Annual Report'15

BFA

BFA has maintained its financial identity: Fortress BFA.

As we have emphasized many times, Fortress is synonymous of solidity, organization, sustainability, determination, distinction. A Fortress is built according to a plan, laying one stone upon another.

2015 in Review

+2,7%

Number of service outlets in December

191
Service outlets

159
Branches

16
Corporate Centres

9
Investment Centres

7
Bank Service Points

+8,4%

Number of customers in December 2015

1.410.378

BFA was the first member of BODIVA, with a market share of more than 70% in number and volume of transactions.

+70%
Market share

AKZ

The Bank retook 1st place in deposits in Angola

16,7%
Market share of deposits

Increase of

126.584
in AOA millions of securities (TBonds and TBills)

The Bank holds a long position in securities,

39,4%
Market share in securities

+23%

Market leader in banking services in December 2015, with the following market shares:

23,7%
Share of debit cards

26,5%
Share of POS terminals

72,4%
Share of credit cards

Incorporation of BFA Gestão de Activos – SGOIC, S.A., which will sell and manage investment funds.

Implementation of the new Cheque Clearing System.

AOA +14,6%

Growth of the asset portfolio

1.229.579
in AOA million

Increase in BFA Net customers

+65.164

New functionality in BFA Net: digital documents; users can view and download confirmations of some of the transactions carried out via BFA Net.

eFormar

Launch of the e-learning platform: eFormar

Sirius Award for Best Financial Sector Company of the Year.

Voted Bank of the Year in Angola 2015 by the British magazine The Banker.

Euromoney award in the Best Bank in Angola category.

BFA Annual Report

This report may be viewed on a PC or tablet.
It may be downloaded from www.bfa.ao
The Portuguese version of this Report can be found at www.bfa.ao

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Message from the Chairman of the Executive Committee

“We are a united and disciplined team and, above all, we value competence, dedication, attitude and professional excellence.”

I would start this message about BFA consolidation in FY 2015 by recalling the goals for the current three-year period, 2014-2016: the ongoing consolidation of BFA positioning within the market it operates, while continuing to be a benchmark bank in the Angolan banking system for its soundness and management model, with an increasing focus on our customers, on the quality and reliability of the service we provide and on innovation in our product and service offering. Another primary goal has been full implementation according to efficient management terms, of the new prudential rules and IAS/IFRS international regulations, as well as the breadth and effectiveness of the Anti-Money Laundering and Anti-Terrorist Financing programme.

Although the economy was severely affected this past year by the sharp decline in oil prices, which heavily constrained the Government, Bank and customers range of options, BFA was able to proceed with its consolidation, which is a signficant achievement.

The causes and consequences of the oil prices decline are reviewed in detail on the economic environment chapter.

2015 was the best year yet for the Bank in two key points: on the one hand, our customers recognition, which we have been monitoring through independent service quality surveys and mystery customer methodology; on the other hand, the record number of awards granted to us by the specialized press. As a reflection of the company as one team, we symbolized our satisfaction through a campaign in which we emphasize that it took many hands to win these awards.

In fact, we are a united and disciplined team and, above all, we value competence, dedication, attitude and professional excellence, which translates into the adoption of our values and our Code of Conduct.

We cannot help but express our satisfaction at the fact that, as a result of all this, BFA has become the leading financial institution in terms of deposits.

BFA has maintained its financial identity: Fortaleza BFA. As we have said many times, Fortress is synonymous with strength, organization, sustainability, determination, distinction: in a word, a true benchmark. A fortress is built according to a plan, laying one stone upon another.

It is in times of adversity that the strength and consistency of the construction is put to the test.

In this report we will learn how BFA was able to position itself to take advantage of the difficult environment it has gone through by creating new business areas and taking the opportunity to improve its commercial stance.

“Our employees are the key to customer relationship.”

As in previous years, the continued pressure of legislation and regulation, as well as from customers and the international financial system measures, with regard to combat money laundering and terrorist financing, made this a primary area of concern for management, which has implemented more effective tools and improved performance.

Improving service quality was one of management’s core objectives. Employee and team training will continue to be an important area of investment to achieve this goal. Alongside with external training initiatives, in 2015 we launched our e-learning platform, which will be the key instrument of acceleration and largest scope coverage of our internal training needs.

The BFA Customer Support line (923 120 120) met all its goals, bringing BFA closer to its customers and allowing much more efficient handling of customer complaints and inquiries.

At business line level, the digital area retained its pivotal role as a means of building BFA’s future. On this occasion, it took form through the provision of the BFA App in both iOS and Android platforms.

The number of visitors to BFA’s new institutional website (www.bfa.ao) increased every month.

Our transactional website (www.bfanet.ao), which had already benefited from new features, notably the option of paying taxes and service bills, mobile phone top-ups and TV subscriptions, etc., acquired a new capability: the production and storage of digital documents.

With respect to the loan business, BFA consolidated its Impairment Loss Calculation Model, anticipating regulatory challenges and moving closer to internationally accepted standards. This is a key step for the adoption of IAS/IFRS regulations already implemented in FY 2016.

In the capital market, BFA was very active as an intermediary between buyers and sellers in the secondary market for Treasury Bonds, taking advantage of the Treasury Bonds Registration Market (MRTT) entry into operation. It should be pointed out that BFA was the first registered member of the Angola Stocks and Securities Exchange (BODIVA), in early 2015.

In FY 2015 we paid special attention to measures to mitigate operational risk, most notably:

- Migration of the most critical operations and programmes to the new Data Processing Centre;
- Increase in fibre optic bandwidth for all service outlets;

- Migration of all workstations to Windows 8.1 and replacement of nearly 2,000 workstations;
- Inclusion of new processes, apart from account opening and amendment process in eMudar@bfa, namely the processes for managing cheques and others means of payment.

Assets grew 14.6%. Thanks to prudent risk management and effective use of opportunities, coupled with strict cost management, net profit was up 19.1% at AOA 37.9 billion (USD 312 million), while all the profitability and capital adequacy indicators that embody Fortress BFA remained in clearly positive territory:

- Return on Assets: 3.2%
- Return on Equity: 32.0%
- Regulatory Capital Adequacy Ratio: 24.3%

A few words about 2016. The sharp decline and rapid fall in the oil price, which started at the end of 2014 and intensified in 2015, had a very profound impact on the Angolan economy and the activity of all the economic participants, both as regards the volume of their businesses and their recovery measures and as regards to secure foreign currency to withstand overseas liabilities. This economic environment is expected to continue throughout 2016, although improvements in the energy market and positive results from initiatives aimed at diversifying the economy are expected.

I would like to thank our employees for the effort, dedication and diligence they have shown in tackling the challenges of 2015. They are the key element in BFA customer engagement and hence deserve a special care and attention.
Our magazine, BFA YETU, is made with them in mind, explaining what we do, who we are and showing the often hidden side of large organizations and their people.

Lastly, I would like to give special thanks to our customers for the preference and confidence they have always shown and for the privilege of serving them. They can rest assured that BFA will continue to do all it can to continuously and sustainably improve the quality of customer service and the standard and security of the banking services it provides.

Emídio Pinheiro

Our Strategy

VISION, VALUES AND COMMITMENTS

STRATEGY

In March 2015 we presented the Bank's challenges and strategic priorities for confronting the rapid changes in today's market. In this section we summarize our strategy, which is focused on the customer.

OBJECTIVE:

Create differentiation through greater engagement with customers.

COMMITMENT TO THE CUSTOMER

Improve customer service.

Expand digital channels.

Simplify processes.

Diversify products.

STRATEGIC PRIORITIES:

1. Invest in the customer relationship.

2. Develop analytical skills to gain a better understanding of customers.

3. Increase innovation to keep pace with customers' needs.

4. Invest in digital banking.

CRITICAL SUCCESS FACTORS:

Speed in processes	Operational excellence	BFA culture
To serve our customers better, we need to be agile in processes and make decisions in the shortest time possible.	Operational excellence is key to serving our customers better in the digital world.	Culture is our third critical success factor. We need to attract and retain talent that will help us achieve our goals. We aim to develop a culture in which the focus is on the customer.

How We Add Value

BFA's value creation proposition is founded on the values and responsibilities to which BFA has been committed since its inception.

The four strategic axes underpinning the value creation proposition are: employees, customers, shareholders and the community.

Best Bank to work
Attract, retain and strengthen the relationship with our employees by investing heavily in their personal and professional growth.

Best Bank for our customers
Build loyalty, offer the most appropriate solutions and ensure customer satisfaction and exceptional service through our physical outlets and digital channels.

Best Bank for our shareholders
Generate attractive and sustainable returns for our shareholders through high earnings, risk control and efficient use of the Bank's capital.

Best Bank for the community
Contribute to economic development and social progress in Angola, particularly through involvement in education.

Best Bank to work

- Gender diversity and equality of career opportunities;
- Talent management through general, initial and specialized training;
- Creation of the e-learning platform and other internal training;
- Orientation of interns through two training sessions, with a focus on the history of BFA, its products, services and main characteristics and the rules and procedures for acquiring and using the products offered;
- Advanced qualification of high-potential staff through MBAs, executive master's degrees in Bank Management and postgraduate programmes in Accounting and Corporate Finance;
- Investment in training on key topical issues such as Compliance and Anti-Money Laundering.

Best Bank for our customers

- Provide products and services that are simple, accessible and matched to the needs of each individual customer;
- Use of clear and accessible speech, both when offering products and services and when clarifying doubts and solving problems;
- Innovation in means of payment and digital channels guaranteeing customers security and confidence;
- Fulfilment of promises and responsibilities to customers;
- Profitability and security of household savings;
- Creation of Mystery Shopper method to identify areas for improvement that may affect customer service standards in BFA branches.

Best Bank for our shareholders

- Good management and risk control to ensure business sustainability;
- Security of a sound balance sheet;
- Continuous increase in the economic value of the Bank.

Best Bank for the community

- Establishment of partnerships with universities through distinctions and merit awards for the best students;
- Promotion of regional events through sponsorship;
- Participation in solidarity campaigns;
- Creation and management of a Social Fund with a total amount of USD 17 million in December 2015. This fund was established with 5% of BFA's total profit over a period of five years;
- Reduction of the Bank's environmental footprint through increased digitization of processes and energy efficiency in service outlets.

Key Indicators

KEY INDICATORS

Amounts expressed in AKZ Million

	Dec. 13	Dec. 14	Dec. 15	Δ%13-14	Δ%14-15
Total assets	868 032,2	1 073 056,4	1 229 579,2	23,6%	14,6%
Loans and advances to customers[1]	144 013,1	229 478,5	220 796,0	59,3%	-3,8%
Customer deposits	763 025,2	929 382,2	1 017 159,6	21,8%	9,4%
Shareholders' equity and equivalents	84 640,5	104 487,3	126 455,5	23,4%	21,0%
Operating income	42 755,6	53 919,3	69 769,6	26,1%	29,4%
Net interest income	24 497,1	30 728,8	41 022,1	25,4%	33,5%
Net non-interest income	18 258,6	23 190,4	28 747,5	27,0%	24,0%
Operating expenses[2]	17 031,1	19 585,0	25 043,8	15,0%	27,9%
Net operating income	28 124,7	37 047,1	48 760,5	31,7%	31,6%
Net profit for the year	23 898,6	31 796,1	37 866,3	33,0%	19,1%
Return on assets (ROA]	3,0%	3,4%	3,2%	0,4 p.p.	-0,2 p.p.
Return on equity (ROE]	31,6%	34,8%	32,0%	3,1 p.p.	-2,8 p.p.
Cost-to-income ratio	39,8%	36,3%	35,9%	-3,5 p.p.	-0,4 p.p.
Total assets per employee	357,51	424,8	471,1	18,8%	10,9%
Loan-to-deposit ratio	18,9%	24,7%	21,7%	5,8 p.p.	-3 p.p.
Regulatory Solvency Ratio	25,8%	24,0%	24,3%	-1,8 p.p.	0,3 p.p.
Past-due loans / Total loans to customers	4,6%	3,3%	4,6%	-1,2 p.p.	1,2 p.p.
Provision coverage ratio, past-due loans	143,9%	136,0%	146,5%	-7,9 p.p.	10,5 p.p.
Provision coverage ratio, total loans	6,5%	4,5%	6,7%	-2 p.p.	2,1 p.p.
Number of service outlets[3]	175	186	191	6,3%	2,7%
Number of employees	2428	2526	2 610	4,0%	3,3%
BFA Net penetration rate	33,8%	38,8%	40,4%	5 p.p.	1,6 p.p.
Debit card penetration rate	53,3%	53,5%	57,6%	0,2 p.p.	4,1 p.p.

(1) Loans net of provisions.
(2) Includes staff costs, third-party supplies and services, other operating expenses and depreciation and amortization charges.
(3) Retail branches + Corporate Centres + Investment Centres + Bank Service Points.

KEY INDICATORS

Amounts expressed in USD million

	Dec. 13	Dec. 14	Dec. 15	Δ%13-14	Δ%14-15
Total assets	8 892,0	10 431,9	9 086,8	17,3%	-12,9%
Loans and advances to customers[1]	1 475,3	2 230,9	1 631,7	51,2%	-26,9%
Customer deposits	7 816,4	9 035,1	7 517,0	15,6%	-16,8%
Shareholders' equity and equivalents	867,0	1 015,8	934,5	17,2%	-8,0%
Operating income	443,0	547,0	574,8	23,5%	5,1%
Net interest income	253,8	311,6	340,6	22,8%	9,3%
Net non-interest income	189,2	235,4	234,2	24,4%	-0,5%
Operating expenses[2]	176,6	198,7	206,6	12,6%	4,0%
Net operating income	291,3	375,8	401,0	29,0%	6,7%
Net profit for the year	247,3	322,0	312,1	30,2%	-3,1%
Return on assets (ROA]	3,0%	3,4%	3,2%	0,4 p.p.	-0,2 p.p.
Return on equity (ROE]	31,6%	34,8%	32,0%	3,1 p.p.	-2,8 p.p.
Efficiency ratio	39,9%	36,3%	35,9%	-3,5 p.p.	-0,4 p.p.
Total assets per employee	3,66	4,1	3,5	12,8%	-15,7%
Loan-to-deposit ratio	18,9%	24,7%	21,7%	5,8 p.p.	-3 p.p.
Regulatory capital adequacy ratio	25,8%	24,0%	24,3%	-1,8 p.p.	0,3 p.p.
Past-due loans / Total loans to customers	4,6%	3,3%	4,6%	-1,2 p.p.	1,2 p.p.
Provision coverage ratio, past-due loans	143,9%	136,0%	146,5%	-7,9 p.p.	10,5 p.p.
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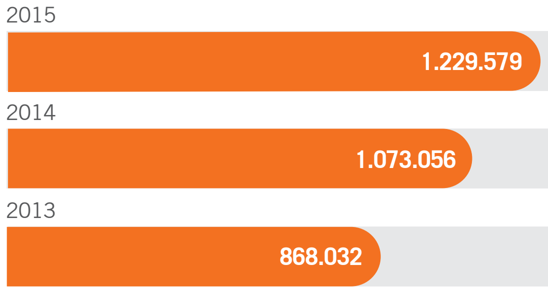
Business Performance: 2013-2015

Customers

The number of customers is steadily growing.

Total Assets

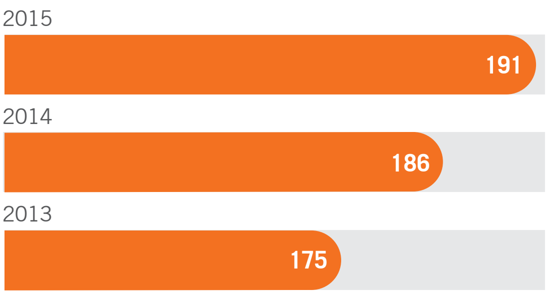
The increase in BFA's total assets reflects activity growth and strong deposit acquisition.



Un.: MAKZ

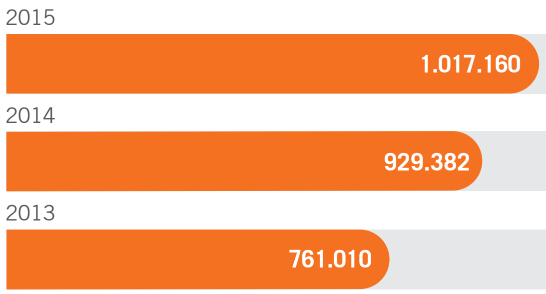
Service Outlets

BFA's presence in Angola is increasing, with a total of 191 service outlets, including Branches, Corporate Centres, Investment Centres and Service Points.



Total Deposits

The steady increase in customer funds shows the market's confidence in the Bank, with deposits up nearly 10% compared to 2014.



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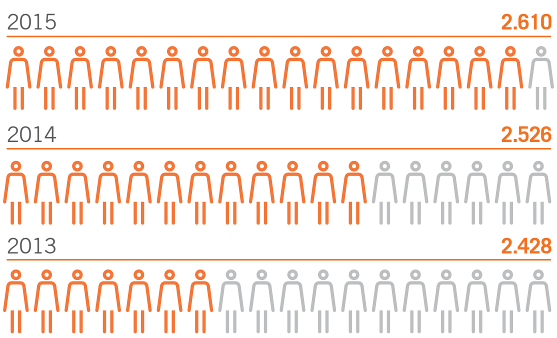
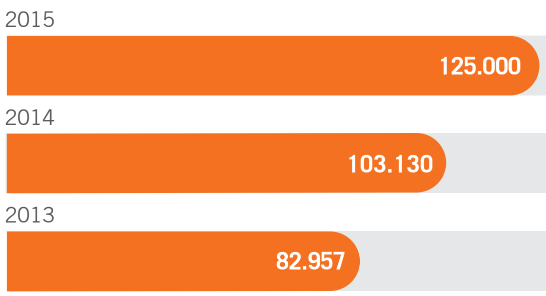
Employees

Workforce increase is the result of business growth and increased productivity, with an increase of more than 3% in the number of employees in 2015.



Total Equity

BFA's Equity continues to grow at a strong pace, reinforcing the Bank's position and ability to meet its customers' financial needs. Total Equity (mAOA)



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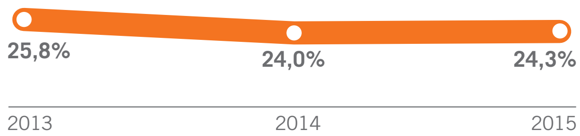
Solvency Ratio

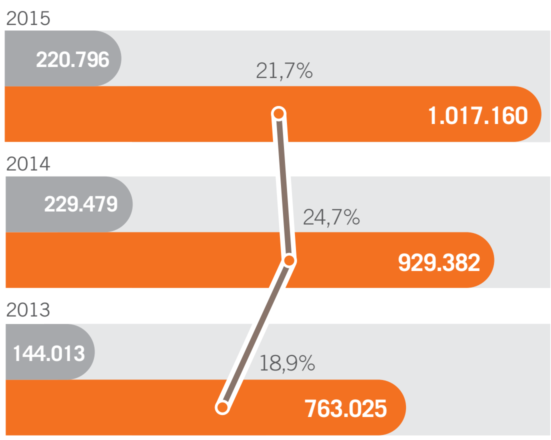
The Bank is financially sound, with a capital adequacy ratio 2.4 times above the regulatory minimum (10%).



Regulatory Adequacy Ratio

Business with Customers

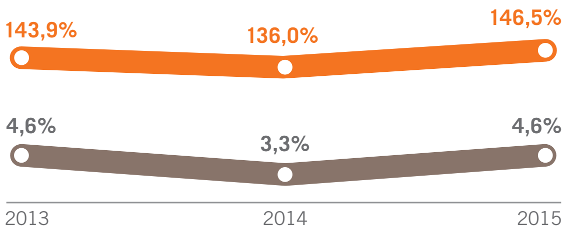
The loan-to-deposit ratio decreased as a result of the growth in deposits and the drop in lending.



Customer funds
Loan-to-deposit ratio
Loans and advances to customers

Credit Quality

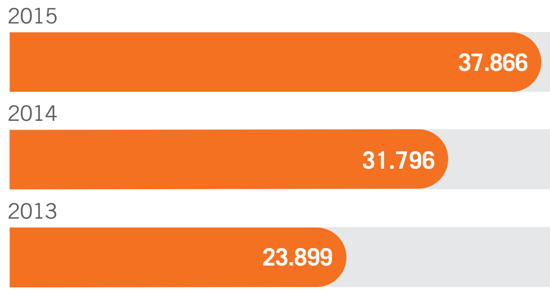
The past-due loans and provision coverage ratios show a moderate increase, indicating a slight deterioration in credit quality.



Provision coverage ratio
Past-due loans (% total loans)

Net Profit

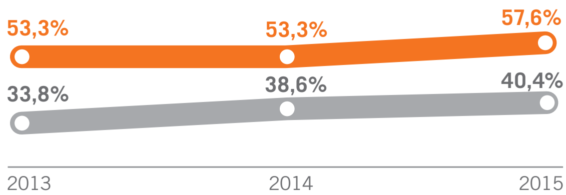
In 2015 BFA posted the biggest net profit in its history, more than AOA 37 billion, up 19% on the previous year.



Unit: MAKZ

Services

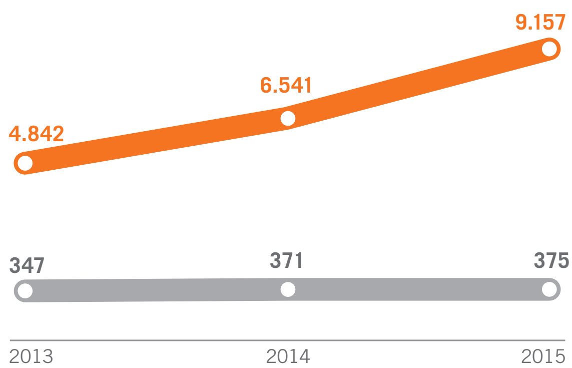
The penetration rates of BFA's services demonstrate customers' trust in the institution and the effectiveness of its commercial action.



Debit card penetration
BFA Net penetration

ATMs and POS terminals

The growth of the installed base of ATMs and POS terminals has been driven by the provision of alternative banking channels for customers.



Active POS terminals
Active ATMs

Outlook for 2016

In 2016 business growth will be moderate, as a result of a macroeconomic environment constrained by a weak GDP growth, high inflation and currency devaluation. Therefore, 2016 will be dedicated mainly to improving the Bank's operational performance and preparing it for the next growth cycle, with a more sophisticated market and more demanding customers.

I. Innovation & Technology

Technological innovation is one of BFA's strategy cornerstones. A very positive return on investment was recorded by the investments made in IT systems and the projects undertaken in this area. As a consequence, the Bank's systems not only play an active role but also act as a catalyst fostering BFA growth. Continuing along these lines, the goals for 2016 are to:

- Extend the eMudar@BFA project to cover the processes that are most relevant to customers, in particular creating the conditions for secure, effective management of all the means for operating accounts;

- Continue to renew the technological assets of the branches and Central Services to increase, both its resiliency and effectiveness;

- Reinforce the strategy of customer proximity, providing agile access via mobile platforms and the new functionalities of the institutional website, BFA Net, BFA Net Empresas and the BFA App;

- Implement technologically advanced solutions to respond to the growing official reporting and disclosure requirements;

- Continue to develop the Automatic Cheque Clearing System, so as to move to a decentralized cheque digitization process, in which cheques are cleared by the branches.

II. Service Quality

In 2016 BFA will strengthen and develop new processes and mechanisms to improve customer service quality. The aim is:

- Continue the Mystery Shopper programme, carrying out further surveys in 2016 to continually assess the Bank's customer service and customer care;

- Diversify and develop the various channels of contact with the Bank, not only reinforcing the proximity strategy by remodelling and modernizing the branches but also enhancing the functionalities of the transactional websites and the institutional website, the mobile banking solutions and the telephone channel, so as to bring the institution closer to its customers;

- Develop the complaints management process, adding technical and human resources, in line with best international practices;

- Invest in building the knowledge and skills of branch staff, so as to improve service quality and proximity to customers.

III. Human Resources

In 2016 BFA will continue to pursue a talent acquisition strategy, aimed at recruiting highly qualified individuals. Thereby, BFA course of action will be:

- Reinforce its online recruitment strategy, adopting new approaches through digital channels;

- Create a special orientation programme for new employees, based on a schedule of workplace visits;

In training, the Bank will continue to invest in developing its management staff by:

- Facilitating participation in postgraduate and masters programmes in management, accounting and finance;

- Promoting continuous training in the areas most relevant to the Bank's activity, in partnership with the Banking Training Institute of Angola (IFBA);

- Using the eLearning platform to deliver technical training in specific business processes or new functionalities (e.g., transfers, cheque deposit and clearing).

IV. Fight Against Money Laundering andTerrorist Financing

In order to promote compliance with US laws affecting non-US countries and entities, BFA updated and overhauled its account opening and maintenance processes to ensure that the required information is collected and reported.

In 2016 BFA will:

- Fully adopt applicable laws and regulations, improving aspects that need attention and introducing new techniques and methodologies that adhere to relevant international best practices;

- Continue to gather information from customers acquired prior to implementation of FATCA (Foreign Account Tax Compliance Act), so as to ensure that the necessary documentation is available;

- Carry out further training activities on this subject, either in classroom format or via eLearning;

- Publish exclusive information on the subject of compliance on the corporate intranet and the institutional website.

V. Capital Market

The year under review was marked by operational measures leading to the entry into operation of the Treasury Securities Registration Market (MRTT).

BFA was the first entity to become a registered member of the Angolan debt and securities exchange, BODIVA, in early 2015.

As regards asset management, BFA will take the necessary steps to start asset management operations by creating a pension fund management company and a collective investment scheme management company, with a view to becoming a preferred partner in Financial Intermediation.

02

ECONOMIC ENVIRONMENT

International Economy

ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) announced a slight downward revision of its forecast for world economic growth, which was nevertheless expected to continue on an upward path. World GDP is likely to have expanded 3.1% in 2015 and the IMF expects the world economy in 2016 to return to the pace of expansion recorded the previous year, which was +3.4%. The more moderate growth is attributable to a timid and uneven recovery in the developed economies, while the performance of the emerging and developing countries was disappointing, showing the effects of the downward cycle in the main commodities, especially oil, and reflecting structural imbalances and the need for appropriate economic policy measures, with a restrictive impact on economic activity.

Against the background of a significant and sustained decline in inflation expectations and amid fears of a recession in economic activity and employment, the European Central Bank reinforced the expansionary stance of its monetary policy and is likely to take further stimulus measures in the first quarter of 2016, extending its long-term asset purchase programme and reducing the marginal lending rate.

GDP – events and exposures

Developed Countries	USA	Slight acceleration of GDP growth from 2.4% in 2014 to an expected 2.5% in 2015, while the gradual strengthening of the employment market and the robustness of domestic demand justified the increase in the Federal Reserve's benchmark interest rate in December, the first such increase in more than a decade. The IMF estimates that, in 2016, the resilience of economic activity, the strengthening of the employment market and the continuation of accommodative financing conditions will lead to an acceleration of the pace of GDP growth to 2.6%, up 0.1 of a percentage point on the previous year.
	Europe	The rate of growth of the economy picked up from 0.9% in 2014 to an estimated 1.5% in 2015, but growth remained timid and uneven across Member States. In 2016, continuing low oil prices will lead to increased consumption, which in combination with ultra-accommodative funding conditions could translate into GDP growth of 1.77%, up 0.2 of a percentage point on the figure for 2015.
Emerging Countries	China	Gradual slowing of the economy, with IMF-projected GDP growth of 6.3% in 2016 and 6% in 2017.
	Brasil	In 2016 there is expected to be another decline in growth, on the same scale as that seen in 2015, that is, -3.6%.
	Russia	GDP to contract by -1% in 2016.
	South Africa	GDP growth to decrease by 0.7% in 2016.

MONEY MARKET AND BONDS

The financial markets continued to be affected by the ultra-expansionist policies of the main central banks and also by divergences in the trend of economic activity in the Anglo--Saxon economies and the Euro Zone. This fact is reflected in the different positionings of the main central banks, which had an impact on the behaviour of the main financial assets.

Risk premiums in the peripheral sovereign debt market remained compressed compared to those observed in previous years, essentially reflecting the effect of the ECB's public debt purchase programme. As regards 10-year public debt, the premium on Portugal's debt started and ended the year at around 190 basis points (bp), having reached a low of 130 bp in March and a high of 250 bp in July. In Spain and Italy the movements were identical, although the risk premiums were lower than for Portuguese debt. In Spain the risk premium was above 100 bp and in Italy slightly below that level. In Greece the signing of a third economic adjustment programme in August 2015 is reflected in the decline in the premium on Greek public debt to around 770 bp, compared to around 1840 bp in July of that year. At the start of 2016, in a scenario of greater uncertainty in the financial markets, the spreads on these countries' debt is set to increase.

Interbank Market	**Euribor**	Euribor rates fell to negative levels, initially only in the shorter maturities but by the end of the year in all maturities up to six months. This movement intensified at the start of 2016 and extended to all maturities, reflecting the strengthening of the ECB's ultra-accommodative monetary policy stance and signalling that this stance could become more pronounced in 2016. At the end of the year, the three-month EURIBOR stood at -0.13% and the six-month rate at -0.04%. In 2016, negative rates extended to one-year Euribor, which at the start of February stood at 0.006%.
	US dollar LIBOR	In the United States, the signals that the Federal Reserve would start monetary policy normalization are reflected in a rise in the US dollar LIBOR interest rate. The three-month US dollar LIBOR rate started the year at 0.26% and ended it at 0.61%.
Public Debt	**Yields**	The yields of the main benchmarks remained at low levels. In the US, they contrast with the more positive macroeconomic scenario. In Europe they reflect the effects of the ECB's public debt purchase programme and the fact that the inflation rate remained very low. At the end of the year, yields remained close to their lowest levels.
	Yield of 10-year government bonds	In the US, yields ranged between 1.68% and 2.467% and at the start of February 2016 had fallen to 1.6%. The 10-year German Bund traded in a interval between 0.077% and 0.945% last year, ending the year at close to 0.6%. At the start of February 2016 it had fallen to 0.2%.

FOREIGN EXCHANGE MARKET

In the foreign exchange market, the dollar benefited from the divergence between economic cycles and monetary policy. After reaching a high of 1.3992, the EUR/USD rate fell from 1.20 at the start of 2015 to 1.09 at the end of the year, which represents a depreciation of nearly 10% in the single currency. The trend changed in the first few months of 2016 and the EUR/USD recovered to levels around 1.12.

	Start 2015	Start 2015	Start 2016
EURO/USD	1.20	1.09	1.12

10% depreciation of the Euro

The euro lost 6% against the pound sterling last year, reflecting the strengthening of the British economy as well as the expectation that the Bank of England would follow the example of the US Federal Reserve and start normalize its reference rates in 2016.

Angolan Economy

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

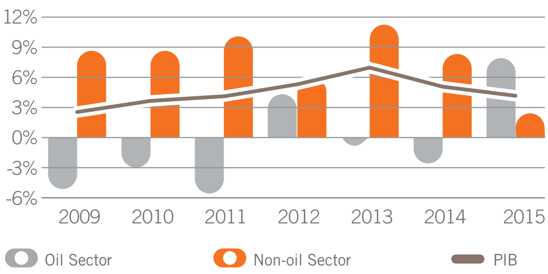
	2010	2011	2012	2013	2014P	2015E	2016E
Real growth of Gross Domestic Product (tvh, %)	3,4	3,9	5,2	6,8	4,7	6,6	3,3
Oil sector	-3,0	-5,6	4,3	-0,9	-2,6	9,8	4,8
Non-oil sector	7,8	9,7	5,6	10,9	8,2	5,3	2,7
Oil production (Million barrels/day)	1,76	1,65	1,74	1,72	1,66	1,83	1,89
Angolan oil price (average, USD/barrel)	77,8	108,7	111,0	107,7	104,0	40,0	45,0
Consumer Price Index (y-o-y change, end of period)	15,3	11,4	9,0	7,7	7,5	7,9%	13%
Budget balance (% of GDP)	8,1	10,3	6,7	0,3	-3,1	-7,0	-5,5
Primary non-oil budget balance (% of non-oil GDP)	-47,4	-51,1	-53,7	-46,2	-46,0	-42,8	-19,7
Gross international reserves (USD billion, end of period)	19,3	28,4	33	33,2	33,9	35,1	18,6
Average exchange rate (AOA/USD)	91,9	94,0	95,6	96,5	98,3	112	-

P - Provisional; E - Estimated/Forecast
Source: BNA, Finance Ministry, IMF
Note: The economic growth data in the table were published by the Finance Ministry and differ from those published by the INE.

Throughout 2015, the Angolan economy continued to bear the consequences of the fall in oil prices in the international financial markets, which remained at very low levels. The adverse impact was inevitable, given the high exposure of GDP and the fiscal and external sectors to the oil sector, but economic policies have adapted quickly to the new circumstances. In the recent national budget (OGE) for 2016, the Angolan government reveals that economic activity expanded by 4% the previous year, which represents a weakening compared to 2014 (an estimated 4.8%).

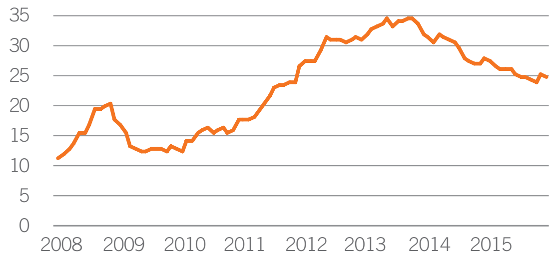
	2015	2016
Oil GDP	The oil sector is expected to have expanded 7.8%, in line with the increase in oil production, which went from 1.6 million barrels per day (mbd) in 2014 to 1.8 mbd in 2015, according to figures published by the Finance Ministry. Weakening of GDP growth to +2.4% • Energy (+12%) • Construction (+3.5%) • Diamonds (+3.2%) • Manufacturing (+2.6%) • Agriculture (+2.5%)	Oil prices are unlikely to recover to the levels seen previously. The IMF estimates that growth will remain at 3.5%, revealing a significant slowdown in oil GDP, from 6.8% in 2015 to 3.9% in 2016. The Angolan government forecasts growth of 3.3% this year, sustained by projected growth of 4.8% in the oil sector, in line with the increase in production, which the Government expects will increase to 1.89 mbd.
Non-oil GDP	The manufacturing, construction and services sectors are adjusting to the cuts in private and public investment, in a context of limited availability of international reserves.	According to the IMF, non-oil GDP growth can be expected to accelerate from 2.1% to 3.4%. The Government expects moderate growth (+2.7%) in the non-oil sector, sustained by projected growth of 20% in energy, 4.6% in agriculture, and 3.1% in manufacturing and construction.

Real GDP growth



Source: Finance Ministry

Foreign exchange reserves



Un: USD billion
Source: BNA

BALANCE OF PAYMENTS

	2010	2011	2012	2013	2014P	2015E	2016E
Current balance (% of GDP)	9,1	12,6	12,0	6,7	-1,5	-7,6	-5,6
Trade balance (% of GDP)	41,1	45,2	41,1	33,7	23,6	15,7	17,5
Exports of goods (% annual change)	23,9	33,0	5,6	-4,0	-13,3	-37,5	4,2
of which: oil (% annual change)	24,0	32,9	6,3	-4,0	-13,8	-38,7	4,1
Imports of goods (% annual change)	-26,4	21,4	17,2	11,1	8,5	-26,6	1,0
Balance on capital and financial accounts (% of GDP)	-1,1	-3,5	-8,1	-7,7	-1,5	2,6	2,0

E - Estimated/Forecast
Source: IMF (Article IV, Nov. 2015)

EXTERNAL SECTOR

The trade balance has started to reflect the fall in oil revenues but remains in surplus. According to the balance of payments statistics, the surplus fell from USD 41.9 billion in 2013 to USD 30.6 billion in 2014. Given the smaller trade surplus, Angola posted a current account deficit for the first time since 2009. Meanwhile, the financial and capital account deficit fell, due to a decrease in the negative balance of foreign direct investment, which is directly related to the growth of the oil business. In fact, foreign direct investment increased from USD 14.3 billion in 2013 to USD 16.5 billion in 2014.

After peaking in mid-2013, net international reserves declined in the last two years, reaching USD 24.6 million in December 2015, down 10% year on year (according to BNA data). The decline in international reserves reflects the fall in revenue from oil exports and the policy response by BNA, which consisted of gradually depreciating the kwanza against the US dollar. Despite the devaluation of the local currency carried out by the Central Bank throughout 2015, the high divergence between official and informal exchange rates suggests that the liquidity problems in the foreign exchange market have not yet been fully resolved. In addition, it should be noted that the current level of international reserves is higher than in the previous oil crisis, which means that the national economy is more protected from the current oil price crisis. In fact, the IMF calculates that in 2015 the reserves are sufficient to cover 7.1 months of imports, compared with 4.6 months in 2009.

	2015			2016
Balance of payments surplus	For 2015, the IMF estimates that the trade surplus will have decreased to USD 16 billion, equivalent to 15.7% of GDP.	–	The fall in oil prices in international markets is estimated to have triggered a fall of 39% in oil export revenue, despite the efforts to increase oil production.	The current account balance is expected to remain in deficit in the medium term, falling to 5.6% of GDP this year, according to the IMF.
		+	Imports fell as a result of the introduction of import quotas on certain products. A depreciação do Kwanza permitiu conter o crescimento das importações (já os bens importados tormaram-se relativamente mais dispendiosos).	

PUBLIC ACCOUNTS

According to the latest estimates from the Finance Ministry, the budget deficit in 2015 was 4.2% of GDP, compared to the probable deficit of 6.6% for 2014. Oil taxes continue to account for a very significant percentage of tax revenues, though the tax base is now broader and includes a growing number of non-oil activities. Oil tax revenues (which account for around 57% of total tax revenues) are expected to have decreased by nearly 46% compared to 2014, reflecting the fall in oil prices. At the same time, the share of non-oil taxes in total revenue shows a tendency to increase (43% vs. 28% in 2014), with estimated non-oil tax revenue up about 7% compared to 2014. Expenditure is expected to have decreased by nearly 28% compared to the previous year.

The National Budget for 2016 assumes a growth rate of 3.3% and an average oil price of USD 45 per barrel.

The deficit is therefore expected to reach 5.5% of GDP, with an 8% increase in revenue and a 14% increase in expenditure compared to the estimated figures for 2015. Even so, in a breakdown by sector, concerns remain regarding the allocation of considerable amounts of funding to social sectors, particularly education, health and social protection.

Although the proportion of external debt has been increasing, the risks regarding its sustainability seem relatively contained, as the country's main source of revenue, oil, is also denominated in dollars. Nevertheless, the trend of debt accumulation is vulnerable to various shocks, including the pace of the country's economic growth and changes in the exchange rate and oil prices.

	2015			2016
Public Debt	According to the figures in the 2016 National Budget, public debt is estimated to have increased from 31% of GDP in 2014 to 40.5% of GDP in 2015.	External financing	External financing is estimated to have increased to 23.2% of GDP, supported entirely by foreign credit lines (disbursements totalling AKZ 737 billion).	According to official estimates, public debt is projected to increase to 49.7% of GDP in 2016, once again through an increase in external financing.
		Internal financing	Internal financing also increased, though to a lesser extent, driven by the issuance of Treasury bonds (6.8% of GDP).	

Angola made its debut on the international financial market in 2015 with the issue of USD 1.5 billion of sovereign debt securities with a maturity of 10 years and a yield of 9.5%. This issue was an important step in Angola's entry to the international capital markets and in diversifying the Government's funding sources. Investor response was very positive, with demand exceeding supply by a factor of five. Fitch classified the bond with a B+ rating and a stable outlook.

INFLATION AND INTEREST RATES

After reaching record low levels in mid-2014, the annual inflation rate returned to double digits, driven by a variety of factors.

In 2015, in response to inflationary pressures and the devaluation of the local currency, the BNA adopted a more restrictive monetary policy and introduced other measures to curb the growth of credit and so control the increase in prices, such as:

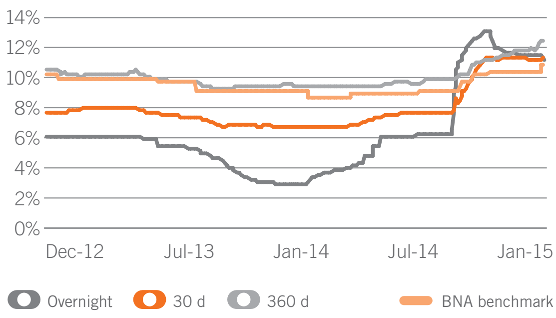
- Increase in the reference rate (BNA rate) to 11% at the end of the year, having started the year at 9%;
- Increase in the interest rate on the standing lending facility to 13%;
- Elimination of the interest rate on the standing overnight liquidity absorption facility;
- Establishment of the interest rate on the standing seven-day liquidity absorption facility at 1.75%.

More recently, the BNA once again reviewed the monetary policy interest rates, increasing the BNA rate by 100 basis points to 12% and the lending rate to 14%.

Inflation Rate

Source: BNA. Annual change in the CPI

Interbank Money Market Rates



Source: BNA. LUIBOR Rates

2015

Increase in the inflation rate

The inflation rate in Luanda (which is a reference for monetary policy) rose 6.83 percentage points over the course of 2015, reaching 14.27% in the last month of the year. This increase is due essentially to:

Sharp depreciation of the kwanza against the dollar.

Introduction of the new customs tariff in mid-2014, which led to an increase in the prices of some imported goods.

Introduction of import quotas on certain products.

Successive cuts in fuel subsidies are also thought to have exerted significant upward pressure on the general level of prices.

BANKING SECTOR

2015

Loans

In 2015, total loans to the economy increased by an annual average of 0.7%.

- Loans to the public sector (excluding central government) decreased by 3%.

+ Loans to the private sector grew 0.9% on an annual average basis.

According to the IMF, the ratio of past-due loans to total loans rose to 18% in July 2015, compared to the 14.5% stated in the BNA's annual report for 2014.

- The economy slowed and the liquidity challenges facing Angolans banks intensified.

Deposits

Deposits grew by an average of nearly 11% in 2015 compared to the previous year.

The share of foreign currency deposits in total deposits fell from 36% at the end of 2014 to 34% in December 2015.

OIL FALLS TO HISTORICALLY LOW LEVELS

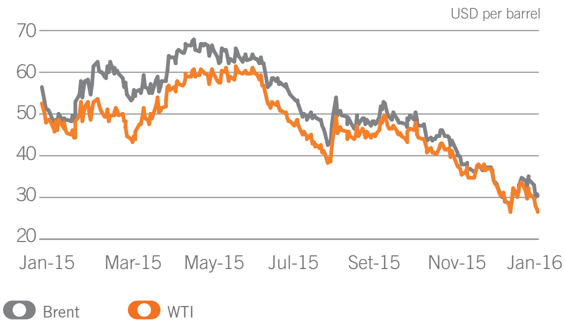
The dominant trend of 2015 was the significant fall in commodity prices as a result of:

- Excess of supply, in the absence of any constraint on production;
- Flight of investors from more speculative products in a scenario of economic and financial uncertainty;
- Weakening of economic growth in China and in the emerging economies as a whole, generating negative expectations at the level of consumption;
- Loss of relative importance of geopolitical factors in the decisions of market participants.

From the energy sector to metals for industry, precious metals and foodstuffs, the returns to producers declined sharply and these commodities ceased to be attractive assets. Faced with a significant fall in revenue from commodities trading, many economies saw their financial situation deteriorate.

The structural imbalances at the level of the current and fiscal balances worsened, leaving these countries with a negative international exposure (increased debt and more restricted access to financing). In most cases, this was accompanied by a complementary capital flight and sharp currency depreciation. These adverse effects were not offset by the expected beneficial impact on the developed economies, which was slow to materialize.

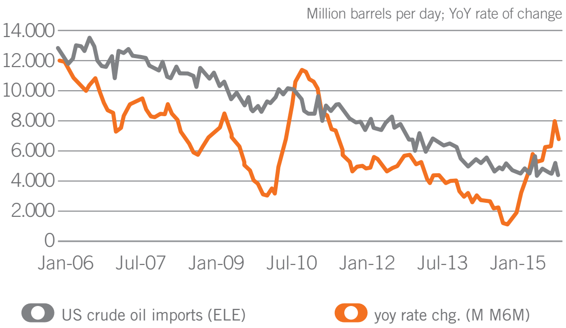
Price of Brent and WTI Crude Oil



Source: Reuters

In the oil market, the average price fell 35% in 2015, following the 50% fall the previous year, resulting in a cumulative decline similar to that seen in the 2008/09 crisis. At that time, the minimum prices of WTI and Brent were $32 and $36, respectively (points of support). Since then, these levels have been tested and broken through, with WTI and Brent reaching new lows of €26 and €27, respectively. Compared to the past, some market conditions have changed: the world is more efficient and less dependent on fossil fuels, leading to a greater accumulation of stocks; the US revolutionized the market through shale oil (they dominate the extraction technique, though with higher costs); OPEC (Organization of the Petroleum-Exporting Countries), despite a market share of 40%, has had difficulty in stabilizing the market (in 2008/09 production fell, which helped to stabilize prices), on account of internal divergences; Saudi Arabia (the world's largest producer) has succeeded in imposing the strategy of fighting increased US control of the oil market and leading OPEC to regain its hegemony.

US – Net imports of oil and oil derivatives

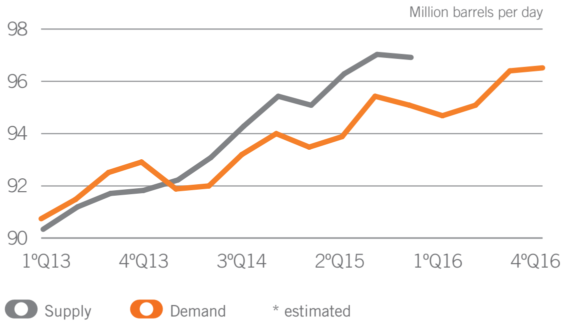


Source: Energy Information Administration

The decisive factor for oil market behaviour in 2015 was the position of OPEC (the strategy adopted by Saudi Arabia), which decided not to cut the production quotas of the countries in the cartel in response to the steady fall in prices. OPEC's decision was to maintain production very close to the maximum capacity of each country and welcome the return of Iran to the market (end of Western sanctions) and the return of Indonesia to the organization. The strategy pursued by OPEC/ Saudi Arabia was to cut the supply from the US by making shale production (more expensive but relatively successful since 2011) unprofitable at current price levels, while at the same time countering the near self-sufficiency of the US. At the same time, OPEC aims to restore its own importance by increasing its market share and regaining the power to control prices in the world market.

This strategy has been possible because Saudi Arabia has large financial reserves and a small public deficit, although with the price of crude close to $30, this situation will be difficult to maintain. In the other, economically more dependent and fragile OPEC countries, some estimates suggest that it will be desirable, in financial terms, to have a stable price within a range of $80 to $100.

Supply* and Demand for Crude Oil



Source: IEA

Although the International Energy Agency (IEA) maintains the possibility of an increase in consumption in 2016, it is not certain that this increase will occur: both in the US and in Europe, consumption has stagnated in recent years. On the other hand, with China growing at rates below the historical trend, a surge in consumption is unlikely, although the lower classes continue to gain in purchasing power.

Moreover, while the US has consolidated its position as the world's largest oil consumer, it is also close to becoming self-sufficient. On the supply side, therefore, shale oil has revolutionized the crude oil market and, coupled with Canada's oil sands, has allowed North America to become the world's largest producer of petroleum. Maintenance of the current low prices in 2016 could limit this growth (lower production and lower investment). Given the position of North America and with production close to the capacity limits of most OPEC countries (plus the capacity of Iran, which is in a position to immediately place several million barrels per day in the market, holding more than 9% of world oil reserves and 18% of gas reserves), the likelihood of constraints on the supply side to counteract the scenario of abundance seems remote. A reversal of the current downward trend in prices therefore seems unlikely in the near term and the expectation is that prices will stabilize at close to the minimum levels.

Regulatory Changes

The regulatory changes introduced by the Supervisory authorities during 2015 are summarized below:

Month	Event
JANUARY	**Instruction No. 1/15** Defines the criteria for classifying countries, multilateral development banks and international organizations. **Instruction No. 2/15 (revoked by Instruction 9/15)** Defines the methodologies that can be used to define the minimum amounts of provisions that must be recorded **Notice No. 1/15** Establishes procedures to be followed by financial institutions for the import, export and re-export of foreign currency and travellers cheques. **Notice No. 2/15** Updates the regulations regarding the limit on the foreign exchange and gold exposure of financial institutions.
FEBRUARY	**Instruction No. 3/15 (revoked by Instruction 8/15)** Adjusts the rules for the calculation of and compliance with mandatory reserves.
MARCH	**Instruction No. 4/15** Adjusts the procedures relating to foreign currency purchases and sales by Banco Nacional de Angola, with a view to preserving the balance of the foreign exchange market.
APRIL	**Notice No. 3/15** Establishes the minimum information requirements financial institutions must meet when advertising the financial products and services they offer to the public **Notice No. 4/15** Descreve os dispositivos de segurança da circulação da nova Série de notas e moedas do padrão Kwanza, denominada "Série 2012". **Notice No. 5/15** Defines the requirements of the cheque forms used in the Angolan Payment System. **Notice No. 6/15** Establishes the rules for identifying deposit accounts (NBA and IBAN). **Notice No. 7/15** Defines the dates and requirements for the termination of the Securities Clearing Service (SCV) and the start of the Cheque Clearing Subsystem (CCS). **Notice No. 8/15** Establishes the conditions on which interbank transfers must be settled through the Real-Time Gross Payments System (SPTR). **Notice No. 9/15** Establishes the terms for execution of funds transfers and for the delivery of funds from cash and cheque deposits, transfers and remittances to the beneficiary.
MAY	**Instruction No. 5/15** Defines the technical specifications of the standardized cheque, in accordance with Notice 5/15 **Instruction No. 6/15** Defines settlement guarantees for debtor positions in order to mitigate settlement risk in the subsystems of the Angolan Automated Clearing House (CCAA) arising from an inability to settle payments due to lack of guarantees on the part of the users of the Angolan Payment System (SPA). **Instruction No. 7/15** Regulates the terms on which foreign exchange bureaux may buy and sell foreign currency.

Mês	Evento
JUNE	**Instruction No. 8/15 (revoked by Instruction 16/15)** Adjusts the rules for the calculation of and compliance with mandatory reserves **Instruction No. 9/15** Defines the methodologies that can be used to define the minimum amounts of provisions that must be recorded. **Instruction No. 10/15** Adjusts the procedures relating to purchases and sales of foreign currency, with a view to preserving the balance between the efficient operation of the foreign exchange market and the goals of exchange rate policy. **Instruction No. 11/15** Defines the operating rules to be observed by banks and foreign exchange bureaux located in the border area of Santa Clara, Cunene province, for the purchase of Namibian dollars (NAD) and for effective monitoring of the flow of transactions carried out under the Monetary Conversion Agreement between Banco Nacional de Angola and Banco da Namíbia. **Instruction No. 12/15** Defines the new requirements to be met by banks in foreign exchange transactions relating to commodities, current invisible operations, capital transactions and sales to foreign exchange bureaux. **Law No. 7/15** New General Labour Law, introducing the following changes: contractual terms, disciplinary procedures, holiday pay, rest periods, night shifts and overtime, extended working hours, justified absences, grounds for dismissal, and compensation and indemnities. **Law No. 10/15** Establishes the terms and conditions for entry and exit of local and foreign currency into and from Angolan territory in the possession of foreign exchange resident and non-resident individuals from or into the Republic of Namibia across the land border at Santa Clara (Cunene – Angola) and Oshikango (Namibia).
JULY	**Instruction No. 13/15** Defines the criteria for determining the operations that are eligible for the liquidity-providing facilities of the development banks. **Instruction No. 16/15** Adjusts the rules for the calculation of and compliance with mandatory reserves.
AGOSTO	**Instruction No. 17/15** Establishes the operational procedures for auctions of foreign currency to foreign exchange bureaux. **IInstruction No. 18/15** Establishes the frequency, form and content of the statistical information to be provided to the BNA by issuers and acquirers of payments cards and by the Multicaixa subsystem operating company. **Law No. 22/15** Approves the Securities Code, which revokes the Securities Act, establishes the legal regime of the securities and derivatives market and amends the Commercial Companies Act.
SEPTEMBER	**Presidential Decree No. 181/15** Approves the Outline National Policy on Private Investment, aimed at attracting qualified investment, encouraging import substitution, promoting the export of higher value added products and diversifying the national economy.
OCTOBER	**Presidential Decree No. 197/15** Approves the Organizational Bylaws of the Credit Guarantee Fund, a public law entity subject to the supervision of Banco Nacional de Angola, without prejudice to the oversight of the head of the ministerial department responsible for the public finances, which defines the Fund's duties and responsibilities and regulates its organization, functioning, plans, budget, governance and staff.

Mês	Evento
OCTOBER	**Presidential Decree No. 199/15** Changes the official name of the Prices and Competition Office to the Prices and Competition Institute, the indirect government agency responsible for monitoring and applying the market regulation and defence of competition policies and supporting the Government in its role of coordinating and ensuring the consistency of income and prices policy; and approves the Institute's Organizational Bylaws. Establishes the technical rules for the operation of Collective Investment Undertakings.
DECEMBER	**Instruction No. 19/15** Defines new eligibility criteria for compliance with the mandatory reserves in foreign currency through the constitution of 20% of the reserves in foreign currency deposits at Banco Nacional de Angola and 80% in Treasury bonds in foreign currency. **Instruction No. 20/15** Specifies the criteria that reinforce the quality of the system for monitoring and overseeing foreign exchange transactions, ensuring that the exchange rate policy is correctly defined and executed by Banco Nacional de Angola. **Notice No. 11/15** Regulates the classification of the clearing and settlement subsystems of the Angolan Payment System (SPA), with a view to the adoption of risk control mechanisms, and specifies the functioning and operationalization of said subsystems and the responsibilities of their operators. **Notice No. 12/15** Defines new rules for the framework of procedures for transactions to be performed by banks and foreign exchange bureaux under the Monetary Conversion Agreement between Banco Nacional de Angola and Banco da Namíbia. **Directive No. 2/DRO/DSI/15** Presents the guide on the prevention of money laundering and terrorist financing in relations with correspondent banks and customer banks.

MOST IMPORTANT CHANGES

Instruction No. 16/15 - Increase in Mandatory Reserves in local currency:

The mandatory reserves ratio in local currency to be applied to the daily balances of accounts such as sight deposits, term deposits and others increased to 25%, of which up to 10% could be in Treasury bonds. In 2014 the limit was set at 12.5%, having risen to 15% at the start of 2015 before finally being set at 25%.

Instruction No. 16/15 - Increase in Mandatory Reserves in local currency:

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Instruction No. 19/15 - New criteria for Mandatory Reserves in foreign currency:

Mandatory Reserves in foreign currency are subject to a new eligibility criterion: they must be made up of 20% of foreign currency deposits held at Banco Nacional de Angola and 80% of foreign currency Treasury bonds. This criterion gave rise to an increase in the demand for Treasury bonds. Instruction 10/15 - New requirements for access to the foreign currency auctions:

Banks participating in the foreign currency auctions must comply with a new requirement to establish a specific reserve in the Real-Time Payments System (SPTR) in an amount equal to their weekly foreign currency needs in order to settle foreign currency purchases in the BNA auctions. The funds in this reserve must be held to cover currency purchase transactions and so cannot be counted towards compliance with mandatory reserves. This requirement gave rise to an increase in banks' liquidity needs.

Notice No. 7/15 - Cheque Clearing Subsystem:

Defines the date and conditions for migration of the Securities Clearing Service to the new Cheque Clearing Subsystem, as cheques now have a code that allows clearing to be done electronically.

With the introduction of these codes, banks are no longer required to deliver cheques daily to BNA and its provincial branches, thus reducing operational risk.

TAX REFORM

Since the Tax Reform started in 2010, several of the tax laws included in the legislative package earmarked for review and update have been published and reformulated. In particular, amendments have been made to the Employment Income Tax Code, the Industrial Tax Code, the Tax on Invested Capital Code, the Stamp Duty Regulations, the Consumption Tax Code, the General Tax Code, the Tax Enforcement Code and the Tax Process Code.

The amendments to the tax laws have had a significant impact on the activity of financial institutions in general and BFA in particular, especially on lending and the provision of services to customers, transactions in the Interbank Money Market, the design of the Bank's products and the taxation of interest income.

In fact, the changes to the national tax system are on such a scale that there is some uncertainty as to the taxation of certain items, given the ambiguity or imprecision of the concepts expressed in the law.

However, BFA has closely monitored the changes introduced by the Tax Reform, proactively making whatever alterations and adaptations have been necessary to ensure compliance with current legislation, both through reparametrization of its computer systems and through reconfiguration of its internal procedures and employee training on the changes to the tax rules.

The main changes affecting the financial sector started in 2012 in relation to Stamp Duty, which had a major impact on the whole of the Bank's financing activity, and the Tax on Invested Capital, where mechanisms have been established to withhold tax at source on income from invested capital.

In 2015, with the entry into force of additional new legislation, the tax reform brought very significant changes that had a particular impact on financial and banking activity.

Specifically, from 1 January 2015 there were changes to the framework, base and limits of application of employment income tax, which inevitably had repercussions for BFA's tax withholding obligations.

There were also changes to the determination of the tax base for the Industrial Tax, particularly as regards the non-inclusion of income subject to the Tax on Invested Capital and the inclusion of increases in equity and social welfare expenses for BFA employees.

In addition, new tax self-assessment rules were introduced and new rules for the taxation of services provided by resident and non-resident entities. Some of the mechanisms introduced by the General Tax Code, most notably the possibility of exercising the right of prior hearing or request for information, were immediately adopted in correspondence with the General Tax Administration in order to help clarify and resolve various tax-related matters.

03

BFA

Corporate Governance

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

Corporate Governance is the fulcrum of a financial institution, given its role in the execution of the regulatory framework. BNA Notice 1/13 defines the corporate governance policies and processes to be adopted by financial institutions.

These regulations are intended to establish a set of corporate governance practices that have implications for the management model by defining rules on capital structure, organizational structure, remuneration policy, code of conduct, conflict management, and transparency and disclosure. They also lay down rules for reporting on the governance model.

In accordance with the provisions of article 26(2) of BNA Notice 1/13 and article 22(2) of Notice 2/13, the Board of Directors approved the implementation of an action plan to ensure that the Bank's corporate governance model is consistent with the provisions of the relevant regulatory notices.

In compliance with BNA Instruction 1/13, which regulates the submission of information to the BNA by financial institutions in relation to Notices 1/13 and 2/13, in November 2015 the Board of Directors of BFA filed the annual report on corporate governance and the internal control system, effective 30 November. This report is accompanied by the opinion of the Supervisory Board and the External Auditor.

GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

The guiding principles of BFA's corporate governance policy are essentially those defined by the BNA and are in line with those of BFA's shareholder, BPI, of which BFA is a subsidiary under the consolidated supervision rules. The main principles are:

Transparency of Management	Internal	Allows the non-executive members of the Board of Directors and the members of the Supervisory Board to perform their supervision and scrutiny functions effectively.
	External	Allows shareholders, the authorities, the auditors, investors and the community in general to evaluate the quality and conformity of the information provided and the results achieved.
Independence		Independence of executive management in relation to shareholders and special interests.
Equity		Equity in relations with shareholders, customers and employees.
Loyalty		Loyalty through implementation of mechanisms that prevent the occurrence of conflict of interest situations.
Efficiency		Efficiency in the functioning and interaction of all the Company's management supervisory bodies.
Rigour		Rigour in the management of the various risks involved in the Bank's activity.
Participation in decision making		Participation in decision making through the adoption of collegial models of decision making and the encouragement of team work.
Performance and merit		Performance and merit as fundamental criteria of the policy on the remuneration of employees and directors.
Harmony		Harmony in the alignment of the interests of shareholders, directors and employees.
Value creation		Corollary of the above-stated principles and primary objective of BFA's directors and employees.

OWNERSHIP STRUCTURE AND GOVERNANCE MODEL

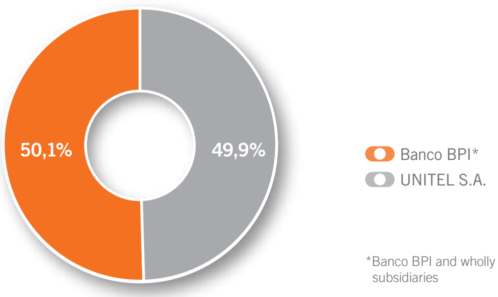
BFA was incorporated by deed on August 26, 2002 as a result of the transformation of the Angolan branch of Banco BPI, SA into an Angolan bank, majority-owned by the BPI Group.

The Bylaws were significantly amended by a public document dated 20 January 2009 but have remained unchanged since then.

OWNERSHIP STRUCTURE AND EQUITY INTERESTS

The share capital of BFA is held, on the one hand, by Banco BPI and wholly owned subsidiaries of Banco BPI and, on the other, by UNITEL, SA.

Ownership Structure



*Banco BPI and wholly owned subsidiaries

BFA currently has interests in EMIS, Bolsa de Valores e Derivados de Angola (BVDA), Sociedade de Fomento Habitacional and Instituto do Mercado de Capitais. The latter three companies are currently inactive.

BFA is a strong supporter of the initiatives launched by EMIS and is usually one of the first banks in the Angolan financial system to implement the new solutions and services offered by EMIS. An example is the installation of the new Data Processing Centre in the EMIS facilities, designed to meet the highest international standards as regards technical and service access conditions. Another example is the use of the new card management platform, in which BFA has a market share of more than 70% of cards issued.

Under the Bylaws of EMIS approved by the General Meeting of December 17, 2010, the governance role is exercised by a Board of Directors, while day-to-day management is delegated to an Executive Committee. BFA is represented on the following corporate bodies:

- Board of Directors: Otília Faleiro;
- Remuneration Committee: Emídio Pinheiro.

GOVERNANCE MODEL

BFA's operating model is established in the Bylaws, which were approved at its General Meeting on November 27, 2008, and complies with the requirements of the Financial Institutions Act (Law 13/05).

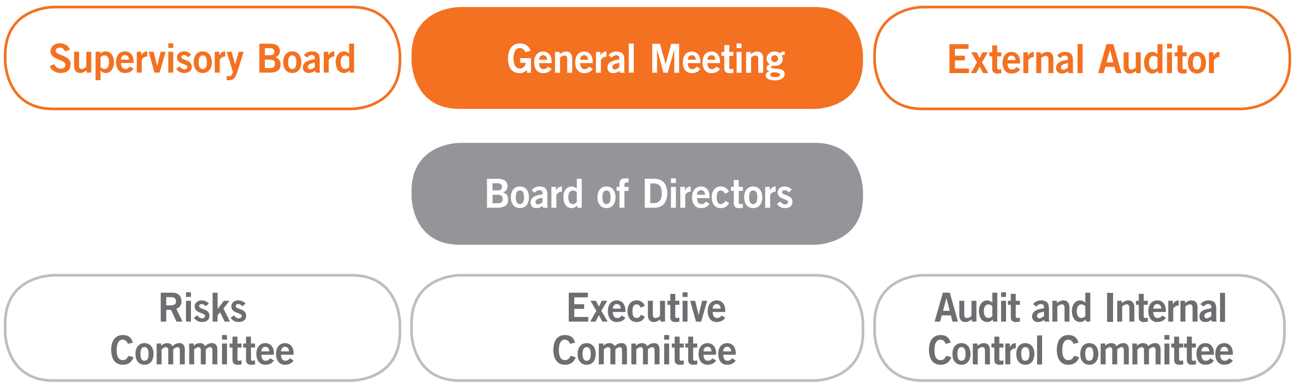
The Bylaws provide for the following corporate bodies: the General Meeting and its chairman, the Board of Directors, the Supervisory Board, the Board of the General Meeting, the Executive Committee of the Board of Directors (ECBD) and the External Auditor.

Under Notices 1/13 and 2/13, the Board of Directors established two new committees: the Risks Committee and the Audit and Internal Control Committee.

The members of the corporate bodies were elected at the General Meeting held on October 20, 2014 for a three-year term (2014-2016). Also on that date, in accordance with the Bylaws, the Board of Directors appointed the Executive Committee of the Board of Directors and its chair.

The governing bodies of BFA are made up of executives and officers who are subject to a strict duty of confidentiality and a set of rules aimed at preventing conflicts of interest and abuse of inside information, based on best practices and principles of good, prudent management.

All members of the governing bodies have the necessary technical competence, professional experience and personal integrity to perform their duties.



General Meeting

Composition

The General Meeting is the corporate body composed of all the Bank's shareholders. Its proceedings are governed by the Bylaws.

Powers and duties

- To elect the members of the Board of Directors, the Supervisory Board, the Chair, the Deputy-Chair and the Secretaries of the Board of the General Meeting, and appoint the External Auditor;
- To review the annual report of the Board of Directors and discuss and approve the balance sheet and consolidated and separate accounts, taking into consideration the opinions of the Supervisory Board and the External Auditor;
- To approve the fixed and/or variable remuneration of the members of the corporate bodies;
- To deliberate on the application of earnings proposed by the Board of Directors;
- To resolve on amendments to the Bylaws.

Board of Directors

Composition

The Board of Directors has a minimum of seven and a maximum of 15 members, who are elected by the shareholders in General Meeting. The current Board of Directors is made up of 13 members.

Powers and duties

- Define BFA's general policies;
- Approve the strategic plan and the annual and multi-annual plans and budgets, as well as any amendments thereto, and regularly monitor their execution;
- Prepare accounting documents and the proposal for the application of earnings for submission to the General Meeting;

Powers and duties	▪ At its own initiative, propose amendments to the Bylaws and share capital increases, including bond issues that do not fall within its powers, submitting its proposals to the General Meeting; ▪ Approve the code of conduct for wholly controlled companies; ▪ Take all other necessary or appropriate measures to undertake the activities included in the corporate purpose. The Board of Directors is also responsible for approving and monitoring the business strategy and risk strategies, as well as the policies and actions adopted by the Bank's departments to achieve the established goals. The business strategy is implemented through the annual budget and through action plans proposed by the Executive Committee and approved by the Board of Directors. The Board of Directors acts in accordance with the Bylaws and its own regulations. To regulate its internal functioning, the Board of Directors delegates day-to-day management of the Bank to an Executive Committee made up of between five and seven members, subject to the limits established in the deliberation prior to delegation and in the committee's own regulations.
Frequency	The Board of Directors meets at least quarterly and whenever convened by its chair.

Executive Committee of the Board of Directors

Composition	Executive management of the Bank is performed by seven directors, appointed by the Board from among its members.
Powers and duties	The Executive Committee has all the management powers that are necessary or appropriate in order to carry on the banking activity, on the terms and to the extent permitted by law, in particular the power to decide and to represent the Company. The committee's exercise of these powers is monitored continuously by the Board of Directors, the Supervisory Board and the External Auditor.
Frequency	The Executive Committee of the Board of Directors meets when convened by its chair, usually once a week and at least once a month.

Risks Committee

Composition	The Risks Committee is made up of between three and six members, who may be executive or non-executive members of the Board of Directors or, if the Board of Directors so decides, non-board members who are freely chosen based on their specialized knowledge in the area covered by the Risks Committee. Its members are appointed by the Board of Directors, which also appoints a Chair and optionally also a Deputy-Chair.
Powers and duties	■ Advise the Board of Directors on risk strategy; ■ Monitor the policy for the management of all the risks involved in the Bank's activity.
Frequency	The Risks Committee meets quarterly or whenever convened by its chair. Members of the Supervisory Board and the External Auditor may participate in meetings of the Risks Committee, without right the vote, provided they notify their intention to the committee chair.

Audit and Internal Control Committee

Composition	The Audit and Internal Control Committee is made up of between three and six members, who may be executive or non-executive members of the Board of Directors or, if the Board of Directors so decides, non-board members who are freely chosen based on their specialized knowledge in the area covered by the committee. The members are appointed by the Board of Directors, which also appoints a Chair and optionally also a Deputy-Chair, and the number of non-board members must always be less than half the total members.
Powers and duties	■ Ensure that an effective financial reporting system is in place and is properly documented, including the process of financial statement preparation and issuance; ■ Supervise the formulation and implementation of the Bank's accounting policies and practices; ■ Review all the financial information prepared for publication or internal disclosure, including the annual accounts; ■ Monitor the independence and effectiveness of the internal audit function, approve and review the scope and frequency of internal audit actions and supervise implementation of any corrective measures proposed; ■ Supervise the work of the compliance function; ■ Supervise the activity and independence of the external auditors, establishing a communication channel to receive information about the audit findings and the reports issued.
Frequency	The Audit and Internal Control Committee meets quarterly or whenever convened by its chair.

Supervisory Board

Composition	The composition of the Supervisory Board is governed by the Bylaws and its work is carried out in accordance with the terms and objectives established by law or regulation and its own internal regulations. The Supervisory Board comprises a chair and two members, one of whom is an accounting expert.
Powers and duties	■ Scrutinize the Company's governance; ■ Scrutinize the effectiveness of the risk management system, the internal control system and the internal audit system; ■ Check that the books of account, accounting records and supporting documents are in order; ■ Check whether the accounting policies and measurement criteria adopted by the Bank result in a fair assessment of its assets, liabilities and results; ■ Check the accuracy of the annual report and accounts; ■ Receive notifications of irregularities submitted by shareholders, employees and others.
Frequency	The Supervisory Board meets at least once per quarter.

External Auditor

Composition	The accounts have been submitted to an independent audit by the External Auditor, Deloitte & Touche – Auditores, Lda. The rules governing the provision of services by the External Auditor are laid down in BNA Notice 4/13. The Bank maintains that its auditors are independent, within the meaning of applicable regulatory and professional requirements, and that their objectivity is not compromised. Among its governance policies and practices, BFA has included various mechanisms to safeguard the independence of its auditors.
Powers and duties	■ Audit BFA's financial statements at 30 June and 31 December. ■ Issue an opinion as to whether the annual report on corporate governance and the internal control system gives a true and fair view.
Frequency	The External Auditor conducts an annual review of the procedures of selected departments and processes, always including General IT Controls.

CCOMPOSITION OF CORPORATE BODIES

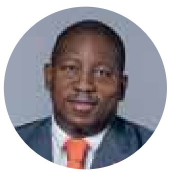
BOARD OF THE GENERAL MEETING	
Chair	Rui de Faria Lélis
Secretary	Alexandre Lucena e Vale
BOARD OF DIRECTORS	
Chair	Fernando Costa Duarte Ulrich
Deputy-Chairs	Isabel dos Santos António Domingues
Members	José Pena do Amaral Mário Silva Diogo Santa Marta

EXECUTIVE COMMITTEE	
Chair	Emídio Pinheiro
Members	Mariana Assis António Matias Vera Escórcio Otília Faleiro Francisco Costa Manuela Moreira
SUPERVISORY BOARD	
Chair	Amilcar Safeca
Members	Susana Trigo Cabral
Accounting Expert	Henrique Camões Serra
EXTERNAL AUDITOR	
Deloitte & Touche – Auditores Lda.	

ORGANIZATION CHART

The Bank has a functional structure, which allows a clear division of roles and responsibilities between departments, each under the supervision of an executive director.







Emídio Pinheiro (Chair)	Mariana Assis	António Matias	Vera Escórcio	Otília Faleiro	Francisco Costa	Manuela Moreira
Marketing	Accounts and Planning	Corporates	Financial and International	Organization and Training	Lending to Individuals and Businesses	Individuals and Businesses
Audit and Inspection	Human Resources	Facilities and Assets	Procurement	Information Systems	Credit Risk	Investment Centres
Compliance			Asset Management	Foreign and Treasury	Structured Finance and Investment	Protocol Management
Business Development Unit				Credit Processing and Support	Monitoring, Recovery and Litigation	
				Cards and Automatic Banking	Real Estate Transactions	
				New Projects	Legal	

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Executive Committee of the Board of Directors

Manuela Moreira
Director

Otília Faleiro
Director

Francisco Costa
Director

Emídio Pinheiro
Chairman

António Matias
Director

Vera Escórcio
Director

Mariana Assis
Director

Executive Committee of the Board of Directors

Emídio Pinheiro Chairman
Date of Birth: May 7, 1960

Emídio Pinheiro has served as Chairman of BFA's Executive Committee since 2005. He has held various positions since joining the BPI Group in 1990, first as Executive Director of BPI Pensões, BPI Vida and BPI's investment fund management companies. He later joined BPI's commercial area as Central Manager, with responsibilities in the following business areas: Emigration Department; General Manager of the French branch; Investment Centres; Commercial Department for Individuals and Small Businesses for the Lisbon region. He received a degree in Economics from Universidade Católica Portuguesa and an MBA from Universidade Nova de Lisboa. He is Deputy-Chair of the Angolan Banks Association (ABANC) and a member of the Board of the Angolan Corporate Governance Centre.

Mariana Assis Director
Date of Birth: September 29, 1953

Mariana Assis has been a member of the BFA Board since 2005 and has 40 years' experience in banking. She began her career in 1975 with Banco Comercial de Angola, now BPC, as a clerk in the Accounts Department, rising to Head of Section (1979), Head of Sector (1987) and then Head of the Central Accounting Department (1989). Admitted into BFA's ranks in 1993 as a technical analyst, she worked as Head of Accounting Services from 1994, becoming Head of Accounting in 2001. She holds a degree in Economics, with a specialization in Accounting and Finance, from the School of Economics at Universidade Agostinho Neto.

António Matias Director
Date of Birth: July 19, 1968

António Matias has been a member of the BFA Board since 2005. In addition to an academic career in Economics, he has more than 15 years' experience in banking, having joined BFA in January 1998. He held various positions in the commercial area, until in 2001 he was appointed Deputy Manager of the Credit Department. In May 2005 he became Central Manager of the Corporate Department. He earned a degree in Business Management from the School of Economics of Agostinho Neto University and a postgraduate degree in Banking, Insurance and Financial Markets from Instituto Superior de Línguas e Administração de Lisboa (ISLA). He is Chairman of the Banking Training Institute of Angola (IFBA)..

Vera Escórcio Director
Date of Birth: September 17, 1974

Vera Escórcio has been a member of the BFA Board since 2009 and has 14 years' experience in banking. She joined BFA in 2001 as a financial expert in the Finance Department and was subsequently promoted to deputy head of the department. From 2005 to 2008 she was Finance Director at BIC. She holds a degree in Economics, with a specialization in Business Economics, from the Economics Faculty of Universidade Nova de Lisboa and a postgraduate degree in Bank Management from Católica Executive Education.

Francisco Costa Director
Date of Birth: August 22, 1951

Francisco Costa has been a member of the BFA Board since 2011. With nearly 30 years' experience in Banking, he joined Banco BPI in January 1984 as a Project Analyst and became Project Coordinator in 1987. In 1989 he took on a management role, becoming Central Manager in 1992. He became a member of BPI's Board of Directors in 1995. He holds a degree in Electrical Engineering from Instituto Superior Técnico, Lisbon, and a degree in Economics from the School of Economics of Universidade de Coimbra.

Otília Faleiro Director
Date of Birth: August 26, 1954

Otília Faleiro has been a member of the BFA Board since 2011 and is a non-executive director of EMIS. She has more than 40 years' experience in the Bank. In 1992 she was appointed Assistant Manager of Banco BPI's Information Systems Department, becoming the department's Coordinating Manager in 1998. In 2000 she was designated leader of the Individuals and Small Businesses Network and in 2007 became the Central Manager of Organization and Methods, taking over the role of Central Manager of Real Estate Financing in 2009. In 2010 she became head of the Credit Operations Department. She holds a degree in Business Organization and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Lisbon.
She is a non-executive director of EMIS.

Manuela Moreira Director
Date of Birth: September 28, 1968

Manuela Moreira has been a member of the BFA Board since 2014. She has 20 years' experience in banking, having joined BFA in 1997. During her career she has performed various functions in Accounting, Credit and the Commercial area, where she was appointed head of the Investment Centres Department in May 2006.
Previously, she worked in the Accounting Department at the Finance Ministry and for the Ministry of Education as a teacher at Instituto Médio de Economia de Luanda (IMEL). She has a degree in Accounting and Finance from the University of Havana (1995) and a master's degree in business administration from the Getúlio Vargas Foundation (2005).

INTERNAL CONTROL SYSTEM

BFA's internal control system comprises all the methods and procedures adopted by the governing bodies to ensure, as far as possible, methodical and efficient conduct of the Bank's activities, including adherence to management policies, asset protection, fraud and error prevention and detection, accuracy and completeness of accounting records and timely preparation of reliable financial information.

Under BNA Notice 2/13, financial institutions are required to implement an internal control system. An appropriate and effective internal control system is one that gives the Board of Directors and Senior Management reasonable assurance that the Bank's strategic and operational objectives are being met, the reporting system is reliable and applicable rules and regulations are being followed.

The internal control system has four components, each of which has specific objectives and instruments to ensure that BFA's internal control system is effective and integrated:

Control Environment

The Control Environment refers to the attitudes and actions of the Bank's governing bodies and employees, considering the levels of knowledge and experience needed to perform their functions and the high standards of ethics and integrity to which they adhere in their actions.

Risk Management System

The Risk Management System is intended to establish an integrated set of policies and processes that ensure that risks are properly identified, assessed, monitored, controlled and reported. It must take all the relevant risks into account and ensure that they are managed in an effective, consistent and timely manner.

Information and Communication

The Bank's Information and Communication systems must provide information that is complete, reliable, consistent, comprehensible and in line with the chosen objectives and measures, and appropriate procedures must be in place for collecting, processing and disseminating the information in accordance with best practices.

Monitoring

The internal control system must be monitored to ensure continuous and effective early detection of any deficiencies at the level of strategy, policies, processes and all risk categories, as well as in terms of ethical and professional principles.

REMUNERATION OF CORPORATE BODIES

Remuneration of Executive Directors

Executive members of BFA's governing body – the Executive Committee of the Board of Directors – are paid a fixed salary, supplemented by variable remuneration, which is determined according to the performance of BFA and of each director during the previous year and its consistency with their longer-term performance, based on an assessment of the following criteria, among others:

- individual performance;
- collective performance of the organizational units included in the director's portfolio;
- overall performance of BFA as a whole;
- due regard for the standards, rules and internal and external procedures applicable to the business carried on by BFA, in particular the rules of the Code of Conduct.

The amount of fixed remuneration paid to ECBD members is consistent with market practice and is as determined by each person's employment contract and labour law.

Since BFA is not a public limited company, the variable remuneration supplement in question is paid in full in cash. This variable component of remuneration helps to align the interests of ECBD members more closely with the interests of BFA and its shareholders. Taking "consistent performance" into account when setting the variable remuneration of ECBD members helps to prevent variable pay from becoming an incentive for excessive risk-taking. The total amount of variable remuneration payable to members of the ECBD is affected by various factors, most notably the historical performance of profit before tax and profit after tax.

Remuneration of Non-executive Members of the Board of Directors, the Supervisory Board and the Board of the General Meeting

Non-executive members of the Board of Directors, the Board of the General Meeting and the Supervisory Board receive no variable remuneration, only fixed remuneration, for the performance of their duties. The amount of remuneration paid to members of the Board of Directors, the Board of the General Meeting and the Supervisory Board is set directly by the shareholders at the General Meeting. Since there is no Remuneration Committee, the amounts are decided by a vote of the shareholders at the General Meeting.

Amount of Remuneration Paid in 2015

In 2015, the aggregate remuneration paid to members of the Board of Directors, the Supervisory Board and the Board of the General Meeting amounted to AOA 450.0 million, as follows:

- Members of the ECBD, AOA 392.5 million, including both fixed and variable remuneration;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting, AOA 57.5 million in fixed remuneration.

PROFIT DISTRIBUTION POLICY

The profit distribution policy is stated in the Bylaws, which sets the following order of priority:

- Cover any losses carried forward from previous years;
- Establish or replenish the legal reserve;
- Establish or replenish the special reserves required by law;
- Pay priority dividends due on any preferred shares the Bank may have issued, especially non-voting preferred shares;
- Distribute 40% of the remainder to all shareholders, unless the General Meeting decides by a majority representing two-thirds of the share capital to fully or partially replenish any reserves or to make any other specific investments of interest to the Bank;
- Allocate the remainder as decided by the General Meeting by simple majority.

At present, the requirements regarding funding of the legal reserve are met.

In financial years 2009 to 2012, 65% of earnings was paid out as dividends, while the remaining 35% was applied to unrestricted reserves.

In 2013 and 2014, 50% of net profit for the year was paid out as dividends, while the remaining 50% was taken to unrestricted reserves.

The proposal for the application of earnings for 2015 is to pay out 40% as dividends, the remaining 60% to be taken to unrestricted reserves

ETHICAL PRINCIPLES AND CONFLICTS OF INTEREST

The Code of Conduct, the Regulations of the Board of Directors and the Regulations of the Executive Committee of the Board of Directors set the highest standards of conduct, based on ethical and professional principles, and define rules, principles and procedures for identifying, monitoring and mitigating conflicts of interest.

They also promote transparency in relations between corporate bodies and employees, prohibiting participation in illegal activities and excessive risk-taking; contribute to transparency in contractual relationships between the Bank and its counterparties; and stipulate that neither members of corporate bodies nor employees may accept gifts of more than token value that might compromise their independence.

The professional activities of members of the Bank's corporate bodies and employees are governed by ethical principles defined in BFA's Code of Conduct and approved by its Board of Directors (available on the intranet and on the corporate website), the main points of which are summarized as follows:

- To ensure that in addition to complying with the rules and duties imposed by applicable legal provisions and regulations, the Bank, the members of its corporate bodies and its employees act strictly in accordance with ethical principles and demonstrate exemplary civic conduct;

- To show diligence and competence in the performance of professional duties, acting at all times in good faith and in accordance with high standards of diligence, loyalty and transparency, and respond to the requests of customers and the competent authorities in a rigorous, timely and thorough manner, while observing the duty of professional secrecy;

- To strictly maintain professional secrecy;

- To treat all customers of the Bank equally where there is no legal, contractual or risk-related reason to do otherwise;

- To manage conflicts of interest: in situations where there is conflict between the interests of two or more customers they must be resolved thoughtfully and equitably in order to ensure fair treatment of the parties involved. Any conflicts between a customer's interests and those of the Bank or its employees and officers that arise in the day-to-day activities of the Bank must be resolved in favour of the customer, except in cases where there are legal or contractual reasons for doing otherwise;

- To prohibit improper benefits and abuse of position: Officers and employees are not permitted to solicit, accept or receive, either for themselves or for third parties, anything of value, whether of a financial or other nature, or any promise thereof, as consideration for any act or omission in the performance of their duties at the Bank (irrespective of whether such an act constitutes a violation of their duties);

- Relations with the authorities: in dealing with banking supervisors and the tax and judicial authorities, members of corporate bodies and employees must act diligently, seeking clarification from their hierarchical superiors where necessary.

In their dealings with customers and the market, members of corporate bodies and employees of BFA must exercise the utmost discretion and keep strictly confidential any services provided to customers and any information about customers or third parties to which they have access through their work.

RISK MANAGEMENT SYSTEM

The Risk Management System provides an overview and allows integrated management of the risks to which the Bank is exposed, with a view to mitigating potential losses associated with risk events.

Monitoring and control of the risk management system is currently the responsibility of the Board of Directors, which includes non-executive directors, and the Risks Committee.

The Supervisory Board, the Audit and Internal Control Committee and the Risks Committee also have responsibility, within the scope of their authority, for assessing the main indicators and areas of risk management.

Identifying and assessing risk situations is the responsibility of all the Bank's areas in general, although the following departments have particular responsibility for credit risk:

- Department for Loans to Individuals and Businesses, which is responsible for assessing credit transactions in the Individuals and Businesses segments;
- Corporate Credit Risk Department, which is responsible for assessing credit transactions in the Corporates segment;
- Structured Finance and Investment Finance Department, which is responsible for structuring complex, high-value financings and all investment finance proposals, including those included in the Angola Investe programme;
- Real Estate Transactions Department, which is responsible for the assessment of loan applications and the monitoring of outstanding loans backed by real estate assets or income from commercial activities in the real estate sector;
- Credit Monitoring, Recovery and Litigation Department, which is responsible for transactions that fall into arrears and for recovery, whether through negotiation or through the legal action.

All these units report to the same director, who has no responsibilities in the commercial areas.

BFA has a set of General Credit Regulations, supplemented by a set of other internal rules and procedures to ensure proper control of credit risk, which were reinforced in 2011 with the entry into operation of BNA's Credit Risk Centre, an indispensable tool for proper measurement of credit risk.

As regards the management of liquidity, exchange rate and interest rate risk, the Financial and International Department (DFI) is responsible for ensuring compliance with applicable supervisory rules and the internally approved ratios and limits specified in the department's Limits and Procedures Manual, in particular the mandatory reserves ratio and the foreign exchange exposure limits. It is also responsible for conducting relations with the BNA on these matters.

The Organization and Training Department is responsible for managing operational risk, so as to make the Bank's operations more efficient and more rational. It is involved in and coordinates projects and defines processes and procedures, so as to ensure that internal regulations are prepared and maintained, that the Bank's organizational structure and processes are appropriate from the point of view of efficiency and risk, and that its management receives the necessary support at all times. It is also responsible for gathering information and preparing reports on operational losses.

Within the scope of anti-money laundering and anti-terrorist financing procedures, the Compliance Department is responsible for carrying out prior and post hoc controls to identify sanctioned entities, detect suspicious transactions and verify compliance with applicable laws and regulations affecting the Bank.

The task of the Internal Audit and Inspection Department (A&I) is to safeguard the integrity and security of the Bank's assets and the assets of its customers. To this end, it conducts periodic analyses of the activities of the business units and Central Services. These analyses are supplemented by thematic audits carried out by the External Auditor or an auditor hired specifically for the purpose. The department is also responsible for assessing compliance with internal regulations and the Code of Conduct.

The methodologies and tools used in managing each of the abovementioned risks are analyzed in detail in the relevant risk chapters.

INTERNAL INFORMATION

The Bank is continually investing in information systems, as an integral part of its strategy to achieve high levels of innovation, modernization and risk control. Information systems help the Bank achieve sustainable growth, not only through optimization of processes and procedures but also through optimization and continuous improvement of customer service quality.

Institutional Communication

The Bank places special importance on straightforward, open relations with its shareholders, the authorities, the media and other market players.

Communication with the market is accomplished through the publication of annual reports and accounts and quarterly summary financial statements on the Bank's institutional website.

Employees are kept informed of the Bank's performance and activities through the corporate intranet. At half-yearly intervals the Bank also holds a management meeting, which is attended by representatives of the various departments, to present earnings and plans for the future.

MONITORING

Monitoring the internal control system is mainly the task of the Audit and Inspection Department. The department assesses the adequacy and effectiveness of the various components of the internal control system by monitoring compliance with established processes and procedures. It is responsible for ensuring that the activities of the commercial network (Branches, Corporate Centres and Investment Centres) and Central Services are subject to systematic audit and inspection, so as to safeguard the integrity and security of the assets of the Bank and of its customers, compliance with applicable external and internal regulations, and risk control.

It also carries out specific investigations in relation to complaints submitted by customers or at the request of the Bank's management bodies.

IN-HOUSE MAGAZINE – BFA YETU

The BFA YETU project was created as a challenge to the Bank's internal communication strategy.

In-house Magazine, Issue 4, March

BFA YETU is the Bank's in-house magazine. In Kimbundo, "yetu" means "ours". It is published every four months and is intended to build awareness of the Bank's activities among all employees.

In-house Magazine, Issue 5, July

Revista Interna n.º 6 Novembro 2015

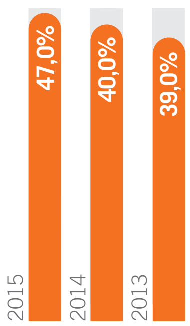
Core Business Areas

TRENGTHENING OF LEADERSHIP POSITION AND EXPANSION OF ACTIVITY

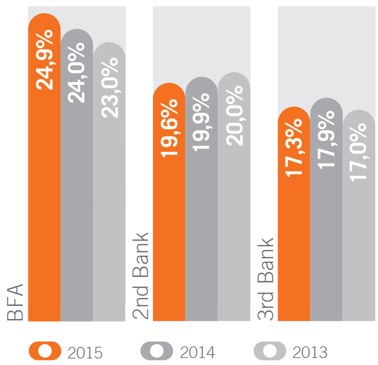
Continuation of the Process of Financial Inclusion of the Angolan Population

The increase in the rate of bank account ownership among the Angolan population as a result of the financial inclusion process has been a major focus of activity in the financial sector. The measures taken by the Central Bank and financial institutions have led to an increase in the proportion of the population that have a bank account. Based on a poll of the population aged 15 and over resident in Luanda province, the rate of bank account ownership in 2015 was 47%, up 7% compared to the previous year.

Bank account penetration[1]



Penetration rate[2]



[1] Angola All Media & Products Study – Luanda 2015 (AAMPS). As part of the All Media & Products Study (AMPS), Marktest Angola performs an annual study of the viewing and consumption habits of the populations of Luanda and Benguela. The surveys are administered to a sample of more than 3,500 inhabitants of both sexes aged 15 or more. This study is also subject to a three-stage quality control: monitoring, validation of response consistency, and supervision.

[2] Based on a sample of bank customers in Luanda aged 15 and over.

In line with the increase in bank account ownership, in 2015 BFA's penetration rate among the population of Luanda province aged 15 or more (22.8%) remained ahead of that of the other banks, showing BFA's strong growth in customer acquisition and in relations with the market and with its customers.

This robust growth, allied to BFA's efforts to diversify its presence in more provinces across the nation and to expand its range of products and services, is reflected in the consolidation of its market share as customers' primary banking partner, where it remains the leader, with 25.1% of the market.

Market Share as Customers' Primary Banking Partner[2]

[2] Angola All Media & Products Study – Luanda 2015 (AAMPS)

Sustainability and Consolidation of Market Position

Improving customer service has been a priority across all the Bank's commercial areas and is reflected, as in previous years, in an increase in number of customers. In 2015, BFA acquired more than 109 new customers, an increase of 8.4% compared to 2014.

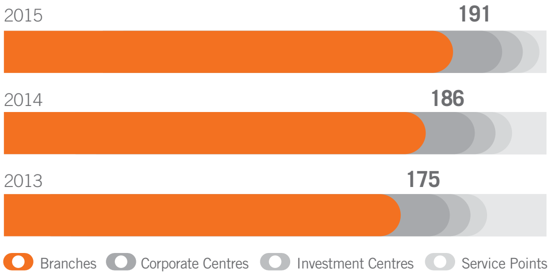
MAINTENANCE OF SUSTAINED GROWTH IN THE PHYSICAL BRANCH NETWORK

Growth and Renewal of the Commercial Network

In order to serve its customers better, BFA's commercial network segments the market into three areas of activity: Branches, which are the basic retail banking format and specialize in managing accounts for customers in the Individuals and Business Owners and Businesses segments; Corporate Centres, aimed at medium and large companies, offering solutions tailored to their specific needs; and Investment Centres, for high-net-worth or high-income customers, with a focus on personalized customer care.
In 2015 BFA opened 5 branches: 3 in the province of Luanda, 1 in Bié and 1 in Cunene. As a result, the BFA network now has 159 Branches, 16 Corporate Centres, 9 Investment Centres and 7 Service Outlets. The enlargement of the BFA commercial network is the responsibility of the Facilities and Assets Department. The department's task is to find the best

locations for branches, secure approval and licensing of plans, building work and remodelling of existing branches. The policy of remodelling existing branches rather than building new ones will be continued in 2016, with the aim of modernizing the design of old branches that need refurbishment.
As of December 2015, BFA had a total of 191 service outlets, an increase of 2.7% compared to 2014.

BFA Distribution Network



CUSTOMER BASE AND SERVICES – INDIVIDUALS AND BUSINESSES

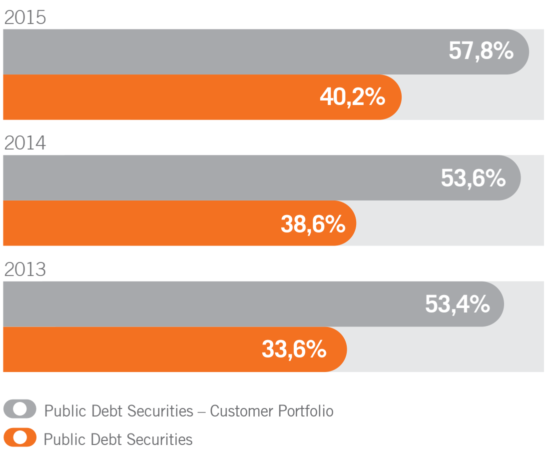
AOA million

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Customers (no.)	1 065 115	1 183 210	1 291 089	11,1%	9,1%
BFA Net users (no.)	343 445	397 033	498 222	15,6%	25,5%
Debit cards (no.)	554 607	632 327	692 420	14,0%	9,5%
Credit cards (no.)	10 172	12 614	14 528	24,0%	15,2%
Salary accounts (no.)	44 117	58 096	70 012	31,7%	20,5%

Greater Efficiency in Customer Service

As regards improving service quality, the eMudar@BFA project, which introduces a new front-end for branch transactions using workflow technologies and digital archiving of documents, was extended to all the Bank's service outlets. This new application already covers account opening and maintenance processes for Individual and Businesses, as well as the processes for cheques and subscription to Multicaixa cards and the HomeBanking, BFA Net and BFA Net Empresas services.

BFA Net and Debit Card Penetration



Lively Customer Acquisition Performance

The number of customers in the Individuals and Business Owners and Businesses segments increased by 8.5% in 2015 compared to 2014, an increase of more than 109,000 in absolute terms. This figure shows BFA's strength in the retail banking area, where it is a market leader.

The trend in sales of products and services linked to payment services and the new electronic channels is positive. Credit cards are an exception, with a decrease of 2.8% compared to 2014. This decrease was due to the decision, announced by the Bank in May 2015, to suspend the marketing of new credit cards because of the country's foreign exchange situation during this period. The positive trend in debit card use and new BFA Net users resulted in a marked improvement in the penetration rate of these services in the customer base, which increased by 4.1 and 1.6 percentage points, respectively.

Deposits in Local Currency

Funds taken provided the Bank with very considerable liquidity. This ensures the financing of the economy and BFA's readiness to face future challenges. To this end, one of the most relevant indicators in characterizing BFA is the growth of deposits. The volume of deposits held by Individuals and Businesses grew 13% to a total of AOA 372,522 million.

SERVICE QUALITY

Mystery Customer Study

Continuing the work started the previous year, in 2015 BFA carried out two mystery customer surveys. The mystery customer study is intended to assess the level of customer service provided by BFA's branches for Individuals and Businesses and to set targets and identify areas for improvement in relation to the image of the branches and their staff, the context in which customer service is provided and staff behaviour in sales scenarios.

Following the first survey carried out in the first quarter of the year, detailed files were prepared for each commercial body, specifying the areas for improvement. These files were made available on the Intranet and were discussed in sales meetings.

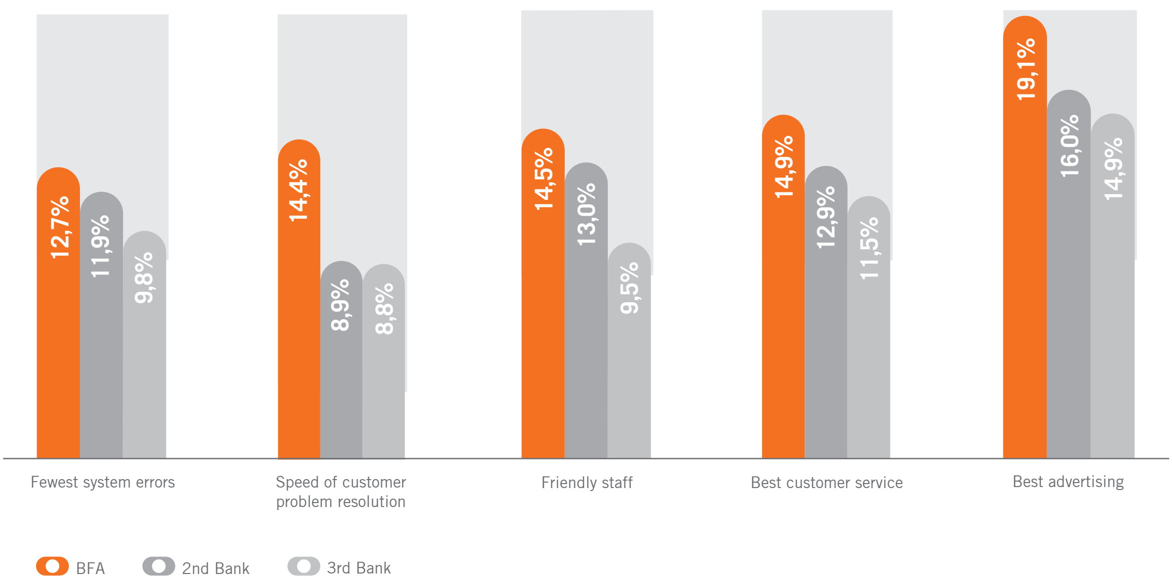
As a result, in the assessment carried out in the second survey, carried out in the third quarter of 2015, we observed an improvement across all the indicators.

BFA aims to carry out two mystery customer surveys per year, following the same procedure as in 2015. The Bank aims to give its sales teams stronger guidance, so as to improve the quality of customer service.

AAMPS Study: Image of Banks

The survey carried out in Luanda province showed that customers' perception of BFA is more favourable in all categories compared to the second and third-ranking banks.

The category in which BFA stands out most is in speed of resolution of customer problems, with a score 5.5 percentage points above that of the second bank. It is followed by the categories of best advertising, with an advantage of 3.1 percentage points over the other banks; best customer service, with a lead of 2 percentage points; friendliest employees, with a lead of 1.5 percentage points; and fewest system errors, with a lead of 0.8 percentage points.



[1] Angola AMPS- All Media & Products Study - Luanda

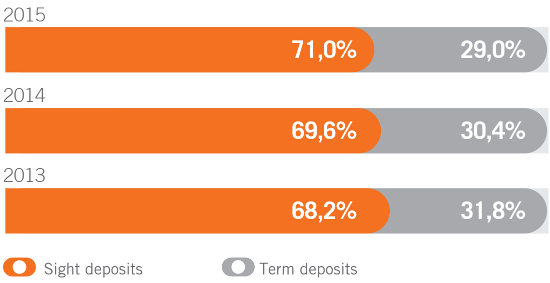
CUSTOMER FUNDS – INDIVIDUALS AND BUSINESSES

AOA million

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Funds	306.887,9	329.817,2	372.619,0	7,5%	13,0%
Deposits	306.724,8	329.625,6	372.522,4	7,5%	13,0%
Sight deposits	209.081,9	229.535,0	264.673,7	9,8%	15,3%
Term deposits	97.642,9	100.090,6	107.848,6	2,5%	7,8%
Other funds	163,1	191,6	96,6	17,5%	-49,6%

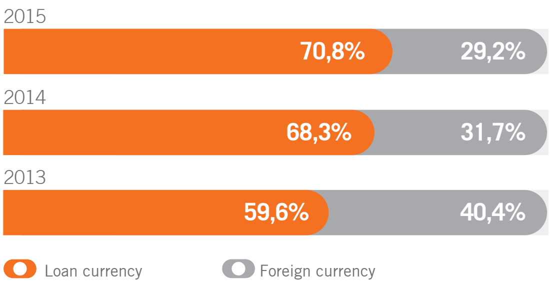
As in previous years, sight deposits, up 15.3% on 2014, account for most of this increase, representing slightly more than 70% of total deposits. Although term deposits decreased as a proportion of total deposits, they increased by nearly 7.5% (AOA 7,758 million) in volume compared with the previous year.

Deposits in Local Currency – Individuals and Businesses



The ongoing de-dollarization of the Angolan economy is apparent in the steady increase in the proportion of local-currency deposits, which accounted for 70.8% of total retail banking deposits, an increase of 2.5 percentage points compared to 2014.

Deposits by Currency and Type – Individuals and Businesses

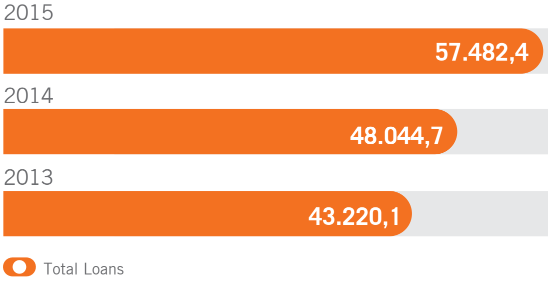


Increase in Loans and Advances to Customers

Continuing the previous year's trend, the loan portfolio grew by 11.2% to reach AOA 48,044.7 million, with particularly strong growth in the Businesses segment, which was up 62.8% on the previous year.

Investment financing accounted for the largest portion of business lending (42.5%), in line with the increase in BFA's exposure to and support for business in general.

Loans and Advances to Individuals and Businesses



Loans to Individuals continue to account for the greater part of loans granted by the Department for Lending to Individuals and Businesses, or approximately 86% of total loans and advances, compared to 14% for loans to Businesses.

PROTOCOL MANAGEMENT DEPARTMENT

Created in July 2013, the task of the Protocol Management Department (DGP) is to implement a more organized and competitive approach to the establishment of protocols with institutional and corporate customers. These protocols provide for special terms on certain BFA credit facilities for such customers' employees if they have their salary paid directly into an account held at BFA.

During 2015 the DGP concluded 17 new protocols, particularly for companies in the public sector. Several campaigns were directed at employees of these companies, coordinated by the DGP and always with the support of the commercial network of the Branches and Investment Centres, the aim being to provide these customers with a personalized, excellent service.

These campaigns provided additional information and explanations of the advantages of the loan products and services provided by BFA. The main focus of these campaigns was on the provision of loan simulations to help employees clarify the amounts, terms, payment, effort rates and costs of the loans.

During the year, the DGP also carried out campaigns aimed at its corporate customers with a view to expanding the protocols already in place and establishing contacts with more than 10,000 customers and potential beneficiaries. In order to ensure customer satisfaction and service quality, the DGP has special offers, including:

- Civil Servant Offer of special pricing conditions for personal and auto loans; and
- Express Personal Loan Offer, with a discounted interest rate and no need for guarantors, exclusively for loans granted under protocols with oil sector companies and Civil Servants.

The DGP's priorities for 2016 are to increase the number of new protocols and finalize the protocols currently being negotiated, focusing mainly on the public sector. It plans to maintain the pace of sales campaigns and monitor their results. The DGP also aims to promote stricter monitoring of default on loans and guarantees.

INVESTMENT CENTRES

CUSTOMER AND USER BASE - INVESTMENT CENTRES

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Customers (no.)	3.166	3.500	3.722	10,5%	6,3%
BFA Net users (no.)	2.658	2.926	3.039	10,1%	3,9%
Debit cards (no.)	2.549	2.868	2.932	12,5%	2,2%
Credit cards (no.)	2.023	2.262	2.270	11,8%	0,4%

GROWTH OF THE CUSTOMER PORTFOLIO AND INCREASE IN FUNDS

To consolidate its growth strategy and continuously improve service quality, the Investment Centre Support Office has provided an increasingly personalized, customer-focused service, thus meeting its goal of providing administrative support to the Investment Centre Department's commercial units.

Enlargement of the Customer Base and of Card Marketing

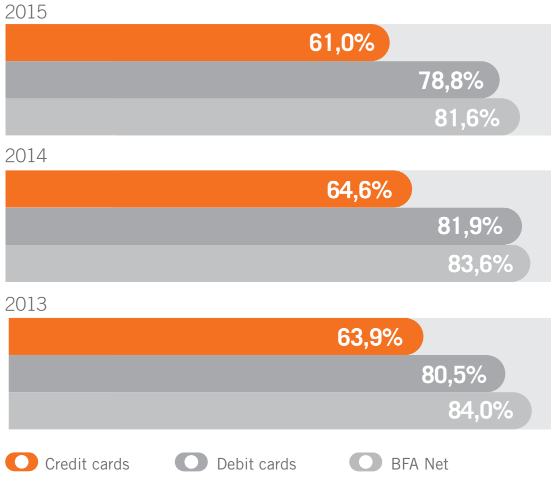
The number of Investment Centre customers continued to grow in 2015 to reach more than 3,500.

The number of customers with access to HomeBanking reached 3,039, an increase of 3.9% compared to the previous year.

The number of new credit card customers also increased by 2.2%.

This growth in the use of payment means and the electronic channels reflects the Bank's efforts to offer its customers a broader range of solutions, generating loyalty and satisfaction, as shown by the high penetration rates of BFA Net services and debit cards.

Penetration of BFA Net, Debit Cards and Credit Cards



Significant Growth in Customer Funds

In line with the upward trend in recent years, customer funds grew 1.4% in 2015 to AOA 181,582 million.

Term deposits reached a total of AOA 156,994 million. Despite the 1.2% decrease compared to 2014, the differences in weight between these items in the structure of deposits are still clear to see. Term deposits accounted for 86.5% of total customer deposits, highlighting the vocation and the savings potential of this market segment. Also noteworthy is the significant increase in sight deposits, which were up 22.3% at AOA 24,483.3 million.

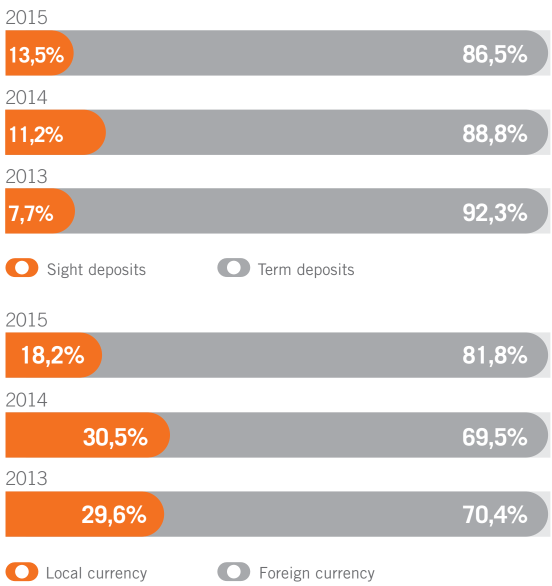
CUSTOMER FUNDS – INVESTMENT CENTRES

AOA million

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Funds	168.009,6	179.007,0	181.582,3	6,5%	1,4%
Deposits	167.879,4	178.848,6	181.477,6	6,5%	1,5%
Sight deposits	12.894,4	20.018,1	24.483,3	55,2%	22,3%
Term deposits	154.985,0	158.830,6	156.994,1	2,5%	-1,2%
Other funds	130,2	158,4	104,7	21,6%	-33,9%

At the beginning of 2014, in response to the need for liquidity and to satisfy opportunities for investment and diversification of its customers' portfolios, BFA started dealing in public debt securities.

Deposits by Type and Currency – Investment Centres



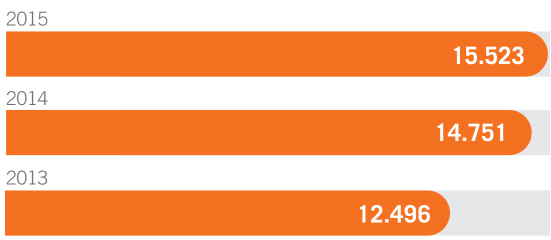
This opportunity arose because the Finance Ministry began to pay part of its debts to suppliers and contractors (mainly in the Public Works sector) through the issuance of tradable government debt, specifically Treasury bonds indexed to the USD.

BFA acquires Treasury bonds from companies that need liquidity for their business. It then sells the securities to other customers, who take the opportunity to diversify their savings and obtain a return on them.

Loans and Advances to Customers

In 2015 the loan portfolio increased by 5.2%, reaching AOA 15,523.3 million.

Loans and Advances to Customers – Investment Centres



CUSTOMER BASE AND SERVICES – CORPORATES

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Customers (no.)	5 800	6 156	6 389	6,1%	3,8%
BFA Net users (no.)	2 903	3 349	3 562	15,4%	6,4%

Service Quality Improvement

Getting closer to customers is a priority. A programme of visits to customers, aimed at getting to know the customers and their needs, was drawn up and completed in 2015 and a similar but more ambitious programme is expected to be implemented in 2016.

To make these visits effective, regional managers and their teams produced meeting scripts.

Enlargement of Customer Base and Increase in Service Penetration Rate

The number of customers in the Corporate Banking segment increased once again in 2015, reaching a total of 6,389.

In 2015 the number of customers signed up to the BFA Net Empresas service increased by 6.4% and the penetration rate rose to 55.8%.

BFA Net Empresas offers easier, more convenient banking for corporate customers.

BFA Net Penetration Rate – Corporate Banking

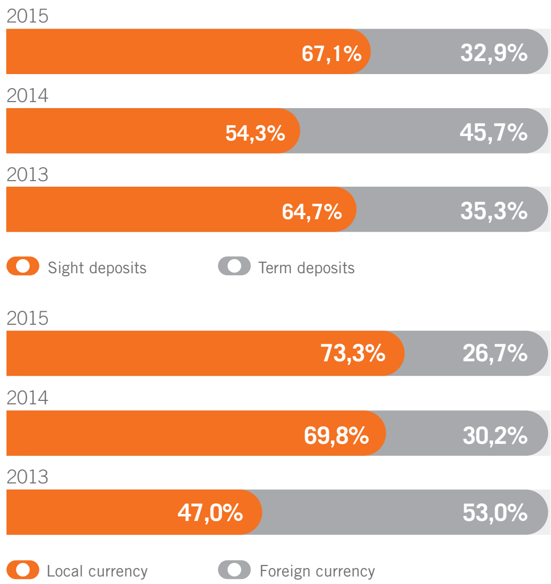
Increase in Customer Funds

In 2015, customer deposits in the Corporate Banking segment showed an increase of 10.2% compared to 2014, reaching a total of AOA 459,918.9 million. This growth was assisted by a 36.1% increase in sight deposits (up AOA 81,857.5 million), offset by a 20.6% decrease in term deposits (down AOA 39,326.6 million), compared to the previous year.

The increase in customer funds is even more pronounced (+21.6%) if the 111.7% increase in the securities portfolio (Treasury bonds) in 2015 is taken into account.

By currency, between 2013 and 2014 local-currency deposits grew by 22.8 percentage points as a proportion of total deposits, as a result of the de-dollarization of the Angolan economy.

Deposits by Type and Currency



CUSTOMER FUNDS – CORPORATES

AOA million

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Funds	307 940,5	470 427,7	572 218,7	52,8%	21,6%
Deposits	280 499,8	417 387,8	459 918,9	48,8%	10,2%
Sight deposits	181 569,8	226 806,2	308 663,7	24,9%	36,1%
Term deposits	98 930,0	190 581,6	151 255,0	92,6%	-20,6%
Securities *	27 440,701	53 039,9	112 299,8	93,3%	111,7%

* Customer securities held in custody by BFA and recorded in off-balance-sheet accounts; accounted for off-balance-sheet..

LOANS AND ADVANCES TO CORPORATE CUSTOMERS

AOA million

	2013	2014	2015	Δ% 13-14	Δ% 14-15
Total loans	118 850,3	227 873,5	203 242,6	91,7%	-10,8%
Corporates	118 848,2	227 872,3	203 240,6	91,7%	-10,8%
Loans and advances to customers	90 443,8	168 539,5	149 337,6	86,3%	-11,4%
Guarantees and letters of credit	28 404,4	59 332,8	53 903,0	108,9%	-9,2%
Import letters of credit	10 220,2	22 592,0	23 534,6	121,1%	4,2%
Guarantees provided	18 184,1	36 740,8	30 368,3	102,0%	-17,3%
Other	2,07	1,23	2,01	-40,3%	62,9%

Note: volume of credit excluding accrued interest

Loans and Advances to Customers

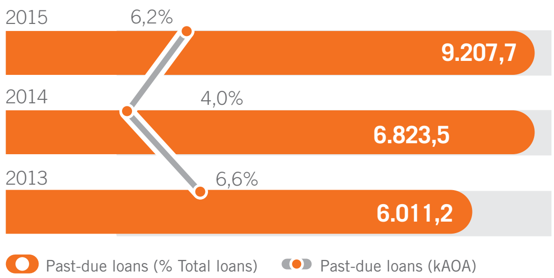
The loan portfolio in the Corporates segment was down 10.8% compared to the previous year, with a decrease of AOA 19,201.9 million (11.4%) in loans and advances to customers.

However, this decrease is attributable entirely to the repayment of an AOA 52.6 million loan granted to the Finance Ministry in 2014 through a special issue of Treasury bonds. The portfolio of loans to the productive sector grew 13% in local currency, reflecting BFA's commitment to the development of Angolan businesses.

Soundness of the Loan Portfolio

The volume of past-due loans in the Corporate Banking segment increased by AOA 2,384.2 million, a significant increase of 34.9% compared to 2014. The decrease in lending, coupled with the increase in past-due loans in this segment, resulted in a deterioration of the indicators of credit quality in the Corporates segment, especially the past-due loans ratio, which rose 2.2 percentage points to 6.2%. However, despite the decline in credit quality, the ratio is better than in 2013, when the portfolio of loans and advances to customers was less than 45% of the portfolio in 2015.

Loan Quality in the Corporate Banking Segment



The provision coverage ratio stood at 122.9% in 2015, reflecting the quality and robustness of the loan portfolio.

SALES SUPPORT AND PROMOTION OFFICE

This office helps to define and monitor the Corporate Department's sales targets, monitors results and promotes sales campaigns; it also promotes development of the product and service offering and pricing to ensure BFA's market leadership and competitiveness.

It is made up of two areas:

The **Operational Support and Products Area** is focused mainly on:

- developing and adapting products and services;
- promoting changes in the product and service offering and launching, coordinating and monitoring new products;
- preparing customer monitoring practices, with the aim of optimizing sales and service quality;
- continuously monitoring the product and service offering of BFA's main competitors;
- defining, creating and implementing cross-selling and customer acquisition mechanisms for the Corporates segment;
- supporting the Marketing Department in developing sales materials;
- creating reports on profiles, segmentation, risk, abandonment and value;
- supporting the process of granting and managing credit lines and credit limits;
- monitoring new past-due loans.

The responsibilities of the **Sales Promotion, Trade Finance and Support and Business Cooperation Area** are focused more on:

- training / informing the sales teams about the range of specific products and services;
- periodically visiting the branches;
- implementing the main sales action and sales management pillars of the sales teams;
- participating in meetings with the main customers for product presentations.

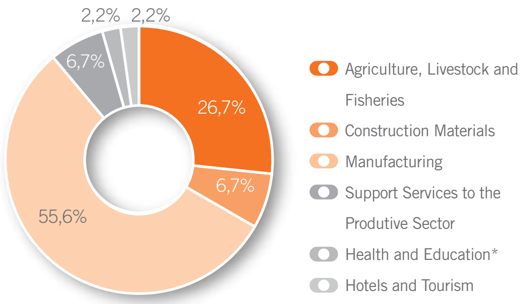
Structured Financing and Investment Financing

This area is responsible for providing tailor-made structured financing on a medium and long-term basis, characterized by a complex legal structure, specifically for:

- start-ups;
- project finance;
- mergers & acquisitions;
- major investments in projects involving corporate risk, where the risk impacts significantly on the company;
- loans to the government or to public sector bodies or with the guarantee of the Angolan government;
- structured loans with bank syndicates;
- restructuring of liabilities / substitution of liabilities in large corporate groups as a way of safeguarding the participation in the loan;
- projects with shared risk, particularly with multilateral and bilateral agencies and export credit agencies (ECAs);
- farm credit, including assessment of the technical component, and investment finance for the financing of non-current investments or investments covered by the Angola Investe programme.

In 2015, the sectors selected by BFA were agriculture and manufacturing linked to agro-industrial activity and beverages, which make a large contribution to import substitution and the diversification of the national economy.

Main Sectors of Activity of Credit Transactions



*These sectors are not covered by the programme, which requires authorization of the Ministry of Economy (MINEC).

ANGOLA INVESTE

Angola Investe is a programme to support micro, small and medium enterprises (MSMES) and micro, small and medium single-member enterprises. It is intended to finance investment and working capital projects tied to investment in fixed assets.

The programme has two basic mechanisms to stimulate investment:

- Interest rate subsidies that reduce the interest rate to a maximum of 5%;

- A mechanism to provide entities that have no assets with a government guarantee covering up to 70% of the value of the investment.

The main objective of the programme is to create and strengthen national MSMES, enabling them to generate employment on a large scale and so contribute decisively to the country's development and the diversification of the economy.

As of December 2015, BFA had approved 56 loan applications in the amount of AOA 5,102 million and had paid out 45 loans in the amount of AOA 3,908 million. The Credit Guarantee Fund issued 39 government guarantees in favour of BFA for the approved loans.

THREE AREAS OF ACTION: SPECIALIZED MONITORING, OPERATIONAL EFFICIENCY, AND SOUNDNESS AND SECURITY

BFA's strategy to respond to the challenges posed by companies in the Oil & Gas sector is supported by three major areas of activity: specialized monitoring, operational efficiency, and soundness and security.

Specialized Monitoring

Between 2012 and 2013 two Corporate Centres were created for this purpose: the Oil & Gas Operators Corporate Centre, tasked with serving oil sector operating companies, and the Oil & Gas Vendors Corporate Centre, whose mission is to meet the needs of companies that provide services to oil sector companies.

With the creation of these structures, BFA has confirmed its commitment to availability for and strict monitoring of oil sector companies, establishing itself as a preferred partner for the conduct of their business. The sector's customers therefore have access to exclusive BFA teams able to provide solutions that fully meet their needs. Here, the aim is to provide monitoring by professionals who have in-depth knowledge of the sector's transactional specifics, as well as faster processing of their instructions.

In 2015, greater emphasis was given to the monitoring of Contract Licensing through the BNA's integrated foreign exchange transaction system (SINOC), as a way of making it possible for service and salary payment processes to be recorded.

Operational Efficiency

Acknowledging the transactional needs of Oil & Gas sector companies, BFA has provided its operational structure with payment and transfer processing systems in keeping with the exacting standards these companies require.

We maintained our commitment to provide support and incentives for our customers to use electronic means of payment in the Oil & Gas sector and made arrangements to allow automated integration of files between customers' systems and the Bank's systems.

We improved solutions that allow our customers to receive MT940 statements with the frequency specified by Swift for MT101 transactions and also batch payment through PSX files that allow processing for different beneficiaries and banks, ensuring greater confidentiality in payments.

We adapted the HomeBanking systems to allow tax payments, creating a BFA Net Empresas access profile with restricted transaction permissions.

Soundness and Security

With its strong balance sheet, BFA is fully equipped to work closely with customers in the oil sector to meet their financial and operational needs in a timely manner.

The solutions offered and the technology developed and made available to customers through BFA's Oil & Gas Corporate Centres (Operators and Vendors) are based on industry best practices, ensuring maximum security, speed, efficiency and integrity in transaction processing.

In particular, the BFA Net Empresas service guarantees total confidentiality and security, based on the use of passwords and confirmation codes and different levels of access authority, depending on the type of transaction to be performed.

Current economic circumstances have changed the way Oil & Gas customers seek to protect and achieve a return on their assets. In this context, the Bank's financial soundness has allowed it to create various financing alternatives and, for customers with surplus liquidity, an offering of local-currency Treasury bonds linked to the US dollar as protection against devaluation of the local-currency.

CAPITAL MARKET

Public Debt Intermediation

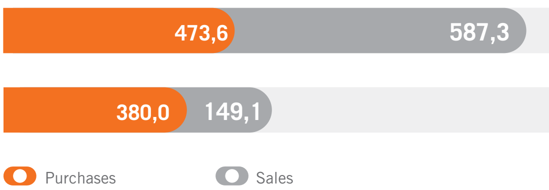
BFA began its public debt securities intermediation business at the start of 2014 to meet its customers liquidity and investment needs.

From November 2013 the Finance Ministry began to pay part of its debts to suppliers and contractors (mainly in the Public Works sector) through the issuance of tradable government debt, specifically Treasury bonds indexed to the USD.

BFA buys Treasury bonds from companies that need liquidity for their business and sells them to other customers, who take the opportunity to diversify and obtain a return on their savings.

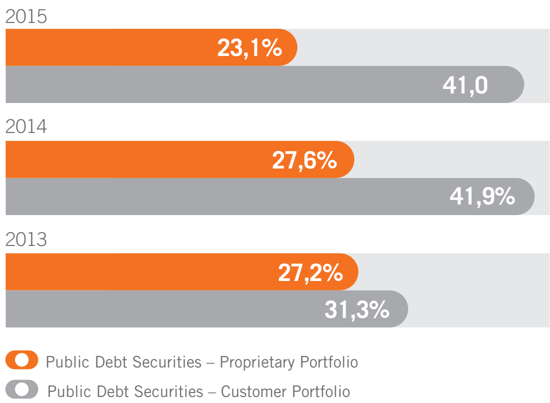
During 2015, BFA brokered public debt with customers in local and foreign currency for a total of USD 1,060.9 million, doubling the volume of sales and purchases compared to the previous year.

Public Debt Transactions with Customers, in USD million



In 2015 BFA achieved a market share of 41% of its customers' portfolio of securities and 23.1% of its proprietary portfolio of public debt securities.

Market Share of Securities Portfolio in Local Currency (%)



BODIVA

The consolidation of the Bank's position as a financial intermediary is intrinsically linked to the opening of the Angolan Stock Exchange, BODIVA, in 2015. BFA became the first trading member of BODIVA, authorized to trade in the regulated markets for its own account and as a dealer executing orders on behalf of customers.

After the first year of operation of BODIVA, BFA had a market share of 88.6% in number of trades (834 deals) and 77.3% in volume (AOA 80,444 million traded).

BODIVA is a regulated-market management company responsible for implementing the trading environment that allows transactions, on the secondary market, in government bonds, corporate bonds, equities, investment fund units and other securities.

Registration as a BODIVA member allows all market participants to access the same information, ensuring full price transparency for those wanting to trade in Treasuries. This was a critical and crucial factor for the implementation of a capital market, leveraging trading in securities between the various market players.

Capital Market Commission

Since the enactment of Law 12/05 (Securities Act), which started the process of constructing a legislative framework for a capital market, Angolan legislation has developed the basis for the creation of the capital market through a series of regulations, most notably:

- Presidential Legislative Decree 4/13, which laid the foundations for the creation of the public debt market;
- Legislative Presidential Decree 5/13 regulating Securities Broker firms;
- Presidential Legislative Decree 6/13 governing Regulated Market and Financial Services Securities Services Management Companies;
- Presidential Legislative Decree 6/13 governing Collective Investment Undertakings.

Publication of this legislation created the conditions for BFA to start operating in the various sectors.

An important step in BFA's strategy in relation to the capital market in Angola was its registration by the Capital Market Commission as a financial intermediary. As a result, BFA became eligible to:

- Receive and transmit orders on behalf of third parties;
- Execute orders on behalf of others in regulated markets or elsewhere;
- Trade on its own account;
- Provide registry, deposit and custody services;
- Provide assistance in public offerings and consulting services in relation to capital structure, industrial strategy and related issues, as well as mergers and company acquisitions;
- Act as placement agent in non-underwritten offerings;
- Act as underwriter in public offerings;
- Provide credit, including securities lending, for the execution of transactions to which the lender is a party;
- Provide the foreign exchange services that are needed in order to provide the foregoing services on the terms stipulated by the foreign exchange legislation.

Insofar as investment fund and pension fund management require a corporate structure, BFA intends to take further steps to create a collective investment management company and a pension fund management company.

BUSINESS DEVELOPMENT UNIT

A SPECIALIZED TEAM WITH EXPERIENCED PROFESSIONALS

The activity of the Business Development Unit (BDU) is focused on identifying investment opportunities in Angola, especially in the sectors with the most growth potential, selecting the national and international players best placed to exploit whatever opportunities have been identified.
There are four phases in the BDU's activity:

PHASE I *Business information*	*PHASE II Market analysis*	*PHASE III Analysis and assessments*	*PHASE IV Implementation*
▪ Information about companies and sectors ▪ Strategic partners ▪ Tax and legal information ▪ Governmental investment promotion programmes ▪ Sources of supply ▪ Sources of funding	▪ Macroeconomics ▪ Selected sectors/ economic areas ▪ Supply/ Demand for products and services ▪ Competition analysis	▪ Entry strategy ▪ Business Plan preparation ▪ Feasibility studies ▪ Advisory in investment decisions	▪ Advice and support in the implementation of strategic partnerships ▪ Support in the selection of locations/ spaces ▪ Support in obtaining authorizations from the authorities ▪ Support in getting established

The BDU is staffed by a specialized team of experienced Angolan and Portuguese professionals with a proven track record in investment banking and financial advisory and consulting services.

In its five years of activity the BDU has intensified its institutional marketing campaign, "Angola's Opportunity", through roadshows in various geographical areas, with the aim of identifying potential investors for new opportunities in the country.

Backed by the tremendous international investment banking experience and know-how of the BPI Group and aided by exploratory contacts established with some of the main international players in sectors crucial to the development of the Angolan economy, the BDU is in a privileged position to support Angolan businesses in their efforts to spur the country's agricultural and industrial development.

Moderate Growth Expected

Given the current situation of the Angolan economy, largely influenced by a significant decrease in Brent crude oil prices, the BDU expects moderate growth of business during the coming year.

As in the previous year, Angola continues to attract foreign investment. This foreign investment, allied with a more professional approach to business and asset portfolio reorganization and optimization by groups and companies operating in Angola, gives the BDU a solid base on which to achieve continuous, sustained growth in its activity.

BDU'S LINE OF SERVICES

Corporate Finance	*Project Finance*	*Capital Market**
Business and industry restructuring	Advice to the State	Share offerings
M&A and joint ventures	Private investment	Debt offerings
Privatizations and public tenders	PPPs (structuring, negotiation, implementation)	Privatizations and other capital market transactions
Advice on investment projects in Angola	Structuring of loan facilities (specific projects)	Trading
Business plans and support for the acquisition and structuring of funding		
Advice to companies on entry into the Angolan market		
Advice to companies with internationalization plans		

* Angola's capital market is in the start-up phase

Human Resources

CONTINUOUS INVESTMENT IN HUMAN CAPITAL

Talent Acquisition Policy to Support Growth

BFA realizes that its strategy and ambition to serve its customers better and build closer relationships with them calls for substantial investment in human capital.

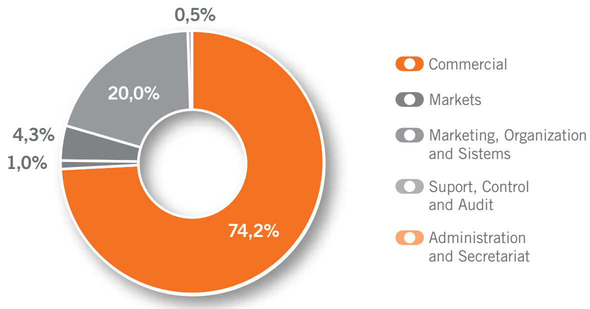
In order to recruit highly qualified professionals who have professional growth potential, the Human Resources Department regularly attends job fairs at universities, both in Portugal and in Angola, which are an important avenue for attracting and taking on new employees.

In the course of 2015, the digital channels were also streamlined as recruitment tools, especially through the institutional website and the LinkedIn network. In 2015, BFA hired 249 new employees, with an average age of 28.

Staffing Levels

At end of 2015 the Bank had 2,610 employees, 3.3% more than at the end of 2014. Of this total, 74.2% were assigned to the commercial areas and 20% to support, control and audit.

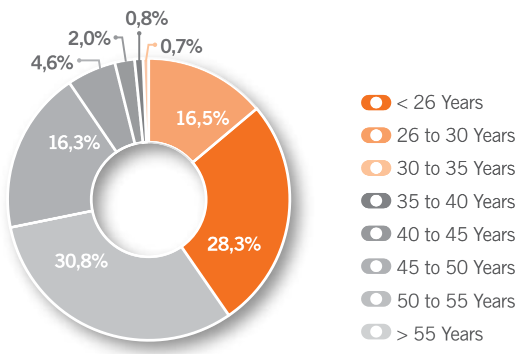
Workforce by Business Area in 2015



A Young Workforce

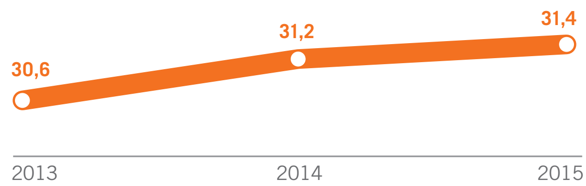
BFA invests not only in acquiring human capital but also in training and developing its workforce. It aims to cultivate employees' potential and develop skills among the Bank's workforce. BFA has thus built up a young team, with nearly 72% of employees under the age of 35

Workforce by Age

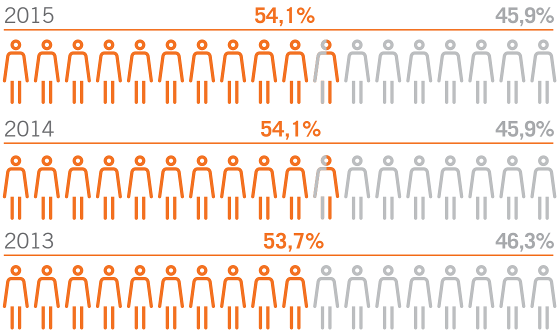


In 2015 the average age of employees was 31.4.

Average Age of Employees



Workforce by Gender



BFA has a balanced workforce, 54.1% men and 45.9% women.

Training

One of the core principles of the Bank's human resources management is the personal and professional growth of its employees, as a means of ensuring customer satisfaction and of improving service quality.

To this end BFA invests in the development and on-the-job training of its employees, and also through training courses covering a wide variety of business areas and activities.

In 2015 BFA continued to invest in staff training and specialization, focusing on five areas:

- **Operations:** mainly in relation to the eMudar@BFA project and the operating platform, with the aim of ensuring that employees know how to use the new front-end application and are familiar with the main functionalities of BFA Net and BFA SMS. Training was also given in the new Cheque Clearing Subsystem and in concepts and regulations relating to money laundering;

- **Products and services:** Products and Services – specialized training on the Bank's products and services, with a focus on lending products;

- **Information systems:** mainly office applications that support daily tasks;

- **Behaviour:** nin relation to customer care, instructor training, and communication and writing techniques;

- **Academic:** aimed at enabling high-potential individuals to obtain higher qualifications, in particular through enrolment in the following postgraduate programmes:

  - MBA Atlântico;

  - Executive Master in Bank Management;

  - Postgraduate degree in Accounting and Corporate Finance;

  - Compliance and Anti-Money Laundering.

- **Orientation:** a five-day training course for employees who have been with the Bank for six to eight months. Aimed at all commercial area staff, the training package includes a module administered by teachers from the Banking Training Institute of Angola, IFBA;

- **Integration:** a two-day training action aimed at commercial area staff who have been with BFA for only one week. Its purpose is to introduce new employees to basic banking practices and BFA's work model. The trainees have their first contact with subjects such as bank secrecy, types of accounts, account openings, types of pre-printed forms and cash transactions.

In addition to the numerous training activities BFA provides in order to increase the capabilities of its human resources, some employees took part in a People Management Workshop.

NEW E-LEARNING PLATFORM

In October 2015, BFA launched the e-learning platform, developed by the Organization and Training Department.

Courses already developed: Within two months, five courses were made available on the platform, all with very simple content, so that the platform would be easy to use during the launch phase.

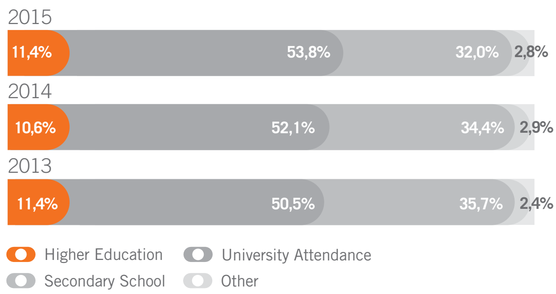
Hours spent: BFA employees were already able to use this platform, which had a total of 280 hours' use in 2015.

Courses in development: the courses are defined and developed jointly by the Department for Lending to Businesses and Individuals and the Organization and Training Department, which have revealed some of the courses they plan to launch in 2016: transfers, cheque deposit for clearing, BFA deposits, an introduction to cheques, and money laundering.

A total of 90 training actions were carried out, involving 1,505 participants, for a total of 22,223 hours of training. These figures show a decrease compared to previous years, in which training activity was intensified to cover the launch of the first modules of eMudar@BFA and general training about the CBC/FT.

Number of Participants in Training Activities

Employees by Educational Level



Approximately 65% of the Bank's employees either have a university degree or are studying for such a degree, an increase of two percentage points, as a result of the improvement in internal processes and closer contact and interaction with universities in recruitment processes.

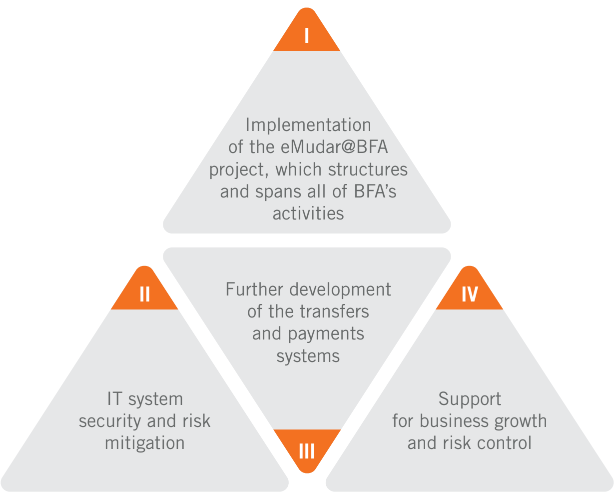
Innovation & Technology

FURTHER INVESTMENT IN MODERNIZING BFA'S SYSTEMS

Continued Investment in IT Modernization

During 2015, BFA continued to invest in information systems as a pillar of the Bank's innovation, modernization and risk control. The ongoing implementation of technological development initiatives and launch of IT projects is aimed at equipping the Bank with information systems that reflect and promote its sustainable growth, so as to optimize the Bank's processes and procedures and continuously improve customer service quality.

To this end, BFA's technology investment in 2015 was focused on:



I. Implementation of the eMudar@BFA project: A project that structures and spans all of BFA's activities

Investment in and development of the eMudar@BFA programme continues to be a priority for the Bank and is one of the pillars of its technological innovation. During 2015 new functionalities were developed within the framework of this programme.

The new system consists of a front-end application for branches, Corporate Centres and Investment Centres that introduces mechanisms based on standardized workflow methodologies for processing various branch activities, so that they can be dematerialized, making them more efficient and mitigating the level of operational risk.

This new system structures BFA's activities, insofar as it:

- Allows a **significant reduction of operational risk**;
- Introduces **standardized procedures**, making processes simpler and more intuitive;
- Ensures agreed service levels and **reduces processing time**;
- Enables **process automation**, enhancing security and allowing faster response times in the regular transaction approval channels;
- Enables **dematerialization of processes and paper documents**, which wherever possible are replaced with digital documents, and allows decentralized transaction consultation, monitoring and audit;
- Ensures **process uniformity**, irrespective of the channel used (commercial network, Central Services, telephone, Internet);
- Is **compatible with the employee database**, ensuring high security in application management; and
- Brings a clear and unmistakable **improvement to customer service**.

As of the end of 2015, the following processes had already been reviewed and integrated in this new platform: individual and business account opening and updating, cheque ordering, Multicaixa Card subscription and activation, and BFA Net application and activation. These activities represented more than 2.3 million processes managed in this new platform.

Apart from digitizing these processes, control mechanisms were established in the subscription activation process for products that use SMS, so that customers could be notified at different stages of the process. More than 400,000 SMS were sent in 2015, with high response rates in the activation processes.

2.5 million No. of eMudar@BFA processes	**more than 400,000** SMS sent	**80%** Automatic activation of Multicaixa Cards
	70% Automatic activation of BFA Net access	**60%** Automatic activation of cheques

II. IT system security and risk mitigation

BFA recognizes that the availability of its systems directly affects its ability to carry on its business. To improve availability, BFA's security components were further strengthened in 2015 through the adoption of several measures, including:

- **Data Processing Centre in EMIS:** Processing Centre (DPC), which uses the latest technologies, was installed in EMIS, leaving the old processing centre for Disaster Recovery. With the migration of the Bank's central systems to the new DPC, the Bank now has, at any time, a highly-available replica of its critical systems and a remote replica that can be activated in disaster situations.

- **Implementation of redundant network and physical links:** Alternative links were established between BFA's three headquarters buildings in order to ensure service continuity in the event of network interruption or physical damage. These alternative links make BFA's communications network more resilient. In addition, a higher speed Internet connection was installed to provide greater protection against error.

- **Software updating:** The Active Directory access management software and the Exchange email management software were updated to more recent versions, making them more robust and centralizing the management of these platforms.

- **Migration to Windows 8.1:** All workstations were migrated to the Windows 8.1 operating system, involving nearly 6,000 workstation and server upgrades. This migration allowed the installation of a uniform, centralized application image in BFA's workstations and better management and control of peripheral systems such as the Bank's printers.

- **Infrastructure migration:** The migration of the Bank's central applications to the DPC was followed by the migration of the middleware infrastructure and distributed systems supporting the eMudar@BFA platform. The migration of the middleware is in the final phase and is expected to be completed in the first quarter of 2016. The migration of the distributed systems is still under way: some servers have already been migrated, so the process is expected to be completed during the first half of next year.

- **New protection equipment:** New protection (firewalling) and telecommunications (networking) equipment was installed in the DPC, applying best market practices and ensuring redundancy in all the equipment.

- **Strengthening of the defence mechanisms against cyber-attacks:** teps were taken to reinforce the defence mechanisms against cyber-attacks, which detect and deactivate sources of attack, improving security for customers who use the home banking sites.

- **Improvement of the communications network:** BFA's communications network was given greater stability through greater redundancy for the commercial areas and Central Services, along with equipment and software upgrades. The migration of branch connections, where feasible, to high-availability fibre optic networks was completed. Apart from providing greater resilience, this project contributed to a significant increase in available capacity, permitting the transmission of richer content.

- **Conclusion of the migration of credit cards:** The process of migrating BFA's credit cards for individuals to the new

Electronic Card Management Platform, a solution made available by EMIS, was completed, once BFA had adapted its systems to integrate them with the EMIS platform.

- **Disaster Recovery:** Work started on designing the Disaster Recovery centre, with the support of specialized partners. At the same time, the processes that will allow the Bank to resume activity with minimum data loss in the event of disaster are also being designed;

- **System monitoring and management:** The Bank signed a system monitoring and management contract with IBM, aimed at early detection of potential system problems, so that they can be resolved without affecting the Bank's activity. It also signed a support contract with Microsoft for maintenance of IT solutions in accordance with best practices.

IIII. Further development of the transfers and payments systems

Aware of the importance of the transfers and payments systems for the development of the country's financial system, BFA accepted the task of investing in these systems as a strategic imperative. The Bank therefore invested in modernizing its payment systems and developing transactional solutions tailored to the needs of its customers, such as:

- **Reinforcement of payment functionalities:** Developments were carried out to improve efficiency in the processing of files and transfers in the Real-Time Gross Payments System (SPTR) and the Credit Transfer Subsystem (STC).

- **Improvement of service payments:** Service payment mechanisms through host-to-host (H2H) connections with the EMIS systems were developed.

- **Reinforcement of home banking functionalities:** Creation of a digital document repository and various anti-intrusion improvements.

- **New functionalities in the eMudar@BFA platform:** Possibility of requesting, delivering and activating means of payment such as cards, cheques and the HomeBanking service via the eMudar@BFA platform. Payment receipt can be validated by SMS.

- **Cheque management and control via SMS:** A new cheque management process was implemented that gives control of the entire cheque lifecycle, from request to settlement, return or destruction, as the case may be, registering the different phases of the process and activation by the customer by SMS, confirming that the customer is in possession of the cheques.

- **Cheque clearing model:** The adaptation of the Bank's systems to the new cheque clearing model is coming to its conclusion. However, the Bank has chosen to adapt its information systems to integrate the contingency plan provided by EMIS, which allows a cheque image to be captured and sent to EMIS for subsequent management.

- **Implementation of straight-through-processing of credit transfers:** Implementation of straight-through-processing (STP) mechanisms that allow the Credit Transfer Subsystem (STC) to process transfers without human intervention, including confirmation of receipt of files from EMIS. These implementations ensure that all files are received, sent and processed in the correct order, giving BFA a comfortable level of assurance.

- **Launch of the mobile app:** Launch of the mobile app for the iOS and Android platforms, with functionalities for customers (account inquiries and transactions) and the general public (news, exchange rates, simulators and branch finder).

- **Launch of Angola's first co-branded Multicaixa card:** the 1º de Agosto card is the first Angolan Multicaixa card associated with two brands, BFA and 1º de Agosto.

IV. Support for business growth and risk control

Several projects were carried out in 2015 to directly support the growth of BFA's business and organization, including:

- **New accounting application:** Implementation of a new, more modern and more functional accounting application that meets all the requirements of CONTIF and IAS/IFRS. This application provides more effective and more functional analytical mechanisms for the Accounts and Planning areas.

- **Improvements to the impairment loss calculation process:** Improvements were made to the impairment loss calculation process to allow the Bank to adopt new accounting rules as soon as they are published by the financial authorities.

- **Alteration of the organizational structure of the Systems Department:** The organizational structure of the Systems Department was altered to increase efficiency in mandatory reporting to the BNA and improve data quality in reports to the credit reporting centre, CIRC.

- **Fight against money laundering and terrorist financing:** Improvements were made to the solutions for screening customers against international watchlists and for detecting suspicious transactions in order to comply with existing legislation on the prevention of money laundering and terrorist financing. These solutions now meet the strictest international standards.

- **Transactions in BODIVA:** The necessary connections were established to allow BFA to become the first bank to trade on BODIVA, enhancing its leadership position.

- **Equipment redundancy in the branches with the most transactions:** Multifunction contingency equipment has started to be installed in the provincial branches with the most transactions.

- **E-learning platform:** An e-learning platform has been implemented as a strategic investment by the Bank to allow faster, more effective dissemination of content.

- **Improvements in file processing:** The validation functionalities of the file processing application have been reinforced, so as to minimize error;

- **Currency management:** All the functionalities requested by the BNA in relation to currency management have been implemented.

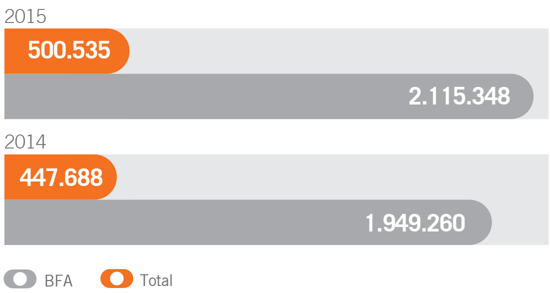
Payment Systems

CONFIRMATION OF BFA'S LEADERSHIP IN PAYMENTS SERVICES AND MEANS OF PAYMENT

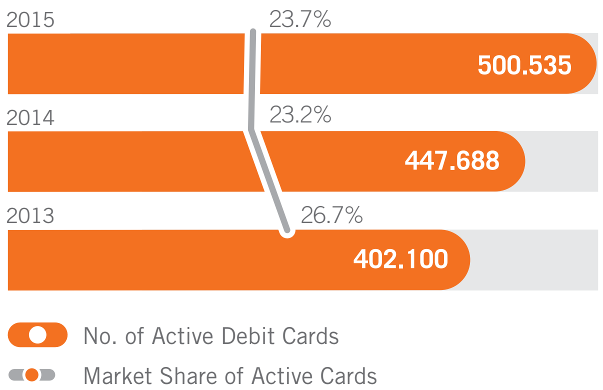
Debit Cards

In 2015, the total number of active BFA debit cards was more than half a million, an increase of nearly 12% compared to the previous year, outpacing the rate of market growth (9%). As a result, BFA's share of total active cards increased to 23.7%, making BFA the main Multicaixa card operator in Angola.

Active Debit Cards (no.)



BFA Debit Cards



The debit card penetration rate continued its upward trend, reaching 57.6% in 2015, up 4.1 percentage points on 2014.

EMIS – ALWAYS STRONG TIES

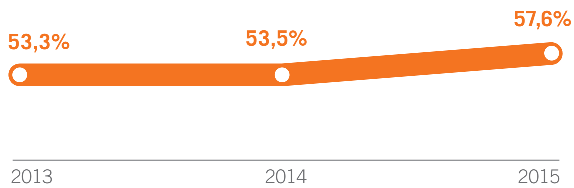
EMIS (Empresa Interbancária de Serviços) is the body that currently manages the entire payment system in Angola, with a mission to ensure security, efficiency and convenience in payments.

EMIS was founded in 2002. BFA is one of the founding shareholders and currently the largest private shareholder, with 6.5% of EMIS's capital. It is also the main customer and user of the services provided by EMIS. EMIS's main shareholder is the BNA, with 43.03% of the capital.

BFA is a strong supporter of the initiatives launched by EMIS and is usually one of the first banks in the Angolan financial system to implement the new solutions and services it offers. Examples include implementation of the new Data Processing Centre in the EMIS facilities, meeting the highest international technical standards, and use of the new card management platform.

EMIS currently provides services through the Multicaixa (debit cards) and Visa (credit cards) card issue and management platform and the credit transfer and cheque clearing systems. EMIS also offers participants in the payments network a host-to-host (H2H) channel that gives users of BFA's payment channels (BFA Net, BFA Net Empresas, BFA App and branches) access to the transactions available in the Multicaixa network.

Customers with Debit Cards

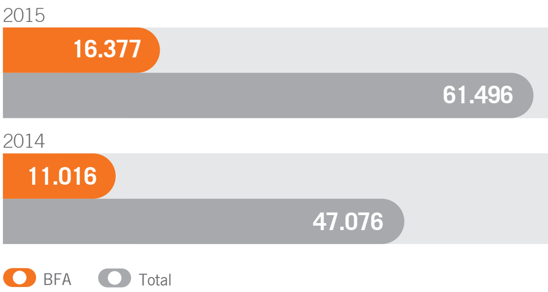


Growth of the Installed Base of POS Terminals and ATMs

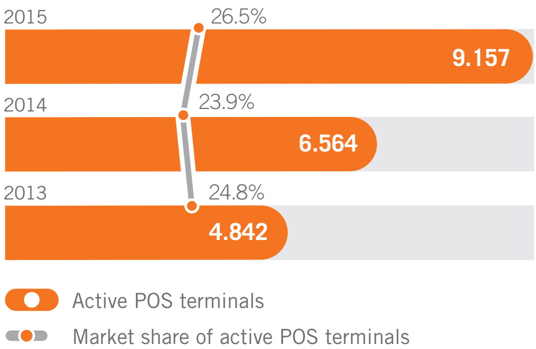
The installed base of POS terminals in Angola increased significantly compared to 2014, both in number of active terminals and in number of terminals deployed, which were up 21% and 23%, respectively. EMIS thus ended 2015 with an installed base of 34,579 active POS terminals.

BFA contributed to this significant network growth by increasing its number of active POS terminals by nearly 40%, an increase of 2,593 terminals, bringing the installed base at year-end to 9,157. This increase strengthened the Bank's leadership position in the market, with more than 26% of the total number of POS terminals in the market in 2015.

Registered POS Terminals (no.)



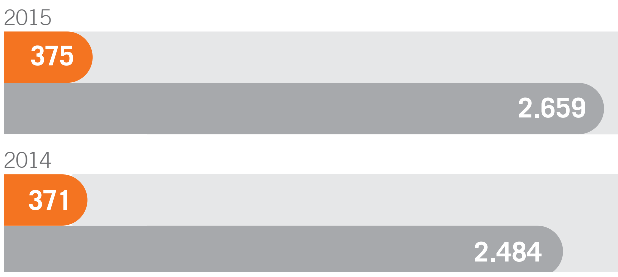
BFA POS Terminals



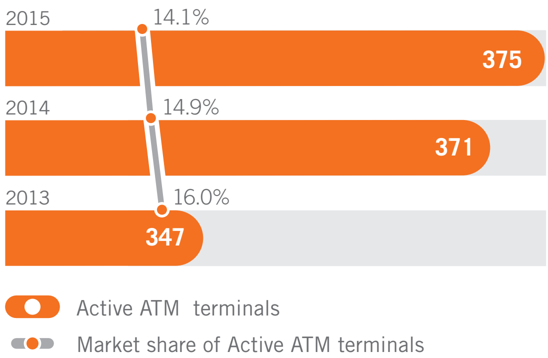
ATMs allow customers to carry out various transactions without having to go to a bank branch or outlet, such as cash withdrawals, bill payments, bank transfers, telephone account top-ups, mobile phone top-ups, IBAN inquiries, and so on. All the banks participating in the Multicaixa system are responsible for making these transactions available through their ATMs.

The number of active ATMs in the market increased by 7%, whereas the number of BFA ATMs increased by 1%. As a result, BFA's market share decreased by 0.8 percentage points to 14.1%, corresponding to 375 active ATMs.

Active POS Terminals (no.)

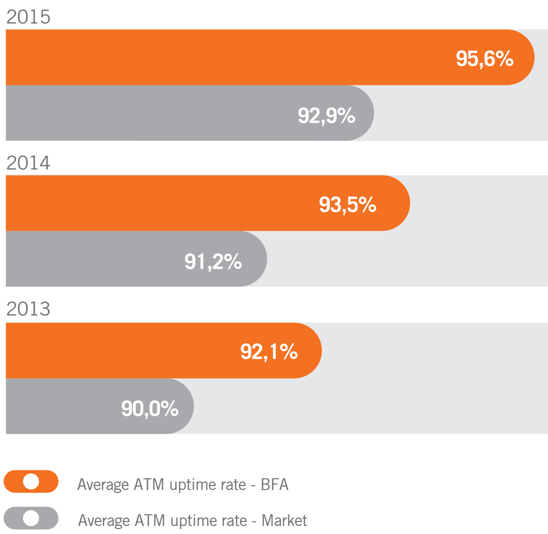


No. of Active ATMs



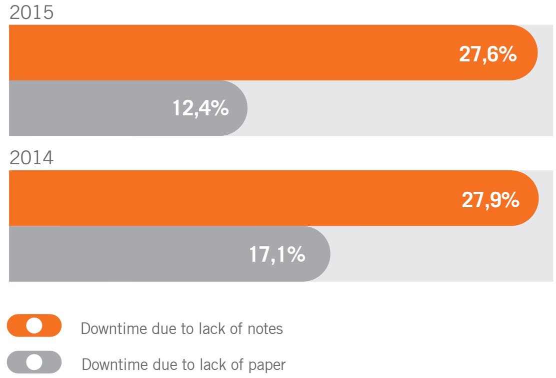
In 2015, thanks to the persistent work of the Cards and Automatic Banking Department (DCBA) and the commercial network, the average annual ATM uptime rate rose 2.1 percentage points compared to 2014, above the market average.

Average Annual ATM Uptime



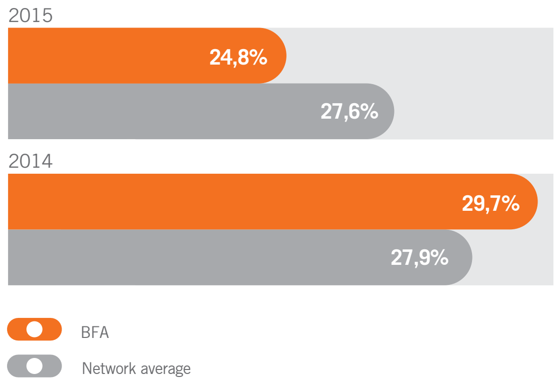
In 2015, downtime due to lack of notes and paper in the Angolan market decreased by 0.3 and 4.7 percentage points, respectively.

Downtime Due to Lack of Notes and Paper

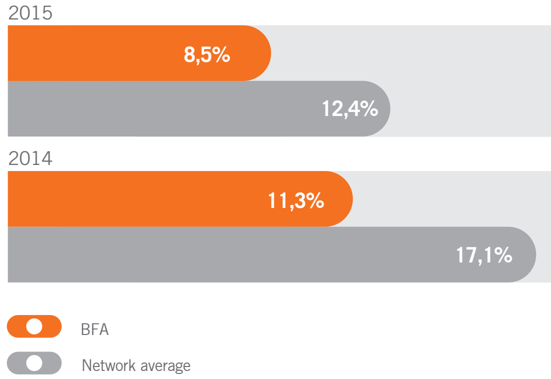


In 2015 BFA significantly reduced the percent lack of notes and paper, positioning itself below the network average, with reductions of 4.9 and 2.8 percentage points, respectively.

Downtime Due to Lack of Notes



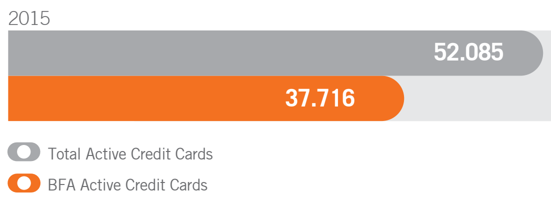
Downtime Due to Lack of Paper



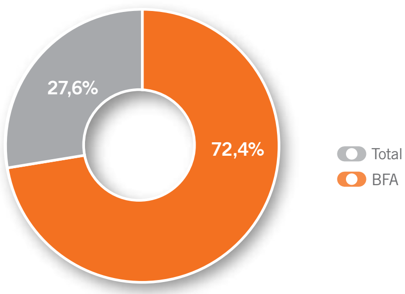
Credit Cards

In 2015, EMIS ended the year managing 52,085 active credit cards in the Angolan market.

Active Visa Credit Cards (no.)



Market Share of Active Credit Cards



Number of Active Credit Cards

BFA retains its status as a Principal Member of Visa and is the bank with the largest number of active Visa cards, with more than 70% of the market (which comprises all the cards managed on the EMIS platform), well ahead of the other banks.

The above figures include the result of the migration of credit cards to the new EMIS platform (Way4), in compliance with the rules laid down by the BNA in Notice 10/12. For the Individuals segment the migration was concluded in 2015, with the migration of 10,740 credit cards.

CREDIT TRANSFER SUBSYSTEM

The Credit Transfer Subsystem (STC) supplements the Angolan National Payments System (SPA) and facilitates the circulation of money in Angola.

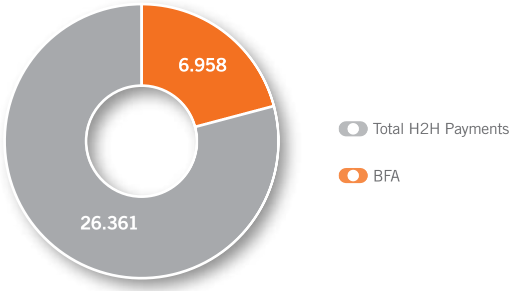
In 2015 BFA introduced the following changes to the STC:

- **Speed:** implementation of the second settlement cycle, which allows transfers ordered up to 1 pm to be credited to the beneficiaries on the same day;
- **Greater control:** implementation of a new credit transfer confirmation functionality, which allows EMIS to control the timing of loans to beneficiaries;
- **Cost reduction:** for customers and for the Bank, through the routing of messages received in respect of amounts of less than AOA 5 million via BFA Net, for both individual messages and for files (Corporates).

H2H Payments

The H2H system is an EMIS subsystem that allows a bank's host to connect to the main host of EMIS. This service allows banks to offer the payment functionalities available in the Multicaixa system through their own channels, including payments for mobile phone top-ups, TV subscriptions, water bills or insurance premiums.

Market Share of H2H Payments



In 2015, the payments made via BFA (BFA Net, BFA Net Empresas and BFA App) accounted for 26% of total payments, making BFA one of the main banks in providing this service to customers.

BFA in Digital Banking

In order to ensure customer satisfaction and be close to customers, BFA continues to invest heavily in digital platforms.

The year 2015 marked BFA's entry to the LinkedIn and YouTube social networks and was also the first year of operation of the BFA Customer Support line. At the level of the HomeBanking service, the Bank invested in new functionalities and the development of a new BFA Net signup process.

BFA'S INSTITUTIONAL WEBSITE – INCREASED INTERACTIVITY

BFA's Institutional Website is the Bank's main digital communication channel, aimed at fostering increased interaction with site visitors through a modern, simple and functional layout.

The major focus and innovation continue to be in content. The site has simple texts and user-friendly, intuitive navigation, in which images play the leading role.

Since 2014 BFA's institutional website has also been available in an English-language version. The English version provides information on the full range of the Bank's products and services, as well as access to new features such as personal and car loan simulators and a BFA branch finder to locate branches anywhere in the country.

In both versions, customers can now access the HomeBanking service (BFA Net or BFA Net Empresas), learn how to open an account or submit an inquiry, suggestion or complaint.

In 2015 the number of visits to the institutional website increased by 62% and the number of customer interactions through simulations or contact requests increased by 53% compared to the previous year.

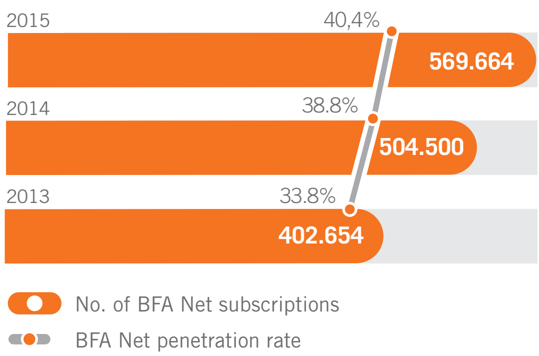
The site also allows users to submit job applications to BFA and receive an automatic confirmation of receipt. Job applications are subsequently processed by the Bank's Human Resources Department. Four times more applications were received in 2015 than in the previous year.

BFA NET– GROWTH OF THE HOMEBANKING SERVICE

In 2015 the number of BFA Net users increased yet again, to more than **570,000** , an increase of **12.9%** compared to the previous year.

BFA's HomeBanking service thus reached a penetration rate of **40.4%**.

BFA Net Penetration Rate



New BFA Net Signup Process

By signing up to BFA Net, customers gain access to BFA's HomeBanking service and also to the BFA App, BFA's mobile banking service.

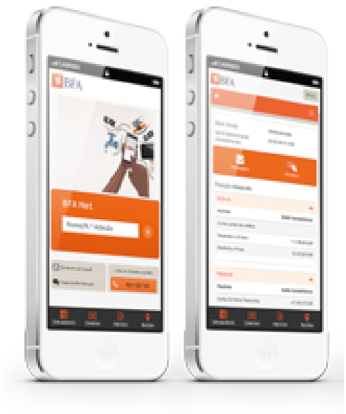
With the new signup process, customers can join and activate their BFA Net account within 24 hours.

From then on, they will be able to use BFA's HomeBanking service and perform various bank transactions at any time from anywhere, using their computer, smartphone or tablet.

BFA App - BFA'S FIRST MOBILE APPLICATION

QR-CODE

Download
the BFA App



The BFA App is an application for members and non-members that allows any user to access BFA from a smartphone or an Apple or Android tablet. For BFA customers and BFA Net members, our App offers the following functionalities:

- Check account balances and movements
- Check card details
- Order transfers
- Buy mobile phone top-ups
- Pay electricity, water or TV bills

All users of the App, whether HomeBanking customers or not, can also:

- Run loan simulations
- Consult exchange rates
- Convert currencies
- Send an email directly to the Bank
- Connect to BFA Customer Support
- Find the nearest BFA branch

The BFA App was presented at the Luanda International Fair (FILDA), which is the official venue for the presentation of the Bank's new products and services. On the day of the launch at FILDA and via LinkedIn and an online campaign, the app was downloaded nearly 600 times and the announcement on the social networks generated more than ten news stories. As of December 2015, the BFA App had been **downloaded to more than 17,000 mobile devices**.

NEW BFA NET FUNCTIONALITY – DIGITAL DOCUMENTS

In August, BFA launched a new functionality that allows BFA Net and BFA Net Empresas users to consult and download confirmations of some of the transactions carried out in these channels, so that they available for future consultation. Confirmations of bill payments, mobile phone top-ups, transfers and cheque requests can thus be obtained immediately, without having to go to a branch.

BFA IN THE SOCIAL NETWORKS – CLOSER TO THE WORLD AND TO CUSTOMERS

LinkedIn

In 2015 BFA created a LinkedIn profile. Apart from being a privileged vehicle for BFA's institutional communication, LinkedIn also allows potential customers to be in contact with the Bank and its day-to-day activities.

YouTube

BFA has been officially present on YouTube, the world's largest video search engine, since July 21, 2015.

BFA's YouTube channel was created in connection with the FILDA 2015, which had digital technology as its theme.

BFA CUSTOMER SUPPORT – 923 120 120

Launched at the end of 2014, BFA Customer Support is available around the clock, seven days a week, on **923 120 120**. The first campaign to publicize the support service was launched in 2015 and since then BFA Customer Support has become the preferred channel for clearing up doubts about BFA products and services and for submitting complaints.

The goal of the BFA Customer Support line is to improve the quality of customer care, provide better access to information about products and services, reduce queues in the branches and respond more quickly to customers' needs.

The number of calls received and handled by BFA Customer Support grew steadily over the course of 2015, increasing by **67%** between January and December. The ratio of calls received to calls handled gave an **overall efficiency rate of 98.7%**.

The limits set internally were met, with no caller having to wait more than 20 seconds.

Communication

CAMPAIGNS

In 2015 BFA organized two major campaigns and continued to implement its digital communication strategy. The campaigns were aimed at strengthening BFA's brand positioning and the marketing of its new products and services and acquiring new customers.

BFA App – Download it now

The "BFA App - Download it now" campaign was aimed at publicizing the new smartphone application ("BFA App"), which the Bank made available to its customers and the general public. The application is intended to make it even easier to carry out bank transactions and find useful information about BFA.

Talk to us - BFA Customer Support

The "Talk to us - BFA Customer Support" campaign was designed to publicize the BFA Customer Support line (923 120 120), which was presented as the preferred channel for customer support, especially for clarifying doubts about BFA products and services and dealing with complaints.

Carnival 2015

As in previous years, BFA had a strong presence in the Luanda Carnival, Angola's largest popular celebration. The BFA stand offered various attractions, including face painting and gifts for children.

Road Tax

As an authorized agent, BFA ran a campaign to promote the sale of road tax discs for 2015.

Pay Your Taxes in a Click

In May 2015 BFA launched the "Pay your taxes in a click" campaign to advertise the Bank's online tax payment service.

Civil Servants Personal Loan, Phase 2 – Now Without a Guarantor

The digital campaign "Civil Servant Personal Loan – Now without a guarantor" ran in June 2015. Its purpose was to advertise a loan for civil servants whose employer has an agreement with BFA.

I'm Going to Save with BFA

To mark World Savings Day (31 October), BFA launched a digital campaign prompted by a challenge to the children of the Bank's employees. The idea was for BFA's youngsters to create a design based on the subject "I'm Going to Save with BFA". The most creative, most pertinent design would be used in the digital campaign "I'm Going to Save with BFA", promoting BFA's personal loan product.

BFA Celebrates Angolan Talent

In homage to the actress Lesliana Pereira, who was awarded the Best African Actress prize in the Africa Movie Academy Awards (AMAA), BFA ran an institutional campaign to celebrate Angolan talent. The digital campaign ran throughout November 2015.

Happy Christmas, Angola – Give a Toy, Receive a Smile

BFA ran the digital Christmas campaign "Happy Christmas Angola - Give a toy, receive a smile" with the aim of collecting toys for the children in the Arnaldo Janssen Centre and the Luanda Paediatric Hospital. The campaign ran in November and December 2015 and more than 300 toys were collected.

SPONSORSHIP

Luanda Song Festival

BFA sponsored the Luanda Song Festival, held on September 18 in Baía de Luanda. The Luanda Song Festival is an annual competition that promotes Angolan artists of various musical styles. This year, the theme of the festival was “40 Years of Angolan Independence”.

BMW Golf Cup International

BFA sponsored the largest corporate golf tournament, made up of four stages and involving 36 teams. The tournament was held at the Mangais Golf Resort and the final took place in South Africa.

Luanda Cartoon Festival

From August 21 to 28, BFA sponsored the twelfth edition of the Luanda Cartoon Festival in the Portuguese Cultural Centre in Luanda. The festival is aimed at promoting the work of Angolan artists by showing all possible genres and styles of stories and narratives. The event brought together cartoonists, illustrators, professionals and fans.

São Silvestre Race

BFA has been official sponsor of the São Silvestre Race since 2004. BFA employees took part in the Luanda São Silvestre Race for the third year running, in response to the challenge issued by the Angolan Athletics Federation, calling on employees of the Bank to take part. The São Silvestre Race is Angola’s most famous street race. It is held annually, on December 31, in several of the country’s cities over a distance of 15 km.

Panda Festival

For the eighth year running, BFA sponsored the Panda Festival in Angola, which this year, for the first time, took place in the provinces of Benguela, Huíla and Luanda. In Luanda, the Panda Festival took place on May 30 and 31 in the Belas Convention Centre.

Luanda Fashion 2015

Luanda Fashion 2015 took place on February 27 and 28 in Baía de Luanda. The theme this year was "Around the World", showcasing the Angolan fashions, models, designers, stylists and bloggers that have conquered the world in international magazines and at fashion weeks and other fashion events. As in previous editions, the show was attended by the year's best known personalities from the world of cinema and television, fashion and music.

1° D'Agosto Sports Club

On April 22, in Luanda, BFA and the 1° de Agosto Sports Club signed a partnership agreement for the 2015 sports season. For the fifth year running, BFA sponsored the club's senior football team. The sponsorship covers all the competitions in which the 1° de Agosto team is involved, especially the Gira Bola and the Angola Trophy.

EVENTS

Benguela International Fair

Benguela International Fair (FIB), the city's largest, has been held each year since 2011. Its main purpose is to promote and strengthen the economic and industrial potential of the southern region of Angola and to attract national and international investment to support the region's development. This was the third time BFA took part in the FIB, which was held in the Ombaka National Stadium on May 13 to 17. The Bank had a stand and a sales team, whose mission was to present the Bank's best financial solutions. Present at the fair were regional manager Walter Brás, and Hélder Bruno Fortes of the Benguela Corporate Centre.

Festas do Mar 2015

BFA supported the twentieth edition of the Festas do Mar festival, which ran from February 28 to March 29, around the theme "Namibe, Land of Happiness". Each year, the month-long festival brings a variety of social, economic, cultural, sporting, philanthropic and leisure activities to the province of Namibe. Tourists from throughout the country come to the Festas do Mar to enjoy the beaches, the desert and the savannahs and discover the potential of Namibe. BFA joined the Festas do Mar to help showcase the culture of Namibe Province.

Nossa Senhora do Monte Festival

BFA took part for the eleventh time in the Huíla Expo, which took place on August 20 to 25 in the Nossa Senhora do Monte complex in the city of Lubango. Huíla Expo is known as southern Angola's biggest business fair, aimed at bringing together large numbers of national exhibitors from the provinces of Huíla, Namibe, Cunene, Kuando Kubango, Benguela and Huambo.

Social Responsibility

BFA's social responsibility is closely linked to its values and its commitment to the development of the Angolan community.

In 2015, several projects lent substance to BFA's commitment, reflecting its real social concern. BFA supported several activities in its three major areas of activity: Education, Health and Social Solidarity.

PAEDIATRIC HOSPITAL – BFA FINANCES LABORATORY

BFA provided AOA 5.2 million of finance for the extension and remodelling of the Anaemia Support Centre Laboratory at the David Bernardino Paediatric Hospital. The finance was used to purchase furniture for the Anaemia Support Centre Laboratory, so as to offer better conditions for the children treated at the hospital. The Anaemia Support Centre Laboratory was reopened in February 2015 in the presence of the chairman of the Executive Committee of the Board of Directors, Emídio Pinheiro, and the directors Mariana Assis and Manuela Moreira.

BFA SUPPORTS HOMES FOR ORPHANS

In January 2015, BFA delivered two endorsed cheques for a total of AOA 8.5 million to two institutions in Saurimo, South Lunda province. One of the two cheques, in the amount of AOA 6 million, was given to the San João de Calábria home for the purchase of a farm tractor. The other, in the amount of AOA 2.5 million, was given to the 1 de Dezembro children's home for the purchase of a generator. The cheques were handed over in the presence of the chairman of the Executive Committee of the Board of Directors, Emídio Pinheiro, and the director Manuela Moreira.

MBA Atlântico

The sixth edition of the MBA Atlântico programme started in May 2015 in Luanda. The one-year course is divided into three terms of full-time study, each given at one of the participating Catholic universities: Luanda, Rio de Janeiro and Porto. Apart from being one of the official sponsors of the MBA Atlântico, BFA has been guaranteed a place for one employee per year since the programme was started.

MBAatlântico
LuandaRioJaneiroPorto

DONATIONS TO BENGUELA MATERNITY WARD

As part of its social solidarity actions, the BFA Sports and Cultural Group carried out a sporting activity in Benguela with the participation of various Bank employees, during which donations were collected for the Maternity Ward of Benguela Central Hospital. Various employees and their relatives took part and the donations were handed over on August 29, 2015.

ANGOLA FOOD BANK CAMPAIGN

In November 2015, BFA once again associated itself with the Food Bank Against Hunger in Angola in the campaign to collect food. This year, in the context of the Bank's volunteering scheme, BFA employees helped in collecting, separating and weighing the food. Food was collected at various retail areas in Luanda and was delivered to social institutions such as the Santa Bárbara Centre (Mamã Muxima), Dom Bosco, Horizonte Azul, Arnaldo Janssen Centre, Nossa Sr^{a} da Boa Nova Rehabilitation Centre and Associação de Solidariedade a Terceira Idade (ASTI).

GLOBAL ENTREPRENEURSHIP MONITOR (GEM) STUDY

Presentation of the GEM Angola 2014 Report

In education, BFA has formed partnerships with key institutions, sponsoring and investing in research projects. Since 2008 BFA has partnered with Sociedade Portuguesa de Inovação and Universidade Católica de Angola to carry out the largest independent study on entrepreneurship, known by its acronym GEM. The presentation of the GEM study took place in Luanda on September 15, 2015, with the participation of Professor Augusto Medina (Sociedade Portuguesa da Inovação) and Professor Alves da Rocha (Universidade Católica de Angola).

HAPPY CHRISTMAS ANGOLA
GIVE A TOY, RECEIVE A SMILE

BFA ran a Christmas campaign under the slogan "Happy Christmas Angola – Give a toy, Receive a Smile" to collect toys for the children of the Arnaldo Janssen Centre and the Luanda Paediatric Hospital. The campaign started on December 12, collecting toys at the KERO Gika hypermarket. On Sunday, December 20, BFA took the children of the Arnaldo Janssen Centre to the Father Christmas House in Baía de Luanda for a magic treat. That same day, BFA volunteers gave each child of the Arnaldo Janssen Centre a present. During the afternoon the children had the opportunity to visit Father Christmas, sing and dance on the stage, have fun with clowns and experience the magic of Christmas. On December 22, the Bank delivered toys to the children at the Luanda Paediatric Hospital.

More than 300 toys were collected in just three days.

Awards

The Banker
Bank of the Year in Angola 2015

BFA was designated Bank of the Year in Angola 2015 at an official ceremony held at the Hilton Bankside in London. This is the second time it has won this award. The Banker is a British financial magazine that has been published since 1926. It is present in more than 180 countries and is one of the main sources of financial information, with a unique database covering more than 4,000 banks.

Sirius Award
Best Financial Sector Company

BFA was named Best Company of the Year in the Financial Sector for the third time in the fifth Sirius Awards, at a ceremony held in the Hotel Epic Sana in Luanda. The Jury's decision was based on an assessment of innovation, product and service quality, economic and financial performance and BFA's contribution to financial inclusion.

EMEA Finance Magazine
Best Bank in Angola 2015

For the sixth year running BFA was voted Best Bank in Angola by EMEA Finance magazine, the seventh time it has received this award. EMEA Finance is a magazine aimed at the financial community in Europe, the Middle East and Africa, which analyzes and classifies the performance of the main banking institutions in various countries.

Global Brands Magazine
Best Branch Network

Global Brands Magazine awarded BFA the prize for Best Bank Brand in West Africa 2014, for the second time in a row. The prize was awarded in recognition of the capitalization of the BFA brand in the Angolan market and the Bank's commitment to implementing new customer support services.

International Finance Magazine
Best Corporate Bank

International Finance Magazine awarded BFA the prize for Best Corporate Bank in Angola for the third year running. International Finance Magazine is a British online magazine with readers in more than 180 countries. Each year it selects the top companies in the banking sector in each business segment.

The Banker Africa Awards
Best Community Development Bank

BFA received the Best Community Development Bank in Angola award from Banker Africa magazine. This award was based on an analysis of information about the Bank in various platforms, including magazines, reports, newsletters, websites, events and advertising inserts.

Euromoney Awards for Excellence 2015
Best Bank in Angola

BFA was awarded the Best Bank in Angola 2015 award by Euromoney Awards for Excellence. The award was given in recognition of the high levels of service, innovation and experience BFA has shown and its demonstration of leadership and initiative in the market.

Global Banking and Finance Review
Best Commercial Bank in Angola

BFA was voted Best Commercial Bank in Angola for the third year running by the UK-based Global Banking and Finance Review portal. This award was primarily in recognition of the Bank's wide range of products and services, its extensive commercial network and its social responsibility programme, focused on education, health and social solidarity.

Superbrands
Brand of Excellence

BFA was honoured with Superbrand status for the fifth consecutive time by Superbrands, an independent international organization dedicated to promoting exceptional brands. Superbrands Angola rewards Superbrands for their performance in the domestic market.

World Finance
Best Corporate Management

World Finance magazine chose BFA as the bank with the Best Corporate Management. The main points considered by World Finance in awarding this title were the consolidation of the Bank's operations, its contribution to Angola's economic development and the creation of specific solutions for customers.

Deutsche Bank
STP Excellence Award

Deutsche Bank awarded BFA the STP (Straight-Through Processing) Excellence Award for the thirteenth time in a row in recognition of its high success rate in the automatic processing of international payments during 2014.

04

RISK MANAGEMENT

Governance and Organization of Risk Management

In order to ensure effective risk management, BFA aims to achieve and maintain a balance of risk and return that is appropriate to its size, complexity and risk profile.

BFA therefore adheres to prudent risk management in line with best practices, based on the following guiding principles

Principles of Risk Management

- Involvement of senior management and directors in risk management and decision making
- Integration and assignment of clearly defined responsibilities for ongoing risk management
- Independence in risk monitoring and control through the separation of risk oversight functions from the risk-taking areas
- Periodic review and audit of risk management mechanisms
- Conservative stance in defining assumptions and limits

Material Risks

Given the nature of the Bank's activity, the risks considered material and therefore subject to the most careful identification, assessment, monitoring and control, as well as systematic reporting and disclosure, are as follows:

Risk Management Organization and Model

The main objective of risk management is to ensure that all risks are managed to the satisfaction of customers, employees, shareholders and the community. BFA has therefore created an organization in which risk control and management is an integral part of the activities and responsibilities of every area in the Bank. This is achieved by defining and disseminating internal regulations based on the measures laid down in BNA Notice 2/13, which regulates the risk function, as a component of the Internal Control System. Overseeing the main risks inherent in the Bank's activity is the responsibility of the Board of Directors and the Executive Committee of the Board of Directors.

In order to structure the risk control and management organization, BFA has defined three lines of defence:

1st Line of Defence

Business units

It is the responsibility of the heads of each area of the Bank's business units to manage the risks of their activities on a day-to-day basis, following the established principles, rules and limits, and to submit regular reports.

2nd Line of Defen

Risk management units and Risks Committee

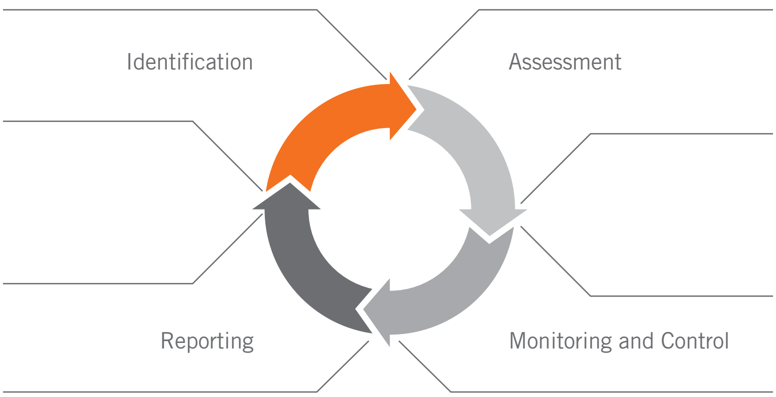
The risk management units are responsible for ensuring that risks are actively managed and controlled and for implementing recommendations. The Risks Committee is responsible for monitoring the management of all the risks inherent in the Bank's activity and for advising on risk strategy.

3rd Line of Defence

Internal Audit

Internal Audit and Inspection is responsible for ensuring independence and objectivity in the assessment of compliance with procedures and applicable internal and external rules and regulations.

BFA's risk management model consists essentially of four phases:



Identification

The actual and potential risks to which BFA is subject are identified based on up-to-date, timely and reliable information from the various areas. The main activities in this phase are as follows:

- Gather reliable and timely information from the different areas;
- Define the strategy for identifying risks;
- Identify existing and new risks;
- Define and review risk indicators and limits;
- Implement recommendations from the risk reports.

Assessment

Assessment is based on all the information collected from the different areas, which is then subjected to consistent and auditable qualitative and quantitative assessment mechanisms. The main activities in this phase are as follows:

- Gather reliable and timely data from the different areas;
- Define risk measurement assumptions and models;
- Develop risk measurement models;
- Calculate and analyze the impact of the identified risks;
- Validate, update and adapt the risk measurement models;
- Subject the measurement models to periodic audits and implement any improvement recommendations

Monitoring and Control

Risk management is subject to continuous monitoring. For this purpose, risk limits and control mechanisms are established. The main activities in this phase are as follows:

- Monitor risk indicators;
- Monitor the limits set in the risk contingency plan;
- Update and adapt the indicators and limits to the different economic cycles;
- Develop risk control mechanisms and alerts;
- Perform stress testing based on defined risk scenarios;
- Monitor the adequacy of the risk management system.

Reporting

Reports on the results of risk management and the mechanisms used must be delivered whenever needed or at the intervals specified by regulatory bodies or internal rules. The main activities in this phase are as follows:

- Prepare reports based on the available information;
- Prepare recommendations for risk mitigation;
- Submit reports to the Board of Directors and the Executive Committee of the Board of Directors;
- Prepare action plans and assign responsibilities for risk mitigation;
- Disseminate the risk reports in a structured manner to the various areas of the Bank;
- Monitor implementation of the activities defined in the action plan.

Credit Risk

WHAT IS CREDIT RISK AND WHAT CAUSES IT?

Credit Risk is the risk of loss associated with the failure of customers to meet their obligations under credit agreements. It can arise not only from a loss event and consequent default by a counterparty but also from concentration in a particular counterparty, industry, product, geography or maturity.

Loan Refusals Due to Default or Material Incidents

The Bank does not lend to customers who have a record of material incidents or who have failed to perform their obligations to the Bank, nor to customers that are in any of the following situations:

- Payments of principal or interest to a financial institution more than 45 days past due;
- Improper use of cards or payment systems for which the person or entity is responsible;
- Legal action has been taken against the person or entity that may have a material adverse impact on their economic or financial situation.

HOW IS CREDIT RISK MANAGED?

Department for Lending to Individuals and Businesses: responsible for assessing credit transactions in the Individuals and Businesses segments;

Corporate Credit Risk Department: responsible for assessing credit transactions in the Corporates segment;

Structured Finance and Investment Finance Department: responsible for structuring complex, high-value financings and all investment finance proposals, including those included in the Angola Investe programme;

Real Estate Transactions Department: responsible for assessing loan applications and monitoring outstanding loans backed by real estate assets or income from commercial activities in the real estate sector. The most important transactions in the real estate portfolio are the real estate development projects and the hotel projects.

Credit Monitoring, Recovery and Litigation Department: responsible for monitoring loan portfolio quality and for overseeing and managing the level of provisioning and impairment losses associated with credit portfolio. This department is also responsible for the recovery of overdue loans by negotiation or legal action.

All these departments report to the same director, who has no responsibilities in the commercial areas.

Lending limits and loan procedures are laid out in the General Lending Regulations, the Lending Procedures Manual and the Product Specifications.

Loan application assessment requires a rigorous analysis, within the framework of the parameters summarized below:

Credit Risk Analysis Procedures

- No credit transaction can be approved without prior collection, verification and critical analysis of relevant information relating to the borrower, the borrower's economic and financial situation, the transaction to be financed and any guarantees provided;
- Any loan proposals or guarantees to be submitted to the competent bodies for approval must be:
  - adequately described in a loan proposal form, which must include all essential and accessory information needed in order to complete the transaction;
  - consistent, where applicable, with the product specifications;
  - accompanied by a properly documented credit risk analysis;
  - signed by the persons submitting the proposal.
- In the case of companies or corporate groups with accounts spread across several Corporate Centres or BFA branches, transaction proposals will be examined by the body responsible for managing the relationship with the company or group in question;

- Credit risk analysis considers the Bank's total exposure to the customer, or to the group to which the customer belongs, in accordance with the legislation in force from time to time.

Analysis and Appraisal of Guarantees

- All credit transactions are secured with guarantees appropriate to the borrower's risk and the nature and term of the loan. The documentation should provide assurance as to the adequacy and liquidity of the guarantees;

- Any real estate collateral is appraised before the loan approval decision is taken.

Based on BNA Notice 03/2012, BFA has defined the following criteria for classifying loans in different risk levels:

- Level A (zero risk) – Loans secured by captive bank accounts at BFA or by government securities (Treasury bonds or bills, or Central Bank bonds) of equal or greater value than that of the liability;

- Level B (very low-risk) – Loans secured by captive bank accounts at BFA or by government securities (Treasury bonds or bills, or Central Bank bonds), where the value of the collateral is greater than 75% but less than 100% of the value of the liability;

- All other loans are classified as Level C (low risk).

Exceptionally, depending on the characteristics of the borrower and the nature of the transaction, other loans may be classified in risk levels A or B. These exceptional cases will require the approval of the Board of Directors or the Executive Committee of the Board of Directors.

BFA does not grant loans with a risk classification above C. For loans to individuals classified at risk levels C or B, BFA requires the signature of more than one income earner, with the exception of the protocols signed with companies.

Proceedings of Decision-making Bodies

- The resolutions of each decision-making body are approved as collective decisions of the body's respective members and are recorded in minutes, which are signed by all participants;

- Decisions are taken on a unanimous basis. Where there is no unanimity, a proposal is submitted to the immediately higher decision-making body;

- Members of a decision-making body who have a direct or indirect interest in a transaction are prohibited from taking part in debate or decision making in respect of that transaction, which must be submitted to the next higher decision-making body.

Validity of Decisions

- Loan approval decisions remain valid for 90 days and this term of validity is notified to customers;

- All decisions specify a deadline by which the loan must be drawn or the guarantee issued; otherwise, the deadline is 30 days from the signing of the agreement.

In 2015, continuing the project started the previous year, branch staff received further intensive training through a specific programme covering all phases of the loan process,

Impairment Loss Calculation Model

BFA implemented the Impairment Loss Calculation Model in June 2013 to meet the challenges arising from timely adoption of international best practices.

The model was implemented with the collaboration of various areas of the Bank, ensuring independence and division of tasks:

- IT Systems Area – responsible for extracting information from IT systems and maintaining the support solution.

- Credit Monitoring, Recovery and Litigation Department – responsible for monitoring the periodic calculation process and also for model governance. The Investment Centres, Loans to Individuals and Businesses, Corporate Credit Risk, Investment and Structured Financing, and Real Estate Transactions departments also play a role in performing and supervising individual customer analyses.

- Executive Committee – responsible for final validation and approval of the results.

Impairment losses are measured using calculation methods defined by BFA, based on historical series and the characteristics of the Bank's loan portfolio. The Bank classifies its portfolio based on evidence of impairment. Loans up to 30 days past due are considered to show no evidence of impairment, whereas loans between 30 and 180 days past due are classified as impaired. Loans more than 180 days past due are classified in default.

For the purpose of assigning risk factors and calculating impairment losses, the portfolio is segmented according to homogeneous risk profiles, taking the following categories into account: home loans, consumer loans, credit cards, auto loans, corporates and public sector, and financial institutions.

Loans may be subject to two types of assessment, individual or collective, based on the size of the loan.

Individual Assessment

Loans to the following customers are subject to individual assessment:

- In the Individuals segment, all exposures of more than USD 1,000,000 and all exposures of more than USD 250,000 where there is a past-due balance of more than USD 10,000;

- In the Corporates segment, all customers with exposure of more than USD 250,000;

- Additionally, all loans to customers with restructured or reclassified loans or loans under recovery are subject to individual assessment, regardless of the segment to which they belong.

Collective Assessment

For the purpose of collective assessment, the following risk factors for each risk segment are taken into consideration, based on an analysis of historical default rates in the portfolio over the last five years:

- **Probability of Default (PD)** – probability of becoming more than 90 days past due;

- **Loss Given Default (LGD)** – loss likely to be incurred at the time of default. LGD is divided in two areas: zero LGD is applied to transactions that are not yet in default and so is intended to reflect the loss given this probability; durational LGDs are applied to transactions that are already in default, reflecting the associated loss, which increases with the time spent in default.

Impairment losses are assessed monthly, based on evidence of impairment.

The impairment charge is calculated as the difference between the carrying value and the net present value of the loan, which is calculated as the discounted value of the expected future cash flows from the loan. The provisions recorded at 31 December 2015 comfortably cover the losses estimated by the model.

WHAT WERE THE MAIN DEVELOPMENTS IN 2015?

Impairment Loss Calculation Model

The impairment loss model has been adapted to make it more rigorous and bring it into line with the new legislation published by Banco Nacional de Angola and with international best practices.

BFA regularly subjects the model to sensitivity analyses and backtesting in order to ensure a good fit with the portfolio's actual behaviour.

Under BNA Notice 02/2015, financial institutions may calculate their loan loss provisions using their own internal methodologies developed for that purpose, once the methodologies have been approved by Banco Nacional de Angola. The rules set out in this BNA regulation are identical and totally consistent with those already adopted by BFA for internal use. BFA Ha submitted the loan impairment calculation methodology designed to replace the direct methodologies to the BNA for approval. The direct methodologies were adopted on June 30, 2015 to meet the deadline stipulated by the regulator. The new model is being evaluated by the BNA, which is expected to issue a decision on adoption and approval of the model at the end of 2016.

Assessment of Collateral and Other Securities

In 2015, following the trend observed in previous years, the granting and monitoring of loans to the construction sector was subject to strict control by the Operations and Real Estate Department.

In the context of BFA's Impairment Loss Calculation Model and BNA Notice 10/14, the department continued to implement the action plan started in 2014 for the assessment of real estate collateral in credit transactions. In summary, properties held as collateral were reappraised by expert valuers where the following circumstances obtained:

- properties associated with loans more than 90 days past due, if the previous appraisal was more than two years old;
- at least every two years, where the positions at risk amount to more than 1% of the total loan portfolio at the previous year-end or to more than AOA 100 million;
- other evidence of impairment, in particular, market events or changes that could directly affect the value of real estate assets in general, depending on geographical location, purpose and proximity.

This work will continue in 2016, assisted by the launch of a new database specifically developed for processing data on real estate collateral in credit transactions.

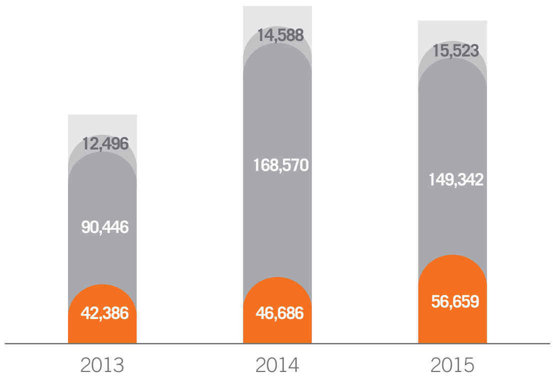
Structure of the Loan Portfolio

Reversing the trend observed in previous years, in 2015 the loan portfolio as a whole (excluding guarantees and letters of credit) showed a slight decline of 3.6% compared to 2014.

This decline was driven entirely by the 11.4% decrease in the portfolio of loans to the Corporate segment compared to 2014, due to the exceptional repayment of a loan to the Finance Ministry in the amount of AOA 52.6 billion. This decrease was offset by a 21.4% increase in loans to Individuals and Businesses and a 6.4% increase in lending through the Investment Centres.

Overall, lending to companies fell 3.9 percentage points in 2015 compared to the previous year and accounted for 77% of the Bank's loan portfolio, as against 23% of loans to individuals.

Loan Portfolio

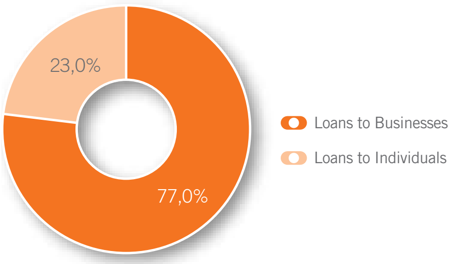


Note: Total loans excluding guarantees and letters of credit.

Diversification Across Sectors, With a Stable Proportion of Lower-risk Loans

In 2015, the corporate loan portfolio is well diversified across the main sectors of the economy and the lower risk classes represent a stable proportion of the tota

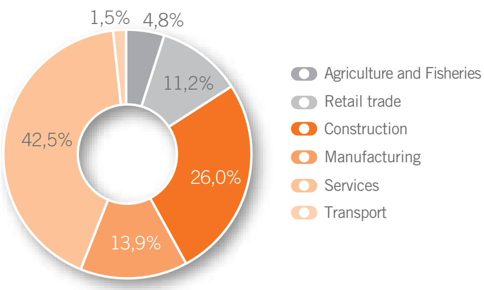
Loan Portfolio by Customer Type: Corporates and Individuals



Note: Total loans not excluding guarantees and letters of credit.

Analisando o grau de diversificação sectorial da carteira de crédito a empresas, constata-se um relativo equilíbrio, com os sectores de Serviços e Construção a assumirem uma posição de destaque.

Loan Portfolio by Customer Type: Corporates and Individuals



Note: Total loans not excluding guarantees and letters of credit..

This distribution is the result of BFA's lending policy, aimed at diversifying exposure to the risks of the different sectors.

Looking at the distribution in terms of risk, the loan portfolio is concentrated, as in previous years, in the lower risk classes defined in BNA Notice 3/2012. Nearly 94% of total loans and advances are classified in levels A to C. The exposure of BFA's loan portfolio to the higher risk classes (more than "moderate" risk) increased by 2.1 percentage points.

LOANS BY RISK CLASS

Class	2013	2014	2015
A - Zero risk	19,8%	42,9%	30,5%
B – Very Low Risk	0,7%	2,5%	2,8%
C - Low risk	72,4%	50,2%	60,2%
D - Moderate risk	0,9%	0,8%	0,7%
E - High risk	1,9%	1,0%	1,6%
F – Very High Risk	3,4%	2,0%	2,6%
G - Loss	0,8%	0,6%	1,5%
Total	**100%**	**100%**	**100%**

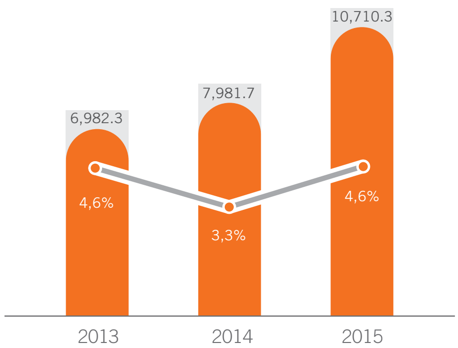
Note: Total lending includes both performing and past-due loans and does not exclude guarantees and letters of credit.

Past-due Loans Ratio

Despite the risk analysis and management policies pursued by BFA in order to continuously improve the quality of its credit portfolio, the volume of past-due loans and the past-due loans ratio increased in 2015. The amount of past-due loans increased by 34.1% compared to the previous year, mainly due to an increase in default and the devaluation of the national currency against the most significant lending currency, the USD.

The effects just mentioned, combined with the slight decrease in the loan portfolio due to the exceptional repayment of an AOA 52.6 billion loan to the Finance Ministry, pushed the past-due loans ratio up 1.2 percentage points to 4.6% of total loans (excluding guarantees and letters of credit).

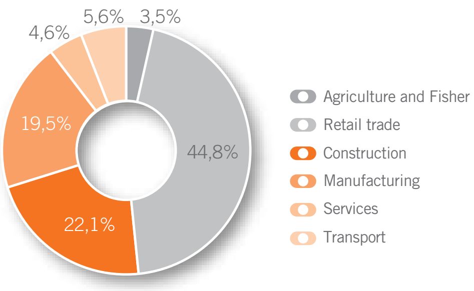
Past-Due Loans (% of Total Loans)



Note: Total loans excluding guarantees and letters of credit.

The sector that accounts for the largest proportion of past-due loans is Retail trade, followed by Construction and Manufacturing, whose contribution to BFA's portfolio of past-due loans was up 1.1 and 5.5 percentage points, respectively, compared to the previous year. These are also the most prominent sectors in the total portfolio of loans to Companies.

Concentration of Past-Due Corporate Loans by Sector



At December 2015, the provision coverage ratio was a comfortable 146%, reflecting a particularly prudent risk management policy.

Although the amount of provisions is up 44.5% compared to 2014 and coverage of the loan portfolio as a whole is up 2.3 percentage points, BFA achieved a stable position thanks to the expansion of the financing granted up until the year in question.

LOAN LOSS PROVISIONS AND PROVISION COVERAGE RATIO

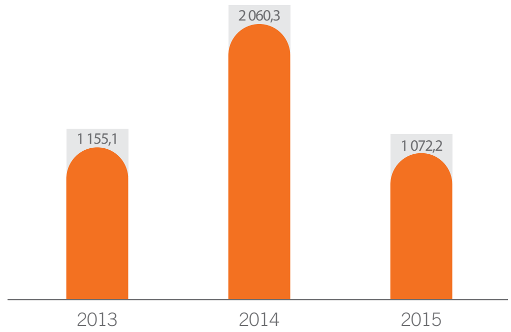
AOA million

Class	2013	2014	2015
Provisions	10 044,3	10 853,2	15 688,1
Provision coverage, total loans	6,9%	4,7%	7,0%
Provision coverage, past-due loans	144%	136%	146%

Nota: Volume de crédito total excluindo crédito por assinatura.

The volume of loans written off was influenced by the lack of success in renegotiating a number of past-due loans, which BFA therefore had to write off as a loss. Nevertheless, in 2015 the Bank reduced its volume of written-off loans by 50%, demonstrating the effort invested in recovering loans by appropriate legal means, particularly through the courts.

Crédito abatido (Write Off)



Recovery of Past-due Loans Through Litigation

As of year-end 2015 a total of 574 legal proceedings had been started to recover defaulted loans. Of this total, 126 concerned loans to Corporates and 448 loans to Individuals.

Liquidity Risks

WHAT IS LIQUIDITY RISK AND WHAT CAUSES IT?

Liquidity risk is the probability of adverse impacts resulting from an inability of the Bank to obtain sufficient liquid funds to meet its financial obligations.

HOW IS LIQUIDITY RISK MANAGED?

The rules of financial management and the liquidity risk limits are laid down in the Financial and International Department's (DFI) Limits and Procedures Manual.

Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the financing of its activities.

The Bank ensures a stable, secure and sufficient liquidity position, based on eligible liquid assets, keeping the loan-to-deposit (LTD) ratio at a prudent level.

The DFI is responsible for ensuring compliance with the daily liquidity gap limit in local currency. The daily liquidity gap is the difference between inflows and outflows of funds in local currency on any given day, while maintaining compliance with mandatory reserves.

Apart from the mandatory reserves required by Banco Nacional de Angola, BFA has set an additional liquidity limit for foreign currency, which provides an important buffer against risks arising from swings in the market. The DFI must also ensure that this limit is complied with. Available funds held in foreign currency are the sum of the liquid funds held at correspondent banks and the foreign currency notes held.

The financial management of BFA's liquidity risk is supported by a set of documents that are distributed to various management bodies, namely:

- Daily report: summarizes key information from the domestic and international markets, the day's most important movements and transactions (in particular in the foreign exchange and money markets) and compliance with mandatory reserves;
- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;
- Monthly risk management dossier: a document produced by the Management Information Area covering the key indicators and risk limits;
- Documentation for the Board of Directors, which includes monthly money market summaries.

The Bank's organizational and decision-making model is as follows:

- The Board of Directors considers proposals from its Executive Committee and takes the key decisions on transactions with Angolan sovereign risk, counterparty limits and interest rates for loans and deposits.
- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits.
- The Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

Pursuant to Notice 13/11 concerning the Code for Market Conduct, BFA established a new area within the DFI, known as the Control Area. The Control Area is responsible for daily reporting and compliance with the legal limits specified in the DFI's Limits and Procedures Manual.

WHAT WERE THE MAIN DEVELOPMENTS IN 2015?

2015 was marked by the publication of regulations that directly affect BFA's liquidity management. The increase in mandatory reserves in local currency meant that BFA had to hold more funds at the BNA in order to comply with regulations; and the changes to the rules for the purchase of foreign currency for foreign transactions require banks to report their customers' currency needs and establish a captive deposit in national currency at the BNA in an amount equivalent to the reported amount in foreign currency.

MANDATORY RESERVES IN ANGOLA

BNA Instruction 16/15 on Mandatory reserves in local currency, aimed at making mandatory reserves a more effective instrument of monetary policy, came into effect on July 22, 2015.
The instruction modifies the mandatory reserves ratio as follows:

- The mandatory reserves ratio to be applied to the daily balances of the various items that make up the reserve base in local currency, excluding the central government, local government and municipal government accounts, was increased from 15% to 25%. Up to 10% of the reserves can be in Treasury bonds, weighted by maturity, issued from January 2015 and held in the Bank's own portfolio. The following weights are used to calculate compliance with the Treasury bond requirements
  - Bonds with a maturity of 5 years – 100% of nominal value;
  - Bonds with a maturity of 4 years – 75% of nominal value;
  - Bonds with a maturity of 3 years – 50% of nominal value;
  - Bonds with a maturity of 2 years – 20% of nominal value.
- The mandatory reserves ratio to be applied to the daily balances of the various items that make up the reserve base in local currency, excluding the central government, local government and municipal government accounts, is maintained at 15%.
- The mandatory reserves ratio to be applied to the daily balances of the central government account in local currency is maintained at 75% and the ratio to be applied to the local government and municipal government accounts, also in local currency, is maintained at 50%;
- The mandatory reserves ratio to be applied to the daily balances of the central government account in foreign currency is maintained at 100% and the ratio to be applied to the local government and municipal government accounts, also in foreign currency, is likewise maintained at 100%.
- The reserve requirements for the reserve base in local and foreign currency is to be calculated weekly, rather than monthly.
- Mandatory reserves are calculated on the first business day and from the first to the last business day of the week following the week in which the balances are established.
- Up to 5% of the weekly arithmetic average of the daily closing balance of the local-currency cash account, as per the Plan of Accounts for Financial Institutions, may be deducted from the mandatory reserves in local currency.
- Up to 60% of the assets representing the amount of disbursements in local currency to the agriculture, fisheries and food production sectors under local-currency loans with maturities of 36 months or more, calculated on the last business day of the week in which the loan portfolio is established, may also be deducted from the mandatory reserves in local currency.

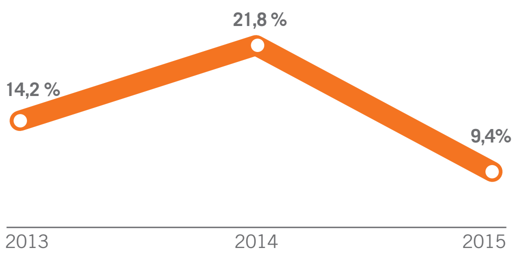
Liquidity Risk Analysis

Sustainable Liquidity Levels and Ability to Meet the Bank's Liquidity Needs

In carrying on its activity, BFA aims to ensure stability of customer funds, so that future cash and financing needs are met in advance.

The rate of growth of customer deposits remained positive, at 9.4%, resulting in deposit growth of AOA 87,777.4 million, thanks to BFA's excellent capacity to attract customer funds.

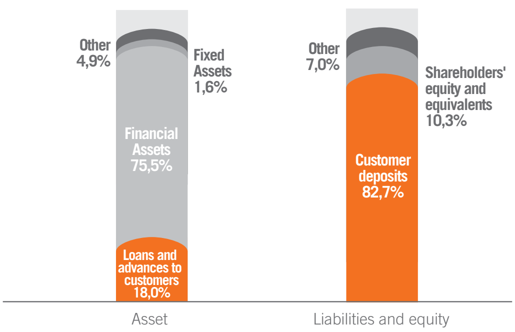
Growth of Customer Deposits



The Bank's balance sheet has proven particularly sound and robust, with customer deposits accounting for approximately 82.7% of liabilities, thus financing the whole of the Bank's activity.

BFA does not use external funding for its activity, with the exception of occasional money market borrowing for cash management reasons.

Balance Sheet Structure at 31 December 2015



Note: Financial Assets = Cash and banks + Loans and advances to credit institutions + Investment securities.

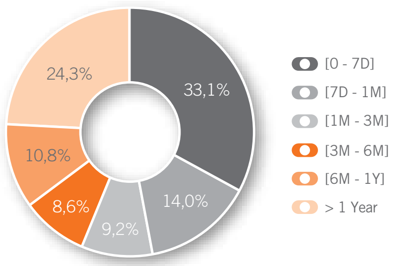
The asset side of the Bank's balance sheet is made up largely of financial assets, in particular, investment securities, which account for nearly 52.4% of total financial assets.

Given its high levels of liquidity, BFA has established an investment policy aimed at profitably investing any surplus liquidity (liquidity that is not used in lending) in various classes of assets with different maturity profiles.

The maturities are chosen based on diversification and appropriateness, balancing the need to meet short-term liquidity needs against the goal of long-term efficiency in managing the Bank's funds.

BFA's financial assets are highly diversified by maturity. As in the previous year, however, investments with maturities of less than one year predominate and the Bank's total financial assets include a large proportion (33%) of investments with maturities of less than seven days, which can be converted into cash at very short notice.

Maturity Profile of Financial Assets
at 31 December 2015



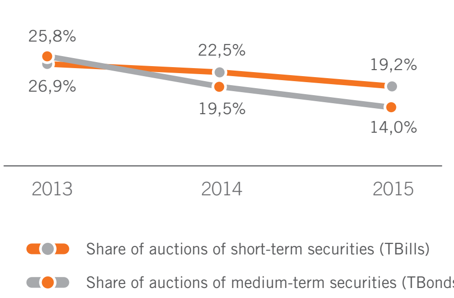
MATURITY PROFILE OF FINANCIAL ASSETS AT 31 DECEMBER 2015

	Total (kAOA)	[0 - 7D]	[7D - 1M]	[1M - 3M]	[3M - 6M]	[6M - 1Y]	> 1 year	Total (%)
Cash and banks	306 869,8	33,1%	0,0%	0,0%	0,0%	0,0%	0,0%	**33,1%**
Loans and advances to credit institutions	125 967,8	0,0%	11,0%	2,6%	0,0%	0,0%	0,0%	**13,6%**
Reverse repurchase agreements	9 038,0	0,0%	0,3%	0,7%	0,0%	0,0%	0,0%	**1,0%**
Short-term securities	132 626,2	0,0%	2,4%	4,9%	5,8%	1,2%	0,0%	**14,3%**
Long-term securities	353 761,6	0,0%	0,4%	1,0%	2,8%	9,7%	24,3%	**38,1%**
Total	**928 263,4**	**33,1%**	**14,0%**	**9,2%**	**8,6%**	**10,8%**	**24,3%**	**100,0%**

Additionally, in order to obtain immediate liquidity, BFA can also discount short and long-term securities in the BNA's Permanent Liquidity-Providing Facility, in accordance with Notice 11/11 and Directive 07/DMA/ DSP/11. As of December 2015, BFA held the following amounts in short and long-term securities in local currency:

	AOA million
Short-term securities	125 991,80
Long-term securities	250 373,30
Total	**376 365,10**

Market Share of Auctions of Short-Term Notes (TBills) and Medium-Term Securities (TBonds)



At year-end 2015, BFA's market share of the BNA's short-term note auctions reached 19.2%, and 14% in auctions of medium-term notes (TBonds).

BFA's trading in medium-term securities was mainly in the secondary market.

BFA's high level of liquidity and the soundness of its balance sheet will enable it to meet future challenges, consolidating its position and providing financial support to its customers' needs.

Foreign Exchange Risk

WHAT IS FOREIGN EXCHANGE RISK AND WHAT CAUSES IT??

Foreign Exchange risk results from adverse fluctuations in the exchange rates between currencies and arises from the difference between asset and liability positions in each foreign currency or positions linked to an exchange rate..

HOW IS FOREIGN EXCHANGE RISK MANAGED

BFA takes a particularly rigorous approach to managing its foreign exchange exposure, aiming to actively control the associated risk by keeping asset and liability positions in each currency within the approved limits.

The DFI is responsible for ensuring that the difference between assets and liabilities in each foreign currency is residual, with the exception of the position in USD, for which a foreign exchange position limit is established.

The DFI is also responsible for ensuring that foreign exchange exposure is limited to 20% of regulatory capital for loan and deposit transactions, in accordance with Notice 2/15.

The financial management of BFA's foreign exchange risk is guided by a set of documents distributed to various management bodies:

- Daily report: summarizes key information from the domestic and international markets and the day's most important movements and transactions in the foreign exchange market;
- Documentation for the Financial Committee, with a weekly overview of the domestic foreign exchange market and the main internal markets;
- Monthly risk management dossier produced by the Management Information Area, covering the key indicators and foreign exchange risk limits;
- Documentation for the Board of Directors, which includes the monthly foreign exchange market summary.

The Bank's organizational and decision-making model is as follows:

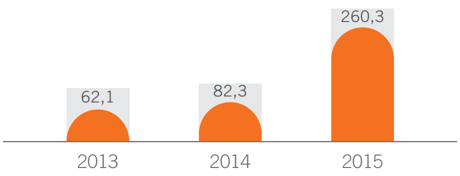
- The Board of Directors, at the proposal of the ECBD, sets the limit for the foreign exchange position based on BFA's view of the market;
- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits;
- The Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

WHAT WERE THE MAIN DEVELOPMENTS IN 2015?

On January 29, the BNA issued Notice 2/15, aimed at ensuring that foreign exchange exposure is limited to 20% of regulatory capital for asset and liability positions.

Foreign Exchange Risk Analysis

Change in Foreign Exchange Position (USD millions)

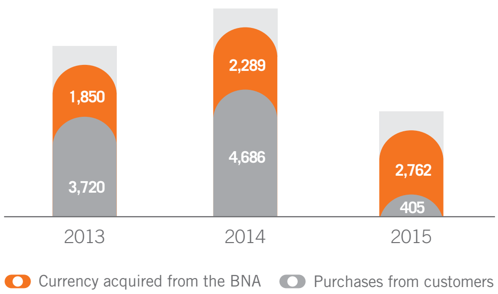


At December 31, 2015, BFA's foreign exchange position was valued at USD 260.3 million, a significant increase over previous years. This foreign exchange position was the result of a decision taken by the Board of Directors, based on BFA's view of the market.

BFA operates primarily in USD and keeps its position in other currencies to residual levels, making the management of its foreign exchange position simpler.

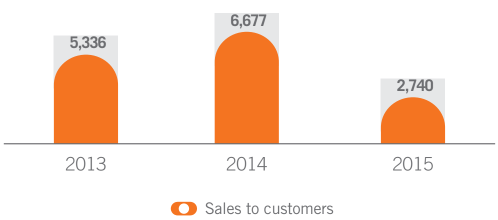
BFA acquires foreign currency on the primary market through BNA's foreign exchange auctions and direct placements and through purchases from customers. Purchases of foreign exchange decreased sharply in 2015 to less than half the amount recorded in 2014 (USD 3,167 million). This decrease is entirely due to the decrease of USD 405 million in purchases of currency from customers as a result of the issue of BNA Notice 7/14, which requires oil sector operators to sell their currency to the BNA. This decrease was partly offset by the USD 2,762 million increase in purchases of foreign exchange from the BNA.

Purchases of Foreign Exchange (USD millions)



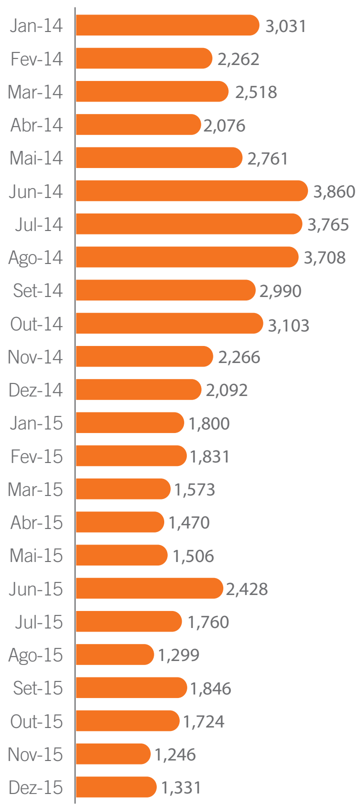
Sales of currency by BFA fell sharply to USD 2,740 million.

Sales of Foreign Exchange (USD millions)



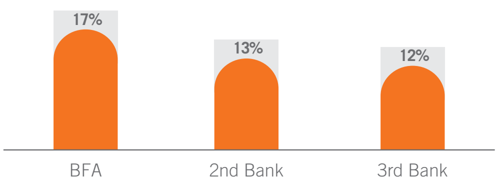
Foreign currency sales on the foreign exchange market in Angola by BNA and its customers have been gradually decreasing over time, most notably from November 2014, when BNA Notice 7/14 was issue

Vendas de Divisas Global do BNA e Clientes (M USD)

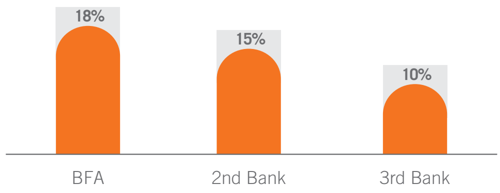


Despite the decrease in foreign exchange transactions, BFA has been the leader in the Angolan foreign exchange market at least since June 2015, when data first started to be published. BFA ended 2015 with cumulative market shares of 17% in purchases of foreign currency and 18% in sales of foreign currency

Cumulative Market Share of Purchases of Foreign Currency



Cumulative Market Share of Sales
of Foreign Currency



Bloomberg

On its Bloomberg page (BFAA), BFA quotes prices for the main Angolan assets, whether in the foreign exchange market or in the interest rate market. This page is public and is used to inform our customers of the quoted prices of the different assets. Of particular interest are the quotations for the spot foreign exchange market and the forward foreign exchange market.

Interest Rate Risk

WHAT IS INTEREST RATE RISK AND WHAT CAUSES IT?

Interest rate risk results from fluctuations in interest rates. In BFA, the two main types of interest rate risk are:

- Interest rate risk on the balance sheet, which results from the impact that changes in interest rates have on the valuation of balance sheet assets and liabilities and the repricing gap.

- Interest rate risk in the securities portfolio, which is caused by the sensitivity of the securities in the portfolio to fluctuations in market interest rates.

HOW IS INTEREST RATE RISK MANAGED?

In order to reduce the variability of revenue and its capital base, BFA manages its exposure to shocks and movements in interest rates and the value of the securities portfolio within set limits.

The rules for financial management and the limits set for interest rate risk are set down in the Limits and Procedures Manual issued by the DFI.

Interest rate risk on the balance sheet is managed by controlling aggregate interest rate risk on the balance sheet. This is the sum of the impact of a parallel shift in the yield curve of the different currencies on the valuation of the assets and liabilities on BFA's balance sheet. DFI is responsible for keeping the aggregate interest rate risk on the balance sheet within the set limit in relation to regulatory capital.

Interest rate risk in the securities portfolio is managed by controlling the aggregate interest rate risk, which is the sum of the impact of a parallel shift in the yield curve on the valuation of the Bank's portfolio of securities with a residual maturity of more than one year.

The DFI is responsible for ensuring that this risk is kept within the set limit in relation to regulatory capital.

BFA's financial management of interest rate risk is supported by a set of documents that are distributed to various management bodies, namely:

- Daily report: summarizes key information from the domestic and international markets and the day's most important movements and transactions (in particular in the money market and the public debt market);

- Documentation for the Finance Committee, with a retrospective weekly summary of the main national and international markets;

- Monthly risk management dossier: a document produced by the Management Information Area covering the key indicators and risk limits;

- Documentation for the Board of Directors, which includes monthly summaries of the money market and the public debt market.

The Bank's organizational and decision-making model is as follows:

- The Board of Directors considers proposals from its Executive Committee and takes the key decisions on transactions with Angolan sovereign risk, counterparty limits and interest rates for loans and deposits.

- The Executive Committee considers the daily and weekly market analyses and oversees implementation of the Board of Directors' decisions on an ongoing basis, as well as compliance with all regulatory and internal limits.

- The Finance Committee meets weekly with its own portfolio of documentation and information, implements decisions and proposes such actions as may be needed.

Interest Rate Risk Analysis

Scenarios used to calculate the adverse impact of interest rate shocks.

Adverse Impact on the Balance Sheet

	Rates Shock
AOA	3,0%
EUR	1,0%
GBP	1,0%
IKZ	1,0%
USD	1,0%

Adverse Impact on the Balance Sheet

	Rates Shock
USD Spread	2,5%
AOA Rate	3,0%
IKZ Rate	2,5%
USD Rate	1,0%

Operational Risk

WHAT IS OPERATIONAL RISK AND WHAT CAUSES IT?

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and is inherent in any activity.

Inappropriate management of operational risk can lead to irreparable damage to a bank's reputation. BFA therefore recognizes the importance of having an adequate operational risk management structure and of investing in employee training to identify and mitigate possible risks arising from inadequate or failed internal processes, people and systems or from external events, or from inappropriate behaviour by employees in the performance of their duties.

CODE OF CONDUCT

AThe ethical conduct of all employees is a critical factor for the development and success of any organization, as it brings benefits not only for the organization's reputation but also in terms of operational efficiency, prudent risk management and employee satisfaction.

Realizing the importance of having a clear and objective reference manual that provides ethical guidance for decision making in business contexts, BFA makes its Code of Conduct available to all new employees.

To make its Code of Conduct accessible to all interested parties, BFA has also published it on the institutional website.

HOW IS OPERATIONAL RISK MANAGED?

BFA has given all its employees access, via the corporate intranet, to a set of internal regulations that specify the operational procedures to be followed and the authorities assigned in relation to operational risk management. These regulations are numbered, dated and organized, according to their nature, in a hierarchy of rules and are grouped by thematic area. Producing these rules and making them known throughout the organization is the responsibility of the Organization and Training Department, which monitors the organization's internal needs and ensures that new legal or regulatory provisions are incorporated in internal regulations.

Through its intranet BFA also publishes external regulations, consisting of BNA regulations and the main legal provisions affecting banking activity. The members of the Bank's management bodies and the Bank's employees are also subject to the BFA Code of Conduct, which has been approved by the Board of Directors.

Assessing compliance with internal regulations and the Code of Conduct is the responsibility of the Audit and Inspection Department (A&I).

A&I assesses the effectiveness, efficiency and appropriateness of the internal control system, taking into account the risks associated with the various activities, so as to ensure and safeguard the integrity and security of the Bank's assets and the assets of its customers. A&I acts independently of the units that it audits and in accordance with internationally recognized and accepted principles of internal audit. The activities of the business units and Central Services are subject to periodic analyses aimed at determining their effectiveness and compliance with the rules governing the activities of the various bodies and the extent to which the rules are disseminated to and known by employees and management. The appropriateness of the various control processes in relation to emerging risks and their compliance with applicable law in relation to each audited process is also analyzed. These analyses are supplemented by thematic audits carried out by the External Auditor or an auditor engaged specifically for the purpose.

A&I organizes its audit work through an annual schedule of control activities to be carried out in the different business areas. Any deficiencies, weaknesses or errors detected in the control processes at the various operational and decision-making levels give rise to recommendations and corrective measures aimed at mitigating the likelihood of occurrence of the identified risks.

These audit actions may be performed onsite or offsite and vary in depth and complexity:

- **Comprehensive thematic audits:** audits carried out on business units and Central Services;
- **Limited audits:** audits carried out mainly on the branch network in order to systematically verify safe and cash balances and assess compliance with existing operational control processes (legislation and rules on cash management, customer identification and account operation). These audits also cover security issues associated with the safekeeping of securities and the functionality and robustness of mechanisms to control access to the business units, safe deposit boxes and security equipment;
- **Offsite audits:** audits carried out to assess the effectiveness and efficiency of procedures in relation to certain transactions or processes, through an analysis of documentation and computer records, without the physical presence of the A&I teams;
- **Incident audits:** analysis of a set of files containing information prescribed by A&I regarding transactions carried out.

As regards the Inspection function, A&I conducts investigations in response to complaints submitted by customers of BFA that could have an impact on the Bank's financial position or in response to resolutions of the Bank's decision-making bodies. These investigations are aimed at analyzing signs of irregularities and identifying the person or persons responsible.

Reports from Inspection are analyzed at meetings of the ECBD, which deliberates on the events reported and A&I's conclusions regarding responsibility, remedial action and possible disciplinary or legal consequences and also on A&I's recommendations regarding the weaknesses detected in individual actions and decisions, processes or rules and the necessary corrective measures to mitigate operational risks.

At the end of each quarter, A&I submits an operational risk map, which shows all the inspections, classified by nature and possible losses.

Additionally, A&I monitors the use of the provisions recorded to cover general risks and the amount of the losses in respect of newly identified general risks, calculating the details for each risk class, so as to ensure greater control and accuracy in managing the general risks to which BFA is exposed and effective provisioning for those risks. This semi-annual report is subsequently submitted for approval and validation by the Audit and Internal Control Committee.

Apart from the reports already mentioned, A&I also prepares a detailed annual report on its internal control activities, which is analyzed by the Board of Directors, the Audit and Internal Control Committee and the Executive Committee and is an integral part of the Internal Control Report

WHAT WERE THE MAIN DEVELOPMENTS IN 2015?

AFaced with growing competition in the financial market, combined, among other things, with technological innovation and the increasingly complex, global nature of transactions, financial institutions are increasingly exposed to operational risks. In 2015, building on the efforts started in 2012, BFA continued to reinforce the control practices aimed at mitigating operational risks, while at the same time developing its ability to identify such risks.

In 2015, the A&I team performed 333 audits, including onsite audits in 130 business units, with 50 comprehensive audits and 118 limited audits. These audits entailed direct contact with 100% of the Bank's commercial area, insofar as the commercial units that were not subject to either a comprehensive or a limited audit were monitored through offsite audits. Internal control of the commercial network reached coverage of 100%, with 161 offsite audits. Potential fraud and operational risk situations and transactions are also monitored on a daily basis by the alerts management area.

In its inspection role, A&I carried out 134 inspections during 2015 resulting from complaints submitted by BFA customers.

ALERT OPTIMIZATION

Throughout 2015, A&I continued to carry out audits in response to computerized alerts covering the various operational processes. This type of audit is triggered when a transaction meets a set of criteria that indicate the occurrence of potential operational risk events. These audits are aimed at effectively averting material fraud or non-compliance with the Bank's required procedures as a result of actions that do not comply or are not aligned with the established criteria or the Bank's Code of Conduct.

Digitization of Documents

Within the scope of the eMudar@BFA project, the front-end platform allows BFA to review and dematerialize its processes, which now, wherever legally possible, are supported by digital documents, allowing a reduction of operational risk. As of year-end 2015, more than two million documents had been digitized through this platform, resulting in a significant gain in efficiency for the Bank and tighter control of operational risk.

Growth of the Process Validation Area

The Process Validation Area was involved in the changes the Bank made to work processes, including account opening, customer data updating, debit card issuance and BFA Net membership. This involvement was decisive in ensuring the success of the new workflows and methods. The area also had to be scaled up and its working hours extended, so as to operate uninterruptedly from 6:30 to 20:00.

New Cheque Clearing Subsystem

2015 was marked by the implementation of the new Cheque Clearing System (CCS), which involves all the banks that provide cheques to their customers. The CCS is a fully electronic clearing system in which cheques are no longer physically exchanged between participating banks but are replaced by digitized images. The whole system is fully electronic and is supported by the exchange of files between the banks and EMIS, the management company of the Angolan Automated Clearing House (CCAA).

Security Enhancement and Risk Mitigation

In 2015 the migration of applications to the new Data Processing Centre (DPC) at EMIS was concluded, offering total redundancy for all BFA's systems, including the central system and support applications.

The new DPC is a major step forward in security and risk mitigation for the Bank's IT systems. These systems are maintained in a high-availability environment through clustering of applications and services, and through system replication where clustering is not possible. This high-availability system undergoes frequent testing and validation.

In addition, the DPC includes a security perimeter and latest-generation telecommunications, in line with best practices, giving BFA availability and security rates that meet market requirements.

With a view to reducing the risk of IT system and infrastructure failure and the threat this would pose to business continuity, BFA has adopted the following initiatives to reinforce its security policies:

- Implementation of redundant network and physical links;
- Software and operating system updating;
- Implementation of new protection (firewalling) and telecommunications (networking) equipment in the DPC;
- Strengthening of the defence mechanisms against cyber-attacks;
- Improvement of the communications network;
- The use of tools for centralized distribution of software updates has been extended, allowing more effective management and control of operational risk in version management.

General IT control procedures are reviewed annually by an outside audit firm hired for that purpose, with the aim of identifying vulnerabilities and areas that need reinforcement.

Complaints Handling – Efficiency and Quality in Service Provision

In 2012, the Bank created the Organization and Training Department, a complaints handling area, in response to the new rules under BNA Notice 2/11. At the end of 2014, when the BFA Customer Support line (923 120 120) came into service, this complaints handling area was transferred to the Bank's Marketing Department, giving rise to a new Customer Support area.

The creation of a customer support team reflects BFA's commitment to improving its practices and the quality of the service it provides to its customers.

Customer complaints are an important indicator for detecting non-compliance and operational risk incidents. Complaints are received, processed and monitored in accordance with internal regulations.

Efficient and diligent handling of customer complaints is an effective tool of operational risk management.

In 2015 the Bank received 2,279 complaints (1,407 more than in 2014). This increase was driven to a large extent by the introduction and promotion, from January 2015, of the BFA Customer Support line, which received 44.6% of the total number of complaints in 2015.

Of the total complaints received, 2,208 were settled, giving an efficiency ratio of 96.9%.

The average response time was 34 days[3] and 81% of complaints were resolved in less than two weeks

[3]. In the course of the 2nd quarter of 2015, the Marketing Department, in consultation with the Audit Department, carried out a special work plan to resolve the longest-standing complaints. As a result, 109 complaints were resolved, with an average response time of 519 days.

Compliance Risk

Adaptation of the Internal Control Structure to Ensure Regulatory Compliance and Application of Anti-money Laundering and Anti-terrorist Financing Policies

WHAT IS COMPLIANCE RISK AND WHAT CAUSES IT?

Compliance risk is inherent in any banking organization and in the banking business itself, as banking is governed by laws and regulations, oversight and supervisory bodies, and contracts entered into with business partners and customers.

Effective detection, management and mitigation of the risks arising from non-compliance with those regulations and contracts are vital tools of reputational risk management, as they serve to guide the Bank's activities

HOW IS COMPLIANCE RISK MANAGED?

Strengthening of Internal Control in Risk Detection and Risk Management

The Compliance Department, established in July 2012, has been carrying out a series of processes within its area of responsibility and has been actively involved in creating procedures to mitigate the risk of money laundering. The Compliance Department is responsible for:

- Monitoring compliance with anti-money laundering and anti-terrorist financing policies;
- Managing and monitoring the implementation of an internal control system to prevent and combat money laundering and terrorist financing;
- Reporting transactions that may involve money laundering and terrorist financing to the relevant authorities;
- Acting as a liaison between BFA and the supervisory authorities in all anti-money laundering and anti-terrorist financing matters;
- Centralizing, examining and managing any communications received by BFA on anti-money laundering and anti-terrorist financing matters;
- Monitoring the Foreign Account Tax Compliance Act (FATCA).

BFA's Legal Department also plays an important role in this field as the body responsible for analyzing and building awareness within the organization of any external regulations that may affect the Bank's activities.

Compliance With FATCA Legislation

The Foreign Account Tax Compliance Act (FATCA) is a United States federal law aimed at preventing tax evasion by entities (individuals and companies) subject to taxation in the United States (US Persons), in relation to income obtained outside the United States.

To ensure compliance with FATCA, in 2015 the Angolan government established an intergovernmental agreement (IGA) with the United States Internal Revenue Service (IRS). Under this IGA, Angolan financial institutions undertake to identify customers who are US Persons, i.e., persons subject to taxes in the US, and report the identity and assets of such customers annually to the US tax authorities.

In July 2014, BFA made changes to its computer applications in order to be able to identify customers who are US Persons and so join the first list of FATCA-compliant institutions.
For this purpose, changes were made to the procedures for account opening and editing of account holder details. These changes affect:

I. Commercial network

New fields were created in the account opening and account holder forms to identify whether or not the customer is a US Person, with specific characteristics for individual and corporate customers.

II. Compliance Department

Where a customer presents US Person indicia, the Compliance Department receives an automatic alert, containing the details of the process. This alert triggers steps to reclassify the customer, while the account is frozen until the department concludes its due diligence and the customer has been classified as appropriate.

Internal anti-money laundering and anti-terrorist financing policies and procedures

Within the scope of the anti-money laundering and anti-terrorist financing policies, promulgated in Law 34/11 and BNA Notice 22/2012, the Bank has developed mechanisms to ensure compliance with regulations, notably through:

- Publication of a Service Order setting out the internal anti-money laundering and anti-terrorist financing policies, aiming basically to:
  - Clarify concepts and introduce procedures that will allow closer, stricter control of the Bank's economic activities and minimize the risk that the Bank is used for money laundering or terrorist financing purposes; and
  - Help the Bank to fully comply with its obligations under applicable laws and regulations and so protect the Bank's reputation by preventing and detecting suspicious transactions.
- Definition of processes and procedures for customer identification through automatic screening of the database of new and existing customers against international sanctions lists, refusing to open accounts for entities that appear in the lists or whenever the Bank considers it appropriate, with a particular focus on the opening and updating of accounts by non-governmental organizations and not-for-profit entities, where enhanced due diligence is obligatory and a favourable opinion from the Compliance Department is required.
- Attribution to the Compliance Department of responsibility for pre- and post-transaction control of cash withdrawals and deposits in foreign currencies by high-risk entities above a certain amount; and
- Verification of compliance with anti-money laundering and anti-terrorist financing procedures, also performed by the Compliance Department.

WHAT WERE THE MAIN DEVELOPMENTS IN 2015?

In order to comply with the know-your-customer and enhanced due diligence duties and avoid any involvement in money laundering or terrorist financing, BFA carried out the following activities during 2015:

I. Extension of enhanced customer due diligence

The due diligence performed on high-risk entities at the time of account opening and updating was reinforced, so as to ensure tighter control over the validation of the legitimacy of customer instructions and facilitate identification of atypical transactions that could indicate fraud. Various internal regulations were created and updated to improve the control and mitigation of fraud and money laundering risk in the following cases:

- Designated non-financial activities and professions (casinos, lottery and betting companies, precious metal traders, precious stone traders); and
- Non-bank financial institutions (foreign exchange bureaux, lending cooperatives, financial assignment companies, financial leasing companies, money and foreign exchange market brokers, micro-lending companies, payment services providers, payment system operating companies and clearing houses, within the meaning of the Angolan Payment System Act).

High-risk entities are also subject to daily supervision and monitoring of all movements in an amount in local currency equivalent to USD 15,000 or more and transactions amounting to a daily total of USD 15,000 or more, in order to identify atypical transactions and transactions that could be indicative of unlawful activities.

In addition, the Compliance Department has taken steps to create an internal blacklist of customers who have been found to be involved in fraud or other unlawful activities. The aim is to monitor all transactions in an individual or aggregate amount equivalent to USD 15,000 or more. Entities included in the internal blacklist will also be classified as high-risk entities for monitoring purposes.

In light of the new procedures, the opening and alteration of accounts held by high-risk entities now require the opinion of two of the Bank's departments (Legal and Compliance).

Foreign exchange bureaux, in particular, were required to update their details. BFA set a deadline of 30 days for notification and updating, informing the bureaux that failure to do so would result in suspension of the relationship with BFA and reporting to the BNA, on the grounds that non-compliance would prevent BFA from complying with its anti-money laundering obligations and would increase the Bank's risk exposure.

As a result of its assessment of the Bank's relationships with not-for-profit organizations, the Compliance Department determined that nearly 500 accounts associated with non-profits have been dormant for several years. It has been proposed that these accounts be closed and that the account closures be overseen by the commercial units and the Marketing Department

II. Creation of new controls

The Compliance Department is also responsible for controlling foreign transactions by individual customers that exceed the set limits. BNA Notice 13/2013 on the procedures to be followed in carrying out foreign exchange transactions for current invisible operations sets an annual limit of AOA 25,000,000 per person and trip, independently of the means of transport, and AOA 12,000,000 for family assistance per calendar year. If a customer exceeds these limits, the transactions must be referred to the portfolio manager for assessment. The departments with commercial responsibilities were tasked with making sales staff aware of the stipulated amounts.

III. Anti-money laundering training for the Bank's employees

As regards compliance training, BFA continued to invest in the qualifications and abilities of its staff through specific anti-money laundering training programmes. The main objective of these programmes is to make employees aware of the requirements of Law 34/11, BNA Notice 22/2012 and the Bank's own internal procedures, especially as regards obligations and duties in relation to the prevention and suppression of money laundering and terrorist financing. Anti-money laundering training for all the Bank's employees was started in 2013 and continued in 2015 for new employees in the commercial area and Central Services and those who did not take part in the previous sessions.

To follow up on the training, in 2015 more than 13 training sessions were held for senior managers, line managers, junior managers and front office staff, comprising a total of 524 trainees.

IV. New directive on money laundering and terrorist financing

In 2015 the BNA published Directive 01/DRO/DSI/15 on money laundering and terrorist financing, which requires all financial institutions supervised by the BNA to complete a self-assessment questionnaire. This questionnaire establishes the anti-money laundering and anti-terrorist financing programme implemented by financial institutions, including risk assessment and risk mitigation policies and procedures.

In addition, BNA Notification 2501/DSI/15 of October 23 requests that the Bank sign a formal commitment to fully and effectively implement the requirements under current anti-money laundering and anti-terrorist financing legislation by June 30, 2016.

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05

FINANCIAL REVIEW

Financial Review

Asset Growth and a Gain in Profitability

Assets AOA 1,229,579 million +14.6% versus 2014	Customer Funds AOA 1,017,160 million +9.4% versus 2014
Net Operating Revenue AOA 69,770 million +29.4% versus 2014	Loans to Customers AOA 292,980 million -2.4% versus 2014
Net Profitt AOA 37,866 million +19.1% versus 2014	Regulatory Capital Adequacy Ratio 24.3% -0.3p.p. versus 2014

Once again, BFA recorded a positive financial performance, with overall asset growth of 14.6%, to reach AOA 1,229,579.2 million (USD 9,086.8 million).

On the liabilities side, customer funds grew significantly in 2015, with customer deposits up 9.4% on the previous year, from AOA 929,382.2 million to AOA 1,017,159.6 million at the end of 2015. The local currency's devaluation versus the USD generated a decline from USD 9,035.1 million to USD 7,517.0 million.

The increase was particularly marked in local currency funds, whose share of customer funds increased 1 percentage point, and thus remained higher than the figure for customer funds in foreign currency.

Net operating revenue rose significantly (up 29.4% compared to 2014), driven by increases in net interest and non-interest income, most notably income from investments and trading income.

The value of BFA's total loan portfolio declined 2.4% compared to 2014. This decrease was in large part due to the decline in loans and advances to customers in local currency, which dropped 19.8% from the previous year, mainly as a result of the exceptional payment of a loan to the Ministry of Finance for AOA 52.6 billion. In contrast to 2014, the volume of guarantees and letters of credit declined nearly 5.7%, recording a decrease of AOA 3,481.3 million (USD 168.1 million).

As deposits increased more rapidly than loans, the loan-to-deposit ratio declined in 2015, to end the year at 21.7%, some 3 percentage points lower than the previous year.

Despite the higher tax effect recorded, with a total tax expense of AOA 3,657.8 million (USD 29.9 million), net profit rose in 2015, reaching AOA 37,866.2 million (USD 312.1 million), 19.1% higher than the figure for 2014.

The regulatory capital adequacy ratio, calculated in accordance with BNA Instruction 3/11, reached 24.3%, comfortably above the required minimum of 10%.

A Sound, Highly Liquid Balance Sheet

BFA's net total assets increased by 14.6% in 2015, reflecting growth of AOA 156,522.8 million between December 2014 and December 2015. Reversing the previous year's trend, this growth was driven mainly by the higher volume of investment securities, the largest asset category in BFA (39.6%), for an increase of AOA 126,583.7 million (USD 96.6 million). The second largest component of BFA's assets is cash and banks, which recorded growth of 62.1%, or the equivalent of AOA 117,590.4 million (USD 427.7 million). As for the volume of loans and advances, despite having declined in comparison with 2014, this category continues to carry significant relative weight on the BFA balance sheet, representing 18% of total assets, or AOA 220,796 million (USD 1,631.7 million).

[4] Given the tight links between the Angolan market and the US dollar, the financial review is presented in both currencies: AOA and USD. It should be noted nonetheless that due to the significant devaluation of the local currency, at times an increase in the absolute value of an item can mean the AOA figure goes up at the same time as the USD figure declines. In such cases, it is seen that the depreciation of the local currency against the USD outweighed the rise in the heading denominated in local currency. The opposite can also.

BFA BALANCE SHEET FROM 2013 TO 2015

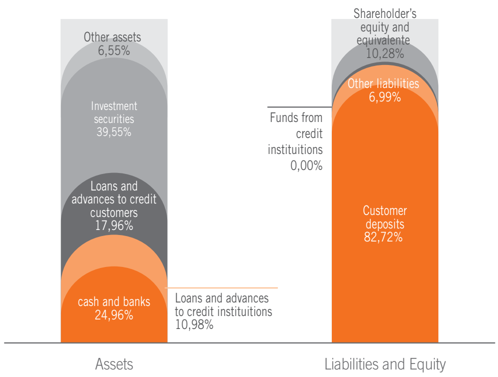
In millions

	2013		2014		2015		Δ% 14-15	
	AOA	USD	AOA	USD	AOA	USD		
Net total assets								
Cash and banks	144 564,3	1 480,9	189 279,4	1 840,1	306 869,8	2 267,8	62,1%	23,2%
Total investments	696 731,1	7 137,2	839 835,1	8 164,6	842 189,6	6 223,9	0,3%	-23,8%
Loans and advances to credit institutions	227 110,3	2 326,5	250 552,4	2 435,8	135 005,8	997,7	-46,1%	-59,0%
Loans and advances to customers	144 013,1	1 475,3	229 478,5	2 230,9	220 796,0	1 631,7	-3,8%	-26,9%
Investment securities	325 607,8	3 335,5	359 804,1	3 497,9	486 387,8	3 594,5	35,2%	2,8%
Net fixed assets	17 786,0	182,2	18 440,7	179,3	20 056,4	148,2	8,8%	-17,3%
Other assets	8 950,8	91,7	25 501,2	247,9	60 463,4	446,8	137,1%	80,2%
Total Assets	**868 032,2**	**8 892,0**	**1 073 056,4**	**10 431,9**	**1 229 579,2**	**9 086,8**	**14,6%**	**-12,9%**
Liabilities	2 014,7	2 014,7	3 673,7	35,7	8,6	0,1	-99,8%	-99,8%
Funds from credit institutions	761 010,4	761 010,4	929 382,2	9 035,1	1 017 159,6	7 517,0	9,4%	-16,8%
Customer deposits	17 294,3	17 294,3	31 393,1	305,2	81 822,1	604,7	160,6%	98,1%
Other liabilities	3 072,2	3 072,2	4 120,1	40,1	4 133,4	30,5	0,3%	-23,7%
Provisions for risks and commitments	84 640,5	84 640,5	104 487,3	1 015,8	126 455,5	934,5	21,0%	-8,0%
Shareholders' equity and equivalents	**868 032,2**	**868 032,2**	**1 073 056,4**	**10 431,9**	**1 229 579,2**	**9 086,8**	**14,6%**	**-12,9%**

The growth on the liabilities side of the balance sheet is explained mainly by the rise in customer deposits, which account for 82.7% of liabilities and increased AOA 87,777.4 million over 2014, a gain of 9.4%. In USD terms deposits decreased USD 1,518.2 million, a decline of 16.8% from 2014, due to the devaluation of the kwanza. This growth in the local currency demonstrates BFA's capacity to raise funds, thanks to its increasing efforts to cross-sell to customers and offer products and services that meet customers' expectations and needs, strengthening the customer relationship and continuously improving the quality of service.

Shareholders' equity and equivalents were up 21% compared to 2014, reaching a total of AOA 126,455.5 million at the end of 2015. Measured in USD, and considering the kwanza's devaluation against the US currency, this heading declined 8% to USD 934.5 million in 2015.

An analysis of the structure of BFA's balance sheet in December 2015 shows a high level of liquidity, sufficient to finance the assets almost in their entirety, through a combination of customer deposits and shareholders' equity.



Increase in Relative Weight of Local Currency Treasury Bonds

The total volume of the securities portfolio grew nearly AOA 126,583.7 million (USD 96.6 million) in 2015, representing an increase of approximately 35% compared to 2014.

This increase was driven by the substantial rise in the volume of local currency Treasury bonds, which was up AOA 24,173.6 million compared to 2014. Conversely, in USD terms, this caption declined by USD 186.3 million. Treasury bills held to maturity and Treasury bills held for trading contributed to the increase in BFA's securities portfolio, respectively accounting for AOA 17,179.9 million and AOA 48,171.4 million of growth. Measured in USD, these captions respectively recorded a decrease of USD 8.1 million, as a result of the local currency's devaluation against the dollar, and an increase of USD 294 million. Treasury bonds in foreign currency also rose 77% with respect to 2014, recording an increase of AOA 39,836.3 million (USD 173.5 million).

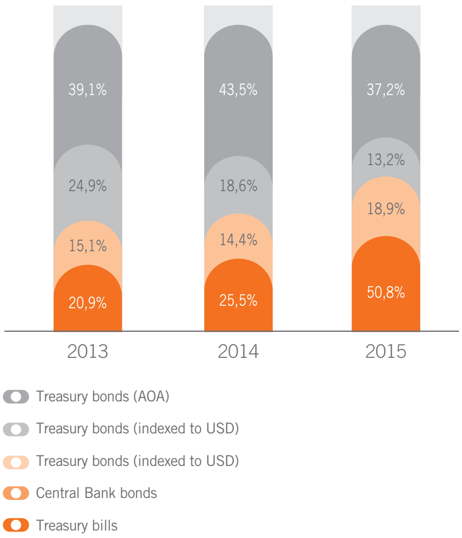
SECURITIES PORTFOLIO

In millions

	2013		2014		2015		Δ 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Trading portfolio	**18 727,4**	**191,8**	**26 664,6**	**259,2**	**74 888,2**	**553,4**	**181%**	**113%**
Treasury bills	18 651,8	191,1	26 570,9	258,3	74 742,3	552,4	181%	114%
Other	75,5	0,8	93,7	0,9	145,8	1,1	56%	18%
Held-to-maturity portfolio	**306 880,4**	**3 143,7**	**333 139,5**	**3 238,7**	**411 499,7**	**3 041,0**	**24%**	**-6%**
Treasury bills	49 435,2	506,4	57 940,3	563,3	75 120,1	555,1	30%	-1%
Treasury bonds (USD)	49 103,3	503,0	51 850,4	504,1	91 686,7	677,6	77%	34%
Treasury bonds (CPI)	81 053,1	830,3	66 823,1	649,6	63 993,6	472,9	-4%	-27%
Treasury bonds (indexed to USD)	127 288,9	1 303,9	156 525,7	1 521,7	180 699,3	1 335,4	15%	-12%
Treasury bonds (AOA)	127 288,9	1 303,9	52 404,9	546,9	127 288,9	1 303,9	757,1	757,1
Total	**325 607,8**	**3 335,5**	**359 804,1**	**3 497,9**	**486 387,8**	**3 594,5**	**35%**	**3%**

In 2015, as seen in previous years, BFA chose to favour investment in local currency securities, which at the end of 2015 accounted for 68% of the securities portfolio

Structure of the Securities Portfolio
at December 2015



Local Currency Loans as a Proportion of Loans and Advances to Customers

The total volume of loans and advances to customers fell by AOA 7,326.3 million (USD 754.3 million) in 2015, representing a decrease of approximately 2.4% compared to 2014. This decline was driven in good part by the decrease in loans and advances to customers in local currency, which fell 19.8% over the year, mainly as a result of the exceptional repayment of a AOA 52.6 billion loan to the Ministry of Finance.

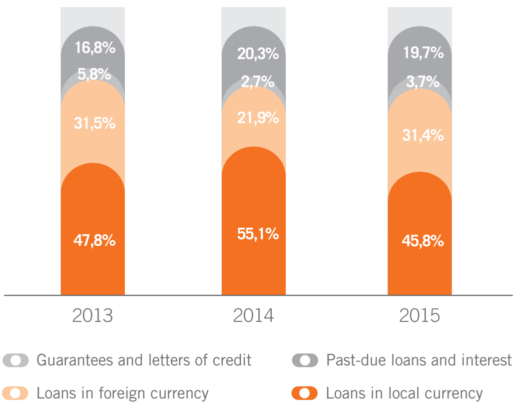
LOANS AND ADVANCES TO CUSTOMERS

In millions

	2013		2014		2015		Δ 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
1. Total loans	**184 302,2**	**1 888,0**	**300 306,5**	**2 919,5**	**292 980,2**	**2 165,2**	**-2,4%**	**-25,8%**
1.1 Loans and advances to customers	146 372,0	1 499,4	231 245,3	2 248,1	224 671,7	1 660,4	-2,8%	-26,1%
Loans and advances in local currency	88 123,4	902,7	165 539,5	1 609,3	132 721,9	980,8	-19,8%	-39,1%
Loans and advances in foreign currency	58 248,6	596 7	65 705,7	638,8	91 949,7	679,5	39,9%	6,4%
1.2 Past-due loans and interest	6 982,3	71,5	7 981,7	77,6	10 710,3	79,2	34,2%	2,0%
1.3 Guarantees and letters of credit	30 947,9	317,0	61 079,5	593,8	57 598,2	425,7	-5,7%	-28,3%
2. Total loan loss provisions	**10 044,3**	**102,9**	**10 853,2**	**105,5**	**15 688,1**	**115,9**	**44,5%**	**9,9%**
2.1 Specific provisions	9 341,3	95,7	9 748,4	94,8	14 586,0	107,8	49,6%	13,7%
For past-due loans and interest	3 104,9	31,8	3 421,1	33,3	5 813,3	43,0	69,9%	29,2%
2.2 For general credit risks	703,0	7,2	1 104,8	10,7	1 102,1	8,1	-0,2%	-24,2%
3. Loans net of provisions	**144 013,1**	**1 475,3**	**229 478,5**	**2 230,9**	**220 796,0**	**1 631,7**	**-3,8%**	**-26,9%**
Of which: Past-due loans and interest	3 877,4	39,7	4 560,6	44,3	4 897,0	36,2	7,4%	-18,4%
4. Credit quality								
Past-due loans (% of total loans)	4,6%	4,6%	3,3%	3,3%	4,6%	4,6%	+1,3 p.p.	+1,3 p.p.
Total provision coverage	143,9%	143,9%	136,0%	136,0%	146,5%	146,5%	+10,5 p.p	+10,5 p.p

In contrast to 2014, the volume of guarantees and letters of credit also recorded a decline of nearly 5.7%, decreasing by AOA 3,481.3 million (USD 168.1 million).

Structure of the Loan Portfolio



Although its weight in the overall structure of the Bank is not very significant, in contrast to the trend of previous years, in 2015 there was an absolute increase of AOA 2,728.6 million (USD 1.6 million) in loans past due (or 1 percentage point as a proportion of the Bank's total loans), mainly as a result of worsening default rates and the respective devaluation versus the USD. This rise in the weight of loans past due in the loan portfolio, associated with the slight decrease in the overall loan portfolio as a result of the exceptional repayment of a loan to the Ministry of Finance in the amount of AOA 52.6 billion, took the ratio of loans more than 30 days past due to total loans higher by 1.3 percentage points (excluding guarantees and letters of credit), to end 2015 at 4.6%.

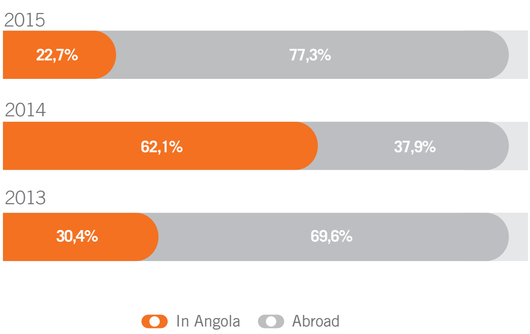
The provision coverage of loans and interest past due (including general and specific provisions) rose more than 10 percentage points with respect to 2014.

LOANS AND ADVANCES TO CREDIT INSTITUTIONS

In millions

	2013		2014		2015		Δ% 14-15	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Loans and advances to credit institutions	**227 110,3**	**2 326,5**	**250 552,4**	**2 435,8**	**135 005,8**	**997,7**	**-46,1%**	**-59,0%**
In Angola	69 137,4	708,2	155 489,4	1 511,6	30 611,1	226,2	-80,3%	-85,0%
Abroad	157 972,9	1 618,3	95 063,1	924,2	104 394,7	771,5	9,8%	-16,5%
Total	**227 110,3**	**2 326,5**	**250 552,4**	**2 435,8**	**135 005,8**	**997,7**	**-46,1%**	**-59,0%**

Composition of Loans and Advances to Credit Institutions



Customer Funds

Customer funds grew 9.4% with respect to 2014 to reach AOA 1,017,159.6 million in 2015. In USD terms, however, customer funds declined 16.8% to USD 7,517 million as a result of the US currency's appreciation against the kwanza.

CUSTOMER FUNDS

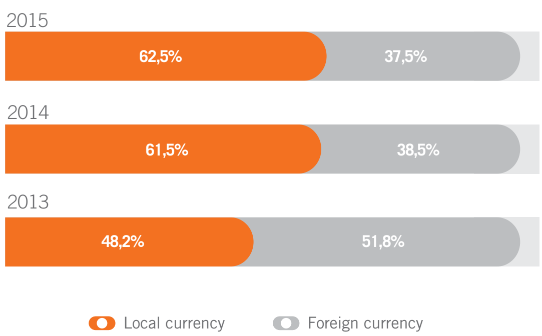
In millions

	2013		2014		2015		Δ% 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Sight deposits	**406 997,3**	**4 169,2**	**476 482,2**	**4 632,2**	**598 026,0**	**4 419,5**	**25,5%**	**-4,6%**
Local currency	234 552,6	2 402,7	330 151,8	3 209,6	456 000,1	3 369,9	38,1%	5,0%
Foreign currency	172 444,8	1 766,5	146 330,5	1 422,6	142 025,9	1 049,6	-2,9%	-26,2%
Term deposits	**354 013,1**	**3 626,5**	**452 900,0**	**4 402,9**	**419 133,7**	**3 097,5**	**-7,5%**	**-29,7%**
Local currency	132 497,7	1 357,3	241 017,5	2 343,1	179 422,9	1 326,0	-25,6%	-43,4%
Foreign currency	221 515,4	2 269,2	211 882,5	2 059,9	239 710,7	1 771,5	13,1%	-14,0%
Total	**761 010,4**	**7 795,7**	**929 382,2**	**9 035,1**	**1 017 159,6**	**7 517,0**	**9,4%**	**-16,8%**

Looking at the structure of sight deposits by currency, in 2015 there was a 38.1% increase in local currency deposits and a 2.9% decrease in foreign currency deposits. This reversal of the trend in the distribution of term deposits by currency is the result of the gradual de-dollarization of the Angolan economy, strongly encouraged by the new foreign exchange regime.

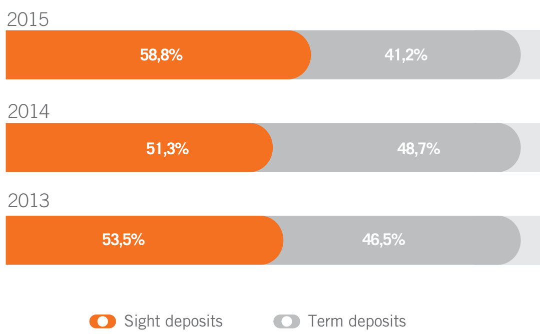
Term deposits, on the other hand, recorded a decline of nearly AOA 33,766.3 million (USD 1,305.5 million) in 2015, with the amount in local currency dropping 25.6% and foreign currency term deposits going up 13.1%.

Composição dos Depósitos de Clientes por Produto e Moeda

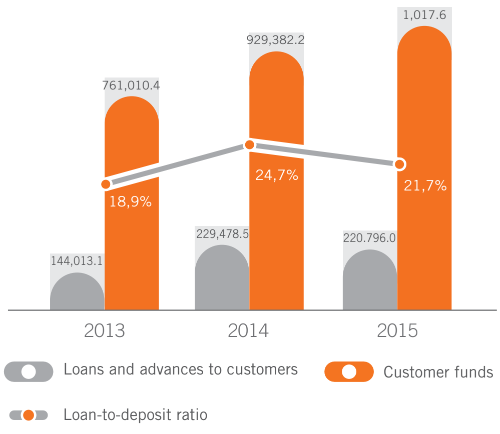


Taking customer deposits as a whole, there was another sizeable increase in the relative importance of the local currency, which accounts for 62.5% of the total, 1 percentage point more than in 2014, and thus continue to outweigh customer deposits in foreign currency.

Contrastando com o aumento registado no ano transacto, em 2015 o Rácio de Transformação diminuiu para 21,7%. Esta variação negativa de 3 pontos percentuais deveu-se ao aumento dos Depósitos de Clientes (9,4%) conjugado com a diminuição da Carteira de Crédito líquida de provisões (3,8%) por amortização excepcional de um crédito ao Ministério das Finanças no valor de 52,6 mil milhões de AKZ.



Loan-to-Deposit Ratio



Income Statement and Increased Profitability

BFA's net profit for 2015 was AOA 37,866.3 million (USD 312.1 million), marking a 19.1% gain over the 2014 net profit figure measured in the local currency and a decline of 3.1% in US dollar terms, due to the local currency's devaluation against the USD.

OPERATING STATEMENT

In millions

		2013		2014		2015		Δ% 14-15	
		AOA	USD	AOA	USD	AOA	USD	AOA	USD
1.	Net interest income [NII]=[I-C]	24 497,1	253,8	30 728,8	311,6	41 022,1	340,6	33,5%	9,3%
2.	Net non-interest income [NNII]	18 258,6	189,2	23 190,4	235,4	28 747,5	234,2	24,0%	-0,5%
3.	**Operating revenue [OR]=[NII+NNII]**	**42 755,6**	**443,0**	**53 919,3**	**547,0**	**69 769,6**	**574,8**	**29,4%**	**5,1%**
4.	Administrative expenses [AE]	14 675,6	152,1	16 939,6	171,9	21 422,8	176,7	26,5%	2,8%
5.	**Operating cash flow [OR-AE]**	**28 080,1**	**290,9**	**36 979,6**	**375,1**	**48 346,9**	**398,1**	**30,7%**	**6,1%**
6.	Extraordinary profit/(loss) [XP/L]=[G-L]	44,7	0,5	67,4	0,7	413,6	2,9	513,7%	328,0%
7.	Operating profit/(loss) [OP/L]=[ORB-AE+XP/L]	28 124,7	291,3	37 047,1	375,8	48 760,5	401,0	31,6%	6,7%
8.	Provisions and depreciation and amortization expense [PDA]	3 033,3	31,4	5 423,2	54,6	7 236,4	58,9	33,4%	7,9%
9.	Profit before tax [PBT]=[OP/L-PDA]	25 091,4	259,9	31 623,8	321,1	41 524,1	342,0	31,3%	6,5%
10.	Tax on profit [IT]	1 192,8	12,6	-172,3	-0,8	-3 657,8	-29,9	2023,4%	3486,2%
11.	Net profit/(loss) for the year [NP/L]=[PBT-IT]	23 898,6	247,3	31 796,1	322,0	37 866,3	312,1	19,1%	-3,1%
12.	**Cash flow for the year [CF]=[NP/L+PDA]**	**26 932,0**	**278,7**	**37 219,3**	**376,6**	**45 102,7**	**371,0**	**21,2%**	**-1,5%**

I - Income from financial instruments (assets) C - Custos de Instrumentos Financeiros Passivos G - Other operating gains L - Other operating losses

The operating statement shows that both net interest income and net non-interest income grew in 2015, producing a 29.4% increase in operating revenue, which reached AOA 69,769.6 million (USD 574.8 million).

Administrative expenses are mainly paid in foreign currency. In this connection, due to the devaluation of the local currency, these expenses grew significantly when measured in AOA, rising 26.5% over the previous year. This increase was only 2.8%, however, when measured in the currency in which these expenses were paid. In line with the previous year, provisions and amortization and depreciation expense also increased significantly, rising by 33.4% compared with 2014. Despite the higher costs, net profit for 2015 recorded an increase of 19.1% in the local currency over 2014. Tax expense rose in 2015, reducing BFA's net profit by AOA 3,657.8 million (USD 29.9 million). The higher tax burden borne by the Bank was almost entirely in respect of the Industrial Tax.

BREAKDOWN OF EARNINGS

In % of average total assets

ROA e ROE	2013	2014	2015
Net interest income	3,1%	3,3%	3,7%
Income from financial trading	1,4%	1,6%	1,4%
Fee and commission income and other income	0,8%	0,9%	0,9%
Net operating revenue	**5,3%**	**5,7%**	**6,0%**
Administrative expenses	1,8%	1,8%	1,8%
Operating profit/(loss)	**3,5%**	**3,9%**	**4,2%**
Provisions and depreciation and amortization expense	0,4%	0,6%	0,7%
Extraordinary profit/(loss)	0,0%	0,0%	0,0%
Profit before tax	**3,1%**	**3,4%**	**3,5%**
Corporate income tax	-0,1%	0,0%	0,2%
Net profit/(loss) (ROA)	**3,0%**	**3,4%**	**3,2%**
Multiplier (ATA/Avg.Eq.)	10,6	10,3	9,9
Net profit/(loss) attributable to shareholders (ROE)	**31,7%**	**34,8%**	**32,0%**

Return on equity in 2015 declined slightly to 32%, 2.8 percentage points lower than the previous year.

INCREASE IN NET INTEREST INCOME – VOLUME EFFECT AND PRICE EFFECT

In millions

	2013		2014		2015		Δ 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Income from financial instruments (assets)	35 011,6	362,8	44 413,3	450,3	56 366,6	469,3	11 953,3	19,0
Costs of financial instruments (liabilities)	10 514,5	109,0	13 684,4	138,6	15 344,5	128,7	1 660,0	-10,0
Net interest income	**24 497,1**	**253,8**	**30 728,8**	**311,6**	**41 022,1**	**340,6**	**10 293,3**	**29,0**

BFA's net interest income grew AOA 10,293.3 million (USD 29 million) in 2015, an increase of 33.5% compared to the previous year.

The growth is above all attributable to the rise in income, mainly from Treasury bills, Treasury bonds and loans, which gained 91%, 23% and 21%, respectively, lifting finance income by 19%.

Interest expense on customer deposits increased to AOA 14,194 million (USD 118.5 million). Despite the increase in interest expense, the income was sufficient to give BFA net interest income of AOA 41,022.1 million (USD 340.6 million) in 2015.

A breakdown of the change in BFA's net interest income by business volume (volume effect) and spread (price effect) shows, as in 2014, the positive volume effect of the increase in the Bank's securities portfolio, particularly Treasury bonds and bills. In line with previous years, the interest income from loans exceeded the interest expense on customer funds (price effect) by AOA 3,674.7 million (USD 19.8 million).

BREAKDOWN OF CHANGE IN NET INTEREST INCOME

In millions

	Efeito Volume	Efeito Taxa	Δ
Interest-earning assets	4 360,0	7 593,3	11 953,3
Interest-bearing liabilities	220,9	1 439,1	1 660,0
Δ Net interest income	**4 139,1**	**6 154,2**	**10 293,3**

Sharp Increase in Net Non-Interest Income

In 2015 BFA's net non-interest income grew at a rate of nearly 24%, in line with the advance seen in 2014, to reach AOA 28,747.5 million (USD 234.2 million). This growth was driven by the increase in trading income as a result of the progressive devaluation of the Angolan currency. Also contributing, albeit to a lesser extent, was the rise in other net income via trading and fair value adjustments of sales of securities to customers.

NET NON-INTEREST INCOME

In millions

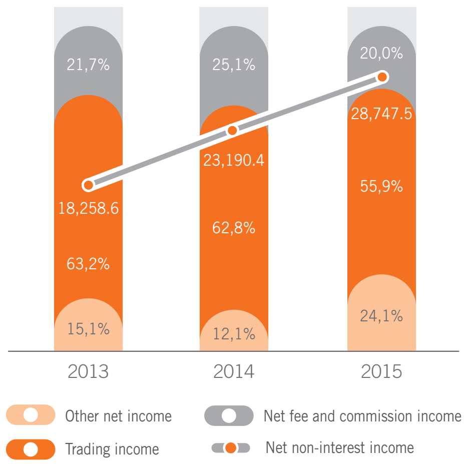
	2013		2014		2015		Δ% 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Trading income	11 537,1	119,5	14 570,6	147,9	16 070,0	131,1	10,3%	-11,4%
Net fee and commission income	3 962,3	41,1	5 823,3	59,1	5 735,5	46,7	-1,5%	-21,0%
Other net income	2 759,2	28,6	2 796,6	28,4	6 941,9	56,5	148,2%	99,0%
Net non-interest income	**18 258,6**	**189,2**	**23 190,4**	**235,4**	**28 747,5**	**234,2**	**24,0%**	**-0,5%**

The largest component of net non-interest income thus continues to be trading income, which, despite having shed 6.9 percentage points in relative weight with respect to the previous year, accounted for nearly 55.9% of total net non-interest income, having risen from AOA 14,570.6 million to AOA 16,070 million in 2015, an increase of 10.3%. In USD terms, trading income declined by 11.4%, dropping from USD 147.9 million to USD 131.1 million, due to the devaluation of the local currency versus the US dollar.

Net fee and commission income declined 1.5% from 2014 to AOA 5,735.5 million (USD 46.7 million). This decrease, combined with the increase in other components of net non-interest income, led to a reduction of 5.2 percentage points in the specific weight of fee and commission income relative to net non-interest income.

Other net income gained in importance with respect to 2014, raising its relative weight by 12.1 percentage points, to total AOA 6,941.9 million (USD 56.5 million), for a contribution of 24.1% to overall net non-interest income.

Composition and Trend of Net Non-Interest Income



Note: Net non-interest income in AOA millions on the right axis, the other items in as percentages on the left axis.

Reduction of Cost-to-Income Ratio

A considerable part of operating expenses are denominated in foreign currency. Thus, owing to the devaluation of the local currency, a significant rise was recorded in 2015 as measured in AOA, with operating expenses going from AOA 19,585 million to AOA 25,043.8 million for the year, an increase of 27.9%. In USD, however, this rise was not as pronounced, as the figure went from USD 198.7 million to USD 206.6 million in 2015, only 4% higher.

This increase was largely driven by the rise in staff costs and in costs incurred for third-party supplies and services, particularly for water, energy, fuels and lubricants, communication and dispatching expenses, maintenance and repair, specialized IT services, security and surveillance, cards, ATMs and transportation.

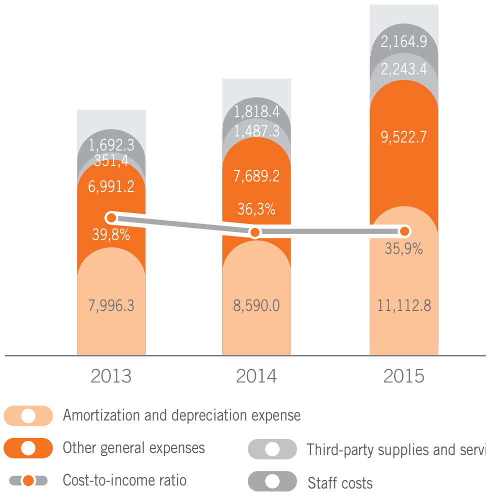
OPERATING EXPENSES

In millions

	2013		2014		2015		Δ% 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Staff costs (I)	7 996,3	82,9	8 590,0	87,2	11 112,8	91,6	29,4%	5,1%
Third-party supplies and services (II)	6 991,2	72,5	7 689,2	78,1	9 522,7	78,7	23,8%	0,8%
Other general expenses (III)	351,4	3,6	1 487,3	15,1	2 243,4	18,4	50,8%	22,1%
Operating expenses before depreciation and amortization (IV = I+II+III)	15 338,8	159,0	17 766,6	180,3	22 878,9	188,7	28,8%	4,7%
Amortization and depreciation expense (V)	1 692,3	17,5	1 818,4	18,5	2 164,9	17,9	19,1%	-3,0%
Operating expenses (VI = IV+V)	**17 031,1**	**176,6**	**19 585,0**	**198,7**	**25 043,8**	**206,6**	**27,9%**	**4,0%**
Cost recovery (VII)	663,2	6,9	826,9	8,4	1 456,1	12,0	76,1%	43,1%
Administrative expenses (VI-V-VII)	**14 675,6**	**152,1**	**16 939,6**	**171,9**	**21 422,8**	**176,7**	**26,5%**	**2,8%**
Extraordinary profit/(loss)	44,7	0,5	67,4	0,7	413,6	2,9	513,7%	328,0%
Cost-to-income ratio	**39,8%**	**39,9%**	**36,3%**	**36,3%**	**35,9%**	**35,9%**	**-0,4 p.p**	**-0,4 p.p**

However, the growth in net operating revenue was sufficient to offset the increases in operating expenses, driving BFA's cost-to-income ratio down to 35.9%, 0.4 percentage points below the level recorded in 2014.

Operating Expenses



Note: Operating expenses in AOA millions on the left axis, the other items as percentages on the right axis.

Framework of Financial Stability and Soundness

At 31 December 2015 total shareholders' equity reached AOA 126,455.5 million, some AOA 21,968.2 million, or 21%, higher than one year earlier. Due to the local currency's depreciation against the US dollar, however, in USD terms this heading moved downward by USD 81.3 million compared to 2014 to end 2015 at USD 934.5 million.

SHAREHOLDERS' EQUITY AND EQUIVALENTS

In millions

	2013		2014		2015		Δ% 14-15	
	AOA	USD	AOA	USD	AOA	USD	AOA	USD
Capital	3 522,0	36,1	3 522,0	34,2	34,2	3 522,0	0,0%	-24,0%
Fundos	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Reservas	57 219,9	583,7	69 169,2	659,6	659,6	85 067,2	23,0%	-9,6%
Resultados Transitados	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Resultados do Exercício	23 898,6	247,3	31 796,1	322,0	322,0	37 866,3	19,1%	-3,1%
Total	**84 640,5**	**867,0**	**104 487,3**	**1 015,8**	**1 015,8**	**126 455,5**	**21,0%**	**-8,0%**

Following the trend of previous years, in 2015 total capital rose 21.2% to AOA 125,000 million (USD 923.8 million). This growth was mostly driven by the increase in core capital and weighted assets, which rose a respective 21.3% and 15.1% in relation to the previous year.

The regulatory capital adequacy ratio, calculated in accordance with BNA Instruction 3/11, reached 24.3%, comfortably above the required minimum of 10%.

CAPITAL ADEQUACY RATIO

In millions

	2013		2014		2015	
	AOA	USD	AOA	USD	AOA	USD
Weighted assets	276 788,9	2 835,4	370 070,2	3 597,7	3 597,7	425 762,5
Core Capital	82 331,9	843,4	102 503,0	996,5	996,5	124 373,1
Supplementary capital	624,8	6,4	627,5	6,1	6,1	626,9
Total capital	82 956,6	849,8	103 130,4	1 002,6	1 002,6	125 000,0
Capital adequacy ratio *	**30,0%**	**30,0%**	**27,9%**	**27,9%**	**27,9%**	**29,4%**
Regulatory capital adequacy ratio	**25,8%**	**25,8%**	**24,0%**	**24,0%**	**24,0%**	**24,3%**

* not including the foreign exchange risk ratio

Proposal for Application of Earnings

The net profit for 2015, totaling 37,866,256,882.60 kwanzas, will be applied as follows:

- To unrestricted reserves: 60% of the net profit, that is, 22,719,754,129.53 kwanzas;

- To dividends: 40% of the net profit, that is, 15,146,502,753.02 kwanzas.

The Board of Directors

06

FINANCIAL STATEMENTS

Financial Statements

BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

Amounts expressed in thousands of Angolan kwanzas

	Notas	2015	2014
ASSETS			
Cash and banks	3	306 869 778	189 279 390
Short-term investments:			
Loans and advances to credit institutions	4	125 967 818	150 902 141
Reverse repurchase agreements	4	**9 038 015**	**99 650 302**
		135 005 833	250 552 443
Marketable securities:			
Held for trading	5	74 888 156	26 664 645
Held to maturity	5	**411 499 655**	**333 139 476**
		486 387 811	359 804 121
Foreign exchange transactions	6	53 284 485	22 348 965
Derivative financial instruments	7	3 099 262	142 733
Loans and advances			
Loans and advances	8	235 381 926	239 226 919
Provision for doubtful loans	8	(14 585 970)	(9 748 392)
		220 795 956	**229 478 527**
Other assets	9	4 079 642	3 009 491
Fixed assets			
Financial fixed assets	10	467 365	381 593
Tangible fixed assets	10	19 050 144	17 707 592
	10	538 918	351 531
		20 056 427	**18 440 716**
Total Assets		**1 229 579 194**	**1 073 056 386**
LIABILITIES AND EQUITY			
Deposits			
Sight deposits	11	598 025 953	480 149 475
Term deposits	11	419 133 673	452 900 002
		1 017 159 626	**933 049 477**
Short-term borrowings			
Interbank money market transactions	12	8 572	6 480
Derivative financial instruments	7	3 798 920	284 231
Liabilities in the payment system	13	4 806 032	3 187 488
Foreign exchange transactions	6	55 915 609	22 152 089
Other liabilities	14	17 301 531	5 769 286
Provisions for contingent liabilities	15	4 133 428	4 120 068
Total Liabilities		**1 103 123 718**	**968 569 119**
Share capital	16	3 521 996	3 521 996
Share capital monetary revaluation reserve	16	450 717	450 717
Reserves and funds	16	83 362 678	67 464 629
Unrealized gains and losses	16	1 253 828	1 253 828
Net profit for the year		37 866 257	31 796 097
Total Equity		**126 455 476**	**104 487 267**
Total Liabilities and Equity		**1 229 579 194**	**1 073 056 386**

The accompanying Notes are an integral part of these balance sheets.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Amounts expressed in thousands of Angolan kwanzass

	Notas	2015	2014
Income from short-term investments	21	3 843 128	4 237 822
Income from marketable securities	21	30 811 826	22 863 899
Income from derivative financial instruments	21	1 288 699	406 271
Income from loans	21	20 422 944	16 905 295
Income from financial instruments (assets)		**56 366 597**	**44 413 287**
Costs of deposits	21	(14 194 032)	(13 351 083)
Costs of short-term borrowings	21	(25 442)	(23 536)
Costs of derivative financial instruments	21	(1 124 981)	(309 824)
Costs of financial instruments (liabilities)		**(15 344 455)**	**(13 684 443)**
Net interest income		**41 022 142**	**30 728 844**
Profit/(loss) from trading and fair value adjustments	5	**3 844 376**	**714 232**
Foreign exchange gains and losses	22	**16 070 041**	**14 570 587**
Profit/(loss) from the provision of financial services	23	**5 735 539**	**5 823 298**
Provisions for doubtful loans and guarantees provided	15	**(4 587 350)**	**(2 664 016)**
PROFIT/(LOSS) FROM FINANCIAL INTERMEDIATION		**62 084 748**	**49 172 945**
Staff costs	24	(11 112 813)	(8 590 011)
Third-party supplies	25	(9 522 651)	(7 689 191)
Non-income related taxes and levies	26	(2 181 624)	(1 481 319)
Penalties applied by regulatory authorities		(61 785)	(6 028)
Depreciation and amortization expense	10	(2 164 885)	(1 818 402)
Cost recoveries	27	1 456 090	826 905
Administrative and sales expenses		**(23 587 668)**	**(18 758 046)**
Provisions for other assets and contingent liabilities	15	**51 972**	**(940 800)**
Other operating income and expenses	28	**2 561 377**	**2 082 329**
OTHER OPERATING INCOME AND EXPENSES		**(20 974 319)**	**(17 616 517)**
OPERATING PROFIT/(LOSS)		**41 110 429**	**31 556 428**
NON-OPERATING PROFIT/(LOSS)	29	**413 638**	**67 405**
PROFIT/(LOSS) BEFORE TAX AND OTHER CHARGES		**41 524 067**	**31 623 833**
CHARGES TO CURRENT PROFIT/(LOSS)	18	**(3 657 811)**	**172 264**
NET CURRENT PROFIT/(LOSS)		**37 866 256**	**31 796 097**
NET PROFIT/(LOSS) FOR THE YEAR		**37 866 257**	**31 796 097**

The accompanying Notes are an integral part of these balance sheets.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Amounts expressed in thousands of Angolan kwanzas

	Notes	Share capital	Share capital monetary revaluation reserve	Legal and other reserves	Unrealized gains/(losses)	Profit/(loss) for the year	Total
Balance at 31 December 2013		**3 521 996**	**450 717**	**55 515 321**	**1 253 828**	**23 898 617**	**84 640 479**
Application of 2013 profit/(loss)							
Transfers to reserves and funds	16	-	-	11 949 308	-	(11 949 308)	-
Dividend distribution	16	-	-	-	-	(11 949 309)	(11 949 309)
Net profit for the year	16	-	-	-	-	31 796 097	31 796 097
Balance at 31 December 2014		**3 521 996**	**450 717**	**67 464 629**	**1 253 828**	**31 796 097**	**104 487 267**
Application of 2014 profit/(loss)							
Transfers to reserves and funds	16	-	-	15 898 049	-	(15 898 049)	-
Dividend distribution	16	-	-	-	-	(15 898 048)	(15 898 048)
Net profit for the year	16	-	-	-	-	37 866 257	37 866 257
Balance at 31 December 2015		**3 521 996**	**450 717**	**83 362 678**	**1 253 828**	**37 866 257**	**126 455 476**

The accompanying Notes are an integral part of these balance sheets.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Amounts expressed in thousands of Angolan kwanzas

	2015	2014
Cash received from short-term investments	3 932 365	3 640 712
Cash received from securities	24 345 562	21 706 019
Cash received from derivative financial instruments	1 846 860	508 714
Cash received from loans	18 939 309	16 516 472
Cash received from financial instruments (assets)	49 064 096	42 371 917
Cash paid for costs of deposits	(14 556 046)	(12 409 073)
Cash paid for costs of short-term borrowings	(25 442)	(23 536)
Cash paid for costs of derivative financial instruments	(1 124 981)	(309 824)
Cash paid for costs of financial instruments (liabilities)	(15 706 469)	(12 742 433)
CASH FLOW FROM NET INTEREST INCOME	**33 357 627**	**29 629 484**
Cash flow from gains/(losses) on trading and fair value adjustments	3 844 376	714 233
Cash flow from gains/(losses) on foreign exchange transactions	14 485 331	9 661 103
Cash flow from gains/(losses) on the provision of financial services	5 735 539	5 823 298
CASH FLOW FROM OPERATING ACTIVITIES – FINANCIAL INTERMEDIATION	**57 422 873**	**45 828 118**
Cash paid for administrative and sales expenses	(18 672 993)	(15 928 884)
Cash flow for other charges to profit/(loss)	(3 657 811)	172 264
Cash flow from the settlement of transactions in the payment system	1 618 544	(1 595 540)
Cash flow from other assets and other liabilities	1 530 652	1 559 887
Cash flow from other operating income and expenses	3 097 536	2 082 329
CASH RECEIVED AND PAID – OTHER OPERATING INCOME AND EXPENSES	**(16 084 072)**	**(13 709 944)**
CASH FLOW FROM OPERATING ACTIVITIES	**41 338 801**	**32 118 174**
Cash flow from short-term investments	115 457 375	(22 845 045)
Cash flow from investments in marketable securities (assets)	(67 517 427)	(33 038 455)
Cash flow from investments in foreign exchange transactions	(30 935 522)	(15 448 163)
Cash flow from investments in loans	(46 076 639)	(86 402 630)
CASH FLOW FROM INVESTING ACTIVITIES – FINANCIAL INTERMEDIATION	**(29 072 213)**	**(157 734 293)**
Cash flow from investments in fixed assets	(1 819 524)	(2 265 915)
Cash flow from other non-operating gains and losses	413 639	67 405
CASH FLOW FROM FIXED ASSETS	**(1 405 885)**	**(2 198 510)**
CASH FLOW FROM INVESTING ACTIVITIES	**(30 478 098)**	**(159 932 803)**
Cash flow from financing activities — Deposits	84 472 162	169 082 311
Cash flow from financing activities — Short-term borrowings	2 092	6 480
Cash flow from financing activities — Foreign exchange transactions	33 763 520	15 417 104
CASH FLOW FROM FINANCING ACTIVITIES – FINANCIAL INTERMEDIATION	**118 237 774**	**184 505 895**
Cash paid for dividends	(11 508 089)	(11 976 173)
CASH FLOW FROM FINANCING ACTIVITIES – EQUITY	**(11 508 089)**	**(11 976 173)**
CASH FLOW FROM FINANCING ACTIVITIES	**106 729 685**	**172 529 722**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**189 279 390**	**144 564 297**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**306 869 778**	**189 279 390**
CHANGES IN CASH AND CASH EQUIVALENTS	**117 590 388**	**44 715 093**

The accompanying Notes are an integral part of these balance sheets.

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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS 31 DE DEZEMBRO DE 2015 e 2014

(Amounts expressed in thousands of kwanzas (kAOA), except where stated otherwise)

1. INTRODUCTION

Banco de Fomento Angola, S.A. (hereinafter the "Bank" or "BFA") was incorporated by public deed on 26 August 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into an Angolan bank.

As indicated in Note 16, BFA's majority shareholder is Banco BPI, S.A. (BPI Group). The main balances and transactions with companies in the BPI Group are disclosed in Note 19.

The Bank's main activity is the taking of deposits and other repayable funds from the public and the application of said funds, together with the Bank's own funds, to the granting of loans, the making of deposits at Banco Nacional de Angola, the placing of deposits at credit institutions and the purchase of securities or other assets for which the Bank has the necessary authorization. The Bank also provides other banking services and carries out various types of transactions in foreign currency, for which purpose at 31 December 2015 it has a national network of 166 branches, 7 service points, 9 investment centres and 16 corporate centres (154 branches, 7 service points, 9 investment centres and 16 corporate centres at 31 December 2014).

2. BASIS OF PRESENTATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1. BASIS OF PRESENTATION

AThe Bank's financial statements have been prepared on a going concern basis from the accounting books and records kept in accordance with the accounting principles laid down in the Chart of Accounts for Financial Institutions (Plano Contabilístico das Instituições Financeiras, or CONTIF), on the terms of Banco Nacional de Angola Instruction 9/2007. The purpose of CONTIF is to standardize accounting records and financial reports and bring them more in line with international practices through convergence of the accounting principles used with International Financial Reporting Standards (IFRS).

The Bank's financial statements at 31 December 2015 and 2014 are stated in kwanzas. Assets and liabilities denominated in other currencies have been translated into the domestic currency on the basis of the average reference exchange rate published by Banco Nacional de Angola on those dates. The kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) at 31 December 2015 and 2014 were as follows:

	2015	2014
1 USD	135,315	102,863
1 EUR	147,832	125,195

Exchange variation on 4 January 2016

As explained above, in preparing the financial statements at 31 December 2015 the Bank converted to the local currency its assets and liabilities denominated in other currencies at the average exchange rate published by Banco Nacional de Angola at 31 December 2015.

In the period from 31 December 2015 to 4 January 2016, the first business day after 31 December 2015, the average exchange rate published by Banco Nacional de Angola varied significantly. The kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) at 31 December 2015 and 4 January 2016 were as follows:

1 USD	155 612	135 315
1 EUR	169 664	147 832

Banco Nacional de Angola has instructed that the financial statements for 2015 are to be prepared using the reference exchange rates published by Banco Nacional de Angola at 31 December 2015.

The following table shows the impact of using the kwanza exchange rates published by Banco Nacional de Angola on 4 January 2016 in the Bank's financial statements at 31 December 2015

	04-01-2016			31-12-2015		
	Local currency	Foreign currency (1)	Total	Local currency	Foreign currency (1)	Total
Cash	212.887.330	108.079.642	320.966.972	212.887.330	93.982.448	306.869.778
Short-term investments						
Interbank money market transactions	11.562.245	131.566.198	143.128.443	11.562.245	114.405.573	125.967.818
Reverse repurchase agreements	9.038.015	-	9.038.015	9.038.015	-	9.038.015
	20.600.260	131.566.198	152.166.458	20.600.260	114.405.573	135.005.833
Securities						
Held for trading	54.314.405	23.542.937	77.857.342	54.416.004	20.472.152	74.888.156
Held to maturity	255.499.512	179.399.876	434.899.388	255.499.512	156.000.143	411.499.655
	309.813.917	202.942.813	512.756.730	309.915.516	176.472.295	486.387.811
Derivative financial instruments	3.099.262	-	3.099.262	3.099.262	-	3.099.262
Foreign exchange transactions	51.482.619	2.072.143	53.554.761	51.482.619	1.801.866	53.284.485
Loans and advances						
Loans and advances	132.466.981	118.351.997	250.818.978	132.466.981	102.914.945	235.381.926
Provision for doubtful loans	(9.043.615)	(6.373.698)	(15.417.313)	(9.043.615)	(5.542.355)	(14.585.970)
	123.423.366	111.978.299	235.401.665	123.423.366	97.372.590	220.795.956
Other assets	3.201.568	1.009.783	4.211.351	3.201.568	878.074	4.079.642
Fixed assets						
Financial fixed assets	104.778	416.974	521.752	104.778	362.587	467.365
Tangible fixed assets	19.050.144	-	19.050.144	19.050.144	-	19.050.144
Intangible assets	538.918	-	538.918	538.918	-	538.918
	19.693.840	416.974	20.110.814	19.693.840	362.587	20.056.427
Total Assets	**744.202.162**	**558.065.851**	**1.302.268.013**	**744.303.761**	**485.275.433**	**1.229.579.194**
Deposits						
Sight deposits	455.980.898	163.351.551	619.332.449	455.980.898	142.045.055	598.025.953
Term deposits	179.422.930	275.666.912	455.089.842	179.422.930	239.710.743	419.133.673
	635.403.828	439.018.462	1.074.422.290	635.403.828	381.755.798	1.017.159.626
Short-term borrowings						
Interbank money market transactions	8.572	-	8.572	8.572	-	8.572
	8.572	-	8.572	8.572	-	8.572
Derivative financial instruments	3.798.920	-	3.798.920	3.798.920	-	3.798.920
Liabilities in the payment system	1.800.582	3.456.262	5.256.844	1.800.582	3.005.450	4.806.032
Foreign exchange transactions	699.052	63.498.939	64.197.991	699.052	55.216.557	55.915.609
Other liabilities	10.041.952	8.348.502	18.390.454	10.041.952	7.259.579	17.301.531
Provisions for contingent liabilities	733.773	3.909.597	4.643.370	733.773	3.399.655	4.133.428
Total Liabilities	**652.486.679**	**518.231.762**	**1.170.718.441**	**652.486.679**	**450.637.039**	**1.103.123.718**
Net total assets	**91.715.483**	**39.834.089**	**131.549.572**	**91.715.483**	**34.638.394**	**126.455.476**
Equity	**131.468.215**	**-**	**131.468.215**	**126.455.476**	**-**	**126.455.476**

(1) Includes locally denominated securities indexed to a foreign currency

2.2. ACCOUNTING POLICIES

a) Accrual accounting

Revenues and expenses are recognized in the period in which they are earned or incurred, in accordance with the accrual basis of accounting, and are recorded as earned or incurred and not as received or paid.

b) Transactions in foreign currency

Transactions in foreign currency are recorded in accordance with the principles of the multi-currency system, where each transaction is recorded according to the currency of denomination. Assets and liabilities expressed in foreign currency are translated to kwanzas at the average exchange rate published by Banco Nacional de Angola at the balance sheet date. Income and expenses relating to realized or unrealized exchange gains or losses are recognized in the income statement for the year in which they occur.

Forward currency positi

The forward currency position is the net balance of open forward currency contracts. All forward currency contracts are revalued at the prevailing market forward rates.

Any difference between the value in kwanzas at the forward rates applied and the value in kwanzas at the contracted rates is recorded under “Foreign exchange transactions” in assets and liabilities, and the gain or loss is recognized in the income statement.

c) Retirement pensions

BFA employees are covered by Law 7/04, which regulates the Angolan Social Security System and provides that all Angolan employees enrolled in the Social Security system be awarded retirement pensions. The amount of these pensions is based on a scale proportional to the number of years of work, applied to the average monthly gross salary earned in the periods immediately prior to the date on which the employee retires. Under Decree 38/08, the rate of contributions to this system are set at 8% for the employer and 3% for employees.

Under Article 262 of the General Employment Act (Lei 2/00 Geral do Trabalho), the liability in respect of retirement benefits for an employee is determined by multiplying 25% of the base monthly salary earned at the date on which the employee reaches the legal retirement age by the number of years of seniority at that date. The total value of these liabilities is determined by actuaries using the Projected Unit Credit method for the liabilities for past services.

On 15 September 2015, there came into effect the New General Employment Act 7/15 (Nova Lei Geral do Trabalho), which repealed Act 2/00. The New General Employment Act does not make reference to the requirement to set aside provisions to cover liabilities in respect of “Retirement benefits”. Nevertheless, despite the repeal of Act 2/00, BFA continues recording provisions to cover liabilities for “Retirement benefits” on the same terms as described above.

In addition, the Bank grants its locally recruited employees or their families the right to cash benefits for old-age retirement, disability and survivorship. In this respect, by resolution of the Board of Directors, effective 1 January 2005, the Bank set up a defined-contribution Complementary Pension Plan. This plan was initially set up with part of the balance of the Provision for Contingent Retirement Pension Liabilities, with BFA’s contribution fixed at 10% of the base salary liable to deductions for Angolan Social Security System, applied over fourteen salary payments. Any income earned on the investments made (net of any taxes due) is added to the accumulated contributions (Note 15).

In 2013, with reference to the last day of the year, the Bank set up the “BFA Pension Fund” to cover these liabilities. The provisions recorded previously were used as the initial contribution to the BFA Pension Fund (Note 15). The amounts corresponding to the vested rights in the Complementary Pension Plan were transferred to the current pension plan and will be converted into contributions of the participant. BFA’s contributions to the BFA Pension Fund consist of 10% of the base salary liable to deductions for the Angolan Social Security System, applied over fourteen salary payments. Any income earned on the investments made (net of any taxes due) is added to the accumulated contributions.

d) Loans and advances

Loans and advances are financial assets and are recorded at the contracted amounts when originated by the Bank or at the amounts paid when acquired from other entities.

Interest and restructuring fees associated with loans are accrued over the life of the transactions, with the corresponding entry in the income statement for the period, irrespective of when they are collected or paid. Other fees and other costs and income associated with loans are recognized in the income statement when they are collected or paid.

Liabilities for guarantees and sureties are recorded in off-balance sheet accounts at the amount at risk, while the flows of interest, fee and other income are recorded in the income statement over the life of the transactions.

Loans and advances to customers, including guarantees and sureties, are provisioned for in accordance with Banco Nacional de Angola Notice 4/2011 (published in the Diário da República as Notice 3/2012) on the methodology for classifying loans and advances to customers and for calculating the respective provisions.

Provisions for doubtful loans and guarantees provided

According to Notice 3/2012, credit transactions are classified in ascending order of risk, as follows:

Level A: Zero risk
Level B: Very low risk
Level C: Low risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Risk of loss

When calculating provisions, all loans and advances to the same customer are classified according to the highest risk level assigned to that customer.

Past-due loans are classified into risk levels according to the time past due, and the minimum provisioning levels are calculated according to the following table:

Risk Levels	A	B	C	D	E	F	G
% provision	**0%**	**1%**	**3%**	**10%**	**20%**	**50%**	**100%**
Time past due	até 15 dias	de 15 a 30 dias	de 1 a 2 meses	de 2 a 3 meses	de 3 a 5 meses	de 5 a 6 meses	mais de 6 meses

For customer loans granted with terms of more than two years, the time past due is doubled when applying the above table.

Performing loans are classified based on the following criteria defined by the Bank:

- Level A: loans secured by captive bank accounts at BFA or by government securities (Treasury bonds and bills and Central Bank bonds) where the value of the collateral is equal to or greater than that of the liability. This level is also applied to certain loans which the Bank considers risk-free on the grounds of the characteristics of the borrowers and the nature of the transactions;

- Level B: loans secured by captive bank accounts at BFA or by government securities (Treasury bonds and bills and Central Bank bonds) where the value of the collateral is greater than 75% but less than 100% of the value of the liability; and

- Level C: other loans, including loans with other types of collateral and loans secured only by personal guarantees.

As part of the regular review of loans, including non-performing loans, BFA reclassifies loans from non-performing to performing based on an analysis of the economic probability of recovery, having regard to the existence of guarantees, the assets of the borrowers or guarantors and the existence of transactions whose risk BFA treats as equivalent to sovereign risk.

At annual intervals the Bank removes from the assets all loans that have been classified at Level G for more than six months, recording a charge to the respective provision (write-off). These loans continue to be carried off-balance sheet for a minimum of 10 years.

Provisions for loans granted are recognized as assets in the balance sheet under "Provision for doubtful loans" (Note 8), while provisions for guarantees and sureties provided and import documentary credits unsecured at the balance sheet date are carried as a liability, under the caption "Provisions for contingent liabilities in the p

Renegotiated loans are kept at a risk level at least as high as the one they were classified at in the month immediately before the renegotiation. A loan is only reclassified to a lower risk level if there are regular, substantial principal repayments or payment of overdue and default interest, or if the quality and value of additional collateral posted for the renegotiated loan so warrants.

Gains or losses resulting from the renegotiation are not recognized until actually received. The Bank writes off interest overdue for more than 60 days and recognizes no further interest from that date until the customer remedies the situation.

e) Share capital monetary revaluation reserve

Under Banco Nacional de Angola Notice 2/2009 on monetary revaluation, in inflationary conditions, financial institutions must measure the effects of the change in the purchasing power of the domestic currency at monthly intervals by applying the consumer price index to their capital, reserves and retained earnings. The financial statements of a company whose functional currency is the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. A country's economy is considered to be hyperinflationary if, among others, the following situations occur:

i) The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

ii) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

iii) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit, even if that period is short;

iv) Interest rates, wages and prices are linked to a price index; and

v) The cumulative inflation rate over three years approaches, or exceeds, 100%

The gain or loss on the net monetary position must be charged to "Gain/(loss) on monetary revaluation" in the income statement, with a corresponding increase in the components of equity, except for "Share capital", where the increase must be classified in a specific reserve ("Share capital monetary revaluation reserve"), which can only be used for subsequent share capital increases.

The Bank has not revalued its capital, reserves or retained earnings since 2004, as the Angolan economy ceased to be considered hyperinflationary.

f) Tangible and intangible fixed assets

Intangible fixed assets, which are composed mainly of property-lease premiums, incorporation expenses and computer software costs, are recorded at cost of acquisition and are amortized on a straight-line basis over three years.

Tangible fixed assets are carried at cost, although they may be revalued as allowed by the applicable legal provisions.

As provided by Banco Nacional de Angola Notice 2/2009 on monetary revaluation, in inflationary conditions financial institutions must restate their tangible fixed assets every month according to the consumer price index (CPI).

The gain or loss on the net monetary position must be credited to the income statement on a monthly basis, with a corresponding adjustment to the carrying amount of fixed assets and accumulated depreciation and amortization.

The Bank has not revalued its fixed assets since 2008 because the Angolan economy ceased to be considered hyperinflationary.

An amount equivalent to 30% of the additional depreciation and amortization charges resulting from the restatement is not considered a deductible expense for tax purposes.

Depreciation is calculated on a straight-line basis at the maximum rates allowed for tax purposes, in conformity with the Industrial Tax Code (Código do Imposto Industrial), based on estimated years of useful life at the following rates:

	Years of useful life
Property in use (Buildings)	50
Leasehold improvements	10
Equipment:	
Furniture and fixtures	10
Computer equipment	3
Interior installations	10
Transport equipment	3
Machinery and tools	6 e 7

g) Property not for own use

The heading "Property not for own use" records properties received in lieu of foreclosure of defaulted loans and held for subsequent disposal.

According to CONTIF, properties received in lieu of foreclosure are carried at the amount indicated in their appraisal, with an offsetting entry against the amount of the loan recovered and the respective specific provisions set aside.

When the outstanding debt is greater than its carrying value (net of provisions), the difference is recorded in the income statement for the year, up to the value determined in the appraisal of the property. When the appraised value of the properties is less than the carrying value, the difference must be expensed for the year.

h) Financial fixed assets

Holdings in associates and equivalent companies

This heading records investments in companies in which the Bank directly or indirectly holds 10% or more of the voting capital (associate or equivalent company).

These assets are recorded by the equity method. Under the equity method, the holdings are carried initially at cost of acquisition and subsequently adjusted to reflect the Bank's effective percent interest in any changes in the shareholders' equity (including net income) of the associates or equivalent companies.

Holdings in other companies

This heading records investments in companies in which the Bank directly or indirectly holds less than 10% of the voting capital.

These assets are carried at cost of acquisition, less the provision for losses.

i) Securities portfolio

Based on the nature of the securities and their intended purpose at the time they were acquired, these investments are classified into the following categories: held to maturity, held for trading and available for sale.

Held to maturity securities

This category comprises securities where the Bank has the intention and the financial capacity to hold the investment until maturity.

Securities classified as held to maturity are stated at their cost of acquisition, plus income earned over their maturity periods (including the accrual of interest and premium/discount, with a corresponding entry in the income statement). Any difference between the amount received on the maturity date and the respective book value is recognized as a gain or loss at that date.

At 31 December 2015 and 31 December 2014, the Bank's entire portfolio of held-to-maturity securities consisted of debt securities issued by the Angolan government or by Banco Nacional de Angola.

Central Bank bonds and Treasury bills are issued at a discount and recorded at acquisition cost. The difference between acquisition cost and face value is the interest earned by the Bank and is recognized as income over the period between the date of purchase of the securities and the maturity date in the same account under "Income receivable".

Treasury bonds acquired at a discount are recorded at acquisition cost. The difference between the cost of acquisition and the face value, which is the discount at the time of purchase, is accrued over the term to maturity and recorded as "Income receivable". Interest accruing on Treasury bonds is also recorded under "Income receivable".

Treasury bonds issued in local currency and indexed to the US dollar exchange rate are subject to currency revaluation.

Any gain or loss on currency revaluation is taken to the income statement for the year in which it arises. Gains or losses on the security's face value are recorded under "Gains/(losses) from foreign exchange transactions", while gains or losses on the discount and accrued interest are recorded under "Income from securities".

Treasury bonds issued in local currency and indexed to the Consumer Price Index are subject to face value revaluation based on the change in the CPI. Any gain or loss on revaluation of the security's face value and accrued interest is taken to income for the year in which it occurs under "Income from securities".

Held-for-trading securities
Securities are considered to be held for trading if they are acquired with the object of being actively and frequently traded. Held-for-trading securities are recognized initially at cost of acquisition, including the costs directly attributable to their acquisition.

Subsequently, they are carried at their fair value, while any income or expense resulting from the fair value adjustment is taken to the income statement for the year.

For debt securities, the carrying value includes the amount of accrued interest.

At 31 December 2015 and 31 December 2014, this portfolio was composed mainly of debt securities issued by the Angolan government and Banco Nacional de Angola.

Available-for-sale securities
Securities are classified as available-for -sale if they are likely to be sold and do not fall into any of the other categories.

Available-for-sale securities are stated initially at cost of acquisition and subsequently at fair value. Any changes in fair value are recognized in equity under "Unrealized gains or losses – Fair value adjustments to available-for-sale financial assets", and the corresponding gains or losses are taken to the income statement when the asset is sold.

During the years ended 31 December 2015 and 2014, the Bank had no securities classified in this category.

Market value
The methodology used by the Bank to estimate the market value (fair value) of securities is as follows:

i) Average trading price on the calculation date or, when this is not available, the average trading price on the preceding business day;

ii) Probable net realization value obtained by applying an internal valuation model or technique;

iii) Price of a similar financial instrument taking into consideration, at least, the payment and maturity schedule, credit risk and the currency or index; and

iv) Price defined by Banco Nacional de Angola.

Securities that do not have a price quoted on an active market based on regular trades and securities that have short maturities are valued based on their cost of acquisition, on the understanding that this is the best approximation to their market value. Treasury bills and Treasury bonds issued by the Angolan State are thus carried on the BFA balance sheet at their respective purchase price, as the Bank believes that this is the best approximation to their market value, given that they are not quoted on an active market based on regular trading.

Classification by risk classes
The Bank classifies securities in the following levels in ascending order of risk, applying the same provisioning criteria as prescribed by CONTIF for the loan portfolio:

Level A: Zero risk
Level B: Very low risk
Level C: Low risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Risk of loss

The Bank classifies the debt securities of the Angolan government and Banco Nacional de Angola at Level A.

Securities sold with repurchase agreements

Securities sold under agreements to repurchase remain in the Bank's securities portfolio, and the related liability is recorded under the balance sheet caption "Third-party securities sold under agreements to repurchase". When these securities are sold with interest in advance, the difference between the sale and repurchase price is recorded in the same caption and identified as "Costs payable"..

Reverse repurchase agreements

Securities purchased under agreements to resell are not recorded in the securities portfolio. Funds paid are recorded on the settlement date under the asset heading "Short-term investments – Third-party securities purchased under agreements to resell", and interest received is accrued under the same heading.

j) Corporate income tax

The total corporate income tax recorded in the income statement is composed of current tax and deferred tax.

Current tax

Current tax is calculated based on taxable income for the year, which differs from accounting income due to adjustments made to the tax base because certain items of income or expense are irrelevant for tax purposes or will be taken into consideration in other accounting periods.

Deferred tax

Deferred tax assets and liabilities reflect the impact that deductible or taxable temporary differences between the carrying amounts of assets and liabilities and their tax base can have on the tax recoverable or payable in future periods.

As a rule, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are only recognized to the extent it is probable that future taxable profits will be available to allow setoff of the deductible temporary differences or tax loss carryforwards. In addition, deferred tax assets are not recognized if their recoverability may be called into question due to other circumstances, including issues regarding the interpretation of tax laws.

Industrial tax

The Bank is subject to the Industrial Tax, in respect of which it is classified as a Group A taxpayer and taxed at a rate of 30%. On 1 January 2015 the new Industrial Tax Code that was approved by Law 19/2014 came into effect, and set the Industrial Tax at 30%. A transitional regime was established which stipulates that the 30% rate applies to financial year 2014.

The new Industrial Tax Code provides that income subject to the Tax on Invested Capital (Imposto sobre a Aplicação de Capitais — IAC) is deducted when determining the Industrial Tax base, and that the IAC is not a tax deductible expense.

Income from Treasury bonds and from Treasury bills issued by the Angolan State after 1 January 2013 is subject to the Tax on Invested Capital, at a rate of 10% (5% for debt securities admitted to trading on a regulated market and with maturity of three years or more) or to the Industrial Tax, depending on the gains or losses obtained (including possible currency revaluations of the principal). Income subject to IAC is not subject to the Industrial Tax.

Tax on Invested Capital (IAC)

The new IAC code was approved by Presidential Legislative Decree 2/2014 and came into force on 19 November 2014.

IAC is payable, in general, on income from the Bank's financial investments. The rate varies between 5% (in the case of interest received on debt securities that are admitted to trading in a regulated market and that have a maturity of three years or more) and 15%. However, as regards income from public debt securities, according to the interpretation issued by the tax authorities and Banco Nacional de Angola and addressed to the Angolan Banks Association (letter from Banco Nacional de Angola dated 26 September 2013), only income from securities issued on or after 1 January 2013 is subject to IAC.

On 1 August 2013, Banco Nacional de Angola started to automate the withholding of IAC at source, as provided in Presidential Legislative Decree 5/11.

Until 31 December 2014, the IAC was considered a payment on account of Industrial Tax and was set off against the amount of Industrial Tax payable, as provided in article 81.a) of the Industrial Tax Code.

Wealth tax

Is charged, at a rate of 0.5%, on the value of the property used in the Bank's normal operations when its value is greater than kAOA 5,000.

Other taxes

The Bank is also subject to indirect taxes, in particular, customs duties, stamp duty, consumption tax and other taxes.

k) Provisions and contingencies

A provision is created when there exists a present obligation (legal or constructive) arising from past events that is likely to require a future outflow of funds in an amount that can be reliably estimated. The amount of the provision is determined by the best estimate of the amount to be disbursed in order to settle the liability at the balance sheet date.

If a future outflow of funds is not likely to be required, a contingent liability is disclosed. Contingent liabilities are only subject to disclosure, unless the probability of their materialization is remote.

l) Derivative financial instruments

As part of its business the Bank may carry out transactions in derivative financial instruments, managing its own positions based on expectations of market trends or to meet the needs of its customers.

All derivative instruments are recorded at market value and any changes in value are recognized in the income statement. Derivatives are also recorded in off-balance sheet accounts at their notional value.

Derivative financial instruments are classified according to their purpose, that is, as either hedging derivatives or speculative and arbitrage derivatives.

3. CASH AND BANKS

The composition of this heading is shown below:

	2015	2014
CASH IN HAND		
Local notes and coins	21 309 607	21 519 533
Foreign currency notes and coins:		
In United States dollars	16 570 261	5 432 215
In other currencies	1 171 290	992 819
	39 051 158	**27 944 567**
Cash in the Central Bank:		
Sight deposits at Banco Nacional de Angola:		
In local currency	191 214 834	75 726 013
In United States dollars	25 562 267	78 404 280
	216 777 101	**154 130 293**
Cash at financial institutions abroad:		
Sight deposits	50 678 631	6 927 409
Checks for collection – in Angola	362 888	277 121
	306 869 778	**189 279 390**

Sight deposits at Banco Nacional de Angola in local and foreign currency are held in order to comply with applicable mandatory reserve requirements and earn no interest.

Mandatory reserves are calculated as provided by Instruction 16/2015. They must be held in local or foreign currency, depending on the currency of the associated liabilities, and must be held for the term of said liabilities.

At 31 December 2105, the mandatory reserve requirement was calculated by applying 25% to the arithmetic average of eligible liabilities in local currency and 15% to the arithmetic average of eligible foreign-denominated liabilities.

On 2 December 2015, Instruction 19/2015 was published, with the consequent change to the eligibility of assets for meeting the mandatory reserves requirement in foreign currency. Instruction 19/2015 provides that the following assets are eligible for meeting said requirement on mandatory reserves in foreign currency, with the weightings specified below: (i) balance of deposits in foreign currency in Banco Nacional de Angola (20%); (ii) Treasury bonds in foreign currency held in the Bank's own portfolio issued in 2015 (80%). This Instruction came into effect on 7 December 2015, with effective compliance with its eligibility provisions scheduled to come into force as from 4 January 2016.

4. SHORT-TERM INVESTMENTS

The composition of this heading is shown below:

	Foreign currency		Local currency	
	2015	2014	2015	2014
INTERBANK MONEY MARKET TRANSACTIONS				
Loans and advances to credit institutions abroad:				
Banco BPI, S.A.				
In United States dollars	455 000 000	620 000 000	61 568 32	63 775 060
In Euros	-	104 000 000	-	13 020 280
In Pounds sterling	-	6 000 000	-	960 018
In Norwegian kroner	-	12 000 000	-	166 284
Other credit institutions abroad	-		-	
In United States dollars	316 361 707	166 361 707	42 808 484	17 112 464
			104 376 809	**95 034 106**
Loans and advances to credit institutions in Angola:				
Banco Nacional de Angola:				
In Kwanzas			-	27 600 000
Other credit institutions in Angola:				
In Kwanzas			10 635 400	28 190 549
In United States dollars			10 010 162	-
			125 022 371	150 824 655
Income receivable			945 447	77 486
			125 967 818	**150 902 141**
REVERSE REPURCHASE AGREEMENTS				
Banco Nacional de Angola				
In Kwanzas			9 000 000	98 655 091
Income receivable			38 015	995 211
			9 038 015	**99 650 302**
			135 005 833	**250 552 443**

At 31 December 2015 and 2014, the deposits at credit institutions earned interest at the following average rates:

	31-12-2015	31-12-2014
Up to three months	125 967 818	148 769 407
From three months to one year	-	2 132 734
	125 967 818	**150 902 141**

At 31 December 2015 and 2014, the deposits at credit institutions earned interest at the following average rates:

	2015	2014
In United States dollars	0,66%	0,33%
In Euros	n.a.	0,45%
In Kwanzas	0,45%	6,56%
In Pounds sterling	n.a.	0,45%
In Norwegian kroner	n.a.	1,00%

Shown below is a breakdown of the reverse repurchase agreements at 31 December 2015 and 2014 by remaining term to maturity:

	2015	2014
Up to three months	9 038 015	53 766 841
From three months to one year	-	45 883 461
	9 038 015	**99 650 302**

At 31 December 2015 and 2014, the reverse repurchase agreements earned interest at yearly average rates of 6.73% and 4.50% (in Kwanzas), respectively.

5. SECURITIES

HELD TO MATURITY SECURITIES

The composition of this heading is shown below:

2015	Risk level	Country	Currency	Face value	Cost of acquisition	Premium/ discount earned	Interest earned	Carrying value	Impairment	Average interest rate
DEBT SECURITIES										
Treasury Bills	A	Angola	AKZ	76 146 960	69 781 986	5 338 124	-	75 120 110	-	6,26%
Treasury Bonds in local currency:										
Indexed to the US dollar exchange rate	A	Angola	AKZ	63 637 442	62 227 563	827 586	959 705	64 014 854	-	7,73%
Not indexed	A	Angola	AKZ	180 920 800	177 300 792	984 744	2 413 734	180 699 270	-	7,43%
Treasury Bonds in foreign currency	A	Angola	USD	91 303 796	90 406 577	532 929	725 915	91 665 421	-	4,50%
				412 008 998	**399 716 918**	**7 683 383**	**4 099 354**	**411 499 655**	**-**	

2014	Risk level	Country	Currency	Face value	Cost of acquisition	Premium/ discount earned	Interest earned	Carrying value	Impairment	Average interest rate
DEBT SECURITIES										
Treasury Bills	A	Angola	AKZ	59,507,466	56 756 206	1 184 051	-	57 940 257	-	
Treasury Bonds in local currency:										
Indexed to the US dollar exchange rate	A	Angola	AKZ	66 942 431	66 071 624	884 104	867 558	66 823 286	-	7,71%
Not indexed	A	Angola	AKZ	155 011 900	153 758 019	208 583	2 559 100	156 525 702	-	7,32%
Treasury Bonds in foreign currency	A	Angola	USD	51 703 058	50 931 586	339 014	579 631	51 850 231	-	3,73%
				333 164 855	**326 517 435**	**2 615 752**	**4 006 289**	**333 139 476**	**-**	

The distribution of debt securities by benchmark index is as follows:

	2015			2014		
	Carrying value			Carrying value Carrying value		
	Fixed rate	6-month Libor	Total	Fixed rate	6-month Libor	Total
Treasury Bills	75 120 110	-	75 120 110	57 940 257	-	57 940 257
Central Bank bonds	-	-	-	-	-	-
Treasury bonds in local currency:						
Indexed to the US dollar exchange rate	64 014 854	-	64 014 854	66 668 219	155 067	66 823 286
Not indexed	180 699 270	-	180 699 270	156 525 702	-	156 525 702
Treasury bonds in foreign currency	-	91 665 421	91 665 421	-	51 850 231	51 850 231
	319 834 234	**91 665 421**	**411 499 655**	**281 134 178**	**52 005 298**	**333 139 476**

The distribution of held-to-maturity securities by remaining term to maturity is as follows:

	2015	2014
Current assets:		
Up to three months	55 380 464	18 691 417
From three to six months	53 968 546	30 471 195
From six months to one year	80 051 018	59 626 640
	189 400 028	**108 789 252**
Non-current assets:		
From one to three years	135 834 144	174 059 197
From three to five years	25 474 350	50 291 027
More than five years	60 791 133	-
	222 099 627	**224 350 224**
	411 499 655	**333 139 476**

HELD-FOR-TRADING SECURITIES

The composition of held-for-trading securities is as follows:

	2015	2014
Títulos de dívida:		
Bilhetes do Tesouro	54.416.004	19 069 301
Obrigações do Tesouro	20.326.331	7 501 648
	74.742.335	**26 570 949**
Títulos de capital:		
Acções - Visa Inc. - Class C (Série I)	145.821	93.696
	74.888.156	**26.664.645**

At 31 December 2015 and 2014, the Bank held Treasury bills and Treasury bonds issued by the Angolan government (risk level A) for trading on the secondary market with other banks or with its customers. Treasury bills and Treasury bonds are recorded at their acquisition price, as this is considered the best approximation to their market value, given that there is no price quoted on an active market based on regular trades.

The distribution of held-for-trading debt securities by remaining term to maturity at 31 December 2015 and 2014 is as follows:

	2015	2014
Current assets:		
Up to three months	23.291.402	4.060.497
From three to six months	21.693.039	5.366.067
From six months to one year	9.777.333	10.819.444
	54.761.774	**20.246.008**
Non-current assets:		
From one to three years	13.131.572	6.324.941
From three to five years	6.848.989	-
	19.980.561	**6.324.941**
	74.742.335	**26.570.949**

he carrying value of the debt securities at 31 December 2015 and 2014 included accrued interest of kAOA 1,738,501 and kAOA 539,297, respectively.

At 31 December 2015 and 2014, the portfolio of equity securities held for trading consisted of 13,896 and 3,474 Class C (Series I) shares of Visa Inc., respectively. The increase recorded in the number of shares was due to the Visa Inc. share split, with the associated decrease in the face value (ratio of 1 to 4). The carrying value of these securities is marked to their trading price in an active market.

In the years ended 31 December 2015 and 2014, the changes in the value of the securities held for trading and the gains obtained by the Bank through trading are recorded in the income statement under the caption "Gains/ (losses) from trading and fair value adjustments". This heading also includes capital losses of kAOA 49,916 sale in 2015 of securities classified as held to maturity, with an aggregate face value of kAOA 17,715.

6. FOREIGN EXCHANGE TRANSACTIONS

The composition of this heading is shown below:

	2015			2014		
	Assets / Income	Liabilities / Expenses	Net	Assets / Income	Liabilities / Expenses	Net
Foreign exchange transactions:						
Purchase and sale of foreign currency	1 117 712	(1 091 423)	26 289	2 796 992	(2 797 299)	(307)
Forward currency transactions	52 166 773	(54 824 186)	(2 657 413)	19 551 973	(19 354 790)	197 183
	53 284 485	**(55 915 609)**	**(2 631 124)**	**22 348 965**	**(22 152 089)**	**196 876**

7. DERIVATIVE FINANCIAL INSTRUMENTS

The composition of this heading is shown below:

	2015	2014
Derivative financial instruments:		
Income receivable from derivative financial instruments	441 731	142 733
Gain on revaluation of derivative financial instruments	2 657 531	-
	3 099 262	**142 733**
Costs payable for derivative financial instruments	(3 798 920)	(87 048)
Loss on revaluation of derivative financial instruments	-	(197 183)
	(3 798 920)	**(284 231)**
	(699 658)	**(141 498)**

At 31 December 2014, the derivative financial instruments consisted of 25 currency forward contracts with non-financial companies maturing between January and March 2016. At 31 December 2014, the derivative financial instruments consisted of 16 currency forward contracts with non-financial companies maturing between January and March 2015. At 31 December 2013, the derivative financial instruments consisted of five currency forward contracts with non-financial companies maturing between January and May 2014

8. LOANS AND ADVANCES

The composition of this heading is shown below::

	2015	2014
Lending to domestic borrowers:		
Overdrafts on sight deposits:		
In local currency	1 572 184	316 174
In foreign currency	937 663	407 297
Other loans:		
In local currency	78 956 583	65 198 618
In foreign currency	23 123 696	12 742 033
Loans:		
In local currency	50 599 957	99 491 863
In foreign currency	66 312 751	51 658 740
	116 912 708	**151 150 603**
Lending to foreign borrowers	**20 933**	**29 389**
Total performing loans	221 523 767	229 844 114
Past-due loans and interest:		
Principal and interest	10 710 251	7 981 662
Total loans and advances	**232 234 018**	**237 825 776**
Income receivable from loans and advances	3 147 908	1 401 143
Provision for doubtful loans (Note 15)	(14 585 970)	(9 748 392)
	220 795 956	**229 478 527**

At 31 December 2015, loans and advances to customers were earning interest at an average annual rate of 10.89% for loans in local currency and 6.44% for loans in foreign currency (10.34% in local currency and 6.34% in foreign currency at 31 December 2014).

The residual maturity of performing loans, excluding income receivable, is as follows:

	2015	2014
Up to one year	9 721 018	65 130 229
From one to three years	21 587 958	23 440 284
From three to five years	53 210 593	40 896 998
More than five years	137 004 198	100 376 603
	221 523 767	**229 844 114**

The distribution of loans and advances (excluding income receivable) by currency is as follows: :

	2014	2013
Kwanzas	131 251 520	168 097 504
United States dollars	100 266 132	69 154 007
Euros	712 830	574 264
Other currencies	3 536	1
	232 234 018§	**237 825 776**

The structure of the loan portfolio (excluding income receivable) by type of borrower and type of lending is as follows:

	2015			2014		
	Outstanding	Past due	Total	Outstanding	Past due	Total
Public administration, defense and						
Other currencies	**56 234 587**	**-**	**56 234 587**	**96 219 359**	**-**	**96 219 359**
Companies						
Loans	34 430 549	1 604 864	36 035 413	20 204 212	1 185 121	21 389 333
Financing	58 676 518	7 604 719	66 281 237	52 146 907	5 639 743	57 786 650
	93 107 067	**9 209 583**	**102 316 650**	**72 351 119**	**6 824 864**	**79 175 983**
Individuals						
Loans	35 250 296	849 576	36 099 872	31 614 950	816 246	32 431 196
Financing	36 931 817	651 092	37 582 909	29 658 686	340 552	29 999 238
	72 182 113	**1 500 668**	**73 682 781**	**61 273 636**	**1 156 798**	**62 430 434**
Total	**221 523 767**	**10 710 251**	**232 234 018**	**229 844 114**	**7 981 662**	**237 825 776**

The distribution of the loan portfolio (excluding income receivable) by benchmark interest rate is as follows:

		Taxa variável – Indexantes			
Year	Fixed rate	3M Libor	6M Libor	Subtotal	Total
2015	213 716 485	5 857 609	12 659 924	18 517 533	232 234 018
2014	227 720 078	1 260 072	8 845 626	10 105 698	237 825 776

The distribution of the portfolio of loans (excluding past-due loans), guarantees and documentary credits (excluding those secured by captive deposits in the Bank) by industry is as follows:

Description	2015				2014			
	Outstanding loans	Guarantees and Doc. Credits (Note 17)	Total	%	Outstanding loans	Guarantees and Doc. Credits (Note 17)	Total	%
Agriculture, forestry and fishing	10 617 512	411 623	11 029 135	3,99%	9 906 546	1 060 889	10 976 435	3,78%
Extractive industries	1 720 031	295 554	2 015 585	0,73%	1 566 301	13 198	1 579 499	0,54%
Processing industries	11 754 291	13 729 627	25 483 918	9,22%	3 195 349	3 088 652	6 284 001	2,16%
Production and distribution of electricity, gas and water	3 005 523	975 895	3 981 418	1,44%	3 215 445	679 997	3 895 442	1,34%
Construction	31 494 418	22 005 221	53 499 639	19,37%	26 153 722	32 145 568	58 299 290	20,05%
Wholesale and retail trade	11 767 348	3 890 197	15 657 545	5,67%	12 361 429	12 666 058	25 027 487	8,61%
Accommodation and restaurants	3 705 987	-	3 705 987	1,34%	1 784 572	660 999	2 445 571	0,84%
Transport, storage and communications	9 931 426	10 165 978	20 097 404	7,28%	3 434 797	1 155 763	4 590 560	1,58%
Banks and insurance	293 314	2 505 228	2 798 542	1,01%	1 734 555	6 763 923	8 498 478	2,92%
Real estate, rental and other services provided by businesses	8 520 077	350 566	8 870 643	3,21%	3 476 306	245 710	3 722 016	1,28%
Government, defense and mandatory social security	56 234 587	12 021	56 246 608	20,36%	96 219 359	1 702 703	97 922 062	33,69%
Education	709 536	406	709 942	0,26%	3 638 402	309	3 638 711	1,25%
Health and social work	3 353 202	-	3 353 202	1,21%	721 519	74 432	795 951	0,27%
Recreational, cultural and sports activities	4 570 863	44 524	4 615 387	1,67%	861 088	14 963	876 051	0,30%
Other service companies	337 790	225 206	562 996	0,20%	301 088	395 929	697 017	0,24%
Individuals	63 507 862	114 633	63 622 495	23,03%	61 273 636	176 519	61 450 154	21,14%
Total	**221 523 767**	**54 726 679**	**276 250 446**	**100%**	**229 844 114**	**60 854 610**	**290 698 725**	**100%**

At 31 December 2015, the Bank's biggest debtor accounted for 44.99% of regulatory capital and 24.22% of the total loan portfolio. Although the Bank's biggest debtor was above the limit of 25% of regulatory capital stipulated by BNA Notice 8/2007, the loans are to the Angolan State, represented by the Finance Ministry, and BFA obtained authorization from the BNA to continue in this situation for six months, until January 2016. In January 2016 the Bank requested a 6-month extension of that authorization. In the dialogue carried on with Banco Nacional de Angola regarding this situation, the Bank was informed that a new Notice on the definition of the prudential limits on major risks has already approved by Banco Nacional de Angola. The new Notice will replace the aforesaid Notice 8/2007 and provides that exposures to the Angolan State, including central and provincial administrations, are exempt from the limits on major risks. The new Notice is awaiting publication by the National Print Office of Angola in order to enter into effect, which the BFA expects will be soon. The entry into force of the new Notice will allow the current overlimit to be resolved.

At 31 December 2015, the Bank's ten biggest debtors accounted for 37.63% % of the total loan portfolio (excluding guarantees and documentary credits).

At 31 December 2014, the Bank's biggest debtor accounted for 94.1% of regulatory capital and 40.81% of the total loan portfolio. Nevertheless, similarly to the situation at 31 December 2015, although the Bank's biggest debtor was above the limit of 25% of regulatory capital stipulated by BNA Notice 8/2007, the loans were to the Angolan State, represented by the Finance Ministry, and BFA had obtained authorization from the BNA to continue in this situation for six months, until June 2015. At 31 December 2014, the Bank's ten biggest debtors accounted for 53.97% % of the total loan portfolio (excluding guarantees and documentary credits).

The distribution of loans (excluding income receivable) by risk class and the provisions for doubtful loans in each class are as follows:

	2015				
	Performing loans	Past-due loans	Average provisioning %	Average provisioning %	Provision
Class A	73 112 096	4 044	73 116 140	0%	-
Class B	1 888 954	5 500	1 894 454	1%	18 946
Class C	137 904 445	703 001	138 607 446	3%	4 158 223
Class D	1 442 043	660 041	2 102 084	10%	210 208
Class E	1 763 929	2 997 969	4 761 898	27%	1 297 544
Class F	3 836 861	3 584 381	7 421 242	60%	4 462 402
Class G	1 575 439	2 755 315	4 330 754	100%	4 330 754
	221 523 767	**10 710 251**	**232 234 018**		**14 478 077**
Provision for income receivable					107 893
					14 585 970
Provision for guarantees provided (Notes 15 and 17)					1 102 145
					15 688 115

	2014				
	Performing loans	Past-due loans	Average provisioning %	Average provisioning %	Provision
Class A	107 459 804	7 549	107 467 353	0%	-
Class B	877 992	4 628	882 620	1%	8 826
Class C	116 293 989	187 567	116 481 556	3%	3 494 447
Class D	510 674	1 857 262	2 367 936	10%	236 794
Class E	1 208 677	1 773 646	2 982 323	22%	670 957
Class F	2 809 104	3 192 817	6 001 921	61%	3 675 417
Class G	683 874	958 193	1 642 067	100%	1 642 067
	229 844 114	**7 981 662**	**237 825 776**		**9 728 508**
Provision for income receivable					19 884
					9 748 392
Provision for guarantees provided (Notes 15 and 17)					1 104 784
					10 853 176

The movement in the provisions for doubtful loans and for guarantees provided in 2015 and 2014 is presented in Note 15.

The movement in the borrower risk migration matrix between 31 December 2014 and 2015 is shown below:

Risk level		Dec. 2015								Total	Portfolio distribution at 31-12-2014
		A	B	C	D	E	F	G	Settled/ charge-offs		
Dec.14	A	**47,25%**	0,52%	0,78%	0,01%	0,02%	0,00%	0,00%	51,42%	**45,19%**	107 467 353
	B	8,12%	**0,00%**	13,66%	0,00%	0,00%	0,00%	0,00%	78,23%	**0,37%**	882 620
	C	3,91%	0,72%	**77,16%**	0,50%	0,97%	2,35%	0,39%	14,00%	**48,98%**	116 481 556
	D	0,00%	0,00%	3,32%	**20,14%**	43,54%	2,40%	6,24%	24,36%	**1,00%**	2 367 936
	E	0,07%	0,00%	2,90%	0,03%	**41,29%**	5,50%	29,92%	20,30%	**1,25%**	2 982 323
	F	0,00%	0,00%	0,86%	0,14%	0,00%	**55,04%**	25,83%	18,13%	**2,52%**	6 001 921
	G	0,00%	0,00%	2,85%	0,02%	1,70%	1,10%	**48,39%**	45,93%	**0,69%**	1 642 067
	Total	**23,29%**	**0,59%**	**38,31%**	**0,45%**	**1,45%**	**2,64%**	**1,61%**	**31,66%**	**100,00%**	
Distribution of 31-12-2014 portfolio at 31-12-2015		55 399 874	1 396 593	91 105 391	1 073 040	3 450 897	6 281 311	3 834 567	75 284 103		237 825 776

The migration matrix shows that 62% of the loan portfolio, which at 31 December 2014 totaled kAOA 237,825,776, did not change level. The movements between risk levels show that 2.43% of the loans migrated to a lower risk level and 4.33% to a higher level.

Remained at same level		Migrated to other levels		Total
In foreign currency	Settlements/ repayments	Higher risk	Lower risk	
61,58%	31,66%	4,33%	2,43%	100,00%

The most marked deterioration over the period, relatively speaking, was in the loans classified in risk levels D, E and F, which accounted for 4.77% of total loans at 31 December 2014. A total of 52.18%, 35.42% and 25.83%, respectively, of the loans in these three risk levels migrated to higher risk levels.

The movement in the borrower risk migration matrix between 31 December 2013 and 2014 is shown below:

Risk level		Dec. 2014								Total	Portfolio distribution at 31-12-2013
		A	B	C	D	E	F	G	Settled/ charge-offs		
Dec.13	A	**75,61%**	0,04%	1,19%	0,00%	0,00%	0,00%	0,00%	23,17%	**19,29%**	29 380 076
	B	71,03%	**0,00%**	11,07%	0,00%	0,20%	0,00%	0,00%	17,70%	**0,81%**	1 236 608
	C	1,33%	0,25%	**76,33%**	1,16%	0,84%	0,90%	0,17%	19,03%	**71,43%**	108 809 232
	D	0,00%	0,00%	5,95%	**45,09%**	9,78%	5,01%	2,13%	32,05%	**1,11%**	1 688 406
	E	0,00%	0,00%	10,29%	0,00%	**43,51%**	22,00%	6,16%	18,04%	**2,29%**	3 492 617
	F	0,00%	0,00%	0,36%	0,00%	0,09%	**47,21%**	4,72%	47,62%	**4,08%**	6 210 906
	G	0,00%	0,00%	2,59%	1,53%	2,64%	4,41%	**56,53%**	32,29%	**0,99%**	1 504 158
	Total	**16,11%**	**0,18%**	**55,19%**	**1,34%**	**1,74%**	**3,17%**	**1,04%**	**21,23%**	**100,00%**	
Distribution of 31-12-2013 portfolio at 31-12-2014		24 536 134	280 699	84 061 831	2 041 593	2 645 997	4 830 209	1 580 688	32 344 853		152 322 003

9. OTHER ASSETS

The migration matrix shows that 73% of the loan portfolio, which at 31 December 2013 totaled kAOA 152,322,003, did not change level. The movements between risk levels show that 2.13% of the loans migrated to a lower risk level and 3.54% to a higher level.

Remained at same level		Migrated to other levels		Total
in foreign currency	Settlements/ repayments	Higher risk	Lower risk	
73,09%	21,23%	3,54%	2,13%	100,00%

The most marked deterioration over the period, relatively speaking, was in the loans classified in risk levels D and E, which accounted for 3.40% of total loans at 31 December 2013. A total of 16.92% and 28.17%, respectively, of the loans in these two risk levels migrated to higher risk levels.

The distribution of loans by days past due is shown below:

Risk class co	2015				2014			
	Not overdue	Up to 60 days past due[1]	More than 60 days past due[1]	Total	Not overdue	Up to 60 days past due[1]	More than 60 days past due[1]	Total
A	71 877 427	1 238 713	-	73 116 140	106 921 182	545 183	988	107 467 353
B	1 239 551	654 903	-	1 894 454	819 596	63 024	-	882 620
C	131 812 429	5 255 678	1 539 339	138 607 446	111 429 404	4 336 855	715 297	116 481 556
D	918 746	39 879	1 143 459	2 102 084	302 838	64 758	2 000 340	2 367 936
E	514 779	491 475	3 755 644	4 761 898	454 856	341 381	2 186 086	2 982 323
F	3 127 497	25 320	4 268 425	7 421 242	1 185 700	12 910	4 803 311	6 001 921
G	108 221	423 144	3 799 389	4 330 754	45 081	12 026	1 584 960	1 642 067
	209 598 650	**8 129 112**	**14 506 256**	**232 234 018**	**221 158 657**	**5 376 137**	**11 290 982**	**237 825 776**

[1] Includes payments past due and not yet due.

Loans whose terms and guarantees were modified on account of deterioration in their credit risk or because of default were classified as renegotiated loans.

The continuing development of the Bank's information systems and credit risk analysis has made it possible to identify renegotiated loans. The amounts of renegotiated loans identified to date, as at 31 December 2014 and 2013, are shown below, by customer type (amounts refer to customers with restructured loans from 2009, inclusive):

	2015					2014				
	Loans			Provisions	Net balance	Loans			Provisions	Net balanceo
	Outstanding	Past due	Total			Outstanding	Past due	Total		
Corporates	8 373 051	4 330 420	12 703 471	(4 968 673)	7 734 799	8 916 832	3 447 436	12 364 268	(3 307 743)	9 056 526
Individuals	131 578	94 629	226 207	(192 639)	33 568	189 686	58 174	247 860	(82 053)	165 806
	8 504 629	**4 425 049**	**12 929 678**	**(5 161 312)**	**7 768 366**	**9 106 518**	**3 505 610**	**12 612 128**	**(3 389 796)**	**9 222 332**

In 2015 the Bank wrote off kAOA 1,072,725 of loans classified in risk level G and applied provisions for doubtful loans in the same amount. In 2014 the Bank wrote off kAOA 2,060,320 of loans classified in risk level G and applied provisions for doubtful loans in the same amount.

Recoveries of loans and interest previously written off totaled kAOA 253,037 2015 and kAOA 323,398 in 2015 and 2014, respectively (Note 28).

The composition of this item at 31 December 2015 and 2014 is as follows:

	2015	2014
OTHER ASSETS — TAX RECEIVABLES		
Deferred tax assets arising from temporary differences (Note 18)	749 027	568 266
Tax credit	477 306	408 510
Other	1 917	7 618
	1 228 250	**984 394**
OTHER RECEIVABLES		
Receivables for service provided	-	-
Sundry receivables:		
Government administration	896 195	431 640
Private sector – businesses	-	47 905
Private sector – employees	19 832	19 569
Private sector – individuals	24 169	24 458
Acquisitions in progress	342 724	85 035
Other receivables	623 001	464 914
	1 905 921	**1 073 521**
OTHER ASSETS OF AN ADMINISTRATIVE AND COMMERCIAL NATURE		
Advances on salaries	-	-
Prepaid expenses:		
Rents and leasing	238 726	212 887
Insurance	27 255	21 506
Other	195 044	71 272
	461 025	**305 665**
Office materials	137 527	141 449
Other advances		
Cash shortages	2 177	2 324
Asset transactions pending settlement	280 517	229 198
Other	4 434	6 010
	287 128	**237 532**
Property not for own use		
Property	59 791	244 998
Equipment	-	21 932
	59 791	**266 930**
	4 079 642	**3 009 491**

At 31 December 2015, the heading “Other Assets — Tax Receivables - Industrial Tax - Provisional settlement” of kAOA 477,306 recorded the advance payment obligation in respect of the 2015 Industrial Tax, which corresponds to 2% of the Bank’s Net Operating Revenue for the first half of 2014. On 13 August 2015, the Bank settled the applicable amount.

At 31 December 2014, “Other Assets – Tax Receivables – Tax credit” in the amount of kAOA 408,510 relates to the amount of the tax credit for Industrial Tax not yet deducted by the Bank, after taking into account: (i) the provisional settlements paid in 2014 for financial year 2013; and (ii) the excess tax paid for financial years 2005, 2006, 2007 and 2008, totaling kAOA 813,093 (Note 18). Said amount was deducted in May 2015 in the Industrial Tax settlement for 2014..

O. FIXED ASSETS

FINANCIAL FIXED ASSETS

The composition of this heading is shown below:

	2015				
	Country	Year of acquisition	Number of shares	% interest	Cost of acquisition
HOLDINGS IN ASSOCIATES AND EQUIVALENT COMPANIES:					
SOFHA – Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
SHAREHOLDINGS IN OTHER COMPANIES:					
EMIS – Empresa Interbancária de Serviços:	Angola	2001	59 150	6,50%	
Equity holding					59 150
Quasi-capital loans					313 985
Shareholder loans					15 155
Interest on shareholder loans and quasi-capital loans					37 768
					426 058
Bolsa de Valores e Derivativos de Angola	Angola	2006	3 000	2%	40 595
IMC – Instituto do Mercado de Capitais	Angola	2004	400	2%	337
Subtotal – Holdings in other companies					**466 990**
Total financial fixed assets					**467 365**

	2014				
	Country	Year of acquisition	Number of shares	% interest	Cost of acquisition
HOLDINGS IN ASSOCIATES AND EQUIVALENT COMPANIES:					
SOFHA – Sociedade de Fomento Habitacional	Angola	2008	n.a	50%	375
SHAREHOLDINGS IN OTHER COMPANIES:					
EMIS – Empresa Interbancária de Serviços:	Angola	2001	59 150	6,50%	
Equity interest					60 314
Quasi-capital loans					240 419
Shareholder loans					11 521
Interest on shareholder loans and quasi-capital loans					37 768
					350 022
Bolsa de Valores e Derivativos de Angola	Angola	2006	3 000	2%	30 859
IMC – Instituto do Mercado de Capitais	Angola	2004	400	2%	337
Subtotal – Holdings in other companies					**381 593**
Total financial fixed assets					**381 593**

At 31 December 2015 and 2014, BFA held an equity interest of 6.50% in EMIS – Empresa Interbancária de Serviços, S.A.R.L. (EMIS), having provided loans to said company in 2004 and 2003 which earn no interest and have no scheduled repayment date. EMIS was incorporated in Angola to manage electronic payment systems and related services.

The Bank's holding in EMIS (including shareholder loans and quasi-capital loans) is carried at cost of acquisition less the provision for impairment losses set aside and used in previous years.

During 2007, the Bank provided quasi-capital loans of USD 250,500, pursuant to the resolution approved at the general meeting of EMIS on 16 November 2007, which since 1 January 2008 earn half-yearly interest at the Libor rate plus 3% and have no specified repayment date.

By resolution of the shareholders at EMIS's extraordinary general meeting on 16 January 2009, a share capital increase of USD 3,526,500 was approved, to be paid in by the shareholders in proportion to their existing holdings by 16 December 2010. In 2010, the Bank made a total payment of USD 108,000 in respect of the share capital increase.

At the general meeting held on 16 July 2010, the shareholders of EMIS resolved to increase the quasi-capital loans by USD 2,000,000, to which BFA's contribution would be USD 117,647. That same resolution stipulated that these quasi-capital loans would bear no interest.

At the general meeting on 9 December 2011, EMIS's shareholders resolved to increase the company's share capital by the equivalent in kwanzas of USD 4,800,000 and to increase interest-bearing quasi-capital loans by the equivalent in kwanzas of USD 7,800,000.

The shareholders further decided to denominate the share capital in kwanzas and to terminate the parity between shareholders, so that the respective holdings would take into account the extent to which each shareholder uses EMIS's services.

The share capital increase was paid in by the shareholders during 2012, with BFA contributing kAOA 53,099. Interest-bearing quasi-capital loans were likewise made by the shareholders during 2012, taking BFA's contribution to kAOA 193,189. In accordance with the EMIS general meeting resolutions, these loans earn interest at Banco Nacional de Angola's benchmark rate.

In 2013, pursuant to the EMIS general meeting decision of 9 December 2011, it was decided to increase the quasi-capital loans by USD 1,400,000, with BFA's contribution amounting to USD 73,684.

The shareholdings in Bolsa de Valores e Derivativos de Angola and Instituto do Mercado de Capitais are stated at acquisition cost.

The above companies distributed no dividends in 2015 and 2014.

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INTANGIBLE AND TANGIBLE FIXED ASSETS

The movements recorded in these headings during 2015 and 2014 are shown below:

	2015									
	Balances at 31-12-2014			Additions	Transfers	Write-offs,		Balances at 31-12-2015		
	Gross assets	Accum. depr. & amort.	Net total assets			Disposals and others	Depr. & amort. for the year	Gross assets	Accum. depr. & amort.	Net total assets
TANGIBLE FIXED ASSETS										
Property used in operations	19 365 872	(5 690 135)	13 675 737	2 331 508	641 520	(969 666)	(721 183)	21 369 234	(6 411 318)	14 957 916
Furniture, tools, fixtures and equipment	9 749 517	(6 660 340)	3 089 177	1 507 329	-	(11 979)	(1 194 791)	11 244 867	(7 855 131)	3 389 736
Fixed assets in progress	942 678	-	942 678	417 057	(641 520)	(15 723)	-	702 492	-	702 492
	30 058 067	**(12 350 475)**	**17 707 592**	**4 255 894**	**-**	**(997 368)**	**(1 915 974)**	**33 316 593**	**(14 266 449)**	**19 050 144**
INTANGIBLE ASSETS										
Computer software	1 076 450	(724 919)	351 531	436 298	-	-	(248 911)	1 512 748	(973 830)	538 918
Organization and expansion costs	101 571	(101 571)	-	-	-	-	-	101 571	(101 571)	-
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	29	(29)	-
	1 271 973	**(920 442)**	**351 531**	**436 298**	**-**	**-**	**(248 911)**	**1 708 271**	**(1 169 353)**	**538 918**
	31 330 040	**(13 270 917)**	**18 059 123**	**4 692 192**	**-**	**(997 368)**	**(2 164 885)**	**35 024 864**	**(15 435 802)**	**19 589 062**

	2014									
	Balances at 31-12-2013			Additions	Transfers	Write-offs,		Balances at 31-12-2014		
	Gross assets	Accum. depr. & amort.	Net total assets			Disposals and others	Depr. & amort. for the year	Gross assets	Accum. depr. & amort.	Net total assets
TANGIBLE FIXED ASSETS										
Property used in operations	18 381 140	(5 151 811)	13 229 329	198 128	819 603	(32 999)	(538 322)	19 365 872	(5 690 135)	13 675 737
Furniture, tools, fixtures and equipment	8 868 752	(5 747 953)	3 120 798	1 017 772	19 628	(156 635)	(1 062 495)	9 749 517	(6 660 340)	3 089 177
Fixed assets in progress	778 171	-	778 171	1 022 829	(839 231)	(19 091)	-	942 678	-	942 678
	28 028 063	**(10 899 765)**	**17 128 299**	**2 238 729**	**-**	**(208 725)**	**(1 600 817)**	**30 058 067**	**(12 350 475)**	**17 707 592**
INTANGIBLE ASSETS										
Computer software	813 450	(507 334)	306 115	263 001	-	-	(217 585)	1 076 451	(724 919)	351 531
Organization and expansion costs	101 571	(101 571)	-	-	-	-	-	101 571	(101 571)	-
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	29	(29)	-
	1 008 972	**(702 857)**	**306 115**	**263 001**	**-**	**-**	**(217 585)**	**1 271 973**	**(920 442)**	**351 531**
	29 037 036	**(11 602 622)**	**17 434 414**	**2 501 730**	**-**	**(208 725)**	**(1 818 402)**	**31 330 041**	**(13 270 917)**	**18 059 123**

At 31 December 2015 and 2014, "Fixed assets in progress" basically relates to the acquisition of premises and payments to suppliers of construction work on new branches scheduled to be opened over the coming years.

11. DEPOSITS

The composition of this heading is shown below:

	2015	2014
Funds from credit institutions abroad		
Sight deposits	-	3 667 235
Sight deposits of residents:		
In local currency	350 210 430	322 571 871
In foreign currency	139 830 913	144 535 955
	490 041 343	**467 107 826**
Sight deposits of non-residents		
In local currency	10 524 721	7 578 032
In foreign currency	2 194 131	1 792 612
	12 718 852	**9 370 644**
Interest on sight deposits	4 166	3 770
Captive customer funds	95 261 592	-
Total sight deposits	**598 025 953**	**480 149 475**
Term deposits of residents:		
In local currency	177 226 210	238 182 624
In foreign currency	233 631 620	207 007 291
	410 857 830	445 189 915
Term deposits of non-residents	5 240 691	4 312 920
Interest on term deposits	3 035 152	3 397 167
Total term deposits	**419 133 673**	**452 900 002**
Total deposits	**1 017 159 626**	**933 049 477**

At 31 December 2014, the balance of “Funds from credit institutions abroad – sight deposits” recorded accounting overdrafts in the Bank’s sight deposits held in credit institutions, which are reclassified as liabilities for financial reporting purposes.

At 31 December 2015 the balance of “Captive customer funds” records the balance of restricted funds in customer sight deposits as a result of the request for use of foreign currency without the authorization from Banco Nacional de Angola

The distribution of customer term deposits at 31 December 2015 and 2014 by remaining term to maturity is as follows:

	2015	2014
Up to three months	167 641 092	202 473 556
3 to 6 months	147 901 165	155 409 574
From 6 months to one year	103 591 416	95 016 872
More than one year	-	-
	419 133 673	**452 900 002**

At 31 December 2015, term deposits in local and foreign currency were earning per annum interest averaging 4.67% and 2.66%, respectively (4.57% and 2.47% at 31 December 2014).

At 31 December 2015 and 2014, demand deposits were earning no interest, except for specific foreign-currency denominated sight deposits defined according to the guidelines provided by the Bank’s Board of Directors.

The following table gives a breakdown of sight and term deposits at 31 December 2015 and 2014 by type of customer:

	2015	2014
Sight deposits		
Government	5 814 474	5 814 474
Public sector corporations	2 513 427	2 513 427
Companies	311 275 183	311 275 183
Individuals	160 546 391	160 546 391
	480 149 475	**480 149 475**
Term deposits		
Government	3 765 632	3 765 632
Public sector corporations	4 350 929	4 350 929
Companies	233 353 655	233 353 655
Individuals	211 429 786	211 429 786
	452 900 002	**452 900 002**

12. SHORT-TERM BORROWINGS

The composition of this item at 31 December 2015 is as follows:

	2015	2014
Interbank money market transactions:		
Funds from credit institutions in Angola – Loans (AOA)	8 572-	6 480-
Interest	-	-
	8 572-	**6 480-**

At 31 December 2015 and 2014, short-term borrowings had a remaining term to maturity of less than three months. At 31 December 2015 the short-term borrowings earned no interest.

13. LIABILITIES IN THE PAYMENT SYSTEM

The composition of this item at 31 December 2015 and 2014 is as follows:

	2015	2014
Funds of other entities:		
Certified checks	1 800 581	2 861 677
Funds tied to letters of credit	2 988 570	278 118
Clearing of checks and other instruments	-	991
Other	16 881	46 702
	4 806 032	**3 187 488**

The caption “Funds tied to letters of credit” refers to sums deposited by customers and earmarked for settlement of import transactions, for the purpose of opening the necessary documentary credits.

14. OTHER LIABILITIES

The composition of this item at 31 December 2014 and 2013 is as follows

	2015	2014
Corporate or bylaw liabilities		
Dividends payable	4 390 275	316
Liabilities relating to taxes:		
Tax payable — own tax liability		
Corporate income tax payable	3 644 284	345 551
On employment income	203 090	133 347
On investment income	653 568	325 834
Tax relating to remuneration	44 586	33 414
	4 545 528	**838 146**
Tax payable – tax withheld on behalf of others		
On unearned income	147 751	199 550
Other	107 072	114 776
	254 823	**314 326**
Liabilities of a civil nature	**1 547 479**	**1 152 472**
Liabilities of an administrative or commercial nature		
Staff costs – salaries and other remuneration		
Holiday pay and holiday subsidies	1 272 642	987 540
Performance bonus	208 501	205 090
Other staff costs	201 541	121 577
	1 682 684	**1 314 207**
Other administrative and selling costs payable		
Payables pending settlement	127 843	82 420
Monthly expenses	1 802 794	1 300 882
Movements in ATMS pending settlement	1 753 328	1 243 186
Payment orders received and pending settlement	6 134	15 716
Western Union Service movements	(7 689)	68 014
STC Interface	896 832	-
Visa acquiring expenses	(2 335)	263 210
Other	303 835	78 733
	4 880 742	**3 052 161**
	6 563 426	**4 366 368**
	17 301 531	**5 769 286**

At 31 December 2015, “Dividends payable” included part of the dividends distributed by the Bank to its shareholder Banco BPI, S.A. for 2014 but not yet settled (Note 16). In August 2015, BFA received authorization from Banco Nacional de Angola to transfer 50% of these dividends. The transfer was effected in 2015. According to the notices received from the BNA, the remaining 50% are expected to be paid by the end of 2016..

At 31 December 2015, “Other administrative and selling costs payable – Other” included kAOA 896,832 in amounts of customer funds to be cleared pursuant to wire transfer requests. That amount was cleared on 4 January 2016.

15. PROVISIONS FOR CONTINGENT LIABILITIES

The movement in provisions during the years ended 31 December 2015 and 2014 is shown below:

	2015							
	Balances at 31-12-2014	Increases	Decreases		Charge-offs	Exchange differences and others	Transfers	Balances at 31-12-2015
		Charges for the year	Staff costs (Note 24)	Write-backs and reversals				
General banking risks								
In relation to company law or the Bylaws	1 793 808	-	-	-	(49 306)	556 467	-	2 300 969
Of an administrative or commercial nature	1 020 553	484 187	-	(536 159)	(684 534)	209 654	-	493 701
Guarantees provided (Note 8)	1 104 784	-	-	-	-	121 858	(124 497)	1 102 145
Sponsored retirement and survival benefit funds								
Retirement benefits	200 923	-	35 690		-	-	-	236 613
	4 120 068	**484 187**	**35 690**	**(536 159)**	**(733 840)**	**887 979**	**(124 497)**	**4 133 428**
Doubtful loans (Note 8)	**9 748 392**	**7 572 582**	**-**	**(2 985 232)**	**(1 072 725)**	**1 198 456**	**(124 497)**	**14 585 970**
	13 868 460	**8 056 769**	**35 690**	**(3 521 391)**	**(1 806 565)**	**2 086 435**	**-**	**18 719 398**

	2014							
	Balances at 31-12-2013	Increases	Decreases		Charge-offs	Exchange differences and others	Transfers	Balances at 31-12-2014
		Charges for the year	Staff costs (Note 24)	Write-backs and reversals				
General banking risks								
In relation to company law or the Bylaws	1 770 510	-	-	-	(69 902)	93 200	-	1 793 808
Of an administrative or commercial nature	445 093	940 800	-	-	(430 111)	64 771	-	1 020 553
Guarantees provided (Note 8)	703 006	-	-	-	-	42 013	359 765	1 104 784
Sponsored retirement and survival benefit funds								
Retirement benefits	153 617	-	37 422	-	-	9 884	-	200 923
	3 072 226	**940 800**	**37 422**	**-**	**(500 013)**	**209 868**	**359 765**	**4 120 068**
Doubtful loans (Note 8)	**9 341 265**	**3 106 810**	**-**	**(442 794)**	**(2 060 320)**	**163 196**	**(359 765)**	**9 748 392**
	12 413 491	**4 047 610**	**37 422**	**(442 794)**	**(2 560 333)**	**373 064**	**-**	**13 868 460**

In the years ended 31 December 2015 and 2014, the caption “Provisions in relation to company law or the Bylaws” refers to the Social Fund, whose purpose is to fund initiatives in the educational, health and social solidarity areas. The Fund was set up with monthly contributions of 5% of the net profit of the previous year, calculated in United States dollars, over a five-year period. This provision was set aside between 2005 and 2009, inclusive.

In the years ended 31 December 2015 and 2014, "Provisions of an administrative and commercial nature" consists basically of the provisions set aside to cover fraud, litigation in progress, tax contingencies and other liabilities, and represents the Bank's best estimate of the costs it is likely to face in the future in respect of those liabilities. This heading also includes, at 31 December 2015, a provision of kAOA 159,401 for possible contingencies relating to the cancellation of certified checks not settled by the beneficiaries (aged over 5 years) (Note 29).

At 31 December 2015 and 2014, the balance of "Retirement benefits" covers the Bank's liabilities for retirement benefits. The liability in respect of "Retirement benefits" is determined by multiplying 25% of the base monthly salary earned at the date on which the employee reaches the legal retirement age by the number of years of seniority at that date. The total value of these liabilities is determined by actuaries using the Projected Unit Credit method for the liabilities for past services.

As stated in Note 2.2 c), in 2013, effective from the last day of the year, the Bank created the "BFA Pension Fund" to cover the liabilities relating to retirement, disability and survival pensions for all the Angolan employees of the Bank who are registered with Social Security, using the provisions already established as the initial contribution to the BFA Pension Fund (defined benefits plan). Under the contract establishing the Fund, BFA will contribute 10% of the base salary liable to deduction for Angolan Social Security System, applied over fourteen salary payments. Any income earned on the investments made (net of any taxes due) is added to the accumulated contributions. The total amount of initial contribution made by the Bank to the BFA Pension Fund was kAOA 3,098,194, which included kAOA 44,797 of advances on future contributions, which was used in the first half of 2014. In 2015 and 2014, the Bank's contribution to the BFA Pension Fund amounted to kAOA 517,041 and kAOA 504,946, respectively (Note 24).

The BFA Pension Fund is managed by Fenix – Sociedade Gestora de Fundos de Pensões, S.A. The Bank acts as depository of the Fund.

16. EQUITY

SHARE CAPITAL

The Bank was incorporated with a share capital of kAOA 1,305,561 (equivalent to EUR 30,188,657 at the exchange rate of 30 June 2002), represented by 1,305,561 registered shares with a nominal value of one thousand kwanzas each, subscribed and paid up by way of the incorporation of all the assets and liabilities, including real estate assets and rights of any class, as well as all the rights and obligations of the former Angolan branch of Banco BPI.

At the end of 2004, 2003 and 2002, the Bank increased its share capital by kAOA 537,672, kAOA 1,224,333 and kAOA 454,430, respectively, by incorporating the special capital maintenance reserve set up to maintain the equivalent value in kwanzas of the initial foreign-currency capital contribution.

The Bank has not restated the value of its capital since 2005 because the Angolan economy has ceased to be considered hyperinflationary.

As a result, at 31 December 2015 and 2014 the share capital of the Bank stood at kAOA 3,521,99

The shareholder structure of the Bank at 31 December 2015 and 2014 is shown below:

	2015		2014	
	Number of shares	%	Number of shares	%
Banco BPI, S.A.	653 822	50,08%	653 822	50.08%
Unitel, S.A.	651 475	49,90%	651 475	49.90%
Other BPI Group entities	264	0,02%	264	0.02%
	1 305 561	**100%**	**1 305 561**	**100%**

RESERVES

Reserves are composed of the following:

	2015	2014
Share capital monetary revaluation reserve (Note 2.2 e))	450 717	450 717
Legal and other reserves		
Legal reserve	5 161 890	5 161 890
Other reserves	77 750 071	62 302 739
	82 911 961	**67 464 629**
	82 911 961	**67 915 346**

At the general meeting of 28 April 2014 it was unanimously decided to distribute 50% of the net profit for the previous year (kAOA 23,898,617) to the shareholders as dividends, with the remainder being allocated to “Other reserves”.

At the general meeting of 29 April 2015 it was unanimously decided to distribute 50% of the net profit for the previous year (kAOA 31,796,097) to the shareholders as dividends, with the remainder being allocated to “Other reserves”.

Under applicable legislation the Bank is required to set aside a legal reserve equal to its capital. Accordingly, each year a minimum of 20% of the net profit for the previous year is transferred to the legal reserve. The legal reserve can only be used to absorb accumulated losses, provided no other reserves are available for that purpose

UNREALIZED GAINS AND LOSSES

Unrealized gains or losses” records income and expenses (net of applicable tax charges) that are likely to arise from transactions, or other events and circumstances, but that are not recorded immediately in the income statement for the year in which the unrealized gains or losses are recognized.

The unrealized gains or losses at 31 December 2015 and 2014 relate to the fixed asset revaluation reserve.

Up to and including 31 December 2007, in accordance with applicable legislation, the Bank revalued its tangible fixed assets by applying coefficients that reflected the monthly change in the official euro exchange rate to the gross carrying amounts of tangible fixed assets and associated accumulated depreciation, expressed in kwanzas in the Bank’s accounting records at the end of the previous month. As from 2008, the Bank stopped revaluating its tangible fixed assets in this way (Note 2.2 f)).

The revaluation reserves can only be used to absorb accumulated losses or to increase capital

EARNINGS AND DIVIDEND PER SHARE

The earnings per share and dividend paid in 2015 and 2014 out of the previous year's profits were as shown below:

	2015	2014
Earnings per share	29,00	24,35
Dividend per share paid in the year	**12,18**	**9,15**

17. OFF-BALANCE SHEET ACCOUNTS

The composition of these items is shown below:

	2015	2014
Liabilities to third parties:		
Guarantees given	30 829 443	37 611 491
Commitments to third parties		
Open documentary credits	26 768 807	23 467 350
	57 598 250	**61 078 841**
Liabilities for service provision:		
Services provided by the institution		
Securities custody	181 787 018	69 344 456
Clearing of foreign checks	359 365	258 291
Documentary collections	13 528 415	4 179 126
	195 674 798	**73 781 873**

At 31 December 2015 and 2014, "Open documentary credits" includes outstanding letters of credit secured by captive deposits at the Bank in the amount of kAOA 2,871,571 and kAOA 224,231, respectively.

At 31 December 2015 and 2014 the Bank had set aside provisions of kAOA 1,102,145 and kAOA 1,104,784 to cover the credit risk assumed in granting guarantees and issuing documentary credits, respectively (Notes 8 and 15).

At 31 December 2015 and 2014, the caption "Securities custody" basically refers to customer securities entrusted to the Bank for safe custody.

18. CORPORATE INCOME TAX

The corporate income tax expense recognized in the income statement in 2015 and 2014 and the tax burden, measured as the ratio of the provision for taxation to the profit for the period before that provision, are summarized in the following table:

	2015	2014
Current tax on profits		
For the year (Note 14)	3 644 284	345 551
Tax amnesty		
Potential tax debts payable	-	(411 946)
Deferred taxes		
Recognition and reversal of temporary differences (Note 9)	(180 761)	(158 300)
Shortfall in previous year's estimate	194 288	52 431
Total tax recognized in the income statement	**3 657 811**	**(172 264)**
Profit before tax	41 524 068	31 623 833
Tax burden	8,81%	-0,54%

The reconciliation between the nominal tax rate and the tax burden in 2015 and 2014, and the reconciliation between the tax expense/income and the product of accounting profit multiplied by the nominal tax rate, are shown in the following table:

	2015		2014	
	Tax rate	Amount	Tax rate	Amount
Net income before tax		41 524 068		31 623 833
Tax calculated according to nominal tax rate	30,00%	12 457 220	30,00%	9 487 150
Tax relief benefits on income from public debt securities	-23,06%	(9 575 508)	-30,30%	(9 581 715)
Provisions for contingent liabilities	0,06%	24 962	0,01%	4 590
Tax on Invested Capital (IAC)				
On taxed income	0,00%	-	-0,28%	(88 028)
On untaxed income	1,34%	556 849	1,15%	365 254
Tax Amnesty - Law 20/14	0,00%	-	-1,30%	(411 946)
Adjustment to previous year’s estimate	0,47%	194 288	0,17%	52 431
Corporate income tax	**8,81%**	**3 657 811**	**-0,54%**	**(172 264)**

INDUSTRIAL TAX

As explained in Note 2.2 j), the Bank was subject to Industrial Tax at the rate of 30% in 2015 and 2014.

In the year ended 31 December 2009, the Bank initially calculated Industrial Tax of kAOA 2,409,264, treating only part of the income earned on the abovementioned securities as exempt. Pursuant to the interpretation that all income on those securities is exempt from Industrial Tax, the Bank later reported a tax loss of kAOA 13,985,712 in its Form 1 Income Tax Return for 2009. The Bank made payments totaling kAOA 1,479,653

(in January, February and March 2010) towards a provisional settlement of the Industrial Tax liability it had calculated for 2009, but did not pay the remaining amount of kAOA 929,611, which was recorded as income in 2010.

In December 2010, the Bank filed a petition with the Finance Ministry, requesting that the excess Industrial Tax for 2009 paid in the first quarter of 2010 (kAOA 1,479,653) either be refunded or else be considered as a tax credit to be set off against future tax payable by the Bank. At the same time, the Bank also requested that the excess tax paid in previous years as a result of not treating all income on public debt securities as tax exempt, and for which it had filed Form 1 Substitute Income Tax Returns, likewise be refunded or considered as tax credits to be set off against future tax payable by the Bank. The excess tax paid for financial years 2005, 2006, 2007 and 2008 amounted to kAOA 813,093.

During 2012, the tax authorities conducted a review of the Bank's tax situation for the 2007 and 2008 tax years. As a result of that inspection, the Tax Administration gave the Bank notice of the corrections to taxable income that it considered appropriate, basically in relation to the costs of provisions set aside for contingent liabilities (retirement benefits, Complementary Pension Plan, Social Fund, fraud and sundry other risks).

Pursuant to said notice, the Bank submitted its pleadings, in which it contested some of the corrections made by the Tax Administration. At the same time, the Bank accepted the corrections relating to the disallowed provisions, pointing out that although said provisions must be accrued for the purpose of calculating each year's taxable income, the accruals are temporary and the Bank may recover the tax in the year in which the provisions are used. BFA further stated, in its reply, that no tax was currently payable even so, as the amount of the tax relief on public debt securities not claimed in the years in question but claimed from the Tax Administration in December 2010 was greater than the tax charge on the disallowed provisions.

Following the corrections resulting from the abovementioned inspection of the tax returns for 2007 and 2008, the Bank decided, when filing the Form 1 Substitute Income Tax Return for 2012, to also file substitute returns for the years 2009, 2010 and 2011.

In preparing these returns the Bank followed an interpretation similar to that adopted by the Tax Administration in relation to the provisions for retirement pensions (including the Complementary Pension Fund), provisions for sundry risks, provisions for the Social Fund and provisions for financial investments. Accordingly, said provisions were added to income in the year in which they were first created or subsequently increased and were deducted when they were replaced or used to meet tax-deductible expenses.

Furthermore, in estimating the Industrial Tax payable as from 2012, inclusive, the Bank followed the interpretation used by the Tax Administration in its inspections of the tax returns for 2007 and 2008. Thus, it corrected the tax base for Industrial Tax to account for period provisions for contingent liabilities that are not allowed as a deductible expense, treating them instead as tax-deductible in the year in which they are used.

After taking into account the deductions and additions to disallowed provisions and the tax-exempt income on public debt, the tax loss carried forward from 2009 was set off in full by the Bank in 2010, 2011 and 2012. In addition, the excess Industrial Tax for 2009 paid in the first quarter of 2010 was fully set off by the Bank in 2012. Accordingly, no further payment of Industrial Tax is required.

In January 2014, the National Tax Directorate at the Finance Ministry notified BFA that the claim submitted in December 2010 in relation to excess tax paid for the years 2005, 2006, 2007 and 2008 had been granted in full and authorized the Bank to deduct kAOA 813,093 as a tax credit from the amount of Industrial Tax payable for 2013. The Bank has included this tax credit in its estimate of Industrial Tax for 2013, which amounts to kAOA 401,147, after also taking into account the corrections to taxable income for 2007 and 2008 arising from the review carried out by the tax authorities.

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TAX AMNESTY – LAW 20/14

Under Law 20/14 an exceptional arrangement for the settlement of tax debts, known as a "tax amnesty", was announced. The amnesty applies to tax liabilities incurred up until 31 December 2012, including taxes in litigation up to 2011 and taxes under inspection up to 2012.

On 24 November 2014, following the announcement of the tax amnesty and having received no information about the tax analysis/inspection in respect of the 2012 tax year since submitting the relevant documentation, BFA sent a letter to the Large Taxpayers Office ("RFGC") requesting information about the situation and confirmation that the case has been closed, pursuant to Law 20/14. In response to BFA's letter, the RFGC replied that the Bank was eligible for forgiveness of tax liabilities and also emphasized that any tax analysis or inspection in relation to taxes up to 31 December 2012 (provided they have not gone to litigation) will have no effect, in accordance with article 7 ff. of Law 20/14. In this context, as there are no taxes in litigation, BFA assumes that it will not have to pay any tax, interest or fines in relation to tax liabilities incurred up until 31 December 2012. The Bank has therefore cancelled the liability it had recorded in the amount of kAOA 411,946 and the effect is reflected in the estimate of Industrial Tax for 2014, relating to potential Industrial Tax debts for 2007 and 2008.

DEFERRED TAXES

At 31 December 2015 and 2014, the Bank recognized deferred tax assets in the amounts of kAOA 749,027 and kAOA 568,266, respectively (Note 9), as a result of temporary differences in the taxation of provisions for contingent liabilities. The Board of Directors believes that the conditions for the recognition of these deferred tax assets are met, particularly as regards the availability of future taxable income of the Bank against which they can be offset. These deferred tax assets were calculated, in each case, using the tax rates laid down for the period in which the asset was expected to be realized (2012), which took in the taxes examined in tax audit proceedings through 2011 and the tax inspection for 2012. impostos objecto de apreciação em sede de contencioso fiscal até 2011 e de inspecção fiscal ao exercício de 2012.

The movement in deferred tax assets in the years ended 31 December 2015 and 2014 is as follows:

	Balances at 31-12-2014	Charges	Uses/ reversals	Balances at 31-12-2015
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks and retirement benefits	588 266	180 761	-	749 027

	Balances at 31-12-2013	Charges	Uses/ reversals	Balances at 31-12-2014
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks and retirement benefits	409 966	158 300	-	568 266

The tax authorities may review the Bank's tax situation for a period going back five years and, due to differing interpretations of tax legislation, those reviews may give rise to corrections to the calculated amount of tax payable. Under the tax amnesty, the tax authorities can only review the Bank's tax situation – in respect of Industrial Tax, Tax on Invested Capital (IAC), Employment Income Tax, Stamp Duty and Urban Properties Tax – for 2012 and ensuing years.

The Board of Directors of the Bank believes that any additional assessments that could arise from such revisions will have no material impact on the financial statements.

The Board of Directors of the Bank believes that any additional assessments that could arise from such revisions will have no material impact on the financial statements.

19. RELATED PARTIES

In accordance with IAS 24, the following are related parties of the Bank

- aentities over whose management and financial policy the Bank directly or indirectly exercises significant influence (associated and jointly controlled companies and pension funds);
- entities that directly or indirectly exercise significant influence over the Bank's management and financial policy (shareholders); and
- members of the Bank's key management personnel, including executive and non-executive members of the Board of Directors and the companies in which the members of the Board of Directors hold significant influence.

The Bank's main balances and transactions with related parties at 31 December 2015 are summarized below:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members hold significant influence	BFA Pension Fund	Total
	BPI Group	Unitel Group				
Cash and banks						
Cash available on demand from credit institutions	24 847 265	-	-	-	-	24 847 265
Short-term investments:						
Other loans and advances to credit institutions	102 179 923	-	-	-	-	102 179 923
Loans granted	-	-	145 550	1 657 609	-	1 803 159
Customer deposits:						
Sight deposits	-	(4 877 463)	(44 232)	(1 265 628)	(1 581)	(6 188 904)
Term deposits	-	(48 629 192)	(406 790)	(69 654)	(249 641)	(49 355 277)
Other funds	(4 390 275)	-	-	-		(4 390 275)
Interest and similar income	238 662	n.d.	n.d.	n.d.	-	238 662
Interest and similar costs	-	n.d.	n.d.	n.d.	(204 618)	(204 618)
Fee and commission expense and other costs	(335 716)	n.d.	n.d.	n.d.	(517 041)	(852 757)
Securities used as deposit						-
Documentary letters of credit	-	(21 606 450)	(91 176)	-	(5 493 325)	(27 190 951)
Bank guarantees	-	-	-	-	-	-

n.a.: not available

The Bank's main balances and transactions with related parties at 31 December 2014 were as follows:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members hold significant influence	BFA Pension Fund	Total
	BPI Group	Unitel Group				
Cash and banks						
Cash available on demand from credit institutions	5 217 658	-	-	-	-	5 217 658
Short-term investments:						
Other loans and advances to credit institutions	83 092 902	-	-	-	-	83 092 902
Loans granted	-	-	114 108	1 750 855	-	1 864 963
Customer deposits:						
Sight deposits	-	(200 607)	(44 924)	(243 908)	(727)	(490 165)
Term deposits	-	(96 532 974)	(404 604)	(31 918)	(3 665 245)	(100 634 742)
Other funds	(306)	-	-	-	-	(306)
Interest and similar income	729 107	n.d.	n.d.	n.d.	-	729 107
Interest and similar costs	-	n.d.	n.d.	n.d.	(188 892)	(188 892)
Fee and commission expense and other costs	(175 770)	n.d.	n.d.	n.d.	(504 946)	(680 716)
Securities used as deposit						-
Documentary credits	-	(4 826 375)	(8 378)	-	-	(4 834 753)
Bank guarantees	-	-	-	-	-	-

n.a.: not available

The information reported as at 31 December 2015 and 2014 does not include income received and expenses incurred in transactions with the Unitel Group, the members of the BFA Board of Directors or companies in which the latter have significant influence.

20. BALANCE SHEET BY CURRENCY

The balance sheets at 31 December 2015 and 2014 by currency are shown below:

	31.12.15			31.12.14		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Cash and banks	212 887 330	93 982 448	306 869 778	97 522 778	91 756 612	189 279 390
Short-term investments						
Interbank money market transactions	11 562 245	114 405 573	125 967 818	55 839 086	95 063 055	150 902 141
Reverse repurchase agreements	9 038 015	-	9 038 015	99 650 302	-	99 650 302
	20 600 260	**114 405 573**	**135 005 833**	**155 489 388**	**95 063 055**	**250 552 443**
Securities						
Held for trading	54 416 004	20 472 152	74 888 156	19 069 301	7 595 344	189 279 390
Held to maturity	255 499 512	156 000 143	411 499 655	213 473 168	119 666 308	150 902 141
	309 915 516	**176 472 295**	**486 387 811**	**232 542 469**	**127 261 652**	**99 650 302**
Derivative financial instruments	3 099 262	-	3 099 262	142 733	-	142 733
Foreign exchange transactions	51 482 619	1 801 866	53 284 485	19 026 196	3 322 769	22 348 965
Loans and advances						
Loans and advances	132 466 981	102 914 945	235 381 926	158 259 373	80 967 546	239 226 919
Provision for doubtful loans	(9 043 615)	(5 542 355)	(14 585 970)	(5 964 569)	(3 783 823)	(9 748 392)
	123 423 366	**97 372 590**	**220 795 956**	**152 294 804**	**77 183 723**	**229 478 527**
Other assets	3 201 568	878 074	4 079 642	2 202 029	807 462	3 009 491
Fixed assets						
Financial fixed assets	104 778	362 587	467 365	87 632	293 961	381 593
Tangible fixed assets	19 050 144	-	19 050 144	17 707 592	-	17 707 592
Intangible assets	538 918	-	538 918	351 531	-	351 531
	19 693 840	**362 587**	**20 056 427**	**18 146 755**	**293 961**	**18 440 716**
Total Assets	**744 303 761**	**485 275 433**	**1 229 579 194**	**677 367 152**	**395 689 234**	**1 073 056 386**
Deposits						
Sight deposits	455 980 898	142 045 055	598 025 953	330 202 162	149 947 313	480 149 475
Term deposits	179 422 930	239 710 743	419 133 673	241 017 474	211 882 528	452 900 002
	635 403 828	**381 755 798**	**1 017 159 626**	**571 219 636**	**361 829 841**	**933 049 477**
Short-term borrowings						
Interbank money market transactions	8 572	-	8 572	6 480	-	6 480
	8 572	**-**	**8 572**	**6 480**	**-**	**6 480**
Derivative financial instruments	3 798 920	-	3 798 920	284 231	-	284 231
Liabilities in the payment system	1 800 582	3 005 450	4 806 032	2 863 330	324 158	3 187 488
Foreign exchange transactions	699 052	55 216 557	55 915 609	2 271 649	19 880 440	22 152 089
Other liabilities	10 041 952	7 259 579	17 301 531	4 693 096	1 076 190	5 769 286
Provisions for contingent liabilities	733 773	3 399 655	4 133 428	975 353	3 144 715	4 120 068
Total Liabilities	**652 486 679**	**450 637 039**	**1 103 123 718**	**582 313 775**	**386 255 344**	**968 569 119**
Net Total Assets	**91 817 082**	**34 638 394**	**126 455 476**	**95 053 377**	**9 433 890**	**104 487 267**
Equity	**126 455 476**	**-**	**126 455 476**	**104 487 267**	**-**	**104 487 267**

In the above table, the securities in kwanzas indexed to the United States dollar held by the Bank are presented in the "Foreign currency" column with the following composition: (i) "Securities – Held for trading" stood at kAOA 20,326,331 and kAOA 7,501,648 at 31 December 2015 and 2014, respectively; (i) "Securities – Held to maturity" stood at kAOA 63,637,442 and kAOA 66,942,431 at 31 December 2015 and 2014, respectively.

Loans and advances granted to customers by the Bank that are denominated in foreign currency, mainly US dollars, are presented in the above table in the "Foreign currency" column.

However, according to article 4.2 of BNA Notice 3/2012, when collecting on loans, financial institutions must accept the funds available in their clients' accounts denominated in whatever currency, regardless of the contract currency. This requirement only applies to lending after said regulation entered into force. In general, the Bank's customers have made the payments of principal and interest on the loans denominated in US dollars for the respective countervalue in kwanzas at the payment date, pursuant to the option provided in BNA Notice 3/2012.

21. NET INTEREST INCOME

	2015	2014
INCOME FROM FINANCIAL INSTRUMENTS (ASSETS):		
From short-term investments:		
Income from interbank money market transactions:		
Term deposits at credit institutions abroad	265 037	776 150
Term deposits at credit institutions in Angola	2 706 864	2 019 482
Other	9 223	5 485
Income from reverse repurchase agreements		
Reverse repurchase agreements	862 004	1 436 705
	3 843 128	**4 237 822**
From securities:		
From held-for-trading securities		
Treasury bills	2 070 921	937 250
Central Bank bonds	-	-
Treasury bonds in local currency	1 517 886	385 196
From held-to-maturity securities		
Treasury bills	5 407 162	2 982 697
Treasury bonds in local currency indexed to foreign currency and in foreign currency	7 884 405	8 067 030
Treasury bonds in local currency	13 931 452	10 491 726
Treasury bonds indexed to the consumer price index	-	-
Central Bank bonds	-	-
	30 811 826	**22 863 899**
From derivative financial instruments:		
In speculation and arbitrage	1 288 699	406 271
From loans granted:		
Companies and Government:		
Loans	10 438 131	8 797 725
Current account facilities	3 359 112	2 567 653
Overdrafts on sight deposits	371 167	194 523
Other loans and advances	17 454	38 013
Individuals:		
Home loans	1 024 966	893 371
Consumer loans	3 133 172	3 016 775
Other purposes	873 783	741 302
Overdue interest	1 205 159	655 933
	20 422 944	**16 905 295**
Total interest income	**56 366 597**	**44 413 287**
COSTS OF FINANCIAL INSTRUMENTS (LIABILITIES)		
OF DEPOSITS:		
Sight deposits		
Term deposits	491 077	342 969
	13 702 955	13 008 114
Of short-term borrowings:	**14 194 032**	**13 351 083**
Interbank money market transactions		
Of third-party securities sold with repurchase agreements	25 442	23 536
From derivative financial instruments:	-	
Of forwards		
Total costs	1 124 981	**309 824**
Net interest income	**15 344 455**	**13 684 443**
Margem Financeira	**41 022 142**	**30 728 844**

22. GAINS/(LOSSES) FROM FOREIGN EXCHANGE TRANSACTIONS

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below:

	2015	2014
Exchange differences on foreign-currency denominated assets and liabilities	6 843 461	1 709 051
Foreign currency purchase and sale transactions	9 226 582	12 861 536
	16 070 043	**14 570 587**

23. GAINS/(LOSSES) FROM THE PROVISION OF FINANCIAL SERVICES

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below:

	2015	2014
Income from the provision of services		
Fees on payment orders issued	1 134 133	2 087 517
Fees on guarantees and sureties given	541 382	452 284
Fees on open import documentary letters of credit	625 357	381 621
Other fee and commission income	4 775 607	3 961 958
	7 076 479	**6 883 380**
Fees and custody costs paid		
Fee and commission expense	(1 340 940)	(1 060 082)
	5 735 539	**5 823 298**

“Other fee and commission income” relates mainly to fee income from credit card and Multicaixa transactions.

24. STAFF COSTS

Nos exercícios findos em 31 de Dezembro de 2015 e 2014, esta rubrica apresenta a seguinte composição:

	2015	2014
Members of management and supervisory bodies		
Monthly remuneration	119 766	97 788
Additional remuneration	79 005	71 950
Mandatory employee welfare payments	3 087	2 732
Optional employee welfare payments	1 748	1 458
	203 606	**173 928**
Employees		
Monthly remuneration	5 639 032	3 229 333
Additional remuneration	3 970 651	3 981 915
Mandatory employee welfare payments	350 897	272 857
Optional employee welfare payments	370 729	375 782
	10 331 309	**7 859 887**
Pension plan costs (Note 15)		
Complementary pension plan	517.041	504.946
Retirement benefits	25.167	37.422
	552 733	**542.368**
Other	25 165	13 827
	11 112 813	**8.590.011**

25. THIRD-PARTY SUPPLIES

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below:

	2015	2014
Audit, consulting and other specialized technical services	3 182 681	2 492 395
Publications, advertising and direct mail	1 067 942	975 553
Security, conservation and repairs	1 074 149	897 716
Rentals	920 461	753 098
Communications	941 996	714 154
Transport, travel and accommodation	860 877	679 840
Sundry materials	397 411	380 688
Water and energy	576 116	371 268
Other third-party supplies	278 543	219 370
Insurance	222 475	205 109
	9 522 651	**7 689 191**

26. NON-INCOME RELATED TAXES AND LEVIES

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below

	2015	2014
Customs duties	45 646	35 866
Tax on invested capital (Note 2.2j))	1 885 896	1 343 268
Other non-income taxes and levies	250 082	102 185
	2 181 624	**1 481 319**

27. COST RECOVERIES

In the years ended 31 December 2015 and 2014, this heading mainly records: (i) reimbursement for communication and dispatching expenses originally borne by the Bank, primarily in the execution of payment order operations; and (ii) income from cards through domestic transfers and cash advances.

28. OTHER OPERATING INCOME AND EXPENSES

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below:

	2015	2014
Other income:		
Expenses charged	1 806 703	1 660 503
Uncollectible loans recovered – principal and interest (Note 8)	253 037	323 398
Income from provision of services	138 668	152 699
Other income	532 128	153 509
	2 730 536	**2 290 109**
Other expenses:		
Membership fees and donations	(35 341)	(33 513)
Other expenses	(133 818)	(174 267)
	(169 159)	(207 780)
	2 561 377	**2 082 329**

29. NON-OPERATING PROFIT/(LOSS)

The composition of this heading in the years ended 31 December 2015 and 2014 is shown below:

	2015	2014
Gains and losses on fixed assets		
Intangible assets	(1 807)	(19 429)
Income from disposal of fixed assets		
Tangible fixed assets	(29 466)	(47 976)
Other non-operating gains and losses		
Prior-year adjustments		
Adjustments to estimate of general administrative expenses	-	-
Items pending bank reconciliation of sight deposits with correspondents	-	-
Disposal of properties given in lieu of foreclosure	135 739	-
Interest cancelled	-	-
Other	(518 104)	-
	(382 365)	**-**
	(413 638)	**(67 405)**

At 31 December 2015, "Other" includes the income recorded by the Bank as a result of the cancellation of certified checks not settled by the beneficiaries (aged over five years), an amount for which the Bank has recorded a provision (Note 15).

30. RISK MANAGEMENT

LOANS

In accordance with BFA's General Lending Regulations, the granting of loans by the Bank is grounded in the following basic principles:

Loan proposals

Proposals for loans and guarantees submitted to BFA for approval:

- Must be fully described in a loan proposal form, which must include all the essential and additional information needed to approve and make the loan;
- Must comply with the relevant product specifications;
- Must be accompanied by a duly substantiated analysis of the associated credit risk; and
- Must be signed by the proposers

Análise de risco de crédito

Na análise de risco de crédito é considerada a exposição total do Banco ao cliente ou ao grupo em que o cliente se integra, nos termos da legislação aplicável em cada momento. At present, based on Banco Nacional de Angola Notice 8/2007:

- The liabilities of an individual customer include all the customer's current and potential liabilities to the Bank, whether contracted or committed, in respect of financing and guarantees (the Bank's total exposure to the customer);
- The liabilities of a group of customers include all the liabilities of the individual customers in the group to the Bank (the Bank's total exposure to the group); and
- The existence of guarantees with sovereign risk or immediate liquidity has impact on the calculation of the overall exposure.

Classification of risk

As mandated by Banco Nacional de Angola, loans must be classified into risk levels at the time they are granted. At present, the Bank applies the following criteria for classification into risk levels:

- Loans are classified in Risk level A if they are secured by Central Bank bonds or captive deposits at BFA of a value equal to or greater than that of the liability.

- Loans are classified as Risk level B if they are secured by collateral of a value at least equal to 75% of the liability.

- All other loans are classified as Risk level C; and

- Exceptionally, depending on the characteristics of the borrower and the nature of the transaction, other loans may be classified in risk levels A or B. These exceptional cases will require the approval of the Board of Directors or the Executive Committee of the Board of Directors.

BFA does not grant loans with a risk classification above C.

For loans to individuals classified in risk levels C or B, BFA requires the signature of more than one income-earner.

As part of the regular review of loans, including non-performing loans, BFA reclassifies loans from non-performing to performing based on an analysis of the economic probability of recovery, having regard to the existence of guarantees, the assets of the borrowers or guarantors and the existence of transactions whose risk BFA treats as equivalent to sovereign risk.

Collateral

For loans to individuals or small businesses with maturity of more than 36 months, in the absence of financial collateral, BFA will as a general rule require the presentation of real estate collateral.

Loans are secured by guarantees of duly substantiated adequacy and liquidity and considered to be appropriate for the risk associated with the borrower and the nature and term of the loan.

Property collateral is appraised before the loan approval decision is taken. Exceptions to this rule (with the decision conditional on a subsequent appraisal) imply that the loan will only be disbursed after the Bank obtains the appraisal of the collateral.

Disqualification due to incidents

The Bank does not lend to customers who have a record of material incidents in the previous 12 months, nor to companies belonging to the same group as customers who have such a record.

The following are considered material incidents:

- Payments of principal or interest to a financial institution more than 45 days past due;

- Improper use of cards or payment systems for which the person or entity is responsible; and

- Pending legal action against the person or entity that may have a material adverse impact on their economic or financial situation.

Exceptions to these rules may only be approved by the Executive Committee of the Board of Directors or by the Board of Directors of BFA

Restructurings

As a general rule, BFA only restructures outstanding loans if one of the following conditions is met:

- New (more liquid or more valuable) collateral is provided for the restructured loan;

- All outstanding ordinary and default interest is paid (if the loan is in default); and

- A significant partial payment of the outstanding principal (current or overdue) is made.

Exceptionally, BFA may allow a restructuring of debts of individuals where none of the above conditions is met if in the previous six months the debtor has made monthly deposits in an amount at least equal to the projected monthly instalment of the restructured loan.

Loans that have been restructured due to financial duties of the customer are a defined category in the general regulation on credit and subject to specific rules of the regulator for these matters.

Restructured loans are flagged to indicate risk deterioration and are monitored periodically for compliance with the established repayment plan. They are only unflagged when certain conditions of regularity in compliance with the plan are met.

Monitoring of past-due loans

Loans with overdue payments are overseen by a team of specialists tasked with collaborating in loan recovery initiatives and with authority to take up restructuring proposals and negotiations. This team is responsible for monitoring the cases under its management.

Restructuring negotiations are conducted in accordance with the principles stated above.

The team is responsible for managing the relationship with the customer, with a view to recouping the loan, with recourse to court action if necessary.

Provisões

BFA applies the following criteria when calculating loan provisions:

- Age of the loan;
- Age of past-due amounts;
- Associated guarantees; and
- Banco Nacional de Angola Notice 3/2012.

Loan provisions and customer risk classifications are reviewed at monthly intervals. When classifying customers into risk classes, the Bank takes into consideration: (i) the existence of guarantees associated with the transactions and the customers; (ii) the assets of the borrowers or guarantors; and (iii) the existence of transactions whose risk BFA treats as equivalent to that of the State. The Bank performs an analysis of the 50 groups with the highest default in Corporate Banking and in the Individuals and Businesses Division, assigning an economic provision for the risk of each exposure.

BFA also conducts regular economic analyzes of provisions for the entire Corporate Banking loan portfolio.

Impairment

BFA has implemented an impairment loss calculation model for the loan portfolio to meet the requirements of International Accounting Standard No. 39.

This model was applied for the first time and the results were calculated with reference to 30 June 2013. Since that reference date, calculations have been performed monthly. The semi-annual results are approved by the Bank's Board of Directors.

Securities

BFA's securities portfolio is invested, as a matter of principle, in securities of highly rated issuers. At December 2015 and 2014, it was made up entirely of instruments issued by the Angolan government and Banco Nacional de Angola.

The Bank manages the liquidity and interest rate risks on its balance sheet in accordance with the principles and limits stated in the Finance and International Department's (FID) Limits and Procedures Manual. The securities to be included in the portfolio are therefore carefully selected in terms of maturity and type of interest (fixed rate or indexed).

Interest rate risk is calculated by considering the aggregate impact of parallel shifts in the yield curve on the value of the Bank's assets and liabilities.

In addition, BFA also monitors the interest rate risk and spread of the portfolio of securities with a maturity of more than one year.

The FID's Limits and Procedures Manual is approved by the Board of Directors of the Bank. Each year, where applicable, the FID submits the revised version of the Manual to the Board of Directors for consideration and deliberation.

The Bank's securities portfolio is split between securities denominated in local currency and in foreign currency, having regard to the overall structure of its balance sheet, so as to avoid currency risk.

31. OTHER MATTERS

FULL ADOPTION OF IAS/IFRS

Banco Nacional de Angola since October 2013 has been promoting the adoption of IAS/ IFRS for the Angolan banking sector. This changeover involves review of the existing standards and rules, including a review of CONTIF and issuance of Guides for Practical Implementation (Guias de Implementation Prática; "GIP"), in the form of instructions on the matters submitted to convergence.

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Report

Economic Environment

BFA

Risk Management

Financial Review

Financial Statements and Notes

Annexes

Deloitte.

Deloitte & Touche – Auditores, Lda
Edifício Escom
Rua Marechal Brós Tito, 35/37 – 7º
Luanda
Angola
Tel: +(244) 222 703 000
Fax: +(244) 222 703 090
www.deloitte.co.ao

RELATÓRIO DE AUDITORIA
(Montantes expressos em milhares de Kwanzas – AKZ)

To the Board of Directors

Of Banco de Fomento Angola, S.A.

Introduction

1. We have audited the attached financial statements of Banco de Fomento Angola, S.A. (hereinafter the "Bank"), comprising the balance sheet at 31 December 2015 (which shows total assets of kAOA 1,229,579,197 and equity of kAOA 126,455,476, including net profit for the year of kAOA 37,866,257) and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the Notes to the financial statements.

Responsibility of the Board of Directors for the Financial Statements

2. The Board of Directors of the Bank is responsible for the preparation and proper presentation of these financial statements in accordance with the accounting principles generally accepted in Angola for the banking sector and for the exercise of the internal control it considers necessary in order to ensure that the financial statements are prepared without material misstatement due to fraud or error.

Responsibility of the Auditor

3. Our responsibility is to express an independent opinion on these financial statements based on our audit, which was conducted in accordance with International Auditing Standards. These standards require that we comply with ethical requirements and that we plan and perform the audit so as to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

4. An audit involves performing procedures to obtain audit evidence of the amounts and disclosures contained in the financial statements. The procedures chosen depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements due to fraud or error. In making these risk assessments, the auditor considers the internal controls that are relevant to the preparation and proper presentation of the financial statements by the entity, in order to design audit procedures that are appropriate to the circumstances but not with the aim of expressing an opinion as to the effectiveness of the entity's internal controls. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the overall presentation of the financial statements.

Deloitte.

5. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements referred to in paragraph 1 above give, in all material respects, a true and fair view of the financial position of Banco de Fomento Angola, S.A. at 31 December 2015 and of the results of its operations, the changes in its equity, and its cash flows for the year then ended, in accordance with the accounting principles generally accepted in Angola for the banking sector (Note 2).

Luanda, 28 April 2016

Deloitte & Touche Auditores, Lda.

Represented by José António Mendes Garcia Barata

Report and Opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD

To the Shareholders of

Banco de Fomento Angola, S.A.

1. Pursuant to the law and our mandate, in accordance with article 22(1) of the bylaws, we submit herewith the report on the supervisory work carried out by us, together with our opinion on the annual report and accounts submitted by the Board of Directors of Banco de Fomento Angola, S.A. (the Bank) for the year ended 31 December 2015.

2. Over the course of the year, we monitored, with the frequency and to the extent we deemed appropriate, the progress of the Bank's activity, the proper state of the accounting records and compliance with the law and the bylaws. We also obtained the information and clarifications we requested from the Board of Directors and the Bank's various sections and departments.

3. We have analyzed and agree with the content of the Auditors Report issued by Deloitte & Touche - Auditores, Lda, which is reproduced here in full.

4. As part of our duties, we examined the balance sheet at 31 December 2015 and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes thereto, including the accounting policies and valuation criteria adopted.

5. In addition, we reviewed the Directors' Report for 2015 prepared by the Board of Directors and the proposed application of earnings included therein.

6. In view of the foregoing and based on the work performed, we are of the opinion that the General Meeting should:

    a. Approve the Directors' Report for the year ended 31 December 2015, and

    b. Approve the financial statements for that year.

7. Finally, we would like to thank the Board of Directors and the Bank's various sections and departments for their cooperation.

Luanda, 28 de Abril de 2016

Supervisory Board

Amílcar Safeca
Chairman

Susana Trigo Cabral
Member

Henrique Manuel Camões Serra
Member

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ANNEXES

BFA Contacts

EDIFÍCIO SEDE

Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 900

Website:
www.bfa.ao

Homebanking:
www.bfanet.ao
www.bfanetempresas.ao

BFA Customer Support:
(+244) 923 120 120

INVESTMENT CENTRES

SEDE
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 900
Fax: (+244) 222 638 948

SOLAR DE ALVALADE
Estrada de Catete – Polo
Industrial KM 23, – Luanda
Telefone: (+244) 222 696 487
Fax: (+244) 222 696 48

BAIXA
Rua Sequeira Lukoki
Ingombota – Luanda
Telefone: (+244) 222 336 285
Fax: (+244) 222 332 242

TALATONA
Rua Centro de Convenções
Talatona, Casa dos Frescos
Telefone: (+244) 926 920 352
Fax: (+244) 222 696 442

MAJOR KANHANGULO
Rua Major Kanhangulo
98/103 Ingombota – Luanda
Telefone: (+244) 222 394 456
Fax: (+244) 222 393 145

LOBITO CAPONTE
Av. Salvador Correia,
Zona Industrial da Caponte,
Benguela
Telefone: (+244) 272 226 242
Fax: (+244) 272 226 756

SERPA PINTO
Largo Serpa Pinto n.º 233,
R/C Ingombota – Luanda
Telefone: (+244) 222 392 094
Fax: (+244) 222 393 195

BENGUELA CASSANGE
Rua Comandante Cassange
Benguela
Telefone: (+244) 272 230 190
Fax: (+244) 272 230 196

LUBANGO
Rua Pinheiro Chagas, n.º 117
Lubango – Huíla
Telefone: (+244) 261 225 689
Fax: (+244) 261 224 973

Follow us on:

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YouTube

Banco de Fomento Angola

CORPORTE CENTRES

SEDE
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 900
Fax: (+244) 222 638 948

VIANA POLO INDUSTRIAL
Estrada de Catete – Polo
Industrial KM 23, Luanda
Telefone: (+244) 222 696 487
Fax: (+244) 222 696 488

CACUACO
Estrada Directa de Cacuaco,
Largo da Igreja, Cacuaco
Telefone: (+244) 934 275 511
Fax: (+244) 222 511 413

LUBANGO
Av. 4 de Fevereiro - Laureanos,
n.º 150
Lubango – Huíla
Telefone: (+244) 261 225 689
Fax: (+244) 261 224 973

VIANA ESTALAGEM
Estalagem do Leão
Estrada Principal de Viana
Luanda
Telefone: (+244) 931 964 715
Fax: (+244) 222 291 083

CENTRO DAS GRANDES EMPRESAS
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 900

LOBITO CAPONTE
Av. Salvador Correia,
Zona Industrial da Canata, 1º Andar
Benguela
Telefone: (+244) 272 226 240
Fax: (+244) 272 226 238

MAJOR KANHANGULO
Rua Major Kanhangulo,
N.º 93 / 103
Ingombota – Luanda
Telefone (s): (+244) 222 394 022
Fax: (+244) 222 393 839

CABINDA – DEOLINDA RODRIGUES
Rua Comendador Henriques Serrano,
Bairro Deolinda Rodrigues
Cabinda
Telefone: (+244) 231 220 309
Fax: (+244) 231 220 382

SANTA BÁRBARA
Av.ª Marginal 2,
Ingombota – Luanda
Telefone: (+244) 222 696 419
Fax: (+244) 222 696 420

TALATONA
Rua do SIAC, Bairro Talatona
Talatona – Luanda
Telefone: (+244) 926 920 351
Fax: (+244) 222 447 041

BENGUELA CASSANGE
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 986
Fax: (+244) 222 638 970

MORRO BENTO
Rua 21 de Janeiro, Morro Bento
Luanda
Telefone: (+244) 935 545 499
Fax: (+244) 222 696 493

OIL & GAS VENDORS
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 696 430
Fax: (+244) 222 638 970

OIL & GAS OPERATORS
Rua Amílcar Cabral, n.º 58
Maianga – Luanda
Telefone: (+244) 222 638 986
Fax: (+244) 222 638 97

RAINHA GINGA
Rua Rainha Ginga, n.º 34
1ª andar – Luanda
Telefone: (+244) 222 392 952
Fax: (+244) 222 392 734

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