;
d) 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 the ENSA Group not to exercise the option.

The following timeline was agreed on for payment of the price of the transactions:

a) Upon signature of the contracts, payment of AOA 47.428 billion would be made by means of the transfer of Angolan debt securities (recorded in the securities Portfolio - note 9);b) 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:

a) 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;
b) In cash, without prejudice to the provisions in subparagraph (c) below, which take precedence;
c) 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.

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 the ENSA Group 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 17).

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 the ENSA Group, 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:

a) Payment of AOA 25.216 billion, of which AOA 388 million with public debt securities, for partial payment of interest to Banco Económico;
b) Capitalisation of the remaining unpaid interest, in the amount of USD 201 million and AOA 28.38 billion;
c) 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 90.94 million 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 BNA as stipulated in the agreement related to transfer of the aforementioned rights.

To date, the ENSA Group 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 the ENSA Group 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 the ENSA Group 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 ENSA Goup 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. Thus, the share capital increase required to offset the change in assumptions regarding the sale of assets to the ENSA Group could be different from the one referred to above, depending on when and how it is applied.

On 19 July 2019, Sonangol EP informed Banco Económico that Lektron Capital S.A. ("Lektron") 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.

Subsequently, Shareholders Sonangol EP, Sonangol Vida, S.A. and Sonangol Holdings, 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 the ENSA Group 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. However, as a result of a change in the assumptions of the ENSA Group 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.

As at 31 December 2019, following the asset quality assessment ("AQA") programme, Banco Nacional de Angola communicated to Banco Económico its findings thereon, concluding the need for significant adjustments, mostly associated with the correct value of the asset transfer operation to GENSA, ascertaining an impairment of approximately 60% (sixty per cent). However, the capital requirements stood at similar values to those initially presented in the communication of 22 July 2019 (AOA 416 billion), with the Bank having to remit a Recapitalisation Plan to BNA by 28 February 2020, which should be implemented by 30 June 2020 (Note 16 - Other assets).

As a result of the abovementioned determinations, Banco Económico initiated a set of procedures, adopting the best international practices and hiring an internationally renowned consultancy firm, to prepare a Recapitalisation Plan that complied with the outlined requirements and was in the best interest of its shareholders. However, despite the submission of the initial Plan and subsequent adjustments to it, as a result of suggestions from BNA, it was not approved. It should be noted that the process suffered delays as a result of the Covid 19 pandemic, which created additional difficulties in structuring the Recapitalisation Plan, limiting the possibility of some solutions due to financial restrictions and the deterioration of the risk scenario on a global scale, making it difficult for potential international stakeholders to invest effectively.

In addition, on 31 August 2020, BNA informed Banco Económico of the repayment on the operation contracted on 20 March 2017, arising from the settlement of the financing granted in lieu of payment of amounts receivable from the operation of transfer and sale of assets to the ENSA Group, amounting to AOA 256.963 billion. Subsequently, the Bank performed an impairment revaluation taking into consideration this amount recognising, in 2020, an impairment of AOA 181.693 billion taking into account the value attributed to the asset transfer operation, determined at the time of the asset quality assessment programme, maintaining an impairment ratio of 60% (Note 38 - Subsequent events).

As part of the implementation of the RRP, a General and Universal Shareholders' Meeting was held on 15 February 2022, with the following agenda:

1. Information on the accounts for the fiscal years 2019 and 2020.
2. Presentation of the Recapitalisation and Restructuring Plan of Banco Económico, S.A.
3. Approval for the issue of Perpetual Bonds.
4. Approval for the issue of Convertible Bonds
5. Miscellaneous

The General Meeting was attended by all the shareholders of the Bank and all the items on the agenda were approved, thus creating the necessary conditions for the continuation of the measures leading to the capitalisation of Banco Económico.

To underline the urgency of this process, under "Miscellaneous", the shareholders approved the scheduling of a new General Meeting, within no more than 45 (forty-five) days of that date, to make the necessary decisions to conclude the recapitalisation operations, in accordance with the RRP approved by Banco Nacional de Angola.

III - "TRANSACTIONS WITH THE ENSA GROUP" ON 31 DECEMBER 2019

The financial statements for the year ended 31 December 2019 include the following effects relating to the "Transactions with the ENSA Group":

(thousand Kwanzas)

Financial Statement Items	31-12-2019	31-12-2018 Restatement Note 2	Note
Profit-and-Loss Statement			
Net Interest Income	17,984,704	30,869,670	24
Other interest and similar income	19,897,432	31,748,413	24
Other interest and similar costs	(1,912,728)	(878,743)	24
Foreign exchange gains and losses	407,256,112	318,905,649	27
Other operating income	-	1,505,821	28
Impairment	(610,054,321)	(19,064,674)	31
Balance Sheet	(184,813,505)	332,216,466	
Other assets	451,627,360	619,510,897	16
Capital	937,704,139	563,656,288	16
Accrued interest	154,989,485	53,017,559	16
Property Receivables/Payables	1,537,252	1,420,660	16
Stamp duty borne by the Bank on loan transfers	3,995,257	3,995,257	16
Advances for property	26,731,384	20,481,064	16
Impairment on stamp duty	(3,995,257)	(3,995,257)	16
Impairment on other assets	(669,334,900)	(19,064,674)	16
Other liabilities	(58,275,360)	(38,148,832)	21
Settlements paid on loan transfers	(46,841,029)	(29,008,115)	21
Interest and other expenses	(5,059,585)	(1,803,530)	21
Property Receivables/Payables	(6,374,746)	(7,337,187)	21
	393,352,000	581,362,065	

Regarding balances and transactions with INVESTPAR, as at 31 December 2019 and 2018, we highlight that:

a) As shown in Note 16 - Other assets, the Bank proceeded in 2019 to record impairment losses in the amount of AOA 669,334,900,000 for the amounts receivable from INVESTPAR. This amount was determined following the results of the Asset Quality Assessment programme carried out with reference to 31 December 2018, requested by BNA. Given the little information available, the amount of impairment has significant limitations, and so the Bank is evaluating the alternatives to recover this asset;

b) As shown in Note 27, in 2019 and 2018 the Bank recorded AOA 407,256,112,000 and AOA 318,905,649,000, respectively, from foreign exchange gains arising from the exchange revaluation of the foreign currency component of INVESTPAR's receivables and payables, recorded under "Other assets" and "Other liabilities";

c) As shown in Note 24, in 2019 and 2018 the Bank recorded the amounts of AOA 19,897,432,000 and AOA 31,748,413,000, respectively, relating to interest income from the "Operation with ENSA Group". In addition, as per the same note, in 2019 and 2018 the Bank recorded the amounts of AOA 1,912,728,000 and AOA 878,743,000, respectively, relating to interest charges from the "Operation with ENSA Group"; and

d) As broken down in Note 21 - Other liabilities at 31 December 2019 and 2018, the Bank reports balances amounting to AOA 57,782,500,000 and AOA 38,148,832,000 relating mainly to recoveries from operations assigned to INVESTPAR and which must be handed over to that entity. The Bank bears interest of 7% on the amount owed to INVESTPAR.

NOTE 38 - SUBSEQUENT EVENTS

RECAPITALISATION AND RESTRUCTURING PLAN ("RRP")

As per Note 37 - Relevant events, there were relevant developments on the implementation of measures deemed necessary to proceed with the recapitalisation and profitability of the Bank, of which we highlight the following:

(i) Approval of the Recapitalisation and Restructuring Plan submitted by the Board of Directors, by Banco Nacional de Angola, on 21 December 2021;

(ii) A General Meeting of Shareholders was held on 15 February 2022, at which the Recapitalisation and Restructuring Plan was presented, which was well received by the Shareholders, having approved part of the measures in the RRP set out therein, namely: i) the issue of Perpetual Bonds, ii) the issue of Convertible Bonds;

(iii) Approval by the Ministry of Finance for the issue of Perpetual Bonds, which took place on 1 April 2022, conditional upon the presentation of the interim Management Report and Accounts for 2021, as soon as possible;

(iv) Secured a significant part of the agreements of future shareholders, committing to the terms of the RRP, and voluntarily subscribing to the instruments that will make up the new equity capital of Banco Económico.

RESTRUCTURING OF THE SUBORDINATED DEBT WITH NOVO BANCO

At the end of 2021, and as part of the Bank's Recapitalisation and Restructuring Plan, BE agreed with Novo Banco to restructure the subordinated loan, including a 75% waiver on the maturing debt, resulting in a gain of AOA 124 billion recorded in the 2021 Financial Statements. It is also important to mention that after the restructuring, the subordinated debt stood at USD 115 million, with a maturity date of 31 August 2023.

RETURN FROM THE LIQUIDITY OPERATION WITH BANCO NACIONAL DE ANGOLA

In the second half of 2020, Banco Nacional de Angola, paid back the liquidity assistance operation, settled in 2017 via a payment in kind made by BE. On that date, the Bank handed over amounts receivable from the asset transfer operation with the ENSA Group, totalling AOA 256.963 billion, to settle the said debt.

In view of the legal requirements put forward by BNA, the Bank agreed to the return of the assets in 2020 as per letter VG-RM/NF/2020, dated 31 August 2020, from the same institution. The Board of Directors believes that the fact that the transaction gave rise to economic effects during the 2019 fiscal year, in line with the respective contract, the same is not an adjustable subsequent event.

CHANGE TO THE RATING OF THE ANGOLAN DEBT

In 2020, Moody's downgraded Angola's sovereign debt, classifying it as "Caa1 long-term local currency rating". This was due to the poor predictability of the timing and pace of world economic recovery in the post-Covid 19 period and the price of oil at the time (much lower than current values, leading to a significant reduction in Angolan government revenues), in an environment of sharply reduced demand and a general fall in the price of raw materials. However, at the end of 2021, and given that: the impacts of Covid-19 were less than originally expected; the macroeconomic environment improved; the measures implemented by the Angolan government to diversify the economy; and the improvements made to the tax and monetary systems, Angola's sovereign debt saw an upgrade in the last quarter of 2021. Angola's sovereign debt is currently rated at "*B3 long-term local issuer ratings and senior unsecured ratings*", in line with the rating at the end of 31 December 2019.

TAX AMENDMENT TO THE INDUSTRIAL TAX CODE.

During the 2020 fiscal year, Angola made a significant number of changes to its tax code, namely at the level of the Industrial Tax Code (CII), the General Tax Code (CGT), the Labour Income Tax Code (CIRT) and the Property Tax Code (CIP).

Among these it is important to highlight the following:

a) Law No. 26/20, of 20 July - Amendment to the Industrial Tax Code (CII)

(i) Increase in the withholding tax rate on payments to foreign suppliers from 6.5% to 15%;

(ii) Increase in the rate of Industrial Tax, from 30% to 35%, for income from banking, insurance, telecom operators and oil companies;

(iii) Exclusion of tax consideration in calculating taxable profit of the income and costs of unrealised exchange differences;

(iv) Increase to the Industrial Tax assessment of the costs subject to autonomous taxation (non-documented and confidential expenses);

(v) Provisions on guaranteed loans are no longer accepted as deductible costs, except for the part not covered.

b) Law No. 26/20, of 20 July - Amendment to the Industrial Tax Code (CII)

(i) Increase in the withholding tax rate on payments to foreign suppliers from 6.5% to 15%;

(ii) Increase in the rate of Industrial Tax, from 30% to 35%, for income from banking, insurance, telecom operators and oil companies;

(iii) Exclusion of tax consideration in calculating taxable profit of the income and costs of unrealised exchange differences;

(iv) Increase to the Industrial Tax assessment of the costs subject to autonomous taxation (non-documented and confidential expenses)

(v) Provisions on guaranteed loans are no longer accepted as deductible costs, except for the part not covered.

c) Law No. 21/20, of 9 July - Amendment to the General Tax Code (CGT)

(i) The time limit for lodging complaints against tax assessments and other administrative acts with a tax content is extended from 15 to 30 days counted from the date of notification, and the decision must be issued within a maximum period of 60 days;

(ii) The tax credit may only be used to extinguish a tax liability where the taxpayer is the holder of the burden, under the terms of the law. Therefore, all situations in which the taxpayer acts as a tax substitute are ruled out;

(iii) Pursuant to the Revised 2020 State Budget Law, the time limit for the expiry of tax duties for the 2015 fiscal year runs, exceptionally, until 31 December 2021;

(iv) The duty of professional secrecy of public entities is waived whenever information is requested in the framework of a supervisory procedure.

d) Law No. 28/20, of 22 July - Amendment to the Labour Income Tax Code (CIRT)

(i) Redefinition of the tax brackets and updating of the withholding tax rates applicable to income from group A, whose ceiling rate is increased to 25%.

e) Law No. 20/20, of 9 July - Property Tax Code (CIP)

(i) Henceforth, it becomes mandatory to present a copy of the lease agreement of the leased property, duly sealed, at the Tax Office, within 10 days from the date of its execution. Failure to comply with this obligation is punishable by fines and interest of 25% and 1% per month, respectively;

(ii) Transfers and leases of any immovable properties are exempt from VAT;

(iii) Property Tax on the ownership of the property is due by March of the following year and can be paid in up to six consecutive instalments.

UKRAINE-RUSSIA CONFLICT

The geopolitical tensions in Eastern Europe, gave rise in early 2022, to the recent conflict between Russia and Ukraine, with the

same having a strong impact on the world economy.
Although the magnitude and consequences are still uncertain, the simple fact that Russia and Ukraine are major exporters of energy and food goods, could influence the evolution of various markets.

Currently, the prices of food and energy products have been rising steadily since the beginning of the conflict, and due to the sanctions imposed by the European Community, the United States and Canada, among others, and with the general boycott of Russian products, it is possible that the prices of many goods will continue to rise, contributing to the evident inflationary pressures that have been observed and for which the Member States are studying mitigation measures. However, given that the Bank has no operations with entities based in these countries, the direct impacts of this situation are immaterial.

COVID-19

The spread of the disease resulting from the novel coronavirus (Covid-19) was declared a pandemic by the World Health Organisation, which significantly affected the world and Angolan economies, particularly as the recession deepened.

As a result of the effects of the pandemic, measures to combat the pandemic were decreed on a global level, such as widespread shutdowns for some time. One of the main risks of the prolonged shutdowns is that a credit crunch may ensue, but for financial analysts this scenario has been less severe than previously expected, in part due to the swift and decisive action taken by governments and central banks around the world. Among the measures implemented were loan guarantees, greater liquidity, easier access to credit for companies, and other actions to protect companies and workers.

In the wake of the declaration of a State of Emergency and the establishment of specific exceptional measures to prevent and control the spread of the COVID-19 pandemic, a series of measures outlined in BE's Contingency Plan were implemented, aimed at preventing and mitigating the risks associated with the spread of the virus. This involved adopting measures to safeguard the lives and health of Employees and their safety conditions through the provision of preventative information and appropriate means of protection, keeping essential services running, and ensuring the operability and functioning of infrastructures.

Presently, the pandemic is still active worldwide and its evolution is still uncertain, which could affect the evolution of the Angolan economy and, consequently, the achievement of the main accounting estimates used by the Board of Directors in the preparation of the Bank's financial statements.

It should be noted that the Bank's Board of Directors considers that these events listed above, which occurred after the closing of the reference date of 31 December 2019, should not impact the Financial Statements at that date, as they are non-adjustable subsequent events.

NOTE 39 - NEWLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW STANDARDS AND INTERPRETATIONS APPLICABLE TO 2019

IFRS 16 - Leases
On 13 January 2016, the IASB issued IFRS 16 - Leases, which is mandatory for application in periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 is also adopted. This standard replaces IAS 17 - Leases.

The standard (IFRS 16) sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet in line with a single model.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements of the standard.

The impacts of this adoption are shown in Note 2.

IFRIC 23 (interpretation) Uncertainty over income tax treatment
On 7 June 2017, IASB issued an interpretation on how to deal, from an accounting perspective, with uncertainties about the tax treatment of income taxes, especially when the tax legislation requires a payment to be made to the authorities in a tax dispute and the entity intends to appeal the ruling in question that led to making such a payment.

The interpretation established that the payment can be considered a tax asset, if related to income taxes, in accordance with IAS 12, applying the probability criteria set by the standard as to the favourable outcome in favour of the entity on the matter in dispute.

IFRIC 23 is mandatory for the fiscal year beginning on or after 1 January 2019 and may be adopted early.

The Bank has not made any significant changes in the adoption of this interpretation.

NEW STANDARDS AND INTERPRETATIONS APPLICABLE TO 2019 ONLY IF ADOPTED IN ADVANCE

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 1 and IAS 8 (changes), Definition of material (to be applied for fiscal years beginning on or after 1 January 2020). The purpose of this change to the standard is to clarify the definition of material and to make it consistent with all International Financial Reporting Standards.

Interest Rate Benchmark Reform
On 26 September 2019, IASB issued changes to IFRS 9, IAS 39 and IFRS 7. The purpose of this reform is to address the financial reporting consequences of the reform of interest rate benchmarks in the period prior to the replacement of an existing interest rate benchmark with an alternative benchmark. (to be applied for fiscal years beginning on or after 1 January 2020).
Amendments to References to the Conceptual Framework in IFRS
In March 2018, IASB issued a comprehensive set of concepts for financial reporting. These amendments aim to update references in various standards and interpretations to previous frameworks, replacing them with references to the revised conceptual framework (to be applied in fiscal years beginning on or after 1 January 2020).

No material impacts on the Bank's financial statements are expected from the application of these standards and changes.

NOT APPLICABLE IN 2019

The following standards, interpretations, amendments and revisions whose application is mandatory in future fiscal years:

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.

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE 2019 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 fiscal year ended 31 December 2019.

2. We monitored the year-end closing of accounts and were provided by the Board of Directors and the Independent Auditor (Ernst & Young Angola Lda) with the information and clarifications required for issuing our opinion.

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. From a careful analysis of the Annual Report, we would point out Note 37 Relevant Facts, which describes in detail the steps taken until the approval by BNA of the Recapitalisation and Restructuring Plan ("PRR" or "Plan") of Banco Económico, on 21 December 2021 and which culminated with the universal General Meeting of shareholders, held on 15 February 2022. This meeting saw the approval of all the points submitted for appraisal that materialise the said Plan, which, to date, is still in the implementation phase.

5. In this context, we express our concern over the uncertainties constraining the continuity of Banco Económico's normal business activities, even with the successful implementation of the measures of the PRR - Recapitalisation and Restructuring Plan, namely with regard to obtaining the necessary and sufficient levels of liquidity for the balanced and smooth operation of the institution.

6. Thus, it is our Opinion that the Financial Statements and accompanying Annexes and Notes, read together with the Independent Auditor's Opinion, namely the quantified Reserves therein, provide an accurate picture of the financial position of Banco Económico S.A. as at 31 December 2019 and that they should be approved by the Shareholders.

7. 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, 9 May 2022

The Supervisory Board

Mazars Angola, Lda
Auditores & Consultores, Lda.

[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

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Independent Auditor's Report

To the Board of Directors
of Banco Económico, S.A.

Introduction

1. We have audited the accompanying separate financial statements of Banco Económico, S.A. ("Bank"), comprising the Statement of Financial Position as at 31 December 2019 (which demonstrates a total of 1,242,758,408,000 kwanzas and a total negative equity of 490,553,071,000 kwanzas, including a negative net profit of 531,183,440,000 kwanzas), the Profit-and-Loss Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year ended on said date, as well as 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 entity'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., currently Investpar - Investimentos e Participações, S.A. 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. As a result of these agreements, as at 31 December 2019, the item "Other assets" includes the amount of 451,627,360,000 kwanzas (2018: 619,510,897,000 kwanzas), net of impairment losses of 669,334,900,000 kwanzas (2018: 19,064,674,000 kwanzas), with the accrued impairment losses recorded for the year amounting to 610,054,321,000 kwanzas (2018: 19,064,674,000 kwanzas).

   As described in Note 16, the recorded amount of impairment losses was determined considering the results of the Asset Quality Assessment ("AQA") programme promoted by Banco Nacional de Angola, having identified limitations on those results, most notably i) the fact that the assessment was made with reference to 31 December 2018 and ii) the circumstance that the recoverability of this asset is based on the future sale of real estate assets, including those associated with the assigned credits, by Investpar. In addition, we have not yet received a reply to our request for an outside confirmation of the balances with Investpar recognised under "Other assets" (Note 16) and "Other liabilities" (Note 21), amounting to 1,120,962,259,000 kwanzas and 58,275,360,000 kwanzas, respectively. In view of the above, we are unable to draw any conclusions as to the possible effects of these matters on the financial statements as at 31 December 2019.

7. As at 31 December 2019 (i) the on-balance sheet loan portfolio subject to collective impairment analysis amounts to 38,552,479,000 kwanzas (2018: 41,642,533,000 kwanzas) net of impairment in the amount of 8,402,921,000 kwanzas (2018: 7,683,695,000 kwanzas) and (ii) off-balance sheet liabilities relating to guarantees provided and other commitments subject to collective impairment analysis amount to 28,829,170,000 kwanzas (2018: 26,879,229,000 kwanzas) net of provisions in the amount of 414,626,000 kwanzas (2018: 4,226,582,000 kwanzas). As mentioned in Note 2.5 of the Notes to the financial statements, the implementation of the impairment model is conditioned by limitations related to collective analysis, which we believe have not been properly overcome. As such, in view of the information available, we were unable to conclude on the effects of these limitations on the quantification of the accumulated credit impairment losses and provisions for guarantees provided and other commitments, respectively, in the amounts of 8,402,921,000 kwanzas and 414,626,000 kwanzas (2018: 7,683,695,000 kwanzas and 4,226,582,000 kwanzas) as well as on the impairment losses for customer loans net of reversals and recoveries recorded in the profit-and-loss statement in the amount of 31,666,305,000 kwanzas (2018: 58,602,894,000 kwanzas).

8. As at 31 December 2019, the balance of "Current tax assets" includes the amount of 1,450,599,000 kwanzas, referring to a receivable arising from the provisional settlement of Industrial Tax carried out in the 2019 fiscal year. We have not obtained sufficient and appropriate audit evidence to allow us to conclude on the recoverability of this asset.

9. As at 31 December 2019, the item "Investments at amortised cost" includes public debt securities amounting to 15,706,623,000 kwanzas (2018: 15,552,796,000 kwanzas), which mature in 2040 and are yielding interest at an annual rate of 5%. In the absence of comparable market transactions that would qualify for fair-value determination at the initial time, which refers to 2016, the Bank used the valuation technique disclosed in Note 2.1 to the financial statements to determine it. However, we found that the assumption related to the inflation adjustment has not been duly applied, so the item "Investments at amortised cost", retained earnings and net profit for the year are overstated by amounts that we estimate at approximately 6,139,033,000 kwanzas (2018: 6,021,292,000 kwanzas), 6,021,292,000 kwanzas (2018: 5,997,904,000 kwanzas) and 117,741,000 kwanzas (2018: 23,488,000 kwanzas), respectively.

10. Our audit report on the financial statements as at 31 December 2018, issued on 7 August 2019, includes a reservation for disagreement regarding the failure to apply adjustments to the value of non-monetary assets to reflect the provisions of IAS 29 - Financial Reporting in Hyperinflationary Economies when an economy ceases to be

considered hyperinflationary. As in the prior year, we have not obtained sufficient information to enable us to accurately quantify the effects of this situation on the Bank's financial statements as at 31 December 2019, which we understand to be material but not far-reaching.

11. These financial statements relate to the Bank's separate activity and their presentation should have been prepared before, or together with, the consolidated financial statements which, considering that the Bank has investments in subsidiaries, are required by International Financial Reporting Standards. On this date, the referred consolidated financial statements are not yet prepared.

Qualified Opinion

12. In our opinion, except for the possible effects of the matters described in paragraphs 6 and 8 and in paragraphs 9 to 11 of the "Basis for Qualified Opinion", the separate financial statements referred to in paragraph 1 above present fairly, in all material respects, the financial position of Banco Económico, S.A., as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

13. Without altering the opinion expressed in the preceding paragraph, we draw attention to the fact that the Bank has negative equity as at 31 December 2019, following the loss recorded for the year, before factoring in the potentially negative effects of the matters referred to in paragraphs 6 to 11 of the "Basis for Qualified Opinion". In this context, we also point out the matters mentioned in Note 37 of the Notes to the financial statements which describe, among other aspects, the risks and uncertainties associated with the execution of the Bank's Restructuring and Recapitalisation Plan ("PRR") submitted by the Board of Directors and approved by Banco Nacional de Angola in December 2021. The aforementioned circumstances, together with the other aspects described in Note 37 of the Notes to the financial statements, indicate a material uncertainty that could jeopardise the Bank's ability to continue pursuing its normal course of business.

Luanda, 12 May 2022

Ernst & Young Angola, Lda. Represented by:

[initials] [initials]

Daniel José Venâncio Guerreiro (Statutory Auditor no. 20130107)

Sílvia Silva
Partner