Annual Report'14

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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

The year under review is the first of a new three-year term of office of the BFA's governing bodies, and featured a strengthening of the Executive Committee of the Board of Directors (ECBD). The objectives for the coming three-year period are clear: continued assertion of BFA in the market it serves, while continuing to be the benchmark bank for its soundness and management model. The focus will increasingly be on our customers, on the quality and security of the service we provide them, and on innovation in our products and services. A prime objective has been full adoption, under efficient management conditions, of the new prudential rules and of the IAS/IFRS international standards.

This new ECBD brings about a novelty for the country, if not for the world: four of its seven members are women. A clear sign of great modernity and of non-discriminatory management.

Above all, we value the competence, dedication, attitude and professionalism that translate into adherence to our values and our code of conduct.

This year the BFA Management Report, awarded the Sirius prize on two consecutive occasions, has a significant methodological change: monetary and financial references are now expressed in the national currency, the kwanza. The US dollar will be stated only where useful to better illustrate or quantify the underlying reality.

In addition to the recognition of our customers and from the specialised press, which has awarded us a record number of prizes, BFA has maintained its financial identity: **Fortress BFA**. As mentioned in 2013, Fortress is synonymous with solidity, organisation, sustainability, determination, distinction; in short, the traits of a true standard-bearer. A fortress is built according to a plan, laying one stone upon another. Some of the stones we laid in our construction efforts during 2014 deserve special mention.

The Bank adopted the bulk of the new rules on Corporate Governance and Internal Control in keeping with the approved Plan of Action, in a clear move to embrace the international standards in use in highly developed markets. Especially noteworthy was the creation of the Audit and Internal Control Committee and the Risk Committee, as was the ECBD's adoption of a distribution of responsibilities among its members that strengthened the rules on separation of business, support and control functions.

The ongoing pressure brought to bear by new legislation and regulations, by customers and by the international financial system in relation to the fight against money laundering and terrorist financing has kept this area uppermost amongst management concerns. This has led to the implementation of more effective tools and improvements in operations. In another area of responsibility assigned to the Compliance Department,

“Above all, we value competence, dedication, attitude and professionalism”

it bears emphasis that BFA is now prepared to give a full and effective response to the rules and requirements of the US Foreign Account Tax Compliance Act (FATCA).

Improvement of service quality is central to the management goals. Toward this end, a Mystery Customer programme was started that will cover the entire retail and business network. Other measures are under way that aim to provide the teams with better monitoring tools. Training employees and teams will continue to be an important area of investment to achieve this objective. The recent restructuring of the IFBA, providing it with the best operating conditions and pedagogical measures, and the introduction of e-learning as an alternative to face-to-face training are two of the tools to be used.

We have launched the BFA Customer Support (923 120 120) to increase and improve the connection between the Bank and its customers. In this area, in keeping with the growing importance of effective processing of complaints and issues raised by customers, a new Customer Service Area has been created in the Marketing Department. This unit has absorbed the previous Complaints Area set up within the Organisation & Training Department.

With respect to the business, the digital area stands out as a very promising part of our activity. The dynamism and strong response to BFA’s new public website (www.bfa.ao) have spurred new initiatives:

• Version of the site in English;

• Subscription of publications, including our “Weekly Review” and Research Reports.

Our transactional site (www.bfanet.ao) was also provided with new features, including payment of taxes and services, recharges of cell phones and up-front TV, etc., all of which modernises our offer and makes life easier for our customers.

In the lending area, BFA has developed its Impairment Loss Calculation Model ahead of the regulatory challenges and drawing closer to internationally accepted practices. This is an essential step for the adoption of the IAS/IFRS rules in 2016.

In capital markets, BFA has been very active on the secondary Treasury bond market, acting as intermediary between buyers and sellers. The year under review was marked by operational measures leading to the entry into operation of the Treasury Bonds Registrations Market (MRTT). It should be pointed out that BFA became the first registered member of Angola’s new securities exchange, the Bolsa de Divida e Valores de Angola (BODIVA) early in 2015.

In a context of fierce competition, assets grew 23,6%, while, in a scenario heavily influenced by falling interest rates in Angola and on the international markets, the year was marked by sharp growth both of net interest income and of forex trading results. These factors, combined with strict cost management, have led to a 33% increase in net profit, which reached 31.8 billion kwanzas (USD 322 Million), the highest in the Bank's history, and thus improved the profitability and solvency indicators to bear out the Fortress BFA slogan:

• Return on assets: 3,4%;

• Return on equity: 34,8%;

• Cost-to-income ratio: 36,3%;

• Regulatory solvency ratio: 24,0%.

A word about 2015. The sharp slide in oil prices in late 2014 will have a very profound impact on the Angolan economy and on the activity of all economic agents, as regards both the volume of their business and billing conditions, and also on access to foreign exchange to meet their foreign liabilities. Publication of Notice 7/24, which entered into force in November 2014, substantially altered the working of the foreign exchange market for customers, as oil-sector operators are now obliged to sell their foreign currency to the Banco Nacional de Angola (BNA). The domestic consequences of the drop in international oil prices in conjunction with this regulatory change will constitute a major challenge for the market and for BFA throughout 2015.

I would like to thank our employees for the effort, dedication and diligence with which they dealt with the challenges of 2014. They play a key role in our relations with customers and so require special acknowledgment. Our BFA Yetu magazine is published with them in mind, reporting on what we do, who we are and showing the often hidden side of large organisations and of their protagonists.

Lastly, I would like to give special thanks to our customers for choosing BFA, for placing their trust in us 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 level and security of the banking services it provides.

Emídio Pinheiro

Key Indicators

KEY INDICATORS

AKZ Million

	Dec. 12	Dec. 13	Dec. 14	Δ%12-13	Δ%13-14
Total assets	759 902,1	868 032,2	1 073 056,4	14,2%	23,6%
Loans and advances to customers[1]	136 776,8	144 013,1	229 478,5	5,3%	59,3%
Customer deposits	668 113,3	763 025,2	929 382,2	14,2%	21,8%
Shareholders' equity and equivalents	74 376,0	84 640,5	104 487,3	13,8%	23,4%
Net operating revenue	37 552,2	42 755,6	53 919,3	13,9%	26,1%
Net interest income	21 704,9	24 497,1	30 728,8	12,9%	25,4%
Net non-interest income	15 847,3	18 258,6	23 190,4	15,2%	27,0%
Operating expenses[2]	15 741,6	17 031,1	19 585,0	8,2%	15,0%
Net operating income	24 326,7	28 124,7	37 047,1	15,6%	31,7%
Net profit for the year	20 975,6	23 898,6	31 796,1	13,9%	33,0%
Return on assets (ROA)	3,0%	3,0%	3,4%	0,0 p. p.	0,4 p. p.
Return on equity (ROE)	30,3%	31,6%	34,8%	1,3 p. p.	3,2 p. p.
Cost-to-income ratio	41,9%	39,8%	36,3%	-2,1 p. p.	-3,5 p. p.
Total assets / Employee	335,2	357,5	424,8	6,7%	18,8%
Loan-to-deposit ratio	20,5%	18,9%	24,7%	-1,6 p. p.	5,8 p. p.
Regulatory solvency ratio	24,2%	25,8%	24,0%	1,6 p. p.	-1,8 p. p.
Past-due loans / Total loans to customers	4,8%	4,6%	3,3%	-0,2 p. p.	-1,3 p. p.
Provision coverage ratio, past-due loans	143,1%	143,9%	136,0%	0,8 p. p.	-7,9 p. p.
Provision coverage ratio, total loans	6,8%	6,5%	4,5%	-0,3 p. p.	-2,0 p. p.
Number of service outlets[3]	167	175	186	4,8%	6,3%
Number of employees	2 267	2 428	2 526	7,1%	4,0%
BFA Net penetration rate	32,8%	33,8%	38,8%	1,0 p. p.	5,0 p. p.
Debit card penetration rate	52,3%	53,3%	53,5%	1,0 p. p.	0,2 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

USD Million

	Dec. 12	Dec. 13	Dec. 14	Δ%12-13	Δ%13-14
Total assets	7 930,0	8 892,0	10 431,9	12,1%	17,3%
Loans and advances to customers[1]	1 427,3	1 475,3	2 230,9	3,4%	51,2%
Customer deposits	6 972,2	7 816,4	9 035,1	12,1%	15,6%
Shareholders' equity and equivalents	776,2	867,0	1 015,8	11,7%	17,2%
Net operating revenue	393,5	443	547	12,6%	23,5%
Net interest income	227,5	253,8	311,6	11,6%	22,8%
Net non-interest income	166	189,2	235,4	14,0%	24,4%
Operating expenses[2]	165	176,6	198,7	7,0%	12,6%
Net operating income	254,9	291,3	375,8	14,3%	29,0%
Net profit for the year	219,8	247,3	322	12,5%	30,2%
Return on assets (ROA)	3,0%	3,0%	3,4%	0,0 p. p.	0,4 p. p.
Return on equity (ROE)	30,3%	31,6%	34,8%	1,3 p. p.	3,2 p. p.
Cost-to-income ratio	41,9%	39,9%	36,3%	-2,0 p. p.	-3,6 p. p.
Total assets / Employee	3,5	3,7	4,1	6,7%	18,8%
Loan-to-deposit ratio	20,5%	18,9%	24,7%	-1,6 p. p.	5,8 p. p.
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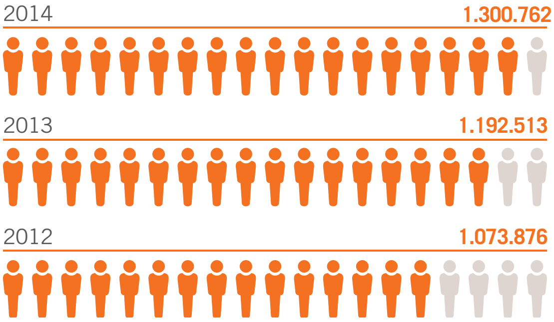
(3) Retail branches + Corporate Centres + Investment Centres + Bank Service Points.

Business Performance: 2012-2014

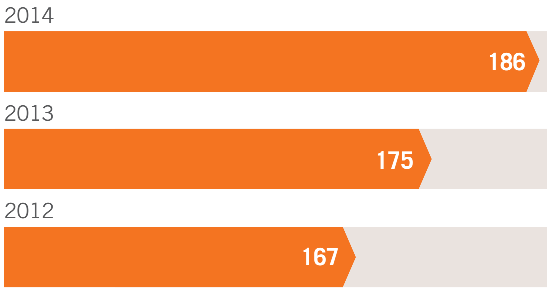
Customers (No.)

The number of customers is steadily growing.



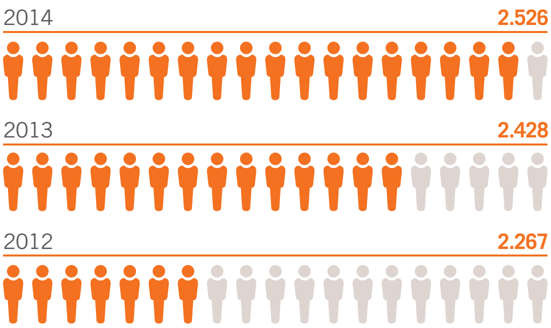
Services (No.)

BFA's presence in Angola is increasing, with a total of 186 service outlets (branches, corporate centres, investment centres and service points).



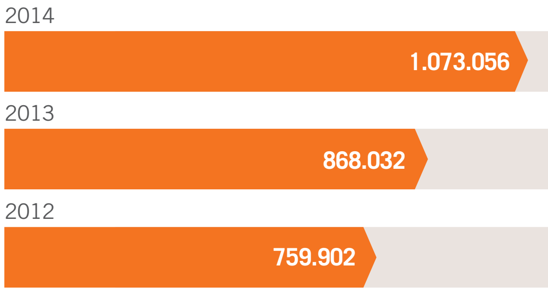
Employees

Workforce growth is driven by business growth and increased productivity, with a 4% increase in number of employees in 2014.



Total Assets

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



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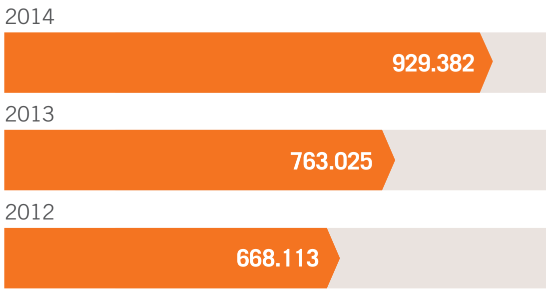
Total Deposits

Deposits are up 21,8% compared to 2013, demonstrating the market's confidence in the Bank.



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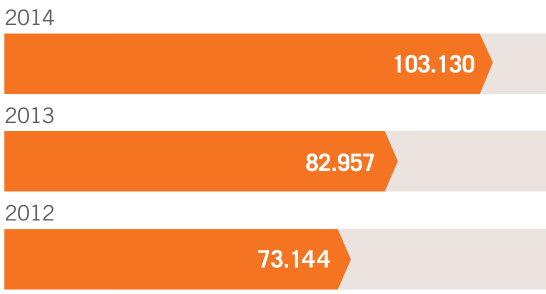
Total Capital

BFA's capital has continued to grow at a strong pace, reinforcing the Bank's position and its ability to meet its customers' financial needs.



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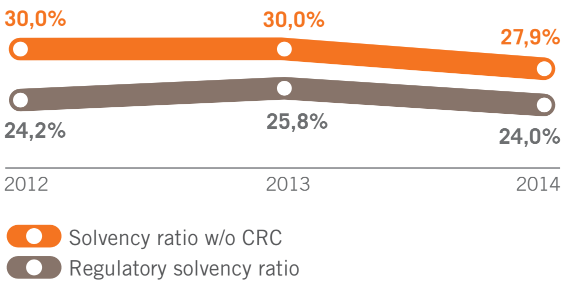
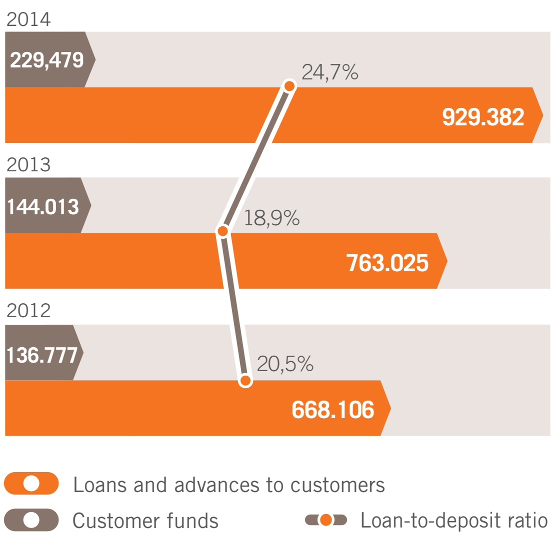
Solvency Ratio

Capital strength is a priority for the Bank, which maintains a solvency ratio 2,5 times above the regulatory minimum (10%).



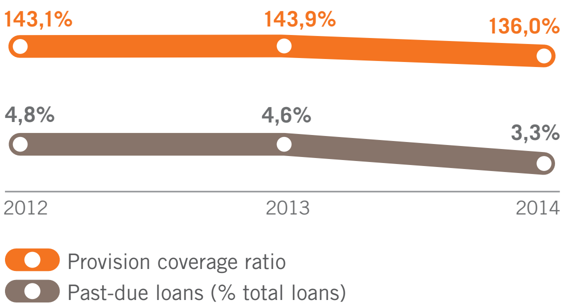
Business with Customers

The loan-to-deposit ratio reflects the bigger increase in lending than in customer funds.



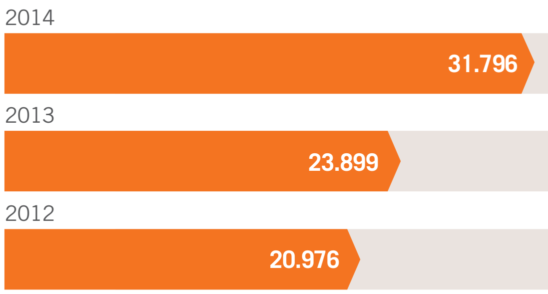
Credit Quality

Credit quality remains high, with a significant decrease in the past-due loans ratio and a slight increase in the provision coverage ratio.



Net profit

In 2014 BFA generated the biggest net profit of its history, in excess of AKZ 30 billion.



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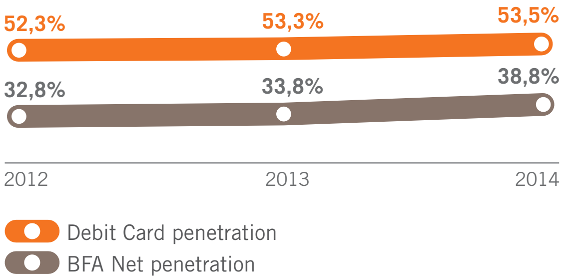
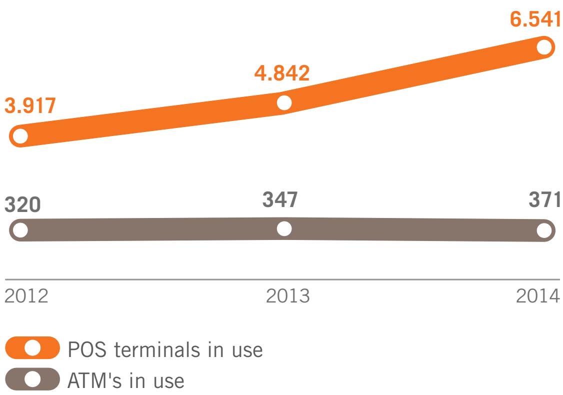
Services

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



ATMs and POS terminals

The growth of the installed base of ATMs and POS terminals has been driven by commercial initiatives and customer growth.



2014 in Review

The total number of service outlets reached 186 in December

186
Service outlets

154
Branches

16
Corporate Centres

9
Investment Centres

7
Bank Service Points

Market leader in banking services in December 2014, having achieved the following market shares:

23%
Debit cards

23,9%
POS terminals

Customers in December 2014

1.300.762

Number of employees of BFA increased from

2.428
December 2013

to

2.526
December 2014

up

+4%
compared to 2013.

Loan portfolio increased to

231.245,3
AKZ Million

up

+58%
on 2013

Loan portfolio quality improved, with past-due loan ratio down from

136%
with a past-due loans coverage ratio of

4,6%
in 2013

3,3%
in 2014

In November the members of the Executive Committee of the Board of Directors were appointed for the 2014-16 term of office.

In order to optimise the functions of the internal control system, ensuring compliance with the provisions of Notice 1/13, in April 2014 the Bank created two new committees:

- The Risk Committee
- Audit and Internal Control Committee.

Launch of Kandandu prepaid VISA card, the country's first prepaid card, managed entirely on the new EMIS platform.

Launch of the BFA Customer Support, available 24 hours a day on

923 120 120

The first stage of the Mystery Customer study was conducted, evaluating a set of specific issues at the service points, in particular: Image, Customer Service, Service Promotion and Scenario Simulation.

Organisation of the "Banking Solutions for Oil Gas Companies & in Angola" Workshop in Houston, USA.

The Capital Market Commission registered BFA as a financial intermediary.

Implementation of eMudar@BFA for account opening and maintenance processes for Individuals and Businesses was completed.

New Data Processing Centre installed at EMIS.

Launch of tax payment functionality in BFA Net and BFA Net Empresas and at the branches..

Beginning of BFA credit cards migration to the new EMIS plataform.

Launch of the "Click Click Click" campaign with focus on the new Bills and Services Payment functionality of BFA Net and BFA Net Empresas.

Launch of English version of the Bank's public website.

Sirius Award in the category "Best Management Report & Accounts".

Sirius Award in the category "Best Financial Sector Company of the Year".

"Best Commercial Bank" and "Most Innovative Bank" award by the Global Financial Market.

Outlook for 2015

For 2015, the Angolan government expects economic growth of 6,6%, while the new reality of the foreign exchange market is a factor set to condition economic activity during 2015.

Besides the changes introduced with the publication of Notice 7/14, of October 8, 2014, whereby petroleum operators are no longer able to sell their hard currency to commercial banks but must sell it directly to Banco Nacional de Angola (BNA), there is a scenario that entails some risk for economic growth as a result of fluctuation of oil prices.

Additionally, the tax paradigm is undergoing a thorough overhaul. The tax bases are being extended with the introduction of new taxes and significant improvement of the tax collection and control mechanisms, which oblige the Bank to adapt its business processes to a new reality.

In this connection the main lines of action of the Bank in 2015 will be based on the topics outlined below.

I. Innovation & Technology

Technological innovation is one of the pillars of BFA's strategy. Thanks to the investments in IT systems and the projects undertaken in the IT area, the Bank's systems not only kept pace with the Bank's expansion but also made a positive contribution to growth.

Continuing along these lines, the goals for 2015 are to:

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

• Continue the renewal of its technological equipment, increasing the resilience and effectiveness of its central support and modernising the equipment available to the Bank's employees at the branches and central services;

• Strengthen its strategy of customer proximity, providing agile access solutions via mobile platforms and improving the functions available on the Public Website, BFA Net and BFA Net Empresas;

• Implement technologically advanced solutions to respond to the growing needs of official reporting and disclosure of information.

II. Service Quality

In 2015 BFA will strengthen and develop new processes and mechanisms to improve customer service quality:

• The Bank intends to continue the Mystery Customer study, with new stages in 2015 to assess the service and care provided by BFA;

• Foster diversification and development of the different channels of contact with the Bank, not only extending its branch network, but also strengthening the functions of the transactional websites and the public website, the mobile banking solutions and the telephone channel. Here the aim is to bring the Bank closer to its customers;

• Develop the complaints management process, enhancing the structure in technical and human terms in line with the best international practices.

III. Human Resources

BFA will continue to make efforts to attract talent, aiming to recruit employees of high development potential. The Bank will strengthen its online recruitment strategy, focusing on a new approach of their digital channels.

In training, the Bank will continue to invest in the development of its staff qualifications through post-graduate and master's programmes in Management, Accounting and Finance.

In 2015 it also plans to develop interactive platforms to provide continuous training to employees in areas relevant to the Bank's business.

IV. Fight Against Money Laundering And Terrorist Financing

To promote compliance with the law by countries and entities other than those of the US, BFA updated and overhauled its account opening and maintenance processes to ensure the collection and reporting of the required information.

Thus, continuing the strategy developed within the scope of the Foreign Account Tax Compliance Act (FATCA), in 2015 BFA expects to re-examine all customers existing prior to the implementation of FATCA to ensure that the relevant documentation is collected.

Additionally, within the scope of anti-money laundering best practices, the Bank will provide exclusive compliance-related information via the intranet and on its public website.

V. Capital Market

The year under review was marked by operational measures leading to the entry into operation of the Book-Entry Treasury Securities Market (Mercado de Registos de Títulos do Tesouro, MRTT). It should be pointed out that BFA was the first registered member to join the Angolan Debt and Securities Exchange (BODIVA) early in 2015.

With the current developments it can be expected that the MRTT will further develop its operations, and new members can be expected to register in 2015.

BFA will take the necessary steps to put asset management into operation through the creation of a pension fund management company and a collective investment scheme management company, establishing its position as a preferred financial intermediation partner.

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24 Regulatory Developments

ECONOMIC CONTEXT

International Economy

DEVELOPMENTS IN THE INTERNATIONAL ECONOMY

In 2014 the global economy maintained the previous year's growth rate of 3,3%, according to International Monetary Fund estimates. Nevertheless, economic growth again fell short of the forecast at the beginning of the year, given the poorer performance of both the developed and the emerging economies. The economic growth of the advanced economies was just 1,8%, marked by the divergent performance between the Anglo-Saxon economies and Japan and the euro zone. While the performance of the United States and the United Kingdom exceeded expectations, growth in Japan disappointed and, in the euro zone, the risks of deflation increased. The monetary policies of the developed economies continued to be accommodative. However the first signs of divergence began to appear among the central banks of the major economies, given the disparities of their economic cycles. Thus, the Federal Reserve successfully ended the third package of unconventional measures, but retained its accommodative policy stance, announcing its intention to roll over its holdings of Treasury securities, thus keeping the size of its balance sheet at current levels. In turn, the Bank of Japan and the European Central Bank increased the expansionist nature of their policies. To combat the risk of deflation and revive the mechanisms to transmit monetary policy to the economy, the European Central Bank considerably strengthened its expansionary monetary policy. This included, among other measures, a decrease of interest rates and implementation of an asset purchase programme, which early in 2015 was extended to cover the purchase of public debt securities.

The International Monetary Fund's outlook for 2015 is moderately better, expecting that economic growth will increase to 3,5%, spurred by better performance of the advanced economies, where economic growth is expected to increase to 2,4%. For the US, a recovery of growth rates to 3,6% is expected. The euro area should benefit from a more accommodative monetary policy, which will support growth at around 1,2%. The risks to this outlook are slightly on the upside, as the fall in oil prices is expected to deliver a positive shock to the global economy, increasing consumer purchasing power in the advanced economies. However, there is still concern that unfavourable geopolitical factors may undermine economic recovery, in particular in the euro zone.

In the emerging economies, the pace of economic expansion remained high, but slowed from 4,7% in 2013, to 4,4% in 2014. This was largely due to a smaller contribution of China's growth, which has become more evident and is set to have implications globally. Furthermore, the economic growth of many emerging economies was weakened by the global drop in oil and other commodity prices. Particular emphasis is given to the slowdown of growth of Brazil, but also to the economic recession in Russia caused not only by the fall in oil prices but also by the aggravation of geopolitical tensions. The International Monetary Fund (IMF) therefore expects that the growth of emerging economies will slow to 4,3%, but may recover in 2016.

MONEY MARKET AND BONDS

Financial markets continued to benefit from the accommodative monetary policies of the leading central banks, despite the appearance of signs of divergence between the policy direction of the European Central Bank (ECB), which became more expansionary, and a reversal of expectations regarding the evolution of the monetary policy of the Fed and of the Bank of England. On the interbank market, emphasis is given to the downward trend of the Euribor rates, reflecting the ECB's monetary policy. In the first four months of the year the rates rose, with the 3-month Euribor rising to a high of 0,347% in April. In the remaining months the rates fell to stand at 0,078% at the year-end. In turn, the one-week Euribor rate fell into negative territory (-0,015% at year-end), reflecting the reduction in the marginal deposit rate to -0,2%. In the US, the dollar Libor rates remained very stable, given the expectations that the Fed funds rates would remain close to zero. The 3-month dollar rate started the year at 0,24% and closed at 0,25%.

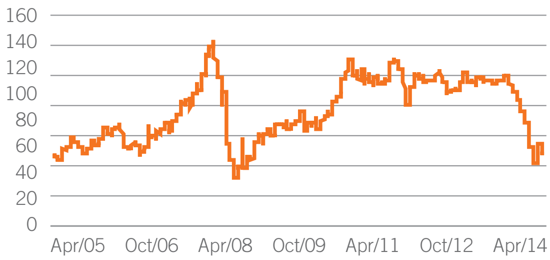
The public debt market saw a continuous decline of the yields of the main benchmarks: the optimism in relation to the macroeconomic scenario in the US contrasting with the weakening activity in Europe. Still, the spread widened between the US Treasury and the Bund, reflecting the greater weakness of the eurozone economy, the spread increasing from 53 basis points at the beginning of the year to 163 basis points at the year-end. In the US the yield on 10-year bonds years ranged between 2,06% and 3,03%, the minimum occurring during the last quarter of the year. The eurozone market fell even more sharply, given that the economic stagnation raised expectations of greater intervention by the ECB. The 10-year German Bund fluctuated between 0,54% and 1,94% throughout the year, the lowest yields seen in the last quarter of the year. In the sovereign debt market of the peripheral countries there was an even sharper decline of yields, which resulted in a compression of the risk premiums vis-à-vis the German benchmark. In 10-year public debt securities, the risk premium demanded of Portugal decreased by about 136 basis points (bp), which compares with falls of about 60 bp in Spain, 80 bp in Italy and 90 bp in Ireland. The only exception was Greece, due to the worsening political uncertainty at the year-end. This downward movement of spreads and yields was influenced by the reduction of the existing imbalances (of public and external deficits in particular), and also by the search for greater returns in a context of low interest rates.

FOREIGN EXCHANGE MARKET AND COMMODITIES

In the foreign exchange market, the divergence between economic cycles and respective monetary policies resulted in a gradual devaluation of the euro, which fell to a level not seen since mid-2012. After peaking at 1.3992, the EUR/USD dropped to 1.20 by the year-end, a depreciation of the single currency by around 15%, a trend sharper towards the end of the year, as the risk of deflation increased. In early 2015, the trend became more pronounced after the announcement of new quantitative easing measures by the ECB, the EUR/USD falling to levels close to parity. In relation to sterling the euro lost 7% last year, given that the strengthening of British economy was reflected in expectations that the Bank of England would start a cycle of rate rises.

In the commodity market the year was marked by a downward trend of the prices of the main commodities. After more than three years of oil prices at around USD 100/barrel, the markets were surprised by a fall in prices of about 50% during the last six months of 2014. By the end of the year, the price of oil on the US market (WTI) had fallen to a low of USD 49/barrel, and Brent on the European and Middle East markets to USD 55/barrel. Total crude consumption in 2014 increased slightly, to 92.5 Million barrels per day (mb/d) vs. 91.8 mb/d in 2013, according to the International Energy Agency (IEA). However, supply was even greater, having increased to 93.3 mb/d in 2014 (vs. 91.4 mb/d in 2013). Production growth was sustained essentially by countries outside OPEC (Organisation of petroleum producing countries), in particular by North America (due to increased production in the US and to the bigger contribution of crude oil obtained through shale). Despite the perception that oversupply will have been the main reason behind the fall in prices, OPEC has maintained its production target unchanged in order to maintain market shares, and this has underpinned low prices.

Oil price on the international market



Un: USD/brl
Source: Datastream

Angolan Economy

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

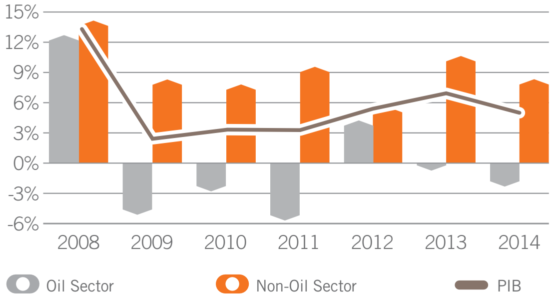
	2010	2011	2012	2013E	2014P	2015P
Real growth of Gross Domestic Product (yoy, %)	3,4	3,9	5,2	6,8	4,7	6,6
Oil sector	-3,0	-5,6	4,3	-0,9	-2,6	9,8
Non-oil sector	7,8	9,7	5,6	10,9	8,2	5,3
Oil production (Million barrels/day)	1,76	1,65	1,74	1,72	1,66	1,83
Angolan oil price (average, USD/barrel)	77,8	108,7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

P - Temporary; E - Estimate
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.

Preliminary data published by the National Statistics Institute indicate that the 2013 growth was around 4,2%, following the robust growth in 2012 estimated at 7,6%. For 2014, government forecasts suggest a growth of 4,7%, accelerating to 6,6% in 2015. The performance of the economy in 2014 resulted mainly from the downturn of oil activity due to technical problems which resulted in the stoppage of production at some oil wells earlier in the year. According to the IEA average daily oil production in Angola decreased to 1.65 Million barrels daily (mb/d) in 2014, compared with 1.76 mb/d in 2013 and 1.75 in 2012. Oil GDP is therefore expected to have declined by about 2,6% in 2014. At the same time, non-oil GDP will have grown 8,2% in 2014, driven by the agriculture sector (up 11,9%), manufacturing (up 8,1%), construction (up 8,0%) and mercantile services (up 8%), thereby partially offsetting the negative contribution of the oil sector. Indeed, despite the diversification efforts, the behaviour of the Angolan economy is still highly dependent on oil sector revenues. In 2014 they were penalised by the fall of oil prices on the international markets. However, attention is drawn to the fact that the weight of non-oil activities in the Angolan GDP has performed well in recent years, accounting for over 50% of the GDP in 2012.

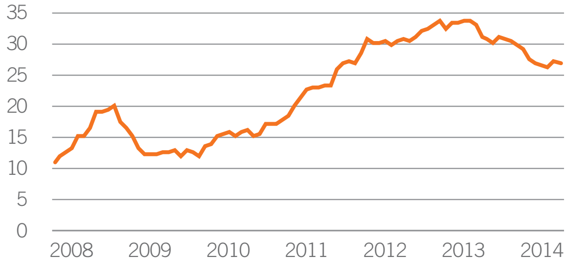
For 2015, the Angolan government expects economic growth of 6.6%, a scenario that entails a certain risk given the behaviour of oil prices. The oil sector is expected to recover (up 9.8%) while non-oil activities will slow (up 5.3%). In the first case, the sector is set to benefit from the removal of technical obstacles and the commissioning of new exploration projects. In the non-oil sector, the expected less dynamic performance is the result of the slowdown in most activities, including agriculture (with a growth of 7,9% in 2015 compared to 11,9% in 2014), manufacturing (up 6,8% vs. 8,1% in 2014), construction (up 6% vs. 8% in 2014) and services (up 4% vs. 8% in 2014). In fact, the main activities of the non-oil sector continue to depend in part on the resources channelled through public investment projects, set to be fewer in 2015 due to the fall of oil revenue. Even so, it is expected that local production promotion policies directed at replacing imports of goods, such as the introduction of the new customs tariff (which included a significant increase of the tariffs on imported goods), may well have a positive impact on boosting these activities.

Real GDP growth



Source: Finance Ministry

Foreign exchange reserves



Un: MUSD
Source: BNA

EXTERNAL SECTOR

BALANCE OF PAYMENTS

	2010	2011	2012	2013	2014E
Current balance (% of GDP)	8,1	12,6	11,7	5,5	4,1
Trade balance (% of GDP)	40,1	45,2	40,7	33,6	29,6
Exports of goods (% annual change)	21,7	35,2	5,0	-3,8	-2,5
of which: oil (% annual change)	21,5	33,4	7,3	-4,5	-2,9
Imports of goods (% annual change)	-26,4	21,4	17,2	11,1	3,9
Balance on capital and financial accounts (% of GDP)	-1,1	-3,5	-7,7	-7,5	-3,2

E - Estimate
Source: IMF

The trade surplus continued its downward trend as the oil price led to the decrease of export revenues, while the cost of imports required to meet domestic demand increased significantly as a result of a weaker kwanza. According to IMF estimates, in 2014 the trade surplus is expected to have declined to 29,6% of GDP, compared with 33,6% of GDP the previous year. This decrease of the surplus will have been the result of a 2,5% decline in exports of goods, coupled with a 3,9% increase in imports of goods. Oil exports continue to account for about 96% of total exports of goods. Imports are still necessary to meet the needs of a wide range of sectors of the economy, with imports of current consumption goods and intermediate goods accounting for some 70% of all imported goods, imports of capital goods accounting for 30%. China continues to be the main destination for Angolan exports, followed by India and the US.

Having peaked in mid-2013, net international reserves declined by a y-o-y 12,2% in December 2014, to stand at USD 27,400 Million (according to BNA data). Besides a transfer of USD 1.5 billion USD to the Sovereign Fund of Angola, the reduction of international reserves also reflects the fall of oil export revenues. In parallel, the kwanza maintained the trend of depreciation against the dollar, though the exchange rate was stable during the first half of the year. Throughout the year, the kwanza depreciated against the US dollar, with the exchange rate rising from 98 USD/AKZ at the beginning of 2014, to 107 USD/AKZ at the end of December 2014.

PUBLIC ACCOUNTS

According to the latest estimates of the Ministry of Finance, the budget deficit in 2014 was 3,1% of GDP, compared to the previously budgeted deficit of 4,9%. Oil taxes continue to account for a very significant percentage of tax revenues, though the tax base is now broader, and encompasses more and more non-oil activities. Oil tax revenues (which in 2014 accounted for about 70% of total tax revenues) are expected to have decreased in relation to 2013, reflecting the fall in oil production and prices. In parallel, there is a tendency of increased weight of non-oil taxes (28% vs. 20% in 2013), with revenue up about 13% over the 2013 figure.

Given the significant decline of oil prices since late 2014, to stand at a minimum in January of around US$ 45/barrel, the Angolan government presented an amending State budget earlier this year. The new document establishes a budget deficit slightly lower than originally budgeted, about 7% of GDP (7,6% in the initial budget) but still above that recorded in 2014 (3,1%), reflecting the reduction of oil revenues by about 65%, based on an assumption of an average price per barrel of USD 40. On the expenditure side, a reduction of public spending by about 25% compared to 2014 is expected. The decrease in spending is expected to affect purchases of goods and services and current transfers (down 37% compared to 2014), but especially investment, where a decline of 56% compared to 2014 can be expected. It should be noted, however, that much of the reduction of expenditure on current transfers results from a decrease in spending on fuel subsidies. This followed a significant government update of the prices of oil-based products. As for the distribution of resources across sectors, there is a reduction of expenditure across the board, but in relative terms the priority is still on the social sectors, including education, health and social welfare. According to official estimates, government debt is set to increase to about 45,8% of GDP in 2015, compared with a figure of 31,2% of GDP in 2014, thus increasing the use of external financing.

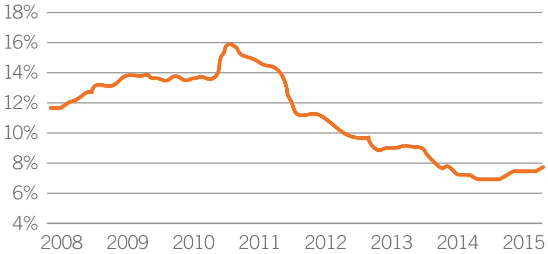
The form of State funding in 2014 mainly continued to involve the issue of Treasury bonds (OT) (with net issues amounting to 516 billion kwanzas), followed by use of foreign credit lines (drawdowns totalling 548 billion kwanzas). For 2015, the Angolan government plans to increase net OT issues (619 billion kwanzas) and Treasury Bills (TBs) issues are expected. The bulk of funding will be obtained through external financing through loans directed to projects (1,106 billion kwanzas).

INFLATION AND INTEREST RATES

Monetary policy in 2014 continued to be accommodative, though without undermining the goal of price stability (to keep the inflation rate within the target range of 7%-9%). The BNA refi rate stood at 9% at the end of 2014, lower by 0.25 p.p. compared to the end of 2013. Faced with a more favourable inflation backdrop, the Central Bank's objective was to reduce the cost of credit extended by the financial system. However, this reduction was not enough to prevent an increase of the LUIBOR Overnight rate which, at the end of 2014, stood at around 5,5%, having fluctuated below 3% mid-year. In turn, the rates for maturities of 3 and 12 months remained relatively stable throughout the year.

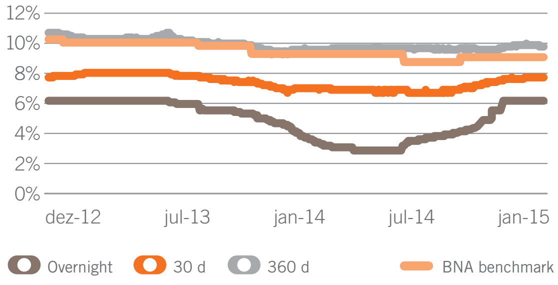
In December 2014, the y-o-y inflation rate stood at 7,48%, having reached a historic low of 6,89% in June. Although the inflation rate showed an upward trend in the second half of the year, it should be noted that part of this increase will have resulted from factors such as the revision of the customs tariff and the increase in fuel prices. Therefore, it should be noted that inflation remains within the range defined by BNA and well below the double-digit historical values.

Year-on-year inflation rate



Source: BNA

Interbank money market rates



Source: BNA

BANKING SECTOR

In 2014, total credit extended to the economy grew by a y-o-y 15%, compared with a growth of 14% the previous year. Credit growth resulted from an increase in loans to the private sector, up 16% y-o-y, while loans to the public sector (excluding Central Administration) declined by 17%. At the same time, de-dollarisation of the economy increased during the year. Loans in foreign currency as a proportion of total loans granted decreased to 29% in December 2014, compared to the figure of 36% for 2013. Likewise, the national banking sector deposits were up 16% in December 2014, compared to one year earlier. Foreign currency deposits as a proportion of total deposits decreased from 43% at the end of 2013 to 35% in December 2014, consistent with the objective of reducing the weight of the use of dollars in the economy.

Regulatory Developments

The regulatory changes introduced by the supervisory authorities during 2014 are summarised below:

Month	Event
JANUARY	**MC Regulation No. 1/14** The Capital Market Commission lays down the conditions to carry on the business of valuers of the real estate of undertakings for collective investment. **Notice No. 1/14**[1] Establishes procedures for the import and export of foreign currency and travellers cheques, to be observed by financial institutions
FEBRUARY	**Law No. 1/14** Regulates the issuance and management of the direct and indirect debt of the State for the financing of public expenditure. **Instruction No. 1/14 (revoked by Instruction 7/14)** Establishes rules for the determination and fulfilment of obligatory reserves.
MARCH	**Order No. 599/14** Updates the list of Large Taxpayers assigned to the Large Taxpayers Tax Office **Notice No. 2/14** Establishes the rules and procedures to be observed in the conduct of foreign exchange operations of current invisibles. **Notice No. 2/14** Establishes the minimum information to be provided on financial products and services
APRIL	**Law No. 4/14** Law authorising Banco Nacional de Angola to issue and put into circulation coins of face value of AKZ 20.0, named the “2014 Series”. **Amendment No. 5/14** Amends articles 14(2) and 15 of Notice 2/14, which sets out the minimum information requirements on financial products and services to be provided to the public by banking institutions. **Instruction No. 3/14** Establishes the mechanisms for operationalisation of the foreign exchange market.
MAY	**Instruction No. 4/14** Establishes the tables that make up the price list to be disclosed by financial institutions, as well as the respective filling-in instructions and deadlines for submission to Banco Nacional de Angola. **Instruction No. 5/14** Establishes the rules and procedures for the provision of service and provision of payment cards, for issuing and acquiring institutions.
AUGUST	**Notice No. 3/14** Amends the wording of article 11(1) of Notice 19/12, of April 25, on the settlement of foreign exchange transactions on the import, export and re-export of goods. **Notice No. 4/14** Establishes the rules and procedures of the “simplified procedure for payment of imports of goods”. **Presidential Order No. 153/14** Authorises the State’s bank guarantee in favour of Angola Cables, BFA and Caixa Totta, in the sum of USD 260 Million, for the financing of the South Atlantic Cable System Project and for the Americas Cable Project.

(1) At the time of drafting the report, Notice 1/2014 had been repealed by Notice 1/15.

Mês	Evento
OCTOBER	**Order No. 1532/14** Fixes the interest rate of beneficiaries of the Agricultural Loan Campaign at 2,00%, the remainder being State-subsidised. **Executive Decree No. 316/14** Approves the instructions for the close of the 2014 financial year. **Presidential Legislative Decree No. 1/14** Regulates the Tax Regime applicable to Undertakings for Collective Investment. **Presidential Legislative Decree No. 2/14** Approves the revision and republication of the Capital Gains Tax Code. **Presidential Legislative Decree No. 3/14** Approves the revision and republication of the Stamp Duty Code. **Presidential Decree No. 292/14** Approves the Credit for the Economy Stimulation Programme. **Law No. 18/14** Approves the Employment Income Tax Code. **Law No. 19/14** Approves the Industrial Tax Code. **Law No. 20/14** Approves the Tax Enforcement Code. **Law No. 21/14** Approves the General Taxation Code. **Notice No. 5/14** Regulates the process for the authorisation of the creation, operation and closure of payment services provider companies. **Notice No. 6/14** Regulates the provision of payment services under the Angola Payments System. **Instruction No. 6/14** Establishes the limits of the provision of payment services set out in Notice 06/2014. **Notice No. 7/14** Sets out the procedures to be adopted by the National Concessionaire, domestic and foreign corporate investors, and oil operators in their foreign currency sale transactions. **CMC Regulation No. 2/14** Disciplines the Regulated Markets that operate to enable interests to be met relating to securities and other financial instruments with a view to the conclusion of contracts involving negotiation, stock markets, commodity market and futures market mechanisms. **Regulation No. 3/14** Regulates the working conditions of regulated markets management companies, clearing houses, and centralised securities settlement systems. **Regulation No. 4/14** Lays down the technical rules necessary for the operation of Undertakings for Collective Investment.

Mês	Evento
NOVEMBER	**Intergovernmental Agreement-– FATCA (Foreign Account Tax Compliance Act)** The intergovernmental agreement between the United States and Angola establishes criteria for identification and reporting of information pertaining to customers considered to be US citizens.
DECEMBER	**Notice No. 8/14** Establishes the period from which notes and coins of the “1999 Series” are withdrawn from circulation. **Instruction No. 7/14 (repealed Instruction 01/14)[2]** Establishes rules for the determination and fulfilment of the obligatory reserves of banking institutions. **Notice No. 9/14** Establishes the rules and principles governing the advertising of financial products and services marketed by financial institutions. **Notice No. 10/14** Regulates the characteristics and requirements of the guarantees of which financial institutions are the beneficiaries, as well as of the respective guarantors in order to be eligible for prudential purposes. **Notice No. 11/14** Establishes specific requirements for loan transactions carried out by financial institutions or similar entities. **Notice No. 12/14** Regulates the process of setting aside the provisions of financial institutions.

(2) At the time of drafting the report, Instruction 7/2014 had been repealed by Instruction 3/2015.

TAX REFORM

The Tax Reform was started in 2010. Since then, several of the tax laws included in the legislative package earmarked for review and update have been published and reformulated. In particular, there have been amendments 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 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 specifications of the Bank's products and the taxation of interest income.

BFA has closely monitored the changes introduced by the Tax Reform, making whatever alterations and adaptations have been necessary to ensure compliance with current legislation, whether through the reparameterization of its computer systems or through the reconfiguration of its internal procedures and the training of its employees in the new 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 financial activity, and the Tax on Invested Capital, where mechanisms have been established to withhold tax at source on income from invested capital.

The most significant change introduced in 2014 and effective from 2015 is the extension of the tax base of the Employment Income Tax to include representation allowances and any other daily allowances.

Far-reaching changes have been made to the Industrial Tax, most notably the creation of a new system of withholding at source on services provided by resident and non-resident entities. In addition, a transitional regime was established for fiscal 2014, stipulating a reduction in the Industrial Tax rate from 35% to 30%.

Furthermore, an exceptional regime for the regularization of tax debts was announced. This exceptional arrangements establishes, in general terms, a forgiveness of tax debts and the associated legal surcharges, in relation to debts for Industrial Tax, Stamp Duty, Tax on Invested Capital and Urban Properties Tax, for taxable events that occurred in tax periods up to December 2012.

The General Tax Code has also been amended to update and adapt the general tax rules to Angola's current political, economic and social circumstances and the demands of a globalized economy, in accordance with the current fundamental principles of a democratic state based on the rule of law, as embodied in the Constitution of the Republic of Angola, and in accordance with the general government policy on tax reform in Angola. Bearing emphasis in this respect are the right to a previous hearing and the right to reimbursement of tax paid when not due.

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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 01/13 defines the corporate governance policies and processes to be adopted by financial institutions.

The aim of these regulations is to establish a set of corporate governance practices that affect the management model through rules on capital structure, organisational structure, remuneration policy, code of conduct, conflict management, and transparency and disclosure. They also lay down rules for reporting on the governance model.

In keeping with the provisions of article 26(2) of Notice 01/13 and article 22(2) of Notice 2/13, the Board of Directors approved the implementation of an action plan to ensure that the new corporate governance model and the requirements of the Internal Control System of the Bank are consistent the provisions of the respective regulatory notices.

In keeping with Instruction 1/13, which regulates the submission of information to the BNA by financial institutions in relation to Notices 1/13 and 2/13, the BFA Board of Directors submitted to the BNA in December 2014 the Annual Report on Corporate Governance and the Internal Control System, effective November 30.

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 its shareholder, BPI, of which BFA is a subsidiary within the scope of the consolidated supervision rules. They include value creation, information transparency, both external and internal, independence, fairness, loyalty, efficiency, rigour, participation in decision-making, performance, merit and harmony.

OWNERSHIP STRUCTURE AND GOVERNANCE MODEL

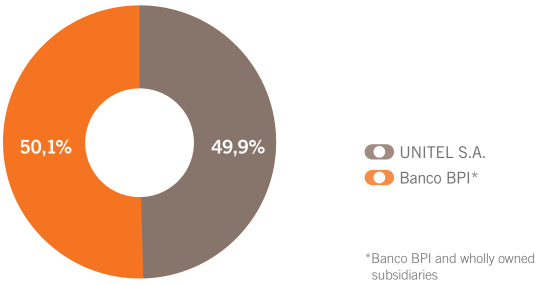
BFA was incorporated by deed on August 26, 2002 as a result of the transformation of the Angolan branch of Banco BPI, SA, into an Angolan bank, majority-owned by the BPI Group.

By deed of January 20, 2009, the Bylaws were changed significantly, remaining 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 thereof and, on the other, by UNITEL, SA.

Ownership Structure



The Bank is a founding shareholder of EMIS – Empresa Interbancária de Serviços, SA, whose main shareholder is BNA, which holds 43,03% of the capital. BFA is EMIS's largest private shareholder, with 6,5% of the capital, and the main customer and user of the services provided by EMIS, which currently manages the Multicaixa network, the Credit Transfer System (STC) and the Card Issue and Management Platform.

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 at the EMIS facilities, designed to meet the highest international standards as regards technical and service access conditions. One example is the use of the new card management platform, in which BFA has a market share of 80% of cards issued.

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

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

GOVERNANCE MODEL

OBFA's operating model is established in the Bylaws approved at its General Meeting on November 27, 2008, and complies with the requirements of the Financial Institutions Act (Law 13/05 of September 30).

The Bylaws provide for the following corporate bodies: the General Meeting and its chair, the Board of Directors, the Supervisory Board, the Board of the General Meeting, the Executive Committee of the Board of Directors, and the external auditor.

Under Notices 1/13 and 2/13, both of April 19, the Board of Directors established two new committees: the Risk 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. 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.

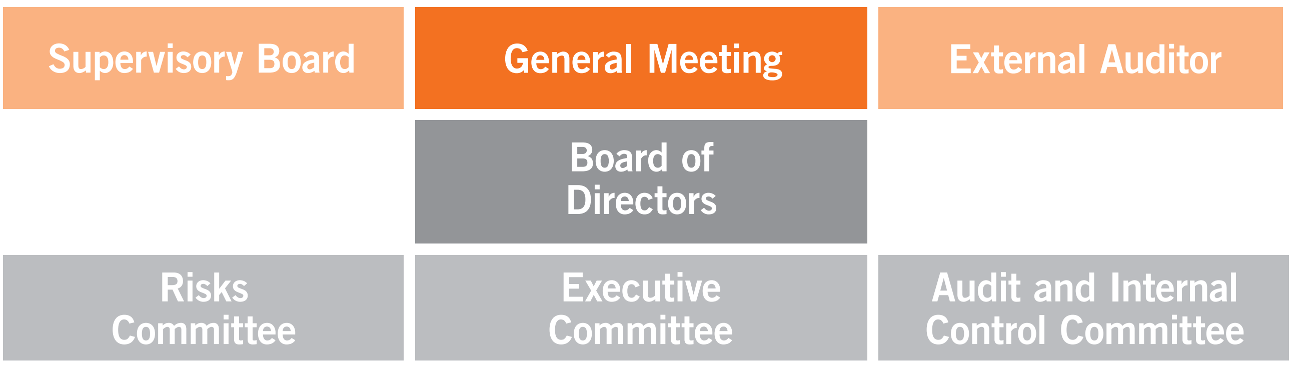
All members of the governing bodies have the necessary technical competence, professional experience and personal integrity to perform their duties.

General Meeting

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

The main powers of the General Meeting are as follows:

- To elect the members of the Board of Directors and 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 Board of Directors' annual report 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 members of corporate bodies, should a Remuneration Committee not have been elected;



- To resolve on the appropriation of net income proposed by the Board of Directors;
- To resolve on amendments to the Bylaws.

SUPERVISION AND EXECUTIVE MANAGEMENT

Board of Direct

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 has 13 members, while the Bank's executive management is entrusted to seven directors, who are selected by the Board of Directors from among its members.

The Board of Directors meets at least quarterly and whenever called by its chair.

The Board of Directors acts in accordance with the Bylaws and its own regulations. Its main powers are as follows:

- To define BFA's general policies;
- To approve the strategic plan and the annual and multi-annual plans and budgets, as well as any amendments thereto, and regularly monitor their execution;
- To prepare accounting documents and the proposal for the appropriation of net income for submission to the General Meeting;
- At its own initiative, to 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;
- To approve the code of conduct for wholly controlled companies;
- To take all other necessary or appropriate measures to undertake the activities included in the corporate purpose.

To regulate its internal operation, the Board of Directors delegates the day-to-day management of the Bank on an Executive Committee comprising between five and seven members. The Executive Committee operates within the limits set by the Board and its own regulations.

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.

Executive Committee of the Board of Directors

Subject to the internal regulations approved by the Board of Directors, which are subordinate to the agreed action plans and the annual budget, and to other measures and guidance approved by the Board of Directors, the Executive Committee of the Board of Directors has broad management powers to conduct the Bank's day-to-day activities. Its actions are constantly monitored by the Board of Directors, the Supervisory Board and the external auditor.

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

Pursuant to article 14 of the BNA Notice 1/13 and in accordance with the Bank's internal policy, the core competencies of the Risks Committee are:

- To advise the Board of Directors as regards the risk strategy;
- To monitor the policy of management of all risks inherent in the Bank's business, in particular the liquidity, foreign exchange, interest rate, market, credit, operational, strategy and reputational risks.

Audit and Internal Control Committee

Pursuant to article 13 of BNA Notice 1/13 and within the framework of the policies internally defined by BFA, the following were defined as core competencies of the Audit and Internal Control Committee:

- To ensure the formalisation and implementation of an effective reporting system, properly documented and including the process of preparation and disclosure of the financial statements;
- To oversee the formalisation and implementation of the institution's accounting policies and practices;
- To review all information of a financial nature for publication or internal disclosure, including the board's annual accounts;
- To monitor the independence and effectiveness of internal audit, approve and review the scope and frequency of their actions and supervise implementation of corrective measures proposed;
- To oversee the work of Compliance;
- To oversee the activity and independence of the external auditors, establishing a communication channel to ascertain the findings of the audits performed and reports issued.

SUPERVISION

Supervisory Board

The composition of the Supervisory Board is governed by the Bylaws and its role and objectives are those assigned to it by law or regulation, and in accordance with its working regulation. The Supervisory Board comprises a chair and two members, one of whom is a qualified accountant.

The Supervisory Board meets at least once per quarter.

External auditor

The accounts have been subject to an independent audit carried out by external auditors Deloitte & Touche - Auditores, Lda. The rules governing the services to be provided by the external auditor are laid down in BNA Notice 04/13.

The Bank sustains that its auditors are independent, within the meaning of applicable regulatory and professional requirements, and that their objectivity is not compromised. BFA's governance policies and practices include several mechanisms to safeguard the independence of its auditors.

The main role of the auditors is to audit BFA's financial statements. Alongside this role, the external auditors have taken part in assessing the activities of the Internal Control and Corporate Governance System and in the appraisal of the impairment loss model.

Each year the external auditor reviews the procedures of the Departments and/or processes selected for the purpose, necessarily including the general information technology controls.

COMPOSITION OF CORPORATE BODIES

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

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

ORGANISATION CHART

The Bank's organisation chart is based on a functional structure allowing a clear division of areas and functions of each department and respects the rules of segregation between business, support and control activities.

Executive Committee of the Board of Directors

Emídio Pinheiro (Chairman)	Mariana Assis	António Matias	Vera Escórcio	Otília Faleiro	Francisco Costa	Manuela Moreira
						
Marketing	Accounting and Planning	Companies	Financial and International	Organisation 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	Investment and Structured Financing	Protocol Management
Business Development Unit				Credit Processing and Support	Real Estate Transaction	
				Cards and Automatic Banking	Monitoring, Recovery and Litigation	
				New Projects	Legal	

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Executive Committee of the Board of Directors

Executive Committee of the Board of Directors

Emídio Pinheiro Chairman of the Executive Committee of the Board of Directors
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 Fundos de Investimento. 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 Department; and Commercial Department for Individuals and Small Businesses in 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 38 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 specialty 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 and is Chairman of the Banking Training Institute of Angola (IFBA). 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 post-graduate 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 12 years' experience in banking, beginning in 2001 at BFA. She also worked at Banco BIC, where she held positions in the Finance Department. She holds a degree in Economics, with a specialty in Business Economics, from Universidade Nova de Lisboa and a post-graduate degree in Bank Management from Católica Executive Education.

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 Organisation 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 Organisation and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Lisbon.
She is a non-executive director of EMIS.

Francisco Costa Director
Date of Birth: August 22, 1951

Francisco Costahas 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 degrees in Electrical Engineering from Instituto Superior Técnico, Lisbon, and in Economics from the School of Economics of Universidade de Coimbra.

Manuela Moreira Director
Date of Birth: September 28, 1968

Maria Manuela Moreira has 20 years of experience, having joined BFA in 1997 as Technician in the Accounting and Finance Department, and then worked in sales as a loan specialist, Customer Manager and Manager. In 2006, she took over the Investment Centres Department (DCI). She took her degree in Accounting and Finance at the University of Havana (1995) and her master's in business administration at the Getúlio Vargas Foundation (2005).

INTERNAL CONTROL SYSTEM

BNA Notice 02/13 defines and regulates the obligation for financial institutions to implement an internal control system. BNA gives priority to the role of internal audit, compliance and risk management in operating an internal control system:

- Risk function: Provides an integrated understanding and management of the risks to which banks are exposed, with a view to mitigating the potential losses associated with risk events.
- Compliance function: Ensures correct management of the compliance risk arising from the legal and regulatory obligations and codes of ethics and conduct to which banks are subject.
- Internal audit function: Assesses the adequacy and effectiveness of the various components of the internal control system by monitoring compliance with established processes and procedures.

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. In order to optimise the functions of the internal control system, ensuring compliance with the provisions of Notice 01/13, in April 2014 the Bank created two new committees:

I. Risks Committee

Pursuant to article 14 of BNA Notice 01/13 and in accordance with the Bank's internal policy, the core competencies of the Risks Committee are:

• To advise the Board of Directors as regards the risk strategy;

• To monitor the policy of management of all risks inherent in the Bank's business, in particular the liquidity, foreign exchange, interest rate, market, credit, operational, strategy and reputational risks.

II. Audit and Internal Control Committee

Pursuant to article 13 of BNA Notice 01/13 and within the framework of the policies defined internally by BFA, the following were defined as core competencies of the Audit and Internal Control Committee:

• To ensure the formalisation and implementation of an effective reporting system, properly documented and including the process of preparation and disclosure of the financial statements;

• To oversee the formalisation and implementation of the institution's accounting policies and practices;

• To review all information of a financial nature for publication or internal disclosure, including the board's annual accounts;

• To monitor the independence and effectiveness of internal audit, approve and review the scope and frequency of their actions and supervise implementation of corrective measures proposed;

• To oversee the work of Compliance;

• To oversee the activity and independence of the external auditors, establishing a communication channel to ascertain the findings of the audits performed and reports issued.

Separating duties is essential to an effective internal control system and is assured by procedures set forth in the various rules, service instructions and circulars, and by the Bank's IT systems.

This is an area that deserves special attention in the audits carried out by the Bank's internal audit department and by the external auditor, whose recommendations must be implemented to improve the system and make good any shortcomings..

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 (ECBD) 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 summarised 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 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 a fair treatment to 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 obtain access through their work.

To perform their duties, all employees of the Financial and International Department (DFI) must have signed the Declaration of Commitment of compliance with the Markets Code of Conduct, published by BNA in Notice 13/11.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

Banco Nacional de Angola has published a set of regulations to adopt best practices in corporate governance and internal control systems.

As regards corporate governance (Notice 1/13), banks are required to define, implement and periodically review their corporate governance model, taking into account their capital structure, business strategy, risk management policies and processes, organisational units and structures, and policies, in particular their policies on:

- remuneration policy;
- the conflicts of interest avoidance policy; and
- the transparency and disclosure of information policy.

Additionally, the corporate governance model adopted by institutions must allow correct definition, implementation, monitoring and review of their internal control system, especially their business strategy and their risk management policies and processes.

In general, BFA's governance model meets all the requirements of Notice 1/13.

In 2014 two committees of the Board of Directors were created:

- Audit and Internal Control Committee
- Risks Committee

The development of the Angolan financial system and the need to bring national legislation into line with the most recent guidelines issued by international bodies led Banco Nacional de Angola to issue new legislation on internal control systems.

Notice 2/13 requires financial institutions to establish an internal control system that embodies an integrated set of policies and processes, applicable on a permanent basis across the institution, carried out by the governing body and other employees to ensure efficiency in transaction execution, risk control, reliability of accounting and management information, and compliance with legal requirements and internal guidelines.

The purpose of the internal control system is to ensure:

- business continuity and survival of institutions through efficient allocation of resources and execution of transactions, risk control, prudent assessment of assets and liabilities, and security and access control in information and communication systems;
- availability of comprehensive, reliable and timely accounting and management information, both financial and non-financial, to support decision making and control processes;
- compliance with legal provisions, internal guidelines and rules of ethics and conduct in dealing with customers, transaction counterparties, shareholders and supervisors.

Financial institutions are required to report annually on their compliance with the principles laid down by the supervisor in relation to corporate governance and internal control systems. BFA submitted its annual report on corporate governance and the internal control system on 30 November 2013. This report describes in detail the guiding principles of corporate governance, the structure and the division of corporate powers of the governing and supervisory bodies and their proceedings, the risk management system, the remuneration policy, shareholder control, the ethical principles and rules followed, and the policy on disclosure of information to the market. Additionally, the Executive Committee has prepared an Action Plan that establishes the actions that must be taken to ensure full compliance with applicable laws and regulations.

REMUNERATION OF CORPORATE BODIES

Remuneration of executive directors

BFA's remuneration policy for the executive members of its management body - Executive Committee of the Board of Directors (ECBD) – is based on the existence of a fixed salary supplemented by a variable remuneration. The latter is based on an evaluation of the performance of BFA and of each director in the year preceding the payment of compensation, as well as on an assessment of the consistency of this performance with that recorded over the previous year. It essentially reflects the assessment made on the basis of, among others, the following criteria:

- individual performance;
- the collective performance of the structural units reporting to the director;
- the overall performance of BFA itself;
- due regard for the standards, rules and internal and external procedures applicable to the business carried on by BFA and in particular the rules of the Code of Conduct.

The fixed remuneration amounts paid to ECBD members are consistent with market practice and result from the application of the respective 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. The existence of this variable component of compensation helps to strengthen the alignment of the interests of the ECBD members with the interests of BFA and its shareholders. Consideration, when setting the remuneration of the ECBD members, of "consistent performance" contributes to preventing this component of the remuneration from encouraging excessive risk-taking.

Remuneration structure of non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting

The non-executive members of the Board of Directors, of the Board of the General Meeting and of the Supervisory Board do not receive any variable remuneration for their duties. Their remuneration consists solely of fixed remuneration.

The amounts of remuneration paid to members of the Board of Directors, of the Board of the General Meeting and of the Supervisory Board are set directly by the shareholders at the General Meeting.

Since there is no Remuneration Committee, the amounts are approved by the shareholders at the General Meeting.

Amount of remuneration paid in 2014

In 2014, the remuneration of all members of the Board of Directors, of the Supervisory Board and of Board of the General Meeting amounted to AKZ 328,6 Million, as follows:

- Members of the Executive Committee of the Board of Directors, AKZ 274,6 Million, paid by way of fixed and variable compensation;
- Non-executive members of the Board of Directors, Supervisory Board and Board of the General Meeting, AKZ 54,0 Million, paid by way of fixed compensation.

APPROPRIATION OF NET INCOME POLICY

Appropriation of net income policy

The policy for the appropriation of profit or loss is stated in the Bylaws, which define the following priorities:

- Cover prior years' losses;
- Establish or replenish the legal reserve;
- Establish or replenish the special reserves required by law;
- Pay priority dividends due on any preferred shares that the Bank may have issued, especially preferred non-voting shares;
- Distribute 40% of the remaining portion 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 remaining portion as decided at the General Meeting by simple majority.

At present, the requirements on establishment of the legal reserve are met.

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

In 2013, 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 appropriation of the 2104 net profit

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, published on the Bank's public website.

Employees are kept informed of the Bank's performance and activities through the corporate intranet.

Half-yearly the Bank also holds a management meeting, attended by representatives of the various departments, to present earnings and plans for the future.

The first issue of the in-house magazine BFA YETU was launched in December 2013. This magazine is intended to share some of the Bank's main activities in its various business areas and the activities of its employees.

IN-HOUSE MAGAZINE – BFA YETU

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

BFA YETU is BFA's in-house magazine, the first issue of which was published in December 2013. In Kimbundo "yetu" means "ours". BFA YETU was launched on the occasion of BFA's 20th anniversary. It is intended to build awareness of the Bank's activities among its employees.

BFA YETU nº 2 July 2014

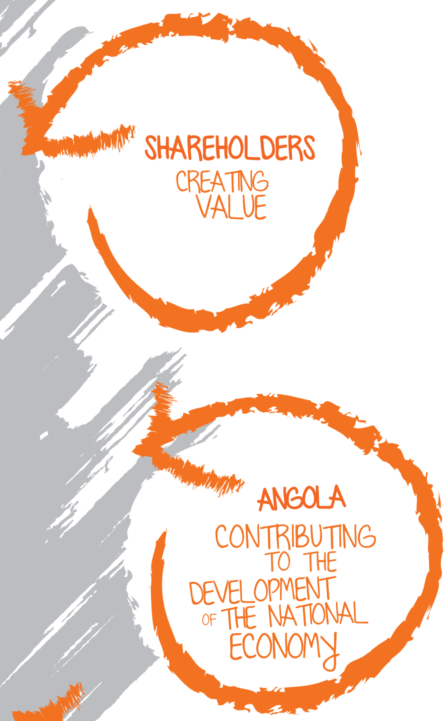
BFA YETU nº 3 November 2014

vision

values

mission

To deliver financial solutions, products and services that foster lasting customer relationships and create shareholder value.



commitments

Core Business Areas

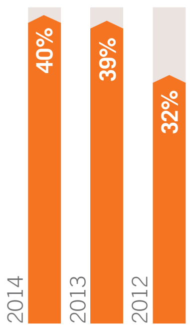
STRENGTHENING OF LEADERSHIP POSITION AND EXPANSION OF ACTIVITIE

Continuation of the process of financial inclusion of the Angolan population

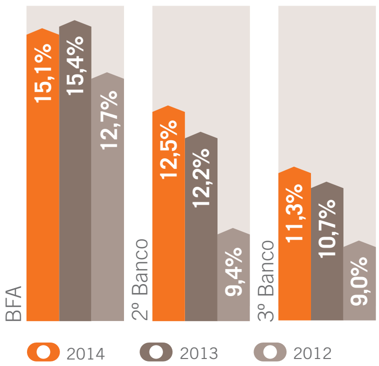
The increase in the rate of bank account ownership among the Angolan population, as a result of the financial inclusion process, has been one of the main focuses of activity in the financial sector. The measures taken by the Central Bank and financial institutions have led to an increase in the proportion 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 2014 was 40%, 1 percentage point more than the previous year.

In line with the increase in bank account ownership, the BFA penetration rate in the population aged 15 and over resident in Luanda province was consolidated in 2014, clearly illustrating BFA's success in attracting custom and in building relationships with the market and with its customers.

Bank account penetration[1]



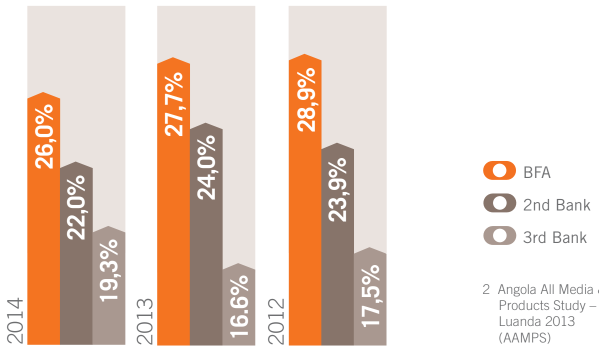
Penetration rate[1]



1 Angola All Media & Products Study – Luanda 2013 (AAMPS)

The relationship-building strategy, 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 26% of the market.

Market Share as Customers' Primary Banking Partner[2]



2 Angola All Media & Products Study – Luanda 2013 (AAMPS)

Sustainability and consolidation of market position

Improving customer service has been a priority across all the Bank's commercial areas, reflected, as in 2013, in an increase in customer numbers. In 2014, BFA attracted more than 108.000 new customers, an increase of 9.1% compared to 2013.

KEY BFA INDICATORS

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Customers	1 073 876	1 192 513	1 300 762	11,0%	9,1%
BFA Net users	348 571	402 654	504 500	15,5%	25,3%
Service outlets	167	175	186	4,8%	6,3%
ATMs in use	320	347	371	8,4%	6,9%
POS terminals in use	3 917	4 842	6 564	23,6%	35,6%

CONFIRMATION OF BFA'S LEADERSHIP IN PAYMENTS SERVICES AND GROWTH OF THE COMMERCIAL NETWORK

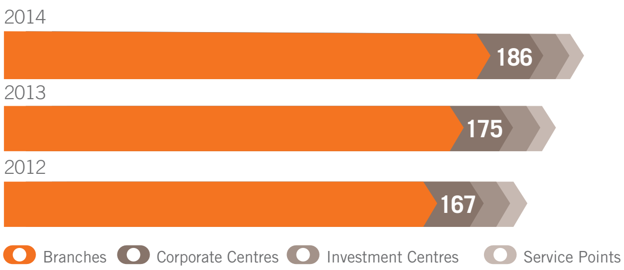
Growth of the commercial network

The better to serve its customers, BFA's commercial network is based on segmentation of the market into three areas of activity: Branches, the basic retail banking format, specializing in account management for customers in the Individuals segment and the Business Owners and Businesses segment; Corporate Centres, aimed at medium and large companies, offering solutions tailored to the specific needs of corporate customers; and Investment Centres, for high-net-worth or high-income customers, with a focus on personalised customer care.

In 2014 BFA opened 12 branches: 8 in the province of Luanda, 1 in Benguela and 3 in Huíla, one having been closed during the course of the year. Thus, the BFA network now has 154 branches (7 more than in 2013), 16 Corporate Centres, 9 Investment Centres (1 more) and 7 Service Outlets (3 more). The enlargement of the BFA commercial network is the responsibility of the Facilities and Assets Department. Its role is to find the best locations for the branches, secure approval and licensing of projects and oversee construction work.

As of December 2014 BFA had a total of 186 service outlets, an increase of 6,3% compared to 2013.

BFA Distribution Network

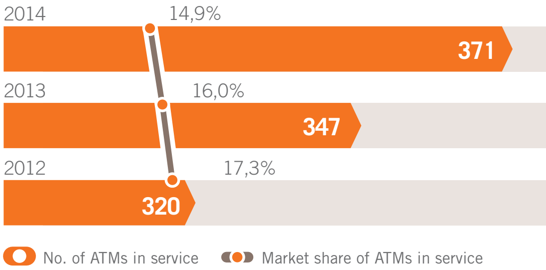


Procurando a melhoria contínua dos níveis de serviço e qualidade no atendimento, o BFA procedeu ainda à remodelação e reabertura de três Agências – 1 no Namibe, 1 em Luanda (Rainha Ginga) e outra no Lubango – , e um Centro de Empresa, em Luanda (Rainha Ginga).

Growth of ATMs

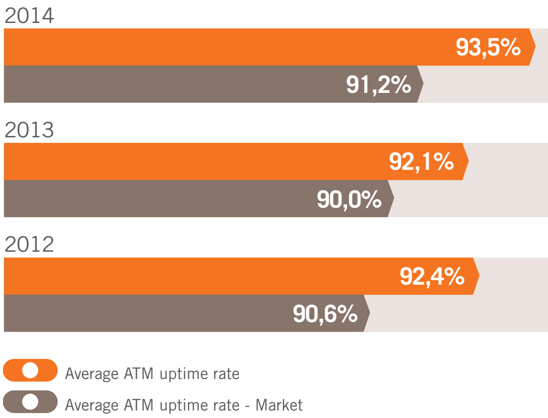
In 2014 the number of ATMs grew once more, to stand at 371 at the year-end.

No. of ATMs in use



In 2014, due to the persistent work of the Cards and Automatic Banking Department (DCBA) and of the Commercial network, the average annual operational rate of the ATMs rose significantly, up by 1.4 percentage points compared to 2013. This reflects an operational rate higher than the market average.

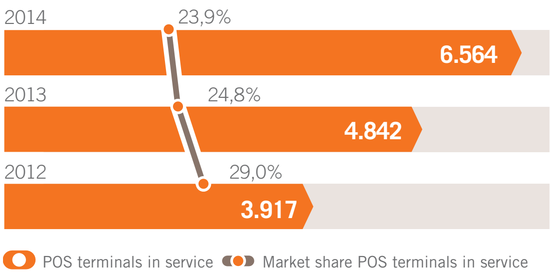
Average annual ATM operational rates



Note: The Operational rate is a measure of the degree of use of ATMs, calculated as follows: Operational rate = 1 - (no. days non-operational/ no. days in month). Operational Rate = 1 – (no. days non-operational/ no. days in month). An ATM is therefore considered non-operational when no transaction is carried out during the month. The activity index is an indicator of the number of POS terminals in service (with a minimum of 1 use during the month), calculated as the ratio between the number of active terminals and the number registered.

In 2014, the number of POS terminals grew about 35,6%, compared to December 2013, which, in absolute terms, means another 1,722 terminals. At the year-end the number totalled 6.564.

No. of POS terminals in use

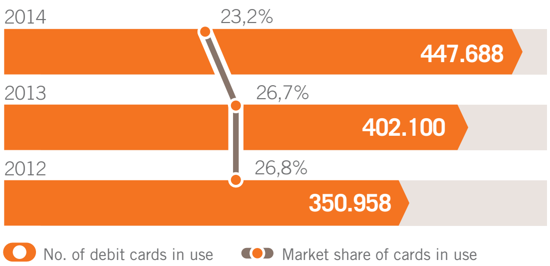


DEBIT CARDS

Debit Cards

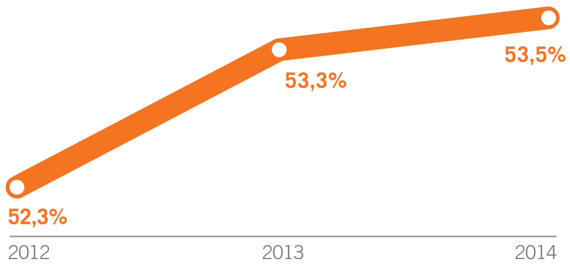
In 2014 the number of debit cards in use rose again, totalling 447.688, up 11,3% compared to 2013. As a result, the Bank maintains its leadership of the debit card market, with a market share of 23,2%.

Number of Debit Cards



Accordingly, the debit card penetration rate continued its upward trend, standing at 53,5% in 2014, up 0.2 percentage points compared to 2013.

Customers with Debit Cards



PREPAID CARDS

Kandandu prepaid VISA card

To constantly improve and innovate services provided, in 2014 the Bank developed and launched the new Kandandu prepaid VISA card. It allows customers, upon loading the card with a given amount, to make payments in Angola and abroad conveniently and in total security.

This was the country's first prepaid card, fully managed on the new EMIS platform, complying with the regulations set by the BNA in Notice 10/12.

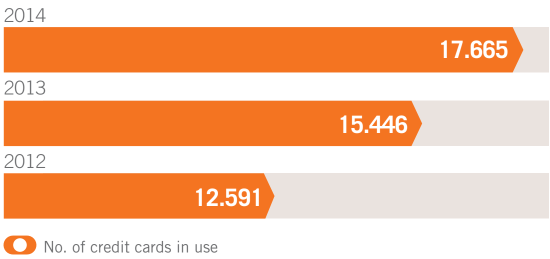
The launch of the Kandandu Card reflects the focus on diversification of the offer of the Bank's products and the effort to modernise the means of payment in the domestic market.

CREDIT CARDS

Growth of the number of active cards and penetration rate

The number of active credit cards has increased progressively, reflected in the growth of BFA's market share. In 2014 the number of cards increased to 17.665, a growth of 14,4% compared to 2013.

No. of Credit Cards in use



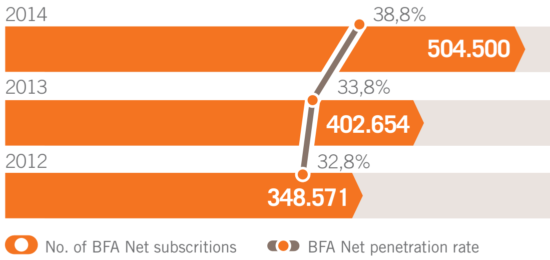
BFA has in progress a process to migrate its cards to the new EMIS platform, which will take place in four stages. This process began in August 2014 and, at the end of the year, the second stage had already been completed, and it is expected to be concluded by June 2015.

Growth of online banking service: BFA Net

The number of BFA Net users increased yet again in 2014, to more than 500.000 customers, an increase of 25,3% compared to the previous year.

The penetration rate of BFA's Homebanking service thus reached 38,8%.

No. of BFA Net users and
BFA Net penetration rate



BFA CUSTOMER SUPPORT – 923 120 120

Launched in October 2014, the BFA Customer Support is the new channel of communication with customers, available round the clock, 7 days a week, by the number 923 120 120.

In this first phase, the BFA Customer Support is simply informative. Its main purpose is to provide customer support in clearing up doubts about BFA products and services and complaints management.

BFA Customer Support

CUSTOMER BASE AND SERVICES – INDIVIDUALS AND BUSINESSES

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Customers	1 065 115	1 183 210	1 291 089	11,1%	9,1%
BFA Net users	343 445	397 033	498 222	15,6%	25,5%
Debit cards	554 607	632 327	692 420	14,0%	9,5%
Credit cards	10 172	12 614	14 528	24,0%	15,2%
Salary account	44 117	58 096	70 012	31,7%	20,5%

Greater efficiency in customer service

In 2014 BFA continued its strategy of enlarging the commercial network. In order to further and enhance relations with customers, the Individuals and Businesses Department established an ambitious programme of visits to customers. Apart from strengthening the relationship with customers, this type of commercial action helps boost lending and cross-selling of other products.

As regards improving service quality, the eMudar@BFA project, which introduces a new front-end for branch transactions using work-flow 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 corporate customers, as well as the cheque procedures

QUALITY OF SERVICE – MYSTERY SHOPPER STUDY

In 2014 BFA carried out the first Mystery Shopper study. The purpose of this study was to assess the level of customer service offered by BFA's retail and business branch network, identify areas for improvement and set improvement objectives.

In this first study, the Bank assessed a set of specific issues: image, customer service, service enhancement and simulation of sale scenarios.

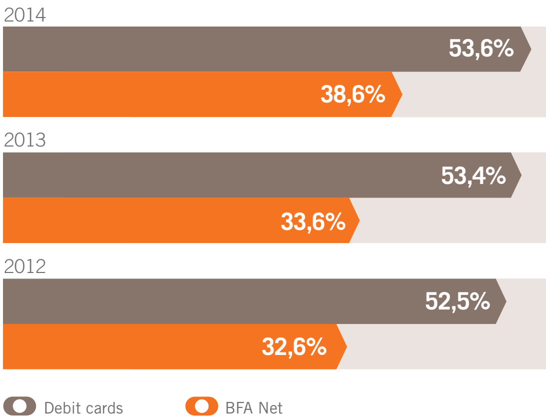
Mystery shopping is a qualitative tool used by auditors and observational researchers to discreetly, scientifically and professionally assess quality of service, image and other predefined pertinent aspects. This study will be repeated at half-yearly intervals.

Lively customer acquisition performance

The number of customers in the Individuals segment and the Business Owners and Businesses segment increased 9,1% in 2014 compared to 2013, an absolute increase of more than 107.000. This figure shows BFA's strength in the retail banking area, where it is a market leader.

The trend in products and services linked to payment services and the new electronic channels is clearly positive, resulting in a marked improvement in their penetration in the customer base.

Penetration of BFA Net and debit cards



Deposits in domestic currency

Funds taken provided the Bank with very considerable liquidity. This ensures the financing of the economy and the preparation of BFA to face future challenges. To this end, one of the most relevant indicators in characterizing BFA is the growth of deposits.

CUSTOMER FUNDS – INDIVIDUALS AND BUSINESSES

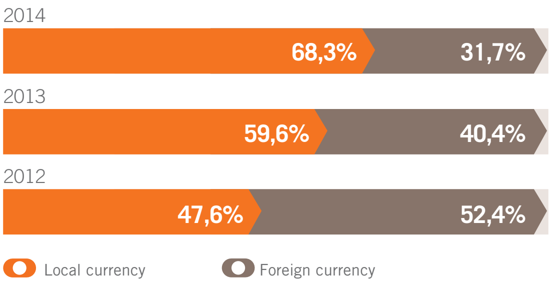
AKZ Million

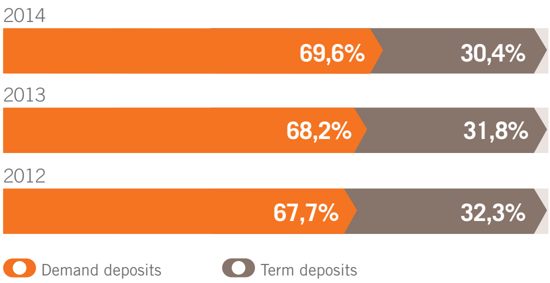
	2012	2013	2014	Δ% 12-13	Δ% 13-14
Funds	280 281,8	306 887,9	329 817,2	9,5%	7,5%
Deposits	280 173,0	306 724,8	329 625,6	9,5%	7,5%
Sight deposits	189 781,3	209 081,9	229 535,0	10,2%	9,8%
Term deposits	90 391,7	97 642,9	100 090,6	8,0%	2,5%
Other funds	108,7	163,1	191,6	49,9%	17,5%

The volume of deposits of the DPN grew 7,5%, to stand at approximately AKZ 330.000 Million.

The ongoing de-dollarisation of the economy is apparent in the relatively greater increase in domestic currency deposits, which accounted for 68,3% of total retail banking deposits.

Deposits by currency and type – Individuals and Businesses





Similarly to previous years, Sight deposits continue to account for the vast majority of the deposits. Although, in 2014, term deposits decreased, the amount under this heading rose by about 2,5% (AKZ 2.447,8 Million) compared with the previous year

PROTOCOL MANAGEMENT DEPARTMENT

Created in July 2013, the purpose of the Protocol Management Department is to ensure in a more organised and competitive manner faster conclusion of protocols with institutional and corporate customers. These protocols establish special terms on certain BFA credit facilities for their employees if they have their salary paid directly into an account held at BFA.

Throughout 2014, the Protocol Management Department (DGP) concluded 26 new protocols, particularly for companies in the Oil & Gas segment. Several campaigns were directed at employees of these companies, co-ordinated 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 personalised, excellent service.

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

In order to ensure customer satisfaction and service quality, the DGP has special offers including:

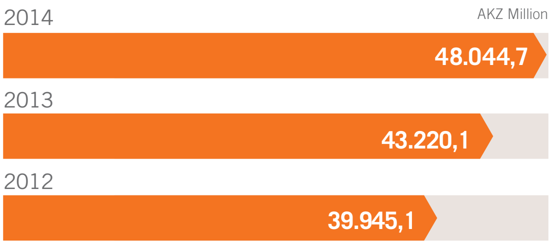
- Civil Servant Offer of special pricing conditions for personal and auto loans; and
- Express Personal Loan Offer, with a discounted interest rate and no need for guarantors, exclusively for loans granted under protocols with oil sector companies and Civil Servants.

Increase in loans and advances to customers

As last year, the loan portfolio grew by 11,2% in 2014, to AKZ 48.044,7 Million, particularly in the Businesses segment, which was up 62,8% compared to 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 & Advances to Customers



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

WESTERN UNION REMITTANCE SERVICE

Western Union is a service that lets you send and receive money to and from anywhere in the world.

BFA has been a Western Union agent since 2006, having started the project with 7 branches in Luanda, Cabinda and Benguela. In 2011 the Branches increased to 74 and in March 2014, as a result of an offer standardisation strategy, the service was extended to all branches of the commercial network. It is now available at more than 160 service outlets.

In 2011, with the entry into force of Notice 3/11, remittances were limited solely to foreign exchange residents and limits were also imposed on remittances from Angola. The monthly limit was USD 5.000 and the annual limit USD 20.000.

In August 2013, Notice 6/13 came into force, introducing important changes:

- all payments and receipts within the scope of the remittance service must be made exclusively in national currency, subject to a monthly limit of AKZ 500.000 and an annual limit of AKZ 2.000.000. These limits apply to originators and recipients of remittances begun in Angola.

In view of the limitations on the availability of foreign currency resulting from the impact of the fall in oil prices, BFA temporarily suspended the service in early 2015

CUSTOMER AND USER BASE – INVESTMENT CENTRES

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Customers	2 844	3 166	3 500	11,3%	10,5%
BFA Net users	2 391	2 658	2 926	11,2%	10,1%
Debit cards	1 992	2 549	2 868	28,0%	12,5%
Credit cards	1 657	2 023	2 262	22,1%	11,8%

GROWTH OF THE CUSTOMER PORTFOLIO AND INCREASE IN FUNDS

The Investment Centres network is crucial to achieving BFA's segmentation and specialization objectives through developing specialized teams focused on building personalised relationships with customers. The Investment Centres were set up to attract high-net-worth and high-income customers and to develop solutions tailored to their needs.

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

Enlargement of the customer base and of card marketing

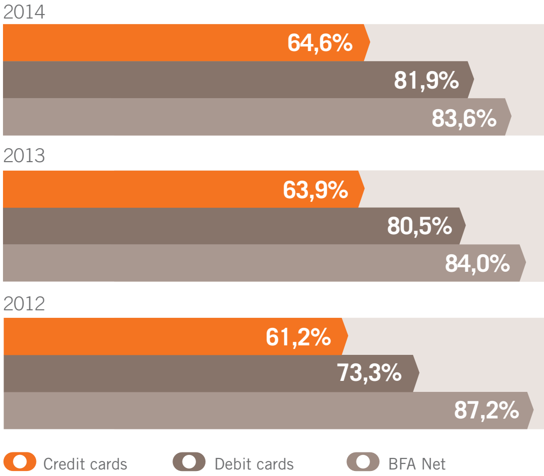
The number of customers continued to grow in 2014, to stand at more than 3.500.

The number of customers with access to Homebanking services stood at 2,926, an increase of 10,1% compared to the previous year.

The number of new credit and debit card customers also increased, by 11,8% and 12,5%, respectively.

This growth, of the use both of payment means and of 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 6,5% in 2014 to AKZ 179,.007 Million..

Term deposits totalled AKZ 158.830 Million, an increase of 2,5% over the 2013 figure. Even so, the differences in weight between these items in the structure of deposits are still clear to see. Term deposits accounted for 88,8% of total customer deposits, highlighting the vocation and the savings potential of this market segment.

In response to the need for liquidity and to satisfy investment opportunities and diversification of the portfolio of its customers, BFA made a start to intermediation of public debt securities at the beginning of 2014.

CUSTOMER FUNDS – INVESTMENT CENTRES

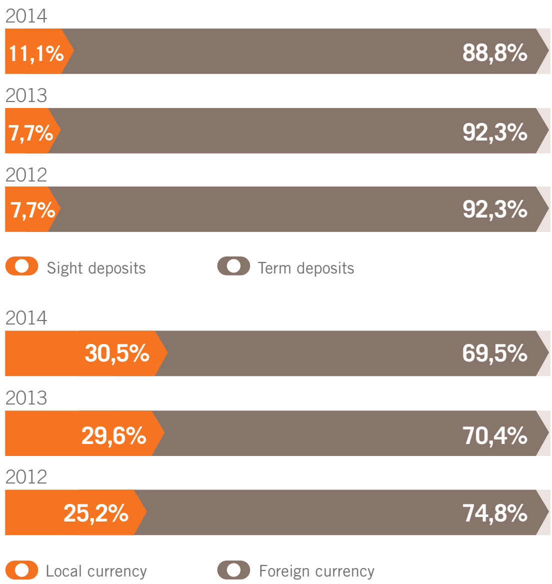
AKZ Million

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Funds	145 740,9	168 009,6	179 007,0	15,3%	6,5%
Deposits	145 650,2	167 879,4	178 848,6	15,3%	6,5%
Sight deposits	11 253,3	12 894,4	20 018,1	14,6%	55,2%
Term deposits	134 397,0	154 985,0	158 830,6	15,3%	2,5%
Other funds	90,6	130,2	158,4	43,7%	21,6%

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 thereon.

Deposits by Type and Currency



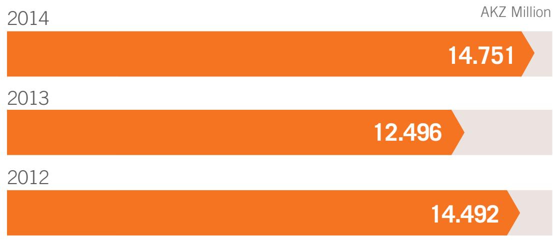
Term deposits account for the bulk of the Investment Centres customer funds, essentially making it a savings segment.

Although foreign currency deposits still account for a majority of customer funds, as a proportion of the total they declined by 5,3% over the last two years, reflecting the impact of de-dollarisation in this segment.

Loans and Advances to Customers

In 2014 the loan portfolio again increased to stand at AKZ 14.750,8 Million, reversing the trend seen in 2013.

Loans and Advances to Customers – Investment Centres



This growth was due to the increase in medium- and long-term loans, up by AKZ 3.253,6 Million compared to 2013, accounting for 28,5% of the loan portfolio. Even though there was a sharp decrease compared to the previous year (down AKZ 484,1 Million), consumer credit to Individuals continues to account for the greater part of the loan portfolio (45,9%).

CUSTOMER BASE AND SERVICES – CORPORATE

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Customers	5 479	5 800	6 156	5,9%	6,1%
BFA Net Empresas	2 662	2 903	3 349	9,1%	15,4%

Service Quality Improvement

Getting closer to customers is a priority. Plans were established to carry out 3.000 customer visits, with the aim of learning more about the customers and their needs. To make these visits as effective as possible, regional managers and their teams produced meeting scripts.

BFA also continued to expand and renew its distribution network:

- With the opening of a corporate centre devoted exclusively to oil sector service providers, the Oil & Gas Vendors Corporate Centre. This led to enhancement of the segmentation strategy and creation of a specific value proposition for Oil & Gas sector companies;

- A new Corporate Centre (Rainha Ginga Corporate Centre) was opened to serve the customers of the Serpa Pinto Corporate Centre, which was closed.

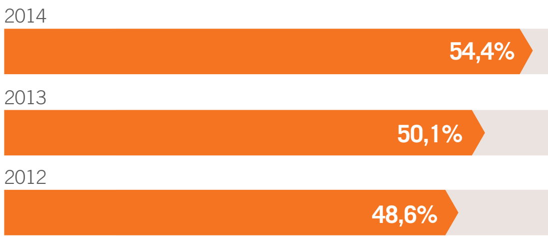
Enlargement of Customer Base and Increase in Service Penetration Rate

The number of customers in the Corporate Banking segment increased in 2014, as in previous years, reaching a total of 6.156.

In 2014 the number of customers of the BFA Net Empresas service increased 15,4%, and the penetration rate rose to 54,4%.

BFA Net Empresas offers specialized services that make banking easier and more convenient for corporate customers.

BFA Net Penetration Rate



Significant growth in customer funds

In 2014 the volume of customer deposits in the Corporate Banking segment increased significantly once again (up 48,8% compared to 2013), totalling AKZ 417.387,8 Million. This growth was even more marked (52,8%) if the growth of the securities portfolio (Treasury bonds) in 2014 is taken into account in respect of customers who received payment from the government in the form of Treasury bonds.

Term deposits were the main contributors (about 70% of the total variation) to the growth of customer deposits, up AKZ 91.651,6 Million (92,6%) compared to 2013. Sight deposits increased by 24,9%, or AKZ 45.236,5 Million throughout 2014. The two Oil & Gas Corporate Centres made a large contribution to this significant growth.

CUSTOMER FUNDS – CORPORATE

AKZ Million.

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Funds	236 060,6	307 940,5	470 427,7	30,4%	52,8%
Deposits	236 060,6	280 499,8	417 387,8	18,8%	48,8%
Sight deposits	147 325,1	181 569,8	226 806,2	23,2%	24,9%
Term deposits	88 735,4	98 930,0	190 581,6	11,5%	92,6%
Securities *	-	27 440,7	53 039,9	-	93,3%

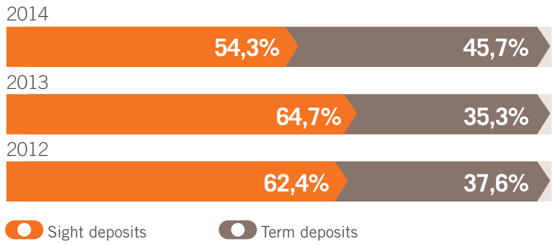
* Customer securities held in custody by BFA and recorded in off-balance-sheet accounts.

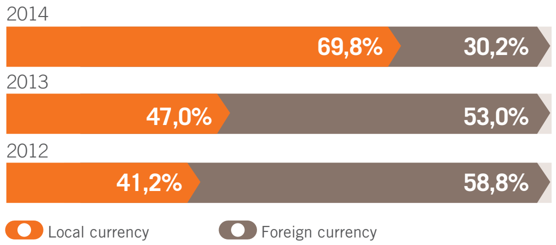
CREDIT TO CORPORATE CUSTOMERS

AKZ Million.

	2012	2013	2014	Δ% 12-13	Δ% 13-14
Total credit	122 591,7	118 850,3	227 873,5	-3,1%	91,7%
Corporates	122 591,1	118 848,2	227 872,3	-3,1%	91,7%
Loans and advances to customers	83 826,2	90 443,8	168 539,5	7,9%	86,3%
Guarantees and letters of credit	38 764,9	28 404,4	59 332,8	-26,7%	108,9%
Import letters of credit	10 087,3	10 220,2	22 592,0	1,3%	121,1%
Guarantees provided	28 677,6	18 184,1	36 740,8	-36,6%	102,0%
Other	0,64	2,07	1,23	220,6%	-40,3%

Deposits by type and currency





Domestic currency deposits grew 22.8 percentage points as a proportion of total deposits between 2013 and 2014, as a result of the de-dollarisation of the Angolan economy.

Loans and Advances to Customers

With regard to the loan portfolio in this segment, unlike in 2013, total loans and advances increased significantly, up 91,7% over the previous year.

Loans to customers was the item that most contributed to the growth of the loan portfolio, up by AKZ 78.095,7 Million (86,3%), in line with the growth in the financial system. The overall portfolio increased by about AKZ 109.023 Million.

BIGGEST LOAN TRANSACTION

In July 2014, BFA, together with BAI, headed the largest medium- and long-term syndicated loan granted by the Angolan banking system to the Republic of Angola, in a sum equivalent to AKZ 198,5 billion.

The loans are intended for the implementation of priority projects in the National Development Programme (PND), included in the 2014 General State Budget.

Of the AKZ 198,5 billion, one tranche consists of domestic currency, convertible into Treasury Bonds, in the sum of AKZ 150 billion; another is in the sum of USD 500 Million, equivalent to AKZ 48,5 billion.

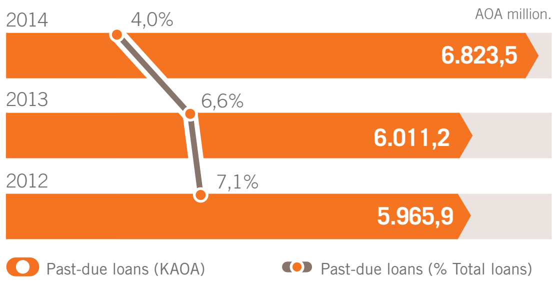
BFA took part in the transaction in domestic currency with a third of the amount and in the transaction in foreign currency with 50% of the loan, totalling AKZ 74,3 billion.

Soundness of the Loan Portfolio

Although the volume of past-due loans of the Corporate Banking segment increased slightly (AKZ 812,3 Million), the quality of the business segment's loan portfolio improved significantly compared to 2013 due to the sharper increase in loans and advances to customers, while the past-due loans ratio decreased 2.2 percentage points to 4,0%.

The provision coverage ratio stood at 111% in 2014, reflecting the quality and robustness of the loan portfolio.

Loan Quality in the Corporate Banking segment



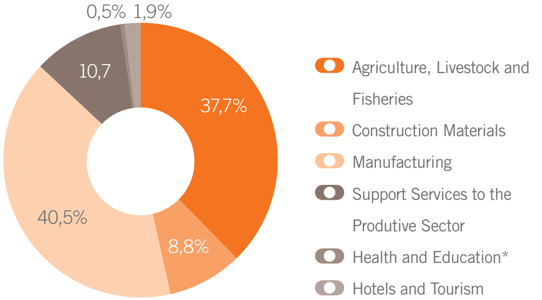
Structured Financing and Investment Financing

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, and/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 Invests programme.

In 2014, the main sectors of activity of the lending operations reviewed were agriculture, livestock and fisheries, construction materials, manufacturing, productive sector support service, health and education, hospitality and tourism.

Main Sectors of Activity of the Credit Operations



*These sectors are not covered by the programme, which requires authorisation 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 economic activity:

- Subsidised interest rates; and
- Government guarantees

The main objective of the programme is to create and strengthen national MSMES, enabling them to generate employment and thus contribute decisively to the development of the country, densification of the corporate fabric and diversification of the economy.

The main advantages are the discounted rates of interest, capped at 5%, and the possibility of obtaining government guarantees for up to 70% of the total amount of the financing.

As of the end of 2014, BFA had approved 37 loan applications under this programme and had paid out 24 loans, 28 public guarantees having been issued for the approved loans. The total amount lent under the Angola Invests programme amounted to AKZ 4.666 Million.

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

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 service

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 and strict monitoring of the sector, asserting itself as a preferred partner for the conduct of their business. The sector's customers therefore have access to BFA teams exclusively dedicated and able to provide solutions that respond fully to their needs Here, the aim is to provide monitoring by professionals having in-depth knowledge of the sector's transactional specifics, as well as faster processing instructions.

Operational efficiency

Acknowledging the transactional needs of the industry, BFA has provided its operational structure with payment and transfer processing systems in keeping with the exacting standards required by companies of the oil sector.

In 2013, with the aim of developing an automated solution and prioritising efficiency and speed of transactions, BFA completed the implementation of an automated straight-through-processing (STP) system for batch processing of transactions. This allows customers to execute transactions for several different destinations and in different currencies, all without human intervention. This system confirms BFA's commitment to developing increasingly robust solutions and to offer oil sector companies services tailored to their specific needs, paying special attention to the requirements introduced by the new foreign exchange law.

To ensure direct, secure communication of its customers' transactions, BFA also offers VPN links and Swift messages (MT101) to guarantee timely transfer and satisfactory response to transactional needs.

Soundness and security

BFA's financial soundness makes it an ideal partner for oil sector companies.

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.

The major focus on customer loyalty in this sector generated a considerable increase of the volume of foreign exchange transactions in 2013, positioning BFA as an active player in the interbank foreign exchange market and prompting the development of new products, such as forward currency sales.

REVITALISING INITIATIVES OF THE PETROLEUM SECTOR

To develop the Oil & Gas segment, promoting international recognition and positioning the Bank as a solid partner for the oil industry companies, BFA took part in several industry events, both in Angola and abroad.

In September 2014, BFA organised a workshop in one of the world's main oil industry centres: Houston, Texas. The main objective of the "Banking Solutions for Oil & Gas Companies in Angola" workshop, organised by BFA, was to present the Bank's value proposition as a financial intermediary and the tripartite foreign exchange contracts, within the context of the regulatory changes enacted by Notice 07/14. Over 30 renowned oil industry companies took part in the event, which was an important and pertinent platform for the disclosure of the Bank's positioning and interaction with customers.

Nationally, BFA has constantly been present at the workshops and events organised during 2014 by AECIPA (Association of Angolan Petroleum Service Companies), of which BFA is a member. Created in 2002, AECIPA seeks to establish a platform for dialogue between companies in the oil sector and the Angolan official institutions in addressing challenges and issues of common interest.

Currently the association has over 140 members, mostly Angolan companies providing oil exploration support services, involving about 40.000 workers. Of the numerous events organised by AECIPA, the focus is on the Country Manager Dinner and the Workshop, held in December 2014. The purpose of the latter was to provide information about the main fiscal and tax changes and their impact on the oil industry.

REGULATORY CHANGES – IMPORTANCE OF THE TRIPARTITE AGREEMENTS

With the entry into force of Law 2/12, payments to be made by oil operators to domestic suppliers began to be settled in local currency by Angolan banks. This change in regulations had a direct impact on the liquidity and functioning of the foreign exchange market in Angola.

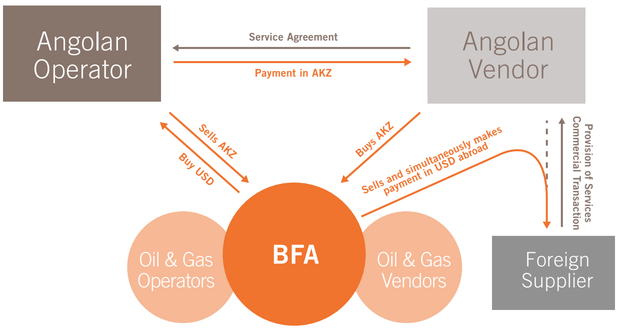
Particularly with regard to domestic suppliers, this impact was very significant, given that in order to fulfil their obligations to the oil operators, they are now obliged to purchase currencies to settle their debts to their own suppliers, generally non-residents.

On October 8, 2014, Notice 7/14 was published. Under this new regulation, oil operators are no longer able to sell their foreign exchange to commercial banks. They now have to sell it directly to the National Bank of Angola.

In this context, in which access to currency is more restricted, the BNA established a special regime for the oil sector: tripartite contracts can now be concluded, providing service providers with a mechanism that simplifies access to foreign exchange. Therefore:

- Oil operators can sell foreign currency to commercial banks at the exchange rate published daily on BNA's Internet page;

- Commercial banks can sell foreign currency to companies providing services to oil operators, at the BNA exchange rate plus a spread of no more than 0,15%.



Tripartite agreements allow part of the currencies sold by the operators to the Bank for payment of their domestic obligations in domestic currency to a particular vendor to be channelled to that supplier for payment of its obligations abroad, provided that such obligations relate to the contract signed with the operator.

In this way, the tripartite agreements introduce stability in the oil sector by eliminating both the currency risk and the execution risk of the transactions, ensuring in advance the availability of foreign exchange for payments abroad.

The advantage of tripartite agreements became more evident with the publication of Notice 7/14, since it was the only exception permitted by BNA to the obligation of operators to sell all their foreign currency to the Central Bank.

In the period to December 31, 2014, BFA concluded 12 tripartite agreements between several operators and national suppliers and transacted a total of USD 494 Million under such agreements during the year.

FOREIGN EXCHANGE MARKET

With the publication of Notice 7/14, oil operators are no longer able to sell their foreign exchange to commercial banks. They now have to sell it directly to the National Bank of Angola.

The result of this measure for the Angolan foreign exchange market is very significant, insofar as BNA becomes the only relevant seller of foreign exchange to the financial system.

In particular, BFA has been seriously affected by this measure, as it was the leader in the oil segment, having achieved up to October 2104 a 31,2% market share in the customers market.

Average monthly volume handled on the forex market (USD Million)

	2013	2014	2014
		Jan-Oct	Nov-Dec
BNA	1597	1590	1652
CUSTOMERS	965	1417	528
TOTAL	2562	3007	2180

Source: BNA

CAPITAL MARKET

Public debt intermediation

BFA began its public debt securities intermediation business in 2014, responding to the liquidity needs of its customers and satisfying the customers' investment and financial asset diversification intentions.

As 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.

Through this intermediation business BFA acquired Treasury bonds from companies that held them in their portfolios and needed liquidity for their business. It then sold those securities to other customers, which take the opportunity to diversify their savings and obtain a return thereon.

During 2014, BFA brokered public debt with its customers in the sum of USD 529 Million.

For 2015, it is expected that this intermediation business will be registered with BODIVA, of which BFA is the first registered member. This will make the process more efficient and provide the opportunity to extend it to more customers.

Capital Market Commission

In the construction of a legislative framework for the establishment of a capital market, since the enactment of Law 12/05 (Securities Act), Angolan legislation has evolved towards ensuring the establishment of the capital market. For the purpose, a set of laws has been enacted, to wit:

- Presidential Legislative Decree 4/13, which laid the foundations for the emergence of the national debt;
- 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 Undertakings for Collective Investment.

Publication of this legislation provided the conditions for BFA to make a start to the process to operate in the various sectors.

An important step in BFA's strategy in the light of the creation of the capital market in Angola was the fact that Capital Market Commission registered BFA as a financial intermediary, becoming an eligible entity for the:

- Reception and transmission of orders on behalf of third parties;
- The execution of orders on behalf of others in or outside regulated markets;
- Trading for its own portfolio;
- Registration, deposit and custody services;
- Assistance in take-overs and consultancy on capital structure, industrial strategy and related issues, as well as on company mergers and acquisitions;
- Non-underwritten placement in public offerings;
- Underwriting of public offerings;
- Lending, including the lending of securities for the execution of transactions to which the lender is a party;
- Foreign exchange services indispensable to the achievement of the foregoing services as defined by the foreign exchange legislation.

Insofar as investment fund and pension fund management requires separate, autonomous corporate structures, BFA decided to create a collective investment management company and a pension fund management company. These processes are ongoing.

BODIVA

The consolidation of the Bank's position as a financial intermediary is intrinsically related to the opening of the Angolan Stock Exchange (BODIVA). BFA submitted its application and, in 2015, it became the first BODIVA Trading Member, entitled to do business on the regulated markets in its own name and as an intermediary in executing third-party orders.

BODIVA is a regulated-market management company responsible for implementing the business environment allowing 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 transparency of prices for those wanting to trade in Treasuries. This was a critical factor, crucial to the implementation of a capital market, leveraging trading in securities between the various market players.

A Specialized Team with Experienced Professionals

The activity of the Business Development Unit (BDU) focuses 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.

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.

The BDU also has various financial advisory and consulting mandates in areas such as corporate finance, project finance and capital markets.

Business Stabilisation

Following the record year of 2013, the BDU's activity stabilised in 2014, revealing the sustainability of the services provided by this unit.

From the point of view of commercial activity, BDU carried out numerous direct contacts or meetings with potential investors, securing several new mandates for the provision of financial advisory services.

Moderate Growth Expected

Given the current situation of the Angolan economy, largely influenced by a significant decrease in Brent prices, BDU is expecting a 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 reorganisation and optimisation by groups and companies operating in Angola, gives the BDU a solid base on which to achieve continuous, sustained growth in its activity.

Innovation & Technology

INVESTMENT IN IT MODERNISATION

Focus on strengthening and modernising Information Systems

The year under review was marked by increasing modernisation of the information systems as a pillar of the Bank's Innovation and Risk Control. Ongoing implementation of technological development initiatives and projects aims to provide the Bank with information systems that reflect and promote its sustainable growth. This will ensure not only the optimisation of the Bank's processes and procedures, but also the optimisation and continuous improvement of customer service quality.

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

I. Continuity in the development of the commercial activity support systems within the scope of the eMudar@BFA project;

II. Improvements to security and to the operational risk control mechanisms associated with its information systems;

III. Further development of the transfers and payments systems.

I. Development of the eMudar@BFA project: A project aimed at structuring all of BFA's activities

The investment in and development of the eMudar@BFA programme continues to be a priority of the Bank and is one of the pillars of its technological innovation. During 2014, the implementation of the IT system to support commercial activity within the scope of the eMudar@BFA project continued, extending the project to all the Bank's service outlets. The new system consists of a front-end application for branches, Corporate Centres and Investment Centres. It introduces mechanisms based on standardised work-flow methodologies for processing various branch activities, in particular account opening and maintenance, credit transfers, card issuance, cheque payments, deposits, cash withdrawals and other services.

This new system gives a structure to BFA's activities, insofar as it:

- Introduces standardised procedures, making processes simpler and more intuitive;
- Ensures agreed service levels and reduces processing time;
- Enables process automation, enhancing security and allowing faster response and control in the regular transaction approval channels;
- Enables dematerialisation of processes and paper documents, which wherever possible are replaced with digital documents, and allows decentralised 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;
- Allows a significant reduction of operational risk; and
- Brings a clear and unmistakable improvement to customer service.

In 2014 the implementation of the eMudar@BFA for account opening and maintenance for Individuals and Businesses was finalised. It should be pointed out that the implementation of these workflows was of special relevance because of the changes required for compliance with the FATCA legislation procedures. This legislation was enacted in March 2010 by the government of the United States and is intended to prevent tax evasion by US taxable persons not exempt from tax, known as US Persons, who have financial accounts outside the US.

In order to ensure compliance with FATCA, BFA developed and updated the support systems within the scope of the eMudar@BFA project. This will ensure that all the information called for in the regulations is collected.

During 2014 the cheques processes were successfully implemented. This was the first of the payment means to be included in the programme.

In view of the success of the eMudar@BFA project in account opening and operation processes and payment means (cheques), in 2015 the programme has been extended to card processing, transfers and BFA Net subscriptions.

To ensure sustainable implementation of the programme and efficient management of the change within the Bank, the Training Department organised several courses providing the Bank's employees with the necessary tools to ensure complete implementation of the eMudar@BFA programme. In this regard, the following measures were implemented:

- Classroom training courses (822 trainees in 83 courses), field monitoring (approximately 255 days of on-the-job training), drafting support manuals published on the intranet and revision of the respective rules;

- Support in testing IT functions; creation of a Network support area to clarify any user issues/ difficulties.

COMMUNICATION PLATFORM - SMS SENDING

In parallel with the new front-end, BFA has been developing a new platform to provide customers with integrated information on its products and services.

This new platform allows messages to be exchanged with customers by cell phone at key moments of the processes. Through this service, the Bank can innovatively and efficiently mitigate the operational risk and the risk of fraud.

By the end of December 2014, approximately 70% of messages sent were of an informative nature, while the remainder were validations and/or confirmations requested by the customer.

The success in subscribing to this service reflects Angolan society's acceptance of innovation and technological tools.

ENVIRONMENT – PROCESS DEMATERIALISATION

With eMudar@BFA, BFA has made a start to the review and dematerialisation of its processes, making them simpler and with less operational risk. Where legally possible, processes are supported by digital documents, reducing paper consumption and circulation.

By December 2014, a total of 897.150 processes had been included in the eMudar@BFA platform, bringing a major gain in efficiency and operational risk control.

In 2014, a total of 108.654 accounts were opened, the documentation for which was generated in digital form. The information collected in this way is validated by back-office teams set up specifically for the purpose.

In parallel with the implementation of the eMudar@BFA programme, which significantly reduced the use of paper, and in the matter of environmental responsibility, the Bank has been equipping new BFA branches with a high quality, more energy-efficient lighting system.

II. IT system security and risk mitigation

BFA recognises that the availability of its systems directly affects its ability to carry on its business. To this end, BFA's security policies were further strengthened through the adoption of several measures, including:

- The installation of the new Data Processing Centre EMIS facilities, using the latest technology, while the old processing centre has been kept as a back-up. With the migration of the Bank's central systems to the new Data Processing Centre, the Bank now has, at any time, a highly-available replica of its critical systems and a remote replica, which can be activated in disaster situations;
- The capacity of the systems assigned to the eMudar@ BFA platform was increased, ensuring the resources for secure use with the desired performance levels;
- An historic policy was approved and adopted, allowing more efficient use of IT resources and consequent reduction of operational risks. With this policy, the Bank now has, online, the necessary historical horizon, both for users and to comply with legal obligations. The remaining data is available on complementary media;
- The use of tools for remote updating of applications installed on the Bank's workstations was extended, ensuring greater uniformity and robustness and more efficient updating;
- The anti-virus policies were redefined, ensuring permanent coverage of all equipment and significantly increasing the protection of BFA's IT network;
- Processes of defence against IT attacks have been developed that allow attack detection and deactivation of the sources. This has improved the security with which customers can use the home banking sites;
- The email and user registration support tools have been migrated to more recent versions, eliminating the operational risks inherent in previous versions;
- 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 to high-speed fibre optic communication was started. This has contributed to a significant increase of capacity, permitting the flow of richer content.

III. 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. In this regard, the Bank invested in modernising its payment systems and developing transactional solutions tailored to the needs of its customers, as illustrated by the creation of the payroll file upload function through the BFA Net platform. During 2014, BFA developed a broad range of functions, such as payroll file processing, file processing with the MT101 standard and the use of these features through the homebanking sites.

Customers have been provided with a tool allowing automatic conversion of Excel files into formats usable by the payment systems. This tool simplifies the process of creating such files, reducing the risk inherent in their manual preparation.

During 2014, BFA provided the tax payment function via its Homebanking sites and its branches. This is an innovative service in the context of the Angolan banking sector, furthering BFA's position of leadership and innovation in providing services to its customers.

Another aspect of this focus was the interconnection of the Homebanking sites to the Host-to-Host services provided by EMIS. This allows these channels to be used for the payment of services, for special payments and for loading mobile phones. The provision of these services made a very significant contribution to the provision to BFA customers of remote services that simplify their daily interaction with the payment means.

As the centrepiece of its payments systems, BFA invested in EMIS's new electronic card management platform, adapting its systems to allow integration with this platform, which now manages new credit cards issued to individual customers. During 2014 most credit cards were migrated to the new platform, now the only support for the assignment of new cards. The Kandandu prepaid card, BFA's first, was launched via this platform.

NEW FEATURES OF BFA Net AND BFA Net EMPRESAS

Tax payments

In July 2014 BFA launched the tax payment service.

This new feature offers customers already registered with the Taxpayer Portal greater convenience, security and speed in the tax settlement process.

This service is available only to companies that are BFA customers.

Payment of Bills and Services

At the end of 2014 BFA launched the "Click Click Click" campaign, aimed at publicising the new BFA Net and BFA Net Empresas Bills and Services Payment feature.

This service allows online mobile phone top-up and online payment of bills for services such as TV, water, electricity or insurance.

Services that can be paid via this feature include:

- Phone top-ups (Unitel, Movicel, Net One, ZAP and others)
- Card/ TV top-ups and subscriptions (TV Cabo, Kandandu Card, Credit Card Payments)
- Insurance
- University tuition fees
- Water
- Electricity

Human Resources

CONTINUOUS INVESTMENT IN HUMAN CAPITAL

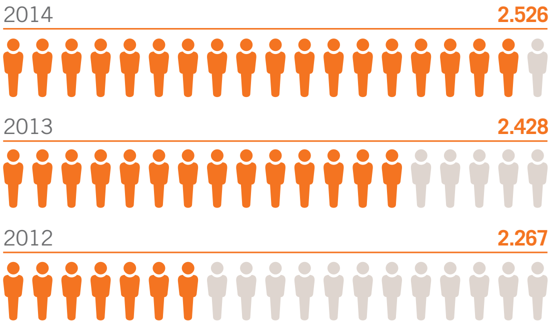
Continuous Investment in Human Capital

BFA realises 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.

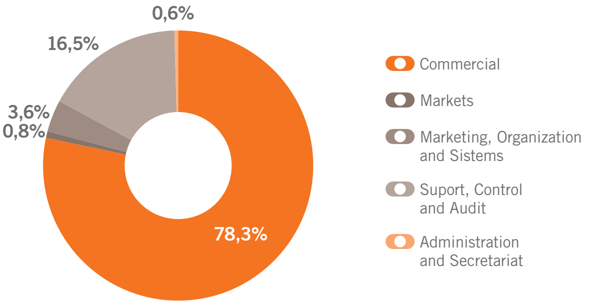
In the course of 2014, the digital channels were also streamlined as recruitment tools, especially through the public website and the LinkedIn network.

Staffing Levels



At end of 2014 the Bank had 2.526 employees, 4,0% more than at the end of 2013. Of this total, 75,7% were assigned to the commercial areas.

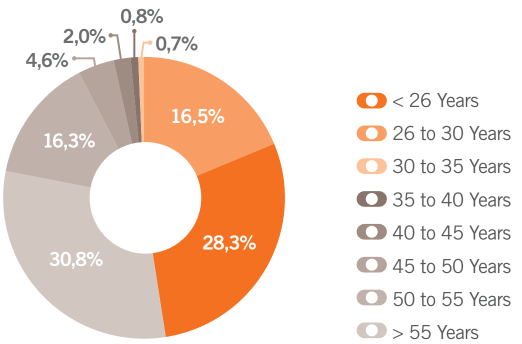
Workforce by Business Area in 2014



A Youthful Organisation

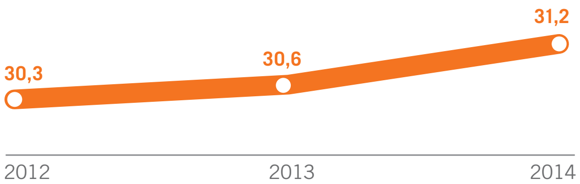
PBFA invests not only in acquiring human capital but also in training and developing its workforce. It aims to cultivate employees' potential and develop skills among the Bank's workforce. BFA has thus built up a young team, with nearly 76% of employees under the age of 35.

Workforce by Age



In 2014 the average age of employees was 31.2 years.

Average Age of Employees



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.

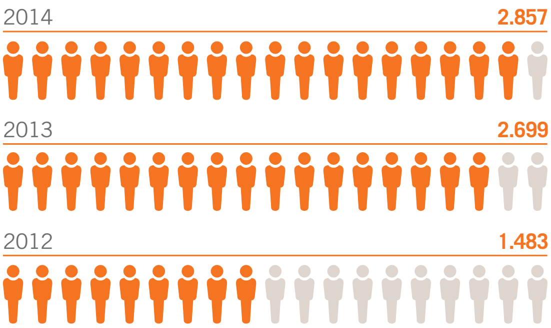
To this end BFA invests in the development and on-the-job training of its employees, and also through training courses covering a wide variety of business areas and activities.

In 2014 BFA continued to invest in staff training and specialization, focusing on five areas:

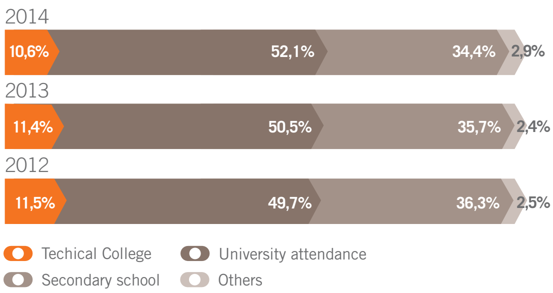
- Operations – mainly in relation to the eMudar@BFA project and the operating platform, with the aim of ensuring that employees know how to use the new front-end application. More training was also given in the new front-end processes;
- Products and Services – specialized training on the Bank's products and services, with a focus on lending products;
- Information Systems – mainly the office applications that support daily tasks;
- Behaviour – in relation to customer care and instructor training;
- Academic – aimed at enabling high-potential individuals to obtain higher qualifications, in particular through enrolment in the following post-graduate programmes:
    - MBA Atlântico
    - Executive Master in Bank Management.

A total of 263 training activities were carried out, involving 2.857 employees.

Number of Participants in Training Activities



Employees by Educational Level



As a result of the improvement in internal processes and closer contact and interaction with universities in recruitment processes, approximately 63% of the Bank's employees have either a university degree or are still attending university.

TRAINING NEW EMPLOYEES

Integration

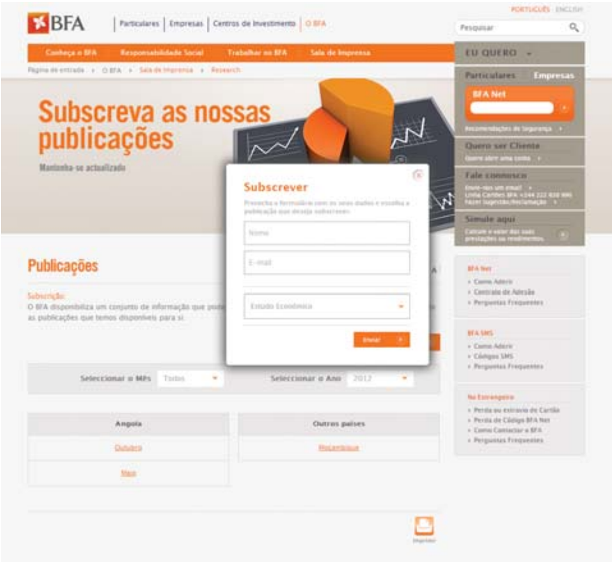
Integration is a training course held over two days, aimed at commercial area employees who have only worked at BFA for one week.

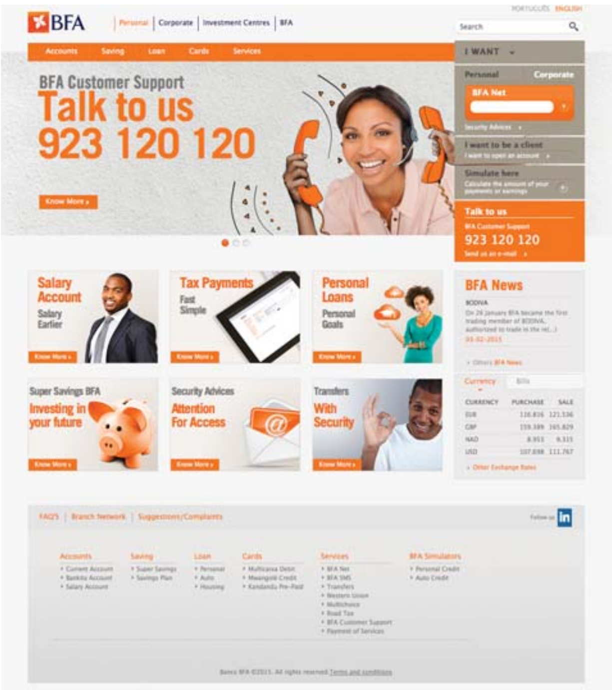
The goal is to acquaint new employees with the primary practices of banking work, as well as BFA's working model. At this meeting trainees become acquainted with topics such as banking secrecy, types of accounts, account opening, types of forms and cash transactions.

Induction

Induction is a five-day training scheme for employees who have been with the Bank for six to eight months. The training package, aimed at all commercial area employees, includes a module taught by instructors of the Banking Training Institute of Angola (IFBA).

Communication





BFA'S INSTITUTIONAL WEBSITE NEW FEATURES AND GREATER INTERACTIVITY

BFA's Institutional Website is the Bank's main digital communication channel. Its purpose is to disseminate the Bank's offer and activities and promote greater interaction with site visitors, in a modern, simple and functional layout.

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

In the last quarter of 2014 BFA's Institutional Website began to provide publications to which users can subscribe and receive periodically via email.

Currently, users can subscribe to two publications, the "Economic Survey" and the "Weekly Economic Commentary".

The BFA Institutional Website in English was also launched towards the end of the year. This new version provides information on the full range of the Bank's products and services, as well as access to new features such as personal loan or car loan simulations, and the geographic location of BFA branches anywhere in the country.

In both versions customers can now access the Homebanking service (BFA Net or BFA Net Empresas), find out how to open an account, or submit a question, suggestion or complaint.

The BFA communication policy, as in previous years, was focused on products and services campaigns, on sponsorships, on participation in and organisation of events, and on organisation of social responsibility activities.

CAMPAIGNS

In 2014 BFA organised two major campaigns and began a digital communication strategy. The campaigns were aimed at strengthening the positioning of the BFA brand, the marketing of the Bank's new products and services and attracting new customers

Business solutions

Campaign aimed at advertising the products and services that the Bank already offers, including loan solutions, cash management and payments of foreign transactions.

Western Union

Announces the extension of the Western Union service to all branches and Investment Centres and also positions the Bank as the main service provider in the area of fast domestic and international transfers.

Learn not to stand in the queue

Directed at BFA customers in a branch. It aims to encourage customers to use the Multicaixa card, avoiding long queues.

Click, Click, Click

The Click Click Click campaign with focus on the new Bills and Services Payment functionality of BFA Net and BFA Net Empresas.
The Bank's new service allows mobile phone top-ups and payment of bills and services, such as TV, water, electricity or insurance.

Road Tax

As an authorised agent, BFA organised a campaign to promote the sale of Road Tax discs for 2014.

Civil Servants Personal Loan

BFA launched a digital campaign advertising a special personal loan for civil servants, with a subsidised rate of 9% regardless of whether or not the employer has a commercial protocol with BFA.

BFA Customer Support

BFA's digital BFA Customer Support campaign aimed to advertise the latest contact channel with the Bank: 923 120 120.

SPONSORSHIP

2015 Luanda Carnival

As in previous years, this year BFA was present for the ninth time at the 37th edition of the Luanda Carnival, Angola's largest popular event, organised by the Luanda Carnival Association. BFA's stand had several attractions, including face painting and gifts for children. The winner of the 2015 Carnival was the Sagrada Esperança carnival group, which won for the second time.

Luanda Song Festival

BFA sponsored the 17th edition of the Luanda Song Festival, held in September, at Luanda Bay, this year honouring musician Paulo Flores. Ten contestants competed in the contest, singing a variety of songs of the honoured artist. The Luanda Song Festival is organised by LAC (Luanda Antena Comercial) to promote new musical talent. The jury included Nok Nogueira, Patrícia Faria, Sara Fialho and Cláudio Silva.

São Silvestre Race

BFA has been official sponsor of the São Silvestre Race since 2004. For the second consecutive year, BFA employees took part in the Luanda São Silvestre Race in response to the challenge issued by the Angolan Athletics Federation proposing the registration of Bank employees. The São Silvestre Race is the most famous street race, held annually in several Angolan cities, on December 31, over a distance of 15 km.

Panda Festival

BFA sponsored the Panda Festival on May 31 and June 1 at the Belas Conference Centre in Luanda. Under this sponsorship, the BFA organised a pastime on the intranet to take employees' children to the Panda Festival. The most creative drawings were awarded tickets to the show. At the festival several children had the opportunity to meet the Panda and the Caricas in person.

“Generation of the Future” Children’s Tournament

BFA sponsored the 1st “Generation of the Future” International Children’s Tournament held from June 17 to 21 at the facilities of the Angola Football Academy (AFA) in Luanda.The Sporting Clube de Portugal, AFA, Petro de Luanda, 1º D’Agosto, Progress, Norberto de Castro, Adam Costa and Kilamba Kiaxi School teams took part in the tournament.Under the sponsorship, BFA issued a challenge to its employees with a view to the creation of a BFA children’s team to take on Sporting Clube de Portugal in a friendly game, after the tournament.

BFA / Unitel Golf Cup

BFA sponsored the biggest inter-companies golf tournament, which began last November at the Mangais Golf Resort. The championship had four stages involving 36 teams, the final being played in South Africa. Each team consisted of two amateur players, with a handicap properly assessed by the organisation.

EVENTS

Lisbon Employment Fair

At the end of last year BFA took part in the Lisbon Employment Fair, at the Congress Centre in Lisbon. The event was a joint initiative of the Consulate General of Angola in Lisbon and the Angolan Students Association in Portugal. The objective was to recruit professionals from different fields to work in Angola.

Luanda International Fair

The 31st edition of the Luanda International Fair (FILDA) took place from July 22 to 27. The BFA brand was a great highlight, not only for its irreverent stand centred on three major concepts “Economy, Education and Health”, but also for the official presentation of the new Kandandu prepaid card and the launch of the Tax Payment service via Homebanking and at BFA branches.

Benguela International Fair

To strengthen its presence in the Benguela market and commercial relations with local entrepreneurs, BFA took part, for the second consecutive year, in the Benguela International Fair (FIB) held at the National Ombaka Stadium from May 14 to 18.The commercial promotion was provided by the Corporate Banking and the Individuals and Businesses Department teams, which advertised the Bank's integrated offering of financial products and services, especially the Angola Invests Programme and BFA Net Empresas.

4th Banking Forum

BFA was present at the 4th Banking Forum on June 26 at the Epic Sana Hotel in Luanda. The Forum theme was "Banking and the Capital Market". Leaders of the various Angolan banks, supervisory authorities and international speakers took part. BFA was represented by the Chair of the Executive Committee of the Board of Directors, Emídio Pinheiro, who attended the event as speaker in Panel II - Round Table, devoted to the "Capital Market: Challenges for Banking".

Social Responsibility

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

In 2014, several projects lent substance to BFA's commitment, reflecting its real social concern. BFA supported several activities within its three major areas of activity: Education, Health and Social Solidarity.

BFA DISTINGUISHES BEST STUDENTS UNIVERSIDADE CATÓLICA DE ANGOLA

As part of its policy to support education and training of specialized staff, BFA has developed a strong partnership with the Universidade Católica de Angola (UCAN).

As from April this year the ceremony for the award of prises to the best students is no longer exclusive to students of the Economics and Management courses. It is now open to Administration, Psychology, Theology and Engineering students.

For seven years BFA has distinguished and rewarded the six best students of the Universidade Católica de Angola.

MBA Atlântico

The fourth MBA Atlântico programme began in May 2014 in Luanda. The academic year is divided into three terms of full-time study at each of the participating Catholic universities: Luanda, Rio de Janeiro and Porto. Besides being one of the official sponsors, BFA has had a place guaranteed for one employee each year since the MBA Atlântico started.

BFA ENCOURAGES TRAINING SUPPORT FOR THE MAMÃ MUXIMA LIBRARY

In keeping with the strategy defined for the Social Fund, BFA supported the Mamã Muxima Library of the Christian Community of Toco, Province of Huíla, with a donation of 1 Million Kwanzas.

This sum is intended to provide the library with educational books and Internet access. BFA aims to encourage and raise levels of education of the young people of this community.

Lubango Archbishop Gabriel Mbilingui expressed his thanks for the gesture, stating that BFA has always been sensitive to the cause of the Christian community in the region.

ANGOLA FOOD BANK CAMPAIGN

Food Bank Angola organised its first food collection campaign at stores in Luanda on May 31 and June 1. The stores were Maxi Maianga and Morro Bento, Intermarket Marginal, Martal Alvalade Supermarket, Casa dos Frescos de Talatona, Kero de Talatona, Niva Vida and Shoprite Belas Shopping Mall.

According to its coordinator, Manuela Pinto da Silva, the campaign's goals were met in full and the results far exceeded expectations. More than 10 tonnes of food were collected and everything was stored and properly delivered to selected institutions.

BFA employees signed up for the cause, helping to collect food at the various stores

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Awards

Sirius Award - Best Company of the Year in the Financial Sector

BFA was named Best Company of the Year in the Financial Sector for the second time in the 4th Sirius Awards, at a ceremony held in the Hotel Epic Sana in Luanda. The jury acknowledged the rigour and quality of the projects and strategies carried out by the Bank.

Sirius Award - Best Annual Report & Accounts in the Financial Sector

For the second time in a row, BFA received the award for the Best Annual Report & Accounts in the Financial Sector. In this category, the jury made the award based on quality of the management and financial information the Bank produces about its activity and performance during the previous year.

Best Bank and Best Private Bank in Angola - EMEA Finance magazine

BFA was recognized on two counts by EMEA Finance magazine, with the Best Bank in Angola award and the Best Private Bank in Angola 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.

Best Bank Brand in West Africa Award - Global Brands Magazine

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.

Best Commercial Bank and Most Innovative Bank - Global Financial Market

Global Financial Market (GFM) voted BFA the Best Commercial Bank and the Most Innovative Bank in 2014 for particular excellence and innovation in its principal activities. GFM is a leading online financial news portal and the GFM Awards recognize the most innovative banks and the best investment strategies.

Best Retail Bank 2014 - World Finance

World Finance magazine named BFA as the Best Retail Bank of 2014. The criteria used by the magazine include variety and clarity of products and services, sales performance, and growth in the market.

Brand of Excellence - Superbrands

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

Best Debit Card Programme - Card and epayment Africa Awards

BFA was the recipient of the Best Debit Card Programme award, given by the Card and epayment Africa Awards portal. The main criteria used in deciding the award are innovation in debit cards, card production design and the use of technology to develop electronic means of payment in Africa.

Best Corporate Management - World Finance

World Finance magazine voted BFA 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.

STP Excellence Award – Deutsche Bank

Deutsche Bank awarded BFA the STP (Straight-Through Processing) Excellence Award for the twelfth time in a row in recognition of its high success rate (99.31%) in the automatic processing of international payments during 2013.

Best Corporate Bank - International Finance Magazine

International Finance Magazine awarded BFA the prize for Best Corporate Bank in Angola for the second 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.

Best Commercial Bank - Global Banking and Finance Review

BFA was voted Best Commercial Bank in Angola for the second 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.

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RISK MANAGEMENT

Governance and organization of risk management

ORGANIZATION OF RESPONSIBILITIES FOR THE CONTROL AND MANAGEMENT OF RISKS

The main risks inherent in the Bank's business are overseen by the Board of Directors and its Executive Committee, in accordance with the rules set forth in Notice 2/13 on internal control procedures. Responsibility for risk management and control is assigned to a number of different departments of the Bank.

The Bank's strategy of action is translated into the annual budget and action plans approved by the Board of Directors, at the proposal of the Executive Committee.

The Accounts and Planning Department produces a detailed report each month containing the monthly accounts, budget control, and management, solvency and profitability indicators. This report is examined by the Board of Directors and the Executive Committee of the Board of Directors and any major variations are justified and explained in detail.

This information about the Bank's activity and results is supplemented by other reports produced by the credit risk departments (Corporate Credit Risk, Loans to Individuals and Businesses, and Credit Monitoring, Recovery and Litigation), the Financial and International Department and the Marketing Department. Usually, the information contained in these reports is sourced from the Management Information Area, which is responsible for gathering, collating and distributing information.

At the organizational level, the Compliance Department monitors account operation processes and is in the process of implementing automated anti-money laundering alerts.

The main business risks, which are the ones the Bank makes the most effort to identify, assess, monitor and control, are presented in detail in the following sections.

Credit Risk	Liquidity and Market Risk
Operational Risk	Legal and Compliance Risk

Credit Risk

RISK CONTROL AND CREDIT QUALITY IMPROVEMENT

A strategy defined and structured to strengthen the risk assessment procedures

The credit risk assessment and control process is the responsibility of the following areas:

- 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 Invests 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.

All these units 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 scattered 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.
- 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 03/12, 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 at 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.

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 companies in the same group as customers who 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;

  - Pending legal action against the person or entity that may have a material adverse impact on their economic or financial situation.

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.

Staff training in the commercial networks was stepped up in 2014, with the development of a special training course covering all the stages of the loan process, from analysis to approval and recovery of past-due loans.

The consolidation of Banco Nacional de Angola's Information and Credit Risk Unit was a relevant factor during this period in allowing a more comprehensive assessment of customers' existing bank borrowings. The incorporation of the BNA data in the loan assessment process has helped BFA make more informed lending decisions.

Diversified portfolio with growth in lower-risk loans

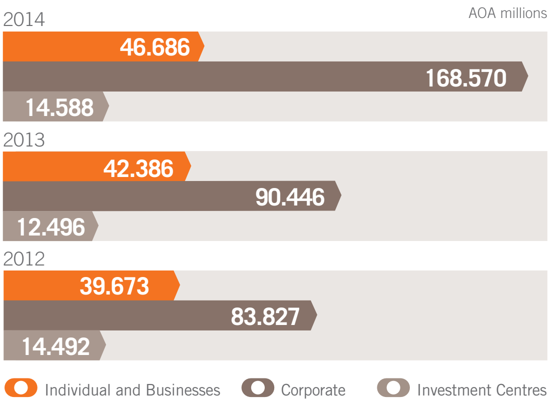
The corporate loan portfolio is well diversified across the main sectors of the economy, although the lower risk classes represent an increasing proportion of the total.

Loan portfolio expansion and sector diversification

As in 2013, the overall loan portfolio (excluding guarantees and letters of credit) recorded a further increase in 2014. This growth was largely driven by the portfolio of loans to the Corporate segment, both through an increase in lending to companies, which was up approximately 86% compared to 2013, and through a reduction in past-due loans, thus maintaining the quality of BFA's risk indicators.

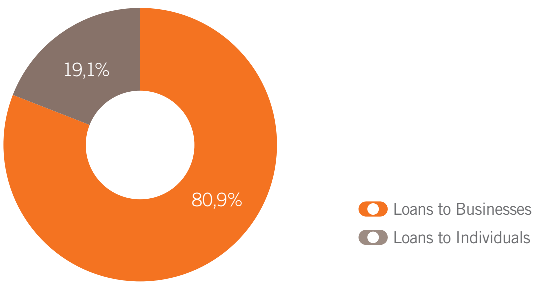
Loans to Businesses account for more than 80,9% of the Bank's credit portfolio, as against 19,1% for loans to Individuals.

Contribution to Loan Portfolio Growth



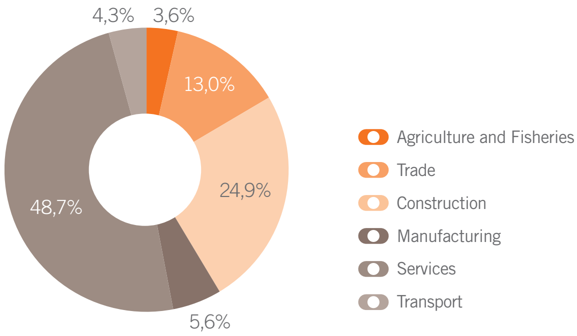
Note: Total loans excluding guarantees and letters of credit.

Loan Portfolio by Customer Type: Corporates and Individuals



The corporate loan portfolio is fairly balanced across sectors, with notable concentrations in Services, Construction and Trade.

Corporate Loans by Sector



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 3/12 of 28 . Nearly 96% 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) decreased by 2.8 percentage points

LOANS BY RISK CLASS

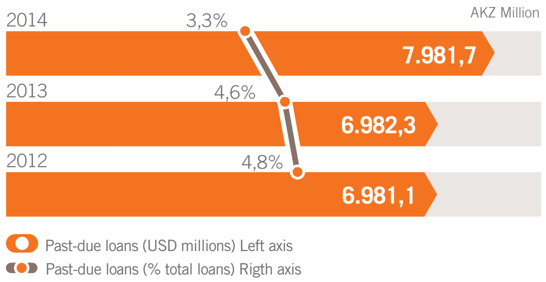
Class	2012	2013	2014
A - Zero risk	21,0%	19,8%	42,9%
B – Very Low Risk	0,1%	0,7%	2,5%
C - Low risk	71,4%	72,4%	50,2%
D - Moderate risk	1,7%	0,9%	0,8%
E - High risk	1,7%	1,9%	1,0%
F – Very High Risk	3,2%	3,4%	2,0%
G - Loss	1,0%	0,8%	0,6%
Total	**100%**	**100%**	**100%**

Note: Total lending includes both performing and past-due loans.

Decrease in past-due loans ratio

Thanks to BFA's risk analysis and risk management policy, the quality of the Bank's loan portfolio has been steadily improving. Despite the slight increase in past-due loans in 2014, the past-due loans ratio fell 1,3 percentage points, so that at year-end past-due loans represented 3,3% of total loans granted (excluding guarantees and letters of credit).

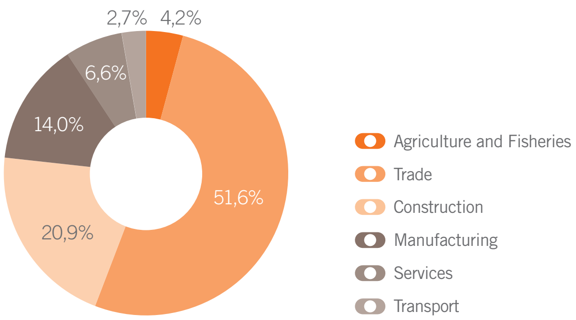
Past-due Loans (% of Total Loans)



Note: Total loans excluding guarantees and letters of credit.

The sector that accounts for the largest proportion of past-due loans is Commerce, followed by Construction, whose contribution to BFA's portfolio of past-due loans was up 3.4 percentage points compared to the previous year

Concentration of past-due corporate loans by sector



At December 2014, the provision coverage ratio was a comfortable 136%, reflecting a particularly prudent risk management policy.

Although provisions were up 8,1% compared to 2013, the provision coverage ratio of the loan portfolio as a whole fell slightly, as a result of the increase in lending.

Recovery of past-due loans

The effort invested in recovering past-due loans translated into an overall improvement in loan portfolio quality ratios, with a significant 1,3 percentage point reduction in the past-due loans ratio.

LOAN LOSS PROVISIONS AND PROVISION COVERAGE RATIO

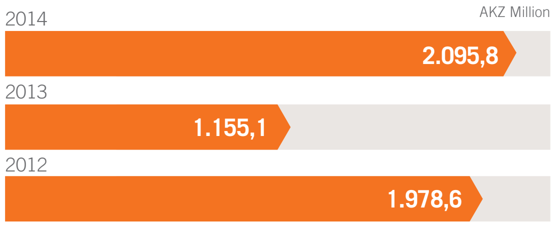
AKZ Million

	2012	2013	2014
Provisions	9 992,1	10 044,3	10 853,2
Provision coverage, total loans	7,2%	6,9%	4,7%
Provision coverage, past-due loans	143%	144%	136%

Note: Total loans excluding guarantees and letters of credit.

The volume of loans written off in 2014 was heavily influenced by the unsuccessful conclusion of efforts to renegotiate a number of large past-due loans, which BFA therefore wrote off as a loss. Despite this, the Bank will continue its efforts to recover the loans by legal means, through the courts. It should be noted that the average amount of written-off loans recovered has increased to nearly 23%.

Write-Offs



Past-due loans recovery through litigation

As of year-end 2014 a total of 529 legal proceedings had been started to recover defaulted loans. Of this total, 104 concerned loans to Corporates and 425 loans to Individuals.

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 analyzes.

- Executive Committee – responsible for final validation and approval of the results. The initial internal regulations were submitted for approval and an improved version is under assessment.

Impairment losses are measured using calculation methods defined by BFA, based on historical series and the characteristics of the Bank's 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.

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.

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 impairment – probability that a transaction will show signs of impairment (more than 30 days past due) over a 12-month period;

- Probability of default – probability of default influenced by evidence of impairment;

- Loss Given Default (LGD) – loss likely to be incurred at the time of default;

- Durational Loss Given Default (LGD) – losses likely to be incurred on transactions that are already 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. The net present value of a loan is calculated as the discounted value of the expected future cash flows from the loan. The provisions recorded at 31 December 2014 comfortably cover the losses estimated by the model.

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

Under BNA Notice 02/15, 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. Consequently, when possible, BFA will submit the loan loss provision calculation methodology to the BNA to replace the direct methodologies adopted by the BNA.

Liquidity and Market Risk

The rules for financial management and the limits set for liquidity, interest rate and foreign exchange risks are set forth in the Limits and Procedures Manual issued by the Finance and International Department.

BFA's financial management is underpinned by discussion and reflection on issues relating to the Bank's internal economy and the direction it is following, in order to ensure transparent management and proper risk assessment.

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

- Daily information: 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 reserve requirements;

- 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 foreign exchange and money markets and a competition analysis in terms of market shares, price lists and published accounting indicators.

The Bank's decision-making structure is as follows:

- The Board of Directors examines the money market and foreign exchange market analyzes, the risk management file, trends in market shares and the competition analysis. 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 analyzes and oversees implementation of the Board of Directors' decisions on an on-going 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, known as the Control Area, in the Finance and International Department (FID). The Control Area is responsible for daily reporting and compliance with the legal limits specified in the FID's Limits and Procedures Manual.

The FID is divided into the following four areas, thus ensuring a clear division of roles:

- International and Markets;

- Customers;

- Back Office;

- Control

A PRUDENT AND SOUND BALANCE SHEET

Sustainable liquidity levels and ability to meet the Bank's liquidity needs

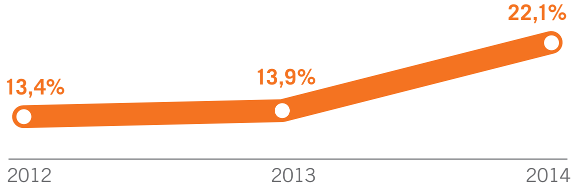
Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the financing of its activities.

In addition to the mandatory reserves required by Banco Nacional de Angola, BFA has set up an additional liquidity reserve in foreign currency, which provides an important buffer against risks arising from swings in the market. Furthermore, in local currency the Bank continuously monitors eligible collateral that can be discounted at the BNA.

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

The rate of growth of customer deposits increased sharply compared to 2013, to 22,1%, resulting in deposit growth of AKZ 168.371,8 Million, thanks to BFA's excellent capacity to attract customer funds.

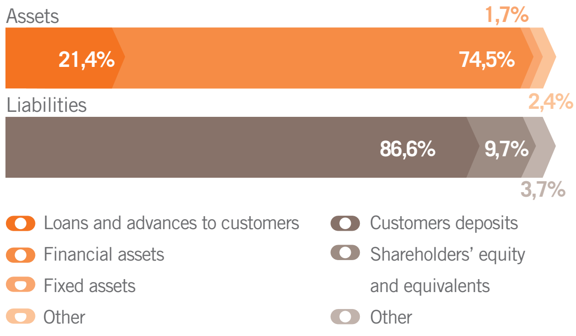
Growth of Customer Deposits



The Bank's balance sheet has proven particularly sound and robust, with customer deposits accounting for approximately 86,6% of liabilities, thus financing a large part of the Bank's activity.

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

Balance Sheet Structure at 31 December 2014



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 45,1% 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 (35%) of investments with maturities of less than seven days, which can be converted into cash at very short notice.

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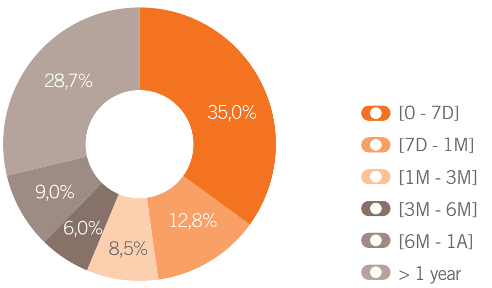
MATURITY PROFILE OF FINANCIAL ASSETS AT 31 DECEMBER 2014

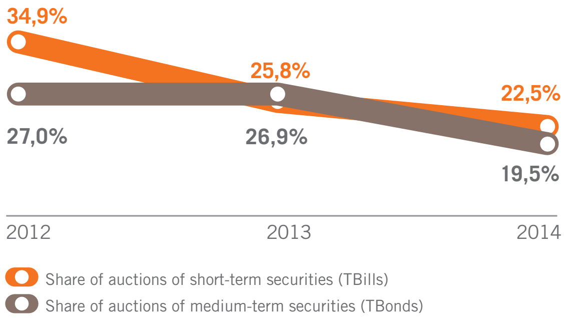
AKZ Million

	Total (kAKZ)	[0 - 7D]	[7D - 1M]	[1M - 3M]	[3M - 6M]	[6M - 1Y]	>1 year	Total (%)
Cash and banks	188 714,1	23,6%	0,0%	0,0%	0,0%	0,0%	0,0%	**23,6%**
Loans and advances to credit institutions	150 331,6	9,5%	8,6%	0,5%	0,2%	0,0%	0,0%	**18,8%**
Reverse repurchase agreements	99 954,5	1,9%	4,2%	5,1%	1,3%	0,0%	0,0%	**12,5%**
Short-term securities	79 164,0	0,0%	0,0%	2,7%	2,9%	4,3%	0,0%	**9,9%**
Long-term securities	281 471,9	0,0%	0,0%	0,2%	1,6%	4,7%	28,7%	**35,2%**
Total	**799 636,0**	**35,0%**	**12,8%**	**8,5%**	**6,0%**	**9,0%**	**28,7%**	**100,0%**

Maturity Profile of Financial Assets at 31 December 2014



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



At year-end 2014, BFA's market share of short-term note auctions by BNA reached 22,5%, and 19,5% in auctions of medium-term notes (TBonds).

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.

MANDATORY RESERVES IN ANGOLA

BNA Instruction 07/2014 on mandatory reserves came into effect on 3 December 2014. This regulation amends BNA Instruction 01/14 to make mandatory reserves a more effective tool of the Government's monetary policy.

The mandatory reserves ratio to be applied to the reserve bases is modified 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 governments and municipal governments accounts, is increased from 12,5% to 15%;
- The mandatory reserves ratio to be applied to the daily balances of the various items that make up the reserve base in foreign currency, excluding the central government, local governments and municipal governments accounts, remains unchanged at 15%;
- The mandatory reserves ratio to be applied to the daily balances of the central government account in local currency is reduced from 100% to 75% and the ratio to be applied to the local governments and municipal governments accounts, also in local currency, remains unchanged at 50%;
- The mandatory reserves ratio to be applied to the daily balances of the central government account in foreign currency remains at 100% and the ratio to be applied to the local governments and municipal governments accounts, also in foreign currency, is likewise 100%.
- The reserve requirement for the reserve base in local and foreign currency is now calculated monthly rather than weekly.
- Mandatory reserves are calculated in the month following the month in which the balances are established and must be met in the second following month.
- Up to 5% of the balance of the local-currency cash account, as per the Plan of Accounts for Financial Institutions, calculated on the last business day of the month, 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 domestic-currency loans with maturities of three years or more, calculated on the last business day of the month, may also be deducted from the mandatory reserves in local currency.

FOREIGN EXCHANGE RISK

Significant reinforcement of foreign exchange activity

BFA takes a particularly rigorous approach to managing the foreign exchange exposure arising from structural positions held in various currencies or from its customers' transactional requirements. It controls risk actively by balancing loans and deposits for each currency.

As a general principle, BFA's exposure to foreign currency risk should tend to zero, although there may be temporary variations in its long and short positions.

CHANGE IN FOREIGN EXCHANGE POSITION

USD milions

	2012	2013	2014
Foreign exchange position	31,1	62,1	82,3
Total Equity	776,2	867	1015,8
For. Exch. Pos. as % Tot. Eq.	4,0%	7,2%	8,1%

The 31 December 2014, BFA's foreign exchange position was valued at USD 82,3 Million.

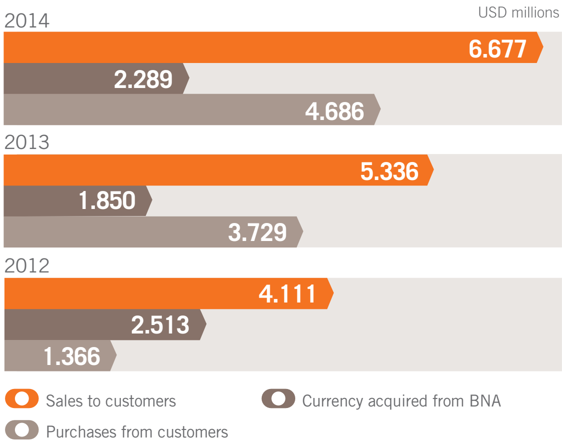
BFA operates primarily in USD and keeps its position in other currencies to residual levels, making the management of its foreign exchange position simpler. To meet its customers' foreign currency needs in a timely manner, BFA acquires foreign currency on the primary market through BNA's foreign exchange auctions and through purchases from customers.

The Bank has significantly boosted its capacity to purchase foreign exchange from customers through its strategy of segmenting customers and creating a specific value proposition for the Oil & Gas segment.

The Bank's current activity and the tripartite agreements it has entered into have allowed BFA to maintain a prominent position in foreign exchange transactions, having increased the volume purchased from customers to nearly USD 4,686 Million (up 25,7% on 2013).

The promulgation of BNA Notice 7/14, which came into effect in November 2014, substantially altered the customer-side functioning of the market, insofar as oil sector operators are now required to sell their foreign currency to BNA. The internal consequences of the fall in the oil price in international markets, coupled with this regulatory change, will pose a major challenge to the market and to BFA in 2015.

Foreign Exchange Transactions



As a consequence of the above, the volume of currency sales to customers rose 25,1% compared to 2013, reaching a total of USD 6.677 Million.

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.

Operational Risk

INTERNAL CONTROL AND RISK MITIGATION

Importance of internal control in the operational risk management culture at BFA

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 risks 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.

Faced 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 2014, 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.

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

CODE OF CONDUCT

The 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. The main rules of conduct can be summed up as follows:

- Ensure that, apart from complying with the rules and duties that follow from applicable laws and regulations, the Bank, the members of its corporate bodies and its employees act strictly in accordance with ethical and professional principles, displaying exemplary civic conduct;
- Show diligence and competence in the performance of professional duties, always acting in good faith and in accordance with high standards of diligence, loyalty and transparency, and ensure that customers and the competent authorities receive a rigorous, timely and complete response to their requests, while maintaining the duty of professional secrecy;
- Safeguard and maintain professional secrecy;
- Treat all customers of the Bank equally where there is no legal, contractual or risk-related reason to do otherwise;
- Manage conflicts of interest: where the interests of two or more customers conflict, the conflict must be resolved in a balanced and equitable manner, so as to ensure impartial treatment of the parties involved. Any conflicts that arise in the Bank's day-to-day activities between the interests of a customer and those of the Bank or its employees and officers must be resolved through the satisfaction of the customer's interests, unless there are legal or contractual reasons for doing otherwise;
- Prohibit improper benefits and abuse of position: officers and employees may not 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, in relation to or as consideration for any act or omission in the performance of their duties at the Bank (irrespective of whether or not the act in question constitutes a breach of their duties);
- Relations with authorities: in dealing with banking supervisors and tax and judicial authorities, members of corporate bodies and employees must act diligently, seeking clarification from their hierarchical superiors where necessary.

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.

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 integrated 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).

Internal audit aims to safeguard the integrity and security of the Bank's assets and the assets of the Bank's customers. To this end the activities of the business units and Central Services are subject to periodic analyzes, supplemented by thematic audits carried out by the external auditor or an auditor hired specifically for the purpose.

A&I's audits, which can vary in depth and complexity, may be performed onsite or offsite:

- Comprehensive audits of business units or central services;
- Limited audits: systematic audit actions to verify safe and cash balances and cash management procedures, as well as security issues associated with the safekeeping of securities;
- Remote audits: analyzes of the procedures for certain transactions or processes, 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.

ALERT OPTIMIZATION

During 2014, A&I continued to carry out audits based on alerts. These are audits that are triggered when a transaction meets certain criteria that indicate the occurrence of operational risk events and are aimed at effectively preventing significant events of fraud or non-compliance with the Bank's rules or procedures.

These audits have been carried out by A&I since June 2013 and from 2014 were extended to cover all the Bank's procedures and processes.

In 2014, the A&I team performed 203 audits, including onsite audits in 153 business units, entailing direct contact with 89% of the Bank's commercial area. It should also be noted that the alerts management area monitors potential fraud and operational risk situations and transactions on a daily basis.

As regards inspections, 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.

Both the audit reports and the inspection reports are analyzed by the Executive Committee of the Board of Directors, which decides on responsibilities, remedial action and any disciplinary or legal consequences.

At the end of each quarter A&I submits an operational risk map, which shows all the inspections, classified by nature and possible losses. During 2014 the Inspection Area carried out 140 inspections; 62% of the incidents were linked to operational risk situations.

Additionally, A&I monitors the provisions and losses in respect of 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 the 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 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.

An employee training course on BNA Notice 02/13 was given by Instituto de Emprego e Formação de Portugal (IEFP) to introduce A&I staff to the important changes affecting BFA's Audit and Internal Control systems.

Digitization of documents

In 2014, new business processes were implemented in the front-end to support the Bank's commercial activity, within the scope of the eMudar@BFA project.

The front-end platform allows BFA to review and dematerialize its processes, which from now on will be supported, wherever legally possible, by digital documents, allowing a reduction of operational risk.

As of year-end 2014, nearly 1.451.750 documents relating to 897.150 processes had been digitized through this platform, resulting in a significant gain in efficiency for the Bank and tighter control of operational risk.

Security enhancement and risk mitigation

In 2014 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. As of the end of 2014, BFA's core banking applications had already been migrated, while the rest of the applications were still being migrated.

The new Data Processing Centre 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 new Data Processing Centre 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:

- Further investments have been made in increasing the stability of BFA's communications network by adding levels of redundancy and greater bandwidth in the commercial areas and in equipment upgrades;
- The antivirus execution and periodic monitoring processes were maintained and reinforced;
- The capacity to monitor and disable cyberattacks, especially phishing attacks, was enhanced;
- 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. In 2014 BFA strengthened its controls, achieving a significant improvement in the results obtained in this assessment.

In 2014, BFA added to its anti-money laundering and anti-terrorist financing toolkit, with an entity verification application and a application for validating SWIFT transactions

BFA carried out the necessary software developments to be in compliance with FATCA from July 2014, when the new rules came into effect.

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 (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 Service 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. Any complaints that have a material impact on customer accounts or that entail losses for BFA are analyzed in detail by A&I.

In 2014 the Bank received 801 complaints, of which 743 were settled, giving an efficiency ratio of 92,7%.

The average response time in 2014 was 11 days: 86% of complaints received a response within two weeks and 72,7% in less than one week.

The average response time is indicative not only of the efficiency of the Complaints Handling Area but also of BFA's commitment

Legal and Compliance Risk

to operational risk mitigation, especially as regards reputational risk and service quality improvement.

ADAPTATION OF INTERNAL CONTROL STRUCTURE TO ENSURE REGULATORY COMPLIANCE AND APPLICATION OF ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING POLICIES

Legal risks are 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 agreements are vital tools of reputational risk management, as they serve to guide the Bank's activities.

Strengthening of internal control in risk detection and risk management

The Compliance Department, established in July 2013, 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).

To enable the Compliance Department to operate effectively, in August 2014 BFA started a new project aimed at enhancing and improving the department's activity, with a focus on the model of relations with correspondent banks and the work of the compliance function in relation to correspondent banking, regulatory supervision, internal reporting and compliance policy, in particular.

Compliance Department policies and procedures to prevent money laundering and terrorist financing

Within the scope of the anti-money laundering and anti-terrorist financing policies, promulgated in Law 34/11 and BNA Notice 22/12, the Bank has developed mechanisms to ensure compliance with regulations. Of the various initiatives carried out in 2014, the following deserve mention:

I. Update of the customer database analysis and filtering systems;

II. Strengthening of the systems for screening customer operations and transactions;

III. Development of procedures for analyzing deposits in excess of USD 15.000;

IV. Extension of enhanced due diligence of customers involved in higher-risk activities

I. Update of customer database filtering software

At the level of IT infrastructure, BFA acquired and installed the Compliance Link filtering software, which is supported by the Global Watch List (GWL), whose list covers:

- 100% of the sanctions bodies
- More than 900 sources, including law enforcement agencies and financial regulators worldwide;
- More than 1,3 Million Politically Exposed Persons (PEP);
- More than 20.000 social media that cover adverse information.

It should be pointed out that the Compliance Link application also allows the Bank to create its own watch lists.

Compliance Link is an automated filtering tool that matches the customer database against international sanctions lists, searching the fields: name, nationality and ID number.

Based on the results of the examination of the BFA customer database using Compliance Link, the Bank is able to guarantee that there are no customers who appear in the lists supported by the application (GWL).

II. Strengthening of the transaction filtering application

In order to maximize the detection of potential money laundering and terrorist financing situations, BFA installed the Sanctions Screening application, supplied by SWIFT (Society for Worldwide Interbank Financial Telecommunication). This filtering tool screens the originators and beneficiaries of transactions executed via SWIFT, so as to detect – in real time – whether any of the parties to the transactions are included in international sanctions lists. This screening is a centralized SWIFT service that scans messages sent and received over the FIN messaging network.

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

BFA aims to prevent money laundering and terrorist financing through the following measures:

- ublication 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 will be used for money laundering or terrorist financing purposes;
  - 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 account opening by not-for-profit entities, where enhanced due diligence is obligatory and a favourable opinion from the Compliance Officer is required before an account can be opened.
- Attribution to the Compliance Department of responsibility for pre- and post-approval transaction monitoring and for overseeing and auditing overall compliance with anti-money laundering and anti-terrorist financing procedures.

III. Detailed analysis of movements in excess of USD 15,000

To comply with the regulations introduced by the Angolan government and Banco Nacional de Angola, BFA took preventive measures affecting cash deposits, aimed at preventing money laundering and terrorist financing. The cash deposit slips were modified to include fields that collect the legally required information about the depositor and a declaration as to the source of the funds, where the deposit is in the amount of USD 15.000 or more (or the equivalent in another currency).

Based on the list of deposits subject to depositor identification and declaration of source of funds, the movements on the listed accounts will be analyzed on a daily basis to assess the regularity/ frequency of high-value transactions, relationships with other entities, age of the accounts, transaction types, origin and destination of funds, type of entity (individual, sole trader or company), customer history and other information collected at the time of notification to the customer cost centres

During 2014, more than 14.000 transactions were analyzed, with an average of 60 transactions per day, resulting in 730 notifications to the customer cost centres, based on atypical behaviour of the accounts, for validation of the origin of the funds and any relationships the customer may have with other entities.

IV. Extension of enhanced due diligence of customers involved in higher-risk activities.

Law 34/11 and BNA Notice 22/12 make it necessary to establish and publish new internal procedures – essentially, enhanced due diligence – for high-risk entities at the time of account opening and subsequent account operation. The due diligence procedures for account opening were reinforced. These procedures are already fully implemented for non-profit entities and in the implementation phase for non-bank financial companies and designated non-financial activities and professions.

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

In order to meet the know-your-customer and enhanced due diligence requirements and prevent money laundering and terrorist financing, BFA has established new rules for cash transactions in customer accounts. These new rules will ensure greater control over transaction validation and make it easier to identify suspicious transactions. Various internal regulations were created and updated to improve the control and mitigation of fraud and money laundering risk.

FATCA compliance

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, on 30 November 2014 the Angolan government established an intergovernmental agreement with the United States Internal Revenue Service (IRS). In summary, under this agreement Angolan financial institutions undertake to:

- Identify customers who are US Persons;

- Report the identity and assets of such customers.

In May 2014 BFA was registered with the IRS and became compliant with FATCA, which came into force on 1 July 2014. As a result, BFA was included in the first list of FATCA-compliant institutions.

Under FATCA, financial institutions must identify all accounts held by US Persons, i.e., persons subject to taxes in the United States, and file the necessary annual report with the US tax authorities.

To comply with FATCA, BFA has modified the procedures for account opening and editing of account holder details. This modification affects:

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 customers and corporate customers

II Compliance Department

Where a customer who does not acknowledge US Person status 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 is classified as either a US Person or a Non-US Person.

Apart from a module on the responsibilities and activities of the compliance function, the training was divided into three levels (advanced, intermediate and basic), as follows.

- Background and main concepts of the anti-money laundering and anti-terrorist financing policy;
- Objectives and implementation phases of the anti-money laundering policies;
- Regulatory framework;
- Know your customer/ counterparty (KYC) procedures;
- Know your transactions (KYT) procedures;
- Know your processes (KYP) procedures;
- Sanctions applicable in the event of non-compliance.

RESTRUCTURING OF THE LEGAL DEPARTMENT

Following critical reflection on the current operating model of the Legal Department and with the aim of bringing that model into line with the best market practices identified in the benchmarking study of the legal functions of national and international banks, BFA decided to reformulate the unit's operating model.

The following new departments and units were created:

- Customer Account Management Department, comprising the business account opening and commercial areas legal support units;
- Credit Contracts Department, which includes the credit contracts and quality units;
- Central Services Support Department, comprising the extra-credit contracts, legal advice, paralegal and legal training units;
- General Litigation Department.

To operationalize the structure of the new Legal Department, BFA will strengthen the powers of this functional unit, in particular:

- Reinforcement of staffing through internal reassignment and external hiring, with greater intervention in areas supporting commercial activity;
- Provision of new computer tools for operational oversight, performance monitoring and control of objectives;
- Creation of service levels and decision levels in the execution of the Legal Department's tasks;
- Dissemination of the Legal Department's new operating model through workshops, internal regulations and procedure manuals, among other things;
- Periodic dissemination of systematically presented legal materials, particularly legislation, through internal newsletters and the creation of a Legal Library;
- Assessment of the results of the Legal Department's new operating model through questionnaires administered to the department's internal customers;

The aim is to ensure that the organizational units receive better legal advice and to improve the speed and quality with which all processes are handled.

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FINANCIAL REVIEW

Financial Review

Asset growth and a gain in profitability

Once again, BFA showed a positive financial performance, with overall asset growth of 23,6%, significantly higher than the 14,2% growth recorded in 2013, bringing total assets to AKZ 1.073.056,4 Million (USD 10.431,9 Million).

On the liabilities side, customer funds grew significantly in 2014, with customer deposits up 22,1% on the previous year, from AKZ 761.010,4 Million (USD 7.795,7 Million) to AKZ 929.382,2 Million (USD 9.035,1 Million) at the end of 2014.

The increase was particularly marked in local currency funds, whose share of customer funds increased 13.2 percentage points, overtaking customer funds in foreign currency for the first time.

Net operating revenue rose significantly (up 26,1% compared to 2013), driven by increases in net interest and non-interest income, most notably income from investments and loans and trading income.

The value of BFA's total loan portfolio grew significantly compared to 2013, increasing by 62,9%. This increase was attributable in particular to the growth of loans and advances to customers, especially local currency loans, which in December 2014 totalled AKZ 165.529,5 Million (USD 1.609,3 Million), increasing their relative weight in BFA's loan portfolio by 7.3 percentage points. The substantial growth of guarantees and letters of credit (up 97,4% compared to 2013) also contributed positively to BFA's loan portfolio, accounting for more than 20% of the total.

As loans increased more rapidly than funding, the loan-to-deposit ratio increased in 2014, reaching 24,7% at year-end, up 5.8 percentage points compared to the previous year.

In 2014, the tax amnesty granted to BFA following the entry into force of Law 20/14 and the large amount of deferred taxes added AKZ 172,3 Million (USD 0,8 Million) to the Bank's profits. This amount is the result of a 2 percentage point reduction in BFA's tax expense, representing 3,7% of profit before tax.

A sound, highly liquid balance sheet

BFA's net assets increased by 23,6% in 2014, reflecting growth of AKZ 205.024,2 Million (USD 1.539,9 Million) between December 2013 and December 2014. Reversing the trend seen in previous years, this growth was driven mainly by the increase in the volume of loans and advances to customers, which rose AKZ 85.465,5 Million (USD 755,7 Million). As regards investment securities, although the growth in this item was slower than in 2013 (10,5% in 2014, compared to 28,1% in 2013), the relative weight of investment securities in BFA's balance sheet is still significant, with a total of AKZ 359.804 Million (USD 3.497,9 Million).

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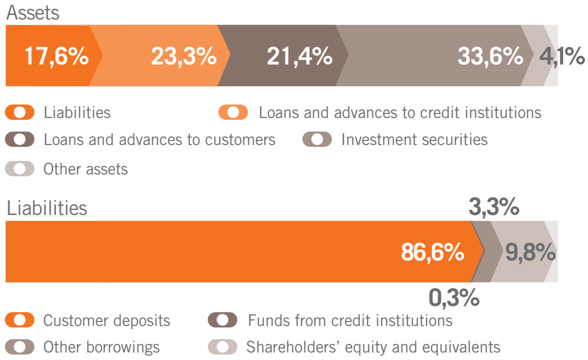
BALANCE SHEET

In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Net assets								
Cash and banks	142 881,8	1 491,1	144 564,3	1 480,9	189 279,4	1 840,1	30,9%	24,3%
Total investments	595 988,5	6 219,5	696 731,1	7 137,2	839 835,1	8 164,6	20,5%	14,4%
Loans and advances to credit institutions	205 062,6	2 139,9	227 110,3	2 326,5	250 552,4	2 435,8	10,3%	4,7%
Loans and advances to customers	136 776,8	1 427,3	144 013,1	1 475,3	229 478,5	2 230,9	59,3%	51,2%
Investment securities	254 149,2	2 652,2	325 607,8	3 335,5	359 804,1	3 497,9	10,5%	4,9%
Net fixed assets	16 956,5	177,0	17 786,0	182,2	18 440,7	179,3	3,7%	-1,6%
Other assets	4 075,2	42,5	8 950,8	91,7	25 501,2	247,9	184,9%	170,4%
Total Assets	**759 902,1**	**7 930,0**	**868 032,2**	**8 892,0**	**1 073 056,4**	**10431,9**	**23,6%**	**17,3%**
Liabilities								
Funds from credit institutions	4,4	0,0	2 014,7	20,6	3 673,7	35,7	82,3%	73,0%
Customer deposits	668 113,3	6 972,2	761 010,4	7 795,7	929 382,2	9 035,1	22,1%	15,9%
Other borrowings	11 780,1	122,9	17,294,3	177,2	31 393,1	305,2	81,5%	72,3%
Provisions for risks and commitments	5 628,3	58,7	3,072,2	31,5	4 120,1	40,1	34,1%	27,3%
Shareholders' equity and equivalents	74 376,0	776,2	84,640,5	867,0	104 487,3	1 015,8	23,4%	17,2%
Total Liabilities and Equity	**759 902,1**	**7 930,0**	**868,032,2**	**8 892,0**	**1 073 056,4**	**10431,9**	**23,6%**	**17,3%**

Structure of BFA's Balance Sheet in December 2014



Shareholders' equity and equivalents were up 23,4% compared to 2013, reaching a total of AKZ 104.487,3 Million (USD 1.015,8 Million) at the end of 2014.

An analysis of the structure of BFA's balance sheet in December 2014 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 securities in the securities portfolio grew nearly AKZ 34.196,3 Million (USD 162,4 Million) in 2014, representing an increase of approximately 10,5% compared to 2013.

This increase was largely driven by the substantial increase in the volume of local currency Treasury bonds, which was up AKZ 29.236,8 Million (USD 217,8 Million) compared to 2013. Treasury bills held to maturity and Treasury bills held for trading also contributed to the increase in BFA's securities portfolio, respectively accounting for AKZ 8.505,1 Million (USD 56,9 Million) and AKZ 7.919,1 Million (USD 67,2 Million) of growth.

The portfolio of Central Bank bonds was extinguished in 2013, as the product was no longer offered to the market.

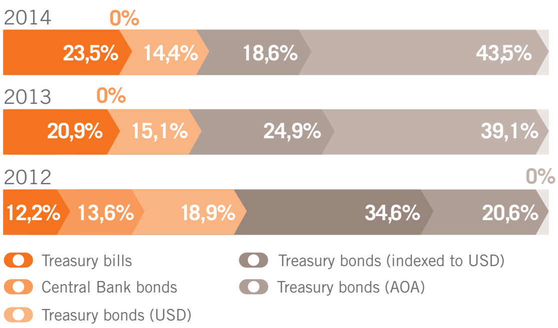
SECURITIES PORTFOLIO

In Million

	2012		2013		2014		Δ 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Trading portfolio	**19 430,5**	**202,8**	**18 727,4**	**191,8**	**26 664,6**	**259,2**	**-703,2**	**67,4**
Treasury bills	11 427,3	119,3	18 651,8	191,1	26 570,9	258,3	7 224,6	67,2
Central Bank bonds	7 952,8	83,0	0,0	0,0	0,0	0,0	-7 952,8	0,0
Other	50,5	0,5	75,5	0,8	93,7	0,9	25,1	0,1
Held-to-maturity portfolio	**234 718,7**	**2 449,4**	**306 880,4**	**3 143,7**	**333 139,5**	**3 238,7**	**72 161,7**	**95,0**
Treasury bills	19 600,1	204,5	49 435,2	506,4	57 940,3	563,3	29 835,1	56,9
Central Bank bonds	26 572,0	277,3	0,0	0,0	0,0	0,0	-26 572,0	0,0
Treasury bonds (USD)	48 136,2	502,3	49 103,3	503,0	51 850,4	504,1	967,0	1,1
Treasury bonds (indexed to USD)	88 005,5	918,4	81 053,1	830,3	66 823,1	649,6	-6 952,4	-180,7
Treasury bonds (AKZ)	52 404,9	546,9	127 288,9	1 303,9	156 525,7	1 521,7	74 884,0	217,8
Total	**254 149,2**	**2 652,2**	**325 607,8**	**3 335,5**	**359 804,1**	**3 497,9**	**71 458,6**	**162,4**

In 2014, as in 2012 and 2013, BFA chose to favour investment in local currency securities, which at the end of 2014 accounted for 67% of the securities portfolio.

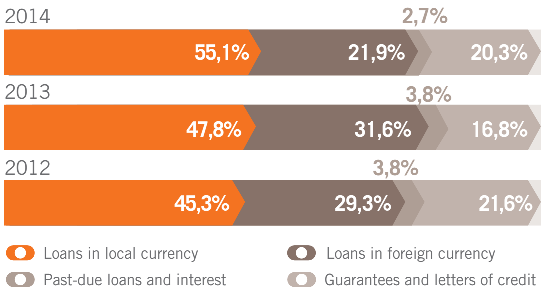
Structure of the Securities Portfolio in December 2014



Local currency loans as a proportion of loans and advances to customers

The total volume of loans and advances to customers grew by AKZ 116.004,2 Million (USD 1,301.5 Million) in 2014, representing an increase of approximately 62,9% compared to 2013. This growth was driven mainly by the increase in loans and advances to customers in local currency, which grew 87,8% compared to the previous year.

Structure of the Loan Portfolio



In contrast to 2013, the volume of guarantees and letters of credit grew nearly 97,4%, with an increase of AKZ 30.131,6 Million (USD 276,8 Million).

Although past-due loans increased, in absolute value, by AKZ 999,4 Million (USD 6,1 Million), they decreased by 1.1 percentage points as a proportion of the Bank's total loans, due to the significant growth of the Bank's loan portfolio (+58%). As a result of the decrease in past-due loans as a proportion of the loan portfolio, the ratio of loans more than 30 days past due to total loans (excluding guarantees and letters of credit) fell by more than one percentage point, reaching 3,3% in December 2014.

LOANS AND ADVANCES TO CUSTOMERS

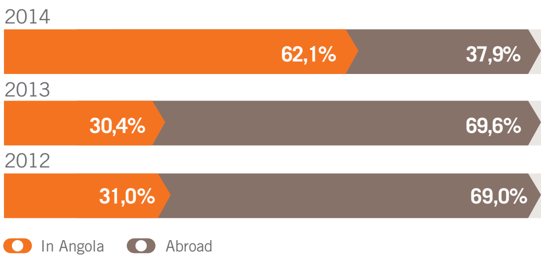
In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
1. Total loans	**186 137,1**	**1 942,4**	**184 302,2**	**1 888,0**	**300 306,5**	**2 919,5**	**62,9%**	**54,6%**
1.1 Loans and advances to customers	139 007,7	1 450,6	146 372,0	1 499,4	231 245,3	2 248,1	58,0%	49,9%
Loans in local currency	84 386,7	880,6	88 123,4	902,7	165 539,5	1 609,3	87,8%	78,3%
Loans in foreign currency	54 621,0	570,0	58 248,6	596,7	65 705,7	638,8	12,8%	7,1%
1.2 Past-due loans and interest	6 981,1	72,9	6 982,3	71,5	7 981,7	77,6	14,3%	8,5%
1.3 Guarantees and letters of credit	40 148,3	419,0	30 947,9	317,0	61 079,5	593,8	97,4%	87,3%
2. Total loan loss provisions	**9 992,1**	**104,3**	**10 044,3**	**102,9**	**10 853,2**	**105,5**	**8,1%**	**2,5%**
2.1 Specific provisions	9 212,0	96,1	9 341,3	95,7	9 748,4	94,8	4,4%	-1,0%
For past-due loans and interest	3 168,1	33,1	3 104,9	31,8	3 421,1	33,3	10,2%	4,6%
2.2 For general credit risks	780,1	8,1	703,0	7,2	1 104,8	10,7	57,2%	49,1%
3. Loans net of provisions	**136 776,8**	**1 427,3**	**144 013,1**	**1 475,3**	**229 478,5**	**2 230,9**	**59,3%**	**51,2%**
Of which: Past-due loans and interest	3 812,9	39,8	3 877,4	39,7	4 560,6	44,3	17,6%	11,6%
4. Credit quality								
Past-due loans (% total loans)	4,8%	4,8%	4,6%	4,6%	3,3%	3,3%	-1,3 p.p.,	-1,3 p.p.
Total provision coverage	143,1%	143,1%	143,9%	143,9	136.0%	136,0%	-7,9 p.p.	-7,9 p.p.

Loans and advances to credit institutions

In 2014, in contrast to previous years, loans and advances to credit institutions in Angola increased by a substantial 124,9%, totalling AKZ 155.489,4 Million (USD 1.511,6 Million), representing 62,1% of the Bank's total loans and advances. Conversely, the volume of loans and advances to credit institutions abroad showed a significant decrease, in the amount of 39,8%, or AKZ 62.909,8 Million (USD 694,1 Million).

Composition of Loans and Advances to Credit Institutions



LOANS AND ADVANCES TO CREDIT INSTITUTIONS

In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Loans and advances to credit institutions	**205 062,6**	**2 139,9**	**227 110,3**	**2 326,5**	**250 552,4**	**2 435,8**	**10,3%**	**4,7%**
In Angola	63 636,2	664,1	69 137,4	708,2	155 489,4	1 511,6	124,9%	113,4%
Abroad	141 426,3	1 475,9	157 972,9	1 618,3	95 063,1	924,2	-39,8%	-42,9%
Total	**205 062,6**	**2 139,9**	**227 110,3**	**2 326,5**	**250 552,4**	**2 435,8**	**10,3%**	**4,7%**

CUSTOMER FUNDS

In Million

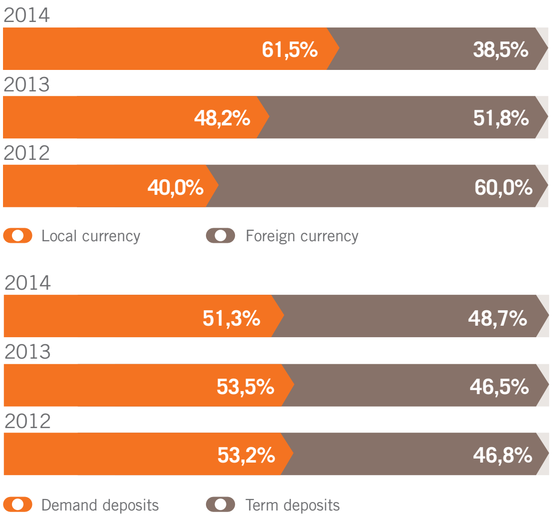
	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Sight deposits	**355 290,8**	**3 707,7**	**406 997,3**	**4 169,2**	**476 482,2**	**4 632,2**	**17,1%**	**11,1%**
Local currency	158 773,6	1 656,9	234 552,6	2 402,7	330 151,8	3 209,6	40,8%	33,6%
Foreign currency	196 517,1	2 050,8	172 444,8	1 766,5	146 330,5	1 422,6	-15,1%	-19,5%
Term deposits	**312 814,8**	**3 264,5**	**354 013,1**	**3 626,5**	**452 900,0**	**4 402,9**	**27,9%**	**21,4%**
Local currency	108 183,9	1 129,0	132 497,7	1 357,3	241 017,5	2 343,1	81,9%	72,6%
Foreign currency	204 630,9	2 135,5	221 515,4	2 269,2	211 882,5	2 059,9	-4,3%	-9,2%
Total	**668 105,8**	**6 972,2**	**761 010,4**	**7 795,7**	**929 382,2**	**9 035,1**	**22,1%**	**15,9%**

Customer funds

Customer funds grew nearly 22,1% compared to 2013, reaching AKZ 929.382,2 Million (USD 9.035,1 Million) at the end of 2014.

Looking at the structure of Sight deposits by currency, in 2014 there was a 40,8% increase in local currency deposits and a 15,1% decrease in foreign currency deposits.

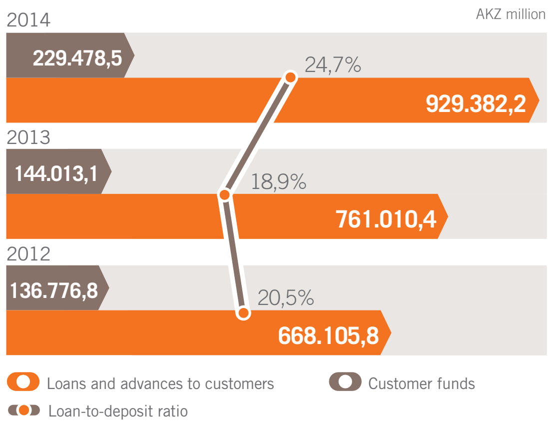
Customer Deposits by Product and Currency



In term deposits, which in 2014 increased by nearly AKZ 98.886,9 Million (USD 776,5 Million), the trend was similar: local currency deposits increased by a substantial 81,9%, while foreign currency deposits decreased by 4,3%.

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.

Loan-to-Deposit Ratio



Taking customer deposits as a whole, there was a considerable increase in the relative importance of the local currency, which accounts for 61,5% of the total, 13,2 percentage points more than in 2013, exceeding the relative weight of customer deposits in foreign currency.

OPERATING STATEMENT

In Million

		2012		2013		2014		Δ% 13-14	
		AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
1.	Net interest income [NII]=[I-E]	21 704,9	227,5	24 497,1	253,8	30 728,8	311,6	25,4%	22,8%
2.	Net non-interest income [NNII]	15 847,3	166,0	18 258,6	189,2	23 190,4	235,4	27,0%	24,4%
3.	**Operating revenue [OR]=[NII+NNII]**	**37 552,2**	**393,5**	**42 755,6**	**443,0**	**53 919,3**	**547,0**	**26,1%**	**23,5%**
4.	Administrative expenses [AE]	13 481,1	141,3	14 675,6	152,1	16 939,6	171,9	15,4%	13,0%
5.	**Operating cash flow [OR-AE]**	**24 071,1**	**252,2**	**28 080,1**	**290,9**	**36 979,6**	**375,1**	**31,7%**	**29,0%**
6.	Extraordinary profit/(loss) [XP/L]=[G-P]	255,6	2,7	44,7	0,5	67,4	0,7	50,8%	44,3%
7.	Operating profit/(loss) [OP/L]=[OR-AE+XP/L]	24 326,7	254,9	28 124,7	291,3	37 047,1	375,8	31,7%	29,0%
8.	Provisions and depreciation and amortization expense [PDA]	3 351,0	35,1	3 033,3	31,4	5 423,2	54,6	78,8%	73,7%
9.	Profit before tax [PBT]=[OP/L-PDA]	20 975,6	219,8	25 091,4	259,9	31 623,8	321,1	26,0%	23,6%
10.	Tax on profit [IT]	0,0	0,0	1 192,8	12,6	-172,3	-0,8	-114,4%	-106,6%
11.	Net profit/(loss) for the year [NP/L]=[PBT-IT]	20 975,6	219,8	23 898,6	247,3	31 796,1	322,0	33,0%	30,2%
12.	**Cash flow for the year [CF]=[NP/L+PDA]**	**24 326,7**	**254,9**	**26 932,0**	**278,7**	**37 219,3**	**376,6**	**38,2%**	**35,1%**

After decreasing the previous year, the loan-to-deposit ratio increased to 24,7% in 2014. This 5.8 percentage point increase is due particularly to the substantial growth of the loan portfolio net of provisions (59,3%), which outpaced the growth of customer deposits (22,1%).

Income statement and increased profitability

BFA's net profit of BFA at the end of 2014 amounted to AKZ 31.796,1 Million (USD 322 Million), an increase of 33% compared to 2013.

The operating statement shows that both net interest income and net non-interest income grew in 2014, producing a 26,1% increase in operating revenue, which reached AKZ 53.919,3 Million (USD 547 Million).

Once again there was an increase in administrative expenses, which were up 15,4% compared to the previous year. Provisions and amortization and depreciation expense also increased significantly, by 78,7% compared with 2013. Despite the rise in expenses, the profit for 2014 was up 33% compared to the previous year.

Tax expense in 2014 was negative, adding AKZ 172,3 Million (USD 0,8 Million) to BFA's profit. The significant reduction in the tax charge for the Bank was the result of, on the one hand, the deduction of AKZ 158 Million (USD 1,5 Million) of deferred taxes and, on the other, the tax amnesty under Law 20/ 14, which allowed the reversal of AKZ 412 Million (USD 4 Million) of potential tax liabilities.

It should also be noted that the revised code of the Tax on Invested Capital was approved by Presidential Legislative Decree 2/14. The tax expense in respect of the Tax on Invested Capital increased by AKZ 1.105 Million (USD 10,7 Million). Even so, tax expense fell overall by 2 percentage points compared to the previous year

NET INTEREST INCOME

In Million

	2012		2013		2014		Δ 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Income	32 628,1	341,9	35 011,6	362,8	44 413,3	450,3	9 401,7	87,5
Expenses	10 923,1	114,5	10 514,5	109,0	13 684,4	138,6	3 169,9	29,7
Net Interest Income	**21 704,9**	**227,5**	**24 497,1**	**253,8**	**30 728,8**	**311,6**	**6 231,8**	**57,8**

BREAKDOWN OF EARNINGS

In % of average total assets

ROA e ROE	2012	2013	2014
Net interest income	3,1%	3,1%	3,3%
Trading Financial	1,3%	1,4%	1,6%
Fee and commission income and other income	0,9%	0,8%	0,9%
Net operating revenue	**5,3%**	**5,3%**	**5,7%**
Administrative expenses	0,0%	1,8%	1,8%
Operating profit/(loss)	**3,4%**	**3,5%**	**3,9%**
Provisions and depreciation and amortization expense	0,5%	0,4%	0,6%
Extraordinary profit/(loss)	0,0%	0,0%	0,0%
Profit before tax	**3,0%**	**3,1%**	**3,4%**
Corporate income tax	0,0%	-0,1%	0,0%
Net profit/(loss) (ROA)	**3,0%**	**3,0%**	**3,4%**
Multiplier (ATA/AE)	10,2	10,6	10,3
Net profit/(loss) attributable to equityholders (ROE)	**30,3%**	**31,7%**	**34,8%**

The return on equity in 2014 thus rose to 34,8%, up more than 3 percentage points on the previous year.

Increase in net interest income – Volume effect and price effect

BFA's net interest income grew AKZ 6.231,8 Million (USD 57,8 Million) in 2014, an increase of 25,4% compared to the previous year.

This growth is attributable mainly to the increase in income, mainly from Treasury bonds and loans, which contributed to a 26,9% increase in finance income.

Interest expense on customer deposits, on the other hand, increased to AKZ 13.351,1 Million (USD 135,3 Million). Despite the increase in interest expense, the income was sufficient to give BFA net interest income of AKZ 30.728,8 Million (USD 311,6 Million) in 2014.

A breakdown of the change in BFA's net interest income by business volume and spread (price effect) shows, as in 2013, the positive volume effect of the increase in the Bank's securities portfolio, particularly Treasury bonds and bills (in local currency). In line with previous years, the interest income from loans exceeded the interest expense on customer funds by AKZ 3.554,2 Million (USD 35,9 Million).

BREAKDOWN OF CHANGE IN NET INTEREST INCOME

In Million

	Efeito Volume	Efeito Taxa	Δ
Interest-earning assets	9 798,5	-396,8	9 401,7
Interest-bearing liabilities	2 095,0	-1 074,9	3 169,9
Δ Net Interest Income	**7 703,5**	**-1 471,8**	**6 231,8**

Sharp increase in net non-interest income

In 2014 BFA's net non-interest income grew at a rate of nearly 27%, faster than in 2013, to reach AKZ 23.190,4 Million (USD 235,4 Million). This growth is a result of the increase in trading income through the foreign exchange business.

The main item of non-interest income thus continues to be trading income, which accounted for nearly 62,8% of the total, having gone from AKZ 11.537,1 Million (USD 119,5 Million) in 2013 to AKZ 14.570,6 Million (USD 147,9 Million) in 2013, an increase of 26,3%.

NET NON-INTEREST INCOME

In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Trading income	9 276,9	97,2	11 537,1	119,5	14 570,6	147,9	26,3%	23,0%
Net fee and commission income	3 135,4	32,9	3 962,3	41,1	5 823,3	59,1	47,0%	25,0%
Other net income	3 434,9	36,0	2 759,2	28,6	2 796,6	28,4	1,4%	-20,4%
Net non-interest income	**15 847,3**	**166,0**	**18 258,6**	**189,2**	**18 258 6**	**189,2**	**27,0%**	**14,0%**

Net fee and commission income gained importance compared to 2013, increasing by 3,4 percentage points as a percentage of net non-interest income. At December 2014, net fee and commission income totalled AKZ 5.823,3 Million (USD 59,1 Million), an increase of 47% compared to 2013.

As in the previous year, the growth of net fee and commission income was attributable to the increase in fee and commission income from foreign exchange transactions, due to the larger volume of transactions resulting from the regulatory changes in the oil sector.

Another contributing factor was the increase in fee and commission income from services provided by the Business Development Unit (BDU) and the growth of the cards, ATMs and POS terminals businesses.

Strengthening of the operating structure and reduction of the cost-to-income ratio

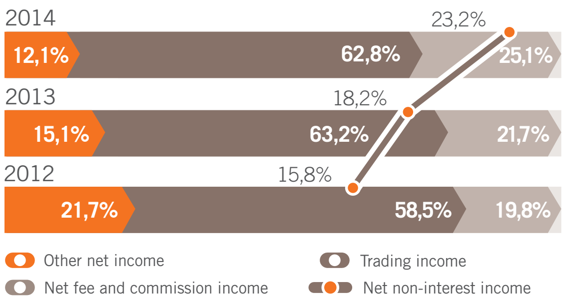
BFA's total operating expenses increased once again in 2014, rising from AKZ 17.031,1 Million (USD 176,6 Million) in 2013 to AKZ 19.585 Million (USD 198,7 Million) in 2014, representing growth of 15%.

The bulk of this growth was due to the increase in general expenses, especially non-income tax expense.

Third-party supplies and services (especially advertising, IT services, consultancy, and conservation and repairs) also contributed to the increase in BFA's operating expenses, illustrating the Bank's commitment to modernizing its services and infrastructure.

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 36,3%, 3.5 percentage points below the level recorded in 2013.

Composition and Trend of Net Non-Interest Income



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

OPERATING EXPENSES

In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Staff costs (I)	7 583,8	79,5	7 996,3	82,9	8 590,0	87,2	7,4%	5,1%
Third-party supplies and services (II)	6 479,5	67,9	6,991,2	72,5	7 689,2	78,1	10,0%	7,7%
Other general expenses (III)	127,8	1,3	351,4	3,6	1 487,3	15,1	323,3%	316,0%
Operating expenses before depreciation and amortization (IV = I+II+III)	14 191,1	148,7	15 338,8	159,0	17 766,6	180,3	15,8%	13,4%
Amortization and depreciation expense (V)	1 550,5	16,2	1 692,3	17,5	1 818,4	18,5	7,5%	5,2%
Operating expenses (VI = IV+V)	**15 741,6**	**165,0**	**17 031,1**	**176,6**	**19 585,0**	**198,7**	**15,0%**	**12,6%**
Cost recovery (VII)	710,0	7,4	663,2	6,9	826,9	8,4	24,7%	21,6%
Administrative expenses (VI-V-VII)	**13 481,1**	**141,3**	**14 675,6**	**152,1**	**16 939,6**	**171,9**	**15,4%**	**13,0%**
Extraordinary profit/(loss)	255,6	2,7	44,7	0,5	67,4	0,7	50,8%	44,3%
Cost-to-income ratio	**41,9%**	**41,9%**	**39,8%**	**39,9%**	**36,3%**	**36,3%**	**-3,5 p.p**	**-3,6 p.p**

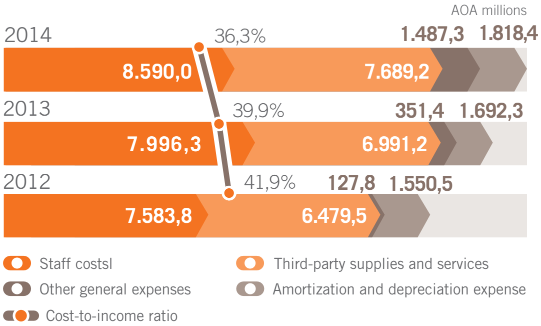
Framework of financial stability and soundness

In December 2014, total shareholders' equity reached AKZ 104.487,3 Million (USD 1.015,8 Million), an increase of AKZ 19.846,8 Million (USD 148,7 Million), representing growth of nearly 23,45% compared to the previous year.

Following the trend of previous years, in 2014 total capital rose 24,3% to AKZ 103.130,4 Million (USD 1.002,6 Million). This increase is attributable entirely to growth of core capital.

The regulatory solvency ratio, calculated in accordance with BNA Instruction 03/11, reached 24%, comfortably above the required minimum of 10%.

Operating expenses



Note: Operating expenses in AOA millions on the left axis, the other items in percent on the right axis

SHAREHOLDERS' EQUITY AND EQUIVALENTS

In Million

	2012		2013		2014		Δ% 13-14	
	AKZ	USD	AKZ	USD	AKZ	USD	AKZ	USD
Capital	3 522,0	36,8	3 522,0	36,1	3 522,0	34,2	0,0%	-5,1%
Funds	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Reserves	49 878,4	519,7	57 219,9	583,7	69 169,2	659,6	20,9%	13,0%
Retained earnings	0,0	0,0	0,0	0,0	0,0	0,0	-	-
Profit/(loss) for the year	20 975,6	219,8	23 898,6	247,3	31 796,1	322,0	33,0%	30,2%
Total	**74 376,0**	**776,2**	**84 640,5**	**867,0**	**104 487,3**	**1 015,8**	**23,4%**	**17,2%**

SOLVENCY RATIO

In Million

	2012		2013		2014	
	AKZ	USD	AKZ	USD	USD	USD
Weighted assets	243 858,0	2 544,8	276 788,9	2,835,4	370 070,2	3 597,7
Core capital	72 521,1	756,8	82 331,9	843,4	102 503,0	996,5
Supplementary capital	622,9	6,5	624,8	6,4	627,5	6,1
Total capital	73 144,0	763,3	82 956,6	849,8	103 130,4	1 002,6
Solvency ratio *	**30,0%**	**30,0%**	**30,0%**	**30,0%**	**27,9%**	**27,9%**
Regulatory solvency ratio	**24,2%**	**24,2%**	**25,8%**	**25,8%**	**24,0%**	**24,0%**

* not including the foreign exchange risk ratio

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Proposed application of earnings

The net profit for 2014, totalling 31.796.097.038,00 kwanzas, will be applied as follows:

• To unrestricted reserves: 50% of the net profit, that is, 15.898.048.519,00 kwanzas;

• To dividends: 50% of the net profit, that is, 15.898.048.519,00 kwanzas.

The Board of Directors

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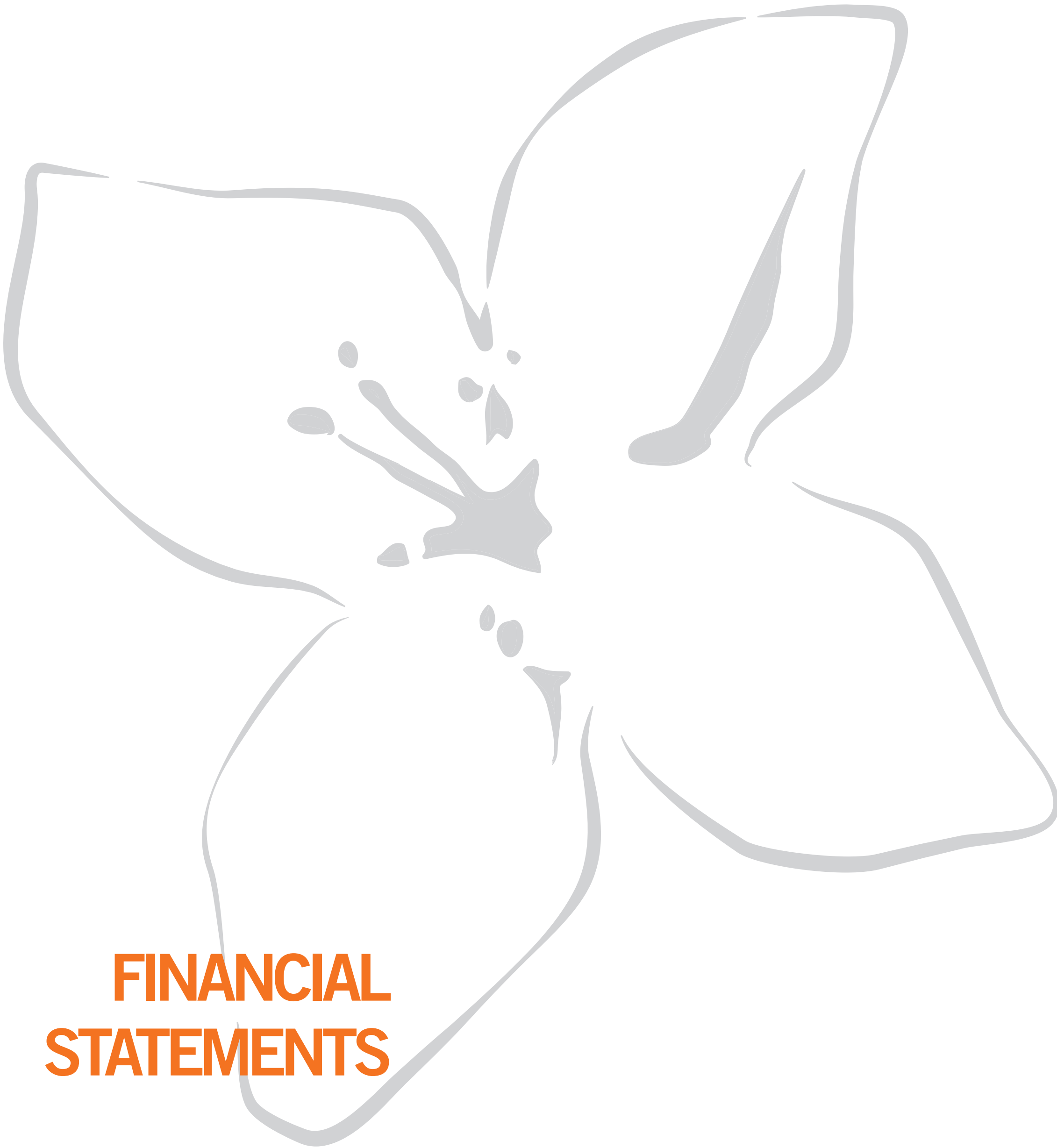

FINANCIAL STATEMENTS

Financial Statement

BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013

(Amounts expressed in thousands of Angolan kwanzas)

	Notes	2014	2013
ASSETS			
Cash and banks	3	189 279 390	144 564 297
Short-term investments:			
Loans and advances to credit institutions	4	150 902 141	188 445 058
Reverse repurchase agreements	4	99 650 302	38 665 232
		250 552 443	**227 110 290**
Marketable securities:			
Held for trading	5	26 664 645	18 727 351
Held to maturity	5	333 139 476	306 880 434
		359 804 121	**325 607 785**
Foreign exchange transactions	6	22 348 965	6 900 802
Derivative financial instruments	7	142 733	126 700
Loans and advances			
Loans and advances	8	239 226 919	153 354 337
Provision for doubtful loans	8	(9 748 392)	(9 341 265)
		229 478 527	**144 013 072**
Other assets	9	3 009 491	1 923 287
Fixed assets			
Financial fixed assets	10	381 593	351 548
Tangible fixed assets	10	17 707 592	17 128 299
Intangible assets	10	351 531	306 115
		18 440 716	**17 785 962**
Total Assets		**1 073 056 386**	**868 032 195**
LIABILITIES AND EQUITY			
Deposits			
Sight deposits	11	480 149 475	409 012 065
Term deposits	11	452 900 002	354 013 092
		933 049 477	**763 025 157**
Short-term borrowings			
Interbank money market transactions	12	6 480	-
Derivative financial instruments	7	284 231	165 754
Liabilities in the payment system	13	3 187 488	4 783 027
Foreign exchange transactions	6	22 152 089	6 734 985
Other liabilities	14	5 769 286	5 610 567
Provisions for contingent liabilities	15	4 120 068	3 072 226
Total Liabilities		**968 569 119**	**783 391 716**
Share capital	16	3 521 996	3 521 996
Share capital monetary revaluation reserve	16	450 717	450 717
Reserves and funds	16	67 464 629	55 515 321
Unrealized gains and losses	16	1 253 828	1 253 828
Net profit for the year		31 796 097	23 898 617
Total Equity		**104 487 267**	**84 640 479**
Total Liabilities and Equity		**1 073 056 386**	**868 032 195**

The accompanying Notes are an integral part of these balance sheets..

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Amounts expressed in thousands of Angolan kwanzas

	Notes	2014	2013
Income from short-term investments	21	4 237 822	4 795 506
Income from marketable securities	21	22 863 899	15 064 201
Income from derivative financial instruments	21	406 271	875 277
Income from loans	21	16 905 295	14 276 603
Income from financial instruments (assets)		**44 413 287**	**35 011 588**
Costs of deposits	21	(13 351 083)	(10 507 285)
Costs of short-term borrowings	21	(23 536)	(7 246)
Costs of derivative financial instruments	21	(309 824)	
Costs of financial instruments (liabilities)		**(13 684 443)**	**(10 514 531)**
Net interest income		**30 728 844**	**24 497 057**
Profit/(loss) from trading and fair value adjustments	5	714 232	30 128
Foreign exchange gains and losses	22	14 570 587	11 537 059
Profit/(loss) from the provision of financial services	23	5 823 298	3 962 331
Provisions for doubtful loans and guarantees provided	15	(2 664 016)	(1 067 387)
PROFIT/(LOSS) FROM FINANCIAL INTERMEDIATION		**49 172 945**	**38 959 188**
Staff costs	24	(8 590 011)	(7 996 259)
Third-party supplies	25	(7 689 191)	(6 991 188)
Non-income related taxes and levies	26	(1 481 319)	(350 009)
Penalties applied by regulatory authorities		(6 028)	(1 361)
Depreciation and amortization expense	10	(1 818 402)	(1 692 307)
Cost recoveries	27	826 905	663 245
Administrative and sales expenses		**(18 758 046)**	**(16 367 879)**
Provisions for other assets and contingent liabilities	15	(940 800)	(273 649)
Other operating income and expenses	28	2 082 329	2 729 050
OTHER OPERATING INCOME AND EXPENSES		**(17 616 517)**	**(13 912 478)**
OPERATING PROFIT/(LOSS)		**31 556 428**	**25 046 710**
NON-OPERATING PROFIT/(LOSS	29	**67 405**	**44 689**
PROFIT/(LOSS) BEFORE TAX AND OTHER CHARGES		**31 623 833**	**25 091 399**
CHARGES TO CURRENT PROFIT/(LOSS)	18	**172 264**	**(1 192 782)**
NET CURRENT PROFIT/(LOSS)		**31 796 097**	**23 898 617**
NET PROFIT/(LOSS) FOR YEAR		**31 796 097**	**23 898 617**

The accompanying Notes are an integral part of these income statements..

STATEMENTS OF CHANGES IN EQUITYS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Amounts expressed in thousands of Angolan kwanzas

	Notes	Share capital	Share capital monetary revaluation reserve	Legal and other reserves	Unrealised gains/(losses)	Profit/(loss) for the year	Total
Balance at 31 December 2012		**3 521 996**	**450 717**	**48 173 844**	**1 253 828**	**20 975 647**	**74 376 032**
Application of 2012 profit/(loss)							
Transfers to reserves and funds	16	-	-	7 341 477	-	(7 341 477)	-
Dividend distribution	16	-	-	-	-	(13 634 171)	(13 634 171)
Net profit for the year	16	-	-	-	-	23 898 617	23 898 617
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**

The accompanying Notes are an integral part of these statements of changes in equity.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(Amounts expressed in thousands of Angolan kwanzas)

	2014	2013
Cash received from short-term investments	3 640 712	4 977 522
Cash received from securities	21 706 019	13 675 153
Cash received from derivative financial instruments	508 714	914 331
Cash received from loans	16 516 472	14 260 216
Cash received from financial instruments (assets)	42 371 917	33 827 222
Cash paid for costs of deposits	(12 409 073)	(10 110 076)
Cash paid for costs of short-term borrowings	(23 536)	(7 246)
Cash paid for costs of derivative financial instruments	(309 824)	-
Cash paid for costs of financial instruments (liabilities)	(12 742 433)	(10 117 322)
Cash flow from net interest income	**29 629 484**	**23 709 900**
Cash flow from gains/(losses) on trading and fair value adjustments	714 233	5 072
Cash flow from gains/(losses) on foreign exchange transactions	9 661 103	8 025 036
Cash flow from gains/(losses) on the provision of financial services	5 823 298	3 962 331
CASH FLOW FROM OPERATING ACTIVITIES – FINANCIAL INTERMEDIATION	**45 828 118**	**35 702 339**
Cash paid for administrative and sales expenses	(15 928 884)	(14 119 353)
Cash flow for other charges to profit/(loss)	172 264	(1 192 782)
Cash flow from the settlement of transactions in the payment system	(1 595 540)	1 280 376
Cash flow from other assets and other liabilities	1 559 887	3 913
Cash flow from other operating income and expenses	2 082 329	2 729 050
CASH RECEIVED AND PAID – OTHER OPERATING INCOME AND EXPENSES	**(13 709 944)**	**(11 298 796)**
CASH FLOW FROM OPERATING ACTIVITIES	**32 118 174**	**24 403 543**
Cash flow from short-term investments	(22 845 045)	(22 229 755)
Cash flow from investments in marketable securities (assets)	(33 038 455)	(70 069 546)
Cash flow from investments in foreign exchange transactions	(15 448 163)	(4 860 258)
Cash flow from investments in loans	(86 402 630)	(6 530 259)
CASH FLOW FROM INVESTING ACTIVITIES – FINANCIAL INTERMEDIATION	**(157 734 293)**	**(103 689 818)**
Cash flow from investments in fixed assets	(2 265 915)	(2 512 163)
Cash flow from other non-operating gains and losses	67 405	44 689
CASH FLOW FROM FIXED ASSETS	**(2 198 510)**	**(2 467 474)**
CASH FLOW FROM INVESTMENTS	**(159 932 803)**	**(106 157 292)**
Cash flow from financing activities — Deposits	169 082 311	94 514 617
Cash flow from financing activities — Short-term borrowings	6 480	(4 352)
Cash flow from financing activities — Foreign exchange transactions	15 417 104	4 691 094
CASH FLOW FROM FINANCING ACTIVITIES – FINANCIAL INTERMEDIATION	**184 505 895**	**99 201 359**
Cash paid for dividends	(11 976 173)	(15 765 114)
CASH FLOW FROM FINANCING ACTIVITIES – EQUITY	**(11 976 173)**	**(15 765 114)**
CASH FLOW FROM FINANCING ACTIVITIES	**172 529 722**	**83 436 245**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**144 564 297**	**142 881 801**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**189 279 390**	**144 564 297**
CHANGE IN CASH AND CASH EQUIVALENTS	**44 715 093**	**1 682 496**

The accompanying Notes are an integral part of these statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014 AND 2013

(Amounts expressed in thousands of kwanzas (kAKZ), 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 2014 it has a national network of 154 branches, 7 service points, 9 investment centres and 16 corporate centres (147 branches, 4 service points, 8 investment centres and 16 corporate centres at 31 December 2013).

The accompanying financial statements at 31 December 2014 have not yet been approved by the General Meeting of Shareholders. However, the Board of Directors believes that they will be approved without any significant changes.

2. BASIS OF PRESENTATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1. BASES OF PRESENTATION

The 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 9/07. 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 2014 and 2013 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 (AKZ) exchange rates against the United States dollar (USD) and the euro (EUR) at 31 December 2014 and 2013 were as follows:

	2014	2013
1 USD	102,863	97,619
1 EUR	125,195	134,38

2.2. ACCOUNTING POLICIESS

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 position

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

Law 7/04 of 15 October, which regulates the Angolan Social Security System, 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 employment, 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 of 9 June 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 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 (Note 15).

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).

As of 31 December 2013 the Bank's liabilities to the Complementary Pension Plan were recorded under "Provisions for sponsored survivor benefits - Complementary Pension Plan".

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 recognised 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 4/11 (published in the Diário da República as Notice 3/12) 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 3/12, 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%**
Days past due	up to 15 days	15 to 30 days	1 to 2 months	2 to 3 months	3 to 5 months	5 to 6 months	more than 6 months

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 the risk levels of loans, including non-performing loans, BFA reclassifies loans between risk levels 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 provision of guarantees” (Note 15).

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 2/09 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 period, even if the 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.

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 2/09 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 ofuseful life
Property in use (Buildings)	50
Leasehold improvements	10
Equipment:	
. Furniture and fixtures	10
. Computer equipment	3
. Interior installations	10
. Transport material	3
. Machinery and tools	6 and 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

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 2014 and 2013, 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 recognised 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 2014 and 2013, 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 2014 and 2013, 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 realizable value obtained by a valuation technique or internal model;

iii) Price of a comparable financial instrument, taking into account at least the payment and maturity periods, the credit risk and the currency or benchmark; 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.

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.

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 Industrial Tax, in respect of which it is classified as a Group A taxpayer.

Within the scope of the Angolan tax reform project, Law 19/14 was published in the Diário da República newspaper. This law implements the new Industrial Tax Code, effective from 1 January 2015, and sets the rate of Industrial Tax at 30%. A transitional regime has been established which stipulates that the 30% rate already applies to financial year 2014. The rate applicable in 2013 was 35%.

Income from Treasury bonds or Treasury bills issued by the Republic of Angola, the issue of which is regulated by the Framework-Law on Direct Public Debt (Law 16/02), Presidential Decree 259/10 and Law 1/14, is exempt from Industrial Tax under article 23(1).c of the Industrial Tax Code, where it is expressly stated that the returns on Angolan public debt securities are not considered income for the purpose of Industrial Tax.

Tax on Invested Capital (IAC)
The new tax code for the Tax on Invested Capital (IAC) was approved by Presidential Legislative Decree 2/14 of 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.

Income from short-term lending and borrowing transactions with other financial institutions (whether resident or non-resident in Angola) are subject to IAC.

IAC is to be understood as a payment on account of Industrial Tax and is set off against the amount of Industrial Tax payable, as provided in article 81.a) of the Industrial Tax Code.

Wealth tax
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 kAKZ 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 the possibility that a future outflow of funds will be required is less than likely but more than remote, a contingent liability is disclosed. If the possibility of an outflow of funds is remote, no contingent liability is disclosed.

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 item at 31 December 2014 and 2013 is as follows:

	2014	2013
CASH IN HAND		
Local currency notes and coins	21 519 533	16 783 341
Foreign currency notes and coins:		
In United States dollars	5 432 215	5 464 856
In other currencies	992 819	461 691
	27 944 567	**22 709 888**
CASH IN THE CENTRAL BANK		
Sight deposits at Banco Nacional de Angola (BNA)		
In local currency	75 726 013	61 009 724
In United States dollars	78 404 280	58 386 900
	154 130 293	**119 396 624**
CASH AT FINANCIAL INSTITUTIONS ABROAD		
Sight deposits	6 927 409	2 083 360
Cheques for collection – in Angola	277 121	374 424
	189 279 390	**144 564 297**

The 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 currently calculated as provided by Instruction 7/14. 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 2014, the mandatory reserve requirement is calculated by applying a 15% rate to the arithmetic average of eligible liabilities in local and foreign currency.

The composition of this item at 31 December 2014 and 2013 is as follows:

4. SHORT-TERM INVESTMENTS

	Foreign currency		Local currency	
	2014	2013	2014	2013
INTERBANK MONEY MARKET TRANSACTIONS				
Loans and advances to credit institutions abroad				
Banco BPI, S.A. (nota18)				
In United States dollars	620 000 000	1 281 500 000	63 775 060	125 098 748
In euros	104 000 000	124 500 000	13 020 280	16 731 057
In pounds sterling	6 000 000	25 500 000	960 018	4 098 080
In Swedish kronor	12 000 000	3 000 000	166 284	47 909
In Norwegian kroner	-	5 000 000	-	4 640
In yen				
Other credit institutions abroad				
In United States dollars	166 361 707	119 407 247	17 112 464	11 656 416
			95 034 106	**157 636 849**
Loans and advances to credit institutions in Angola				
Banco Nacional de Angola				
In kwanzas			27 600 000	5 400 000
Other credit institutions in Angola:				
In kwanzas			28 190 549	24 981 058
			150 824 655	**188 017 907**
Income receivable			77 486	427 151
			150 902 141	**188 445 058**
THIRD-PARTY SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL				
Banco Nacional de Angola				
In Kwanzas			98 655 091	38 616 794
Income receivable			995 211	48 438
			99 650 302	**38 665 232**
			250 552 443	**227 110 290**

The distribution of deposits at credit institutions by remaining term to maturity at 31 December 2014 and 2013 is as follows:

	2014	2013
Up to three months	148 769 407	188 445 058
From three months to one year	2 132 734	-
	150 902 141	**188 445 058**

At 31 December 2014 and 2013, the deposits at credit institutions earned interest at the following average rates:

	2014	2013
In United States dollars	0,33%	0,81%
In euros	0,45%	0,81%
In kwanzas	6,56%	5,43%
In pounds sterling	0,45%	0,47%
In Swedish kronor	0,00%	0,00%
In Norwegian kroner	1,00%	1,35%
In yen	0,00%	0,08%

Shown below is a breakdown of the reverse repurchase agreements at 31 December 2014 and 2013 by remaining term to maturity:

	2014	2013
Up to three months	53 766 841	38 665 232
From three months to one year	45 883 461	-
	99 650 302	**38 665 232**

At 31 December 2014 and 2013, the reverse repurchase agreements earned interest at yearly average rates of 4,50% and 2,79%, respectively.

5. SECURITIES

HELD-TO-MATURITY SECURITIES

The composition of this item at 31 December 2014 and 2013 is as follows:

	2014									
	Level of risk	Country	Currency	Face value	Cost of acquisition	Premium/ discount earned	Interest earned	Carrying Value	Impairment	interest rate
DEBT SECURITIES										
Treasury bills	A	Angola	AKZ	59,507,466	56 756 206	1 184 051	-	57 940 257	-	5,42%
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**	**-**	

	2013									
	Level of risk	Country	Currency	Face value	Cost of acquisition	Premium/ discount earned	Interest earned	Carrying Value	Impairment	interest rate
DEBT SECURITIES										
Treasury bills	A	Angola	AKZ	50 876 129	48 983 728	451 448	-	49 435 176	-	4,31%
Treasury bonds in local currency:										
Indexed to the US dollar exchange rate	A	Angola	AKZ	80 203 763	79 088 255	976 866	958 186	81 023 308	-	7,30%
Not indexed	A	Angola	AKZ	125 110 500	124 725 500	19 515	2 543 864	127 288 879	-	7,32%
Treasury bonds in foreign currency	A	Angola	USD	49 067 214	48 335 072	208 740	589 260	49 133 071	-	3,78%
				305 257 606	**301 132 555**	**1 656 569**	**4 091 310**	**306 880 434**	**-**	

The distribution of debt securities by benchmark index at 31 December 2014 and 2013 is as follows:

	2014			2013		
	Carrying value			Carrying value		
	Fixed rate	6-month Libor	Total	Fixed rate	6-month Libor	Total
Treasury bills	57 940 257	-	57 940 257	49 435 176	-	49 435 176
Treasury bonds in local currency:						
Indexed to the US dollar exchange rate	66 668 219	155 067	66 823 286	80 404 138	619 170	81 023 308
Not indexed	156 525 702	-	156 525 702	127 288 879	-	127 288 879
Foreign currency Treasury bonds	-	51 850 231	51 850 231	-	49 133 071	49 133 071
	281 134 178	**52 005 298**	**333 139 476**	**257 128 193**	**49 752 241**	**306 880 434**

The distribution of held-to-maturity securities at 31 December 2014 and 2013 by remaining term to maturity is as follows:

	2014	2013
Current assets:		
Up to three months	18 691 417	14 502 703
From three to six months	30 471 195	15 461 959
From six months to one year	59 626 640	50 765 222
	108 789 252	**80 729 884**
Non-current assets:		
From one to three years	174 059 197	112 990 502
From three to five years	50 291 027	89 840 003
More than five years	-	23 320 044
	224 350 224	**226 150 549**
	333 139 476	**306 880 434**

HELD-FOR-TRADING SECURITIES

The composition of held-for-trading securities at 31 December 2014 and 2013 is as follows:

	2014	2013
Debt securities:		
Treasury bills	19 069 301	18 651 834
Treasury bonds	7 501 648	-
	26 570 949	**18 651 834**
Equity securities:		
Shares - Visa Inc. – Class C (Series I)	93 696	75 517
	26 664 645	**18 727 351**

At 31 December 2014 and 2013, the Bank held Treasury bills and Treasury bonds issued by the Angolan government (risk level A – zero) 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 2014 and 2013 is as follows:

	2014	2013
Current assets:		
Up to three months	4,060,497	2,540,101
From three to six months	5,366,067	4,715,223
From six months to one year	10,819,444	11,396,510
	20,246,008	**18,651,834**
Non-current assets:		
From one to three years	6,324,941	-
	6,324,941	-
	26,570,949	18,651,834

The carrying value of the debt securities at 31 December 2014 and 2013 included accrued interest of kAKZ 490,095 and kAKZ 363,847, respectively.

At 31 December 2014 and 2013, the portfolio of equity securities held for trading consisted of 3,474 Class C (Series I) shares of Visa Inc. The carrying value of these securities is marked to their trading price in an active market.

In the years ended 31 December 2014 and 2013, 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”.

6. FOREIGN EXCHANGE TRANSACTIONS

The composition of this item at 31 December 2014 and 2013 is as follows:

	2014			2013		
	Assets / Income	Liabilities / Expenses	Net	Assets / Income	Liabilities / Expenses	Net
Foreign exchange transactions						
Purchase and sale of foreign currencies	2 796 992	(2 797 299)	(307)	919 910	(919 847)	63
Forward currency transactions	19 551 973	(19 354 790)	197 183	5 980 892	(5 815 138)	165 754
	22 348 965	**(22 152 089)**	**196 876**	**6 900 802**	**(6 734 985)**	**165 817**

7. DERIVATIVE FINANCIAL INSTRUMENTS

The composition of this item at 31 December 2014 and 2013 is as follows:

	2014	2013
Derivative financial instruments:		
Income receivable from derivative financial instruments	142 733	126 700
Costs payable for derivative financial instrument	(87 048)	-
Loss on revaluation of derivative financial instruments	(197 183)	(165 754)
	(141 498)	**(39 054)**

At 31 December 2014, the derivative financial instruments consist 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 item at 31 December 2014 and 2013 is as follows:

	2014	2013
Lending to domestic borrowers:		
Overdrafts on Sight deposits:		
In local currency	316 174	2 692 220
In foreign currency	407 297	489 487
Other loans:		
In local currency	65 198 618	44 857 880
In foreign currency	12 742 033	30 389 769
Loans:		
In local currency	99 491 863	39 950 738
In foreign currency	51 658 740	26 915 737
	229 814 725	**145 295 831**
Lending to foreign borrowers	29 389	43 882
Total performing loans	**229 844 114**	**145 339 713**
Past-due loans and interest:		
Principal and interest	7 981 662	6 982 290
Total loans and advances	**237 825 776**	**152 322 003**
Income receivable from loans and advances	1 401 143	1 032 334
	239 226 919	**153 354 337**
Provision for doubtful loans (Note 15)	(9 748 392)	(9 341 265)
	229 478 527	**144 013 072**

At 31 December 2014, loans and advances to customers earned interest at an average annual rate of 10,34% for loans in local currency and 6,34% for loans in foreign currency (11,86% in local currency and 7,08% in foreign currency at 31 December 2013).

The distribution of the performing loans (excluding income receivable) by remaining term to maturity at 31 December 2014 and 2013 is as follows:

	2014	2013
Up to one year	65 130 229	8 994 368
From one to three years	23 440 284	26 032 329
From three to five years	40 896 998	42 525 326
More than five years	100 376 603	67 787 690
	229 844 114	**145 339 713**

The distribution of loans and advances (excluding income receivable) at 31 December 2014 and 2013 by currency is as follows:

	2014	2013
Kwanzas	168 097 504	91 083 338
United States dollars	69 154 007	60 277 341
Euros	574 264	961 307
Other currencies	1	17
	237 825 776	**152 322 003**

The structure of the loan portfolio (excluding income receivable) at 31 December 2014 and 2013 by type of borrower and type of lending is as follows:

	2014			2013		
	Outstanding	Past-due	Total	Outstanding	Past-due	Total
Public administration, defence and obligatory social security	**96 219 359**	**-**	**96 219 359**	**19 419 532**	**-**	**19 419 532**
Corporates						
Loans	20 204 212	1 185 121	21 389 333	21 870 905	1 260 644	23 131 549
Financing	52 146 907	5 639 743	57 786 650	52 771 213	4 844 393	57 615 606
	72 351 119	**6 824 864**	**79 175 983**	**74 642 118**	**6 105 037**	**80 747 155**
- Individuals						
Loans	31 614 950	816 246	32 431 196	28 639 254	761 300	29 400 554
Financing	29 658 686	340 552	29 999 238	22 638 809	115 953	22 754 762
	61 273 636	**1 156 798**	**62 430 434**	**51 278 063**	**877 253**	**52 155 316**
Total	**229 844 114**	**7 981 662**	**237 825 776**	**145 339 713**	**6 982 290**	**152 322 003**

The distribution of the loan portfolio (excluding income receivable) at 31 December 2014 and 2013 by benchmark interest rate is as follows:

	Fixed	Floating rate - Benchmark			
Year	rate	3M Libor	6M Libor	Subtotal	Total
2014	227 720 078	1 260 072	8 845 626	10 105 698	237 825 776
2013	128 652 960	1 195 833	22 473 210	23 669 043	152 322 003

The distribution of the portfolio of loans (excluding past-due loans), guarantees and documentary credits at 31 December 2014 and 2013 by industry is as follows:

Description	2014				2013			
	Outstanding loans	Guarantees and Doc. Credits. (Note 17)	Total	%	Outstanding loans	Guarantees and Doc. Credits. (Note 17)	Total	%
Agriculture, forestry and fishing	9 906 546	1 060 889	10 976 435	3,78%	7 806 628	38 354	7 844 982	4,49%
Extractive industries	1 566 301	13 198	1 579 499	0,54%	1 105 361	-	1 105 361	0,63%
Processing industries	3 195 349	3 088 652	6 284 001	2,16%	2 906 360	4 725 965	7 632 325	4,37%
Production and distribution of electricity, gas and water	3 215 445	679 997	3 895 442	1,34%	7 453 292	283 584	7 736 876	4,43%
Construction	26 153 722	32 145 568	58 299 290	20,05%	19 821 883	13 526 673	33 348 556	19,10%
Wholesale and retail trade	12 361 429	12 666 058	25 027 487	8,61%	15 593 773	5 805 258	21 399 032	12,26%
Accommodation and restaurants	1 784 572	660 999	2 445 571	0,84%	3 365 389	-	3 365 389	1,93%
Transport, storage and communications	3 434 797	1 155 763	4 590 560	1,58%	5 775 995	530 541	6 306 536	3,61%
Banks and insurance	1 734 555	6 763 923	8 498 478	2,92%	402 272	3 190 330	3 592 602	2,06%
Real estate, rental and other services provided by businesses	3 476 306	245 710	3 722 016	1,28%	4 980 066	139 561	5 119 627	2,93%
Government, defence and mandatory social security	96 219 359	1 702 703	97 922 062	33,69%	19 419 532	565 740	19 985 272	11,45%
Education	3 638 402	309	3 638 711	1,25%	1 026 873	241 243	1 268 116	0,73%
Health and social work	721 519	74 432	795 951	0,27%	1 083 678	28 478	1 112 156	0,64%
Recreational, cultural and sports activities	861 088	14 963	876 051	0,30%	2 515 578	-	2 515 578	1,44%
Other service companies	301 088	395 929	697 017	0,24%	804 970	60 026	864 996	0,50%
Individuals	61 273 636	176 519	61 450 154	21,14%	51 278 063	102 255	51 380 318	29,43%
Total	**229 844 114**	**60 854 610**	**290 698 725**	**100%**	**145 339 713**	**29 238 008**	**174 577 721**	**100,00%**

At 31 December 2014, the Bank's biggest debtor accounted for 94,1% of regulatory capital and 40,81% of the total loan portfolio. Although the Bank's biggest debtor was above the limit of 25% of regulatory capital stipulated by BNA Notice 8/07, the loans are to the Angolan State, represented by the Finance Ministry, and BFA has obtained authorization from the BNA to continue in this situation for six months, until June 2015. In 2014, the Bank's ten biggest debtors accounted for 53,97% of the total loan portfolio (excluding guarantees and documentary credits). At 31 December 2013 the Bank's biggest debtor accounted for 11,93% of the total loan portfolio, and the Bank's ten biggest debtors together accounted for 30,39% of the total loan portfolio (excluding guarantees and documentary credits).

The distribution of loans (excluding income receivable) by risk class at 31 December 2014 and 2013 and the provisions for doubtful loans in each class are as follows:

	2014				
	Performing loans	Past-due loans	Total	Average provisioning %	Provision
Classe A	107 459 804	7 549	107 467 353	0%	-
Classe B	877 992	4 628	882 620	1%	8 826
Classe C	116 293 989	187 567	116 481 556	3%	3 494 447
Classe D	510 674	1 857 262	2 367 936	10%	236 794
Classe E	1 208 677	1 773 646	2 982 323	22%	670 957
Classe F	2 809 104	3 192 817	6 001 921	61%	3 675 417
Classe 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

	2013				
	Performing loans	Past-due loans	Total	Average provisioning %	Provision
Classe A	29 377 827	2 249	29 380 076	0%	-
Classe B	1 235 864	744	1 236 608	1%	12 366
Classe C	108 567 841	241 391	108 809 232	3%	3 264 277
Classe D	747 428	940 978	1 688 406	10%	168 841
Classe E	1 412 363	2 080 254	3 492 617	23%	791 585
Classe F	3 240 081	2 970 825	6 210 906	57%	3 536 780
Classe G	758 309	745 849	1 504 158	100%	1 504 158
	145 339 713	**6 982 290**	**152 322 003**		**9 278 008**
Provision for income receivable					63 257
					9 341 265
Provision for guarantees provided (Notes 15 and 17)					703 006
					10 044 271

The movement in the provisions for doubtful loans and guarantees in 2014 and 2013 is presented in Note 15.

The movement in the borrower risk migration matrix between 31 December 2013 and 2014 is shown below:

Risk level		Dec. 2014									
		A	B	C	D	E	F	G	Settled / Charge-offs / Write-offs	Total	Portfolio distribution at 31.12.2013
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%**	
Portfolio distribution from 31-12-2013 to 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

The migration matrix shows that 73% of the loan portfolio, which at 31 December 2013 totalled kAKZ 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
Outstanding	Settlements/ repayments	Higher risk	Lower risk	Written off	
73,09%	21,23%	3,54%	2,13%	0,00%	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 movement in the borrower risk migration matrix between 31 December 2012 and 2013 is shown below:

Risk level		Dec. 2013									
		A	B	C	D	E	F	G	Settled / Charge-offs / Write-offs	Total	Distribuição da carteira em 31.12.2012
Dec. 12	A	95,38%	0,22%	1,59%	0,00%	0,00%	0,00%	0,00%	2,82%	16,98%	24 622 865
	B	39,15%	0,00%	8,22%	0,00%	0,00%	0,00%	0,00%	52,63%	0,09%	127 763
	C	1,98%	0,69%	77,00%	0,68%	0,40%	0,26%	0,20%	18,78%	73,31%	106 273 688
	D	0,26%	0,00%	3,09%	32,75%	32,39%	2,94%	3,25%	25,33%	2,12%	3 067 681
	E	0,00%	0,00%	5,67%	1,25%	41,11%	32,73%	7,39%	11,85%	2,20%	3 190 319
	F	0,00%	0,00%	3,10%	0,00%	8,51%	80,52%	2,78%	5,09%	4,01%	5 816 407
	G	0,00%	0,00%	8,24%	0,13%	0,22%	0,17%	40,69%	50,56%	1,29%	1 874 122
	Total	**17,69%**	**0,54%**	**57,14%**	**1,22%**	**2,23%**	**4,21%**	**1,02%**	**15,95%**	**100,00%**	
Portfolio distribution from 31.12.2012 to 31.12.2013		25 642 107	789 169	82 842 799	1 774 588	3 231 720	6 100 125	1 472 191	23 120 146		144 972 845

The migration matrix shows that 78% of the loan portfolio, which at 31 December 2012 totalled kAKZ 144.972.845, did not change level. The movements between risk levels show that 2,79% of the loans migrated to a lower risk level and 3,26% to a higher level.

Remained at same level		Migrated to other levels			Total
Outstanding	Settlements/ repayments	Higher risk	Lower risk	Written off	
78,00%	15,95%	3,26%	2,79%	0,00%	100,00%

OThe most marked deterioration over the period, relatively speaking, was in the loans classified in risk levels D and E, which accounted for 4,32% of total loans at 31 December 2012. A total of 38,58% and 40,12%, respectively, of the loans in these two risk levels migrated to higher risk levels.

The distribution of loans by days past due at 31 December 2014 and 2013 is shown below:

Risk class	2014				2013			
	Non-overdue	Up to 60 days past due [1]	More than 60 days past due [1]	Total	Non-overdue	Up to 60 days past due [1]	More than 60 days past due [1]	Total
A	106 921 182	545 183	988	107 467 353	29 127 979	252 085	12	29 380 076
B	819 596	63 024	-	882 620	1 227 564	9 044	-	1 236 608
C	111 429 404	4 336 855	715 297	116 481 556	102 121 233	4 478 178	2 209 821	108 809 232
D	302 838	64 758	2 000 340	2 367 936	449 973	14 738	1 223 697	1 688 408
E	454 856	341 381	2 186 086	2 982 323	619 845	319 011	2 553 760	3 492 616
F	1 185 700	12 910	4 803 311	6 001 921	1 800 131	3	4 410 771	6 210 905
G	45 081	12 026	1 584 960	1 642 067	22 810	620	1 480 728	1 504 158
	221 158 657	**5 376 137**	**11 290 982**	**237 825 776**	**135 369 535**	**5 073 679**	**11 878 789**	**152 322 003**

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):

	2014					2013				
	Loans			Provisions	Net balance	Loans			Provisions	Net balance
	Performing	Past due	Total			Performing	Past due	Total		
Corporates	8 916 832	3 447 436	12 364 268	(3 307 743)	9 056 526	11 721 578	2 811 596	14 533 174	(2 764 154)	11 769 020
Individuals	189 686	58 174	247 860	(82 053)	165 806	306 565	15 779	322 344	(25 059)	297 285
	9 106 518	**3 505 610**	**12 612 128**	**(3 389 796)**	**9 222 332**	**12 028 143**	**2 827 375**	**14 855 518**	**(2 789 213)**	**12 066 305**

In 2014 and 2013, the Bank wrote off kAKZ 2.060.320 and kAKZ 1.155.056, respectively, of loans classified in risk level G.

In 2014 and 2013, the Bank used kAKZ 2.060.320 and kAKZ 1.155.056, respectively, of provisions for doubtful loans in respect of loans written off (Note 15).

Recoveries of loans and interest previously written off totalled kAKZ 323.398 and kAKZ 292.654, respectively, in 2014 and 2013 (Note 28).

9. OTHER ASSETS

The composition of this item at 31 December 2014 and 2013 is as follows:

	2014	2013
OTHER TAX-RELATED ASSETS		
Deferred tax assets arising from temporary differences (Note 18)	568 266	409 966
Other	416 128	11 006
	984 394	**420 972**
OTHER ASSETS OF A CIVIL NATURE	-	
Receivables for services provided		6 046
Sundry receivables:		
Government administration	431 640	152 421
Private sector – businesses	47 905	50 786
Private sector – employees	19 569	43 609
Private sector – individuals	24 458	9 775
Acquisitions in progress	85 035	-
Other receivables	464 914	374 979
	1 073 521	**637 616**
OTHER ASSETS OF AN ADMINISTRATIVE AND COMMERCIAL NATURE		
Advances on salaries	-	44 797
Prepaid expenses:		
Rents and leasing	212 887	223 868
Insurance	21 506	21 430
Other	71 272	130 561
Office materials	**305 665**	**375 859**
Other advances:	141 449	88 384
Cash shortages		
Asset transactions pending settlement	2 324	5 763
Other	229 198	88 046
	6 010	8 529
Property not for own use	**237 532**	**102 338**
Property		
Equipment	244 998	232 508
Equipamento	21 932	20 814
	266 930	**253 321**
	3 009 491	**1 923 287**

At 31 December 2014, "Other assets relating to taxes – tax credit" in the amount of kAKZ 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, totalling kAKZ 813.093 (Note 18).

10. FIXED ASSETS

FINANCIAL FIXED ASSETS

The composition of this item at 31 December 2014 and 2013 is as follows:

	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
HOLDINGS IN OTHER COMPANIES:					
EMIS – Empresa Interbancária de Serviços:	Angola	2001	59 150	6,50%	
Equity holding					59 380
Quasi-capital loans					229 317
Shareholder loans					10 933
Interest on shareholder and quasi-capital loans					21 920
					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					**381 218**
Total financial fixed assets					**381 593**

	2013				
	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
HOLDINGS IN OTHER COMPANIES:					
EMIS – Empresa Interbancária de Serviços:	Angola	2001	59 150	6,50%	
Equity holding					59 380
Quasi-capital loans					229 317
Shareholder loans					10 933
Interest on shareholder and quasi-capital loans					21 920
					321 550
Bolsa de Valores e Derivados de Angola	Angola	2006	3 000	2%	29 286
IMC – Instituto do Mercado de Capitais	Angola	2004	400	2%	337
Subtotal - Holdings in other companies					**351 173**
Total financial fixed assets					**351 548**

The holding in SOFHA – Sociedade de Fomento Habitacional is valued at its acquisition cost because the company has not yet begun operating, so no financial information is available.

At 31 December 2014 and 2013, 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. At 31 December 2012, the Bank had set aside provisions of kAKZ 9.594 for its holding in EMIS. In 2013 the value of the holding was corrected to reflect the use of the provision (Note 15).

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 kAKZ 53.099. Interest-bearing quasi-capital loans were likewise made by the shareholders during 2012, taking BFA's contribution to kAKZ 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 IMC are stated at acquisition cost, as neither had yet commenced their operations, so there was no reference for a market value.

The above companies distributed no dividends in 2014 and 2013.

INTANGIBLE AND TANGIBLE FIXED ASSETS

The movements recorded in these headings during 2014 and 2013 are shown below:

	2014									
	Balances at 31.12.2013			Additions	Transfers	Write-offs, disposals and others	Amort./depr. for year	Balances at 31.12.2014		
	Gross assets	Accum. depr. & amort.	Net assets					Gross assets	Accum. depr. & amort.	Net 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**

	2013									
	Balances at 31.12.2012			Additions	Transfers	Write-offs, disposals and others	Amort./depr. for year	Balances at 31.12.2013		
	Gross assets	Accum. depr. & amort.	Net assets					Gross assets	Accum. depr. & amort.	Net assets
Furniture, tools, fixtures and equipment	7 714 299	(4 749 122)	2 965 177	1 171 691	20 762	(38 000)	(1 055 618)	8 868 752	(5 747 953)	3 120 798
Fixed assets in progress	896 820	-	896 820	954 494	(951 141)	(122 001)	-	778 171	-	778 171
	25 807 342	**(9 451 668)**	**16 355 674**	**2 579 966**	**-**	**(359 244)**	**(1 504 883)**	**28 028 063**	**(10 899 765)**	**17 128 299**
INTANGIBLE ASSETS										
Computer software	588 937	(319 929)	269 008	224 513	-	-	(187 406)	813 450	(507 334)	306 115
Organization and expansion costs	101 571	(101 553)	18	-	-	-	(18)	101 571	(101 571)	-
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	29	(29)	-
	784 460	**(515 434)**	**269 026**	**224 513**	**-**	**-**	**(187 424)**	**1 008 972**	**(702 857)**	**306 115**
	26 591 802	**(9 967 102)**	**16 624 700**	**2 804 479**	**-**	**(359 244)**	**(1 692 307)**	**29 037 036**	**(11 602 622)**	**17 434 414**

At 31 December 2014 and 2013, “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. DEPÓSITOS

The composition of this item at 31 December 2014 and 2013 is as follows:

	2014	2013
Funds from credit institutions abroad		
Sight deposits	3 667 235	2 014 738
Sight deposits of residents:		
In local currency	322 571 871	230 991 678
In foreign currency	144 535 955	164 671 492
	467 107 826	**395 663 170**
Sight deposits of non-residents		
In local currency	7 578 032	3 560 293
In foreign currency	1 792 612	7 771 817
	9 370 644	**11 332 110**
Interest on Sight deposits	3 770	2 047
Total Sight deposits	**480 149 475**	**409 012 065**
Term deposits of residents:		
In local currency	238 182 624	131 570 439
In foreign currency	207 007 291	219 896 159
	445 189 915	**351 466 598**
Term deposits of non-residents	4 312 920	91 339
Interest on term deposits	3 397 167	2 455 155
Total term deposits	**452 900 002**	**354 013 093**
Total deposits	**933 049 477**	**763 025 158**

At 31 December 2014 and 2013 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.

The distribution of customer term deposits at 31 December 2014 and 2013 by remaining term to maturity is as follows:

	2014	2013
Up to three months	202 473 556	155 961 609
From 3 to 6 months	155 409 574	106 711 753
From 6 months to one year	95 016 872	85 323 474
More than one year	-	6 016 256
	452 900 002	**354 013 092**

At 31 December 2014, term deposits in local and foreign currency were earning per annum interest averaging 4,57% and 2,47%, respectively (4,47% and 2,67% at 31 December 2013).

At 31 December 2014 and 2013, Sight 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 demand and term deposits at 31 December 2014 and 2013 by type of customer:

	2014	2013
Sight deposits		
Government	5 814 474	6 969 942
Public sector corporations	2 513 427	4 133 727
Companies	311 275 183	257 485 437
Individuals	160 546 391	140 422 959
	480 149 475	**409 012 065**
Term deposits		
Government	3 765 632	81 026
Public sector corporations	4 350 929	602 878
Companies	233 353 655	148 477 045
Individuals	211 429 786	204 852 143
	452 900 002	**354 013 092**

12. SHORT-TERM BORROWING

The composition of this item at 31 December 2014 is as follows:

	2014	2013
Interbank money market transactions:		
Funds from credit institutions in Angola – Loans (AKZ)	6 480	-
	6 480	**-**

The distribution of short-term borrowings at 31 December 2014 by remaining term to maturity is as follows:

	2014	2013
Up to three months	6 480	-
	6 480	**-**

At 31 December 2014 the short-term borrowings earned no interest.

13. LIABILITIES IN THE PAYMENT SYSTEM

At 31 December 2014 the short-term borrowings earned no interest.

	2014	2013
Funds of other entities:		
Certified cheques	2 861 677	3 758 559
Funds tied to letters of credit	278 118	1 009 164
Clearing of cheques and other instruments	991	991
Other	46 702	14 314
	3 187 488	**4 783 028**

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:

	2014	2013
Liabilities of a corporate or statutory nature		
Dividends payable	316	27 180
Liabilities relating to taxes		
Tax payable – own tax liability		
Corporate income tax payable (Note 18)	345 551	1 247 836
On employment income	133 347	110 083
On investment income	325 834	48 958
Tax relating to remuneration	33 414	30 866
	838 146	**1 437 743**
Tax payable – tax withheld on behalf of others		
On income	199 550	149 950
Other	114 776	97 719
	314 326	**247 669**
	1 152 472	**1 685 412**
Liabilities of a civil nature	250 130	-
Liabilities of an administrative or commercial nature		
Staff costs – salaries and other remuneration		
Holiday pay and holiday subsidies	987 540	1 090 709
Performance bonus (Note 24)	205 090	192 231
Other staff costs	121 577	69 562
	1 314 207	**1 352 502**
Other liabilities of an administrative or commercial nature		
Payables pending settlement	82 420	124 384
Monthly expenses	1 300 882	1 024 825
Movements at POS terminals pending settlement	1 243 186	698 196
Payment orders received and pending settlement	15 716	44 144
Western Union Service movements	68 014	224 695
Visa acquiring expenses	263 210	342 522
Other	78 733	86 707
	3 052 161	**2 545 473**
	4 366 368	**3 897 975**
	5 769 286	**5 610 567**

15. PROVISIONS FOR CONTINGENT LIABILITIES

The movement in provisions during the years ended 31 December 2014 and 2013 is shown below:

	2014							
	Balances at 31.12.2013	Increases	Decreases		Charge-offs	Exchange differences and other	Transfers	Balances at 31-12-2014
		Charges for the year	Staff costs (Nota 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 benefits 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**

	2013							
	Balances at 31.12.2012	Increases	Decreases		Charge-offs	Exchange differences and other	Transfers	Balances at 31-12-2013
		Charges for the year	Staff costs (Nota 24)	Write-backs and reversals				
General banking risks								
In relation to company law or the Bylaws	1 798 055	-	-	-	(60 391)	32 846	-	1 770 510
Of an administrative or commercial nature	284 138	273 649	-	-	(122 415)	9 721	-	445 093
Guarantees provided (Note 8)	780 115	-	-	-	-	35 581	(112 690)	703 006
Sponsored retirement and survival benefits funds								
Retirement benefits	126 282	-	24 553	-	-	2 781	-	153 616
Complementary Pension Plan	2 639 670	-	309 867	-	(3 065 063)	115 526	-	-
	5 628 260	**273 649**	**334 420**	**-**	**(3 247 869)**	**196 455**	**(112 690)**	**3 072 225**
Financial fixed assets (Note 10)	9 594	-	-	-	(9 594)	-	-	-
	5 637 854	**273 649**	**334 420**	**-**	**(3 257 463)**	**196 455**	**(112 690)**	**3 072 225**
Doubtful loans (Note 8)	9 211 995	1 529 137	-	(461 750)	(1 155 056)	104 249	112 690	9 341 265
	14 849 849	**1 802 786**	**334 420**	**(461 750)**	**(4 412 519)**	**300 704**	**-**	**12 413 490**

In the years ended 31 December 2014 and 2013, the caption "Provisions of a corporate or statutory nature" 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 2014 and 2013, "Provisions of an administrative and commercial nature" consists basically of the provisions set aside to cover fraud, litigation in progress, tax contingenices 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.

At 31 December 2014 and 2013, the amount recorded under "Retirement benefits" is used to cover the Bank's liabilities under Article 262 of the General Employment Act. Under the applicable laws, 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.

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 retirements 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. 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 kAKZ 3.098.194, which included kAKZ 44.797 of advances on future contributions, which was used in the first quarter of 2014 (Note 9). The Bank's contribution to the BFA Pension Fund in 2014 amounted to kAKZ 504.946 (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 kAKZ 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 kAKZ 537.672, kAKZ 1.224.333 and kAKZ 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 2014 and 2013 the share capital of the Bank stood at kAKZ 3.521.996.

The shareholder structure of the Bank at 31 December 2014 and 2013 is as follows:

	2014		2013	
	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:

	2014	2013
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	62 302 739	50 353 431
	67 464 629	**55 515 321**
	67 915 346	**55 966 038**

At the general meeting of 22 April 2013 it was unanimously decided to distribute 65% of the net profit for the previous year (kAKZ 13.634.171) to the shareholders as dividends, with the remainder being allocated to "Other reserves".

At the general meeting of 28 April 2014 it was unanimously decided to distribute 50% of the net profit for the previous year (kAKZ 11.949.309) 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 said 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 2014 and 2013 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 2014 and 2013 out of the previous year's profits were as shown below:

	2014	2013
Earnings per share	24,35	18,31
Dividend per share paid in the year	**9,15**	**10,44**

17. OFF-BALANCE SHEET ACCOUNTS

The composition of these items at 31 December 2014 and 2013 is shown below:

	2014	2013
Liabilities to third parties		
Guarantees given	37 611 491	18 769 789
Commitments to third parties		
Letters of credit outstanding	23 467 350	12 178 116
	61 078 841	**30 947 905**
Liabilities for services provided:		
Services provided by the institution		
Securities custody	69 344 456	28 486 303
Clearing of foreign cheques	258 291	447 223
Documentary collections	4 179 126	671 744
	73 781 873	**29 605 270**

At 31 December 2014 and 2013, "Letters of credit outstanding" includes outstanding letters of credit secured by captive deposits at the Bank in the amount of kAKZ 224.930 and kAKZ 894.914, respectively.

At 31 December 2014 and 2013 the Bank had set aside provisions of kAKZ 1.104.784 and kAKZ 703.006 to cover the credit risk assumed in granting guarantees and issuing documentary credits, respectively (Notes 8 and 15).

At 31 December 2014 and 2013, 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 2014 and 2013 and the tax burden, measured as the ratio of the provision for taxation to the profit for the year before that provision, are summarized in the following table:

	2014	2013
Current tax on profits		
For the year (Note 14)	345 551	1 247 836
Defered taxes Recognition and reversal of temporary differences (Note 9)	(158 300)	(65 89)
Tax amnesty – Law 20/14 of 22 October	(411 946)	
Adjustment to previous year's estimate		
Current tax	52 431	286 673
Defered taxes	-	(275 832)
	52 431	10 841
Total tax recognized in the income statement	**(172 264)**	**1 192 782**
Profit before tax	31 623,833	25 091 399
Tax burden	-0,54%	4,75%

The reconciliation between the nominal tax rate and the tax burden in 2014 and 2013, 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:

	2014		2013	
	Tax rate	Amount	Tax rate	Amount
Net income before tax		31 623 833		25 091 399
Tax calculated using nominal tax rate	30,00%	9 487 150	35,00%	8 781 990
Tax relief on income from public debt securities	-29,42%	(9 303 358)	-25,83%	(6 481 504)
Provisions for contingent liabilities	0,29%	91 487	-2,41%	(604 228)
Tax on Invested Capital (IAC)	-0,28%	(88 028)	-0,45%	(113 171)
Grant of claim in relation to the years 2005 to 2008	0,00%	-	-1,60%	(401 146)
Tax amnesty – Law 20/14 of 22 October	-1.30%	(411,946)	-	-
Adjustments to previous year's estimate	0.17%	52,431	0.04%	10,841
Corporate income tax	**-0,54%**	**(172 264)**	**0,04%**	**1 192 782**

INDUSTRIAL TAX

As explained in Note 2.2 j), the Bank is subject to Industrial Tax at the rate of 30% in 2014 (35% in 2013). Income from public debt securities, resulting from Treasury bonds and Treasury bills, is exempt from Industrial Tax under article 23.1 c) of the Industrial Tax Code.

In the year ended 31 December 2009, the Bank initially calculated Industrial Tax of kAKZ 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 kAKZ 13.985.712 in its Form 1 Income Tax Return for 2009. The Bank made payments totalling kAKZ 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 kAKZ 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 (kAKZ 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 kAKZ 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 in 2012, 2013 and 2014, 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 kAKZ 813.093 (Note 9) 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 kAKZ 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.

Tax amnesty – Law 20/14 of 22 October

Under Law 20/14, in force since 23 October 2014, 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 kAKZ 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 2014 and 2013, the Bank has recognized deferred tax assets in the amounts of kAKZ 568.266 and kAKZ 409.966, respectively (Note 9), resulting from 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 is expected to be realized.

The movement in deferred tax assets in the years ended 31 December 2014 and 2013 is as follows:

	Balances at 12.31.13	Charges	Uses / reversals	Balances at at31.12.2014
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks and retirement benefits	409 966	158 300	-	568 266

	Balances at 31.12.2012	Charges	Uses / reversals	Balances at 31.12.2013
Provisions temporarily not allowed as a deductible expense:				
Provisions for banking risks and retirement benefits	68 239	384 565	(42 838)	409 966

TAX ON INVESTED CAPITAL

As explained in Note 2.2 j), the Tax on Invested Capital (IAC) is to be understood as a payment on account of Industrial Tax and may be deducted from the amount of Industrial Tax payable, as provided in article 81.a) of the Industrial Tax Code.

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 the years 2012 (under Law 20/14) to 2014.

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 International Accounting Standard (IAS) 24, related parties are entities over whose management and financial policy BFA directly or indirectly exercises significant influence (associated and jointly controlled companies and pension funds) and entities that exercise significant influence over the management of BFA – shareholders and members of the Board of Directors of the Bank.

The Bank's main balances and transactions with related parties at 31 December 2014 are summarized below:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members have signif Influence	BFA Pension Plan	Total
	BPI Group	Unitel Group				
Cash and banks						
Cash and Sight deposits in 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	(316)	-	-	-	-	(316)
Interest income and similar income	729 107	n.d.	n.d.	n.d.	-	729 107
Interest expense and similar expenses	-	n.d.	n.d.	n.d.	(188 892)	(188 892)
Fee and commission expense	(175 770)	n.d.	n.d.	n.d.	(504 946)	(680 716)
Securities used as deposit	-	(4 826 375)	(8 378)	-	-	(4 834 753)
Documentary letters of credit	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-

n.a.: not available

The Bank's main balances and transactions with related parties at 31 December 2013 were as follows:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members have signif Influence	BFA Pension Plan	Total
	BPI Group	Unitel Group				
Cash and banks						
Cash and Sight deposits in credit institutions	1 242 930	-	-	-	-	1 242 930
Deposits						
Overdrafts on Sight deposits	-	-	-	-		-
Short-term investments:						
Other loans to credit institutions	156 078 306	-	-	-	-	156 078 306
Loans granted	-	-	83 167	4 070 833	-	4 154 000
Derivative financial instruments	-	-	-	-		-
Other assets						
Asset adjustment accounts	-	-	-	-	44 797	44 797
Customer deposits:						
Sight deposits	-	(128 000)	(23 151)	(92 819)	(3 098 194)	(3 342 163)
Term deposits	-	(39 866 323)	(288 363)	(30 395)	-	(40 185 082)
Other funds	-	-	-	-	-	-
Interest income and similar income	1 271 488	n.d.	n.d.	n.d.	-	1 271 488
Interest expense and similar expenses	(169 692)	n.d.	n.d.	n.d.	-	(169 692)
Fee and commission expense	(230 559)	n.d.	n.d.	n.d.	-	(230 559)
Documentary letters of credit	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-

n.a.: not available

The information reported as at 31 December 2014 and 2013 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 2014 and 2013 by currency are shown below:

	31.12.14			31.12.13		
	Local currency	Foreign currency (1)	Total	Local currency	Foreign currency (1)	Total
Cash and banks	97 522 778	91 756 612	189 279 390	78 167 499	66 396 798	144 564 297
Short-term investments						
Interbank money market transactions	55 839 086	95 063 055	150 902 141	30 472 151	157 972 907	188 445 058
Reverse repurchase agreements	99 650 302	-	99 650 302	38 665 232	-	38 665 232
	155 489 388	**95 063 055**	**250 552 443**	**69 137 383**	**157 972 907**	**227 110 290**
Securities						
Held for trading	26 570 949	93 696	26 664 645	18 651 833	75 517	18 727 351
Held-to-maturity	213 473 168	119 666 308	333 139 476	176 720 745	130 159 689	306 880 434
	240 044 117	**119 760 004**	**359 804 121**	**195 372 578**	**130 235 206**	**325 607 785**
Derivative financial instruments	142 733	-	142 733	126 700	-	126 700
Foreign exchange transactions	19 026 196	3 322 769	22 348 965	5 980 893	919 909	6 900 802
Loans and advances						
Loans and advances	158 259 373	80 967 547	239 226 919	91 761 146	61 593 192	153 354 337
Provision for doubtful loans	(5 964 569)	(3 783 823)	(9 748 392)	(4 355 539)	(4 985 726)	(9 341 265)
	152 294 804	**77 183 724**	**229 478 527**	**87 405 607**	**56 607 466**	**144 013 072**
Other assets	2 202 029	807 462	3 009 491	1 095 538	827 749	1 923 287
Fixed assets						
Financial fixed assets	87 632	293 961	381 593	69 246	282 303	351 549
Tangible fixed assets	17 707 592	-	17 707 592	17 128 298	-	17 128 298
Intangible fixed assets	351 531	-	351 531	306 115	-	306 115
	18 146 755	**293 961**	**18 440 716**	**17 503 659**	**282 303**	**17 785 962**
Total Assets	**684 868 800**	**388 187 587**	**1 073 056 386**	**454 789 857**	**413 242 338**	**868 032 195**
Deposits						
Sight deposits	330 202 162	149 947 313	480 149 475	234 582 648	174 429 417	409 012 065
Term deposits	241 017 474	211 882 528	452 900 002	132 497 663	221 515 429	354 013 092
	571 219 636	**361 829 841**	**933 049 477**	**367 080 312**	**395 944 846**	**763 025 157**
Short-term borrowings						
Interbank money market transactions	6 480	-	6 480	-	-	-
	6 480	**-**	**6 480**	**-**	**-**	**-**
Derivative financial instruments	284 231	-	284 231	165 754	-	165 754
Liabilities in the payment system	2 863 330	324 158	3 187 488	3 759 550	1 023 478	4 783 028
Foreign exchange transactions	2 271 649	19 880 440	22 152 089	0	6 734 985	6 734 985
Other liabilities	4 693 096	1 076 190	5 769 286	4 887 431	723 136	5 610 567
Provisions for contingent liabilities	975 353	3 144 715	4 120 068	165 041	2 907 184	3 072 225
Total Liabilities	**582 313 775**	**386 255 344**	**968 569 118**	**376 058 089**	**407 333 628**	**783 391 716**
Net Assets	**102 555 025**	**1 932 243**	**104 487 268**	**78 731 768**	**5 908 710**	**84 640 479**
Equity	**104 487 267**	**-**	**104 487 267**	**84 640 479**	**-**	**84 640 479**

(1) Includes locally denominated securities indexed to a foreign currency.

21. NET INTEREST INCOME

The composition of net interest income for the years ended 31 December 2014 and 2013 is set forth below:

	2014	2013
INCOME FROM FINANCIAL INSTRUMENTS (ASSETS)		
From short-term investments:		
Income from interbank money market transactions:		
Term deposits in credit institutions abroad	776 150	1 341 677
Term deposits in credit institutions in Angola	2 019 482	1 953 497
Other	5 485	3 516
Income from reverse repurchase agreements		
	1 436 705	1 496 817
From securities:	**4 237 822**	**4 795 506**
From held-for-trading securities:		
Treasury bills		
Central Bank bonds	937 250	725 500
Treasury bonds in local currency	-	47 211
From held-to-maturity securities:	385 196	-
Treasury bills		
Treasury bonds in local currency indexed	2 982 697	1 111 697
to foreign currency and in foreign currency	8 067 030	7 756 714
Treasury bonds in local currency	10 491 726	4 995 119
Treasury bonds indexed to the consumer price index	-	427 960
Central Bank bonds	**22 863 899**	**15 064 201**
Derivative financial instruments:	406 271	875 277
In speculation and arbitrage:		
From loans granted		
Loans	8 797 725	5 275 534
Current account facility	2 567 653	2 775 768
Overdrafts	194 523	84 083
Other loans and advances	38 013	122 111
Individuals		
Home loans	893 371	908 969
Consumer loans	3 016 775	3 184 454
Other purposes	741 302	690 568
Overdue interest	655 933	1 235 117
	16 905 295	**14 276 603**
Total interest income	**44 413 287**	**35 011 588**
COSTS OF FINANCIAL INSTRUMENTS (LIABILITIES)		
From deposits:		
Sight deposits	342 969	223 342
Term deposits	13 008 114	10 283 944
	13 351 083	**10 507 285**
From short-term borrowings:		
Interbank money market transactions	23 536	7 246
Derivative financial instruments	309 824	-
Forwards	**309 824**	**-**
Total costs	**13 684 443**	**10 514 531**
Net interest income	**30 728 844**	**24 497 057**

22. GAINS/(LOSSES) FROM THE PROVISION OF FINANCIAL SERVICES

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	2014	2013
Exchange differences on foreign-currency-denominated	1 709 051	372 762
assets and liabilities	12 861 536	11 164 297
	14 570 587	**11 537 059**

23. GAINS/(LOSSES) FROM THE PROVISION OF FINANCIAL SERVICES

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	2014	2013
Income from the provision of services		
Fees on payment orders issued	2 087 517	1 730 043
Fees on guarantees and sureties provided	452 284	396 270
Fees on open import documentary letters of credit	381 621	313 034
Other commission and fee income	3 961 958	2 458 206
	6 883 380	**4 897 554**
Fees and custody costs paid		
Fee and commission expense	(1 060 082)	(935 223)
	5 823 298	**3 962 331**

“Other fee and commission income” relates mainly to fee income from credit card and Multicaixa transactions.

24. STAFF COSTS

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	20143	2013
Members of management and supervisory bodies		
Monthly remuneration	97 788	115 231
Additional remuneration	71 950	70 487
Mandatory employee welfare payments	2 732	17 823
Optional employee welfare payments	1 458	103
	173 928	**203 644**
Employees		
Monthly remuneration	3 229 333	3 268 257
Additional remuneration	3 981 915	3 605 286
Mandatory employee welfare payments	272 857	252 061
Optional employee welfare payments	375 782	306 447
	7 859 887	**7 432 051**
Pension plan costs (Note 15)	542 368	334 420
Other	13 827	26 144
	8 590 011 9	**7 996 259**

At 31 December 2014, “Pension plan costs” includes kAKZ 504.946 relating to the contributions made by the Bank to the BFA Pension Fund in 2014 and kAKZ 37.422 of costs to cover the Bank’s liabilities in respect of retirement benefits.

The “Additional remuneration” captions include kAKZ 819.193 and kAKZ 711.234 of variable performance-related compensation for management bodies and staff for 2014 and 2013, respectively. At 31 December 2014 and 2013, kAKZ 205.090 and kAKZ 192.231 of variable remuneration for 2014 and 2013, respectively, were pending settlement (Note 14).

25. THIRD-PARTY SUPPLIES

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	2014	2013
Audit, consulting and other specialized technical services	2 492 395	2 425 244
Publications, advertising and publicity	975 553	733 172
Security, conservation and repair	897 716	692 090
Rentals	753 098	719 954
Communications	714 154	650 717
Transport, travel and accommodation	679 840	720 519
Sundry materials	380 688	320 706
Water and energy	371 268	387 357
Other third-party supplies	219 370	179 641
Insurance	205 109	161 788
	7 689 191	**6 991 188**

26. NON-INCOME RELATED TAXES AND LEVIES

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	2014	2013
Customs duties	1 343 268	238 460
Tax on Invested Capital	35 866	42 634
Other non-income taxes and levies	102 185	68 914
	1 481 319	**350 009**

27. COST RECOVERIES

In the years ended 31 December 2014 and 2013, this heading records the reimbursement of communication and dispatching expenses originally borne by the Bank, primarily in the execution of payment order operations..

28. OTHER OPERATING INCOME AND EXPENSES

The composition of this heading in the years ended 31 December 2014 and 2013 is shown below:

	2014	2013
Other income:		
Expenses charged	1 660 503	2 308 971
Uncollectible loans recovered - principal and interest (Note 7)	323 398	292 654
Income from provision of services	152 699	93 214
Other income	153 509	165 545
	2 290 109	**2 860 384**
Other expenses:		
Membership fees and donations	(33 513)	(19 510)
Other expenses	(174 267)	(111 824)
	(207 780)	(131 334)
	2 082 329	**2 729 050**

29. NON-OPERATING PROFIT/(LOSS)

Nos exercícios findos em 31 de Dezembro de 2014 e 2013, esta rubrica apresenta a seguinte composição:

	2014	2013
Gains and losses on fixed assets		
Investments	(19 429)	(17 881)
Income from disposal of fixed assets		
Tangible fixed assets	(47 976)	(26 809)
	(67 405)	**(44 689)**

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 and
- Must be signed by the proposers.

Credit risk analysis

Credit risk analysis takes into account the Bank's total exposure to the customer or group to which the customer belongs, in accordance with applicable legislation. At present, based on Banco Nacional de Angola Notice 8/07:

- 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 and
- The existence of guarantees with sovereign risk or immediate liquidity has no 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 the risk levels of loans, including non-performing loans, BFA reclassifies loans between risk levels 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 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

PAs 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 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.

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.

Provisions

BFA applies the following criteria when calculating loan provisions:

- Age of the loan;
- Age of past-due amounts;
- Associated guarantees; and and
- Banco Nacional de Angola Notice 3/12.

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 analyses of provisions for the entire Corporate Banking loan portfolio.

Impairments

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. In 2014 and 2013, 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.

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AUDIT REPORT

(Amounts expressed in thousands of Angolan kwanzas)

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 2014 (which shows total assets of kAKZ 1.073.056.386 and equity of kAKZ 104.487.267, including net profit for the year of kAKZ 31.796.097) 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.

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 2014 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, 30 March 2015

Deloitte & Touche Auditores, Limitada

Represented by José António Mendes Garcia Barata

BFA

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 2014.

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 2014 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 2014 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 2014,

   b. Approve the financial statements for that year, and

   c. Approve the proposed application of earnings.

7. Finally, we would like to thank the Board of Directors and the Bank's various sections and departments for their cooperation.

Luanda, 30 March 2015

Supervisory Board

Amílcar Cabral
Chairman

Susana Trigo Cabral
Member

Henrique Camões Serra
Member

ANNEXES

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