ANNUAL REPORT 2022

Banco BIR
Temos Resposta

Banco
BIR
Temos Resposta

WE HAVE THE ANSWER

The year 2002 confirmed that, after the pandemic, nothing will ever be the same again.

We realise this in a multitude of sectors of human life, whether it be science, business, teaching or leisure activities. We were all affected.

Adverse circumstances often stimulate art and human ingenuity to react to the challenges raised, transforming difficulties into opportunities, problems into solutions. Aware of this, Banco BIR accelerated it's digital transformation process, particularly with a view to raising the quality of the service provided to customers, making significant technological investments that also extended to the area of cybersecurity. It is at this level of development, strengthening competences and services, innovating in products, that Banco BIR continues to assert it's position as a fully-fledged financial institution, supporting the future of the Angolan economy.

Focusing on good governance – guided by responsible rules, structured and regulated action with business partners and actors from civil society and central government – Banco BIR defines sustainability strategies within it's institutional framework.

In all it's domains, BIR guarantees and intensifies it's motto: "We Have the Answer".

1
MESSAGE FROM THE CHAIRS
005 — 007

2
2022 HIGHLIGHTS
008 — 009

3
ECONOMIC ENVIRONMENT
010 — 028

4
CORPORATE GOVERNANCE
029 — 037

5
THE COMPLIANCE FUNCTION
038 — 046

6
GOVERNANCE AND ORGANISATION OF RISK MANAGEMENT
047 — 054

7
HUMAN CAPITAL
055 — 063

8
MANAGEMENT REPORT
064 — 075

9
FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS
076 — 182

10
ANNEXES
183 — 185

11
BIBLIOGRAPHY
186 — 187

1 MESSAGE FROM THE CHAIRS

MESSAGE FROM THE CHAIRS

Geopolitical tensions significantly marked the behaviour of the world economy in 2022, in particular the conflict in Europe between Russia and Ukraine, which had a severe impact in terms of raising energy and food prices, causing labour shortages and giving rise to an exponential increase in inflation and a dizzying rise in interest rates.

Alongside this, the threat remained of a resurgence of the Covid-19 pandemic and the dramatic effects of climate change could be seen, a cause for concern in many parts of the world.

It should be noted that emerging market economies had greater concerns, forcing them to resort to considerable external borrowing and to be dependent on constant strategic changes in the developed markets.

However, despite the major challenges faced by the world economy, Angola received a positive assessment of it's Extended Fund Facility (EFF) from the IMF, consolidating the external and fiscal balance of it's economy and promoting diversified and sustained growth.

During the year 2022, the average export price of a barrel of oil, which is our biggest export product, was around USD 101.00, representing an increase of 51% over the previous year.

In view of this, there have been improvements in the implementation of the Government's strategic plan, with special emphasis on the PIIM (Integrated Plan for Intervention in Municipalities), which has contributed to an increase in the number of classrooms, hospital facilities, the distribution

of more drinking water, the improvement of transport routes, measures to combat drought and a relaunch of the economic activity of small family businesses, in particular the production of agricultural goods and livestock, throughout the country.

Moreover, the Banco Nacional de Angola, through it's Monetary Policy Committee, decided to reduce the basic rate from 20% to 19.5% and the interest rate on the standing facility from 23% to 21%, while at the same time, the national currency, the kwanza, appreciated by around 9% against the US Dollar and 14% against the Euro.

Likewise, the interest rates on public debt instruments were also reduced during the period, with emphasis on the change in 2 and 4 year OTNR (non-adjustable treasury bonds) to 9.5% and 8.5%, respectively.

The accumulated inflation rate in December 2022 was 13.86%, the lowest in the last 4 years, meeting the targets established in the 2022 General State Budget, OGE, which targeted a rate of less than 18%.

During the period, net international reserves (NIR) stood at USD 14.5 billion and, although it was down USD 1.0 million compared to the previous year, coverage of 6 months of imports of goods and services was assured.

BIR knew how to properly interpret the signs of stability, despite the still restrictive measures of the System Regulator, remaining faithful to the successful implementation of it's 2021-2024 strategic plan.

Therefore, we have invested in forging closer relationships with customers, as they represent one of the main reasons for the existence of our institution, and we have strengthened the sustainability of our business model, creating greater robustness and trust among stakeholders.

We are also committed to strengthening digital skills as a way of simplifying and educating the public in their operations, achieving efficiency gains, risk mitigation and improving the availability of new products and personalised services.

We pay special attention to our human capital, as a way of boosting the development and growth of the Bank, seeking to recruit talented young people, who receive continuous training appropriate to their abilities and, where merited, will have the opportunity to add value to the institution and to themselves.

Risk management is seen as a central element of BIR's strategic vision, and in assessing all it's categories, under the terms required by the System Regulator, we position ourselves equidistant from any threats that may negatively impact performance.

We ended 2022 with net assets of AOA 214,490,595,000 which, compared to the previous year, represents growth of 38.97%. Deposits grew by 38.19% and own funds by 44.46%.

We maintained a high solvency ratio (34.8%, versus the 10% required) and the 40.76% growth in the number of customers compared to the previous year reflects the efficient and diversified range of products and services we provide, including an effective electronic banking service.

The net earnings achieved of AOA 16,260,000, reflecting an increase of 80% compared to the previous year, is the result of hard work supported by the best Corporate Governance practices, in strict compliance with established regulations, the ability to innovate and offer new products to our customers, careful risk management and the use of appropriate technological tools to bolster the sustainability of the business.

WE HAVE THE ANSWER.

GENEROSO HERMENEGILDO DE ALMEIDA
Chair of the Board of Directors

LÍGIA MARIA GOMES PINTO MADALENO
Chair of the Executive Board

2022 HIGHLIGHTS

2

BALANCE SHEET
(Million AOA)

214,491
ASSETS

36,874
GROSS LENDING

169,787
DEPOSITS

39,387
EQUITY

STRUCTURE

6
BRANCHES

36
ATM

9,959
ACTIVE CUSTOMERS

131
EMPLOYEES

4
ATM CENTRES

2,672
POS

10,355
ACTIVE CARDS

EARNINGS AND PROFITABILITY
(Million AOA)

28,486
BANKING PRODUCT

16,260
NET EARNINGS

39.8%
COST-TO-INCOME RATIO

54.6%
ROAE

9.1%
ROAA

SOLIDITY AND CREDIT QUALITY

34.8%
RSR

1.1%
CREDIT OVERDUE

378%
COVERAGE OF NPL BY IMPAIRMENT

3

ECONOMIC ENVIRONMENT

3.1 WORLD ECONOMY

The performance of the world economy in 2022 was clearly affected by three factors: (1) the restrictive monetary policy followed by the main central banks with a view to combating rising inflation; (2) the war in Ukraine; and (3) the resurgence of Covid-19 in China. Despite these adverse factors, real GDP growth was stronger than expected in various economies in the first nine months of the year, namely in the US, in the euro area and in the main emerging and developing economies.

In many cases, this more favourable trend was the result of domestic factors: stronger than expected private consumption and investment in a context of some rigidity in the labour market and greater than anticipated support in terms of fiscal policy. Households also increased their spending levels to satisfy depressed demand, particularly for services. This increase in consumption was due to a reduction in savings as economies reopened. Business investment also increased to meet this increased demand.

On the supply side, the easing of constraints on the supply of some goods and lower transport costs reduced pressures on the prices of inputs and allowed for a recovery in sectors that previously had limitations, such as motorcars. It should also be noted that energy markets adjusted more quickly than expected to the shock of the war in Ukraine.

That said, this improvement in economic activity faded in most – though not all – major economies during the fourth quarter of 2022. US growth remained stronger than anticipated, with consumers continuing to spend their savings and unemployment remaining close to historic lows thanks to the resilience of the labour market. However, in other countries, activity indicators (such as business and consumer confidence indices and business activity surveys) pointed to a general slowdown.

In particular, economic activity in China slowed at the end of the year due to further outbreaks of Covid-19 in Beijing and other densely populated areas. These new outbreaks led to the reintroduction of lockdowns during part of 2022, until the relaxation of these restrictions at the end of the year, which subsequently led to a full reopening of the economy. On the other hand, the Chinese real estate sector continued to contract and remained in crisis.

Chinese authorities responded with further easing of monetary and fiscal policy, new vaccination targets for the elderly, and measures to support the completion of unfinished real estate projects. However, consumer and business confidence levels remained depressed at the end of 2022. China's economic slowdown reduced world trade growth and international commodity prices.

In Europe, economic growth was more resilient than expected in the face of the major negative terms of trade shock caused by the war in Ukraine. In part, this resilience reflects the support of the governments of the various countries of the European Union to families and companies affected by the energy crisis, as well as the dynamism of the reopening of economies.

Gas prices declined more than expected thanks to higher flows in non-Russian gas and liquefied natural gas pipelines, lower demand for gas and a warmer-than-normal winter. However, inflation remained around 10% (or more) in various countries in the euro area, leading the ECB to tighten the financial conditions of households and companies and to cool demand in the housing sector and beyond.

In terms of sub-Saharan Africa, the recovery seen in 2021 was abruptly interrupted the following year. In fact, economic activity had finally recovered from the adverse effects of the Covid-19 pandemic and real GDP growth reached 4.7% in 2021. However, economic growth in the region slowed again in 2022 and is expected to stand at 3.6%, mainly due to (1) the slowdown in the world economy, (2) tighter global financial conditions and (3) the sharp rise in inflation at global level. Rising food and energy prices hit the region's most vulnerable, and public debt and inflation are at levels not witnessed for decades.

In this context, and with limited options, many countries continue to face a very difficult situation. The short-term outlook is highly uncertain, as the region's prospects are linked to developments in the world economy, and several countries are facing difficult sociopolitical and security situations at home.

Overall, the IMF estimates that the world economy grew by 3.4% in 2022, a slowdown from the 6.2% recorded

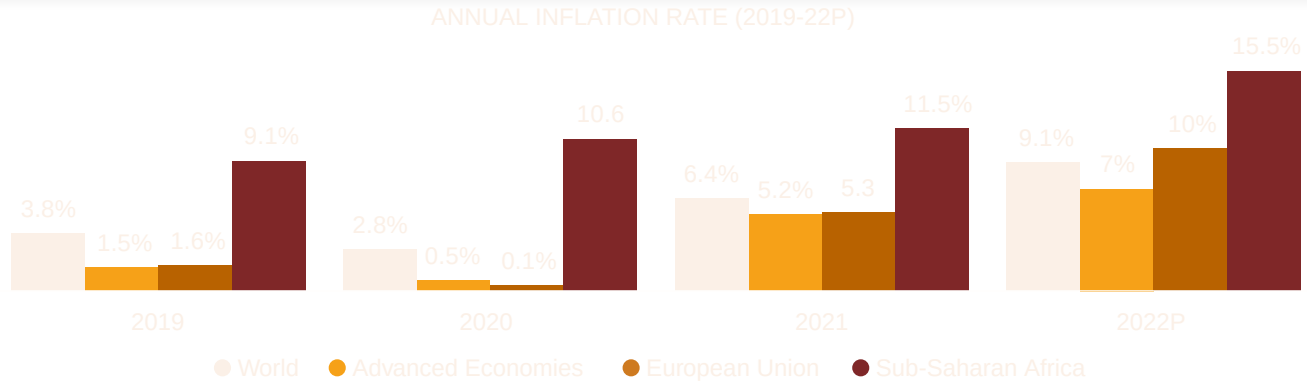
in the previous year. The advanced economies grew by 2.7% over the same period, while emerging and developing market economies grew by 3.9%, and sub-Saharan Africa, by 3.8%.

For 2023, IMF forecasts indicate that economic activity will continue to slow down at a global level, largely due to strong deceleration in the growth of advanced economies, while emerging and developing economies should report trends in real GDP very much in line with those seen in 2022. The same is likely to happen in sub-Saharan Africa, where real GDP growth is expected to be unchanged at 3.8%.

GDP GROWTH (%)	2020	2021	2022P	2023P
World Economy	-3.0%	6.2%	3.4%	2.9%
Advanced Economies	-4.4%	5.4%	2.7%	1.2%
Emerging markets	-1.9%	6.7%	3.9%	4.0%
Sub-Saharan Africa	-1.6%	4.7%	3.8%	3.8%

Source: IMF (World Economic Outlook).

In terms of inflation, in the second half of the year some signs began to emerge that the implementation of a more restrictive monetary policy by the major central banks was having some impact on consumer demand and price levels. Indeed, global inflation appears to have peaked in the third quarter of 2022. The prices of energy and non-energy raw materials have fallen, bringing down inflation, in particular in the US, in the euro area and in Latin America. However, underlying inflation (which excludes energy and food prices) has not yet peaked in most economies and remains well above pre-pandemic levels.



Meanwhile, growth in world trade also slowed in the second half of the year, in conjunction with a deterioration of economic activity in the key countries. The weakening of trade reflected the slowdown in industrial production globally, as consumer demand shifted to pre-pandemic patterns, to the detriment of demand for goods. Despite this slowdown, trade in goods surpassed pre-pandemic levels last year.

Moreover, trade in services continued to recover, supported by a gradual shift in demand towards services. Tourist movements recovered as many countries eased the travel restrictions they had imposed. Even so, these movements remained well below pre-pandemic levels and uneven across the various regions of the globe.

In terms of oil, the world market remained relatively balanced (in terms of supply and demand for crude oil) in 2022. According to OPEC data, oil demand grew by 2.5 million barrels per day (mb/d) (to 99.6 mb/d) in the period, which compares with an increase in supply of 4.5 mb/d (to 100mb/d). It should be remember that demand for crude had already recovered strongly in 2021 after the sharp drop in 2020 due to the effects of the Covid-19 pandemic. It should also be noted that most of the growth in world oil supply in 2022 was due to OPEC's decision to increase it's level of production after the cartel decided to significantly reduce supply in 2020-21.

The year 2022 also saw a sharp rise in the price of Brent, which averaged around USD 100 during the period. This figure compares with an average of USD 57.8 in the previous year, i.e. an increase of over 70% year-on-year.

					Variation		
PETROLIUM — DEMAND	2019	2020	2021	2022	2020/19	2021/20	2022/21
OECD	47.7	42.0	44.8	46.0	-11.8%	6.7%	2.6%
China	13.8	13.9	15.0	14.9	0.9%	7.6%	-1.0%
India	5.0	4.5	4.8	5.1	-9.6%	5.8%	7.8%
Other	33.8	30.7	32.5	33.6	-9.2%	5.8%	3.4%
TOTAL	100.3	91.2	97.1	99.6	-9.1%	6.5%	2.6%

					Variation		
PETROLIUM — DEMAND	2019	2020	2021	2022	2020/19	2021/20	2022/21
OECD	30.2	29.3	29.8	30.9	-2.8%	1.5%	3.9%
OPEC	29.4	25.7	26.3	28.9	-12.4%	2.4%	9.5%
Other	40.7	39.0	39.4	40.3	-4.2%	1.2%	2.1%
TOTAL	100.2	94.0	95.5	100.0	-6.2%	1.6%	4.7%

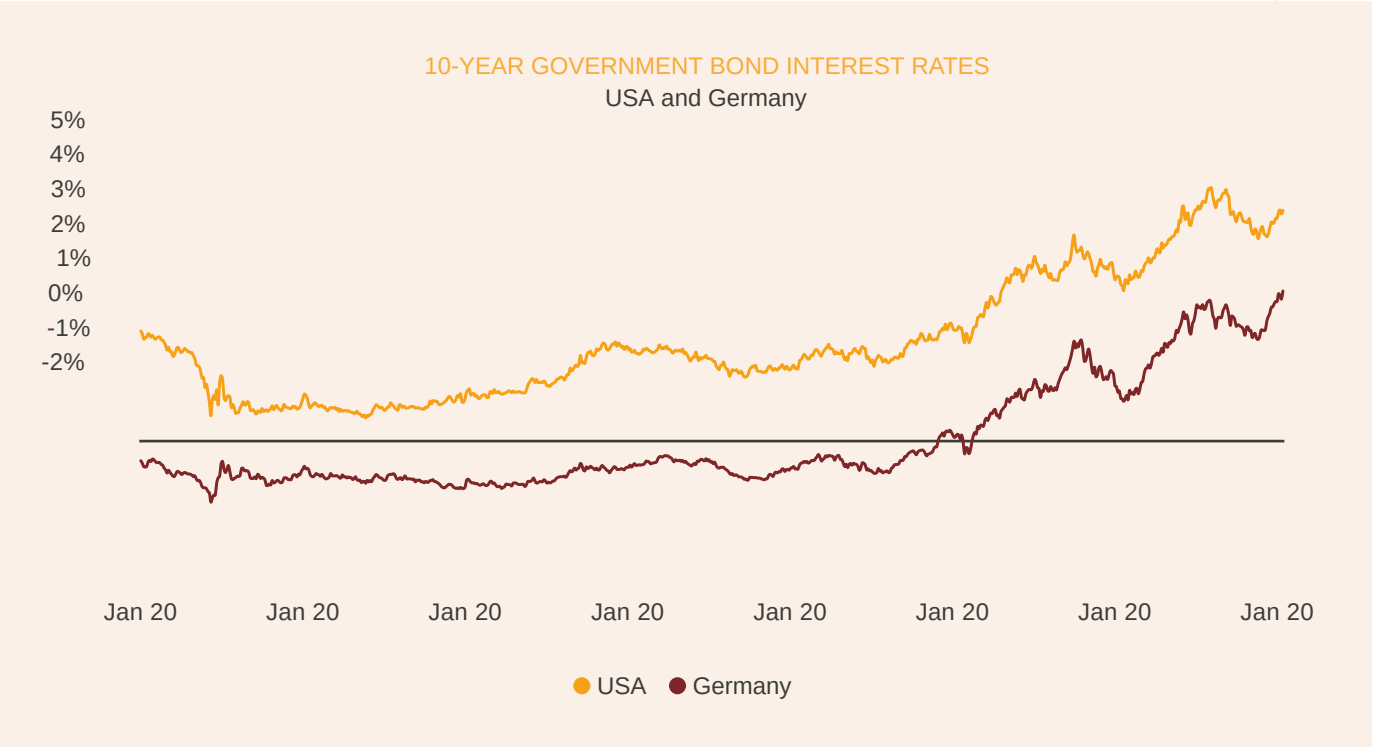
Source: OPEC

Changes in international financial markets were influenced by much more restrictive conditions in 2022. Indeed, investors' risk appetite was affected by the slowdown in world economic growth, by persistently high inflation and by the more restrictive than expected monetary policy followed by the major central banks. Yields on long-term public sector debt securities in the US and Germany rose at the fastest pace in nearly three decades, reaching their highest levels since 2007 and 2011, respectively, in October.

Equity markets around the world saw substantial declines. In particular, the MSCI World equity index dropped nearly 20% from the start of the year, with equity market indices (stated in dollars) down more than 15% in nearly half of the world's countries.

As in the previous year, tighter monetary policy in advanced economies weighed on capital flows in emerging and developing markets. China saw notable debt market outflows in 2022, while other emerging and developing markets continued the prolonged period of weak debt and capital flows that began in 2021.

The dollar also appreciated sharply in 2022, before moderating somewhat towards the end of the year. Most currencies in emerging and developing countries depreciated against the dollar. However, on average, the currencies of economies with budget deficits above 3% of GDP reported a depreciation eight times greater than that of other emerging and developing economies.



3.2 NATIONAL ECONOMY

Economic activity in Angola continued to improve in 2022, after already showing signs of stabilisation in the previous year. It should be remembered that 2021 marked the end of a prolonged five-year recession in the country, with real GDP growing by 0.7% in the period. Despite the modest growth, it was above the 0.2% initially forecast by the Government.

The more favourable development of the national economy was due to a positive contribution from the oil and non-oil sectors and led the Government to revise upwards it's economic growth forecast for the year as a whole to 2.7%, compared to the 2.4% provided in the budget proposal for 2022.

ECONOMIC ACTIVITY	2017	2018	2019	2020	2021	2022 (1)	2022P
REAL GDP GROWTH	-0.1%	-2.0%	-0.6%	-5.6%	0.7%	2.4%	2.7%
Oil & Gas	-5.3%	-9.4%	-6.5%	-8.3%	-11.0%	1.6%	2.1%
Non-oil	1.2%	-0.1%	2.4%	-4.7%	6.4%	3.1%	3.2%
Agriculture	1.4%	-2.0%	0.8%	5.6%	5.1%	4.3%	4.9%
Fishing	-1.1%	-17.1%	-14.8%	-5.2%	46.4%	4.0%	10.0%
Mining	-0.8%	-6.3%	8.5%	-13.3%	10.4%	10.0%	10.0%
Manufacturing Industry	1.2%	4.8%	0.8%	-4.6%	0.6%	5.0%	5.0%
Construction	2.5%	0.4%	4.9%	-7.0%	-6.7%	2.4%	0.4%
Energy	-1.7%	22.3%	5.4%	5.2%	5.0%	4.0%	8.3%
Retail	1.5%	-0.2%	1.3%	-3.7%	5.9%	2.3%	2.6%
Other	0.3%	2.2%	2.3%	-3.2%	2.6%	1.5%	1.5%

(1) General State Budget Sources: The INE and the Ministry of Finance.

This improvement is explained by the increase in oil production forecast for the year (2%) and the slightly better growth of the non-oil sector (3.2% vs. 3.1% previously forecast). The latter was mainly driven by faster growth in sectors such as fisheries (10.0%), mining (10.0%), energy (8.3%), transport and storage (8.0%), manufacturing industry (5.0%) and agriculture (4.9%).

ECONOMIC INDICATORS	2017	2018	2019	2020	2021	2022 (1)	2022P
Annual Oil and LNG Production	722.6	658.2	638.7	579.9	539.3	553.2	535.3
Oil production (MBbl)	597.6	539.8	504.8	463.9	410.4	419.0	419.0
LNG Production (MBOE)	125.0	118.4	133.9	116.0	128.9	134.2	116.3
Daily Oil Production (Million bpd)	1.637	1.479	1.383	1.271	1.124	1.148	1.148
Average Oil Price (US$/Bbl)	53.9	70.6	65.2	41.3	71.2	59.0	100.0
Average LNG Price (US$/BOE)	29.0	47.9	29.2	29.2	38.0	33.0	57.0
Nominal GDP (billion AKZ)	20 262,3	25 627,7	30 625,0	34 158,3	47 045,0	54 578,2	55 759,1
Oil	4 240,0	7 652,7	9 454,6	8 733,5	14 130,2	13 825,4	14 695,4
Non-oil	16 022,3	17 975,0	21 170,4	25 424,8	32 914,8	40 752,8	41 063,7

(1) General State Budget Sources: The INE and the Ministry of Finance.

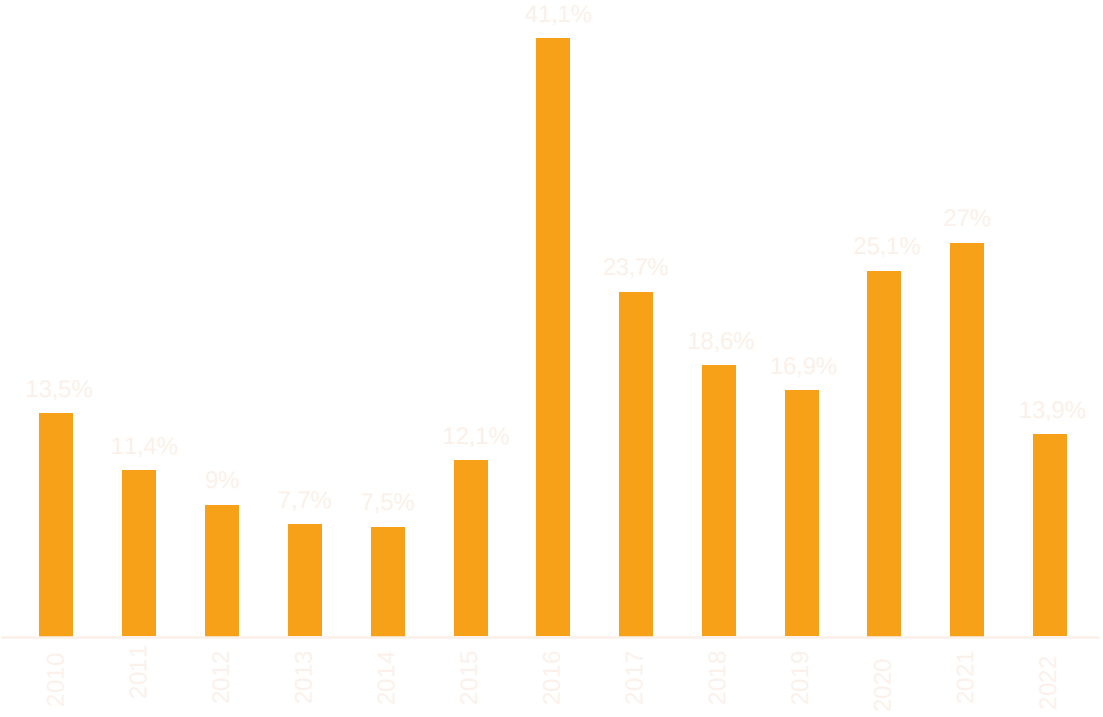
In terms of inflation, the consumer price level was mainly affected by the higher cost of food on international markets. It should be recalled that food imports still represent a large part of the supply of these essential goods to the internal market.

However, contrary to that which occurred in most other countries in the rest of the world, inflation in Angola followed a downward path over the course of the year, after having been under pressure in the previous two years. The country's annual inflation rate reached a level below the Government's target of 18.0% for 2022 in October (16.7%) and ended the year at 13.9%. This compares with an annual inflation rate of 27.0% in 2021.

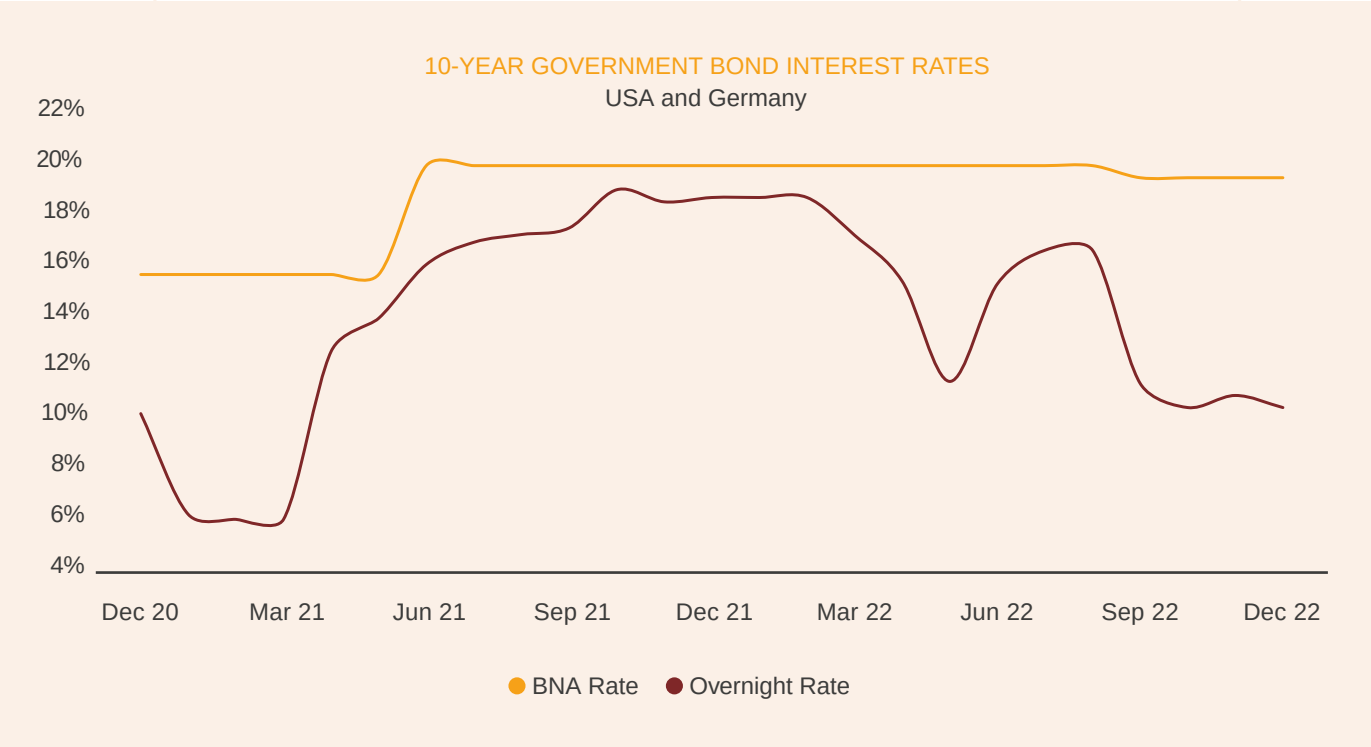
ANNUAL INFLATION RATE

2010 — 2022

Source: INE



It should be noted that the BNA's Monetary Policy Committee (CPM) met on six occasions over the course of 2022 and that the favourable trend in the inflation rate during the year allowed the CPM to cut it's key interest rate by 50bp (from 20.0% to 19.5%) at the September meeting. Before that, the CPM had already decided to reduce the required reserve ratio in national currency that commercial banks have to place with the BNA, from 22% to 19% at the May meeting and from 19% to 17% at the July meeting. The required reserve ratio in foreign currency remained unchanged at 22%.



Public accounts were particularly affected by the international environment over the course of 2022, namely a significantly higher oil price than initially forecast for the period. Indeed, the Government initially assumed in it's budget proposal for 2022 that the average price of crude would reach USD 59 per barrel during the year. It turns out that this average was around USD 100, which obviously had a very favourable impact on oil revenues. However, this also meant that the Government had to spend a much higher amount than expected on fuel subsidies to help offset the impact of these higher oil prices on the population.

Preliminary data released by the Government show that tax revenues related to the oil sector may have reached AKZ 7,973 billion in 2022 and be 30.3% above the budgeted amount for the year. This value represents an increase of 20.5% compared to 2021. On the other hand, non-oil tax revenues could be 5% below the budgeted amount, after rising 18.2% to AKZ 4,382 billion. With non-tax revenues expected to be 12% above expectations, this means that total revenues for the year may have grown by 21.6% in the period and reached AKZ 13,371 billion, exceeding the budgeted amount by 14.9%.

In terms of expenses, the Government predicts that these will have stood at AKZ 11,899 billion in 2022. This value is 2.3% higher than the initial forecast for the year and 29.2% higher than the figure for 2021. This slight deviation was due to an acceleration in the execution of capital expenditures (i.e. public investment), which means that these expenditures could have been 60.7% above the initial forecast and more than offset the lower current expenditures (-9.7%).

Overall, the Government is projected to have achieved a budget surplus equivalent to 2.7% of GDP in 2022 and a primary surplus (excluding debt interest) of 6.7% of GDP. These values are higher than those initially estimated in the budget proposal for the year (0.0% and 5.7% of GDP, respectively).

PUBLIC ACCOUNTS	2017	2018	2019	2020	2021	2022P	2023 (1)
REVENUES	3 543	5 860	6 547	7 054	10 995	13 371	13 462
% of GDP	17.5%	22.9%	21.4%	21.4%	23.3%	24.7%	22.1%
Taxes (oil sector)	2 009	3 715	3 953	3 612	6 615	7 973	7 196
Taxes (non-oil sector)	1 194	1 693	2 122	2 993	3 709	4 382	4 804
Other revenues	340	452	473	449	671	1 016	1 463
EXPENDITURE	4 823	5 319	6 364	7 675	9 207	11 899	12 902
% of GDP	23.8%	20.8%	20.8%	23.2%	19.5%	21.9%	21.1%
Current expenses	3 499	4 130	5 237	5 902	6 727	8 729	9 808
Capital expenditure	1 323	1 189	1 127	1 772	2 480	3 171	3 094
BUDGET BALANCE	-1 280	541	183	-620	1 788	1 472	560
% of GDP	-6.3%	2.1%	0.6%	-1.9%	3.8%	2.7%	0.9%

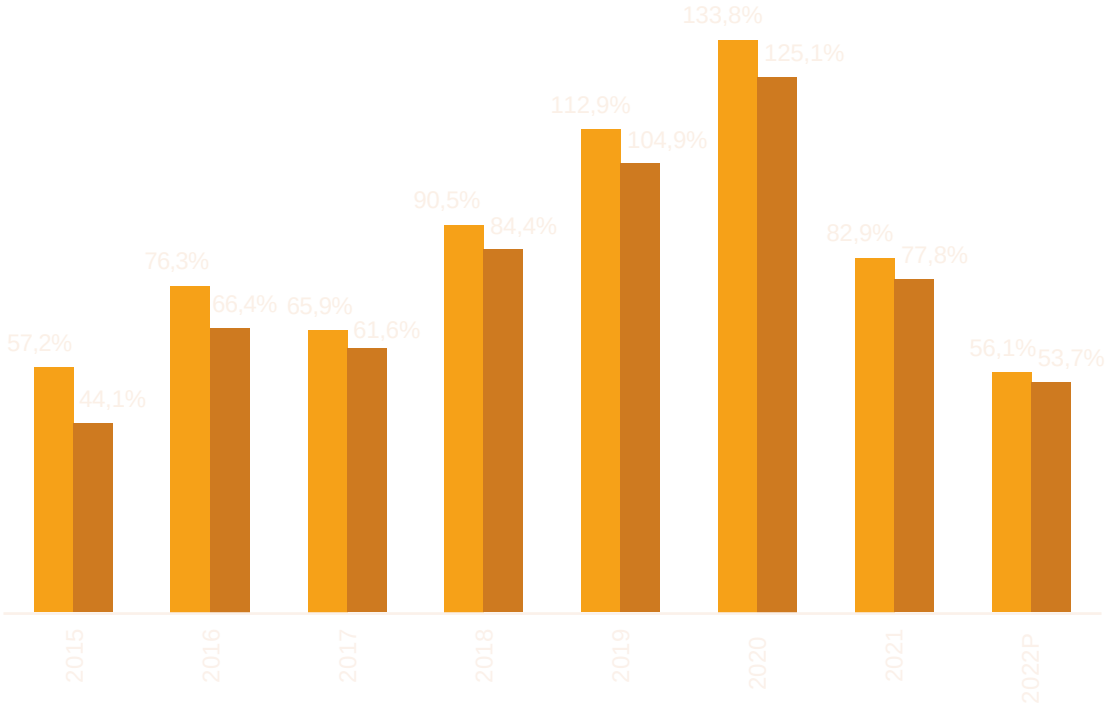
(1) General State Budget Source: Ministry of Finance.

Angola's public debt remained on a downward trajectory in 2022, having already dropped sharply in the previous year. Government estimates indicated that public debt could reach 56.1% of GDP by December 2022, while government debt could remain at 53.7% of GDP. These numbers compare to historically high levels of 133.8% and 125.1% of GDP, respectively, in 2020. This more favourable trend in public debt levels is due to the impact of the primary surpluses reported in recent years, as well as a more stable kwanza exchange rate since 2021. It should be remembered that around two thirds of the country's public debt is external debt and, consequently, is denominated in foreign currency.

PUBLIC DEBT AND GOVERNMENT DEBT

% of GDP

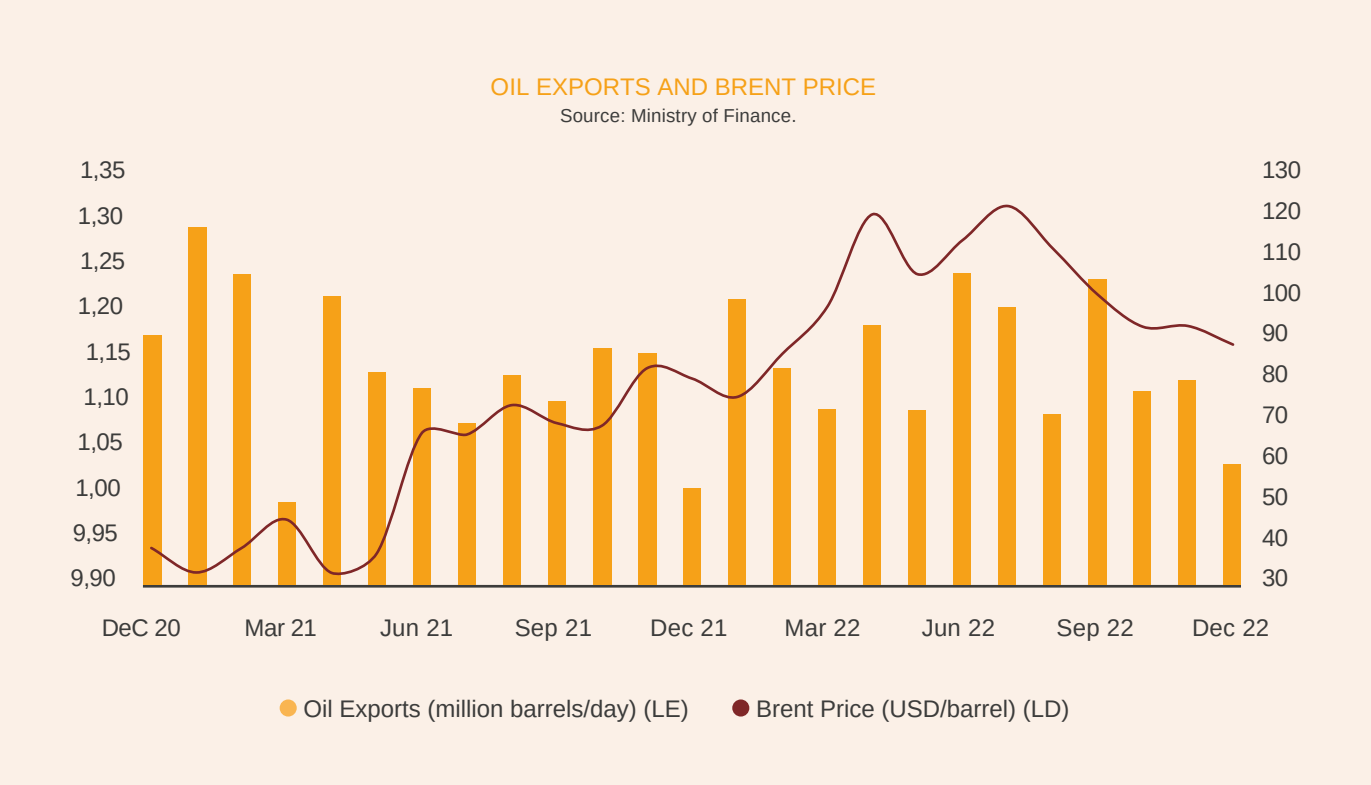
Source: Ministry of Finance.



Meanwhile, the Government expects economic growth to continue to accelerate in 2023, with it's proposal for the 2023 General State Budget (OGE) assuming a real GDP growth forecast of 3.3%. The draft OGE also assumes an average oil price of USD 75 per barrel during the year. While this forecast is much lower than the USD 100 average recorded in 2022, it is above the USD 59 included in last year's budget.

The draft assumes that the Government will achieve a budget surplus of AKZ 560 billion (equivalent to 0.9% of GDP), following a surplus of 2.7% of GDP expected for 2022. The Government also projects a primary surplus equivalent to 4.9% of GDP, below the 6.7% surplus expected in 2022. It should be recalled that the 2022 draft OGE assumed a balanced overall balance and a primary surplus equivalent to 5.5% of GDP.

It should also be noted that the performance of Angola's external sector was marked by the recovery in the price of a barrel of oil on international markets during the year and by a slight recovery in the country's oil exports.



Moreover, the consolidation of the exchange rate reform initiated in January 2018 has also allowed the current account to remain on the trajectory of surplus observed since 2018. BNA data indicate that the current account recorded a surplus equivalent to 11.4% of GDP in 2022, very much in line with the level reached in the previous year. This trend was due to the sharp improvement in the trade balance resulting from the strong rise in exports, in particular those in the oil sector.

					Variation		
BALANCE OF PAYMENTS	2019	2020	2021	2022	2020/19	2021/20	2022/21
Current Account	5 137	872	8 399	11 763	-83.0%	863.3%	40.0%
Trade Balance	20 599	11 394	21 787	32 771	-44.7%	91.2%	50.4%
Exports	34 726	20 937	33 581	50 038	-39.7%	60.4%	49.0%
Oil Sector	33 365	19 584	31 838	47 490	-41.3%	62.6%	49.2%
Other	1 360	1 353	1 743	2 548	-0.5%	28.8%	46.2%
Imports	-14 127	-9 543	-11 795	-17 267	-32.4%	23.6%	46.4%
Services Balance	-7 718	-5 536	-6 957	-11 214	-28.3%	25.7%	61.2%
Income Balance	-7 743	-4 987	-6 430	-9 793	-35.6%	28.9%	52.3%
Capital Account	2	1	2	-2	-42.3%	66.1%	-
Financial Account	4 488	-52	5 459	8 836	-	-	61.9%
Direct Foreign Invest. (Net)	1 749	1 957	3 298	6 183	11.9%	68.5%	87.5%
Errors and Omissions	-651	-926	-2 943	-2 925	42.1%	218.0%	-0.6%
Overall Balance	8 976	-105	10 917	17 673	-	-	61.9%
Values in % of GDP							
Current Account	6.1%	1.6%	11.7%	11.4%			
Trade Balance	24.5%	20.7%	30.4%	31.7%			
Exports	41.4%	38.0%	46.8%	48.3%			
Imports	16.8%	17.3%	16.4%	16.7%			
Services Balance	-9.2%	-10.1%	-9.7%	-10.8%			
Income Balance	-9.2%	-9.1%	-9.0%	-9.5%			
Financial Account	5.3%	-0.1%	7.6%	8.5%			
Direct Foreign Invest. (Net)	2.1%	3.6%	4.6%	6.0%			

Source: BNA.

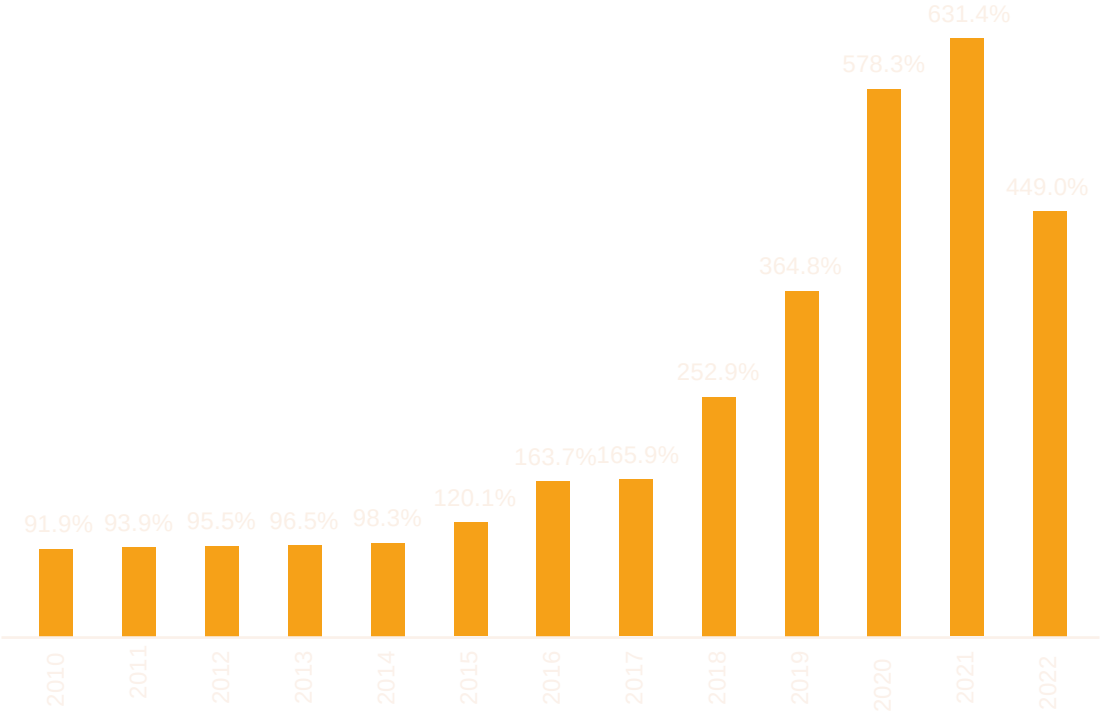
With the increased supply of foreign currency due to the recovery in crude oil prices, as well as more efficient liquidity management by the BNA, the kwanza has remained fairly stable in nominal terms since the end of 2020. The kwanza has also benefited from the improvement in the fundamental features of Angola's economy.

BNA data show that the average kwanza exchange rate appreciated by 35.6% and 52.0% against the US dollar and against the euro respectively in 2022. In terms of year-end money rates, the kwanza appreciated by 10.2% against the US dollar and 17.0% against the euro.

AVERAGE EXCHANGE RATE

USD/AOA

Source: BNA.



BNA data indicate that the total issue of public debt securities reached AOA 2,000 billion in 2022, an increase of 2.7% compared to the same period in 2021, while total amortisations stood at AOA 2,331 billion (-19.8% compared to 2021). An increase of 39.9% was reported in the issue of T-Bonds (OT) and a decrease of -43.6% in that of Treasury Bills (BT).

					Variation		
ISSUE OF SECURITIES	2019	2020	2021	2022	2020/19	2021/20	2022/21
Treasury Bonds							
Issue (a)	101	239	1 081	1 512	136.4%	352.0%	39.9%
Redemption (b)	59	92	1 556	1 854	56.1%	1599.8%	19.1%
Net Issue (a - b)	42	148	-476	-342	247.1%	-	-28.0%
Treasury Bills							
Issue (a)	446	1 264	867	489	183.2%	-31.4%	-43.6%
Redemption (b)	802	492	1 351	477	-38.7%	174.6%	-64.7%
Net Issue (a - b)	-356	772	-485	12	-	-	-
Total Issues	547	1 503	1 948	2 000	174.5%	29.6%	2.7%
Total Redemptions	861	584	2 908	2 331	-32.2%	398.2%	-19.8%

Source: BNA

Average interest rates on government debt securities recorded a significant decline in 2022 when com - pared to the rates of the previous year. The average rates of 182-day and 364-day TB dropped to 11.02% and 13.46%, respectively, while those of 2-year and 4-year OT in national currency fell to 15.92% and 17.61%, respectively.

AVERAGE INTEREST RATES	2019	2020	2021	2022
Treasury Bills - 182 days	14.48%	17.54%	18.21%	11.02%
Treasury Bills - 364 days	15.97%	18.24%	18.15%	13.46%
Treasury Bonds (NC) - 2 years	21.73%	23.29%	24.39%	15.92%
Treasury Bonds (NC) - 4 years	22.33%	24.27%	24.75%	17.61%

Source: BNA.

BNA data indicate that the total issue of public debt securities reached AOA 2,000 billion in 2022, an increase of 2.7% compared to the same period in 2021, while total amortisations stood at AOA 2,331 billion (-19.8% compared to 2021). An increase of 39.9% was reported in the issue of T-Bonds (OT) and a decrease of -43.6% in that of Treasury Bills (BT).

				Variation	
MONETARY SYNTHESIS	Dec 20	Dec 21	Dec 22	'21 / '20	'22 / '21
Central Government net credit	6 143	4 679	4 593	-23.8%	-1.8%
Credit to Central Administration	8 615	7 466	7 090	-13.3%	-5.0%
Central Administration Deposits	2 472	2 787	2 496	12.8%	-10.4%
Private sector	4 106	4 373	4 246	6.5%	-2.9%
Companies	3 310	3 533	3 329	6.7%	-5.8%
Loans in national currency	2 486	2 843	2 758	14.4%	-3.0%
Loans in foreign currency	825	691	571	-16.2%	-17.3%
Private individuals	796	839	917	5.4%	9.2%
Loans in national currency	562	622	724	10.6%	16.3%
Loans in foreign currency	234	217	193	-7.1%	-11.0%
M2 = (M1 + Quasi-Money)	12 698	11 513	11 355	-9.3%	-1.4%
M2 (National Currency)	5 841	5 901	7 000	1.0%	18.6%
M1	6 344	5 720	5 776	-9.8%	1.0%
Banknotes and coins held by the public	405	402	495	-0.7%	23.1%
Demand deposits	5 939	5 319	5 282	-10.4%	-0.7%
In national currency	3 270	3 230	3 514	-1.2%	8.8%
In foreign currency	2 669	2 089	1 767	-21.8%	-15.4%
Time Deposits	6 354	5 793	5 579	-8.8%	-3.7%
In national currency	2 166	2 270	2 991	4.8%	31.8%
In foreign currency	4 188	3 523	2 588	-15.9%	-26.5%
Other Instruments Similar to Deposits	5	5	-	6.7%	-

In 2022, there was a notable improvement in the Regulatory Solvency Ratio (RSR) of the national banking system, from 23.79% in the previous year to 28.41%, above the regulatory minimum of 10% required by the BNA. Likewise, the ratio that considers only basic own funds (better quality) rose to 21.33% (from 20.63% in 2021).

As regards asset quality, the ratio of non-performing loans increased slightly to 14.40%. With respect to the ratio of overdue loans minus provisions and impairments, a significant improvement continued to be observed to 14.13%, which may again be associated with reversals of impairments in the system.

The profitability of the system reported a slight improvement in terms of assets (ROA), but not when measured in relation to equity (ROE). ROA rose to 2.73% while ROE dropped to 22.14%. These figures compare to 2.21% and 26.73%, respectively, in 2021. It should be noted that the level of efficiency of the system, measured by the weight of administrative costs in revenues (cost-to-income), improved again (from 74.26% to 57.74% in 2022). On the other hand, the weight of net interest income in the gross intermediation margin fell from 91.0% to 73.21%.

As for the liquidity of the system, there was a decrease in the weight of net assets both on total assets and on short-term liabilities. Finally, the transformation ratio of the system slightly decreased from 35.87% to 34.42%.

				Variation	
BANKING SYSTEM FINANCIAL HEALTH INDICATORS	Dec 20	Dec 21	Dec 22	'21 / '20	'22 / '21
Solvency = ROF / (APR+ECRC/0.10)	22.70%	23.79%	28.41%	1.1%	4.6%
Basic Own Funds (Tier 1) / APR	17.13%	20.63%	21.33%	3.5%	0.7%
Foreign Exchange Credit/Total Credit	30.34%	21.74%	20.01%	-8.6%	-1.7%
Overdue Credit/Total Credit	18.41%	20.26%	14.40%	1.9%	-5.9%
(Overdue Loans - Provisions for Overdue Loans) / ROF	-38.25%	-32.92%	-14.13%	5.3%	18.8%
ROA	-2.91%	2.21%	2.73%	5.1%	0.5%
ROE	-29.79%	26.73%	22.14%	56.5%	-4.6%
Total costs/total income	121.51%	81.29%	76.31%	-40.2%	-5.0%
Cost-to-income	132.27%	74.26%	57.74%	-58.0%	-16.5%
Net Interest Income Gross Intermediation Margin	168.28%	91.00%	73.21%	-77.3%	-17.8%
Total net assets/ Total assets	30.07%	35.76%	30.88%	5.7%	-4.9%
Net Assets / Short Term Liabilities	35.79%	43.61%	38.87%	7.8%	-4.7%
Total credit/total deposits	32.72%	35.87%	34.42%	3.2%	-1.5%
FC liabilities/Total liabilities	54.16%	45.54%	36.26%	-8.6%	-9.3%
Net Open Exchange Rate Exposure Own Funds	32.58%	39.56%	17.17%	7.0%	-22.4%

Source: BNA

4

CORPORATE GOVERNANCE

4.1 CORPORATE GOVERNANCE

Corporate governance is the central pillar of financial institutions, given it's responsibility in implementing the regulatory framework.

With the objective of responding to the current challenges relating to stability and solidity, strengthening the legal framework for the regulation and supervision of the institutions involved in the Angolan financial system, observing internationally accepted good practices and in the light of the Law 14/21, of 19 May, on the General Framework for Financial Institutions, in January, the BNA published Notice 01/2022, which brought in changes to the legal framework for Financial Institutions with respect to corporate governance, internal control systems and internal auditing.

Following this regulatory change, the IRB proceeded to review and adjust it's internal policies and regulations, a process that was completed in the 4 quarter of 2022.

In compliance with the information reporting requirements set out in Notice 01/22, of 28 January, the Board of Directors of Banco BIR submitted to the regulator, on 30 January 2023, the Annual Report on Corporate Governance and the Internal Control System, which includes the opinion of the Supervisory Board and the External Auditor.

The guiding principles of the Corporate Governance policy are in line with best practice and respect the model and requirements defined by the BNA. Among which, we highlight:

MANAGEMENT TRANSPARENCY

Internal – Complete and timely information, which allows the non-executive members of the Board of Directors and the members of the Supervisory Board to effectively fulfil their supervisory and oversight functions.

External- Comprehensive and accurate information, which allows the stakeholders assess the quality and conformity of the information provided and the results achieved.

INDEPENDENCE

Independence of executive management from Shareholders and/or specific interests.

EQUITY

Equity in the relationship with Shareholders, Customers and Employees.

LOYALTY

Loyalty materialised through the implementation of mechanisms that prevent the occurrence of situations of conflict of interests.

EFFICIENCY

Efficiency in the functioning and interaction of all of the Company's Management and Supervisory Bodies.

CONSISTENCY

Consistency in managing the various risks underlying the Bank's business.

PARTICIPATION IN DECISION-MAKING

Participation in decision-making through the adoption of collegial models in decision-making processes and the fostering of teamwork.

VALUE CREATION

Primary objective of Banco BIR's Management and Employees.

4.2 GOVERNANCE MODEL

The internal governance model encompasses the organisational structure, reporting lines and levels of authority, the set of lines of responsibilities and processes arising from the applicable laws and regulations or from the statutes and internal regulations, aiming to ensure prudent and effective management of the Bank and adequate control of activities.

The Board of Directors seeks to foster a culture of governance and internal control, present at all levels of the organisation and based on high standards of ethical behaviour, in accordance with the rules established in the Code of Conduct available on the Bank's website.

The Bank has adopted a governance model in line with the applicable legislation and regulations, taking into account it's nature, size, the complexity of it's activities and the various risks to which it is exposed, with a view to promoting sound and prudent management, within a framework of continuous pursuit of social goals.

The Governing Bodies of Banco BIR are the General Meeting, the Administrative Board and the Supervisory Board.

Advisory and support bodies to the General Meeting and the Administrative Board are the Remuneration Committee;

- Remuneration Committee;
- Risk Management Committee;
- Audit Committee and Internal Control Office.

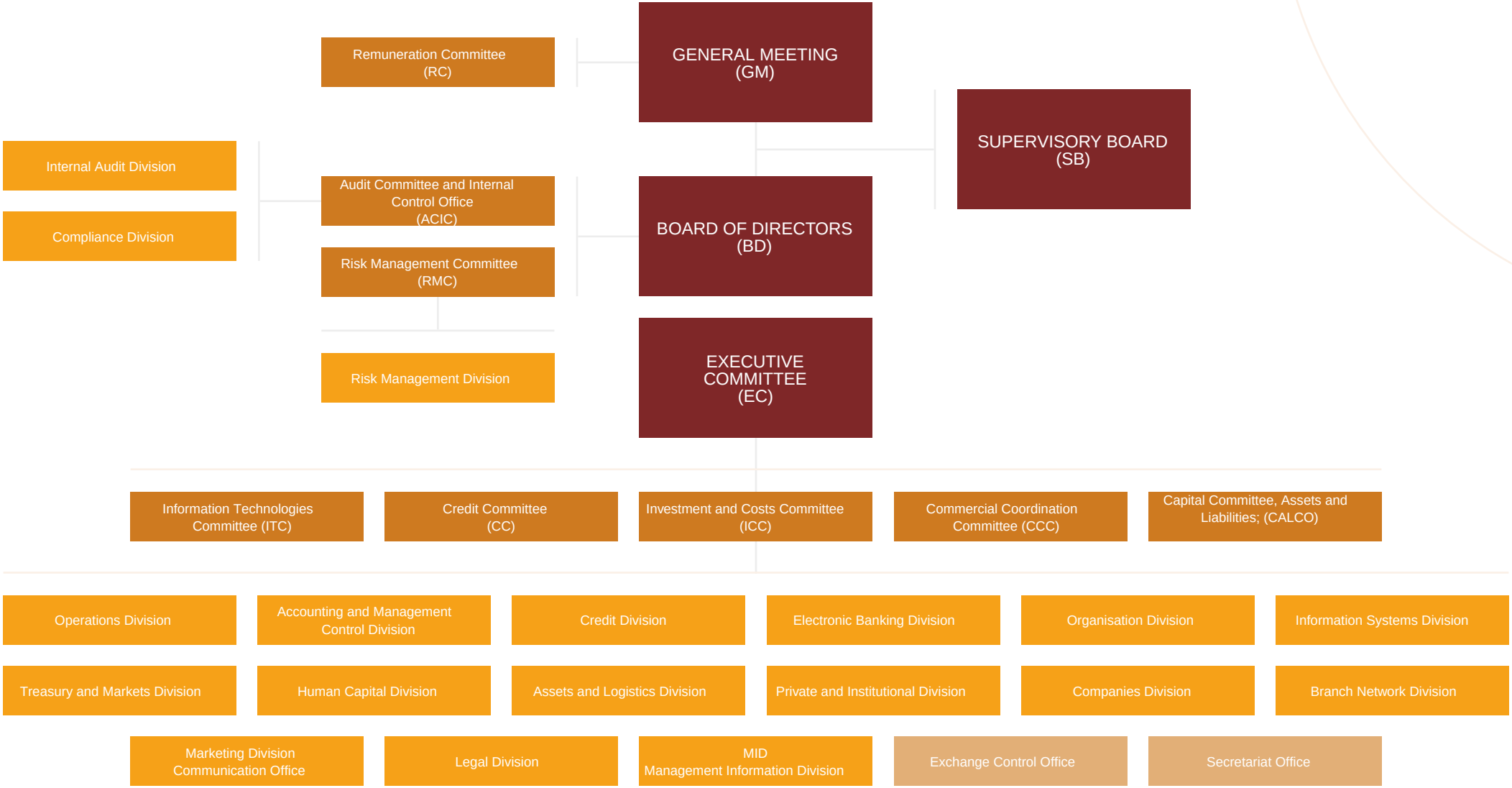
As support bodies to the Executive Board, the following were constituted:

- Capital, Assets and Liabilities Committee;
- Credit Committee;
- Commercial Coordination Committee;
- Information Technology Committee; and
- Investment and Costs Committee.

All members of Banco BIR's Governing Bodies are bound by strict duties of confidentiality and are subject to a set of rules designed to prevent conflicts of interest or insider dealing, observing best practice and best principles of proper and prudent management.

Additionally, all members of the Management Bodies have the technical competence, professional experience and moral standing to perform their respective duties.

ORGANISATION CHART



Members of the Governing Bodies are appointed for four-year terms of office, and may be re-elected as many times as the General Meeting approves, with the exception of the Non-Executive and Independent Director, who has a single, non-renewable term.

GENERAL MEETING

This is the governing body consisting of all shareholders with voting rights, and it's resolutions are binding on all of them, when adopted in accordance with the Law and the by-laws. The chair of the General Meeting may not be a shareholder.

The main duties of this body are as follows:

- Electing the members of the board of the General Meeting;
- Electing members of the Administrative Board, respective Chair and Vice-Chair;
- Electing members of the Supervisory Board;
- Deliberating on the management report, the accounts for the year and the proposal for the appropriation of profits.

On 31 December 2022, the Chairman of the General Meeting was Mr. Paulo Antunes and the Vice-Chairman Mr. Adriano Leal and the Secretary Mrs. Isaura Fernandes.

BOARD OF DIRECTORS

The composition and functioning of BIR's Board of Directors is established in the document "Regulation of the Board of Directors".

With the end of the 2018 – 2021 four-year period, the Ordinary General Meeting, held on 18-03-2022, decided to appoint the members of the Board of Directors for the 2022-2025 four-year period, with three (3) of the five (5) being reappointed and two (2) new executive directors being brought in.

On 10-06-2022, a non-executive and independent director was appointed to replace the director who held the same role, and who submitted his resignation from the position.

As of 31 December 2022, the following members were part of this body:

Chair of the Board of Directors
Generoso Hermenegildo Gaspar de Almeida

Chair of the Executive Board
Lígia Maria Pires Gomes Pinto Madaleno

Executive Director
Carlos Manuel Martins Francisco Ribeiro

Executive Director
João Carlos Branco dos Santos Moita

Non-Executive and Independent Director
Júlio Ângelo Cruz Correia

It should be noted that the non-executive director, who is independent from the management body, controls and evaluates the performance of the Executive Board in relation to matters concerning business strategy, organisational and functional structure, disclosure of legal or statutory information and relevant operations depending on their amount, associated risk or special characteristics, with particular focus on:

- Ensuring that the executive members carry out day-to-day management in a healthy, prudent and effective manner;
- Providing an independent opinion in the decision-making process;
- Participating in the definition and monitoring of business strategy;
- Analysing and debating the reports produced by the key internal control system functions, namely internal auditing, compliance and risk management;
- Overseeing the process of disclosing accounting and management information;

EXECUTIVE BOARD

By decision of the Board of Directors, the day-to-day management of the Bank was delegated to an Executive Board comprising three directors appointed by the Board of Directors.

The main functions of this Board are listed below:

- Deciding on a daily basis and continuously on matters relating to the Bank's Management, excluding those relating to the definition of business strategy, organisational structure, statutory disclosure of information and relevant operations, according to their amount, risk or special characteristics;
- Preparing an annual business plan and monitoring the Bank's annual activity, taking into consideration the business strategy framework established by the Administrative Board;
- Distributing responsibilities among it's members, respecting the rules of segregation between business, support and control functions.

As of 31 December 2022, the responsibilities were distributed among the Executive Directors as follows:

EXECUTIVE BOARD

* COMPD and DAI report directly to the ACIC, RMD reports directly to RMC.

SUPERVISORY BOARD

The Supervisory Board consists of three permanent members. This body is responsible for supervising the business and issuing an opinion regarding the reliability and accuracy of the financial statements. This body meets at least once a month.

As of 31 December 2022, the following persons were members of this body:

Chair
Faustino Mpemba Madia

Member
Carlos Ferraz

Member
Nuno Barros

4.3 INTERNAL CONTROL SYSTEM

Consists of the organisation of all methods and procedures adopted by the Board to achieve the management objective of ensuring, to the extent possible, the methodical and efficient conduct of it's activities, including adhering to the management's policies, safeguarding assets, preventing and detecting fraud and errors, ensuring the reliability and completeness of accounting records and the timely preparation of reliable financial information.

According to the Notice 01/22, of 28 January, an adequate and effective internal control system is one that provides reasonable assurance to the Administrative Board and it's management that the Bank's strategic and operational objectives are being met, the reporting system is reliable and the rules and regulations are being complied with.

Banco BIR's internal control system is based on 4 key elements:

- Control Environment – this refers to the attitudes and actions of the Bank's management bodies and employees, taking into account the levels of knowledge and experience appropriate to their functions, as well as the high ethical principles and integrity with which they operate.

- Risk Management System – aims to establish a set of policies and processes that ensure the correct identification, assessment, monitoring, control and reporting of risks. It takes all relevant risks into account and ensures effective, consistent and timely management.

- Information and Communication – aims to ensure complete, reliable, consistent and understandable information aligned with defined objectives and measures, as well as procedures for collecting, processing and disseminating that information, in accordance with best practice.

- Monitoring – concerns the continuous, effective and timely detection of shortcomings in strategy, policies, risk categories as well as ethical and professional principles.

4.4
ETHICAL PRINCIPLES AND CONFLICTS OF INTEREST

The code of conduct, the Administrative Board regulations and the Executive Board regulations contemplate the highest standards of action, in accordance with ethical and deontological principles, defining rules, principles and procedures to identify, monitor and mitigate potential conflicts of interest.

Banco BIR promotes transparency in relationships involving Governing Bodies and employees, prohibiting participation in illegal activities as well as excessive risk-taking, which contributes to the transparency of contractual relations between the Bank and it's counterparties, stipulating that, both Members of the Corporate Bodies and employees may not receive gifts of non-symbolic value that compromise the performance of their duties with complete independence.

The professional activity of the members of the Governing Bodies and employees is governed by the ethical principles laid down in the Code of Conduct, available on the intranet and on the institutional website, the main lines of which may be summarised as follows:

- To comply with the rules and duties deriving from the legal and regulatory provisions and to pursue the Bank's activity in strict compliance with ethical and deontological principles and exemplary civic conduct.
- To ensure diligence and professional competence, in particular in the performance of professional duties, in compliance with the dictates of good faith, and to act with a high degree of diligence, loyalty and transparency, guaranteeing customers and the competent authorities a rigorous, timely and complete response, subject to the duty of professional secrecy.
- To ensure strict maintenance of professional secrecy.
- To establish equal treatment for Bank customers in all situations in which there is no legal and/or contractual reason and/or risk dictating otherwise.
- To manage conflicts of interest: i) in situations where there is conflict between the interests of two or more customers; ii) in situations where there is a conflict of interests of customers, on the one hand, and those of the Bank or it's employees and members of the Governing Bodies, on the other;
- To prohibit illegitimate benefits and abuse of position;
- Obligation for credit to be granted to related parties under market terms and properly supported by an independent opinion.

VISION

It is the ambition of Banco BIR to be a universal service Bank, focusing on:

- Innovation – In products, customer channels and service;
- Transparency – In it's relationship with customers and employees, and with the other stakeholders;
- Proximity – Through comprehensive availability of the entire Bank structure and the establishment of partnerships;

COMMITMENTS

- Customers – To ensure satisfaction and quality of service;
- Employees – To invest in professional and personal growth;
- Shareholders – Value creation;
- Our country - Angola – To contribute towards the sustainable development of the National Economy.

MISSION

The Bank's mission is to develop solutions, products and services that promote lasting partnerships with it's customers and create value for shareholders.

STRATEGY

The Bank's challenges and priorities focus on the Customer and aim to create greater involvement in the context of rapidly and constantly changing markets.

The Bank's strategy is to be distinctive through a close relationship with Customers.

Commitment to Customers

- Comprehensive availability of the entire Bank structure;
- Innovation – digital services and products;
- Simplification of Processes – Increased efficiency and reduced operational risk;
- Product Diversification – Increased range of products to be made available to customers;

Priorities

- To invest in the establishment of partnerships with customers;
- To develop technical and analytical skills to better understand customers and their needs;
- To invest in innovation to keep abreast of customer needs;
- To invest in Digital Banking;
- To maintain the quality of the Bank's assets.

Critical success factors

- Processing speed – Streamlining processes and making decisions quickly to better serve customers;
- Operational Excellence - Leading to rapid processing and risk mitigation.
- BIR Culture – third critical pillar of success, attracting and retaining talent and developing a culture of constant customer focus.

5

THE COMPLIANCE FUNCTION

5.1 SUMMARY YEAR 2022

BIR's Board of Directors has overall responsibility for ensuring the effective, permanent existence of the Compliance Function independent of the operational functions, providing it with adequate material, human and financial resources to fully pursue the mission entrusted to it under the ambit of the Internal Control System and with a view to ensuring that it is appropriate to the nature, size and complexity of the Bank's activities, being duly aligned with the Bank's risk profile, regarding compliance with regulations, business continuity and management of financial and non-financial risks.

5.2 STRUCTURE

The Compliance Function is made up of 2 (two) Departments that have the mission of working to prevent the risk of the Bank being subject to legal or regulatory penalties and financial or reputational losses resulting from failures to comply with the laws and codes of ethics and conduct to which the Bank is subject.

The AML Department, which aims to ensure the monitoring and evaluation of anti-money laundering and terrorist financing internal control procedures, centralising the information that guarantees the analysis and reporting of elements of suspicion identified to the com - petent authorities and ensuring compliance with good international practices in terms of "Know Your Customer" and "Due Diligence", with appropriate and robust IT tools.

Secondly, there is the Regulatory and Corporate Department, which ensures compliance with all applicable laws, rules and regulations, having a wide range of functions within the Institution (monitoring of activities, prevention of conflicts of interest), the activities of which are designed in accordance with internal policies of the Bank and in conformity with the "BIR Organisational Structure and Statutes Manual".

In addition to the Compliance Function, the Bank has defined the Risk Management Function and the Audit Function, which are based on the same values, i.e., the identification, eval- uation and monitoring of internal control procedures within the scope of disseminating a culture of compliance and fraud prevention.

Compliance Division Organisational Chart

5.3 COMPLIANCE RISK

The Compliance Function ensures the coordination of compliance risk management at the Bank and periodically prepares internal control reports on the matter, proposing, where applicable, the respective corrective measures.

The compliance risk management process results from the Bank's need to act in accordance with the provisions of Notice 01/2022, of 28 January, and avoid the imposition of legal or regulatory penalties and even financial or reputational sanctions. During the year, BIR managed the following compliance and reputation risks:

COMPLIANCE RISKS UNDER NOTICE 01/2022, OF 28 JANUARY.

Compliance Risk

- Violation of Laws
- Breach of Rules
- Failure to comply with Prescribed Practices or Standards
- Violation of Ethical Standards

Reputation Risk

- Controversial Funding
- Damage to the Environment
- Improper Business Conduct
- Conflictual Relationship
- Economic-Financial Performance
- below expectations

5.4 POLICIES AND PROCEDURES

BIR ensures that it's internal policies comply with the regulatory requirements and demands established by the Banco Nacional de Angola and ensures that they reflect the main internationally recognised recommendations and guidelines, issued by International Organisations, namely by the FATF - Financial Action Task Force and Regional Groups FSRB – FATF Style Regional Bodies), by the World Bank, the International Monetary Fund, the Basel Committee and the Wolfsberg Group, among others.

With the publication and adaptation of Notice 01/2022, of 28 January, BIR ensured the implementation of the main policies underlying the basic principles of corporate governance, with emphasis on the following:

i. Internal control policy;

ii. Code of ethics and conduct;

iii. Remuneration policy for members of the management bodies;

iv. Employee remuneration policy;

v. Policy for transactions with related parties;

vi. Conflict of interest prevention policy; Compliance Regulation;

vii. Policy on transparency and the disclosure of information;

viii. Policy on the reporting of irregularities/reporting channel;

ix. Business continuity plan;

x. Regulation of the business continuity plan;

xi. Information security manual;

xii. Information systems manual;

xiii. Global risk management policy.

These and all other policies available to the Bank are reviewed and updated at least annually, reflecting the effects of the legislation in force and/or new recommendations issued by duly recognised external entities.

In this regard, we highlight the Internal Control Policy as it reflects an integrated set of policies and processes of a permanent nature that cut across the entire institution, carried out by the management body and other employees with the aim of achieving the objectives of efficiency in the execution of operations, risk controls, the reliability of accounting information and management support, and compliance with legal regulations and internal guidelines.

5.4 MARKET LEGISLATION PUBLISHED AND IMPLEMENTED

An appropriate control environment, which reflects a solid risk management system, at all times includes the treatment and implementation those published regulations that are deemed relevant. In 2022, BIR ensured the disclosure of all regulations issued by the Banco Nacional de Angola and by the Capital Market Commission.

BANCO NACIONAL DE ANGOLA	CAPITAL MARKET COMMISSION
53	53
Notices, Instructions, Directives and Circular Letters	Presidential Decree, Law, Regulations and Instructions

Under the ambit of policies for the prevention of crimes associated with money laundering, the Banco Nacional de Angola informed the market of 3 (three) Circular Letters in which it disclosed some measures of the Financial Action Task Force related to High-Risk Jurisdictions Subject to a Call for Action, Jurisdictions under Increased Monitoring, Jurisdiction No Longer Subject to Increased Monitoring by the FATF – Financial Action Task Force and the Procedures and Measures to be Adopted by the Banks. Due to the disclosure made by the BNA on the measures to be adopted by the Banking Financial Institutions, the BIR assumed the position of mitigating risk, guaranteeing intensified due diligence in any business relations, occasional transactions and operations that are considered to be of high risk, i.e., those related to countries considered to be high risk, also ensuring the prior submission of such operations to the authorisation of the Management body and the dissemination of all information, together with the business structures, related to:

- jurisdictions subject to a call for action and jurisdictions with strategic deficiencies in their regimes to counter money laundering and terrorist financing that have not yet made sufficient progress to remedy the identified deficiencies or have not agreed with the FATF an action plan with the registration of corrective measures;
- jurisdictions with strategic deficiencies in terms of AML/TF and that have developed an action plan to remedy them, being subject to a monitoring process by the FATF;
- countries on the grey list;
- jurisdictions that, having complied with their action plans, were removed from the grey list, ceasing to be under the quarterly monitoring process with the FATF.

5.5 MARKET LEGISLATION PUBLISHED AND IMPLEMENTED

Banco BIR has a robust organisational structure capable of ensuring the implementation of identification controls, at the beginning, during and after the establishment of business relationships, both new and existing, both with individuals and legal entities. During the year subject of our approach, the Bank established and maintained the following business relations:

TYPE	Business Relationships in 2021	Business Relationships in 2022	New Business Relationships - 2022	Total % of Business Relationships	New Business Relationships - 2022
Individuals	7,907	10,430	2,523	81%	32%
Legal Persons	1,849	2,484	635	19%	34%
Total	9,756	12,914	3,158	100%	32%

The Compliance function, under the ambit of the duty of diligence, guarantees the compliance of a portfolio of 12,914 (twelve thousand nine hundred and fourteen) customers, as of 31 December 2022, divided into the Branch Network, Corporate Centres and Private and Institutional segments.

CUSTOMER RISK PROFILE

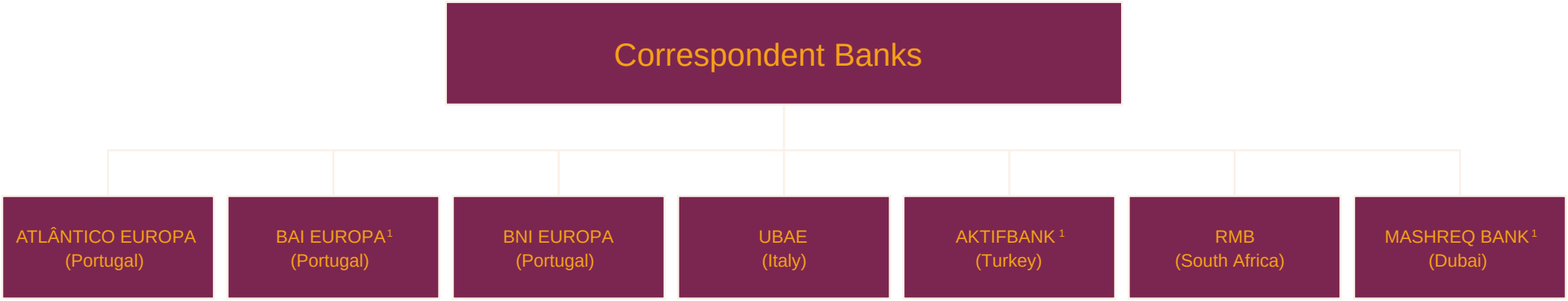
The vulnerabilities and threats inherent to banking activity motivate the Bank to always keep it's mechanisms and ways of mitigating financial and non-financial risks up-to-date. On a regular basis, our customers are submitted to risk profile analysis and classification, based on the recommendations issued by the Financial Action Task Force in the adoption of best practices for the prevention of financial crimes in general, and Money Laundering and Terrorist Financing and the Proliferation of Weapons of Mass Destruction, in particular.

5.7 CORRESPONDENT BANKS

BIR currently has 7 (seven) correspondent banks, which were subject to the following due diligence measures under the ambit of "Know Your Customer" – KYC:

- Information on Ultimate Beneficial Owners - UBOs;
- Information on the Governing Bodies;
- Information on Anti Money Laundering Policies and Procedures.

With the collection of this information, it was possible to understand the nature of the activity of each of the Banks, assess the reputation and quality of their supervision, including any history of investigative or sanctioning procedures in matters of Money Laundering or Terrorist Financing and assess shared internal policies, means and procedures under the ambit of the prevention of Money Laundering and Terrorist Financing, including an assessment of the risk associated with the establishment of such correspondence relationships.



1. Correspondence relationship established in 2022.

5.7 CLOSING NOTES

The mission of the Compliance Function is to monitor and evaluate the internal control procedures with respect to preventing money laundering and terrorist financing, relying on the use of appropriate and effective IT tools and compliance with the obligations of “Know Your Customer”, “Know Your Transactions” and “Due Diligence”, respectively.

The combination of these and other factors has allowed BIR to improve IT processes and systems for following up and monitoring customers in a way that is appropriate to our size and complexity under the ambit of existing business relationships, new business relationships and operations carried out as a whole.

Basic principles with respect to integrity, transparency, honesty, social responsibility and innovation between BIR and it’s customers were also highlighted in 2022, as they are intrinsic to the organisational culture.

GOVERNANCE AND ORGANISATION OF RISK MANAGEMENT

6

RISK MANAGEMENT

The existence of risk is intrinsic to banking activity, so it is essential to ensure appropriate and dynamic risk management, in line with business objectives and expected profitability in the medium and long term, which implies the quantification of the level of risk considered and the definition of how to assess and monitor it. The risks assumed must be proportional to the level of own resources, debt capital and the results generated, giving priority to diversification of risks and avoiding relevant concentrations. The risks assumed must be identified and assessed, and there must be procedures for their monitoring and reporting, including control and mitigation mechanisms.

For effective risk management, Banco BIR continuously and permanently seeks to achieve and maintain a balance between risk and profitability that best suits it's size, complexity and risk profile. Thus, risk governance is based on a prudent management model aligned with best practice, the guiding principles of which are:

- Involvement of divisions and Administrators in management and decision-making;
- Integration and attribution of clearly defined responsibilities for continuous risk management;
- Independence in the monitoring and control of risk through structures other than those that assume the risk;
- Periodic review and audit of risk management mechanisms;
- Adoption of a conservative position in defining assumptions and control limits;

6.1 RISK MANAGEMENT ORGANISATION AND MODEL

The main objective of risk management is to ensure that it is managed in a manner that mitigates it's potential impact, ensuring the satisfaction of customers, employees, shareholders and the community. Thus, Banco BIR promotes a structure so that risk control and management forms an integral part of the business plan and responsibilities of all organisational units.

The monitoring of the main risks inherent to the Bank's activity is the responsibility of the Board of Directors and the Executive Board. To ensure risk control and management, the Bank has 3 lines of defence in place:

1ST LINE OF DEFENCE

BUSINESS DIVISIONS, OPERATIONS DIVISION AND ELECTRONIC BANKING DIVISION

- It is the responsibility of the Commercial Directors to manage the risk of their activities on a daily basis, taking into account the defined principles, rules and limits, as well as to ensure their regular reporting.

- The Operations and Electronic Banking Divisions are responsible for ensuring full compliance with all established rules and procedures, with a view to mitigating risk, either through a clear segregation of functions or by reviewing the processes received for execution.

2ND LINE OF DEFENCE

RISK MANAGEMENT DIVISION, CREDIT COMMITTEE AND CAPITAL, ASSETS AND LIABILITIES COMMITTEE

- The Risk Management Division is responsible for actively managing and controlling all aspects of risk, as well as incorporating recommendations on these matters.

- The committees are responsible for monitoring the risk management policies of the institution and advising on the risk strategy to be implemented.

6.1 ORGANISATION AND RISK MANAGEMENT MODEL

3RD LINE OF DEFENCE

INTERNAL AUDITING

This is responsible for ensuring an independent and objective review and assessment of compliance with applicable internal and external procedures, regulations and standards.

We therefore have a risk management model based on the following phases:

Identification

Aims to identify the current and potential risks to which the activity is subject, through the use of updated, timely and reliable information, developed through the following activities:

- Collection of reliable and timely information from the various departments;
- Definition of a strategy to identify risks;
- Identification of existing and potential risks;
- Definition and review of indicators and limits;
- Incorporation of recommendations from the risk report;

Evaluation

Consists of the qualitative and quantitative evaluation of the information collected, having as activities:

- Gathering reliable and timely data from the entire organisation;
- Defining assumptions and risk measurement models;
- Developing risk measurement models;
- Validating and ensuring the updating of risk measurement models;
- Calculating and analysing the impact of the risks identified.
- Subjecting the measurement models to periodic audits and implementing recommendations for improvement;

Monitoring and Control

Risk management is subject to a continuous monitoring process. For this, limits and control mechanisms are defined, which are developed through the following activities:

- Monitoring risk indicators;
- Guaranteeing and updating the indicators and limits to the different economic cycles;
- Developing risk control and warning mechanisms;
- Performing stress testing based on the definition of risk scenarios;
- Monitoring the adequacy of the risk management system;

Reporting

Results should be reported whenever necessary or according to an established frequency. This phase has as it's most relevant activities:

- Preparation of reports;
- Preparation of risk mitigation recommendations;
- Submission of reports to the Credit Committee and the Capital, Assets and Liabilities Committee; Monitoring the implementation of the activities defined in the action plan;

6.2 IDENTIFICATION OF RISK CATEGORIES

In order to effectively manage the balance sheet risks, it is important to distinguish between the different types of risk in order to accurately isolate their origin in the balance sheet structure. Thus, Banco BIR adopts segmentation into nine risk categories of a financial nature (credit risk, interest rate risk, foreign exchange risk and liquidity risk) and a non-financial nature (operational risk, information systems risk, strategy risk, compliance risk and reputation risk). A definition for each of the identified risk categories is presented below:

CREDIT RISK

Probability of negative impacts on income or on capital due to the inability of customers or counterparties to fulfil their financial commitments to the Institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in credit exposures (including securitised), lines of credit, guarantees provided, letters of credit and derivatives with underlying assets composed of credit.

The Bank does not grant credit to Customers who register material incidents, are in default vis-à-vis the Financial System or belong to the same group of Customers who are in the following situations:

- Default in making any principal or interest payments due to any Financial Institution;
- Irregular use of means of payment under the responsibility of that person or entity;
- Pending legal action against such entity, provided that the outcome of such action is deemed to have a materially adverse effect on the respective economic or financial situation.

CREDIT RISK ANALYSIS PROCEDURES

The credit risk assessment and control process is the responsibility of the Credit Division. The appraisal of credit proposals presupposes a rigorous analysis, framed by parameters summarised below:

- No credit transaction is approved without the prior collection, verification and critical analysis of relevant information regarding the proposer of the transaction and his/her economic and financial situation, the operation to be financed and the guarantees provided;
- Proposals for credit operations or guarantees to be submitted to the competent bodies comply with the following principles:

  – They must be properly delineated in a fact sheet containing all the essential and additional information necessary for the formalisation of the operation;

  – They must respect the product data sheet, where applicable;

  – They must be accompanied by a duly substantiated credit risk analysis;

  – They contain the signatures of the respective proposing bodies;

- The credit risk analysis considers the Bank's total exposure to the customer or group to which the customer belongs, in accordance with applicable law at any given time.

ANALYSIS AND WEIGHTING OF GUARANTEES

- All credit operations have associated guarantees appropriate to the risk of the borrower and the nature and term of the operation;
- Real guarantees are assessed prior to the credit decision;

The Bank has internally defined the following risk level assignment rules for new operations:

- Minimum risk level attributed to new credit operations - B (Very low risk)
- The Bank does not grant credit with a risk rating higher than C (Low risk);

The risk grades of all credit operations are reviewed on a monthly basis by the Risk Division.

The Bank has defined and implemented an impairment loss calculation model.

The model is based on the Bank's own methodology, which consists of an individual analysis of the entire loan portfolio. Transactions without signs of impairment are analysed collectively based on market benchmarks, as the Bank's portfolio is small and relatively recent.

At the close of 2022, the Bank had a portfolio with high levels of collateralisation. Real guarantees, financial pledges, mortgages and guarantees from the Guarantee Fund covered approximately 66.39% of the loan portfolio.

LIQUIDITY RISK

The likelihood of occurrence of negative impacts on income or on capital, derived from a decrease (real or perceived) in the Bank's capacity to ensure the financing of assets and fulfil it's obligations as they fall due.

Liquidity risk is associated with a mismatch between the maturities of the liabilities due and the assets financed by them, and liquidity risk may worsen due to an abnormal and unanticipated increase in the demand for deposits.

The Bank manages it's liquidity levels prudently, ensuring a position that is stable, secure and sufficient in view of it's size, based on liquid and eligible assets and maintaining a prudent transformation ratio.

The Treasury and Markets Division ensures the fulfilment and control of the daily liquidity gap, controlling the inflows and outflows of funds, taking into account compliance with Compulsory Minimum Reserves.

Liquidity risk is also analysed by the Capital, Assets and Liabilities Committee, with a view to defining the strategy to be adopted regarding the policies to be implemented at this level.

It should be noted that, on 27 September 2021, the BNA published Instruction 14/2021, specific to matters of liquidity. The Bank, as required by the supervisor, proceeds with the analysis and reporting of this information, comfortably complying with the limits required by the Central Bank.

As of 31 December 2022, according to the methodology of the Banco Nacional de Angola, the Bank had the following overall liquidity ratio:

- All currencies 168.52% (minimum BNA 110%);

EXCHANGE RATE RISK

Probability of negative impacts on results or capital, due to adverse movements in exchange rates caused by changes in the price of instruments that correspond to open positions in foreign currency.

Banco BIR rigorously manages it's foreign exchange position, actively seeking to control it's risk by maintaining a position for each currency and set of currencies, which mitigates this risk without compromising it's trading capacity. It is the responsibility of the Treasury and Markets Division to manage these positions.

Exchange Risk is the subject of analysis by the Capital, Assets and Liabilities Committee, with a view to defining the strategy to be adopted regarding these matters.

At the close of 2022, the Bank had a foreign exchange position far from this figure, standing at 3.11%.

INTEREST RATE RISK

The likelihood of occurrence of negative impacts on income or on capital, due to adverse movements in interest rates, due to maturity lags or interest rate fixing terms, the absence of a perfect correlation between the reference indexes of active and passive interest rates or the existence of options embedded in balance sheet financial instruments or off-balance sheet items.

This risk is managed through the control of aggregate Balance Sheet interest rate risk and the control of impacts, on own funds and net interest income, resulting from a parallel variation in the interest rates curve.

Interest Rate Risk is analysed by the Capital, Assets and Liabilities Committee, with a view to defining the strategy to be adopted on this matter.

On 27 October 2021, the BNA published Instruction 22/21, which established the analysis requirements to be observed by financial institutions (FI) from October 2021, under the ambit of interest rate risk. The BNA requires FI to provide detailed information on their level of interest rate risk exposure, considering an instantaneous positive or negative 2% shock in interest rates, which results in a parallel movement of the yield curve of the same magnitude, and the impact on the present value of cash flows and interest margin is estimated. The BNA requires immediate reporting whenever this analysis

results in a potential reduction in economic value of 20% or more of the institution's regulatory own funds.

At the end of 2022, the Bank had a positive impact of 16.61%

OPERATIONAL RISK

The likelihood of occurrence of negative impacts on income or capital resulting from failures in the analysis, processing or settlement of operations, internal and external fraud, the activity being negatively affected due to the use of resources under an outsourcing arrangement, the existence of insufficient or inadequate human resources or infrastructure failures.

Inadequate management of operational risk can cause irreparable damage to an institution's reputation.

In order to mitigate this risk, the Bank promotes the elaboration and maintenance of rules of procedure, as well as internal manuals for each area of the Bank. The rules are available for consultation by all employees on the intranet.

Whenever there is external regulation, the Bank, through it's Compliance Department, together with the Organisation Department, promotes the dissemination and discussion of those standards among the main areas involved in the processes, likewise promoting the adjustment of internal standards and manuals, if required. Additionally, the members of the Bank's governing bodies and employees are subject to the Code of Conduct, as approved by the Administrative Board.

The assessment of compliance with internal regulations and the code of conduct is the responsibility of the Internal Audit Division (IAD), which assesses the effectiveness, efficacy and adequacy of the internal control system, considering the risks associated with the various activities, so as to guarantee and safeguard the integrity and security of the assets of the Bank and it's customers.

The IAD's activity takes place independently of the audited units and in accordance with internationally recognised and accepted principles of internal auditing. Periodic reviews are carried out of the activities of the commercial bodies and central services, with a view to assessing their effectiveness and compliance with the various rules governing their activities, the level of dissemination and the level of knowledge held by employees and management. The adequacy of the various control processes is also observed, given the new risks identified and their adjustment to current legislation. This assessment is complemented by a thematic audit by the external auditor.

COMPLIANCE RISK

The likelihood of occurrence of negative impacts on income or on capital resulting from violations or non-compliance with laws, regulations, contracts, codes of conduct, established practices or ethical principles. It may result in legal or regulatory sanctions, the limitation of business opportunities, a reduction in the potential for expansion or render it impossible to demand compliance with contractual obligations.

The emergence of compliance risk is intrinsic to any banking structure and it's business, given that it is underpinned by a normative and legal base, guided by rules defined by the various supervisory and monitoring entities, and by contracts signed with business partners and customers.

The effective detection, management and mitigation of such risks are key instruments in the management of reputation risk, as they represent one of the main guiding pillars of the Bank's activities.

The Compliance Division is responsible for developing policies and actively participating in the creation of processes and procedures, with a view to mitigating the risk of non-compliance, money laundering and terrorist financing.

In 2015, Angola established an intergovernmental agreement with the US – FATCA, which aims to prevent tax evasion by entities subject to taxation in the United States (US Persons), in relation to foreign income. Under this agreement, the Angolan FI undertake, in a summarised manner, to identify customers who are US Persons and to report annually those customers' financial assets to the national tax authority, which in turn reports them to the American tax authorities. Within the structure of the BIR, the Compliance Division is responsible for compiling and reporting this information.

INFORMATION SYSTEMS RISK

The likelihood of occurrence of negative impacts on income or capital as a result of the inability to adapt information systems to new needs, the inability to prevent unauthorised access, to guarantee data integrity or to ensure business continuity in the event of failure, as well as due to the continuation of a poorly designed strategy in this area.

REPUTATIONAL RISK

The likelihood of occurrence of negative impacts on in come or on capital resulting from a negative perception of the Institution's public image, whether or not justified, by customers, suppliers, financial analysts, employees, investors, press organisations or public opinion in general.

MAIN RISK GRADE SCALE		Scale	Risk categories	Score
LEVEL 1 RISK Material categories	Grade 5	901 - 1600 pts	Market	1000 points
			Exchange rate	1000 points
	Grade 4	701 - 900 pts	-	-
	Grade 3	501 - 700 pts	Credit	700 points
			Strategy	700 points
LEVEL 2 RISK Non-material categories	Grade 2	301 - 500 pts	Operational	400 points
			Interest rate	400 points
			Liquidity	400 points
	Grade 1	101 - 300 pts	Property	200 points
			Compliance	200 points
LEVEL 3 RISK	Emerging	0 - 100 pts	Reputation	100 points

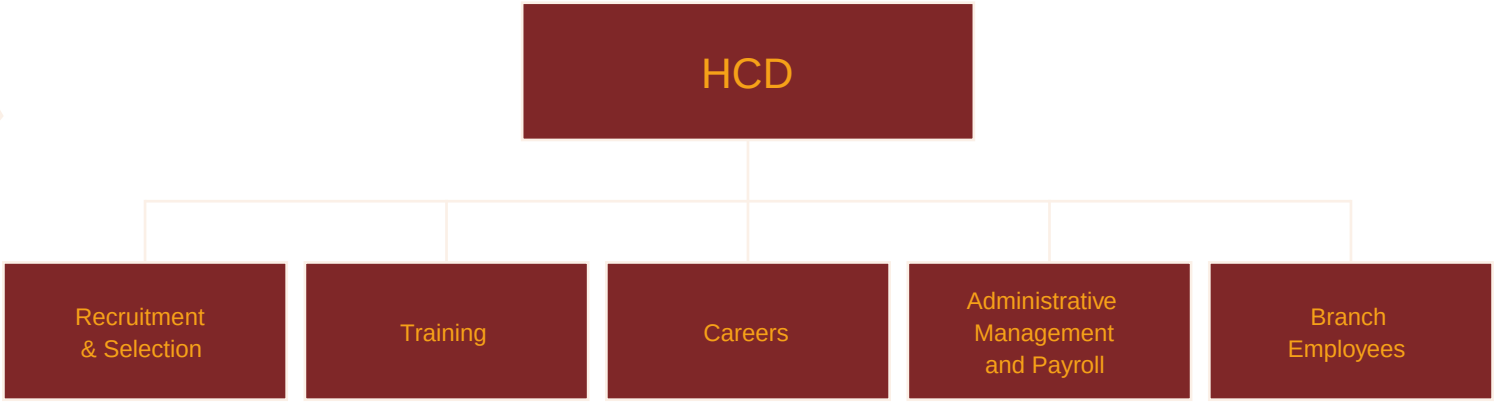
HUMAN CAPITAL

7

HUMAN CAPITAL DIVISION

BIR's main function is to be a strategic partner for sustainability through the implementation of human capital management policies and practices that promote involvement, institutional commitment and career development, ensuring individual and organisational skills and thereby generating greater value for all of the Bank's Employees and Stakeholders.

The Human Capital Division is the 1st level of BIR's structure, directly reporting to the Executive Board. This Division aims to implement BIR's business strategy in the short, medium and long term, the main objective of this Division being to establish the organisational and functional structure of each department, such as the basic principles, rules and procedures relating to management in liaison with the respective departments of the Human Capital Division:



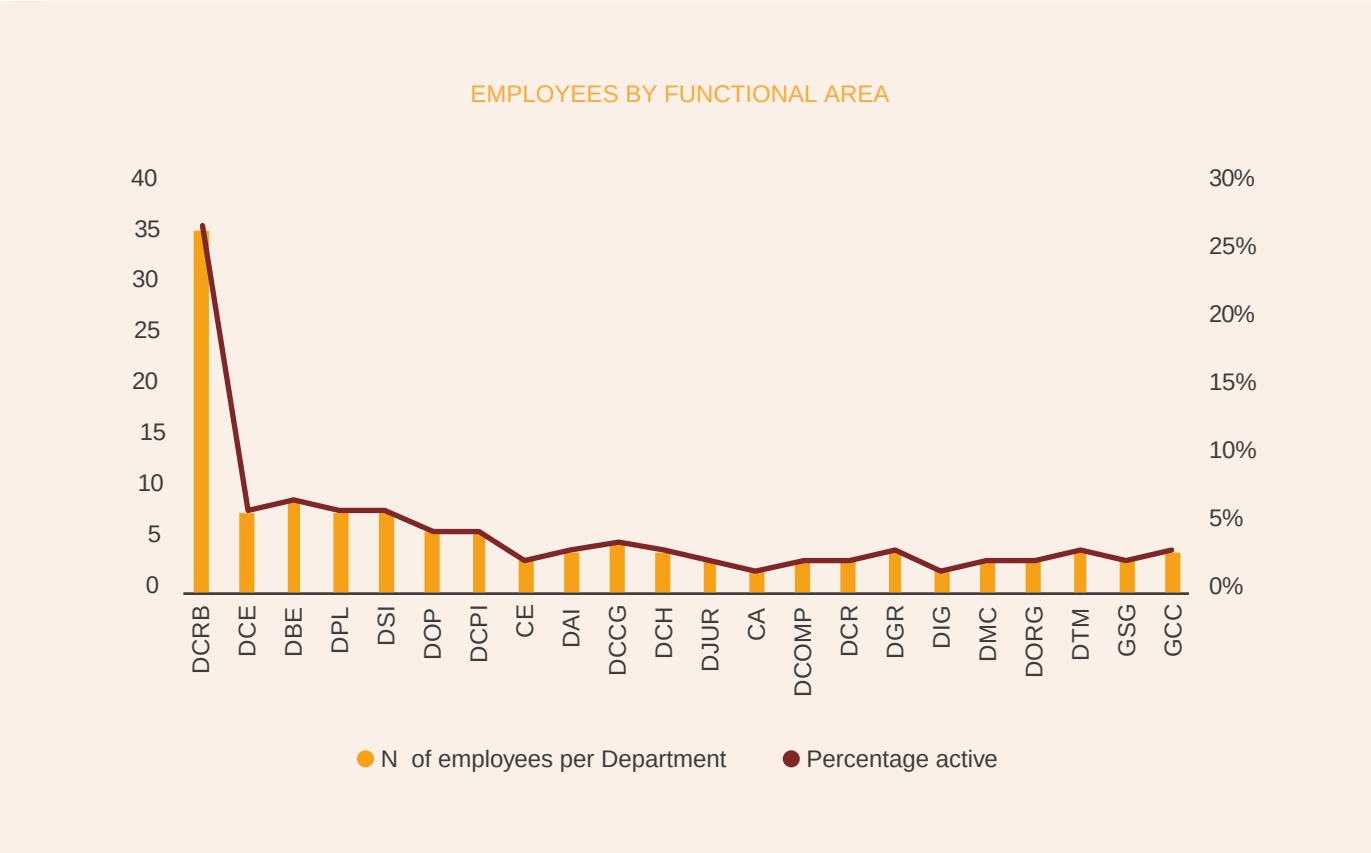
Our team is committed to the highest quality standards, we work proactively and flexibly to provide functional solutions.

We offer our customers a personalised service that guarantees their compliance, anticipates their needs, provides support in decision-making and it is in this sense that BIR assumes the institutional slogan "We Have the Answer". This is our greatest institutional commitment, based on a culture that materialises our dedication to Customers and our values, which are reflected in Trust, Professionalism, Innovation, Ethics and Responsibility.

Therefore, and in line with BIR's mission (to promote regional development, contribute to modernisation and provide services of public utility) in order to fulfil it's strategic objectives, the Human Capital Division monitors and supports Employees in this mission, which involves us all in furtherance of the institution and the ecosystem, ensuring that, together, we have an answer for our Customers.

In December 2022, BIR had a Headcount of 131 Employees, representing significant growth compared to 2021, when we had 106 active Employees, creating a very positive impact on our society.

In the adjacent table, we illustrate the information on annual growth in 2022:



RECRUITMENT AND SELECTION

This area's fundamental objective is the Recruitment and Selection of candidates with high potential, in view of BIR's needs, in accordance with internal policies.

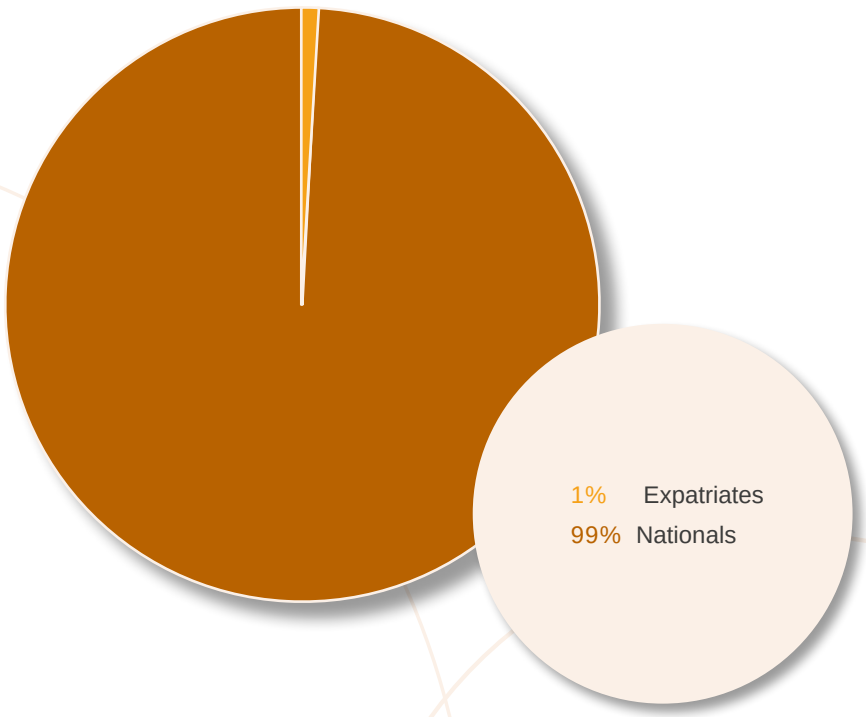
The graph below reveals the existence of inclusion and diversity, allowing synergies between more experienced and younger employees, so that the Bank's objectives are achieved, with an increasingly diverse number in their age bracket, among other aspects relevant to the development of the institution.

Banco BIR continues to focus on young people and gender distribution, thus keeping the teams balanced.

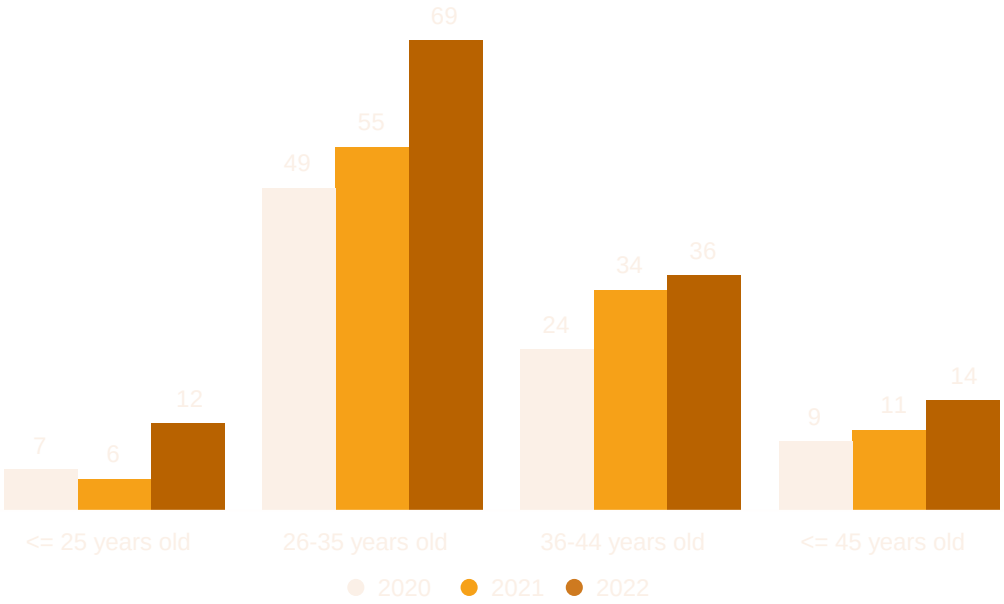
It is BIR's policy to invest in highly qualified local staff, obtaining positive results for the Bank and their families in the long/medium term.

With this, we position ourselves as a Bank that is commit ted to young people, gender equality and Angolan staff, and evidence of this can be seen in the information below:

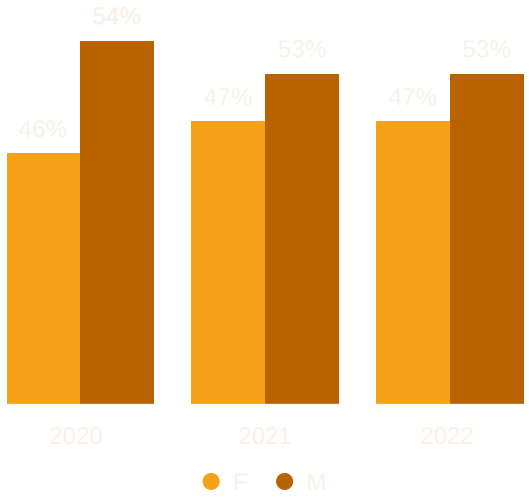
LOCAL STAFF VS EXPATRIATES



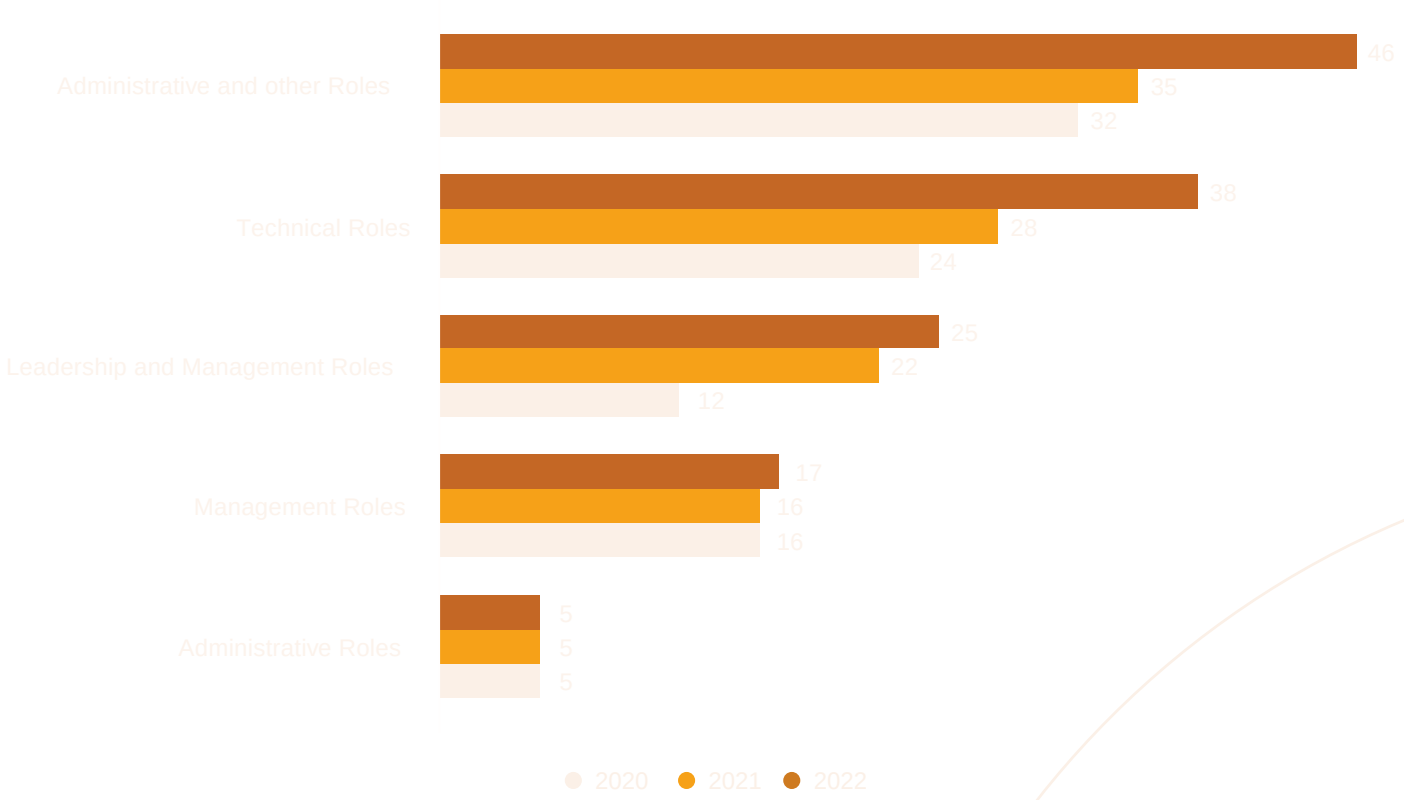
TOTAL NUMBER OF EMPLOYEES



EMPLOYEES BY GENDER



DEVELOPMENT FUNCTIONS BIR TEAM



CAREERS

This topic has been one of the main focuses of the Human Capital Division, with the unconditional support of BIR's Executive Board.

Our Performance Evaluation Policy represents the importance Banco BIR places on this aspect and gives a genuine overview of individual versus team objectives and the Mission, Values and Strategic Objectives of the institution.

The Performance Evaluation is a management tool of paramount importance for BIR, as it's main premise is to measure, in a fair and transparent manner, the performance of our greatest asset, Human Capital, ensuring an increase in the level of productivity and motivation of our Employees. It is the perfect opportunity for Employees and Managers to reflect, jointly, on competences and performance and also to establish strategies and methodologies for the continuous improvement of their activities.

Taking into account the strong impact on other processes of strategic management and development of Human Capital, namely:

- Training;
- Mobility;
- Personal and Professional Development;
- Salary Review;
- Variable Remuneration.

BIR's annual Performance Evaluation process has proved positive and effective, the consistency, follow-up and monitoring of the evaluator and evaluated person guaranteeing robust results.

As a result, and in accordance with the Career Management Model, the professional growth of our Employees is strongly linked to factors such as: delivering quality, productivity and excellent service in the face of the constant challenges associated with the growth of BIR's business.

In this vein, in the 2022 Performance Evaluation process, 19 Employees were promoted, of which 8 occupy Leadership positions.

With the dynamics and growth of BIR, employees respond positively to internal mobility challenges, generating great value for the teams and the Bank.

In 2022, the bank challenged 3 Employees to embrace new challenges in an internal mobility process, according to their technical and behavioural skills, to which they responded positively.

The mobility process is intended to create opportunities to build a more solid professional career, based on knowledge of new situations and the development of new skills, giving BIR employees the opportunity to participate in the design of their professional career.

The Employee mobility process represents an opportunity for BIR to identify potential, fill key positions, share and transfer specialised knowledge not available locally, reinforce knowledge sharing and respond to the challenges inherent to our ambition as a financial institution.

With a view to guiding professional development, the criteria and requirements of employees' previous and current positions are taken into account when forming the result of the Performance Evaluation.

By doing so, BIR is encouraging each Employee to seek excellence in the performance of their duties, which also allows Employees to improve their technical and behavioural skills.

TRAINING

Its objective is the management and development of the training necessary for the proper development of the technical, behavioural and transversal competences of our employees.

Investing in the process of continuous learning for our Employees at a technical and behavioural level guarantees that we can serve our internal and external customers with quality and deliver with value.

Investing in the training and development of our Employees continues to be a priority for BIR.

In 2022, we invested 646 hours in technical, behavioural and transversal training actions, covering a total of 131 trainees.

This investment in training is made annually and reflects the importance of Human Capital and BIR's interest in developing it's Employees, taking into account the Strategy and needs of each Organisational Unit of the Bank.

BIR SOCIAL

The Mission of BIR is imbued with the spirit of Social Responsibility and a Vision based on the creation of value, above all guaranteeing that our Values reflect the essence of a Reliable, Ethical and Socially Responsible Institution.

With this, we confirm that we are present in the key moments of our employees' lives, promoting well-being and a series of initiatives focused on the balance between personal and professional life, creating a close relationship and institutional commitment with our employees.

We share below some initiatives geared towards Employees, with the financial charges being borne by BIR:

- Daily Meal (average 1 500 monthly);
- Collective Public Transport;
- Parking Space (reduced mobility);
- Subsidies (food, communication, fuel, faults, overtime work, commercial incentive system for the business areas, creating an extra motivation to continuously deliver distinctive results to BIR Customers, on a daily basis);
- Happy Hour – (birthdays of the month, 12 months);
- Health Insurance (all employees have full Health Insurance, covering his/her family household - depending on the type of Contract);
- Support for Funeral Services (employees, family members and parents);
- BIR Sports;
- Card with Benefits ("deskontão");
- Scholarships;
- Variable Remuneration (annual);
- We also ensure initiatives that are transversal benefits for Employees and their family members: BIR Kwanzas Credit Card, BIR "em Movimento" Prepaid Card, Platinum Card and Fringe Card;
- BIR Volunteering.

BIR's premise is to inspire activities that promote the quality of life of Employees and their families.

By doing so, it also promotes Employees' initiatives with the community, through continuous Corporate Social Responsibility initiatives.

Establishing protocols with different entities, which ensure advantageous conditions for Employees and represent a benefit for them.

Its main Mission is to provide and respect the well-being and future of it's Employees, encouraging an active spirit of Social Responsibility and organisational sustainability, in it's fundamental aspects, so that the Employees feel like agents involved in the institution.

Our Employees are essential for the quality of the services that Banco BIR proposes to provide. The excellence of our services is taken as an integral part of the Institution's strategy, as a result of which the Human Capital Division strongly invests in the development of it's people through a policy focused on their Careers, providing proper working conditions and the necessary opportunities for growth.

8 MANAGEMENT REPORT

In 2022, it was expected that economies would continue their recovery from the negative consequences of the COVID-19 pandemic, however, in February, the world was faced with a military conflict between Russia and Ukraine, which became the main geopolitical event with an impact on the development of the world economy, trade and finance, leading international institutions to revise downwards their forecasts for the growth of the global economy.

The year 2022 was particularly marked by an accentua tion of disruption to distribution chains and an increase in the prices of energy and raw materials, which has led to high inflation and the tightening of monetary policies, higher financing costs and a reduction in available labour in various developed economies, as a result of the conflict in eastern Europe and the persistence of lockdowns in China, due to it's zero COVID policy.

For 2022, IMF forecasts pointed to growth of the world economy of 3.2%, just over half the growth observed in 2021, when it stood at 6.0%.

Despite the international backdrop of high prices for raw materials and food products, the domestic economy has proved resilient. The national accounts published by the National Institute of Statistics (INE) reveal that up to the third quarter of this year, the economy had accumulated real GDP growth of 3.4%.

It should be noted that the increase in oil prices supported GDP growth, reversing the negative growth trend that had occurred since 2014 and inducing an appreciation of the kwanza against the main currencies, 9% against the dollar and 14% against the euro.

Contrary to that witnessed in most countries, in Angola, inflation has followed a downward trend since the beginning of 2022. At the end of the year, year-on-year inflation reached 13.86%, the lowest level in the last 4 years, meeting the target established in the 2022 State Budget, which pointed to a rate below 18%.

With regard to oil activity, we highlight the positive trend in oil prices from Q1 of 2022, influenced by the sanctions imposed on Russian crude oil.

In Angola, oil production remained at 1.2 million barrels of oil per day, ending the year at an average price of USD 100.75 per barrel. However, International Reserves fell by 6% compared to the same period last year, standing at USD 14.5 billion.

MAIN HIGHLIGHTS FINANCIAL SECTOR

I

In June 2022, the FATF (Financial Action Task Force) carried out an assessment of the Angolan financial sector, which aimed to ensure compliance with anti-money laundering and terrorist financing measures, rules and procedures;

II

Under the ambit of the privatisation of Angolan public institutions, BAI became the first institution to issue an IPO (Initial Public Offering) on the stock exchange for the sale of 1,945,000 shares held by Sonangol and Endiama (corresponding to 10% of share capital), marking a historic milestone for the stock market in Angola. Banco Caixa Geral Angola followed with the sale of 25% of the shares held by Sonangol;

III

Disclosure of Instruction 05/2022 of 13 June 2022 (Public Disclosure of Prudential Information). The Instruction establishes the bases for the implementation of Basel Pillar III, which concerns market discipline, on the information to be disclosed by the Banking Financial Institutions to the market regarding their risk management system, capital and solvency, liquidity, governance model and remuneration practices, as well as the requirements that the information to be disclosed must comply with, namely: (i) utility; (ii) clarity; (iii) comparability; and (iv) consistency;

IV

The Banco Nacional de Angola (BNA), through notice 17/2022, increased the re quirement for the minimum share capital of commercial banks from AOA 7.5 billion to AOA 15 billion;

V

The CSSF (Council of Supervisors of the Financial System) promotes the creation of policies on ESG (Environmental, Social and Governance) criteria that cut across the entire Angolan financial system, resulting in a strategic plan to be implemented during the year 2023.

VI

In October 2022, the financial rating agency Moody's upgraded the outlook for Angola's rating from stable to positive, maintaining the credit quality assessment at B3;

VII

Publication of Instruction 13/2022 with the aim of regulating the procedures for reporting information on corporate governance and internal control under the ambit of Notice 01/2022 on the corporate governance code for Banking Financial Institutions.

VIII

The process of revocation of Bank licences for financial intermediation at BODIVA was extended to 30 December 2023.

SUMMARY OF INDICATORS

BALANCE	2021	2022
Assets	154 025	214 491
Customers loans (gross)	49 444	36 874
Credit impairment	1 140	1 526
Customer funds	122 868	169 787
Securities portfolio	55 748	122 756
Equity	26 745	39 387
Transformation ratio	39.3%	20.8%
Fixed Asset Ratio	34%	30%

EARNINGS AND PROFITABILITY	2021	2022
Net Interest Income	9 516	16 343
Non-Interest Revenue	9 870	12 144
Banking Product	19 387	28 486
Operating Costs	10 983	11 334
Impairment and Provisions	(1 977)	893
Taxes	1 337	0
Net Income	9 042	16 260
Net interest income / Banking Product	49.1%	57.4%
Cost-to-income ratio	56.7%	39.8%
ROAA	6.7%	9.1%
ROAE	37.4%	54.6%

STRUCTURE	2021	2022
Branch Network	7	6
Active ATM	21	36
Active POS	1 813	2 672
Active customers	7 075	9 959
Employees	106	131

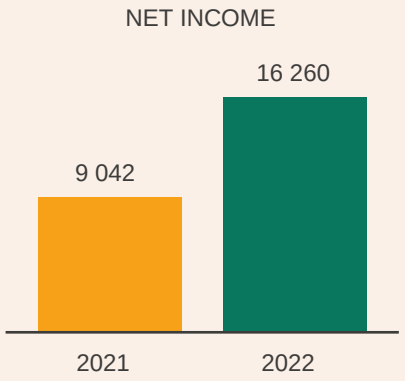
CREDIT QUALITY	2021	2022
Loans overdue for more than 90 days / loans to customers	1.2%	1.8%
Credit impairment / credit overdue for more than 90 days	204.1%	232.1%
Risk cost (pb)	-101	26

CAPITAL	2021	2022
Solvency ratio	43.4%	34.8%
Regulatory Own Funds	24 994	38 092
Risk-Weighted Assets	57 599	109 552

(Million AOA)

NET INCOME

The result for 2022 amounted to AOA 16,260 million, which represents an increase of 80%, compared to 2021.



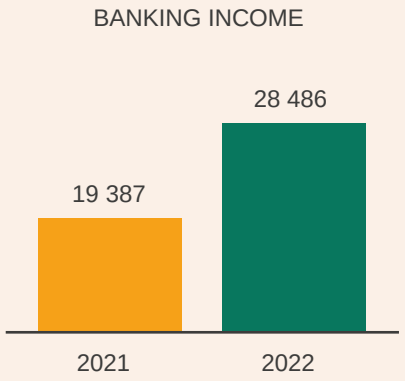
BANKING INCOME

Banking income for 2022 grew by around 47% com pared to 2021, driven by growth of 72% in net interest income and around 16% in foreign exchange income.

Net interest income stood at AOA 16,343 million in 2022. This represented a 72% rise compared to the previous year. The income growth was mainly due to an increase in the average volume of the securities portfolio, despite an increase in the average volume of customer deposits.

Commissions totalled AOA 4,616 million in 2022, com pared to AOA 4,060 million in 2021. This increase is sup ported by the variation in ATM/TPA and card movements.

Exchange rate income reached AOA 7,694 million in 2022, which represents 16% growth compared to 2021.



BANKING INCOME	2021	2022	Var.
Net Interest Income	9 516	16 343	72%
Commissions	4 060	4 616	14%
Foreign Exchange Gains and Losses	6 615	7 694	16%
Other income	-806	-166	-79%
Total	19 387	28 486	47%

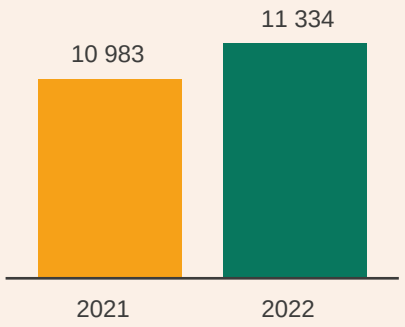
(Million AOA)

STRUCTURAL COSTS

Structural costs, which pool together personnel costs, supplies and services and depreciation for the year, increased by 3% to 11,334 million kwanzas (10,983 million kwanzas in 2021). This change essentially results from an increase in remuneration costs.

The efficiency ratio stood at 39.8% in 2022, representing a decrease of around 16.9% compared to 2021, as a result of banking income showing a stronger growth rate than that of operating costs.

NET INCOME



STRUCTURAL COSTS	2020	2021	Var.
Personnel costs	4 152	5 991	44%
Third-party supplies and services	5 626	3 736	-34%
Amortisation for the year	1 205	1 608	33%
Total	10 983	11 334	3%

(Million AOA)

RETURN AND SOLIDITY

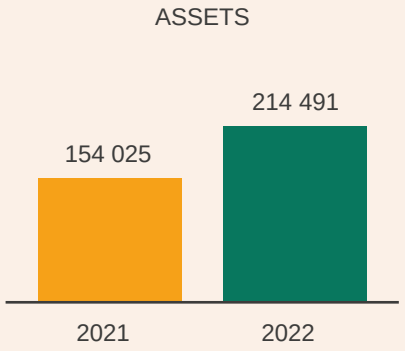
The return on average equity (ROAE) stood at 54.7%, 17.2% up on 2021.

As of 31 December 2022, the solvency ratio corresponded to 34.8%, above the regulatory limit (15.65%).

ASSETS

Total assets amounted to 214,491 million kwanzas in December 2022, which compares with 154,025 million kwanzas in December 2021.

This growth was essentially supported by the growth in resources and the means freed up by credit, which allowed for an increase in the portfolio of financial assets measured at amortised cost and the creation of a portfolio of financial assets measured at fair value through profit or loss.



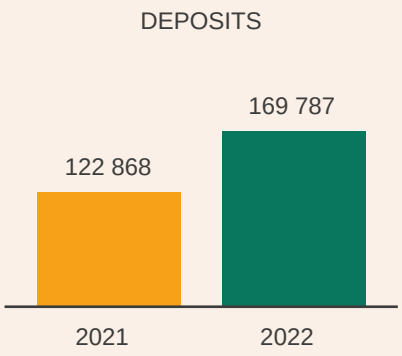
DEPOSITS AND CREDIT

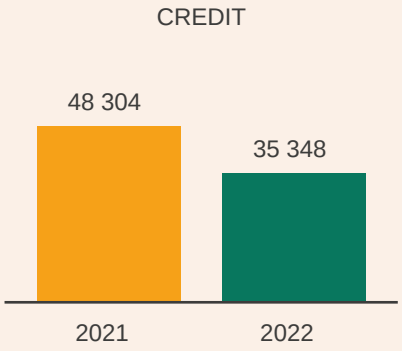
Customer deposits grew by around 38% compared to 2021, amounting to AOA 169,787 million, as a result of the strategy to diversify the customer base and expand the range of products and services.

The credit portfolio decreased by 27% compared to the previous year, as a result of the early settlement of some exposures and maturities over the course of 2022.

This fact contributed towards reducing the transformation ratio, which dropped from 39% in 2021 to 21% in 2022.

With regard to credit quality, the Bank remains in a very comfortable position. The ratio of loans in arrears for more than 90 days stood at 1.8%, and the coverage ratio of loans in arrears for impairments at 232.1%.





DISTRIBUTION NETWORK

As of 31/12/2022, BIR had a network of 6 branches,
2 corporate centres and 1 Private and Institutional Centre.

1 DE MAIO BRANCH

VIANA BRANCH

LUANDA PORT BRANCH

BELAS BRANCH

BAIRRO AZUL BRANCH

DESKONTÃO BRANCH

ATM CENTRES

It should also be noted that during 2022, the Bank opened another 2 ATM Centres, ending the year with 4 ATM Centres.

AIRPORT ATM CENTRE

PATRIOTA ATM CENTRE

CAMAMA ATM CENTRE

RUA DA MISSÃO ATM CENTRE

CUSTOMERS

The number of active customers grew by around 41% compared to 2021, reaching a total of 9,959 at the end of 2022.

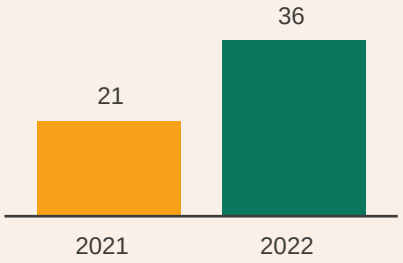
ELECTRONIC BANKING

In 2022, Banco BIR maintained it's strategy of developing it's Electronic Banking business, installing 15 ATMs and setting up 859 Points of Sale (POS), which contributed towards a 71% increase in the number of ATMs and a 47% increase in the number of POS.

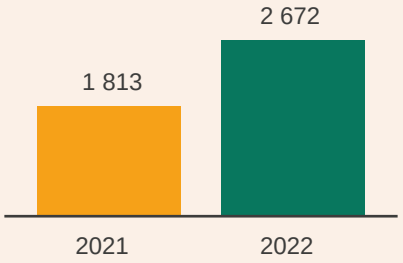
As of 31/12/2022, BIR held a total of 36 ATM and 2,672 active POS.

The number of active cards increased by 50% in 2022, standing at 10,355.

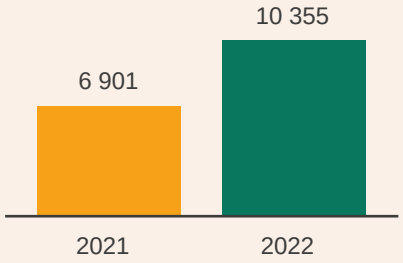
ATM



POS



ACTIVE CARDS



PROGRESS ACHIEVED REGARDING THE STRATEGIC PLAN 2022

The Bank achieved most of the objectives set out
in the strategic plan for the year 2022.

		Real (Dec 22)	Strategic Plan (Dec 22)	GRO (%)
BUSINESS	Gross Lending (M AOA)	36 874	31 531	117%
	Customer Funds (M AOA)	169 787	142 731	119%
	Active Customers	9 959	4 400	226%
	Branches + ATM Centres	10	9	111%
PROFITABILITY	Banking Product (M AOA)	28 486	24 658	116%
	Net Income	16 260	12 421	131%
	Cost-to-income ratio	39.8%	39.0%	
	ROAE	54.6%	>30%	
SOLIDITY	Own Funds (M AOA)	39 387	36 376	108%
	RSR	34.8%	>30%	
CREDIT QUALITY	Overdue Credit Ratio > 30 days	1.1%	<2.0%	
	Coverage of Overdue Loans > 30 days by impairments	378%	>300%	

PROSPECTS FOR 2023

As a result of the war in Ukraine, projections for 2023 indicate a slowdown in world economic growth, point ing to growth rates of around 2.5%. The conflict con- tinues to have an impact on energy and food prices, contributing to high levels of inflation, which has re sulted in a tightening of monetary policies and, con sequently, an increase in financing costs.

Another factor that has affected the growth of the global economy is the persistence of lockdowns in China due to it's Zero COVID policy.

For the Angolan economy, the recovery process is expected to intensify, with real GDP growth of 3.3%, compared to the 2.7% growth forecast for 2022. This anticipated growth for 2023 is justified by expecta tions of an increase in oil and gas production of around 2.98% and growth in the non-oil sector of 3.42%.

This growth is supported by the average price of a barrel of oil of USD 75 and an average oil production of 1.18 million barrels a day, with an expected annual inflation rate of 11.1%.

From a regulatory standpoint, the implementation is envisaged of policies on ESG (Environmental, Social and Governance) criteria and the execution of the 3rd phase of the project of convergence of the regulatory framework and standards of prudential supervision, with the recommendations and guidelines issued by international bodies. In this context, commercial banks will start disclosing prudential information under the ambit of Instruction 05/2022, of 13 June, regarding the implementation of Basel Pillar III on market discipline.

PROPOSED DISTRIBUTION OF PROFITS

Considering the legal and statutory provisions re lating to the establishment of reserves, the Board of Directors proposes to the General Meeting the following distribution of net earnings for the year 2022, in the amount of AOA 16 259 617 447.34:

- Reserve: AOA 8 159 617 447.34
- Dividend: AOA 8 100 000 00

9

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

Banco de Investimento Rural, SA

Financial Statements for the years ended
31 December 2022 and 2021

INCOME STATEMENT	Notes	2022	2021
Interest and similar income	9	25 320 521	15 789 940
Interest and similar charges	9	(8 977 926)	(6 273 482)
NET INTEREST INCOME	9	16 342 596	9 516 458
Income from services and fees	10	5 626 604	4 912 953
Expenses from services and fees	10	(1 010 508)	(852 525)
Earnings from financial assets and liabilities measured at fair value through profit or loss	27	1 886 388	-
Earnings from held-to-maturity investments	11	721 786	193 686
Foreign exchange gains and losses	12	7 693 736	6 615 443
Other operating profit or loss	13	(2 774 345)	(999 397)
PROCEEDS FROM BANKING ACTIVITY		28 486 256	19 386 618
Payroll expenses	14	(5 990 679)	(4 152 101)
Third-party supplies and services	15	(3 735 569)	(5 625 936)
Depreciation and amortisation for the year	16	(1 607 758)	(1 205 228)
Net provisions from cancellations	17 and 18	(1 351)	26 552
Impairment on customer loans net of reversals and recoveries	18	(385 500)	491 051
Impairment for other financial assets net of reversals and recoveries	19	(505 781)	1 458 939
EARNINGS BEFORE TAX FROM CONTINUING OPERATIONS		16 259 617	10 379 895
Tax on profit or loss			
Current	20	-	(1 337 452)
Deferred		-	-
INCOME FROM CONTINUING OPERATIONS		16 259 617	9 042 443
Income from discontinued and/or discontinuing operations		-	-
NET INCOME FOR THE PERIOD		16 259 617	9 042 443
BASIC AND DILUTED EARNINGS PER SHARE	21	16.26	9.04

Amounts stated in thousand Kwanza

STATEMENT OF COMPREHENSIVE INCOME	Notes	2022	2021
NET PROFIT OR LOSS FOR THE YEAR		16 259 617	9 042 443
Items that will not subsequently be reclassified to profit or loss		-	-
Items that may subsequently be reclassified to profit or loss		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAXES		-	-
COMPREHENSIVE INCOME FOR THE YEAR AFTER TAXES		16 259 617	9 042 443

BALANCE SHEET	NOTES	2022	2021
ASSETS			
Cash and cash balances at central banks	22	30 547 959	29 484 184
Cash balances at other credit institutions	23	10 762 984	8 630 121
Investments at central banks and other credit institutions	24	1 014 826	-
Financial assets measured at fair value through profit or loss	27	50 504 419	41 067
Financial assets measured at amortised cost	26	72 251 538	55 706 436
Customer loans	25	35 348 483	48 303 961
Other intangible assets	29	1 295 508	1 355 247
Tangible fixed assets	29	11 467 454	9 129 144
Current tax assets		343 414	378 525
Other assets	30	954 011	996 564
TOTAL ASSETS		214 490 595	154 025 247
LIABILITIES AND EQUITY			
Funds from central banks and other credit institutions	31	-	-
Customer funds and other loans	32	169 786 576	122 868 256
Provisions	36	29 524	28 173
Other liabilities	33	5 287 171	4 384 135
TOTAL LIABILITIES		175 103 271	127 280 563
Share Capital	34	10 000 000	10 000 000
Other reserves and retained earnings	35	13 127 707	7 702 241
Net earnings for the year		16 259 617	9 042 443
TOTAL EQUITY		39 387 324	26 744 684
TOTAL LIABILITIES AND EQUITY		214 490 595	154 025 247

Amounts stated in thousand Kwanza

STATEMENT OF CHANGES IN EQUITY 2022	NOTES	Share capital	Other reserves and unappropriated retained earnings	Net earnings for the period	Total
BALANCE AT 01/01/2022		10 000 000	7 702 241	9 042 443	26 744 684
NET PROFIT OR LOSS FOR THE YEAR				16 259 617	16 259 617
OTHER COMPREHENSIVE INCOME FOR THE YEAR					
COMPREHENSIVE INCOME FOR THE YEAR		-	-	16 259 617	16 259 617
MOVEMENTS WITH CAPITAL HOLDERS					
Distributions				(3 616 977)	(3 616 977)
Transfer to other reserves	35		5 425 466	(5 425 466)	(0)
			5 425 466	(9 042 443)	(3 616 977)
BALANCE AT 12/31/2022		10 000 000	13 127 707	16 259 617	39 387 324

STATEMENT OF CHANGES IN EQUITY 2021	NOTES	Share capital	Other reserves and unappropriated retained earnings	Profit or loss for the period	Total
BALANCE AT 01/01/2021		10 000 000	1 584 804	11 617 407	23 202 211
NET PROFIT OR LOSS FOR THE YEAR				9 042 443	9 042 443
OTHER COMPREHENSIVE INCOME FOR THE YEAR					
COMPREHENSIVE INCOME FOR THE YEAR		-	-	9 042 443	9 042 443
MOVEMENTS WITH CAPITAL HOLDERS					
Distributions				(5 500 000)	(5 500 000)
Transfer to other reserves	34		6 117 407	(6 117 407)	-
			6 117 407	(11 617 407)	(5 500 000)
BALANCE AT 12/31/2021		10 000 000	7 702 241	9 042 443	26 744 684

Amounts stated in thousand Kwanza

CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Interest, commissions and other similar income received	30 947 125	20 702 893
Interest, commissions and other similar expenses paid	(9 988 434)	(7 126 007)
Payments to employees and suppliers	(9 726 248)	(9 778 036)
Other income	(448 599)	(568 725)
CASH FLOWS BEFORE CHANGES TO OPERATING ASSETS AND LIABILITIES	10 783 844	3 230 124
(Increases) / decreases in operating assets:		
Investments at central banks and other credit institutions	(1 014 826)	13 610 335
Non-current assets held for sale	(46 322 009)	-
Investments at amortised cost	(16 080 801)	(14 990 739)
Customer loans	12 569 978	(21 726 518)
Other assets	77 665	174 455
NET FLOW FROM OPERATING ASSETS	(50 769 993)	(22 932 467)
Increases/(decreases) in operating liabilities:		
Funds from central banks and other credit institutions	-	(11 508 017)
Customer funds and other loans	46 918 321	43 624 193
Other liabilities	904 387	298 831
NET CASH FLOW FROM OPERATING LIABILITIES	47 822 707	32 415 007
Net cash generated by operating activities before income taxes	7 836 559	12 712 665
Income taxes paid	(1 603 960)	(430 672)
NET CASH GENERATED BY OPERATING ACTIVITIES	6 232 598	12 281 993

CASH FLOWS FROM INVESTMENT ACTIVITIES	2022	2021
Acquisitions and other tangible assets, net of divestitures	(2 338 311)	(6 244 217)
Acquisitions of intangible assets, net of divestitures	59 739	(777 897)
	(2 278 571)	(7 022 114)

CASH FLOWS FROM FINANCING ACTIVITIES	2022	2021
Acquisitions and own shares, net of divestitures	-	-
Distribution of dividends	(3 616 977)	(5 500 000)
	(3 616 977)	(5 500 000)

CASH VARIATION AND IT'S EQUIVALENTS	2022	2021
	337 050	(240 121)
Cash and cash equivalents at the beginning of the year	38 114 304	42 282 889
Effects of exchange variation on cash and cash equivalents	2 859 589	(3 928 464)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	41 310 943	38 114 304

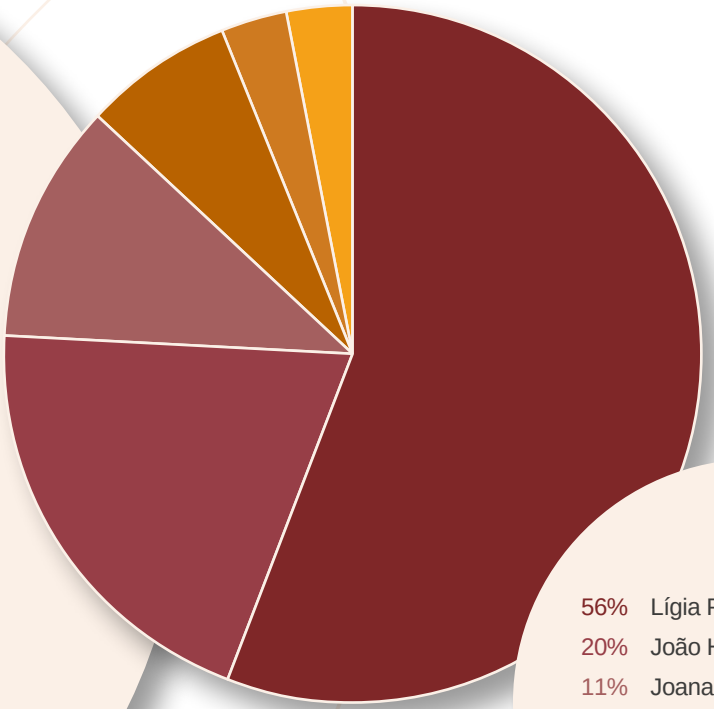
Amounts stated in thousand Kwanza

1. INTRODUCTORY NOTE

Banco de Investimento Rural, SA, hereinafter referred to as the “Bank” or “BIR”, is a private sector Bank established on 05 November 2013, having as it’s corporate purpose the pursuance of banking activity, under the terms and within the of limits of Angolan Law. The Bank operates in Angola and has it’s registered office in Luanda.

The Bank engages in obtaining third-party funds, essen - tially in the form of deposits, which, together with it’s own resources, it uses in lending activity, deposits with the Banco Nacional de Angola, investments in other credit institutions and the acquisition of securities and other assets. The Bank also provides other banking services and carries out various kinds of foreign currency trans-action, for the purpose having a network of 6 branches, 2 corporate centres, 4 ATM centres and 1 Private and institutional centre.

The Bank is owned by private Angolan shareholders. On 31 December 2022, the shareholder structure was as follows:



56%	Lígia Pinto Madaleno
20%	João Henriques Pereira
11%	Joana Paixão Franco
7%	Valdomiro Minoru Dondo
3%	Manuel Gonçalves Fonseca
3%	Hélder Nunes da Silva

2. NEW STANDARDS AND INTERPRETATIONS AND CHANGES TO STANDARDS AND INTERPRETATIONS

During the year ended 31 December 2022 there were no voluntary changes in accounting policies.

The following standards, interpretations, amendments and revisions, have mandatory application for the first time in the financial year beginning 1 January 2022:

A IFRS 16 (amendment) – This amendment extends the application date of the amendment to IFRS 16 – Leases - Rental subsidies related to COVID 19 until 30 June 2022.

B IAS 16 (amendment) (effective for annual periods beginning on or after 1 January 2022) - Establishes that the proceeds from the sale of items on a date prior to an item of property, plant and equipment being available for it's intended use cannot be deducted from the cost of that item of PP&E. Such revenues must be recognised in profit or loss, along with the costs incurred in producing those items. This change is applied retrospectively, but only for assets that become available for their intended use on or after the beginning of the earliest comparative period.

C IAS 37 (amendment) (effective for financial years beginning on or after 1 January 2022) – Clarifies that, for the purposes of assessing whether a contract is onerous, the costs of performing the contract include all costs directly related with the contract (incremental contract costs and an allocation of other costs incurred for activities necessary to perform the contract).

D IFRS 3 (amendment) (effective for annual periods beginning on or after 1 January 2022) - Introduces new exceptions to the principles of recognition and measurement of assets and liabilities, in line with the revised conceptual framework. It clarifies that the acquirer should apply the definition of liability in IAS 37 to determine what present obligations exist at the date of acquisition as a result of past events, and that it should apply IFRIC 21 criteria to determine whether or not an obligation to make payments to the state exists at the acquisition date. It also clarifies that the acquirer should not recognise contingent assets as of the acquisition date.

E Improvements to the 2018-2020 standards (effective for annual periods beginning on or after 1 January 2022) – Includes the following amendments: (i) to IFRS 1 – simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after it's parent; (ii) IFRS 9 – clarifies the fees to be included in the 10% test for derecognition of financial liabilities; (iii) illustrative examples of IFRS 16 – removes the example of payments made by the lessor in relation to works promoted by the lessee; and (iv) IAS 41 – removes the requirement to exclude tax-related cash flows in calculating fair value.

The adoption of these standards, interpretations, amendments and revisions had no material impact on the Bank's financial statements for the year ended 31 December 2022.

The following amendments to the published standards are only of mandatory application for annual periods beginning after 1 January 2023:

A IFRS 17 - Insurance contracts (new). This standard, of mandatory application in financial years beginning on or after 1 January 2023, replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical liabilities, at each reporting date. Current measurement may be based on a complete model ("building block approach") or in a simplified model ("premium allocation approach"). The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is retrospectively applied.

B IAS 1 (amendment) (effective for annual periods beginning on or after 1 January 2023) - Clarifies that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the reporting date. This right must be unconditional and substantive. It also clarifies that the transfer of equity

instruments of the entity itself is treated as a settlement of liabilities, unless this results from the exercise of a conversion option that complies with the definition of equity instrument.

C IAS 1 (amendment) (effective for annual periods beginning on or after 1 January 2023) – This amendment (also in IFRS Practice Statement 2) clarifies that information about an accounting policy is material when it's omission makes it impossible for users to understand other financial information included in the financial statements. It also clarifies that there is no requirement to disclose immaterial information.

D IAS 8 (amendment) (effective for annual periods beginning on or after 1 January 2023) - This amendment introduces the definition of an accounting estimate and clarifies how it is distinguished from changes in accounting policies. Thus, accounting estimates are defined as monetary amounts subject to uncertainty in their measurement, used to realise the objectives of an accounting policy.

E IAS 12 (amendment) (effective for annual periods beginning on or after 1 January 2023) – According to this amendment, entities are required to recognise deferred taxes in respect of certain transactions when their initial recognition results in equal amounts of deductible and taxable temporary differences. Included in this situation are transactions related to the recognition of rights of use and lease liabilities and also those related to the recognition of provisions for dismantling or similar and their capitalisation in the cost of the related assets. Therefore, these temporary differences are no longer covered by the exemption of initial recognition of deferred taxes. The accumulated effect of applying this amendment, reported at the beginning of the earliest comparative period reported, is recognised in the corresponding opening balance of retained earnings.

F IFRS 16 (amendment) (to be applied in financial years beginning on or after 1 January 2024) – According to this amendment, it is clarified that the right of use retained (and liability) under a sale & leaseback transaction where the lease has only variable payments is initially measured at the present value of the best estimate of future variable payments. Subsequently, the lease liability should be measured assuming that the estimated variable payments materialise. Any difference between the estimated payments and the payments actually incurred is immediately recognised in profit or loss for the period.

The adoption of these standards, interpretations, amendments and revisions is not expected to have a material impact on the Bank's financial statements.

3. ACCOUNTING POLICIES

3.1 BASIS OF PRESENTATION

The attached financial statements were prepared on a going concern basis, based on the books and records maintained by the Bank, in accordance with the IFRS (International Financial Reporting Standards), under the provisions of Notice 5/2019 of 30 August, of the Banco Nacional de Angola (hereinafter also referred to as "BNA").

The IFRS includes financial reporting standards is sued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee(IFRIC) and respective predecessor bodies.

The Bank's financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 27 February 2023.

3.2 FOREIGN CURRENCY TRANSACTIONS

The financial statements are presented in kwanzas, which is the Bank's functional currency. The functional currency corresponds to the currency used in the economic environment where the Bank's main operations are carried out.

Foreign currency transactions are recorded in ac cordance with the principles of the multi-currency system, with each transaction being registered in ac cordance with the respective denomination curren cy. Foreign currency transactions are translated into Kwanzas using the indicative exchange rate published by the BNA on the transaction date. Monetary assets and liabilities expressed in foreign currencies are trans lated into Kwanzas at the indicative exchange rate pub lished by the BNA on the balance sheet date. Income and expenses related to exchange differences, wheth er realised or potential, are recognised in the income statement for the year in which they occur, except con cerning: (i) exchange differences arising on cash flow hedging operations, which are recognised in other com prehensive income (hedge reserve), being reclassified to profit or loss to the extent that the hedged position affects profit or loss; and (ii) exchange rate differences in accounts receivable or payable associated with foreign operations, the settlement of which is neither planned nor expected to occur in the foreseeable future, which are recognised in other comprehensive income, being reclassified to profit or loss from the sale (in whole or in part) of the foreign operations.

At 31 December 2022 and 31 December 2021, the indicative exchange rate for the kwanza (AKZ), as published by the BNA, against the United States Dollar (USD) and the Euro (EUR) was as follows:

	2022	2021
1 USD	503.647	550.590
1 EUR	535.930	623.158

Non-monetary assets and liabilities expressed in foreign currency and recorded at historical cost are converted to kwanzas at the indicative exchange rate published by the BNA on the transaction date. Non-monetary assets and liabilities recorded at fair value are converted into kwanzas at the exchange rate in force on the date when the fair value is determined. The effect of the exchange rate adjustment of these assets and liabilities is recognised in the income state ment, with the exception of assets and liabilities des ignated as a hedging instrument under an effective hedge accounting operation, the effect of which is recorded against the hedge reserve.

At the date of contracting, purchases and sales of spot and forward foreign currency are immediately recorded in the foreign exchange position. Whenever these operations lead to variations in the net balances of the different currencies, there is a need to adjust the spot or forward foreign exchange position ac counts as follows:

Spot foreign exchange position

The spot foreign exchange position in each currency is given by the net balance of the assets and liabili ties in that currency, as well as the spot transactions awaiting settlement and the forward transactions maturing within the two subsequent business days. The spot foreign exchange position is revalued daily based on the indicative exchange rate published by the BNA on that date, giving rise to adjustments in the foreign exchange position account.

Forward Foreign Exchange Position

The foreign exchange forward position in each cur rency corresponds to the net balance of forward transactions awaiting settlement, excluding those maturing within the next two business days. Forward exchange positions are measured at fair value through profit or loss.

3.3 CLASSIFICATION OF FINANCIAL ASSETS

According to IFRS 9 - "Financial instruments", financial assets can be classified into three categories with different measurement criteria:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

The classification of financial assets depends on the business model and the characteristics of the con tractual cash flows (SPPI criterion).

3.3.1 Business model.

The business models provided for in the standard are as follows:

- Business model whose objective is achieved by holding the asset and obtaining it's contractual cash flows (Held to collect);
- Business model whose objective is achieved both through obtaining the contractual flows of the asset and through it's sale (Held to collect and sell); and
- Other business models (e.g., trading).

3.3.2 Assessment of the business model

The business model reflects the way in which the Bank manages it's assets with a view to generating cash flows. Thus, it is important to understand wheth er the Bank's objective only consists of receiving contractual cash flows from the assets, or whether it intends to receive the contractual cash flows and cash flows resulting from the sale of the assets. If nei ther of these situations is applicable (e.g., the financial assets are held for trading), then the financial assets are classified as part of "other business models" and recognised at fair value through profit or loss.

The factors considered by the Bank in identifying the business model for a set of assets include past ex perience with regard to (i) the way in which the cash flows are received, (ii) how the performance of the assets is evaluated and reported to management, (iii) how risks are assessed and managed, and (iv) how management is compensated. Financial assets at fair value through profit or loss are held primarily for the purpose of being sold in the short term, or to form part of a portfolio of jointly managed financial instru ments, for which there is clear evidence of a recent pattern of short-term gains. These assets are classi-fied under "other" business models and recognised at fair value through profit or loss.

The evaluation of the business model does not de pend on the intentions for an individual instrument, but for a set of instruments, taking into account the

frequency, the value, the sales calendar in previous years, the reasons for said sales and expectations regarding future sales.

Sales that are infrequent, or insignificant, or close to the maturity of the asset and those motivated by an increase in the credit risk of financial assets, or to manage concentration risk, among others, may be compatible with the model of holding assets to receive contractual cash flows. If a financial asset contains a contractual clause that may modify the schedule or the value of contractual cash flows (such as early amortisation or extension of duration clauses), the Bank determines whether or not the cash flows that will be generated during the life span of the instrument, due to the exercise of said contractual clause, are only payments of capital and interest on the amount of outstanding capital.

In the event that a financial asset includes a periodic adjustment of the interest rate, but the frequency of that adjustment does not coincide with the term of the benchmark interest rate (e.g. the interest rate is adjusted every three months), the Bank evaluates, at the time of initial recognition, this divergence in the interest component to determine whether or not the contractual cash flows represent only payments of capital and interest on the amount of outstanding capital.

Contractual conditions that, at the time of initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in portfolios at amortised cost or at fair value through other comprehensive income.

3.3.3 SPPI assessment

Where the business model involves holding assets in order to (i) receive contractual cash flows or (ii) receive contractual cash flows and sell those assets, the Bank assesses whether or not the cash flows of the financial instrument correspond only to payments of principal and interest on the capital outstanding (the solely payments of principal and interest, or “SPPI” test). In this assessment, the Bank considers whether or not the contractual cash flows are consistent with a basic loan agreement, i.e. the interest includes only considerations relating to the time value of money, credit risk and a profit margin that is consistent with a basic credit agreement. Where the contractual terms introduce exposure to risk or variability in cash flows that are inconsistent with a simple loan agreement, the financial instruments is classified and measured at fair value through profit or loss.

When determining whether or not the cash flows correspond only to payments of capital and interest on capital outstanding (“SPPI” test), financial assets with embedded derivatives are considered in their entirety.

3.3.4 Financial assets at amortised cost

The Bank measures a financial asset at amortised cost if it simultaneously meets the following characteristics and if it is not assigned to the FVTPL by option (use of the Fair Value Option):

- The financial asset is held under a business model whose main objective is to hold the assets to collect their contractual cash flows (HTC – Held to collect); and
- Its contractual cash flows occur on specific dates and correspond only to payments of capital and interest on the outstanding amount (SPPI – Solely Payments of Principal and Interest).

These instruments are initially accounted for at fair value and subsequently valued at amortised cost, based on the effective interest rate method and are subject to impairment tests.

This category of “Financial assets at amortised cost” includes investments in credit institutions, customer loans and debt securities (Investments at amortised cost) managed based on a business model whose objective is to collect their contractual cash flows.

The Bank’s main business model consists of the financial intermediation model, to which almost all of the Bank's financial assets and financial liabilities belong. This model consists of intermediation of the

allocation of savings in kwanzas to investments in kwanzas. The assets and liabilities associated with financial intermediation activity are based on a business model that consists of holding them for the collection or substantial payment of their contractual cash flows.

Cash in Kwanzas: the cash in kwanzas consists of notes made available so that customers who deposited kwanzas can withdraw these deposits. These assets comprise cash flows that are solely principal and interest. Moreover, cash in kwanzas is a financial asset held under the range of deposits in kwanzas, which form part of the Bank's financial intermediation business model. Consequently, these assets are subsequently measured at amortised cost.

Cash in foreign currency: cash in foreign currency consists of notes made available, essentially, so that customers with deposits in foreign currency can withdraw their deposits. These assets comprise cash flows that are solely principal and interest. Thus, given that foreign currency deposits form part of the financial intermediation business model, foreign currency cash is also part of the financial intermediation business model, and these assets are subsequently measured at amortised cost.

Funds available at the Banco Nacional de Angola (BNA) in kwanzas: the Bank must have funds available at the BNA to guarantee liquidity in relation to the level of deposits of it's customers. Since deposits form part of the financial intermediation business model, cash and cash equivalents at the BNA also form part of the financial intermediation business model. Accordingly, given that the funds available at the BNA comprise cash flows that are solely principal and interest, they are subsequently measured at amortised cost.

Funds available at ICO: the Bank's funds available at other credit institutions (ICO) can be denominated in kwanzas or in foreign currency. To a large extent, the aim is to allow the collateralisation of CDIs. These available funds also allow the transfer of foreign currency values deposited at the Bank to other national banks or, under BNA rules, to foreign banks. These are assets comprising cash flows that are solely principal and interest, as a result of which, given that both CDIs and deposits in foreign currency form part of the financial intermediation business model, these financial assets also form part of the financial intermediation model and are subsequently measured by amortised cost.

Customer loans: loans contracted with Bank customers solely include cash flows that are repayments of principal and interest payments (as defined in IFRS 9). There are no contractual clauses that result in embedded derivatives. Customer loans is the main asset resulting from the financial intermediation model. The Bank has no other sources of income for it's loans (such as, for example, securitisation). Accordingly, the business model of these assets consists of holding them to collect substantially all of the respective contractual cash flows (within the scope of the aforementioned financial intermediation), as a result of which they are subsequently measured at amortised cost.

Securities of the Republic of Angola, in non-indexed Kwanzas: these are securities (government bonds or T-Bond) that have a low coupon rate that were allocated to the Bank by the Angolan State under a recapitalisation programme. These securities only include contractual cash flows that consist of the repayment of principal (at nominal value) and the payment of coupons. The Bank's objective is to maintain these securities until maturity, and thus obtain the interest and capital reimbursement that they will contractually pay. Accordingly, these securities are subsequently measured at amortised cost. Incidental sales involving non-material amounts of securities are considered not to run counter to the business model of holding to maturity to receive the contractual cash flows. According to the Bank's policy, incidental sales are sporadic sales transactions that, on average, do not occur more than once a quarter over the course of the year. Sales of securities are not considered to be material if the carrying amount of the securities sold during the year does not exceed 10% of the portfolio's total average carrying amount in the same period.

Other Republic of Angola securities in Kwanzas: these are securities (T-Bond) that have a coupon rate in line with market yields on the date of issue and that are more liquid. These securities also include only contractual cash flows that consist of the repayment of principal (at nominal value) and the payment of coupons. The Bank assumed a business model for them that consists of holding them to collect substantially all of the respective contractual cash flows. As a consequence, they will subsequently be measured at amortised cost. Incidental sales involving non-material amounts of securities are considered not to run counter to the business model of holding to maturity to receive the contractual cash flows. According to the Bank's policy, incidental sales are sporadic sales transactions that, on average, do not occur more than once a quarter over the course of the year. Sales of securities are not considered to be material if the carrying amount of the securities sold during the year does not exceed 10% of the portfolio's total average carrying amount in the same period.

Other Republic of Angola securities in Kwanzas linked to the US Dollar or issued in foreign currency (US dollars): these are also securities (T-Bond) that have a coupon rate in line with market yields on the date of issue, and are more liquid. The index-linking of these securities results in all associated cash flows being calculated in foreign currency and converted to kwanzas at the exchange rate on the day of payment. In essence, this characteristic of index-linked securities makes them behave like securities issued in foreign currency. Bearing this in mind, it is the Bank's understanding that this index-linking does not constitute an embedded derivative. Thus, index-linked securities and securities issued in foreign currency also include solely contractual cash flows that consist of the repayment of principal (at nominal value) and the payment of coupons. Also in relation to these securities, the Bank assumed a business model that consists of holding them to collect substantially all of the respective contractual cash flows. Accordingly, they are subsequently measured at amortised cost. Incidental sales involving non-material amounts of securities are considered not to run counter to the business model of holding to maturity to receive the contractual cash flows. According to the Bank's policy, incidental sales are sporadic sales transactions that, on average, do not occur more than once a quarter over the course of the year. Sales of securities are not considered to be material if the carrying amount of the securities sold during the year does not exceed 10% of the portfolio's total average carrying amount in the same period.

Republic of Angola treasury bills: these are investments with a short maturity and that solely include contractual cash flows that consist of repayment of principal and interest. For the purposes of managing these securities, the Bank adopted the business model of holding them to collect substantially all of the respective contractual cash flows. Accordingly, these assets are subsequently measured at amortised cost. Incidental sales involving non-material amounts of securities are considered not to run counter to the business model of holding to maturity to receive the contractual cash flows. According to the Bank's policy, incidental sales are sporadic sales transactions that, on average, do not occur more than once a quarter over the course of the year. Sales of securities are not considered to be material if the carrying amount of the securities sold during the year does not exceed 10% of the portfolio's total average carrying amount in the same period.

Investments in equity instruments of other entities (under IFRS 9): these assets have associated cash flows that are not solely payments of principal and interest. Additionally, the Bank did not choose to designate them, at initial recognition, at fair value through profit or loss, as a result of which their subsequent measurement basis consists of fair value through profit or loss.

Other Financial assets: comprises the interest held by the Bank in EMIS, measured at acquisition cost. These assets also have associated cash flows that consist of payments of principal and interest. The business model adopted by the Bank to manage these assets consists of holding them to collect substantially all of the respective contractual cash flows. Thus, these assets are subsequently measured at amortised cost.

3.3.5 Financial assets at fair value through other comprehensive income

The Bank measures a financial asset at fair value through other comprehensive income if it simultaneously meets the following characteristics and if it is not assigned to the FVTPL by option (use of the Fair Value Option):

- The financial asset is held under a business model whose objective is to hold the assets to collect their contractual cash flows and sale (HTC and Sell – Held to collect and Sell);
- Its contractual cash flows occur on specific dates and correspond only to payments of capital and interest on the outstanding amount (SPPI – Solely Payments of Principal and Interest).

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably designate it in this category. This designation is carried out on a case-by-case basis, investment by investment, and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32, and cannot be used for financial instruments whose classification as equity instruments at the issuer's level is carried out under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Financial assets at fair value through other comprehensive income are initially recorded at fair value. Gains and losses relating to the subsequent variation in fair value are reflected in a specific item in equity ("Reserves for financial assets at fair value by OCI") until their sale, where they are reclassified to profit or loss for the year, with the exception of equity instruments that are reclassified to retained earnings. Additionally, they are subject, from their initial recognition, to the assessment of impairment losses (debt instruments only).

The inherent interest is calculated in accordance with the effective interest rate method and recorded in the income statement under "Interest and similar income". Income from variable-yield securities is recognised under the income statement caption "Income from equity instruments" on the date it is attributed. In accordance with this criterion, anticipated dividends are recorded as income in the year in which their distribution is deliberated.

3.3.6 Financial assets at fair value through profit or loss

All financial assets that are not measured according to the methods described above are measured at fair value through profit or loss.

Debt instruments whose contractual cash flow characteristics do not comply with the SPPI criteria, and which would otherwise be measured at amortised cost or at fair value through other comprehensive income, are mandatorily measured at fair value through profit or loss.

This category also includes assets acquired with the aim of realising gains from short-term fluctuations in market prices. Derivatives are also included in this category, excluding those that comply with hedge accounting requirements. By definition, equity instruments are also classified at fair value through profit or loss, unless entities opt for irrevocable classification at fair value through other comprehensive income, as mentioned above.

Additionally, on initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair Value Option).

Financial assets classified in this category are initially recognised at fair value. Gains and losses arising from the subsequent valuation at fair value are recognised in the income statement. The interest is reflected under the respective captions of "Interest and similar income".

Equity instruments are instruments that satisfy the definition of capital from the perspective of the issuer, i.e. they are instruments that do not contain a contractual payment obligation and that show a residual interest in the issuer's net assets. An example of equity instruments is ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. As a general rule, the Bank exercises the option, on initial recognition, to designate irrevocably in the category of financial assets at fair value through other comprehensive income, investments in equity instruments that are not classified as held for trading and that, if they do not exercise this option, would be classified as financial assets that are mandatorily accounted for at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other changes in fair value.

3.3.7 Classification of financial liabilities

A financial instrument is classified as a financial liability where there is a contractual obligation for a settlement to be made by means of money or another financial asset, regardless of it's legal form.

Financial liabilities are classified into the following categories:

i. Financial liabilities at amortised cost
Financial liabilities essentially correspond to Central Bank funds, those of other credit institutions and customer funds. These liabilities are initially valued at their fair value, which normally corresponds to the consideration received, net of transaction costs, and are subsequently recorded at amortised cost, in accordance with the effective interest rate method.

ii Financial liabilities held for trading
This category includes derivative financial instruments with negative fair value.

iii. Financial liabilities at fair value through profit or loss (Fair Value Option)
In it's initial recognition, the Bank designates certain financial liabilities at fair value through profit or loss (Fair Value Option), provided that at least one of the following requirements has been met:

- The financial liabilities are managed, valued and analysed internally based on their fair value;
- Derivative operations are contracted with the aim of carrying out economic hedging of these assets or liabilities, thus ensuring consistency in the valuation of the assets or liabilities and derivatives (accounting mismatch); and
- Financial liabilities contain embedded derivatives.

3.4 INITIAL RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The Bank initially recognises financial assets corresponding to loans granted when funds are transferred to the customers' accounts. Financial liabilities related to customer deposits are initially recognised when the funds are transferred to the Bank.

The remaining financial assets and liabilities are recognised by the Bank on the trading or contracting. In cases where, due to contractual or legal/regulatory imposition, the underlying rights and obligations are transferred on different dates, the last most recent relevant date will be used.

Financial assets are measured on initial recognition as follows, according to their classification:

- Financial assets at fair value through profit or loss – initial measurement at fair value.
- Trade receivables – initial measurement at the transaction price.
- Other financial assets – initial measurement at fair value plus transaction costs.

Liabilities are measured on initial recognition as follows:

- Financial liabilities at fair value through profit or loss – initial measurement at fair value.
- Other financial liabilities – initial measurement at fair value less transaction costs.

The difference between the transaction price and the fair value in the initial recognition of financial instru ments initially measured at fair value is recognised as follows:

- According to it's economic substance, where iden tifiable (e.g. in the case of loans granted to employ ees with an interest rate below the market rate, the difference between the nominal value of the loans and their fair value is treated as a remuneration to be recognised during the expected period of time that the employee will remain on the Bank's staff);
- When the fair value results only from observable mar ket inputs, the difference is recognised in profit or loss at the time of initial recognition ("day 1 profit or loss");
- When the fair value results from a valuation tech nique that incorporates unobservable market inputs, the difference is deferred, and is only recognised in profit or loss when the aforementioned inputs are observed or when the instrument is derecognised.

Fair value is the amount that would be received on the sale of an asset or paid on the transfer of a liability, in an unforced transaction between market participants, which occurred on the measurement date.

The fair value is determined based on the following hierarchy:

Level 1: prices of an active market (a market with a volume and frequency of transactions that allows regular price information to be obtained);

Level 2: prices of similar assets/liabilities in active mar kets, prices of identical assets/liabilities in non-active markets, other observable inputs (market interest rates, implied volatilities, spreads, …);

Level 3: valuation techniques that use unobservable inputs, including discounted cash flow models or option pricing models.

A market is considered active when it presents trans actions with a frequency and magnitude that provide regular information on the prices of the corresponding assets.

A parameter used in a valuation technique is considered to be observable in the market if the following conditions are met:

- Its value is determined in an active market;
- There is an OTC market and it is reasonable to assume that active market conditions exist, with the exception of the condition of trading volumes;
- The value of the parameter may be obtained by the inverse calculation of the prices of financial instruments and/or derivatives where the remaining parameters necessary for the initial assessment are observable in a liquid market or in an OTC market that comply with the preceding paragraphs.

3.5 MODIFIED ASSETS

Modified assets (including restructuring of loans granted) are subject to specific treatment on the date of the modification.

It is initially assessed whether the change (essentially changes in the transaction fee, grace periods and haircuts) gives rise to the derecognition of the original asset and the recognition of a new financial asset. There will be derecognition when, in substance, the modification results in a separate financial asset. As a practical means of deciding regarding this aspect, the Bank adopts, by supplementary application, the "10% rule". In other words, in substance, the modifi cation gives rise to a separate financial asset when the difference between the present value of the new contractual cash flows from the asset (based on the original effective interest rate) and it's carrying amount exceeds, in absolute terms, 10% of the car rying amount at that time.

When the modification does not result in the derecognition of the asset, the amount corresponding to the difference between said present value and the carrying amount of the modified asset is immediately recorded in profit or loss. The effective interest rate is not changed as a result of these changes without derecognition.

3.6 DERECOGNITION AND WRITE-OFFS

A financial asset (or part thereof) is derecognised when the rights to receive it's cash flows expire. Derecognition of the financial asset will also occur when it is transferred and the transfer qualifies for derecognition.

There is a transfer of a financial asset when the Bank transferred the rights to receive the contractual cash flows from it or when it retained those rights, but assumed an obligation to deliver the received cash flows to a third party without delay (pass-through condition).

A transfer qualifies for derecognition if the Bank has transferred substantially all the risks and rewards associated with ownership of the asset, or if the Bank has not transferred or retained such risks and benefits, but has transferred control over the asset.

A credit is write-off when there is no reasonable expectation of recovering it (after considering the associated collateral). The write-off of a debt (in whole or in part) implies the cancellation of the corresponding balance of the asset, as well as the associated provision for credit losses (impairment losses). The difference between these two amounts is recognised in profit or loss on the date of the write-off.

A financial liability is derecognised when the associated liability is settled, cancelled or expires. When a liability is replaced by another liability of the same counterparty under substantially different terms and conditions or the terms of the liability are substantially modified, the original liability is derecognised and a new liability is recognised. The difference between the carrying amount of the original liability and the amount of the initial recognition of the new liability is recognised in profit or loss immediately. When the substitution or modification of liabilities is not clearly evident under substantially different conditions, the Bank adopts the "10% rule". In other words, in substance, the modification gives rise to a distinct financial liability when the difference between the present value of the liability's new contractual cash flows (based on the original effective interest rate) and it's carrying amount exceeds, in absolute terms, 10% of the carrying amount at the time of replacement or modification.

3.7 INTEREST INCOME

Interest income is recognised in accordance with the effective interest rate method (using the effective interest rate or TJE) for all financial assets measured at amortised cost and for all financial assets measured at fair value through reserves that are debt instruments. The TJE is the rate that discounts all estimated future cash flows from the financial asset so that the sum of the respective present values corresponds to the net carrying amount of the asset on the measurement date. The TJE is determined taking into account transaction costs (taxes, fees, charges, …), premiums and discounts associated with the asset.

When there are changes in the expected cash flows of the aforementioned assets (which do not give rise to derecognition) for reasons that are not related to credit risk, their carrying amounts are adjusted by the present value (determined using the TJE) of the aforementioned changes. This effect is immediately recognised in profit or loss (interest and similar income).

Interest income is determined by applying the TJE to the gross carrying amount (without deduction of accumulated impairment losses) of financial assets that do not present objective evidence of impairment. In the case of financial assets that show objective evidence of impairment, interest income is determined by applying the EIR to the carrying amount less accumulated impairment losses.

In the case of financial assets acquired or originated that are already impaired, interest income is determined by applying the TJE adjusted for credit risk to the carrying

amount of the assets. The credit-risk-adjusted TJE is the rate that, on initial recognition of the assets, discounts their estimated cash flows (including credit losses) so that the sum of the respective present values corre sponds to the amount paid for them.

Treasury bonds issued in national currency indexed to the exchange rate of the United States dollar are subject to exchange rate adjustment on each report ing date. The result of the exchange rate updating (gain or loss) is reflected in the income statement of the period in which it occurs, in the net interest in come caption "Interest and similar income", as it is the Bank's understanding that this effect is a component of interest income from these bonds.

Interest on debt instruments measured at fair value through profit or loss is recognised as an integral part of income or expenses related to changes in fair value under the caption Income from assets and liabilities measured at fair value through profit or loss.

3.8 INTEREST EXPENSES

Interest expenses are recognised in accordance with the effective interest rate method (using the effective interest rate or TJE) for all financial liabilities measured at amortised cost. The TJE is the rate that discounts all estimated future cash flows from the financial liability so that the sum of the respective present values corresponds to the net carrying amount of the liability on the measurement date. The TJE is determined taking into account transaction costs (taxes, fees, charges, …), premiums and discounts associated with the liability.

When there are changes in the expected cash flows of the aforementioned liabilities (which do not give rise to derecognition), their carrying amounts are ad justed by the present value (determined using the TJE) of the aforementioned changes. This effect is immediately recognised in profit or loss under Interest and similar charges.

3.9 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities held for trading are measured at fair value through profit or loss (includes assets whose business model consists of their being traded in the short term with the objective of ob taining capital gains). Other financial assets whose contractual cash flows do not consist solely of prin cipal and interest are also measured at fair value through profit or loss. These latter investments in clude equity instruments of other entities (unless they are irrevocably designated on initial recognition at fair value through reserves), derivative instruments, hybrid instruments (incorporating one or more em bedded derivatives). All financial assets and liabili ties that the Bank designates, upon initial recognition, in this category under the fair value option, are also measured at fair value through profit or loss.

Application of the fair value option is voluntary and is carried out instrument-by-instrument on initial recog nition, provided that one of the following conditions is met:

- This designation eliminates or substantially reduces treatment inconsistencies that would result from the measurement of financial assets and liabilities according to different bases; or

- The financial liabilities form part of a group of fi nancial liabilities that are managed (and their per formance is measured) on a fair value basis, in accordance with a documented management or investment strategy; or

- The financial liabilities are hybrid instruments (un less the respective embedded derivatives do not substantially modify the cash flows of the host contract or it is clear, with little or no analysis, that the separation of the embedded derivatives is prohibited).

Changes in the fair value of assets and liabilities measured at fair value through profit or loss are recognised under the caption Income from assets and liabilities at fair value through profit or loss.

At 31 December 2021 and 2019 and during the years ended on those dates, the Bank did not designate any financial asset or liability at fair value through profit

or loss by applying the fair value option. In the same period, the Bank did not designate any investment in equity instruments of other entities at fair value through reserves.

3.10 IMPAIRMENT OF FINANCIAL ASSETS

Impairment losses (expected credit losses or ECL) are measured and recognised by the Bank in accordance with the expected credit loss model provided by IFRS 9. To the extent applicable, this model covers the following financial assets:

- Financial assets within the scope of the recognition and measurement provisions, which are measured at amortised cost;
- Financial assets within the scope of the recognition and measurement provisions, which are measured at fair value through reserves (debt instruments only);
- Trade receivables and contract assets recognised in accordance with IFRS 15;
- Accounts receivable from leases.

At each reporting date, ECL must be measured and recognised for all the aforementioned financial assets.

For financial assets falling under the IFRS 9 impairment requirements that have not registered a significant increase in credit risk since initial recognition, ECL consist of the expected credit losses resulting from default events that may occur within a future time frame of 12 months. For financial assets that have registered a significant increase in credit risk since initial recognition, the ECL consist of expected credit losses resulting from default events that may occur over the life of the instrument.

For financial assets falling under the IFRS 9 impairment requirements that are already in default at the reporting date, the impairment losses consist of the difference between the carrying amount of the asset on the reporting date and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An asset is considered to be in default when there are contractual payments in arrears for more than 90 days, when restructuring has taken place due to financial difficulties of the debtor, with default on the date of the restructuring, or when the debtor's bankruptcy or liquidation occurs, as well as well as when there is other evidence that the contractual obligations are unlikely to be fulfilled.

At each reporting date, an assessment must be made as to whether there has been a significant increase in credit risk since initial recognition of the financial asset. This assessment is not necessary for instruments that have a credit risk considered low.

A significant increase in credit risk is deemed to have occurred when there are contractual payments in arrears for more than 30 days or when there is other evidence that the credit risk has increased significantly since initial recognition (as provided under BNA Instruction 8/19, of 27 August).

In addition to relevant historical information, the evaluation of ECL must also take into account information that reflects future prospects (forward looking information), as long as this does not involve excessive effort or cost.

The measurement of ECL should take into account the following aspects:

- An unbiased evaluation of various possible outcomes (weighted by the respective probabilities of occurrence); and
- The time value of money; and
- Reasonable and verifiable information regarding past events, present conditions and forecasts of future economic conditions, available without excessive effort or cost.

ECL are recognised through a provision to be deducted from the carrying amount of the corresponding asset and changes in the provision are recorded in profit or loss for the period (under the caption Impairment of financial assets).

The calculation of ECL is based on staging. Staging consists of assigning a stage to the assets for the purpose of calculating impairment losses, according to the following criteria:

- Assets with no significant increase in credit risk since initial recognition (or with low credit risk) – stage 1
- Assets with a significant increase in credit risk since initial recognition – stage 2
- Default assets (including those acquired or generated with impairment) – stage 3

ECL correspond to the difference between all contractual cash flows owed to the Bank and all cash flows that the Bank expects to receive (i.e. they correspond to an expected insufficiency of cash flows), discounted at the original effective interest rate (TJE) of the asset or, for financial assets acquired or originated in impairment, at the effective interest rate adjusted to the credit risk. In the case of irrevocable commitments assumed, such as, for example, bank guarantees, payments that the Bank expects to make are deducted from the cash flows it expects to receive from the counterparty.

The Bank estimates cash flows taking into account the contractual term defined for the operations. In determining the cash flows that the Bank expects to receive, when applicable, the net cash flows resulting from the execution of existing collateral are considered.

For stage 1 and stage 2 assets, the cash flows that the Bank expects to receive are determined taking into account the likelihood that the counterparty will default (PD), as well as the proportion of exposure (EAD) that will be lost in the event of default (LGD). In the case of stage 1 assets, the PD only considers default events that may occur in the following 12 months. In the case of stage 2 assets, the PD takes into account default events that may occur during the remaining maturity.

Stage 1

$$ECL = \sum_{i=1}^{12} \frac{PD_i \times LGD \times EAD_i}{(1 + TJE)^i}$$

Stage 2

$$ECL = \sum_{i=1}^{T} \frac{PD_i \times LGD \times EAD_i}{(1 + TJE)^i}$$

Stage 3

$$ECL = QE - \sum_{i=1}^{\cdots} \frac{CF_i}{(1 + TJE)^i}$$

The PD is determined as follows for the various financial assets:

- Cash balances at other credit institutions – PD corresponding to 1/12 of the 12-month PD corresponding to the credit rating of the institution (or, in the absence of this information, corresponding to the credit rating of the country where the institution operates), according to studies by rating agencies (as per BNA Directive 13, of 27 December 2019). When there is a significant increase in credit risk, the PD for the various relevant periods will be that corresponding to the credit rating of the country of the central bank, also according to studies by rating agencies.

- Investments in other credit institutions – PD of the 12-month PD corresponding to the credit rating of the institution (or, in the absence of this information, corresponding to the credit rating of the country where the institution operates), according to studies by rating agencies (as per BNA Directive 13, of 27 December 2019). When there is a significant increase in credit risk, the PD for the various relevant periods will be that corresponding to the credit rating of the institution, also according to studies by rating agencies.

- Treasury bonds and other state sovereign debt instruments – PD corresponding to the credit rating of the issuing state, according to studies by Moody's (as per BNA Directive 13, of 27 December 2019).

- Bonds and other debt instruments of issuers other than sovereign states – PD corresponding to the credit rating of the counterparty, according to studies by rating agencies. When there is no published rating for the counterparty, the rating of the country where the counterparty has it's operations is used.

- Customer loans – given the small size of the portfolio, PDs are determined through a benchmarking approach, which is based on information published by other Angolan financial institutions.

The LGDs used for the determination of the ECL of loans to clients are, also due to the reduced size of the portfolio, determined through a benchmarking approach, which is based on information published by other Angolan financial institutions.

The LGD for funds available and investments corresponds to 60%, according to the provisions of BNA Directive 13, of 27 December 2019.

The LGD for investment in bonds issued by sovereign states correspond to the LGD published regularly by Moody's.

EAD is forecast for the considered maturity of the financial assets in view of the contractually defined repayments and the rate of unanticipated early amortisation.

For stage 3 assets (already in default), the ECL is determined by the difference between the EAD (the asset's carrying amount - QE) and the present value of future cash flows (CF) that the Bank expects to receive. In this particular case, the future cash flows associated with the execution of guarantees and collateral are of greater relevance.

When the collateral consists of mortgages on real estate, these cash flows are based on the expected net selling price of the property after the collateral has been executed, with it's valuation being the reference value used. The appraisal value is subject to haircuts taking into account the age thereof (as provided under BNA Instruction 8/19, of 27 August and BNA Directive 13, of 27 December 2019). Expected costs with the sale and expected costs associated with ownership of the property until it's sale are also considered.

When the collateral consists of other assets (e.g. shares or other negotiable securities, works of art or miscellaneous equipment), the cash flows to be considered are determined based on recent valuations adjusted for expected costs to sell.

The analysis of impairment of customer loans may be carried out on an individual basis or on a collective basis. An exposure must be considered eligible for individual analysis when it is individually significant or when it has another complementary eligibility criterion, according to BNA guidelines.

The impairment analysis is carried out individually when, according to the provisions of BNA Instruction 08/2019 of 27 August, an exposure is above at least one of the following two materiality thresholds:

- The aggregate exposure of the customer/economic group exceeds 0.5% of the Bank's own funds;
- The aggregate exposure of the customer/economic group exceeds 0.1% of the Bank's own funds and the customer/economic group experiences a significant increase in credit risk as defined in Part 2 of Annex III of Instruction 08/2019 of 27 of August of the BNA.

For this purpose, the last annual regulatory own funds known by the Bank and reported, or to be reported, to the supervisor are considered.

In the collective analysis, the risk factors determined through the benchmarking approach are determined for the various existing risk classes (internal ratings).

3.11 CUSTOMER LOANS

Loans granted to customers originated by the Bank are measured at amortised cost, based on the effective interest rate method, and are presented in the statement of financial position net of impairment. The associated transaction costs are included in the effective interest rate of these financial instruments. Interest income calculated using the effective interest rate method is recognised in the Bank's net interest income. It should be noted that the bank does not grant loans with the intention to sell in the short term.

The credit operations, by disbursement, are granted in national currency to all entities, with the exception of the State and exporting entities, regardless of the term and the purpose.

Credit operations granted to customers, guarantees and sureties provided and documentary credits are classified according to their risk, in accordance with BNA Notice 11/2014 of 10 December and subject to the constitution of impairments according to the new rules of the BNA, namely BNA Instruction 08/2019, of 27 August, and BNA Directive 13/DSB/DRO/2019, of 27 December.

In accordance with BNA Notice 11/2014, of 10 December, the Bank classifies loan operations, guarantees and sureties provided and documentary credits in ascending order of risk, calculating risk positions in accordance with the following levels:

RISK	LEVEL
A	MINIMUM
B	VERY LOW
C	LOW
D	MODERATE
E	HIGH
F	VERY HIGH
G	MAXIMUM

Defaulted credit operations are classified according to the risk levels associated with the maturing and overdue credit of each operation on the reference date of the financial statements, considering for this purpose the classification attributed in the extension of credit phase and the age of the default, respectively.

The review and reclassification of the risk level of an operation is the result of an assessment carried out periodically by the Bank, taking into account the perception of risk associated with the credit operation and the existence of any guarantees that are collateralising the debt with the Bank.

Notwithstanding the review described above, the classification of exposures is revised monthly, according

to the time elapsed since the date of default of the operations, according to the following table:

RISK	Time elapsed since date of default
A	up to 15 days
B	from 15 to 30 days
C	from 1 to 2 months
D	from 2 to 3 months
E	3 to 5 months
F	from 5 to 6 months
G	more than 6 months

The reclassification of credit to a lower risk category, due to the reduction of the delay, is limited to the level established in the initial classification or that resulting from the periodic risk assessment.

3.12 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

The distinction between financial liabilities and equity instruments depends on the substance of the instrument.

A Financial liabilities is:

- A contractual obligation to deliver cash or another financial asset, or to exchange financial assets or liabilities with another entity under conditions potentially unfavourable to the Bank; or
- A contract that will or may be settled by the delivery of Bank's equity instruments and is not a derivative that includes a contractual obligation to deliver a variable number of the Bank's equity instruments, or is a derivative that will be settled by the exchange of a fixed amount or another financial asset for a fixed number of the Bank's equity instruments.

An equity instrument is any contract that evidences a residual interest in the Bank's assets after deducting all of it's liabilities. Equity instruments issued are recognised when the amounts are received, initially being measured net of the corresponding direct costs.

Bank repurchased equity instruments (e.g. own shares) are recognised by deducting them from equity in the balance sheet. Income and expenses are not recognised as a result of transactions for the purchase, sale, issue or cancellation of the Bank's equity instruments.

Compound instruments are instruments that include a financial liability component and an equity component (e.g. convertible bonds). The components of the compound instruments are separated and presented in the balance sheet as financial liabilities and as equity instruments, respectively. The financial liability component is initially measured at fair value, which is determined based on market interest rates on similar financial liabilities (without conversion option). The equity component is initially measured by the difference between the amount received and the fair value of the financial liability component.

Transaction costs directly related to the issue of compound instruments are allocated to the financial liability and equity instrument components in proportion to the respective initial recognition amounts. The portion of transaction costs allocated to the equity instrument component is recognised in equity. The portion of transaction costs allocated to the financial liability component is included in the carrying amount of that component, being amortised through profit or loss over the life of the instrument using the effective interest rate method.

A conversion option classified as an equity instrument is recognised in equity for an amount net of tax effect and is not subsequently remeasured. This amount remains in equity even if the conversion option is not exercised. If the option is exercised, the amount of the conversion option is reclassified to the captions Paid-in capital and Share premiums. If the conversion option is not exercised, the aforementioned amount is reclassified to Unappropriated retained earnings. No income is recognised when the option is exercised or expires.

The separation of derivatives embedded in financial liabilities that are hybrid instruments is mandatory when those derivatives are not closely related to the host contract, except when the Bank chooses to measure the hybrid instruments in their entirety at fair value through profit or loss.

3.13 HEDGING DERIVATIVES

The Bank does not set up financial instruments to hedge risks and, consequently, does not apply hedge accounting.

3.14 INCOME FROM SERVICES RENDERED AND FEES

Income from services rendered and fees includes fees and charges not included in the effective interest rate of financial assets. This income includes, among others, fees charged in connection with loan instalments, fees related to the non-use of credit lines and fees related to the provision of means of payment and cards.

These earnings are recognised in accordance with the provisions of IFRS 15 – Revenue from contracts with customers. The price associated with these transactions is generally fixed and has no significant financing component associated. The corresponding revenue is recognised when control over the services rendered is transferred to the customers, which normally happens when the amounts concerned are debited to the customers.

3.15 TANGIBLE FIXED ASSETS

The Bank subsequently measures it's property, plant and equipment corresponding to properties for own use and equipment using the cost model, according to which the carrying amount at each reporting date corresponds to the acquisition cost, less the respective depreciation and, where applicable, accumulated impairment losses.

Where applicable, property, plant and equipment net of their residual values are depreciated over their useful lives using the straight-line method. The depreciation is recorded in profit or loss under Depreciation and amortisation for the year. The useful lives of the Bank's asset classes are detailed below:

OWNER-OCCUPIED PROPERTY	YEARS
Buildings	25 to 50
Structures	25
EQUIPMENT	YEARS
Furniture and material	8 and 10
Machines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10
Computer equipment	3 and 6
Inines and tools	4 and 10

Land is not subject to depreciation.

The depreciation of the assets begins when they are available for their intended use.

Useful lives, residual values and depreciation methods are reviewed at each reporting date. The effects of any changes resulting from these reviews are prospective.

Subsequent expenditure on property, plant and equipment is recognised as an asset only if it is probable