



Banco *Keve*

O BANCO À SUA MEDIDA

ANNUAL
REPORT 2017



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Banco *Keve*
O BANCO À SUA MEDIDA



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01

Joint Message from the Chairman of
the Board of Directors and the
Chairman of the Executive Committee

Banco *Keve*

O BANCO À SUA MEDIDA

Palanca Negra



JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

Dear Customers, Shareholders, Employees and Partners,

At the end of another year filled with challenges, we reiterate the values we have stood by throughout this mandate. We maintained our dedication, commitment and perseverance, always for the good name and operation of the institution.

We run the Bank based on three main pillars: excellence, to do more and better, progress, to generate value with stability, sustainability and proficiency; conformity, to be in sync with ethical values and legal regulations.

Internationally, 2017 was marked by an increase in geopolitical tensions all over the world and by some climatic problems. Even so, forecasts point to slight growth in the world economy (3.7%) compared to the previous years, resulting essentially from the growth in the emerging economies and in world trade.

In Angola, 2017 was indelibly marked by the turning of a page in the history of Angola where, after almost four decades of José Eduardo dos Santos' presidency, a new President of the Republic was elected. This fact represented a new challenge politically, associated with the many constraints that marked the national economy throughout the year.

The national economy is still feeling the effects of the significant and prolonged fall in the price of oil, with impacts on the reduction in tax revenue for the State, although it recently broke the barrier of \$70 per barrel. There has been a continued steep fall in International Reserves, which dropped to USD 13.3 billion in 2017. This value represents a reduction to only 5 months of imports, which set challenges for renewing the dynamics of the national economy, with a clear focus on diversification and on new sources for bringing foreign currency into the country.

In this context, the projections point to slow and steady growth in the national economy, of only 1.1% for 2017. However, the economy has been showing signs of adapting to the new reality, after growth of only 0.1% in 2016.

Inflation in the country remained at high levels, around 23%, exceeding the initial forecasts of the State Budget, but showing an improvement compared to the levels seen the previous year (42% inflation in 2016).

Regarding the foreign currency market, the value of the kwanza against the dollar remained stable throughout 2017, contrary to the depreciation seen in the previous year. The kwanza maintained its official rate at USD/AOA 165.9, with the rate on the informal market reaching around USD/AOA 400,0.

The restrictions on access to foreign currency remained and the amount of currency available to the market to cover the import of goods and services continued to be scarce, failing to meet demand. Even so, BNA provided +11% compared to the supply of euros the previous year.

These constraints also provide moments of opportunity and organization, as it is at times of crisis that human ingenuity comes into its own. The present time, which is particularly adverse, has obliged banks to reanalyze their strategic and business plans, as well as their internal organization. The search for new sources of internal and external revenue, cost reduction, the optimization of resource management, focusing mainly on Human Capital, the constant search for operational excellence in order to better serve customers. Bringing banks into line with best banking practices and efficient management of the risk associated with the business will have to increasingly become a concern on the agenda of bank managers and this will be how Banco Keve will develop its business, in order to guarantee the sustainability of the institution, making it more and more important as a support for the national economy.

This is the context Banco Keve was operating in, seeking always to assure the economic and financial sustainability of the bank and, on the other hand, to meet the needs of its Customers. The Bank maintained its focus on bringing in more customers and improving the quality of its funds, with an increase of AOA 494 million (+0.4%), with a guarantee of more stability and a better future. In 2017, assets reached a value of AOA 151.007 billion compared to AOA 140.687 billion the previous year (+7%). Customer Credit showed growth of 6% compared to 2016, standing at a gross value of AOA 67.877 billion, and equity reached AOA 16.296 billion, showing growth of 14% compared to 2016. The regulatory capital adequacy ratio comfortably reached 20%, which means financial stability and less vulnerability and largely complies with the 10% level required by the regulatory authority.

The Bank introduced a series of measures in order to comply with the new credit impairment regulations, making every effort to increase the stock of "Credit provisions and guarantees provided" with an increase of around 101%, standing at AOA 13.697 billion, following an unusual reinforcement of AOA 5.554 billion in allocations to provisions.

In 2017, Banco Keve reinforced its presence in strategic locations, especially in Luanda City, with the opening of two business centers, in the Camama Multicenter and in ISPEKA University. The new Private center was remodeled and inaugurated, extending and improving the business network in order to provide more and better services to our customers.



The year was marked by a series of important projects that catapulted the bank into modernization and for compliance with legal, procedural and operational goals. The highlight clearly goes to the full adoption of the IAS/IFRS in 2017 and also to projects of a regulatory nature, as is the case of the introduction of a Credit Impairment Calculation solution and the SIGR project regarding the New Regulatory Risk Package.

We aim to lead the way in the challenges and processes associated with the banking business today, in line with regulations and industry best practices, especially with regard to International Financial Reporting Standards (IFRS), the Basel accords and anti-money laundering and anti-terrorist financing measures.

The Bank has continued to develop the skills of our most valuable resources, our employees, aimed at increasing their professional knowledge and standardizing practices and behavior.

We believe investment in human resources management to be core to our organization. The Bank is constantly concerned with setting and sharing its example with society, presenting the values, vision and beliefs we hold.

Social responsibility is still seen as an investment in society and in the future. This was why Banco Keve carried out a number of social actions throughout 2017, helping society and the people most in need.

Before ending, we would like to leave a word of appreciation for our employees, for their commitment and professionalism. To all our stakeholders, our sincerest thanks for their commitment during these troubled times and their confidence and dedication, keeping Banco Keve on the road to success. And a special word of thanks goes to our customers for traveling this road with us and choosing our services and to our Shareholders for their support and trust guiding the Bank's future.

Following a year of uncertainty, we are pleased to be able to say that Banco Keve is ready to face the new challenges of the economy in 2018, with an unwavering focus on building a stronger, more transparent, more made-to-measure Bank.

Banco Keve
The Bank Made to Your Measure



Rui Eduardo Leão da Costa Campos
Chairman of the Board of Directors



Arlindo Nogueira Narciso Das Chagas Rangel
Chairman of the Executive Committee



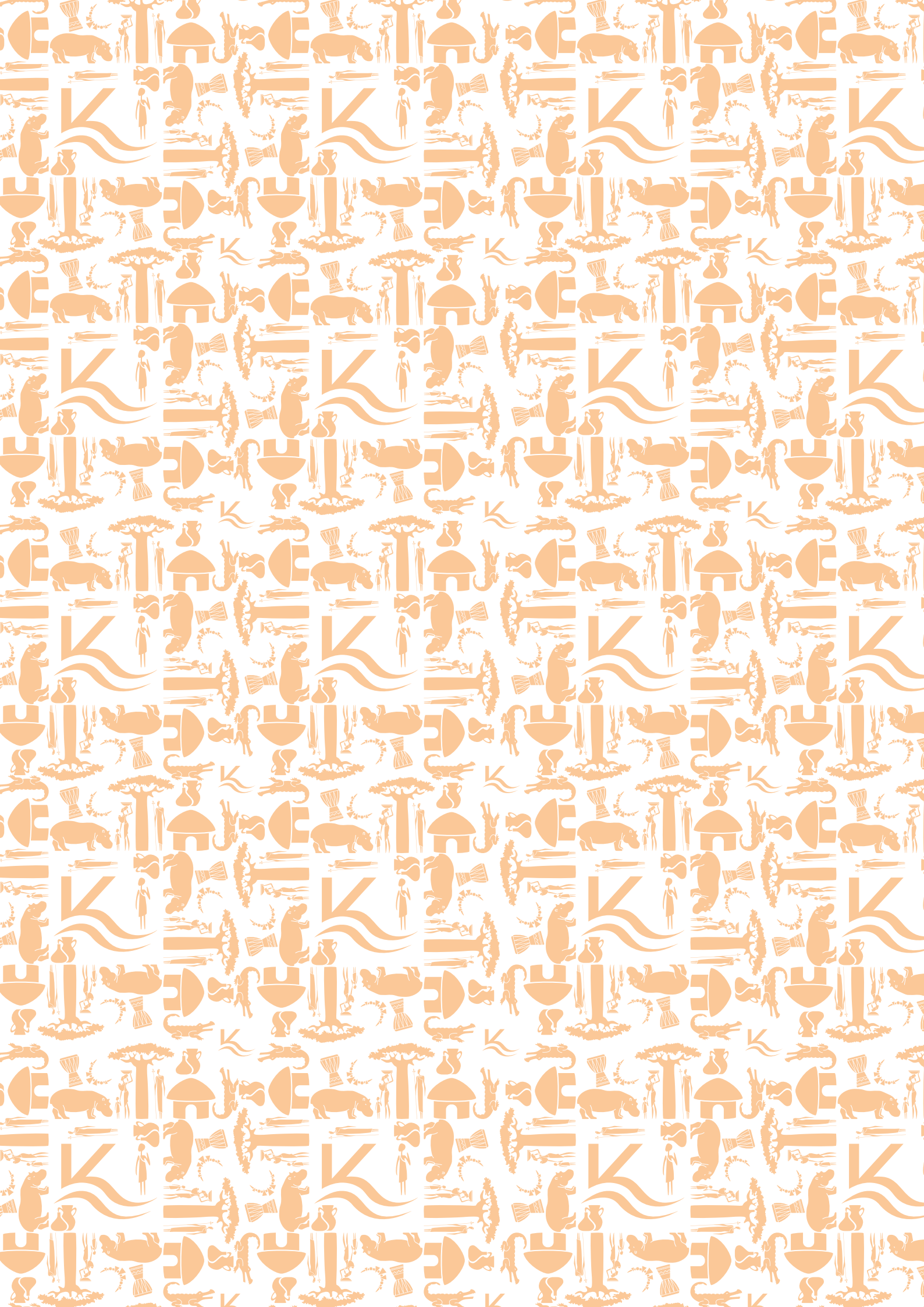
02

Main indicators, highlights and
outlook

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Gnu Azul





MAIN INDICATORS

THOUSANDS OF AOA, EXCEPT PERCENTAGES	dec-16 Real	dec-17 Real	Var. Real	dec-17 Budget
1. Activity				
Net income	2.435.368	2.075.515	-15%	2.372.358
Financial intermediation margin	10.789.607	12.023.969	11%	13.652.533
Gross Income	21.073.701	17.103.278	-19%	27.145.401
Net interest income/Gross Income (Operating income)	51%	70%	+20,1 p.p	50%
Operating cash flow	10.259.487	5.772.934	-44%	15.644.074
2. Returns				
ROAE - Return on Average Equity	18,6%	13,4%	-5 p.p	15,0%
ROAA - Return on Average Assets	1,8%	1,4%	-0,4 p.p	1,5%
3. Structure				
Total assets	140.627.837	151.006.775	7%	159.259.624
Total funds (Resources)*	117.488.710	119.723.891	28%	107.116.349
Loans to customers (net)	58.102.442	56.015.936	-4%	54.169.308
Equity	14.220.315	16.295.831	-87%	17.009.054
No. of branches	62	64	3%	68
No. of employees	516	544	5%	570
Efficiency				
Cost-To-Income	49%	66%	+17 p.p	42%
Employees / Branch	8	9	2%	8
Average total assets / Employees	272.535	277.586	2%	279.403
5. Soundness				
Overdue loans / Total loans	6%	14%	+9 p.p	8,0%
Provisions for loan losses / Overdue loans	172%	121%	-30% p.p	228%
6. Liquidity				
Loans-to-deposits ratio	54,8%	56,9%	+2,1 p.p	49%
Loans-to-deposits ratio (captive funds)	71,9%	58,6%	-13,3 p.p	n.a
7. Regulatory				
Regulatory Capital Adequacy Ratio	20,4%	20,0%	-0,4 p.p	18,0%
Fixed asset ratio	37%	44%	+7 p.p	n.a
Foreign exchange exposure	4%	-14%	-18.8 p.p	n.a

Note:

Some 2016 indicators were subject to accounting changes due to transition to IAS/IFRS.

* Includes Other loans and captive funds

Ratios:

Cost-to-income = Ratio of Structural cost to Gross income

Structural cost = Supply and services + Staff costs + Other operating costs + Amortization

Transformation Ratio = Gross loans / Total of funds

Loans-to-deposits ratio (captive funds) = Gross loans / Customer funds and Other loans)



RELEVANT FACTS FOR 2017

PROJECTS

Over the last three years, Banco Keve S.A. has awarded a considerable number of technologically relevant projects. Many of these projects were mandatory and regulatory (BNA, AGT and CMC) and others arose from the need to improve efficiency and internal and procedural controls. The projects earned the dedication and commitment of all the participants in the implementation processes, so we are presenting some of the most relevant ones.

a) **Full Adoption of the IAS/IFRS** came into force during 2017 in its final stages. Full adoption of the international accounting and financial reporting standards (IAS/IFRS) by BNA in 2016 meant a lot of effort was required from the banks in order to comply with the new regulatory requirements. The main challenges included issues related to (1) impairment losses for the credit portfolio, (2) the effective interest rate method in the recognition of income and costs of financial instruments, (3) disclosures required by IFRS 7 regarding financial instruments, (4) recognition and measurement of marketable securities, (5) recognition and disclosure of employment benefits and, finally, (6) the adoption of the IFRS for the first time.

b) Following full adoption of the IAS/IFRS, Banco Keve had to implement a **Migration of the Chart of Accounts** in order to adapt the existing chart of accounts (CONTIF) to the chart of accounts adjusted to the IAS/IFRS (adjusted CONTIF). This account migration process was carried out during May 2017, leading to a complete revision of the chart of accounts and the accounting routes, such as trial balances by currency and general trial balances. Parameters were also set for several banking operations, including portfolio reconciliation and reporting procedures.

c) The **SIGR – New Risk Regulatory Package** project comes in the wake of the new regulatory package imposed by BNA, in Communication No. 1319/DSI/17 of May last, with new capital requirements for the different types of risk (credit, market and operational). This project was essentially based on the automatic production and generation of the various risk reports to be sent to BNA, via SSIF, in line with the new regulatory package. Automatic production and generation were assured by integration with Banco Keve's core system (Banka/Financa and AM), in order to ensure reports adjusted to the requirements of BNA

d) Also under the scope of regulatory requirements projects and given the need for Angolan financial institutions to be obliged to implement a **Credit Impairment Calculation** solution in the short term (by 30 November 2017), Banco Keve implemented this project to bring it into line with the new regulatory requirements. This project is based on a STANDARD impairment calculation model for the implementation of collective analysis and individual analysis of the credit portfolio, without the need for new interfaces and adapted to the bank's core system.

e) In order to modernize the operating and internal control systems, the **DR - Automatic Reconciliation of Correspondent Accounts** - project was created. The aim of this project is to monitor balances and transactions in the bank's own accounts at other correspondent banks. This process is implemented in the bank's core application and is essentially based on the reconciliation of the transactions received from SWIFT statements with the operations recorded on the Financa and Banka applications, which affect correspondent banks..

f) Under the scope of the tax reform underway in Angola, the General Taxation Administration (AGT) was set up. This is now the sole tax authority, arising from the integration of the National Tax Department (DNI), the National Customs Service (SNA) and the Executive Project for Tax Reform (PERT). The AGT, through SIGT - Integrated Tax Management System - created a payment gateway aimed at being the sole State interface for receiving revenue and recording payments. The **IA - Tax Payments to the DNI** has made it possible to sign a protocol with the DNI for processing tax payments to the State in real time, through a variety of access channels. In this way, the Bank makes it possible for individuals and companies, whether they are bank customers or not, to pay their taxes through its network of branches and the Home Banking service.

g) As a strategic aim of the Executive Committee (CE) is the modernization of its information, communication, control and image systems, the Bank has focused on modernizing these means of disclosure as a model for exposure, greater accessibility and control and as a privileged channel for publicizing its image, products and services, with corresponding gains in productivity and profitability. A new **Institutional website** is a means of virtual communication with stakeholders which is fast, modern, dynamic and efficient.

h) Implementation of the **SAP ERP System**, which will allow interaction between the Bank's core system and SAP, in particular for the management of current supplier accounts, payments, fixed assets and logistics. A budgeting project was also set up. This will allow better monitoring and accountability of the Bank's budget managers.



COMMUNICATION AND AWARENESS

During 2017, Banco Keve began to transform what was its graphic line of communication, which had been in place since 2014. This change was intended to bring more dynamics and wealth to the content, placing a clear emphasis on the Keve Brand, as well as the products and services it provides to its Customers. This graphic change was applied to all communications, both external and internal.

The aim of this campaign was to place BANCO KEVE as top-of-mind among banking institutions and to allow BANCO KEVE to occupy a unique position, setting it apart from its competitors. Banco Keve's market commitment to its Customers was reinforced: **That of being the only bank made to the measure of its customers.**



If we analyze the world around us, we come to the conclusion that many things are really made “to our measure”. So, if everything around us is designed and created to be to “our measure”, for our “well-being”, why can’t a BANK be the same?

This simple reasoning brought us to the concept of the Campaign which, due to its promise, is as different from the communications of our competitors as it is pertinent, with the “DNA” of BANCO KEVE:

“If you like everything to be the right fit, then choose the bank made to your measure”

a) CAMPAIGNS

“Assuring the Future starts at an early age”

The Keve Kanuco Savings Account is the right option for the future of your child.

Start saving today, because assuring the future of your child starts at an early age.

It is a fact that children grow. And, as they grow, they have different needs, hopes and desires. First toys, bicycles, skates and skateboards. Then computers, games consoles and clothes. And later, driving licenses, cars and studies. There is now a solution for all these needs that will allow parents to program their expenses, managing their savings.



The **KEVE Muhatu Account** is a Demand Deposit account designed exclusively for women aged 18 or over. When you open a Keve Muhatu Demand Deposit Account, you have access to solutions created especially for you and that have countless advantages, of note being the following:

- Possibility of Adhering to Keve Salary (overdraft authorized);
- Access to the Keve Muhatu Card (Multicaixa Debit Card, exclusively for women). With this card, they can make payments at commercial establishments, withdraw money from the ATMs connected to the Multicaixa Network, top up cellphones and make national transfers and other services payments available;
- Exclusive access to the Bufunfa Monthly Term Deposit;
- Free access to iKeve (Internet Banking Service) and Keve SMS;
- Access to financing Solutions adapted to their needs, for implementing personal projects.





“14 years to the measure of History”

Banco Keve came into being 14 years ago, at that time with Alda, Gilmário, Olga and Décio. We're not quite sure if Mateus and Débora were already here, followed by Augusto and Wilson. Year after year, our family has been growing, each one doing their very best to make Keve, the bank made to the measure for all Angolans. To the measure of their dreams and achievements.

The main focus of this campaign is the people, whether they be customers or employees. The aim was to focus on those who are part of the Keve family and its history.



“Your money never grew so fast”

KEVE Bufunfa Monthly is a Term Deposit account, for all Private and Company Customers, with an attractive, risk-free interest rate.

The advantage of this product is that it pays interest every month, so there is no need to wait until your investment matures to receive it.

The rate is guaranteed for the investment period, making it a risk-free investment for Customers. It allows reinforcements/increases, at the interest rate in force for the lifetime of the investment.



Christmas Campaign, Give the people you love a sincere embrace.

May this Christmas be rich in values that make for a happy family.

We wish you all a Merry Christmas and a Prosperous New Year

b) OPENING NEW BRANCHES

In 2017, Banco Keve reinforced its presence in strategic locations in Luanda City, extending its business network.

- Camama Multicenter
- ISPEKA University
- ATM Center (Talatona)
- Remodeling the Private Center (Rua Rainha Ginga)



c) TRADE SHOWS AND EVENTS

In 2017, we attended 5 trade shows in Angola, which had an estimated total of 500,000 visitors. These were:

- FILDA
- Benguela International Trade Show
- Expo Huila
- Job fair
- Savings Trade Show
- Insurance Services



Banco Keve's participation in FIB was distinguished with the award for Best Banking and Financial Services Participation.

In February, at the Currency Museum in Luanda, Banco Keve promoted a conference on corporate governance on the topic of "The Role, importance and training of Non-Executive Administrators".

Banco Keve promoted this conference at a time when Angolan financial institutions, as well as several other public and private organizations, have been increasingly valuing the adoption of best practices in corporate governance. This area takes on particular importance and timeliness, and is aimed mainly at the Chairs of Boards of Directors and Executive Committees and Executive and Non-Executive Directors.

The Opening Session was in the hands of His Excellency, the Minister of Finance, Archer Manguiera, and the Closing Session was with His Excellency, the Chairman of the Board of Banco Keve, Rui Campos.

The "Principles of Corporate Governance – the Role, Importance and Training of Non-Executive Directors". This was the name of the lecture given by Luís Todo Bom, Guest Associate Professor at ISCTE, Member of the General Council of IPCG and Coordinator of the Advanced Program for Non-Executive Directors.

This conference was attended by around 300 people, who filled the Currency Museum auditorium.



OUTLOOK FOR 2018

For 2018, the Bank will be maintaining its strategic consolidation lines and expanding its business, undertaking the commitment to turn Keve into a benchmark in the Angolan financial system.

We will continue to focus on the sustainable growth of our organization. Our strategic plan defined for the 2015-2018 three-year period is based on a program of transformation, which includes a “surgical” increase in distribution channels for areas of major economic relevance where the Bank is still not present; the increase in digital instruments in order to provide our customers with security, convenience and immediate availability of our banking products and services; the increase in operational efficiency; specialization by our employees; more active intervention in capital markets; making cross-selling more dynamic in order to optimize revenue and capital increases aimed at making the institution more solid.

However, we live in a time that requires a great deal of financial discipline; resources are becoming scarce, which means they must be used rationally, carefully weighing up yield versus risk. This is why our commercial activity will, generally speaking, prioritize what is also a priority in the government’s economic acceleration programs. This is where credit must be directed, preferably in such a way as to aid the country’s development.

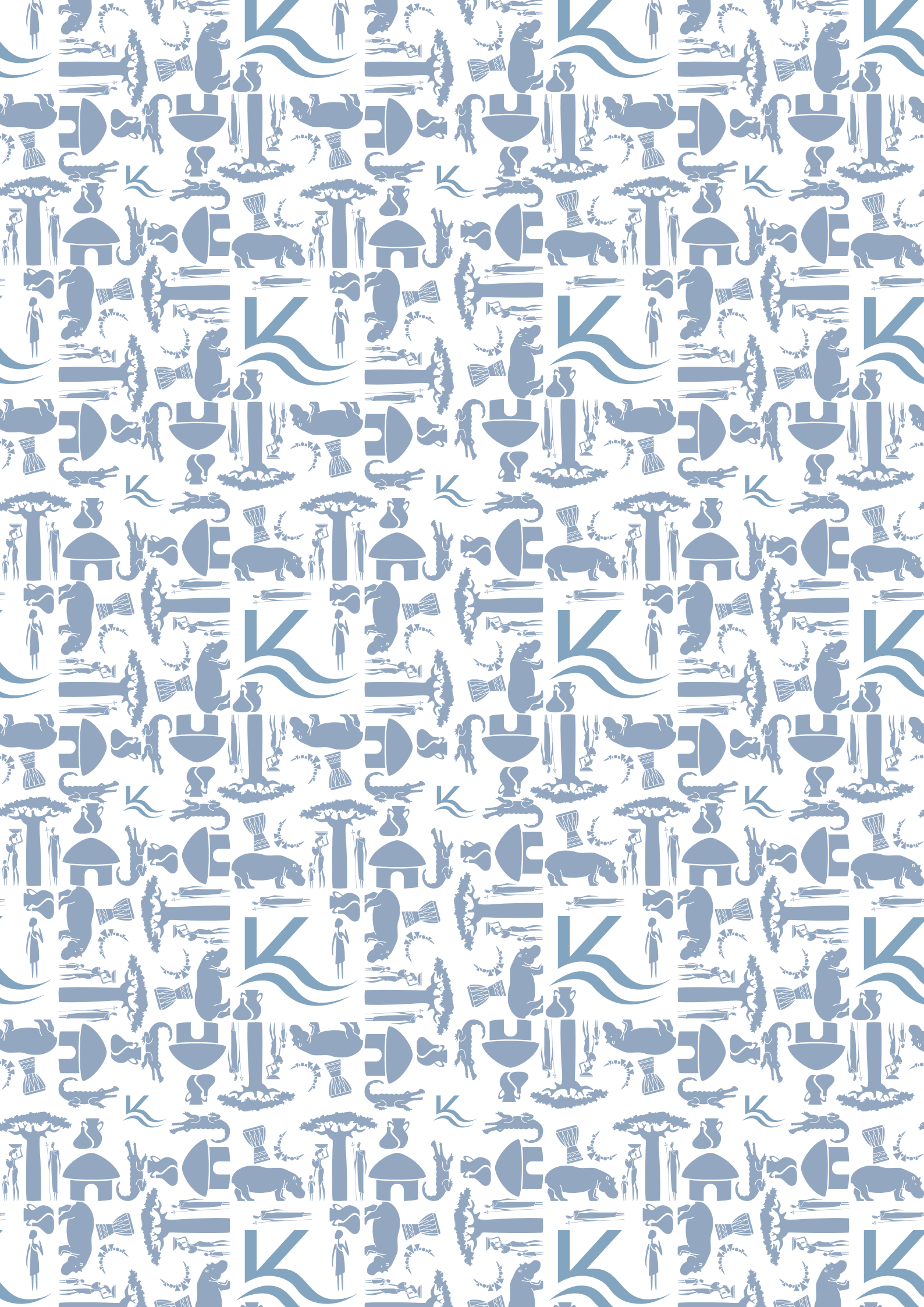
The Banks will continue to focus on issues linked with Compliance in order to ensure, at the next GAFI assessment, that it will move up to a position more in line with our responsibilities.

The Banks alignment with the IAS/IFRS will certainly be a concern and, at the same time, it will continue to gauge the operation of issues related to Corporate Governance, in order to improve the quality of Bank management in general.

The increasingly competitive environment and the liquidity constraints in the market must be factors driving banking consolidation, through mergers and acquisitions.

Finally, there is potential to be taken advantage of in the financial system, which could be a differentiation opportunity for the players. In the same way, the expectation of the Angolan economy opening up to foreign investment will bring new business opportunities to the banking sector.







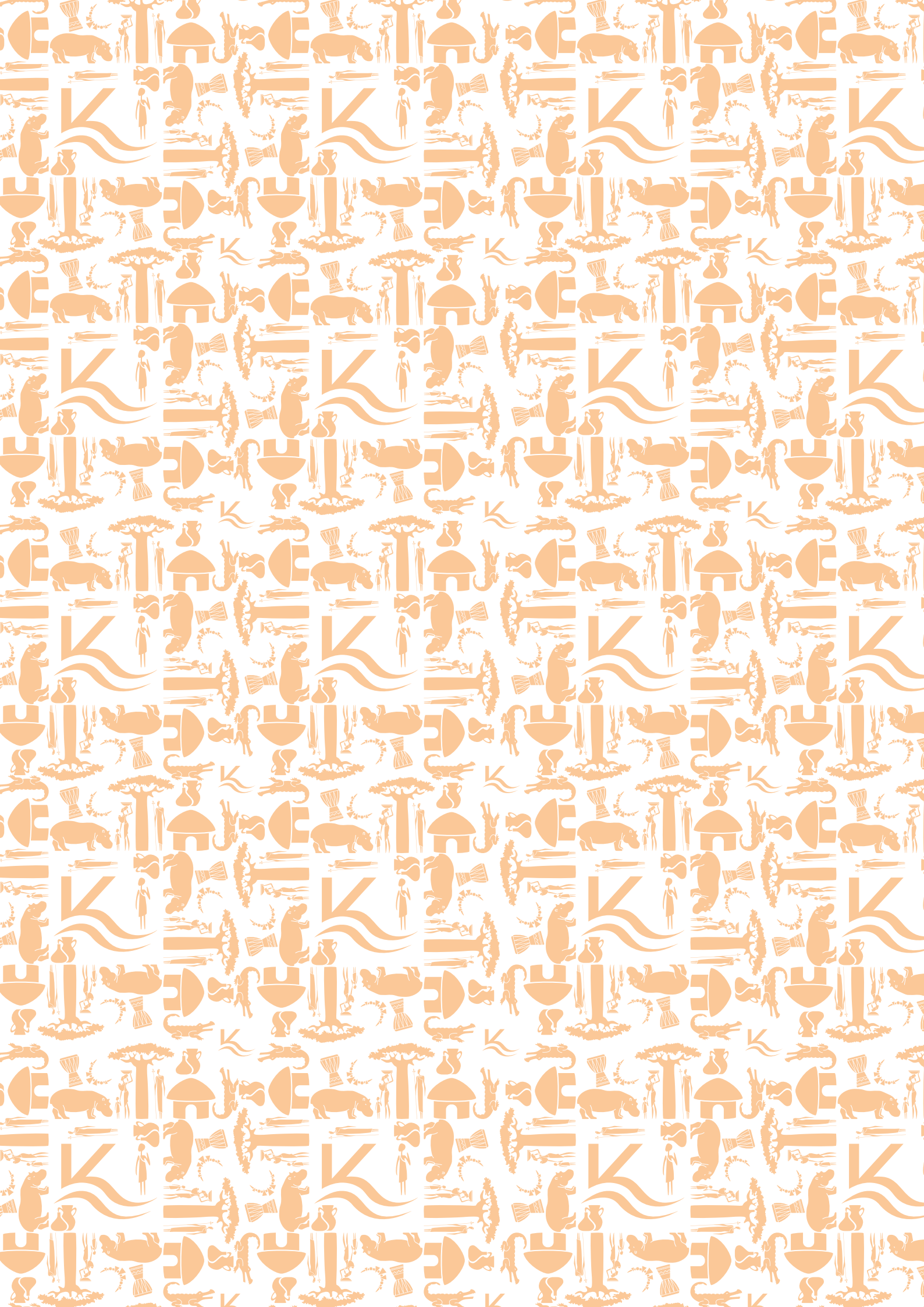
03

Organizational structure,
management structure and social
responsibilities

Banco Keve

O BANCO À SUA MEDIDA

Elefante Africano



ORGANIZATIONAL STRUCTURE AND GOVERNING BODIES

Board of the General Meeting

Amílcar dos Santos Azevedo da Silva	Chairman
Mário Henrique da Silva Mello Xavier	Vice-Chairman
Teodoro Bastos de Almeida	Secretary

Board of Directors

Rui Eduardo Leão da Costa Campos	Chairman
Manuel Fernando Correia Victor	Vice-Chairman
Bruno André da Cruz Silva Inglês	Non-Executive Director
Óscar Manuel Ramalhete Mata	Non-Executive Director*
Yolanda Marina Isaac Carneiro	Non-Executive Director
Rita Yara Freire de Mello Xavier	Non-Executive Director

*Independent Director

Executive Committee

Arlindo Nogueira Narciso Das Chagas Rangel	Chairman
Victor Manuel de Faria Cardoso	Vice-Chairman
Elsa Dalila Ferreira Azevedo da Silva	Director
Ana Maria dos Santos Machado	Director

Secretary

Arlindo A. de Sousa Lima Viegas Narciso	Executive Committee Secretary
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Supervisory Board

Décio Leandro de Carvalho Gaspar	Chairman
João da Silva	Member
Manuel João Cordeiro	Member
Gildo Mondlane Saraiva Faceira	Alternate

External Auditor

Deloitte (nomeado em Outubro de 2015)

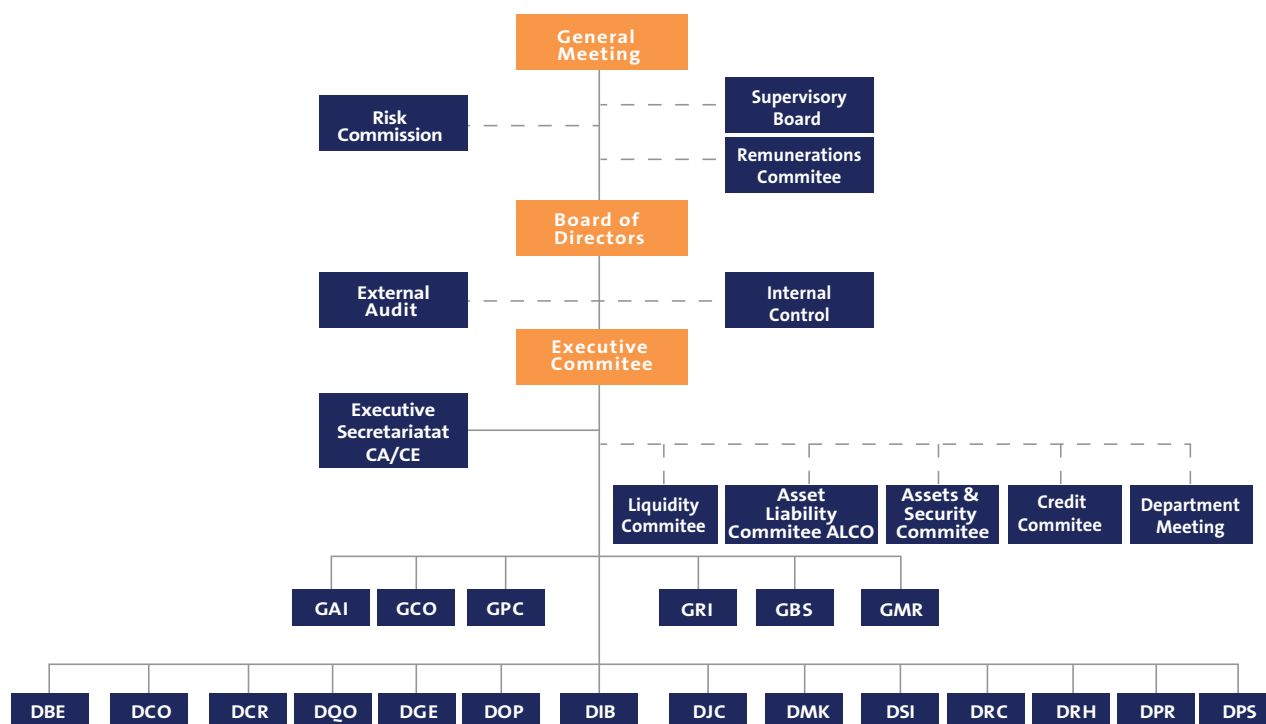


MANAGEMENT MODEL

Shareholder structure

The shareholder structure, by percentage of ownership, is presented in Note 21 to the financial statements. All told, the Members of the Board of Directors hold 384,785 shares, representing 7.88% of the share capital.

General Organization Chart



General Meeting

The corporate bodies are the General Meeting, the Board of Directors and the Supervisory Board.

The members of the corporate bodies are appointed for a three-year term and all or some of them can be re-elected, without restriction as to the number of terms.

The regularly constituted General Meeting represents all of the shareholders and its decisions, when approved pursuant to the Law and the Bank Statutes, are binding on all of them.

It is particularly up to the General Meeting to elect the members of the Board of the General Meeting, the Board of Directors, the Supervisory Board and the Remunerations Committee.

The remuneration of the members of the corporate bodies, including any other supplementary capital contributions, is set annually by a remunerations committee consisting of three shareholders elected every three years at the Annual General Meeting.

For the current term, the Shareholders approved a business plan which it is up to the Board of Directors to implement. The set-up of a consultative body, the General Council, was also approved. It will be up to the General Council to advise the other Corporate Bodies on relevant issues regarding the Bank's business. The Council is presided over by the chair of

the Board of the General Meeting and it is not remunerated. The members of the Board of Directors and the Supervisory Board attend the General Meeting and take part in that capacity, without voting rights, in the work and the discussions and may present proposals.

Board of Directors

According to the Bank's Statutes, the Board of Directors may be made up of a minimum of five and a maximum of eleven members. The present Board of Directors consists of nine members.

The duties and powers of the Board of Directors are defined in article 24 of the Statutes and include:

- Defining courses of action and goals for the short term and proposing medium and long-term courses of action to the General Meeting;
- Implementing the resolutions of the General Meeting;
- Managing the company's business, carrying out all actions and operations that are part of its corporate purpose;
- Preparing budgets and projections and reporting on their execution and fulfilment.

The Board of Directors meets ordinarily at least once a quarter and extraordinarily whenever a meeting is called by the chairman or two or more directors.

The agenda for each normal meeting includes at least the following order of business:

- v. Analysis of the national and international macroeconomic situation and the competitive environment;
- vi. Analysis of the Bank's financial report;
- vii. Review and/or update of the Business Plan, including a comparison between the Bank's performance and the budget.

Executive management of the Bank is, through delegation by the Board of Directors, assured by five directors appointed by the Board itself, with one Chairman and one Vice-Chairman.

The current term is from March 31, 2015 to March 31, 2018.

The regulations of the Board of Directors and the Executive Committee in office were approved in July 2015.

Supervisory Board

Without prejudice to the powers attributed by law to Banco Nacional de Angola, the supervision of company business is up to a Supervisory Board, consisting of three permanent members, one of whom is the chairman, and two alternates.

The members of the Supervisory Board may attend meetings of the Board of Directors, but without voting rights and without being allowed to take part in the discussions unless invited to do so by the Chairman of the Board of Directors.

General Council

The General Council is a consultative body whose role is to advise the other corporate bodies on relevant issues concerning the company's affairs and business.

Executive Committee

The Executive Committee is in charge of day-to-day running of the Bank, regularly making decisions regarding its administration.

The duties and powers of the Executive Committee are defined in its Regulations, annex I (Delegation of powers) and include:

- i. Establishing the internal organization of the Bank and delegating powers to middle management (Line and Staff);
- ii. Signing the contracts necessary for carrying on normal business according to the Bank's corporate object;
- iii. Managing the Company's assets (Acquisition and encumbrance of goods and property);
- iv. Admittances, category level definitions, salary conditions and other employee benefits, as well as the assignment of middle management positions.

The Executive Committee keeps the Board of Directors regularly informed about situations that go beyond the powers delegated.

External Auditor

Since 2015 the external audit has been carried out by Deloitte, according to the legislation in force (Notice No. 4/2013, of BNA). External auditors cannot be retained for more than four years. The Bank follows a policy to ensure the independence and objectivity of the external auditors.

Other Committees

The Board of Directors is strongly committed to continuously improving its performance and acts systematically to achieve this objective. Steps taken include setting up committees and making improvements to risk management. The work of the Board and its committees is also supported by a large number of periodic reports covering practically all the operating areas.

Organizational units

The internal organization represents the Board's base from which to engage in the Bank's business. Its operation and development are the result of the relationship between Human Resources, Process Modelling and Technological Resources, in line with the principles of contemporary management.

To this end, the Bank has implemented 14 (fourteen) Line Units and 6 (six) Staff Bodies, which are in turn organized into 3 key themes - business, support and control.

The main mission of the units is to provide of services and the development of products that are suitable to the various segments the Bank proposes to serve, always with quality and excellence in the forefront.

The present organizational structure makes it possible to clearly separate the missions and duties of each Department/Office, favoring quick, direct lines of communication both between the actual Line/Staff bodies and between these and the Board.

The main decisions in each Department/Office are always made by more than one person, (usually the senior manager and the director responsible for the function concerned). To ensure consistency between strategy and day-to-day management, the units prepare annual activity plans, which are analyzed and approved by the Board of Directors.

The Departments also present a set of periodic, systematic reports to enable the Executive Committee to monitor their activities.

Institutional Communication

Communication with shareholders takes place at the General Meeting, the proceedings of which are set out in articles 14 to 22 of the Statutes. The Annual General Meeting is held at the end of March each year.

Communication to the market in general is assured through publication of the Annual Report and Accounts. The Bank also publishes a summary of the Quarterly Account on its website, in the form of Trial Balances, pursuant to BNA Notice No. 15/07, of September 12.

Code of Professional Ethics and Conduct

The Bank has a Code of Professional Ethics and Conduct which applies to all staff, including the Board of Directors. It was updated in December 2016, under the scope of Notice No. 12/2016.



The Code of Professional Ethics and Conduct is a set of internal regulations and reading and understanding it is part of the commitment employees make to the Company Culture. This document is reviewed and updated whenever necessary and under the scope of the legal regulations.

The Code is based on a set of recommendations that propose professional pride governed by and based on international best practices on the topic of Bank Secrecy and the management of conflicts of interest.

Given how important the Code of Professional Ethics and Conduct is to the Bank, in order to show its partners its transparency criteria, the document is available on the website (www.bancokeve.ao).

One of the many aspects dealt with in the Code is the commitment by the Board to assure strict compliance with all the legislation related to the banking sector (where foreign exchange and prudential legislation carry significant weight).

SOCIAL RESPONSIBILITY

Banco Keve's interventions in terms of social responsibility begin with its concerns about the health and welfare of our employees. Banco Keve has a health plan available to its employees, which also extends to their spouses and direct dependents aged between 0 and 18. We are thus continuing to ensure the well-being and the quality of life of our employees. This motivation will give them more incentive to produce with commitment and dedication.

Health and well-being campaigns were also organized, in order to alert and advise employees on their way of life, thinking and acting with regard to the scourges afflicting society.

Educating employees in these areas requires effective, efficient and constant social and political campaigns, which cannot be reduced to an individual scope. Our institution is also responsible for alerting and incorporating collective, generalized awareness of healthcare, enabling them to do their work and thus improving their quality of life.

Campaigns

World Cholesterol Day	August
Pink October Charity Walk - Combating Cancer	October
World AIDS Day	December
Be a Santa Claus and Make a Child Happy - Blue Horizon Home	December

World Cholesterol Day

High blood pressure is very often associated with high cholesterol and poor eating habits and it is considered one of the most serious public health problems. Even more so due to its prevalence and the fact it is almost always detected late, as well as being one of the main risk factors for cardiovascular and cerebrovascular diseases. Although the efficiency and effectiveness of several preventive and control measures available is known, whether pharmacologic or not, HBP will continue to be one of the greatest health challenges and one of the greatest burdens for people with high blood pressure and for society for decades to come.

As this is an important public health problem and due to the fact that in Angola the implementation of integrated programs for prevention and awareness raising in the workplace are considered a priority, we intend to focus on behavioral changes with Lectures on several topics related to HBP and the distribution of information leaflets, blood pressure assessments and medical advice, among other measures.

This campaign is aimed at Banco Keve employees, so that they can learn more about this chronic disease and the best treatment methods, as well as on-the-spot screening for the disease.

The lectures were given in the employees' place of work by



Pink October Charity Walk - Combating Cancer

Pink October is an awareness raising campaign held in October each year, in partnership with distinguished organizations such as the Angolan League Against Cancer, the Oncological Centre and the Women's Foundation. It is aimed at employees and society in general and focuses on the importance of the prevention and early diagnosis of breast cancer.

This year, a march was organized for the International Day of the Fight Against Breast Cancer, on the topic "Prevention is better than cure". People gathered outside the IACC building (Luanda Cancer Hospital, near the David Bernardino pediatric hospital), and we walked to Largo da Família (1º de Maio).

The aim of this encounter was for the participants to come out in solidarity with the patients and to learn more about the importance of prevention, visiting the doctor regularly and effective health controls because "Prevention is better than cure".



World AIDS Day

Considering that STI/HIV/AIDS are an important public health problem and as the implementation of integrated programs for the prevention of HIV in the workplace in Angola is deemed to be a priority, it is important to implement the STI/HIV/AIDS Prevention Program in the company.

This year, we did not remain indifferent to this affliction faced by society in general and worldwide, the spread of HIV/AIDS in our society.

In this context, we organized educational programs on sexual health, with lectures in the workplace, aimed at informing and alerting to this great scourge of the present day.

This awareness campaign was aimed at focusing on changing behavior, through Lectures on several topics related to STI and HIV/AIDS and handing out condoms, etc.

This campaign was aimed at Banco Keve employees and the lectures were given in the employees' place of work by a specialist.



Be a Santa Claus and Make a Child Happy - Blue Horizon Home

During the Christmas period each year, Banco Keve promotes a "Be a Santa Claus and Make a Child Happy" campaign, inviting all employees, if they identify with the cause, to go to the Human Resources Department and pick up one or more letters written to Santa Claus by the girls at the Blue Horizon Home for Orphans, asking for the present they would like to get for Christmas.

Given the grandeur and the aim linked to the date in itself, Christmas, and in order to stand behind the good principles of sharing and loving your neighbor, we always ask our employees to be present when the gifts are handed out to the children.

The Blue Horizon Home for Orphans is in Viana and houses 100 girls aged from 5 to 24, or until they have completed their education and begun working. This home survives essentially on private support and donations. This campaign is just one amidst the many these girls need.



Sport

In terms of sport, Banco Keve granted several sponsorships, in particular:

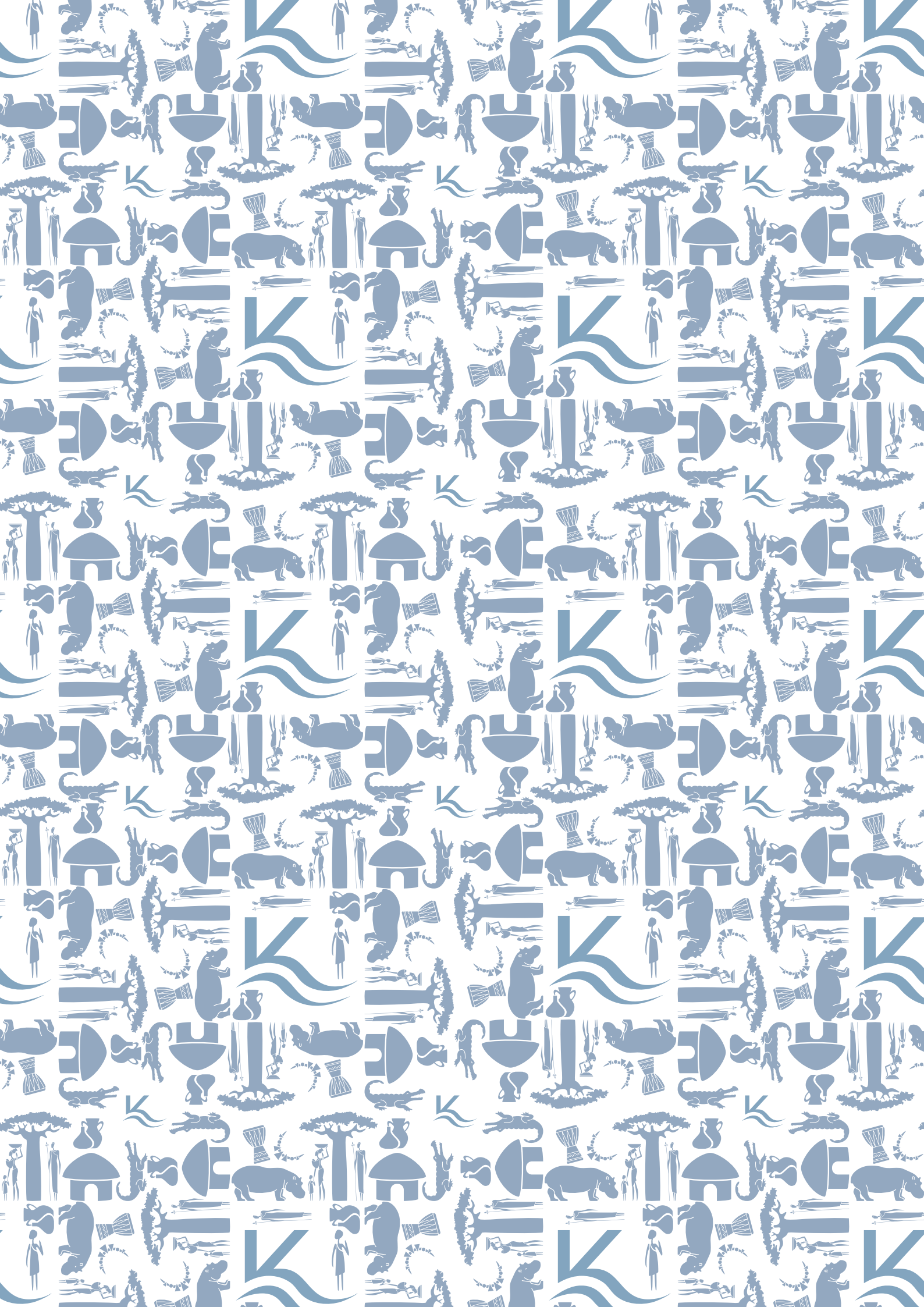
- To the Paralympic Committee for its participation in the world athletics championship held in London, in the African Football Championship for the physically disabled and in the 2018 World Championship in Mexico.
- To the Bank Sports Group, whose main judo team was invited to take part in the International Judo Open in Odivelas. The event was preceded by a competitive stage;
- To the Banco Keve internal Sports Group, in conjunction with Muzas, LDA, supporting a 3x3 Tour Tournament endorsed by FIBA. This competition involved young people from several parts of Luanda and the event was a resounding success.

Corporate sporting events were also an integral part of our social responsibility. The Bank was able to reserve and recognize a space for the activities among its employees, with the necessary support and guidance for holding several events. These events have been becoming more and more important and demanding, particularly due to their importance in raising psychological indices, improving employee relationships, greater interaction with the members of the board and the "really wearing the Keve colors" element, increasing the feeling that we are all an integral and important part of this big KEVE family.

Several sports and leisure activities were held throughout 2017, in particular:

- The 3rd, 4th and 5th Banco Keve Sports and Leisure Marathon;
- The 3x3 Basketball tournament in communities, in partnership with MUZA Sport;
- The 1st “Banco Keve Chefs 2017” cooking competition;
- The Banco Keve 14-year male and female futsal tournaments;
- The 1st Keve ZUMBA FITNESS session;
- Participation in the employee futsal championship, organized by the Luanda Provincial Association;
- Participation in the beach football championship, called GIRA TIGRA, organized by Refriango;
- Participation in employee futsal tournaments organized by the Friends of Sambizanga Club, called the Sambila, BDA and SNEBA Cup;
- Participation in the Basketball tournament organized by the General Taxation Administration (AGT);
- Participation in the end-of-year “São Silvestre” road race.







04

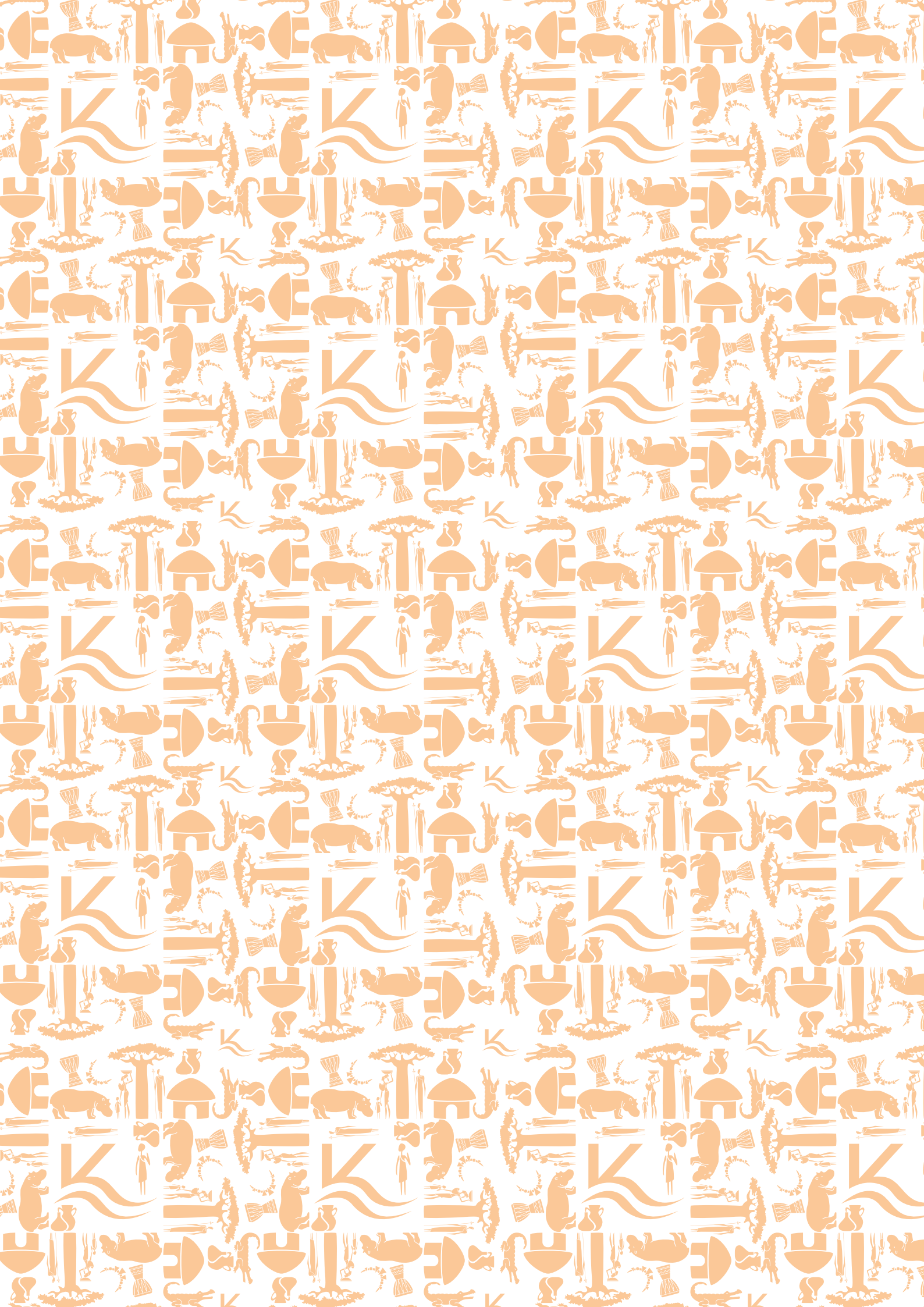
Macroeconomic Framework

Banco Keve

O BANCO À SUA MEDIDA

Leão Africano





INTERNATIONAL ECONOMY FRAMEWORK

The latest IMF revisions and projections from the Economic Intelligence Unit (EIU) point to more accelerated growth in the world economy than initially predicted. The world GDP will reach 3.7% in 2017, representing growth of 0.5 p.p. compared to the values in 2016.

The favorable economic climate of recent months has also brought an upwards revision of projections for 2018, as the indices of growth stagnation were supplanted by a more favorable business environment. The revision of growth for the emerging economies, influenced by the good perspectives for the prices of commodities, increased the world growth projection for 2018 to 3.9% (World Economic Outlook update, IMF January 2018).

Among the developed economies, economic growth in recent months was most accentuated in Germany, Japan and the United States of America (USA). Among the emerging markets, the highlights were Brazil, China and South Africa.

For the coming years, moderate world growth is expected, approximately between 2.1% and 1.8% (2019-2020), as a reflection of the slow growth in the total production of economic factors and a reduction in growth in the workforce, as a result of the aging population seen in developed countries. In emerging countries however, the trend is the opposite, due to the continued increase in commodity prices, which will be the main drive for the oil exporting countries.

The GDP growth forecasts for the USA improved in the last quarter of the year, pointing to growth of 2.3% in 2017 and 2.7% in 2018. These projections represent an improvement of 0.2 p.p. compared to the initial projections, when the uncertainties regarding the implementation of fiscal policy were still very pronounced. However, the increase in external demand and the macroeconomic effects of the reduction in corporate taxes brought a new growth impetus to the USA. Even so, the fact that the FED (Federal Reserve) has already increased interest rates three times in the last 8 months shows some concern about possible inflation. For many analysts, this is increasingly becoming a reality closer to than initially expected.

With regard to the forecasts for the European economy, these point to economic growth of 2.2% for 2017 (according to the European Central Bank). The European economy is still in a recovery phase, having grown only 1.7% in 2016.

Unemployment levels are still high when compared to other developed economies, despite the efforts made throughout 2017 to reduce them. But they still reached their lowest levels since 2009. According to the report published by the Organization for Economic Co-operation and Development (OECD), which updated the growth projections for the largest world economies, the outlook is more optimistic, justifying the growth of the Eurozone by the positive evolution in the German, French and Italian economies, the only ones which were revised upwards. The organization also improved all its projections.

The larger recovery in global activity is entirely driven by emerging countries and developing economies. In these countries, growth is expected to increase to 5% by the end of the forecast period.

China and India are still the main world growth drivers, with predicted growth of 6.7% and 6.8%, respectively, in 2017. In China, despite being at high levels, economic growth has been showing a slowdown compared to the pace of growth seen in previous years, with the forecasts for the Chinese economy pointing to only 0.1 p.p. compared to 2016.

Brazil and Russia finally came out of severe recession during 2017. The latest projections point to GDP growths of around 1.1% and 1.8%, respectively, after recording GDP decreases in 2016 of -3.6% for Brazil and -0.2% for Russia.

With regard to oil, it is estimated that world demand will increase 1.42 mb/d in 2017, reaching total consumption of 96.77 mb/d. Thus, oil prices continued to increase, with the average price of crude standing at \$67.8

This price is the result of the market rebalancing that has been seen in recent months and also due to the decrease in oil stocks in the United States of America.

Global GDP performance, 2015- 2018

(Real growth rates, %)

	(Brexit)		Projections	
	2015	2016	2017	2018
World	3,1	3,1	3,7	3,9
Advanced economies	2,0	1,8	2,3	2,3
USA	2,6	2,2	2,3	2,7
Eurozone	1,5	1,6	2,2	2,0
Sub-Saharan Africa	3,8	1,6	2,6	3,4
Angola*	2,8	0,1	1,1	4,9
Middle East and North Africa	2,6	3,6	2,2	3,2
Central and South America	-0,3	-0,3	1,2	1,9
Developing Asia	6,5	6,3	6,5	6,5
Commonwealth of States Independents	-2,7	0,0	2,1	2,1

Source: International Monetary Fund (World Economic Outlook, Jan-18)

* Ministry of Finance (2017 Revised General State Budget Background Report)

SUB-SAHARAN AFRICA

In terms of Sub-Saharan Africa, economic growth expectations are optimistic for 2017, with IMF forecasts indicating growth of 2.6%. This outlook comes as a result of Nigeria's recovery in terms of oil production, as well as the increase in agricultural production, following 2016, when growth did not exceed 1.6%. On the other hand, the external economy was also more favorable to growth, as our main commercial partners saw their growth perspectives increasing. The improvement in climate conditions, after a period of extreme drought affecting a large part of the southern region during 2016 and in early 2017, was also a factor in the upwards growth revision.

Even so, the economic growth rate in the region did not exceed population growth in 2017 and around 12 countries (out of a total of 45), whose population represents 40% of



the Sub-Saharan Africa area, will show a per capita decrease in GDP in 2017.

The outlook for the future points to growth of 3.4% in 2018. However, this growth is still supported by the larger economies (Nigeria and South Africa), where there has recently been some uncertainty in the current policies, going against the expected growth impetus.

In the other economies in the region, mainly the countries with average growth of 4% in recent years, economic growth is based on public spending which is mainly funded by external sources, thus increasing indebtedness. The public deficit has stood at over 50% of the GDP in 22 countries in the region since late 2016, especially in the oil exporting countries (Angola, Gabon and Nigeria), whose deficit will absorb 60% of the profits of these countries in 2017.

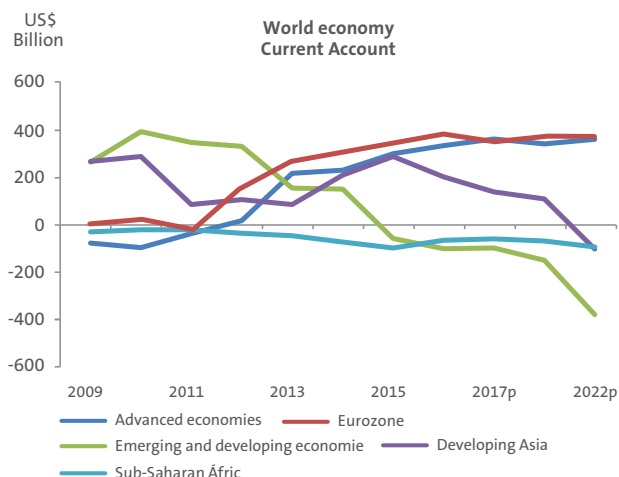
The external environment has also contributed to economic recovery, given that the stronger global growth, particularly in the countries that are the main commercial partners of the Sub-Saharan region (China and Eurozone countries), has contributed positively to economic growth.

In addition, there was also an increase in demand for attractive yields, giving rise to Eurobond issues in the first half of 2017 by countries such as Ivory Coast, Nigeria and Senegal, thus opening a door to external funding.

In this context, it is important to continue to implement fiscal reforms and budget consolidation, so that these countries can overcome the constraints they are facing. The greatest pressure is on oil exporters, where the focus should clearly move to diversification of sources of fiscal income and a reduction in current spending.

INTERNATIONAL TRADE

World trade in goods and services showed more promising results in 2017, recording growth of 1.8 p.p., reaching 4.2% in 2017, with an expected contraction of (4.0%) -0.2 p.p. in 2018. Even so, growth in world trade has been recovering, following growth of only 2.4% in 2016. The slight growth slowdown in China and the recent reduction in imports by commodity exporting countries have contributed to a slowdown in world trade.



Source: International Monetary Fund (World Economic Outlook, Oct-17).

The current account balance showed an overall contraction (0.4%), particularly for oil exporting countries. The developed economies showed significant increases in imports, while the emerging economies increased pressure on the demand for imported products, leading to a growth forecast close to 4.4% (2017) and 4.9 (2018).

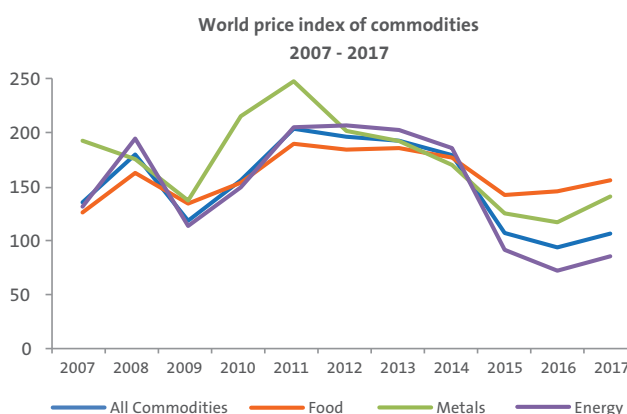
COMMODITIES

Commodity prices continued to increase in the last quarter of 2017, with industrial raw materials in the lead, while the majority of the prices of agricultural raw materials remained broadly stable. The price of metal increased 22% in 2017 due to high demand and China's supply restrictions. With the exception of iron ore, the price of metals is expected to increase moderately in 2018.

Gold and other precious metals, given the agitation seen on the world political scene, are becoming increasingly attractive as safe assets. The price of gold has increased by around 8% since early 2017, and precious metals, such as platinum and copper, have increased 3% and 6%, respectively.

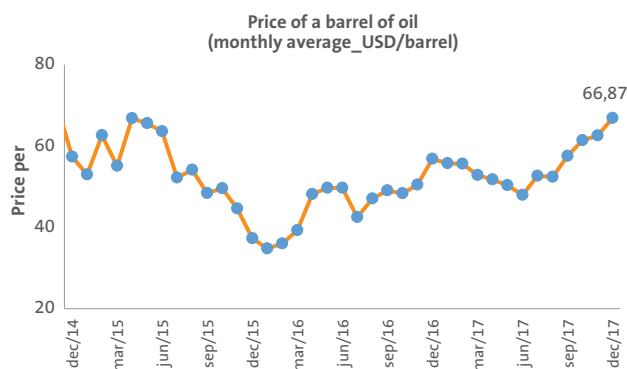
The price of agricultural raw materials remained unchanged in 2017 and marginal growth is forecast for 2018.

The majority of food markets are well-supplied and the stocks of some types of cereals are expected to reach their maximum levels in several years.



Source: International Monetary Fund (World Economic Outlook, Oct-17).

In relation to oil, world growth increased 1.42 mb/d in 2017, reaching total consumption of 96.77 million b/d, with the aim of meeting demand of around 95 million b/d. This excess supply, which has continued since 2016, was reflected in an agreement signed by the member countries of OPEC, to make production cuts (around 1.2 billion b/d) in order to control the excess supply on the market. The signing of the agreement in January 2017 was followed by the extension of the deadline in March and it was decided to maintain production cuts until March 2018. On the other hand, in order to put pressure on the price to make it decrease, there was an increase in reserve oil stocks in the United States of America and increased production of shale oil.

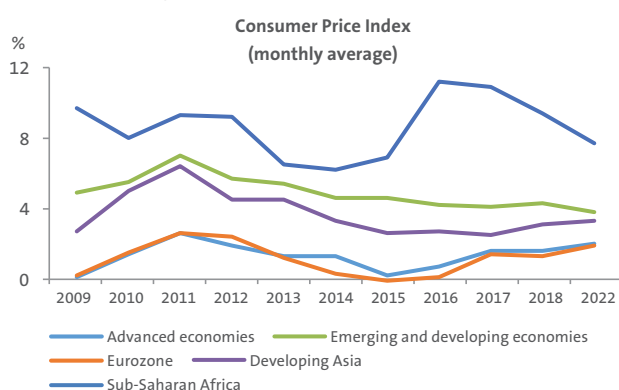


Source: MINFIN (Ministry of Finance)

Given this conjuncture, the prices per barrel underwent some fluctuations in 2017. The first three months were marked by some price recovery, given the expectations of cuts by OPEC, with this trend being reversed by mid-June (the price fell to less than \$44 per barrel), due to the news of the increase in reserve stocks in the United States of America and the increase in shale oil production. More recently, we have seen some recovery in the price of crude, standing at \$66.8 per barrel in December, representing monthly growth of 7% compared to the figures for November 2017. This price is the result of the market rebalancing that has been seen in recent months and also due to the decrease in oil stocks in the United States of America.

INFLATION

During 2017, the average inflation rate in the advanced economies stood at 1.4%, with a forecasted increase to 1.6% in 2018. In the emerging and developing countries, there was a slight slowdown in the general level of prices to 4.2% in 2017 (4.7% in 2016), maintaining the decreasing trend in 2018 (4.4% projected).



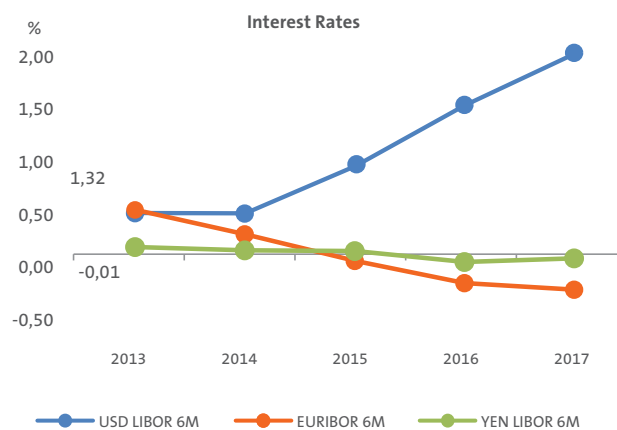
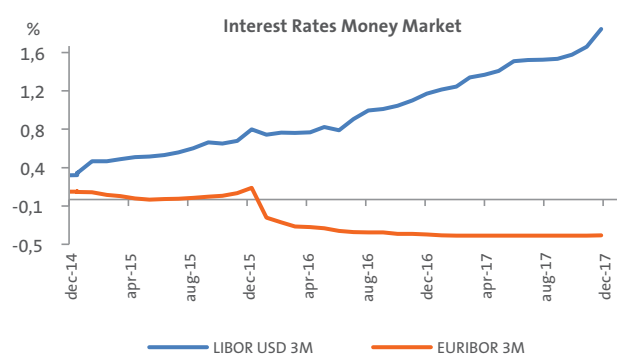
Source: International Monetary Fund (World Economic Outlook, Oct-17).

In the USA, the inflation rate showed a downward trend, standing at 1.7% in 2017, with growth predictions for 2018 pointing to levels close to 1.9%. These levels of inflation are mainly associated with lower fuel prices and the negative shocks linked to the prices of communications and medicines. On the other hand, inflation increased slightly in the Eurozone, reaching a rate of 0.9% in 2017, and a slight increase of 1.3% is expected in 2018. Also influencing this inflationary behavior are the high prices of energy, low salaries and high unemployment rates, which still prevail in some countries in the Eurozone.

INTEREST RATES

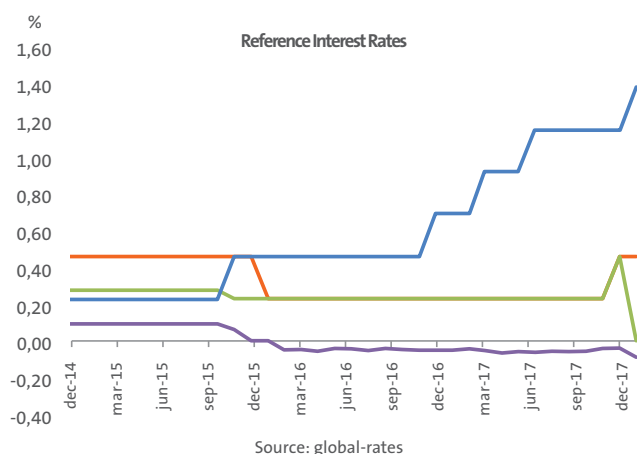
During 2017, shorter-term interest rates displayed an upward trend, both in the European market and in the USA. The three-month LIBOR remained at around 1.31% throughout 2017, while the three-month EURIBOR stood at -0.33%, the latter being expected to continue to fall in the coming years.

For longer maturities and according to the IMF revisions, the trend over the last three years for 6-month LIBOR rates was towards constant increases, going from 0.35% in 2013 to 1.52% in 2017. Recent projections indicate that this rate will continue its upward trend against a possibly more expansionist fiscal policy from the new US administration. On the other hand, in Europe, the 6-month EURIBOR continues the downward trend that began in 2013 when the rate was set at 0.39%, falling to -0.28% in 2017.



Source: global-rates

As to the reference interest rates, interest rates in the Eurozone have been remarkably stable at 0.50% for most of 2017, having shown a slight increase in the final months as a result of the political and economic uncertainties related to elections in some European countries, with extreme right-wing parties advocating the withdrawal of their countries from the European Union. In the USA, interest rates trended upwards, as a result of the more expansionist fiscal policy implemented by the Federal Reserve.



ANGOLAN ECONOMY FRAMEWORK

ECONOMIC ACTIVITY AND GROWTH

The real national economy is still feeling the effects of the problems that have been affecting the country since mid-2014. Poor public investment and the major difficulties affecting production activities are still factors impacting the national economy. Many efforts have been made to relaunch and diversify the economy, but the dependence on oil continues to be a reality, as it still represents around 95% of the country's exports.

The latest estimates for the General State Budget for 2017 point to GDP growth of only 1.1% (a fall compared to initial estimates, which pointed to 2.1%). This reflects a slight cyclical adaptation by the country to the low price of oil, as well as the efforts made to relaunch the economy.

Macroeconomic Indicators

	2015	2016	2017	Var. 17/16
Accumulated Inflation (%)	14,3	41,9	26,6	15,3p.p
Real growth rate (%) 1/	4,0	0,1	1,1	1,0p.p
Oil sector	6,3	0,8	-0,5	-1,3p.p
Non-oil sector	2,4	1,2	1,9	0,7
Oil exports (millions of barrels)	669,8	654,6	475,1	-27%
Average oil export price (USD/ barrel)	40,0	41,0	48,6	18%
Net international reserves (billion USD)	24,7	20,2	13,3	34%
EUR sales in BNA (billion USD)	16,3	9,9	10,3	4%
Exchange rate 1 US\$= 165,8 AOA	156,4	165,9	165,9	0
Overall budget balance as % of GDP	-7,0	-0,2	-0,7	-0,5p.p

Billion USD = Billion US dollars.

Source: Ministry of Finance (Revised General State Budget 2017 and Statistics on oil revenue) and BNA.

Generally speaking, projections from international bodies point to improved performance in the national economy, but with GDP growth rates in the region of between 1.3% and 1.5% for 2017 (The IMF points to 1.3% for 2017 and 1.6% for 2018), denoting a slight improvement compared to the stagnation seen in 2016 (growth of only 0.1% of the GDP).

These growth values also reflect poor performance in the oil sector, which could once again show a decrease of -0.5%, and the non-oil sector, with growth of around 1.9%. The performance of the non-oil sector is basically being influenced by the expected growth in the energy (40.2%), agriculture (7.3%), construction (2.3%) and manufacturing industry (4.0%) sectors, in proportion to their weights on the GDP.

Composition of the Gross Domestic Product

	2014	2015	2016	Proj. closing 2017
GDP at current prices (billion AOA)	12.462	12.536	16.879	18.350
Real GDP growth and its Components (%)				
Agriculture	11,9	0,8	6,7	4,4
Fisheries and derivatives	19,1	8,1	1,7	2,2
Diamonds and Other	1,0	2,2	-0,6	-0,6
Oil	-2,6	6,3	0,8	1,8
Manufacturing	8,1	-2,1	-3,9	-0,7
Construction	8,0	3,5	3,2	2,2
Energy	17,3	2,5	19,9	40,2
Commercial services	8,0	2,2	0,0	1,3
Other	6,0	1,1	0,0	0,0

Source: Ministry of Finance (2017 General State Budget).

The oil sector continues to be affected by operational problems, delays in advancing investments into the exploration of new wells (essentially due to the reduction in revenue), as well as the natural deterioration of existing wells.

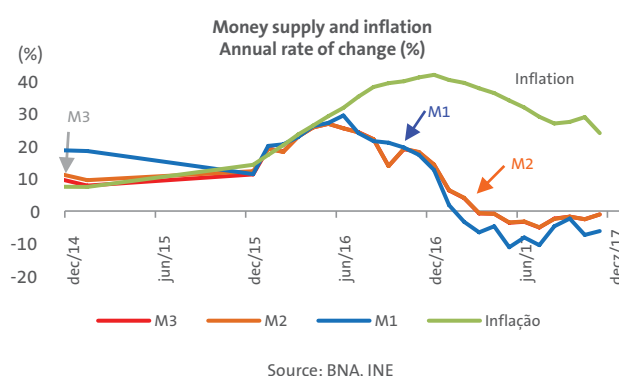
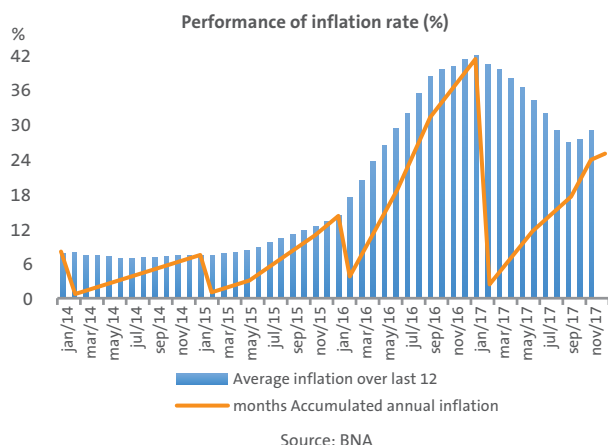
The sector currently represents around 40% of the national GDP, already reflecting a gradual reduction in its weight compared to the factors mentioned above, as well as the growth in non-oil sectors.

The future growth outlook essentially depends on the capacity to implement structural reforms, which will allow for rebalancing the economy and moving it away from excessive dependence on oil. Efforts are being made to relaunch the national economy, and the Government is defining its strategies in the 6-month interim plan (launched in October 2017), in order to correct the macroeconomic imbalances affecting the country. This plan is based on a set of tax and monetary measures, which essentially includes (1) continuing the fiscal consolidation process, (2) ensuring the sustainability of the public deficit, (3) reinforcing and consolidating monetary and foreign exchange policies, (4) empowering the financial sector, (5) improving the business environment, productivity and competitiveness between local companies and (6) attracting direct foreign investment. Public spending control measures were also provided for, with the aim of improving efficiency, as well as measures for increasing fiscal revenue levels.

INFLATION

The most recent data (November 2017) point to an accumulated inflation rate of 24.95% (source BNA and INE), against the 41.9% seen in 2016. Since late 2015, the accumulated inflation rate has always increased by

more than two digits. The economic shock arising from the fall in oil prices and the foreign exchange adjustment seen (especially in 2016) were factors that provided for acceleration in the general level of prices. In addition to these, other factors also influenced the high inflation rates, such as the monetary cost of access to foreign currency, the additional logistics costs caused by the changes that have been seen in the import and production chain, financing difficulties and the expectation of price increases as a result of continued inflation.



Notwithstanding the still high levels, it was possible to reduce the monthly inflation rate from October 2016, through a combination of policies related to liquidity control and the stabilization of the supply of essential goods. As a result, the year-on-year inflation, measured using the CPI, has shown a declining trend, going from 41.95% in December 2016 to 24.95% in November 2017. However, the inflationist pressure continues to sweep the national economy, essentially through the imminent devaluation of the kwanza, which could occur in early 2018.

TAX INCOME AND EXPENDITURE

Recent tax projections forecast a lower tax deficit than the one provided for in the General State Budget for 2017, estimating a deficit of 5.3% of the GDP, i.e. AOA 968.4 billion. This deficit is supported by total projected income of AOA 3,253.5 billion (17.7% of the GDP) and estimated total expenditure of AOA 4,221.9 billion (23% of the GDP).

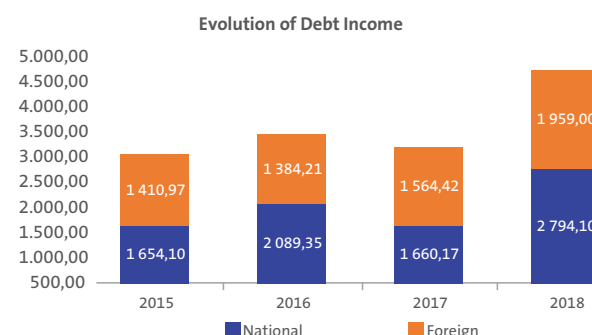
These values reflect an improvement in income compared to 2016, due to the slight improvement in the price per barrel of oil on the international market (67 USD/barrel), but still falling short of the income seen in 2014 and 2015. Income showed growth of 12%, while tax expenditure increased at a faster pace of 15.7%.

Public Finances

Billion Kwanzas (AOA)	2014 Exec	2015 Exec	2016 Exec	2017 Proj.	Δ 17/16
1. Revenue	4.403	3.367	2.900	3.253	+12,2%
Taxes	4.098	3.042	2.599	2.947	+13,4%
Oil	2.970	1.898	1.373	1.703	+24,0%
Non-oil	1.128	1.144	1.227	1.244	+1,3%
Social Security Contributions / Other	304	324	300	306	+2,0%
2. Expenditure	5.221	3.774	3.648	4.222	+15,7%
Current	3.666	3.038	3.003	3.373	+12,3%
Capital	1.555	736	645	849	+31,6%
3. Primary balance [1-2]	-819	-407	-748	-968	+29,4%
Net financing	303	269	726	1.024	+41,0%

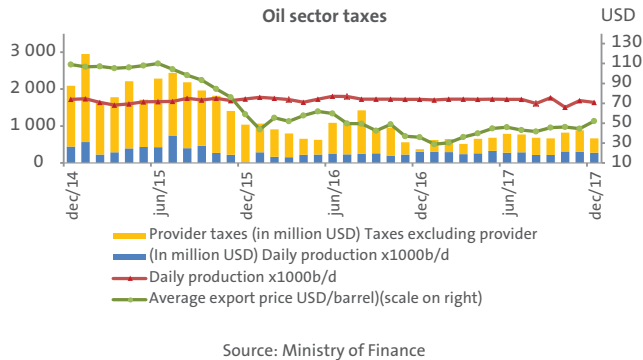
Source: Ministry of Finance (2017 Revised General State Budget and General State Budget)

Expenditure behavior during 2017 showed the expansionist trend, once again confirming that expenditure always increases when the price of oil increases, which brings risks to fiscal management given the lower, limited capacity for collecting non-oil revenue.



Budget deficits have been recurrent since 2014, forcing the State to resort both to internal and external funding, bringing indebtedness to very high levels and threatening its sustainability. In 2017, funding needs reached a total of AOA 3,224 billion. This value is expected to increase to AOA 4,753 billion in 2018 (Source: 2018 General State Budget). Funding needs increased 5.2% between 2014 and 2017, and could increase to 55% by 2018. This increase is essentially due to the increase in internal funding, which will reach AOA 1,660 billion in 2017, with a projected total of AOA 2,794 billion in 2018.

During 2017, oil revenue recorded an increase of 33.5%, driven by the increase in the price of oil per barrel from USD 45 to USD 62 during 2017 (Ministry of Finance Monthly Statistics - December 2017). The signs of recovery that appeared in the last months of the year are now clearly visible. However, it must also be mentioned that non-payment of ITP (Oil Transaction Tax) during the entire period of 2015, 2016 and 2017 and the continuous cuts in oil production by OPEC were major constraints to the recovery of oil revenue. The non-oil sector decreased compared to 2016, standing at around 6.8% of the GDP (7.4% in 2016). Projected fiscal revenue represents 16.1% of the annual GDP and is reasonably made up of non-oil revenue (8.7%).



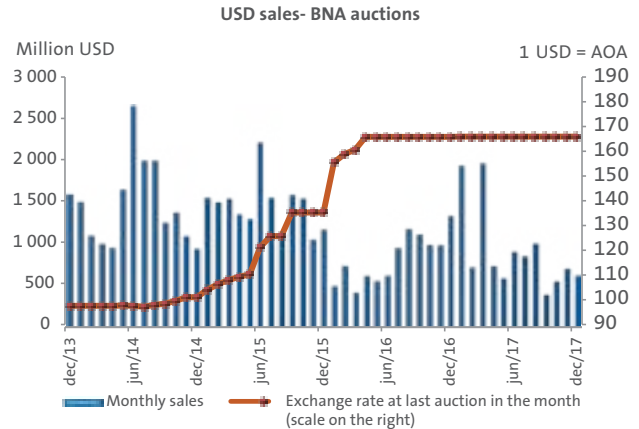
The fiscal adjustments recently implemented, particularly the reform of subsidies on oil derivatives and other products with administered prices, were important steps towards the necessary change in the economic framework of fiscal policy in Angola. It is agreed that the growth in public expenditure must not continue to be dependent on the oil cycle, increasing when oil prices increase and decreasing when international oil prices falls.

Based on the current high levels of expenditure and faced with the limited capacity to collect non-oil revenue, the exposure of public expenditure to fluctuating oil prices has created uncertainty and risks for fiscal management, both in terms of the budget plan and the financial plan. In addition, this implies major challenges for maintaining macroeconomic stability and sound growth of the GDP.

ACCOUNTS AND EXTERNAL MARKET

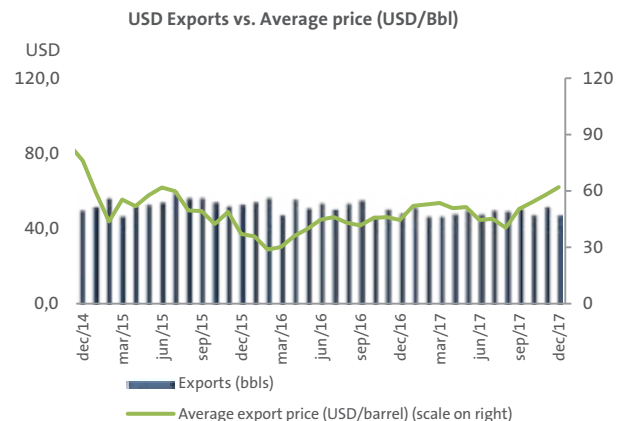
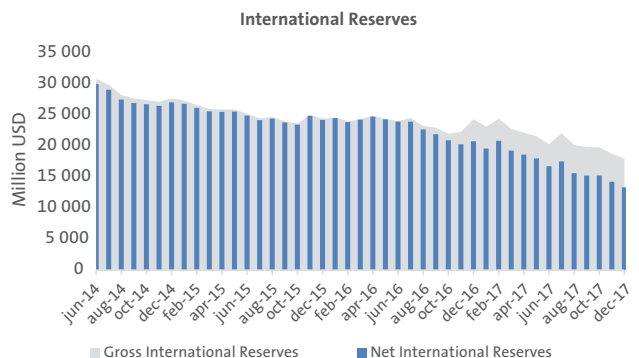
According to the latest data from the National Institute of Statistics (data for the 3rd quarter of 2017), a positive balance of trade is forecast, at around AOA 873.175 billion. Despite the positive balance of trade there was a decline in exports compared to the same period last year, of around 1.9%. Compared to the previous quarter of the year, there was a slight increase of 3.4%. Asia is still our main export destination, with a total of 73% of exports, followed by North America, with 9.7%. As to imports, Europe is still the preferred continent for imports into the country, with a total of 39%.

During 2017, the shortage of foreign currency continued to have a major effect on the economy, directly impacting the amount of foreign currency to be made available on the market to cover the import of goods and services, which was not able to fully meet demand. Even so, during 2017, BNA made around EUR 10.9 billion available at currency sales auctions, representing growth of 10% compared to the offer of euros the previous year. Of these sales, of note is the need to cover the needs of the oil sector (including Sonangol), which absorbed around 20% of the total of targeted sales. Other sectors carrying significant weight in foreign currency sales were: Food (14%); Sundry Operations (14%); and Industry (9%).



The kwanza-dollar exchange rate remained stable during 2017, contrary to the depreciation seen the previous year. The kwanza maintained its official rate at USD/AOA 165.9, with the rate on the informal market reaching around USD/AOA 400. The Monetary Policy Committee implemented policies in order to stabilize the exchange rate, despite the shortage of foreign currency in the country. These measures slowly stifled the country's reserves, making a possible devaluation of the kwanza in 2018 increasingly imminent.

Net International Reserves have been declining considerably, having fallen around -54% since the beginning of 2014. During 2017, despite the recent increase in the value of oil exports, the reduction stood at -38%, having reached a sum of USD 13.3 million in December 2017 (USD 20.8 in 2016).



MONETARY AND FINANCIAL PANORAMA

a) Monetary Policy and Liquidity

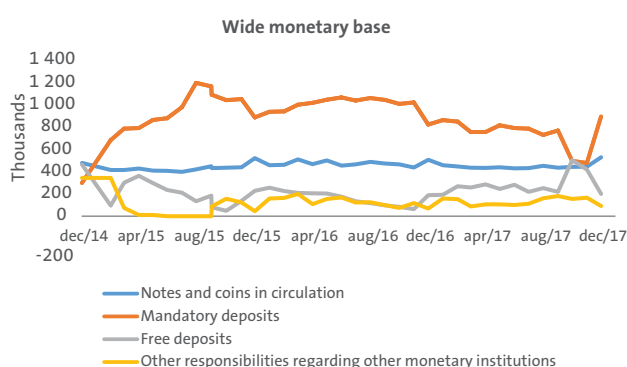
During 2017, the Monetary Policy Committee kept the reference rates practically unaltered. The only changes were made in the liquidity absorption rate, where BNA lowered the rate during the year from 7.5% to 2.75%. It also changed the Mandatory Reserves coefficient from 30% to 21%. Despite the reduction in the coefficient, it is important to note that it was no longer possible to comply with these reserves in local currency through the use of marketable securities.

Therefore, to sum up, throughout the year, BNA proceeded with the following measures:

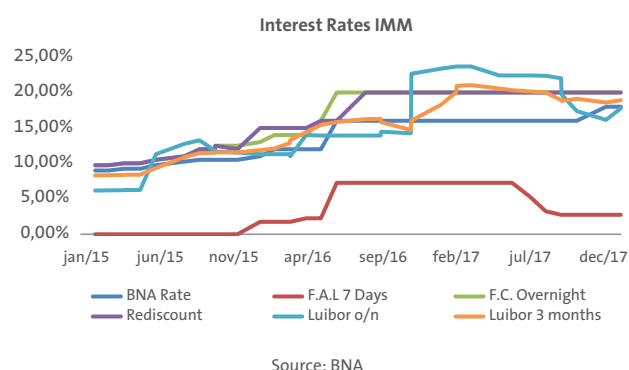
- It increased the BNA rate to 18.00% per year;
- The rate on the Standing Liquidity-Providing Facility remained at 20% per year;
- The rate on the 7-day Standing Liquidity-Absorbing Facility decreased from 2.75% to 0.00% per year.
- The mandatory reserves ratio, which affects the deposits of commercial banks, decreased from 30% to 21% for local currency and remained at 15% for foreign currency.

The local currency monetary base currently stands at AOA 1,169 billion reflecting a reduction of 12.8% since late 2016. This reduction is driven by the 12% reduction in notes and coins in circulation and around 28% in Mandatory Reserves in local currency.

Money supply (M3) stood at AOA 6,521.6 billion in December 2017, reflecting a slight contraction in money supply in local currency circulation compared to 2016. The dollarization of the economy, measured by the proportion of foreign currency (FC) in M3, increased 1 p.p. Compared to 2016, standing at 33% (December 2017). This increase in the weight of foreign currency does not necessarily reflect a real increase in foreign currency in circulation, as we recorded a slight reduction, 0.3%, in the amount of foreign currency.



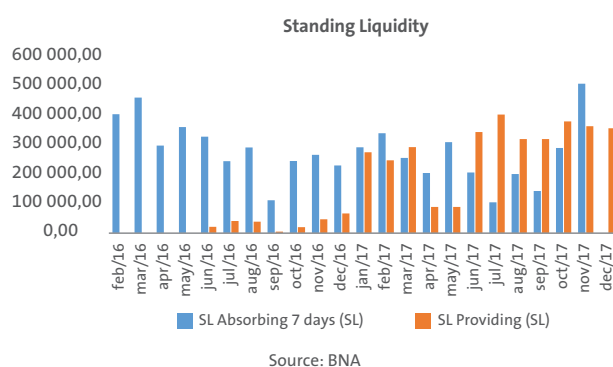
Interest rates on monetary policy operations also underwent external shocks arising from the low price of oil on the international market. The Government has therefore been promoting policies to maintain active bank lending rates as a means of controlling inflation. Generally speaking, reference rates showed a stable trend, with the exception of the Luibor, which trended downwards, especially in the overnight rate (O/N). The variations between January and December 2017 were -5.89 p.p. for Luibor O/N and -1.10 p.p. for the 3-month Luibor.



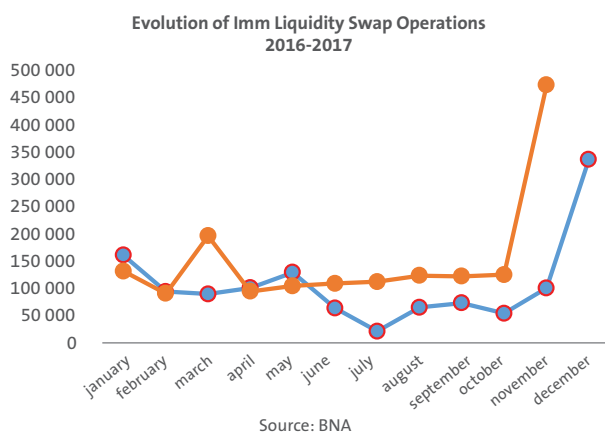
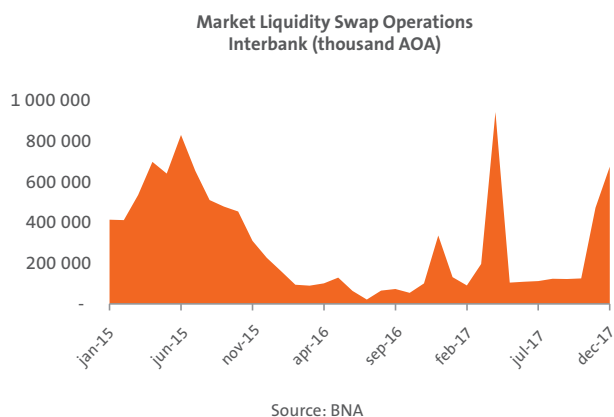
Reference Interest Rates Aoa	dec - 17	Last Year			
		Minimum	Date	Maximum	Date
BNA					
Basic BNA rate	18,00%	16,00%	-	18,00%	dez-17
Permanent liquidity	20,00%	20,00%	-	20,00%	-
Permanent – Overnight	0,00%	0,00%	-	0,00%	-
Permanent liquidity	2,75%	2,75%	ago-17	7,25%	mai-17
LUIBOR					
Overnight	16,4%	16,14%	nov-17	23,67%	mar-17
1 Months	17,50%	17,50%	nov-17	19,28%	mar-17
3 Months	18,58%	18,58%	nov-17	21,05%	mar-17
6 Months	21,08%	19,45%	set-17	23,08%	mar-17
9 Months	22,13%	21,30%	jan-17	24,65%	mar-17
12 Months	22,70%	21,87%	jan-17	25,75%	mar-17

There were many liquidity difficulties in the market during 2017, as there was a considerable increase in the marginal lending facility (MLF). The MLF recorded a total of AOA 3,481 billion (December 2017), as opposed to 240 billion in 2016.

On the other hand, the change in Mandatory Reserves from 30% to 21%, without the possibility of meeting the requirements with marketable securities, makes banks' real needs higher in order to comply with the mandatory reserve. This will certainly increase commercial bank demands for MLF even further.



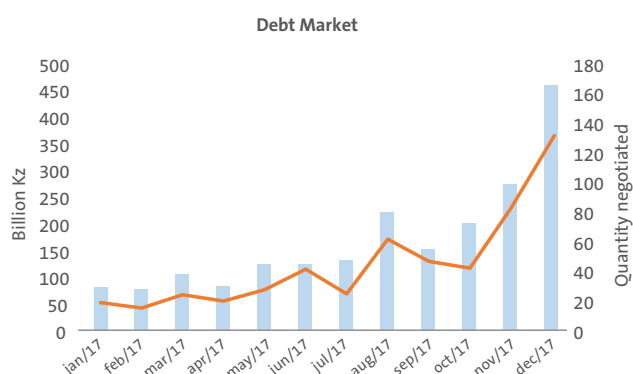
During 2017, the trend in operations in the interbank market was very similar to that seen in 2016. However, the volumes traded in 2017 were clearly higher, with a total of AOA 3,202.5 billion (data from December 2017) against the AOA 1,286 billion traded the previous year. Thus, there was growth of 83.0% in the volume traded compared to 2016.



b) Secondary debt market

During 2017, the Angolan Securities Exchange (BODIVA) made a total of 1,685 trades in the secondary public debt market (MSDP). Turnover reached a total of AOA 525 billion in 2017, representing growth of AOA 58.8 billion compared to the figures for 2016. Of this total, around AOA 453.3 billion referred to Treasury Bonds.

The average monthly trading volume was AOA 43.7 billion, 44% higher than the monthly average in 2016.



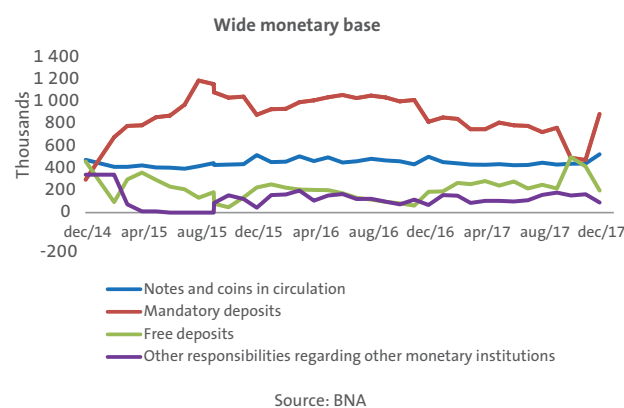
c) Monetary Survey

Money supply (M3) showed a fall of 2% in 2017, standing at AOA 6,392 billion (AOA 6,529 billion in 2016). Net External Assets reached a total of AOA 2,338 billion in late December. M2 showed a reduction of 0.1%, reaching AOA 6,517 billion in late December 2017.

Monetary Aggregates	2015	2016	2017	Var. 12m	T.V.A. %
Foreign Assets (net)	3.361	3.527	2.339	-1.188	-34%
International reserves (net)	3.283	3.452	2.215	-1.237	-36%
Central government loans (net)	351	1.102	2.708	1.606	146%
Monetary Aggregate (M3)	5.712	6.529	6.522	-7	0%
M2 (M1 + Near Money)	5.704	6.525	6.518	-7	0%
M1	3.420	3.854	3.732	-122	-3%
Notes and coins held by the public	381	396	419	23	6%
Transferable deposits	3.039	3.458	3.314	-145	-4%
In local currency	2.264	2.575	2.404	-171	-7%
In foreign currency	775	883	909	26	3%
Near Money	2.284	2.671	2.786	115	4%
Other deposits	2.284	2.671	2.786	115	4%
In local currency	1.258	1.571	1.696	125	8%
In foreign currency	1.026	1.100	1.090	-10	-1%
Other instruments similar to deposits	8	4	4	0	5%

Fonte: BNA

Notes and coins in circulation decreased 47%, standing at AOA 349 billion in 2017 (AOA 396 billion in 2016). There was also a 6% reduction in M1, standing at AOA 3,625 billion vs. AOA 3,854 billion.

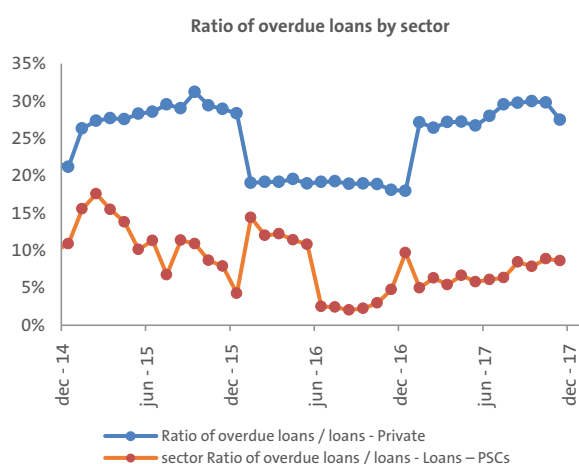
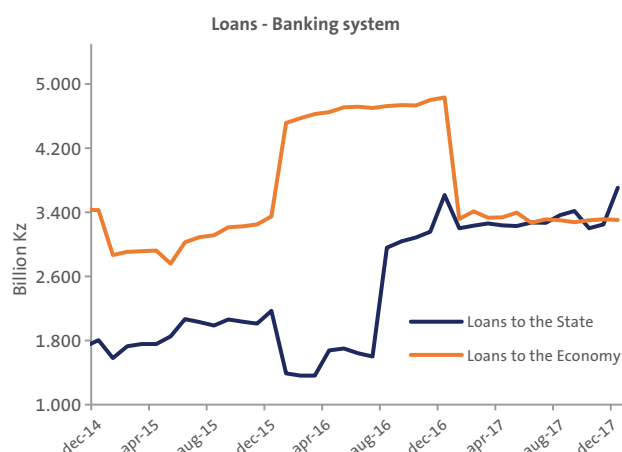


LOANS TO THE ECONOMY

Lending to the State by commercial banks grew 0.9% in 2017, reaching AOA 4,347 billion at the end of December 2017. This growth was essentially due to the increased local currency lending, where growth stood at 4% (AOA 3,101 billion vs. AOA 2,983 billion in 2016), unlike the case of foreign currency lending, which decreased 2% compared

to the previous year (AOA 1,245 billion vs. AOA 1,273 billion in 2016). The private sector continued to represent the largest slice of loans to the economy, at 74% of all loans granted, even though it showed a slowdown (decreasing 2% compared to 2016) in its growth.

Lending to the State saw an increase of 16% in 2017, standing at AOA 3,707 billion at the end of December.



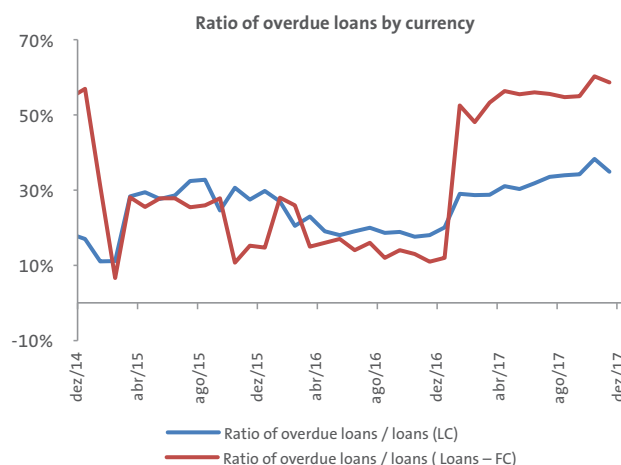
Source: BNA – Consolidated Balance Sheet – Commercial Banking

The ratio of overdue loans to total loans to Public Sector Corporations (PSCs) was 8.6% in December 2017 (up -1.1 pp on the previous year). For the Private Sector, the ratio showed a recovery between mid and 2017 (it increased 10 pp December 2017), reaching 28.8% in December 2017.

NATIONAL BANKING SYSTEM

The banking system soundness indicators showed a steep increase in risks associated with credit, with overdue credit representing 28.5% of total credit in November 2017. These values represent growth of 15.4 p.p. compared to the ratio at the end of 2016, which stood at 13.1%. In percentage terms, we are talking about an increase of 145% if we compare this to the ratio values for 2015.

On the other hand, loans granted in FC continue to decrease and there is an increasing trend towards granting loans to the public sector, whose weight reached 10.4% in 2017, compared to the 8.7% and 7.3% recorded in 2016 and 2015 respectively.



Source: BNA – Consolidated Balance Sheet – Commercial Banking

The degree of coverage of credit provisions for overdue loans increased in 2017, going from 63.1% to 105.5%, which, taking into account the increase in overdue loans, shows an increase in credit risk levels.

Asset quality (Ratios)	dec-16	mar-17	jun-17	sep-17	dec-17
Amounts in %					
Overdue loans / Private sector loans	18,0%	27,2%	28,0%	30,0%	28,0%
Overdue loans / loans - PSC Loans	9,7%	5,4%	6,1%	7,9%	9,3%
Overdue loans / loans to the economy	17,9%	26,6%	27,4%	29,4%	27,4%
Loan loss provisions / Total loans	9,5%	11,4%	27,8%	25,5%	22,6%
Loan loss provisions / Overdue loans	63,1%	54,6%	129,6%	113,0%	106,1%

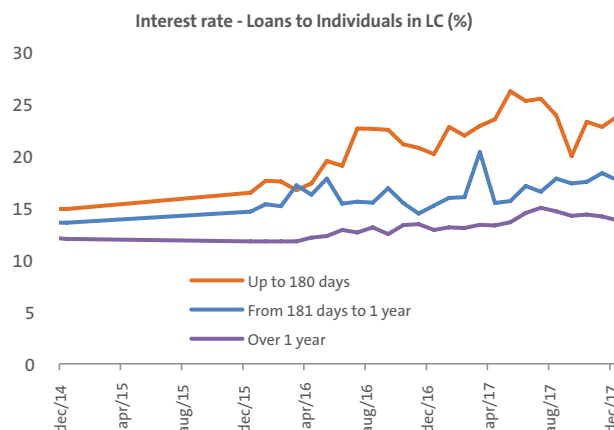
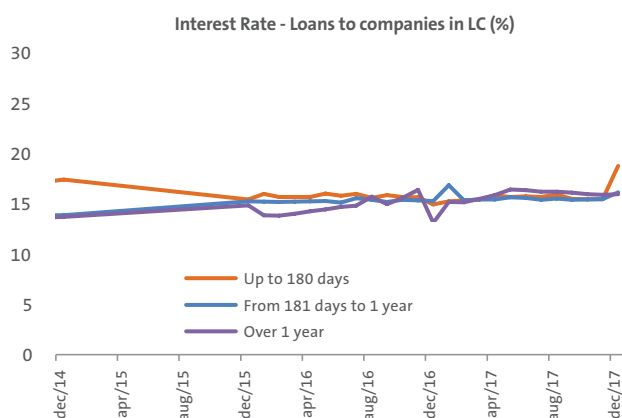
In 2017, return on equity (ROE) recorded a fall of 3.3 p.p. compared to the same period last year, reaching 12.3% at the end of the year. With regard to return on assets, the banking system has maintained values close to 2% despite the deceleration in the main asset banks have, which is credit.

The ability to transform funds into credit (transformation rate) stood at 52% in 2017, representing a slight fall of 0.4 p.p. compared to the end of the previous year.

Finally, the regulatory solvency ratio of the banking system shows comfortable levels of capitalization given the minimum required regulatory limit (10%). The solvency of the system stood at 23.2% in 2017, recording growth of 4 p.p. compared to the previous year.

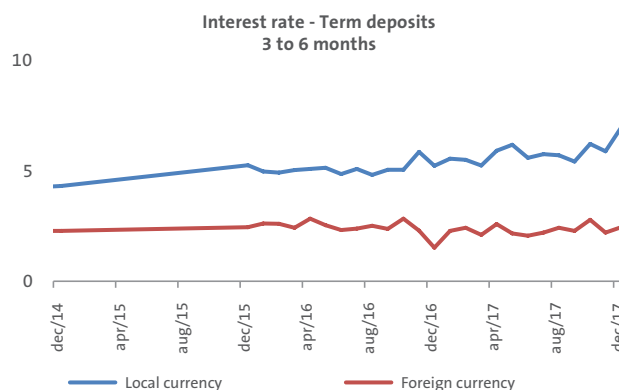
Indicators of Angolan Banking System	Sistema		
	2015	2016	2017
Capital adequacy			
Solvency = FPR / (APR + ECRC/0,10)	19,8%	19,2%	23,2%
Basic Equity (Level I) / Assets weighted by risk	13,8%	14,3%	17,8%
Asset quality			
Loans (FC) / Total Loans	30,8%	29,5%	24,8%
Overdue Loans / Gross Total Loans	11,6%	13,1%	28,5%
Distribution of Credit Portfolio by sector			
Public sector loans - ratio total loans	7,3%	8,7%	10,4%
Private sector loans - ratio total loans	92,7%	91,3%	89,6%
Profit and Returns			
Return on Assets (ROA)	1,7%	2,2%	2,0%
Return on Equity (ROE)	12,9%	15,6%	12,3%
Total expenses / Total income	99,8%	99,7%	99,8%
Cost-to-income	47,4%	45,2%	50,9%
Liquidity			
Net assets / Total assets	39,7%	46,3%	40,8%
Net assets / Short-term liabilities	50,6%	59,2%	52,5%
Total loans / Total deposits	59,0%	51,6%	52,0%
FC liabilities / Total liabilities	33,5%	34,4%	34,1%
Market sensitivity and change			
Open currency exposure net / Regulatory Equity	34,4%	42,9%	39,4%
Number of banks reporting information during	28	27	28

In 2017, the interest rates on loans in LC to companies were generally stable for loans with maturities up to one year. For maturities of more than 1 year, there was a slight increase, particularly in May, when rates reached 16.41%. The interest rates on loans in LC with maturities between six months and one year stood at 16.1% in December 2017.



The interest rates on loans in LC to individuals (except for maturities of more than one year) rose over the course of the year, to reach 17.6% in December 2017 (15.9% in December 2016) for maturities between six months and one year). For maturities of six months the upward trend was sharper in the middle of the year with the rates reaching almost 26.2% in May (20.2% in 2016). The FC interest rate for a 6-month maturity fell from 9.1% in December 2016 to 4.9% in December 2017, highlighting the fact that there were remarkable increases in April (12.94%), June (13.92%) and July (13.38%).

The interest rate on term deposits in LC with maturities of up to six months remained at 5.8% at the end of 2017 (5.2% in 2016). The rates on term deposits in FC fell slightly compared to 2016. The rates for maturities of three to six months went from 2.0% in 2016 to 2.2% in 2017.



REGULATORY FRAMEWORK

Relevant regulations for the finance sector approved in 2017

Month	Day	Reference	Subject
January	10	Instruction No. 01/17	Payment Systems
February	02	Presidential Decree no. 06/17	This authorizes the minister of finance to raise funds through the issue of treasury bonds in local currency (TB-LC) with the technical conditions and characteristics provided for in this Presidential Decree, up to a sum of AOA 5,850,000.00
		Presidential Decree no. 14/17	This authorizes the minister of finance to raise funds through the special issue of treasury bonds in local currency (TB-LC) with the technical conditions and characteristics provided for in this Presidential Decree, up to a sum of AOA 402,750,000,000.00
	03	Notice No. 01/17	This establishes the procedures for making investments, transfers of capital, dividends and other income related to trading in securities by foreign exchange non-resident entities
		Notice No. 02/17	This establishes the rules applicable to opening and making transactions in accounts held in national banking institutions, held by foreign exchange non-residents and in local and foreign currency
	10	Order No. 50/17	This authorizes the issue and placement of treasury bills 2017 - Floating Debt - under the terms of art. 2(f) of Law No. 1/14, of February 6, in accordance with the rules and procedures defined in Executive Decree No. 59/17, of February 9
	16	Law No. 07/17	This establishes the legal framework on the protection of information systems and networks
	17	Presidential Decree no. 24/17	This approves the national financial stability scheme, the CNEF
	22	Presidential Decree no. 31/17	This regulates the legal framework for temporary assignment of workers, as well as the activities of temporary employment companies and the contractual relationships with the workers and the users
March	6	Presidential Decree no. 39/17	This approves the amendments to articles 4, 8 and 22, art. 28(2), art. 29(4) and the article 22-A addendum to the statutes of the Financial Intelligence Unit (FIU) and the supervisory committee, approved by presidential decree No. 212/13, of December 13.
		Presidential Decree No. 43/17	This regulates the engagement in professional activities by non-resident foreign workers
	13	Law No. 09/17	General Advertising Law
	30	Notice No. 03/17	This establishes the rules and procedures applicable to the exemption from charging commissions, as well as the duties of information to be followed under the scope of minimum banking services.
April	20	Presidential Decree No. 77/17	This approves the implementation strategy for the Mobile payment system in Angola (SPMA)
	24	Presidential Decree no. 79/17	This approved the amendments to art. 2, 7 and 10, of March 6, regulating the engagement in professional activities by non-resident foreign workers
	25	Presidential Decree No. 83/17	This authorizes the minister of finance to raise funds through the issue of treasury bonds in foreign currency with the technical conditions and characteristics provided for in this decree, up to a limit equivalent to USD 379
May	15	Executive Decree No. 291/17	This determines that the Treasury bonds provided for in art. 1 of Presidential Decree No. 83/17, of April 25, up to an overall sum of USD 379,000,000.00, are to be issued in US dollars, with coupon interest rates defined on placement, and delivery directly to the beneficiaries
	22	Dispatch no. 242/17	This determines that the issue, placement and repayment of treasury bonds in foreign currency, with predefined coupon interest rates by maturity and placed directly with the beneficiaries, in accordance with the provisions of presidential decree No. 83/17, of April 25, must generally obey the specific conditions set in the general obligation.
June	20	Presidential Legislative Decree No. 1/17	This establishes the obligations of financial institutions in terms of the identification of certain accounts and reporting information to the General Tax Administration, reinforcing and assuring the necessary conditions for the application of international cooperation mechanisms and combating tax evasion, as provided for in the agreement between the Republic of Angola and the United States of America.
	28	Notice No. 04/17	Exchange Rate System for Goods Exports

Month	Day	Reference	Subject
July	10	Notice No. 05/17	This regulates the issue, acceptance and use of payment cards and the operating principles of the ATM system.
	12	Presidential Decree No. 165/17	This authorizes the minister of finance to proceed with the issue of treasury bonds in local currency (TB-LC) with the technical conditions and characteristics provided for in this decree, up to a sum of AOA 150,000,000,000.00, under the scope of the limit established in the General State Budget.
	27	Executive Decree No. 366/17	This approves the legal framework of the Taxpayer Identification Number
August	01	Presidential Decree No. 169/17	This authorizes the minister of finance to raise funds through the issue of treasury bonds in local currency (TB-LC) with the technical conditions and characteristics provided for in this Presidential Decree, up to a sum of AOA 1,240,000,000.00, under the scope of the established limit.
	07	Law No. 14/17	General Law on Archives
	25	Law No. 19/17	Law on preventing and fighting terrorism
September	12	Notice No. 07/17	This regulates the provision of payment services under the scope of the Angolan payment systems.
	12	Notice No. 08/17	This regulates the classification of the clearing and settlement subsystems in the Angolan payment system (SPA). It is aimed at the adoption of risk control mechanisms and provides for the functioning and operation of these systems and the responsibilities of their operators.
	12	Notice No. 09/17	This establishes the deadlines for making transfers and remittances, as well as making funds available to beneficiaries, through cash or checks, from transfers or remittances.
October	27	Presidential Decree No. 258/17	This approves the interim plan containing the policy measures and actions to improve the current economic and social situation, for the period from October 2017 to March 2018, safeguarding macroeconomic stability, economic growth and job creation, as well as the more pressing needs of the people.
November	09	Directive No. 07/17	Criteria adopted for calculating foreign currency sales for covering private operations and international card brands.
December	01	Instruction No. 05/17	Exchange Rate Policy
	01	Instruction No. 06/17	Mandatory Reserves

Main limits and prudential ratios in force of at December 31, 2017

Materials	Limits and Ratios
Liquidity	
Mandatory Reserves Instruction no. 06/2017 of December 01 Directive n° 01/DSP/2016, of April 18 Instruction No. 05/2017 of December 01	<p>Except for central, local and municipal government deposits, the mandatory reserves ratio is 21% of the reserve base* in local currency and 15% of the reserve base* in foreign currency. The following may be deducted from the reserve base:</p> <p>The assets representing LC credit payment for the following projects are no longer deducted from LC requirements: Industry, Energy and Water sectors, hotel and catering services, transport and computers, and loans granted under the scope of the Angola Invest program.</p> <p>Consequently, the only sectors eligible for deducting the LC requirements are: agriculture, livestock, forestry and fisheries.</p> <p>The mandatory reserve ratio for Central Government deposits in LC is 75% and 100% for FC.</p> <p>The mandatory reserve ratio for deposits from Local Governments and Municipal Authorities in LC are 50% and 100% for FC;</p> <p>Mandatory reserves do not earn interest.</p> <p>The mandatory reserves ratio is calculated every week, on the first business day and on the first and last business day of the week after the balances are established.</p> <p>* As a general rule, the reserve base includes all customer funds (demand deposits, term deposits, other customer funds), marketable securities, treasury bonds, third-party bonds, provision of tax payment services and relationships with correspondent banks and excludes the balances of Bankita accounts and monthly interest on the reserve base.</p> <p>The requirement to set up captive funds in LC in the requestor's account for the purchase of FC from banking and financial institutions ceases.</p> <p>* The requirement to comply with Treasury Bond Requirements for Mandatory Reserves in Local Currency ceases.</p> <p>Treasury bond weights:</p> <ul style="list-style-type: none"> a) Bonds with maturity of = or > 5 years – 100% of the nominal value; b) Bonds with maturity of 4 years – 75% of the nominal value; c) Bonds with maturity of 3 years – 50% of the nominal value; d) Bonds with maturity of 2 years – 20% of the nominal value. <p>Weighting of financing contracts signed with the MINFIN:</p> <ul style="list-style-type: none"> a) Disbursements from financing contracts with maturities greater than or equal to 7 years – 100% of the nominal value; b) Disbursements from financing contracts with maturities between 6 years (inclusive) and 7 years (exclusive) – 100% of the nominal value; c) Disbursements from financing contracts with maturities between 4 years (inclusive) and 6 years (exclusive) – 100% of the nominal value disbursed; d) Disbursements from financing contracts with maturities between 2 years (inclusive) and 4 years (exclusive) – 10% of the nominal value disbursed. <p>The following assets are eligible for compliance with the mandatory reserve in FC:</p> <ul style="list-style-type: none"> a) 20% with FC deposit accounts with BNA opened in the name of each Institution; b) 80% with FC Treasury Bonds belonging to the proprietary portfolio registered on SIGMA, issued in 2015.

continued



continuation

Materials	Limits and Ratios																								
Credit																									
Maximum exposure per customer Notice n° 8/07, of September 12	25% of the Regulatory Capital (RC). Any excess must be deducted when calculating regulatory capital.																								
Maximum aggregate exposure Notice n° 8/07, of September 12	300% of the RC for the 20 largest debtors.																								
Foreign currency credit Notice n° 3/12, of March 28	The following types of lending are not permitted in foreign currency at any maturity: <ul style="list-style-type: none">• Liquidity assistance, including revolving credit facilities;• Automobile financing;• Consumer loans and micro-loans;• Advances to depositors or overdrafts;• Other types of short-term financial credit (up to 1 year).																								
Loan provisions Notice n° 11/14, of December 10 Instruction n° 9/15, of June 4	<p>Individual classification of the risk position must take into account the characteristics and risks of the loan operation, observing at least the following:</p> <p>a) How the resources are used, by type of transaction; b) The main activity of the debtor; c) Whether liability operations are required or not; d) The guarantees received from the debtor; e) The currency, index and maturity of the transaction; f) Full and precise identification of the borrower and the economic group they belong to.</p> <p>It is up to the institution holding the credit to estimate any possible loss, calculated through the use of consistent, verifiable criteria and based on internal and external information that includes at least the following:</p> <p>a) Regarding the debtor and guarantors: i. Economic and financial situation; ii. Management capacity and quality of internal controls; iii. Record of prompt payments and late payments; iv. Contingencies; v. Industry sector; vi. Geographic area of operation; vii. Credit limit.</p> <p>b) For the transaction: i. Nature and purpose of the transaction; ii. Guarantee characteristics, particularly as to sufficiency and liquidity; iii. Value.</p> <table><tr><th>Risk</th><th>Level</th><th>Classif. Risk Position</th></tr><tr><td>Minimum</td><td>A</td><td>-</td></tr><tr><td>Very low</td><td>B</td><td>= ou < 30 days</td></tr><tr><td>Low</td><td>C</td><td>>30 and = < 60 days</td></tr><tr><td>Moderate</td><td>D</td><td>>60 and = < 90 days</td></tr><tr><td>High</td><td>E</td><td>>90 and = < 150 days</td></tr><tr><td>Very high</td><td>F</td><td>>150 and = < 180 days</td></tr><tr><td>Maximum</td><td>G</td><td>> 180 days</td></tr></table> <p>Classification or risk positions should be reviewed every month and whenever there are changes in the impairment indicators for overdue payment of the main capital, of charges and as described above.</p> <p>Level A risk operations cannot have any indication of impairment.</p>	Risk	Level	Classif. Risk Position	Minimum	A	-	Very low	B	= ou < 30 days	Low	C	>30 and = < 60 days	Moderate	D	>60 and = < 90 days	High	E	>90 and = < 150 days	Very high	F	>150 and = < 180 days	Maximum	G	> 180 days
Risk	Level	Classif. Risk Position																							
Minimum	A	-																							
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Low	C	>30 and = < 60 days																							
Moderate	D	>60 and = < 90 days																							
High	E	>90 and = < 150 days																							
Very high	F	>150 and = < 180 days																							
Maximum	G	> 180 days																							

continued

continuation

Materials	Limits and Ratios																																																																													
Credit	<div>The provision of real and personal guarantees to the institutions can reduce risk classifications. Risks can be increased or reduced according to insufficiency or value/characteristics of the operation guarantees.</div> <table><tr><th rowspan="5">Classif. Risk position</th><th rowspan="5">No Warranty</th><th rowspan="5">Personal</th><th colspan="5">With Warranty</th><th rowspan="5">Non Financial</th></tr><tr><th colspan="4">Real</th><th rowspan="4">Financial</th></tr><tr><th colspan="2">Mortgage</th><th rowspan="3">Other purposes</th></tr><tr><th colspan="2">Home Loan</th></tr><tr><th>Warranty < 75% Exposure</th><th>Warranty > = 75% Exposure</th></tr><tr><td>A</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td></tr><tr><td>B</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td><td>1%</td></tr><tr><td>C</td><td>5%</td><td>5%</td><td>2%</td><td>2%</td><td>5%</td><td>2%</td><td>5%</td></tr><tr><td>D</td><td>30%</td><td>20%</td><td>5%</td><td>15%</td><td>20%</td><td>10%</td><td>20%</td></tr><tr><td>E</td><td>50%</td><td>30%</td><td>15%</td><td>25%</td><td>30%</td><td>20%</td><td>30%</td></tr><tr><td>F</td><td>70%</td><td>60%</td><td>45%</td><td>55%</td><td>60%</td><td>50%</td><td>60%</td></tr><tr><td>G</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr></table>	Classif. Risk position	No Warranty	Personal	With Warranty					Non Financial	Real				Financial	Mortgage		Other purposes	Home Loan		Warranty < 75% Exposure	Warranty > = 75% Exposure	A	0%	0%	0%	0%	0%	0%	0%	B	1%	1%	1%	1%	1%	1%	1%	C	5%	5%	2%	2%	5%	2%	5%	D	30%	20%	5%	15%	20%	10%	20%	E	50%	30%	15%	25%	30%	20%	30%	F	70%	60%	45%	55%	60%	50%	60%	G	100%	100%	100%	100%	100%	100%	100%
Classif. Risk position	No Warranty				Personal	With Warranty					Non Financial																																																																			
						Real						Financial																																																																		
						Mortgage		Other purposes																																																																						
						Home Loan																																																																								
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A	0%	0%	0%	0%	0%	0%	0%																																																																							
B	1%	1%	1%	1%	1%	1%	1%																																																																							
C	5%	5%	2%	2%	5%	2%	5%																																																																							
D	30%	20%	5%	15%	20%	10%	20%																																																																							
E	50%	30%	15%	25%	30%	20%	30%																																																																							
F	70%	60%	45%	55%	60%	50%	60%																																																																							
G	100%	100%	100%	100%	100%	100%	100%																																																																							
Equity																																																																														
Minimum Share Capital Notice n° 14/2013, of November 15	Kz 2.500.000.000,00																																																																													
Minimum Equity Value (Art. 75 of Law n° 13/05, of September 30 and Notice n° 14/13, of November 15)	The same as the required minimum share capital.																																																																													
Legal reserve Art. 327 of Law n° 1/04, February 13 and art. 76 of Law n° 13/05)	Reserve created by allocating a minimum percentage (20%) of net profits each year until the accumulated balance equals 100% of the share capital.																																																																													

continued



continuation

Materials	Limits and Ratios																
Equity																	
Definition of Regulatory Capital (RC) Notice n° 5/07*, of 12 September 12 Instruction n° 3/11, of June 8 (see Note 1) *Note that a new Notice was issued on April 28, 2016 revoking this notice and coming into force in June 2017. New elements were established as being part of the RC.	<table><tr><td rowspan="2">Core Own (CC) (Tier 1)</td><td>To be added</td><td>Art.3.1.1</td></tr><tr><td>+ Capital + Reserve for monetary reinstatement of share capital + Retained profits and losses + Legal reserve, special reserve and other reserves + Net income for the year</td><td>a) b) c) d) e)</td></tr><tr><td></td><td>To be deducted</td><td>Art.3.1.2</td></tr><tr><td></td><td>- Own shares or equity units held as treasury stock. Not applicable (Note 1) - Loans that qualify as capital - Financial fixed assets - Tax credits arising from tax losses - Intangible assets - Other values to be determined by BNA</td><td>a) b) c) d) e) f) and g) h)</td></tr></table> <table><tr><td rowspan="2">Core Own Capital (Tier 2) ≤ 100% CC</td><td>To be added</td><td>Art.3.2</td></tr><tr><td>Not applicable (Note 1) Not applicable (Note 1) + Revaluation reserves for property for own use ⁽²⁾ + Subordinate debt and hybrid capital ⁽³⁾ + Other funds</td><td>a) b) c) d) e)</td></tr></table> <p>Note 1: Amendment introduced by Instruction n° 3/11 Limits of Supplementary Capital (Art. 4): ⁽¹⁾ 1.25% of RWA (Risk weighted assets) ⁽²⁾ (1st) 25% of CC and (2nd) ≤ 50% of their value ⁽³⁾ (1st) 50% of CC and (2nd) 80% value div. 5 years before maturity</p>	Core Own (CC) (Tier 1)	To be added	Art.3.1.1	+ Capital + Reserve for monetary reinstatement of share capital + Retained profits and losses + Legal reserve, special reserve and other reserves + Net income for the year	a) b) c) d) e)		To be deducted	Art.3.1.2		- Own shares or equity units held as treasury stock. Not applicable (Note 1) - Loans that qualify as capital - Financial fixed assets - Tax credits arising from tax losses - Intangible assets - Other values to be determined by BNA	a) b) c) d) e) f) and g) h)	Core Own Capital (Tier 2) ≤ 100% CC	To be added	Art.3.2	Not applicable (Note 1) Not applicable (Note 1) + Revaluation reserves for property for own use ⁽²⁾ + Subordinate debt and hybrid capital ⁽³⁾ + Other funds	a) b) c) d) e)
Core Own (CC) (Tier 1)	To be added		Art.3.1.1														
	+ Capital + Reserve for monetary reinstatement of share capital + Retained profits and losses + Legal reserve, special reserve and other reserves + Net income for the year	a) b) c) d) e)															
	To be deducted	Art.3.1.2															
	- Own shares or equity units held as treasury stock. Not applicable (Note 1) - Loans that qualify as capital - Financial fixed assets - Tax credits arising from tax losses - Intangible assets - Other values to be determined by BNA	a) b) c) d) e) f) and g) h)															
Core Own Capital (Tier 2) ≤ 100% CC	To be added	Art.3.2															
	Not applicable (Note 1) Not applicable (Note 1) + Revaluation reserves for property for own use ⁽²⁾ + Subordinate debt and hybrid capital ⁽³⁾ + Other funds	a) b) c) d) e)															
Regulatory Capital Adequacy Ratio (RCAR) Notice n° 5/07*, of September 12 Instruction n°3/11, of June 8 (revoking Instruction n° 6/09, of May 8) Instruction n° 6/07, of September 12. *Note that a new Notice was issued on April 28, 2016 revoking this notice and coming into force in June 2017. A new formula** was introduced for calculating the capital adequacy ratio.	<div><div>RCAR =</div><div><div>RC</div><div>Credit risk + Exchange rate and gold risk</div><div>10%</div></div><div>≥ 10%</div></div> <div>** RCAR ((RC / RC Requirements) * 10% (Comes into force in June 2017)</div>																
Exchange rate restatement Notice n° 2/09, of 8 May	Each month, the financial statements must take into account the effects of changes in the purchasing power of the local currency, based on the Consumer Price Index (CPI), if inflation has exceeded 100% in the last (3) three years, by adjusting the carrying amounts of fixed assets and equity.																

continued

continuation

Materials	Limits and Ratios																		
Foreign Exchange Risk																			
Foreign Exchange Exposure Notice nº 02/2015, of January 26 Directive nº 3/DSI/11, of April 1	Foreign exchange exposure is calculated taking into account all asset and liability positions, including off-balance sheet items, up to a limit of 30%, that result in liabilities denominated in or linked to foreign currency or gold. The limit is 20% of regulatory capital for long positions (assets) and short positions (liabilities). Treasury securities indexed to a foreign currency are exempt from the calculation of foreign exchange exposure. <table><tr><td>Position</td><td>31/12/10</td><td>30/06/11</td><td>31/12/11</td><td>30/06/12</td><td>30/06/13</td></tr><tr><td>Long</td><td>70</td><td>50</td><td>30</td><td>20</td><td>20</td></tr><tr><td>Short</td><td>40</td><td>30</td><td>20</td><td>20</td><td>20</td></tr></table>	Position	31/12/10	30/06/11	31/12/11	30/06/12	30/06/13	Long	70	50	30	20	20	Short	40	30	20	20	20
Position	31/12/10	30/06/11	31/12/11	30/06/12	30/06/13														
Long	70	50	30	20	20														
Short	40	30	20	20	20														
Fixed Assets																			
Direct or Indirect Equity Holdings in Companies Notice nº 12/07, of September 12	Current regulations only define rules and conditions for the establishment of branches abroad and the direct or indirect acquisition of interests in <u>financial institutions</u> or similar entities, in Angola or abroad, and the investment is subject to prior authorization by Banco Nacional de Angola. The conditions state that financial institutions must: a) Be operating for at least three years; b) Comply with the operational limits set in the regulations in force; c) Comply with the minimum paid-up share capital and regulatory capital requirements, increased by the equivalent of 100% of the minimum share capital required to establish a bank in Angola.																		
Acquisition and Possession of Real Estate Art. 11 of Law nº 13/05, of September 30	No property assets may be acquired that are not indispensable to the pursuit of the corporate object, unless they are received in settlement of loans, in which case they must be sold within two years.																		
Fixed Asset Ratio Notice nº 6/11, of July 13 (revoking Notice nº 7/07 , of September 12)	Net investments in tangible and intangible fixed assets (GV-AA) may not exceed 100% of the regulatory capital.																		

Note 1: For the purpose of calculating regulatory capital, net profit must be calculated using the nominal tax rate (30%), without considering any tax adjustments.

Abbreviations used:

LC – Local Currency;

FC – Foreign Currency;

RC – Regulatory Capital;

GV – Gross Value;

AA – Accumulated amortization and depreciation.



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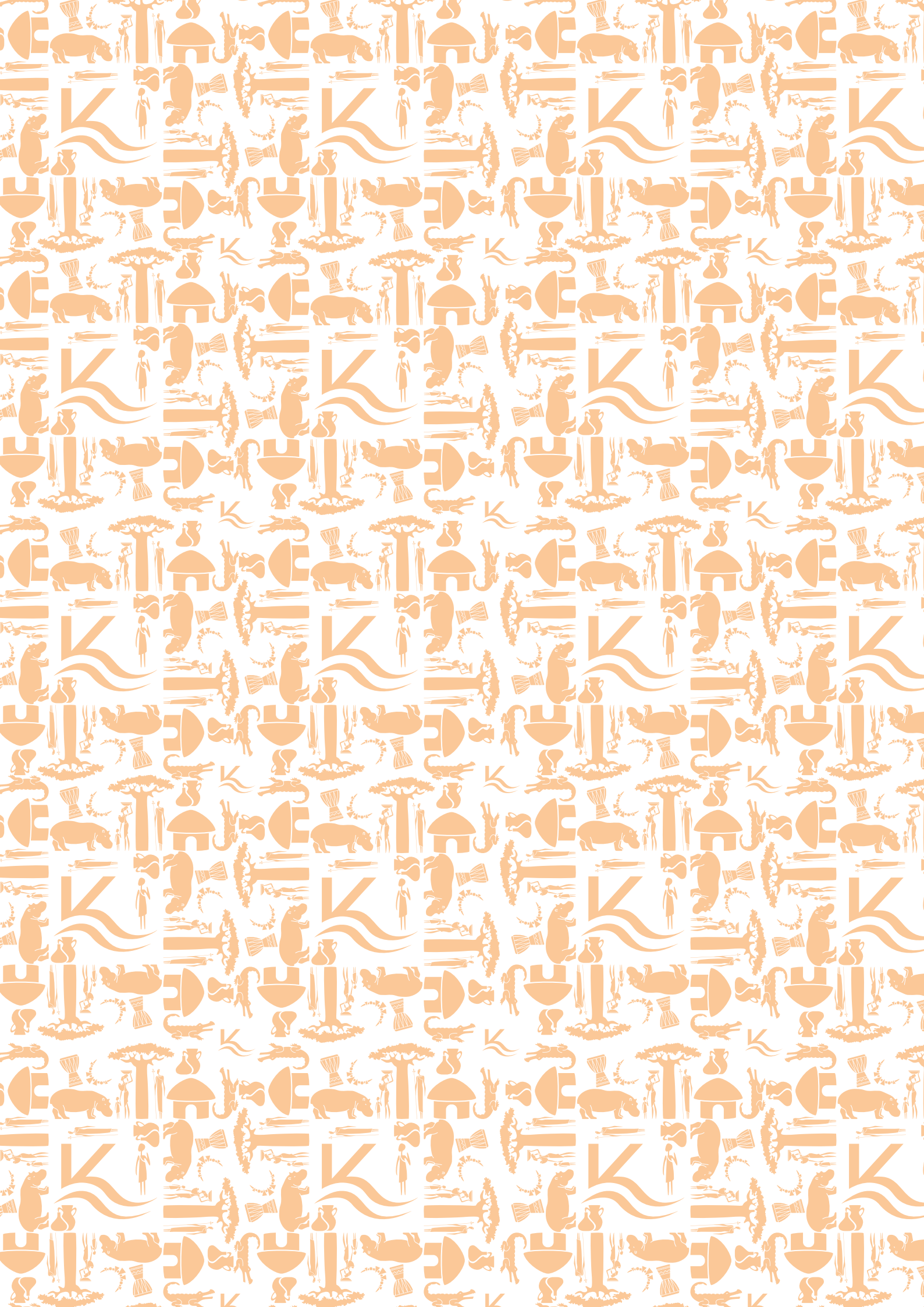
Activities by Segments, Products
and Services

Banco *Keve*

O BANCO À SUA MEDIDA

Leopardo Africano





SEGMENT CHARACTERIZATION

The commercial network of Banco Keve SA presents segmentation that is essentially aimed at providing services to Private Customers, Institutional Customers and Companies. Along with the traditional banking services it provides, the Bank also provides a set of products to the various Customer segments, whose main aim is to promote savings and facilitate trade and investment in financial instruments.

In order to improve our banking services and products and make them more suitable, Banco Keve has three departments (DGE - Large Corporates Department, DRC - Commercial Network Department and DPR- Private Banking Department) that work in different segments, promoting a closer relationship with each segment.

The main segmentation criteria are as follows:

Large Corporates Department

- Company groups or companies (From a certain invoicing level)
- Groups of state business entities, associations, foundations and public institutions

Commercial Network Department

- Retail banking – Private customers
- Small and medium-sized enterprises whose characteristics do not fall under DGE

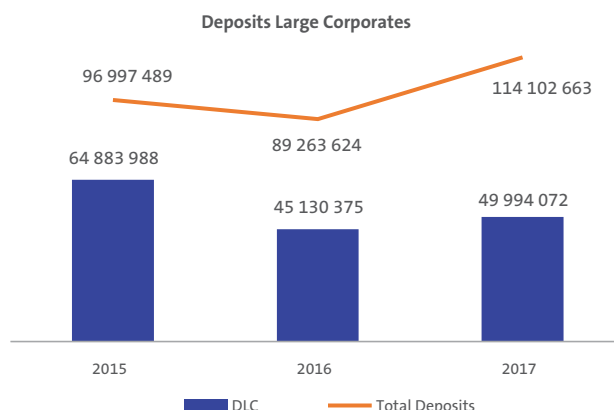
Private Banking Department

- Private Customers (Self-employed professional, businesspeople and Top Private customers)

LARGE CORPORATES

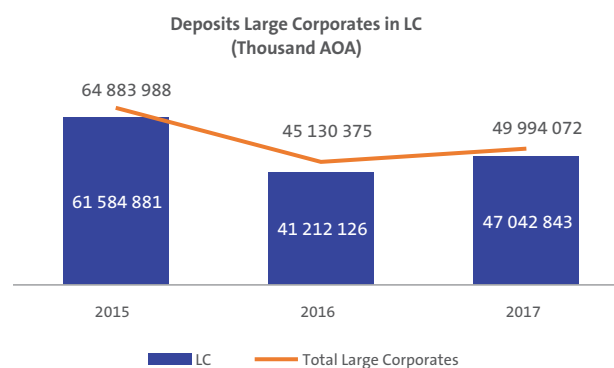
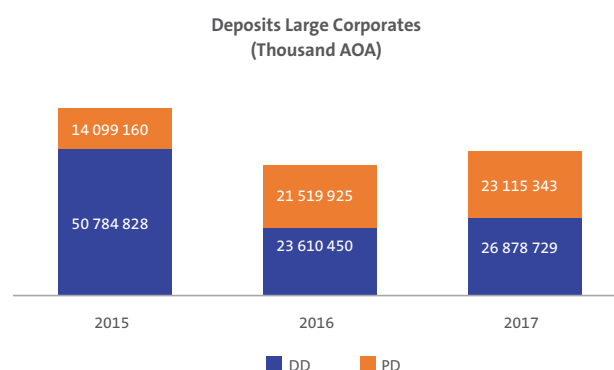
The large corporates segment has always been the segment contributing most to Banco Keve resource raising. However, given the current economic climate, during 2017, the companies showed atypical behavior, essentially as a result of the shortage of foreign currency. The system for the direct sale of foreign currency negatively influenced the evolution of funds in this Banco Keve segment, given that the bank was “obliged” to channel funds into institutions whose direct sales were made. Even so, this segment represents 43% of the total of Bank funds.

In 2017, the number of customers in this segment increased 28% compared to 2016, reaching a total of 1,235 customers. With regard to customer funds, the large corporates segment recorded a total of AOA 49.994 billion in 2017, representing growth of AOA 4.726 billion compared to the previous year.



The weight of the large corporates segment recorded a decrease of 7 p.p. during 2017 (50% in 2016 vs. 43% in 2017). This reduction was associated not only with growth in other segments, but was also due to the new BNA regulations, which obliged the mobilization of captive deposits for foreign operations in late 2017.

In 2017, the total of demand deposits (AOA 26.892 billion) represented around 53% of total deposits in the segment, recording growth of only 1 p.p. compared to the previous year. Demand deposits showed growth of AOA 3.282 billion compared to 2016. With regard to term deposits, these came to a total of AOA 23.115 billion, showing growth of AOA 1.595 billion compared to the same period last year.

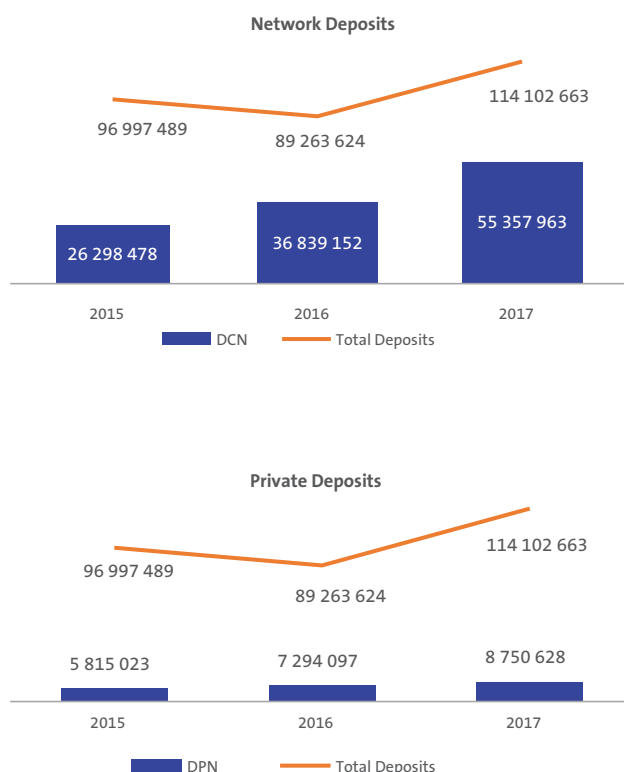


In terms of currency, local currency (LC) deposits represented the largest slice of total deposits in the large corporates segment, with a weight of 94%. The growth in local currency deposits has been driving funds, given the shortage of foreign currency on the national market. Local currency deposits showed growth of AOA 5.830 billion compared to the same period last year.

COMMERCIAL NETWORK AND PRIVATE CUSTOMERS

Due to its scope, the commercial network segment has once again become a segment of great strategic importance for Banco Keve. During 2017, small and medium-sized enterprises and private customers took on greater importance relative to the large corporates segment, with a demand deposit total of around AOA 55.357 billion. This value represents growth of AOA 18.519 billion compared to the same period last year, increasing its total weight in bank deposits to 49%.

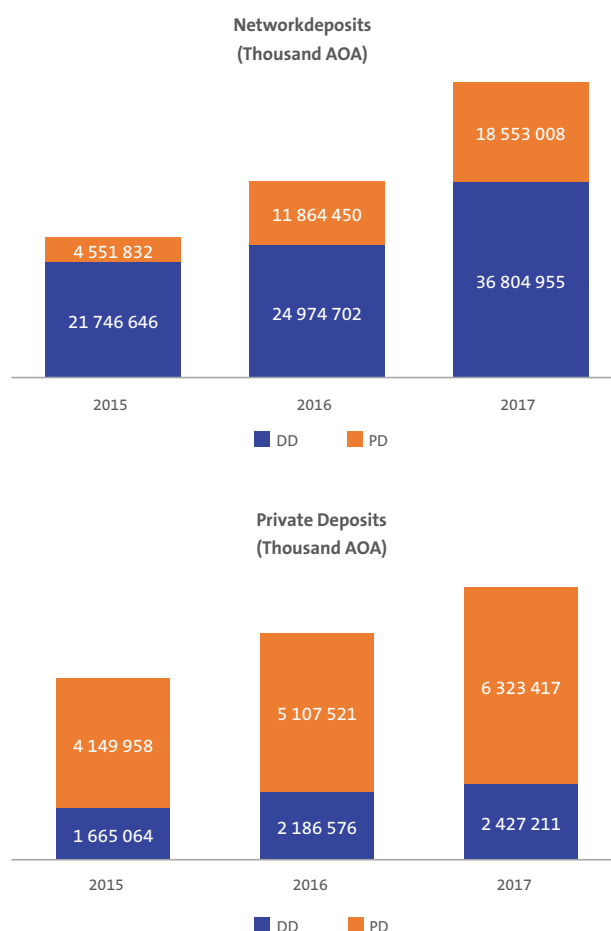
As to the Private segment, this has continued to grow in recent years, having reached a total of AOA 8.750 billion in 2017.



In terms of customers, the commercial network reached a total of 177,945 customers in 2017, representing 99% of the total number of Bank customers. Given its characteristics, the Private segment is not very representative in terms of customer numbers (around 349 customers), but its deposit power and volume give it very high leverage.

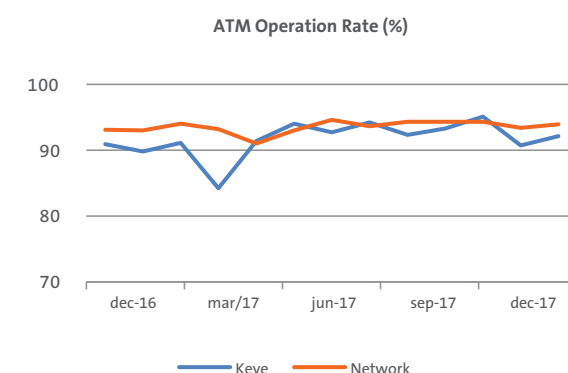
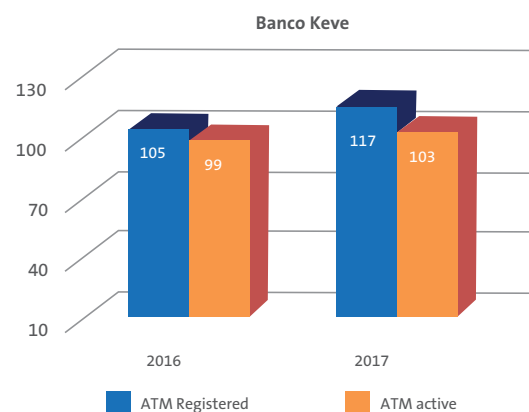
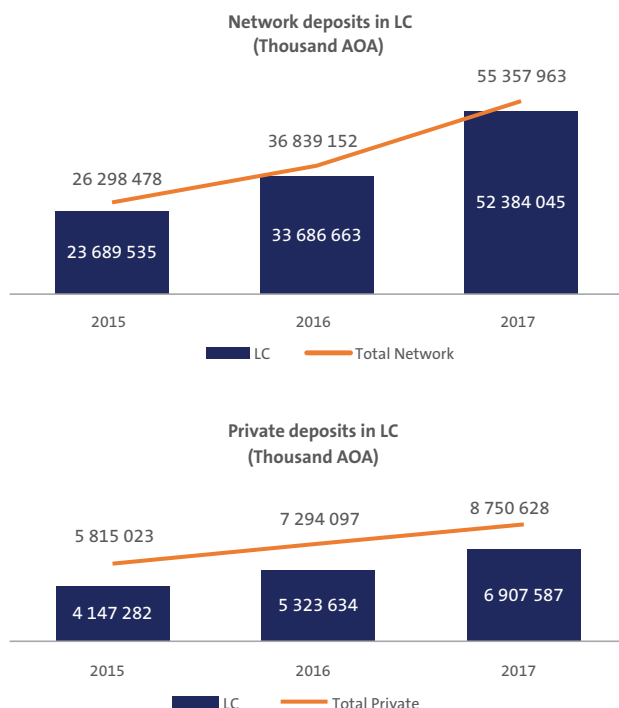
In terms of types of deposits, we have found that Demand deposits are the most representative on the commercial network, with a total of AOA 36.786 billion. The demand deposits in this segment increased around 47% compared to the previous year, partly benefiting from the mobilization of captive deposits for foreign operations, which was imposed in late 2017. Even so, and despite the growth in demand deposits year-on-year, we recorded growth of AOA 6.688 billion in term deposits. This stood at a total of AOA 18.553 billion in 2017.

As to the Private segment, the deposits with the most weight are term deposits, standing at a total of AOA 6.323 billion. This amount represents 72% of the deposits in the Private segment, clearly showing the greater preference for savings and investment products among customers in this segment.



Local currency (LC) continues to be the most representative in deposits at Banco Keve and also in the network segment. Around 94% of commercial network deposits are in local currency, recording a total of AOA 52.384 billion in 2017. Local currency is also the main growth driver in deposits in the segment, having grown 55% compared to the previous year.

In the Private segment, local currency deposits represent 79% which, although considerable, shows that there are still customers in this segment with savings in foreign currency.



ELECTRONIC BANKING AND DISTRIBUTION CHANNELS

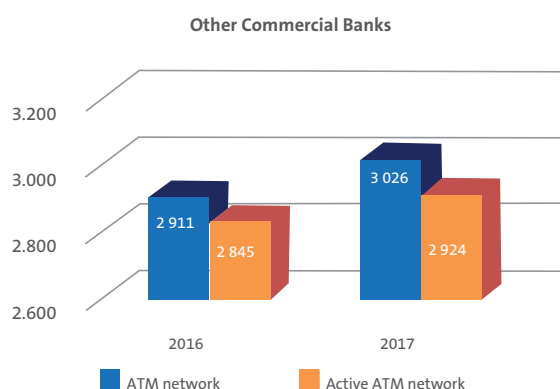
ATMs

At the end of 2017, the Bank had a total of 117 ATMs, representing an increase of 11.4% compared to 2016 (+12 ATMs). These ATMs are distributed over 41 Municipalities (the banking network total is 3,026 ATMs).

Valores em Milhões de AOA	2015	2016	2017	Var.
N.º of ATMs	85	105	117	11,4%
Nº of Municipalities	38	41	41	0,0%

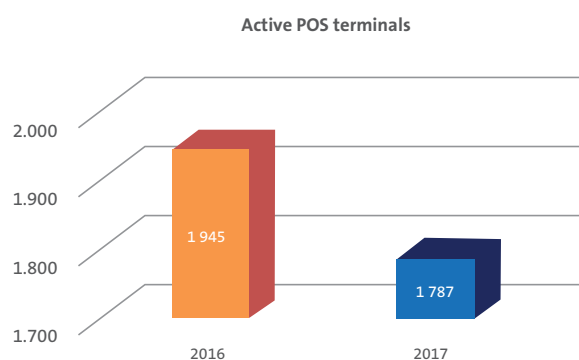
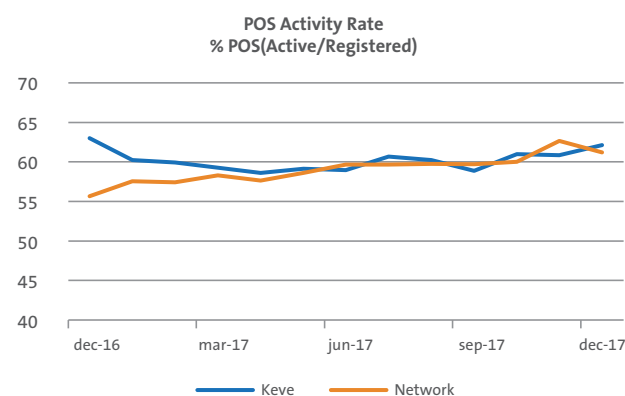
Of the 117 ATMs registered, the bank recorded an activity rate of approx. 14% (103 active ATMs). These levels of activity allow the Bank to maintain its market share of the network, in 9th position.

Generally speaking, the national ATM network registered a total of 3,026 ATMs in 2017, with an activity rate of 97%.



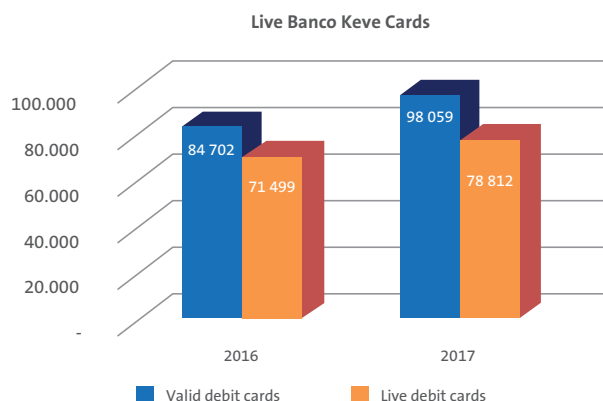
POS TERMINALS

In 2017, the Bank recorded an increase of 8.8% in its POS network, making a total of 1,787 POS terminals (1,945 in 2016). The level of activity stood at 99% (measured through the ratio of active and registered POS terminals), above the network rate throughout 2017 (the network stood at 32% in December 2017).

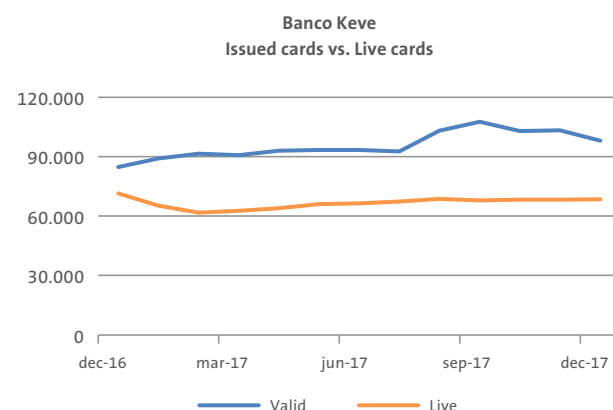
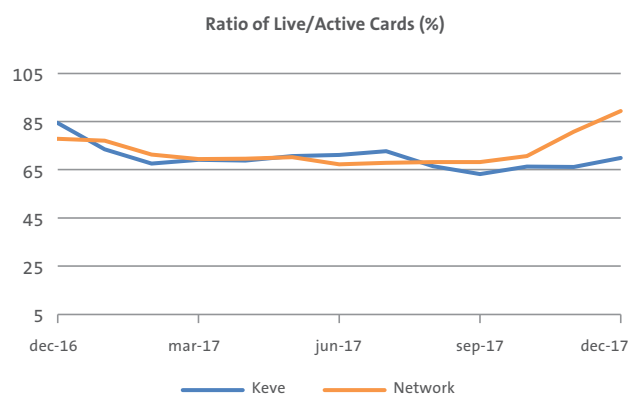


Debit (Multicaixa) and Visa cards

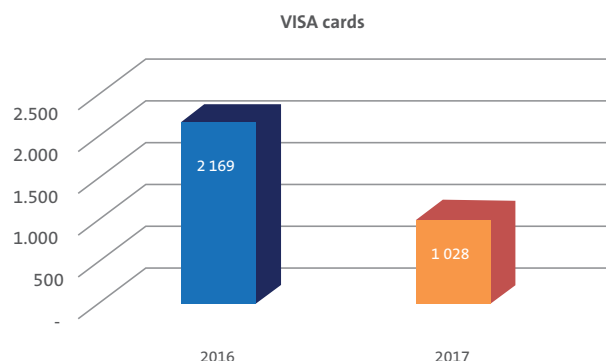
In terms of debit cards, the bank reached a total of 98,059 debit cards, of which 78,812 cards were active (70% of activity). The analysis of the ratio of active debit cards to valid cards², shows that the Bank had an above average performance on the market (an increase of 24%) throughout 2017.



The national network registered a total of 4,159,585 valid debit cards, of which 4,159,585 were active. These values show that the card activity rate was 12%.



With regard to VISA cards, there was a notable reduction given the economic climate and the shortage of foreign currency received by the country. During 2017, the bank reached a total of 1,028 VISA cards, with a decrease of 1,141 cards in just one year (corresponding to 111%).

**INTERNET BANKING (iKEVE) AND KEVE SMS**

In 2017, 46,071 Internet Banking contracts were signed. Of these, 2,918 were companies and 43,153 were individuals. There was an increase of 285% in access by individuals compared to 2016, which also represented an increase in the overall joining rate, in the region of 251%.

Electronic Banking Statistics

	2015	2016	2017	Var
No. of Contracts 1				
Businesses	1.319	1.921	2.918	52%
Individuals	6.543	11.210	43.153	285%
Total	7.862	13.131	46.071	251%
No. of Transactions	2.749.539	340.483	3.109	99%
No. of Accesses	370.049	1.189.386	792.450	-33%
No. of Transactions/ No. of Contracts	350	26	0	-100%
No. of Accesses/ No. of Contracts	47	91	17	-81%
Keve SMS				
No. of Contracts 1	15.046	25.603	41.856	63%
No. of Accesses	50.481	160.742	904.071	462%
Keve Tablet				
No. of Contracts	2.641	4.533	9.753	115%
No. of Accesses	1.687	1.090.166	0	-100%

1/ Contracts in force on December 31, 2017

In 2017, Keve SMS achieved 41,856 contracts signed, representing an increase of 63% compared to 2016. The number of Keve tablet contracts signed was 9,753 in December 2017 (annual increase of 115%).

SERVICES PROVIDED BY IKEVE AND KEVE SMS

iKeve

- Checking statements;
- Requesting Checks;
- Account to account transfers;
- Due dates
- Integrated Position
- Term Deposit
- Demand Deposit
- Customize
- Messages
- Electronic Docs
- Debit Authorizations
- Cards
- Financing
- Payments
- Foreign currency

Keve SMS

- Checking:
 - Balances
 - Transactions
 - BBAN/IBAN
 - Simple integrated position
 - Complete Integrated Position
 - Accounts available
 - List of Accounts Available
 - Foreign Exchange
 - Transfers
 - Sending Confirmation Key Digits

COVERAGE AND LOCALIZATION

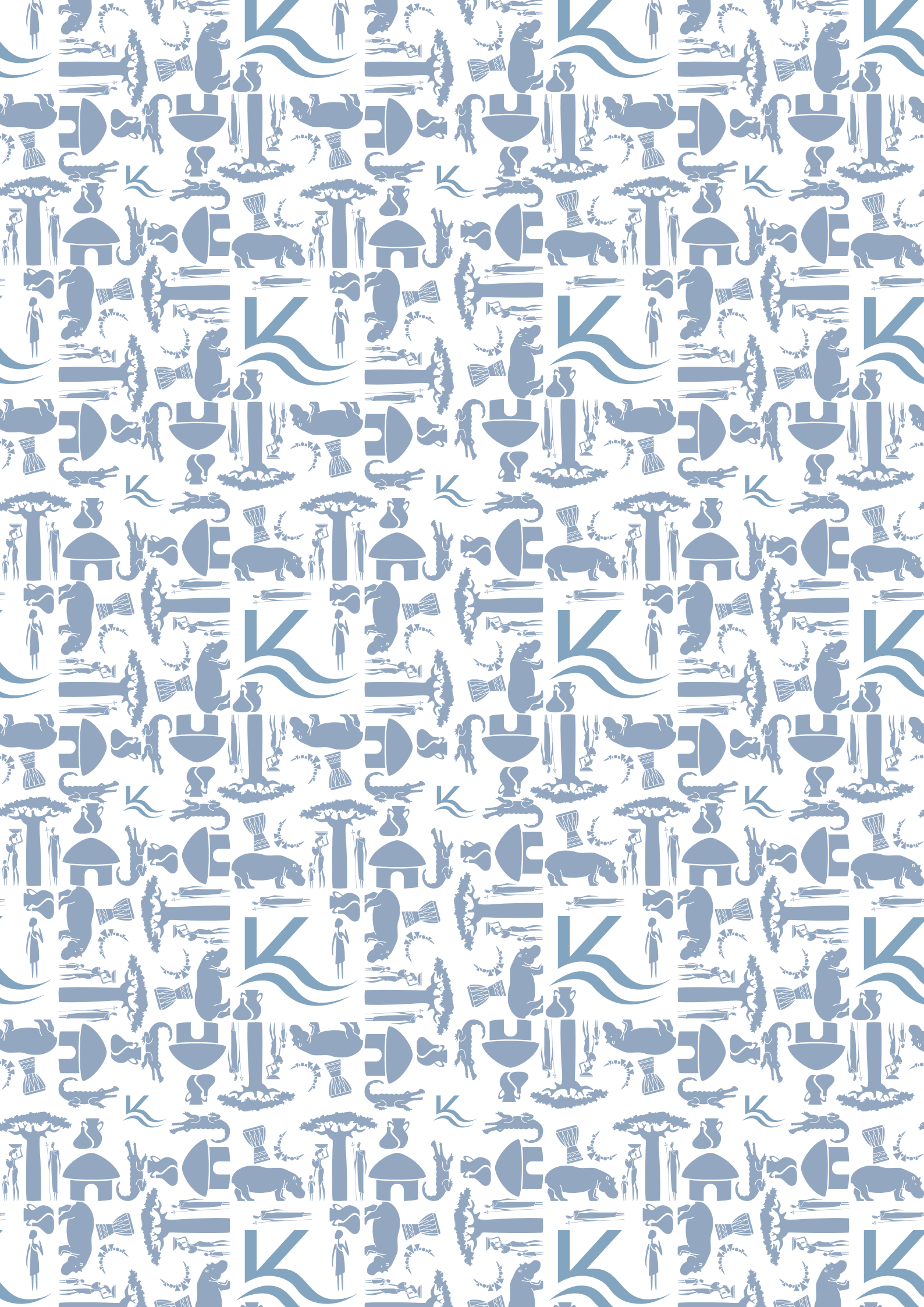


Branches Already Open

Namibe	Cabinda
Huíla	Bengo
Cunene	Luanda
Quando Cubango	Cuanza Sul
Huambo	Benguela
Malanje	Zaire

Branches Opening Soon

Luanda Norte
Uíge
Cuanza Norte
Luanda Sul
Moxico
Bié





06

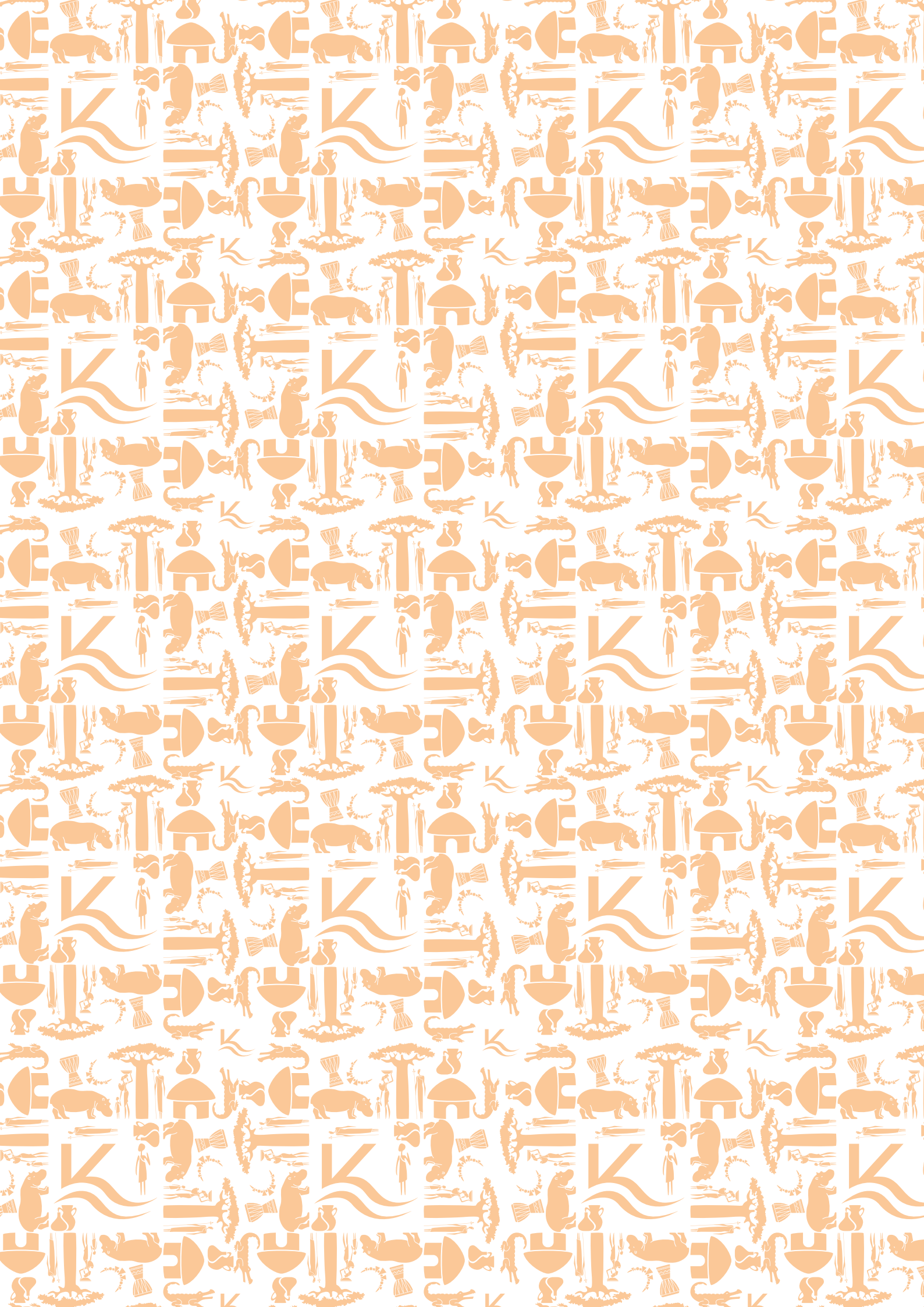
Risk Management

Banco *Keve*

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ORGANIZATION AND RISK MANAGEMENT POLICY

Risk management is currently one of the largest and most important responsibilities of financial institutions, particularly for the sustainability and continuity of the business. This task, primarily linked to the Bank governance body (Executive Committee), is managed by a specific office (Risk Office). However, it is the responsibility of all Banco Keve employees to be able to identify and report potential risk events that could impact its business.

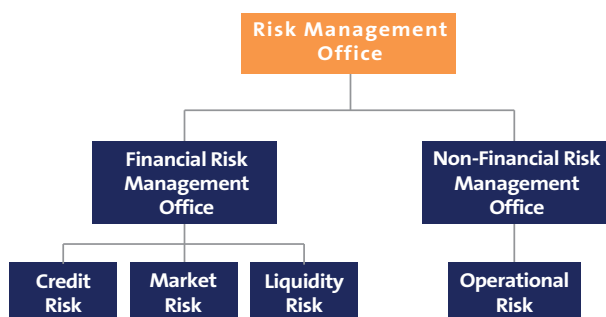
As required by the supervisory body, Banco Nacional de Angola, financial institutions had to adopt more effective risk control models. Thus, it was possible to preserve the business structure, maintaining compliance levels, as well as the minimum regulatory capital to ensure bank solvency.

The new regulatory package issued by BNA was clear proof that Angolan financial institutions must focus more on risk management and mitigation issues.

In 2017, there was a positive trend towards risk control and management, despite the difficult economic climate in the country. Inflation levels and the increase in unemployment rates directly impacted the financial situation of customers, increasing the Bank's risks and responsibilities. But due to these situations, the Bank positioned itself coherently, supporting customers and providing better solutions that met needs and were of mutual benefit.

Banco Keve's risk management is based on constant identification and analysis of exposure to different risks (credit risk, market risk, liquidity risk, operational risk and other risks), and the implementation of strategies aimed at maximizing results given the risks it is exposed to, within the pre-established restrictions and duly supervised.

ORGANIZATIONAL STRUCTURE OF THE RISK MANAGEMENT SYSTEM



As Banco Keve management bodies, the Board of Directors and the Executive Committee must understand and be aware of the risks of the activity, the degree of tolerance and the risk appetite of the financial institution they run. With regard to the Executive Committee, responsibility for the Risk Office (GRI) lies with an Executive Director, who has no direct responsibility for commercial departments.

It is through this participatory Bank governance structure that a robust framework and control mechanisms are put in place for full engagement and with appropriate competences, under its supervision, ensuring structures, with controls and processes aimed at assuring and monitoring the Bank's activity risk from a current management and strategic management standpoint.

The Bank has a centralized and independent structure unit with regard to risk analysis and control, according to international best practices. The Risk Office (GRI) is responsible for monitoring all global risks.

In addition to the GRI, other units are also involved in the risk management system. Their duties are as follows:

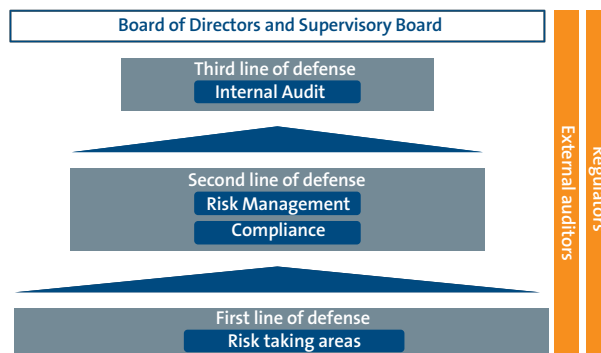
The Credit Department (DCR) ensures an independent assessment of the commercial structures of the risk of the various proponents or guarantees and the characteristics of the operations. It is this department that attributes ratings. In the event of Private credit risks, it is also up to the Credit Department (DCR) to ensure similar duties, as described above for Companies, through the use of quantitative scoring models, also produced by the GRI. Quantitative models to provide support for this rating attribution are available, also produced by the GRI.

The Credit Monitoring, Collection and Recovery Office (GMR) is in charge of managing recovery processes in the event of default. The GMR is also in charge of recovery management processes.

- 1- The ALCO Committee is responsible for monitoring the financial risk management policy, particularly for liquidity risk, interest rate risk, exchange rate risk and market and credit risks.
2. Operational risk management is also assigned to the GRI, in line with the other elements of each one of the organizational units ensuring the identification and management of operational risk events in their activity areas, through the use of the operational risk management tools and the key risk indicators (KRIs)

Below are the various structural bodies operating in integral management of capital and risks and their responsibilities defined by three lines of defense:

The functional organization of these three lines of defense is as follows:



The three lines of defense model of risk management and control significantly improves risk reporting, control and measurement, clarifies essential risk-related rules and responsibilities and ensures continuous monitoring of risk management initiatives.

- Board of Directors and Executive Committee: sets the risk appetite and strategy and approves the risk management framework, methodologies, policies, processes and responsibilities:
 - ◊ Monthly management information, detailed in the Asset and Liability Management Committee;
 - ◊ Credit Committee meetings;
 - ◊ Monitoring credit risk exposure and the concentration of the credit portfolio;
 - ◊ Monthly monitoring of the Provisions Stock, presented in the monthly Financial Report;
- Supervisory Board: supervising the institution's management, ensuring, among other things, the reliability of the institution's accounting records.

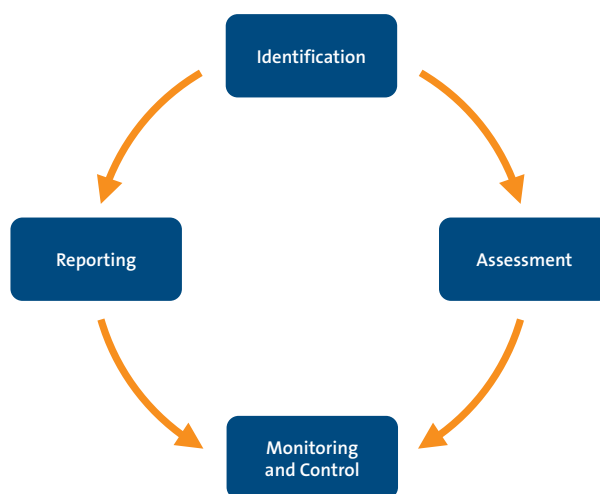
RISK MANAGEMENT POLICY AND CYCLE

The Bank's risk management policy is conservative, aimed at safeguarding the institution's solvency and long-term sustainability. It follows generally accepted risk management practices, including the recommendations of regulatory bodies.

This policy is based on the following set of structural principles:

- **Conservatism:** the Bank's objective is to manage the portfolio of risks to which it is exposed in an appropriate and prudent manner, using conservative assumptions, so as to ensure that the capital allocated to each risk is sufficient to cover the losses likely to be incurred in adverse scenarios, thus preserving the Bank's capital and financial value;
- **Independence:** the level of risk exposure must be assessed and monitored by an organizational unit that is independent of the Bank's risk-taking units, even though the risk-taking units must also assess and monitor exposure within the scope of their powers and authorities;
- **Review:** given the constantly changing environment, the risk management policy must be regularly reviewed to adapt it to new circumstances, incorporate new information and new methodologies, whether imposed by supervisory bodies or developed by the Bank in its systematic improvement efforts;
- **Cooperation:** the ultimate objective of risk management is to create conditions that will improve the decision-making power of the Bank's various organizational units, so as to minimize the impact of adverse events on the Bank's results. All the functional units and offices must therefore cooperate in this process;
- **Integration:** risk management must be fully integrated into the Bank's daily activity, as well as into the planning of its objectives and strategy.

The Bank's risk management cycle follows the four phases shown in the diagram below:



a) Identification

The identification phase consists of identifying the existing risks and any new risks to which the institution may be subject. This requires access to quantitative and qualitative information from the Bank's various areas that is sufficient, reliable, adequate and up-to-date.

b) Assessment

Once the risks have been identified, they must be quantified, so that they can be evaluated and the overall risk incurred by the Bank can be determined. Risk assessment must therefore be complete, covering all material risk sources and risk factors, and the associated methodologies must be consistent across the different areas.

c) Monitoring and Control

Risk management is an ongoing process, based on continuous monitoring and control of all risks, with a special focus on the risks considered most important, based on the assessments carried out.

In operational terms, risk management requires information systems with rules to prevent unauthorized access and with automatic reporting mechanisms. It also requires reliable, timely data collection processes and the definition and implementation of verification processes, with periodic reconciliation of the information produced internally against that obtained from external bodies, and accounting information against operational or management information.

d) Reporting

To ensure that the information on risks incurred and the processes and activities carried out to monitor and control those risks is adequately reported by the Bank's organizational units and disclosed to stakeholders, the reporting phase of the risk management cycle covers both types of reporting that are required: internal reporting and external reporting.

External reporting is governed by regulatory requirements and involves periodically disclosing information about the Bank's exposure to certain types of risk.

Aims

The Bank has adequate systems for the management and control of the different risks, with measurement methods and management and control processes and procedures for the different risks.

This vision makes it possible to align the following risk management principles:

- Organization strategy influenced by the degree of risk exposure;
- Involvement of the entire organization in the risk management effort;
- Transparency in internal and external risk communication.

It also makes it possible to successfully achieve its goal, through suitable control of the risks inherent to its activity. At the same time, the Bank is seeking to adapt its organizational structure, aimed at suitable separation of duties, in order to mitigate risks.+

In the following points, the strategies, structure and organization of the risk management function, the scope of the information and measuring systems, the coverage and mitigation policies and strategies and monitoring processes are explained for each one of the material risks the institution is exposed to.

Degree of implementation of Legal regulations

In the context of the new challenges before the Role of Risk Management and following the directives issued by Banco Nacional de Angola (BNA) regarding risk management and prudential supervision of authorized financial institutions, we have developed a framework as described below:

Requirements	Framework
Credit Risk	<p>Published by BNA on April 28, Notice No. 03/2016 establishes the requirements for regulatory capital for credit risk and counterparty credit risk; Instruction No. 12/2016, of August 8, which defines the calculation and regulatory capital requirements for credit risk and counterparty credit risk; Instruction No. 13/2016, of August 8, which defines the provision of information on regulatory capital requirements for credit risk and counterparty credit risk.</p> <p>We have developed a Risk Framework where the extraction of information in the core triggers the process of generating Tables of Requirements for regulatory capital requirements for covering credit risk. A Credit Risk Control and Monitoring Report is also prepared.</p>
Market Risk	<p>Published by BNA on April 28, Notice No. 04/2016 establishes the requirements for regulatory capital for market risk and counterparty credit risk in the trading portfolio; Two instructions were also published at the same time as this notice: Instruction 14/2016, of August 8, which defines the calculation and the requirements for regulatory capital for market risk and counterparty credit risk in the trading portfolio;</p> <p>Instruction 15/2016, of August 8, which defines the provision of information on requirements for regulatory capital for market risk and counterparty credit risk in the trading portfolio. We have developed a Risk Framework where the extraction of information in the core triggers the process of generating tables of regulatory capital requirements for market risk and counterparty credit risk in the trading portfolio. We prepared the Liquidity Risk and Market Risk Management Report (Exchange Rate and Interest Rate Variation).</p>
Major Risks	<p>Published by BNA on May 16, Notice No. 09/2016 establishes the prudential limits to major risks. After the publication of this notice, Instruction No. 03/2017, of January 30, which defines the provision of information on prudential limits to major risks, was also published.</p> <p>We have developed a framework that covers the calculation of the tables of prudential limits to major risks, taking the provisions of the above Instruction into account.</p>
Regulatory Capital	<p>Published by BNA on June 15, Notice No. 2/2016, which deals with regulating the calculation method, establishes the minimum regulatory solvency ratio (RSR) and defines the scope and characteristics of the elements of regulatory capital (RC).</p> <p>Later, on August 8, Instruction 18/2016 was published, regulating the provision of information on the composition of regulatory capital and the solvency ratio.</p> <p>We have developed a Framework for the Calculation of the Solvency Ratio table, which will provide information arising from the current regulations, in particular the information provided for in annex II to Instruction No. 18/2016.</p>

Published by BNA on August 30, Instruction No. 19/2016 establishes the requirements of the quantitative analyses to be carried out by financial institutions under the supervision of the regulatory authority, under the scope of liquidity risk management.

Liquidity Risk

We have developed a Risk Framework where the extraction of information in the core triggers the process of generating the Liquidity Table. Thus, this Framework includes the Liquidity Risk Calculation Table, which will cover the process of calculating cash flows and define reporting deadlines. In the same way, we prepared the Liquidity Risk and Market Risk Management Report (Exchange Rate and Interest Rate Variation).

Published by BNA on May 16, Notice No. 8/2016 establishes the requirements of the quantitative analyses to be carried out by Financial Institutions under the supervision of the regulatory authority, under the scope of interest rate risk in the banking portfolio.

Interest Rate Risk

We have developed a Risk Framework that includes the automation of the Report Calculation for the provision of interest rate risk information in the banking portfolio. This will show the impact of a standardized shock in interest rates on the future cash flows associated with the banking portfolio and interest margin.

Published by BNA on July 1, Instruction No. 16/2016 establishes the regulatory requirements for operational risk, according to the basic indicator method, standard or alternative standard.

Operational Risk

We have developed a Risk Framework, where the extraction of information in the core triggers the process of generating the Table for the provision of information for calculating operational risk and, at the same time, the Risk and Control Matrix was defined, as well as the key risk indicators (KRIs).

Report on the New Regulatory Package

BNA published the New Regulatory Package, whose last Functional Analysis dates from April 28, 2017 and covers a set of critical functions, namely new tables for information provision and new reporting models to be provided by financial institutions.

A Risk Framework was developed covering the automation of the Report Calculation for the provision of information on the various risks and ensuring the interface with the Integrated Risk Management System (SIGR).

Risk assessment metrics

Risk	Metrics and Tools
Liquidity Risk	Liquidity Coverage Index Liquidity ratio; Observation Ratios; Transformation Ratio; Funds Concentration; Counterparty Concentration; Net Assets in % of Assets; Net Assets in % Equity Liabilities; Liquidity Gap; Extended Liquidity Gap; Extended Liquidity Gap with Additional Liquidity Funding and Marketable Securities as collateral.
Credit Risk	Concentration levels in the Credit Portfolio: - By Customer; - By Activity Sector; Extended Liquidity Gap with Additional Liquidity Funding and Marketable Securities as collateral; Asset Quality; Degree of Default in the Credit Portfolio; Degree of Coverage of Credit and Off-Balance Sheet Items: - By Provisions; - By Type of Guarantee.
Market Risk	Exchange rate variation; Analysis of Foreign Exchange Exposure; Interest Rate Analysis – Impact of Interest Rate shifts; Interest Rate Analysis - Assets and Liabilities by Type of Interest Rate.
Operational Risk	Key Risk Indicators (KRIs); Risk Control Matrix; Management of Operational Risk events.

RISK ASSESSMENT, MONITORING AND CONTROL

CREDIT AND COUNTERPARTY RISK

The regulatory standard has defined credit and counterparty risk as that arising from defaulting on contractually established financial commitments by a borrower or a counterparty in the operations.

The approval of credit operations, whether for individuals or companies, follows the principles and procedures set out in the Bank's credit regulations, approved by Service Order CRD/0044.

The credit decision process covers private segments and companies and there are three underlying decision scales, defined according to the nature of the operation, its amount and maturity, the exposure of the Customer/Economic Group and the risk level, as provided for in Credit Committee Regulation No. 35/2012.

Following the directives issued by the regulatory body, with regard to risk monitoring and prudential supervision, along with other overall risk management needs, a framework was developed and approved by Service Order 210/2016, for monthly control and monitoring of credit risk, with overall information on the customer credit portfolio in various areas, portfolio quality information and concentration and profitability.

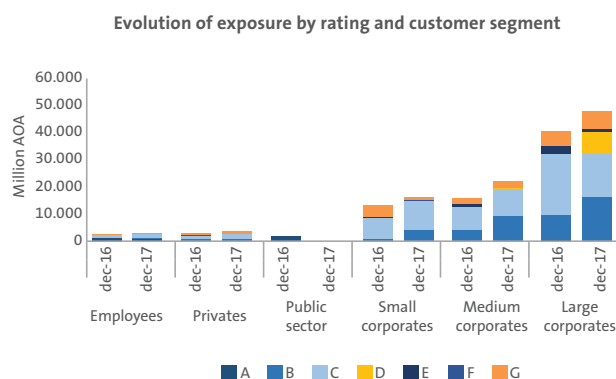
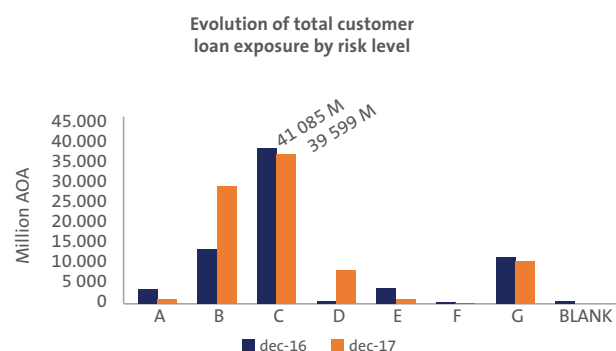
Under this scope, regular analyses are carried out on the behavior of the credit portfolio, in order to establish monitoring mechanisms suited to the evolution of the risk levels of certain customers and their operations, providing for possible difficult situations and the introduction of preventive measures for the outstanding risks.

Problematic credit is also analyzed every month, as well as provision coverage indices, write-offs and recoveries.

Evolution of credit portfolio by risk levels

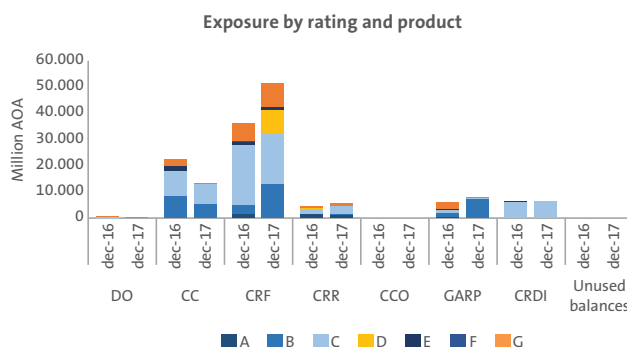
In terms of the different risk levels, in 2017, Banco Keve's credit portfolio showed a low level of risk. Around 77% of loans granted correspond to loans to customers, between risk level A (null) and C (low). The largest concentration of credit was in levels C (low), B (very low) and G (loss), representing around 45%, 33% and 12%, respectively.

During 2017, level B credit quality (very low) showed significant improvement, increasing by around AOA 16.620 billion, compared to the same period in 2016.



The above graph shows high distribution between the various risk levels, mainly in the large corporates segment. It is clear in this segment that there is a high level of concentration associated with risk levels C and B, totaling around AOA 32.196 billion. Risk level D (moderate) also appeared during this period, standing at around AOA 8.128 billion.

In 2017, it was also possible to verify the existence of two main product types provided by Banco Keve, with a high level of concentration compared to the different risk levels.



Funding Credits (FC) are currently the credit types with highest exposure, particularly to risk level G (loss) and level D (moderate).

It is also important to mention that the amounts associated with these have been increasing.

Revolving Credit Facilities (RCF) have the second largest weight on the portfolio. However, they decreased compared to 2016. With regard to risk level, this type of credit is mainly made up of level C (low) and level B (very low) risks.

MARKET RISK

The regulatory standard has defined the risk from adverse changes in the price of bonds, shares or merchandise, including exchange rate and interest rate risk, as market risk.

Market risk is monitored by the GRI and it is also analyzed at meetings of the Asset and Liability Management Committee, which are held each month. Market risk management limits are proposed by the DMF under the scope of the strategic plan of action of the Trading Room, which includes policies on own portfolio management, pursuant to the Regulations on Trading Room Competency Limits, approved by Service Order POD/0071/2015 and Service Order 210/2016.

Interest Rate Risk

Interest rate risk is defined as changes in interest rates arising from mismatches in the amount, the maturities or the deadlines for setting the interest rates used for financial instruments with interest receivable and payable.

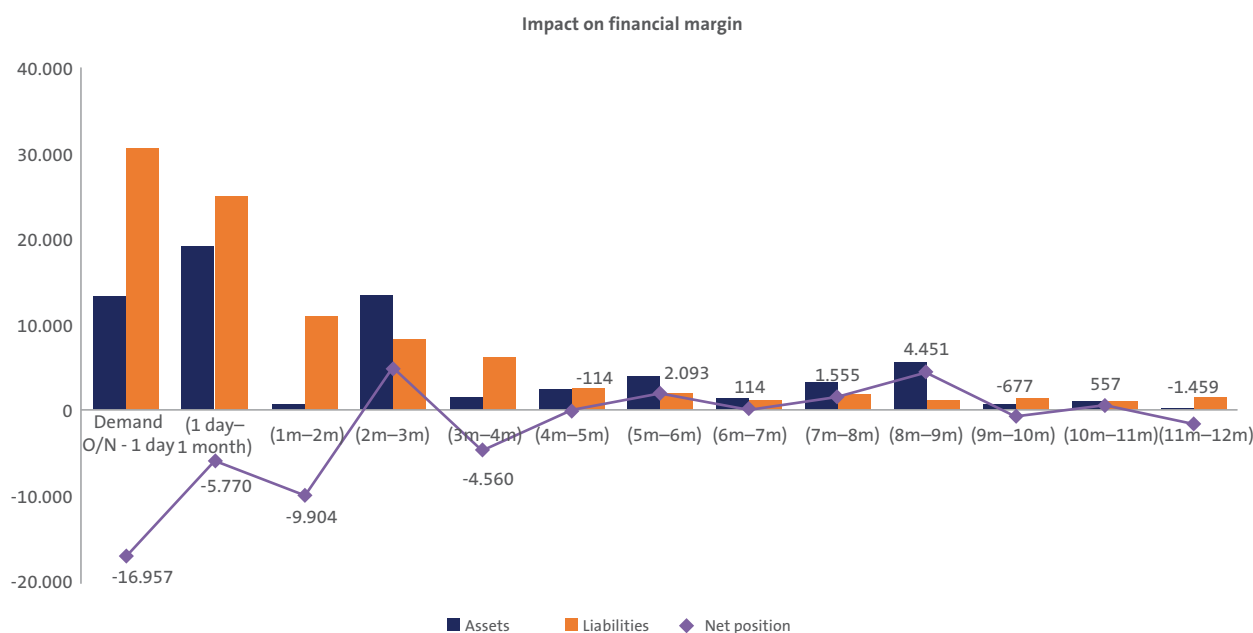
Interest rate risk management is monitored by the GRI. Structurally, interest rate risk management is dealt with under the scope of the Asset and Liability Management Committee, which meets every month. Thus, monitoring of the interest rate risk includes an analysis of the evolution of the interest rates and an analysis of accumulated repricing gaps.

The Bank also monitors the structural risk of interest rates based on analyses of the sensitivity of the financial margin and prudential regulatory capital given the variations in the interest rate curves. This assessment is done according to the gap analysis technique, according to which all assets and liabilities sensitive to interest rate variations and not associated with trading portfolios are distributed according to maturity. Likewise, the Financial Markets Department (DMF) Trading Room prepares a Quarterly Interest Rate Report, analyzing the gaps in asset and liability rates.



Impact of interest rates on the financial margin and net position

As already stated, the Risk Office analyzes the impact of instruments sensitive to interest rates, taking into account a parallel displacement of the yield curve of 2% in terms of impact on the Bank's net position, giving an impact of around 4.50% of the financial margin.



Exchange rate risk

Exchange rate risk can be defined as the risk arising from changes in exchange rates due to the foreign exchange positions held because of the existence of financial instruments in different currencies.

Exchange rate risk management falls under the scope of the GRI. Structurally, exchange rate risk management is dealt with under the scope of the Asset and Liability Management Committee, which meets every month. Under the scope of the Committee, the monitoring of exchange rate risk includes the analysis of the evolution of exchange rates, the analysis of financial assets and liabilities by foreign and local currency and exchange position.

In the same way, the Trading Room prepares a daily Financial Panel where the balance sheet by currency and the ratios of foreign exchange position and exposure are calculated and reported.

LIQUIDITY RISK

Liquidity risk is defined as the risk arising from the inability of an institution to meet its responsibilities when these fall due.

The Bank's liquidity management is carried out by the Trading Room, in line with the monitoring process ensured by the GRI. Structurally, liquidity risk management is monitored under the scope of the Asset and Liability Management Committee, which meets every month. The Committee monitors liquidity through the accumulated gap tables and contingency tables, the funding structure of third-party capital and the residual maturities for assets and liabilities.

In the same way, the evolution of Bank liquidity is analyzed by the Bank every week, and every month for report compliance.

The analysis is carried out by currency and by maturity gap tables, which allows any mismatches to be identified in good time, as well as providing dynamic management of their coverage policies. This information is broken down by the different sources of funding, with constant monitoring of any concentration levels and the different assets incorporated.

This process is reinforced from a control standpoint, through the regulatory indicators defined by BNA, particularly the liquidity tables provided for in Instruction No. 19/2016, while also assuring compliance with the liquidity and observation ratios in terms of suitability of regulatory capital.

Risk management is up to the GRI, which has a balance sheet management application that allows balance sheet cash flows to be projected, thus providing for better monitoring of liquidity management reports.

COMPLIANCE RISK

Compliance risk is the risk arising from infringements of or non-compliance with laws, rules, regulations, contracts, recommended practices of ethical standards.

Compliance risk management and reputation risk management at the Bank are carried out by the Compliance Office - GCO. It is also up to the GCO to ensure compliance with legal and regulatory provisions, including the prevention of money laundering and terrorist financing.

In addition, the GCO's primary objective is the monitoring and assessment of the suitability and effectiveness of the measures and procedures adopted to detect any risk of non-compliance with legal obligations and duties that the institution is subject to, as well as measures to correct any faults. It must also advise the administration and management bodies for the purpose of compliance with the legal obligations and duties of monitoring and assessing internal control procedures regarding the prevention of money laundering and terrorist financing.

Formal procedures are in place for gathering and processing information, adapted to the size, nature and complexity of the Bank governance decisions to be made, and compliance with the reports to the supervisory body. The Bank has risk coverage and mitigation policy levels: Know your Customer (KYC) policy; Policy on Money Laundering and Terrorist Financing, approved by Service Order No. 04/2013.

OPERATIONAL RISK

According to Notice No. 2/2013, of April 19, of Banco Nacional de Angola, operational risk arises from the unsuitability of internal processes, people or systems, giving rise to the possibility of the occurrence of internal and external fraud, as well as external events. This includes information system and compliance risk. Operational risk is inherent to any activity engaged in and its presence is not limited just to certain areas of the Bank.

The Bank uses the Basic Indicator Approach for calculating the minimum regulatory capital requirements linked to operational risk, in accordance with Instruction No. 16/2016, of July 1, of BNA.

Operational risk management is up to the GRI and the monitoring level is defined in the Operational Risk Management System (SGRO), which includes the implementation, supervision and development of a tool for recording and reporting operational risk management events. A set of key risk indicators (KRIs) are also defined, with the aim of monitoring the evolution of the risk factors according to the established limits, which should consolidate the risks and controls matrix according to Service Order No. 0236/2017 and 300/2017.

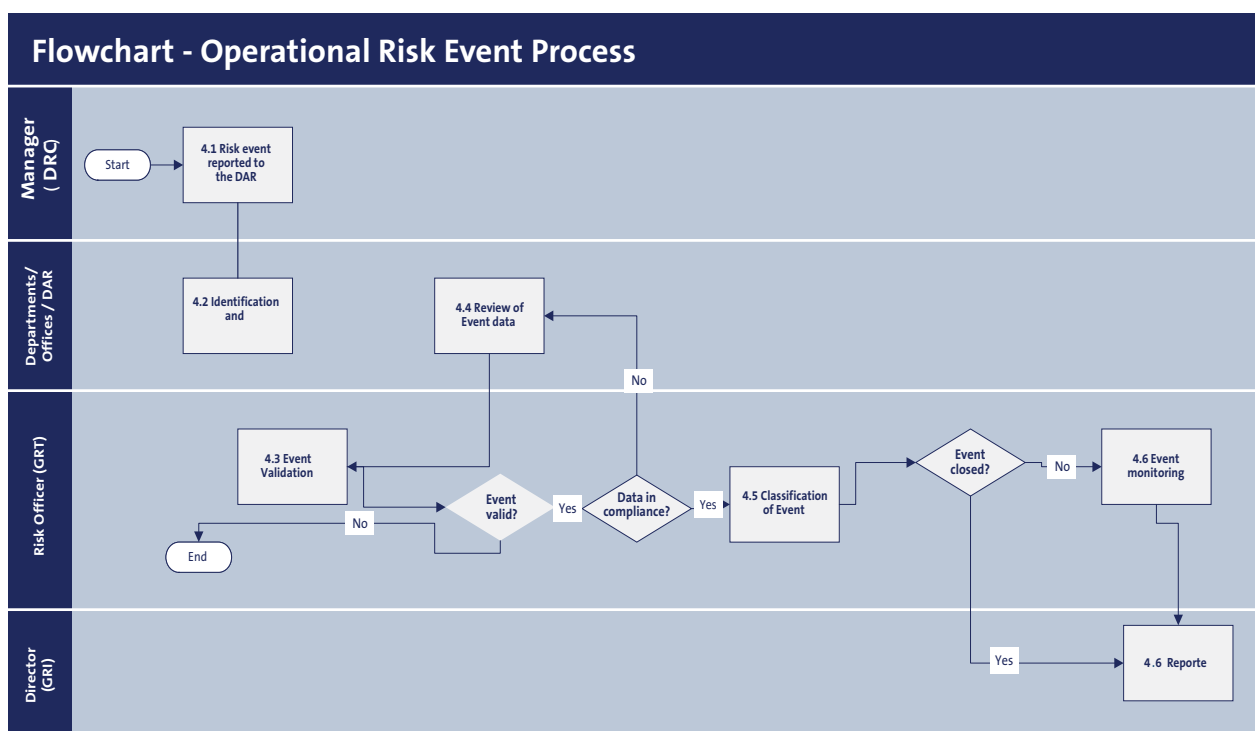
Likewise, for an Operational Risk mitigation process, some stages have been duly identified:

- Restructuring of human capital management processes, more precisely, reinforcement for the disclosure of the Code of Ethics and Rules of Conduct, and participation in training courses, with the inclusion of risk management topics;
- Remodeling of the business processes and controls, the improvement of which includes the intensification of controls and risks to processes, formalization of the processes and standardization of records and documents, with a view to promoting the vision of operational risk mitigation;

- Projection for implementation of the Business Continuity Plan, more precisely tests on the critical processes already identified in the Implementation project for the Operational Risk Management System.

The method used for recording and reporting events, designed in order to benefit operational risk management at all levels of the hierarchical structure, makes it possible to be immediately aware of the hierarchy of all the events occurred and the measures taken. In this context, the GRI began a process of awareness raising and training in the internal risk mitigation culture in June this year. This is aimed at reinforcing the benefits of obtaining information about operational vulnerabilities, failures and potential losses.

The bank uses the flow chart below in the process of identifying and reporting operational risk events:



Responsibilities and Duties by Line of Defense

The main responsibilities and duties assigned, by line of defense, are as follows:

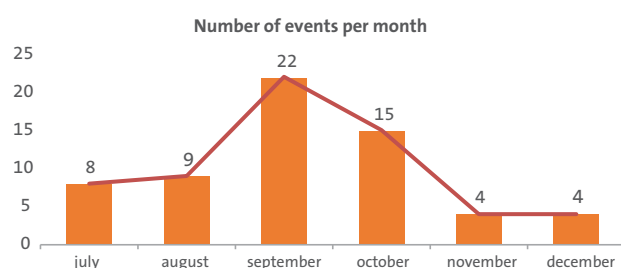
Risk Management	Risk Control	Internal Audit
1st Line	2nd Line	3rd Line
Identify, report, validate and record operational risk events;	Define and implement management procedures, methodologies and tools;	Supervise the correct application of policies and procedures by all those involved;
Ensure suitable treatment of the events identified;	Manage and validate the quality of the information;	Test the effectiveness of the control environment implemented for mitigating risk and recommend actions and improvements;
Take part in the Process Management Working Group meetings;	Identify and analyze material risk and interdependent risks;;	Hold audits on the quantification and risk management process.
Ensure the involvement of the Departments with daily management support for operational risk;	Monitor global risk indicators;	
Identify and implement mitigation measures for operational risk and monitor their impact;	Foster an operational risk culture in the entire organization;	
Divulge an operational risk culture at all hierarchical levels;	Play an active role in the Process Management Working Group meetings;	
Take part in self-assessment exercises; and	Prepare reports for the Executive Committee and the Board of Director on Operational Risk;	
Monitor the risk indicators (KRIs) in the processes.	Calculate capital requirements;	
	Train and support the 1st line of defense in the use of management instruments and processing information;	
	Reconcile the database of operating losses to ensure the quality and completeness of the data.	

Basis of Operational Risk Events

Operating losses are only those that have a material effect on the Bank's operating accounts, i.e. that have an accounting record. Operating losses not accounted are analyzed in a projected losses database. Operating loss events can be categorized as actual losses (direct and/or indirect) and potential losses.

Below is a detailed description of operational risk events identified and recorded in the operational risk management tool during the period between July 1 and December 31, 2017:

Around 62 operational risk events were recorded on the operational risk management tool. Of these, we would like to highlight the month of September as the period with the highest volume of operational risk events, i.e. 22 events (corresponding to 35% of the total events recorded). The remaining 65% (around 40 events) are distributed over the months of July to December, as shown in the graph below:



We can see that in the period from September to December, there was a substantial reduction in events recorded (around 82% of the number of events recorded/created in the operational risk management tool). Given the volume of operations/processes and the size of the Bank, this number of occurrences does not yet reflect the real volume of operations carried out by the Bank and that are susceptible to operational risk. The implementation of the operational risk management tool is in its initial stages and the reduction in risk events between September and December of this year is an excellent example of its major advantage, showing the need to continue with awareness raising processes and the creation of a risk management culture, aimed at risk mitigation and management in the entire institution.

Progress made and priorities

The Bank's risks are managed from a comprehensive perspective, so as to ensure that the risks inherent to the institution's activity are properly identified, measured (using mathematical and statistical models based on best international banking practices), mitigated and controlled, thus supporting the sustained pursuit of the activities of the institution as a whole.

Progress made in 2017

1. Consistently conservative and prudent approach in relation to risk appetite and the controls implemented for defining the risk profile of all new business, in line with the strategic vision.
2. Development and fine-tuning of the risk management approach, culminating in the development of various mechanisms that will help us achieve the best results for our customers, in line with the Bank's strategic plan.
3. Development and alignment of the Risks and Control Matrix with the processes.
4. Raising awareness of the risk mitigation culture.

Priorities for 2018

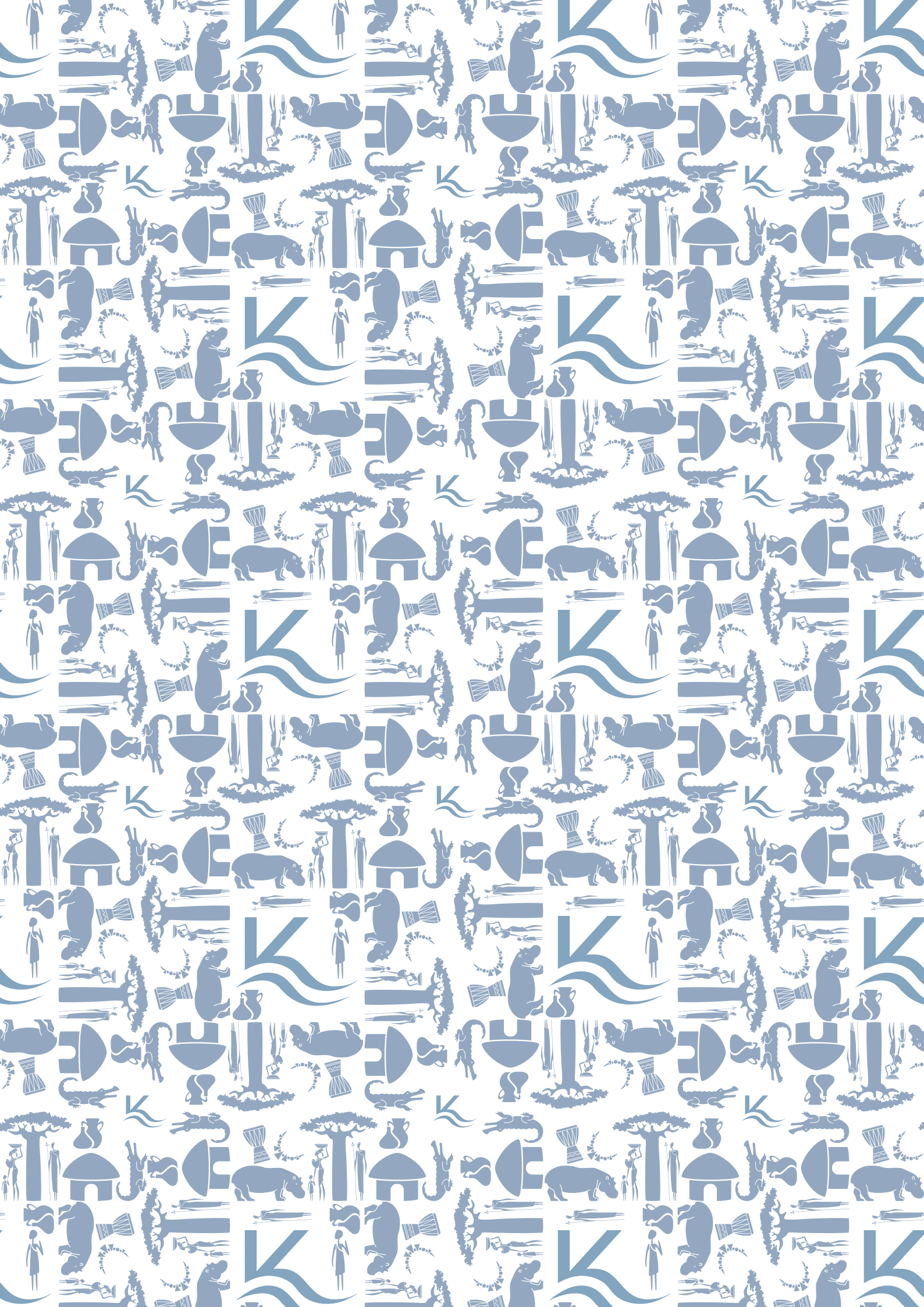
Continuing to pursue our mission to support the sustainable growth of the Bank through:

1. **Human Resources:** Attract, retain and develop high-quality, high-performing employees;
2. **Strategy:** Support the implementation of the Bank's strategic plan within the risk appetite scope, and in line with the Corporate Governance Manual;
3. **Risk Infrastructure:** Continued investment in developing our risk management system;
4. **Risk Culture:** Build and leverage our risk culture, as a differentiating strategic factor;
5. Conclude the overall risks and controls matrix;
6. Develop the Risk Management Committee;
7. Prepare the management report matrix;
8. Transversal limit systems (ratios for current management of management risks). 8. Alignment with the risk profile and appetite.
9. Comply with the new regulatory package issued by BNA for regulatory capital requirements (Notice No. 02/2016), more precisely, obtaining reliable data for management decision-making;
10. Stress Test Models.

Effectiveness of risk management process

The Office was in a phase of consolidating its activities, with the aim of having the structure necessary for constant monitoring of all the Bank's activities, in order to identify the risk generating areas and to seek to avoid or attenuate the effects of the risks. In the analysis of several risk types, some notes/remarks were made:

Liquidity Risk and Market Risk	The liquidity and market risk management process in an efficient Bank requires continuous improvement, in order to make it more effective and to identify potential endogenous and exogenous variables that could impact the Bank's business.
Credit Risk	Banco Keve's credit risk management process is already consistent, with efficient credit risk management tools for the identification, assessment, control and reporting of all the credit risks the Bank is exposed to, as well as to define the corrective measures in order to mitigate their effects on the Bank's business.
Operational Risk	In order to fully comply with the risk management cycle (identification, assessment, monitoring, control and reporting), the GRI began monitoring all operational risk events recorded in the tool, with a view to understanding the concentration of operational risk categories and defining the corrective actions/measures required to mitigate them. As this is an initial phase, the operational risk management process needs improvement (participation of the risk generating areas in recording on the tool), in order to make it more effective and identify potential operational risk events and assess their potential impact on the Bank.





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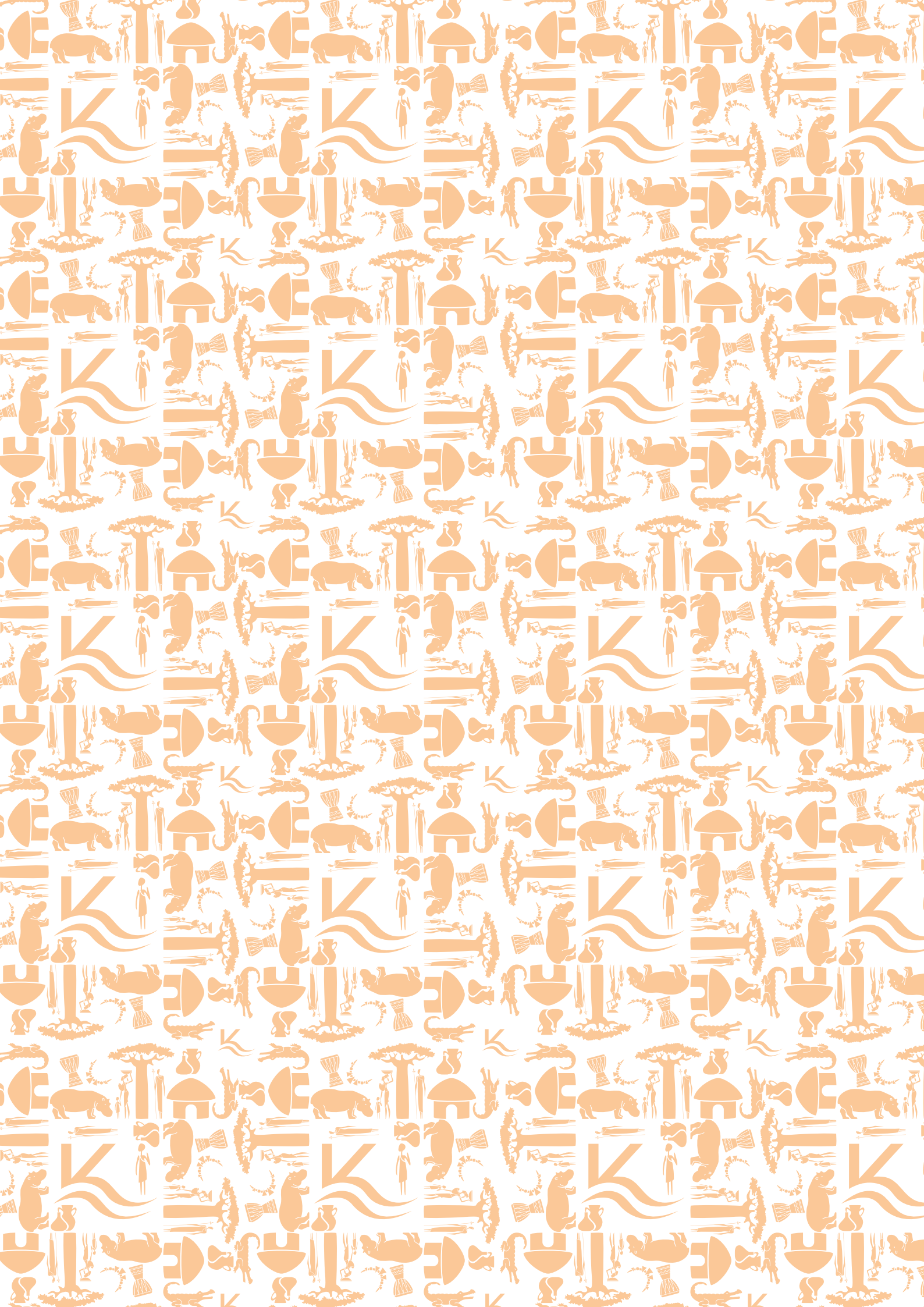
Human capital

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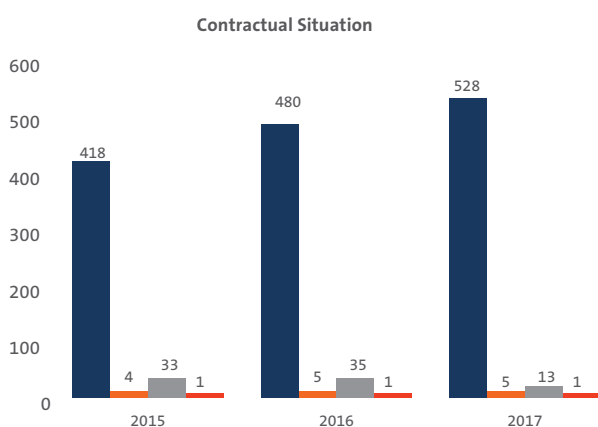
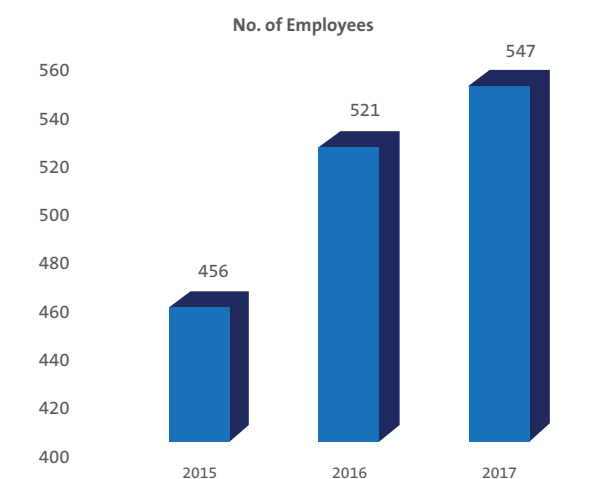
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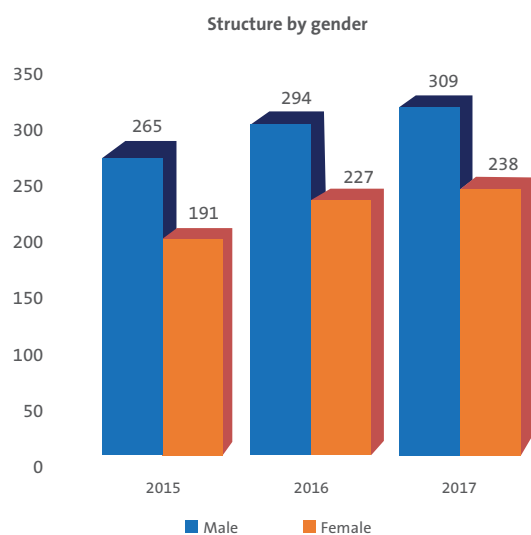


COMPOSITION OF HUMAN CAPITAL

In 2017, Banco Keve had 547 employees, 25 more than the previous year, corresponding to an increase of 5% during the year (an increase of 14% in 2016). Of the total number of employees, 97% had an open-ended contract, corresponding to 528 employees. 56% of employees are male and 44% are female.



■ Open-ended Contract ■ Fixed term Contract
■ Internship Contract ■ Contractors

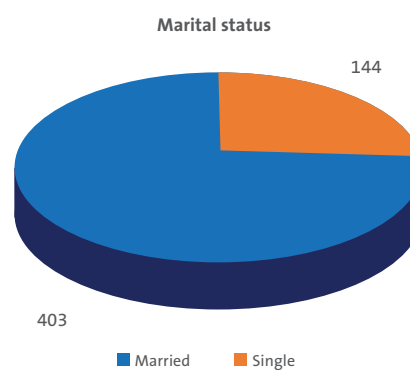
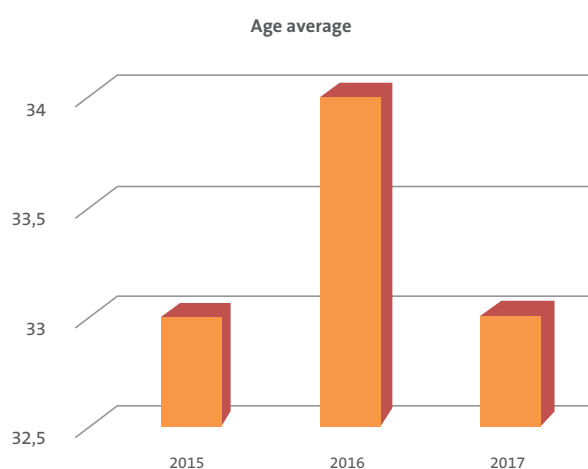


■ Male ■ Female

With regard to distribution by age group, the highest concentration is in the 24-34 age group.

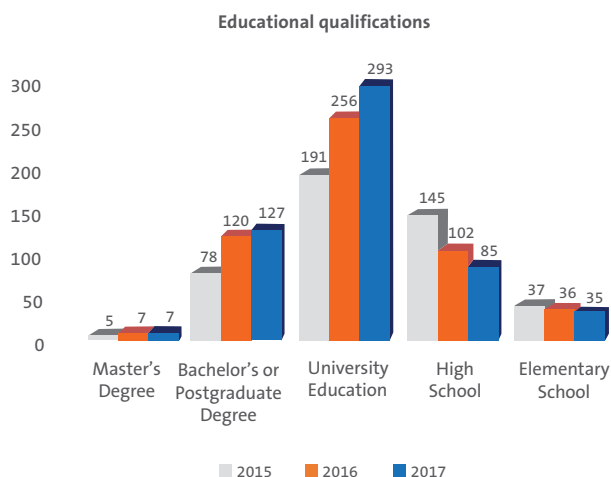
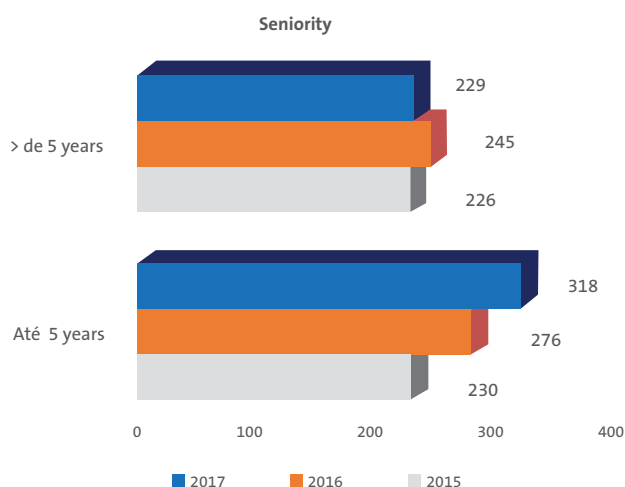
	2015	2016	2017
<24 years	7	14	16
24 - 34 years	371	315	331
35 - 44 years	73	156	160
45 - 54 years	13	34	35
55 - 64 years	1	1	1
> 65 years	1	1	1
Total Employees	466	521	544

The average age of employees is 33, and 144 are single and 403 are married, as shown in the graphs below:

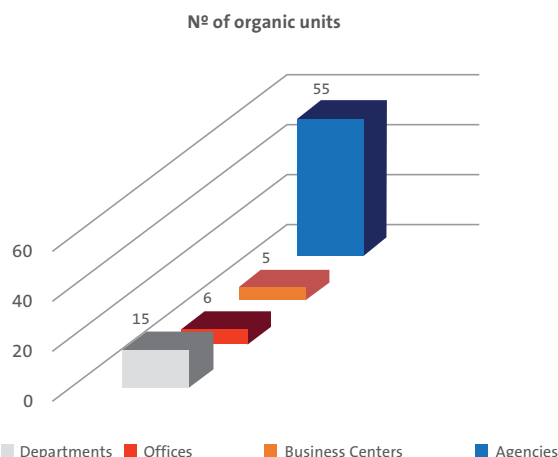
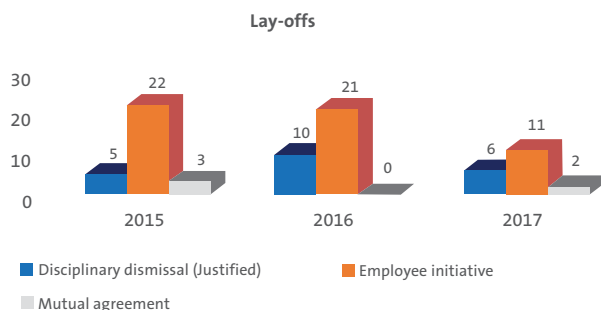


■ Married ■ Single

Employees working at the bank for more than five years represent 42% of the total number of employees (47% in 2016). As in the previous year, 23% of employees have bachelor's or postgraduate degrees.

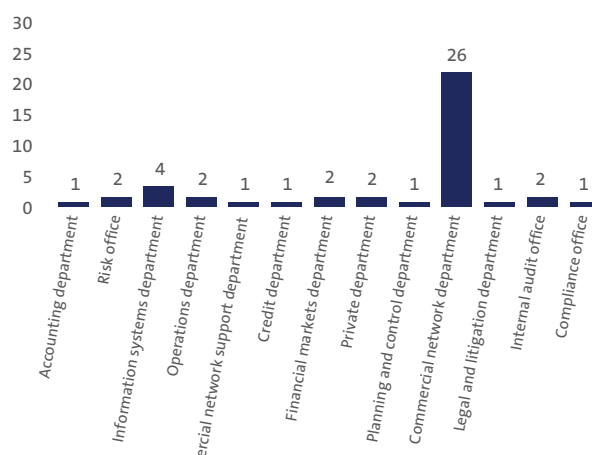


In 2017, 19 employees left the Bank (29 in 2016). According to the exit interviews, 50% of the employees leaving went to other banks.



RECRUITMENT AND ORGANIZATIONAL SUPPORT

During the period being analyzed, the Human Resources Department continued to recruit and manage staff selection through recruitment e-mails from the bank, research, recruitment and recommendations. Selection interviews and tests were given to the candidates, followed by more technical interviews with department heads. This culminated in the recruitment of 42 employees, of whom 25 were trainees, 15 had specific qualifications and experience and 6 were embracing new challenges under the scope of internal mobility (internal recruitment).



Recruitment of qualified senior staff is essential for the control units and the supervision and support centers, as a guarantee of the quality of the work produced and the increasingly higher quality levels.

The training and socialization process for employees is continuous. The initial training given to new employees is aimed at providing trainees with organizational socialization and their first contact with the reality at several levels, and particularly related to their specific area. In this context, trainees receive information on internal regulations, the manual of conduct, formal guidelines on the trainee experience and practical training for carrying out their daily activities in the department they are working in.

TRAINING AND DEVELOPMENT

Banco Keve's Professional Training Plan for employees was prepared using data collected through the completion of the Training Needs form in the different areas.

According to the organic law in question, the pursuit of the duties of the HRD requires it to have highly qualified staff. The HRD contributed to these qualifications by promoting staff training, particularly on topics related to the areas of operation.

	Nº of training courses	Nº of participants	Total investment
2015	20	1.050	18.650.000,00
2016	27	1.868	49.397.225,39
2017	27	899	63.203.637,72

Through the human capital training and development plan, in the first quarter of the year, the HRD promoted a set of training courses aimed at improving customer service and other services provided to our customers in all the branches in the country. Of note are the training courses in Communication, Bank Credit and Customer Service. The first two are aimed at the entire Institution and the third at the Commercial Network.

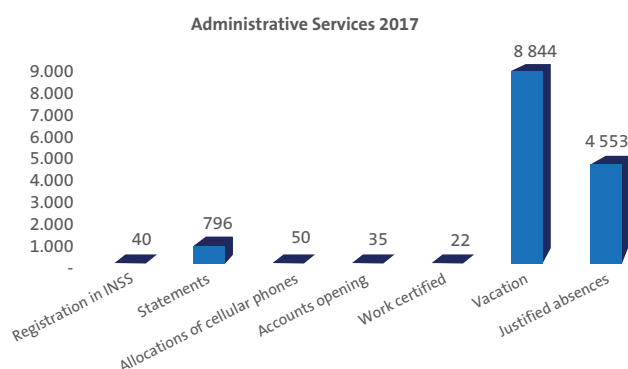
Refresher training courses and training courses to increase academic levels were also developed. These fall under Plans for Individual Development, Master's degrees, Intensive Programs and Postgraduate programs.

In the technological area, in conjunction with external partners, initiatives were developed aimed at the implementation of better management and control systems (implementation of the new Operational Risk Tool and the Management System – SAP).

The HRD organizes internships for new hires in the various departments, aimed at teaching them the dynamics of the bank and how it works, in a dynamic on-the-job atmosphere.

Administrative Services

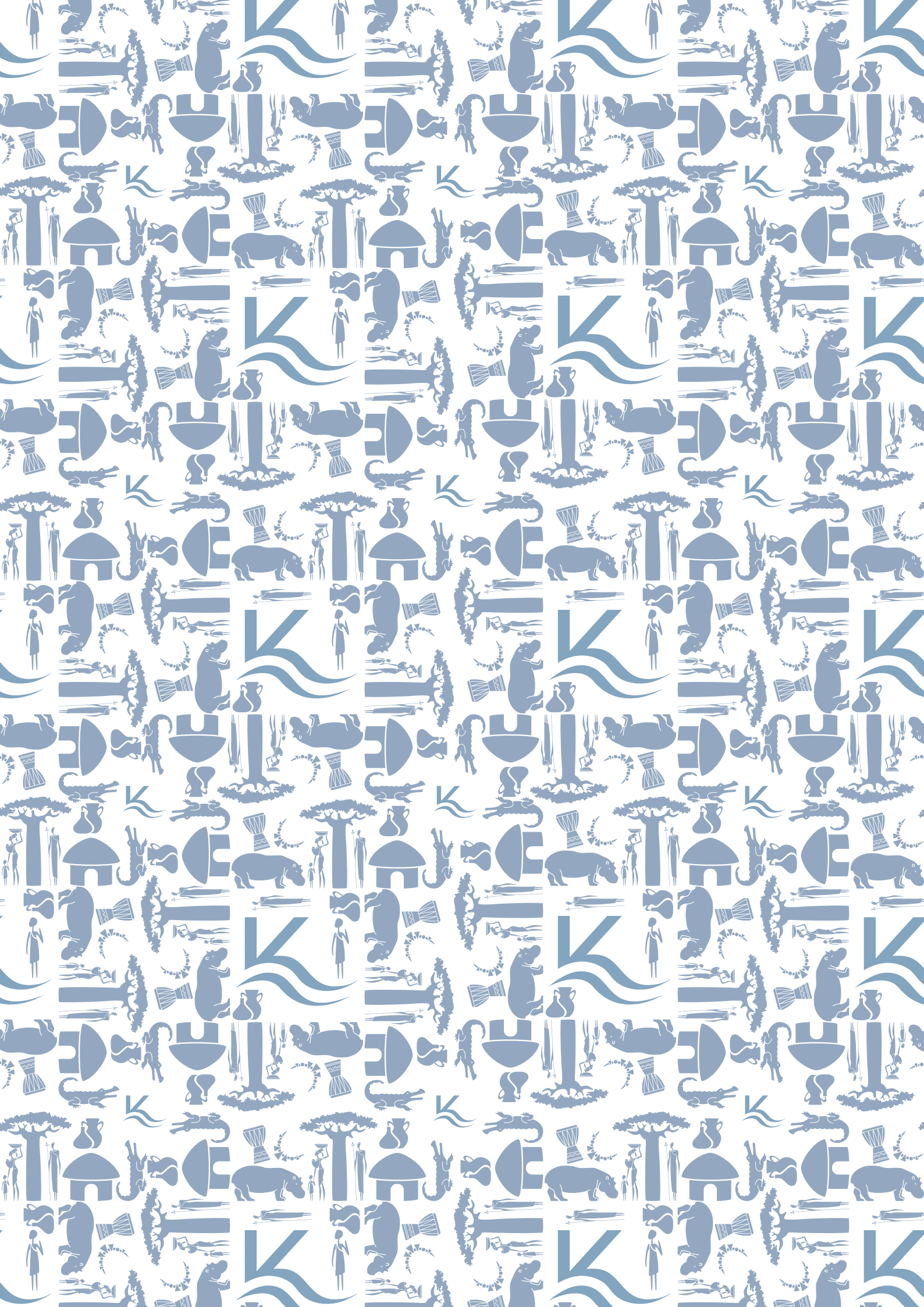
The following information is intended to highlight that the staff administrative area is a fundamental element in the global human resources strategy, centralizing a number of operational duties, such as employee account management, rotativity processes, invoicing, absences, document management, correspondence with other institutions, such as INSS, MAPTSS and SME, and service providers. All Human Resources management programs and initiatives are supported by the administrative area.



Distribution of Human Capital by Categories

Structural Unit	Acronym	Manager	Category	Supervisory and Control Unit	Central Support Unit	Total
Executive Secretariat	SCR	Elsa Pereira	Section Chief	7		7
Internal Audit Office	GAI	António Cambuta	Director	8		8
Compliance Office	GCO	Helena Morais	Director	5		5
Legal and Litigation Department	DJC	Arlindo Narciso	Director	10		10
Planning Control Office	GPC	Filipe Duarte	Director	4		4
Risk Office	GRI	Paula Cristina Silva	Director	4		4
Electronic Banking Department	DBE	Paulo Rodrigues	Director	9		9
Assets and Security Department	DPS	Erasmus Ambrosio	Director	12	36	12
Accounting Department	DCO	António Direitinho	Director	11		11
Credit Department	DCR	Mário Nicodemos	Director	13		13
Credit Monitoring, Collection and Recovery	GMR	Leopoldino Silva	Director	8		8
Large Corporates Department	DGE	Telma Sampaio	Director	29		29
Marketing Department	DMK	Manuel Amaral	Director	6		6
Financial Markets Department	DMF	Henrique Batalha	Director	6		6
Operations Department	DOP	Helena Rodrigues	Director	22		22
Quality and Organization Department	DQO	Gisela Anapaz	Subdirector	6		6
Commercial Network Department	DRC	Daniel Coelho / Maria Inês Santana	Directors	315		315
Human Resources Department	DRH	Yona Santos	Director	12		12
Information Systems Department	DSI	Tatiana Ferreira	Head of Department	12		12
International and Investment Banking Department	DIB	Júlio João	Subdirector	3		3
Private Banking Department	DPR	Fernando Costa	Director	9		9

*The Board of Directors and the Executive Committee are not included



A giraffe with a brown and white patterned coat stands against a solid orange background. Behind the giraffe's head and neck is a large, solid white circle, resembling a full moon or a sun. The giraffe is facing right, with its long neck extended upwards.

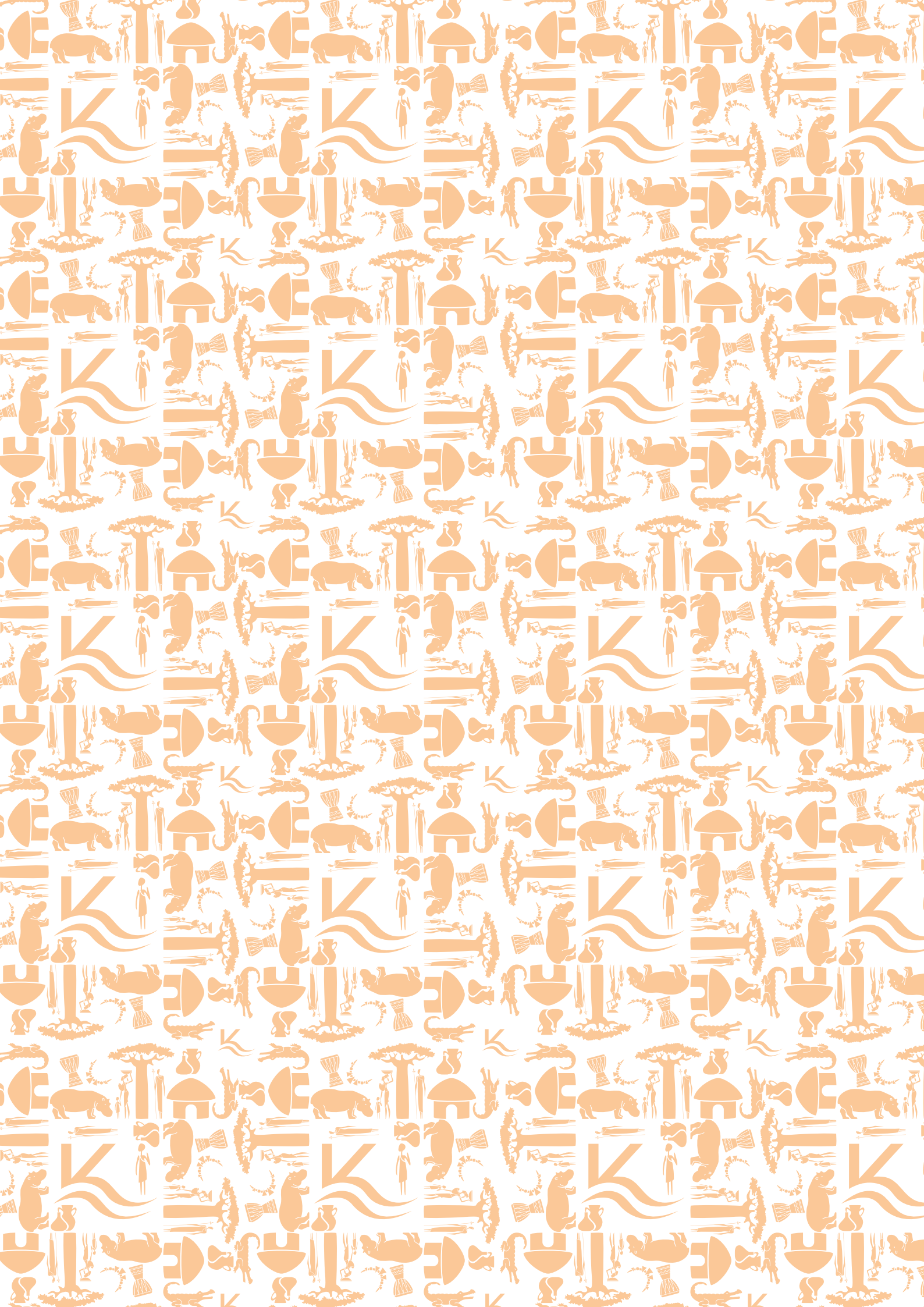
08

Financial analysis and proposed
application of results

Banco *Keve*

O BANCO À SUA MEDIDA

Girafa

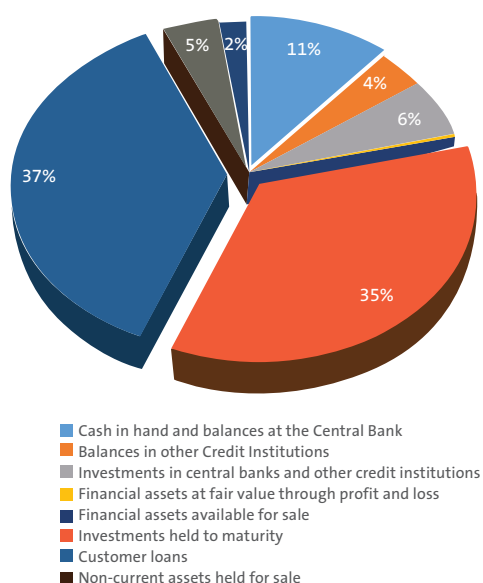


FINANCIAL ANALYSIS

Net assets on December 31, 2017 came to AOA 151,065 billion, corresponding to an increase of AOA 10,378 billion (7%) compared to the end of last year.

	2017		2016		
Billion AOA	Value	Weight	Value	Weight	Δ %
Net assets					
Cash in hand and balances at the central Bank	17,1	11,3%	9,4	6,7%	82%
Balances in other Credit Institutions	6,0	4,0%	7,8	5,6%	-23%
Investments in central banks and other institutions	8,9	5,9%	5,2	3,7%	70%
Financial assets at fair value through profit and loss	0,2	0,1%	0,0	0,0%	-100%
Financial assets available for sale	0,1	0,1%	0,1	0,1%	0%
Investments held to maturity	52,4	34,7%	50,1	35,6%	5%
Customer loans	56,0	37,1%	58,1	41,3%	-4%
Non-current assets held for sale	0,1	0,0%	0,1	0,0%	0%
Other tangible assets	7,0	4,6%	6,5	4,7%	6%
Intangible assets	0,1	0,0%	0,0	0,0%	257%
Other assets	3,3	2,2%	3,3	2,3%	%-1
Assets	151,0	100,0%	140,6	100,0%	%7

Distribution of Assets by weight



The items with the most weight in total assets are Investments Held to Maturity (35%) and Customer Credit (37%). The total asset expansion of AOA 10.4 billion (7%) was essentially due to the growth in (i) "Cash and Cash Equivalents in Central Banks" at 82% (+AOA 7.7 billion); (ii) the increase in "Investments in central banks and other credit institutions" at around AOA 3.6 billion, going from AOA 5.2 billion (in 2016) to AOA 8.9 billion in 2017, representing an increase of 70% compared to the previous year; (iii) the 5% increase in "Investments Held to Maturity" at AOA 2.3 billion, basically influenced by the growth in indexed securities held to maturity and impacted by the effect of the reclassification of Treasury Bills from the trading portfolio to the held-to-maturity portfolio and the reinvestment in new Treasury Bill acquisitions; (iv) "Other Assets" showed a variation of -1% compared to the same period last year.

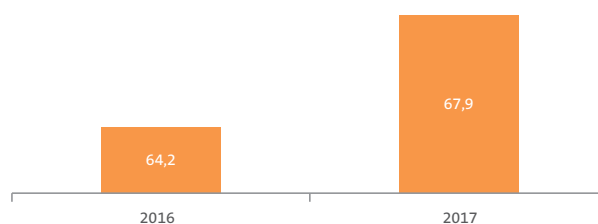
Other tangible assets increased by 6% (AOA 0.4 billion), going from AOA 6.5 billion in 2016 to AOA 7.0 billion on December 31, 2017.

The ratio of transformation of Customer Funds into credit stood at 59% (72% in 2016), 12.0% less than the same period last year, influenced by the increase in customer funds of around 25 billion.

Loans – Segmentation by customer

Billion AOA	2017	2016	Var. %
Businesses	61,9	58,9	5
Individuals	6,0	5,3	13
Gross loans	67,9	64,2	6
Guarantees given	7,7	6,0	29
Outstanding documentary credits	6,3	6,6	-4
	82,0	76,8	7

Gross loans (billion AOA)



December 31, 2017, Guarantees given stood at AOA 7.7 billion, representing an increase of 29% compared to 2016. Documentary Credits decreased to AOA 0.3 billion, showing a reduction of 4%.

Asset quality

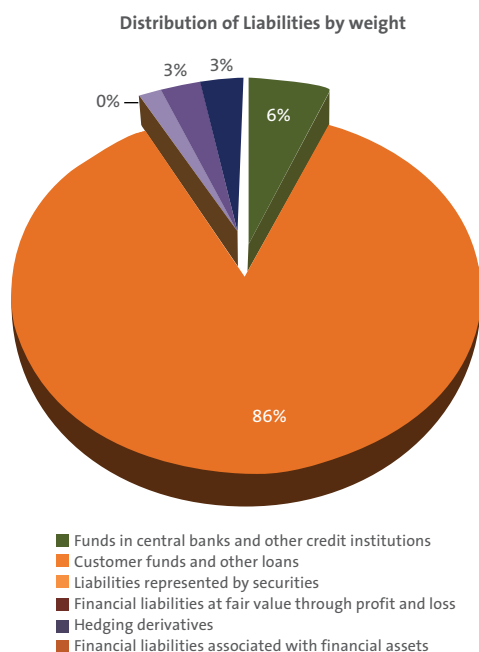
Billion AOA	2017	2016	Weight 2017	Weight 2016	Δ%
Performing loans	57,8	60,7	85,2%	94,4%	-5%
Overdue loans	10,1	3,6	14,8%	5,6%	182%
	67,9	64,2			6%
Days past due					
15-30	20,8	15,7	30,6%	24,5%	32%
30-60	26,3	26,9	38,7%	41,9%	-2%
60-90	0,8	0,7	1,2%	1,0%	24%
90-150	9,2	2,6	13,6%	4,1%	253%
150-180	0,1	0,4	0,1%	0,6%	-87%
>180	10,7	17,9	15,8%	27,9%	-40%
Gross loans	97,9	64,2	100%	100%	6%
Loan provisions	11,9	6,1	17,6%	9,6%	
Net loans	56,0	58,1			-4

The ratio of overdue credit to total credit increased by 9.2 p.p., standing at 14.8% in December 2017. Level G overdue credit (> 180 days) stood at AOA 10.7 billion in December 2017, corresponding to 15.8% of the gross credit portfolio (27.9% in 2016). Coverage of the total credit by provisions stood at 17% in 2017 against 10% the previous year.

Liabilities

Billion AOA	2017		2016		Δ%
	Value	Weight	Value	Weight	
Liabilities					
Funds in central banks and other credit institutions	8,4	5,6	1,5	1,1	450
Customer Funds and other loans	116,3	76,6	89,8	63,5	30
Interest on debt securities in issue	0,0	0,0	0,0	0,0	0
Hedge derivatives	0,0	0,0	0,0	0,0	0
Financial liabilities associated to assets transferred	0,0	0,0	0,0	0,0	0
Non-current Liabilities held for sale	0,0	0,0	0,0	0,0	0
Provisions	1,8	1,2	2,2	1,5	-15
Current tax liabilities	0,1	0,0	0,1	0,1	-54
Deferred tax liabilities	0,0	0,0	0,0	0,0	0
Subordinated liabilities	3,4	2,3	3,4	2,5	1
Other liabilities	4,7	3,0	29,4	20,9	-84
Equity	16,3	11,1	14,2	10,4	15
Liabilities and Equity	151,0	100,0	140,6	100,0	7





The items with most weight on total liabilities are Customer funds and other loans (86%) and Bank funds and other credit institutions (6%). Bank Liabilities recorded an increase of AOA 8.3 billion (7%), with emphasis on the positive variation in "Customer funds and other loans" standing at AOA 26.5 billion (+30%), resulting in an increase in Demand Deposits of around AOA 15 billion. "Other Liabilities" showed a negative variation of AOA 24.7 billion (-84%), arising from the discharge of captive funds in compliance with Instruction No. 05/2017, of December 1. "Funds in central banks and other credit institutions" increased by AOA 6.9 billion (+450%), essentially influenced by the increase in funding in Resident banks.

Regulatory Capital increased by AOA 2.1 billion (+15%), coming to a total of AOA 16.3 billion as at December 31.

Customer Funds and other loans

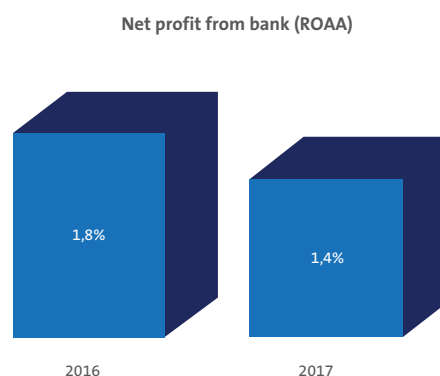
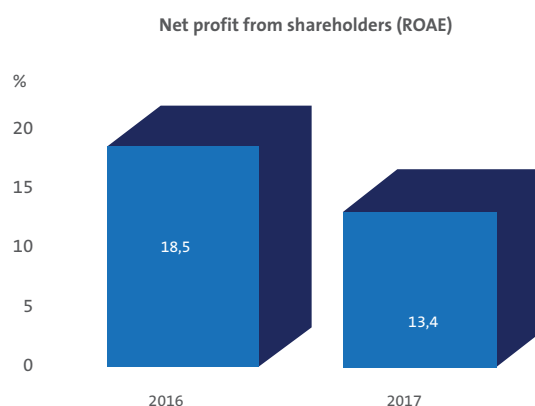
Billion AOA	2017	Weight	2016	Weight	Var. %
Demand deposits	66,5	57	51,1	57%	30%
Term deposits	48,0	41	38,5	41%	25%
Other borrowings	1,8	2	0,1	%2	1150%
Customer Funds, of which	116,3	100	89,8	100%	30%
Local currency	106,7	93	81,7	90%	31%
Foreign currency	9,6	7	8,1	10%	19%
	116,3	100	89,8	100%	30%

The portfolio of total customer funds grew AOA 26.5 billion (+30%), totaling AOA 116.3 billion in December 2017. This increase reflects the growth of around 31% in local currency deposits. Demand deposits grew 30% compared to the previous year.

Income and Profitability

Billion AOA	2017	2016	Dec 17 - Dec 16 Δ %
Net interest income	12,0	10,8	11%
Non-interest income	5,1	10,3	-51%
Gross Operating Income	17,1	21,1	-19%
Loans impairment	3,9	6,9	-44%
Operating income	13,2	14,1	-7%
Administrative and sales expenses	11,3	10,8	5%
Net impairment losses & write-offs	-0,2	0,8	-100%
Income from subsidiaries, associates and group corporates	0,0	0,0	0%
Net income before income tax	2,1	2,5	-18%
Income discontinued operations	0,0	0,0	-100%
Provision for income tax	0,0	0,1	-100%
Net income after taxes	2,1	2,4	-15%
Operational cashflow	5,8	10,3	-44%

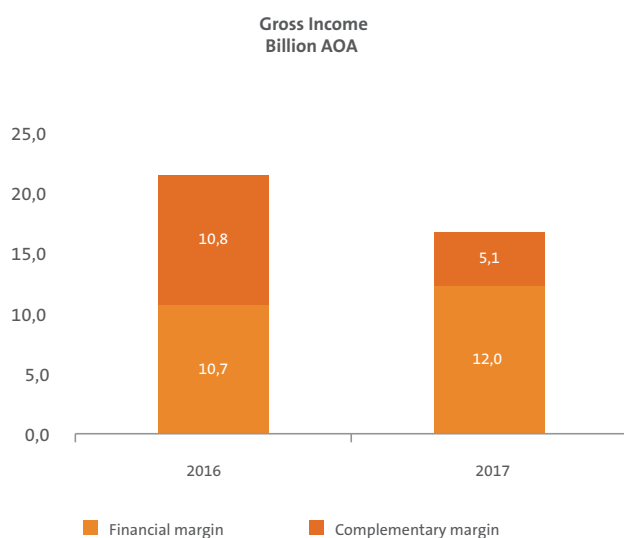
The Bank made a net profit of AOA 2.1 billion, corresponding to a slowdown of -15% compared to the amount earned in 2016 (AOA 2.4 billion). The return on average equity (ROAE) in 2017 stood at 13.4%, recording a decrease of -5.1 p.p. compared to 2016 (18.5%).



The main factor explaining the decrease in ROAE is the slowdown in the income before taxes rate (-0.3 percentage points compared to 2016).

In 2017, the financial margin increased by 13% compared to 2016, essentially influenced by the AOA 1.7 billion increase in credit interest and AOA 1.5 billion interest on marketable securities, against the increase of AOA 1.2 billion in Interest and similar income.

Income from financial intermediation came to a total of AOA 13.2 billion, representing a decrease of -7%, compared to the same period in 2016, arising mainly from the decrease of AOA -4.3 billion in operating income.



Gross Income

Billion AOA	2017	2016	Δ %
Net interest income	12,0	10,8	11%
Income fees and commissions	4,1	3,6	14%
Expenses with fees and commissions	-0,2	0,2	-27%
Income from financial assets and liabilities measured at fair value	0,0	0,0	0%
Net gains on investments held to maturity	0,4	5,3	93%
Foreign exchange gains and losses	1,3	1,9	35%
Other operating income	-0,5	-0,3	47%
Gross Operating Income	17,1	21,1	-19%

With regard to the Banking product, the decrease was 19% compared to the previous year, essentially driven by the decrease in the complementary margin. Income from investments held to maturity fell AOA 4.9 billion in 2017, as a result in the decrease in exchange rate revaluations.

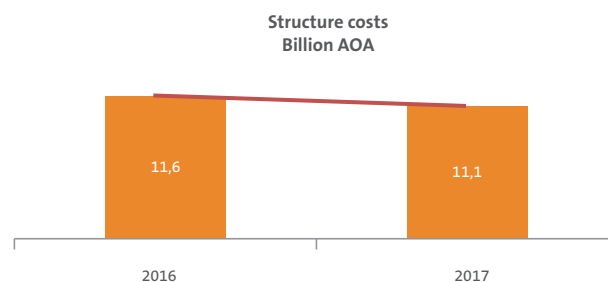
The increase of 11% in the financial margin was not sufficient to cover the decrease of 51% in the complementary margin.

Structural costs

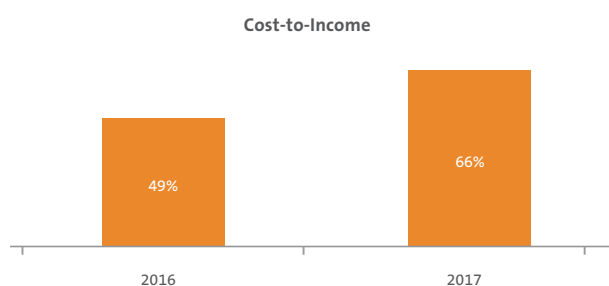
Structural costs, which include staff costs, third-party supplies and services, other administrative and sales expenses and depreciation for the year increased 9%, going from AOA 10.2 billion in 2016 to AOA 11.1 billion in 2017.

Structural costs

Billion AOA	2017	2016	Δ %
Staff costs	5,8	4,9	17%
Third-party supplies and services	4,7	5,2	-9%
Amortizations and depreciations	0,8	0,7	14%
Administrative and sales expenses	11,3	10,8	5%
Other administrative expenses	0,2	0,8	-122%
Structural costs	11,1	11,6	-4%
No. of employees on December 30	544	516	5%



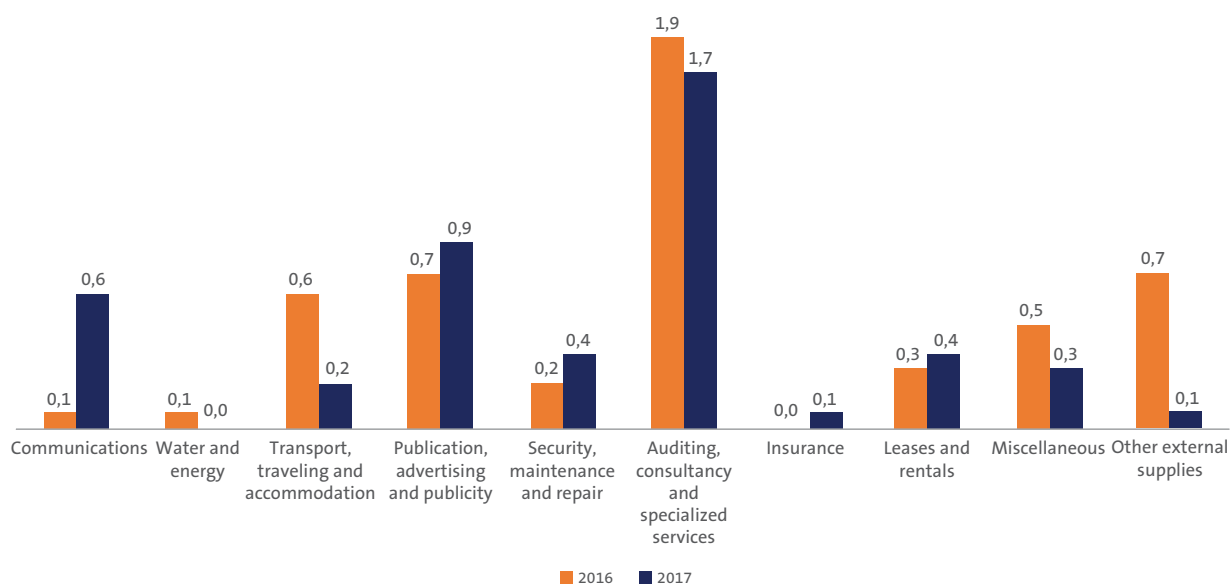
The cost reduction is largely explained by the reduction in third-party supplies and services costs by AOA 0.4 billion (-27%). Cost-to-income increased 16 p.p., essentially due to the slowdown in the Banking Product (-19%).



The cost of third-party supplies and services increased by 2%, going from AOA 4.6 billion in 2016 to AOA 4.7 billion in 2017, the emphasis being on Auditing and Consultancy, which carry more weight, around 37% of total costs for the year.

Third-party supplies and services

Billion AOA				Var. Anual
Description	2017	2016	Abs.	%
Communications	0,6	0,1	0,6	684 %
Water and Energy	0,0	0,1	0,0	-66 %
Transport, Traveling and Accommodation	0,2	0,6	-0,4	-62 %
Publishing and Advertising	0,9	0,7	0,2	21 %
Security, Maintenance and Repair	0,4	0,2	0,1	64 %
Audit, Consultancy and sp. Services	1,7	1,9	-0,2	-9 %
Insurance	0,1	0,0	0,0	110 %
Leases and Rentals	0,4	0,3	0,0	4 %
Sundry materials	0,3	0,5	-0,2	-40 %
Other Third-party Supplies	0,1	0,7	-0,6	-81 %
Total	4,7	5,2	-0,4	9 %

Breakdown of ESS
Billion AOA

	2017		2016		
Billion AOA	Value	Weight	Value	Weight	Δ%
Net assets					
Cash and deposits at central Bank	17,1	11,3	9,4	6,7	82%
Deposits in other Credit Institutions	6,0	4,0	7,8	5,6	-23%
Investments in central banks and other credit institutions	8,9	5,9	5,2	3,7	70%
Other financial assets held for trading at fair value through profit or loss	0,2	0,1	0,0	0,0	-100%
Financial assets available for sale	0,1	0,1	0,0	0,1	0%
Investments held to maturity	52,4	34,7	50,1	35,6	5%
Loans and advances to customers	56,0	37,1	58,1	41,3	-4%
Non-current assets held for sale	0,1	0,0	0,1	0,0	0%
Other tangible assets	7,0	4,6	6,5	4,7	6%
Intangible assets	0,1	0,0	0,0	0,0	257%
Other assets	3,3	2,2	3,3	2,3	-1%
Assets	151,0	100,0	140,6	100,0	7%

	2017		2016		
Billion AOA	Value	Weight	Value	Weight	Δ%
Liabilities					
Funds from central banks and other credit institutions	8,4	5,6%	1,5	1,1%	450%
Customer resources and other loans	116,3	76,8%	89,8	63,5%	30%
Interest on debt securities in issue	0,0	0,0%	0,0	0,0%	0%
Hedge derivatives	0,0	0,0%	0,0	0,0%	0%
Financial liabilities associated to assets transferred	0,0	0,0%	0,0	0,0%	0%
Non-current Liabilities held for sale	0,0	0,0%	0,0	0,0%	0%
Provisions	1,8	1,2%	2,2	1,5%	-15%
Current tax liabilities	0,1	0,0%	0,1	0,1%	54%
Deferred tax liabilities	0,0	0,0%	0,0	0,0%	0%
Subordinated debt	3,4	2,3%	3,4	2,5%	1%
Other liabilities	4,7	3,0%	29,4	20,9%	84%
Equity	16,3	11,1%	14,2	10,4%	15%
Liabilities and Equity	151,0	100,0%	140,6	100,0%	7%

Note on the Accounting Policies

The financial statements were prepared according to the policies set out in the Chart of Accounts for Financial Institutions (adjusted CONTIF), as defined in BNA Instruction No. 06/2016, of May 16, and subsequent amendments, which provide for the adoption of the international accounting standards (IAS/IFRS).



PROPOSED APPLICATION OF RESULTS

Income for the Year

Bearing in mind the provisions of the law and the company's statutes, the need to maintain a sound capital base to meet the Bank's strategic objectives and achieve sustained growth, the Board of Directors proposes that the 2017 net profit of AOA 2,075,515,174.74 be allocated as follows:

Legal reserve 20%: AOA 415,103,034.95

Other reserves 80%: AOA 1,660,412,139.79



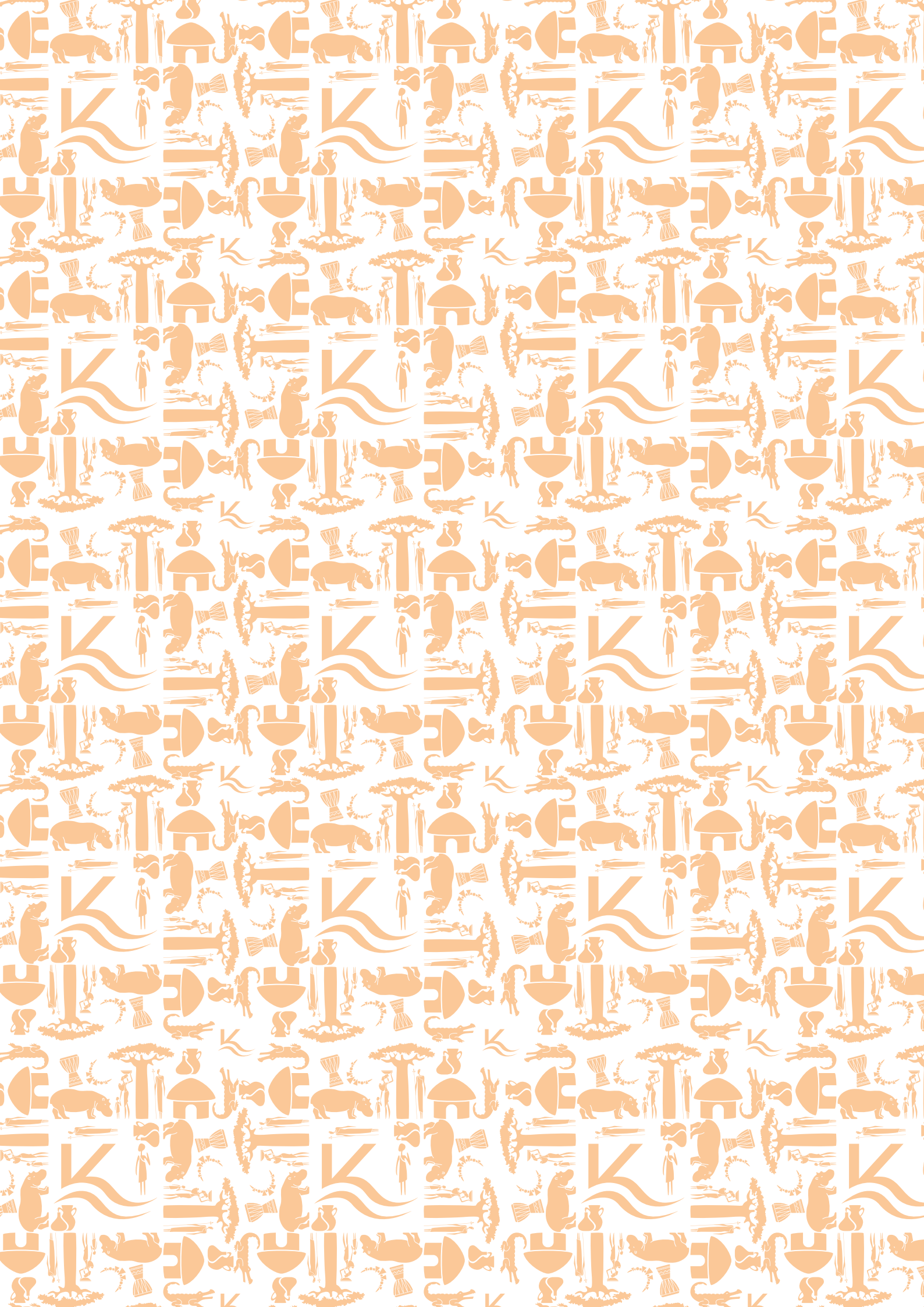
09

Financial Statements and notes

Banco Keve
O BANCO À SUA MEDIDA

Gazela Africana





1. FINANCIAL STATEMENTS

BALANCE SHEETS AS AT DECEMBER 2017 AND 2016 (PRO-FORMA) AND JANUARY 1 2016 (PRO-FORMA)

(Amounts in thousand Kwanzas kAOA)

ASSETS	Notes	31-12-2017			31-12-2016 (Pro-forma)	01-01-2016 (Pro-forma)
		Gross Assets	Amortizations and Impairment	Net assets		
Cash in hand and balances at the central Bank	4	17.065.036	-	17.065.036	9.352.687	22.233.547
Cash and cash equivalents in other credit institutions	5	6.028.992	-	6.028.992	7.812.950	2.912.124
Investments in central banks and other credit institutions	6	8.863.816	-	8.863.816	5.226.612	7.395.107
Financial assets at fair value through profit and loss	7	199.763	-	199.763	-	-
Financial assets available for sale	8	121.240	-	121.240	121.236	111.634
Investments held to maturity	9	52.380.068	-	52.380.068	50.108.794	30.443.702
Customer loans	10	67.877.520	(11.861.585)	56.015.935	58.102.443	57.836.190
Non-current assets held for sale	11	60.539	-	60.539	60.539	60.539
Other tangible assets	12	10.935.633	(3.976.866)	6.958.767	6.543.234	5.425.563
Intangible assets	13	848.307	(792.012)	56.295	15.761	75.626
Current tax assets	14	-	-	-	-	148.982
Other assets	15	3.352.995	(96.672)	3.256.323	3.283.581	3.993.872
Total Assets		167.733.909	(16.727.135)	151.006.774	140.627.837	130.636.886
LIABILITIES	Notes	31-12-2017			31-12-2016 (Pro-forma)	01-01-2016 (Pro-forma)
Funds in central banks and other credit institutions	16			8.442.037	1.534.361	2.017.283
Customer funds and other loans	17			116.267.407	89.764.896	97.220.790
Provisions	18			1.835.417	2.157.314	1.761.576
Current tax liabilities	14			62.734	137.574	376.375
Subordinated liabilities	19			3.432.401	3.411.334	2.784.858
Other liabilities	20			4.670.948	29.402.043	14.691.057
Total Liabilities				134.710.944	126.407.522	118.851.939
EQUITY	Notes	31-12-2017			31-12-2016 (Pro-forma)	01-01-2016 (Pro-forma)
Share Capital	21			4.000.000	4.000.000	4.000.000
Other reserves and retained earnings	21			10.220.315	7.784.947	6.963.450
Net income for the year				2.075.515	2.435.368	821.497
Total Equity				16.295.830	14.220.315	11.784.947
Total Liabilities and Equity				151.006.774	140.627.837	130.636.886

The annex is integral part of the balance sheets.



INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDING IN DECEMBER 2017 AND 2016 (PRO-FORMA)

(Amounts in thousand Kwanzas kAOA)

	Notas	31-12-2017	31-12-2016 (Pró-forma)
Interest and similar income	22	15.197.623	12.697.784
Interest and similar expenses	22	(3.173.654)	(1.908.177)
Financial intermediation margin		12.023.969	10.789.607
Income from services provided and commissions	23	4.126.487	3.623.309
Expenses with services provided and commissions	23	(179.303)	(246.848)
Foreign exchange gains and losses	24	1.258.895	1.928.607
Income from investments held to maturity	25	363.612	5.313.492
Other operating income	26	(490.382)	(334.466)
Gross income		17.103.278	21.073.701
Staff costs	27	(5.797.577)	(4.936.803)
Third-party supplies and services	28	(4.715.351)	(5.160.243)
Depreciation and amortization during the year	12 e 13	(817.416)	(717.168)
Provisions net of write-offs	18	183.584	(816.086)
Loan impairment, net of reversals and recoveries	10	(3.896.555)	(6.926.040)
Impairment of other financial assets net of reversals and write-offs	18	15.552	-
Pre-tax profit from continuing operations		2.075.515	2.517.361
Charges on current income	14	-	(81.993)
Net income for the year		2.075.515	2.435.368
Income not included in income statement		-	-
Comprehensive income for the year		2.075.515	2.435.368
Average number of ordinary shares issued		5.000.000	5.000.000
Earnings per basic share (in kwanzas)		0,42	0,49
Earnings per diluted share (in kwanzas)		0,42	0,49

The annex is integral part of this income statements.



STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDING ON DECEMBER 31, 2017 AND 2016 (PRO-FORMA)

(Amounts in thousand Kwanzas kAOA)

Other reserves and retained earnings							
mAOA	Equity	Legal reserve	Other reserves	Retained earnings	Total	Net income for the year	Equity total
BALANCES AS AT DECEMBER 31, 2015	4.000.000	1.782.589	5.436.279	107.593	7.326.461	821.497	12.147.958
Effects of adopting IAS/IFRS	0	0	0	(363.011)	(363.011)	0	(363.011)
BALANCE AS AT JANUARY 1, 2016 (PRO-FORMA)	4.000.000	1.782.589	5.436.279	(255.418)	6.963.450	821.497	11.784.947
Application of 2015 profit	0	164.299	657.198	0	821.497	(821.497)	0
Comprehensive income for the year	0	0	0	0	0	2.435.368	2.435.368
BALANCE AS AT DECEMBER 31, 2016 (PRO-FORMA)	4.000.000	1.946.888	6.093.477	(255.418)	7.784.947	2.435.368	14.220.315
Application of 2016 profit	0	487.074	1.948.294	0	2.435.368	(2.435.368)	0
Comprehensive income for the year	0	0	0	0	0	2.075.515	2.075.515
BALANCES AS AT DECEMBER 31, 2017	4.000.000	2.433.962	8.041.771	(255.418)	10.220.315	2.075.515	16.295.830

The annex is integral part of this income statements.



CASH FLOW STATEMENTS FOR THE YEARS ENDING ON DECEMBER 31, 2017 AND 2016 (PRO-FORMA)

(Amounts in thousand Kwanzas kAOA)

	2017	2016 (pro-forma)
Cash flows from operating activities		
Interest receivable, commissions and similar income	20.803.880	14.055.170
Interest paid, commissions and similar income	(2.564.315)	(1.532.021)
Payments to suppliers and employees	(11.051.531)	(8.762.963)
Other income	1.258.895	1.216.395
Cash flows and changes in operating assets and liabilities	8.446.929	4.976.581
Increases / (reductions) in operating assets:		
Investments in central banks and other credit institutions	(3.635.193)	2.168.495
Financial assets at fair value through profit and loss	(199.763)	-
Financial assets available for sale	(12.418)	9.253
Investments held to maturity	(1.528.033)	(16.064.870)
Customer loans	(1.761.427)	(1.501.313)
Other assets	47.397	(70.620)
Net flow of operating assets	(7.089.437)	(15.459.055)
Increases / (reductions) in operating liabilities:		
Funds in central banks and other credit institutions	5.151.377	945.271
Customer funds and other loans	24.335.654	(8.513.099)
Other liabilities	(967.161)	-
Net flow of operating liabilities	28.519.870	(7.567.828)
Net cash from operating activities before income tax	29.877.362	(18.050.302)
Income tax payable	(375.738)	(206.293)
Net cash from operating activities	28.519.870	(18.256.595)
Cash flows from investment activities		
Acquisitions of other tangible assets, divestitures net	(1.203.366)	(1.048.551)
Acquisitions of intangible assets, divestitures net	(48.942)	-
Net cash from investment activities	(1.252.308)	(1.048.551)
Cash flows from financing activities		
Payments made for responsibilities represented by securities	(349.440)	(134.309)
Net cash from financing activities	(349.440)	(134.309)
Changes in cash and cash equivalents	27.899.876	(19.439.455)
Cash and cash equivalents at the beginning of the year	16.772.794	24.959.885
Effect of exchange change on cash and cash equivalents	(21.744.999)	11.252.364
Cash and cash equivalents at the end of the year	22.927.671	16.772.794

The annex is integral part of this income statements.



2. INTRODUCTORY NOTE

Banco Regional do Keve, S.A. (hereinafter called “Banco Keve” or the “Bank”) is a privately owned bank headquartered in Sumbe, Kwanza Sul. It was incorporated on September 19, 2003 and began commercial operations on October 1 of the same year. The Bank officially adopted the abbreviated trading name “Banco Keve” in December 2007.

The company’s core business is banking, under the terms permitted by law, which includes raising

funds from third parties in the form of deposits or in other forms and using them, along with its own funds, to grant loans, make deposits at Banco Nacional de Angola (BNA), make investments in credit institutions and acquire securities and other assets. The company also provides other banking services and carries out various types of transactions in foreign currency.

The Bank was incorporated with capital of AOA 456 million (equivalent to USD 5.7 million), represented by 570,000 registered shares with a face value of AOA 800 per share, fully subscribed and paid up in cash.

In 2006, the Bank increased its capital to AOA 800 million (equivalent to USD 10 million), represented by 1,000,000 registered shares, with a face value of AOA 800 per share. The increase, in the amount of AOA 344 million, was fully subscribed and paid up in cash.

In 2007, the Bank increased its capital to AOA 4 billion (equivalent to USD 50 million), represented by 5,000,000 registered shares, with a face value of AOA 800 per share. The increase was funded by AOA 2,400 million in cash and AOA 800 million in reserves.

3. PRESENTATION BASES, SUMMARY OF MAIN ACCOUNTING POLICIES AND MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

3.1. Presentation bases

The Bank’s financial statements were prepared on the going concern assumption, according to the International Financial Reporting Standards (“IAS/IFRS”), under the terms of Notice No. 06/2016, of June 22, of Banco Nacional de Angola, as issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The Bank adopted the International Financial Reporting Standards for the first time in the year ending on December 31, 2017. To this end, the terms of IFRS 1 – “First-time adoption of the International Financial Reporting Standards” were taken into account and were applied retrospectively for all the periods presented. Thus, the transition date was January 1, 2016 and the Bank prepared its opening balance sheet with reference to that date (Pro-forma).

The Bank changed its financial statements for 2016, prepared and approved according to the accounting principles enshrined in the Chart of Accounts for Financial Institutions

(CONTIF), under the terms of Instruction No. 09/2007, of 19 September, issued by Banco Nacional de Angola, so that these can be compared to the financial statements for the year ending on December 31, 2017.

As a result of the Board of Directors’ understanding of the differences between the IAS/IFRS and CONTIF accounting policies and the analyses and estimates they made, it was concluded that the transition to IAS/IFRS gave rise to adjustments to the equity as at January 1, 2016 and the equity and net income of the Bank as at December 31, 2016 presented in Note 3.5.

The financial statements of the Bank on December 31, 2017 and 2016 are expressed in thousands of kwanzas, all the assets and liabilities denominated in other currencies having been converted to local currency using the average indicative exchange rate published by Banco Nacional de Angola on those dates.

	31-12-2017	31-12-2016
1 USD	165,924	165,903
1 EUR	185,400	185,379

3.2. Standards, interpretations, amendments and revisions that will come into force in future years

The following accounting standards and interpretations, which must be used in future financial years, had been endorsed by the date of approval of these financial statements:

Standard	Applicable to all financial years beginning on or after	Interpretation
IFRS 9 – Financial instruments	1-jan-18	This standard is part of the revision project for IAS 39 and establishes the new requirements for classification and measurement of financial assets and liabilities, the impairment calculation method and the application of hedge accounting rules.
IFRS 15 – Revenue from contracts with customers	1-jan-18	Detailed information is presented on the changes introduced by IFRS 9, as well as the potential impacts, at the end of this note. This standard introduces a revenue recognition structure based on principles and a model to be used on all contracts entered into with customers, replacing IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Customer loyalty programs; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customer and SIC 31 – Revenue - Barter Transactions Involving Advertising Services.
IFRS 16 – Leases	1-jan-19	This standard introduces the principles for recognizing and measuring leases, replacing IAS 17 – Leases. The standard defines a single accounting model for lease contracts, which results in the recognition by the lessee of assets and liabilities for all lease contracts, except leases for a period of less than 12 months or leasing of assets of a reduced value. The lessors will continue to classify the leases as operating or financial leases, and IFRS 16 will not imply substantial alterations for these entities compared to IAS 17.
Clarification on IFRS 15 - Revenue from contracts with customers	1-jan-18	These alterations introduce clarifications of the standard with a view to eliminating the possibility of differing interpretations arising from several topics
Amendment to IFRS 4: Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts	1-jan-18	This amendment provides guidelines on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced when IFRS 17 comes into force.
IFRS 17 - Insurance Contracts	1-jan-21	This standard establishes the recognition, measurement, presentation and disclosure principles for the insurance contracts under its scope of application. This standard replaces IFRS 4 - Insurance Contracts.
Amendment to IFRS 2: Classification and measurement of share based payment transactions	1-jan-18	This amendment introduces several clarifications to the standard related to: (i) the recording of share based payment transactions that are cash-settled; (ii) the recording of modifications of share-based payment transactions from cash-settled to equity-settled; (iii) the clarification of transactions with compensated settlement characteristics.
Improvements to the International Financial Reporting Standards (2014-2016 cycle)	Jan 1, 2018, except the alterations to IFRS 12, which will come into force on Jan 1, 2017	These improvements involve the clarification of some aspects related to: IFRS 1 – First-time adoption of the International Financial Reporting Standards: eliminating some short-term exemptions; IFRS 12 – Disclosure of interests in other entities: clarifying the scope of the standard as to its application to interests classified as held for sale or held for distribution under the scope of IFRS 5; IAS 28 – Investments in associates and joint ventures: introducing clarifications on fair value measurement through profit and loss of investments in associates or joint ventures held through venture capital companies or investment funds.

continue

continue

Standard	Applicable to all financial years beginning on or after	Interpretation
Amendment to IFRS 9: prepayment features with negative compensation	1-jan-19	This amendment will allow financial assets with contractual conditions that provide for the payment of a considerable amount by the creditor, on early amortization, to be measured at amortized cost or at fair value through reserves (according to the business model), provided that: (i) on the date of initial recognition of the asset, the fair value of the prepaid amortization component is insignificant; and (ii) the possibility of negative compensation of prepaid amortization is the only reason the asset in question is not considered as an instrument with only capital and interest payments.
Amendment to IAS 28: Long-term investment in associates and joint ventures	1-jan-19	The amendment clarifies that IFRS 9 must be applied (including its requirements related to impairment) to investments in associates and joint ventures when the equity method is not used to measure them.
IFRIC 22 - Foreign currency transactions and advance consideration	1-jan-18	This interpretation establishes the date of initial recognition of the advance payment or the deferred income as the date of the transaction for the purpose of determining the exchange rate for the revenue recognition
IFRIC 23 - Uncertainty over income tax treatments	1-jan-19	This interpretation gives guidelines on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and the tax rates in the event of uncertainty over income tax

Although these standards have been endorsed, they were not adopted by the Bank in 2017, as their application is not yet mandatory. Following the analyses and estimates carried out by the Bank's Board of Directors on the impacts of the application of these standards on future periods, no significant impacts are expected. Nevertheless, with regard to IFRS 9 specifically, given the complexity of the alterations and their implementation, the Bank will set up a working group to analyze the impacts arising from its application in greater detail.

For the financial years beginning on or after January 1, 2018 IFRS 9 establishes a set of new rules on financial instruments, which can be presented as follows:

- i. Classification and measurement of financial instruments: new classification and measurement requirements are defined for financial instruments, particularly with regard to the business model used in the management of these instruments, and their contractual characteristics;
- ii. Method used to calculate impairment losses: three risk categories are defined for financial assets. The classification of each one is dependent on the alteration of the credit risk on each reporting date, compared to its initial recognition. The recognition method used for impairment losses on these financial assets will now be calculated based on expected losses or ECL and not on losses incurred, as provided for in IAS 39. This method implies the recognition of expected losses before the occurrence of the loss events.
- iii. Hedge accounting: where new possibilities for applying the hedge accounting rules through a greater number of hedge relationships between the items covered and the instruments covered are presented.

3.3. Accounting policies

3.3.1. Accrual-based accounting

The Bank uses the accrual-based accounting principle. Income and costs are recognized according to the period the operations are in force. They are recorded as they are generated, regardless of when they are received or paid.

3.3.2. Foreign currency transactions

Foreign currency transactions are recorded under the principles of a multi-currency system, each transaction being recorded based on its currency. Assets and liabilities stated in foreign currency are converted to kwanzas at the average exchange rate published by Banco Nacional de Angola on the balance sheet date.

Income and costs from realized and unrealized exchange rate differences are recognized in the income statement for the year in which they occur under "Foreign exchange gains and losses". (Note 24).

3.3.3. Financial instruments

a) Customer loans and receivables

Valuation

Initially, loans and receivables are recorded at fair value. Generally speaking, the initial fair value corresponds to the transaction value and includes commissions, fees or income or costs associated with the loan operations. Later, the loans and receivables are valued at amortized cost, based on the effective interest rate method and subject to impairment tests.

i. Loans granted

Loans are financial assets and should be recorded at contracted amounts if they originate from the bank itself, or at the amount paid if purchased from others.

ii. Loans and overdue interest

This item records the capital, interest and other outstanding amounts not collected, less the cancelled interest. Pursuant to Instruction No. 09/2015, of June 4, of Banco Nacional de Angola, the Bank proceeds with the cancellation of interest overdue for more than 90 days.

iii. Recognition of gains

The interest and commissions associated with credit operations are accrued during the lifetime of the operations and recognized against income items, regardless of when they are collected or paid. Other commissions collected, particularly financial service commissions on loans, commitment commissions for setting up loans and other costs and gains associated with credit operations are recognized in income items when they are collected.

Guarantees given and import documentary credit

Liabilities for guarantees/sureties given and import documentary credits are recorded in off-balance sheet items for the amount at risk, while commissions and other earnings are recorded in income throughout the lifetime of the transactions.

Derecognition

Credit is written off when there are no realistic expectations of recovering the loans, from an economic point of view, and for loans with collateral, when the funds from the realization of the capital have been received, through the use of impairment losses when these correspond to 100% of the value of the credits deemed unrecoverable.

Impairment

Banco Keve has a project in course for the introduction of a computer tool and for defining the methodology to be used in order to comply with the requirements of IAS 39 – Financial Instruments (IAS 39) with regard to calculating impairment losses in its credit portfolio. This process had not been concluded before the close of the 2017 financial statements. In this context, the Bank maintained its procedures with a view to complying with the registration of provisions based on the requirements of Instruction No. 09/2015, of June 4, of Banco Nacional de Angola.

Thus, impairment for credit operations is based on analyses of outstanding loans (both non-performing and performing and including guarantees and sureties given and import documentary credits) and in an amount considered sufficient to cover loan losses under the Lending Rules, in accordance with the standards set out in Instruction No. 09/2015. The amount is calculated by multiplying the book value of each loan by the provisioning percentage, taking into account the amount receivable from the borrower, plus income and expenditure of any nature not received, including any income or expenditure arising from exchange differences. The calculation uses the customer's risk rating, based on a periodic analysis of customer and loan quality, not just days past due as to principal or interest.

Transactions falling due in more than two years:

Risk	Risk level	Days past due	Min. impairment to be
Nulo	A	Até 15 dias	0%
Muito reduzido	B	15 a 30	1%
Reduzido	C	30 a 60	3%
Moderado	D	60 a 90	10%
Elevado	E	90 a 150	20%
Muito elevado	F	150 a 180	50%
Perda	G	Superior a 180	100%

Transactions falling due in more than two years:

Risk	Risk level	Days past due	Min. impairment to be
Nulo	A	Até 30 dias	0%
Muito reduzido	B	30 a 60	1%
Reduzido	C	60 a 120	3%
Moderado	D	120 a 180	10%
Elevado	E	180 a 300	20%
Muito elevado	F	300 a 360	50%
Perda	G	Superior a 360	100%

A loan that is reclassified to a lower risk category as a result of a reduction in days past due cannot be reclassified to a level lower than the one established in the initial classification or determined in a periodic risk assessment.

Provisions for loan losses are recognized in assets under "Impairment", as a counter-entry in "Customer loans" (Note 10), and allowances for guarantees/sureties given and documentary credits unsecured on the balance sheet date are recognized in liabilities under "Provisions" (Note 18).

b) Other financial assets and liabilities

Other financial assets and liabilities are recognized and valued according to the recommendations of IAS 32 and IAS 39 and are recorded on the contracting date at fair value.

i. Investments held to maturity

This category is for financial assets with fixed or determinable payments and fixed maturity, which the Bank has neither the intention or the capacity to hold to maturity (Note 9). The securities classified in this item are valued at their amortized value, plus accrued interest and the premium/discount. The Bank recognizes any profits or losses calculated on the date of maturity by the difference between the value received on that date and the actual book value. Interest and the premium/discount are calculated using the effective interest rate method and recognized in the financial margin (Note 22).



Impairment losses are recognized in income when they are identified. If the amount of the impairment loss subsequently decreases, and this decrease can be objectively related to an event that occurred after the recognition of the impairment, this is reversed through income for the year.

Treasury Bills are issued at discounted value and recorded at their acquisition cost. The difference between this and the nominal value, which is the Bank's remuneration, is recognized as a profit throughout the year, from the date of purchase to the date of maturity of the securities (Notes 9 and 22).

Treasury Bonds issued in foreign currency, as well as those issued in local currency indexed to the USD exchange rate are subject to exchange rate adjustment. Thus, the result of the exchange rate adjustment of the nominal value of the securities is recorded in the income statements in the year they occur under "Foreign exchange gains and losses" (Note 24). The accrued interest is reflected in the financial margin (Note 22).

Any reclassification or sale of financial assets recognized in this category that is not carried out close to maturity will oblige the Bank to reclassify the entire portfolio as financial assets available for sale and it will be unable to classify any financial assets in this category for a period of two years.

As at December 2017 and 2016, the Bank's portfolio held only investments related to Treasury Bills and Treasury Bonds, classified as investments held to maturity.

ii. Financial assets at fair value through profit and loss

Financial assets and liabilities held for trade include some Treasury Bonds indexed to the United States dollar (USD) exchange rate.

Financial assets and liabilities at fair value through profit and loss are initially recognized at fair value. Gains and losses arising from subsequent valuation at fair value are recognized in the income statement.

The interest inherent to the financial assets and the differences between the acquisition cost and the nominal value (premium or discount) are calculated according to the effective interest rate method and recognized in the income statement under "Interest and similar income" (Note 22). The effective interest rate is the rate that is used to discount estimated future cash flows associated with the financial instrument. It allows the current value to be matched to the value of the financial instrument on the date of initial recognition.

The fair value of the financial assets traded on active markets is the bid price or the closing price on the balance sheet date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, which include price assessment models or contractual cash flow discount techniques.

When contractual cash flow discount techniques are used, the future cash flows are estimated according to market expectations and the discount rate used corresponds to the market rate for financial instruments

with similar characteristics. In the price assessment models, the data used correspond to information on market prices

iii. Financial assets available for sale

Financial assets available for sale included equity instruments, namely the holdings in EMIS, Sagripek and Gestacall (Note 8).

Financial assets available for sale are measured at fair value, except equity instruments not listed on an active market and whose fair value cannot be reliably measured. These continue to be recorded at cost, which is the case of the holdings mentioned above.

If there are changes in the value of these holdings, these are recorded in "Other reserves".

At the time of sale, or if impairment has been determined, the accumulated changes in the fair value are transferred to income or costs for the year. They are recorded under "Income from financial assets available for sale" or "Impairment of other financial assets, net of reversals and recoveries", respectively. Foreign exchange gains or losses in monetary assets are recognized directly in the income statement.

iv. Impairment

As mentioned above, financial assets available for sale are recorded at fair value. Changes to the fair value are recognized in equity, under "Revaluation reserves".

Whenever there is objective evidence of impairment, the accumulated capital losses recognized in reserves are transferred to costs for the year in the form of impairment losses, under "Impairment of other financial assets, net of reversals and recoveries".

IAS 39 provides for the following specific indications for impairment in equity instruments:

- Information on significant changes with an adverse effect on the technological, market, economic or legal environment where the issuer operates, indicating that their investment cost will not be recovered;
- A significant or prolonged decline in the market value below the cost price.

Impairment losses in equity instruments cannot be reversed. Therefore, any potential capital gains arising from the recognition of impairment losses are recorded under "Revaluation reserves". If additional capital losses are subsequently determined, impairment is always deemed to exist and these are recorded in income for the year.

Impairment losses recorded in fixed income securities may be reversed through income if there is a positive change in their fair value arising from an event occurring after determination of the impairment.

v. Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation for it to be settled through the payment of cash or another financial asset, irrespective of its legal form.



Non-derivative financial liabilities include credit institution and customer resources and loans. Financial liabilities are initially recognized at fair value and subsequently at amortized cost. The associated transaction costs are part of the effective interest rate. The interest recognized through the effective interest rate is recognized in the financial margin (Note 22).

The amortized cost of a financial liability is the amount at which it is initially recognized, less capital receipts, and plus or minus accumulated amortization using the effective interest rate, arising from the difference between the value initially recognized and the amount at maturity.

The income from interest and financial assets and liabilities measured at amortized cost is recognized under interest and similar income or interest and similar expenses (Note 22), using the effective interest rate method.

The effective interest rate corresponds to the rate discounting estimated future payments or receipts during the expected life of the financial instrument (or, when appropriate, for a shorter period) for the present net balance sheet value of the financial asset or liability.

To determine the effective interest rate, the Bank makes an estimate of the future cash flows, taking into account all of the contractual terms of the financial instrument (for example early payment options), but not including any impairment losses. The calculation includes the commissions paid or received, which are an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except financial assets and liabilities at fair value through profit and loss.

For financial assets or groups of similar financial assets for which impairment losses have been recognized, the interest recorded in income is determined based on the interest rate used for discounting future cash flows in the measurement of the impairment loss.

Specifically regarding the recording policy for interest on overdue loans, the following aspects are considered:

- Interest on overdue loans with real guarantees until the prudently assessed coverage limit has been reached is recorded in income in accordance with IAS 18 – Revenue, under the assumption that there is a reasonable probability of recovery; and
- The interest already recognized and not paid relative to loans overdue for more than 90 days, which are not covered by a real guarantee, is cancelled. This is only recognized when received as it is believed, under the scope of IAS 18 – Revenue, that it is unlikely to be recovered.

c) Indexed deposits

Term deposits in local currency, indexed to the USD exchange rate (USD) are subject to exchange rate adjustment. Thus, the result of the exchange rate adjustment of the nominal value of the deposits is

reflected in the income statement for the year it occurs under “Foreign exchange gains and losses” (Note 24), with interest costs recorded under “Interest payable” (Note 17).

3.3.4. Non-current assets held for sale

The Bank records assets received in lieu of payment, following the recovery of non-performing loans, under “Non-current assets held for sale” if they are intended for subsequent sale.

These assets are recorded at the lesser of their calculated valuation or the outstanding credit value, less any specific provisions constituted.

The assets recorded in this item are not amortized. They are valued at the lesser of the carrying value or the fair value, less the costs incurred with the sale. The revaluation value of these assets is determined based on periodic assessments carried out by expert independent valuers. Whenever the value arising from these assessments (net of sales costs) is less than their book value, impairment losses are recorded under “Impairment of other assets net of reversals and recoveries”.

If the assets have not been sold at the end of the legal limit of 2 years (extendable following authorization from BNA), they are assessed again in order to calculate the updated market value, with a view to possible constitution of the corresponding impairment.

3.3.5. Other tangible assets

Other tangible assets are recorded at acquisition cost, less accumulated amortization and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets and indispensable for making them fit for use.

Subsequent costs are recognized as a separate asset only if it is probable that they will give rise to future economic benefits for the Bank. Expenses on maintenance and repair are recognized as a cost as they are incurred, according to the accrual-based accounting principle (Note 28).

Amortization is calculated throughout the useful life of the assets, which corresponds to the period during which it is expected the assets will be available for use. The years of estimated useful life for the Bank’s main classes of tangible assets are as follows:

	Years of useful life
Property for own use (buildings)	10 a 50
Leasehold improvements	10 a 50
IT	
Transport equipment	4
Furniture and materials	8
Machinery and tools	3 a 7
IT equipment	3 a 6
Fixtures and fittings	8 a 10
Security equipment	5 a 8
Other equipment	5 a 10



According to IAS 36 – Impairment of assets, when an asset shows signs of impairment, its recoverable value should be recognized as an impairment loss whenever the net value of an assets exceeds its recoverable value. Impairment losses are recognized in the income statement.

3.3.6. Intangible assets

Intangible assets essentially correspond to software.

Intangible assets are recorded at acquisition cost, less accumulated amortization and impairment losses.

Amortization is calculated on a straight-line basis during the estimated period of useful life of the assets, which corresponds to an average period of 3 years.

Software maintenance expenses are recorded as a cost in the year they are incurred. The development of computer applications which are expected to generate future economic benefits for more than one year, are recognized and recorded as intangible assets.

3.3.7. Financial reporting in hyperinflationary economies

Under the terms of IAS 29 – Financial reporting in hyperinflationary economies (IAS 29), in the event of the existence of hyperinflation, financial institutions must consider the effects of changes in the purchasing power of the local currency every month, based on the application of the Consumer Price Index to the capital, reserves and retained earnings balances. The financial statements of a company whose functional currency is the currency of a hyperinflationary economy must be expressed in terms of the current measurement unit at the balance sheet date. A country's economy is considered to be hyperinflationary if the following situations, among others, apply:

- Population generally prefer to keep their wealth in non-monetary assets or in a relatively stable foreign currency. Amounts held in local currency are immediately invested in order to preserve purchasing power;
- Population generally see monetary amounts in terms of a stable foreign currency. Prices may be quoted in that other currency;
- And purchases on credit take place at prices that compensate for the expected loss of purchasing power during the term of the credit, even where that period is short;
- Interest rates, salaries and prices are referenced to a price index; and
- Cumulative inflation rate over the last three years is close to or over 100%.

The amount obtained from monetary revaluation must be recorded monthly as a debit in the income statement account "Profit/(loss) on net monetary position", with a corresponding increase in capital accounts, except for "Share capital", which must be classified under a specific item ("Revaluation reserves") and can only be used for subsequent share capital increases.

The Angolan Association of Banks ("ABANC") and Banco Nacional de Angola ("BNA") expressed an interpretation that all of the requirements of IAS 29 – Financial reporting in hyperinflationary economies (IAS 29) had not been met

for the Angolan economy to be considered hyperinflationary in the year ending on December 31, 2017. Based on this interpretation, the Board of Directors decided not to restate the financial statements for the years ending on December 2017 and 2016 according to that standard.

3.3.8. Income tax

Current tax

Current tax is calculated based on the taxable profit for the year, which may differ from the accounting result due to adjustments to the taxable income arising from costs or income not relevant for tax purposes, or that will only be considered in other accounting periods.

Deferred taxes

Deferred taxes reflect the amount on the tax recoverable or payable in future periods as a result of deductible or taxable temporary differences between the carrying amount of assets and liabilities and their respective tax base used to determine taxable income. Deferred tax liabilities are recorded for all taxable temporary differences, whereas deferred tax assets are only recognized up to the amount for which it is likely that there will be sufficient future taxable profits to allow the deductible tax differences to be used or the reported tax losses to be carried forward.

In addition, deferred tax assets are not recognized if their recoverability may be called into question due to other circumstances, including issues regarding interpretation of tax laws.

As at December 2017 and 2016, no deferred taxes were recorded in the Bank's financial statements, as there were no deductible temporary or taxable differences applicable.

Industrial Tax

The Bank is subject to Industrial Tax and is fiscally considered as a Group A taxpayer, subject to a tax rate of 30%.

On January 1, 2015, the new Industrial Tax Code came into force, approved by Law No. 19/14, of October 22, which determines that the profits subject to Invested Capital Tax (IAC) are deductible for the purpose of determining taxable profit. IAC costs are not accepted for tax purposes (Note 14).

In addition, under the terms of the new Industrial Tax Code, taxpayers whose activity falls under the scope of the supervisory powers of Banco Nacional de Angola, must provisionally pay the Industrial Tax referent to that year by the end of August each year. The tax to be paid is calculated based on 2% of the income earned from financial intermediation operations, calculated in the first six months of the previous financial year, excluding the profits subject to IAC.

Tax on Invested Capital ("IAC")

Presidential Legislative Decree No. 5/11, of December 30, introduced several legislative alterations to the Invested Capital Tax Code, which has since been altered by Presidential Legislative Decree No. 2/14. Generally speaking, IAC falls on income from the Bank's financial investments, especially income from investments and from securities. The rate varies between 5% (for income from debt securities admitted for trade in a regulated market, with maturity of three years or more) and 15%.



The income from exchange rate revaluation of public debt securities issued in foreign currency is subject to industrial tax.

In a letter to Banco Nacional de Angola, on September 26, 2013, BNA reiterated that the revenue from Treasury Bonds and Treasury Bills of the Central Bank are only subject to IAC if they were issued after January 1, 2013.

Urban Properties Tax ("IPU")

IPU at a rate of 0.5% falls on the value of the properties owned by the Bank and used in the Bank's ordinary activities when the asset value is greater than kAOA 5,000.

Other taxes

The Bank is also subject to indirect taxes, in particular Customs Duty, Stamp Duty and Excise Duty, as well as other taxes.

3.3.9. Provisions and contingencies

A provision is set up when there is a present obligation (legal or constructive) arising from past events which are likely to generate a future outflow of resources and this can be reliably determined. The amount of the provision is the best estimate of the amount needed to settle the liability on the balance sheet date.

If a future outflow of resources is unlikely, then it is a contingent liability, which is disclosed, in accordance with the requirements of IAS 37 – "Provisions, contingent liabilities and contingent assets".

The provisions are revised at the end of each reporting date and adjusted to reflect the best estimate. There are reversed in income in proportion to the payments that are unlikely. The provisions are derecognized when they are used for the obligations for which they were initially constituted or in the cases where these no longer exist.

3.3.10. Recognition of income from services provided and commissions

Income from services and commissions is recognized according to the following criteria:

- When it is obtained as the services are provided, it is recognized in income during the period it refers to; and
- When it comes from the provision of a service, it is recognized when the service in question is concluded.

3.3.11. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Bank's shareholders by the weighted average number of ordinary shares in circulation, not including the average number of own shares held by the Bank.

If earnings per share change due to an issue at premium or discount or other event that alters the potential number of ordinary shares or to changes in accounting policies, the calculation of earnings per share for all periods reported is adjusted retrospectively.

3.3.12. Recognition of interest from financial instruments

The income from interest and financial assets and liabilities measured at amortized cost is recognized under interest and similar income or interest and similar expenses (Note 22), using the effective interest rate method. Interest at the

effective interest rate for financial assets available for sale is also recognized in the financial margin, as is the interest on financial assets and liabilities at fair value through profit and loss.

The effective interest rate corresponds to the rate discounting estimated future payments or receipts during the expected life of the financial instrument (or, when appropriate, for a shorter period) for the present net balance sheet value of the financial asset or liability.

To determine the effective interest rate, the Bank makes an estimate of the future cash flows, taking into account all of the contractual terms of the financial instrument (for example early payment options), but not including any impairment losses. The calculation includes the commissions paid or received, which are an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except financial assets and liabilities at fair value through profit and loss.

For financial assets or groups of similar financial assets for which impairment losses have been recognized, the interest recorded in income is determined based on the interest rate used for discounting future cash flows in the measurement of the impairment loss.

Specifically regarding the recording policy for interest on overdue loans, the following aspects are considered:

- Interest on overdue loans with real guarantees until the prudently assessed coverage limit has been reached is recorded in income in accordance with IAS 18 – Revenue, under the assumption that there is a reasonable probability of recovery; and
- The interest already recognized and not paid relative to loans overdue for more than 90 days, which are not covered by a real guarantee, is cancelled. This is only recognized when received as it is believed, under the scope of IAS 18 – Revenue, that it is unlikely to be recovered.

3.3.13. Cash and cash equivalents

For the purpose of preparing the cash flow statement, the Bank treats the total balances in "Cash and cash equivalents in central banks" and "Cash and cash equivalents in other credit institutions", as "Balance of cash and cash equivalents at the end of the financial year", excluding the item referent to "Payment system credits" (Notes 4 and 5).

3.4. Main estimates and judgements used in the preparation of the financial statements

The International Financial Reporting Standards define a set of accounting treatments. It is understood that the Board of Directors will then make the judgements and estimates necessary to decide on the most suitable accounting treatment.

The main accounting estimates and judgements used in the application of the accounting principles presented in this Note are aimed at facilitating the understanding of their application and how this affects the results reported by the Bank and the corresponding disclosures. The description of the main accounting policies used by the Bank is presented in Note 3.3 to the financial statements.



With regard to the results disclosed by the Bank, given that there are alternative accounting treatments in many situations, if the Bank had chosen a different treatment, the results could have been different. The Board of Directors believes that the criteria used are appropriate and that the financial statements give a fair view of the Bank's financial position and of the result of its operations in all materially relevant aspects.

Impairment losses in loans to customers

The Bank periodically reviews its credit portfolio risk in order to assess the existence of impairment losses, as referred to in the accounting policy described in Note

Impairment is determined based on the Bank's judgement of the economic and financial situation of its customers and the estimate of the value of the guarantees received as collateral. If the assumptions and judgements used in the analyses do not occur, the results may be different.

The Bank believes that the impairment determined based on the methodology described in Note 3.3.3 a) is an adequate reflection of the risk associated with its customer credit portfolio.

Investments held to maturity

The Bank classifies financial assets with fixed or determinable payments and defined maturities as investments held to maturity, pursuant to the requirements of IAS 39. This classification requires a significant level of judgement and an assessment is carried out on its intention and capacity to hold these investments to maturity. If the Bank does not hold these investments to maturity, except in specific circumstances – such as selling an insignificant part close to maturity – the entire portfolio must be reclassified as financial assets available for sale, and then measured at fair value rather than amortized cost.

Financial assets held to maturity are subject to impairment testing, which follows an analysis and decision by the Bank. The use of different methods and assumptions from those used in the calculations done could have different impacts on results.

The Bank holds securities issued by the Angolan State (Treasury Bills and Treasury Bonds) as investments held to maturity. Impairment is therefore not recorded.

The Board of Directors believes that the acquisition value of the securities is similar to their fair value. Therefore, no adjustments were made at the time of initial measurement, except for the non-readjustable securities in local currency, whose fair value was adjusted based on average half yearly inflation (annualized) for the last 3 years before acquisition of the securities.

Profit tax

Profit taxes are determined by the Bank based on the rules defined by the tax framework in force. However, in some situations, the tax legislation may not be sufficiently clear and objective, thereby giving rise to different interpretations. In these cases, the amounts recorded are the result of the best understanding of the Bank's management bodies as to the correct framework of its operations, but this may be questioned by the Tax Authorities.

The Tax Authorities can review the Bank's calculation of taxable income during a period of five years. Thus, it is possible that there may be corrections to the taxable income, arising mainly from differences in interpretation of the tax legislation, which, due to its probability, the Board of Directors believes will have no materially relevant effect on the financial statements.

3.5. Impacts of transition to the international financial reporting standards

These are the Bank's first annual financial statements prepared according to the IFRS, the provisions of IFRS 1 for determining the transition adjustments referent to January 1, 2016 having been complied with.

The entry into force of the IFRS, on January 1, 2017, as provided for in Notice No. 06/2016, of June 22, of Banco Nacional de Angola, implied the calculation and recording of adjustments arising from the application of the new accounting principles, which determine alterations to the Balance Sheet, Equity and Net Income values for 2016, prepared according to the previous accounting standards established in the Chart of Accounts for Financial Institutions ("CONTIF").

The preparation of the financial statements on the transition date, the Bank retrospectively adopted the IFRS opting for some of the exceptions permitted in "IFRS 1 – First-time adoption of the International Financial Reporting Standards", namely:

Derecognition of financial assets

According to the option in IFRS 1, the derecognition requirements of IAS 39 were used only for operations carried out on or after January 1, 2016. Thus, the assets derecognized up to that date, according to the accounting standards previously used, were not restated in the balance sheet.

Valuation of tangible fixed assets

The Bank decided to consider the balance sheet value determined according to the accounting policies previously used as a cost of tangible fixed assets, with reference to January 1, 2016.

With the exception of the situations referred to above, the Bank adopted the remaining IFRS retrospectively.



Balance Contif	Balance IAS/IFRS	December 31, 2016				January 1, 2016			
Assets	Assets	Contif	Reclassifications	Adjustments from transition	IAS/FRS	Contif	Reclassifications	Adjustments from transition	IAS/FRS
Cash and banks	Cash in hand and balances at the central Bank	-	9.352.687	-	9.352.687	24.959.885	(2.726.338)	-	22.233.547
	Cash and cash equivalents in other credit institutions	16.772.795	(8.959.845)	-	7.812.950		2.912.124	-	2.912.124
Short-term investments	Investments in central banks and other credit institutions	5.226.612	-	-	5.226.612	7.395.107	-	-	7.395.107
Securities held for trading	Financial assets at fair value through profit and loss	8.323.877	(8.323.877)	-	-	6.652.900	(6.652.900)	-	-
Financial fixed assets	Financial assets available for sale	108.822	12.414	-	121.236	118.076	(6.442)	-	111.634
Securities held to maturity	Investments held to maturity	41.844.058	8.323.877	(59.141)	50.108.794	23.930.512	6.652.900	(139.710)	30.443.702
Receivables in the payment system	-	392.843	(392.843)	-	-	185.786	(185.786)	-	-
Foreign exchange transactions	-	-	-	-	-	5.356	(5.356)	-	-
Loans	Customer loans	58.102.443	-	-	58.102.443	58.600.633	(764.443)	-	57.836.190
Assets not for own use	Non-current assets held for sale	-	60.539	-	60.539	-	60.539	-	60.539
Tangible fixed assets	Other tangible assets	6.543.234	-	-	6.543.234	5.122.184	303.379	-	5.425.563
Intangible assets	Intangible assets	15.761	-	-	15.761	379.005	(303.379)	-	75.626
	Current tax assets	-	-	-	-	-	148.982	-	148.982
Other assets	Other assets	3.356.533	(72.952)	-	3.283.581	3.427.152	566.720	-	3.993.872
Total Assets	Total Assets	140.686.978	-	(59.141)	140.627.837	130.776.596	-	(139.710)	130.636.886

Liabilities and equity	Liabilities and equity contif	IAS/IFRS	Reclassifications	Adjustments from transition	Contif	IAS/IFRS	Reclassifications	Adjustments from transition	IAS/FRS
Liabilities	Liabilities								
Short-term borrowings	Funds in central banks and other credit institutions	1.010.849	523.512	-	1.534.361	65.579	1.951.704	-	2.017.283
Payables in the payment system	-	523.512	(523.512)	-	-	786.344	(786.344)	-	-
Deposits	Customer funds and other loans	89.263.624	144.031	357.241	89.764.896	96.997.489	-	223.301	97.220.790
Current tax liabilities	Current tax liabilities	137.574	-	-	137.574	376.375	-	-	376.375
Subordinated debt	Subordinated liabilities	3.411.334	-	-	3.411.334	2.784.858	-	-	2.784.858
Other bank borrowings	-	144.031	(144.031)	-	-	1.165.360	(1.165.360)	-	-
Other liabilities	Other liabilities	1.678.229	(1.678.229)	-	-	1.239.701	13.451.356	-	14.691.057
Provisions for contingent liabilities	Provisions	2.157.314	-	-	2.157.314	1.761.576	-	-	1.761.576
Foreign exchange transactions	Total liabilities	27.723.814	1.678.229	-	29.402.043	13.451.356	(13.451.356)	-	-
Total liabilities	Total liabilities	126.050.281	-	357.241	126.407.522	118.628.638	-	223.301	118.851.939
EQUITY	EQUITY								
Share Capital	Share Capital	4.000.000	-	-	4.000.000	4.000.000	-	-	4.000.000
Reserves and Funds	Other reserves and retained earnings	8.147.958	-	(363.011)	7.784.947	7.326.461	-	(363.011)	6.963.450
Net income for the year	Net income for the year	2.488.739	-	(53.371)	2.435.368	821.497	-	-	821.497
Total capital	Total equity	14.636.697	-	(416.382)	14.220.315	12.147.958	-	(363.011)	11.784.947
Total liabilities and capital	Total liabilities and capital	140.686.978	-	(59.141)	140.627.837	130.776.596	-	(139.710)	130.636.886

INCOME STATEMENT CONTIF	INCOME STATEMENT IAS/IFRS	as at December 31, 2016			
		Contif	Reclassifications	Adjustments from transition	IAS/IFRS
Proceeds from financial instruments (assets)	Interest and similar income	12.617.215	-	80.569	12.697.784
Cost of financial instruments (liabilities)	Interest and similar expenses	(1.908.177)	-	-	(1.908.177)
Financial intermediation margin	Financial intermediation margin	10.709.038	-	80.569	10.789.607
Income from the provision of financial services	Income from services provided and commissions	3.510.401	246.848	(133.940)	3.623.309
	Expenses with services provided and commissions	-	(246.848)	-	(246.848)
Trade income and negative fair value adjustments	Income from financial assets and liabilities measured at fair value through profit and loss	5.313.492	(5.313.492)	-	-
Trade income and negative fair value adjustments	Income from investments held to maturity	-	5.313.492	-	5.313.492
Gains/losses on foreign exchange transactions	Foreign exchange gains and losses	1.928.607	-	-	1.928.607
Non-operating income	Other operating income	(626.882)	292.416	-	(334.466)
Financial intermediation income	Gross income	20.834.656	292.416	(53.371)	21.073.701
Staff	Staff costs	(4.623.298)	(313.505)	-	(4.936.803)
Third-party supplies	Third-party supplies and services	4.635.192	(525.051)	-	(5.160.243)
Non-income-related taxes and levies	-	(264.861)	264.861	-	-
Penalties applied by regulatory authorities	-	(11.039)	11.039	-	-
Other administrative and sales expenses	-	(271.432)	271.432	-	-
Depreciation and amortization	Depreciation and amortization during the year	(717.168)	-	-	(717.168)
Provision for doubtful debts	Loan impairment, net of reversals and recoveries	(7.741.733)	815.693	-	(6.926.040)
Other operating expenses and income	Other operating expenses and income	1.193	(1.193)	-	-
Provisions for contingent liabilities	-	(394)	394	-	-
-	Provisions net of write-offs	-	(816.086)	-	(816.086)
Operating Income	Pre-tax profit	2.570.732	-	(53.371)	2.517.361
Charges on current income	Taxes on current income	(81.993)	-	-	(81.993)
Net income for the year	Net income for the year	2.488.739	-	(53.371)	2.435.368

The differences between CONTIF and the IFRS, with an impact on the financial statements as at January 1 and December 31, 2016 and the reconciliation of equity and income on these dates are presented as follows:

		as at December 31, 2016 (pro-forma)		as at January 1, 2016 (pro-forma)
		Equity	Income for the year	Equity
Local regulations (CONTIF)		14.636.697	2.488.739	12.147.958
Application of the effective interest rate for the credit portfolio and initial fair value of the securities	a)	(59.141)	80.569	(139.710)
Application of the effective interest rate for recording credit portfolio commissions	b)	(272.577)	(49.276)	(223.301)
Application of commissions deferral for import documentary credit	c)	(84.664)	(84.664)	-
Total transition adjustments		(416.382)	(53.371)	(363.011)
Equity - IAS/IFRS		14.220.315	2.435.368	11.784.947

a) Adjustment arising from:

- i. valuation of the financial instruments held to maturity, according to the criteria established in IAS 39, at fair value on initial recognition.
- ii. application of the effective interest rate to the amortization of the discount/deferral of the difference between the acquisition value and the nominal value of each one of the securities in the held-to-maturity portfolio, throughout the useful life of each security. It is through the application of this rate, up to the date of derecognition of the securities, that the acquisition premium is recognized in income.

The effective rate is the discount rate which, when applied to future receipts estimated throughout the time the financial instrument is expected to be in force, gives the book value of the financial asset.

As stated in Note 3.4. – Main estimates and judgement used in the preparation of the financial statements; initially, non-readjustable Treasury Bonds in local currency differ from their fair value, which is adjusted based on average inflation (yearly) in the 3 years prior to acquisition of the securities.

- b) Adjustment resulting from the deferral of commissions on loan operations over their useful life. Considering it has still not been possible to implement computer systems for calculating credit commissions according to the effective interest rate method, the adjustment calculated is based on the linear deferral of commissions for the remaining lifetime of the portfolio loans on the reporting date
- c) Similarly to the adjustment for the deferral of credit commissions, for the purpose of calculating the adjustment for the deferral of import documentary credit commissions, the linear deferral of the commissions for the remaining lifetime of the portfolio credits on the reporting date was considered.

The amounts calculated will be recognized in the financial margin in future years, until the loans have matured.

4. CASH IN HAND AND BALANCES AT THE CENTRAL BANK

This item was broken down as follows:

	2017	2016 (pró-forma)
Cash		
Local Notes and Coins	3.494.337	2.935.702
Local Notes and Coins		
In USD	54.371	56.722
In other currencies	15.627	53.876
	3.564.335	3.046.300
Cash balances held at the BNA		
In local currency	12.802.161	5.607.935
In USD	698.540	698.452
	13.500.701	6.306.387
	17.065.036	9.352.687

The demand deposits at Banco Nacional de Angola in local and foreign currency are for compliance with the provisions in force on maintaining mandatory reserves and earn no interest.

As at December 31, 2017, mandatory reserves are calculated under the terms of Instruction No. 06/2017, of December 1. They are constituted in local currency and in foreign currency, according to the corresponding currency of the liabilities they are based on, and must be maintained during the entire period they refer to. The requirement for maintaining mandatory reserves is calculated through the application of a rate of 21% on the arithmetical average of the eligible liabilities in foreign currency and a rate of 15% on the arithmetical average of the eligible liabilities in foreign currency. For mandatory reserves in foreign currency, the Bank may meet up to 80% of Treasury Bond requirements in foreign currency, from the Bank's own portfolio, provided they were issued in or after January 2015.

On December 31, 2016, mandatory reserves were calculated according to Instructions Nos. 02/2016, of April 11, and 04/2016, of May 13, which regulate the reserve base in local currency and foreign currency. Thus, the mandatory reserve ratio to be used on the daily balances in the items that make up the reserve base in local currency (excluding Central Government, Local Government and Municipal Administration account) was 30% (thirty percent). Banks can comply with 20% (twenty percent) with Treasury Bonds in its own portfolio, provided they were issued after January 2015 and the full amount of the financing contracts are with the Ministry of Finance (according to the weighting rules defined in Instruction No. 04/2016, of May 13). The mandatory reserves ratio to be applied to the daily balances of the items that make up the reserve base in foreign currency (except central government, local government and municipal administration accounts) is 15%.



5. CASH AND CASH EQUIVALENTS IN OTHER CREDIT INSTITUTIONS

This item was broken down as follows:

	2017	2016 (pro-forma)
Cash in credit institutions in Angola		
Banco Angolano de Investimentos, S.A.	35.794	267.192
	35.794	267.192
Cash in credit institutions abroad		
Banco BAI Europa, S.A.	3.828.923	2.553.790
Banco Millennium Atlântico, S.A.	843.721	710.174
Banque de Commerce et de Placements, S.A.	713.175	471.074
Banco Angolano de Investimentos, S.A.	380.827	1.314.659
Other entities	60.195	2.103.218
	5.826.841	7.152.915
Receivables in the payment system	166.357	392.843
	6.028.992	7.812.950

In 2017 and 2016, “Cash and cash equivalents in other credit institutions” did not earn interest.

As at December 2017 and 2016, “Cash and cash equivalents in credit institutions in the country” corresponded to a deposit at Banco BAI that serves as collateral for the transactions carried out with Visa credit cards by customers of Banco Keve. Banco BAI acts as an intermediary between Banco Keve and VISA.

“Cash and cash equivalents in other credit institutions abroad” by currency was broken down as follows:

	2017	2016 (pro-forma)
Cash in credit institutions abroad:		
In United States dollar (USD)	3.096.432	1.002.715
In Euro (EUR)	2.723.501	6.144.118
In Pound Sterling (GBP)	6.456	-
In South African Rand (ZAR)	452	6.082
	5.826.841	7.152.915

As at December 2017 and 2016, “Payment system credits” included checks received in the Bank and presented for clearance on the first business days of 2018 and 2017, respectively. The checks to be cleared with reference to December 31, 2017, were fully settled on January 2, 2018.

6. INVESTMENTS IN CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This item was broken down as follows:

	2017	2016 (pro-forma)
Investments in credit institutions in Angola		
Banco Sol, S.A.	2.000.000	-
Banco Nacional de Angola	1.900.000	-
Banco de Poupança e Crédito, S.A.	1.000.000	829.515
Banco Angolano de Negócios e Comércio, S.A.	800.000	1.000.000
	5.700.000	1.829.515
Income receivable	10.522	7.975
	5.710.522	1.837.490
Investments in credit institutions abroad		
deposits		
Banco BIC Português, S.A.	727.457	650.120
Banco Atlântico Europa, S.A.	414.810	116.132
Byblos Bank Europe, S.A.	248.554	889.472
Banque de Commerce et de Placements, S.A.	202.976	787.989
Banco Angolano de Investimentos, S.A.	-	414.758
	1.593.797	2.858.471
Income receivable	848	873
	1.594.645	2.859.344
Collateral transactions credit cards		
Byblos Bank Europe, S.A.	1.320.368	528.205
Banco Millennium Atlântico, S.A.	237.769	-
First National Bank	512	512
Other entities	-	1.061
	1.558.649	529.778
	3.153.294	3.389.122
	8.863.816	5.226.612

As at December 2017 and 2016, “Investments in credit institutions in the country” corresponded to operations on interbank markets, in local currency, earning interest at an average rate of 16.40% and 25.28%, respectively.

As at December 31, 2017, the Bank had a local currency investment with Banco Sol, S.A. at a sum of kAOA 2,000,000, maturing in less than 1 month and earning interest at 16.4%.

As at December 31, 2017, the balance in “Investments in credit institutions in the country – Banco Nacional de Angola” corresponded to four sale transactions of own securities with a repurchase agreement (REPOS), with contracting dates between December 19 and 26, 2017 and maturity dates between January 2 and 16, 2018. The average interest rate of the transactions was 8.74%.

As at December 31, 2017, the Bank had one local currency investment with Banco Poupança e Crédito, S.A. at a sum of kAOA 1,000,000, maturing in less than 1 month and earning interest at 16.4%. As at December 31, 2016, the Bank had a foreign currency investment of USD 5,000,000 at Banco de Poupança e Crédito, S.A., equivalent to and kAOA 829,515, earning interest at a rate of 5.5% and with an approximate maturity of 2 months.

As at December 31, 2017 and 2016, the Bank had a local currency investment at Banco Angolano de Negócios e Comércio, S.A., at a sum of kAOA 800,000 kAOA and 1,000,000 kAOA, earning interest at a rate of 16.4% and 25.3% respectively and maturing in less than 1 month.

The investments held by the Bank in credit institutions in the country as at December 31, 2017 were settled at the beginning of January 2018.

“Investments in credit institutions abroad” by currency was broken down as follows:

	2017	2016 (pro-forma)
Investments in credit institutions abroad:		
In United States dollar (USD)	1.136.151	2.580.348
In Euro (EUR)	458.494	278.996
	1.594.645	2.859.344

As at December 2017 and 2016, the balance in “Investments in credit institutions abroad – Banco BIC Português, S.A.” corresponded to non-remunerated investments, in foreign currency (euros), at a sum of kAOA 458,494 and kAOA 278,996, respectively, and remunerated investments at a rate of 0.95% and 0.25%, respectively, in foreign currency (USD), at a sum of kAOA 268.963 and kAOA 371.124, respectively.

As at December 2017 and 2016, “Collateral for letter of credit transactions” corresponded to transactions that serve as collateral for letter of credit transactions, through the indication of specific counterparties.

As at December 2017 and 2016, the residual deadline for investments in central banks and other credit institutions was broken down as follows:

	2017	2016 (pro-forma)
Up to 15 days	5.198.596	1.829.515
Between 15 and 30 days	1.392.740	3.397.097
Between 1 and 2 months	2.272.480	-
	8.863.816	5.226.612

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

This item was broken down as follows:

	2017	2016 (pro-forma)
Financial assets at fair value through profit and loss	199.763	-
	199.763	-

As at December 31, 2017, “Financial assets at fair value through profit and loss” had the following values:

Description	Currency	Country	2017			Balance value
			Interest rate average	Acquisition cost	Income receivable	
Treasury bonds indexed to the USD	AOA	Angola	5,00%	193.201	6.562	199.763
		-		193.201	6.562	199.763

According to the accounting policy described in Note 3.3.3.b), securities held for trade are those that are acquired with the intention of trading them in the short term.

As at December 31, 2017, the balance sheet value of the Treasury Bonds indexed to the dollar consisted of an indexed Treasury bond that was acquired in March 2017 and that will mature in September 2023. This bond is remunerated according to half yearly coupons at a rate of 5%.

8. FINANCIAL ASSETS AVAILABLE FOR SALE

This item consisted of the following equity instruments:

Holdings in other companies	% of holdings bonds	Nº og Titles	Type	Valuation method
EMIS - Empresa Interbancária de Serviços	2,42%	2.988	Ordinary	Acquisition custo ⁽¹⁾
Gestcall - Gestão de Serviços de Atendimento	15,00%	1.500	Ordinary	Acquisition custo ⁽¹⁾
Sagripek	5,00%	80	Ordinary	Acquisition custo ⁽¹⁾

⁽¹⁾ The Bank’s financial holdings (including ancillary capital contributions) are valued at acquisition cost. They are subject to annual impairment tests insofar as the Bank is unable to reliably calculate their fair value, as described in Note 3.3.3.b).



Item as at December 31, 2017 and 2016 refers to following shareholdings:

	2017	2016 (Pro-forma)
Shares:		
EMIS - Empresa Interbancária de Serviços		
Equity	93.958	93.958
Ancillary capital contributions	22.025	22.021
	115.983	115.979
Gestcall - Gestão de Serviços de Atendimento	3.090	3.090
Sagripek	2.167	2.167
	121.240	121.236

EMIS – Empresa Interbancária de Serviços, S.A.R.L. (EMIS) was incorporated in Angola for the purpose of managing electronic payment systems and complementary services. The Bank's holding corresponds to 2.42%. Following the 27th General Meeting of EMIS, on May 20, 2016, the entry of the Bank into EMIS was approved. The holding in the company's share capital was thus acquired. In addition, EMIS was also provided with the amounts corresponding to the issue premium and the ancillary capital contributions of this capital participation.

9. INVESTMENTS HELD TO MATURITY

This item was broken down as follows:

	2017		2016 (Pro-forma)	
	Interest rate	Balance value	Interest rate	Balance value
Treasury bills	21,82%	9.643.417	23,48%	7.449.211
		9.643.417		7.449.211
Treasury bonds				
In local currency				
Indexed to USD (1)	7,05%	37.781.104	6,98%	37.672.951
Non-readjustable	8,96%	1.798.136	7,36%	2.677.842
		39.579.240		40.350.793
In foreign currency (USD)	5,00%	1.614.441	4,58%	1.375.336
		1.614.441		1.375.336
Income receivable		1.542.970		933.454
		52.380.068		50.108.794

1) Nominal value indexed to the USD.

As at December 2017 and 2016, as there were no indications of impairment in the portfolio of Treasury Bonds and, bearing in mind that these were issued by the Angolan State, the Bank classified them as "Investments held to maturity" and no impairment was constituted.

As at December 2017 and 2016, the investments held to maturity were broken down as follows, excluding interest receivable, in accordance with the residual maturity periods:

	Up to one month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Treasury bills	2.652.043	1.812.853	3.798.647	1.379.874	-	9.643.417
Treasury bonds in local currency						
indexed to the exchange rate of the USD	-	730.217	1.265.062	11.068.786	24.717.039	37.781.104
Non-indexed	-	-	332.311	-	1.465.825	1.798.136
Treasury bonds in foreign currency	-	-	-	248.886	1.365.555	1.614.441
Balances as at December 31, 2017	2.652.043	2.543.070	5.396.020	12.697.546	27.548.419	50.837.098
Treasury bills	462.645	1.595.742	2.306.256	3.084.568	-	7.449.211
Treasury bonds in local currency						
indexed to the exchange rate of the USD	-	-	288.365	5.481.438	31.903.148	37.672.951
Non-indexed	-	-	1.156.440	-	1.521.402	2.677.842
Treasury bonds in foreign currency	-	-	-	-	1.375.336	1.375.336
Balance as at December 31, 2016 (Pro-forma)	462.645	1.595.742	3.751.061	8.566.006	34.799.886	49.175.340

As stated in Note 3.4. – Main estimates and judgement used in the preparation of the financial statements; initially, the cost of acquisition of non-readjustable Treasury Bonds in local currency differs from their fair value, which is adjusted based on average inflation (yearly) in the 3 years prior to acquisition of the securities.

10. CUSTOMER LOANS

As at December 31, 2017 and 2016, this item was analyzed as follows:

	2017	2016 (Pro-forma)
Outstanding loans		
Local currency		
Businesses	48.104.959	50.210.399
Individuals	5.651.054	50.210.399
Credit cards	1.266.399	536.702
Public sector corporations	40.324	9.141
Autonomous funds and public services	-	1.628.155
Income receivable	1.846.818	2.434.216
	56.909.555	59.690.787
Foreign currency		
Businesses	333.475	426.886
Individuals	165.625	185.537
Public sector corporations	-	3.995
Income receivable	406.177	367.068
	905.278	983.486
Total outstanding loans	57.814.833	60.674.273
Overdue loans		
Local currency		
Businesses	7.992.839	2.170.816
Public sector corporations	577.574	-
Individuals	425.003	137.195
Income receivable	6.223	4.700
	9.001.639	2.312.711
Foreign currency		
Businesses	807.910	1.254.897
Public sector corporations	158.522	-
Individuals	94.616	4.182
	1.061.048	1.259.079
Total overdue loans	10.062.687	3.571.790
Total gross loans	67.877.520	64.246.063
Impairment (Note 18)	(11.861.585)	(6.143.620)
Total net loans	56.015.935	58.102.443



In the year ending on December 31, 2017, there was a set of mandatory disclosures, under the scope of Instructions Nos. 5 and 6 of 2016, published by Banco Nacional de Angola, for which the Bank still does not have information. It was therefore impossible to present these in the notes to the financial statements. This situation arose from the fact that the introduction of a computer tool is in progress, as well as the definition of the method to be used to calculate impairment losses in the credit portfolio, which meets the requirements defined by IAS 39 – Financial Instruments (IAS 39) (Note 3.3.3 a)).

As at December 31, 2017, due to the adoption of IAS/IFRS, the Bank changed its credit write-off policy at 6 months after classification at risk level “G”, to a policy based on the expectation of recovery, as described in Note 3.3.3 a) – Derecognition. Thus, in December 31, 2017 “Overdue loans - Local currency” included kAOA 6,489,668 referent to the restructuring of loans that had been written off during previous years. They are recognized in the balance sheet through recognition of the impairment value that was used for the write-off.

As at December 31, 2017 and 2016, loans granted (except for credit cards) accrued interest at an annual average rate of 22.72% and 18.47%, respectively, for loans in local currency, and 11.87% and 9.85% for loans in foreign currency. Foreign currency loans are mainly in United States Dollars.

As at December 31, 2017, the Bank had loan operations of kAOA 23,682,726 with related parties. For four economic groups, the exposure exceeded 25% of Regulatory Own Funds (FPR). Thus, the exposure of these groups was exceeding the limits of the large risks stipulated by Notice No. 09/2016, of Banco Nacional de Angola.

Transactions in impairment losses shown in assets as a correction of credit values are dealt with in Note 18 – Provisions and Impairment.

Despite the significant reinforcement of impairment in the credit portfolio during 2017 and 2016, at net amounts of kAOA 3,896,555 and kAOA 6,926,040, respectively, the Bank's Board of Directors has undertaken to continue the impairment reinforcement in 2018.

As at December 31, 2017 and 2016, the loans portfolio, including receivables, had the following structure according to residual maturities:

	2017	2016 (Pro-forma)
In local currency		
From one to three months	13.025.314	8.518.947
From three to six months	1.315.346	11.655.736
From six months to one year	1.701.026	706.476
Over 1 year	39.410.794	37.772.359
Credit cards	1.266.399	536.702
Bank overdrafts	190.676	500.567
Overdue	9.001.639	2.312.711
	65.911.194	62.003.498
In foreign currency		
From one to three months	413.711	367.254
From six months to one year	-	431
Over 1 year	490.686	615.738
Bank overdrafts	881	63
Overdue	1.061.048	1.259.079
	1.966.326	2.242.565
	67.877.520	64.246.063

As at December 31, 2017 and 2016, the loans portfolio, including receivables, had the following structure by business sector:

	2017		2016 (Pró-forma)	
	Total exposure	Impairment	Total exposure	Impairment
Services	19.144.006	(4.547.810)	16.242.549	(3.880.274)
Commerce	12.348.178	(2.816.629)	11.134.581	(449.363)
Construction	10.186.877	(1.173.532)	10.220.418	(156.397)
Individuals	6.336.299	(460.933)	5.535.822	(456.818)
Manufacturing	6.302.359	(843.693)	6.071.494	(297.244)
Sport	4.407.815	(968.234)	4.288.581	(108.761)
Hotels & Tourism	4.299.838	(616.961)	3.377.454	(165.933)
Real Estate	3.525.351	(281.793)	3.319.314	(84.730)
Education	722.105	(19.160)	825.043	(15.835)
Agriculture	360.803	(129.098)	3.083.084	(527.134)
Health	145.959	(480)	123.927	(515)
Agri-livestock	97.930	(3.262)	23.797	(618)
	67.877.520	(11.861.585)	64.246.063	(6.143.620)

As at December 31, 2017 and 2016, the loans portfolio, including receivables, had the following structure by residence:

	2017	2016 (Pro-forma)
Residents	67.741.703	63.961.717
Non-residents	135.817	284.346
	67.877.520	64.246.063

Due to the limitations of the Bank's computer tools, as mentioned above, the breakdown of the credit portfolio by segment and by year granted excluded the sum of kAOA 1,266,399 referent to credit cards. The breakdown was as follows:

	Businesses loans			Private loans			Public sector corporations			Total		
Year of granting	Number of transactions	Amount	Impairment constituted	Number of transactions	Amount	Impairment constituted	Number of transactions	Amount	Impairment constituted	Number of transactions	Amount	Impairment constituted
2012 and previous	122	13.132.508	(3.333.121)	204	2.068.869	(57.374)	2	778.056	(158.522)	328	15.979.434	(3.549.017)
2013	18	4.022.883	(403.172)	44	313.303	(3.429)	-	-	-	62	4.336.185	(406.601)
2014	28	9.573.801	(355.693)	141	477.737	(19.691)	-	-	-	169	10.051.538	(375.384)
2015	23	5.016.189	(1.051.134)	427	1.038.787	(41.827)	-	-	-	450	6.054.976	(1.092.961)
2016	41	15.316.512	(5.182.621)	456	922.707	(53.810)	-	-	-	497	16.239.219	(5.236.431)
2017	124	12.067.661	(984.019)	5.440	1.839.517	(215.947)	1	42.591	(1.225)	5.565	13.949.769	(1.201.191)
Total	356	59.129.554	4.968.125	6.712	6.660.920	-189.919	3	820.648	(159.747)	7.071	66.611.121	(11.861.585)

The amount of loans granted in 2017 as credit to companies included operations restructured during the year.

The breakdown of the amount of gross credit exposure and the impairment amount, by activity segment, was as follows:

	Businesses loans		Private loans		Public sector corporations		Autonomous funds and public services		Credit cards		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
2017												
Individual analysis (1)	59.129.554	(11.309.760)	6.660.920	(392.078)	820.648	(159.747)	-	-	1.266.399	-	67.877.520	(11.861.585)
	59.129.554	(11.309.760)	6.660.920	(392.078)	820.648	(159.747)	-	-	1.266.399	-	67.877.520	(11.861.585)
2016 (Pro-forma)												
Individual analysis (1)	58.129.160	(5.538.533)	4.109.160	(598.988)	158.504	(6.099)	1.312.537	-	536.702	-	64.246.063	(6.143.620)
	58.129.160	(5.538.533)	4.109.160	(598.988)	158.504	(6.099)	1.312.537	-	536.702	-	64.246.063	(6.143.620)

In the years ending in December 2017 and 2016, total credit exposure net of impairment was based in Angola, reaching kAOA 56,015,935 and kAOA 58,102,443 respectively (amounts net of impairment).

The distribution of the credit portfolio measured in internal degrees of risk was as follows:

2017								
	No risk(A)	Very low (B)	Low (C)	Moderate (D)	High (E)	Very high (F)	Loss (G)	Total
Businesses loans	17.725	18.190.778	22.352.200	674.634	8.903.114	42.515	8.948.587	59.129.554
Private loans	1.169.233	817.896	3.276.429	124.605	21.569	9.036	1.242.151	6.660.920
Public sector corporations	-	-	42.591	-	-	-	778.056	820.648
Credit cards	-	-	1.266.399	-	-	-	-	1.266.399
	1.186.957	19.008.674	26.937.620	799.240	8.924.683	51.552	10.968.795	67.877.520

2016 (Pro-forma)								
	No risk(A)	Very low (B)	Low (C)	Moderate (D)	High (E)	Very high (F)	Loss (G)	Total
Autonomous funds and public services	1.628.155	-	-	-	-	-	-	1.628.155
Businesses loans	315.618	15.783.598	24.774.223	4.649.026	2.701.513	156.095	9.123.316	57.503.389
Private loans	1.859.537	507.261	1.395.097	32.154	170.983	5.474	474.175	4.444.681
Public sector corporations	-	-	-	133.136	-	-	-	133.136
Credit cards	-	-	536.702	-	-	-	-	536.702
	3.803.310	16.290.859	26.706.022	4.814.316	2.872.496	161.569	9.597.491	64.246.063

As mentioned above (Note 3.3.3 a) – Impairment), given that it was not possible to conclude the implementation of the methodological tool for calculating impairment losses for loans granted before the close of the financial statements for the year ending on December 31, 2017, it was not possible to disclose the following information, required by Instruction No. 5/2016 of August 8, published by Banco Nacional de Angola:

- Table I – Breakdown of exposure and impairment constituted by segment and by days past due;
- Table IV – Breakdown of the portfolio of restructured credit by restructuring method used;
- Table V – Transactions in the restructured credit portfolio;
- Table VI – Breakdown of the fair value of the underlying guarantees in the credit portfolio for the company, construction and real estate and housing segments;
- Table VII – Funding-guarantee ratio in the company, construction and real estate and housing segments;
- Table VIII – Breakdown of the fair value and the net book value of the property received in lieu of payment or foreclosed property;
- Table X – Disclosure of the risk factors associated with the impairment model by segment

11. NON-CURRENT ASSETS HELD FOR SALE

As at December 2017 and 2016, the balance in this item consisted of a property valued at 60,539 kAOA. This property was received on November 12, 2015, through the conclusion of an in lieu of payment contract for default credit.

12. OTHER TANGIBLE ASSETS

Transactions in “Other tangible assets” during 2017 were as follows:

	31.12.2016 (Pró-forma)		Assets net	Increases	Transfers	Write-offs			31.12.2017		
	Assets gross	Amortization accumulated				Value gross	Amortization accumulated	Amorization from the year	Assets gross	Amortization accumulated	Assets net
Property											
For own use	3.359.540	(768.714)	2.590.826	83.235	447.932	-	-	(264.634)	3.890.707	(1.033.348)	2.857.359
Leasehold improvements	1.502.570	(215.793)	1.286.777	128.061	158.419	-	-	(61.310)	1.789.050	(277.103)	1.511.947
	4.862.110	(984.507)	3.877.603	211.296	606.351	-	-	(325.944)	5.679.757	(1.310.451)	4.369.306
IT											
IT equipment	1.922.040	(995.955)	926.085	321.274	-	(247)	(116)	(263.726)	2.243.067	(1.259.565)	983.502
Furniture and materials	449.445	(232.957)	216.488	67.290	467	-	-	(50.373)	517.202	(282.863)	234.339
Transport equipment	396.046	(258.565)	137.481	293.107	-	(163.977)	(21.058)	(59.810)	525.176	(297.317)	227.859
Machinery and tools	310.580	(212.750)	97.830	5.314	(1.510)	-	-	(35.762)	314.384	(250.022)	64.362
Fixtures and fittings	232.904	(152.267)	80.637	61.617	-	-	-	(30.963)	294.521	(183.230)	111.291
Security equipment	219.135	(167.683)	51.452	63.644	-	-	-	(20.301)	282.779	(187.984)	94.795
	3.530.150	(2.020.177)	1.509.973	812.246	(1.043)	(164.224)	(21.174)	(460.935)	4.177.129	(2.460.981)	1.716.148
Intangible assets in progress											
Work in progress	1.087.475	-	1.087.475	332.440	(606.351)	-	-	-	813.564	-	813.564
	1.087.475	-	1.087.475	332.440	(606.351)	-	-	-	813.564	-	813.564
Other intangible assets											
Other	252.532	(184.349)	68.183	11.608	1.043	-	-	(22.128)	265.183	(205.434)	59.749
	252.532	(184.349)	68.183	11.608	1.043	-	-	(22.128)	265.183	(205.434)	59.749
	9.732.267	(3.189.033)	6.543.234	1.367.590	-	(164.224)	(21.174)	(809.007)	10.935.633	(3.976.866)	6.958.767

Transactions in “Other tangible assets” during 2016 were as follows:

	31.12.2015					Abates			31.12.2016 (Pro-forma)		
	Gross assets	Accumulated amortizations	Net assets	Increases	Transfers	Value gross	Accumulated amortizations	Amortization during the year	Gross assets	Accumulated amortizations	Net assets
Property											
For own use	2.893.784	(593.684)	2.300.100	206.837	258.919	-	-	(236.365)	3.359.540	(768.714)	2.590.826
Leasehold improvements	719.940	-	719.940	463.351	319.279	-	-	(45.471)	1.502.570	(215.793)	1.286.777
	3.613.724	(593.684)	3.020.040	670.188	578.198	-	-	(281.836)	4.862.110	(984.507)	3.877.603
Equipment											
IT equipment	1.290.076	(802.991)	487.085	625.626	6.749	(411)	(193)	(193.093)	1.922.040	(995.955)	926.085
Furniture and materials	412.837	(189.314)	223.523	36.608	-	-	-	(43.643)	449.445	(232.957)	216.488
Transport equipment	322.957	(211.021)	111.936	86.911	-	(13.822)	(1.775)	(58.311)	396.046	(258.565)	137.481
Machinery and tools	295.279	(176.722)	118.557	13.068	2.233	-	-	(36.028)	310.580	(212.750)	97.830
Fixtures and fittings	217.011	(133.246)	83.765	15.893	-	-	-	(21.471)	232.904	(152.267)	80.637
Security equipment	202.418	(146.893)	55.525	19.437	2.884	(5.604)	(825)	(20.791)	219.135	(167.683)	51.452
	2.740.578	(1.660.187)	1.080.391	797.543	11.866	(19.837)	(2.793)	(373.337)	3.530.150	(2.020.177)	1.509.973
Intangible assets in progress											
Leasehold improvements	1.087.475	-	1.252.183	425.356	(590.064)	-	-	-	1.087.475	-	1.087.475
	1.087.475	-	1.252.183	425.356	(590.064)	-	-	-	1.087.475	-	1.087.475
Other fixed assets											
Other	227.726	(154.777)	72.949	24.806	-	-	-	(29.569)	252.532	(184.349)	68.183
	227.726	(154.777)	72.949	24.806	-	-	-	(29.569)	252.532	(184.349)	68.183
	7.834.211	(2.408.648)	5.425.563	1.917.893	-	(19.837)	(2.793)	(684.742)	9.732.267	(3.189.033)	6.543.234

As at December 2017 and 2016, “Fixed assets in progress – Work in progress” essentially corresponded to the investments made in the Bank’s expansion through the reinforcement of its branch network.

13. INTANGIBLE ASSETS

Transactions in “Intangible assets” during 2017 and 2016 were as follows:

	31.12.2016 (Pro-forma)					Abates			31.12.2017		
	Gross assets	Accumulated amortizations	Net assets	Increases	Transfers	Value gross	Accumulated amortizations	Amortization during the year	Gross assets	Accumulated amortizations	Net assets
Software	348.193	(338.325)	9.868					(3.629)	348.193	(341.954)	6.239
Multiannual costs	427.588	(422.262)	5.326	-	-	-	-	(4.213)	427.588	(426.475)	1.113
Incorporation expenses	5.766	(5.766)	-	48.943	-	-	-	-	5.766	(5.766)	-
Intangible assets in progress	-	-	-	48.943	-	-	-	-	48.943	-	48.943
Other	17.817	(17.250)	567	-	-			(567)	17.817	(17.817)	-
	799.364	(783.603)	15.761	48.943	-	-	-	(8.409)	848.307	(792.012)	56.295

	31.12.2015					Abates			31.12.2016 (Pró-forma)		
	Gross assets	Accumulated amortization	Net assets	Increases	Transfers	Gross assets	Accumulated amortization	Amortization during the year	Gross assets	Accumulated amortization	Net assets
Software	339.405	(333.994)	5.411	8.788	-	-	-	(4.331)	348.193	(338.325)	9.868
Multiannual costs	496.089	(471.725)	24.364	-	-	(68.501)	75.291	(25.828)	427.588	(422.262)	5.326
Incorporation expenses	51.863	(8.845)	43.018	-	-	(46.097)	3.079	-	5.766	(5.766)	-
Leasehold improvements	412.367	(108.989)	303.378	-	-	(412.367)	108.989	-	-	-	-
Other	17.817	(14.983)	2.834	-	-	-	-	(2.267)	17.817	(17.250)	567
	1.317.541	(938.536)	379.005	8.788	-	(526.965)	187.359	(32.426)	799.364	(783.603)	15.761

14. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The Bank is subject to industrial tax and is fiscally considered as a Group A taxpayer.

Current taxes for the years ending on December 31, 2017 and 2016 were calculated under the terms of Article 4(1) and (2) of Law No. 19 / 14, of October 22, and the applicable tax rate was 30%.

Tax returns are subject to review and correction by the Tax Authorities for a period of 5 years. Due to different interpretations of tax legislation, this may result in corrections to the taxable profit for the years 2013 to 2017. However, there are not expected to be any corrections for these years and, if there are, no significant impacts on the financial statements are expected.

Tax losses in a given year, as provided in article 46 of the Industrial Tax Code, can be deducted from taxable income in the subsequent three years.

The current tax assets and liabilities recognized in the balance sheet as at December 31, 2017 and 2016 were broken down as follows:

	2017	2016 (Pro-forma)
Current tax liabilities		
Special contribution on banking operations	75.806	-
Tax on income for the year	(13.072)	137.574
	62.734	137.574

The tax estimate for the years ending on December 31, 2017 and 2016 was as follows:

	2017	2016 (Pro-forma)
Earnings before tax and other charges	2.075.515	2.570.732
Income from public debt securities or equivalent subject to IAC	(4.772.856)	(3.311.327)
Non-tax-deductible expenses:		
Tax (including IAC)	-	13.823
Entertainment expenses	336.045	406.462
Other	535.696	137.574
Taxable profit	(1.825.600)	273.309
Nominal tax rate	30%	30%
Industrial tax on income for the year (Note 14)	-	81.993

Income tax is recorded in income for the year, except when the transactions giving rise to it have been recorded in other equity items. In these situations, the corresponding tax is also recording in equity, and does not affect the income for the year.

Gains from public debt securities arising from Treasury Bonds and Treasury Bills issued by the Angolan State, up to December 31, 2012, whose issue is regulated by the Framework Law for Direct Public Debt (Law No. 16/02, of December 5), as well as Regulatory Decrees Nos. 51/03 and 52/03, of July 8, are tax free. This fact is complemented by the provisions of Article 23(1)(c) of the Industrial Tax Code (Law No. 18/92, of July 3), in force until December 31, 2014, where it is expressly stated that income from any Angolan public debt securities is not considered as profit for the purpose of calculating the Industrial Tax payable.

The profit from public debt securities arising from Treasury Bonds and Treasury Bills issued by the Angolan State after December 31, 2012 is subject to Capital Investment Taxation, as defined in article 9(1)(k) of Presidential Legislative Decree No. 2/2014, of October 20. Taxable income subject to Capital Investment Taxation is not subject to Industrial Tax, pursuant to article 47 of the Industrial Tax Code (Law No. 19/14 of October 22).

As at December 31, 2017, the Bank recorded kAOA 75,806 referent to the special contribution on banking operations (“CEOB”) under “Current tax liabilities”, as it is waiting for a decision on the Bank’s responsibility regarding this contribution. Thus, in the determination of the taxable profit for the years ending on December 31, 2017 and 2016, these profits were deducted from the taxable profit.

In the same way, the calculated cost of payment of Capital Investment Tax is excluded from costs accepted for tax purposes, for calculating taxable income, as provided for in article 18(1)(a) of the Industrial Tax Code.

As at December 31, 2017, the Bank did not present any amount regarding income tax payable because a tax loss was calculated for that year. The Bank did not record deferred tax assets on the tax loss as it does not have a study that supports its recoverability through tax profits in future financial years.

The reconciliation between the nominal tax rate and the tax charge for 2016 and the reconciliation between tax cost/income and the product of accounting income multiplied by the nominal tax rate is shown below:

	2017		2016 (Pro-forma)	
	Interest rate	Value	Interest rate	Value
Pre-tax profit		2.075.515		2.570.732
Tax calculated using the nominal tax rate	30,00%	622.655	30,00%	771.220
Income from public debt securities or equivalent subject to IAC	-68,99%	(1.431.857)	-38,64%	(993.398)
Non-tax-deductible expenses:				
Taxes (including IAC)			4,74%	121.940
Entertainment expenses	4,86%	100.814	0,16%	4.146
Other	7,74%	160.709	6,93%	178.085
Tax payable/receivable	0,00%	-	3,19%	81.993

15. OTHER ASSETS

“Other assets” was broken down as follows:

	2017	2016 (Pro-forma)
Other advances	1.808.121	2.349.044
State sector	528.181	229.690
Prepaid expenses	330.769	272.039
Tax recoverable	309.537	173.684
Corporations sector	219.050	118.765
Cash differences	70.314	94.198
Individuals	55.299	11.892
Artistic heritage	18.558	9.606
Office supplies	13.166	24.663
	3.352.995	3.283.581
Impairment (Note 18)	(96.672)	-
	3.256.323	3.283.581

As at December 2017 and 2016, “Other advance payments” included the value receivable from the sale of the financial holding in Global Seguros to the group holding, which occurred during 2014, at a sum of kAOA 386,689. During 2017, the Bank recognized impairment of 25% of that sum, corresponding to kAOA 96,672. This item also included the advance payments made to Clube Recreativo Desportivo do Libolo, at a sum of kAOA 1,345,573 in 2017 and 2016.

As at December 2017 and 2016, “State sector” included payments referent to the acquisition of road tax stamps.

“Prepaid expenses” included deferred costs regarding lease and rental contracts, as well as consultancy project contracts with external entities. In addition, this item also included the deferral of amounts payable referent to health, motor vehicle, occupational accident, engineering risk and multi-risk insurance policies.

As at December 31, 2017, the balance in “Tax recoverable” included kAOA 173,684 referent to the industrial tax receivable by the Bank due to an excessive provisional settlement made in 2012. The difference from 2016 is justified by the fact that duplicate transactions were unintentionally made by the Bank in favor of the Single Treasury Account (“CUT”), at a sum of kAOA 102,423.

As at December 2017 and 2016, “Business sector” included the record of advance payments to be made to suppliers and amounts to be paid to staff.

“Office supplies” includes the staff shop and consumables such as office materials, computer materials and printed forms). In view of the age of some of these items, as at December 31, 2016, the Bank made a physical count of the office supplies, and recorded a loss of kAOA 273,002 (Note 27).

16. FUNDS IN CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Funds of other credit institutions		
Banco Nacional de Angola	5.870.783	653.608
Payables in the payment system	2.571.254	880.753
	8.442.037	1.534.361

As at December 31, 2017, the Bank had carried out securities sales operations with BNA, with a repurchase agreement for a total sum of kAOA 6,162,225, with the aim of obtaining short-term liquidity, at an interest rate of 21% and maturity in January 2018.

As at December 31, 2016, the Bank had a short-term investment in LC at Banco de Desenvolvimento de Angola, S. A. at an interest rate of 16.5%, a sum of kAOA 1,000,000, with a maturity of approximately 1 month.

In December 31, 2017, “Payables in the payment system” included a sum of kAOA 1,187,134 for credit card payments reclassified on the reporting date due to a correction in the Bank’s internal operating systems.

As at December 31, 2016, this item included payables for transactions pending settlement, corresponding to checks, at a sum of kAOA 481,557.

As at December 2017 and 2016, “Funds in other credit institutions”, excluding interest payable, had the following structure by residual maturity periods:

	2017	2016 (Pro-forma)
Up to 3 months	5.870.783	653.608
	5.870.783	653.608

17. CUSTOMER FUNDS AND OTHER BORROWINGS

As at December 2017 and 2016 “Customer funds and other borrowings” was broken down as follows:

	2017	2016 (Pro-forma)
Sight deposits of residents		
In local currency		
Businesses	47.154.011	34.479.456
Individuals	13.187.380	11.199.921
In foreign currency		
Businesses	3.758.570	3.506.265
Individuals	1.504.548	1.438.202
Sight deposits of non-residents		
In local currency		
Businesses	374.780	200.230
Individuals	428.614	246.827
In foreign currency		
Businesses	14.626	12.054
Individuals	45.607	46.014
	66.468.136	51.128.969
Term deposits of residents		
In local currency		
Businesses	9.655.305	11.838.411
Individuals	13.991.475	11.170.455
In foreign currency		
Businesses	673.693	1.039.654
Individuals	1.745.367	1.875.872
	26.065.840	25.924.392
Indexed deposits	21.219.835	12.230.102
Interest payable	706.093	337.402
Total demand and term deposits	47.991.768	38.491.896
Other borrowings from residents	144.031	144.031
Other borrowings from non-residents	1.663.472	-
	1.807.503	144.031
	116.267.407	89.764.896

As at December 31, 2017, customer demand deposit accounts did not earn interest, except those of four customers with interest-earning deposits, in foreign currency (USD) and in local currency, at a sum of kAOA 263,838 and 32,524 kAOA, at an average interest rate of 2.2% and 0.12%, respectively.

As at December 31, 2016, there were 4 customers with interest-earning deposits, at a sum of kAOA 394,424 and an average rate of 1.1%.



Deposits indexed to the USD correspond to a financial investment with capital indexed to the United States dollar (USD), which safeguards the deposit from the depreciation of local currency (LC). The capital repayment will be made for the revaluation value at the exchange rate in force on the maturity date, plus interest. As at December 31, 2017, a larger number of indexed deposits were subscribed to, due to the speculative effects caused by the expectation of devaluation of local currency against the dollar.

As at December 2017 and 2016, term deposits in foreign currency earned interest at a weighted average interest rate of 2.66% and 2%, respectively. Term deposits in local currency earned interest at a weighted average interest rate of 8.58% and 8.47%, respectively.

As at December 31, 2017, "Other borrowings" corresponded to funding of a sum of USD 10 million granted by Norsad Finance Limited, equivalent to kAOA 1,663,472, which was granted for a period of 5 years and will mature on December 22, 2022. It earns interest at a variable rate indexed to the 3-month LIBOR, plus a spread of 8%. The interest is paid quarterly in arrears, on March 30, June 30, September 30 and December 30 each year.

As at December 31, 2017 and 2016, customer term deposits had the following structure by currency and average interest rate:

	2017			2016 (Pro-forma)		
	Interest rate	Amount in currency	Amount in kAOA	Interest rate	Amount in currency	Amount in kAOA
In Kwanzas	8,40%	24.326.488	24.326.486	8,02%	22.796.582	22.796.572
Indexed to the USD	1,50%	-	21.219.835	1,79%	-	12.230.102
In USD	2,10%	14.723.983	2.443.062	2,03%	20.863.308	3.461.294
In Euros	1,60%	12.864	2.385	1,38%	21.191	3.928
			47.991.768			38.491.896

As at December 2017 and 2016, “Customer funds and other borrowings” had the following structure by residual maturity periods:

	2017	2016 (Pro-forma)
Term and indexed deposits		
Up to 3 months	12.813.925	817.612
3 to 6 months	5.662.693	7.258.326
6 months to one year	8.259.803	18.152.316
One to five years	21.253.375	12.263.642
Over five years	1.972	-
	47.991.768	38.491.896
Other borrowings		
From one to three years	144.031	144.031
From three to five years	1.663.472	-
	1.807.503	144.031
	49.799.271	38.635.927

18. PROVISIONS AND IMPAIRMENT

Transactions in “Provisions” and “Impairment” as at December 31, 2017 and 2016 were as follows:

	Balance 31.12.2016 (Pro-forma)	Appropriations	Reversals	Recovery of loans	Use	Transfer	Exchange differences	Balance 31.12.2017
Credit impairment (Note 10)	6.143.620	3.896.555	-	3.705.057	(1.883.647)	-	-	11.861.585
Other assets impairment (Note 15)	-	15.552	-	-	(57.349)	138.469	-	96.672
Provisions for guarantees (note 28)	1.939.336	250.424	(606.177)	-	-	-	156	1.583.739
Provision for retirement benefits	138.469	-	-	-	-	(138.469)	-	-
Provisions for liabilities and other benefits	-	191.294	-	-	-	-	-	191.294
Provisions for general banking risks	79.509	-	(19.125)	-	-	-	-	60.384
	8.300.934	4.353.825	(625.302)	3.705.057	(1.940.996)	-	156	13.793.674

	Balance 31.12.2015	Appropriations	Reversals	Recovery of loans	Use	Transfer	Exchange differences	Balance 31.12.2016 (Pro-forma)
Credit impairment (Note 10)	1.896.598	6.951.821	(25.781)	-	(2.600.300)	-	(78.718)	6.143.620
Provisions for guarantees (note 28)	1.107.624	854.991	(39.299)	-	(58.086)	233.198	(159.092)	1.939.336
Provision for retirement benefits	138.570	394	-	-	-	(495)	-	138.469
Provisions for liabilities and other benefits	232.703	-	-	-	-	(232.703)	-	-
Provisions for general banking risks	282.679	-	-	-	(203.170)	-	-	79.509
	3.658.174	7.807.206	(65.080)	-	(2.861.556)	-	(237.810)	8.300.934



The balance in “Provisions” is aimed at reflecting the coverage of certain duly identified contingencies arising from the Bank’s activities. These are revised on each reporting date in order to reflect the best estimate of the amount and the probability of payment.

Transactions in provisions show figures referring to foreign exchange differences that reflect the exchange rate revaluation of impairment for credit and guarantees given in foreign currency and are recorded in income for the year under “Foreign exchange gains and losses”.

The Bank is studying the possibility of attributing a retirement supplement to its employees, which is why employees are in the process of joining a retirement pension plan.

The effective date of the responsibility, as well as its amount have still not been defined, so there is no legal or constructive obligation for this on the date of approval of these financial statements, which is why the Bank chose to derecognize the provision it had recorded to deal with responsibilities such as retirement payments provided for in the general labor law.

As at December 31, 2016, the transfers recorded in provisions consisted of kAOA 60,880 transferred during 2016 to “Provisions for general banking risks”, where they were added to provisions for staff costs, particularly bonuses and variable performance-based pay.

Despite the significant reinforcement of impairment in the credit portfolio during 2017 and 2016, at net amounts of kAOA 3,896,555 and kAOA 6,926,040, respectively, the Bank’s Board of Directors has undertaken to continue the impairment reinforcement in 2018.

19. SUBORDINATED LIABILITIES

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Subordinated debt	3.318.480	3.318.060
Interest payable	113.921	93.274
	3.432.401	3.411.334

As at December 2017 and 2016, the balance in this item referred to an issue of USD 20 million, equivalent to kAOA 3,318,480 and kAOA 3,318,060, respectively, in Corporate Bonds, which occurred on September 27, 2012. These bonds earn interest at a fixed rate of 11%, maturing on March 26, 2018, essentially acquired by foreign entities.

These bonds were paid on March 26, 2018, according to the terms provided for in the contracts.

20. OTHER LIABILITIES

As at December 31, 2017 and 2016, the item “Other liabilities” was broken down as follows:

	2017	2016 (Pro-forma)
Funds linked to foreign exchange operations	3.456.484	27.723.814
Staff costs	822.582	831.588
Suppliers	238.886	618.347
Tax-related liabilities	143.205	201.453
Other liabilities	9.791	26.841
	4.670.948	29.402.043

As at December 2017 and 2016, the balance in “Funds linked to foreign exchange operations” included kAOA 3,378,515 and kAOA 26,061,961, respectively. The changes are related to the entry into force of Instruction No. 05/2017, of December 1, which provides for the cessation of mandatory constitution of captive funds in local currency in the requester’s account, for the purpose of buying foreign currency at Financial and Banking Institutions.

As at December 2017 and 2016, “Staff costs” included vacation allowances for Bank employees, at a sum of 166,493 kAOA and 155,674 kAOA, respectively. Under the Angolan General Labor Act, the vacation allowance paid to employees in a given year is a right they acquired in the year immediately preceding. Accordingly, the Bank increased the vacation allowance for 2017, but the allowance was not paid until January 2018. This item also includes provision for “Variable performance-based pay” at a sum of kAOA 498,668 and kAOA 470,898, respectively (Note 27). This variable pay will be paid in 2018.

21. EQUITY

Transactions in equity items in the years ending on December 31, 2017 and 2016 were broken down as follows:

	Other reserves and retained earnings						Equity total
	Equity	Legal reserve	Other reserves	Retained earnings	Total	Net income for the year	
Balances as at December 31, 2015	4.000.000	1.782.589	5.436.279	107.593	7.326.461	821.497	12.147.958
Effects of adopting IAS/IFRS	-	-	-	(363.011)	(363.011)	-	(363.011)
Balance as at January 1, 2016 (Pro-forma)	4.000.000	1.782.589	5.436.279	(255.418)	6.963.450	821.497	11.784.947
Application of 2015 profit	-	164.299	657.198	-	821.497	(821.497)	-
Comprehensive income for the year	-	-	-	-	-	2.435.368	2.435.368
Balance as at December 31, 2016 (Pro-forma)	4.000.000	1.946.888	6.093.477	(255.418)	7.784.947	2.435.368	14.220.315
Application of 2016 profit	-	487.074	1.948.294	-	2.435.368	(2.435.368)	-
Comprehensive income for the year	-	-	-	-	-	2.075.515	2.075.515
Balances as at December 31, 2017	4.000.000	2.433.962	8.041.771	(255.418)	10.220.315	2.075.515	16.295.830

Share Capital

The Bank is constituted by share capital of kAOA 4,000,000, represented by 5,000,000 ordinary shares with a nominal value of AOA 800 each, fully subscribed and paid up in cash, with the following shareholder structure:

Aggregate	% holdings accumulated	N.º share-holders	N.º shares	Amount
Less than 2%	29,28%	28	1.463.910	1.171.200
From 2 to 5%	63,77%	21	3.188.511	2.550.800
Over 5%	6,95%	1	347.579	278.000
	100%	50	5.000.000	4.000.000

Given the large size of Banco Keve's shareholder structure, as at December 31, 2017, it was presented in aggregate holdings.

Balances with related parties for 2017 and 2016 are presented in Note 29.

Capital increase

The Bank approved a capital increase by resolution of the Extraordinary General Meeting held on November 27, 2015. This will increase the bank's share capital from kAOA 4,000,000 to kAOA 31,000,000 through the issue of 33,750,000 new shares with a nominal value of AOA 800 per share. This operation is in the process of being approved by Banco Nacional de Angola and the Board of Directors expects it to be implemented during 2018.

The new shares will be subscribed and paid for in cash by the shareholders in exercise of their preferential subscription rights and in proportion to their holding.

Shareholder structure

During the year ending on December 31, 2017, the Bank's shareholder structure underwent alterations, with 65,600 shares sold, representative of 1.31% of the share capital of Banco Keve, S.A..

The Bank held no own shares as at December 31, 2017.

Other reserves and retained earnings

Legal reserve

Under the terms of the legislation in force, the Bank must set up a legal reserve fund up to the limit of its share capital. To this end, a minimum of 10% of the net income for the previous year is transferred to this reserve every year. This reserve can only be used to cover accumulated losses when all other reserves have been exhausted.

By unanimous decision of the General Meeting on April 6, 2017, it was decided to transfer 20% of the Net income for 2016 to reinforce the "Legal reserve" and 80% to reinforce "Other reserves".

Fair value reserves

The fair value reserves represent the potential capital gains and losses for the portfolio of financial assets available for sale, net of impairment recognized in income during the year and/or in previous years. The value of this reserve is presented net of deferred taxes.

The transactions in these items were as follows:

Category	Balance 31.12.2016 (Pro-forma)	Application of profits	Increases / (Reductions)	Revaluations	Balance 31.12.2017
Legal reserve	1.946.888	487.074	-	-	2.433.962
Other reserves	6.093.477	1.948.294	-	-	8.041.771
Retained earnings	(255.418)	-	-	-	(255.418)
	7.784.947	2.435.368	-	-	10.220.315

22. FINANCIAL INTERMEDIATION MARGIN

In the years ending on December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
	From assets/ liabilities To amortized cost and assets available for sale	From assets/ liabilities To amortized cost and assets available for sale
Interest and similar income		
Interest from client loans	10.273.040	8.639.678
Interest on investments central banks and other credit institutions	138.975	646.716
Interest on investments central banks and other credit institutions		
Non-readjustable treasury bonds	169.887	388.834
Treasury bonds indexed to the USD	2.244.691	2.353.444
Treasury Bills	2.371.030	669.112
	15.197.623	12.697.784
Interest and similar expenses		
Interest on funds central banks and credit institutions	(185.239)	(152.624)
Interest on debt securities in issue	(370.086)	(376.156)
Interest on customer funds and other borrowings	(2.618.329)	(1.379.397)
	(3.173.654)	(1.908.177)
	12.023.969	10.789.607

Presidential Legislative Decree No. 2/14, approving the revision and republication of the Invested Capital Tax (IAC) Code was published in the Diário da República on October 20, 2016. According to this decree, in addition to interest, any other income from public debt securities (Treasury Bills and Treasury Bonds) and private securities (bonds and other company debt securities) is subject to invested capital tax. The IAC costs incurred by the Bank are recorded under "Other operating income" (Note 25).

As at December 2017 and 2016, "Interest and similar income – Investments held to maturity" referred essentially to income obtained from investment in Treasury Bonds and Bills.

As at December 2017 and 2016, "Interest and similar expenses – Customer funds

As at December 2017 and 2016, "Interest and similar expenses – Customer funds and other loans", referred to the interest earned by customer demand and term deposits, as well as the interest associated with the loan contracted in 2017 from Norsad Finance Limited (Note 17).

23. SERVICE AND COMMISSION INCOME AND EXPENDITURE

In the years ending on December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Income from services provided and commissions		
Commissions on banking services provided	1.717.451	1.114.360
Commissions on foreign exchange transactions	1.406.847	1.840.278
Commissions on credit operations	879.232	536.015
Commissions with cards	27.593	-
Commissions on securities	4.523	53.017
Other income	90.841	79.639
	4.126.487	3.623.309
Service and commission income and expenditure		
Commissions for responsibilities or possible commitments	(179.303)	(246.848)
	(179.303)	(246.848)
	3.947.184	3.376.461

As at December 2017 and 2016, "Commissions on banking services provided" essentially referred to the income from commissions for the collection of payments and electronic clearing. These commissions are associated with the daily balances calculated for the electronic clearing houses, which are only paid on the next business day.

During 2017 and 2016, “Commissions on foreign exchange transactions” corresponded to the commissions charged by the Bank for issuing payment orders in foreign currency.

As at December 31, 2017 and 2016, “Commissions on credit operations” essentially corresponded to commissions charged for opening lines of credit.

“Other income” essentially corresponded to commissions charged for printing documents requested by customers at Bank branches, as well as commissions for bank transfers or check requisitions.

As at December 31, 2017 and 2016, “Service and commission income and expenditure – Commissions for responsibilities or possible commitments” included commissions on guarantees received, commissions regarding third-party commitments, commissions associated with the banking services provided, etc.

24. FOREIGN EXCHANGE GAINS AND LOSSES

In the years ending on December 31, 2017 and 2016, this item was broken down as follows:

	2017			2016 (Pro-forma)		
	Profits	Costs	Total	Profits	Costs	Total
Exchange rate revaluation and foreign exchange gains and losses	1.471.126	(209.122)	1.262.004	-	(4.017.894)	(4.017.894)
Indexed liabilities revaluation	-	(3.109)	1.732.262	4.518.185	(2.428.898)	2.089.287
	1.471.126	(212.231)	(3.109)	4.518.185	(6.446.792)	(1.928.607)

“Exchange rate revaluation and foreign exchange gains and losses” included commissions received by the Bank on foreign currency sales to third parties. According to Instruction No. 03/2014, of April 3, Financial Institutions are authorized to use effective exchange rates in each foreign currency sales operation, i.e. the nominal exchange rate plus all the commissions and costs before tax, up to a limit of 3%, and the reference exchange rate for sales published by Banco Nacional de Angola.

These values also include profits from exchange rate fluctuations in local currency Treasury Bonds indexed at the United States Dollar exchange rate (Note 9) and the costs of customer deposits indexed at the United States Dollar exchange rate (Note 17).

25. INCOME FROM INVESTMENTS HELD TO MATURITY

As at December 2017 and 2016, “Income from investments held to maturity” corresponded to the assets recorded in Treasury Bonds.

26. OTHER OPERATING INCOME

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pró-forma)
Other operating income		
Other operating profits	409.118	1.193
Income from gains on investments in subsidiaries	119	-
Other operating income		
Negotiation of loans	(466.278)	-
Direct and indirect taxes	(431.732)	(264.861)
Fines and penalties applied by regulatory body	(1.332)	(11.039)
Other operating costs	(277)	(59.759)
	(490.382)	(334.466)

As at December 31, 2017, “Other operating income” included kAOA 282,861 referent to the use of VISA cards in foreign currency.



In 2017 and 2016, "Credit negotiations" referred to costs arising from the renegotiation of credits through debt write-offs. As at December 2017, this item essentially corresponded to the write-off of a Bank overdraft in November 2017, at a sum of 369,459 kAOA

"Other operating income – Direct and indirect taxes" essentially corresponded to Capital investment tax (Note 3.3.8).

As at December 2017 and 2016, "Other operating income" essentially referred to foreign exchange gains arising from daily transactions using VISA cards.

27. STAFF COSTS

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Wages and salaries		
Remuneration	4.369.706	3.898.404
Variable performance bonuses	498.668	470.898
Optional social contributions	660.339	334.562
Mandatory social contributions	236.604	203.798
Other costs	32.260	29.141
	5.797.577	4.936.803

As at December 31, 2017 and 2016, the average number of employees was 544 and 516, respectively. The increase in remuneration costs in 2017 was primarily due to contracting new employees to deal with the opening new branches and reinforcing technical areas in the Bank's central services, in line with its growth policy.

As at December 31, 2017, "Optional social contributions" included the costs associated with representation expenses, health insurance and clinical services. The implicit change compared to 2016 has to do with the fact that the balances for representation expenses and health insurance were registered under "Third-party supplies and services". In 2017, these amounts were recognized under "Staff costs".

This item also included "Variable performance bonuses" (RVD) to be paid in 2018 referent to 2017, at a sum of kAOA 498,668. As at December 31, 2016, this amount stood at kAOA 470,898) (Note 20).

The amount for staff costs for full-time staff and those on fixed-term contracts was broken down as follows, by professional category:

	2017	2016 (Pro-forma)
Management functions	2.365.917	1.950.389
Leadership functions	1.130.122	989.578
Specific functions	1.871.688	1.679.267
Administrative functions and others	429.850	317.569
	5.797.577	4.936.803

28. THIRD-PARTY SUPPLIES AND SERVICES

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Publicity and advertising	893.998	739.428
Communications	648.177	82.642
Security in transport of valuables	558.132	489.642
Security and surveillance	426.788	396.588
Security, maintenance and repair	362.057	221.117
Rentals and leasing	358.776	345.616
Sundry materials	299.034	501.155
IT	267.950	392.793
Other specialized services	245.839	301.230
Transport, traveling and accommodation	225.174	594.716
Consultancy	200.893	285.191
Insurance	71.742	34.197
Training	37.948	12.917
Water and energy	25.507	74.056
Notary services	9.834	1.772
Staff recruitment	910	-
Security in transport of equipment	178	2.349
Cultural activities	74	46.960
Other costs	82.340	637.874
	4.715.351	5.160.243

As at December 31, 2017, "Communications" recorded a significant variation compared to the previous year due to the increase in supplier prices with regard to the expenditure associated with Bank payment terminals.

As at December 31, 2016, “Insurance” included the amounts regarding the health insurance paid for employees. In 2017, these balances were reclassified to Staff costs, with regard to “Optional social contributions” (Note 27).

As at December 31, 2017, the balance in “Other costs” included expenses on payment operations abroad, the maintenance of machines and other expenses for the maintenance of office equipment. As at December 31, 2016, the balance in the “Other Costs” item includes costs from the payment by customers of credit interest outstanding in previous years and costs related to the settlement of assets deemed unrecoverable.

29. OFF-BALANCE SHEET ITEMS

As at December 31, 2017 and 2016, this item was broken down as follows:

	2017	2016 (Pro-forma)
Guarantees and other liabilities		
Guarantees and sureties given	7.740.825	6.012.084
Import documentary credit	6.341.032	6.583.951
	14.081.857	12.596.035
Commitments to third parties		
Irrevocable lines of credit	-	829.515
Responsibilities for provision of services		
Deposit and safekeeping of valuables	1.363.365	189.616
	15.445.222	13.615.166

Guarantees and sureties given are bank operations that do not involve any movement of funds by the Bank, as they relate to guarantees given to support import transactions or performance of contracts by customers of the Bank. The guarantees given represent amounts which may become payable in the future.

Documentary credits outstanding are irrevocable commitments by the Bank on behalf of its customers to pay or cause to be paid a specified sum to a supplier or service provider, within a stipulated timeframe, on submission of documents evidencing the dispatch of the merchandise or provision of the service. Irrevocability means that the commitment can neither be cancelled or changed without the express consent of all parties involved.

Notwithstanding the special features of these commitments and contingent liabilities, these transactions are treated according to the same basic principles as any other commercial transaction, that is, having regard to the creditworthiness of the customer or business involved, with the Bank requiring sufficient collateral for these transactions where necessary. Given that a majority of these guarantees are expected to lapse without being used, the amounts disclosed do not necessarily represent future cash requirements.

As at December 2017 and 2016, the provisions set up on responsibilities for guarantees given reached kAOA 1,583,739 and kAOA 1,939,336, respectively (Note 18).

Responsibilities for the provision of “Deposit and safekeeping of valuables” services referred to third-party securities deposited at the Bank.

30. RELATED PARTIES

According to IAS 24, the following are considered to be related parties of the Bank:

- Those where the Bank directly or indirectly exercises significant influence on their management and financial policy – Associated and jointly controlled companies and Pension Fund;
- The entities that directly or indirectly exercise significant influence on the Bank’s management and financial policy – Shareholders; and
- The key members of the Bank management, i.e. executive and non-executive Members of the Board of Directors and the companies where the members of the Board of Directors have significant influence.



The total amount of assets, liabilities and off-balance sheet obligations as at 31 December 2017 in respect of shareholders, members of the corporate bodies, associated undertakings and companies and entities in which shareholders and members of the corporate bodies have significant influence is shown below:

	Shareholders	Members of the Board of Directors	Companies in which members of corporate bodies have significant influence	Total 31-12-2017
Assets				
Credit	47.432	599.348	23.682.726	24.329.507
Other amounts	-	-	1.732.262	1.732.262
	47.432	599.348	25.414.988	26.061.769
Liabilities				
Demand deposits	(642.624)	(89.234)	(342.640)	(1.074.498)
Term deposits	(902.981)	(154.536)	(45.935)	(1.103.452)
	(1.545.605)	(243.770)	(388.575)	(2.177.950)
Earnings				
Interest and similar income	13	-	1.944.645	1.944.658
Interest and similar expenses	(52.891)	(2.367)	-	(55.258)
	(52.878)	(2.367)	1.944.645	1.889.400
Off-balance sheet items				
Bank guarantees	-	-	4.064.849	4.064.849

As at December 31, 2016, the main balances and transactions between the Bank and its related parties were as follows:

	Shareholders	Members of the Board of Directors	Companies in which members of corporate bodies have significant influence	Total 31-12-2016 (pro-forma)
Assets				
Credit	83.787	446.464	16.717.406	17.247.657
Other amounts	-	-	1.732.262	1.732.262
	83.787	446.464	18.449.668	18.979.919
Liabilities				
Demand deposits	(331.943)	(28.997)	78.274	(282.666)
Term deposits	(163.476)	-	(210.584)	(374.060)
	(495.419)	(28.997)	(132.310)	(656.726)
Earnings				
Interest and similar income	-	-	770.546	770.546
Interest and similar expenses	(21.770)	(1.150)	-	(22.920)
	(21.770)	(1.150)	770.546	747.626
Off-balance sheet items				
Bank guarantees	80.309	390.819	2.580.397	3.051.525

31. BALANCE SHEET BY CURRENCY

Assets	National currency	Indexed to foreign currency	Foreign currency	Total	National currency	Indexed to foreign currency	Foreign currency	Total
Cash in hand and balances at the central Bank	16.296.498	-	768.538	17.065.036	8.543.637	-	752.911	9.352.687
Cash and cash equivalents in other credit institutions	202.151	-	5.826.841	6.028.992	660.035	-	7.152.915	7.812.950
Investments in central banks and other credit institutions	7.269.171	-	1.594.645	8.863.816	5.226.612	-	-	5.226.612
Financial assets at fair value through profit and loss	-	199.763	-	199.763	-	-	-	-
Financial assets available for sale	121.240	-	-	121.240	121.236	-	-	121.236
Investments held to maturity	12.984.523	37.781.104	1.614.441	52.380.068	11.060.507	37.672.951	1.375.336	50.108.794
Customer loans	54.049.610	-	1.966.325	56.015.935	55.859.878	-	2.242.565	58.102.443
Non-current assets held for sale	60.539	-	-	60.539	60.539	-	-	60.539
Other tangible assets	6.958.767	-	-	6.958.767	6.543.234	-	-	6.543.234
Intangible assets	56.295	-	-	56.295	15.761	-	-	15.761
Current tax assets	-	-	-	-	-	-	-	-
Other assets	3.256.323	-	-	3.256.323	3.283.581	-	-	3.283.581
Total Assets	101.255.117	37.980.867	11.770.790	151.006.774	91.375.020	37.672.951	11.523.727	140.627.837
Liabilities								
Funds in central banks and other credit institutions	8.442.037	-	-	8.442.037	1.534.361	-	-	1.534.361
Customer funds and other loans	87.305.161	21.219.835	7.742.411	116.267.407	69.616.733	12.230.102	7.918.061	89.764.896
Provisions	1.835.417	-	-	1.835.417	2.157.314	-	-	2.157.314
Current tax liabilities	62.734	-	-	62.734	137.574	-	-	137.574
Subordinated liabilities	-	-	3.432.401	3.432.401	-	-	3.411.334	3.411.334
Other liabilities	4.670.948	-	-	4.670.948	29.402.043	-	-	29.402.043
Total liabilities	102.316.297	21.219.835	11.174.812	134.710.944	102.848.025	12.230.102	11.329.395	126.407.522

32. RISK MANAGEMENT

Risk management is fundamental to the Bank's performance, ensuring convergence with the corporate policy in force. Risk management itself is supported by a set of principles, strategies, policies, systems, processes, rules and procedures aimed at ensuring efficient and profitable performance of the Bank's activities in the medium and long terms. This ensures the effective use of assets and resources and suitable management not only of the controls, but also the risks inherent to the business, with the aim of implementing mechanisms for preventing and protecting against errors and fraud and thereby ensuring the continuity of the business.

The Bank's risk management is based on constant identification and analysis of exposure to the different risks (credit risk, market risk, liquidity risk, operational risk and other risks), and the implementation of strategies aimed at maximizing results given the risks it is exposed to, bearing in mind the pre-established restrictions, which are duly supervised.

Bearing the Bank's activities in mind, the risks considered materially relevant and, consequently, those where a greater effort is put into identifying, assessing, monitoring and controlling, are:

- Credit Risk
- Liquidity risk
- Market risk
 - ◊ Interest rate risk
 - ◊ Foreign Exchange Risk
- Operational Risk

32.1. CREDIT RISK

Credit risk is the risk of non-compliance by counterparties with which the Bank has open positions in financial instruments, as a creditor. The Bank has an adequate risk management structure, covering all phases of the process, from acceptance of the proposal until settlement of the loan, including monitoring and recovery.

Banco Nacional de Angola defines the legislation for the levels of regulatory own funds to ensure that suitable credit risk exposure levels are maintained, of note being:

- Notice No. 03/2016, of April 28: establishing the requirements for regulatory own funds for credit risk and counterparty credit risk;
- Instruction No. 12/2016, of August 8: defining the calculation method and the requirements for regulatory own funds for credit risk and counterparty credit risk;



- Instruction No. 13/2016, of August 8: defining the provision of information on the requirements for regulatory own funds for credit risk and counterparty credit risk.

The Bank classifies credit operations by increased order of risk, according to the risk levels defined in Notice No. 11/2014, of December 10, of Banco Nacional de Angola, as follows:

Level	Risk
A	Minimum risk
B	Very low risk
C	Low risk
D	Moderate risk
E	High risk
F	Very high risk
G	Maximum risk

Individual classification of the risk position takes the characteristics and the risks of the operation and the borrower into account. They are initially classified based on the following criteria adopted by the Bank.

Operations with the following characteristics are classified in risk level A:

- Exposures undertaken by the Angolan State, including its central and provincial administrations;
- Undertaken by administrations or central banks of countries disclosed by Banco Nacional de Angola (Instruction No. 01/2015, of January 14) while recording a lower risk level;
- Exposures fully guaranteed by cash deposits constituted or issued by the Bank;
- Exposures fully guaranteed by securities or bonds issued by the Angolan State or by Banco Nacional de Angola.

The remaining operations do not meet the requirements for classification at risk level A and, if they are not a result of previous non-compliance, they are classified at risk level B.

The risk levels should be revised in the event of non-compliance, as follows:

Level	Risk
B	Days past due less or equal to 30 days
C	Days past due over 30 days and less or equal to 60 days
D	Days past due over 60 days and less or equal to 90 days
E	Days past due over 90 days and less or equal to 150 days
F	Days past due over 150 days and less or equal to 180 days
G	Days past due over 180 days

If a customer has different operations classified at different risk levels, the final classification will be based on the class of the most serious risk.

As at December 2017 and 2016, maximum exposure to credit risk by financial instrument was broken down as follows:

	2017		2016 (Pro-forma)			
	Book value	Impairment	Book value	Book value	Impairment	Book value
Balance sheet items						
Cash in hand and balances at the central Bank	17.065.036	-	17.065.036	9.352.687	-	9.352.687
Cash and cash equivalents in other credit institutions	6.028.992	-	6.028.992	7.812.950	-	7.812.950
Investments in central banks and other credit institutions	8.863.816	-	8.863.816	5.226.612	-	5.226.612
Financial assets at fair value through profit and loss	199.763	-	199.763	-	-	-
Financial assets available for sale	121.240	-	121.240	121.236	-	121.236
Investments held to maturity	52.380.068	-	52.380.068	50.108.794	-	50.108.794
Customer loans	67.877.520	(11.861.585)	56.015.935	64.246.063	(6.143.620)	58.102.443
Other assets	3.352.995	(96.672)	3.256.323	3.283.581	-	3.283.581
	155.889.430	(11.958.257)	143.931.173	140.151.923	(6.143.620)	134.008.303
Off-balance sheet items						
Guarantees and sureties given	(7.740.825)	1.583.739	(6.157.086)	(6.012.084)	3.283.581	(4.072.748)
Outstanding documentary credits	(6.341.032)	-	(6.341.032)	(6.583.951)	91.375.020	(6.583.951)
Irrevocable lines of credit	-	-	-	(829.515)	-	(829.515)
	(14.081.857)	1.583.739	(12.498.118)	(13.425.550)	1.534.361	(11.486.214)

The credit quality of financial assets was broken down as follows as at December 31, 2017 and 2016:

	Rating origin	Rating level	2017		
			Gross exposure	Impairment	Net exposure
Cash in hand and balances at the central Bank	Internal rating	No risk (A)	17.065.036	-	17.065.036
Cash and cash equivalents in other credit institutions	Internal rating	Low (C)	6.028.992	-	6.028.992
Investments in central banks and other credit institutions	Internal rating	Low (C)	8.863.816	-	8.863.816
Financial assets at fair value through profit and loss	Internal rating	Low (C)	199.763	-	199.763
Financial assets available for sale	Internal rating	Low (C)	121.240	-	121.240
Investments held to maturity	Internal rating	Very low (B)	52.380.068	-	52.380.068
Customer loans	Internal rating	No risk (A)	1.137.604	-	1.137.604
		Very low (B)	19.625.950	2.246.455	17.379.495
		Low (C)	25.175.103	2.973.423	22.201.680
		Moderate (D)	8.908.686	1.971.993	6.936.693
		High (E)	1.108.020	527.250	580.770
		Very high (F)	37.861	18.929	18.932
		Loss (G)	11.884.296	4.123.535	7.760.761
Other assets	Internal rating	No risk (A)	1.544.874	-	1.544.874
		Low (C)	1.808.121	96.672	1.711.449
			155.889.430	11.958.257	143.931.173

			2016 (Pro-forma)		
	Rating origin	Rating level	Gross exposure	Impairment	Net exposure
Cash in hand and balances at the central Bank	Internal rating	No risk (A)	9.352.687	-	9.352.687
Cash and cash equivalents in other credit institutions	Internal rating	Very low (B)	7.812.950	-	7.812.950
Investments in central banks and other credit institutions	Internal rating	Very low (B)	5.226.612	-	5.226.612
Financial assets available for sale	Internal rating	Very low (B)	121.236	-	121.236
Investments held to maturity	Internal rating	Very low (B)	50.108.794	-	50.108.794
Customer loans	Internal rating	No risk (A) (A)	3.034.888	415	3.034.473
		Very low (B)	16.434.365	246.130	16.188.235
		Low (C)	25.949.938	966.681	24.983.257
		Moderate (D)	4.848.778	143.572	4.705.206
		High (E)	2.920.867	533.800	2.387.067
		Very high (F)	163.118	80.928	82.190
		Loss (G)	10.894.109	4.172.094	6.722.015
Other assets	Internal rating	No risk (A)	934.537	-	934.537
		Low (C)	2.349.044	-	2.349.044
			140.151.923	6.143.620	134.008.303

As at December 2017 and 2016, the geographic concentration of credit risk exposure was broken down as follows:

2017					
Geographic area					
	Angola	Other African countries	Europe	Others	Total
Balance sheet items					
Cash in hand and balances at the central Bank	17.065.036	-	-	-	17.065.036
Cash and cash equivalents in other credit institutions	202.151	-	5.826.841	-	6.028.992
Investments in central banks and other credit institutions	5.710.522	512	3.152.782	-	8.863.816
Financial assets at fair value through profit and loss	199.763	-	-	-	199.763
Financial assets available for sale	121.240	-	-	-	121.240
Investments held to maturity	52.380.068	-	-	-	52.380.068
Customer loans	56.015.935	-	-	-	56.015.935
Other assets	3.256.323	-	-	-	3.256.323
	134.951.038	512	8.979.623	-	143.931.173
Off-balance sheet items					
Guarantees and sureties given	6.157.086	-	-	-	6.157.086
Outstanding documentary credits	6.341.032	-	-	-	6.341.032
Irrevocable lines of credit	-	-	-	-	-
	12.498.118	-	-	-	12.498.118
Total	147.449.156	512	8.979.623	-	156.429.291

2016 (Pró-forma)					
Geographic area					
	Angola	Other African ountries	Europe	Others	Total
Balance sheet items					
Cash in hand and balances at the central Bank	9.352.687	-	-	-	9.352.687
Cash and cash equivalents in other credit institutions	660.035	-	7.152.915	-	7.812.950
Investments in central banks and other credit institutions	1.837.490	512	3.388.610	-	5.226.612
Financial assets available for sale	121.236	-	-	-	121.236
Investments held to maturity	50.108.794	-	-	-	50.108.794
Customer loans	58.102.443	-	-	-	58.102.443
Other assets	3.283.581	-	-	-	3.283.581
	123.466.266	512	10.541.525	-	134.008.303
Off-balance sheet items					
Guarantees and sureties given	4.072.748	-	-	-	4.072.748
Outstanding documentary credits	6.583.951	-	-	-	6.583.951
Irrevocable lines of credit	829.515	-	-	-	829.515
	11.486.214	-	-	-	11.486.214
Total	134.952.480	1.024	10.541.525	-	145.494.517

As described in Note 3.3.3.a), the Bank has a project in course for the introduction of a computer tool for defining the methodology to be used in order to comply with the requirements of IAS 39 – Financial Instruments (IAS 39), with regard to calculating impairment losses in its credit portfolio. This process had not been concluded before the close of the financial statements for the year ending on December 31, 2017. Thus, it was not possible to disclose some of the information required by Instruction No. 5/2016, of August 8, published by Banco Nacional de Angola, in particular:

- Table XX – Composition of loans to customers
- Table XXI – Composition of overdue loans without impairment;
- Table XXII – Composition of overdue loans with impairment;
- Quadro XXIII – Crédito reestruturado;
- Table XXIII – Restructured credit;

32.2. LIQUIDITY RISK

The Bank carries out the controls and makes the reports related to liquidity risk in accordance with the provisions of Instruction No. 19/2016, of August 8, and Instruction No. 26/2016, of November 16, both published by Banco Nacional de Angola, entitled Liquidity Risk and Liquidity Risk Governance, respectively.

Liquidity risk reflects the potential inability of the Bank to comply with its obligations, including those arising from guarantees, without affecting its daily operations and without incurring significant losses.

In order to put surplus liquidity to work, the Bank makes investments with maturities of up to 12 months in its own portfolio, in complement to investments in the Interbank Money Market, which contribute positively to the Bank's financial margin. This area includes investments in Treasury Bills and the acquisition of Repurchase Agreements (Repos).

The contractual capital cash flow was broken down as follows as at December 31, 2017 and 2016:

2017										
Residual contractual periods										
Assets	at sight	To 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Undetermined	Total
Cash in hand and balances at the central Bank	17.065.036	-	-	-	-	-	-	-	-	17.065.036
Cash and cash equivalents in other credit institutions	6.028.992	-	-	-	-	-	-	-	-	6.028.992
Investments in central banks and other credit institutions	-	6.591.336	2.272.480	-	-	-	-	-	-	8.863.816
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	199.763	-	199.763
Financial assets available for sale	-	-	-	-	-	-	-	-	121.240	121.240
Investments held to maturity	-	2.652.043	2.543.070	5.396.020	12.697.546	23.264.292	5.360.045	467.052	-	52.380.068
Customer loans	-	10.599.955	2.103.273	1.738.039	695.250	7.530.774	23.055.493	9.026.752	1.266.399	56.015.935
Other assets	-	-	-	-	-	-	-	-	3.256.323	3.256.323
	23.094.028	19.843.334	6.918.823	7.134.059	13.392.796	30.795.066	28.415.538	9.693.567	4.643.962	143.931.173
Liabilities										
Funds in central banks and other credit institutions	(2.571.254)	-	(5.870.783)	-	-	-	-	-	-	(8.442.037)
Customer funds and other loans	(66.468.136)	(8.932.927)	(3.880.998)	(5.662.693)	(8.403.834)	(21.242.405)	(1.674.442)	(1.972)	-	(116.267.407)
Subordinated liabilities	-	-	(3.256.323)	-	-	-	-	-	-	(3.256.323)
	(69.039.390)	(8.932.927)	(13.008.104)	(5.662.693)	(8.403.834)	(21.242.405)	(1.674.442)	(1.972)	-	(127.965.767)
Liquidity gap	(45.945.362)	10.910.407	(6.089.281)	1.471.366	4.988.962	9.552.661	26.741.096	9.691.595	4.643.962	15.965.406
Accumulated liquidity gap	(45.945.362)	(35.034.955)	(41.124.236)	(39.652.870)	(34.663.908)	(25.111.247)	1.629.849	11.321.444	15.965.406	15.965.406

2016 (pro-forma)										
Residual contractual periods										
Assets	at sight	To 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Undetermined	Total
Cash in hand and balances at the central Bank	9.352.687	-	-	-	-	-	-	-	-	9.352.687
Cash and cash equivalents in other credit institutions	7.812.950	-	-	-	-	-	-	-	-	7.812.950
Investments in central banks and other credit institutions	-	5.226.612	-	-	-	-	-	-	-	5.226.612
Financial assets available for sale	-	-	-	-	-	-	-	-	121.236	121.236
Investments held to maturity	-	462.645	1.595.742	3.751.061	8.566.006	21.495.197	11.841.761	2.396.382	-	50.108.794
Customer loans	-	68.832	8.518.947	11.655.736	944.793	4.204.301	21.410.794	10.762.338	536.702	58.102.443
Other assets	-	-	-	-	-	-	-	-	3.283.581	3.283.581
	17.165.637	5.758.089	10.114.689	15.406.797	9.510.799	25.699.498	33.252.555	13.158.720	3.941.519	134.008.303
Liabilities										
Funds in central banks and other credit institutions	(880.753)	-	(653.608)	-	-	-	-	-	-	(1.534.361)
Customer funds and other loans	(51.128.969)	(371.315)	(446.297)	(7.258.326)	(18.152.316)	(144.031)	(9.521.345)	(2.742.297)	-	(89.764.896)
Subordinated liabilities	-	-	-	-	-	(3.411.334)	-	-	-	(3.411.334)
	(52.009.722)	(371.315)	(1.099.905)	(7.258.326)	(18.152.316)	(144.031)	(9.521.345)	(2.742.297)	-	(91.299.257)
Liquidity gap	(34.844.085)	5.386.774	9.014.784	8.148.471	(8.641.517)	25.555.467	23.731.210	10.416.423	3.941.519	42.709.046
Accumulated liquidity gap	(34.844.085)	(29.457.311)	(20.442.527)	(12.294.056)	(20.935.573)	4.619.894	1.629.849	38.767.527	42.709.046	85.418.092

32.3. MARKET RISK

Market risk is defined as the possibility of incurring financial losses arising from unexpected changes in the market values of positions held. These financial losses may be incurred as a result of the impact of changes in interest rates, exchange rates or the prices of shares or commodities. Market risk can be broken down into interest rate risk and foreign exchange risk.

32.3.1. Interest rate risk

Interest rate risk is defined as the probability of the occurrence of negative impacts on the Bank's income or capital arising from adverse changes in the interest rate.

Pursuant to Notice No. 08/2016, of June 22, of Banco Nacional de Angola, the analysis and reporting requirements associated with interest rate risk are defined.

As at December 2017 and 2016, the breakdown of financial instruments by exposure to interest rate risk was as follows:

Assets	Exposure to		2017		Total
	Fixed rate	Variable rate	Not subject to risk of interest rate	Derivates	
Cash in hand and balances at the central Bank	-	-	17.065.036	-	17.065.036
Cash and cash equivalents in other credit institutions	-	-	6.028.992	-	6.028.992
Investments in central banks and other credit institutions	8.863.816	-	2.272.480	-	8.863.816
Financial assets at fair value through profit and loss	199.763	-	-	-	199.763
Financial assets available for sale	-	-	121.240	-	121.240
Investments held to maturity	52.380.068	-	-	-	52.380.068
Other assets	-	-	3.256.323	-	3.256.323
	61.443.647	-	26.471.591	-	87.915.238
Liabilities					
Funds in central banks and other credit institutions	(6.162.225)	-	(2.279.812)	-	(8.442.037)
Customer funds and other loans	(48.432.061)	(1.663.572)	(66.171.774)	-	(116.267.407)
Subordinated liabilities	(3.432.401)	-	-	-	(3.432.401)
	(58.026.687)	(1.663.572)	(68.451.586)	-	(128.141.845)
	3.416.960	(1.663.572)	(41.979.995)	-	(40.226.607)

Assets	Exposure to		2016 (Pro-forma)		Total
	Fixed rate	Variable rate	Not subject to risk of interest rate	Derivates	
Cash in hand and balances at the central Bank	-	-	9.352.687	-	9.352.687
Cash and cash equivalents in other credit institutions	-	-	7.812.950	-	7.812.950
Investments in central banks and other credit institutions	5.226.612	-	-	-	5.226.612
Financial assets available for sale	-	-	121.236	-	121.236
Investments held to maturity	52.380.068	-	8.701.051	-	50.108.794
Other assets	-	-	3.283.581	-	3.283.581
	46.634.355	-	29.271.505	-	75.905.860
Liabilities					
Funds in central banks and other credit institutions	(1.010.849)	-	(523.512)	-	(1.534.361)
Customer funds and other loans	(38.635.927)	-	(51.128.969)	-	(89.764.896)
Subordinated liabilities	(3.411.334)	-	-	-	(3.411.334)
	(43.058.110)	-	(51.652.481)	-	(94.710.591)
	3.576.245	-	(22.380.976)	-	(18.804.731)

As at December 31, 2017 and 2016, the breakdown of financial instruments with exposure to interest rate risk according to maturity date or resetting, was as follows:

2017									
Assets	Resetting date / Maturity date								Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Undetermined	
Investments in central banks and other credit institutions	6.591.336	2.272.480	-	-	-	-	-	-	8.863.816
Financial assets at fair value through profit and loss	-	-	-	-	-	-	199.763	-	199.763
Investments held to maturity	2.652.043	2.543.070	5.396.020	12.697.546	23.264.292	5.360.045	467.052	-	52.380.068
Customer loans	10.599.955	2.103.273	1.738.039	695.250	7.530.774	23.055.493	9.026.752	1.266.399	56.015.935
	19.843.334	6.918.823	7.134.059	13.392.796	30.795.066	28.415.538	9.693.567	1.266.399	117.459.582
Liabilities									
Funds in central banks and other credit institutions	-	(5.870.783)	-	-	-	-	-	-	(5.870.783)
Customer funds and other loans	(8.932.927)	(3.880.998)	(5.662.693)	(8.403.834)	(20.885.164)	(1.674.442)	(1.972)	(357.241)	(49.799.271)
Subordinated liabilities	-	(3.432.401)	-	-	-	-	-	-	(3.432.401)
	(8.932.927)	(13.184.182)	(5.662.693)	(8.403.834)	25.555.467	(1.674.442)	(1.972)	(357.241)	(59.102.455)
Net exposure	(28.776.261)	(20.103.005)	(12.796.752)	(21.796.630)	(51.680.230)	(30.089.980)	(9.695.539)	(1.623.640)	(176.562.037)
2016 (pro-forma)									
Assets	Resetting date / Maturity date								Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Undetermined	
Investments in central banks and other credit institutions	5.226.612	-	-	-	-	-	-	-	5.226.612
Investments held to maturity	462.645	1.595.742	3.751.061	8.566.006	21.495.197	11.841.761	2.396.382	-	50.108.794
Customer loans	-	68.832	-	944.793	54.271.989	-	-	536.702	55.822.316
	5.689.257	1.664.574	3.751.061	9.510.799	75.767.186	11.841.761	2.396.382	536.702	111.157.722
Liabilities									
Funds in central banks and other credit institutions	-	(653.608)	-	-	-	-	-	-	(653.608)
Customer funds and other loans	(371.315)	(446.297)	(7.258.326)	(18.152.316)	(144.031)	(9.521.345)	(2.742.298)	(357.241)	(38.993.169)
Subordinated liabilities	-	-	-	-	(3.411.334)	-	-	-	(3.411.334)
	(371.315)	(1.099.905)	(7.258.326)	(18.152.316)	(3.555.365)	(9.521.345)	(2.742.298)	(357.241)	(43.058.111)
Net exposure	(6.060.572)	(2.764.479)	(11.009.387)	(27.663.115)	(79.322.551)	(21.363.106)	(5.138.680)	(893.943)	(154.215.833)

As at December 2017 and 2016, the analysis of the sensitivity of the income generated by financial instruments to interest rate variations was broken down as follows:

2017						
Interest rates variations						
Assets	-200 bp ¹	-100 bp ¹	-50 bp ¹	+50 bp ¹	+100 bp ¹	+200 bp ¹
Investments in central banks and other credit institutions	(3.068)	(1.534)	(767)	767	1.534	3.068
Financial assets at fair value through profit and loss	(2.625)	(1.312)	(656)	656	1.312	2.625
Investments held to maturity	(265.261)	(132.630)	(66.315)	66.315	132.630	265.261
Customer loans	(232.004)	(116.002)	(58.001)	58.001	116.002	232.004
	(502.958)	(251.479)	(125.739)	125.739	251.479	502.958
Liabilities						
Customer funds and other loans	168.117	84.059	42.029	(42.029)	(84.059)	(168.117)
Subordinated liabilities	20.713	10.356	5.178	(5.178)	(10.356)	(20.713)
	188.830	94.415	47.208	(47.208)	(94.415)	(188.830)
Net impact	(314.128)	(157.064)	(78.532)	78.532	157.064	314.128
2016						
Interest rates variations						
Assets	-200 bp ¹	-100 bp ¹	-50 bp ¹	+50 bp ¹	+100 bp ¹	+200 bp ¹
Investments in central banks and other credit institutions	(2.810)	(1.405)	(703)	703	1.405	2.810
Investments held to maturity	(204.636)	(102.318)	(51.159)	51.159	102.318	204.636
Customer loans	(338.117)	(169.059)	(84.529)	84.529	169.059	338.117
	(545.564)	(272.782)	(136.391)	136.391	272.782	545.564
Liabilities						
Customer funds and other loans	84.140	42.070	21.035	(21.035)	(42.070)	(84.140)
Subordinated liabilities	16.959	8.479	4.240	(4.240)	(8.479)	(16.959)
	101.099	50.550	25.275	(25.275)	(50.550)	(101.099)
Net impact	(444.465)	(222.233)	(111.116)	111.116	222.233	444.465

¹ One bp (basis point) corresponds to 0,01 percentage point.

As at December 2017 and 2016, the analysis of the sensitivity of income in “Customer loans” to changes in interest rates was carried out based on average rates for customer loan operations, as stated in Note 10.

32.3.2. Foreign exchange risk

Foreign exchange risk can be defined as the risk arising from changes in exchange rates due to the foreign exchange positions held because of the existence of financial instruments in different currencies.

In line with the recommendations of Instruction No. 06/2016, of August 8, of Banco Nacional de Angola, the Bank calculates its balance sheet interest rate risk exposure based on the methodology defined in the Instruction.



As at December 2017 and 2016, the breakdown of financial instruments by currency was as follows:

2017					
	Kwanza	United States Dollar	Euro	Other currencies	Total
Assets					
Cash in hand and balances at the central Bank	16.296.497	768.539	-	-	17.065.036
Cash and cash equivalents in other credit institutions	202.151	3.096.432	2.723.501	6.908	6.028.992
Investments in central banks and other credit institutions	7.269.171	1.136.151	458.494	-	8.863.816
Financial assets at fair value through profit and loss	-	199.763	-	-	199.763
Financial assets available for sale	121.240	-	-	-	121.240
Investments held to maturity	14.598.964	37.781.104	-	-	52.380.068
Customer loans	54.049.610	1.634.921	331.405	-	56.015.936
Other assets	3.256.323	-	-	-	3.256.174
	95.793.956	44.616.910	3.513.400	6.908	143.931.174
Liabilities					
Funds in central banks and other credit institutions	(8.442.037)	-	-	-	(8.442.037)
Customer funds and other loans	(107.648.505)	(7.898.464)	(718.051)	(2.477)	(116.267.497)
Subordinated liabilities	-	(3.432.401)	-	-	(3.432.401)
	(116.090.542)	(11.330.865)	(718.051)	(2.477)	(128.141.935)
	(20.296.586)	33.286.045	2.795.349	4.431	15.789.239
2016 (Pro-forma)					
	Kwanza	United States Dollar	Euro	Other currencies	Total
Assets					
Cash in hand and balances at the central Bank	8.543.637	809.050	-	-	9.352.687
Cash and cash equivalents in other credit institutions	660.035	1.002.715	6.144.118	6.082	7.812.950
Investments in central banks and other credit institutions	2.367.268	2.580.348	278.996	-	5.226.612
Investments held to maturity	11.060.507	39.048.287	-	-	50.108.794
Customer loans	55.859.878	1.441.398	801.167	-	58.102.443
Other assets	3.283.581	-	-	-	3.283.581
	81.774.906	44.881.798	7.224.281	6.082	133.887.067
Liabilities					
Funds in central banks and other credit institutions	(1.534.361)	-	-	-	(1.534.361)
Customer funds and other loans	(86.299.674)	(3.461.294)	(3.928)	-	(89.764.896)
Subordinated liabilities	-	(3.411.334)	-	-	(3.411.334)
	(87.834.035)	(6.872.628)	(3.928)	-	(94.710.591)
	(6.059.129)	38.009.170	7.220.353	6.082	39.176.476

In the table detailing financial instruments by currency, the sums in the "United States Dollars" column include operations indexed to the USD.

The analysis of the sensitivity of the property value of the financial instruments to changes in foreign exchange rates as at December 31, 2017 and 2016 was broken down as follows:

2017						
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States Dollar	(14.734.526)	(7.367.263)	(3.683.631)	3.683.631	7.367.263	14.734.526
Euro	(846.290)	(423.145)	(211.573)	211.573	423.145	846.290
Other currencies	(1.767)	(884)	(442)	442	884	1.767
Total	(14.734.526)	(7.367.263)	(3.683.631)	3.683.631	7.367.263	14.734.526

2016						
	-20%	-10%	-5%	+5%	+10%	+20%
Currency						
United States Dollar	(12.688.917)	(6.344.459)	(3.172.229)	3.172.229	6.344.459	12.688.917
Euro	(1.513.610)	(756.805)	(378.403)	378.403	756.805	1.513.610
Other currencies	(1.216)	(608)	(304)	304	608	1.216
Total	(12.688.917)	(6.344.459)	(3.172.229)	3.172.229	6.344.459	12.688.917

32.4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at December 2017 and 2016, the book value of the financial instruments was broken down as follows:

2017				
	Valued at fair value	Valued at amortized cost	Impairment	Net value
Assets				
Cash in hand and balances at the central Bank	-	17.065.036	-	17.065.036
Cash and cash equivalents in other credit institutions	-	6.028.992	-	6.028.992
Investments in central banks and other credit institutions	-	8.863.816	-	8.863.816
Financial assets at fair value through profit and loss	199.763	-	-	199.763
Financial assets available for sale	121.240	-	-	121.240
Investments held to maturity	-	52.380.068	-	52.380.068
Customer loans	-	67.877.520	(11.861.585)	56.015.935
Other assets	-	3.352.995	(96.672)	3.256.323
	321.003	155.568.427	(11.958.257)	143.931.173
Liabilities				
Funds in central banks and other credit institutions	-	(8.376.238)	-	(8.376.238)
Customer funds and other loans	-	(115.910.166)	-	(115.910.166)
Subordinated liabilities	-	(3.432.401)	-	(3.432.401)
	-	(127.718.805)	-	(127.718.805)
	321.003	27.849.622	(11.958.257)	16.212.368



2017 (Pro-Forma)				
	Valued at fair value	Valued at amortized cost	Impairment	Net value
Assets				
Cash in hand and balances at the central Bank	-	9.352.687	-	9.352.687
Cash and cash equivalents in other credit institutions	-	7.812.950	-	7.812.950
Investments in central banks and other credit institutions	-	5.226.612	-	5.226.612
Financial assets available for sale	121.236	-	-	121.236
Investments held to maturity	-	50.108.794	-	50.108.794
Customer loans	-	64.246.063	(6.143.620)	58.102.443
Other assets	-	3.283.581	-	3.283.581
	121.236	140.030.687	(6.143.620)	134.008.303
Liabilities				
Funds in central banks and other credit institutions	-	(1.534.361)	-	(1.534.361)
Customer funds and other loans	-	(89.764.896)	-	(89.764.896)
Subordinated liabilities	-	(3.411.334)	-	(3.411.334)
	-	(94.710.591)	-	(91.299.257)
	121.236	45.320.096	(6.143.620)	42.709.046

As at December 2017 and 2016, the Bank had no hedge instruments or financial instruments valued at historical cost in its portfolio.

As at December 2017 and 2016, the fair value of the financial instruments was broken down as follows:

2017						
Fair value of financial instruments						
	Book value (net)	Registered in the balance sheet at fair value	Registered in the balance sheet at cost mortized	Total	Difference	Book value total
Assets						
Cash in hand and balances at the central Bank	17.065.036	-	17.065.036	17.065.036	-	17.065.036
Cash and cash equivalents in other credit institutions	6.028.992	-	6.028.992	6.028.992	-	6.028.992
Investments in central banks and other credit institutions	8.863.816	-	8.863.816	8.863.816	-	8.863.816
Financial assets at fair value through profit and loss	199.763	199.763	-	199.763	-	199.763
Financial assets available for sale	121.240	121.240	-	121.240	-	121.240
Investments held to maturity	52.380.068	-	52.380.068	52.380.068	-	52.380.068
Customer loans	56.015.935	-	56.015.935	56.015.935	-	56.015.935
Other assets	3.256.323	-	3.256.323	3.256.323	-	3.256.323
	143.931.173	321.003	143.610.170	143.931.173	-	143.931.173
Liabilities						
Funds in central banks and other credit institutions	(8.442.037)	-	(8.442.037)	(8.442.037)	-	(8.442.037)
Customer funds and other loans	(116.267.407)	-	(116.267.407)	(116.267.407)	-	(116.267.407)
Subordinated liabilities	(3.432.401)	-	(3.432.401)	(3.432.401)	-	(3.432.401)
	(128.141.845)	-	(128.141.845)	(128.141.845)	-	(128.141.845)
	15.789.328	321.003	15.468.325	15.789.328	-	15.789.328

2016 (Pro-forma)						
	air value of financial instruments					
	Book value (net)	Registered in the balance sheet at fair value	Registered in the balance sheet at cost mortized	Total	Difference	Book value total
Assets						
Cash in hand and balances at the central Bank	9.352.687	-	9.352.687	9.352.687	-	9.352.687
Cash and cash equivalents in other credit institutions	7.812.950	-	7.812.950	7.812.950	-	7.812.950
Investments in central banks and other credit institutions	5.226.612	-	5.226.612	5.226.612	-	5.226.612
Financial assets available for sale	121.236	121.236	-	121.236	-	121.236
Investments held to maturity	50.108.794	-	50.108.794	50.108.794	-	50.108.794
Customer loans	58.102.443	-	58.102.443	58.102.443	-	58.102.443
Other assets	3.283.581	-	3.283.581	3.283.581	-	3.283.581
	134.008.303	121.236	133.887.067	134.008.303	-	134.008.303
Liabilities						
Funds in central banks and other credit institutions	1.534.361)	-	(1.534.361)	(1.534.361)	-	(1.534.361)
Customer funds and other loans	(89.764.896)	-	(89.764.896)	(89.764.896)	-	(89.764.896)
Subordinated liabilities	(3.411.334)	-	(3.411.334)	(3.411.334)	-	(3.411.334)
	(94.710.591)	-	(94.710.591)	-	(94.710.591)	(128.141.845)
	39.297.712	121.236	39.176.476	39.297.712	-	39.297.712

As at December 2017 and 2016, the fair value of the financial instruments recorded in the balance sheet at fair value was broken down as follows by valuation methodology:

2017				
	Level 1 Market value	Level 2 Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets at fair value through profit and loss	-	-	199.763	199.763
Financial assets available for sale	-	121.240	-	121.240
	-	121.240	199.763	321.003

2016 (Pro-forma)				
	Level 1 Market value	Level 2 Observable market data	Level 3 Other valuation techniques	Total
Assets				
Financial assets available for sale	-	121.240	-	121.240
	-	121.240	-	121.240

During the years ending on December 31, 2017 and 2016, the Bank did not reclassify any financial assets.



32.5. INCOME, COSTS, GAINS OR LOSSES ITEMS

As at December 2017 and 2016, the income and costs associated with financial instruments were broken down as follows:

	2017			2016 (Pro-forma)		
	Against profit and loss			Against profit and loss		
	Profit	Loss	Net	Profit	Loss	Net
Assets						
Investments in central banks and other credit institutions	138.975	-	138.975	646.716	-	646.716
Investments held to maturity	4.785.608	-	4.785.608	3.330.821	-	3.330.821
Customer loans	10.273.040	-	10.273.040	8.639.678	-	8.639.678
	15.197.623	-	15.197.623	12.617.215	-	12.617.215
Liabilities						
Funds in central banks and other credit institutions	-	(119.440)	(119.440)	-	(152.624)	(152.624)
Customer funds and other loans	-	(2.618.330)	(2.618.330)	-	(1.379.396)	(1.379.396)
Subordinated liabilities	-	(370.086)	(370.086)	-	(376.156)	(376.156)
	-	(3.107.855)	(3.107.855)	-	(1.908.177)	(1.908.177)
	15.197.623	3.107.855	18.305.478	12.617.215	1.908.177	14.525.392

As at December 2017 and 2016, the income and costs associated with instruments not measured at fair value through profit and loss were broken down as follows:

	2017			2016 (Pro-forma)		
	Against profit and loss			Against profit and loss		
	Income	Costs	Net	Income	Costs	Net
Assets						
Investments in central banks and other credit institutions	144.073	-	144.073	646.716	-	646.716
Investments held to maturity	4.983.765	-	4.983.765	3.330.821	-	3.330.821
Customer loans	10.273.040	-	10.273.040	8.639.678	-	8.639.678
	15.400.878	-	15.400.878	12.617.215	-	12.617.215
Liabilities						
Funds in central banks and other credit institutions	-	(119.440)	(119.440)	-	(152.624)	(152.624)
Customer funds and other loans	-	(2.623.428)	(2.623.428)	-	(1.379.396)	(1.379.396)
Subordinated liabilities	-	(376.156)	(376.156)	-	(376.156)	(376.156)
	-	(3.119.023)	(3.119.023)	-	(1.908.177)	(1.908.177)
	15.400.878	(3.119.023)	12.281.855	12.617.215	(1.908.177)	10.709.038

32.6. OPERATIONAL RISK

According to the provisions of Notice No. 2/2013, of April 19, of Banco Nacional de Angola, operational risk arises from the unsuitability of internal processes, people or systems, giving rise to the possibility of the occurrence of internal and external fraud, as well as external events.

This risk includes information system and compliance risk. Operational risk is inherent to any activity engaged in and its presence is not limited just to some areas of the Bank.

The Bank uses the Basic Indicator Approach for calculating the minimum equity requirements linked to operational risk, as provided for in Instruction No. 16/2016, of July 1, of Banco Nacional de Angola.

33. SUBSEQUENT EVENTS

a) Minimum share capital requirements for Financial Institutions

NAt the beginning of 2018, Banco Nacional de Angola published Notice No. 02/2018, of February 21, providing for changes in the minimum share capital required for Financial Institutions in Angola. The value went from kAOA 2,500,000, applicable up to the year ending on December 31, 2017, to kAOA 7,500,000, to be complied with by December 31, 2018.

In addition, the Notice also provides for a period of 120 days for Financial Institutions to submit a detailed plan of action to Banco Nacional de Angola, describing the measures to be implemented in order to comply with the requirements indicated.

As stated in Note 21 – Capital increase, a capital increase of kAOA 4,000,000, to kAOA 31,000,000, is awaiting approval from Banco Nacional de Angola.

b) Subordinated debt

In March 2018, according to the terms contractually provided for, the Bank sold the “Keve Bonds” and corresponding interest at a sum of kAOA 3,432,401 (USD 20,995,500) to the holders of subordinated debt recorded as at December 31, 2017, under “Subordinated liabilities” (Note 19).

c) Exchange differences up to February 28, 2018

As at February 28, 2018 and December 31, 2017, the average exchange rates for the kwanza (AOA), published by Banco Nacional de Angola, against foreign currencies where the Bank has an active and/or passive position were as follows:

Currency	31-12-2017	28-02-2018
United States Dollar (USD)	165,924	213,137
Euro (EUR)	185,400	261,650
Pound Sterling (GBP)	224,420	296,506
Canadian Dollar (CAD)	131,737	167,535
Namibian Dollar (NAD)	13,951	18,241
South African Rand (ZAR)	13,451	18,239
Swedish Crown (SEK)	20,128	25,989



The effect of exchange differences between December 31, 2017 and February 28, 2018, on the Bank's Balance Sheet balances as at December 31, 2017, ceteris paribus, would be broken down as follows:

	Domestic currency	Indexed to foreign currency	Foreign currency	Total
Assets				
Cash and cash equivalents in central banks	16.296.498	-	988.640	17.285.138
Cash and cash equivalents in other credit institutions	202.151	-	7.830.267	8.032.418
Investments in central banks and other credit institutions	7.269.171	-	2.106.503	9.375.674
Financial assets at fair value through profit and loss	-	256.606	-	256.606
Financial assets available for sale	121.240	-	-	121.240
Investments held to maturity	12.948.523	48.531.710	2.120.073	63.600.306
Customer loans	54.049.610	-	2.535.378	56.584.988
Non-current assets held for sale	60.539	-	-	60.539
Other tangible assets	6.958.767	-	-	6.958.767
Intangible assets	56.295	-	-	56.295
Current tax assets	-	-	-	-
Other assets	3.256.323	-	-	3.256.323
Total Assets	101.219.117	48.788.315	15.580.862	165.588.294
Liabilities				
Funds in central banks and other credit institutions	8.442.037	-	314.446	8.756.483
Customer funds and other loans	87.305.161	27.254.081	9.712.967	124.272.210
Provisions	1.778.201	-	28.328	1.806.529
Current tax liabilities	62.734	-	-	62.734
Subordinated liabilities	-	-	4.409.090	4.409.090
Other liabilities	4.670.948	-	364.081	5.035.029
Total Liabilities	102.259.081	27.254.081	14.828.912	144.342.074
Total Equity				21.246.220
Equity as at December 31, 2017 (Foreign exchange as at December 31, 2017)				16.295.830
Equity as at December 31, 2017 (Foreign exchange as at February 28, 2018)				21.246.220
Potential impact of exchange rate variation on Equity				4.950.390



10

Report from the External Auditor

Banco *Keve*
O BANCO À SUA MEDIDA

Hipopótamo



Deloitte

Journal of Health Politics, Policy and Law
Volume 34 Number 1
February 2009
10.1177/0361687808325555
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RELATÓRIO DO NÍVEL INDEPENDENTE

Resultantes expressas em milhares de Euros (= mil€)

Aut Accessories
de Sales Regional do Vale, S.A.

Supplementary

- Investigação**
1. Autógrafos das demonstrações financeiras anexas do Banco Regional do Rio de Janeiro S.A. datadas e assinadas em 30 de Dezembro de 2017 que indicam um total de "Bancor", no qual compreendem o Balanço em 16.290.830 mUdA, incluindo um resultado líquido de 15.004.734 mUdA e um capital próprio de 14.200.000 mUdA, incluindo um movimento integral, das alterações de 15.004.734 mUdA, as demonstrações dos resultados e de outros movimentos integrais, das alterações de 15.004.734 mUdA, as demonstrações do patrimônio líquido daquela data e o correspondente Anexo.

Responsabilidade do Conselho de Administração pelas Demonstrações Financeiras

- Responsabilidade do Conselho de Administração pelas Demonstrações Financeiras

Responsabilidade do Auditor

- Responsabilidade do Auditor**
3. A nossa responsabilidade consiste em expressar uma opinião independente sobre estas demonstrações financeiras com base no nosso trabalho realizado de acordo com os padrões técnicos estabelecidos pelo Conselho de Contabilistas e Peritos Contábeis de Angola. Estas normas exigem que compreendamos os riscos e os plausíveis efeitos de uma fraude ou erro, avaliemos a qualidade dos procedimentos contábeis e financeiros e estejamos de acordo com a sua conformidade com o direito nacional.
4. Uma auditoria envolve estudar procedimentos para obter prova de auditoria sobre os aspectos e as demonstrações contábeis das demonstrações financeiras. Os procedimentos seleccionados dependem das circunstâncias e da avaliação dos riscos de distorção material das demonstrações financeiras. O julgamento do auditor, incluindo a avaliação dos riscos de distorção material das demonstrações financeiras, é influenciado pelo uso de julgamento profissional. No entanto, não há garantia de que uma auditoria conduzida de acordo com os padrões técnicos estabelecidos pelo Conselho de Contabilistas e Peritos Contábeis de Angola irá detectar uma fraude ou erro. Uma auditoria inclui também avaliar a estrutura de controlo interno da entidade, a qualidade dos procedimentos contábeis e financeiros e a adequação das políticas contabilísticas usadas e a representatividade das demonstrações financeiras. O Conselho de Administração, bem como o auditor, são responsáveis globalmente pelas demonstrações financeiras.
5. Estamos cientes de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião de auditoria com reservas.

Resumen: Este artículo se propone analizar la formación conceptual, desde una perspectiva crítica, del conocimiento científico, tomando como punto de partida la obra de Karl Popper, en particular su teoría de la falsación. Se pretende demostrar que la ciencia no es un cuerpo de conocimientos verdaderos, sino un conjunto de hipótesis que se van confirmando o refutando a medida que se van realizando experimentos y se van recopilando datos. Se concluye que la ciencia es un proceso de descubrimiento y no un cuerpo de conocimientos verdaderos.

For information on other I-900 applications, contact the
Immigration and Naturalization Service, 545 North Dearborn Street, Chicago, Illinois 60610.

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Abstract 2000-10

Some parts of the article are missing.

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As quotas são afetadas das assunções descritas na seção "Bases para a apuração dos efeitos financeiros referidos no parágrafo 1 acima apresentadas de forma apropriada, especialmente relevantes, a posição financeira do Banco Regional do Nordeste S.A. em 31.12. e seu desempenho financeiro e os seus fluxos de caixa relativos ao exercício correspondente com as Normas Internacionais de Balanço Financeiro.

Deloitte

References

Página 2 de 9

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Lyonville, 9 de Abril de 2018

Dezette & Fouché - Auditeurs, Limbade
Représentée par José António Mendes Garcia Barata
Membre da OCPCA nº 20120562

INDEPENDENT AUDITOR'S REPORT

(Translation of a report originally issued in Portuguese – see footnote on page 3)

(Amounts expressed in thousands of Kwanzas – tAOA)

To the Shareholders
of Banco Regional do Keve, S.A.

Introduction

1. We have audited the accompanying financial statements of Banco Regional do Keve, S.A. (hereinafter referred to as "the Bank"), which comprise the Balance sheet as of December 31, 2017 that presents a total of 151,006,774 tAOA and Shareholders' equity of 16,295,830 tAOA, including a net profit of 2,075,515 tAOA, the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended and the corresponding notes.

The Board of Directors' responsibility for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements, in accordance with the International Financial Reporting Standards ("IFRS") and for such internal control that it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an independent opinion on these financial statements based on our audit, which was conducted in accordance with Technical Standards from Angolan Institute of Statutory Auditors ("Ordem dos Contabilistas e Peritos Contabilistas de Angola"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

6. In the context of the adoption of the International Financial Reporting Standards ("IFRS") in the year ended in December 31, 2017 (Note 3), the Bank has an ongoing project to implement a software tool and to define the methodology that will be applied in order to comply with the requirements established in IAS 39 – Financial Instruments ("IAS 39"), with regard to the quantification of impairment losses of the credit portfolio, which was not completed until the closing of the financial statements for the year then ended. In this context, as a result of the ongoing process mentioned above, the Bank is not adequately complying with all the requirements established in IAS 39 in respect to the impairment recognition and, therefore, with what is settled in IFRS 7 – Financial Instruments – Disclosures, regarding the information to be disclosed related to the credit portfolio. Thus, despite the significant increase of impairment losses in the years of 2017 and 2016 in the net amounts of 3,896,555 tAOA and 6,926,040 tAOA, respectively, as well as the commitment of the Board of Directors of the Bank to increase the amount of impairment losses in 2018, due to the matters above mentioned and to the conclusions that we were able to obtain from the specific analysis of loans and advances to customers, interest income from loans recorded in the statement of profit and loss and of "other receivables", in our opinion the impairment losses recognized are insufficient to cover the related risks and the estimated losses in an amount that was not possible to quantify, due to the referred limitation.
7. As disclosed in Note 3.3.7, the Angolan Banks Association ("ABANC") and the National Bank of Angola ("BNA") expressed an interpretation of not being met all the criteria established on IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") to consider the Angolan economy as an hyperinflationary economy as of December 31, 2017. Therefore, the Board of Directors of the Bank decided not to apply the requirements of IAS 29 to the financial statements at that date. As of December 31, 2017, the accumulated inflation rate of the last three years is close to or exceeds 100%, depending on the used index, and there is also the expectation that it will continue to cumulatively exceed 100% in 2018, which is an objective quantitative condition that leads us to consider, in addition to other conditions settled on IAS 29, that the functional currency of the Bank's financial statements as of December 31, 2017 corresponds to the currency of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements as of that date taking into account that premise and in accordance with the requirements settled in that standard, which also established the restatement of the financial statements of the previous year, presented for comparative purposes. However, we have not obtained sufficient information to enable us to accurately quantify the effects of this situation on the Bank's financial statements as of December 31, 2017, which we consider to be significant.

Opinion

8. In our opinion, except for the effects of the matters described in the "Basis for qualified opinion" section, the financial statements referred to in paragraph 1 above present fairly, in all material respects, the financial position of Banco Regional do Keve, S.A. as of December 31, 2017, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.



Emphasis of matter

9. Considering the impacts of the matter referred to in paragraph 6 above, the Bank's ability to continue its operations is dependent on the success of its future operations and the maintenance of the shareholders financial support. Additionally, as disclosed in Note 10, the Bank entered into a set of credit operations, including with related parties, to which the Bank has an exposure as of December 31, 2017 and 2016 that exceeds the limits of large risks to one counterparty or a group of related counterparties (25% of the Bank's regulatory own funds) as defined in Notice No. 09/2016 of June 22 of the National Bank of Angola. On the other hand, the share capital of the Bank as of December 31, 2017 ascends to 4,000,000 tAOA and, according to Notice No. 02/2018 of February 21 of the National Bank of Angola, it should be increased and realized to the minimum amount of 7,500,000 tAOA until December 31, 2018. As disclosed in Note 21, in order to provide the Bank with the necessary resources for the development of its activity and to resolve the matters above described, it was approved in a General Meeting held on November 27, 2015 a share capital increase, which is currently in the approval process by the National Bank of Angola. The Bank's Board of Directors estimates that the share capital increase will be realized in 2018.
10. As disclosed in Note 3 to the financial statements, in 2017 the Bank adopted the International Financial Reporting Standards ("IFRS") following the publication of Notice No. 6/2016 of June 22 of the National Bank of Angola. In the transition process from the previous accounting standards (Financial Institutions Accounts Plan - "CONTIF") to IFRS, the Bank followed the requirements of International Financial Reporting Standard 1 - First-time Adoption of International Financial Reporting Standards ("IFRS 1"), with the transition date being reported as of January 1, 2016. Accordingly, the financial information as of January 1, 2016 and for the year 2016, presented previously in accordance with CONTIF, has been restated in accordance with IFRS for comparability purposes (Note 3.5).

Luanda, April 3, 2018

Deloitte & Touche - Auditores, Limitada
 Represented by José António Mendes Garcia Barata
 OCPA member no. 20130163

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore, according to Deloitte & Touche Auditores, Limitada internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)



11

Report from the Supervisory Board

Banco *Keve*
O BANCO À SUA MEDIDA

Kudo Africano





BANCO KEVE PARECER DO CONSELHO FISCAL

Senhores accionistas

- 1 - O Conselho Fiscal apresenta o seu parecer sobre o Relatório do Conselho de Administração, o Balanço e a Demonstração de Resultados do ano económico de 2017, documentos cuja elaboração e conteúdo são de responsabilidade exclusiva do Conselho de Administração, em cumprimento das disposições legais em vigor, nomeadamente a Lei n.º 1/04 de 13 de Fevereiro - Lei das Sociedades Comerciais e o artigo 23.º dos Estatutos do Banco Keve, S.A.
- 2 - No decurso do exercício em apreço e com observância das normas e procedimentos habituais, o Conselho Fiscal acompanhou com a periodicidade e a extensão que considerou adequadas a evolução da actividade desenvolvida pelo Banco, realizando, de forma sistematizada, a verificação dos relatórios financeiros e demais informações postos à disposição pelo Conselho de Administração, momento o Balanço, a Demonstração de Resultados e as Notas às Contas do Banco e a regularidade dos seus registos contabilísticos.
- 3 - O Conselho Fiscal examinou o Balanço Patrimonial, a Demonstração de Resultados, a Demonstração de Mutações nos Fundos Próprios, a Demonstração dos Fluxos de Caixa bem como o Relatório de Gestão preparados pelo Conselho de Administração para o exercício fiscal de 2017 e auscultou este órgão sempre que considerou necessário factores determinantes para uma maior compreensão da actividade do Banco, dos resultados obtidos e objectivos conseguidos e par respeito do parecer que se coloca à disposição de Vossas Excelências.
- 4 - Em resultado do acompanhamento de proximidade realizado, Conselho Fiscal constatou a importância das acções de modernização dos sistemas aplicativos de suporte à actividade do Banco, que decorrentes de exigências de natureza regulamentar, quer imperativos de melhoria da imagem e de saneamento financeiro interno, com particular ênfase no reforço expressivo do seu stock de provisões para imparidades de crédito e outros valores, de reconhecido a importância e pertinência na solidez da actividade do Banco e no reforço da robustez da sua marca sustentabilidade no mercado bancário angolano.



- 5 - O Conselho Fiscal observou o trabalho realizado pelos auditores externos independentes, em cuja opinião se afirma que as demonstrações financeiras apresentam de forma verdadeira e apropriada em todos os aspectos materialmente relevantes, a posição financeira do Banco Keve, SA em 31 de Dezembro de 2017, bem como os resultados das suas operações e as origens e aplicações de fundos para o ano findo, em conformidade com os princípios contabilísticos geralmente aceites para o sector bancário em Angola.
- 6 - Conquanto releve o compromisso do Banco Keve SA no cumprimento da política de imparidades de crédito, preconizada pela IAS 39 e IFRS 9 o Conselho Fiscal, expressa ser indispensável e urgente, mitigar a reserva do Auditor Externo, relacionado com o subsistema de crédito e outros valores.
- 7 - O Conselho Fiscal constatou o crescimento genérico do Banco e reitera a relevância e pertinência da plena efectivação da deliberação do aumento do Capital Social do Banco, visando reforçar a sua robustez e sustentabilidade.
- 8 - O Conselho Fiscal reconhece que a contabilidade, o Balanço, as Demonstrações de Resultados, de Mutações de Fundos Próprios e de Fluxos de Caixa bem como o Anexo às Contas e o Relatório de Gestão estão conformes às disposições legais e estatutárias, traduzindo apropriadamente a situação patrimonial do Banco a 31 de Dezembro

procede o Conselho Fiscal propõe que sejam submetidos à Assembleia Geral e consequentemente aprovados:

Relatório do Conselho de Administração e as Demonstrações financeiras do exercício de 2017;

Proposta de aplicação de Resultados apresentada pelo Conselho de Administração do Banco Keve, SA



Conselho Fiscal do Banco Keve S.A., em Luanda, aos 21 de Março de 2018.

O Presidente do Conselho Fiscal

[Assinatura]
Décio Leandro de Carvalho Gaspar

Os Vogais:

[Assinatura]
Manuel João Carneiro

[Assinatura]
João da Silva



TRANSLATED FROM PORTUGUESE ORIGINAL

BANCO KEVE

REPORT FROM THE SUPERVISORY BOARD

Dear shareholders,

1. The Supervisory Board hereby presents its opinion of the Report from the Board of Directors, the Balance Sheet and Income Statement for the 2017 economic year. The preparation and content of these documents is the exclusive responsibility of the Board of Directors, pursuant to the legislation in force, particularly Law No. 1/04, of February 13 - the Angolan Companies Act, and article 23 of the Statutes of Banco Keve, S.A.

2. During the year in question and in accordance with standard regulations and procedures, the Supervisory Board monitored the evolution of the Bank's activities as often and as closely as deemed suitable. They carried out systematic checks on the financial reports and other information provided by the Board of Directors, particularly the Balance Sheet, the Income Statement and the Notes to the Bank's accounts and the consistency of its accounting records.

3. The Supervisory Board examined the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and the Management Report prepared by the Board of Directors for 2017 and, whenever necessary, asked the Board about determining factors in order to better understand the Bank's activities, the results obtained and goals achieved and to support the opinion provided here for your appraisal.

4. As a result of the close monitoring carried out, the Supervisory Board noted the importance of the application systems supporting the Bank's activities, whether arising from requirements of a regulatory nature, or due to requirements for improving the image and internal financial restructuring, with particular focus on the expressive reinforcement of its provisions for credit and other impairment. The Supervisory Board recognized the importance and pertinence of the soundness of the business and the reliability of the Bank and the reinforcement of its name and sustainability in the Angolan banking market.

5. The Supervisory Board analyzed the work done by the independent external auditors, whose opinion was that these financial statements present a true and appropriate view in all relevant material aspects of the financial position of Banco Keve, SA, as at December 31, 2017, as well as the income from its operations, and the origins and use of funds for the ending year was in accordance with the generally accepted accounting principles in the banking sector in Angola.

6. While highlighting the commitment of Banco Keve S.A. to compliance with the credit impairment policy recommended by IAS 39 and IFRS 9, the Supervisory Board believes it is vital and urgent to mitigate the External Auditor reserve related to the credit subsystem and other securities.

7. The Supervisory Board noted the generic growth of the Bank and reiterated the relevance and pertinence of full implementation of the decision to increase the Bank's Share Capital, aimed at reinforcing its soundness and sustainability.

8. The Supervisory Board recognizes that the accounting, the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and the Management Report are in accordance with the law and statutory requirements, appropriately reflecting the Bank's financial situation as at December 31, 2017.

9. Therefore, the Supervisory Board proposes the submission to the General Meeting for appreciation and approval of: The Report from the Board of Directors and the Financial Statements for 2017.

The Supervisory Board of Banco Keve S.A. in Luanda, on March 21, 2018.

The Chairman of the Supervisory Board
Décio Leandro de Carvalho Gaspar

The Members
Manuel João Carneiro
João da Silva





12

Banco Keve Branches

Banco Keve

O BANCO À SUA MEDIDA

Chimpazé Africano

BENGUELA

BENGUELA BRANCH (1401)	Rua Aires de Almeida Santos Nº 75
LOBITO BRANCH (1402)	Commercial Zone - Av. 25 de Abril Nº 73/75/77
LOBITO SECIL BRANCH (1403)	Bairro Lobito Velho - Lobito Instalações da Secil Cimentos
LOBITO CATUMBELA BRANCH (1404)	Rua da fábrica velha Antiga Açucareira Catumbela
LOBITO RESTINGA BRANCH (1405)	Avenida de Moçambique Nº 99

CABINDA

CABINDA BRANCH (201)	Av. Comendador Henrique Serrano
MASSABI BRANCH (202)	Massabi border post facilities

CUANDO CUBANGO

MENONGUE BRANCH (1801)	Rua 1º de Maio
CATUITUI BRANCH (1802)	Cuangular border post
CUANGAR BRANCH (1803)	Cuangular-Cuando Cubango
RIVUNGO POST (1804)	Cuangular border post - Cuando Cubango

CUNENE

SANTA CLARA BRANCH (1702)	Santa Clara Main Street, Customs House
BROMANGOL SANTA CLARA BRANCH (1702)	Bromangol Building, Santa Clara Main Street Santa Clara - Cunene

HUAMBO

HUAMBO BRANCH (1201)	Rua Traseiro Lopes Cidade Baixa
HUAMBO NOCEBO BRANCH (1202)	Huambo Industrial Zone Bairro da Chiva

KWANZA SUL

SUMBE BRANCH - HEAD OFFICE (1301)	Av. Joaquim Kapango nº Y- 43 - Sumbe
WACO KUNGO BRANCH (1302)	Rua 04 de Fevereiro
CALULO BRANCH (1303)	Rua 11 de Novembro R/C
PORTO AMBOIM BRANCH (1305)	Rua Viriato da Cruz-Complexo Industrial da PESKWANZA-EP,Lote N/D,R/C
PORTO AMBOIM CUSTOMS BRANCH - (1306)	Porto Amboim - Kwanza Sul
CALULO TAX OFFICE (1308)	Rua 10 de Novembro
SELES BRANCH (1307)	Rua Lar 2 dos Estudantes
WACO KUNGO TAX OFFICE (1304)	Rua 4 de Fevereiro S/N

LUANDA

RAINHA GINGA BRANCH (501)	Rua Rainha Ginga, 77
MACULUSSO BRANCH (502)	Rua Joaquim Kapango, 32 - Luanda
NOCAL BRANCH (503)	Bairro Hoji Ya Henda - Luanda Instalações da Nocal
NOVA CIMANGOLA BRANCH (504)	Bairro Kikolo - Luanda Instalações da fábrica da nova cimangola
CUCA BRANCH (505)	Bairro Cazenga - Rua N'gola kiluanje Instalações da Cuca - Luanda
TALATONA II BRANCH (523)	Bairro Benfica Estrada direita do futungo, S/N
PORTO DE LUANDA BRANCH (507)	Bairro Boavista, Av. 4 de Fevereiro Instalações do porto de Luanda - Luanda
AIRPORT BRANCH (510)	Av. 21 de Janeiro / Aeroporto Internacional 4 de Fevereiro Terminal de carga aéreo
PORTO SECO BRANCH (511)	Instalações Porto Seco Viana
SOVINHOS BRANCH (512)	Instalações Seis Líquidos/Sovinhos Viana
CACUACO BRANCH (513)	Rua do Mutobe, Instalações da Vidrul
SERPA PINTO BRANCH (514)	Largo Serpa Pinto - Rua Amílcar Cabral nº 4A
NOVA VIDA BRANCH (515)	Rua 55/ 60, Projecto Nova Vida
NOVA VIDA II BRANCH (524)	Rua 53 Projecto Nova Vida Município de Belas-Luanda

CORREIOS DE ANGOLA POST OFFICE BRANCH (516)	R. do 1º Congresso do MPLA
4 DE FEVEREIRO AIRPORT BRANCH - DEPARTURES (517)	Av. 21 de Janeiro / Terminal de Passageiros
4 DE FEVEREIRO AIRPORT BRANCH - ARRIVALS (517)	Av. 21 de Janeiro / Terminal de Passageiros
MAJOR KANHANGULO BRANCH (518)	Rua Major Kanhangulo, nº 61 B
KILAMBA KIAXE BRANCH (519)	Nova Cidade do Kilama Kiaxe
GIKA SEDE BRANCH (526)	Av. Ho Chi Min, Edifício Garden Towers-Torre B, 11º Andar
METHODIST UNIVERSITY BRANCH (522)	Rua Nossa Senhora da Muxima, Bairro Ingombotas
ISPAJ UNIVERSITY	Projecto Nova Vida
BUSINESS CENTER RAINHA GINGA (9501)	Rua Rainha Ginga, 77
PATRIOTA BUSINESS CENTER (9502)	Rua do Patriota S/N Município de Belas- Luanda
TALATONA II BUSINESS CENTER (9503)	Rua Pedro de Castro Van-Dúnem Loy Município de Belas -Luanda
VIANA COMETA BUSINESS CENTER (9504)	Estrada de Catete S/N Município de Viana-Luanda
ROYAL PARK BUSINESS CENTER (9505)	Rua Pedro de Castro Van-Dúnem Loy Município de Belas -Luanda
PRIVATE BANKING DEPARTMENT (1901)	Rua Rainha Ginga, 77
PATRIOTA BRANCH (225)	Rua do Patriota S/N Município de Belas- Luanda
VIANA COMETA BRANCH (527)	Estrada de Catete S/N Município de Viana-Luanda
LUANDA SHOPPING BRANCH (528)	Avenida Cmd Gika Município de Luanda-Luanda
SONANGALP KM 32 BRANCH (529)	Estrada de Catete S/N Km 32 Município de Viana-Luanda
CAMAMA MULTICENTER BRANCH (531)	Estrada Principal de Camama Município de Belas- Luanda
CAMAMA ISPEKA BRANCH	Município de Belas, Distrito de Camama, Estrada Principal de Camama
UNIVERSITY CAMPUS BRANCH	Rua direita do Camama Instalações do Campus Universitários

LUBANGO

LUBANGO BRANCH (1501)	Rua 1º de Agosto Nº26 - Bairro Comercial
LUBANGO ALFANDEGA BRANCH (1502)	Rua Eng.º. Torres

MALANGE

MALANGE BRANCH (701)	Rua Comandante Dangereux Prédio Che-Guevara R/C Malange
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NAMIBE

NAMIBE CUSTOMS BRANCH (1601)	Rua Ekuikui II
NAMIBE BRANCH (1602)	Rua da Praia do Bomfim

SOYO

SOYO KWANDA BASE BRANCH (301)	Kwanda Base facilities
SOYO HOTEL NEMPANZO BRANCH (302)	Hotel Nempanzo facilities

