Annual Report 2013

BFA

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 2013 was very challenging for the BFA team, but today we can also say that it was a very fruitful one. It was the year in which we celebrated our 20th anniversary and crossed the threshold of one million customers. We gave great publicity to these two milestone events and voiced the enormous pride we take in these achievements.

Beyond the recognition we received from our customers and the specialized press, which awarded BFA a record number of prizes as Best Bank in Angola, we also won recognition in new areas of specialization. Our shareholder, BPI, publicly described us as a fortress: **Fortress BFA**. Our action in the Oil & Gas segment, begun in 2012, was crowned with success: BFA is now the leading partner of the operating companies; and the launch of the Oil & Gas Vendors Corporate Centre, aimed at companies that provide services and supplies to the oil and gas industry, attracted a large number of new customers, thanks to the marked improvement in the quality of the service provided. Investments in automatic processing systems, fully tailored to the characteristics of each customer, proved a very powerful tool for building close, robust relationships with customers.

The pressure from new legislation and regulations and from customers and the international financial system in relation to the fight against money laundering and terrorist financing made this a crucial area for the Bank in 2013. A set of systems and procedures in line with international recommendations has been implemented and will continue to be rolled out in 2014. A training programme was conducted involving the whole of the Bank's staff, focused especially on the commercial areas.

Operational risk remained a priority among the modernization initiatives throughout 2013. Two important initiatives deserve special mention: the installation of the new Data Processing Centre at EMIS site and the extension of the first phase of the eMudar@ BFA project to the whole of the Bank. These are projects that will run on into 2014. Both demonstrate BFA's firm intention to develop a new and more sophisticated, more modern style of banking.

The organizational model and structure of the credit areas was changed so as to achieve a higher degree of specialization and effectiveness: a new Credit Monitoring, Recovery and Litigation Department was created, bringing together the recovery areas previously

“the year in which we celebrated our 20th anniversary ”

spread among the individual Credit Departments, thus fully setting loan approval apart from loan recovery. At the same time, the investment lending activity of all the branch networks was brought under the control of the Investment and Structured Financing Department, whose area of action was thus expanded. And more rigorous procedures were established for monitoring the investment projects financed by BFA and the disbursement of investment loans.

Also in the area of lending, BFA started to implement an Impairment Loss Calculation Model, based on a more modern credit quality assessment methodology, anticipating regulatory challenges and bringing the Bank into line with internationally accepted practices.

The Employee Plan Management Department was created to drive lending to individuals, using strong service level and price arguments. The results obtained in the first year of activity fully justify the decision to create this new unit.

The year 2013 also marked the start of new growth in online channels. Most visibly, the website www.bfa.ao was totally redesigned to include new and more attractive functionalities. As regards internet banking solutions, technology is being developed that will make it easier to include new features for users.

In a context of fierce competition, assets grew 12.1%, while, in a year marked by sharp falls in kwanza interest rates, there was a recovery in net interest income and strong growth in trading income. These factors, coupled with judicious cost management, translated into 12.5% growth in net profit and an improvement in the profitability and solvency indicators that characterize Fortress BFA:

- Rentabilidade do Activo: 3,0%
- Return on equity: 31,6%
- Ratio cost-to-income: 39,9%
- Ratio de Solvabilidade Regulamentar: 25,8%

I would like to thank our employees for the effort, dedication and diligence they showed in battling the challenges of 2013. They play a key role in our relations with customers and so require special acknowledgment. Realizing how much remains to be done in the field of professional qualifications, we have carried out various internal and external training activities.

Lastly, I would like to give special thanks to our customers for choosing BFA and 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

USD Millions

	Dec.11	Dec.12	Dec.13	Δ%11-12	Δ%12-13
Total assets	7 062,4	7 930,0	8 892,0	12,3%	12,1%
Loans and advances to customers[1]	1 321,0	1 427,3	1 475,3	8,0%	3,4%
Customer deposits	6 181,8	6 972,2	7 816,4	12,8%	12,1%
Shareholders' equity and equivalents	722,4	776,2	867,0	7,4%	11,7%
Net operating revenue	425,2	393,5	443,0	-7,5%	12,6%
Net interest income	269,1	227,5	253,8	-15,5%	11,6%
Net non-interest income	156,1	166,0	189,2	6,4%	14,0%
Operating expenses[2]	157,8	165,0	176,6	4,6%	7,0%
Net operating income	289,9	254,9	291,3	-12,1%	14,3%
Net profit	253,0	219,8	247,3	-13,1%	12,5%
Return on assets (ROA)	3,7%	3,0%	3,0%	- 0,7 p.p.	0,0 p.p.
Return on equity (ROE)	37,4%	30,3%	31,6%	- 7,1 p.p.	1,3 p.p.
Cost-to-income ratio	37,1%	41,9%	39,9%	4,8 p.p.	- 2,1 p.p.
Total assets / employees	3,3	3,5	3,7	7,6%	4,7%
Loan-to-deposit ratio	21,4%	20,5%	18,9%	- 0,9 p.p.	- 1,6 p.p.
Regulatory solvency ratio[3]	25,5%	24,2%	25,8%	- 1,3 p.p.	1,6 p.p.
Past-due loans / Total loans	6,1%	4,8%	4,6%	- 1,3 p.p.	- 0,2 p.p.
Loan loss provisions / Past-due loans	122,2%	143,1%	143,9%	20,9 p.p.	0,7 p.p.
Provision coverage ratio	7,5%	6,6%	6,4%	- 0,9 p.p.	- 0,2 p.p.
Number of service outlets[4]	158	167	175	5,7%	4,8%
Number of employees	2172	2267	2428	4,4%	7,1%
Average no. employees per branch	11,0	10,6	10,3	-3,8%	-2,8%
Average no. employees per Corporate Centre	11,5	10,4	10,2	-9,6%	-1,9%
Average no. employees per Investment Centre	7,8	6,0	6,8	-23,4%	13,3%
BFA Net penetration rate	24,3%	32,8%	33,8%	8,5 p.p.	1,0 p.p.
Debit card penetration rate	48,3%	52,3%	53,3%	4,0 p.p.	1,0 p.p.

1 Loans and advances net of provisions.
2 Includes staff costs, third-party supplies/services, other operating costs and depreciation and amortization expense.
3 From 2011 the regulatory solvency ratio includes the foreign exchange risk ratio. For comparison, the solvency ratio in 2011, 2012 and 2013 without the foreign exchange risk ratio was 31.4%, 30.0% and 30.0%, respectively.
4 Branches + Corporate Centres + Investment Centres + Bank Service Points

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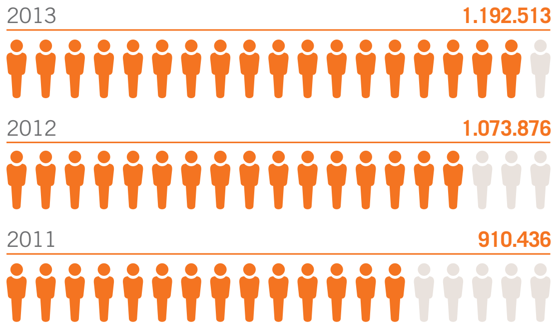
Business Performance: 2011-2013

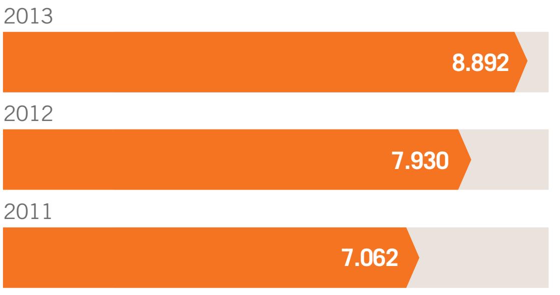
Customers (nº.)

Steady growth in number of customers.



Total Assets

Growth in total assets, reflecting BFA's financial soundness.



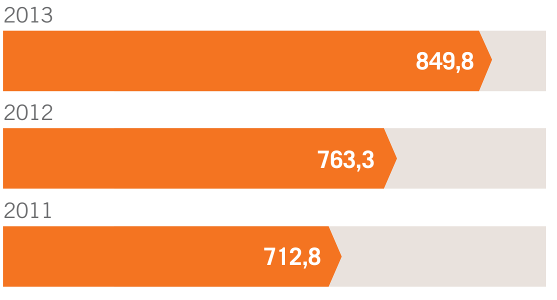
Un: MUSD

Services (nº.)

Increased presence of BFA in Angola, with a total of 175 service outlets, including branches, corporate centres, investment centres and service points.

Total Regulatory Capital (MUSD)

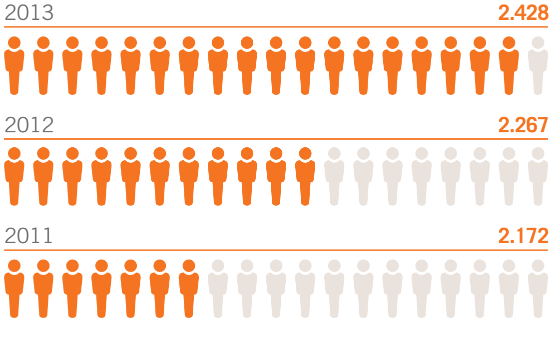
Continued strong capital growth, improving the Bank's position and enhancing its ability to meet the financial needs of its customers.



Un: MUSD

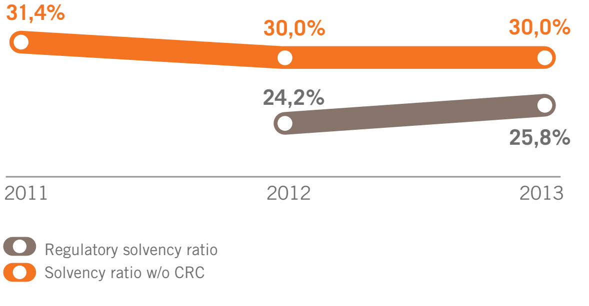
Employees (nº.)

Staff growth and training is a priority for BFA, with the number of employees up 7.1% in 2013.



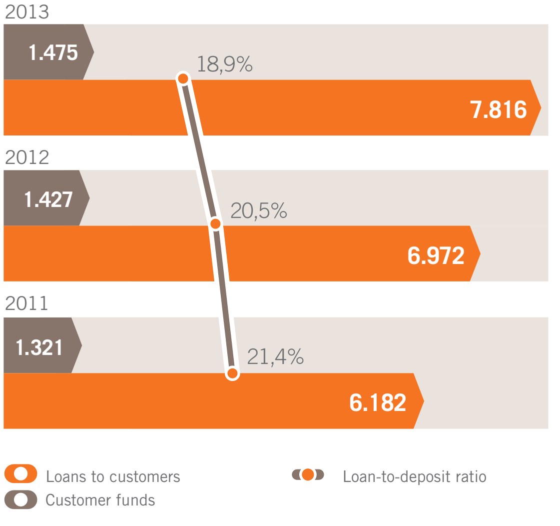
Solvency Ratio

Consolidation of the Bank's capital strength, with a solvency ratio well above the regulatory minimum (10%).



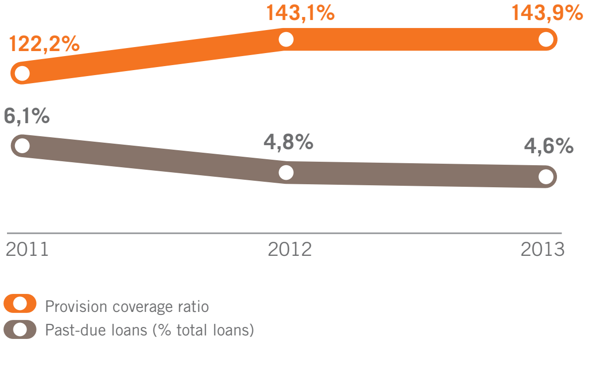
Business with customers

The loan-to-deposit ratio reflects a bigger increase in funding than in lending.



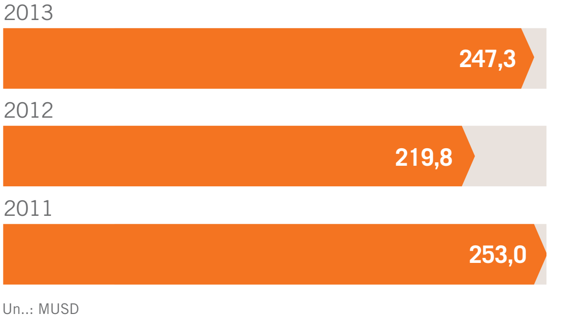
Credit quality

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



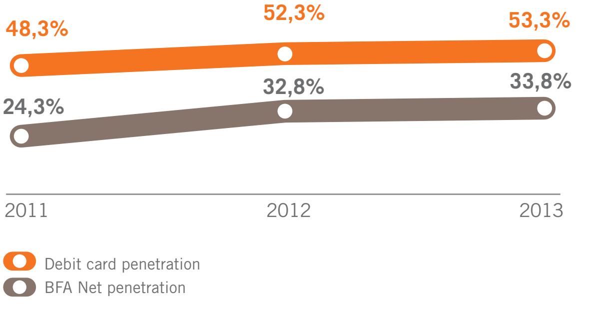
Net profit (MUSD)

Net profit is increasing again, in line with BFA's robust growth.



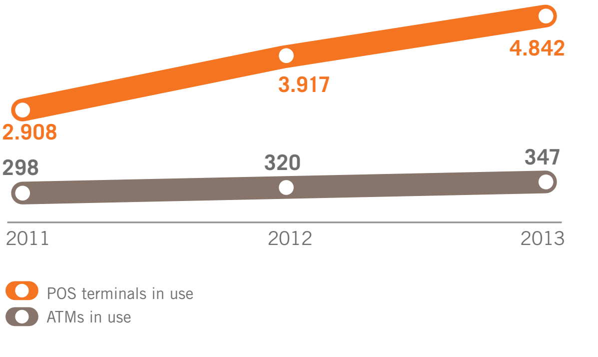
Services

The penetration rates of BFA's services demonstrate customers' trust in the institution.



ATMs and POS terminals

Increase in installed base of ATMs and POS terminals, reflecting the Bank's efforts to develop alternative channels for interacting with customers.



2013 2013 in Review

Branch network growth totalling by December

175
Points of service

147
Branches

16
Corporate Centres

8
Investment Centres

4
Bank Services Points

Market leader in banking services in December 2013

26,7%
share in debit cards

24,8%
share in POS terminals

17,5%
Branches in Luanda Province

Customers in December 2013

1.192.513
Número em Dezembro de 2013

Increase in BFA employees

2.428
in December 2013

+7,1%
Rise on the 2012 figure

Loan portfolio

1.499,4
Million of USD

+3,4%
Growth relative to 2012

Improvement in loan portfolio quality, with a fall in non-performing loans as a percentage of total loans

143,9%
NPLs coverage ratio

4,8%
In 2012

4,6%
In 2013

Loan recovery efforts (including write-offs) intensified as a result of the restructuring of the credit monitoring, recovery and litigation area.

Segmentation strategy continued, further developing the value proposition for oil sector companies, including both operators and vendors:

- The organization of the Oil & Gas Operators Corporate Centre was strengthened, ensuring excellent service through continuous involvement of related operational areas;
- The Oil & Gas Vendors Corporate Centre was set up to ensure an adequate response to the specific needs of the companies that provide services to oil sector companies, with the same service quality objectives.

New Data Processing Centre installed at EMIS.

eMudar@BFA project, an account opening and maintenance module, extended to all service outlets.

Employee Plan Management Department setting up to build on existing relationships with companies by offering their employees credit on more favourable terms than are available to the general public, so as to increase the volume of business with individual customers. As of December 2013, 38 employee plans had been established.

Impairment Loss Calculation Model implemented in anticipation of future regulatory requirements and to bring the Bank into line with international best practices.

Credit risk management area restructured, setting lending approval apart from credit monitoring and recovery processes and establishing the Credit Monitoring, Recovery and Litigation Department.

Corporate website remodelled as a first step in a new approach to online channels.

"Best Commercial Bank Angola 2013", awarded by the Global Banking and Finance Review portal.

"Straight-Through Processing Excellence Award 2013", awarded by Deutsche Bank for the 11th year in a row.

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

"Best Community Involvement Program", awarded by Capital Finance International magazine.

Outlook for 2014

For 2014 the Angolan government anticipates an upswing in economic activity, with estimated real GDP growth in the order of 8.8%, driven by both the oil and the non-oil sector, where real growth (as a percentage of GDP) is expected to reach 9.9%.

Thanks to the new customs tariff, which came into force in March 2014, the import substitution policy for basic goods is expected to be maintained in order to support domestic production, driven by the diversification of the production sector.

The oil sector's contribution to growth is expected to decline, while the non-oil sector will continue to benefit from public investment in infrastructure.

The rate of price increase is also expected to continue to slow in 2014, with annual inflation forecasted to remain between 7% and 9%.

In this context, in 2014 BFA will remain focused on growing its activity, benefiting from the investments made to consolidate the areas that performed well in 2013.

Accordingly, BFA's efforts in 2014 will be concentrated on the following five large groups.

I. Oil & Gas

The Oil & Gas companies segment, which is served by two corporate centres (Operators and Vendors), was the business focus in 2013, reflecting BFA's response to the new exchange rate regime in the oil sector.

The introduction of the new exchange rate regime gave rise to numerous concerns among oil sector companies, mainly to do with the operational capacity and financial soundness of Angolan banks.

Through the investments it has made in creating corporate centres dedicated to this segment and in fast, automated transaction processing, BFA aims to continue to meet the many specific needs of its customers in the oil sector.

In 2014 BFA will remain focused on this commitment towards its customers, creating the necessary conditions to meet companies' needs through dedicated teams and structured financial solutions.

II. Innovation and Technology

Technological innovation is one of the pillars of BFA's activity. 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 2014 are to:

- Extend the eMudar@BFA project to new processes and transaction methods (cheques, cards, transfers) and the acquisition of customers for BFA Net;

- Develop and implement automatic processes and alerts for anti-money laundering purposes;

- Migrate the whole of the credit card portfolio to the new EMIS platform.

III. Human Resources

BFA will continue to make efforts to attract talent, aiming to recruit employees with high development potential.

The Bank will continue to improve its employees' qualifications through post-graduate and master's programmes in management, accounting and finance.

IV. Anti-money laundering and anti-terrorist financing

Continuing its anti-money laundering (AML) strategy, in 2014 BFA aims to upgrade its capacity to monitor customer transactions, in particular through the installation of Accuity's Compliance Link solution, which can be used to automatically screen all transactions against international watch lists.

With a view to developing AML best practices, the Compliance Department will continue to review and develop the enhanced due diligence procedures and rules for high-risk customers.

Lastly, the scheduled AML training for all the Bank's employees will be completed in 2014.

V. Capital Market

The year 2013 was marked by the introduction of relevant legislative and operational measures affecting the development of the capital market.

Most notably, legislation was passed regulating collective investment schemes, brokerage firms, distribution companies and the regulated public debt market. At the operational level, steps were taken to create the stock exchange management company, BODIVA. The process will be completed in 2014, when BODIVA's Board of Directors is appointed and takes office.

Given the steps already taken and the plans that have been announced to establish BODIVA and put in place the necessary operational market support systems, by 2014 the conditions will have been created for the emergence of a secondary public debt market and for private companies to start trading in the primary market.

ECONOMIC CONTEXT

International Economy

DEVELOPMENTS IN THE INTERNATIONAL ECONOMY

In 2013 the rate of expansion of global economic activity was once again disappointing. According to the International Monetary Fund, global growth remained around 3%, practically the same as the previous year (3.1%). The failure of growth to take off is attributable to various factors, most notably the so-called “sequester” in the United States in March 2013, which entailed automatic spending cuts across the federal budget, imposing constraints on US fiscal policy, along with restrictive fiscal policies in various European economies. At the same time, the downsizing of company and household balance sheets, deleveraging and the weakness of the employment market in various developed economies, particularly those of the European Union (EU), further reduced the growth potential at the global level. Monetary policies remained accommodating, despite the US Federal Reserve’s announcement in May of a gradual scaling back of its medium and long-term debt purchases. In the Euro bloc, important steps were taken in the construction of a banking union, with the establishment of the two basic pillars of a union: the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). Under the SSM, it was agreed that the ECB would take over supervision of systemically major banks in the euro zone in October 2014. The SRM Regulation determines the composition of the Single Resolution Board and a Single Resolution Fund. The Single Resolution Board will be responsible for decisions to resolve banks supervised by the European Central Bank (ECB). The Single Resolution Fund is due to be set up within 10 years. The main emerging economies, meanwhile, while still enjoying rapid growth compared to the developed world, nevertheless showed signs of slackening momentum.

As major disruptive risks dissipated over the course of the year, the global macroeconomic scenario started to take on a more favourable aspect, especially in the second half of the year, raising expectations of a consolidation of growth in 2014. The International Monetary Fund expects global growth to accelerate to 3.7% in 2014. This acceleration should be more apparent in the advanced economies, particularly the United States, which should benefit from a more accommodating fiscal policy, and the EU, where the fears of a break-up of the Union have subsided, allowing a return to stability in the public debt markets and a recovery of trust among the economic agents. In the US, economic growth is expected to return to rates of around 2.5%, whereas eurozone activity indicators point to growth of around 1%. The prospect of less restrictive fiscal policies supports expectations of a pick-up in growth. According to International Monetary Fund estimates, the emerging economies will grow 5.1% in 2014, benefiting from an increase in demand from the developed economies. China is expected to grow at a rate of around 7.5%, below the level of previous years, reflecting the implementation of measures designed to curb credit growth.

MONEY MARKET AND BONDS

Monetary policies remained strongly expansionary, signalling that reference rates will remain at historically low levels for a considerable length of time. At its November meeting the European Central Bank cut the main refinancing rate to 0.25% and reaffirmed its readiness to use other instruments to support economic activity and price stability. This decision was motivated not only by the signs of weakness in the economic recovery but also by the steady decline in inflation in the euro zone to below 2%. The Bank of Japan took further unconventional measures to reinflate the economy. At the same time, reinforcing the idea that reference rates will remain low, the US Federal Reserve announced in May that it was preparing to gradually reduce its asset purchases, which at that time stood at USD 85 billion per month. This announcement prompted a sharp increase in long-term interest rates in the reference markets (the yield of 10-year US Treasuries rose from 1.72% to 3% in September) and also affected the emerging markets and the sovereign debt securities of the peripheral countries of the euro zone. From September the tension eased and benchmark yields fell back, reflecting the moderation of expectations of a change in the trend of monetary policy, which remained accommodating, even though in its December meeting the Federal Reserve decided to scale back its asset purchase programme. From the start of February 2014 the Fed’s asset purchases were reduced to USD 65 billion per month. Meanwhile, the spreads of the sovereign debt of the weaker euro zone countries tended to narrow, especially in the second half of the year, as the first half was affected by political and institutional upheaval in certain countries, notably Italy, Portugal and Cyprus. The narrowing of spreads reflects the progress made in the adjustment programmes currently under way in Spain, Ireland and Portugal, particularly as regards the strengthening of public finances. Other contributing factors include the progress achieved towards banking union and in the overall architecture of the eurozone, a favourable, more optimistic external environment, the abundant liquidity in the system and the search for profitability.

In the money market, Euribor interest rates rose slightly during the year, with the three-month rate climbing from 0.187% in January to 0.287% at the end of December. However, the stance of the monetary authority, the gradual reduction of surplus liquidity and the improvement in the economic outlook all contributed to this trend.

Meanwhile, short-term dollar interest rates fell slightly, despite the signals given by the Federal Reserve that it was preparing to throttle back its asset purchases. This scaling back did not materialize until January 2014, however, and is expected to continue at a rate of less than USD 10 billion per month. This was one of the disruptive factors in financial markets at the start of 2014, affecting mainly the markets for higher-risk assets and certain emerging country assets and economies with greater economic weaknesses or imbalances.

FOREIGN EXCHANGE MARKET AND COMMODITIES

AThe dilution of disruptive risks in the eurozone, the consequent dissipation of the sovereign debt crisis and the successful conclusion of the financial assistance programmes in Spain and Ireland (and the expectation that the Portuguese programme will end with success) prompted an appreciation of the euro, which rose almost 4% over the year, picking up pace in the second half. The EUR/USD pair oscillated in a band between 1.27 and 1.34, losing ground in the last quarter in response to the postponement of the cutback in the Federal Reserve's asset purchases. Meanwhile, the yen lost ground against the other main currencies, reflecting the Bank of Japan's ultra-accommodating monetary policy, hitting a five-year low against the USD of 145.67.

In the commodity market the year was marked by a downward trend in the main prices. The oil price, both in the American market (WTI) and in the European and Middle Eastern market (Brent), showed no clear trend throughout the year. The lows/highs for the year were 85.61/112.24 dollars per barrel for WTI and 96.75/119.75 dollars per barrel for Brent. Total crude oil consumption in 2013 was 91.2 million barrels per day (mb/d), up slightly from 90.0 mb/d in 2012.

The International Energy Agency (IEA) forecasts average consumption of 92.4 mb/d in 2014. The supply was always greater (above 92 mb/d), however, with 34% of production concentrated in 3 countries: Russia, 10.85 mb/d; USA, 10.58 mb/d; and Saudi Arabia, 9.84 mb/d. Given the growth trend in production in the US (due to the increase in shale oil production), the US seems likely to once again become the world's largest oil producer and achieve energy independence.

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Economic activity

ECONOMIC ACTIVITY

ECONOMIC INDICATORS AND PROJECTIONS

	2009	2010	2011	2012	2013E	2014P*
Real GDP growth (y-o-y, %)	2,4	3,4	3,4	5,2	5,1	8,8
Oil sector	-5,1	-3,0	-5,6	4,3	2,6	6,5
Non-oil sector	8,1	7,8	9,1	5,6	6,5	9,9
Oil production (million barrels/day)	1,76	1,76	1,65	1,73	1,74	1,79
Price of Angolan oil (average, USD/barrel)	60,9	77,8	108,7	111,6	100,5	98,0
Consumer price index (y-o-y change, end of period)	14,0	15,3	11,4	9,0	7,7	7,0 - 9,0
Budget balance (% of GDP)	-5,2	5,8	12,2	9,3	0,1	-4,9
Primary non-oil budget balance (% of non-oil GDP)	-48,5	-41,3	-48,2	-55,5	-48,1	-45,1
Net international reserves (USD bn, end of period)	12,6	17,3	26,1	30,6	30,9	33,7
Average change (AOA/USD)	79,3	91,9	94,0	95,4	96,3	98,0

* Finance Ministry projections
P - Provisório; E - Estimativa/Previsão
Source: BNA, INE, Angolan Finance Ministry.

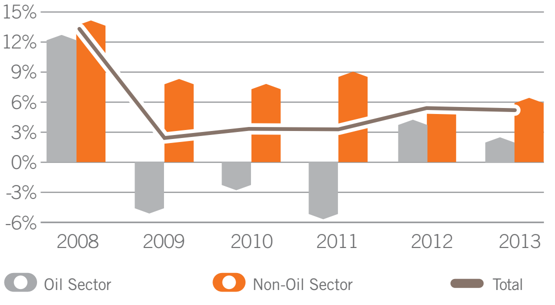
In 2013, once the economy had recovered from the 2009 downturn, growth should have slackened. The year was marked by a slowdown in oil production and reduced execution of public investment. The latest estimate published by the Finance Ministry puts the real annual growth of the economy at 5.1%, down from 5.3% in 2012.

The oil sector remains a major component of the national economy, accounting for nearly 45% of GDP, 90% of export revenue and 75% of tax revenue (2012 figures). The overall growth of the economy was therefore significantly affected by the slowdown in oil production, which, according to the Finance Ministry, should have grown just 2.6% last year, compared with 4.3% in 2012. According to data from the International Energy Agency, oil production in Angola increased slightly in 2013 to 1.74 mb/d (with a marked drop in the last two months of the year), compared with average output of 1.73 mb/d in 2012. On the other hand, the average price per barrel exported fell from 111 dollars to 100.5 dollars, contributing to a 12% decline in tax revenue from the oil sector.

Efforts to diversify the economy have been increasing, with non-oil GDP posting annual growth of 6.5% (official estimate), up from 5.6% the previous year. The fastest-growing sector in 2013 was energy, which recorded 22.4% annual growth in production, although its relative weight in the overall economy is still residual. The retail sector, which already accounts for more than one-fifth of Angola's production structure, grew 5.4%, while agriculture and construction (the third and fourth largest sectors as a proportion of GDP) grew 8.6% and 7.6%,

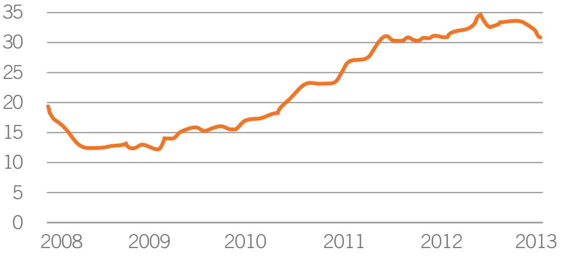
The government expects economic activity to grow 8.8% in 2014, supported by increased production in the oil (6.5%) and non-oil (9.9%) sectors. The non-oil sector will continue to benefit from public investment in infrastructure projects, with particular emphasis on the energy, transport and housing sectors. The policy of substituting imports of basic goods and of stimulating and protecting domestic production will continue. In this context, a new customs tariff was approved and came into force in March 2014. The new tariff selectively increases duties on imported goods (mainly products that could be produced locally) and reduces duties on some intermediate consumption goods.

Real GDP Growth



Source: Finance Ministry

Foreign Exchange Reserves



Un.: MUSD
Source: BNA

EXTERNAL SECTOR

BALANCE OF PAYMENTS

	2010	2011	2012	2013E	2014P
Balance on current account (% of GDP)	8,1	12,6	9,2	5,0	2,2
Trade balance (% of GDP)	40,1	45,2	43,6	37,6	33,2
Exports of goods (% change)	21,7	35,2	7,9	-2,3	0,7
of which: oil	21,7	33,7	9,4	-2,5	0,6
Imports of goods (% change)	-26,4	21,4	10,4	12,9	12,3
Balance on capital and financial account (% of GDP)	-1,1	-3,5	-5,3	-6,0	-1,2

Source: IMF

The declining trend in the trade surplus continued, partly due to the fall in the oil price but also reflecting the high proportion of imports needed to meet domestic demand. According to official figures already released by the National Statistics Institute (INE), in 2013 the cumulative trade surplus reached USD 40.1 billion, down from USD 41.9 billion in 2012. In the same period, exports fell 4%, reflecting the slowdown of economic growth in China, which is the main destination of Angolan exports, and the US. Oil exports fell 4%, while agricultural exports grew 84%, although their contribution to total exports remains very small (0.07%).

Imports also fell 4%. Imports continue to be necessary to meet needs in a wide range of sectors of the economy. Vehicle imports accounted for nearly 25% of the total for the year. Imports of machinery, equipment and devices accounted for 20% of the total and imports of agricultural products for 11%.

The BNA's net foreign currency reserves started to gradually decline from the second half of the year, shedding 10% between May and December to reach USD 30.9 billion at year-end. The decrease in reserves is correlated with the decline in oil exports, as the balance of trade flows with the rest of the world, together with the needs resulting from the exchange rate policy objectives, has generated a greater demand for foreign currency. The level of reserves has also been affected by the transfer of funds to capitalize Angola's Sovereign Wealth Fund.

PUBLIC ACCOUNTS

According to preliminary information published by the Finance Ministry, the Angolan government will report a budget surplus of 0.1% of GDP in 2013. Oil taxes continue to represent a major source of revenue, but the tax base has been gradually extended to the non-oil sector. Non-oil tax revenue increased 27% last year, accounting for nearly 20% of total tax revenue. This result is due mainly to 43% growth in revenue from taxes on corporate income, profit and capital gains, which account for nearly half of non-oil sector tax revenue.

Budget execution in 2013 was limited by the reduced execution of the expenditures provided for in the National Budget (OGE), in particular the spending in relation to the Public Investment Programme (PIP). In contrast to the two previous years, PIP expenditures are estimated to have been 32% below budget, following the overspend (by nearly 24%) in 2012, which led to tighter controls on spending. In line with previous years, tax revenue from the oil sector is estimated to have been 5% above budget (although the deviation appears to be substantially smaller than in previous years). Similarly, tax revenue from the non-oil sector is estimated to have been 18% below the figure projected in the 2013 national budget.

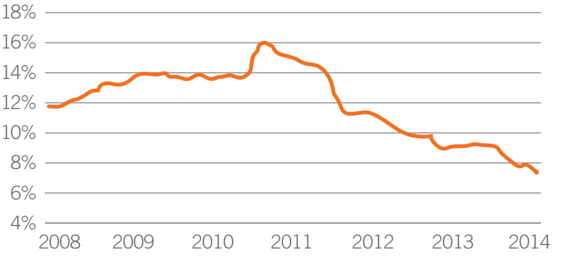
For 2014 the government estimates a public deficit of 4.9% of GDP, marked by a significant increase in expenditure (+19%), mainly on non-financial investments (+50%). The increase in public investment is in line with the goal of diversifying the productive sector, aiming to meet basic needs mainly at the level of infrastructure. Spending on the social sector is expected to reach 30% of total spending, though down 2% compared to the previous year.

The most important sources of government funding were Treasury bond issuance (which reached a total of AOA 329.3 billion in issue at the end of the year), followed by foreign credit lines (AOA 576.1 billion) and issuance of Treasury bills (AOA 200.3 billion). No net issuance of Treasury bills is planned for 2014. Net issuance of Treasury bonds is projected to increase to AOA 202.5 billion, while credit facilities will provide AOA 1.035,9 billion.

INFLATION AND INTEREST RATES

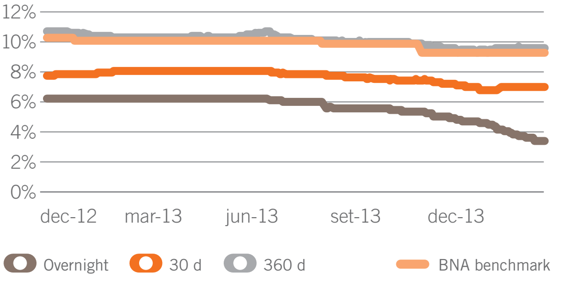
Monetary policy remained relatively accommodating throughout the year, with the aim of reducing interest rates while keeping inflation under control. The Central Bank's basic interest rate (BNA rate) fell 100 b.p. over the year to 9.25%, prompting a significant fall in LUIBOR rates. Benefiting from a more favourable inflation scenario, the goal of the BNA's monetary policy has been to reduce the cost of lending by banks, which remains high due above all to the lack of bank guarantees. As a result, interbank money market rates gradually declined.

Year-on-year rate of inflation



Source: BNA . Annual change in CPI

Interbank money market rates



Source: BNA. LUIBOR rates

The chosen monetary policy does not compromise price stability. The annual rate of inflation in the city of Luanda reached a historic low of 7.7% in December last year, compared to 9.0% in December 2012. The consumer price index, which is strongly influenced by the price of food and non-alcoholic drinks, reflects the structural constraints of the Angolan economy, which result in high operating and transaction costs. In 2014 the annual inflation rate is expected to stay between 7% and 9%, while the rate of price increase continues to slow.

BANKING SECTOR

The efforts to “dedollarize” the economy gained momentum during the year, following the introduction of the new exchange rate law. Under the new law, which is aimed at internalizing the capital flows generated by the oil industry, payments must be channelled through financial institutions headquartered in Angola, leading to increased activity in the interbank foreign exchange market (mainly in dollars). In this context, the kwanza-US dollar exchange rate depreciated over the year, from 96.1 USD/AOA at the start of 2013 to 97.9 USD/AOA at the end of the year (stabilizing after episodes of volatility associated with the adjustment to the new exchange rate law, owing to the greater supply/demand of dollars in the system).

In 2013 domestic credit grew at an average annual rate of 12.4%, compared to 16.1% in 2012 and 20.6% in 2011. Once again, foreign currency loans as a proportion of total loans decreased: from 38.3% at the end of 2012 to just 31.7% in December 2013. Lending to the private sector showed robust growth, increasing by an average of 13.6% in 2012. Lending to the government (excluding public sector corporations) increased 11.6%, after falling 3.4% in 2012.

Deposits in the domestic banking sector grew 11.4% in 2013 on an average annual basis, less than the previous year (29.1%). The decrease in foreign currency deposits as a percentage of total deposits (reaching 37.7% in December, compared to 44.8% at the end of 2012) is also consistent with the efforts to reduce the use of dollars in the Angolan economy.

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Regulatory Developments

The regulatory changes introduced by the supervisory authorities during 2013 are summarized below:

Month	Instrument
MARCH	**Instruction 1/2013** Report on Corporate Governance and Internal Control System. **Directive 1/DSI/2013** Provides for the creation of new codes on instruments, transactions and funds linked to foreign exchange transactions. **Notice 1/2013** Regulates the obligations of financial institutions in the field of corporate governance. **Notice 2/2013** Regulates the obligation for financial institutions supervised by the BNA to establish an internal control system. **Notice 3/2013** Establishes the scope of supervision on a consolidated basis for prudential purposes, in accordance with the powers conferred to the BNA by the Financial Institutions Act.
APRIL	**Notice 4/2013** Regulates the external audit activity in financial institutions authorized by the BNA. **Notice 5/2013** Abolishes the credit transfer order, establishing that all interbank transfers must be effected through the STC or SPTR payments systems. **Notice 6/2013** Regulates the provision of the cash remittance service by financial institutions under the supervision of the BNA. **Notice 7/2013** Regulates the creation, operation and closure of foreign exchange bureaux. **Notice 8/2013** Establishes the rules for the replacement of banks' physical document archives.
JUNE	**Notice 9/2013** Establishes the requirements and procedures for the granting of banking licenses.
JULY	**Notice 10/2013** Establishes the requirements and procedures for the acquisition, and the direct or indirect increase, of equity interests in financial institutions under the supervision of the BNA, and for mergers or demergers among such institutions. **Instruction 3/2013** Regulates the mandatory reserves of financial institutions established in Angola. **Notice 11/2013** Establishes the requirements and procedures for admission to the special regime for financial institutions under the supervision of the BNA. **Notice 12/2013** Establishes the requirements and procedures for the authorization of changes to the bylaws of financial institutions under the supervision of the BNA. **Notice 13/2013** Establishes procedures for foreign exchange transactions relating to current invisibles. **Directive 2/DSC/2013** Guide for the implementation of an anti-money laundering, anti-terrorist financing programme.

Mês	Evento
AUGUST	**Directive 3/DSI/2013** Makes rediscounting transactions subject to payment of the interest rate of the Permanent Liquidity-Providing Facility in accordance with Regulation 3, annexed to Notice 11/2011 of 20 October. **Instruction 4/2013** Regulates the terms on which foreign exchange bureaux may purchase foreign currency. **Instruction 5/2013** Interbank money market: characterizes the liquidity-providing transactions of development banks.
NOVEMBER	**Instruction n.º 8/2013** Defines the obligation to issue a document that serves as proof of a transfer order. **Instruction 9/2013** Establishes value limits in cheque issuance and clearing subsystems.
DECEMBER	**Notice 14/2013** Adjusts the minimum share capital and regulatory capital of financial institutions. **Presidential Decree 212/13** Approves the Organic Statute of the Financial Information Unit and the Supervisory Committee. **Presidential Decree 214/13** Regulates the designation and execution of international legal acts.

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 1/2013), 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, organizational units and structures, and policies, in particular their policies on:

- remuneration;
- conflicts of interest; and
- transparency and disclosure

In addition, a bank's corporate governance model must allow the correct definition, implementation, monitoring and review of its internal control system, especially its business strategy and its risk management policies and processes.

In general, the governance model adopted by BFA meets all the requirements of Notice 1/2013, except for the requirement to establish the following two Board of Directors committees, which is expected to be met during the first half of 2014:

- 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 2/2013 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.

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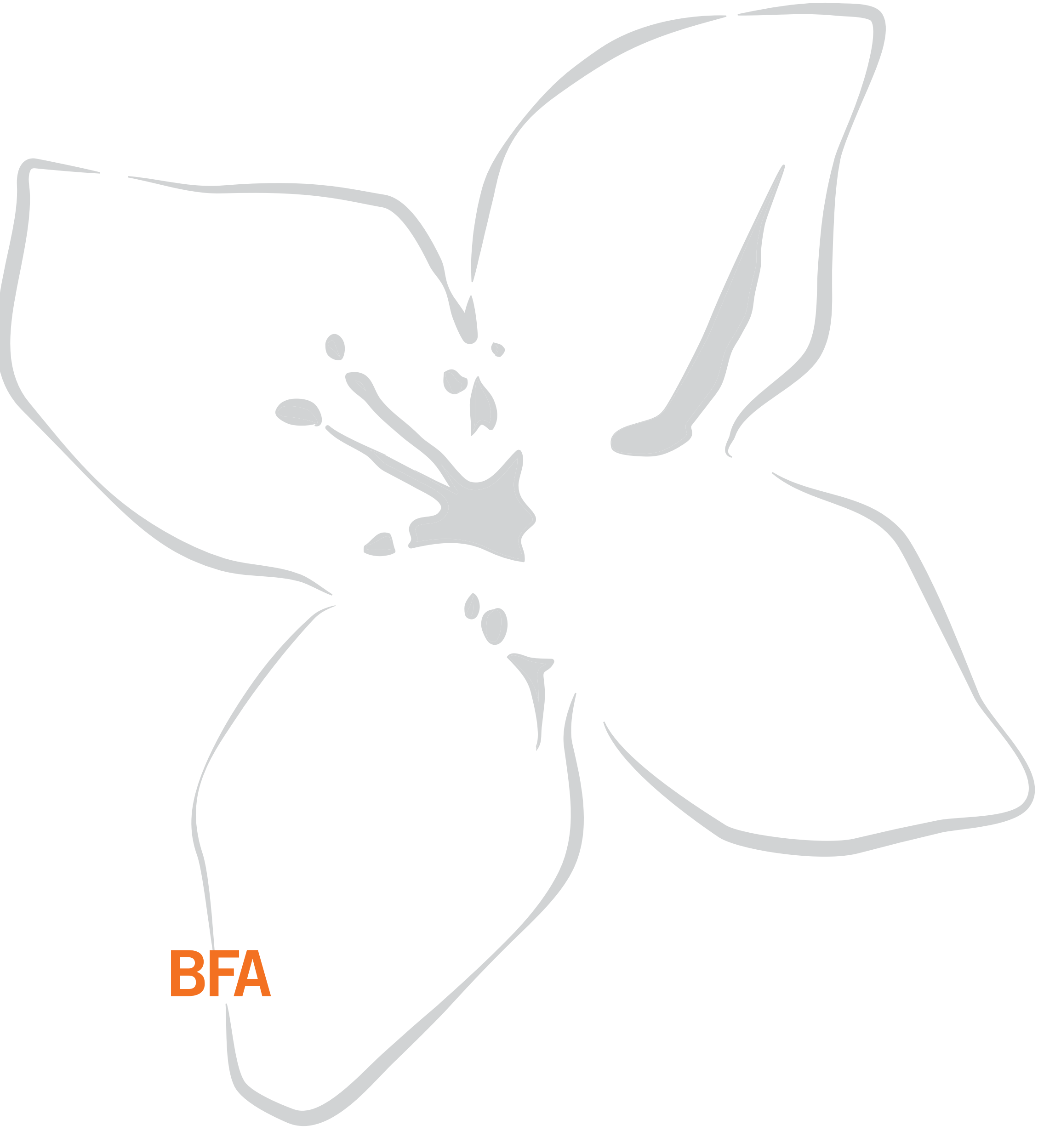


BFA

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 1/2013 defines the corporate governance policies and processes to be adopted by financial institutions.

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

As stipulated in article 26(2) of BNA Notice 1/2013 and article 22(2) of BNA Notice 2/2013, the Executive Committee prepared an action plan, in which it set deadlines for implementation of the necessary actions to ensure full compliance with the abovementioned notices.

In response to BNA Instruction 1/2013 of 22 March, which regulates the submission of information to the BNA by financial institutions in relation to Notices 1/2013 and 2/2013 of 22 March, in December 2013 the Executive Committee of BFA filed the annual report on corporate governance and the internal control system, effective 30 November.

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 one of its shareholders, BPI, of which BFA is a subsidiary, subject to group supervision. 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

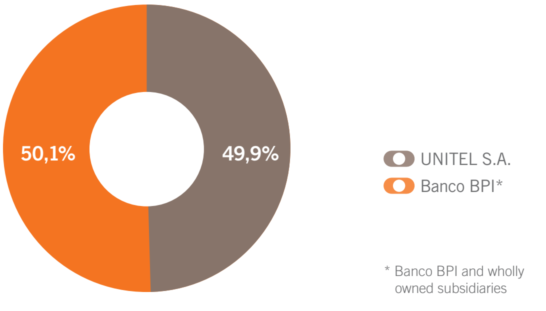
BFA was incorporated by deed on 26 August 2002 as a result of the transformation of the Angolan branch of Banco BPI, S.A. into an Angolan bank, majority-owned by the BPI Group.

As a universal bank operating on a national level, BFA aims to serve all types of customers in a specialized way, splitting its business into two core areas: Individual and Business Banking, which includes the Individuals and Businesses Department and the Investment Centres Department, and the Corporate Department.

OWNERSHIP STRUCTURE AND EQUITY INTERESTS

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

Ownership structure



The Bank is a founding shareholder of EMIS – Empresa Interbancária de Serviços, S.A., whose main shareholder is BNA, which holds 45% 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 and the Credit Transfer System (STC).

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 EMIS facilities, designed to meet the highest international standards as regards technical and service access conditions.

- Under the Bylaws approved by the General Meeting of 17 December 2010, governance is exercised by a Board of Directors, which may delegate day-to-day management to an Executive Committee. BFA is represented on EMIS's corporate bodies as follows:
- Board of Directors: Dr. Otília Faleiro
- Remuneration Committee: Dr. Emídio Pinheiro

GOVERNANCE MODEL

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

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

The members of the corporate bodies were elected at the General Meeting held on 29 April 2011 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 Chairman.

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

AThe 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:

- Elect the members of the Board of Directors and Supervisory Board, the Chairman, the Vice-Chairman and the Secretaries of the Board of the General Meeting, and appoint the external auditor;
- 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;

- Where no remuneration committee has been appointed, approve the fixed and variable compensation of members of the corporate bodies;
- Resolve on the allocation of earnings proposed by the Board of Directors;
- Resolve on amendments to the Bylaws.

SUPERVISION AND EXECUTIVE MANAGEMENT

Board of Directors

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 12 members, while the Bank's executive management is entrusted to six managing 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 Chairman.

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

- Define BFA's general policies;
- Approve the strategic plan and the annual and multi-annual plans and budgets, as well as any amendments thereto, and regularly monitor their execution;
- Prepare accounting records and proposals for the allocation of earnings for submission to the General Meeting;
- At its own initiative, propose amendments to the Bylaws and capital increases, including bond issues that do not fall within its powers, submitting its proposals to the General Meeting;
- Approve the code of conduct for wholly controlled companies;
- Take all other necessary or prudent measures to pursue the corporate objects.

To regulate its internal operation, the Board of Directors delegates the day-to-day management of the Bank to an Executive Committee, composed of 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 Chairman, usually once a week and at least once a month.

AUDITING

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 and the Bylaws. The Supervisory Board is composed of a Chairman and two members, one of whom is a qualified accountant.

The Supervisory Board meets at least once per quarter.

External Auditor

The external audit is conducted by PKF Angola – Consultores e Auditores, SA. The rules governing the services to be provided by the external auditor are laid down in BNA Notice 3/06 of 10 March.

The Bank states 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.

COMPOSITION OF CORPORATE BODIES

BOARD OF THE GENERAL MEETING	
Chairman	Rui de Faria Lélis
Secretary	Alexandre Lucena e Vale
BOARD OF DIRECTORS	
Chairman	Fernando Costa Duarte 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
SUPERVISORY BOARD	
Chairman	Amilcar Safeca
Member	Susana Trigo Cabral
Accountant	Henrique Camões Serra
EXTERNAL AUDITOR	
PKF Angola – Auditores e Consultores S.A.	

ORGANIZATION CHART

The Bank has a functional structure, which allows a clear division between the roles and responsibilities of each department, each supervised by one of the executive directors.

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

Emídio Pinheiro (Chairman)	Mariana Assis	António Matias	Vera Escórcio	Otília Faleiro	Francisco Costa
Marketing	Accounting and Planning	Individuals and Businesses	Finance and International	Organization and Training	Corporates
Lega	Human Resources	Investment Centres	Procurement	IT Systems	Credit Risk
Auditing, and Inspection and Security		Lending to Individuals and Businesses	Facilities and Assets	Foreign and Treasury	Investment and Structured Financing
Compliance		New Branches		Credit Processing and Support	Real Estate Transactions
Business Development		Employee Plans		Cards and Automatic Banking	Monitoring, Recovery and Litigation
				New Projects	

Executive Committee of the Board of Directors

António Matias
Director

Otília Faleiro
Director

Emídio Pinheiro
Chairman

Mariana Assis
Director

Vera Escórcio
Director

Francisco Costa
Director

Executive Committee of the Board of Directors

Emídio Pinheiro Chairman

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 entered 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 Vice-Chairman of ABANC (Angolan Banks Association) and a member of the Board of the Angolan Corporate Governance Centre.

Mariana Assis Director

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

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

Vera Escórcio has been a member of the BFA Board since 2009. She has 12 years of banking experience, beginning at BFA in 2001. 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

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

Francisco Costa Director

Francisco Costa has been a member of the BFA Board since 2011. With nearly 30 years' experience in the Bank, he started out at 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.

BNA Notice 2/2013 defines and regulates the obligation for financial institutions to implement an internal control system. The 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.

Separating duties is essential to an effective internal control system and is guaranteed 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 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 corporate intranet). The main points of the code are summarized below:

- 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;
- 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 respond to the requests of customers and the competent authorities in a rigorous, timely and thorough manner, while observing the duty of professional secrecy;
- 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 equitably and thoughtfully resolved so as to ensure impartial treatment of the parties involved. Any conflicts between a customer's interests and those of the Bank or its employees and officers that arise in the day-to-day activities of the Bank must be resolved in favour of the customer, except in cases where there are legal or contractual reasons for doing otherwise;
- 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.

POLICY ON ALLOCATION OF EARNINGS

The policy for allocating 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 coming 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 was paid out as dividends, while the remaining 35% was applied to unrestricted reserves. The proposal for the allocation of earnings for 2013 is as follows: 50% of net profit for the year to be paid out as dividends and the remaining 50% to be allocated to unrestricted reserves.

CORPORATE COMMUNICATIONS

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.

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

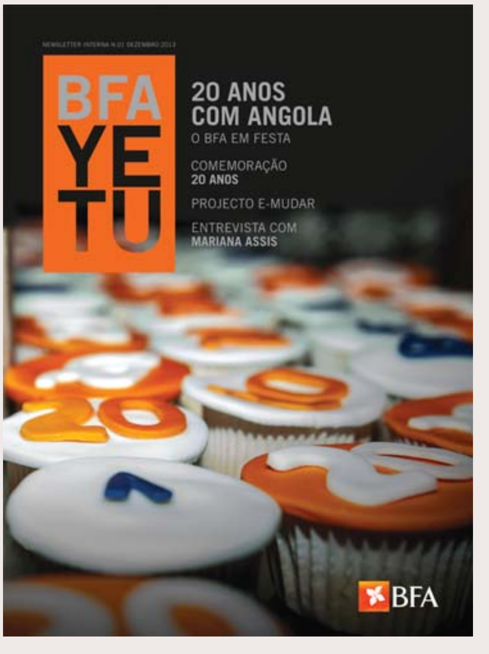
Once a year the Bank holds a management meeting, attended by representatives of the various departments, to present earnings and plans for the future.

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.

INTERNAL MAGAZINE – BFA YETU

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

BFA YETU is BFA's internal 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.



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vision

To be the #1
Bank for all Angolans
and contribute to the sustainable
development of Angola.

values

- Innovation
- Transparency
- Proximity

mission

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

commitments

Shareholders
Creating value

Angola
Contributing to the development of the national economy

Customers
Guaranteeing satisfaction and quality of service

Employees
Investing in personal and professional growth

Core business areas

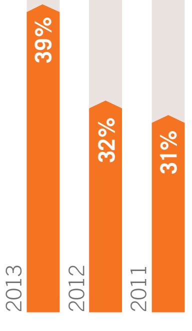
STRENGTHENING OF LEADERSHIP POSITION AND EXPANSION OF ACTIVITIES

Sharp Increase in Bank Account Ownership in Angola

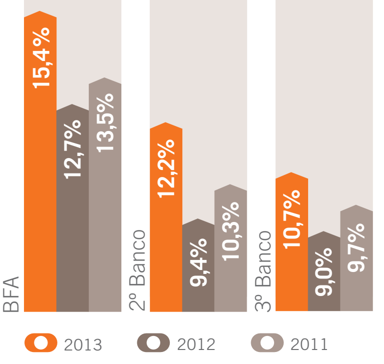
The increase in the rate of bank account ownership among the Angolan population has been one of the main focuses of the activity in the financial sector. The measures taken by the Central Bank and financial institutions have led to an increase in the proportion of the population that have a bank account. Based on a survey of the population aged 15 and over resident in Luanda province, the rate of bank account ownership in 2013 was 39%, up 7% compared to the previous year

In parallel to the increase in bank account ownership, the penetration of BFA in the population aged 15 and over resident in Luanda province rose to 15.4%, an increase of 2.3% compared to the average of the previous two years, clearly illustrating BFA's success in expanding its business and building relationships with the market and with customers

Bank account penetration[1]



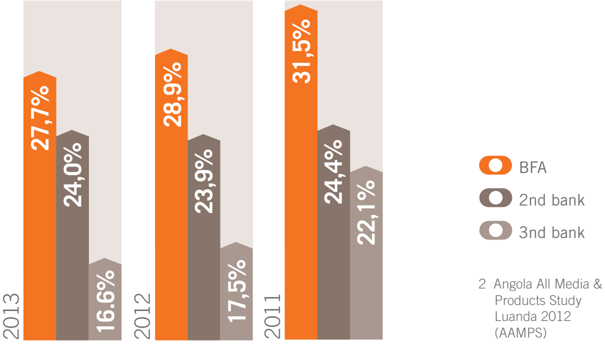
Penetration rate[1]



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

BFA's growing market strength, combined with the efforts it has made to diversify its presence in more provinces in Angola and 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.

Market share as customers' primary banking partner[2]



2 Angola All Media & Products Study Luanda 2012 (AAMPS)

Sustainability and Consolidation of Market Position

Improving customer service has been a priority across all the Bank's commercial areas, resulting in an increase in customer numbers. In 2013 BFA acquired nearly 120,000 new customers, that is, nearly 10,000 a month.

By continuously investing in human capital and mobilizing commercial and back-office teams, BFA has grown in all areas of modern banking distribution, including the expansion of its retail banking network to a total of 175 outlets in 2013 and strong growth in ATMs and POS terminals, as well as in online banking.

KEY BFA INDICATORS

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Customers	2 172	2 267	2 428	4,4%	7,1%
Multicaixa cards	910 436	1 073 876	1 192 513	18,0%	11,0%
BFA Net users	219 020	348 571	402 654	59,2%	115 415,6%
Service outlets	158	167	175	5,7%	4,8%
ATMs in use	298	320	347	7,4%	8,4%
POS terminals in use	2 908	3 917	4 842	34,7%	23,6%

CUSTOMER AND USER BASE

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Customers	902 614	1 065 115	1 183 210	18,0%	11,1%
BFA Net users	214 891	343 445	397 033	59,8%	15,6%
Debit cards	434 284	554 607	632 327	27,7%	14,0%
Credit cards	8 425	10 172	12 614	20,7%	24,0%
Salary accounts	38 648	44 117	58 096	14,2%	31,7%

Expansion of Commercial Network and Improved Efficiency in Customer Service

In 2013 BFA continued to invest vigorously in expanding its commercial network, in line with its policy of being close to customers and providing a service that is constantly being improved. Nine new branches were opened: four in Luanda province, two in Benguela and one each in Huambo, Huíla and Namibe.

In order to develop and build an relationship with customers in the Business Owners and Businesses segment, the Individuals and Businesses Department set up 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 products.

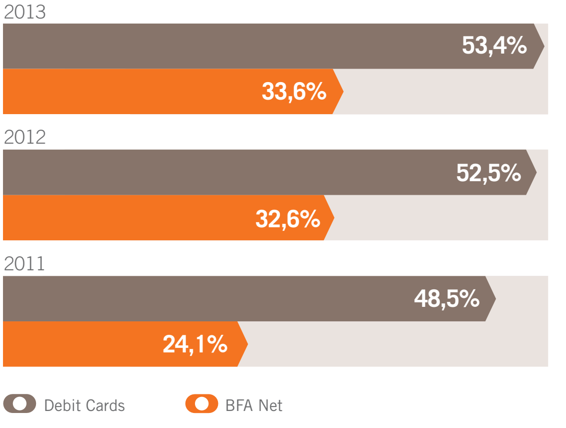
As regards improving service quality, the eMudar@BFA project, which introduces a new front-end for branch transactions using work-flow technologies and digital archiving of documents, was extended to all the Bank's service outlets. This new application already covers account opening and maintenance processes for individual and corporate customers.

Lively Customer Acquisition Performance

The number of customers in the Individuals and Business Owners and Businesses segments increased 11.1% in 2013 compared to 2012, representing more than 118,000 new customers. This figure shows BFA's strength in the retail banking area, where it is a market leader. Quality of customer service continues to be a major challenge in this context.

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



Deposit growth and "de-dollarization" of the Angolan economy

Deposit growth allows the Bank to maintain high levels of liquid funds to finance the economy and prepare BFA for future challenges. The volume of deposits is therefore one of the most relevant indicators of BFA's performance.

In 2013 the volume of deposits by individuals and businesses grew 7.5%, passing the threshold of USD 3 billion.

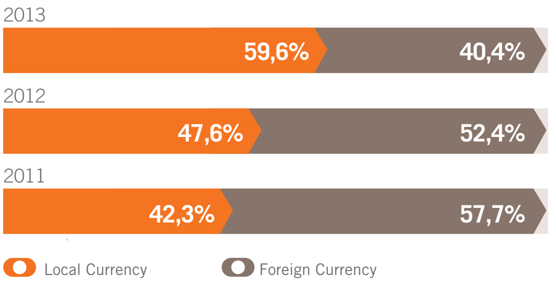
The dedollarization of the economy is apparent in the relatively greater increase in domestic currency deposits, which in 2013 accounted for nearly 60% of total retail banking deposits.

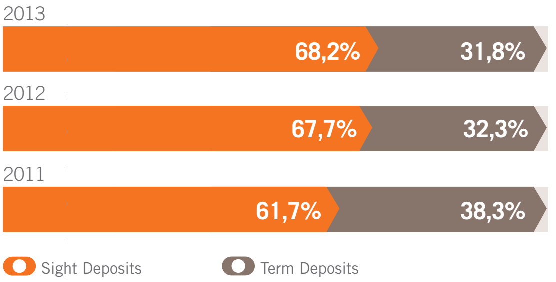
CUSTOMER FUNDS

USD millions

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Funds	2 733,6	2 924,9	3 143,7	7,0%	7,5%
Deposits	2 732,6	2 923,8	3 142,1	7,0%	7,5%
Sight deposits	1 686,6	1 980,5	2 141,8	17,4%	8,1%
Term deposits	1 046,1	943,3	1 000,2	-9,8%	6,0%
Other funds	1,0	1,1	1,7	15,4%	47,2%

Deposits by currency and type – Individuals and Businesses





As in previous years, the biggest increase was in sight deposits. Term deposits increased nearly 6% compared to the previous year.

Good Growth in Loans and Advances to Customers

The loan portfolio grew 6.2% to USD 442.7 million, especially strongly in the Businesses segment, which was up 50.6% compared to the previous year.

Investment financing accounted for the largest portion of business lending (27.1%), in line with the increase in BFA's exposure to and support for business in general.

Loans and Advances to Customers – Individuals and Businesses

Loans to individuals account for 90% of total loans and advances, compared to 10% for loans to businesses.

EMPLOYEE PLAN MANAGEMENT DEPARTMENT

The Employee Plan Management Department started working in July 2013. Its purpose is to implement a more organized and competitive approach in marketing employee plans to institutional and corporate customers. Employees of institutional or corporate customers that have established an employee plan are entitled to special terms on certain BFA credit facilities if they have their salary paid directly into an account held at BFA.

A number of specific offers were launched, most notably:

- the employee plan for government employees, which is on a temporary basis offers special terms on personal, auto and home loans; and
- the "Crédito Express" product, with a discounted interest rate and with no need for guarantors, exclusively for loans granted under employee plans with oil sector companies.

CUSTOMER AND USER BASE

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Customers	2 134	2 844	3 166	33,3%	11,3%
BFA Net users	1 642	2 391	2 658	45,6%	11,2%
Debit cards	1 098	1 992	2 549	81,4%	28,0%
Credit cards	1 212	1 657	2 023	36,7%	22,1%

EXPANSION OF 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 personalized relationships with customers. The Investment Centres were set up to attract high net worth and high-income customers and develop solutions tailored to their needs.

The Investment Centre Support Office, which provides administrative support to the Investment Centres Department's commercial staff, so that they can concentrate on delivering an increasingly personalized, customer-focused service, has proven a very effective means of consolidating the department's growth strategy and continuously improving the quality of customer service.

Expansion of Customer Base and Cards

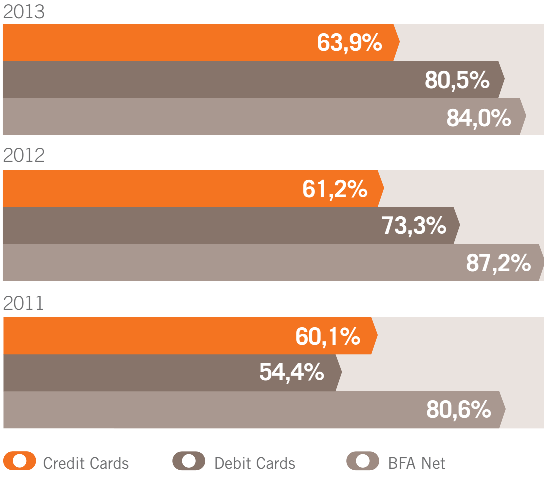
The number of customers continued to grow in 2013, reaching a total of more than 3,000.

The number of customers with access to Homebanking services reached 2,658 in 2013, an increase of 11.2% compared to the previous year.

The number of new credit and debit card customers also increased, by 22.1% and 28%, respectively.

These results reflect the Bank's efforts to offer its customers a wider range of solutions, generating loyalty and satisfaction, as the high penetration rates of BFA Net services and debit cards show.

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 13.2% in 2013 to reach USD 1,721.1 million.

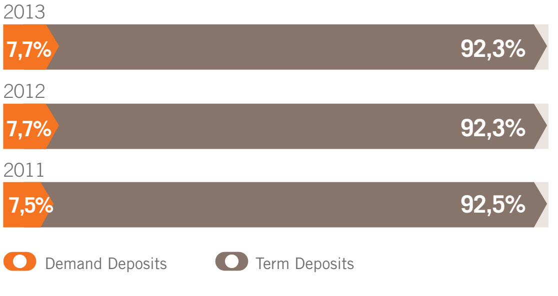
CUSTOMER FUNDS

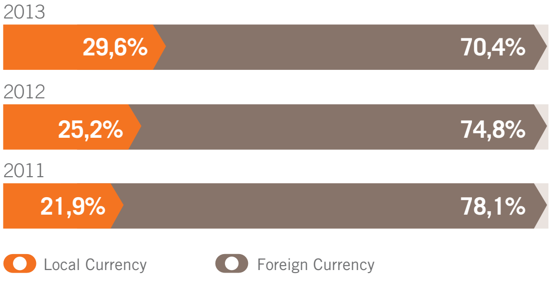
USD millions

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Funds	1 243,3	1 520,9	1 721,1	22,3%	13,2%
Deposits	1 242,4	1 519,9	1 719,7	22,3%	13,1%
Demand deposits	92,9	117,4	132,1	26,4%	12,5%
Term deposits	1 149,4	1 402,5	1 587,7	22,0%	13,2%
Other funds	1,0	0,9	1,3	-0,7%	41,1%

Demand deposits reached USD 132.1 million, an increase of 12.5% compared to the previous year, while term deposits grew 13.2% to USD 1,587.7 million. The balance of demand and term deposits remained unchanged, with term deposits accounting for 92.3% of total customer deposits.

Deposits by Type and Currency





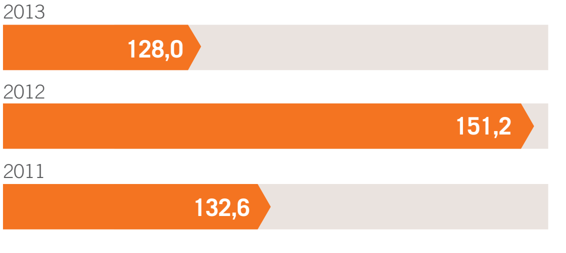
Term deposits account for the great majority of Investment Centres' customer funds, making this essentially a savings segment.

Although foreign currency deposits still account for a majority of customer funds, as a proportion of the total they declined by 7.7% over the last two years, reflecting the impact of de-dollarization in this segment.

Loans and Advances to Customers

Although the downward trend in lending to customers was reversed in 2012, 2013 saw a further decrease in the loan portfolio, which ended the year at USD 128 million, down 15.4%.

Loans and Advances to Customers Investment Centres



Consumer credit to individuals, as the largest component of total loans and advances (58%), was responsible for most of the decline in the overall portfolio, which fell 27.1% compared to 2012.

CUSTOMER AND USER BASE

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Customers	5 247	5 479	5 800	4,4%	5,9%
BFA Net users	2 427	2 662	2 903	9,7%	9,1%

The Bank has the following departments to serve this business area:

- Corporate Department – a specialized network of Corporate Centres, whose task is to deliver products and services to corporate customers;
- Investment and Structured Financing Department – specialized in structuring higher value, more complex financing transactions;
- Corporate Credit Risk Department – responsible for assessing corporate credit transactions;
- Real Estate Transactions Department – assesses applications for loans and monitors outstanding loans backed by real estate assets or income from real estate sales.

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:

- a Corporate Centre devoted exclusively to oil sector service providers, the Oil & Gas Vendors Corporate Centre, was opened, with the aim of enhancing the existing customer segmentation and creating a value proposition specifically for companies in the Oil & Gas sector;
- a new Corporate Centre (Rainha Ginga Corporate Centre) was opened to serve the customers of the Serpa Pinto Corporate Centre, which was closed.

Expansion of Customer Base and Increase in Penetration of Corporate Services

The number of customers in the Corporate Banking segment increased in 2013, as in previous years, reaching a total of 5,800.

The number of corporate customers using the BFA Net Empresas service, which offers specific functionalities for customers in this segment, increased 9.1% in 2013, while the penetration rate reached 50.1%.

BFA Net Empresas makes banking easier and more convenient for corporate customers.

BFA Net penetration

Increase in Customer Funds

In 2013 the volume of customer funds in the Corporate Banking segment once again showed a significant increase (+16.6% compared to 2012), reaching a total of USD 2,873 million. The growth was even more marked (+28.8%) in the investment securities (Treasury bonds) portfolio, which increased at the end of the year as a result of customers who received payment from the government in the form of Treasury bonds.

CUSTOMER FUNDS

USD Millions

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Funds	2 201,5	2 463,4	3 154,5	11,9%	28,1%
Deposits	2 201,5	2 463,4	2 873,4	11,9%	16,6%
Sight deposits	1 330,8	1 537,4	1 860,0	15,5%	21,0%
Term deposits	870,6	926,0	1 013,4	6,4%	9,4%
Securities *	-	-	281,1	-	-

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

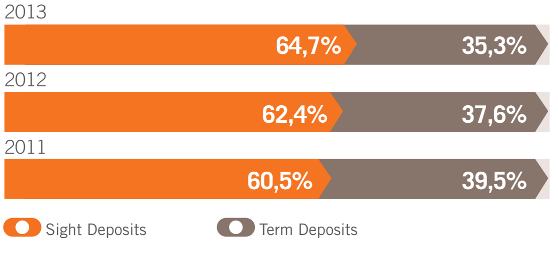
LENDING TO CORPORATE CUSTOMERS

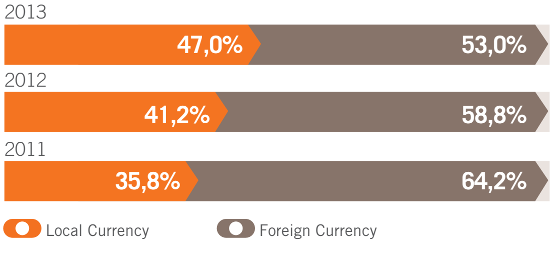
USD Millions

	2011	2012	2013	Δ% 11-12	Δ% 12-13
Total lending	985,1	1 279,3	1 217,5	29,9%	-4,8%
Corporates	985,1	1 279,3	1 217,5	29,9%	-4,8%
Loans and advances to customers	812,9	874,8	926,5	7,6%	5,9%
Documentary credits and guarantees	172,2	404,5	291,0	134,9%	-28,1%
Import documentary credits	57,0	105,3	104,7	84,8%	-0,5%
Guarantees provided	115,2	299,3	186,3	159,7%	-37,8%
Other	0,04	0,01	0,02	-82,0%	214,7%

The biggest contribution to this growth came from sight deposits, which grew 21% compared to 2012, adding USD 322.6 million, or USD 691 million if securities are included. Term deposits grew 9.4%, reaching USD 1,013.4 million at the end of 2013. The two Oil & Gas Corporate Centres made a large contribution to this significant growth.

Deposits by Purrency and Type





Domestic currency deposits grew 5.8 percentage points as a proportion of total deposits.

Lending Performance

Lending in the corporate segment declined 4.8% in 2013, due to a 37.8% decrease in the portfolio of guarantees provided for major works bids in the last month of the year.

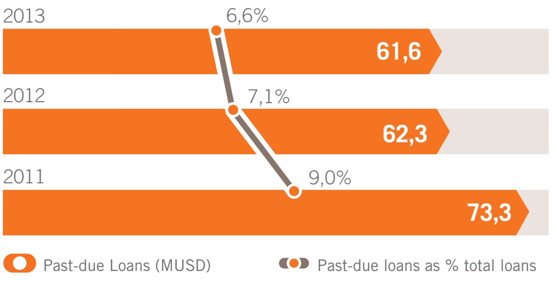
Lending to customers grew 5.9%, in line with the growth of the financial system, bringing the portfolio as a whole to approximately USD 1,217.5 million.

Soundness of the Loan Portfolio

2013 saw a further decline in the volume of past-due loans in the Corporate Banking segment (-1.1%) to USD 61.6 million. The past-due loans ratio fell to 6.6%, continuing the downward trend recorded over the last three years.

As a result, the provision coverage ratio rose to 114.7%, showing an improvement in the quality and robustness of the loan portfolio.

Loan quality in the Corporate Banking Segment



Investment and Structured Financing

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

- start-ups;
- project finance;
- mergers & acquisitions;
- major investments in projects involving corporate risk, where the risk impacts significantly on the company;
- loans to the government or to public sector bodies, or with the guarantee of the Angolan government;
- structured loans with bank syndicates;
- restructuring of liabilities / substitution of liabilities in large corporate groups as a way of safeguarding the participation in the loan;
- projects with shared risk, particularly with multilateral and bilateral agencies and export credit agencies (ECAs);
- farm credit, including assessment of the technical component, and investment finance for the financing of non-current investments or investments covered by the Angola Invests programme.
- In 2012 the main sectors considered for loans were food distribution, hotels and restaurants, television, telecommunications, construction materials, higher education, agriculture, health and energy.

ANGOLA INVEST

Angola Invest is a programme to support micro, small and medium companies and micro, small and medium one-person enterprises. It is intended to finance investment and working capital projects tied to investment in fixed assets.

The program has two basic mechanisms to stimulate economic activity:

- Discounted interest rates;
- Government guarantees.

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 year-end 2013, BFA had approved 16 loan applications under this programme and had paid out 12 loans.

SEGMENTED VALUE PROPOSITION – GIVING PRIORITY TO SPECIALIZED SERVICE, OPERATIONAL EFFICIENCY, SOUNDNESS AND SECURITY

The approval of the Foreign Exchange Law (Law no. 2/12) by the National Assembly not only posed a significant challenge to the Angolan banking market but also brought about a major change in the way the market associated with oil exploration works. The law achieved the Angolan government's goal of internalizing the cash flows generated by the oil industry as a means of strengthening the banking system and the economy.

The new law's requirements focus on a change in the monetary flows used by oil sector companies in relation to payments made in the context of their activities in Angola. The law makes it mandatory for oil operators and the national concessionaire (Sonangol) to make all payments for taxes and for goods and services supplied by resident and non-resident entities out of bank accounts domiciled in Angola, namely:

- Payments of goods and services to resident entities in local currency;
- Payments of goods and services to non-resident entities in foreign currency; and
- Payments of taxes.

Under the new foreign exchange rules, from July 2013 all payments to resident suppliers of goods and services must be made in kwanzas, generating a very significant increase in the volume of USD foreign exchange transactions with these customers and increasing the amount of funds in foreign currency held by Angolan banks.

The last phase of the new Foreign Exchange Law (Law 2/12) came into effect in October 2013. In this last phase, oil companies must pay non-resident suppliers of goods and services through Angolan banks. This change in the law has led to a sharp increase in the number of foreign exchange transactions.

BFA has responded to this paradigm shift by training and enabling its organization to provide a range of specialized products and services. 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. These two corporate centres operate on three basic principles: specialized support, operational efficiency and financial soundness.

Specialized support

BFA has employees dedicated exclusively to the Oil & Gas sector, backing up its promise of high availability and close support for companies in the industry, so as to become their preferred financial partner.

Oil & Gas customers thus have at their disposal dedicated BFA teams with the capacity to offer solutions that fully meet their needs. The teams are composed of specialists with a thorough knowledge of the sector's transactional requirements and capable of carrying out customer instructions quickly and effectively.

Operational efficiency

Recognizing the transactional needs of companies in the sector, BFA has equipped its operational organization with resilient payment and transfer processing systems capable of executing transactions with the specifications required by oil industry operators.

In 2013, with the aim of developing an automated solution and prioritizing efficiency and speed of transactions, BFA completed the implementation of an automated straight-through-processing (STP) system for high-volume transaction processing. 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 offer oil sector companies services tailored to their specific needs, paying special attention to the requirements introduced by the new foreign exchange law.

The BFA Net Empresas service allows oil sector customers to conduct their online banking transactions efficiently and securely. The transactions that can now be managed online include:

- Employee payroll;
- Payments to suppliers;
- Money transfers between BFA accounts, and to accounts held at other banks;
- Account and credit card information and statements;
- Cheque ordering.

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 strong focus on customer loyalty in this sector generated a considerable increase in 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.

The Employee Plan Management Department was created to help build relationships with these companies. As of December 2013 a total of 18 employee plans had been established in the Oil & Gas segment.

BUSINESS DEVELOPMENT UNIT

A Specialized Team of Experienced Professionals

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 four 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.

Significant Growth in Activity

O2013 was a record year for the BDU, with sales five times the level recorded in 2012.

On the commercial front the BDU made numerous direct contacts and held numerous meetings with potential investors, which resulted in several new financial advisory mandates.

Sustained growth, Hand in Hand with Customers

In view of the considerable expansion of its activity in 2013 and the growth prospects of the Angolan economy for 2014, the BDU expects to see further growth in its activity during the coming year.

As in the previous year, Angola continues to attract foreign investment. This foreign investment, allied with a more professional approach to business and asset portfolio reorganization and optimization on the part of the groups and companies operating in Angola, give the BDU a solid base on

which to achieve continuous, sustained growth in its activity.

Innovation and Technology

UPGRADING BFA'S SYSTEMS

Further Investment in IT Modernization

Pursuing its strategy of innovation, modernization and risk control, BFA maintained the pace of investment in IT systems in 2013. Apart from pressing ahead with IT initiatives started in previous years, it also launched various projects to ensure that the Bank's systems effectively support and reinforce its growth.

BFA's technology investment in 2013 was focused on:

I. Continuation of the implementation of a new front-end system to support commercial activity, under the umbrella of the eMudar@BFA project;

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

III. Further development of the transfers and payments systems;

IV. Development of systems to support business growth and risk control in BFA.

I. Implementation of the eMudar@BFA project: A Project Aimed at Structuring all of BFA's Activities

Implementation of the new IT system to support commercial activity continued in 2013, under the umbrella of the eMudar@BFA project, which was extended 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 standardized 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 standardized procedures, making processes simpler and more intuitive;
- Ensures agreed service levels and reduces processing time;
- Enables process automation, enhancing security and allowing faster response times in the regular transaction approval channels;
- Enables the dematerialization of processes and paper documents, which wherever possible are replaced with digital documents, and allows decentralized transaction consultation, monitoring and audit;
- Ensures process uniformity, irrespective of the channel used (commercial network, central services, telephone, Internet);
- Is compatible with the employee database, ensuring high security in application management;
- Allows a significant reduction in operational risk; and
- Brings a clear and unmistakable improvement in the quality of customer service.

In 2014 the eMudar@BFA project is to be extended to new processes and payment methods (cheques, cards, transfers) and online banking registration via BFA Net.

Together with the new front end, a new platform was developed to integrate and unify BFA's systems and to develop and integrate applications and products in the future.

This new system is to be introduced in four phases, the first of which has been rolled out to the commercial network, while the second phase is currently in progress.

THE ENVIRONMENT - DEMATERIALIZATION OF PROCESSES

With the eMudar@BFA project, BFA embarked on a comprehensive review and dematerialization of its processes. The aim is to simplify processes, reduce operational risk and ensure that, wherever legally possible, transactions are supported by digital documents, thus reducing the consumption and circulation of paper. As of December 2013 the digital document repository contained 529,026 digital documents, most of which completely replaced the original paper document.

As of that date 219,776 processes had been concluded in the eMudar@BFA platform, representing an average of 3,816 processes per week, which translates into a major gain in efficiency and operational risk control.

In 2013 a total of 56,306 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 that purpose.

II. IT System Security and Risk Mitigation

BFA recognizes that the availability of its systems directly affects its ability to carry on its business. BFA's security policies were reinforced, with the adoption of several new initiatives, namely:

- The new Data Processing Centre was installed at EMIS facilities, using the latest technology, while the old processing centre has been kept as a back-up.
- Tools were introduced for remote updating of applications installed in the Bank's workstations, ensuring greater uniformity and robustness and more efficient updating.
- Anti-virus tools were installed, significantly increasing the protection of BFA's computer network.
- BFA's communications network was given greater stability through higher levels of redundancy for the commercial areas and central services, along with equipment and software upgrades.

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 and so invested in modernizing its payment systems and developing transactional solutions tailored to the needs of its customers, as illustrated by the creation of the payroll file upload functionality through the BFA Net platform.

New features were introduced in the automated straight-through-processing system to handle multi-destination, multi-currency transactions, covering a broader set of needs and reinforcing risk control in the system.

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. The migration of existing credit cards to the new platform is expected to be completed in 2014.

IV. Support for business growth and risk control in BFA

Several projects were carried out in 2013 to directly support the growth of BFA's business and organization, including:

- Development of the application to provide more effective support to the Angola Invests programme was completed.
- The new corporate website was launched, using the most up-to-date technology, with a new image and a more effective content management system. The new site is expected to be a crucial asset in BFA's communication and interaction with customers.
- An impairment model tailored and parameterized to the Angolan market was implemented, providing effective support to BFA's risk management policy.

Distribution channels

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

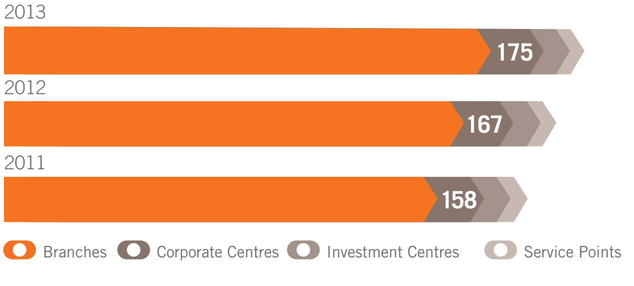
Growth of the commercial network

In order to better serve its customers, BFA's commercial network is divided into three types of service outlet, each serving a different market segment: 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 personalized customer care.

In 2013 BFA opened nine new service outlets, so that at year-end it had 147 branches (+8 compared to 2012), 16 corporate centres (+1 compared to 2012), 8 investment centres and 4 service points (1 less than in 2012).

In December 2013 BFA had a total of 175 service outlets, an increase of 4.8% compared to 2012.

BFA Distribution Network

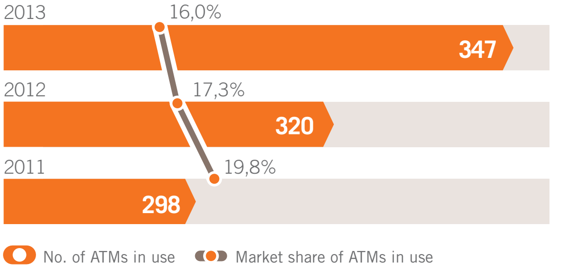


Aiming for continuous improvement in the level and quality of customer service, BFA also remodelled and reopened three branches – one each in Namibe, Luanda (Rainha Ginga) and Lubango – and a Corporate Centre in Luanda (Rainha Ginga).

Expansion of the installed base of ATMs and POS terminals

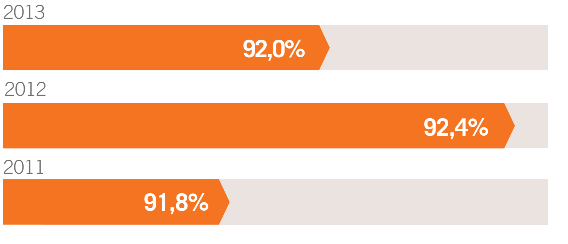
The number of ATMs in service increased once again in 2013, reaching a total of 347 at the end of the year.

Number of ATMs



The average ATM availability level remained high, just 0.4 percentage points down on 2012.

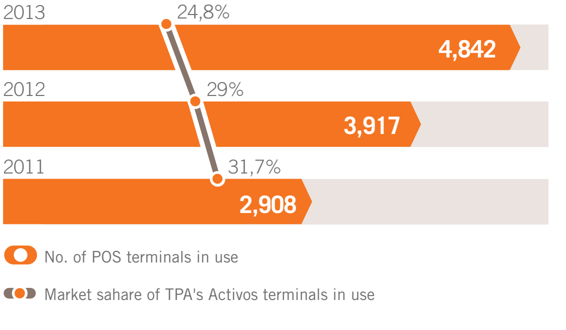
ATM Average Annual Availability



Note: Availability is calculated as follows: Availability = 1 – (No. days down) / (No. days in month). An ATM is considered down or unavailable if it registers no transactions for a complete month. The usage rate indicates the number of registered POS terminals currently in use (a minimum of one transaction per month). It is calculated by dividing the number of terminals in use by the number of registered terminals.

The number of POS terminals grew nearly 23.6% in 2013 (compared to December 2012), while the total number of POS terminals at year-end reached 4,842, up 925.

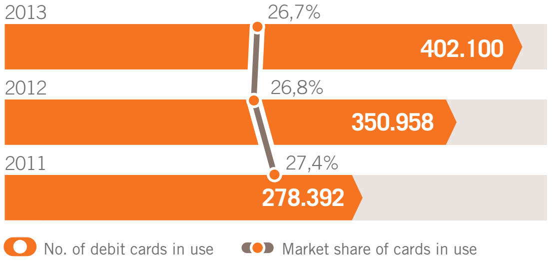
Number of POS Terminals



Consolidation of BFA's leadership in the market and increase in the penetration rate

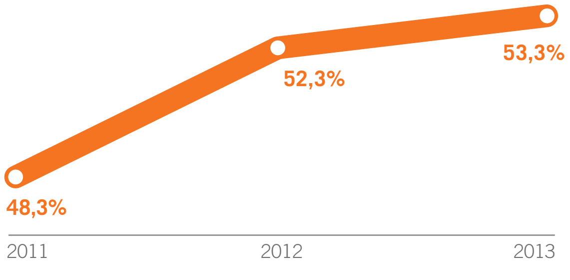
In 2013 the number of debit cards in use rose above 400,000, up 14.6% compared to 2012. As a result, the Bank maintains its leadership position in the debit card market, with a market share of 26.7%.

Number of Debit Cards



Thus, the debit card penetration rate continued to increase, reaching 53.3% in 2013, up 2% on 2012.

Customers with Debit Cards

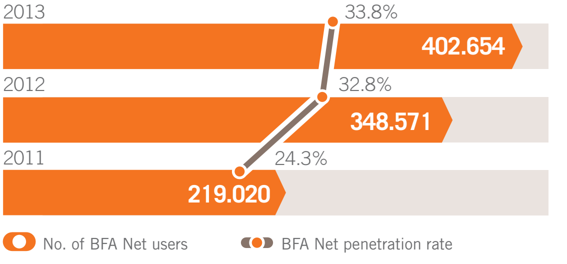


Growth of Online Banking Service: BFA Net

The number of BFA Net users increased yet again in 2013, to more than 400,000 customers, an increase of 15.5% compared to the previous year.

The penetration rate of BFA's Homebanking service thus reached 33.8%.

Number of BFA Net Users and Penetration Rate



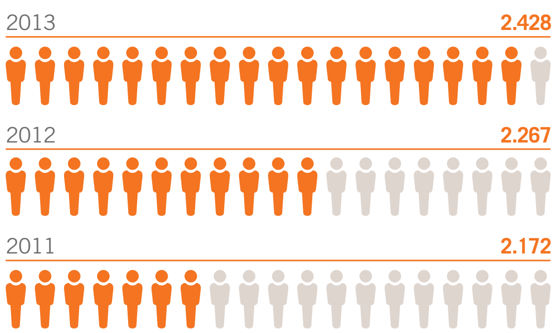
Human Resources

CONTINUOUS INVESTMENT IN HUMAN CAPITAL

Talent acquisition policy to support growth

BFA realizes that its strategy and ambition to serve its customers better and build closer relationships with them calls for substantial investment in human capital. One of the Bank's human resource priorities is to recruit and select the staff it needs to support its growth, while at the same time putting great effort into training.

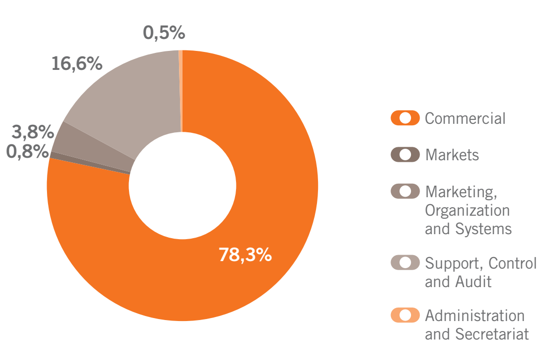
Staffing Levels



At year-end 2013 the Bank had 2,428 employees, 7.1% more than at the end of 2012. Of this total 78.3% were assigned to the commercial areas.

In order to recruit highly qualified professionals, the Human Resources Department regularly attends job fairs at universities, which are an important avenue for attracting new employees.

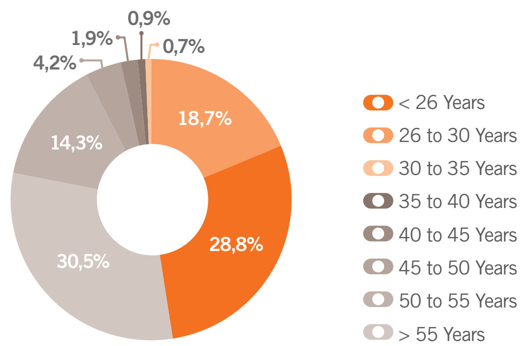
Workforce by Business Area in 2013



A youthful organization

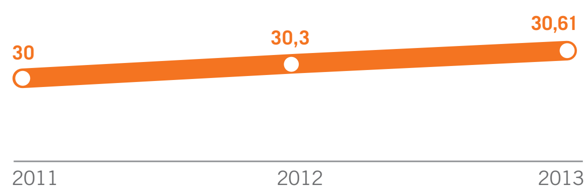
BFA invests not only in acquiring human capital but also in training and developing its workforce. It aims to cultivate employees' potential and develop skills among the Bank's workforce. BFA has thus built up a young team, with nearly 78% of employees under the age of 35.

Workforce by Age

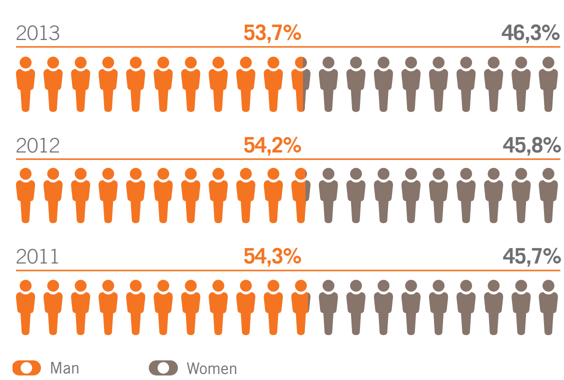


In 2013 the average age of employees was 30.6 years.

Average age of employees



Workforce by Gender



BFA has a balanced workforce, made up of 53.7% men and 46.3% 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 quality of service.

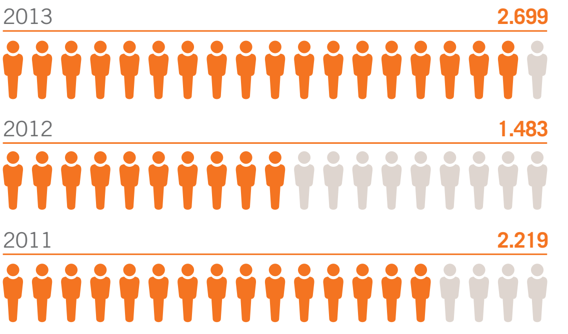
BFA invests in the development and on-the-job training of its employees through training actions covering a wide variety of business areas and activities. In 2013 there was a greater emphasis on practical training, with admission tests, in the headquarters training facilities and locally in the branches. During the year, approximately 1,135 days of training were given locally in the service outlets.

In 2013 BFA continued to invest in staff training and specialization, focusing on five areas:

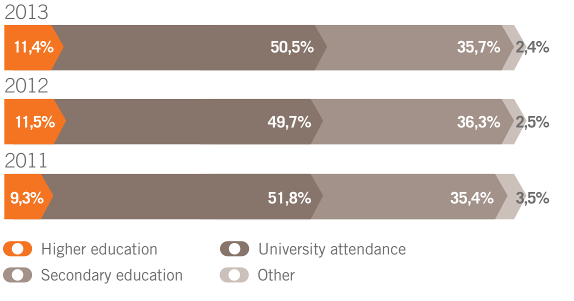
- Operations — mainly in relation to the eMudar@BFA project and the operating platform, with the aim of ensuring that employees know how to use the new front-end application. Training was also given in the new front-end processes.
- Products and Services — specialized training on the Bank's products 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 trainer training;
- Academic qualifications — aimed at enabling high-potential individuals to obtain higher qualifications, in particular through enrolment in the following postgraduate programs:
    - MBA Atlântico
    - Executive Master in Bank Management

A total of 205 training activities were carried out, involving 2,699 employees.

Number of Participants in Training Activities



Employees by Educational Level



As a result of the improvement in internal processes and the closer contact and interaction with universities in recruitment processes, approximately 62% of the Bank's employees have either a university degree or are still attending university.

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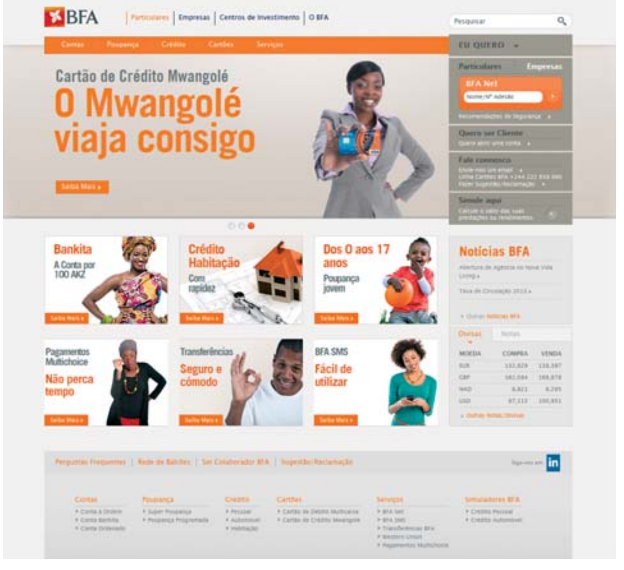
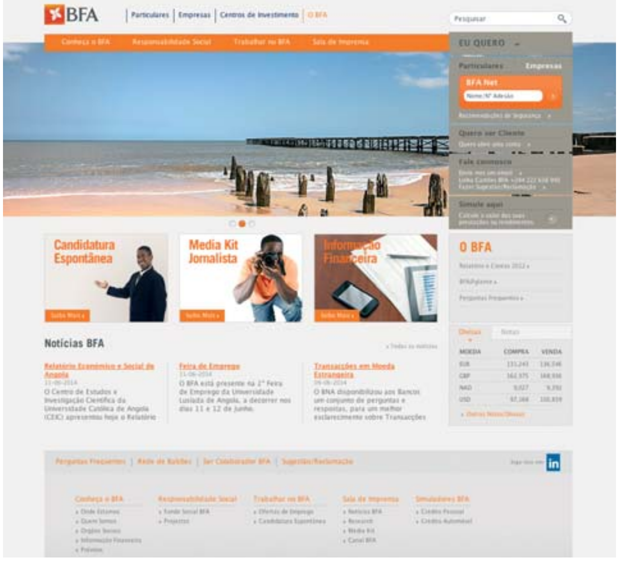
Communication





NEW CORPORATE WEBSITE LAUNCHED – MORE USER-FRIENDLY AND INTERACTIVE

BFA's new corporate website was launched in December 2013. The main objective of redesigning BFA's online presence was to promote greater interaction with site visitors, with a more modern, user-friendly and functional layout.

The biggest innovation is in the content. It is a site with simplified texts and used-friendly, intuitive navigation, where images play the main role. Users can now access the Homebanking service (BFA Net or BFA Net Empresas), find out how to open an account, or submit a query, suggestion or complaint directly from anywhere in the site. They can also conduct simulations to find out the conditions of a personal or auto loan or how much they need to save each month to be able to pay for their children's education, for example.

Other innovations include areas dedicated to the press, foreign residents and social responsibility. The aim is to bring BFA closer to its customers and the public at large through simple, targeted information.

This is the first major overhaul of the www.bfa.ao site and marks the first step in a new approach to digital channels and online communication.

20 Years and 1 Million Customers – the theme of the main communication actions in 2013.

In 2013 BFA's communication policy was centred on campaigns, sponsorship, events, social responsibility actions and internal communication.

CAMPAIGNS

As in previous years, BFA's campaigns were aimed at strengthening the positioning of the BFA brand and attracting new customers.

20 Years, 1 Million Customers

To mark its first 20 years in the Angolan market and the passing of the one million customers mark, BFA designed a communication campaign with the slogan "20 Years, 1 Million Customers". This campaign underlined the Bank's reputation as the bank for all Angolans and shared these 20 years of success with its customers, employees and the general public.

BFA Net Empresas – Process your payroll without going to the bank

To promote the use of the BFA Net Empresas payroll processing service, BFA launched the campaign "Process your payroll without going to the bank". This campaign also emphasized the security and simplicity of online payroll processing.

SPONSORSHIP

1º de Agosto Sports Club

BFA and the 1º de Agosto Sports Club extended their partnership agreement for a fourth year. The Bank sponsors the Senior Football team and all the competitions in which the 1º de Agosto team is involved, namely the Girabola and the Taça de Angola. This sponsorship is part of BFA's strategy of supporting sporting events that have a major impact on the local community.

Miss Angola

Conceived as part of the promotion and development of Angolan womanhood, Miss Angola is the country's biggest beauty competition and the one that attracts most media attention. Seen by millions through TPA, RTP-África and RTP International, each year Miss Angola chooses the beauty queen who will represent Angola at the Miss Universe pageant. BFA was one of the main sponsors once again in 2013.

DEUS Project

In the context of its support for the plastic arts, BFA supported the exhibition of paintings by Hildebrando de Melo, titled the DEUS Project. Hildebrando de Melo is one of the most prominent members of the new generation of Angolan artists.

BFA Raid Cacimbo

BFA has been the only bank sponsor of the Raid Cacimbo off-road event since 2007, and the official sponsor for the past five years. BFA Raid Cacimbo includes stops at the Bank's branches along the route of the expedition. The event is designed to combine the pleasure of off-road driving with adventure, camping and ecological tourism, while at the same time fostering an awareness of Angolan history and geography, as well as camaraderie among the participants.

Panda Festival

BFA sponsored the Panda Festival, one of Luanda's most popular entertainments for children. In 2013 the festival was held twice, once in June on International Children's Day and once in November.

BMW Golf Cup International

BFA was co-sponsor of the BMW Golf Cup International tournament. This is the world's largest golf tournament for amateur players, involving 47 countries and more than 100,000 golfers.

Luanda Carnival

As in previous years, BFA sponsored the Luanda Carnival, which was attended by thousands of Angolans. The carnival symbolism and tradition are two important factors for BFA's presence in this event, which remains one of the country great cultural manifestations. Those on the BFA stand in Luanda saluted the participants with gifts and popcorn.

Festisumbe

BFA is one of the official sponsors of FestiSumbe, a music festival that has won a place for itself in Angola's calendar of cultural events. For two days the city of Sumbe hosts performances by national and international artists.

EVENTS

Exhibition - BFA, 20 years of Art

To commemorate its 20th anniversary, BFA organized the exhibition "BFA, 20 years of Art" at the Portuguese Cultural Centre in Luanda. This exhibition was one of the most symbolic moments of the 20th anniversary celebrations, in which the Bank publicly presented its collection of paintings by sixteen Angolan artists.

Workshop – Oil & Gas

In June 2013, in response to the main challenges posed by the introduction of the new foreign exchange regime, BFA organized the workshop "The challenges of the new foreign exchange regime for the oil sector". The workshop was attended by nearly 150 people, including managers from the main oil companies.

FILDA

BFA's stand at the Luanda International Fair (FILDA) illustrated the Bank's growth by representing the number of service outlets, the number of employees and the Bank's position in the market. The communication also focused on the "20 Years, 1 Million Customers" slogan, with the aim of strengthening the Bank's relationship with its customers and building awareness of the BFA brand.

Expo Huíla

BFA took part in Expo Huíla 2013, held in the southern Angolan city of Lubango. The Bank's objective in taking part is to increase its involvement in the corporate market in the southern region and acquire new customers. Expo Huíla is an annual trade fair held in August as part of the Nossa Senhora do Monte celebrations and is considered the largest trade fair in southern Angola.

BFA's anniversary

On 13 July nearly 800 of the employees of BFA came together in Baía de Luanda to celebrate 20 years of BFA. The anniversary is an opportunity for sharing and socializing among employees. Entertainment was provided by the Angolan comedians Os Tuneza and the singer Paulo Flores. One of the evening's highlights was the celebration of employees who had completed 20 years' service and the showing of photographs of some key moments in the Bank's history.

Social Responsibility

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

In 2013 that commitment took shape with several projects, reflecting the Bank's real social concern. BFA lent its support to various activities in its three main areas of action: education, health and social solidarity.

EDUCATION

In education BFA has formed partnerships with key institutions, sponsoring and investing in training and research projects.

Universidade Católica de Angola

MBA Atlântico

The fourth MBA Atlântico programme started in May 2013 in Luanda. The one-year course is divided into three terms of full-time study, each given at one of the participating Catholic universities: Luanda, Rio de Janeiro and Porto. Besides being one of the official sponsors, BFA has had a place guaranteed for one employee each year since the MBA Atlântico started.

MBAatlântico
LuandaRioJaneiroPorto

Prizes for the best students at the School of Economics and Management

In 2013, for the fifth year in a row, BFA took part in the awards ceremony for the best students at the Universidade Católica de Angola. The ceremony was held in June on the university campus and BFA awarded prizes to six students of the School of Economics and Management.

Sociedade Portuguesa de Inovação

BFA partners with Sociedade Portuguesa de Inovação and Universidade Católica de Angola in the largest independent study on entrepreneurship, known as GEM. GEM is an independent study on entrepreneurship across a large group of countries. In Angola it has had the support of BFA since 2008. The study was presented in Luanda in the presence of a number of prominent representatives from the public and private sector.

HEALTH

Paediatric hospital

As part of its "20 Years, 1 Million Customers" celebrations, BFA donated equipment to the Support Centre for Anaemic Diseases in the David Bernardino Paediatric Hospital. The donation will allow the hospital to provide children with better outpatient care.

Hospital at Chilulo, Ondjiva diocese

BFA supported Solidarity Day with a donation of medicines to the Chilulo hospital. The purpose of Solidarity Day was to mobilize institutions around a fund raising initiative to finance the reconstruction, expansion and refurbishment of the hospital.

SOCIAL SOLIDARITY

Food bank against hunger in Angola

BFA joined forces with the food bank as sponsor and banking partner to manage all the transfers of funds, collect contributions from the different types of associates and manage the cash for payment of services, employees and suppliers.

Casa do Gaiato

In May 2013 BFA offered a tractor to the Casa do Gaiato children's home in Benguela province. Founded 50 years ago, Casa do Gaiato has about 12 hectares of arable land, which is used to grow crops such as onions, tomatoes, corn, potatoes and beans, part of which are sold, while part provide food for the 115 boys who live there.

Caritas Angola

Caritas Angola gives priority to economic, social, family and community development as a means of reducing poverty. BFA supported the food collection campaign promoted by Caritas Angola in the struggle against starvation and drought in the south of Angola, specifically in the provinces of Huíla, Namibe, Cunene, Benguela and Cuando Cubango.

Palanca Parade

Palanca Parade (the "palanca" or giant sable antelope is the national symbol of Angola) was a social solidarity project in 2013, in which Angolan artists, brands and companies were called upon to help raise funds for disadvantaged children who needed minor surgery to correct physical disabilities. BFA invited the artist Guilherme Mampuya to paint the BFA antelope to depict the history of the Bank's social fund. Rather than mere decoration, the challenge was to bring to life the various initiatives that have helped improve the lives of many Angolans.

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Awards

Best Bank Brand in West Africa - Global Brands Magazine

Global Brands Magazine named BFA the "Best Bank Brand in West Africa". The award was granted primarily in recognition of the Bank's wide range of products and services. BFA was chosen from among a highly competitive group with a strong presence in the African banking market.

Best Annual Report & Accounts – 2013 Sirius Award

In November 2013 BFA won the prize for "Best Annual Report & Accounts" in the third edition of the Sirius Awards. The jury gave particular importance to the quality of BFA's management and financial information for financial year 2012. This is the second time BFA has been mentioned in the Sirius Awards.

Best Corporate Bank - International Finance Magazine

International Finance Magazine named BFA "Best Corporate Bank in Angola" in 2013. 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 - International Finance Magazine

BFA received the "Best Commercial Bank in Angola" award from International Finance Magazine. 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 Bank - EMEA Finance

For the fourth time EMEA Finance Magazine named BFA "Best Bank" in Angola for its performance and consistent results. The publication has been recognizing BFA's solid growth since 2009, as shown by awards given in previous years: "Best Bank" in Angola (2009, 2011 and 2012) and "Most Innovative Bank" (2010).

Best Banking Group - World Finance

World Finance magazine named BFA "Best Banking Group in Angola". The award was based on the following criteria: expansion of the Bank's operations, contribution to the economic development of Angola and development of innovative solutions for customers.

STP Excellence Award - Deutsche Bank

Deutsche Bank honoured BFA for the eleventh consecutive year with its STP (Straight-Through Processing) Award, in recognition of the Bank's high success rate in the automated processing of transactions with other countries (in 2012, its success rate was 99.62%).

Best Community Involvement Program - CFI

BFA received the award for "Best Community Involvement Programme" from Capital Finance International magazine. The award was given because of BFA's Social Fund, which was established from a yearly contribution of 5% of the Bank's profits from 2004 to 2009.

Brand of Excellence - Superbrands

For the third time BFA was named a Brand of Excellence by Superbrands, an independent international organization dedicated to raising brand awareness in 89 countries since 1995. Superbrands Angola rewards Brands of Excellence for their perfOormance in the local market.

Best Commercial Bank - Global Banking and Finance Review

BFA was honoured with the award for "Best Commercial Bank in Angola" by the British website Global Banking and Finance Review. This award was primarily due to the Bank's wide range of products and services, extensive commercial network and social responsibility program based on education, health and social solidarity.

RISK MANAGEMENT

Governance and organization of risk management

DIVISION OF POWERS FOR RISK CONTROL AND MANAGEMENT

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 of 22 March on internal control procedures. Responsibility for risk management and control is assigned to a number of different departments of the Bank.

In 2013, following publication of Notice 2/13, the duties of the Compliance Department were reviewed. Internal regulations were established for account management processes and the system of automated anti-money laundering alerts required by Directive 2/DSC/2013 is in the implementation phase.

The Bank's current strategy is implemented through its annual budget and plans, which are proposed by the Executive Committee and approved by the Board of Directors.

The Accounts and Planning Department issues a detailed monthly report 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 explained in detail.

This information on the Bank's activity and results is supplemented by other reports produced by the Credit Risk departments (Corporate Credit Risk, 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.

The business risks the Bank makes the most effort to identify, assess, monitor and control are presented in detail below.

Credit Risk	Liquidity and Market Risks
Operational Risk	Legal Risks

ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING POLICY

In order to prevent money laundering and terrorist financing, BFA:

- Publishes a Service Instruction setting out the internal anti-money laundering and anti-terrorist financing policies, aimed basically at:
  - Explaining basic concepts and introducing procedures that allow management to exercise closer, stricter control over the Bank's economic activities and minimize the risk that the Bank will be used for money laundering or terrorist financing purposes; and
  - Contributing to full compliance with obligations under applicable laws and regulations and thus protecting the Bank's reputation by preventing and detecting suspicious transactions.
- Defines processes and procedures for customer identification, screening the database of new and existing customers automatically against OFAC and EU watch lists and manually against all watch lists; and refusing to open an account for any entity that appears in the lists or wherever the Bank considers it appropriate. There is a special focus on the opening of accounts by not-for-profit entities, where enhanced due diligence is mandatory and a favourable opinion from the Compliance Officer is required before an account can be opened.

The Compliance Department is responsible for pre- and post-approval transaction monitoring and for overseeing and auditing overall compliance with AML procedures.

Credit Risk

RISK CONTROL AND LOAN QUALITY IMPROVEMENT

A clear, structured strategy for bolstering risk assessment procedures

The limits and procedures for granting and managing loans are laid out in the General Lending Regulations, the Lending Procedures Manual and specific product guides.

Loan applications are carefully analysed on the basis of the guidelines summarized below:

Procedures for analysing credit risk

- No loan can be approved without gathering, checking and critically reviewing relevant information relating to the applicant, the applicant's economic and financial status, the purpose of the proposed loan and the guarantees offered.

- Loan proposals and guarantees to be submitted to the competent bodies for approval must:
  - be fully described in a loan proposal form, which must include all essential and additional information needed to approve and make the loan;
  - be in accordance with the product guide, where applicable;
  - be accompanied by a properly reasoned credit risk analysis;
  - be signed by the persons submitting the proposal.

- For companies or corporate groups with accounts spread across several BFA branches or business centres, the transactions will be examined by the body responsible for overseeing the company or corporate group.

- 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.

Examination and appraisal of guarantees

- All loan 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.

- Property collateral is appraised before the loan approval decision is taken.

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

- Level A (zero risk) – Loans secured by captive bank accounts at BFA or by government securities (Treasury bonds and bills and 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 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;

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

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

BFA does not grant loans with a risk classification above C.

For loans to individuals classified in risk levels C or B, BFA requires the signature of more than one income-earner.

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 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; and
- 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 that 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 the discussion and decision on it, and such transaction 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 2013, 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.t

Diversified portfolio with growth in lower-risk loans

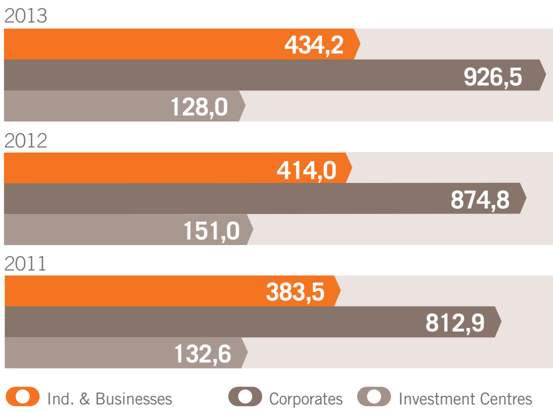
The corporate loan portfolio is well diversified across the main sectors of the economy.

Loan portfolio expansion and sector diversification

As in 2012, the overall loan portfolio (excluding documentary credits and guarantees) recorded a further increase in 2013. This growth was largely driven by loans to the corporate segment, both through the increase in financing to corporates and through the reduction in past-due loans, resulting in an improvement in BFA's risk indicators.

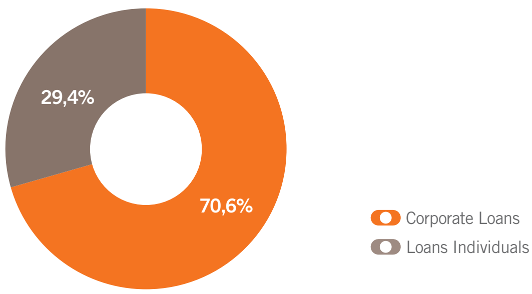
Corporate loans account for more than 70% of the Bank's credit portfolio, compared to 29.4% for loans to individuals.

Contribution to Loan Portfolio Expansion



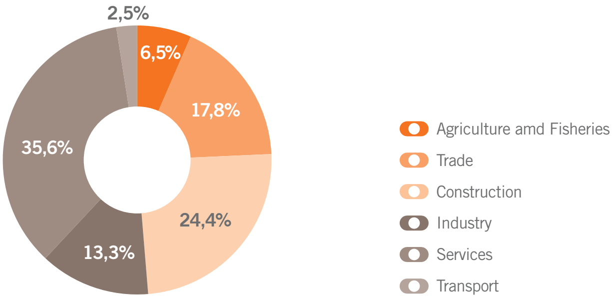
Un.: USD millions.
Nota: Total loans excluding documentary credits and guarantees.

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.

In terms of the risk classes defined in BNA Notice 3/2012 of 28 March, as in previous years, the loan portfolio is concentrated in the lower risk classes. Nearly 93% of total loans and advances are classified in levels A to C. BFA's exposure to the higher risk classes remained stable.

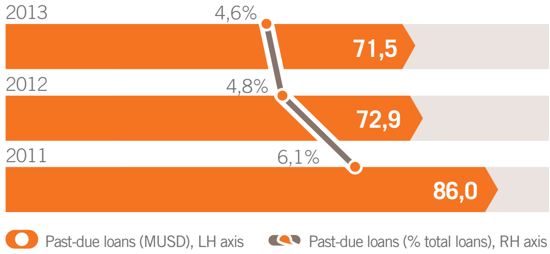
LOANS BY RISK CLASS

Classe	2011	2012	2013
A – Zero Risk	7,2%	21,0%	19,8%
B – Very Low Risk	0,1%	0,1%	0,7%
C – Low Risk	84,6%	71,4%	72,4%
D – Moderate Risk	0,4%	1,7%	0.9%
E – High Risk	1,6%	1,7%	1,9%
F – Very High Risk	5,0%	3,1%	3,4%
G – Risk of Loss	1,1%	1,0%	0,8%
Total	**100%**	**100%**	**100%**

Decrease in Past-due Loans Ratio

Thanks to the risk analysis and risk management policy, the quality of BFA's loan portfolio continued to improve in 2013, with a further decline in past-due loans, which at year-end accounted for 4.6% of total loans (excluding documentary credits and guarantees).

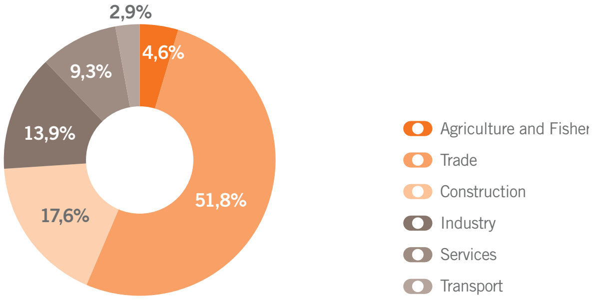
Past-due Loans (% of total Loans)



Note: Total loans excluding documentary credits and guarantees.

Total past-due loans fell 2% compared to 2012, resulting in an improvement in loan quality ratios in general.

Corporate past-due loans by sector



As a result of the slight reduction in past-due loans, BFA's past-due loans coverage ratio rose one percentage point to 144%, reflecting an especially prudent risk management policy.

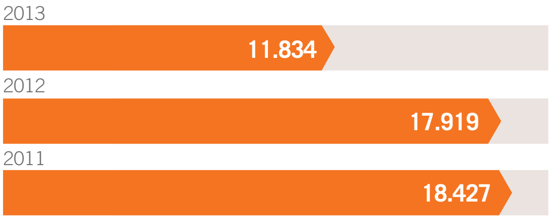
Because of the increase in lending, the provision coverage ratio of the loan portfolio as a whole fell slightly, accompanied by a 1.3% decline in the overall volume of provisions.

Recovery of past-due loans

The effort invested in recovering past-due loans translated into an overall improvement in loan portfolio quality ratios, with reductions in both the past-due loans ratio and the absolute values of the portfolio of past-due loans.

A similar improvement can be seen in the volume of write-offs in 2013, which was close to USD 11.8 million, the lowest level since 2007. This result is testimony to the concern and rigour BFA has brought to bear on the loan approval process and the internal effort to monitor and recover troubled loans.

Write-Off



Un.: MUSD

In 2013 the Bank recovered nearly USD 1.5 million of loans written off in previous years and has recovered nearly 20% of the total amount of loans written off since 2006.

Past-due loans recovery through litigation

As of year-end 2013 a total of 434 legal proceedings had been started to recover defaulted loans. Of this total, 86 concerned loans to corporates and 348 loans to individuals.

LOAN LOSS PROVISIONS AND PROVISION COVERAGE RATIO

USD Millions

	2011	2012	2013
Provisions	105,1	104,3	102,9
Provision coverage, total loans	7,9%	7,2%	6,9%
Provision coverage, past-due loans	122%	143%	144%

Note: Total loans excluding documentary credits and guarantees.

Impairment loss calculation model

In June 2013, to meet the challenges arising from the adoption of international best practices, BFA implemented the impairment loss calculation model. 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 governance of the model. The Investment Centres, Individuals and Businesses, Corporate Credit Risk, Investment and Structured Financing, and Real Estate Transactions departments also play a role in performing and supervising individual customer analyses.
- Executive Committee – responsible for final validation and approval of the results. 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, through 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 estimated future cash flows from the loan.

The provisions recorded at 31 December 2013 comfortably cover the losses estimated by the model.

Liquidity and market risks

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 update: 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 file: a document covering the key indicators and risk limits, produced by the Management Information Unit.

- 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 analyses, 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 analyses 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 13/2011 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.

LIQUIDITY RISK

A PRUDENT AND SOUND BALANCE SHEET

Sustainable Liquidity Levels and ability to meet the Bank's liquidity needs

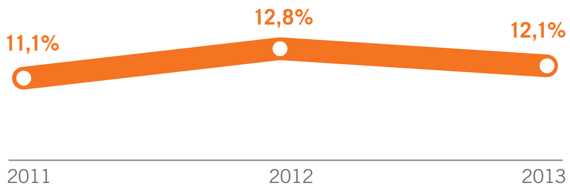
Thanks to its extremely prudent approach to liquidity management, BFA is in a privileged position as regards the financing of its activities.

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.

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

The growth of customer deposits remained strong, reaching 12.1% in 2013, adding USD 844.2 million of customer funds, thanks to BFA's excellent ability to attract customer deposits.

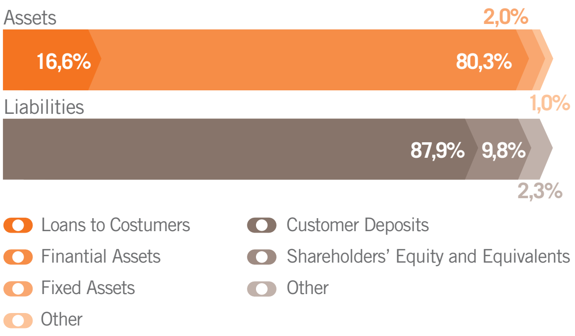
Growth of Customer Deposits



The Bank thus has a particularly sound and robust balance sheet, in which customer deposits account for approximately 87.9% of Assets and finance a large part of the Bank's activity.

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

Balance sheet structure at 31 December 2013



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 46.7% of total financial assets.

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

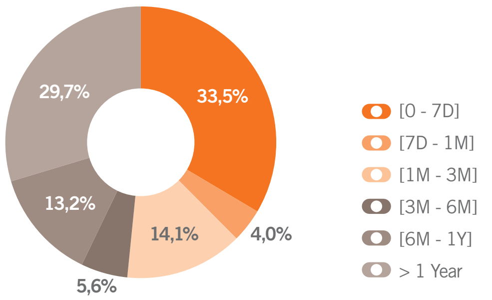
The maturities are chosen based on diversification and appropriateness, balancing the need to meet short-term liquidity needs against the goal of long-term efficiency in managing the Bank's funds.

BFA's financial assets are highly diversified by maturity. As in the previous year, however, investments with maturities of less than one year predominate and the Bank's total financial assets include a large proportion (33.5%) of investments with maturities of less than seven days, which can be converted into cash at very short notice.

MATURITY PROFILE OF FINANCIAL ASSETS AT 31 DECEMBER 2013

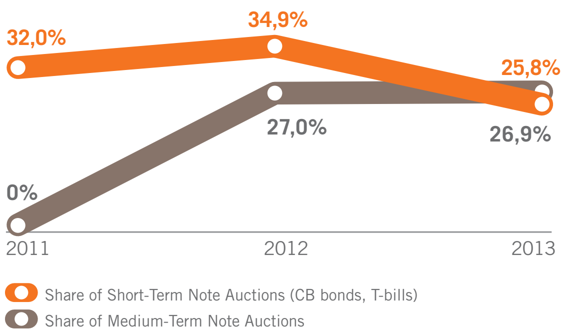
	Total (MUSD)	[0 - 7D]	[7D - 1M]	[1M - 3M]	[3M - 6M]	[6M - 1Y]	> 1 Year	Total (%)
Cash and banks	1 480,9	20,7%	0,0%	0,0%	0,0%	0,0%	0,0%	**20,7%**
Loans and advances to credit institutions	1 930,4	12,1%	1,4%	9,4%	2,7%	1,5%	0,0%	**27,0%**
Third-party securities purchased under agreements to resell	396,1	0,7%	1,6%	3,2%	0,0%	0,0%	0,0%	**5,6%**
Short-term securities	717,1	0,0%	1,0%	1,2%	1,0%	6,9%	0,0%	**10,0%**
Long-term securities	2 618,4	0,0%	0,0%	0,3%	1,9%	4,8%	29,7%	**36,7%**
Total	**7 142,9**	**33,5%**	**4,0%**	**14,1%**	**5,6%**	**13,2%**	**29,7%**	**100,0%**

Maturity profile of financial assets at 31 December 2013



In 2013 BFA's market share of short-term note auctions by BNA reached 25.8%, and 26.9% in auctions of medium-term notes.

Market Share of Auctions of Short-Term Notes (Central Bank bonds and Treasury bills) and Medium-Term



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.

MONETARY POLICY IN ANGOLA

On 1 July 2013 BNA Instruction 3/2013 on mandatory reserves came into effect. This instruction amends the provisions of Instruction 2/2011 of 28 April with a view to making mandatory reserves a more effective tool of the government's monetary policy.

The mandatory reserves ratio 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 reduced from 20% 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 100% and the ratio to be applied to the local governments and municipal governments accounts, also in local currency, is 50%;
- The mandatory reserves ratio to be applied to the daily balances of the central government account in foreign currency is 100% and the ratio to be applied to the local governments and municipal governments accounts, also in foreign currency, is likewise 100%.

FOREIGN EXCHANGE RISK

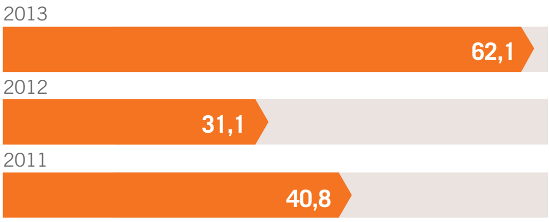
Significant reinforcement of foreign exchange activity

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.

With the entry into force of the third phase of the new foreign exchange regime for oil companies, BFA approved a limit for long positions in foreign exchange as a means of ensuring its capacity to acquire foreign currency, while maintaining prudent levels of foreign exchange exposure.

Change in foreign exchange position



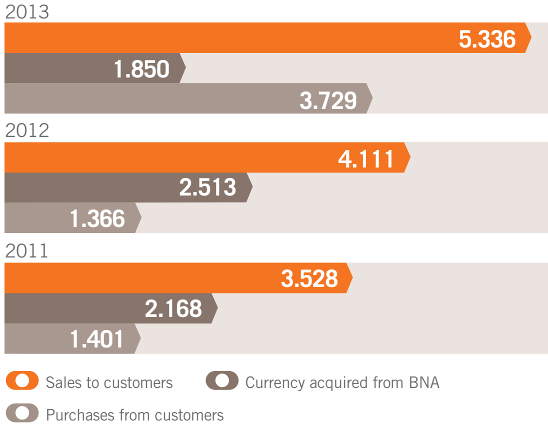
Un.: MUSD

At 31 December 2013 BFA's foreign exchange position was valued at USD 62.1 million.

BFA operates primarily in USD and keeps its position in other currencies to residual levels, making the managing 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 the 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. This strategy has allowed the Bank to acquire a prominent position in foreign exchange transactions, having increased the volume acquired from customers to nearly USD 3,728.6 million (an increase of 172.9% compared to 2012).

Foreign Exchange Transactions



Un: MUSD

As a consequence of the above, the volume of currency sales to customers rose 29.8% compared to 2012, reaching a total of USD 5,336.1 million.

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 2013, building on the work done the previous year, BFA continued to reinforce the controls needed to mitigate operational risk, while at the same time developing its ability to identify these 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 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, made up 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).

The purpose of internal audit is to safeguard the integrity and security of the assets of the Bank and its customers. To this end the activities of the business units and Central Services are subject to periodic analyses, supplemented by thematic audits carried out by the external auditor or an auditor hired specifically for that 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 to verify safe and cash balances and cash management procedures, as well as security issues associated with the safekeeping of securities;
- Remote audits: analysis of the procedures for certain transactions or processes, without the physical presence of the A&I team;
- Incident audits: analysis of a set of files containing information prescribed by A&I regarding transactions carried out.

In 2013 the Audit Area carried out 317 interventions, an increase of 63.4% compared to 2012. Notably, the A&I team performed 140 onsite audits of business units, which means that it had direct contact with 87% of the Bank's commercial area.

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 analysing signs of irregularities and identifying the person or persons responsible.

Both the audit reports and the inspection reports are analysed by the Executive Committee of the Board of Directors, which decides on responsibilities, remedial action and possible 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 2013 the Inspection Area carried out 142 inspections; 60% of the incidents were linked to operational risk situations.

A&I also prepares an annual report, giving full details of its activities, which is analysed by the Board of Directors and the Executive Committee and is an integral part of the Internal Control Report.

Digitization of documents

Implementation of the new front-end to support commercial activities continued in 2013, as the eMudar@ BFA project was extended to all the Bank's service outlets.

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

As of year-end 2013 nearly 529,026 documents had been digitized and 219,776 processes had been completed through the new platform, resulting in a significant gain in efficiency for the Bank and tighter control of operational risk.

Increase in security and risk mitigation

In 2013 the installation of the new Data Processing Centre (DPC) at EMIS was concluded, offering total redundancy for all BFA's systems, including the central system and support applications.

The new Data Processing Centre represents 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 when clustering is not possible. This high-availability system undergoes frequent testing and validation.

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:

- Steps have been taken to migrate the Bank's credit cards to EMIS's electronic card management platform;
- Further investments have been made to increase the stability of BFA's communications network by adding levels of redundancy in the commercial areas and by upgrading equipment;
- Anti-virus tools have been installed and periodic monitoring routines have been established;
- Tools for centralized distribution of software updates have been installed, making software management simpler and more effective and improving operational risk control.

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

In response to the increase in transaction volume as a result of the introduction of the new exchange rate regime, BFA invested in updating its payments systems and developing transactional solutions that would meet its customers' needs.

In 2013 new functionalities were implemented in the automated straight-through-processing system for multi-destination, multi-currency transactions, allowing the Bank to tighten its control of risk in this system.

Complaints handling – Efficiency and quality in service provision

AThe Complaints Handling Area, created in 2012 in response to the publication of BNA Notice 02/2011, reflects BFA's commitment to improving its practices and the quality of the service it provides to its customers. Customer complaints are an important indicator for detecting non-compliance and operational risk incidents. Complaints are received, processed and monitored in accordance with internal regulations.

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

In 2013 the Bank received 546 complaints, of which 523 were closed, giving an efficiency ratio of 95.8%.

The average response time in 2013 was 20.4 days: 66% of complaints received a response within two weeks and 59% 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 to operational risk mitigation, especially as regards reputational risk and improving service quality.

Legal Risks

ADAPTATION OF INTERNAL CONTROL STRUCTURE TO ENSURE REGULATORY COMPLIANCE

A key tool for reputational risk management

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 agreements 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.

BFA has a team specifically dedicated to handling customer complaints, which compiles and organizes all the information needed to respond appropriately to customers. Complaints handling processes are monitored in terms of quality and response time. This team also acts as intermediary between the customer and the BNA in the case of complaints lodged at the consumer protection portal and handled by the BNA's Department for Supervision of the Conduct of Financial Institutions

Strengthening of internal control in risk detection and risk management

The Compliance Department, established in July last year, has performed a series of processes within its area of responsibility and has been actively involved in establishing procedures for mitigating the risk of fraud and money laundering. The policies and rules of conduct for the prevention of money laundering and terrorist financing were updated, culminating in the preparation of the Bank's AML Policies and Procedures Manual, which came into force in August 2013.

In particular, 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.

BFA's Legal Department also plays an important role in this field as the body responsible for analysing and informing the organization about any external rules that may affect the Bank's activities.

At the level of internal control, BFA has been updating its policies regarding relationships with certain customers, especially high-risk customers, which require stricter supervision.

Enhanced due diligence has been applied to not-for-profit entities and regulations have been introduced regarding cash movements in accounts, so as to apply AML best practices, establishing various levels of intervention to prevent fraud.

At the level of IT infrastructure, the Bank uses Novabase's SDN Check application (a filtering tool) to regularly screen its customer base against international watch lists, backed up by Bankers Accuity's online compliance tool for manual analysis of alerts. The Bank has also purchased a license for Swift's Sanctions Screening service, a filtering application which screens transactions executed via Swift against international watch lists.

As regards human capital, BFA has continued to invest in improving the qualifications and skills of its staff, through specific AML training. During 2013 the Bank implemented a general training plan for all employees, the first phase of which took place between 18 November and 13 December 2013. The second phase took place between 20 January and 14 February 2014 and the third and last phase was scheduled for April 2014.

The training was divided into three levels (advanced, intermediate and basic), with different durations. To date, more than 1500 employees have received training, with priority given to staff in administration and the commercial areas.

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COMPREHENSIVE ANTI-MONEY LAUNDERING TRAINING

To educate its employees in anti-money laundering (AML) and anti-terrorist financing matters, as required under Notice 22/12 and Law 34/11, BFA started a broad-based AML training programme aimed at all employees in the commercial network and Central Services and the members of Senior Management. In 2013 this programme covered 465 employees in the commercial networks, Central Services and Senior Management. It will be concluded in the first four months of 2014. The training comprises a theoretical component, which puts the subject in context and covers the existing legislation, and a practical component, which deals with the main procedures, processes and transactions carried out by the Bank and the rules and precautions to be observed.

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FINANCIAL REVIEW

Financial Review

Asset growth and a gain in profitability

BFA once again posted a positive financial performance, with overall asset growth of 12.1%, just short of the 12.3% recorded in 2012, bringing total assets to USD 8,892 million.

On the liabilities side, customer funds grew significantly in 2013, with customer deposits up 12.1% on the previous year, increasing from USD 6,972.2 million in 2012 to USD 7,816.4 million at the end of 2013.

The increase was particularly marked in local currency funds, whose share of customer funds increased 8.1 percentage points, moving closer to equalling customer funds in foreign currency.

Net operating revenue rose significantly (up 12.6% compared to 2012), driven by increases in net interest income (under the impact of the fall in the cost of deposits) and in trading income.

Total loans fell 2.8% as a result of a sharp fall in documentary credits and guarantees (down 24.3% compared to 2012). Loans and advances to customers were up 3.4% compared to 2012.

As funding increased more than loans, the loan-to-deposit ratio declined in 2013, reaching 18.9% at year-end, down 1.6 percentage points compared to the previous year.

In 2013 income from public debt securities issued after 31 December 2012 became taxable. Despite the resulting tax effect (USD 12.6 million of tax expense), net profit rose to USD 247.3 million in 2013, up 12.5% compared to 2012.

A sound, highly liquid balance sheet

BFA's net assets grew nearly 12.1% in 2013, reaching USD 8,892 million at year-end. Reversing the trend seen in previous years, this growth was strongly supported by the increase in the volume of investment securities, which reached USD 3,335.5 million (up 25.8% on 2012). Loans and advances to credit institutions grew more moderately, rising 8.7% compared to 2012.

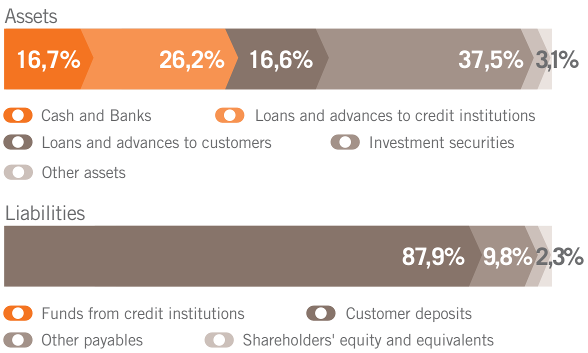
BFA BALANCE SHEET FROM 2011 TO 2013

In Millions

	2011		2012		2013		Δ% 12-13
	AOA	USD	AOA	USD	AOA	USD	
Net Assets							
Cash and banks	121 846,5	1 278,8	142 881,8	1 491,1	144 564,3	1 480,9	-0,7%
Total investments	530 127,0	5 563,8	595 988,5	6 219,5	696 731,1	7 137,2	14,8%
Loans and advances to credit institutions	132 603,3	1 391,7	205 062,6	2 139,9	227 110,3	2 326,5	8,7%
Loans and advances to customers	125 869,9	1 321,0	136 776,8	1 427,3	144 013,1	1 475,3	3,4%
Investment securities	271 653,8	2 851,1	254 149,2	2 652,2	325 607,8	3 335,5	25,8%
Net fixed assets	16 008,1	168,0	16 956,5	177,0	17 786,0	182,2	3,0%
Other assets	4 939,6	51,8	4 075,2	42,5	8 950,8	91,7	115,6%
Total Assets	**672 902,1**	**7 062,4**	**759 902,1**	**7 930,0**	**868 032,2**	**8 892,0**	**12,1%**
Liabilities							
Funds from credit institutions	4,4	0,0	4,4	0,0	2 014,7	0,0	
Customer deposits	589 013,7	6 181,8	668 113,3	6 972,2	761 010,4	7 816,4	12,1%
Other payables	8 355,7	87,7	11 780,1	122,9	17 294,3	177,2	44,1%
Provisions for risks and commitments	6 711,7	70,4	5 628,3	58,7	3 072,2	31,5	-46,4%
Shareholders' equity and equivalents	68 835,5	722,4	74 376,0	776,2	84 640,5	867,0	11,7%
Total Liabilities and Equity	**672 921,1**	**7 062,4**	**759 902,1**	**7 930,0**	**868 032,2**	**8 892,0**	**12,1%**

On the liabilities side, the growth was attributable mainly to the performance of customer deposits. This performance demonstrates BFA's ability to raise funds, based on its efforts to build customer loyalty and offer of a range of products and services that meet its customers' expectations, bringing the Bank closer to its customers and continuously improving the quality of customer service.

Structure of BFA's balance sheet in December 2013



Shareholders' equity and equivalents was up 11.7% compared to 2012, reaching a total of USD 867 million at the end of 2013.

An analysis of the structure of BFA's balance sheet in December 2013 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 USD 683.3 million in 2013, up approximately 25.8% compared to 2012.

This increase was partly attributable to the considerable growth in the volume of local currency Treasury bonds (up USD 757.1 million on 2012) and Treasury bills (up USD 301.9 million), which together accounted for nearly 54.3% of the Bank's total securities portfolio.

The portfolio of central bank bonds was extinguished in 2013, as the product ceased to be placed in the market.

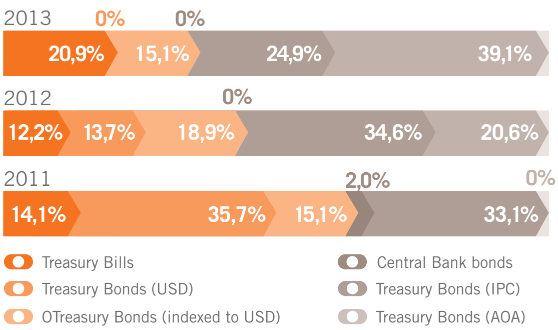
SECURITIES PORTFOLIO

In millions

	2011		2012		2013		Δ 12-13
	AOA	USD	AOA	USD	AOA	USD	
Trading portfolio	**1 410,5**	**14,8**	**19 430,5**	**202,8**	**18 727,4**	**191,8**	**-10,9**
Treasury bills	1 376,9	14,5	11 427,3	119,3	18 651,8	191,1	71,8
Central Bank bonds	0,0	0,0	7 952,8	83,0	0,0	0,0	-83,0
Other	33,6	0,4	50,5	0,5	75,5	0,8	0,2
Held-to-maturity portfolio	**270 243,3**	**2 836,2**	**234 718,7**	**2 449,4**	**306 880,4**	**3 143,7**	**694,2**
Treasury bills	36 967,4	388,0	19 600,1	204,5	49 435,2	506,4	301,9
Central Bank bonds	96 722,7	1 015,1	26 572,0	277,3	0,0	0,0	-277,3
Treasury bonds (USD)	41 114,9	431,5	48 136,2	502,3	49 103,3	503,0	0,7
Treasury bonds (IPC)	5 409,7	56,8	0,0	0,0	0,0	0,0	0,0
Treasury bonds (indexed to USD)	90 028,5	944,9	88 005,5	918,4	81 053,1	830,3	-88,1
Treasury bonds (AOA)	0,0	0,0	52 404,9	546,9	127 288,9	1 303,9	757,1
Total	**271 653,8**	**2 851,1**	**254 149,2**	**2 652,2**	**325 607,8**	**3 335,5**	**683,3**

BFA took this opportunity to further increase the amount invested in securities with a longer maturity, as it did in 2012, to the detriment of the amount invested in short-term securities.

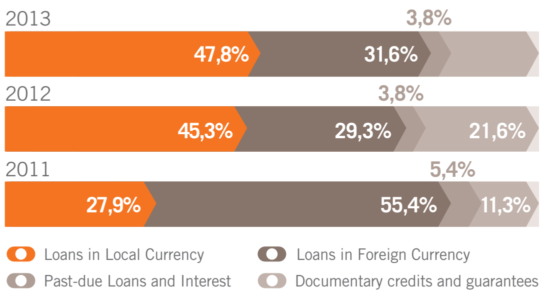
Structure of the Securities Portfolio in December 2013



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

Loans and advances to customers grew a mere USD 48.8 million in 2013, roughly 3.4% compared to 2012.

Structure of the Loan Portfolio



Though unchanged as a proportion of total loans, past-due loans once again decreased in 2013, ending the year at USD 71.5 million. As a result, the ratio of past-due loans (more than 30 days past due) fell 0.2 percentage points, reaching 4.6% in December 2013.

The provision coverage ratio (including both generic and specific provisions) of past-due loans and interest rose 0.8 percentage points.

LOANS AND ADVANCES TO CUSTOMERS

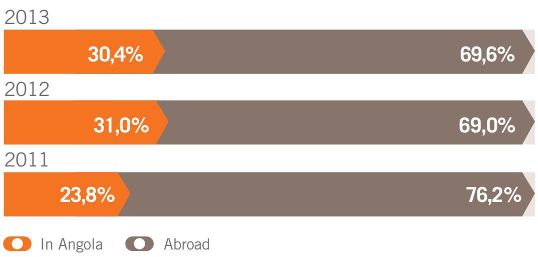
In Millions

	2011		2012		2013		Δ% 12-13
	AOA	USD	AOA	USD	AOA	USD	
1. Total loans	**152 675,0**	**1 602,3**	**186 137,1**	**1 942,4**	**184 302,2**	**1 888,0**	**-2,8%**
1.1 Loans and advances to customers	127 193,0	1 334,9	139 007,7	1 450,6	146 372,0	1 499,4	3,4%
Loans and advances in local currency	42 626,9	447,4	84 386,7	880,6	88 123,4	902,7	2,5%
Loans and advances in foreign currency	84 566,1	887,5	54 621,0	570,0	58 248,6	596 7	4,7%
1.2 Past-due loans and interest	8 191,0	86,0	6 981,1	72,9	6 982,3	71,5	-1,8%
1.3 Documentary credits and guarantees	17 291,0	181,5	40 148,3	419,0	30 947,9	317,0	-24,3%
2. Total loan loss provisions	**10 013,5**	**105,1**	**9 992,1**	**104,3**	**10 044,3**	**102,9**	**-1,3%**
2.1 Specific provisions	9 514,1	99,9	9 212,0	96,1	9 341,3	95,7	-0,5%
For past-due loans and interest	3 986,6	41,8	3 168,1	33,1	3 104,9	31,8	-3,8%
2.2 For general credit risks	499,4	5,2	780,1	8,1	703,0	7,2	-11,5%
3. Loans net of provisions	**125 869,9**	**1 321,0**	**136 776,8**	**1 427,3**	**144 013,1**	**1 475,3**	**3,4%**
Of which: Past-due loans and interest	4 204,4	34,5	3 812,9	39,8	3 877,4	39,7	-0,2%
4. Credit quality							
Past-due loans (% total loans)	6,1%		4,8%		4,6%		-0,2 p.p.
Total provision coverage	122,2%		143,1%		143,9%		0,8 p.p.

Loans and advances to credit institutions

As in previous years, the growth of loans and advances to credit institutions in 2013 was greatest in foreign credit institutions, which accounted for nearly 70% of the total.

Breakdown of Loans and Advances to Credit Institutions



LOANS AND ADVANCES TO CREDIT INSTITUTIONS

In millions

	2011		2012		2013		Δ% 12-13
	AOA	USD	AOA	USD	AOA	USD	
Loans and advances to credit institutions	**132 603,3**	**1 391,7**	**205 062,6**	**2 139,9**	**227 110,3**	**2 326,5**	**8,7%**
In Angola	31 542,7	331,0	63 636,2	664,1	69 137,4	708,2	6,6%
Abroad	101 060,7	1 060,6	141 426,3	1 475,9	157 972,9	1 618,3	9,6%
Total	**132 603,3**	**1 391,7**	**205 062,6**	**2 139,9**	**227 110,3**	**2 326,5**	**8,7%**

CUSTOMER FUNDS

In Millions

	2011		2012		2013		Δ% 12-13
	AOA	USD	AOA	USD	AOA	USD	
Sight deposits	**296 609,0**	**3 113,0**	**355 290,8**	**3 707,7**	**409 012,1**	**4 189,9**	**13,0%**
Local currency	133 060,4	1 396,5	158 773,6	1 656,9	234 552,6	2 402,7	45,0%
Foreign currency	163 548,6	1 716,5	196 517,1	2 050,8	174 459 5	1 787,1	-12,9%
Term deposits	**292 404,4**	**3 068,8**	**312 814,8**	**3 264,5**	**354 013,1**	**3 626,5**	**11,1%**
Local currency	77 896,5	817,5	108 183,9	1 129,0	132 497,7	1 357,3	20,2%
Foreign currency	214 507,9	2 251,3	204 630,9	2 135,5	221 515,4	2 269,2	6,3%
Other funds	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**-**
Total	**589 013,7**	**6 181,8**	**668 105,8**	**6 972,2**	**763 025,2**	**7 816,4**	**12,1%**

Customer funds

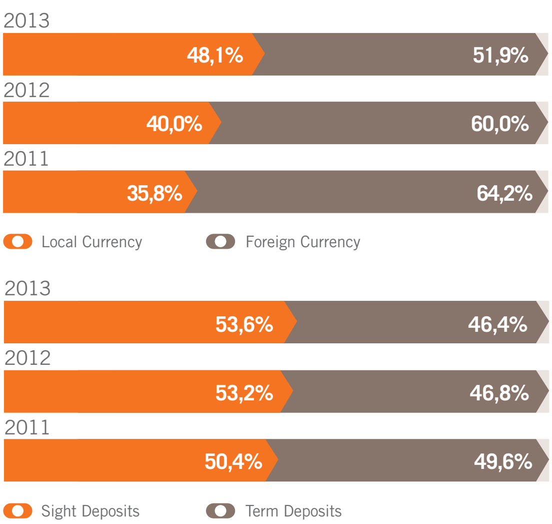
Customer funds grew nearly 12.1% compared to 2012, reaching USD 7,816.4 million at the end of 2013.

Sight deposits in local currency grew 45% in 2013, compared to a 12.9% decrease in sight deposits in foreign currency. This inversion in the distribution by currency is the result of the gradual “de-dollarization” of the Angolan economy, strongly encouraged by the new foreign exchange regime.

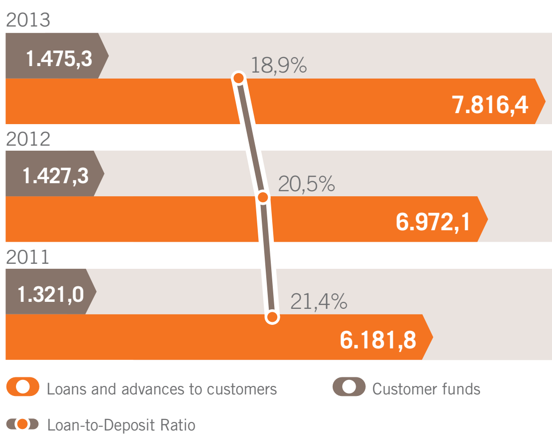
Similarly, the overall growth in term deposits, which in 2013 increased by nearly USD 362 million compared to 2012, was split between growth of nearly 20.2% in local currency deposits and a mere 6.3% growth in foreign currency deposits.

Overall, local currency deposits gained considerably in importance, accounting for nearly 48.1% of total customer deposits, up 8.1 percentage points compared to 2012.

Customer Deposits by Currency and Product



Loan-to-Deposit Ratio



The greater increase in customer funds compared to loans and advances to customers translated into a decrease in the loan-to-deposit ratio, which fell to 18.9%.

OPERATING STATEMENT

In Millions

		2011		2012		2013		Δ% 12-13
		AOA	USD	AOA	USD	AOA	USD	
1.	Net interest income [NII]=[P-C]	25 261,4	269,1	21 704,9	227,5	24 497,1	253,8	11,6%
2.	Net non-interest income [NNII]	14 666,1	156,1	15 847,3	166,0	18 258,6	189,2	14,0%
3.	Net operating revenue [NOR]=[NII+NNII]	39 927,5	425,2	37 552,2	393,5	42 755,6	443,0	12,6%
4.	Administrative expenses [AE]	12 690,6	135,2	13 481,1	141,3	14 675,6	152,1	7,7%
5.	Operating cash flow [NOR-AE]	27 236,9	290,0	24 071,1	252,2	28 080,1	290,9	15,3%
6.	Extraordinary profit/(loss) [XP/L]=[G-L]	-25,4	-0,1	255,6	2,7	44,7	0,5	-82,7%
7.	Operating profit/(loss) [OP/L]=[NOR-AE+XP/L]	27 211,5	289,9	24 326,7	254,9	28 124,7	291,3	14,3%
8.	Provisions and depreciation and amortization expense [PDA]	3 465,1	36,9	3 351,0	35,1	3 033,3	31,4	-10,5%
9.	Profit before tax [PBT]=[OP/L-PDA]	23 746,4	253,0	20 975 6	219,8	25 091,4	259,9	18,3%
10.	Corporate income tax [CIT]	0,0	0,0	0,0	0,0	1 192,8	12,6	
11.	Net profit/(loss) for the year [NP/L]=[PBT-CIT]	23 746,4	253,0	20 975,6	219,8	23 898,6	247,3	12,5%
12.	Cash flow for the year [CF]=[NP/L+PDA]	27 211,5	289,9	24 326,7	254,9	26 932,0	278,7	9,4%

Income statement and increase in profitability

BFA's net profit at the end of 2013 was USD 247.3 million, an increase of approximately 12.5% compared to 2012.

Both net interest income and net non-interest income posted an increase in 2013, pushing net operating revenue up 12.6% to USD 443 million.

Despite the increase in administrative expenses due to higher operating expenses, provisions and depreciation and amortization expense fell 10.5%, resulting in profit before tax of USD 259.9 million, up 18.3% on 2012.

Despite the abovementioned tax effect (USD 12.6 million of tax expense), the Bank improved its return on equity, which rose 1.3 percentage points to 31.6%.

BREAKDOWN OF EARNINGS

In % of average total assets

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

Increase in Net Interest Income – Volume Effect and Price Effect

BFA's net interest income increased by USD 26.4 million in 2013 to USD 253.8 million.

NET INTEREST INCOME

In Millions

	2011		2012		2013		Var. 12-13
	AOA	USD	AOA	USD	AOA	USD	
Income	40 588,1	432,6	32 628,1	341,9	35 011,6	362,8	20,9
Costs	15 326,9	163,5	10 923,1	114,5	10 514,5	109,0	-5,5
Net interest income	**25 261,3**	**269,1**	**21 704,9**	**227,5**	**24 497,1**	**253,8**	**26,4**

This growth is attributable mainly to the increase in income, mainly from Loans and advances to domestic credit institutions and investments in Treasury bonds, so that both investing and lending activities posted gains.

In contrast, interest expense on customer deposits was nearly USD 5.5 million less than in 2012, a decrease of 4.8%, due to the net effect of the decline in market interest rates and the growth in the volume of deposits.

A breakdown of the change in BFA's net interest income by business volume and spread (price effect) shows the positive volume effect of the increase in the securities portfolio, particularly Treasury bonds (in local currency). In contrast to 2012, net interest income benefitted, in net terms, from the increase in the interest spread (up nearly USD 18.9 million, as against a drop of USD 105.4 million in 2012), coupled with a decrease of USD 19.6 million in the cost of customer funds.

BREAKDOWN OF CHANGE IN NET INTEREST INCOME

In Millions

	Efeito Volume	Efeito Taxa	Δ
Interest-bearing assets	2,0	18,9	20,9
Interest-bearing liabilities	14,1	-19,6	-5,5
Δ Net interest income	**-12,1**	**38,5**	**26,4**

Sharp increase in net non-interest income

In 2013 BFA's net non-interest income grew nearly 14%, more than in 2012, to reach USD 189.2 million. This result is due to the significant growth in trading income through the foreign exchange business. Currency sales grew 14.3% in 2013.

Trading income accounted for nearly 63.2% of total net non-interest income, increasing from USD 97.2 million in 2012 to USD 119.5 million in 2013, representing growth of 23%.

NET NON-INTEREST INCOME

In Millions

	2011		2012		2013		Δ% 12-13
	AOA	USD	AOA	USD	AOA	USD	
Trading income	8 314,1	88,5	9 276,9	97,2	11 537,1	119,5	23,0%
Net fee and commission income	2 357,2	25,1	3 135,4	32,9	3 962,3	41,1	25,0%
Other net income	3 994,8	42,5	3 434,9	36,0	2 759,2	28,6	-20,4%
Net non-interest income	**14 666,1**	**156,1**	**15 847,3**	**166,0**	**18 258,6**	**189,2**	**14,0%**

Net fee and commission income also grew by USD 8.2 million, an increase of approximately 25% compared to 2012.

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 as a result of 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.

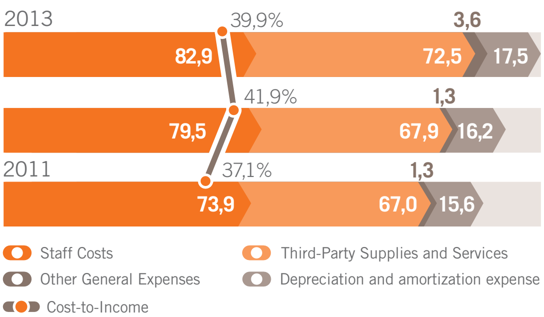
Strengthening of the operating structure and reduction of the cost-to-income ratio

BFA's total operating expenses rose 7% in 2013 to USD 176.6 million, up from 165 million in 2012.

This increase is very largely explained by the increases in third-party supplies and services (especially security, consulting and training) and staff costs, as a result of the growth in the Bank's organization, which is reflected in recruitment and training.

However, the growth in net operating revenue was sufficient to offset the increases in operating expenses and drove BFA's cost-to-income ratio down to 39.9%, 2.1 percentage points below the level recorded in 2012.

Operating expenses



Note: Operating expenses in USD millions are shown on the right-hand axis, and its components are shown in percent on the left-hand axis.

OPERATING EXPENSES

In Millions

	2011		2012		2013		Δ% 12-13
	AKZ	USD	AKZ	USD	AKZ	USD	
Staff costs (I)	6 937,3	73,9	7 583,8	79.5	7 996,3	82,9	4,3%
Third-party supplies and services (II)	6 292,7	67,0	6 479,5	67,9	6 991,2	72,5	6,7%
Other general expenses (III)	120,9	1,3	127,8	1,3	351,4	3,6	171,2%
Operating expenses before depr. & amort. (IV = I+II+III)	13 350,9	142,2	14 191,1	148,7	15 338,8	159,0	6,9%
Depreciation and amortization expense (V)	1 464,4	15,6	1 550,5	16,2	1 692,3	17,5	7,9%
Total operating expenses (V = IV+V)	**14 815,3**	**157,8**	**15 741,6**	**165,0**	**17 031,1**	**176,6**	**7,0%**
Cost recovery (VII)	660,3	7,0	710,0	7,4	663,2	6,9	-7,5%
Administrative expenses (VI-V-VII)	**12 690,6**	**135,2**	**13 481,1**	**141,3**	**14 675,6**	**152,1**	**7,7%**
Extraordinary profit/(loss)	-25,4	-0.1	255,6	2,7	44,7	0,5	-82,7%
Cost-to-income ratio		**37,1%**		**41,9%**		**39,9%**	**-2,1 p.p**

SHAREHOLDERS' EQUITY AND EQUIVALENTS

In Millions

	2011		2012		2013	
	AOA	USD	AOA	USD	AOA	USD
Share capital	3 522,0	37,0	3 522,0	36,8	3 522,0	36,1
Funds	0,0	0,0	0,0	0,0	0,0	0,0
Reserves	41 567,2	432,5	49 878,4	519,7	57 219,9	583,7
Losses brought forward	0,0	0,0	0,0	0,0	0,0	0,0
Profit/(loss) for the year	23 746,4	253,0	20 975,6	219,8	23 898,6	247,3
Total	**68 835,5**	**722,4**	**74 376,0**	**776,2**	**84 640,5**	**867,0**

SOLVENCY RATIO

In Millions

	2008	2009	2010	2011	2012	2013
	USD	USD	USD	USD	USD	USD
Risk-weighted assets	2 447,0	2 369,1	2 185,7	2 273,6	2 544,8	2 835,4
Core capital	544,4	539,5	640,3	706,2	756,8	843,3
Supplementary capital	38,9	17,5	34,1	6,6	6,5	6,4
Total regulatory capital	583,3	557,0	674,4	712,8	763,3	849,8
Solvency ratio *	**23,8%**	**23,5%**	**30,9%**	**31,4%**	**30,0%**	**30,0%**
Regulatory solvency ratio	-	-	-	**25,5%**	**24,2%**	**25,8%**

* not including the foreign exchange risk ratio

Framework of financial stability and security

Total shareholders' equity in December 2013 reached USD 867 million, up USD 90.9 million, representing growth of nearly 11.7% compared to the previous year.

Proposed Application Results

The net profit recorded for 2013 of 23.898.617.240,60 kwanzas will be allocated as follows:

- To unrestricted reserves: 50% of the net profit, that is, 11.949.308.620,30 kwanzas;

- To dividends: 50% of the net profit, that is, 11.949.308.620,30 kwanzas.

The Board of Directors

FINANCIAL STATEMENTS

Financial Statements

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012

Amounts expressed in thousands of Angolan kwanzas

	Notes	2013	2012
ASSETS			
Cash and banks	3	144 564 297	142 881 801
Short-term investments:			
Interbank money market transactions	4	188 445 058	152 427 785
Third-party securities purchased under agreements to resell	4	38 665 232	52 634 766
		227 110 290	**205 062 551**
Securities:			
Held for trading	5	18 727 351	19 430 504
Held to maturity	5	306 880 434	234 718 687
		325 607 785	**254 149 191**
Foreign exchange transactions	6	6 900 802	2 040 544
Derivative financial instruments	7	126 700	-
Loans and advances			
Loans and advances	8	153 354 337	145 988 793
Provision for doubtful loans	8	(9 341 265)	(9 211 995)
		144 013 072	**136 776 798**
Other assets	9	1 923 287	2 034 703
Fixed assets			
Financial fixed assets	10	351 548	331 813
Tangible fixed assets	10	17 128 299	16 355 674
Intangible fixed assets	10	306 115	269 026
		17 785 962	**16 956 513**
Total Assets		**868 032 195**	**759 902 101**
LIABILITIES AND EQUITY			
Deposits			
Demand deposits	11	409 012 065	355 298 564
Term deposits	11	354 013 092	312 814 767
		763 025 157	**668 113 331**
Short-term borrowings			
Interbank money market transactions	12	-	**4 352**
Derivative financial instruments	7	165 754	-
Liabilities in the payment system	13	4 783 027	3 502 652
Foreign exchange transactions	6	6 734 985	2 043 891
Other liabilities	14	5 610 567	6 233 583
Provisions for contingent liabilities	15	3 072 226	5 628 260
Total Liabilities		**783 391 716**	**685 526 069**
Share capital	16	3 521 996	3 521 996
Share capital monetary revaluation reserve	16	450 717	450 717
Legal and other reserves	16	55 515 321	48 173 844
Unrealized gains and losses	16	1 253 828	1 253 828
Net profit/(loss) for the year		23 898 617	20 975 647
Total Equity		**84 640 479**	**74 376 032**
Total Liabilities and Equity		**868 032 195**	**759 902 101**

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

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Amounts expressed in thousands of Angolan kwanzas

	Notes	2013	2012
Income from short-term investments	21	4 795 506	3 527 867
Income from securities	21	15 064 201	15 463 716
Income from derivative financial instruments		875 277	-
Income from loans	21	14 276 603	13 636 483
Income from financial instruments (assets)		**35 011 588**	**32 628 066**
Costs of deposits	21	(10 507 285)	(10 919 900)
Costs of short-term borrowings	21	(7 246)	(3 228)
Costs of Financial Instruments (Liabilities)		**(10 514 531)**	**(10 923 128)**
Net Interest Income		**24 497 057**	**21 704 938**
Gains/(losses) from trading and fair value adjustments	6	30 128	17 816
Gains/(losses) from foreign exchange transactions	22	11 537 059	9 276 895
Gains/(losses) from the provision of financial services	23	3 962 331	3 135 447
Provisions for doubtful loans and guarantees provided	15	(1 067 387)	(1 841 360)
Gains/(Losses) from Financial Intermediation		**38 959 188**	**32 293 736**
Staff costs	24	(7 996 259)	(7 583 829)
Third-party supplies	25	(6 991 188)	(6 479 485)
Non-income related taxes and levies	26	(350 009)	(127 167)
Penalties applied by regulatory authorities		(1 361)	(642)
Depreciation and amortization charges	10	(1 692 307)	(1 550 485)
Cost recoveries	27	663 245	709 984
Administrative and sales expenses		**(16 367 879)**	**(15 031 624)**
Provisions for other assets and contingent liabilities	15	(273 649)	40 824
Other operating income and expenses	28	2 729 050	3 417 094
Other Operating Income and Expenses		**(13 912 478)**	**(11 573 706)**
Operating Profit/(Loss)		**25 046 710**	**20 720 030**
Non-Operating Profit/(Loss)	29	**44 689**	**255 617**
Profit/(Loss) Before Tax and Other Charges		**25 091 399**	**20 975 647**
Charges to Current Profit/(Loss)	18	**(1 192 782)**	**-**
Net Current Profit/(Loss)		**23 898 617**	**20 975 647**
Net Profit/(Loss) for Year		**23 898 617**	**20 975 647**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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 2011		**3 521 996**	**450 717**	**39 862 611**	**1 253 828**	**23 746 380**	**68 835 532**
Allocation of 2011 profit/(loss)							
Transfers to legal and other reserves	16	-	-	8 311 233	-	(8 311 233)	-
Dividend distribution	16	-	-	-	-	(15 435 147)	(15 435 147)
Net profit/(loss) for the year	16	-	-	-	-	20 975 647	20 975 647
Balance at 31 December 2012		**3 521 996**	**450 717**	**48 173 844**	**1 253 828**	**20 975 647**	**74 376 032**
Allocation of 2012 profit/(loss)							
Transfers to legal and other reserves	16	-	-	7 341 477	-	(7 341 477)	-
Dividend distribution	16	-	-	-	-	(13 634 171)	(13 634 171)
Net profit/(loss) 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**

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	2013	2012
Proceeds from short-term investments	4 977 522	4 011 167
Proceeds from securities	13 675 153	16 990 401
Proceeds from derivative financial instruments	914 331	-
Proceeds from loans	14 260 216	13 177 252
Proceeds from financial instruments (assets)	33 827 222	34 178 820
Payments of costs of deposits	(10 110 076)	(11 334 736)
Payments of costs of short-term borrowings	(7 246)	(3 228)
Payments of costs of financial instruments (liabilities)	(10 117 322)	(11 337 964)
Cash flow from net interest income	**23 709 900**	**22 840 856**
Cash flow from gains/(losses) on trading and fair value adjustments	5 072	962
Cash flow from gains/(losses) on foreign exchange transactions	8 025 036	9 377 707
Cash flow from gains/(losses) on the provision of financial services	3 962 331	3 135 447
Operating Cash Flow from Financial Intermediation	**35 702 339**	**35 354 972**
Payments of administrative and sales expenses	(14 119 353)	(12 162 020)
Payments of other charges to profit/(loss)	(1 192 782)	-
Cash flow from the settlement of transactions in the payment system	1 280 376	544 012
Cash flow from other assets and other liabilities	3 913	(777 335)
Cash flow from other operating costs and income	2 729 050	3 417 094
Proceeds and Payments – Other Operating Income And Expenses	**(11 298 796)**	**(8 978 249)**
Cash Flow from Operating Activities	**24 403 543**	**26 376 723**
Cash flow from short-term investments	(22 229 755)	(72 942 535)
Cash flow from investments in securities (assets)	(70 069 546)	15 977 903
Cash flow from investments in foreign exchange transactions	(4 860 258)	383 495
Cash flow from investments in loans	(6 530 259)	(12 372 817)
Cash Flow from Investing Activities – Financial Intermediation	**(103 689 818)**	**(68 953 954)**
Cash flow from investments in fixed assets	(2 512 163)	(2 498 931)
Cash flow from other non-operating gains and losses	44 689	255 617
Cash Flow from Fixed Assets	**(2 467 474)**	**(2 243 314)**
Cash Flow from Investing Activities	**(106 157 292)**	**(71 197 268)**
Cash flow from financing – Deposits	94 514 617	79 514 463
Cash flow from financing – Short-term borrowings	(4 352)	(84)
Cash flow from financing – Foreign exchange transactions	4 691 094	(381 468)
Cash Flow from Financing Activities – Financial Intermediation	**99 201 359**	**79 132 911**
Payments of dividends	(15 765 114)	(13 277 023)
Cash Flow from Financing Activities – Equity	**(15 765 114)**	**(13 277 023)**
Cash Flow from Financing Activities	**83 436 245**	**65 855 888**
Cash and Banks at Beginning of Year	**142 881 801**	**121 846 458**
Cash and Banks at end of Year	**144 564 297**	**142 881 801**
Change in Cash and Banks	**1 682 496**	**21 035 343**

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 2013 AND 2012

(Amounts in thousands of Kwanzas – kAOA, unless 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 2013 it has a national network of 147 branches, 4 service points, 8 investment centres and 16 corporate centres (144 branches, 8 investment centres and 15 corporate centres at 31 December 2012).

The accompanying financial statements at 31 December 2013 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 9/2007 of 19 September. 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 2013 and 2012 are stated in kwanzas. Assets and liabilities denominated in other currencies have been translated into the domestic currency on the basis of the average reference exchange rate published by Banco Nacional de Angola on those dates. The kwanza (AOA) exchange rates against the United States dollar (USD) and the euro (EUR) at 31 December 2013 and 2012 were as follows:

	2013	2012
1 USD	97,619	95,826
1 EUR	134,386	126,375

2.2. ACCOUNTING POLICIES

a) Accrual accounting

Revenues and expenses are recognized in the period in which they are earned or incurred, in accordance with the accrual basis of accounting, and are recorded as earned or incurred and not as received or paid.

b) Transactions in foreign currency

Transactions in foreign currency are recorded in accordance with the principles of the multi-currency system, where each transaction is recorded according to the currency of denomination. Assets and liabilities expressed in foreign currency are translated to kwanzas at the average exchange rate published by Banco Nacional de Angola at the balance sheet date. Income and expenses relating to realized or unrealized exchange gains or losses are recognized in the income statement for the year in which they occur.

Forward currency 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.

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 Plan" to cover these liabilities. The provisions recorded previously were used as the initial contribution to the BFA Pension Plan (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.

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, fees and other costs and income 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.

Liabilities for guarantees and sureties are recorded in off-balance sheet accounts at the amount at risk, while the flows of interest, fee and other income are recorded in the income statement over the life of the transactions.

Loans and advances to customers, including guarantees and sureties, are provisioned for in accordance with Banco Nacional de Angola Notice 4/2011 of 8 June 2011 (published in the Diário da República as Notice 3/2012 of 28 March 2012) on the methodology for classifying loans and advances to customers and for calculating the respective provisions.

Provisions for doubtful loans and guarantees provided

According to Notice 3/2012, credit transactions are classified in ascending order of risk, as follows:

Level A: Zero risk
Level B: Very low risk
Level C: Low risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Risk of loss

When calculating provisions, all loans and advances to the same customer are classified according to the highest risk level assigned to that customer.

Past-due loans are classified into risk levels according to the time past due, and the minimum provisioning levels are calculated according to the following table:

Risk levels	A	B	C	D	E	F	G
% de 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.

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 2/2009 of 8 May 2009 on monetary revaluation, in inflationary conditions, financial institutions must measure the effects of the change in the purchasing power of the domestic currency at monthly intervals by applying the consumer price index to their capital, reserves and retained earnings. The financial statements of a company whose functional currency is the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. A country's economy is considered to be hyperinflationary if, among others, the following situations occur:

i) The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

ii) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

iii) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit 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.

The Bank has not revalued its capital, reserves or retained earnings since 2004, as the Angolan economy ceased to be considered hyperinflationary.

f) Tangible and intangible fixed assets

Intangible fixed assets, which are composed mainly of property-lease premiums, incorporation expenses and computer software costs, are recorded at cost of acquisition and are amortized on a straight-line basis over three years.

Tangible fixed assets are carried at cost, although they may be revalued as allowed by the applicable legal provisions.

As provided by Banco Nacional de Angola Notice 2/2009 of 8 May 2009 on monetary revaluation, in inflationary conditions financial institutions must restate their tangible fixed assets every month according to the consumer price index (CPI).

The gain or loss on the net monetary position must be credited to the income statement on a monthly basis, with a corresponding adjustment to the carrying amount of fixed assets and accumulated depreciation and amortization.

The Bank has not revalued its fixed assets since 2008 because the Angolan economy ceased to be considered hyperinflationary.

An amount equivalent to 30% of the additional depreciation and amortization charges resulting from the restatement is not considered a deductible expense for tax purposes.

Depreciation is calculated on a straight-line basis at the maximum rates allowed for tax purposes, in conformity with the Industrial Tax Code (Código do Imposto Industrial), based on estimated years of useful life at the following rates:

	Years 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 e 7

g) Property not for own use

The heading "Property not for own use" records properties received in lieu of foreclosure of defaulted loans and held for subsequent disposal.

According to CONTIF, properties received in lieu of foreclosure are carried at the amount indicated in their appraisal, with an offsetting entry against the amount of the loan recovered and the respective specific provisions set aside.

When the outstanding debt is greater than its carrying value (net of provisions), the difference is recorded in the income statement for the year, up to the value determined in the appraisal of the property. When the appraised value of the properties is less than the carrying value, the difference must be expensed for the year.

Where properties have not been disposed of at the expiry of the two-year legal time limit (which may be extended by authorization of Banco Nacional de Angola), a new appraisal is carried out to determine the properties' current market value, so that the appropriate provision can be set aside.

h) Financial fixed assets

Holdings in associates and equivalent companies

This heading records investments in companies in which the Bank directly or indirectly holds 10% or more of the voting capital (associate or equivalent company).

These assets are recorded by the equity method. Under the equity method, the holdings are carried initially at cost of acquisition and subsequently adjusted to reflect the Bank's effective percent interest in any changes in the shareholders' equity (including net income) of the associates or equivalent companies.

Holdings in other companies

This heading records investments in companies in which the Bank directly or indirectly holds less than 10% of the voting capital.

These assets are carried at cost of acquisition, less the provision for losses.

i) Securities portfolio

Based on the nature of the securities and their intended purpose at the time they were acquired, these investments are classified into the following categories: held to maturity, held for trading and available for sale.

Held-to-maturity securities

This category comprises securities where the Bank has the intention and the financial capacity to hold the investment until maturity.

Securities classified as held to maturity are stated at their cost of acquisition, plus income earned over their maturity periods (including the accrual of interest and premium/discount, with a corresponding entry in the income statement). Any difference between the amount received on the maturity date and the respective book value is recognized as a gain or loss at that date.

At 31 December 2013 and 2012, 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 2013 and 2012, 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 2013 and 2012, 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 reflects 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 carry forwards. 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, paying Industrial Tax at the rate of 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 of 5 December) and Regulatory Decrees 51/03 and 52/03 of 8 July, 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)

Presidential Legislative Decree 5/11 of 30 December 2011 introduced several amendments into the Tax on Invested Capital Code, following the tax reform currently under way.

Tax on Invested Capital (Imposto sobre a Aplicação de Capitais — IAC) is payable, generally speaking, on income from the Bank's financial investments. The rate varies between 5% (in the case of interest paid on public debt securities with a maturity of three years or more) and 15%. However, as regards income from public debt securities, according to the latest interpretation notified to ABANC by the tax authorities and Banco Nacional de Angola (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 of 30 December.

As regards income from interbank money market transactions (short-term lending and borrowing transactions with other financial institutions), the abovementioned recent interpretation issued by the tax authorities and Banco Nacional de Angola states that such income is not 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 Section 81.a) of the Industrial Tax Code.

Wealth tax

Under the Urban Property Tax Regulations, as amended by Law 18/11 of 21 April 2011, property in use is no longer exempt but is subject to Urban Property Tax. The tax is payable at the rate of 0.5% on the value of the buildings owned by the Bank that are used for carrying on the Bank's normal activity (above AOA 5,000,000).

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 2013 and 2012 is as follows:

	2013	2012
CASH ON HAND:		
Local notes and coins	16 783 341	12 704 601
Foreign currency notes and coins:		
In United States dollars	5 464 856	7 001 598
In other currencies	461 691	772 918
	22 709 888	**20 479 117**
CASH IN THE CENTRAL BANK:		
Demand deposits at Banco Nacional de Angola:		
In local currency	61 009 724	51 261 597
In United States dollars	58 386 900	59 202 164
	119 396 624	**110 463 761**
CASH AT FINANCIAL INSTITUTIONS ABROAD:		
Demand deposits	2 083 360	11 626 972
Cheques for collection – in Angola	374 424	311 951
	144 564 297	**142 881 801**

The demand 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 3/2013 of 1 July. 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 2013, the mandatory reserve requirement is calculated by applying a 15% rate to the arithmetic average of eligible liabilities in local currency, and a 15% rate to the arithmetic average of eligible foreign-currency denominated liabilities.

4. SHORT-TERM INVESTMENTS

The composition of this item at 31 December 2013 and 2012 is as follows:

	Foreign currency		Local currency	
	2013	2012	2013	2012
INTERBANK MONEY MARKET TRANSACTIONS				
Loans and advances to credit institutions abroad:				
Banco BPI, S.A.				
In United States dollars	1 281 500 000	1 263 000 000	125 098 748	121 028 237
In euros	124 500 000	128 500 000	16 731 057	16 239 188
In pounds sterling	25 000 000	14 000 000	4 098 080	2 158 842
In Norwegian kroner	3 000 000	-	47 909	-
In yen	5 000 000	8 000 000	4 640	8 900
In Swedish kronor	-	3 000 000	-	44 136
Other credit institutions abroad				
In United States dollars	119 407 247	19 379 761	11 656 416	1 856 989
			157 636 849	**141 336 292**
Loans and advances to credit institutions in Angola:				
Banco Nacional de Angola:				
In kwanzas			5 400 000	3 000 000
Other credit institutions in Angola:				
In kwanzas			24 981 058	8 000 000
			188 017 907	**152 336 292**
Income receivable			427 151	91 493
			188 445 058	**152 427 785**
THIRD-PARTY SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL				
Banco Nacional de Angola				
In kwanzas			38 616 794	52 068 655
Income receivable			48 438	566 111
			38 665 232	**52 634 766**
			227 110 290	**205 062 551**

At 31 December 2013 and 2012, the interbank money market transactions had a term to maturity of less than 3 months and earned interest at the following yearly average rates:

	2013	2012
In United States dollars	0,81%	0,75%
In euros	0,81%	0,62%
In kwanzas	5,43%	4,92%
In pounds sterling	0,47%	0,41%
In yen	0,08%	0,03%
In Norwegian kroner	1,35%	n,a,
In Swedish kronor	n.a.	1,30%

Shown below is a breakdown of the reverse repurchase agreements at 31 December 2013 and 2012 by remaining term to maturity:

	2013	2012
Up to three months	38 665 232	7 121 726
From three months to one year	-	45 513 040
	38 665 232	**52 634 766**

At 31 December 2013 and 2012, the reverse repurchase agreements earned interest at yearly average rates of 2.79% and 4.60%, respectively.

5. SECURITIES

HELD-TO-MATURITY SECURITIES

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013									
	Level of risk	Country	Currency	Face value	Cost of acquisition	discount earned	Interest earned	Premium/ Carrying Value	Impairment	Average 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**	**-**	

	2012									
	Level of risk	Country	Currency	Face value	Cost of acquisition	discount earned	Interest earned	Premium/ Carrying Value	Impairment	Average interest rate
DEBT SECURITIES										
Treasury bills	A	Angola	AKZ	20 236 456	19 366 307	233 751	-	19 600 058	-	4,47%
Central Bank bonds	A	Angola	AKZ	27 000 000	26 395 700	176 340	-	26 572 040	-	4,58%
Treasury bonds in local currency:										
Indexed to the US dollar exchange rate	A	Angola	AKZ	87 181 764	85 962 330	850 672	1 192 498	88 005 500	-	6,70%
Not indexed	A	Angola	AKZ	51 067 900	51 067 900	-	1 336 960	52 404 860	-	7,40%
Treasury bonds in foreign currency	A	Angola	USD	48 165 981	47 447 286	93 808	595 135	48 136 229	-	4,07%
				233 652 101	**230 239 523**	**1 354 571**	**3 124 593**	**234 718 687**	**-**	

The distribution of debt securities by benchmark index at 31 December 2013 and 2012 is as follows:

	2013			2012		
	Carrying value			Carrying value		
	Fixed rate	6-month Libor	Total	Fixed rate	6-month Libor	Total
Treasury bills	49 435 176	-	49 435 176	19 600 058	-	19 600 058
Central Bank bonds	-	-	-	26 572 040	-	26 572 040
Treasury bonds in local currency:						
ndexed to the US dollar exchange rate	80 404 138	619 170	81 023 308	54 138 707	33 866 793	88 005 500
Not indexed	127 288 879	-	127 288 879	52 404 860	-	52 404 860
Treasury bonds in foreign currency	-	49 133 071	49 133 071	-	48 136 229	48 136 229
	257 128 193	**49 752 241**	**306 880 434**	**152 715 665**	**82 003 022**	**234 718 687**

The distribution of held-to-maturity securities at 31 December 2013 and 2012 by remaining term to maturity is as follows:

	2013	2012
Current assets:		
Up to three months	14 502 703	9 953 897
From three to six months	15 461 959	54 535 607
From six months to one year	50 765 222	18 159 995
	80 729 884	**82 649 499**
Non-current assets:		
From one to three years	112 990 502	58 127 361
From three to five years	89 840 004	59 964 106
More than five years	23 320 043	33 977 721
	226 150 550	**152 069 188**
	306 880 434	**234 718 687**

HELD-FOR-TRADING SECURITIES

The composition of held-for-trading securities at 31 December 2013 and 2012 is as follows:

	2013	2012
Debt securities:		
Treasury bills	18 651 834	11 427 255
Central Bank bonds	-	7 952 788
	18 651 834	**19 380 043**
Equity securities:		
Shares - Visa Inc. - Class C (Series I)	75 517	50 461
	18 727 351	**19 430 504**

At 31 December 2013 and 2012, the Bank held Treasury bills issued by the Angolan government (risk level A – zero) for trading on the secondary market with other banks or with its customers. Treasury bills 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 and that these are short-term securities (up to one year).

The carrying value of the debt securities at 31 December 2013 and 2012 included accrued interest of kAOA 363,847 and kAOA 243,513, respectively.

At 31 December 2013 and 2012, 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 2013 and 2012, the changes in the value of these securities 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 2013 and 2012 is as follows:

	2013			2012		
	Assets / Income	Liabilities / Expenses	Net	Assets / Income	Liabilities / Expenses	Net
Foreign exchange transactions						
Purchase and sale of foreign currencies	919 910	(919 847)	63	2 040 544	(2 043 891)	(3 347)
Forward currency transactions	5 980 892	(5 815 138)	165 754	-	-	-
	6 900 802	**(6 734 985)**	**165 817**	**2 040 544**	**(2 043 891)**	**(3 347)**

7. DERIVATIVE FINANCIAL INSTRUMENTS

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013	2012
Derivative financial instruments		
Interest receivable from derivative financial instruments	126 700	-
Downward revaluation of derivative financial instruments	(165 754)	-
	(39 054)	**-**

At 31 December 2013, the derivative financial instruments consist 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 2013 and 2012 is as follows:

	2013	2012
Lending to domestic borrowers:		
Overdrafts on demand deposits:		
In local currency	2 692 220	1 586 095
In foreign currency	489 487	581 208
Other financing:		
In local currency	44 857 880	41 003 117
In foreign currency	30 389 769	33 891 429
Loans:		
In local currency	39 950 738	41 073 678
In foreign currency	26 915 737	19 844 706
	145 295 831	**137 980 233**
Lending to foreign borrowers	**43 882**	**11 560**
Total performing loans	145 339 713	137 991 793
Past-due loans and interest:		
Principal and interest	6 982 290	6 981 052
Total loans and advances	**152 322 003**	**144 972 845**
Income receivable from loans and advances	1 032 334	1 015 948
	153 354 337	**145 988 793**
Provision for doubtful loans (Note 15)	(9 341 265)	(9 211 995)
	144 013 072	**136 776 798**

At 31 December 2013, loans and advances to customers earned interest at an average annual rate of 11.86% for loans in local currency and 7.08% for loans in foreign currency (11.82% in local currency and 7.57% in foreign currency at 31 December 2012).

The distribution of the performing loans (excluding income receivable) at 31 December 2013 and 2012 by remaining term to maturity is as follows:

	2013	2012
Up to one year	8 994 368	15 596 873
From one to three years	26 032 329	13 097 921
From three to five years	42 525 326	55 565 864
More than five years	67 787 690	53 731 135
	145 339 713	**137 991 793**

The distribution of loans and advances (excluding income receivable) at 31 December 2013 and 2012 by currency is as follows::

	2013	2012
Kwanzas	91 083 338	86 432 556
United States dollars	60 277 341	57 670 243
Euros	961 307	870 046
Other currencies	17	-
	152 322 003	**144 972 845**

The structure of the loan portfolio (excluding income receivable) at 31 December 2013 and 2012 by type of borrower and type of lending is as follows:

	2013			2012		
	Outstanding	Past-due	Total	Outstanding	Past-due	Total
Corporates						
Loans	21 870 905	1 260 644	23 131 549	20 471 804	1 224 187	21 695 991
Financing	72 190 745	4 844 393	77 035 138	65 781 991	4 915 269	70 697 260
	94 061 650	**6 105 037**	**100 166 687**	**86 253 795**	**6 139 456**	**92 393 251**
- Individuals						
Loans	28 639 254	761 300	29 400 554	29 307 384	708 439	30 015 823
Financing	22 638 809	115 953	22 754 762	22 430 614	133 157	22 563 771
	51 278 063	**877 253**	**52 155 316**	**51 737 998**	**841 596**	**52 579 594**
Total	**145 339 713**	**6 982 290**	**152 322 003**	**137 991 793**	**6 981 052**	**144 972 845**

The distribution of the loan portfolio (excluding income receivable) at 31 December 2013 and 2012 by benchmark interest rate is as follows:

	Fixed	Floating rate - Benchmark			
Year	rate	3M Libor	6M Libor	Subtotal	Total
2013	128 652 960	1 195 833	22 473 210	23 669 043	152 322 003
2012	134 940 947	1 173 868	8 858 030	10 031 898	144 972 845

The distribution of the portfolio of loans (excluding past-due loans), guarantees and documentary credits at 31 December 2013 and 2012 by industry is as follows:

	2013				2012			
Description	Outstanding loans	Guarantees and Doc. Credits. (Note 17)	Total	%	Outstanding loans	Guarantees and Doc. Credits. (Note 17)	Total	%
Agriculture, forestry and fishing	7 806 628	38 354	7 844 982	4,43%	630 948	517 686	1 148 634	0,65%
Extractive industries	1 105 361	-	1 105 361	0,62%	1 320 231	1 131 238	2 451 469	1,38%
Processing industries	2 906 360	4 725 965	7 632 325	4,31%	8 415 052	3 293 082	11 708 134	6,61%
Production and distribution of electricity, gas and water	7 453 292	283 584	7 736 876	4,37%	14 978 218	354 612	15 332 830	8,66%
Construction	19 821 883	13 526 673	33 348 556	18,84%	16 919 779	23 397 887	40 317 666	22,77%
Wholesale and retail trade	15 593 773	5 805 258	21 399 032	12,09%	16 565 194	3 887 823	20 453 017	11,55%
Accommodation and restaurants	3 365 389	-	3 365 389	1,90%	3 495 109	239 565	3 734 674	2,11%
Transport, storage and communications	5 775 995	530 541	6 306 536	3,56%	3 683 789	1 214 934	4 898 723	2,77%
Banks and insurance	402 272	3 190 330	3 592 602	2,03%	399 437	3 601 741	4 001 178	2,26%
Real estate, rental and other services provided by businesses	4 980 066	139 561	5 119 627	2,98%	5 957 696	711 581	6 669 277	3,88%
Government, defence and mandatory social security	19 419 532	565 740	19 985 272	11,63%	8 349 917	174 789	8 524 706	4,96%
Education	1 026 873	241 243	1 268 116	0,74%	1 449 029	154 807	1 603 836	0,93%
Health and social work	1 083 678	28 478	1 112 156	0,65%	1 150 869	6 452	1 157 321	0,67%
Recreational, cultural and sports activities	2 515 578	-	2 515 578	1,46%	2 337 364	-	2 337 364	1,36%
Outros sectores	804 970	60 026	864 996	0,49%	601 164	343 125	944 289	0,53%
Other service companies	51 278 063	102 255	51 380 318	29,02%	51 737 997	7 468	51 745 465	29,23%
TOTAL	**145 339 713**	**29 238 008**	**174 577 721**	**98,62%**	**137 991 793**	**39 036 790**	**177 028 583**	**100,00%**

At 31 December 2013 the Bank's biggest debtor accounted for 8.97% of the total loan portfolio, and the Bank's ten biggest debtors together accounted for 29.49% of the total loan portfolio (excluding guarantees and documentary credits). At 31 December 2012 the Bank's biggest debtor accounted for 10.19% of the total loan portfolio, and the Bank's ten biggest debtors together accounted for 29.55% of the total loan portfolio (excluding guarantees and documentary credits).

The distribution of loans (excluding income receivable) by risk class at 31 December 2013 and 2012 and the provisions for doubtful loans in each class are as follows:

	2013				
	Performing loans	Past-due loans	Total	Average provisioning %	Provision
Class A	29 377 827	2 249	29 380 076	0%	-
Class B	1 235 864	744	1 236 608	1%	12 366
Class C	108 567 841	241 391	108 809 232	3%	3 264 277
Class D	747 428	940 978	1 688 406	10%	168 841
Class E	1 412 363	2 080 254	3 492 617	23%	791 585
Class F	3 240 081	2 970 825	6 210 906	57%	3 536 780
Class 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

	2012				
	Performing loans	Past-due loans	Total	Average provisioning %	Provision
Class A	24 622 198	666	24 622 864	0%	-
Class B	127 610	154	127 764	1%	1 278
Class C	106 140 800	132 887	106 273 687	3%	3 188 211
Class D	1 323 107	1 744 574	3 067 681	10%	306 768
Class E	1 915 745	1 274 575	3 190 320	20%	638 064
Class F	3 184 005	2 632 402	5 816 407	54%	3 142 335
Class G	678 328	1 195 794	1 874 122	100%	1 874 122
	137 991 793	**6 981 052**	**144 972 845**		**9 150 778**
Provision for income receivable					61 217
					9 211 995
Provision for guarantees provided (Notes 15 and 17)					780 115
					9 992 110

The movement in the provisions for doubtful loans and guarantees in 2013 and 2012 is presented in Note 15.

The movement in the borrower risk migration matrix between 31 December 2012 and 2013 is shown below:

Risk level		Dec. 2013									Total	Portfolio distribution at 31.12.2012
		A	B	C	D	E	F	G	written off	Settled / repaid /		
Dec.12	A	95,38%	0,22%	1,59%	0,00%	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%	0,00%	52,63%	0,09%	127 763
	C	1,98%	0,69%	77,00%	0,68%	0,40%	0,26%	0,20%	0,00%	18,78%	73,31%	106 273 688
	D	0,26%	0,00%	3,09%	32,75%	32,39%	2,94%	3,25%	0,00%	25,33%	2,12%	3 067 681
	E	0,00%	0,00%	5,67%	1,25%	41,11%	32,73%	7,39%	0,00%	11,85%	2,20%	3 190 319
		0,00%	0,00%	3,10%	0,00%	8,51%	80,52%	2,78%	0,00%	5,09%	4,01%	5 816 407
	G	0,00%	0,00%	8,24%	0,13%	0,22%	0,17%	40,69%	0,00%	50,56%	1,29%	1 874 122
	Total	**17,69%**	**0,54%**	**57,14%**	**1,22%**	**2,23%**	**4,21%**	**1,02%**	**0,00%**	**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 kAOA 144,972,845, did not change level, while 2.79% of loans moved to a lower risk level, 3.26% were placed in a higher risk level and 0.79% were written off.

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%

The 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 categories migrated to higher risk levels.

The movement in the borrower risk migration matrix between 31 December 2011 and 2012 is shown below:

Risk level		Dec. 2012									Total	Portfolio distribution at 31.12.2012
		A	B	C	D	E	F	G	Written off	Settled / repaid		
Dec. 11	A	80,15%	0,00%	2,85%	1,66%	0,00%	0,00%	0,00%	0,00%	15,33%	7,77%	10 469 397
	B	17,23%	0,00%	39,13%	0,00%	0,00%	0,00%	0,00%	0,00%	43,64%	0,10%	136 392
	C	0,31%	0,00%	64,22%	1,71%	1,89%	0,42%	0,14%	0,02%	31,29%	82,98%	111 885 022
	D	0,00%	0,00%	10,32%	19,48%	10,83%	15,84%	28,93%	2,04%	12,56%	0,46%	615 730
	E	0,00%	0,00%	11,82%	18,91%	40,83%	1,73%	21,12%	1,02%	4,58%	1,83%	2 465 602
	F	0,00%	0,00%	3,07%	0,00%	0,00%	37,20%	2,15%	16,18%	41,40%	5,67%	7 649 860
	G	0,00%	0,00%	5,01%	1,67%	0,47%	1,63%	52,36%	28,03%	10,83%	1,19%	1 605 302
	Total	**6,50%**	**0,00%**	**54,05%**	**2,00%**	**2,37%**	**2,58%**	**1,38%**	**1,29%**	**29,82%**	**100,00%**	
Portfolio distribution from 31.12.2011 to 31.12.2012		8 767 569	70	72 874 939	2 698 818	3 200 380	3 477 212	1 854 996	1 745 167	40 208 154		134 827 305

The migration matrix shows that 63.09% of the loan portfolio, which at 31 December 2011 totalled kAOA 134,827,305, did not change level, while 1.17% of loans moved to a lower risk level, 4.63% were placed in higher risk levels and 1.29% were written off.

Remained at same level		Migrated to other levels			Total
Outstanding	Settlements/ repayments	Higher risk	Lower risk	Written off	
63,09%	29,82%	4,63%	1,17%	1,29%	100,00%

The most marked deterioration over the period, relatively speaking, was in the loans classified in risk levels D, E, F and G, which accounted for 9.15% of total loans at 31 December 2011. A total of 57.64%, 23.87%, 18.33% and 28.03%, respectively, of the opening balances of the loans in these risk levels migrated to higher risk levels, including write-offs. Most of the loan write-offs were in levels F and G (16.18% and 28.03%, respectively, of the opening balances in those risk levels at 31 December 2011).

The distribution of loans by days past due at 31 December 2013 and 2012 is shown below:

Risk class	2013				2012			
	Non-overdue	Up to 30 days past due [1]	More than 60 days past due [1]	Total	Non-overdue	Up to 30 days past due [1]	More than 60 days past due [1]	Total
A	29 127 979	252 085	12	29 380 076	24 555 280	67 585	-	24 622 865
B	1 227 564	9 044	-	1 236 608	111 288	16 475	-	127 763
C	102 121 233	4 478 178	2 209 821	108 809 232	98 626 763	5 684 411	1 962 514	106 273 688
D	449 973	14 738	1 223 697	1 688 408	834 020	19 442	2 214 219	3 067 681
E	**619 845**	**319 011**	**2 553 760**	**3 492 616**	**1 018 477**	**3 130**	**2 168 712**	**3 190 319**
F	1 800 131	3	4 410 771	6 210 905	1 131 618	1 470 623	3 214 166	5 816 407
G	22 810	620	1 480 728	1 504 158	10 889	22 396	1 840 837	1 874 122
	135 369 535	**5 073 679**	**11 878 789**	**152 322 003**	**126 288 335**	**7 284 062**	**11 400 448**	**144 972 845**

(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 2013 and 2012, are shown below, by customer type (amounts refer to customers with restructured loans from 2009, inclusive):

	2013					2012				
	Loans			Provisions	Net balance	Loans			Provisions	Net balance
	Performing	Past due	Total			Performing	Past due	Total		
Companies	11 721 578	2 811 596	14 533 174	(2 764 154)	11 769 020	15 042 989	1 705 654	16 748 643	(2 731 047)	14 017 596
Individuals	306 565	15 779	322 344	(25 059)	297 285	369 752	16 547	386 299	(24 555)	361 744
	12 028 143	**2 827 375**	**14 855 518**	**(2 789 213)**	**12 066 305**	**15 412 741**	**1 722 201**	**17 134 942**	**(2 755 602)**	**14 379 340**

In 2013 and 2012, the Bank wrote off kAOA 1,155,056 and kAOA 1,729,940, respectively, of loans classified in risk level G.

During 2012, the Bank settled kAOA 248,668 (net of provisions) of loans by accepting properties in lieu of foreclosure, and recorded the assets received under "Other assets - Property not for own use" (Note 9).

In 2013 and 2012, the Bank used kAOA 1,155,056 and kAOA 1,978,608, respectively, of provisions for doubtful loans in respect of loans written off and settled through acceptance of collateral in lieu of foreclosure (Note 15).

Recoveries of loans and interest previously written off totalled kAOA 292,654 and kAOA 855,798, respectively, in 2013 and 2012 (Note 28).

9. OTHER ASSETS

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013	2012
OTHER TAX ASSETS		
Deferred tax assets arising from temporary differences (Note 18)	409 966	68 239
Other	11 006	1 292
	420 972	**69 531**
OTHER RECEIVABLES		
Receivables for services provided	6 046	13 768
Sundry receivables:		
Government administration	152 421	446 199
Private sector – businesses	50 786	39 072
Private sector – employees	43 609	11 652
Private sector – individuals	9 775	8 706
Acquisitions in progress	-	7 447
Other receivables	374 979	438 929
	637 616	**965 773**
OTHER ADMINISTRATIVE AND SELLING RECEIVABLES		
Advances on salaries	44 797	-
Prepaid expenses:	223 868	236 817
Rents and leasing	21 430	1 630
Insurance	130 561	24 457
Other	375 859	262 904
Office materials	88 384	54 377
Other advances:		
Cash shortages	5 763	7 773
Asset transactions pending settlement	88 046	417 355
Other	8 529	8 322
	102 338	**433 450**
Property not for own use		
Property	232 508	228 237
Equipment	20 814	20 431
	253 321	248 668
	1 923 287	**2 034 703**

10. FIXED ASSETS

FINANCIAL FIXED ASSETS

The composition of this item at 31 December 2013 and 2012 is as follows:

	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					-
Total financial fixed assets					**351 173**
Total imobilizações financeiras					**351 548**

	2012				
	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	3 360	2,80%	
Equity holding					70 156
Quasi-capital loans					228 567
Shareholder loans					10 733
Interest on shareholder and quasi-capital loans					2 491
					311 947
Bolsa de Valores e Derivados de Angola	Angola	2006	3 000	2%	28 748
IMC – Instituto do Mercado de Capitais	Angola	2004	400	2%	337
Provisions (Note 15)					(9 594)
Subtotal - Holdings in other companies					**331 438**
Total financial fixed assets					**331 813**

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 2013 and 2012, 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 kAOA 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 kAOA 53,099. Interest-bearing quasi-capital loans were likewise made by the shareholders during 2012, taking BFA's contribution to kAOA 193,189. In accordance with the EMIS general meeting resolutions, these loans earn interest at Banco Nacional de Angola's benchmark rate.

In 2013, pursuant to the EMIS general meeting decision of 9 December 2011, it was decided to increase the quasi-capital loans by USD 1,400,000, with BFA's contribution amounting to USD 73,684.

The shareholdings in Stock Exchange and Derivatives from 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 2013 and 2012.

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INTANGIBLE AND TANGIBLE FIXED ASSETS

The movements recorded in these headings during 2013 and 2012 are shown below:

	2013									
	Balances at 31.12.2012			Additions	Transfers	Write-offs, Disposals and others	Amort./depr. for year	Balances at 31.12.2013		
	Gross assets	Accumulated	Net					Gross assets	Accumulated	Net
TANGIBLE FIXED ASSETS										
Property used in operations	17 196 223	(4 702 546)	12 493 677	453 781	930 379	(199 243)	(449 265)	18 381 140	(5 151 811)	13 229 329
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 FIXED ASSETS										
Computer software	588 937	(319 929)	269 008	224 513	-	-	(187 406)	813 450	(507 334)	306 115
Organisation 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**

	2012									
	Balances at 31.12.2012			Additions	Transfers	Write-offs, Disposals and others	Amort./depr. for year	Balances at 31.12.2011		
	Gross assets	Accumulated	Net					Gross assets	Accumulated	Net
Property used in operations	15 800 126	(4 292 259)	11 507 867	303 888	1 092 209	(57)	(410 230)	17 196 223	(4 702 546)	12 493 677
Furniture, tools, fixtures and equipment	6 797 685	(3 873 731)	2 923 954	689 775	381 322	(3 957)	(1 025 917)	7 714 299	(4 749 122)	2 965 177
Fixed assets in progress	1 279 243	-	1 279 243	1 091 108	(1 473 531)	-	-	896 820	-	896 820
	23 877 054	**(8 165 990)**	**15 711 064**	**2 084 771**	**-**	**(4 014)**	**(1 436 147)**	**25 807 342**	**(9 451 668)**	**16 355 674**
INTANGIBLE FIXED ASSETS										
Computer software	418 899	(208 113)	210 786	170 038	-	(29)	(111 787)	588 937	(319 929)	269 008
Organisation and expansion costs	101 571	(99 031)	2 540	-	-	29	(2 551)	101 571	(101 553)	18
Property-lease premiums	93 923	(93 923)	-	-	-	-	-	93 923	(93 923)	-
Other intangibles	29	(29)	-	-	-	-	-	29	(29)	-
	614 422	**(401 096)**	**213 326**	**170 038**	**-**	**-**	**(114 338)**	**784 460**	**(515 434)**	**269 026**
	24 491 476	**(8 567 086)**	**15 924 390**	**2 254 809**	**-**	**(4 014)**	**(1 550 485)**	**26 591 802**	**(9 967 102)**	**16 624 700**

At 31 December 2013 and 2012, “Fixed assets in progress” basically relates to the acquisition of premises and payments to suppliers of construction work on new branches scheduled to be opened over the coming years.

11. DEPOSITS

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013	2012
Funds from credit institutions abroad		
Demand deposits	2 014 738	7 788
Demand deposits of residents:		
In local currency	230 991 678	156 951 498
In foreign currency	164 671 492	184 133 884
	395 663 170	**341 085 382**
Demand deposits of non-residents		
In local currency	3 560 293	1 821 775
In foreign currency	7 771 817	12 382 621
	11 332 110	**14 204 396**
Interest on demand deposits	2 047	998
Total demand deposits	**409 012 065**	**355 298 564**
Term deposits of residents:		
In local currency	131 570 439	107 345 719
In foreign currency	219 896 159	203 392 028
	351 466 598	310 737 747
Term deposits of non-residents	**91 339**	**23 420**
Interest on term deposits	2 455 155	2 053 600
Total term deposits	**354 013 093**	**312 814 767**
Total deposits	**763 025 158**	**668 113 331**

At 31 December 2013 and 2012 the balance of “Funds from credit institutions abroad – demand deposits” recorded accounting overdrafts in the Bank’s demand deposits held in credit institutions, which are reclassified as liabilities for financial reporting purposes.

The distribution of customer term deposits at 31 December 2013 and 2012 by remaining term to maturity is as follows:

	2013	2012
Up to three months	155 961 609	167 184 635
From 3 to 6 months	106 711 753	75 250 875
From 6 months to 1 year	85 323 474	69 786 668
More than one year	6 016 256	592 589
	354 013 092	**312 814 767**

At 31 December 2013, term deposits in local and foreign currency were earning per annum interest averaging 4.47% and 2.67%, respectively (4.53% and 2.75% at 31 December 2012).

At 31 December 2013 and 2012, demand deposits were earning no interest, except for specific foreign-currency denominated demand 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 2013 and 2012 by type of customer:

	2013	2012
Demand deposits		
Government administration	6 969 942	5 114 783
Public sector corporations	4 133 727	4 391 886
Companies	257 485 437	219 771 542
Individuals	140 422 959	126 020 353
	409 012 065	**355 298 564**
Term deposits		
Government administration	81 026	25 153
Public sector corporations	602 878	2 075 636
Companies	148 477 045	127 813 871
Individuals	204 852 143	182 900 107
	354 013 092	**312 814 767**

12. SHORT-TERM BORROWINGS

The composition of this item at 31 December 2012 is as follows:

	2013	2012
Interbank money market transactions		
Funds from credit institutions in Angola – Loans (AOA)		4,352
Interest		-
	-	**4,352**

The distribution of short-term borrowings at 31 December 2012 by remaining term to maturity is as follows:

	2013	2012
Up to three months	-	**4,352**

At 31 December 2012 the short-term borrowings earned no interest.

13. LIABILITIES IN THE PAYMENT SYSTEM

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013	2012
Funds of other entities:		
Certified cheques	3 758 559	2 374 004
Funds tied to letters of credit	1 009 164	1 082 446
Clearing of cheques and other instruments	991	17 521
Other	14 314	28 681
	4 783 028	**3 502 652**

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.t

14. OTHER LIABILITIES

The composition of this item at 31 December 2013 and 2012 is as follows:

	2013	2012
Liabilities under company law or the Bylaws		
Dividends payable	27 180	2 158 123
Liabilities relating to taxes		
Tax payable – own tax liability		
Corporate income tax payable	1 247 836	68 239
On employment income	110 083	33 685
On investment income	48 958	7 163
Tax relating to remuneration	30 866	27 877
	1 437 743	**136 964**
Tax payable – tax withheld on behalf of others		
On income	149 950	168 202
Other	97 719	94 115
	247 669	**262 317**
	1 685 412	**399 281**
Liabilities of an administrative or commercial nature		
Staff costs – salaries and other remuneration		
Holiday pay and holiday subsidies	1 090 709	917 002
Performance bonus (Note 24)	192 231	267 607
Other staff costs	69 562	80 862
	1 352 502	**1 265 471**
Non-tax liabilities	-	-
Other liabilities of an administrative or commercial nature		
Payables pending settlement	124 384	292 120
Monthly expenses	1 024 825	1 041 612
Movements at POS terminals pending settlement	698 196	618 345
Payment orders received and pending settlement	44 144	78 481
Western Union Service movements	224 695	303 039
Visa acquiring expenses	342 522	-
Other	86 707	77 111
	2 545 473	**2 410 708**
	3 897 975	**3 676 179**
	5 610 567	**6 233 583**

At 31 December 2013 and 2012, “Dividends payable” includes part of the dividends allocated by the Bank to its shareholder Banco BPI, S.A. as a result of the unanimous resolutions of the General Meetings of 22 April 2013 and 30 April 2012, respectively (Note 16). These amounts will be paid during the first quarters of 2014 and 2013, respectively.

15. PROVISIONS FOR CONTINGENT LIABILITIES

The movement in provisions during the years ended 31 December 2013 and 2012 is shown below:

	2013							
	Balances at 31.12.2012	Increases	Decreases		Charge-offs	Exchange differences and other	Transfers	Balances at 31.12.2013
		Charges for the year	Write-backs and reversals	Staff costs (Note 24)				
General banking risks								
Of a corporate or statutory nature	1 798 055	-	-	-	(60 391)	32 846	-	1 770 510
Of an administrative and 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	-	-	-	-	2 781	-	153 616
Complementary Pension Plan	2 639 670	-	-	-	(3 065 063)	115 526	-	-
	5 628 260	**273 649**	**-**	**-**	**(3 247 869)**	**196 455**	**(112 690)**	**3 072 225**
Financial fixed assets (Note 10)	9 594	-	-	-	(9 594)	-	-	-
	5 637 854	**273 649**	**-**	**-**	**(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**	**(461 750)**	**-**	**(4 412 519)**	**300 704**	**-**	**12 413 490**

	2012							
	Balances at 31.12.2011	Increases	Decreases		Charge-offs	Exchange differences and other	Transfers	Balances at 31.12.2012
		Charges for the year	Write-backs and reversals	Staff costs (Note 24)				
General banking risks								
Of a corporate or statutory nature	1 825 979	-	-	-	(41 396)	13 472	-	1 798 055
Of an administrative and commercial nature	2 023 193	381 716	(422 540)	-	(1 671 492)	(26 739)	-	284 138
Guarantees provided (Note 8)	499 362	-	-	-	-	7 702	273 051	780 115
Sponsored retirement and survival benefits funds								
Retirement benefits	117 827	-	-	-	-	(7 132)	-	126 282
Complementary Pension Plan	**2 245 355**	**-**	**-**	**-**	**(21 169)**	**(11 528)**	**-**	**2 639 670**
	6 711 716	381 716	(422 540)	-	(1 734 057)	(24 225)	273 051	5 628 260
Financial fixed assets (Note 10)	**9 594**	**-**	-	**-**	**-**	**-**	**-**	**9 594**
	6 721 310	381 716	(422 540)	-	(1 734 057)	(24 225)	273 051	5 637 854
Doubtful loans (Note 8)	**9 514 113**	**3 448 176**	**(1 606 816)**	**-**	**(1 978 608)**	**108 181**	**(273 051)**	**9 211 995**
	16 235 423	**3 829 892**	**(2 029 356)**	**-**	**(3 712 665)**	**83 956**	**-**	**14 849 849**

In the years ended 31 December 2013 and 2012, 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. The movement in the Social Fund during 2013 and 2012 is as follows:

	2013	2012
Opening balance	1 831 698	1 836 404
Contribuitions	-	-
Amounts used	**(61 188)**	**(38 349)**
Closing balance	**1 770 510**	**1 798 055**

In the years ended 31 December 2013 and 2012, "Provisions of an administrative and commercial nature" consists basically of the provisions set aside to cover fraud, litigation in progress 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 2013 and 2012, the amount recorded under "Retirement benefits" is used to cover the Bank's liabilities under Article 262 of the General Employment Law. 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.

At 31 December 2012, the caption "Complementary Pension Plan" refers to the Bank's liabilities in respect of retirement pensions under the defined-contribution plan it has implemented (Note 2.2 c)).

As stated in Note 2.2 c), in 2013, effective from the last day of the year, the Bank set up the "BFA Pension Plan" to cover these liabilities, using the provisions already established as the initial contribution to the BFA Pension Plan. Under the contract establishing the Fund, BFA will contribute 10% of the base salary liable to deduction for Angolan Social Security System, applied over fourteen salary payments. Any income earned on the investments made (net of any taxes due) is added to the accumulated contributions. The total amount of initial contribution made by the Bank to the BFA Pension Plan was kAOA 3,098,194, which included kAOA 44,797 of advances on future contributions, which was used in the first quarter of 2014 (Note 9).

The BFA Pension Plan is managed by Fenix – Sociedade Gestora de Fundos de Pensões, S.A. The Bank acts as depositary of the Fund.

The creation of the BFA Pension Plan is awaiting authorization from His Excellency the Minister of Finance and approval by His Excellency the Minister of Public Administration, Employment and Social Security, which have been requested by BFA and the fund manager.

The movement in this Plan in the years ended 31 December 2013 and 2012 is shown below:

Balance at 31 December 2011	**2 245 355**
Monthly contribution	427 012
Outflows	(126 654)
Payments	(21 169)
Return on investments	109 891
Other	(2 788)
Currency revaluation	8 023
Balance at 31 December 2012	**2 639 670**
Monthly contribution	477 419
Outflows	(167 552)
Payments	(11 665)
Return on investments	105 929
Other	9 597
Currency revaluation	(3 053 397)
Balance at 31 December 2013	**-**

The return on the Plan's investments in the years ended 31 December 2013 and 2012 is mainly in respect of term deposits in United States dollars and in kwanzas. At 31 December 2012, the interest on these deposits amounted to kAOA 18,179.

The currency revaluation in the years ended 31 December 2013 and 2012 resulted from the conversion into kwanzas of investments denominated in US dollars.

16. EQUITY

SHARE CAPITAL

The Bank was incorporated with a share capital of kAOA 1,305,561 (equivalent to EUR 30,188,657 at the exchange rate of 30 June 2002), represented by 1,305,561 registered shares with a nominal value of one thousand kwanzas each, subscribed and paid up by way of the incorporation of all the assets and liabilities, including real estate assets and rights of any class, as well as all the rights and obligations of the former Angolan branch of Banco BPI.

At the end of 2004, 2003 and 2002, the Bank increased its share capital by kAOA 537,672, kAOA 1,224,333 and kAOA 454,430, respectively, by incorporating the special capital maintenance reserve set up to maintain the equivalent value in kwanzas of the initial foreign-currency capital contribution.

The Bank has not restated the value of its capital since 2005 because the Angolan economy has ceased to be considered hyperinflationary.

As a result, at 31 December 2013 and 2012 the share capital of the Bank stood at kAOA 3,521,996.

The shareholder structure of the Bank at 31 December 2013 and 2012 is as follows:

	2013		2012	
	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 00%**	**1 305 561**	**100,00%**

RESERVES

Reserves are composed of the following:

	2013	2012
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	50 353 431	43 011 954
	55 515 321	**48 173 844**
	55 966 038	**48 624 561**

At the general meeting of 30 April 2012 it was unanimously decided to distribute 65% of the net profit for the previous year (kAOA 15,435,147) to the shareholders as dividends, with the remainder being allocated to "Other reserves".

At the general meeting of 22 April 2013 it was unanimously decided to distribute 65% of the net profit for the previous year (kAOA 13,634,171) 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 2013 and 2012 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 2013 and 2012 out of the previous year's profits were as shown below:

	2013	2012
Earnings per share	18,31	16,07
Dividend per share paid in the year	**10,44**	**11,82**

17. OFF-BALANCE SHEET ACCOUNTS

The composition of these items at 31 December 2013 and 2012 is shown below:

	2013	2012
Liabilities to third parties:		
Guarantees provided	18 769 789	28 927 615
Commitments to third parties		
Open documentary credits	12 178 116	11 220 731
Documentary collections	671 744	587 186
	31 619 649	**40 735 532**
Liabilities for services provided:		
Services provided by the institution		
Securities custody	28 486 303	1 083 218
Clearing of foreign cheques	447 223	368 399
	28 933 526	**1 451 617**

At 31 December 2013 and 2012, "Open documentary credits" includes open documentary credits secured by captive deposits at the Bank in the amount of kAOA 894,914 and kAOA 1,111,556, respectively.

At 31 December 2013 and 2012 the Bank had set aside provisions of kAOA 703,006 and kAOA 780,115 to cover the credit risk assumed in granting guarantees and issuing documentary credits, respectively (Notes 8 and 15).

At 31 December 2013 and 2012, 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 at 31 December 2013 and 2012 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:

	2013	2012
Current tax on profits		
For the year	1 247 836	68 239
Deferred tax		
Recognition and reversal of temporary differences	(65 895)	(68 239)
Shortfall of previous year's estimate	10 840	-
Total tax recognized in the income statement	**1 192 781**	**-**
Net income before tax	25 091 399	20 975 647
Tax burden	4,75%	0,00%

The reconciliation between the nominal tax rate and the tax burden in 2013 and 2012, 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:

	2013		2012	
	Tax rate	Amount	Tax rate	Amount
Net income before tax		25 091 399		20 975 647
Tax calculated using nominal tax rate	35,00%	8 781 990	35,00%	7 341 476
Tax relief on income from public debt securities	-25,83%	(6 481 503)	-24,58%	(5 156 200)
Provisions for contingent liabilities	-2,41%	(604 228)	-2,41%	(506 274)
Tax on Invested Capital (IAC)	-0,45%	(113 171)	-0,03%	(5 945)
Grant of claim in relation to the years 2005 to 2008	-1,60%	(401 147)	0,00%	-
Setoff of 2009 tax loss carryforwards	0,00%	-	-0,92%	(193 404)
Setoff of provisional payments of 2009 tax	0,00%	-	-7,05%	(1 479 653)
Adjustment to previous year's estimate	0,04%	10 841	0,00%	-
Corporate income tax	**4,75%**	**1 192 782**	**0,00%**	**-**

INDUSTRIAL TAX

As explained in Note 2.2 j), the Bank is subject to Industrial Tax at the rate of 35%. 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 kAOA 2,409,264, treating only part of the income earned on the abovementioned securities as exempt. Pursuant to the interpretation that all income on those securities is exempt from Industrial Tax, the Bank later reported a tax loss of kAOA 13,985,712 in its Form 1 Income Tax Return for 2009. The Bank made payments totalling kAOA 1,479,653 (in January, February and March 2010) towards a provisional settlement of the Industrial Tax liability it had calculated for 2009, but did not pay the remaining amount of kAOA 929,611, which was recorded as income in 2010.

In December 2010, the Bank filed a petition with the Finance Ministry, requesting that the excess Industrial Tax for 2009 paid in the first quarter of 2010 (kAOA 1,479,653) either be refunded or else be considered as a tax credit to be set off against future tax payable by the Bank.

At the same time, the Bank also requested that the excess tax paid in previous years as a result of not treating all income on public debt securities as tax exempt, and for which it had filed Form 1 Substitute Income Tax Returns, likewise be refunded or considered as tax credits to be set off against future tax payable by the Bank. The excess tax paid for financial years 2005, 2006, 2007 and 2008 amounted to kAOA 813,093.

During 2012, the tax authorities conducted a review of the Bank's tax situation for the 2007 and 2008 tax years. As a result of that inspection, the Tax Administration gave the Bank notice of the corrections to taxable income that it considered appropriate, basically in relation to the costs of provisions set aside for contingent liabilities (retirement benefits, Complementary Pension Plan, Social Fund, fraud and sundry other risks).

Pursuant to said notice, the Bank submitted its pleadings, in which it contested some of the corrections made by the Tax Administration. At the same time, the Bank accepted the corrections relating to the disallowed provisions, pointing out that although said provisions must be accrued for the purpose of calculating each year's taxable income, the accruals are temporary and the Bank may recover the tax in the year in which the provisions are used. BFA further stated, in its reply, that no tax was currently payable even so, as the amount of the tax relief on public debt securities not claimed in the years in question but claimed from the Tax Administration in December 2010 was greater than the tax charge on the disallowed provisions.

Following the corrections resulting from the abovementioned inspection of the tax returns for 2007 and 2008, the Bank decided, when filing the Form 1 Substitute Income Tax Return for 2012, to also file substitute returns for the years 2009, 2010 and 2011. In preparing these returns the Bank followed an interpretation similar to that adopted by the Tax Administration in relation to the provisions for retirement pensions (including the Complementary Pension Fund), provisions for sundry risks, provisions for the Social Fund and provisions for financial investments. Accordingly, said provisions were added to income in the year in which they were first created or subsequently increased and were deducted when they were replaced or used to meet tax-deductible expenses.

Furthermore, in estimating the Industrial Tax payable in 2012 and 2013, the Bank followed the interpretation used by the Tax Administration in its inspections of the tax returns for 2007 and 2008. Thus, it corrected the tax base for Industrial Tax to account for period provisions for contingent liabilities that are not allowed as a deductible expense, treating them instead as tax-deductible in the year in which they are used.

After taking into account the deductions and additions to disallowed provisions and the tax-exempt income on public debt, the tax loss carried forward from 2009 was set off in full by the Bank in 2010, 2011 and 2012. In addition, the excess Industrial Tax for 2009 paid in the first quarter of 2010 was fully set off by the Bank in 2012. Accordingly, no further payment of Industrial Tax is required.

In January 2014, the National Tax Directorate at the Finance Ministry notified BFA that the claim submitted in December 2010 in relation to excess tax paid for the years 2005, 2006, 2007 and 2008 had been granted in full and authorized the Bank to deduct kAOA 813,093 as a tax credit from the amount of Industrial Tax payable for 2013. The Bank has included this tax credit in its estimate of Industrial Tax for 2013, which amounts to kAOA 401,147, after also taking into account the corrections to taxable income for 2007 and 2008 arising from the review carried out by the tax authorities.

At 31 December 2013 and 2012, the Bank has recognized deferred tax assets in the amounts of kAOA 409,966 and kAOA 68,239, 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.

	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

	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	-	68 239

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 section 81.a) of the Industrial Tax Code.

Following various clarifications requested by the Angolan Banks Association from the National Tax Directorate (Direcção Nacional dos Impostos — DNI) regarding the application of this tax, it was determined that the tax would come into force for the banking sector on 1 October 2012. In addition, the applicability of IAC to income from public debt securities, in particularly Treasury bonds and Treasury bills, was established. Thus, income from public debt securities issued on or after 1 January 2013 is subject to IAC at the rate of 10% (5% when issued with a maturity of three years or more).

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 of 30 December.

The tax authorities may review the Bank's tax situation for a period going back five years and those reviews may give rise to corrections to taxable income due to differing interpretations of tax legislation. The Bank's tax situation for the years 2009 to 2013 is therefore still open to review by the tax authorities.

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 2013 are summarized below:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members have signif Influence	Total
	BPI Group	Unitel Group			
Cash and banks:					
Cash and demand deposits in credit institutions	1 242 930	-	-	-	1 242 930
Short-term investments:					
Other loans to credit institutions	-	-	-	-	-
Loans granted					
Customer deposits:	156 078 306	-	-	-	156 078 306
Demand deposits	-	-	83 167	4 070 833	4 154 000
Term deposits	-	-	-	-	-
Other funds					-
Interest income and similar income	-	-			-
Interest expense and similar expenses					
Fee and commission expense	-	(128 000)	(23 151)	(92 819)	(243 969)
Documentary credits	-	(39 866 323)	(288 363)	(30 395)	(40 185 082)
Bank guarantees	-	-	-	-	-
Juros e proveitos equiparados	1 271 488	n.a.	n.a.	n.a.	1 271 488
Juros e custos equiparados	(169 692)	n.a.	n.a.	n.a.	(169 692)
Comissões – custos	(230 559)	n.a.	n.a.	n.a.	(230 559)
Créditos documentários	-	-	-	-	-
Garantias bancárias	-	-	-	-	-

n.a.: not available

The movement in deferred tax assets in the years ended 31 December 2013 and 2012 is as follows:

	BFA shareholders		Members of the Board of Directors of BFA	Companies in which Board members have signif Influence	Total
	BPI Group	Unitel Group			
Cash and banks:					
Cash and demand deposits in credit institutions	9 737 692	-	-	-	9 737 692
Deposits:					
Overdrafts on demand deposits	(32 514)	-	-	-	-
Short-term investments:					
Other loans to credit institutions	139 569 314	-	-	-	139 569 314
Loans granted	-	-	85 308	2 673 886	2 759 194
Customer deposits:	-	-	-	-	-
Demand deposits					-
Term deposits	-	-			-
Other funds					
Interest income and similar income	-	(2 509 159)	(29 787)	(1 431 204)	(3 970 150)
Interest expense and similar expenses	-	(23 809 446)	(243 623)	(50 542)	(24 103 611)
Fee and commission expense	-	-	-	-	-
Documentary credits	808 631	n.a.	n.a.	n.a.	808 631
Bank guarantees	(97 188)	n.a.	n.a.	n.a.	(97 188)
Comissões – custos	(232 709)	n.a.	n.a.	n.a.	(232 709)
Créditos documentários	-	-	-	-	-
Garantias bancárias	-	-	-	-	-

n.a.: not available

The information reported as at 31 December 2013 and 2012 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 2013 and 2012 by currency are shown below:

	31.12.13			31.12.12		
	Local currency	Foreign currency [1]	Total	Local currency	Foreign currency [1]	Total
Cash and banks	78 167 499	66 396 798	144 564 297	64 428 794	78 453 007	142 881 801
Short-term investments						
Interbank money market transactions	30 472 151	157 972 907	188 445 058	11 001 481	141 426 304	152 427 785
Third-party securities under agreements to resell	38 665 232	-	38 665 232	52 634 766	-	52 634 766
	69 137 383	**157 972 907**	**227 110 290**	**63 636 247**	**141 426 304**	**205 062 551**
Securities						
Held for trading	18 651 833	75 517	18 727 351	19 380 043	50 461	19 430 504
Held to maturity	176 720 745	130 159 689	306 880 434	98 576 958	136 141 729	234 718 687
	195 372 578	**130 235 206**	**325 607 785**	**117 957 001**	**136 192 190**	**254 149 191**
Derivative financial instruments	126 700	-	126 700	-	-	-
Foreign exchange transactions	5 980 893	919 909	6 900 802	-	2 040 544	2 040 544
Loans and advances						
Loans and advances	91 761 146	61 593 192	153 354 337	86 962 002	59 026 791	145 988 793
Provision for doubtful loans	(4 355 539)	(4 985 726)	(9 341 265)	(3 804 639)	(5 407 356)	(9 211 995)
	87 405 607	**56 607 466**	**144 013 072**	**83 157 363**	**53 619 435**	**136 776 798**
Other assets	1 095 538	827 749	1 923 287	(252 476)	2 287 179	2 034 703
Fixed assets						
Financial fixed assets	69 246	282 303	351 549	44 218	287 595	331 813
Tangible fixed assets	17 128 298	-	17 128 298	16 355 674	-	16 355 674
Intangible fixed assets	306 115	-	306 115	269 026	-	269 026
	17 503 659	**282 303**	**17 785 962**	**16 668 918**	**287 595**	**16 956 513**
Total Assets	**454 789 857**	**413 242 338**	**868 032 195**	**345 595 847**	**414 306 254**	**759 902 101**
Deposits						
Demand deposits	234 582 648	174 429 417	409 012 065	158 703 664	196 594 900	355 298 564
Term deposits	132 497 663	221 515 429	354 013 092	108 183 901	204 630 866	312 814 767
	367 080 312	**395 944 846**	**763 025 157**	**266 887 565**	**401 225 766**	**668 113 331**
Short-term borrowings						
Interbank money market transactions	-	-	-	4 352	-	4 352
	-	**-**	**-**	**4 352**	**-**	**4 352**
Derivative financial instruments	165 754	-	165 754	-	-	-
Liabilities in the payment system	3 759 550	1 023 478	4 783 028	2 391 394	1 111 258	3 502 652
Foreign exchange transactions	0	6 734 985	6 734 985	624 468	1 419 423	2 043 891
Other liabilities	4 887 431	723 136	5 610 567	4 255 395	1 978 188	6 233 583
Provisions for contingent liabilities	165 041	2 907 184	3 072 225	1 443 260	4 185 000	5 628 260
Total Liabilities	**376 058 089**	**407 333 628**	**783 391 716**	**275 606 434**	**409 919 635**	**685 526 069**
Net Assets	**78 731 768**	**5 908 710**	**84 640 479**	**69 989 413**	**4 386 619**	**74 376 032**
Total Equity	**84 640 479**	**-**	**84 640 479**	**74 376 032**	**-**	**74 376 032**

(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 2013 and 2012 is set forth below:

	2013	2012
INCOME FROM FINANCIAL INSTRUMENTS (ASSETS)		
From short-term investments:		
Income from interbank money market transactions:		
Term deposits in credit institutions abroad	1 341 677	815 379
Term deposits in credit institutions in Angola	1 953 497	263 299
Other	3 516	3 004
Income from reverse repurchase agreements	1 496 817	2 446 185
	4 795 506	**3 527 867**
From securities:		
From held-for-trading securities		
Treasury bills	725 500	175 852
Central Bank bonds	47 212	322 453
From held-to-maturity securities		
Treasury bills	1 111 697	1 536 018
Treasury bonds in local currency indexed to foreign currency and in foreign currency	7 756 714	8 044 412
Treasury bonds in local currency	4 995 119	1 355 521
Treasury bonds indexed to the consumer price index	-	444 621
Central Bank bonds	427 960	3 584 839
	15 064 201	**15 463 716**
From derivative financial instruments:		
In speculation and arbitrage:	875 277	-
From loans granted		
Companies and Government:		
Loans	5 275 534	4 376 677
Current account facility	2 775 768	3 218 567
Overdrafts on demand deposits	84 083	141 839
Other loans	122 111	253 908
Individuals:		
Home loans	908 969	882 328
Consumer loans	3 184 454	3 159 129
Other purposes	690 568	656 718
Overdue interest	1 235 117	947 317
	14 276 603	**13 636 483**
Total interest income	**35 011 588**	**32 628 066**
COSTS OF FINANCIAL INSTRUMENTS (LIABILITIES)		
From deposits:		
Demand deposits	223 342	152 596
Term deposits	10 283 944	10 767 304
	10 507 285	**10 919 900**
From short-term borrowings:		
Interbank money market transactions	7 246	3 228
	7 246	**3 228**
Total interest expense	**10 514 531**	**10 923 128**
Net interest income	**24 497 057**	**21 704 938**

22. GAINS/(LOSSES) FROM FOREIGN EXCHANGE TRANSACTIONS

The composition of this heading in the years ended 31 December 2013 and 2012 is shown in the following table:

	2013	2012
Exchange differences on foreign-currency denominated assets and liabilities	372 762	518 530
Foreign currency purchase and sale transactions	11 164 297	8 758 365
	11 537 059	**9 276 895**

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

The composition of this heading in the years ended 31 December 2013 and 2012 is shown below:

	2013	2012
Income from the provision of services		
Fees on payment orders issued	1 730 043	1 493 713
Fees on guarantees and sureties provided	396 270	376 797
Fees on open import documentary credits	313 034	319 197
Other commission and fee income	2 458 206	1 756 066
	4 897 554	**3 945 773**
Fees and custody costs paid		
Fees	(935 223)	(810 326)
	3 962 331	**3 135 447**

The increase in “Other commission and fee income” in 2013 relates essentially to fee income from credit card transactions and Multicaixa transactions.

24. STAFF COSTS

The composition of this heading in the years ended 31 December 2013 and 2012 is shown below:

	2013	2012
Members of management and supervisory bodies		
Monthly remuneration	115 231	111 296
Additional remuneration	70 487	186 960
Mandatory employee welfare payments	17 823	18 688
Optional employee welfare payments	103	58
	203 644	**317 002**
Employees		
Monthly remuneration	3 268 257	3 035 048
Additional remuneration	3 605 286	3 195 851
Mandatory employee welfare payments	252 061	290 548
Optional employee welfare payments	306 447	295 505
	7 432 051	**6 816 952**
Pension plan expenses (Note 15)	334 420	442 599
Other	26 144	7 276
	7 996 259	**7 583 829**

The “Additional remuneration” captions include kAOA 711,234 and kAOA 648,741 of variable performance-related compensation for management bodies and staff for 2013 and 2012, respectively. At 31 December 2013 and 2012, kAOA 192,231 and kAOA 267,607 of variable remuneration for 2013 and 2012, respectively, were pending settlement (Note 14).

25. THIRD-PARTY SUPPLIES

The composition of this heading in the years ended 31 December 2013 and 2012 is shown below:

	2013	2012
Audit, consulting and other specialized technical services	2 425 244	1 936 196
"Publications, advertising and direct mail		
Transport, travel and accommodation	720 519	677 692
Rentals	719 954	709 279
Security, conservation and repair	692 090	656 652
Communications	650 717	620 713
Water and energy	387 357	359 746
Sundry materials	320 706	333 652
Insurance	161 788	195 047
Other third-party supplies	179 641	164 954
	6 991 188	**6 479 485**

26. NON-INCOME RELATED TAXES AND LEVIES

The composition of this heading in the years ended 31 December 2013 and 2012 is shown below:

	2013	2012
Customs duties	42 534	30 288
Tax on invested capital (Note 2.2. j)	238 460	9 155
Other non-income taxes and levies	68 914	87 724
	350 009	**127 167**

27. COST RECOVERIES

In the years ended 31 December 2013 and 2012, 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 2013 and 2012 is shown below:

	2013	2012
Other income:		
Expenses charged	2 308 971	2 452 888
Recovery of doubtful loans - principal and interest (Note 7)	292 654	855 798
Income from provision of services	93 214	67 884
Other income	165 545	132 364
	2 860 384	**3 508 934**
Other expenses:		
Membership fees and donations	(19 510)	(13 587)
Other costs	(111 824)	(78 253)
	(131 334)	(91 840)
	2 729 050	**3 417 094**

29. NON-OPERATING PROFIT / LOSS

The composition of this heading in the years ended 31 December 2013 and 2012 is shown below:

	2013	2012
Gains and losses on fixed assets		
Intangible fixed assets	(17 881)	-
Income from disposal of fixed assets		
Tangible fixed assets	(26 809)	16 460
Other non-operating gains and losses		
Prior-year adjustments		
Adjustments to estimate of general administrative expenses	-	(26 653)
tems pending in the bank reconciliations of demand deposits at correspondent banks	-	49 115
Interest cancelled		-
Other	-	216 695
	-	**239 157**
	(44 689)	**255 617**

30. RISK MANAGEMENT

LOANS

In accordance with BFA's General Lending Regulations, the granting of loans by the Bank is grounded in the following basic principles:

Loan proposals

Proposals for loans and guarantees submitted to BFA for approval:

- Must be fully described in a loan proposal form, which must include all the essential and additional information needed to approve and make the loan;
- Must comply with the relevant product specifications;
- Must be accompanied by a duly substantiated analysis of the associated credit risk; and
- Must be signed by the proposers.

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 8/2007:

- The liabilities of an individual customer include all the customer's current and potential liabilities to the Bank, whether contracted or committed, in respect of financing and guarantees (the Bank's total exposure to the customer);
- The liabilities of a group of customers include all the liabilities of the individual customers in the group to the Bank (the Bank's total exposure to the group); and
- The existence of guarantees with sovereign risk or immediate liquidity has 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.
- 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.

Collateral

For loans to individuals or small businesses with maturity of more than 36 months, in the absence of financial collateral, BFA will as a general rule require the presentation of real estate collateral.

Loans are secured by guarantees of duly substantiated adequacy and liquidity and considered to be appropriate for the risk associated with the borrower and the nature and term of the loan.

Property collateral is appraised before the loan approval decision is taken. Exceptions to this rule (with the decision conditional on a subsequent appraisal) imply that the loan will only be disbursed after the Bank obtains the appraisal of the collateral.

Disqualification due to incidents

The Bank does not lend to customers who have a record of material incidents in the previous 12 months, nor to companies belonging to the same group as customers who have such a record. The following are considered material incidents:

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

Exceptions to these rules may only be approved by the Executive Committee of the Board of Directors or by the Board of Directors of BFA.

Restructurings

As a general rule, BFA only restructures outstanding loans if one of the following conditions is met:

- New (more liquid or more valuable) collateral is provided for the restructured loan;
- All outstanding ordinary and default interest is paid (if the loan is in default); and
- A significant partial payment of the outstanding principal (current or overdue) is made.

Exceptionally, BFA may allow a restructuring of debts of individuals of less than USD 35,000 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.

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
- Banco Nacional de Angola Notice 3/2012.

Loan provisions and customer risk classifications are reviewed at monthly intervals. When classifying customers into risk classes, the Bank takes into consideration the existence of transactions with risk comparable to sovereign State risk and transactions where negotiations are being finalized to restore the past-due loan to current status. The Bank performs an analysis of the 100 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.

Securities

The BFA securities portfolio is invested, as a matter of principle, in high credit quality issuers. In the years ended 31 December 2013 and 2012 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

AUDIT REPORT

INTRODUCTION

1. We have examined the attached financial statements of Banco de Fomento Angola, S.A., comprising the balance sheet at 31 December 2013 (which shows total assets of kAOA 868.032.195 and equity of kAOA 84.640.479, including net profit of kAOA 23.898.617) and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and the Notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with 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 be able to prepare the financial statements 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 the auditing standards generally accepted in Angola. Those 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 entity´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 management, as well as evaluating the overall presentation of the financial statements.

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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 abovementioned financial statements give, in all material respects, a true and fair view of the financial position of Banco de Fomento Angola, S.A. at 31 December 2013, and of the results of its operations and changes in its equity and cash flows for the year then ended, in accordance with the accounting principles generally accepted in Angola (note 2).

Luanda, 28 April 2014

PKF ANGOLA – Auditores e Consultores, S. A.

Report and opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD

To the Shareholders of

Banco de Fomento Angola, S.A.

1. Pursuant to the law and our mandate, in accordance with article 22(1) of the Bylaws, we submit herewith the report on the supervisory work carried out by us, as well as 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 2013.

2. 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 applicable requirements under law and the Bylaws. We obtained, whenever requested, appropriate clarifications and information from the Board of Directors and the Bank's various sections and departments.

3. We obtained the Auditors' Report, issued by PKF Angola – Auditores e Consultores, S.A., to which we agree.

4. As part of our duties, we examined the balance sheet at 31 December 2013, 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 2013 prepared by the Board of Directors and the proposed allocation 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 2013,

   b. Approve the financial statements for that year, and

   c. Approve the proposed allocation 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, 28 April 2014

Supervisory Board

Amílcar Cabral
Chairman

Susana Trigo Cabral
Member

Henrique Camões Serra
Member

ANNEXES

BFA Contacts

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