BancoEconómico

2022
Annual Report

# We are Future

# Contents



We are Future

# 00

## Statement by the Board of Directors, Main events and context of the Bank

The Bank operated a structural change and the recapitalisation and restructuring efforts should continue.

# 0.1. Statement by the Board of Directors

2022 was one of the most striking and challenging years in Banco Económico's memory. The financial year unfolded in a rather adverse macroeconomic context. On the one hand, the lingering negative effects of the Covid-19 pandemic on the international economy exacerbated by the armed conflict in Ukraine with impacts at a global scale. On the other hand, a persistent recessive scenario in Angola which inhibited investment, exerting additional pressure on companies and households.

Towards the end of 2021, Banco Económico received the approval, by its supervisor, Banco Nacional de Angola, of a plan for its recapitalisation and restructuring. This plan embraced a series of extremely important measures for the Bank's resizing, the improvement of its performance and the restoration of its full operationality. Most of these measures were carried out during 2022, with the rest remaining to be implemented in 2023.

The implemented measures included a change of the Bank's shareholder structure which was henceforth controlled by an investment fund comprising some of its largest private sector depositors. This change underwrote a substantial increase of the Bank's share capital, in addition to other capitalisation instruments that contributed to strengthen its solvency. The Bank is currently of an exclusively private nature, being held by a regulated and supervised collective investment undertaking (CIU).

Reference is also made to the implementation of the Strategic Transformation Plan for the period 2022-2026, which led the Bank to conduct a thorough self-assessment and find the path towards its repositioning and to attain higher operational efficiency. The Strategic Transformation Plan incorporates a business plan and considers the Bank's transformation in a holistic and integrated manner, with short and medium-term initiatives underpinned by a "corporate building" model. This model is composed of a

Executive Committee

strategy, business model, resources, internal control and financial model, as well as emergency measures to enable overcoming immediate constraints and ensure greater economic and financial sustainability.

Nowadays, the Bank's structure is more suited to its real size and more focused on its business area. Along this path, the number of branches was reduced and the human capital has been optimised, contributing to a reduction in operating costs.

Significant efforts have also been made to terminate an asset management operation that the Bank maintained with a public business sector company. This termination led to the return of a set of real estate assets intended for sale to the Bank's asset sphere, which enabled generating liquidity and increasing the Bank's volume of transactions with its Customers.

Consequently, in 2022, the foundations were laid for an optimised management of the Bank's considerable real estate assets, particularly involving the creation of an organic unit to manage and dispose of those assets and the start of the constitution of a real estate investment fund and other supporting instruments. These are critical initiatives for the success of the strategy of divestment of real estate assets and channelling of resources to the Bank's core business, and for investment in assets with a better risk profile to improve profitability and assure financial sustainability.

Another measure which received our special attention was credit recovery, with the launch of a campaign giving debtors the opportunity to repay and/or settle their debts with an improvement in contractual conditions, including the write-off of late payment interest and overdue interest. In the same direction, we highlight the intensification of the follow-up actions of that recovery via judicial and extrajudicial means, using the Bank's internal resources and external service providers specialised in this activity.

However, the deterioration of the national macroeconomic context recently led to the inevitability of implementing additional measures to safeguard the Bank's position in the financial system. By implementing the measures described above, the Bank operated a structural change, but the recapitalisation and restructuring efforts should continue in the near future to ensure that their effects are fully experienced.

None of this would have been possible without close cooperation with the public authorities, particularly Banco Nacional de Angola, which has greatly honoured us. Neither would it have been possible without the extraordinary motivation of the Employees who, on myriad occasions and tasks, were inspired to show a performance far beyond that strictly required. To them, an expression of our heartfelt gratitude.

This is the resilience comprising Banco Económico's historical roots, and which heralds the creation of better conditions to serve the Customers and the country's economy. Despite the enormous challenges, our teams are committed on a daily basis to improving and reaffirming Banco Económico as one of the major financial institutions operating in Angola.

A final note on the reason for our existence: the Customers. We are humbly grateful for having accompanied us throughout yet another year. We renew our commitment to serve them at the highest level of our capabilities. To them, a special word of gratitude and the confirmation of our best efforts to meet their expectations in the near future.

**Improving and reaffirming Banco Económico as one of the major financial institutions operating in Angola.**

# 0.2. Main events and context of the Bank

The year of 2022 was marked by enforcement in the implementation of the Bank's Recapitalisation and Restructuring Plan (RRP), particularly the constitution and capitalisation of the Económico Fundo de Capital de Risco (Económico FCR or Económico Venture Capital Fund) – the entity holding the Bank's entire share capital – by approximately Kz 272,500 thousand and the issue of Perpetual Participation Securities of the total value of Kz 121,196 thousand, through the conversion of 45% and 20%, respectively, of the deposits of subscribers of the memorandum of understanding, under the RRP.

The change of the shareholder structure gave rise to the need to appoint new members of the governing bodies. To this end, a team was put together composed of internal staff and other personnel with experience in financial institution restructuring processes, primarily aimed at the successful implementation of the measures established in said Plan.

After an in-depth diagnosis of the Bank, the new members of the governing bodies approved a package of measures called the Emergency Action Plan, based on 4 pillars:

Total Assets

- Negotiation with the counterparties;
- Optimisation of the real estate assets;
- Credit recovery;
- Cost containment.

Despite the challenging times, Banco Económico maintained its support to institutions in the sphere of social responsibility by carrying out blood donation campaigns, lectures on cancer screening and prevention, and funding scholarships.

**279,108**
Total Customers
+8% vs. 2021

**1,025,029,641**
Million kwanzas
Total Assets
-16% vs. 2021

**4,016**
Active POS
-24% vs. 2021

**(37,953,342)**
Million kwanzas
Net Income
-122% vs. 2021

**106,690**
Active cards
-1% vs. 2021

# 0.3. Key activity indicators

The Bank's key financial and operating indicators are summarised as follows:

Values expressed in thousand Kz

| | Dec./22 | Dec./21 | Var. 21-22 |
|---|---|---|---|
| Total Assets | **1,025,029,641** | 1,226,284,862 | (201,255,221) |
| Loans and advances to Customers | **63,305,755** | 68,067,530 | (4,761,775) |
| Customer deposits | **776,588,133** | 1,303,985,454 | (527,397,321) |
| Equity | **(155,983,432)** | (510,498,096) | 354,514,664 |
| Operating Income | **11,993,451** | 181,255,910 | (169,262,459) |
| Operating Income/Employees | **14,193** | 196,164 | (181,971) |
| Net Interest Income | **(19,487,274)** | (30,312,342) | 10,825,068 |
| Complementary Margin | **31,480,725** | 211,568,252 | (180,087,527) |
| Structural Costs | **(26,550,940)** | (30,486,903) | 3,935,963 |
| Net Income | **(37,953,342)** | 174,247,821 | (212,201,162) |
| Return on Assets (ROA) | **-4%** | 14% | -18% |
| Total Assets/Employees | **1,213,053** | 1,327,148 | (114,095) |
| Loan-to-Deposit Ratio | **8%** | 5% | 3% |
| Regulatory Solvency Ratio | **-5%** | -28% | 23% |
| Loans Overdue | **74,972,186** | 71,632,384 | (3,339,802) |
| % Loans Overdue | **33%** | 33% | 0% |
| % Total Coverage | **72%** | 69% | 4% |
| Number of Branches | **70** | 76 | -6 |
| Number of Active ATM | **81** | 98 | (17) |
| Number of Active POS | **4,016** | 5,314 | (1,298) |
| Number of Active Cards | **106,690** | 107,528 | (838) |
| Number of Employees | **845** | 924 | (79) |
| Number of Customers | **279,108** | 258,522 | 20,586 |

# 01

## Corporate Governance

The Económico Venture Capital Fund holds the entire share capital.

# 1.1. Who we are

## Identity

Additionally, and as reported in the following chapters, the defined strategy primarily aims to differentiate the Bank's services and offer a safe and reference option for its Customers.

The Angolan banking sector is still rather undifferentiated, requiring segmentation and adaptation to each customer.

Banco Económico has understood this need and is enhancing it with a highly innovative and exclusive corporate image, composed of a solid symbol that is already recognised by its Customers. The Bank invested in a strong, imposing and positive brand, highlighted by the selected range of colours. The elegance of the combination of the two shades is distinctive from all other operators and differentiates Banco Económico in the Angolan banking market.

The head office of Banco Económico is at Rua 1.º Congresso do MPLA n.º 8, in the Ingombota, district of Luanda. Its e-mail address and other contacts can be consulted on the institutional website www.bancoeconomico.ao.

## Mission

The central purpose of Banco Económico's business is to generate value for its Customers and Shareholders, by adopting strategies that ensure its long-term growth and sustainability, promoting a service of quality and excellence on a daily basis.

Banco Económico also aims to enhance the skills of its human capital, retain talent, employ the best professionals, present reference financial solutions and create value for all Stakeholders in a sustainable way while at the same time contributing to the development of the Angolan economy.

We reiterate our commitment to invest in innovation, digital transformation and the creation of exclusive products and services, in line with the highest standards of the banking industry at a national and international level.

As mentioned above, the year of 2022 marks the turning point of a new cycle where everyone's mission is to reconstruct a reference bank, now making it stronger and more cohesive.

## Vision

Banco Económico aims to be the partner of choice for Angolan consumers in the coming years, as well as the reference for regulators, the driving force behind the improvement of the skills and retention of its Employees, an example for Shareholders, a participant in the community and socially responsible towards society.

Focused on the factor of differentiation, Banco Económico's Vision is to be the reference financial partner in the present and future.

## Values

The Bank's core values are based on the five essential pillars described below:

- We are always available for the customer;
- We always do things properly;
- We always carry out our mission to the end;
- We always act ethically;
- We always invest in the community.

## Positioning

Considering its volume of assets, Banco Económico is one of the leading banks in the Angolan market. It is considered a banking financial institution (IFB) of systemic importance, according to the criteria defined by Article 14 of Banco Nacional de Angola Notice No. 8/2021 of 5 July.

Banco Económico has a broad value proposition, with a differentiated market positioning, where the Corporate and Private segments stand out. The Bank is committed to continuing to provide excellent service to its Customers, supported by specialised business areas and dedicated proximity managers.

Banco Económico's presence is consolidated through a supporting network that combines branches, corporate centres, service offices, Umoxi (Affluent), Private, Institutional and Top Corporate centres in 17 provinces of the country.

Banco Económico also stands out for its important trade finance legacy and was the first Angolan bank to become a member of the International Chamber of Commerce (ICC).

As mentioned above, the Bank's management is equally committed to the sustainable development of its business, continuously investing in human capital training, in benefit of the development and diversification of the Angolan economy.

## Banco Económico Group – Subsidiaries

Banco Económico complements its activity by holding stakes in the share capital of various companies, namely:

**ECONÓMICO FUNDOS DE PENSÕES – SGFP, S.A.** — 96%
Pension Funds
Constitution and management of pension funds.

**TRANQUILIDADE – COMPANHIA ANGOLANA DE SEGUROS, S.A.** — 21%
Insurance
Life and non-life insurance transactions.

**EMIS** — 2%
Financial Services
Management of payment systems.

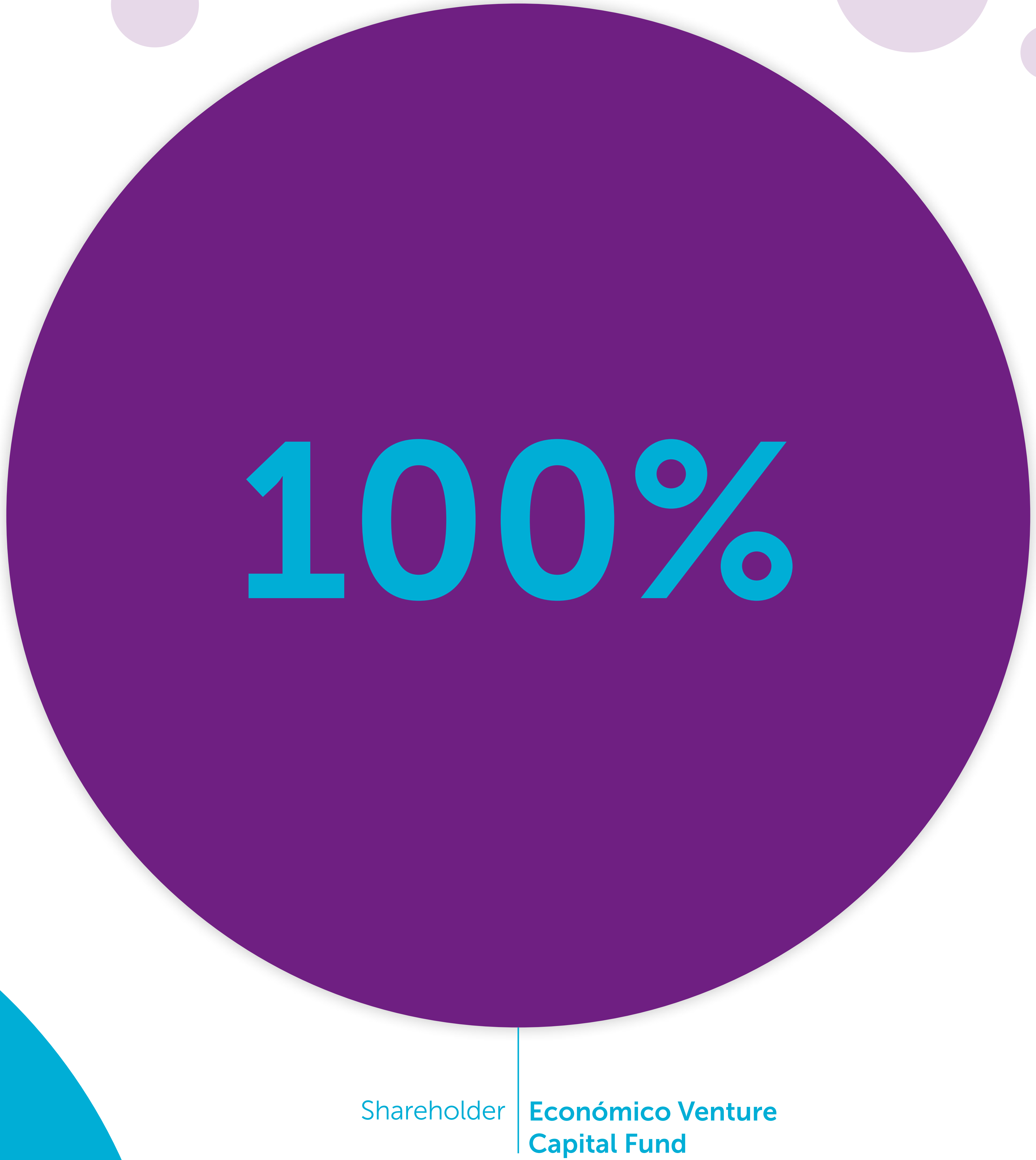
**ECONÓMICO FUNDOS DE INVESTIMENTO – SGOIC, S.A.** — 62%
Capital Markets
Constitution and management of collective investment undertaking (CIU) through Banco Económico and provision of discretionary management services for customer portfolios.

**MULTIPESSOAL ANGOLA, LDA.** — 1%
Services Rendered
Recruitment and management of human resources.

## Shareholder Structure

The implementation of the Recovery and Restructuring Plan resulted in the previous Shareholders' stakes in the Bank's capital being fully incorporated to cover losses, with the capital being recomposed by the transformation of the deposits of the largest private depositors collectively into an Investment Fund – the Económico Venture Capital Fund – holding the entire share capital.

This fund is managed by Independent Finance Advisors – Sociedade Gestora de Organismos de Investimento Colectivo, S.A.



# Members of the Board of Directors[1]

## PEDRO FILIPE PEDROSA POMBO CRUCHINHO
### Chairman of the Board of Directors

- **Academic Training:** Business Management
- **Work Experience:**
  - Chairman of the Executive Committee of Banco Económico;
  - Executive Director at Banco Económico;
  - Director at Sociedade Gestora de Fundos de Investimento belonging to Banco Económico;
  - Director at Sociedade Gestora de Fundos de Pensões belonging to Banco Económico;
  - Director at Tranquilidade Angola;
  - Director of financial markets at Banco Espírito Santo;
  - Auditor at the consulting company PricewaterhouseCoopers;

## CARLOS ARMÉNIO DE ALMEIDA DUARTE
### Chairman of the Executive Committee[1]

- **Academic Training:** International Relations
- **Work Experience:**
  - Chairman of the Board of Directors of ENSA;
  - Non-executive Director at Standard Chartered de Angola;
  - Non-executive Director at Banco Angolano de Investimentos;
  - Chairman of the Board of Directors of Nossa Seguros.

## ELISA DE JESUS FRANCÊS BAPTISTA
### Executive Director

- **Academic Training:** International Relations
- **Work Experience:**
  - Chairman of the Governing Bodies Remuneration Committee of the Pension Fun and Investment Fund Companies belonging to Banco Económico;
  - Private Banking Commercial Coordinating Director at Banco Económico;
  - Manager of the Head Office Branch, at Banco Económico;
  - Manager of the Maianga Branch, at Banco Espírito Santo Angola.

## EMANUEL MARIA MARAVILHOSO BUCHARTTS
### Independent Non-executive Director

- **Academic Training:** Law – Specialisation in International Trade Law
- **Work Experience:**
  - Director of the Office of the Ministry of Finance;
  - Member of the Supervisory Board of the Sovereign Fund of Angola;
  - Member of the Supervisory Board of Banco de Poupança e Crédito, S.A.;
  - Chairman the Supervisory Board of Banco Prestígio, S.A.;
  - Chairman of the Board of the General Meeting of Banco Kwanza Invest, S.A.;
  - Member of the Supervisory Board of the Venture Capital Fund of Angola (FACRA);
  - Executive Chairman of the Cooperative Housing Society "O Nosso Zimbo".

## VICTOR MANUEL FARIA DE CARDOSO
### Executive Director

- **Academic Training:** Business Management
- **Work Experience:**
  - Executive Director at Banco Económico;
  - Executive Director at Banco de Poupança e Crédito;
  - Chairman of the Board of Directors of BAIGEST;
  - Vice-chair of the Executive Committee of Banco Keve.

## KATILA PERERA SANTOS RIGAL
### Executive Director

- **Academic Training:** Management Information Technology
- **Work Experience:**
  - Executive Director at Banco Económico;
  - General Manager of the Xikila Money Business Unit, of Banco Postal;
  - Executive Director at Banco Crédito do Sul;
  - Director of Operations, Organisation and Application Support of Banco Espírito Santo Angola.

[1] Corresponds to the Board of Directors' composition as at 31 December 2022. By this report's issue date, Carlos Arménio de Almeida Duarte was no longer a member of the Bank's governing bodies; the position of Chairman of the Executive Committee was held by Victor Manuel de Faria Cardoso and the position of Executive Director was held by Jorge Manuel Torres Pereira Ramos.

# 1.2.
# Corporate Governance

Banco Económico's corporate governance aims to ensure the highest possible efficiency, with impact on business, aligned with current legislation and regulations, as well as respect for best international practice. Aimed at creating value for Shareholders and the community, the organisation and functioning of the Bank's bodies seek to ensure maximum independence between the monitoring and supervisory functions and the day-to-day management of business functions, requiring maximum transparency in performing their duties.

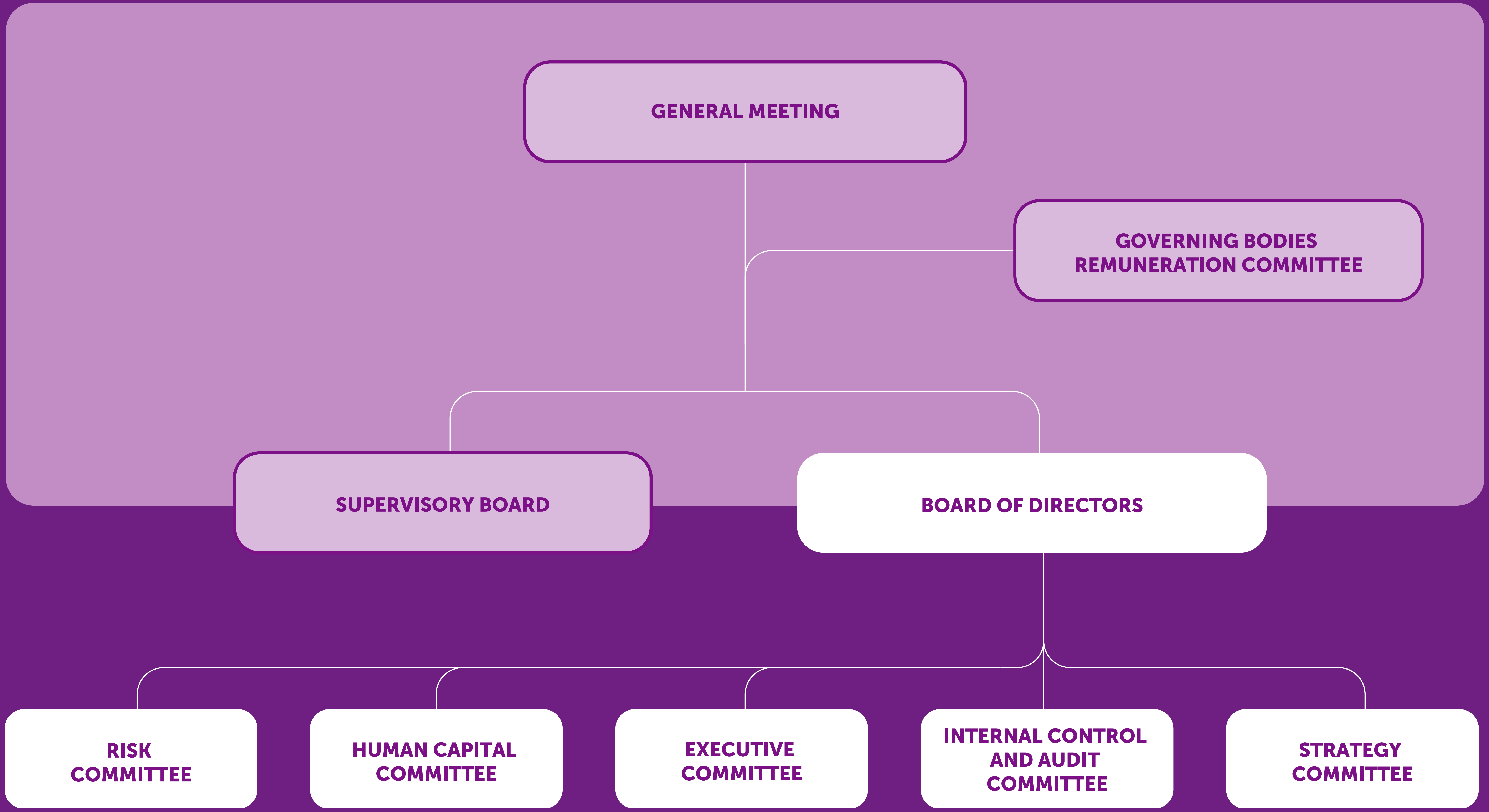
## Maximum transparency in performing duties.

## Governance Model

Banco Económico's corporate governance is based on the traditional Latin model, laid down by law, and is composed of the General Meeting of Shareholders, which appoints the members of the other governing bodies, the Board of Directors, responsible for corporate management, and the Supervisory Board, tasked with supervising the management.

The Board of Directors groups its members into executives, who deal with the Bank's day-to-day management, and non-executives, who stand clear of that aspect and are tasked with advising and monitoring the performance of the executives.

The functioning of the Bank's bodies is illustrated in the organisation chart below:



## Governing Bodies

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

The regulations of these bodies are published on the Bank's website.

## General Meeting

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

Its responsibilities particularly include the following:

- Appraise the Report and Financial Statements issued by the Board of Directors;
- Deliberate on the appropriation of the net income for the year;
- Elect the members of the Board of the General Meeting and governing bodies of the Bank;
- Deliberate on any amendment to the Articles of Association;
- 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-Chair and a Secretary, elected for three-year terms, with their re-election being permitted. It currently comprises the following members:

- Hermínio Joaquim Escórcio, Chairman;
- Inocêncio Francisco Miguel, Vice-Chairmain;
- Nuno Bernardes de Miranda Catanas, Secretary.

## Governing Bodies Remuneration Committee

The Governing Bodies Remuneration Committee aims to define, implement and review the policy on remuneration of the governing bodies, pursuant to Article 17 of Banco Nacional de Angola Notice No. 1/2013, amended by Notice No. 01/2022.

This Committee's function is performed by the following members:

- António Pereira Campos Van-Dunem, Chairman;
- Mário da Conceição Ferreira Lourenço, Member;
- Paulo Alberto Dias Trigueiros, Member.

## Board of Directors

The Board of Directors is the corporate management body, tasked with conducting all management acts and corporate representation.

Pursuant to its regulations, this body holds ordinary meetings once a quarter and extraordinary meetings whenever necessary.

The Board of Directors is composed of an odd number of executive and non-executive members of at least three and at the most eleven, elected for a three-year period, with their re-election being permitted up to the maximum limit of two consecutive terms of office.

The table below lists the composition of the Board of Directors for the three-year term of 2022/2024, and the distribution of these members among its specialised committees[2].

| | Board of Directors | Executive Committee | Internal Control and Audit Committee | Risk Committee | Strategy Committee | Human Capital Committee |
|---|---|---|---|---|---|---|
| Pedro Filipe Pedrosa Pombo Cruchinho | Chairman | Non-executive | | • | Chairman | Chairman |
| Emanuel Maria Maravilhoso Buchartts | • | Non-executive | Chairman | • | • | • |
| Carlos Arménio de Almeida Duarte | • | Chairman | | | • | |
| Elisa de Jesus Francês Baptista | • | • | | | • | |
| Katila Perera Santos Rigal | • | • | | | • | |
| Victor Manuel de Faria Cardoso | • | • | | | • | |

[2] Corresponds to the Board of Directors' composition as at 31 December 2022. By this report's issue date, Carlos Arménio de Almeida Duarte was no longer a member of the Bank's governing bodies; the position of Chairman of the Executive Committee was held by Victor Manuel de Faria Cardoso and the position of Executive Director was held by Jorge Manuel Torres Pereira Ramos.

Within the scope of its attributions, and in addition to the Executive Committee, the Board of Directors also has three specialised committees, with the following responsibilities:

### Internal Control and Audit Committee

The Internal Control and Audit Committee (CCIA) is composed of non-executive members of the Board of Directors, appointed by the same body for a period of three calendar years, coinciding with the term of office of the Board of Directors, which delegates the following responsibilities to it:

- Assess whether the implemented policies, processes and procedures are appropriate to 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 financial statements;
- Supervise the independence and effectiveness of the internal audit, approve and review the scope and frequency of its actions and supervise the implementation of the proposed corrective measures;
- Supervise the performance of the Compliance function;
- Appraise transactions with related parties and issue an opinion;
- Supervise the activity and independence of the external auditors, establishing a communication mechanism for receiving their conclusions on examinations performed and reports issued.

The Internal Control Committee's regulations are available on the Bank's institutional website www.bancoeconomico.ao.

### Risk Committee

The Risk Committee is composed of non-executive members, appointed for a period of three calendar years, coinciding with the Board of Directors' term of office, primarily tasked with advising the Board of Directors on the risk strategy, considering:

- The Bank's financial situation;
- The nature, size and complexity of its activity;

- Its ability to identify, assess, monitor and control risks;
- The work performed by the external audit and by delegation of the Internal Control System's monitoring responsibilities;
- All the Bank's relevant risk categories, namely credit, market, liquidity, operational, strategy and reputational risk, taken in accordance with the legislation on the Internal Control System;
- Supervise the Bank's implementation of its risk strategy;
- Supervise the action of the risk management function on the Internal Control System.

The Risk Management and Control Committee regulations are available on the Bank's institutional website www.bancoeconomico.ao.

## Human Capital Committee

The Human Capital Committee (CCH) is composed of executive and non-executive directors and has the following responsibilities:

- Define, formalise, implement and review the Bank's remuneration policy;
- Define the employee remuneration policies and processes, suited to the culture and long-term strategy, considering business, risk and market conditions aspects;
- Support and supervise the definition and implementation of the employee assessment policy and processes;
- Define the policy for hiring new Employees;
- Recommend, to the management body, the appointment of new Employees for management positions, requiring a detailed job description, taking into account the existing internal skills.

The Human Capital Management Committee regulations are available on the Bank's institutional website www.bancoeconomico.ao.

## Strategy Committee

The Strategy Committee (CE) is composed of all the members of the Board of Directors, and is chaired by its Chairman. This committee has the following responsibilities:

- Approve the guidelines of the Bank's strategy;
- Approve and periodically review the Strategic Plan and the strategy in general;
- Monitor the implementation of the Bank's strategic projects, of any nature, whether operational, technological or other;
- Monitor compliance with the Recapitalisation and Restructuring Plan, the Strategic Plan and Business Plan in force;
- Monitor the institution's progress in implementing the strategy;
- Deliberate on any strategic initiative identified by the management on the implementation or abandonment of business lines, mergers and/or acquisitions, investments, asset acquisition or availability, joint ventures, among others;
- Support the Executive Committee in developing the Bank's strategy, including review and discussion on the Bank's orientation and initiatives, and analysis of the risks associated with the strategy;
- Identify the exogenous factors that could affect the defined strategy and indicate alternatives.

The Executive Committee's regulations are available on the Bank's institutional website www.bancoeconomico.ao.

## Executive Committee

The Executive Committee exercises all the Bank's day-to-day management powers, except those which, by delegation of responsibilities of the Board of Directors, by virtue of the law and the Articles of Association, are exclusive to the Board of Directors.

Its members are distributed the following responsibilities:

- **CARLOS DUARTE**
  - **STRATEGY AND CONTROL**
    - CORPORATE OFFICE
    - INFORMATION SECURITY OFFICE
    - HUMAN CAPITAL DEPARTMENT
    - SHAREHOLDINGS
    - RISK DEPARTMENT
    - COMPLIANCE DEPARTMENT
    - INTERNAL AUDIT DEPARTMENT
    - LEGAL DEPARTMENT
    - FOREIGN EXCHANGE CONTROL OFFICE
    - TRANSITORY AREAS OF RESPONSIBILITY
- **ELISA BAPTISTA**
  - **CORPORATE BUSINESS**
    - TOP CORPORATE AND OIL & GAS DEPARTMENT
    - CORPORATE COMMERCIAL DEPARTMENT
    - INSTITUTIONAL COMMERCIAL DEPARTMENT
    - OFFER AND REVITALISATION DEPARTMENT
  - **INDIVIDUALS BUSINESS**
    - PRIVATE BANKING DEPARTMENT
    - AFFLUENT DEPARTMENT
    - COMMERCIAL NETWORK DEPARTMENT
    - MARKETING AND COMMUNICATION DEPARTMENT
- **VICTOR CARDOSO**
  - **FINANCIAL**
    - FINANCIAL AND MARKET DEPARTMENT
    - ACCOUNTING AND BUDGET CONTROL DEPARTMENT
    - CREDIT DEPARTMENT
    - CREDIT RECOVERY DEPARTMENT
    - INVESTMENT BANKING DEPARTMENT
- **KATILA SANTOS**
  - **SUPPORT**
    - NATIONAL OPERATIONS DEPARTMENT
    - FOREIGN OPERATIONS DEPARTMENT
    - CARDS AND DIRECT CHANNELS DEPARTMENT
    - STANDARDS AND QUALITY DEPARTMENT
    - INFORMATION TECHNOLOGY AND SYSTEMS DEPARTMENT
    - ASSETS AND LOGISTICS DEPARTMENT
    - SECURITY DEPARTMENT

An executive director has yet to be appointed who shall be tasked with coordinating the control functions, which are transitionally charged to the Chair of the Executive Committee, without affecting the regulatory separation of support, business and control functions.

The assessment of the executive directors is conducted, at one level, by the General Meeting of Shareholders which, through its Governing Bodies Remuneration Committee, is responsible for defining the objective criteria to this end, for which it may use external and internal consulting services.

This assessment is performed at another level by the Board of Directors, which delimits its scope of action, by instruction of delegation of powers, and to which the Executive Committee reports on its activity, both in periodic meetings of the body, in the exercise of its general management power, and in meetings of its specialised committees. This procedure results from articles 12 to 14 of the Board of directors' Regulations.

In performing its activity, the Executive Committee is aided by specialised committees, organised by the Bank's departments, for a technical approach to topics transversal to a series of areas. These committees discuss plans, programmes, policies, strategies and activities, and take relevant decisions, validated by the participation of a sufficient number of Executive Committee members to ensure the Bank's commitment.

The Executive Committee's regulations are available on the Bank's institutional website www.bancoeconomico.ao.

## Committees of the Executive Committee

### Credit Committee

Analyses and approves credit proposals under the Executive Committee's coordination.

**Frequency:** Weekly

Department: Credit Department, Commercial Departments, Legal Department and Human Capital Department.

### Business Committee

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

**Frequency:** Monthly

Department: Offer and Revitalisation Department, Commercial Departments, Cards and Direct Channels Department, Investment Banking Department, Standards and Quality Department, and Domestic Operations Department and Foreign Operations Department.

### Markets Committee

Analyses the market conditions, financial flows and treasury position, under the Executive Committee's coordination.

**Frequency:** Weekly

Department: Finance and Markets Department, Commercial Departments, Operations Departments and Foreign Exchange Control Office.

### Financial Committee

Analyses the evolution of the balance sheet structure and results, under the Executive Committee's coordination.

**Frequency**: Bimonthly

Department: Finance and Markets Department, Offer and Revitalisation Department, Investment Banking Department, Credit Department, Risk Department, Accounting and Budget Control Department and Commercial Departments.

### Media Committee

Analyses the Bank's organisational model, quality and operational performance, monitors the execution of the Operational Transformation Plan, monitors the evolution of the IT and organisational portfolio, and the maintenance of the Business Continuity Plan and Disaster Recovery exercises.

**Frequency:** Bimonthly

Department: Standards and Quality Department, Domestic Operations Department, Foreign Operations Department, Information Technology and Systems Department, Security Department, Human Capital Department, Assets and Logistics Department, Cards and Direct Channels Department, and Accounting and Budget Control Department.

### Risk Committee

Analyses the loan and equity portfolio, monitors the main impaired transactions and ensures the implementation of models to analyse risks and the evolution of exposure to each risk, under the Executive Committee's coordination.

**Frequency:** Quarterly

Department: Risk Department, Credit Department, Compliance Department, Accounting and Budget Control Department, and Finance and Markets Department.

### Internal Control Committee

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

**Frequency:** Quarterly

Department: Compliance Department, Internal Audit Department, Foreign Exchange Control Office, Risk Department, and Accounting and Budgetary Control Department.

## Supervisory Board

The Supervisory Board is the body responsible for the corporate supervision, namely of the acts carried out by the Board of Directors, including and primarily by the Executive Committee.

The Supervisory Board is composed of a Chairman and two members, with an independent majority, that is, not associated with any specific interest group in relation to the Bank, nor in any circumstances that could affect their impartiality of analysis or decision-making, as follows:

### Chairman

**ANTÓNIO JOSÉ DA GAMA DIREITINHO**

- **Academic Training:** Audit and Accounting
- **Work Experience:**
  - Advisor of the Board of Directors of Banco Keve;
  - Director of Accounting at Banco Valor;
  - International Monetary Fund Advisor at Banco Nacional de Angola.

### Permanent Member

**ESPERANÇA D'JAMILA FALCÃO DA SILVA**

- **Academic Training:** Business Administration
- **Work Experience:**
  - Business Development Manager at Key Consulting Services;
  - Financial Director at Brolaz Angola Telecomunicações.

### Alternate Member

**DAMIÃO DALA CACULO**

- **Academic Training:** Audit and Accounting
- **Work Experience:**
  - Financial Director at ENSA, Seguros de Angola;
  - Financial Consultant at Deloitte.

These members are available to perform their duties in Banco Económico's Supervisory Board, which has the following responsibilities:

- Monitor 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 Bank lead to a correct assessment of the assets and results;
- Prepare an annual report on the supervisory activity and issue an opinion on reports (financial statements, corporate governance, internal control system and proposals submitted by the management).

In addition to the responsibilities described above, pursuant to Article 12 of its regulations, the Supervisory Board is tasked with the assessment the work plan of the external audit and all the reports and opinions issued in the interest of the Bank, as well as requesting specific controls.

## Expert Accountant

Banco Económico's expert accountant is Denise Nair Brito da Rocha Santos Henriques, registered in the Association of Accountants and Expert Accountants of Angola (OCPCA), under License number 20130108, who does not perform any other activity at the institution.

## External Auditor

The Bank's external auditor is Deloitte & Touche – Auditores, Limitada, since February 2023. Currently, the partner responsible for audits is José Barata, expert accountant registered in the Association of Accountants and Expert Accountants of Angola (OCPCA), under License number 20130163, Partner of Deloitte, since 2008.

The hiring of the external auditor follows the rules stipulated by law and Banco Nacional de Angola's regulations, and is approved by the General Meeting, on the advice of the Board of Directors. Internally, the Bank has approved a Policy for Assessment and Rotation Periodicity of External Auditors.

# Main Policies of the Internal Control System

In the context of creating internal control mechanisms, the Bank has implemented a set of internal policies and regulations, ensuring that it operates within the rules and ethical principles governing its activity, particularly the following:

### Code of Conduct

With a view to a transparent management culture free of conflicts of interest, the Bank has established a Code of Conduct which describes the fundamental principles and rules of conduct to be observed in the professional activity of the members of the management and supervisory bodies, as promoters of a culture of ethics in the institution, and of other Employees, in their relations with Customers, Suppliers, Service Providers and Competitors.

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

The monitoring of the Code of Conduct, with respect to elucidation of the Employees on its content and application, is carried out by the Compliance Department, which can, whenever necessary, draw on other departments, especially the Internal Audit Department and the Human Capital Department.

## Policy on Conflict of Interest

Considering the likely occurrence of possible conflicts of interest, Banco Económico has established internal rules and procedures, which ensure that the conduct of its Employees and members of the governing bodies is guided by principles of an ethical and deontological nature that reflect the highest standards of moral and professional conduct.

This policy considers impartiality and independence a priority for running and managing the Bank's business, with a view to preventing and managing conflicts of interest, as required by law, whether between the interests of the Bank and those of its Customers, or between the interests of its different Customers.

## Policy on Related Parties

In order to ensure the Bank's independence in relation to its Shareholders, pursuant to best corporate governance practice, Banco Económico has established rules and consolidated procedures for transactions with related parties, aimed at mitigating the risks involved and identifying ways to ensure legal security and economic order.

Moreover, the balances of transactions with related parties are disclosed in Note 34 of the Notes to the Financial Statements as at 31 December 2022.

## Communication of Irregularities

Banco Económico has instituted a policy and procedures within the scope of internal and external reporting of suspicious transactions. All Employees are obliged to report suspicious transactions to the Compliance Department, which in turn must inform the Financial Intelligence Unit (UIF).

In addition to suspicious transactions, all transactions above USD 15,000, or the equivalent value in kwanzas, are subject to the completion of a declaration of origin and destination of funds, and reported to the UIF, including transactions divided into tranches whose sum reaches that limit, as stipulated in Law No. 05/2020 of 27 January.

## Anti-Money Laundering Policy

In view of the growing relevance of combating these phenomena, the Bank has paid increased attention to identifying weaknesses and areas of greater exposure, to ensure that there are appropriate methods to control and mitigate the risks inherent to transactions and counterparties, identifying two moments when this awareness should be especially thorough:

- Opening of a contract or changes in the ownership of an existing contract, through what is referred to as Know Your customer (KYC), that is, demonstrably ensuring the identification of the holders, representatives and beneficial owners;

- Monitoring contract transactionality, by identifying atypical situations, both in advance and by contacting the customer after the situation has been detected;

- The Bank reviews its Anti-Money Laundering strategies, targets and goals on an ongoing basis and maintains an effective Anti-Money Laundering (AML) programme for the Bank's business, which reflects the best practice for a financial institution. Training is regularly provided on how to identify potentially suspicious money laundering situations, and is also useful for compliance with the legal and regulatory duties to which the Bank is subject;

- Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) is one of the foundations of confidence in the financial system and as such, this topic will continue to receive permanent attention from Banco Económico.

# Increased attention to identifying weaknesses.

# 02

## Macroeconomic Background

The growth of the national economy accelerated in 2022.

# 2.1. World Economy

The war in Eastern Europe, between Russia and the Ukraine, an important area for trade in commodities and energy resources, has been and continues to be a harsh blow for the world economy. The conflict has had considerable negative impacts on the main European economies, but also on other significant economies due to the whiplash effect on the trade logistics chain, triggering a marked slowdown in global economic growth.

After having recuperated from the effects of the Covid-19 pandemic, which also caused a bottleneck in the industrial production of key economies and in international trade, the world economy has moved towards a new equilibrium by forging new trade routes and alternative partners for the supply of commodities with the immediate consequence having been a fast growth of prices (inflation).

The estimates point to a slowdown of world economic growth to around 3.4% in 2022, after having grown by around 6.3% in 2021, with this decline of almost 3% denouncing the strong impact of the Russian invasion of Ukraine on the world economy.

The advanced economies have been the most affected, especially the United States of America and the European Union, the latter directly more impacted by the war, but also surprisingly China, the economic growth of which fell far below expectations and lower than global growth in 2022, in contrast to the scenario in 2021, when China was the main drive of global growth. The economy of the United States of America recorded growth of 2.1% in 2022, compared with 5.9% in 2021, while the eurozone grew by 3.5% in 2022, against the 5.4% in 2023.

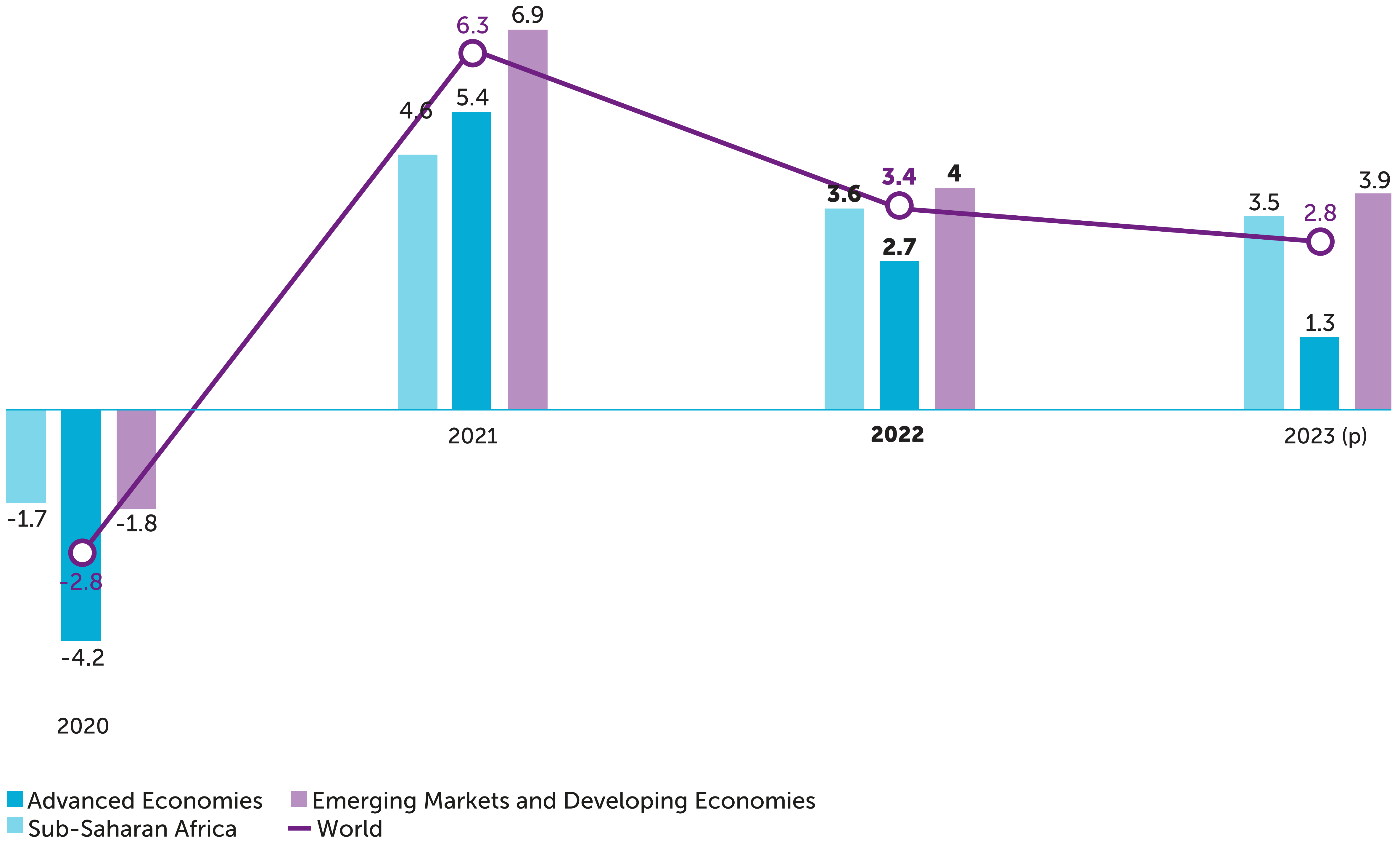
## Global GDP Growth (%)


Source: IMF

The slowdown of the global economic growth rate is explained by the combination of different factors. On the one hand, the soaring prices, not only of oil and gas, which reached historically highest levels for more than a decade, but also of cereals which showed similar patterns. On the other hand, the prolonged effect of the management of Covid-19 clearly constrained the Chinese economic performance.

Despite some slowdown, the emerging economies showed better growth performance, having contributed considerably to the global performance. India stood out most among the emerging economies, having recorded a relatively weaker slowdown among the major economies, with growth standing at 6.8% in 2022, against the 8.7% recorded in 2021. The performance of the emerging markets, although also constrained by global circumstances, was propped up by peak commodity prices, especially those related to energy.

## GDP Growth (Δ% Annual)



## Interest Rates and Inflation

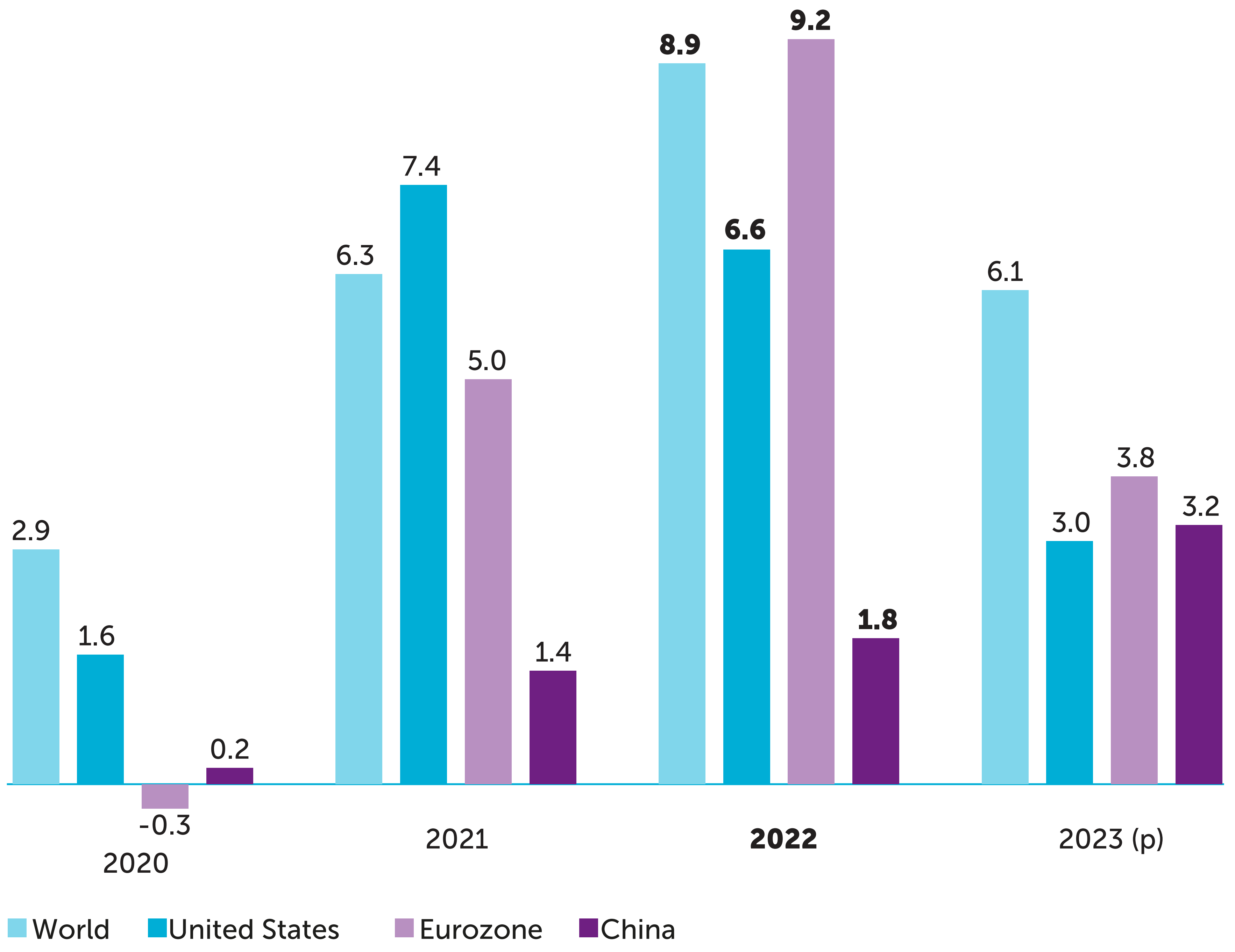
The rise in the price of the main commodities, both concerning energy and agricultural, a direct consequence of the armed conflict in Eastern Europe, combined with an expansionary macroeconomic and monetary environment, triggered an inflationary and recessive spiral in major economies. Price levels increased rapidly with direct repercussions on the cost of living, forcing a turnaround in the direction of monetary policy, with the endorsement of a restrictive positioning.

To deal with this new reality, central banks, almost worldwide, increased interest rates. In many cases, interest rates rose rapidly towards the end of 2021, extending throughout 2022. Inflation hit a record high in eurozone, of 9.2%, largely surpassing the goal of 2% established by the European Central Bank (ECB), compelling the ECB to carry out successive increases of the reference interest rate, which reached 2.5% by the end of 2022. The pattern was similar in the United States of America, with inflation having surged to 6.6% compared with the Federal Reserve Board's goal of 1.5%. In the case of the Federal Reserve Board, the hike in interest rates was more aggressive, and stood a 4% at the end of 2022.

It is expected that monetary policy should remain on this path until price stability is restored. Structural reforms are also underway in the key economies, which could mitigate the risks of inflation by improving productivity and alleviating supply-side restrictions, while multilateral cooperation has become necessary to fast-track the transition to green energy and diversify the global energy matrix.

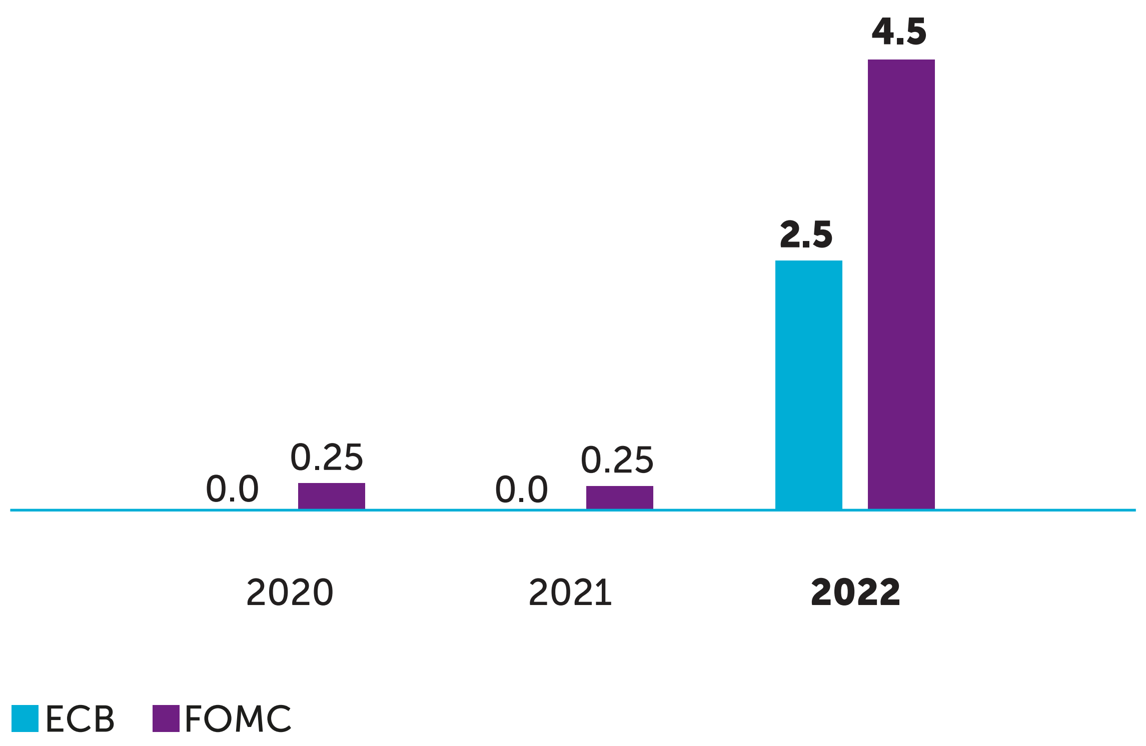
Considering the measures implemented all over the world, and despite the currently experienced adverse scenario, the estimates point to a downward trend in world inflation in 2023, which should shift from 8.9% in 2022 to 6.1% in 2023.

Inflation Rate (%)




Source: IMF

Interest Rate (%)

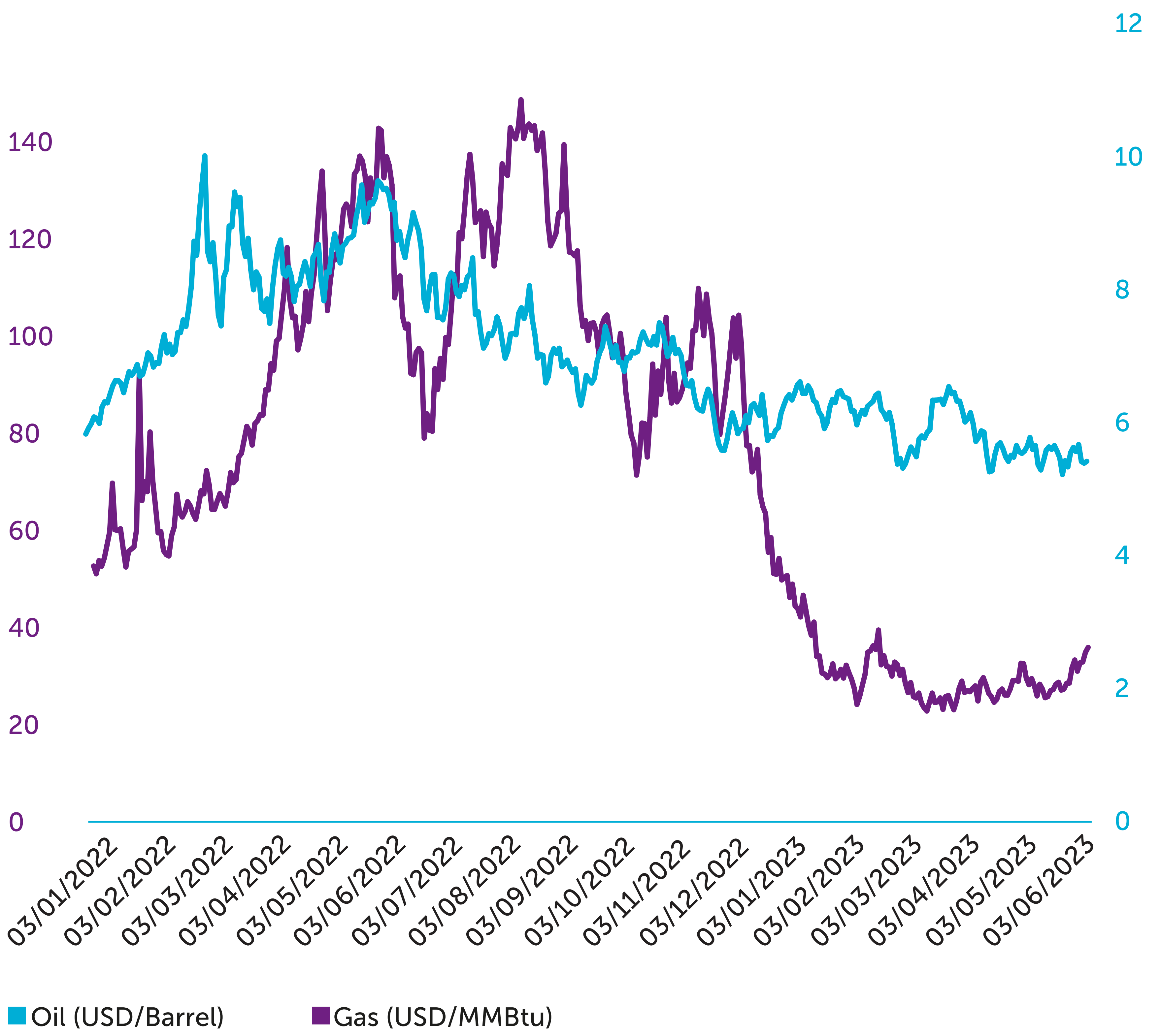



Source: Bloomberg

## Commodity Markets

The performance of commodity markets, in 2022, was conditioned by the outbreak of the armed conflict as the warring countries were among the worldwide top producers and sellers of energy and agricultural commodities. The conflict led to breakdowns in the production and distribution chain of important commodities triggering product shortages and consequently a dizzy rise in international market prices, with enormous volatility.

### Price of energy commodities




Source: Bloomberg

Oil recorded a substantial price hike in 2022, year-on-year, with Brent reaching the average price of USD 99.04/barrel, corresponding to an increase of approximately 40% in relation to the same period of 2021.

The highest price of oil in the period in question was USD 122.84/barrel, after having rebounded from the strong drop in prices during 2020, from the lowest value of USD 22.74/barrel. Since 2020, oil entered a phase of recovery sustained by the intervention of the Organisation of Petroleum Exporting Countries (OPEC) and its allies aimed at price stabilisation.

## Outlook for 2023

During a period of great volatility and uncertainty, we can be certain that economic, geopolitical and ecological changes significantly affect the global outlook. The geopolitical disruptions created by the Russian-Ukrainian war and the tensions observed worldwide have left the world increasingly uncertain about its future.

Amid these volatile conditions, recent data confirm that the global economy is slowing down. The rising cost of credit at a global scale has compromised the growth rate of many economies, leading forecasts to point to a continuous deceleration of the global economy. It is expected that world gross domestic product (GDP) should fall to 2.8% in 2023.

**USD 122.84/ barrel, the highest price of oil in 2022.**

# 2.2.
# Angolan Economy

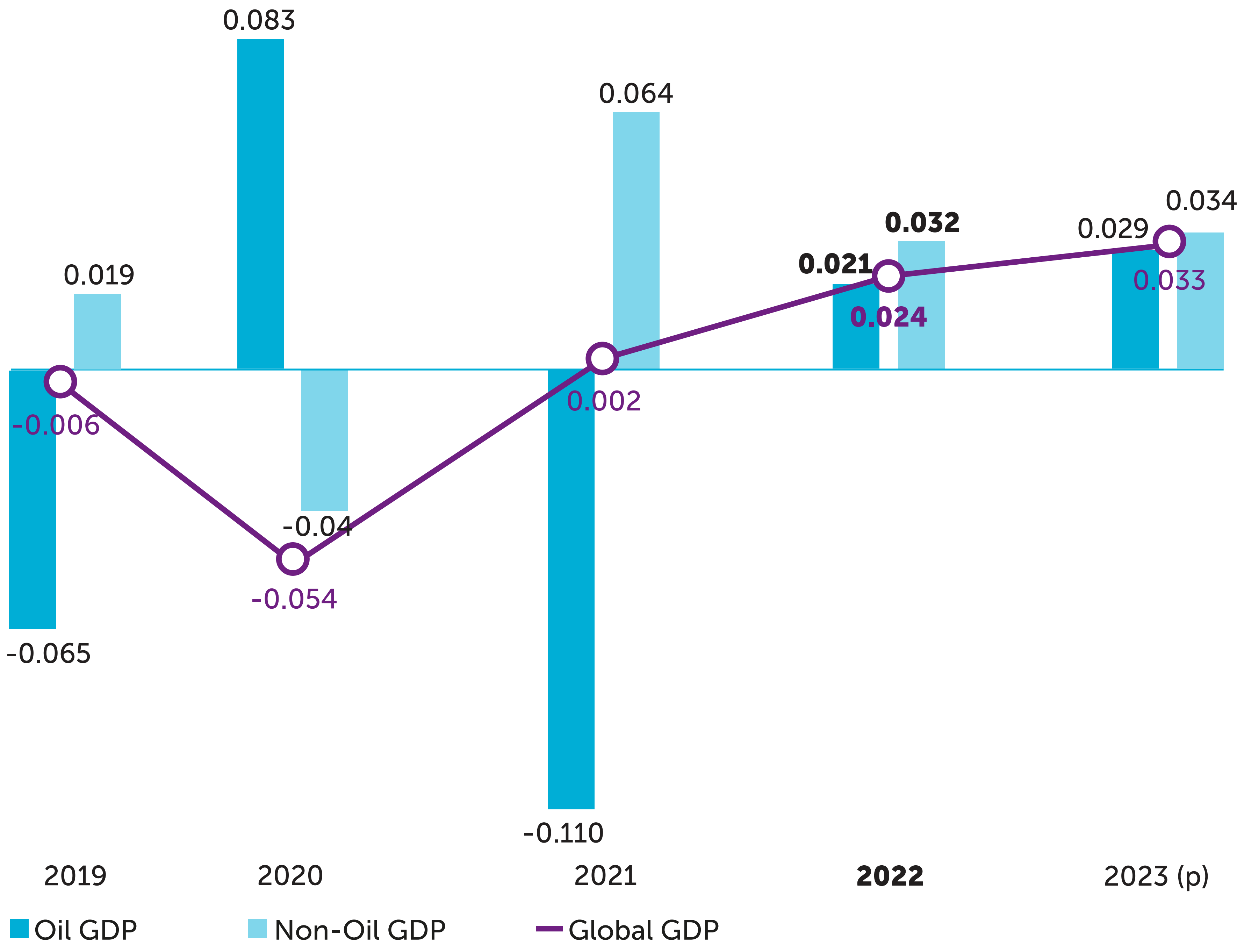
Notwithstanding the adverse circumstances in the international scenario, the Angolan economy benefited from the rise in the price of oil, which positively affected the fiscal accounts in comparison with 2021.

The growth of the domestic economy accelerated significantly in 2022, which recorded a performance of 2.45% compared with the same period of 2021, during which Angolan GDP stagnated. The non-oil sector was the one which stood out most, with growth of 3.2% in 2022. The oil sector showed an inferior performance than the non-oil sector, with growth of 2.1%, signalling the end of the stagnation of the previous three years. The lifting of policies associated with the fight against the Covid-19 pandemic combined with the higher price of oil, the main product of Angolan exports, underpins a large part of the recovery that was experienced.

Oil exports grew by approximately 49%, jumping from USD 31,838.3 million in 2021 to USD 47,490.05 million in 2022, although Net International Reserves (NIR) remained substantially unchanged.

This growth in the volume of exports was indeed due to the rising prices of this black gold in international markets rather than increased production, as daily oil production has been declining since 2015.

**Growth Rate – Oil GDP vs. Non-Oil GDP – %**




Source: 2022 SB

**Evolution of NIR and Oil Exports – USD thousand**


Source: 2022 SB

## Fiscal Accounts

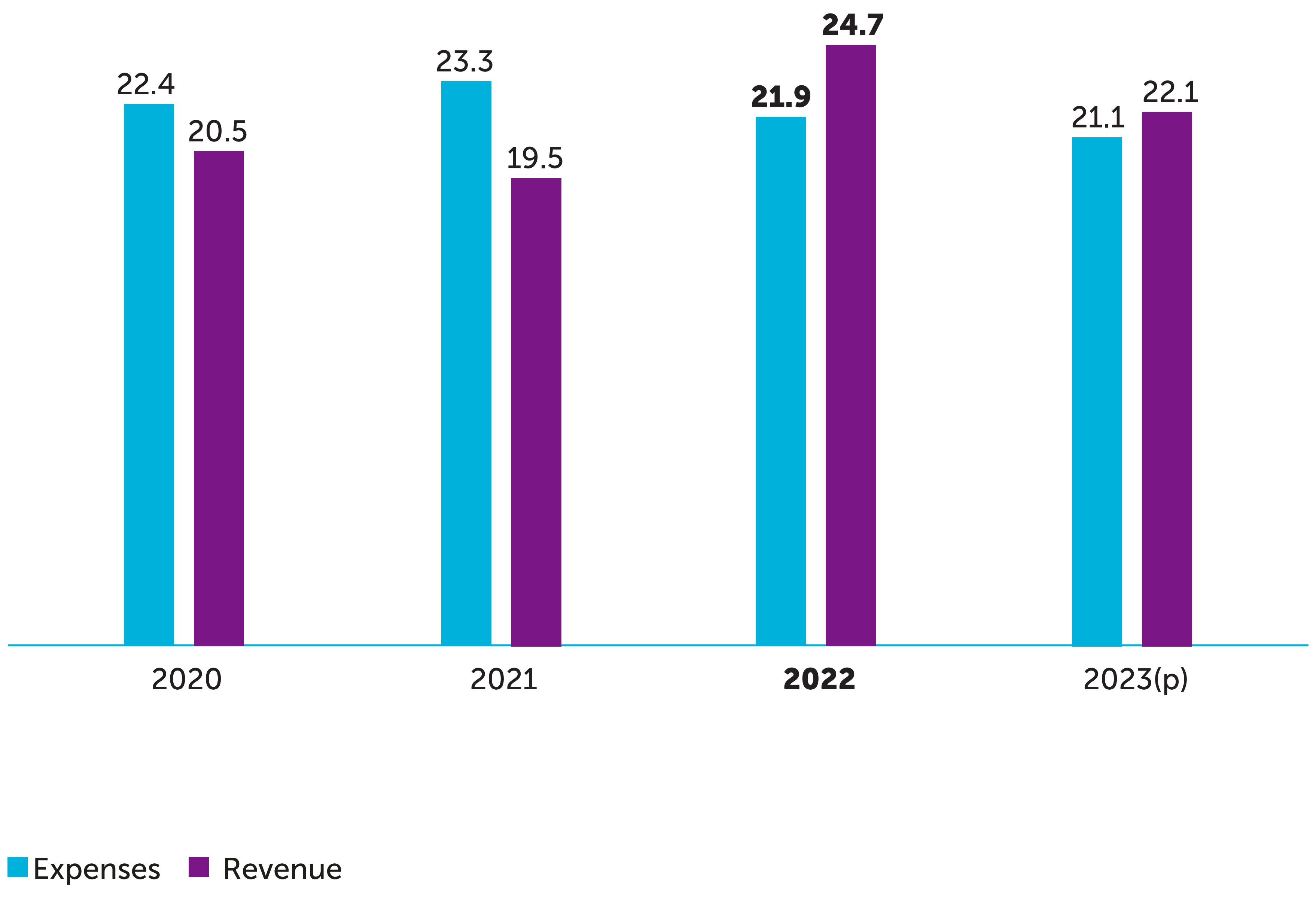
In divergence with the forecasts of the General State Budget (OGE), the price of oil rose significantly, to reach an average of USD 99.04/barrel. This created a comfortable margin in terms of fiscal revenue, considering that the General State Budget for 2022 was based on an average price of USD 59/barrel. This slack in public accounts, arising from the increased oil revenues combined with the public debt containment measures, led to a fiscal surplus of approximately 12% in 2022.

## Foreign Exchange and Monetary Market

Oil revenues, which had been at a low point for some time, now recorded a substantial increase compared with 2021, driven by the exponential rise in the price of the barrel of oil in 2022. This scenario enabled Banco Nacional de Angola to increase its foreign exchange reserves which, allied to a monetary policy which favoured tight control on the monetary circulation levels of the kwanza (M1 and M2) in the economy, assured the regular supply of foreign currency in the domestic market.

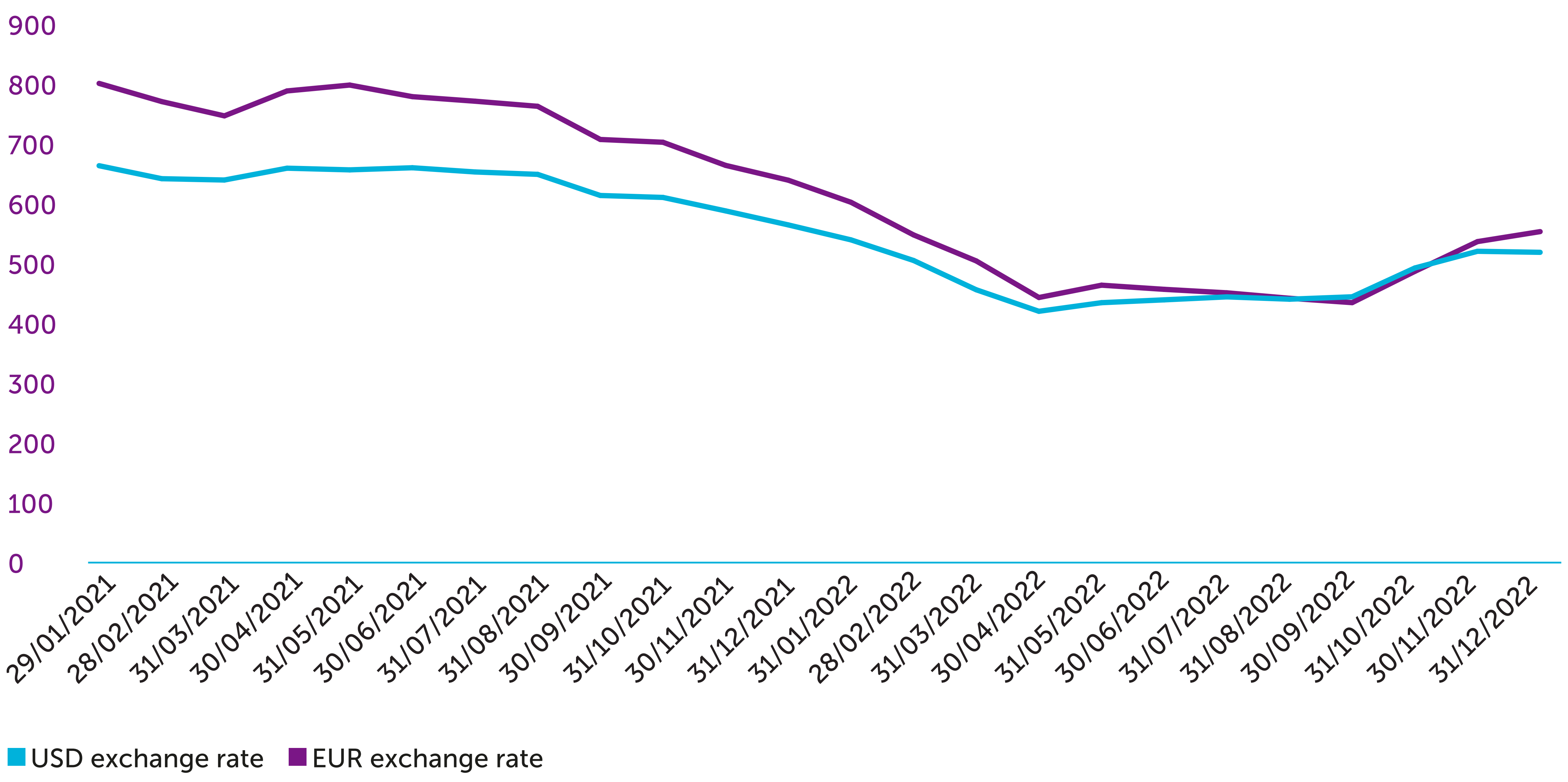
The kwanza appreciated during the period under review, having shifted from an average of 554.98 kwanzas to the US dollar in 2021 to 503.69 kwanzas to the US dollar in 2022.

**Evolution of Expenses and Revenue – % GDP**




Source: SB

**Exchange Rate**




Source: Bloomberg

# 03 Banco Económico

## Active Customers grew by 21%.

# 3.1. Activity in 2022

## Our Offer

Banco Económico provides an offer of value that is appropriate and tailored to the sector, to its commercial segments and essentially to its Customers.

Pursuant to Banco Económico's policy of ongoing development of its systems and system, the aim is to implement disruptive and innovative solutions that enable offering unique solutions tailored to the digital print of each customer.

With competent teams prepared to advise all commercial segments on the best investment and saving solutions, and help to identify the most suitable financial products and services for each customer profile, Banco Económico stands as a reference financial partner in Angola.

Focused on ensuring a service of excellence, prioritising close and personalised customer care, the Bank has various business units, as follows: International Financial Department, Corporate Commercial Department, Top Corporate and Oil & Gas Department, Institutional Department, Network Commercial Department, Private Banking Department, Affluent Department, and Investment Banking Department. These business units monitor four distinct customer segments:

**1.** Individuals;

**2.** Private;

**3.** Umoxi (Affluent);

**4.** Companies.

## Segment Offer

Banco Económico acknowledges its importance as an agent of support for the development of businesses and projects, support for meeting the needs of the Angolan consumers, and intends to continue to provide the necessary solutions and opportunities for its Partners, Employees and Customers to achieve prosperity, growth and high satisfaction levels.

### Individual Customers and Umoxi Customers

**Day-to-day solutions**
Multicaixa cards, Credit cards, Current accounts, Savings accounts.

**Services**
EconomicoNet, EconomicoNet APP, EconomicoDirecto, Direct Debit Authorisation (ADC), Transfers, Cheques and Vehicle Tax.

**Saving**
Term deposits, Foreign exchange protection solution.

**Credit**
Personal and mortgage loans, Leasing.

**Insurance**
Domestic servants, Family protection, Motor, Life, Travel and Health.

### Corporate Customers

**Treasury**
Current accounts, Collection solutions, Payments, Financial investments, Foreign exchange protection.

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

**Services**
Corporate EconomicoNet, EconomicoNet APP, Collection and transportation of valuables.

**Specialised Solutions**
Personalised support to large, medium and small-sized enterprises and businesses, Institutional, Oil & Gas, Trading Room, Investment Banking and Fund Management.

**Insurance**
Freight transport, Group health, Vehicle fleets, Occupational accidents, Travel, Industrial multi-risk.

## Private Customers

**Investment**
Banco Económico's Private Banking asset management team performs a full analysis of each customer's financial profile, professional and personal context, aspired life plans and goals to be achieved. Based on this assessment, an investment strategy is presented, in line with the investor's risk profile, considering the time frame to achieve those goals and the corresponding yield expectations.

**Financing**
Banco Económico's Private Banking team of consultants is permanently attentive to the financial expectations of its Customers, to help them find financing solutions adapted to the particularities of each of their projects.

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

**Insurance**
Life and Health, waterborne vessels, personal accidents, travel, home multi-risk, motor insurance and domestic servants. Furthermore, Private Customers also have Private Banking Securities Deposit Boxes at their disposal, which are a convenient option to protect and store documents and personal objects of greater value.

## Geographic Coverage

In 2022, Banco Económico embarked on a plan to optimise the geographic positioning of its commercial units aimed at ensuring business efficiency and continuing to meet the requirements and needs of its Customers.

**70**
**Service Points**

**53** Branches
**9** Corporate Centres
**2** Service Offices
**3** Umoxi Centres

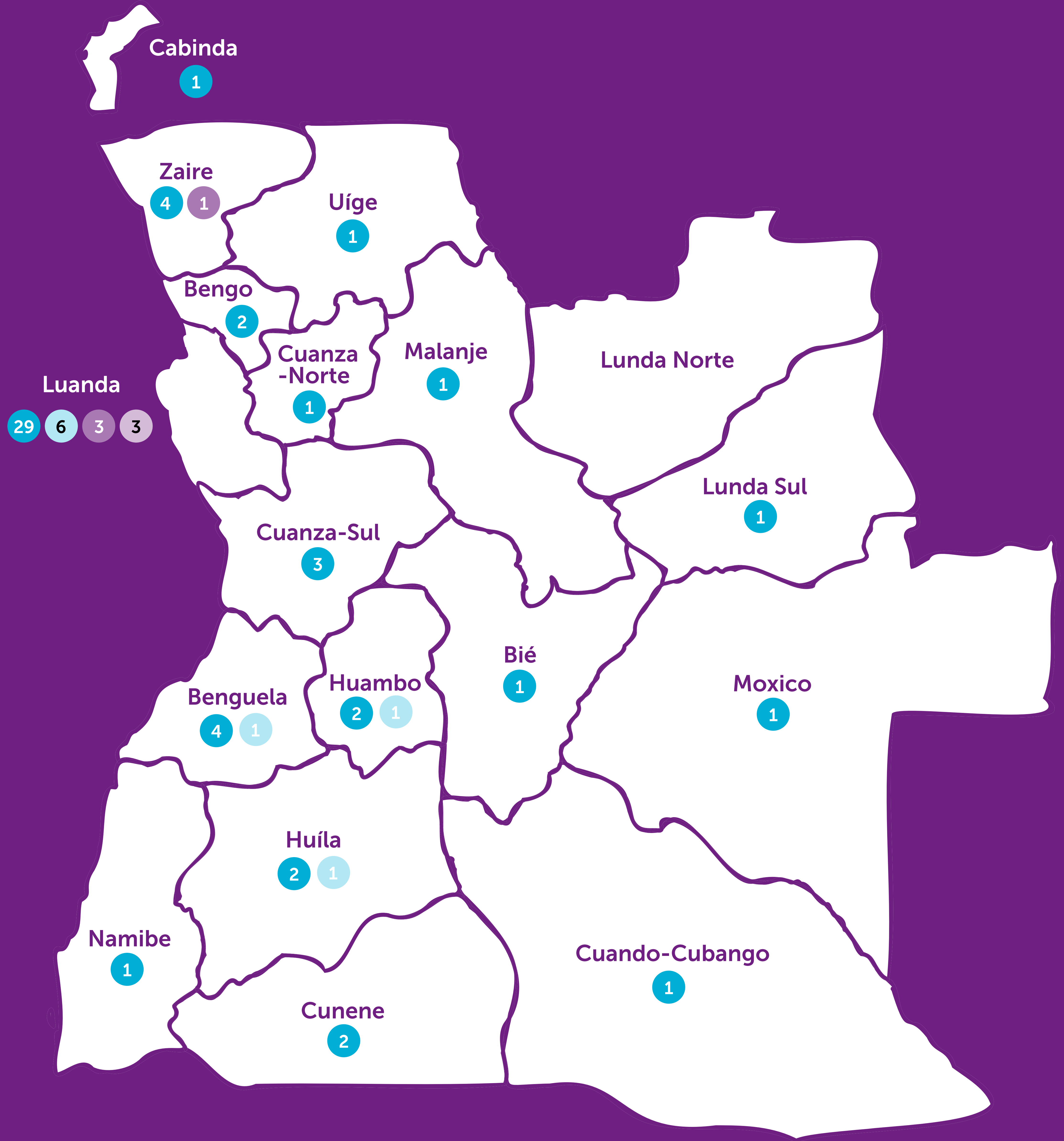
Banco Económico ended 2022 with 70 service points, maintaining a good nationwide coverage and presence in Angola's main cities and sites of attraction.

Furthermore, the Bank also has:

**1** Private Centre
**1** Top Corporate and Oil & Gas Centre
**1** Institutional Centre

## Service Points

- Branch
- Corporate Centre
- Service Office
- Umoxi Centre



## Pillars of commercial performance

During 2022, the strategy of the business areas aimed for the sustainable growth of the Customers by fostering financial and social inclusion through its service of quality and proximity to the customer.

## Customers and Business

The year of 2022 was characterised by the attraction of approximately 20 thousand new Customers and the 21% growth of active Customers through placement of highly profitable saving products.

The Bank's proximity to its Corporate Customers also contributed this growth which, through efficient liquidity management, enabled supporting the sectors of the economy considered priority under Banco Nacional de Angola Notice No. 10.

The proximity and commercial dynamics among the Bank's Customers leveraged the renegotiation of loans to various actively engaged companies, allowing the Bank to recover approximately Kz 9,700 million.

## Employees

Banco Económico's human capital comprises the greatest factor of competitiveness in the sector and the Bank intends to continue enhancing the skills of its Employees.

The Top-Down-Top strategy was prioritised in 2022, with a view to ensuring the creation of a culture of rooting of the institution's values, inspiring the Employees to show a team spirit, work towards personal development and actively participate in the implementation of the overall strategy. As such, the leadership teams participated in coaching and awareness-raising sessions which had an impact on their desirable attitude of proximity and commitment to Customers.

## Technology and Digitisation

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

The 8% growth in subscriptions to Private EconomicoNet (for individuals) and 2% in subscriptions to Corporate EconomicoNet (for companies), in relation to 2021, establish the Bank's commitment to focusing on providing a closer, simple, digital and flexible service.

## Risk and Ethics

Banco Económico acknowledges that the sustainability of its business depends on the Customers' confidence and trust, and aims to continue to develop its entire activity and investments based on respect for all ethical principles, and to comply with the internal regulatory framework and policies in force. To this end, in 2022, the Bank ministered four training actions on sensitive topics:

| Training | Number of Participants |
|---|---|
| Data Protection | 44 |
| FATCA | 330 |
| AML | 175 |
| Training on emergency evacuation for trainers of the teams in the units | 3 |

## Commercial Banking

During 2022, Banco Económico enforced a conservative attitude and carried out strategic replanning, with the implementation of the Recapitalisation and Restructuring Plan (RRP). Among other aspects, special reference is made to the focus on redefinition of the commercial activities, on consolidating customer satisfaction through multiple surveys, on the quality of the services rendered, on maintenance of deposits and placement of products and services suited to the needs of each customer.

Notwithstanding the need to implement the RRP, a commercial action plan was also carried out which enabled increasing the customer base, the number of active and retained Customers, and the number of active Customers subscribing saving products.

The initiatives pursued by the commercial areas also led to gaining new deposits, essentially through the attraction of new Customers, and the consolidation of partnerships with Customers through a close and transparent approach.

Furthermore, it is important to highlight the increase offer and availability of new services, namely:

- Credit Card with exclusive benefits;
- Offers of new products with extremely competitive yields;
- Customer service on Saturdays by appointment;
- Customer service with a dedicated manager;
- Improved insurance offer;
- Diversified non-financial offer with new partners.

The aim for 2023 is to:

- Align the commercial strategy and positioning in accordance with Banco Económico's restructuring plan;
- Align interest rates to boost net interest income;
- Leverage the recovery of non-performing loans to improve the non--performing loan ratio;
- Grant loans and advances in accordance with the customer's risk profile;
- Improve the quality of the services and ensure commercial and support service levels;
- Optimise the efficiency of processes and strengthen commercial incentives.

## 2022 in Numbers

### Customer Evolution

The Bank increased its customer base by 8%, positively influenced by the 8% growth of Individual Customers and 4% growth of Corporate Customers.

The strong commercial dynamics, towards attracting new Customers, and maintaining and binding the existing Customers, embody a continuous and successful strategy of the Bank, reflected in the increased number of active Customers by approximately 21%.

The signing of salary protocols with companies and consequently the opening of accounts for the domiciliation of their Employees' salaries, has influenced the attraction of new Customers and their activation through placement of active products and services.

### Customer Deposits

Pursuant to the implementation of the Recapitalisation and Restructuring Plan, Banco Económico completed the constitution of an investment fund holding its share capital in 2022, through the conversion of the deposits of the largest depositors into participation securities. While this operation led to a reduction of the Bank's deposits which stood at Kz 776,500 million at the end of 2022, the Bank still remained in the top 10 of banks with the largest volume of deposits.

Moreover, the growth of Individual Customers (8%) and Corporate Customers (4%) contributed to consolidate the Bank's deposits. Considering that new Customers account for approximately Kz 7,000 million, the new Corporate Customers had more impact on the attraction of deposits in contributing with approximately Kz 3,700 million. In 2022, there was also an increase in the number of Individual Customers subscribing to the saving solution, which grew by 4% to a total of 5,272 active Customers subscribing term deposits.

The maintenance of term deposits, representing 57%, contributed to the consolidation of deposits, showing the strong trust and confidence of the Customers in Banco Económico's saving products and financial investments.

The volume of deposits in domestic remained stable in terms of absolute value in 2022, standing at Kz 239,000 million. This performance of deposits continues to demonstrate the results of the ongoing investment in innovative products and services and the consolidation of the Bank's distribution channels, as well as the Customers' trust and confidence in the Banco Económico brand.

### Loans and Advances to Customers

The year of 2022 entailed profound limitations for granting loans and advances, considering both the Liquidity Contingency Policy in force and the Recapitalisation and Restructuring Plan underway at the Bank. Thus, the volume of loans and advances granted showed rather tenuous growth (+3%), amounting to Kz 227,600 million compared with the Kz 217,000 million of 2021.

This movement is explained by the increase in loans and advances to Corporate Customers (4.3%) since there was a 9.2% reduction in the Individuals segment. The Bank's possible support to companies during 2022 was restricted to commitments that had already been made for loans and advances granted, which were used during the year, primarily in terms of government--backed subsidised loans to support the diversification of the economy.

Considering the pronounced liquidity shortage in the market, short-term loans and advances were slashed, namely through a 42.2% reduction of current account credit and 87.6% reduction of overdrafts.

This reduction is directly related to the successful dynamics of loan recovery, positively reflected in a reduction of impairment both for Individual Customers (-3.7%) and Corporate Customers (-23.1%). While the level of loans and advances granted remained practically unchanged, their quality improved by accomplishing diverse internal initiatives, such as renegotiation of cases of non-performing loans, transforming their currency and strengthening guarantees.

The Bank continued to reduce its exposure to consumer credit transactions for Individual Customers. Currently, loans to Corporate Customers represent 91.7% of the entire portfolio. This performance of the loan portfolio demonstrates Banco Económico's positioning as a financier and partner of Angolan companies, a segment with a history of strong support from the Bank, fulfilling its mission as an important driver of Angola's economic activity.

### Insurance Banking

The value of production for policies by the banking channel stands at Kz 5,000 million in 2022, corresponding to growth of 13% in turnover in relation to 2021. This growth arises from the galvanization of commercial dynamics through the launch of campaigns with adjusted prices, associated premiums and the placement of personalised packages tailored to customer needs.

Loans and advances in domestic currency, representing approximately 92.20% of the Bank's loan portfolio, grew by 5.1%, driven by loan transactions that were converted from foreign currency into domestic currency throughout the year. In contrast, loans and advances in foreign currency fell by 16.9%, partly due to their conversion and partly via successful loan recovery processes that culminated in the settlement of cases of non-performing loans.

## Investment Banking

The main objective of the Investment Banking Department (DBI) is to provide the Bank with the skills and competences that allow it to offer its Customers a global, integrated and international quality range of specialised financial products and services in the areas of Corporate & Investment Banking (CIB).

Considering the extremely adverse and challenging macroeconomic scenario and the implementation of the Bank's Recapitalisation and Restructuring Plan, the Investment Banking Department primarily focused on the management of the loans and advances that have been granted, framed in the government's strategy to diversify the economy and, consequently, reduce excessive dependence on the import of goods and services, and contribute to the sustainability of the country's external accounts.

### Advisory Services and Structured Finance

Within its sphere of action, Banco Económico has provided support to sectors considered crucial to the country's economic growth, specifically in the agricultural, agro-industrial, livestock, fisheries and fish farming, manufacturing and extractive sectors.

Accordingly, it was possible to provide financial resources to the domestic economy and contribute to stimulating and materialising increased domestic production to meet domestic needs, reduce imports and increase exports.

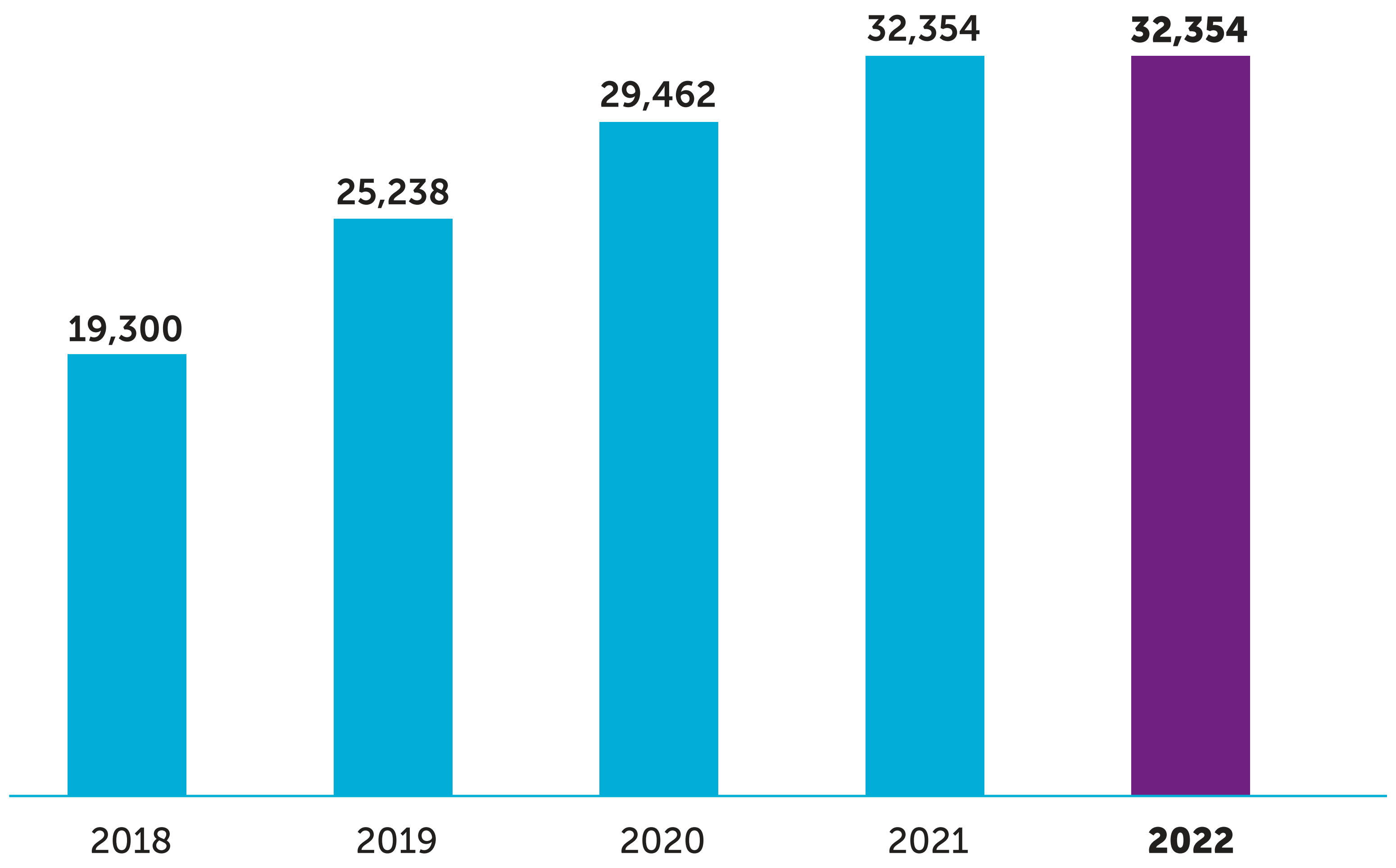
Banco Económico has always been committed to State policies and programmes aimed at promoting domestic production, such as the Angola Invest Programme (PAI) launched in 2012, the Credit Support Programme, Banco Nacional de Angola (BNA) Notice No. 4/2019 and Notice No. 7/2019 issued on 2019 and, lastly, Notice No. 10/2020 issued in 2020.

In 2022, Banco Económico maintained the number of active projects under the Angola Investe Programme (PAI) and BNA Notices, with total funding of Kz 32,354 million made available to the domestic economy, impacted by the Recapitalisation and Restructuring Plan.

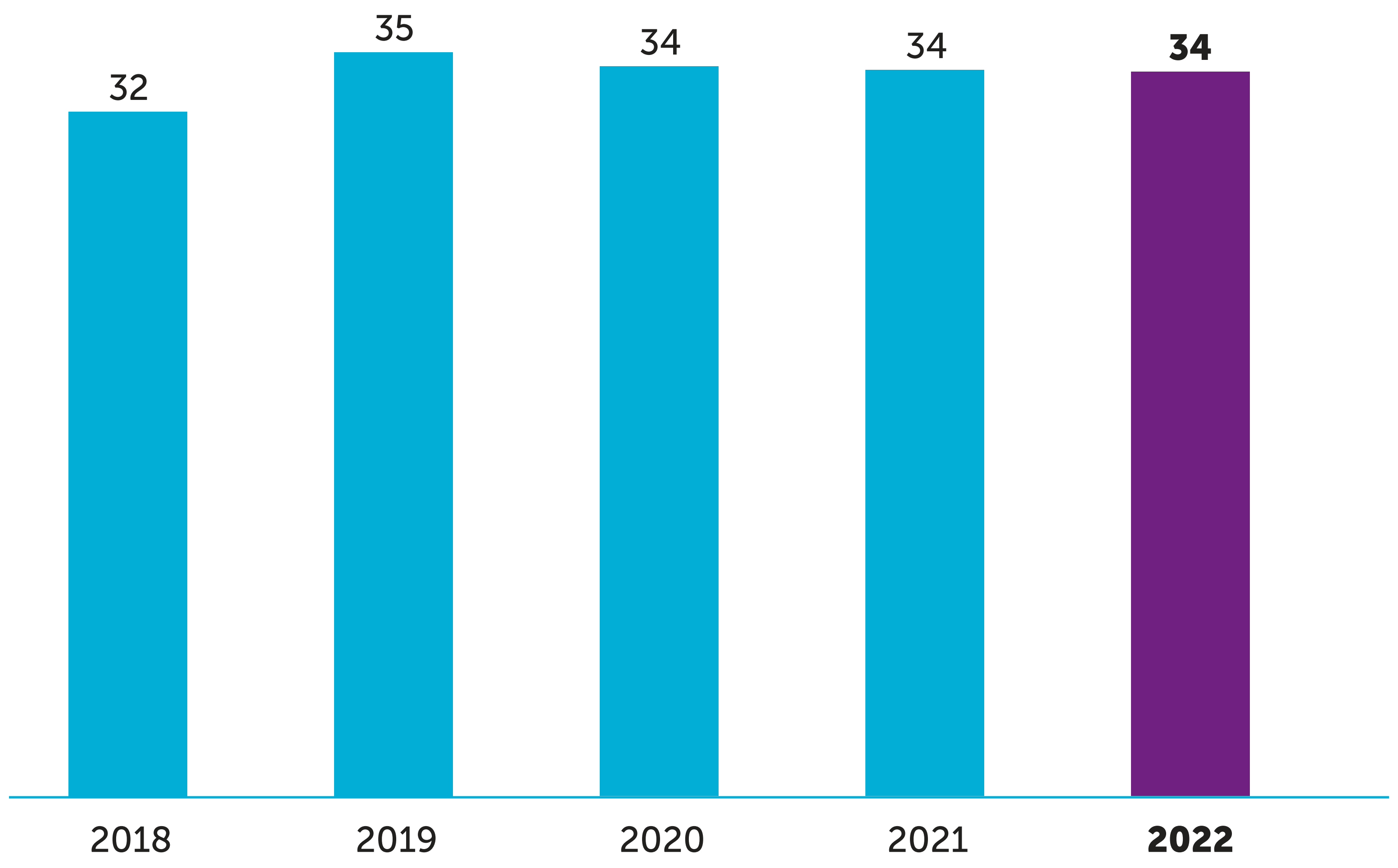
Although the Angola Investe Programme was discontinued during 2018, a significant part of the projects approved at that time, under this programme backed by public guarantees granted by the Credit Guarantee Fund (FGC) and with interest subsidies provided by the Ministry of Economy and Planning (MEP), are still in progress.

With the discontinuation of the Angola Investe Programme, by 31 December 2022, Banco Económico had in progress 10 loans for disbursement, pursuant to the BNA Notices indicated above, financed in various sectors of activity, amounting to a total of approximately Kz 16,970,000 million, as illustrated on the following charts.

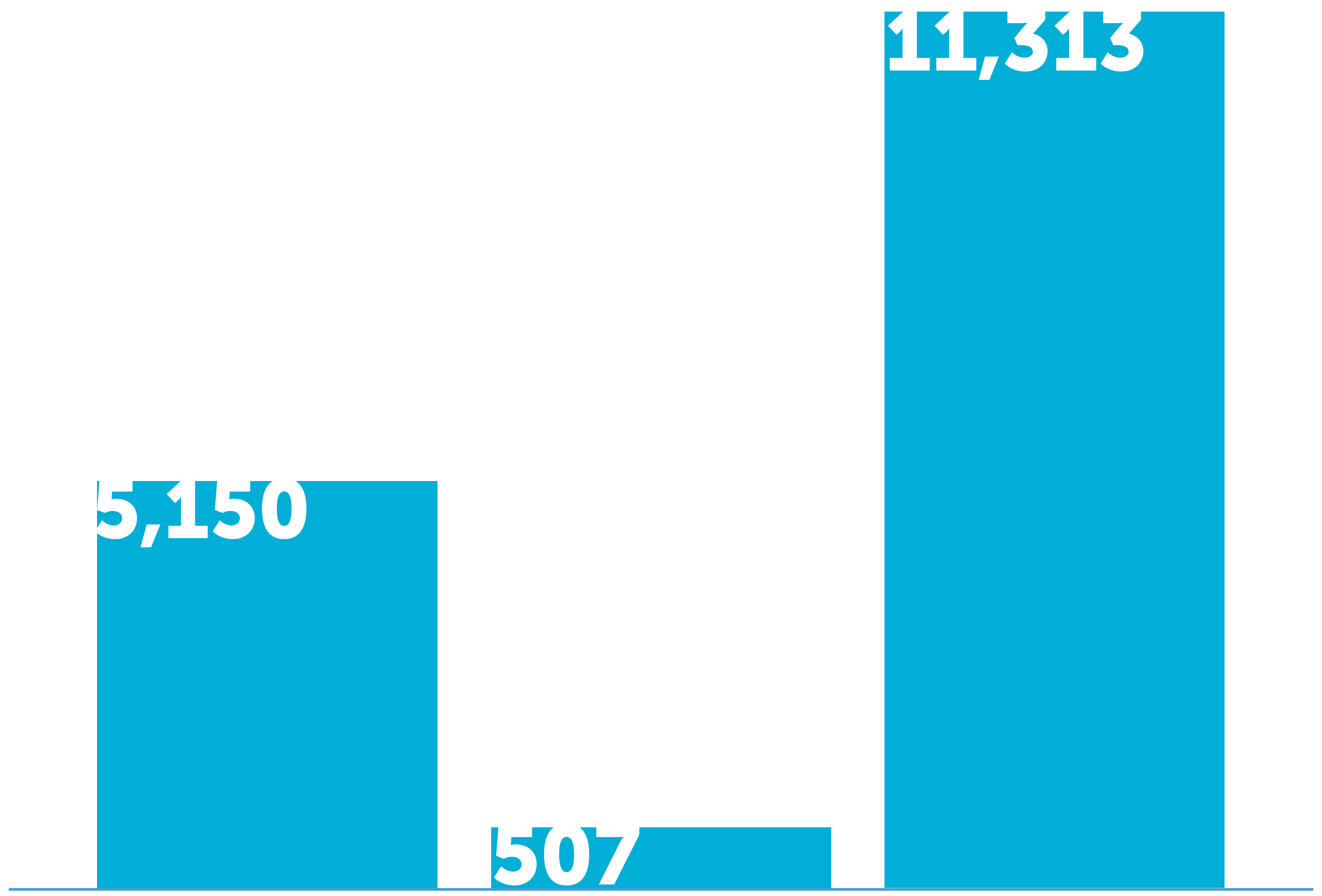
### Approved values – Kz billion



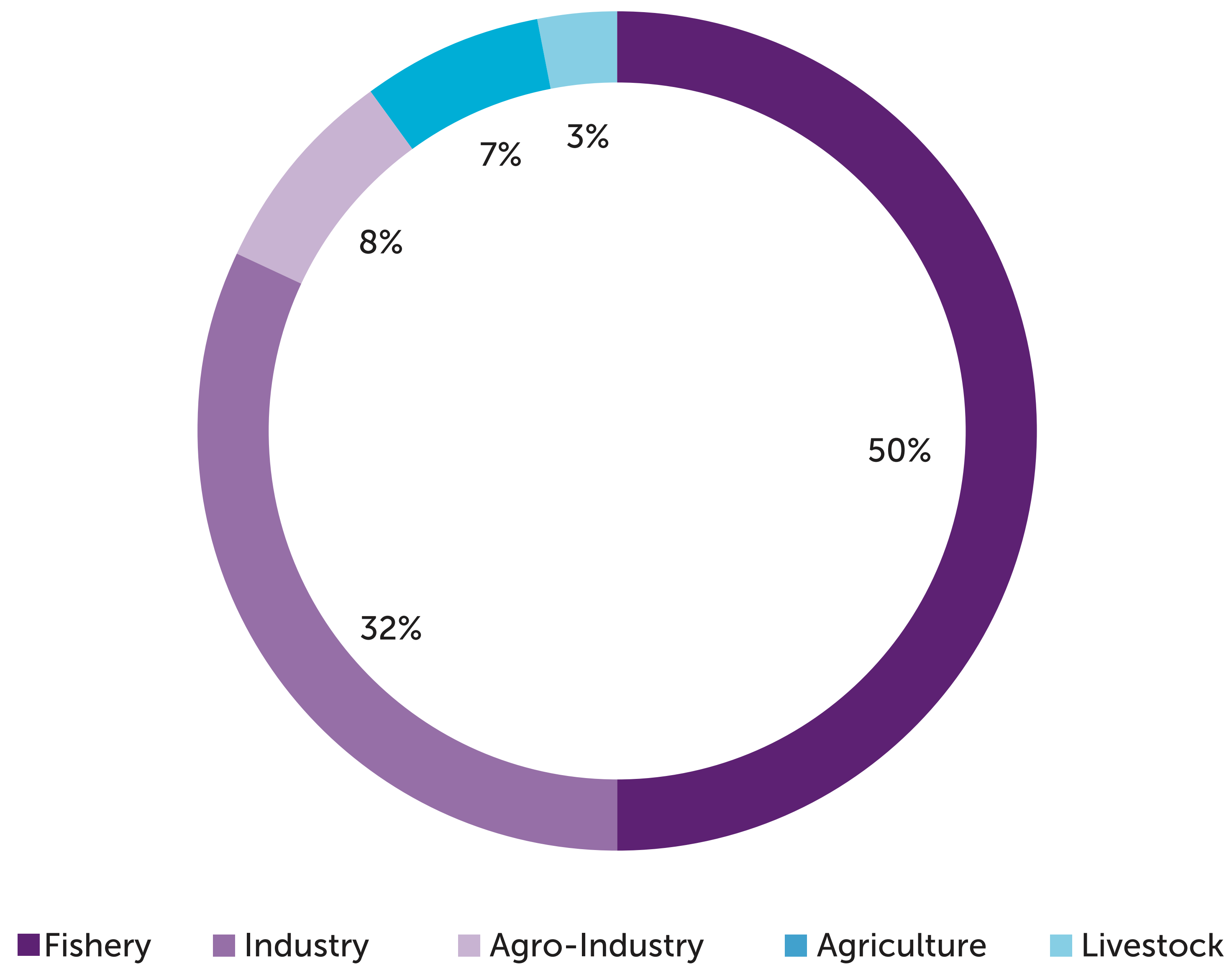

### Number of active projects



**Distribution by notices** – Kz billion




Loans and advances by sector - BNA notices



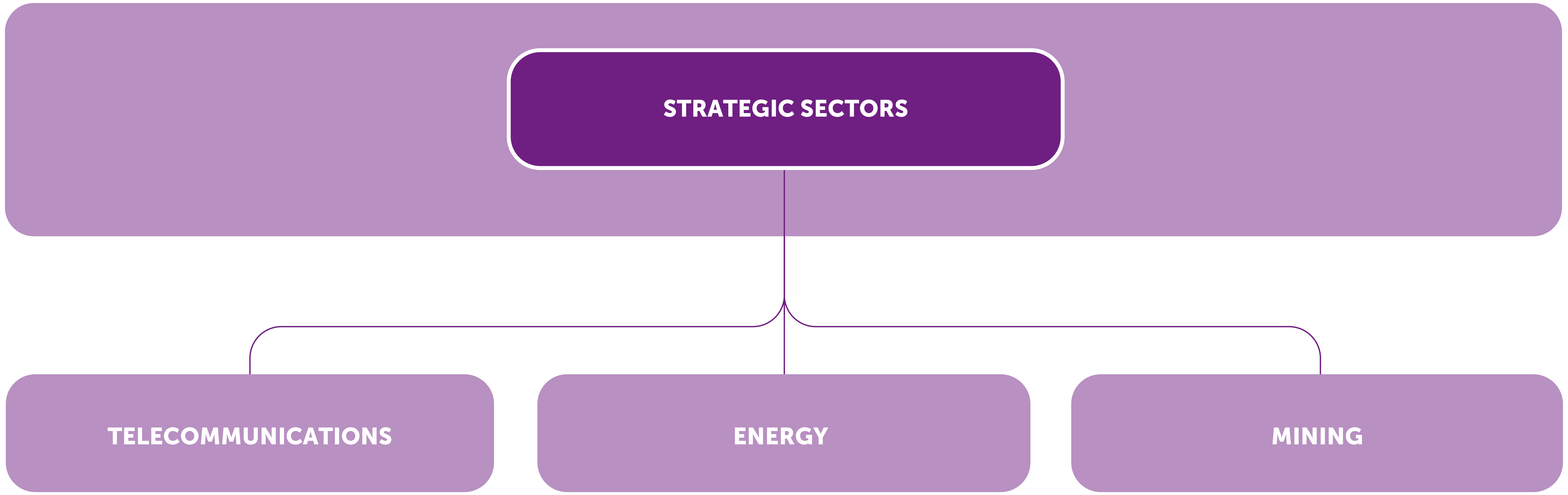

In order to make the financed projects more dynamic, the Bank has monitored their operational execution with the support of specialised external consultants and institutional monitoring with government entities (BNA, MEP, FGC), as mentioned above, and the National Institute of Support to Micro, Small and Medium-Sized Enterprises (INAPEM).

This area has also been engaged in the restructuring of Banco Económico's major credit transactions assigned to the Investment Banking Department, and continues to be involved in negotiation with various banks of the market in syndicated loans in which Banco Económico participates.

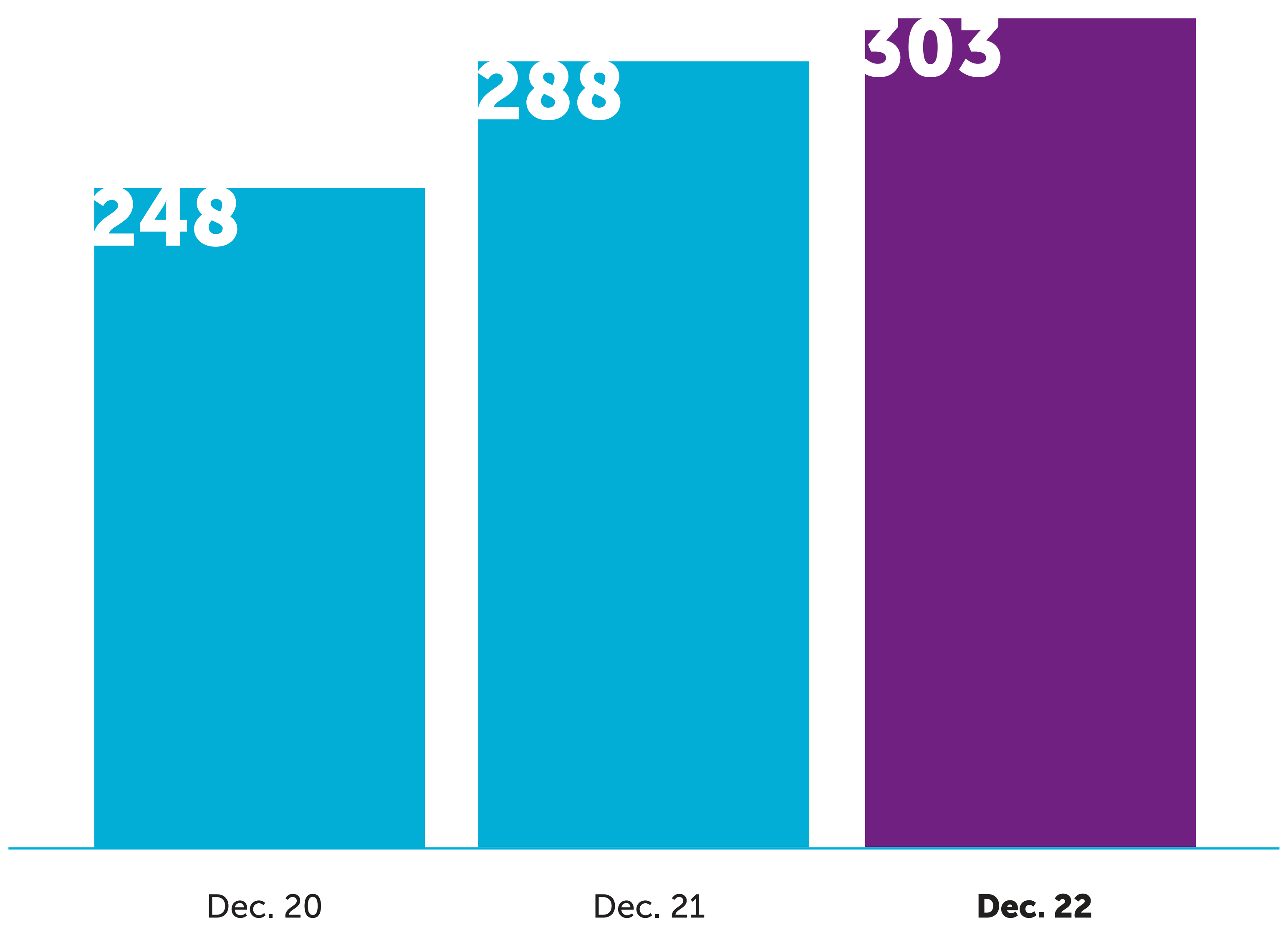
Alongside this, the Investment Banking Department maintains its support to the Bank's commercial areas, in a strategy of greater proximity to customer needs and response capacity to their requirements. In this way, the offer of credit products is always preceded by a careful assessment of the projects and their promoters, in a balanced relationship in which the customer must ensure the management, viability and sustainability of its business, and contribute capital so as not to depend exclusively on bank funding and share the risks of the operation.

Complementing its position as a funding agent, Banco Económico takes on the role of partner and financial adviser of its Customers, establishing a medium and long-term relationship, aimed at the success of the Customers' business ventures and ensuring compliance with their financial obligations towards the Bank and other stakeholders of the project.

With a view to expanding its area of activity in more relevant projects, Banco Económico also prioritises sectors considered strategic for boosting the country's economic growth and development, as illustrated below.




Custody accounts




The choice of the sectors indicated above was based on the opportunities offered by the Angolan market, such as the encouragement of renewable energy production, the broadening of the chain of action of some oil companies, the appearance and expansion of telecommunication companies, and the creation of structures and institutions seeking to encourage investors to operate in the mining sector.

## Capital Market

The Investment Banking Department 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 (organisation of public and private offerings of fixed and variable income securities) and in the secondary market (intermediation of securities in an organised market). For this activity, the Bank is duly registered at the Capital Markets Commission (CMC) and accredited with the Angola Debt and Stock Exchange (BODIVA) as a Trading and Settlement Member since July 2016.

Through the Capital Markets area, the Investment and Banking Department has followed the main initiatives of the launch of the new Treasury Securities Stock Exchange (MBTT), with the incorporation of public securities (Treasury Bonds and Bills) in the Securities Centre (CEVAMA), the launch of the electronic trading platform (SIMER) and the migration to the new platform (CAPIZAR), including post-trading, settlement and custody services.

Affected by the Bank's context under the implementation of the Recapitalisation and Restructuring Plan, in 2022, its activity linked to the capital market decreased considerably, impacting the amounts traded and assets under custody, resulting in a reduction of 61% and 43%, respectively, compared with 2021.

Nevertheless, an upward trend continued to be observed in the number of accounts opened, which increased by 5% to 303 accounts. Despite the reduction in the volume traded, the Bank has managed to maintain the growth trend over the years.

However, it is important to stress that the Capital Markets Commission and Banco Nacional de Angola, following the provisions in Law No. 14/21 of 19 May on the Legal Framework of Financial Institutions (LRGIF), have defined the time limit, the terms and conditions for transfer of services and activities of investment in securities and derivative instruments, currently provided by banking financial institutions, to non-banking financial institutions (IFNB) linked to the Securities Market (MVM).

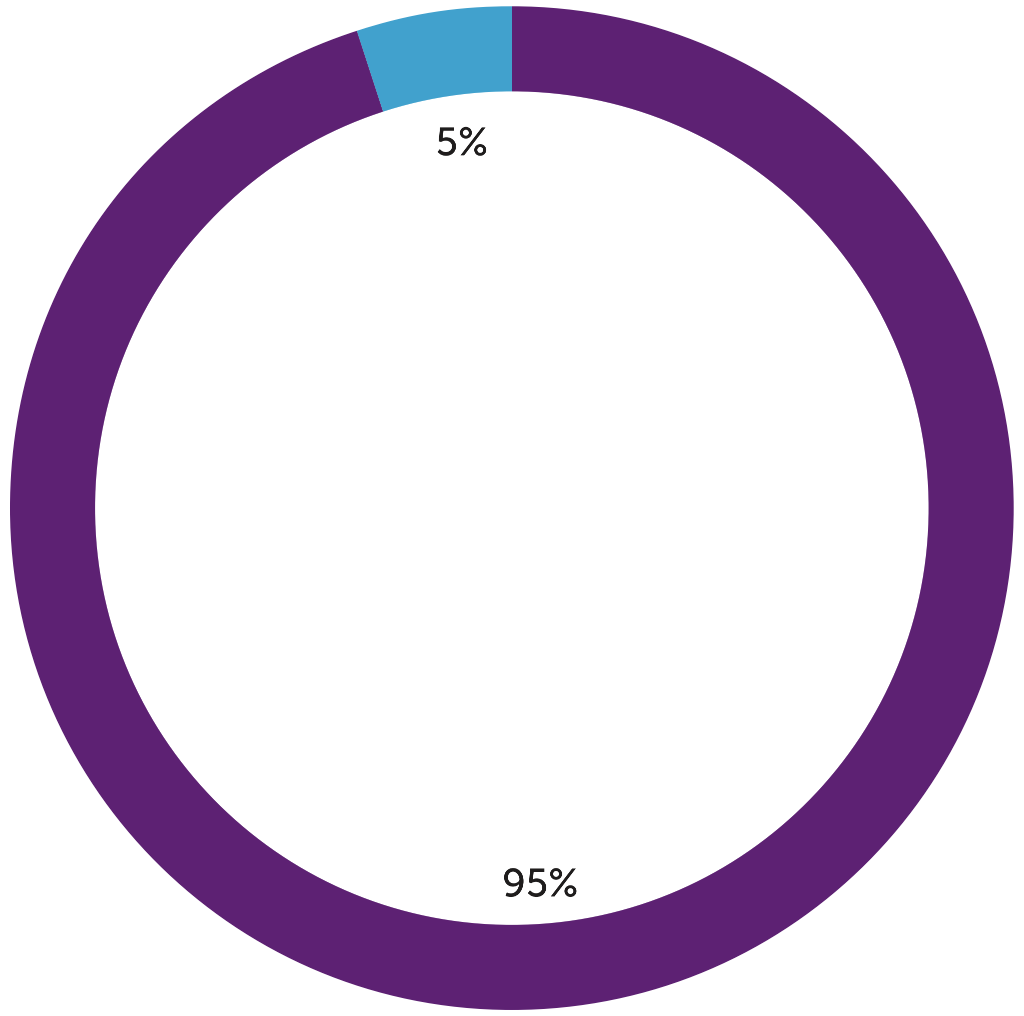
To this end, it was established that banking financial institutions (IFB) must transfer, by 31 December 2022, their services and activities of investment in securities and derivative instruments, pursuant to Article 3(1) of Presidential Legislative Decree No. 5/2013 of 9 October. Thus, from 1 January 2024, the licenses of banking financial institutions will be automatically revoked, regardless of whether they have carried out the transfer of their activities or not, which will imply the immediate termination of all their services and activities carried out in the Securities Market.

In view of this situation, the Bank is currently finalising the plan to ensure the appropriate transition of its Customers' assets, guaranteeing the best service.

Analysing the type of business carried out by Banco Económico throughout the year of 2022, in terms of number of transactions, there is a predominance of Treasury Bills (23%) in relation to Treasury Bonds (77%). This is because participants in Treasury Bill auctions, as these are short-maturity securities, hold the instruments until their redemption (held to maturity).

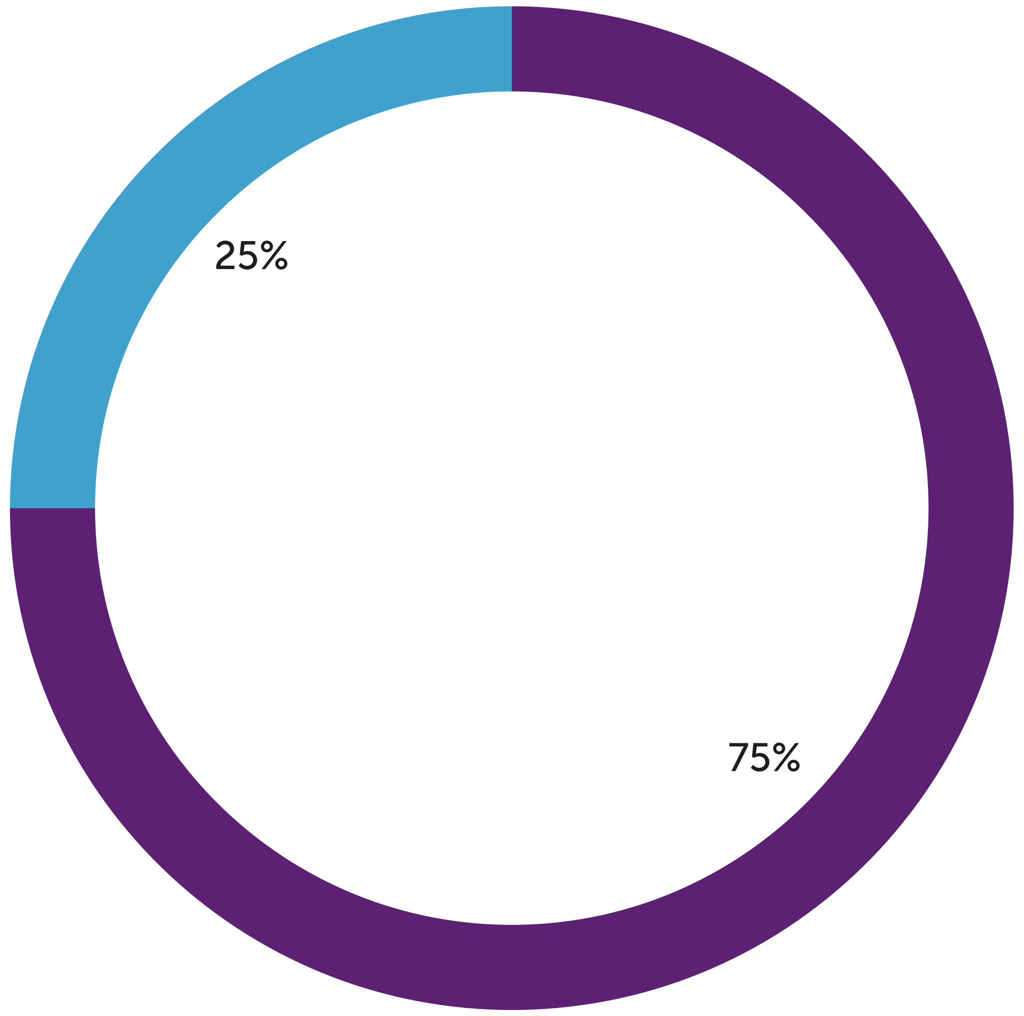
# Treasury bonds account for 95% of the value traded.

## Turnover – market




Treasury Bonds (OT) Treasury Bills (BT)

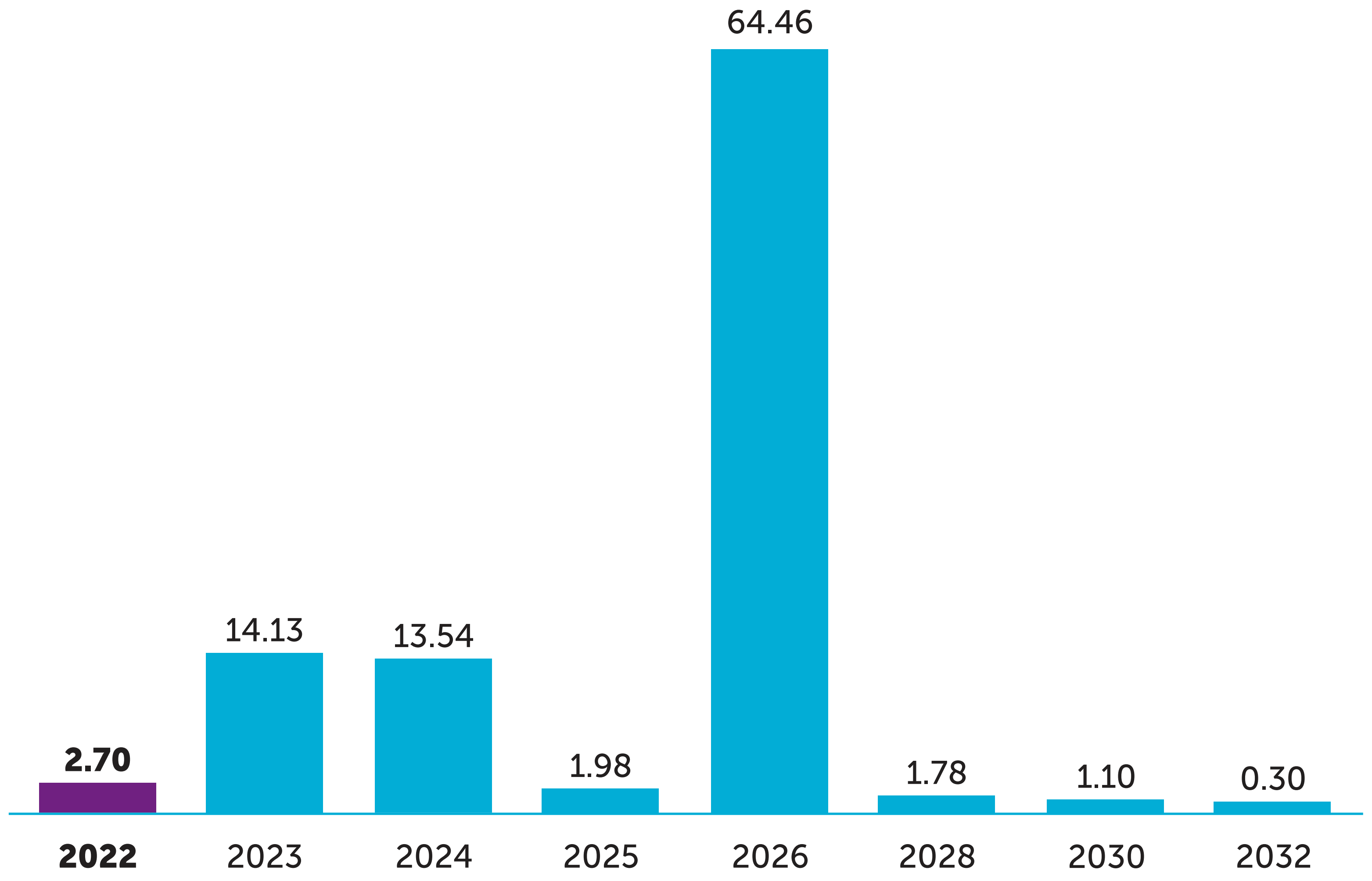
## Number of business deals – market




Primary Market Secondary Market

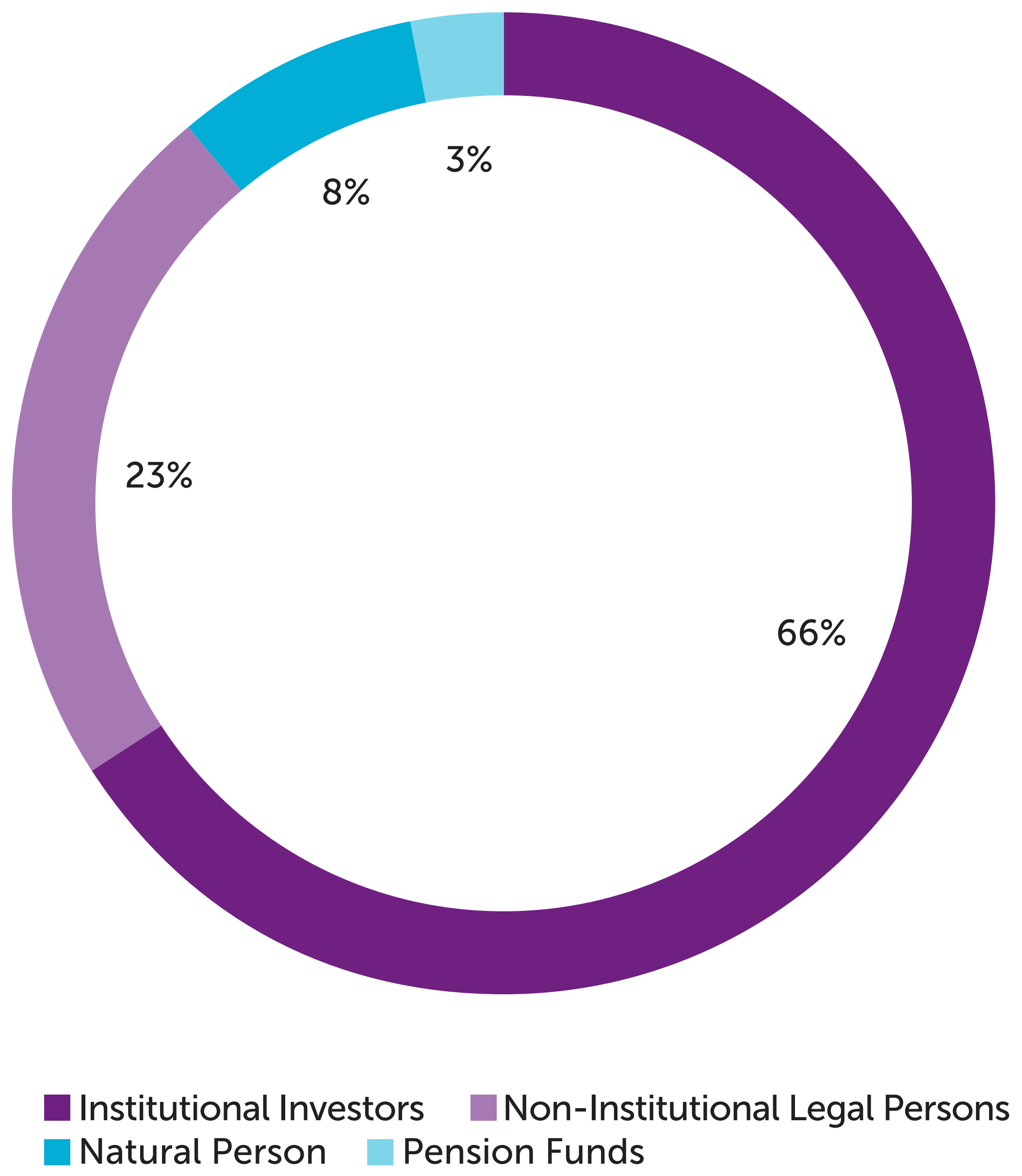
However, when we consider the distribution by amount traded, there is a clear predominance of Treasury Bonds, which represent 95% of the value traded on BODIVA.

Maturity level – %




Medium-term maturities were the most sought after, accounting for more than 80% of demand, and there was a greater number of transactions conducted by Customers classified as "Institutional Investors".

Investors typology – %




## Direct Channels and Payment Methods

The Bank has increasingly invested in developing its multichannel distribution platform, focusing on the development and implementation of initiatives that boost this evolution, especially the provision of new functionalities and improvements in payment methods and direct channels.

| Channel | Segment | User |
|---|---|---|
| Corporate EconomicoNet | Companies and Institutional | Customer |
| EconomicoNet | Individual Customers | Customer |
| EconomicoNet App | All | |
| Consult@Cartão | Companies and Institutional | Card beneficiary |
| Branch EconomicoNet | All | Bank Employees |
| Debit cards | All | Customer |
| Credit and Prepaid cards | All | Customer |
| Automated payment terminals at point of sale (POS) | Companies | Customer |
| Automated teller machines (ATM) | All | Customer |
| Contact Centre | All | Customer |

## New services and developments in 2022

In 2022, in addition to the completion of projects started in 2021, new functionalities and services were implemented, most importantly in projects of regulatory nature and for improvement of customer service.

In this context, the following are highlighted:

- New platform for Credit and Prepaid Card Management (in progress);
- Cardless withdrawal at automated payment terminals at point of sale (POS) (completed);
- Card Protector (completed);
- Middleware for Integration of Digital Wallets (completed);
- Online Payment Gateway (in progress);
- Evolution of the Electronic Payment Management System (EPMS) | Multiple Personalising Impact;
- Query of Single Reference of Payments to the State (RUPE) in Real Time (in progress);
- **EconomicoNetBalcão** – International Transfers;
- **EconomicoNetBalcão** – Term Deposits – Improvements (in progress);
- **EconomicoNetBalcão** – Improvement in the service of payment by reference;
- **EconomicoNet** – Request for debit card issue, replacement and activation.

In addition, several projects have been initiated, to be completed during 2023, continuing the process of transforming EconomicoNet services and payment methods, in line with the needs of our Customers and the retail networks, namely:

- **EconomicoNet:** inclusion of new functionalities to improve the usability experience (control and management of expenses, personalisation of menus, integrated chat and push notifications);
- **EconomicoNet:** redesign of the application's layout with a change of its look & feel and restructuring of menus;
- **EconomicoNet Balcão Improvements:** Single front end to support the operation and branch customer service, revision of the browser structure and menus, and improvement of the processes of integration with core banking;
- **EconomicoNet Balcão Improvements:** inclusion of the card management module (CATUS).

The customer helpline, as the main centre of interactions, has met the regulatory requirements by ensuring customer assistance 24/7 in the 3 channels provided (telephone, e-mail and WhatsApp).

With a view to extending the coverage line and assistance to Customers, a project has been launched to open the technical assistance line to users of automated payment terminals at point of sale (POS) which will operate 24/7, also ensuring remote assistance to Customers.

However, the improved offer of products and services is not only centred on the internet banking, POS and ATM channels. The Bank has been working on the implementation of a new platform for credit and prepaid card management and its portfolio will include new payment products suited to Customer needs, in particular:

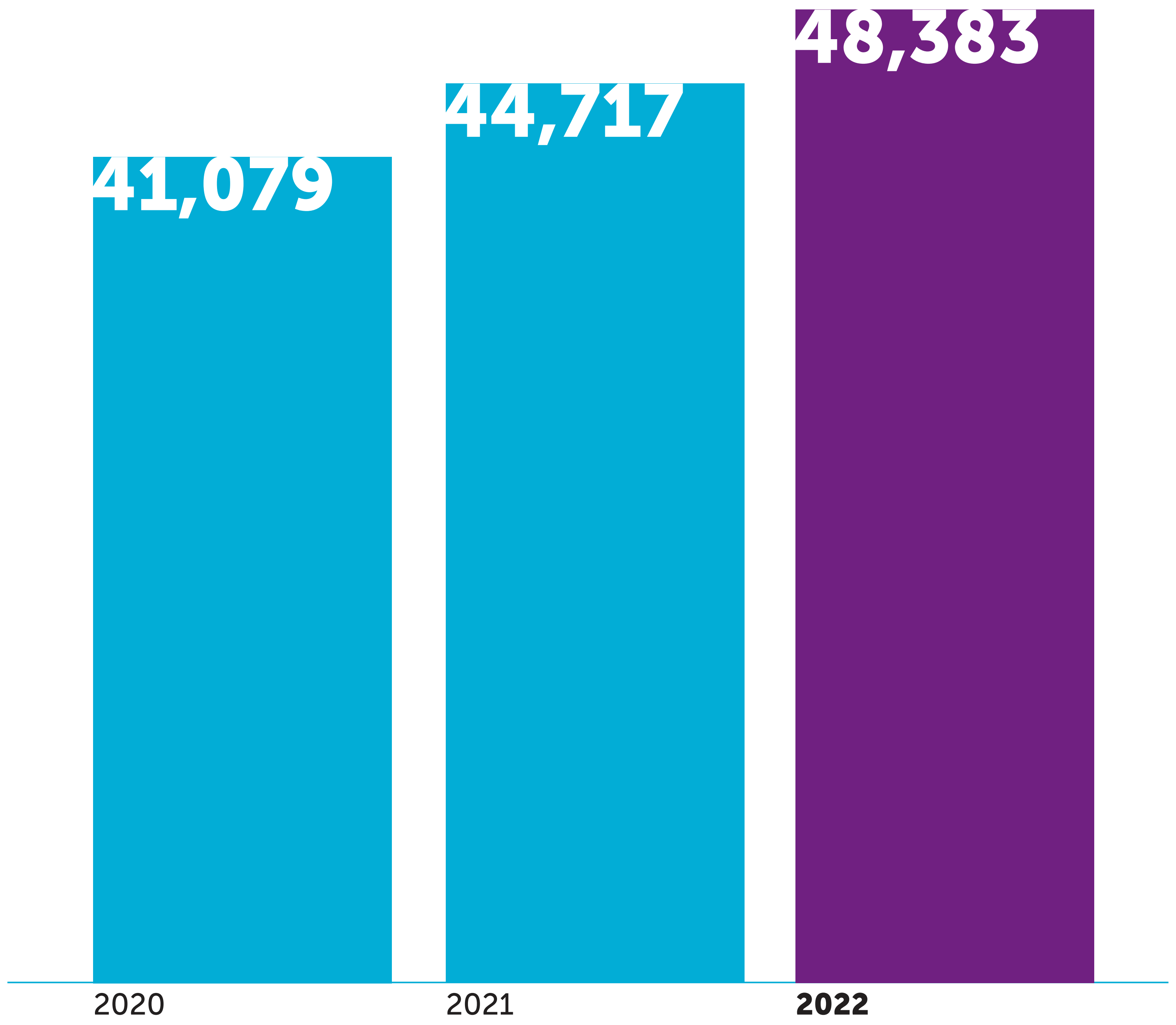
- VISA Prepaid Card;
- Multicaixa Prepaid Card;
- VISA Gold Credit Card;
- Multicaixa Credit Card.

## Cards and Channels in Numbers

### EconomicoNet Multichannel Platform

Subscriptions to **EconomicoNet** increased by 4% in 2022. This increase continues to be in line with the market evolution in the ongoing digital transformation process and with the Customers' growing preference for digital channels.

**EconomicoNet Subscription**

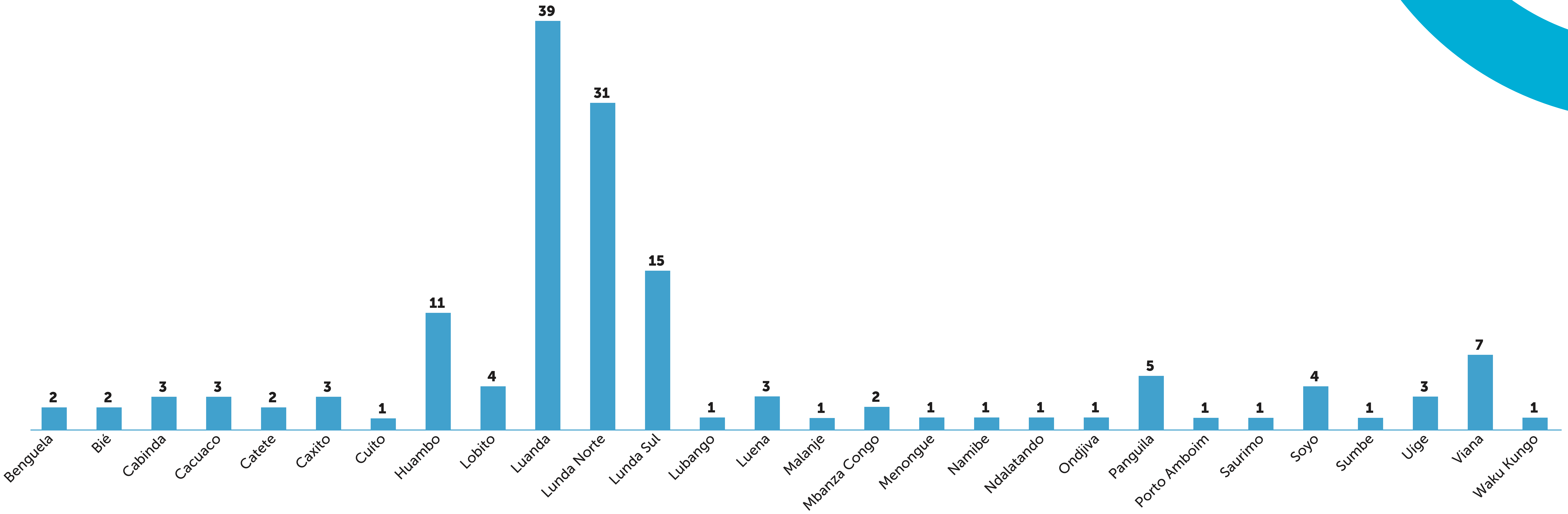


The penetration rate that EconomicoNet services has shown an upward trend over the last few years, despite the slowdown recorded among Individual Customers which fell from 20% in 2020 to 19% in 2021, while, in the same period, Corporate and Institutional Customers grew from 38% to 40%.

## Automated Teller Machines (ATM)

In 2022, Banco Económico had a total of 81 automated teller machines (ATM), representing a reduction of 17% in relation to the previous year. This reduction was primarily influenced by the process of restructuring the Bank's network of service points and by the start of the process of renovation of ATM machines, underpinned by the analysis of the performance of the machines in line with their location.

### Total of Automated Teller Machines (ATM)



### Automated Payment Terminals at Point of Sale (POS)

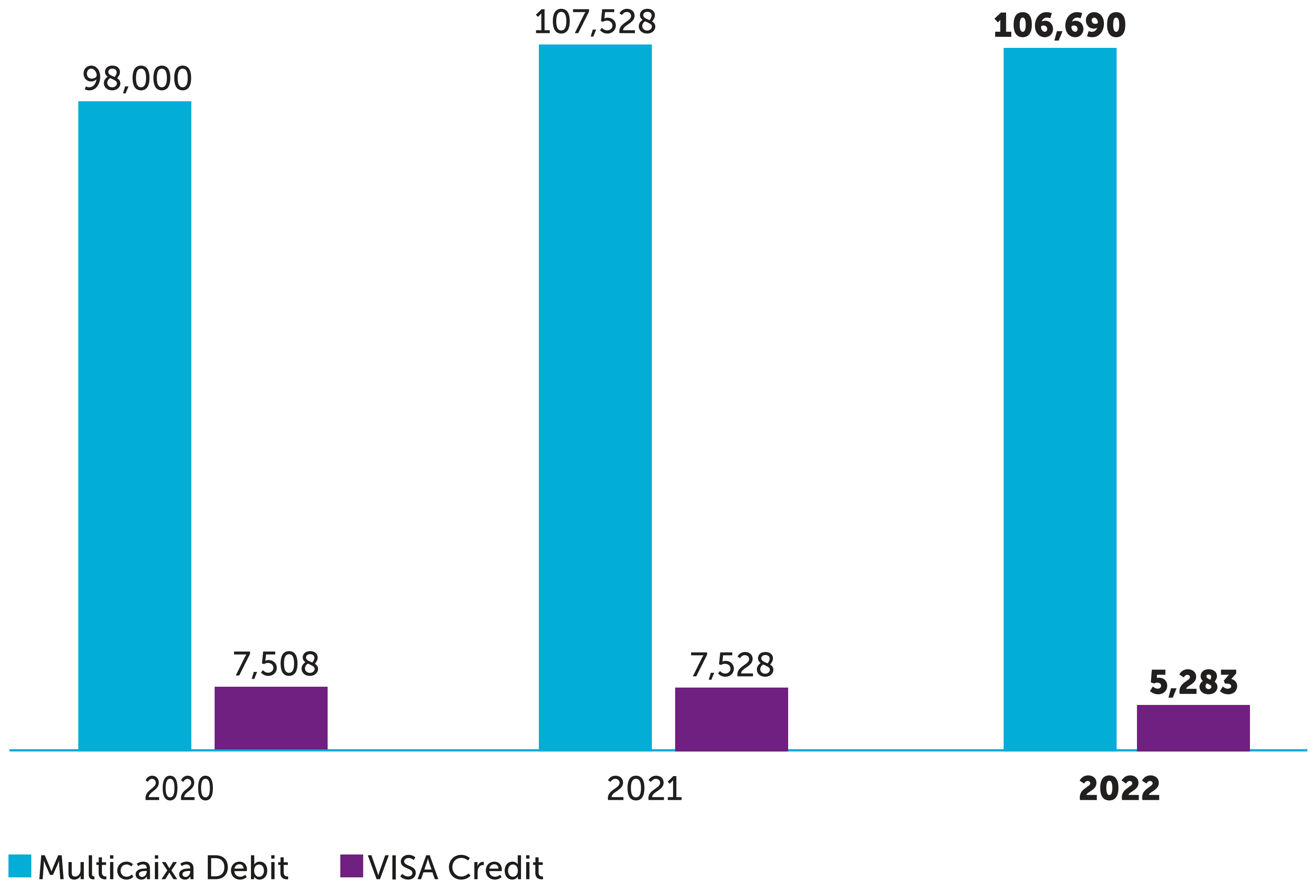
The network of automated payment terminals at point of sale (POS) also showed a decline in 2022, with the Bank having ended the year with a total number of 4,016 POS installed at 2,312 business premises, representing a market share of 2.5% and an activity level of around 70%.

### Debit and Credit Cards

The number of debit cards declined by 0.8% in 2022, amounting to a total of 106,690 cards issued and an activity level of around 68%.

Issued credit cards fell by 30% in 2022, with the Bank having ended the year with a total of 5,283 VISA credit cards.

**Debit and Credit Cards**




## Marketing and Communication

### Product and Service Campaigns

With the growing evolution of the banking sector in the Angolan market, Banco Económico sought to stay close to its Customers by creating new deposit products, aimed at retaining its existing Customers and attracting new Customers and resources.

In the portfolio of term deposits, special reference is made to the following product in portfolio which generated important dynamics in the attraction and retention of resources.

As in previous years, this campaign was launched with the following objectives:

**Business:** increasing market share among the Individual and Corporate segments, increasing turnover;

**Communication:** increasing the visibility and recall of Banco Económico among its target group, ensuring a closer relationship between the Bank and its Customers, and positioning the Bank as an innovative institution, reinforcing its values and competitive edge.


Deposit Anniversary Campaign

### Events

The Bank's strategy for 2022 was to keep the space filled with exhibitions, at no extra cost to the Bank. Hence, the following events were held at our gallery:

**Collective Exhibition – Narratives**

A collective exhibition of eight artists named "Narratives" – an initiative that enabled experiencing the various categories of the art universe, such as photography, plastic arts and sculpture.

Covering a total of 44 artworks, distributed over the plastic arts, photography and sculpture, this exhibition displayed the talent of eight renowned Angolan artists, namely Denise Luís, Benigno Tengo, Mumpasi Meso, Nelson Nascimento, Sofia N'yala, Fernando Lucano, Leandro Marques and Sakananu Wampitila.

**Individual Exhibition on the Aesthetics of Logs of Wood**

This exhibition, shown to the public for the first time, marks the debut of the artist Sérgio Lumingo. The artworks are reminiscent of ancient cultural habits of Angola, from the oral tradition encapsulated in African proverbs, to music such as Semba, Kuduro or even Kilapanda.

All the 25 artworks were created from tree trunks cut into rugged shapes and plants treated in a triangular metamorphosis of bodies, whose silhouettes are designed in a surreal fashion in pieces of logs.

**Heroines' Square Exhibition**

The outcome of the Nzinga art residency, this exhibition presented itself as an exquisite ovation to the symbolism and power associated with womanhood. This exhibition also included artworks of the guest artists Fran dos Santos and Marisa Kingica, both Angolan, and Astrid González, a Colombian artist.


Individual Exhibition on the Aesthetics of Logs of Wood


Collective Exhibition – Narratives


Heroines' Square Exhibition

## Internal Communication

Concerning internal communication, and with a view to strengthening the bonds of solidarity between the Bank and its Employees, reaffirming that Banco Económico's successful is the result of the commitment of all its human capital, we highlight the following actions:

### 8th Anniversary of Banco Económico

At a time of highly demanding challenges, it was necessary to reinforce our signature: We are future. We organised a more intimate celebration, to which all the Employees received an invitation via e-mail. The building's entrance was decorated with balloons to mark the Bank's 8th anniversary and allow for a beautiful photographic record.

### Pan-African Women's Day

This in-house action entailed two lectures and the presentation of a theatre performance by the Employees of the Credit Recovery Department (DRC). And, closing the event, a film allusive to the African woman was shown.



Pan-African Women's Day


8th Anniversary of Banco Económico

# Asset Management

## Económico Pension Funds – Económico SGFP

The mission of the pension fund management company Económico Fundos de Pensões – Sociedade Gestora de Fundos de Pensões, S.A. (Económico SGFP or Económico Pension Funds) is to contribute to the future of the participants and beneficiaries of the Pension Funds under its management, guaranteeing the right to future benefits and a dignified retirement, through prudent and efficient management of their contributions.

The activity of this pension fund management company is complementary to that of the public social security system, offering its associates, participants and beneficiaries the possibility of setting up autonomous assets (Pension Funds) which guarantee, in the future, the inalienable right of the human being to a retirement pension at the end of their active life upon termination of their contribution to pension schemes.

Accordingly, Económico SGFP's complementary mission is to contribute to the progress of its associate companies, enhancing the value of their Employees and fostering the country's economic and social development while respecting the rules of professional ethics and deontology.

Económico SGFP is a non-banking financial institution (IFNB) authorised to pursue its activity by the Ministry of Finance of Angola, through Order No. 419-A/09 dated 29 September 2009, for the corporate purpose of pension fund management in accordance with the rules regulating this activity, being able to conduct all acts that are not barred by the applicable legislation. This company has a team of professionals specialised in the set-up and management of pension plans and funds.

Económico SGFP started its business activity in Abril 2009 – under the corporate name of BESACTIF Sociedade Gestora de Fundos de Pensões, S.A. – for an indefinite duration, with its head office located at Rua Marechal Brós Tito, No. 35/37, 5.º andar, fracção C, Edifício Escom, Ingombota, in Luanda, Angola.

The General Meeting held on 15 July 2015 decided that its corporate name should be changed to its current name (Económico Fundos de Pensões – SGFP, S.A.), with this alteration being published in the Angolan Official Gazette *Diário da República* on 23 February 2017.

The pension fund Económico SGFP offers a series of retirement saving funds, with estimated medium and long-term yields, aimed at complementing the pensions established in the Legal Framework of Social Security Protection. Accordingly, for medium/long-term savings, Económico SGFP provides open-end pension funds, following retirement scheduling, in other words, for setting pension plans of companies and/or the participants.

The pension fund Económico SGFP been registered at the Angolan Insurance Regulatory and Supervisory Authority (ARSEG) since 2 March 2009, under number 56143, with its main Shareholders being Banco Económico, S.A. (controlling shareholder) and GNB – Gestão de Activos, SGPS, S.A. of the Novo Banco Group (Portugal):

### Shareholder Structure

Values expressed in thousand Kz

| Shareholders | No. of Shares | Nominal Value | % |
|---|---|---|---|
| Banco Económico, S.A. | 9,600 | 960,000,000 | 96.0% |
| GNB – Gestão de Activos, SGPS, S.A. | 370 | 37,000,000 | 3.7% |
| Individual Shareholders (#3) | 30 | 3,000,000 | 0.3% |
| **Total** | **10,000** | **1,000,000,000** | **100%** |

### Pension Funds under Management

As at 31 December 2022, the Bank managed five Pension Funds, two of which were open-end and three closed-end:

| Pension Funds | Incorporation Date | Transfer Date | Type of Plan | Pension Plan |
|---|---|---|---|---|
| 1-5-10 Per day Pension Fund | 27/07/2001 | 01/12/2013 | Open-end | Defined Contribution |
| Ministry of Petroleum Workers' Pension Fund | 03/01/2003 | 01/04/2014 | Closed-end | Defined Benefit |
| UNITEL Workers' Pension Fund | 01/12/2007 | 01/02/2014 | Closed-end | Defined Contribution |
| ENE, EP Workers' Pension Fund | 21/05/2008 | 01/02/2014 | Closed-end | Defined Benefit |
| BESA Options Retirement Pension Fund | 01/02/2010 | - | Open-end | Defined Contribution |

Although the Angolan 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. Despite the growth of economic activity, the Pension Fund sector experienced difficulties during 2022 in terms of new subscriptions to funds – both among companies and individuals – in addition to constraints and delays of the associate companies in making their contributions.

Notwithstanding this, Económico SGFP continued along its positive evolution with sustained growth of its activity, in collaboration with its Shareholders, its regulator (ARSEG) and other stakeholders, consolidating its presence in the market.

Special reference is made to the increased value of the funds under management of Económico SGFP, which reached Kz 28,211 billion in December 2022, compared with Kz 24,392 billion in 2021 (+16%).

**Evolution of the Portfolios of Funds under Management**

Values expressed in thousand Kz

| Pension Funds | **2022** | 2021 | 2020 | Var. (%) 2022-2021 | CAGR 22/20 |
|---|---|---|---|---|---|
| UNITEL Workers' Pension Fund | **18,486,058** | 15,024,410 | 11,547,903 | 23% | 27% |
| BESA Options Retirement Pension Fund | **4,553,482** | 3,944,585 | 3,418,384 | 15% | 15% |
| ENE, EP Workers' Pension Fund | **2,827,847** | 3,026,655 | 4,294,541 | -7% | -19% |
| Ministry of Petroleum Workers' Pension Fund | **2,161,360** | 2,245,316 | 2,601,401 | -4% | -9% |
| 1-5-10 Per day Pension Fund | **182,724** | 151,195 | 151,868 | 21% | 10% |
| **Total** | **28,211,471** | **24,392,161** | **22,014,096** | **16%** | **13%** |

Analysing the evolution over the last two-year period (2020-2022) we find an average annual growth of 13% of the funds under management, revealing the strong commercial and financial dynamics of Económico SGFP in a particularly challenging environment, as has been the case of the last two years.

There has been an increase in the assets of the funds, both in the UNITEL Workers' Pension Fund and BESA Options Retirement Pension Fund, which grew by 23% and 15% respectively.

**Evolution of Management Fees**

Over the last few years, Económico SGFP has achieved a positive evolution of its revenue, which are consistently maintained:

Values expressed in thousand Kz

| Pension Funds | **2022** | 2021 | 2020 | Var. (%) 2022-2021 | CAGR 22/20 |
|---|---|---|---|---|---|
| UNITEL Workers' Pension Fund | **186,728** | 155,760 | 149,146 | 20% | 12% |
| BESA Options Retirement Pension Fund | **116,763** | 101,149 | 97,628 | 15% | 9% |
| ENE, EP Workers' Pension Fund | **82,958** | 88,790 | 146,298 | -7% | -25% |
| Ministry of Petroleum Workers' Pension Fund | **15,236** | 15,828 | 22,328 | -4% | -17% |
| 1-5-10 Per day Pension Fund | **4,117** | 3,877 | 4,147 | 6% | 0% |
| **Total** | **405,803** | **365,404** | **419,547** | **11%** | **-2%** |

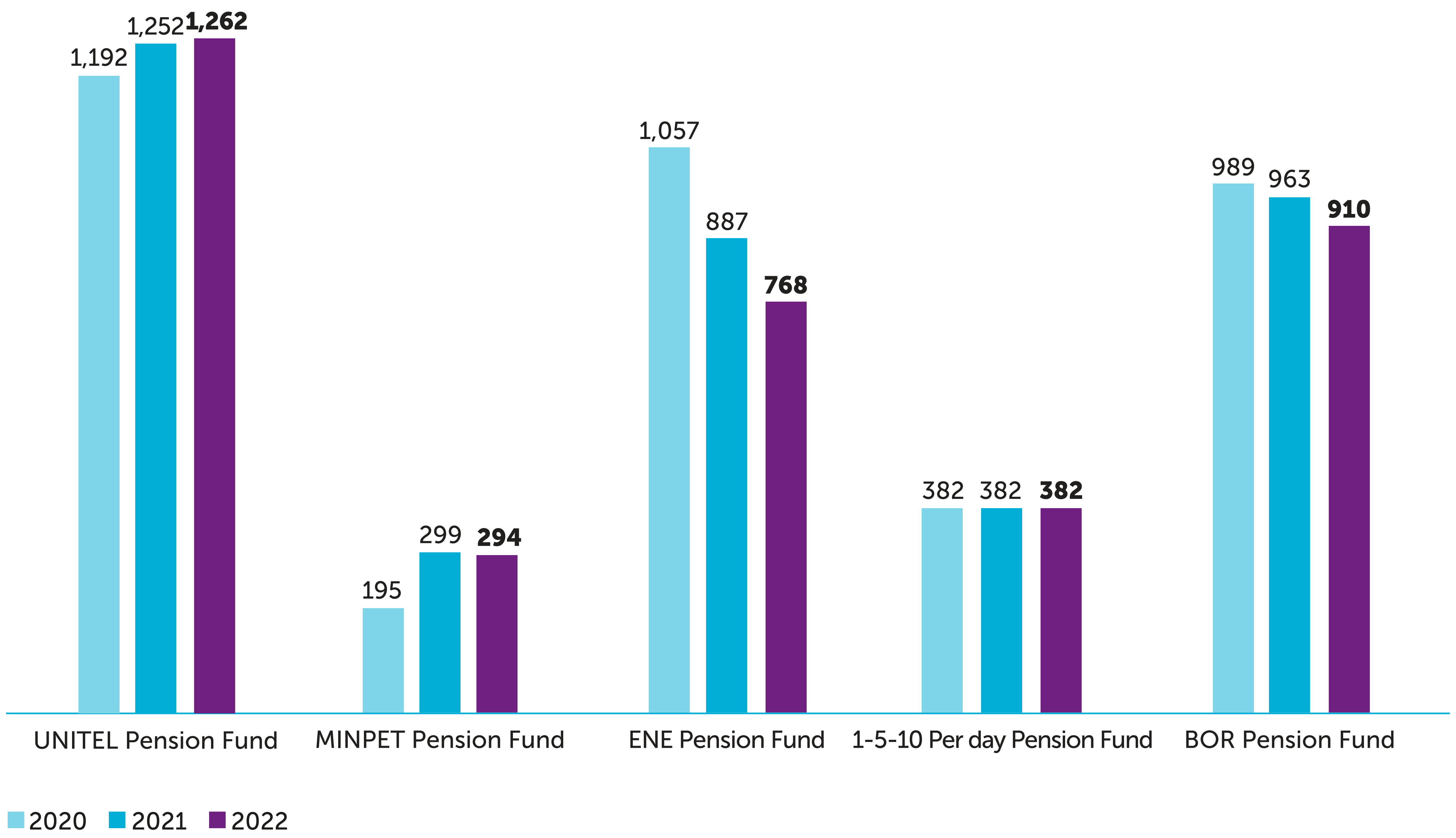
Revenue increased by approximately 11% in 2022. The reduction of revenue in 2021 was due to the incidence of taxes which had not been reflected in the portfolio in previous years. However, Económico SGFP has shown a very positive evolution of its revenue, which amounted to Kz 405,803 thousand in 2022.

**Evolution of Participants and Beneficiaries**

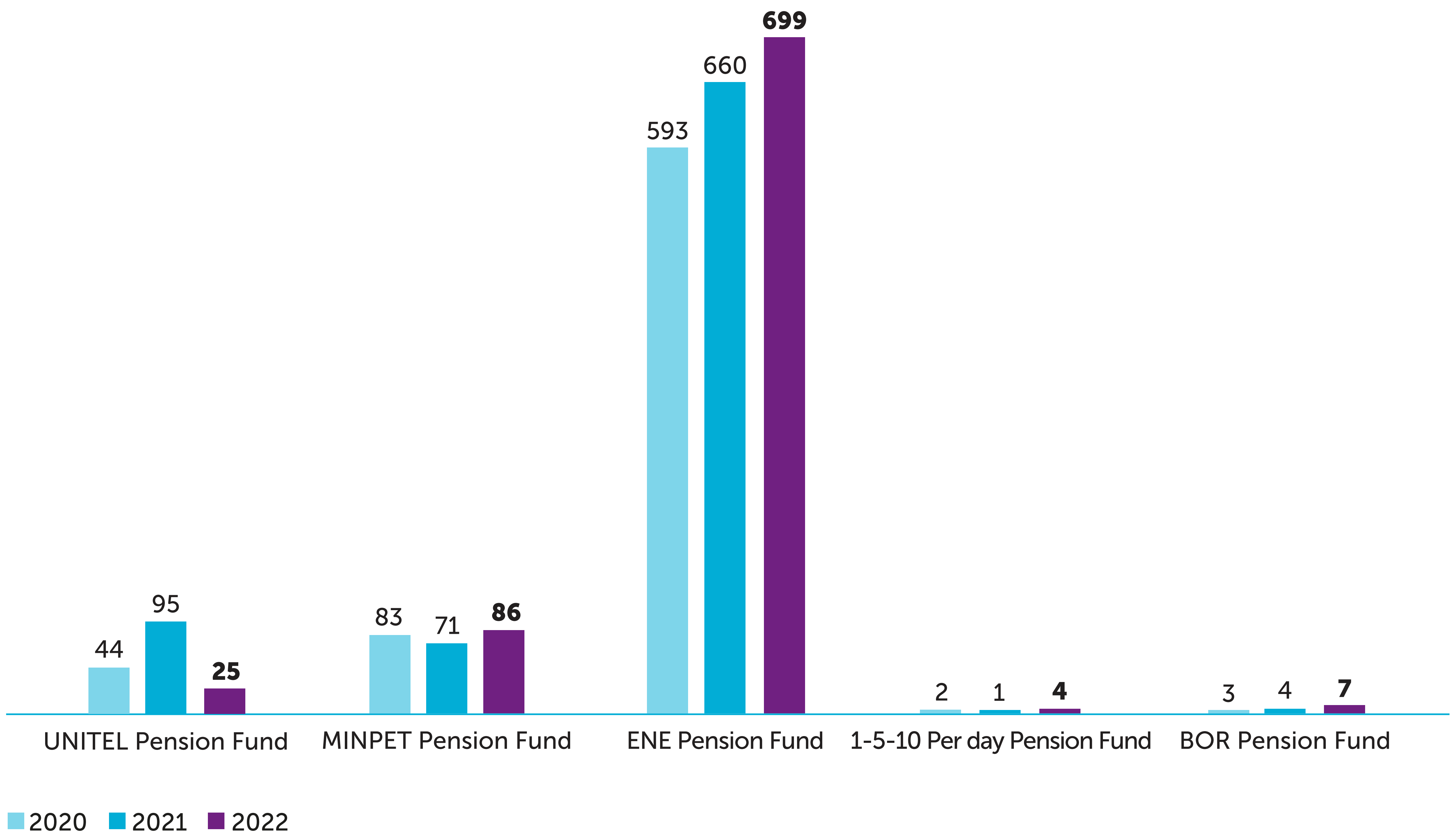
New subscriptions are particularly noteworthy in the MINPET Fund, followed by the UNITEL Fund, offsetting the reduction in the remaining funds, particularly the ENE Fund. This evolution reflects the profile of the active population of the respective associates:

- The MINPET Pension Fund, with a stable population that grew via the aggregation of two Ministries (Petroleum and Geology and Mines which gave rise to the Ministry of Mineral Resources and Petroleum);
- The UNITEL Pension Fund, with a young and still growing population; and
- The ENE Pension Fund, with the strongest growth of beneficiaries, as its participants begin reaching retirement age.

## Participants




## Beneficiaries



## Económico Investment Funds – Económico SGOIC

Económico Fundos de Investimento, S.A. – Sociedade Gestora de Organismos de Investimento Coletivo, (EFI-SGOIC or Económico Investment Funds) is a collective investment undertaking management company, a non-banking financial institution, authorised by the Minister of Finance by Executive Order of 7 January 2008, incorporated on 14 March 2008 and which commenced its activity on 21 April of the same year. It is registered at the Commercial Registry Office of Luanda under number 263-08 and has been registered at the Capital Market Commission since 21 April 2008 under number 05/GSC-DJR/04-08.

The corporate purpose of EFI-SGOIC is the institution, organisation and management of collective investment undertakings (OIC) (investment funds both comprising real estate and securities, real estate investment companies, among others), in accordance with the rules governing this activity.

In the sphere of real estate collective investment undertakings, the main mission of EFI-SGOIC is the management of its Customers' real estate assets, including development, marketing and sale, rental, technical management and maintenance, and other activities covered by the applicable regulations, with a view to developing construction projects for buildings of different types, uses and sizes.

EFI-SGOIC plays an important role in Angola in enhancing the value of real estate assets, contributing to the country's economic and social development, in observance of the rules on ethics and professional conduct, offering a better quality of life and boosting the value of its Customers' investments.

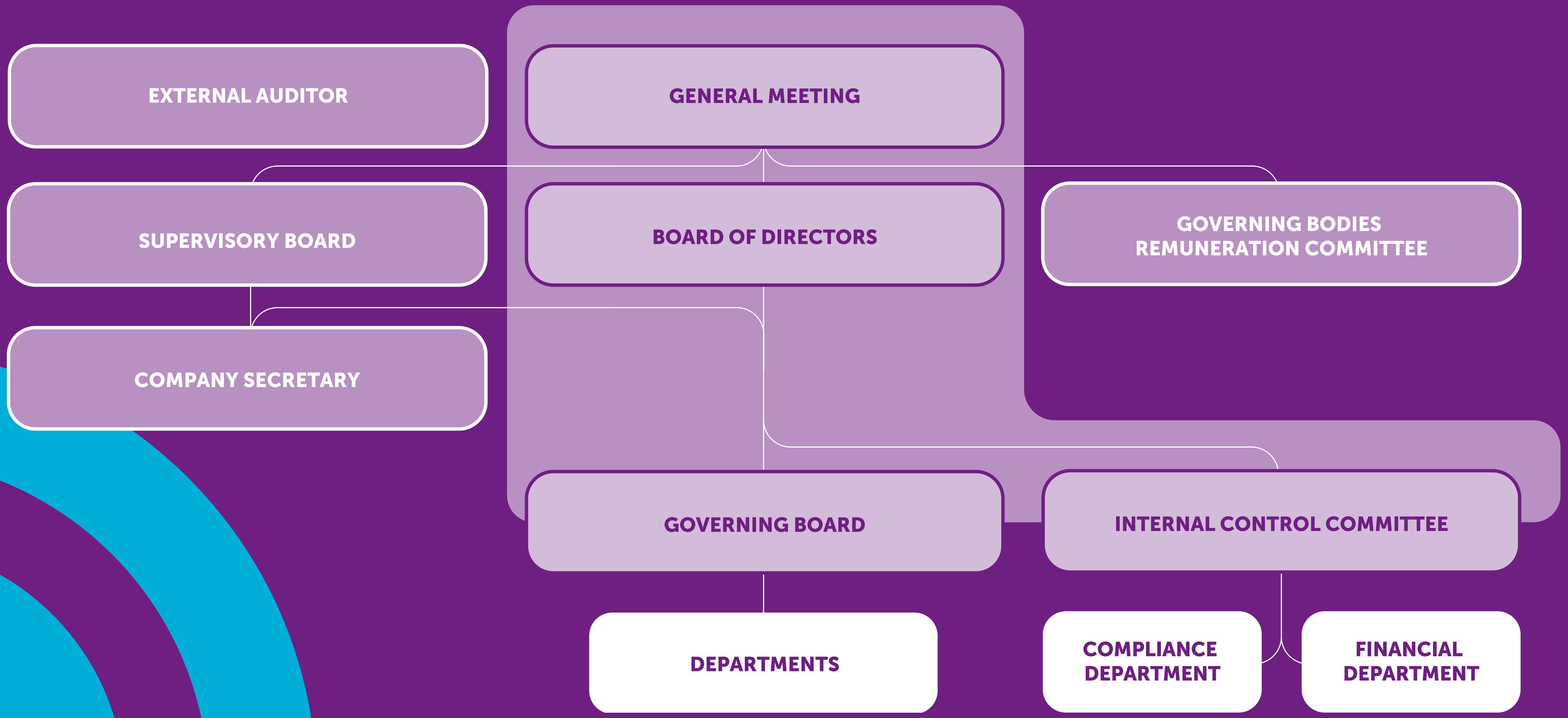
# Valorisation of real estate assets is crucial.

The shareholder structure of EFI-SGOIC comprises three entities, two legal persons owning qualifying holdings (one under Angolan law and another non-resident) and three natural persons. The owners of the qualifying holdings in its shareholder structure are Banco Económico, S.A. and GNB – Gestão de Activos SGPS, S.A. (subsidiary of the Portuguese Novo Banco Group for the asset management area) and three individual Shareholders.

Values expressed in thousand Kz

| Shareholders | No. of Shares | Nominal Value | % |
|---|---|---|---|
| Banco Económico, S.A. | 620 | 55,800 | 62% |
| GNB – Gestão de Activos, SGPS, S.A. | 350 | 31,500 | 35% |
| Individual Shareholders | 30 | 2,700 | 3% |
| **Total** | **1,000** | **90,000** | **100%** |

## Governance Model and Internal Control System



The management company EFI-SGOIC has been adapting its corporate governance model and internal control system with the applicable regulations, the regulator's recommendations and best national and international practice, relying on the support and experience of its main shareholder.

**Real Estate Fund Management**
EFI-SGOIC has recognised experience of managing real estate investment funds (FII), having managed two funds whose liquidation took place during 2018:

- **BESA Valorização** – Fundo de Investimento Imobiliário Fechado (closed-end real estate investment fund);
- **BESA Património** – Fundo de Investimento Imobiliário Fechado (closed-end real estate investment fund).

BESA Valorização – Fundo de Investimento Imobiliário Fechado (closed-end real estate investment fund) was incorporated on 10 August 2012 with a capital of USD 1,000,000,000 (one billion US dollars), represented by 50,000 participation units (UP) with a unit value of USD 20,000 and Banco Económico as depositary.

The main purpose of this fund was to finalise existing real estate projects and settle their legal situation and the effective ownership of the properties that had already been purchased.

The fund was liquidated with distribution of its assets, by public deed executed on 22 February 2018

BESA Património – Fundo de Investimento Imobiliário Fechado (closed-end real estate investment fund) was authorised by the Capital Market Commission on 15 October 2008 and began its activity on 13 December of the same year, as a closed-end fund, with a duration of 5 years and Banco Económico as depositary. Its capital was USD 100,000,000 (one hundred million US dollars), represented by 100,000 participation units (UP) with a unit value of USD 1,000.

In 2013, the Meeting of Participants decided to extend the fund's duration for an additional period of 3 years. At the time of this extension, some participants chose to redeem the value of their participation units, leading to a reduction of the number of initially issued units.

The fund was liquidated with distribution of its assets, by public deed executed on 14 July 2018, with its net assets having been transferred to the public stock corporation INVESTPAR – Investimentos e Participações, S.A. (INVESTPAR), majority holder, which became its sole beneficiary after having acquired the minority positions from all the other participants.

By letter dated 20 July 2018, EFI-SGOIC informed the Capital Market Commission of the fund's liquidation and asset distribution.

**Wealth Management**
The year 2022, similarly to 2021, was very challenging for real estate management, as the prices of real estate assets continued on a downward trend, penalising the assets through the impact of their devaluation and sharp reduction in commercial activity, particularly transactions for purchase and sale of real estate.

Under these circumstances, the company sought to diversify its activity within the scope of its corporate purpose and the applicable regulations, to the management of autonomous assets of Customers, both natural and natural persons, whether concerning securities or real estate, subject to being registered at the regulator.

Accordingly, a contract was signed on 1 January 2021 for the commercial, administrative and operational maintenance of the real estate assets which had belonged to the former and now liquidated funds, with the ownership of the assets being transferred to INVESTPAR – Investimento e Participações, S.A. (formerly named Grupo ENSA – Investimentos e Participações. E.P.).

**The year 2022 was very challenging for real estate management.**

The services rendered by this management company now enable maintaining and boosting the market value of the real estate assets, ensuring their appropriate maintenance, and provide for their sale or transfer to new funds subject to Capital Market Commission regulation, when that decision is taken in a more favourable market scenario.

**Business Strategy**

Considering the current circumstance that the investment funds previously under the company's management (BESA Valorização and BESA Património) completed their liquidation procedures in 2018, and that up to the present date the company has not had any collective investment undertaking under management, meaning breach of the maximum time limit of 180 days established in the Legal Framework of Collective Investment Undertakings, the Board of Directors considers that the operations should be discontinued with subsequent liquidation of the company.

Alternatively, to ensure the continuity of the operating management of the real estate properties controlled by Banco Económico, an unregulated real estate management company is currently being created. The purpose of this company, with majority holding by the Bank, will be to render operational and commercial management services for the real estate property within the Bank's asset sphere that are not allocated to operations, available for sale and will not be part of the new real estate investment fund that is currently being incorporated.

# The Plan to Optimize Real Estate Assets is essential.

As the disposal of real estate assets is one of the key pillars of the Recapitalisation and Restructuring Plan, priority is given to the preparation and approval of a Strategic Plan to Optimise the Real Estate Assets of Banco Económico, which will aim to ensure their appropriate management, fostering their profitability via maximisation of revenue (sales, rentals and other forms of commercial operation) and minimisation of costs (condominium, tax, maintenance and management expenses).

The reversal of the operation of assignment of assets and economic rights to INVESTPAR (INVESTPAR Operation) and the consequent return of the real estate properties and loans to the Bank's sphere, reinforces the need to prepare, approve and implement that plan.

The implementation of the Plan to Optimise the Real Estate Assets comprises the most important strategic initiative of the Emergency Plan and Recapitalisation and Restructuring Plan, as the Bank's assets are primarily composed of assets of this nature, which, apart from not generating returns, weigh heavily in the Bank's cost structure.

In view of this scenario, the Board of Directors of Banco Económico is faced with the thorny challenge of transforming these fixed assets into financial assets, able to add value to the Bank while, at the same time, elevate its liquidity levels, to normalise the Bank's participation in the payment system and settle liabilities owed to suppliers.

# 3.2. Human Capital and Social Responsibility

## Background

In 2022, in a demanding and challenging context, the Bank kept its focus and determination on the implementation of the Recapitalisation and Restructuring Plan (RRP). The implementation of the measures associated with the plan required positioning and preparing the Bank for projection and growth in a more sustainable and harmonious manner.

The kick-off of the implementation and conduct of the Recapitalisation and Restructuring Plan's activities was only possible thanks to the efforts, dedication and commitment of the Bank's Employees. In addition to always having been a fundamental and primordial pillar for Banco Económico, at this stage and phase of the restructuring process, they also received special focus and attention in the development of people and their culture, even within the restrictions, which was acknowledged by the regulator.

Thus, the guidelines were defined in view of the Bank's ambition regarding the results it set out to achieve.

## Demographic Indicators

As at 31 December 2022, the Bank had 845 Employees, 87 less than in 2021. This reduction reflects 87 Employees who left, 63 of whom on their own initiative, 11 due to dismissal for a valid reason, 8 due to end of term of office, 2 retired, 2 due to non-renewal of contract, and 1 dropped out of work.

At the end of this year, 31 Employees were assigned to prudential and market conduct supervision (33 in 2021), 19 Employees worked in financial stability areas (41 in 2021), 424 in business areas (47 in 2021), 365 in support areas (366 in 2021) and 6 in administration.

Taken as a whole, gender balance continued to be upheld. The average age of the Employees also increased slightly, from 37 to 38 years old (38 years old in men and 38 years in women), countering the previous trend, with the age cohorts of 30-34 and 35-39 continue to be the most representative. The composition by function has remained practically unchanged.

## Training

The Bank continued to focus on the development of its Employees, taking into account the goals defined in the institution's Strategic Plan and transversal needs. The Bank's active concern for corporate training has given rise to its main training programmes aimed at fostering the development of technical, behavioural, digital and management skills.

**Employees are a fundamental and primordial pillar to Banco Económico.**

**Training Catalogue**

The Bank's Training Catalogue provides for a vocational teaching approach in four types of training:

- Mandatory/Regulatory
- Behavioural
- Technical
- Specific

**748**

Volume of Hours of Training

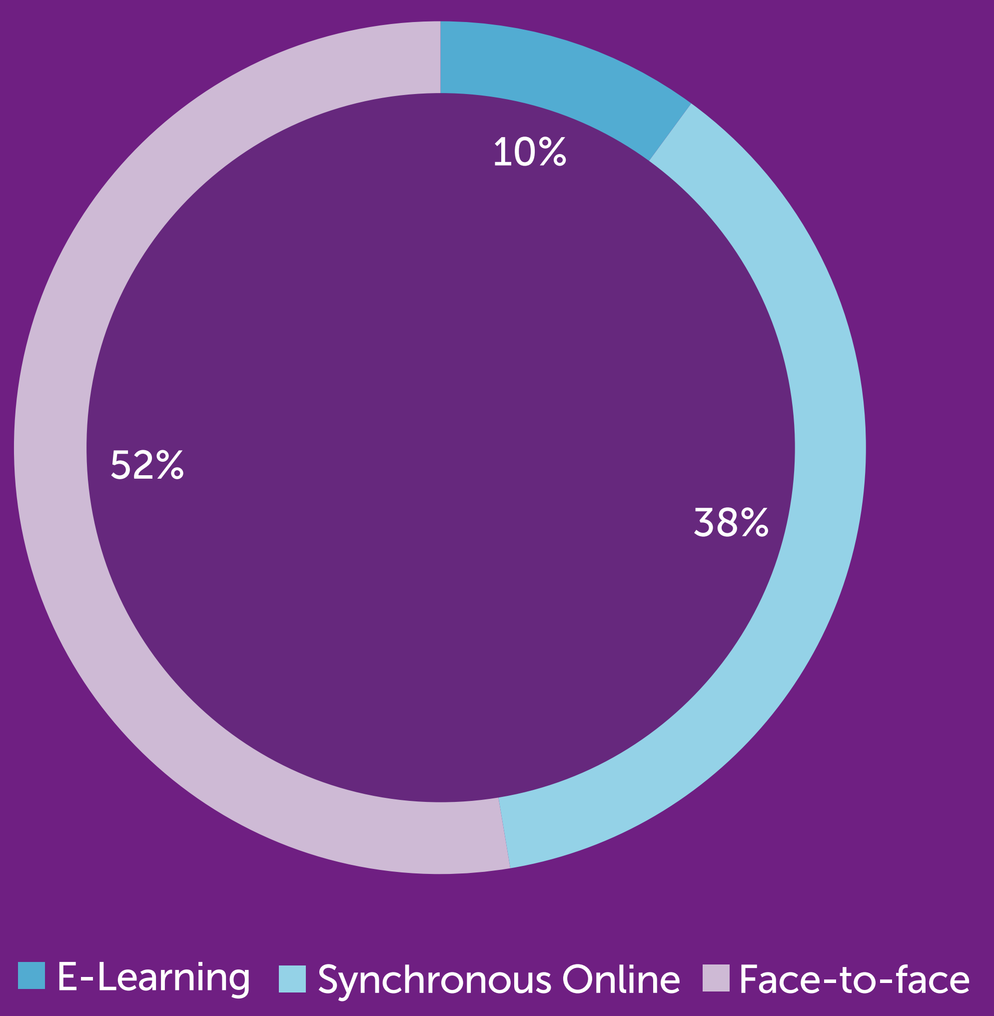
**21**

Number of Training Sessions Ministered

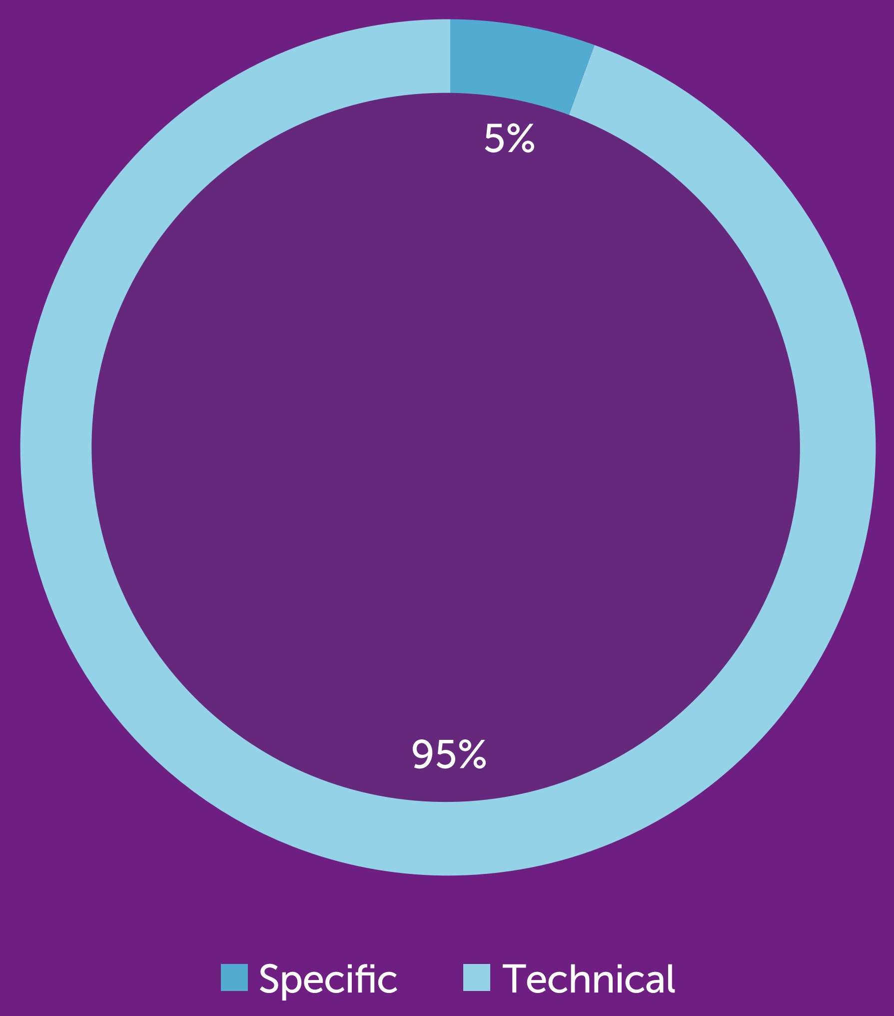
**34**

Number of Trainees

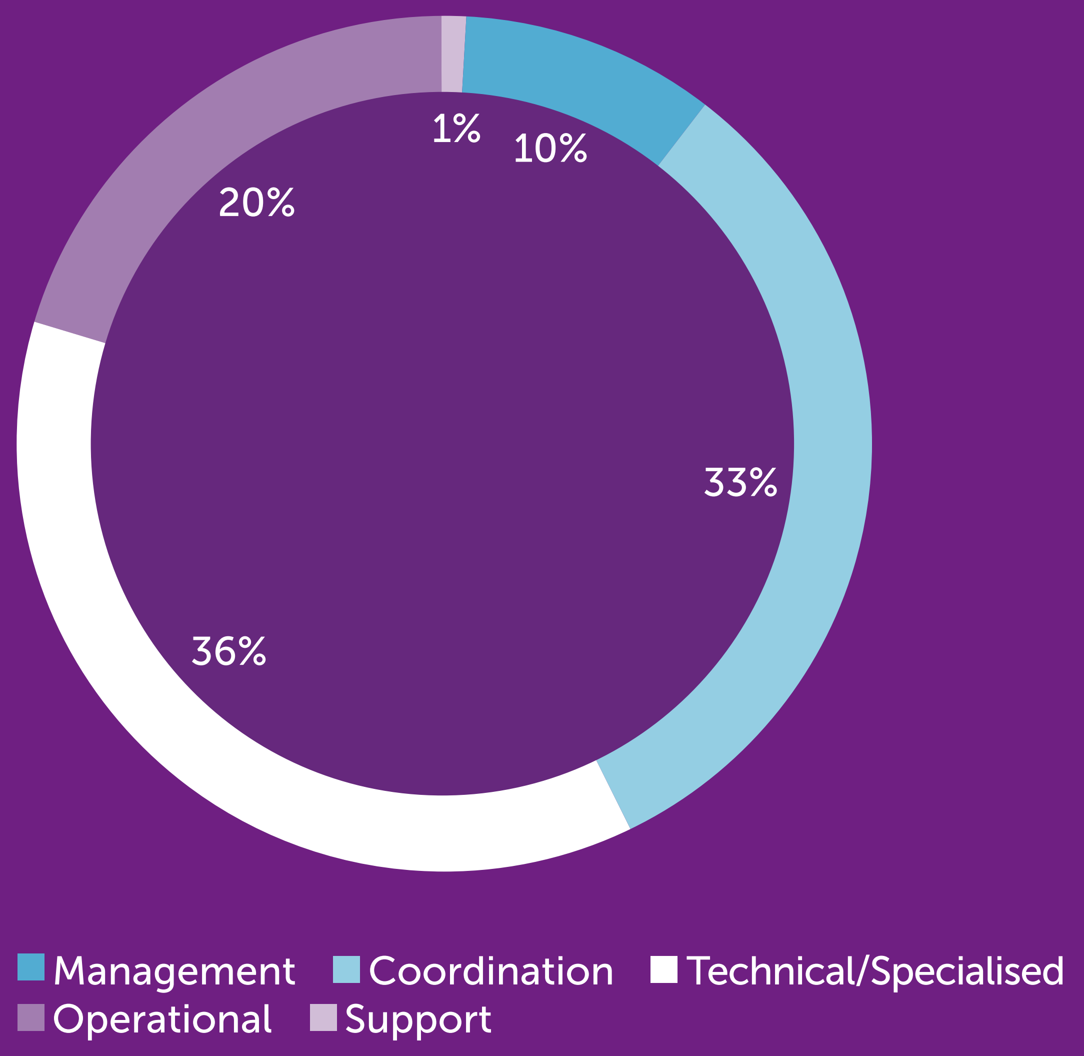
## Type of Training



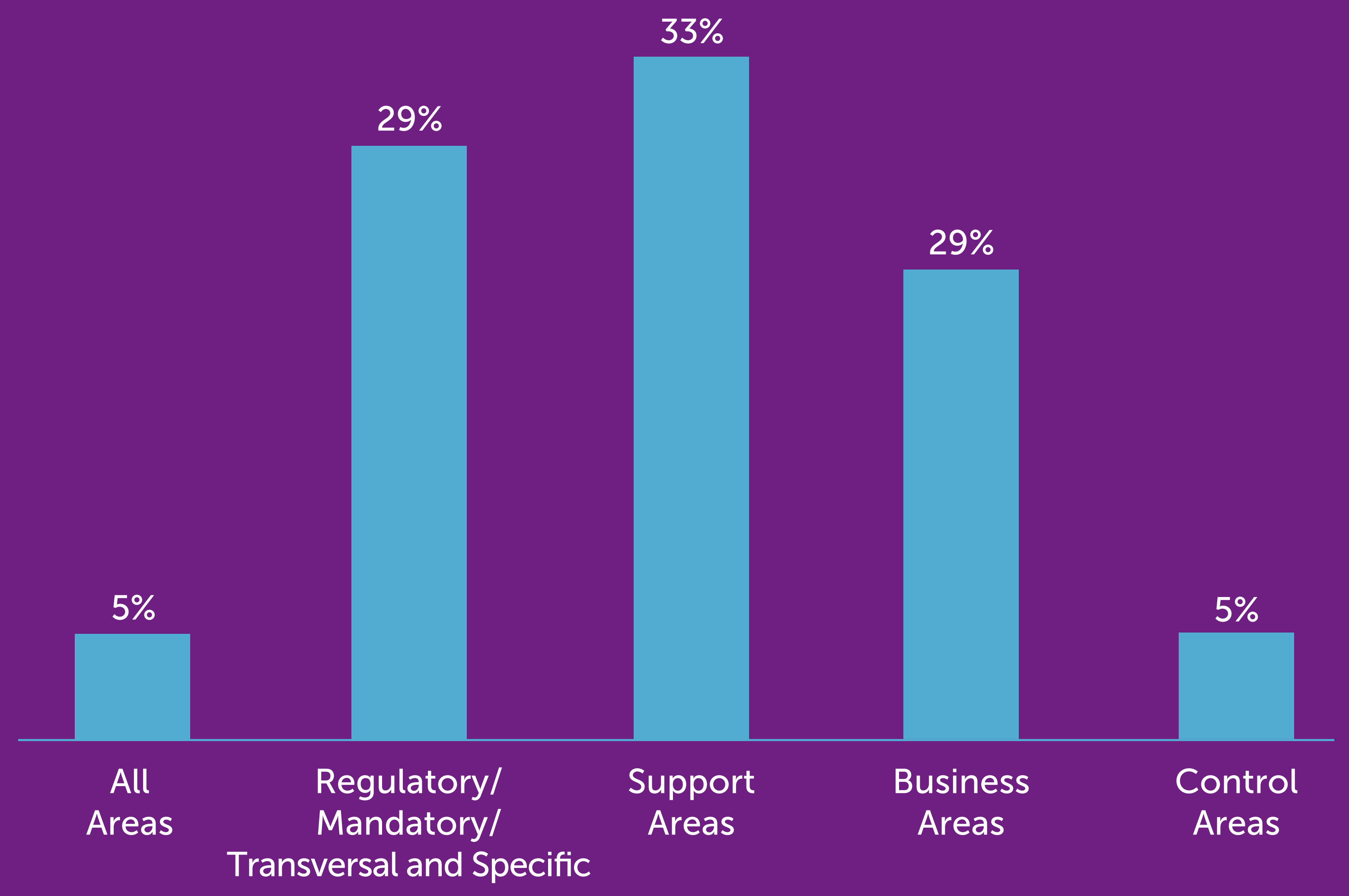

## Type of Skills




## Distribution by Functional Bands




## Distribution by Areas



## Training Catalogue

| Type of Training | Topics |
|---|---|
| Mandatory/ Regulatory (7) | AML/CFT and Ethics Training |
| | SWIFT – Training and Awareness-raising on Information Security |
| | Training Session on Data Protection V1 |
| | Training Session on Data Protection V2 |
| | FATCA |
| | AML |
| | Emergency Evacuation Teams |
| Technical (6) | Involve – Capacity-building training project |
| | Financial Risk Management |
| | Training on Securities Law |
| | Financial Education Lectures |
| | Advanced Course on Business Taxation |
| | Postgraduation in Banking Management |
| Specific (8) | Elucidation Session on the Implementation of Multicaixa Cards to Corporate Centres |
| | Elucidation Session on BNA Notice No. 2/2020 and Circular Letter 002/DCCD/20 |
| | Modules 2.1 Introduction to the Multicaixa Network and 2.2 Acquiring and Business Models |
| | Easy Receipt Product Training |
| | Elucidation Session on foreign exchange legislation - DAFF |
| | Flexcube V12.4 – Refresh – Reintegrated |
| | Training on Mining for Non-miners |
| | II Edition of the Angolan Compliance Conference |

## Training | Structural Development Projects at the Bank

**BELINKED**

The **BELINKED** concepts means **WE ARE LINKED**. This represents the development of a strong link between all the participants in the business.

The main goal of BELINKED was to develop, boost and enhance the commercial skills related to customer service, customer management and leadership of the business areas.

This training programme was held at a distance and had a strong component of simultaneous interaction with synchronised individual monitoring sessions to customise tools and good practice.

The overall goal was to ensure that the leaders continue committed to Banco Económico and their teams, in terms of the accomplishment of goals and mobilisation of their people by motivating them and creating challenges.

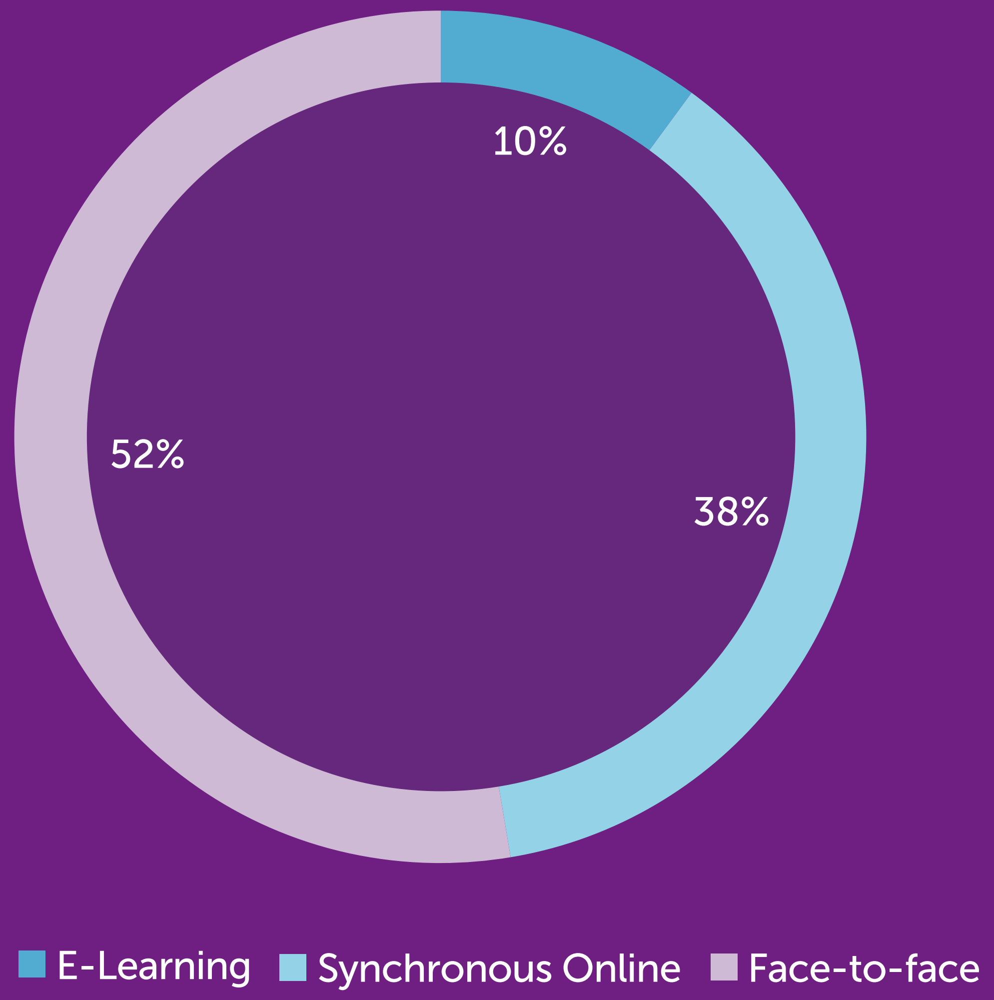
**835**
Volume of Hours of Training

**197**
Number of Participant Employees

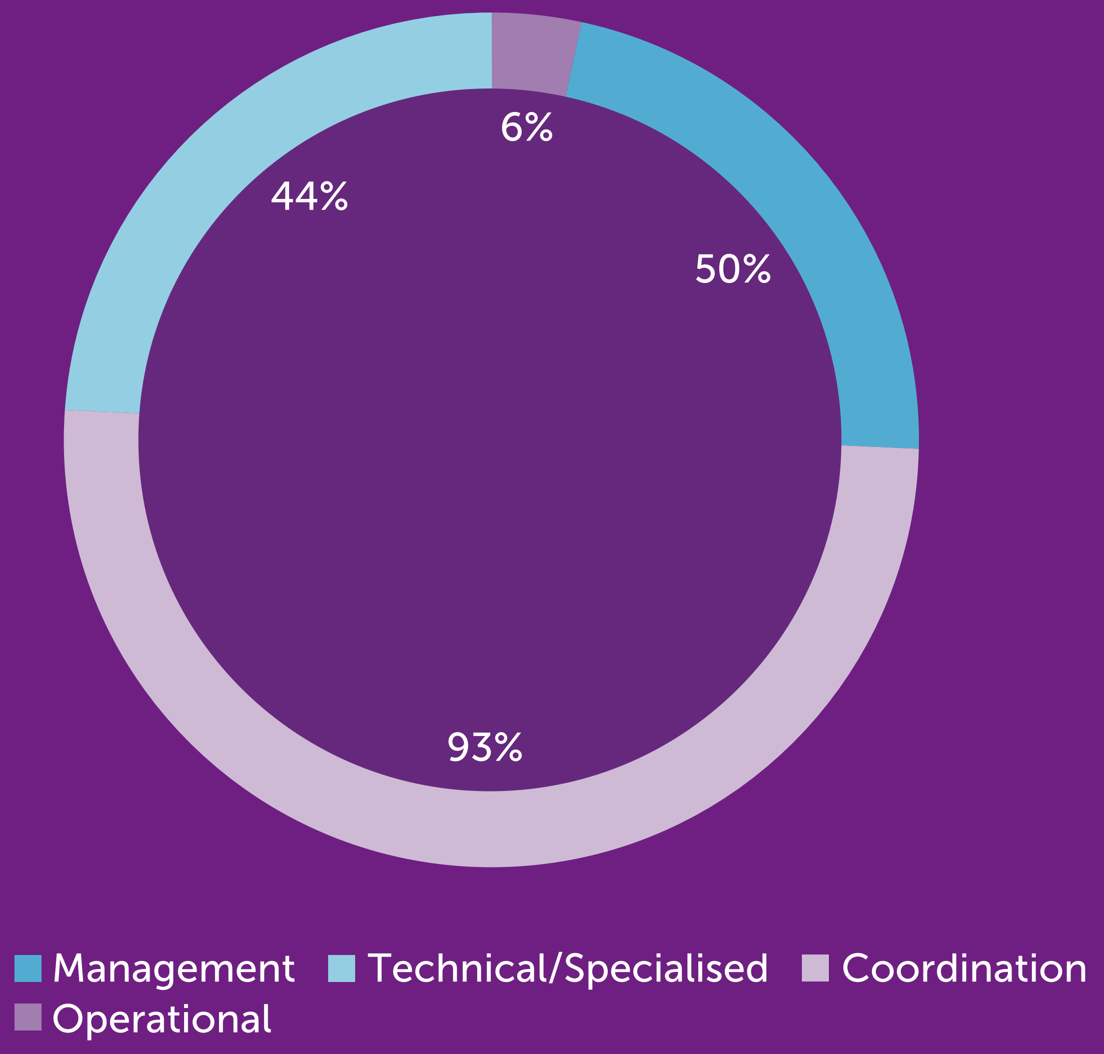
**33**
Training Sessions

**193**
Hours of Training per Participant

## Type of Training




## Hours of Training by Functional Band



## BELINKED | Models Resulting from the Project

The project entailed a remodelling of the methodology of action in the business. This led to the creation of models directed towards a new strategy of commercial action and the stimulation of the business teams.

### COMMUNICATION MODEL

V I P P H

VERITABLE INSPIRING POSITIVE PROACTIVE HARMONIOUS

**What is VIPPH?**
It is the model that defines how we should communicate with our colleagues and Customers.

**What does it mean?**
**V –** Veritable Communication
**I –** Inspiring Communication
**P –** Positive Communication
**P –** Proactive Communication
**H –** Harmonious Communication

### SALES MODEL

B I P

**What is BIP?**
It is the model that defines how we should sell and add value to the Customer's economic life.

**What does it mean?**
**B –** Beneficial, focused on the benefits of the products and services
**I –** Interactive, focused on questions made to Customers to get to know them
**P –** Predictive, focused on anticipating customer needs in a personalised manner, offering the best products and services

### COMMERCIAL RELATIONSHIP MODEL OF EXCELLENCE

2 B E C A R E

**What is 2BE CARE?**
It is the model that defines how we should care for the Banco Económico customer (professional relationship between the bank and customer).

**What does it mean?**
**2 –** Way of being and doing of the bank professional in customer relations
**BE –** (Banco Económico) has a way of being and doing focused on the caring for the customer
**CARE –** Caring for customer relations and satisfaction

## BE GROW

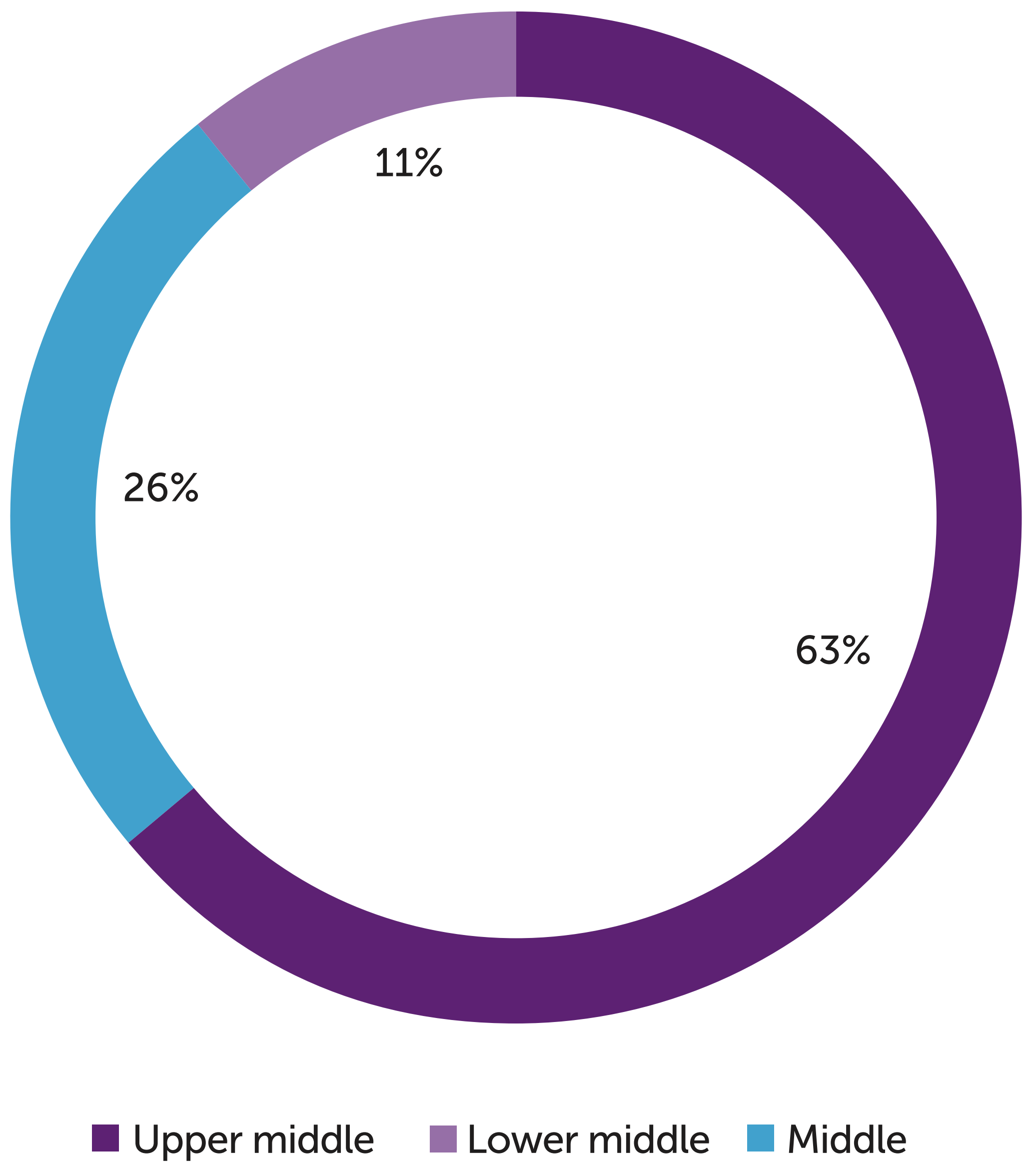
The **BE GROW** concept means **GROWING, DEVELOPING, STRENGTHENING, EXTENDING AND EXPANDING**.

The main goal of BE GROW was to present a Programme of Development of Professional Skills for: Assistants of the Retail Network proposed for the position of Deputy Manager, Deputy Managers to be confirmed for the position of Manager, and Cashiers/Treasurers proposed for the position of Commercial Assistants.

The programme initially identified the potential of the Employees in the different socio-professional areas, and based on this potential, an individual development plan was designed which could add value to that individual's professional dynamics.

The project was completed by 36 Employees, out of the foreseen 39 (92% implementation rate). The average score was 60%, meaning that the profile of the 36 Employees who were assessed confirmed having the potential to take up the positions for which they are identified in the short-term.

### Be Grow – average of classifications




## Social Responsibility

At Banco Económico, Social Responsibility is organised into three axes of action:

- **Society:** development of actions in the Health, Education and Environment areas, which contribute to the macro transformation of civil society;
- **Business:** development of actions that enable making the business more sustainable;
- **Employee:** development of actions and award of benefits that contribute to the well-being of the Employees by fostering their balance and making their mindset sustainable.

The main areas of social intervention are based on three crucial pillars:

- **Health:** promote quality in healthcare and well-being, to contribute to better health conditions;
- **Education**: promote initiatives in education/training, contributing to increased academic qualifications and lower illiteracy;
- **Environment:** promote and raise awareness towards the adoption of good practice related to the preservation of the environment and the efficient management of solid waste;
- **Culture:** understand the importance of the cultural dimension and how corporate social responsibility is being incorporated in the banking business. Assuming that this form is positioned as a link between the desired strategy and the outcome in society.

The Bank's Mission and **Value** – always invest in the community – has entailed the accomplishment of philanthropic programmes and projects, which have contributed to generating social transformation.

With greater emphasis on the health and education areas, projects have been developed in a continuous perspective which have already benefited 3,905 people, with approximately Kz 253,000 thousand having been invested.
.

| Investment | Beneficiaries |
|---|---|
| **Kz 253,000 thousand** | **3,905** |

The social activity programmes are divided into two spheres:

**1. Internal Social Responsibility:** covering all the projects and actions directed at the Employees and their direct family members, according to their needs;

**2. External Social Responsibility:** covering all the projects and actions directed at the community, aimed at benefiting Angolan society.

| Area | Programme |
|---|---|
| Health | Support to programmes and projects aimed at promoting quality in healthcare and well-being, to contribute to better health conditions for Angolan people. |
| Education | Support to programmes and projects that promote initiatives in the areas of education and training, to contribute to increased academic qualifications and lower illiteracy among Angolan people. |
| Social | Support to programmes and projects that promote solidarity initiatives, which are not defined in the previous areas, aimed at the improved quality of life of Angolan people. |
| Environment | Support to programmes and projects that promote good practice related to preservation of the environment and sustainability. |
| Culture and Arts | Support to programmes and projects aimed at promoting cultural and artistic initiatives that contribute to the research, restoration and dissemination of the Angolan cultural identity. |

## Continuous Projects

**Blood Donation Campaign: "Drop by Drop give life to those in need"**
We aspire to raise the awareness of the Bank's Employees on this cause and contribute to a significant increase in the number of blood bags, in other words, reduce the rate of mortality caused by lack of blood, which occurs in the country's hospitals.

The **"Drop by Drop give life to those in need"** project started in 2016, with 19 campaigns having been carried out countrywide since then. This project is implemented in partnership with the **National Blood Institute**.

**Solidarity Christmas: "Support of the Institute for Cancer Control (IACC)"**
To celebrate Christmas, Banco Económico holds a **Solidarity Christmas** every year. This is an action directed at children who are inpatients at the paediatric wing of a public hospital. In 2022, this action took place at the **Angolan Institute for Cancer Control.**

**BE of Education: "Scholarships In-Country and Abroad"**
In view of the difficulties experienced at a national level in the education sector, Banco Económico decided to create the BE of Education project "Scholarships In-Country and Abroad for Higher Education". This project has awarded 150 scholarships for various specialities in-country and 9 scholarships for medicine courses abroad. The Bank currently has 8 scholarship holders in Cuba and 32 scholarship holders studying in Angola.

**Sponsorship: "Apprentices of Goodness Association"**
**Apprentices of Goodness** is a non-profit project directed at the area of education, aimed at reducing the illiteracy rate in the municipality of Cazenga. The Solidarity Fund supports this association through the monthly payment of the salaries of the teachers and cleaning assistants, and the maintenance expenses, and by promoting activities involving the Bank's Employees and the children covered by the project, creating ties between Banco Económico's Employees and the association.

**Gym**
The areas of health and well-being are clearly targeted by the Bank which increasingly invests in initiatives that promote the emotional, physical and mental well-being of its Employees. The Bank has always been interested in promoting physical exercise, hence its investment in a gym and sports activities was a focal point in 2022. The gym is located on the $7^{th}$ floor of the head office building and is open from Monday to Friday during two periods: in the morning from 05h30 to 7h30 and in the afternoon from 17h00 to 20h30.

**Collective Internal Transport (CIT)**
Implemented in 2017, the Collective Internal Transport (CIT) enables the Employees to travel from home to work, and from work to home, more safely and more comfortably. The Collective Internal Transport currently has nine routes, covering Viana Vila, Kilamba, Ulengo Center, Camama, Benfica, Patriota, Sequele, Zango and Zango 8000. This has been considered one of the key benefits of Banco Económico.

# 3.3. Technology, Transformation and Innovation

The challenge posed by the technological evolution of the banking sector persisted during 2022, and particularly for Banco Económico, essentially due to the constraints imposed by the recapitalisation and restructuring process.

In this context, and despite the challenges, Banco Económico continued to implement the initiatives listed in the annual activity plan, in line with the Bank's strategic goals and especially focused on initiatives of regulatory nature and concerning operational efficiency, namely digitisation and automation of processes.

All the initiatives requiring the implementation of information technology (IT) projects are managed in a coordinated and effective manner through a portfolio of programs ensuring the best management of the priorities and available resources, aligned with the pursuit of budget implementation.

Among the completed initiatives, with implementation started in 2022, we highlight the following:

### Compliance

- Implementation of the SAS Know Your Customer (KYC) and Know Your Transactions (KYT)/Anti-Money Laundering (AML) solution, of enormous and critical importance to the Bank, meeting the need to ensure an appropriate response to the regulatory requirements for combating terrorism and money laundering.

### Business

- New credit card management solution;
- 24/7 availability of the core banking system FCUBS 12.4;
- Process for invoicing lease contracts;
- Improvements in automated payment terminals at point of sale (POS) (POS withdrawals);
- Notification in real time of the Easy Receipt service;
- Service of notification by short message service (SMS) of card movements;
- New personal credit product with Track Receivable functionality.

### Efficiency

- New SIFOX interfaces for integration in BODIVA and FLEXCUBE;
- Improvements and integration of SAP HCM and Success Factors.

## Technological Infrastructure

The provision of services 24/7 elevated the level of demand on the technological infrastructure. In 2022, fine-tuning actions were carried out to adjust the capacity and level of response to business needs, in addition to interventions to optimise the available resources, reducing the risk of failures with direct impact on the business.

Considering the need to modernise and strengthen the infrastructure, a process was started in 2022 for assessment and preparation of a more extensive project for modernisation of the IT infrastructure supporting the core systems and equipment of the networks and communications to strengthen protection and security. This project also includes a study of the migration of some workloads to cloud systems.

# 04

## Internal Control System

Avoid and detect risk situations.

# 4.1. Overview

The Internal Control System (SCI) consists of the integrated set of policies and processes of permanent nature transversal to the entire institution. Accordingly, the Bank, through its Board of Directors, has endeavoured to ensure the consolidation of the Internal Control System.

In order to ensure quality and efficiency, the Bank's Internal Control System operates along the following four main vectors:

- **Prevention:** ensure that the Bank has the necessary mechanisms and procedures in place to avoid risk situations, or reduce their likelihood of occurrence and severity;
- **Detection:** develop warnings that enable the timely identification of any risk situations that may arise;
- **Mitigation:** create contingency mechanisms that can control and minimise the negative impact arising from any risk situations that may occur;
- **Monitoring:** ensure that there is follow-up on all activities under the supervision of the Internal Control area so as to guarantee quality control over them.

Alongside this, so that the Internal Control System's efficacy can give the Bank a competitive edge, it is indispensable to ensure compliance with the following guiding principles:

- **Independence:** establish a governance model that ensures an independent Internal Control System, and enables the Bank's results to be measured, assessed and reported to the Board of Directors and other governing bodies involved in decision-making;
- **Separation of Functions:** promote a clear separation of duties between the business, control and support areas. This separation covers the differentiation of the allocated resources and the hierarchical and functional independence of the functions and of the Employees performing them, which is also reflected in the transactions' life cycle;
- **Timeliness:** respect the rules and time limits defined in all activities within the scope of internal control, with immediate reporting without any delay;
- **Homogeneity and Transparency:** guarantee homogeneity and transparency in the application of processes, through documentation/formalisation of procedures;
- **Universality:** develop an internal control environment throughout the entire organisation and ensure that the strategy and general management policies are effectively disseminated and assimilated by the Employees.

**The Internal Control System must be independent.**

## Functions of the Internal Control System

The following three functions of the Internal Control System have been implemented at the Bank to ensure its proper monitoring:

- **Risk Function:** enables obtaining an integrated vision and management of the risks to which the institution is exposed, in order to mitigate the potential losses associated with the occurrence of risk events;

- **Compliance Function:** ensures correct management of the compliance risk arising from the legal and regulatory obligations, code of ethics and conduct to which the institution is subject;

- **Internal Audit Function:** assesses the adequacy and efficacy of the various components of the Internal Control System by monitoring compliance with the defined processes and procedures.

## Key Developments of the Internal Control System in 2022

In order to comply with the legal and regulatory rules to which it is subject and develop its Internal Control System, primarily in terms of Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation of Weapons of Mass Destruction (AML/CFT/WMD), the Bank operationalised the SAS AML system in March 2022.

This computerised solution, which enables the automatic and online control of customer on-boarding processes and ongoing scrutiny of the existing Customers, is expected to further consolidate the Compliance Risk Management function by filtering/screening the Customers and their related parties (e.g. beneficial owners, signatories, attorneys-in-fact, among others), their transactions and other counterparties of the Bank.

## Outlook for 2023

The main goal of the Compliance Department for 2023 is the internal implementation of a Whistleblowing Channel (instrument to support the monitoring of the Internal Control System for detection any irregularities, whether control failures, internal and external fraud, unlawful acts and breach of the internal ethical principles and policies).

The existence of a whistleblowing channel at companies is an increasingly stronger practice and recommended to ensure the observance of good practice for corporate governance and compliance.

In a nutshell, it is expected that this implementation should cover the following phases:

- Approval of the Whistleblowing Management Policy;

- Drafting and approval of the Whistleblowing Management standard;

- Activation and disclosure of the Whistleblowing Channel.

# 4.2. Compliance Function

## Responsibilities

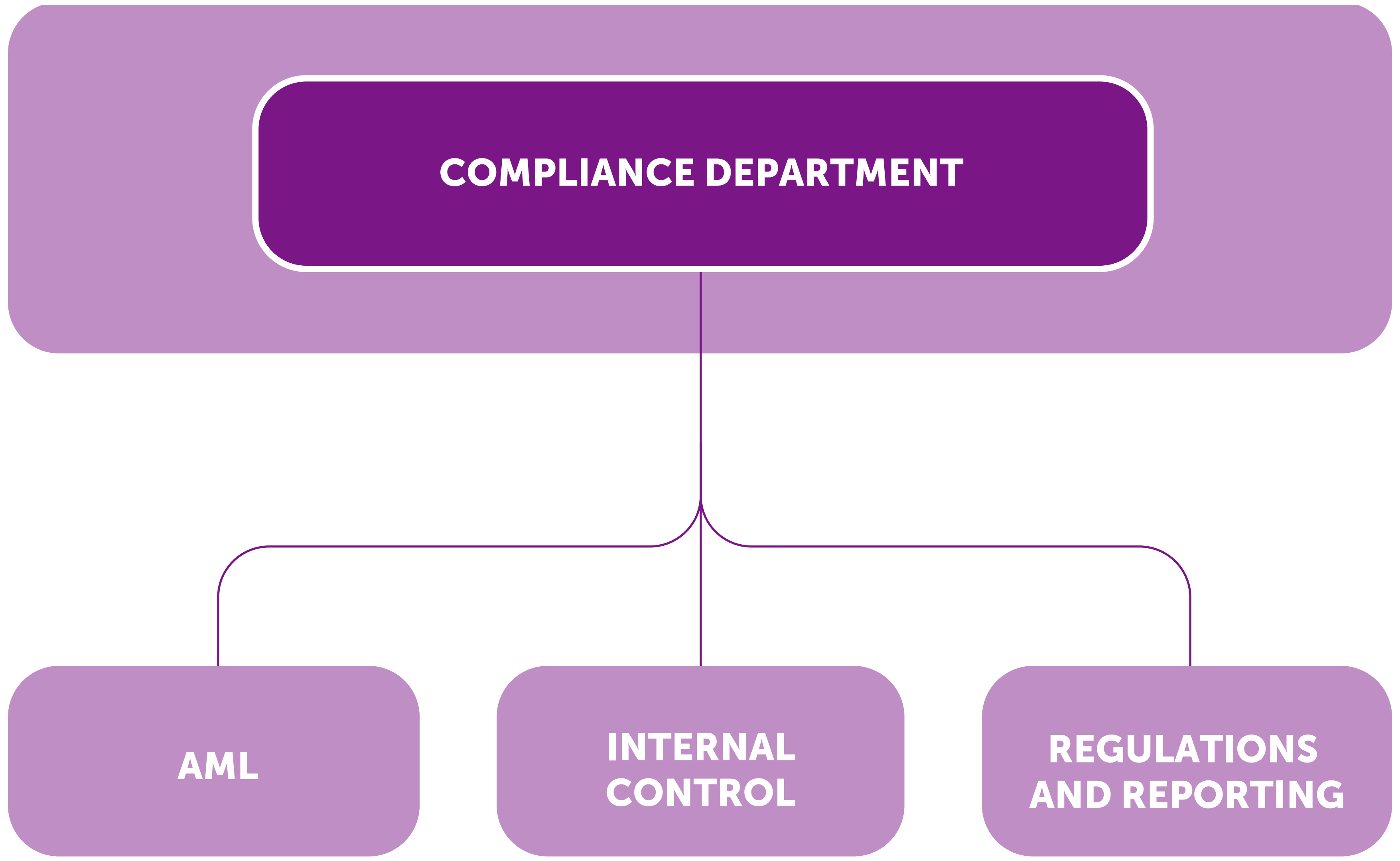
The Bank's Compliance Function has the following main responsibilities:

- Establish procedures to detect and assess the risk arising from non-compliance with the legal obligations and duties to which the Bank is bound, as well as the correction of detected flaws;
- Establish a permanent and updated record of the internal and external rules and regulations to which the Bank is subject, identifying the persons and bodies responsible for their compliance and detected non-compliance;
- Monitor and assess the internal control procedures on anti-money laundering, combating the financing of terrorism and proliferation of weapons of mass destruction (AML/CFT/WMD), and centralise the information and its reporting to the competent authorities;
- Monitor the proper compliance with the Bank's corporate governance policies, especially the Policy on Conflict of Interest, Transactions with Related Parties and Code of Conduct;
- Assess the processes for prevention and detection of criminal activities, including anti-money laundering, combating the financing of terrorism and proliferation of weapons of mass destruction (AML/CFT/WMD), and ensure the legally required reporting to the competent authorities, particularly the Financial Intelligence Unit (UIF);
- Draft and review the Compliance Function's basic documents (policies, regulations, rules and manuals), sending them for approval to the Executive Committee (CEXEC) and Internal Control Committee (ICC);
- Define policies and general guidelines on Compliance Risk management, and the rules and processes assigned to the Compliance Department;
- Coordinate the entire process to ensure compliance with the Foreign Account Tax Compliance Act (FATCA);
- Analyse, authorise and monitor transactions with warning signs, before their execution;
- Participate in working parties with other bodies of the Bank's structure, to ensure conformity, quality and continuous improvement of the internal processes and rules, as well as the prompt correction of any detected flaws and weaknesses;
- Draft periodic reports for the Board of Directors on Compliance issues, namely on signs or specific situations of non-compliance with the rules of conduct in relationships with Customers and on situations in which the Bank or its Employees may be subject to misdemeanour proceedings;
- Draft an overall report on the Compliance Function, on an annual basis, addressed to the Board of Directors with copy sent to the Bank's Supervisory Board.

**Monitor legal obligations.**

## Organic Structure

The Bank's Compliance Department (DCP) is structured as follows:




## Main Monitoring of the Internal Control System

### Code of Conduct

The Bank is aware that behaviour of excellence of the Employees and members of the governing bodies of the Banco Económico Group, and of other entities related to them, is reflected on its visibility and mode of action in the market, enabling it to accumulate further solidity and robustness to its image.

In 2022, the Compliance Department found that a total of **38 disciplinary proceedings** had been applied due to non-compliance or breach of the Code of Conduct, internal procedures and regulatory rules in force.

### Conflict of Interest

Under the monitoring of the Policy on Prevention and Management of Conflicts of Interest and Transactions with Related Parties, a selection of Employees (containing members of the management bodies, senior management, commercial and support areas) were submitted to an online questionnaire, composed of a series of questions aimed at obtaining information considered important in the management and prevention of conflicts of interests.

Of the total number of people questioned, the majority stated that they had never been exposed to situations of conflict of interest, but were aware that they should abstain from carrying out certain activities that could entail a conflict.

### Regulatory Reporting

Under its monitoring of the Bank's reporting process, the Compliance Department has found an increasingly lower percentage of arrears and non-compliance with submission requirements.

| Months | Total Reportable | Total Arrears[3] | % Arrears | Total Non-Compliance[4] | % Total Non-Compliance |
|---|---|---|---|---|---|
| Jan.-22 | 337 | 85 | 25% | 3 | 1% |
| Feb.-22 | 296 | 61 | 21% | 7 | 2% |
| Mar.-22 | 319 | 129 | 40% | 0 | 0% |
| Apr.-22 | 311 | 100 | 32% | 1 | 0% |
| May-22 | 350 | 139 | 40% | 0 | 0% |
| Jun.-22 | 352 | 109 | 31% | 0 | 0% |
| Jul.-22 | 347 | 68 | 20% | 3 | 1% |
| Aug.-22 | 342 | 80 | 23% | 0 | 0% |
| Sep.-22 | 341 | 59 | 17% | 0 | 0% |
| Oct.-22 | 350 | 92 | 26% | 0 | 0% |
| Nov.-22 | 327 | 80 | 24% | 0 | 0% |
| Dec.-22 | 343 | 97 | 28% | 0 | 0% |

[3] Corresponds to all the reports submitted in arrears, meaning after the regulatory deadline..
[4] Corresponds to all the reports that were not submitted.

The main reasons for the reports in arrears and/or non-compliance recorded in 2022 were:

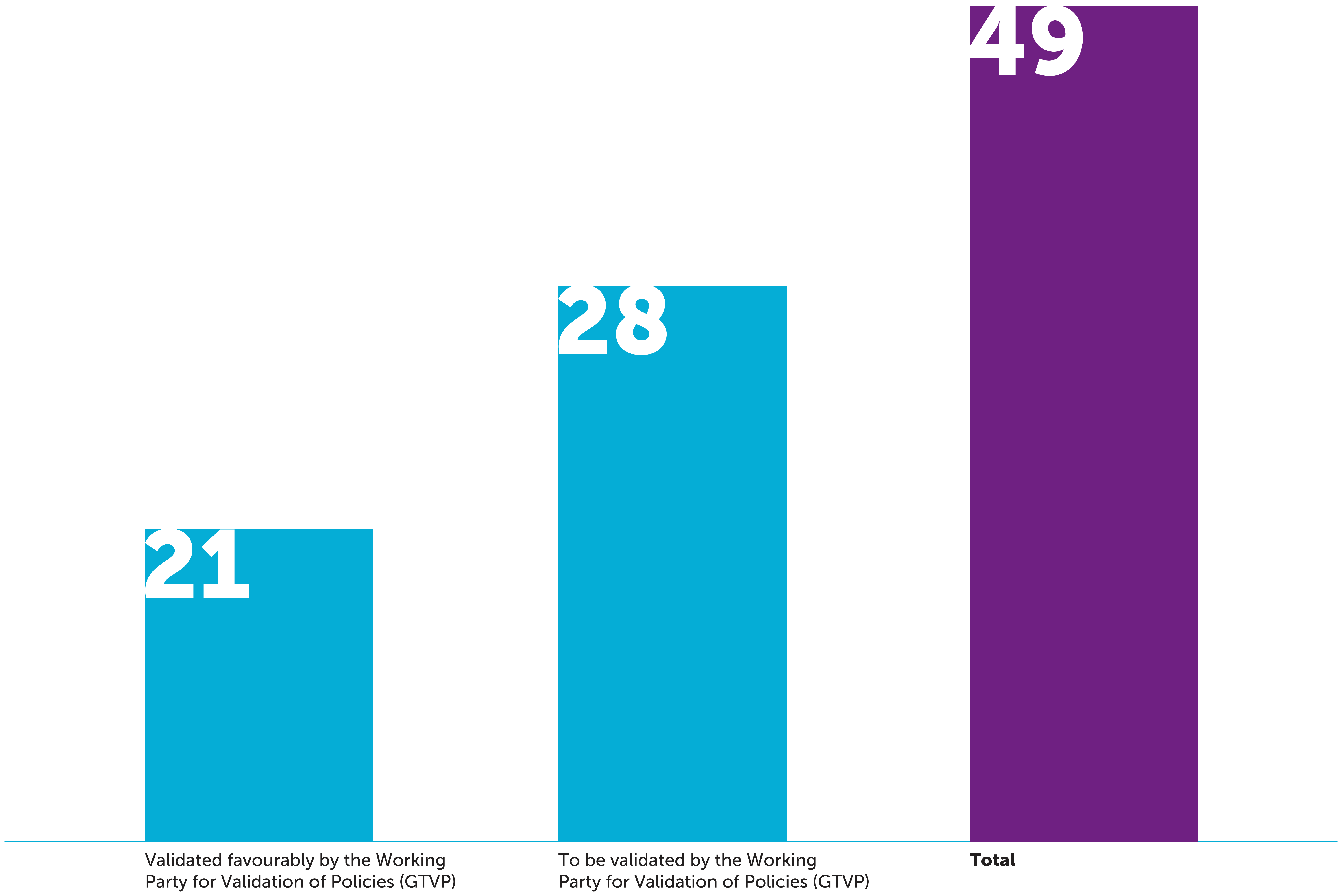
- Limitations in the number of human resources available for processing and submitting the information;
- Application errors;
- Unavailability of the PIF; and
- Manual processing of the information.

### Review of Policies

As part of the work of monitoring of the process of drafting, review and validation of the Bank's policies, the Compliance Department drew up a work schedule in May 2022 – with its implementation starting in the same period – aimed at their submission for approval and consequent publication by October 2022, covering a total of 49 Policies.

The work carried out enabled the submission, by July 2022, by the Working Party for Validation of Policies (GTVP) of a total of 24 Policies, of which 21 were validated and submitted for approval of the Executive Committee/Board of Directors.

## Status of Global Policies Monitored



## Other Identified Situations

As part of its duty to ensure follow-up on the regulatory legislation, the Compliance Department reviewed the rules established in Banco Nacional de Angola Notice No. 01/2022 of 28 Janeiro, right at the beginning of 2022.

According to this review, shortcomings have been identified denoting some non-compliance, which had already been reported to the External Auditor. This non-compliance refers to various flaws in the Internal Control System on which the Bank has been working, particularly those with greater impact on the activities pursued, as follows:

- Lack of formalisation of all the minutes of the Committee meetings within the time limits defined in the respective regulations;
- Implementation of a whistleblowing channel;
- Lack of evidence relative to the approval of the Policies and the Organic Structure Manual of some Departments;
- Lack of implementation of the process for monitoring situations of conflict of interest, even though a policy for the identification, monitoring and mitigation of conflicts of interest has already been defined and approved;
- Insufficient human resources rendering it impossible to fully accomplish activities; and
- Inexistence of monitoring of the financial group's companies.

## Compliance Culture

The Bank promotes the implementation of a compliance programme to ensure the dissemination of this culture based on the following principles:

- **Commitment:** on the part of all Employees and members of the Bank's governing bodies, to comply with the national and international legislation applicable to them, with impact on the Bank's activity and that of its subsidiaries, as well as to monitor and control risks that could give rise to the contingency of the Bank incurring legal or regulatory sanctions;
- **Ethics:** the Bank's Employees and Board of Directors 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 goals;
- **Transparency:** the Bank has a series of codes, rules and regulations, procedures and processes, duly disclosed, which underpin its relationship with Customers, Employees and stakeholders, to ensure the efficiency and quality of the products and services rendered;
- **Professionalism:** Employees must perform their duties with high levels of technical competence, in an efficient, neutral and discreet manner with absolute respect for the interests of Customers and the Bank;
- **Diligence:** Employees must act in a judicious and prudent manner, in accordance with the principle of risk sharing, giving priority to the strict interest of partners, Customers, suppliers and others; and
- **Monitoring:** the Bank has an ongoing process to identify whether the pillars and the compliance programme are working as planned.

# 4.3. Internal Audit Function

The Internal Audit Department reports functionally to the Internal Control Committee, irrespective of its hierarchical relationship with the Executive Committee. The mission of this Department is to assess the efficacy and adequacy of the processes of risk management, internal control and governance, inherent to the activity of the companies included in the Bank's perimeter with a view to lowering the general risk conditions.

Under its entrusted duties, it is particularly responsible to:

- Ensure an independent opinion on the Internal Control System (SCI) to the Management Body;
- Periodically examine and assess whether the Internal Control System defined and implemented at the Bank is adequate and ensures that:
  - Risks are properly identified and managed;
  - The management, financial and operational information is correct, reliable and timely;
  - The Employees' actions are in conformity 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 satisfactorily fulfilled;
  - A quality approach directed at the continuous improvement of the Bank's control processes is guaranteed; and
  - Legal and regulatory requirements are identified and properly addressed.
- Assess the risk models, concerning the use of internal rating models, in accordance with the existing regulatory requirements;
- Ensure the follow-up and monitoring of the actions endorsed by the management, with respect to the implementation of the issued recommendations and resolution of the detected flaws;
- Draft the proposed strategic plan of the function, framed in the Bank's overall strategy and overall action plan to take place;
- Carry out research work on investigation of internal and external fraud;
- Formalise the criteria underlying the assessment of policies and processes;
- Draw up a plan for each specific action, considering a comprehensive examination of all aspects connected to internal control;
- Provide documentary support for the conclusions of the audit actions and, accordingly, update the set of information of permanent nature associated with the audited processes;
- Record, document and draft reports providing information in an appropriate manner for all the detected flaws;
- Issue recommendations following its actions, with subsequent monitoring of the corrective measures;
- Assess the Risk Management and Compliance functions and the quality of the information provided to the Board of Directors;
- Centralise the data and application migration certification process;
- Participate in the testing phase and implementation of diverse projects or initiatives adopted by the Bank;
- Implement and maintain a programme for the continuous improvement of its activity to ensure the functioning of the Internal Audit Function in accordance with professional internal audit standards, the regulatory requirements for the function and its alignment with the expectations of the Board of Directors and other stakeholders.

**Organic Structure**

The Audit Department is organised as follows:

- INTERNAL AUDIT DEPARTMENT
  - INFORMATION SYSTEMS AUDIT AREA
  - AUDIT AREA
    - AUDIT OF CENTRAL SERVICES AND SUBSIDIARIES
    - AUDIT OF COMMERCIAL RETAIL AND CORPORATE NETWORKS
  - INSPECTION AREA
    - REMOTE AUDIT
    - INSPECTION

## Main Activities in 2022

| Duties | Operational Parameter | # | Operational Goals | Type of Indicator | Quantitative Metric | Status |
|---|---|---|---|---|---|---|
| Identify and promote best practice in risk prevention and mitigation. | Efficacy | A1 | Draft reports for the Bank's management bodies, i.e. Annual Report of the Internal Control System; Audit and Inspection Reports; Follow-up Reports. | Accomplishment | 100% | Completed |
| | | A2 | Carry out follow-up actions \| Evaluate the degree of implementation of the Action Plans described in the Internal Control Deficiencies Matrix 2021. | Result | 100% | Completed |
| | | A3 | Carry out follow-up actions \| Evaluate the effectiveness and suitability of the policies instituted by the Bank, pursuant to the legal and regulatory framework in force. | Accomplishment | 100% | Completed |
| | | A4 | Carry out follow-up actions \| Evaluate the degree of implementation of the recommendations of the roadmap on money laundering risks. | Accomplishment | 100% | Completed |
| Develop the Bank's internal audit, incident on the efficiency and efficacy of the operations and processes, the reliability and integrity of the financial and operational information and compliance with the legislation, regulations, rules, procedures and contracts, particularly in higher risk areas. | Efficiency | A5 | Perform Audit actions \| 20 Branches; 10 Corporate Centres. | Result | 80% | Completed |
| | | A6 | Perform Audit actions \| Credit Risk Management \| Credit Transactions. | Result | 100% | Completed |
| | | A7 | Perform Audit actions \| Corporate Governance and Internal Control of the subsidiary entity \| Económico Investment Funds (EFI-SGOIC). | Result | 100% | Completed |
| | | A8 | Perform Audit actions \| Corporate Governance and Internal Control of the subsidiary entity \| Económico Pension Funds (Económico SGFP). | Result | 100% | Completed |
| | | A9 | Perform Audit actions \| Compliance Risk Management \| Assessment of the Risk of Money Laundering and Financing of Terrorism. | Result | 100% | Completed |
| | | A10 | Perform Inspection actions \| Assess the degree of fulfilment and implementation of the recommendations issued in the reports of previous years. | Result | 100% | Completed |
| | | A11 | Perform Audit actions \| Internal Capital Adequacy Assessment Process (ICAAP). | Result | 0% | Not completed |
| | | A12 | Perform Audit actions \| Internal Liquidity Adequacy Assessment Process (ILAAP). | Result | 0% | Not completed |
| | | A13 | Perform Audit actions \| Independent Assessment \| Effectiveness of the Impairment Loss Model for the loan portfolio. | Result | 0% | Not completed |
| | | A14 | Perform Audit actions with the support of an external partner \| Information and Communication Systems. | Result | 0% | Not completed |
| Ensure the efficacy of the internal control system and contribute to its fine-tuning. | Quality | A15 | Draft the Annual Internal Audit Plan for 2021. | Accomplishment | 100% | |
| | | A16 | Number of internal audits conducted during the year compared with the approved plan. | Result | | |
| | | A17 | Ratio (audited processes/critical processes). | Result | | |
| | | A18 | Ratio (implemented action/issued recommendation). | Result | | |

## Branch Audits

| Report number | Code | Branch |
|---|---|---|
| RAB No. 01 | 850 | Malange |
| RAB No. 02 | 904 | Namibe |
| RAB No. 03 | 800 | Saurimo |
| RAB No. 04 | 203 | Lobito Shoprite |
| RAB No. 05 | 300 | Cabinda |
| RAB No. 06 | 900 | Ondjiva |
| RAB No. 07 | 902 | Santa Clara |
| RAB No. 08 | 500 | Lubango Sede |
| RAB No. 09 | 502 | Lubango Shoprite |
| RAB No. 10 | 056 | Alfândega de Luanda |
| RAB No. 11 | 059 | Posto Fayol |
| RAB No. 12 | 092 | Lar Patriota |
| RAB No. 13 | 902 | Base Kwanda |
| RAB No. 14 | 452 | Waku Kungo |
| RAB No. 15 | 250 | Huambo Ekuikui |
| RAB No. 16 | 252 | Huambo Xyami |

## Corporate Centre Audits

| Report number | Code | Corporate Centre |
|---|---|---|
| RCE No. 01 | 972 | Huambo |
| RCE No. 02 | 973 | Benguela |
| RCE No. 03 | 974 | Lubango |
| RCE No. 04 | 968 | Zango |
| RCE No. 05 | 967 | Mulemba |
| RCE No. 06 | 969 | Patriota |
| RCE No. 07 | 966 | Viana Park |
| RCE No. 08 | 965 | Talatona |
| RCE No. 09 | 962 | Miramar |
| RCE No. 10 | 963 | Sede |

A total of **60 (sixty) audit and inspection reports** were issued during 2022, as illustrated in the tables above.

The action of the internal audit teams is based on the principles laid down primarily in Banco Nacional de Angola Notice No. 01/2022 of 28 January and on the documents of the Bank's internal regulations, namely: Code of Conduct, Internal Audit Regulations, Policies, Rules of Procedure and Internal Audit Manual, the last one drawn up pursuant to the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors (IIA).

# 4.4.
# Risk Function

The Bank is subject to a variety of risks during the pursuit of its business activity. The Risk Management Function identifies, assesses, monitors and reports all materially relevant risks to which the Bank is exposed. It also has a series of policies and processes establishing the guiding principles to support the management and monitoring of the materially relevant risks, in line with the regulatory guidelines, and particularly the requirements established by Banco Nacional de Angola Notice No. 01/2022 of 28 January, and the principles and good practice defined by the Basel Committee on Banking Supervision.

### The Risk Management Function seeks to ensure:

- An aggregated view of all the risks to which the Bank is exposed;
- The implementation of measures that contribute to the Bank's efficiency, effectiveness, quality and risk reduction goals;
- The development of a risk management environment throughout the entire organisation, ensuring that the overall risk management strategy and policies are effectively disseminated and assimilated by Employees;
- The identification, measurement, control and mitigation of all the risks inherent to the products and business areas, on an individual or portfolio basis, as well as the characterisation, execution and monitoring of the controls that mitigate them;
- Adaptation to the size, nature and complexity of the Bank's activity, its risk profile, degree of centralisation and delegation of powers and duties;
- The creation of a governance model that ensures an independent risk management system to assess, evaluate and report the results to the Board of Directors and to ensure collegiality in decision-making;
- Compliance with the rules and time limits defined within the scope of the risk management and internal control activities; and
- Homogeneity and transparency in the application of the defined processes, through documentation and formalisation of procedures.

### Risk Reduction Control Measures

Risk management and monitoring are critical activities which enable anticipating situations that could trigger liquidity and solvency problems. This management should act in three spheres: **Prevention, Detection and Mitigation.**

- **Prevention** entails the existence of mechanisms to prevent situations of risk or reduce the likelihood or severity of its occurrence;
- **Detection** of risk involves the development of warnings to enable identifying any situations of risk that occur sufficiently in advance;
- **Mitigation** focuses on the creation of contingency mechanisms to mitigate the negative impact of situations of risk that may occur.

Risk monitoring is carried out by the Risk Department (DR), which is responsible for monitoring the limits that determine setting in motion regularisation measures aimed at controlling and reducing risk, as well as the definition of the stress tests and contingency plans to be implemented in each specific case.

During 2022, in the context of the Bank's difficult situation, the Risk Department came up with a series of measures to control and reduce risk, namely:

- **Contraction of Granting Loans and Advances:** more detailed analysis of the customer's credit risk to mitigate the impact of increased risk of default of Individual and Corporate Customers, arising from the deterioration of economic conditions;
- **Intensification of Credit Recovery Activity:** strengthening of initiatives directed at fostering greater credit recovery among Customers;
- **Reinforcement of Guarantees:** reinforcement of the guarantees presented by Customers to cover their loans and advances raised from the Bank, to protect the Bank from a devaluation of initially given guarantees that no longer fully cover the credit;
- **Negotiation of New Liquidity Lines:** use of new liquidity lines to increase the Bank's ability to finance its assets and ensure the full and timely meeting of liabilities;
- **Strengthening of the Attraction of Deposits:** increase the volume of the customer deposit portfolio, by providing a diversified set of products to this end, for the different target groups, offering attractive rates;

- **Reduction of Operating Costs:** define and implement an overall strategy to cut operating costs, by analysing potential waste and liability items to be reduced in light of their return to the Bank;

- **Review of Control Processes and Mechanisms:** review of control processes and mechanisms to enable the Bank to become more efficient and enhance its ability to monitor potential losses that may arise due to lack of controls or poorly implemented processes;

- **Advertising Campaigns:** promote advertising campaigns that, following rigorous cost-benefit analysis, could be worthwhile to improve the Bank's image and increase its market quota and customer engagement;

- **Reduction of Concentration Risk:** implement measures to diversify deposits and loans and advances in order to prevent customer dependency.

## Solvency Indicators

The Bank's key goal in its internal capital management process is to ensure compliance with the strategic objectives defined by the Board of Directors regarding capital adequacy, observance of the rules for calculating risk-weighted assets, own funds, solvency levels and other prudential limits established by the supervisory activities.

The Bank's capital ratios are calculated based on Banco Nacional de Angola Notice No. 08/21, which aligns the prudential rules in the Angolan financial system with the standards set by the international reference bodies, to ensure the convergence of the supervisory process with international best practice.

The year of 2022 was very challenging for the Bank. Under the implementation of its Recapitalisation and Restructuring Plan (RRP), the Bank carried out a significant capital increase, fully underwritten by a collective investment undertaking (OIC) constituted by its main private depositors (Económico – Fundo de Capital de Risco, also referred to as Económico FCR or Económico Venture Capital Fund), of the value of Kz 271,500 million. This capitalisation was preceded by a capital reduction to cover losses, which extinguished the positions of the former Shareholders, with Económico FCR becoming the Bank's sole shareholder.

Equity was strengthened through the issue of other financial instruments: Perpetual Participation Securities (TPP), of the value of Kz 124,645 million and, at the beginning of 2023, Bonds Convertible into Shares (OCA), of the value of Kz 28,684 million.

In total, the strengthening of own funds under the Recapitalisation and Restructuring Plan amounted to Kz 519,142 million, as detailed in the table below. At the exchange rate of the end of 2022, this value reached more than one billion US dollars.

| BE Capitalisation Instruments | Thousand Kz | USD | % |
|---|---|---|---|
| | Exchange rate 31 Dec./22 | 503,691 | |
| Share Capital | 271,500,000 | 539,021 | 53% |
| Other Financial Instruments: | 247,642,081 | 491,655 | 47% |
| Participation Securities | 124,645,000 | 247,463 | 24% |
| Convertible Bonds | 28,684,000 | 56,948 | 6% |
| Deposits for Payment | 94,313,081 | 187,244 | 12% |
| **Total** | **519,142,081** | **1,030,676** | **100%** |

Despite this significant strengthening of equity, the Bank's solvency indicators at the end of the financial year of 2022 demonstrate that the Bank still needs to make an extra effort to strike a balance.

Values expressed in thousand Kz

| Solvency Indicators | Dec./22 | Dec./21 | Var. 21-22 | Var. % 21-22 |
|---|---|---|---|---|
| Regulatory Own Funds | **(43,994,464)** | (399,767,736) | 355,773,272 | -89% |
| Common Equity Tier 1 | **(76,621,288)** | (463,465,768) | 386,844,480 | -83% |
| Regulatory Solvency Ratio | **-4.6%** | -27.7% | 23% | -83% |
| Common Equity Tier 1 Ratio (Core Tier 1) | **-8.1%** | -32.2% | 24% | -75% |

As at 31 December 2022, Regulatory Own Funds and Common Equity Tier 1 were still on negative ground, standing at Kz 43,994 million and Kz 76,621 million, respectively.

Following the recapitalisation in August 2022, the Regulatory Solvency Ratio (RSR), despite remaining negative, showed a considerable improvement in shifting from -27.7% in 2021 to -4.6% as at 31 December 2022. Likewise, the Core Tier 1 Ratio improved from -32.2% to -8.1%. Even so, for these two indicators, the Bank is below the minimum regulatory solvency levels required by the regulations in force, of 8% and 6.5%, respectively.

## Other Risk Indicators

Values expressed in thousand Kz

| Other Risk Indicators | Dec./22 | Dec./21 | Var. 21-22 | Var. % 21-22 |
|---|---|---|---|---|
| Loan-to-Deposit Ratio | **8.2%** | 5.2% | 2.9% | 3% |
| Liquidity Ratio | **13.3%** | 17.5% | -4.2% | -4% |
| Total Loans | **227,632,232** | 216,729,063 | 10,903,169 | 5% |
| Loans Overdue | **74,972,186** | 71,632,384 | 3,339,802 | 5% |
| % Loans Overdue | **32.9%** | 33.1% | 0% | 0% |
| Impairment | **164,326,477** | 148,661,533 | 15,664,944 | 11% |
| % Coverage of Total Loans and Advances | **72.2%** | 68.6% | - | 4% |
| % Coverage of Loans and Advances Overdue | **219.2%** | 207.5% | - | 12% |

In 2022, the evolution of the Bank's indicators already reflects the impact of the measures implemented under the Recapitalisation and Restructuring Plan, particularly:

- The loan containment was reflected in a minor increase (5%) while keeping a loan-to-deposit ratio below that of the sector;
- Loans overdue followed a similar evolution, but maintained their weight in the Bank's loan portfolio (33%);
- The reinforcement of impairment (+11%) improved the level of coverage of the total loan portfolio (+4%) and of the portfolio of loans overdue (+12%);
- Liquidity comprised one of the Bank's main challenges, showing a ratio of 13.3% as at 31 December 2022, rather below the required regulatory level.

### Activities pursued in 2022

During the year under review, special reference is made to the following activities pursued under risk management:

- Support to the drafting of the Bank's Recapitalisation and Restructuring Plan;
- Preparation and drafting of the impairment reports requested by Banco Nacional de Angola;
- Monitoring of application errors and improvements to the new Core System;
- Participation in the Committee for Validation of New Normative Processes;
- Participation in the Bank's Policy Validation Committee;
- Updating of the Bank's Risk Management Policies;
- Conduct of the Internal Capital Adequacy Assessment Process (ICAAP) relative to December 2021;
- Conduct of the Internal Liquidity Adequacy Assessment Process (ILAAP) relative to December 2021;
- Implementation of the new Credit Risk Information Centre (CIRC), version 3.0;
- Implementation of Banco Nacional de Angola Notice No. 8/2021; and
- Calculation of the individual Regulatory Own Funds Ratio, under Banco Nacional de Angola Notice No. 08/2021.

# 05

## Risk Management Model

Mitigating business risks.

# 5.1. Overview

All the material risks identified at Banco Económico are subject to dedicated monitoring and control procedures, in an individual and integrated perspective (meaning that they are monitored and controlled for specific risk positions and as to the aggregate position of the different risks), and are controlled through specific measurement, tolerance levels and risk thresholds.

The implementation and monitoring of a structure of measurements and risk thresholds aim to:

- Ensure consistency between risk management and business strategy, limiting risk concentration;
- Involve the business areas in the risk management process, informing them of the risk objectives defined by the Board of Directors which restrict the conduct of business activities;
- Establish targets and indicators that enable the preventive detection of deteriorating exposures and triggering of corrective measures.

## Guiding Principles

In line with the Basel Committee, the risk management guide of the risk management guide of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and best market practice, the Bank has defined the following guiding principles underlying its Risk Management Model:

- **Universality:** develop a risk management environment throughout the entire organisation, ensuring that the general risk management strategy and policies are effectively disseminated and assimilated by the Employees;
- **Comprehensiveness:** identify, measure, control and mitigate all risks inherent to the Bank's products and business areas, on an individual or portfolio basis, as well as characterise, execute and monitor the controls that mitigate them;
- **Suitability:** adapt the Risk Management Model to the size, nature and complexity of the Bank's activity, ensuring that all the Employees are capable of performing their assigned duties effectively and efficiently and that they understand and promote the ethical and professional principles governing the Bank;
- **Independence:** establish a governance model that ensures an independent Risk Management Model, enabling it to assess, evaluate and report its results to the Board of Directors for decision-making;
- **Separation of Functions:** promote a clear separation of functions between the business and risk areas, covering the differentiation of the resources allocated and the hierarchical and functional independence of the two functions and of the Employees performing them, which is also reflected in the transactions' life cycle;
- **Timeliness:** ensure that the activities within the scope of risk management and internal control comply with the defined rules and time limits, with any delays being immediately reported;
- **Homogeneity and Transparency:** guarantee homogeneity and transparency in the application of processes, through documentation/formalisation of procedures.

# Risk Management Governance Model

The Bank endorses a governance model for the Risk Management System which includes the participation of different bodies, as follows:

## Board of Directors

The Board of Directors is responsible for performing the following duties:

- Approve the risk management policies to be followed by the Executive Committee;
- Assess the proposed activity plan and its budget;
- Decide on the necessary measures to ensure solvency and liquidity.

## Executive Committee

The Executive Committee is responsible for performing the following duties:

- Define the appetite and tolerance to each type of risk;
- Define the overall and specific goals of the Departments, in conformity with the defined risk profile and degree of tolerance to risk;
- Review the policies that seek to identify, assess, monitor and control the risks to which the Bank is exposed, ensuring their implementation and fulfilment;
- Ensure compliance with the defined risk tolerance levels;
- Ensure the necessary human and information technology resources for the Bank's risk management activity;
- Ensure the effective implementation of its guidelines and recommendations to correct and/or improve the Risk Management System;
- Ensure that the risk management activities have sufficient independence, status and visibility, and are subject to periodic review;
- Appoint the head of the risk management function, ensuring that this function has sufficient authority to perform its responsibilities in an objective and independent manner, with the necessary material and human resources to perform its duties.

## Risk Committee

The Risk Committee is a collegiate body of the Bank, tasked with the implementation and integrated monitoring of the different types of risk associated with banking activity. In addition to possible extraordinary meetings, the Risk Committee holds meetings on a quarterly basis with decision-making requiring the presence of at least three Executive Directors.

The main duties of the Risk Committee are as follows:

- Define monitoring indicators for each type of risk and analysis the outcomes obtained;
- Verify that the risk calculation models are updated and appropriate;
- Assess the own fund adequacy by carrying out stress tests; and
- Monitor the exposure to each type of risk, through their monitoring indicators.

## Risk Management Committee

The Risk Management Committee is composed of Non-executive Directors. It holds ordinary meetings at least on a quarterly basis, and extraordinary meetings whenever reasonably justified, with decision-making by votes cast by the majority of its members.

The Risk Management Committee is responsible for the following duties:

- Advise the Board of Directors on the risk strategy, considering:
  - The Bank's financial situation, as well as the nature, size and complexity of its activity;
  - The Bank's ability to identify, assess, monitor and control risks;
  - The work performed by the external audit and by delegation of the Internal Control System's monitoring responsibilities;
  - All the Bank's relevant risk categories, namely credit, market, liquidity, operational, strategy and reputational risk, taken in accordance with the legislation on the Internal Control System;
- Supervise the Bank's implementation of its Risk Strategy;
- Supervise the action of the Risk Management function on the Internal Control System.

## Internal Control Committee

The Internal Control Committee is responsible for appraising and issuing an opinion on the risk management policies to be followed by the Executive Committee.

## Risk Control based on the three Lines of Defence

Risk management and mitigation activities are transversal and, therefore, the responsibility of all the Bank's managers and other Employees, supported by the Internal Control System's mechanisms and functions.

The Bank has adopted a Risk Management governance model covering the structure of internal controls and assessments defined by three lines of defence, which differentiates the responsibilities of each area in risk control and management, as follows:

- **1st line of defence:** the business and supporting units that manage the Bank's risks and are tasked with identifying, assessing and controlling the risks inherent to their activity. The first line of defence must know and apply the policies and procedures, and should have sufficient resources to pursuit its goals.

- **2nd line of defence:** is composed of the internal control functions that include the Risk Management and Compliance Functions, which supervise the management of the risk activities carried out by the first line, being responsible for the monitoring and assessment of the efficacy of the controls;

- **3rd line of defence:** ensured by the Internal Audit function which is responsible for independently examining and assessing the adequacy and efficacy of the policies, processes and procedures supporting the Internal Control System, by testing the effectiveness of the implemented controls.

### Main Risks

- **Credit Risk:** risk associated with the possibility of the Bank incurring financial losses due to its counterparties' failure to meet their contractual obligations in their loan transactions;

- **Concentration Risk:** risk of loss arising from the possibility that an exposure or group of exposures will cause losses that are significant enough to jeopardize the Bank's solvency;

- **Counterparty Risk:** risk associated with the possibility of the Bank incurring financial losses due to its counterparties' failure to meet their contractual obligations, including losses arising from the devaluation of financial transactions due to deterioration of the counterparties' credit risk;

- **Liquidity Risk:** risk associated with the Bank's potential inability to finance its assets and meet its liabilities on their due dates, and the existence of potential difficulties in liquidating positions in portfolio without incurring in excessive losses;

- **Exchange Rate Risk:** risk associated with positive or negative impacts on the Bank's net income and equity, arising from exchange rate fluctuations;

- **Interest Rate Risk:** characterised as the likelihood of the occurrence of negative impacts on net income or equity, due to adverse changes in the interest rates of items of the banking book;

- **Operational Risk:** risk of the likelihood of the occurrence of negative impacts on earnings or capital, arising from losses due to failures or inadequacy of internal processes, people, systems, internal or external fraud or the inoperability of structures;

- **Reputational Risk:** risk reflecting possible losses derived from the deterioration of the Bank's reputation or position in the market, due to a negative perception of its image among Customers, counterparties, Shareholders and/or supervisory authorities, as well as among the general public;

- **Compliance Risk:** risk comprising the likelihood of the occurrence of events with negative impact on earnings or capital, arising from breaches or non-compliance regarding laws, regulations, contracts, principles of ethics and conduct and instituted practice.

# 5.2. Market Risk

Market Risk is defined as the possibility of losses resulting from fluctuations in the market values of positions held by Banco Económico in foreign exchange products, interest rate products, shares and commodities.

Market Risk management is a continuous process of identification, assessment, monitoring and control of exposure arising from positions held in foreign exchange products, interest rate products, shares and commodities, aimed at keeping them within the regulatory limits and internal thresholds defined by the Bank.

The Market Risk management process requires observation of the nature of its main transactions, products and services offered, and degree of exposure, and search for alignment with best practice, standards and all other applicable regulations.

## Market Risk Management Model

Market Risk management is based on two different models:

**1. Analysis of Positions Exposed to Risk**
The analysis of positions consists of calculating the amounts exposed to Market Risks by maturity buckets. An analysis of the mismatch of the assets and liabilities comprising the Bank's balance sheet structure is carried out, estimating the values at risk arising from the:

- interest rate gaps under the condition of asset remuneration being higher than liability remuneration;
- amounts at risk resulting from the repricing of assets and liabilities.

However, the monitoring and control of positions does not provide a complete picture of the real exposure to the various risk factors. For this reason, Banco Económico complements this measure with other Market Risk control tools, namely sensitivity analysis.

**2. Sensitivity Analysis**
Sensitivity analysis demonstrates the impact that the change of a certain risk factor would generate in the Bank's earnings. Sensitivity analyses are a particularly important measurement for Market Risk management as minor changes in risk factors can generate significant losses/gains in earnings.

This model enables assessing the impacts on the Bank's current value or economic value of its positions and its return due to possible changes in a set of market variables considered as risk factors, namely:

- Interest Rates;
- Exchange Rates;
- Market Prices of Financial Instruments;
- Money Supply Expansionary and Contractionary Measures.

## Market Risk Management Process

The Market Risk management process can be defined in four steps:

**1. Identification of Risk Factors**
The Finance and Markets Department (DFM) and the Risk Department (DR) are responsible for identifying the factors that could create specific risks to which the Bank is exposed, in order to assess possible impacts on the asset/liability structure arising from changes or variations in these risk factors.

**2. Measurement of Market Risk**
The Risk Department is responsible for monitoring and measuring market risk factors, using the models defined by the Bank. According to the type of instrument and the model adopted, the amount exposed to market risk is quantified and the defined limit is then assessed. The Department of Risk is responsible for the market information used in the models and the accounting information.

**3. Adequacy with the Established Risk Limits**
The market risk limits are defined by the Risk Department and approved by the Executive Committee. Once the quantification of the risk exposure amounts is completed, these are compared with the Bank's internally defined limits to enable concluding on whether they are within the defined risk limits or whether the future approach requires redefinition (in other words, taking on greater risk, containment or corrective measures.

**4. Market Risk Reporting**
The Risk Department is responsible for reporting on the evolution of its monitored risks, including the drafting of the Market Risk Report, on a monthly basis, and sending it to the Executive Committee.

# 5.3. Liquidity Risk

Liquidity Risk is associated with the Bank's potential inability to fund its assets, i.e. the likelihood 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 time limits and deadlines.

Liquidity management is defined as the set of processes aimed at ensuring the Bank's ability to make payments, considering the financial planning, risk limits and the optimisation of available resources. Liquidity management is one of the most important activities for institutions operating in the financial market.

Banco Económico has a liquidity management policy that is coherent with its funding structure, as well as a contingency policy for response to moments of emergency or imminent rupture.

Considering the Bank's present situation, which has been showing liquidity difficulties, the liquidity contingency policy was applied during 2022, including various measures to optimise treasury flows, namely:

- A more restrictive credit granting policy, adapted to attracting new customer resources and the outcome of the recovery of overdue or non-performing loans;
- Prudent management of customer transactionality, including observance of quantitative limits to the transactions conducted;
- Improvement of credit quality, by adopting tighter credit risk assessment criteria, reducing the risk of default;
- Reinforcement of guarantees when granting loans and advances, reducing net exposure; and
- Use of more profitable investment alternatives with greater capacity to generate liquidity.

## Market Risk Management Model

The Bank's Liquidity Risk management models are aligned with the regulatory framework of the financial system and with the Bank's internal policies, based on two different models: **Cash Flows** and **Liquidity Indices**.

**1. Cash Flows**

The cash flow model aims to identify the gaps or time lags in the cash flow of all the Bank's assets and liabilities, according to the characteristics of the transactions over a particular time horizon.

The cash flows of assets and liabilities are grouped into time bands, to assess whether the Bank has sufficient assets to cover the liabilities in each time band. Moreover, the Bank performs adherence tests on its projections to measure the projection's adherence and take measures to converge the projected amounts with the actual liquidity and, consequently, increase the security of the forecasts.

**2. Liquidity Ratios**

Liquidity ratios enable comparative analyses between different periods or in relation to other financial institutions with the same profile. Banco Económico applies the following liquidity ratios:

- Minimum Mandatory Reserves;
- Net Assets/Total Liabilities;
- Net Assets/Short-term Liabilities;
- (Cash and Cash Equivalents + Investments)/Short-term Liabilities;
- Net Assets/Total Assets;
- Loans/Deposits;
- Interbank Money Market Funding/Total Funding.

# 5.4. Counterparty Risk

Counterparty Risk is the possibility of the Bank incurring financial losses associated with its counterparties' failure to meet their contracted financial obligations, and that reduce the Bank's ability to settle its commitments, with direct impact on lower gains or profitability.

Counterparty risk management consists of the process of identification and assessment of existing or potential risks and their monitoring and control, conducted through policies, processes and limits consistent with the strategy and methodology defined by the Bank. In this context, the Bank establishes exposure limits and a methodology to control counterparty risk, considering possible negative impacts on its activity.

## Counterparty Risk Management Model

At Banco Económico, Counterparty Risk is managed by means of methodologies and models consistent with the best market practice and compatible with the complexity of the institution's activities, including the following phases: (i) Counterparty identification; (ii) Definition of the exposure limit; (iii) Risk management; and (iv) Monitoring and reporting.

The Bank has complementary tools to its Counterparty Risk management process, namely:

- Analysis of potentially adverse scenarios (stress tests); and
- Contingency Plan.

# 5.5. 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 Bank's ability to maintain its operations.

Concentration risk management consists of a set of processes for identifying and defining risk tolerance indicators, so as not to exceed the overall limit for each counterparty or portfolio.

Risk concentration could entail considerable impacts on the Bank's financial stability in cases, for example, of large Customers' default or deposits are mobilised on a massive scale towards competitors.

## Support Processes

Complementing concentration risk management, Banco Económico also has other support processes, namely:

- **Stress tests –** simulations applied to the portfolio of assets and liabilities to assess the potential effects on the Bank's financial conditions. The analysis of concentration scenarios is a fundamental aspect of risk management;
- **Management Information –** the Bank ensures the quality of management information to measure and monitor concentration risk, enabling the measurement of concentration levels, with the necessary detail, in loan portfolios (customer, contract, type of loan, interest rates, dates, amounts, Banco Nacional de Angola risk, rating, currency), deposit portfolios (customer, contract, type of deposit, interest rates, dates, amounts, currency) and other relevant information.
- **Contingency Plan –** for cases of one-off or chronic crises of risk concentration, the Bank has defined a Contingency Plan to be activated when the concentration management thresholds are breached.

Prudence in managing concentration risk involves procedures, which in an organised manner, maintain concentration levels below the defined limits, or solutions that offset possible breach of the concentrated risks.

The actions to be taken, if the concentration levels are above the defined limits, are: (i) freezing of granting loans and advances to segments where there is greater concentration; (ii) reduction of exposure to risk through sale of credit to the remaining segments; and (iii) increase of the Bank's equity.

In implementing its Recapitalisation and Restructuring Plan, and in view of several situations of surpassed concentration risk limits, the Bank resorted to these containment and mitigation measures, and expects to maintain them until these situations are normalised.

# 5.6. Credit Risk

Credit Risk is associated with the possibility of the Bank incurring financial losses due to the borrowers' failure to meet their contractual obligations in credit transactions.

The Credit risk management objective is to maximise earnings, while keeping exposure to this risk at levels considered acceptable in view of the growth objectives defined for the Bank's business and the regulatory requirements to which it is subject.

## Credit Risk Management

At Banco Económico, the loan process refers to a set of rules and principles of separation of functions, involving the following activities:

- Loan Application/Granting
  - The Bank's Commercial Departments begin the process by filling in a loan proposal that will be submitted for analysis and review by the Credit Department (CD). This proposal must contain all the necessary and updated information on the customer, the characterisation of the operation, and relevant quantitative and qualitative information for its analysis;
  - Before its submission to the Credit Department, the Commercial Departments are also responsible for carrying out a pre-validation of the customer's repayment capacity and for assessing the customer's repayment history in relation to other loans and advances from the Bank.

- Credit Risk Analysis

The Credit Department is responsible for the Bank's credit risk analysis, by a team of analysts specialised in the assessment and analysis of loan applications.

The credit analysis process includes the following steps:

- Analyse all relevant information submitted by the Commercial Departments;
- Analyse the customer information managed by Banco Nacional de Angola through the Credit Risk Information Centre (CIRC);
- Ensure that the customer's mandatory documentation is in the case file and updated;
- Request additional information from the Commercial Departments, whenever necessary for decision-making.

Credit risk analysis is supported by risk assessment models specifically developed for each credit segment. To this end, 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 more than USD 0.5 million, or the equivalent in kwanzas, at least once a year;
- Evaluation of guarantees at least once a year.

The Credit Risk Management Model is duly aligned with Banco Nacional de Angola's regulations on impairment. This model assigns each loan a certain rating, based on the customer information and the operation in question, collected through qualitative and quantitative analysis questionnaires.

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

Each analysed variable is assigned a score and an overall risk weight. The assessment assigns different levels from "Insufficient" to "Very Good", and the average risk of the transactions is calculated on a scale of 1 to 10, based on the average risk of each variable and the weighting of the variables.

- **Decision-making**
  - The decision to approve or reject the loan proposal is made by the Credit Committee, which is composed of the Credit Department, Commercial Departments and Executive Committee;
  - After analysing the proposal, the Credit Department issues one of the following recommendations:
    - favourable opinion under the proposed conditions;
    - unfavourable opinion under the proposed conditions;
    - favourable opinion, but with restrictions or proposing new conditions.

- **Follow-up**
  - The loan portfolio should be maintained in accordance with the Bank's strategy, defined in terms of exposure limits, diversification and coverage by guarantees and provisions;
  - Each operation of the customer or group of Customers is monitored individually with a view to monitoring the evolution of the likelihood of receiving expected future cash flows and the adoption of measures to minimise the likelihood of the occurrence of losses arising from an unfavourable evolution of the customer's financial situation;
  - The guarantees received are periodically reassessed and exposure to risk is recalculated due to fluctuations in their value. In addition, all Employees have the duty to inform the Bank of any factor that might indicate default or a reduction in the customer's capacity to fulfil its commitments to the Bank;
  - The Bank monitors signs of default by its Customers, such as defaults at the Bank, devaluation of guarantees, the existence of bounced cheques, changes in the social context that may negatively affect the customer's ability to repay.

- **Recovery**
  - The Bank has a process for monitoring loans overdue through the Credit Recovery Department. This department manages the customer's liabilities, including all operations and loans overdue, and assess the potential for recovering outstanding amounts in debt through the renegotiation or calling in of existing guarantees;
  - The Bank rigorously defines the characteristics of renegotiation and loan restructuring operations, ensuring that there are no situations of default on the contract review date that could exacerbate risk with impact on the level of provisions;
  - After the recovery, renegotiation or restructuring of a credit operation, the Credit Department keeps the operation under surveillance for at least one year.

# 5.7. Operational Risk

Operational Risk is the likelihood of the occurrence of negative impacts on earnings or capital, resulting from losses due to failures or inadequacy of internal processes, people, systems, internal or external fraud or the inoperability of structures.

Operational Risk also includes information systems risk, which corresponds to the possible occurrence of negative impacts resulting from the inadequacy of the information systems to the Bank's needs regarding processing, security, control, availability and continuity.

## Guiding Principles

The Bank adopts the following guiding principles in Operational Risk management:

- Development of an Operational Risk culture through the approval and implementation of policies, processes and procedures for its management;
- Regular identification of operational risks to which the Bank's products, activities, processes and systems are exposed;
- Development, implementation and maintenance of an Operational Risk management model integrated in the Bank's risk management processes, which ensures the principles of risk identification, assessment, monitoring, control and mitigation, which is approved and periodically reviewed by the Board of Directors;
- Implementation of a regular process of monitoring the Operational Risk profile and exposure to losses;
- Development of processes and procedures aimed at controlling and mitigating the operational risks incurred;
- Evaluation of the severity and frequency of occurrence of each of the risks related to each of the Bank's processes, identifying opportunities for improvement of the processes most exposed to the identified risk;
- Establishment of procedures and controls to ensure the effectiveness and performance of tasks, the integrity of the information and compliance with regulatory requirements;
- Definition of contingency plans that ensure the completion of all operational processes in cases of extreme situations..

At Banco Económico, Operational Risk is managed by means of methodologies and models consistent with the best market practice and compatible with the complexity of its activities, based on the following principles:

- **Identification:** the Bank ensures the identification of the presence of Operational Risk events inherent to products, activities, operations, processes and systems to ensure that the inherent risks are properly understood. Additionally, the Bank gathers and records events that resulted in an effective financial loss for future analysis and improvement of procedures;
- **Monitoring and Reporting:** the Bank implements a process of regular monitoring of risk profiles, material exposures to losses, detection of suspicious behaviour (which are investigated in a timely and rigorous manner), as well as appropriate reporting mechanisms to support proactive operational risk management. The monitoring process is carried out in a manner enabling evaluation of the efficiency of the approach to operational risk, identification of management level weaknesses and improvement of the robustness of control;
- **Control and Mitigation:** the Bank ensures the development of a control environment based on appropriate policies, processes, systems and internal controls, and implements risk mitigation processes and procedures. Based on confirmed or potential situations, the controls are strengthened to prevent the recurrence of these events.

# 5.8. Reputational Risk

Reputational Risk is defined as the likelihood of the occurrence of events with a negative impact on the Bank's earnings or capital, derived from an unfavourable perception of its image by Customers, counterparties, investors, suppliers, Shareholders and regulators.

Reputation Risk management consists of the process of identifying and assessing existing or potential risks and their effective monitoring and control, conducted through policies, processes and limits consistent with the strategy and methodology defined by the Bank.

## Guiding Principles

The Bank adopts the following guiding principles in Reputational Risk management:

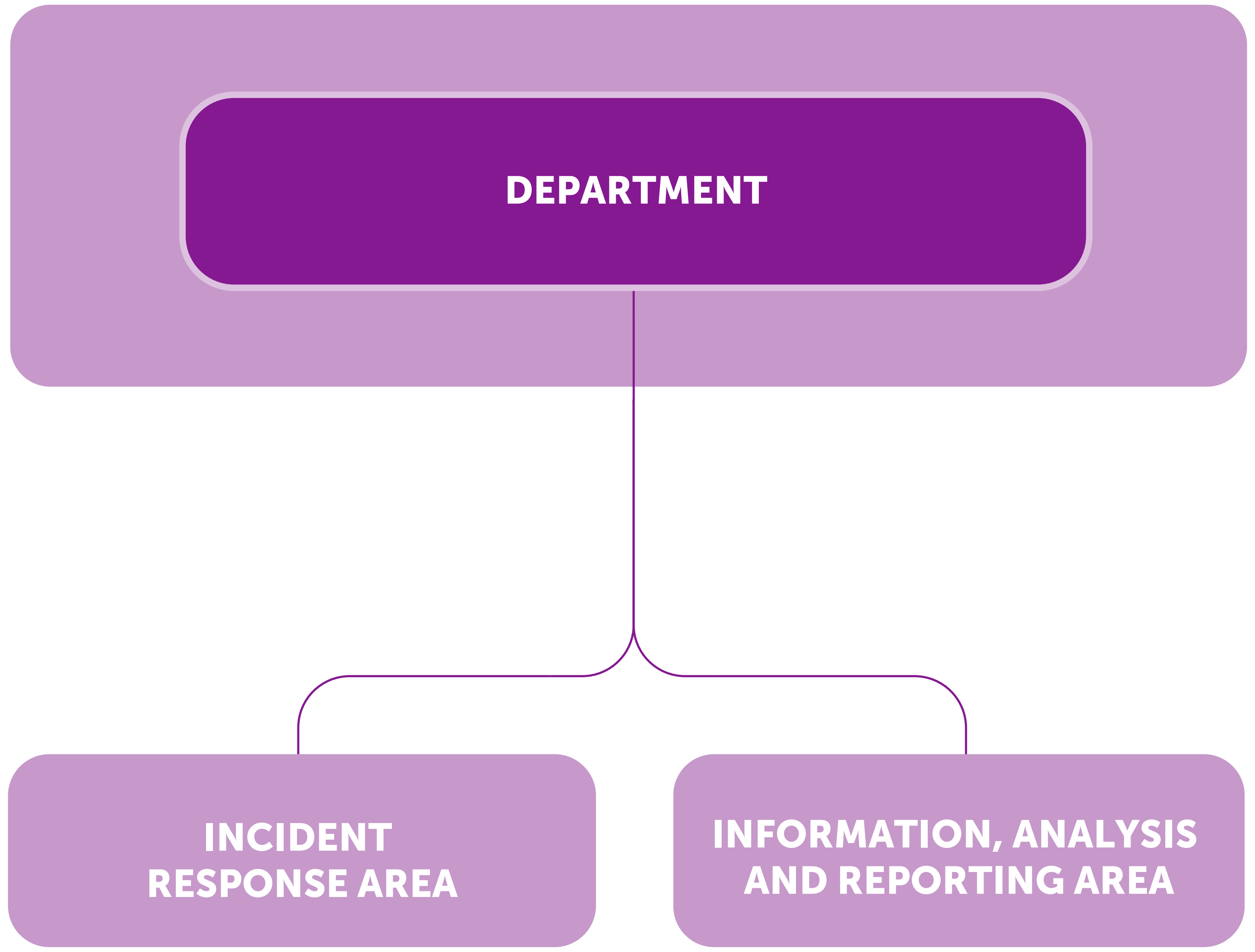
- Identification of the risk arising from the stakeholders' negative perception of the Bank, and quantitative and qualitative assessment of its potential effect;
- Monitoring of relationships maintained with Customers and the transactions recorded in the activity reports produced by the Departments;
- Risk prevention by monitoring the relationships maintained with Customers and the transactions recorded through the activity reports produced by the other structural bodies;
- Creation and implementation of mechanisms to mitigate the impact of reputational risks;
- Recording and control of variables that characterise the Bank's reputation, ensuring its consistency with the established tolerance level and mitigating potential deviations in a timely manner.

# 5.9. Information Security

The Information Security Office (GSI) is the organic unit responsible for managing all issues related to Information Security, regardless of how it is presented, tasked with channelling and guiding the defined Information Security goals.

## Organic Structure

The Information Security Office has the following organic structure:




## Functions of the organic unit

Due to its transversal and critical action, the Information Security Office should ensure the:

- Formalisation of the strategic goals concerning Information Security;
- Definition, implementation, maintenance and continuous improvement of Information Security;
- Communication of the importance of effective Information Security management and integration of the Information Security requirements in the Bank's processes;
- Implementation and annual review of the Policy on Information Security (PSI);
- Provision of sufficient resources to develop, implement, operate and maintain Information Security, in partnership with the remaining organisational structures to be considered;
- Follow-up of investigations and assessment of damage arising from security breaches;
- Conduct and follow-up of studies on new technologies, regarding possible impacts on the security of information and communications;
- Ongoing updating in relation to laws, regulations and other issues concerning the security of information and communications;
- Promotion of training, awareness-raising and development of the necessary skills;
- Articulation of issues related to Information Security with the Board of Directors and Departments, ensuring the planning and coordination of activities for the operationalisation, monitoring and regular review of the Information Security practices at the Bank.

## Key Activities in 2022

The year of 2022 brought in major challenges for information security due to the exponential rise in threats and intrusions, breaches of confidentiality, adjustments to various regulations imposed by the suppliers, the return to face-to-face work and the maintenance of some remotely-rendered services, the promotion of the process of awareness-raising and training on information security and personal data protection, and the assured protection of the data comprising our ecosystem.

Throughout the year under review, the Information Security Office carried out activities in the following spheres:

**1. Governance, Risk and Compliance**

- Development and identification, by the Risk Department, of the gross and net materiality associated with the technological risk categories, especially cybersecurity risk for the year of 2022;
- Support to the different Control Departments, for fulfilment of compliance and information risk processes;
- Compliance analysis of the various application solutions in the Bank's ecosystem;
- Accomplishment of various awareness-raising and training actions on information security via information e-mails, newsletters and onboarding sessions, in line with the policy on information security in force;
- Adjustment, validation and submission of the security programs SWIFT Customer Security Programs CSPv2021 and CSPv2022, both of mandatory compliance;
- Development and provision of various reports on risk, especially cybersecurity, reflecting the Bank's current maturity concerning Information Security;
- Development and submission to the Executive Committee of reports on the status of information security and data protection in the corporate environment;
- Drafting of policies for approval on access management and its procedures, asset management, management of security operations, rules on malware, management of vulnerabilities, classification of information and response to incidents and their procedures, to ensure legal compliance;
- Updating and approval of the Policy on Information Security and supplementary documents, namely the Standard for Information Classification, Standard for Anti-Malware, Standard for Management of Vulnerabilities and Patches, Standard for Information Security Management in Relations with Suppliers, Standard for Incident Management, and the Information Security Incident Response Plan;
- Partial mapping of the data flow, in compliance with Law No. 22/11 and relating to Presidential Decree No. 60/21, aimed at adjustment of the process of payment of the rate for data processing and protection;
- Follow-up of the processes of external audit of Information Security, at a strategic, tactical and operational level.

**2. Access and Identity Management**

- Reappraisal of accesses assigned to the central management solution of the antivirus and jump server;
- Reappraisal of the management's accesses in the current hybrid solution of working and in cloud system, Microsoft 365, to bring this closer to best practice;
- Follow-up of the implementation and strengthening of the current mechanisms to control access to the assets.

**3. Security Operations**

- Monitoring of the events related to the anti-virus platform, as well as the recommendation and validation of the mitigation process;
- Monitoring of the events and logs of the existing firewall solutions and issue of the necessary recommendations to mitigate the recorded incidents;
- Follow-up and monitoring of data loss events;
- Continuous analysis and collection of smart information on the Deep Web and Darknet;
- Development of a series of indicators on commitment to enable classification of threats, in line with good practice;
- Analysis of false positives, as well as the recommendation to follow the mitigation procedure to the areas responsible for this.

**4. System Security**

- Regular submission of information/warnings on critical vulnerabilities affecting Information Security to the operational areas, for their proper mitigation;
- Vulnerability analyses of the various application solutions in the Bank's ecosystem;
- Analysis and monitoring of cybersecurity threats reported by Customers and Employees, in addition to those identified by the existing mechanisms and solutions, following their entire life cycle;
- Analysis of the security architecture of a series of solutions aimed at ensuring business continuity and the preservation of information.

**5. Cloud Security**

- Reappraisal of the currently implemented architecture, in terms of information security requirements;
- Actions to reappraise the maturity of the existing cloud solution, and its adequacy in terms of good practice and recommendations

The Bank continues to be driven towards ensuring the protection of information, and elevating the maturity of information security and personal data protection. To this end, investments in processes, technology and people continue to be priority and, likewise, management's commitment.

# 06 Financial Information

Kz 1,025,030 million of net assets.

# 6.1.
# Separate Financial Information

## Separate Balance Sheet as at 31 December 2022 and 31 December 2021

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| Cash and deposits at central banks | **44,754,420** | 91,117,804 | -51% | **88,853** | 164,182 | -46% |
| Cash at other credit institutions | **28,707,596** | 20,858,571 | 38% | **56,994** | 37,584 | 52% |
| Investments at central banks and other credit institutions | **-** | 42,453,933 | - | **-** | 76,496 | - |
| Financial assets at fair value through profit and loss | **637,328** | 1,531,032 | -58% | **1,265** | 2,759 | -54% |
| Financial assets at fair value through other comprehensive income | **150,188** | 152,751 | -2% | **298** | 275 | 8% |
| Investments at amortized cost | **68,416,576** | 129,013,362 | -47% | **135,830** | 232,464 | -42% |
| Loans and advances to Customers | **63,305,755** | 68,067,530 | -7% | **125,684** | 122,648 | 2% |
| Non-current assets held for sale | **3,328** | 3,328 | 0% | **7** | 6 | 10% |
| Other tangible assets | **40,260,556** | 41,812,682 | -4% | **79,931** | 75,341 | 6% |
| Intangible assets | **8,184,587** | 8,424,240 | -3% | **16,249** | 15,179 | 7% |
| Investments in subsidiaries and associates | **2,448,343** | 2,252,199 | 9% | **4,861** | 4,058 | 20% |
| Current tax assets | **1,990,496** | 1,511,061 | 32% | **3,952** | 2,723 | 45% |
| Other assets | **766,170,467** | 819,086,369 | -6% | **1,521,112** | 1,475,882 | 3% |
| **Assets** | **1,025,029,641** | **1,226,284,862** | **-16%** | **2,035,037** | **2,209,598** | **-8%** |

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| Deposits from central banks and other credit institutions | **261,926,159** | 262,316,318 | 0% | **520,014** | 472,658 | 10% |
| Customer deposits and other loans | **776,588,133** | 1,303,985,454 | -40% | **1,541,795** | 2,349,604 | -34% |
| Subordinated liabilities | **32,613,458** | 63,698,032 | -49% | **64,749** | 114,775 | -44% |
| Provisions | **5,246,980** | 3,728,463 | 41% | **10,417** | 6,718 | 55% |
| Current tax liabilities | **19,720** | - | - | **39** | - | - |
| Other liabilities | **104,618,623** | 103,054,691 | 2% | **207,704** | 185,690 | 12% |
| **Liabilities** | **1,181,013,073** | **1,736,782,958** | **-32%** | **2,344,717** | **3,129,446** | **-25%** |

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| Share Capital | **271,500,000** | 72,000,000 | 277% | **539,021** | 129,734 | 315% |
| Other equity instruments | **121,196,000** | - | - | **240,616** | - | - |
| Fair value reserves | **29,700** | 29,700 | 0% | **59** | 54 | 10% |
| Other reserves and retained earnings | **(510,755,790)** | (756,775,617) | -33% | **(1,014,026)** | (1,363,606) | -26% |
| Net income for the year | **(37,953,342)** | 174,247,821 | -122% | **(75,350)** | 313,971 | -124% |
| **Own funds** | **(155,983,432)** | **(510,498,096)** | **-69%** | **(309,681)** | **(919,848)** | **-66%** |

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| **Liabilities and equity** | **1,025,029,641** | **1,226,284,862** | **-16%** | **2,035,037** | **2,209,598** | **-8%** |

## Balance Sheet Analysis

As at 31 December 2022, Banco Económico's net assets stood at Kz 1,025,030 million, down 16% year-on-year.

This reduction was due to the evolution of the heading 'Cash, cash equivalents and balances with central banks' (reserve requirement at Banco Nacional de Angola) which fell by 51%, although the heading of 'Balances with other credit institutions' increased by 38%. Taken as a whole, the weight of liquid assets in the Bank's assets fell by 6 percentage points (from 13% to 7%).

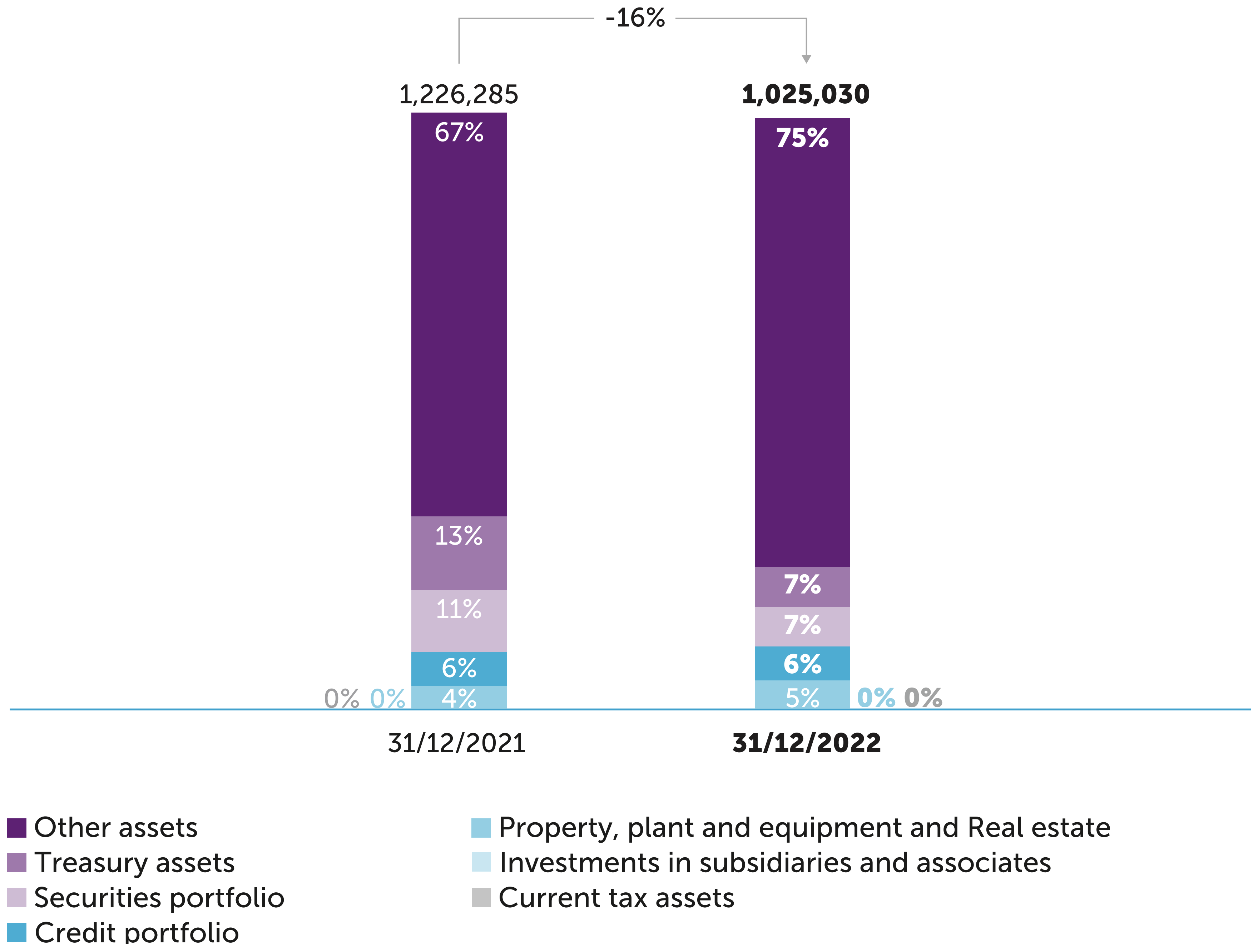
In 2022, there was also a reduction in the headings of 'Financial assets at fair value through profit or loss' of 58%, and 'Investments at amortised cost' of 47%, explained by the public debt securities which fell due on their maturity date. Consequently, the weight of the securities portfolio in the Bank's assets fell by 4 percentage points (from 11% to 7%).

Taken together, the liquidity and securities headings showed a significant reduction, with their weight in the balance sheet having fallen by approximately 10% (from 24% to 14%), demonstrating the liquidity difficulties experienced by the Bank.

In 2022, the reduction of the value of loans and advances to Customers from Kz 63,306 million, -7% (2021: Kz 68,068 million), was the outcome of a context of greater uncertainty, risk, rising interest rates and deterioration of credit quality, hampering their granting. The credit containment was also the result of the Liquidity Contingency policy observed by the Bank under the implementation of the Recapitalisation and Restructuring Plan, restricting disbursement to transactions that had already been approved and to the outcome of credit recovery. Nevertheless, the weight of credit in the balance sheet remained constant at approximately 6%.

As a result of these movements, the weight of the heading of 'Other assets' in the Bank's balance sheet increased from 67% to 75%, where the major part of this value is accounted for by the transfer of assets to INVESTPAR. Accordingly, in 2022, there was an increase of the concentration of this heading represented by real estate assets and liabilities, of low liquidity and scant profitability.

### Composition of the Assets – Kz million




On the liability side, in 2022, the keynotes are the significant reduction of resources attracted from Customers, approximately down 40%, which reached the value of Kz 776,588 million, and the reduction of subordinated liabilities with Novo Banco (-49%), which stood at Kz 32,613 million, as a result of the accomplishment of the loan repayment plan, with the loan having been fully paid-up in August 2023.

## Loan Portfolio

As at 31 December 2022, total gross loans and advances had grown by 5%, and amounted to Kz 227,632 million, compared with Kz 216,729 million in 2021. However, in the opposite direction, there was a 10.5% reinforcement of impairment for the Bank's loan portfolio, giving rise to a 7% reduction of net loans and advances.

By types of loans, growth is only found in credit to companies in the form of loans (+57%), and there was also an increase in loans overdue (+11%), albeit lesser. In all the remaining forms of credit, outstanding domestic loans and advances fell significantly, as well as loans and advances to individuals.

Despite the macroeconomic context and the implementation of the Recapitalisation and Restructuring Plan (RRP), Banco Económico continues to uphold its contribution to financing Angola's economic activity.

Values expressed in thousand Kz

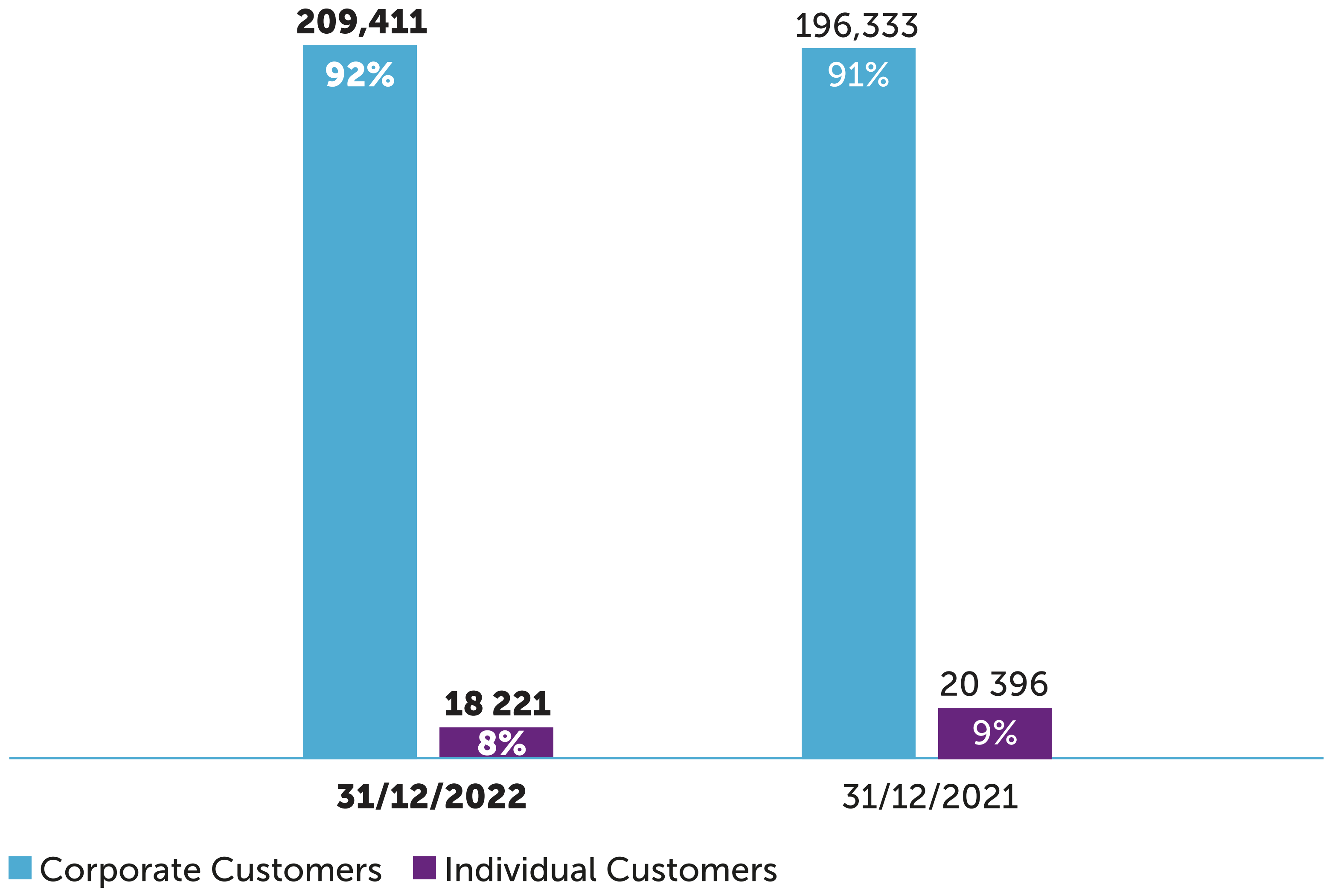
| Description | 31/12/2022 | 31/12/2021 | Δ% |
|---|---|---|---|
| **Active loans and advances** | | | |
| To corporate Customers | | | |
| Loans | **138,305,911** | 87,934,662 | 57% |
| Current account loans and advances | **2,082,293** | 38,143,317 | -95% |
| Overdrafts | **4,511,237** | 8,775,365 | -49% |
| Finance lease | **422,698** | 1,037,522 | -59% |
| To individual Customers | | | |
| Mortgage | **6,169,907** | 6,850,975 | -10% |
| Consumer and other | **1,168,000** | 2,354,838 | -50% |
| | **152,660,046** | **145,096,679** | **5%** |
| **Overdue loans and advances** | | | |
| To corporate Customers | | | |
| Loans | **60,655,604** | 54,492,258 | 11% |
| Current account loans and advances | **1,597,309** | 1,369,051 | 17% |
| Overdrafts | **607,005** | 2,352,071 | -74% |
| Finance lease | **1,228,904** | 2,228,853 | -45% |
| To individual Customers | | | |
| Mortgage | **4,879,051** | 5,324,967 | -8% |
| Consumer and other | **6,004,313** | 5,865,185 | 2% |
| | **74,972,186** | **71,632,384** | **5%** |
| **Gross Loans and Advances** | **227,632,232** | **216,729,063** | **5%** |
| **Total Impairment** | **(164,326,477)** | **(148,661,533)** | **11%** |
| **Total Net Loans and Advances** | **63,305,755** | **68,067,530** | **-7%** |

## Credit Analysis

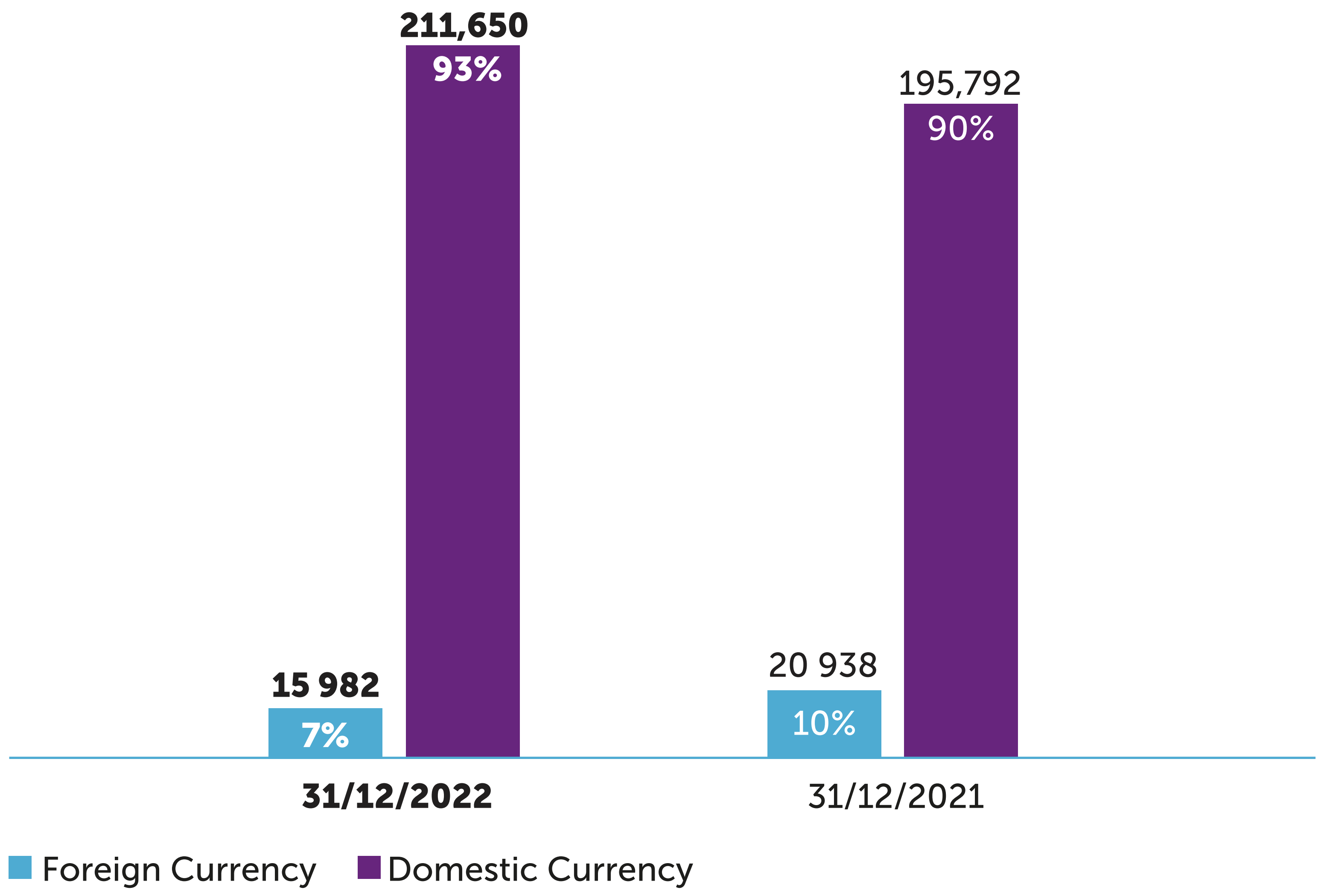
The Corporate customer segment contributed the most and accounted for 92% of the Bank's loan portfolio, up 7% in relation to 2021. For the Individual customer segment, 2022 was a year marked by a reduction in their activity of approximately 11%, related to the dynamics of credit recovery, with a positive impact on the reduction of impairment by 4%.

In 2022, the loan portfolios in domestic currency (MN) and foreign currency (ME) accounted for 93% and 7% of total loans and advances, respectively. The downward trend of the weight of loans in foreign currency continued (from 10% to 7%), primarily explained by the conversion of loans in foreign currency to domestic currency, under the non-performing loan recovery processes.

**Loans and advances by customer segment** – Kz million




**Loans and advances by currency** – Kz million




## Credit Rating

The year of 2022 was characterised by a relative stabilisation of the quality of Banco Económico's loan portfolio. Indeed, the value of the loans and advances granted grew at the same rate as that of loans overdue (approximately 5%), reflected in the ratio of non-performing loans to total loans and advances (33%) remaining unchanged in relation to the previous year.

In this environment of high uncertainty and deterioration of risk stemming from the economic contraction triggered by the war in Ukraine, Banco Económico strengthened its prudential levels of loan coverage by constituting impairments in 2022, showing coverage ratios of 73% for the Corporate segment (70% in 2021) and 63% for the Individuals segment of (58% in 2021).

On average, the total coverage of the Bank's loan portfolio by impairments in 2022 was 72%, reflecting a reinforcement of 4% compared to 2021.

Values expressed in thousand Kz

| Credit Quality | **31/12/2022** | 31/12/2021 |
|---|---|---|
| **Total Loans and Advances** | | |
| To corporate Customers | **209,410,962** | 196,333,098 |
| To individual Customers | **18,221,271** | 20,395,965 |
| | **227,632,232** | **216,729,063** |
| **Total Impairment** | | |
| To corporate Customers | **152,912,775** | 136,821,130 |
| To individual Customers | **11,413,702** | 11,840,403 |
| | **164,326,477** | **148,661,533** |
| % Coverage of corporate Customers | **73%** | 70% |
| % Coverage of individual Customers | **63%** | 58% |
| **% Total Coverage** | **72%** | 69% |

## Customer Resources

In 2022, the Bank's deposits contracted by approximately 40% year-on-year.

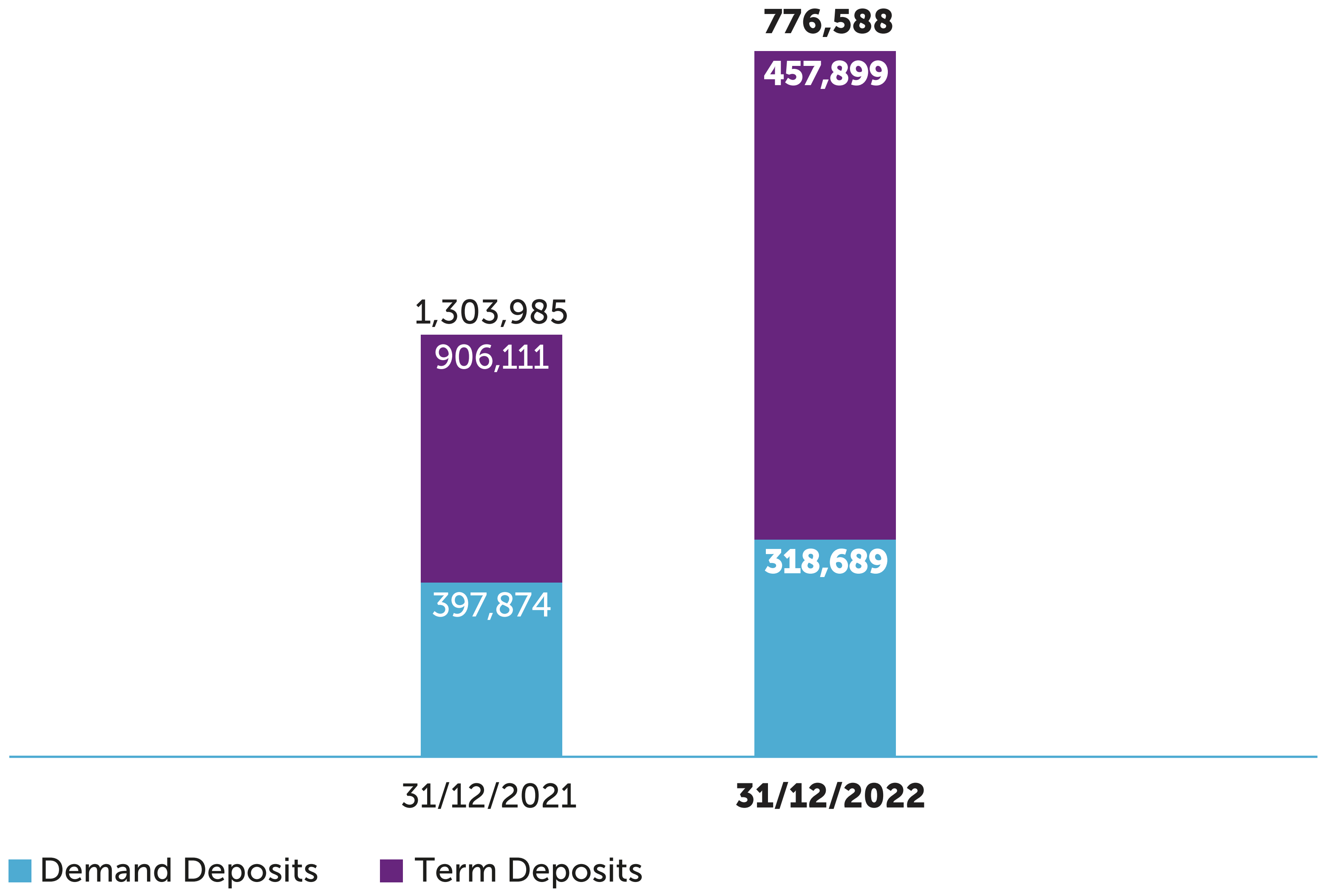
This movement is primarily explained by the decreased deposits in foreign currency as a result of the accomplishment of the Recapitalisation and Restructuring Plan (RRP) measures, namely, the conversion of 65% of the deposits subscribing to the RRP for capitalisation of the Venture Capital Fund, holding the Bank's capital, and the underwriting of Participation Securities.

This reduction is also partly explained by the exchange rate appreciation of the Kwanza against foreign currencies, which has a special impact on the Bank, as about 80% of customer deposits are denominated in foreign currency. The structure of resources showed that term deposits declined by approximately 49%, corresponding to a considerable reduction in absolute value from Kz 906,111 million to Kz 457,899 million.

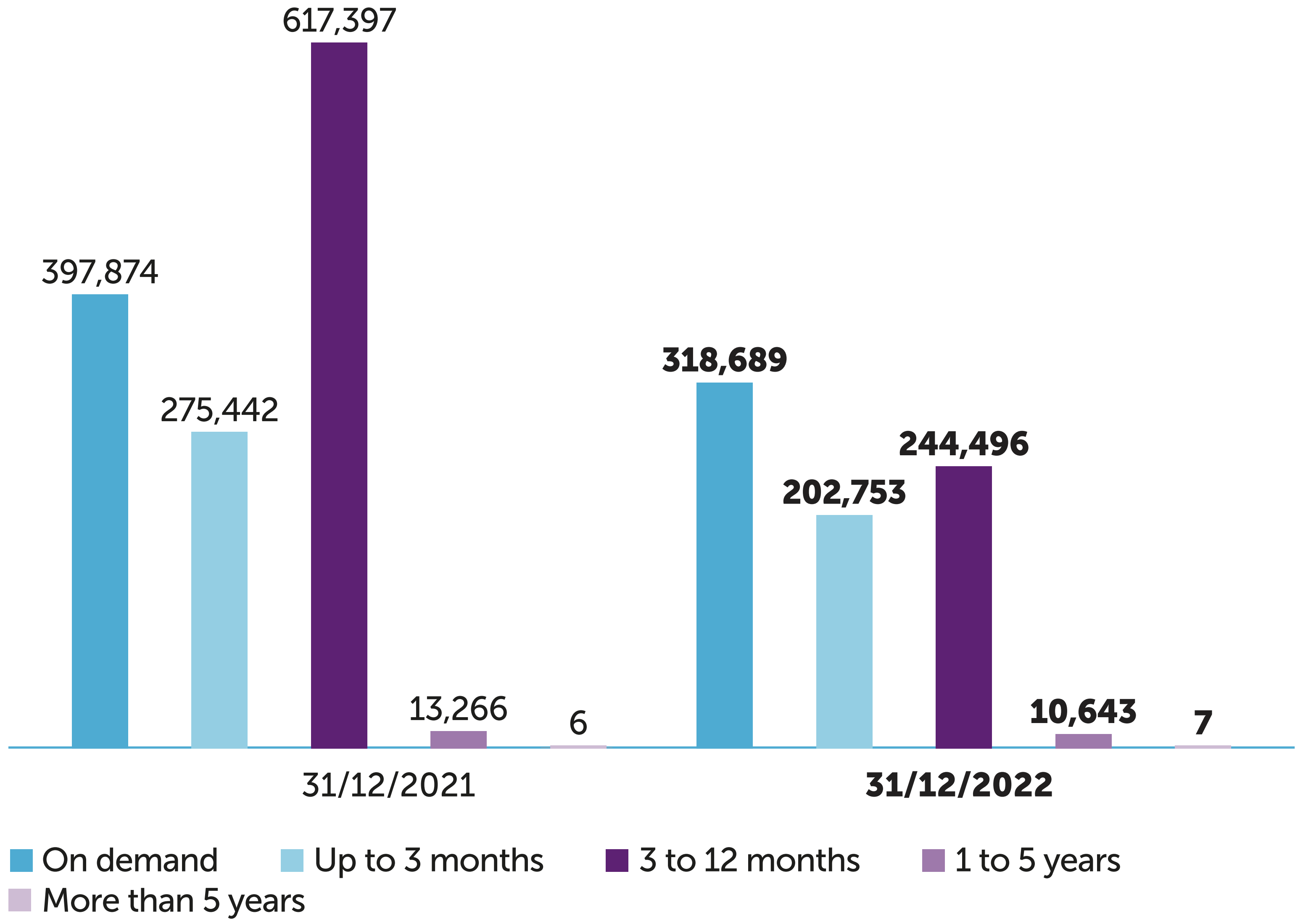
By maturity of the investments, the periods for which the greatest reduction occurred was in investments between 3 to 12 months (-60%) followed by investments up to 3 months (-26%).

The decrease of deposits led to a minor increase in the loan-to-deposit ratio from 5.2% in 2021 to 8.2% in 2022.

**Structure of Customer resources** – Kz million




**Maturity of attracted resources** – Kz million




## Subordinated Liabilities

This loan, raised from Novo Banco, of the value of USD 496,358 thousand, at a rate of 5%, with quarterly payments and maturity in 2024, stemmed from Banco Nacional de Angola's resolution dated 4 August 2014. At the end of 2022, under the implementation of the Recapitalisation and Restructuring Plan, Banco Económico agreed to restructure the subordinated loan with Novo Banco, considering a 75% write-off of the outstanding debt, giving rise to gains of Kz 107,812 million, in 2021.

After the restructuring, the subordinated debt was worth USD 114,712 million, with a maturity date of 31 August 2023 and the interest rate remaining at 5%.

The Bank made a significant effort to fulfil the new payment plan by the stipulated deadline and honoured all its commitments up to the full repayment of the subordinated loan, which took place in August 2023.

## Own Funds

The evolution of Banco Económico's own funds, from an accounting and regulatory perspective, was as follows:

Values expressed in thousand Kz

| Own Funds | 31/12/2022 | 31/12/2021 | Var. (%) |
|---|---|---|---|
| **Carrying Amount of Own Funds** | | | |
| Share capital | **271,500,000** | 72,000,000 | 277% |
| Other equity instruments | **121,196,000** | - | - |
| Reserves and retained earnings | **(510,726,090)** | (756,745,917) | -33% |
| Net income for the year | **(37,953,342)** | 174,247,821 | - |
| | **(155,983,432)** | **(510,498,096)** | **-69%** |
| **Regulatory Own Funds** | | | |
| Regulatory own funds | **(43,994,464)** | (399,767,736) | -89% |
| Common equity tier 1 | **(76,621,288)** | (463,465,768) | -83% |
| **Own Funds Requirements** | | | |
| For Credit Risk | **78,274,695** | 98,162,284 | -20% |
| For Market Risk | **1,714,123** | 29,145,376 | -94% |
| For Operational Risk | **7,073,235** | 16,796,628 | -58% |
| | **87,062,053** | **144,104,288** | **-40%** |
| **Solvency Ratios** | | | |
| Regulatory solvency ratio | **-4.6%** | -27.7% | 23% |
| Common equity tier 1 ratio (core Tier 1) | **-8.1%** | -32.2% | 24% |

The keynotes of this evolution are as follows:

- Despite the considerable capitalisation effort made in 2022, by applying the measures established in the Recapitalisation and Restructuring Plan, the Bank still has negative own funds from an accounting viewpoint of Kz 155,983 million (69% down from the negative figure presented in 2021 of Kz 510,498 million);

- From a regulatory angle, the positive evolution that has occurred was also insufficient for the Bank to close the year with positive own funds: Regulatory Own Funds (FPR) amounted to Kz 43,994 million and Common Equity Tier 1 (FPN1) stood at Kz 76,621 million, down 89% and 83%, respectively, year-on-year;

- As a result of the deleveraging and restructuring process underway, the Bank presented a significant reduction in own fund requirements to cover the different balance sheet risks. In this regard, special reference should be made to the evolution of market risk (-94%) and credit risk (-20%), which were spurred by the considerable reduction in the securities portfolio and the reinforcement of impairments for loans and advances to Customers, respectively;

- Despite this positive evolution, the Bank has negative solvency ratios (Regulatory Solvency Ratio of 4.6% and Core Tier 1 Ratio of 8.1%), below the regulatory requirements, entailing the need to strengthen its capitalisation, in the short-term.

# Income Statement

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| Interest and similar income | **13,135,595** | 20,043,866 | -34% | **26,079** | 36,116 | -28% |
| Interest and similar expenses | **(32,622,869)** | (50,356,208) | -35% | **(64,768)** | (90,735) | -29% |
| **Net interest income** | **(19,487,274)** | **(30,312,342)** | **-36%** | **(38,689)** | **(54,619)** | **-29%** |
| Service, fee and commission income | **8,326,077** | 12,120,943 | -31% | **16,530** | 21,840 | -24% |
| Service, fee and commission expenses | **(1,476,556)** | (1,544,520) | -4% | **(2,931)** | (2,783) | 5% |
| Net trading income on securities | **58,252** | 38,245 | 52% | **116** | 69 | 68% |
| Net gain (loss) from foreign exchange | **30,301,903** | 95,956,714 | -68% | **60,160** | 172,901 | -65% |
| Other operating income | **(5,728,951)** | 104,996,870 | -105% | **(11,374)** | 189,190 | -106% |
| **Operating income** | **11,993,451** | **181,255,910** | **-93.38%** | **23,811** | **326,598** | **-93%** |
| Personnel expenses | **(14,819,142)** | (16,476,289) | -10% | **(29,421)** | (29,688) | -1% |
| Third-party supplies and services | **(8,285,384)** | (10,653,304) | -22% | **(16,449)** | (19,196) | -14% |
| Depreciation and amortisation for the year | **(3,446,415)** | (3,357,310) | 3% | **(6,842)** | (6,049) | 13% |
| Provisions, net of cancellations | **(1,061,883)** | 534 | -198,954% | **(2,108)** | 1 | -219,203% |
| Impairment on other financial assets | **2,512,355** | 20,824,840 | -88% | **4,988** | 37,524 | -87% |
| Impairment on loans and advances | **(20,047,913)** | (10,675,432) | 88% | **(39,802)** | (19,236) | 107% |
| Impairment on other assets | **(5,176,387)** | 13,193,942 | -139% | **(10,277)** | 23,774 | -143% |
| Income from associates and joint ventures | **377,975** | 134,930 | 180% | **750** | 243 | 209% |
| **Profit before tax** | **(37,953,342)** | **174,247,821** | **-122%** | **(75,350)** | **313,971** | **-124%** |
| Income tax | **-** | - | 0% | **-** | - | 0% |
| Current | **-** | - | 0% | **-** | - | 0% |
| Deferred | **-** | - | 0% | **-** | - | 0% |
| **Net income for the year** | **(37,953,342)** | **174,247,821** | **-122%** | **(75,350)** | **313,971** | **-124%** |

Banco Económico recorded a negative net income of Kz 37,953 million in 2022, compared to a profit of Kz 174,248 million in the previous year. It should be noted that the net income for 2021 was influenced by non-recurring gains, namely the outcome of the renegotiation of the subordinated loan reflected in an exceptional profit of Kz 107,812 million.

The main evolutions concerning revenue, in relation to 2021, were also follows:

- Improvement of net interest income of 36%, nevertheless, still negative by Kz 19,487 million;

- Strong decrease of the complementary margin, arising from the fall of foreign exchange gains (in view of the depreciation of the Kwanza in relation to 2021, and the balance of the foreign exchange position during 2022) and other income (which recorded the gain due to the subordinated loan negotiation), the Bank showed a significant reduction in its operating income, which stood at Kz 11,993 million (-93%);

- Decrease of fee and commission income from financial product and services (-31%), as a result of the Bank's lower transactionality with its Customers.

Expenses in 2022 showed a:

- Reduction of personnel expenses of 10% and third-party supplies and services of 22%, while depreciation and amortisation showed a minor increase of approximately 3 percentage points;

- Impacts of the values of provisions and impairment for financial risks, loans and advances, and other assets, which in 2021 contributed positively to net income (Kz 23,344 million), via the reversal of impairment associated with public debt securities stemming from the better rating of Angola during that year, and the reversal of impairment on other assets, but which in 2022 contributed negatively (Kz 23,774 million) primarily due to the need to constitute impairment on loans and advances.

## Net Interest Income and Complementary Margin

Net interest Income showed a positive variation in 2022 (36% down on its negative value). This movement is explained by the capacity to reduce the amount of interest and charges by 35%, mostly as a result of the accomplishment of the Recapitalisation and Restructuring Plan measures.

It should be highlighted that in 2022, 2021 and 2020 the Bank did not recognise any interest income on assets receivable from INVESTPAR, despite the expected remuneration of 7%, as contractually established. It was decided that this conservative procedure should be followed, due to the uncertainty as to whether this remuneration would actually be received.

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| **Interest and similar income** | | | | | | |
| Interest on loans and advances | **6,054,953** | 7,835,112 | -23% | **12,021** | 14,118 | -15% |
| Interest on balances and investments at other credit institutions | **117,668** | 205,521 | -43% | **234** | 370 | -37% |
| Interest on securities | **6,943,018** | 12,003,233 | -42% | **13,784** | 21,628 | -36% |
| Other interest and similar income | **19,955** | - | | **40** | - | |
| | **13,135,595** | **20,043,866** | **-34%** | **26,079** | 36,116 | **-28%** |
| **Interest and similar expenses** | | | | | | |
| Interest on central bank resources | **334,799** | 188,358 | 78% | **665** | 339 | 96% |
| Interest on customer deposits | **27,876,481** | **37,187,134** | **-25%** | **55,344** | **67,006** | **-17%** |
| Interest on subordinated liabilities | **2,249,412** | 9,119,104 | -75% | **4,466** | 16,431 | -73% |
| Interest on leases | **131,417** | 166,890 | -21% | **261** | 301 | -13% |
| Other interests and similar expenses | **2,030,759** | 3,694,722 | -45% | **4,032** | 6,657 | -39% |
| | **32,622,869** | **50,356,208** | **-35%** | **64,768** | **90,735** | **-29%** |
| **Net Interest Income** | **(19,487,274)** | **(30,312,342)** | **-36%** | **(38,689)** | **(54,619)** | **-29%** |
| Service, fee and commission income | **8,326,077** | 12,120,943 | -31% | **16,530** | 21,840 | -24% |
| Service, fee and commission expenses | **(1,476,556)** | (1,544,520) | -4% | **(2,931)** | (2,783) | 5% |
| Net gain (loss) from financial assets and liabilities at fair value through profit or loss | **58,252** | 38,245 | 52% | **116** | 69 | 68% |
| Net gain (loss) from foreign exchange | **30,301,903** | 95,956,714 | -68% | **60,160** | 172,901 | -65% |
| Other operating income | **(5,728,951)** | 104,996,870 | -105% | **(11,374)** | 189,190 | -106% |
| **Complementary Margin** | **31,480,725** | **211,568,252** | **-85%** | **62,500** | **381,217** | **-84%** |
| **Operating income** | **11,993,451** | **181,255,910** | **-93%** | **23,811** | **326,598** | **-93%** |

## Developments in Fees and Commissions

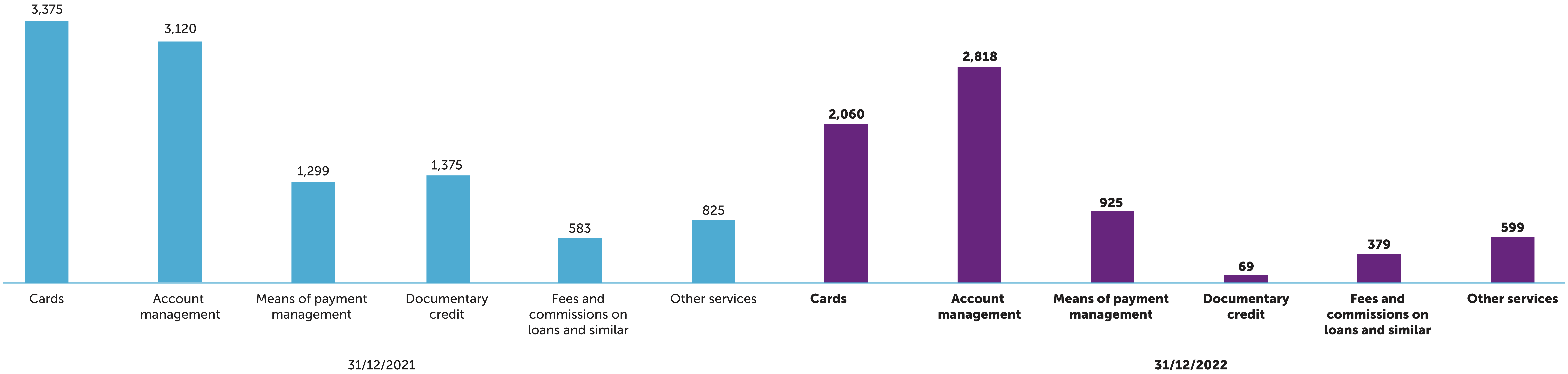
There was a reduction in the Bank's average fees and commissions of approximately 35% in 2022. In this regard, special reference is made to the declines observed in documentary credit transactions (-95%), means of payment management (-53%), securities transactions (-41%), and loans and advances (-35%).

This reduction of the fees and commissions charged is fundamentally explained by the reduction of the Bank's transactions with its Customers, stemming from the liquidity difficulties and the restructuring and resizing measures in progress, naturally exacerbated by the domestic and foreign scenario, giving rise to a negative impact among the business and industrial sectors.

In the opposite direction, but with far lesser materiality, a 46% increase was recorded for fees and commissions associated insurance banking and 42% for fees and commissions of guarantees provided. In a context of difficulty in granted loans and advances per disbursement, the Bank focuses on these two activities which it expects will grow and become more preponderant in its operations.

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| **Service, fee and commission income** | **8,326,077** | **12,120,943** | **-31%** | **16,530** | **21,840** | **-24%** |
| Cards | **3,347,935** | 3,879,121 | -14% | **6,647** | 6,990 | -5% |
| Account management | **2,817,992** | 3,119,959 | -10% | **5,595** | 5,622 | 0% |
| Means of payment management | **1,070,470** | 2,268,233 | -53% | **2,125** | 4,087 | -48% |
| Documentary credit | **68,766** | 1,374,531 | -95% | **137** | 2,477 | -94% |
| Fees and commissions on loans and similar | **378,510** | 583,025 | -35% | **751** | 1,051 | -28% |
| Securities transactions | **245,733** | 414,627 | -41% | **488** | 747 | -35% |
| Guarantees provided | **134,595** | 94,547 | 42% | **267** | 170 | 57% |
| Bancassurance | **51,023** | 35,006 | 46% | **101** | 63 | 61% |
| Income from services rendered to the State | **4,729** | 29,329 | -84% | **9** | 53 | -82% |
| Other services | **206,324** | 322,565 | -36% | **410** | 581 | -30% |
| **Service, fee and commission expenses** | **(1,476,556)** | **(1,544,520)** | **-4%** | **(2,931)** | **,(2,783)** | **5%** |
| Means of payment management | **(145,725)** | (969,575) | -85% | **(289)** | (1,747) | -83% |
| Cards | **(1,287,636)** | (503,833) | 156% | (2,556) | (908) | 182% |
| Other services | **(43,195)** | (71,112) | -39% | **(86)** | (128) | -33% |
| | **6,849,521** | **10,576,423** | **-35%** | **13,599** | **19,057** | **-29%** |

## Net Fees and Commissions by Type




## Structural costs

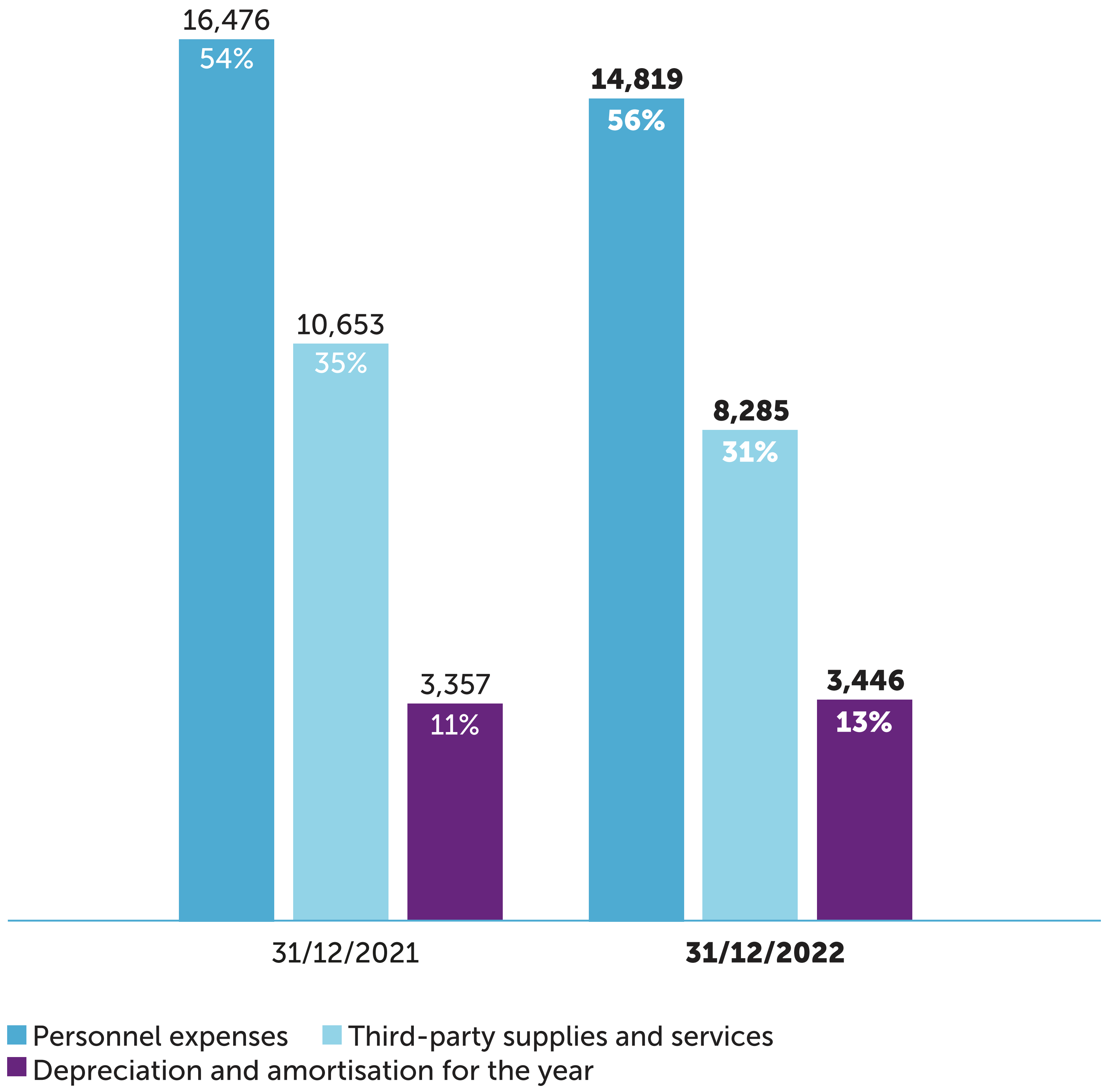
During 2022, when Banco Económico's Board of Directors approved the annual budget and was preparing the Recapitalisation and Restructuring Plan (RRP) and its main strategic lines, it assumed a position of business continuity, as a going concern, but trying, whenever possible, to achieve efficiencies and savings in the Bank's cost structure, although this is a very challenging process in view of the context of high inflation in the country.

As a result of this cost containment effort, in 2022, the Bank showed nominal reductions in personnel expenses (10%) and in third-party supplies and services (22%) which, compared with the high inflation recorded during the year, reflect very significant real reductions.

| | mKZ | | | mUSD | | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 | Δ% | **31/12/2022** | 31/12/2021 | Δ% |
| Personnel expenses | **14,819,142** | 16,476,289 | -10% | **29,421** | 29,688 | -1% |
| Third-party supplies and services | **8,285,384** | 10,653,304 | -22% | **16,449** | 19,196 | -14% |
| Depreciation and amortisation for the year | **3,446,415** | 3,357,310 | 3% | **6,842** | 6,049 | 13% |
| **Structural costs** | **26,550,941** | **30,486,903** | **-13%** | **52,713** | **54,933** | **-4%** |

The evolution in third-party supplies and services resulted from the policy of renegotiating contracts for specialised services but maintaining the crucial support in the development of its activity, namely in terms of implementing processes to support compliance with new regulatory demands and at the technological level of its core and peripheral systems.

## Structural Costs




# Banco Económico wants efficiencies and savings in its cost structure.

# 07

## Strategy and Outlook for 2023

# Implementation of the Strategic Recapitalisation and Restructuring Plan.

# 7.1. Our Strategy

Banco Económico's Board of Directors upheld its commitment to the implementation of the Strategic Recapitalisation and Restructuring Plan (RRP), creating conditions to achieve synergies between its teams and increase operational efficiency, aimed at attaining its ambition, in the short-term, to bolster the Bank's robustness and serve its Customers increasingly better.

According to the Plan, the accomplishment a significant part of the measures is scheduled to occur during 2023, creating the conditions for the Bank to resume its activity in the Angolan financial banking market, considering its acquired experience, its commercial team's strong commitment to the Customers, and its support and specialised control areas.

The Bank's overriding aim is to reverse the recurring downward trend of net interest income, and complement and review its positioning to adjust to new banking and customer tendencies, focusing its activity on the market segments with greater potential, lowering its risk profile, and adapting the cost structure to its new size, making it more efficient.

## Challenges of Human Resources Management

To accomplish this new strategy, the Bank's key challenges in terms of human capital are to:

- Ensure that its human capital is aligned with the strategic objectives, through the implementation of clear activity plans and effective goal systems;
- Provide a good organisational environment via the implementation of studies and surveys involving the entire organisation, in preparation for leadership to foster proximity between all functional areas;
- Develop leaders of the future and focus on the development of the Employees by fostering processes of continuous improvement concerning learning-on-the-job, namely in the implementation of mentoring programmes, investment in comprehensible and effective career and succession plans that are realistic and prepare the Employees for a sustainable future;
- Properly measure the results for a decision-making process that is increasingly aligned with the human capital management policies to assess the return on the implemented actions.

In this regard, Banco Económico tweaked its Training Plan in view of the new context and challenges to improving operational efficiency, with its practical application being foreseen to take place in early 2023.

## Main Strategic and Business Goals

Banco Económico's main strategic business goals are to:

- Focus on segments with greater potential for value creation;
- Reduce the risk profile;
- Adjust the cost structure to the Bank's new size;
- Strengthen internal processes (Risk/Credit, Operations, Systems);
- Strengthen credibility and image.

To ensure the solidity of the Recapitalisation Plan, Banco Económico is also committed to implementing the Restructuring Plan, which now includes an addition, with extra measures of the Emergency Action Plan to boost the Bank's financial performance and focus more sharply on specific segments, reducing exposure to risk and enhancing operational efficiency.

The Emergency Action Plan (PAE) is based on four pillars, unfolding into 18 initiatives, which include the different activities and milestones for which Banco Económico will conduct a rigorous control on their implementation:

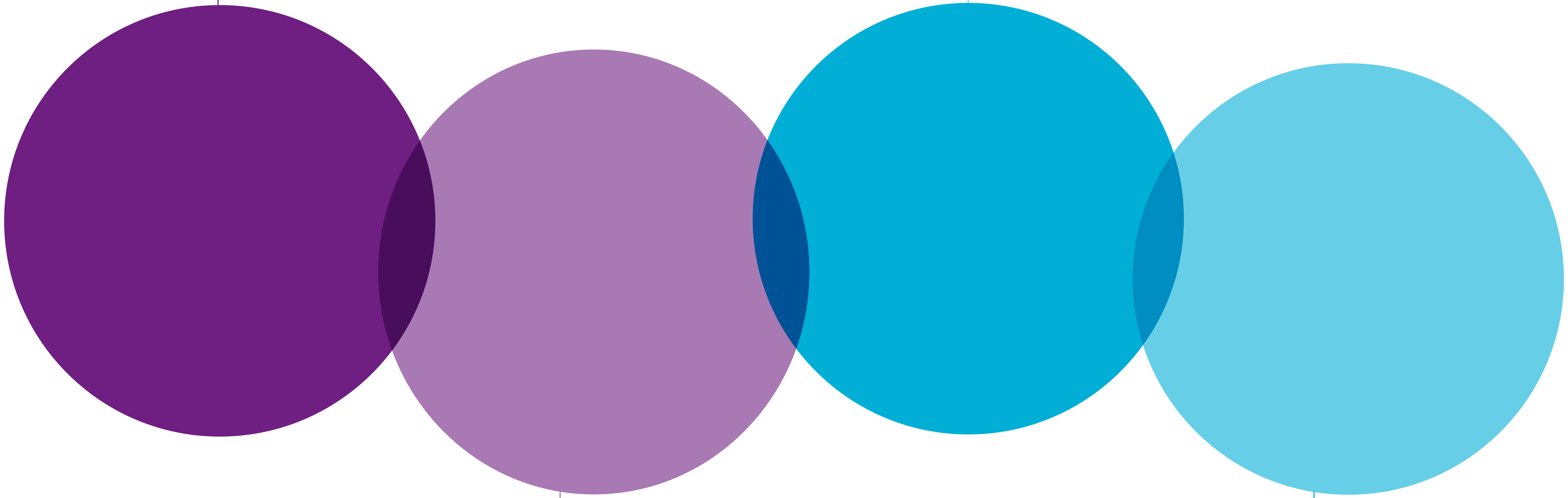
**Banco Económico's Emergency Action Plan**

## Optimisation of the Real Estate Assets

1. Reversal of the INVESTPAR operation;
2. Sale of BE/INVESTPAR real estate assets;
3. Sale of the head office building, with a profit of Kz 28.5 bn;
4. Design of a strategy to sell real estate properties.

## Cost Containment

1. Optimisation of personnel to guarantee a cost reduction of around 30%;
2. Provisional reduction of benefits for governing bodies in addition to the 40% already made;
3. Closure of 19 branches (14 in 2023 and 5 in 2024);
4. Write-off of vehicle fleet older than its useful life;
5. Closure of the office in Portugal;
6. Reduction of third-party supplies and services;
7. Organisational restructuring, from 31 o.u. to 20 o.u., with an impact on reducing the management body and on hierarchical simplification.



## Credit Recovery

1. Implementation of a credit recovery promotional campaign;
2. Strengthening of credit monitoring and recovery actions, the aim of which is to recover at least 10% of overdue loans (80% through restructuring and 20% by effective recovery in the first year);
3. Intensification of credit recovery actions via litigation, with an emphasis on the INVESTPAR portfolio.

## Negotiation with Counterparties

1. Debt regularisation with the BNA in the amount of Kz 257 bn through the the donation of real estate, on favourable terms for BE;
2. Reduction of interest on liabilities due to deposits in foreign currency;
3. Replacement of 24-year securities with 5-year securities (Kz 47 bn);
4. Issue of convertible bonds with a maturity of 10 years (Kz 50 bn), for subscription by current shareholders and BNA (Kz 30 bn – shareholders and Kz 20 bn – BNA debt).

These initiatives have been classified as critical by the Bank's Executive Committee, with the Strategic Planning Office (GPE) being responsible for their follow-up and implementation.

From a commercial point of view, the focus on segments with greater potential to create value will contribute positively in the Bank's differentiation and enable it to attract new Customers. This approach will underpin the development of a new offer that meets our Customers' needs more efficiently, enabling the Bank to strengthen its competitive edge to raise more and better business in the future.

Accordingly, Banco Económico's focus on the Corporate segment will consist of consolidating its position of close relationship with the Top Corporate and Institutional segments, also concentrating on support for small and medium-sized enterprises in more resilient sectors and which are among the development priorities of the Angolan Government.

Regards the Individuals segments, Banco Económico will also remain a market reference in the Private segment, complemented with a drive to diversify deposits through a digital solution for the current retail sector (bank Customers) which will serve to capture the low mass market (not engaged with banks).

The optimisation of the operational and organisational structure is also priority for the Bank, enabling it to serve its Customers more efficiently.

To cut costs, the Bank has pinpointed a series of areas for improvement with a significant impact on operational efficiency, which will allow it to align its cost structure with the sector.

Likewise, also aimed at improving operational efficiency, the Bank will introduce measures to simplify internal processes to reduce bureaucracy and minimise customer response times to the best standards in Angola.

To ensure the measures referred to above, Banco Económico also undertakes to strengthen skills in the Bank's key areas.

## Business Model

Banco Económico is a universal bank with a business model that offers a wide range of financial products and services.

The Bank's inherited from the BESA legacy of BESA a strong premium positioning especially in the Corporate, Institutional and Private segments. These segments represent more than 70% of the resources in 2022, as well as the bulk of banking income. It is precisely in these business segments that Banco Económico's value proposal of products and services stands out.

Banco Económico is also differentiated by its important Trade Finance legacy, as the first Angolan bank to be a member of the International Chamber of Commerce (ICC).

### Offer – Banco Económico's Value Proposition

**Payments and receipts**

- Payments in domestic currency (Kz)
- International payments (foreign currency)
- POS (number, average volume)
- Direct Debits and Confirming
- Transport and cash handling

**Solutions for employees**

- Protocol for Employees
- Económico Net Service
- Mortgage loans
- Pension fund
- Employee insurance

**Treasury management**

- Access to the Foreign Exchange Market
- Securities - Bonds
- Securities - Treasury Bills
- Net Corporate Treasury

**Financial investments**

- Immediate/Monthly Income
- Term deposits in Kz
- Term deposits in USD
- Exchange Rate Protection/ Appreciation

**Specialised financial services**

- Rent Collection and Taxation
- Leasing
- Insurance
- BI - Corporate Finance
- BI - Capital Markets

**Trade Finance**

- Documentary Credit Import and Export, including Stand-by LCs
- Import and Export Documentary Collection
- International guarantees issued and received

Despite the economic climate, the dynamic commercial efforts have enabled maintaining the offer's competitiveness to defend the market share of ~8% of deposits. This positioning is influenced by the market share of ~11% of deposits in foreign currency of the Angolan financial system.

Banco Económico's presence is well-established through a combination of branches, corporate centres, service offices, Umoxi (Affluent), Private, Institutional and Top Corporate and Oil & Gas centres in 17 provinces of the country.

Additionally, the Bank upholds its commitment to the continuous digitalisation of processes, which will enable efficiency gains and cost reductions to be made, ensuring improvements in service levels, both for external and internal Customers.

## Insurance Banking (Bancassurance)

Banco Económico holds a 21% stake in Tranquilidade – Corporação Angolana de Seguros S.A. which has been operating in Angola since 2011 in non-financial life and non-life insurance, with its products distributed through its channels.

In line with the goal of strengthening its value proposition, the Restructuring Plan envisages initiatives to adapt the Bancassurance offer to the specific needs of the distinct business segments.

To foster the Bancassurance market potential, the Bank intends to leverage its special relationship with Tranquilidade, but is also opportunistically exploring new agreements with competitive insurers/brokers in the Angolan market.

## Strategic Goals of the Operational Support, Accounting, Technological and Internal Control Areas

Banco Económico believes that it critical to become a reference in Angolan banking, namely in Corporate Governance and Credit Risk Management, contributing to the solidity of the banking system.

Moreover, the strengthening of governance and risk functions brings advantages at various levels, particularly:

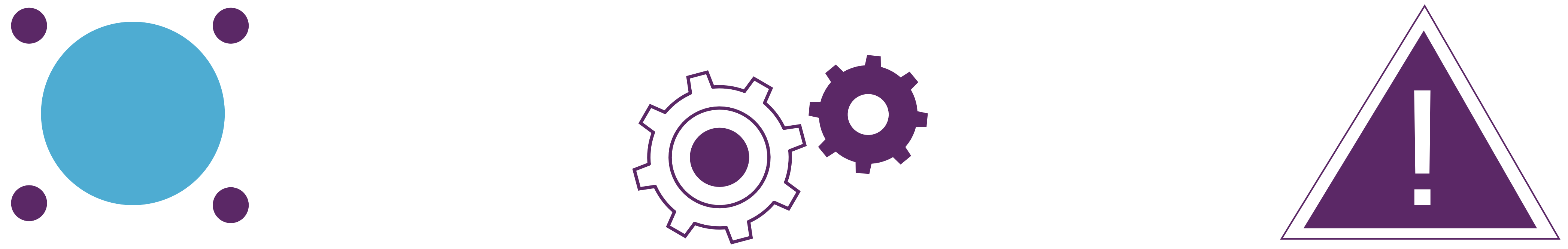
- Increased levels of transparency and quality of the Bank;
- Increased investor confidence;
- Increased operational efficiency.

## Corporate Governance

Banco Económico's Corporate Governance has been successively improved, and the Bank believes it can take even more solid steps to become an example in Angolan banking.

To this end, three major areas will be prioritised in which it believes that strengthening existing skills will bring additional gains.

**Main area of focus to improve Corporate Governance**



Strengthen the responsibilities of the Management and Supervisory Bodies

Strengthen AML mechanisms

Strengthen the role of the Chief Risk Officer

## Credit Risk Management

Banco Económico's aim in relation to credit risk management is to strengthen the credit area by looking at the process in a more holistic manner, from the more detailed redefinition of the Bank's risk appetite, to subsequently address credit granting, monitoring and recovery.

Some of the proposed initiatives will impact some of the processes referred to above.

Furthermore, Banco Económico will review its credit risk reduction mechanisms by strengthening the three lines of defence, more strongly involving the Business Units, Risk Management and Internal Audit in the identification, measurement, mitigation and monitoring of processes associated with credit risk.

**Four key processes in credit granting that will be improved**

**Risk appetite**
DEFINITION OF THE BANK'S RISK LEVEL BASED ON ITS GOALS

**Granting**
CREDIT GRANTING DECISION-MAKING PROCESS

**Monitoring**
PROCESS OF MONITORING THE EVOLUTION OF THE RISKS OF CREDIT GRANTED

**Recovery**
PROCESS WHICH ADDRESSES CREDIT RECOVERY MECHANISMS

UPDATE AND FORMALISE POLICIES AND PROCESSES

- REFLECT RISK APPETITE IN BUSINESS GOALS
- STRENGTHEN CREDIT ASSESSMENT CRITERIA
- ADAPT CREDIT COMMITTEES TO RISK LEVEL
- STRENGTHEN THE RISK DEPARTMENT'S SKILLS IN GRANTING, MONITORING AND RECOVERY
- STRENGTHEN THE COLLATERAL ASSESSMENT SYSTEM
- STRENGTHEN THE CUSTOMER RATING/SCORING SYSTEM

# 08

## Approval of the Board of Directors

# Transparency in the Bank's income.

# 8.1.
# Proposed Appropriation of Net Income

The Board of Directors is responsible for the preparation, integrity and objectivity of the Separate and Consolidated Financial Statements and other information contained in this report. In line with the best practice in Corporate Governance, the Board of Directors declares that it is not aware of any circumstance 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 conformity with the endorsed standards and procedures;

- The Separate Financial Statements for the year ended 31 December 2022 and 2021, audited and prepared in conformity with the regulations in force in Angola, give a true and appropriate view of the Assets, Liabilities, Own Funds, Net Income and Cash Flows, in separate terms;

- The Management Report faithfully describes the business evolution, performance and financial position in separate terms, for the years of 2022 and 2021.

Pursuant to its statutory powers and duties, the Board of Directors submits, to the General Meeting, the proposed appropriation of the negative net income for 2022, amounting to Kz 37,953,342 thousand for incorporation in the heading of ‘Retained earnings’.

Luanda, 28 September 2023.

The Board of Directors

# 09

## Separate Financial Statements and Opinions 31 December 2022

In accordance with the International Accounting Standards.

# Contents



Somos Futuro

# Separate Financial Statements

## Separate Statements of Financial Position as at 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Assets** | | | |
| Cash, cash equivalents and balances with central banks | 4 | 44,754,420 | 91,117,804 |
| Balances with other credit institutions | 5 | 28,707,596 | 20,858,571 |
| Investments at central banks and other credit institutions | 6 | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 7 | 637,328 | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 8 | 150,188 | 152,751 |
| Investments at amortised cost | 9 | 68,416,576 | 129,013,362 |
| Loans and advances to Customers | 10 | 63,305,755 | 68,067,530 |
| Non-current assets held for sale | 11 | 3,328 | 3,328 |
| Other tangible assets | 12 | 40,260,556 | 41,812,682 |
| Intangible assets | 13 | 8,184,587 | 8,424,240 |
| Investments in subsidiaries, associates and joint ventures | 14 | 2,448,343 | 2,252,199 |
| Current tax assets | 15 | 1,990,496 | 1,511,061 |
| Other assets | 16 | | |
| Transfer of assets – INVESTPAR | | 531,801,865 | 583,689,638 |
| Deferred Impairment | | 208,000,000 | 208,000,000 |
| Other | | 26,368,603 | 27,396,731 |
| **Total assets** | | **1,025,029,641** | **1,226,284,862** |
| **Liabilities and equity** | | | |
| Resources from central banks and other credit institutions | 17 | 261,926,159 | 262,316,318 |
| Customer resources and other loans | 18 | 776,588,133 | 1,303,985,454 |
| Financial liabilities at fair value through profit or loss | | - | - |
| Provisions | 20 | 5,246,980 | 3,728,463 |
| Current tax liabilities | 15 | 19,720 | - |
| Subordinated liabilities | 19 | 32,613,458 | 63,698,032 |
| Other liabilities | 21 | | |
| Transfer of assets – INVESTPAR | | 83,268,230 | 83,418,076 |
| Other | | 21,350,393 | 19,636,615 |
| **Total liabilities** | | **1,181,013,073** | **1,736,782,958** |
| Share capital | 22 | 271,500,000 | 72,000,000 |
| Other equity instruments | 22 | 121,196,000 | - |
| Revaluation reserves | 23 | 29,700 | 29,700 |
| Other reserves and retained earnings | 23 | (510,755,790) | (756,775,617) |
| Separate net income for the year | | (37,953,342) | 174,247,821 |
| **Total equity** | | **(155,983,432)** | **(510,498,096)** |
| **Total liabilities and equity** | | **1,025,029,641** | **1,226,284,862** |

These Notes are an integral part of the financial statements.

# Separate Statements of Profit and Loss for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| Interest and similar income | 24 | 13,135,595 | 20,043,866 |
| Interest and similar expenses | 24 | | |
| Other | | (30,592,110) | (46,661,486) |
| Transfer of assets – INVESTPAR | | (2,030,759) | (3,694,722) |
| Net interest income | | (19,487,274) | (30,312,342) |
| Service, fee and commission income | 25 | 8,326,077 | 12,120,943 |
| Service, fee and commission expenses | 25 | (1,476,556) | (1,544,520) |
| Net gain (loss) from financial assets and liabilities at fair value through profit or loss | 26 | 58,252 | 38,245 |
| Net gain (loss) from foreign exchange | 27 | | |
| Other | | 81,786,998 | 182,933,710 |
| Transfer of assets – INVESTPAR | | (51,485,095) | (86,976,996) |
| Other operating income | 28 | (5,728,951) | 104,996,870 |
| Operating income | | 11,993,451 | 181,255,910 |
| Personnel expenses | 29 | (14,819,142) | (16,476,289) |
| Third-party supplies and services | 30 | (8,285,384) | (10,653,304) |
| Depreciation and amortisation for the year | 12 and 13 | (3,446,414) | (3,357,310) |
| Provisions, net of cancellations | 31 | (1,061,883) | 534 |
| Impairment on loans and advances to Customers, net of reversals and recoveries | 31 | (20,047,913) | (10,675,432) |
| Impairment on other financial assets, net of reversals and recoveries | 31 | 2,512,355 | 20,824,840 |
| Impairment on other assets, net of reversals and recoveries | 31 | (5,176,387) | 13,193,942 |
| Net gain (loss) from subsidiaries, associates and joint ventures (equity method) | 14 | 377,975 | 134,930 |
| **Profit or loss before tax of ongoing operations** | | (37,953,342) | 174,247,821 |
| Income tax | | | |
| Current | 15 | - | - |
| Deferred | 15 | - | - |
| **Profit or loss after tax of ongoing operations** | | (37,953,342) | 174,247,821 |
| **Separate net income for the year** | | (37,953,342) | 174,247,821 |
| Average number of ordinary shares issued | | 157,480,137 | 72,000,000 |
| Basic earnings per share (kwanzas) | 32 | (0.24) | 2.42 |
| Diluted earnings per share (kwanzas) | 32 | (0.24) | 2.42 |

These Notes are an integral part of the financial statements.

# Separate Statements of Other Comprehensive Income as at 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Separate net income for the year | (37,953,342) | 174,247,821 |
| Other comprehensive movement | (227,994) | - |
| **Separate comprehensive income for the year** | **(38,181,336)** | **174,247,821** |

These Notes are an integral part of the financial statements.

# Separate Statements of Changes in Equity for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | Notes | Share capital | Other equity instruments | Revaluation reserves | Other reserves and retained earnings | | | Separate net income for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Legal reserve | Retained earnings | Total | | |
| **Balance as at 31 December 2020** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(590,694,828)** | **(562,553,071)** | **(137,797,315)** | **(628,320,686)** |
| Restatement adjustment | 2.2 | - | - | - | - | (56,425,231) | **(56,425,231)** | - | (56,425,231) |
| Appropriation of separate net income for 2020 | | - | - | - | - | (137,797,315) | **(137,797,315)** | 137,797,315 | - |
| **Balance as at 1 January 2021 Restated** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** | **-** | **(684,745,917)** |
| Separate comprehensive income for the year | | - | - | - | - | - | **-** | 174,247,821 | 174,247,821 |
| **Balance as at 31 December 2021 Restated** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** | **174,247,821** | **(510,498,096)** |
| Appropriation of separate net income for 2021 | | - | - | - | 17,330,886 | 156,916,935 | **174,247,821** | (174,247,821) | - |
| Share capital reduction to cover retained earnings | 22 | (72,000,000) | - | - | - | 72,000,000 | **72,000,000** | - | - |
| Share capital increase by partial conversion of deposits | 22 | 271,500,000 | - | - | - | - | **-** | - | 271,500,000 |
| Other equity instruments | 22 | - | 121,196,000 | - | - | - | **-** | - | 121,196,000 |
| Separate comprehensive income for the year | | | | | | | | | |
| Separate net income for the year | | - | - | - | - | - | **-** | (37,953,342) | (37,953,342) |
| Other comprehensive income | | - | - | - | - | (227,994) | **(227,994)** | - | (227,994) |
| **Balance as at 31 December 2022** | | **271,500,000** | **121,196,000** | **29,700** | **45,472,643** | **(556,228,433)** | **(510,755,790)** | **(37,953,342)** | **(155,983,432)** |

These Notes are an integral part of the financial statements.

# Separate Statements of Cash Flows for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest, fees and commissions, and similar income | | 28,793,119 | 41,093,642 |
| Interest, fees and other similar expenses paid | | (32,898,979) | (39,086,902) |
| Payments to Employees and suppliers | | (22,395,920) | (28,095,854) |
| Payments and contributions to pension funds and other benefits | | (255,370) | (195,199) |
| **Cash flows before changes in operating assets and liabilities** | | (26,757,150) | (26,284,313) |
| (Increases)/reductions of operating assets: | | | |
| Investments at central banks and other credit institutions | | 43,289,243 | 13,608,831 |
| Financial assets at fair value through profit and loss | | 893,704 | (393,239) |
| Investments at amortised cost | | 65,879,593 | 64,897,439 |
| Loans and advances to Customers | | (4,882,764) | (18,075,725) |
| Non-current assets held for sale | | - | 1,115,520 |
| Other assets | | 2,323,113 | (723,144) |
| **Net flow from operating assets** | | 107,502,889 | 60,429,682 |
| (Increases)/reductions of operating liabilities: | | | |
| Resources from central banks and other credit institutions | | 2,532,075 | (17,352,479) |
| Customer resources and other loans | | (77,695,238) | (97,845,747) |
| Other liabilities | | (5,756,398) | 14,649,322 |
| **Net flow from operating liabilities** | | (80,919,561) | (100,548,904) |
| Net cash of operating activities before income taxes | | (173,822) | (66,403,535) |
| **Net cash of operating activities** | | (173,822) | (66,403,535) |
| **Cash flow from investment activities** | | | |
| Acquisition of other tangible assets, net of sales | | (493,463) | (323,499) |
| Acquisition of intangible assets, net of sales | | (1,015,778) | (1,158,974) |
| **Net cash of investing activities** | | (1,509,241) | (1,482,473) |
| **Cash flow from financing activities** | | | |
| Payments related to lease liabilities | | (797,902) | (294,848) |
| Issue of subordinate liabilities, net of repayments and acquisitions | | (28,294,424) | (44,829,176) |
| Return paid related to subordinated liabilities | | (1,718,275) | (9,119,104) |
| **Net cash of financing activities** | | (30,810,601) | (54,243,128) |
| Cash and cash equivalents | | (32,493,664) | (122,129,136) |
| Cash and cash equivalents at the beginning of the period | | 112,115,358 | 245,521,822 |
| Effects of exchange rate changes on cash and cash equivalents | | (6,147,823) | (11,277,328) |
| Cash and cash equivalents at the end of the period | | 73,473,871 | 112,115,358 |
| Cash and cash equivalents comprise: | | | |
| Cash, cash equivalents and balances with central banks | 4 | 44,754,420 | 91,225,080 |
| Balances with other credit institutions | 5 | 28,719,451 | 20,890,278 |
| **Total** | | 73,473,871 | 112,115,358 |

These Notes are an integral part of the financial statements.

# Note 1
# Introduction

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

BE took on the new name on 28 October 2014, following the reorganisation measures implemented 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 object being universal banking under the terms and to the extent permitted by law. From its inception up to 19 July 2019, BE established itself as a privately-owned banking institution under Angolan law. However, after July 2019, BE became a majority publicly owned institution by virtue of Lektron Capital's equity investment through the Sonangol Group. In August 2022, within the context of the Recapitalisation and Restructuring Plan (RRP), BE became an institution whose capital is held by an institution of private funds (Económico – Fundo de Capital de Risco de Subscrição Particular) (Note 37).

# Note 2
# Accounting policies

## 2.1. Basis of preparation

In accordance with Banco Nacional de Angola Notice 5/2019 of 30 August, Banco Económico S.A.'s financial statements are prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS). These financial statements report on the Bank's separate business as at 31 December 2022.

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

The IAS/IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies, effective for the financial year beginning on 1 January 2022.

The financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand, except where another unit is indicated, and have been prepared in accordance with the historical cost principle, 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. Despite the material uncertainty disclosed in Note 37, related to the implementation of the restructuring and recapitalisation measures, these financial statements were prepared on a going concern basis, considering the efforts being implemented by the Bank's Board of Directors and the expectation that these will materialise.

The preparation of financial statements in accordance with IAS/IFRS requires the Bank to make judgements, estimates and assumptions that 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 reality may have an impact on the actual estimates and judgements. The areas involving a higher degree of judgement 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 2022 were approved by the Board of Directors on 28 September 2023. Their final approval is still subject to ratification at the General Shareholders' Meeting, and it is the Board of Directors' expectation that these will be approved without significant amendments.

The accounting policies used by the Bank in their preparation are consistent with those reported in previous years.

In accordance with the requirements of IAS 29 – Financial reporting in hyperinflationary economies (IAS 29), in the financial years ended 31 December 2017 and 2018, the functional currency of the Bank's separate financial statements corresponded to the currency of a hyperinflationary economy, and will no longer have this classification in the financial years beginning in 2019, essentially as a result of the reduction in the inflation rate in Angola. With reference to those financial years, the Angolan Banking Association (ABANC) and the BNA expressed their interpretation that all the requirements laid down in IAS 29 for the Angolan economy to be considered hyperinflationary had not been met. Consequently, the Bank's Board of Directors decided not to apply the provisions of IAS 29 in its separate financial statements on those dates, and also not to make the necessary adjustments in the separate financial statements for subsequent years, with regard to opening balances and the adjustments that result from applying the provisions of IAS 29 when an economy ceases to be hyperinflationary.

## 2.2. Comparability of information and restatement

In the year ended 31 December 2022, the Bank's Board of Directors retrospectively corrected the financial statements, restating the comparative financial information, in accordance with the requirements of IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8), as presented below.

### Separate statement of financial position as at 1 January 2021

Values expressed in thousand Kz

| Assets | Notes | 01/01/2021 Restated | 01/01/2021 | Difference | Adjustment |
|---|---|---|---|---|---|
| Cash, cash equivalents and balances with central banks | 4 | 163,592,711 | 163,592,711 | - | |
| Balances with other credit institutions | 5 | 80,719,674 | 80,719,674 | - | |
| Investments at central banks and other credit institutions | 6 | 56,268,285 | 56,268,285 | - | |
| Financial assets at fair value through profit and loss | 7 | 1,409,690 | 1,409,690 | - | |
| Financial assets at fair value through other comprehensive income | 8 | 162,718 | 162,718 | - | |
| Investments at amortised cost | 9 | 200,812,363 | 200,812,363 | - | |
| Loans and advances to Customers | 10 | 80,192,857 | 80,192,857 | - | |
| Non-current assets held for sale | 11 | 1,118,848 | 1,118,848 | - | |
| Other tangible assets | 12 | 43,712,082 | 43,712,082 | - | |
| Intangible assets | 13 | 8,257,236 | 8,257,236 | - | |
| Investments in subsidiaries, associates and joint ventures | 14 | 2,252,374 | 2,252,374 | - | |
| Current tax assets | 15 | 1,508,739 | 1,508,739 | - | |
| Other assets | 16 | 901,113,836 | 953,113,836 | (52,000,000) | |
| Transfer of assets – INVESTPAR | | 668,202,570 | 668,202,570 | - | |
| Deferred Impairment | | 208,000,000 | 260,000,000 | (52,000,000) | a) |
| Other | | 24,911,266 | 24,911,266 | - | |
| **Total assets** | | **1,541,121,413** | **1,593,121,413** | **(52,000,000)** | |
| **Liabilities and equity** | | | | | |
| Resources from central banks and other credit institutions | 17 | 280,134,793 | 280,134,793 | - | |
| Customer resources and other loans | 18 | 1,589,389,247 | 1,589,389,247 | - | |
| Financial liabilities at fair value through profit or loss | 21 | 217,230 | 217,230 | - | |
| Provisions | 20 | 5,078,451 | 5,078,451 | - | |
| Subordinated liabilities | 19 | 249,122,324 | 249,122,324 | - | |
| Other liabilities | 21 | 101,925,286 | 97,500,054 | 4,425,232 | |
| Transfer of assets – INVESTPAR | | 82,618,693 | 82,618,693 | - | |
| Other | | 19,306,592 | 14,881,361 | 4,425,231 | b) |
| **Total liabilities** | | **2,225,867,330** | **2,221,442,099** | **4,425,231** | |
| Share capital | 22 | 72,000,000 | 72,000,000 | - | |
| Revaluation reserves | 23 | 29,700 | 29,700 | - | |
| Other reserves and retained earnings | 23 | (756,775,617) | (700,350,386) | (56,425,231) | a) and b) |
| Separate net income for the year | | - | - | - | |
| **Total equity** | | **(684,745,917)** | **(628,320,686)** | **(56,425,231)** | |
| **Total liabilities and equity** | | **1,541,121,413** | **1,593,121,413** | **(52,000,000)** | |

# Separate statement of financial position as at 31 December 2021

Values expressed in thousand Kz

| | Notes | 31/12/2021 Restated | 31/12/2021 | Difference | Adjustment |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash, cash equivalents and balances with central banks | 4 | 91,117,804 | 91,117,804 | - | |
| Balances with other credit institutions | 5 | 20,858,571 | 20,858,571 | - | |
| Investments at central banks and other credit institutions | 6 | 42,453,933 | 42,453,933 | - | |
| Financial assets at fair value through profit and loss | 7 | 1,531,032 | 1,531,032 | - | |
| Financial assets at fair value through other comprehensive income | 8 | 152,751 | 152,751 | - | |
| Investments at amortised cost | 9 | 129,013,362 | 129,013,362 | - | |
| Loans and advances to Customers | 10 | 68,067,530 | 68,067,530 | - | |
| Non-current assets held for sale | 11 | 3,328 | 3,328 | - | |
| Other tangible assets | 12 | 41,812,682 | 41,812,682 | - | |
| Intangible assets | 13 | 8,424,240 | 8,424,240 | - | |
| Investments in subsidiaries, associates and joint ventures | 14 | 2,252,199 | 2,252,199 | - | |
| Current tax assets | 15 | 1,511,061 | 1,511,061 | - | |
| Other assets | 16 | 819,086,369 | 871,086,369 | (52,000,000) | |
| Transfer of assets – INVESTPAR | | 583,689,638 | 583,689,638 | - | |
| Deferred impairment | | 208,000,000 | 260,000,000 | (52,000,000) | a) |
| Other | | 27,396,731 | 27,396,731 | - | |
| **Total assets** | | **1,226,284,862** | **1,278,284,862** | **(52,000,000)** | |
| **Liabilities and equity** | | | | | |
| Resources from central banks and other credit institutions | 17 | 262,316,318 | 262,316,318 | - | |
| Customer resources and other loans | 18 | 1,303,985,454 | 1,303,985,454 | - | |
| Provisions | 20 | 3,728,463 | 3,728,463 | - | |
| Subordinated liabilities | 19 | 63,698,032 | 63,698,032 | - | |
| Other liabilities | 21 | 103,054,691 | 99,568,424 | 3,486,267 | |
| Transfer of assets – INVESTPAR | | 83,418,076 | 83,418,076 | - | |
| Other | | 19,636,615 | 16,150,348 | 3,486,267 | b) |
| **Total liabilities** | | **1,736,782,958** | **1,733,296,691** | **3,486,267** | |
| Share capital | 22 | 72,000,000 | 72,000,000 | - | |
| Revaluation reserves | 23 | 29,700 | 29,700 | - | |
| Other reserves and retained earnings | 23 | (756,775,617) | (700,350,386) | (56,425,231) | a) and b) |
| Separate net income for the year | | 174,247,821 | 173,308,857 | 938,964 | b) |
| **Total equity** | | **(510,498,096)** | **(455,011,829)** | **(55,486,267)** | |
| **Total liabilities and equity** | | **1,226,284,862** | **1,278,284,862** | **(52,000,000)** | |

# Reconciliation of equity as at 31 December 2021 and 1 January 2021

Values expressed in thousand Kz

| Description | 31/12/2021 | 01/01/2021 |
|---|---|---|
| **Equity before restatement** | **(455,011,829)** | **(628,320,686)** |
| Adjustment a) | (52,000,000) | (52,000,000) |
| Adjustment b) | (3,486,267) | (4,425,231) |
| **Equity after restatement** | **(510,498,096)** | **(684,745,917)** |

# Separate statement of profit or loss as at 31 December 2021

Valores expressos em milhares Kz

| Description | Notes | 31/12/2021 Restated | 31/12/2021 | Difference | Adjustment |
|---|---|---|---|---|---|
| Interest and similar income | 24 | 20,043,866 | 20,043,866 | - | |
| Interest and similar expenses | 24 | | | - | |
| Other | | (46,661,486) | (46,661,486) | - | |
| Transfer of assets – INVESTPAR | | (3,694,722) | (3,694,722) | - | |
| Net Interest Income | | **(30,312,342)** | **(30,312,342)** | **-** | |
| Service, fee and commission income | 25 | 12,120,943 | 12,120,943 | - | |
| Service, fee and commission expenses | 25 | (1,544,520) | (1,544,520) | - | |
| Net gain (loss) from financial assets and liabilities at fair value through profit or loss | 26 | 38,245 | 38,245 | - | |
| Net gain (loss) from foreign exchange | 27 | 95,956,714 | 95,017,750 | 938,964 | b) |
| Other | | 182,933,710 | 181,994,746 | 938,964 | b) |
| Transfer of assets – INVESTPAR | | (86,976,996) | (86,976,996) | - | |
| Other operating income | 28 | 104,996,870 | 104,996,870 | - | |
| Operating income | | **181,255,910** | **180,316,946** | **938,964** | |
| Personnel expenses | 29 | (16,476,289) | (16,476,289) | - | |
| Third-party supplies and services | 30 | (10,653,304) | (10,653,304) | - | |
| Depreciation and amortisation for the year | 12 and 13 | (3,357,310) | (3,357,310) | - | |
| Provisions, net of cancellations | 31 | 534 | 534 | - | |
| Impairment on loans and advances to customers, net of reversals and recoveries | 31 | (10,675,432) | (10,675,432) | - | |
| Impairment on other financial assets, net of reversals and recoveries | 31 | 20,824,840 | 20,824,840 | - | |
| Impairment on other assets, net of reversals and recoveries | 31 | 13,193,942 | 13,193,942 | - | |
| Net gain (loss) from subsidiaries, associates and joint ventures (equity method) | 14 | 134,930 | 134,930 | - | |
| **Profit or loss before tax of ongoing operations** | | **174,247,821** | **173,308,857** | **938,964** | |
| Income tax | | | | | |
| Current | 15 | - | - | | |
| Deferred | 15 | - | - | | |
| **Profit or loss after tax of ongoing operations** | | **174,247,821** | **173,308,857** | | |
| **Separate net income for the year** | | **174,247,821** | **173,308,857** | | |

## Reconciliation of individual net profit for the year ended 31 December 2021

Values expressed in thousand Kz

| Description | 31/12/2021 |
|---|---|
| **Separate net income for the year before restatement** | **173,308,857** |
| Adjustment a) | - |
| Adjustment b) | 938,964 |
| **Separate net income for the year after restatement** | **174,247,821** |

**a)** Recognition as a cost of Kz 52,000,000 thousand relating to the deferral of impairment losses recorded under "Other assets":

As mentioned in Note 37, in 2020 the Bank recognised under "Other assets" the amount of Kz 260,000,000 related to the deferral of impairment losses, as provided for in the Recapitalisation and Restructuring Plan approved in December 2021 by Banco Nacional de Angola. This deferral, according to the RRP, should be recognised on a straight-line basis over the subsequent five-year period. Given the prudential nature of this instrument, which does not fulfil the conditions for recognition in the Bank's assets, in 2022 the Board of Directors recognised one fifth of this amount with reference to the date it was set up.

**b)** Recognition of liabilities relating to overdue documentary import letters of credit:

During 2019, liabilities relating to the settlement with a correspondent bank of import letters of credit totalling EUR 5,542 thousand were derecognised. Once confirmation had been obtained from the counterparty that the amounts were due, they were recorded in the 2022 financial year. This correction led to the recording of other liabilities in the amount of Kz 3,486,267 thousand on 31 December 2021 (Kz 4,425,231 thousand on 1 January 2021), including the exchange rate effect of Kz 938,964 thousand in 2021.

## 2.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency (Kwanza) using the exchange rate in force on the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the average exchange rate published by the BNA in force at the date of the statement of the financial position. Costs and income relating to realised or potential exchange differences resulting from translation are recognised in profit or loss.

The exchange differences that result from translation are recognised in "Foreign exchange gains and losses" (Note 27). The non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are translated into the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate at the date on which the fair value is determined and recognised against profit or loss, except for those recognised in financial assets at fair value through other comprehensive income.

The exchange rates for the Kwanza against the currencies relevant to the Bank's business, as at 31 December 2022 and 2021, were as follows:

| Currency | **31/12/2022** | 31/12/2021 |
|---|---|---|
| USD – American Dollar | **503.691** | 554.981 |
| EUR – Euro | **537.438** | 629.015 |

## 2.4. Loans and advances to Customers

Loans and advances to Customers include loans originated by the Bank which are not intended to be sold in the short term and which are recognised on the date the amount of the loan is advanced to the customer. Loans and advances to Customers are initially recorded at fair value and subsequently at amortised cost net of impairment. The associated transaction costs or income are part of the effective interest rate of these financial instruments recognised in net interest income. The interest component is recognised separately in the respective accounts of the separate statement of financial position, with the respective income being accrued at the effective interest rate, except in situations of default exceeding 90 days, in which case the recognition of interest is suspended until its regularisation.

In addition, commissions charged in connection with credit operations are recognised in the credit margin over the life of the operations.

Loans and advances to Customers are derecognised from the statement of financial position when: (i) the contractual rights of the Bank relating to the respective cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership, (iii) although the Bank has retained part, but not substantially all the risks and benefits associated with holding them, control over the assets has been transferred, or (iv) when there are no realistic prospects of recovering the loans, and for collateralised loans, when the funds from the realisation of the collateral have already been received and are written off against assets.

## 2.5. Financial instruments

### i. Classification of financial assets

IFRS 9 – Financial Instruments (IFRS 9) contains a new classification and measurement approach for financial assets that reflects the business model used to manage assets and their cash flow characteristics.

IFRS 9 includes three 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 on which they are originated. All other financial instruments are recognised on the transaction date, which is the moment from which the Bank becomes an integral part of the contract and are classified considering 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 in the statement of financial position at fair value plus transaction costs directly attributable to the acquisition or issue, except if they are captions recorded at fair value through profit or loss in which the transaction costs are immediately recognised as costs for the year.

In accordance with IFRS 13 – Measurement at fair value (IFRS 13), fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. At the date of contracting or commencement of a transaction the fair value is generally the value of the transaction.

### Business model assessment

The business model reflects the way the Bank manages its assets from a cash flow generation perspective, i.e. whether the assets are managed with the aim of (i) receiving the contractual cash flows (Hold to collect) or (ii) receiving the contractual cash flows from the asset through its sale (Hold to collect and sell). 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, i.e., whether the contractual cash flows are consistent with a basic loan contract, in which interest is generally the consideration for the time value of money. However, in such a contract, interest may also include consideration for other basic lending risks, for example liquidity risk, and other costs, namely administrative costs, associated with holding a financial asset for a specified period. In addition, interest may include a profit margin that is consistent with a basic credit agreement, if the contractual terms introduce or present an exposure to risk or volatilities inconsistent with a basic credit agreement, a situation that determines that the financial instrument should 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 operation of these policies, including the way in which the management strategy focuses on receiving contractual interest, maintaining a specific interest rate profile, adjusting the duration between the assets and the liabilities that finance them or realising cash flows through the sale of assets; (ii) The way in which the performance of the portfolio is assessed and reported to the Bank's management bodies; (iii) The assessment of the risks affecting the performance of the business model (and of the financial assets managed within the scope of that business model) and the way in which these risks are managed; (iv) The way in which the remuneration of the business managers depends on the fair value of the assets under management or on the contractual cash flows received; (v) The frequency, volume and periodicity of sales in previous financial years, the reasons for said sales and expectations about future sales. However, information on sales should not be considered in isolation but as part of an overall assessment of how the Bank establishes objectives for managing financial assets and how cash flows are obtained.

### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, other risks and costs associated with the business (for example, liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains any contractual terms that could change the timing or amount of contractual cash flows so that it would not comply with this condition.

During the assessment process, the Bank takes into consideration: (i) Contingent events that would change the timing and amount of cash flows; (ii) Leverage features; (iii) Prepayment and maturity extension clauses; (iv) Clauses that may limit the right to claim cash flows from specific assets (e.g. contracts with clauses that prevent access to assets in the event of default); (v) Features that may modify the compensation for the time value of money (e.g. periodic resetting of interest rates).

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

The Bank classifies and values its debt instruments at:

**a. Investments at amortised cost**

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

These financial assets are recognised at fair value 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 the business model whose objective is to earn contractual cash flows and dispose of 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 transaction costs or gains and are subsequently measured at fair value. Changes in fair value are accounted for against other comprehensive income until the assets are sold or impairment losses are recognised, when they are recognised in the income statement.

On disposal of the financial assets at fair value through other comprehensive income, the accumulated gains or losses recognised in other comprehensive income are recognised under "Net gains/(losses) from financial assets at fair value through other comprehensive income" in the statement of profit and loss.

Equity instruments are instruments that meet the definition of capital from the perspective of the issuer, i.e. they are instruments that do not contain a contractual obligation to pay and that evidence 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 accounted for at fair value through profit or loss. If the business model and consequently the purpose of acquiring the set of investments is to hold them in the portfolio indefinitely for appreciation, they should be recognised in the category of financial assets at fair value through other comprehensive income and cannot be reclassified subsequently in the trading portfolio (irrevocable condition). Changes in fair value and the result of 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 into the above categories.

These assets are valued on a daily basis based on fair value, taking into account the credit risk of both themselves and the counterparties to the transactions. In the case of bonds and other fixed income securities, the book value of the statement of financial position includes the amount of accrued and uncollected interest. Gains and losses resulting from changes in fair value are recognised under "Net gains/(losses) from financial assets and liabilities at fair value through profit or loss" (Note 26) in the statement of profit and loss.

**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, independently from its legal form.

Non-derivative financial liabilities include deposits from credit institutions and Customers, loans, debt securities and other subordinated liabilities.

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Interest is accrued over the period of the transactions and recognised in net interest income. The gains and losses calculated on the repurchase of other financial liabilities are recognised under net gains/(losses) from assets and liabilities at fair value through profit or loss when incurred.

The Bank classifies its financial liabilities as measured at amortised cost, and the determination of the fair value of these liabilities is disclosed in these notes to the financial statements.

IFRS 9 introduced a requirement applicable to financial liabilities designated at fair value, by option, requiring the separation of the component of the change in fair value that is attributable to the entity's credit risk and its presentation in other comprehensive income (or OCI), instead of profit or loss.

**ii. Initial recognition and subsequent measurement**

**a. Recognition and measurement at amortised cost**

The amortised cost of a financial asset or liability is the amount at which a financial asset or liability is initially recognised, less capital receipts, plus or minus accumulated amortisation, arising from the difference between the amount initially recognised and the amount at maturity, less reductions arising from impairment losses.

**b. Recognition and measurement at fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current transaction between market participants on the measurement date or, in its absence, the most favourable market to which the Bank has access to carry out the transaction on 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 constant basis.

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

**c. Identification and measurement of impairment**

In addition to analysing impairment on loans and advances to Customers, at each statement of financial position date an assessment is made of whether there is objective evidence of impairment for all other financial assets that are not recognised at fair value through profit or loss.

In accordance with IFRS 9, the Bank regularly assesses whether there is objective evidence that a financial asset or group of financial assets shows signs of impairment. A financial asset, or group of financial assets, is considered to be impaired whenever there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition. For debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reasonably estimated.

Regarding investments at amortised cost, the impairment losses correspond to the difference between the book value of the asset and the present value of the estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset and are booked against profit or loss. These assets are presented in the statement of financial position net of impairment. If we are dealing with an asset with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the current effective interest rate, determined on the basis of the rules of each contract. Also in relation to investments at amortised cost, if in a subsequent period the amount of the impairment loss decreases, and this decrease can be objectively related to an event that occurred after the impairment was recognised, it is reversed against profit or loss for the year.

When there is evidence of impairment of financial assets at fair value through other comprehensive income, the potential loss accumulated 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 against profit or loss for the year until the acquisition cost is reinstated, if the increase is objectively related to an event occurring after the impairment loss was recognised.

**iii. Reclassification between categories**

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

**iv. Derecognition**

Financial assets are derecognised from the statement of financial position when: (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although the Bank has retained part but not substantially all of the risks and rewards of ownership, control over the assets has been transferred.

## 2.6. Impairment losses

IFRS 9 introduced the concept of expected credit losses, thus bringing forward the recognition of credit losses in institutions' financial statements. In this way, in determining Expected Credit Loss (ECL), macroeconomic factors are taken into consideration, the changes of which impact expected losses. This concept of expected losses must be applied to all financial assets, except financial assets measured at fair value through profit or loss.

The Bank applies the expected loss concept of IFRS 9 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 results 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 in individual terms 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 at each statement of financial position date, the existence of objective evidence of impairment. It should be noted that given the high concentration of the portfolio and the low level of own funds with reference to 31 December 2022, the Bank has established the criterion of individually analysing the Customers with the highest volume of gross exposure, guaranteeing a coverage rate of at least 80% of the loan portfolio. Based on this definition, with reference to 31 December 2022, the 20 largest debtors were analysed individually, representing a coverage rate of over 80%. For the remaining segments of the loan portfolio, the Bank performs a collective analysis for the calculation of impairment losses. The collective impairment model is currently being consolidated, as its implementation was finalised by the Bank with some limitations, which are being improved by the latter.

The main limitations in determining the amount of impairment losses, on a collective basis, for the loan portfolio as at 31 December 2022 and 2021 were as follows:

**i.** 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;

**ii.** Guarantees: the Bank is in the process of verifying and validating the information on 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 guarantees/collateral associated with the loan portfolio. The updating of the information will allow the Bank to significantly improve the quality of information on guarantees and their management;

**iii.** Staging: the Bank presents an additional risk in the model arising from some triggers being manually scheduled by the analyst;

**iv.** Loss Given Default (LGD): the Bank is not yet including the effect of recovery costs incurred in the recovery process. Information on restructured operations is limited, so the model does not include recoveries of guarantees (they are deducted directly from Exposure at Default "EAD" following an internal Haircut).

It should be noted that, as a result of the aforementioned limitations, the Bank is currently developing a project to resolve them. As a result, on 31 December 2022, the Bank did not update the risk parameters, maintaining the data since the update with reference to 31 December 2020.

The instruments subject to impairment calculation are divided into three stages (stages, taking into consideration their credit risk level), as follows:

**Stage 1:** no significant increase in credit risk since initial recognition. In this case, impairment will reflect expected credit losses resulting from default events that may occur in the 12 months following the reporting date;

**Stage 2:** instruments in which it is considered that there has been a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment will reflect the expected credit losses resulting from default events, which 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 have resulted in losses. In this case, the amount of impairment 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 operation, must be estimated considering:

- 12-month expected credit risk loss, i.e. total estimated loss resulting from the financial instrument's default events, which are possible within 12 months of the reporting date (referred to as stage 1);

- Expected credit risk loss to maturity, i.e. total estimated loss resulting from all possible default events over the life of the financial instrument (referred to as stage 2 and stage 3). A provision for an expected credit risk loss 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, opted to update its internal definition of default, introducing a set of criteria in order to reflect a more forward-looking model for recognising expected losses on financial assets, with only one of the criteria needing to be met for an operation to be classified as in default. Any given transaction/Customer will no longer be marked in default if it no longer meets the respective entry criteria and after the respective quarantine period has elapsed.

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

- Assessment of the existence of a significant increase in risk since initial recognition; and

- Incorporation of forward-looking information in the calculation of the estimated loss (ECL).

## Calculation of ECLs

ECLs are weighted estimates of credit losses determined as follows:

- Financial assets with no sign of impairment at the reporting date: the present value of the difference of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets with signs of impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;

- Guarantees given and unused credit commitments: the present value of the difference between the contractual cash flows that are due to the Bank should the commitment be realised and the cash flows the Bank expects to receive.

The Bank's approach to determining impairment losses for loans subject to collective analysis has as an inherent concept the definition of homogeneous segments based on the quality of its assets and the credit/customer risk characteristics. In this way, the Bank ensures that for the purposes of analysing these exposures and determining the risk parameters (Probability of Default (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.

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

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

With regard to the balances of the captions "Deposits with other credit institutions" (Note 5), "Loans and advances to other credit institutions" (Note 6) and "Investments at amortised cost" (Note 9), the Bank applies the guidelines of Directive No. 13/DSB/DRO/2019 of 27 December of Banco Nacional de Angola, Guide on Recommendations for Implementing the AQA Methodologies for the 2019 Financial Year (Directive No. 13/DSB/DRO/2019), and no subsequent guidelines have been issued, verifying the rating of the entity, or if not available, the country in which it is based. The Moody's study "Sovereign default and recovery rates, 1983-2021" was used to obtain the risk factors to be considered:

- For deposits with other credit institutions, the PD equivalent to 1/12 (one twelfth) of the 12-month PD for companies is considered, taking into account the rating, and the LGD of 60% for all counterparties that have not seen a significant increase in credit risk (stage 1);

- For investments in other credit institutions, the 12-month PD for companies is taken into account, taking into account the rating, and the LGD of 60% for all counterparties that have not seen a significant increase in credit risk (stage 1);

- For investments at amortised cost, the 12-month PD for sovereign issuers is taken into account, taking into account the rating, and the LGD associated with verified sovereign default events, indicated in the study (60%) for all operations that have not seen a significant increase in credit risk (stage 1).

With regard to cash and cash equivalents at central banks and investments at central banks, the LGD is considered to be nil as there is no risk of recovery and no impairment is estimated, in accordance with Banco Nacional de Angola Directive No. 13/DSB/DRO/2019 of 27 December.

## Significant increase in credit risk

The 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, so the stage 2 classification is based on objective triggers observed on the basis of available information.

The triggers for a significant increase in credit risk are mostly detected through automatic processes, based on information resident in the Bank's information systems. However, some of the cases are identified manually, particularly with regard to restructured cases and the criterion "Insolvency declared (BNA CIRC), Insolvency petition by the debtor or the Bank".

### Financial assets impaired

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 that are credit-impaired are referred to as stage 3 assets. The Bank has adopted the internal definition of non-performing loans as the criteria for identifying stage 3 loans. The internal definition of non-performing loans is governed by objective and subjective criteria and is used for the Bank's credit risk management.

### Inputs in measuring ECL

The main inputs used for measuring ECL on a collective basis include the following variables:

- Probability of default;
- Loss given default;
- Exposure at default;
- Discount rate (DR);
- Credit Conversion Factors (CCF); and
- These parameters are obtained through internal statistical models and other relevant historical data, adjusted to reflect forward-looking information.

PDs are estimated on the basis of a certain historical period and are 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 risk level of the counterparty or the exposure, the estimate of the associated PD also changes.

The degrees of risk are a highly relevant input for determining the PD associated with each exposure. The Bank collects performance and default indicators on its credit risk exposures with analysis by type of customer and product.

LGD is the magnitude of loss expected to occur if the exposure goes into default. The Bank estimates LGD parameters based on historical recovery rates after counterparties have defaulted. The LGD models consider the associated collateral and time in default.

EAD is an estimate of the exposure at a future default date, taking into account 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 current value allowed under contractual terms. For financial commitments and guarantees, the value of the EAD accounts for both the amount of credit drawn down and the expectation of the potential future amount that may be drawn down in accordance with the credit conversion factor (CCF).

### Forward-looking information

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

Within this framework, the Bank used a linear regression model to capture the impact of macroeconomic factors with significant influence on the probability of default.

### Purchased or originated credit-impaired financial assets (POCI)

Financial assets classified as POCI are treated differently since they are in an impaired condition. For these assets, the Bank at the time of their initial recognition in Stage 3, records the asset at the net value of the expected loss.

On subsequent measurement, an ECL is always calculated with a lifetime PD and its variations are recorded against profit or loss. The associated interest is calculated by applying the effective interest rate to the net book value of the asset.

In 2022 and 2021, the Bank did not classify financial assets as POCI.

### Recognition of impairment losses

The Bank recognises impairment losses for expected credit losses on financial instruments as follows:

- Financial assets at amortised cost: impairment losses on financial assets carried at amortised cost reduce the book value of those financial assets against the corresponding entry in profit 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 the statement of financial position for these financial assets);
- Subscription Credit Facility: impairment losses associated with subscription credit facilities are recognised in liabilities, under Provisions (Note 20) for subscription credit facility 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

Considering 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. Write-off is defined as the derecognition of a financial asset from the Bank's balance sheet. It should be noted that State risk contracts and contracts with the Bank's Employees are not subject to write-off.

## 2.7. 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 another financial asset to another party, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issuance of equity instruments are recorded against equity as a deduction from the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

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

## 2.8. Other tangible assets, excluding leases (which are in Note 2.13.)

### Recognition and measurement

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the goods.

### Subsequent costs

Subsequent costs are recognised as a separate asset only if it is probable that future economic benefits will flow from them. Expenditure on maintenance and repair is recognised as a cost as it is incurred, in accordance with the accrual principle.

### Depreciation

Depreciation of tangible assets is calculated on a straight-line basis, over the following periods of expected useful life:

| Description | Number of years |
|---|---|
| Own 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 owned and rented buildings | 5 to 8 |

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

The recoverable amount is determined as the greater of its net selling price and value in use which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

As mentioned in Note 2.13, this caption includes right-of-use assets arising from lease contracts.

### Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

**a)** on 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.

## 2.9. Intangible assets

### Software

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

### Expenditure on research and development projects

Costs directly related to the development of computer applications, which are expected to generate future economic benefits beyond one financial year, are recognised and recorded as intangible assets.

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

### Impairment losses

The recoverable value of intangible assets is assessed whenever there are signs of impairment. Impairment losses are calculated based on the difference between the recoverable amount and the book value. Identified impairment losses are recognised against profit or loss and subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period.

## 2.10. Repurchase and reverse repurchase agreements

Securities sold with a repurchase agreement (repos) at a fixed price or at a price equal to the sale price plus interest over the term of the transaction are not derecognised from the statement of financial position. The corresponding liability is recorded under amounts payable to other credit institutions or to Customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased with a resale agreement (reverse repos) at a fixed price or at a price equal to the purchase price, plus interest over the term of the transaction, are not recognised in the statement of financial position and the purchase price is recorded as loans and advances to other credit institutions or Customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under borrowing agreements are not derecognised from the statement of financial position but are classified and valued in accordance with the accounting policy described in Note 2.5. Securities received under borrowing agreements are not recognised in the statement of financial position.

## 2.11. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in the Bank's individual financial statements using the equity method of accounting less any impairment losses.

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

Associates are entities over which the Bank has significant influence, but not control over its financial and operating policies. The Bank is presumed to have significant influence when it holds 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 that the Bank does not have significant influence, except where such influence can be clearly demonstrated.

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

**a)** Representation on the Board of Directors or equivalent governing body;
**b)** Participation in policy-making processes, including participation in decisions about dividends or other distributions;
**c)** Material transactions between the Bank and the subsidiary;
**d)** Exchange of management personnel; and
**e)** Provision of essential technical information.

### Impairment losses

The recoverable value of investments in subsidiaries and associates is assessed whenever there are signs of impairment. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries or associate companies and their book value. Identified impairment losses are recognised against profit or loss and subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period.

The recoverable amount is determined based on the higher of the value in use of the assets and the fair value less costs to sell. It is calculated using valuation methodologies supported by discounted cash flow techniques, taking into account market conditions, time value and business risks.

## 2.12. 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 respective liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and the assets or groups of assets are available for immediate sale and its sale is highly probable (within a year).

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, that are available for immediate sale and its sale is highly probable (within one year).

Immediately before classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or groups of assets are measured at the lower of their carrying amount and their fair value less costs to sell, in accordance with the requirements of IFRS 5 – Non-current assets held for sale and discontinued operations (IFRS 5).

Discontinued operations and subsidiaries acquired exclusively for the purpose of selling in the short term are consolidated until they are sold.

The Bank also classifies as non-current assets held for sale, properties held for credit recovery, which are initially measured at the lower of their fair value net of selling costs and the book value of the loan at the date when the property was given away or judicially auctioned.

The assets recorded under this caption are not amortised. The fair value of these assets is determined on the basis of periodic valuations carried out by independent experts registered with the Capital Markets Commission. In addition, and in accordance with Directive No. 13/DSB/DRO/2019, this valuation is adjusted by applying a 20% haircut to reflect the immediate sale value, 5% sales costs and based on specific discount rates depending on the age of the valuation. Whenever the value resulting from these valuations (net of selling costs) is lower than the book value, impairment losses are recognised under "Impairment for other assets net of reversals and recoveries". Once the expected time of sale has passed (one year), the assets are reclassified under "Other assets", maintaining the measurement criteria.

Valuations of these properties are carried out according to one of the following methodologies, applied according to the specific situation of the property:

**i. Comparative/market method**
The comparative/market method is based on the transaction values of properties that are similar and comparable to the property under study, and is obtained through market research.

**ii. Income method**
The purpose of the income method is to estimate the value of the property based on the capitalisation of its net income, updated to the present time, using the discounted cash flow method.

**iii. Cost method**
The purpose of the cost method is to reflect the amount that would currently be required to replace the asset in its current condition, by breaking down the value of the property into its fundamental components.

The valuations obtained are analysed internally to validate the consistency of the data and assumptions considered by the expert appraisers for the same asset (when more than one valuation report is obtained) or for assets with similar characteristics.

The subsequent measurement of these assets is made at the lower of their book value and the corresponding fair value, net of selling costs, and they are not subject to depreciation. If there are unrealised losses, these are recorded as impairment losses against profit or loss for the year. The assets recorded under this caption are not amortised.

## 2.13. Leases

In accordance with IFRS 16 – Leases (IFRS 16): (i) as a lessee, the standard introduces a single model for accounting, 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 a lessor, the accounting remains identical to existing accounting policies, and leases can be classified as finance leases or operating leases.

### Lease definition

The Bank assesses whether a contract is, or contains, a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to use an identified asset (the underlying asset) for a certain period of time in exchange for consideration.

At the inception or revaluation date of a contract containing a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component based on their individual relative price. However, for leases in which the entity is a lessee, it has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

### As a tenant

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

The Bank presents right-of-use assets under "Other tangible assets" (Note 12), i.e. in the same line item as the underlying assets of the same nature it owns, presenting the lease liabilities under "Other liabilities" (Note 21) in the statement of financial position.

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 less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liability. Assets under right of use 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, the Bank's incremental funding rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in the 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.

### Determining the lease term of contracts

The Bank has applied judgement to determine the lease term of certain contracts, in which it is in the position of lessee, and which include renewal and termination options. The Bank determines the lease term as the non-cancellable term 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 landlord

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

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, it is classified as a finance lease; if not, it is classified as an operating lease. As part of this evaluation, the Bank considers several indicators, such as whether the lease is for the greater part of the economic life of the asset.

### Finance leases

Financial leasing contracts are recorded in the statement of financial position as loans granted for the value 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 repayments of principal, also included in the rents, is deducted from the value 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 lease and non-lease components, the Bank will apply IFRS 15 – Revenue from Contracts with Customers (IFRS 15) to allocate the contractual amounts.

### Operating leases

The Bank recognises that payments made by the Bank under operating lease contracts are recorded as costs in the periods to which they relate, when applicable.

## 2.14. Taxes

Income tax recorded in profit or loss includes the effect of current and deferred taxes. Income tax is recognised in profit or loss, except when related to items recognised in equity, which implies its recognition in that item. Deferred taxes recognised under equity stemming from the revaluation of assets at fair value through other comprehensive income and cash flow hedging derivatives are subsequently recognised in profit or loss at the moment the gains and losses that originated them are recognised in profit or loss.

### Current taxes

Current taxes correspond to the amount determined in relation to taxable income for the period, using the tax rate in force or substantially approved by the authorities on the statement of financial position date, and any tax adjustments from previous years.

Current taxes for current and prior periods shall, to the extent that it has not been paid, be recognised as liabilities. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the 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, amended by Law No. 26/20, of 20 July, the Industrial Tax is subject to provisional assessment in a single instalment to be made in the month of August, calculated by applying a rate of 2% on the result derived from financial intermediation operations, ascertained in the first six months of the previous tax year, excluding income subject to Capital Investment Tax (CIT), unless a loss was recorded in the previous year.

According to the legislation in force, industrial and other tax returns may be subject to revision and correction by the tax authorities within five years of the year to which they relate.

Law No. 26/20 of 20 July has increased the rate of Industrial Tax for activities in the banking sector from 30% to 35%. On the other hand, the referred Law creates rules with relevant impacts on the determination of taxable profit, such as: (i) exclusion from the tax relevance in the calculation of taxable profit of income and costs with unrealised exchange differences; (ii) provisions constituted on guaranteed loans, except in the uncovered part, and (iii) property tax will not be accepted as a deductible cost.

The assumptions for the application of the above rules in determining taxable profit are described in Note 3.3.

### Deferred taxes

Deferred taxes are calculated, in accordance with the liability method based on the statement of financial position, on the temporary differences between the book values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved on the statement of financial position date and which are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of goodwill, which is not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future.

Deferred tax assets are recognised when it is probable that future taxable profits will be available to absorb deductible temporary differences for tax purposes (including reportable tax losses).

In accordance with IAS 12 – Income Taxes (IAS 12), the Bank offsets deferred tax assets and liabilities whenever: (i) it has a legally enforceable right to set off current tax assets and current tax liabilities; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which the deferred tax liabilities or assets are expected to be settled or recovered.

## Capital Investment Tax (CIT)

The Presidential Legislative Decree No. 2/14, of 20 October, in force since 19 November 2014, revised and introduced several legislative amendments to the CIT Code, following the Tax Reform project. The CIT is generally levied on income from the Bank's financial investments, with the rate varying between 5% and 15%.

In addition, under the terms of the Industrial Tax Code, the CIT itself is not accepted as a deductible cost for the purposes of calculating taxable income (article 18) and, on the other hand, income subject to the CIT will be deducted from taxable income, in accordance with article 47 of the Industrial Tax Code.

## Taxes on wealth

### Property Tax (PT)

The new Property Tax Code (PTC) entered into force on 9 August 2020, which is applicable to the holding of own properties, rents and the onerous transfer of real estate properties, approved by Law No. 20/20 of 9 July. With the entry into force of the PTC, there are three tax brackets for urban buildings: (i) 0.1% for properties with an asset value of up to and including Kz 5,000 thousand; (ii) Kz 5,000 for properties with an asset value of between Kz 5,000 thousand and Kz 6,000 thousand; and (iii) 0.5% for properties with an asset value of over Kz 6,000 thousand (applicable to the excess of Kz 5,000 thousand). Specific rates apply to building land (0.6%) and rural properties (sum of hectares). In addition, a property tax surcharge applies to empty urban buildings.

With regard to properties leased by the Bank, as a lessee, the Bank withholds the tax due, at the effective rate of 15%, on the payment or delivery of rents for leased properties.

### Property Tax on Gratuitous or Onerous Transfers of Real Estate Assets

Pursuant to the PTC, approved by Law No. 20/20, of 9 July, 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 usucapion, on immovable property.

## Other taxes

### Value Added Tax (VAT)

The Value Added Tax (VAT) Code, approved by Law no. 7/19, of 24 April, and amended by Law no. 17/19, of 13 August, introduced a new consumption tax into Angolan legislation, which came into force on 1 October 2019. In effect, VAT repealed and replaced the Consumption Tax that had previously been in force in the Angolan legal system.

The Bank, as a taxpayer registered with the Tax Department of Large Contributors, has been subject to the general VAT system since the introduction of VAT, and is obliged to comply with all the rules and reporting obligations laid down in this area.

As a general rule, commissions and expenses charged for services provided by the Bank (in lieu of Stamp Duty) are subject to VAT at a rate of 14%. The remaining financial intermediation operations are exempt from VAT, to which Stamp Duty will continue to be applied, when due.

In this sense, since the Bank is a taxpayer that carries out both taxed and exempt transactions, it also has restrictions on the right to deduct VAT paid to suppliers, so the Bank deducts the tax by applying the methods provided for in current legislation – except VAT on expenses expressly excluded from the right to deduct.

According to the current legislation, periodic VAT returns may be subject to review and correction by the tax authorities in the five years following the financial year to which they refer.

## Tax substitution

As part of its activity, the Bank acts as a tax surrogate, withholding taxes from third parties, which it then pays to the State.

### Capital Investment Tax (CIT)

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

### Stamp Duty

In accordance with Presidential Legislative Decree No. 3/14 of 21 October, the Bank is responsible for the payment and delivery of Stamp Duty due by its Customers on the majority of banking operations, such as financing, collection of interest on financing, among others, and the Bank proceeds with the payment of the tax, in accordance with the rates established in the Stamp Duty Table.

### Industrial Tax

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

In turn, in accordance with the provisions of Articles 71 and following of Law No. 19/14, of 22 October, amended by Law No. 26/20, of 20 July, the provision of services of any nature provided by taxpayers without head office, effective management or permanent establishment in Angola, which carry out service provision activities of any nature without effective management or permanent establishment in Angola, are subject to Industrial Tax, by withholding at source, at a rate of 15%.

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

## 2.15. Employee benefits

### Provision for holiday pay and holiday bonus

The General Labour Law, Law No. 7/15, of 15 June, determines that the amount of holiday allowances payable to Employees in a given year is a right acquired by them in the immediately preceding year. Consequently, the Bank records in the accounts for the year the amounts relating to holidays and holiday allowances payable in the following year, and untaken holidays payable if the Employee leaves.

### Loans and advances to Employees

In accordance with IFRS 9, all financial instruments should be recorded at fair value when they are recognised in the statement of financial position.

The Bank calculates the fair value of loans and advances to Employees and, to this end, determines the market interest rate it applies when granting the loan to the employee. Since the market interest rate is higher than the one the Employee has, the fair value of his/her credit will be lower than its nominal value, so its value in the statement of financial position has to be adjusted to reflect the fair value (at the date of granting).

Considering the provisions of IAS 19 – Employee Benefits (IAS 19), 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 "Other assets" (against "Loans and advances to Customers"), and is recognised in the profit or loss under "Staff costs" (against "Interest and similar income") over the shorter of (i) the duration of the loan or (ii) the number of years between the date the loan was granted and the legal date on which the employee retires.

### Short-term employee benefits

Short-term employee benefits are recorded as a cost when the related service has been rendered. 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 past service provided by the Employee and this obligation can be reliably estimated.

### Variable remuneration paid to Employees and Directors

The Bank attributes variable remuneration to its Employees and Directors as a result of their performance (performance bonuses). The variable remuneration paid to Employees and Directors is recorded against profit or loss in the year to which it relates.

### Pensions – Defined contribution plan

For defined contribution plans, the liability related to the benefit attributable to the Bank's Employees is recognised as a cost for the year when due. Prepaid contributions are recognised as an asset if a refund or reduction of future payments is available.

## 2.16. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that settlement will be required and (iii) a reliable estimate of the obligation can be made.

Provisions for guarantees and other commitments are measured according to the collective impairment model, as described in Note 2.6. The measurement of provisions takes into account the principles defined in IAS 37 – Provisions, contingent liabilities and contingent assets (IAS 37) with regard to the best estimate of the expected cost, the most probable outcome of the actions in progress and taking into account the risks and uncertainties inherent in the process.

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

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

## 2.17. Revenue

### Recognition of interest

Interest income from financial instruments measured at amortised cost is recognised under "Interest and similar income" or "Interest and similar charges" (Note 24), using the effective interest rate method. Interest at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income, as well as on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, for a shorter period) for the net present value in the statement of financial position of the financial asset or liability.

In determining the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) without considering possible impairment losses. The calculation includes all fees paid or received considered as part of the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction, except for financial assets and liabilities at fair value through profit or loss.

For operations that are in default for more than 90 days, interest is suspended until its settlement. Interest and similar income includes interest income arising from financial assets for which an impairment loss was recognised.

Interest on financial assets classified in Stage 3 is calculated using the effective interest rate method applied to the net value of the statement of financial position. When the asset is no longer included in Stage 3, interest is calculated based on the gross value of the statement of financial position.

For purchased or originated credit-impaired financial assets, the effective interest rate reflects expected credit losses when determining the expected future cash flows receivable from the financial asset.

### Recognition of fees and commissions income

Fees and commissions income is recognised as revenue from contracts with Customers to the extent that the performance obligations are met: (i) Fees and commissions earned on the execution of a significant act, such as fees on loan syndication, are recognised in profit or loss when the significant act has been completed; (ii) Fees and commissions earned as services are rendered are recognised in profit or loss in the year to which they relate; (iii) Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised in profit or loss using the effective interest rate method.

### Dividend recognition

Dividends (income from equity instruments) are recognised when the right to receive their payment is established.

## 2.18. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include the balances under "Cash and deposits with central banks" and "Deposits with other credit institutions" (Notes 4 and 5).

## 2.19. Financial guarantees and commitments

Financial guarantees are contracts that oblige the Bank to make specific payments in order to reimburse the holder for a loss incurred because a debtor fails to meet a payment. Commitments associated with credit operations aim to make credit available under predetermined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognised at fair value, with the initial fair value being amortised over the lifetime 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 net income attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of treasury shares held by the Bank.

For the 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 would decrease earnings per share.

If the earnings per share are changed as a result of an issue at premium or discount or other event that changes the potential number of ordinary shares or as a result of changes in accounting policies, the earnings per share for all presented periods are 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 estimates in order 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 detailed description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

Because in many cases there are alternatives to the accounting treatment chosen by the Board of Directors, the Bank's reported results would differ if a different treatment were chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly, in all material respects.

## 3.1. Fair value of financial instruments

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 a different model or of different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

## 3.2. Impairment losses on loans and advances to Customers and other assets

The Bank reviews its loan portfolios periodically in order to assess the existence of impairment losses, as described in the accounting policy described in Note 2.6.

The process of evaluating the loan portfolio in order to determine if an impairment loss should be recognised is subject to numerous estimates and judgements. This process includes factors such as probability of default, risk ratings, value of associated collateral, recovery rates and estimates of both the timing and future cash flows.

The calculation of impairment associated with loans and advances to Customers is based, among other factors and where applicable, on valuations of the collateral of credit operations, such as property mortgages. These were made on the assumption that all property market conditions would be maintained during the lifetime of the operations, and corresponded to the best estimate of the recoverable value of said collateral at the balance sheet date. Property valuations are drawn up by independent appraisers registered with the CMC and imply a set of assumptions whose verification is uncertain given the current circumstances of the property market. In addition, the Bank also uses estimates as to the recovery and sale times of the property collateral.

The valuation methodology used for "Investments at amortised cost" (Note 2.6.) is applied to credit operations with public guarantees as collateral.

The valuation criteria described in Note 2.12 are taken into account with regard to properties received as a result of credit recovery.

With regard to the asset transfer operation with INVESTPAR, the Bank's Board of Directors considers the impairment calculation to be based on the difference between the book value of the operation and its recoverable value, this value being calculated on the basis of an assessment carried out by an external consultant, within the scope of the Asset Quality Assessment programme, carried out with reference to 31 December 2018, based on the estimated valuation of the properties underlying the operation.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognised impairment losses, with the consequent impact on the Bank's results, and could be significantly impacted by the evolution of Angola's macroeconomic indicators.

## 3.3. Income taxes

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

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

The calculation of the current tax estimate for the financial years ended 31 December 2022 and 2021 was calculated under the terms of Law No. 26/20 of 20 July, with the applicable tax rate being 35%. Tax returns are subject to review and correction by the tax authorities for a period of five years, which may extend to ten years, and may result in possible corrections to taxable income due to different interpretations of tax legislation. However, no corrections are expected for these financial years and, should they occur, no significant impacts are expected on the financial statements.

In turn, tax losses determined in a given year, as provided for in the Industrial Tax Code, may be deducted from the taxable profits of the following five years.

In order to determine the global amount of income tax, it was necessary to make certain interpretations and estimates. There are various transactions and calculations for which the determination of taxes payable is uncertain during the normal business cycle, with emphasis on the aspects set out in Note 2.14, arising from the new wording of Law No. 26/20 of 20 July, namely: (i) costs/income with potential/realised exchange rate valuations; (ii) costs with impairment losses on secured loans; 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 Administration.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the statement of financial position date. Therefore, for the years ended 31 December 2022 and 2021, deferred tax was, in general terms, calculated based on a rate of 35%.

According to the understanding of the Board of Directors on the requirements set out in IAS 12, deferred tax liabilities should be recognised in full, whereas the recognition of a deferred tax asset should only be recognised if it is certain that future taxable income will be sufficient to allow the benefit of the loss to be realised. In this sense, the Bank calculated deferred tax assets up to the limit of the deferred tax liabilities, having these amounts been presented in the financial statements in an offsetting way.

Other interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the year or in an analysis of their recoverability.

With the amendment of the Industrial Tax Code, for the purposes of calculating the estimated tax, the following assumptions were adopted in accordance with the understanding and information available as at 31 December 2022:

- Unrealised exchange rate variations:
    - Potential variations associated with the captions "Investment at amortised cost", "Loans and advances to Customers" and "Other assets", denominated in foreign currency, excluding settlements during the year, considered as realised exchange rate variations;
    - Potential variations associated with the "Subordinated liabilities" caption, excluding settlements during the year, considered as realised exchange rate variations.

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 Administration.

## 3.4. Leases

For contracts in which it is in the position of 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. Accordingly, the Bank used as the discount rate, at the transition date, as an approximation the interest rate on 3-year non-adjustable Treasury Bonds (23%) for non-indexed rents, while for indexed rents it used the interest rate on 7-year indexed Treasury Bonds (5.50%).

## 3.5. Provisions

Provisions require a high level of judgement, 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 uses legal advisors and these estimates are reviewed regularly.

Estimates used are based on the best information available during the preparation of financial statements and are based on the best knowledge of past and present events. Although future events are neither controlled by the Company nor foreseeable, some could occur and have impact on the estimates. Changes to these estimates that occur after the date of the financial statements will be corrected prospectively in profit or loss, in accordance with IAS 8.

# Note 4
## Cash and deposits with central banks

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Treasury** | | |
| Amounts in treasury | | |
| In domestic currency | **3,167,602** | 4,016,974 |
| In foreign currency | **34,192** | 530,935 |
| Amounts in transit | | |
| In domestic currency | **44,291** | 199,983 |
| | **3,246,085** | 4,747,892 |
| **Demand deposits at Banco Nacional de Angola** | | |
| In domestic currency | **3,445,533** | 44,061,941 |
| In other currencies | **38,062,802** | 42,415,247 |
| | **41,508,335** | 86,477,188 |
| Impairment losses (Note 31) | **-** | (107,276) |
| | **44,754,420** | **91,117,804** |

The caption "Demand deposits with the Banco Nacional de Angola" reflects the balances arising from the minimum reserve requirements in force in the country on the statement of financial position date, and is made up of non-interest-bearing deposits with BNA.

As at 31 December 2022, the minimum mandatory reserves were set up in accordance with the provisions of Instruction No. 02/2021 of 10 February, Instruction No. 08/2021, of 14 May, Directive No. 06/DMA/DSP/2021, of 21 May, and Directive No. 11/2022 of 12 December.

As at 31 December 2021, the minimum mandatory reserves were calculated in accordance with the provisions of Instruction No. 02/2021, of 10 February, Instruction No. 08/2021, of 14 May, Directive No. 05/DMA/2021, of 5 May, Directive No. 06/DMA/DSP/2021, of 21 May and Directive No. 07/DMA/2021, of 6 July.

The mandatory reserves are constituted in domestic currency and in foreign currency according to the respective denomination of the liabilities that form their basis of incidence. Compliance with the mandatory reserves for a given weekly observation period is realised by taking into account the arithmetic average of the balances calculated in the respective eligible accounting captions on the working days of the period, the average value of Customer deposit balances, among others, with the Bank during that period.

| 2022 | Basis of incidence | Calculation | Domestic Currency | Foreign Currency |
|---|---|---|---|---|
| | Central Government | Daily | 100% | 100% |
| | Local Governments and Municipal Administrations | Daily | 17% | 100% |
| | Other Sectors | Weekly | 17% | 22% |

| 2021 | Basis of incidence | Calculation | Domestic Currency | Foreign Currency |
|---|---|---|---|---|
| | Central Government | Daily | 100% | 100% |
| | Local Governments and Municipal Administrations | Daily | 22% | 100% |
| | Other Sectors | Weekly | 22% | 22% |

As at 31 December 2022, the requirement in domestic currency may be deducted by the amount up to 80% of the assets representing the value of loan disbursements, in a regular situation, related to projects of the agriculture, animal husbandry, forestry and fisheries sectors, granted up to 14 April 2021, provided that they are of residual maturity equal to higher than 24 months, as well as the entirety of loans defined pursuant to the provisions in Article 8 of Notice No. 10/2022 of 6 April, concerning loans granted to the real economy, regardless of their residual maturity, and loans defined pursuant to the provisions in Article 10 of Notice No. 09/2022 of 6 April, concerning mortgage loans, regardless of their residual maturity. Within the scope of the regulations in force and with the authorisation of the BNA, the Bank is deducting the sum of Kz 58,632,267 thousand for the purposes of calculating the mandatory reserves in national currency, relating to the restructuring of a credit operation.

As at 31 December 2021, the requirement in domestic currency may be deducted by the amount up to 80% of the assets representing the value of loan disbursements, in a regular situation, related to projects of the agriculture, animal husbandry, forestry and fisheries sectors, granted up to 14 April 2021, provided that they are of residual maturity equal to or higher than 24 months, as well as the entirety of loans defined pursuant to the provisions in Article 6 of Notice No. 10/2020 of 3 April, concerning loans granted to the real economy, regardless of their residual maturity.

As at 31 December 2021, the mandatory minimum reserves in foreign currency can be 20% composed of the amounts deposited at Banco Nacional de Angola and 80% of Treasury Bonds in foreign currency, belonging to the Bank's own portfolio and relative to the special issuance of 10 December 2015.

On 31 December 2021 and 2022, the Bank was in breach of the regulatory requirements for minimum mandatory reserves, in foreign currency, in the amount of USD 173,146 thousand and USD 110,968 thousand.

# Note 5
# Deposits with other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Demand deposits: | | |
| In foreign currency | **28,688,622** | 20,149,628 |
| | **28,688,622** | 20,149,628 |
| Other balances | | |
| Clearance of cheques and other paper | **27,115** | 30,200 |
| Other transactions pending settlement | **3,714** | 710,450 |
| | **30,829** | 740,650 |
| | **28,719,451** | **20,890,278** |
| Impairment losses (Note 31) | **(11,855)** | (31,707) |
| | **28,707,596** | **20,858,571** |

As at 31 December 2022, the heading of demand deposits includes the amount of USD 53,447 thousand (equivalent to Kz 27,402,744 thousand), which is held captive in the accounts of Novo Banco, S.A. relating to the maturity, in 2022, of Treasury Bonds in foreign currency, to cover the repayment of the subordinated loan of a total value of USD 63,729 thousand (equivalent to Kz 32,099,752 thousand), which matures on 31 August 2023 and was settled on that date (Note 19).

The balance of other deposits relates to transactions that are awaiting clearing on the date of presentation of the statement of financial position and are sent for collection on the first business days following the reference date.

The movements occurred in impairment losses are detailed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **31,707** | 353,827 |
| Allocations | **-** | - |
| Uses | **-** | - |
| Reversals | **(19,852)** | (322,120) |
| | **11,855** | **31,707** |

The methodology for calculating impairment losses is described in Note 2.6.

# Note 6
# Investments at central banks and other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Investments at domestic credit institutions** | | |
| Interbank money market | - | 43,289,243 |
| | - | **43,289,243** |
| Impairment losses (Note 31) | - | (835,310) |
| | - | **42,453,933** |

As at 31 December 2021, the amount of loans and advances to credit institutions includes the interest receivable accrued up to the date of presentation of the statement of financial position.

As at 31 December 2022 and 2021, loans and advances to central banks and other credit institutions are broken down by residual maturities as follows:

Values expressed in thousand Kz)

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to three months | - | 32,189,730 |
| Three months to one year | - | 11,099,513 |
| | - | **43,289,243** |

The movements occurred in impairment losses are detailed as follows:

Values expressed in thousand Kz)

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **835,310** | 922,366 |
| Allocations | - | 835,309 |
| Reversals | **(835,310)** | (922,365) |
| | - | **835,310** |

The methodology for calculating impairment losses is described in Note 2.6.

# Note 7
# Financial assets at fair value through profit or loss

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Debt instruments** | | |
| Public debt | 637,328 | 1,531,032 |
| | **637,328** | **1,531,032** |

As at 31 December 2022 and 2021, the breakdown of financial assets at fair value through profit or loss by residual maturity is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| One to five years | 637,328 | 950,102 |
| More than five years | - | 580,930 |
| | **637,328** | **1,531,032** |

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 2022 and 2021, all assets were classified as level 2 according to the fair value hierarchy.

As at 31 December 2022 and 2021, financial assets at fair value through profit or loss had the following characteristics:

Values expressed in thousand Kz

| 31/12/2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Fair value on acquisition | Income receivable | Nominal value | Currency | Unit market value | Fair value changes | Total Value |
| **Public Debt Securities** | | | | | | | | | |
| Non-indexed treasury bonds with fixed rate | 5,966 | 16.42% | 596,600 | 44,583 | 596,600 | AOA | 106,827 | (3,855) | 637,328 |
| | **5,966** | | | | | | | **(3,855)** | **637,328** |

Values expressed in thousand Kz

| 31/12/2021 Restated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Fair value on acquisition | Income receivable | Nominal value | Currency | Unit market value | Fair value changes | Total Value |
| **Public Debt Securities** | | | | | | | | | |
| Indexed treasury bonds with fixed rate | 15,100 | 16.26% | 1,493,794 | 99,378 | 1,510,000 | AOA | 101,393 | (62,140) | 1,531,032 |
| | **15,100** | | | | | | | **(62,140)** | **1,531,032** |

# Note 8
## Financial assets at fair value through other comprehensive income

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Equity instruments** | | |
| Acquisition cost | 120,488 | 123,051 |
| Fair value changes | 29,700 | 29,700 |
| | 150,188 | 152,751 |

As at 31 December 2022 and 2021, "Financial assets at fair value through other comprehensive income" have the following characteristics:

Values expressed in thousand Kz

| Entity | Currency | % of capital | Acquisition value | Fair value changes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| EMIS (Shares) | AOA | 2.58% | 98,298 | 29,700 | 127,998 | 127,998 |
| EMIS (Supplementary payments) | AOA | n.a | 7,147 | - | 7,147 | 7,147 |
| SWIFT (Shares) | EUR | n.a | 15,043 | - | 15,043 | 17,606 |
| | | | 120,488 | 29,700 | 150,188 | 152,751 |

# Note 9
# Investments at amortised cost

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Debt instruments** | | |
| Public debt | **69,431,198** | 130,956,494 |
| | **69,431,198** | **130,956,494** |
| Impairment losses (Note 31) | **(1,014,622)** | (1,943,132) |
| | **68,416,576** | **129,013,362** |

As at 31 December 2022 and 2021, "Investments at amortised cost – Public debt instruments" includes securities with a net value of Kz 16,548,424 thousand (2021: Kz 16,349,410 thousand), the nominal amount of which is Kz 47,428,300 thousand. The difference in fair value at the initial moment results from the contractual conditions, namely the interest rate (5%) and the maturity (2040), which are different from the normal market conditions on the date of their entry into the Bank's assets. The initial fair value was calculated based on a model adopted in the Asset Quality Assessment (AQA) carried out with reference to the 2018 financial year, corresponding to the discounting of future cash flows based on the risk-free interest rate (the United States of America bonds for the residual maturity closest to the residual maturity were considered, source: U. S. Department of the Treasury), plus Angola's risk premium (source: information provided by the author Aswath Damodaran) adjusted for the difference in inflation between Angola and the United States of America (source: information made available by the author Aswath Damodaran) adjusted of the inflation difference between Angola and the United States of America (source:  Monetary Investment Fund – World Economic Outlook).

In addition, during 2022, as well as in 2021, a set of securities totalling USD 100,000 thousand reached maturity, which were used to settle an instalment of the subordinated liability with Novo Banco, S.A., with the remainder being used for current operations.

As at 31 December 2022 and 2021, the breakdown of Investments at amortised cost by residual maturities is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Three months to one year | **52,637,090** | 56,592,674 |
| One to five years | **-** | 57,768,164 |
| More than five years | **16,794,108** | 16,595,656 |
| | **69,431,198** | **130,956,494** |

The movement in impairment losses under this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **1,943,132** | 23,869,591 |
| Allocations | **2,097** | - |
| Uses | **-** | - |
| Reversals | **(852,789)** | (19,659,588) |
| Foreign exchange changes | **(77,818)** | (2,266,871) |
| | **1,014,622** | **1,943,132** |

The methodology for calculating impairment losses is described in Note 2.6.

As at 31 December 2022 and 2021, Investments at amortised cost present the following characteristics:

Values expressed in thousand Kz

| 31/12/2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Amortised cost | Income receivable | Nominal value | Currency | Unit market value | Gross value | Impairment | Total value |
| **Bonds in national currency** | | | | | | | | | | |
| Non-indexed fixed-rate treasury bonds | 486,160 | 5.17% | 15,426,459 | 2,533,122 | 48,804,400 | AOA | 36,402 | 17,959,581 | (262,504) | 17,697,076 |
| **Bonds in foreign currency** | | | | | | | | | | |
| Non-indexed fixed-rate bonds | 10,000 | 5.90% | 50,369,100 | 1,102,517 | 50,369,100 | USD | 5,071,950 | 51,471,617 | (752,117) | 50,719,500 |
| | **496,160** | | **65,795,559** | **3,635,639** | **99,173,500** | | **5,108,352** | **69,431,198** | **(1,014,622)** | **68,416,576** |

Values expressed in thousand Kz

| 31/12/2021 Restated | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Amortised cost | Income receivable | Nominal value | Currency | Unit market value | Gross value | Impairment | Total value |
| **Bonds in national currency** | | | | | | | | | | |
| Non-indexed fixed-rate treasury bonds | 488,044 | 5.17% | 15,426,459 | 2,176,123 | 48,804,400 | AOA | 35,532 | 17,602,582 | (261,187) | 17,341,395 |
| **Bonds in foreign currency** | | | | | | | | | | |
| Non-indexed fixed-rate bonds | 20,000 | 5.55% | 110,996,200 | 2,357,713 | 110,996,200 | USD | 5,583,598 | 113,353,913 | (1,681,946) | 111,671,967 |
| | **508,044** | | **126,422,659** | **4,533,836** | **159,800,600** | | **5,619,130** | **130,956,495** | **(1,943,133)** | **129,013,362** |

# Note 10
# Loans and advances to Customers

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Outstanding loans and advances** | | |
| To corporate Customers | | |
| Loans | 138,305,911 | 87,934,662 |
| Current account loans and advances | 2,082,293 | 5,195,815 |
| Overdrafts | 4,511,237 | 41,722,868 |
| Finance lease | 422,698 | 1,037,522 |
| To individual Customers | | |
| Mortgage | 6,169,907 | 6,850,975 |
| Consumer and other | 1,168,000 | 2,354,838 |
| | 152,660,046 | 145,096,679 |
| **Loans and advances overdue** | | |
| To corporate Customers | | |
| Loans | 60,655,604 | 54,492,258 |
| Current account loans and advances | 1,597,309 | 1,369,051 |
| Overdrafts | 607,005 | 2,352,071 |
| Finance lease | 1,228,904 | 2,228,853 |
| To individual Customers | | |
| Mortgage | 4,879,051 | 5,324,967 |
| Consumer and other | 6,004,313 | 5,865,185 |
| | 74,972,186 | 71,632,384 |
| **Gross Loans and Advances** | 227,632,232 | 216,729,063 |
| Accumulated impairment (Note 31) | (164,326,477) | (148,661,533) |
| | (164,326,477) | (148,661,533) |
| | 63,305,755 | 68,067,530 |

As at 31 December 2022, "Current internal loans – to companies" is essentially represented by loans, current account loans and overdrafts, the amounts of which are Kz 138,305,911 thousand, Kz 2,082,293 thousand and Kz 4,511,237 thousand, respectively. The change compared to the previous year in loans to companies is essentially due to the restructuring of a customer's overall debt, which resulted in the capitalisation of interest of around Kz 55,406,451 thousand. The reduction in current account loans is also explained by the restructuring operation, which resulted in the transfer of around Kz 32,882,375 thousand to the loans product.

As at 31 December 2022 and 2021, the amount of interest receivable was Kz 31,147,807 thousand and Kz 26,463,546 thousand, respectively.

The breakdown of current loans and advances to Customers by maturity dates, as at 31 December 2022 and 2021, is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Up to 3 months | 662,368 | 35,816,329 |
| 3 months to one year | 2,174,340 | 3,399,241 |
| One to five years | 3,693,679 | 71,400,253 |
| More than 5 years | 146,129,659 | 34,480,857 |
| | 152,660,046 | 145,096,679 |

The movement in impairment associated with loans and advances to Customers is detailed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Opening balance** | 148,661,533 | 115,312,429 |
| Allocations | 64,004,631 | 36,501,721 |
| Uses | - | - |
| Reversals | (46,307,207) | (772,670) |
| Exchange rate differences and other | (2,032,480) | (2,379,947) |
| | 164,326,477 | 148,661,533 |

Loans and advances to Customers were granted entirely to entities based in Angola and the breakdown by type of rate is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Fixed rate | 188,373,106 | 175,566,810 |
| Variable rate | 39,259,126 | 41,162,253 |
| | 227,632,232 | 216,729,063 |

The composition of loans and advances to Customers by currency is as follows:

Values expressed in thousand Kz

| 31/12/2022 | Currency value | Kwanza value | 31/12/2021 Restated | Currency value | Kwanza value |
|---|---|---|---|---|---|
| AOA | 211,650,410 | 211,650,410 | AOA | 195,791,531 | 195,791,531 |
| USD | 31,730 | 15,981,822 | USD | 37,549 | 20,838,781 |
| EUR | - | - | EUR | 157 | 98,752 |
| | | 227,632,232 | | | 216,729,063 |

The distribution of credit and impairment presents the following composition by situation and segment:

Values expressed in thousand Kz

| Segment | Exposure year 2022 | | | | | | | Impairment year 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total exposure | Loans at stage 1 | Of which restructured | Loans at stage 2 | Of which restructured | Loans at stage 3 | Of which restructured | Total impairment | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 |
| Employees | 5,229,405 | 4,899,123 | - | 330,282 | - | 0 | - | (176,147) | (106,645) | (69,502) | 0 |
| Corporate Customers | 205,331,332 | 11,865,344 | - | 1,433,917 | 948,151 | 192,032,071 | 171,519,875 | (149,892,418) | (2,160,140) | (117,573) | (147,614,705) |
| State | 3,824,778 | 0 | - | 0 | - | 3,824,778 | 2,986,373 | (3,020,356) | 0 | 0 | (3,020,356) |
| Individual Customers | 13,246,717 | 1,141,207 | - | 709,250 | 402,664 | 11,396,260 | 1,072,053 | (11,237,556) | (83,672) | (171,921) | (10,981,963) |
| **Total** | **227,632,232** | **17,905,674** | **-** | **2,473,449** | **1,350,815** | **207,253,109** | **175,578,301** | **(164,326,477)** | **(2,350,457)** | **(358,996)** | **(161,617,024)** |

Values expressed in thousand Kz

| Segment | Exposure year 2021 Restated | | | | | | | Impairment year 2021 Restated | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total exposure | Loans at stage 1 | Of which restructured | Loans at stage 2 | Of which restructured | Loans at stage 3 | Of which restructured | Total impairment | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 |
| Employees | 3,769,278 | 3,614,570 | - | 154,708 | - | 0 | - | (162,073) | (129,268) | (32,805) | 0 |
| Corporate Customers | 194,049,733 | 18,027,812 | - | 2,926,308 | 1,257,617 | 173,095,613 | 146,910,996 | (133,697,592) | (850,114) | (727,796) | (132,119,681) |
| State | 4,554,240 | 0 | - | 9,181 | - | 4,545,059 | 2,986,373 | (3,100,688) | 0 | (22) | (3,100,666) |
| Individual Customers | 14,355,812 | 1,742,028 | - | 1,094,837 | 437,432 | 11,518,947 | 1,113,147 | (11,701,181) | (78,781) | (324,369) | (11,298,031) |
| **Total** | **216,729,063** | **23,384,410** | **-** | **4,185,034** | **1,695,049** | **189,159,619** | **151,010,516** | **(148,661,533)** | **(1,058,163)** | **(1,084,992)** | **(146,518,378)** |

The distribution of credit and impairment presents the following composition by range of days in arrears and segments as follows:

**Values expressed in thousand Kz**

| | Exposure year 2022 | | | | | | | | | Impairment year 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Stage 1 | | | Stage 2 | | | Stage 3 | | |
| Segment | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Employees | 4,899,123 | - | - | 329,704 | 579 | - | - | - | - | (106,644) | - | - | (69,432) | (70) | - | - | - | - |
| Corporate Customers | 11,865,344 | - | - | 995,718 | 142,049 | 296,150 | 127,629,229 | 251,948 | 64,150,894 | (2,160,140) | - | - | (48,583) | (32,926) | (36,063) | (100,748,843) | (169,879) | (46,695,984) |
| State | - | - | - | - | - | - | 9,334 | 4,616 | 3,810,828 | - | - | - | - | - | - | (4,200) | (2,077) | (3,014,078) |
| Individual Customers | 1,141,207 | - | - | 696,456 | 12,131 | 662 | 236,550 | 32,518 | 11,127,192 | (83,673) | - | - | (155,146) | (16,622) | (154) | (286,339) | (30,847) | (10,664,777) |
| **Total** | **17,905,674** | **-** | **-** | **2,021,878** | **154,759** | **296,812** | **127,875,113** | **289,082** | **79,088,914** | **(2,350,457)** | **-** | **-** | **(273,161)** | **(49,618)** | **(36,217)** | **(101,039,382)** | **(202,803)** | **(60,374,839)** |

**Values expressed in thousand Kz**

| | Exposure year 2021 Restated | | | | | | | | | Impairment year 2021 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Stage 1 | | | Stage 2 | | | Stage 3 | | |
| Segment | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Employees | 3,614,568 | - | - | 38,204 | 100,105 | 16,401 | - | - | - | (129,268) | - | - | (6,676) | (22,410) | (3,718) | - | - | - |
| Corporate Customers | 18,027,814 | - | - | 2,541,398 | 303,813 | 81,097 | 104,981,654 | 1,092,372 | 67,021,586 | (850,115) | - | - | (665,821) | (49,718) | (12,257) | (82,917,744) | (514,952) | (48,686,985) |
| State | - | - | - | 9,181 | - | - | - | - | 4,545,059 | - | - | - | (22) | - | - | - | - | (3,100,666) |
| Individual Customers | 1,742,028 | - | - | 919,368 | 85,471 | 89,996 | 424,171 | 38,214 | 11,056,563 | (78,781) | - | - | (242,175) | (38,846) | (43,348) | (429,917) | (36,479) | (10,831,635) |
| **Total** | **23,384,410** | **-** | **-** | **3,508,151** | **489,389** | **187,494** | **105,405,825** | **1,130,586** | **82,623,208** | **(1,058,164)** | **-** | **-** | **(914,694)** | **(110,974)** | **(59,323)** | **(83,347,661)** | **(551,431)** | **(62,619,286)** |

The distribution of credit and impairment presents the following composition by segment and year of concession:

Values expressed in thousand Kz

| | Employees | | | Corporate Customers | | | State | | | Individual Customers | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year granted | Number of operations | Amount | Constituted impairment | Number of operations | Value | Constituted impairment | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment |
| Previous years | 281 | 3,603,166 | (140,400) | 707 | 20,846,933 | (14,260,038) | 24 | 3,285,193 | (2,706,243) | 1,003 | 11,298,526 | (10,424,660) | 2,015 | 39,033,817 | (27,531,341) |
| 2018 | 28 | 478,356 | (9,534) | 193 | 2,791,869 | (1,068,681) | - | - | - | 216 | 213,432 | (54,706) | 437 | 3,483,657 | (1,132,921) |
| 2019 | 102 | 476,768 | (8,519) | 239 | 25,779,954 | (21,293,621) | 3 | 23,687 | (10,659) | 332 | 251,167 | (103,219) | 676 | 26,531,576 | (21,416,018) |
| 2020 | 59 | 471,086 | (12,901) | 311 | 10,876,107 | (3,030,423) | 1 | 515,898 | (303,454) | 382 | 766,595 | (464,800) | 753 | 12,629,687 | (3,811,578) |
| 2021 | 14 | 80,527 | (1,762) | 220 | 14,124,383 | (4,538,703) | 1 | - | - | 246 | 409,847 | (107,262) | 481 | 14,614,757 | (4,647,727) |
| 2022 | 15 | 119,502 | (3,031) | 110 | 130,912,086 | (105,700,952) | - | - | - | 147 | 307,150 | (82,909) | 272 | 131,338,738 | (105,786,892) |
| **Total** | **499** | **5,229,405** | **(176,147)** | **1,780** | **205,331,332** | **(149,892,418)** | **29** | **3,824,778** | **(3,020,356)** | **2,326** | **13,246,717** | **(11,237,556)** | **4,634** | **227,632,232** | **(164,326,477)** |

The distribution of credit and impairment presents the following composition by type of analysis and segment:

Valores expressos em milhares Kz

| | Employees | | Corporate Customers | | State | | Individual Customers | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year 2022 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Individual impairment | 0 | 0 | 170,089,494 | 132,310,424 | 2,986,373 | 2,571,774 | 9,505,073 | 7,495,911 | 182,580,939 | 142,378,109 |
| Collective impairment | 5,229,405 | 176,146 | 35,241,838 | 17,581,995 | 838,405 | 448,582 | 3,741,644 | 3,741,644 | 45,051,292 | 21,948,368 |
| **Total** | **5,229,405** | **176,146** | **205,331,332** | **149,892,419** | **3,824,778** | **3,020,356** | **13,246,717** | **11,237,556** | **227,632,232** | **164,326,477** |

Valores expressos em milhares Kz

| | Employees | | Corporate Customers | | State | | Individual Customers | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year 2021 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Individual impairment | - | - | 162,341,825 | 119,887,044 | 4,504,326 | 3,082,336 | 9,562,068 | 6,907,438 | 176,408,219 | 129,876,818 |
| Collective impairment | 3,769,279 | 162,073 | 31,707,908 | 13,810,548 | 49,914 | 18,351 | 4,793,743 | 4,793,743 | 40,320,844 | 18,784,715 |
| **Total** | **3,769,279** | **162,073** | **194,049,733** | **133,697,592** | **4,554,240** | **3,100,688** | **14,355,811** | **11,701,181** | **216,729,063** | **148,661,533** |

The distribution of credit and impairment presents the following composition by type of analysis and sector of activity:

Values expressed in thousand Kz

| | Individual impairment | | Collective impairment | | Total | |
|---|---|---|---|---|---|---|
| Year 2022 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Real estate activities | 2,891,992 | 1,026,807 | 841,015 | 616,098 | 3,733,007 | 1,642,905 |
| Agriculture and livestock | 131,444,701 | 94,562,926 | 581,144 | 534,127 | 132,025,846 | 95,092,054 |
| Accommodation and catering | 7,392,677 | 4,476,207 | 21,732 | 8,152 | 7,414,410 | 4,484,359 |
| Wholesale and retail trade | 23,797,959 | 22,763,316 | 6,096,330 | 3,963,733 | 29,894,289 | 25,352,049 |
| Other collective service activities | 8,043,492 | 5,872,234 | 14,105,697 | 13,577,426 | 22,149,189 | 15,324,660 |
| Individual Customers | 7,640,672 | 1,511,625 | 14,277,046 | 1,319,631 | 21,917,718 | 2,831,256 |
| Health and social action | 0 | 0 | 5,462 | 2,663 | 5,462 | 2,663 |
| Other | 8,218,756 | 12,164,994 | 2,273,555 | 1,926,538 | 10,492,311 | 19,596,532 |
| **Total** | **189,430,250** | **142,378,109** | **38,201,982** | **21,948,368** | **227,632,232** | **164,326,477** |

Values expressed in thousand Kz

| | Individual impairment | | Collective impairment | | Total | |
|---|---|---|---|---|---|---|
| Year 2021 restated | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Real estate activities | 2,862,455 | 1,051,904 | 935,848 | 622,484 | 3,798,303 | 1,674,388 |
| Agriculture and livestock | 98,141,358 | 79,532,325 | 586,567 | 529,770 | 98,727,926 | 80,062,095 |
| Accommodation and catering | 7,392,684 | 5,304,090 | 28,995 | 13,940 | 7,421,679 | 5,318,030 |
| Wholesale and retail trade | 27,478,565 | 19,251,962 | 2,804,713 | 1,220,280 | 30,283,277 | 20,472,242 |
| Other collective service activities | 19,244,947 | 14,447,601 | 5,154,441 | 4,837,500 | 24,399,388 | 19,285,101 |
| Individual Customers | 5,955,265 | 1,481,977 | 15,589,911 | 939,422 | 21,545,176 | 2,421,399 |
| Health and social action | - | - | 5,804,298 | 5,644,079 | 5,804,298 | 5,644,079 |
| Other | 15,332,945 | 8,806,959 | 9,416,070 | 4,977,241 | 24,749,015 | 13,784,200 |
| **Total** | **176,408,219** | **129,876,818** | **40,320,844** | **18,784,715** | **216,729,062** | **148,661,535** |

The composition of restructured loans by restructuring measure applied is as follows:

Values expressed in thousand Kz

| | 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Total | | |
| Measure applied | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| Aggregation of loans | - | - | - | 1 | 174,713 | (23,310) | 3 | 479,199 | (303,871) | 4 | 653,912 | (327,181) |
| Currency change | - | - | - | - | - | - | 1 | 334,346 | (318,821) | 1 | 334,346 | (318,821) |
| Rate change | - | - | - | - | - | - | 2 | 1,259,386 | (1,259,386) | 2 | 1,259,386 | (1,259,386) |
| Debt assumption | - | - | - | - | - | - | 1 | 3,899,028 | (3,899,028) | 1 | 3,899,028 | (3,899,028) |
| Capitalisation of interest | - | - | - | 1 | 13,554 | (3,029) | 13 | 128,692,007 | (98,389,217) | 14 | 128,705,561 | (98,392,246) |
| Currency conversion | - | - | - | 3 | 200,163 | (53,797) | 2 | 675,512 | (681,732) | 5 | 875,676 | (735,528) |
| Extension of period | - | - | - | 3 | 874,168 | (28,456) | 7 | 8,741,154 | (5,635,288) | 10 | 9,615,321 | (5,663,743) |
| Escrow current account default | - | - | - | - | - | - | 1 | 24,181 | (20,006) | 1 | 24,181 | (20,006) |
| Escrow current account settlement | - | - | - | 1 | 32,838 | (7,390) | 1 | 3,753 | (3,415) | 2 | 36,591 | (10,806) |
| Overdraft settlement | - | - | - | - | - | - | 1 | 15,558,969 | (15,558,969) | 1 | 15,558,969 | (15,558,969) |
| Write-off of interest | - | - | - | - | - | - | 1 | 2,798,577 | (2,798,577) | 1 | 2,798,577 | (2,798,577) |
| Period of grace | - | - | - | - | - | - | 5 | 6,383,705 | (4,953,868) | 5 | 6,383,705 | (4,953,868) |
| Reduction of limit | - | - | - | - | - | - | 1 | 217,810 | (180,197) | 1 | 217,810 | (180,197) |
| Reduction of period | - | - | - | 1 | 27,788 | (216) | - | - | - | 1 | 27,788 | (216) |
| Limit strengthening | - | - | - | - | - | - | 5 | 4,680,888 | (3,193,649) | 5 | 4,680,888 | (3,193,649) |
| Overdraft regularisation | - | - | - | - | - | - | 2 | 381,725 | (291,714) | 2 | 381,725 | (291,714) |
| Renewal of period | - | - | - | - | - | - | 4 | 916,996 | (806,922) | 4 | 916,996 | (806,922) |
| Transformation of Escrow current account | - | - | - | - | - | - | 1 | 18,664 | (15,441) | 1 | 18,664 | (15,441) |
| Transformation of Escrow current account into Escrow loan account | - | - | - | 1 | 27,478 | - | 2 | 512,400 | (376,598) | 3 | 539,879 | (376,598) |
| Transformation of finance lease into Escrow loan account | - | - | - | 1 | 112 | (16) | - | - | - | 1 | 112 | (16) |
| **Total** | **-** | **-** | **-** | **12** | **1,350,815** | **(116,214)** | **53** | **175,578,301** | **(138,686,698)** | **65** | **176,929,116** | **(138,802,912)** |

Values expressed in thousand Kz

| | 2021 restated | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Total | | |
| Measure applied | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| Aggregation of loans | - | - | - | 1 | 191,093 | (30,880) | 2 | 85,855 | (70,991) | 3 | 276,948 | (101,871) |
| Currency change | - | - | - | - | - | - | 1 | 361,601 | (329,084) | 1 | 361,601 | (329,084) |
| Increase of limit | - | - | - | - | - | - | 2 | 732,062 | (305,166) | 2 | 732,062 | (305,166) |
| Capitalisation of interest | - | - | - | - | - | - | 9 | 12,087,887 | (9,025,845) | 9 | 12,087,887 | (9,025,845) |
| Currency conversion | - | - | - | 3 | 210,952 | (58,315) | 3 | 4,149,253 | (3,554,681) | 6 | 4,360,205 | (3,612,996) |
| Extension of period | - | - | - | - | - | - | 8 | 71,671,463 | (55,347,688) | 8 | 71,671,463 | (55,347,688) |
| Escrow current account default | - | - | - | - | - | - | 1 | 24,181 | (24,181) | 1 | 24,181 | (24,181) |
| Escrow current account settlement | - | - | - | 1 | 6,669 | (1,777) | | - | - | 1 | 6,669 | (1,777) |
| Overdraft settlement | - | - | - | - | - | - | 1 | 15,560,839 | (12,313,292) | 1 | 15,560,839 | (12,313,292) |
| Loan settlement | - | - | - | 1 | 7,861 | (1,158) | | - | - | 1 | 7,861 | (1,158) |
| Partial loan settlement | - | - | - | - | - | - | 1 | 255,465 | (149,506) | 1 | 255,465 | (149,506) |
| Write-off of interest | - | - | - | 1 | - | (31,460) | 1 | 479,371 | (268,892) | 2 | 479,371 | (300,351) |
| Period of grace | - | - | - | - | - | - | 3 | 4,576,928 | (3,097,426) | 3 | 4,576,928 | (3,097,426) |
| Reduction of limit | - | - | - | - | - | - | 2 | 214,249 | (157,005) | 2 | 214,249 | (157,005) |
| Reduction of period | - | - | - | 1 | 28,718 | (209) | | - | - | 1 | 28,718 | (209) |
| Limit strengthening | - | - | - | - | - | - | 5 | 37,578,610 | (27,414,169) | 5 | 37,578,610 | (27,414,169) |
| Overdraft regularisation | - | - | - | - | - | - | 1 | 282,200 | (224,464) | 1 | 282,200 | (224,464) |
| Renewal of period | - | - | - | - | - | - | 4 | 2,418,216 | (1,504,639) | 4 | 2,418,216 | (1,504,639) |
| Revision of Escrow current account | - | - | - | 1 | 1,249,756 | (363,870) | | - | - | 1 | 1,249,756 | (363,870) |
| Transformation of Escrow current account | - | - | - | - | - | - | 1 | 18,664 | (12,309) | 1 | 18,664 | (12,309) |
| Transformation of Escrow current account into Escrow loan account | - | - | - | - | - | - | 2 | 512,400 | (375,495) | 2 | 512,400 | (375,495) |
| Transformation of finance lease into Escrow loan account | - | - | - | - | - | - | 1 | 1,274 | (745) | 1 | 1,274 | (745) |
| **Total** | **-** | **-** | **-** | **9** | **1,695,049** | **(487,669)** | **48** | **151,010,518** | **(114,175,578)** | **57** | **152,705,567** | **(114,663,247)** |

The composition of loans and advances to Customers and overdue loans without impairment, by stage, is as follows:

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2022 | | | | |
|---|---|---|---|---|---|
| | Outstanding loans associated with loans overdue | Stages of default | | | Total |
| | | Stage 1 | Stage 2 | Stage 3 | |
| **Loans without impairment** | | | | | |
| Based on individual analysis | 3,494,557 | 0 | 6,096 | 2,587,674 | 6,088,328 |
| Based on collective analysis | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | **3,494,557** | **0** | **6,096** | **2,587,674** | **6,088,328** |
| **With impairment assigned based on individual analysis** | | | | | |
| Loans and interest overdue | 156,249,144 | 0 | 0 | 20,243,468 | 176,492,612 |
| Impairment | (126,233,400) | 0 | 0 | (16,144,709) | (142,378,109) |
| **Subtotal** | **30,015,744** | **0** | **0** | **4,098,759** | **34,114,503** |
| **With impairment assigned based on collective analysis** | | | | | |
| Loans and interest overdue | 34,523,899 | 109,124 | 46,797 | 10,371,471 | 45,051,292 |
| Impairment | (14,937,366) | (23,843) | (23,614) | (6,963,545) | (21,948,368) |
| **Subtotal** | **19,586,533** | **85,281** | **23,184** | **3,407,926** | **23,102,924** |
| **Total** | **53,096,834** | **85,281** | **29,280** | **10,094,360** | **63,305,755** |

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2021 Restated | | | | |
|---|---|---|---|---|---|
| | Outstanding loans associated with loans overdue | Stages of default | | | Total |
| | | Stage 1 | Stage 2 | Stage 3 | |
| **Loans without impairment** | | | | | |
| Based on individual analysis | 2,545,037 | 0 | 0 | 2,223,215 | 4,768,252 |
| Based on collective analysis | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | **2,545,037** | **0** | **0** | **2,223,215** | **4,768,252** |
| **With impairment assigned based on individual analysis** | | | | | |
| Loans and interest overdue | 149,671,133 | 0 | 0 | 21,968,833 | 171,639,966 |
| Impairment | (113,461,765) | 0 | 0 | (16,415,053) | (129,876,818) |
| **Subtotal** | **36,209,368** | **0** | **0** | **5,553,780** | **41,763,148** |
| **With impairment assigned based on collective analysis** | | | | | |
| Loans and interest overdue | 34,362,899 | 44,439 | 82,799 | 5,830,706 | 40,320,843 |
| Impairment | (14,216,718) | (2,696) | (35,170) | (4,530,130) | (18,784,714) |
| **Subtotal** | **20,146,181** | **41,743** | **47,629** | **1,300,576** | **21,536,129** |
| **Total** | **58,900,586** | **41,743** | **47,629** | **9,077,571** | **68,067,529** |

Composition of restructured loans by type (due and overdue) and by stage:

Values expressed in thousand Kz

| Restructured loans | Year 2022 | | | |
|---|---|---|---|---|
| | Credit | | | Impairment |
| | Outstanding | Overdue | Total | |
| **Corporate Customers** | 135,661,293 | 36,806,732 | 172,468,025 | (135,096,039) |
| **Subtotal** | **135,661,293** | **36,806,732** | **172,468,025** | **(135,096,039)** |
| **State** | 2,239,246 | 747,126 | 2,986,373 | (2,571,774) |
| **Subtotal** | **2,239,246** | **747,126** | **2,986,373** | **(2,571,774)** |
| **Individual Customers** | | | | |
| Consumer | 186,226 | 2,983 | 189,209 | (36,209) |
| Mortgage | 523,669 | 55,243 | 578,912 | (414,158) |
| Other purposes | 526,368 | 180,229 | 706,597 | (684,732) |
| **Subtotal** | **1,236,263** | **238,455** | **1,474,718** | **(1,135,099)** |
| **Total** | **139,136,802** | **37,792,313** | **176,929,116** | **(138,802,912)** |

Values expressed in thousand Kz

| Restructured loans | Year 2021 | | | |
|---|---|---|---|---|
| | Credit | | | Impairment |
| | Outstanding | Overdue | Total | |
| **Corporate Customers** | 133,619,595 | 14,549,019 | 148,168,614 | (111,283,334) |
| **Subtotal** | **133,619,595** | **14,549,019** | **148,168,614** | **(111,283,334)** |
| **State** | 2,386,222 | 600,151 | 2,986,373 | (2,171,564) |
| **Subtotal** | **2,386,222** | **600,151** | **2,986,373** | **(2,171,564)** |
| **Individual Customers** | | | | |
| Consumer | 191,093 | 0 | 191,093 | (405,347) |
| Mortgage | 591,376 | 0 | 591,376 | (30,880) |
| Other purposes | 580,732 | 187,379 | 768,111 | (772,121) |
| **Subtotal** | **1,363,200** | **187,379** | **1,550,581** | **(1,208,349)** |
| **Total** | **137,369,017** | **15,336,549** | **152,705,567** | **(114,663,247)** |

Composition of loans and advances to companies and individuals, by stage of impairment:

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2022 | | | |
|---|---|---|---|---|
| | Stages of default | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| **Corporate Customers** | 11,865,344 | 1,433,917 | 192,032,071 | 205,331,332 |
| **Subtotal** | **11,865,344** | **1,433,917** | **192,032,071** | **205,331,332** |
| **Individual Customers** | | | | |
| Consumer | 0 | 0 | 3,496,103 | 3,496,103 |
| Mortgage | 0 | 0 | 2,782,569 | 2,782,569 |
| Other purposes | 0 | 0 | 6,968,044 | 6,968,044 |
| **Subtotal** | **0** | **0** | **13,246,716** | **13,246,716** |
| **Total** | **11,865,344** | **1,433,917** | **205,278,787** | **218,578,048** |

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2021 | | | |
|---|---|---|---|---|
| | Stages of default | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| **Corporate Customers** | 18,027,812 | 2,926,308 | 173,095,613 | 194,049,733 |
| **Subtotal** | **18,027,812** | **2,926,308** | **173,095,613** | **194,049,733** |
| **Individual Customers** | | | | |
| Consumer | 581,852 | 65,331 | 132,494 | 779,676 |
| Mortgage | 108,952 | 748,046 | 2,241,071 | 3,098,069 |
| Other purposes | 1,051,224 | 281,460 | 9,145,382 | 10,478,067 |
| **Subtotal** | **1,742,028** | **1,094,837** | **11,518,947** | **14,355,811** |
| **Total** | **19,769,840** | **4,021,145** | **184,614,560** | **208,405,544** |

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

Values expressed in thousand Kz

| | Year 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Customers | | | | Property development construction | | | | Mortgage | | | |
| | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | |
| Measure applied | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| < AOA 50 M | 3 | 26,627 | 74 | 363,445 | 3 | 39,091 | 11 | 21,556 | 142 | 2,271,334 | 500 | 4,122,903 |
| ≥ AOA 50 M and < AOA 100 M | - | - | 11 | 764,046 | 1 | 56,165 | - | - | 10 | 763,548 | 16 | 1,104,798 |
| ≥ AOA 100 M and < AOA 500 M | 54 | 11,082,546 | 56 | 13,634,614 | 45 | 14,744,578 | 0 | 0 | 9 | 1,941,973 | 13 | 3,133,000 |
| ≥ AOA 500 M and < AOA 1,000 M | 16 | 10,917,073 | 13 | 8,131,847 | 1 | 502,944 | 2 | 1,279,955 | 0 | 0 | 8 | 6,097,412 |
| ≥ AOA 1,000 M and < AOA 2,000 M | - | - | 10 | 14,506,121 | 0 | 0 | 1 | 1,071,135 | - | - | 2 | 3,369,158 |
| ≥ AOA 2,000 M and < AOA 5,000 M | 1 | 2,694,173 | 5 | 14,670,421 | 0 | 0 | 4 | 15,931,637 | - | - | 2 | 6,873,863 |
| ≥ AOA 5,000 M | 2 | 36,283,240 | 8 | 114,624,872 | 8 | 146,239,455 | 4 | 48,358,475 | - | - | - | - |
| **Total** | **76** | **61,003,659** | **177** | **166,695,367** | **58** | **161,582,233** | **22** | **66,662,757** | **161** | **4,976,856** | **541** | **24,701,134** |

Values expressed in thousand Kz

| | Year 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Customers | | | | Property development construction | | | | Mortgage | | | |
| | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | |
| Measure applied | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| < AOA 50 M | 3 | 26,627 | 74 | 363,445 | 3 | 39,091 | 11 | 21,556 | 142 | 2,271,334 | 500 | 4,122,903 |
| ≥ AOA 50 M and < AOA 100 M | - | 0 | 11 | 764,046 | 1 | 56,165 | - | 0 | 10 | 763,548 | 16 | 1,104,798 |
| ≥ AOA 100 M and < AOA 500 M | 54 | 11,082,546 | 56 | 13,634,614 | 45 | 14,744,578 | - | 0 | 9 | 1,941,973 | 13 | 3,133,000 |
| ≥ AOA 500 M and < AOA 1,000 M | 16 | 10,917,073 | 13 | 8,131,847 | 1 | 502,944 | 2 | 1,279,955 | - | - | 8 | 6,097,412 |
| ≥ AOA 1,000 M and < AOA 2,000 M | - | - | 10 | 14,506,121 | - | 0 | 1 | 1,071,135 | - | - | 2 | 3,369,158 |
| ≥ AOA 2,000 M and < AOA 5,000 M | 1 | 2,694,173 | 5 | 14,670,421 | - | 0 | 4 | 15,931,637 | - | - | 2 | 6,873,863 |
| ≥ AOA 5,000 M | 2 | 36,283,240 | 8 | 114,624,872 | 8 | 146,239,455 | 4 | 48,358,475 | - | - | - | 0 |
| **Total** | **76** | **61,003,659** | **177** | **166,695,367** | **58** | **161,582,233** | **22** | **66,662,757** | **161** | **4,976,856** | **541** | **24,701,134** |

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

Values expressed in thousand Kz

| Segment/Ratio | Year 2022 | | | |
|---|---|---|---|---|
| | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 | Impairment |
| **Corporate Customers** | **11,864,972** | **1,431,536** | **180,450,001** | **(141,680,587)** |
| No associated guarantee | 2,105,998 | 251,541 | 131,535,201 | (107,283,178) |
| < 50% | 6,711,111 | 176,550 | 27,186,430 | (22,390,085) |
| ≥ 50% and < 75% | 1,106,650 | 0 | 5,007,092 | (4,539,167) |
| ≥ 75% and < 100% | 1,070,295 | 874,168 | 15,199,919 | (7,032,812) |
| ≥ 100% | 870,918 | 129,277 | 1,521,360 | (435,345) |
| **Construction and real estate development** | **371** | **2,381** | **3,066,580** | **(1,582,471)** |
| No associated guarantee | 371 | 2,381 | 1,012,226 | (785,188) |
| < 50% | 0 | 0 | 475,238 | (353,854) |
| ≥ 50% and < 75% | 0 | 0 | 0 | 0 |
| ≥ 75% and < 100% | 0 | 0 | 1,579,117 | (443,429) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Mortgage** | **5,048,137** | **597,617** | **2,782,569** | **(2,967,043)** |
| No associated guarantee | 2,511,205 | 290,175 | 1,944,649 | (2,115,381) |
| < 50% | 2,072,612 | 141,970 | 746,597 | (755,326) |
| ≥ 50% and < 75% | 272,516 | 160,504 | 49,855 | (53,653) |
| ≥ 75% and < 100% | 191,804 | 4,969 | 41,468 | (42,682) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Total** | **16,913,480** | **2,031,534** | **186,299,150** | **(146,230,101)** |

Values expressed in thousand Kz

| Segment/Ratio | Year 2021 Restated | | | |
|---|---|---|---|---|
| | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 | Impairment |
| **Corporate Customers** | **17,951,517** | **2,925,750** | **157,597,600** | **(119,203,370)** |
| No associated guarantee | 10,639,418 | 2,424,846 | 47,749,546 | (37,481,068) |
| < 50% | 119,938 | 73,013 | 27,827,307 | (21,707,051) |
| ≥ 50% and < 75% | 5,692,163 | 0 | 56,310,534 | (41,810,335) |
| ≥ 75% and < 100% | 1,464,956 | 427,521 | 18,317,680 | (12,900,935) |
| ≥ 100% | 35,042 | 370 | 7,392,533 | (5,303,982) |
| **Construction and real estate development** | **76,295** | **558** | **3,048,241** | **(1,708,111)** |
| No associated guarantee | 76,295 | 558 | 2,219,288 | (1,221,773) |
| < 50% | 0 | 0 | 475,238 | (369,055) |
| ≥ 50% and < 75% | 0 | 0 | 0 | 0 |
| ≥ 75% and < 100% | 0 | 0 | 353,716 | (117,283) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Mortgage** | **5,462,075** | **832,958** | **3,010,420** | **(3,269,832)** |
| No associated guarantee | 2,677,813 | 402,886 | 2,078,639 | (2,292,515) |
| < 50% | 2,225,264 | 112,929 | 640,285 | (686,195) |
| ≥ 50% and < 75% | 360,456 | 169,541 | 199,685 | (238,859) |
| ≥ 75% and < 100% | 198,541 | 147,601 | 91,812 | (52,264) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Total** | **23,489,887** | **3,759,266** | **163,656,261** | **(124,181,313)** |

Details of the fair value and net book value of the property received as payment in kind or execution of a debt, by type of property and by age:

Values expressed in thousand Kz

| Time elapsed since received in lieu of payment/foreclosure | Year 2022 < 1 year | ≥ 1 year & < 2.5 years | ≥ 2.5 years & < 5 years | ≥ 5 years | Total |
|---|---|---|---|---|---|
| **Land** | | | | | |
| Urban | - | 3,546,801 | - | - | 3,546,801 |
| Rural | - | 465,816 | - | - | 465,816 |
| **Buildings under construction** | | | | | |
| Mortgage | 6,287,909 | - | - | - | 6,287,909 |
| **Constructed buildings** | | | | | |
| Mortgage | 5,682,880 | - | - | - | 5,682,880 |
| **Total** | **11,970,790** | **4,012,617** | **-** | **-** | **15,983,407** |

Values expressed in thousand Kz

| Time elapsed since received in lieu of payment/ foreclosure | Year 2021 Restated < 1 year | ≥ 1 year & < 2.5 years | ≥ 2.5 years & < 5 years | ≥ 5 years | Total |
|---|---|---|---|---|---|
| **Land** | | | | | |
| Urban | - | 3,637,423 | - | - | 3,637,423 |
| Rural | - | 465,816 | - | - | 465,816 |
| **Buildings under construction** | | | | | - |
| Mortgage | 6,394,484 | - | - | - | 6,394,484 |
| **Constructed buildings** | | | | | - |
| Mortgage | 6,177,009 | - | - | - | 6,177,009 |
| **Total** | **12,571,493** | **4,103,239** | **-** | **-** | **16,674,732** |

Values expressed in thousand Kz

| Type of property | **31/12/2022** Number of properties | Fair value of the asset | Net carrying amount | 31/12/2021 Restated Number of properties | Fair value of the asset | Net carrying amount |
|---|---|---|---|---|---|---|
| **Land** | | | | | | |
| Urban | **4** | **8,332,360** | **3,546,801** | 4 | 8,591,583 | 3,637,423 |
| Rural | **1** | **969,065** | **465,816** | 1 | 989,684 | 465,816 |
| **Buildings under construction** | | | | | | |
| Mortgage | **1** | **6,287,909** | **6,287,909** | 1 | 6,394,484 | 6,394,484 |
| **Constructed buildings** | | | | | | |
| Mortgage | **5** | **7,491,854** | **5,682,880** | 5 | 9,890,081 | 6,177,009 |
| **Other** | | | | | | |
| **Total** | **11** | **23,081,188** | **15,983,407** | **11** | **25,865,832** | **16,674,732** |

Credit disclosure measured by internal risk level:

Values expressed in thousand Kz

| | 31/12/2022 Low risk level | Medium risk level | High risk level |
|---|---|---|---|
| **Segment** | | | |
| Corporate Customers | 142,902,242 | 3,267,381 | 59,161,709 |
| Employees | 5,019,818 | 120,713 | 88,874 |
| Individual Customers | 2,275,988 | 362,009 | 10,608,720 |
| Public sector | 848,508 | - | 2,976,270 |
| **Total** | **151,046,556** | **3,750,103** | **72,835,573** |

Values expressed in thousand Kz

| | 31/12/2021 Restated Low risk level | Medium risk level | High risk level |
|---|---|---|---|
| **Segment** | | | |
| Corporate Customers | 102,911,582 | 44,974,513 | 46,163,638 |
| Employees | 3,504,397 | 131,429 | 133,452 |
| Individual Customers | 3,118,525 | 333,255 | 10,904,032 |
| Public sector | 1,578,768 | 23 | 2,975,449 |
| **Total** | **111,113,272** | **45,439,220** | **60,176,571** |

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

| Segment | Impairment 31/12/2022 | | | | Impairment 31/12/2021 Restated | | | |
|---|---|---|---|---|---|---|---|---|
| | Probability of default (%) | | | Loss given default (%) | Probability of default (%) | | | Loss given default (%) |
| | Stage 1 | Stage 2 | Stage 3 | | Stage 1 | Stage 2 | Stage 3 | |
| Employees | 2.76% | 13.30% | 100.00% | 91% | 2.76% | 13.30% | 100.00% | 91% |
| Corporate Customers | 8.60% | 27.96% | 100.00% | 59% | 8.60% | 27.96% | 100.00% | 59% |
| State | 1.64% | 1.64% | 100.00% | 45% | 0.52% | 0.52% | 100.00% | 45% |
| Individual Customers | 7.79% | 25.50% | 100.00% | 91% | 7.79% | 25.50% | 100.00% | 91% |
| **Average** | **5.20%** | **17.10%** | **100.00%** | **71.50%** | **4.92%** | **16.82%** | **100.00%** | **71.50%** |

Incorporation of forward-looking information:

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| **Inflation Rate Lag 2 Y** | | | | | |
| Baseline scenario | 16.90% | 15.00% | 9.78% | 6.90% | 6.90% |
| **LUIBOR Rate Overnight Lag 1 Y** | | | | | |
| Baseline scenario | 22.48% | 22.48% | 22.48% | 22.48% | 22.48% |
| **Year-on-Year Change of USD/AOA Exchange Rate Lag 1 Y** | | | | | |
| Baseline scenario | 2.81% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Consumer Price Index Log** | | | | | |
| Baseline scenario | 5.84% | 5.90% | 5.96% | 6.02% | 6.08% |
| **MA 12M Oil Prices USD** | | | | | |
| Baseline scenario | 58.55% | 59.65% | 60.80% | 61.95% | 63.10% |

# Note 11
# Non-current assets held for sale

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Non-current assets held for sale** | | |
| Equipment | 3,328 | 3,328 |
| | 3,328 | 3,328 |

In 2022, no properties were sold, so the value remained unchanged compared to 2021.

The “Equipment” item is composed of vehicles and machinery recovered under the scope of credit leasing operations, which are not an integral part of the Bank’s facilities, nor are they intended for the pursuit of its corporate object, having their origin in donations in compliance with credit agreements.

The movement in this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening Balance** | 3,328 | 1,118,848 |
| Entries | - | 3,328 |
| Sales | - | (1,118,848) |
| Other movements (transfers) | - | - |
| **Closing balance** | 3,328 | 3,328 |

# Note 12
# Other tangible assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Real estate properties** | | |
| For own use | 44,921,030 | 44,755,335 |
| Works in rented buildings | 2,349,830 | 2,347,430 |
| | 47,270,860 | 47,102,765 |
| **Equipment** | | |
| Computer equipment | 4,564,093 | 4,226,643 |
| Security equipment | 2,037,720 | 2,004,552 |
| Furniture and materials | 1,874,785 | 1,873,330 |
| Indoor facilities | 1,714,262 | 1,707,324 |
| Transport material | 1,610,194 | 1,619,366 |
| Machinery and tools | 854,205 | 823,332 |
| | 12,655,260 | 12,254,547 |
| **Property, plant and equipment in progress** | | |
| Real estate properties | - | 12,762 |
| Equipment | 492,780 | 417,822 |
| | 492,780 | 430,583 |
| **Right-of-use assets** | | |
| Real estate properties | 2,626,396 | 2,626,396 |
| | 2,626,396 | 2,626,396 |
| **Impairment losses (Note 31)** | (343,680) | (609,504) |
| | 62,701,616 | 61,804,788 |
| **Accumulated depreciation** | | |
| Relative to transferred assets | (200,774) | 739,502 |
| Relative to the current year | (2,269,645) | (2,406,535) |
| Relative to previous years | (19,948,485) | (18,281,452) |
| | (22,418,903) | (19,948,485) |
| **Total Other tangible assets** | 40,282,712 | 41,856,303 |

“Other tangible assets” includes own service properties whose legalisation processes are still underway, and no adjustments are expected as a result of the completion of these processes. The value of real estate assets not legalised as at 31 December 2022 is Kz 2,335,767 thousand (2021: Kz 2,409,970 thousand) and corresponds to 14 of 45 properties allocated to the Bank’s activity.

The caption "Other tangible assets – Right-of-use assets" corresponds to the impact of the adoption of IFRS 16, as well as the movement during the year, as mentioned in Note 2.13.

Of particular note is the significant variation associated with transport equipment, due to a significant write-off of fully depreciated and discontinued vehicles. This movement is related to the accumulated depreciation caption "related to transferred assets", as it corresponds to the value of fully depreciated write-offs.

The movement in this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | **31/12/2022** |
|---|---|---|---|---|---|---|
| **Real estate properties** | | | | | | |
| For own use | 44,755,334 | 165,696 | - | - | - | **44,921,030** |
| Works in rented buildings | 2,347,431 | 2,399 | - | - | - | **2,349,830** |
| | **47,102,765** | **168,095** | **-** | **-** | **-** | **47,270,860** |
| **Equipment** | | | | | | |
| Computer equipment | 4,226,643 | 83,521 | (460) | 254,390 | - | **4,564,093** |
| Security equipment | 1,619,366 | 33,168 | 385,186 | - | - | **2,037,720** |
| Furniture and materials | 2,004,552 | 2,380 | (132,147) | - | - | **1,874,785** |
| Indoor facilities | 1,873,330 | 6,937 | (166,005) | - | | **1,714,262** |
| Transport material | 1,707,324 | - | (217,107,850) | 217,010,720 | - | **1,610,194** |
| Machinery and tools | 823,332 | 30,713 | - | 160 | - | **854,205** |
| | **12,254,547** | **156,719** | **(217,021,276)** | **217,265,270** | **-** | **12,655,259** |
| **Property, plant and equipment in progress** | | | | | | |
| Equipment | 417,820 | 172,800 | (97,841) | - | - | **492,779** |
| Real estate properties | 12,762 | - | (12,762) | - | - | **-** |
| | **430,582** | **172,800** | **(110,603)** | **-** | **-** | **492,779** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | 2,626,396 | - | - | - | - | **2,626,396** |
| | **2,626,396** | **-** | **-** | **-** | **-** | **2,626,396** |
| | **62,414,291** | **497,614** | **(217,131,879)** | **217,265,270** | **-** | **63,045,295** |
| **Accumulated depreciation** | | | | | | |
| **Real estate properties** | | | | | | |
| For own use | (7,779,120) | (85,534) | - | - | - | **(7,864,654)** |
| Works in rented buildings | (2,239,709) | (36,383) | - | - | 31,790 | **(2,244,302)** |
| Other | | | | - | - | **-** |
| | **(10,018,829)** | **(121,917)** | **-** | **-** | **31,790** | **(10,108,956)** |
| **Equipment** | | | | | | |
| Computer equipment | (2,704,159) | (486,104) | 460 | 5 | - | **(3,189,798)** |
| Security equipment | (1,866,545) | (29,895) | - | - | - | **(1,896,440)** |
| Furniture and materials | (1,615,152) | (126,423) | - | - | - | **(1,741,575)** |
| Indoor facilities | (1,501,141) | (59,340) | - | - | - | **(1,560,482)** |
| Transport material | (1,116,745) | (1,076,874) | 32,943 | - | - | **(2,160,676)** |
| Machinery and tools | (595,513) | (72,260) | - | (148) | - | **(667,921)** |
| | **(9,399,255)** | **(1,850,896)** | **33,403** | **(143)** | **-** | **(11,216,892)** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | (1,139,905) | (296,832) | - | - | - | **(1,436,737)** |
| | **(1,139,905)** | **(296,832)** | **-** | **-** | **-** | **(1,436,737)** |
| | **(20,557,989)** | **(2,269,645)** | **33,403** | **(143)** | **31,790** | **(22,762,584)** |
| | **41,856,303** | **(1,772,031)** | **(217,098,476)** | **217,265,126** | **31,790** | **40,282,712** |

Values expressed in thousand Kz

| Description | 31/12/2020 | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| **Real estate properties** | | | | | | |
| For own use | 44,732,897 | 4,538 | (1,635) | 19,534 | - | 44,755,334 |
| Works in rented buildings | 2,347,431 | - | - | - | - | 2,347,431 |
| | **47,080,328** | **4,538** | **(1,635)** | **19,534** | **-** | **47,102,765** |
| **Equipment** | | | | | | |
| Computer equipment | 3,973,890 | 254,253 | (1,500) | - | - | 4,226,643 |
| Transport material | 2,315,681 | (9,345) | (686,970) | - | - | 1,619,366 |
| Security equipment | 2,004,552 | - | - | - | - | 2,004,552 |
| Furniture and materials | 1,868,067 | 5,263 | - | | - | 1,873,330 |
| Indoor facilities | 1,743,115 | 4,074 | (39,991) | 126 | - | 1,707,324 |
| Machinery and tools | 718,822 | 103,712 | - | 798 | - | 823,332 |
| | **12,624,127** | **357,957** | **(728,461)** | **924** | **-** | **12,254,547** |
| **Property, plant and equipment in progress** | | | | | | |
| Equipment | 463,064 | - | (45,244) | - | - | 417,820 |
| Real estate properties | 31,319 | 977 | - | (19,534) | - | 12,762 |
| | **494,383** | **977** | **(45,244)** | **(19,534)** | **-** | **430,582** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | 2,515,745 | 481,645 | (370,994) | - | - | 2,626,396 |
| | **2,515,745** | **481,645** | **(370,994)** | **-** | **-** | **2,626,396** |
| | **62,714,583** | **845,117** | **(1,146,334)** | **924** | **-** | **62,414,291** |
| **Accumulated depreciation** | | | | | | |
| **Real estate properties** | | | | | | |
| For own use | (6,883,496) | (927,414) | - | - | 31,790 | (7,779,120) |
| Works in rented buildings | (2,152,866) | (86,843) | - | - | - | (2,239,709) |
| | (9,036,362) | (1,014,257) | - | - | 31,790 | (10,018,829) |
| **Equipment** | | | | | | |
| Computer equipment | (2,254,172) | (451,012) | 1,025 | - | - | (2,704,159) |
| Security equipment | (1,838,378) | (28,167) | - | - | - | (1,866,545) |
| Furniture and materials | (1,488,765) | (126,387) | - | - | - | (1,615,152) |
| Indoor facilities | (1,473,150) | (67,982) | 39,991 | - | - | (1,501,141) |
| Transport material | (1,538,381) | (276,851) | 698,487 | - | - | (1,116,745) |
| Machinery and tools | (525,449) | (70,064) | - | - | - | (595,513) |
| Other | - | - | - | - | - | - |
| | **(9,118,295)** | **(1,020,463)** | **739,503** | **-** | **-** | **(9,399,255)** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | (768,090) | (371,815) | - | - | - | (1,139,905) |
| | **(768,090)** | **(371,815)** | **-** | **-** | **-** | **(1,139,905)** |
| | **(18,922,747)** | **(2,406,535)** | **739,503** | **-** | **31,790** | **(20,557,989)** |
| | **43,791,836** | **(1,189,603)** | **(406,831)** | **924** | **31,790** | **41,856,303** |

In terms of impairment losses, the movement in 2022, due to the valuations of the Bank's properties, can be presented as follows:

Values expressed in thousand Kz

| Description | 01/01/2022 | Allocations | Reversals | Transfers | 31/12/2022 |
|---|---|---|---|---|---|
| Real estate properties | 609,504 | - | (265,824) | - | 343,680 |
| | **609,504** | **-** | **(265,824)** | **-** | **343,680** |

Values expressed in thousand Kz

| Description | 01/01/2021 Restated | Allocations | Reversals | Transfers | 31/12/2021 Restated |
|---|---|---|---|---|---|
| Real estate properties | 641,294 | - | (31,790) | - | 609,504 |
| | **641,294** | **-** | **(31,790)** | **-** | **609,504** |

During 2022, the Bank reversed impairment losses on properties totalling Kz 265,825 thousand, as a result of a review of its prospects of generating future economic benefits. In addition, as disclosed in Note 38, the Promissory Contract for the Purchase and Sale of the Head Office Building was signed on 21 April 2023 (gross value of Kz 34,090,450 thousand and net value of Kz 28,222,995 thousand on 31 December 2022).

# Note 13
## Intangible assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| **Intangible assets** | | |
| **Acquired from third-parties** | | |
| Automated data treatment system | **11,823,608** | 10,629,218 |
| Other | **391,474** | 651,946 |
| | **12,215,082** | **11,281,164** |
| **Accumulated amortisation** | | |
| Relative to previous years | **(2,823,242)** | (1,862,127) |
| Relative to the current year | **(1,173,571)** | (991,970) |
| | **(3,996,813)** | **(2,854,097)** |
| | **8,218,269** | **8,427,067** |

It should be noted that the main acquisitions in 2022 correspond to customisations of the reporting system resulting from the migration from the core system that took place in 2021.

The movement in this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | **31/12/2022** |
|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | |
| **Acquired from third-parties** | | | | | | |
| Automated data treatment system | 10,595,538 | 707,537 | - | 486,992 | - | **11,790,067** |
| Other – in progress | 651,944 | 308,241 | - | (568,853) | - | **391,332** |
| | **11,247,482** | **1,015,778** | **-** | **(81,861)** | **-** | **12,181,400** |
| **Accumulated amortisation** | | | | | | |
| Automated data treatment system | (2,823,242) | (1,173,571) | - | - | - | **(3,996,813)** |
| | **(2,823,242)** | **(1,173,571)** | **-** | **-** | **-** | **(3,996,813)** |
| **Impairment losses (Note 31)** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **8,424,240** | **(157,793)** | **-** | **(81,861)** | **-** | **8,184,587** |

Values expressed in thousand Kz

| Description | 31/12/2020 | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | |
| **Acquired from third-parties** | | | | | | |
| Automated data treatment system | 9,702,893 | 878,554 | - | 14,091 | - | 10,595,538 |
| Other – in progress | 385,614 | 280,421 | - | (14,091) | - | 651,944 |
| | **10,088,507** | **1,158,975** | **-** | **-** | **-** | **11,247,482** |
| **Accumulated amortisation** | | | | | | |
| Automated data treatment system | (1,831,272) | (991,970) | | - | - | (2,823,242) |
| | **(1,831,272)** | **(991,970)** | **-** | **-** | **-** | **(2,823,242)** |
| **Impairment losses (Note 31)** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **8,257,236** | **167,005** | **-** | **-** | **-** | **8,424,240** |

The caption "Automatic data processing systems" includes the amount of Kz 4,120,626 thousand (2021: Kz 4,672,809 thousand) relative to the implementation of a new core banking system, which came into operation in October 2020.

# Note 14
## Investments in subsidiaries, associates and joint ventures

This caption has the following composition:

Values expressed in thousand Kz

| 31/12/2022 | No. of Shares | Share Capital | Direct Capital Holding | Nominal Value Kz | Cost of the Holding | Reserves | Profit or loss attributable to BE | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| **Económico Pension Fund** | 10,000, | 1,000,000, | 96% | 962,000, | 962,000, | 287,735, | 451,925, | 1,610,549, |
| **Tranquilidade Angola S.A.** | 1,050, | 747,790, | 21% | 157,035, | 363,876, | - | - | 712,365, |
| **Económico Investment Fund** | 1,000, | 90,000, | 62% | 55,800, | 55,800, | 14,936, | (73,950) | 837,794, |
| | | | | | **1,381,676,** | **302,671,** | **377,975,** | **3,160,708,** |
| **Impairment losses (Note 31)** | | | | | | | | (712,365) |
| | | | | | | | | **2,448,343,** |

Values expressed in thousand Kz

| 31/12/2021 Restated | No. of Shares | Share Capital | Direct Capital Holding | Nominal Value Kz | Cost of the Holding | Reserves | Profit or loss attributable to BE | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| **Económico Pension Fund** | 10,000, | 1,000,000, | 96% | 962,000, | 962,000, | 287,735, | 327,325, | 1,340,455, |
| **Tranquilidade Angola S.A.** | 1,050, | 747,790, | 21% | 157,035, | 363,876, | 5,040, | 135,104, | 712,365, |
| **Económico Investment Fund** | 1,000, | 90,000, | 62% | 55,800, | 55,800, | 2,496,715, | (327,499) | 911,744, |
| | | | | | **1,381,676,** | **2,789,490,** | **134,930,** | **2,964,564,** |
| **Impairment losses (Note 31)** | | | | | | | | (712,365) |
| | | | | | | | | **2,252,199,** |

During 2019, the Bank recorded impairment losses for the total amount of its stake in Tranquilidade Angola, S.A., as a result of the material uncertainty about the continuity of operations considered in the Annual Report and Accounts and in the Independent Auditor's Report, due to the inspection carried out by the General Tax Administration in 2015 and 2016.

It is the Bank's understanding that its liability is limited to the amount of the shareholding, and therefore no provisions have been made for possible liabilities arising from its position as a shareholder.

The movement in impairment losses under this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening balance** | **712,365** | 720,107 |
| Allocations | - | (7,742) |
| Reversals | - | - |
| **Closing balance** | **712,365** | **712,365** |

The following table summarises the main data from the financial statements of the above-mentioned subsidiaries:

Values expressed in thousand Kz

| | Financial Indicators of the Investees | | | | |
|---|---|---|---|---|---|
| 31/12/2022 | Assets | Liabilities | Share Capital | Reserves | Results |
| Tranquilidade Angola S.A. | 20,472,660 | 13,437,263 | 747,790 | 3,081,574 | 3,206,033 |
| Económico Pension Fund | 1,850,254 | 214,085 | 1,000,000 | 230,991 | 405,179 |
| Económico Investment Fund | 1,432,950 | 105,904 | 90,000 | 1,351,522 | (114,476) |
| | **23,755,864** | **13,757,252** | **1,837,790** | **4,664,087** | **3,496,736** |

Values expressed in thousand Kz

| | Financial Indicators of the Investees | | | | |
|---|---|---|---|---|---|
| 31/12/2021 | Assets | Liabilities | Share Capital | Reserves | Results |
| Tranquilidade Angola S.A. | 20,472,660 | 13,437,263 | 747,790 | 3,081,574 | 3,206,033 |
| Económico Pension Fund | 1,556,331 | 225,047 | 1,000,000 | 55,344 | 275,940 |
| Económico Investment Fund | 1,590,581 | 171,659 | 90,000 | 1,879,766 | (550,844) |
| | **23,619,572** | **13,833,969** | **1,837,790** | **5,016,684** | **2,931,129** |

# Note 15
## Taxes

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Current tax assets** | | |
| Current income taxes | 1,990,496 | 1,511,061 |
| **Current tax assets** | **1,990,496** | **1,511,061** |
| **Current tax liabilities** | | |
| Current income taxes | 19,720 | - |
| **Current tax liabilities** | **19,720** | **-** |

The amount of current tax assets in 2022 and 2021 includes the provisional settlement of income tax for 2019 in the amount of Kz 1,450,599 thousand. This tax settlement was made by utilising tax credits recorded under "Other assets" (Note 16). However, given that there were no taxable profits at the end of the 2019 to 2022 fiscal years, a new tax credit was requested so that the Bank could utilise this amount. However, given that this is a financial year that has not been inspected yet, the Bank can only be reimbursed for this amount when the General Tax Administration inspects 2019.

For the 2022 financial year, the Bank did not make any kind of provisional Industrial Tax settlement to the State coffers as the latter had calculated a negative taxable result.

The reconciliation of the tax rate, as regards the amount recognised in profit or loss, can be analysed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | | 31/12/2021 Restated | |
|---|---|---|---|---|
| | % | Value | % | Value |
| **Profit or loss before tax** | | **(37,953,342)** | | **174,247,821** |
| Income excluded from taxation | 19% | (7,187,273) | -7% | (12,541,852) |
| Unforeseen provisions | -17% | 6,451,164 | 2% | 4,105,655 |
| Non-deductible expenses/ (income) | 68% | (25,767,315) | 49% | 85,533,802 |
| Tax loss/Taxable profit | - | (64,456,767) | - | 250,406,462 |
| Use of tax losses of previous years | - | - | - | (250,406,462) |
| Taxable income | - | - | - | - |
| **Tax for the year** | | | | |

Income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan state until 31 December 2012, the issue of which is regulated by the Direct Public Debt Framework Law (Law No. 16/02, of 5 December), as well as Regulatory Decrees No. 51/03 and No. 52/03, of 8 July, is exempt from all taxes. This is complemented by the provisions of 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 to be income for the purposes of calculating Industrial Tax payable.

Income from public debt securities arising from Treasury Bonds and Treasury Bills issued by the Angolan state after 31 December 2012 is subject to Capital Gains Tax, as defined in Article 9(1)(k) of Presidential Legislative Decree No. 2/2014 of 20 October. Income subject to Capital Investment Tax is not subject to Industrial Tax, in accordance with Article 47 of the Industrial Tax Code (Law No. 19/14 of 12 October).

Accordingly, in determining taxable profit for the years ended 31 December of each of the dates under review, such income was deducted from taxable profit.

Likewise, the cost incurred in the settlement of Capital Investment Tax is excluded from the costs accepted for tax purposes when calculating the taxable income, in accordance with the provisions of Article 18(1)(a) of the Industrial Tax Code.

As at 31 December 2022 and 2021, the deferred tax assets recognised in the statement of financial position have the following composition:

Values expressed in thousand Kz

| Description | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 Restated | **31/12/2022** | 31/12/2021 Restated | **31/12/2022** | 31/12/2021 Restated |
| Potential foreign exchange changes | **54,840,865** | - | **-** | (28,653,625) | **54,840,865** | (28,653,625) |
| Impairment of the year not accepted | **2,059,970** | 7,123,398 | **-** | - | **2,059,970** | 7,123,398 |
| Tax losses generated | **515,562,448** | 451,105,681 | **-** | - | **515,562,448** | 451,105,681 |
| Deferred tax assets/(liabilities) recognised | | - | **-** | - | **-** | - |

During the financial year ended 31 December 2022 and 2021, with the publication of Law No. 26/20 of 20 July – the Law amending the Industrial Tax Code – new rules were introduced for determining taxable income, namely (i) the exclusion of tax relevance in the calculation of taxable profit from income and costs due to unrealised exchange rate differences and (ii) the non-acceptance as deductible costs of provisions constituted for guaranteed loans, except for the part not covered.

As at 31 December 2022, the Bank calculated deferred tax assets relating to potential exchange rate variations, in the amount of Kz 54,840,865 thousand, and matters relating to impairment for the year not accepted, relating to loans with guarantees, in the amount of Kz 2,059,970 thousand. Since no financial projections are available, on a tax basis, to support the recoverability of the balances, the asset was not recognised.

As at 31 December 2021, the Bank calculated deferred tax liabilities relating to potential exchange rate variations, in the amount of Kz 26,653,625 thousand, and calculated deferred tax assets relating to impairment for the year not accepted, relating to loans with guarantees and tax losses generated, in the amounts of Kz 7,123,398 thousand and Kz 451,105,681 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, the Bank has offset these deferred tax assets and liabilities.

# Note 16
# Other assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Other assets – INVESTPAR | **1,453,443,000** | 1,583,508,673 |
| Deferred Impairment | **208,000,000** | 208,000,000 |
| Real estate properties | **16,747,675** | 17,397,562 |
| Other receivables | **9,351,210** | 14,153,515 |
| Other transactions to be regularised | **4,846,127** | 194,973 |
| Other assets | **3,538,886** | 3,129,182 |
| Deferred expenses | **2,911,466** | 2,946,172 |
| Administrative public sector | **673,233** | 1,464,750 |
| Taxes recoverable | **74,904** | 203,751 |
| | **1,699,586,501** | **1,830,998,578** |
| Impairment losses – INVESTPAR | **(921,641,135)** | (999,819,035) |
| Impairment losses – Other | **(11,774,898)** | (12,093,174) |
| | **(933,416,033)** | **(1,011,912,209)** |
| | **766,170,468** | **819,086,369** |

## 16.1. Operation with INVESTPAR

The amount under "Other assets – INVESTPAR" essentially relates to the transfer of economic rights over assets that took place in 2014. The amount referred to is Kz 1,423,294,172 thousand, in terms of principal and accrued interest (2021: Kz 1,552,364,902 thousand). This amount breaks down into Kz 1,240,904,570 thousand in terms of principal and Kz 182,389,602 thousand in terms of accrued interest, with Kz 1,351,402,876 thousand and Kz 200,962,026 thousand in 2021, respectively. In addition, this item records amounts relating to advances for real estate, in the amount of Kz 27,504,088 thousand (2021: Kz 29,350,528 thousand) and an impairment amount of Kz 921,641,135 thousand (2021: Kz 999,819,035 thousand). The change in "Other assets – INVESTPAR" in 2022 is essentially the result of the exchange revaluation, taking into account that part of the above balances are in USD. For a better understanding of the operation as a whole, see Note 37.

The amount in USD calculated as part of the Asset Quality Assessment (AQA) exercise took into account the valuation of the real estate assets transferred and real estate assets associated with loans transferred to that entity, with reference to 31 December 2018, as described in Note 37. However, there are limitations on the results of the AQA, namely:

**a)** The contracts with INVESTPAR are in force, despite the current breach, and it is not known under what terms they might be modified to make way for the disposal underlying the valuation carried out under the AQA;
**b)** There are no contracts to date that justify the reversion of the property assets to the Bank;
**c)** The eventual realisation of the disposals may take place under significantly different conditions to those considered in the AQA conclusions report, taking into account the period that may elapse between the valuation date considered in the exercise and the eventual disposal of the banking assets by the Bank;
**d)** The AQA Conclusions Report identifies relevant limitations on the respective assets, namely:
- (i) Failure to carry out external balance confirmation procedures with INVESTPAR;
- (ii) Failure to take into account any balances that other entities may have to receive from INVESTPAR under the asset deal signed between the IFB and INVESTPAR, namely the amounts receivable by the BNA as a result of the transfer of the Bank's contractual position to the BNA;
- (iii) Failure to obtain the necessary and appropriate support to validate the ownership of the properties assigned to the ENSA Group;
- (iv) Failure to accurately validate that the external valuations, carried out by independent appraisers, and the internal property valuation analyses, carried out by the Bank's in-house appraisal services, only included units of the projects selected for analysis and that these had not been sold by the time the conclusions report was finalised;
- (v) Failure to provide external valuations carried out by independent expert appraisers for all units. In these cases, although the valuations carried out by the Bank's internal appraisal services, based on market prospecting, have been taken into account, they have not been duly formalised.

Notwithstanding the limitations mentioned above, the Bank believes that the indicators obtained from the AQA Conclusions Report represent the best estimate of impairment losses for these assets with reference to 31 December 2022. The asset deal with INVESTPAR was reversed in 2023, as disclosed in Notes 37 and 38.

## 16.2. Deferred impairment losses

As part of the implementation of the Bank's Recapitalisation and Restructuring Plan, described in detail in Note 37, the Bank recorded an asset in the amount of Kz 260,000,000 thousand in 2021, relating to the deferral of impairment for a period of 5 years, as approved by the BNA in the RRP, the recognition of which began in 2022, in the amount of Kz 52,000,000 thousand, as described in Note 37.

## 16.3. Other assets

The amount relating to "Properties" includes a number of properties handed over to settle loans in lieu of payment, as well as properties no longer used for banking activities, including a number of properties whose legalisation processes are still underway, and no adjustments are expected as a result of the completion of these processes. The value of properties in these conditions, recognised under "Other assets" as at 31 December 2022, is Kz 5,183,672 thousand (2021: Kz 5,758,841 thousand). The reduction in this item in 2022 resulted from the change in impairment on 2 properties in the amount of Kz 735,991 thousand.

The amount shown in the table above for "Other debtors" corresponds essentially to amounts receivable from the State, associated with Stamp Duty on the use of credit delivered to the General Tax Administration and under the Angola Investe programme, in the amount of Kz 7,120,957 thousand (2021: Kz 6,527,551 thousand).

In terms of impairment, the movement in 2022 is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening Balance** | **1,011,912,209** | **1,169,233,091** |
| Allocations | **5,841,273** | 581,881 |
| Uses | **2,477,992** | (12,981,656) |
| Foreign exchange changes | **(86,815,441)** | (144,921,106) |
| **Closing balance** | **933,416,033** | **1,011,912,209** |

The significant amount of reversals in 2021 stems from the foreign exchange revaluation of impairment, considering the assumptions in point 16.1, and the advances made against liabilities, as presented in Note 21.

In 2022, the relevant amount of utilisation stems from the amount relating to fraud with Multicaixa debit cards, in the amount of Kz 2,198,335 thousand, advances for the incorporation of the company BESA Congo Brazzaville, in the amount of Kz 278,724 thousand, and advances relating to invoices with electronic security and provisional lease on the premises of Besa Leasing, before the start of business for Multipessoal, in the amount of Kz 933 thousand, provisioned at 100%, as there is no expectation of recovery by the Bank.

The amount relating to exchange rate variation includes the effect associated with the amounts receivable from the transfer and sale of assets to INVESTPAR, for which the impairment assumptions referred to in point 16.1 were maintained.

# Note 17
# Deposits from central banks and other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Interbank money market operations** | | |
| Term deposits of central banks | | |
| In domestic currency | 260,962,660 | 259,462,680 |
| Demand deposits and loans of credit institutions | | |
| In foreign currency | 3,668 | - |
| | 260,966,328 | 259,462,680 |
| Interest payable | 4,186 | 7,658 |
| | 4,186 | 7,658 |
| Liabilities in the payment system | | |
| Relations between branches | | |
| Other transactions pending settlement | 917,883 | 2,733,140 |
| Clearance of cheques and other paper | 37,762 | 112,840 |
| | 955,645 | 2,845,980 |
| | 261,926,159 | 262,316,318 |

The amount relating to Term deposits with central banks is essentially due to the fact that, in 2020, the Banco Nacional de Angola returned the donation made in 2017, in which BE settled a set of loans granted by the National Bank of Angola to third parties, based on the transfer of the right to receivables arising from the operation to transfer assets to INVESTPAR, totalling Kz 256,962,619 thousand (Notes 16 and 37).

In terms of geographical market, it is presented as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Domestic** | | |
| Deposits | 260,966,846 | 259,470,339 |
| Other resources | 955,645 | 2,845,977 |
| | 261,922,491 | 262,316,316 |
| **Abroad** | | |
| Deposits | 3,668 | 2 |
| | 3,668 | 2 |
| | 261,926,159 | 262,316,318 |

As at 31 December 2022 and 2021, Deposits from central banks and other credit institutions are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to three months | 261,926,159 | 262,316,318 |
| | 261,926,159 | 262,316,318 |

# Note 18
# Customer deposits and other loans

This caption has the following composition:

Values expressed in thousand Kz

| Description | Currency | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Demand deposits** | | | |
| | AOA | **85,659,871** | 133,377,433 |
| | EUR | **2,062,812** | 2,595,623 |
| | USD | **230,945,124** | 261,878,268 |
| | Other | **21,131** | 22,986 |
| | | **318,688,938** | **397,874,310** |
| **Term deposits** | | | |
| | AOA | **145,229,378** | 123,426,538 |
| | EUR | **7,545,109** | 9,116,985 |
| | USD | **305,124,708** | 773,567,621 |
| | | **457,899,195** | **906,111,144** |
| | | **776,588,133** | **1,303,985,454** |

The change in "Customer deposits and other loans" is mainly explained by the use of deposits from the largest Customers in the portfolio to adjust share capital in order to guarantee the implementation of the Bank's Recapitalisation and Restructuring Plan (Notes 22 and 37).

As at 31 December 2022 and 2021, Customer deposits and other loans are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Payable on demand** | **318,688,938** | **397,874,310** |
| **Payable within a longer term** | | |
| Up to three months | **202,753,276** | 275,442,152 |
| Three months to one year | **244,496,106** | 617,397,216 |
| One to five years | **10,643,167** | 13,266,177 |
| More than five years | **6,646** | 5,599 |
| | **457,899,195** | **906,111,144** |
| | **776,588,133** | **1,303,985,454** |

As at 31 December 2022 and 2021, term deposits had the following average interest rates:

Values expressed in thousand Kz

| Description | Currency | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| Term deposits | AOA | **11.24%** | 11.79% |
| | EUR | **0.66%** | 1.04% |
| | USD | **1.80%** | 2.79% |

# Note 19
# Subordinated liabilities

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Subordinated loan from Novo Banco, S.A.** | | |
| Principal | **32,099,752** | 63,663,148 |
| Interest | **513,706** | 34,884 |
| | **32,613,458** | **63,698,032** |

This loan taken out with Novo Banco, in the amount of USD 496,358 thousand – with a rate of 5%, quarterly payments and maturity in 2024 – was the result of the BNA resolution of 4 August 2014. However, at the end of 2021 and as part of the implementation of the Bank's Recapitalisation and Restructuring Plan, BE agreed with Novo Banco, S.A. to restructure the subordinated loan, taking into account a 75% forgiveness on the maturing debt, resulting in a gain in 2021 of Kz 107,812,166 thousand, as described in Note 28.

Following the restructuring, the subordinated debt amounted to USD 114,712 thousand and matured on 31 August 2023, having been settled on this date, with the interest rate remaining at 5%.

The amount of interest payable on 31 December 2022 is Kz 513,706 thousand (2021: Kz 34,884 thousand).

# Note 20
# Provisions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Provisions for likely liabilities:** | | |
| Likely liabilities of civil nature | **2,404,494** | 740,982 |
| Likely liabilities of tax nature | **2,109,983** | 2,109,983 |
| Likely liabilities of administrative and marketing nature | **424,346** | 448,605 |
| For miscellaneous risks | **160,407** | 160,407 |
| For indirect credit | **147,750** | 268,486 |
| | **5,246,980** | **3,728,463** |

The balance of this item is intended to cover certain duly identified contingencies arising from the Bank's activity, which are reviewed on each reporting date to reflect the best estimate of the amount and respective probability of payment.

As at 31 December 2022, the balance of the caption "Probable liabilities of a civil nature", in the amount of Kz 2,404,494 thousand (2021: Kz 740,982 thousand), is mainly explained by the costs associated with notary fees, registry fees and taxes associated with the share capital reduction and increase operation totalling Kz 1,403,207 thousand. The Bank has been negotiating the terms for settling the balance, having initially reached agreement for payment in 12 months, and having subsequently negotiated payment through an exchange of properties.

The balance of the caption "Probable tax liabilities", in the amount of Kz 2,109,983 thousand (2021: Kz 2,109,983 thousand), is mainly explained by Capital Investment Tax in the amount of Kz 1,063,508 thousand and Personal Income Tax in the amount of Kz 691,675 thousand.

The heading provisions for indirect loans refers to the provision determined within the scope of the application of the loan impairment model used by the Bank on off-balance sheet liabilities related to loans taken out with Customers, as set out in Note 2.4 and whose breakdown can be analysed in greater detail in Note 33.

The Bank has some legal proceedings in progress with Customers with whom it no longer has a commercial relationship, for which the Bank's Board of Directors, also supported by legal opinions, considers the probability of loss to be remote or low.

In terms of provisions, the movement in 2022 is as follows:

Values expressed in thousand Kz

| Description | Provisions for indirect credit | Other provisions for risks and expenses | Total |
|---|---|---|---|
| **Balance as at 31 December 2020** | **823,162** | **4,255,289** | **5,078,451** |
| Allocations | - | 737,132 | 737,132 |
| Reversals | (220,650) | (737,665) | (958,315) |
| Uses | - | (672,311) | (672,311) |
| Transfers | - | - | - |
| Exchange rate differences and other regularisations | (334,026) | (122,468) | (456,494) |
| **Balance as at 31 December 2021 Restated** | **268,486** | **3,459,977** | **3,728,463** |
| Allocations | - | 1,663,512 | 1,663,512 |
| Reversals | (120,736) | (24,259) | (144,995) |
| Uses | - | - | - |
| **Balance as at 31 December 2022** | **147,750** | **5,099,230** | **5,246,980** |

# Note 21
## Other liabilities

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Transfer of assets to INVESTPAR | **83,268,230** | 83,418,076 |
| Visa Credit | **5,513,903** | 5,277,597 |
| Suppliers | **3,225,831** | 1,494,129 |
| Liabilities due to credit cards | **2,978,714** | 3,496,238 |
| Santa Clara Branch tax collection | **2,918,761** | - |
| Tax expenses payable | **2,875,041** | 3,758,611 |
| Lease liabilities | **2,161,611** | 2,828,095 |
| Accrued Employees benefit expenses | **1,217,143** | 1,607,200 |
| Transactions pending settlement | **459,389** | 1,174,745 |
| | **104,618,623** | **103,054,691** |

The amount recorded under "Transfer of assets to INVESTPAR" essentially corresponds to the Bank's liabilities as a result of the transfer of economic rights over assets. These amounts mainly relate to settlements of assigned loans and the corresponding interest payable, calculated at a net interest rate of 7%. For a better understanding of the operation as a whole, see Note 37.

The item "Liabilities with letters of credit" corresponds to the amounts relating to letters of credit, in the amount of EUR 5,542 thousand (Kz 2,978,709 thousand), which were derecognised in 2020. After confirming responsibility for settling the letters of credit, they were recognised in the 2022 financial year against other reserves and retained earnings, corresponding to an effect of Kz 3,486,267 thousand, as mentioned in Note 2.2.

In turn, the caption "Tax collection from the Santa Clara Agency", totalling Kz 2,918,761 thousand, corresponds to the tax collection amounts from the Santa Clara Agency for the period from March 2021 to August 2022, which have not yet been transferred to the Treasury's single account with the Banco Nacional de Angola. As at 31 December 2021, the balances of this nature were recognised under "Deposits from central banks and other credit institutions" as operations pending settlement.

As at 31 December 2022 and 2021, lease liabilities are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to one year | **296,509** | 716,740 |
| One to five years | **387,518** | 414,050 |
| More than five years | **1,477,584** | 1,697,305 |
| | **2,161,611** | **2,828,095** |

The amount recorded as an increase in employee benefit costs corresponds to the rights acquired by Employees on 31 December 2022, relating to holiday pay and holiday allowance.

# Note 22
# Share capital and other equity instruments

In August 2022, in order to guarantee the implementation of its Recapitalisation and Restructuring Plan, Banco Económico reduced its share capital (Kz 72 billion) by fully incorporating losses, followed by a capital increase operation (Kz 271.5 billion), fully carried out by the Collective Investment Body (Económico – Fundo de Capital de Risco de Subscrição Particular) created in the meantime, bringing together a group of the Bank's depositors who agreed to convert part of their deposits into units in the Fund.

Within the scope of the RRP, depositors signed a memorandum of understanding with the Bank, whereby they accepted the partial conversion of their deposits (with reference to 30 September 2021), into capital (through the subscription of units of Económico – Fundo de Capital de Risco de Subscrição Particular) and into comparable instruments (perpetual bonds), in the following minimum amounts:

- 45% of deposits via a Venture Capital Fund;
- 20% of deposits through Perpetual Participation Bonds (PPBs).
- 5% of deposits by subscribing to bonds convertible into shares.

## Ordinary shares

The reduction in BE's share capital, by incorporating total losses of Kz 72 billion, was followed by an increase of Kz 271.5 billion, represented by 282,812,500 ordinary shares with a unit value of Kz 960, fully subscribed and paid up by Económico – Fundo de Capital de Risco de Subscrição Particular, which became the Bank's sole shareholder. (Note 37).

The shareholder structure as at 31 December 2022 and 2021 is as follows:

Values expressed in thousand Kz

| Description | Number of shares | 31/12/2022 Holding % | Number of shares | 31/12/2021 Restated Holding % |
|---|---|---|---|---|
| Sonangol E.P. | 0 | 0.00% | 33,825,600 | 46.98% |
| Sonangol Vida, S.A. | 0 | 0.00% | 11,520,000 | 16.00% |
| Sonangol Holding, Lda. | 0 | 0.00% | 5,328,000 | 7.40% |
| **Sonangol Group** | **0** | **0.00%** | **50,673,600** | **70.38%** |
| Geni, Novas Tecnologias, S.A. | 0 | 0.00% | 14,328,000 | 19.90% |
| Novo Banco, S.A. | 0 | 0.00% | 6,998,400 | 9.72% |
| Económico FCR | 282,812,500 | 100.00% | 0 | 0.00% |
| | **282,812,500** | **100%** | **72,000,000** | **100%** |

This capital reduction and increase operation is pending registration with the Commercial Registry Office (Note 20).

## Perpetual Participation Bonds

In August 2022, as part of the RRP, the BE's Board of Directors approved the issue of mixed capitalisation instruments, in particular Perpetual Participation Bonds, resulting from the conversion of 20% of the deposits covered by the RRP, amounting to a total subscription of Kz 121,196 million.

The PPBs entitle the holder to a remuneration comprising, as from the 5th anniversary, a fixed component calculated by reference to 80% of the nominal value of the Participation Bonds ("Fixed Component") and a variable component calculated by reference to 20% of the nominal value of the Participation Bonds ("Variable Component"). The fixed component will be calculated at an annual rate of 5%, based on months with the actual number of calendar days and a 365-day year, and the variable component will be calculated annually according to the Bank's Net Profit attributable to Shareholders.

As from the 5th anniversary of the date of issue, the Participation Bonds may be converted into shares representing the Bank's share capital, by means of a resolution at the General Meeting of Shareholders, on a proposal from the Board of Directors, accompanied by an opinion from the Supervisory Board, and the resolution must be passed by the majority required to amend the articles of association.

Repayment may occur: (i) in the event of the Bank's liquidation, only after all other creditors have been paid, under the terms of Article 13(2) of the Legal Framework for Participation Bonds, or (ii) on the Bank's own initiative, as from the 10th anniversary of the issue.

## OFAC deposits

These represent the amounts that remain captive, on deposit, at BE, as they belong to entities that joined the RRP and signed the memorandum of understanding, but which in December 2021 were identified by the Office of Foreign Assets (OFAC) of the US Treasury Department and are awaiting their regularisation for the subscription of the financial equity instruments covered by the RRP.

These deposits, in accordance with BNA letter No. 610/DSB/2022 of 15 August 2022, are taken into account for the purposes of calculating regulatory own funds ratios.

Below is a breakdown of the amounts, by financial instrument:

Values expressed in thousand Kz

| Description | 31/12/2022 |
|---|---|
| Deposits of OFAC designated entities | |
| Deposits for subscription of FCR participation units | 60,629,838 |
| Deposits for subscription of participation securities | 26,946,594 |
| Deposits for subscription of convertible bonds | 6,736,649 |
| | **94,313,081** |

# Note 23
## Revaluation reserves and other reserves and retained earnings

### Revaluation reserves
Revaluation reserves represent gains and losses relating to changes in the fair value of financial assets at fair value through other comprehensive income.

### Legal reserve
This account is fully constituted by the legal reserve, which may only be used to cover accrued losses or for share capital increases.

The applicable Angolan legislation requires that the legal reserve be credited annually with at least 10% of the annual net profit until it equals the share capital.

The movements occurred under the caption "Other reserves and retained earnings" are shown below:

Values expressed in thousand Kz

| Description | Revaluation reserves | | Other reserves and retained earnings | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through other comprehensive income | Total revaluation reserve | Legal reserve | Retained earnings | Total |
| **Balance as at 1 January 2021 Restated** | **29,700** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** |
| **Balance as at 31 December 2021 Restated** | **29,700** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** |
| Appropriation of separate net income for 2021 | - | - | 17,330,886 | 156,855,121 | 174,186,007 |
| Share capital reduction to cover negative retained earnings | | | | 72,000,000 | 72,000,000 |
| Other movements | - | - | - | (166,180) | (166,180) |
| **Balance as at 31 December 2022** | **29,700** | **29,700** | **45,472,643** | **(556,228,433)** | **(510,755,790)** |

# Note 24
# Net interest income

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 Of assets/ liabilities at fair value through profit or loss | 31/12/2022 Of assets/liabilities at amortised cost | 31/12/2022 Total | 31/12/2021 Restated Of assets/liabilities at fair value through profit or loss | 31/12/2021 Restated Of assets/liabilities at amortised cost | 31/12/2021 Restated Total |
|---|---|---|---|---|---|---|
| **Interest and similar income** | | | | | | |
| Interest and similar income – INVESTPAR | - | 19,955 | 19,955 | - | - | - |
| Interest on financial assets available for sale | - | - | - | - | - | - |
| Interest on financial assets at amortised cost | - | 6,791,003 | 6,791,003 | - | 11,731,336 | 11,731,336 |
| Interest on loans and advances | - | 6,054,953 | 6,054,953 | - | 7,835,112 | 7,835,112 |
| Interest on financial assets at fair value through profit or loss | 152,016 | - | 152,016 | 271,897 | - | 271,897 |
| Interest on balances and investments at other credit institutions | - | 117,668 | 117,668 | - | 205,521 | 205,521 |
| Interest and similar income – Other | 152,016 | 12,963,624 | 13,115,640 | 271,897 | 19,771,969 | 20,043,866 |
| | 152,016 | 12,983,579 | 13,135,595 | 271,897 | 19,771,969 | 20,043,866 |
| **Interest and similar expenses** | | | | | | |
| Interest and similar income – INVESTPAR | - | (2,030,759) | (2,030,759) | - | (3,694,722) | (3,694,722) |
| Interest on resources from central banks and other credit institutions | - | (334,799) | (334,799) | - | (188,358) | (188,358) |
| Interest on leases | - | (131,418) | (131,418) | - | (166,890) | (166,890) |
| Interest on subordinated liabilities | - | (2,249,412) | (2,249,412) | - | (9,119,104) | (9,119,104) |
| Interest on customer resources | - | (27,876,481) | (27,876,481) | (58,665) | (37,128,469) | (37,187,134) |
| Interest and similar expenses – Other | - | (30,592,110) | (30,592,110) | (58,665) | (46,602,821) | (46,661,486) |
| | - | (32,622,869) | (32,622,869) | (58,665) | (50,297,543) | (50,356,208) |
| **Net interest income** | 152,016 | (19,639,290) | (19,487,274) | 213,232 | (30,525,574) | (30,312,342) |

The Bank's net interest income, during 2022 and 2021, should be analysed in terms of its two main components: (I) the margin of the asset transfer operation with INVESTPAR; (ii) the remaining margin of Banco Económico.

In the component associated with the asset transfer operation with INVESTPAR, it is observed that, since 2020, the Bank has not recorded any income associated with the operation, given that it has been in stage 3 and without financial settlements since the restructuring in 2017. However, it continues to record the remuneration costs of the liabilities recovered, taking the same approach to recording its assets and liabilities associated with the asset transfer operation with INVESTPAR.

In the component associated with the Bank's recurring operation, we observe a reduction compared to 2021 in terms of income, and at the close of 2022 the approximate value is Kz 13,135,595 thousand (2021: Kz 20,043,866 thousand). This reduction is related to the decrease in the securities portfolio at amortised cost, resulting in a reduction in income generated. In terms of charges, there was a substantial reduction in interest on customer funds and interest on subordinated liabilities, due to the reduction in the volume of customer funds as a result of the implementation of the Recapitalisation and Restructuring Plan (Notes 18 and 37) and the restructuring of subordinated liabilities, respectively.

The amount of loan interest corresponds to the net amount of impairment losses for loan interest income in stage 3 in the amount of Kz 13,479,286 thousand (2021: Kz 1, 235,314 thousand).

The interest on leases heading refers to the cost of interest on lease liabilities recognised as part of the implementation of IFRS 16, as described in the accounting policies (Note 2.13.).

# Note 25
# Income from services and fees

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Service, fee and commission income** | | |
| Cards | **3,347,935** | 3,879,121 |
| Account management | **2,817,992** | 3,119,959 |
| Means of payment management | **1,070,470** | 2,268,233 |
| Documentary credit | **68,766** | 1,374,531 |
| Fees and commissions on loans and similar | **378,510** | 583,025 |
| Securities transactions | **245,733** | 414,627 |
| Guarantees provided | **134,595** | 94,547 |
| Bancassurance | **51,023** | 35,006 |
| Income from services rendered to the State | **4,729** | 29,329 |
| Other services | **206,324** | 322,565 |
| | **8,326,077** | **12,120,943** |
| **Service, fee and commission expenses** | | |
| Means of payment management | **(145,725)** | (969,575) |
| Cards | **(1,287,636)** | (503,833) |
| Other Services | **(43,195)** | (71,112) |
| | **(1,476,556)** | **(1,544,520)** |
| | **6,849,521** | **10,576,423** |

With regard to income from services and fees, during 2022 there will be a significant decrease in income associated with account management fees, management of means of payment and documentary credits, due to the decrease in purchasing power at a global level, which will have a negative impact on the business and industrial sector. In turn, charges for services and fees show an increase in relation to charges for services and fees for using cards compared to the previous period.

# Note 26

## Income from financial assets and liabilities carried at fair value through profit and loss

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | 31/12/2021 Restated | | |
|---|---|---|---|---|---|---|
| | **Income** | **Expenses** | **Total** | Income | Expenses | Total |
| **Bonds and other fixed-income securities** | | | | | | |
| Of public issuers | **62,112** | **(3,860)** | **58,252** | - | 38,245 | 38,245 |
| | **62,112** | **(3,860)** | **58,252** | - | 38,245 | 38,245 |

This caption records the potential fair value result and income from the disposal of securities recorded in the financial assets portfolio at fair value through profit or loss, arising from the trading of securities recorded in this investment portfolio.

# Note 27

## Foreign exchange gains and losses

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Exchange rate revaluation and foreign exchange transactions | **81,786,998** | 182,933,710 |
| Transfer of assets to INVESTPAR | **(51,485,095)** | (86,976,996) |
| | **30,301,903** | **95,956,714** |

This caption includes the gains and losses arising from the exchange revaluation of monetary assets and liabilities expressed in foreign currency, in accordance with the accounting policy described in Note 2.3. The exchange rate gains and losses recognised in 2022 and 2021 are essentially related to the exchange revaluation of assets and liabilities in the statement of financial position, denominated in foreign currency, as a result of the variation of the Kwanza against other currencies, namely EUR and USD.

During the month of August 2022, a cost of Kz 84,243,912 thousand was recognised, relating to the recording of the recapitalisation operation, with the conversion of foreign currency balances based on the agreed exchange rate (31 December 2021). The effect recognised corresponds to the reversal of the foreign exchange gains and losses recognised in 2022 on the balances taken into account in the recapitalisation operation.

The exchange revaluation originates essentially from the calculation of values with the operation to transfer assets to INVESTPAR, referred to in Note 37.

# Note 28

## Other operating income

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Other operating income/expenses** | | |
| Subordinated debt restructuring | **-** | 107,812,166 |
| Direct and indirect taxes | **(1,659,895)** | (2,808,024) |
| Levies and donations | **(72,331)** | (78,327) |
| Other | **(3,996,725)** | 71,055 |
| | **(5,728,951)** | **104,996,870** |

In 2021, the Bank recorded a gain relating to i) the restructuring of subordinated liabilities in which, as part of the implementation of the Bank's Recapitalisation and Restructuring Plan, BE agreed with Novo Banco, S.A. to restructure the subordinated loan, taking into account a 75% write-off of the outstanding debt, resulting in a gain of Kz 107,812,166 thousand, as described in Note 19.

As at 31 December 2022 and 2021, the item "Direct and indirect taxes" includes, respectively, the amount of Kz 500,030 thousand and Kz 1,219,248 thousand, relating to CIT borne by the Bank on income from its financial assets, as well as Kz 1,011,338 thousand and Kz 1,277,470 thousand, relating to VAT incurred.

The "Other" item includes the amount relating to the cancellation of principal and interest on loans to Customers, in the amount of Kz 2,405,305 thousand, and the amount settled relating to contributions to the Deposit Guarantee Fund (FGD), in the amount of Kz 811,005 thousand (2021: Kz 666,065 thousand).

# Note 29
## Staff costs

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Wages and salaries** | | |
| Remunerations | 10,668,594 | 11,550,595 |
| Annual leave allowance | 607,796 | 947,651 |
| Lunch allowance | 508,541 | 510,594 |
| Christmas allowance | 489,355 | 828,605 |
| Variable remuneration | 152,110 | 221,682 |
| | 12,426,396 | 14,059,127 |
| Mandatory social charges | 776,002 | 1,059,814 |
| Other expenses | 1,616,744 | 1,357,349 |
| | 2,392,746 | 2,417,163 |
| | 14,819,142 | 16,476,289 |

Staff costs" is stable compared to 2021, given that the Bank is undergoing a restructuring process with a more rigorous cost control. In the same vein, there was a very significant cut in variable remuneration.

As a result of the application of IAS 19, regarding loans to Employees as at 31 December 2022 and 2021, the effect on net interest income and staff costs amounted to Kz 153,909 thousand and Kz 173,841 thousand, respectively.

The number of the Bank's Employees, including permanent and fixed-term contracts, is broken down by professional category as follows:

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Number of Employees** | | |
| Senior management positions | 67 | 75 |
| Middle management positions | 157 | 163 |
| Specific positions | 248 | 275 |
| Administrative and other positions | 373 | 411 |
| | 845 | 924 |

As mentioned in Note 2.15, the Bank has a defined contribution plan, i.e. it allocates a fixed percentage or amount to all participants included in the plan, which will be monetised until the time of redemption provided for by law. This cost is recognised as staff costs. Given the nature of this benefit, it does not require an actuarial study.

At the date of the report, 774 people were active in Banco Económico's pension plan (2021: 804), with no pensioners, and the Bank contributed Kz 165,510 thousand to the Fund (2021: Kz 212,049 thousand).

# Note 30
## Third party supplies and services

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| IT services | 1,832,592 | 2,411,361 |
| Insurance | 1,607,177 | 1,706,915 |
| Communication and postage | 995,532 | 929,652 |
| Consulting and audit | 689,847 | 774,738 |
| Security and surveillance | 453,682 | 565,136 |
| Consumables | 443,900 | 437,001 |
| Transportation of values | 384,794 | 969,516 |
| Maintenance and repair | 379,630 | 383,163 |
| Hire and rental charges | 227,412 | 345,360 |
| Water, energy and fuel | 227,001 | 249,201 |
| Cleaning services | 136,145 | 130,346 |
| Travel and representation | 130,119 | 121,712 |
| Legal, litigation and notary | 78,799 | 44,371 |
| Advertising and publications | 72,501 | 85,489 |
| Other expenses | 626,253 | 1,499,343 |
| | 8,285,384 | 10,653,304 |

In comparison with the previous year, the "Third-party supplies and services" item fell by 22%, essentially due to price revision and the containment implemented in the context of the Bank's restructuring. The main highlights of this contention were associated to: (i) IT services, due to developments in the Bank's new core and reporting system implemented during the 2021 financial year, and (ii) Maintenance and repairs, essentially due to lower maintenance costs for the Bank's IT equipment, operating system and facilities.

# Note 31
# Impairment and provisions

The values associated to Provisions and Impairments showed the following movements during the year:

Values expressed in thousand Kz

| Description | Note | Allocations | Reversals | Exchange rate change and other | **Impact on net income for 2022** | Allocations | Reversals | Stage 3 adjustment | Impact on net income for 2021 Restated |
|---|---|---|---|---|---|---|---|---|---|
| Cash, cash equivalents and balances with central banks | 4 | - | 107,276 | - | **107,276** | - | 748,334 | - | 748,334 |
| Balances with other credit institutions | 5 | - | 19,852 | - | **19,852** | 322,120 | - | - | 322,120 |
| Investments at other credit institutions | 6 | - | 835,310 | - | **835,310** | (835,309) | 922,365 | - | 87,056 |
| Investments at amortised cost | 9 | - | 1,101,098 | (171,270) | **929,828** | - | 19,659,588 | - | 19,659,588 |
| Investments in subsidiaries, associates and joint ventures | 14 | - | - | - | **-** | - | 7,742 | - | 7,742 |
| **Impairment on other financial assets** | | **-** | **2,063,536** | **(171,270)** | **1,892,266** | **(513,189)** | **21,338,029** | **-** | **20,824,840** |
| Loans and advances to Customers | 10 | (64,004,631) | 46,307,207 | 2,032,479 | **(15,664,945)** | (36,501,721) | 772,670 | 24,832,969 | (10,896,082) |
| Provisions for guarantees and other commitments | 20 | - | 120,736 | - | **120,736** | - | 220,650 | - | 220,650 |
| **Impairment on loans and advances** | | **(64,004,631)** | **46,427,943** | **2,032,479** | **(15,544,209)** | **(36,501,721)** | **993,320** | **24,832,969** | **(10,675,432)** |
| Impairment on other assets | 16 | (4,914,930) | (5,162,988) | 1,547,259 | **(8,530,659)** | (581,881) | 12,981,656 | - | 12,399,776 |
| Impairment on tangible assets | 12 | - | 265,824 | - | **265,824** | - | 31,790 | - | 31,79, |
| Impairment on real estate properties | 16 | (217,798) | - | - | **(217,798)** | - | 762,376 | - | 762,376 |
| **Impairment on other assets net of cancellations** | | **(5,132,727)** | **(4,897,164)** | **1,547,259** | **(8,482,632)** | **(581,881)** | **13,775,822** | **-** | **13,193,942** |
| Provisions for other risks and expenses | 20 | (1,663,512) | 24,259 | - | **(1,639,253)** | (737,131) | 737,665 | - | 534 |
| **Provisions net of cancellations** | | **(1,663,512)** | **24,259** | **-** | **(1,639,253)** | **(737,131)** | **737,665** | **-** | **534** |

# Note 32
# Earnings per share

## Basic earnings per share

In accordance with Note 2.20, basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, thus excluding own shares held by the Bank.

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Net income attributable to the Bank's Shareholders** | **(37,953,342)** | **174,247,821** |
| (-) Remuneration of perpetual bonds | - | - |
| (+) Gains and losses recorded in reserves | - | - |
| **Adjusted net income attributable to the Bank's Shareholders** | **(37,953,342)** | **174,247,821** |
| Weighted average number of ordinary shares issued | **157,480,137** | 72,000,000 |
| Weighted average number of own shares in portfolio | - | - |
| **Average number of ordinary shares in circulation** | **157,480,137** | **72,000,000** |
| **Basic earnings per share attributable to the Bank's Shareholders** | **(0.24)** | **2.42** |

## Diluted earnings per share

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares to the weighted average number of ordinary shares outstanding and to the net profit attributable to equity holders of the Bank. As at 31 December 2022 and 2021, diluted earnings per share are equal to basic earnings per share.

# Note 33
# Guarantees and other commitments

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Commitments to third parties | **252,757,655** | 386,151,237 |
| Liabilities due to bank services rendered | **175,877,879** | 99,219,092 |
| Guarantees and sureties provided | **5,664,454** | 4,053,966 |
| Commitments by third parties | **112** | 123 |
| Values received in deposits | **(4,659,729)** | (7,122,491) |
| Guarantees and sureties received | **(248,378,404)** | (129,123,086) |
| | **181,261,967** | **353,178,841** |

The commitments made to third parties and the guarantees and endorsements provided correspond to off-balance sheet liabilities associated with loans and advances to Customers which do not result in the mobilisation of funds by the Bank. As at 31 December 2022 and 2021, off-balance sheet liabilities associated with loans and advances to Customers amount to Kz 258,422,109 thousand and Kz 390,205,203 thousand, respectively.

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, since in the previous version of the respective core system the accounting of these liabilities was carried out manually.

However, there were some limitations arising from the migration of information, and it was found that, for the undrawn credit limits migrated to the new core system, these were not always being accounted for correctly, and that some of these limits were no longer in force at that time.

As the migration took place on the aforementioned date, it was not possible to correct the shortcomings prior to the preparation of this report. In this context, the Bank started to review all credit limits to make the data more reliable. In view of the above, the Bank expects that the difficulties detected will be regularised in 2023, allowing these amounts to be incorporated in the calculation of impairment losses.

As at 31 December 2022 and 2021, these exposures, as well as the associated impairment, were as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|
| | Individual Analysis | | Collective analysis | | Total | |
| | Total Exposure | Provisions | Total Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | - | - | 5,670,430 | (144,854) | 5,670,430 | (144,854) |
| Commitments to third parties | - | - | 287,694 | (2,896) | 287,694 | (2,896) |
| **Total** | **-** | **-** | **5,958,124** | **(147,750)** | **5,958,124** | **(147,750)** |

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | | | | | |
|---|---|---|---|---|---|---|
| | Individual Analysis | | Collective analysis | | Total | |
| | Total Exposure | Provisions | Total Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | - | - | 4,044,757 | (100,969) | 4,044,757 | (100,969) |
| Commitments to third parties | 2,258,154 | (47,314) | 3,359,459 | (120,203) | 5,617,613 | (167,517) |
| **Total** | **2,258,154** | **(47,314)** | **7,404,216** | **(221,172)** | **9,662,370** | **(268,486)** |

The breakdown by stage of guarantees, sureties given and commitments to third parties as at 31 December 2022 and 2021 is presented below:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | 5,670,430 | (144,854) | - | - | - | - | 5,670,430 | (144,854) |
| Commitments to third parties | 287,694 | (2,896) | - | - | - | - | 287,694 | (2,896) |
| **Total** | **5,958,124** | **(147,750)** | **-** | **-** | **-** | **-** | **5,958,124** | **(147,750)** |

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | 4,044,757 | (100,969) | - | - | - | - | 4,044,757 | (100,969) |
| Commitments to third parties | 3,989,169 | (73,833) | - | - | 1,628,444 | (93,684) | 5,617,613 | (167,517) |
| **Total** | **8,033,926** | **(174,802)** | **-** | **-** | **1,628,444** | **(93,684)** | **9,662,370** | **(268,486)** |

Guarantees and sureties are banking operations that do not involve the mobilisation of funds by the Bank, while documentary credits are irrevocable commitments by the Bank, on behalf of its Customers, to pay/order the payment of a specified amount to the supplier of a given good or service, within a stipulated period, against presentation of documents relating to the dispatch of the good or provision of the service. The condition of irrevocability consists in the fact that its cancellation or alteration is not feasible without the express agreement of all the parties involved.

Commitments to third parties (revocable and irrevocable) are contractual agreements to grant credit to the Bank's Customers (for example, unused credit lines), which, in general, are contracted for fixed periods of time or with other expiration requirements, and usually require the payment of a commission. Substantially all credit granting commitments in force require that Customers maintain certain requirements verified at the time they were contracted.

Notwithstanding the particularities of these commitments, the assessment of these operations obeys the same basic principles as any other commercial operation, namely the solvency of the Customer and of the underlying business. In addition, the Bank requires these operations to be duly collateralised when necessary. Since it is expected that the majority of these operations will expire without being used, the amounts indicated do not necessarily represent future cash requirements.

The financial instruments accounted as guarantees and other commitments are subject to the same approval and control procedures applied to the loan portfolio, namely regarding the adequacy of the provisions made, as described in the accounting policy presented in Note 3.2. The maximum credit exposure is represented by the nominal value that could be lost related to contingent liabilities and other commitments undertaken by the Bank in the event of default by the respective counterparties, without taking into consideration potential recoveries or collaterals.

The Bank provides custody, asset management, investment management and advisory services involving decisions to buy and sell various types of financial instruments. For certain services provided, objectives and levels of return are established for the assets under management. In addition, the liabilities shown in off-balance sheet accounts related to the provision of banking services are as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Deposit and custody of values | **176,357,459** | 99,747,506 |
| Other liabilities due to services rendered | **(479,580)** | (528,414) |
| | **175,877,879** | **99,219,092** |

# Note 34
# Transactions with related parties

Related party is understood to mean:

**a)** A person or a close family member is related to a reporting entity if he or she has control or joint control of the reporting entity, has significant influence over the reporting entity or is a member of key management personnel of the reporting entity or of a parent company of that reporting entity;

**b)** An entity is related to a reporting entity if any of the following conditions are met:
(i) The entity and the reporting entity are members of the same group (which implies that parent, subsidiary and fellow subsidiaries are related to each other);
(ii) An entity is an associate or joint venture of the other entity (or is an associate or joint venture of a member of a group to which the other entity belongs);
(iii) Both entities are joint ventures of the same third party;
(iv) One entity represents a joint venture of the third party entity and the other entity is an associate of the third party entity;
(v) The entity is a post-employment benefit plan in favour of Employees of the reporting entity or of an entity related to the reporting entity. If a reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

The value of the Bank's transactions with subsidiaries and associates as at 31 December 2022 and in 2022, as well as the respective costs and income recognised in the period under review, are summarised as follows, on an individual basis:

**Values expressed in thousand Kz**

| Description | Subsidiary companies | | | Associate companies | Total |
|---|---|---|---|---|---|
| | Económico Investment Fund | Económico Pension Fund | Total | Tranquilidade Angola | |
| **31 December 2022** | | | | | |
| Assets | 31 | 61 | 92 | (1,853) | (1,761) |
| Liabilities | (1,249,333) | (611,302) | (1,860,635) | (15,544,122) | (17,404,757) |
| Income | (187) | (148) | (335) | (27,639) | (27,974) |
| Expenses | 27,468 | 13,997 | 41,465 | 1,341,876 | 1,383,341 |
| Guarantees | - | - | - | (3,575,949) | (3,575,949) |
| **31 December 2021** | | | | | |
| Assets | - | - | - | - | - |
| Liabilities | (1,442,051) | (274,361) | (1,716,412) | (13,555,634) | (15,272,046) |
| Income | (191) | (156) | (347) | (545) | (892) |
| Expenses | 52,619 | 13,498 | 66,117 | 1,430,168 | 1,496,285 |
| Guarantees | - | - | - | (3,575,949) | (3,575,949) |

At 31 December 2022 and 2021, the overall amount of the Bank's assets and liabilities that relate to transactions with Shareholders, other than those referred to above, is summarised as follows:

Values expressed in thousand Kz

| Description | Económico FCR | **Total** | Key management personnel: Board of Directors | Key management personnel: Other personnel and relatives | Key management personnel: Total | **Total** |
|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | |
| Assets | - | **-** | 32 466 | 239 358 | 271 824 | **271 824** |
| Loans and advances to Customers | - | **-** | 32 466 | 239 358 | 271 824 | **271 824** |
| Liabilities | (53 357 497) | **(53 357 497)** | (631 292) | (34 958 910) | (35 590 202) | **(88 947 699)** |
| Customer resources | (53 357 497) | **(53 357 497)** | (631 292) | (34 958 910) | (35 590 202) | **(88 947 699)** |
| Income | 1 374 | **1 374** | 3 422 | 20 689 | 24 111 | **25 485** |
| Net interest income | 82 | **82** | 3 313 | 19 999 | 23 312 | **23 394** |
| Fees and commissions | 1 292 | **1 292** | 109 | 690 | 799 | **2 092** |
| Expenses | (4 467 242) | **(4 467 242)** | (5 163) | (914 558) | (919 722) | **(5 386 964)** |
| Net interest income | (4 467 242) | **(4 467 242)** | (5 163) | (914 558) | (919 722) | **(5 386 964)** |

Values expressed in thousand Kz

| Description | Shareholders: Sonangol Group | Shareholders: Lektron Capital, S.A. | Shareholders: Geni, Novas Tecnologias, S.A. | Shareholders: Novo Banco, S.A. | Shareholders: **Total** | Key management personnel: Board of Directors | Key management personnel: Other personnel and relatives | Key management personnel: Total | Other related parties * | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2021** | | | | | | | | | | |
| Assets | - | - | - | - | **-** | 365 068 | - | 365 068 | 219 226 106 | **219 591 174** |
| Loans and advances to Customers | - | - | - | - | **-** | 365 068 | - | 365 068 | 219 226 106 | **219 591 174** |
| Liabilities | (109 712) | - | - | (63 732 916) | **(63 842 628)** | (1 185 721) | (615 811) | (1 801 532) | (121 819 350) | **(187 463 510)** |
| Customer resources | (109 712) | - | - | - | **(109 712)** | (1 185 721) | (612 385) | (1 798 106) | (121 819 350) | **(123 727 168)** |
| Subordinated liabilities | - | - | - | (63 732 916) | **(63 732 916)** | - | - | - | - | **(63 732 916)** |
| Income | 367 | - | - | - | **367** | 10 134 | 6 015 | 16 149 | 43 120 929 | **43 137 445** |
| Net interest income | - | - | - | - | **-** | 9 993 | 3 | 9 996 | 43 007 238 | **43 017 234** |
| Fees and commissions | 367 | - | - | - | **367** | 141 | 6 012 | 6 153 | 113 692 | **120 212** |
| Expenses | - | - | - | (9 184 048) | **(9 184 048)** | (52 045) | (23 360) | (75 405) | (16 945 100) | **(26 204 553)** |
| Net interest income | - | - | - | (9 184 048) | **(9 184 048)** | (52 045) | (23 360) | (75 405) | (16 945 100) | **(26 204 553)** |

* Corresponds to Sonangol Group entities (subsidiaries, or companies with a holding of more than 10% in the Sonangol Group) and related parties of the Shareholders.

The costs with remunerations and other benefits attributed to the Bank's key management personnel (short and long term) are presented as follows:

Values expressed in thousand Kz

| | Board of Directors | | Other key management personnel | Total |
|---|---|---|---|---|
| | Executive Committee | Total | | |
| **31 December 2022** | | | | |
| Remunerations and other short-term benefits | 3,224,928 | 3,224,928 | 3,226,603 | 6,451,531 |
| Variable remuneration | 2,508 | 2,508 | 528,874 | 531,382 |
| **Subtotal** | **3,227,436** | **3,227,436** | **3,755,477** | **6,982,913** |
| Long-term benefits and other social charges | 260,383 | 260,383 | 376,863 | 637,246 |
| **Total** | **3,487,819** | **3,487,819** | **4,132,340** | **7,620,159** |
| **31 December 2021** | | | | |
| Remunerations and other short-term benefits | 3,015,392 | 3,015,392 | 4,035,499 | 7,050,891 |
| Variable remuneration | 191,706 | 191,706 | 639,246 | 830,952 |
| **Subtotal** | **3,207,098** | **3,207,098** | **4,674,745** | **7,881,843** |
| Long-term benefits and other social charges | 198,763 | 198,763 | 339,747 | 538,510 |
| **Total** | **3,405,861** | **3,405,861** | **5,014,492** | **8,420,353** |

"Other key management personnel" means the Coordinating Directors and the Executive Directors.

All transactions with related parties are carried out at normal market prices, in accordance with the principle of fair value.

# Note 35
## Fair value of financial assets and liabilities

The fair value is based on market quotations, whenever these are available. However, the local financial market is not very dynamic and most financial transactions are still done over the counter (OTC) with a small number of operations carried out on the Stock Exchange (BODIVA). This reality means that market quotations, in most cases, do not represent the effective value of the assets/securities evaluated taking into account the reality in which the institution operates.

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

The fair value of financial assets and liabilities for the Bank in 2022 and 2021 is presented as follows:

Values expressed in thousand Kz

| | Acquisition Cost/ Amortised Cost | Measured at Fair Value | | | Total Carrying Amount | Fair Value | Fair Value Difference |
|---|---|---|---|---|---|---|---|
| | | Quoted market prices (Level 1) | Valuation models with observable parameters in the market (Level 2) | Valuation models with non-observable parameters in the market (Level 3) | | | |
| **31 December 2022** | | | | | | | |
| Cash, cash equivalents and balances with central banks | 44,754,425 | - | - | - | 44,754,425 | 44,754,425 | - |
| Balances with other credit institutions | 28,707,596 | - | - | - | 28,707,596 | 28,707,596 | - |
| Financial assets at fair value through profit or loss | - | - | 637,328 | - | 637,328 | 637,328 | - |
| Financial assets at fair value through other comprehensive income | 150,188 | - | - | - | 150,188 | 150,188 | - |
| Investments at amortised cost | 69,256,039 | - | - | - | 69,256,039 | 69,256,039 | - |
| Loans and advances to Customers | 63,305,755 | - | - | - | 63,305,755 | 63,305,755 | - |
| Non-current assets held for sale | 3,328 | - | - | - | 3,328 | 3,328 | - |
| Other assets | 766,723,829 | - | - | - | 766,723,829 | 766,723,829 | - |
| **Financial assets** | **972,901,160** | **-** | **637,328** | **-** | **973,538,488** | **973,538,488** | **-** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | - | 261,926,159 | 261,926,159 | - |
| Subordinated liabilities | 32,613,458 | - | - | - | 32,613,458 | 32,613,458 | - |
| Customer resources and other loans | 774,716,582 | - | - | - | 774,716,582 | 774,716,582 | - |
| Other liabilities | 104,872,651 | - | - | - | 104,872,651 | 104,872,651 | - |
| **Financial liabilities** | **1,174,128,850** | **-** | **-** | **-** | **1,174,128,850** | **1,174,128,850** | **-** |
| **Total** | **2,147,030,010** | **-** | **637,328** | **-** | **2,147,667,338** | **2,147,667,338** | **-** |

Values expressed in thousand Kz

| | Acquisition Cost/ Amortised Cost | Measured at Fair Value: Quoted market prices (Level 1) | Measured at Fair Value: Valuation models with observable parameters in the market (Level 2) | Measured at Fair Value: Valuation models with non-observable parameters in the market (Level 3) | Total Carrying Amount | Fair Value | Fair Value Difference |
|---|---|---|---|---|---|---|---|
| **31 December 2021** | | | | | | | |
| Cash, cash equivalents and balances with central banks | 91,117,818 | - | - | - | 91,117,818 | 91,117,818 | - |
| Balances with other credit institutions | 20,858,571 | - | - | - | 20,858,571 | 20,858,571 | - |
| Investments at central banks and other credit institutions | 42,453,933 | - | - | - | 42,453,933 | 42,453,933 | - |
| Financial assets at fair value through profit and loss | - | - | 1,531,032 | - | 1,531,032 | 1,531,032 | - |
| Financial assets at fair value through other comprehensive income | 152,751 | - | - | - | 152,751 | 152,751 | - |
| Investments at amortised cost | 129,013,362 | - | - | - | 130,090,132 | 134,944,708 | 4,854,576 |
| Loans and advances to Customers | 68,067,530 | - | - | - | 68,067,530 | 65,707,247 | (2,360,283) |
| Non-current assets held for sale | 3,328 | - | - | - | 3,328 | 3,328 | - |
| Other assets restated (Note 2.2.) | 819,337,121 | - | - | - | 819,337,121 | 819,337,121 | - |
| **Financial assets** | **1,171,004,414** | **-** | **1,531,032** | **-** | **1,173,612,216** | **1,176,106,509** | **2,494,293** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 | 262,316,318 | - |
| Subordinated liabilities | - | - | 63,698,032 | - | 63,698,032 | 63,698,032 | - |
| Customer resources and other loans | 1,226,296,547 | - | 75,930,765 | - | 1,302,227,312 | 1,302,227,312 | - |
| Other liabilities (Note 2.2.) | 103,366,672 | - | - | - | 103,366,672 | 103,366,672 | - |
| **Financial liabilities** | **1,591,979,537** | **-** | **139,628,797** | **-** | **1,731,608,334** | **1,731,608,334** | **-** |
| **Total** | **2,762,983,951** | **-** | **141,159,829** | **-** | **2,905,220,550** | **2,907,714,843** | **2,494,293** |

The Bank uses the following three-level fair value hierarchy in the valuation of financial instruments (assets or liabilities), which reflects the level of judgement, the observation of the data used and the importance of the parameters used when assessing the fair value of instruments, in accordance with IFRS 13:

**Level 1:** Fair value is determined based on non-adjusted quoted prices observed in transactions in active markets involving financial instruments identical to those being valued. If there is more than one active market for the same financial instrument, the relevant price prevails in the instrument's main market, or the most advantageous market to which there is access;

**Level 2:** Fair value is determined using valuation techniques based on observable data in active markets. These may be direct data (prices, rates, spreads, among other information) or indirect data (derivatives), and valuation assumptions similar to those that an unrelated party would use to estimate the fair value of the same financial instrument It also includes instruments whose valuation is obtained from prices disclosed by independent entities with less liquid markets; and

**Level 3:** Fair value is determined based on data not observable in active markets, using techniques and assumptions that market participants would use to value the same instruments, including hypotheses on the inherent risks, the valuation technique used, the inputs used, and considered processes to review the accuracy of the values thus obtained.

The Bank considers an active market for a given financial instrument, on the measurement date, depending on the volume of business and the liquidity of the operations carried out, the relative volatility of the prices quoted and the readiness and availability of information, and to this end it must fulfil the following minimum conditions:

**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 observable data on the market if the following conditions are met:

**a)** If its value is determined on 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 financial assets and liabilities carried in the balance sheet at amortised cost are analysed as follows:

### Cash and cash equivalents at central banks, Deposits 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 recognised at fair value. The fair value is based on market quotations (Bid-price), whenever these are available. If not available, fair value is determined through numerical models based on discounted cash flow techniques, using market interest rate curves adjusted by associated factors, mainly credit risk and liquidity risk, determined according to market conditions and terms.

Market interest rates are calculated on the basis of information disseminated by financial content providers [Reuters, Bloomberg or others], specifically those resulting from interest rate swaps quotations. The values regarding very short-term rates are obtained from a similar source, but referring to the interbank money market. The interest rates for the specific maturities of the cash flows are determined by suitable interpolation methods. The same interest rate curves are also used in the projection of non-deterministic cash flows such as indexing factors.

### Amortised cost

The Bank holds in its investment portfolio at amortised cost a set of bonds in Angolan and foreign currency that represent a significant value of its investments, the Bank's objective being to capture financial flows in the medium and long term. However, the Bank considers that almost all the securities held in its portfolio do not have an active market that would allow it to determine their fair value, in which case it considers amortised cost to be an approximation of fair value.

### Loans and advances to Customers

The Bank considers that the fair value of loans and advances to Customers is equal to the balance sheet value, taking into account that there are no new transactions and the specific nature of the Bank's activity. As can be seen in Note 10, a significant part of the portfolio is overdue or relates to restructuring, so the fair value effect would not be significant.

### Other assets

The Bank currently has a receivable from INVESTPAR contracted with Novo Banco, with a residual maturity of more than 5 years and an interest rate of 7%. However, given the specific nature of the asset and the very long residual maturity, the Bank considers that there is no reasonable market data to determine the fair value. The asset is therefore presented at book value. In addition, its fair value is under analysis, 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 the contractually defined dates.

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.

### Customer deposits and other loans

The fair value of these financial instruments is estimated based on the discounted expected cash flows of capital and interest. The discount rate used is the rate that reflects the rates practised for deposits with similar characteristics at the statement of financial position 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.

### Liabilities represented by Subordinated Securities and Liabilities

Fair value is based on listed market prices when available. If not available, it is estimated based on the discounted expected future cash flows of capital and interest for these instruments. If these are not available, the calculation of fair value is based on the use of numerical models, based on discounted cash flow techniques which, in order to estimate fair value, use market interest rate curves adjusted for associated factors, mainly credit risk and trading margin, the latter only in the case of issues placed with the Bank's non-institutional Customers.

The Bank currently has a subordinated liability contracted with Novo Banco, with a residual maturity of more than five years and an interest rate of 5%. However, the Bank considers that the rate of return on the security is similar to the market rate paid by the Bank for similar maturities and currency, and therefore considers that there are no materially relevant differences between its fair value and book value. The main parameters used, during 2022 and 2021, in the valuation models were as follows:

### Interest rate curves

The short-term rates presented reflect the indicative values practised on the money market, and for the long term the values presented represent the interest rate swap quotations for the respective periods:

| | **31/12/2022** | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | **AOA** | **EUR** | **USD** | AOA | EUR | USD |
| Overnight | **10.00%** | **1.84%** | **4.32%** | 18.73% | -0.60% | 0.07% |
| 1 month | **11.98%** | **1.90%** | **4.39%** | 19.50% | -0.59% | 0.10% |
| 3 months | **12.53%** | **2.20%** | **4.73%** | 21.00% | -0.57% | 0.22% |
| 6 months | **13.80%** | **2.75%** | **5.15%** | 22.08% | -0.54% | 0.34% |
| 1 year | **15.83%** | **3.33%** | **5.44%** | 24.66% | -0.49% | 0.57% |

### Forex and exchange rate volatility

Below are the exchange rates (Banco Nacional de Angola) as at the statement of financial position date and at-the--money implied volatilities for the main currency pairs used to value derivatives:

| | | | Volatility (%) | | | | |
|---|---|---|---|---|---|---|---|
| Exchange Rate | **31/12/2022** | 31/12/2021 | 1 month | 3 months | 6 months | 9 months | 1 year |
| AOA/USD | **503,691** | 554,981 | 0.26% | 4.38% | 4.71% | 6.15% | 8.25% |
| AOA/EUR | **537,438** | 629,015 | 1.38% | 7.33% | 8.23% | 10.05% | 12.01% |

With regard to exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

# Note 36
# Business risk management

The Bank is subject to various types of risk in the course of its business. Risk management is centralised in relation to the specific risks of each business.

The Bank's risk management policy aims to regularly maintain the adequacy of its equity to the activity carried out, as well as the corresponding assessment of the risk/return profile by business segment.

In this context, monitoring and controlling the main types of risk – strategic, credit, market, liquidity, property, operational and reputational – to which the Bank's activity is subjected is of 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, capital, reputation or survival capacity as a result of changes in the environment, adverse strategic decisions, inadequate implementation of decisions or the inability to respond to social, economic or technological changes.

**Credit** – Credit risk is associated with the degree of uncertainty of recovering an investment and its respective return due to incapacity of the debtor (and their guarantor, if any), thereby causing a financial loss to the creditor Credit risk occurs in debt securities or other receivables.

**Market** – The concept of market risk reflects the potential loss that can be registered by a certain 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 correlations that exist between them and their respective volatilities. Thus, Market risk includes interest rate risk, exchange rate risk and other price risks.

**Liquidity** – Liquidity risk reflects the Bank's inability to fulfil its obligations associated with financial liabilities on each due date without incurring significant losses arising from a deterioration in conditions of access to financing (financing risk) and/or the sale of its assets at lower-than-market prices (market liquidity risk).

**Property** – Property risk is borne as a result of possible negative impacts on the Bank's profit or equity due to fluctuations in real estate market prices.

**Operational** – Operational risk is the potential loss resulting from flaws or shortcomings in internal processes, people and systems or those resulting from external events.

**Reputational** – Reputation plays an important role in the sustainability of any bank. Reputational Risk Management is, essentially, a way to protect the Bank from potential threats to its reputation and serves to warn of a possible crisis that could affect people's perception of the Bank and their expectations.

## Internal Organisation

In accordance with the regulatory framework set forth by the BNA, Banco Económico has implemented a Risk Management System with integrated policies and processes, including procedures, thresholds, controls and systems to identify, assess and monitor information on different types of risks.

The Risk Department coordinates and provides supervises risk management policies and risk governance practices, and designs tools and models for risk management and portfolio analysis. The Risk Department's remit, therefore, includes different risk areas, such as: Strategic Risk, Reputational Risk, Concentration Risk and Capital Management.

It is incumbent upon the Risk Department 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 the area of credit 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 2022 and 2021, respectively, is provided below:

Values expressed in thousand Kz

| | 31/12/2022 | | |
|---|---|---|---|
| | Gross carrying amount | Impairment | Net carrying amount |
| **On-balance Sheet** | **2,074,072,025** | **(1,099,481,352)** | **974,590,673** |
| Cash, cash equivalents and balances with central banks | 44,754,420 | - | 44,754,420 |
| Balances with other credit institutions | 28,719,451 | (11,855) | 28,707,596 |
| Financial assets at fair value through profit or loss | 637,328 | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 150,188 | - | 150,188 |
| Investments at amortised cost | 69,431,198 | (1,014,622) | 68,416,576 |
| Loans and advances to Customers | 227,632,232 | (164,326,477) | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | 3,160,708 | (712,365) | 2,448,343 |
| Other assets | 1,699,586,500 | (933,416,033) | 766,170,467 |
| **Off-balance Sheet** | **5,958,124** | **(147,750)** | **5,810,374** |
| Guarantees and sureties | 5,670,430 | (144,854) | 5,525,577 |
| Commitments to third parties | 287,694 | (2,896) | 284,798 |
| **Total** | **2,080,030,148** | **(1,099,629,102)** | **980,401,047** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | |
|---|---|---|---|
| | Gross carrying amount | Impairment | Net carrying amount |
| **On-balance Sheet** | **2,338,737,082** | **(1,164,203,531)** | **1,174,533,551** |
| Cash, cash equivalents and balances with central banks | 91,225,080 | (107,276) | 91,117,804 |
| Balances with other credit institutions | 20,890,278 | (31,707) | 20,858,571 |
| Investments at central banks and other credit institutions | 43,289,242 | (835,309) | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 152,751 | - | 152,751 |
| Investments at amortised cost | 130,956,494 | (1,943,132) | 129,013,362 |
| Loans and advances to Customers | 216,729,063 | (148,661,533) | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | 2,964,564 | (712,365) | 2,252,199 |
| Other assets (restated Note 2.2.) | 1,830,998,578 | (1,011,912,209) | 819,086,369 |
| **Off-balance Sheet** | **9,662,370** | **(268,486)** | **9,393,884** |
| Guarantees and sureties | 4,044,757 | (100,969) | 3,943,789 |
| Commitments to third parties | 5,617,613 | (167,517) | 5,450,096 |
| **Total** | **2,348,399,452** | **(1,164,472,017)** | **1,183,927,435** |

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 relates to amounts receivable under the Operation with INVESTPAR (Note 37).

Regarding the level of credit risk quality of financial assets in 2022 and 2021, respectively:

Values expressed in thousand Kz

| | Rating origin | Rating level | 31/12/2022 | | |
|---|---|---|---|---|---|
| | | | Gross exposure | Impairment | Net exposure |
| Cash, cash equivalents and balances with central banks | External Rating | B- | 44,754,420 | - | 44,754,420 |
| Balances with other credit institutions | External Rating | A+ | 41 | - | 41 |
| | | AA+ | 45,063 | - | 45,063 |
| | | AAA | 9,449 | - | 9,449 |
| | | B+ | 133,521 | (215) | 133,306 |
| | | B- | 30,829 | - | 30,829 |
| | | BBB+ | 607,938 | (46) | 607,892 |
| | | BB+ | 27,892,610 | (11,593) | 27,881,017 |
| Financial assets at fair value through profit and loss | External Rating | B- | 637,328 | - | 637,328 |
| Financial assets at fair value through other comprehensive income | External Rating | No Rating | 150,188 | - | 150,188 |
| Investments at amortised cost | External Rating | B- | 69,431,198 | (1,014,622) | 68,416,576 |
| Loans and advances to Customers | External Rating | B- | | | |
| | Internal Rating | Low | 151,046,556 | (110,646,776) | 40,399,780 |
| | | Medium | 3,750,103 | (1,643,424) | 2,106,679 |
| | | High | 72,835,573 | (52,036,277) | 20,799,296 |
| Investments in subsidiaries, associates and joint ventures | External Rating | No Rating | 3,160,708 | (712,365) | 2,448,343 |
| Other assets | External Rating | B- | 1,453,449,000 | (921,641,135) | 531,807,865 |
| | | No Rating | 246,137,500 | (11,774,898) | 234,362,601 |
| **Total** | | | **2,074,072,025** | **(1,099,481,352)** | **974,590,673** |

Values expressed in thousand Kz

| | Rating origin | Rating level | 31/12/2021 Restated | | |
|---|---|---|---|---|---|
| | | | Gross exposure | Impairment | Net exposure |
| Cash, cash equivalents and balances with central banks | External Rating | B- | 86,477,188 | (107,276) | 86,369,912 |
| | | No Rating | 4,747,892 | - | 4,747,892 |
| Balances with other credit institutions | External Rating | A- | 4,102 | (0) | 4,102 |
| | | B | 5,346,162 | (8,186) | 5,337,976 |
| | | B- | 14,196,391 | (22,843) | 14,173,548 |
| | | B+ | 212,059 | (341) | 211,718 |
| | | BB- | 9,536 | (4) | 9,532 |
| | | BBB- | 325,869 | (26) | 325,843 |
| | | BBB+ | 744,939 | (58) | 744,881 |
| | | CCCC | 51,220 | (249) | 50,971 |
| Investments at central banks and other credit institutions | | B- | 43,289,242 | (835,309) | 42,453,933 |
| Financial assets at fair value through profit and loss | External Rating | B- | 1,531,032 | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | External Rating | No Rating | 152,751 | - | 152,751 |
| Investments at amortised cost | External Rating | B- | 130,956,494 | (1,943,132) | 129,013,362 |
| Loans and advances to Customers | Internal Rating | Low | 110,982,459 | (65,976,000) | 45,006,459 |
| | | Medium | 45,439,220 | (33,016,353) | 12,422,867 |
| | | High | 60,307,384 | (49,669,180) | 10,638,204 |
| Investments in subsidiaries, associates and joint ventures | External Rating | No Rating | 2,964,564 | (712,365) | 2,252,199 |
| Other assets (restated Note 2.2.) | External Rating | B- | 1,583,508,673 | (999,819,035) | 583,689,638 |
| | | No Rating | 247,489,905 | (12,093,174) | 235,396,731 |
| **Total** | | | **2,338,737,082** | **(1,164,203,531)** | **1,174,533,551** |

The risk levels were attributed primarily using Moody's and Fitch, which considered a Caa1 (Moody's) or CCC+ (Fitch) rating for Angola at the close of 2022, with the other agencies being used when necessary. In addition, for the internal rating, the nomenclature previously adopted by the BNA 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).

In addition, in internal terms, the rating was calculated based on the Bank's internal model.

The breakdown by sectors of activity of the exposure to credit risk, as at 31 December 2022 and 2021, respectively, is presented as follows:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | Guarantees provided | Total exposure | Relative weight | Impairment | |
| | Outstanding | Overdue | | | | Value | Impairment/ Total exposure |
| **Corporate Customers** | **182,243,331** | **27,072,723** | **5,958,124** | **215,274,178** | **92.16%** | **(152,912,931)** | **-71.03%** |
| Agriculture, livestock, hunting and forestry | 123,774,302 | 1,150,911 | - | 124,925,213 | 53.48% | (103,844,882) | -83.13% |
| Wholesale and retail trade \| repair | 18,556,793 | 9,289,103 | 243,016 | 28,088,912 | 12.02% | (24,527,329) | -87.32% |
| Real estate activities, hire and rental, and services | 13,880,548 | 4,064,285 | - | 17,944,833 | 7.68% | (7,867,776) | -43.84% |
| Fisheries | 6,710,994 | 340 | - | 6,711,334 | 2.87% | (1,642,873) | -24.48% |
| Financial activities | 4,491,173 | 5,717 | - | 4,496,890 | 1.93% | - | 0.00% |
| Other collective service activities | 2,744,162 | 1,663,359 | 4,788,659 | 9,196,180 | 3.94% | (2,667,667) | -29.01% |
| Food and beverage industries | 2,635,069 | 22 | - | 2,635,091 | 1.13% | (505,107) | -19.17% |
| Public administration, defence and security | 2,504,430 | 770,503 | - | 3,274,933 | 1.40% | (2,706,243) | -82.64% |
| Accommodation and catering (restaurants and similar) | 2,375,971 | 7,399,554 | - | 9,775,525 | 4.18% | (6,090,360) | -62.30% |
| Construction | 1,587,131 | 985,867 | 824,542 | 3,397,540 | 1.45% | (1,581,340) | -46.54% |
| Education | 1,500,117 | 1,390 | - | 1,501,507 | 0.64% | (436,322) | -29.06% |
| Transport, storage and communications | 710,854 | 772,408 | 101,907 | 1,585,169 | 0.68% | (834,024) | -52.61% |
| Other | 771,787 | 969,264 | - | 1,741,051 | 0.75% | (209,008) | -12.00% |
| **Individual Customers** | **11,859,785** | **6,456,393** | **-** | **18,316,178** | **7.84%** | **(11,413,545)** | **-62.31%** |
| Consumer | 839,086 | 91,721 | - | 930,807 | 0.40% | (197,529) | -21.22% |
| Mortgage | 7,736,765 | 713,661 | - | 8,450,426 | 3.62% | (2,967,169) | -35.11% |
| Other | 3,283,934 | 5,651,011 | - | 8,934,945 | 3.83% | (8,248,847) | -92.32% |
| **Total** | **194,103,116** | **33,529,116** | **5,958,124** | **233,590,356** | | **(164,326,476)** | |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | Guarantees provided | Total exposure | Relative weight | Impairment | |
| | Outstanding | Overdue | | | | Value | Impairment/ Total exposure |
| **Corporate Customers** | **130,447,442** | **65,900,120** | **9,662,370** | **206,009,932** | **91%** | **136,899,249** | **66.45%** |
| Agriculture, livestock, hunting and forestry, fisheries | 71,889,212 | 41,854,006 | 96,199 | 113,839,417 | 50.28% | (82,037,089) | -72.06% |
| Manufacturing industries | 546,050 | 490,701 | - | 1,036,751 | 0.46% | (291,016) | -28.07% |
| Construction | 325,665 | 667,306 | - | ,992,970 | 0.44% | (646,565) | -65.11% |
| Wholesale and retail trade | 23,684,207 | 6,598,532 | 4,059,867, | 34,342,607 | 15.17% | (20,708,765) | -60.30% |
| Accommodation and catering (restaurants and similar) | 22,684 | 7,398,995 | - | 7,421,679 | 3.28% | (5,318,030) | -71.66% |
| Real estate activities, hire and rental, and services rendered to companies | 1,114,791 | 2,683,512 | -, | 3,798,303 | 1.68% | (1,674,388) | -44.08% |
| Health and social action | 5,705,182 | 98,979 | -, | 5,804,161 | 2.56% | (143,954) | -2.48% |
| Other collective service, social and personal activities | 20,823,268 | 3,575,725 | 1,258,578 | 25,657,571 | 11.33% | (19,811,637) | -77.22% |
| Other | 6,336,383 | 2,532,364 | 4,247,725 | 13,116,472 | 5.79% | (6,267,805) | -47.79% |
| **Individual Customers** | **14,649,236** | **5,732,264** | **-** | **20,381,500** | **9.00%** | **11,863,253** | **58.21%** |
| Consumer | 2,065,363 | 79,597 | - | 2,144,960 | 0.95% | (211,818) | -9.88% |
| Mortgage | 8,676,423 | 629,030 | - | 9,305,453 | 4.11% | (3,269,832) | -35.14% |
| Other purposes | 3,907,450 | 5,023,637 | - | 8,931,087 | 3.94% | (8,381,603) | -93.85% |
| **Total** | **145,096,679** | **71,632,384** | **9,662,370** | **226,391,432** | | **148,762,502** | |

The geographic concentration of credit risk, as at 31 December 2022 and 2021, respectively, is shown below:

Values expressed in thousand Kz

| | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | Geographic area | | | | |
| | Angola | Other African countries | Europe | Other | Total |
| **Assets** | **945,913,917** | **172,256** | **28,504,459** | **41** | **974,590,673** |
| Cash, cash equivalents and balances with central banks | 44,754,420 | - | - | - | 44,754,420 |
| Balances with other credit institutions | 30,840 | 172,256 | 28,504,459 | 41 | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 150,188 | - | - | - | 150,188 |
| Investments at amortised cost | 68,416,576 | - | - | - | 68,416,576 |
| Loans and advances to Customers | 63,305,755 | - | - | - | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | 2,448,343 | - | - | - | 2,448,343 |
| Other assets (restated Note 2.2.) | 766,170,467 | - | - | - | 766,170,467 |
| **Liabilities** | **1,143,132,915** | **0** | **32,613,458** | **-** | **1,175,746,373** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | - | 261,926,159 |
| Customer resources and other loans | 776,588,133 | - | - | - | 776,588,133 |
| Subordinated liabilities | - | - | 32,613,458 | - | 32,613,458 |
| Other liabilities (restated Note 2.2.) | 104,618,623 | - | - | - | 104,618,623 |
| | **2,089,046,832** | **172,255** | **61,117,917** | **41** | **2,150,337,046** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | Geographic area | | | | |
| | Angola | Other African countries | Europe | Other | Total |
| **Assets** | **1,111,221,047** | **754,537** | **62,553,865** | **4,102** | **1,174,533,551** |
| Cash, cash equivalents and balances with central banks | 91,117,804 | - | - | - | 91,117,804 |
| Balances with other credit institutions | - | 754,537 | 20,099,932 | 4,102 | 20,858,571 |
| Investments at central banks and other credit institutions | - | - | 42,453,933 | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 152,751 | - | - | - | 152,751 |
| Investments at amortised cost | 129,013,362 | - | - | - | 129,013,362 |
| Loans and advances to Customers | 68,067,530 | - | - | - | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | 2,252,199 | - | - | - | 2,252,199 |
| Other assets (restated Note 2.2.) | 819,086,369 | - | - | - | 819,086,369 |
| **Liabilities** | **1,669,356,463** | **-** | **63,698,032** | **-** | **1,733,054,495** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 |
| Customer resources and other loans | 1,303,985,454 | - | - | - | 1,303,985,454 |
| Subordinated liabilities | - | - | 63,698,032 | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 103,054,691 | - | - | - | 103,054,691 |
| | **2,780,577,510** | **754,537** | **126,251,897** | **4,102** | **2,907,588,046** |

For the purpose of reducing credit risk, mortgage guarantees and financial collateral allowing a direct reduction in the value of the position are relevant. Personal protection guarantees with substitution effect on the exposure are also considered.

In terms of direct reduction, credit operations collateralised by financial guarantees are included, namely deposits, Angolan government bonds, among other similar operations.

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 2.4.

**Market Risk**

The Bank's market risk management policy is in line with best risk management practices. In this context, the Bank strictly complies with the BNA's legislation on risk, including Notice 08/2021 of 5 July on the prudential rules of the Angolan financial system.

With regard to information and market risk analysis, regular reporting is ensured on the financial assets portfolios. In terms of the own portfolio, several risk limits have been defined, including exposure limits by Issuer/Counterparty and credit quality level (rating).

The assessment of interest rate risk arising from banking portfolio operations is performed through risk 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 Instruction No. 22/2021 of 27 October, of the Banco Nacional de Angola, to calculate the exposure to interest rate risk in the statement of financial position, the Bank's assets and liabilities were broken down by type of rate (fixed and variable) and by terms or times of refixing (or repricing).

Detail of assets and liabilities grouped by type of rate as at 2022 and 2021, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | |
|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Total |
| | Fixed rate | Variable rate | | |
| **Assets** | **651,921,928** | **10,918,175** | **311,750,569** | **974,590,673** |
| Cash, cash equivalents and balances with central banks | - | - | 44,754,420 | 44,754,420 |
| Balances with other credit institutions | - | - | 28,707,596 | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | 150,188 | 150,188 |
| Investments at amortised cost | 68,416,576 | - | - | 68,416,576 |
| Loans and advances to Customers | 52,387,579 | 10,918,175 | - | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | - | - | 2,448,343 | 2,448,343 |
| Other assets | 530,480,445 | - | 235,690,022 | 766,170,467 |
| **Liabilities** | **835,526,715** | **-** | **340,219,658** | **1,175,746,372** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | 261,926,159 |
| Customer resources and other loans | 457,899,195 | - | 318,688,938 | 776,588,132 |
| Subordinated liabilities | 32,613,458 | - | - | 32,613,458 |
| Other liabilities | 83,087,903 | - | 21,530,720 | 104,618,623 |
| **Total** | **(183,604,787)** | **10,918,175** | **(28,469,089)** | **(201,155,699)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | |
|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Total |
| | Fixed rate | Variable rate | | |
| **Assets** | **811,827,773** | **12,927,721** | **349,778,057** | **1,174,533,551** |
| Cash, cash equivalents and balances with central banks | - | - | 91,117,804 | 91,117,804 |
| Balances with other credit institutions | - | - | 20,858,571 | 20,858,571 |
| Investments at central banks and other credit institutions | 42,453,933 | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | 152,751 | 152,751 |
| Investments at amortised cost | 129,013,362 | - | - | 129,013,362 |
| Loans and advances to Customers | 55,139,809 | 12,927,721 | - | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | - | - | 2,252,199 | 2,252,199 |
| Other assets (restated Note 2.2.) | 583,689,637 | - | 235,396,732 | 819,086,369 |
| **Liabilities** | **1,315,543,570** | **-** | **417,510,925** | **1,733,054,495** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | 262,316,318 |
| Customer resources and other loans | 906,111,144 | - | 397,874,310 | 1,303,985,454 |
| Subordinated liabilities | 63,698,032 | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 83,418,076 | - | 19,636,615 | 103,054,691 |
| **Total** | **(503,715,797)** | **12,927,721** | **(67,732,868)** | **(558,520,944)** |

Details of the financial instruments in accordance with the residual maturity date, as opposed to the date of each operation's cash flow, at 31 December 2022 and 2021, in nominal values, are presented as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest-fixing dates/Maturity dates | | | | | | | | |
| | Up to one month | One to three months | Three to six months | Six months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **73,462,016** | **0** | **0** | **52,326,483** | **2,245,046** | **209,366,974** | **604,311,343** | **32,878,812** | **974,590,673** |
| Cash, cash equivalents and balances with central banks | 44,754,420 | - | - | - | - | - | - | - | 44,754,420 |
| Balances with other credit institutions | 28,707,596 | - | - | - | - | - | - | - | 28,707,596 |
| Financial assets at fair value through profit and loss | - | - | - | 637,328 | - | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | 150,188 | 150,188 |
| Investments at amortised cost | - | - | - | 51,614,869 | - | - | 16,801,708 | - | 68,416,576 |
| Loans and advances to Customers | - | - | - | 74,286 | 2,245,046 | 1,366,974 | 29,339,168 | 30,280,281 | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | 2,448,343 | 2,448,343 |
| Other assets | - | - | - | - | - | 208,000,000 | 558,170,467 | - | 766,170,467 |
| **Liabilities** | **496,579,457** | **388,411,025** | **103,006,069** | **177,100,010** | **10,305,270** | **337,897** | **6,645** | **-** | **1,175,746,373** |
| Resources from central banks and other credit institutions | - | 261,926,159 | - | - | - | - | - | - | 261,926,159 |
| Customer resources and other loans | 391,960,834 | 126,484,866 | 103,006,069 | 144,486,552 | 10,305,270 | 337,897 | 6,645 | - | 776,588,133 |
| Subordinated liabilities | - | - | - | 32,613,458 | - | - | - | - | 32,613,458 |
| Other liabilities | 104,618,623 | - | - | - | - | - | - | - | 104,618,623 |
| **Net exposure** | **(423,117,441)** | **(388,411,025)** | **(103,006,069)** | **(124,773,528)** | **(8,060,224)** | **209,029,077** | **604,304,698** | **32,878,812** | **(201,155,700)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest-fixing dates/Maturity dates | | | | | | | | |
| | Up to one month | One to three months | Three to six months | Six months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **138,086,187** | **26,794,109** | **16,328,399** | **56,129,784** | **74,364,536** | **222,304,187** | **636,782,003** | **3,744,345** | **1,174,533,550** |
| Cash, cash equivalents and balances with central banks | 91,117,804 | - | - | - | - | - | - | - | 91,117,804 |
| Balances with other credit institutions | 20,858,571 | - | - | - | - | - | - | - | 20,858,571 |
| Investments at central banks and other credit institutions | - | 26,125,534 | 16,328,399 | - | - | - | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | - | 668,575 | - | 281,526 | 302,540 | 278,391 | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | 152,751 | 152,751 |
| Investments at amortised cost | - | - | - | 55,764,243 | 56,899,710 | - | 16,349,409 | - | 129,013,362 |
| Loans and advances to Customers | - | - | - | 84,015 | 17,162,286 | 14,025,796 | 35,456,038 | 1,339,395 | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | 2,252,199 | 2,252,199 |
| Other assets (restated Note 2.2.) | 26,109,812 | - | - | - | - | 208,000,000 | 584,976,556 | - | 819,086,368 |
| **Liabilities** | **579,654,457** | **203,626,178** | **393,349,453** | **498,661,103** | **52,761,201** | **2,563,257** | **2,438,847** | **0** | **1,733,054,495** |
| Resources from central banks and other credit institutions | 5,353,699 | - | 256,962,619 | - | - | - | - | - | 262,316,318 |
| Customer resources and other loans | 474,074,162 | 203,626,178 | 136,386,834 | 470,331,454 | 17,392,623 | 2,168,603 | 5,600 | - | 1,303,985,454 |
| Subordinated liabilities | - | - | - | 28,329,648 | 35,368,384 | - | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 100,226,596 | - | - | - | 194 | 394,654 | 2,433,247 | - | 103,054,691 |
| **Net exposure** | **(441,568,270)** | **(176,832,069)** | **(377,021,054)** | **(442,531,319)** | **21,603,335** | **219,740,930** | **634,343,156** | **3,744,345** | **(558,520,945)** |

The statement of financial position'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 2022 and 2021, the sensitivity analysis of the financial instruments to interest rate variations, respectively, are as follows:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|
| | Interest rate change | | | | | |
| | -200 bp | -100 bp | -50 bp | +50 bp | +100 bp | +200 bp |
| **Assets** | **(158,711,815)** | **(18,569,768)** | **(9,284,884)** | **9,284,884** | **18,569,768** | **158,711,815** |
| Financial assets at fair value through profit and loss | (39,375) | (4,556) | (2,278) | 2,278 | 4,558 | 39,375 |
| Financial assets at fair value through other comprehensive income | (3,294) | (1,647) | (824) | 824 | 1,647 | 3,294 |
| Investments at amortised cost | (5,083,653) | (5,993,760) | (2,996,880) | 2,996,880 | 5,993,760 | 5,083,653 |
| Loans and advances to Customers | (6,256,337) | (2,173,970) | (1,086,985) | 1,086,985 | 2,173,970 | 6,256,337 |
| Other assets | (147,329,156) | (10,395,835) | (5,197,917) | 5,197,917 | 10,395,835 | 147,329,156 |
| **Liabilities** | **(7,485,146)** | **(3,742,573)** | **(1,754,693)** | **1,754,693** | **3,742,573** | **7,485,146** |
| Resources from central banks and other credit institutions | (832,313) | (416,156) | (208,078) | 208,078 | 416,156 | 832,313 |
| Customer resources and other loans | (3,766,689) | (1,883,345) | (941,672) | 941,672 | 1,883,345 | 3,766,689 |
| Subordinated liabilities | (466,372) | (233,186) | (604,943) | 604,943 | 233,186 | 466,372 |
| Other liabilities | (2,419,772) | (1,209,886) | - | - | 1,209,886 | 2,419,772 |
| **Net impact** | **(151,226,669)** | **(14,827,195)** | **(7,530,191)** | **7,530,191** | **14,827,195** | **151,226,669** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | |
|---|---|---|---|---|---|---|
| | Interest rate change | | | | | |
| | -200 bp | -100 bp | -50 bp | +50 bp | +100 bp | +200 bp |
| **Assets** | **(67,324,065)** | **(33,662,032)** | **(9,403,788)** | **9,403,788** | **33,662,032** | **67,324,065** |
| Investments at central banks and other credit institutions | (3,117,671) | (1,558,835) | - | - | 1,558,835 | 3,117,671 |
| Financial assets at fair value through profit and loss | - | - | (187,448) | 187,448 | - | - |
| Financial assets at fair value through other comprehensive income | (63,279,187) | (31,639,594) | (51,007) | 51,007 | 31,639,594 | 63,279,187 |
| Investments at amortised cost | - | - | (328,062) | 328,062 | - | - |
| Loans and advances to Customers | (927,207) | (463,603) | (482,879) | 482,879 | 463,603 | 927,207 |
| Other assets (restated Note 2.2.) | - | - | (8,354,392) | 8,354,392 | - | - |
| **Liabilities** | **(39,827)** | **(19,914)** | **(213,037,995)** | **213,037,995** | **19,914** | **39,827** |
| Resources from central banks and other credit institutions | (39,827) | (19,914) | - | - | 19,914 | 39,827 |
| Customer resources and other loans | - | - | (203,392,422) | 203,392,422 | - | - |
| Subordinated liabilities | - | - | (9,645,573) | 9,645,573 | - | - |
| Other liabilities (restated Note 2.2.) | - | - | - | - | - | - |
| **Net impact** | **(67,284,238)** | **(33,642,118)** | **203,634,207** | **(203,634,207)** | **33,642,118** | **67,284,238** |

Given the interest rate gaps observed, on 31 December 2022, an instantaneous and parallel positive variation in interest rates by 200 basis points would motivate a variation (+/-) in the expected economic value of the banking portfolio of approximately KZ 60,696,234 thousand (2021 Kz 67,284,238 thousand). The results presented are within the limits set by BNA, in Instruction No. 14/2021 of 16 May, for this specific risk.

The Bank must inform the Banco Nacional de Angola whenever there is a potential reduction of equal economic value in its banking portfolio or more than 20% of regulatory own funds During the 2022 financial year, the Bank complied with this requirement.

The bank's banking portfolio has a considerable foreign currency component, which makes it imperative, in light of the regulations, to analyse the sensitivity of financial instruments by currency.

The breakdown of assets and liabilities, in 2022 and 2021, by currency is analysed as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | Kwanza | United States Dollars | Euro | Other Currency | Total |
| Cash, cash equivalents and balances with central banks | 6,657,427 | 38,032,993 | 60,535 | 3,465 | 44,754,420 |
| Balances with other credit institutions | 18,974 | 27,567,887 | 967,422 | 153,313 | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 135,145 | - | 15,043 | - | 150,188 |
| Investments at amortised cost | 17,697,076 | 50,719,500 | - | - | 68,416,576 |
| Loans and advances to Customers | 59,554,349 | 3,750,984 | 422 | - | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | 2,448,344 | - | - | - | 2,448,344 |
| Other assets | 233,000,756 | 533,109,670 | 39,196 | 20,845 | 766,170,467 |
| **Assets** | **320,149,399** | **653,181,034** | **1,082,618** | **177,623** | **974,590,674** |
| Resources from central banks and other credit institutions | 261,922,491 | 1 | - | 3,667 | 261,926,159 |
| Customer resources and other loans | 230,889,249 | 536,069,832 | 9,607,921 | 21,131 | 776,588,133 |
| Subordinated liabilities | - | 32,613,458 | - | - | 32,613,458 |
| Other liabilities | 38,370,318 | 62,703,110 | 3,509,179 | 36,016 | 104,618,623 |
| **Liabilities** | **531,182,058** | **631,386,401** | **13,117,100** | **60,814** | **1,175,746,373** |
| **Position by currency** | **(211,032,659)** | **21,794,633** | **(12,034,482)** | **116,809** | **(201,155,699)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | Kwanza | United States Dollars | Euro | Other Currency | Total |
| Cash, cash equivalents and balances with central banks | 48,880,565 | 42,066,546 | 165,319 | 5,374 | 91,117,804 |
| Balances with other credit institutions | - | 15,363,421 | 4,931,046 | 564,103 | 20,858,570 |
| Investments at central banks and other credit institutions | - | 42,453,933 | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 135,145 | - | 17,606 | - | 152,751 |
| Investments at amortised cost | 17,341,394 | 111,671,968 | - | - | 129,013,362 |
| Loans and advances to Customers | 61,802,958 | 6,173,623 | 85,399 | 5,550 | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | 2,252,199 | - | - | - | 2,252,199 |
| Other assets (restated Note 2.2.) | 233,117,558 | 585,937,029 | 31,782 | - | 819,086,369 |
| **Assets** | **365,060,851** | **803,666,520** | **5,231,152** | **575,026** | **1,174,533,551** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 |
| Customer resources and other loans | 256,803,971 | 1,035,445,890 | 11,712,608 | 22,986 | 1,303,985,454 |
| Subordinated liabilities | - | 63,698,032 | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 35,621,866 | 67,060,482 | 355,014 | 17,329 | 103,054,691 |
| **Liabilities** | **554,742,155** | **1,166,204,404** | **12,067,622** | **40,315** | **1,733,054,495** |
| **Position by currency** | **(189,681,303)** | **(362,537,883)** | **(6,836,470)** | **534,712** | **(558,520,944)** |

The sensitivity analysis of the equity value of financial instruments to changes in exchange rates as at 2022 and 2021 is presented as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | -40% | -20% | -10% | -5% | +5% | +10% | +20% | +40% |
| **Currency** | | | | | | | | |
| United States Dollars | (4,391,104) | (2,195,552) | (1,097,776) | (548,888) | 548,888 | 1,097,776 | 2,195,552 | 4,391,104 |
| Euros | 2,587,115 | 1,293,558 | 646,779 | 323,389 | (323,389) | (646,779) | (1,293,558) | (2,587,115) |
| **Impact** | **(1,803,989)** | **(901,994)** | **(450,997)** | **(225,499)** | **225,499** | **450,997** | **901,994** | **1,803,989** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | -40% | -20% | -10% | -5% | +5% | +10% | +20% | +40% |
| **Currency** | | | | | | | | |
| United States Dollars | (79,706,731) | (39,853,365) | (19,926,683) | (9,963,341) | 9,963,341 | 19,926,683 | 39,853,365 | 79,706,731 |
| Euros | 1,209,693 | 604,846 | 302,423 | 151,212 | (151,212) | (302,423) | (604,846) | (1,209,693) |
| **Impact** | **(78,497,038)** | **(39,248,519)** | **(19,624,260)** | **(9,812,129)** | **9,812,129** | **19,624,260** | **39,248,519** | **78,497,038** |

## 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.

The control of liquidity levels has the objective of maintaining a satisfactory level of cash to meet treasury needs in the short, medium and long term. Liquidity risk is monitored daily and specific reports are prepared for control and supervision, and to inform decisions taken by the Financial Committee or the Executive Committee.

Liquidity analysis is, in particular, based on future cash flow estimated for different periods, taking into account the Bank's statement of financial position. However, for the purpose of simplicity, the table below shows an analysis based on residual maturity dates, instead of expected future cash flows. The liquidity position on the day of analysis and the amount of highly liquid assets in the portfolio available for liquidity operations are added to these amounts to determine the accumulated liquidity gap for different periods. In addition, the liquidity positions are also monitored from a prudential point of view, calculated in accordance with the rules required by the Banco Nacional de Angola (Instruction No. 13/2021 of 27 September).

Due to information limitations, it is not possible to disclose the liquidity maturity tables based on the contracted cash flow dates, using for the effect the net accounting values of impairment. In this context, on 31 December 2022 and 2021, the liquidity gap of the Bank's statement of financial position had the following structure, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods | | | | | | | | | |
| | On demand | Up to one month | One to three months | Three to six months | Six months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **73,462,016** | **-** | **-** | **-** | **52,326,483** | **2,245,046** | **209,366,974** | **604,311,343** | **32,878,812** | **974,590,673** |
| Cash, cash equivalents and balances with central banks | 44,754,420 | - | - | - | - | - | - | - | - | 44,754,420 |
| Balances with other credit institutions | 28,707,596 | - | - | - | - | - | - | - | - | 28,707,596 |
| Financial assets at fair value through profit and loss | - | - | - | - | 637,328 | - | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | 150,188 | 150,188 |
| Investments at amortised cost | - | - | - | - | 51,614,869 | - | - | 16,801,708 | - | 68,416,576 |
| Loans and advances to Customers | - | - | - | - | 74,286 | 2,245,046 | 1,366,974 | 29,339,168 | 30,280,281 | 63,305,755 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | - | 2,448,343 | 2,448,343 |
| Other assets | - | - | - | - | - | - | 208,000,000 | 558,170,467 | - | 766,170,467 |
| **Liabilities** | **423,307,561** | **73,271,896** | **388,411,025** | **103,006,069** | **177,100,010** | **10,305,270** | **337,897** | **6,645** | **-** | **1,175,746,373** |
| Resources from central banks and other credit institutions | - | - | 261,926,159 | - | - | - | - | - | - | 261,926,159 |
| Customer resources and other loans | 318,688,938 | 73,271,896 | 126,484,866 | 103,006,069 | 144,486,552 | 10,305,270 | 337,897 | 6,645 | - | 776,588,133 |
| Subordinated liabilities | - | - | - | - | 32,613,458 | - | - | - | - | 32,613,458 |
| Other liabilities | 104,618,623 | - | - | - | - | - | - | - | - | 104,618,623 |
| **Liquidity gap** | **(349,845,545)** | **(73,271,896)** | **(388,411,025)** | **(103,006,069)** | **(124,773,528)** | **(8,060,224)** | **209,029,077** | **604,304,698** | **32,878,812** | **(201,155,700)** |
| **Accumulated liquidity gap** | **(349,845,545)** | **(423,117,441)** | **(811,528,466)** | **(914,534,535)** | **(1,039,308,062)** | **(1,047,368,286)** | **(838,339,209)** | **(234,034,511)** | **(201,155,700)** | **(201,155,700)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods | | | | | | | | | |
| | On demand | Up to one month | One to three months | Three to six months | Six months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **-** | **142,249,680** | **42,234,168** | **13,640,571** | **56,765,207** | **72,090,081** | **216,938,818** | **628,210,076** | **2,404,950** | **1,174,533,551** |
| Cash, cash equivalents and balances with central banks | - | 91,117,804 | - | - | - | - | - | - | - | 91,117,804 |
| Balances with other credit institutions | - | 20,858,571 | - | | - | - | - | - | - | 20,858,571 |
| Investments at central banks and other credit institutions | - | - | 31,566,632 | 10,887,301 | - | - | - | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | - | - | 668,575 | - | 281,526 | 302,540 | 278,391 | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | 152,751 | 152,751 |
| Investments at amortised cost | - | - | - | - | 55,764,243 | 56,899,710 | - | 16,349,409 | - | 129,013,362 |
| Loans and advances to Customers | - | 4,163,493 | 9,998,961 | 2,753,270 | 719,438 | 14,887,831 | 8,660,427 | 26,884,110 | - | 68,067,530 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | - | 2,252,199 | 2,252,199 |
| Other assets (restated Note 2.2.) | - | 26,109,812 | - | - | - | - | 208,000,000 | 584,976,557 | - | 819,086,369 |
| **Liabilities** | **100,226,596** | **479,427,861** | **203,626,178** | **393,349,453** | **498,661,102** | **52,761,201** | **2,563,257** | **2,438,847** | **-** | **1,733,054,495** |
| Resources from central banks and other credit institutions | - | 5,353,699 | - | 256,962,619 | - | - | - | - | - | 262,316,318 |
| Customer resources and other loans | - | 474,074,162 | 203,626,178 | 136,386,834 | 470,331,454 | 17,392,623 | 2,168,603 | 5,600 | - | 1,303,985,454 |
| Financial liabilities held for trading | - | - | - | - | - | - | - | - | - | 0 |
| Subordinated liabilities | - | - | - | - | 28,329,648 | 35,368,384 | - | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 100,226,596 | - | - | - | - | 194 | 394,654 | 2,433,247 | - | 103,054,691 |
| **Liquidity gap** | **(100,226,596)** | **(337,178,181)** | **(161,392,010)** | **(379,708,882)** | **(441,895,895)** | **19,328,880** | **214,375,561** | **625,771,229** | **2,404,950** | **(558,520,944)** |
| **Accumulated liquidity gap** | **(100,226,596)** | **(437,404,777)** | **(598,796,787)** | **(978,505,669)** | **(1,420,401,564)** | **(1,401,072,684)** | **(1,186,697,123)** | **(560,925,894)** | **(558,520,944)** | **(558,520,944)** |

On 31 December 2022, the Liquidity Ratio calculated in accordance with Instruction 14/2021 of 30 August amounts to 46% (2021: 45%). This instruction defines as a minimum a ratio of 100% for exposure in kwanzas and 150% for exposure in foreign currency, which shows the progress achieved. However, the Bank presents a very pronounced liquidity gap in the short-medium term (less than five years) arising from the nature and maturity of the other asset receivable from INVESTPAR with a very long-term maturity. In this respect, the Bank expects to resolve the liquidity gap mentioned above, resulting from the capital increase referred to in the following Note and the resolution of the operation with INVESTPAR.

### Property Risk

Property risk arises as the result of property exposure (whether from credit recovery proceedings or investment properties) and the exposure of units in real estate funds in the securities portfolio.

These exposures are monitored regularly and scenario analyses are performed to estimate potential impacts of changes in the real estate market on the portfolios of real estate investment funds, investment properties and properties given in kind.

The exposure to real estate properties and participation units in real estate funds as at 31 December 2021 and 2020 was as follows:

Values expressed in thousand Kz

| | **31/12/2022** | 31/12/2021 |
|---|---|---|
| Real estate properties assigned to banking business | **37,051,838** | 36,971,677 |
| Real estate properties received in lieu of payment of loans | **15,983,407** | 16,674,733 |
| Loans and advances for real estate development | **17,944,833** | 3,798,303 |
| Other real estate properties not assigned to banking business | **764,268** | 722,829 |
| | **71,744,346** | **58,167,542** |

### Operational Risk

An operational risk management system has been implemented, based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.

The Bank's Operational Risk Department performs the corporate operational risk management function of the Bank, which is supported by the existence of Interlocutors in different organic units that ensure the proper implementation of operational risk management in the Bank. In addition, to ensure the management of Operational Risk inherent to the Bank's activity, a dynamic and continuous framework was defined that materialises the implementation of operational risk management based on the following elements: (i) Mapping of risks and controls; (ii) Analysis of the data collected in the assessment questionnaires (qualitative); (iii) Registration of events (quantitative); (iv) Monitoring of the activities of identification and management of risk; (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 Registration Database (LDC); (iv) Key Risk Indicators (KRI). It should also be noted that the current management of operational risk is carried out on a daily basis, through the identification, assessment, monitoring and control of operational risk events framed within the risk categories defined internationally by the Basel Committee.

# Note 37
# Relevant facts

## I – Recapitalisation and Restructuring Plan

In 2014, the BNA decided on measures to reorganise BE, as detailed in section III – Chronology of events, which culminated, on 15 July 2016, with the signing, with the ENSA Group – Investimentos e Participações, E.P. – now INVESTPAR – Investimentos e Participações, S.A. (GENSA or INVESTPAR), of the following agreements: (i) transfer of the economic interests of a portfolio of loans and participation units, and (ii) sale of assets held by BE ("Operation with the ENSA Group"), with reference to 31 December 2014.

However, there was a default on the first instalment on 31 December 2018 by INVESTPAR, thus compromising the agreed payment plan, which was renegotiated. BE, together with the BNA, initiated since that date, a set of interactions for the assessment of sanitation alternatives (see point III – Chronology of events), while successive worsening of the Bank's economic, financial and operational conditions were observed, regardless of the agreements signed.

As a mitigating measure, on 21 December 2021, the BNA determined a set of intervention measures that were an integral part of the new Restructuring and Recapitalisation Plan (RRP) proposed by the Bank's Board of Directors and approved by the Regulator, which were embodied in the following:

**a)** Total incorporation of losses in the Bank's share capital, with the Shareholders' capital being reduced to zero;

**b)** Increase of the Bank's share capital, by a minimum of Kz 1,040,000 million, through:
- (i) Restructuring of Novo Banco's subordinated loan (with a new amendment formalised on 27 December 2021);
- (ii) Partial conversion into share capital, by way of negotiation, of the amounts of depositors with a balance equal to or greater than the equivalent of Kz 3,000 million, excluding public and equivalent entities ("Eligible Depositors"), in the following proportions:
  - 45% subscribed in Investment Units (IUs) of a Closed-end Securities Investment Fund, to be established;
  - 20% subscribed in perpetual participation bonds (PPBs), with an annual redemption option, at the initiative of the issuer (BE), beginning on the 10th year of issue.
- (iii) Issue of bonds convertible into shares up to the amount of Kz 50,000 million, with a maturity of ten (10) years, to be subscribed voluntarily by the Eligible Depositors or by other interested entities:
- (iv) Deferral, using the straight-line method and in equal annual instalments, of the recognition of impairments in the amount of Kz 260,000 million, for a period of 5 (five) years, with reference to 31 December 2020;
- (v) Financial contribution from other investors, in the estimated amount of Kz 260,000 million, to be made until the end of 2022;
- (vi) Exchange of bonds received in payment by INVESTPAR, with a nominal value of Kz 47,428 million, for new bonds under current market conditions;
- (vii) The return to BE of the assets received by INVESTPAR identified in paragraph III – "Operation with the ENSA Group";
- (viii) Measures to increase operational efficiency and reduce the Bank's costs.

Considering the above, BE initiated and maintains an ongoing process of definition and implementation of a set of activities deemed essential for the full compliance with the said Plan, including the General Meeting (GM) of Shareholders held on 15 February 2022, which approved among others: i) the issue of Perpetual Participation Bonds and ii) the issue of Convertible Bonds.

BE's Board of Directors (BoD) went ahead with the implementation of the measures contained in the RRP, including some necessary adjustments, taking into account the results of the diagnosis made and the degree of feasibility of some of the measures previously defined. However, it is convinced that, within the set deadlines, it will have the necessary conditions and support from the different public and private stakeholders, to ensure the successful implementation of the adjusted RRP measures. It recognises, however, that this is a challenging, long and complex process, in which it identifies various risks, despite the recent implementation of some of the main recapitalisation measures identified below.

### 1. Obtaining shareholder agreement on the RRP

After the approval of the RRP in December 2021, and in order to create the necessary conditions for its implementation, the Bank's Board of Directors held several interactions with the Bank's Shareholders at the time and with the Eligible Depositors:
- i) With regard to the Shareholders, who were Shareholders on 31 December 2021, they approved the RRP by resolution passed at the General Shareholders' Meeting of 15 February 2022;
- ii) With regard to the Eligible Depositors, the formal agreement to the RRP was obtained through the signing of the Memoranda of Understanding (MoU) which evidenced their commitment to the Bank's Management and the BNA to recapitalise BE.

Although the Bank considers that there are risks in implementing this measure, it is at an advanced stage and with good prospects for completion, considering that 23 Memoranda of Understanding were formalised with Eligible

Depositors, which has enabled deposits totalling Kz 519,142,081 thousand, for the subscription of the financial instruments of BE's capitalisation, as detailed in the table below:

Values expressed in AOA thousand

| BE Capitalisation Instruments | 2022 | 2023 |
|---|---|---|
| **Share Capital** | **271,500,000** | **271,500,000** |
| **Other Financial Instruments** | **121,196,000** | **153,329,000** |
| Participation securities | **121,196,000** | 124,645,000 |
| Convertible bonds | **0** | 28,684,000 |
| **Deposits of OFAC designated entities** | **94,313,081** | **94,313,081** |
| Deposits for subscription of FCR participation units | **60,629,838** | 60,629,838 |
| Deposits for subscription of participation securities | **26,946,594** | 26,946,594 |
| Deposits for subscription of convertible bonds | **6,736,649** | 6,736,649 |
| **Total** | **487,009,081** | **519,142,081** |

OFAC Deposits, according to BNA letter No. 610/DSB/2022 of 15 August 2022, are accounted for in the calculation of Regulatory Own Funds (ROF). This measure improves the Bank's ROF ratio and, consequently, the Regulatory Solvency Ratio (RSR). Share Capital and Other Financial Instruments contribute to the calculation of Equity.

The BoD continues to make every effort with Eligible Depositors who have not yet subscribed to the Memorandum of Understanding to do so as soon as possible and to subscribe to the financial instruments provided for in the RRP, in order to strengthen the Bank's capitalisation.

The GM to decide on the increase in BE's capital and the entry of the Eligible Depositors as Participants in the Fund, which now holds the entire share capital of the Bank, was held on 5 August 2022.

2. **Conclusion of the constitution process of the Closed-end Securities Investment Fund with the CMC, including the respective Management Company**

The process of registration and constitution of the Fund provided for in the RRP has been fully completed and, on 10 August 2022, the CMC issued the registration certificate for Económico – Fundo de Capital de Risco de Subscrição Particular ("ECONÓMICO-FCR" or the "Fund"). The Fund was registered with the CMC under No. 03/FCR/CMC/08-2022 and its management entity is INDEPENDENT Financial Advisors – Sociedade Gestora de Organismos de Investimento Colectivo, S.A. ("INDEPENDANT-SGOIC" or "Management Company") and as depositary, Banco Angolano de Investimentos, S.A. (BAI).

The Fund is authorised to issue up to a maximum of 33,005,680 investment units, with a unit price of Kz 10,000.00, corresponding to a maximum overall value of Kz 330,056,800 thousand.

In accordance with the authorisation of the Capital Markets Regulator and taking into account the depositors who have signed up to the RRP, minus those who have not yet subscribed to the MoU and the depositors designated on the OFAC list, 27,269,106 units were issued, with a nominal unit value of Kz 10,000.00 and a total value of Kz 272,691,060 thousand.

With the proceeds from the issue of the investment units, ECONÓMICO-FCR subscribed to BE's capital increase in the amount of Kz 271,500,000 thousand, with the remaining amount remaining in liquidity in the Fund to cover its operating costs (annual audit, management commission, fees payable to CMC, etc.) during its planned duration (10 years).

The capital increase is currently pending registration.

3. **Effective realisation of the issue of perpetual participation bonds and convertible bonds**

On 15 February 2022, the Shareholders' General Meeting approved the issue of the PPBs. On 1 April 2022, authorisation was obtained from the Ministry of Finance (MINFIN) for the issue in the amount of up to Kz 171,460 million, subject to the presentation of BE's interim report and accounts as at 31 December 2021. By Order No. 1554/22 of 18 April 2022, the funds obtained from the issue of the PPBs were treated as the Bank's equity.

The Bank referred the process to the Capital Markets Commission (CMC) for due consideration and approval, and on 24 June 2022 this regulator informed the Bank of its agreement to the issue of the PPBs under the following conditions:

- As Angola has ratified the United Nations Conventions against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, against Transnational Organised Crime and the United Nations Convention for the Suppression of the Financing of Terrorism, subscriptions from legal persons and individuals designated by this entity – OFAC – are not eligible;

- Subscriptions from entities that have not signed the Memoranda of Understanding under the Bank's Recapitalisation and Restructuring Plan are not permitted. The transfer of PPBs to third parties who have not signed the Memoranda of Understanding is subject to a favourable opinion from the CMC.

The conditions laid down by the CMC were fully complied with by BE, and the subscription of the PPBs took place on 4 August 2022, by debiting the accounts of the Eligible Depositors who signed the Memorandum of Understanding (MoU) with the Bank and under the conditions set out above.

In this way, 121,196 PPBs were issued with a nominal unit value of Kz 1 million, corresponding to a total value of Kz 121,196,000 thousand, less than the maximum authorised value of Kz 171,460,000 thousand, since individuals and companies designated by OFAC (US Treasury) were not considered eligible to subscribe to this financial instrument, as established by the CMC in the conditions for approving the issue.

Subsequently, having obtained prior authorisation from the CMC on 6 March 2023, a further 3,449 PPBs with a nominal unit value of Kz 1 million were issued on 14 March, as a result of another Eligible Depositor joining, increasing the total issued value of this financial instrument to Kz 124,645,000 thousand.

On 26 January 2023, 27,822 BE Convertible Bonds (CBs) were issued with a nominal unit value of Kz 1 million, corresponding to a total value of Kz 27,822,000 thousand, out of a maximum value of Kz 50,000,000 thousand provided for in the RRP.

Subsequently, on 14 March 2023, a further 862 CBs with a nominal unit value of Kz 1 million were issued, as a result of another Eligible Depositor joining, increasing the total issued value of this financial instrument to Kz 28,684,000 thousand.

The issue of the Convertible Bonds improves the calculation of the Bank's Regulatory Own Funds (ROF) and, consequently, the Regulatory Solvency Ratio (RSR).

**4. Restructuring of Novo Banco's subordinated loan**

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, 40% in cash and 60% by September 2022;

- Forgiveness of 75% of the remaining debt; and

- Restructured 25% payment until September 2023.

In September 2023, the last repayment on the Novo Banco loan was made.

**5. The recovery of the asset receivable from INVESTPAR, as per point III – "Operation with the ENSA Group"**

On 15 May 2023, BE concluded the reversal of the "Operation with the ENSA Group", through an agreement with the counterparty INVESTPAR (the new name of the first entity), which allows the Bank to prepare and implement a strategy for optimising real estate assets and recovering loans.

Among the measures to speed up the property disposal process are:

i) The creation of a unit, in its organisational structure, specially dedicated to the management of properties received by the Bank: the Real Estate Asset Disposal Department. This unit will then be spun off into a subsidiary that will guarantee the provision of these services, independently and separately from the Bank;
ii) Selection of specialised service providers (appraisers, mediators, consultants) to support the Bank in the valuation and marketing of real estate assets;
iii) Overall valuation of the real estate assets to support the accounting record of the operation and approval of the price lists for their sale;
iv) Creation of a specialised committee of the Executive Committee (Real Estate Committee) to decide on proposals for the sale and commercial rental of real estate;
v) Considering the regulatory limitations on the permanence of real estate assets available for sale on its balance sheet, the Bank is going ahead with their securitisation through the creation of a Real Estate Investment Fund (FII), a process already underway with the CMC;
vi) The reactivation of mortgage loans, which has no immediate effect on liquidity, will have a positive effect on the bank's profitability and will enable it to retain the loyalty of preferential Customers.

The process of reversing the operation is in its final stages and the valuations of the assets underlying the operation are being finalised. The overall value, based on preliminary valuations, amounts to Kz 548 billion. It is also planned to finalise the survey of the legal documentation for the assets and the valuation exercise for recording the operation in the accounts.

In the field of loan recovery, the following measures are to be implemented:

i) Promotional campaign to recover loans (called "New Life"), through a policy of partial forgiveness of overdue interest and improvement of contractual terms and conditions, in order to adapt financial plans to the current financial conditions of debtors;
ii) Intensification of the recovery of non-performing loans, through the enforcement of judicial and extrajudicial recoveries, which includes the hiring of legal service providers to, together with the Bank's Legal and Litigation Department (LLD), increase collection pressure on the Bank's debtors;
iii) The use of specialised collection service providers for the more "retail" portfolio of non-performing operations with lower unit values (e.g. credit card debts, consumer loans, etc.).

**6. Exchange of bonds received as payment from INVESTPAR with a nominal value of Kz 47,428 million, for new bonds under market conditions**

This measure was implemented in April 2023, when an agreement was reached with MINFIN to exchange the securities held in the portfolio from the first payment of the ENSA Group operation, maturing in 2040 and with a 5% rate of return, for securities with normal market conditions in terms of maturity and interest rate.

The agreement was concluded with a 20% haircut and made it possible to exchange long-maturity, low-remuneration securities for a portfolio of securities with residual maturities of 2, 4 and 10 years, with interest rates of 14.5%, 15% and 17%, respectively, as shown in the table below:

Values expressed in Kz

| Portfolio of Securities received from the non-indexed treasury bond swap with UGD | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ISIN Code | Issue Date | Maturity Date | Coupon | Residual Maturity | FX Index | Nominal Value | Quantity | Nominal Value |
| AOUGDOIG22A6 | 9/Nov./22 | 9/May/25 | 14.50% | 2.0 | NO | 100 000 | 114,656 | 11,465,600,000 |
| AOUGDOIL22A6 | 10/Jul./22 | 10/Jul./27 | 15.00% | 4.2 | NO | 100 000 | 191,092 | 19,109,200,000 |
| AOUGDONJ23A8 | 30/Jan./23 | 30/Jan./33 | 17.00% | 9.7 | NO | 100 000 | 57,792 | 5,779,200,000 |
| | | | | | | | **363,540** | **36,354,000,000** |

This operation made it possible to recover the losses recorded under the initial recognition of these assets at their fair value, resulting in capital gains of approximately Kz 22,824,848 thousand in the 2023 financial year, and to improve the Bank's profitability by making a positive contribution to net interest income.

**7. Ensure compliance with the regulatory, legal and accounting framework**

The Board of Directors affirms its full commitment to implementing the Bank's Recapitalisation and Restructuring Plan within the established deadlines, with the support of the Banking Sector Regulator (BNA), the Capital Markets Supervisor (CMC) and other institutional counterparties involved, ensuring the correct legal and regulatory framework to enable the successful implementation of the RRP.

It should be noted that during 2021, the Bank received from the BNA, through its letter 480/DSB/21 of 11 August, a temporary exemption, during the recapitalisation and restructuring process, from complying with the following regulatory limits:

i) Regulatory own funds;
ii) Foreign exchange position;
iii) Solvency ratio;
iv) Limits of major risks;
v) Liquidity ratio, in accordance with Instruction No. 19/16;
vi) Increase of 5% of the obligatory reserves in foreign currency and the 2% previously fulfilled in kwanzas.

Despite this exemption, as at 31 December 2022, the Bank is in breach of the aforementioned limit for mandatory reserves in FC (17%). However, it is planned to implement measures in the short term that will allow the Bank to regularise this situation.

By letter dated 3 August 2022, the BNA informed BE that it is temporarily exempt from complying with the overall own funds ratio required in the letter with the conclusions of the 2022 SREP, and that a new assessment of this temporary exemption will be made during the 2023 financial year.

In addition, by letter dated 15 August 2022, the BNA informed BE of a provision regarding the process for calculating regulatory solvency ratios, provided for in Notice No. 8/2021, of 5 July, namely that, as a result of some of the Eligible Depositors that had signed the MoUs being included on OFAC's list of designated entities, since 9 December 2021, and for as long as they remain in this situation, for prudential purposes, and for this purpose only, BE shall consider in the calculation of the (i) Regulatory Own Funds Ratio (ROF), (ii) Tier 1 Capital Ratio (Tier 1) and (iii) Core Tier 1 Capital Ratio (CET 1), that the deposit resources of these entities (i.e. 70%) are eligible as Core Tier 1 Capital and, in this circumstance, must remain immovable. This measure is exceptional and will be in force temporarily until a decision is made by OFAC or the Angolan judicial bodies, or a decision by the BNA.

Finally, as a result of the delay in implementing the Bank's Recapitalisation and Restructuring Plan, due to the complexity of the operations and the need for them to be examined, analysed and approved by the Regulators, the Board of Directors decided to postpone the start of the amortisation of deferred impairments to 2022, in order to combine it with the date of the Bank's effective recapitalisation and the issue of financial instruments.

The Bank formalised this request to the BNA and obtained approval by letter received on 29 June 2022.

**8. Ensure compliance with the business plan scheduled for 2022-2027:**

Having already implemented the main measures of the RRP and analysed their impact on the Bank's accounts, despite the positive effects on net interest income and the improvement in prudential ratios, the Board of Directors anticipates the need for complementary measures, with a greater impact from the point of view of liquidity and capital, to guarantee the Bank's economic and financial balance and its continuity. In addition, the exchange rate depreciation that occurred in 2023 also had a significant impact on the Bank's accounts.

Thus, the BoD anticipates the need for an additional capital increase to ensure the Bank's compliance with regulatory ratios, through the contribution of fresh funds to solve the liquidity problem. In this context, the Bank's Board of Directors prepared a base scenario with financial projections for the years 2023 to 2026, which is based on a set of operational assumptions and which identifies the need for a capital increase, with reference to 31 December 2023, of around Kz 366 billion, in order to balance the Bank's equity, increase liquidity levels and guarantee compliance with the regulatory requirements for that date.

The main assumptions of this base scenario are:

- Accounting record of the reversal of the asset transfer operation with INVESTPAR which, considering the effect of the significant devaluation of the Kwanza in 2023, based on the preliminary valuations carried out, could result in capital losses of around Kz 200 billion;

- Disposal of the properties received from the reversal of the asset transfer operation with INVESTPAR, over 5 years, with 40% being paid in cash and 40% of the sale value being reapplied in Treasury Bonds, 40% via property/housing loans and 20% by exchanging deposits in foreign currency;

- Accounting record of the sale of the Head Office Building, with an estimated capital gain of approximately Kz 53.3 billion;

- An increase in domestic currency deposits and a reduction in foreign currency deposits;

- Recovery of overdue credit, 80% via restructuring and 20% in cash;

- Reduction in staff (-200 Employees) and a 30%reduction in the cost of third party supplies and services.

In addition, the estimated capital requirement identified above depends on the realisation of assumptions and measures beyond the control of the Board of Directors, namely the restructuring of the debt to the Banco Nacional de Angola, in the amount of Kz 257,000 million, which, if it does not materialise under more favourable conditions for the Bank, may require an additional capital increase of this amount.

Some of the assumptions related to the evolution of the business and the operational measures to be implemented, described above, are difficult to realise and their total or partial non-fulfilment could lead to additional capital requirements.

It should be noted that if the above-mentioned capital increase does not take place on 31 December 2023, capital requirements could increase in the coming years, mainly due to the Bank's current economic and financial situation and existing liquidity constraints, with the consequent impact on the Bank's profitability and operating results.

As part of its ongoing follow-up and monitoring of the Banco Nacional de Angola's implementation of the RRP, the Board of Directors has shared with the Regulator all the information regarding the Bank's current and foreseeable situation, namely the capitalisation scenario analysed, its assumptions and conclusions, but which has not so far resulted in any concrete measures to meet the capital needs identified by the Board of Directors.

Although these circumstances constitute material risks and uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern, the Board of Directors believes that it is appropriate to present the financial statements using the going concern assumption, given the favourable evolution and significant progress made in implementing the RRP and the expected support from the Regulator (BNA) for the implementation of the additional measures, in order to ensure the Bank's economic and financial sustainability.

## II – Additional measures to the RRP

In order to guarantee the success of the Bank's restructuring process, an addition was made to the RRP with more urgent measures – the Emergency Action Plan – in order to boost financial performance and increase operational efficiency.

The Emergency Action Plan is based on 4 pillars, broken down into 18 initiatives, which include various activities and milestones, the implementation of which will be rigorously monitored by BE, including the following:

1. **Sale of the BE Head Office Building to the National Oil and Gas Agency (NOGA)**

On 21 April 2023, the Bank signed a Promissory Purchase and Sale Contract with ANPG for the sale of its Head Office Building, located at Rua do 1.º Congresso, n.º 8, in Luanda, for the sum of USD 100,000,000, payable in two instalments, one of which, corresponding to 60% of the value, to be settled after the administrative approvals for the operation have been obtained, and the remaining 40%, on the date the public deed is signed.

The authorisation from the Holder of Executive Power to carry out the operation was published in the Official Gazette (*Diário da República*) on 7 June 2023, and the first tranche (60% of the value) was received in August 2023.

The estimated capital gains from the operation amount to approximately Kz 53 billion.

2. **Ensure the optimisation of operating costs.**

Over the course of 2023, the BE's Board of Directors has been implementing structural measures aimed at scaling the institution to the sector's current challenges and ensuring rational cost management, operating in a more sustainable manner, in line with the digital transformation that has positively influenced the sector. These measures include:

i) Closure of 15 branches on 5 May 2023, with negotiations underway to terminate the leases;
ii) Closure of the Lisbon office in March 2023;
iii) Reduction of staff with the payment of compensatory allowances and other benefits (waivers, maintenance of health insurance, etc.). The first phase of this process is now complete, with 68 Employees being made redundant as a result of the closure of branches. In June, the 2$^{nd}$ phase was completed, covering 63 Employees. A total of 131 Employees were involved;
iv) Organisational restructuring, in February 2023, from 31 to 23 structural units, which reduced the number of managers and simplified the hierarchy;
v) Annual budget, approved in March 2023, with significant cost reductions in third party supplies and services due to branch closures, fleet write-offs and the renegotiation of contracts with suppliers.

The Board of Directors expects that these measures will reduce operating costs to levels that are more in line with the Bank's capacity to generate income.

## III – Chronology of events

Banco Económico results from the renaming of Banco Espírito Santo Angola, following the reorganisation measures decided by the Banco Nacional de Angola on 20 October 2014 and the General Meeting held on 29 October of the same year.

In retrospect, on 4 August 2014, the BNA decided to adopt extraordinary reorganisation measures for Banco Espírito Santo Angola, which took the form of a detailed assessment of its loan portfolio, of its component to be allocated to losses, the identification of the asset items subject to disposal and restructuring and the concomitant revocation of the Sovereign Guarantee issued by the Republic of Angola on 31 December 2013, through Internal Presidential Order 7/2013, of 31 December, in the amount of USD 5.7 billion (Kz 556.4 billion, at the exchange rate of that date), including USD 0.2 billion for other natures of assets. According to the aforementioned Presidential Order, the Sovereign Guarantee was issued considering that Banco Espírito Santo Angola, at that time, held and managed a portfolio of credits and operations relating to a number of Angolan corporate entities, comprising micro, small and large companies that corresponded to operations of paramount importance for the full implementation of the objectives contained in the National Development Plan 2013 – 2017 and in order to protect the fundamental interests of the Angolan financial system. Following this, the BNA appointed two interim directors to, together with the Board of Directors in office, ensure the current management of the Bank.

On 20 October 2014, the BNA released the results of the report on the Bank's financial situation prepared by the appointed provisional directors and the special purpose review report presented by the independent auditor expressly engaged for that purpose, which identified adjustment needs to Banco Espírito Santo Angola's own funds in the total amount of Kz 488,780 million, with own funds having become negative by Kz 383,886 million.

As a result, the BNA decided to adopt the following reorganisation measures:

**a)** Capital increase by conversion of part of the senior interbank loan, in the amount of Kz 360,768 million, followed by a reduction of the Shareholders' equity by absorption of 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 Kz 65,000 million, by the Shareholders or by entities invited and accepted by BNA, to be carried out in cash, with a view to reconstituting the share capital and ensuring compliance with the minimum prudential ratios;

**c)** Conversion of the amount of Kz 7,000 million of the senior interbank loan into the Bank's share capital, representing a 9.9% shareholding in the institution, whose conversion was subject to the authorisation to be obtained by the holder of the senior interbank loan from the competent entities for the subscription of said share capital;

**d)** Conversion of the Kz 41,596 million senior interbank loan into a common loan in US dollars and at market rates, repayable in 18 months, guaranteed by the Bank for 50% of its value, through the delivery of a pledge on public debt securities;

**e)** Conversion of the amount of Kz 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 the loan holder's holding remains below 19.99%. This amount may be increased by 7 billion kwanzas in the event of non-conversion into capital of the provisions of paragraph c) above;

**f)** Placement in the market of additional subordinated instruments, in the amount of Kz 50,000 million, until 31 December 2015, in order to ensure the maintenance of the regulatory ratios.

A universal and extraordinary general meeting was held on 29 October 2014, at which the interim directors informed the Shareholders of the reorganisation measures to be adopted, and invited the then Shareholders to recapitalise the Bank under the conditions presented.

As the then Shareholders did not express any interest in capitalising the Bank under the conditions referred to, in addition to GENI-Novas Tecnologias S.A., the following operations were approved:

**a)** Increase of capital in cash in the amount of Kz 65,000 million, to be carried out by the following entities and in the proportions already approved by BNA:

(i) The company **"GENI Novas Tecnologias, S.A."**: make a contribution of Kz 14,328 million, representing a 19.90% stake in the share capital;
(ii) The company **"Lektron Capital, S.A."**: make a contribution of Kz 22,304 million, representing a 30.98% stake in the share capital;
(iii) The company **"Sonangol, EP"**: make a contribution of Kz 11,520 million, representing a 16.00% stake in the share capital;
(iv) The company **"Sonangol Vida, S.A."**: make a contribution of Kz 11,520 million, representing a 16.00% stake in the share capital;
(v) The company **"Sonangol Holdings, Lda."**: make a contribution of Kz 5,328 million, representing a 7.40% stake in the share capital.

**b)** Capital increase of Kz 7,000 million, through the conversion of the senior loan held by "Novo Banco, S.A.", corresponding to a 9.72% stake in the share capital.

With the holding of the aforementioned General Meeting, BNA's intervention ended, the new corporate bodies were appointed and the Bank's redenomination to "Banco Económico, S.A." was approved.

With reference to the common loan, constituted as a result of the BNA reorganisation measures, in the amount of USD 424,860 thousand, the full repayment of the principal was scheduled for 30 April 2016. In view of the current exchange restrictions, Banco Económico agreed with Novo Banco, S.A. to alter the loan's repayment conditions. 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, the amount of USD 50 million was settled on 13 June 2016, and the amount of USD 73 million was settled on 30 September 2016. The remaining amount was settled in August 2018. In the referred contractual amendment, Banco Económico reinforced the guarantees in favour of Novo Banco, S.A. with a first-degree pledge, on 12,300 treasury bonds of the Republic of Angola, with a nominal value of USD 10,000 and maturity on 15 August 2018.

In replacement of the issue in the market of additional subordinated instruments, in the amount of Kz 50 billion, previously approved by the BNA, the agreements for the transfer of the economic interests of a portfolio of loans, of participation units and the sale of assets held by Banco Económico ("Operation with the ENSA Group"), with reference to 31 December 2014, framed by Presidential Decrees 196/15 and 123/16, were executed on 15 July 2016, the details of which are as follows:

**a)** Transfer of economic rights on direct claims, by subscription and other values, amounting to Kz 111,886 million and USD 1,981 million. The Bank held a repurchase option on two credit operations in the amount of Kz 10,286 million until 2018, for which it was agreed, with GENSA, not to exercise in 2018. Economic rights on loans written off from assets in the gross amount of Kz 88,716 thousand, fully provisioned, were also conveyed;

**b)** Sale of 49,191 units in the BESA Património Fund, corresponding to 50.2% of all units, in the amount of Kz 5,975 million;

**c)** Transfer of economic rights relating to 50,000 units of the Fundo BESA Valorização, corresponding to all the units of that Fund, in the amount of Kz 54,102 million;

**d)** Disposal of various assets not for own use and fixed assets in progress, amounting to Kz 4,975 million.

As these operations produced legal and economic effects retroactive to 31 December 2014, after approval by BNA on 31 October 2016, the Bank derecognised these assets on this date, in the total amount of Kz 380,743 million (Kz 176,940 million and USD 1,980 million), with the exception of the direct loans over which the Bank maintains the repurchase option in the amount of Kz 10,286 million, against Other assets (see Note 16), which were derecognised in 2018, following a non-exercise agreement with GENSA.

For payment of the price of the operations on the various assets the following schedule has been agreed:

**a)** With the signing of the contracts, the payment of Kz 47,428 million, made by delivery of Republic of Angola public debt securities (registered in the Securities Portfolio – Note 9);

**b)** Five annual and constant payments of the remaining amount due, starting from 15 July 2017 (with two tranches – Kz 25,980 million and USD 396 million).

Interest at a rate of 7% is payable on the amount due.

The Payment Agreement entered into between the parties foresees that the five above-mentioned instalments shall be paid in one of the following ways, to be approved by the intervention of public law legal persons and/or the respective supervisory, regulatory or other bodies through the legal-economic instruments appropriate for the effect, under the terms of the legislation in force at any time:

**a)** By delivering the Angolan Republic Treasury Bonds in National Currency, identified in Presidential Decree No. 196/15, of 8 October, in Executive Decree No. 656/15, of 24 November, Decree No. 123/16, of 9 June, or decree relative to the same object that succeeds it, under the terms foreseen in the respective legislation concerning public debt and its forms of transmission, without prejudice to the provisions of paragraph iii) below, which shall prevail;

**b)** In cash, without prejudice to the provisions of paragraph c) below, which shall prevail;

**c)** The USD-indexed portion of the price, in each annual instalment, shall be paid by means of the delivery of securities of Treasury Bonds of the Republic of Angola indexed to the Kz/USD exchange rate by BNA on the date of each payment or, alternatively, paid by means of a USD deposit in a Banco Económico bank account.

On 20 March 2017, Banco Económico transferred in kind to BNA a portfolio of Treasury Bonds of the Republic of Angola in the amount of Kz 14,662 million and receivables from the transfer and sale of assets to GENSA, in the amount of Kz 256,963 million (49% of the total balance of "Other assets"), for the full settlement of the financing granted by BNA to Banco Económico, in the total amount, on that date, of Kz 271,625 million (Kz 230,372 million on 31 December 2016 – Note 17).

On 15 July 2017, the first payment of the five annual instalments of principal and interest relating to the transfer of economic rights and the sale of assets, totalling Kz 179,360 million (Kz 54,360 million and USD 749 million, of which Kz 25,980 million and USD 396 million in principal and Kz 28,380 million and USD 352 million in interest), of which Kz 76,734 million was due to the BNA, by virtue of the assignment of the rights to be received by Banco Económico, as mentioned in the previous paragraph. As referred to in the Order of the Minister of Finance dated 9 October 2017, as GENSA's supervisory body, in order to adjust the payment plan to the pace of recovery of credits and other assets, allowed by the current economic context, and to minimise the amounts of public debt to be issued in the future to cover any deficit, with the amounts recovered to date being used to partially pay the interest due, the reformulation of the Debt Payment Agreement was authorised as follows:

**a)** To make a payment equivalent to Kz 25,216 million, of which Kz 388 million through public debt securities, for the partial payment of interest to Banco Económico;

**b)** Capitalise the remaining unpaid interest in the amount of USD 201 million and Kz 28,380 million;

**c)** To alter the payment plan of the asset transfer operation from 5 years to 24 years, in accordance with that established by the State for the issue of public debt for this type of operation, maintaining the interest rate at 7%. The new plan foresees annual payments of capital of USD 90,940 thousand and Kz 6,594,949 thousand, plus interest calculated on the outstanding capital.

On 19 December 2017, an agreement was signed between the Bank and GENSA formalising the above conditions.

As at 31 December 2018, the payment of the first of 24 instalments of principal and interest, totalling Kz 22,804,429 thousand and USD 314,458 thousand (being Kz 6,594,949 thousand and USD 90,940 thousand principal, and Kz 16,209,480 thousand and USD 138,692 thousand interest) was scheduled, of which USD 267,131 thousand (being USD 77,253 thousand principal and USD 189,878 thousand interest) was due to the Bank The remainder would be due to BNA under the assignment of rights agreement referred to above.

At the present date, GENSA has not yet made the payment of this instalment of principal and interest.

During discussions with MINFIN and BNA, the Bank informed these entities of the possibility of applying a discount to the outstanding amount of USD 61,777 thousand (Kz 19,064,674 thousand), having deducted this amount from the amount receivable from GENSA recorded in the balance sheet and incorporated the respective loss in the results for the year.

Meanwhile, the BNA and MINFIN communicated, in May 2019, to Banco Económico and its Shareholders, that they wanted the asset sale operation to GENSA to be reversed in a capital increase operation to be carried out by the current Shareholders. Also within the scope of the contacts with MINFIN and BNA on this matter, the said entities informed of their intention to replace the payment of the price for the transfer/sale of assets to GENSA with a capital increase to compensate the difference between the sale price and the current valuation value of the assets transferred/sold.

On 22 July 2019, the BNA notified Banco Económico to proceed with the referred capital increase to be carried out until 30 June 2020, quantified in the amount of Kz 416 billion but subject to change if any adjustment were to be determined according to the analyses that were still in progress, including the asset quality assessment programme, in order to ensure the replacement of the Regulatory Own Funds (ROF) and the adequacy of the Regulatory Solvency Ratio (RSR). As mentioned in the same letter, if during the capital increase, significant changes occurred in impairment losses whose analysis was still in progress, the Bank should request to BNA, the proportional change in the capital to be made. Thus, the capital increase required to offset the change in assumptions regarding the sale of assets to GENSA could be different from that referred to, depending on the time of its realisation and how it is applied.

On 19 July 2019, Sonangol EP notified Banco Económico that Lektron Capital, S.A. (Lektron) delivered shares representing 30.98% of the Bank's capital, as payment for the loan taken out by Lektron from Sonangol EP. With this payment in kind, Sonangol EP increased its shareholding in Banco Económico to 46.98% and the Sonangol Group to 70.38%. Subsequently, the Shareholders Sonangol, EP, Sonangol Vida, SA and Sonangol Holdings, Lda. formally expressed their intention to subscribe and carry out the capital increase that would be approved at the General Meeting of 7 August 2019, in the percentages of their shareholdings or in the full amount of the capital increase, should the remaining Shareholders not exercise their pre-emptive right.

Considering that the asset sale contracts with GENSA were still in force, that the terms under which they would be modified to give rise to the capital increase operation were not yet known and that the value of the assets was being confirmed, Banco Económico did not include in the financial statements as at 31 December 2018, the effect on results that could result from the change in the assumptions of the asset sale operation. However, due to the change in the assumptions of the Operation with the ENSA Group, taking into account that the Shareholders Sonangol, EP, Sonangol Vida, SA and Sonangol Holdings, Lda expressed, in a letter issued on 2 August 2019, their intention to subscribe and carry out the capital increase, to be approved at the General Meeting of 7 August 2019, the financial statements were prepared on a going concern basis.

Following the asset quality assessment (AQA) programme, Banco Nacional de Angola communicated, in December 2019, to Banco Económico, its conclusions on the same, concluding the need for significant adjustments, mostly associated with the correct value of the asset transfer operation to GENSA, calculating an impairment of approximately 60% (sixty per cent). However, the need for capital stood at similar amounts to those initially presented in the communication of 22 July 2019 (Kz 416 billion), with the Bank having to submit a Recapitalisation Plan to the BNA by 28 February 2020, which should be implemented by 30 June 2020 (Note 16 – Other assets).

As a result of the above determinations, Banco Económico initiated a set of procedures to adopt the best international practices and hire an internationally renowned consulting firm, to prepare a Recapitalisation Plan that complies with the defined requirements and was in the best interest of its Shareholders. However, despite the submission of the initial Plan and subsequent adaptations to it, as a result of suggestions from the 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 the structuring of the capitalisation Plan, restricting 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, the BNA informed Banco Económico of the return of the operation contracted on 20 March 2017, arising from the settlement of financing granted through the payment in kind of receivables from the operation of transfer and sale of assets to GENSA, in the amount of Kz 256,963 million. Consequently, the Bank carried out a revaluation of impairment considering this amount recognising, in 2020, an impairment of Kz 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 proportion of 60%.

As part of the implementation of the RRP, a General and Universal Shareholders' Meeting was held on 15 February 2022, subject to 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;
3. Approval of the issue of Perpetual Participation Bonds;
4. Approval of the issue of Convertible Bonds.

The General Shareholders' Meeting was attended by all the Bank's Shareholders and all the items on the agenda were approved, thus meeting 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 Shareholders' Meeting, within no more than 45 (forty-five) days from that date, to take the necessary resolutions to conclude the recapitalisation operations, in accordance with the RRP approved by the Banco Nacional de Angola.

On 5 August 2022, the Bank held a General Shareholders' Meeting where the following resolutions were passed:

1. Approval of Banco Económico's Recapitalisation and Restructuring Plan, approved by the BNA and presented at Banco Económico's General Shareholders' Meeting on 15 February 2021, and ratification of all acts carried out by the Board of Directors in accordance with said plan;

2. Appraisal and approval of the reports and accounts for the financial years 2019/2020/2021 and the opinions of the Supervisory Board and External Auditor;

3. Approval of the reduction of share capital by total incorporation of losses, under the terms of Article 243 of Law 14/21 of 19 May – LRGI, and subsequent increase by share capital, under the terms of the Bank's RRP, approved by the BNA on 21 December 2021;

4. Approval of the capital increase, within the framework of the measures and in accordance with the assumptions defined in the aforementioned Plan, up to a maximum value of Kz 358,006,457,220, with waiver of the exercise of pre-emptive rights by the Shareholders, in which the new shares will be fully subscribed by a venture capital collective investment undertaking, managed by an independent management entity.

On 22 August 2022, a General Meeting was held where the following items were decided:

1. The Bank's articles of association were amended;

2. The Fund approved the new Governing Bodies for the next three years (2022 to 2024).

## IV – "Operation with the ENSA Group" on 31 December 2022

The financial statements for the year ended 31 December 2022 include the following effects relating to the "Operation with the ENSA Group":

Values expressed in thousand Kz

| Headings of the Financial Statements | 31/12/2022 | 31/12/2021 Restated | Notes |
|---|---|---|---|
| **Income Statement** | | | |
| Interest and similar expenses | **(2,030,759)** | (3,694,722) | 24 |
| Net gain (loss) from foreign exchange | **(51,485,095)** | (86,976,996) | 27 |
| Impairment | **-** | 12,798,926 | 31 |
| | **(53,515,854)** | **(77,872,792)** | |
| **Statement of Financial Position** | | | |
| Other assets | **531,801,865** | 583,689,638 | 16 |
| Capital | **1,240,904,570** | 1,351,402,876 | 16 |
| Accrued interest | **182,389,602** | 200,962,026 | 16 |
| Advances for real estate properties | **27,504,088** | 29,350,528 | 16 |
| Payments associated with real estate properties | **2,644,740** | 1,793,243 | 16 |
| Impairment on other assets | **(921,641,135)** | (999,819,035) | 16 |
| Other liabilities | **(83,268,230)** | (83,418,076) | 21 |
| Settlements in transferred loans and advances | **(62,697,406)** | (65,328,071) | 21 |
| Interest and other expenses paid | **(12,912,641)** | (11,578,563) | 21 |
| Receipts associated with real estate properties | **(7,658,183)** | (6,511,442) | 21 |
| | **448,533,635** | **500,271,562** | |

In relation to the balances and transactions with INVESTPAR as at 31 December 2022 and 2021, we highlight that:

1. As presented in Notes 16 and 27, in 2022 the Bank did not make any significant adjustments with regard to the INVESPAR operation, and the variation essentially results from the exchange revaluation, taking into account that part of the balances are in USD;

2. As presented in Note 27, in 2022 and 2021, the Bank recorded the amounts of Kz 51,485,095 thousand and Kz 86,976,996 thousand, respectively, of foreign exchange losses arising from the exchange revaluation of the foreign currency component of INVESTPAR's accounts receivable and payable, recorded under "Other assets" and "Other liabilities"; and

3. As presented in Note 24, the Bank has stopped recording interest income from the "Operation with the ENSA Group" since 2020 (inclusive), given the default recorded since 31 December 2018. In addition, according to the same Note, the Bank recorded the amounts of Kz 2,030,759 thousand and Kz 3,694,722 thousand, respectively, in 2022 and 2021, relating to interest charges on the "Operation with the ENSA Group".

As shown in Note 21, as at 31 December 2022 and 2021, the Bank has balances of other liabilities in the amount of Kz 83,268,230 thousand and Kz 83,418,076 thousand, mainly relating to recoveries from operations transferred 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

According to Note 37, there were relevant developments on the implementation of measures deemed necessary to proceed with the recapitalisation and profitability of the Bank, of which we highlight the following:

(i) Issue of 27,822 Convertible Bonds (CBs), amounting to a total of Kz 27,822,000 thousand, on 26 January 2023, fully subscribed by the Eligible Depositors of the RRP;

(ii) Signature of the Memorandum of Understanding of another Eligible Depositor of the RRP in February 2023, having subscribed the instruments that make up the capital of BE in March of this year, namely the Perpetual Participation Bonds (PPBs) and the CBs, increasing the issued value of the instruments to Kz 124,645,000 thousand and Kz 28,684,000 thousand, respectively. Membership of Económico – Fundo de Capital de Risco de Subscrição Particular was not approved by the CMC and the reallocation of funds to the financial instruments already subscribed is being analysed;

(iii) The Promissory Contract for the Purchase and Sale of BE's Headquarters Building was signed on 21 April, for USD 100,000 thousand, paid in kwanzas at the exchange rate of the day and in two instalments (60% downpayment and the remainder when the property is deeded), with the first instalment, corresponding to USD 60,000 thousand, being paid in August 2023;

(iv) The agreement for the reversal of the asset transfer operation with INVESTPAR (ex-GENSA) was approved by BE's Board of Directors on 19 April 2023, and the agreement for the reversal of the operation was signed on 15 May 2023;

(v) Swap of 2040 Treasury Bonds held by the BE in April 2023 with the Public Debt Management Unit (UGD) for 3, 5 and 10 year bonds in May, with a 20% haircut on the nominal value. The operation resulted in capital gains of approximately Kz 22,824,848 thousand;

(vi) Settlement, on 31 August 2023, of the subordinated loan with Novo Banco;

(vii) There was a significant devaluation of the Kwanza against the US Dollar (more than 60% against the reference exchange rates on 31 December 2022), and the Bank's Board of Directors is currently assessing the impact on the financial statements.

# Note 39
# Accounting standards and recent Interpretations

The application of the following standards, interpretations, amendments and revisions is mandatory for the first time in the financial year starting 1 January 2022:

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 3 – References to the Conceptual Framework for Financial Reporting | This amendment updates the references to the conceptual framework in the IFRS 3 text. No changes have been made to the accounting requirements for business combinations.<br><br>The accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.<br><br>The amendment applies prospectively. |
| Amendments to IAS 16 – Income before start-up | Clarifies the accounting treatment given to the consideration obtained from the sale of products resulting from the test production of tangible fixed assets, prohibiting its deduction from the assets' acquisition cost. The entity recognises the income obtained from the sale of such products and the costs of producing them in profit or loss. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IAS 37 – Onerous contracts – costs of fulfilling a contract | This amendment specifies that, when assessing whether or not a contract is onerous, only costs directly related to the fulfilment of the contract can be taken into account, such as incremental costs related to direct labour and materials and the allocation of other directly related costs, such as the allocation of depreciation costs of tangible assets used to fulfil the contract.<br><br>General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract.<br><br>This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without having to restate the comparative data. |
| Amendments to IFRS 1 – Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle) | This amendment clarifies that when a subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements (assuming that no adjustment has taken place in the consolidation process), the measurement of the accumulated translation differences can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's date of transition to IFRS. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the "10 per cent" variation test (included in the annual improvements for the 2018-2020 cycle) | This amendment clarifies which commissions an entity should include when assessing whether the terms of a financial liability are substantially different from the terms of the original financial liability. Therefore, within the scope of the derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and the creditor should be included, including commissions paid or received by the debtor or the creditor on behalf of the other. |
| Amendments to IAS 41 – Taxation and fair value measurement (included in the annual improvements for the 2018-2020 cycle) | This amendment eliminates the requirement in paragraph 22 of IAS 41 to exclude cash flows related to income tax when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13. |
| Amendments to IFRS 16 – Leases – Concessions related to COVID-19 in terms of rents beyond 30 June 2021 | On 28 May 2020, the amendment to IFRS 16 called "Concessions related to COVID-19" was issued, introducing the following practical expedient: a lessee can choose not to assess whether a Covid-19 related rent concession is a lease modification.<br><br>Lessees who choose to apply this expedient account for the change in rental payments resulting from a COVID-19-related concession in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.<br><br>Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the prolonged impact of the pandemic, on 31 March 2021 it was extended to payments originally due by 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.<br><br>In short, the practical expedient can be applied as long as the following criteria are met:<br><br>• The change in lease payments results in a revised consideration for the lease that is substantially the same as, or lower than, the consideration immediately prior to the change;<br><br>• Any reduction in lease payments only affects payments due on or before 30 June 2022; and<br><br>• There are no significant changes to other terms and conditions of the lease. |

These standards and amendments had no material impact on the Bank's individual financial statements.

The application of the following standards, interpretations, amendments and revisions is mandatory in future economic periods:

| Standard/Interpretation | Description |
|---|---|
| IFRS 17 – Insurance Contracts | IFRS 17 applies to all insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as some guarantees and some financial instruments with discretionary participation characteristics. In general terms, IFRS 17 provides a more useful and consistent accounting model for insurance contracts for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. |
| Amendment to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information | This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.<br><br>The amendment adds a transition option, which allows an entity to apply an "overlay" to the classification of a financial asset in the comparative period(s) presented in the initial application of IFRS 17. The overlay allows all financial assets, including those relating to non-contract activities within the scope of IFRS 17, to be classified, instrument by instrument, in the comparative period(s), in a way that is aligned with how the entity expects those assets to be classified in the initial application of IFRS 9. |
| Amendments to IAS 1 – Disclosure of accounting policies | These amendments are intended to help the organisation disclose "material" accounting policies, previously known as "significant" policies. However, due to the lack of this concept in the IFRS standards, it was decided to replace it with the concept of "materiality", a concept already familiar to users of financial statements.<br><br>When assessing the materiality of accounting policies, the entity must consider not only the size of the transactions but also other events or conditions and their nature. |
| Amendments to IAS 8 – Definition of accounting estimates | The amendment clarifies the distinction between a change in accounting estimate, a change in accounting policy and the correction of errors. In addition, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction | The amendment clarifies that payments that settle a liability are tax deductible. However, it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is important for determining whether there are temporary differences in the initial recognition of assets or liabilities.<br><br>Thus, the initial recognition exception does not apply to transactions that give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not the same. |
| Amendments to IAS 1 – Presentation of Financial Statements – Classification of current and non-current liabilities | This amendment aims to clarify the classification of liabilities as current or non--current balances, depending on the rights an entity has to defer payment at the end of each reporting period.<br><br>The classification of liabilities is not affected by the expectations of the entity (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a covenant.<br><br>However, if the right to defer settlement for at least twelve months is subject to the fulfilment of certain conditions after the statement of financial position date, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current.<br><br>This amendment also includes a new definition of "settlement" of a liability and is of retrospective application. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 16 – Lease liabilities in sale and leaseback transactions | This amendment specifies the requirements regarding the subsequent measurement of lease liabilities related to sale and leaseback transactions, which qualify as a "sale", in accordance with the principles of IFRS 15, with a focus on variable lease payments that do not depend on an index or a rate.<br><br>In the subsequent measurement, seller-lessees must determine the "lease payments" and "revised lease payments".<br><br>When subsequently measuring lease liabilities, seller-lessees should determine the "lease payments" and "revised lease payments" in such a way as not to recognise any gain or loss related to the retained right of use. The application of these requirements does not prevent the seller-lessee from recognising, in the profit or loss, any gain or loss related to the partial or total "sale", as required by paragraph 46(a) of IFRS 16.<br><br>This amendment applies retrospectively. |

The Bank did not apply any of these standards in advance in the financial statements for the year ended 31 December 2022. No significant impacts are expected on the financial statements as a result of its adoption.

# Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder
of Banco Económico, S.A.

**Introduction**

1. We have audited the attached individual financial statements of Banco Económico, S.A. (hereinafter also referred to as the "Bank"), which comprise the individual statement of financial position as at 31 December 2022 showing a total of 1,025,029,641 thousand kwanzas and a negative equity of 155,983,432 thousand kwanzas, including a negative net income of 37,953,342 thousand kwanzas, the individual income statements, other comprehensive income, changes in equity and cash flows for the year then ended and the corresponding Notes to the Financial Statements.

**Responsibilities of the Board of Directors for the Individual Financial Statements**

2. The Board of Directors is responsible for the preparation and fair presentation of these individual financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as it determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibilities of the Auditor**

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 Expert Accountants of Angola. These standards require that we fulfil ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual financial statements are free from material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence about the sums and disclosures presented 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 individual financial statements due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing 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 individual financial statements.

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5. We are certain that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

**Basis for an Adverse Opinion**

6. As disclosed in Note 37 of the Notes to the Financial Statements, on 15 June 2016, the Bank signed contracts with the ENSA - Investimentos e Participações, E.P. Group, now Investpar - Investimentos e Participações (SU), S.A. ("Investpar"), for the transfer of economic rights to credit operations and investment fund units and contracts for the transfer of other assets held by the Bank. On 31 December 2022, in connection with these contracts, the item "Other assets" includes the net amount of impairment losses of 531,801,865 thousand kwanzas (583,689,638 thousand kwanzas on 31 December 2021), which corresponds to a gross amount of 1,453,443,000 thousand kwanzas (1,583,508,673 thousand kwanzas as at 31 December 2021) and impairment losses of 921,641,135 thousand kwanzas (999,819,035 thousand kwanzas as at 31 December 2021), most of which are denominated in US dollars (Note 16 to the Notes to the Financial Statements). Throughout the period between 2016 and 2022, there have been breaches in the payment agreement established for the contracts signed, including in the addenda to the initial contracts made subsequently (Note 37 of the Notes to the Financial Statements). The impairment losses recorded for this balance were calculated in accordance with the results of the Asset Quality Assessment programme promoted by the National Bank of Angola, carried out with reference to 31 December 2018, with the recovery calculated on the basis of an estimate of the valuation of the real estate assets associated with the contracts signed, which has not been updated since that date. Furthermore, in the context of the contracts signed, the item "Other liabilities" (Note 21 of the Notes to the Financial Statements) includes the amount of 83,268,230 thousand kwanzas (83,418,076 thousand kwanzas as at 31 December 2021) relating essentially to the recoveries made by the Bank in relation to the credit contracts assigned. The response to our request for confirmation of balances sent by Investpar shows material differences from the Bank's accounting records, which have not been justified by the Bank. On the other hand, as disclosed in Note 37 of the Notes to the Financial Statements, on 15 May 2023 an agreement was signed between the Bank and Investpar which provides for the reversal of the above-mentioned contracts and the consequent reincorporation by the Bank of the assets transferred, and the Bank's Board of Directors is still in the process of calculating the effects associated with the reversal of this operation, so we were unable to conclude on the impacts of this operation on the Bank's individual financial statements. In view of the above, we are unable to conclude on the possible effects of these matters on the Bank's individual financial statements as at 31 December 2022.

7. As disclosed in Note 2.6 of the Notes to the Financial Statements, the model for calculating impairment losses for loans and advances to customers on a collective basis has significant limitations which impact the calculation made by the Bank's Board of Directors. In addition, the calculation of off-balance sheet liabilities associated with loans that should be analysed on a collective basis, namely commitments made to third parties and guarantees and sureties given, has limitations resulting essentially from inconsistencies generated in the migration of information between some of the Bank's computer systems in previous years (Note 33 of the Notes to the Financial Statements). As at 31 December 2022, the exposure to loans and advances to customers subject to impairment analysis calculated on a collective basis amounts to 38,201,982 thousand kwanzas (40,320,844 thousand kwanzas as at 31 December 2021) with impairment losses of 21,948,368 thousand kwanzas (18,784,715 thousand kwanzas as at 31 December 2021) (Note 10 of the Notes to the Financial Statements) and off-balance sheet liabilities associated with loans and advances to customers amount to 258,422,109 thousand kwanzas (390,205,203 thousand kwanzas as at 31 December 2021) (Note 33 in the Notes to the Financial Statements) with associated provisions of 147,750 thousand kwanzas (268,486 thousand kwanzas as at 31 December 2021) (Note 20 in the Notes to the Financial Statements). In view of these limitations, we are unable to conclude on the possible effects of these matters on the Bank's individual financial statements as at 31 December 2022.

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8. In accordance with International Accounting Standard 12 - Income Taxes ("IAS 12") and the accounting policy disclosed in Note 2.14 of the Notes to the Financial Statements, the Bank must assess the recording of deferred tax liabilities and/or assets according to the temporary differences calculated, which result from the difference between the balance sheet value of an asset or liability and its tax base. To date, we have not obtained sufficient information to allow us to conclude on the adequacy of the calculation of the tax for the year with reference to 31 December 2022, in particular the component of the calculation of potential and realised favourable or unfavourable exchange rate variations, so it is not possible for us to conclude on the calculation of the current tax for the year, nor on the existence of temporary differences that would give rise to the recording of deferred taxes. In addition, as disclosed in Note 15 of the Notes to the Financial Statements, on 31 December 2022 and 2021 the item "Current tax assets" includes the amount of 1,450,599 thousand kwanzas relating to a tax credit resulting from the provisional assessment of Industrial Tax made in 2019, for which we have not obtained sufficient and appropriate information to allow us to conclude on the recoverable amount of that amount. In view of the above, we are unable to conclude on the possible effects of these matters on the Bank's individual financial statements as at 31 December 2022.

9. As disclosed in Note 27 of the Notes to the Financial Statements, on 31 December 2022 the item "Foreign exchange" shows a net credit balance of 30,301,903 thousand kwanzas corresponding to the results of the foreign exchange revaluation of the balance sheet position and the foreign exchange operations carried out by the Bank in 2022. To date, we have not obtained sufficient and appropriate information to allow us to validate the reasonableness of the balance of this item as at 31 December 2022. In view of the above, we are unable to conclude on the possible effects of this matter on the Bank's individual financial statements as at 31 December 2022.

10. As disclosed in Note 18 of the Notes to the Financial Statements, on 31 December 2022 the item "Customer funds and other loans" shows an amount of 776,588,133 thousand kwanzas relating to customer deposits, from which a sample of customers with deposits amounting to 528,486,553 thousand kwanzas was randomly selected to carry out balance confirmation procedures, and no responses were received for the amount of 20,007,552 thousand kwanzas. Considering the relevance of this procedure for obtaining sufficient and appropriate audit evidence to validate the balance of this item and considering some weaknesses in the Bank's internal control procedures regarding customer data, we are unable to conclude on the possible effects of this matter on the Bank's individual financial statements as at 31 December 2022.

11. To date, we have not obtained sufficient and appropriate information to enable us to carry out an analysis of the manual accounting entries made by the Bank during the year ended 31 December 2022 (Journal Entries Testing), in order to address the risk of derogation from controls by the Board of Directors, as required by "International Auditing Standard 240 - The auditor's responsibilities relating to fraud in an audit of financial statements". In view of the above, we are unable to conclude on the possible effects of this matter on the Bank's individual financial statements as at 31 December 2022.

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12. As disclosed in Notes 16 and 37 of the Notes to the Financial Statements, in 2020 an asset was recognised under "Other assets" in the amount of 260,000,000 thousand kwanzas, corresponding to the deferral of impairment losses for a period of 5 years, as provided for in the Recapitalisation and Restructuring Plan. In the year ended 31 December 2022, the Bank derecognised part of that balance, in the amount of 52,000,000 thousand kwanzas, against the item "Other reserves and retained earnings", having also restated this matter in the previous year's financial statements (Note 2.2 of the Notes to the Financial Statements). In view of the information available, although the deferral of impairment losses may have a framework for complying with the regulatory requirements agreed with the National Bank of Angola, we believe that it does not meet the IFRS requirements for recognition as an asset. As a result, on 31 December 2022, the items "Other assets" (Note 16 of the Notes to the Financial Statements) and "Other reserves and retained earnings" (Note 23 of the Notes to the Financial Statements) are overstated by 208,000,000 thousand kwanzas.

13. As disclosed in Note 9 of the Notes to the Financial Statements, on 31 December 2022 the item "Investments at amortised cost" includes public debt securities in the amount of 16,548,424 thousand kwanzas (16,349,410 thousand kwanzas on 31 December 2021), received in 2016 in relation to the payment associated with the contracts signed with Investpar, which mature in 2040 and have an interest rate of 5%. Considering that the maturity and interest rate of these public debt securities were not in line with market conditions on the date of acquisition and that no similar market transactions were available, the Board of Directors calculated the fair value at the initial moment in accordance with the methodology disclosed in Note 9 of the Notes to the Financial Statements. However, although we have not been provided with support for the calculation made by the Bank, it is our understanding that the assumption regarding the difference in inflation to be imputed in the discount rate used to calculate the fair value of this asset at the initial moment was not properly applied, resulting in an overvaluation on 31 December 2022 of the item "Investments at amortised cost", retained earnings and net income for the year by an amount that we are unable to quantify.

14. As disclosed in Note 2.1 of the Notes to the Financial Statements, in accordance with the requirements of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29"), in the financial years ending 31 December 2017 and 2018, the functional currency of the Bank's individual financial statements corresponded to the currency of a hyperinflationary economy, and will no longer have this classification in the financial year beginning in 2019, essentially as a result of the reduction in Angola's inflation rate. However, with reference to those years, the Angolan Banking Association and the National Bank of Angola expressed their interpretation that all the requirements laid down in IAS 29 for the Angolan economy to be considered hyperinflationary had not been met. Consequently, the Bank's Board of Directors has decided not to apply the provisions of IAS 29 in its individual financial statements for the years ended 31 December 2017 and 2018, nor to make the necessary adjustments in the individual financial statements for subsequent years, with regard to opening balances and the adjustments that result from applying the IAS 29 provisions when an economy ceases to be hyperinflationary. To date, we have not obtained sufficient and appropriate information to enable us to quantify the impact of this situation on the Bank's individual financial statements as at 31 December 2022.

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15. As disclosed in Notes 2.1 and 37 of the Notes to the Financial Statements, the Bank's individual financial statements as at 31 December 2022 were prepared on a going concern basis, since the Board of Directors believes that, despite the negative equity of 155,983,432 thousand kwanzas, which determines the application of the provisions of Article 37 of Law No. 1/04 of 13 February - Commercial Companies Act, and the various economic and financial imbalances found, with implications, among others, for compliance with regulatory capital and liquidity requirements, that assumption is appropriate in view of the Recapitalisation and Restructuring Plan and additional measures that have been defined and implemented. In this context, the Bank's Board of Directors prepared a base scenario, with financial projections for the years 2023 to 2026, which is based on a set of assumptions and which identifies the need for a capital increase with reference to 31 December 2023 of around 366 billion kwanzas, aimed at balancing the Bank's equity, increasing liquidity levels and ensuring compliance with the regulatory requirements for that date (Note 37 of the Notes to the Financial Statements). However, we emphasise that: (i) a significant part of the assumptions considered in these projections are not under the control of the Bank's Board of Directors, namely the existence of a debt restructuring with the National Bank of Angola, which, if it does not materialise, could require an additional capital increase of around 257 billion kwanzas; (ii) some assumptions related to the evolution of the business and operational measures to be implemented prove to be difficult to materialise, and failure to comply could lead to additional capital requirements; and (iii) with regard to the need for a capital increase identified, the Board of Directors does not have evidence of the terms under which it could be carried out, and according to the projections mentioned above, if it does not take place by 31 December 2023, capital needs could increase in the following years (Note 37 of the Notes to the Financial Statements). In addition, the Bank's Board of Directors has prepared two alternative scenarios, but the assumptions made are not under the control of the Bank's Board of Directors, nor has any evidence been made available to us about the likelihood of them being applied in the future. According to information obtained from the Bank's Board of Directors, it has had interactions with the Bank's Shareholder and the National Bank of Angola about the Bank's current situation, but these have not resulted in concrete measures to meet the capital needs identified by the Bank's Board of Directors. In view of the above, we believe that the use of the going concern assumption in the preparation of the Bank's individual financial statements as at 31 December 2022 is not appropriate, and we are unable to conclude on the impacts that the use of an assumption other than going concern would have on these individual financial statements, but we believe that the impacts would be material and profound.

**Adverse Opinion**

16. In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion" section, the individual financial statements referred to in paragraph 1 above do not present fairly, in all material respects, the financial position of Banco Económico, S.A. as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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**Emphases**

17. As disclosed in Note 22 of the Notes to the Financial Statements, following the implementation of the Recapitalisation and Restructuring Plan, the Bank's share capital increase was carried out in 2022, which is currently pending registration with the Commercial Registry. According to information obtained from the Bank's Board of Directors, this process was pending registration because there were aspects related to the applicable fees that were being clarified, and the definitive registration is expected to be finalised by the end of the 2023 financial year.

    Our adverse opinion is not changed with regard to this matter.

**Other Matters**

18. The individual financial statements for the year ended 31 December 2021, presented by the Board of Directors for comparative purposes and in order to comply with the requirements to publish accounts, were audited by another auditor, whose Independent Auditor's Report, dated 12 July 2022, contained six reservations relating to the matters described in paragraphs 6 to 8 and 12 to 14 above, as well as two reservations relating to: (i) the derecognition of liabilities relating to documentary credits, which in the 2022 financial year were reflected in the Bank's individual financial statements, having applied them retrospectively and restated its financial statements for the previous year, presented for comparative purposes (Notes 2.2 and 21 of the Notes to the Financial Statements); and (ii) the non-presentation of consolidated financial statements, which is not applicable to the 2022 financial year, given that the Bank will present its consolidated financial statements. In addition, the Independent Auditor's Report contained an emphasis related to the existence of a material uncertainty in the Bank's use of the going concern assumption.

19. The attached financial statements refer to the Bank's individual activity and were prepared by the Board of Directors for approval at the General Shareholders' Meeting and to fulfil the legal and National Bank of Angola requirements for the presentation of individual accounts. As disclosed in Note 14 of the Notes to the Financial Statements, the item "Investments in subsidiaries, associates and joint ventures" includes holdings mainly owned by the Bank and measured using the equity method in the net amount of 2,448,343 thousand kwanzas. The attached financial statements do not include the effect of the full consolidation of these shareholdings, which will be carried out in consolidated financial statements to be approved and published separately.

Luanda, 09 October 2023

Deloitte & Touche – Auditores, Limitada Represented by
José António Mendes Garcia Barata OCPCA Member
No. 20130163

# Report and opinion of the Supervisory Board on the individual financial statements

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE INDIVIDUAL FINANCIAL STATEMENTS FOR 2022

To the Board of Directors and Shareholders of Banco Económico, S.A.

Under the terms of Article 441 of Law No. 01/2004 of 13 February (the Commercial Companies Act) and Article 15 of Notice No. 01/2022 of 28 January (the Corporate Governance Code for Banking Financial Institutions) and under the terms of the Bank's Articles of Association (Article 31), the Supervisory Board presents its report on its supervisory activity, as well as its opinion on the Financial Statements of Banco Económico, S.A. ("the Bank") for the financial year ending 31 December 2022, in accordance with the following assumptions:

1 - Competences and Duties

a) It is the responsibility of the Board of Directors to disclose and publish complete, reliable, current, timely, consistent and comprehensible information, avoiding disagreements in its accessibility to shareholders and other stakeholders. The Bank's capital structure, corporate acts and relevant risks, information on the members of the governing bodies and financial information, namely the Management Report, Financial Statements and Notes to the Financial Statements, must be disclosed at least annually.

b) It is the External Auditor's responsibility to verify and certify the proper accounting recording of asset facts, in accordance with the provisions of Notice No. 05/2019 of 30 August and its alignment with best practices and international financial reporting standards applicable to the banking sector, ensuring that reasonable evidence is obtained of the application of adequate levels of internal control, risk assessment and any evidence or suspicion of fraud or misrepresentation, concluding that the financial statements are adequately disclosed, verifying the applicability of the going concern assumption and expressing its independent opinion.

c) The Supervisory Board is responsible for verifying the information contained in the financial statements, the basis for issuing an impartial technical opinion that expresses good practice in the use of the resources allocated to the Bank, compliance with the statutes, laws and regulations, as well as the correct assessment of the Bank's economic and financial performance.

2.- Supervisory activity of the Supervisory Board

a) The Supervisory Board, which has been active since the last quarter of 2022, has held periodic meetings with the Bank's Management and relevant Departments responsible for Accounting, Compliance, Risk, Internal Audit and Human Capital, has continuously monitored the Bank's performance, examined its Financial Statements and obtained the information and explanations deemed appropriate to understand the real situation of financial and regulatory balance, the organisation and existing metrics, particularly focused on the issue of its sustained continuity.

b) It appraised the Corporate Governance and Internal Control Model and the Prevention and Combating of Money Laundering, the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction, Internal Regulations, Policies and other procedures deemed appropriate and timely.

c) The Supervisory Board, supported by systematic and fruitful interactions with the Board of Directors and relevant units, is aware of the Bank's overall financial, liquidity, capital and regulatory imbalance and has taken in consideration the various diagnoses of the Bank's economic and financial situation and its institutional reports.

d) It took note of the communication from the National Bank of Angola, reference 480/DSB/21, dated 11 August 2021, which temporarily exempts the Bank from complying with the prudential limits on regulatory own funds, foreign exchange position, solvency ratio, limits on major risks, interest rate risk and liquidity ratio. However, the Bank is obliged to present the National Bank of Angola with a proposal for phased fulfilment of the requirement and to implement a cost containment and reduction plan that includes closing less productive branches, refraining from awarding premiums and bonuses to employees and members of the Governing Bodies, refraining from hiring new employees, limiting variable remuneration, making lending subject to the prior approval of the National Bank of Angola and imposing additional reporting requirements. As part of this, the Bank is required to report to the National Bank of Angola every month on the detailed timetable for the progress of compliance with the measures, a procedure that has been followed.

e) The Supervisory Board regularly monitors the Bank's assessment of the implementation of the Recapitalisation and Restructuring Plan (RRP) measures, assessing their impact on the Financial Statements and on the Bank's main indicators, namely solvency, liquidity and foreign exchange position, which are in breach of regulatory requirements. The RRP measures have been implemented at a good pace, with the overall degree of implementation standing at around 70%, resulting from the completion of most of the planned strategic initiatives.

3.- Conclusions of the Supervisory Board

a) The "Report on the Prevention of Money Laundering, the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction", approved by the Board of Directors on 26 January 2023, formally meets the requirements of Notice No. 14/20, of 22 June and Instruction No. 20/20, of 09 December and strives for the veracity, adequacy and sufficiency of policies and processes;

b) The "Global Annual Report on Corporate Governance and Internal Control", approved by the Board of Directors on 26 August 2023, complies with the provisions of Notice No. 01/2022, of 28 January and Instruction No. 13/22, of 22 November, and therefore confirms the veracity, suitability and sufficiency of the policies and processes in place in matters of corporate governance and internal control.

c) Banco Económico, S.A., with a paid-up share capital of 271,500,000 mAOA (thousands of kwanzas), closed the financial year on 31 December 2022 with net assets of 1,025,029,641 mAOA, in which the heading "Other assets" predominates with around 75% of its total and, in this sub-heading, "INVESTPAR group asset transfers", accounting for 69.25% of the total of "Other Assets".

Net Income for the Year totalled a negative 37,953,342 mAOA and Equity was also negative at 155,983,432 mAOA.

Considering that the Bank's Equity has been fully depleted, in accordance with paragraphs 2 and 5 of Article 20 (Minimum Equity) of Law No. 14/21 of 19 May - Law on the General Framework of Financial Institutions, the Bank is required to regularise the situation within the period established in this Article 20.

The accounts have been prepared on the assumption that the Bank's operations will continue, taking into account the implementation of the restructuring and recapitalisation measures that have been defined and implemented.

d) As a result of the reversal of the asset transfer operation on 15 May 2023, the Bank took possession of a significant volume of credit operations and property assets, which could minimise the shortage of liquidity, but which will take a long time to achieve, so the Bank will remain highly dependent on the desirable provision of liquidity by the National Bank of Angola, as well as the support of this entity with national public entities.

e) The Supervisory Board agrees with the Independent Auditor's Opinion on the Bank's Financial Statements as at 31 December 2022, namely in the expression and justification of the Reserves and Emphasis, with particular emphasis on the reserve that considers the use of the going concern assumption to be inappropriate, as it believes that the impacts on the Financial Statements of using a different assumption are material and profound.

The Board of Directors has analysed various scenarios aimed at meeting the current significant capital needs, but the assumptions for these scenarios are exogenous and cannot be controlled by the Board of Directors.

f) It is the opinion of the Supervisory Board that the Bank's Annual Report and Accounts for the financial year ending 31 December 2022 present the Bank's financial position in a true and fair manner and that the Corporate Governance model implemented is sufficient and appropriate.

g) The Supervisory Board would like to thank the Board of Directors, the Bank's Management and the External Auditors for their availability and co-operation.

Luanda and Banco Económico on 05 October 2023

The Supervisory Board,

Dr. António Joaquim Gama Direitinho

Chair

Dra. Esperança D´Jamila Falcão da Silva

Full member

Dr. Damião Dala Caculo

Alternate member

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## Consolidated financial statements and opinions as at 31 december 2022

**Prepared on a going concern basis.**

# Contents



Somos Futuro

# Consolidated Financial Statements

## Consolidated Statement of Financial Position as at 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Assets** | | | |
| Cash, cash equivalents and balances with central banks | 4 | **44,754,425** | 91,117,818 |
| Balances with other credit institutions | 5 | **28,707,596** | 20,858,571 |
| Investments at central banks and other credit institutions | 6 | **-** | 42,453,933 |
| Financial assets at fair value through profit and loss | 7 | **637,328** | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 8 | **150,188** | 152,751 |
| Investments at amortised cost | 9 | **69,256,039** | 130,090,132 |
| Loans and advances to Customers | 10 | **63,305,755** | 68,067,530 |
| Non-current assets held for sale | 11 | **3,328** | 3,328 |
| Other tangible assets | 12 | **40,282,712** | 41,856,303 |
| Intangible assets | 13 | **8,184,792** | 8,427,067 |
| Current tax assets | 15 | **1,990,496** | 1,511,061 |
| Other assets | 16 | | |
| Transfer of assets – INVESTPAR | | **531,801,865** | 583,689,638 |
| Deferred Impairment | | **208,000,000** | 208,000,000 |
| Other | | **26,921,964** | 27,647,483 |
| **Total assets** | | **1,023,996,488** | **1,225,406,647** |
| **Liabilities and equity** | | | |
| Resources from central banks and other credit institutions | 17 | **261,926,159** | 262,316,318 |
| Customer resources and other loans | 18 | **774,716,582** | 1,302,227,312 |
| Financial liabilities at fair value through profit or loss | 21 | | |
| Provisions | 20 | **5,267,913** | 3,752,283 |
| Current tax liabilities | 15 | **78,202** | 23,501 |
| Subordinated liabilities | 19 | **32,613,458** | 63,698,032 |
| Other liabilities | 21 | | |
| Transfer of assets – INVESTPAR | | **83,268,230** | 83,418,076 |
| Other | | **21,604,422** | 19,948,596 |
| **Total liabilities** | | **1,179,474,966** | **1,735,384,118** |
| Share capital | 22 | **271,500,000** | 72,000,000 |
| Other equity instruments | 22 | **121,196,000** | - |
| Revaluation reserves | 23 | **29,700** | 29,700 |
| Other reserves and retained earnings | 23 | **(510,755,790)** | (756,775,617) |
| Consolidated net income for the year | | **(38,016,296)** | 174,186,007 |
| **Total Equity attributable to BE Shareholders** | | **(156,046,386)** | **(510,559,910)** |
| Non-controlling interests | 23 | **567,908** | 582,439 |
| **Total equity** | | **(155,478,478)** | **(509,977,471)** |
| **Total liabilities and equity** | | **1,023,996,488** | **1,225,406,647** |

These Notes are an integral part of the financial statements.

# Consolidated Statements of Profit and Loss for the years ended 31 December 2022 and 2021

Valores expressos em milhares Kz

| Description | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| Interest and similar income | 24 | 13,135,047 | 20,191,401 |
| Interest and similar expenses | 24 | | |
| Other | | (30,540,559) | (46,592,485) |
| Transfer of assets – INVESTPAR | | (2,030,759) | (3,694,722) |
| **Net Interest Income** | | (19,436,271) | (30,095,806) |
| Equity instruments | | - | |
| Service, fee and commission income | 25 | 9,517,453 | 12,844,138 |
| Service, fee and commission expenses | 25 | (1,483,319) | (1,545,425) |
| Net gain (loss) from financial assets and liabilities at fair value through profit or loss | 26 | 58,252 | 38,245 |
| Net trading income from derivatives | 26 | - | |
| Net gain (loss) from foreign exchange | 27 | | |
| Other | | 81,842,600 | 182,755,948 |
| Transfer of assets – INVESTPAR | | (51,485,095) | (86,976,996) |
| Other operating income | 28 | (5,791,705) | 104,987,855 |
| **Operating income** | | 13,221,915 | 182,007,959 |
| Personnel expenses | 29 | (15,334,415) | (17,053,197) |
| Third-party supplies and services | 30 | (8,637,417) | (11,008,693) |
| Depreciation and amortisation for the year | 12 and 13 | (3,472,251) | (3,400,928) |
| Provisions net of cancellations | 31 | (1,045,724) | 534 |
| Impairment on loans and advances to Customers net of reversals and recoveries | 31 | (20,047,913) | (10,675,432) |
| Impairment on other financial assets net of reversals and recoveries | 31 | 2,512,355 | 20,824,840 |
| Impairment on other assets, net of reversals and recoveries | 31 | (5,176,387) | 13,193,942 |
| Net gain (loss) from subsidiaries, associates and joint ventures (equity method) | 14 | - | 135,104 |
| **Profit or loss before tax of ongoing operations** | | (37,979,837) | 174,024,129 |
| Income tax | | | |
| Current | 15 | (65,576) | (28,417) |
| Deferred | 15 | - | - |
| **Profit or loss after tax of ongoing operations** | | (38,045,413) | 173,995,712 |
| Non-controlling interests | | 29,117 | 190,295 |
| **Consolidated net income for the year** | | (38,016,296) | 174,186,007 |
| Average number of ordinary shares issued | | 157,480,137 | 72,000,000 |
| Basic earnings per share (kwanzas) | 32 | (0.24) | 2.42 |
| Diluted earnings per share (kwanzas) | 32 | (0.24) | 2.42 |

These Notes are an integral part of the financial statements.

# Consolidated Statements of Other Comprehensive Income for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Consolidated net income for the year | (38,016,296) | 174,186,007 |
| Other comprehensive income | - | - |
| **Consolidated comprehensive income for the year** | **(38,016,296)** | **174,186,007** |

These Notes are an integral part of the financial statements.

# Consolidated Statements of Changes in Equity for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | Notes | Share capital | Other equity instruments | Revaluation reserves | Other reserves and retained earnings | | | Consolidated net income for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Legal reserve | Retained earnings | Total | | |
| **Balance as at 31 December 2020** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(590,699,157)** | **(562,557,400)** | **(142,218,217)** | **(632,745,917)** |
| Restatement adjustment | 2.2 | - | - | - | - | (52,000,000) | **(52,000,000)** | - | (52,000,000) |
| Appropriation of consolidated net income for 2020 | | - | - | - | - | (142,218,217) | **(142,218,217)** | 142,218,217 | - |
| **Balance as at 1 January 2021 Restated** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** | **-** | **(684,745,917)** |
| Consolidated comprehensive income for the year | | - | - | - | - | - | - | 174,186,007 | 174,186,007 |
| **Balance as at 31 December 2021 Restated** | | **72,000,000** | **-** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** | **174,186,007** | **(510,559,910)** |
| Appropriation of consolidated net income for 2021 | | - | - | - | 17,330,886 | 156,855,121 | **174,186,007** | (174,186,007) | - |
| Share capital reduction to cover retained earnings | 22 | (72,000,000) | - | - | - | 72,000,000 | **72,000,000** | - | - |
| Share capital increase by partial conversion of deposits | 22 | 271,500,000 | - | - | - | - | **-** | - | 271,500,000 |
| Other equity instruments | 22 | - | 121,196,000 | - | - | - | **-** | - | 121,196,000 |
| Other movements | | - | - | - | - | (166,180) | **(166,180)** | - | (166,180) |
| Consolidated comprehensive income for the year | | - | - | - | - | - | - | (38,016,296) | (38,016,296) |
| **Balance as at 31 December 2022** | | **271,500,000** | **121,196,000** | **29,700** | **45,472,643** | **(556,228,433)** | **(510,755,790)** | **(38,016,296)** | **(156,046,386)** |

These Notes are an integral part of the financial statements.

# Consolidated Statements of Cash Flows for the years ended 31 December 2022 and 31 December 2021

Values expressed in thousand Kz

| Description | Notes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest, fees and commissions, and similar income | | 28,793,119 | 41,093,642 |
| Interest, fees and commissions, and other similar expenses paid | | (32,898,979) | (39,086,902) |
| Payments to Employees and suppliers | | (22,395,920) | (28,095,854) |
| Payments and contributions to pension funds and other benefits | | (255,370) | (195,199) |
| **Cash flows before changes in operating assets and liabilities** | | (26,757,150) | (26,284,313) |
| (Increases)/reductions of operating assets: | | | |
| Investments at central banks and other credit institutions | | 43,289,243 | 13,608,831 |
| Financial assets at fair value through profit and loss | | 893,704 | (393,239) |
| Investments at amortised cost | | 65,879,593 | 64,897,439 |
| Loans and advances to Customers | | (4,882,764) | (18,075,725) |
| Non-current assets held for sale | | - | 1,115,520 |
| Other assets | | 2,323,113 | (723,144) |
| **Net flow from operating assets** | | 107,502,889 | 60,429,682 |
| (Increases)/reductions of operating liabilities: | | | |
| Resources from central banks and other credit institutions | | 2,532,075 | (17,352,479) |
| Customer resources and other loans | | (77,695,238) | (97,845,747) |
| Other liabilities | | (5,756,393) | 14,649,336 |
| **Net flow from operating liabilities** | | (80,919,556) | (100,548,890) |
| Net cash of operating activities before income taxes | | (173,817) | (66,403,521) |
| **Net cash used in operating activities** | | (173,817) | (66,403,521) |
| **Cash flow from investment activities** | | | |
| Acquisition of other tangible assets, net of disposals | | (493,463) | (323,499) |
| Acquisition of intangible assets, net of disposals | | (1,015,778) | (1,158,974) |
| **Net cash used in investing activities** | | (1,509,241) | (1,482,473) |
| **Cash flow from financing activities** | | | |
| Payments related to lease liabilities | | (797,902) | (294,848) |
| Issue of subordinated liabilities, net of repayments and acquisitions | | (28,294,424) | (44,829,176) |
| Remuneration paid for subordinated liabilities | | (1,718,275) | (9,119,104) |
| **Net cash used in financing activities** | | (30,810,601) | (54,243,128) |
| **Change in cash and cash equivalents** | | (32,493,659) | (122,129,122) |
| Cash and cash equivalents at the beginning of the period | | 112,115,358 | 245,521,822 |
| Effects of exchange rate changes on cash and cash equivalents | | (6,147,823) | (11,277,328) |
| **Cash and cash equivalents at the end of the period** | | 73,473,876 | 112,115,372 |
| **Cash and cash equivalents comprise:** | | | |
| Cash, cash equivalents and balances with central banks | 4 | 44,754,425 | 91,225,094 |
| Balances with other credit institutions | 5 | 28,719,451 | 20,890,278 |
| **Total** | | 73,473,876 | 112,115,372 |

These Notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

# Note 1 Introduction

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

The consolidated financial statements of Banco Económico (BE Group or Group), presented here, report on the Bank's consolidated business up to 31 December 2022.

BE took on the new name on 28 October 2014, following the reorganisation measures implemented 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 object being universal banking under the terms and to the extent permitted by law. From its inception up to 19 July 2019, BE established itself as a privately-owned banking institution under Angolan law. However, after July 2019, BE became a majority publicly owned institution by virtue of Lektron Capital's equity investment through the Sonangol Group. In August 2022, within the context of the Recapitalisation and Restructuring Plan (RRP), BE became an institution whose capital is held by an institution of private funds (Económico – Fundo de Capital de Risco de Subscrição Particular) (Note 37).

# Note 2 Accounting policies

## 2.1. Basis of preparation

In accordance with Banco Nacional de Angola Notice 5/2019 of 30 August, Banco Económico S.A.'s financial statements are prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS). These financial statements report on the Bank's consolidated business as at 31 December 2022.

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

The IAS/IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies, effective for the financial year beginning on 1 January 2022.

The financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand, except where another unit is indicated, and have been prepared in accordance with the historical cost principle, 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 implementation of the restructuring and recapitalisation measures, these financial statements were prepared on a going concern basis, considering the efforts being implemented by the Bank's Board of Directors and the expectation that these will materialise.

The preparation of financial statements in accordance with IAS/IFRS requires the Bank to make judgements, estimates and assumptions that 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 reality may have an impact on the actual estimates and judgements. The areas involving a higher degree of judgement 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 2022 were approved by the Board of Directors on 28 September 2023. Their final approval is still subject to ratification at the General Shareholders' Meeting, and it is the Board of Directors' expectation that these will be approved without significant amendments.

The accounting policies used by the Bank in their preparation are consistent with those reported in previous years.

In accordance with the requirements of IAS 29 – Financial reporting in hyperinflationary economies (IAS 29), in the financial years ended 31 December 2017 and 2018, the functional currency of the Bank's consolidated financial statements corresponded to the currency of a hyperinflationary economy and will no longer have this classification in the financial years beginning in 2019, essentially as a result of the reduction in the inflation rate in Angola. With reference to those financial years, the Angolan Banking Association (ABANC) and the BNA expressed their interpretation that all the requirements laid down in IAS 29 for the Angolan economy to be considered hyperinflationary had not been met. Consequently, the Bank's Board of Directors decided not to apply the provisions of IAS 29 in its consolidated financial statements on those dates, and also not to make the necessary adjustments in the consolidated financial statements for subsequent years, with regard to opening balances and the adjustments that result from applying the provisions of IAS 29 when an economy ceases to be hyperinflationary.

## 2.2. Comparability of information and restatement

In the year ended 31 December 2022, the Bank's Board of Directors retrospectively corrected the financial statements, restating the comparative financial information, in accordance with the requirements of IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8), as follows.

## Consolidated statement of financial position as at 1 January 2021

Values expressed in thousand Kz

| Assets | Notes | 01/01/2021 Restated | 01/01/2021 | Difference | Adjustment |
|---|---|---|---|---|---|
| Cash, cash equivalents and balances with central banks | 4 | 163,592,711 | 163,592,711 | - | |
| Balances with other credit institutions | 5 | 80,719,675 | 80,719,675 | - | |
| Investments at central banks and other credit institutions | 6 | 56,268,285 | 56,268,285 | - | |
| Financial assets at fair value through profit and loss | 7 | 1,409,690 | 1,409,690 | - | |
| Financial assets at fair value through other comprehensive income | 8 | 162,718 | 162,718 | - | |
| Investments at amortised cost | 9 | 201,715,317 | 201,715,317 | - | |
| Loans and advances to Customers | 10 | 80,192,857 | 80,192,857 | - | |
| Non-current assets held for sale | 11 | 1,118,848 | 1,118,848 | - | |
| Other tangible assets | 12 | 43,791,837 | 43,791,837 | - | |
| Intangible assets | 13 | 8,262,486 | 8,262,486 | - | |
| Investments in subsidiaries, associates and joint ventures | 14 | - | - | - | |
| Current tax assets | 15 | 1,508,739 | 1,508,739 | - | |
| Other assets | 16 | | | - | |
| Transfer of assets – INVESTPAR | | 668,202,570 | 668,202,570 | - | |
| Deferred Impairment | | 208,000,000 | 260,000,000 | (52,000,000) | a) |
| Other | | 25,291,900 | 25,291,900 | - | |
| **Total assets** | | **1,540,237,633** | **1,592,237,633** | **(52,000,000)** | |
| **Liabilities and equity** | | | | | |
| Resources from central banks and other credit institutions | 17 | 280,134,793 | 280,134,793 | - | |
| Financial liabilities at fair value through profit or loss | 18 | 1,587,119,998 | 1,587,119,998 | - | |
| Financial liabilities held for trading | 21 | 217,230 | 217,230 | - | |
| Provisions | 20 | 5,102,271 | 5,102,271 | - | |
| Current tax liabilities | 15 | 36,960 | 36,960 | - | |
| Subordinated liabilities | 19 | 249,122,324 | 249,122,324 | - | |
| Other liabilities | 21 | | | - | |
| Transfer of assets – INVESTPAR | | 82,618,693 | 82,618,693 | - | |
| Other | | 19,858,545 | 19,858,545 | - | |
| **Total liabilities** | | **2,224,210,814** | **2,224,210,814** | **-** | |
| Share capital | 22 | 72,000,000 | 72,000,000 | - | |
| Revaluation reserves | 23 | 29,700 | 29,700 | - | |
| Other reserves and retained earnings | 23 | (756,775,617) | (704,775,617) | (52,000,000) | a) |
| **Equity attributable to BE Shareholders** | | **(684,745,917)** | **(632,745,917)** | **(52,000,000)** | |
| Non-controlling interests | 23 | 772,734 | 772,734 | - | |
| **Equity** | | | | | |
| **Total equity** | | **(683,973,183)** | **(631,973,183)** | **(52,000,000)** | |
| **Total liabilities and equity** | | **1,540,237,631** | **1,592,237,631** | **(52,000,000)** | |

## Consolidated statement of financial position as at 31 December 2021

Values expressed in thousand Kz

| Assets | Notes | 31/12/2021 Restated | 31/12/2021 | Difference | Adjustment |
|---|---|---|---|---|---|
| Cash, cash equivalents and balances with central banks | 4 | 91,117,818 | 91,117,818 | - | |
| Balances with other credit institutions | 5 | 20,858,571 | 20,858,571 | - | |
| Investments at central banks and other credit institutions | 6 | 42,453,933 | 42,453,933 | - | |
| Financial assets at fair value through profit and loss | 7 | 1,531,032 | 1,531,032 | - | |
| Financial assets at fair value through other comprehensive income | 8 | 152,751 | 152,751 | - | |
| Investments at amortised cost | 9 | 130,090,132 | 130,090,132 | - | |
| Loans and advances to Customers | 10 | 68,067,530 | 68,067,530 | - | |
| Non-current assets held for sale | 11 | 3,328 | 3,328 | - | |
| Other tangible assets | 12 | 41,856,303 | 41,856,303 | - | |
| Intangible assets | 13 | 8,427,067 | 8,427,067 | - | |
| Investments in subsidiaries, associates and joint ventures | 14 | - | - | - | |
| Current tax assets | 15 | 1,511,061 | 1,511,061 | - | |
| Other assets | 16 | | | - | |
| Transfer of assets – INVESTPAR | | 583,689,638 | 583,689,638 | - | |
| Deferred Impairment | | 208,000,000 | 260,000,000 | (52,000,000) | a) |
| Other | | 27,647,483 | 27,647,483 | - | |
| **Total assets** | | **1,225,406,647** | **1,277,406,647** | **(52,000,000)** | |
| **Liabilities and equity** | | | | | |
| Resources from central banks and other credit institutions | 17 | 262,316,318 | 262,316,318 | - | |
| Liabilities represented by securities | | - | - | - | |
| Financial liabilities at fair value through profit or loss | | - | - | - | |
| Customer resources and other loans | 18 | 1,302,227,312 | 1,302,227,312 | - | |
| Provisions | 20 | 3,752,283 | 3,752,283 | - | |
| Current tax liabilities | 15 | 23,501 | 23,501 | - | |
| Subordinated liabilities | 19 | 63,698,032 | 63,698,032 | - | |
| Other liabilities | 21 | | | - | |
| Transfer of assets – INVESTPAR | | 83,418,076 | 83,418,076 | - | |
| Other | | 19,948,596 | 19,948,596 | - | |
| **Total liabilities** | | **1,735,384,118** | **1,735,384,118** | **-** | |
| Share capital | 22 | 72,000,000 | 72,000,000 | - | |
| Revaluation reserves | 23 | 29,700 | 29,700 | - | |
| Other reserves and retained earnings | 23 | (756,775,617) | (704,775,617) | (52,000,000) | a) |
| Net income for the year | | 174,186,007 | 174,186,007 | - | |
| **Equity attributable to BE Shareholders** | | **(510,559,910)** | **(458,559,910)** | **-** | |
| Non-controlling interests | 23 | 582,439 | 582,439 | - | |
| **Total equity** | | **(509,977,471)** | **(457,977,471)** | **(52,000,000)** | |
| **Total liabilities and equity** | | **1,225,406,647** | **1,277,406,647** | **(52,000,000)** | |

## Reconciliation of equity as at 31 December 2021 and 1 January 2021

Values expressed in thousand Kz)

| Description | 31/12/2021 | 01/01/2021 |
|---|---|---|
| **Equity before restatement** | **(457,977,472)** | **(631,973,185)** |
| Adjustment a) | (52,000,000) | (52,000,000) |
| **Equity after restatement** | **(509,977,472)** | **(683,973,185)** |

**a)** Recognition as a cost of Kz 52,000,000 thousand relating to the deferral of impairment losses recorded under "Other assets":
As mentioned in Note 37, in 2020 the Bank recognised under "Other assets" the amount of Kz 260,000,000 related to the deferral of impairment losses, as provided for in the Recapitalisation and Restructuring Plan approved in December 2021 by the Banco Nacional de Angola. This deferral, according to the RRP, should be recognised on a straight-line basis over the subsequent five-year period. Given the prudential nature of this instrument, which does not fulfil the conditions for recognition in the Bank's assets, in 2022 the Board of Directors recognised one fifth of this amount with reference to the date it was set up.

## 2.3. Basis of consolidation

The consolidated financial statements presented reflect the assets, liabilities, income, expenses, other comprehensive income and cash flows of Banco Económico and its subsidiaries and the results attributable to the Group refer to investments in associates.

The accounting policies have been applied consistently by all the Group's subsidiaries and associates for the years covered by these consolidated financial statements.

### Group Composition

The Group is made up of the following entities:

| Group Entities | Equity Holding 2022 | Equity Holding 2021 | Country of activity |
|---|---|---|---|
| Banco Económico, S.A. | **n.a.** | n.a. | Angola |
| **Subsidiaries** | | | |
| Económico Investment Fund | **62%** | 62% | Angola |
| Económico Pension Fund | **96%** | 96% | Angola |
| **Associates** | | | |
| Tranquilidade Angola S.A. | **21%** | 21% | Angola |

### Subsidiaries

Subsidiaries are entities (including investment funds) controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to take possession of it through the power it holds over this entity (de facto control) and has the ability to affect those variable returns through its power over the relevant activities of the entity. As established in IFRS 10 - Consolidated financial statements (IFRS 10), the Group analyses the purpose and structure of the way in which an entity's operations are carried out when assessing control over it. Subsidiaries are fully consolidated from the moment the Group assumes control over the activities until the moment that control ceases. As at 31 December 2022 and 2021, third-party holdings are shown under non-controlling interests.

The accumulated losses of a subsidiary are attributed to non-controlling interests in the proportions held, which may imply the recognition of negative non-controlling interests.

In a step acquisition that results in the acquisition of control, any minority shareholding previously held is revalued at fair value against profit or loss when calculating goodwill. However, in the case of a partial sale resulting in the loss of control over a subsidiary, any remaining minority interest retained is revalued to fair value on the date of sale and the gain or loss resulting from this revaluation is recognised against profit or loss.

The entity identified as the acquiring or incorporating company integrates the results of the acquired entity/business from the date of the acquisition, i.e. from the date of the takeover. The accounting treatment of mergers by acquisition between entities under common control follows the same principles: the assets and liabilities of the entity to be incorporated are recognised at the values shown in the consolidated financial statements of the entity that has control over the two entities, at the highest level of the chain of financial holdings of the Group (the "predecessor"). The difference between the book value of the assets and liabilities incorporated and the value of the financial investment is recognised as a merger reserve.

### Associates

All companies over which the Group has the power to exercise significant influence over their financial and operating policies, although it does not control them, are classified as associates. It is normally assumed that the Group exercises significant influence when it has the power to exercise more than 20% of the associate's voting rights, but less than 50% of them.

Even when the voting rights are less than 20%, the Group can exercise significant influence through participation in the management of the associate or in the composition of management bodies with executive powers.

Investments in associates are recognised in the Bank's consolidated financial statements using the equity method, from the moment the Group acquires significant influence until it ceases. The balance sheet value of investments in associates includes the value of the respective goodwill determined on acquisition and is presented net of any impairment losses. Banco Económico carries out impairment tests on its investments in associates whenever there are signs of impairment. Impairment losses recognised in previous periods may be reversible, up to the limit of the accumulated losses.

In a step acquisition that results in the acquisition of significant influence, any previously held shareholding is revalued to fair value against profit or loss when the equity method is first applied.

When the value of the accumulated losses incurred by an associate and attributable to the Group equals or exceeds the book value of the holding and any other medium and long-term interests in that associate, the equity method is discontinued, unless the Group has a legal or constructive obligation to recognise those losses or has made payments on behalf of the associate.

Gains or losses on the sale of shareholdings in associate companies are recognised against profit or loss, even if the sale does not result in a loss of significant influence. Dividends paid by associates reduce the Group's book value.

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

**a)** Representation on the Board of Directors or equivalent governing body;
**b)** Participation in policy-making processes, including participation in decisions about dividends or other distributions;
**c)** Material transactions between the Bank and the subsidiary;
**d)** Exchange of management personnel; and
**e)** Provision of essential technical information.

### i. Impairment
The recoverable value of investments in subsidiaries and associates is assessed whenever there are signs of impairment. Impairment losses in consolidated accounts are calculated based on the difference between the recoverable amount of the investments in subsidiaries or associate companies and their book value. Identified impairment losses are recognised against profit or loss and subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period. The recoverable amount is determined based on the higher of the value in use of the assets and the fair value less costs to sell. It is calculated using valuation methodologies supported by discounted cash flow techniques, taking into account market conditions, time value and business risks.

## Goodwill
Goodwill represents the difference between the acquisition cost of the holding thus determined and the fair value attributable to the assets, liabilities and contingent liabilities acquired.

In accordance with IFRS 3 – Business combinations (IFRS 3), the Group measures goodwill as the difference between the fair value of the business acquisition, including the fair value of any minority interest previously held, and the fair value attributable to the assets acquired and liabilities assumed, and any equity instruments issued. Fair values are determined on the date of acquisition. Costs directly attributable to the acquisition are recognised at the time of purchase in costs for the year.

On the acquisition date, the Group recognises as non-controlling interests the amounts corresponding to the proportion of the fair value of the assets acquired and liabilities assumed without the respective share of goodwill. Therefore, the goodwill recognised in these consolidated financial statements corresponds only to the portion attributable to the Bank's Shareholders.

Positive goodwill is recorded as an asset at cost and is not amortised, in accordance with IFRS 3. In the case of investments in associates, goodwill is included in the respective balance sheet value, determined using the equity method.

Negative goodwill is recognised directly in profit or loss in the period in which the acquisition takes place. Impairment losses relative to goodwill are not reversible in the future.

The recoverable amount of goodwill recognised as an asset is reviewed annually, regardless of whether there are any signs of impairment. Any impairment losses determined are recognised in the statement of profit and loss. The recoverable amount corresponds to the lower of value in use and market value less costs to sell. In determining value in use, estimated future cash flows are discounted based on a rate that reflects market conditions, time value and business risks.

As at 31 December 2022 and 2021, no goodwill was recorded in the Bank's consolidated financial statements.

## Transactions with non-controlling interests
The acquisition of non-controlling interests, which does not result in a change of control over a subsidiary, is accounted for as a transaction with Shareholders and, as such, no additional goodwill is recognised as a result of this transaction. The difference between the acquisition cost and the book value of the non-controlling interests acquired is recognised directly in reserves. Likewise, gains or losses arising from disposals of non-controlling interests, which do not result in a loss of control over a subsidiary, are always recognised against reserves.

Gains or losses arising from the dilution or sale of part of the financial holding in a subsidiary, with loss of control, are recognised by the Group in the statement of profit and loss.

### Balances and transactions eliminated on consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group operations, are eliminated in the consolidation process, except in cases where the unrealised losses indicate the existence of impairment that should be recognised in the consolidated accounts.

## 2.4. Foreign currency transactions

Foreign currency transactions are translated into the functional currency (Kwanza) using the exchange rate in force on the date of the transaction. The monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the average exchange rate published by the BNA in force at the date of the statement of the financial position. Costs and income relating to realised or potential exchange differences resulting from translation are recognised in profit or loss.

The exchange differences that result from translation are recognised in "Foreign exchange gains and losses" (Note 27). The non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are translated into the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate at the date on which the fair value is determined and recognised against profit or loss, except for those recognised in financial assets at fair value through other comprehensive income.

The exchange rates for the Kwanza against the currencies relevant to the Bank's business, as at 31 December 2022 and 2021, were as follows:

| Currency | **31/12/2022** | 31/12/2021 |
|---|---|---|
| USD – American Dollar | **503.691** | 554.981 |
| EUR – Euro | **537.438** | 629.015 |

## 2.5. Loans and advances to Customers

Loans and advances to Customers include loans originated by the Bank which are not intended to be sold in the short term and which are recognised on the date the amount of the loan is advanced to the customer. Loans and advances to Customers are initially recorded at fair value and subsequently at amortised cost net of impairment. The associated transaction costs or income are part of the effective interest rate of these financial instruments recognised in net interest income. The interest component is recognised separately in the respective accounts of the consolidated statement of financial position, with the respective income being accrued at the effective interest rate, except in situations of default exceeding 90 days, in which case the recognition of interest is suspended until its regularisation.

In addition, commissions charged in connection with credit operations are recognised in the credit spread over the life of the operations.

Loans and advances to Customers are derecognised from the statement of financial position when: (i) the contractual rights of the Bank relating to the respective cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership, (iii) although the Bank has retained part, but not substantially all the risks and benefits associated with holding them, control over the assets has been transferred, or (iv) when there are no realistic prospects of recovering the loans, and for collateralised loans, when the funds from the realisation of the collateral have already been received and are written off against assets.

## 2.6. Financial instruments

i. Classification of financial assets

IFRS 9 – Financial Instruments (IFRS 9) contains a new classification and measurement approach for financial assets that reflects the business model used to manage assets and their cash flow characteristics.

IFRS 9 includes three 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 on which they are originated. All other financial instruments are recognised on the transaction date, which is the moment from which the Bank becomes an integral part of the contract and are classified considering 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 in the statement of financial position at fair value plus transaction costs directly attributable to the acquisition or issue, except if they are captions recorded at fair value through profit or loss in which the transaction costs are immediately recognised as costs for the year.

In accordance with IFRS 13 – Measurement at fair value (IFRS 13), fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. At the date of contracting or commencement of a transaction the fair value is generally the value of the transaction.

### Business model assessment

The business model reflects the way the Bank manages its assets from a cash flow generation perspective, i.e. whether the assets are managed with the aim of (i) receiving the contractual cash flows (Hold to collect) or (ii) receiving the contractual cash flows from the asset through its sale (Hold to collect and sell). 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, i.e., whether the contractual cash flows are consistent with a basic loan contract, in which interest is generally the consideration for the time value of money. However, in such a contract, interest may also include consideration for other basic lending risks, for example liquidity risk, and other costs, for example administrative costs, associated with holding a financial asset for a specified period. In addition, interest may include a profit margin that is consistent with a basic credit agreement, if the contractual terms introduce or present an exposure to risk or volatilities inconsistent with a basic credit agreement, a situation that determines that the financial instrument should 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 operation of these policies, including the way in which the management strategy focuses on receiving contractual interest, maintaining a specific interest rate profile, adjusting the duration between the assets and the liabilities that finance them or realising cash flows through the sale of assets; (ii) The way in which the performance of the portfolio is assessed and reported to the Bank's management bodies; (iii) The assessment of the risks affecting the performance of the business model (and of the financial assets managed within the scope of that business model) and the way in which these risks are managed; (iv) The way in which the remuneration of the business managers depends on the fair value of the assets under management or on the contractual cash flows received; (v) The frequency, volume and periodicity of sales in previous financial years, the reasons for said sales and expectations about future sales. However, information on sales should not be considered in isolation but as part of an overall assessment of how the Bank establishes objectives for managing financial assets and how cash flows are obtained.

### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, other risks and costs associated with the business (for example, liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This assessment included an analysis of the existence of situations in which the contractual terms may change the timing or amount of contractual cash flows so that they do not meet the SPPI condition.

During the  assessment process, the Bank takes into consideration: (i) Contingent events that may change the timing or amount of cash flows; (ii) Characteristics resulting in leverage; (iii) Prepayment and maturity extension clauses; (iv) Clauses that may limit the right to claim cash flows from specific assets (e.g. contracts with clauses that prevent access to assets in the event of default) and (v) Characteristics that may change the consideration for the time value of money (e.g. periodic resetting of interest rates).

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

The Bank classifies and values its debt instruments at:

#### a. Investments at amortised cost

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

These financial assets are recognised at fair value 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 the business model whose objective is to earn contractual cash flows and dispose of 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 the costs or income associated with the transactions, and subsequently measured at fair value. Changes in fair value are recorded against other comprehensive income until the assets are sold or until impairment losses are recognised, in which case they are recognised in profit or loss.

On disposal of the financial assets at fair value through other comprehensive income, the accumulated gains or losses recognised in other comprehensive income are recognised under "Net gains/(losses) from financial assets at fair value through other comprehensive income" in the statement of profit and loss.

Equity instruments are instruments that meet the definition of capital from the perspective of the issuer, i.e. they are instruments that do not contain a contractual obligation to pay and that evidence 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 accounted for at fair value through profit or loss. If the business model and consequently the purpose of acquiring the set of investments is to hold them in the portfolio indefinitely for appreciation, they should be recognised in the category of financial assets at fair value through other comprehensive income and cannot be reclassified subsequently in the trading portfolio (irrevocable condition). Changes in fair value and the result of 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 into the above categories.

These assets are valued on a daily basis based on fair value, taking into account the credit risk of both themselves and the counterparties to the transactions. In the case of bonds and other fixed income securities, the book value of the statement of financial position includes the amount of accrued and uncollected interest. Gains and losses resulting from changes in fair value are recognised under "Net gains/(losses) from financial assets and liabilities at fair value through profit or loss" (Note 26) in the statement of profit and loss.

**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, independently from its legal form.

Non-derivative financial liabilities include deposits from credit institutions and Customers, loans, debt securities and other subordinated liabilities.

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Interest is accrued over the period of the transactions and recognised in net interest income. The gains and losses calculated on the repurchase of other financial liabilities are recognised under net gains/(losses) from assets and liabilities at fair value through profit or loss when they occur.

The Bank classifies its financial liabilities as measured at amortised cost, and the determination of the fair value of these liabilities is disclosed in these notes to the financial statements.

IFRS 9 introduced a requirement applicable to financial liabilities designated at fair value, by option, requiring the separation of the component of the change in fair value that is attributable to the entity's credit risk and its presentation in other comprehensive income (or OCI), instead of profit or loss.

**ii. Initial recognition and subsequent measurement**

**a. Recognition and measurement at amortised cost**

The amortised cost of a financial asset or liability is the amount at which a financial asset or liability is initially recognised, less capital receipts, plus or minus accumulated amortisation, arising from the difference between the amount initially recognised and the amount at maturity, less reductions arising from impairment losses.

**b. Recognition and measurement at fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current transaction between market participants on the measurement date or, in its absence, the most favourable market to which the Bank has access to carry out the transaction on 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 so that there is a price quotation on a constant basis.

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

**c. Identification and measurement of impairment**

In addition to analysing impairment on loans and advances to Customers, at each statement of financial position date an assessment is made of whether there is objective evidence of impairment for all other financial assets that are not recognised at fair value through profit or loss.

In accordance with IFRS 9, the Bank regularly assesses whether there is objective evidence that a financial asset or group of financial assets shows signs of impairment. A financial asset, or group of financial assets, is considered to be impaired whenever there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition. For debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reasonably estimated.

With regard to 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 financial asset's original effective interest rate and are recorded against profit or loss. These assets are presented in the statement of financial position net of impairment. If we are dealing with an asset with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the current effective interest rate, determined on the basis of the rules of each contract. Also, in relation to investments at amortised cost, if in a subsequent period the amount of the impairment loss decreases, and this decrease can be objectively related to an event that occurred after the impairment was recognised, it is reversed against profit or loss for the year.

When there is evidence of impairment of financial assets at fair value through other comprehensive income, the potential loss accumulated 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 against profit or loss for the year until the acquisition cost is reinstated, if the increase is objectively related to an event occurring after the impairment loss was recognised.

**iii. Reclassification between categories**

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

**iv. Derecognition**

Financial assets are derecognised from the statement of financial position when: (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although the Bank has retained part but not substantially all of the risks and rewards of ownership, control over the assets has been transferred.

## 2.7. Impairment losses

IFRS 9 introduced the concept of expected credit losses, thus bringing forward the recognition of credit losses in institutions' financial statements. In this way, in determining Expected Credit Loss (ECL), macroeconomic factors are taken into consideration, the changes of which impact expected losses. This concept of expected losses must be applied to all financial assets, except financial assets measured at fair value through profit or loss.

The Bank applies the expected loss concept of IFRS 9 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 results from the present value of the difference between the cash flows owed to the Bank under the contract and the cash flows the Bank expects to receive, resulting 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 in individual terms 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 at each statement of financial position date, the existence of objective evidence of impairment. It should be noted that given the high concentration of the portfolio and the low level of own funds with reference to 31 December 2022, the Bank has established the criterion of individually analysing the Customers with the highest volume of gross exposure, guaranteeing a coverage rate of at least 80% of the loan portfolio. Based on this definition, with reference to 31 December 2022, the 20 largest debtors were analysed individually, representing a coverage rate of over 80%. For the remaining segments of the loan portfolio, the Bank performs a collective analysis for the calculation of impairment losses. The collective impairment model is currently being consolidated, as its implementation was finalised by the Bank with some limitations, which are being improved by the Bank.

The main limitations in determining the amount of impairment losses, on a collective basis, for the loan portfolio as at 31 December 2022 and 2021 were as follows:

**i.** 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;

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

**iii.** Staging: the Bank presents an additional risk in the model arising from some triggers being manually scheduled by the analyst;

**iv.** Loss Given Default (LGD): the Bank is not yet including the effect of recovery costs incurred in the recovery process. Information on restructured operations is limited, so the model does not include recoveries of guarantees (they are deducted directly from Exposure at Default "EAD" following an internal Haircut).

It should be noted that, as a result of the aforementioned limitations, the Bank is currently developing a project to resolve them. As a result, on 31 December 2022, the Bank did not update the risk parameters, maintaining the consistency with 31 December 2020.

The instruments subject to impairment calculation are divided into three stages (stages, taking into consideration their credit risk level, as follows:

**Stage 1:** no significant increase in credit risk since initial recognition. In this case, impairment will reflect expected credit losses resulting from default events that may occur in the 12 months following the reporting date;

**Stage 2:** instruments in which it is considered that there has been a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment will reflect the expected credit losses resulting from default events, which 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 have resulted in losses. In this case, the amount of impairment 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 operation, must be estimated considering:

- 12-month expected credit risk loss, i.e. estimated total loss resulting from default events of the financial instrument that are possible within 12 months after the reporting date (called Stage 1);

- Expected credit risk loss to maturity, i.e. total estimated loss resulting from all possible default events over the life of the financial instrument (referred to as stage 2 and stage 3). A provision for an expected credit risk loss 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, in its Impairment Policy, the Bank, opted to update its internal definition of default, introducing a set of criteria in order to reflect a more forward-looking model for recognising expected losses on financial assets, with only one of the criteria needing to be met for an operation to be classified as in default. Any given transaction/customer will no longer be marked in default if it no longer meets the respective entry criteria and after the respective quarantine period has elapsed.

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

- Assessment of the existence of a significant increase in risk since initial recognition; and

- Incorporation of forward-looking information in the calculation of the estimated loss (ECL).

## Calculation of ECLs

ECLs are weighted estimates of credit losses determined as follows:

- Financial assets with no sign of impairment at the reporting date: the present value of the difference of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets with signs of impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;

- Guarantees given and undrawn credit commitments: the present value of the difference between the contractual cash flows that are due to the Bank should the commitment be realised and the cash flows the Bank expects to receive.

The Bank's approach to determining impairment losses for loans subject to collective analysis has as an inherent concept the definition of homogeneous segments based on the quality of its assets and the credit/customer risk characteristics. In this way, the Bank ensures that for the purposes of analysing these exposures and determining the risk parameters (Probability of Default (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.

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

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

With regard to the balances of the captions "Deposits with other credit institutions" (Note 5), "Loans and advances to other credit institutions" (Note 6) and "Investments at amortised cost" (Note 9), the Bank applies the guidelines of Directive No. 13/DSB/DRO/2019 of 27 December of Banco Nacional de Angola, Guide on Recommendations for Implementing the Asset Quality Assessment (AQA) Methodologies for the 2019 Financial Year (Directive No. 13/DSB/DRO/2019), and no subsequent guidelines have been issued, verifying the rating of the entity, or if not available, of the country in which it is based. The Moody's study "Sovereign default and recovery rates, 1983-2021" was used to obtain the risk factors to be considered:

- For deposits with other credit institutions, the PD equivalent to 1/12 (one twelfth) of the 12-month PD for companies is considered, taking into account the rating, and the LGD of 60% for all counterparties that have not seen a significant increase in credit risk (stage 1);

- For investments in other credit institutions, the 12-month PD for companies is taken into account, taking into account the rating, and the LGD of 60% for all counterparties that have not seen a significant increase in credit risk (stage 1);

- For investments at amortised cost, the 12-month PD for sovereign issuers is taken into account, taking into account the rating, and the LGD associated with verified sovereign default events, indicated in the study (60%) for all operations that have not seen a significant increase in credit risk (stage 1).

With regard to cash and cash equivalents at central banks and investments at central banks, the LGD is considered to be nil as there is no risk of recovery and no impairment is estimated, in accordance with Banco Nacional de Angola Directive No. 13/DSB/DRO/2019 of 27 December.

## Significant increase in credit risk

The 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, so the stage 2 classification is based on objective triggers observed on the basis of available information.

The triggers for a significant increase in credit risk are mostly detected through automatic processes, based on information resident in the Bank's information systems. However, some of the cases are identified manually, particularly with regard to restructured cases and the criterion "Insolvency declared (BNA CIRC), Insolvency petition by the debtor or the Bank".

## Financial assets impaired

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 that are credit-impaired are referred to as stage 3 assets. The Bank has adopted the internal definition of non-performing loans as the criteria for identifying stage 3 loans. The internal definition of non-performing loans is governed by objective and subjective criteria and is used for the Bank's credit risk management.

## Inputs in measuring ECL

The main inputs used for measuring ECL on a collective basis include the following variables:

- Probability of default;
- Loss given default;
- Exposure at default;
- Discount rate (DR);
- Credit Conversion Factors (CCF); and
- These parameters are obtained through internal statistical models and other relevant historical data, adjusted to reflect forward-looking information.

PDs are estimated on the basis of a certain historical period and are 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 risk level of the counterparty or the exposure, the estimate of the associated PD also changes.

The degrees of risk are a highly relevant input for determining the PD associated with each exposure. The Bank collects performance and default indicators on its credit risk exposures with analysis by type of customer and product.

LGD is the magnitude of loss expected to occur if the exposure goes into default. The Bank estimates LGD parameters based on historical recovery rates after counterparties have defaulted. The LGD models consider the associated collateral and time in default.

EAD is an estimate of the exposure at a future default date, taking into account 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 current value allowed under contractual terms. For financial commitments and guarantees, the value of the EAD accounts for both the amount of credit drawn down and the expectation of the potential future amount that may be drawn down in accordance with the credit conversion factor (CCF).

## Forward-looking information

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

Within this framework, the Bank used a linear regression model to capture the impact of macroeconomic factors with significant influence on the probability of default.

## Purchased or originated credit-impaired financial assets (POCI)

Financial assets classified as POCI are treated differently since they are in an impaired condition. For these assets, the Bank at the time of their initial recognition in Stage 3, records the asset at the net value of the expected loss.

On subsequent measurement, an ECL is always calculated with a lifetime PD and its variations are recorded against profit or loss. The associated interest is calculated by applying the effective interest rate to the net book value of the asset.

In 2022 and 2021, the Bank did not classify financial assets as POCI.

## Recognition of impairment losses

The Bank recognises impairment losses for expected credit losses on financial instruments as follows:

- Financial assets at amortised cost: impairment losses on financial assets carried at amortised cost reduce the book value of those financial assets against the corresponding entry in profit 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 the statement of financial position for these financial assets);

- Subscription Credit Facility: impairment losses associated with subscription credit facilities are recognised in liabilities, under Provisions (Note 20) for subscription credit facility 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

Considering 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. Write-off is defined as the derecognition of a financial asset from the Bank's balance sheet. It should be noted that State risk contracts and contracts with the Bank's Employees are not subject to write-off.

## 2.8. Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out by delivering cash or another financial asset to another party, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issuance of equity instruments are recorded against equity as a deduction from the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

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

## 2.9. Other tangible assets, excluding leases (which are in Note 2.14.)

### Recognition and measurement

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the goods.

### Subsequent costs

Subsequent costs are recognised as a separate asset only if it is probable that future economic benefits will flow from them. Expenditure on maintenance and repair is recognised as a cost as it is incurred, in accordance with the accrual principle.

### Depreciation

Depreciation of tangible assets is calculated on a straight-line basis, over the following periods of expected useful life:

| Description | Number of years |
|---|---|
| Own 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 owned and rented buildings | 5 to 8 |

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

The recoverable amount is determined as the greater of its net selling price and value in use which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

As mentioned in Note 2.14., this caption includes right-of-use assets arising from lease contracts.

### Derecognition

**a)** The carrying amount of an item of property, plant and equipment shall be derecognised: on 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.

## 2.10. Intangible assets

### Software

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

### Expenditure on research and development projects

Costs directly related to the development of computer applications, which are expected to generate future economic benefits beyond one financial year, are recognised and recorded as intangible assets.

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

### Impairment losses

The recoverable value of intangible assets is assessed whenever there are signs of impairment. Impairment losses are calculated based on the difference between the recoverable amount and the book value. Identified impairment losses are recognised against profit or loss and subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period.

## 2.11. Repurchase and reverse repurchase agreements

Securities sold with a repurchase agreement (repos) at a fixed price or at a price equal to the sale price plus interest over the term of the transaction are not derecognised from the statement of financial position. The corresponding liability is recorded under amounts payable to other credit institutions or to Customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased with a resale agreement (reverse repos) at a fixed price or at a price equal to the purchase price, plus interest over the term of the transaction, are not recognised in the statement of financial position and the purchase price is recorded as loans and advances to other credit institutions or Customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under borrowing agreements are not derecognised from the statement of financial position but are classified and valued in accordance with the accounting policy described in Note 2.6. Securities received under borrowing agreements are not recognised in the statement of financial position.

## 2.12. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in the Bank's individual financial statements using the equity method of accounting less any impairment losses.

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

Associates are entities over which the Bank has significant influence, but not control over its financial and operating policies. The Bank is presumed to have significant influence when it holds 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 that the Bank does not have significant influence, except where such influence can be clearly demonstrated.

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

**a)** Representation on the Board of Directors or equivalent governing body;

**b)** Participation in policy-making processes, including participation in decisions about dividends or other distributions;

**c)** Material transactions between the Bank and the subsidiary;

**d)** Exchange of management personnel; and

**e)** Provision of wessential technical information.

### Impairment losses

The recoverable value of investments in subsidiaries and associates is assessed whenever there are signs of impairment. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries or associate companies and their book value. Identified impairment losses are recognised against profit or loss and subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period.

The recoverable amount is determined based on the higher of the value in use of the assets and the fair value less costs to sell. It is calculated using valuation methodologies supported by discounted cash flow techniques, taking into account market conditions, time value and business risks.

## 2.13. 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 respective liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and the assets or groups of assets are available for immediate sale and its sale is highly probable (within a year).

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, that are available for immediate sale and its sale is highly probable (within one year).

Immediately before classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or groups of assets are measured at the lower of their carrying amount and their fair value less costs to sell, in accordance with the requirements of IFRS 5 – Non-current assets held for sale and discontinued operations (IFRS 5).

Discontinued operations and subsidiaries acquired exclusively for the purpose of selling in the short term are consolidated until they are sold.

The Bank also classifies as non-current assets held for sale, properties held for credit recovery, which are initially measured at the lower of their fair value net of selling costs and the book value of the loan at the date when the property was given away or judicially auctioned.

The assets recorded under this caption are not amortised. The fair value of these assets is determined on the basis of periodic valuations carried out by independent experts registered with the Capital Markets Commission. In addition, and in accordance with Directive No. 13/DSB/DRO/2019, this valuation is adjusted by applying a 20% haircut to reflect the immediate sale value, 5% sales costs and based on specific discount rates depending on the age of the valuation. Whenever the value resulting from these valuations (net of selling costs) is lower than the book value, impairment losses are recognised under "Impairment for other assets net of reversals and recoveries". Once the expected time of sale has passed (one year), the assets are reclassified to "Other assets", maintaining the measurement criteria.

Valuations of these properties are carried out according to one of the following methodologies, applied according to the specific situation of the property:

**i. Comparative/market method**
The comparative/market method is based on the transaction values of properties that are similar and comparable to the property under study and is obtained through market research.

**ii. Income method**
The purpose of the income method is to estimate the value of the property based on the capitalisation of its net income, updated to the present time, using the discounted cash flow method.

**iii. Cost method**
The purpose of the cost method is to reflect the amount that would currently be required to replace the asset in its current condition, by breaking down the value of the property into its fundamental components.

The valuations obtained are analysed internally to validate the consistency of the data and assumptions considered by the expert appraisers for the same asset (when more than one valuation report is obtained) or for assets with similar characteristics.

The subsequent measurement of these assets is made at the lower of their book value and the corresponding fair value, net of selling costs, and they are not subject to depreciation. If there are unrealised losses, these are recorded as impairment losses against profit or loss for the year. The assets recorded under this caption are not amortised.

## 2.14. Leases

In accordance with IFRS 16 – Leases (IFRS 16): (i) as a lessee, the standard introduces a single model for accounting, 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 a lessor, the accounting remains identical to existing accounting policies, and leases can be classified as finance leases or operating leases.

### Lease definition

The Bank assesses whether a contract is, or contains, a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to use an identified asset (the underlying asset) for a certain period of time in exchange for consideration.

At the inception or revaluation date of a contract containing a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component based on their individual relative price. However, for leases in which the entity is a lessee, it has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component..

### As a tenant

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

The Bank presents right-of-use assets under "Other tangible assets" (Note 12), i.e. in the same line item as the underlying assets of the same nature it owns, presenting the lease liabilities under "Other liabilities" (Note 21) in the statement of financial position.

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 less any accumulated depreciation and impairment losses and adjusted for any remeasurements of the lease liability. Assets under right of use 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, the Bank's incremental funding rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in the 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.

### Determining the lease term of contracts

The Bank has applied judgement to determine the lease term of certain contracts, in which it is in the position of lessee, and which include renewal and termination options. The Bank determines the lease term as the non-cancellable term 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 landlord

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

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, it is classified as a finance lease; if not, it is classified as an operating lease. As part of this evaluation, the Bank considers several indicators, such as whether the lease is for the greater part of the economic life of the asset.

### Finance leases

Financial leasing contracts are recorded in the statement of financial position as loans granted for the value 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 repayments of principal, also included in the rents, are deducted from the value 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 lease and non-lease components, the Bank will apply IFRS 15 – Revenue from Contracts with Customers (IFRS 15) to allocate the contractual amounts.

### Operating leases

Banco Económico recognises that payments made by the Bank under operating lease contracts are recorded as costs in the periods to which they relate, when applicable.

## 2.15. Taxes

Income tax recorded in profit or loss includes the effect of current and deferred taxes. Income tax is recognised in profit or loss, except when related to items recognised in equity, which implies its recognition in that item. Deferred taxes recognised under equity stemming from the revaluation of assets at fair value through other comprehensive income and cash flow hedging derivatives are subsequently recognised in profit or loss at the moment the gains and losses that originated them are recognised in profit or loss.

### Current taxes

Current taxes correspond to the amount determined in relation to taxable income for the period, using the tax rate in force or substantially approved by the authorities on the statement of financial position date, and any tax adjustments from previous years.

Current taxes for current and prior periods shall, to the extent that it has not been paid, be recognised as liabilities. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the 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, amended by Law No. 26/20, of 20 July, the Industrial Tax is subject to provisional assessment in a single instalment to be made in the month of August, calculated by applying a rate of 2% on the result derived from financial intermediation operations, ascertained in the first six months of the previous tax year, excluding income subject to Capital Investment Tax (CIT), unless a loss was recorded in the previous year.

According to the legislation in force, industrial and other tax returns may be subject to revision and correction by the tax authorities within five years of the year to which they relate.

Law No. 26/20 of 20 July has increased the rate of Industrial Tax for activities in the banking sector from 30% to 35%. On the other hand, the referred Law creates rules with relevant impacts on the determination of taxable profit, such as: (i) exclusion from the tax relevance in the calculation of taxable profit of income and costs with unrealised exchange differences; (ii) provisions constituted on guaranteed loans, except in the uncovered part, will no longer be accepted as deductible costs.

The assumptions for the application of the above rules in determining taxable profit are described in Note 3.3.

### Deferred taxes

Deferred taxes are calculated, in accordance with the liability method based on the statement of financial position, on the temporary differences between the book values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved on the statement of financial position date and which are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of goodwill, which is not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future.

Deferred tax assets are recognised when it is probable that future taxable profits will be available to absorb deductible temporary differences for tax purposes (including reportable tax losses).

In accordance with IAS 12 – Income Taxes (IAS 12), the Bank offsets deferred tax assets and liabilities whenever: (i) it has a legally enforceable right to set off current tax assets and current tax liabilities; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which the deferred tax liabilities or assets are expected to be settled or recovered.

## Capital Investment Tax (CIT)

The Presidential Legislative Decree No. 2/14, of 20 October, in force since 19 November 2014, revised and introduced several legislative amendments to the CIT Code, following the Tax Reform project. The CIT is generally levied on income from the Bank's financial investments, with the rate varying between 5% and 15%.

In addition, under the terms of the Industrial Tax Code, the CIT itself is not accepted as a deductible cost for the purposes of calculating taxable income (article 18) and, on the other hand, income subject to the CIT will be deducted from taxable income, in accordance with article 47 of the Industrial Tax Code.

## Taxes on wealth

### Property Tax (PT)

The new Property Tax Code (PTC) entered into force on 9 August 2020, which is applicable to the holding of own properties, rents and the onerous transfer of real estate properties, approved by Law No. 20/20 of 9 July. With the entry into force of the PTC, there are three tax brackets for urban buildings: (i) 0.1% for properties with an asset value of up to and including Kz 5,000 thousand; (ii) Kz 5,000 for properties with an asset value of between Kz 5,000 thousand and Kz 6,000 thousand; and (iii) 0.5% for properties with an asset value of over Kz 6,000 thousand (applicable to the excess of Kz 5,000 thousand). Specific rates apply to building land (0.6%) and rural properties (sum of hectares). In addition, a property tax surcharge applies to empty urban buildings.

With regard to properties leased by the Bank, as a lessee, the Bank withholds the tax due, at the effective rate of 15%, on the payment or delivery of rents for leased properties.

### Property Tax on Gratuitous or Onerous Transfers of Real Estate Assets

Pursuant to the PTC, approved by Law No. 20/20, of 9 July, 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 usucapion, on immovable property.

## Other taxes

### Value Added Tax (VAT)

The Value Added Tax (VAT) Code, approved by Law no. 7/19, of 24 April, and amended by Law no. 17/19, of 13 August, introduced a new consumption tax into Angolan legislation, which came into force on 1 October 2019. In effect, VAT repealed and replaced the Consumption Tax that had previously been in force in the Angolan legal system.

The Bank, as a taxpayer registered with the Tax Department of Large Contributors, has been subject to the general VAT system since the introduction of VAT, and is obliged to comply with all the rules and reporting obligations laid down in this area.

As a general rule, commissions and expenses charged for services provided by the Bank (in lieu of Stamp Duty) are subject to VAT at a rate of 14%. The remaining financial intermediation operations are exempt from VAT to which Stamp Duty will continue to be applied, when due.

In this sense, since the Bank is a taxpayer that carries out both taxed and exempt transactions, it also has restrictions on the right to deduct VAT paid to suppliers, so the Bank deducts the tax by applying the methods provided for in current legislation – except VAT on expenses expressly excluded from the right to deduct.

According to the current legislation, periodic VAT returns may be subject to review and correction by the tax authorities in the five years following the financial year to which they refer.

## Tax substitution

As part of its activity, the Bank acts as a tax surrogate, withholding taxes from third parties, which it then pays to the State.

### Capital Investment Tax (CIT)

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

### Stamp Duty

In accordance with Presidential Legislative Decree No. 3/14 of 21 October, the Bank is responsible for the payment and delivery of Stamp Duty due by its Customers on the majority of banking operations, such as financing, collection of interest on financing, among others, and the Bank proceeds with the payment of the tax, in accordance with the rates established in the Stamp Duty Table.

### Industrial Tax

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

In turn, in accordance with the provisions of Articles 71 and following of Law No. 19/14, of 22 October, amended by Law No. 26/20, of 20 July, the provision of services of any nature provided by taxpayers without head office, effective management or permanent establishment in Angola, which carry out service provision activities of any nature without effective management or permanent establishment in Angola, are subject to Industrial Tax, by withholding at source, at a rate of 15%.

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

## 2.16. Employee benefits

### Provision for holiday pay and holiday bonus

The General Labour Law, Law No. 7/15, of 15 June, determines that the amount of holiday allowances payable to Employees in a given year is a right acquired by them in the immediately preceding year. Consequently, the Bank records in the accounts for the year the amounts relating to holidays and holiday allowances payable in the following year, and untaken holidays payable if the Employee leaves.

### Loans and advances to Employees

In accordance with IFRS 9 financial instruments should be recorded at fair value when they are recognised in the statement of financial position.

The Bank calculates the fair value of loans and advances to Employees and, for this purpose, determines the market interest rate that the Bank was using when the loan was granted to the Employee. Since the market interest rate is higher than the one the Employee has, the fair value of his/her credit will be lower than its nominal value, so its value in the statement of financial position has to be adjusted to reflect the fair value (at the date of granting).

Considering the provisions of IAS 19 – Employee Benefits (IAS 19), 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 "Other assets" (against "Loans and advances to Customers"), and is recognised in the profit or loss under "Staff costs" (against "Interest and similar income") over the shorter of (i) the duration of the loan or (ii) the number of years between the date the loan was granted and the legal date on which the employee retires.

### Short-term employee benefits

Short-term employee benefits are recorded as a cost when the related service has been rendered. 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 past service provided by the Employee and this obligation can be reliably estimated.

### Variable remuneration paid to Employees and Directors

The Bank attributes variable remuneration to its Employees and Directors as a result of their performance (performance bonuses). The variable remuneration paid to Employees and Directors is recorded against profit or loss in the year to which it relates.

### Pensions – defined contribution plan

For defined contribution plans the liability related to the benefit attributable to the Bank's Employees is recognised as a cost for the year when due. Prepaid contributions are recognised as an asset if a refund or reduction of future payments is available.

## 2.17. Provisions

Provisions are recognised when: (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that settlement will be required and (iii) a reliable estimate of the obligation can be made.

Provisions for guarantees and other commitments are measured according to the collective impairment model, as described in Note 2.7. The measurement of provisions takes into account the principles defined in IAS 37 – Provisions, contingent liabilities and contingent assets (IAS 37) with regard to the best estimate of the expected cost, the most probable outcome of the actions in progress and taking into account the risks and uncertainties inherent in the process.

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

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

## 2.18. Revenue

### Recognition of Interest

Interest income from financial instruments measured at amortised cost is recognised under "Interest and similar income" or "Interest and similar charges" (Note 24), using the effective interest rate method. Interest at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income, as well as on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, for a shorter period) for the net present value in the statement of financial position of the financial asset or liability.

In determining the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) without considering possible impairment losses. The calculation includes all fees paid or received considered as part of the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction, except for financial assets and liabilities at fair value through profit or loss.

For operations that are in default for more than 90 days, interest is suspended until its settlement. Interest and similar income includes interest income arising from financial assets for which an impairment loss was recognised. Interest on financial assets classified in Stage 3 is calculated using the effective interest rate method applied to the net value of the statement of financial position. When the asset is no longer included in Stage 3, interest is calculated based on the gross value of the statement of financial position.

For purchased or originated credit-impaired financial assets, the effective interest rate reflects expected credit losses when determining the expected future cash flows receivable from the financial asset.

### Recognition of fees and commissions income

Fees and commissions income is recognised as revenue from contracts with Customers to the extent that the performance obligations are met: (i) Fees and commissions earned on the execution of a significant act, such as loan syndication fees, are recognised in profit or loss when the significant act has been completed; (ii) Fees and commissions earned as services are rendered are recognised in profit or loss in the year to which they relate; (iii) Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised in profit or loss using the effective interest rate method.

### Dividend recognition

Dividends (income from equity instruments) are recognised when the right to receive their payment is established.

## 2.19. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include the balances under "Cash and deposits with central banks" and "Deposits with other credit institutions" (Notes 4 and 5).

## 2.20. Financial guarantees and commitments

Financial guarantees are contracts that oblige the Bank to make specific payments in order to reimburse the holder for a loss incurred because a debtor fails to meet a payment. Commitments associated with credit operations aim to make credit available under predetermined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognised at fair value, with the initial fair value being amortised over the lifetime 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.

## 2.21. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of treasury shares held by the Bank.

For the 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 would decrease earnings per share.

If the earnings per share are changed as a result of an issue at premium or discount or other event that changes the potential number of ordinary shares or as a result of changes in accounting policies, the earnings per share for all presented periods are 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 estimates in order 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 detailed description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

Because in many cases there are alternatives to the accounting treatment chosen by the Board of Directors, the Bank's reported results would differ if a different treatment were chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly, in all material respects.

## 3.1. Fair value of financial instruments

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 a different model or of different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

## 3.2. Impairment losses on loans and advances to Customers and other assets

The Bank reviews its loan portfolios periodically in order to assess the existence of impairment losses, as described in the accounting policy described in Note 2.7.

The process of evaluating the loan portfolio in order to determine if an impairment loss should be recognised is subject to numerous estimates and judgements. This process includes factors such as probability of default, risk ratings, value of associated collateral, recovery rates and estimates of both the timing and future cash flows.

The calculation of impairment associated with loans and advances to Customers is based, among other factors and where applicable, on valuations of the collateral of credit operations, such as property mortgages. These were made on the assumption that all property market conditions would be maintained during the lifetime of the operations and corresponded to the best estimate of the recoverable value of said collateral at the balance sheet date. Property valuations are drawn up by independent appraisers registered with the CMC and imply a set of assumptions whose verification is uncertain given the current circumstances of the property market. In addition, the Bank also uses estimates as to the recovery and sale times of the property collateral.

The valuation methodology used for "Investments at amortised cost" (Note 2.7.) is applied to credit operations with public guarantees as collateral.

The valuation criteria described in Note 2.13 are taken into account with regard to properties received as a result of credit recovery.

With regard to the asset transfer operation with INVESTPAR, the Bank's Board of Directors considers the impairment calculation to be based on the difference between the book value of the operation and its recoverable value, this value being calculated on the basis of an assessment carried out by an external consultant, within the scope of the Asset Quality Assessment programme, carried out with reference to 31 December 2018, based on the estimated valuation of the properties underlying the operation.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognised impairment losses, with the consequent impact on the Bank's results, and could be significantly impacted by the evolution of Angola's macroeconomic indicators.

## 3.3. Income taxes

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

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

The calculation of the current tax estimate for the financial years ended 31

December 2022 and 2021 was calculated under the terms of Law No. 26/20 of 20 July, with the applicable tax rate being 35%. Tax returns are subject to review and correction by the tax authorities for a period of five years, which may extend to ten years, and may result in possible corrections to taxable income due to different interpretations of tax legislation. However, no corrections are expected for these financial years and, should they occur, no significant impacts are expected on the financial statements.

In turn, tax losses determined in a given year, as provided for in the Industrial Tax Code, may be deducted from the taxable profits of the following five years.

In order to determine the global amount of income tax, it was necessary to make certain interpretations and estimates. There are various transactions and calculations for which the determination of taxes payable is uncertain during the normal business cycle, with emphasis on the aspects set out in Note 2.15, arising from the new wording of Law No. 26/20 of 20 July, namely: (i) costs/income with potential/realised exchange rate valuations; (ii) costs with impairment losses on secured loans; 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 Administration.

Deferred taxes are calculated based on the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the statement of financial position date. Therefore, for the years ended 31 December 2022 and 2021, deferred tax was, in general terms, calculated based on a rate of 35%.

According to the understanding of the Board of Directors on the requirements set out in IAS 12, deferred tax liabilities should be recognised in full, whereas the recognition of a deferred tax asset should only be recognised if it is certain that future taxable income will be sufficient to allow the benefit of the loss to be realised. In this sense, the Bank calculated deferred tax assets up to the limit of the deferred tax liabilities, having these amounts been presented in the financial statements in an offsetting way.

Other interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the year or in an analysis of their recoverability.

With the amendment of the Industrial Tax Code, for the purposes of calculating the estimated tax, the following assumptions were adopted in accordance with the understanding and information available as at 31 December 2022:

- Unrealised exchange rate variations:
  - Potential variations associated with the captions "Investment at amortised cost", "Loans and advances to Customers" and "Other assets", denominated in foreign currency, excluding settlements during the year, considered as realised exchange rate variations;
  - Potential variations associated with the "Subordinated liabilities" caption, excluding settlements during the year, considered as realised exchange rate variations.

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 Administration.

## 3.4. Leases

For contracts in which it is in the position of 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. Accordingly, the Bank used as the discount rate, at the transition date, as an approximation the interest rate on 3-year non-adjustable Treasury Bonds (23%) for non-indexed rents, while for indexed rents it used the interest rate on 7-year indexed Treasury Bonds (5.50%).

## 3.5. Provisions

Provisions require a high level of judgement, 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 uses legal advisors and these estimates are reviewed regularly.

Estimates used are based on the best information available during the preparation of financial statements and are based on the best knowledge of past and present events. Although future events are neither controlled by the Company nor foreseeable, some could occur and have impact on the estimates. Changes to these estimates that occur after the date of the financial statements will be corrected prospectively in profit or loss, in accordance with IAS 8.

# Note 4
# Cash and deposits with central banks

This caption has the following composition:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| **Cash** | | |
| Amounts in cash | | |
| In domestic currency | **3,167,607** | 4,016,974 |
| In foreign currency | **34,192** | 530,949 |
| Amounts in transit | | |
| In domestic currency | **44,291** | 199,983 |
| | **3,246,090** | 4,747,906 |
| **Demand deposits at Banco Nacional de Angola** | | |
| In domestic currency | **3,445,533** | 44,061,941 |
| In other currencies | **38,062,802** | 42,415,247 |
| | **41,508,335** | 86,477,188 |
| Impairment losses (Note 31) | **-** | (107,276) |
| | **44,754,425** | **91,117,818** |

The caption "Demand deposits with the Banco Nacional de Angola" reflects the balances arising from the minimum reserve requirements in force in the country on the statement of financial position date, and is made up of non--interest-bearing deposits with BNA.

As at 31 December 2022, the minimum mandatory reserves were set up in accordance with the provisions of Instruction No. 02/2021 of 10 February, Instruction No. 08/2021, of 14 May, Directive No. 06/DMA/DSP/2021, of 21 May, and Directive No. 11/2022 of 12 December.

As at 31 December 2021, the minimum mandatory reserves were calculated in accordance with the provisions of Instruction No. 02/2021, of 10 February, Instruction No. 08/2021, of 14 May, Directive No. 05/DMA/2021, of 5 May, Directive No. 06/DMA/DSP/2021, of 21 May and Directive No. 07/DMA/2021, of 6 July.

The mandatory reserves are constituted in domestic currency and in foreign currency according to the respective denomination of the liabilities that form their basis of incidence.

| 2022 | Basis of incidence | Calculation | Domestic Currency | Foreign Currency |
|---|---|---|---|---|
| | Central Government | Daily | 100% | 100% |
| | Local Governments and Municipal Administrations | Daily | 17% | 100% |
| | Other Sectors | Weekly | 17% | 22% |

| 2021 | Basis of incidence | Calculation | Domestic Currency | Foreign Currency |
|---|---|---|---|---|
| | Central Government | Daily | 100% | 100% |
| | Local Governments and Municipal Administrations | Daily | 22% | 100% |
| | Other Sectors | Weekly | 22% | 22% |

Compliance with the mandatory reserves for a given weekly observation period is realised by taking into account the arithmetic average of the balances calculated in the respective eligible accounting items on the working days of the period, the average value of Customer deposit balances, among others, with the Bank during that period.

As at 31 December 2022, the requirement in domestic currency may be deducted by the amount up to 80% of the assets representing the value of loan disbursements, in domestic currency, in a regular situation, related to projects of the agriculture, animal husbandry, forestry and fisheries sectors, granted up to 14 April 2021, provided that they are of residual maturity equal to higher than 24 months, as well as the entirety of loans defined pursuant to the provisions in Article 8 of Notice No. 10/2022 of 6 April, concerning loans granted to the real economy, regardless of their residual maturity, and loans defined pursuant to the provisions in Article 10 of Notice No. 09/2022 of 6 April, concerning mortgage loans, regardless of their residual maturity. Within the scope of the regulations in force and with the authorisation of the BNA, the Bank is deducting the sum of Kz 58,632,267 thousand for the purposes of calculating the mandatory reserves in national currency, relating to the restructuring of a credit operation.

As at 31 December 2021, the requirement in domestic currency may be deducted by the amount up to 80% of the assets representing the value of loan disbursements in domestic currency, in a regular situation, related to projects of the agriculture, animal husbandry, forestry and fisheries sectors, granted up to 14 April 2021, provided that they are of residual maturity equal to or higher than 24 months, as well as the entirety of loans defined pursuant to the provisions in Article 6 of Notice No. 10/2020 of 3 April, concerning loans granted to the real economy, regardless of their residual maturity.

As at 31 December 2021, the mandatory minimum reserves in foreign currency can be 20% composed of the amounts deposited at Banco Nacional de Angola and 80% of Treasury Bonds in foreign currency, belonging to the Bank's own portfolio and relative to the special issuance of 10 December 2015.

On 31 December 2021 and 2022, the Bank was in breach of the regulatory requirements for minimum mandatory reserves, in foreign currency, in the amount of USD 173,146 thousand and USD 110,968 thousand.

# Note 5
# Deposits with other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Demand deposits: | | |
| In foreign currency | **28 688 622** | 20 149 628 |
| | **28 688 622** | 20 149 628 |
| Other balances | | |
| Clearance of cheques and other paper | **27 115** | 30 200 |
| Other transactions pending settlement | **3 714** | 710 450 |
| | **30 829** | 740 650 |
| | **28 719 451** | **20 890 278** |
| Impairment losses (Note 31) | **(11 855)** | (31 707) |
| | **28 707 596** | **20 858 571** |

As at 31 December 2022, the balance of demand deposits includes the amount of USD 53,447 thousand (equivalent to Kz 27,402,744 thousand), which is held captive in the accounts of Novo Banco, S.A. relating to the maturity, in 2022, of Treasury Bonds in foreign currency, to cover the repayment of the subordinated loan of a total value of USD 63,729 thousand (equivalent to Kz 32,099,752 thousand), which matures on 31 August 2023 and was settled on that date (Note 19).

The balance of other deposits relates to transactions that are awaiting clearing on the date of presentation of the statement of financial position and are sent for collection on the first business days following the reference date.

The movements occurred in impairment losses are detailed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **31 707** | 353 827 |
| Allocations | **-** | - |
| Uses | **-** | - |
| Reversals | **(19 852)** | (322 120) |
| | **11 855** | **31 707** |

The methodology for calculating impairment losses is described in Note 2.7.

# Note 6
## Investments at central banks and other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Investments at domestic credit institutions** | | |
| Interbank money market | - | 43,289,243 |
| | - | **43,289,243** |
| Impairment losses (Note 31) | - | (835,310) |
| | - | **42,453,933** |

As at 31 December 2021, the amount of loans and advances to credit institutions includes the interest receivable accrued up to the date of presentation of the statement of financial position.

As at 31 December 2022 and 2021, loans and advances to central banks and other credit institutions are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to three months | - | 32,189,730 |
| Three months to one year | - | 11,099,513 |
| | - | **43,289,243** |

The movements occurred in impairment losses are detailed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **835,310** | 922,366 |
| Allocations | - | 835,309 |
| Reversals | **(835,310)** | (922,365) |
| | - | **835,310** |

The methodology for calculating impairment losses is described in Note 2.7.

# Note 7
# Financial assets at fair value through profit or loss

This caption has the following composition:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| **Debt instruments** | | |
| Public debt | **637,328** | 1,531,032 |
| | **637,328** | **1,531,032** |

As at 31 December 2022 and 2021, the breakdown of financial assets at fair value through profit or loss by residual maturity is as follows:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| One to five years | **637,328** | 950,102 |
| More than five years | **-** | 580,930 |
| | **637,328** | **1,531,032** |

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 2022 and 2021, all assets were classified as level 2 according to the fair value hierarchy.

As at 31 December 2022 and 2021, financial assets at fair value through profit or loss had the following characteristics:

Values expressed in thousand Kz

| 31/12/2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Fair value on acquisition | Income receivable | Nominal value | Currency | Unit market value | Fair value changes | Total Value |
| **Public Debt Securities** | | | | | | | | | |
| Non-indexed treasury bonds with fixed rate | 5,966 | 16.42% | 596,600 | 44,583 | 596,600 | AOA | 106,827 | (3,855) | 637,328 |
| | **5,966** | | | | | | | **(3,855)** | **637,328** |

Values expressed in thousand Kz

| 31/12/2021 Restated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Fair value on acquisition | Income receivable | Nominal value | Currency | Unit market value | Fair value changes | Total Value |
| **Public Debt Securities** | | | | | | | | | |
| Indexed treasury bonds with fixed rate | 15,100 | 16.26% | 1,493,794 | 99,378 | 1,510,000 | AOA | 101,393 | (62,140) | 1,531,032 |
| | **15,100** | | | | | | | **(62,140)** | **1,531,032** |

# Note 8
# Financial assets at fair value through other comprehensive income

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Equity instruments** | | |
| Acquisition cost | **120,488** | 123,051 |
| Fair value changes | **29,700** | 29,700 |
| | **150,188** | **152,751** |

As at 31 December 2022 and 2021, Financial assets at fair value through other comprehensive income have the following characteristics:

Values expressed in thousand Kz

| Entity | Currency | % of capital | Acquisition value | Fair value changes | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| EMIS (Shares) | AOA | 2.58% | 98,298 | 29,700 | **127,998** | 127,998 |
| EMIS (Supplementary payments) | AOA | n.a. | 7,147 | - | **7,147** | 7,147 |
| SWIFT (Shares) | EUR | n.a. | 15,043 | - | **15,043** | 17,606 |
| | | | **120,488** | **29,700** | **150,188** | **152,751** |

# Note 9
# Investments at amortised cost

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Debt instruments** | | |
| Public debt | **70 270 660** | 132 033 264 |
| | **70 270 660** | **132 033 264** |
| Impairment losses (Note 31) | **(1 014 621)** | (1 943 132) |
| | **69 256 039** | **130 090 132** |

As at 31 December 2022 and 2021, the caption "Investments at amortised cost – Public debt instruments" includes securities with a net value of Kz 16,548,424 thousand (2021: Kz 16,349,410 thousand), the nominal amount of which is Kz 47,428,300 thousand. The difference in fair value at the initial moment results from the contractual conditions, namely the interest rate (5%) and the maturity (2040), which are different from the normal market conditions on the date of their entry into the Bank's assets. The initial fair value was calculated based on a model adopted in the Asset Quality Assessment (AQA) carried out with reference to the 2018 financial year, corresponding to the discounting of future cash flows based on the risk-free interest rate (the United States of America bonds for the residual maturity closest to the residual maturity were considered, source: U. S. Department of the Treasury), plus Angola's risk premium (source: information provided by the author Aswath Damodaran) adjusted for the difference in inflation between Angola and the United States of America (source: information made available by the author Aswath Damodaran) adjusted of the inflation difference between Angola and the United States of America (source: Monetary Investment Fund – World Economic Outlook).

In addition, during 2022, as well as in 2021, a set of securities totalling USD 100,000 thousand reached maturity, which were used to settle an instalment of the subordinated liability with Novo Banco, S.A., with the remainder being used for current operations.

As at 31 December 2022 and 2021, the breakdown of Investments at amortised cost by residual maturities is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Three months to one year | **52 641 624** | 56 592 674 |
| One to five years | **834 929** | 58 844 934 |
| More than five years | **16 794 108** | 16 595 656 |
| | **70 270 660** | **132 033 264** |

The movement in impairment losses under this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Opening balance | **1 943 132** | 23 869 591 |
| Allocations | **2 098** | - |
| Uses | **-** | - |
| Reversals | **(852 789)** | (19 659 588) |
| Foreign exchange changes | **(77 818)** | (2 266 871) |
| | **1 014 623** | **1 943 132** |

The methodology for calculating impairment losses is described in Note 2.7.

As at 31 December 2022 and 2021, Investments at amortised cost present the following characteristics:

Values expressed in thousand Kz

| 31/12/2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Amortised cost | Income receivable | Nominal value | Currency | Unit market value | Gross value | Impairment | Total value |
| **Bonds in domestic currency** | | | | | | | | | | |
| Non-indexed treasury bonds with fixed rate | 486,160 | 5.17% | 15,426,458 | 2,533,122 | 48,804,400 | AOA | 36,402 | 17,959,580 | (262,504) | 17,697,075 |
| Non-indexed treasury bonds with fixed rate – Económico Pension Fund | 9,644 | 15.75% | 834,928 | - | 834,928 | AOA | 86,575 | 834,929 | - | 834,929 |
| Non-indexed treasury bonds with fixed rate – Económico Investment Fund | 4,422 | 5.00% | 4,422 | 114 | 4,422 | AOA | 1,026 | 4,536 | - | 4,536 |
| **Bonds in foreign currency** | | | | | | | | | | |
| Non-indexed bonds with fixed rate | 10,000 | 5.90% | 50,369,100 | 1,102,516 | 50,369,100 | USD | 5,071,950 | 51,471,616 | (752,117) | 50,719,499 |
| | **510,226** | | **66,634,908** | **3,635,752** | **100,012,850** | | **5,195,953** | **70,270,661** | **(1,014,622)** | **69,256,039** |

Values expressed in thousand Kz

| 31/12/2021 Restated | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Entity | Quantity | Average interest rate | Amortised cost | Income receivable | Nominal value | Currency | Unit market value | Gross value | Impairment | Total value |
| **Bonds in domestic currency** | | | | | | | | | | |
| Non-indexed treasury bonds with fixed rate | 488,044 | 5.17% | 15,426,460 | 2,176,124 | 48,804,400 | AOA | 35,532 | 17,602,584 | (261,187) | 17,341,397 |
| Non-indexed treasury bonds with fixed rate – Económico Pension Fund | 9,644 | 15.75% | 889,083 | - | 964,400 | AOA | 92,190 | 889,083 | - | 889,083 |
| Non-indexed treasury bonds with fixed rate – Económico Investment Fund | 4,828 | n.d. | 4,828 | - | 4,828 | AOA | 1,000 | 4,828 | - | 4,828 |
| **Indexed bonds in domestic currency** | | | | | | | | | | |
| Indexed treasury bonds with fixed rate – Económico Pension Fund | 270 | 5.00% | 182,858 | - | 27,000 | AOA | 677,252 | 182,858 | - | 182,858 |
| **Bonds in foreign currency** | | | | | | | | | | |
| Non-indexed bonds with fixed rate | 20,000 | 5.55% | 110,996,200 | 2,357,713 | 110,996,200 | USD | 5,583,598 | 113,353,913 | (1,681,947) | 111,671,966 |
| | **522,786** | | **127,499,429** | **4,533,837** | **160,796,828** | | **6,389,572** | **132,033,266** | **(1,943,134)** | **130,090,132** |

# Note 10
# Loans and advances to Customers

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Outstanding loans and advances** | | |
| To corporate Customers | | |
| Loans | 138,305,911 | 87,934,662 |
| Current account loans and advances | 2,082,293 | 5,195,815 |
| Overdrafts | 4,511,237 | 41,722,868 |
| Finance lease | 422,698 | 1,037,522 |
| To individual Customers | | |
| Mortgage | 6,169,907 | 6,850,975 |
| Consumer and other | 1,168,000 | 2,354,838 |
| | 152,660,046 | 145,096,679 |
| **Loans and advances overdue** | | |
| To corporate Customers | | |
| Loans | 60,655,604 | 54,492,258 |
| Current account loans and advances | 1,597,309 | 1,369,051 |
| Overdrafts | 607,005 | 2,352,071 |
| Finance lease | 1,228,904 | 2,228,853 |
| To individual Customers | | |
| Mortgage | 4,879,051 | 5,324,967 |
| Consumer and other | 6,004,313 | 5,865,185 |
| | 74,972,186 | 71,632,384 |
| **Gross Loans and Advances** | 227,632,232 | 216,729,063 |
| Impairment losses (Note 31) | (164,326,477) | (148,661,533) |
| | (164,326,477) | (148,661,533) |
| | 63,305,755 | 68,067,530 |

As at 31 December 2022, the caption "Current internal loans – to companies" is essentially represented by loans, current account loans and overdrafts, the amounts of which are Kz 138,305,911 thousand, Kz 2,082,293 thousand and Kz 4,511,237 thousand, respectively. The change compared to the previous year in loans to companies is essentially due to the restructuring of a customer's overall debt, which resulted in the capitalisation of interest of around Kz 55,406,451 thousand. The reduction in current account loans is also explained by the restructuring operation, which resulted in the transfer of around Kz 32,882,375 thousand to the loans product.

As at 31 December 2022 and 2021, the amount of interest receivable was Kz 31,147,807 thousand and Kz 26,463,546 thousand, respectively.

The breakdown of current loans and advances to Customers by maturity dates, as at 31 December 2022 and 2021, is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to 3 months | 662,368 | 35,816,329 |
| 3 months to one year | 2,174,340 | 3,399,241 |
| One to five years | 3,693,679 | 71,400,253 |
| More than five years | 146,129,659 | 34,480,857 |
| | 152,660,046 | 145,096,679 |

The movement in impairment associated with loans and advances to Customers is detailed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening balance** | 148,661,533 | 115,312,429 |
| Allocations | 64,004,631 | 36,501,721 |
| Uses | - | - |
| Reversals | (46,307,207) | (772,670) |
| Exchange rate differences and other | (2,032,480) | (2,379,947) |
| | 164,326,477 | 148,661,533 |

Loans and advances to Customers were granted entirely to entities based in Angola and the breakdown by type of rate is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Fixed rate | 188,373,106 | 175,566,810 |
| Variable rate | 39,259,126 | 41,162,253 |
| | 227,632,232 | 216,729,063 |

The composition of loans and advances to Customers by currency is as follows:

Values expressed in thousand Kz

| 2022 | Currency value | Kwanza value |
|---|---|---|
| AOA | 211,650,410 | 211,650,410 |
| USD | 31,730 | 15,981,822 |
| EUR | - | - |
| | | 227,632,232 |

Valores expressos em milhares Kz

| 2021 | Currency value | Kwanza value |
|---|---|---|
| AOA | 195,791,531 | 195,791,531 |
| USD | 37,549 | 20,838,781 |
| EUR | 157 | 98,752 |
| | | 216,729,063 |

The distribution of credit and impairment presents the following composition by situation and segment:

Values expressed in thousand Kz

| 2022 impairment | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure year 2022 | | | | | | | | | | |
| Segment | Total exposure | Loans at stage 1 | Of which restructured | Loans at stage 2 | Of which restructured | Loans at stage 3 | Of which restructured | Total impairment | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 |
| Employees | 5,229,405 | 4,899,123 | - | 330,282 | - | 0 | - | (176,147) | (106,645) | (69,502) | 0 |
| Corporate Customers | 205,331,332 | 11,865,344 | - | 1,433,917 | 948,151 | 192,032,071 | 171,519,875 | (149,892,418) | (2,160,140) | (117,573) | (147,614,705) |
| State | 3,824,778 | 0 | - | 0 | - | 3,824,778 | 2,986,373 | (3,020,356) | 0 | 0 | (3,020,356) |
| Individual Customers | 13,246,717 | 1,141,207 | - | 709,250 | 402,664 | 11,396,260 | 1,072,053 | (11,237,556) | (83,672) | (171,921) | (10,981,963) |
| **Total** | **227,632,232** | **17,905,674** | **-** | **2,473,449** | **1,350,815** | **207,253,109** | **175,578,301** | **(164,326,477)** | **(2,350,457)** | **(358,996)** | **(161,617,024)** |

Values expressed in thousand Kz

| 2021 impairment | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure year 2021 Restated | | | | | | | | | | |
| Segment | Total exposure | Loans at stage 1 | Of which restructured | Loans at stage 2 | Of which restructured | Loans at stage 3 | Of which restructured | Total impairment | Loans at stage 1 | Loans at stage 2 | Loans at stage 3 |
| Employees | 3,769,278 | 3,614,570 | - | 154,708 | - | 0 | - | (162,073) | (129,268) | (32,805) | 0 |
| Corporate Customers | 194,049,733 | 18,027,812 | - | 2,926,308 | 1,257,617 | 173,095,613 | 146,910,996 | (133,697,592) | (850,114) | (727,796) | (132,119,681) |
| State | 4,554,240 | 0 | - | 9,181 | - | 4,545,059 | 2,986,373 | (3,100,688) | 0 | (22) | (3,100,666) |
| Individual Customers | 14,355,812 | 1,742,028 | - | 1,094,837 | 437,432 | 11,518,947 | 1,113,147 | (11,701,181) | (78,781) | (324,369) | (11,298,031) |
| **Total** | **216,729,063** | **23,384,410** | **-** | **4,185,034** | **1,695,049** | **189,159,619** | **151,010,516** | **(148,661,533)** | **(1,058,163)** | **(1,084,992)** | **(146,518,378)** |

The distribution of credit and impairment presents the following composition by range of days in arrears and segments as follows:

**Values expressed in thousand Kz**

| | Exposure year 2022 | | | | | | | | | Impairment year 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Stage 1 | | | Stage 2 | | | Stage 3 | | |
| Segment | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Employees | 4,899,123 | - | - | 329,704 | 579 | - | - | - | - | (106,644) | - | - | (69,432) | (70) | - | - | - | - |
| Corporate Customers | 11,865,344 | - | - | 995,718 | 142,049 | 296,150 | 127,629,229 | 251,948 | 64,150,894 | (2,160,140) | - | - | (48,583) | (32,926) | (36,063) | (100,748,843) | (169,879) | (46,695,984) |
| State | - | - | - | - | - | - | 9,334 | 4,616 | 3,810,828 | - | - | - | - | - | - | (4,200) | (2,077) | (3,014,078) |
| Individual Customers | 1,141,207 | - | - | 696,456 | 12,131 | 662 | 236,550 | 32,518 | 11,127,192 | (83,673) | - | - | (155,146) | (16,622) | (154) | (286,339) | (30,847) | (10,664,777) |
| **Total** | **17,905,674** | **-** | **-** | **2,021,878** | **154,759** | **296,812** | **127,875,113** | **289,082** | **79,088,914** | **(2,350,457)** | **-** | **-** | **(273,161)** | **(49,618)** | **(36,217)** | **(101,039,382)** | **(202,803)** | **(60,374,839)** |

**Values expressed in thousand Kz**

| | Exposure year 2021 Restated | | | | | | | | | Impairment year 2021 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Stage 1 | | | Stage 2 | | | Stage 3 | | |
| Segment | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Employees | 3,614,568 | - | - | 38,204 | 100,105 | 16,401 | - | - | - | (129,268) | - | - | (6,676) | (22,410) | (3,718) | - | - | - |
| Corporate Customers | 18,027,814 | - | - | 2,541,398 | 303,813 | 81,097 | 104,981,654 | 1,092,372 | 67,021,586 | (850,115) | - | - | (665,821) | (49,718) | (12,257) | (82,917,744) | (514,952) | (48,686,985) |
| State | - | - | - | 9,181 | - | - | - | - | 4,545,059 | - | - | - | (22) | - | - | - | - | (3,100,666) |
| Individual Customers | 1,742,028 | - | - | 919,368 | 85,471 | 89,996 | 424,171 | 38,214 | 11,056,563 | (78,781) | - | - | (242,175) | (38,846) | (43,348) | (429,917) | (36,479) | (10,831,635) |
| **Total** | **23,384,410** | **-** | **-** | **3,508,151** | **489,389** | **187,494** | **105,405,825** | **1,130,586** | **82,623,208** | **(1,058,164)** | **-** | **-** | **(914,694)** | **(110,974)** | **(59,323)** | **(83,347,661)** | **(551,431)** | **(62,619,286)** |

The distribution of credit and impairment presents the following composition by segment and year of concession:

Values expressed in thousand Kz

| | Employees | | | Corporate Customers | | | State | | | Individual Customers | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year granted | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment | Number of operations | Amount | Constituted impairment |
| Previous years | 281 | 3,603,166 | (140,400) | 707 | 20,846,933 | (14,260,038) | 24 | 3,285,193 | (2,706,243) | 1,003 | 11,298,526 | (10,424,660) | 2,015 | 39,033,817 | (27,531,341) |
| 2018 | 28 | 478,356 | (9,534) | 193 | 2,791,869 | (1,068,681) | - | - | - | 216 | 213,432 | (54,706) | 437 | 3,483,657 | (1,132,921) |
| 2019 | 102 | 476,768 | (8,519) | 239 | 25,779,954 | (21,293,621) | 3 | 23,687 | (10,659) | 332 | 251,167 | (103,219) | 676 | 26,531,576 | (21,416,018) |
| 2020 | 59 | 471,086 | (12,901) | 311 | 10,876,107 | (3,030,423) | 1 | 515,898 | (303,454) | 382 | 766,595 | (464,800) | 753 | 12,629,687 | (3,811,578) |
| 2021 | 14 | 80,527 | (1,762) | 220 | 14,124,383 | (4,538,703) | 1 | - | - | 246 | 409,847 | (107,262) | 481 | 14,614,757 | (4,647,727) |
| 2022 | 15 | 119,502 | (3,031) | 110 | 130,912,086 | (105,700,952) | - | - | - | 147 | 307,150 | (82,909) | 272 | 131,338,738 | (105,786,892) |
| **Total** | **499** | **5,229,405** | **(176,147)** | **1,780** | **205,331,332** | **(149,892,418)** | **29** | **3,824,778** | **(3,020,356)** | **2,326** | **13,246,717** | **(11,237,556)** | **4,634** | **227,632,232** | **(164,326,477)** |

The distribution of credit and impairment presents the following composition by type of analysis and segment:

Values expressed in thousand Kz

| | Employees | | Corporate Customers | | State | | Individual Customers | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year 2022 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Individual impairment | 0 | 0 | 170,089,494 | 132,310,424 | 2,986,373 | 2,571,774 | 9,505,073 | 7,495,911 | 182,580,939 | 142,378,109 |
| Collective impairment | 5,229,405 | 176,146 | 35,241,838 | 17,581,995 | 838,405 | 448,582 | 3,741,644 | 3,741,644 | 45,051,292 | 21,948,368 |
| **Total** | **5,229,405** | **176,146** | **205,331,332** | **149,892,419** | **3,824,778** | **3,020,356** | **13,246,717** | **11,237,556** | **227,632,232** | **164,326,477** |

Values expressed in thousand Kz

| | Employees | | Corporate Customers | | State | | Individual Customers | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year 2021 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Individual impairment | - | - | 162,341,825 | 119,887,044 | 4,504,326 | 3,082,336 | 9,562,068 | 6,907,438 | 176,408,219 | 129,876,818 |
| Collective impairment | 3,769,279 | 162,073 | 31,707,908 | 13,810,548 | 49,914 | 18,351 | 4,793,743 | 4,793,743 | 40,320,844 | 18,784,715 |
| **Total** | **3,769,279** | **162,073** | **194,049,733** | **133,697,592** | **4,554,240** | **3,100,688** | **14,355,811** | **11,701,181** | **216,729,063** | **148,661,533** |

The distribution of credit and impairment presents the following composition by type of analysis and sector of activity:

Values expressed in thousand Kz

| | Individual impairment | | Collective impairment | | Total | |
|---|---|---|---|---|---|---|
| Year 2022 | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Real estate activities | 2,891,992 | 1,026,807 | 841,015 | 616,098 | 3,733,007 | 1,642,905 |
| Agriculture and livestock | 131,444,701 | 94,562,926 | 581,144 | 534,127 | 132,025,846 | 95,092,054 |
| Accommodation and catering | 7,392,677 | 4,476,207 | 21,732 | 8,152 | 7,414,410 | 4,484,359 |
| Wholesale and retail trade | 23,797,959 | 22,763,316 | 6,096,330 | 3,963,733 | 29,894,289 | 25,352,049 |
| Other collective service activities | 8,043,492 | 5,872,234 | 14,105,697 | 13,577,426 | 22,149,189 | 15,324,660 |
| Individual Customers | 7,640,672 | 1,511,625 | 14,277,046 | 1,319,631 | 21,917,718 | 2,831,256 |
| Health and social action | 0 | 0 | 5,462 | 2,663 | 5,462 | 2,663 |
| Other | 8,218,756 | 12,164,994 | 2,273,555 | 1,926,538 | 10,492,311 | 19,596,532 |
| **Total** | **189,430,250** | **142,378,109** | **38,201,982** | **21,948,368** | **227,632,232** | **164,326,477** |

Values expressed in thousand Kz

| | Individual impairment | | Collective impairment | | Total | |
|---|---|---|---|---|---|---|
| Year 2021 Restated | Total exposure | Impairment | Total exposure | Impairment | Total exposure | Impairment |
| Real estate activities | 2,862,455 | 1,051,904 | 935,848 | 622,484 | 3,798,303 | 1,674,388 |
| Agriculture and livestock | 98,141,358 | 79,532,325 | 586,567 | 529,770 | 98,727,926 | 80,062,095 |
| Accommodation and catering | 7,392,684 | 5,304,090 | 28,995 | 13,940 | 7,421,679 | 5,318,030 |
| Wholesale and retail trade | 27,478,565 | 19,251,962 | 2,804,713 | 1,220,280 | 30,283,277 | 20,472,242 |
| Other collective service activities | 19,244,947 | 14,447,601 | 5,154,441 | 4,837,500 | 24,399,388 | 19,285,101 |
| Individual Customers | 5,955,265 | 1,481,977 | 15,589,911 | 939,422 | 21,545,176 | 2,421,399 |
| Health and social action | - | - | 5,804,298 | 5,644,079 | 5,804,298 | 5,644,079 |
| Other | 15,332,945 | 8,806,959 | 9,416,070 | 4,977,241 | 24,749,015 | 13,784,200 |
| **Total** | **176,408,219** | **129,876,818** | **40,320,844** | **18,784,715** | **216,729,062** | **148,661,535** |

The composition of restructured loans by restructuring measure applied is as follows:

Values expressed in thousand Kz

| | 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Total | | |
| Measure applied | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| Aggregation of loans | - | - | - | 1 | 174,713 | (23,310) | 3 | 479,199 | (303,871) | 4 | 653,912 | (327,181) |
| Currency change | - | - | - | - | - | - | 1 | 334,346 | (318,821) | 1 | 334,346 | (318,821) |
| Rate change | - | - | - | - | - | - | 2 | 1,259,386 | (1,259,386) | 2 | 1,259,386 | (1,259,386) |
| Debt assumption | - | - | - | - | - | - | 1 | 3,899,028 | (3,899,028) | 1 | 3,899,028 | (3,899,028) |
| Capitalisation of interest | - | - | - | 1 | 13,554 | (3,029) | 13 | 128,692,007 | (98,389,217) | 14 | 128,705,561 | (98,392,246) |
| Currency conversion | - | - | - | 3 | 200,163 | (53,797) | 2 | 675,512 | (681,732) | 5 | 875,676 | (735,528) |
| Extension of period | - | - | - | 3 | 874,168 | (28,456) | 7 | 8,741,154 | (5,635,288) | 10 | 9,615,321 | (5,663,743) |
| Escrow current account default | - | - | - | - | - | - | 1 | 24,181 | (20,006) | 1 | 24,181 | (20,006) |
| Escrow current account settlement | - | - | - | 1 | 32,838 | (7,390) | 1 | 3,753 | (3,415) | 2 | 36,591 | (10,806) |
| Overdraft settlement | - | - | - | - | - | - | 1 | 15,558,969 | (15,558,969) | 1 | 15,558,969 | (15,558,969) |
| Write-off of interest | - | - | - | - | - | - | 1 | 2,798,577 | (2,798,577) | 1 | 2,798,577 | (2,798,577) |
| Period of grace | - | - | - | - | - | - | 5 | 6,383,705 | (4,953,868) | 5 | 6,383,705 | (4,953,868) |
| Reduction of limit | - | - | - | - | - | - | 1 | 217,810 | (180,197) | 1 | 217,810 | (180,197) |
| Reduction of period | - | - | - | 1 | 27,788 | (216) | - | - | - | 1 | 27,788 | (216) |
| Limit strengthening | - | - | - | - | - | - | 5 | 4,680,888 | (3,193,649) | 5 | 4,680,888 | (3,193,649) |
| Overdraft regularisation | - | - | - | - | - | - | 2 | 381,725 | (291,714) | 2 | 381,725 | (291,714) |
| Renewal of period | - | - | - | - | - | - | 4 | 916,996 | (806,922) | 4 | 916,996 | (806,922) |
| Transformation of escrow current account | - | - | - | - | - | - | 1 | 18,664 | (15,441) | 1 | 18,664 | (15,441) |
| Transformation of escrow current account into escrow loan account | - | - | - | 1 | 27,478 | - | 2 | 512,400 | (376,598) | 3 | 539,879 | (376,598) |
| Transformation of finance lease into escrow loan account | - | - | - | 1 | 112 | (16) | - | - | - | 1 | 112 | (16) |
| **Total** | **-** | **-** | **-** | **12** | **1,350,815** | **(116,214)** | **53** | **175,578,301** | **(138,686,698)** | **65** | **176,929,116** | **(138,802,912)** |

Values expressed in thousand Kz

| Measure applied | 2021 restated | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Total | | |
| | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment | Number of operations | Exposure | Impairment |
| Aggregation of loans | - | - | - | 1 | 191,093 | (30,880) | 2 | 85,855 | (70,991) | 3 | 276,948 | (101,871) |
| Currency change | - | - | - | - | - | - | 1 | 361,601 | (329,084) | 1 | 361,601 | (329,084) |
| Increase of limit | - | - | - | - | - | - | 2 | 732,062 | (305,166) | 2 | 732,062 | (305,166) |
| Capitalisation of interest | - | - | - | - | - | - | 9 | 12,087,887 | (9,025,845) | 9 | 12,087,887 | (9,025,845) |
| Currency conversion | - | - | - | 3 | 210,952 | (58,315) | 3 | 4,149,253 | (3,554,681) | 6 | 4,360,205 | (3,612,996) |
| Extension of period | - | - | - | - | - | - | 8 | 71,671,463 | (55,347,688) | 8 | 71,671,463 | (55,347,688) |
| Escrow current account default | - | - | - | - | - | - | 1 | 24,181 | (24,181) | 1 | 24,181 | (24,181) |
| Escrow current account settlement | - | - | - | 1 | 6,669 | (1,777) | | - | - | 1 | 6,669 | (1,777) |
| Overdraft settlement | - | - | - | - | - | - | 1 | 15,560,839 | (12,313,292) | 1 | 15,560,839 | (12,313,292) |
| Loan settlement | - | - | - | 1 | 7,861 | (1,158) | | - | - | 1 | 7,861 | (1,158) |
| Partial loan settlement | - | - | - | - | - | - | 1 | 255,465 | (149,506) | 1 | 255,465 | (149,506) |
| Write-off of interest | - | - | - | 1 | - | (31,460) | 1 | 479,371 | (268,892) | 2 | 479,371 | (300,351) |
| Period of grace | - | - | - | - | - | - | 3 | 4,576,928 | (3,097,426) | 3 | 4,576,928 | (3,097,426) |
| Reduction of limit | - | - | - | - | - | - | 2 | 214,249 | (157,005) | 2 | 214,249 | (157,005) |
| Reduction of period | - | - | - | 1 | 28,718 | (209) | | - | - | 1 | 28,718 | (209) |
| Limit strengthening | - | - | - | - | - | - | 5 | 37,578,610 | (27,414,169) | 5 | 37,578,610 | (27,414,169) |
| Overdraft regularisation | - | - | - | - | - | - | 1 | 282,200 | (224,464) | 1 | 282,200 | (224,464) |
| Renewal of period | - | - | - | - | - | - | 4 | 2,418,216 | (1,504,639) | 4 | 2,418,216 | (1,504,639) |
| Revision of escrow current account | - | - | - | 1 | 1,249,756 | (363,870) | | - | - | 1 | 1,249,756 | (363,870) |
| Transformation of escrow current account | - | - | - | - | - | - | 1 | 18,664 | (12,309) | 1 | 18,664 | (12,309) |
| Transformation of escrow current account into escrow loan account | - | - | - | - | - | - | 2 | 512,400 | (375,495) | 2 | 512,400 | (375,495) |
| Transformation of finance lease into escrow loan account | - | - | - | - | - | - | 1 | 1,274 | (745) | 1 | 1,274 | (745) |
| **Total** | **-** | **-** | **-** | **9** | **1,695,049** | **(487,669)** | **48** | **151,010,518** | **(114,175,578)** | **57** | **152,705,567** | **(114,663,247)** |

The composition of loans and advances to Customers and overdue loans without impairment, by stage, is as follows:

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2022 | | | | |
|---|---|---|---|---|---|
| | Outstanding loans associated with loans overdue | Stages of default | | | Total |
| | | Stage 1 | Stage 2 | Stage 3 | |
| **Loans without impairment** | | | | | |
| Based on individual analysis | 3,494,557 | 0 | 6,096 | 2,587,674 | 6,088,328 |
| Based on collective analysis | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | **3,494,557** | **0** | **6,096** | **2,587,674** | **6,088,328** |
| **With impairment assigned based on individual analysis** | | | | | |
| Loans and interest overdue | 156,249,144 | 0 | 0 | 20,243,468 | 176,492,612 |
| Impairment | (126,233,400) | 0 | 0 | (16,144,709) | (142,378,109) |
| **Subtotal** | **30,015,744** | **0** | **0** | **4,098,759** | **34,114,503** |
| **With impairment assigned based on collective analysis** | | | | | |
| Loans and interest overdue | 34,523,899 | 109,124 | 46,797 | 10,371,471 | 45,051,292 |
| Impairment | (14,937,366) | (23,843) | (23,614) | (6,963,545) | (21,948,368) |
| **Subtotal** | **19,586,533** | **85,281** | **23,184** | **3,407,926** | **23,102,924** |
| **Total** | **53,096,834** | **85,281** | **29,280** | **10,094,360** | **63,305,755** |

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2021 Restated | | | | |
|---|---|---|---|---|---|
| | Outstanding loans associated with loans overdue | Stages of default | | | Total |
| | | Stage 1 | Stage 2 | Stage 3 | |
| **Loans without impairment** | | | | | |
| Based on individual analysis | 2,545,037 | 0 | 0 | 2,223,215 | 4,768,252 |
| Based on collective analysis | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | **2,545,037** | **0** | **0** | **2,223,215** | **4,768,252** |
| **With impairment assigned based on individual analysis** | | | | | |
| Loans and interest overdue | 149,671,133 | 0 | 0 | 21,968,833 | 171,639,966 |
| Impairment | (113,461,765) | 0 | 0 | (16,415,053) | (129,876,818) |
| **Subtotal** | **36,209,368** | **0** | **0** | **5,553,780** | **41,763,148** |
| **With impairment assigned based on collective analysis** | | | | | |
| Loans and interest overdue | 34,362,899 | 44,439 | 82,799 | 5,830,706 | 40,320,843 |
| Impairment | (14,216,718) | (2,696) | (35,170) | (4,530,130) | (18,784,714) |
| **Subtotal** | **20,146,181** | **41,743** | **47,629** | **1,300,576** | **21,536,129** |
| **Total** | **58,900,586** | **41,743** | **47,629** | **9,077,571** | **68,067,529** |

Composition of restructured loans by type (due and overdue) and by stage:

Values expressed in thousand Kz

| Restructured loans | Year 2022 | | | |
|---|---|---|---|---|
| | Credit | | | Impairment |
| | Outstanding | Overdue | Total | |
| **Corporate Customers** | 135,661,293 | 36,806,732 | 172,468,025 | (135,096,039) |
| **Subtotal** | **135,661,293** | **36,806,732** | **172,468,025** | **(135,096,039)** |
| **State** | 2,239,246 | 747,126 | 2,986,373 | (2,571,774) |
| **Subtotal** | **2,239,246** | **747,126** | **2,986,373** | **(2,571,774)** |
| **Individual Customers** | | | | |
| Consumer | 186,226 | 2,983 | 189,209 | (36,209) |
| Mortgage | 523,669 | 55,243 | 578,912 | (414,158) |
| Other purposes | 526,368 | 180,229 | 706,597 | (684,732) |
| **Subtotal** | **1,236,263** | **238,455** | **1,474,718** | **(1,135,099)** |
| **Total** | **139,136,802** | **37,792,313** | **176,929,116** | **(138,802,912)** |

Values expressed in thousand Kz

| Restructured loans | Year 2021 | | | |
|---|---|---|---|---|
| | Credit | | | Impairment |
| | Outstanding | Overdue | Total | |
| **Corporate Customers** | 133,619,595 | 14,549,019 | 148,168,614 | (111,283,334) |
| **Subtotal** | **133,619,595** | **14,549,019** | **148,168,614** | **(111,283,334)** |
| **State** | 2,386,222 | 600,151 | 2,986,373 | (2,171,564) |
| **Subtotal** | **2,386,222** | **600,151** | **2,986,373** | **(2,171,564)** |
| **Individual Customers** | | | | |
| Consumer | 191,093 | 0 | 191,093 | (405,347) |
| Mortgage | 591,376 | 0 | 591,376 | (30,880) |
| Other purposes | 580,732 | 187,379 | 768,111 | (772,121) |
| **Subtotal** | **1,363,200** | **187,380** | **1,550,581** | **(1,208,349)** |
| **Total** | **137,369,017** | **15,336,549** | **152,705,567** | **(114,663,247)** |

Composition of loans and advances to companies and individuals, by stage of impairment:

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2022 | | | |
|---|---|---|---|---|
| | Stages of default | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| **Corporate Customers** | 11,865,344 | 1,433,917 | 192,032,071 | 205,331,332 |
| **Subtotal** | **11,865,344** | **1,433,917** | **192,032,071** | **205,331,332** |
| **Individual Customers** | | | | |
| Consumer | 0 | 0 | 3,496,103 | 3,496,103 |
| Mortgage | 0 | 0 | 2,782,569 | 2,782,569 |
| Other purposes | 0 | 0 | 6,968,044 | 6,968,044 |
| **Subtotal** | **0** | **0** | **13,246,716** | **13,246,716** |
| **Total** | **11,865,344** | **1,433,917** | **205,278,787** | **218,578,048** |

Values expressed in thousand Kz

| Loans and advances to Customers | Year 2021 | | | |
|---|---|---|---|---|
| | Stages of default | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| **Corporate Customers** | 18,027,812 | 2,926,308 | 173,095,613 | 194,049,733 |
| **Subtotal** | **18,027,812** | **2,926,308** | **173,095,613** | **194,049,733** |
| **Individual Customers** | | | | |
| Consumer | 581,852 | 65,331 | 132,494 | 779,676 |
| Mortgage | 108,952 | 748,046 | 2,241,071 | 3,098,069 |
| Other purposes | 1,051,224 | 281,460 | 9,145,382 | 10,478,067 |
| **Subtotal** | **1,742,028** | **1,094,837** | **11,518,947** | **14,355,811** |
| **Total** | **19,769,840** | **4,021,145** | **184,614,560** | **208,405,544** |

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

**Values expressed in thousand Kz**

| | Year 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Customers | | | | Property development construction | | | | Mortgage | | | |
| | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | |
| Measure applied | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| < AOA 50 M | 3 | 26,627 | 74 | 363,445 | 3 | 39,091 | 11 | 21,556 | 142 | 2,271,334 | 500 | 4,122,903 |
| ≥ AOA 50 M and < AOA 100 M | - | - | 11 | 764,046 | 1 | 56,165 | - | - | 10 | 763,548 | 16 | 1,104,798 |
| ≥ AOA 100 M and < AOA 500 M | 54 | 11,082,546 | 56 | 13,634,614 | 45 | 14,744,578 | 0 | 0 | 9 | 1,941,973 | 13 | 3,133,000 |
| ≥ AOA 500 M and < AOA 1,000 M | 16 | 10,917,073 | 13 | 8,131,847 | 1 | 502,944 | 2 | 1,279,955 | 0 | 0 | 8 | 6,097,412 |
| ≥ AOA 1,000 M and < AOA 2,000 M | - | - | 10 | 14,506,121 | 0 | 0 | 1 | 1,071,135 | - | - | 2 | 3,369,158 |
| ≥ AOA 2,000 M and < AOA 5,000 M | 1 | 2,694,173 | 5 | 14,670,421 | 0 | 0 | 4 | 15,931,637 | - | - | 2 | 6,873,863 |
| ≥ AOA 5,000 M | 2 | 36,283,240 | 8 | 114,624,872 | 8 | 146,239,455 | 4 | 48,358,475 | - | - | - | - |
| **Total** | **76** | **61,003,659** | **177** | **166,695,367** | **58** | **161,582,233** | **22** | **66,662,757** | **161** | **4,976,856** | **541** | **24,701,134** |

**Values expressed in thousand Kz**

| | Year 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corporate Customers | | | | Property development construction | | | | Mortgage | | | |
| | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | | Real estate properties | | Other asset-backed collateral | |
| Measure applied | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| < AOA 50 M | 3 | 26,627 | 74 | 363,445 | 3 | 39,091 | 11 | 21,556 | 142 | 2,271,334 | 500 | 4,122,903 |
| ≥ AOA 50 M and < AOA 100 M | - | 0 | 11 | 764,046 | 1 | 56,165 | - | 0 | 10 | 763,548 | 16 | 1,104,798 |
| ≥ AOA 100 M and < AOA 500 M | 54 | 11,082,546 | 56 | 13,634,614 | 45 | 14,744,578 | - | 0 | 9 | 1,941,973 | 13 | 3,133,000 |
| ≥ AOA 500 M and < AOA 1,000 M | 16 | 10,917,073 | 13 | 8,131,847 | 1 | 502,944 | 2 | 1,279,955 | - | - | 8 | 6,097,412 |
| ≥ AOA 1,000 M and < AOA 2,000 M | - | - | 10 | 14,506,121 | - | 0 | 1 | 1,071,135 | - | - | 2 | 3,369,158 |
| ≥ AOA 2,000 M and < AOA 5,000 M | 1 | 2,694,173 | 5 | 14,670,421 | - | 0 | 4 | 15,931,637 | - | - | 2 | 6,873,863 |
| ≥ AOA 5,000 M | 2 | 36,283,240 | 8 | 114,624,872 | 8 | 146,239,455 | 4 | 48,358,475 | - | - | - | 0 |
| **Total** | **76** | **61,003,659** | **177** | **166,695,367** | **58** | **161,582,233** | **22** | **66,662,757** | **161** | **4,976,856** | **541** | **24,701,134** |

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

Values expressed in thousand Kz

| Segment/Ratio | Year 2022 Loans at stage 1 | Loans at stage 2 | Loans at stage 3 | Impairment |
|---|---|---|---|---|
| **Corporate Customers** | **11,864,972** | **1,431,536** | **180,450,001** | **(141,680,587)** |
| No associated guarantee | 2,105,998 | 251,541 | 131,535,201 | (107,283,178) |
| < 50% | 6,711,111 | 176,550 | 27,186,430 | (22,390,085) |
| ≥ 50% and < 75% | 1,106,650 | 0 | 5,007,092 | (4,539,167) |
| ≥ 75% and < 100% | 1,070,295 | 874,168 | 15,199,919 | (7,032,812) |
| ≥ 100% | 870,918 | 129,277 | 1,521,360 | (435,345) |
| **Construction and real estate development** | **371** | **2,381** | **3,066,580** | **(1,582,471)** |
| No associated guarantee | 371 | 2,381 | 1,012,226 | (785,188) |
| < 50% | 0 | 0 | 475,238 | (353,854) |
| ≥ 50% and < 75% | 0 | 0 | 0 | 0 |
| ≥ 75% and < 100% | 0 | 0 | 1,579,117 | (443,429) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Mortgage** | **5,048,137** | **597,617** | **2,782,569** | **(2,967,043)** |
| No associated guarantee | 2,511,205 | 290,175 | 1,944,649 | (2,115,381) |
| < 50% | 2,072,612 | 141,970 | 746,597 | (755,326) |
| ≥ 50% and < 75% | 272,516 | 160,504 | 49,855 | (53,653) |
| ≥ 75% and < 100% | 191,804 | 4,969 | 41,468 | (42,682) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Total** | **16,913,480** | **2,031,534** | **186,299,150** | **(146,230,101)** |

Values expressed in thousand Kz

| Segment/Ratio | Year 2021 Restated Loans at stage 1 | Loans at stage 2 | Loans at stage 3 | Impairment |
|---|---|---|---|---|
| **Corporate Customers** | **17,951,517** | **2,925,750** | **157,597,600** | **(119,203,370)** |
| No associated guarantee | 10,639,418 | 2,424,846 | 47,749,546 | (37,481,068) |
| < 50% | 119,938 | 73,013 | 27,827,307 | (21,707,051) |
| ≥ 50% and < 75% | 5,692,163 | 0 | 56,310,534 | (41,810,335) |
| ≥ 75% and < 100% | 1,464,956 | 427,521 | 18,317,680 | (12,900,935) |
| ≥ 100% | 35,042 | 370 | 7,392,533 | (5,303,982) |
| **Construction and real estate development** | **76,295** | **558** | **3,048,241** | **(1,708,111)** |
| No associated guarantee | 76,295 | 558 | 2,219,288 | (1,221,773) |
| < 50% | 0 | 0 | 475,238 | (369,055) |
| ≥ 50% and < 75% | 0 | 0 | 0 | 0 |
| ≥ 75% and < 100% | 0 | 0 | 353,716 | (117,283) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Mortgage** | **5,462,075** | **832,958** | **3,010,420** | **(3,269,832)** |
| No associated guarantee | 2,677,813 | 402,886 | 2,078,639 | (2,292,515) |
| < 50% | 2,225,264 | 112,929 | 640,285 | (686,195) |
| ≥ 50% and < 75% | 360,456 | 169,541 | 199,685 | (238,859) |
| ≥ 75% and < 100% | 198,541 | 147,601 | 91,812 | (52,264) |
| ≥ 100% | 0 | 0 | 0 | 0 |
| **Total** | **23,489,887** | **3,759,266** | **163,656,261** | **(124,181,313)** |

Details of the fair value and net book value of the property received as payment in kind or execution of a debt, by type of property and by age:

Values expressed in thousand Kz

| Time elapsed since received in lieu of payment/foreclosure | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | < 1 year | ≥ 1 year & < 2.5 years | ≥ 2.5 years & < 5 years | ≥ 5 years | Total |
| **Land** | | | | | |
| Urban | - | 3,546,801 | - | - | 3,546,801 |
| Rural | - | 465,816 | - | - | 465,816 |
| **Buildings under construction** | | | | | |
| Mortgage | 6,287,909 | - | - | - | 6,287,909 |
| **Constructed buildings** | | | | | |
| Mortgage | 5,682,880 | - | - | - | 5,682,880 |
| **Total** | **11,970,790** | **4,012,617** | **-** | **-** | **15,983,407** |

Values expressed in thousand Kz

| Time elapsed since received in lieu of payment/foreclosure | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | < 1 year | ≥ 1 year & < 2.5 years | ≥ 2.5 years & < 5 years | ≥ 5 years | Total |
| **Land** | | | | | |
| Urban | - | 3,637,423 | - | - | 3,637,423 |
| Rural | - | 465,816 | - | - | 465,816 |
| **Buildings under construction** | | | | | - |
| Mortgage | 6,394,484 | - | - | - | 6,394,484 |
| **Constructed buildings** | | | | | - |
| Mortgage | 6,177,009 | - | - | - | 6,177,009 |
| **Total** | **12,571,493** | **4,103,239** | **-** | **-** | **16,674,732** |

Values expressed in thousand Kz

| Type of property | 31/12/2022 | | | 31/12/2021 Restated | | |
|---|---|---|---|---|---|---|
| | Number of properties | Fair value of the asset | Net carrying amount | Number of properties | Fair value of the asset | Net carrying amount |
| **Land** | | | | | | |
| Urban | **4** | **8,332,360** | **3,546,801** | 4 | 8,591,583 | 3,637,423 |
| Rural | **1** | **969,065** | **465,816** | 1 | 989,684 | 465,816 |
| **Buildings under construction** | | | | | | |
| Mortgage | **1** | **6,287,909** | **6,287,909** | 1 | 6,394,484 | 6,394,484 |
| **Constructed buildings** | | | | | | |
| Mortgage | **5** | **7,491,854** | **5,682,880** | 5 | 9,890,081 | 6,177,009 |
| **Other** | | | | | | |
| **Total** | **11** | **23,081,188** | **15,983,407** | **11** | **25,865,832** | **16,674,732** |

Credit disclosure measured by internal risk level:

Values expressed in thousand Kz

| | 2022 | | |
|---|---|---|---|
| | Low risk level | Medium risk level | High risk level |
| **Segment** | | | |
| Corporate Customers | 142,902,242 | 3,267,381 | 59,161,709 |
| Employees | 5,019,818 | 120,713 | 88,874 |
| Individual Customers | 2,275,988 | 362,009 | 10,608,720 |
| Public sector | 848,508 | - | 2,976,270 |
| **Total** | **151,046,556** | **3,750,103** | **72,835,573** |

Values expressed in thousand Kz

| | 2021 Restated | | |
|---|---|---|---|
| | Low risk level | Medium risk level | High risk level |
| **Segment** | | | |
| Corporate Customers | 102,911,582 | 44,974,513 | 46,163,638 |
| Employees | 3,504,397 | 131,429 | 133,452 |
| Individual Customers | 3,118,525 | 333,255 | 10,904,032 |
| Public sector | 1,578,768 | 23 | 2,975,449 |
| **Total** | **111,113,272** | **45,439,220** | **60,176,571** |

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

| Segment | Impairment 31/12/2022 | | | | Impairment 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Probability of default (%) | | | Loss given default (%) | Probability of default (%) | | | Loss given default (%) |
| | Stage 1 | Stage 2 | Stage 3 | | Stage 1 | Stage 2 | Stage 3 | |
| Employees | 2.76% | 13.30% | 100.00% | 91% | 2.76% | 13.30% | 100.00% | 91% |
| Corporate Customers | 8.60% | 27.96% | 100.00% | 59% | 8.60% | 27.96% | 100.00% | 59% |
| State | 1.64% | 1.64% | 100.00% | 45% | 0.52% | 0.52% | 100.00% | 45% |
| Individual Customers | 7.79% | 25.50% | 100.00% | 91% | 7.79% | 25.50% | 100.00% | 91% |
| **Average** | **5.20%** | **17.10%** | **100.00%** | **71.50%** | **4.92%** | **16.82%** | **100.00%** | **71.50%** |

Incorporation of forward-looking information:

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| **Inflation Rate Lag 2 Y** | | | | | |
| Baseline scenario | 16.90% | 15.00% | 9.78% | 6.90% | 6.90% |
| **LUIBOR Rate Overnight Lag 1 Y** | | | | | |
| Baseline scenario | 22.48% | 22.48% | 22.48% | 22.48% | 22.48% |
| **Year-on-Year Change of USD/AOA Exchange Rate Lag 1 Y** | | | | | |
| Baseline scenario | 2.81% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Consumer Price Index Log** | | | | | |
| Baseline scenario | 5.84% | 5.90% | 5.96% | 6.02% | 6.08% |
| **MA 12M Oil Prices USD** | | | | | |
| Baseline scenario | 58.55% | 59.65% | 60.80% | 61.95% | 63.10% |

# Note 11
# Non-current assets held for sale

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Non-current assets held for sale** | | |
| Equipment | **3,328** | 3,328 |
| | **3,328** | **3,328** |

In 2022, no properties were sold, so the value remained unchanged compared to 2021.

The Equipment caption is composed of vehicles and machinery recovered under the scope of credit leasing operations, which are not an integral part of the Bank's facilities, nor are they intended for the pursuit of its corporate object, having their origin in donations in compliance with credit agreements.

The movement in this caption is as follows:

Valores expressos em milhares Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening balance** | **3,328** | **1,118,848** |
| Entries | - | 3,328 |
| Sales | - | (1,118,848) |
| Other movements (transfers) | - | - |
| **Closing balance** | **3,328** | **3,328** |

# Note 12
# Other tangible assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Real estate properties** | | |
| For own use | **44,921,030** | 44,755,335 |
| Works in rented buildings | **2,349,830** | 2,347,430 |
| | **47,270,860** | **47,102,765** |
| **Equipment** | | |
| Computer equipment | **4,564,093** | 4,226,643 |
| Security equipment | **2,037,720** | 2,004,552 |
| Furniture and materials | **1,874,785** | 1,873,330 |
| Indoor facilities | **1,714,262** | 1,707,324 |
| Transport material | **1,610,194** | 1,619,366 |
| Machinery and tools | **854,205** | 823,332 |
| | **12,655,260** | **12,254,547** |
| **Property, plant and equipment in progress** | | |
| Real estate properties | **-** | 12,762 |
| Equipment | **492,780** | 417,822 |
| | **492,780** | **430,583** |
| **Right-of-use assets** | | |
| Real estate properties | **2,626,396** | 2,626,396 |
| | **2,626,396** | **2,626,396** |
| **Impairment losses (Note 31)** | **(343,680)** | (609,504) |
| | **62,701,616** | **61,804,788** |
| **Accumulated depreciation** | | |
| Relative to transferred assets | **(200,774)** | 739,502 |
| Relative to the current year | **(2,269,645)** | (2,406,535) |
| Relative to previous years | **(19,948,485)** | (18,281,452) |
| | **(22,418,903)** | **(19,948,485)** |
| **Total Other tangible assets** | **40,282,712** | **41,856,303** |

"Other tangible assets" includes own service properties whose legalisation processes are still underway, and no adjustments are expected as a result of the completion of these processes. The value of real estate assets not legalised as at 31 December 2022 is Kz 2,335,767 thousand (2021: Kz 2,409,970 thousand) and corresponds to 14 of 45 properties allocated to the Bank's activity.

The caption "Other tangible assets – Right-of-use assets" corresponds to the impact of the adoption of IFRS 16, as well as the movement during the year, as mentioned in Note 2.14.

Of particular note is the significant variation associated with transport equipment, due to a significant write-off of fully depreciated and discontinued vehicles. This movement is related to the accumulated depreciation caption "related to transferred assets", as it corresponds to the value of fully depreciated write-offs.

The movement in this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | **31/12/2022** |
|---|---|---|---|---|---|---|
| **Real estate properties** | | | | | | |
| For own use | 44,755,334 | 165,696 | - | - | - | **44,921,030** |
| Works in rented buildings | 2,347,431 | 2,399 | - | - | - | **2,349,830** |
| | **47,102,765** | **168,095** | **-** | **-** | **-** | **47,270,860** |
| **Equipment** | | | | | | |
| Computer equipment | 4,226,643 | 83,521 | (460) | 254,390 | - | **4,564,093** |
| Security equipment | 1,619,366 | 33,168 | 385,186 | - | - | **2,037,720** |
| Furniture and materials | 2,004,552 | 2,380 | (132,147) | - | - | **1,874,785** |
| Indoor facilities | 1,873,330 | 6,937 | (166,005) | - | | **1,714,262** |
| Transport material | 1,707,324 | - | (217,107,850) | 217,010,720 | - | **1,610,194** |
| Machinery and tools | 823,332 | 30,713 | - | 160 | - | **854,205** |
| | **12,254,547** | **156,719** | **(217,021,276)** | **217,265,270** | **-** | **12,655,259** |
| **Property, plant and equipment in progress** | | | | | | |
| Equipment | 417,820 | 172,800 | (97,841) | - | - | **492,779** |
| Real estate properties | 12,762 | - | (12,762) | - | - | **-** |
| | **430,582** | **172,800** | **(110,603)** | **-** | **-** | **492,779** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | 2,626,396 | - | - | - | - | **2,626,396** |
| | **2,626,396** | **-** | **-** | **-** | **-** | **2,626,396** |
| | **62,414,291** | **497,614** | **(217,131,879)** | **217,265,270** | **-** | **63,045,295** |
| **Accumulated depreciation** | | | | | | |
| **Real estate properties** | | | | | | |
| For own use | (7,779,120) | (85,534) | - | - | - | **(7,864,654)** |
| Works in rented buildings | (2,239,709) | (36,383) | - | - | 31,790 | **(2,244,302)** |
| Other | | | | - | - | **-** |
| | **(10,018,829)** | **(121,917)** | **-** | **-** | **31,790** | **(10,108,956)** |
| **Equipment** | | | | | | |
| Computer equipment | (2,704,159) | (486,104) | 460 | 5 | - | **(3,189,798)** |
| Security equipment | (1,866,545) | (29,895) | - | - | - | **(1,896,440)** |
| Furniture and materials | (1,615,152) | (126,423) | - | - | - | **(1,741,575)** |
| Indoor facilities | (1,501,141) | (59,340) | - | - | - | **(1,560,482)** |
| Transport material | (1,116,745) | (1,076,874) | 32,943 | - | - | **(2,160,676)** |
| Machinery and tools | (595,513) | (72,260) | - | (148) | - | **(667,921)** |
| | **(9,399,255)** | **(1,850,896)** | **33,403** | **(143)** | **-** | **(11,216,892)** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | (1,139,905) | (296,832) | - | - | - | **(1,436,737)** |
| | **(1,139,905)** | **(296,832)** | **-** | **-** | **-** | **(1,436,737)** |
| | **(20,557,989)** | **(2,269,645)** | **33,403** | **(143)** | **31,790** | **(22,762,584)** |
| | **41,856,303** | **(1,772,031)** | **(217,098,476)** | **217,265,126** | **31,790** | **40,282,712** |

Values expressed in thousand Kz

| Description | 31/12/2020 | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| **Real estate properties** | | | | | | |
| For own use | 44,732,897 | 4,538 | (1,635) | 19,534 | - | 44,755,334 |
| Works in rented buildings | 2,347,431 | - | - | - | - | 2,347,431 |
| | **47,080,328** | **4,538** | **(1,635)** | **19,534** | **-** | **47,102,765** |
| **Equipment** | | | | | | |
| Computer equipment | 3,973,890 | 254,253 | (1,500) | - | - | 4,226,643 |
| Transport material | 2,315,681 | (9,345) | (686,970) | - | - | 1,619,366 |
| Security equipment | 2,004,552 | - | - | - | - | 2,004,552 |
| Furniture and materials | 1,868,067 | 5,263 | - | | - | 1,873,330 |
| Indoor facilities | 1,743,115 | 4,074 | (39,991) | 126 | - | 1,707,324 |
| Machinery and tools | 718,822 | 103,712 | - | 798 | - | 823,332 |
| | **12,624,127** | **357,957** | **(728,461)** | **924** | **-** | **12,254,547** |
| **Property, plant and equipment in progress** | | | | | | |
| Equipment | 463,064 | - | (45,244) | - | - | 417,820 |
| Real estate properties | 31,319 | 977 | - | (19,534) | - | 12,762 |
| | **494,383** | **977** | **(45,244)** | **(19,534)** | **-** | **430,582** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | 2,515,745 | 481,645 | (370,994) | - | - | 2,626,396 |
| | **2,515,745** | **481,645** | **(370,994)** | **-** | **-** | **2,626,396** |
| | **62,714,583** | **845,117** | **(1,146,334)** | **924** | **-** | **62,414,291** |
| **Accumulated depreciation** | | | | | | |
| **Real estate properties** | | | | | | |
| For own use | (6,883,496) | (927,414) | - | - | 31,790 | (7,779,120) |
| Works in rented buildings | (2,152,866) | (86,843) | - | - | - | (2,239,709) |
| | **(9,036,362)** | **(1,014,257)** | **-** | **-** | **31,790** | **(10,018,829)** |
| **Equipment** | | | | | | |
| Computer equipment | (2,254,172) | (451,012) | 1,025 | - | - | (2,704,159) |
| Security equipment | (1,838,378) | (28,167) | - | - | - | (1,866,545) |
| Furniture and materials | (1,488,765) | (126,387) | - | - | - | (1,615,152) |
| Indoor facilities | (1,473,150) | (67,982) | 39,991 | - | - | (1,501,141) |
| Transport material | (1,538,381) | (276,851) | 698,487 | - | - | (1,116,745) |
| Machinery and tools | (525,449) | (70,064) | - | - | - | (595,513) |
| Other | - | - | - | - | - | - |
| | **(9,118,295)** | **(1,020,463)** | **739,503** | **-** | **-** | **(9,399,255)** |
| **Right-of-use assets** | | | | | | |
| Real estate properties | (768,090) | (371,815) | - | - | - | (1,139,905) |
| | **(768,090)** | **(371,815)** | **-** | **-** | **-** | **(1,139,905)** |
| | **(18,922,747)** | **(2,406,535)** | **739,503** | **-** | **31,790** | **(20,557,989)** |
| | **43,791,836** | **(1,189,603)** | **(406,831)** | **924** | **31,790** | **41,856,303** |

In terms of impairment losses, the movement in 2022, due to the valuations of the Bank's properties, can be presented as follows:

Values expressed in thousand Kz

| Description | 01/01/2022 | Allocations | Reversals | Transfers | **31/12/2022** |
|---|---|---|---|---|---|
| Real estate properties | 609,504 | - | (265,824) | - | **343,680** |
| | **609,504** | **-** | **(265,824)** | **-** | **343,680** |

Values expressed in thousand Kz

| Description | 01/01/2021 Restated | Allocations | Reversals | Transfers | 31/12/2021 Restated |
|---|---|---|---|---|---|
| Real estate properties | 641,294 | - | (31,790) | - | 609,504 |
| | **641,294** | **-** | **(31,790)** | **-** | **609,504** |

During 2022, the Bank reversed impairment losses on properties totalling Kz 265,825 thousand, as a result of a review of its prospects of generating future economic benefits. In addition, as disclosed in Note 38, the Promissory Contract for the Purchase and Sale of the Head Office Building was signed on 21 April 2023 (gross value of Kz 34,090,450 thousand and net value of Kz 28,222,995 thousand on 31 December 2022).

# Note 13
# Intangible assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| **Intangible assets** | | |
| **Acquired from third-parties** | | |
| Automated data treatment system | **11,823,608** | 10,629,218 |
| Other | **391,474** | 651,946 |
| | **12,215,082** | **11,281,164** |
| **Accumulated amortisation** | | |
| Relative to previous years | **(2,827,685)** | (1,862,127) |
| Relative to the current year | **(1,202,605)** | (991,970) |
| | **(4,030,290)** | **(2,854,097)** |
| | **8,184,792** | **8,427,067** |

It should be noted that the main acquisitions in 2022 correspond to customisations of the reporting system resulting from the migration from the core system that took place in 2021.

The movement in this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | **31/12/2022** |
|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | |
| **Acquired from third-parties** | | | | | | |
| Automated data treatment system | 10,602,807 | 707,537 | 26,412 | 486,992 | - | **11,823,748** |
| Other – in progress | 651,945 | 308,242 | - | (568,853) | - | **391,334** |
| | **11,254,752** | **1,015,779** | **26,412** | **(81,861)** | **-** | **12,215,082** |
| **Accumulated amortisation** | | | | | | |
| Automated data treatment system | (2,827,685) | (1,202,605) | - | - | - | **(4,030,290)** |
| | **(2,827,685)** | **(1,202,605)** | **-** | **-** | **-** | **(4,030,290)** |
| **Impairment losses (Note 31)** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **8,427,067** | **(186,826)** | **26,412** | **(81,861)** | **-** | **8,184,792** |

Values expressed in thousand Kz

| Description | 31/12/2020 | Acquisitions/ Allocations | Disposals/ Write-offs | Transfers | Impairment | 31/12/2021 Restated |
|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | |
| **Acquired from third-parties** | | | | | | |
| Automated data treatment system | 9,710,162 | 878,554 | - | 14,091 | - | 10,602,807 |
| Other | 385,615 | 280,420 | - | (14,091) | - | 651,944 |
| | **10,095,777** | **1,158,974** | **-** | **-** | **-** | **11,254,751** |
| **Accumulated amortisation** | | | | | | |
| Automated data treatment system | (1,833,291) | (994,393) | | - | - | (2,827,684) |
| | **(1,833,291)** | **(994,393)** | **-** | **-** | **-** | **(2,827,684)** |
| **Impairment losses (Note 31)** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **8,262,486** | **164,581** | **-** | **-** | **-** | **8,427,067** |

The caption "Automatic data processing systems" includes the amount of Kz 4,120,626 thousand (2021: Kz 4,672,809 thousand) relative to the implementation of a new core banking system, which came into operation in October 2020.

# Note 14

## Investments in subsidiaries, associates and joint ventures

This caption has the following composition:

Values expressed in thousand Kz

| 31/12/2022 | No. of Shares | Share Capital | Direct Capital Holding | Nominal Value Kz | Cost of the Holding | Reserves | Profit or loss attributable to BE | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| Tranquilidade Angola S.A. | 1,050 | 747,790 | 21% | 157,035 | 363,876 | - | - | 712,365 |
| | | | | | **363,876** | **-** | **-** | **712,365** |
| Impairment losses (Note 31) | | | | | | | | (712,365) |
| | | | | | | | | **-** |

Values expressed in thousand Kz

| 31/12/2021 Restated | No. of Shares | Share Capital | Direct Capital Holding | Nominal Value Kz | Cost of the Holding | Reserves | Profit or loss attributable to BE | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| Tranquilidade Angola, S.A. | 1,050 | 747,790 | 21% | 157,035 | 363,876 | 845,661 | 135,104 | 712,365 |
| | | | | | **363,876** | **845,661** | **135,104** | **712,365** |
| Impairment losses (Note 31) | | | | | | | | (712,365) |
| | | | | | | | | **-** |

During 2019, the Bank recorded impairment losses for the total amount of its stake in Tranquilidade Angola, S.A., as a result of the material uncertainty about the continuity of operations considered in the Annual Report and Accounts and in the Independent Auditor's Report, due to the inspection carried out by the General Tax Administration in 2015 and 2016.

It is the Bank's understanding that its liability is limited to the amount of the shareholding, and therefore no provisions have been made for possible liabilities arising from its position as a shareholder.

The movement in impairment losses under this caption is as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Opening balance** | 712,365 | 720,107 |
| Allocations | - | (7,742) |
| Reversals | - | - |
| **Closing balance** | 712,365 | 712,365 |

The following table summarises the main data from the financial statements of the above-mentioned subsidiaries:

Values expressed in thousand Kz

| | Financial Indicators of the Investees | | | | |
|---|---|---|---|---|---|
| 31/12/2022 | Assets | Liabilities | Share Capital | Reserves | Results |
| Tranquilidade Angola, S.A. | 20,472,660 | 13,437,263 | 747,790 | 3,081,574 | 3,206,033 |
| | **20,472,660** | **13,437,263** | **747,790** | **3,081,574** | **3,206,033** |

Values expressed in thousand Kz

| | Financial Indicators of the Investees | | | | |
|---|---|---|---|---|---|
| 31/12/2021 | Assets | Liabilities | Share Capital | Reserves | Results |
| Tranquilidade Angola, S.A. | 21,318,528 | 15,900,427 | 747,790 | 4,026,959 | 643,351 |
| | **21,318,528** | **15,900,427** | **747,790** | **4,026,959** | **643,351** |

# Note 15
# Taxes

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Current tax assets** | | |
| Current income taxes | - | 1,511,061 |
| **Current tax assets** | **-** | **1,511,061** |
| **Current tax liabilities** | | |
| Current income taxes | **78,202** | 23,501 |
| **Current tax liabilities** | **78,202** | **23,501** |

The amount of current tax assets in 2022 and 2021 includes the provisional settlement of income tax for 2019 in the amount of Kz 1,450,599 thousand. This tax settlement was made by utilising tax credits recorded under "Other assets" (Note 16). However, given that there were no taxable profits at the end of the 2019 to 2022 fiscal years, a new tax credit was requested so that the Bank could utilise this amount. Nonetheless, since this is a financial year that has not been inspected yet, the Bank can only be reimbursed for this amount when the General Tax Administration inspects 2019.

For the 2022 financial year, the Bank did not make any kind of provisional Industrial Tax settlement to the State coffers as the latter had calculated a negative taxable result.

The reconciliation of the tax rate, as regards the amount recognised in profit or loss, can be analysed as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 % | 31/12/2022 Value | 31/12/2021 Restated % | 31/12/2021 Restated Value | % |
|---|---|---|---|---|---|
| **Profit or loss before tax** | | **(37,979,837)** | | **174,024,129** | |
| Income excluded from taxation | 19% | **(7,187,273)** | (8%) | (13,175,933) | 9% |
| Unforeseen provisions | (17%) | **6,451,164** | 2% | 4,105,655 | (3%) |
| Non-deductible expenses/ (income) | 68% | **(25,767,315)** | 49% | 85,533,802 | (62%) |
| Tax loss/Taxable profit | - | **(64,483,261)** | - | 250,487,653 | - |
| Use of tax losses of previous years | - | **-** | - | (250,406,462) | - |
| Taxable income | - | **187,360** | - | 81,191 | - |
| **Tax for the year** | | **65,576** | | **28,417** | |

Income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan state until 31 December 2012, the issue of which is regulated by the Direct Public Debt Framework Law (Law No. 16/02, of 5 December), as well as Regulatory Decrees No. 51/03 and No. 52/03, of 8 July, is exempt from all taxes. This is complemented by the provisions of 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 to be income for the purposes of calculating Industrial Tax payable.

Income from public debt securities arising from Treasury Bonds and Treasury Bills issued by the Angolan state after 31 December 2012 is subject to Capital Gains Tax, as defined in Article 9(1)(k) of Presidential Legislative Decree No. 2/2014 of 20 October. Income subject to Capital Investment Tax is not subject to Industrial Tax, in accordance with Article 47 of the Industrial Tax Code (Law No. 19/14 of 12 October).

Accordingly, in determining taxable profit for the years ended 31 December of each of the dates under review, such income was deducted from taxable profit.

Likewise, the cost incurred in the settlement of Capital Investment Tax is excluded from the costs accepted for tax purposes when calculating the taxable income, in accordance with the provisions of Article 18(1)(a) of the Industrial Tax Code.

As at 31 December 2022 and 2021, the deferred tax assets recognised in the statement of financial position have the following composition:

Values expressed in thousand Kz

| Description | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **31/12/2022** | 31/12/2021 Restated | **31/12/2022** | 31/12/2021 Restated | **31/12/2022** | 31/12/2021 Restated |
| Potential foreign exchange changes | **54,840,865** | - | **-** | (28,653,625) | **54,840,865** | (28,653,625) |
| Impairment of the year not accepted | **2,059,970** | 7,123,398 | **-** | - | **2,059,970** | 7,123,398 |
| Tax losses generated | **515,562,448** | 451,105,681 | **-** | - | **515,562,448** | 451,105,681 |
| **Deferred tax assets/(liabilities) recognised** | | **-** | **-** | **-** | **-** | **-** |

During the financial year ended 31 December 2022 and 2021, with the publication of Law No. 26/20 of 20 July – the Law amending the Industrial Tax Code – new rules were introduced for determining taxable income, namely (i) the exclusion of tax relevance in the calculation of taxable profit from income and costs due to unrealised exchange rate differences and (ii) the non-acceptance as deductible costs of provisions constituted for guaranteed loans, except for the part not covered.

As at 31 December 2022, the Bank calculated deferred tax assets relating to potential exchange rate variations, in the amount of Kz 54,840,865 thousand, and matters relating to impairment for the year not accepted, relating to loans with guarantees, in the amount of Kz 2,059,970 thousand. Since no financial projections are available, on a tax basis, to support the recoverability of the balances, the asset was not recognised.

As at 31 December 2021, the Bank calculated deferred tax liabilities relating to potential exchange rate variations, in the amount of Kz 26,653,625 thousand, and calculated deferred tax assets relating to impairment for the year not accepted, relating to loans with guarantees and tax losses generated, in the amounts of Kz 7,123,398 thousand and Kz 451,105,681 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, the Bank has offset these deferred tax assets and liabilities.

# Note 16
# Other assets

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated | 01/01/2021 Restated |
|---|---|---|---|
| Other assets – INVESTPAR | **1,453,443,000** | 1,583,508,673 | 1,583,508,673 |
| Deferred Impairment | **208,000,000** | 208,000,000 | 260,000,000 |
| Real estate properties | **16,747,675** | 17,397,562 | 17,397,562 |
| Other receivables | **9,779,393** | 14,153,515 | 14,153,515 |
| Other transactions to be regularised | **4,846,127** | 194,973 | 194,973 |
| Other assets | **3,597,882** | 3,379,934 | 3,129,181 |
| Deferred expenses | **2,950,233** | 2,946,172 | 2,946,172 |
| Administrative public sector | **673,233** | 1,464,750 | 1,464,750 |
| Taxes recoverable | **102,319** | 203,751 | 203,751 |
| | **1,700,139,862** | **1,831,249,330** | **1,882,998,578** |
| Impairment losses – INVESTPAR | **(921,641,135)** | (999,819,035) | (999,819,035) |
| Impairment losses – Other | **(11,774,898)** | (12,093,174) | (12,093,174) |
| | **(933,416,033)** | **(1,011,912,209)** | **(1,011,912,209)** |
| | **766,723,829** | **819,337,121** | **871,086,369** |

## 16.1. Operation with INVESTPAR

The amount under "Other assets – INVESTPAR" essentially relates to the transfer of economic rights over assets that took place in 2014. The amount referred to is Kz 1,423,294,172 thousand, in terms of principal and accrued interest (2021: Kz 1 1,552,364,902 thousand). This amount breaks down into Kz 1,240,904,570 thousand in terms of principal and Kz 182,389,602 thousand in terms of accrued interest, with Kz 1,351,402,876 thousand and Kz 200,962,026 thousand in 2021, respectively. In addition, this caption records amounts relating to advances for real estate, in the amount of Kz 27,504,088 thousand (2021: Kz 29,350,528 thousand) and an impairment amount of Kz 921,641,135 thousand (2021: Kz 999,819,035 thousand). The change in "Other assets – INVESTPAR" in 2022 is essentially the result of the exchange revaluation, taking into account that part of the above balances are in USD. For a better understanding of the operation as a whole, see Note 37.

The amount in USD calculated as part of the Asset Quality Assessment (AQA) exercise took into account the valuation of the real estate assets transferred and real estate assets associated with loans transferred to that entity, with reference to 31 December 2018, as described in Note 37. However, there are limitations on the results of the AQA, namely:

**a)** The contracts with INVESTPAR are in force, despite the current breach, and it is not known under what terms they might be modified to make way for the disposal underlying the valuation carried out under the AQA;

**b)** There are no contracts to date that justify the reversion of the property assets to the Bank;

**c)** The eventual realisation of the disposals may take place under significantly different conditions to those considered in the AQA conclusions report, taking into account the period that may elapse between the valuation date considered in the exercise and the eventual disposal of the banking assets by the Bank;

**d)** The AQA Conclusions Report identifies relevant limitations on the respective assets, namely:

(i) Failure to carry out external balance confirmation procedures with INVESTPAR;
(ii) Failure to take into account any balances that other entities may have to receive from INVESTPAR under the asset deal signed between the IFB and INVESTPAR, namely the amounts receivable by the BNA as a result of the transfer of the Bank's contractual position to the BNA;
(iii) Failure to obtain the necessary and appropriate support to validate the ownership of the properties assigned to the ENSA Group;
(iv) Failure to accurately validate that the external valuations, carried out by independent appraisers, and the internal property valuation analyses, carried out by the Bank's in-house appraisal services, only included units of the projects selected for analysis and that these had not been sold by the time the conclusions report was finalised;
(v) Failure to provide external valuations carried out by independent expert appraisers for all units. In these cases, although the valuations carried out by the Bank's internal appraisal services, based on market prospecting, have been taken into account, they have not been duly formalised.

Notwithstanding the limitations mentioned above, the Bank believes that the indicators obtained from the AQA Conclusions Report represent the best estimate of impairment losses for these assets with reference to 31 December 2022. The asset deal with INVESTPAR was reversed in 2023, as disclosed in Notes 37 and 38.

## 16.2. Deferred impairment losses

As part of the implementation of the Bank's Recapitalisation and Restructuring Plan, described in detail in Note 37, the Bank recorded an asset in the amount of Kz 260,000,000 thousand in 2021, relating to the deferral of impairment for a period of 5 years, as approved by the BNA in the RRP, the recognition of which began in 2022, in the amount of Kz 52,000,000 thousand, as described in Note 37.

## 16.3. Other assets

The amount relating to "Properties" includes a number of properties handed over to settle loans in lieu of payment, as well as properties no longer used for banking activities, including a number of properties whose legalisation processes are still underway, and no adjustments are expected as a result of the completion of these processes. The value of properties in these conditions, recognised under "Other assets" as at 31 December 2022, is Kz 5,183,672 thousand (2021: Kz 5,758,841 thousand). The reduction in this caption in 2022 resulted from the change in impairment on 2 properties in the amount of Kz 735,991 thousand.

The amount shown in the table above for "Other debtors" corresponds essentially to amounts receivable from the State, associated with Stamp Duty on the use of credit delivered to the General Tax Administration and under the Angola Investe programme, in the amount of Kz 7,120,957 thousand (2021: Kz 6,527,551 thousand).

In terms of impairment, the movement in 2022 is as follows:

**Values expressed in thousand Kz**

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| **Opening balance** | **1,011,912,209** | **1,169,233,091** |
| Allocations | **5,841,273** | 581,881 |
| Uses | **2,477,992** | (12,981,656) |
| Foreign exchange changes | **(86,815,441)** | (144,921,106) |
| **Closing balance** | **933,416,033** | **1,011,912,209** |

The significant amount of reversals in 2021 stems from the foreign exchange revaluation of impairment, considering the assumptions in point 16.1, and the advances made against liabilities, as presented in Note 21.

In 2022, the relevant amount of utilisation stems from the amount relating to fraud with Multicaixa debit cards, in the amount of Kz 2,198,335 thousand, advances for the incorporation of the company BESA Congo Brazzaville, in the amount of Kz 278,724 thousand, and advances relating to invoices with electronic security and provisional lease on the premises of Besa Leasing before the start of business for Multipessoal, in the amount of Kz 933 thousand, provisioned at 100%, as there is no expectation of recovery by the Bank.

The amount relating to exchange rate variation includes the effect associated with the amounts receivable from the transfer and sale of assets to INVESTPAR, for which the impairment assumptions referred to in point 16.1 were maintained.

# Note 17
## Deposits from central banks and other credit institutions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Interbank money market operations** | | |
| Term deposits of central banks | | |
| In domestic currency | **260,962,660** | 259,462,680 |
| Demand deposits and loans of credit institutions | | |
| In foreign currency | **3,668** | - |
| | **260,966,328** | 259,462,680 |
| Interest payable | **4,186** | 7,658 |
| | **4,186** | 7,658 |
| Liabilities in the payment system | | |
| Relations between branches | | |
| Other transactions pending settlement | **917,883** | 2,733,140 |
| Clearance of cheques and other paper | **37,762** | 112,840 |
| | **955,645** | 2,845,980 |
| | **261,926,159** | **262,316,318** |

The amount relating to Term deposits with central banks is essentially due to the fact that, in 2020, the Banco Nacional de Angola returned the donation made in 2017, in which BE settled a set of loans granted by the National Bank of Angola to third parties, based on the transfer of the right to receivables arising from the operation to transfer assets to INVESTPAR, totalling Kz 256,962,619 thousand (Notes 16 and 37).

In terms of geographical market, it is presented as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Domestic** | | |
| Deposits | **260,966,846** | 259,470,339 |
| Other resources | **955,645** | 2,845,977 |
| | **261,922,491** | **262,316,316** |
| **Abroad** | | |
| Deposits | **3,668** | 2 |
| | **3,668** | **2** |
| | **261,926,159** | **262,316,318** |

As at 31 December 2022 and 2021, Deposits from central banks and other credit institutions are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to three months | **261,926,159** | 262,316,318 |
| | **261,926,159** | **262,316,318** |

# Note 18
# Customer deposits and other loans

This caption has the following composition:

Values expressed in thousand Kz

| Description | Currency | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Demand deposits** | | | |
| | AOA | **85,137,973** | 133,101,237 |
| | EUR | **2,062,812** | 2,595,623 |
| | USD | **230,945,124** | 261,878,269 |
| | Other | **21,131** | 22,986 |
| | | **318,167,040** | **397,598,115** |
| **Term deposits** | | | |
| | AOA | **143,879,726** | 121,944,591 |
| | EUR | **7,545,109** | 9,116,985 |
| | USD | **305,124,708** | 773,567,621 |
| | | **456,549,542** | **904,629,197** |
| | | **774,716,582** | **1,302,227,312** |

The change in "Customer deposits and other loans" is mainly explained by the use of deposits from the largest Customers in the portfolio to adjust share capital in order to guarantee the implementation of the Bank's Recapitalisation and Restructuring Plan (Notes 22 and 37).

As at 31 December 2022 and 2021, Customer deposits and other loans are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Payable on demand** | **318,167,040** | **397,598,115** |
| **Payable within a longer term** | | |
| Up to three months | **201,403,624** | 275,442,152 |
| Three months to one year | **244,496,106** | 615,915,268 |
| One to five years | **10,643,167** | 13,266,178 |
| More than five years | **6,644** | 5,599 |
| | **456,549,542** | **904,629,197** |
| | **774,716,582** | **1,302,227,312** |

As at 31 December 2022 and 2021, term deposits had the following average interest rates:

| Description | Currency | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|---|
| **Term deposits** | AOA | **11.24%** | 11.79% |
| | EUR | **0.66%** | 1.04% |
| | USD | **1.80%** | 2.79% |

# Note 19
# Subordinated liabilities

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Subordinated loan from Novo Banco, S.A.** | | |
| Capital | **32,099,752** | 63,663,148 |
| Interest | **513,706** | 34,884 |
| | **32,613,458** | **63,698,032** |

This loan, raised from Novo Banco, of the value of USD 496,358 thousand, at a rate of 5%, with quarterly payments and maturity in 2024, stemmed from Banco Nacional de Angola's resolution dated 4 August 2014. However, at the end of 2021 and as part of the implementation of the Bank's Recapitalisation and Restructuring Plan, BE agreed with Novo Banco, S.A. to restructure the subordinated loan, taking into account a 75% forgiveness on the maturing debt, resulting in a gain in 2021 of Kz 107,812,166 thousand, as described in Note 28.

Following the restructuring, the subordinated debt amounted to USD 114,712 thousand and matured on 31 August 2023, having been settled on this date, with the interest rate remaining at 5%.

The amount of interest payable on 31 December 2022 is Kz 513,706 thousand (2021: Kz 34,884 thousand).

# Note 20
# Provisions

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Provisions for likely liabilities:** | | |
| Likely liabilities of civil nature | **2,404,494** | 740,982 |
| Likely liabilities of tax nature | **2,109,983** | 2,109,983 |
| Likely liabilities of administrative and marketing nature | **445,280** | 472,424 |
| For miscellaneous risks | **160,407** | 160,407 |
| For indirect credit | **147,750** | 268,487 |
| | **5,267,913** | **3,752,283** |

The balance of this caption is intended to cover certain duly identified contingencies arising from the Bank's activity, which are reviewed on each reporting date to reflect the best estimate of the amount and respective probability of payment.

As at 31 December 2022, the balance of the caption "Probable liabilities of a civil nature", in the amount of Kz 2,404,494 thousand (2021: Kz 740,982 thousand), is mainly explained by the costs associated with notary fees, registry fees and taxes associated with the share capital reduction and increase operation totalling Kz 1,403,207 thousand. The Bank has been negotiating the terms for settling the balance, having initially reached agreement for payment in 12 months, and having subsequently negotiated payment through an exchange of properties.

The balance of the caption "Probable tax liabilities", in the amount of Kz 2,109,983 thousand (2021: Kz 2,109,983 thousand), is mainly explained by Capital Investment Tax in the amount of Kz 1,063,508 thousand and Personal Income Tax in the amount of Kz 691,675 thousand.

The caption "Provisions for indirect loans" refers to the provision determined within the scope of the application of the loan impairment model used by the Bank on off-balance sheet liabilities related to loans taken out with Customers, as set out in Note 2.5 and whose breakdown can be analysed in greater detail in Note 33.

The Bank has some legal proceedings in progress with Customers with whom it no longer has a commercial relationship, for which the Bank's Board of Directors, also supported by legal opinions, considers the probability of loss to be remote or low.

In terms of provisions, the movement in 2022 is as follows:

Values expressed in thousand Kz

| Description | Provisions for indirect credit | Other provisions for risks and expenses | Total |
|---|---|---|---|
| **Balance as at 31 December 2020** | **823,162** | **4,279,109** | **5,102,271** |
| Allocations | - | 737,132 | 737,132 |
| Reversals | (220,650) | (737,665) | (958,315) |
| Uses | - | (672,311) | (672,311) |
| Transfers | - | - | - |
| Exchange rate differences and other regularisations | (334,026) | (122,468) | (456,494) |
| **Balance as at 31 December 2021 Restated** | **268,486** | **3,483,797** | **3,752,283** |
| Allocations | - | 1,663,512 | 1,663,512 |
| Reversals | (120,736) | (27,145) | (147,882) |
| Uses | - | - | - |
| **Balance as at 31 December 2022** | **147,750** | **5,120,164** | **5,267,913** |

# Note 21
## Other liabilities

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Transfer of assets to INVESTPAR | **83,268,230** | 83,418,076 |
| Visa Credit | **5,513,903** | 5,277,597 |
| Suppliers | **3,779,193** | 1,494,129 |
| Liabilities due to credit cards | **2,978,714** | 3,496,238 |
| Santa Clara Branch tax collection | **2,918,761** | - |
| Tax expenses payable | **2,913,262** | 3,811,715 |
| Lease liabilities | **2,161,611** | 2,828,095 |
| Accrued Employees benefit expenses | **1,277,260** | 1,683,786 |
| Transactions pending settlement | **61,720** | 1,357,035 |
| | **104,872,652** | **103,366,672** |

The amount recorded under "Transfer of assets to INVESTPAR" essentially corresponds to the Bank's liabilities as a result of the transfer of economic rights over assets. These amounts mainly relate to settlements of assigned loans and the corresponding interest payable, calculated at a net interest rate of 7%. For a better understanding of the operation as a whole, see Note 37.

The caption "Liabilities with letters of credit" corresponds to the amounts relating to letters of credit, in the amount of EUR 5,542 thousand (Kz 2,978,709 thousand), which were derecognised in 2020. After confirming responsibility for settling the letters of credit, they were recognised in the 2022 financial year against other reserves and retained earnings, corresponding to an effect of Kz 3,486,267 thousand, as mentioned in Note 2.2.

In turn, the caption "Tax collection from the Santa Clara Agency", totalling Kz 2,918,761 thousand, corresponds to the tax collection amounts from the Santa Clara Agency for the period from March 2021 to August 2022, which have not yet been transferred to the Treasury's single account with the Banco Nacional de Angola. As at 31 December 2021, the balances of this nature were recognised under "Deposits from central banks and other credit institutions" as operations pending settlement.

As at 31 December 2022 and 2021, lease liabilities are broken down by residual maturities as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Up to one year | **296,509** | 716,740 |
| One to five years | **387,518** | 414,050 |
| More than five years | **1,477,584** | 1,697,305 |
| | **2,161,611** | **2,828,095** |

The amount recorded as an increase in employee benefit costs corresponds to the rights acquired by Employees on 31 December 2022, relating to holiday pay and holiday allowances.

# Note 22
## Share capital and other equity instruments

In August 2022, in order to guarantee the implementation of its Recapitalisation and Restructuring Plan, Banco Económico reduced its share capital (Kz 72 billion) by fully incorporating losses, followed by a capital increase operation (Kz 271.5 billion), fully carried out by the Collective Investment Body (Económico – Fundo de Capital de Risco de Subscrição Particular) created in the meantime, bringing together a group of the Bank's depositors who agreed to convert part of their deposits into units in the Fund.

Within the scope of the RRP, depositors signed a memorandum of understanding with the Bank, whereby they accepted the partial conversion of their deposits (with reference to 30 September 2021), into capital (through the subscription of units of Económico – Fundo de Capital de Risco de Subscrição Particular) and into comparable instruments (perpetual bonds), in the following minimum amounts:

- 45% of deposits via a Venture Capital Fund;
- 20% of deposits through Perpetual Participation Bonds (PPBs).
- 5% of deposits by subscribing to bonds convertible into shares.

### Ordinary shares
The reduction in BE's share capital, by incorporating total losses of Kz 72 billion, was followed by an increase of Kz 271.5 billion, represented by 282,812,500 ordinary shares with a unit value of Kz 960, fully subscribed and paid up by Económico – Fundo de Capital de Risco de Subscrição Particular, which became the Bank's sole shareholder. (Note 37).

The shareholder structure as at 31 December 2022 and 2021 is as follows:

| | 31/12/2022 | | 31/12/2021 Restated | |
|---|---|---|---|---|
| Description | Number of shares | Holding % | Number of shares | Holding % |
| Sonangol E.P. | 0 | 0.00% | 33,825,600 | 46.98% |
| Sonangol Vida, S.A. | 0 | 0.00% | 11,520,000 | 16.00% |
| Sonangol Holding, Lda. | 0 | 0.00% | 5,328,000 | 7.40% |
| **Sonangol Group** | **0** | **0.00%** | **50,673,600** | **70.38%** |
| Geni, Novas Tecnologias, S.A. | 0 | 0.00% | 14,328,000 | 19.90% |
| Novo Banco, S.A. | 0 | 0.00% | 6,998,400 | 9.72% |
| Económico FCR | 282,812,500 | 100.00% | 0 | 0.00% |
| | **282,812,500** | **100%** | **72,000,000** | **100%** |

This capital reduction and increase operation is pending registration with the Commercial Registry Office (Note 20).

### Perpetual Participation Bonds
In August 2022, as part of the RRP, the BE's Board of Directors approved the issue of mixed capitalisation instruments, in particular Perpetual Participation Bonds, resulting from the conversion of 20% of the deposits covered by the RRP, amounting to a total subscription of Kz 121.196 billion.

The PPBs entitle the holder to a remuneration comprising, as from the 5th anniversary, a fixed component calculated by reference to 80% of the nominal value of the Participation Bonds ("Fixed Component") and a variable component calculated by reference to 20% of the nominal value of the Participation Bonds ("Variable Component"). The fixed component will be calculated at an annual rate of 5%, based on months with the actual number of calendar days and a 365-day year, and the variable component will be calculated annually according to the Bank's Net Profit attributable to Shareholders.

As from the 5th anniversary of the date of issue, the Participation Bonds may be converted into shares representing the Bank's share capital, by means of a resolution at the General Meeting of Shareholders, on a proposal from the Board of Directors, accompanied by an opinion from the Supervisory Board, and the resolution must be passed by the majority required to amend the articles of association.

Repayment may occur: (i) in the event of the Bank's liquidation, only after all other creditors have been paid, under the terms of Article 13(2) of the Legal Framework for Participation Bonds, or (ii) on the Bank's own initiative, as from the 10th anniversary of the issue.

### OFAC deposits
These represent the amounts that remain captive, on deposit, at BE, as they belong to entities that joined the RRP and signed the memorandum of understanding, but which in December 2021 were identified by the Office of Foreign Assets (OFAC) of the US Treasury Department and are awaiting their regularisation for the subscription of the financial equity instruments covered by the RRP.

These deposits, in accordance with BNA letter No. 610/DSB/2022 of 15 August 2022, are taken into account for the purposes of calculating regulatory own funds ratios.

Below is a breakdown of the amounts, by financial instrument:

Values expressed in thousand Kz

| Description | 31/12/2022 |
|---|---|
| Deposits of OFAC designated entities | |
| Deposits for subscription of FCR participation units | 60,629,838 |
| Deposits for subscription of participation securities | 26,946,594 |
| Deposits for subscription of convertible bonds | 6,736,649 |
| | **94,313,081** |

# Note 23

# Revaluation reserves, other reserves and retained earnings and non-controlling interests

## Revaluation reserves

Revaluation reserves represent gains and losses relating to changes in the fair value of financial assets at fair value through other comprehensive income.

## Legal reserve

This account is fully constituted by the legal reserve, which may only be used to cover accrued losses or for share capital increases.

The applicable Angolan legislation requires that the legal reserve be credited annually with at least 10% of the annual net profit until it equals the share capital.

The movements occurred under the caption "Other reserves and retained earnings" are shown below:

Values expressed in thousand Kz

| Description | Revaluation reserves | | Legal reserve and retained earnings | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through other comprehensive income | Total | Legal reserve | Retained earnings | Total |
| **Balance as at 1 January 2021 Restated** | **29,700** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** |
| **Balance as at 31 December 2021 Restated** | **29,700** | **29,700** | **28,141,757** | **(784,917,374)** | **(756,775,617)** |
| Appropriation of separate net income for 2021 | - | - | 17,330,886 | 156,855,121 | 174,186,007 |
| Share capital reduction to cover negative retained earnings | | | | 72,000,000 | 72,000,000 |
| Fair value through other comprehensive Income | - | - | - | (166,180) | (166,180) |
| **Balance as at 31 December 2022** | **29,700** | **29,700** | **45,472,643** | **(556,228,433)** | **(510,755,790)** |

## Non-controlling interests

Details of non-controlling interests by subsidiary are presented below:

Values expressed in thousand Kz

| Description | Interests that can't be controlled % | **31/12/2022** | | 31/12/2021 Restated | |
|---|---|---|---|---|---|
| | | **Statement of Financial Position** | **Income Statement** | Statement of Financial Position | Income Statement |
| Económico Investment Fund | 38% | **502,462** | **45,324** | 732,842 | (200,725) |
| Económico Pension Fund | 4% | **65,446** | **(16,207)** | (150,403) | 10,431 |
| | | **567,908** | **29,117** | **582,439** | **(190,294)** |

# Note 24
# Net interest income

This caption has the following composition:

**Values expressed in thousand Kz**

| Description | **31/12/2022** | | | 31/12/2021 Restated | | |
|---|---|---|---|---|---|---|
| | **Of assets/ liabilities at fair value through profit or loss** | **Of assets/liabilities at amortised cost** | **Total** | Of assets/liabilities at fair value through profit or loss | Of assets/liabilities at amortised cost | Total |
| **Interest and similar income** | | | | | | |
| Interest and similar income – INVESTPAR | - | - | - | - | - | - |
| Interest on financial assets available for sale | - | - | - | - | - | - |
| Interest on financial assets at amortised cost | - | 6,810,958 | 6,810,958 | - | 11,878,870 | 11,878,870 |
| Interest on loans and advances | - | 6,054,547 | 6,054,547 | - | 7,835,112 | 7,835,112 |
| Interest on financial assets at fair value through profit or loss | 152,238 | - | 152,238 | 271,897 | - | 271,897 |
| Interest on balances and investments at other credit institutions | - | 117,304 | 117,304 | - | 205,522 | 205,522 |
| Interest and similar income – Other | 152,238 | 12,982,808 | 13,135,047 | 271,897 | 19,919,504 | 20,191,401 |
| | 152,238 | 12,982,808 | 13,135,047 | 271,897 | 19,919,504 | 20,191,401 |
| **Interest and similar expenses** | | | | | | |
| Interest and similar income – INVESTPAR | - | (2,030,760) | (2,030,760) | - | (3,694,722) | (3,694,722) |
| Interest on resources from central banks and other credit institutions | - | (283,249) | (283,249) | - | (188,358) | (188,358) |
| Interest on leases | - | (131,417) | (131,417) | - | (166,890) | (166,890) |
| Interest on subordinated liabilities | - | (2,249,412) | (2,249,412) | - | (9,119,104) | (9,119,104) |
| Interest on Customer deposits | - | (27,876,482) | (27,876,482) | (58,665) | (37,059,468) | (37,118,133) |
| Interest and similar expenses – Other | - | (30,540,558) | (30,540,559) | (58,665) | (46,533,820) | (46,592,485) |
| | - | (32,571,318) | (32,571,319) | (58,665) | (50,228,542) | (50,287,207) |
| **Net interest income** | 152,238 | (19,588,509) | (19,436,271) | 213,232 | (30,309,038) | (30,095,806) |

The Bank's net interest income, during 2022 and 2021, should be analysed in terms of its two main components: (I) the margin of the asset transfer operation with INVESTPAR; and (ii) the remaining margin of Banco Económico.

In the component associated with the asset transfer operation with INVESTPAR, it is observed that, since 2020, the Bank has not recorded any income associated with the operation, given that it has been in stage 3 and without financial settlements since the restructuring in 2017. However, the Bank continues to record the remuneration costs of the liabilities recovered, taking the same approach to recording its assets and liabilities associated with the asset transfer operation with INVESTPAR.

In the component associated with the Bank's recurring operation, we observe a reduction compared to 2021 in terms of income, and at the close of 2022 the approximate value is Kz 13,135,595 thousand (2021: Kz 20,043,866 thousand). This reduction is related to the decrease in the securities portfolio at amortised cost, resulting in a reduction in income generated. In terms of charges, there was a substantial reduction in interest on customer funds and interest on subordinated liabilities, due to the reduction in the volume of customer funds as a result of the implementation of the Recapitalisation and Restructuring Plan (Notes 18 and 37) and the restructuring of subordinated liabilities, respectively.

The amount of loan interest corresponds to the net amount of impairment losses for loan interest income in stage 3 in the amount of Kz 13,479,286 thousand (2021: Kz 1, 235,314 thousand).

The "Interest on leases" caption refers to the cost of interest on lease liabilities recognised as part of the implementation of IFRS 16 described in the accounting policies (Note 2.14.).

# Note 25
## Income from services and fees

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Service, fee and commission income** | | |
| Cards | **3,347,935** | 3,879,121 |
| Account management | **2,817,992** | 3,119,959 |
| Means of payment management | **1,070,470** | 2,268,233 |
| Documentary credit | **68,766** | 1,374,531 |
| Fees and commissions on loans and similar | **378,510** | 583,025 |
| Securities transactions | **245,733** | 414,627 |
| Guarantees provided | **134,595** | 94,547 |
| Bancassurance | **51,023** | 35,006 |
| Income from services rendered to the State | **4,729** | 29,329 |
| Other Services | **1,397,700** | 1,045,760 |
| | **9,517,453** | **12,844,138** |
| **Service, fee and commission expenses** | | |
| Means of payment management | **(145,725)** | (969,575) |
| Cards | **(1,287,636)** | (503,833) |
| Other Services | **(49,958)** | (72,017) |
| | **(1,483,319)** | **(1,545,425)** |
| | **8,034,134** | **11,298,713** |

With regard to income from services and fees, during 2022 there will be a significant decrease in income associated with account management fees, management of means of payment and documentary credits, due to the decrease in purchasing power at a global level, which will have a negative impact on the business and industrial sector. In turn, charges for services and fees show an increase in relation to charges for services and fees for using cards compared to the previous period.

# Note 26

# Income from financial assets and liabilities carried at fair value through profit and loss

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | 31/12/2021 Restated | | |
|---|---|---|---|---|---|---|
| | Income | Expenses | Total | Income | Expenses | Total |
| **Bonds and other fixed-income securities** | | | | | | |
| Of public issuers | 62,112 | (3,860) | 58,252 | - | 38,245 | 38,245 |
| | 62,112 | (3,860) | 58,252 | - | 38,245 | 38,245 |

This caption records the potential fair value result and income from the disposal of securities recorded in the financial assets portfolio at fair value through profit or loss, arising from the trading of securities recorded in this investment portfolio.

# Note 27
# Foreign exchange gains and losses

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Exchange rate revaluation and foreign exchange transactions | **81,842,600** | 183,755,948 |
| Transfer of assets to INVESTPAR | **(51,485,095)** | (86,976,996) |
| | **30,357,505** | **96,778,952** |

This caption includes the gains and losses arising from the exchange revaluation of monetary assets and liabilities expressed in foreign currency, in accordance with the accounting policy described in Note 2.4. The exchange rate gains and losses recognised in 2022 and 2021 are essentially related to the exchange revaluation of assets and liabilities in the statement of financial position, denominated in foreign currency, as a result of the variation of the Kwanza against other currencies, namely EUR and USD.

During the month of August 2022, a cost of Kz 84,243,912 thousand was recognised, relating to the recording of the recapitalisation operation, with the conversion of foreign currency balances based on the agreed exchange rate (31 December 2021). The effect recognised corresponds to the reversal of the foreign exchange gains and losses recognised in 2022 on the balances taken into account in the recapitalisation operation.

The exchange revaluation originates essentially from the calculation of values with the operation to transfer assets to INVESTPAR, referred to in Note 37.

# Note 28
# Other operating income

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Other operating income/expenses** | | |
| Subordinated debt restructuring | **-** | 107,812,166 |
| Direct and indirect taxes | **(1,659,895)** | (2,808,024) |
| Levies and donations | **(72,331)** | (86,483) |
| Other | **(4,059,479)** | 70,196 |
| | **(5,791,705)** | **104,987,855** |

In 2021, the Bank recorded a gain relating to i) the restructuring of subordinated liabilities in which, as part of the implementation of the Bank's Recapitalisation and Restructuring Plan, BE agreed with Novo Banco, S.A. to restructure the subordinated loan, taking into account a 75% write-off of the outstanding debt, resulting in a gain of Kz 107,812,166 thousand, as described in Note 19.

As at 31 December 2022 and 2021, the caption "Direct and indirect taxes" includes, respectively, the amount of Kz 500,030 thousand and Kz 1,219,248 thousand, relating to CIT borne by the Bank on income from its financial assets, as well as Kz 1,011,338 thousand and Kz 1,277,470 thousand, relating to VAT incurred.

The "Other" caption includes the amount relating to the cancellation of principal and interest on loans to Customers, in the amount of Kz 2,405,305 thousand, and the amount settled relating to contributions to the Deposit Guarantee Fund (FGD), in the amount of Kz 811,005 thousand (2021: Kz 666,065 thousand).

# Note 29
## Staff costs

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Wages and salaries** | | |
| Remunerations | **10,989,822** | 11,550,595 |
| Annual leave allowance | **637,837** | 947,651 |
| Lunch allowance | **524,594** | 510,594 |
| Christmas allowance | **516,278** | 828,605 |
| Variable remuneration | **152,110** | 221,682 |
| | **12,820,641** | **14,059,127** |
| Mandatory social charges | **776,002** | 1,059,814 |
| Post-employment benefit expenses (Note 16) | **-** | - |
| Other expenses | **1,737,771** | 1,934,256 |
| | **2,513,774** | **2,994,070** |
| | **15,334,415** | **17,053,197** |

"Staff costs" is stable compared to 2021, given that the Bank is undergoing a restructuring process with a more rigorous cost control. In the same vein, there was a very significant cut in variable remuneration.

As a result of the application of IAS 19, regarding loans to Employees as at 31 December 2022 and 2021, the effect on net interest income and staff costs amounted to Kz 153,909 thousand and Kz 173,841 thousand, respectively.

The number of the Group's Employees, including permanent and fixed-term contracts, is broken down by professional category as follows:

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Number of employees** | | |
| Senior management positions | **69** | 79 |
| Middle management positions | **163** | 165 |
| Specific positions | **248** | 294 |
| Administrative and other positions | **389** | 412 |
| | **869** | **950** |

As mentioned in Note 2.16., the Bank has a defined contribution plan, i.e. it allocates a fixed percentage or amount to all participants included in the plan, which will be monetised until the time of redemption provided for by law. This cost is recognised as staff costs. Given the nature of this benefit, it does not require an actuarial study.

At the date of the report, 774 people were active in Banco Económico's pension plan (2021: 804), with no pensioners, and the Bank contributed Kz 165,510 thousand to the Fund (2021: Kz 212,049 thousand).

# Note 30
## Third party supplies and services

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| IT services | **1,832,592** | 2,411,361 |
| Insurance | **1,628,694** | 1,720,547 |
| Communication and postage | **1,006,082** | 940,158 |
| Consulting and audit | **919,450** | 1,012,817 |
| Security and surveillance | **460,498** | 585,592 |
| Consumables | **456,015** | 437,001 |
| Transportation of values | **384,794** | 969,516 |
| Maintenance and repair | **379,630** | 383,163 |
| Hire and rental charges | **238,212** | 345,360 |
| Water, energy and fuel | **230,633** | 254,343 |
| Cleaning services | **136,145** | 130,346 |
| Travel and representation | **169,153** | 172,457 |
| Legal, litigation and notary | **78,799** | 44,371 |
| Advertising and publications | **72,571** | 86,418 |
| Other expenses | **644,148** | 1,515,243 |
| | **8,637,417** | **11,008,693** |

In comparison with the previous year, the "Third-party supplies and services" caption fell by 22%, essentially due to price revision and the containment implemented in the context of the Bank's restructuring. The main highlights of this contention were associated to: (i) IT services, due to developments in the Bank's new core and reporting system implemented during the 2021 financial year, and (ii) Maintenance and repairs, essentially due to lower maintenance costs for the Bank's IT equipment, operating system and facilities.

# Note 31
# Impairment and provisions

The values associated to Provisions and Impairments showed the following movements during the year:

Values expressed in thousand Kz

| Description | Note | Allocations | Reversals | Exchange rate change and other | **Impact on net income for 2022** | Allocations | Reversals | Stage 3 adjustment | Impact on net income for 2021 Restated |
|---|---|---|---|---|---|---|---|---|---|
| Cash, cash equivalents and balances with central banks | 4 | - | 107,276 | - | **107,276** | - | 748,334 | - | 748,334 |
| Balances with other credit institutions | 5 | - | 19,852 | - | **19,852** | 322,120 | - | - | 322,120 |
| Investments at other credit institutions | 6 | - | 835,310 | - | **835,310** | (835,309) | 922,365 | - | 87,056 |
| Investments at amortised cost | 9 | - | 1,721,187 | (171,270) | **1,549,917** | - | 19,659,588 | - | 19,659,588 |
| Investments in subsidiaries, associates and joint ventures | 14 | - | - | - | **-** | - | 7,742 | - | 7,742 |
| **Impairment on other financial assets** | | **-** | **2,683,625** | **(171,270)** | **2,512,355** | **(513,189)** | **21,338,029** | **-** | **20,824,840** |
| Loans and advances to Customers | 10 | (64,004,631) | 41,803,503 | 2,032,479 | **(20,168,649)** | (36,501,721) | 772,670 | 24,832,969 | (10,896,082) |
| Provisions for guarantees and other commitments | 20 | - | 120,736 | - | **120,736** | - | 220,650 | - | 220,650 |
| **Impairment on loans and advances** | | **(64,004,631)** | **41,924,239** | **2,032,479** | **(20,047,913)** | **(36,501,721)** | **993,320** | **24,832,969** | **(10,675,432)** |
| Impairment on other assets | 16 | (4,907,122) | (1,864,551) | 1,547,259 | **(5,224,414)** | (581,881) | 12,981,656 | - | 12,399,776 |
| Impairment on tangible assets | 12 | - | 265,824 | - | **265,824** | - | 31,790 | - | 31,790 |
| Impairment on real estate properties | 16 | (217,798) | - | - | **(217,798)** | - | 762,376 | - | 762,376 |
| **Impairment on other assets net of cancellations** | | **(5,124,919)** | **(1,598,727)** | **1,547,259** | **(5,176,387)** | **(581,881)** | **13,775,822** | **-** | **13,193,942** |
| Provisions for other risks and expenses | 20 | (1,663,512) | 617,787 | - | **(1,045,724)** | (737,131) | 737,665 | - | 534 |
| **Provisions net of cancellations** | | **(1,663,512)** | **617,787** | **-** | **(1,045,724)** | **(737,131)** | **737,665** | **-** | **534** |

# Note 32
# Earnings per share

### Basic earnings per share

In accordance with Note 2.21., basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, thus excluding own shares held by the Bank.

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| **Net income attributable to the Bank's Shareholders** | **(38,016,296)** | **174,186,007** |
| (-) Remuneration of perpetual bonds | - | - |
| (+) Gains and losses recorded in reserves | - | - |
| **Adjusted net income attributable to the Bank's Shareholders** | **(38,016,296)** | **174,186,007** |
| Weighted average number of ordinary shares issued | **157,820,137** | 72,000,000 |
| Weighted average number of own shares in portfolio | - | - |
| **Average number of ordinary shares in circulation** | **157,820,137** | **72,000,000** |
| **Basic earnings per share attributable to the Bank's Shareholders** | **(0.24)** | **2.42** |

### Diluted earnings per share

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares to the weighted average number of ordinary shares outstanding and to the net profit attributable to equity holders of the Bank. As at 31 December 2022 and 2021, diluted earnings per share are equal to basic earnings per share.

# Note 33
# Guarantees and other commitments

This caption has the following composition:

Values expressed in thousand Kz

| Description | 31/12/2022 | 31/12/2021 Restated |
|---|---|---|
| Commitments to third parties | **252,757,655** | 386,151,237 |
| Liabilities due to bank services rendered | **175,877,879** | 99,219,092 |
| Guarantees and sureties provided | **5,664,454** | 4,053,966 |
| Commitments by third parties | **112** | 123 |
| Values received in deposits | **(4,659,729)** | (7,122,491) |
| Guarantees and sureties received | **(248,378,404)** | (129,123,086) |
| | **181,261,967** | **353,178,841** |

The commitments made to third parties and the guarantees and endorsements provided correspond to off-balance sheet liabilities associated with loans and advances to Customers which do not result in the mobilisation of funds by the Bank. As at 31 December 2022 and 2021, off-balance sheet liabilities associated with loans and advances to Customers amount to Kz 258,422,109 thousand and Kz 390,205,203 thousand, respectively.

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, since in the previous version of the respective core system the accounting of these liabilities was carried out manually.

However, there were some limitations arising from the migration of information, and it was found that, for the undrawn credit limits migrated to the new core system, these were not always being accounted for correctly, and that some of these limits were no longer in force at that time.

As the migration took place on the aforementioned date, it was not possible to correct the shortcomings prior to the preparation of this report. In this context, the Bank started to review all credit limits to make the data more reliable. In view of the above, the Bank expects that the difficulties detected will be regularised in 2023, allowing these amounts to be incorporated in the calculation of impairment losses.

As at 31 December 2022 and 2021, these exposures, as well as the associated impairment, were as follows:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|
| | Individual Analysis | | Collective analysis | | Total | |
| | Total Exposure | Provisions | Total Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | - | - | 5,670,430 | (144,854) | 5,670,430 | (144,854) |
| Commitments to third parties | - | - | 287,694 | (2,896) | 287,694 | (2,896) |
| **Total** | **-** | **-** | **5,958,124** | **(147,750)** | **5,958,124** | **(147,750)** |

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | | | | | |
|---|---|---|---|---|---|---|
| | Individual Analysis | | Collective analysis | | Total | |
| | Total Exposure | Provisions | Total Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | - | - | 4,044,757 | (100,969) | 4,044,757 | (100,969) |
| Commitments to third parties | 2,258,154 | (47,314) | 377,379,233 | (120,203) | 379,637,388 | (167,517) |
| **Total** | **2,258,154** | **(47,314)** | **381,423,990** | **(221,172)** | **383,682,145** | **(268,486)** |

The breakdown by stage of guarantees, sureties given and commitments to third parties as at 31 December 2022 and 2021 is presented below:

Values expressed in thousand Kz

| Description | 31/12/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | 5,670,430 | (144,854) | - | - | - | - | 5,670,430 | (144,854) |
| Commitments to third parties | 287,694 | (2,896) | - | - | - | - | 287,694 | (2,896) |
| **Total** | **5,958,124** | **(147,750)** | **-** | **-** | **-** | **-** | **5,958,124** | **(147,750)** |

Values expressed in thousand Kz

| Description | 31/12/2021 Restated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions | Exposure | Provisions |
| Guarantees and sureties provided | 4,044,757 | (100,969) | - | - | - | - | 4,044,757 | (100,969) |
| Commitments to third parties | 3,989,169 | (73,833) | - | - | 1,628,444 | (93,684) | 5,617,613 | (167,517) |
| **Total** | **8,033,926** | **(174,802)** | **-** | **-** | **1,628,444** | **(93,684)** | **9,662,370** | **(268,486)** |

Guarantees and sureties are banking operations that do not involve the mobilisation of funds by the Bank, while documentary credits are irrevocable commitments by the Bank, on behalf of its Customers, to pay/order the payment of a specified amount to the supplier of a given good or service, within a stipulated period, against presentation of documents relating to the dispatch of the good or provision of the service. The condition of irrevocability consists in the fact that its cancellation or alteration is not feasible without the express agreement of all the parties involved.

Commitments to third parties (revocable and irrevocable) are contractual agreements to grant credit to the Bank's Customers (for example, unused credit lines), which, in general, are contracted for fixed periods of time or with other expiration requirements, and usually require the payment of a commission. Substantially all credit granting commitments in force require that Customers maintain certain requirements verified at the time they were contracted.

Notwithstanding the particularities of these commitments, the assessment of these operations obeys the same basic principles as any other commercial operation, namely the solvency of the Customer and of the underlying business. In addition, the Bank requires these operations to be duly collateralised when necessary. Since it is expected that the majority of these operations will expire without being used, the amounts indicated do not necessarily represent future cash requirements.

The financial instruments accounted as guarantees and other commitments are subject to the same approval and control procedures applied to the loan portfolio, namely regarding the adequacy of the provisions made. As described in the accounting policy presented in Note 3.2., the maximum credit exposure is represented by the nominal value that could be lost related to contingent liabilities and other commitments undertaken by the Bank in the event of default by the respective counterparties, without taking into consideration potential recoveries or collaterals.

The Bank provides custody, asset management, investment management and advisory services involving decisions to buy and sell various types of financial instruments. For certain services provided, objectives and levels of return are established for the assets under management. In addition, the liabilities shown in off-balance sheet accounts related to the provision of banking services are as follows:

Values expressed in thousand Kz

| Description | **31/12/2022** | 31/12/2021 Restated |
|---|---|---|
| Deposit and custody of values | **176,357,459** | 99,747,506 |
| Other liabilities due to services rendered | **(479,580)** | (528,414) |
| | **175,877,879** | **99,219,092** |

# Note 34
## Transactions with related parties

Related party is understood to mean:

**a)** A person or a close family member is related to a reporting entity if he or she has control or joint control of the reporting entity, has significant influence over the reporting entity or is a member of key management personnel of the reporting entity or of a parent company of that reporting entity;

**b)** An entity is related to a reporting entity if any of the following conditions are met:
- (i) The entity and the reporting entity are members of the same group (which implies that parent, subsidiary and fellow subsidiaries are related to each other);
- (ii) An entity is an associate or joint venture of the other entity (or is an associate or joint venture of a member of a group to which the other entity belongs);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity represents a joint venture of the third party entity and the other entity is an associate of the third party entity;
- (v) The entity is a post-employment benefit plan in favour of Employees of the reporting entity or of an entity related to the reporting entity. If a reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

The value of the Bank's transactions with subsidiaries and associates as at 31 December 2022 and in 2022, as well as the respective costs and income recognised in the period under review, are summarised as follows, on an individual basis:

**Values expressed in thousand Kz**

| Description | Subsidiary companies | | | Associate companies | Total |
|---|---|---|---|---|---|
| | Económico Investment Fund | Económico Pension Fund | Total | Tranquilidade Angola | |
| **31 December 2022** | | | | | |
| Assets | 31 | 61 | 92 | (1,853) | (1,761) |
| Liabilities | (1,249,333) | (611,302) | (1,860,635) | (15,544,122) | (17,404,757) |
| Income | (187) | (148) | (335) | (27,639) | (27,974) |
| Expenses | 27,468 | 13,997 | 41,465 | 1,341,876 | 1,383,341 |
| Guarantees | - | - | - | (3,575,949) | (3,575,949) |
| **31 December 2021** | | | | | |
| Assets | - | - | - | - | - |
| Liabilities | (1,442,051) | (274,361) | (1,716,412) | (13,555,634) | (15,272,046) |
| Income | (191) | (156) | (347) | (545) | (892) |
| Expenses | 52,619 | 13,498 | 66,117 | 1,430,168 | 1,496,285 |
| Guarantees | - | - | - | (3,575,949) | (3,575,949) |

As at 31 December 2022 and 2021, the overall amount of the Bank's assets and liabilities that relate to transactions with Shareholders, other than those referred to above, is summarised as follows:

Values expressed in thousand Kz

| | | | Key management personnel | | | |
|---|---|---|---|---|---|---|
| | Económico FCR | Total | Board of Directors | Other personnel and relatives | Total | Total |
| **31 December 2022** | | | | | | |
| Assets | - | - | 32,466 | 239,358 | 271,824 | 271,824 |
| Loans and advances to Customers | - | - | 32,466 | 239,358 | 271,824 | 271,824 |
| Liabilities | (53,357,497) | (53,357,497) | (631,292) | (34,958,910) | (35,590,202) | (88,947,699) |
| Customer resources | (53,357,497) | (53,357,497) | (631,292) | (34,958,910) | (35,590,202) | (88,947,699) |
| Income | 1,374 | 1,374 | 3,422 | 20,689 | 24,111 | 25,485 |
| Net interest income | 82 | 82 | 3,313 | 19,999 | 23,312 | 23,394 |
| Fees and commissions | 1,292 | 1,292 | 109 | 690 | 799 | 2,092 |
| Expenses | (4,467,242) | (4,467,242) | (5,163) | (914,558) | (919,722) | (5,386,964) |
| Net interest income | (4,467,242) | (4,467,242) | (5,163) | (914,558) | (919,722) | (5,386,964) |
| Guarantees | - | - | - | - | - | - |

Values expressed in thousand Kz

| | Shareholders | | | | | Key management personnel | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sonangol Group | Lektron Capital, S.A. | GENI, S.A. | Novo Banco, S.A. | Total | Board of Directors | Other personnel and relatives | Total | Other related parties * | Total |
| **31 December 2021** | | | | | | | | | | |
| Assets | - | - | - | - | - | 365,068 | - | 365,068 | 219,226,106 | 219,591,174 |
| Loans and advances to Customers | - | - | - | - | - | 365,068 | - | 365,068 | 219,226,106 | 219,591,174 |
| Liabilities | (109,712) | - | - | (63,732,916) | (63,842,628) | (1,185,721) | (615,811) | (1,801,532) | (121,819,350) | (187,463,510) |
| Customer resources | (109,712) | - | - | - | (109,712) | (1,185,721) | (612,385) | (1,798,106) | (121,819,350) | (123,727,168) |
| Subordinated liabilities | - | - | - | (63,732,916) | (63,732,916) | - | - | - | - | (63,732,916) |
| Income | 367 | - | - | - | 367 | 10,134 | 6,015 | 16,149 | 43,120,929 | 43,137,445 |
| Net interest income | - | - | - | - | - | 9,993 | 3 | 9,996 | 43,007,238 | 43,017,234 |
| Fees and commissions | 367 | - | - | - | 367 | 141 | 6,012 | 6,153 | 113,692 | 120,212 |
| Expenses | - | - | - | (9,184,048) | (9,184,048) | (52,045) | (23,360) | (75,405) | (16,945,100) | (26,204,553) |
| Net interest income | - | - | - | (9,184,048) | (9,184,048) | (52,045) | (23,360) | (75,405) | (16,945,100) | (26,204,553) |

* Corresponds to Sonangol Group entities (subsidiaries, or companies with a holding of more than 10% in the Sonangol Group) and related parties of the Shareholders

The costs with remunerations and other benefits attributed to the Bank's key management personnel (short and long term) are presented as follows:

Values expressed in thousand Kz

| | Board of Directors | | Other key management personnel | Total |
|---|---|---|---|---|
| | Executive Committee | Total | | |
| **31 December 2022** | | | | |
| Remunerations and other short-term benefits | 3,224,928 | 3,224,928 | 3,226,603 | 6,451,531 |
| Variable remuneration | 2,508 | 2,508 | 528,874 | 531,382 |
| **Subtotal** | **3,227,436** | **3,227,436** | **3,755,477** | **6,982,913** |
| Long-term benefits and other social charges | 260,383 | 260,383 | 376,863 | 637,246 |
| **Total** | **3,487,819** | **3,487,819** | **4,132,340** | **7,620,159** |
| **31 December 2021** | | | | |
| Remunerations and other short-term benefits | 3,015,392 | 3,015,392 | 4,035,499 | 7,050,891 |
| Variable remuneration | 191,706 | 191,706 | 639,246 | 830,952 |
| **Subtotal** | **3,207,098** | **3,207,098** | **4,674,745** | **7,881,843** |
| Long-term benefits and other social charges | 198,763 | 198,763 | 339,747 | 538,510 |
| **Total** | **3,405,861** | **3,405,861** | **5,014,492** | **8,420,353** |

"Other key management personnel" means the Coordinating Directors and the Executive Directors.

All transactions with related parties are carried out at normal market prices, in accordance with the principle of fair value.

# Note 35
## Fair value of financial assets and liabilities

The fair value is based on market quotations, whenever these are available. However, the local financial market is not very dynamic and most financial transactions are still done over the counter (OTC) with a small number of operations carried out on the Stock Exchange (BODIVA). This reality means that market quotations, in most cases, do not represent the effective value of the assets/securities evaluated taking into account the reality in which the institution operates.

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

The fair value of financial assets and liabilities for the Bank in 2022 and 2021 is presented as follows:

Values expressed in thousand Kz

| | | Measured at Fair Value | | | | | |
|---|---|---|---|---|---|---|---|
| | Acquisition Cost/ Amortised Cost | Quoted market prices (Level 1) | Valuation models with observable parameters in the market (Level 2) | Valuation models with non-observable parameters in the market (Level 3) | Total Carrying Amount | Fair Value | Fair Value Difference |
| **31 December 2022** | | | | | | | |
| Cash, cash equivalents and balances with central banks | 44,754,425 | - | - | - | 44,754,425 | 44,754,425 | - |
| Balances with other credit institutions | 28,707,596 | - | - | - | 28,707,596 | 28,707,596 | - |
| Financial assets at fair value through profit and loss | - | - | 637,328 | - | 637,328 | 637,328 | - |
| Financial assets at fair value through other comprehensive income | 150,188 | - | - | - | 150,188 | 150,188 | - |
| Investments at amortised cost | 69,256,039 | - | - | - | 69,256,039 | 69,256,039 | - |
| Loans and advances to Customers | 63,305,755 | - | - | - | 63,305,755 | 63,305,755 | - |
| Non-current assets held for sale | 3,328 | - | - | - | 3,328 | 3,328 | - |
| Other assets | 766,723,829 | - | - | - | 766,723,829 | 766,723,829 | - |
| **Financial assets** | **972,901,160** | **-** | **637,328** | **-** | **973,538,488** | **973,538,488** | **-** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | - | 261,926,159 | 261,926,159 | - |
| Subordinated liabilities | 32,613,458 | - | - | - | 32,613,458 | 32,613,458 | - |
| Customer resources and other loans | 774,716,582 | - | - | - | 774,716,582 | 774,716,582 | - |
| Other liabilities | 104,872,651 | - | - | - | 104,872,651 | 104,872,651 | - |
| **Financial liabilities** | **1,174,128,850** | **-** | **-** | **-** | **1,174,128,850** | **1,174,128,850** | **-** |
| **Total** | **2,147,030,010** | **-** | **637,328** | **-** | **2,147,667,338** | **2,147,667,338** | **-** |

Values expressed in thousand Kz

| | | Valued at fair value | | | | | |
|---|---|---|---|---|---|---|---|
| | Acquisition Cost/ Amortised Cost | Quoted market prices (Level 1) | Valuation models with observable parameters in the market (Level 2) | Valuation models with non-observable parameters in the market (Level 3) | Total Carrying Amount | Fair Value | Fair Value Difference |
| **31 December 2021** | | | | | | | |
| Cash, cash equivalents and balances with central banks | 91,117,818 | - | - | - | 91,117,818 | 91,117,818 | - |
| Balances with other credit institutions | 20,858,571 | - | - | | 20,858,571 | 20,858,571 | - |
| Investments at central banks and other credit institutions | 42,453,933 | - | - | - | 42,453,933 | 42,453,933 | - |
| Financial assets at fair value through profit and loss | - | - | 1,531,032 | - | 1,531,032 | 1,531,032 | - |
| Financial assets at fair value through other comprehensive income | 152,751 | | -- | - | 152,751 | 152,751 | - |
| Investments at amortised cost | 129,013,362 | - | - | - | 130,090,132 | 134,944,708 | 4,854,576 |
| Loans and advances to Customers | 68,067,530 | - | - | - | 68,067,530 | 65,707,247 | (2,360,283) |
| Non-current assets held for sale | 3,328 | - | - | - | 3,328 | 3,328 | - |
| Other assets restated (Note 2.2.) | 819,337,121 | - | - | - | 819,337,121 | 819,337,121 | - |
| **Financial assets** | **1,171,004,414** | **-** | **1,531,032** | **-** | **1,173,612,216** | **1,176,106,509** | **2,494,293** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 | 262,316,318 | - |
| Subordinated liabilities | - | - | 63,698,032 | - | 63,698,032 | 63,698,032 | - |
| Customer resources and other loans | 1,226,296,547 | - | 75,930,765 | - | 1,302,227,312 | 1,302,227,312 | - |
| Other liabilities (Note 2.2.) | 103,366,672 | - | - | - | 103,366,672 | 103,366,672 | - |
| **Financial liabilities** | **1,591,979,537** | **-** | **139,628,797** | **-** | **1,731,608,334** | **1,731,608,334** | **-** |
| **Total** | **2,762,983,951** | **-** | **141,159,829** | **-** | **2,905,220,550** | **2,907,714,843** | **2,494,293** |

The Bank uses the following three-level fair value hierarchy in the valuation of financial instruments (assets or liabilities), which reflects the level of judgement, the observation of the data used and the importance of the parameters used when assessing the fair value of instruments, in accordance with IFRS 13:

**Level 1:** Fair value is determined based on non-adjusted quoted prices observed in transactions in active markets involving financial instruments identical to those being valued. If there is more than one active market for the same financial instrument, the relevant price prevails in the instrument's main market, or the most advantageous market to which there is access.

**Level 2:** Fair value is determined using valuation techniques based on observable data in active markets. These may be direct data (prices, rates, spreads, among other information) or indirect data (derivatives), and valuation assumptions similar to those that an unrelated party would use to estimate the fair value of the same financial instrument It also includes instruments whose valuation is obtained from prices disclosed by independent entities with less liquid markets; and,

**Level 3:** Fair value is determined based on data not observable in active markets, using techniques and assumptions that market participants would use to value the same instruments, including hypotheses on the inherent risks, the valuation technique used, the inputs used, and considered processes to review the accuracy of the values thus obtained.

The Bank considers an active market for a given financial instrument, on the measurement date, depending on the volume of business and the liquidity of the operations carried out, the relative volatility of the prices quoted and the readiness and availability of information, and to this end it must fulfil the following minimum conditions:

**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 observable data on the market if the following conditions are met:

**a)** If its value is determined on 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 financial assets and liabilities carried in the balance sheet at amortised cost are analysed as follows:

**Cash and cash equivalents at central banks, Deposits 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 recognised at fair value. The fair value is based on market quotations (Bid-price), whenever these are available. If not available, fair value is determined through numerical models based on discounted cash flow techniques, using market interest rate curves adjusted by associated factors, mainly credit risk and liquidity risk, determined according to market conditions and terms.

Market interest rates are calculated on the basis of information disseminated by financial content providers [Reuters, Bloomberg or others], specifically those resulting from interest rate swaps quotations. The values regarding very short-term rates are obtained from a similar source, but referring to the interbank money market. The interest rates for the specific maturities of the cash flows are determined by suitable interpolation methods. The same interest rate curves are also used in the projection of non-deterministic cash flows such as indexing factors.

**Amortised cost**
The Bank holds in its investment portfolio at amortised cost a set of bonds in Angolan and foreign currency that represent a significant value of its investments, the Bank's objective being to capture financial flows in the medium and long term. However, for almost all the securities it holds in its portfolio, the Bank has not identified an active market that would allow it to determine the fair value, considering the fair value to be equal to the value of the statement of financial position.

**Loans and advances to Customers**
The Bank considers that the fair value of loans and advances to Customers is equal to the balance sheet value, taking into account that there are no new transactions and the specific nature of the Bank's activity. As can be seen in Note 10, a significant part of the portfolio is overdue or relates to restructuring, so the fair value effect would not be significant.

**Other assets**
The Bank currently has a receivable from INVESTPAR contracted with Novo Banco, with a residual maturity of more than 5 years and an interest rate of 7%. However, given the specific nature of the asset and the very long-term residual maturity, the Bank considers that there is no reasonable market data to determine the fair value. The asset is therefore presented at book value. In addition, its fair value is under analysis, 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 the contractually defined dates.

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.

**Customer deposits and other loans**
The fair value of these financial instruments is estimated based on the discounted expected cash flows of capital and interest. The discount rate used is the rate that reflects the rates practised for deposits with similar characteristics at the statement of financial position 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.

**Liabilities represented by Subordinated Securities and Liabilities**
Fair value is based on listed market prices when available. If not available, it is estimated based on the discounted expected future cash flows of capital and interest for these instruments. If these are not available, the calculation of fair value is based on the use of numerical models, based on discounted cash flow techniques which, in order to estimate fair value, use market interest rate curves adjusted for associated factors, mainly credit risk and trading margin, the latter only in the case of issues placed with the Bank's non-institutional Customers.

The Bank currently has a subordinated liability contracted with Novo Banco, with a residual maturity of more than five years and an interest rate of 5%. However, the Bank considers that the rate of return on the security is similar to the market rate paid by the Bank for similar maturities and currency, and therefore considers that there are no materially relevant differences between its fair value and book value. The main parameters used, during 2022 and 2021 in the valuation models were as follows:

**Interest rate curves**
The short-term rates presented reflect the indicative values practised on the money market, and for the long term the values presented represent the interest rate swap quotations for the respective periods:

| | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | AOA | EUR | USD | AOA | EUR | USD |
| Overnight | 10.00% | 1.84% | 4.32% | 18.73% | (0.60%) | 0.07% |
| 1 month | 11.98% | 1.90% | 4.39% | 19.50% | (0.59%) | 0.10% |
| 3 months | 12.53% | 2.20% | 4.73% | 21.00% | (0.57%) | 0.22% |
| 6 months | 13.80% | 2.75% | 5.15% | 22.08% | (0.54%) | 0.34% |
| 1 year | 15.83% | 3.33% | 5.44% | 24.66% | (0.49%) | 0.57% |

**Forex and exchange rate volatility**
Below are the exchange rates (Banco Nacional de Angola) as at the statement of financial position date and at-the--money implied volatilities for the main currency pairs used to value derivatives:

| | | | Volatility (%) | | | | |
|---|---|---|---|---|---|---|---|
| Exchange Rate | 31/12/2022 | 31/12/2021 | 1 month | 3 months | 6 months | 9 months | 1 year |
| AOA/USD | 503.691 | 554.981 | 0.26% | 4.38% | 4.71% | 6.15% | 8.25% |
| AOA/EUR | 537.438 | 629.015 | 1.38% | 7.33% | 8.23% | 10.05% | 12.01% |

With regard to exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

# Note 36
# Business risk management

The Bank is subject to various types of risk in the course of its business. Risk management is centralised in relation to the specific risks of each business.

The Bank's risk management policy aims to regularly maintain the adequacy of its equity to the activity carried out, as well as the corresponding assessment of the risk/return profile by business segment.

In this context, monitoring and controlling the main types of risk – strategic, credit, market, liquidity, property, operational and reputational – to which the Bank's activity is subjected is of 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, capital, reputation or survival capacity as a result of changes in the environment, adverse strategic decisions, inadequate implementation of decisions or the inability to respond to social, economic or technological changes.

**Credit** – Credit risk is associated with the degree of uncertainty of recovering an investment and its respective return due to incapacity of the debtor (and their guarantor, if any), thereby causing a financial loss to the creditor Credit risk occurs in debt securities or other receivables.

**Market** – The concept of market risk reflects the potential loss that can be registered by a certain 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 correlations that exist between them and their respective volatilities. Thus, Market risk includes interest rate risk, exchange rate risk and other price risks.

**Liquidity** – Liquidity risk reflects the Bank's inability to fulfil its obligations associated with financial liabilities on each due date without incurring significant losses arising from a deterioration in conditions of access to financing (financing risk) and/or the sale of its assets at lower-than-market prices (market liquidity risk).

**Property** – Property risk is borne as a result of possible negative impacts on the Bank's profit or equity due to fluctuations in real estate market prices.

**Operational** – Operational risk is the potential loss resulting from flaws or shortcomings in internal processes, people and systems or those resulting from external events.

**Reputational** – Reputation plays an important role in the sustainability of any bank. Reputational Risk Management is, essentially, a way to protect the Bank from potential threats to its reputation and serves to warn of a possible crisis that could affect people's perception of the Bank and their expectations.

## Internal Organisation

In accordance with the regulatory framework set forth by the BNA, Banco Económico has implemented a Risk Management System with integrated policies and processes, including procedures, thresholds, controls and systems to identify, assess and monitor information on different types of risks.

The Risk Department coordinates and provides supervises risk management policies and risk governance practices, and designs tools and models for risk management and portfolio analysis. The Risk Department's remit, therefore, includes different risk areas, such as: Strategic Risk, Reputational Risk, Concentration Risk and Capital Management.

It is incumbent upon the Risk Department to assist the Executive Committee with risk management policies and practices, by managing and monitoring said risks, and coordinating these 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 the area of credit 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 2022 and 2021, respectively, is provided below:

Values expressed in thousand Kz

| | 31/12/2022 | | |
|---|---|---|---|
| | Gross carrying amount | Impairment | Net carrying amount |
| **On-balance Sheet** | **2,072,304,147** | **(1,098,768,988)** | **973,535,160** |
| Cash, cash equivalents and balances with central banks | 44,754,425 | - | 44,754,425 |
| Balances with other credit institutions | 28,719,451 | (11,855) | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 150,188 | - | 150,188 |
| Investments at amortised cost | 70,270,661 | (1,014,622) | 69,256,039 |
| Loans and advances to Customers | 227,632,232 | (164,326,477) | 63,305,755 |
| Other assets | 1,700,139,862 | (933,416,033) | 766,723,829 |
| **Off-balance Sheet** | **5,958,124** | **(147,750)** | **5,810,374** |
| Guarantees and sureties | 5,670,430 | (144,854) | 5,525,577 |
| Commitments to third parties | 287,694 | (2,896) | 284,798 |
| **Total** | **2,078,262,270** | **(1,098,916,737)** | **979,345,534** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | |
|---|---|---|---|
| | Gross carrying amount | Impairment | Net carrying amount |
| **On-balance Sheet** | **2,337,100,055** | **(1,164,203,531)** | **1,173,608,888** |
| Cash, cash equivalents and balances with central banks | 91,225,094 | (107,276) | 91,117,818 |
| Balances with other credit institutions | 20,890,278 | (31,707) | 20,858,571 |
| Investments at central banks and other credit institutions | 43,289,243 | (835,309) | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 152,751 | - | 152,751 |
| Investments at amortised cost | 132,033,264 | (1,943,132) | 130,090,132 |
| Loans and advances to Customers | 216,729,063 | (148,661,533) | 68,067,530 |
| Other assets (restated Note 2.2.) | 1,831,249,330 | (1,011,912,209) | 819,337,121 |
| **Off-balance Sheet** | **9,662,370** | **(268,486)** | **9,393,884** |
| Guarantees and sureties | 4,044,757 | (100,969) | 3,943,789 |
| Commitments to third parties | 5,617,613 | (167,517) | 5,450,096 |
| **Total** | **2,346,762,425** | **(1,164,472,017)** | **1,183,002,772** |

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 relates to amounts receivable under the Operation with INVESTPAR (Note 37).

Regarding the level of credit risk quality of financial assets in 2022 and 2021, respectively:

Values expressed in thousand Kz

| | Rating origin | Rating level | 31/12/2022 | | |
|---|---|---|---|---|---|
| | | | Gross exposure | Impairment | Net exposure |
| Cash, cash equivalents and balances with central banks | External Rating | B- | 44,754,425 | - | 44,754,425 |
| Balances with other credit institutions | External Rating | A+ | 35 | - | 35 |
| | | AA+ | 45,063 | - | 45,063 |
| | | AAA | 9,449 | - | 9,449 |
| | | B+ | 133,526 | (215) | 133,311 |
| | | B- | 30,829 | - | 30,829 |
| | | BBB+ | 607,938 | (46) | 607,892 |
| | | BB+ | 27,892,610 | (11,593) | 27,881,017 |
| Financial assets at fair value through profit and loss | External Rating | B- | 637,328 | - | 637,328 |
| Financial assets at fair value through other comprehensive income | External Rating | No Rating | 150,188 | - | 150,188 |
| Investments at amortised cost | External Rating | B- | 70,270,661 | (1,014,622) | 69,256,039 |
| Loans and advances to Customers | External Rating | B- | | | |
| | Internal Rating | Low | 151,046,556 | (110,646,776) | 40,399,780 |
| | | Medium | 3,750,103 | (1,643,424) | 2,106,679 |
| | | High | 72,835,573 | (52,036,277) | 20,799,296 |
| Other assets | External Rating | B- | 1,453,449,000 | (921,641,135) | 531,807,865 |
| | | No Rating | 246,690,862 | (11,774,898) | 234,915,964 |
| **Total** | | | **2,072,304,146** | **(1,098,768,987)** | **973,535,159** |

Values expressed in thousand Kz

| | Rating origin | Rating level | 31/12/2021 Restated | | |
|---|---|---|---|---|---|
| | | | Gross exposure | Impairment | Net exposure |
| Cash, cash equivalents and balances with central banks | External Rating | B- | 86,477,202 | (107,276) | 86,369,926 |
| | | No Rating | 4,747,892 | - | 4,747,892 |
| Balances with other credit institutions | External Rating | A- | 4,102 | (0) | 4,102 |
| | | B | 5,346,162 | (8,186) | 5,337,976 |
| | | B- | 14,196,391 | (22,843) | 14,173,548 |
| | | B+ | 212,059 | (341) | 211,718 |
| | | BB- | 9,536 | (4) | 9,532 |
| | | BBB- | 325,869 | (26) | 325,843 |
| | | BBB+ | 744,939 | (58) | 744,881 |
| | | CCCC | 51,220 | (249) | 50,971 |
| Investments at central banks and other credit institutions | | B- | 43,289,242 | (835,309) | 42,453,933 |
| Financial assets at fair value through profit and loss | External Rating | B- | 1,531,032 | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | External Rating | No Rating | 152,751 | - | 152,751 |
| Investments at amortised cost | External Rating | B- | 132,033,264 | (1,943,132) | 130,090,132 |
| Loans and advances to Customers | Internal rating | Low | 110,982,459 | (65,976,000) | 45,006,459 |
| | | Medium | 45,439,220 | (33,016,353) | 12,422,867 |
| | | High | 60,307,384 | (49,669,180) | 10,638,204 |
| Other assets (restated Note 2.2.) | External Rating | B- | 1,583,508,673 | (999,819,035) | 583,689,638 |
| | | No Rating | 247,740,657 | (12,093,174) | 235,647,483 |
| **Total** | | | **2,337,100,054** | **(1,163,491,166)** | **1,173,608,888** |

The risk levels were attributed primarily using Moody's and Fitch, which considered a Caa1 (Moody's) or CCC+ (Fitch) rating for Angola at the close of 2022, with the other agencies being used when necessary. In addition, for the internal rating, the nomenclature previously adopted by the BNA 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).

In addition, in internal terms, the rating was calculated based on the Bank's internal model.

The breakdown by sectors of activity of the exposure to credit risk, as at 31 December 2022 and 2021, respectively, is presented as follows:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | Guarantees provided | Total exposure | Relative weight | Impairment | |
| | Outstanding | Overdue | | | | Value | Impairment/ Total exposure |
| **Corporate Customers** | **182,243,331** | **27,072,723** | **5,958,124** | **215,274,178** | **92.16%** | **(152,912,931)** | **(71.03%)** |
| Agriculture, livestock, hunting and forestry | 123,774,302 | 1,150,911 | - | 124,925,213 | 53.48% | (103,844,882) | (83.13%) |
| Wholesale and retail trade \| repair | 18,556,793 | 9,289,103 | 243,016 | 28,088,912 | 12.02% | (24,527,329) | (87.32%) |
| Real estate activities, hire and rental, and services | 13,880,548 | 4,064,285 | - | 17,944,833 | 7.68% | (7,867,776) | (43.84%) |
| Fisheries | 6,710,994 | 340 | - | 6,711,334 | 2.87% | (1,642,873) | (24.48%) |
| Financial activities | 4,491,173 | 5,717 | - | 4,496,890 | 1.93% | - | 0.00% |
| Other collective service activities | 2,744,162 | 1,663,359 | 4,788,659 | 9,196,180 | 3.94% | (2,667,667) | (29.01%) |
| Food and beverage industries | 2,635,069 | 22 | - | 2,635,091 | 1.13% | (505,107) | (19.17%) |
| Public administration, defence and security | 2,504,430 | 770,503 | - | 3,274,933 | 1.40% | (2,706,243) | (82.64%) |
| Accommodation and catering (restaurants and similar) | 2,375,971 | 7,399,554 | - | 9,775,525 | 4.18% | (6,090,360) | (62.30%) |
| Construction | 1,587,131 | 985,867 | 824,542 | 3,397,540 | 1.45% | (1,581,340) | (46.54%) |
| Education | 1,500,117 | 1,390 | - | 1,501,507 | 0.64% | (436,322) | (29.06%) |
| Transport, storage and communications | 710,854 | 772,408 | 101,907 | 1,585,169 | 0.68% | (834,024) | (52.61%) |
| Other | 771,787 | 969,264 | - | 1,741,051 | 0.75% | (209,008) | (12.00%) |
| **Individual Customers** | **11,859,785** | **6,456,393** | **-** | **18,316,178** | **7.84%** | **(11,413,545)** | **(62.31%)** |
| Consumer | 839,086 | 91,721 | - | 930,807 | 0.40% | (197,529) | (21.22%) |
| Mortgage | 7,736,765 | 713,661 | - | 8,450,426 | 3.62% | (2,967,169) | (35.11%) |
| Other | 3,283,934 | 5,651,011 | - | 8,934,945 | 3.83% | (8,248,847) | (92.32%) |
| **Total** | **194,103,116** | **33,529,116** | **5,958,124** | **233,590,356** | | **(164,326,476)** | |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and advances to Customers | | Guarantees provided | Total exposure | Relative weight | Impairment | |
| | Outstanding | Overdue | | | | Value | Impairment/ Total exposure |
| **Corporate Customers** | **130,447,442** | **65,900,120** | **9,662,370** | **206,009,932** | **91%** | **136,899,249** | **66.45%** |
| Agriculture, livestock, hunting and forestry, fisheries | 71,889,212 | 41,854,006 | 96,199 | 113,839,417 | 50.28% | (82,037,089) | (72.06%) |
| Manufacturing industries | 546,050 | 490,701 | - | 1,036,751 | 0.46% | (291,016) | (28.07%) |
| Construction | 325,665 | 667,306 | - | 992,970 | 0.44% | (646,565) | (65.11%) |
| Wholesale and retail trade | 23,684,207 | 6,598,532 | 4,059,867 | 34,342,607 | 15.17% | (20,708,765) | (60.30%) |
| Accommodation and catering (restaurants and similar) | 22,684 | 7,398,995 | - | 7,421,679 | 3.28% | (5,318,030) | (71.66%) |
| Real estate activities, hire and rental, and services rendered to companies | 1,114,791 | 2,683,512 | - | 3,798,303 | 1.68% | (1,674,388) | (44.08%) |
| Health and social action | 5,705,182 | 98,979 | - | 5,804,161 | 2.56% | (143,954) | (2.48%) |
| Other collective service, social and personal activities | 20,823,268 | 3,575,725 | 1,258,578 | 25,657,571 | 11.33% | (19,811,637) | (77.22%) |
| Other | 6,336,383 | 2,532,364 | 4,247,725 | 13,116,472 | 5.79% | (6,267,805) | (47.79%) |
| **Individual Customers** | **14,649,236** | **5,732,264** | **-** | **20,381,500** | **9.00%** | **11,863,253** | **58.21%** |
| Consumer | 2,065,363 | 79,597 | - | 2,144,960 | 0.95% | (211,818) | (9.88%) |
| Mortgage | 8,676,423 | 629,030 | - | 9,305,453 | 4.11% | (3,269,832) | (35.14%) |
| Other purposes | 3,907,450 | 5,023,637 | - | 8,931,087 | 3.94% | (8,381,603) | (93.85%) |
| **Total** | **145,096,679** | **71,632,384** | **9,662,370** | **226,391,432** | | **148,762,502** | |

The geographic concentration of credit risk, as at 31 December 2022 and 2021, respectively, is shown below:

Values expressed in thousand Kz

| | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | Geographic area | | | | |
| | Angola | Other African countries | Europe | Other | Total |
| **Assets** | **944,858,404** | **172,256** | **28,504,459** | **41** | **973,535,160** |
| Cash, cash equivalents and balances with central banks | 44,754,425 | - | - | - | 44,754,425 |
| Balances with other credit institutions | 30,839 | 172,256 | 28,504,459 | 41 | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 150,188 | - | - | - | 150,188 |
| Investments at amortised cost | 69,256,039 | - | - | - | 69,256,039 |
| Loans and advances to Customers | 63,305,755 | - | - | - | 63,305,755 |
| Other assets | 766,723,829 | - | - | - | 766,723,829 |
| **Liabilities** | **1,141,515,393** | **0** | **32,613,458** | **-** | **1,174,128,851** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | - | 261,926,159 |
| Customer resources and other loans | 774,716,582 | - | - | - | 774,716,582 |
| Subordinated liabilities | - | - | 32,613,458 | - | 32,613,458 |
| Other liabilities | 104,872,652 | - | - | - | 104,872,652 |
| | **2,086,373,797** | **172,255** | **61,117,917** | **41** | **2,147,664,011** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | Geographic area | | | | |
| | Angola | Other African countries | Europe | Other | Total |
| **Assets** | **1,110,296,384** | **754,537** | **62,553,865** | **4,102** | **1,173,608,888** |
| Cash, cash equivalents and balances with central banks | 91,117,818 | - | - | - | 91,117,818 |
| Balances with other credit institutions | - | 754,537 | 20,099,932 | 4,102 | 20,858,571 |
| Investments at central banks and other credit institutions | - | - | 42,453,933 | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 152,751 | - | - | - | 152,751 |
| Investments at amortised cost | 130,090,132 | - | - | - | 130,090,132 |
| Loans and advances to Customers | 68,067,530 | - | - | - | 68,067,530 |
| Other assets (restated Note 2.2.) | 819,337,121 | - | - | - | 819,337,121 |
| **Liabilities** | **1,667,910,302** | **-** | **63,698,032** | **-** | **1,731,608,334** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 |
| Customer resources and other loans | 1,302,227,312 | - | - | - | 1,302,227,312 |
| Subordinated liabilities | - | - | 63,698,032 | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 103,366,672 | - | - | - | 103,366,672 |
| | **2,778,206,686** | **754,537** | **126,251,897** | **4,102** | **2,905,217,222** |

For the purpose of reducing credit risk, mortgage guarantees and financial collateral allowing a direct reduction in the value of the position are relevant. Personal protection guarantees with substitution effect on the exposure are also considered.

In terms of direct reduction, credit operations collateralised by financial guarantees are included, namely deposits, Angolan government bonds, among other similar operations.

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 2.5.

**Market Risk**

The Bank's market risk management policy is in line with best risk management practices. In this context, the Bank strictly complies with the BNA's legislation on risk, including Notice 08/2021 of 5 July on the prudential rules of the Angolan financial system.

With regard to information and market risk analysis, regular reporting is ensured on the financial assets portfolios. In terms of the own portfolio, several risk limits have been defined, including exposure limits by Issuer/Counterparty and credit quality level (rating).

The assessment of interest rate risk arising from banking portfolio operations is performed through risk 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 Instruction No. 22/2021 of 27 October, of the Banco Nacional de Angola, to calculate the exposure to interest rate risk in the statement of financial position, the Bank's assets and liabilities were broken down by type of rate (fixed and variable) and by terms or times of refixing (or repricing).

Detail of assets and liabilities grouped by type of rate as at 2022 and 2021, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Derivatives | Total |
| | Fixed rate | Variable rate | | | |
| **Assets** | **653,314,753** | **10,918,175** | **309,302,232** | **-** | **973,535,160** |
| Cash, cash equivalents and balances with central banks | - | - | 44,754,425 | - | 44,754,425 |
| Balances with other credit institutions | - | - | 28,707,596 | - | 28,707,596 |
| Investments at central banks and other credit institutions | - | - | - | - | - |
| Financial assets at fair value through profit or loss | 637,328 | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | 150,188 | - | 150,188 |
| Investments at amortised cost | 69,256,039 | - | - | - | 69,256,039 |
| Loans and advances to Customers | 52,387,579 | 10,918,175 | - | - | 63,305,755 |
| Other assets | 531,033,807 | - | 235,690,022 | - | 766,723,829 |
| **Liabilities** | **1,152,598,132** | **-** | **21,530,720** | **-** | **1,174,128,851** |
| Resources from central banks and other credit institutions | 261,926,159 | - | - | | 261,926,159 |
| Customer resources and other loans | 774,716,583 | - | - | - | 774,716,582 |
| Subordinated liabilities | 32,613,458 | - | - | - | 32,613,458 |
| Other liabilities | 83,341,932 | - | 21,530,720 | - | 104,872,652 |
| **Total** | **(499,283,379)** | **10,918,175** | **287,771,512** | **-** | **(200,593,690)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | Exposure to | | Not subject to interest rate risk | Derivatives | Total |
| | Fixed rate | Variable rate | | | |
| **Assets** | **813,155,295** | **12,927,721** | **347,525,872** | **-** | **1,173,608,888** |
| Cash, cash equivalents and balances with central banks | - | - | 91,117,818 | - | 91,117,818 |
| Balances with other credit institutions | - | - | 20,858,571 | - | 20,858,571 |
| Investments at central banks and other credit institutions | 42,453,933 | - | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | 152,751 | - | 152,751 |
| Investments at amortised cost | 130,090,132 | - | - | - | 130,090,132 |
| Loans and advances to Customers | 55,139,809 | 12,927,721 | - | - | 68,067,530 |
| Other assets (restated Note 2.2.) | 583,940,389 | - | 235,396,732 | - | 819,337,121 |
| **Liabilities** | **1,314,097,409** | **-** | **417,510,925** | **-** | **1,731,608,334** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | | 262,316,318 |
| Customer resources and other loans | 904,353,002 | - | 397,874,310 | - | 1,302,227,312 |
| Subordinated liabilities | 63,698,032 | - | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 83,730,057 | - | 19,636,615 | - | 103,366,672 |
| **Total** | **(500,942,114)** | **12,927,721** | **(69,985,053)** | **-** | **(557,999,446)** |

Details of the financial instruments in accordance with the residual maturity date, as opposed to the date of each operation's cash flow, at 31 December 2022 and 2021, in nominal values, are presented as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest-fixing dates/Maturity dates | | | | | | | | |
| | Up to one month | One to three months | Three to six months | Three months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **73,462,021** | **0** | **0** | **53,165,945** | **2,245,046** | **209,366,974** | **604,864,705** | **30,430,469** | **973,535,160** |
| Cash, cash equivalents and balances with central banks | 44,754,425 | - | - | - | - | - | - | - | 44,754,425 |
| Balances with other credit institutions | 28,707,596 | - | - | - | - | - | - | - | 28,707,596 |
| Financial assets at fair value through profit and loss | - | - | - | 637,328 | - | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | 150,188 | 150,188 |
| Investments at amortised cost | - | - | - | 52,454,331 | - | - | 16,801,708 | - | 69,256,039 |
| Loans and advances to Customers | - | - | - | 74,286 | 2,245,046 | 1,366,974 | 29,339,168 | 30,280,281 | 63,305,755 |
| Other assets | - | - | - | - | - | 208,000,000 | 558,723,829 | - | 766,723,829 |
| **Liabilities** | **494,961,935** | **388,411,025** | **103,006,069** | **177,100,010** | **10,305,270** | **337,897** | **6,645** | **-** | **1,174,128,851** |
| Resources from central banks and other credit institutions | - | 261,926,159 | - | - | - | - | - | - | 261,926,159 |
| Customer resources and other loans | 390,089,283 | 126,484,866 | 103,006,069 | 144,486,552 | 10,305,270 | 337,897 | 6,645 | - | 774,716,582 |
| Subordinated liabilities | - | - | - | 32,613,458 | - | - | - | - | 32,613,458 |
| Other liabilities | 104,872,652 | - | - | - | - | - | - | - | 104,872,652 |
| **Net exposure** | **(421,499,914)** | **(388,411,025)** | **(103,006,069)** | **(123,934,065)** | **(8,060,224)** | **209,029,077** | **604,858,060** | **30,430,469** | **(200,593,691)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest-fixing dates/Maturity dates | | | | | | | | |
| | Up to one month | One to three months | Three to six months | Three months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **138,086,201** | **26,794,109** | **16,328,399** | **57,206,554** | **74,364,536** | **222,304,187** | **637,032,756** | **1,492,146** | **1,173,608,888** |
| Cash, cash equivalents and balances with central banks | 91,117,818 | - | - | - | - | - | - | - | 91,117,818 |
| Balances with other credit institutions | 20,858,571 | - | - | - | - | - | - | - | 20,858,571 |
| Investments at central banks and other credit institutions | - | 26,125,534 | 16,328,399 | - | - | - | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | - | 668,575 | - | 281,526 | 302,540 | 278,391 | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | 152,751 | 152,751 |
| Investments at amortised cost | - | - | - | 56,841,013 | 56,899,710 | - | 16,349,409 | - | 130,090,132 |
| Loans and advances to Customers | - | - | - | 84,015 | 17,162,286 | 14,025,796 | 35,456,038 | 1,339,395 | 68,067,530 |
| Other assets (restated Note 2.2.) | 26,109,812 | - | - | - | - | 208,000,000 | 585,227,309 | - | 819,337,121 |
| **Liabilities** | **579,966,438** | **201,868,036** | **393,349,453** | **498,661,103** | **52,761,201** | **2,563,257** | **2,438,847** | **0** | **1,731,608,334** |
| Resources from central banks and other credit institutions | 5,353,699 | - | 256,962,619 | - | - | - | - | - | 262,316,318 |
| Customer resources and other loans | 474,074,162 | 201,868,036 | 136,386,834 | 470,331,454 | 17,392,623 | 2,168,603 | 5,600 | - | 1,302,227,312 |
| Subordinated liabilities | - | - | - | 28,329,648 | 35,368,384 | - | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 100,538,577 | - | - | - | 194 | 394,654 | 2,433,247 | - | 103,366,672 |
| **Net exposure** | **(441,880,237)** | **(175,073,927)** | **(377,021,054)** | **(441,454,549)** | **21,603,335** | **219,740,930** | **634,593,909** | **1,492,146** | **(557,999,446)** |

The statement of financial position'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 2022 and 2021, the sensitivity analysis of the financial instruments to interest rate variations, respectively, are as follows:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|
| | Interest rate change | | | | | |
| | -200 b.p. | -100 b.p. | -50 b.p. | +50 b.p. | +100 b.p. | +200 b.p. |
| **Assets** | **(158,711,815)** | **(18,569,768)** | **(9,284,884)** | **9,284,884** | **18,569,768** | **158,711,815** |
| Financial assets at fair value through profit and loss | (39,375) | (4,556) | (2,278) | 2,278 | 4,558 | 39,375 |
| Financial assets at fair value through other comprehensive income | (3,294) | (1,647) | (824) | 824 | 1,647 | 3,294 |
| Investments at amortised cost | (5,083,653) | (5,993,760) | (2,996,880) | 2,996,880 | 5,993,760 | 5,083,653 |
| Loans and advances to Customers | (6,256,337) | (2,173,970) | (1,086,985) | 1,086,985 | 2,173,970 | 6,256,337 |
| Other assets | (147,329,156) | (10,395,835) | (5,197,917) | 5,197,917 | 10,395,835 | 147,329,156 |
| **Liabilities** | **(7,485,146)** | **(3,742,573)** | **(1,754,693)** | **1,754,693** | **3,742,573** | **7,485,146** |
| Resources from central banks and other credit institutions | (832,313) | (416,156) | (208,078) | 208,078 | 416,156 | 832,313 |
| Customer resources and other loans | (3,766,689) | (1,883,345) | (941,672) | 941,672 | 1,883,345 | 3,766,689 |
| Subordinated liabilities | (466,372) | (233,186) | (604,943) | 604,943 | 233,186 | 466,372 |
| Other liabilities | (2,419,772) | (1,209,886) | - | - | 1,209,886 | 2,419,772 |
| **Net impact** | **(151,226,669)** | **(14,827,195)** | **(7,530,191)** | **7,530,191** | **14,827,195** | **151,226,669** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | |
|---|---|---|---|---|---|---|
| | Interest rate change | | | | | |
| | -200 b.p. | -100 b.p. | -50 b.p. | +50 b.p. | +100 b.p. | +200 b.p. |
| **Assets** | **(67,324,065)** | **(33,662,032)** | **(9,403,788)** | **9,403,788** | **33,662,032** | **67,324,065** |
| Investments at central banks and other credit institutions | (3,117,671) | (1,558,835) | - | - | 1,558,835 | 3,117,671 |
| Financial assets at fair value through profit and loss | - | - | (187,448) | 187,448 | - | - |
| Financial assets at fair value through other comprehensive income | (63,279,187) | (31,639,594) | (51,007) | 51,007 | 31,639,594 | 63,279,187 |
| Investments at amortised cost | - | - | (328,062) | 328,062 | - | - |
| Loans and advances to Customers | (927,207) | (463,603) | (482,879) | 482,879 | 463,603 | 927,207 |
| Other assets (restated Note 2.2.) | - | - | (8,354,392) | 8,354,392 | - | - |
| **Liabilities** | **(39,827)** | **(19,914)** | **(213,037,995)** | **213,037,995** | **19,914** | **39,827** |
| Resources from central banks and other credit institutions | (39,827) | (19,914) | - | - | 19,914 | 39,827 |
| Customer resources and other loans | - | - | (203,392,422) | 203,392,422 | - | - |
| Subordinated liabilities | - | - | (9,645,573) | 9,645,573 | - | - |
| Other liabilities (restated Note 2.2.) | - | - | - | - | - | - |
| **Net impact** | **(67,284,238)** | **(33,642,118)** | **203,634,207** | **(203,634,207)** | **33,642,118** | **67,284,238** |

Given the interest rate gaps observed, on 31 December 2022, an instantaneous and parallel positive variation in interest rates by 200 basis points would motivate a variation (+/-) in the expected economic value of the banking portfolio of approximately KZ 151,226,696 thousand (2021 Kz 67,284,238 thousand). The results presented are within the limits set by BNA, in Instruction No. 14/2021 of 16 May, for this specific risk.

The Bank must inform the Banco Nacional de Angola whenever there is a potential reduction of equal economic value in its banking portfolio or more than 20% of regulatory own funds During the 2022 financial year, the Bank complied with this requirement.

The bank's banking portfolio has a considerable foreign currency component, which makes it imperative, in light of the regulations, to analyse the sensitivity of financial instruments by currency.

The breakdown of assets and liabilities, in 2022 and 2021, by currency, is analysed as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | |
|---|---|---|---|---|---|
| | Kwanza | United States Dollar | Euro | Other currencies | Total |
| Cash, cash equivalents and balances with central banks | 6,657,432 | 38,032,993 | 60,535 | 3,465 | 44,754,425 |
| Balances with other credit institutions | 18,974 | 27,567,887 | 967,422 | 153,313 | 28,707,596 |
| Financial assets at fair value through profit and loss | 637,328 | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | 135,145 | - | 15,043 | - | 150,188 |
| Investments at amortised cost | 17,697,076 | 51,558,963 | - | - | 69,256,039 |
| Loans and advances to Customers | 59,554,349 | 3,750,984 | 422 | - | 63,305,755 |
| Other assets | 233,554,118 | 533,109,670 | 39,196 | 20,845 | 766,723,829 |
| **Assets** | **318,254,422** | **654,020,497** | **1,082,618** | **177,623** | **973,535,160** |
| Resources from central banks and other credit institutions | 261,922,492 | - | - | 3,667 | 261,926,159 |
| Customer resources and other loans | 229,017,698 | 536,069,832 | 9,607,921 | 21,131 | 774,716,582 |
| Subordinated liabilities | - | 32,613,458 | - | - | 32,613,458 |
| Other liabilities | 38,624,347 | 62,703,110 | 3,509,179 | 36,016 | 104,872,652 |
| **Liabilities** | **529,564,538** | **631,386,400** | **13,117,100** | **60,814** | **1,174,128,851** |
| **Position by currency** | **(211,310,116)** | **22,634,097** | **(12,034,482)** | **116,809** | **(200,593,691)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | |
|---|---|---|---|---|---|
| | Kwanza | United States Dollar | Euro | Other currencies | Total |
| Cash, cash equivalents and balances with central banks | 48,880,579 | 42,066,546 | 165,319 | 5,374 | 91,117,818 |
| Balances with other credit institutions | - | 15,363,421 | 4,931,046 | 564,104 | 20,858,571 |
| Investments at central banks and other credit institutions | - | 42,453,933 | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | 1,531,032 | - | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | 135,145 | - | 17,606 | - | 152,751 |
| Investments at amortised cost | 18,418,164 | 111,671,968 | - | - | 130,090,132 |
| Loans and advances to Customers | 61,802,958 | 6,173,623 | 85,399 | 5,550 | 68,067,530 |
| Other assets (restated Note 2.2.) | 233,368,310 | 585,937,029 | 31,782 | - | 819,337,121 |
| **Assets** | **364,136,188** | **803,666,519** | **5,231,151** | **575,028** | **1,173,608,888** |
| Resources from central banks and other credit institutions | 262,316,318 | - | - | - | 262,316,318 |
| Customer resources and other loans | 256,803,971 | 1,033,687,748 | 11,712,608 | 22,985 | 1,302,227,312 |
| Subordinated liabilities | - | 63,698,033 | - | - | 63,698,033 |
| Other liabilities (restated Note 2.2.) | 35,933,847 | 67,060,482 | 355,014 | 17,329 | 103,366,672 |
| **Liabilities** | **555,054,135** | **1,164,446,263** | **12,067,622** | **40,314** | **1,731,608,334** |
| **Position by currency** | **(190,917,946)** | **(360,779,742)** | **(6,836,471)** | **534,714** | **(557,999,446)** |

The sensitivity analysis of the equity value of financial instruments to changes in exchange rates as at 2022 and 2021 is presented as follows, respectively:

Values expressed in thousand Kz

| | 31/12/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | -40% | -20% | -10% | -5% | +5% | +10% | +20% | +40% |
| **Currency** | | | | | | | | |
| United States Dollar | (4,391,104) | (2,195,552) | (1,097,776) | (548,888) | 548,888 | 1,097,776 | 2,195,552 | 4,391,104 |
| Euro | 2,587,115 | 1,293,558 | 646,779 | 323,389 | (323,389) | (646,779) | (1,293,558) | (2,587,115) |
| **Impact** | **(1,803,989)** | **(901,994)** | **(450,997)** | **(225,499)** | **225,499** | **450,997** | **901,994** | **1,803,989** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | -40% | -20% | -10% | -5% | +5% | +10% | +20% | +40% |
| **Currency** | | | | | | | | |
| United States Dollar | (79,706,731) | (39,853,365) | (19,926,683) | (9,963,341) | 9,963,341 | 19,926,683 | 39,853,365 | 79,706,731 |
| Euro | 1,209,693 | 604,846 | 302,423 | 151,212 | (151,212) | (302,423) | (604,846) | (1,209,693) |
| **Impact** | **(78,497,038)** | **(39,248,519)** | **(19,624,260)** | **(9,812,129)** | **9,812,129** | **19,624,260** | **39,248,519** | **78,497,038** |

## 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.

The control of liquidity levels has the objective of maintaining a satisfactory level of cash to meet treasury needs in the short, medium and long term. Liquidity risk is monitored daily and specific reports are prepared for control and supervision, and to inform decisions taken by the Financial Committee or the Executive Committee.

Liquidity analysis is, in particular, based on future cash flow estimated for different periods, taking into account the Bank's statement of financial position. However, for the purpose of simplicity, the table below shows an analysis based on residual maturity dates, instead of expected future cash flows. The liquidity position on the day of analysis and the amount of highly liquid assets in the portfolio available for liquidity operations are added to these amounts to determine the accumulated liquidity gap for different periods. In addition, the liquidity positions are also monitored from a prudential point of view, calculated in accordance with the rules required by the Banco Nacional de Angola (Instruction No. 13/2021 of 27 September).

Due to information limitations, it is not possible to disclose the liquidity maturity tables based on the contracted cash flow dates, using for the effect the net accounting values of impairment. In this context, on 31 December 2022 and 2021, the liquidity gap of the Bank's statement of financial position had the following structure, respectively:

**Values expressed in thousand Kz**

| | 31/12/2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods | | | | | | | | | |
| | On demand | Up to one month | One to three months | Three to six months | Three months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **-** | **73,462,021** | **-** | **-** | **53,165,945** | **2,245,046** | **209,366,974** | **604,864,705** | **30,430,469** | **973,535,160** |
| Cash, cash equivalents and balances with central banks | - | 44,754,425 | - | - | - | - | - | - | - | 44,754,425 |
| Balances with other credit institutions | - | 28,707,596 | - | - | - | - | - | - | - | 28,707,596 |
| Financial assets at fair value through profit and loss | - | - | - | - | 637,328 | - | - | - | - | 637,328 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | 150,188 | 150,188 |
| Investments at amortised cost | - | - | - | - | 52,454,331 | - | - | 16,801,708 | - | 69,256,039 |
| Loans and advances to Customers | - | - | - | - | 74,286 | 2,245,046 | 1,366,974 | 29,339,168 | 30,280,281 | 63,305,755 |
| Other assets | - | - | - | - | - | - | 208,000,000 | 558,723,829 | - | 766,723,829 |
| **Liabilities** | **104,872,652** | **73,271,895** | **388,411,025** | **103,006,069** | **177,100,010** | **10,305,270** | **337,897** | **6,645** | **316,817,388** | **1,174,128,851** |
| Resources from central banks and other credit institutions | - | - | 261,926,159 | - | - | - | - | - | - | 261,926,159 |
| Customer resources and other loans | - | 73,271,895 | 126,484,866 | 103,006,069 | 144,486,552 | 10,305,270 | 337,897 | 6,645 | 316,817,388 | 774,716,582 |
| Subordinated liabilities | - | - | - | - | 32,613,458 | - | - | - | - | 32,613,458 |
| Other liabilities | 104,872,652 | - | - | - | - | - | - | - | - | 104,872,652 |
| **Liquidity gap** | **(104,872,652)** | **,190,126** | **(388,411,025)** | **(103,006,069)** | **(123,934,065)** | **(8,060,224)** | **209,029,077** | **604,858,060** | **(286,386,919)** | **(200,593,691)** |
| **Accumulated liquidity gap** | **(104,872,652)** | **(104,682,526)** | **(493,093,551)** | **(596,099,620)** | **(720,033,684)** | **(728,093,908)** | **(519,064,831)** | **85,793,228** | **(200,593,691)** | **(200,593,691)** |

Values expressed in thousand Kz

| | 31/12/2021 Restated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Residual periods | | | | | | | | | |
| | On demand | Up to one month | One to three months | Three to six months | Three months to one year | One to three years | Three to five years | More than five years | Indeterminate | Total |
| **Assets** | **-** | **142,249,694** | **42,234,168** | **13,640,571** | **57,841,977** | **72,090,081** | **216,938,818** | **628,460,828** | **,152,751** | **1,173,608,888** |
| Cash, cash equivalents and balances with central banks | - | 91,117,818 | - | - | - | - | - | - | - | 91,117,818 |
| Balances with other credit institutions | - | 20,858,571 | - | - | - | - | - | - | - | 20,858,571 |
| Investments at central banks and other credit institutions | - | - | 31,566,632 | 10,887,301 | - | - | - | - | - | 42,453,933 |
| Financial assets at fair value through profit and loss | - | - | ,668,575 | - | ,281,526 | ,302,540 | ,278,391 | - | - | 1,531,032 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | ,152,751 | 152,751 |
| Investments at amortised cost | - | - | - | - | 56,841,013 | 56,899,710 | - | 16,349,409 | - | 130,090,132 |
| Loans and advances to Customers | - | 4,163,493 | 9,998,961 | 2,753,270 | ,719,438 | 14,887,831 | 8,660,427 | 26,884,110 | - | 68,067,530 |
| Other assets (restated Note 2.2.) | - | 26,109,812 | - | - | - | - | 208,000,000 | 585,227,309 | - | 819,337,121 |
| **Liabilities** | **100,538,577** | **479,427,861** | **201,868,036** | **393,349,453** | **498,661,102** | **52,761,201** | **2,563,257** | **2,438,847** | **-** | **1,731,608,334** |
| Resources from central banks and other credit institutions | - | 5,353,699 | - | 256,962,619 | - | - | - | - | - | 262,316,318 |
| Customer resources and other loans | - | 474,074,162 | 201,868,036 | 136,386,834 | 470,331,454 | 17,392,623 | 2,168,603 | ,5,600 | - | 1,302,227,312 |
| Subordinated liabilities | - | - | - | - | 28,329,648 | 35,368,384 | - | - | - | 63,698,032 |
| Other liabilities (restated Note 2.2.) | 100,538,577 | - | - | - | - | ,,194 | ,394,654 | 2,433,247 | - | 103,366,672 |
| **Liquidity gap** | **(100,538,577)** | **(337,178,167)** | **(159,633,868)** | **(379,708,882)** | **(440,819,125)** | **19,328,880** | **214,375,561** | **626,021,981** | **,152,751** | **(557,999,446)** |
| **Accumulated liquidity gap** | **(100,538,577)** | **(437,716,744)** | **(597,350,612)** | **(977,059,494)** | **(1,417,878,619)** | **(1,398,549,739)** | **(1,184,174,178)** | **(558,152,197)** | **(557,999,446)** | **(557,999,446)** |

On 31 December 2022, the Liquidity Ratio calculated in accordance with Instruction 14/2021 of 30 August amounts to 46% (2021: 45%). This instruction defines as a minimum a ratio of 100% for exposure in Kwanzas and 150% for exposure in foreign currency, which shows the progress achieved. However, the Bank presents a very pronounced liquidity gap in the short-medium term (less than five years) arising from the nature and maturity of the other asset receivable from INVESTPAR with a very long-term maturity. In this respect, the Bank expects to resolve the liquidity gap mentioned above, resulting from the capital increase referred to in the following Note and the resolution of the operation with INVESTPAR.

### Property Risk

Property risk arises as the result of property exposure (whether from credit recovery proceedings or investment properties) and the exposure of units in real estate funds in the securities portfolio.

These exposures are monitored regularly, and scenario analyses are performed to estimate potential impacts of changes in the real estate market on the portfolios of real estate investment funds, investment properties and properties given in kind.

The exposure to real estate properties and participation units in real estate funds as at 31 December 2021 and 2020 was as follows:

Values expressed in thousand Kz

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Real estate properties assigned to banking business | 37,051,838 | 36,971,677 |
| Real estate properties received in lieu of payment of loans | 15,983,407 | 16,674,733 |
| Loans and advances for real estate development | 17,944,833 | 3,798,303 |
| Other real estate properties not assigned to banking business | 764,268 | 722,829 |
| | 71,744,346 | 58,167,542 |

### Operational Risk

An operational risk management system has been implemented, based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.

The Bank's Operational Risk Department performs the corporate operational risk management function of the Bank, which is supported by the existence of Interlocutors in different organic units that ensure the proper implementation of operational risk management in the Bank. In addition, to ensure the management of Operational Risk inherent to the Bank's activity, a dynamic and continuous framework was defined that materialises the implementation of operational risk management based on the following elements: (i) Mapping of risks and controls; (ii) Analysis of the data collected in the assessment questionnaires (qualitative); (iii) Registration of events (quantitative); (iv) Monitoring of the activities of identification and management of risk; (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 Registration Database (LDC); (iv) Key Risk Indicators (KRI). It should also be noted that the current management of operational risk is carried out on a daily basis, through the identification, assessment, monitoring and control of operational risk events framed within the risk categories defined internationally by the Basel Committee

# Note 37
# Relevant facts

## I – Recapitalisation and Restructuring Plan

In 2014, the BNA decided on measures to reorganise "BE", as detailed in section II – Chronology of events, which culminated, on 15 July 2016, with the signing, with the ENSA Group – Investimentos e Participações, E.P. - now INVESTPAR – Investimentos e Participações, S.A. (GENSA or INVESTPAR), of the following agreements: (i) transfer of the economic interests of a portfolio of loans and participation units, and (ii) sale of assets held by BE ("Operation with the ENSA Group"), with reference to 31 December 2014.

However, there was a default on the first instalment on 31 December 2018 by INVESTPAR, thus compromising the agreed payment plan, which was renegotiated. BE, together with the BNA, initiated since that date, a set of interactions for the assessment of sanitation alternatives (see point III – Chronology of events), while successive worsening of the Bank's economic, financial and operational conditions were observed, regardless of the agreements signed.

As a mitigating measure, on 21 December 2021, the BNA determined a set of intervention measures that were an integral part of the new Restructuring and Recapitalisation Plan (RRP) proposed by the Bank's Board of Directors and approved by the Regulator, which were embodied in the following:

**a)** Total incorporation of losses in the Bank's share capital, with the Shareholders' capital being reduced to zero;

**b)** Increase of the Bank's share capital, by a minimum of Kz 1,040,000 million, through:

(i) Restructuring of Novo Banco's subordinated loan (with a new amendment formalised on 27 December 2021);

(ii) Partial conversion into share capital, by way of negotiation, of the amounts of depositors with a balance equal to or greater than the equivalent of Kz 3,000 million, excluding public and equivalent entities (Eligible Depositors), in the following proportions:
- 45% subscribed in Investment Units (IUs) of a Closed-end Securities Investment Fund to be established;
- 20% subscribed in perpetual participation bonds, with an annual redemption option, at the initiative of the issuer (BE), beginning on the 10th year of issue.

(iii) Issue of bonds convertible into shares up to the amount of Kz 50,000 million, with a maturity of ten years, to be subscribed voluntarily by the Eligible Depositors or by other interested entities;

(iv) Deferral, using the straight-line method and in equal annual instalments, of the recognition of impairments in the amount of Kz 260,000 million, for a period of five years, with reference to 31 December 2020;

(v) Financial contribution from other investors, in the estimated amount of Kz 260,000 million, to be made until the end of 2022;

(vi) Exchange of bonds received in payment by INVESTPAR, with a nominal value of Kz 47,428 million, for new bonds under current market conditions;

(vii) The return to BE of the assets received by INVESTPAR identified in paragraph III – Operation with the ENSA Group";

(viii) Measures to increase operational efficiency and reduce the Bank's costs.

Considering the above, BE initiated and maintains an ongoing process of definition and implementation of a set of activities deemed essential for the full compliance with the said Plan, including the General Meeting of Shareholders (GM) held on 15 February 2022, which approved among others: i) the issue of Perpetual Participation Bonds and ii) the issue of Convertible Bonds.

BE's Board of Directors (BoD) went ahead with the implementation of the measures contained in the RRP, including some necessary adjustments, taking into account the results of the diagnosis made and the degree of feasibility of some of the measures previously defined. However, it is convinced that, within the set deadlines, it will have the necessary conditions and support from the different public and private stakeholders, to ensure the successful implementation of the adjusted RRP measures. It recognises, however, that this is a challenging, long and complex process, in which it identifies various risks, despite the recent implementation of some of the main recapitalisation measures identified below.

### 1. Obtaining shareholder agreement on the RRP

After the approval of the RRP in December 2021, and in order to create the necessary conditions for its implementation, the Bank's Board of Directors held several interactions with the Bank's Shareholders at the time and with the Eligible Depositors:

i) With regard to the Shareholders, who were Shareholders on 31 December 2021, they approved the RRP by resolution passed at the General Shareholders' Meeting of 15 February 2022;

ii) With regard to the Eligible Depositors, the formal agreement to the RRP was obtained through the signing of the Memoranda of Understanding (MoU) which evidenced their commitment to the Bank's Management and the BNA to recapitalise BE.

Although the Bank considers that there are risks in implementing this measure, it is at an advanced stage and with good prospects for completion, considering that 23 Memoranda of Understanding were formalised with Eligible Depositors, which has enabled deposits totalling Kz 519,142,081 thousand, for the subscription of the financial instruments of BE's capitalisation, as detailed in the table below:

Values expressed in thousand Kz

| BE Capitalisation Instruments | 2022 | 2023 |
|---|---|---|
| **Share Capital** | **271,500,000** | **271,500,000** |
| **Other Financial Instruments** | **121,196,000** | **153,329,000** |
| Participation securities | 121,196,000 | 124,645,000 |
| Convertible bonds | 0 | 28,684,000 |
| **Deposits of OFAC designated entities** | **94,313,081** | **94,313,081** |
| Deposits for subscription of FCR participation units | 60,629,838 | 60,629,838 |
| Deposits for subscription of participation securities | 26,946,594 | 26,946,594 |
| Deposits for subscription of convertible bonds | 6,736,649 | 6,736,649 |
| **Total** | **487,009,081** | **519,142,081** |

OFAC Deposits, according to BNA letter No. 610/DSB/2022 of 15 August 2022, are accounted for in the calculation of Regulatory Own Funds (ROF). This measure improves the Bank's ROF ratio and, consequently, the Regulatory Solvency Ratio (RSR). Share Capital and Other Financial Instruments contribute to the calculation of Equity.

The BoD continues to make every effort with Eligible Depositors who have not yet subscribed to the Memorandum of Understanding to do so as soon as possible and to subscribe to the financial instruments provided for in the RRP, in order to strengthen the Bank's capitalisation.

The GM to decide on the increase in BE's capital and the entry of the Eligible Depositors as Participants in the Fund, which now holds the entire share capital of the Bank, was held on 5 August 2022.

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**2. Conclusion of the constitution process of the Closed-end Securities Investment Fund with the CMC, including the respective Management Company**

The process of registration and constitution of the Fund provided for in the RRP has been fully completed and, on 10 August 2022, the CMC issued the registration certificate for Económico – Fundo de Capital de Risco de Subscrição Particular ("ECONÓMICO-FCR" or the "Fund"). The Fund was registered with the CMC under No. 03/FCR/CMC/08-2022 and its management entity is INDEPENDENT Financial Advisors – Sociedade Gestora de Organismos de Investimento Colectivo, S.A. ("INDEPENDANT– SGOIC" or "Management Company") and as depositary, Banco Angolano de Investimentos, S.A. (BAI).

The Fund is authorised to issue up to a maximum of 33,005,680 investment units, with a unit price of Kz 10,000, corresponding to a maximum overall value of Kz 330,056,800 thousand.

In accordance with the authorisation of the Capital Markets Regulator and taking into account the depositors who have signed up to the RRP, minus those who have not yet subscribed to the MoU and the depositors designated on the OFAC list, 27,269,106 units were issued, with a nominal unit value of Kz 10,000 and a total value of Kz 272,691,060 thousand.

With the proceeds from the issue of the investment units, ECONÓMICO–FCR subscribed to BE's capital increase in the amount of Kz 271,500,000 thousand, with the remaining amount remaining in liquidity in the Fund to cover its operating costs (annual audit, management commission, fees payable to CMC, etc.) during its planned duration (10 years).

The capital increase is currently pending registration.

**3. Effective realisation of the issue of perpetual participation bonds and convertible bonds**

On 15 February 2022, the Shareholders' General Meeting approved the issue of the PPBs. On 1 April 2022, authorisation was obtained from the Ministry of Finance (MINFIN) for the issue in the amount of up to Kz 171,460 million, subject to the presentation of BE's interim report and accounts as at 31 December 2021. By Order No. 1554/22 of 18 April 2022, the funds obtained from the issue of the PPBs were treated as the Bank's equity.

The Bank referred the process to the Capital Markets Commission (CMC) for due consideration and approval, and on 24 June 2022 this regulator informed the Bank of its agreement to the issue of the PPBs under the following conditions:

- As Angola has ratified the United Nations Conventions against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, against Transnational Organised Crime and the United Nations Convention for the Suppression of the Financing of Terrorism, subscriptions from legal persons and individuals designated by this entity – OFAC – are not eligible;
- Subscriptions from entities that have not signed the Memoranda of Understanding under the Bank's Recapitalisation and Restructuring Plan are not permitted. The transfer of PPBs to third parties who have not signed the Memoranda of Understanding is subject to a favourable opinion from the CMC.

The conditions laid down by the CMC were fully complied with by BE, and the subscription of the PPBs took place on 4 August 2022, by debiting the accounts of the Eligible Depositors who signed the Memorandum of Understanding (MoU) with the Bank and under the conditions set out above.

In this way, 121,196 PPBs were issued with a nominal unit value of Kz 1 million, corresponding to a total value of Kz 121,196,000 thousand, less than the maximum authorised value of Kz 171,460,000 thousand, since individuals and companies designated by OFAC (US Treasury) were not considered eligible to subscribe to this financial instrument, as established by the CMC in the conditions for approving the issue.

Subsequently, having obtained prior authorisation from the CMC on 6 March 2023, a further 3,449 PPBs with a nominal unit value of Kz 1 million were issued on 14 March, as a result of another Eligible Depositor joining, increasing the total issued value of this financial instrument to Kz 124,645,000 thousand.

On 26 January 2023, 27,822 BE Convertible Bonds (CBs) were issued with a nominal unit value of Kz 1 million, corresponding to a total value of Kz 27,822,000 thousand, out of a maximum value of Kz 50,000,000 thousand provided for in the RRP.

Subsequently, on 14 March 2023, a further 862 CBs with a nominal unit value of Kz 1 million were issued, as a result of another Eligible Depositor joining, increasing the total issued value of this financial instrument to Kz 28,684,000 thousand.

The issue of the Convertible Bonds improves the calculation of the Bank's Regulatory Own Funds (ROF) and, consequently, the Regulatory Solvency Ratio (RSR).

**4. Restructuring of Novo Banco's subordinated loan**

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, 40% in cash and 60% by September 2022;
- Forgiveness of 75% of the remaining debt; and,
- Restructured 25% payment until September 2023.

In September 2023, the last repayment on the Novo Banco loan was made.

**5. The recovery of the asset receivable from INVESTPAR, as per point III – "Operation with the ENSA Group"**

On 15 May 2023, BE concluded the reversal of the "Operation with the ENSA Group", through an agreement with the counterparty INVESTPAR (the new name of the first entity), which allows the Bank to prepare and implement a strategy for optimising real estate assets and recovering loans.

Among the measures to speed up the property disposal process are:

i) The creation of a unit, in its organisational structure, specially dedicated to the management of properties received by the Bank: the Real Estate Asset Disposal Department.. This unit will then be spun off into a subsidiary that will guarantee the provision of these services, independently and separately from the Bank;
ii) Selection of specialised service providers (appraisers, mediators, consultants) to support the Bank in the valuation and marketing of real estate assets;
iii) Overall valuation of the real estate assets to support the accounting record of the operation and approval of the price lists for their sale;
iv) Creation of a specialised committee of the Executive Committee (Real Estate Committee) to decide on proposals for the sale and commercial rental of real estate;
v) Considering the regulatory limitations on the permanence of real estate assets available for sale on its balance sheet, the Bank is going ahead with their securitisation through the creation of a Real Estate Investment Fund (FII), a process already underway with the CMC;
vi) The reactivation of mortgage loans, which has no immediate effect on liquidity, will have a positive effect on the bank's profitability and will enable it to retain the loyalty of preferential Customers.

The process of reversing the operation is in its final stages and the valuations of the assets underlying the operation are being finalised. The overall value, based on preliminary valuations, amounts to Kz 548 billion. It is also planned to finalise the survey of the legal documentation for the assets and the valuation exercise for recording the operation in the accounts.

In the field of loan recovery, the following measures are to be implemented:

i) Promotional campaign to recover loans (called "New Life"), through a policy of partial forgiveness of overdue interest and improvement of contractual terms and conditions, in order to adapt financial plans to the current financial conditions of debtors;
ii) Intensification of the recovery of non-performing loans, through the enforcement of judicial and extrajudicial recoveries, which includes the hiring of legal service providers to, together with the Bank's Legal and Litigation Department (LLD), increase collection pressure on the Bank's debtors;
iii) The use of specialised collection service providers for the more "retail" portfolio of non-performing operations with lower unit values (e.g. credit card debts, consumer loans, etc.).

**6. Exchange of bonds received as payment from INVESTPAR with a nominal value of Kz 47,428 million, for new bonds under market conditions**

This measure was implemented in April 2023, when an agreement was reached with MINFIN to exchange the securities held in the portfolio from the first payment of the ENSA Group operation, maturing in 2040 and with a 5% rate of return, for securities with normal market conditions in terms of maturity and interest rate.

The agreement was concluded with a 20% haircut and made it possible to exchange long-maturity, low-remuneration securities for a portfolio of securities with residual maturities of 2, 4 and 10 years, with interest rates of 14.5%, 15% and 17%, respectively, as shown in the table below:

Values expressed in thousand Kz

| Portfolio of Securities received from the non-indexed treasury bond swap with UGD | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ISIN Code | Issue Date | Maturity Date | Coupon | Residual Maturity | FX Index | Nominal Value | Quantity | Nominal Value |
| AOUGDOIG22A6 | 9/Nov./22 | 9/May/25 | 14.50% | 2.0 | NO | 100,000 | 114,656 | 11,465,600,000 |
| AOUGDOIL22A6 | 10/Jul./22 | 10/Jul./27 | 15.00% | 4.2 | NO | 100,000 | 191,092 | 19,109,200,000 |
| AOUGDONJ23A8 | 30/Jan./23 | 30/Jan./33 | 17.00% | 9.7 | NO | 100,000 | 57,792 | 5,779,200,000 |
| | | | | | | | 363,540 | 36,354,000,000 |

This operation made it possible to recover the losses recorded under the initial recognition of these assets at their fair value, resulting in capital gains of approximately Kz 22,824,848 thousand in the 2023 financial year, and to improve the Bank's profitability by making a positive contribution to net interest income.

### 7. Ensure compliance with the regulatory, legal and accounting framework

The Board of Directors affirms its full commitment to implementing the Bank's Recapitalisation and Restructuring Plan within the established deadlines, with the support of the Banking Sector Regulator (BNA), the Capital Markets Supervisor (CMC) and other institutional counterparties involved, ensuring the correct legal and regulatory framework to enable the successful implementation of the RRP.

It should be noted that during 2021, the Bank received from the BNA, through its letter 480/DSB/21 of 11 August, a temporary exemption, during the recapitalisation and restructuring process, from complying with the following regulatory limits:

i) Regulatory own funds;
ii) Foreign exchange position;
iii) Solvency ratio;
iv) Limits of major risks;
v) Liquidity ratio, in accordance with Instruction No. 19/16;
vi) Increase of 5% of the obligatory reserves in foreign currency and the 2% previously fulfilled in kwanzas.

Despite this exemption, as at 31 December 2022, the Bank is in breach of the aforementioned limit for mandatory reserves in FC (17%). However, it is planned to implement measures in the short term that will allow the Bank to regularise this situation.

By letter dated 3 August 2022, the BNA informed BE that it is temporarily exempt from complying with the overall own funds ratio required in the letter with the conclusions of the 2022 SREP, and that a new assessment of this temporary exemption will be made during the 2023 financial year.

In addition, by letter dated 15 August 2022, the BNA informed BE of a provision regarding the process for calculating regulatory solvency ratios, provided for in Notice No. 8/2021, of 5 July, namely that, as a result of some of the Eligible Depositors that had signed the MoUs being included on OFAC's list of designated entities, since 9 December 2021, and for as long as they remain in this situation, for prudential purposes, and for this purpose only, BE shall consider in the calculation of the (i) Regulatory Own Funds Ratio (ROF), (ii) Tier 1 Capital Ratio (Tier 1) and (iii) Core Tier 1 Capital Ratio (CET 1), that the deposit resources of these entities (i.e. 70) are eligible as Core Tier 1 Capital and, in this circumstance, must remain immovable. This measure is exceptional and will be in force temporarily until a decision is made by OFAC or the Angolan judicial bodies or a decision by the BNA.

Finally, as a result of the delay in implementing the Bank's Recapitalisation and Restructuring Plan, due to the complexity of the operations and the need for them to be examined, analysed and approved by the Regulators, the Board of Directors decided to postpone the start of the amortisation of deferred impairments to 2022, in order to combine it with the date of the Bank's effective recapitalisation and the issue of financial instruments.

The Bank formalised this request to the BNA and obtained approval by letter received on 29 June 2022.

### 8. Ensure compliance with the business plan scheduled for 2022-2027

Having already implemented the main measures of the RRP and analysed their impact on the Bank's accounts, despite the positive effects on net interest income and the improvement in prudential ratios, the Board of Directors anticipates the need for complementary measures, with a greater impact from the point of view of liquidity and capital, to guarantee the Bank's economic and financial balance and its continuity. In addition, the exchange rate depreciation that occurred in 2023 also had a significant impact on the Bank's accounts.

Thus, the BoD anticipates the need for an additional capital increase to ensure the Bank's compliance with regulatory ratios, through the contribution of fresh funds to solve the liquidity problem. In this context, the Bank's Board of Directors prepared a base scenario with financial projections for the years 2023 to 2026, which is based on a set of operational assumptions and which identifies the need for a capital increase, with reference to 31

December 2023, of around Kz 366 billion, in order to balance the Bank's equity, increase liquidity levels and guarantee compliance with the regulatory requirements for that date.

The main assumptions of this base scenario are:

- Accounting record of the reversal of the asset transfer operation with INVESTPAR which, considering the effect of the significant devaluation of the Kwanza in 2023, based on the preliminary valuations carried out, could result in capital losses of around Kz 200 billion;
- Disposal of the properties received from the reversal of the asset transfer operation with INVESTPAR, over 5 years, with 40% being paid in cash and 40% of the sale value being reapplied in Treasury Bonds, 40% via property/housing loans and 20% by exchanging deposits in foreign currency;
- Accounting record of the sale of the Head Office Building with an estimated capital gain of approximately Kz 53,300 million;
- An increase in domestic currency deposits and a reduction in foreign currency deposits;
- Recovery of overdue credit, 80% via restructuring and 20% in cash;
- Reduction in staff (-200 Employees) and a 30% reduction in the cost of third party supplies and services.

In addition, the estimated capital requirement identified above depends on the realisation of assumptions and measures beyond the control of the Board of Directors, namely the restructuring of the debt to the Banco Nacional de Angola, in the amount of Kz 257,000 million, which, if it does not materialise under more favourable conditions for the Bank, may require an additional capital increase of this amount.

Some of the assumptions related to the evolution of the business and the operational measures to be implemented, described above, are difficult to realise and their total or partial non-fulfilment could lead to additional capital requirements.

It should be noted that if the abovementioned capital increase does not take place on 31 December 2023, capital requirements could increase in the coming years, mainly due to the Bank's current economic and financial situation and existing liquidity constraints, with the consequent impact on the Bank's profitability and operating results.

As part of its ongoing follow-up and monitoring of the Banco Nacional de Angola's implementation of the RRP, the Board of Directors has shared with the Regulator all the information regarding the Bank's current and foreseeable situation, namely the capitalisation scenario analysed, its assumptions and conclusions, but which has not so far resulted in any concrete measures to meet the capital needs identified by the Board of Directors.

Although these circumstances constitute material risks and uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern, the Board of Directors believes that it is appropriate to present the financial statements using the going concern assumption, given the favourable evolution and significant progress made in implementing the RRP and the expected support from the Regulator (BNA) for the implementation of the additional measures, in order to ensure the Bank's economic and financial sustainability.

## II – Additional measures to the RRP

In order to guarantee the success of the Bank's restructuring process, an addition was made to the RRP with more urgent measures – the Emergency Action Plan – in order to boost financial performance and increase operational efficiency.

The Emergency Action Plan is based on 4 pillars, broken down into 18 initiatives, which include various activities and milestones, the implementation of which will be rigorously monitored by BE, including the following:

### 1. Sale of the BE Head Office Building to the National Oil and Gas Agency (NOGA)

On 21 April 2023, the Bank signed a Promissory Purchase and Sale Contract with ANPG for the sale of its Head Office Building, located at Rua do 1º Congresso, n.º 8, in Luanda, for the sum of USD 100,000,000, payable in two instalments, one of which, corresponding to 60% of the value, to be settled after the administrative approvals for the operation have been obtained, and the remaining 40%, on the date the public deed is signed.

The authorisation from the Holder of Executive Power to carry out the operation was published in the Official Gazette (*Diário da República*) on 7 June 2023, and the first tranche (60% of the value) was received in August 2023.

The estimated capital gains from the operation amount to approximately Kz 53 billion.

### 2. Ensure the optimisation of operating costs

Over the course of 2023, the BE's Board of Directors has been implementing structural measures aimed at scaling the institution to the sector's current challenges and ensuring rational cost management, operating in a more sustainable manner, in line with the digital transformation that has positively influenced the sector. These measures include:

i) Closure of 15 branches on 5 May 2023, with negotiations underway to terminate the leases;
ii) Closure of the Lisbon office in March 2023;
iii) Reduction of staff with the payment of compensatory allowances and other benefits (waivers, maintenance of health insurance, etc.). The first phase of this process is now complete, with 68 Employees being made redundant as a result of the closure of branches. In June, the 2nd phase was completed, covering 63 Employees. A total of 131 Employees were involved;
iv) Organisational restructuring, in February 2023, from 31 to 23 structural units, which reduced the number of managers and simplified the hierarchy;
v) Annual budget, approved in March 2023, with significant cost reductions in third party supplies and services due to branch closures, fleet write-offs and the renegotiation of contracts with suppliers.

The Board of Directors expects that these measures will reduce operating costs to levels that are more in line with the Bank's capacity to generate income.

## III – Chronology of events

Banco Económico results from the renaming of Banco Espírito Santo Angola, following the reorganisation measures decided by the Banco

Nacional de Angola on 20 October 2014 and the General Meeting held on 29 October of the same year.

In retrospect, on 4 August 2014, the BNA decided to adopt extraordinary reorganisation measures for Banco Espírito Santo Angola, which took the form of a detailed assessment of its loan portfolio, of its component to be allocated to losses, the identification of the asset items subject to disposal and restructuring and the concomitant revocation of the Sovereign Guarantee issued by the Republic of Angola on 31 December 2013, through Internal Presidential Order 7/2013, of 31 December, in the amount of USD 5.7 billion (Kz 556.4 billion, at the exchange rate of that date), including USD 0.2 billion for other natures of assets. According to the aforementioned Presidential Order, the Sovereign Guarantee was issued considering that Banco Espírito Santo Angola, at that time, held and managed a portfolio of credits and operations relating to a number of Angolan corporate entities, comprising micro, small and large companies that corresponded to operations of paramount importance for the full implementation of the objectives contained in the National Development Plan 2013 – 2017 and in order to protect the fundamental interests of the Angolan financial system. Following this, the BNA appointed two interim directors to, together with the Board of Directors in office, ensure the current management of the Bank.

On 20 October 2014, the BNA released the results of the report on the Bank's financial situation prepared by the appointed provisional directors and the special purpose review report presented by the independent auditor expressly engaged for that purpose, which identified adjustment needs to Banco Espírito Santo Angola's own funds in the total amount of Kz 488,780 million, with own funds having become negative by Kz 383,886 million.

As a result, the BNA decided to adopt the following reorganisation measures:

**a)** Capital increase by conversion of part of the senior interbank loan, in the amount of Kz 360,768 million, followed by a reduction of the Shareholders' equity by absorption of 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 Kz 65,000 million, by the Shareholders or by entities invited and accepted by BNA, to be carried out in cash, with a view to reconstituting the share capital and ensuring compliance with the minimum prudential ratios;

**c)** Conversion of the amount of Kz 7,000 million of the senior interbank loan into the Bank's share capital, representing a 9.9% shareholding in the institution, whose conversion was subject to the authorisation to be obtained by the holder of the senior interbank loan from the competent entities for the subscription of said share capital;

**d)** Conversion of the Kz 41,596 million senior interbank loan into a common loan in US dollars and at market rates, repayable in 18 months, guaranteed by the Bank for 50% of its value, through the delivery of a pledge on public debt securities;

**e)** Conversion of the amount of Kz 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 the loan holder's holding remains below 19.99%. This amount may be increased by Kz 7,000 million in the event of non-conversion into capital of the provisions of paragraph c) above;

**f)** Placement in the market of additional subordinated instruments, in the amount of Kz 50,000 million, until 31 December 2015, in order to ensure the maintenance of the regulatory ratios.

A universal and extraordinary general meeting was held on 29 October 2014, at which the interim directors informed the Shareholders of the reorganisation measures to be adopted, and invited the then Shareholders to recapitalise the Bank under the conditions presented.

As the then Shareholders did not express any interest in capitalising the Bank under the conditions referred to, in addition to GENI – Novas Tecnologias S.A., the following operations were approved:

**a)** Increase of capital in cash in the amount of Kz 65,000 million, to be carried out by the following entities and in the proportions already approved by BNA:

(i) The company **"GENI Novas Tecnologias, S.A."**: make a contribution of Kz 14,328 million, representing a 19.90% stake in the share capital;
(ii) The company **"Lektron Capital, S.A."**: make a contribution of Kz 22,304 million, representing a 30.98% stake in the share capital;
(iii) The company **"Sonangol, EP"**: make a contribution of Kz 11,520 million, representing a 16.00% stake in the share capital;
(iv) The company **"Sonangol Vida, S.A."**: make a contribution of Kz 11,520 million, representing a 16.00% stake in the share capital;
(v) The company **"Sonangol Holdings, Lda."**: make a contribution of Kz 5,328 million, representing a 7.40% stake in the share capital.

**b)** Capital increase of Kz 7 billion, through the conversion of the senior loan held by "Novo Banco, S.A.", corresponding to a 9.72% stake in the share capital.

With the holding of the aforementioned General Meeting, BNA's intervention ended, the new corporate bodies were appointed and the Bank's redenomination to "Banco Económico, S.A." was approved.

With reference to the common loan, constituted as a result of the BNA reorganisation measures, in the amount of USD 424,860 thousand, the full repayment of the principal was scheduled for 30 April 2016. In view of the current exchange restrictions, Banco Económico agreed with Novo Banco, S.A. to alter the loan's repayment conditions. 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, the amount of USD 50 million was settled on 13 June 2016, and the amount of USD 73 million was settled on 30 September 2016. The remaining amount was settled in August 2018. In the referred contractual amendment, Banco Económico reinforced the guarantees in favour of Novo Banco, S.A. with a first-degree pledge, on 12,300 treasury bonds of the Republic of Angola, with a nominal value of USD 10,000 and maturity on 15 August 2018.

In replacement of the issue in the market of additional subordinated instruments, in the amount of Kz 50,000 million, previously approved by the BNA, were executed with GENSA, on 15 July 2016, the agreements for the transfer of the economic interests of a portfolio of loans, of participation units and the sale of assets held by Banco Económico (Operation with the ENSA Group), with reference to 31 December 2014, framed by Presidential

Decrees 196/15 and 123/16, the details of which are as follows:

**a)** Transfer of economic rights on direct claims, by subscription and other values, amounting to Kz 111,886 million and USD 1,981 million. The Bank held a repurchase option on two credit operations in the amount of Kz 10,286 million until 2018, for which it was agreed, with GENSA, not to exercise in 2018. Economic rights on loans written off from assets in the gross amount of Kz 88,716 thousand, fully provisioned, were also conveyed;

**b)** Sale of 49,191 units in the BESA Património Fund, corresponding to 50.2% of all units, in the amount of Kz 5,975 million;

**c)** Transfer of economic rights relating to 50,000 units of the Fundo BESA Valorização, corresponding to all the units of that Fund, in the amount of Kz 54,102 million;

**d)** Disposal of various assets not for own use and fixed assets in progress, amounting to Kz 4,975 million.

As these operations produced legal and economic effects retroactive to 31 December 2014, after approval by BNA on 31 October 2016, the Bank derecognised these assets on this date, in the total amount of Kz 380,743 million (Kz 176,940 million and USD 1,980 million), with the exception of the direct loans over which the Bank maintains the repurchase option in the amount of Kz 10,286 million, against Other assets (see Note 16), which were derecognised in 2018, following a non-exercise agreement with GENSA.

For payment of the price of the operations on the various assets the following schedule has been agreed:

**a)** With the signing of the contracts, the payment of Kz 47,428 million, made by delivery of Republic of Angola public debt securities (registered in the Securities Portfolio – Note 9);

**b)** Five annual and constant payments of the remaining amount due, starting from 15 July 2017 (with two tranches – Kz 25,980 million and USD 396 million).

Interest at a rate of 7% is payable on the amount due.

The Payment Agreement entered into between the parties foresees that the five above-mentioned instalments shall be paid in one of the following ways, to be approved by the intervention of public law legal persons and/or the respective supervisory, regulatory or other bodies through the legal-economic instruments appropriate for the effect, under the terms of the legislation in force at any time:

**a)** By delivering the Angolan Republic Treasury Bonds in National Currency, identified in Presidential Decree No. 196/15, of 8 October, in Executive Decree No. 656/15, of 24 November, Decree No. 123/16, of 9 June, or decree relative to the same object that succeeds it, under the terms foreseen in the respective legislation concerning public debt and its forms of transmission, without prejudice to the provisions of paragraph iii) below, which shall prevail;

**b)** In cash, without prejudice to the provisions of paragraph c) below, which shall prevail;

**c)** The USD-indexed portion of the price, in each annual instalment, shall be paid by means of the delivery of securities of Treasury Bonds of the Republic of Angola indexed to the Kz/USD exchange rate by BNA on the date of each payment or, alternatively, paid by means of a USD deposit in a Banco Económico bank account.

On 20 March 2017, Banco Económico transferred in kind to BNA a portfolio of Treasury Bonds of the Republic of Angola in the amount of Kz 14,662 million and receivables from the transfer and sale of assets to GENSA, in the amount of Kz 256,963 million (49% of the total balance of "Other assets"), for the full settlement of the financing granted by BNA to Banco Económico, in the total amount, on that date, of Kz 271,625 million (Kz 230,372 million on 31 December 2016 – Note 17).

On 15 July 2017, the first payment of the five annual instalments of principal and interest relating to the transfer of economic rights and the sale of assets, totalling Kz 179,360 million (Kz 54,360 million and USD 749 million, of which Kz 25,980 million and USD 396 million in principal and Kz 28,380 million and USD 352 million in interest), of which Kz 76,734 million was due to the BNA, by virtue of the assignment of the rights to be received by Banco Económico, as mentioned in the previous paragraph. As referred to in the Order of the Minister of Finance dated 9 October 2017, as GENSA's supervisory body, in order to adjust the payment plan to the pace of recovery of credits and other assets, allowed by the current economic context, and to minimise the amounts of public debt to be issued in the future to cover any deficit, with the amounts recovered to date being used to partially pay the interest due, the reformulation of the Debt Payment Agreement was authorised as follows:

**a)** To make a payment equivalent to Kz 25,216 million, of which Kz 388 million through public debt securities, for the partial payment of interest to Banco Económico;

**b)** Capitalise the remaining unpaid interest in the amount of USD 201 million and Kz 28,380 million;

**c)** To alter the payment plan of the asset transfer operation from 5 years to 24 years, in accordance with that established by the State for the issue of public debt for this type of operation, maintaining the interest rate at 7%. The new plan foresees annual payments of capital of USD 90,940 thousand and Kz 6,594,949 thousand, plus interest calculated on the outstanding capital.

On 19 December 2017, an agreement was signed between the Bank and GENSA formalising the above conditions.

As at 31 December 2018, the payment of the first of 24 instalments of principal and interest, totalling Kz 22,804,429 thousand and USD 314,458 thousand (being Kz 6,594,949 thousand and USD 90,940 thousand principal, and Kz 16,209,480 thousand and USD 138,692 thousand interest) was scheduled, of which USD 267,131 thousand (being USD 77,253 thousand principal and USD 189,878 thousand interest) was due to the Bank The remainder would be due to BNA under the assignment of rights agreement referred to above.

At the present date, GENSA has not yet made the payment of this instalment of principal and interest.

During discussions with MINFIN and BNA, the Bank informed these entities of the possibility of applying a discount to the outstanding amount of USD 61,777 thousand (Kz 19,064,674 thousand), having deducted this amount from the amount receivable from GENSA recorded in the balance sheet and incorporated the respective loss in the results for the year.

Meanwhile, the BNA and MINFIN communicated, in May 2019, to Banco Económico and its Shareholders, that they wanted the asset sale operation to GENSA to be reversed in a capital increase operation to be carried out by the current Shareholders. Also within the scope of the contacts with MINFIN and BNA on this matter, the said entities informed of their intention to replace the payment of the price for the transfer/sale of assets to GENSA with a capital increase to compensate the difference between the sale price and the current valuation value of the assets transferred/sold.

On 22 July 2019, the BNA notified Banco Económico to proceed with the referred capital increase to be carried out until 30 June 2020, quantified in the amount of Kz 416 billion but subject to change if any adjustment were to be determined according to the analyses that were still in progress, including the asset quality assessment programme, in order to ensure the replacement of the Regulatory Own Funds (ROF) and the adequacy of the Regulatory Solvency Ratio (RSR). As mentioned in the same letter, if during the capital increase, significant changes occurred in impairment losses whose analysis was still in progress, the Bank should request to BNA, the proportional change in the capital to be made. Thus, the capital increase required to offset the change in assumptions regarding the sale of assets to GENSA could be different from that referred to, depending on the time of its realisation and how it is applied.

On 19 July 2019, Sonangol EP notified Banco Económico that Lektron Capital, S.A. (Lektron) delivered shares representing 30.98% of the Bank's capital, as payment for the loan taken out by Lektron from Sonangol EP. With this payment in kind, Sonangol EP increased its shareholding in Banco Económico to 46.98% and the Sonangol Group to 70.38%. Subsequently, the Shareholders Sonangol, EP, Sonangol Vida, SA and Sonangol Holdings, Lda formally expressed their intention to subscribe and carry out the capital increase that would be approved at the General Meeting of 7 August 2019, in the percentages of their shareholdings or in the full amount of the capital increase, should the remaining Shareholders not exercise their pre-emptive right.

Considering that the asset sale contracts with GENSA were still in force, that the terms under which they would be modified to give rise to the capital increase operation were not yet known and that the value of the assets was being confirmed, Banco Económico did not include in the financial statements as at 31 December 2018, the effect on results that could result from the change in the assumptions of the asset sale operation. However, due to the change in the assumptions of the Operation with the ENSA Group, taking into account that the Shareholders Sonangol, EP, Sonangol Vida, SA and Sonangol Holdings, Lda expressed, in a letter issued on 2 August 2019, their intention to subscribe and carry out the capital increase, to be approved at the General Meeting of 7 August 2019, the financial statements were prepared on a going concern basis.

Following the asset quality assessment (AQA) programme, Banco Nacional de Angola communicated to Banco Económico, in December 2019, its conclusions on the same, concluding the need for significant adjustments, mostly associated with the correct value of the asset transfer operation to GENSA, calculating an impairment of approximately 60% (sixty per cent). However, the need for capital stood at similar amounts to those initially presented in the communication of 22 July 2019 (Kz 416 billion), with the Bank having to submit a Recapitalisation Plan to the BNA by 28 February 2020, which should be implemented by 30 June 2020 (Note 16 – Other assets).

As a result of the above determinations, Banco Económico initiated a set of procedures to adopt the best international practices and hire an internationally renowned consulting firm, to prepare a Recapitalisation Plan that complies with the defined requirements and was in the best interest of its Shareholders. However, despite the submission of the initial Plan and subsequent adaptations to it, as a result of suggestions from the 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 the structuring of the capitalisation Plan, restricting 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, the BNA informed Banco Económico of the return of the operation contracted on 20 March 2017, arising from the settlement of financing granted through the payment in kind of receivables from the operation of transfer and sale of assets to GENSA, in the amount of Kz 256,963 million. Consequently, the Bank carried out a revaluation of impairment considering this amount recognising, in 2020, an impairment of Kz 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 proportion of 60%.

As part of the implementation of the RRP, a General and Universal Shareholders' Meeting was held on 15 February 2022, subject to 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;
3. Approval of the issue of Perpetual Participation Bonds;
4. Approval of the issue of Convertible Bonds.

The General Shareholders' Meeting was attended by all the Bank's Shareholders and all the items on the agenda were approved, thus meeting 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 Shareholders' Meeting, within no more than 45 (forty-five) days from that date, to take the necessary resolutions to conclude the recapitalisation operations, in accordance with the RRP approved by the Banco Nacional de Angola.

On 5 August 2022, the Bank held a General Shareholders' Meeting where the following resolutions were passed:

1. Approval of Banco Económico's Recapitalisation and Restructuring Plan, approved by the BNA and presented at Banco Económico's General Shareholders' Meeting on 15 February 2021, and ratification of all acts carried out by the Board of Directors in accordance with said plan;

2. Appraisal and approval of the reports and accounts for the financial years 2019/2020/2021 and the opinions of the Supervisory Board and External Auditor;

3. Approval of the reduction of share capital by total incorporation of losses, under the terms of Article 243 of Law 14/21 of 19 May – LRGI, and subsequent increase by share capital, under the terms of the Bank's RRP, approved by the BNA on 21 December 2021;

4. Approval of the capital increase, within the framework of the measures and in accordance with the assumptions defined in the aforementioned Plan, up to a maximum value of Kz 358,006,457,220, with waiver of the exercise of pre-emptive rights by the Shareholders, in which the new shares will be fully subscribed by a venture capital collective investment undertaking, managed by an independent management entity.

On 22 August 2022, a General Meeting was held where the following items were decided:

1. The Bank's articles of association were amended;

2. The Fund approved the new Governing Bodies for the next three years (2022 to 2024).

### IV – Operation with the ENSA Group" on 31 December 2022

The financial statements for the year ended 31 December 2022 include the following effects relating to the "Operation with the ENSA Group":

Values expressed in thousand Kz

| Headings of the Financial Statements | 31/12/2022 | 31/12/2021 Restated | Note |
|---|---|---|---|
| **Income Statement** | | | |
| Interest and similar expenses | **(2,030,759)** | (3,694,722) | 24 |
| Net gain (loss) from foreign exchange | **(51,485,095)** | (86,976,996) | 27 |
| Impairment | | 12,798,926 | 31 |
| | **(53,515,854)** | **(77,872,792)** | |
| **Statement of Financial Position** | | | |
| Other assets | **531,801,865** | 583,689,638 | 16 |
| Capital | **1,240,904,570** | 1,351,402,876 | 16 |
| Accrued interest | **182,389,602** | 200,962,026 | 16 |
| Advances for real estate properties | **27,504,088** | 29,350,528 | 16 |
| Payments associated with real estate properties | **2,644,740** | 1,793,243 | 16 |
| Impairment on other assets | **(921,641,135)** | (999,819,035) | 16 |
| Other liabilities | **(83,268,230)** | (83,418,076) | 21 |
| Settlements in transferred loans and advances | **(62,697,406)** | (65,328,071) | 21 |
| Interest and other expenses paid | **(12,912,641)** | (11,578,563) | 21 |
| Receipts associated with real estate properties | **(7,658,183)** | (6,511,442) | 21 |
| | **448,533,635** | **500,271,562** | |

In relation to the balances and transactions with INVESTPAR as at 31 December 2022 and 2021, we highlight that:

1. As presented in Notes 16 and 27, in 2022, the Bank did not make any significant adjustments with regard to the INVESPAR operation, and the variation essentially results from the exchange revaluation, taking into account that part of the balances are in USD;

2. As presented in Note 27, in 2022 and 2021, the Bank recorded the amounts of Kz 51,485,095 thousand and Kz 86,976,996 thousand, respectively, of foreign exchange losses arising from the exchange revaluation of the foreign currency component of INVESTPAR's accounts receivable and payable, recorded under "Other assets" and "Other liabilities"; and

3. As presented in Note 24, the Bank has stopped recording interest income from the "Operation with the ENSA Group" since 2020 (inclusive), given the default recorded since 31 December 2018. In addition, according to the same Note, the Bank recorded the amounts of Kz 2,030,759 thousand and Kz 3,694,722 thousand, respectively, in 2022 and 2021, relating to interest charges on the "Operation with the ENSA Group".

As shown in Note 21, as at 31 December 2022 and 2021, the Bank has balances of other liabilities in the amount of Kz 83,268,230 thousand and Kz 83,418,076 thousand, mainly relating to recoveries from operations transferred to INVESTPAR and which must be handed over to that entity. The Bank bears interest of 7% on the amount owed to INVESTPAR.

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# Note 38
## Subsequent events

According to Note 37, there were relevant developments on the implementation of measures deemed necessary to proceed with the recapitalisation and profitability of the Bank, of which we highlight the following:

(i) Issue of 27,822 Convertible Bonds (CBs), amounting to a total of Kz 27,822,000 thousand, on 26 January 2023, fully subscribed by the Eligible Depositors of the RRP;

(ii) Signature of the Memorandum of Understanding of another Eligible Depositor of the RRP in February 2023, having subscribed the instruments that make up the capital of BE in March of this year, namely the PPBs and the CBs, increasing the issued value of the instruments to Kz 124,645,000 thousand and Kz 28,684,000 thousand, respectively. Membership of Económico – Fundo de Capital de Risco de Subscrição Particular was not approved by the CMC and the reallocation of funds to the financial instruments already subscribed is being analysed;

(iii) The Promissory Contract for the Purchase and Sale of BE's Headquarters Building was signed on 21 April, for USD 100,000 thousand, paid in kwanzas at the exchange rate of the day and in two instalments (60% down payment and the remainder when the property is deeded), with the first instalment, corresponding to USD 60,000 thousand, being paid in August 2023;

(iv) The agreement for the reversal of the asset transfer operation with INVESTPAR (ex-GENSA) was approved by BE's Board of Directors on 19 April 2023, and the agreement for the reversal of the operation was signed on 15 May 2023;

(v) Swap operation of Treasury Bonds held by BE, maturing in 2040, carried out in April 2023, with the Public Debt Management Unit (UGD) for 3, 5 and 10 year bonds, carried out in May, with a 20% haircut on the nominal value. The operation resulted in capital gains of approximately Kz 22,824,848 thousand;

(vi) Settlement, on 31 August 2023, of the subordinated loan with Novo Banco;

(vii) There was a significant devaluation of the Kwanza against the US Dollar (more than 60% against the reference exchange rates on 31 December 2022), and the Bank's Board of Directors is currently assessing the impact on the financial statements.

# Note 39

# Accounting standards and recent Interpretations

The application of the following standards, interpretations, amendments and revisions is mandatory for the first time in the financial year starting 1 January 2022:

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 3 – References to the Conceptual Framework for Financial Reporting | This amendment updates the references to the conceptual framework in the IFRS 3 text. No changes have been made to the accounting requirements for business combinations.<br><br>The accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.<br><br>The amendment applies prospectively. |
| Amendments to IAS 16 – Income before start-up | Clarifies the accounting treatment given to the consideration obtained from the sale of products resulting from the test production of tangible fixed assets, prohibiting its deduction from the assets' acquisition cost. The entity recognises the income obtained from the sale of such products and the costs of producing them in profit or loss. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IAS 37 – Onerous contracts – costs of fulfilling a contract | This amendment specifies that, when assessing whether or not a contract is onerous, only costs directly related to the fulfilment of the contract can be taken into account, such as incremental costs related to direct labour and materials and the allocation of other directly related costs, such as the allocation of depreciation costs of tangible assets used to fulfil the contract.<br><br>General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract.<br><br>This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without having to restate the comparative data.. |
| Amendments to IFRS 1 – Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle) | This amendment clarifies that when a subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements (assuming that no adjustment has taken place in the consolidation process), the measurement of the accumulated translation differences can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's date of transition to IFRS. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the "10 per cent" variation test (included in the annual improvements for the 2018-2020 cycle) | This amendment clarifies which commissions an entity should include when assessing whether the terms of a financial liability are substantially different from the terms of the original financial liability. Therefore, within the scope of the derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and the creditor should be included, including commissions paid or received by the debtor or the creditor on behalf of the other. |
| Amendments to IAS 41 – Taxation and fair value measurement (included in the annual improvements for the 2018-2020 cycle) | This amendment eliminates the requirement in paragraph 22 of IAS 41 to exclude cash flows related to income tax when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13. |
| Amendments to IFRS 16 – Leases – Concessions related to COVID-19 in terms of rents beyond 30 June 2021 | On 28 May 2020, the amendment to IFRS 16 called "Concessions related to COVID-19" was issued, introducing the following practical expedient: a lessee can choose not to assess whether a Covid-19 related rent concession is a lease modification.<br><br>Lessees who choose to apply this expedient account for the change in rental payments resulting from a COVID-19-related concession in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.<br><br>Initially, the practical expedient applied to payments originally due by 30 June 2021. However, due to the prolonged impact of the pandemic, on 31 March 2021 it was extended to payments originally due by 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.<br><br>In short, the practical expedient can be applied as long as the following criteria are met:<br><br>• The change in lease payments results in a revised consideration for the lease that is substantially the same as, or lower than, the consideration immediately prior to the change;<br><br>• Any reduction in lease payments only affects payments due on or before 30 June 2022; and<br><br>• There are no significant changes to other terms and conditions of the lease. |

These standards and amendments had no material impact on the Bank's consolidated financial statements.´

The application of the following standards, interpretations, amendments and revisions is mandatory in future economic periods:

| Standard/Interpretation | Description |
|---|---|
| IFRS 17 – Insurance Contracts | IFRS 17 applies to all insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as some guarantees and some financial instruments with discretionary participation characteristics. In general terms, IFRS 17 provides a more useful and consistent accounting model for insurance contracts for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. |
| Amendment to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information | This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.<br><br>The amendment adds a transition option, which allows an entity to apply an "overlay" to the classification of a financial asset in the comparative period(s) presented in the initial application of IFRS 17. The overlay allows all financial assets, including those held in relation to non-contract activities within the scope of IFRS 17, to be classified, instrument by instrument, in the comparative period(s), in a way that is aligned with how the entity expects those assets to be classified in the initial application of IFRS 9. |
| Amendments to IAS 1 – Disclosure of accounting policies | These amendments are intended to help the organisation disclose "material" accounting policies, previously known as "significant" policies. However, due to the lack of this concept in the IFRS standards, it was decided to replace it with the concept of "materiality", a concept already familiar to users of financial statements.<br><br>When assessing the materiality of accounting policies, the entity must consider not only the size of the transactions but also other events or conditions and their nature. |
| Amendments to IAS 8 – Definition of accounting estimates | The amendment clarifies the distinction between a change in accounting estimate, a change in accounting policy and the correction of errors. In addition, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction | The amendment clarifies that payments that settle a liability are tax deductible. However, it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is important for determining whether there are temporary differences in the initial recognition of assets or liabilities.<br><br>Thus, the initial recognition exception does not apply to transactions that give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not the same. |
| Amendments to IAS 1 – Presentation of Financial Statements – Classification of current and non-current liabilities | This amendment aims to clarify the classification of liabilities as current or non--current balances, depending on the rights an entity has to defer payment at the end of each reporting period.<br><br>The classification of liabilities is not affected by the expectations of the entity (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a covenant.<br><br>However, if the right to defer settlement for at least twelve months is subject to the fulfilment of certain conditions after the statement of financial position date, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current.<br><br>This amendment also includes a new definition of "settlement" of a liability and is of retrospective application. |

| Standard/Interpretation | Description |
|---|---|
| Amendments to IFRS 16 – Lease liabilities in sale and leaseback transactions | This amendment specifies the requirements regarding the subsequent measurement of lease liabilities related to sale and leaseback transactions, which qualify as a "sale", in accordance with the principles of IFRS 15, with a focus on variable lease payments that do not depend on an index or a rate.<br><br>In the subsequent measurement, seller-lessees must determine the "lease payments" and "revised lease payments".<br><br>When subsequently measuring lease liabilities, seller-lessees should determine the "lease payments" and "revised lease payments" in such a way as not to recognise any gain or loss related to the retained right of use. The application of these requirements does not prevent the seller-lessee from recognising, in the profit or loss, any gain or loss related to the partial or total "sale", as required by paragraph 46(a) of IFRS 16.<br><br>This amendment applies retrospectively. |

The Bank did not apply any of these standards in advance in the financial statements for the year ended 31 December 2022. No significant impacts are expected on the financial statements as a result of its adoption.

# Independent Auditor's Report to the Consolidated Financial Statements

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder
of Banco Económico, S.A.

**Introduction**

1. We have audited the attached consolidated financial statements of Banco Económico, S.A. (hereinafter also referred to as the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2022 showing a total of 1,023,996,488 thousand kwanzas and a negative equity of 155,478,478 thousand kwanzas, including a negative net income of 38,016,296 thousand kwanzas, the consolidated income statements, other comprehensive income, changes in equity and cash flows for the year then ended and the corresponding Note to the accounts.

**Responsibilities of the Board of Directors for the Consolidated Financial Statements**

2. The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibilities of the Auditor**

3. Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit, which was conducted in accordance with the Technical Standards of the Association of Accountants and Expert Accountants of Angola. These standards require that we fulfil ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the consolidated financial statements 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 assessing 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 consolidated financial statements.





5. We are certain that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

**Basis for an Adverse Opinion**

6. As disclosed in Note 37 of the Notes to the Financial Statements, on 15 June 2016, the Bank signed contracts with the ENSA - Investimentos e Participações, E.P. Group, now Investpar - Investimentos e Participações (SU), S.A. ("Investpar"), for the transfer of economic rights to credit operations and investment fund units and contracts for the transfer of other assets held by the Bank. On 31 December 2022, in connection with these contracts, the item "Other assets" includes the net amount of impairment losses of 531,801,865 thousand kwanzas (583,689,638 thousand kwanzas on 31 December 2021), which corresponds to a gross amount of 1,453,443,000 thousand kwanzas (1,583,508,673 thousand kwanzas as at 31 December 2021) and impairment losses of 921,641,135 thousand kwanzas (999,819,035 thousand kwanzas as at 31 December 2021), most of which are denominated in US dollars (Note 16 to the Notes to the Financial Statements). Throughout the period between 2016 and 2022, there have been breaches in the payment agreement established for the contracts signed, including in the addenda to the initial contracts made subsequently (Note 37 of the Notes to the Financial Statements). The impairment losses recorded for this balance were calculated in accordance with the results of the Asset Quality Assessment programme promoted by the National Bank of Angola, carried out with reference to 31 December 2018, with the recovery calculated on the basis of an estimate of the valuation of the property associated with the contracts signed, which has not been updated since that date. Furthermore, in the context of the contracts signed, the item "Other liabilities" (Note 21 of the Notes to the Financial Statements) includes the amount of 83,268,230 thousand kwanzas (83,418,076 thousand kwanzas as at 31 December 2021) relating essentially to the recoveries made by the Bank in relation to the credit contracts assigned. The response to our request for confirmation of balances sent by Investpar shows material differences from the Bank's accounting records, which have not been justified by the Bank. On the other hand, as disclosed in Note 37 of the Notes to the Financial Statements, on 15 May 2023 an agreement was signed between the Bank and Investpar which provides for the reversal of the above-mentioned contracts and the consequent reincorporation by the Bank of the assets transferred, and the Bank's Board of Directors is still in the process of calculating the effects associated with the reversal of this operation, which is why we were unable to conclude on the impacts of this operation on the Bank's consolidated financial statements. In view of the above, we are unable to conclude on the possible effects of these matters on the Bank's consolidated financial statements as at 31 December 2022.

7. As disclosed in Note 2.7 of the Notes to the Financial Statements, the model for calculating impairment losses for loans and advances to customers on a collective basis has significant limitations that impact the calculation made by the Bank's Board of Directors. In addition, the calculation of off-balance sheet liabilities associated with loans that should be analysed on a collective basis, namely commitments made to third parties and guarantees and sureties given, has limitations resulting essentially from inconsistencies generated in the migration of information between some of the Bank's computer systems in previous years (Note 33 of the Notes to the Financial Statements). As at 31 December 2022, the exposure to loans and advances to customers subject to impairment analysis calculated on a collective basis amounts to 38,201,982 thousand kwanzas (40,320,844 thousand kwanzas as at 31 December 2021) with impairment losses of 21,948,368 thousand kwanzas (18,784,715 thousand kwanzas as at 31 December 2021) (Note 10 of the Notes to the Financial Statements) and off-balance sheet liabilities associated with loans and advances to customers amount to 258,422,109 thousand kwanzas (390,205,203 thousand kwanzas as at 31 December 2021) (Note 33 in the Notes to the Financial Statements) with associated provisions of 147,750 thousand kwanzas (268,486 thousand kwanzas as at 31 December 2021) (Note 20 in the Notes to the Financial Statements). In view of these limitations, we are unable to conclude on the possible effects of these matters on the Bank's consolidated financial statements as at 31 December 2022.

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8. In accordance with International Accounting Standard 12 - Income Taxes ("IAS 12") and the accounting policy disclosed in Note 2.15 of the Notes to the Financial Statements, the Bank must assess the recording of deferred tax liabilities and/or assets according to the temporary differences calculated, which result from the difference between the balance sheet value of an asset or liability and its tax base. To date, we have not obtained sufficient information to allow us to conclude on the adequacy of the calculation of the tax for the year with reference to 31 December 2022, in particular the component of the calculation of potential and realised favourable or unfavourable exchange rate variations, so it is not possible for us to conclude on the calculation of the current tax for the year, nor on the existence of temporary differences that would give rise to the recording of deferred taxes. In addition, as disclosed in Note 15 of the Notes to the Financial Statements, on 31 December 2022 and 2021 the item "Current tax assets" includes the amount of 1,450,599 thousand kwanzas relating to a tax credit resulting from the provisional assessment of Industrial Tax made in 2019, for which we have not obtained sufficient and appropriate information to allow us to conclude on the recoverable amount of that amount. In view of the above, we are unable to conclude on the possible effects of these matters on the Bank's consolidated financial statements as at 31 December 2022.

9. As disclosed in Note 27 of the Notes to the Financial Statements, as at 31 December 2022 the item "Foreign exchange results" shows a net credit balance of 30,357,505 thousand kwanzas corresponding to the results of the foreign exchange revaluation of the balance sheet position and the foreign exchange operations carried out by the Bank in 2022. To date, we have not obtained sufficient and appropriate information to allow us to validate the reasonableness of the balance of this item as at 31 December 2022. In view of the above, we are unable to conclude on the possible effects of this matter on the Bank's consolidated financial statements as at 31 December 2022.

10. As disclosed in Note 18 of the Notes to the Financial Statements, on 31 December 2022 the item "Customer funds and other loans" shows an amount of 774,716,582 thousand kwanzas relating to customer deposits, from which a sample of customers with deposits amounting to 528,486,553 thousand kwanzas was randomly selected to carry out balance confirmation procedures, and no responses were received for the amount of 20,007,552 thousand kwanzas. Considering the relevance of this procedure for obtaining sufficient and appropriate audit evidence to validate the balance of this item and considering some weaknesses in the Bank's internal control procedures regarding customer data, we are unable to conclude on the possible effects of this matter on the Bank's consolidated financial statements as at 31 December 2022.

11. To date, we have not obtained sufficient and appropriate information to enable us to carry out an analysis of the manual accounting entries made by the Bank during the year ended 31 December 2022 (Journal Entries Testing), in order to address the risk of derogation from controls by the Board of Directors, as required by "International Auditing Standard 240 - The auditor's responsibilities relating to fraud in an audit of financial statements". In view of the above, we are unable to conclude on the possible effects of this matter on the Bank's consolidated financial statements as at 31 December 2022.

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12. As disclosed in Notes 16 and 37 of the Notes to the Financial Statements, in 2020 an asset was recognised under "Other assets" in the amount of 260,000,000 thousand kwanzas, corresponding to the deferral of impairment losses for a period of 5 years, as provided for in the Recapitalisation and Restructuring Plan. In the year ended 31 December 2022, the Bank derecognised part of that balance, in the amount of 52,000,000 thousand kwanzas, against the item "Other reserves and retained earnings", having also restated this matter in the previous year's financial statements (Note 2.2 of the Notes to the Financial Statements). In view of the information available, although the deferral of impairment losses may have a framework for complying with the regulatory requirements agreed with the National Bank of Angola, we believe that it does not meet the IFRS requirements for recognition as an asset. As a result, on 31 December 2022, the items "Other assets" (Note 16 of the Notes to the Financial Statements) and "Other reserves and retained earnings" (Note 23 of the Notes to the Financial Statements) are overstated by 208,000,000 thousand kwanzas.

13. As disclosed in Note 9 of the Notes to the Financial Statements, on 31 December 2022 the item "Investments at amortised cost" includes public debt securities in the amount of 16,548,424 thousand kwanzas (16,349,410 thousand kwanzas on 31 December 2021), received in 2016 in relation to the payment associated with the contracts signed with Investpar, which mature in 2040 and have an interest rate of 5%. Considering that the maturity and interest rate of these public debt securities were not in line with market conditions on the date of acquisition and that no similar market transactions were available, the Board of Directors calculated the fair value at the initial moment in accordance with the methodology disclosed in Note 9 of the Notes to the Financial Statements. However, although we have not been provided with support for the calculation made by the Bank, it is our understanding that the assumption regarding the difference in inflation to be imputed in the discount rate used to calculate the fair value of this asset at the initial moment was not properly applied, resulting in an overvaluation on 31 December 2022 of the item "Investments at amortised cost", retained earnings and net income for the year by an amount that we are unable to quantify.

14. As disclosed in Note 2.1 of the Notes to the Financial Statements, in accordance with the requirements of International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29"), in the financial years ending 31 December 2017 and 2018, the functional currency of the Bank's consolidated financial statements corresponded to the currency of a hyperinflationary economy, and will no longer have this classification in the financial year beginning in 2019, essentially as a result of the reduction in Angola's inflation rate. However, with reference to those years, the Angolan Banking Association and the National Bank of Angola expressed their interpretation that all the requirements laid down in IAS 29 for the Angolan economy to be considered hyperinflationary had not been met. Consequently, the Bank's Board of Directors has decided not to apply the provisions of IAS 29 in its consolidated financial statements for the years ended 31 December 2017 and 2018, nor to make the necessary adjustments to the consolidated financial statements for subsequent years, with regard to opening balances and the adjustments that result from applying the provisions of IAS 29 when an economy ceases to be hyperinflationary. To date, we have not obtained sufficient and appropriate information to enable us to quantify the impact of this situation on the Bank's consolidated financial statements as at 31 December 2022.

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15. As disclosed in Notes 2.1 and 37 of the Notes to the Financial Statements, the Bank's consolidated financial statements as at 31 December 2022 were prepared on a going concern basis, since the Board of Directors believes that, despite the negative equity of 155,478,478 thousand kwanzas, which determines the application of the provisions of Article 37 of Law No. 1/04 of 13 February - Commercial Companies Act, and the various economic and financial imbalances found, with implications, among others, for compliance with regulatory capital and liquidity requirements, that assumption is appropriate in view of the Recapitalisation and Restructuring Plan and additional measures that have been defined and implemented. In this context, the Bank's Board of Directors prepared a base scenario, with financial projections for the years 2023 to 2026, which is based on a set of assumptions and which identifies the need for a capital increase with reference to 31 December 2023 of around 366 billion kwanzas, aimed at balancing the Bank's equity, increasing liquidity levels and ensuring compliance with the regulatory requirements for that date (Note 37 of the Notes to the Financial Statements). However, we emphasise that: (i) a significant part of the assumptions considered in these projections are not under the control of the Bank's Board of Directors, namely the existence of a debt restructuring with the National Bank of Angola, which, if it does not materialise, could require an additional capital increase of around 257 billion kwanzas; (ii) some assumptions related to the evolution of the business and operational measures to be implemented prove to be difficult to materialise, and failure to comply could lead to additional capital requirements; and (iii) with regard to the need for a capital increase identified, the Board of Directors does not have evidence of the terms under which it could be carried out, and according to the projections mentioned above, if it does not take place by 31 December 2023, capital needs could increase in the following years (Note 37 of the Notes to the Financial Statements). In addition, the Bank's Board of Directors has prepared two alternative scenarios, but the assumptions made are not under the control of the Bank's Board of Directors, nor has any evidence been made available to us about the likelihood of them being applied in the future. According to information obtained from the Bank's Board of Directors, it has had interactions with the Bank's Shareholder and the National Bank of Angola about the Bank's current situation, but these have not resulted in concrete measures to meet the capital needs identified by the Bank's Board of Directors. In view of the above, we believe that the use of the going concern assumption in the preparation of the Bank's consolidated financial statements as at 31 December 2022 is not appropriate, and we are unable to conclude on the impacts that the use of an assumption other than going concern would have on these consolidated financial statements, but we believe that the impacts would be material and profound.

**Adverse Opinion**

16. In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion" section, the consolidated financial statements referred to in paragraph 1 above do not present fairly, in all material respects, the financial position of Banco Económico, S.A. as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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**Emphases**

17. As disclosed in Note 22 of the Notes to the Financial Statements, following the implementation of the Recapitalisation and Restructuring Plan, the Bank's share capital increase was carried out in 2022, which is currently pending registration with the Commercial Registry. According to information obtained from the Bank's Board of Directors, this process was pending registration because there were aspects related to the applicable fees that were being clarified, and the definitive registration is expected to be finalised by the end of the 2023 financial year.

Our adverse opinion is not changed with regard to this matter.

**Other Matters**

18. The consolidated financial statements for the year ended 31 December 2021, presented by the Board of Directors for comparative purposes and in order to comply with the requirements to publish accounts, were audited by another auditor, whose Independent Auditor's Report, dated 13 March 2023, contained six reservations relating to the matters described in paragraphs 6 to 8 and 12 to 14 above. In addition, the Independent Auditor's Report contained an emphasis related to the existence of a material uncertainty in the Bank's use of the going concern assumption.

Luanda, 09 October 2023

Deloitte & Touche – Auditores, Limitada Represented by
José António Mendes Garcia Barata OCPCA Member
No. 20130163

# Report and opinion of the Supervisory Board on the Consolidated Financial Statements

BancoEconómico

**REPORT AND OPINION OF THE SUPERVISORY**

**TO THE CONSOLIDATED FINANCIAL STATEMENTS OF**

**2022**

To the Shareholder of Banco Económico, S.A.

1.- Introduction

a) Under the terms of Article 441 (Duties of the Supervisory Board) of Law No. 01/2004, of 13 February - the Companies Act, and Article 15 (Duties of the Supervisory Board) of Notice No. 01/2022, of 28 January (the Corporate Governance Code for Banking Financial Institutions), the Supervisory Board is responsible for overseeing the preparation and disclosure of financial information, ensuring the accuracy of the balance sheet and financial statements, the effectiveness of the internal control systems and whether the valuation criteria used lead to a correct assessment of the Bank's assets and results;

b) Under the terms of items c) and h) of Article 25 (Disclosure of Information) of the aforementioned Notice No. 01/2022, of 28 January, the Board of Directors must disclose the Bank's financial information and promote, as the parent company of a financial group (Group), adequate disclosure of consolidated information;

c) In accordance with paragraph 5 of Article 6 of Notice No. 5/2019 of 23 August (Accounting Standardisation and Harmonisation Process for the Angolan Banking Sector), the half-yearly and annual financial statements must be published together with the respective management report on the company's business and the main administrative facts of the period, the notes attached to the financial statements, the external auditor's opinion and the opinion of the Supervisory Board, drawn up in the manner provided for in specific regulations.

2.- Supervisory activity of the Supervisory Board

a) The Supervisory Board, which has been active since the last quarter of 2022, has held periodic meetings with the Bank's Management and relevant Departments responsible for Accounting, Compliance, Risk, Internal Audit and Human Capital, has continuously monitored the Bank's performance, examined its Financial Statements and obtained the information and explanations deemed appropriate to understand the real situation of financial and regulatory balance, the organisation and existing metrics, particularly focused on the issue of its sustained continuity.

b) Appraised the Corporate Governance and Internal Control Model and the Prevention and Combating of Money Laundering, the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction, Internal Regulations, Policies and other procedures deemed appropriate and timely.

BancoEconómico

**REPORT AND OPINION OF THE SUPERVISORY**

**TO THE CONSOLIDATED FINANCIAL STATEMENTS OF**

**2022**

c) The Supervisory Board, supported by systematic and fruitful interactions with the Board of Directors and relevant units, is aware of the Bank's global imbalance in terms of finances, liquidity, capital and regulations and has taken into consideration the various diagnoses of the Bank's economic and financial situation and its institutional reports.

d) As part of the implementation of the Bank's Recapitalisation and Restructuring Plan ("RRP"), the Bank's General Meeting held on 5 August 2022 resolved on a "harmonious operation" to reduce the share capital to cover losses, followed by an increase in the same. Consequently, and as a result of this resolution, the previous nominal value of the share capital, which was Kz 72,000,000,000.00, was reduced to zero with the consequent loss of status of the previous Shareholders. This was immediately followed by an increase in the nominal value of the share capital to Kz 271,500,000,000.00, which was subscribed by a single shareholder: Económico - Venture Capital Fund ("Fund").

e) It took note of the communication from National Bank of Angola, reference 480/DSB/21, dated 11 August 2021, which temporarily exempts the Bank from complying with the prudential limits on regulatory own funds, foreign exchange position, solvency ratio, limits on major risks, interest rate risk and liquidity ratio. However, the Bank is obliged to present the National Bank of Angola with a proposal for phased fulfilment of the requirement and to implement a cost containment and reduction plan that includes closing less productive branches, refraining from awarding rewards and bonuses to employees and members of the governing bodies, refraining from hiring new employees, limiting variable remuneration, subjecting loans to the prior approval of the National Bank of Angola and imposing additional reporting requirements. In this context, the Bank must report to the National Bank of Angola on a monthly basis a detailed timetable of the progress made in complying with the measures, a procedure that has been complied with.

f) The Supervisory Board regularly monitors the Bank's implementation of the Recapitalisation and Restructuring Plan (RRP) measures, assessing their impact on the Financial Statements and on the Bank's main indicators, namely solvency, liquidity and foreign exchange position, which are in breach of regulatory requirements. The RRP measures have been implemented at a good pace, with the overall degree of implementation standing at around 70%, resulting from the completion of most of the planned strategic initiatives.

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3.- Conclusions of the Supervisory Board

a) The "Global Annual Report on Corporate Governance and Internal Control", approved by the Board of Directors on 26 August 2023, complies with the provisions of Notice No. 01/2022 of 28 January and Instruction No. 13/22 of 22 November, confirming the veracity, suitability and sufficiency of the policies and processes in place in matters of corporate governance and internal control.

b) Banco Económico, S.A., with a paid-up share capital of 271,500,000 mAOA (thousands of kwanzas), closed the financial year on 31 December 2022 with net assets of 1,023,996,498 mAOA, in which the "Other assets" heading dominates with around 72.92% of its total and in this sub-heading "INVESTPAR group asset transfers", accounting for 71.22% of the total "Other assets".
Net Income for the Year totalled a negative 38,016,296 mAOA and Equity was also negative at 155,478,478 mAOA.
Considering that the Bank's own Capital is fully spent, it is required, in accordance with paragraphs 2 and 5 of Article 20 (Minimum own funds) of Law No. 14/21, of 19 May - Law on the General Framework of Financial Institutions, that the Bank regularises the situation within the period established in this Article 20.
The accounts have been prepared on the assumption that the Bank's operations will continue, taking into account the implementation of the restructuring and recapitalisation measures that have been defined and implemented.

c) As a result of the reversal of the transfer of assets operation on 15 May 2023, the Bank took possession of a significant volume of credit operations and property assets, which could minimise the liquidity shortage, but which will take a long time to materialise, so the Bank will continue to be highly dependent on the desirable transfer of liquidity by the National Bank of Angola, as well as the support of this entity with national public entities.

d) The Supervisory Board agrees with the Independent Auditor's Opinion on the Bank's Financial Statements as at 31 December 2022, namely in the expression and justification of the Reserves and Emphasis, with special emphasis on the reserve that considers the use of the going concern assumption to be inappropriate, understanding that the impacts on the Financial Statements of using a different assumption are material and profound.

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The Board of Directors has studied various scenarios for meeting significant capital needs, but the assumptions for realising these scenarios are an exogenous decision, not dependent on or controllable by the Board of Directors.

e) The Supervisory Board is of the opinion that the consolidated Financial Statements and respective Annexes, read together with the Independent Auditor's Opinion, present the financial position of Banco Económico S.A. as at 31 December 2022.

f) The Supervisory Board would like to thank the Board of Directors, the Independent Auditor and the Bank's services for their co-operation.

Luanda, 09 October 2023

The Supervisory Board

Dr. António Joaquim Gama Direitinho

Chair

Dr. Esperança D´Jamila Falcão da Silva

Full member

Dr. Damião Dala Caculo

Alternate Member

**2022 Annual Report**
BANCO ECONÓMICO

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