ANNUAL REPORT 2020

The future inspires us

Banco Económico

We are the future

CONTENTS

01

HIGHLIGHTS IN 2020

1.1. Main Events
1.2. Main Indicators
1.3. About Us
1.4. Corporate Governance
1.5. Strategy and Evolution of Operations

1.1 MAIN EVENTS

The year 2020 was marked by the COVID-19 pandemic and its impacts on the global economy, with specific repercussions for Angola. In this context, Banco Económico sustained efforts to maintain banking operations and service levels, ensuring the integrity of its human capital and Customers.

Despite the approval of recapitalisation and the adverse economic conditions, management remained committed to implementing the Bank's Strategic Restructuring Plan. The restructuring plan aims to review the Bank's position to align it with banking trends, focusing on the segments with higher potential, reducing the risk profile, and adjusting the cost structure to the new dimension.

222,900
CUSTOMERS TOTAL
+30% compared to 2019

1,589,389 Million AOA
CUSTOMER DEPOSITS
12% compared to 2019

4,875
ACTIVE APTs
+17% compared to 2019

137,687 Million AOA
NET OPERATING INCOME
-5% compared to 2019

1,593,121 Million AOA
TOTAL ASSETS
28% compared to 2019

1.2 MAIN INDICATORS

Amounts in Thousand AOA	Dec. 19	Dec. 20	Var. 19-20	Var. % 19-20
Total Assets	1,242,758,408	1,593,121,414	350,363,006	28%
Loans and Advances to Customers	94,172,137	80,192,857	-13,979,280	-15%
Customer Deposits	1,415,852,704	1,589,389,247	173,536,543	12%
Equity	-490,553,071	-628,320,686	-137,767,615	28%
Net Operating Income	145,065,801	137,687,123	-7,378,677	-5%
Net Operating Income/ Employees	139,085	139,078	-7	0%
Net Interest Income	9,614,585	-35,157,103	-44,771,689	-466%
Complementary Margin	135,451,215	172,844,227	37,393,011	28%
Staff Costs	13,965,910	16,807,226	2,841,316	20%
Structural Costs	27,751,068	30,670,145	2,919,078	11%
Net Income	-531,183,440	-137,797,315	393,386,125	-74%
Return On Assets (ROA)	-42.70%	-8.60%	-	0
Return On Equity (ROE)	N/A	N/A	-	N/A
Cost-to-Income	19.13%	22.28%	-	0
Total Assets/ Employees	1,191,523	1,609,214	417,691	35%
Transformation Ratio	15.60%	12.30%	-	0
Regulatory Solvency Ratio	-29.00%	-22.00%	-	7%
Overdue Loans	124,302,314	86,866,593	37,435,721	30%
% Overdue Loans	56%	44%	-	-12%
% Total Hedging	1	1	-	2%
Number of Branches	79	79	0	0%
Number of Active ATMs	94	97	3	3%
Number of Active APTs	4,153	4,875	722	17%
Number of Active Cards	84,956	86,643	1,687	2%
Number of Employees	1,043	990	-53	-5%
Number of Customers	171,699	222,900	51,201	30%

1.3 ABOUT US

Banco Económico ('BE') is one of the leading banks in Angola, based on its volume of assets.

BE has a broad value proposition with a differentiated market positioning, focusing on the Corporate and Private segments. The Bank is committed to providing excellent service to its Customers, supported by specialised business areas and dedicated proximity managers.

Banco Económico's presence is consolidated through a combination of branches, corporate centres, service points, Umoxi centres (Affluent), Private, Institutional, and Top Corporate centres in 17 provinces across the country.

BE also stands out for its important Trade Finance legacy, as it is the first Angolan bank to become a member of the International Chamber of Commerce (ICC).

The Bank's management is committed to the sustainable development of its activity, continuously investing in the training of its human capital, for the benefit of the development and diversification of the Angolan economy.

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

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)

Degree in Economics

Work Experience

- Minister of Economy 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)

Degree 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 Banco Nacional de Angola

JOÃO SALVADOR QUINTAS
(CHIEF EXECUTIVE OFFICER)

Degree in Business 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)

Degree 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)

Degree 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)

Degree in Business 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)

Degree in Economics

Work Experience

- Executive Chairman of Económico Fundos (Banco Económico Group)
- Coordinating Manager of the Investment Banking Division of Banco Económico
- Central Manager and Advisor to the Executive Committee of Banco Espírito 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 (currently *Euronext Nyse Lisbon*))

ALICE SOPAS PINTO DA CRUZ
(NON-EXECUTIVE DIRECTOR)

Degree in Business 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)

Degree 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.

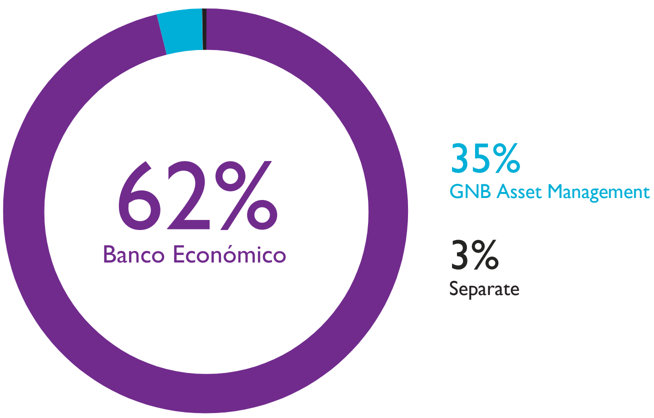
Among the directors, those who carry out executive duties of everyday management work exclusively for the Bank, with the exception of Arlindo Rangel, who is a member of the Supervisory Board in another company.

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

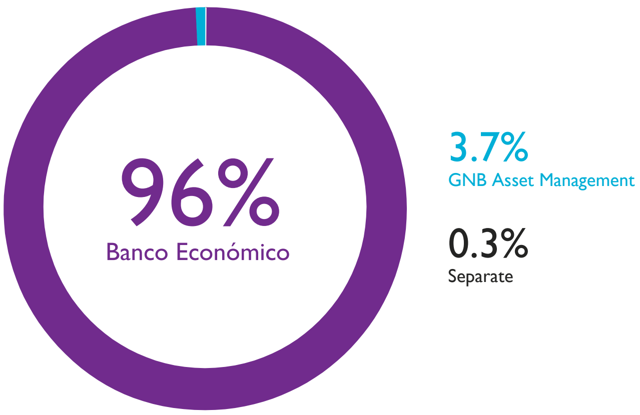


ECONÓMICO FUNDOS DE INVESTIMENTO

Económico Fundos de Investimento - Sociedade Gestora de Organismos de Investimento Colectivo S.A. ('EFI_SGOIC') commenced its activity on 21 April 2008, with the purpose of establishing and managing collective investment undertakings (OICs) held in custody and distributed through Banco Económico, as well as providing discretionary portfolio management services to Customers.

Its capital structure is mainly controlled by Banco Económico.

Shareholding in Económico Fundo de Pensões

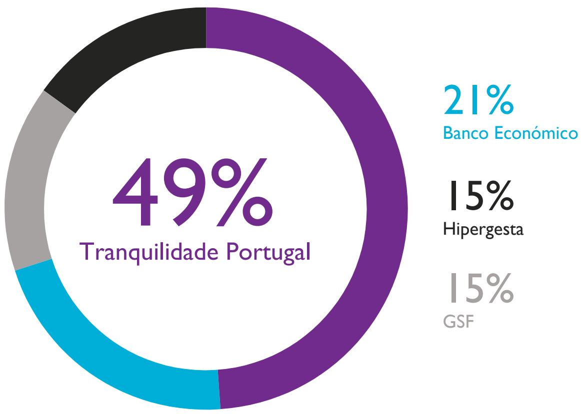


ECONÓMICO FUNDO DE PENSÕES

Económico Fundos de Pensões - Sociedade Gestora de Fundos de Pensões, S.A. ('EFP-SGFP') commenced its activity in April 2009, with the purpose of establishing and managing pension funds.

Its capital structure is mainly controlled by Banco Económico.

Shareholding in Tranquilidade



TRANQUILIDADE

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

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

1.4 CORPORATE GOVERNANCE

Banco Económico continues in the process of consolidating 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 Capital 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.

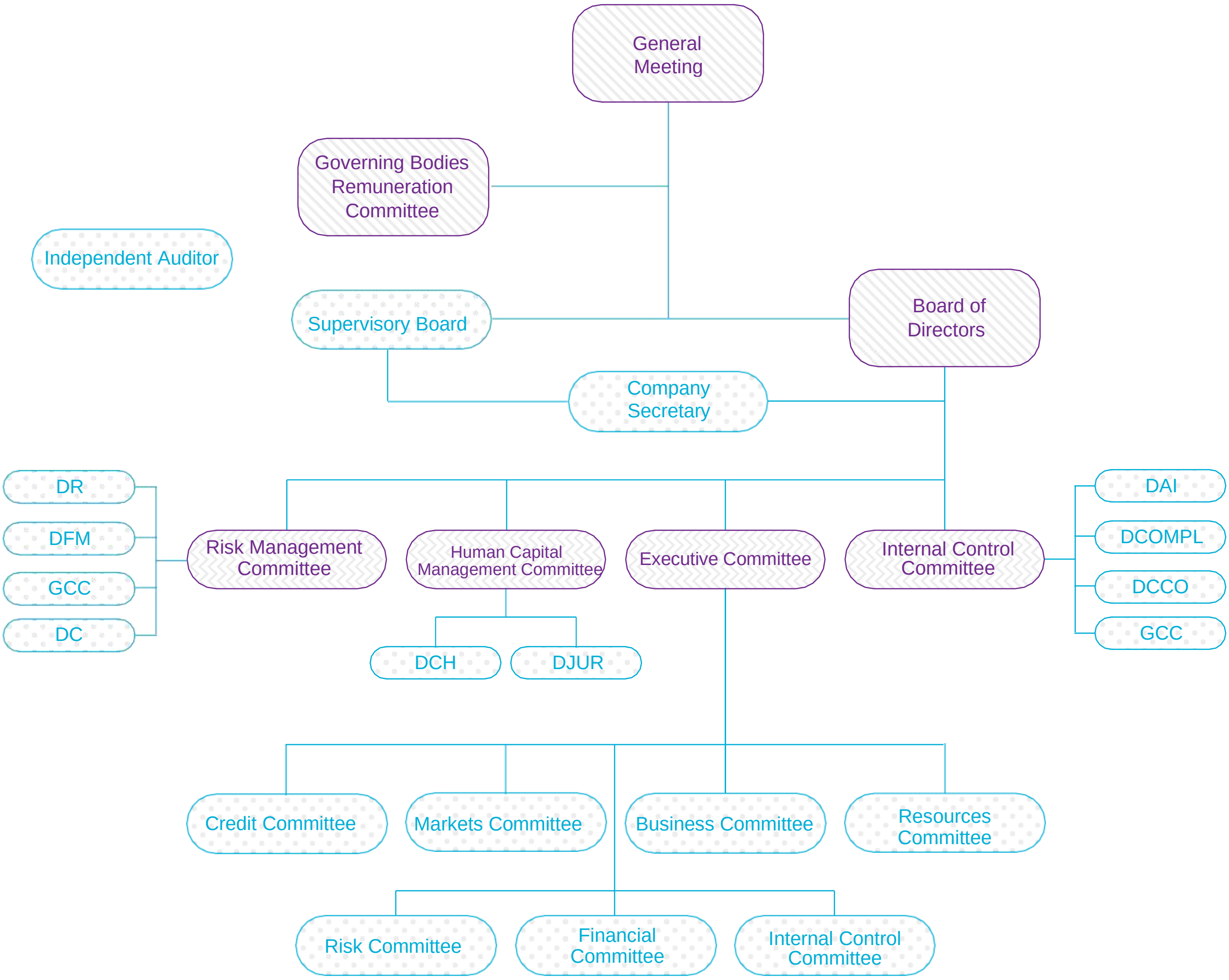
GOVERNANCE MODEL

Banco Económico's corporate governance is based on the traditional Latin model laid down by law, based on the General Meeting of Shareholders ('GM'), which appoints the members of the other governing bodies, the Board of Directors ('BoD'), responsible for corporate management, and the Supervisory Board ('SB'), in charge of supervising 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 directors are distributed across BoD Committees (where non-executive directors are predominant) and EC Committees (exclusively composed of executive directors).

The functioning of the Bank's bodies is 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 institution's official website.

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. Among its competencies, the following stand out:

- 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.

Composition of the Board of Directors for the four-year term 2019/2022

	Board of Directors	Executive Committee	Internal Control Committee	Risk Management Committee	Human Capital Management Committee
Pedro Luís da Fonseca	Chairman				Chairman
António Manuel Ramos da Cruz	Vice-Chairman		Chairman	•	•
João Salvador Quintas	•	Chairman			•
Henda N'zinga Pires Teixeira	•	•			•
Arlindo das Chagas Rangel	•	•		•	
José Alves do Nascimento	•	•		•	
Jorge Pereira Ramos	•	•		•	
Alice Sopas Pinto da Cruz	•		•	Chairman	
Atandel Josua Dombolo Chivaca	•		•	•	

As part of its duties, and in addition to the Executive Committee, the Board of Directors also has three specialised committees, which were constituted in November 2018 and began their duties in January 2019.

COMMITTEES OF THE BOARD OF DIRECTORS

INTERNAL CONTROL COMMITTEE

Composed of non-executive members of the Board, appointed by the same Body for a period of four calendar years, coinciding with the mandate of the Board of Directors, which delegates the following competencies to it:

- 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 Foreign 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

Presents a balanced composition of executive and non-executive members, 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 Institution'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 relevant risk categories in the Institution, namely credit, market, liquidity, operational, strategic and reputational risks, 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 CAPITAL MANAGEMENT COMMITTEE

It is composed of both executive and non-executive directors and has the following competencies:

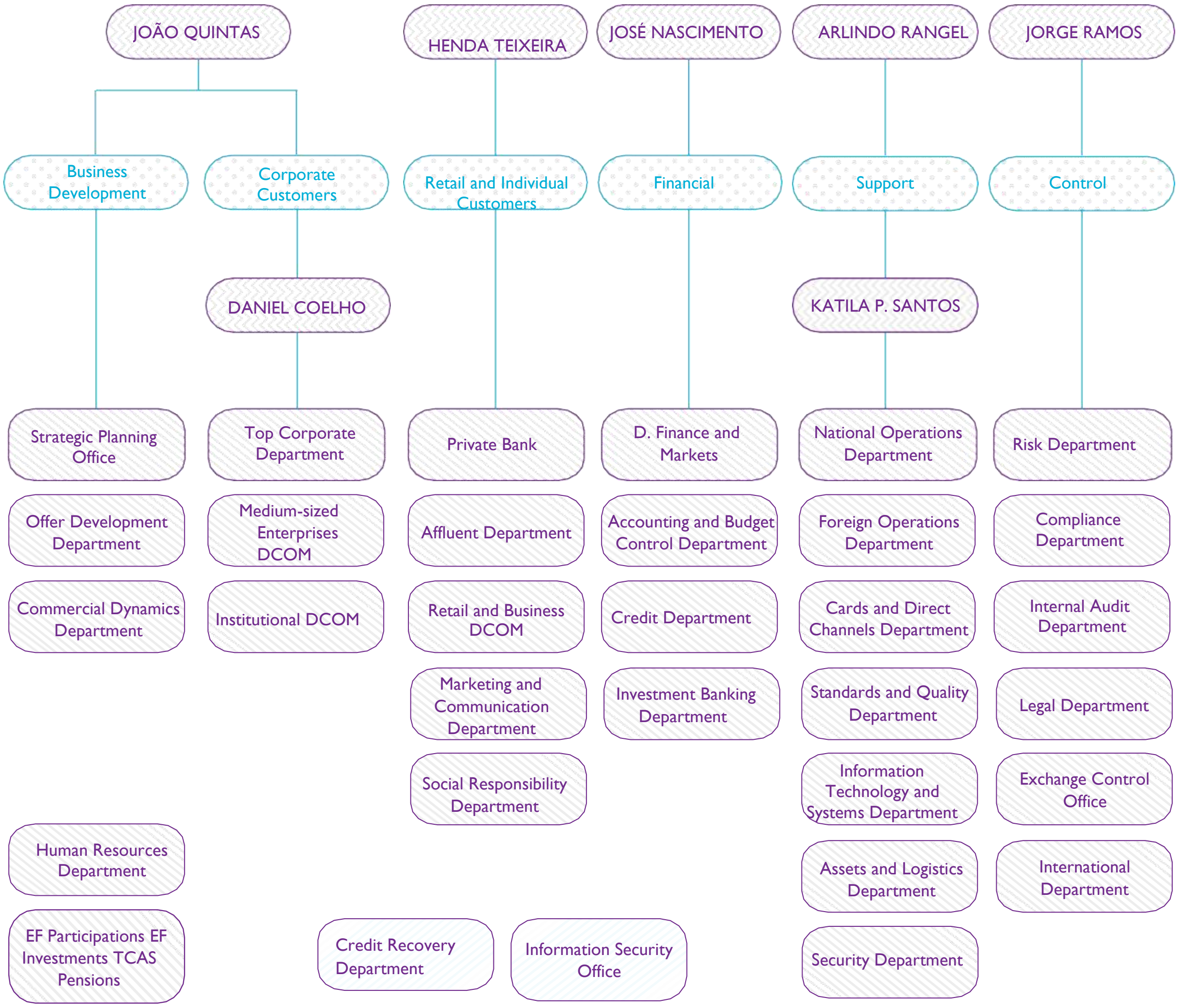
- Outline, formalise, implement and review the remuneration policy for the Institution;
- Outline Employee remuneration policies and processes, suited to its culture and long-term strategy, considering business, risk and market conditions aspects;
- Support and supervise the establishment and implementation of the Employees' evaluation policy and processes;
- Outline 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 exercises all day-to-day management powers of the Bank, except those which, by the act of delegation of powers of the Board of Directors, pursuant to the law and the Articles of Association, are exclusive to the Board of Directors.

It is made up of five members, who distribute areas of responsibility as follows:

Distribution of Responsibilities - 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 Meeting of Shareholders.

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 a sufficient number of members of the Executive Committee 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

Department(s): Credit Department; Commercial Departments and Human Capital Department;

BUSINESS COMMITTEE

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

Frequency: Monthly

Department(s): Offer and Dynamics Department; Commercial Departments; Cards and Direct Channels Department; Investment Banking Department; Standards and Quality Department and national and foreign operations departments.

MARKETS COMMITTEE

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

Frequency: Weekly

Department(s): 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.

Frequency: Bimonthly

Department(s): 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, quality and operational performance model, monitors the implementation of the Operational Transformation Plan, and monitors the evolution of the IT and organisational project portfolio, as well as the maintenance of the Business Continuity Plan and Disaster Recovery exercises ; **Frequency:** Bimonthly

Department(s): Standards and Quality Department; National Operations Department; Foreign Operations Departments; Information Systems Technology Department; Security Department; Human Capital Department; Assets and Logistics Department; Cards and Direct Channels Department; Accounting and Budget Control Department.

RISK COMMITTEE

Analyses the loan and capital portfolio, monitors the main impaired operations, and ensures the implementation of risk models and the evolution of exposure to each one, under the supervision of the Executive Committee. **Frequency:** Quarterly

Department(s): Risk Department; Credit Department; Compliance Department; Accounting and Budget Control Department; Financial Department.

INTERNAL CONTROL COMMITTEE

Analyses and deliberates on relevant issues related to the Bank's activity linked to the control environment and compliance risks, internal audit, operational, security, and legal riskd.

Frequency: Quarterly

Department(s): 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, namely the acts carried out by the Board of Directors, including and especially its Executive Committee.

It is composed of a Chairman and two members, with an independent majority, i.e. not associated with any specific interest group related to the Bank nor being under any circumstances likely to affect their impartiality of analysis or decision-making.

EXECUTIVE COMMITTEE

Throughout financial year 2020, the committee held five meetings, attended by all its members, who have demonstrated their availability to perform their duties, despite performing other functions outside the scope of the institution.

It is currently composed of:

- Carlos Freitas, Chairman, representing Sociedade Mazars Angola
- 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 Governing Bodies Remuneration Committee aims to outline, implement and review the remuneration policy for the members of the governing bodies, in accordance with Article 17 of Notice no. 1/13 of Banco Nacional de Angola.

The function is performed by the shareholder Geni, S.A.

INDEPENDENT AUDITOR

The Bank's independent auditor is Ernst & Young Angola, Lda., since December 2016. Currently, the partner responsible for the audit is Daniel Guerreiro, an expert accountant registered with the Angola Accountants and Certified Accountants Association (OCPCA), under no. 20130107, *Partner of* Ernst & Young Angola since 2016.

The hiring of the independent 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 on the Assessment and Periodicity of Rotation of Independent Auditors.

MAIN ETHICS AND CONDUCT POLICIES

CODE OF CONDUCT

With the aim of promoting a culture of transparent management free from conflicts of interest, the Bank has established a Code of Conduct, which describes the fundamental principles and rules of conduct that should be observed in the professional activity of the members of the Board of Directors and Supervisory Bodies, as promoters of an ethical culture within the institution, as well as other Employees, in their relationship 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.

Concerning the clarification of employees regarding its content and application, the Code of Conduct is monitored by the Compliance Department, which may, whenever necessary, seek assistance from other Departments, such as the Internal Audit Department and the Human Capital Department.

CONFLICT OF INTEREST POLICY

Considering the susceptibility to the occurrence of possible conflicts of interest, Banco Económico has established internal rules and procedures that require the behaviour of its Employees and members of the governing bodies to be guided by principles of ethical and deontological nature, reflecting the highest standards of moral and professional conduct.

This policy considers impartiality and independence as a priority in conducting and managing its business, aiming to prevent and manage conflicts of interest, in accordance with the legislation in force, both between the interests of the Bank and those of its Customers, or between the interests of its various Customers.

RELATED PARTIES POLICY

To ensure the independence of the Institution from its shareholders, considering the best Corporate Governance practices, Banco Económico has established 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.

WHISTLEBLOWING

Banco Económico has instituted a policy and procedures within the scope of the internal and external reporting of suspicious operations. All Employees are obliged to report suspicious operations to the Compliance Department, which in turn must inform 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 origin and destination of the funds and are reported to the UIF, including transactions divided into tranches which altogether reach that limit.

ANTI-MONEY LAUNDERING POLICY

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:

- Opening a contract or changing the holders of an existing contract, through what is known as KYC ('Know your Customer') procedures, i.e. verifiably ensuring the identification of the holders, representatives and actual beneficiaries.
- Monitoring the contract's transactionality, namely by identifying atypical situations, both in advance and by contacting the Customer after detecting the situation.
- The Bank constantly analyses its Anti-Money Laundering strategies, targets and goals, and maintains an effective AML programme for its business which reflects the best practices for a financial institution. Training courses are held regularly, in order to identify suspected Money Laundering situations, and which are also useful in fulfilling the Bank's legal and regulatory obligations.
- The prevention of Money Laundering and the fight against Terrorist Financing is one of the pillars of trust in the financial system, and, as such, this topic will be constantly monitored by Banco Económico.

1.5 STRATEGY AND EVOLUTION OF OPERATIONS

Banco Económico is historically a sound Bank (...)

CONTEXT AND EFFECTS OF THE ECONOMIC ENVIRONMENT

Banco Económico is historically a sound Bank, with a sustainable business model and strong participation in the Private and Corporate segments.

Upon its creation, BE inherited a significant exposure to the real estate sector from Banco Espírito Santo Angola (BESA), a sector that has been facing a severe crisis in Angola since 2015. Recognising this exposure and risk, efforts were made to address the situation by selling a number of real estate assets to the ENSA Group (GENSA).

Following GENSA's failure to comply with the payment of instalments related to this transaction, along with the suspension of the associated sovereign guarantee, the Asset Quality Assessment (AQA) ordered by the BNA revealed the need to reduce the market value of BE's assets through the recognition of impairments, reflecting the devaluation caused by the real estate sector crisis. As a consequence of these events, BE no longer complied with two regulatory requirements, the solvency ratios, and the foreign exchange exposure limit.

The need for recapitalisation arising from these adverse impacts is, therefore, a one-off situation in BE's history, caused by the exposure to assets whose provisioning requirements were recognised in the context of the AQA.

In 2020, BE, in close collaboration with the BNA and other Institutional entities, and with the support of a recognised external consultant experienced in this matter, worked on outlining a Recapitalisation and Restructuring Plan (RRP) to ensure its economic and financial sustainability and business continuity. However, the COVID-19 pandemic and its economic impacts have constrained the preparation, approval and implementation of the Plan.

BUSINESS STRATEGY

To ensure the soundness of the Recapitalisation Plan, Banco Económico undertakes to implement a Restructuring Plan. That plan will address the strong trends that will occur in the banking sector in Angola post COVID-19, including a greater focus on specific segments (to the detriment of 'universal' banks), reducing risk exposure, and increasing efficiency.

The Restructuring Plan follows three main principles stemming from the Recapitalisation Plan: it will be adjusted to the Bank's new balance sheet (after recapitalisation), aligned with the Bank's existing expertise, and also credible for potential investors.

Among other objectives, Banco Económico aims to become a reference in Angola by contributing to the increase in the banking penetration rate, supporting economic recovery through credit granting, creating around 1,000 direct and indirect jobs, and implementing Corporate Governance and Risk Management in line with the best international practices

The Bank will implement a Restructuring Plan that emphasises four major strategic objectives: Focusing on segments with the

- highest potential for value creation

- Reducing the risk profile
- Adjusting the cost structure to the Bank's new dimension
- Strengthening internal processes (Risk/Credit, Operations, Systems)

The implementation of these initiatives will result in a strategic shift for Banco Económico, becoming more focused on the segments where it has higher competencies and diversifying its resource profile with a low-cost approach for retail banking and the 'low mass market' (the unbanked population).

By adopting this approach, Banco Económico positions itself better to easily attract new stakeholders, as a focused bank differentiates itself from a more universal bank profile. Additionally, a focused Banco Económico will be able to develop its offer in a more dedicated and efficient manner, allowing it to gain competitive advantages over its competitors to capture more business in the future.

DEVELOPING KEY SEGMENTS

Anticipating the need for more focused banks in Angola, Banco Económico will leverage its existing expertise to focus on key business segments.

In this regard, Banco Económico's focus on the corporate segment will involve consolidating its position of close relationship in the Top Corporate and Institutional segments, investing also in supporting SMEs in more resilient sectors that are in line with the development priorities of the Angolan Government.

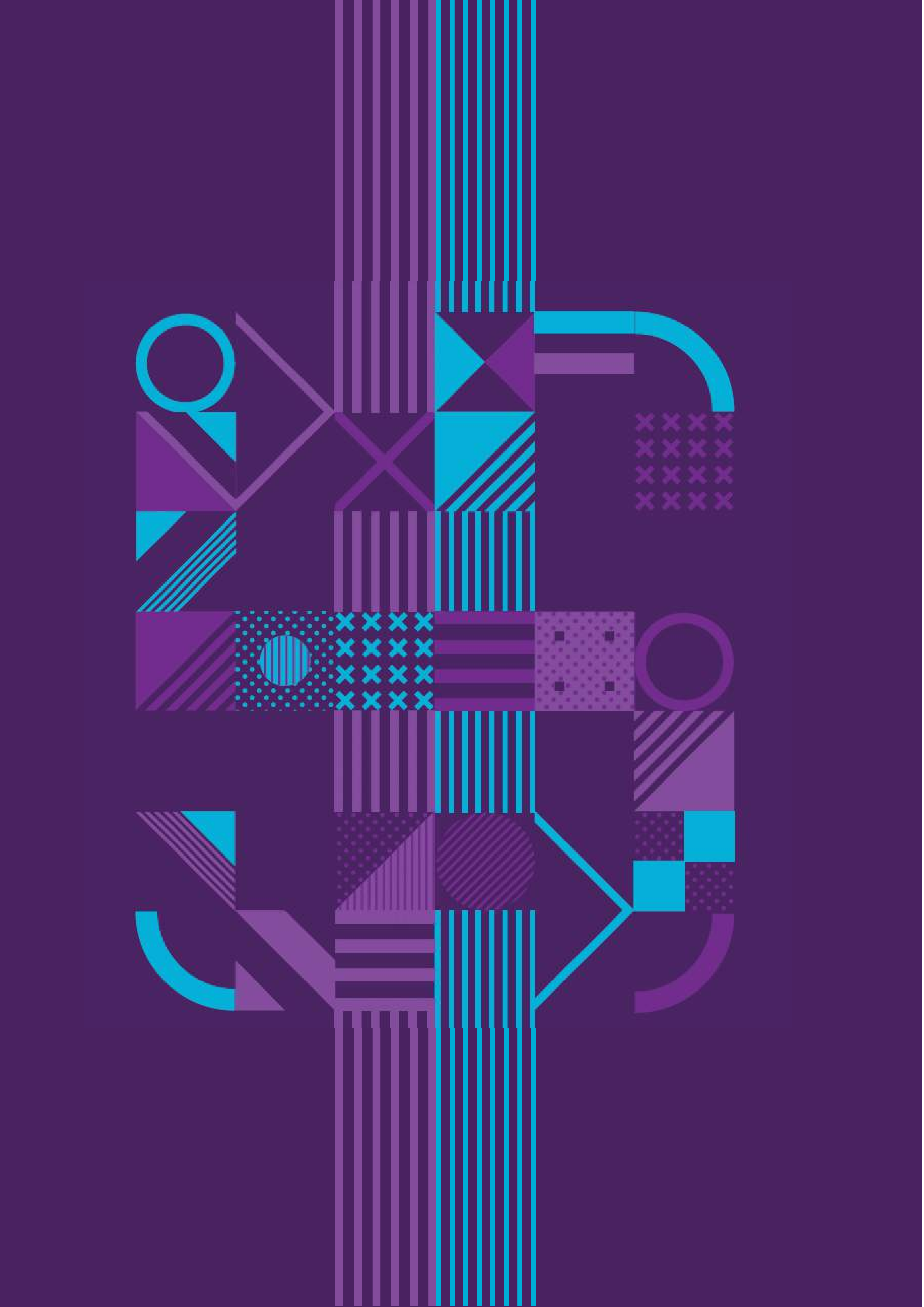
OPTIMISING THE STRUCTURE AND PROMOTING EFFICIENCY GAINS

Optimising the operational and organisational structure is also a priority for Banco Económico, in order to serve customers efficiently.

In terms of cost reduction, the Bank has already identified a number of areas where improvements will have a significant impact on accounts. This cost optimisation was defined based on banking costs benchmarks in Angola, with an ambition to rationalise the Bank's cost structure, both in terms of staff and external supplies and services.

In terms of operational efficiency, the Bank will introduce measures to simplify internal processes that minimise bureaucracy, thereby reducing response times to Customers to the best standards in Angola.

To ensure the aforementioned measures, Banco Económico also commits to reinforcing competencies in key areas of the Bank. This reinforcement will be carried out in key positions and will cover both the business areas (Business Development and Corporate) and the support areas (Financial and Markets, Credit and Risk).



02

MACROECONOMIC BACKGROUND

2.1 GLOBAL ECONOMY

The initial optimism of 2020, which pointed to prospects of 3.3% global economic growth driven by accommodative global monetary and fiscal policies, reduced uncertainties related to the Brexit, and easing of the trade tensions between the US and China, was immediately replaced by widespread scepticism due to the pandemic that affected the entire world, resulting in a considerable loss of lives and a global economic recession comparable only to the Great Depression.

The efforts to combat the pandemic, including the famous lockdowns, paralysed small businesses and entire supply chains, resulting in millions of people becoming unemployed and exacerbating social inequalities. On the other hand, the pandemic tested the capacity of local, national and multilateral institutions, and of the private sector, to respond and adapt to catastrophic impacts of this magnitude and stimulate an economic recovery resilient to the 'new normal'.

Current IMF estimates for 2020 point to a global economic contraction of -3.3%. In this context, Developed Economies, more dependent on tourism and exports, were more severely impacted, experiencing a 4.7% decline, with particular emphasis on the Eurozone with a -6.6% rate. Southern Europe economies, with less budgetary room to respond to the crisis, suffered an economic contraction of around 10%. The US economy managed to respond better and only declined by 3.5% compared to the scenario at the beginning of the pandemic. Emerging Economies contracted by 2.2%, with Asia and Western Europe reacting better than Latin America. China stood out, achieving a 2.3% growth. Lastly, it is worth highlighting Sub-Saharan Africa, which experienced a 1.9% decline, showing some resilience considering the international economic context.

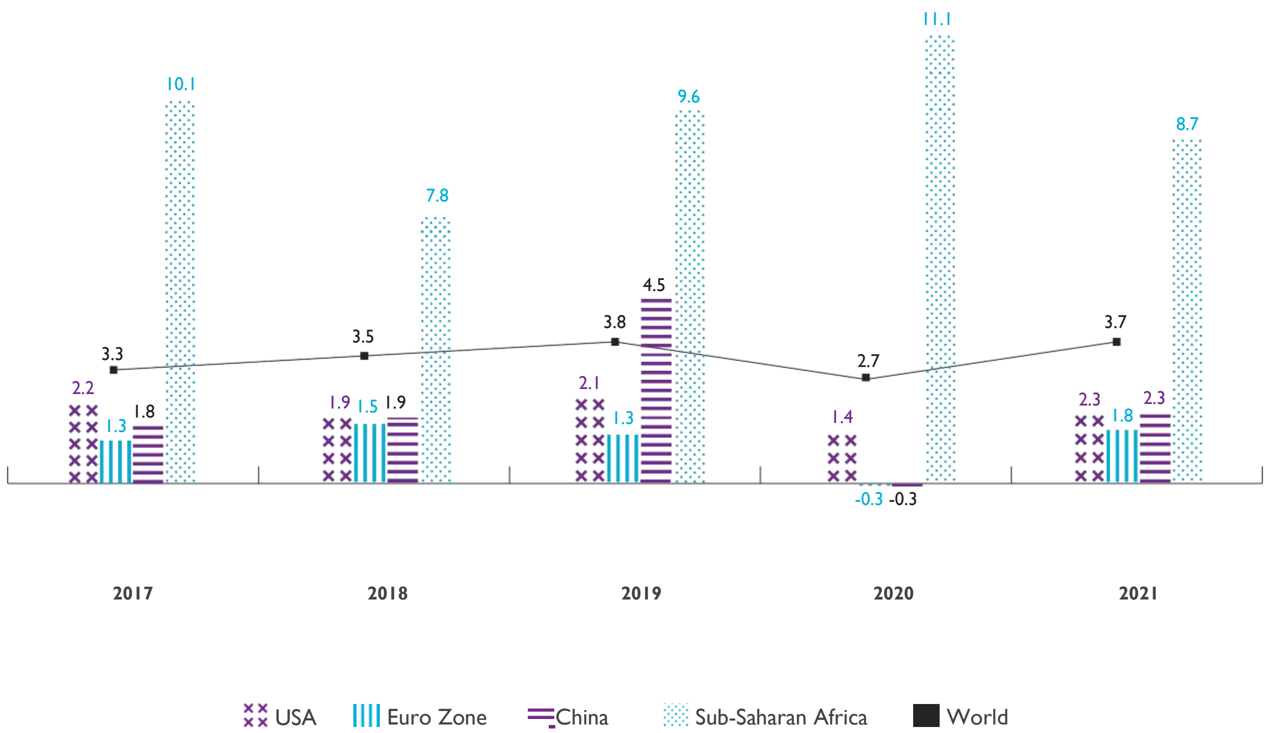
GDP growth rate (annual %)

In general, the last quarter of 2020 revealed growth statistics higher than previously presented, reflecting an economic recovery, as a result not only of the adaptation of economic agents to new ways of working, but also of the good pace of vaccination of the population and the various government and central bank supports. According to IMF estimates, the global downturn would have been three times worse if not for this last factor. But thanks to an unprecedented policy response, the 2020 recession will likely leave less damage than the 2008 global financial crisis.

In contrast to the real economy, the financial markets, despite their volatility, were very strong, driven, on the one hand, by the aforementioned economic stimuli and the expectation of a return to normal in the short term with the spread of vaccination, and on the other hand, by the good performance of companies linked to sectors that were highly favoured by the pandemic - such as the healthcare, pharmaceutical, and biotechnology sectors, and also the technology sector since the world turned to digital solutions, with teleworking, online shopping and entertainment, leading many digital platforms to double their value. There are two sides to this discrepancy: favourable financial conditions are vital for recovery, but significant divergences between the asset market values and economic prospects pose risks to financial stability.

Despite the high level of uncertainty surrounding the outcome of the pandemic, the recovery witnessed in the second half of 2020 indicates a faster recovery from the economic crisis and the public health crisis than initially expected. Current forecasts indicate an economic growth of 6% in 2021 and 4.4% in 2022. Still, this scenario carries many risks and challenges related to the divergence in the speed of recovery among countries/regions, the recovery potential for more persistent economic damages (structural damages), and the ongoing battle against the virus, which largely depends on vaccination efforts. Greater progress in vaccination can improve economic performance, while new virus strains that evade vaccines may lead to further setbacks in the growth trajectory.

Inflation rate (% per annum)

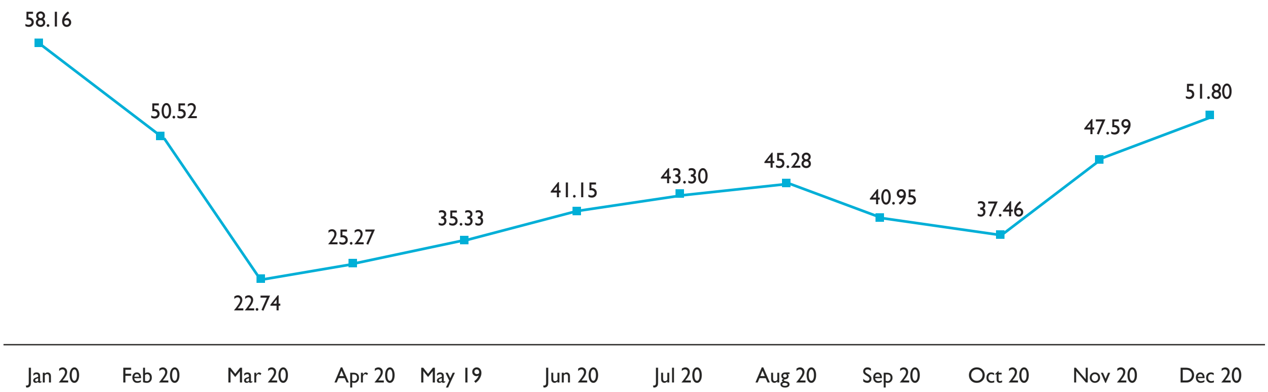


Among advanced economies, the US are expected to recover to pre-COVID GDP levels in 2021, while others may only achieve this milestone in 2022. Similarly, in emerging and developing economies, China managed to recover its pre-COVID GDP levels already in 2020, while other countries may only achieve this milestone in 2023.

OIL MARKET

Like other financial markets, the oil market also experienced a sharp drop in the first quarter, reaching a minimum of USD 19.33/barrel in April. From there, it entered a stable recovery cycle, ending the year at USD 51.34/barrel, a 165% increase compared to the minimum point. On the one hand, the swift and effective response by authorities worldwide encouraged investors to believe that the virus and resulting global lockdowns would not have significant impacts on medium-term global growth and, consequently, on the demand for oil and other commodities. On the other hand, OPEC and its allies also played a decisive role in stabilising prices when in April 2020 they agreed to a production cut of 9.7 million barrels per day, a historically unprecedented volume representing 10% of global supply. This cut was in effect in May and June, then extended until the end of July and was eased from August to December, at which point the group agreed to increase production by 500,000 barrels per day starting from January 2021. However, in annual terms the final result was negative for the oil price, which fell by 25% in 2020.

Oil price evolution (USD/Barrel)



2.2 ANGOLAN ECONOMY

According to the forecasts of the 2021 General State Budget (OGE), the Angolan economy experienced a decline in gross domestic product (GDP) in 2020, marking the fifth consecutive year of contraction. Compared to the same period of the previous year, the 2020 GDP declined by 3.6%, this time more influenced by external factors, particularly the sharp drop in oil prices on international markets coupled with a decline in local oil production. The fact that the economy was already weakened and lacked a larger budgetary cushion did not make it easier for the government and other institutions to take action, exacerbating imbalances in fiscal and external accounts.

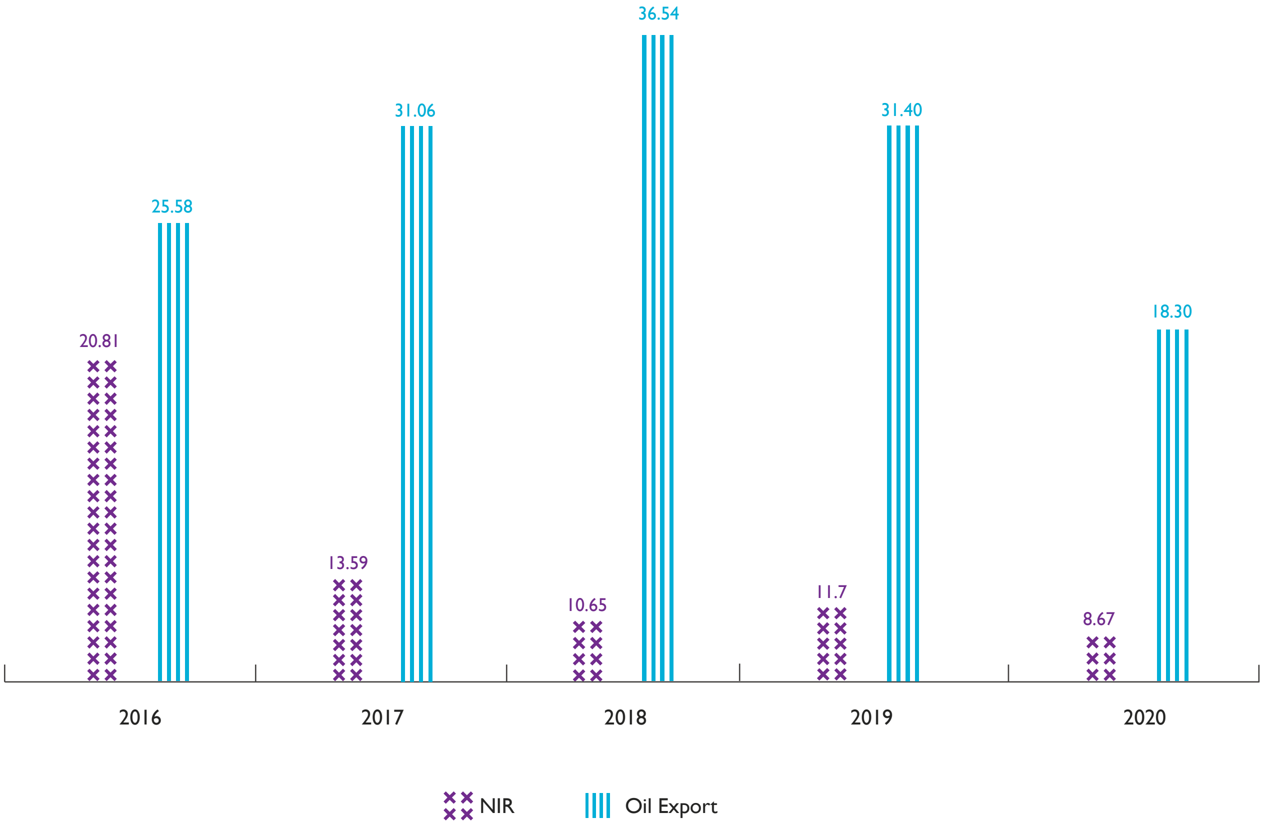
The drop in oil prices and the consequences of reduced investment in the sector in recent years led to a 7% decline in petroleum product, while non-oil product decreased by 2.1%. In terms of sectors, the mining (-12.3%) and market services (-3.3%) were the most affected by the crisis, while energy (+7.8%) and agriculture (+5.6%) achieved the best performances.

The inflation rate rose again and is expected to stand at 25% in 2020, largely due to the effect of imported inflation since the national economy remains highly dependent on imports of goods and services which, due to the devaluation of the Kwanza, have become more expensive.

Evolution of nominal GDP (AOA billion)

As expected, Net International Reserves (NIR) fell by 26% to USD 8.67 million. Despite the measures taken by the BNA, they were not sufficient to offset the effects of the decline in oil prices and the return to deficit balances in the Balance of Payments.

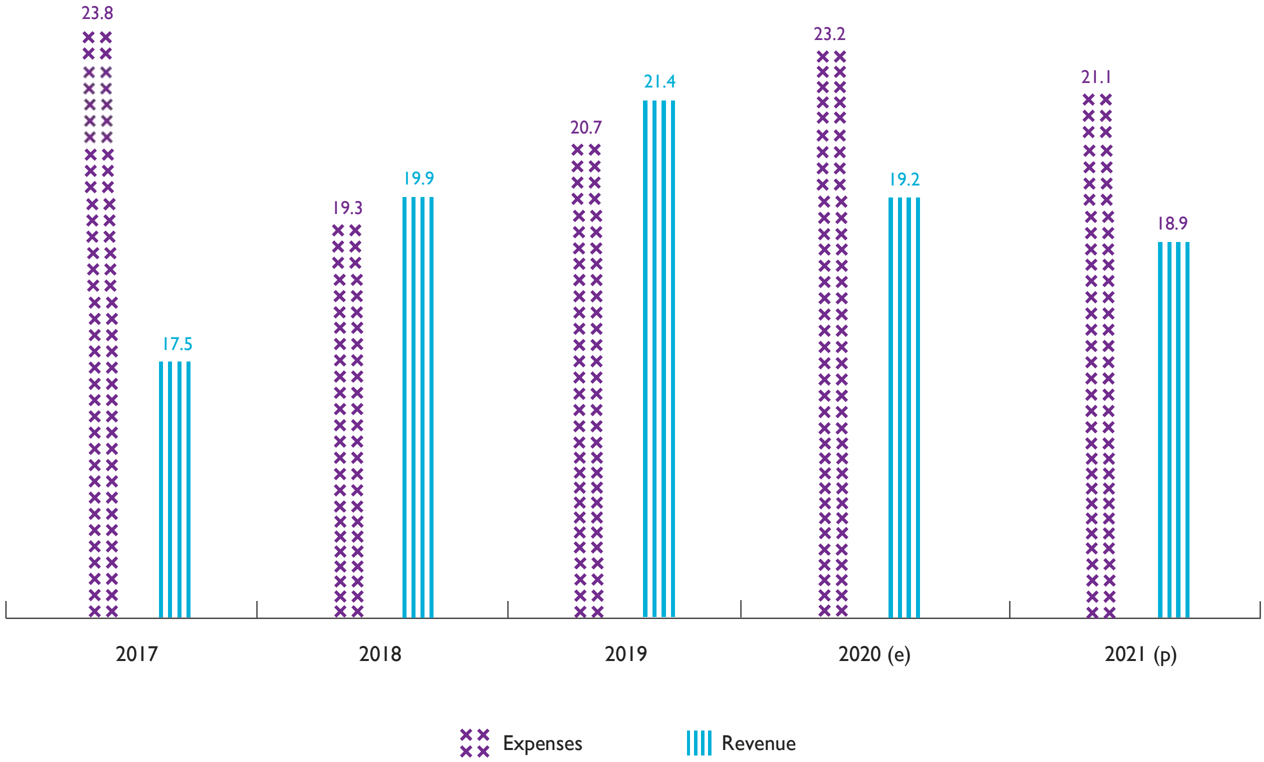
Evolution of NIRs and oil exports (Thousands USD)



In budgetary terms, the economic development after the first quarter had an impact on budget forecasts, due to both an increase in public expenditure and a reduction in expected petroleum and non-petroleum revenues. As a result, and despite the efforts to control public expenditure, it inevitably increased by 2.5 percentage points compared to the previous year, reaching 23.2% of GDP, while revenues decreased by 2.2 percentage points to 19.2% of GDP, resulting in a fiscal deficit of 4%. The current account ended up with a deficit of around 2% of GDP.

As a result, the ratio of public debt as a percentage of GDP is expected to reach 123% in 2020, 10 percentage points higher than the value recorded in 2019. This development is justified by several factors: (i) the contraction of GDP (a decrease in the denominator in itself raises the ratio even if the level of indebtedness remained constant), (ii) an increase in the need for financing to offset the decline in tax revenues, and (iii) the depreciation of the Kwanza, given that a considerable portion of the debt is denominated in Foreign Currency, the depreciation of the Domestic Currency increases the stock of debt when expressed in Domestic Currency.

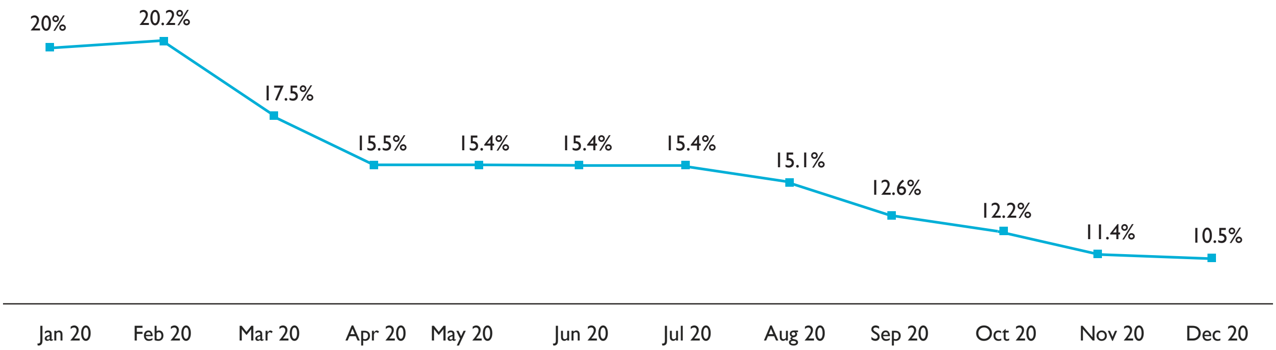
Evolution of expenditures and revenues (% GDP)



p= Forecast; e= Estimate

In monetary terms, the Central Bank's strategy was to encourage banks to channel liquidity into the market in order to stimulate the economy. The basic rate remained at 15.5%, the Required Rate in Domestic Currency remained at 22%, eliminating the deduction of Notes and Coins, the Required Reserve in Foreign Currency rose by 2 percentage points to 17%, and the seven-day Absorption Rate decreased from 10% to 7%. In addition, BNA (i) activated the Overnight Permanent Liquidity Facility up to AOA 100 billion, (ii) established a liquidity line with a maximum value of AOA 100 billion for the repurchase of government securities held by small and medium-sized enterprises, (iii) introduced a custody fee on commercial banks' excess liquidity held with the Central Bank, and (iv) suspended settlement limits per instrument for imports of essential food goods and medicines.

Evolution of the Luibor O/N Rate



In the Interbank Money Market (IMM), there was a significant reduction in interest rates. We highlight the Luibor overnight, which, after reaching a peak of 29.91% in December 2019, experienced a decrease of 1,830 pp in 2020, closing the year at 10.52%, a figure that hadn't been observed since June 2015. Decreases were more modest in the other maturities, around 500-600 pp, but they also hadn't risen as much in the previous year. In the bond market, Treasury Bills' (BTs) yields increased by 650 to 850pp, and the yields of non-adjustable Treasury Bonds rose on average by 150pp.

In the foreign exchange market, the domestic currency experienced another significant depreciation against the USD. After a 57% depreciation in 2019, the Kwanza experienced another 35% depreciation in 2020, ending the year at 656.410 against the USD. This movement was largely a result of the measures taken by the BNA to liberalise the foreign exchange market with the aim of making it more efficient, with exchange rates reflecting the country's actual foreign exchange needs, thereby significantly reducing the differential compared to the exchange rate in the parallel market. Among the measures taken, we highlight (i) the return to a model in which oil companies sell foreign currency directly to commercial banks, (ii) the adoption of Bloomberg's FXGO platform for recording all foreign exchange transactions, contributing to market transparency, and (iii) the reduction of the foreign exchange position limit for banks from 5% to 2.5%.

Angola's Main Indicators (2016-2021)

	2016	2017	2018	2019	2020	2021
Public Debt (% GDP)	75.7	69.3	89	95	129	100.
Public Expenditure (% GDP)	21.4	23.8	19.3	20.7	23.2	21.1
Δ NIR (%)		-35%	-22%	10%	-26%	8%
Investment (% GDP)	27.2	24.1	20.5	20.1	20.6	n/a
Inflation Rate (% Per Annum)*	30.7	29.8	19.6	17.1	25.0	18.7
Central Bank Interest Rate		1	2	3	4	
Luibor O/N	24.91%	16.40%	16.75%	28.82%	10.52%	n/a
Exchange Rate	165.903	165.924	308.607	482.227	649.911	744.180
☐ Exchange (%)		0.01%	85.99%	56.26%	34.77%	14.50%
Oil Price - OGE (USD/Barrel)	40.9	53.9	70.9	55	33	39
Oil Production (Barrel/day)		1,726.00	1,637.00	1,529.00	1,284.00	1,220.04

Source: IMF, BNA & GSB 2021
(*) Data from 2020 effective INE & Data 2021 OGE forecast

For 2021, similar to the forecasts for the rest of the world, the Angolan economy is expected to recover. The following forecasts are based on the 2021 OGE, which assumed an average oil barrel price of USD 39. Therefore, the non-oil economy is expected to grow by 2%, but the oil sector is expected to continue decreasing, primarily due to the natural depletion of certain fields and the lack of investment in exploration in recent years, with an expected drop of 6.2%, which overall will result in a flat growth for the national economy. Inflation is expected to decrease slightly to 18.7%.

(Sources: IMF, INE, BNA, OGE 2021, and Bloomberg)

Banco
Económico

03
BANCO ECONÓMICO

3.1 ACTIVITY IN 2020

Banco Económico is committed to providing an exceptional, unique and personalised experience to all its Customers by offering a distinctive and disruptive range of services focused on their needs.

With the aim of ensuring consistently high-quality service and a standard of excellence, the Bank upholds close and personalised, prompt and adaptable service that meets Customers' expectations, facilitated by its various business units: International Finance Department, Corporate Commercial Department, TOP Corporate and Oil & Gas Department, Institutional Commercial Department, Network Commercial Department, Private Banking Department, Affluent Department, and Investment Banking Department.

With the aim of providing an excellent and consistent experience to all Customers, in addition to the business units, the Bank offers its financial products and services through its direct channels (Contact Center, EconomicoNet, EconomicoNet App) 24 hours a day, 7 days a week.

Banco Económico takes on the responsibility for the country's development. The Bank acknowledges its role as an agent to support the development of businesses and projects, to solve the needs of Angolan consumers, and aims to continue providing the necessary solutions and opportunities for its Partners, Employees and Customers to achieve prosperity and growth.

COMMERCIAL BANKING

Throughout 2020, Banco Económico continued to strengthen its position in the Angolan banking sector by launching marketing campaigns aimed at promoting its products and services, with a significant emphasis on the efficiency of direct channels in a period of strict social isolation due to the COVID-19 pandemic.

This investment contributed to consumers' financial inclusion and resulted in a very positive evolution of the Bank's customer base. After experiencing a (5%) growth in 2019, the Bank achieved an exponential 30% growth in 2020, reaching a substantial total of 222,900 customers, with Retail Customers representing about 93% of the total customer base.

Bank's Customer Base (2019-2020)

	Number of Customers		Variation %
Type of Customer	2019	2020	
Corporate Customers	14,504	16,692	15%
Retail Customers	157,195	206,208	31%
Total	171,699	222,900	30%

GEOGRAPHIC COVERAGE - BRANCHES

The year 2020 was marked by the onset of the COVID-19 pandemic.

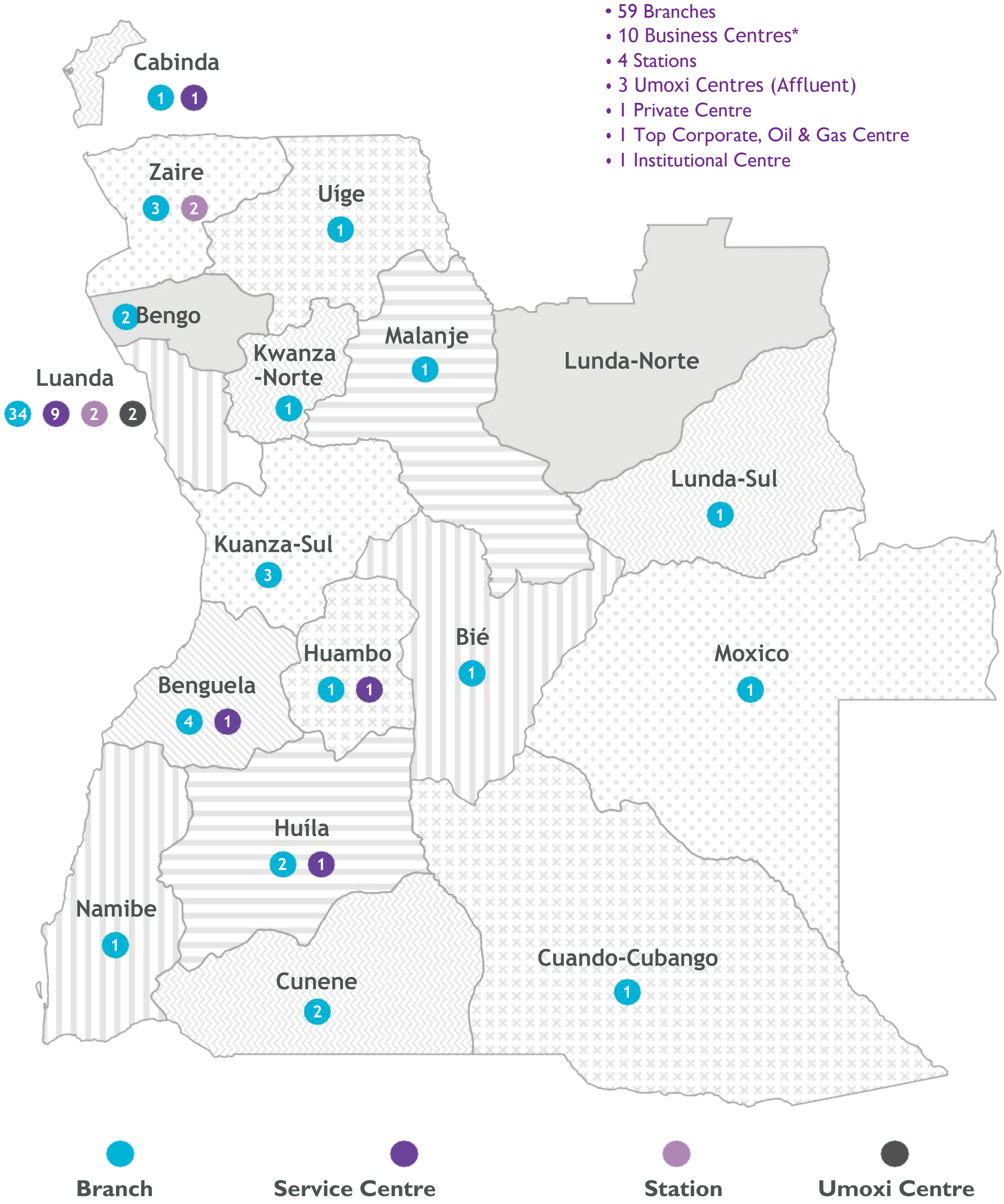
In order to maintain the Bank's operations with a focus on service efficiency, a specific Contingency Plan was implemented in response to the COVID-19 pandemic, in order to equip the institution with preventive, protective, and containment measures to curb the spread of COVID-19 among Employees, Customers, and Visitors.

In this regard, in order to minimise the impacts of the disease, the Bank had to implement measures that affected the usual work dynamics. These included the requirement for appointments for in-person meetings to limit the number of people at the counters, adjustments to service hours, mandatory hand and surface sanitisation, as well as the use of face masks. These measures ensured the uninterrupted operation of all its service points.

Present in 17 provinces of the country, and despite the pandemic situation, the Bank opened 1 Branch in the Huambo province, called Xyami Huambo Branch, bringing the total number of service points to 79, distributed as follows:

79 Service Points:

- 59 Branches
- 10 Business Centres*
- 4 Stations
- 3 Umoxi Centres (Affluent)
- 1 Private Centre
- 1 Top Corporate, Oil & Gas Centre
- 1 Institutional Centre



* Compared to the previous financial year, the Baixa and Alvalade Business Centres were merged into a single entity called the Headquarters Business Centre.

2020 IN NUMBERS

CUSTOMER DEPOSITS

The 2020 financial year was marked by a significant 12.26% growth in the amount of deposits at Banco Económico, reaching AOA 1,589 billion, compared to AOA 1,416 billion in 2019.

This change is justified by the capitalisation strategy which led to a 29.94% increase in deposits from Retail Customers, as well as a 2.01% increase in deposits from Corporate Customers. Customers from the Corporate Segment account for (57.53%) of the total amount of deposits at the Bank.

Segmentation	31-12-2020	31-12-2019	Variation %	Weight
Retail Customers	675,062,133	519,522,203	29.94%	42.47%
Corporate Customers	914,327,113	896,330,501	2.01%	57.53%
Total	1,589,389,246	1,415,852,704	12.26%	

Amounts expressed in AOA Millions

This growth in deposits in 2020 largely reflects Customers' trust in the Banco Económico brand, as well as the outcomes of continuous investment in innovative products and services, the consolidation of the Bank's distribution channels, and, fundamentally, the Bank's most valuable asset, its Employees.

Deposits Portfolio Total

Segmentation	31-12-2020	31-12-2019	Variation %	Weight
Demand Deposits	665,149,028	508,922,292	30.70%	41.85%
Term Deposits	924,240,219	906,930,412	1.91%	58.15%
Total	1,589,389,246	1,415,852,704	12.26%	

Amounts expressed in AOA Millions

The stability of the Term Deposits portfolio is noteworthy, along with a 30.70% growth in Demand Deposits compared to the previous fiscal year, a fact that enables the Bank to increase its Deposits without increasing its cost of fund in raising and maintaining deposits.

The volume of deposits in Domestic Currency decreased by 14.22% in 2020, due to the economic and financial slowdown in both business and consumer activities.

Currency	31-12-2020	31-12-2019	Variation %	Weight
Domestic Currency	268,629,379	313,152,059	-14.22%	16.90%
Foreign Currency	1,320,759,868	1,102,700,644	19.78%	83.10%
Total	1,589,389,247	1,415,852,704	12.26%	

Amounts expressed in AOA Millions

In this context, the growth in deposits in 2020 is primarily associated with the slight increase in deposits denominated in Foreign Currency, which amounted to 19.78%, as a result of the significant depreciation of the Domestic Currency against the US Dollar, as well as an increase in cash and cash equivalents in Foreign Currency.

Total Deposits by Currency

Description	Currency	31-12-2020	31-12-2019
Demand Deposits			
	AOA	125,687,140	142,563,862
	EUR	5,787,461	3,655,683
	US Dollar	533,643,291	362,677,731
	Other	31,135	25,016
		665,149,028	508,922,292

Description	Currency	31-12-2020	31-12-2019
Term Deposits			
	AOA	142,942,238	170,588,198
	EUR	28,846,496	17,613,448
	US Dollar	752,451,484	718,728,766
	Other	-	-
		924,240,219	906,930,412
		1,589,389,247	1,415,852,704

Amounts expressed in AOA Millions

LOANS AND ADVANCES TO CUSTOMERS

In 2020, there was a slowdown in lending in both the retail and corporate segments, resulting in a reduction of 11.63%, totalling AOA 196 billion, compared to AOA 221 billion in 2019.

This variation is justified by a 15.12% reduction in loans granted to Corporate Customers, as opposed to a 20.30% increase in loans to Retail Customers. Loans granted to Corporate Customers currently account for 86.58% of the total loans and advances portfolio. This change is related to the COVID-19 pandemic which had a widespread impact on the overall slowdown in global activity. Given that the Angolan market is highly exposed to imports, there was naturally a reduction in credit exposure for the corporate segment. At the same time, the strategy of expanding the Retail Customer base led to an increase in exposure to this type of Customer, with an impact on lending in this segment, driven by various Protocols with employers that are Corporate Customers of the Bank.

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.

Total Loans and Advances Portfolio

	mAOA		Variation %
	31-12-2020	31-12-2019	
Retail Customers	26,246,182	21,817,217	20.30 %
Corporate Customers	169,259,104	199,405,741	-15.12 %
Total Credit	195,505,286	221,222,958	-11.63%

Total Loans and Advances Portfolio (Cont.)

	mAOA		Variation %
	31-12-2020	31-12-2019	
Impairment Retail Customers	12,561,320	10,831,920	15.97%
Impairment Corporate Customers	102,751,109	116,218,901	-11.59%
Total Impairment	115,312,429	127,050,821	-9.24%
% Retail Customer Hedging	48%	50%	
% Corporate Hedging	61%	58%	
% Total Hedging	59%	57%	

Taking into account the credit products offered by Banco Económico, the following variations are noted:

- There was a 37.14% reduction in loans, given the existing focus on credit recovery efforts and the Bank's incentive for credit operations related to investment in equipment for leasing operations, which provides greater security for the institution as the collateral remains within the bank's asset sphere. This is shown by the 149.97% increase in this type of credit product.
- The reduction of overdrafts by 87.55% compared to 2019 is directly related to the efforts in credit recovery for non-performing loans.
- Consumer loans rose 48.93%, proving the impact of the Bank's strategy to increase its customer base in the private customer segment, as a result of the dynamic approach implemented in the Corporate Customer base, attracting their Employees to become Retail Customers of the Bank.
- Mortgage loans remained stable and, for the most part, are directly related to mortgage loans granted to Employees.

CAPTION

	mAOA		Variation %
	31-12-2020	31-12-2019	
To corporate customers			
Loans	144,271,441	154,789,247	-6.79%
Current account loans	10,103,881	25,325,594	-60.10%
Overdraft facilities	1,748,016	14,035,890	-87.55%
Discounts and other credits resulting from effects	-	-	
Financial leasing	13,135,765	5,255,010	149.97%
Factoring	-	-	
Other loans	-	-	
To retail customers	-	-	
Housing	14,188,317	13,720,842	3.41%
Consumer credit and other	12,057,865	8,096,375	48.93%
Total gross credit	195,505,286	221,222,958	
Impairment losses	-115,312,429	-127,050,821	
Total net credit	80,192,857	94,172,137	

In 2019, loans in Domestic Currency, which represent around 65.13% of the Bank's credit portfolio, experienced a decrease of around 9.03%. On the other hand, loans in Foreign Currency decreased by 16.09%, primarily due to foreign currency operations being converted into debts in Domestic Currency.

Credit by currency	31-12-2020	31-12-2019	Variation %
Domestic Currency	127,329,213	139,970,338	-9.03%
Foreign Currency	68,176,073	81,252,620	-16.09%
Total	195,505,286	221,222,958	-11.63%

Amounts expressed in AOA Millions

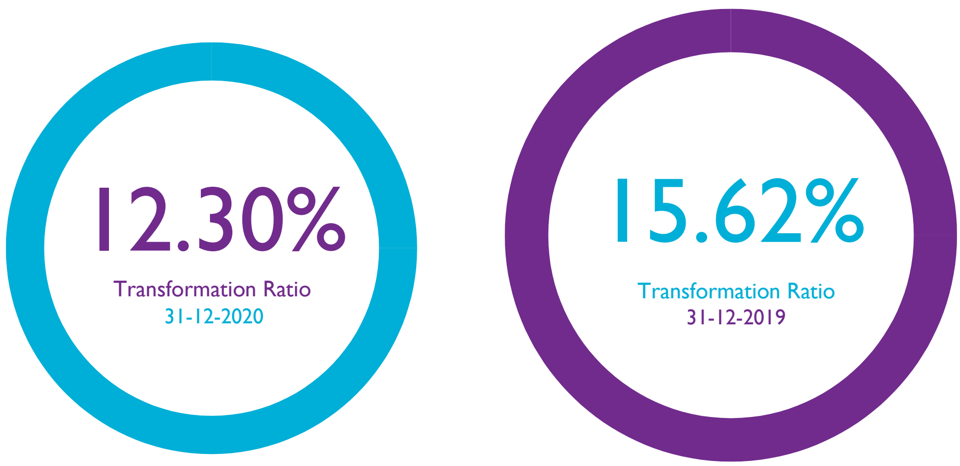
The quality of the credit portfolio showed changes in credit recovery, as the ratio of credit overdue for more than ninety days decreased from 56.19% in 2019 to 44.43% in 2020. This variation is attributed to settlements of credit operations that were in default, leading to a reduction in the total credit portfolio.

Overdue Loans	31-12-2020	31-12-2019
Total Credit	195,505,286	221,222,958
Overdue Loans	86,866,593	124,302,314
% Overdue Loans	44.43%	56.19%

Amounts expressed in AOA Millions

The slowdown in deposits led to a reduction in the transformation ratio, from 15.62% in 2019 to 12.30% in 2020.

Transformation Ratio



PILLARS OF COMMERCIAL PERFORMANCE

For the fiscal year 2020, the business units' strategy is fully aligned with the strategy defined by Banco Económico for its strategic pillars: Customers, Employees, Technology and Digitisation, and Risk and Code of Conduct.

CUSTOMERS

Expansion of the Customer base through digital solutions, promoting financial inclusion and literacy.

EMPLOYEES

In 2020, the training of the most valuable asset remained a priority with the continuation of the '+ Talento' project. aimed at reinforcing the Banco Económico culture among its Employees.

TECHNOLOGY AND DIGITISATION

The Bank remains focused on updating technology, information, security and work procedures with the aim of promoting a greater and better digital experience for both Customers and Employees.

RISK AND CODE OF CONDUCT

The growth and development of the Bank's business should always be carried out correctly, based on strong values and aligned with the best practices. Continuing to ensure compliance with internal policies and procedures, conducting internal and external audits, with a focus on fulfilling the identified measures, will enable the Bank to continue its operations with a distinguished high standard of transparency and integrity.

NEW SERVICES AND DEVELOPMENTS IN 2020

In 2020, the Cards and Direct Channels Department maintained its focus on improving business and control processes, aiming to enhance business and operational performance indicators. Additionally, new products and services were implemented to enhance the offer to our Customers. We highlight the following initiatives:

- Implementation of 'Multicaixa Express' in collaboration with EMIS, with the aim of making this service available to our Customers, enabling them to use the Banco Económico Multicaixa card in this context.
- Implementation of the Multicaixa card activation service via SMS, in order to allow our Customers to activate their cards with greater convenience and security.
- Implementation of the SMS Notifications Service, which allows holders of cards issued by the Bank to receive messages on their mobile phones (SMS) whenever their cards are used in the Payment Network.
- Implementation of a new service for payments to the State via RUPE (Single Reference for Payment to the State) through the STC (Angolan Credit Transfer Subsystem).
- Evolution of the service for payments to the State via RUPE to 20 digits in the various channels (Internet, ATM and HBMB).
- Implementation of numerous features in EconomicoNet and EconomicoNet App, aimed at providing a better service to our Customers, of which we highlight:
    - Integration of the international transfer request;
    - Updating customer data via EconomicoNet;
    - Consult@Cartão, new App and upgrade of the subscription;
    - Addition of support to start validating TINs of non-Customers of the Bank, for certain operations;
    - Replacement of the Matriz Card with a new credential called Security Code;
    - Customisation of the membership number, allowing users to set up their membership number;
    - Direct Debits.

In addition, several projects have been initiated to ensure the continuous improvement of the services already available, which are expected to be commercially launched throughout 2021.

DIRECT CHANNELS

The Bank has been increasingly investing in the development of its multichannel 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	Corporate and Institutional	Customer
EconomicoNet	Retail Customers	
EconomicoNet App	All	
Consult@Cartão	Corporate and Institutional	Card holder
EconomicoNet Balcão	All	Bank Employees

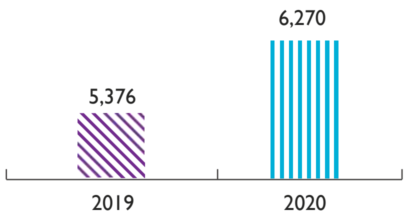
DIRECT CHANNELS IN NUMBERS

At the end of 2020, the Internet Banking service for companies (EconomicoNet CORPORATE) reached a total of 6,270 accumulated subscriptions, representing a 17% growth compared to December 2019, with transactional activity also increasing by 13%, with approximately 213,000 financial transactions carried out, compared to 188,000 transactions carried out in 2019.

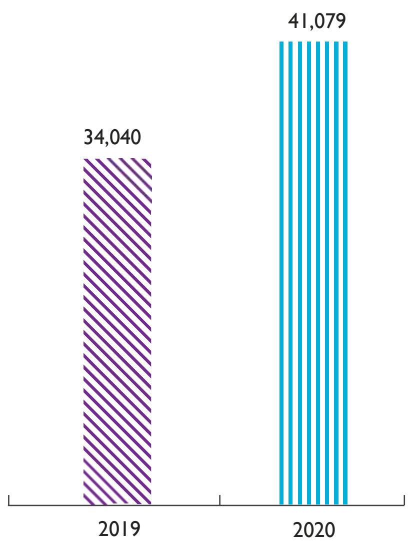
In the EconomicoNet service (Internet Banking for Retail Customers), the number of subscriptions increased by 21%, compared to the end of 2019, totalling 41,079 accumulated subscriptions. Transactional activity grew by 20%, with the number of transactions carried out reaching 264,595, compared to 220,686 in 2019.

EconomicoNet Subscriptions

EconomicoNet Subscriptions (Corporate)



EconomicoNet Subscriptions (Retail)



The penetration rate of EconomicoNet services has been growing. In Retail Customers, it fell from 22% to 20%, from 2019 to 2020. In Corporate and Institutional Customers, it increased from 37% in 2019 to 38% in 2020.

PAYMENT METHODS

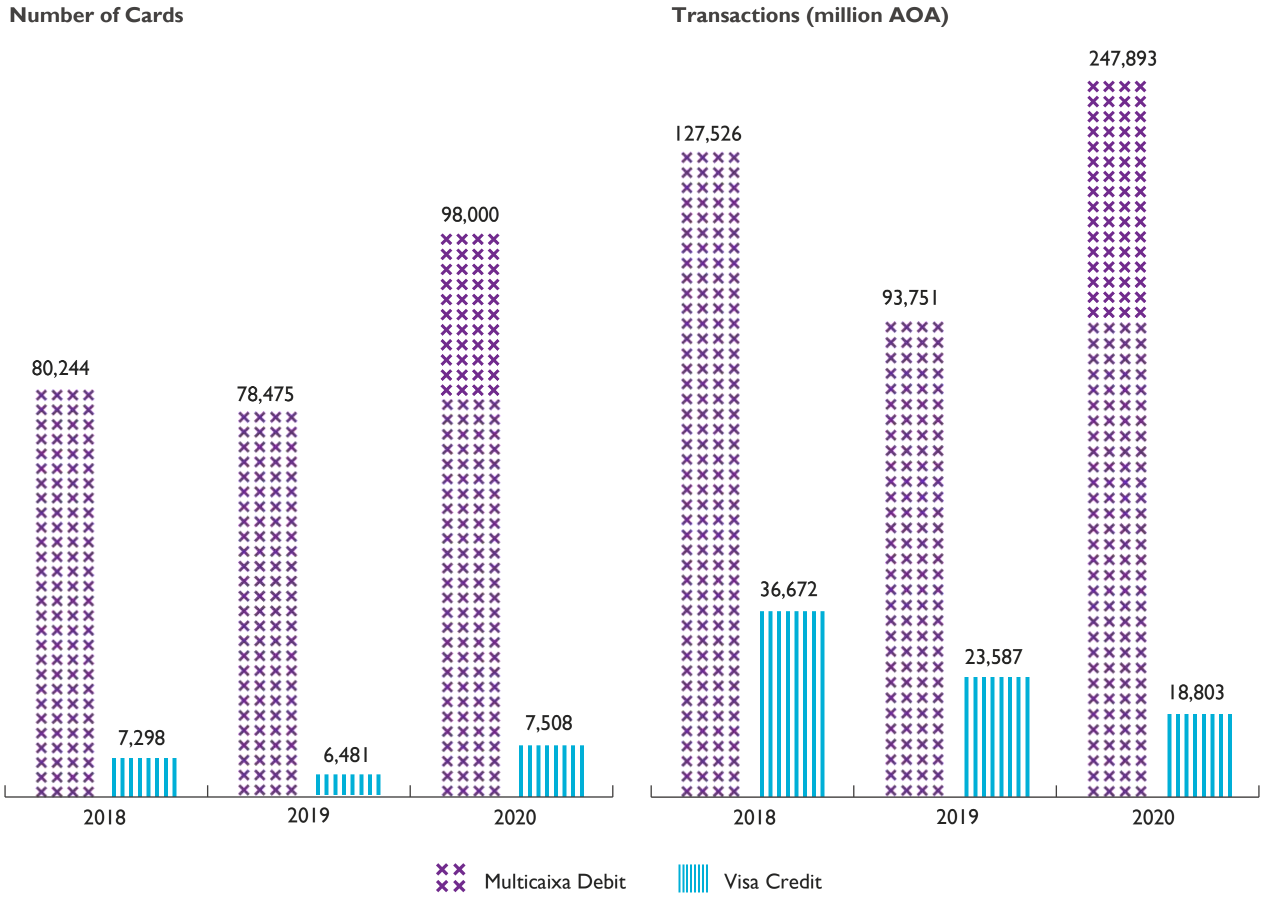
In 2020, the growth trajectory regarding cards, ATMs and APTs was maintained, continuing the strategic plan that involves renewing the platform and processes and strengthening the offer.

DEBIT AND CREDIT CARDS

Multicaixa debit cards grew by 25% in number and by 164% in invoicing, reaching AOA 247,893 million.

Visa credit cards grew by 16% in number and decreased by 20% in transactions, reaching a total of AOA 18,803 million.

Multicaixa Debit and Visa Credit - 2018-2020



Multicaixa Debit and Visa Credit - Variation 2019-2020

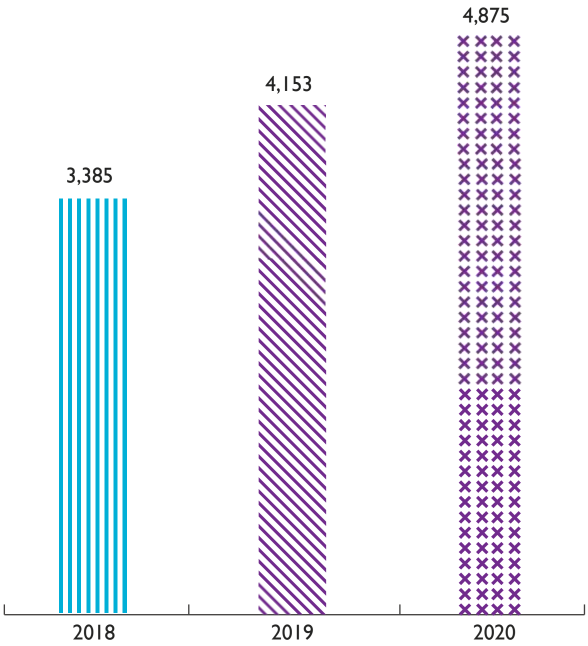
	mAOA			%
Services and Metrics	2019	2020	Var. 19-20	Var. 19-20
Multicaixa Debit Cards | Number of Cards	78,475	98,000	19,525	25%
Multicaixa Debit Cards | Invoicing mAOA	93,751	247,893	154,142	164%
Visa Credit Cards | Number of Credit Cards	6,481	7,508	1,027	16%
Visa Credit Cards | Invoicig mAOA	23,587	18,803	-4,784	-20%

AUTOMATIC PAYMENT TERMINALS

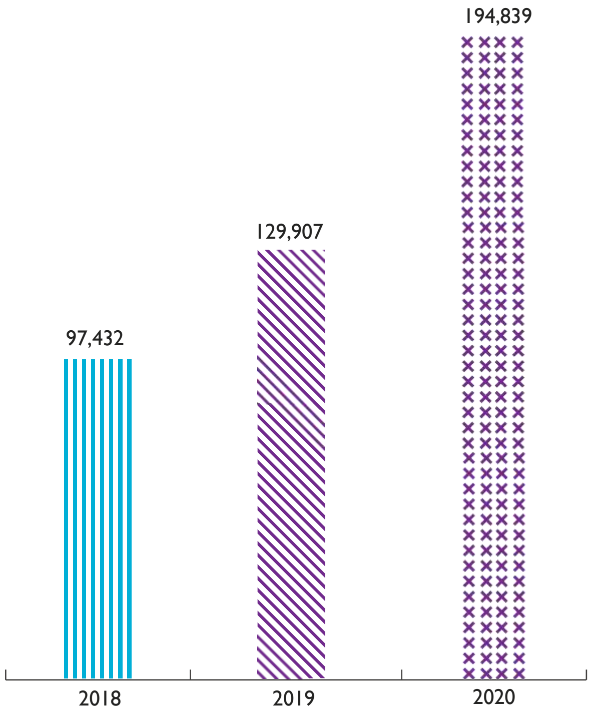
With regard to Automatic Payment Terminals (APTs), the activity continued to grow, with a 17% increase in the number of terminals and a 50% increase in the APT transactions value.

Automatic Payment Terminals

Number of APTs



APT transaction (million AOA)



Automatic Payment Terminals - Variation 2019-2020

	mAOA			%
Services and Metrics	2019	2020	Var. 19-20	Var. 19-20
Automatic Payment Terminals | Number	4,153	4,875	722	17%
Automatic Payment Terminals | Invoicing mAOA	129,907	194,839	64,932	50%

ATMs | AUTOMATIC TELLER MACHINES

The Bank's Multicaixa ATM network grew by only two units, to 97 ATMs. The value of financial transactions increased by 13%, with a slight decrease in the Operationality Indicator (TOR).

ATMs / Automatic Teller Machines - Activity Indicators

Service and Metrics	2019	2020	2019/20 #	2019/20 %
Activity Indicators				
Automatic Teller Machines - ATM | No.	95	97	2	2%
Automatic Teller Machines - ATM | Invoicing AOA (millions)	98,914	111,812	12,898	13%

ATMs / Automatic Teller Machines - Quality of Service Indicators

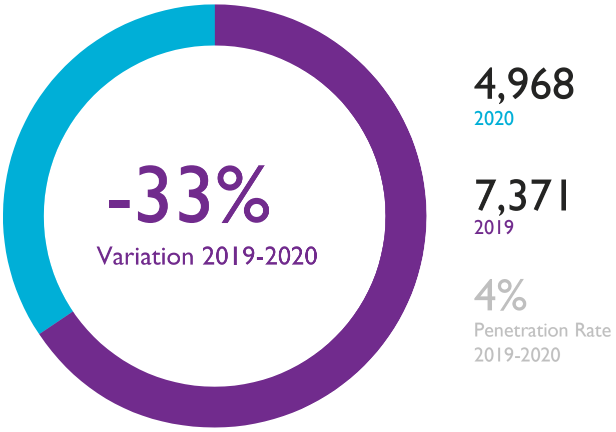
Service and Metrics	2019	2020	2019/20	
			#	%
Quality of Service Indicators				
Automatic Teller Machines (ATMs) | Operationality Rate (TOR)	98.1%	97.2%	-90.0%	-
Automatic Teller Machines - ATMs | % Downtime due to lack of banknotes	14.0%	19.6%	-560.0%	-

BANCASSURANCE

Seven years on, 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 of this strong commercial dynamics were reflected in the consolidation, in an atypical scenario, of sales volumes from AOA 7,371 million to AOA 4,968 million between 2019 and 2020, respectively.

Bancassurance - Sales Volume 2019-2020



INVESTMENT BANKING

The main goal of the Investment Banking Department (DBI) is to provide the Bank with the skills and competencies that allow it to offer its customers a comprehensive, integrated and international high-quality offer of specialised financial products and services in the Corporate & Investment Banking (CIB) areas.

The DBI focuses on providing specialised financial services to medium and large-sized companies, the State and other public entities, entrepreneurs, and investors in general, who intend to invest and/or enter into business partnerships in Angola.

STRUCTURED FINANCING AND CONSULTANCY

In an adverse, highly challenging macroeconomic setting for Corporate & Investment Banking, the Investment Banking Department focused on supporting the investment projects that are best aligned with the government's plan to reverse the cycle and promote economic growth. Priority was given to the agriculture, agro-industry, livestock farming, fisheries and fish farming, exploration of non-oil natural resources (timber, ornamental rocks and other minerals), manufacturing industry, tourism, and services.

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

The DBI strengthened its support for the Bank's commercial areas, as part of a strategy to be closer to the needs of its Customers and to enhance the ability to meet their expectations in a realistic manner that is adapted to the current economic context. This way, the offer of credit products is always preceded by a careful evaluation of projects and promoters, in a balanced relationship in which the Customer must ensure the management, feasibility and sustainability of their business, and contribute with their own capital to avoid relying solely on bank financing, which is quite burdensome in the current economic situation.

In addition to being a financing bank, Banco Económico positions itself as a partner and financial advisor to its Customers, establishing a medium and long-term business relationship aimed at the success of their ventures and ensuring the fulfilment of the financial commitments made to the Bank and the other stakeholders of the project.

To offset the reduction in activity in the large investment projects sector, DBI strengthened its focus on financing Micro, Small, and Medium-sized Enterprises (MSMEs) under Governmental Regulatory Credit Programs, such as BNA's Notice 10/20 and the Credit Support Program (PAC).

The DBI is the unit responsible for managing these support programmes for Angolan entrepreneurs, organising and structuring funding, including monitoring the operational implementation of projects with the support of specialised external consultants and institutional follow-up with government bodies (MINEC, INAPEM, FGC).

Although the Angola Investe Programme (PAI) has ended, we continue to focus on boosting MSMEs financing operations, supporting promoters, and monitoring the implementation of their projects, having worked alongside the Ministry of Economy and Planning (MEP) and the Ministry of Finance (MINFIN) to reach an understanding regarding the resolution of the State debt within the scope of the PAI.

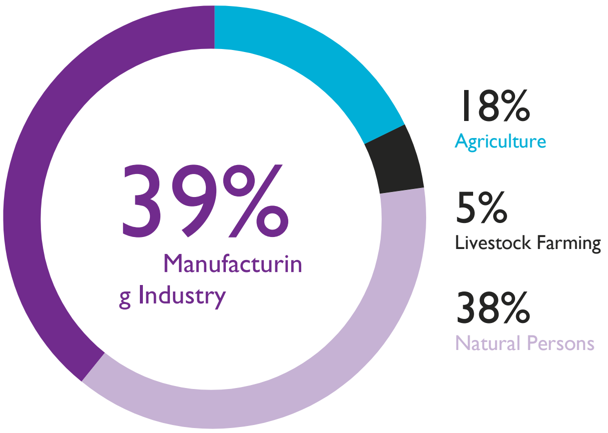
In 2020, we prioritised the implementation of the PAC, in partnership with the MEP, to support the country's economic diversification. For this purpose, we supported the Executive Committee in the necessary steps so that, on 29 July 2020, the PAC Memorandum was signed with the relevant entities.

The Bank's large credits allocated to the DBI were restructured, and we remain engaged in negotiations with various banks in the market for the indicated financings in which the Bank is involved.

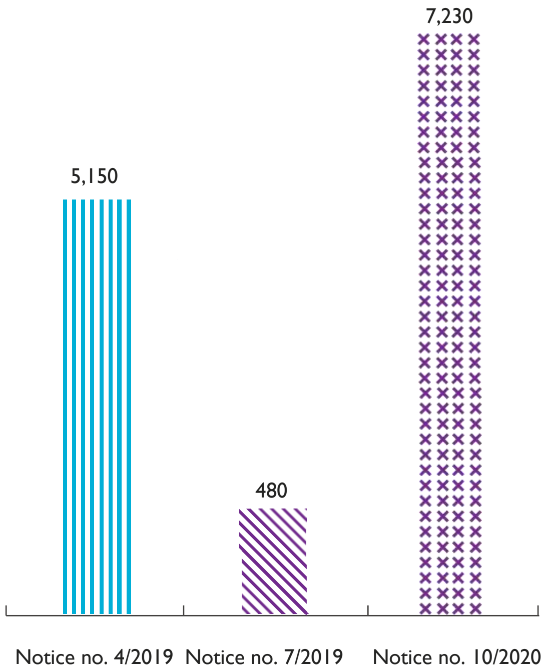
Regarding BNA Notice 10/20, we support the Bank in complying with this instrument, which requires the restructuring of current financing or the financing of a pool of assets in a minimum amount equivalent to at least 2.5% of the net assets recorded in the Bank's balance sheet as at 31 December 2019.

Until 31 December 2020, the DBI approved 8 projects for disbursement under BNA Notices 4/19, 7/19 and 10/20, with a total financing of AOA 12.86 billion.

Approved Credit



Distribution by Notice (mAOA)



Despite the decline in economic activity and its impact on the Angolan business landscape, the DBI has sought to remain active in providing consultancy services in corporate acquisition and disposal transactions (M&A).

There has also been an increase in requests for support services to companies, particularly in the preparation of corporate presentations (credentials, critical size, sectoral and economic relevance) for submission to Government Authorities (Ministry of Economy and relevant Ministries) to substantiate their foreign exchange needs and ensure their continuity. The DBI accompanies the Bank's corporate Customers throughout this process, in collaboration with the commercial departments.

Despite the decline in foreign investment intentions, the DBI continues to monitor international investors interested in Angola, providing detailed information on economic, financial, fiscal, legal and regulatory aspects, among others, and advising on the best solutions for the development of investment projects, on partnership possibilities, and fostering future opportunities for implementation and cross-selling.

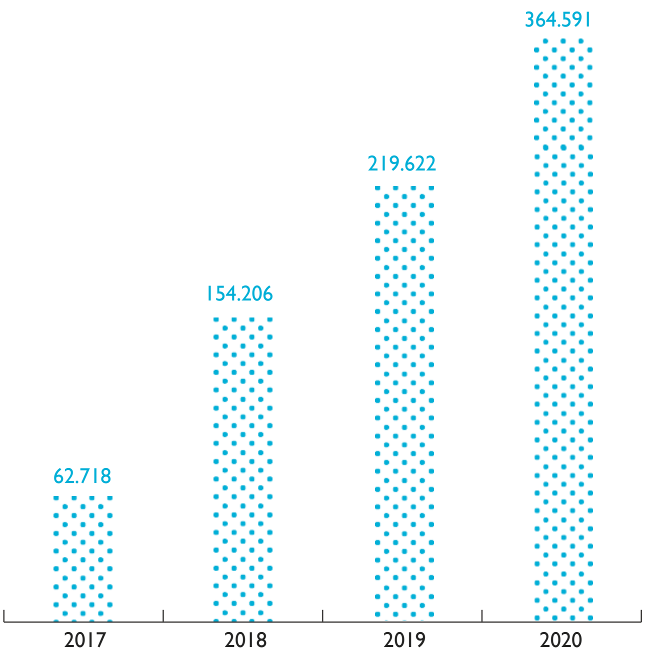
CAPITAL MARKET

The DBI is the sponsor of this business area, providing the Bank's Customers with an integrated offer of capital market services, both in the primary market (organising public and private offers of fixed and variable income securities) and in the secondary market (securities brokerage on organised markets), for which the Bank is duly registered with the CMC and accredited with BODVA, as a Trading and Settlement Member, since July 2016.

Through the Capital Market area, the DBI accompanied the key initiatives in the launch of the new Treasury Securities Exchange Market (MBTT), which involves the integration of public securities issues (Treasury Bonds and Bills) in the new Securities Centre (CEVAMA) and the electronic trading platform (SIMER), encompasing post-trading, settlement and custody services.

Until 31 December 2020, BE significantly increased the amount of assets under custody, experiencing a growth of approximately 60% compared to the amount reached in 2019.

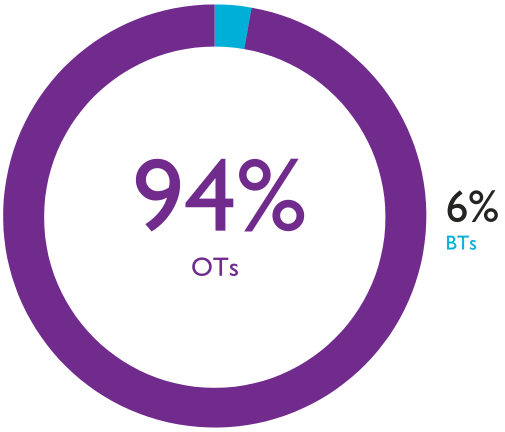
Assets in custody



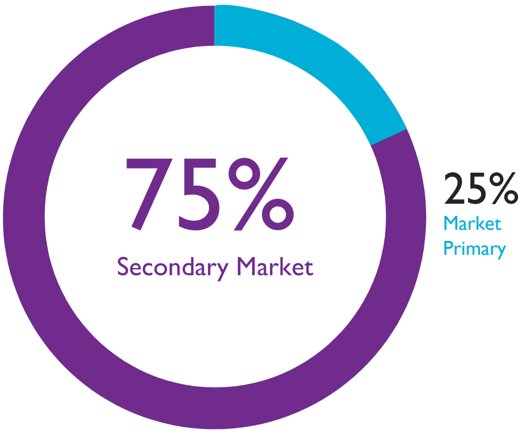
Following the change in the foreign exchange policy by Banco Nacional de Angola, there were successive devaluations of the domestic currency against the US Dollar, which encouraged the demand for Public Debt instruments, namely Indexed Treasury Bonds (OTTX).

Throughout 2020, the DBI carried out brokerage operations in domestic currency public debt securities in the BODIVA markets (primary and secondary), with a total value of AOA 81.43 billion.

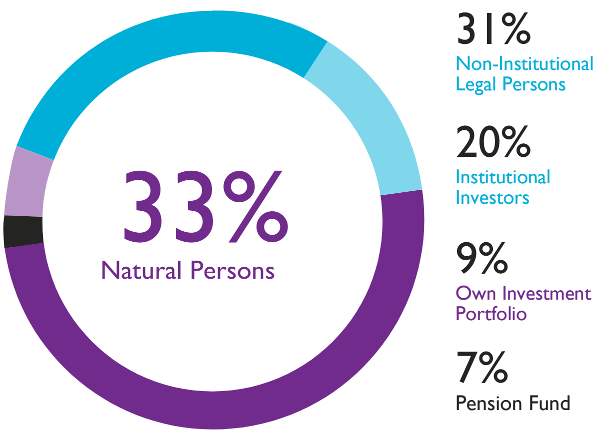
Number of Business Deals by Market



Number of Business Deals by Market



Business Deals by type of Customer



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

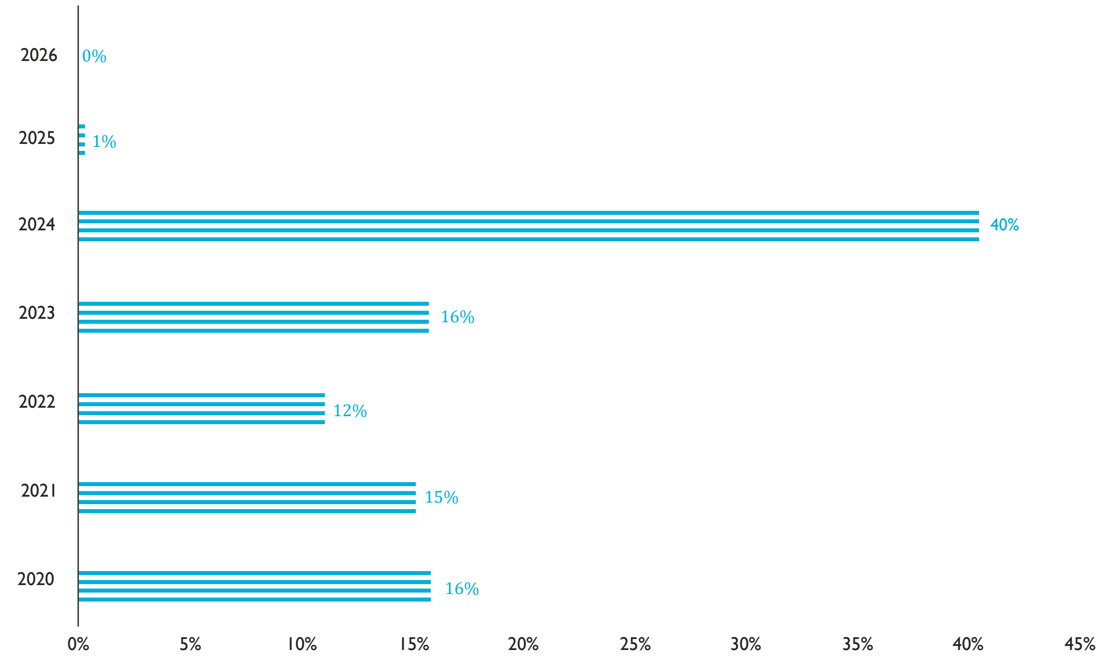
In 2020, BODIVA experienced a significant increase in turnover, as economic agents sought to hedge against currency depreciation by investing in public debt securities, with a preference for issues indexed to the exchange rate (USD-AOA). During 2020, BODIVA registered over 5,512 transactions, a 27.4% increase compared to 2019, with a total of AOA 1.88 billion traded.

Analysing the type of transactions conducted by Banco Económico throughout the year, in terms of number of transactions, there is a slight predominance of transactions involving Treasury Bonds (94%) compared to Treasury Bills (6%). This is because the banks participating in Treasury Bills auctions then resell them to their Customers, since they are short-term securities that are typically held to maturity by the customers until their reimbursement).

However, when considering the distribution by traded amount, there is a clear predominance of Treasury Bonds (OT), which represent 94% of the value traded on BODIVA.

Short and medium-term maturities were the most sought-after, representing over 98% of demand, with a greater number of transactions executed by Natural Persons and Non-Institutional Legal Persons.

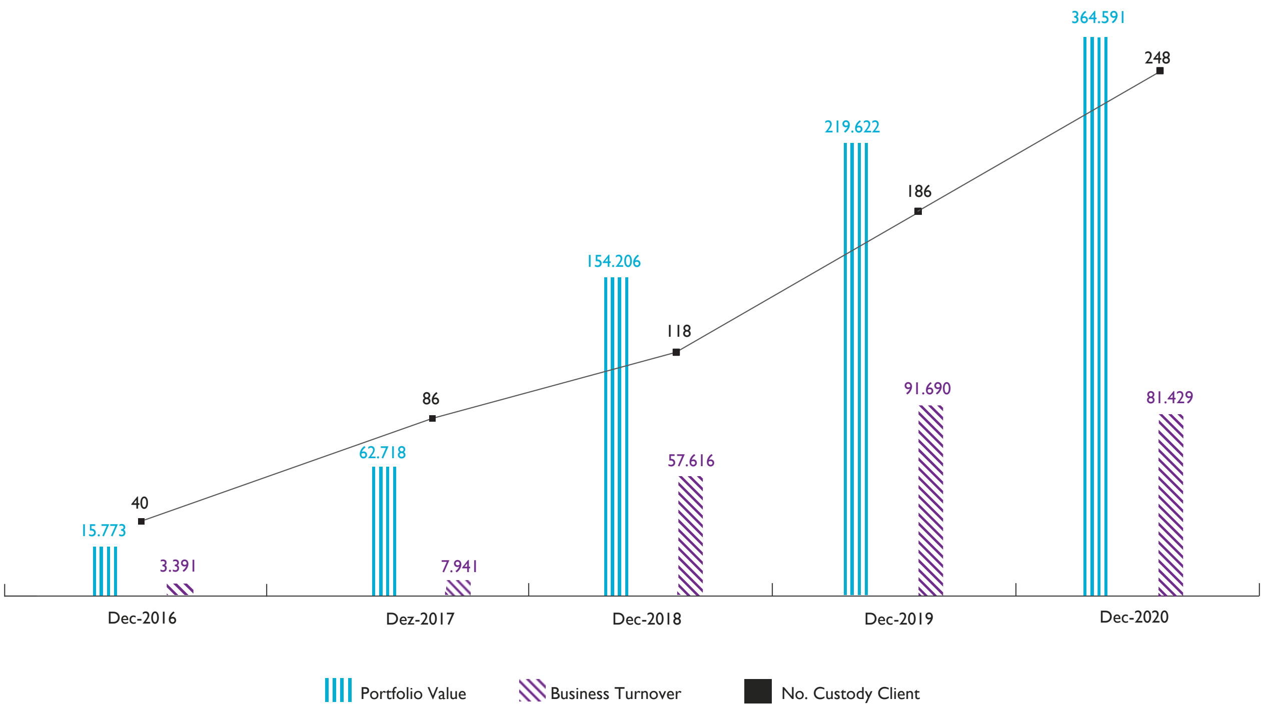
Number of Business Deals by Maturity



Throughout 2020, the number of accounts opened with CEVAMA (BODIVA's Securities Centre) also experienced a significant increase, rising from 11,480 accounts in 2019 to more than 15,070, including accounts for BODIVA Members' proprietary holdings, issuers, and Customer accounts.

As at 31 December, 2020, BE had 248 open and active accounts, representing a weight of 1.65% of the total number of 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.

Capital Market



Since the migration of securities from BNA's Central (SIGMA) to BODIVA's (CEVAMA), the number of Bank Customers has increased sixfold, and the value of transactions has grown exponentially, thereby enhancing the revenues in this business area.

Banco Económico consolidated its position on the BODIVA organised market and, therefore, with regard to the Secondary Market, the DBI analysed the new status of Market-Maker for public debt.

In the primary market, the DBI was particularly attentive to new business opportunities on the Buy Side, derived from the Privatisation Programme (PROPRIV), namely by identifying, advising, and directing non-resident investors toward acquiring assets in Angola; on the Sell Side, the DBI presented proposals for organising and placing public offers for companies undergoing privatisation, in consortium with other domestic and foreign financial intermediaries.

For 2021, the DBI intends to focus on this business area, which can be leveraged by the new economic agenda of the Government, namely by opening the domestic public debt market to non-resident investors, corporate debt issuance as an alternative to bank credit, energising the stock market through privatisation and listing operations, opening up capital to qualified investors, small investors and the general public.

There is also a plan to strengthen the acquisition of new brokerage and custody Customers in collaboration with the commercial areas, to increase revenue through the review of fees, expand the base of institutional and professional Customers (Insurance Companies, Funds, and Collective Investment Undertakings - OICs) that have direct access to the DBI's Fixed Income Desk.

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 its management, ensuring the right to future benefits and a dignified retirement, by prudently and efficiently managing their contributions.

The activity of the Management Company complements that of the public Social Security system, providing Associates, Participants, and Beneficiaries with the opportunity to establish autonomous assets (Pension Funds) that ensure, in the future, the inalienable right of the individual to a dignified retirement pension at the culmination of their active life and contribution period to society.

The Company's complementary mission is to contribute to the companies' progress, enhancing the value of their Employees and fostering the economic and social development of the country, while respecting ethical and professional standards.

The Company began its operations in April 2009 and is registered with the Angolan Insurance Regulation and Supervision Authority ('ARSEG') since 2 March 2009, under no. 56143, and its main shareholders include Banco Económico, S.A. and GNB - Gestão de Activos, SGPS, S.A. a subsidiary of the Novo Banco Group (Portugal).

In September 2018, at the General Meeting, to provide the Company with the necessary financial resources and solvency margin for the growth of its operations, the shareholders decided to increase its capital from AOA 105 million to AOA 1 billion, through a subscription reserved to shareholders, already fully paid up. The current shareholding structure is as follows:

EFP SGFP - Shareholding Structure

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%

It was also decided to reinforce the Company's corporate governance by establishing an Executive Committee that now oversees the day-to-day and operational management of the Company.

PENSION FUNDS MANAGED

On 31 December, 2020, the Company managed five Pension Funds, two open-ended and three closed funds:

Pension Funds Managed

Pension Funds	Set-up Date	Transfer Date	Type of Fund	Pension Plan
Pension Fund Besa Retirement Options	1-feb-10	-	Open	Set Contribution
Pension Fund 1-5-10 a Day	1-jul-01	1-dec-13	Open	Set Contribution
ENE Workers' Pension Fund	1-may-08	1-feb-14	Closed	Set Benefit
MINPET Workers' Pension Fund	1-jan-03	1-apr-14	Closed	Set Benefit
UNITEL Workers' Pension Fund	1-dec-07	1-feb-14	Closed	Set Contribution

Although the legislation on Pension Funds was created almost two decades ago with the publication of the Pension Funds Regulation (Decree No. 25/98, of 7 August), the implementation of private social security in Angola has not been easy. In 2020, during a period of significant economic downturn, the Pension Fund sector faced considerable challenges, as the financial crisis and the COVID-19 pandemic affected new subscriptions to the Funds both at the corporate and individual levels. Additionally, associated companies experienced constraints and delays in making their contributions.

Nevertheless, Económico SGFP continued its positive evolution with sustained growth in its activity, collaborating with its Shareholders and ARSEG, consolidating its presence in the market. It is worth highlighting the significant increase in managed assets, which amounted to AOA 27.07 billion in December, compared to AOA 13.8 billion at the end of 2018 (annual increase of 40%, considering the average growth of the last three years).

Value of the Managed Funds Portfolios (mAOA)

Pension Funds	2018	2019	2020	CAGR 18/20
Pension Fund Besa Retirement Options	1,969,589	3,006,131	3,961,893	42%
Pension Fund 1-5-10 a Day	115,031	143,527	170,382	22%
ENE, EP Workers' Pension Fund	3,049,806	3,214,480	4,986,978	28%
MINPET Workers' Pension Fund	1,987,449	2,592,237	3,167,321	26%
UNITEL Workers' Pension Fund	6,702,348	10,378,424	14,793,240	49%
TOTAL	13,824,223	19,334,799	27,079,813	40%

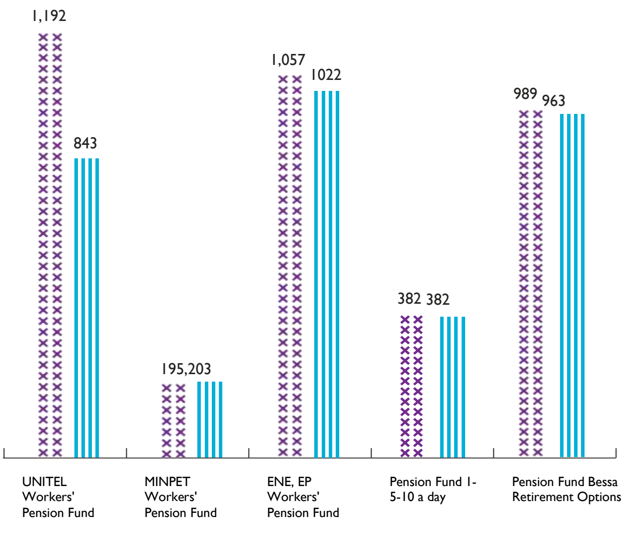
In line with this evolution, Económico SGFP has achieved a positive revenue growth, which has been consistently increasing over the past few years:

Value of Management Fees

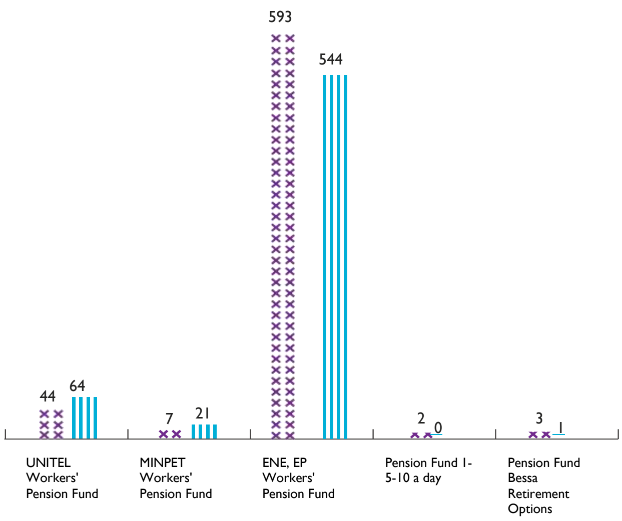
Pension Funds	2018	2019	2020	CAGR 20/18
Pension Fund Besa Retirement Options	25,184	26,787	97,628	97%
Pension Fund 1-5-10 a Day	1,630	1,287	4,147	60%
ENE, EP Workers' Pension Fund	84,535	94,300	146,298	32%
MINPET Workers' Pension Fund	13,930	18,174	22,328	27%
UNITEL Workers' Pension Fund	51,700	66,416	149,427	70%
TOTAL	176,979	206,964	419,828	54%

In terms of subscriptions, the Unitel Fund (+349 participants) continues to stand out, followed by the ENE (+35) and BOR (+26) Funds, offsetting the reduction in the remaining Funds, particularly the MINPET Fund (-8 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 2019-2020



Beneficiaries 2019-2020



INVESTMENT FUNDS

ECONÓMICO SGOIC

The main mission of Económico Fundos de Investimento – Sociedade Gestora de Organismos de Investimento Colectivo, S.A. ('Económico SGOIC'), in the Real Estate Investment Funds (FII) sector, is managing its Customers' real estate assets, including the promotion, marketing, leasing, management, technical maintenance, and other activities covered by applicable regulations, aimed at developing projects for the construction of buildings with different types of units, uses, and sizes.

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 non-banking financial institution, authorised by the Ministry of Finance by Executive 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 Commercial Registry Office of Luanda under no. 263-08 and registered with the Capital Market Commission (CMC) since 21 April 2008, under no. 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 the Novo Banco Group from Portugal, for the asset management area) and one individual shareholder.

EFI SGOIC - Shareholding Structure as at 31-12-2020

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 liquidated in 2018:

BESA VALORIZAÇÃO - Closed Real Estate Fund BESA PATRIMÓNIO -

Closed Real Estate Fund

The BESA Valorização Fund was established on 10 August 2012, with Banco Económico as its 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.

The year 2020 was very challenging, marked by a trend of decreasing real estate asset prices. This significantly affected the Investment Funds due to the impact on asset devaluation and a sharp reduction in commercial activity, particularly in property buying and selling transactions. In this context, the Management Company aimed to optimise the assets of the Funds and manage the fixed costs associated with their ownership, by invigorating the commercial rental segment (residential and office), while adopting a cautious and conservative management approach, up until their 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 directed its activities towards providing real estate management, marketing, maintenance, and conservation services to Banco Económico, its main shareholder, and to the ENSA Group, the latter as the sole beneficiary of the Funds' liquidation and 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 allows for the relaunch of Económico SGOIC's activities within the framework of its corporate object. In addition to managing OICs, it allows the provision of discretionary portfolio management services for both financial and real estate assets, for which purpose the company is also registered with CMC.

The management company ended 2020 without managing any OICs, even though it attempted to launch the 'Económico Property Fund', a Closed Real Estate Investment Fund, with an estimated NAV of AOA 25 billion, with Banco Económico as its marketing agent and custodian. The main reasons for the failure of the Fund's marketing include the economic crisis and the real estate sector's situation, worsened by the effects of the COVID-19 pandemic. These factors decreased the disposable income for households and economic entities in Angola, undermining the expectations of returns for this type of high-risk and long-term investment.

Despite the challenging economic circumstances, the Company will continue its efforts towards launching and managing new OICs, both independently and in collaboration with its main shareholder, Banco Económico.

The Management Company also intends to expand its operations to include managing a different type of OIC, namely Securities Investment Funds (FIM), in collaboration with its main shareholder, Banco Económico, in order to address the needs of its Customers and mirror the strategy pursued by its main competitors, ensuring the offer of an investment product that provides an alternative to the Bank's traditional products.

3.2 HUMAN CAPITAL

The year 2020 was characterised by increased challenges and intensified efforts (...)

OVERVIEW

The year 2020 was characterised by increased challenges and intensified efforts, both due to the imperative realisation and implementation of projects spanning across the Bank with a significant impact on the business, such as the migration to the new Flexcube version, and ensuring the continuity of activities and processes managed by various areas of the Bank, with a particular impact on the Human Capital Department.

With the emergence of active cases of COVID-19 in Angola, a State of Emergency was declared, and an associated Contingency Plan was activated. The measures implemented had a significant impact, especially on team management, due to the mandatory requirement to excuse Employees classified as high-risk or vulnerable and female employees with children up to 12 years old, taking on the responsibility of handling all information related to the situation and control of Employees within the scope of the Contingency Plan measures. Additionally, given the significant challenges faced, the Human Capital Department responded by focusing on managing, reinforcing, and providing its human resources with better work tools. This included training, simplifying processes, and establishing a closer and more dynamic interaction with its Employees, thus promoting greater proximity and quality of service, based on the implementation of the new Human Resources Management System of *SAP SUCESSFACTORS*, called EconómicoNós.

Additionally, efforts were focused on strengthening and implementing development programs aimed at enhancing the technical skills of the business areas and the behavioural skills of Employees, while consolidating communication, leadership and technical skills.

All this with a view to better preparing the Bank and its Employees for future challenges and objectives.

990

Total number of Employees

HUMAN CAPITAL IN 2020

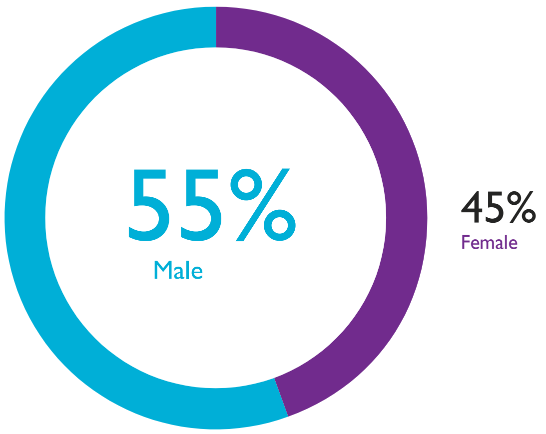
In 2020, the Bank's workforce underwent changes in relation to the total number of Employees, experiencing a 5% decrease in the number of Employees, to a total of 990 Employees.

Number of Employees by Function

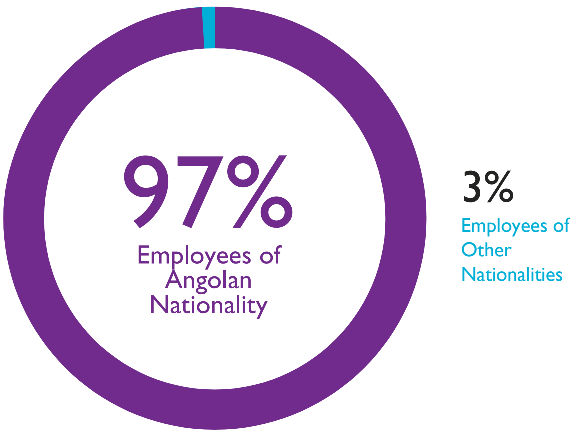
Number of Employees	2019	2020
Managerial functions	89	80
Leadership functions	173	174
Specific functions	325	303
Administrative functions and others	456	433
Total	1,043	990

In 2020, the distribution of Employees by both gender and nationality remained unchanged. Around 55% of the Employees were male, and **97%** of the Employees were Angolan nationals.

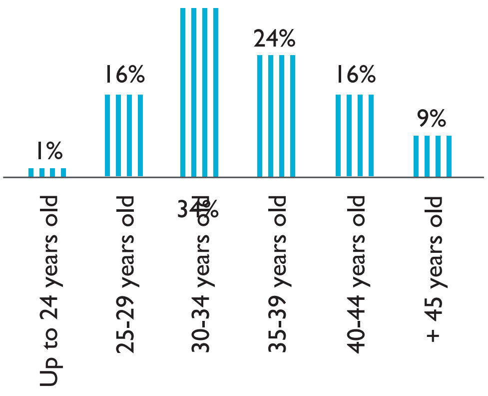
Employees by Gender (2020)



Employees by Nationality (2020)



Employees by Age Group (2019)



The Human Resources Department continued its transformation process, focusing on restructuring the department and developing key Human Capital policies, carrying out the following activities:

- Contingency Plan (COVID-19); Specific and
- Behavioural Training; Careers and Professional
- Development; Human Resources Management
- Tool;
- Occupational Health and Safety System; Employee Benefits.

CONTINGENCY PLAN (COVID-19)

The year 2020 is clearly marked by the emergence of the COVID-19 pandemic and its substantial impact on the Bank's operations and the achievement of defined goals and objectives. This was particularly evident in human capital management within a regulatory and health context that required social distancing, reduced in-person workforce, and the establishment of conditions for remote work.

Following the emergence of active cases of COVID-19 in Angola, a State of Emergency was declared, and Banco Económico implemented level 3 of its Contingency Plan.

These measures had an impact mainly on team management, as it was mandatory to comply with requirements related to the excusing of employees classified as high-risk or vulnerable and female employees with children up to 12 years old.

To address this, the Bank established a Contingency Plan management team, which was responsible for ensuring all measures issued by the Ministry of Health and compliance with the decrees issued by the Angolan Government.

The Human Capital Department, in turn, took on the role of managing all information relating to the situation and control of Employees within the scope of the Contingency Plan measures, ensuring compliance with all guidelines provided by the COVID prevention team from the outset.

The management, coordination, and implementation of the Contingency Plan had a direct and daily impact on the activities of the Human Capital Department throughout 2020, particularly in team management, due to the need to comply with the imposed guidelines and measures.

Activities such as managing risk groups, changing working hours, implementing remote work, attendance and punctuality control, communication and support for compliance with prevention measures and rules, issuing credentials for mobility, monitoring the distribution of biosafety equipment, as well as redesigning development activities, including shifting from in-person training to a synchronous model.

Additionally, in managing Human Capital management policies for the return to work, all of this was done in accordance with the scenarios that emerged following the successive presidential decrees.

SPECIFIC AND BEHAVIOURAL TRAINING

Throughout 2020, the statistics of training activities conducted by Banco Económico demonstrate that this is indeed a priority area for the institution, thus ensuring the development of the professional and personal skills of the Bank's employees.

Despite a slight decrease in the number of in-person training sessions in 2020, due to the global COVID-19 pandemic, Banco Económico increased its volume of remote training hours, in synchronous format (e.g., BElinked and Flexcube) and E-Learning.

+ TALENTO

2020 was marked by the return of the + Talento programme, whose main objective is to strengthen Banco Económico's Culture. It is materialised in various formats: workshops, training and ongoing ritualisation.

In view of the COVID-19 epidemiological situation, all in-person training processes were interrupted.

This stage of the programme will be continued and a new methodology will be prepared, which is expected to be in a synchronous format, until all Bank Employees are covered.

BELINKED

BELINKED aimed to develop, enhance and strengthen the commercial skills of customer service, customer management and leadership of business area leaders.

This training program was conducted remotely and had a strong component of real-time interaction with synchronous sessions and individual follow-up sessions to customise work tools, develop good customer service practices, and align communication.

The overall objective was to ensure that leaders remain committed to BE and their teams in terms of achieving objectives and mobilising their people, motivating them and creating challenges.

FLEXCUBE

The Training Model of the New Flexcube Project was based on a Train-The-Trainers approach, consisting of a group of Internal Trainers who ensured the conveying of critical knowledge for the performance of the functions of other Employees.

The overall objective was to ensure that the Internal Trainers acquired a set of skills that would facilitate their role as catalysts of knowledge and internal change.

The training project was implemented in-person and had a strong interactive component with initial pedagogical simulations (self-assessment, capacity-building sessions, pedagogical techniques, among others), and later all end users were trained, initially using an adapted in-person format and transitioning to an online format.

In order to keep up with the technological advancements occurring globally, Banco Económico decided to modernise its Core System, transitioning from version 7.1 of Flexcube, the solution that currently supports the Bank's core business, to version 12.4.

This transformational upgrade for the Bank enabled it to operate according to new standards in line with its strategy. The Go-Live of the new version of Flexcube V12.4 took place in October 2020.

Number of Employees per Group

	2017	2018	2019	2020
Management Group	987	1,974	1,706	547
Coordination Group	1,495	3,474	2,332	1,825
Technical / Specialised Group	3,494	5,199	3,571	1,008.5
Operational Group	1,813	2,995	3,286	2,666
Support Group	163	144	318	81.5
	7,952	13,786	11,213	6,128

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.

In this context, in 2020, special attention was given to recognising and rewarding their performance, offering attractive career paths in line with their professional development, career opportunities, and participation in projects or activities with greater responsibilities, contributing to the retention of the Bank's top talents.

As part of the restructuring and operational and organisational transformation process implemented by Banco Económico, a diagnostic assessment of the Organisational and Operational Model of the Branch Network was carried out with the aim of contributing to the optimisation of commercial functions and cost reduction.

In this diagnostic assessment, opportunities for improvement were identified in terms of the quality of service provided to our Customers, which aim above all to instil greater productivity, more efficiency and commercial versatility, giving rise to a new function, called Operational Coordinator, which encompasses and integrates treasury functions with operational management responsibilities within the Branches.

Internal mobility is one of the pathways for career advancement, which involves moving to a different area within or outside the same Department.

In 2020, most of the internal mobility cases were a result of the merger of the Offer and Dynamics Department, the Commercial Dynamics Department, and the Protocols and Partnerships Area within the Commercial Networks Department. The remaining instances of internal mobility were due to organisational restructuring and recruitment needs.

Throughout the year, there was a total of 27 internal mobility cases, 2 promotions and 145 high-performing Employees were acknowledged for their performance, reflecting the dynamic nature and the result of the reorganisation of commercial and central units, which led to the emergence of new units and structures, as well as the need to strengthen the business support areas, which required the recruitment of the best and most well-prepared staff.

HR MANAGEMENT TOOL

After preparing and defining proposals for the need to carry out a significant upgrade to SAP, integrating the SAP ERP platforms (the solution used) and SAP SuccessFactors within Banco Económico's application framework, providing Employees with a set of new functionalities related to Registration and Administrative Management, Performance Evaluation, Training, and Succession, the new Human Resources Management System called 'EconómicoNós', of SAP SuccessFactors, has been implemented.

The SAP SuccessFactors solution that was implemented is a SAP cloud-based solution designed for the operationalisation of Human Capital policies and processes. An innovative solution that encompasses various cross-cutting HR processes, including modules that address administrative aspects (e.g., Registration), as well as modules that handle talent management (e.g., Performance Evaluation) and the analysis and reporting of HR information.

OCCUPATIONAL HEALTH AND SAFETY SYSTEM

Preparation of a proposal and implementation of the Occupational Health and Safety System (OHSS), in accordance with the requirements of the legislation in force, entailing a series of activities related to Safety, Hygiene and Health at the Bank.

Occupational health is a mandatory measure by the Ministry of Labour, which aims to safeguard workers' quality of life and everything related to the work routine, as enshrined in Decree-Law no. 31/94, of 5 August - Occupational Hygiene and Safety System.

The responsibility concerning health-related aspects, particularly the carrying out of periodical, admission, occasional and resignation exams, lies with the Human Capital Department. Their implementation and continuity were consolidated in the 1st Quarter of 2020.

A total of 448 occupational medical exams were conducted, with 91.5% being Periodical exams (to assess any changes in the employee's health status after a certain period of performing their job) and 1.2% being Resignation exams (to determine whether or not the departing employee is in good physical and psychological health at the time of their departure from the company).

In the area of Health, a total of 448 occupational medical exams were conducted during the period under analysis.

There were no workplace accidents at the Bank in 2020.

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 their family members, has continued 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 care, hospitalisation, medication, medical evacuation and repatriation, maternity and travel assistance coverage, in a network of service 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 under more advantageous conditions, including options for acquiring goods and equipment for everyday use that are non-luxurious in nature.

3.3 SOCIAL RESPONSIBILITY FRAMEWORK

'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".

In this context, the Bank has a Social Responsibility Department (DRS) within its organisational structure, with the mission to create social value in the areas of education, health, sports, culture, arts and the environment, through the development of internal and external initiatives that facilitate optimal performance, social well-being, human capital, communities, and institutions.

The year 2020 was atypical on a global scale, primarily marked by the COVID-19 pandemic, which fuelled an environment of economic and social contraction for governments and households alike.

Nevertheless, as part of its mission to 'always invest in the community', the Bank continued to promote projects aimed at engaging its Employees and the community.

Externally, it was possible to carry out philanthropic programmes and short and long-term sustainability projects that led to macro-level social transformation. Internally, projects were initiated to enhance the well-being of Employees and their families, motivating and raising their awareness towards sustainability causes.

The projects developed had a greater focus on areas such as Health and Education, as well as Sports and the Environment, with a sense of continuity and taking into account the conservative context of the Bank's recapitalisation, therefore in an environment of financial restraint.

The implementation of these projects resulted in benefiting approximately 16,777 individuals, including Society and Employees. The investment in social projects in the aforementioned areas amounted to approximately AOA 323,000,000, divided between direct costs covered by the Bank and contributions from employees to a Solidarity Fund.

The first half of 2020 was marked by a significant achievement for BE, as it was granted the status of Patron by the MINFIN, aiming to enhance the rigour of social responsibility activities and to enable the Bank to translate these efforts into fiscal benefits.

EXTERNAL SOCIAL RESPONSIBILITY

AOA ~181 MILLION INVESTED

13,763 BENEFICIARIES

HEALTH AND EDUCATION

EMPOWERING TO CARE

A project resulting from the partnership between Banco Económico and the Kuzola Mona Child Development Centre, aimed at empowering teachers, guiding parents, and fostering the development of children with autism spectrum disorders. This is an external and ongoing project that has received institutional support for the second consecutive year.

The guiding principles of the project are aligned and in accordance with the Ministry of Education (MED), specifically with the National Institute of Special Education, the MED being the primary partner and a key player in achieving the project's objectives.

The MED serves as the bridge to education professionals, while Kuzola Mona serves as the bridge to trainers. The objectives are also aligned with the National Development Plan and the National Special Education Policy, reflected in the World Sustainable Development Goals.

It currently has: 126 teachers reached + ~40 parents oriented + 9,345 children benefited + 51,744 attendances + 13 institutions attended + 120 multipliers + 7 provinces reached.

Despite the epidemiological context, it was possible to implement actions by providing payments to teachers, which reached a total of xxx families in 2020.

Banco Económico takes pride in being the first financial institution in Angola to develop a project exclusively focused on the social inclusion of children and young people with special developmental needs.

Undoubtedly, this project has brought about social transformation in the lives of education professionals, children, their families, and the Angolan society as a whole.

Teachers and family members were empowered in numerous aspects of child development.

This project has highlighted that this particular segment of our society needs to be addressed today, in order to improve the living conditions of these children and their families, thereby making a positive contribution to their future as well as to Angola's future, so that everyone can achieve the best and that this best can be multiplied.

SPONSORSHIP OF THE CACUACO MUNICIPAL HOSPITAL

Health | Material Goods and Voluntary Actions | ~ 2,500 Beneficiaries.

The Cacuaco Municipal Hospital has been sponsored by Banco Económico since 2016. This sponsorship involves the provision of equipment and consumables, as well as voluntary actions necessary to ensure the proper care of patients.

In 2020, despite the challenging circumstances and while adhering to all biosafety measures, an activity was successfully carried out during the first half of the year, which involved providing medication and disposable materials.

The scheduled actions were not carried out due to the epidemiological situation caused by the COVID-19 pandemic.

BE FOR EDUCATION

Education | Higher Education/Specialties | 146 National and International Scholarships | 146 Beneficiaries.

In 2020, Banco Económico, as a patron, upheld its commitment to scholarship recipients. Accordingly, it continued to pay scholarships for higher education, both domestic and foreign.

Domestic and foreign scholarships - Higher Education

Nature of the Scholarship	Training Area	Ages	2020	2020
Domestic Scholarship	Banking	18 - 30	137	51,622,000
Foreign Scholarship	Medicine	26 - 30	9	92,814,000
Total			146	144,436,000

Cost previously incurred under the Solidarity Account.

SPONSORSHIP OF APPRENTICES FOR GOOD

Education | Primary Education Social Inclusion | 15 Actions Developed | 1,606 Beneficiaries (until 2020).

The social project 'Aprendizes do Bem' (Apprentices for Good), which has been sponsored since 2017, aims to instill strong social values in children and adults in the Cazenga municipality, to remove children from the streets and, consequently, contribute to reducing juvenile delinquency.

This year, approximately 396 children participated in classes ranging from initiation to 5th grade, and 40 adults attended literacy classes.

Indeed, BE once again sponsored this cause, and an event called 'Welcome to the 2020 School Year' was organised, involving all children from the basic school to 5th grade.

BANCO ECONÓMICO GARDEN

Environment | Recovery and Maintenance | Monthly Action | General Population Benefited.

This small project has been ongoing since 2017, under the name 'Banco Económico Garden'. It involves the recovery and maintenance of a garden located next to the Bank's Head Office.

Throughout 2020, Banco Económico continued the project, ensuring the maintenance, recovery, and revitalisation of the garden, conveying an image of environmental preservation and engagement in sustainable practices within the community.

INTERNAL SOCIAL RESPONSIBILITY

AOA ~142 MILLION INVESTED
3,014 BENEFICIARIES

SUSTENTABILIDADE 18 POR 1 (SUSTAINABILITY 18 FOR 1)

Environment | Awareness-raising to Good Sustainability Practices | ~1,000 Employees.

This programme aims to establish a long-term sustainable management by putting conscious behaviours into practice, aiming to reduce negative environmental impacts through the implementation of a range of awareness-raising measures and the adoption of responsible environmental protection practices.

Given the current context, the only action carried out was digital awareness through weekly activities, primarily due to the COVID-19 pandemic.

WAKE UP BE

Various | Awareness-raising to Various Themes | ~1,000 Employees.

A programme aimed at Employees that encompasses a series of awareness-raising events on significant dates: Africa Day, Children's Day, Pink October, Blue November, and the Fight against HIV/AIDS. Digital awareness events conducted periodically due to the COVID-19 pandemic.

SPORTS

Health and Well-being | 6 Projects | ~880 Employees of Banco Económico and Family Members Benefited.
Staying true to its concept of valuing human beings, particularly its human capital, in 2020 Banco Económico continued to encourage and promote the use of the gym and organised the 4th Internal Men's Futsal Tournament.

Due to the COVID-19 pandemic, these activities were suspended.

HEALTH PROTOCOLS

Health | 4 Cooperation Protocols | Employees and Family Members
In this context, with the aim of contributing to the health and domestic finance premise, the Bank has been set up health protocols for its Employees and their families since 2016, enabling them to access medical care that is not covered by health insurance, at more advantageous prices.

Although there is a health insurance agreement in place, health protocols are in effect for the following institutions: Ópticas Okutala; Clínicas dentárias Miradente and Maló Clinic; and Clínica de nutrição Nutritionforyou.

MEDICAL OFFICE

Health | Health and Wellbeing | Management + Services | Employees and Family Members.
It aims to provide greater comfort in the workplace for Employees, with regard to preventive medicine, exams, regular rapid tests, and ensuring access to general medicine consultations.

With the continuation of social benefits, efforts were made to give the Bank an advantage. The major budget items underwent some adjustments, with cost reduction initiatives being implemented during the year, considering the global impact of the COVID-19 pandemic.

COLLECTIVE INTERNAL TRANSPORT - TIC

Social Benefit | Transport for Employees | 134 Beneficiaries.
This has been the benefit provided by Banco Económico to its Employees that has the greatest impact on its 134 users.

The TIC currently has 8 routes, namely: Benfica, Camama, Kilamba, Sequele, Patriota, Viana Vila, Ulengo Center and Zango.

A reduction in the number of occupants in vehicles was implemented due to the pandemic, ensuring distancing among users to mitigate the risk of contamination.

FINAL REMARKS

Considering that 2020 was an atypical year worldwide, with many projects aimed at consolidating best practices, redefining internal processes, and creating synergies that were not implemented due to the COVID-19 pandemic, we were somewhat constrained. Nevertheless, we sought to maintain some level of engagement with the community, thus upholding one of our values, 'We Always Invest in the Community'!

3.4 MARKETING AND COMMUNICATION

In 2020, Banco Económico's Marketing and Communication Department aimed to maintain excellence in communication with the various audiences it interacts with, both external and internal, thus contributing to the promotion, pursuit and dissemination of the Bank's values and strategic objectives.

With the onset of the pandemic in the first quarter of the year, the Bank, aware of and concerned about the safety of its Customers, Employees, and Suppliers, focused its efforts on implementing a Contingency Plan, which aimed to define prevention and response measures to reduce the risk of introduction and transmission of the virus, while ensuring the operational continuity of services.

The year was thus marked by a slowdown in commercial dynamics and events, as well as the display of significant adaptability which, in turn, led the Bank to increase its focus on providing services through digital channels, implementing remote work, and enhancing awareness of biosafety rules.

Nonetheless, alongside the ongoing maintenance of existing products, the creation and launch of new products, as well as internal communication, were among the priorities for both the Bank and the DMC.

NOTORIETY AND SALES REINFORCEMENT

The campaign for the Bué Salário Account, which started in December 2019 and extended throughout 2020 with a 360° communication approach, aimed to encourage the opening of an account with solutions created to facilitate financial management during challenging times. The campaign was publicised on the TV, radio, press, billboards, and the decoration of internal buses at the Luanda International Airport.

For Credit to the Real Sector of the Economy, communication focused on the credit line established as part of the National Development Plan and PRODESI to stimulate financing for the support of local production of essential basic goods and their derivatives (BNA NOTICE No. 04/2019) that still do not meet domestic demand. The aim was to boost domestic production and energise the activity of national companies.

The onset of the pandemic led to the creation of the #FiqueEmCasa campaign, which strongly urged customers to use digital channels. The campaign was promoted through TV, press, and digital media.

Regarding savings products, in addition to the Promotional Deposit, Immediate Yield, and the Exclusive Deposit, Banco Económico promoted another product called Anniversary Deposit with competitive rates, which was promoted through its branches, television, radio, press, billboards, and digital platforms. To enhance the achievement of new fund capture objectives, the Holiday Deposit was launched in December through digital channels.

EVENTS & ACTIVITIES

As part of its policy to promote, showcase and celebrate national culture, Banco Económico hosted an individual exhibition by Santomean artist René Tavares, entitled 'Migrações e Coisas, Retalhos de uma História Só' (Migrations and Things, Fragments of a Singular History) in its gallery. Similarly, the Medit'arte event took place in the form of a meditation class, combining the learning and practice of concentration and relaxation exercises in a peaceful and inspiring setting, the Banco Económico Gallery. This event aimed to promote well-being and strengthen the relationship between the Bank and its Customer base. However, with the arrival of COVID-19 in Angola and the subsequent declaration of a state of emergency, a digital catalogue of the exhibition was created and made available on Banco Económico's website, which garnered a significant number of views.

To celebrate its sixth anniversary, Banco Económico continued to focus on digital and organised an innovative programme for its Employees. Under the motto 'Chef Esperança - 6 ingredients to keep believing', the celebration included a competition and reinforced the emotional connection between Employees and the Bank, even while complying with social distancing measures.

3.5 TECHNOLOGY, TRANSFORMATION AND INNOVATION

Banco Económico continues to consolidate its position in the market by adopting business strategies with the following objectives:

- Promoting Customer retention and increasing the level of engagement and loyalty;
- Increasing the Customer base with an offer based on segmentation that aims to address the specific needs of each Customer;
- Developing solutions that enable the automation of key business processes, digitising the commercial experience, and providing management tools to enhance the monitoring of commercial productivity; Strengthening and streamlining the Bank's operational
- model;
- Expanding and promoting the range of products and services through an omnichannel experience and consolidating the Bank's image as a market reference in terms of digital offer;

These strategic objectives challenge the Bank to continue focusing on innovation and significantly investing in technology with a view to modernising its Information Systems, which encompass its entire operational framework.

For Banco Económico, 2020 was another year marked by significant technological investment driven by the implementation of critical and necessary projects to: i) support the implementation of the business growth strategy; ii) enhance resilience by modernising technology and strengthening the infrastructure; and iii) ensure the alignment of systems with the challenges of digital transformation.

Among these critical, highly complex and wide-ranging projects, it is important to highlight the modernisation project for the Flexcube (Oracle) core banking system , which enabled a technological leap in terms of quality, robustness and interoperability between central systems, peripheral business support applications and external strategic partner systems, and the implementation of the new Datawarehouse, both completed at the end of October 2020.

Banco Económico implemented other initiatives approved through the management of its project portfolio, prioritising those of a regulatory nature and other initiatives that were outside the critical path of the Core Banking modernisation project, namely:

- Digitisation of various business processes on the Workflow platform. This involved a significant reduction in business processes that were still being carried out manually, decreasing operational risk and enhancing the ability to monitor and audit them.
- Automation and batch processing of international transfers: significantly increasing operational efficiency by reducing the level of human intervention in the international transfer process, enabling a better allocation of the available resources.
- New SAP SuccessFactors Human Capital Management platform: enabling the self-management of human capital processes by the Employees themselves, further enhancing the employee-employer relationship through digital interaction with the Human Capital Department.
- STC/RUPE payment subsystem: allowing the introduction of an additional channel for payment of high-value taxes, while also expanding the bank's capability to provide payment services to the government on behalf of its Customers.
- Certification and subscription to Multicaixa Express: enabling Customers to adopt yet another digital channel for transactions and payments of services available within the Multicaixa network.
- Certification and subscription to the Direct Debit Subsystem: enabling the Bank to expand its presence within the payment subsystems available in the national financial system, always seeking to diversify its offer to Customers who increasingly require a more integrated operation with the Banks.
- Activation of Multicaixa cards via SMS: improving the Customer's digital experience, thereby reducing the need for Customers to physically visit the Bank's branches for basic services.
- Reinforcement of the data storage infrastructure: allowing for an increased processing and storage capacity for critical information necessary for the Bank's functioning and operations.

04

INTERNAL CONTROL SYSTEM

4.1 OVERVIEW

The Internal Control System (ICS) is defined as the integrated set of policies and processes, with a permanent and cross-cutting nature throughout the 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: ensuring that the Bank has the necessary mechanisms and procedures in place to avoid risk situations, or reduce their probability of occurrence and severity;
- Detection: developing alerts that allow for the timely identification of any risk situations that may arise; Mitigation: creating
- contingency mechanisms that can control and minimise the negative impact arising from risk situations that may occur;
- Monitoring: ensuring that there is a follow-up of all activities under the supervision of the Internal Control area to guarantee quality control over them.

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 their 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 and ensure that the strategy and general management policies are effectively disseminated and assimilated by Employees;
- Totality: identify, measure, control, and mitigate all risks that may compromise the defined strategy, on an individual or aggregated 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 activity, its risk profile, and degree of centralisation and delegation of powers. In addition, ensure that all Employees are capable of effectively and efficiently performing their assigned functions and that they understand, share and promote the ethical and professional principles that govern the Bank;
- Independence: establish a governance model that ensures an independent ICS and enables the assessment, evaluation, and reporting of the Bank's results to the management body, as well as collegiality in decision-making;
- Segregation of Functions: promote a clear segregation of functions between the business, control and support areas. This segregation encompasses the differentiation of the resources allocated and the hierarchical and functional independence of the functions and of the elements performing them, which is also reflected in the life-cycle of operations; Timeliness: respect the
- rules and deadlines defined for all internal control activities, ensuring immediate reporting without any delay;
- Homogeneity and Transparency: ensure homogeneity and transparency in the implementation of defined processes, by documenting/formalising procedures.

MAIN DEVELOPMENTS IN THE INTERNAL CONTROL SYSTEM

In order to comply with legal and regulatory provisions related to the ICS and the prevention of money laundering and combating the financing of terrorism (AML/CFT), the Bank continued the Regulatory Project, which consisted of documenting and formalising internal regulations, whereby processes with an impact on the Compliance function were formalised, namely: Monitor transactions with related parties; Identify and monitor situations of conflict of interest; Conduct due diligence on correspondent Banks.

Within the programme to strengthen the Compliance risk management function:

- The implementation of the AML SAS project continued, which will enhance the Customer and transaction assessment and monitoring process by:
  - Assigning and monitoring Customer risk;
  - Assessing Customers' transactional behaviour;
  - Managing risk alerts and reporting.
- The process of evaluating the Banks' AML/CFT and sanctions risk is currently underway;
- The implementation of the communication and awareness plan on Compliance continued, with the aim of fostering a culture of compliance among all employees of the Bank.

To ensure the quality and effectiveness of the ICS, in line with the defined objectives, the Bank continuously seeks to maintain an adequate internal control environment, taking into account its code of conduct and the key policies outlined below.

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. Therefore, in order to retain and motivate them, the Employee Remuneration Policy is guided by the following principles:

- Align 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 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 beginning of their employment and when the Policy is reviewed;
- Flexibility and Mobility, structured within salary bands and ranges applicable horizontally across different functions, in order to facilitate mobility and career development.

CONFLICT OF INTEREST POLICY

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

- Transactions are identified as such in any and all documents relating to them;
- Transactions are conducted on market terms, in accordance with their respective risks 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

Recognising the utmost importance of ethical values in today's society and their significance in banking activities, the Bank has a Code of Conduct in place and, with the assistance of the Compliance Department, raises its Employees awareness of ethical matters, as well as the ethical and deontological standards to be observed in the professional context. This is achieved through the interpretation and analysis of rules and principles governing banking activities, as well as matters pertaining to responsibilities arising from the practice 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 professional activity of the members of the management and supervisory bodies and Employees of the BE Group. 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, despite its applicability to everyone regardless of their position in the hierarchy and individual roles and responsibilities, a leading example and a particularly diligent level of compliance are expected from the members of the management and supervisory bodies of the BE Group, as well as from its senior managers.

FOCUS AREAS IN 2020

- Promote the training and certification of Control Area Employees
- Develop a communication and awareness plan, applicable across the entire bank, to embed the culture of Compliance.
- Consolidate the plan for the Bank's transformation, to ensure process automation
- Ensure the formalisation and regular review of policies and processes
- Establish the assessment of the Bank's Money Laundering and Terrorism Financing Risk
- Strengthen and deepen risk control processes regarding Money Laundering and the Financing of Terrorism
- 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 for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and Conflict of Interest matters, ensuring the existence of policies, standards and checkpoints within the processes to mitigate risks associated with non-compliance with these policies, as well as with the laws and regulatory standards governing the Bank's activity.

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

The Bank promotes an ongoing programme to ensure the dissemination of the Compliance culture based on the following principles:

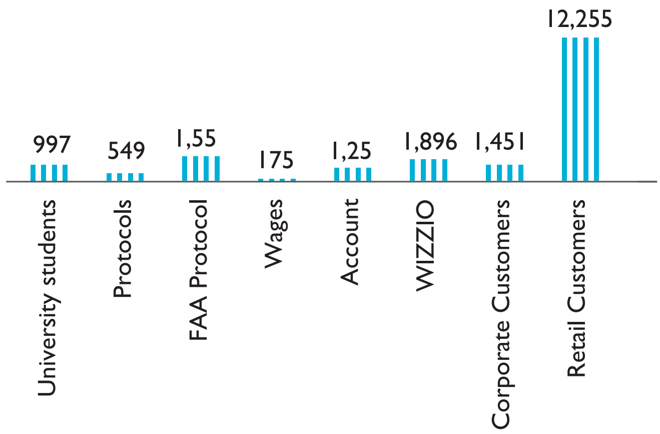
- **Commitment** - on the part of all Employees and members of the Bank's governing bodies, to comply with applicable national and international legislation applicable to them, with an impact on their activity and that of its subsidiaries, which includes monitoring and controlling risks that may result in legal or regulatory 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 to ensure the efficiency and quality of the products and services provided;
- **Professionalism** - Employees must perform their duties with high levels of technical competence, in an efficient, neutral and discreet manner, showing absolute respect for the interests of both Customers and the Bank;
- **Diligence** -Employees must act judiciously and prudently, following the principle of risk sharing and prioritising the strict interest of Partners, Customers, Suppliers and others;
- **Monitoring** - the Bank has an ongoing process to identify whether the pillars and the Compliance programme are working as planned.

MONITORING IN 2020

Customer risk analysis and assessment - KYC

In the period under analysis, the Compliance Department authorised the opening of 20,130 retail and corporate customer accounts. The first half of the current year was the period with the highest number of account opening requests.

Account Opening Process



Also within the scope of the account opening process and under the terms of Article 12(4)(d) of BNA Notice no. 02/2013, of 19 April, some fraudulent transactions were detected that resulted in a number of overdrawn accounts, which required their respective blocking and reporting to the UIF. During the period in question, 286 requests for maintaining Customer accounts were received.

The most frequent reason for maintaining accounts and Customers was related to:
- Inclusion of new account holders.

Regarding the closing of accounts, the most frequent reasons were:
- Closure of the company;
- Company with no activity;
- Return to their country of origin;
- Dissatisfaction with the OPEs.
- On the Bank's initiative.

Account and Customer Maintenance

References for opening Customers and accounts are handled based on the ranges of hits generated in the analysis and assignment process of the AML/CFT Scoring & Sanctions of the *Workflow Application*.

Following the distribution made, the KYC Statistics for the period under analysis are shown below.

KYC statistics for 2020

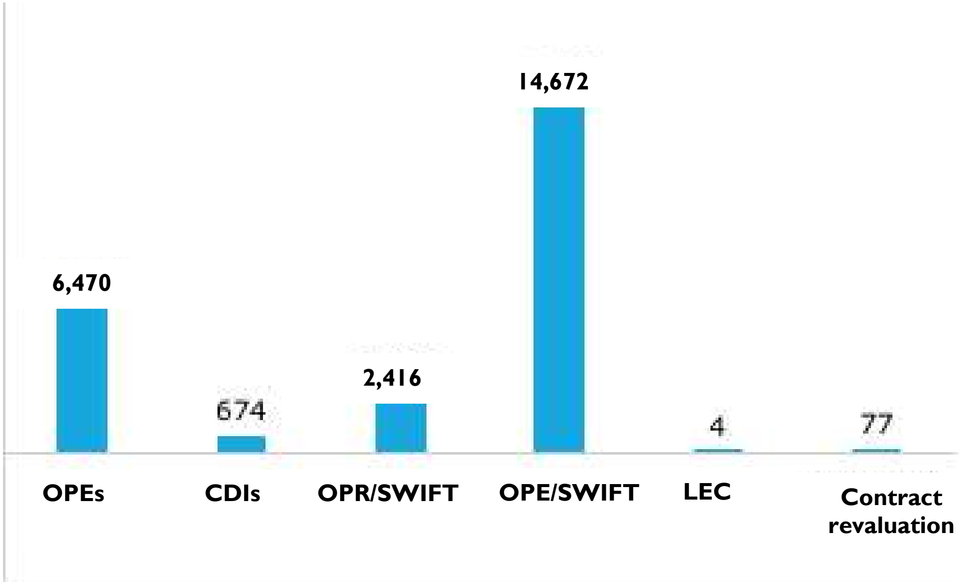
Risk Level	Customers Total	%
Low	1,019	7%
Medium	6,198	43%
High	3,952	28%
No scoring	3,171	22%

The overwhelming majority of High Risk C&C references that were analysed by the DCOMPL resulted in False Positives. In other words, the Due Diligence allowed us to conclude that they were not PEPs, HRRPs (High-Risk Profile Persons) or Sanctioned Individuals.

1. Transaction Analysis

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

Transaction Analysis



It is worth noting that out of the transactions analysed according to their typologies, 10 OPE/SWIFT transactions were returned for compliance reasons, 1 LEC had an unfavourable opinion for the same reason, and 3 revaluation operations received an unfavourable opinion due to inconsistencies with the provisions of Circular Letter 002/DCC/2020.

1.1. Suspicious Operations

As part of the monitoring process of the Compliance function, 29 transactions were found to be suspicious and were reported to the UIF, and the corresponding accounts were subsequently blocked.

1.2. KYT Report

During the period under analysis, 13 KYT reports were processed and analysed, of which 10 operations received favourable opinions and 3 received unfavourable opinions due to vessel conditions.

2. Reports

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

- Annual Report of the Compliance Function
- Daily report of withdrawal and deposit operations equal to or exceeding USD 15,000
- Annual Report on Corporate Governance and Internal Control System
- Report on Money Laundering, Financing of Terrorism, and Proliferation of Weapons and Mass Destruction.
- AML Risk Assessment Report

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

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.

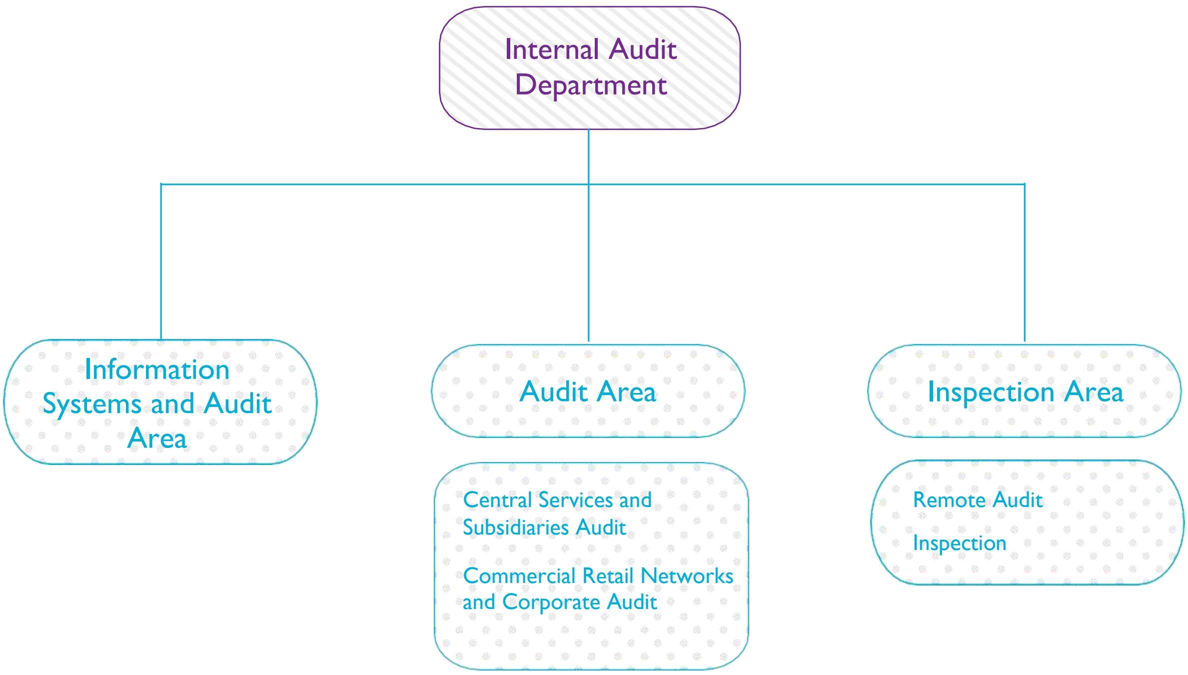
The Internal Audit Department acts permanently and independently of any other function or unit, with the mission of providing the Bank's Board of Directors with a guarantee on the quality and effectiveness of internal control, risk management (current or emerging) and governance processes and systems,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

The work of the internal audit teams is based on the principles laid down in Notices no. 2/2013 and no. 7/2016 of the BNA, as well as on internal normative documents, namely: Code of Conduct, Internal Audit Regulation, and Internal Audit Manual, the latter two 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 Internal Audit Department is organised through the following structure:



RESPONSIBILITIES OF THE INTERNAL AUDIT DEPARTMENT

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

EXAMINE AND ASSESS periodically whether the Internal Control System, outlined and implemented by those responsible for the Bank's various structures and activities, are adequate and ensure that:

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

ASSESS risk models within the scope 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 recommendations made and correction of identified deficiencies.

PREPARE a proposal for the function's strategic plan, aligned with the Bank's overall strategy and the overall plan of actions to be undertaken.

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.

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

RECORD, document, and prepare information provision reports appropriately 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 the quality of information provided to the Management Body.

CENTRALISE the data and applications migration certification process.

IMPLEMENT AND MAINTAIN a continuous improvement program for its activity that ensures the functioning of the Internal Audit Function in accordance with professional internal audit standards, the regulatory requirements for the function, and the alignment with the expectations of the Management Bodies and other interested parties.

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

AUDITS AND INSPECTIONS

Demonstrating the high levels of rigour, integrity and discipline that characterise Banco Económico's Internal Audit Department, 2020 was marked by the completion of 33 audit reports and 44 inspections distributed among the three areas of the Department.

AUDITS AND INSPECTIONS

FOLLOW-UP of the implementation of the 2019 and 2020 recommendations

Foreign Exchange Control Function

Market Room

Assets Management

Special Inspection Programme

Registration, Contracts and Wage Processing

Business Centres and Service Points

Diagnosis of the implementation of ongoing technological projects

Evaluation and Implementation of the Business and Continuity Plan

Branches

Treasuries

AUDIT AND INFORMATION SYSTEMS AREA

AUDIT AREA

INSPECTION AREA

4.4 FOREIGN EXCHANGE CONTROL FUNCTION

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

Considering Instruction 7/2018, of 19 June, Banco Económico, under the guidance of the Banco Nacional de Angola, created the Foreign Exchange Control Office (GCC) as an independent function that reports directly to the Executive Committee (EC) through the respective Department Director.

SCOPE OF THE OFFICE'S ACTIVITY

The scope of the Office's activity covers all operations subject to foreign 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);
- Documentary collections for imports and exports;
- Cash withdrawals;
- Opening of foreign exchange non-resident accounts and the control processes;
- Reporting and interaction with the Banco Nacional de Angola, as well as other related issues.

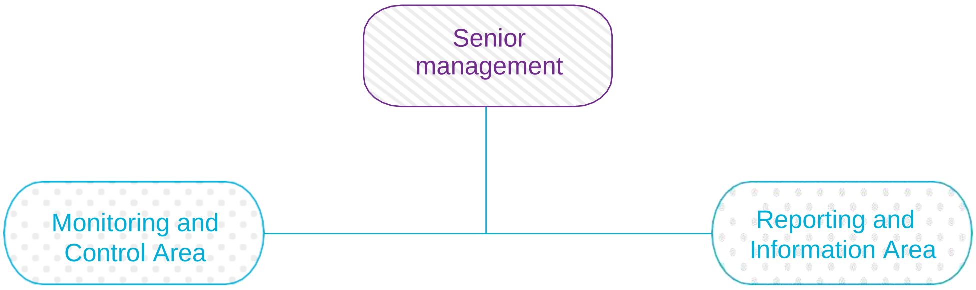
The work of the Foreign Exchange Control Office aims to ensure the strict compliance by the Bank with the foreign exchange legislation issued by the Regulator and to report all information associated with those operations, in an environment of close collaboration for timely clarification of all doubts and to ensure the operationalisation of processes aligned 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 the registration of operations in SINOC and the proper reporting to the BNA.

ORGANISATIONAL STRUCTURE

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



MONITORING AND CONTROL AREA

It is responsible for the strict compliance with the foreign exchange legislation and regulations in force, ensuring the alignment with 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 related laws, regulations and internal rules.

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 procedures to avoid the reuse and subsequent duplication of documents submitted, monitoring foreign exchange transactions and atypical Customer behaviours; (iii) validate documents concerning data alterations to the processes of opening foreign exchange non-residents accounts, and (iv) give an immediate response to requests for opinions on foreign exchange processes, requested by the Commercial Network, Legal Department, Audit or Compliance.

REPORTING AND INFORMATION AREA

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 foreign 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 relationships 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 foreign 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:

In light of the evolution in the foreign exchange market, the Banco Nacional de Angola (BNA) updated and simplified the applicable foreign exchange regulations and legislation for international transfers in various payment methods. This has resulted in increased responsibility for the bank regarding the knowledge of its Customers and their transactions, always with the aim of complying with the regulatory requirements set forth by the regulator.

During 2020, the GCC carried out the following key activities:

1. Legal compliance analysis of approximately 15,729 foreign exchange transactions recorded at the Bank for the various purposes and payment methods permitted by the BNA;
2. Monitoring the process of opening foreign exchange non-resident accounts, taking into account the publication of BNA Notice no. 17/20, in August 2020, as by the end of the year, around 867 foreign exchange non-resident accounts were opened to transfer their earnings abroad;
3. Reassessment of approximately 77 service provision agreements involving ongoing foreign exchange operations and adjustment of

internal procedures for licensing new service provision agreements, thus ensuring a thorough assessment of these foreign exchange transactions, in view of the publication of Circular Letter no. 02/DCC/2020;

4. Information sessions with the commercial areas, aimed at introducing the updated rules and procedures for payments of salaries to foreign exchange non-residents, thus enhancing the quality of the service provided to retail Customers in this category.

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 throughout the organisation, ensuring that the overall risk management strategy and policies are effectively disseminated and assimilated by the 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 characterisation, 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 OVERVIEW

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

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 to which the Bank is exposed.

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, particularly the requirements set by BNA in Notice no. 02/2013, of 19 April, regarding the Risk Management Function, and on the other hand, the 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 scope of risk management and internal control comply with the defined rules and deadlines, with any delays being immediately reported;

07. HOMOGENEITY AND TRANSPARENCY

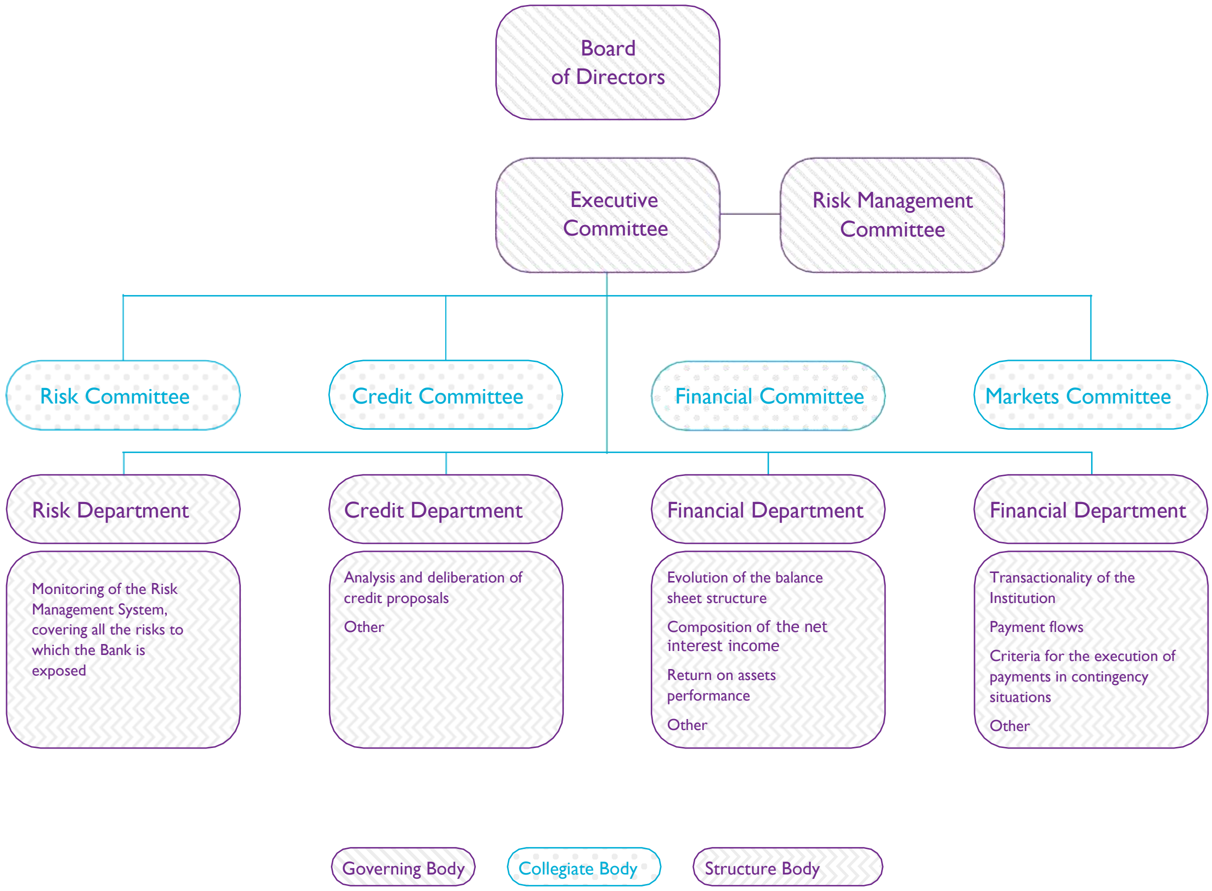
Ensure homogeneity and transparency in the implementation of the defined processes, by documenting/formalising procedures.

GOVERNANCE MODEL

Based on Banco Económico's organisational structure and 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.

Governance Model



RISK MANAGEMENT CYCLE

In order to ensure an effective and efficient management of the various risks to which the Bank is exposed, a clear Risk Management Cycle has been defined, consisting of 6 complementary activities:

1. Strategy;
2. Identification;
3. Assessment;
4. Mitigation;
5. Monitoring;
6. Communication.

01. STRATEGY

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

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

02. IDENTIFICATION

Identification of the need for designing, implementing or changing the Risk Management Model, as well as identifying new sources and causes of risk arising from changes occurring within the institution's context.

Intervening Parties: Risk Committee, Risk Department, Financial and Markets Department

03. ASSESSMENT

Design and implementation of inherent and residual risk assessment methodologies. This phase also encompasses a cost-benefit analysis or preliminary studies of the need to review and design 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 suitability of the Risk Management Model.

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

06. COMMUNICATION

Definition of communication and training plans associated with the Risk Management Model and preparation of reports and opinions to internally and externally report 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.

In this context, the following risks are considered materially relevant:

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

5.3 CREDIT RISK

Credit risk is associated with the possibility of a Financial Institution (IF) incurring financial losses resulting from the borrowers' non-compliance with contractual obligations in their respective credit operations.

The objective of Credit Risk management is to maximise the results generated by the IF while maintaining exposure to this risk at desirable and acceptable levels, in line with the growth objectives defined for its business and in compliance with the regulatory requirements to which it is subject.

CREDIT RISK MANAGEMENT

The Bank's credit approval process respects a set of rules and principles of power segregation and 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 each credit a specific rating, based on Customer information and the respective operation, collected through qualitative and quantitative analysis questionnaires.

Each variable analysed is assigned a score and a global 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 of 1 to 10, based on the average risk of each variable and their weighting.

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

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 with restrictions, or proposing new conditions.

FOLLOW-UP

- The overall credit portfolio should 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 monitored to track 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 factors that may indicate default or a potential reduction in a Customer's ability to fulfil their commitments to the Bank.
- The Bank monitors signs of default by its Customers, such as defaults in 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 contract review date, 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

Banco Económico's choice of 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 Flows Model and Liquidity Ratios.

CASH FLOWS

The Cash Flows model aims to identify the timing mismatches in the cash flow of all assets and liabilities, according to the characteristics of the respective 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 the projections made, in order to measure the adherence of the projection and take measures to converge the projected values with the actual liquidity and, subsequently, increase the accuracy of 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;
- Interbank Money Market Financing / Total Financing.

5.5 MARKET RISK

Market risk is defined as the possibility of incurring losses resulting from market value fluctuations 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, assessing, monitoring and controlling exposure resulting from positions held in foreign exchange products, interest rate products, shares and commodities, with the aim of keeping 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, the products and services offered, the 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 using two different models, both of which are regularly monitored.

ANALYSIS OF RISK-EXPOSED POSITIONS

Positions analysis consists of calculating the amounts exposed, by maturity intervals, to managed Market Risks. An analysis of the mismatch of the assets and liabilities that make up the balance sheet structure is carried out, while calculating the values at risk resulting from:

- Unevenness of interest rates under the condition of remuneration of assets higher that that of liabilities;
- Amounts at risk resulting from the repricing of assets and liabilities.

However, the monitoring and control of positions does not provide a complete view of the real exposure to the various risk factors. For this reason, Banco Económico supplements this measure with other Market Risk control tools, namely 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 analyses are a particularly important metric for Market Risk management, since small changes in risk factors can generate significant losses/gains in the institution's results.

This model aims to assess the impacts on the Bank, on the current value or economic value of its positions, and on its return in response to possible changes in a set of market variables considered as risk factors. These market variables relevant to Banco Económico include:

- Interest Rates;
- Exchange Rates;
- Market Prices of Financial Instruments;
- Measures of Expansion and Contraction of the Monetary Supply.

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

1. **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.

2. **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 accounting information used in the models.

3. Adequacy to the Established Risk Limits

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 allow concluding whether the Bank falls within the set risk limits and redefine the future approach (i.e., assume higher risk, containment, or corrective measures).

4. Market Risk Report

The Risk Department is responsible for reporting on the evolution of specific risks under its management, and is responsible for preparing reports that demonstrate the overall risk management of Banco Económico. In this context, the Market Risk Management report is drawn up at least once a month and reported 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 core 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.

Concentration risk 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 competitors.

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 assets and liabilities portfolio 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 shall be activated when concentration management limits 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 INFORMATION SECURITY AND CYBERSECURITY

In a highly atypical context marked by the onset and evolution of the COVID-19 pandemic, the banking sector faced a significant challenge where its ability to adapt and swiftly adopt measures imposed by the state of emergency was put to the test, with technology playing a pivotal role.

The creation of technological conditions to ensure remote work, the operability and monitoring of systems, and the provision of products and services within a secure and predominantly digital ecosystem marked the first half of 2020.

The infrastructure, networks and communication teams within the IT Department, in close coordination with the Information Security Unit, carried out a series of activities that ensured business continuity without any disruptions.

To address this challenging context, an Information Security Mitigation Plan was developed, proposing actions aimed at enhancing the ability to respond to the high cybersecurity risks and threats exposed by the situation. The proposed plan focused on three critical aspects: People, Processes and Technologies.

PEOPLE

- Conducting multiple awareness-raising and sensitisation campaigns among Employees and Customers, reinforcing precautions regarding attitudes and behaviours towards potential threats.

PROCESSES

- Redefinition and adjustment of the Information Security Policy;
- Development of a Remote Work and Mobile Devices Security Policy;
- Definition of requirements for Remote Work, Remote Access, and BYOD (Bring Your Own Device);
- Update of the VPN Network Design;
- Development of the VPN Access Management Process and other Remote Work Solutions;
- Employee User Manuals.

TECHNOLOGIES

- Reassess the VPN Solution in terms of Information Security, propose and oversee the implementation of improvements;
- Validate the operationalisation of Access Control and Anti-Virus Protection Solutions;
- Revalidate and certify the level of protection of network assets used for remote access and implement measures to ensure their effectiveness;
- Parameterisation and Assessment of access to the Swift Sanctions Screening solution via
- WebAccess;
  Parameterisation and Assessment of access to the Swift Basic Tracker Solution;
- Ensure that remote work Customer devices meet the recommended security levels.

Following up on the project started in 2019 to implement the ISMS - Information Security Management System through the initiatives listed in the Information Security Roadmap, some of the initiatives have been implemented, of which it is important to highlight:

- Redefinition of the Information Security Policy and alignment with the current regulations in force Notice 8/2020, Instruction 10/2020, and Law no. 22/11, of 17 June (Law on Personal Data Protection) and Law no. 7/17, of 16 February, Law on the Protection of Computer Networks and Systems:
- Definition of Information Security Roles and Responsibilities (Information Security Unit);
- Definition of Policies and Procedures for Information Security Risk Management;
- Definition of the Information Security Documentation Framework;
- Alignment with the International SWIFT Security Framework. Implementation and validation of Swift CSP v2019 and v2020;
- Preparation of the proposal for the Access Management and Control Policy;
- Execution of Vulnerability Analyses for Pre-selected Information Assets;
- Monitoring and management of diagnosed Information Security Incidents.

In terms of tools and systems, systems were implemented that enhanced the mechanisms and controls, raising Banco Económico's Information Security maturity level, namely:
- Implementation of the Email Protection Service;
- Privileged Access Control System;
- Installation of Jump Servers;
- Reinforcement of the Data Storage Infrastructure;
- Approval of the project to upgrade and modernise the backup solution.

5.8 SOLVENCY

The main objective of Banco Económico's internal capital management process is to ensure compliance with the strategic objectives defined by the management body concerning capital adequacy, while respecting and enforcing compliance with the rules for calculating risk-weighted assets and own funds, and ensuring compliance with solvency levels and other prudential limits set by supervisory entities, namely the Banco Nacional de Angola (BNA), and 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 of the Board of Directors, and is integrated in the overall definition of the Bank's objectives.

Banco Económico's capital ratios are calculated based on the rules set out in Notices no. 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 these entities, namely with regard to the calculation of the ratios.

CALCULATION OF THE 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 the Regulatory Own Funds (FPR) and the value of Regulatory Own Funds Requirements, in accordance with the following formula:

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

According to the aforementioned rules, Banco Económico's capital ratios as at 31 December 2019 and 31 December 2020 were as follows:

Banco Económico Capital Ratios

Regulatory Ratios (Base Calculation)		2019	2020
Regulatory Solvency Ratio (RSR)	**(FPR/FPR Requirements) x 10% (as a percentage)**	-29%	-22%
Regulatory Own Funds (FPR)	Basic own funds + complementary own funds (value in thousand Kwanzas)	(324,512)	(387,107)
FPR requirements	FPR requirement for credit and counterparty credit risk (value in million Kwanzas)	69,133.00	107,940.00
	FPR requirement for market risk and counterparty credit risk in the trading portfolio (value in million Kwanzas)	28,347	47,400
	FPR requirement for operational risk (value in million Kwanzas)	15,805	21,957
	Tier 1 Own Funds	(531,183)	(636,230)
	Core Tier 1	-48%	-36%

The Tier 1 ratio for 31 December 2019 stood at -48%, while the solvency ratio (or total own funds ratio) for 31 December 2020 reached -22%. Both ratios are negative due to the impairment charges associated with the Asset Quality Assessment ('AQA') programme promoted by the BNA, resulting in the Bank's Own Funds being significantly negative.

06

APPROVED FINANCIAL STATEMENTS

6.1. Individual Financial Statements

6.1. INDIVIDUAL FINANCIAL STATEMENTS

Individual Financial Statements Position as at 31 December 2020 and 2019

	mAOA		Variation	Notes
Assets	31-12-2020	31-12-2019		
Cash and cash equivalents at central Banks	163,592,711	234,310,510	-30.18%	4
Cash and cash equivalents at Other Credit Institutions	80,719,675	59,544,828	35.56%	5
Investments at central Banks and Other Credit Institutions	56,268,285	107,061,793	-47.44%	6
Financial assets at fair value through profit or loss	1,409,690	7,519,224	-81.25%	7
Financial assets at fair value through other comprehensive income	162,718	102,069	59.42%	8
Investments at amortised cost	200,812,363	210,688,002	-4.69%	9
Loans and Advances to Customers	80,192,857	94,172,137	-14.84%	10
Non-current assets held for sale	1,118,848	6,308	17,636.97%	11
Other tangible assets	43,712,082	42,702,350	2.36%	12
Intangible assets	8,257,236	6,308,383	30.89%	13
Investments in associates and associates	2,252,374	2,044,333	10.18%	14
Current tax assets	1,508,739	1,503,761	0.33%	15
Other assets	953,113,836	476,794,710	99.90%	16
Total Assets	1,593,121,414	1,242,758,408	28.19%	
Liabilities and Own Funds	31-12-2020	31-12-2019	Variation	Notes
Deposits from central Banks and Other Credit Institutions	280,134,793	26,165,044	970.65%	17
Deposits from Customers and other loans	1,589,389,247	1,415,852,704	12.26%	18
Financial liabilities held for trading	217,230	-	-	19
Subordinated liabilities	249,122,324	206,671,839	20.54%	19
Provisions	5,078,451	13,848,534	-63.33%	20
Current tax liabilities	-	-	-	15
Other liabilities	97,500,055	70,773,358	37.76%	21
Total Liabilities	2,221,442,100	1,733,311,479	28.16%	
Share Capital	72,000,000	72,000,000	0.00%	22
Fair value reserves	29,700	-	-	23
Other reserves	28,141,757	28,141,757	0.00%	23
Retained earnings	(590,694,828)	(59,511,388)	892.57%	23
Net income for the year	(137,797,315)	(531,183,440)	-74.06%	
Total Own Funds	(628,320,686)	(490,553,071)	28.08%	
Total Liabilities and Own Funds	1,593,121,414	1,242,758,408	28.19%	

Individual Income Statements for the years ended 31 December 2020 and 2019

(thousand Kwanzas)

	31-12-2020	31-12-2019	Notes
Interest and similar income	23,472,896	51,060,458	24
Other	23,472,896	31,163,026	24
Asset Transfer Op. ENSA Group	-	19,897,432	24
Interest and similar costs	(58,630,000)	(41,445,873)	24
Other	(55,699,964)	(39,533,146)	24
Asset Transfer Op. ENSA Group	(2,930,036)	(1,912,728)	24
Net Interest Income	(35,157,103)	9,614,585	
Income from services and fees	12,215,276	13,344,932	25
Expenses with services and fees	(1,461,125)	(1,093,497)	25
Income from securities trading	(222,171)	(820,966)	26
Income from Derivative trading	(217,230)	-	26
Foreign exchange income - Other	(271,594,571)	(280,448,924)	27
Foreign exchange income - ENSA Group	178,656,619	407,256,112	27
Other operating income	255,467,428	(2,786,441)	28
Banking income	137,687,123	145,065,801	
Staff costs	(16,807,226)	(13,965,910)	29
Third-party supplies and services	(11,143,091)	(10,561,105)	30
Depreciation and amortisation for the year	(2,719,828)	(3,224,052)	12 and 13
Provisions net of cancellations	(51,690)	(1,084,297)	31
Impairment on other financial assets, net of reversals and recoveries	(19,280,848)	(4,739,018)	31
Impairment on loans and advances to Customers, net of reversals and recoveries	12,523,341	(31,666,305)	31
Impairment on other assets net of reversals and recoveries	238,233,189)	(611,286,576)	31
Income from subsidiaries and associates	228,093	278,023	14
Income before tax from ongoing operations	(137,797,315)	(531,183,440)	
Income taxes			
Current	-	-	15
Deferred	-	-	
Income after tax from ongoing operations	(137,797,315)	(531,183,440)	
Income after tax from ongoing operations	-	-	
Individual net income for the year	(137,797,315)	(531,183,440)	

Banco
Económico

Individual Statements of Comprehensive Income as at 31 December 2020 and 2019

(thousand Kwanzas)

	31-12-2020	31-12-2019
Individual net income for the year	(137,797,315)	(531,183,440)
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:		
Financial assets at fair value through other comprehensive income	29,700	-
Changes in fair value	29,700	-
Transfer to income statement due to sale	-	-
Transfer to income statement due to impairment recognised in the period	-	-
Fiscal impact	-	-
	29,700	-
Income not included in the profit-and-loss statement	29,700	-
Separate Statement of Comprehensive Income	(137,767,615)	(531,183,440)

Individual Statements of Changes in Equity as at 31 December 2020 and 31 December 2019

	Notes	Capital	Share issue premiums	Own shares
Balance as at 1 January 2019		72,000,000	-	-
Appropriation of Profit - Reserves		-	-	-
Other comprehensive income				
Changes in fair value, net of tax		-	-	-
Actuarial gains/losses		-	-	-
Exchange rate gains/losses		-	-	-
Net Income for the Year		-	-	-
Balance as at 31 December 2019		72,000,000	-	-
Appropriation of Profit - Reserves		-	-	-
Other comprehensive income				
Changes in fair value, net of tax		-	-	-
Actuarial gains/losses		-	-	-
Exchange rate gains/losses		-	-	-
Net Income for the Year		-	-	-
Other Operations		-	-	-
Balance as at 31 December 2020		72,000,000	-	-

(thousand Kwanzas)

Reserves and Retained				Individual net income for the year	Total Own Funds
Fair value reserves	Other	Retained earnings	Tota		
(0	24,504,329	(92,395,91	(67,891,58	36,521,959	40,630,370
-	3,637,428	32,884,531	36,521,959	(36,521,959	
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-		-	(531,183,440	(531,183,440
(0	28,141,757	(59,511,38	(31,369,63	(531,183,44	(490,553,07
-	-	(531,183,440	(531,183,440	531,183,440	-
29,700	-	-	29,700	-	29,700
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(137,797,31	(137,797,31
-	-	-	-	-	-
29,700	28,141,757	(590,694,828	(562,523,37	(137,797,31	(628,320,686

Separate Cash-Flow Statement

(thousand Kwanzas)

Description	31-12-2020	31-12-2019	Notes
Cash flow from operating activities	48,379,431	57,199,216	
Interest, fees and similar income	(50,841,050)	(55,783,854)	
Interest, fees and other similar costs paid	(28,116,059)	(23,079,350)	
Payments to employees and suppliers	(30,577,678)	(21,663,988)	
Cash flow before changes in operating assets and liabilities			
(Increases)/Decreases in operating assets and liabilities:	49,126,111	2,809,874	
Investments at central Banks and Other Credit Institutions	5,802,551	-3,126,746	
Financial assets at fair value through profit or loss	-	-	
Financial assets at fair value through other comprehensive income			
Investments at amortised cost:	26,437,648	3,595,830	
Debt securities	(9,063,332)	18,648,006	
Loans and Advances to Customers	(849)	21,240	
Non-current assets held for sale	5,182,234	2,550,783	
Deposits from central Banks and Other Credit Institutions	(81,739,382)	52,252,748	
Deposits from customers and other loans			
Non-current liabilities held for sale	(6,785,869)	(1,828,756)	
Other assets	9,245,133	4,387,563	
Other liabilities	(32,373,433)	57,646,554	
Net cash flows from operating activities, before income taxes	57,646,554	81,111,864	
Income tax			
Net cash flow from operating activities	(32,373,433)	57,646,554	
Total assets	1,242,758,408	1,325,385,158	
Cash flows from investment activities			
Dividends received	-	-	
Acquisition of other tangible assets, net of sales	(1,911,869)	(1,463,679)	
Acquisition of intangible assets, net of sales	(2,489,085)	(3,013,379)	
Acquisitions of holdings in subsidiaries, associates and joint ventures, net of disposals	-	-	
Net cash flow from investment activities	(36,774,387)	53,169,497	
Cash flow from financing activities			
Increase/(Decrease) in share capital	-	-	
Dividend distribution	-	-	
Payments related to lease liabilities	(390,927)	(332,602)	

(Cont.) (thousand Kwanzas)

Description	31-12-2020	31-12-2019	Notes
Issue of subordinate liabilities, net of repayments and acquisitions	-	-	
Return paid related to subordinated liabilities	(12,377,638)	(7,859,723)	
Net cash flow from financing activities	(49,542,952)	44,977,172	
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	293,855,338	248,878,166	
Net changes in cash and cash equivalents	(49,542,952)	44,977,172	
Cash and cash equivalents at the end of the period	244,312,386	293,855,338	
Cash and cash equivalents:			
Cash and cash equivalents at central Banks	163,592,711	234,310,510	4
Cash and cash equivalents at other financial institutions	80,719,675	59,544,828	5
	244,312,386	293,855,338	

07

APPROVAL OF THE BOARD OF DIRECTORS

ANNUAL REPORT AND APPROPRIATION OF PROFITS

The Board of Directors is responsible for the preparation, integrity, and objectivity of the individual 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 standards and procedures adopted;

- The individual and consolidated financial statements for the financial year ended on 31 December, 2020 and 2019, audited and prepared in accordance with the regulations in force in Angola, present a true and appropriate view of the Assets, Liabilities, Own Funds, Income and Cash Flows on an individual basis;

- The management report accurately presents the business evolution, performance and financial position on an individual basis for the financial years 2020 and 2019.

Pursuant to its statutory competence, the Board of Directors presents to the General Meeting the proposal for the appropriation of profits of the financial year 2020 as follows:

For retained earnings, the amount of AOA - 137,797,315,068.85.

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 the 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 Notes 37 and 38 of the Notes to the Individual Financial Statements.

It is also important to mention the relevant developments regarding the implementation of the RRP measures deemed necessary for the recapitalisation and profitability of the Bank, of which we highlight the following:

1. Restructuring of the subordinated debt with Novo Banco, which took place at the end of 2021, with the Bank agreeing with Novo Banco to forgive 75% of the maturing debt;

2. 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 outlined in the RRP, namely: i) the issue of Perpetual Treasury Bonds, ii) the issue of Convertible Bonds;

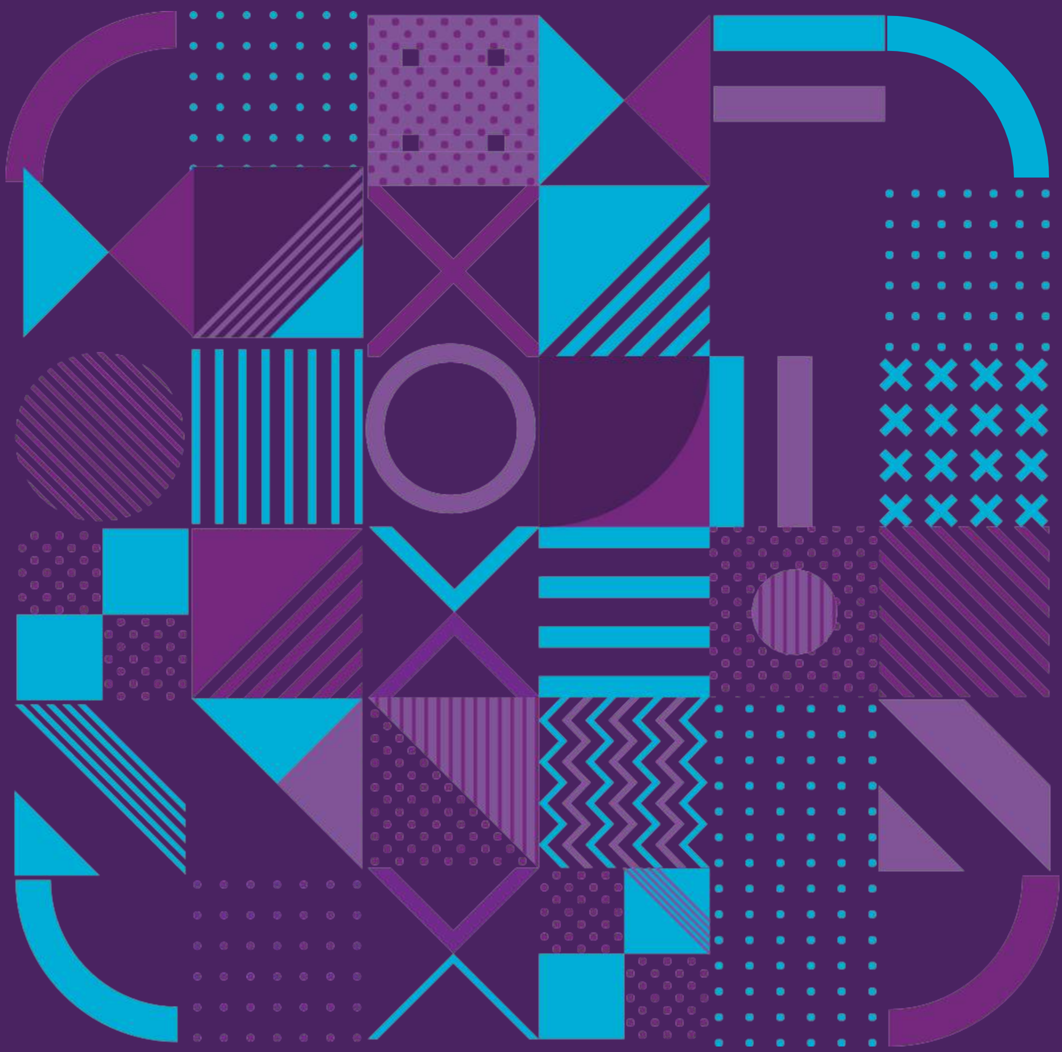
3. Approval by the Ministry of Finance for the issue of Perpetual Participation Securities, which took place on 1 April 2022, subject to the submission of the provisional management and financial statements report for 2021 as soon as possible;

4. 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 (i) the evolution and progress already achieved 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 unwavering commitment to the implementation of the RRP, supported by the regulatory authority (BNA), the Capital Market Supervisor (CMC), and other relevant institutional stakeholders.

Luanda, 11 May, 2022

The Board of Directors



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FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS AND OPINIONS

NOTE 1 - INTRODUCTORY NOTE

Banco Económico, S.A. (hereinafter also referred to as the 'Bank' or 'BE') is a universal commercial bank which operates and has its registered office in Angola, at Rua do 1º Congresso, N.º 8, Ingombota, Luanda. For this purpose, it holds the necessary authorisations from the competent Angolan authorities, including that granted by the Banco Nacional de Angola ('BNA' or 'Central Bank').

BE took on a new name on 28 October 2014, following the restructuring measures ordered by the BNA. BE resulted from the renaming of Banco Espírito Santo Angola S.A., which was originally founded in August 2001 and began operations on 24 January, 2002, with its corporate purpose being universal banking under the terms and to the extent permitted by law. From its inception until to 19 July 2019, BE established itself as a private capital banking institution under Angolan law; however, after July 2019, BE became a predominantly public capital institution due to the execution of the Lektron Capital participation through the Sonangol Group.

NOTE 2 - ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

In accordance with the provisions of BNA's Notice no. 6/2016, of 22 June, Banco Económico's financial statements are prepared in accordance with the IFRS - International Financial Reporting Standards. These financial statements pertain to the Bank's individual activity as at 31 December 2020.

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

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and the predecessor bodies, effective for the financial year beginning on 1 January 2020.

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 Bank's financial statements as at 31 December 2020, were approved by the Board of Directors on 4 May 2022. 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 as at 31 December 2019.

The 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') are not met for the Angolan economy as at 31 December 2018 and 2017. Consequently, it was decided not to apply the provisions of that Standard to the financial statements as at those dates, as well as any potential effects on the income statement.

2.2 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted into functional currency (Kwanza) using the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into functional currency using the exchange rate in force on the balance sheet date.

Exchange differences arising from the conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currency and recorded at historic cost are converted into functional currency using the exchange rate in force on the transaction date. Non-monetary assets and liabilities recorded at fair value are converted into functional currency using the exchange rate in force on the date when the fair value is determined and recognised against profit/loss, except for those recognised in financial assets at fair value through other comprehensive income.

Monetary assets and liabilities denominated in foreign currency are converted into Kwanzas at the average exchange rate published by the BNA on the balance sheet date. Costs and income relating to realised or potential exchange rate differences resulting from the conversion are recognised in the income statement.

The exchange rates against the relevant currencies for the Bank's operations as at 31 December 2020 and 2019, were as follows:

Currency	31-12-2020	31-12-2019
USD - US Dollar	649.604	482.227
EUR - Euros	798.429	540.817

2.3 LOANS AND ADVANCES TO CUSTOMERS

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 subject to separate accounting disclosure in the respective accounts of the statement of financial position, and the corresponding revenues are accrued at the effective rate, except in situations of default for more than 90 days, in which case the recognition of interest is suspended until its settlement.

In addition, the fees charged for credit operations are represented in the credit margin for the term of the operations.

Loans and advances to Customers 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 benefits associated with their ownership, (iii) despite retaining part but not substantially all risks and benefits associated with their ownership, 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 and written-off from assets.

2.4 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, and measured at fair value through profit or loss.

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 liability is initially measured on the balance sheet at fair value plus transaction costs directly attributable to the acquisition or issue, except if it is an item recorded at fair value through profit or loss, in which case 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. On the date of contracting or commencement of a transaction, 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 these two types of portfolios, the Bank must assess and test whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the outstanding principal amount, i.e., whether the contractual cash flows are consistent with a basic loan contract, where interest typically represents compensation 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. Furthermore, interest may include a profit margin that is consistent with a basic loan contract if the contractual terms introduce exposure to risk or volatilities inconsistent with a basic loan contract, 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 considered in this assessment includes: (i) The policies and objectives established for the portfolio and the practical implementation 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) How the performance of the portfolio is evaluated and reported to the Bank's management bodies; (iii) The assessment of 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 previous periods, the reasons for such sales, and expectations about future sales. However, the information on sales should be considered in isolation but as part of an overall assessment of how the Bank sets management objectives for financial assets and how cash flows are obtained.

Assessment of contractual cash flows in respect of exclusive receipt 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 outstanding amount, other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), as well as a profit margin. When assessing the contractual cash flows regarding the receipt of principal and interest, the Bank considers the contractual terms of the instrument, which includes analysing the existence of situations where these terms may modify the timing and amount of cash flows so that they do not meet 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 (e.g. 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 from its contractual par value; the early payment represents the contractual par value plus accrued interest (but unpaid, which may include reasonable compensation for early payment), and the fair value of the early payment is insignificant at initial recognition.

The Bank classifies and values its debt instruments as:

a. Investments at amortised cost

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

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 or 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 within the scope of a 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 at fair value are accounted for against other comprehensive income until the assets are sold or impairment losses are recognised, at which point they are recorded against profit or loss.

Upon the disposal of financial assets at fair value through other comprehensive income, the accumulated gains or losses recognised in other comprehensive income are recognised under 'Income from financial assets at fair value through other comprehensive income' in the income 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. If the business model and consequently the purpose of acquiring the investment portfolio is to hold it indefinitely for appreciation, it should be recognised in the category of financial assets at fair value through other comprehensive income, and cannot be subsequently reclassified 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 and are not subsequently recognised in profit or loss.

c. Financial assets at fair value through profit or loss (FVPL)
A financial asset will 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 their 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.

d. Financial liabilities
A financial instrument is classified as a financial liability when there is a contractual obligation for settlement to be made 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 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, minus principal receipts, plus or minus the cumulative amortisation arising from the difference between the amount initially recognised and the amount at maturity, minus write-downs due to impairment losses.

b. Recognition and measurement at fair value
Fair value is the price that would 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 includes all the factors that a market participant would take into account when estimating 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 impaired when there is objective evidence of impairment resulting from one or more events that occurred after their initial recognition; for debt securities, when such event(s) has 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 until the acquisition cost is recovered, if the increase is objectively related to an event that occurred after the impairment loss was recognised.

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 the income statement 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 respective cash flows have expired, (ii) the Bank has substantially transferred 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

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 consideration, the changes of which 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 considered individually significant, the Bank assesses, on each balance sheet date, the existence of objective evidence of impairment. It should be noted that loans above 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 segments of the loan portfolio, the Bank performs a collective analysis to determine impairment losses. The collective impairment model is in the 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 31 December 2020 and 2019 were as follows:
a) **History Recovery:** taking into account the new requirements for marking stages defined by the Bank, a process of historical marking was developed based on the information and quality of data from January 2015 to December 2020, having excluded from the Bank's historical credit portfolios the credit operations that were sold, since they are operations with a different credit risk profile from the remaining current composition of the credit portfolio;

b) **Guarantees:** the Bank is in the process of verifying and validating the information regarding 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 on the guarantees/collateral associated with the credit portfolio. Updating the information will enable the Bank to significantly improve the quality of information on guarantees and their management;

c) **:**Stage marking: the Bank presents an additional risk in the model arising from some triggers being manually marked by the analyst;

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

The instruments subject to impairment calculation are divided into three stages based on their credit risk level, as follows:
Stage 1: no significant increase in credit risk since the moment 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 in which a significant increase in credit risk is considered to have occurred since initial recognition, but for which there is no objective evidence of impairment 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 impairment amount will reflect the expected credit losses over the expected residual life of the instrument.

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

b) 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 a concept of default, the Bank, in its Impairment Policy, chose to update its internal definition of default, introducing a set of criteria to reflect a more forward-looking model for recognising expected losses related to 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 as in default if it no longer meets the respective entry criteria and after the respective quarantine period has elapsed.

The calculation of impairment under IFRS 9 is complex and requires management decisions, estimates and assumptions, particularly in the following areas:
a) Assessment of the existence of a significant increase in risk since the moment of initial recognition; and
b) Incorporation of forward-looking information in the calculation of the estimated loss ('ECL').

ECL CALCULATION

ECLs are weighted estimates of credit losses determined as follows:
a) 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 according to the contract and the cash flows that the Bank expects to receive);
b) financial assets with signs of impairment at the reporting date: the difference between the gross carrying amount and the present value of the estimated cash flows;
c) unused credit commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is realised and the cash flows that the Bank expects to receive; and
d) financial guarantees: the amount of expected payments to be reimbursed minus the amounts that the Bank expects to recover.

The Bank's approach to determining impairment losses for loans subject to collective analysis has as inherent concept the definition of homogeneous segments considering the quality of its assets and 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.

In accordance with 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 defined the 12-month ECL as the part of the lifetime ECL that represents the expected credit losses resulting from default events that may occur within 12 months after the reporting date. For assets in default, the lifetime ECL is obtained through the loss given default value, depending on the time elapsed 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 Stage 2 classification is based on observed objective triggers using available information.

The triggers for a significant increase in credit risk are detected through automatic processes based on information stored 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) (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 PD associated with each exposure. The Bank collects performance and default indicators regarding 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 the time in default.

The EAD is an estimate of the exposure at a future default date, taking into account the expected changes in 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 EAD value considers 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 outlined by 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 capture the impact of macroeconomic factors with a 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 both objective and subjective criteria and is used for the Bank's credit risk management.

PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS (POCI)

Financial assets classified as POCI are treated differently since they are in an impaired condition. 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 2020 the Bank did not classify any 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 at amortised cost reduce the book value of these financial assets against the corresponding item in profit or loss;

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

• **Subscription credit**: impairment losses associated with subscription credit facilities are recognised in liabilities, under 'Provisions for subscription credit' against profit or 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 the 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. A write-off is defined as the derecognition of a financial asset from the Bank's balance sheet. It should be noted that 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 2.12)

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.

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 using the straight-line method, according to the following periods of expected useful life:

	Number of years
Buildings	8 to 50
Transport	3 to 5
Furniture and materials	4 to 8
Machinery and tools	4 to 5
Computer equipment	4 to 8
Indoor facilities	1 to 10
Security equipment	1 to 8
Improvements to leasehold properties	5 to 8

When there is an indication that an asset may be impaired, IAS 36 - Impairment of Assets requires that its recoverable amount be estimated, and an impairment loss should be recognised whenever the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement and are reversed when the facts that gave rise to them cease to exist.

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 2.12, 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 upon disposal; or

b) when no future economic benefits are expected from its use or disposal.

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 with the acquisition of software from third parties are capitalised, as well as additional expenses incurred by the Bank in its implementation. These costs are amortised on a straight-line basis over the estimated useful life, which ranges between 6 and 12 years.

ii. Expenses associated with research and development projects

Costs directly related to the development of 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 or loss and then reversed through profit or 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 REPURCHASE 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 recorded under amounts payable to 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 over the life of the agreement, using the effective interest rate method.

Securities purchased under reverse repos at a fixed price or at a price that equals the purchase price plus an interest related to the term of the transaction, are not recognised on the balance sheet. The purchase value is recorded as loans to Other Credit Institutions or Customers, as appropriate. The difference between the purchase price and the repos price is treated as interest and is deferred over 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 valued 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 ASSOCIATES

Investments in subsidiaries and associates are accounted for in the Bank’s individual financial statements using the equity method 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 holds, directly or indirectly, less than 20% of the voting rights, it is presumed not to have significant influence, except when such influence can be clearly demonstrated.

The existence of significant influence of the Bank is normally demonstrated in one or more 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) exchange 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 are determined based on the difference between the recoverable amount of investments in subsidiaries or associates and their book value. The impairment losses identified are recorded against profit or loss and then reversed through profit or loss if there is a reduction in the estimated loss in a later period.

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 minus costs to sell.

Discontinued operations and subsidiaries acquired exclusively for the purpose of sale in the short term 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. If there are unrealised losses, these are recorded as impairment losses against profit or loss for the year.

2.12 LEASES

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 Bank adopted IFRS 16 using the Modified Retrospective Approach, therefore there has been no impact on the net position, as there are no differences between the right of use of the asset and the lease liability at the time of initial recognition on 1 January 2019.

Definition of 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 (the underlying asset) for a specific period of time in exchange for consideration.

On the commencement date or upon reassessment of a contract containing a lease component, the Bank allocates the consideration in the contract for each lease and non-lease component based on their individual relative price. However, for leases in which the entity is the lessee, it was decided not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

As a Lessee

From the lessee's perspective, the Bank leases a set of properties used for the Bank's branches and central services. As a lessee, the Bank previously classified leases as either operating leases or financial leases, based on the overall assessment of whether the lease substantially transfers all the risks and rewards associated with the ownership of the underlying assets.

The Bank presents right-of-use assets under 'other tangible assets', i.e. in the same line item as the underlying assets of the same nature that it owns, and presents lease liabilities under 'other liabilities' in the Balance Sheet.

The Bank recognises a right-of-use asset and a lease liability at the commencement date of the lease.

Right-of-use assets

Right-of-use assets are initially measured at cost and subsequently at cost minus any accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liability. 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.

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, at the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost in the lease liability 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.

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.

As a lessor

When the Bank acts as lessor, at the commencement of the lease, it determines whether it should be classified as an operating lease or a financial lease.

To classify each lease, the Bank performs an overall assessment of whether the lease transfers substantially all the risks and rewards inherent to the ownership of the underlying asset. If the lease transfers substantially all the risks and rewards inherent to the ownership of the underlying asset, it is classified as a financial lease; otherwise, it is classified as an operating lease. As part of this assessment, the Bank considers some indicators such as whether the lease is held for the greater part of the economic life of the asset.

Financial leasing agreements are recorded in the balance sheet as loans granted for an amount equivalent to the net investment made in the leased assets, together with any estimated non-guaranteed residual value. Interest included in rents charged to customers is recorded as income while principal repayments, also included in rents, are deducted from the amount of the loan granted to customers. The recognition of interest reflects a constant periodic rate of return on the lessor's remaining net investment.

If a contract contains both lease and non-lease components, the Bank will apply IFRS 15 to allocate the contractual amounts.

Payments made by the Bank under operating lease contracts are recorded as costs in the periods to which they relate, where applicable.

2.13 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 under profit or loss when the gains and losses that gave rise to them are recognised under profit or loss.

i. Current Taxes

Current taxes 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 that they are 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 no. 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.

Under current legislation, Industrial and other tax returns may be subject to review and correction by the tax authorities within the five years following the fiscal year to which they pertain.

Law No. 26/20, of 20 July, increased the rate of Corporate Income Tax for activities in the banking sector from 30% to 35%. On the other hand, this Law introduces rules with significant impacts on the determination of taxable profit, such as: (i) exclusion of the tax relevance in the calculation of taxable profit of income and costs with unrealised foreign exchange differences; (ii) provisions made on guaranteed loans are no longer accepted as deductible costs, except for the uncovered part.

The assumptions for applying the above rules in determining the taxable profit are described in Note 3.4.

ii. Deferred taxes

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 temporary taxable differences except for goodwill, which is not tax-deductible, 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 to the extent that they are not likely to be reversed in the future.

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

The Bank, in accordance with IAS 12 - Income Taxes, 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.

With the amendment of the Industrial Tax Code, for the purposes of calculating the estimated taxes, the following assumptions were adopted in accordance with the understanding and information available as at 31 December 2020:

• Unrealised exchange rate variations:

a) Potential changes associated with securities, credits and other assets denominated in foreign currency without associated settlements during the year.

b) Potential changes associated with subordinated liabilities.

Impairment losses recognised during the year in the amount exceeding the net credit amount from real guarantees obtained the assumptions made by the Bank in determining income tax for the year and deferred taxes are still subject to confirmation by the General Tax Authority.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates that are approved or substantially approved on the state of financial position date. Therefore, for the years ended 31 December 2020 and 2019, deferred tax was generally calculated based on a rate of 35% and 30%, respectively.

Other interpretations and estimates could result in a different level of current and deferred income taxes recognised in the year.

iii. Capital Investment Tax (CIT)

Presidential Legislative Decree no. 2/14, of 20 October, in force since 19 November, has revised and introduced several legislative amendments to the CIT Code, following the Tax Reform project. The CIT is generally levied on income derived from the Bank's financial investments, with the rate varying between 5% and 15%. Furthermore, under the terms of the Industrial Tax Code, the CIT itself is not accepted as a deductible expense for the purposes of determining taxable income (article 18), and, on the other hand, income subject to CIT is deducted from taxable income.

iv. Special Contribution on Current Invisible Foreign Exchange Transactions

The Special Contribution on Current Invisible Foreign Exchange Transactions, whose legal framework is established by Law no. 3/2018, of 1 March - General State Budget Law 2018, is levied at a rate of 10% on transfers made under contracts for foreign technical assistance or management services, 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. With the entry into force of the law approving the General State Budget for the year 2021 (Law no. 42/20, of 31 December), the CEOCIC was abolished.

v. Taxes on property

a) Urban Property Tax ('UPT') / Property Tax ('PT')

In 2020, the Urban Property Tax ('IPU') was in force until 8 August, as the new Property Tax Code ('PTC'), approved by Law no. 20/20, of 9 July, entered into force on that date.

In this context, until August 8, 2020, the UPT was levied at a rate of 0.5% on the asset value of the Bank's own real estate intended for the development of its normal activity (greater than AOA 5,000), considering as property value the higher of the assessed value of the real estate and the acquisition value. In turn, with the entry into force of the new PTC, three rate tiers were established for urban properties (0.1% for up to AOA 5,000, 0.5% for properties with a value between AOA 5,000,000 and AOA 5,000,000 and AOA 6,000,000 and above AOA 6,000,000), and specific rates applicable to land for construction (0.6%) and rural properties (based on the total hectares).

Regarding properties leased by the Bank as a lessee, until 8 August 2020, the UPT Code was in force, under which the Bank withholds the tax due at an effective rate of 15% on the payment or delivery of rents related to leased properties. The new PT Code, approved by Law no. 20/20, of 9 July, did not foresee any changes regarding the rule in question.

b) SISA and PT on Gratuitous or Onerous Transfer of Real Estate Assets

Under the terms of Legislative Decree no. 230, of 18 May 1931 and the amendments introduced by Law no. 15/92, of 3 July and Law no. 16/11, of 21 April, the SISA is levied on all acts which involve the perpetual or temporary transfer of property of any value, kind or nature, whatever the denomination or form of the title (v.g, acts which imply the transfer of improvements to rural or urban property, the transfer of real estate property through donations with contributions or pensions or the transfer of real estate property through donations), at a rate of 2%.

SISA remained in force until 8 August 2020, and was revoked, in the part relating to the transfer of real estate properties, with the approval of the Property Tax Code ('PTC'), by Law no. 20/20, of 9 July. Pursuant to the PTC, Property Tax on the free or remunerated transfer of immovable property is levied at a rate of 2% on the free or remunerated transfer of the right of ownership or parcels of this right, namely the usufruct, surface right and easement, including acquisitions by appropriation, on immovable property.

vi. Other taxes

a) Value Added Tax ('VAT')

The Value Added Tax ('VAT') Code, approved by Law no. 7/19 ('Law 7/19'), published in the Official Gazette on 24 April 2019, and amended by Law no. 17/19, of 13 August, introduced a new consumption tax into Angolan legislation, which entered into force on 1 October 2019. In fact, the VAT revoked and replaced the Consumption Tax that had been in force in the Angolan legal system until then.

The Bank, as a taxpayer registered with the Large Taxpayers' Tax Office, has been obliged, since the entry into force of VAT, to comply with the General VAT Scheme, and is required to comply with all the rules and reporting obligations provided for in this context.

In general, fees and expenses charged for services provided by the Bank are subject to VAT at a 14% rate (replacing Stamp Duty). The remaining financial intermediation operations are exempt from VAT, and Stamp Duty will continue to be applied, when due.

In this regard, as the Bank is a taxpayer that performs taxable and exempt operations for VAT purposes, it also has restrictions on the right to deduct VAT paid to suppliers. The Bank therefore deducts the tax using the methods provided for in the legislation in force - with the exception of VAT on expenses expressly excluded from the right to deduction.

Under current legislation, periodic VAT returns may be subject to review and correction by the tax authorities within the five years following the fiscal year to which they pertain.

The Bank is also subject to indirect taxes, namely customs duties, Stamp Duty, Consumption Tax, and other taxes.

vii. Tax substitution

As part of its activity, the Bank acts as a tax withholding agent, withholding taxes on behalf of third parties, which it then delivers to the State.

a) Capital Investment Tax ('CIT')

In accordance with Presidential Legislative Decree No. 2/14 of 20 October, the Bank withholds CIT at a 10% rate on the interest earned from fixed-term deposits paid to Customers.

b) Stamp Duty

In accordance with Presidential Legislative Decree no. 3/14, of 21 October, the Bank is responsible for the settlement and delivery of Stamp Duty on behalf of its Customers in most banking transactions (e.g. financing, financing interest collection, among others), paying the tax based on the rates provided in the Stamp Duty Table.

c) Industrial Tax

In accordance with the provisions of Article 67 of Law no. 19/14, of 22 October, as amended by Law no. 26/20, of 20 July, the provision of services of any nature by taxpayers with effective management or a permanent establishment in Angola are subject to taxation through withholding tax at a 6.5% rate.

In turn, in accordance with Articles 71 et seq. of Law no. 19/14, of 22 October, as amended by Law no. 26/20, of 20 July, the provision of services of any nature by taxpayers without a registered office, effective management, or permanent establishment in Angola, who engage in service activities without effective management or a permanent establishment in Angola, are subject to Industrial Tax through withholding tax at a 15% rate.

In the case of payments for services provided to entities resident in Portugal and the United Arab Emirates, there is the possibility of applying Double Taxation Agreements ('DTA'), and therefore, it may be possible to apply a reduced withholding tax rate.

2.14 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 resulting from the difference between the nominal value (amount disbursed) and the fair value of the loan is recognised under the other assets item (against the reduction in the value of the loan that is granted) and is subsequently recognised in the income statement under the staff costs item during the shorter period between (i) the duration of the loan or (ii) the number of years between the date the loan is granted and the legal date on which the employee retires.

iii. Short-term employee benefits

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

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). The variable remuneration awarded to Employees and Directors is recorded against profit or loss for the year to which it pertains.

v. Pensions - Defined contribution plans

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

2.15 PROVISIONS

Provisions are recognised when (i) the Bank has a present obligation (legal or arisen as a result of past practices or published policies that imply the recognition of certain responsibilities), (ii) its payment is likely to be required, and (iii) when the amount of that obligation can be reliably estimated.

The measurement of provisions takes into account the principles set forth in IAS 37 regarding the best estimate of the expected cost, the most probable result of the actions in progress and taking into account the risks and uncertainties in the process.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate. They are reversed against profit/loss in proportion to payments that are unlikely to occur.

Provisions are derecognised through their use for the obligations for which they were initially constituted or in cases where they are no longer observed.

2.16 REVENUE

i. Recognition of Interest

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 that discounts estimated future payments or receipts over the expected useful life of the financial instrument (or, where appropriate, for a shorter period) to the net book value of the financial asset or liability.

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

Interest and similar income includes interest on financial assets for which impairment was recognised. Interest on financial assets classified under Stage 3 is calculated using the effective interest rate method applied to the net book value. When the asset is no longer included in Stage 3, interest is calculated based on the gross balance sheet 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 when a right to receive their payment is established.

2.17 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.

These results also include the gains/losses obtained from the sales of financial assets at fair value through other comprehensive income and investments at amortised cost. Changes in the fair value of hedging derivatives and hedged instruments, where applicable to fair value hedging relationships, are also recognised here.

2.18 CASH AND CASH EQUIVALENTS

For the purpose of the cash flows statement, cash and cash equivalents encompass the amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date, including 'Cash and cash equivalents at central banks' and 'Cash and cash equivalents at other credit institutions', excluding impairments.

2.19 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 undertakings to provide credit under predetermined conditions. Liabilities arising from financial guarantees or commitments given to provide a loan at a below-market interest rate are initially recognised at fair value, with the initial fair value being 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 expected settlement payment.

2.20 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the 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.

NOTE 3 - MAIN ESTIMATES AND JUDGEMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The IAS/IFRS establish a series of accounting treatments and require the Board of Directors to make judgements and the necessary estimates to decide on the most appropriate accounting treatment. 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 of the notes 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 OF FINANCIAL ASSETS AT AMORTISED COST AND 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.

In the case of public debt securities, the Bank follows Directive no. 13/DSB/DRO/2019, considering for the purpose the i) Probability of Default ('PD') at 12 months for the Angola sovereign rating published in the Moody's study applicable to the year in question; and ii) Loss Given Default ('LGD') associated with sovereign default events verified, as indicated in that study.

3.2 FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED 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 2.3.

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, value of collateral associated to each transaction, recovery rates and estimates of both the future cash flows and timing of collection, as alternative methodologies and/or the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the Bank's profit or loss. The Bank considers that the impairment calculated based on the methodology described in Note 2.4 allows it to adequately reflect the risk associated to its Customer loan portfolio, taking into account the rules defined 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 year ended 31 December 2020 was determined in accordance with Law no. 26/20, of 20 July, with an applicable tax rate of 35%, while for the year ended 31 December 2019 it was determined under the provisions of Law no. 19/14, of 22 October, with an applicable tax rate of 30%. It is important to note that tax returns are subject to review and correction by tax authorities for a period of five years, which may be extended to ten years. Due to potential differences in interpretations of tax legislation, there might be potential adjustments to the taxable profit for the years 2015 to 2019. In turn, tax losses calculated in a given year, as provided for in the Industrial Tax Code, may be deducted from taxable profits for the subsequent 5 years.

To determine the overall amount of income taxes, it was necessary to make certain interpretations and estimates. There are several transactions and calculations for which the determination of taxes payable is uncertain during the normal business cycle, with a focus on the aspects outlined in Note 2.12, arising from the new wording of Law no. 26/20, of 20 July, namely: (i) costs/income with potential/realised currency valuations, (ii) costs with impairment losses on loans with guarantee, and (iii) costs with Property Tax, as well as the assumptions made by the Bank in determining income tax for the year and deferred taxes, which are still subject to ratification by the General Tax Authority.

Deferred taxes are calculated based on the tax rates which are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates that are approved or substantially approved on the reporting date. Therefore, for the years ended 31 December 2020 and 2019, deferred tax was generally calculated based on a rate of 35% and 30%, respectively.

According to the Board of Directors' understanding of the requirements set forth in IAS 12, deferred tax liabilities should be recognised in their entirety, whereas a deferred tax asset should only be recognised if there is certainty that future taxable income would be sufficient to allow the benefit of the loss to be realised. In this regard, the Bank has calculated deferred tax assets up to the limit of the deferred tax liabilities, and these values have been presented in the financial statements on an offsetting basis.

Other interpretations and estimates could lead to a different level of taxes on profits, both current and deferred, recognised in the year or in the analysis of their recoverability.

3.6 LEASES

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 financial statements report, except for 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 composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Cash		
Amounts in treasury		
In Domestic Currency	9,780,956	5,944,719
In U.S. Dollars	1,377,318	1,751,520
In other currencies	1,117,682	1,338,713
Amounts in transit		
In Domestic Currency	1,071,199	1,302,070
In U.S. Dollars	(27,540,846)	-
In other currencies	-	488,012
	13,347,206	10,337,022
Demand deposits at the Banco Nacional de Angola (BNA)		
In Domestic Currency	87,327,848	65,554,030
In other currencies	63,773,267	158,419,458
	151,101,115	223,973,488
Impairment losses	(855,610)	-
	163,592,711	234,310,510

The item Demand deposits at the Central Bank reflects the balances arising from the mandatory minimum reserve requirements system in force in Angola on the Balance Sheet date and consists of non-interest-bearing deposits at BNA.

As at 31 December 2020, mandatory reserves were calculated in accordance with the provisions of Instruction no. 16/2020, of 02 October, and Directive no. 04/DMA/2020, of 06 October, and as at 31 December 2019 they were calculated in accordance with Instruction no. 17/2019, of 24 October, and Directive no. 08/DMA/DRO/2019, of 24 October.

Mandatory reserves are set up in domestic currency and foreign currency according to the corresponding denomination of the liabilities that form their basis of calculation.

Basis Assessment	Calculation	Domestic Currency	Foreign Currency
Central Government, Local Governments, and Municipal Administrations	Daily	22%	100%
Other Sectors	Weekly	22%	17%

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.

In accordance with Directive 04/DMA/20, mandatory reserves in Foreign Currency can be met with i) the balance of the daily closing of the demand deposit account in Domestic Currency opened at the Banco Nacional de Angola on behalf of each Banking Financial Institution, in the amount of 2% (two per cent) of the average of the basis assessment on private FC; ii) Treasury Bonds in FC from the own portfolio registered in SIGMA, issued from 2015 onwards, up to 80% (eighty per cent) of the effective demandability

, excluding the 2% (two per cent) of the previous point, and the balance of the deposit account in Foreign Currency opened at the Banco Nacional de Angola on behalf of each banking financial institution. It should be noted that the total amount due from the Bank is AOA 325,367,000, and is being fulfilled with Treasury Bonds in Foreign Currency at 52%. We highlight that the Bank has changed its impairment policy, recognising, as from 2020, impairment of cash and cash equivalents with Banco Nacional de Angola, in accordance with IFRS 9.

NOTE 5 - DEPOSITS WITH OTHER CREDIT INSTITUTIONS

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Demand deposits		
In other currencies	80,535,701	59,659,636
	80,535,701	59,659,636
Other Cash equivalents		
Clearing of cheques and other paper	34,938	30,550
Other operations pending settlement	502,863	-
	537,801	30,550
Impairment losses	(353,827)	(145,358)
	80,719,675	59,544,828

The increase in the value of deposits at Other Credit Institutions in other currencies was due to two combined effects: (i) the Bank's liquidity management, due to treasury needs at the beginning of 2020, namely settlements of letters of credit, and (ii) the exchange rate effect resulting from the devaluation of the Kwanza against foreign currencies, increasing their value in Domestic Currency.

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.

The amount related to the increase in impairment is a result of the increased gross exposure in Demand Deposits at Other Credit Institutions, combined with the heightened credit risk of Angola due to the downgrade of public debt.

NOTE 6 - INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Investments at domestic credit institutions		
Interbank money market	10,718,091	7,879,732
	10,718,091	7,879,732
Investments at foreign credit institutions		
Interbank money market	46,472,559	101,742,585
Other investments	46,472,559	101,742,585
Total in Investments at credit institutions	57,190,650	109,622,316
Impairment losses	(922,365)	(2,560,523)
	56,268,285	107,061,793

The value of investments in credit institutions includes accrued interest receivable up to the balance sheet date.

As at 31 December 2020 and 2019, the breakdown of investments at Central banks and Other Credit Institutions by residual maturities is as follows:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Up to 3 months	57,190,650	109,622,316
	57,190,650	109,622,316

As at 31 December 2020, investments at Central banks and Other Credit Institutions abroad earned interest at a weighted average rate of 0.34% (2019: 2.04%), which are the rates in the markets where the Bank operates. In addition, as at 31 December 2020, investments in the domestic money market earned interest at a weighted average rate of 5.18% (2019: 13.9%).

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

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Opening balance	2,560,523	234,778
Charges for the year	923,140	2,560,523
Reversals	(2,560,523)	(234,778)
Foreign Exchange Differences	(774)	-
	922,366	2,560,523

We should note that the Bank determines the impairment of financial counterparties based on the external rating disclosed by rating agencies, adjusting the level of risk attributed to the maturity of the operations in relation to each reference date. Regarding 2020, the impairment reversal stems from the significant decrease in gross exposure in credit investments.

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

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Financial assets at fair value through profit or loss		
Debt instruments		
Public debt	1,409,690	7,519,224
	1,409,690	7,519,224

It is worth noting that the change in debt instruments resulted from the disposal of part of the Bank's securities portfolio, specifically fixed-rate indexed treasury bonds.

As at 31 December 2020 and 2019, financial assets at fair value through profit or loss show the following characteristics:

	Quantity	Weighted average interest rate	Fair value at acquisition	Accrued interest
31 December 2020				
Public Debt Securities				
Fixed-rate non-indexed treasury bonds	14,555	16.29%	1,439,000	70,180
	14,555			

	Quantity	Weighted average interest rate	Fair value at acquisition	Accrued interest
31 December 2019				
Public Debt Securities				
Fixed-rate indexed treasury bonds	27,392	12.50%	3,883,567	78,802
Fixed-rate non-indexed treasury bonds	17,842	16.25%	1,767,700	5,370
	45,234			

As at 31 December 2020 and 2019, financial assets at fair value through profit or loss by residual maturities are broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
1 to 5 years	1,409,690	7,519,224
	1,409,690	7,519,224

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 2020 and 2019, all assets were classified as level 2 according to the fair value hierarchy.

(thousand Kwanzas)

Foreign Exchange	Nominal value	Curre	Unit market value	Changes in fair value	Total Value 31-12-2019
-	1,439,000	AOA	96,853	(99,490)	1,409,690
				(99,490)	1,409,690

(thousand Kwanzas)

Foreign Exchange	Nominal value	Curre	Unit market value	Changes in fair value	Total Value 31-12-2018
1,812,019	5,716,769	AOA	212,033	33,624	5,808,012
-	1,784,200	AOA	95,909	(61,858)	1,711,212
				(28,233)	7,519,224

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

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Financial assets at fair value through other comprehensive income		
Equity instruments		
Acquisition cost	133,018	102,069
Changes at Fair Value	29,700	-
	162,718	102,069
	162,718	102,069

As at 31 December 2020 and 2019, financial assets at fair value through other comprehensive income show the following characteristics:

(thousand Kwanzas)

Entity	Currency	% of capital	Acquisition value	Changes at Fair Value	Book Value 31-12-2020	Book Value 31-12-2019
EMIS (Shares)	AOA	2.58%	103,571	29,700	133,271	82,834
EMIS (Additional Paid-in Capital)	AOA	n.a	7,147	-	7,147	4,098
BVDA (Shares)	US Dollar	n.a	-	-	-	-
SWIFT (Shares)	EUR	n.a	22,300	-	22,300	15,137
			133,018	29,700	162,718	102,069

NOTE 9 - INVESTMENTS AT AMORTISED COST

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Investments at amortised cost		
Debt instruments		
Public debt	224,681,954	214,001,915
	224,681,954	214,001,915
Impairment	(23,869,591)	(3,313,913)
	200,812,363	210,688,002

In previous years, the Bank recognised two securities at their fair value at initial recognition, which had contractual terms that were objectively below the normal market conditions at the time of their acquisition by the Bank.

The calculation of the initial fair value was based on a model adopted in the Asset Quality Assessment ('AQA') exercise, involving the discounting of future cash flows using the risk-free interest rate (considering U.S. Treasury bond issuances with residual maturities closest to the asset's residual maturity, source *U.S. Department of the Treasury*), plus Angola's risk premium (source information provided by the author Aswath Damodaran), adjusted for the inflation difference between Angola and the United States of America (source: Monetary Investment Fund - *World Economic Outlook)*).

In addition, during 2020, a set of securities totalling USD 100 million reached maturity, and were used to settle the first instalment of the subordinated liability with Novo Banco, with the remainder being used for foreign exchange and liquidity operations.

As at 31 December 2020 and 2019, investments at amortised cost by residual maturities are broken down as follows:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Up to 3 months	2,482,744	-
3 months to 1 year	72,268,309	48,900,095
1 to 5 years	133,577,682	148,961,311
Over 5 years	16,353,219	16,140,509
	224,681,954	214,001,915

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

(thousand Kwanzas)

	Stage 1	*Stage 2*	Total
Balance as at 31 December 2018	1,679,919	-	1,679,919
Charges 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
Charges for the year	4,515,507	16,008,068	20,523,576
Reversals	(755,609)	-	(755,609)
Reclassifications	(7,073,811)	7,073,811	-
Foreign Exchange Differences		787,712	787,712
Balance as at 31 December 2020	-	23,869,591	23,869,591

In 2020, the Bank recorded an additional impairment allocation for the increase in PD intrinsic to the downgrade of Angola's credit rating from B3 to Caa1. In addition, since the Bank considers this credit rating downgrade represents a significant increase in credit risk (Stage 2), it determined the expected loss until maturity of the operations instead of the previous expected loss for the 12-month period. The accumulated effects of these situations supported a substantial increase in impairment losses in 2020. It should be noted that the risk parameters considered by the Bank result from the latest Moody's study available as at 31 December 2020, in accordance with Note 2.5.

As at 31 December 2020 and 2019, investments at amortised cost show the following characteristics:

	Quantity	Average interest rate	Amortised cost	Accrued interest
31 December 2020				
Domestic Currency Bonds				
Fixed-rate non-indexed treasury bonds	9,256,110	13.64%	23,972,106	1,985,123
Foreign Currency Bonds				
Fixed-rate non-indexed bonds	30,000	5.34%	194,881,200	3,843,524
	9,286,110			

	Quantity	Average interest rate	Amortised cost	Accrued interest
31 December 2019				
Domestic Currency Bonds				
Fixed-rate non-indexed treasury bonds	493,044	8.50%	16,266,920	1,313,469
Foreign Currency Bonds				
Fixed-rate non-indexed bonds	40,000	4.83%	194,270,677	2,150,819
	533,044			

(thousand Kwanzas)

Foreign exchang	Nominal value	Currency	Unit market value	Gross value	Impairment	Total Value
-	57,572,466	AO	2,316	25,957,230	(4,519,509	21,437,72
-	194,973,300	US Dollar	5,979,155	198,724,724	(19,350,082)	179,374,642
	252,545,766		5,981,471	224,681,954	(23,869,591)	200,812,363

(thousand Kwanzas)

Foreign exchang	Nominal value	Currency	Unit market value	Gross value	Impairment	Total Value
-	49,304,400	AO	35,07	17,580,41	(288,442)	17,291,57
-	192,890,800	US Dollar	4,834,911	196,421,496	(3,025,071)	193,396,425
	242,195,200		4,869,982	214,001,915	(3,313,913)	210,688,002

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

The value of this item is composed of:

(thousand Kwanzas)

Description	31-12-2020	31-12-2019
Active loans and advances		
To corporate customers		
Loans	77,330,403	65,685,002
Current account loans	8,790,845	16,094,424
Overdraft facilities	1,746,149	392,202
Financial leasing	8,434,706	2,686,484
Other loans	-	-
To retail customers		
Housing	8,631,606	9,135,799
Consumer credit and other	3,704,984	2,926,733
	108,638,693	96,920,644
Overdue loans and advances		
To corporate customers		
Loans	66,941,038	89,104,246
Current account loans	1,313,036	9,231,170
Overdraft facilities	1,867	13,643,688
Financial leasing	4,701,060	2,568,526
To retail customers		
Housing	5,556,711	4,585,042
Consumer credit and other	8,352,881	5,169,642
	86,866,593	124,302,314
Gross Credit	195,505,286	221,222,958
Accumulated impairment	(115,312,429)	(127,050,821)
	(115,312,429)	(127,050,821)
	80,192,857	94,172,137

As at 31 December 2020 and 2019, loans and advances to customers by maturity dates are broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Up to 3 months	43,690,484	40,227,144
3 months to 1 year	9,327,344	8,001,346
1 to 5 years	65,529,532	52,998,945
Over 5 years	76,957,926	119,995,524
	195,505,286	221,222,958

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

(thousand Kwanzas)

	31-12-2020	31-12-2019
Opening balance	127,050,821	86,083,239
Charges for the year	31,919,234	59,142,805
Uses	(44,935,983)	(18,179,790)
Reversals	(16,355,167)	(14,822,035)
Exchange rate differences and other differences	17,633,524	14,826,602
	115,312,429	127,050,821

The distribution of loans and advances to customers by type of rate and geography is as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Fixed rate	146,457,663	170,989,802
Variable rate	49,047,623	50,233,155
	195,505,286	221,222,958

(thousand Kwanzas)

2020	Value currency	Value Kwanzas
AOA		127,329,213
EUR		23,226
US Dollar		68,152,847
		195,505,286

(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

The distribution of loans and impairment by situation and segment is as follows:

(thousand Kwanzas)

Segment	Exposure in 2020						
	Total exposure	Credit in Stage 1	Of which restructured	Credit in Stage 2	Of which restructured	Credit in Stage 3	Of which restructured
Employees	4,369,237	4,224,623	-	144,614	-	-	-
Corporate Customers	163,782,160	20,091,150	-	5,927,495	131,570	137,763,516	55,870,763
State	10,025,715	5,416,143	-	12,976	-	4,596,597	2,986,373
Retail Customers	17,328,174	3,865,341	-	1,000,706	864,511	12,462,127	869,509
Total	195,505,286	33,597,256	-	7,085,791	996,081	154,822,239	59,726,645

(thousand Kwanzas)

Segment	Exposure in 2019						
	Total exposure	Credit in Stage 1	Of which restructured	Credit in Stage 2	Of which restructured	Credit 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

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

(thousand Kwanzas)

Year of granting	Employees			Exposure in 2019		
	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded
Previous Years	259	1,816,004	120,096	439	85,881,995	52,477,797
2017	62	307,512	7,835	139	6,074,458	1,385,862
2018	141	855,443	16,580	139	35,016,949	25,112,075
2019	151	794,781	18,441	140	29,306,340	17,116,312
2020	67	595,497	14,075	103	7,502,418	1,874,180
Total	680	4,369,237	177,027	960	163,782,160	97,966,226

(thousand Kwanzas)

Segment	Impairment in 2020			
	Total impairment	Credit in Stage 1	Credit in Stage 2	Credit in Stage 3
Employees	177,027	147,278	29,749	-
Corporate Customers	97,966,226	724,820	1,789,853	95,451,553
State	4,784,883	1,256,908	30	3,527,945
Retail Customers	12,384,293	207,423	307,831	11,869,039
Average	115,312,429	2,336,429	2,127,463	110,848,537

(thousand Kwanzas)

Segment	Impairment in 2019			
	Total impairment	Credit in Stage 1	Credit in Stage 2	Credit 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

(thousand Kwanzas)

State			Retail Customers			Total		
Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded	Number of operations	Amount	Impairment recorded
21	6,140,467	1,714,344	691	13,596,028	11,681,929	1,410	107,434,494	65,994,165
9	3,834,058	3,070,420	186	348,597	116,496	396	10,564,625	4,580,613
0	-	-	235	307,002	39,701	515	36,179,395	25,168,356
3	51,190	120	338	1,651,894	181,127	632	31,804,205	17,316,000
0	-	-	287	1,424,652	365,040	457	9,522,567	2,253,295
33	10,025,715	4,784,883	1,737	17,328,174	12,384,293	3,410	195,505,286	115,312,429

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

(thousand Kwanzas)

	Employees		Corporat		State	
2020	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Individual impairment	-	-	141,202,689	89,442,371	9,974,509	4,784,763
Collective impairment	4,369,237	177,027	22,579,471	8,523,855	51,207	120
Total	4,369,237	177,027	163,782,160	97,966,226	10,025,715	4,784,883

(thousand Kwanzas)

	Employees		Corporat		State	
2019	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Individual impairment	-	-	158,104,793	107,817,343	8,879,398	3,683,465
Collective impairment	4,163,487	232,749	33,747,983	4,717,024	455,112	1,069
Total	4,163,487	232,749	191,852,776	112,534,367	9,334,510	3,684,534

Breakdown of the amount of credit and impairment, individual or collective, by sector of activity:

	Individual		Collective		Tota	
2020	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Real Estate Activities	2,755,843	1,260,038	1,403,657	767,676	4,159,499	2,027,714
Farming, Livestock	70,311,937	52,712,428	553,572	216,891	70,865,509	52,929,319
Hospitality and Restaurants	7,392,694	4,329,902	50,006	22,126	7,442,700	4,352,028
Wholesale and Retail Trade	30,671,854	18,112,918	5,206,185	1,685,028	35,878,040	19,797,946
Other Collective Services	26,222,816	13,601,589	5,380,098	1,784,930	31,602,915	15,386,519
Retail Customers	7,390,136	5,681,448	19,005,853	6,879,353	26,395,988	12,560,801
Health and Welfare	7,102,914	146,912	178,855	76,979	7,281,769	223,891
Other	9,267,043	5,084,746	2,611,824	2,949,466	11,878,866	8,034,212
Total	161,115,236	100,929,979	34,390,050	14,382,450	195,505,286	115,312,429

			(thousand Kwanzas)
Retail		Total	
Total exposure	Impairment	Total exposure	Impairment
9,938,038	6,702,845	161,115,235	100,929,979
7,390,136	5,681,448	34,390,051	14,382,450
17,328,174	12,384,293	195,505,286	115,312,429

			(thousand Kwanzas)
Retail		Total	
Total exposure	Impairment	Total exposure	Impairment
7,283,368	7,147,092	174,267,559	118,647,900
8,588,818	3,452,079	46,955,400	8,402,921
15,872,186	10,599,171	221,222,958	127,050,821

	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

Breakdown of loans and advances to customers and breakdown of overdue loans without impairment, by stage:

(thousand Kwanzas)

2020	Outstanding credit associated with overdue loans	Stages of default			Total
		Stage 1	*Stage 2*	*Stage 3*	
Loans and Advances to Customers					
Non-impaired loans					
Based on individual analysis	113,241	-	57	253,282	366,580
Based on collective analysis	-	-	-	-	-
Sub Total	113,241	-	57	253,282	366,580
With impairment based on individual analysis					
Overdue loans and interest	118,492,430	82,883	123,051	42,050,292	160,748,656
Impairment	(70,797,871)	(16,200)	(56,485)	(30,059,423)	(100,929,979)
Sub Total	47,694,559	66,682	66,566	11,990,869	59,818,676
With impairment based on collective analysis					
Overdue loans and interest	27,842,459	286,908	644,497	5,616,186	34,390,050
Impairment	(8,572,670)	(4,870)	(108,073)	(5,686,837)	(14,382,450)
Sub Total	19,269,790	272,037	536,424	(70,651)	20,007,600
Total	67,077,590	338,720	603,048	12,173,500	80,192,857

(thousand Kwanzas)

2019	Outstanding credit associated with overdue loans	Stages of default			Total
		Stage 1	*Stage 2*	*Stage 3*	
Loans and Advances to Customers					
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

Breakdown of loans and advances to customers and breakdown of overdue loans without impairment, by range of days past due:

(thousand Kwanzas)

2020	Outstanding credit associated with overdue loans	Class of default					Tota
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	
Loans and Advances to Customers							
Non-impaired loans							
Based on individual analysis	113,241	57	247,936	-	5,346	-	366,580
Based on collective analysis	-	-	-	-	-	-	-
Sub Total	113,241	57	247,936	-	5,346	-	366,580
With impairment based on individual analysis							
Overdue loans and interest	118,492,430	111,772	10,743,591	1,571,492	29,756,050	73,320	160,748,656
Impairment	(70,797,871)	(31,205)	(6,948,597)	(1,032,145)	(22,049,442)	(70,719)	(100,929,979)
Sub Total	47,694,559	80,567	3,794,994	539,348	7,706,608	2,601	59,818,676
With impairment based on collective analysis							
Overdue loans and interest	27,842,459	407,208	547,399	629,219	3,760,848	1,202,916	34,390,050
Impairment	(8,572,670)	(55,522)	(93,524)	(315,788)	(4,532,608)	(812,338)	(14,382,450)
Sub Total	19,269,790	351,686	453,876	313,432	-771,760	390,578	20,007,600
Total	67,077,590	432,310	4,496,805	852,780	6,940,194	393,179	80,192,857

(thousand Kwanzas)

2019	Outstanding credit associated with overdue loans	Class of default				Total
		Up to 30 days	From 30 to 90 days	From 90 to 180 days	More than 180 days	
Loans and Advances to Customers						
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:

(thousand Kwanzas)

2020	Loans			Impairment
	Falling due	Overdue	Total	
Restructured credit				
Corporate Customers	43,338,713	12,663,620	56,002,333	(36,575,759)
Sub Total	43,338,713	12,663,620	56,002,333	(36,575,759)
State	2,533,198	453,175	2,986,373	(2,561,811)
Sub Total	2,533,198	453,175	2,986,373	(2,561,811)
Retail Customers				
Consumption	207,472	-	207,472	(276,780)
Housing	675,982	-	675,982	(2,137)
Other purposes	669,502	181,064	850,567	(809,441)
Sub Total	1,552,956	181,064	1,734,020	(1,088,358)
Total	47,424,867	13,297,859	60,722,726	(40,225,928)

(thousand Kwanzas)

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)

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

(thousand Kwanzas)

2020	Stages of impairment			Total
	Stage 1	Stage 2	Stage 3	
Loans and Advances to Customers				
Corporate Customers	20,091,150	5,927,495	137,763,516	163,782,160
Sub Total	20,091,150	5,927,495	137,763,516	163,782,160
Retail Customers				
Consumption	274,556	38,144	106,597	419,297
Housing	1,660,374	718,671	2,016,496	4,395,541
Other purposes	1,930,411	243,891	10,339,033	12,513,336
Sub Total	3,865,341	1,000,706	12,462,127	17,328,174
Total	23,956,490	6,928,201	150,225,642	181,110,334

(thousand Kwanzas)

2019	Stages of impairment			Total
	Stage 1	Stage 2	Stage 3	
Loans and Advances to Customers				
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

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

(thousand Kwanzas)

	Corporate Customers				Construction and real estate development	
2020	Properties		Other real guarantees		Properties	
Measure applied	Number	Amount	Number	Amount	Number	Amount
< 50 MAOA	2	1,900	70	358,032	4	39,211
>= 50 MAOA and < 100 MAOA	1	63,656	13	880,431	1	56,338
>= 100 MAOA and < 500 MAOA	54	10,949,920	65	15,869,749	45	14,790,001
>= 500 MAOA and < 1,000 MAOA	16	10,938,843	15	9,386,520	1	504,493
>= 1,000 MAOA and < 2,000 MAOA	-	-	6	8,432,753	-	-
>= 2,000 MAOA and < 5,000 MAOA	1	2,702,473	6	18,342,317	-	-
>= 5,000 MAOA	3	63,908,998	8	115,296,667	8	146,641,706
Total	77	88,565,790	189	168,566,468	59	162,031,749

2019	Properties		Other real guarantees		Properties	
Measure applied	Number	Amount	Number	Amount	Number	Amount
< 50 MAOA	6	130,549	72	780,741	3	71,454
>= 50 MAOA and < 100 MAOA	-	-	13	836,556	-	-
>= 100 MAOA and < 500 MAOA	16	4,174,427	69	17,751,831	1	147,426
>= 500 MAOA and < 1,000 MAOA	6	3,841,975	20	13,426,970	-	-
>= 1,000 MAOA and < 2,000 MAOA	-	-	3	3,679,819	1	1,920,286
>= 2,000 MAOA and < 5,000 MAOA	2	6,860,266	6	24,892,144	2	7,382,080
>= 5,000 MAOA	3	40,411,188	7	99,469,684	8	107,852,871
Total	33	55,418,406	190	160,837,745	15	117,374,118

(thousand Kwanzas)

Construction and real estate development		Housing			
Other real guarantees		Properties		Other real guarantees	
Number	Amount	Number	Amount	Number	Amount
-	-	142	2,301,407	501	4,123,257
-	-	9	669,881	17	1,127,453
-	-	10	2,046,146	14	3,068,857
-	-	-	-	8	6,118,096
1	1,071,135	-	-	3	4,911,246
6	21,721,879	-	-	2	6,886,724
4	51,957,825	-	-	-	-
11	74,750,838	161	5,017,434	545	26,235,633

Other real guarantees		Properties		Other real guarantees	
Number	Amount	Number	Amount	Number	Amount
4	-	161	2,692,662	452	4,173,092
-	-	8	588,206	16	1,112,822
2	379,045	12	2,457,908	19	4,412,733
2	1,056,295	4	2,309,847	5	3,178,740
2	3,707,145	-	-	-	-
3	11,347,814	-	-	1	3,903,841
10	81,556,928	-	-	-	-
23	98,047,227	185	8,048,623	493	16,781,229

Financing-Guarantee Ratio of the Corporate, Construction and Real Estate and Housing segments

2020	Credit in Stage 1	Credit in Stage 2	Credit in Stage 3	Impairment
Segment / Ratio				
Corporate Customers				
No associated guarantee	8,623,633	2,296,811	86,188,648	64,572,013
< 50%	118	86,043	19,032,381	14,258,140
>= 50% and < 75%	7,102,914	-	7,821,955	6,089,831
>= 75% and <100%	1,739,248	727,579	19,618,604	8,735,014
>= 100%	2,504,110	-	1,497	2,615
Construction and real estate development				
No associated guarantee	121,127	2,768,885	1,171,274	2,021,900
< 50%	-	-	669,113	383,515
>= 50% and < 75%	-	-	-	-
>= 75% and <100%	-	-	309,482	1,971
>= 100%	-	48,175	58,931	-
Housing				
No associated guarantee	4,521,152	745,113	2,034,755	2,404,494
< 50%	2,558,387	56,743	402,040	377,118
>= 50% and < 75%	-	-	223,054	106,349
>= 75% and <100%	325,415	-	39,609	1,296
>= 100%	-	-	-	-
Total	27,496,104	6,729,351	137,571,342	98,954,256

2019	Credit in Stage 1	Credit in Stage 2	Credit 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

Breakdown of the fair value and net book value of the properties received in lieu of payment or execution of a debt, by type of property and by age:

(thousand Kwanzas)

Type of property	31-12-2020			31-12-2019		
	Number of properties	Fair Value of the asset	Net book value	Number of properties	Fair Value of the asset	Net book value
Urban						
Plot of land	3	3,688,513	2,976,171	4	7,038,113	4,250,384
Rural	1	670,005	465,816	1	875,456	465,816
Buildings under construction						
Housing	1	6,148,012	6,148,012	1	7,302,015	7,302,015
Buildings constructed						
Housing	4	4,991,855	4,401,574	4	4,532,026	4,532,026
Other						
Total	9	15,498,385	13,991,573	10	19,747,610	16,550,240

(thousand Kwanzas)

Time elapsed since deed in lieu of payment / execution	31-12-2020				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Urban					
Plot of land	-	2,976,171	-	-	2,976,171
Rural	-	465,816	-	-	465,816
Buildings under construction					
Housing	6,148,012	-	-	-	6,148,012
Buildings constructed					
Housing	4,401,574	-	-	-	4,401,574
Other					
Total	10,549,586	3,441,987	-	-	13,991,573

(thousand Kwanzas)

Time elapsed since deed in lieu of payment / execution	31-12-2019				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 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

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

Impairment 31-12-2020	Probability of default (%)			Loss given default (%)
	Stage 1	*Stage 2*	*Stage 3*	
Employees	2.75%	13.30%	100.00%	91%
Corporate Customers	8.60%	27.96%	100.00%	59%
State	0.52%	0.52%	100.00%	45%
Retail Customers	7.79%	25.50%	100.00%	91%
Average	4.91%	16.82%	100.00%	71.50%

Impairment 31-12-2019	Probability of default (%)			Loss given default (%)
	Stage 1	*Stage 2*	*Stage 3*	
Employees	3.28%	11.58%	100.00%	91%
Corporate Customers	9.67%	27.54%	100.00%	60%
State	0.52%	0.00%	100.00%	60%
Retail Customers	8.39%	26.63%	100.00%	91%
Average	5.47%	16.44%	100.00%	75.50%

Incorporation of prospective information:

	2021	2022	2023	2024	2025
Inflation Rate Lag 2 Y					
Baseline scenario	17%	15%	10%	7%	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	3%	0%	0%	0%	0%
Log Consumer Price Index					
Baseline scenario	5.84	5.90	5.96	6.02	6.08
MA 12M Oil Prices USD					
Baseline scenario	59	60	61	62	63

NOTE 11 - NON-CURRENT ASSETS HELD FOR SALE

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Non-current assets held for sale		
Properties	1,111,691	-
Equipment	7,157	6,308
	1,118,848	6,308

This item is almost exclusively represented by one property, which was in the final stages of disposal and was successfully sold in the first quarter of 2021. The corresponding deposits received are recognised under other liabilities (note 21) in the amount of AOA 2,310,000 thousand. It is worth noting that the amount shown corresponds to a transfer from the item 'Other Assets - Real Estate' in line with the Bank's policy to include in non-current assets held for sale only those properties for which sales efforts are underway and there is an expectation of conclusion within a 12-month period.

In addition, the item 'Equipment' consists of vehicles and machinery that were repossessed as a result of credit operations under leasing agreements. These assets are not an integral part of the Bank's facilities nor are they intended for the pursuit of its core business, as they originated from deeds in lieu of credit agreements.

Changes in non-current assets held for sale during financial year 2020 are as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Opening Balance	6,308	27,548
Received	7,157	6,308
Sales	(6,308)	-
Other operations (Transfers)	1,111,691	(27,548)
Closing Balance	1,118,848	6,308

NOTE 12 - OTHER TANGIBLE ASSETS

The value of this item as at 31 December 2020 and 2019 is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Properties		
For own use	44,732,897	44,649,091
Improvement works on rented properties	2,347,430	2,234,925
	47,080,328	46,884,016
Equipment		
Computer equipment	3,955,448	2,781,103
Indoor facilities	1,743,115	1,737,103
Furniture and materials	1,858,156	1,826,559
Security equipment	2,004,552	1,994,038
Machinery and tools	718,738	577,965
Transport material	2,096,750	1,625,978
	12,376,759	10,542,747
Property, plant and equipment in progress		
Properties	31,319	119,439
Equipment	463,064	713,872
	494,383	833,311
Right-of-use assets		
Properties	2,515,745	1,870,812
	2,515,745	1,870,812
Impairment	(641,294)	(1,273,820)
	61,825,921	58,857,067
Accumulated depreciation		
Charges for the year	(2,179,598)	(2,650,094)
Charges for previous years	(16,154,716)	(13,726,841)
For transferred assets	220,476	222,219
	(18,113,839)	(16,154,716)
Total Other tangible assets	43,712,082	42,702,350

The item Other tangible assets includes own use properties, the legalisation processes of which are still ongoing, and no adjustments are expected due to the completion of these processes. The value of non-legalised real estate assets as at 31 December 2020 is AOA 2,361,418 thousand (2019: AOA 2,497,275 thousand), and corresponds to 14 out of the 45 properties used for 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 2.11.

It is worth noting the significant variation associated with computer equipment, arising from the investment requirements for the migration of the Bank's core banking system, which occurred in the 2020.

Changes in the item during 2020 and 2019, are broken down as follows:

(thousand Kwanzas)

Fixed Assets	Balance as at 01-01-2020	Acquisitions / Appropriations	Disposals / Write-offs	Transfers and Changes in Perimeter	Impairment	Balance as at 31-12-2020
Properties						
For own use	44,649,092	95,547	(11,741)	-	-	44,732,898
Improvement works on rented properties	2,234,924	21,383	-	91,123	-	2,347,430
	46,884,016	116,930	(11,741)	91,123	-	47,080,328
Equipment						
Computer equipment	2,781,103	275,373	(55,193)	954,165	-	3,955,448
Indoor facilities	1,737,102	6,451	(438)	-	-	1,743,115
Furniture and materials	1,826,560	31,596	-	-	-	1,858,156
Security equipment	1,994,039	10,513	-	-	-	2,004,552
Machinery and tools	577,965	140,773	-	-	-	718,738
Transport material	1,625,978	665,927	(195,155)	-	-	2,096,750
	10,542,747	1,130,633	(250,786)	954,165	-	12,376,759
Property, plant and equipment in progress						
Properties	119,439	3,004	-	(91,123)	-	31,319
Equipment	713,872	599,769	-	(850,577)	-	463,064
	833,311	602,772	-	(941,700)	-	494,383
Right-of-use assets						
Properties	1,870,812	644,933	-	-	-	2,515,745
	1,870,812	644,933	-	-	-	2,515,745
	60,130,887	2,495,268	(262,527)	103,588	-	62,467,215
Properties						
For own use	(6,602,364)	(915,273)	1,615	-	632,526	(6,883,496)
Improvement works on rented properties	(2,037,841)	(115,024)	-	-	-	(2,152,865)
	(8,640,206)	(1,030,298)	1,615	-	632,526	(9,036,362)
Equipment						
Computer equipment	(2,045,409)	(247,724)	55,193	-	-	(2,237,940)
Indoor facilities	(1,394,439)	(78,839)	128	-	-	(1,473,150)
Furniture and materials	(1,354,605)	(124,638)	-	-	-	(1,479,243)
Security equipment	(1,810,534)	(27,844)	-	-	-	(1,838,378)
Machinery and tools	(484,038)	(41,327)	-	-	-	(525,365)
Transport material	(1,330,868)	(229,276)	163,538	-	-	(1,396,606)
	(8,419,893)	(749,647)	218,858	-	-	(8,950,681)
Right-of-use assets						
Properties	(368,438)	(399,652)	-	-	-	(768,090)
	(368,438)	(399,652)	-	-	-	(768,090)
	(17,428,537)	(2,179,596)	220,473	-	632,526	(18,755,133)
	42,702,350	315,671	(42,053)	103,588	632,526	43,712,082

(thousand Kwanzas)

Fixed Assets	Balance as at 01-01-2018	Acquisitions / Appropriations	Disposals / Write-offs	Transfers and Changes in Perimeter	Impairment	Balance as at 31-12-2019
Properties						
For own use	44,696,398	117,992	-	(165,298)	-	44,649,092
Improvement works on rented properties	2,200,789	11,011	(23,852)	46,976	-	2,234,924
	46,897,186	129,003	(23,852)	(118,322)	-	46,884,016
Equipment						
Computer equipment	2,266,994	372,103	-	142,006	-	2,781,103
Indoor facilities	1,605,467	15,264	(1,831)	118,202	-	1,737,102
Furniture and materials	1,793,311	33,249	-	-	-	1,826,560
Security equipment	1,991,398	2,641	-	-	-	1,994,039
Machinery and tools	571,818	6,147	-	-	-	577,965
Transport material	1,704,030	182,800	(413,551)	152,699	-	1,625,978
	9,933,018	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
Right-of-use assets						
Properties	-	1,870,812	-	-	-	1,870,812
	-	1,870,812	-	-	-	1,870,812*
	57,123,676	3,446,443	(439,234)	-	-	60,130,887
Properties						
For own use	(3,997,293)	(1,436,789)	-	105,538	(1,273,820)	(6,602,364)
Improvement works on rented properties	(1,806,871)	(199,637)	23,852	(55,185)	-	(2,037,841)
	(5,804,164)	(1,636,426)	23,852	50,353	(1,273,820)	(8,640,206)
Equipment						
Computer equipment	(1,856,057)	(189,350)	-	(2)	-	(2,045,409)
Indoor facilities	(1,261,950)	(83,965)	1,827	(50,351)	-	(1,394,439)
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	-	(1,273,820)	(17,428,537)
	43,396,835	1,164,787	(217,015)	-	(1,273,820)	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.

In 2020, changes in impairment as a result of valuations of the Bank's properties can be broken down as follows:

(thousand Kwanzas)

	31-12-2019	Charges for the year	Reversals	Transfers	31-12-2020
Properties	1,273,820	-	(632,526)	-	641,294
	1,273,820	-	(632,526)	-	641,294

(thousand Kwanzas)

	01-01-2019	Charges for the year	Reversals	Transfers	31-12-2019
Properties	-	1,273,820	-	-	1,273,820
	-	1,273,820	-	-	1,273,820

In 2020, the Bank reversed impairment on properties in the amount of AOA 632,526 thousand, as a result of the improvements made and the reassessment of their potential for generating future economic benefits.

NOTE 13 - INTANGIBLE ASSETS

The value of this item as at 31 December 2020 and 2019 is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Intangible assets		
Purchased from third parties		
Automatic data processing system	9,702,893	5,214,710
Other	385,615	3,811,485
	10,088,508	9,026,195
Accumulated depreciation/amortisation		
Charges for the year	(540,233)	(468,899)
Charges for previous years	(1,291,039)	(2,248,913)
	(1,831,272)	(2,717,812)
	8,257,236	6,308,383

Changes in the item during 2020 and 2019, are broken down as follows:

(thousand Kwanzas)

	Balance as at 01-01-2020	Acquisitions / Appropriations	Disposals / Write-offs	Transfers and Changes in Perimeter	Impairment	Balance as at 31-12-2020
Intangible assets						
Purchased from third parties						
Automatic data processing system	5,214,710	611,939	(1,440,951)	5,317,195	-	9,702,893
Other - in progress	3,811,485	1,994,913	-	(5,420,783)	-	385,615
	9,026,195	2,606,852	(1,440,951)	(103,588)	-	10,088,508
Accumulated depreciation/amortisation						
Automatic data processing system	(2,717,812)	(540,232)	1,426,773	-		- (1,831,272)
	(2,717,812)	(540,232)	1,426,773	-		- (1,831,272)
Impairment	-	-	-	-	-	-
	6,308,383	2,066,620	(14,179)	(103,588)	-	8,257,236

(thousand Kwanzas)

	Balance as at 01-01-2019	Acquisitions / Appropriations	Disposals / Write-offs	Transfers and Changes in Perimeter	Impairment	Balance as 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

The item Automatic data processing systems includes the amount of AOA 4,025,566 thousand (2019: Other - in Progress in the amount of AOA 3,292,765) related to the implementation of a new core banking system that went live in October 2020.

NOTE 14 - INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The value of this item is composed of:

31 December 2020	No. of Shares	Share Capital	Direct Shareholding	Nominal Value AOA
Económico Fundos de Investimento	1,000	90,000	62%	55,800
Económico Fundos de Pensões	10,000	1,000,000	96%	962,000
Tranquilidade Angola S.A.	1,050	747,790	21%	157,035
Impairment losses				

31 December 2019	No. of Shares	Share Capital	Direct Shareholding	Nominal Value AOA
Económico Fundos de Investimento	1,000	90,000	64%	57,600
Económico Fundos de Pensões	10,000	1,000,000	96%	962,000
Tranquilidade Angola S.A.	1,050	747,790	21%	157,035
Impairment losses				

It should be noted that in 2020 the Bank sold 2% of its holding in Económico Fundos de Investimento in order for the company to comply with the minimum number of shareholders, with the Bank maintaining the company as a strategic investment with a qualified holding.

In terms of impairment, in 2020, the Bank updated the impairment relating to its stake in Tranquilidade Angola, maintaining the value of the holding at zero, even after considering the updated value based on the equity method accounting. During 2019, the Bank recorded impairment in the amount of the full book value of the participation in Tranquilidade Angola, arising from the existence, in the Independent Auditor's Report, of a material uncertainty of the operational continuity of the Company due to the inspection carried out by the General Tax Administration to the financial years of 2015 and 2016

The Bank's understanding is that its liability is limited to its equity stake, therefore no provisions have been made for potential liabilities arising from its position as a shareholder.

(thousand Kwanzas)

Cost of Shareholding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
55,800	1,294,120	(130,465)	1,239,243
962,000	(178,505)	229,265	1,013,131
363,876	582,196	129,293	720,107
1,381,676	1,697,811	228,093	2,972,481
			(720,107)
			2,252,374

(thousand Kwanzas)

Cost of Shareholding	Reserves	Profit/loss assignable to BE	Balance Sheet Value
57,600	1,063,691	80,750	1,411,453
962,000	(325,316)	(3,996)	632,880
363,876	129,662	201,269	633,921
1,383,476	868,037	278,023	2,678,254
			(633,921)
			2,044,333

In 2020 and 2019, changes in impairment as a result of valuations of the Bank's properties can be broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Opening balance	633,921	-
Charges for the year	86,186	633,921
Reversals	-	-
Foreign Exchange Differences	-	-
Closing balance	720,107	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 December 2020	Assets	Liabilities	Share Capital	Reserves	Income
Económico Fundos de Investimento	2,217,884	248,118	90,000	2,087,290	(207,524)
Económico Fundos de Pensões	1,426,268	370,923	1,000,000	(185,556)	240,901
Tranquilidade Angola S.A.	20,329,403	16,165,898	747,790	2,772,364	643,351
	23,973,555	16,784,939	1,837,790	4,674,098	676,728

(thousand Kwanzas)

	Subsidiaries - Financial Indicators				
31 December 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

NOTE 15 - TAXES

As at 31 December 2020 and 2019, the current tax assets and liabilities recognised in the balance sheet can be broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Current tax assets		
Current income tax	1,508,739	1,503,761
Other	-	-
Current tax assets	1,508,739	1,503,761
Current tax liabilities		
Current income tax	-	-
Other	-	-
Current tax liabilities	-	-

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

	31-12-2020		31-12-2019	
	%	Value (mKwz)	%	Value (mKwz)
Pre-tax income		(137,797,315)		(531,183,440)
Non-taxable income	58%	(80,524,236)	3%	(16,765,677)
Tax benefits on income from public debt securities	-	-	-	-
Interest on loans (holders of capital or supplementary capital)	-	-	0%	-
Unforeseen provisions	-20%	27,723,448	-2%	9,571,443
Non-deductible (income)/costs	-5%	7,209,241	-2%	12,233,421
Changes in estimates	-	-	-	-
Changes in rates and taxable base arising from the Industrial Tax Reform	-	-	-	-
Other	-	-	-	-
Taxable Profit	-	-	-	-
Tax Loss	-	(183,388,862)	-	(526,144,253)
Tax Loss - previous years	-	(526,144,253)	-	-
Taxable Income	-	-	-	-
Tax rate	-	-	-	-
Tax determined on the basis of the legal tax rate	-	-	-	-
Tax for the fiscal year	-	-	-	-

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.

As at 31 December 2020 and 2019, the deferred tax assets recognised in the financial position are broken down as follows:

	Asset		Liabili		Losses	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Potential foreign exchange differences	-	-	(57,566,134)	-	(57,566,134)	-
Impairment for the year not accepted	-	-	5,603,820	-	5,603,820	-
Tax losses generated	-	-	51,962,315	-	51,962,315	-
Deferred tax assets / (liabilities)	-	-	-	-	-	-

During the year ended 31 December 2021 and 2020, with the publication of Law no. 26/20, of 20 July - Law amending the Industrial Tax Code, new rules were introduced in determining taxable income, namely (i) the exclusion of the tax relevance of income and costs with unrealised exchange differences in the calculation of taxable income, and (ii) the non-acceptance as deductible costs of the provisions constituted on secured loans, except for the part not covered.

On 31 December, 2020, the Bank recognised deferred tax liabilities related to potential positive exchange rate changes in the amount of AOA 57,566,134 thousand. Additionally, the Bank recognised deferred tax assets related to matters concerning 'impairment not accepted for the year' for credit with guarantees and 'tax losses generated' during the fiscal year, in the amounts of AOA 5,603,820 thousand and AOA 51,962,315 thousand, respectively, given the existence of sufficient taxable temporary differences related to the same tax authority, which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. For the same reason, the Bank has offset these deferred tax assets and liabilities.

NOTE 16 - OTHER ASSETS

The value of this item is composed of: (thousand Kwanzas)

	31-12-2020	31-12-2019
Deferred impairments	260,000,000	-
Other debtors	14,981,492	10,661,325
Properties	14,701,749	17,169,921
Administrative public sector	1,418,095	1,526,841
Deferred expenses	2,941,606	2,169,494
Other operations pending settlement	123,848	53,305
Recoverable tax	54,097	41,438
Other assets	3,197,429	2,698,732
Other assets - ENSA Group	1,824,928,612	1,120,962,259
	2,122,346,927	1,155,283,316
Impairment losses - ENSA Group	(1,156,726,042)	(669,334,900)
Impairment losses - Other	(12,507,049)	(9,153,706)
	(1,169,233,091)	(678,488,605)
	953,113,836	476,794,710

16.1 OPERATION WITH THE ENSA GROUP

The amount under the item Other assets - ENSA Group is mainly related to the transfer of economic rights over assets that occurred in 2014. The amount in question is AOA 1,790,521,145 thousand in terms of principal and accrued interest (2019: AOA 1,092,693,624 thousand). This amount is divided into AOA 1,555,295,550 thousand in terms of Principal and AOA 235,225,594 thousand in terms of Accrued Interest, being AOA 937,704,139 thousand and AOA 154,989,485 thousand, respectively, in 2019. For a better understanding of the operation as a whole (see Note 37). In addition, this item includes amounts relating to advances for real estate, amounting to AOA 32,756,956 thousand (2019: AOA 26,731,384 thousand) and an impairment value in the amount of AOA 1,156,726,042 thousand (2019: AOA 669,334,900 thousand). In addition, the increase in Other assets - ENSA Group results essentially from i) return on assets in the amount of AOA 256,962,619 thousand (Note 17) and ii) foreign exchange rate revaluation in the amount of AOA 427,227,982 thousand (Note 37).

The amount in USD determined within the scope of the AQA exercise, considered the valuation of real estate assets assigned and real estate assets associated with credits assigned to that entity, with reference to 31 December 2018, as described in Note 37. However, there are limitations on the AQA result, namely:

a) The contracts with the ENSA Group are in force, despite the current default, and the terms under which they might be modified for the underlying sale contemplated in the AQA are not known;

b) There are no contracts at the present date 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 and the actual sale by the Bank.

d) The AQA conclusions report identifies significant limitations on the respective assets, namely:

1. Failure to carry out external balance confirmation procedures with the ENSA Group;
2. 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;
3. Failure to obtain the necessary and adequate support to validate the ownership of the properties belonging to the ENSA Group;
4. Failure to accurately validate 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 analysis, and that they were not sold at the time of completion of the Conclusions Report
5. 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 2020.

16.2 DEFERRED IMPAIRMENTS

As part of the implementation of the Bank's Recapitalisation and Restructuring Plan ('RRP'), detailed in note 37, the Bank recorded an asset in the amount of AOA 260,000,000 thousand, related to the deferral of impairments for a period of 5 years, as outlined by the BNA in the RRP.

16.3 OTHER ASSETS

The amount related to Real Estate includes a set of properties delivered for the settlement of loans through deeds in lieu, as well as properties no longer allocated to banking activities, including a set of properties whose legalisation processes are still in progress, and no adjustments are expected as a result of the completion of these processes. The value of properties under these conditions recognised under the item Other assets as at 31 December 2020 is AOA 4,052,898 (2019: AOA 3,716,482).

The amount shown in the table above for Other debtors corresponds mainly to amounts receivable from the State under the Angola Investe programme, amounting to AOA 5,837,545 thousand (2019: AOA 5,601,555 thousand) and an amount referring to advances for the incorporation of the BESA Congo Brazaville company, amounting to AOA 3,686,875 thousand (2019: AOA 2,587,240 thousand), which is 100% impaired as there is no expectation of recovery by the Bank.

In 2020, changes in impairment are broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Opening Balance	26,002,561	26,002,561
Charges for the year	237,641,004	640,869,224
Uses	-	(74,167)
Reversals	(148,507)	(91,387)
Transfer	19,627,871	-
Foreign Exchange Differences	233,624,118	11,782,374
Closing Balance	1,169,233,091	678,488,605

The significant amount in appropriations in 2020 derives from the return of the operation contracted on 20 March 2017, resulting from the settlement of the financing granted through the deed in lieu of payment of amounts receivable from the operation of transfer and sale of assets to GENSA, amounting to AOA 256,963 million. Consequently, the Bank conducted an impairment reassessment considering the assumptions outlined in section 16.1.

The amount related to exchange rate variation includes the effect of AOA 232,620,603 thousand associated with the receivables from the operation of transfer and sale of assets to GENSA.

NOTE 17 - DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Interbank money market operations		
Term deposits from Central banks		
In Domestic Currency	256,962,619	14,221,589
Term deposits and loans from Other Credit Institutions		
In Domestic Currency	-	2,500,000
In Foreign Currency	17,311,335	4,725,152
	274,273,954	21,446,741
Interest payable	7,537	124,700
	7,537	124,700
Liabilities in the payment system		
Relations between agencies		
Clearing of cheques and other paper	52,600	45,250
Other operations pending settlement	5,800,702	4,548,353
	5,853,303	4,593,604
	280,134,793	26,165,044

In 2017, the Bank settled a set of financing granted by the Banco Nacional de Angola, and among the amounts paid for settlement, a value of AOA 256,963 million was paid through a deed in lieu, related to receivables from the transfer of assets to the ENSA Group. In 2020, the Banco Nacional de Angola executed the reversal of the operation in accordance with the applicable legal requirements set by the BNA. The Bank agreed to the reversal of the assets as per letter VG-RM/NF/2020, dated 31 August 2020, from the same institution (Note 16 and 37).

It is important to highlight the increase in loans from credit institutions in Foreign Currency, which resulted from the overdraft due to the settlement of subordinated liabilities occurring only in early 2021 (see note 19), when the overdrafts were regularised.

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

(thousand Kwanzas)

	31-12-2020	31-12-2019
Domestic		
Deposits	256,962,619	14,344,315
Interbank money market	-	2,501,974
Other deposits	5,853,302	4,593,604
	262,815,921	21,439,892
Foreign		
Deposits	17,318,871	4,725,152
	17,318,871	4,725,152
	280,134,793	26,165,044

As at 31 December 2020 and 2019, deposits from Central Banks and Other Credit Institutions by residual maturity are broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Up to 3 months	280,134,793	26,165,044
	280,134,793	26,165,044

NOTE 18 - CUSTOMER DEPOSITS AND OTHER LOANS

The value of this item is composed of:

(thousand Kwanzas)

	Currency	31-12-2020	31-12-2019
Demand deposits			
	AOA	125,687,140	142,563,929
	EUR	5,787,461	3,655,683
	US Dollar	533,643,291	362,677,731
	Other	31,135	25,016
		665,149,028	508,922,359
Term deposits			
	AOA	142,942,238	170,588,131
	EUR	28,846,496	17,613,448
	US Dollar	752,451,484	718,728,766
		924,240,219	906,930,345
		1,589,389,247	1,415,852,704

The Bank includes in the item Term Deposits in National Currency the amount of AOA 7,155,539 thousand (2019: AOA 75,930,765 thousand) related to term deposits indexed to the exchange rate of the United States Dollar.

As at 31 December 2020 and 2019, Customer deposits and other loans by residual maturity are broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Payables on demand	665,149,028	508,922,292
Long-term payables		
Up to 3 months	262,612,422	217,016,262
3 months to one year	634,763,266	686,886,528
One to five years	26,344,873	2,431,904
Over five years	519,658	595,718
	924,240,219	906,930,412
	1,589,389,247	1,415,852,704

As at 31 December 2020 and 2019, term deposits showed the following average interest rates:

	Currency	31-12-2020	31-12-2019
Term deposits			
	AOA	12.55%	10.66%
	EUR	1.00%	2.44%
	US Dollar	2.95%	3.19%

NOTE 19 - SUBORDINATED LIABILITIES

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Subordinated Loan		
Non-perpetual bonds	249,122,324	206,671,839
	249,122,324	206,671,839

This loan, taken out with Novo Banco, in the amount of USD 424,860 thousand, with a counter value of AOA 105,902,398 thousand as at 30 October 2014, arises from the resolution issued by the BNA on 4 August 2014, resulting from the conversion of the amount of AOA 41,595 million from the senior interbank loan into a subordinated loan in U.S. dollars with a 5% interest rate, quarterly payments, and maturing in 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%.

It is worth noting that the Bank experienced a delay in settling the first tranche of the subordinated loan, corresponding to 20% of the initial capital. The outstanding amount was settled in January 2021.

The amount of interest payable on 31 December 2020 is AOA 2,363,501 thousand (2019: AOA 1,792,693 thousand), with the change in the amount between 2019 and 2020 corresponding to the exchange rate revaluation, taking into account that the subordinated liability is denominated in US dollars.

In December 2021, the Bank restructured the subordinated debt with Novo Banco, obtaining a debt waiver corresponding to 75% of the outstanding amount at that date, leaving the debt on that date at USD 115 million (see Note 38).

NOTE 20 - PROVISIONS

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Provisions for possible responsibilities		
Provisions for indirect credit	823,162	8,168,237
Provisions for legal contingencies	1,304,557	3,186,126
Provisions for tax contingencies	2,131,192	1,533,641
Provisions for suppliers	659,133	554,571
Provisions for various risks	160,407	405,959
	5,078,451	13,848,534

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, 2020, the balance of the legal contingencies item, amounting to AOA 1,304,864 thousand, is mainly explained by two different processes: (i) a fine imposed by the Ministry of the Environment in the amount of AOA 600 million, and (ii) ongoing legal proceedings in court totalling AOA 650 million.

The reduction in Provisions for legal contingencies is explained by the use of the provision for indemnities to former Directors at the time of their liquidation.

The item Provisions for indirect loans refers to the provision determined within the framework of the application of the credit impairment model used by the Bank for off-balance-sheet liabilities related to loans to Customers, as outlined in Note 2.3, and further broken down in Note 33.

In 2020, changes in provisions are broken down as follows:

(thousand Kwanzas)

	Provisions for indirect credit.	Other provisions for risks and charges	Total
Balance as at 31 December, 2018	9,902,921	3,197,763	13,100,684
Charges for the year	2,077,867	3,637,540	5,715,406
Reversals	(6,131,856)	(2,553,243)	(8,685,099)
Uses	-	-	-
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
Charges for the year	610,168	633,755	1,243,923
Reversals	(9,092,591)	(582,065)	(9,674,656)
Uses	-	(1,758,385)	(1,758,385)
Foreign exchange differences and other corrections	1,137,348	281,687	1,419,035
Balance as at 31 December 2020	823,162	4,255,289	5,078,451

The significant reversal in provisions for indirect credit resulted from the fact that the Bank has significantly reduced its volume of import credits.

NOTE 21 - OTHER LIABILITIES

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
ENSA Group	82,618,693	58,275,360
Tax expenses payable	3,822,885	1,333,360
Operations pending settlement	3,551,627	4,525,647
Lease liabilities	3,439,260	2,405,659
Suppliers	2,523,998	2,870,186
Accrued employee benefit expenses	1,543,593	1,333,359
Other	217,230	-
	97,717,285	70,773,358

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 Accrued employee benefit expenses corresponds to the rights acquired by the Employees on 31 December 2020 relating to holidays and holiday allowance.

In 2020, the Bank derecognised, against the item Other operating income, a set of settlements associated with documentary credits with a maturity exceeding 5 years, under the item Operations awaiting settlement, in the amount of AOA 4,057,403 thousand, since the Bank considers that such liabilities are extinguished at this date.

On the other hand, the item Lease liabilities, in the amount of AOA 3,439,260 thousand (2019: AOA 2,405,659 thousand), corresponds to the current value of lease payments to be settled over the lease term, as described in Note 2.11.

As at 31 December 2020 and 2019, lease liabilities by residual maturity are broken down as follows:

(thousand Kwanzas)

	31-12-2020
Up to 1 year	314,522
One to five years	819,681
Over five years	2,305,056
	3,439,260

NOTE 22 - SHARE CAPITAL

ORDINARY SHARES

As at 31 December 2020 and 2019, the share capital of the Bank, in the amount of AOA 72 billion, was represented by 72,000,000 ordinary shares with a unit value of AOA 1,000 each, 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)

	31-12-2020		31-12-2019	
	% of Share Capital	Capital value	% of Share Capital	Capital value
Sonangol E.P.	46.98%	33,825,600	46.98%	33,825,600
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	70.38%	50,673,600
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%	-	0.00%	-
	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 37).

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 represent gains and losses relating to changes in fair value of financial assets at fair value through other comprehensive income. The value of this reserve is presented net of deferred tax, totalling AOA 29,700 thousand.

Changes in Other Reserves and Retained Earnings are presented below:

(thousand Kwanzas)

	Fair value reserves		Other Reserves and Retained Earnings		
	Financial assets at fair value through other comprehensive income	Total fair value reserve	Legal Reserve and other reserves	Retained Earnings	Total Other Reserves and Retained Earnings
Balance as at 1 January 2019	-	-	24,504,329	(92,395,918)	(67,891,589)
Appropriation of Profits - Reserves	-	-	3,637,428	32,884,531	36,521,959
Balance as at 31 December 2019	-	-	28,141,757	(59,511,388)	(31,369,630)
Appropriation of Profits - Reserves	-	-	-	(531,183,440)	(531,183,440)
Calculation of fair value through other comprehensive income	29,700	29,700	-	-	-
Balance as at 31 December 2020	29,700	29,700	28,141,757	(590,694,828)	(562,553,070)

NOTE 24 - NET INTEREST INCOME

The value of this item is composed of:

			(thousand Kwanzas)
31-12-2020	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	-	-	-
Interest from cash and cash equivalents and investments at credit institutions	-	1,667,397	1,667,397
Interest from financial assets at fair value through profit or loss	306,983	-	306,983
Interest from financial assets at amortised cost	-	14,085,736	14,085,736
Interest from loans and advances	-	7,412,781	7,412,781
Interest and similar income - Other	306,983	23,165,914	23,472,896
	306,983	23,165,914	23,472,896
Interest and similar charges			
Interest and similar charges - ENSA Group	-	(2,930,036)	(2,930,036)
Interest from Customer deposits	(691,321)	(41,491,829)	(42,183,150)
Interest from deposits from Central Banks and Other Credit Institutions	-	(965,296)	(965,296)
Interest from subordinated liabilities	-	(12,377,638)	(12,377,638)
Interest from leases	-	(173,880)	(173,880)
Interest and similar charges - Other	(691,321)	(55,008,643)	(55,699,964)
	(691,321)	(57,938,679)	(58,630,000)
Net interest income	(384,338	(34,772,765)	(35,157,103)
31-12-2019			
Interest and similar income			
Interest and similar income - ENSA Group	-	19,897,432	19,897,432
Interest from cash and cash equivalents and investments at credit institutions	-	3,231,938	3,231,938
Interest from financial assets at fair value through profit or loss	308,067	-	308,067
Interest from financial assets at amortised cost	-	10,857,107	10,857,107
Interest from loans and advances	-	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 charges			
Interest and similar charges - ENSA Group	-	(1,912,728)	(1,912,728)
Interest from Customer deposits	(1,453,417)	(28,945,196)	(30,398,613)
Interest from deposits from Central Banks and Other Credit Institutions	-	(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 charges - Other	(1,453,417)	(38,079,728)	(39,533,145)
	(1,453,417)	(39,992,456)	(41,445,873)
Net interest income	(1,145,35	10,759,936	9,614,585

The Bank's margin during 2020 and 2019 should be analysed in its two main components: (i) the margin of the GENSA operation; (ii) Banco Económico's remaining margin.

In the component associated with the GENSA operation, it is worth noting that, in 2020, the Bank adopted a conservative approach and therefore did not record any revenues associated with the operation given that it is currently in Stage 3 and has had no financial settlements since 2017.

In the component associated with the Bank's recurring operation, it is worth noting that, in terms of revenues, the value remains similar to the previous year at an approximate amount of AOA 23,473 million (2019: AOA 31,163 million). This reduction is linked to the reduced profitability of the Bank's loan portfolio. In terms of charges, there was a significant increase in interest from Customers and interest from subordinated liabilities stemming from the Bank's significant exposure to foreign currency. This increase is attributed to the foreign exchange rate change in the underlying liabilities.

It should also be noted that the Bank has recognised as impairment for interest income from loans in Stage 3 the amount of AOA 19,604,985 thousand (2019: AOA 8,600,476 thousand).

The items pertaining to interest from loans and advances to Customers include the positive amount of AOA 1,131,329 thousand (2019: AOA 96,962 thousand) related to fees 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 2.11).

NOTE 25 - INCOME FROM SERVICES AND FEES

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Income from services and fees		
Cards	3,699,626	3,644,780
Documentary Credits	2,787,797	3,882,508
Payment Method Management	2,500,197	2,943,605
Securities Transactions	775,899	351,080
Commissions on Loans and Similar Products	534,604	804,455
Guarantees provided	95,444	463,592
Income from Services provided to the State	68,662	160,050
Banking and Insurance	67,133	66,138
Other Services	1,685,914	1,028,725
	12,215,276	13,344,932
Charges for services and fees		
Payment Method Management	(1,004,436)	(678,769)
Cards	(439,140)	(409,351)
Other Services	(17,549)	(5,377)
	(1,461,125)	(1,093,497)
	10,754,151	12,251,435

Regarding income from commissions and services, during 2020, due to COVID-19, a decrease occurred due to the impact of COVID-19 on global purchasing power, resulting in a negative impact on the business and industrial sector. In this context, we observe that the reduction in income from fees is largely attributed to guarantees provided and documentary credits compared to the same period year-on-year.

On the other hand, charges for services and fees increased due to the rise in costs associated with correspondent expenses and expenses related to national and international operations, including those associated with cards and transfers.

NOTE 26 - INCOME FROM FINANCIAL OPERATIONS

The value of this item is composed of:

(thousand Kwanzas)

31-12-2020	Income	Costs	Total
Bonds and other fixed-income securities			
Of public issuers	-	(222,171)	(222,171)
	-	(222,171)	(222,171)

(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)

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.

In addition, the Bank carried out a forward exchange contract, resulting in a loss of AOA 217 million, as shown in the following table:

(thousand Kwanzas)

31-12-2020	Income	Costs	Total
Fair value through profit or loss - Derivatives			
Derivatives	-	(217,230)	(217,230)
	-	(217,230)	(217,230)

(thousand Kwanzas)

31-12-2019	Income	Costs	Total
Fair value through profit or loss - Derivatives			
Derivatives	-	-	-
	-	-	-

NOTE 27 - FOREIGN EXCHANGE GAINS AND LOSSES

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Foreign exchange gains and losses		
Foreign exchange revaluation	(281,921,923)	(293,140,182)
Foreign exchange transactions	10,327,352	12,691,258
	(271,594,571)	(280,448,924)
Foreign exchange gains and losses - ENSA Group	178,656,619	407,256,112
	(92,937,952)	126,807,188

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 2020 and 2019 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.

It should be noted that the foreign exchange rate effect of the revaluation of receivables from the transfer of economic rights over Assets in 2020 (see note 37) includes AOA 357,953,834 thousand in terms of Capital and AOA 60,608,238 thousand in terms of interest receivable. In 2019, these figures were AOA 371,305,165 thousand in terms of Capital and AOA 53,111,429 thousand in terms of interest receivable.

It is also important to note the costs arising from the foreign exchange revaluation of indexed deposits, recorded under Customer deposits. In 2020, these costs amounted to AOA 6,057,599 thousand (2019: AOA 16,806,109 thousand).

As a result of the foreign exchange rate effect associated with the transfer of economic rights over assets, as at 31 December 2020 and 2019, the Bank is in non-compliance with Notice no. 14/2019 regarding the foreign exchange position limit. Specifically, the Bank cannot exceed an overall foreign exchange position of 2.5% of its Regulatory Own Funds. It should be noted 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 explained in Note 37.

NOTE 28 - NET OPERATING INCOME

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Other operating income / (costs)		
Deferred impairments	260,000,000	
Direct and indirect taxes	(1,734,640)	1,354,578
Levies and donations	(774,506)	16,320
Other	(2,023,425)	(1,415,543)
	255,467,428	(2,786,441)

As at 31 December, 2020, the Bank recorded a gain related to Deferred Impairments amounting to AOA 260,000,000 thousand, as described in Note 16 - Assets. This record is aligned with the measures approved in the Bank's Recapitalisation and Restructuring Plan, as mentioned in Note 37.

As at 31 December, 2020 and 2019, the tax item includes AOA 534 million and AOA 792 million relating, respectively, to CIT borne by the Bank on the income from its financial assets.

In 2020, the significant change in taxes is related to the amount of VAT incurred, while the amount in Donations is related to the support provided by the Bank to fight the COVID-19 pandemic, totalling AOA 550 million.

In 2019, the item Other includes a loss of AOA 1,275 million related to a tax waiver for the periods from 2014 to 2017. On the other hand, in 2020, the main impact was associated with the loss in value of real estate recorded under Other Assets. Additionally, in 2020, the Bank derecognised a number of settlements associated with documentary credits with a maturity exceeding 5 years in the item Other liabilities. They were offset against Other operating income, in the amount of AOA 4,057,403 thousand, since the Bank considers that such liabilities are extinguished at this date.

NOTE 29 - STAFF COSTS

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Wages and salaries		
Remunerations	11,004,520	9,331,015
Variable Remuneration	1,383,934	80,298
Holiday Allowance	836,638	816,328
Christmas Allowance	832,525	714,748
Meal Allowance	577,558	298,847
	14,635,175	11,241,235
Mandatory social charges	1,299,200	820,144
Other costs	872,851	1,904,531
	2,172,051	2,724,675
	16,807,226	13,965,910

The significant increase in Staff Costs is largely related to the remuneration item resulting from an increase in salaries. In addition, variable remuneration also increased significantly due to the award of a bonus aimed at recognising the Employees' commitment during the COVID-19 quarantine period. The remaining amount of variable remuneration corresponds to a bonus awarded to Employees to mitigate the loss of purchasing power caused by inflation throughout 2020.

Due to the application of IAS 19, regarding Employee loans as at 31 December 2020 and 2019, the effect on the net interest income and staff costs amounted to AOA 195,220 thousand and AOA 204,490 thousand, respectively.

The number of Bank Employees, considering permanent and fixed-term employees, is broken down by professional category as follows:

	31-12-2020	31-12-2019
Number of Employees		
Executive Functions	80	89
Managerial functions	174	173
Specific functions	303	325
Administrative functions and other	433	456
	990	1,043

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 the reporting date, there are 823 active participants in Banco Económico's pension plan (2019: 847). There are no retirees in the plan, and the Bank contributed AOA 417,450 thousand (2019: AOA 302,287 thousand) to the Fund.

NOTE 30 - THIRD PARTY SUPPLIES AND SERVICES

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
IT Services	1,938,638	999,169
Insurance	1,841,705	1,777,899
Consulting and auditing	1,247,799	1,341,363
Cash transport	1,232,657	901,273
Communications and shipping	959,419	820,912
Security and surveillance	669,243	666,456
Rents and leases	487,274	651,298
Maintenance and repair	473,778	454,426
Consumables	458,872	395,226
Advertising and publications	433,102	955,356
Water, power and fuels	230,670	211,224
Cleaning Services	130,919	129,209
Travel and representation	124,884	514,742
Judicial, Litigation and Notary Services	77,239	69,427
Other costs	836,891	673,124
	11,143,091	10,561,105

Compared to the same period of the previous year, the item Third Party Supplies and Services grew by 6%, essentially explained by price adjustments. This increase falls within the framework of the Bank's ongoing cost-containment efforts. Year-on-year, the items that grew the most were associated with: (i) IT services, related to the implementation of the Bank's new core and reporting system; (ii) Transportation of valuables, arising from the cash flow generated by our Customers. In the opposite direction, we highlight the following: (i) Advertising and publications, resulting from the decrease in events and advertising activities; (ii) Travel and representation, due to the decrease in circulation related to the COVID-19 pandemic.

NOTE 31 - PROVISIONS AND IMPAIRMENTS

The values for Provisions and Impairments showed the following changes during the year:

(thousand Kwanzas)

2020	Note	Charges for the year	Reversals	Adjustment *Stage* 3	Impact on 2020 results
Cash and cash equivalents at Central banks	4	(855,610)	-	-	(855,610)
Cash equivalents at OICs	5	(208,469)	-	-	(208,469)
Loans and advances to Other Credit Institutions	6	(923,140)	2,560,523	-	1,637,384
Investments at amortised cost	9	(20,523,576)	755,609	-	(19,767,966)
Investments in associates and joint ventures	14	(86,186)	-	-	(86,186)
Impairment for other financial assets		(22,596,980)	3,316,132	-	(19,280,848)
Loans and advances to Customers	10	(31,919,234)	16,355,167	19,604,986	4,040,919
Provisions for guarantees and other commitments	20	(610,168)	9,092,591	-	8,482,423
Impairment for loans and advances		(32,529,402))	25,447,758	19,604,986	12,523,341
Impairment for other assets	16	(237,641,004)	148,507	-	(237,492,497)
Impairment for Tangible Assets	12	-	632,526	-	632,526
Impairment for Real Estate	16	(1,373,218)	-	-	(1,373,218)
Impairment for other assets net of cancellations		(239,014,222)	781,033	-	(238,233,189))
Provisions for other liabilities and charges	20	(633,755)	582,065	-	(51,690)
Provisions net of cancellations		(633,755)	582,065	-	(51,690)

(thousand Kwanzas)

2019	Note	Charges for the year	Reversals	Adjustment *Stage* 3	Impact on 2020 results
Cash and cash equivalents at Central banks	4	-	-	-	-
Cash equivalents at OICs	5	(145,358)	-	-	(145,358)
Loans and advances to Other Credit Institutions	6	(2,560,523)	234,778	-	(2,325,745)
Investments at amortised cost	9	(3,313,913)	1,679,919	-	(1,633,994)
Investments in associates and joint ventures	14	(633,921)	-	-	(633,921)
Impairment for other financial assets		(6,653,715)	1,914,697	-	(4,739,018)
Loans and advances to Customers	10	(59,142,805)	14,822,035	8,600,476	(35,720,295)
Provisions for guarantees and other commitments	20	(2,077,867)	6,131,856	-	4,053,990
Impairment for loans and advances		(61,220,672)	20,953,891	8,600,476	(31,666,305)
Impairment for other assets	16	(640,869,224)	91,387	29,491,261	(611,286,576)
Impairment for Tangible Assets	12	-	-	-	-
Impairment for Real Estate	16	-	-	-	-
Impairment for other assets net of cancellations		(640,869,224)	91,387	29,491,261	(611,286,576)
Provisions for other liabilities and charges	20	(3,637,540)	2,553,243	-	(1,084,297)
Provisions net of cancellations		(3,637,540)	2,553,243	-	(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 profit 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.

(thousand Kwanzas)

	31-12-2020	31-12-2019
Net profit attributable to the Bank's shareholders	(137,797,315)	(531,183,440)
(-) Remuneration of perpetual bonds	-	-
(+) Realised gains and losses recognised in reserves	-	-
Adjusted net profit attributable to the Bank's shareholders	(137,797,315)	(531,183,440)
Weighted average number of ordinary shares issued (thousands)	72,000,000	72,000,000
Weighted average number of own shares in the portfolio (thousands)	-	-
Weighted average number of ordinary shares in circulation (thousands)	72,000,000	72,000,000
Basic earnings per share attributable to the Bank's shareholders	(1.91)	7.38

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. As at 31 December 2020 and 2019, diluted earnings per share considering the effect of own shares is nil.

NOTE 33 - GUARANTEES AND OTHER COMMITMENTS

The value of this item is composed of:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Guarantees and endorsements provided	3,495,098	10,980,397
Guarantees and endorsements received	(124,257,821)	(274,150,478)
Commitments entered to with third parties	453,460,696	38,320,368
Commitments entered into by third parties	(19,412,480)	(15,514,893)
Liabilities related to the provision of banking services	137,896,169	240,339,099
Amounts received in deposits	(18,839,112)	(22,185,434)
Other guarantees and commitments	432,342,550	(22,210,940)

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 limit component, despite being included in the previous table as Commitments to third parties, the impairment is recorded in Note 10 - Loans and advances to Customers. In 2020, it amounted to AOA 23,674 thousand (2019: AOA 6,978 thousand).

In October 2020, the Bank's core banking system migrated to a new version, which now supports the accounting of liabilities represented by the unused amounts of credit limits granted to Customers. In the previous version of the core system, the accounting of these liabilities was done manually. However, there were some limitations arising from the migration of information, and it was found that the unused credit limits that migrated to the new core system were not always being correctly accounted for, and that some of these limits are no longer in force at this time.

Since the migration took place on the aforementioned date, it was not possible to correct the identified issues prior to the preparation of this report. In this context, the Bank has initiated a review of all credit limits with the aim of ensuring data accuracy and reliability. In view of the above, the Bank expects that the issues detected will be corrected in 2022, allowing these amounts to be included in the impairment calculation. The amount of limits included in the item Commitments to third parties and subject to the aforementioned limitations amounts to AOA 385,315,298 thousand.

As at 31 December 2020 and 2019, these exposures, as well as the associated impairment are broken down as follows:

(thousand Kwanzas)

	Individual Analysis		Collective Analysis		Total	
2020	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Guarantees and Endorsements	2,397,600	60,331	1,097,498	24,880	3,495,098	85,211
Commitments to third parties	29,286,781	562,610	400,499,584	175,341	429,786,365	737,952
Total	31,684,381	622,941	401,597,082	200,221	433,281,463	823,162

(thousand Kwanzas)

	Individual Analysis		Collective Analysis		Total	
2019	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

As at 31 December 2020 and 2019, guarantees, endorsements provided, and commitments to third parties are broken down by stage as follows:

(thousand Kwanzas)

	Exposure 31-12-2020			
	Stage 1	*Stage 2*	*Stage 3*	Total
Guarantees and Endorsements	3,495,098	-	-	3,495,098
Commitments to third parties	419,345,980	4,225,067	6,215,318	429,786,365
Total	422,841,078	4,225,067	6,215,318	433,281,463

(thousand Kwanzas)

	Impairment 31-12-2020			
	Stage 1	*Stage 2*	*Stage 3*	Total
Guarantees and Endorsements	85,211	-	-	85,211
Commitments to third parties	344,638	138,284	255,030	737,952
Total	429,848	138,284	255,030	823,162

(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

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 service. 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 to third parties 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)

	31-12-2020	31-12-2019
Deposit and safeguard of assets	136,665,226	238,955,687
Amounts received for collection	940,689	803,753
Other liabilities from services provided	290,254	579,660
	137,896,169	240,339,099

As part of its fiduciary activity, the Bank acts as custodian of its Customers' valuables. The recognition of off-balance-sheet items is described in the accounting policy under Note 2.19.

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

A related party is a person or entity related to the entity that is preparing its financial statements.

A related party can be defined as follows:

a) A person or a close 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:

1. 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);
2. 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);
3. Both entities are joint ventures of the same third party;
4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
5. 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;
6. The entity is controlled or jointly controlled by a person identified as a related party in subparagraph (a);
7. A person identified in subparagraph (a) has significant influence over the entity or is a member of the key management personnel of this entity (or of a parent company thereof).

The value of the Bank's transactions with subsidiaries and associates as at 31 December 2020 and 2019, as well as the respective costs and income recognised in the period under review, are individually broken down as follows:

(thousand Kwanzas)

	Subsidiaries			Associates	Total
	Económico Fundos Investimento	Económico Fundos de Pensões	Total	Tranquilidade Angola	
31 December 2020					
Assets	439	28	466	42	509
Liabilities	(2,088,867)	(160,485)	(2,249,352)	(13,564,270)	(15,813,622)
Income	-	-	(468)	-	-
Costs	55,417	1,369	56,787	1,455,659	1,512,446
Guarantees	846	-	846	-	846
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	-	-	-	-	-

As at 31 December 2020 and 2019, the total amount of the Bank's assets and liabilities associated with shareholder transactions, in addition to those mentioned above, was as follows:

(thousand Kwanzas)

	Shareholders				
	Sonangol Group	Lektron Capital, S.A.	GENI, S.A.	Novo Banco, S.A.	Total
31 December 2020					
Assets	-	-	-	24,154,433	24,154,433
Cash and cash equivalents at Other Credit Institutions	-	-	-	24,154,433	24,154,433
Loans and advances to Other Credit Institutions	-	-	-	-	-
Loans and Advances to Customers	-	-	-	-	-
Liabilities	(310,421)	(437,257)	-	(260,777,018)	(261,524,697)
Deposits from Customers	(310,421)	(437,257)	-	-	(747,678)
Subordinated liabilities	-	-	-	(222,829,998)	(222,829,998)
Income	168	76	-	110,505	110,750
Net Interest Income	-	-	-	110,491	110,491
Fees	168	76	-	13	258
Costs	-	-	-	(11,946,660)	(11,946,660)
Net Interest Income	-	-	-	(11,946,530)	(11,946,530)
Fees	-	-	-	(130)	(130)
Guarantees	-	-	-	-	-

(thousand Kwanzas)

	Shareholders				
	Sonangol Group	Lektron Capital, S.A.	GENI, S.A.	Novo Banco, S.A.	Total
31 December 2019					
Assets	-	-	-	46,597,597	46,597,597
Cash and cash equivalents at Other Credit Institutions	-	-	-	17,636,491	17,636,491
Loans and advances to Other Credit Institutions	-	-	-	28,961,107	28,961,107
Loans and Advances to Customers	-	-	-	-	-
Liabilities	(449,983)	(437,327)	-	(206,671,839)	(207,559,148)
Deposits from Customers	(449,983)	(437,327)	-	-	(887,309)
Subordinated liabilities	-	-	-	(206,671,839)	(206,671,839)
Income	15	41	-	736,811	736,867
Net Interest Income	-	-	-	736,811	736,811
Fees	15	41	-	-	56
Costs	-	-	-	(7,865,300)	(7,865,300)
Net Interest Income	-	-	-	(7,864,604)	(7,864,604)
Fees	-	-	-	(696)	(696)
Guarantees	-	-	-	96,445	96,445

(thousand Kwanzas)

Key management personnel			Other related parties*	Total
Board of Directors	Other staff and relatives	Total		
408,856	-	408,856	163,908,682	188,471,971
-	-	-	-	24,154,433
-	-	-	-	-
408,856	-	408,856	163,908,682	164,317,538
(1,376,969)	(869,880)	(2,246,849)	(205,448,384)	(469,219,930)
(1,376,969)	(866,454)	(2,243,423)	(205,448,384)	(208,439,486)
-	-	-	-	(222,829,998)
11,475	17,723	29,197	23,718,658	23,858,606
11,325	9,352	20,677	23,443,283	23,574,452
150	8,370	8,520	275,375	284,153
(45,982)	(18,246)	(64,228)	(21,268,975)	(33,279,863)
(45,982)	(18,246)	(64,228)	(21,268,975)	(33,279,733)
-	-	-	-	(130)
-	-	-	(872,903)	(872,903)

* Corresponds to Sonangol Group entities (Subsidiaries, or companies with a participation exceeding 10% of the Sonangol Group) and related entities of Shareholders.

Key management personnel			Other related parties	Total
Board of Directors	Other staff and relatives	Total		
451,314	-	451,314	-	47,048,911
-	-	-	-	17,636,491
-	-	-	-	28,961,107
451,314	-	451,314	-	451,314
(1,200,059)	(1,591,523)	(2,791,582)	(213,488,262)	(423,838,992)
(1,200,059)	(1,591,523)	(2,791,582)	(213,488,262)	(217,167,153)
-	-	-	-	(206,671,839)
9,392	632,963	642,355	9,033,194	10,412,416
7,972	295,733	303,704	7,580,981	8,621,495
1,420	337,231	338,651	1,452,213	1,790,921
(20,868)	(22,567)	(43,435)	(6,114,096)	(14,022,832)
(20,868)	(22,567)	(43,435)	(6,114,096)	(14,022,135)
-	-	-	-	(696)
-	-	-	2,248,738	2,345,183

It is worth noting that the change in liabilities with Novo Banco S.A. is a result of the depreciation of the Kwanza against the US Dollar.

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 staff	Total
	Executive Committee	Other Elements	Total		
31 December 2020					
Remunerations and other short-term benefits	2,326,553	-	2,326,553	3,733,041	6,059,595
Variable remuneration	97,257	-	97,257	534,633	631,890
Sub total	2,423,810	-	2,423,810	4,267,674	6,691,485
Long-term benefits and other social expenses	152,540	-	152,540	314,636	467,176
Total	2,576,350	-	2,576,350	4,582,310	7,158,660

(thousand Kwanzas)

	Board of Directors			Other key management staff	Total
	Executive Committee	Other Elements	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

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.

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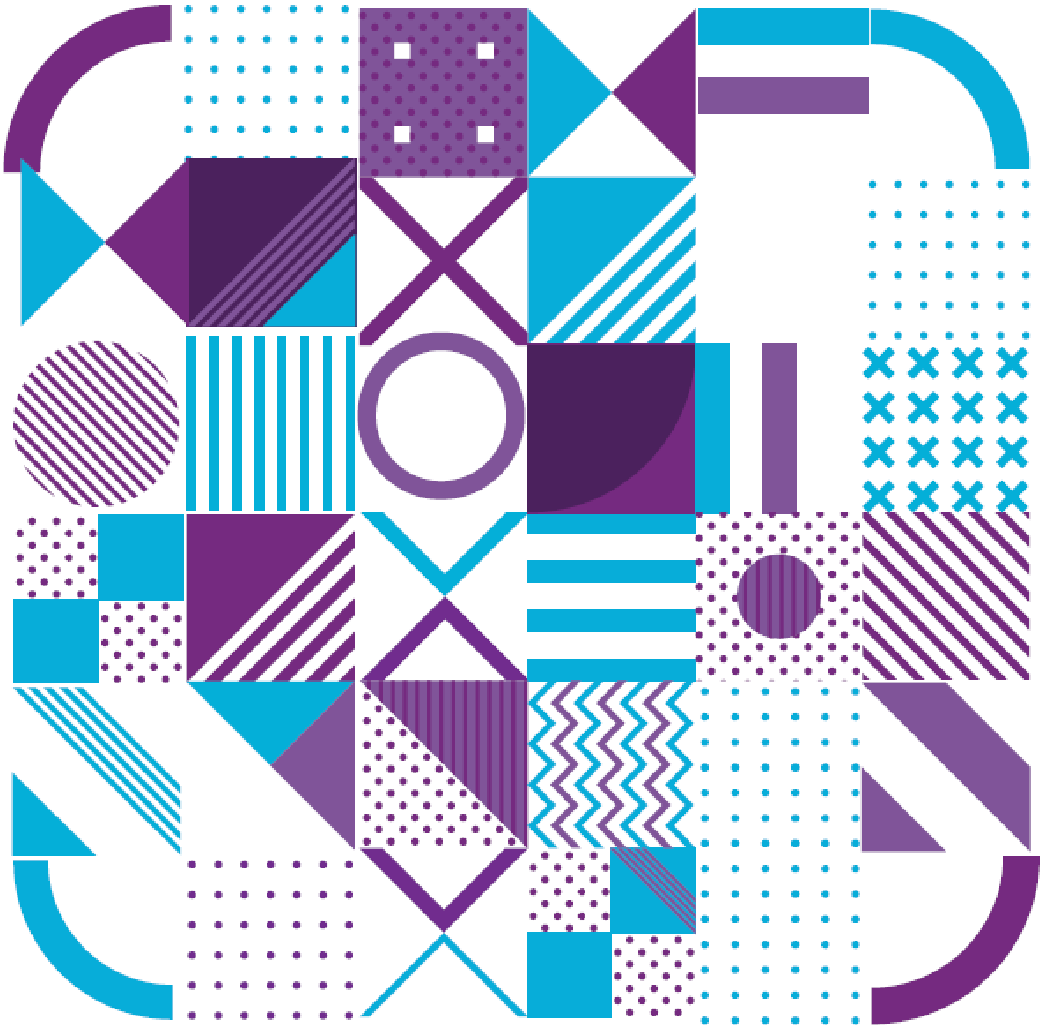


NOTE 35 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

In 2020 and 2019, the fair value of the Bank's financial assets and liabilities is broken down as follows:

(thousand Kwanzas)

	Acquisition Cost/Amortised Cost net of impairment	Measured at fair value	
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)
31 December 2020			
Cash and cash equivalents at Central banks	163,592,711	-	-
Cash equivalents at Other Credit Institutions	80,719,675	-	-
Investments in Central banks and Other Credit Institutions	56,268,285	-	-
Fair value through profit or loss	-	-	1,409,690
Fair value through other comprehensive income	162,718	-	-
Amortised cost	200,812,363	-	-
Loans and advances to customers	80,192,857	-	-
Non-current assets held for sale	1,118,848	-	-
Investments in associates and joint ventures	2,252,374	-	-
Other assets	953,113,836	-	-
Financial assets	1,591,983,017		(1,409,690)
Deposits from Central banks and Other Credit Institutions	280,134,793	-	-
Subordinated liabilities	-	-	249,122,324
Customer deposits and other loans	1,513,458,482	-	75,930,765
Other liabilities	97,717,285	-	-
Financial liabilities	1,890,433,563	-	325,053,089

(thousand Kwanzas)

Valuation models with non-observable market parameters (Level 3)	Total Balance Sheet Amount	Fair Value	Fair Value Variation
-	163,592,711	163,592,711	-
-	80,719,675	80,719,675	-
-	56,268,285	56,268,285	-
-	1,409,690	1,409,690	-
-	162,718	162,718	-
-	200,812,363	232,465,930	31,653,567
-	80,192,857	76,683,150	(3,509,707)
-	1,118,848	1,118,848	-
-	2,252,374	2,252,374	-
-	953,113,836	953,113,836	-
-	1,593,392,707	1,621,536,567	28,143,860
-	280,134,793	280,134,793	-
-	249,122,324	249,122,324	-
-	1,589,389,247	1,589,389,247	-
-	97,717,285	97,717,285	-
-	2,215,486,652	2,215,486,652	-

The fair value of financial assets and liabilities (cont.)

(thousand Kwanzas)

	Acquisition Cost/Amortised Cost net of impairment	Measured at fair value	
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)
31 December 2019			
Cash and cash equivalents at Central banks	234,310,510	-	-
Cash and cash equivalents at Other Credit Institutions	59,544,828	-	-
Investments in Central banks and Other Credit Institutions	107,061,793	-	-
Fair value through profit or loss	-	-	7,519,224
Securities	-	-	7,519,224
Bonds from public issuers	-	-	7,519,224
Fair value through other comprehensive income	-	-	-
Securities	-	-	-
Shares	-	-	-
Amortised cost	210,688,002	-	-
Bonds from public issuers	210,688,002	-	-
Loans and advances to customers	94,172,137	-	-
Investments in associates and joint ventures	2,044,333	-	-
Other assets	451,627,360	-	-
Op. Transfer Assets_GENSA	451,627,360	-	-
Financial assets	1,159,448,963	-	7,519,224
Deposits from Central banks and Other CreditInstitutions	26,165,044	-	-
Subordinated liabilities	-	-	206,671,839
Deposits from customers and other loans	1,339,921,939	-	75,930,765
Other liabilities	58,275,360	-	-
Op. Transfer of Assets _GENSA	58,275,360	-	-
Financial liabilities	1,424,362,343	-	282,602,604

(thousand Kwanzas)

Valuation models with non-observable market parameters (Level 3)	Total Balance Sheet Amount	Fair Value	Fair Value Variation
-	234,310,510	234,310,510	-
-	59,544,828	59,544,828	-
-	107,061,793	107,061,793	-
-	7,519,224	7,519,224	-
-	7,519,224	7,519,224	-
-	7,519,224	7,519,224	-
102,069	102,069	102,069	-
102,069	102,069	102,069	-
102,069	102,069	102,069	-
-	210,688,002	219,291,726	8,603,724
-	210,688,002	219,291,726	8,603,724
-	94,172,137	82,032,834	(12,139,303)
-	2,044,333	2,044,333	-
-	451,627,360	451,627,360	-
-	451,627,360	451,627,360	-
102,069	1,167,070,256	1,163,534,677	(3,535,578)
-	26,165,044	26,165,044	-
-	206,671,839	205,228,584	(1,443,255)
-	1,415,852,704	1,415,852,704	-
-	58,275,360	58,275,360	-
-	58,275,360	58,275,360	-
-	1,706,964,947	1,705,521,692	(1,443,255)

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: The 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, but whose markets have lower liquidity; and,

Level 3: Fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to value the same instruments, including assumptions on inherent risks, the valuation technique used, and the inputs used. It also encompasses 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 methodologies 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 or loss, fair value through other comprehensive income

These financial instruments are accounted for at fair value. The fair value is based on market 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 disclosed by financial content providers [*Reuters*, *Bloomberg* or others], more specifically those resulting from interest rate swaps quotations. 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 flows in the medium and long term. However, the Bank believes that, for nearly all securities held in its portfolio, it cannot identify an active market that allows it to determine said fair value and, as such, considers the amortised cost to be close to fair value.

Loans and Advances to Customers

The fair value of loans and advances to customers is estimated based on the update of expected cash flows from payments of the principal and interest, assuming that the instalments are paid on time. Expected future cash flows from similar loan portfolios, such as home loans, are estimated on a portfolio basis. The discount rates used are those currently charged for loans with similar characteristics.

Other assets

Currently, the Bank holds an amount receivable from the ENSA Group, contracted with Novo Banco, with a residual maturity of more than 5 years and an interest rate of 7%. Due to the asset's specific characteristics, the Bank considers the residual term to be very long, as there is no reasonable market data available for calculating its fair value. Therefore, the asset is presented at its book value. However, the current book value, in addition to its fair value, is under review as mentioned in Note 36.

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. Considering that the applicable interest rates are renewed for periods of less than one year, there are no materially relevant differences in their fair value.

Debt Securities and Subordinated Liabilities

Fair value is based on market prices whenever these are available. If they do not exist, fair value is estimated based on the updates of expected future cash flow from payments of the principal and interest for these instruments. If these do not exist, fair value is calculated using numeric models based on techniques for discounted cash flows which, to estimate fair value, use the market interest rate curves adjusted by associated factors, predominantly credit risk and mark-up, the latter used only for issues placed with the Bank's non-institutional customers.

The Bank currently has a subordinated liability taken out from Novo Banco, which has a residual maturity of more than five years and an interest rate of 5%. However, the Bank considers the security's rate of return to be similar to the market interest rate it pays for similar maturities and currencies. As such, the Bank believes that there are no materially relevant differences between its fair value and book value. The main parameters used during the 2020 and 2019 fiscal years in 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::

	31-12-2020			31-12-2019		
	AOA	EUR	US Dollar	AOA	EUR	US Dollar
Overnight	10.25%	-0.58%	0.09%	28.82%	0.49%	1.54%
1 month	11.92%	-0.56%	0.15%	19.40%	-0.45%	1.80%
3 months	12.50%	-0.54%	0.25%	19.58%	-0.39%	1.95%
6 months	13.66%	-0.52%	0,26%	19.14%	-0.33%	1.92%
9 months	14.78%	-0.19%	n.a	19.18%	-0.19%	n.a
1 year	15.50%	-0.50%	0.34%	20.50%	-0.24%	2.00%

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	31-12-2020	31-12-2019	1 month	3 months	6 months	9 months	1 year
AOA/USD	649,604	482.227	0.91%	2.26%	7.55%	8.95%	9.79%
AOA/EUR	798.429	540.817	1.89%	3.44%	7.81%	9.31%	10.13%

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.

In this context, monitoring and controlling the main types of risks - strategic, credit, market, liquidity, real estate, operational, and reputational - to which the Bank's activity is subject, take on particular importance.

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 in recovering an investment and its return due to incapacity of the debtor (and their guarantor, if any), thereby causing a financial loss to the creditor. 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 changes in rates (interest and exchange) and/or in the prices of the different financial instruments that comprise it, considering both the existing correlations between them and their respective volatilities. Therefore, Market Risk includes interest rate risk, exchange rate risk and other price risks.

Liquidity – Liquidity risk reflects the Bank's inability to meet its obligations associated with financial liabilities at each maturity date without incurring significant losses due to deteriorating access to finance (funding risk) and/or the sale of its assets below their normal market value (market liquidity risk).

Property - Property risk is borne as a result of possible negative impacts on the Bank's profit or equity due to fluctuations in real estate market prices.

Operational - Operational risk is the potential loss resulting from flaws or shortcomings in internal processes, people and systems or those resulting from external events.

Reputational - Reputation plays an important role in the sustainability of any bank. Reputational Risk Management is, essentially, a way to protect the Bank from potential threats to its reputation and serves to warn of a possible crisis that could affect people's perception of the Bank and their expectations.

INTERNAL ORGANISATION

In accordance with the regulatory framework set forth by the BNA, Banco Económico has implemented a Risk Management System with integrated policies and processes, including procedures, thresholds, controls and systems to identify, assess and monitor information on different types of risks.

In this context, Banco Económico set up a Risk Management Office (GGR) in 2017. The GGR coordinates and supervises risk management policies and risk governance practices, and designs tools and models for risk management and portfolio analysis. The GGR's remit, therefore, includes different risk areas, such as strategic risk, reputational risk, concentration risk and capital management.

It is incumbent upon the Risk Management Office to assist the Executive Committee with risk management policies and practices, by managing and monitoring said risks, and coordinating all risk management activities.

RISK ASSESSMENT

Credit Risk

Credit risk models play an essential role in the loan decision process. Thus, decision-making in loan portfolio transactions is based on policies that use scoring models for private and business customers, and ratings for the corporate segment.

Loan decisions depend on risk scores and compliance with various rules on the financial capacity and behaviour of the applicants. There are scoring models for the main loan portfolios of private customers, namely home loans and personal loans, considering the required segmentation between customers and non-customers (or recent customers).

In loans and advances to companies, the Bank uses internal rating models for medium-sized and large enterprises, distinguishing the construction and the tertiary sector from the other business sectors. A business credit scoring model is used for sole traders (ENI) and micro-enterprises.

Information on the Bank's exposure to credit risk in December 2020 and 2019 is provided below, on an individual and consolidated basis, respectively:

(thousand Kwanzas)

31-12-2020	Gross book value	Impairment	Net book value
On-balance sheet	2,849,791,529	-1,311,267,020	1,538,524,509
Cash and cash equivalents at Central banks	164,448,321	(855,610)	163,592,711
Cash equivalents at Other Credit Institutions	81,073,502	(353,827)	80,719,675
Investments in Central banks and Other Credit Institutions	57,190,650	(922,365)	56,268,285
Financial assets at fair value through profit or loss	1,409,690	-	1,409,690
Financial assets at fair value through other comprehensive income	162,718	-	162,718
Investments at amortised cost	224,681,954	(23,869,591)	200,812,363
Loans and advances to customers	195,505,286	(115,312,429)	80,192,857
Investments in associates and joint ventures	2,972,481	(720,107)	2,252,374
Other assets	2,122,346,927	(1,169,233,091)	953,113,836
Off-balance sheet	433,281,463	(823,163)	432,458,300
Guarantees and endorsements	3,495,098	(85,211)	3,409,887
Commitments to third parties	429,786,365	(737,952)	429,048,413
Total	3,283,072,992	(1,312,090,183)	1,970,982,809

(thousand Kwanzas)

31-12-2019	Gross book value	Impairment	Net book value
On-balance sheet	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
Investments in 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	0	7,519,224
Financial assets at fair value through other comprehensive income	178,845	(76,776)	102,069
Investments at amortised cost	214,001,915	(3,313,913)	210,688,002
Loans and advances to customers	221,222,959	(127,050,821)	94,172,138
Investments in subsidiaries and associates	2,678,254	(633,921)	2,044,333
Other assets	1,155,283,315	(678,488,605)	476,794,710
Off-balance sheet	42,322,851	(8,168,238)	34,154,613
Guarantees and endorsements	10,980,397	(7,036,618)	3,943,780
Commitments to third parties	31,342,453	(1,131,620)	30,210,833
Total	2,046,830,375	(820,438,155)	1,226,392,220

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 2020 and 2019, respectively:

(thousand Kwanzas)

31-12-2020	Origin of rating	Rating level	Gross exposure	Impairment	Net exposure
Cash and cash equivalents at Central Banks	*External Rating*	CCC+	151,101,115	(855,610)	150,245,505
		No Rating	13,347,206	-	13,347,206
Cash and cash equivalents at Other Credit Institutions	*External Rating*	AA-	243,925	(3)	243,923
		B+	71,291	(116)	71,175
		BB-	1,908,492	(825)	1,907,668
		BBB+	3,757,337	(317)	3,757,019
		BBB-	1,542,628	(130)	1,542,498
		CCC+	73,549,829	(352,436)	73,197,393
		BBB+	3,257,606	(3,303)	3,254,302
Investments at central banks and Other Credit Institutions		BBB-	4,228,214	(4,284)	4,223,930
		BB-	38,986,739	(201,892)	38,784,848
		CCC+	10,718,091	(712,886)	10,005,205
Financial assets at fair value through profit or loss	*External Rating*	CCC+	1,409,690	-	1,409,690
Financial assets at fair value through other comprehensive income	*External Rating*	No Rating	162,718	-	162,718
Investments at amortised cost	*External Rating*	CCC+	224,681,954	(23,869,591)	200,812,363
Loans and Advances to Customers	*Internal Rating*	Low	107,183,966	(61,820,691)	45,363,275
		Medium	43,734,254	(26,575,038)	17,159,216
		High	44,587,066	(26,916,700)	17,670,366
Investments in associates and joint ventures	*External Rating*	No Rating	2,972,481	(720,107)	2,252,374
Other assets	*External Rating*	CCC+	1,824,928,612	(1,156,726,042)	668,202,570
		No Rating	297,418,315	(12,507,049)	284,911,266
		Total	2,849,791,529	(1,311,267,020)	1,538,524,509

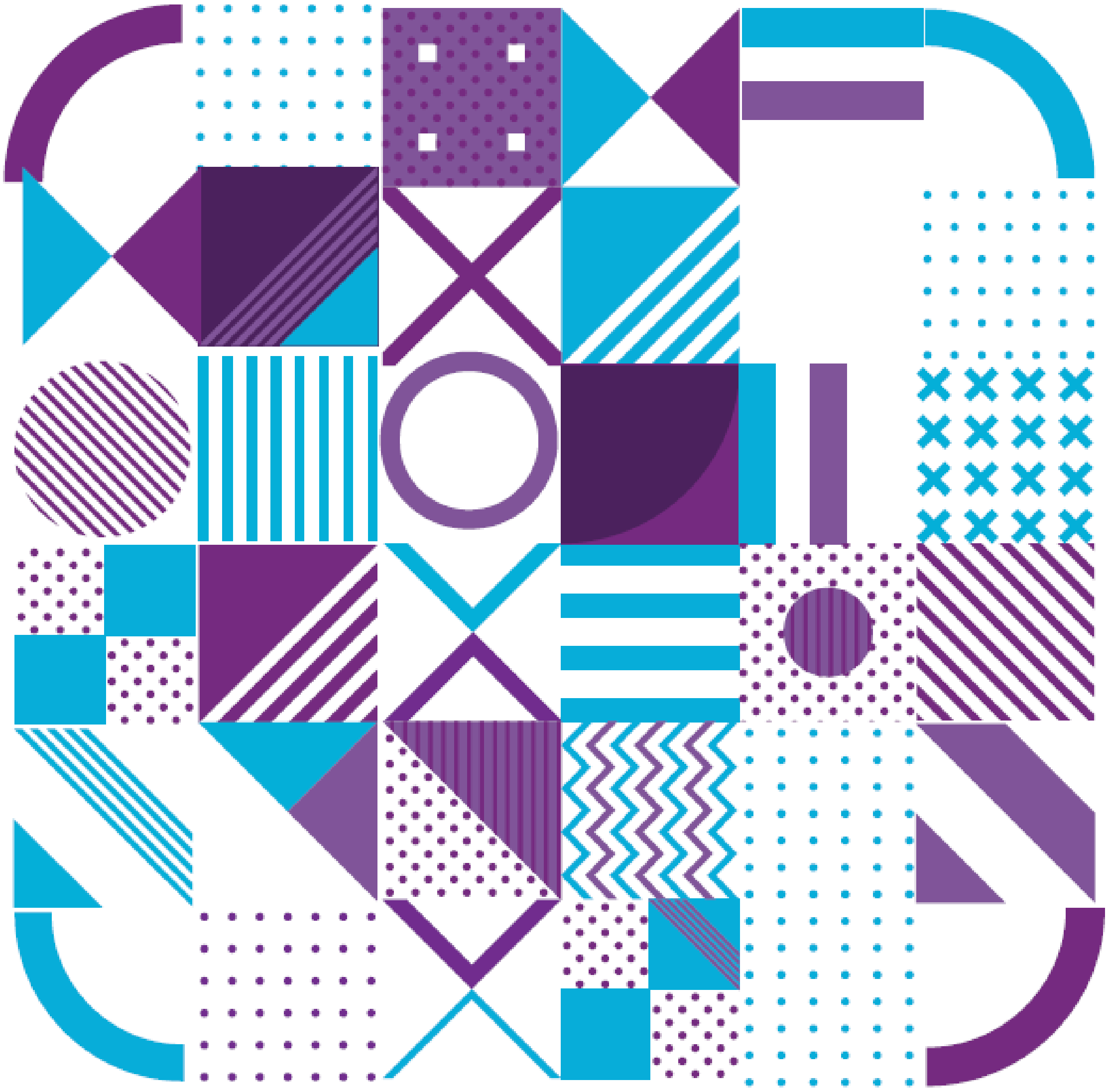
(thousand Kwanzas)

31-12-2019	Origin of rating	Rating level	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 and 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	4,953,762	-	4,953,762
Investments at central banks and Other Credit Institutions	*External Rating*	BBB+	38,941,840	(202,449)	38,739,391
		B-	41,719,369	(614,646)	41,104,723
		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
Loans and Advances to Customers	*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 joint ventures	*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)	1,192,237,607

The assignment of risk levels was made primarily using Moody's and Fitch, which considered a rating of Caa1 (Moody's) or CCC (Fitch) for Angola at the end of 2020, with the remaining agencies being used when necessary. Additionally, for the internal rating, the nomenclature previously adopted by BNA's risk levels is used, according to the following allocation: Low (letters A and B), Medium (letters C, D and E), High (letters F and G).

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, as at 31 December 2019 and 2018, respectively, is shown as follows:

	Loans and Advances to Customers		Guarantees provided	Total exposure
31-12-2020	Falling due	Overdue		
Companies	128,674,546	42,783,788	47,966,165	219,424,499
Agriculture, animal husbandry, hunting and forestry, fisheries	54,427,951	18,858,603	10,026,350	83,312,904
Manufacturing industries	1,987,973	602,237	953,041	3,543,251
Construction	3,076,059	415,539	160,000	3,651,598
Wholesale and retail trade	26,043,174	6,598,954	28,819,609	61,461,737
Accommodation and food services (restaurants and similar)	34,709	7,407,991	-	7,442,700
Real estate, renting and services provided to companies	6,133,349	1,445,270	415,736	7,994,355
Health and social work	7,166,410	115,314	589,277	7,871,001
Other collective, social, and personal service activities	27,819,938	4,630,283	6,365,487	38,815,708
International organisations and other extra-territorial institutions	1,984,983	2,709,596	636,667	5,331,246
Retail Customers	18,306,824	5,740,128	-	24,046,953
Consumption	2,826,696	69,721	-	2,896,418
Housing	10,490,887	415,381	-	10,906,268
Other purposes	4,989,240	5,255,027	-	10,244,267
Total	146,981,370	48,523,916	47,966,165	243,471,452

	Loans and Advances to Customers		Guarantees provided	Total exposure
31-12-2019	Falling due	Overdue		
Companies	84,858,112	114,547,630	42,182,243	241,587,984
Agriculture, animal husbandry, hunting and forestry, fisheries	7,115,818	48,860,580	269,173	56,245,570
Manufacturing industries	1,244,244	2,886,840	1,267,889	5,398,972
Public administration, defense, and security	391,797	1,844,374	547,126	2,783,297
Construction	2,805,055	962,448	7,031,341	10,798,844
Wholesale and retail trade	39,369,689	15,322,456	19,304,239	73,996,384
Accommodation and food services (restaurants and similar)	6,626,599	10,469	0	6,637,068
Real estate, renting and services provided to companies	768,436	32,787,880	158,331	33,714,648
Health and social work	5,725,295	205	301,388	6,026,888
Other collective, social, and personal service activities	20,189,835	11,623,120	13,232,756	45,045,710
International organisations and other extra-territorial institutions	621,345	249,259	70,000	940,604
Retail Customers	12,062,533	9,754,685	0	21,817,218
Consumption	1,256,240	68,078	0	1,324,318
Housing	9,143,226	4,659,776	0	13,803,001
Other purposes	1,663,068	5,026,831	0	6,689,898
Total	96,920,645	124,302,315	42,182,243	263,405,202

(thousand Kwanzas)

Relative weight	Impairment	
	Amount	Impairment/ Total exposure
90.12%	103,574,271	47.20%
34.22%	53,784,433	64.56%
1.46%	359,732	10.15%
1.50%	378,102	10.35%
25.24%	22,790,286	37.08%
3.06%	4,352,028	58.47%
3.28%	4,693,784	58.71%
3.23%	229,781	2.92%
15.94%	15,515,259	39.97%
2.19%	1,470,867	27.59%
9.88%	12,561,320	52.24%
1.19%	196,601	6.79%
4.48%	2,889,257	26.49%
4.21%	9,475,461	92.50%
	116,135,591	

(thousand Kwanzas)

Relative weight	Impairment	
	Amount	Impairment/ Total exposure
91.72%	124,096,618	51.37%
21.35%	41,181,246	73.22%
2.05%	2,750,578	50.95%
1.06%	1,095,278	39.35%
4.10%	6,478,414	59.99%
28.09%	21,964,963	29.68%
2.52%	3,578,156	53.91%
12.80%	31,373,677	93.06%
2.29%	103,751	1.72%
17.10%	15,441,632	34.28%
0.36%	128,923	13.71%
8.28%	11,122,440	50.98%
0.50%	83,196	6.28%
5.24%	8,305,898	60.17%
2.54%	2,733,347	40.86%
100%	135,219,059	51.33%

The geographic concentration of credit risk as at 31 December 2020 and 2019, respectively, is as follows:

(thousand Kwanzas)

	Geographical area				
31-12-2020	Angola	Other African countries	Europe	Other	Total
Assets	1,411,541,754	7,406,983	119,331,965	243,807	1,538,524,509
Cash and cash equivalents at central Banks	163,592,711	-	-	-	163,592,711
Cash and cash equivalents at Other Credit Institutions	-	7,406,983	73,068,885	243,807	80,719,675
Investments at central Banks and Other Credit Institutions	10,005,205	-	46,263,080	-	56,268,285
Financial assets at fair value through profit or loss	1,409,690	-	-	-	1,409,690
Financial assets at fair value through other comprehensive income	162,718	-	-	-	162,718
Investments at amortised cost	200,812,363	-	-	-	200,812,363
Loans and Advances to Customers	80,192,857	-	-	-	80,192,857
Investments in associates and associates	2,252,374	-	-	-	2,252,374
Other assets	953,113,836	-	-	-	953,113,836
Liabilities	1,949,929,990	-	266,433,659	-	2,216,363,649
Deposits from central Banks and other credit institutions	262,823,458	-	17,311,335	-	280,134,793
Deposits from customers and other loans	1,589,389,247	-	-	-	1,589,389,247
Financial liabilities held for trading	217,230	-	-	-	217,230
Subordinated liabilities	-	-	249,122,324	-	249,122,324
Other liabilities	97,500,055	-	-	-	97,500,055
	3,361,471,744	7,406,983	385,765,624	243,807	3,754,888,158

31-12-2019

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 and cash equivalents at other credit institutions	4,479,563	2,970,298	51,733,945	361,022	59,544,828
Investments at 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
Loans and Advances to Customers	94,172,137	-	-	-	94,172,137
Investments in associates and associates	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)

For the purpose of reducing credit risk, real mortgage guarantees and financial collaterals are relevant, as they allow for a direct reduction of the value of the 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).

Regarding market risk information and analysis, regular reporting on the financial asset portfolios is ensured. In terms of the proprietary portfolio, several risk limits are established, including Issuer/Counterparty exposure limits and credit rating levels.).

Interest rate risk from banking book transactions is assessed by performing a sensitivity analysis.

Based on the financial characteristics of each contract, expected cash flows are projected in accordance with the interest rate reset dates and any performance assumptions.

Aggregation of expected cash flows, for each of the currencies analysed, at each of the time intervals allows interest rate gaps to be determined per reset date.

Following the recommendations of BNA Instruction no. 06/2016, of 8 August, for the calculation of exposure to interest rate risk in the balance sheet, the Bank's assets and liabilities were broken down by type of rate (fixed and variable) and by refixing (or repricing) deadlines or times).

Assets and liabilities grouped by type of rate in 2019 and 2018, respectively, are broken down as follows:

(thousand Kwanzas)

31-12-2020	Exposure to		Not subject to interest rate risk	Derivatives	Total
	Fixed rate	Variable rate			
Assets	983,844,778	-	554,679,731	-	1,538,524,509
Cash and cash equivalents at Central banks	-	-	163,592,711	-	163,592,711
Cash equivalents at Other Credit Institutions	-	-	80,719,675	-	80,719,675
Investments in Central banks and Other Credit Institutions	56,268,285	-	-	-	56,268,285
Financial assets at fair value through profit or loss	1,409,690	-	-	-	1,409,690
Financial assets at fair value through other comprehensive income	-	-	162,718	-	162,718
Investments at amortised cost	200,812,363	-	-	-	200,812,363
Loans and advances to Customers	57,151,870	-	23,040,987	-	80,192,857
Investments in associates and joint ventures	-	-	2,252,374	-	2,252,374
Other assets	668,202,570	-	284,911,266	-	953,113,836
Liabilities	1,528,960,489	7,155,540	680,247,620	-	2,216,363,649
Deposits from Central banks and Other Credit Institutions	280,134,793	-	-		280,134,793
Customers deposits and other loans	917,084,679	7,155,540	665,149,028	-	1,589,389,247
Financial liabilities held for trading	-	-	217,230	-	217,230
Subordinated liabilities	249,122,324	-	-	-	249,122,324
Other liabilities	82,618,693	-	14,881,362	-	97,500,055
Total	(545,115,711)	(7,155,540)	(125,567,889)	-	(677,839,140)

(thousand Kwanzas)

	Exposure to		Not subject to interest rate risk	Derivatives	Total
31-12-2019	Fixed rate	Variable rate			
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
Investments in Central banks and Other Credit Institutions	107,061,793	-	-	-	107,061,793
Fair value through profit or loss	7,519,224	-	-	-	7,519,224
Fair value through other comprehensive income	-	-	102,069	-	102,069
Amortised cost	210,688,002	-	-	-	210,688,002
Loans and advances to Customers	63,806,580	30,365,557	-	-	94,172,137
Investments in associates and joint ventures	-	-	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
Customer deposits and other loans	1,339,750,378	75,991,446	110,880	-	1,415,852,704
Financial liabilities held for trading	-	-	-	-	-
Subordinated liabilities	206,671,839	-	-	-	206,671,839
Other liabilities	53,316,343	-	12,457,015	-	70,773,358
Total	(784,583,264)	(45,625,889)	302,983,814		-

Details of the financial instruments based on the residual maturity date, rather than the date of each operation's cash flow, as at 31 December 2020 and 2019, in nominal values, are presented as follows, respectively:

(thousand Kwanzas)

	Reset dates/Maturity dates			
31-12-2020	Up to 1 month	Between 1 and 3 Months	Between 3 and 6 Months	Between 6 months and 1 year
Assets	274,984,472	62,766,894	11,353,709	114,828,784
Cash and cash equivalents at Central banks	163,592,711	-	-	-
Cash and cash equivalents at Other Credit Institutions	80,719,675	-	-	-
Investments at central Banks and Other Credit Institutions	-	56,268,285	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Investments at amortised cost	-	2,314,042	-	61,753,032
Loans and Advances to Customers	5,760,820	4,184,567	5,749,063	1,075,751
Investments in associates and joint ventures	-	-	-	-
Other assets	24,911,266	-	-	52,000,000
Liabilities	895,420,131	179,223,542	416,847,373	530,757,165
Deposits from Central banks and Other Credit Institutions	23,172,175	-	256,962,619	-
Deposits from customers and other loans	748,455,575	179,006,312	159,884,754	475,049,665
Financial liabilities held for trading	-	217,230	-	-
Subordinated liabilities	26,292,326	-	-	55,707,500
Other liabilities	97,500,055	-	-	-
Net exposure	(620,435,659)	(116,456,648)	(405,493,664)	(415,928,381)

31-12-2019				
Assets	368,526,887	122,898,582	3,325,295	59,292,445
Cash and cash equivalents at Central banks	234,310,510	-	-	-
Cash and cash equivalents at Other Credit Institutions	59,544,828	-	-	-
Investments at central Banks and Other Credit Institutions	6,910,270	100,151,523	-	-
Financial assets at fair value through profit or loss	-	-	-	688,400
Financial assets at fair value through other comprehensive income	-	-	-	-
Investments at amortised cost	-	-	-	52,422,518
Loans and Advances to Customers	33,450,294	22,747,058	3,325,295	6,181,527
Investments in associates and associates	-	-	-	-
Other assets	34,310,985	-	-	-
Liabilities	761,766,976	119,093,878	72,567,627	595,633,078
Deposits from Central banks and Other Credit Institutions	20,112,055	6,052,989	-	-
Deposits from customers and other loans	670,881,563	113,040,890	72,567,627	552,864,556
Financial liabilities held for trading	-	0	-	-
Subordinated liabilities	-	-	-	42,768,522
Other liabilities	70,773,358	-	-	-
Net exposure	(393,240,089	3,804,703	(69,242,332)	(563,340,633)

(thousand Kwanzas)

Reset dates/Maturity dates				
Between 1 to 3 years	Between 3 to 5 years	More than 5 years	Indefinite	Total
229,784,345	128,303,685	711,115,133	5,387,488	1,538,524,509
-	-	-	-	163,592,711
-	-	-	-	80,719,675
-	-	-	-	56,268,285
1,141,190	268,500	-	-	1,409,690
-	-	-	162,718	162,718
118,609,368	-	12,531,275	-	200,812,363
6,033,786	24,035,185	33,353,683	-	80,192,857
-	-	-	2,252,374	2,252,374
104,000,000	104,000,000	668,202,570	-	953,113,836
137,563,951	55,984,085	567,403	-	2,216,363,650
-	-	-	-	280,134,794
26,148,952	276,585	567,403	-	1,589,389,247
-	-	-	-	217,230
111,414,999	55,707,500	-	-	249,122,324
-	-	-	-	97,500,055
92,220,394	72,319,600	713,520,126	2,415,092	-677,839,141

109,859,275	65,409,928	460,768,721	2,156,474	1,192,237,606
-	-	-	-	234,310,510
-	-	-	-	59,544,828
-	-	-	-	107,061,793
-	6,830,824	-	-	7,519,224
-	-	-	102,069	102,069
105,842,967	52,422,518		-	210,688,002
4,016,308	6,156,587	18,295,068	-	94,172,137
-	-	-	2,044,333	2,044,333
-	-	442,473,653	10,072	476,794,710
87,554,323	82,255,988	591,074	-	1,719,462,946
-	-	-	-	26,165,044
5,602,665	304,330	591,074	-	1,415,852,704
-	-	-	-	-
81,951,659	81,951,659		-	206,671,839
-	-	-	-	70,773,358
22,304,952	(16,846,060)	460,177,646	2,156,474	(527,225,339)

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 2020 and 2019, the analysis of the sensitivity of financial instruments to interest rate variations, respectively, is as follows:

(thousand Kwanzas)

	Change in interest rates					
31-12-2020	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Assets	(148,725,151)	(74,362,576)	(37,181,288)	37,181,288	(74,362,576)	148,725,151
Investments at central Banks and Other Credit Institutions	(180,059)	(90,029)	(45,015)	45,015	90,029	180,059
Financial assets at fair value through profit or loss	(60,019)	(30,009)	(15,005)	15,005	30,009	60,019
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Investments at amortised cost Loans	(7,509,771)	(3,754,885)	(1,877,443)	1,877,443	3,754,885	7,509,771
and advances to Customers	(8,009,264)	(4,004,632)	(2,002,316)	2,002,316	4,004,632	8,009,264
Other assets	(132,966,039)	(66,483,020)	(33,241,510)	33,241,510	66,483,020	132,966,039
Liabilities	(20,853,692)	(10,426,846)	(3,033,483)	3,033,483	10,426,846	20,853,692
Deposits from Central banks and Other Credit Institutions	(1,868,669)	(934,334)	(467,167)	467,167	934,334	1,868,669
Deposits from Customers and other loans	(10,187,264)	(5,093,632)	(2,546,816)	2,546,816	5,093,632	10,187,264
Subordinated liabilities	(8,719,760)	(4,359,880)	(19,500)	19,500	4,359,880	8,719,760
Other liabilities	(78,000)	(39,000)	-	-	39,000	78,000
Net impact	127,871,459)	(63,935,730)	(34,147,805)	34,147,805	63,935,730	127,871,459

(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
Investments at 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	-	-	-	-	-	-
Investments at amortised cost Loans	(8,354,392)	(4,177,196)	(2,088,598)	2,088,598	4,177,196	8,354,392
and advances to Customers	(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

Given the interest rate gaps observed on 31 December 2020, an instantaneous and parallel positive variation in interest rates by 200 basis points would cause a (+/-) variation in the expected economic value of the banking portfolio of approximately AOA 127,871,459 thousand (2019: AOA 203,799,994 thousand). These results are within the limits set by BNA Notice no. 08/2016, of 16 May, for this specific risk.

Pursuant to Article 6 of Notice no. 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 financial year 2019.

The Bank's banking portfolio 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.

The breakdown of assets and liabilities, in 2020 and 2019, by currency are analysed as follows, respectively:

(thousand Kwanzas)

31-12-2020	Kwanzas	US Dollars	Euros	Other currencies	Total
Cash and deposits at Central banks	97,324,394	65,150,585	1,111,202	6,531	163,592,711
Cash equivalents at Other Credit Institutions	34,939	41,611,055	38,892,404	181,277	80,719,675
Investments in Central banks and Other Credit Institutions	10,005,205	46,263,080	0	0	56,268,285
Financial assets at fair value through profit or loss	1,409,690	0	0	0	1,409,690
Financial assets at fair value through other comprehensive income	140,370	0	22,348	0	162,718
Investments at amortised cost	21,437,721	179,374,642	0	0	200,812,363
Loans and advances to Customers	56,286,401	23,905,264	0	1,192	80,192,857
Investments in subsidiaries and associates	2,252,374	0	0	0	2,252,374
Other assets	282,379,360	670,581,826	152,651	0	953,113,836
Assets	471,270,453	1,026,886,452	40,178,605	189,000	1,538,524,509
Deposits from Central banks and Other Credit Institutions	262,815,923	13,357,529	3,961,343	0	280,134,794
Customer deposits and other loans	268,629,379	1,286,094,775	34,633,957	31,136	1,589,389,247
Financial liabilities held for trading	217,230	0	0	0	217,230
Subordinated liabilities	0	249,122,324	0	0	249,122,324
Other liabilities	30,184,101	66,611,762	686,547	17,645	97,500,055
Liabilities	561,846,632	1,615,186,390	39,281,847	48,780	2,216,363,650
Position by currency	(90,576,179)	(588,299,938)	896,757	140,219	(677,839,141)

(thousand Kwanzas)

31-12-2019	Kwanzas	US Dollar	Euros	Other currencies	Total
Cash and deposits 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
Investments in Central banks and Other Credit Institutions	7,879,732	99,182,061	0	0	107,061,793
Financial assets at fair value through profit or loss	1,711,212	5,808,012	0	0	7,519,224
Financial assets at fair value through other comprehensive income	86,932	0	15,137	0	102,069
Investments at amortised cost	17,291,577	193,396,425	0	0	210,688,002
Loans and advances to Customers	75,200,614	19,040,465	(68,942)	0	94,172,137
Investments in subsidiaries and associates	2,044,333	0	0	0	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)	0	26,165,044
Customer deposits and other loans	313,152,059	1,081,406,497	21,269,132	25,016	1,415,852,704
Financial liabilities held for trading	0	0	0	0	0
Subordinated liabilities	0	206,671,839	0	0	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 by currency	(144,817,286)	(381,021,447)	(679,497)	292,890	(527,225,340)

The sensitivity analysis of the equity value of financial instruments to changes in exchange rates, in 2020 and 2019, is presented as follows, respectively:

(thousand Kwanzas)

31-12-2020	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
US Dollars	152,864,797	76,432,399	38,216,199	19,108,100	(19,108,100)	(38,216,199)	(76,432,399)	(152,864,797)
Euros	(286,399)	(143,199)	(71,600)	(35,800)	35,800	71,600	143,199	286,399
Other currencies	0	0	0	0	0	0	0	0
Impact	152,578,398	76,289,199	38,144,600	19,072,300	(19,072,300)	(8,144,600)	(76,289,199)	(152,578,398)

(thousand Kwanzas)

31-12-2019	-40%	-20%	-10%	-5%	+5%	+10%	+20%	+40%
Currency								
US Dollar	(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

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.

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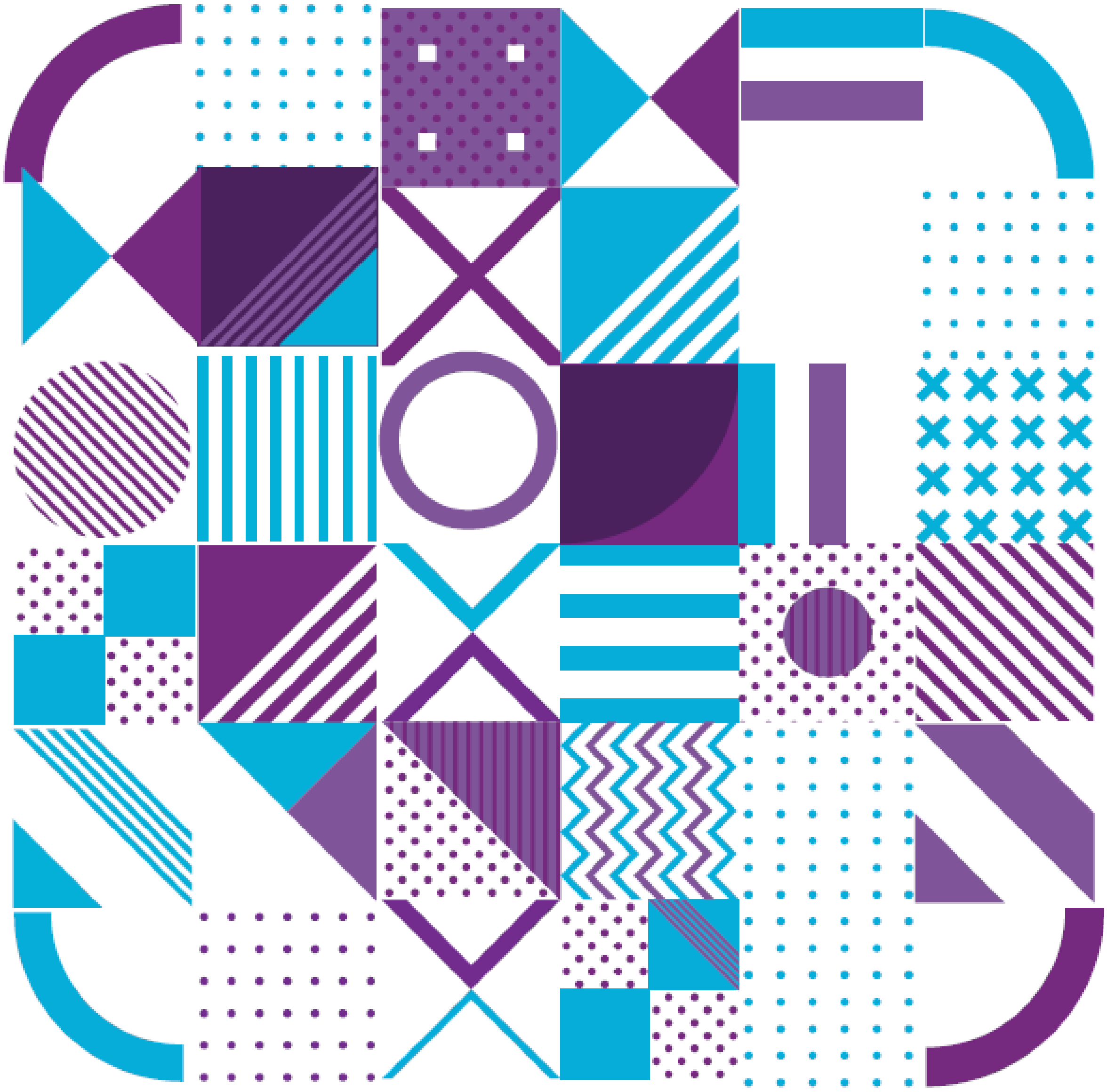


LIQUIDITY RISK

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.

The evolution of the liquidity position is carried out, in particular, based on estimated future cash flows for various

(thousand Kwanzas)

	Residual			
31-12-2020	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months
Assets	246,060,402	28,924,070	62,766,894	11,353,709
Cash and cash equivalents at Central banks	163,592,711	-	-	-
Cash equivalents at Other Credit Institutions	80,719,675	-	-	-
Investments in Central banks and Other Credit Institutions	-	-	56,268,285	-
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive comprehensive income	-	-	-	-
Investments at amortised cost	-	-	2,314,042	5,604,646
Loans and advances to Customers	1,748,016	4,012,804	4,184,567	5,749,063
Investments in subsidiaries and associates	-	-	-	-
Other assets	-	24,911,266	-	-
Liabilities	762,649,083	132,771,049	179,223,542	416,847,373
Deposits from Central banks and Other Credit Institutions	-	23,172,175	-	256,962,619
Customer deposits and other loans	665,149,028	83,306,548	179,006,312	159,884,754
Financial liabilities held for trading	-	-	217,230	-
Subordinated liabilities	-	26,292,326	-	-
Other liabilities	97,500,055	-	-	-
Liquidity gap	(516,588,680)	(103,846,979)	(116,456,648)	(405,493,664)
Accumulated liquidity gap	(516,588,680)	(620,435,659)	(736,892,308)	(1,142,385,972)

time horizons, taking into account the Bank's balance sheet. However, for simplification purposes, the Bank presents the table below based on residual maturity periods instead of estimated 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, as at 31 December 2020 and 2019, the liquidity gap of the Bank's balance sheet was structured as follows, respectively:

(thousand Kwanzas)

Residual maturities					
6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Indefinite	Total
114,828,784	229,784,345	128,303,685	714,087,529	2,415,092	1,538,524,509
-	-	-	-	-	163,592,711
-	-	-	-	-	80,719,675
-	-	-	-	-	56,268,285
-	1,141,190	268,500	-	-	1,409,690
-	-	-	-	162,718	162,718
61,753,032	118,609,368	-	12,531,275	-	200,812,363
1,075,751	6,033,786	24,035,185	33,353,683	-	80,192,857
-	-	-	-	2,252,374	2,252,374
52,000,000	104,000,000	104,000,000	668,202,570	-	953,113,836
530,757,165	137,563,951	55,984,085	567,403	-	2,216,363,650
-	-	-	-	-	280,134,794
475,049,665	26,148,952	276,585	567,403	-	1,589,389,247
-	-	-	-	-	217,230
55,707,500	111,414,999	55,707,500	-	-	249,122,324
-	-	-	-	-	97,500,055
(415,928,381)	92,220,394	72,319,600	713,520,126	2,415,092	(677,839,141)
(1,558,314,353)	(1,466,093,960)	(1,393,774,359)	(680,254,233)	(677,839,141)	(677,839,141)

(thousand Kwanzas)

	Residual maturities			
31-12-2019	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months
Assets	330,033,564	16,420,572	105,097,025	6,881,073
Cash and cash equivalents at Central banks	234,310,510	-	-	-
Cash equivalents at Other Credit Institutions	59,544,828	-	-	-
Investments in Central banks and Other Credit Institutions	-	9,133,653	97,928,140	-
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Investments at amortised cost	-	-	-	-
Loans and advances to Customers	10,764,757	7,286,919	7,168,885	6,881,073
Investments in subsidiaries and associates	-	-	-	-
Other assets	25,413,469	-	-	-
Liabilities	589,432,237	98,105,256	132,978,102	117,143,504
Deposits from Central banks and Other Credit Institutions	14,957,006	5,094,182	6,113,856	-
Customer deposits and other loans	503,701,874	93,011,073	126,864,246	117,143,504
Financial liabilities held for trading	-	-	-	-
Subordinated liabilities	-	-	-	-
Other liabilities	70,773,358	-	-	-
Liquidity gap	(259,398,673)	(81,684,684)	(27,881,076)	(110,262,431)
Accumulated liquidity gap	(259,398,673)	(341,083,357)	(368,964,433)	(479,226,865)

(thousand Kwanzas)

Residual maturities					
6 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Indefinite	Total
57,120,645	113,591,401	71,826,982	489,119,942	2,146,402	1,192,237,606
-	-	-	-	-	234,310,510
-	-	-	-	-	59,544,828
-	-	-	-	-	107,061,793
751,830	-	6,767,394	-	-	7,519,224
-	-	-	-	102,069	102,069
52,698,677	105,290,648	52,698,677	-	-	210,688,002
3,670,137	8,300,753	12,360,911	37,738,701	-	94,172,137
-	-	-	-	2,044,333	2,044,333
-	-	-	451,381,241	-	476,794,710
610,011,138	88,488,994	82,707,996	595,718	-	1,719,462,945
-	-	-	-	-	26,165,044
568,587,136	5,640,989	308,164	595,718	-	1,415,852,704
-	-	-	-	-	-
41,424,002	82,848,005	82,399,832	-	-	206,671,839
-	-	-	-	-	70,773,358
(552,890,494)	(25,102,407)	(10,881,014)	488,524,224	2,146,402	(527,225,339)
(1,032,117,358)	(1,007,014,951)	(1,017,895,965)	(529,371,741)	(527,225,339)	(527,225,339)

On 31 December 2020, the Liquidity Ratio calculated in accordance with Instruction 19/2016, of 30 August, stood at 65% (2019: 76%), representing a significant improvement in liquidity risk management. This instruction defines a minimum ratio of 100% for exposure in Kwanzas and 150% for exposure in Foreign Currency, which demonstrates the progress made. However, the Bank presents a significant liquidity gap in the short-medium-term (less than five years) due to the nature and maturity of the other asset receivable from GENSA with a very long maturity. In this regard, the Bank expects to resolve the aforementioned liquidity gap with the capital increase operation indicated in the following note.

REAL ESTATE RISK

Real estate risk arises from real estate exposure (either from credit recovery processes or investment properties), as well as from real estate fund units held 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 2020 and 2019, the exposure to properties and participation units in real estate funds is broken down as follows:

(thousand Kwanzas)

	31-12-2020	31-12-2019
Other assets		
Properties received in lieu of payment	13,991,573	16,550,240
Other property not allocated to banking activity	710,175	619,681
Non-current assets held for sale		
Properties	1,111,691	-
Other tangible assets		
Property allocated to banking activity	37,849,402	38,046,727
	60,546,337	55,216,648

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 Department is in charge of managing its operational risk and is assisted by liaison officers in the Bank's different organisational units who ensure the proper implementation of operational risk management throughout the Bank. 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.

The 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.

After several years, considering that INVESTPAR did not comply with the agreed-upon payment plan (which has since been renegotiated), in particular with the payment of the first instalment due on 31 December 2018, the Bank, in collaboration with the BNA, initiated a series of interactions since that date to evaluate alternative recovery options (as detailed below in section II - Chronology of Events). Meanwhile, the Bank experienced a progressive deterioration in its economic, financial and operational conditions. In this context, the new Restructuring and Recapitalisation Plan ('RRP') was approved by the BNA on 21 December 2021. The plan, as proposed by the Bank's Board of Directors, includes various recapitalisation and restructuring measures, such as:

a) Total incorporation of losses into the Bank's share capital, resulting in a reduction of the capital to zero;

b) Increase in the Bank's capital by a minimum of AOA 1,040 billion by way of:

(i) Restructuring of Novo Banco's subordinated loan;

(ii) Partial conversion into capital, by way of negotiation, of deposits held by eligible depositors with balances equal to or exceeding the equivalent of Kz 3 billion, excluding public entities and equivalent ('Eligible Depositors'), in the following proportions:

- 45% of these deposits will subscribe Participation Units in a Closed Securities Investment Fund to be established;
- 20% of these deposits will subscribe Perpetual Treasury Bonds, with an option for annual redemption, at the initiative of the issuer (BE), starting from the 10th year of issue.

(iii) Issue of bonds convertible into shares up to AOA 50 billion, with a maturity of 10 (ten) years, to be voluntarily subscribed by Eligible Depositors or other interested entities;

(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 5 (five) years, with reference to 31 December, 2020;

(v) Investor contribution in the estimated amount of AOA 260 billion to be completed by the end of 2022;

(vi) Exchange of bonds received as payment from INVESTPAR with a nominal value of AOA 47,428 million for new securities under market conditions;

(vii) Return of the assets received by INVESTPAR as identified in section II- 'Operation with the ENSA Group';

(viii) Measures to increase the Bank's operational efficiency and reduce costs.

In view of the above, the Bank initiated and maintains an ongoing process of outlining and implementing 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) Effective and timely completion of the Issue of Perpetual Treasury Bonds ('PTB') 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 current and future 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 PTBs.

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, on 27 December 2021 the Bank entered into an amendment to the subordinated loan agreement with Novo Banco, providing for the following conditions:
• Payment of the instalment due in October 2021, in two instalments, with 40% upfront and 60% by September 2022;
• Waiver of 75% of the remaining debt; and,
• Payment of 25% restructured until September 2023.

(iii) The recovery of the asset receivable from INVESTPAR, which represents 36% of the Bank's assets, as detailed in section III 'Operation with the 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) Exchange of bonds received as payment from INVESTPAR with a nominal value of AOA 47,428 million 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) Conclusion of the process of constituting the Closed 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) Ensure 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 EVENT

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, the BNA decided to adopt extraordinary restructuring measures for Banco Espírito Santo Angola, which included a detailed assessment of the credit portfolio, its component to be allocated to losses, the identification of the assets subject to disposal and restructuring, and the revocation of the Sovereign Guarantee issued on 31 December 2013, by the Republic of Angola, through Internal Presidential Order 7/2013, in the amount of USD 5.7 billion (AOA 556.4 billion), including USD 0.2 billion 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, the BNA appointed two interim directors to work alongside the Board of Directors to ensure the day-to-day management of the Bank.

On 20 October 2014, the BNA 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 488,780 million, as it had AOA 383,886 million in negative own funds.

Also on 20 October, 2014, as a result of the own fund adjustments, the BNA decided to adopt the following restructuring measures:

a) Capital increase by converting part of the senior interbank loan in the amount of AOA 360,768 million, followed by a reduction in shareholders' equity by absorbing all accumulated losses. With this operation, the then shareholders of the Bank saw their stakes in the share capital completely diluted;
b) Capital increase in the amount of AOA 65,000 million, by shareholders or entities invited by them and accepted by the BNA, to be paid in cash, in order to reconstitute the share capital and ensure compliance with minimum prudential ratios.
c) Conversion of the amount of AOA 7,000 million of the senior interbank loan into the Bank's share capital, representing a 9.9% shareholding in the Institution. This conversion was subject to obtaining authorisation from the holder of the senior interbank loan from the competent authorities to subscribe to the aforementioned share capital;
d) Conversion of the amount of AOA 41,596 million 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 its value, secured by a pledge on public debt securities;
e) Conversion of the amount of AOA 41,595 million of the senior interbank loan into a subordinated loan in US dollars and at market rates, repayable in 10 years, with the possibility of future conversion into share capital until the end of the repayment period, provided that the loan holder's stake remains below 19.99%. This amount may be increased by AOA 7,000 million if the conversion into share capital described in subparagraph (c) above does not take place;
f) Placement in the market of additional subordinated instruments, in the amount of AOA 50,000 million, by 31 December 2015, in order to ensure the maintenance of regulatory ratios.

An extraordinary and universal 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) Cash capital increase in the amount of AOA 65,000 million, to be carried out by the following entities and in the proportions already approved by the BNA:
(i) The company 'GENI Novas Tecnologias, S.A.' with a contribution of AOA 14,328 million, corresponding to a 19.900% shareholding;
(ii) The company 'Lektron Capital, S.A.' with a contribution of AOA 22,304 million, corresponding to a 30.978% shareholding;
(iii) The company 'Sonangol, EP' with a contribution of AOA 11,520 million, corresponding to a 16.000% shareholding;

(iv) The company 'Sonangol Vida, S.A.' with a contribution of AOA 11,520 million, corresponding to a 16.000% shareholding;
(v) The company 'Sonangol Holdings, Lda.' with a contribution of AOA 5,328 million, corresponding to a 7.400% shareholding.

b) Capital increase of AOA 7,000 million through the conversion of the senior loan held by 'Novo Banco, S.A.', representing a 9.722% shareholding.

Following the aforementioned General Meeting, BNA's intervention ended, new governing bodies were appointed, and the renaming of the Bank to 'Banco Económico, S.A.' was approved.

Regarding the common loan set up as a result of the restructuring measures imposed by the BNA, amounting to USD 424,860 thousand, full repayment of the principal was scheduled for 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 contractual amendment dated 29 April 2016, the amount of USD 94,667,233.65 was settled on 30 April 2016, USD 50 million on 13 June 2016, and USD 73 million on 30 September 2016. The remaining amount was paid in August 2018. Under the contractual amendment, 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. ('Operation with the ENSA Group'), 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) Transfer of economic rights over direct loans, by signature and other values, in the amount of AOA 111,886 million and USD 1,981 million. 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 thousand and which were fully provisioned;
b) Sale of 49,191 participation units in the BESA Património Fund, corresponding to 50.2% of the total participation units, in the amount of AOA 5,975 million;
c) Transfer of economic rights over 50,000 participation units in the BESA Valorização Fund, corresponding to 100% of the fund's units, in the amount of AOA 54,102 million;
d) Disposal of various assets not for the Bank's own use and property, plant and equipment in progress, in the amount of AOA 4,975 million.

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 million 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 25,980 million 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 shall prevail;
b) In cash, without prejudice to the provisions of clause c) below, which shall prevail;
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 million, and amounts receivable from the transfer and sale of assets to the ENSA Group in the amount of AOA 256,963 million (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 million (AOA 230,372 million 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 179,360 million (AOA 54,360 million and USD 749 million, of which AOA 25,980 million and USD 396 million corresponding to the principal, and AOA 28,380 million and USD 352 million to interest), AOA 76,734 million of which owed to BNA 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) Make a payment equivalent to AOA 25,216 million, of which AOA 388 million will be made through public debt securities, for the partial settlement of interest to Banco Económico;
b) Capitalise the remaining unpaid interest, in the amount of USD 201 million and AOA 28,380 million;
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 stipulates annual principal payments of USD 90,940 thousand and AOA 6,594,949 thousand, plus interest calculated on the outstanding principal.

On 19 December 2017, the Bank and GENSA signed an agreement to formalise the foregoing terms and conditions.

As at 31 December 2018, the payment of the first of the 24 instalments of principal and interest was scheduled, in the total amount of AOA 22,804,429 thousand and USD 314,458 thousand (comprising AOA 6,594,949 thousand and USD 90,940 thousand of principal, and AOA 16,209,480 thousand and USD 138,692 thousand of interest), of which USD 267,131 thousand (including USD 77,253 thousand of principal and USD 189,878 thousand of interest) were 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 MINFIN and BNA, the Bank informed these entities of the possibility of offering a discount over the amount owed of USD 61,777 thousand (AOA 19,064,674 thousand). 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 MINFIN and BNA 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 Group with a share capital increase to offset the difference between the sale price and the current appraised value of the assets transferred/sold.

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 million. Subsequently, the Bank performed an impairment revaluation taking into consideration this amount recognising, in 2020, an impairment of AOA 181,693 million 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 financial years 2019 and 2020;
2. Presentation of the Recapitalisation and Restructuring Plan of Banco Económico, S.A.;
3. Approval of the issue of Perpetual Treasury Bonds;
4. Approval of 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 - 'OPERATION WITH THE ENSA GROUP' AS AT 31 DECEMBER 2020

The financial statements for the year ended 31 December 2020 include the following effects relating to the 'Operation with the ENSA Group':

(thousand Kwanzas)

Financial Statement Items	31-12-2020	31-12-2019	Note
Income Statement			
Net interest income	(2,930,036)	17,984,704	24
Other interest and similar income	-	19,897,432	24
Other interest and similar costs	(2,930,036)	(1,912,728)	24
Foreign exchange gains and losses	178,656,619	407,256,112	27
Impairment	235,428,517	(610,054,321)	31
Balance sheet	(59,701,934)	(184,813,505)	
Other assets	668,202,570	451,627,360	16
Capital	1,555,295,550	937,704,139	16
Accrued interest	235,225,594	154,989,485	16
Receipts/Payments Real Estate	1,650,512	1,537,252	16
Stamp duty borne by the Bank on assigned credits	3,995,257	3,995,257	16
Advance payment for real estate	32,756,956	26,731,384	16
Impairment for stamp duty	(3,995,257)	(3,995,257)	16
Impairment for other assets	(1,156,726,042)	(669,334,900)	16
Other liabilities	(82,618,693)	(58,275,360)	21
Settlements on assigned credits	(66,882,040)	(46,841,029)	21
Interest and other costs payable	(9,178,292)	(5,059,585)	21
Real Estate Receipts/Payments	(6,558,361)	(6,374,746)	21
	[illegible]	[illegible]	

Regarding balances and transactions with INVESTPAR, as at 31 December 2020 and 2019, 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 thousand 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 2020 and 2019 the Bank recorded AOA 178,656,619 and AOA 407,256,112 thousand, 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 presented in Note 24, the Bank recorded in 2019 the amounts of AOA 19,897,432 thousand, respectively, related to interest income from the 'Operation with the ENSA Group', which due to non-compliance were not recorded in 2020. In addition, as per the same note, in 2020 and 2019 the Bank recorded the amounts of AOA 2,930,036 thousand and AOA 1,912,728 thousand, respectively, relating to interest charges from the 'Operation with the ENSA Group'.

d) As detailed in Note 21 - Other liabilities, as at 31 December 2020 and 2019, the Bank presents balances amounting to AOA 82,618,693 and AOA 58,275,360 thousand, mostly related 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')

According to Note 37 - Relevant facts, there were relevant developments on the implementation of the 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 Treasury Bonds, ii) the issue of Convertible Bonds;

(iii) Approval by the Ministry of Finance for the issue of Perpetual Participation Securities, which took place on 1 April 2022, subject to the submission of the provisional management and financial statements report 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.

CHANGE TO THE RATING OF THE ANGOLAN DEBT

At the end of 2021, Moody's upgraded the credit rating of Angola's sovereign debt due to the impacts of COVID-19 being less severe than initially anticipated, improvements in the macroeconomic environment, measures implemented by the Angolan Government to diversify the Economy, enhancements in the fiscal and monetary systems, and other positive factors. As a result of these developments, Angola's long-term local issuer ratings and senior unsecured rating are currently at 'B3'. ".

CONFLICT BETWEEN UKRAINE AND RUSSIA

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.

It should be noted that the Bank's Board of Directors considers that the events listed above, which occurred after the closing of the reference date of 31 December 2020, should not impact the Financial Statements at that date, as they are non-adjustable subsequent events.

NOTE 39 - RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW STANDARDS AND INTERPRETATIONS APPLICABLE TO 2020

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 2018 ONLY IF ADOPTED IN ADVANCE

Definition of materiality – Changes to IAS 1 and 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 states that 'information is material if omitting it, misstating it or hiding it can be reasonably expected to influence the decisions that primary users of the financial statements make on the basis of those financial statements, which provide financial information about a particular 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 (amendment), Definition of material (to be applied for fiscal years beginning on or after 1 January 2020). The intention behind the amendment to the standard is to clarify the definition of material and align it with the definition used in international financial reporting standards.

Interest rate benchmark reform

On 26 September 2019, IASB issued amendments 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 in the conceptual framework of international financial reporting standards

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 amendments.

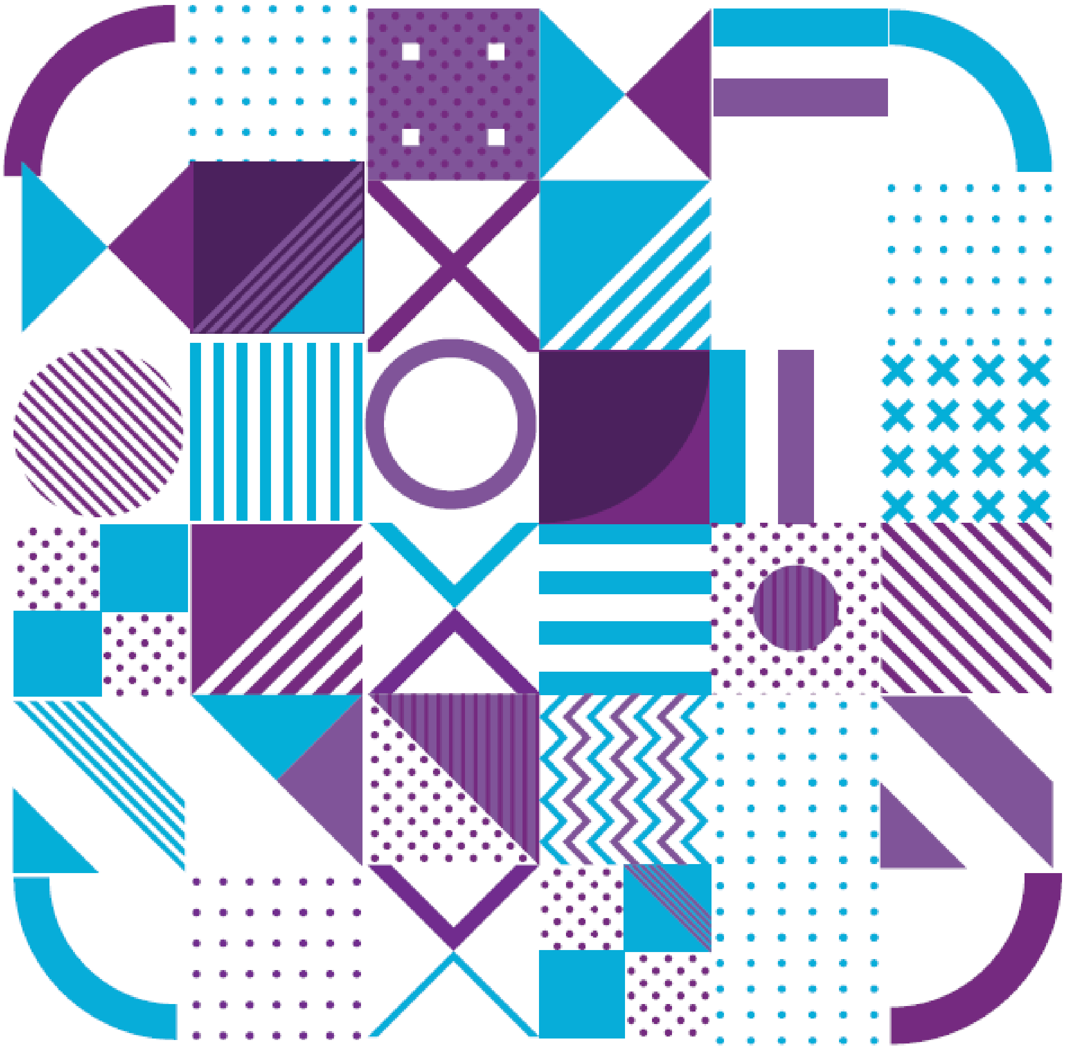
NOT APPLICABLE IN 2019

The following standards, interpretations, amendments and revisions will be mandatorily applicable in future fiscal years:

Definition of a business - amendments to IFRS 3

This amendment clarifies the minimum requirements to be considered a business, removes the assessment of whether market participants are capable of replacing any missing elements, adds guidance to help entities assess whether an acquired process is substantive, narrows down the definitions of business and output, and introduces an optional fair value test.

Banco
Económico



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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 individual financial statements of Banco Económico, S.A. ('the Bank'), which comprise the statement of financial position as at 31 December 2020 (showing a total of 1,593,.121,414 thousand kwanzas and a total negative Equity of 628,320,686 thousand kwanzas, including a negative Net profit of 137,797,315 thousand kwanzas), the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, as well as the Notes to the individual financial statements.

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 independent opinion on these individual financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Chartered Accountants of Angola. . These Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence regarding the amounts and disclosures in the individual 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 individual financial statements by the entity 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 the 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.

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Banco Económico, S.A.
Independent Auditor's Report
31 December 2020

Basis for Qualified Opinion

6. On 15 July, 2016, the Bank entered into agreements with Grupo ENSA - Investimentos e Participações, E.P., now lnvestpar - Investimentos e Participações, S.A. ('lnvestpar'), for the transfer of economic rights related to a portfolio of loans and participation units in investment funds, as well as the sale of other assets held by the Bank. As a result of these agreements, as at 31 December 2020, the item 'Other assets' includes the amount of 668,202,.570 thousand kwanzas (2019: 451,627,360 thousand kwanzas), net of impairment losses amounting to 1,156,.726,042 thousand kwanzas (2019: 669,334,900 thousand kwanzas), with an additional impairment loss of 235,428,517 thousand kwanzas recorded in the current year (2019: 610,054,321 thousand kwanzas)..

   As mentioned in Note 16, the amount recorded for impairment losses was determined considering the results of the Asset Quality Assessment (AQA) programme promoted by the Banco Nacional de Angola, with limitations on the result obtained, notably: i) the assessment was conducted with reference to 31 December 2018, and ii) the recovery of this asset is contingent on the future sale of real estate assets, including those associated with the credits assigned. Despite the non-compliance with the payment plan, the contracts entered into with lnvestpar are still in force, and the terms under which they may be modified to ensure the realisation of the sale of these real estate assets are not known . In addition, we did not receive a response to our request for external confirmation of the balances with lnvestpar recognised in 'Other assets' (Note 16) and 'Other liabilities' (Note 21) in the amounts of 1,824,928,612 thousand kwanzas and 82,618,.693 thousand kwanzas (2019: : 1,120,.962,259 thousand kwanzas and 58,275,.360 thousand kwanzas), respectively. In view of the above, we are unable to draw any conclusions as to the potential effects of these matters on the financial statements as at 31 December 2020.

7. As at 31 December 2020 (i) the on-balance sheet credit portfolio subject to collective impairment analysis amounts to 20,007,.600 thousand kwanzas (2019: : 38,552,479 thousand kwanzas) net of impairment in the amount of 14,.382,450 thousand kwanzas (2019: : 8,402,.921 thousand kwanzas), and (ii) the off-balance sheet liabilities related to guarantees provided and other commitments subject to collective impairment analysis amount to 401,396,.861 thousand kwanzas (2019: : 28,829,170 thousand kwanzas), net of provisions in the amount of 200,.221 thousand kwanzas (2019: : 414,.626 thousand kwanzas). As mentioned in Notes 2.5 and 33 of the Notes to the financial statements, (i) the implementation of the impairment model is subject to limitations related to the collective analysis, which we believe have not been adequately resolved, and (ii) the amount of exposure related to unused credit limits included in off-balance sheet liabilities has limitations due to inconsistencies generated during the change of support information systems in October 2020. Consequently, given the information available, we were unable to conclude on the effects of these limitations on the off-balance sheet liabilities amounting to 385,315,298 thousand kwanzas, on the quantification of accumulated credit impairment losses and provisions for guarantees provided and other commitments amounting, respectively, to 14,382,450 thousand kwanzas and 200,221 thousand kwanzas (2019: : 8,402,.921 thousand kwanzas and 414,.626 thousand kwanzas, respectively), as well as on the impairment losses for loans and advances to customers net of reversals and recoveries recorded in the income statement in the amount of 12,523,341 thousand kwanzas (2019: 31,666,.305 thousand kwanzas).

8. As at 31 December 2020, the balance of 'Current tax assets', amounting to 1,450,599 thousand kwanzas (2019: 1,450,599 thousand kwanzas), refers to a credit arising from the provisional settlement of Industrial Tax carried out in 2019. We did not obtain sufficient and appropriate audit evidence to allow us to conclude on the recoverability of this asset.

9. As mentioned in Note 28, during the year ended on 31 December 2020, the Bank derecognised, against the item 'Other operating income', liabilities with another entity related to documentary credits in the amount of 4,057,403 thousand kwanzas. . However, we did not obtain adequate and sufficient evidence to conclude on the non-demandability or extinction of said liability. Therefore, we are unable to assess the reasonableness of the cancellation of the account payable and the potential impacts of this matter on the financial statements..

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10. As at 31 December 2020, the item 'Investments at amortised cost' includes public debt securities amounting to 12,.397,.754 thousand kwanzas (2019: : 15,.706,.623 thousand kwanzas), which mature in 2040 and bear interest at a 5% annual interest rate. 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 9 to the financial statements to determine it. However, we found that the assumption regarding the inflation difference was not properly applied, resulting in the item 'Investments at amortised cost' and retained earnings being overvalued by approximately 4,.914,.349 thousand kwanzas (2019: 6,.139,033 thousand kwanzas), 6,139,033 thousand kwanzas (2019: 6,021,292 thousand kwanzas), respectively, and the net income for the year being undervalued by 1,224,684 thousand kwanzas (2019: : overvalued by 117,.741 thousand kwanzas).

11. Our audit report on the financial statements as at 31 December 2019, issued on this date, includes a reservation due to a disagreement regarding the failure to apply adjustments to the value of non-monetary assets to reflect the provisions set out in 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 2020, which we understand to be material but not far-reaching.

12. As disclosed in Note 16, as at 31 December 2020, the Bank recognised an amount of 260,000,.000 thousand kwanzas in the item 'Other assets' related to the linear deferral of impairment losses over a five-year period, as outlined in the Recapitalisation and Restructuring Plan approved by the Banco Nacional de Angola in December 2021 . Based on the information available, although this deferral may be framed for the purpose of meeting capital or other regulatory requirements, we believe that it does not meet the IFRS criteria for recognition as an asset. Consequently, the items 'Other assets' and 'Other operating income' are overvalued by approximately 260,.000,.000 thousand kwanzas as at 31 December 2020.

13. These financial statements pertain to the Bank's individual activity, and their presentation should have been preceded or performed together with the presentation of the consolidated financial statements which, in view of the fact that the Bank has investments in subsidiaries, are required by International Financial Reporting Standards. . To date, the aforementioned consolidated financial statements have not yet been prepared.

Qualified Opinion

14. In our opinion, except for the possible effects of the matters described in paragraphs 6 to 9 of the 'Basis for Qualified Opinion' and except for the effects of the matters described in paragraphs 10 to 13 of the 'Basis for Qualified Opinion', the individual financial statements referred to in paragraph 1 above are a fair presentation, in all material respects, of the financial position of Banco Económico, S.A. as at 31 December 2020, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards..

[signature]

Emphasis of matter

5. Without affecting the opinion expressed in the preceding paragraph, we draw attention to the fact that, as at 31 December 2020, the Bank has negative equity, resulting from the losses incurred in the current and previous years, before considering the potentially negative effects of the matters referred to in paragraphs 6 to 13 of the 'Basis for Qualified Opinion' . In this context, we also highlight 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 implementation of the Bank's Restructuring and Recapitalisation Plan ('RRP') presented by the Board of Directors and approved by the 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 its normal course of business..

Luanda, 12 May 2022

Ernst & Young Angola, Lda.
Represented by:

[signature]
Daniel José Venâncio Guerreiro
(Chartered Accountant no. 20130107)

[signature]
Sílvia Silva
Partner

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE 2020 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') for the fiscal year ended on 31 December 2020.
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 have analysed the Opinion on the Financial Statements issued by the Independent Auditor, Ernst & Young Angola Lda, with which we substantially agree, particularly regarding the expression and substantiation of Qualified Opinions, Emphasis, and Other Matters contained therein.
4. From a careful analysis of the Annual Report, we emphasise Note 37 - Relevant Facts, which provides a detailed description of the steps taken leading up to the approval by the BNA of the **Recapitalisation and Restructuring Plan ('RRP' or 'Plan')** for Banco Económico, on 31 December 2021, and which culminated with the universal shareholders' General Meeting, held on 15 February 2022, where all submitted points related to the materialisation of the Plan were approved, which, to date, is still in the implementation phase.
5. In this context, we express our concern regarding the uncertainties that constraint the continuity of Banco Económico's operations, even with the successful implementation of the measures outlined in the **RRP - Recapitalisation and Restructuring Plan**, namely with regard to obtaining the necessary and sufficient levels of liquidity for the balanced and harmonious operation of the Institution.

6. Therefore, it is our Opinion that the Financial Statements and accompanying Annexes and Notes, read together with the Independent Auditor's Opinion, namely the Qualified Opinions quantified therein, provide an accurate picture of the financial position of Banco Económico S.A. as at 31 December 2020, and we recommend 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

[stamp] Mazars Angola, Lda
Auditores & Consultores, Lda
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Mazars Angola – Auditores e Consultores
Represented by Dr Carlos Freitas
Chairman

[signature]
Dr Mário Bruno da Conceição Ferreira Lourenço
Member of the Board

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Dr Jacques dos Santos
Member of the Board