

## SUPERVISORY BOARD ADVISORY REPORT


Dear Shareholders of

**Banco de Fomento Angola, S.A.**

1. As required by law and the mandate conferred on us, in compliance with Article 22(1) of the Articles of Association, we hereby present the Report on the fiscalising activity carried out by us as well as the Advice on the financial statements presented by the Board of Directors of Banco de Fomento Angola, S.A. (Bank) for the financial year ending on 31 December 2017.
  
2. Throughout the year we monitored, with the frequency and to the extent we deemed appropriate, the evolution of the Bank's activity, the regularity of the accounting records and the compliance with the applicable legal and statutory rules. We also obtained from the Board of Directors and the various Bank services the information and explanations requested.
  
3. We have reviewed the content of the External Auditors' Report issued by the Pricewaterhouse Coopers (Angola), Limitada, firm which is herewith fully reproduced and consists of advice with the following reservations:

Point 6:

*"As described in Note 3 4, the Angolan Banking Association ("ABANC") and Banco Nacional de Angola ("BNA") expressed an interpretation that not all the requirements of IAS 29 - Financial reporting in hyperinflationary economies ("IAS 29") for the Angolan economy to be considered hyperinflationary in the year ended on 31 December 2017 have been met and, consequently, the Bank's Board of Directors decided not to apply the provisions of that Standard to its financial statements on that date. As at 31 December 2017, the accumulated inflation rate over the last three years is close to or exceeds 100%, depending on the index used, and it is also expected that it will continue to cumulatively exceed 100% in 2018, which is an objective quantitative condition that leads us to consider, in addition to the existence of other conditions set out in IAS 29, that the functional currency of the Bank's financial statements as at 31 December 2017 corresponds to the currency of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements on that date under that assumption and in accordance with the provisions of that Standard, which also establishes the restatement of the financial statements for the previous year, presented for comparative purposes.*

*However, we have not obtained sufficient information to allow us to quantify precisely the effects of this situation on the Bank's financial statements as at 31 December 2017, which we believe to be significant."*

Point 7

*"As described in Note 18 to the financial statements, in 2017 the Bank established a provision for macroeconomic and financial stability risks amounting to 16,592,400 thousand kwanzas, based on prudence principles. However, strictly in the light of the International Financial Reporting Standards, we consider that the technical conditions for its recognition are not met, and therefore, under these circumstances, the provisions item is overstated by 16,592,400 thousand kwanzas and the net profit for the year is understated by the same amount."*

4. With regard to the external auditors' reservation included in point 6 of the report, we inform Shareholders that the Bank has acted in accordance with the instructions issued by Banco Nacional de Angola, the financial sector regulator, in its letter sent to ABANC, which presents its analysis of the evolution of the Angolan economy and considers that it is not in a state of hyperinflation. The instructions issued by the National Bank of Angola, as supervisor and regulator of the financial sector, are mandatory under the law and regulations in force in the country.
  
5. In the course of our duties, we have examined the balance sheet as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the related notes, including the accounting policies and valuation criteria adopted.
  
6. In addition, we have analysed the Management Report for the 2017 financial year prepared by the Board of Directors and the proposal for the appropriation of profits included therein.

7. In view of the above, and taking into consideration the work carried out, we believe that the General Meeting is to:
- a. Approve the Management Report for the financial year ended on 31 December 2017,
  - b. Approve the Accounts for that financial year, and
  - c. Approve the Proposal for the Application of Results.
8. We wish to end by expressing our gratitude to the Board of Directors and the Bank's departments for their cooperation.

Luanda, 18 April 2018

**The Supervisory Board**



**Amilcar Safeca**

**President**



**Rodrigo Aguiar Quintas**

**Member**



**Henrique Manuel Camões Serra**

**Member**