ANNUAL REPORT 2021

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WE HAVE THE ANSWER

These are times of change and the year 2021 confirmed that. Not only because of the pandemic and the resulting implications in the various areas of social and economic life with repercussions in financial activities and entities, but also because of the challenges that technological progress imposes on institutions that want to be the ones leading the advances in global communication modes. In this plan, the digital transition is an unstoppable march on the path to the future and Banco BIR intends to be in that vanguard, as a full-sized commercial financial entity, recognised by the market as a trustworthy partner, proudly pursuing a safe path of support for the development of the Angolan economy. Today, digital screens are the new windows to the horizons of knowledge, summoning us all to a challenge that has no end. In 2022, Banco BIR is following these innovation routes by introducing the digital edition of its Annual Report for the financial year 2021, now provided. As always, we have the answer.

1 MESSAGE FROM THE CHAIRS

MESSAGE FROM THE CHAIRS

In 2021 the global economy still resented the instability created by the Covid-19 variants and the degree of uncertainty in international markets caused, essentially, by the fluctuation in energy prices and the measures that states adopted to combat the prevailing pandemic.

After five consecutive years of economic recession, the Angolan economy registered slight growth, around 0.7%, as a result of the performance of the non-oil sector, which grew about 6.4%, the main drivers of which were the fishing, transport and storage and trade areas, whose growth rates were 46.4%, 28.9% and 13.5% respectively, as well as the evolution of oil prices, which registered the biggest annual rise since 2009 and partially compensated for some constraints at the level of production capacity.

The IMF Article 4 Mission gave a positive assessment of the prudent policies adopted by the Angolan authorities for stability and sustainability within the framework of the programme with that International Financial Institution.

As a result, by improving the State's fiscal policy, the public debt/GDP ratio fell from 121% at the end of 2020 to 84% in 2021.

The positive evolution of fiscal indicators and a more favourable economic context have contributed to the upward revision of Angola's sovereign risk rating by Moody's rating agency.

The year 2021 was also marked by the normalisation of the foreign exchange market.

During this period the kwanza appreciated about 15% against the dollar and 20% against the euro, reversing the trend of the last three years.

It was possible to maintain the Net International Reserves (NIR) at USD 9.9 billion in December 2021, an increase of USD 1.1 billion compared to December 2020, resulting in the assurance of about 10 months of imports of goods and services.

The inflation rate stood at 27.03% in 2021, 1.9% above that of the previous year.

During the year, the Central Bank adopted more restrictive monetary policy measures aimed at inverting the trend of this indicator, although the objective set for the end of the year (19.5%) was not achieved.

It is in this economic environment that Banco BIR seeks to rigorously fulfil its strategic plan, focused on improving the quality of services provided to its customers, stimulating commercial performance, increasingly empowering the areas of Risk Management and Compliance functions, in full compliance with international practices duly regulated by the National Bank of Angola Compliance in full compliance with the international practices duly regulated by the National Bank of Angola.

With a view to increasing the quality of service and improving customer experience, significant technological investments were made in the last year, with emphasis on the Customer Relationship Management (CRM) and Mobile Banking.

The Bank remains strongly committed to supporting the development of the national economy. In the last year the loan portfolio grew by 75% and the amount made available under Notice 10/2020 largely exceeded the target set by the Central Bank.

During 2021, the Bank opened another branch and continued to focus on expanding its active customer base (+84%), which enabled significant growth in the deposit portfolio (+55% compared with 2020). In terms of electronic banking, it significantly reinforced its ATMs (+91%) and active POS (+70%).

As at 31 December 2021 the Bank's total assets amounted to AOA 154,025 million (+30% compared to 2020) and total liabilities AOA 127,281 million (+34% compared to 2020), total equity AOA 26,745 million (+15% compared to 2020).

Despite the growth of the main aggregates of the balance sheet, the financial year ended with a net result of AOA 9,042 million, 22% less than the previous year, conditioned by the impacts of the appreciation of the kwanza. Nevertheless the Bank remains very solid, with a solvency ratio of 43.4%, well above the regulatory limit.

On behalf of the Board of Directors, we express to all our officers and other employees our heartfelt gratitude for the successful performance of their day to day duties, as reflected in the high level of results and in the leading indicators of the accounts for the year.

Our thanks are extended to our shareholders, customers, suppliers and related bodies for all their cooperation, which enables us to constantly maintain:

WE HAVE THE ANSWER.

GENEROSO HERMENEGILDO DE ALMEIDA
Chair of the Board of Directors

LÍGIA MARIA GOMES PINTO MADALENO
Chair of the Executive Board

2021 HIGHLIGHTS

2

BALANCE SHEET

(Million AOA)

154,025
ASSETS

122,868
DEPOSITS

49,444
LOAN TO CUSTOMERS

26,745
EQUITY

STRUCTURE

7
BRANCHES

21
ATM

6,901
ACTIVE CARDS

7,075
ACTIVE CUSTOMERS

1813
POS

106
EMPLOYEES

EARNINGS AND PROFITABILITY

(Million AOA)

19,387
NET OPERATING INCOME

56.7%
COST-TO-INCOME RATIO

37.4%
ROAE

9,042
NET INCOME

6.7%
ROAA

SOLIDITY AND CREDIT QUALITY

43.4%
SOLVENCY RATIO

0.7%
NON-PERFORMING LOANS

322%
COVERAGE OF NPL BY IMPAIRMENT

3 ECONOMIC ENVIRONMENT

3.1 SUMMARY 2021

High inflation in 2021 was a widespread phenomenon, in the United States, the Eurozone, Latin America and Eastern Europe. The prices of commodities rose sharply in 2020 and 2021. Covid-19, resulted in huge challenges for the global economy. The scenario was one of general lockdown, affected almost all sectors of activity, in particular aviation, as reflected in a deterioration of economic and social indicators. IMF forecasts of world GDP growth in advanced economies underwent minor downward revisions, partly due to disruptions in the supply of raw materials, and in developing countries the worsening of the dynamics of the pandemic was one of the greatest difficulties faced.

The world economy grew by about 5.6% in 2021, factors such as the USD 1.9 trillion stimulus package from the United States and the rapid growth of China, influenced this strong performance.

Challenging factors for the world economy for 2022:

The recent increase in natural gas prices also reflects short-term factors – including lower inventories after a harsh winter and a hot summer in 2021, scarce renewable energy production in some locations and lower supply. The adjustment for year-on-year inflation rates of "downward and upward" energy prices calculated over a 24-month horizon is close to the range prior to Covid. Supply chain disruptions and related bottlenecks are putting pressure on prices of durable goods, especially in view of the rapid recovery in demand.

These mismatches between supply and demand are expected to diminish over 2022 as consumption patterns normalise, stocks are replenished and trade bottlenecks, in particular the availability of shipping containers, are addressed. Moreover, inflation in the euro area has also been boosted by one-off factors, such as the expiry in Germany of a value-added tax cut approved in January 2021.

In 2021 the Angolan economy showed signs of recovery and it is estimated that it has emerged from the long recessionary cycle with GDP growth of 0.2 percent. The non-oil sector recovered, supported by the removal of COVID-19-related restrictions and the lagged impact of macroeconomic reforms. This has offset a further contraction in the oil sector, which is shrinking despite the increase in oil prices.

Financial regulation was strengthened with the approval of a new Financial Institutions Act, which reinforces the resolution powers of the National Bank of Angola and includes improved corporate governance requirements. In addition, a law was created to strengthen the autonomy of the BNA.

The BNA continued its efforts to keep the exchange rate flexible by allowing an increasing number of companies to sell foreign currency directly to commercial banks. As a result, however, the exchange rate appreciated and inflation remained high at around 27%.

Overall, Angola's macroeconomic reforms are already producing some positive results as oil economic activity has expanded before and after the COVID-19 shock, as indicated by the 41% growth in non-oil exports by 2021.

The outlook for 2022 is favourable, especially due to the continued rise in oil prices and a temporary increase in production levels. Since the transformation from a state-led and oil-financed economic model to a private sector-led growth model is a complex and long-term process, the oil sector will continue to play an important role during the transition period. However, continued government efforts to diversify the economy have boosted the growth of the non-oil sector.

The economic cost of Russia's war in Ukraine is hitting economies, especially the European economy, hard.

The world economy was on its way to a strong recovery and growth coming out of the pandemic, but with the start of the war, the growth forecast of 4% has been cut to 2.7%, and so has the inflation forecast for 2022, which is being revised upwards.

3.2 INTERNATIONAL CONTEXT

GLOBAL ECONOMIC PROSPECTS

The IMF's WEO estimates world economic growth at around 5.9% in 2021. The easing of mobility restrictions, the measures relating to the vaccination plan, support for businesses and families, contributed to a strong recovery of the economies compared to the contraction recorded in 2020 of 3.1%.

The advanced economies recorded a growth of about 5% in 2021, and a deceleration to 4.5% in 2022 is expected, while for the group of emerging and developing economies growth was 6.5% in 2021. In sub-Saharan Africa we go from -1.7% growth in 2020 to 4% in 2021 and a 3.8% increase is forecast for 2022. The emerging economies bloc benefited from the rapid recovery of China, the second largest economy in the world, which was the first to show signs of recovery from the crisis.

The rapid advance of the Omicron variant in 2021 indicated that the pandemic is likely to continue affecting economic activity in the medium term. In addition, a notable slowdown in major economies - including the United States and China - will impact external demand in emerging and developing economies. At a time when governments in many developing countries lack the policies to support activities when needed, new outbreaks of COVID-19, persistent supply chain bottlenecks and inflationary pressures, and high financial vulnerabilities in much of the world, may increase the risk of a rapid decline in economic growth.

WORLD GDP GROWTH (%)	2020	2021	2022*
Global GDP	-3.1	5.9	4.9
Advanced economies	-4.5	5	4.5
Emerging markets	-2	6.5	5.1
Sub-Saharan Africa	-1.7	4	3.8

Source: IMF| World Economic Outlook_Jan.21

RECENT DEVELOPMENTS IN ECONOMIES

ADVANCED AND EMERGING ECONOMIES (%)

The United States of America (US) may have grown by 5.6% in 2021, recovering from the sharpest fall in GDP since World War II of around 3.4% recorded the previous year. Government support for household income and investment was on an unprecedented scale, with the passage of one of the largest stimulus packages ever to the US economy, totalling $1.9 trillion (The American Rescue Plan Act). Among the measures approved in this package are direct support to lower income families and the activation of funds for local and state governments. At the end of 2021, a $1.2 trillion infrastructure investment package was approved, the impact of which could begin to be felt in 2022.

COUNTRY	INDICATORS %	2020	2021
USA	Real GDP growth (%)	-3.4	5.6
	Inflation %	1.4	7
	Unemployment %	6.7	4.2
	Basic interest rate %	0.3	0.3
Eurozone	Real GDP (YoY) %	-6.4	5.2
	Inflation %	-0.3	5
	Unemployment %	8.1	7.2
	Basic interest rate* %	0	0
China	Real GDP (YoY) %	2.3	8.1
	Inflation %	0.2	1.5
	Unemployment %	4.2	3.9
	Basic interest rate* %	4.4	4
India	Real GDP (YoY) %	-7.3	9
	Inflation %	4.6	5.6
	Unemployment %	9.1	6.9
	Basic interest rate* %	4	4

Source: IMF| World Economic Outlook_Jan.21
*Rate of return on overnight deposits

The global economic recovery continues, amidst the resurgence of a pandemic that presents unique challenges for economic policy. The disparity in the projected recovery of different groups of economies has widened since the July projection, for example between advanced economies and low-income developing countries. Meanwhile, inflation rose sharply in the United States and in some emerging market economies. With the easing of restrictions, demand has accelerated, but supply has reacted more slowly.

For 2022, although price pressures are expected to recede in most countries, the inflation outlook is quite uncertain. Rising inflation is occurring even as unemployment is below pre-pandemic levels in several economies, forcing economic authorities to make difficult choices. To strengthen the global economic outlook, a vigorous multilateral policy effort on vaccine distribution, climate change and international liquidity is needed. National policies to complement the multilateral effort will have to be much more tailored to country-specific conditions and well targeted, as the space for economic policy will become smaller and smaller the longer the pandemic continues.

China will grow by 8% in 2021, according to estimates published on Monday by the National Bureau of Statistics. With this rate of Gross Domestic Product (GDP) growth, it will probably become the second largest economy, after India, with the highest rate of growth last year, if we take into account World Bank forecasts.

China recorded annual inflation of 1.50% in 2021, the second lowest among the major economies (after Japan, which is expected to record deflation, a fall in prices). Portugal recorded a rate of 1.3%. The sector in which prices rose most in China was transport and communications, with an annual variation of 4.1%.

SUB-SAHARAN AFRICA

Sub-Saharan Africa is expected to grow by 4% in 2021 and 3.8% in 2022. This recovery is very welcome and is mainly the result of a significant increase in world trade and raw material prices. Favourable harvests have also contributed to the rise in agricultural production. However, recovery is expected to be slower than in advanced economies, leading to a widening income gap. This divergence is likely to persist over the medium term, reflecting in part the different degree of access to vaccines, but also stark differences in the availability of supportive policies. The outlook remains extremely uncertain and risks tend to be downward. Recovery depends in particular on the evolution of the pandemic worldwide and on regional vaccination efforts, and is also vulnerable to disruptions in global activity and financial markets.

In Nigeria, the economy grew by 2.6% in 2021, driven by recovery in non-oil sectors and rising oil prices, although oil production is expected to remain below pre-Covid-19 levels. Growth is expected to recover slightly to 2.7% in 2022 and to remain at this level over the medium term, allowing GDP per capita to stabilise at current levels despite long-standing structural problems and high uncertainties.

South Africa is expected to grow by 5.0% in 2021, reflecting better than expected growth in the first half of the year and the effects of the recent update to its national accounts, which complemented the strong 2020 base effects. However, the outlook was affected by the combined impact of the third wave of Covid-19 and the circumscribed social upheavals in July. Given that the pace of structural reforms is expected to remain limited and the recovery better than expected in 2021, South Africa will be constrained in its ability to sustain the 2021 pace of growth, so growth is expected to slow to 2.2% in 2022.

After five consecutive years of economic recession, the Angolan economy has seen slight growth, around 0.7%, and is expected to grow 2.4% in 2022. Growth for 2021 has been revised down considerably from April due to falling investment and recurring technical problems in the oil sector. Non-oil growth will continue to be the main driver of economic growth, with trade and agriculture recovering strongly, surpassing pre-pandemic levels.

COUNTRY	INDICATORS %	2020	2021
South Africa	Real GDP growth	-6.4	5
	Inflation	3.3	4.4
	Unemployment	29.1	30.8
	Basic interest rate	6.5	3.5
Nigeria	Real GDP growth	-1.8	2.6
	Inflation	13.2	16.9
	Unemployment	-	-
	Basic interest rate	13.5	11.5

Source: IMF/WEO
*Bloomberg/World Bank *1-year liquidity provision

OIL MARKET

Quotes for a barrel of oil experienced the biggest annual rise since 2009, to average $75 and $79 for a barrel of Brent.

Saudi Arabia, OPEC's largest producer, has played an important role, spending almost the entire year well below its production ceilings. The country cut its production by more than 580 thousand barrels of oil per day, which made it possible to offset the default by certain countries.

There were also other factors boosting prices, such as:

- Increasing demand, better expectations about the future of the economies, the process of increasing Covid 19 vaccination globally;
- OPEC+ cut-off limits restrictions, inability of some producers to supply oil at agreed levels in July 2021;
- Open borders, greater movement of people and goods.

DEMAND	2020	2021	Var.
OECD	42	44.5	6.00%
China	13.5	14.5	7.2%
India	4.5	4.8	7.30%
Other	30.9	32.8	5.90%
TOTAL	**91**	**96.6**	**-9.80%**

OFFER	2020	2021	Var.
OECD	29.1	29.5	1.20%
OPEC	25.7	27.9	8.70%
Other	38.9	31.9	-18.00%
TOTAL	**93.7**	**89.3**	**-4.70%**

Source: OPEC

3.3 DOMESTIC CONTEXT

FISCAL SECTOR

In 2021 there was a favourable evolution of the public debt ratio, dropping from 128.7% at the end of 2020 to 84.8% in September, according to the Foundation Report of the State Budget 2022 (OGE 2022). It should be noted that the positive evolution of fiscal indicators and a more favourable economic context influenced an improvement in the rating, from Caa1 to B3, by Moody's, maintaining the Outlook as stable.

As for external debt, according to the BNA, the gross stock stood at US$66.9 billion in September (+4% than in December 2020). Despite the increase in the value of the external debt, there was a 2% reduction in the debt with China, which is Angola's largest financier with a stock of 21.6 billion.

It is also important to note that the good external environment experienced by the country in 2021 (oil prices above expectations, low interest rates and exchange rate appreciation) allowed for the maintenance of financing conditions, with the yields on our Eurobonds for a 10-year maturity (issued in 2019) falling to 8.2% in 2021.

PRESIDENTIAL DECREE N.o 96/20, OF 9 APRIL

Review of the OGE 2020, focusing on the following measures:

- Use of 1.5 billion kz from the Sovereign Wealth Fund of Angola for budget support;
- Acceleration of the Privatisation Program (PROPRIV);
- Authorisation for the INE to invest in Treasury bonds;
- Suspension of payment in cash of arrears;
- Negotiation for the postponement of payment of 50% of the internal debt (rollover) and the country's accession to lines of financing to combat the effects of the COVID-19 pandemic.

Deferral of payment of VAT on the import of some goods and exemption from VAT and customs duties on goods imported for the purpose of humanitarian aid and donations;

PRESIDENTIAL DECREE NO. 98/20, OF 9 APRIL (INDUSTRIAL TAX)

Extension of the payment deadline for group B and A taxpayers;

Allocation of VAT Tax Credit to importers who import the 54 products provided for under the PRODESI

LAW 20/20, OF 9 JULY (NEW PROPERTY TAX CODE)

Approval of a new Property Tax Law that, in addition to urban properties, shall also apply to rural properties and building land.

- The previous law (IPU) only provided for a single rate of 0.5% on properties with a tax value greater than 5 million Kz, whereas the new law provides for the application of progressive rates up to 0.6% and charges 50% of the tax on vacant buildings.

LAW 21/20, OF 9 JULY (GENERAL TAX CODE)

Relaxation of tax obligations:

- Extension of the term of tax procedures and reduction of the payment of fines for arrears;
- Extension of the maximum limit for instalments, from 18 to 24 months;
- A 30% reduction in the amount of compensatory interest in the event of spontaneous payment of the debt within 15 days.

LAW 24/20, OF 13 JULY (MOTOR VEHICLE TAX)

Replacement of Transportation Duty with Motor Vehicle Tax, with a broader tax base:

- Extension of assessment to vessels and aircraft;
- Exemption for vehicles used in the agricultural and fisheries sector.

LAW 26/20, OF 20 JULY (INDUSTRIAL TAX)

Reduction of the general rate of Industrial Tax from 30% to 25%

- Increase in the tax rate from 30% to 35% for banks, insurance companies, telecommunications and oil companies

LAW 28/20, OF 22 JULY (TAX ON EMPLOYMENT INCOME)

- Reduction of the rate from 15% to 10% for agricultural activities;

Increase in tax brackets and increase in the tax rate up to a maximum of 25%, which compares with the previous 17%:

- Levied on income above 70 thousand Kz, compared to the previous 34 thousand Kz;
- Reduction of the withholding tax rate from 10.5% to 6.5% for service providers and freelancers

LAW 31/20, OF 11 AUGUST (REVISION OGE 2020)

Abolition of VAT exemption on the basket of basic foodstuffs, moving to a rate of 5%;

Reduction of the VAT rate on agricultural inputs from 14% to 5%

Application of a rate of 14% to the operation and pursuance of games of chance and recreational games

NET ISSUE OF SECURITISED DEBT

The public securitised debt issued in 2021 reached Kz 2,247 billion, representing a 2.6% decrease compared to 2020. There was a 15% decrease Treasury Bond (T-Bond) issues, to 1.489 billion Kz, and a 42% decrease in the placement of Treasury Bills (TB), to 758 billion Kz.

During 2021, the Treasury amortised debts amounting to Kz 2 800 billion, higher than the amount issued, which caused the net placement to be around Kz -553 billion. Payments of Treasury Bonds decreased significantly from Kz 3,275 billion in 2020 to Kz 1,572 billion in 2021 (-52%), whereas TB redemptions increased from Kz 452 billion to Kz 1,228 billion (172%).

Interest rates on the securities did not show a definite trend, on the one hand, TB with maturities of 182 and 364 days fell to 13.98% and 16.99%, respectively, while issue rates for 2-year and 3-year non-adjustable bonds showed increases to 24.50% and 24.70%.

In 2021 there was a favourable evolution of the public debt ratio, dropping from 128.7% at the end of 2020 to 84.8% in September, according to the Foundation Report of the State Budget 2022 (OGE 2022).

ISSUE OF SECURITIES 2021		2020	2021	Var.	Degree of execution
T-Bond	Issue	1 750	1 489	-15%	94%
	Redemption	3 275	1 572	-52%	79%
	Net C.	-1 525	-83	-0.95	-
TB	Issue	1 296	758	-42%	131%%
	Redemption	452	1228	172%	154%
	Net C.	844	-470	-1.56	-
Total Issue		**3 046**	**2 247**	**-26%**	**104%**
Total Redemption		**3 727**	**2 800**	**-25%**	**101%**

(billion Kz) Source: SIGMA

MOVEMENT IN INTEREST RATES ON PUBLIC SECTOR DEBT SECURITIES	2020	2021
TB 182 days	19.99%	13.98%
TB 364 days	20.61%	16.99%
OTNR 2 years	22.25%	24.50%
OTNR 3 years	24.33%	24.70%

Source: BNA

COLLECTION OF OIL AND DIAMONDS REVENUES

Oil

Between January and November 2021, oil tax revenue reached around USD 9.9 billion, a increase of 49% compared to the same period in 2020. This growth was influenced by the increase in the export price of oil. The National Oil and Gas Agency (ANPG), recorded revenues of USD 6.7 billion, an increase of 46% and with regard to taxes on operators it was USD 3.2 billion, an increase of 57%.

The increase in total taxes was justified by a 35% rise in Petroleum Income Tax to $2.1 billion (66% of total taxes) and a 43% rise in Petroleum Production Tax to $492 million (16% weight).

SIXTH REVIEW OF THE IMF FINANCING PROGRAMME TO ANGOLA

The IMF concluded the sixth review of the Financing Programme and specialised technical advice (Extended Fund Facility, EFF), having considered that the country's macroeconomic framework is positive and that the reform programme for Angola is still ongoing. With this evaluation, the release of a tranche of USD 748 million was approved, totalling almost USD 4.5 billion of planned financing.

The performance of the programme, in this sixth review by the IMF, was considered positive, and some points can be highlighted:

- Restore external and fiscal sustainability;
- Improving governance and diversifying the economy to promote sustainable, private sector-led economic growth;

EVALUATION CRITERIA OF THE IMF ARRANGEMENT	JUN/21		
	Adjusted	Actual	Status
PERFORMANCE CRITERIA			
Foreign exchange reserves (M USD)	8 177	8 020	No
BNA credit stock to GC (billion Kz)	300	288	Yes
Maximum limit of the monetary base (billion Kz)	2 039	2 089	Yes
Primary non-oil fiscal deficit of the GC (billion Kz)	1 010	109	Yes
Non-accumulation of arrears by GC and BNA (M USD)	0	0	Yes
Maximum limit of new debt guaranteed by oil by the GC, BNA and Sonangol (M USD)	0	0	Yes
INDICATIVE CRITERIA			
Public debt stock (GC and Sonangol) (billion Kz)	55 951	45 350	Yes
Maximum social spending limit (billion Kz)	892	929	Yes
Limit of net accumulation in the stock of payment arrears of the GC (billion Kz)	250	62	Yes
Cumulative Limit on Oil-Collateralised External Debt Disbursement GC (M USD)	438	0	Yes
Limit of debt issuance guaranteed by the GC (M USD)	300	0	Yes

With the approval of this latest assessment, the fund updated its macroeconomic framework of reference for Angola until 2022:

- Medium-term growth projection of 4%, driven by the implementation of planned growth-enhancing structural reforms;
- Gradual decline in inflation from 2022 onwards, as global food inflation slows and the BNA maintains a tight monetary policy stance;
- Rapid decline of the debt ratio to 78.9% of GDP by 2022, supported by a prudent fiscal position;
- Improvement in the external position, with gross international reserves rising to US$14.8 billion by 2022.

The IMF also left a set of recommendations, with emphasis on:

Economic growth

- Accelerating the process of diversification of the economy through deep and continued structural reforms, which is essential to achieve inclusive growth and consolidate economic sustainability;
- Implement ongoing reforms to strengthen governance, improve the business environment and promote private investment and trade openness, as well as human capital and infrastructure development for rapid expansion of non-oil production;
- Promoting the conditions for faster development of key economic sectors such as agriculture, telecommunications and the financial sector;

Fiscal Aspects

- Adopt continued fiscal discipline, supported by structural fiscal reforms, aimed at keeping public debt on a downward path towards the medium-term objective;
- Saving future windfall gains from high oil prices and protecting priority expenditures in downturns to mitigate the impact of oil market shocks;

Monetary and Foreign Exchange Aspects

- Should inflation continue to rise or high inflation expectations be maintained, the IMF recommends that the BNA prepare to tighten monetary policy by strengthening the maintenance of the inflation targeting and flexible exchange rate regimes;

Financial System

- Complete the modernisation of the regulatory framework and the restructuring of the two largest ailing public banks;
- Implement plans to deal with the high level of non-performing loans.

INDICATORS	2021	2022	2023
GDP growth	0.4	2.4	3.5
Oil	-6.2	0	0
Non-oil	2.5	3.3	4.7
Year-on-year inflation	18.7	10	8
Fiscal balance (% GDP)	0.3	1.4	1.4
M2 growth	23.8	11	12.5
FER (end of period, million USD)	8,187	8,687	9,030
Government debt (gross) (% GDP)	119.9	106.7	97.2
Oil and gas production (millions of barrels per day)	1.313	1.313	1.313
Price of Angolan crude (average, USD per barrel)	46.2	46.4	46.9

GENERAL STATE BUDGET FOR 2022

The General State Budget for 2022 (OGE 2022) was prepared based on the following main assumptions:

ASSUMPTIONS USED IN THE 2020-2022 STATE BUDGET	2020 OGER	2021 PMER	2022 OGE
End of period inflation (%)	18.7	26.8	18
Oil Production (Thousand Bbl)/day	1 220,4	1 130,4	1 147,9
Crude oil price (USD/barrel)	39	67.5	59
Growth Rate Actual Product (% chg)	0	0.23	2.45
Oil + Gas	-6.2	-10.6	1.6
Non-Oil	2.1	5.2	3.8
Non-Oil	- 2	-2	2

Source: MINFIN *OGE 2020 Revised

- **Price of oil –** at the time, this price was already considered conservative, as it was below the Focus Economics consensus (69.2 dollars), which compiles the projections of more than 40 international institutions. Currently, given the scenario of conflict in Europe (Russia-Ukraine), there is little risk of a barrel price below this assumption at the end of 2022. However, high investments to accelerate the energy transition process always put downward pressure on prices;

- **Oil production –** the production estimate of 1.14 million barrels per day corresponds to an expected increase of about 2% compared to 2021 at 1.13 million, which is consistent with the prolonged positive evolution of exports explained by the increase in oil activity;

- **GDP Growth –** the forecast of a 2.4 % increase in 2022, can be explained by the growth of non-oil GDP, which may be an optimistic prospect, as, despite the recovery from the crisis and the relaxation of restrictions on mobility, the country's production capacity will continue to be affected, in an environment in which consumer spending and the number of active companies will be lower. In the oil sector, MINFIN expects a recovery to 1.6% in 2021, a stance that may not be confirmed as a drop in production is expected next year against a backdrop of higher prices;

- **Inflation and exchange rate –** the Government and the IMF point to a scenario of a downturn of the inflation trajectory starting this year, forecast at 18%, as a reflection of the decrease in international inflationary pressures and the results of domestic measures aimed at controlling prices. However, the current upward trend in the price of international energy commodities continues to put pressure on world inflation. Additionally, by 2021, it became clear that inflation in Angola also has a large component coming from the supply side, namely the limitations on goods and services and the constraints on their distribution;

The estimated implicit exchange rate (USD/AOA 759.025) suggests that the assumption adopted proposes an expectation of continued depreciation of the Kwanza, which is not in line with the objective of stabilising the market and with what has been observed. On the other hand, it should be noted that the adoption of an exchange rate with high deviations in the estimation could condition the budget implementation and suggest a surplus that would be difficult to achieve;

MACRO-FISCAL FRAMEWORK 2020-2021	2021	2022 OGE	Var.	2021%	2022%
REVENUES	**10 475**	**11 637**	**11.10%**	**21.2**	**21.3**
Oil	6 043	6 118	1.20%	12.2	11.2
Non-oil	3 933	4 612	17.30%	8	8.4
Other	500	908	81.70%	1	1.7
EXPENDITURE	**8 992**	**11 636**	**29.40%**	**18.2**	**21.3**
Current expenses	7 218	9 623	33.30%	14.6	17.6
Remuneration of Employees	2 484	2 675	7.70%	5	4.9
Goods and Services	1 512	2 392	58.10%	3.1	4.4
Interest	2 328	3 021	29.80%	4.7	5.5
External	1 108	1 753	58.30%	2.2	3.2
Internal	1 220	1 268	3.90%	2.5	2.3
Transfers	894	1 536	71.70%	1.8	2.8
Capital expenditure	1 774	2 013	13.50%	3.6	3.7
DEFICIT	**1 160**	**2**	**-99.90%**	**2.3**	**0**
Domestic financing (net)	-1 973	-1 617	-18.10%	-0.4	-3
Disbursements	3 760	3 050	-18.90%	7.6	5.6
Amortisations	-3 477	-4 314	24.10%	-7	-7.9
External financing (net)	814	1 615	98.50%	1.6	3
Disbursements	2 426	3 834	58.00%	4.9	7
Amortisations	-1 613	-2 218	37.60%	-3.3	-4.1

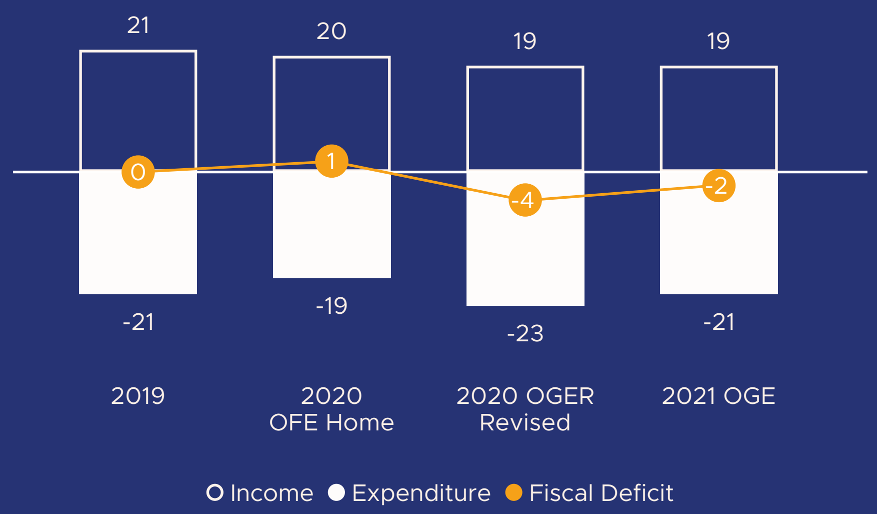
billion Kz Source: MINFIN

The nil budget balance is expected to result from revenue and expenditure of around 11.6 billion kwanzas. On the revenue side, a slight increase (+1.2%) in oil revenues is expected, notwithstanding the fact that the average price is expected to be lower than in 2021. The increase can be explained by the expected increase in daily production.

On the expenditure side, a 29.4% increase was programmed, with a 71.7% rise in subsidies and current transfers and a 58.1% increase in the purchase of goods and services. The interest component also shows a significant rise, possibly reflecting the calculated depreciation forecast for the exchange rate.

MOVEMENT IN REVENUE, EXPENDITURE AND FISCAL DEFICIT

(in % of GDP) Source: MINFIM



After debt operations, which represent 42% of total expenditure, comes the social sector, which has a weight of 19%, followed by general public services (15%) and defence and security (8%). In general public services, the increase in expenditure for executive bodies and general services stands out. The economic sector has the lowest weight (7%), but the transport sector stands out with a 59% increase.

FUNCTIONAL DIVISION OF EXPENDITURE	2021	2022	Var.	% Total expenditure
SOCIAL SECTOR	**2 805,5**	**3 564,9**	**27.1%**	**6.6%**
Education	1 023,1	1 244,8	21.7%	4.8%
Health	851.1	905.5	6.4%	4.8%
Social Protection	561.1	639.2	13.9%	3.4%
Housing and Community Services	314.3	684.6	117.8%	3.7%
Recreation, Culture and Religion	45.5	77.0	69.4%	0.4%
Environmental Protection	10.5	13.9	32.9%	0.1%
ECONOMIC SECTOR	**1 078,6**	**1 410,9**	**30.8%**	**7.5%**
Agriculture, Forestry, Fishing and Hunting	274.3	324.4	18.3%	1.7%
Transport	318.3	517.7	62.6%	2.8%
Fuels and Energy	402.3	418.4	4.0%	2.2%
Mining, Processing and Construction	34.2	76.4	123.7%	0.4%
General Economic, Commercial and Labour Affairs	31.9	48.0	50.6%	0.3%
Communications and Information Technologies	16.6	24.3	46.4%	0.1%
Research and Development	0.2	0.0	-100.0%	0.0%
Other Economic Activities	0.9	1.8	106.4%	0.0%
DEFENCE, SECURITY AND PUBLIC ORDER	**1 336,1**	**1 524,0**	**14.1%**	**8.1%**
Defence	627.2	750.6	19.7%	4.0%
Security and Public Order	709.0	773.4	9.1%	4.1%
GENERAL PUBLIC SERVICES	**1 769,3**	**2 692,1**	**52.2%**	**14.5%**
Statutory Public Bodies	34.2	44.8	31.2%	0.2%
Judicial Bodies	55.9	114.1	104.1%	0.6%
Executive Bodies	869.8	1 172,0	34.7%	6.3%
Financial and Tax Affairs	514.4	346.4	-32.7%	1.8%
Foreign Relations	59.2	115.6	95.3%	0.6%
General Public Research and Development Services	5.8	0.0	-100.0%	0.0%
Economic Foreign Aid	0.8	1.0	25.0%	0.0%
General Services	203.8	865.2	324.0%	4.6%
Other General Public Administration Services	25.3	33.1	31.0%	0.2%
PRIMARY FISCAL EXPENDITURE	**6 989,5**	**9 192,0**	**31.5%**	**49.0%**
FINANCIAL EXPENDITURE	**7 795,7**	**9 553,3**	**22.5%**	**51.0%**
DEBT OPERATIONS	**7 795,6**	**7 795,6**	**19.0%**	**41.6%**
TOTAL GENERAL STATE BUDGET	**14 785,2**	**18 745,3**	**26.8%**	**100.0%**

As for the main tax changes imposed with the approval of the OGE 2022, the following are of particular importance:

I

Concession of 5% in the VAT rate on the import or purchase and sale of agricultural inputs;

II

-Taxation of the operation and pursuance of games of chance and recreational games, as well as their respective fees and all related operations, at a VAT rate of 15%;

III.

Creation of the Simplified VAT Scheme[1], replacing the Transitional and Non-Taxable Schemes, applicable to taxable persons with turnover or imports equal to or less than Kz 350 million, excluding taxable persons from manufacturing industry;

IV

Withholding of 2.5% of VAT on receipts obtained from Automatic Payment Terminals (TPA), related to transfers of goods and services rendered by taxable persons;

V

In the tariff schedule, a dispensation is established for the dispatch procedure and for the payment of customs duties for goods dispatched by the post office through courier or express cargo operators, or contained in personal luggage, provided that they are considered items for personal use and provided that they do not exceed a value of Kz 1 million per shipment or per traveller;

VI

Increasing export rates on nationalised products (foodstuffs and medicines) to 70%;

VII

Setting of industrial tax at 6.5% on the total value of incidental services provided by companies without a headquarters, effective management or permanent establishment in Angola, to oil operators having a headquarters, effective management or permanent establishment in Angola.

1. Under the simplified scheme, taxable persons calculate the tax due monthly by applying the rate of 7% on the turnover actually received from non-exempt transactions, including advances or advance payments, with the right to deduct 7% from the total amount of tax levied.

ANNUAL DEBT PLAN 2022

To finance the budget deficit and the 2022 investment programme, the Government will obtain new liquid debt in the amount of Kz 351 billion, based on the Annual Debt Plan for this year (PAE 2022), with the global cost of issuing new debts expected to be set at Kz 3 027 billion, an increase of 8% compared to 2021.

Internal debt stock fell from 24% to 18% and external debt stock from 61% to 55%, also due to the overall weight of debt over GDP, which is expected to fall from 85% in 2021 to 73%.

ANNUAL DEBT PLAN 2021	PAE-2021	PAE-2022
TOTAL FUNDING	**6 184**	**6 884**
INTERNAL MARKET	**2 188**	**3 050**
TREASURY BILLS (TB)	**577**	**925**
TREASURY BONDS (T-BONDS)	**1 586**	**1 923**
d/q: T-Bond in foreign currency	407	328
Capitalisations	200	375
Arrears Suppliers	235	238
Foreign Exchange Auction	743	983
LOAN AGREEMENT	**25**	**202**
FOREIGN MARKET	**3 996**	**3 833**
Eurobonds	0	1 794
Line of Credit Disbursements	3 996	2 039
INTERNAL DEBT SERVICE	**4 052**	**5 582**
AMORTIZATION	**2 920**	**4 314**
INTEREST AND COMMISSIONS	**1 132**	**1 267**
EXTERNAL DEBT SERVICE	**3 894**	**3 978**
AMORTIZATION	**2 235**	**2 218**
INTEREST AND COMMISSIONS	**1 659**	**1759**

billion Kz Source: MINFIN

Regarding the debt to be issued in the domestic market, the following should be highlighted:

With regard to the debt to be raised internally (44% of all debt), the usual structure is maintained, whereby T-Bonds represent the bulk of funding (63% of the total), followed by TB (30%) and mutual contracts (7%). Among the T-Bonds, 19% correspond to capitalisation issues and 12% to the settlement of arrears. It should be noted that the ban on issuing index-linked bonds has also been maintained for 2022.

As for external disbursements (56%), it is expected that most of the disbursement will be obtained through credit lines, of which 57% will be new contracts and the remaining 43% are already being executed. Of the funding for contracting, disbursements of around US$1.8 billion are expected, of which 24% will be provided by the World Bank, Standard Chartered Bank, BNP Paribas and Deutche Bank consortium. It is also expected that 1.794 billion kwanzas will be issued in Eurobonds (47 percent of external disbursements), to be carried out in the first quarter, something that may not occur for the time being, given the current favourable context of the oil market. With regard to debt servicing, there is a 20% increase in relation to 2021 to 9.559 billion kwanzas, essentially explained by the increase in repayments and internal interest and also external interest and commissions. The most challenging period for repayment of domestic debt is expected to be December, when around 58% is expected to be absorbed by a small number of banks, namely BFA with 26%, BAI with 21% and BIC with 11%. In relation to external debt servicing, a slight reduction of about 1% can be observed in relation to the 2021 PAE, which can also be associated to the relief in payment of part of the debt service granted to Angola by certain creditors, with payments only to resume in 2023. Among the main risk factors and conditioning factors for the execution of these objectives, the PAE 2022 presents the following: (i) Around 45% of all domestic government debt is sensitive to exchange rate variation, and is therefore dependent on a more stable evolution of the exchange market and (ii) Possible difficulty in raising funds in the domestic market as a consequence of the current contractionary monetary policy;

EXTERNAL ACCOUNTS

In the year until September[2], the balance sheet on the goods account was up, with a result of 14.8 billion USD, compared to the same period of the previous year. This result in the goods account was due to the fact that the value of exports grew by 55%, while imports rose by only 25%.

Net International Reserves (NIR) closed the year at USD 9.9 billion, 13% above the end of 2020. On the other hand, the process of exchange rate flexibility and alteration of the structure of the exchange market helped to reduce the pressure on the country's reserves.

The share of RIB held by the BNA was $13.3 billion and compulsory foreign currency deposits was $1 billion respectively in the last 12 months, while the National Treasury Single Foreign Currency Account (CUT ME) deposits $1.2 billion.

GOODS ACCOUNT — JAN-SEP	2020	2021	Var.
EXPORTS	**15.2**	**23.5**	**55%**
Oil	14.6	22.2	52%
Diamonds	0.5	1.2	117%
Other	0.1	0.1	64%
IMPORTS	**6.9**	**8.7**	**25%**
Current Consumer Goods	4.3	5.3	24%
Intermediate Consumer Goods	0.9	1.2	22%
Other	1.7	2.2	31%
BALANCE	**8.3**	**14.8**	**79%**

(billion USD) Source: BNA

2. Information available until the publication of the report.

MOVEMENT IN ANGOLA'S RATING AND IMPACTS ON THE ECONOMY

The financial ratings agency Standard & Poor's has improved Angola's rating to B-, predicting that the economy will have already come out of recession in 2021, by growing 0.2%, and accelerating to 2.3% this year.

"The Government's reform programme, higher oil prices and debt relief from some official creditors are reducing immediate liquidity risks;

We anticipate that the economic recovery and a smaller currency depreciation between 2018 and 2020 will support a continued decline in the level of debt, so we have improved Angola's rating from CCC+ to B-," reads a note from Standard & Poor's.

The increase in Angola's rating comes one week after Fitch Ratings also raised its opinion on the quality of Angolan credit, and at the same time that Fitch Ratings has raised its rating on Banco Angolano de Investimento, due to the improvement in credit in the country where the bank operates, as a bank cannot have arating better than that of the country in which it is based.

"Risks on Angola's debt repayment have decreased due to the above-expected improvement in debt metrics, the track record and expectation regarding fiscal prudence, and a more supportive external environment," write the analysts at S&P, who consider that the slowdown in the covid-19 pandemic will highlight the efforts of recent years.

As the Covid-19 pandemic subsides, the country is seeing the gains from the difficult reforms implemented in recent years and under the programme with the International Monetary Fund between 2018 and 2021, including the liberalisation of the exchange rate, the introduction of VAT and the rationalisation of expenditure," the note sent to Lusa reads.

S&P forecasts that public debt will have "fallen sharply to 75% of GDP by 2021, down more than 55 percentage points on 2020, a significant drop that was helped by the 18% appreciation of the currency at the end of last year compared to the same period, in addition to a substantial rise in nominal GDP.

Movement in foreign debt and arrangement of new loans

Angola's total foreign debt stands at USD 68.7 billion[3], an increase of 4% compared to 2019. In terms of the weight of the debt per country, it should be noted that China leads the way with around 43% of the total debt, which corresponds to USD 21.8 billion. However, it is noted that the debt burden to the Chinese Government has decreased, falling from 51% in 2018. The United Kingdom also represents an important source of indebtedness for the country, holding 27% of all Angolan debt, or around USD 13.6 billion.

The country's foreign debt would have been greater had the issue of Eurobonds in the amount of USD 3 billion materialised, which had been approved on the basis of Presidential Order 44/20 of March 2020. The postponement of the aforementioned issue was decided as the situation dictated a perception of greater risk on the part of investors, mainly foreign investors.

The increased risk was reflected in the rise in yields on previously issued bonds. The collapse of the price of a barrel of oil on the international markets in April made evident the high degree of correlation that the price has with the behaviour of Angolan yields, which rose significantly at that time.

3. Information from the 3rd quarter of 2020.

FOREIGN EXCHANGE MARKET

According to the BNA, the foreign exchange market is now normalised. This perception is based on the fact that there are currently no records in the commercial banks of pending foreign exchange operations due to difficulties in accessing foreign currency, which was also the basis for the exchange rate appreciation.

In 2021, the market was marked by greater efficiency in the use of the Bloomberg platform for buying and selling currencies. In addition to the oil companies, other institutions, notably the National Treasury, diamond companies, airlines and others were effectively allowed to participate in the market, selling their currencies to buyers with access to the platform.

In this context, there was a 9% increase in the volume of foreign currency sales to the equivalent of 7.9 billion dollars. It should be noted that of the total amount sold on the market, only 8.5% was made available by the BNA, thus consolidating its intention to cease to be the main provider of foreign exchange on the market and to take on the role of regulator and supervisor, intervening in the foreign exchange market on an occasional basis to correct distortions.

It was evident that the change in the structure of the foreign exchange sales market, allowing oil companies and others to sell directly to banks, has in fact generated positive results for the market. It should be recalled that during the same period last year, BNA's supply of foreign currency accounted for about 59% (US$4.3 billion) of the total explained by the greater dynamism in the supply of foreign currency on the foreign exchange market, the exchange rate published by BNA appreciated 15% against the dollar and 22% against the euro, closing 2021 at USD/AOA 554.98 and EUR/AOA 629.02.

On the informal market, the national currency appreciated more (29% and 33% respectively), which explained the continued reduction of the spread between the two markets, which stood at close to 52% for the Dollar and 56% for the euro at the end of the year. The informal market has had less and less demand, on the one hand, due to the greater regularity of supply in the formal circuit and, on the other hand, due to fewer trips abroad. Among the measures approved this year for market improvement were the following:

NOTICE 02/2021

Key Measures

Settlement guarantee, in foreign currency, of export operations for goods and services of foreign maritime operators calling at national ports.

Note

This measure obliges foreign maritime operators to settle the amounts owed to port service providers by means of a bank transfer to a bank account domiciled in the country.

NOTICE 03/2021

Key Measures

Obligation to settle natural gas exports with foreign currency, which must be deposited in a bank in Angola.

Note

The Notice states that entities exporting natural gas must sell the foreign exchange necessary to acquire goods and services in the market.

NOTICE 04/2021

Key Measures

Exemption from the need for authorisation by the BNA for the execution of merchandise import operations, regardless of the period elapsed since the date of unloading.

Note

The measure is more flexible, as previous legislation required authorisation by the BNA for operations with payment periods of less than 360 days.

NOTICE 05/2021

Key Measures

Increase from US$120,000 to US$250,000 of the annual ceiling for the purchase of foreign currency (or use of own funds) for private persons.

Note

The measure further relaxes the rules implemented in early 2020 and is argued by the BNA with the fact that there is currently less pressure on international reserves.

DIRECTIVE NO. 02/DMA/DCC/202101

Main Measures

Extinction of the requirement for banks to send the Statement of Requirements (MdN) to the BNA.

Note

In this directive, only the requirement for the compilation of the same for use on the Bloomberg FXGO Bmatch platform has been retained.

INSTRUCTION 02/2020 OF 30 MARCH

Key Measures

Implementation of the use of Bloomberg's trading platform, FXGO, where banks were obliged to carry out their foreign currency purchase and sale operations, and oil companies, their sales to banks.

Note

1) Search for an exchange rate that effectively reflects market forces; 2) Greater transparency in foreign exchange purchases and greater freedom in negotiations.

INSTRUCTION 07/2021 OF 10 MAY

Key Measures

Adjustment of rules and procedures that Banking Financial Institutions must observe in foreign currency auctions organised by the central bank, revoking Instruction no. 19/2019 of 06 November.

Note

Bids do not have the monetary limitation and must be entered on the platform within a maximum period of 15 minutes after the opening of the session (where previously each bid could not be less than $1 million and had to be entered 30 minutes after the opening of the session).

NOTICE 11/2021 OF 2 DECEMBER

Key Measures

Definition of the procedures for foreign exchange operations by non-residents related to foreign investment in entities without shares admitted to trading on regulated markets.

INSTRUCTION 23/202101 OF 29 OCTOBER

Key Measures

Establishment of conditions for access to the Bloomberg FXGO platform by Airlines and Insurance Companies.

Note

Negotiation of foreign currency purchase and sale transactions.

NOTICE NO. 12/2021, OF 03 DECEMBER

Key Measures

Increase in the limit of the global currency position regardless of whether it is long or short.

Note

From 2.5% to 5% of its Regulatory Own Funds (ROF).

DEVELOPMENT OF ECONOMIC ACTIVITY

GDP GROWTH

As for the outlook for the end of 2021, GDP is estimated to stagnate or grow very slightly, very close to 0%. For 2022, the Government foresees an acceleration of growth to 2.45%, driven by a 1.6% advance in the oil sector and 3.1% in the non-oil sector.

However, with regard to the health context resulting from the Covid-19 pandemic, Angola is not on the front line in terms of access to vaccines against Covid-19, so it is important that the rate of vaccination in the country increases, so that uncertainties regarding the new effects of the pandemic on the economy, which could once again limit the growth of the non-oil sector, are reduced.

The expectation regarding economic recovery was also reflected in the INE's Economic Climate Indicator (ECI), which is no longer in negative territory, having improved from -24 points in 2020 to 1 positive point in 2021.

The improvement was across all sectors of economic activity, however, entrepreneurs continued to point to a number of constraints, such as the lack of materials, insufficient demand and high interest rates. The difficulties in obtaining bank loans and the deterioration of sales prospects also limited the activities of companies, especially construction companies.

GDP GROWTH IN 2020	2020	2021		
		1T	2T	Jan_Sep.
Agribusiness	5.5	5.2	6	5.5
Fishing	-5.2	34.4	75	53
OIL	**-6.8**	**-18.7**	**-12.1**	**-11.1**
Diamonds and other minerals	-10.8	29.3	-9.4	-3.7
Manufacturing	2.4	-4.6	0.5	2.6
Energy and Water	1.7	-0.2	2.4	2.8
Construction	-25.8	-26.7	-5	7.5
Trade	4.4	-26.1	6.9	18.4
Transport and Storage	-38.7	-5.1	61.1	69.8
Telecommunications	-9.8	-5.3	8.2	2.9
Financial and Insurance Intermediation	-3.7	-11.6	12	-36.8
Real Estate and Rental Services	-4.8	2.9	3	3
GDP	**-5.4**	**-0.5**	**-0.2**	**0.8**

Source: INE | National Accounts

Despite the return to economic activity of many companies and the recovery of services, the unemployment rate worsened, increasing from 30.6% in 2020 to 32.9% at the end of 2021, according to the INE. It should be noted that around 71.5% of the employed population (9 million people) are in informal employment, with the age group between 15 and 24 having the highest rate of informality at 93.8%.

Outlook 2020/2021

The data are not yet known for the last quarter of 2020. However, from the perspective of quarter-by-quarter movement, the expectation is that the recovery will continue, although for the year overall, the trend of contraction is likely to be maintained.

COMPARATIVE FORECASTS OF ANGOLA'S GDP	2020	2021	2022
Government	-3.3	0	-
IMF	-4	0.4	2.4
World Bank	-4	0.9	3.5
Fitch Solutions	-4	1.7	2.5
Fitch Ratings	-4	1	3
Capital Economics	-4	3	2
Standard Chartered	-4.3	1.2	0.8
NKC - Independent Economists	-4	3.1	2.8

For 2021, although GDP is expected to recover, the economy is expected to be in stagnation, with the risk remaining of not yet coming out of the prolonged period of economic recession. The prospect is that the non-oil sector will grow, supported by the robust growth expected in the minerals, energy and water and agricultural sectors. The Government remains less optimistic than most of the international institutions and more aligned with the IMF.

UNEMPLOYMENT AND INFLATION

Year-on-year inflation rose in 2021 to 27.03 percent, up from 25.1 percent in 2020, and in Luanda, the country's main consumer centre, accumulated inflation reached 30.43 percent.

The highest price increase was seen in the food and non-alcoholic beverages category (29.4%), followed by the health sector (23.4%).

The acceleration in price growth was also seen on wholesale platforms, with the Wholesale Price Index (WPI) reaching 31.14% in December, up from 26.85% at the end of 2020. The greatest acceleration in the WPI was observed in domestic produce prices, which increased by 37.16% year-on-year, explained by the agriculture, livestock, hunting and forestry class. On the other hand, the prices of imported goods had a variation of 29.39%, also influenced by the prices of goods in the agriculture class.

Overall, price developments in 2021 were based on, among other factors, the following:

- The set of restrictions on the circulation of goods and people, in a context where the sanitary fence between provinces, which was in force for a good part of the year, imposed some limitation on the distribution of supply, which was associated with the still inefficient internal production structure;

- High global inflation resulting from the limitations of the global supply chain at a time of strong economic recovery has had a major impact on the highly import-dependent economies;

It is also important to note that once an upward inflationary movement has started, it cannot always be contained in the short term.

For 2022, there is a consensus among the authorities and institutions that make forecasts for Angola that a phase of disinflation will begin. The government anticipates an end-of-period rate of 18%, in line with the IMF and more optimistic than the 19.4% presented in the Focus Economics. However, with the emergence of new inflationary pressures at world level, there is still the risk that the prospect of a reduction in inflation will also materialise in Angola.

MONETARY AND FINANCIAL OVERVIEW

MONETARY POLICY AND LIQUIDITY

During the year 2021, some measures were introduced with an impact on the conduct of the BNA's monetary policy:

DIRECTIVE 01/DMA/DSP OF FEBRUARY 2021

Description

Separation of the Mandatory Reserves and Free Reserves of Commercial Banks.

Observations/ Possible impacts

Introduction of a 0.1% to 0.2% interval in the custodian fee, depending on the magnitude of the excess liquidity of commercial banks with the BNA.

DIRECTIVE 08/DMA/2021 DE JULY 2021

Description

Increase in the BNA rate, FPAL (7 Days) and FPCL.

Observations/ Possible impacts

BNA Rate – from 15.5% to 20%;
FPAL (7 Days) – from 12% to 15%;
FPCL – from 19.88% to 25%.

DIRECTIVE 10/2021 OF 14 SEPTEMBER

Description

Increase from 12.5% to 16.5% of the interest rate on the Bankita à Crescer savings product

Comments/Possible Impacts

Boosting the number of bank accounts

DIRECTIVE 01/DRO/2021 OF JANUARY

Description

Allowing the constitution of impairments for exposure to the State denominated in foreign currency

Observations/ Possible impacts

Resulting from the lowering of Angola's rating may exceptionally be recorded in local currency

DIRECTIVE 03/DMA/2021 OF MARCH

Description

Migration of the securities portfolio of non-banking entities from SIGMA to CEVAMA

Observations/ Possible impacts

Integrated Assets Market Management System; CEVAMA - Central de Valores Mobiliários de Angola

DIRECTIVE 06/DMA/2021 OF APRIL

Description

Increase from 22% to 100% of the reserve requirement coefficient on the balances of the Central Government's accounts in National Currency (NC)

Observations/ Possible impacts

Pressure on bank liquidity, reduction of available money.

NOTICE 08/2021 OF JULY

Description

Definition of prudential rules that align the Angolan financial system with international standards

Observations/ Possible impacts

1) Prudential Requirements;
2) Own Funds Requirements;
3) Supervision Process and Risk Management and
4) Market Discipline

DIRECTIVE 07DMA/2021 OF JULY

Description

Increase in the coefficient of obligatory reserves in FC.

Observations/ Possible impacts

From 17% to 22%, with compliance beginning in August.

INSTRUCTION 10 AND 11/2021 OF JULY

Description

Formalisation of ICAAP (Internal capital adequacy assessment process) and ILAAP (Internal liquidity adequacy assessment process).

Observations/ Possible impacts

Under the SREP (Supervisory Review and Evaluation Process).

INSTRUCTION 13/2021 OF SEPTEMBER

Description

ROF requirements for operational and liquidity risk

NOTICE 01/2021 OF FEBRUARY

Description

Enlargement of the entities covered by the reporting obligation.

Observations/possible impacts on the Credit Risk Information Centre (CIRC).

NOTICE 06/2021 OF APRIL

Description

Extending credit to the real sector of the economy

Observations/ Possible impacts

Notice no. 10/2020 until the end of year 2021

INSTRUCTION 07/2021 OF JULY

Description

Guidance for granting new credit moratoria for a period of up to 6 months.

Observations/ Possible impacts

Clients operating in the cultural, sports, education, transport, catering and related sectors.

The context forced the BNA to adopt a more restrictive posture in 2021 in the management of the banking system's liquidity, the obligatory reserve coefficient in foreign currency rose from 17% to 22%, while in national currency, compliance with reserves for deposits in State accounts now has a coefficient of 100%, which compares with the previous 22%.

The BNA increased the custody fee range to 0.1% - 0.2%, which continued to influence banks to seek other alternatives for the application of available resources.

This measure was aimed at directing reserves deemed surplus to investments that support the economy. However, the expected effect of this measure was avoided by many banks resorting to open market operations (OMO) as an alternative to applying their liquidity, whose rates reached up to 16% for 90-day maturity, something that was not common in previous periods. By October, banks had increased their OMO applications by 9% over 2020 to a total of 3.996 billion kwanzas.

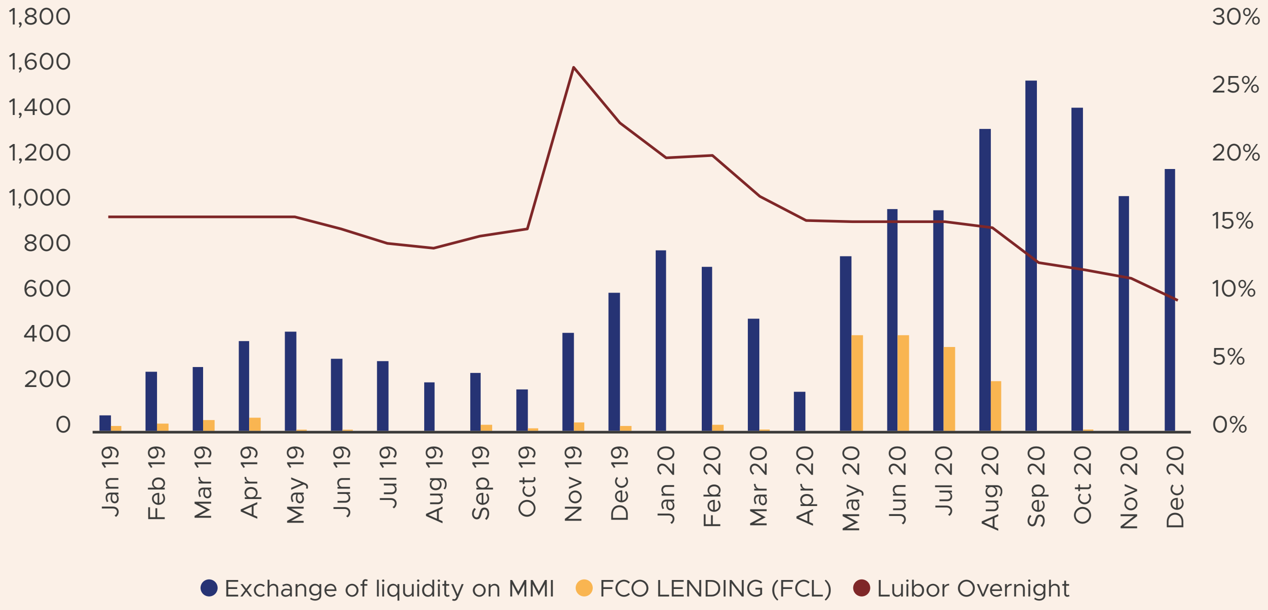
With the reduction in liquidity, the Luibor rates rose, with the overnight maturity increasing from 9.75% in 2020 to 19% in 2021, with an impact on the increase in the average rates of the banks' credit prices. The reduction in liquidity in the system was also evident with the 65 percent drop in the volume of transactions on the Interbank Monetary Market (IMM) to 4.010 billion kwanzas.

MONETARY BASE	Dec 20	Dec 21	Var.
Monetary base	2 361	2 585	9.50%
Banknotes and coins in circulation	549	569	3.60%
Bank reserve	1 812	2 016	11.30%
Compulsory deposits	1 439	1 516	5.30%
In domestic currency	1 060	968	-8.70%
In foreign currency	379	547	44.40%
Free deposits	373	501	34.40%
In domestic currency	52	66	26.60%
In foreign currency	321	435	35.60%
Other obligations vis-à-vis OSD[1]	365	1 428	291.30%

(billion Kz) Source: BNA

1 - Includes repurchase agreements with Other Deposit Companies

MMI AND FCL TRANSACTIONS
(billion Kz) Source: BNA



DEVELOPMENT OF MONETARY SYNTHESIS

The credit stock granted to the Central Government until December 2021 decreases to Kz 7,468 billion, which represents a decrease of 13.3% compared to December 2020, while, for the private sector, the stock of credit granted by the banking sector increased by 6.4%, to Kz 4,370 billion.

The M2 aggregate, recorded a drop of 9.3%, explained by a reduction in bank deposits, which was transversal to the sector. It should be noted that there was a greater fall in the more liquid instruments than in those with longer maturities.

MONETARY SYNTHESIS	Dec 20	Dec 21	Var. YoY
Central Government net credit	6 143	4 680	-23.80%
Credit to Central Administration	8 615	7 468	-13.30%
Central Administration Deposits	2 472	2 789	12.80%
Private sector	4 106	4 370	6.40%
Companies	3 310	3 533	6.70%
Loans in local currency	2 486	2 843	14.40%
Loans in foreign currency	825	691	-16.20%
Private individuals	796	837	5.10%
Loans in local currency	562	620	10.20%
Loans in foreign currency	234	217	-7.10%
M2 = (M1 + Quasi-Money)	12 698	11 513	-9.30%
M2MN	5 841	5 901	1.00%
M2ME (USD)	11	10	-4.20%
M1	6 344	5 720	-9.80%
Banknotes and coins held by the public	405	402	-0.70%
Demand deposits	5 939	5 319	-10.40%
In domestic currency	3 270	3 230	-1.20%
In foreign currency	2 669	2 089	-21.80%
Time Deposits	6 354	5 793	-8.80%
In domestic currency	2 166	2270	4.80%
In foreign currency	4 188	3 523	-15.90%
Other deposit-like instruments[1]	5	5	6.70%

(billion Kz)

BANKING SYSTEM SOLIDITY INDICATORS

In 2021, there was an improvement in the **Regulatory Solvency Ratio** (RSR) of the national banking system to 23.79%, above the regulatory minimum of 10% required by the BNA. Likewise, the ratio that considers only core capital (better quality) rose to 20.63%.

As regards asset quality, the **defaulting credit ratio** increased slightly to 20.26%. As regards the ratio of overdue loans deducted from provisions and impairments, there was an improvement to 32.92%, which may be associated with reversals of impairments in the system.

According to information published by the BNA, relating to July, the profitability of the system increased for both assets (ROA) and equity (ROE).

The increase in ROA and ROE to 2.21% and 26.73%, respectively, is based on the increase in the sector's net results. This improvement also reflects the significant reduction in the weight of administrative costs (**cost-to-income**) from 132.27% to 74.26%.

As for the liquidity of the system, there was an increase in the weight of net assets over total assets and over short-term liabilities, despite the context of greater restrictions on the system's liquidity. Finally, the system transformation ratio increased to 35.87%.

NATIONAL BANKING SYSTEM SOLIDITY INDICATORS	Dec 20	Jul 21	Var. YoY
Solvency = ROF / (APR+ECRC/0.10)	22.7	23.79	1.02
Basic Own Funds (Tier 1) / APR	17.13	20.63	3.5
Foreign Exchange Credit/Total Credit	30.34	21.74	-8.6
Overdue Credit/Total Credit	18.41	20.26	1.85
(Overdue credit - provisions for overdue credit) / ROF	-38.25	-32.92	-5.33
ROA	-2.91	2.21	5.12
ROE	-29.79	26.73	-3.06
Total costs/ income, total	121.51	81.29	-40.22
Cost-to-income	132.27	74.26	-58.01
Net Interest Income / Gross Intermediation Margin	168.28	91	-77.28
Total net assets/ Total assets	30.07	35.76	5.69
Net Assets / Short Term Liabilities	35.79	43.61	7.82
Total credit/total deposits	32.72	35.87	3.15
FC liabilities/Total liabilities	54.16	45.54	-8.62
Net open exchange exposure/Own Funds	32.58	39.56	6.98

% end of period)

SECONDARY DEBT MARKET

The value traded on the secondary debt market (BODIVA) reached Kz 1,785.5 billion in 2020, which reflects an increase of 3% compared to 2019. During this period, 5.400 trades were carried out, which made it possible to trade more than 7.8 million Treasury bonds, down from the 48.5 million securities that had been traded in the previous year.

Among the intermediation members, Banco de Fomento Angola (BFA) ended the year with the largest market share, around 28%, followed by Banco Angolano de Investimentos (BAI), with 19%. Next came Banco Millennium Atlântico (BMA) and Standard Bank Angola (SBA), with 15% and 13%, respectively.

4

CORPORATE GOVERNANCE

4.1 CORPORATE GOVERNANCE

Corporate governance is the central pillar of a financial institution, given its responsibility to enforce the regulatory framework.

With the aim of responding to current challenges in terms of stability and solidity, strengthening the legal framework for the regulation and supervision of institutions intervening in the Angolan financial system, the BNA, observing internationally accepted good practices and in the light of the Financial Institutions Act, no. 14/21 of 19 May, published Notice no. 10/2021 in June, introducing amendments to the legal framework for financial institutions, in terms of corporate governance, internal control systems and internal audit.

Following this regulatory change, the IRB proceeded to review and adjust its internal policies and regulations, a process that was completed in the 4° quarter of 2021.

In compliance with the reporting requirements established in Instruction no. 1/13, of 22 March, the Board of Directors of Banco BIR, submitted to the regulator, on 29 December 2021, the annual Report on Corporate Governance and 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 operation and interaction of all 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

Banco BIR's operating model is established in its Bylaws and complies with the requirements of the Law on the Arrangements for Financial Institutions.

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 Commission;
- Risk Management Commission;
- Audit and Internal Control Commission.

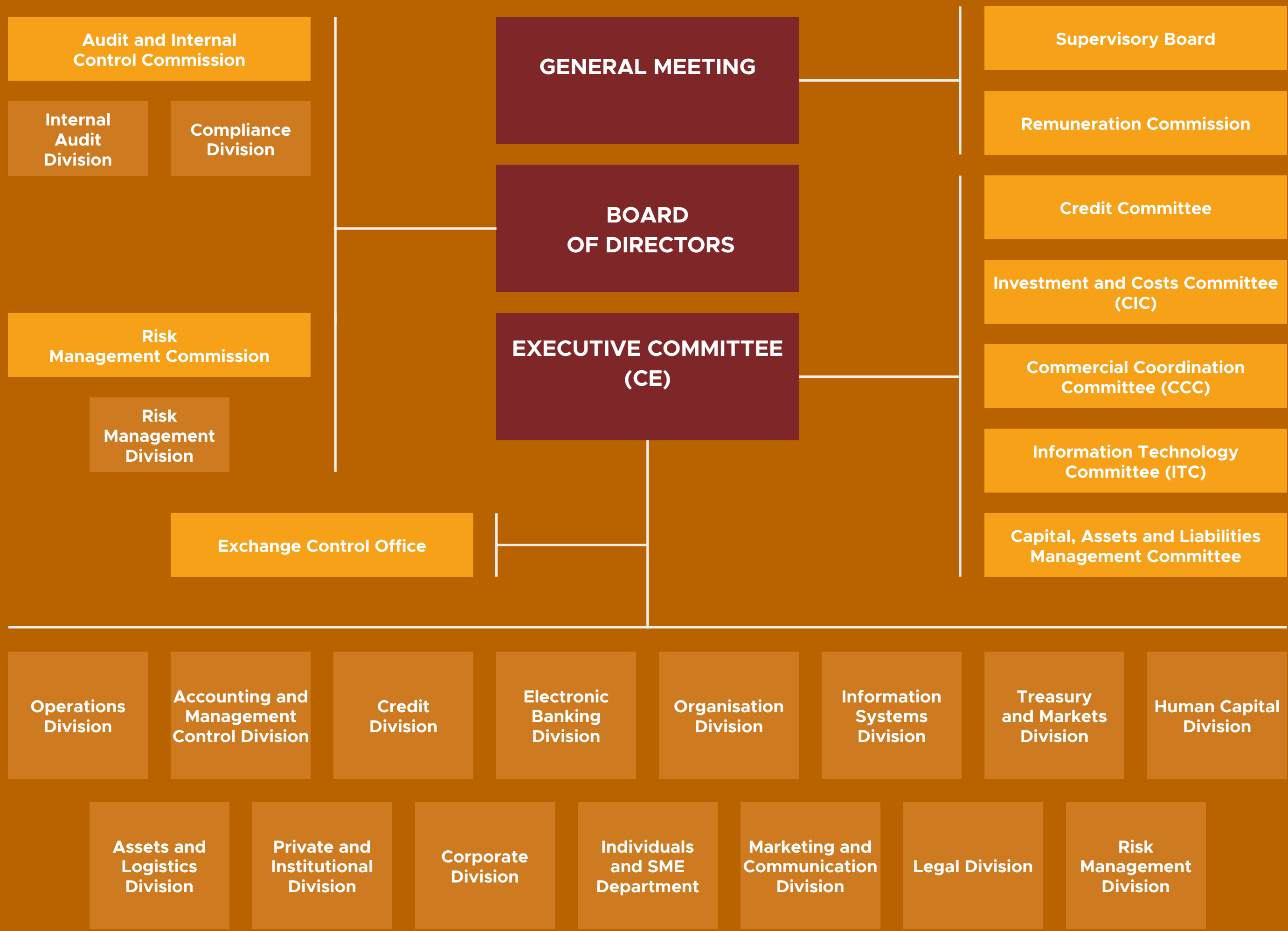
As support bodies to the Executive Committee, the following were constituted:

- Capital, Assets and Liabilities Management Committee;
- Credit Committee;
- Business 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



The members of the Governing Bodies are appointed for a term of office with a duration of four years and may be re-elected as many times as the General Assembly approves.

GENERAL MEETING

This is the governing body consisting of all shareholders with voting rights, and its resolutions are binding on all of them, when taken in accordance with the Law and the bylaws. 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 2021, the Chairman of the General Meeting was Mr João Henriques Pereira and the Vice-Chairman Mr Paulo Antunes.

BOARD OF DIRECTORS

Banco BIR, SA's Board of Directors is composed of 5 members, elected by the General Meeting. This body is responsible for representing the Bank in and out of court, actively and passively, and has the broadest powers not only to manage and direct company operations but also for everything related to the corporate object, being responsible for exercising the widest powers of management and representation.

As of 31 December 2021, the following members were part of this body:

Chairman
Generoso Hermenegildo de Almeida

CEO
Lígia Maria Gomes Pinto Madaleno

Executive Director
João Carlos B. Santos Moita

Executive Director
Carlos Manuel M. Francisco Ribeiro

Executive Director
Fernanda de Fátima Marques da Silva Santos

Regarding the duties of non-executive Directors, the following are of particular note:

- Ensuring that day-to-day management is carried out in a healthy, prudent and effective manner;
- Providing an independent opinion in decision-making;
- Participating in the definition and monitoring of business strategy;
- Analysing and discussing reports produced by key internal control system functions – Internal Audit, Compliance and Risk;
- Overseeing the process of disclosing accounting and management information;
- Sitting on Administrative Board support committees;

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

The main functions of this Committee 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 its members, respecting the rules of segregation between business, support and control functions.

As of 31 December 2021, the responsibilities were distributed among the Executive Directors as follows:

BOARD OF DIRECTORS

Chairrman
Dr Generoso de Almeida

Independent Director
Drª. Fernanda Santos

CACI Audit Committee and Internal Control

CGR Risk Management Committee

EXECUTIVE BOARD

Executive Director Dr João Moita	CEO Drª. Ligia Madaleno	Executive Director Dr Carlos Francisco
DCR Credit Division	DCPI Commercial Division Private and Institutional Divis	DCCG Accounting and Management Control Division
DGR* Risk Management Division	DCE Business Centre Division	DOP Operations Division
DTM Treasury Markets Division	DCRB Commercial Branch Network Division	DJUR Legal Division
DBE Electronic Banking Division	DMC Marketing and Communication Division	DIG Risk Management Division
GCC Exchange Control Office	DPL Assets and Logistics Division	DCOMP* Compliance Division
	DSI Information Systems Division	DAI* Internal Audit Division
	DCH Human Capital Division	
	DORG Organisation Division	

* DCOMP and DAI report directly to CACI, DGR reports directly to CGR.

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 2021, the following persons were members of this body:

Chair
Faustino Mpemba Madia

Member
Carlos Ferraz

Member
Nuno Barros

4.3 INTERNAL CONTROL SYSTEM

Banco BIR's internal control system consists of the organisation of all methods and procedures adopted by the Board to achieve the objective of ensuring, to the extent possible, the methodical and efficient conduct of its 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 BNA Notice 10/21, of 14 June 2021, an adequate and effective internal control system is one that provides reasonable assurance to the Administrative Board and its 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 Committee 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 its 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 its 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 its 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 its 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 2021

Within the scope of regulatory compliance, Banco BIR reinforced a programme of Compliance based on the best corporate governance practices, with a major focus on the policies, strategies, procedures and practices established by Management, with the main objective of sustaining compliance with respect to laws, regulations, contracts, rules of conduct and customer relations, thus pursuing the best practices in the field of Internal Control aimed, among other factors, at preventing and mitigating the occurrence of crimes of Money Laundering, Terrorist Financing and the Proliferation of Weapons of Mass Destruction.

Recognising that the prevention of any criminal offence begins at the outset of the business relationship, the Bank has defined strong guidelines and programmes aimed at preventing Money Laundering, Terrorist Financing and the Proliferation of Weapons of Mass Destruction. These guidelines are supported by computerised follow-up and monitoring processes and systems appropriate to the size of the Bank, ensuring the success of the system set up in the context of the operations carried out, opening accounts, deposits, withdrawals, transfers, granting of credit, foreign exchange, securities and documentary credit.

It should be noted that the Board of Directors (BoD) of the BIR is further committed to the integrity of the company, as well as the P-BC/FT/P programme, guiding the conduct of all employees, in all their activities and decisions, to act with integrity and in compliance with the law, believing in the commitment to professional ethics and sustainable development, and, in particular, in the principles of business honesty and transparency.

5.2 STRUCTURE

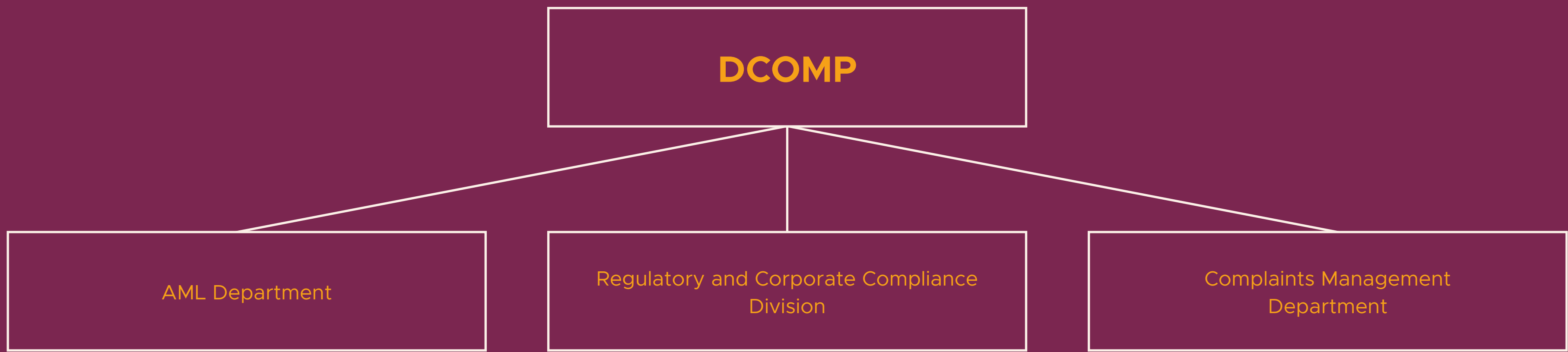
The BIR has in its structure the Compliance Division (DCOMP), whose mission is to support the Executive Committee (EC) and the Board of Directors (BoD) in the development of the IRB Compliance policy, the implementation of Compliance culture within the organisation and guaranteeing the execution of approved policies, processes and procedures, within the scope of the risk management of Compliance and BC/FT/P prevention, in line with the best international practices.

The Compliance Division (DCOMP) has an AML Department whose mission is to monitor and evaluate internal control procedures with regard to the prevention of money laundering and the financing of terrorism, as well as to centralise information and communicate them to the competent authorities and ensure compliance with international best practices in the areas of "Know Your Customer" and "Due Diligence“ with appropriate IT tools, with a view to detecting suspicious operations.

There is likewise the Regulatory and Corporate Department which is responsible for ensuring compliance with all applicable laws, rules and regulations, having a wide range of functions within the Institution (monitoring activities, preventing conflicts of interest, etc.) and whose actions are designed in accordance with the Bank's internal policies and in accordance with the "BIR Structure and Organic Statutes Manual".

Finally, there is the Complaints Department, which is responsible for handling all complaints addressed to the Bank.

The Compliance Division is independent and autonomous. In the exercise of its functions, it has full access to documents, information and relevant controls of the other organic units of the Bank dedicated to control, business and support, which allows it to develop a specific work programme to raise the awareness of Employees with regard to the application of regulations and the direct impact on their activities.



Compliance Division Organisational Chart

5.3 POLICIES AND PROCEDURES

The Compliance Function is related to compliance or even corporate integrity, i.e. it is aligned with the rules of the company and regulatory bodies.

The Function is monitored through the Executive Committee (EC), the Supervisory Board (SB), the Audit and Internal Control Committee (CACI) and External Auditors.

During 2021, the Compliance Division maintained its focus on continuous improvement of the control environment in a risk-based approach and, in particular, on permanent monitoring of the risks to which the BIR is subject, ensuring full compliance with legal and regulatory requirements, while maintaining the function's regulatory framework in compliance.

Due to the need to improve the function and in addition to the preventive measures implemented, to reinforce the culture of Compliance adopted by Banco BIR, aiming at achieving excellence in the mitigation of credit, regulatory, reputational, AML and related Compliance risks despite the challenges inherent to the Compliance function, Banco BIR has been developing efforts to maintain compliance, as well as the fulfilment of all the requirements of the competent authorities.

Banco BIR has instituted Policies, Procedures and Controls in order to identify, assess, monitor and control risks, so as to ensure compliance with the provisions of Articles 9 and 22, both of Law no. 05/20, of 27 January.

5.3 POLICIES AND PROCEDURES

1. POLICIES AND PROCEDURES FOR THE PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

The Policies and Procedures for the Prevention and Detection of Money Laundering and the Financing of Terrorism apply across all business units of Banco de Investimento Rural, SA, corresponding to the application of international principles and guidelines on the Prevention of Money Laundering, the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction, as well as the legal imperatives in force, the regulatory requirements established by the National Bank of Angola and the guidelines of the Angolan Financial Intelligence Unit.

2. GLOBAL RISK MANAGEMENT POLICY

BIR's Global Risk Management Policy aims to mitigate the risk of using the Bank as a vehicle for the practice of criminal activities of Money Laundering and Terrorist Financing, through the products and services offered, and to reduce the probability of occurrence of the identified ML/FT/P risks, with the aim of safeguarding the Bank from financial and reputational impacts and preventing the integration of illicit advantages into the financial system.

3. POLICY ON THE REPORTING OF IRREGULARITIES

The Policy on the Reporting of Irregularities establishes a set of rules and procedures for the reporting, recording and treatment of reports of irregularities, in compliance with the applicable legal, regulatory and internal principles.

4. CUSTOMER ACCEPTANCE POLICY

Within the scope of establishing business relations, the Compliance Division is responsible for ensuring the collection of all the necessary information and documentation that enables the legal framework of every entity that intends to establish a business relationship with Banco BIR, thus defining their acceptance or non-acceptance. The customer acceptance policy is applicable on a mandatory basis to all customer segments.

5. COMPLAINTS MANAGEMENT POLICY

The purpose of the Complaints Management Policy is to establish a set of clear principles on the management of Customer complaints, describing in detail the means available for their submission, the alternative means or means of recourse for the defence of their interests as consumers of financial products and services, as well as the Bank's responsibilities as a provider of financial products/services.

6. POLICY ON TRANSPARENCY AND THE DISCLOSURE OF INFORMATION

The Transparency and Disclosure of Information Policy reflects the rules applicable to Banco de Investimento Rural SA as a Banking Financial Institution, promoting transparency in the field of corporate organisation and corporate governance preventing asymmetry in access to information among shareholders, employees and the general public, and ensuring the publication of complete, correct and timely mandatory information.

7. CODE OF CONDUCT

The code of ethics and conduct establishes and systematises the principles and rules of behaviour that must be observed in all banking activities, including financial intermediation. Banco BIR bases its activity on principles of ethics, rigour, truth, transparency, stability and security in its relations with clients. Therefore, this document was adopted based on the best Corporate Governance practices.

5.4 MAIN REGULATIONS PUBLISHED AND IMPLEMENTED

To materialise the different measures around the project of formalisation of the BC/FT/P programme & Sanctions and to respond to the regulatory challenges, both locally and internationally, the dissemination and implementation of the following regulation was ensured:

NATIONAL BANK OF ANGOLA REGULATIONS

1. NOTICE NO. 12-2021 (23 DECEMBER)

In force
Exchange Policy
Foreign exchange position limit
Publication Date 27 Dec 2021
Effective Date 27 Dec 2021
Organisational Unit dTM/DCCG

2. NOTICE 11-2021, OF 23 DECEMBER

In force
Exchange Policy
Procedures for Foreign Investment Operations to be Carried Out by Foreign Exchange Non-Residents in the Country
Publication Date 23 Dec 2021
Effective Date 23 Dec. 2021
Organisational Unit DCRB/DCPI/DCE/GCC & DOP

3. INSTRUCTION 24-2021, OF 07 DECEMBER

In force
Payment System
Payment System- Value Limits on Transactions carried out in the Payment Systems
Publication Date 8 Dec 2021
Effective Date 8 Jan 2022
Organisational Unit DBE/ DCRB/DCPI/DCE

4. CIRCULAR LETTER NO. 07-DCF-2021

In force
Customers Service
Publication Date 26 Nov 2021
Effective Date 30 Nov 2021
Organisational Unit DCRB/DCPI/DCE

5. DIRECTIVE 13-2021, OF 22 NOVEMBER

In force
Financial System
Eligible External Rating Agencies
Publication Date 22 Nov 2021
Effective Date 22 Nov 2021
Organisational Unit DGR/DCR

6. DIRECTIVE 14-DSB-DRO-2021, OF 22 NOVEMBER

In force
Financial System
Widely Relevant Stock Indices
Publication Date 22 Nov 2021
Effective Date 22 Nov 2021
Organisational Unit DGR

7. INSTRUCTION 23-2021, OF 29 OCTOBER

In force

Exchange Policy

Foreign Currency Purchase and Sale Transactions on the Bloomberg FXGO Platform by Companies in the Aviation and Insurance Sectors

Publication Date 3 Nov 2021

Effective Date 3 Nov 2021

Organisational Unit DTM/GCC

8. INSTRUCTION 18-2021, OF 27 OCTOBER

In force

Financial System

Regulatory Own Funds Calculation and Requirement for Credit Rating Adjustment Risk.

Publication Date 28 Oct 2021

Effective Date 29 Oct 2021

Organisational Unit DGR

9. INSTRUCTION 17-2021, OF 27 OCTOBER

In force

Financial System

Calculation and Requirement of Regulatory Capital for Settlement Risk and Incomplete Transactions

Publication Date 28 Oct 2021

Effective Date 29 Oct 2021

Organisational Unit DGR

10. INSTRUCTION 16-2021, OF 27 OCTOBER

In force

Financial System

Regulatory Own Funds Calculation and Requirement for Market Risk and Respective Provision of Periodic Information

Publication Date 28 Oct 2021

Effective Date 29 Oct 2021

Organisational Unit DGR

11. INSTRUCTION 19-2021, OF 27 OCTOBER

In force

Financial System

Provision of Information on the Composition of Own Funds and Capital Ratios

Publication Date 27 Oct 2021

Effective Date 27 Oct 2021

Organisational Unit DGR

12. INSTRUCTION 15- 2021, OF 27 OCTOBER

In force

Financial System

Regulatory Own Funds Calculation and Requirement for Credit Risk and Counterparty Credit Risk and Respective Provision of Periodic Information.

Publication Date 27 Oct 2021

Effective Date 31 Dec 2021

Organisational Unit DGR

13. INSTRUCTION 20-2021, OF 27 OCTOBER

In force

Financial System

Leverage Ratio

Publication Date 27 Oct 2021

Effective Date 27 Oct 2021

Organisational Unit DGR

14. INSTRUCTION 21-2021, OF 27 OCTOBER

In force

Financial System

Provision of Information on Prudential Limits for Large Exposures.

Publication Date 27 Oct 2021

Effective Date 27 Oct 2021

Organisational Unit DGR

15. INSTRUCTION 22-2021, OF 27 OCTOBER

In force

Financial System

Interest Rate Risk in the Banking Book

Publication Date 27 Oct 2021

Effective Date 31 Dec 2021

Organisational Unit DGR

16. DIRECTIVE NO. 11DSB-DRO - 2021, OF 05 OCTOBER

In force

Financial System

Implementation Guide on Business Continuity Management in Financial Institutions **Publication Date** 5 October 2021

Effective Date 5 Apr 2022

Organisational Unit Financial Institutions

17. INSTRUCTION 14-2021, OF 27 SEPTEMBER

In force

Financial System

Liquidity Risk

Publication Date 27 Sep 2021

Effective Date 27 Sep 2021

Organisational Unit DGR

18. INSTRUCTION 13-2021, AND 27 SEPTEMBER

In force

Financial System

Regulatory Own Funds Calculation and Requirement for Operational Risk and respective Provision of Periodic Information

Publication Date 27 Sep 2021

Effective Date 27 Sep 2021

Organisational Unit DGR

19. INSTRUCTION 12-2021, OF 14 SEPTEMBER

In force

Payments System

Cash withdrawal from Point-of-Sale terminal

Publication Date 15 Sep 2021

Effective Date 15 Sep 2021

Organisational Unit DBE/ DCRB/DCPI/DCE

20. DIRECTIVE 10-DIF-DRO-2021, OF 14 SEPTEMBER

In force

Financial System

Alteration of the Remuneration Interest Rate on the Bankita à Crescer Savings Product

Publication Date 14 Sep 2021

Effective Date 14 Sep 2021

Organisational Unit DCCG/ DCRB/DCPI/DCE /DTM/ DMC

21. DIRECTIVE 09-DSP-DCF-2021, OF 14 SEPTEMBER

In force

Financial System

Customer Services

Publication Date 3 Sep 2021

Effective Date 3 Sep 2021

Organisational Unit DCRB/DCPI/DCE /DBE/DPL

22. CIRCULAR LETTER NO. 01-DRO-2021

In force

Financial System

Opening of Bank Accounts Owned by Supervised Entities

Publication Date 12 Aug 2021

Effective Date 12 August 2021

Organisational Unit DTM/ DCRB/DCPI/DCE

23. CIRCULAR LETTER NO. 05-DCF-2021

In force

Financial System

Declaration of Good Standing in Process of Changing Domicile

Publication Date 2 Aug 2021

Effective Date 2 August 2021

Organisational Unit DCR/DGR/ DCRB/DCPI/DCE

24. NOTICE 10-2021, OF 14 JULY

In force

Financial System

Corporate Governance Code for Financial Institutions Code

Publication Date 14 Jul 2021

Effective Date 14 Jul 2021

Organisational Unit DAI/ DCRB/DCPI/DCCE /DJUR

25. CIRCULAR LETTER NO. 04-DCF-2021

In force

Financial System

Promotion of Savings Products and Adjustment of Interest Rates

Publication Date 7 Jul 2021

Effective Date 7 Jul 2021

Organisational Unit DCCG/DTM/DCRB/DCPI/DCE

26. INSTRUCTION 11-2021, OF 07 JULY

In force

Financial System

Internal Liquidity Adequacy Assessment Process (ILAAP)

Publication Date 7 Jul 2021

Effective Date 7 Jul 2021

Organisational Unit DGR

27. INSTRUCTION 10-2021, OF 07 JULY

In force

Financial System

Internal Capital Adequacy Assessment Process (ICAAP)

Publication Date 7 Jul 2021

Effective Date 7 Jul 2021

Organisational Unit DGR

28. INSTRUCTION 09-2021, OF 07 JULY

In force

Payment System

Payment Card Protection Service

Publication Date 7 Jul 2021

Effective Date 7 Jul 2021

Organisational Unit DSI/DBE/ DCRB/DCPI/DCE

29. DIRECTIVE NO. 08- DMA-2021, OF 06 JULY

In force

Financial System

Base Interest Rate (BNA Rate) - Standing overnight liquidity facilities (OLF) and overnight liquidity absorption facilities (OAF)

Publication Date 6 Jul 2021

Effective Date 6 Jul 2021

Organisational Unit dTM/DCCG

30. DIRECTIVE NO. 07- DMA-2021, OF 06 JULY

In force

Financial System

Requirements for Calculation and Compliance with Compulsory Reserves in Foreign Currency (FC)

Publication Date 6 Jul 2021

Effective Date 6 Jul 2021

Organisational Unit DTM

31. NOTICE 09-2021, OF 05 JULY

In force

Financial System

External Audit

Publication Date 5 Jul 2021

Effective Date 5 Jul 2021

Organisational Unit DAI

32. NOTICE NO. 08-2021, OF 5 JULY

In force

Financial System

Prudential Requirements - Own Funds Requirements - Supervision Process and Risk Management - Market Discipline

Publication Date 5 Jul 2021

5 July 2021

Organisational Unit DGR

33. NOTICE NO. 07-2021 OF 31 MAY

In force

Financial System

Prudential Treatment of Credits Subject to Moratorium under the Ambit of the Covid-19 Pandemic

Publication Date 4 Jun 2021

4 Jun 2021

Organisational Unit DGC

34. INSTRUCTION 08-2021, OF 14 MAY

In force

Financial System

Central Government Balances Reported in the Balance Sheets of Banking Financial Institutions

Publication Date 14 May 2021

14 May 2021

Organisational Unit DCCG/DTM

35. INSTRUCTION 07-2021, OF 10 MAY

In force

Exchange Policy

Foreign Currency Purchase and Sale Auctions Organised by the National Bank of Angola

Publication Date 10 May 2021

Effective Date 10 May 2021

Organisational Unit DTM

36. DIRECTIVE NO. 06- DMA-2021, OF 06 MAY

In force

Financial System

Procedures for Movement of Central Government Balances in National Currency (NC)

Publication Date 6 May 2021

Effective Date 6 May 2021

Organisational Unit DTM

37. DIRECTIVE NO. 05- DMA-2021, OF 06 MAY

In force

Financial System

Reporting of Information on Credits Granted to Holders of Qualifying Holdings

Publication Date 6 May 2021

Effective Date 6 May 2021

Organisational Unit DGR/DCR

38. DIRECTIVE NO. 04- DMA-2021, OF 06 MAY

In force

Financial System

Deadlines for Reporting Information via the Financial Institutions Portal (PIF)

Publication Date 6 May 2021

Effective Date 6 May 2021

Organisational Unit DCOMP/DGR/DTM/DCCG/DCR/DOP/GCC

39. DIRECTIVE NO. 03- DMA-2021, OF 06 MAY

In force

Financial System

Reporting of Statistical Information on Simplified Bank Accounts

Publication Date 6 May 2021

Effective Date 6 May 2021

Organisational Unit DCCG

40. DIRECTIVE NO. 02- DMA-2021, OF 05 MAY

In force

Exchange Policy

Suspension of the Statement of Requirements (MdN) - Transaction Registration on the Bloomberg FXGO Platform

Publication Date 5 May 2021

5 May 2021

Organisational Unit GCC/DTM/DOP

41. DIRECTIVE NO. 05- DMA-2021, OF 05 MAY

In force

Financial System

Requirements for Calculation and Compliance with Compulsory Reserves

Publication Date 5 May 2021

Effective Date 5 May 2021

Organisational Unit DTM

42. CIRCULAR LETTER NO. 02-DSP-2021

In force

Financial System

Payment of Social Security Contributions under the RTPS

Publication Date 28 Apr 2021

Effective Date 28 Apr 2021

Organisational Unit DOP/DTM/ DCRB/DCPI/DCE

43. INSTRUCTION 06-2021, OF 15 APRIL

In force

Financial System

Annual Prize for Contributions from Financial Institutions Participating in the Deposit Guarantee Fund in Angola

Publication Date 15 Apr 2021
Effective Date 15 Apr 2021
Organisational Unit DTM

44. NOTICE NO. 06-2021 OF 14 APRIL

In force

Granting of Credit to the Real Sector of the Economy

Granting of Credit to the Real Sector of the Economy - Extension of the period of validity of Notice no. 10-2020

Publication Date 14 Apr 2021
Effective Date 14 Apr 2021
Organisational Unit DGR

45. NOTICE NO. 05-2021 OF 14 APRIL

In force

Exchange Policy

Rules and Procedures for Conducting Foreign Transactions by Natural Persons

Publication Date 14 Apr 2021
Effective Date 14 Apr 2021
Organisational Unit GCC/DOP/DCOMP/ DCRB/DCPI/DCE

46. NOTICE NO. 04-2021 OF 14 APRIL

In force

Exchange Policy

Rules and procedures applicable to exchange transactions for the import and export of goods

Publication Date 14 Apr 2021
Effective Date 14 Apr 2021
Organisational Unit GCC/DOP/DCOMP/ DCRB/DCPI/DCE

47. NOTICE NO. 03-2021 OF 12 APRIL

In force

Exchange Policy

Specific Exchange Rules Applicable to the Sale of Natural Gas

Publication Date 12 Apr 2021
Effective Date 12 Apr 2021
Organisational Unit DTM

48. NOTICE 02-2021 (24 MARCH)

In force

Exchange Policy

Payment of Port Goods and Services Provided in the Country to Non Residents Foreign Exchange

Publication Date 24 Mar 2021
Effective Date 24 Mar. 2021
Organisational Unit GCC/DOP/DCOMP/ DCRB/DCPI/DCE

49. NOTICE 01-2021 (12 FEBRUARY)

In force

Financial System

Credit Risk Information Centre

Publication Date 12 Feb 2021
Effective Date 12 Feb 2021
Organisational Unit DGR

50. DIRECTIVE NO. 01- DMA-DSP-2021, OF 02 FEBRUARY

In force

Financial System

Procedures for Operationalisation of Commercial Bank Reserve Accounts in National Currency (NC)

Publication Date 2 Feb 2021
Effective Date 2 Feb 2021
Organisational Unit DTM

51. DIRECTIVE NO. 01- DRO-2021, OF 06 JANUARY

In force

Financial System

Constitution of Impairments for Exposure to the State, Denominated in Foreign Currency

Publication Date 6 Jan 2021
Effective Date 6 Jan 2021
Organisational Unit DGR

CAPITAL MARKET COMMISSION REGULATION

1. REGULATION NO. 05-2021, OF 08 NOVEMBER

In force

Capital Market Commission

Preventing and Combating Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction

Publication Date 08 Nov 2021

Effective Date 08 Nov 2021

Organisational Unit DTM/DCOMP

2. REGULATION NO. 04-2021, OF 04 JUNE

In force

Capital Market Commission

Public Access to Records Made by the Capital Market Commission

Publication Date 04 Jun 2021

Effective Date 04 Jun 2021

Organisational Unit DTM

3. REGULATION NO. 03-2021, OF 04 JUNE

In force

Capital Market Commission

Public Offering of Contracts Relating to Investment in Tangible Assets

Publication Date 04 Jun 2021

04 Jun 2021

Organisational Unit DTM

4. REGULATION NO. 02-2021, OF 04 JUNE

In force

Capital Market Commission

Guarantee Funds of Management Companies of Regulated Markets

Publication Date 04 Jun 2021

Effective Date 04 Jun 2021

Organisational Unit DTM

5. REGULATION NO. 01-2021, OF 04 JUNE

In force

Capital Market Commission

Commercial Paper

Publication Date 04 Jun 2021

Effective Date 04 Jun 2021

Organisational Unit DTM

5.5 BUSINESS RELATIONS

BUSINESS RELATIONS

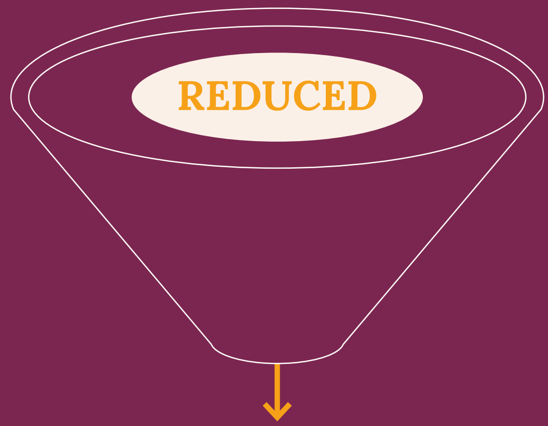
Banco BIR has a robust organisational structure capable of ensuring the implementation of identification controls, at the beginning, during and after the establishment of business relationships, both new and existing, both with individuals and legal entities. During the year subject of our approach,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

CUSTOMER TYPE	Quantity
Individual(s)	7 907
Legal Persons	1 849
Total	9 756

The Compliance function, as part of its diligence duty, ensures the compliance of a portfolio with more than 9,756 (Nine thousand seven hundred and fifty-six) customers as at 31 December 2021, segmented into Private and Institutional Customers, Branch Network and Business Centres.

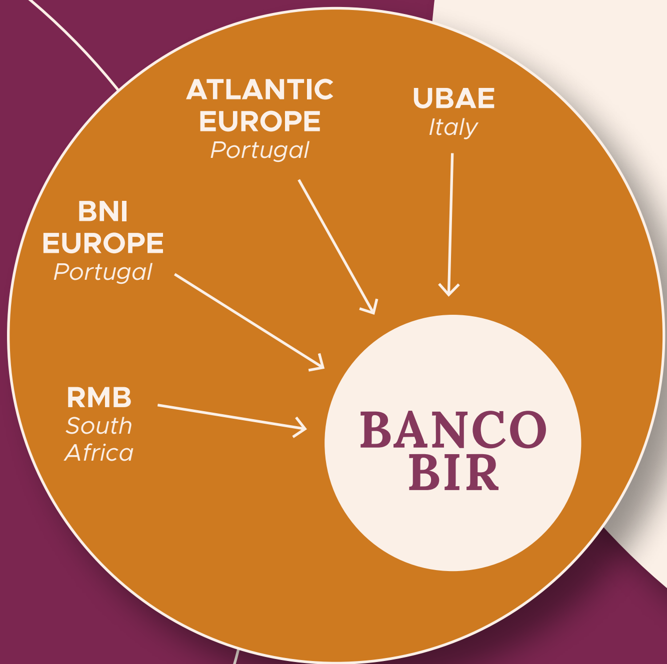
CLIENT PORTFOLIO RISK PROFILE

In order to mitigate the different Compliance risks, Banco BIR's customer database is reviewed as part of the account maintenance process and/or whenever there is any outdated information on entities or customers. The analysis is based on the risk factors defined by the FATF/FATF (Financial Action Task Force) and Law no. 5/20 of 27 January - Law on Preventing and Combating Money Laundering of the Financing of Terrorism and Proliferation of Weapons of Mass Destruction, combined with other established preventive controls.



In the year in question, Low and Medium Risk customers represented about 95% of total customers, while High Risk customers (Corporate, PPE's, Private, Related Parties) represented 5%. Given the present customer segmentation that corresponds to the majority of the portfolio, the Bank's self-assessment reflects a low level of risk.

5.6 BANKING CORRESPONDENTS



Within the scope of correspondent banking relationships, the BIR ensures in advance the establishment of relationships with credible institutions located in third countries that comply with compliance precepts in accordance with international best practices.

To this end, the Compliance Department gathers sufficient information on the Credit Institutions with which it establishes correspondent banking relationships, in order to:

A — Understand the nature of their activity;

B — Assess, based on publicly available information, its reputation and the quality of its supervision, including any history of investigative or sanctioning proceedings in relation to money laundering or terrorist financing;

C — Assess their internal policies, means and procedures aimed at preventing Money Laundering and Terrorist Financing;

It is also the responsibility of the Compliance Department to carry out the necessary due diligence procedures, including the assessment of the risk associated with the establishment of the correspondence relationships.

Banco BIR currently has the correspondents illustrated below, who have been subject to "Know Your Customer" due diligence measures, collection of information on UBOs, Corporate Bodies, AML Policies Processes and Anti-Money Laundering procedures.

5.7 CLOSING NOTES

The objectives underlying the Bank's business reality have to do with promoting a culture of integrity, transparency, honesty, social responsibility and innovation between Banco BIR and its interlocutors, in parallel with the existing policies and procedures within the scope of the prevention, combat and repression of the crime of money laundering and financing of terrorism and the proliferation of weapons of mass destruction and to mitigate the risk of non-compliance, as a probability of occurrence of negative impacts on the results or capital of Banco BIR assuming that it is reflected in the timely monitoring of the events that occur, allowing the timely adoption of mechanisms that make it effective.

Given the challenges of 2021, and notwithstanding the opportunities for improvement that the Compliance function considers important to its implementation, in the short and medium term, it was possible to safeguard and/or implement actions to mitigate the risks to which the Bank is exposed.

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 its 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 risk monitoring and control through structures different from those taking the risk;
- Adoption of a conservative position in defining assumptions and control limits;
- Periodic review and audit of risk management mechanisms;

6.1 ORGANISATION AND RISK MANAGEMENT MODEL

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

Monitoring the main risks inherent to the Bank's activity is the responsibility of the Administrative Board and the Executive Committee. 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 its 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 2021, the Bank had a portfolio with high levels of collateralisation. Physical collateral, financial pledges, mortgages and guarantees of the Guarantee Fund covered about 87% 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 its 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 its liquidity levels prudently, ensuring a position that is stable, secure and sufficient in view of its 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 30 August 2016, the BNA published Instruction 19/2016, specifically regarding 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.

At 31 December 2021, according to the methodology of the National Bank of Angola, the Bank had the following liquidity ratios:

- National currency 543% (BNA minimum 100%);
- Foreign currency 3978% (BNA minimum 150%);

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 its foreign exchange position, actively seeking to control its risk by maintaining a position for each currency and set of currencies, which mitigates this risk without compromising its 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 2021, the Bank had a foreign exchange position far from this figure, standing at 1.5%.

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 22 June 2016, BNA published Notice 8/16, which established the analysis requirements to be observed by financial institutions (FI) from January 2016, within the scope 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 2021, the Bank had a positive impact of 10.82%

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 its 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 its 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 its 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 income 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

Banco BIR is committed to a business model based on prompt response. This is the commitment we assume with our Customers and, with this, we are active in guaranteeing the development of our employees, creating Human Capital policies structured at the level of behavioural and technical skills.

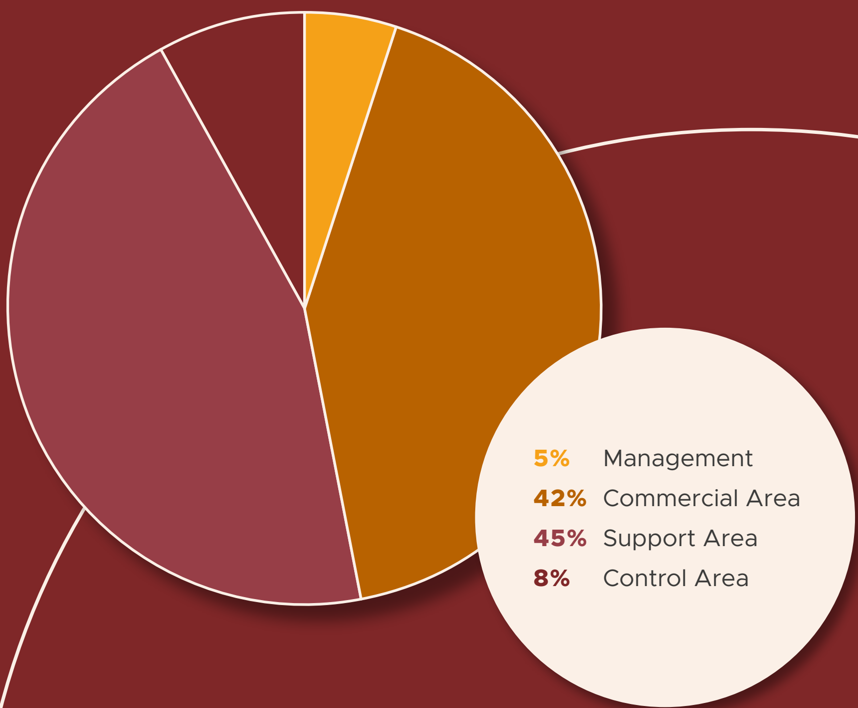
In December 2021, Banco BIR presents a headcount of 106 Employees, reaching a growth substantially higher than 2020, with a positive impact for the ecosystem, mainly in terms of employment opportunities, thus generating added value for families and in the Bank's strategic results.

Below we present the distribution of employees by functional area:

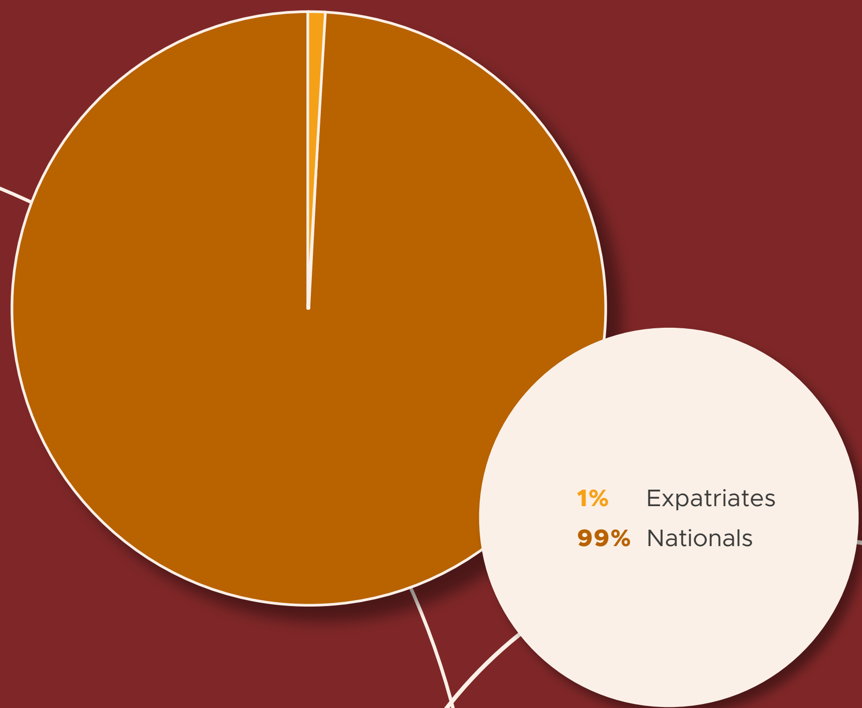
Banco BIR has invested heavily in qualified national staff, obtaining positive results in the medium/long term in accordance with the objectives preconised at a strategic level.

In 2020, we had 97.8% national staff versus 2.2% expatriate staff, currently, we can see the development as per information below:

EMPLOYEES BY FUNCTIONAL AREA



NATIONAL STAFF VS EXPATRIATES



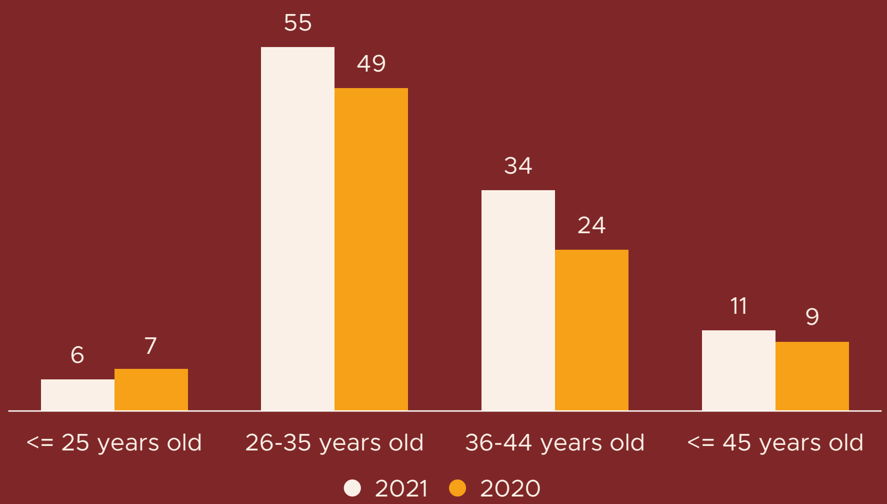
Based on the progressive growth of Banco BIR, we see the Recruitment process as an investment in the identification, attraction and retention of excellent staff, in accordance with the values of our Institution.

Employees are essential for the quality of the services that Banco BIR proposes to provide. The quality excellence of our services is seen as an integral part of the Institution's strategy.

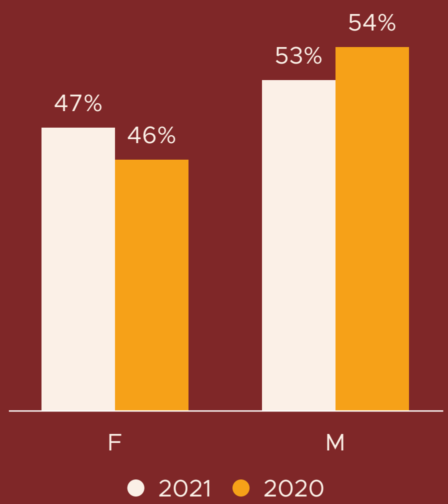
The graph below reveals the existence of inclusion and diversity, allowing synergies between more experienced and younger employees, so that the Bank's objectives are achieved, with an increasingly diverse number in their age bracket, among other aspects relevant to the development of the institution.

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

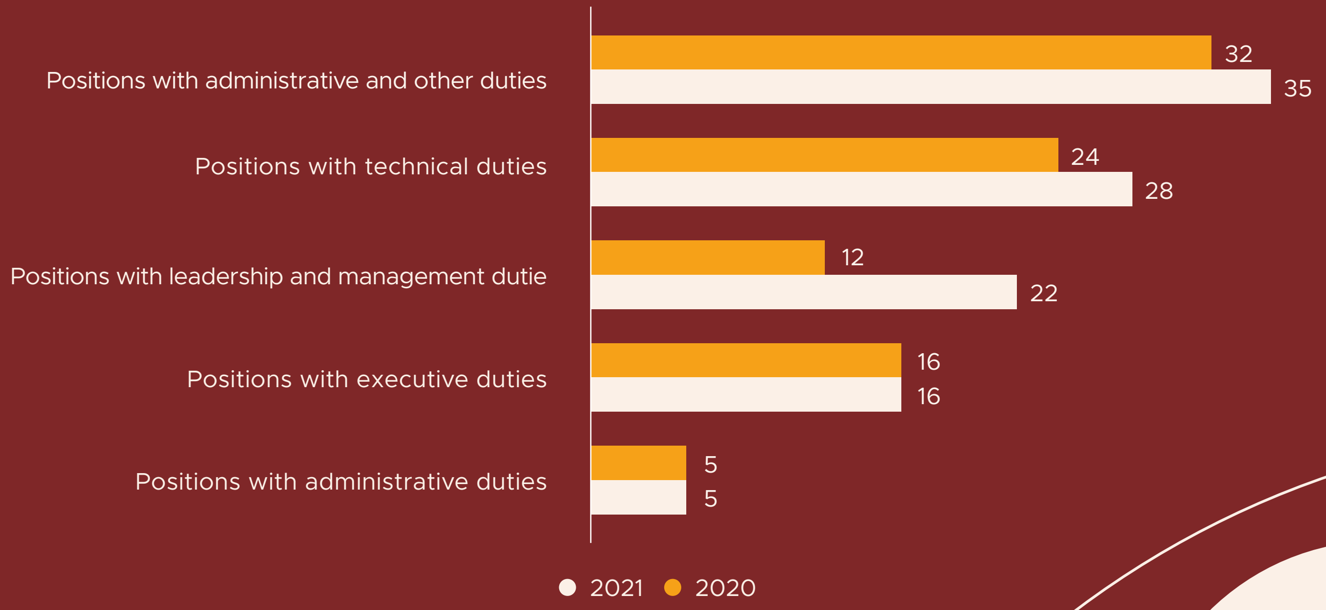
TOTAL NUMBER OF EMPLOYEES



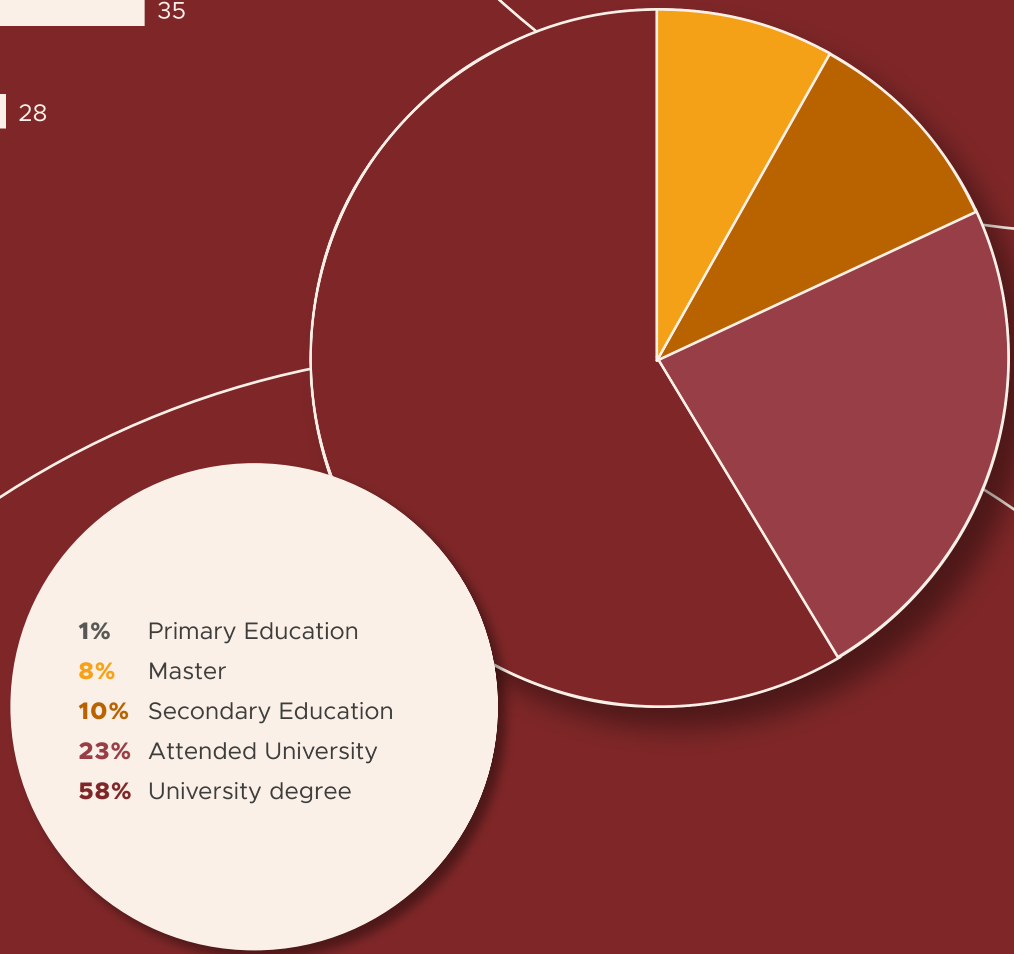
EMPLOYEES BY GENDER



DEVELOPMENT BIR TEAM



LITERACY LEVELS



CAREER

The adoption of a Performance Evaluation Policy represents the importance given by Banco BIR to the alignment between individual and team objectives and the Mission, Values and Strategic Objectives of the Institution.

Performance Evaluation is seen as a fundamental tool because, besides stimulating alignment, it has a strong impact on other strategic management and Human Capital development processes, namely:

- Training;
- Mobility between teams;
- Careers;
- Salary Review and Variable Remuneration.

In 2021, based on the career management of our Human Capital and the strong investment in Performance Evaluation, we successfully materialised the process.

This led, in part, to the promotion of 11 employees, 8 of whom took on leadership roles, with 2 employees being promoted to Senior Executives.

As Banco BIR grows, employees respond positively to the challenge of internal mobility, generating great value for the teams.

In 2021, there were 3 mobility processes, 2 of which were requested by the employees themselves, taking into account their motivations.

TRAINING

Banco BIR believes that equipping its employees with technical and behavioural skills is crucial to ensure a swift and efficient response to Customer requests, contributing to personal and collective growth.

Only with a solid and capable team can we ensure an excellent service and the satisfaction of our Customers.

Our investment in the training and development of our employees continues to be a top priority.

The total investment in training in 2021 was 590 hours, covering 103 trainees with technical, behavioural and transversal initiatives.

This investment reflects the importance of Human Capital and the interest in the development of its employees for their day to day work.

BIR SOCIAL

Banco BIR is present at the main moments of its employees' lives, promoting well-being and a set of initiatives focused on their benefit, creating balance between personal and professional life, impacting positively on professional performance.

In this sense, we present some of the initiatives with financial burden exclusively allocated to Banco BIR:

- Daily meals for employees;
- BIR public transportation (round trip);
- Health Insurance (all employees have full Health Insurance, covering the employee and his/her family household (depending on the type of Contract);
- Happy Hour (birthdays of the month);
- Support for funeral services (employees and households);
- Sports activities;
- Incentive System for the business areas (creating extra motivation for daily delivery to Customers).
- We also ensure initiatives that provide transversal benefits to Employees, such as Christmas Vouchers (Deskontão Card), BIR Kwanzas Credit Card, BIR *em Movimento* Prepaid Card and the Fringe Card.

8 MANAGEMENT REPORT

MANAGEMENT REPORT

As predicted by the IMF, 2021 was the year when global economic activity began to recover, marked by the accelerated vaccination process against COVID 19, the adaptation of economies to the new reality and the gradual opening of economies, despite fears of virus mutations.

With emerging signs of a recovery in the global economy, in 2021 Angola recorded a GDP growth rate of 0.7 percent after five years of successive recessions.

Contrary to the last three years, the Kwanza has maintained a strong appreciation trend, appreciating 15% against the USD and 22% against the EUR. In 2020, the kwanza had depreciated 35% and 47% against the USD and EUR, respectively.

The inflation rate was 27.03% in 2021, 1.9 percentage points higher than the previous year.

With regard to the oil activity, we highlight the positive evolution of the oil price from the 1st quarter of 2021 onwards, explained by expectations around vaccine production, revival of the world economy and maintenance of supply at levels controlled by OPEC. Oil production in Angola remained at 1.2 million barrels of oil per day in 2021, and closed the year with an average price of US$78.6 per barrel. Despite the price increase, a 6.2% reduction in oil GDP was estimated for 2021.

MAIN HIGHLIGHTS FINANCIAL SECTOR

I

The main rating agencies made a positive assessment of Angola's sovereign risk rating, maintaining a stable outlook, which generated a material impact on the banks' results and equity, with the consequent impacts on their ratios and capacity to finance the economy;

II

Approval by the National Assembly of the new BNA Law (Law no. 24/21 of 18 October), which gives the Central Bank institutional, functional, administrative, financial and asset independence, within the scope of its constitutional mission to guarantee price stability and preserve the value of the national currency, as the monetary authority;

III.

Update of the custody rates applied to the free reserves of the Commercial Banks, domiciled at Banco Nacional de Angola;

IV

Review of the rules and procedures applicable to foreign exchange operations for import and export of goods, namely the limits allowed per payment method;

V

Introduction of changes in the regulations on corporate governance and internal control;

VI

Review of the rules on general prudential requirements that financial institutions must comply with in relation to:

- Own Funds Requirements;
- Limits on large exposures;
- Liquidity requirements;
- Reporting requirements and public disclosure of information;
- Risk governance

It should be noted that these changes will only come into effect from March 2022.

SUMMARY OF INDICATORS

BALANCE	2020	2021
Assets	118 095	154 025
Loan to Customers (Gross)	28 209	49 444
Credit impairment	1 631	1 140
Customer funds	79 244	122 868
Securities portfolio	42 633	55 748
Equity	23 202	26 745
Transformation ratio	34%	39%

EARNINGS AND PROFITABILITY	2020	2021
Net Interest Income	10 390	9 516
Non-Interest Revenue	10 544	9 870
Net operating income	20 933	19 387
Operating Costs	5 829	10 983
Impairment and Provisions	2 435	(1 977)
Taxes	1 053	1 337
Net Income	11 617	9 042
Net interest income / Net operating income	49.6%	49.1%
Cost-to-income ratio	27.8%	56.7%
ROAA	12.6%	6.7%
ROAE	59.5%	37.4%

STRUCTURE	2020	2021
Branch Network	6	7
Active ATM	11	21
Active TPA	1 064	1 813
Active customers	3 848	7 075
Employees	89	106

CREDIT QUALITY	2020	2021
Credit at risk / customer loans	1.80%	1.15%
Credit impairment / credit at risk	329.6%	204.1%
Risk cost (pb)	192	-101

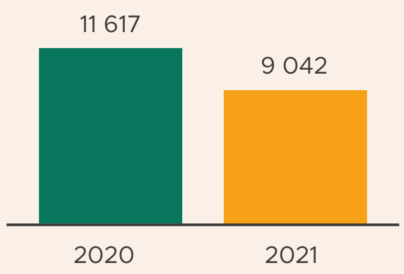
CAPITAL	2020	2021
Solvency ratio	70.3%	43.4%
Regulatory Own Funds	22 402	24 994
Risk-Weighted Assets	31 854	57 599

(Million AOA)

NET INCOME

Even with the alteration of the economic context, with a strong appreciation of the Kwanza, Banco BIR achieved a positive result of 9.042 million Kwanzas, which represents a 22% drop in relation to the previous year.

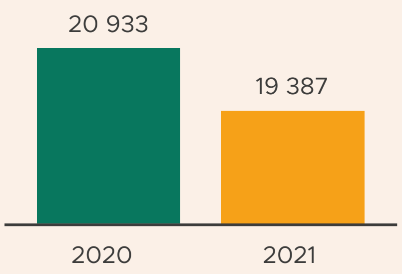
NET INCOME



NET OPERATING INCOME

Operating income decreased by 7% compared to 2020, conditioned by the reduction in net interest income and commissions, which fell by 8% and 12%, respectively.

NET OPERATING INCOME



Net interest income stood at 9.516 billion kwanzas in 2021, representing an 8% decrease over the previous year. The decrease in margin was essentially due to the exchange rate impact of the appreciation of the kwanza on the yield of indexed public debt securities and the increase in the volume and average rate of time deposits, despite the increase in the volume of credit and public debt securities in kwanzas.

Commissions totalled 4,060 million kwanzas in 2021, compared to 4,635 million kwanzas in 2020. This evolution is essentially the result of a reduction in foreign operations and documentary credit operations.

Exchange rate income reached 6,615 million kwanzas in 2021, which represents 10% growth compared to 2020.

NET OPERATING INCOME	2020	2021	Var.
Net Interest Income	10 390	9 516	-8%
Commissions	4 635	4 060	-12%
Foreign Exchange Gains and Losses	6 005	6 615	10%
Other income	-96	-806	736%
Total	**20 933**	**19 387**	**-7%**

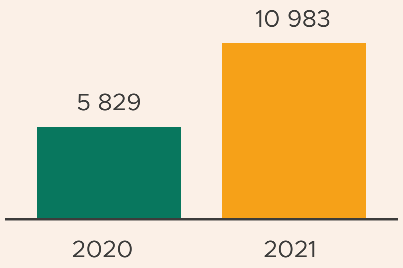
(Million AOA)

STRUCTURAL COSTS

Structural costs, which pool together personnel costs, supplies and services and depreciation for the year, increased by 88% to 10 983 million kwanzas (5 829 million kwanzas in 2020). This trend is mainly due to an increase in costs of other specialised services, computing services, the impact of the salary review and the attribution of variable performance remuneration.

The efficiency ratio stood at 56.7% in 2021, an increase of about 28.8% compared to 2020.

STRUCTURAL COSTS



STRUCTURAL COSTS	2020	2021	Var.
Personnel costs	2 349	4 152	77%
Third-party supplies and services	2 852	5 626	97%
Amortisation for the Year	627	1 205	92%
Total	**5 829**	**10 983**	**88%**

(Million AOA)

PROFITABILITY AND SOLIDITY

Return on average equity (ROAE) stood at 37.4%, down 22.1% compared to 2020.

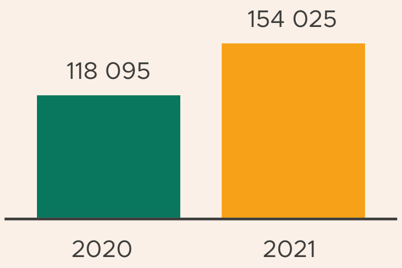
As of 31 December 2021, the solvency ratio corresponded to 43.4%, well above the regulatory limit (10%).

ASSETS

Total assets amounted to 154 025 million kwanzas in December 2021, which compares with 118 095 million kwanzas in December 2020.

This growth was essentially supported by the evolution of the loan portfolio, of financial assets held at amortised cost, and of the cash and cash equivalents items.

ASSETS



DEPOSITS AND CREDIT

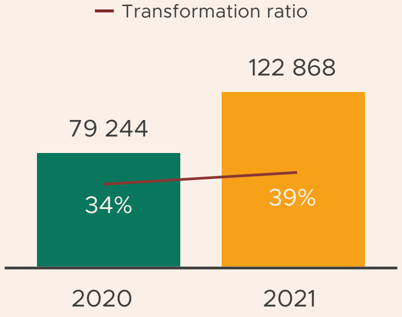
Customer deposits saw growth of around 55% against 2020, rising to 122,868 million kwanzas, as a result of the strategy followed to diversify the customer base and broaden the offer of products and services.

The loan portfolio posted 82% growth versus the previous year, showing the Bank's focus on supporting development of the real economy and the Angolan business mosaic.

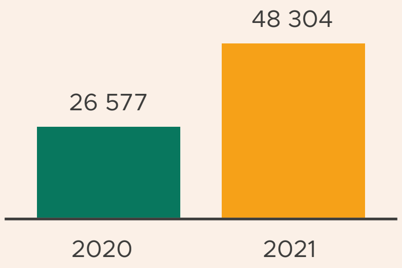
This fact contributed towards raising the transformation ratio, which went from 34% in 2020 to 39% in 2021.

With regard to credit quality, the Bank remains in a very comfortable position. The credit at risk ratio was 1.2% and the coverage ratio of credit at risk by impairments was 204.1%.

DEPOSITS



CREDIT



DISTRIBUTION NETWORK

In 2021 Banco BIR opened the Porto de Luanda Branch, ending the year with a network of 7 Branches, 2 Business Centres and 1 Private and Institutional Centre.

1° DE MAIO BRANCH

VIANA BRANCH

PORTO DE LUANDA BRANCH

BELAS BRANCH

BAIRRO AZUL BRANCH

DESKONTÃO BRANCH

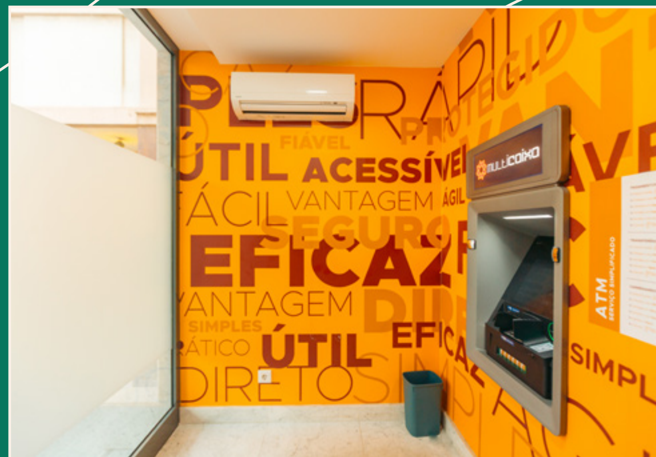
ATM CENTRES

It should also be noted that during 2021
the Bank opened 3 ATM Centres

DESKONTÃO NOVA VIDA

DESKONTÃO CAMANA

RUA DA MISSÃO



CUSTOMERS

The number of active customers grew by around 84% compared to 2020, reaching a total of 7 075 at the end of 2021.

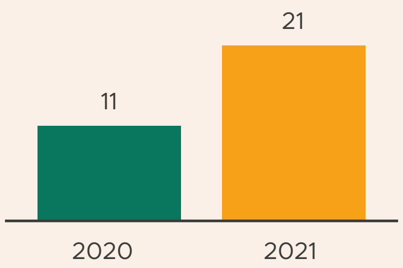
ELECTRONIC BANKING

In 2021, Banco BIR maintained its strategy of developing its Electronic Banking business, installing 10 ATMs and setting up 749 Automatic Payment Terminals (TPA), which contributed towards increasing the number of ATMs by 91% and TPAs by 70%.

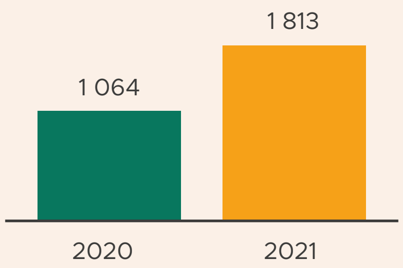
As of 31/12/2021, Banco BIR held a total of 21 ATM and 1 813 TPA.

The number of active cards increased by 77% in 2021 and stood at 6 901.

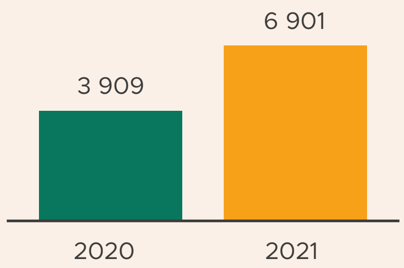
ATM



TPA



ACTIVE CARDS



PROGRESS ACHIEVED REGARDING THE STRATEGIC PLAN 2021

The Bank achieved most of the objectives set out in the 2021 strategic plan, falling short in equity, net income and net operating income (with GRO's over 75%).

		Real (Dec-21)	Strategic Plan (dec-21)	GRO (%)
BUSINESS	Loan to costumers gross (M AOA)	49 444	33 721	147%
	Customer Funds (M AOA)	122 868	110 314	111%
	Active Customers	7 075	4 412	160%
	Branches	7	8	88%
PROFITABILITY	Net operating income (M AOA)	19 387	22 793	85%
	Net Income	9 042	11 944	76%
	Cost-to-income ratio	56.7%	37.2%	
	ROAE	37%	>30%	
SOLIDITY	Equity (M AOA)	26 745	29 646	90%
	Solvency Ratio	43.4%	>40%	
CREDIT QUALITY	Non-performing loans > 30 days	0.7%	<2.0%	
	Coverage of Non-performing loans > 30 days by impairments	322%	>300%	

OUTLOOK FOR 2022

The Angolan economy is expected to accelerate in 2022, with real GDP growth of 2.4%, compared to moderate expansion of 0.7% in 2021. This growth is supported with the price of a barrel of oil at 59 dollars and a year-on-year inflation rate of 18%.

From the regulatory point of view, it is expected that the requirements in terms of Capital will increase, namely through the introduction of minimum requirements for pillar 2 risks, macro prudential reserves and a capital margin for adverse macroeconomic scenarios.

In detail, with the publication of Notice no. 08/2021, provision is made for (i) an increase in the Regulatory Capital requirement, (ii) an increase in the Regulatory Liquidity requirement, (iii) a new Internal Capital requirement, and (iv) a new Macro Prudential Reserve requirement.

With regard to Regulatory Capital, the increased requirement derives from the increased risk weighting of the regulatory model, i.e. the same portfolio of assets now has a higher risk weighting in the new legislation compared with past legislation;

With regard to Regulatory Liquidity, two new conditions were required, (i) an additional 10% reserve and (ii) allocation of Liquid Assets in time bands by residual maturity. Situation that negatively impacts liquidity since Net Assets were fully allocated in the 1st time band – a 30-day band.

As for the new Internal Capital requirement, it is justified by the recognition of other materially relevant risks besides credit, market and operational. Examples are interest rate, reputational and ESG risks.

Finally, with regard to Macro Prudential Reserves, the aim is to protect Going-Concern Regulatory Capital and allow for more timely corrections in the financial system. In other words, Regulatory Capital is divided into two parts, namely, Capital Going Concern and Capital Gone Concern. When a Bank fails to meet the minimum required, the Institution is considered insolvent and the remaining Capital is considered for liquidation purposes (Capital Gone Concern)

PROPOSAL FOR APPROPRIATION OF PROFIT

Considering the legal and statutory provisions related to the constitution of reserves, the Board of Directors proposes to the General Meeting the following appropriation of the net earnings for the year 2021, in the amount of AOA 9,042,442,631,70:

- **Legal Reserve:** AOA 5,425,465,579.02
- **Dividend:** AOA 3,616,977,052.68

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

9

FINANCIAL STATEMENTS

Banco de Investimento Rural, SA

Financial Statements for the years ended 31 December 2021 and 2020

Amounts stated in thousand Kwanza

INCOME STATEMENT	NOTES	2021	2020
Interest and similar income	9	15 789 940	14 226 118
Interest and similar charges	9	(6 273 482)	(3 836 413)
NET INTEREST INCOME	**9**	**9 516 458**	**10 389 705**
Income from services and fees	10	4 912 953	5 372 399
Expenses from services and fees	10	(852 525)	(737 618)
Results from held-to-maturity investments	11	193 686	463 173
Foreign exchange gains and losses	12	6 615 443	6 005 279
Other operating profit or loss	13	(999 397)	(559 593)
TOTAL OPERATING INCOME		**19 386 618**	**20 933 345**
Staff Costs	14	(4 152 101)	(2 349 422)
Other Administrative Costs	15	(5 625 936)	(2 852 275)
Depreciation and amortisation for the year	16	(1 205 228)	(627 243)
Net provisions from cancellations	17	26 552	37 019
Impairment on customer loans net of reversals and recoveries	18	491 051	(580 877)
Impairment for other financial assets net of reversals and recoveries	19	1 458 939	(1 911 357)
Impairment for other assets net of reversals and recoveries		-	20 793
EARNINGS BEFORE TAX FROM CONTINUING OPERATIONS		**10 379 895**	**12 669 983**
Tax on profit or loss			
Current	20	(1 337 452)	(1 052 576)
Deferred		-	-
INCOME FROM CONTINUING OPERATIONS		**9 042 443**	**11 617 407**
Income from discontinued and/or discontinuing operations		-	-
NET INCOME FOR THE PERIOD		**9 042 443**	**11 617 407**
BASIC AND DILUTED EARNINGS PER SHARE	**21**	**9.04**	**11.62**

STATEMENT OF COMPREHENSIVE INCOME	NOTES	2021	2020
NET PROFIT OR LOSS FOR THE YEAR		**9 042 443**	**11 617 407**
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		**9 042 443**	**11 617 407**

Amounts stated in thousand Kwanza

Amounts stated in thousand Kwanza

BALANCE SHEET	NOTES	2021	2020
ASSETS			
Cash and cash balances at central banks	22	29 484 184	14 268 696
Cash balances at other credit institutions	23	8 630 121	14 403 858
Investments at central banks and other credit institutions	24	-	13 610 335
Financial assets measured at fair value through profit or loss		41 067	41 067
Financial assets measured at amortised cost	26	55 706 436	40 715 697
Loan to Customers	25	48 303 961	26 577 442
Other intangible assets	28	1 355 247	799 790
Tangible fixed assets	28	9 129 144	3 866 374
Current tax assets		378 525	41 853
Other assets	29	996 564	3 769 682
TOTAL ASSETS		**154 025 247**	**118 094 794**
LIABILITIES AND EQUITY			
Funds from central banks and other credit institutions	30	-	11 508 017
Customer funds and other loans	31	122 868 256	79 244 063
Financial liabilities associated with transferred assets		0	0
Provisions		28 173	55 199
Other liabilities	32	4 384 135	4 085 304
TOTAL LIABILITIES		**127 280 563**	**94 892 583**
Share Capital	33	10 000 000	10 000 000
Reserves and retained earnings	34	7 702 241	1 584 804
Net income for the year		9 042 443	11 617 407
TOTAL EQUITY		**26 744 684**	**23 202 211**
TOTAL LIABILITIES AND EQUITY		**154 025 247**	**118 094 794**

STATEMENT OF CHANGES IN EQUITY 2021	NOTES	Share capital	Fair value reserve	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**

STATEMENT OF CHANGES IN EQUITY 2020	NOTES	Share capital	Fair value reserve	Other reserves and unappropriated retained earnings	Profit or loss for the period	Total
BALANCE AT 01/01/2021		**10 000 000**	**673 650**	**(1 476 057)**	**5 572 452**	**14 770 045**
NET PROFIT OR LOSS FOR THE YEAR					**11 617 407**	**11 617 407**
OTHER COMPREHENSIVE INCOME FOR THE YEAR						
Change in fair value reserve for equity instruments designated at fair value through reserves	34		(673 650)	(11 591)		(685 241)
		-	**(673 650)**	**(11 591)**	**-**	**(685 241)**
COMPREHENSIVE INCOME FOR THE YEAR		-	-	-	**11 617 407**	**10 932 166**
MOVEMENTS WITH CAPITAL HOLDERS						
Distributions					(2 500 000)	(2 500 000)
Transfer to other reserves	34			3 072 452	(3 072 452)	-
				3 072 452	**(5 572 452)**	**(2 500 000)**
BALANCE AT 12/31/2021		**10 000 000**	**-**	**1 584 804**	**11 617 407**	**23 202 211**

Amounts stated in thousand Kwanza

CASH FLOW STATEMENT

Amounts stated in thousand Kwanza

CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Interest, commissions and other similar income received	20 702 893	19 598 517
Interest, commissions and other similar expenses paid	(7 126 007)	(4 574 031)
Payments to employees and suppliers	(9 778 036)	(5 201 697)
Other income	(568 725)	(249 249)
CASH FLOWS BEFORE CHANGES TO OPERATING ASSETS AND LIABILITIES	**3 230 124**	**9 573 540**
(Increases) / decreases in operating assets:		
Investments at central banks and other credit institutions	13 610 335	(1 022 989)
Non-current assets held for sale	-	17 730 104
Investments at amortised cost	(14 990 739)	(31 441 159)
Customer loans	(21 726 518)	(16 660 845)
Other assets	174 455	(1 445 674)
NET FLOW FROM OPERATING ASSETS	**(22 932 467)**	**(32 840 563)**
Increases/(decreases) in operating liabilities:		
Funds from central banks and other credit institutions	(11 508 017)	4 001 835
Customer funds and other loans	43 624 193	25 783 034
Other liabilities	298 831	(329 863)
NET FLOW FROM OPERATING LIABILITIES	**32 415 007**	**29 455 006**
Net cash generated by operating activities before income taxes	12 712 665	6 187 983
Income taxes paid	(430 672)	(310 344)
NET CASH GENERATED BY OPERATING ACTIVITIES	**12 281 993**	**5 877 639**

CASH FLOWS FROM INVESTMENT ACTIVITIES	2021	2020
Acquisitions and other tangible assets, net of divestitures	(6 244 217)	(1 996 444)
Acquisitions of intangible assets, net of divestitures	(777 897)	(2 059 579)
	(7 022 114)	**(4 056 023)**

CASH FLOWS FROM FINANCING ACTIVITIES	2021	2020
Acquisitions and own shares, net of divestitures	-	-
Distribution of dividends	(5 500 000)	(2 500 000)
	(5 500 000)	**(2 500 000)**

CASH VARIATION AND ITS EQUIVALENTS	2021	2020
	(240 121)	**(678 384)**
Cash and cash equivalents at the beginning of the year	42 282 889	39 746 795
Effects of exchange variation on cash and cash equivalents	(3 928 464)	3 214 478
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**38 114 304**	**42 282 889**

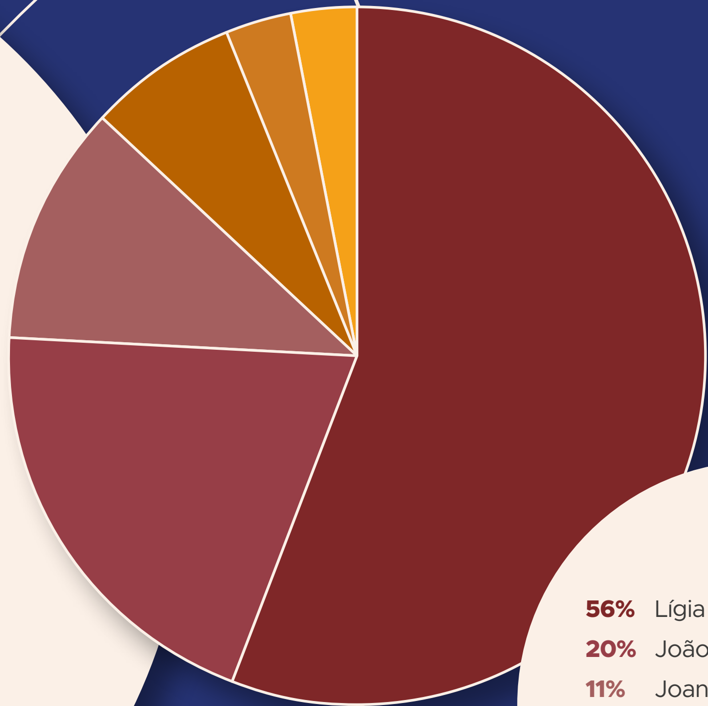
NOTES TO THE FINANCIAL STATEMENTS

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 its 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 its registered office in Luanda.

The Bank engages in obtaining third-party funds, essentially in the form of deposits, which, together with its 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 transaction, for the purpose having a network of 7 branches, 2 corporate centres, 2 ATM centres and 1 private and institutional centre.

The Bank is owned by private Angolan shareholders. On 31 December 2021, 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 Nines da Silva

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

During the year ended 31 December 2021 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 2021:

A IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendment) Reform of benchmark interest rates - phase 2. These changes address issues that arise during the interest rate benchmark reform, including the replacement of one interest rate benchmark with an alternative, allowing the application of exemptions such as: i) changes in the designation and documentation of hedging; ii) amounts accumulated in the cash flow hedge reserve; iii) retrospective assessment of the effectiveness of a hedging relationship under IAS 39; iv) changes in hedging relationships for groups of items; v) the presumption that an alternative benchmark designated as a risk component not contractually specified, is separately identifiable and qualifies as a hedged risk; and vi) updating the effective interest rate, without recognising a gain or a loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

B IFRS 16 (amendment) – Exempts lessees from having to consider individual lease contracts to determine whether rent concessions relating to the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. Concessions are eligible that are directly related to the COVID-19 pandemic and where: (i) the revised consideration is substantially the same or is less than the consideration for the lease prior to the concession; (ii) any reductions in payments were originally due no later than 30 June 2021: and (iii) there are no other substantive changes for the lessees. This exemption is optional, and must be applied consistently to all lease agreements with similar characteristics. It is not extendable to lessors.

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 2021.

The following amendments to the published standards are only of mandatory application for annual periods beginning after 1 January 2022:

A IAS 37 (amendment) (effective for annual periods beginning on or after 1 January 2022) - Clarifies that, for the purposes of assessing whether or not a contract is onerous, the costs to fulfil the contract include all costs directly related with the contract (incremental contract costs and an allocation of other costs incurred with activities necessary to fulfil with the contract).

B 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.

C 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 its 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.

D 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 its parent; (ii) IFRS 9 – clarifies the fees to be included in the 10 per cent 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.

E 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 for retrospective application.

F 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.

G 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 its 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.

H 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.

I 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.

J 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.

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 IFRS (International Financial Reporting Standards), under the provisions of Notice 6/2016 of 22 June, of the National Bank of Angola (hereinafter also referred to as "BNA").

The IFRS includes financial reporting standards issued 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 2021 were approved by the Board of Directors on 14 March 2022.

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 accordance with the principles of the multi-currency system, with each transaction being registered in accordance with the respective denomination currency. 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 translated into Kwanzas at the indicative exchange rate published by the BNA on the balance sheet date. Income and expenses related to exchange differences, whether realised or potential, are recognised in the income statement for the year in which they occur, except concerning: (i) exchange differences arising on cash flow hedging operations, which are recognised in other comprehensive 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 2021 and 31 December 2020, 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:

	2021	2020
1 USD	550.590	649.911
1 EUR	623.158	796.726

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 statement, with the exception of assets and liabilities designated 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 accounts as follows:

Spot foreign exchange position

The spot foreign exchange position in each currency is given by the net balance of the assets and liabilities 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 currency 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 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 instruments initially measured at fair value is recognised as follows:

- According to its economic substance, where identifiable (e.g. in the case of loans granted to employees 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 market 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 technique 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 markets, 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 transactions 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:

- Your 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.

3.4 FINANCIAL ASSET MEASUREMENT CATEGORIES

The classification and measurement of financial assets depends on two tests: (i) test of the contractual cash flows of the asset (also known as the SPPI test); and (ii) the business model test (also known as the BM test).

The purpose of the SPPI test is to determine whether the contractual cash flows consist solely of payments of principal and interest. For this purpose, interest comprises a component that reflects the passage of time, a component that reflects the credit risk of the debtor, a component that aims to cover the administrative costs of managing the operation and a component that incorporates a reasonable profit margin. This test is only carried out on initial recognition of the asset.

Where the contractual terms introduce exposure to risk or variability in cash flows that are inconsistent with a simple basic credit agreement, the financial instrument does not comply with the aforementioned SPPI concept. 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 solely payments of principal and interest in the terms referred to above. Should a financial asset include a periodic adjustment of the interest rate, but the frequency of such adjustment does not coincide with the term of the benchmark interest rate, the Bank assesses, at the time of initial recognition, this inconsistency in the interest component to determine whether or not the contractual cash flows represent solely payments of principal and interest. 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 prevent the corresponding assets from complying with the concept of the SPPI.

Financial assets with embedded derivatives (hybrid instruments) are considered in their entirety, when conducting the SPPI test. These assets never comply with the SPPI concept, as long as the contractual conditions of the embedded derivative are genuine.

The purpose of the BM test is to assess the business model to be adopted to manage the financial asset, which may consist of: (i) holding the asset until maturity to receive the corresponding contractual cash flows; (ii) sale of the asset to obtain capital gains; (iii) holding the asset until maturity, but also making sales of it (in practice, a mixed management model). The BM test is performed at each reporting date and is a prospective test. In other words, it contemplates the management objective for the future, regardless of the transaction history.

Among others, the following factors are considered by the Bank in the identification of the business model for a set of assets: the way in which the performance of the assets is evaluated and reported to the management, the main risks associated with the assets and how they are evaluated and managed and how the asset managers are remunerated. The assessment of the business model does not depend on the intentions for an individual instrument, but for a set of instruments, taking into account the frequency, amount, timing and expected reasons for sale of the assets. Sales that are infrequent, have little significance, or that are close to the maturity of the assets and those motivated by an increase in the credit risk of the financial assets, or whose purpose is the management of concentration risk, among others, may be compatible with the business model of holding assets to maturity to receive their contractual cash flows.

A financial asset is subsequently measured at amortised cost when its contractual cash flows consist solely of payments of principal and interest and the business model thereof consists of their being held to maturity to receive the corresponding contractual cash flows (and the fair value option is not applied). A fair value option is the possibility of measuring a financial asset or financial liability at fair value through profit or loss when such an approach demonstrably reduces or eliminates a recognition and measurement inconsistency.

A financial asset corresponding to an investment in debt instruments is subsequently measured at fair value through reserves when its contractual cash flows consist solely of payments of principal and interest and the business model thereof is the mixed model (and the fair value option is not applied). According to this measurement basis, all subsequent changes in the fair value of the asset are recorded in reserves, except for those relating to: (i) effective interest; (ii) impairment losses; and (iii) exchange rate differences. The accumulated balance in reserves is reclassified to profit or loss with the derecognition of the asset.

A financial asset corresponding to an investment in equity instruments of other entities is subsequently measured at fair value through reserves when such instruments are not held for trading and, upon initial recognition, the Bank irrevocably designates this asset to be measured at fair value through reserves. According to this measurement basis, all subsequent changes in the fair value of the asset are recorded in reserves. Only dividends attributed are recognised in profit or loss as income for the period. The accumulated balance in reserves is not reclassified to profit or loss with the derecognition of the asset.

In the remaining cases, the financial assets are subsequently measured at fair value through profit or loss.

Reclassification between categories of financial assets is only possible if there is a change in the business model associated with the assets. When applicable, the reclassification of financial assets is carried out prospectively. It is expected that changes in the business model of the asset will be infrequent.

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 National Bank of Angola (BNA) in Kwanzas: the Bank must have funds available at the BNA to guarantee liquidity in relation to the level of deposits of its 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, they are intended 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 the rules of the BNA, 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 its 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.

3.5 CATEGORIES FOR THE MEASUREMENT OF FINANCIAL LIABILITIES

As a general rule, the subsequent measurement of financial liabilities is carried out at amortised cost. There are some exceptions to this measurement basis, namely:

Financial Liabilities that are held for trading (e.g. derivatives) or when the fair value option is applied – the subsequent measurement consists of fair value through profit or loss.

Financial guarantees – the subsequent measurement consists of the largest of the corresponding expected credit losses and the amount of the initial fee received deducted from the amounts already recognised as revenue in accordance with the provisions of IFRS 15.

Accordingly, the remaining financial liabilities are subsequently measured at amortised cost.

These financial liabilities include:

Deposits from customers in kwanzas and currencies: deposits from the Bank's customers are used to lend money to companies and private individuals, forming the basis of the financial intermediation business. These liabilities do not include any embedded derivatives and are not held for trading, as a result of which they are subsequently measured at amortised cost.

Funds from other credit institutions and third parties: these are short-term loans that do not include any embedded derivatives and are not held for trading. Thus, they are subsequently measured at amortised cost.

The reclassification of financial liabilities from one measurement category to another is not permitted.

3.6 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 modification 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 its carrying amount exceeds, in absolute terms, 10% of the carrying 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.

3.7 DERECOGNITION AND WRITE-OFFS

A financial asset (or part thereof) is derecognised when the rights to receive its 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 its carrying amount exceeds, in absolute terms, 10% of the carrying amount at the time of replacement or modification.

3.8 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 corresponds to the amount paid for them.

Treasury bonds issued in local currency indexed to the exchange rate of the United States dollar are subject to exchange rate adjustment on each reporting 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 income 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.

3.9 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 adjusted 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.

3.10 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 obtaining capital gains). Other financial assets whose contractual cash flows do not consist solely of principal and interest are also measured at fair value through profit or loss. These latter investments include 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 embedded derivatives). All financial assets and liabilities 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 recognition, 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 financial liabilities that are managed (and their performance is measured) on a fair value basis, in accordance with a documented management or investment strategy; or
- The financial liabilities are hybrid instruments (unless 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.

3.11 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

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

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 its 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 its 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 its 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 most recent annual own funds at book value known to 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).

3.12 CUSTOMER LOANS

Loans granted to customers originated by the Bank and whose intention is not to sell in the short term, are initially measured at their fair value. Subsequently, they are measured at amortised cost, based on the effective interest rate method, and are presented in the balance sheet 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.

With the entry into force on 01 January 2016 of BNA Notice 11/2014, of 10 December, which revoked BNA Notice 3/2012, of 28 March, credit operations, by disbursement, are granted in local 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, which came into force on 1 January 2016, and which revoked BNA Notice 3/2012, of 28 March, 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

In addition to calculating the level of risk described above, the Bank defines the country risk of each exposure according to the terms of BNA Instruction 1/2015, of 14 January, which defines 5 risk groups, depending on the country of the counterparty.

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.

3.13 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 its 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.

3.14 HEDGING DERIVATIVES

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

3.15 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.

3.16 TANGIBLE FIXED ASSETS

Property, plant and equipment is initially recorded at cost, which includes the respective purchase price net of rebates and discounts plus direct non-refundable taxes and all other costs incurred that prove necessary to bring the assets to the desired conditions and location.

The Bank subsequently measures its 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
Interior fittings	4 and 10
Transport material	4
Safety Equipment	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 that it will result in future economic rewards for the Bank. Expenses with maintenance and repair of property, plant and equipment are recognised as an expense in the periods in which the corresponding services are obtained.

Items of property, plant and equipment are derecognised when they are sold or when the future economic rewards associated with them are no longer expected. In the derecognition, a gain or loss is recognised in profit or loss by the difference between the carrying amount of the assets at that date and, where applicable, the price associated with the sale transaction.

3.17 INTANGIBLE ASSETS

Intangible assets are initially recorded at cost, which includes the respective purchase price net of rebates and discounts, plus all direct costs related to their acquisition and, where applicable, their development.

The Bank subsequently measures its intangible assets using the cost model, according to which the carrying amount at each reporting date corresponds to the acquisition cost, less the respective amortisation and, where applicable, accumulated impairment losses.

Intangible assets are amortised over their useful lives using with the straight-line method. The amortisation is recorded in profit or loss under Depreciation and amortisation for the year. The useful lives of the Bank's intangible asset classes are detailed below:

INTANGIBLE ASSETS	YEARS
Software	5
Other	5

Intangible assets with an indefinite useful life are not amortised, but rather are subject to impairment tests at each reporting date, or earlier, if signs of impairment are identified.

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

The useful lives and amortisation methods are reviewed at each reporting date. The effects of any changes resulting from these reviews are prospective.

Intangible assets generated internally are recognised only when all the following conditions are demonstrated to exist:

- Technical viability to complete the intangible asset and use or sell it;
- Intention to complete the intangible asset and use or sell it;

- Ability to use or sell the intangible asset;
- Ability of the intangible asset to generate future economic rewards;
- Availability of technical, financial and other resources necessary to complete the development of the intangible asset and use or sell it;
- Reliable measurement of the costs attributable to the development of the intangible asset.

The carrying amount upon initial recognition of the intangible asset corresponds to the total of the expenses incurred with effect from the time at which the above conditions are fulfilled.

Expenditures incurred in the research phase or in the development phase when the recognition conditions are not met are recorded as expenses for the period in profit or loss.

Intangible assets are derecognised when they are sold or when the future economic rewards associated with them are no longer expected. In the derecognition, a gain or loss is recognised in profit or loss by the difference between the carrying amount of the assets at that date and, where applicable, the price associated with the sale transaction.

3.18 IMPAIRMENT OF ASSETS

In accordance with IAS 36, at each reporting date the Bank assesses whether there are signs of impairment of assets (property, plant and equipment, intangible assets, goodwill, investment properties measured using the cost model, interests in subsidiaries, joint ventures and associates). Where signs of impairment are identified, the recoverable amount of the respective assets is estimated and compared with their carrying amount (impairment test). The recoverable amount corresponds to the largest of: (i) the fair value less costs to sell the asset; and (ii) the value in use of the asset.

The fair value corresponds to the price that would be obtained with the sale of the asset in an unforced transaction between market participants, on the measurement date. The price in question assumes the best possible use for the asset. The costs to sell correspond to the incremental costs on the sale.

The value in use consists of the present value of the net cash flows resulting from the continued use of the asset until the end of its useful life and its residual value. The present value is determined using a pre-tax discount rate that reflects the specific risk of the asset (volatility of its cash flows). This discount rate is independent of how the asset is financed.

Cash flows consider only the present conditions of the asset, result from plausible forecasts and are estimated before the tax effect. Financing cash flows and those related to liabilities already recognised are excluded.

There is an impairment loss where the recoverable amount of the asset is less than its carrying amount. In these cases, an impairment loss is recognised for the difference between the two amounts. Impairment losses are recorded as an expense in profit or loss or, where there are revaluation surpluses related to the asset, are deducted from the revaluation surpluses caption.

Where an asset with signs of impairment does not generate cash flows largely independent of the cash flows of other assets, its fair value less costs to sell is less than its carrying amount and its value in use is not close to the fair value less costs to sell, it is tested for impairment within a cash-generating unit. A cash-generating unit is the smallest set of assets that generates cash flows largely independent of the cash flows of other assets. The Bank considers that each branch corresponds to a cash-generating unit.

Where there are signs of impairment in corporate assets (head office) and it is not possible to carry out the corresponding impairment test on an individual basis, the aforementioned test is carried out at the level of the smallest set of cash-generating units to which those assets relate. In the case of the head office, it is understood that the smallest set of cash-generating units corresponds to the bank's activity as a whole.

Impairment losses on cash-generating units (excess of the carrying amounts of their assets under IAS 36 in relation to their carrying amount) are apportioned to their assets according to the following criteria: (i) charging, where applicable, to goodwill; (ii) the amount of the excess loss in relation to the carrying amount of goodwill is distributed among the remaining assets of the cash-generating unit in proportion to their carrying amounts. The carrying amount of an asset of a cash-generating unit cannot be reduced below the largest of its fair value less costs to sell and zero.

The following assets are subject to impairment tests annually and whenever signs of impairment are identified:

- Goodwill
- Intangible assets with an indefinite useful life
- Intangible assets in progress

An impairment reversal is recognised when, after the recognition of an impairment loss, the recoverable amount of the asset or cash-generating unit increases for reasons related to the factors that gave rise to the recognition of the loss. The amount of the reversal of impairment losses is allocated to the assets of a cash-generating unit in proportion to their carrying amounts. Impairment losses charged to goodwill are not reversed. Following the reversal of the impairment, the carrying amount of the asset cannot exceed the carrying amount that it would have had if an impairment loss had not been recognised originally. Reversals of impairment losses are recognised as income in profit or loss.

3.19 NON-CURRENT ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets are classified as held for sale when their carrying amount is essentially recovered through sale and not through continued use. This happens when: (i) they are available for immediate sale under present conditions; and (ii) their sale is highly probable.

The sale is considered highly probable when all of the following conditions are met: (i) there is a sales plan approved by the Bank's management; (ii) actions are underway to implement the sales plan, which involve locating interested buyers; (iii) the price at which the asset is being traded is reasonable in view of its fair value; (iv) the sale is likely to take place within 12 months (unless the delay is due to issues beyond the Bank's control and management remains demonstrably committed to the asset disposal plan).

After classification as non-current assets held for sale, depreciation or amortisation of the asset ceases and it is measured at the lowest of: (i) its fair value less costs to sell; and (ii) its carrying amount on the date of classification as a non-current asset held for sale. If the asset is a financial participation measured using the equity method, the appropriation of profit or loss and other changes in the equity of the subsidiary at the time of classification ceases.

Adjustments to the carrying amount of non-current assets held for sale are recorded as impairment losses.

Non-current assets held for sale are presented in a separate line from current assets.

When the conditions for classification as non-current assets held for sale are no longer met, their classification as non-current assets held for sale is reversed. Where this happens, the asset is measured at the lowest of: (i) its carrying amount, if it had never been classified as a non-current asset held for sale; and (ii) its recoverable amount (the greater of its fair value less costs to sell and its value in use). It is the Bank's policy to recover in profit or loss only the effect of depreciation/amortisation for the year. The effect of recovering any depreciation/amortisation from previous years is recognised as part of the variation in impairment losses.

Usually, these assets correspond to properties received as payment in kind. As of 31 December 2021, the Bank holds only one property classified as a non-current asset held for sale.

3.20 LEASES

The Bank applied IFRS 16 for the first time on 1 January 2019, having used the modified retrospective approach or partial retrospective approach, so the comparative information at the transaction date was not restated (being reported in accordance with IAS 17 and IFRIC 4). The effects resulting from the initial application of IFRS 16 were recorded in unappropriated retained earnings.

At the beginning of a contract, the Bank assesses whether it is, or contains, a lease. A lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period, in return for a fee. To assess whether a contract transfers the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset. The asset may be specified either explicitly or implicitly and must be physically distinct or represent substantially the entire capacity of an asset that is not physically distinct. Even if an asset is specified, the Bank does not have right-of-use over an identified asset if the supplier has a substantive right to replace that asset during the period of use; and

- The Bank has the right to obtain substantially all the economic rewards from use of the identified asset, throughout the period of use and the Bank has the right to direct the use of the identified asset. The Bank has this right when it has the most relevant decision-making rights to change the way in which, and purpose for which, the asset is used throughout the period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if: the Bank has the right to operate the asset (or to order others to operate the asset in such manner as it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or the Bank designed the asset (or specific aspects of the asset) in a way that previously determines the mode and purpose for which the asset will be used throughout the period of use.

At the beginning or upon revaluation of a contract that contains more than one lease component, the Bank allocates the respective fee to each rental component based on their individual prices.

The Bank does not apply the provisions of IFRS 16 to contracts that are or contain a lease of an intangible asset.

As Lessee

The Bank recognises a right-of-use asset and a lease liability on the lease start date. The right-of-use asset is initially measured at cost, which includes the initial value of the lease liability adjusted for all prepayments of the lease on or before the start date (less any lease incentives received), plus any costs initial direct costs incurred and, where applicable, the estimated costs of dismantling and removing the underlying asset or for restoring the underlying asset or the facilities in which it is located.

Subsequently, the right-of-use asset is depreciated using the straight-line method over the following period:

- The useful life of the asset, where there is reasonable assurance of the acquisition of the asset by the Bank;

- The useful life of the right-of-use asset or the lease term, whichever ends first.

The estimated useful life of right-of-use assets is determined according to the same principles as for property, plant and equipment. In addition, impairment losses, if any, are periodically deducted from the right-of-use asset, and it is adjusted by certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments to be made after that date. This present value is determined based on the interest rate implicit in the lease, if that rate can be easily determined. If this rate cannot be easily determined, the Bank's incremental borrowing rate should be used. The incremental borrowing rate is the rate that the Bank would obtain to secure, with a similar maturity and guarantee, the funds necessary to acquire the underlying asset. As a rule, the Bank uses its incremental borrowing rate as a discount rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term:

- Fixed payments (including in-substance fixed payments), less lease incentives;
- Variable payments that depend on an index or rate, initially measured using the rate or index existing on the lease start date;
- Amounts expected to be paid as residual value guarantees;
- The exercise price of a call option, if the Bank is reasonably certain to exercise that option; and
- The payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease by the Bank.

The lease liability is subsequently measured at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments resulting from a change in an index or rate, when there is a change in the Bank's estimate of the amount that it expects to pay under a residual value guarantee, or whenever the Bank changes its assessment of whether or not it expects to exercise an option to purchase, extend or terminate the lease. Whenever the lease liability is remeasured, the Bank recognises the remeasurement amount of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is another reduction in the measurement of the lease liability, the Bank recognises this reduction as income in profit or loss.

The Bank has adopted a policy of not separating any service components included in lease agreements.

The Bank presents in the balance sheet right-of-use assets that do not correspond to the definition of investment property under “Other Tangible Assets” and the lease liabilities under “Other Liabilities”.

The Bank applies the exemptions defined by IFRS 16 for the recognition of right-of-use assets and lease liabilities related to short-term leases (where the lease term is equal to or less than 12 months) and to leases of low value assets (where the price as new is less than or equal to USD 5,000). Accordingly, the Bank recognises the expenses associated with these contracts as expenses directly in profit or loss under the heading “Third Party Supplies and Services”. Recognition occurs on a straight-line basis over the term of the contracts.

As of 31 December 2021 and 2020, the Bank only had lease agreements for the lease of properties used as part of its ordinary activities.

3.21 INCOME TAX

The income obtained by the Bank under its normal activities is subject to various taxes, depending on its nature.

Accordingly, the Bank is taxed on all profits obtained both in the country and abroad and its taxable profit corresponds to the difference between all the profits or gains realised and the costs or losses attributable to the year in question, potentially adjusted under the terms of the Industrial Tax Code.

The Bank is subject to taxation in terms of Industrial Tax, being considered a Group A taxpayer. The taxation of its income is carried out in accordance with the new Industrial Tax Code, as approved by Law 26/20, of 20 July, which entered into force on 30 July 2020, and which sets a new tax rate of 35%. It should be noted that this Industrial Tax determines that the income subject to Tax on Capital Expenditure (“IAC”) is deductible for the purposes of determining taxable profit for the purposes of Industrial Tax, IAC not constituting a cost accepted for tax purposes.

Tax losses determined in a given year, as provided for in Article 48 of the Industrial Tax Code, may be deducted from taxable profits for the subsequent five years.

Tax returns are subject to review and correction by the tax authorities for a period of five years and, due to different interpretations of tax law, this may result in corrections being made to taxable income for the years 2016 to 2020. However, it is not expected that any correction related to those years will occur and, if it does, no significant impacts are expected on the financial statements of the corresponding years.

The amount of taxes on profits recorded in profit or loss includes current taxes and deferred taxes.

Current tax

Current tax is calculated based on taxable income for the year, which differs from the accounting result due to adjustments resulting from costs or income that are not relevant for tax purposes or that will only be considered in other accounting periods.

Additionally, Industrial Tax is also subject to provisional liquidation, through an annual instalment to be paid by the end of August. This tax, payable in advance, is calculated by applying a rate of 2% on the result generated by financial intermediation operations, calculated in the first 6 months of the previous financial year, excluding income subject to Tax on Capital Expenditure.

Tax on Capital Expenditure generally applies to income from financial investments of the Bank itself, namely income from investments, interest on debt securities and, in general, any other income derived from the simple investment of capital.

Deferred tax

Deferred taxes correspond to the impact on tax recoverable/payable in future periods resulting from deductible or taxable temporary differences between the balance sheet value of assets and liabilities and their tax base used in determining taxable profit.

Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are only recognised up to the amount in which it is probable that future taxable income will be available to allow the use of the corresponding tax deductible differences. Additionally, no deferred tax assets are recorded in cases where their recoverability may be questionable due to other situations, including questions of interpretation of prevailing tax law.

Deferred tax assets and liabilities are not recognised corresponding to temporary differences related to the initial recognition of goodwill or related to the initial recognition of other assets or liabilities in a transaction (other than a business combination) that does not affect taxable profit or the accounting result.

Deferred tax liabilities are recognised for taxable temporary differences that result from investments in subsidiaries, associates and joint ventures, except when the Bank has the ability to control the reversal of temporary differences and it is likely that they will not be reversed in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences that result from investments in subsidiaries, associates and joint ventures only when it is probable that there will be future taxable profits that allow the use of these deductible tax differences and when they are likely to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and, if applicable, reduced to the extent that it is no longer probable that there will be future taxable profits that allow the use of the corresponding deductible tax differences.

Deferred tax assets and liabilities are calculated based on the tax rates in force (or substantially approved) for the period in which the respective asset or liability is expected to be realised. Tax loss carry forwards also give rise to deferred tax assets. Its measurement also reflects the tax consequences that result from the way the Bank, at the reporting date, expects to realise or liquidate the assets and liabilities related to the existing temporary differences.

Deferred tax assets and liabilities are presented in a compensated manner when the Bank has a legal right to offset liabilities and assets related to the current tax, when such deferred tax assets and liabilities are based on taxes determined in the same jurisdiction and when the Bank intends to liquidate them in a compensated manner.

3.22 EMPLOYEE BENEFITS

Law 07/04, of 15 October, which revoked Law 18/90, of 27 October, which regulates the Social Security system of Angola, provides the granting of retirement pensions to all Angolan workers registered with Social Security. The value of these pensions is calculated based on a table proportional to the number of years of work, applied to the average monthly gross wages received in the periods immediately prior to the date on which the worker ceases his or her activity. According to Decree 38/08, of 19 June, the contribution rates for this system are 8% for the employer and 3% for workers.

Short-term employee benefits, such as salaries, charges, subsidies, among others, are recognised as an expense as soon as the associated service has been provided. A liability is recognised for the amount that is expected to be settled, when the Bank has a present, legal or constructive obligation to pay that amount as a result of a service provided in the past by the employee and that obligation can be reliably estimated.

The General Labour Law in force in Angola determines that the amount of holiday pay to be paid to employees in a given year constitutes a right acquired by them in the immediately preceding year. Consequently, the Bank records in the year the amounts related to holidays and holiday pay that will be paid in the following year.

The amount to be recognised for the expenses and liabilities corresponds to the undiscounted value of the benefits that the Bank expects to pay in return for the service provided by the employees.

The Bank has not implemented any practices relating to long-term employee benefits.

3.23 PROVISIONS AND CONTINGENCIES

Provisions are recognised where:

- The Bank has a present obligation (legal or arising from past practices or published policies that imply the recognition of certain – constructive – liabilities); and
- It is probable that a payment will be required to settle that obligation; and
- The amount of this obligation can be reliably estimated.

The measurement of provisions is made by the best estimate at the reporting date of the amount that is expected to be paid to settle the obligation, taking into account the uncertainties associated with that obligation. Measurement is carried out at present value when the Bank estimates that the obligation will be settled in a period of more than 12 months. The present value is calculated based on a discount rate that includes a component of the passage of time (T-Bond yield with maturity equivalent to that of the liability) less a component that reflects the uncertainty associated to the amount of the payments.

Provisions are reviewed at the end of each reporting date, and are adjusted to reflect any changes in the assumptions underlying their recognition and measurement. Increases in provisions are recorded as an expense under the caption “Provisions net of cancellations”. Decreases in provisions resulting from payments made are recorded using the liability caption “Provisions” directly. The remaining decreases in provisions are recorded as income under the caption “Provisions net of cancellations”.

When part or all of the economic benefits necessary to settle a provision are recovered through a third party (e.g. compensation by an insurer), an asset corresponding to an account receivable is recognised only when it is virtually certain that such reimbursement will be received and the corresponding amount can be reliably measured. This asset is not presented in a offsetting form with the liability and its amount cannot exceed the amount of the obligation. The amount to be recognised in profit or loss under “Provisions net of cancellations” is an amount net of any reimbursements from third parties recognised in the asset.

There is a contingent liability when a future payment is not likely to settle the obligation or reliable measurement of the obligation is not possible.

Contingent liabilities are not recognised and are disclosed when their effect is material, except in cases where their occurrence is highly unlikely.

3.24 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include the amounts recorded in the balance sheet with a maturity less than three months from the balance sheet date, with high liquidity and presenting a minimal risk of change in value. These amounts include cash, cash at central banks and cash from other credit institutions.

3.25 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the Bank's shareholders by the weighted average number of outstanding ordinary shares, excluding the average number of own shares held by the Bank.

For diluted earnings per share, the average number of outstanding ordinary shares is adjusted to reflect the effect of all potential ordinary shares treated as dilutive. Contingent or potential issues are treated as dilutive when their conversion to shares decreases earnings per share.

If the earnings per share are changed as a result of an issue at premium or at discount, or another event that changes the potential number of ordinary shares, the calculation of earnings per share for all periods presented is adjusted retrospectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The main judgments made by the board of directors in applying the Bank's accounting policies and the estimates with the greatest impact on the amounts recognised in the financial statements are presented below.

4.1 DETERMINATION OF BUSINESS MODEL APPLICABLE TO FINANCIAL ASSETS

The classification and measurement of financial assets depends on the SPPI and the business model tests. The Bank determines the business model at a level that reflects the way in which the financial assets are managed in order to achieve a specific business objective. This assessment includes judgments that reflect all relevant evidence, including how asset performance is assessed and how its managers are compensated. The Bank monitors financial assets measured at amortised cost or at fair value through other comprehensive income that are derecognised on a date prior to their maturity in order to understand the reason for their sale and to assess whether the business model defined for those assets remains appropriate. If the business model is no longer appropriate, the assets will be classified on a prospective basis.

4.2 SIGNIFICANT INCREASE IN CREDIT RISK

For stage 1 financial assets, the calculation of expected credit losses (impairment) only considers default events that may occur in the following 12 months. In the case of stage 2 assets, the calculation of expected credit losses considers default events that may occur during the remaining maturity of the assets. An asset moves to stage 2 when there has been a significant increase in its credit risk since initial recognition. IFRS 9 does not establish rules for determining a significant increase in credit risk. It establishes principles, the application of which requires significant judgments. In making these judgments, the Bank takes into account historical and projected qualitative and quantitative information.

4.3 TAXES ON PROFITS

Taxes on profits are determined by the Bank on the basis of the rules defined by the tax framework in force (industrial tax code approved by Law no. 19/14 of 22 October and amended by Law no. 26/20 of 20 July). However, in some situations, tax law may not be sufficiently clear and objective and may result in different interpretations, which may result in a different level of taxes on profits, both current and deferred, being recognised in the year.

The General Tax Administration has the possibility to review the calculation of the taxable amount made by the Bank over a period of five years. Thus, it is possible that there will be corrections to the taxable amount resulting mainly from differences in the interpretation of tax law, which, due to their probability, the Bank's Board of Directors believes will not have a materially relevant effect in terms of the financial statements.

4.4 CALCULATION OF EXPECT CREDIT LOSSES

In calculating expected credit losses, the Bank uses reasonable and supported prospective information that is based on assumptions about the future development of different macroeconomic drivers and how they interact with each other.

Loss given defaults (LGD) consist of an estimate of the difference between the contractual cash flows due and the cash flows the Bank expects to receive (including cash flows from collateral and guarantees).

Default probability (PD) is a key input in measuring expected credit losses. It consists of an estimate of the probability that the debtor will not fully comply with its contractual obligations within a given time frame, the calculation of which includes historical data, assumptions and expectations regarding various future conditions (macroeconomic and internal).

4.5 FAIR VALUE MEASUREMENTS AND VALUATION PROCESS

Fair value is based on quoted market prices, where available, and in their absence, it is determined based on the use of prices of similar recent transactions and carried out under market conditions, or using valuation methodologies based on discounted future cash flow techniques considering market conditions, extrinsic value, the profitability curve and volatility factors. These methodologies may require the use of assumptions or judgements in the estimation of fair value.

Consequently, the use of different methodologies or different assumptions or judgements in the application of a certain model may give rise to financial results different from those reported. When level 1 inputs from the fair value hierarchy are not available, the Bank uses qualified external entities to determine fair value.

4.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The determination of the recoverable amount of these assets (property, plant and equipment, intangible assets, goodwill, …) implies projections of future cash flows (essentially net interest income, income, personnel expenses and other operating expenses). These projections involve a high level of uncertainty and volatility, being particularly sensitive to macroeconomic conditions and regulatory aspects.

5. CREDIT RISK

Credit risk is the main risk of commercial banking. The Basel Committee on Banking Supervision – CSBB, defines credit risk as the possibility that the bank borrower or counterparty will not fulfil its obligations in accordance with the agreed terms (CSBB, 2000:1). According to IFRS 9 – Financial Instruments, credit risk is the risk that a participant in a financial instrument will not comply with its contractual obligations, thus causing a financial loss to the other participant. Credit risk incorporates the following components:

- **DEFAULT RISK (DEFAULT):** this is the risk that the borrower will fail to service the debt of a loan as a result of a default event at a certain point in time. Examples of default are delays in payment, the restructuring of an operation and the debtor's bankruptcy or liquidation, which can cause a total or partial loss of the amount lent to the counterparty;

- **CONCENTRATION RISK:** this is the possibility of losses due to the concentration of large loans among a small number of borrowers and/or risk groups, or in a few sectors of activity;

- **COLLATERAL RISK:** this is the probability of a default event occurring caused by a drop in the quality of the guarantee offered, caused by a devaluation of the collateral in the market, or by the borrower's disappearance of the assets.

INTERNAL CREDIT RISK RATINGS

In order to minimise credit risk, through its Credit Committee, the Bank made the exposure categorisation system consistent with its degree of default risk as provided for in Notice 11/2014 on specific requirements for credit operations. The Bank's credit risk rating system includes 7 categories. Information on credit risk is based on a number of factors that the Bank considers to have a high predictive default risk and also on the application of judgments based on the experience acquired by the Bank in relation to credit risk. The nature of the exposures and the type of borrower are taken into account in the analysis carried out. The ratings used by the Bank are defined based on quantitative and qualitative factors indicative of the default risk.

The credit risk ratings are defined and calibrated to reflect the credit risk of the borrowers. Each exposure is assigned a credit risk rating on initial recognition, taking into account the assessment made of the counterparty. All exposures are monitored and the credit risk ratings are updated to incorporate recent information. In some cases, the monitoring procedures are modified to accommodate specific types of exposure.

The following data are usually used to monitor the Bank's exposures:

- History, including payment ratios and analysis of ageing schedules;

- Frequency of use of the limits granted;

- Concessions (requested and granted);

- Changes in business, financial and economic conditions;

- Credit information obtained from external rating agencies;

- Behavioural information generated based on the Bank's internal data;

- Information taken from financial statements and other public information from debtors (such as prices of CDS and quoted debt instruments);

- Debt coverage ratio and other related metrics;

The Bank's credit risk rating system is as follows:

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

CREDIT QUALITY

The Bank monitors credit risk by class of financial instrument, as detailed in the following table:

CLASS OF FINANCIAL INSTRUMENT	CAPTION	NOTE
Deposits at central banks	Cash and cash balances at central banks	22
Deposits at other credit institutions	Cash balances at other credit institutions	23
Investments at central banks and other credit institutions	Investments at central banks and other credit institutions	24
Debt instruments at amortised cost	Investments at amortised cost	26
Credit granted to customers	Customer loans	25
Financial guarantees	Provisions	35

The concentration of credit risk exposures is detailed below.

DEPOSITS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS	2021	2020	2019
Central banks	29 484 184	14 268 696	17 807 437
Other credit institutions	8 630 121	14 403 858	9 352 012
	38 114 304	**28 672 554**	**27 159 449**
Angola	29 484 184	14 268 696	17 807 437
Europe	6 850 174	12 783 148	9 352 012
Other African countries	1 779 947	1 620 710	-
	38 114 304	**28 672 554**	**27 159 449**

INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS	2021	2020	2019
Central banks		10 410 335	9 449 065
Other credit institutions		3 200 000	3 138 281
	-	**13 610 335**	**12 587 346**
ANGOLA		13 610 335	12 587 346
	-	**13 610 335**	**12 587 346**

DEBT INSTRUMENTS AT AMORTISED COST	2021	2020	2019
Sovereign debt	55 706 436	40 715 697	9 315 605
	55 706 436	**40 715 697**	**9 315 605**
Angola	55 706 436	40 715 697	9 315 605
	55 706 436	**40 715 697**	**9 315 605**

FINANCIAL GUARANTEES	2021	2020	2019
Guarantees Provided	757 037	829 352	14 000
Documentary Credit	7 673 673	6 326 480	31 293 084
	8 430 710	**7 155 832**	**31 307 084**
Angola	757 037	829 352	14 000
Europe	7 673 673	6 326 480	31 293 084
	8 430 710	**7 155 832**	**31 307 084**

The Bank's loan portfolio is segmented as follows:

- Companies
- Private individuals
- Employees

The exposures at 31 December 2021 and 2020 for each rating and by segment are detailed below.

	LOW RISK			MEDIUM RISK			HIGH RISK		
2021	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
Companies	47 933 726	(878 146)	47 055 579	-	-	-	474 550	(213 517)	261 032
Private individuals	587 780	(40 920)	546 860	-	-	-	3 675	(3 307)	367
Employees	444 569	(4 448)	440 122	-	-	-	-	-	-
	48 966 075	**(923 514)**	**48 042 561**	**-**	**-**	**-**	**478 225**	**(216 825)**	**261 400**

	LOW RISK			MEDIUM RISK			HIGH RISK		
2020	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
Companies	26 020 373	(1 247 804)	24 772 569	13	(2)	11	431 146	(321 554)	109 592
Private individuals	1 199 393	(55 953)	1 143 440	-	-	-	142	(142)	-
Employees	557 764	(5 934)	551 830	-	-	-	-	-	-
	27 777 531	**(1 309 691)**	**26 467 839**	**13**	**(2)**	**11**	**431 288**	**(321 697)**	**109 592**

Below is the matching of the internal ratings for low, medium and high risk.

A B C — LOW
D — MODERATE
E F G — HIGH

The exposures at 31 December 2021 and 2020 by segment, as detailed by cured loans and restructured loans, are presented below.

	EXPOSURES										IMPAIRMENT			
	Total exposure	Total stage 1 loans	Cured stage 1 loans	Restructured stage 1 loans	Total stage 2 loans	Stage 2 loans in process of curing	Restructured stage 2 loans	Total stage 3 loans	Stage 3 loans in process of curing	Restructured stage 3 loans	Total impairment	Impairment stage 1	Impairment stage 2	Impairment stage 3
Companies	48 408 275	47 699 267	-	-	34 592	-	34 592	674 416	-	274 739	(1 091 664)	(696 984)	(346)	(394 334)
Private individuals	591 455	572 345	-	-	15 435	-	-	3 675	-	-	(44 227)	(36 216)	(4 704)	(3 307)
Employees	444 569	444 569	-	-	-	-	-	-	-	-	(4 448)	(4 448)	-	-
	49 444 300	**48 716 182**	**-**	**-**	**50 027**	**-**	**34 592**	**678 091**	**-**	**274 739**	**(1 140 339)**	**(737 648)**	**(5 050)**	**(397 642)**

	EXPOSURES										IMPAIRMENT			
	Total exposure	Total stage 1 loans	Cured stage 1 loans	Restructured stage 1 loans	Total stage 2 loans	Stage 2 loans in process of curing	Restructured stage 2 loans	Total stage 3 loans	Stage 3 loans in process of curing	Restructured stage 3 loans	Total impairment	Impairment stage 1	Impairment stage 2	Impairment stage 3
Companies	26 451 532	25 875 435	-	-	13	-	-	576 084	-	104 737	(1 569 360)	(1 173 487)	(2)	(395 871)
Private individuals	1 199 535	1 199 393	-	-	-	-	-	142	-	-	(56 096)	(55 953)	-	(142)
Employees	557 764	557 764	-	-	-	-	-	-	-	-	(5 934)	(5 934)	-	-
	28 208 832	**27 632 593**	**-**	**-**	**13**	**-**	**-**	**576 226**	**-**	**104 737**	**(1 631 390)**	**(1 235 374)**	**(2)**	**(396 013)**

The exposures at 31 December 2021 and 2020 by segment and by range of days of delay are detailed below.

	STAGE 1			STAGE 2			STAGE 3		
2021 — EXPOSURES	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**
Companies	47 699 267	-	-	34 592	-	-	199 866	-	474 550
Private individuals	572 345	-	-	-	15 435	-	-	-	3 675
Employees	444 569	-	-	-	-	-	-	-	-
	48 716 182	**-**	**-**	**34 592**	**15 435**	**-**	**199 866**	**-**	**478 225**

	STAGE 1			STAGE 2			STAGE 3		
2021 — IMPAIRMENT	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**
Companies	(696 984)	-	-	(346)	-	-	(180 817)	-	(213 517)
Private individuals	(36 216)	-	-	-	(4 704)	-	-	-	(3 307)
Employees	(4 448)	-	-	-	-	-	-	-	-
	(737 648)	**-**	**-**	**(346)**	**(4 704)**	**-**	**(180 817)**	**-**	**(216 825)**

	STAGE 1			STAGE 2			STAGE 3		
2020 — EXPOSURES	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**
Companies	25 875 435	-	-	-	13	-	144 685	253	431 146
Private individuals	1 199 393	-	-	-	-	-	-	-	142
Employees	557 764	-	-	-	-	-	-	-	-
	27 632 593	**-**	**-**	**-**	**13**	**-**	**144 685**	**253**	**431 288**

	STAGE 1			STAGE 2			STAGE 3		
2020 — IMPAIRMENT	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**	**Delay in days [0 - 30]**	**Delay in days [31 - 90]**	**Delay in days > 90**
Companies	(1 173 487)	-	-	-	(2)	-	(74 115)	(202)	(321 554)
Private individuals	(55 953)	-	-	-	-	-	-	-	(142)
Employees	(5 934)	-	-	-	-	-	-	-	-
	(1 235 374)	**-**	**-**	**-**	**(2)**	**-**	**(74 115)**	**(202)**	**(321 697)**

The details of the loan portfolio at 31 December 2021 and 2020 by segment and by year of extension of credit are shown below.

	COMPANIES			PRIVATE INDIVIDUALS			EMPLOYEES		
2021	**No. of operations**	**Amount**	**Impairment**	**No. of operations**	**Amount**	**Impairment**	**No. of operations**	**Amount**	**Impairment**
2017	2	806	(250)	-	-	-	-	-	-
2018	7	661 437	(156 293)	2	71 531	(4 292)	6	233 618	(2 336)
2019	7	10 258 701	(441 580)	4	51 615	(3 121)	7	76 101	(761)
2020	14	14 591 828	(257 301)	40	110 224	(9 896)	10	27 312	(273)
2021	54	22 895 503	(236 240)	246	358 085	(26 918)	47	107 539	(1 077)
	84	**48 408 275**	**(1 091 664)**	**292**	**591 455**	**(44 227)**	**70**	**444 569**	**(4 448)**

	COMPANIES			PRIVATE INDIVIDUALS			EMPLOYEES		
2020	**No. of operations**	**Amount**	**Impairment**	**No. of operations**	**Amount**	**Impairment**	**No. of operations**	**Amount**	**Impairment**
2015 and earlier	1	253	(202)	-	-	-	-	-	-
2016	-	-	-	2	0	(0)	-	-	-
2017	3	66 871	(62 320)	4	1 723	(103)	-	-	-
2018	10	693 644	(326 192)	7	109	(109)	14	332 423	(3 324)
2019	11	11 226 877	(704 218)	20	9 262	(590)	9	133 124	(1 687)
2020	23	14 463 887	(476 428)	37	1 188 441	(55 294)	18	92 218	(922)
	48	**26 451 532**	**(1 569 360)**	**70**	**1 199 535**	**(56 096)**	**41**	**557 764**	**(5 934)**

The details of credit risk exposures and expected credit losses as of 31 December 2021 and 2020 per stage are shown below.

	STAGE 1			STAGE 2			STAGE 3			TOTAL			
2021	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Impairment losses (ECL) - %**	**Net carrying amount**
Deposits at central banks	24 062 142	-	24 062 142	-	-	-	-	-	-	24 062 142	-	-	24 062 142
Deposits at OIC	8 630 121	-	8 630 121	-	-	-	-	-	-	8 630 121	-	-	8 630 121
Investments at central banks and OIC	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments at amortised cost	56 539 591	(833 155)	55 706 436	-	-	-	-	-	-	56 539 591	(833 155)	1.47%	55 706 436
Debt instruments to JV by ORI	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit granted to customers	48 716 182	(737 648)	47 978 534	50 027	(5 050)	44 978	678 091	(397 642)	280 449	49 444 300	(1 140 339)	2.31%	48 303 961
Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-
	137 948 035	**(1 570 803)**	**136 377 232**	**50 027**	**(5 050)**	**44 978**	**678 091**	**(397 642)**	**280 449**	**138 676 153**	**(1 973 494)**	**1.42%**	**136 702 659**

	STAGE 1			STAGE 2			STAGE 3			TOTAL			
2020	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Impairment losses (ECL) - %**	**Net carrying amount**
Deposits at central banks	9 780 338	-	9 780 338	-	-	-	-	-	-	9 780 338	-	-	9 780 338
Deposits at OIC	14 403 858	-	14 403 858	-	-	-	-	-	-	14 403 858	-	-	14 403 858
Investments at central banks and OIC	13 610 335	-	13 610 335	-	-	-	-	-	-	13 610 335	-	-	13 610 335
Debt instruments at amortised cost	43 007 791	(2 292 094)	40 715 697	-	-	-	-	-	-	43 007 791	(2 292 094)	5.33%	40 715 697
Debt instruments to JV by ORI	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit granted to customers	27 632 593	(1 235 374)	26 397 218	13	(2)	11	576 226	(396 013)	180 213	28 208 832	(1 631 390)	5.78%	26 577 442
Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-
	108 434 915	**(3 527 469)**	**104 907 446**	**13**	**(2)**	**11**	**576 226**	**(396 013)**	**180 213**	**109 011 154**	**(3 923 484)**	**3.60%**	**105 087 670**

The details of credit risk exposures and expected credit losses as of 31 December 2021 and 2020 per stage are shown below.

	STAGE 1			STAGE 2			STAGE 3			TOTAL			
2021	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Impairment losses (ECL) - %**	**Net carrying amount**
Companies	47 699 267	(696 984)	47 002 283	34 592	(346)	34 247	674 416	(394 334)	280 082	48 408 275	(1 091 664)	2%	47 316 611
Private individuals	572 345	(36 216)	536 129	15 435	(4 704)	10 731	3 675	(3 307)	367	591 455	(44 227)	7%	547 228
Employees	444 569	(4 448)	440 122	-	-	-	-	-	-	444 569	(4 448)	1%	440 122
	48 716 182	**(737 648)**	**47 978 534**	**50 027**	**(5 050)**	**44 978**	**678 091**	**(397 642)**	**280 449**	**49 444 300**	**(1 140 339)**	**11%**	**48 303 961**

	STAGE 1			STAGE 2			STAGE 3			TOTAL			
2021	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Net carrying amount**	**Gross amount**	**Impairment losses (ECL)**	**Impairment losses (ECL) - %**	**Net carrying amount**
Companies	25 875 435	(1 173 487)	24 701 948	13	(2)	11	576 084	(395 871)	180 213	26 451 532	(1 569 360)	6%	24 882 172
Private individuals	1 199 393	(55 953)	1 143 440	-	-	-	142	(142)	-	1 199 535	(56 096)	5%	1 143 440
Employees	557 764	(5 934)	551 830	-	-	-	-	-	-	557 764	(5 934)	1%	551 830
	27 632 593	**(1 235 374)**	**26 397 218**	**13**	**(2)**	**11**	**576 226**	**(396 013)**	**180 213**	**28 208 832**	**(1 631 390)**	**12%**	**26 577 442**

The details of loan portfolio exposures and expected credit losses as of 31 December 2021 and 2020 according to the way in which the exposures were analysed (individually or collectively), by segment, sector of activity and geographical area are presented below.

	COMPANIES		PRIVATE INDIVIDUALS		EMPLOYEES	
2021	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**
Individual impairment	37 944 554	(783 674)	15 781	(2 682)	-	-
Collective impairment	10 463 721	(307 989)	575 674	(41 545)	444 569	(4 448)
	48 408 275	**(1 091 664)**	**591 455**	**(44 227)**	**444 569**	**(4 448)**

	COMPANIES		PRIVATE INDIVIDUALS		EMPLOYEES	
2020	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**
Individual impairment	26 179 711	(1 561 162)	1 113 039	(50 770)	8 905	(445)
Collective impairment	271 822	(8 198)	86 496	(5 326)	548 859	(5 489)
	26 451 532	**(1 569 360)**	**1 199 535**	**(56 096)**	**557 764**	**(5 934)**

	WHOLESALE AND RETAIL TRADE		AGRICULTURE, LIVESTOCK AND FISHING		INDUSTRY		BUILDING AND PROPERTY DEVELOPMENT		PRIVATE INDIVIDUALS		OTHER	
2021	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**
Individual impairment	26 699 685	(84 291)	3 906 294	(302 553)	200 224	(121 697)	1 272 863	(25 105)	15 781	(2 682)	5 865 487	(250 029)
Collective impairment	42 363	-	3 422 362	(102 671)	4 559 824	(134 140)	-	-	1 020 244	(45 993)	2 439 172	(71 179)
	26 742 048	**(84 291)**	**7 328 656**	**(405 224)**	**4 760 048**	**(255 836)**	**1 272 863**	**(25 105)**	**1 036 024**	**(48 675)**	**8 304 660**	**(321 208)**

	WHOLESALE AND RETAIL TRADE		AGRICULTURE, LIVESTOCK AND FISHING		INDUSTRY		BUILDING AND PROPERTY DEVELOPMENT		PRIVATE INDIVIDUALS		OTHER	
2020	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**	**Total exposure**	**Impairment**
Individual impairment	13 508 518	(461 164)	5 579 521	(660 939)	3 809 182	(254 744)	2 855 568	(92 070)	1 121 944	(51 215)	426 922	(92 246)
Collective impairment	15 114	(455)	-	-	35 350	(1 060)	3	(2)	635 356	(10 815)	221 355	(6 681)
	13 523 632	**(461 619)**	**5 579 521**	**(660 939)**	**3 844 532**	**(255 804)**	**2 855 571**	**(92 072)**	**1 757 300**	**(62 030)**	**648 277**	**(98 926)**

The details of the restructured exposures at 31 December 2021 and 2020 by restructuring measure are shown below.

	STAGE 1			STAGE 2			STAGE 3			TOTAL		
2021	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment
Rate reduction	-	-	-	-	-	-	2	180 201	(110 235)	2	180 201	(110 235)
Other (...)	-	-	-	1	34 592	(346)	1	94 538	(69 332)	2	129 131	(69 678)
	-	**-**	**-**	**1**	**34 592**	**(346)**	**3**	**274 739**	**(179 567)**	**4**	**309 331**	**(179 913)**

	STAGE 1			STAGE 2			STAGE 3			TOTAL		
2020	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment	No. of operations	Exposure	Impairment
Term extension	-	-	-	-	-	-	2	104 738	(42 204)	2	104 738	(42 204)
	-	**-**	**-**	**-**	**-**	**-**	**2**	**104 738**	**(42 204)**	**2**	**104 738**	**(42 204)**

The movement in restructured exposures in the years ended 31 December 2021 and 2020 is shown below.

RESTRUCTURED EXPOSURES	2021	2020
Balance at the beginning of the period (without deducting impairment)	**104 738**	**-**
Restructured loans in the period	202 854	103 901
Interest on restructured loans for the period	1 738	837
Partial or total settlement of restructured loans	-	-
Loans reclassified to "normal"	-	-
Other effects	-	-
Balance at the end of the period (without deducting impairment)	**309 331**	**104 738**

The details of the collaterals and guarantees obtained as of 31 December 2021 and 2020 are as follows.

COLLATERALS AND GUARANTEES	2021	2020
Immovable	31 168 988	20 446 304
Securities	36 761 391	16 482 800
Other	1 121 747	1 830 659
	69 052 127	**38 759 763**

The collaterals and guarantees shown under "Other" mainly relate to pledges of deposits and government guarantees.

The fair value of the guarantees and the corporate, building and property development and housing segments as of 31 December 2021 and 2020 is as follows.

2021 CORPORATE	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	5	118 625
[50 M - 100 M]	1	61 357	6	429 747
[100 M - 500 M]	-	-	4	678 611
[500 M - 1,000 M]	1	915 740	-	-
[1,000 M - 2,000 M]	2	3 232 040	1	1 500 000
[2,000 M - 5,000 M]	2	5 744 684	2	4 072 020
>=5,000 M	2	20 897 293	2	23 890 171
	8	**30 851 115**	**20**	**30 689 174**

2021 HOUSING	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	-	-
[50 M - 100 M]	-	-	-	-
[100 M - 500 M]	-	-	-	-
[500 M - 1,000 M]	-	-	-	-
[1,000 M - 2,000 M]	-	-	-	-
[2,000 M - 5,000 M]	-	-	-	-
>=5,000 M	-	-	-	-
	-	**-**	**-**	**-**

2021 BUILDING AND PROPERTY DEVELOPMENT	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	-	-
[50 M - 100 M]	-	-	-	-
[100 M - 500 M]	1	317 873	-	-
[500 M - 1,000 M]	-	-		
[1,000 M - 2,000 M]	-	-	1	2 000 000
[2,000 M - 5,000 M]	-	-	1	4 125 000
>=5,000 M	-	-	-	-
	1	**317 873**	**2**	**6 125 000**

2020 CORPORATE	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	2	23 000
[50 M - 100 M]	1	78 017	4	261 851
[100 M - 500 M]	2	396 268	4	529 672
[500 M - 1,000 M]	1	600 000	1	999 048
[1,000 M - 2,000 M]	1	1 268 924	-	-
[2,000 M - 5,000 M]	1	2 048 541	1	2 156 560
>=5,000 M	2	15 681 594	1	8 626 240
	8	**20 073 344**	**13**	**12 596 371**

2020 HOUSING	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	-	-
[50 M - 100 M]	-	-	-	-
[100 M - 500 M]	-	-	-	-
[500 M - 1,000 M]	-	-	-	-
[1,000 M - 2,000 M]	-	-	-	-
[2,000 M - 5,000 M]	-	-	-	-
>=5,000 M	-	-	-	-
	-	**-**	**-**	**-**

2020 BUILDING AND PROPERTY DEVELOPMENT	PROPERTIES		OTHER PHYSICAL COLLATERAL	
Fair value	Number	Amount	Number	Amount
< 50 M	-	-	-	-
[50 M - 100 M]	-	-	-	-
[100 M - 500 M]	1	372 960	-	-
[500 M - 1,000 M]	-	-	2	2 700 000
[1,000 M - 2,000 M]	-	-	-	-
[2,000 M - 5,000 M]	-	-	1	2 000 000
>=5,000 M	-	-	-	-
	1	**372 960**	**3**	**4 700 000**

The analysis of the loan-to-value ratio of the corporate, building and property development and housing segments as of 31 December 2021 and 2020 is as follows.

2021 FAIR VALUE	Number of properties	Number of other physical collateral	Stage 1 loans	Stage 2 loans	Stage 3 loans	Impairment
Companies						
no guarantees associated	n/a	n/a	1 049 886	-	80 730	(151 808)
< 50%	-	7	622 751	-	17 834	(28 574)
[50% - 75%[	-	-	-	-	-	-
[75% - 100%[	2	7	21 682 384	-	559 990	(647 352)
>=100%	6	7	19 540 698	34 592	-	(492 237)
Building and property development						
no guarantees associated	n/a	n/a	255	-	-	(3)
< 50%	-	-	-	-	-	-
[50% - 75%[	-	-	-	-	-	-
[75% - 100%[	-	-	-	-	-	-
>=100%	1	2	4 803 294	-	-	(60 409)
Housing						-
no guarantees associated	-	-	-	-	-	-
< 50%	-	-	-	-	-	-
[50% - 75%[	-	-	-	-	-	-
[75% - 100%[	-	-	-	-	-	-
>=100%	-	-	-	-	-	-
	9	**23**	**47 699 267**	**34 592**	**658 554**	**(1 380 383)**

2020 FAIR VALUE	Number of properties	Number of other physical collateral	Stage 1 loans	Stage 2 loans	Stage 3 loans	Impairment
Companies						
no guarantees associated	n/a	n/a	2 080 220	13 011	80 730	(451 872)
< 50%	1	2	15 212	-	-	(455)
[50% - 75%[	-	6	358 872	-	540 817	(320 054)
[75% - 100%[	-	2	11 950 170	-	-	(354 671)
>=100%	7	3	8 877 211	-	39 853	(350 763)
Building and property development						
no guarantees associated	n/a	n/a	3	-	-	(2)
< 50%	-	-	-	-	-	-
[50% - 75%[	-	-	-	-	-	-
[75% - 100%[	-	-	-	-	-	-
>=100%	1	3	2 861 527	-	-	(92 070)
Housing						
no guarantees associated	-	-	-	-	-	-
< 50%	-	-	-	-	-	-
[50% - 75%[	-	-	-	-	-	-
[75% - 100%[	-	-	-	-	-	-
>=100%	-	-	-	-	-	-
	9	**16**	**26 143 214**	**13 011**	**661 400**	**(1 569 887)**

The risk factors used in the impairment model for the years ended 31 December 2021 and 2020, by segment, are as follows. These risk factors are the result of a benchmarking approach followed by the Bank, and they will not be altered in 2021.

2021	Stage 1	Stage 2	Stage 3	Average LGD (%)
Companies	6%	26%	100%	59%
Private individuals	8%	55%	100%	72%
Employees	1%	26%	100%	71%

2020	Stage 1	Stage 2	Stage 3	Average LGD (%)
Companies	6%	26%	100%	59%
Private individuals	8%	55%	100%	72%
Employees	1%	26%	100%	71%

6. LIQUIDITY RISK

One of the critical aspects in the banking business is precisely the process of transforming short-term funds into medium and long-term funds. Adequate liquidity management represents the ability of institutions to continue to finance their credit activity and contend with the maturity of their liabilities.

Liquidity risk is the risk that the Bank will not have sufficient resources to meet its obligations within the due periods at a reasonable cost. This risk results from the mismatch between the maturity terms of the Bank's assets and liabilities. In other words, liquidity risk results from the imbalance between the size and maturity of assets and liabilities, and is inherent to banking activity and depends on various internal and market factors.

The concept of liquidity can be used in different contexts. On the one hand, it can be used to describe financial instruments and their markets. A liquid market consists of liquid assets, where normal transactions can be easily executed. It may, on the other hand, be used in the sense of the Bank's solvency.

The Bank's liquidity risk is measured at least every two weeks, under regulatory reporting requirements laid down in Instruction 19/2016 – Liquidity Risk (distribution of balance sheet and off-balance sheet positions by time bands and disaggregated analysis in currency). The Bank has defined a set of indicators that allow the measurement and control of liquidity risk, namely:

- Main domestic and international macroeconomic indicators;
- Balance sheet structure;
- Funds;
- Transformation ratio;
- Commercial gap (deposits - credits);
- Portfolio securities;
- DO/Funds;
- 30-day liquidity gap;
- Movement in residual maturities of term funds (in days);
- Liquidity and observation ratios in local currency, foreign currency and aggregates of all currencies (Instruction 19/2016);
- Top 20 depositors;
- Weight of the 20 largest depositors in the fund portfolio.

The Bank has also defined a Liquidity Contingency Plan (PCL) which stipulates the strategy that must be addressed in situations of need for liquidity or constraints on its financing capacity resulting from unexpected situations and having a significant impact on its position. The definition of and implementation of the PCL considers three main phases:

1. DESIGN

SHARES	RESPONSIBILITY
Identification of critical events for monitoring, based on the Bank's historical information	Risk Division Treasury and Markets Division Risk Committee
Identification of indicators and recovery measures	Risk Division Treasury and Markets Division
Drafting and analysis of the Liquidity Contingency Plan	Risk Division
Approval of the Plan	Executive Board
Communication	Risk Division
Periodic review	Risk Division Treasury and Markets Division

2. MONITORING AND EXECUTION

SHARES	RESPONSIBILITY
Production of monitoring reports	Risk Division Treasury and Markets Division
Analysis of monitoring reports	Executive Board Risk Committee
Monitoring and identifying capital and/or liquidity shortages	Executive Board
Implementation of the Liquidity Contingency Plan, including the implementation of the recovery measures to be taken	CALCO - Capital, Assets and Liabilities Committee
Monitoring of the implementation of recovery and measurement measures about their effectiveness	CALCO Risk Division
Completion of the Plan	CALCO
Approval of completion of the Plan	Executive Board Board of Directors
Evaluation of the degree of efficiency of the plan	Risk Division Treasury and Markets Division

3. REVIEW

SHARES	RESPONSIBILITY
Review of the Plan, this activity being conducted by an independent body	Internal Auditing

The Bank seeks to maintain assets with sufficient liquidity to cope with periods of stress of 90 days and periods of lack of liquidity in the market of 30 days.

MATURITY ANALYSIS

The following table presents an analysis of the maturity of the Bank's financial assets and liabilities. The amounts presented do not necessarily coincide with the corresponding balances presented on the balance sheet, as this analysis contemplates amounts on an undiscounted basis (except for derivative financial instruments).

2021	Carrying amount	< 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	> 5 years
Cash and cash equivalents	5 422 042	5 422 042	-	-	-	-
Securities held for trading	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Cash balances and investments at OIC	32 692 262	32 692 262	-	-	-	-
Customer loans	49 444 300	209 079	4 651 081	902 548	13 645 584	30 036 008
Other securities / financial assets	56 539 591	-	395 170	12 615 179	43 529 242	-
FINANCIAL ASSETS	**144 098 195**	**38 323 383**	**5 046 252**	**13 517 727**	**57 174 826**	**30 036 008**
Liabilities held for trading	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
OIC funds	-	-	-	-	-	-
Customer deposits	122 868 256	50 506 527	17 582 982	24 512 164	30 266 583	-
Debt instruments issued	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-
FINANCIAL LIABILITIES	**122 868 256**	**50 506 527**	**17 582 982**	**24 512 164**	**30 266 583**	**-**
	21 229 939	**(12 183 144)**	**(12 536 730)**	**(10 994 437)**	**26 908 243**	**30 036 008**
FINANCIAL GUARANTEES	**-**	**-**	**-**	**-**	**-**	**-**
	21 229 939	**(12 183 144)**	**(12 536 730)**	**(10 994 437)**	**26 908 243**	**30 036 008**

2020	Carrying amount	< 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	> 5 years
Cash and cash equivalents	4 488 358	4 488 358	-	-	-	-
Securities held for trading	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Cash balances and investments at OIC	24 184 196	24 184 196	-	-	-	-
Customer loans	28 208 832	149 881	5 699 177	3 075 959	9 728 686	9 555 128
Other securities / financial assets	54 417 749	3 250 650	13 720 699	13 444 116	24 002 284	-
FINANCIAL ASSETS	**111 299 135**	**32 073 085**	**19 419 876**	**16 520 076**	**33 730 970**	**9 555 128**
Liabilities held for trading	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
OIC funds	11 508 017	11 508 017	-	-	-	-
Customer deposits	79 244 063	8 452 901	11 421 844	20 612 741	38 756 577	-
Debt instruments issued	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-
FINANCIAL LIABILITIES	**90 752 080**	**19 960 918**	**11 421 844**	**20 612 741**	**38 756 577**	**-**
	20 547 056	**12 112 168**	**7 998 032**	**(4 092 665)**	**(5 025 607)**	**9 555 128**
FINANCIAL GUARANTEES	**-**	**-**	**-**	**-**	**-**	**-**
	20 547 056	**12 112 168**	**7 998 032**	**(4 092 665)**	**(5 025 607)**	**9 555 128**

The maturity of derivative financial instruments designated as hedging instruments corresponds to the respective contractual maturity. A maturity of less than one month was considered for derivative financial instruments held for trading.

The amounts considered for financial and related guarantees correspond to the maximum amount that can be used in accordance with the corresponding contractual provisions, assuming the shortest maturity in which such amounts may be used.

The Bank maintains a set of liquid assets that represents the main source of liquidity to deal with stress scenarios. Its composition is subject to limits that aim to reduce concentration risk, and the corresponding monitoring is carried out on a recurring basis. The breakdown of these liquidity reserves as of 31 December 2021 and 2020 is shown below.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Unrestricted balances with central banks	24 062 142	24 062 142	9 780 338	9 780 338
Cash balances and investments at OIC	14 052 162	14 052 162	18 892 216	18 892 216
Money market investments	-	-	13 610 335	13 610 335
Sovereign government bonds with AAA rating	-	-	-	-
Sovereign government bonds with AA rating	-	-	-	-
Other high quality bonds	55 706 436	44 565 149	43 007 791	34 406 233
Undrawn credit lines	6 263 142	6 263 142	7 240 948	7 240 948
Other assets eligible for use as collateral with central banks	-	-	-	-
	100 083 882	**88 942 595**	**92 531 628**	**83 930 070**

7. MARKET RISK

In carrying out its activity, the Bank is subject to market risks, both in relation to positions included in the balance sheet, and in relation to off-balance sheet positions. Market risk consists of the possibility of losses arising from adverse changes in market prices, which may include the following sub-types of risk:

- **Foreign exchange risk:** the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in exchange rates;
- **Interest rate risk:** the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in interest rates in the market;
- **Other price risks:** the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market prices (which are not associated with interest rate or exchange rate risks), whether these changes are caused by factors specific to the individual instrument or its issuer, or by factors that affect all similar instruments traded on the market (we may associate this with commodities risk, security price risk and risks of the real estate sector).

The Bank's exposure to market risk is restricted to the portfolio of assets that are not held for trading.

ASSETS NOT HELD FOR TRADING

The main market risks related to these assets are foreign exchange, interest rate and credit spread risks.

The exchange rate risk results from the Bank's investments in T-Bonds index-linked to this currency.

Interest rate risk may result in losses due to fluctuations in future cash flows and the fair value of financial instruments. This risk is essentially tracked through the monitoring of interest rate gaps and basis risk.

Credit spreads reflect the risk that the counterparty will default on its contractual obligations, giving rise to financial losses for the Bank. The credit risk management process is detailed in note 6.

There were no changes in the market risk management policy compared to the previous year.

The financial assets and liabilities subject to market risk are detailed below.

CARRYING AMOUNT	2021	2020
Cash and cash equivalents	5 422 042	4 488 358
Investments at central banks and other credit institutions	32 692 262	37 794 531
Financial assets measured at fair value through profit or loss	41 067	41 067
Customer loans	49 444 300	28 208 832
Securities	56 539 591	40 715 697
ASSETS SUBJECT TO MARKET RISK	**144 139 262**	**111 248 486**
Funds from central banks and other credit institutions	-	11 508 017
Customer deposits	122 868 256	79 244 063
LIABILITIES SUBJECT TO MARKET RISK	**122 868 256**	**90 752 080**

INTEREST RATE RISK NOT RELATED TO THE TRADING BOOK

The interest rate risk on the Bank's financial assets and liabilities with a fixed rate is managed on the basis of a repricing gap. The gaps between the interest rates of the Bank's assets and liabilities are analysed below.

2021	Carrying amount	< 1 year	1 to 5 years	5 to 10 years	> 10 years
Cash and cash equivalents	5 422 042	5 422 042	-	-	-
Investments at central banks and OIC	32 692 262	32 692 262	-	-	-
Customer loans	49 444 300	5 762 708	13 645 584	22 654 745	7 381 262
Securities	56 539 591	13 010 349	43 529 242	-	-
ASSETS	**144 098 195**	**56 887 361**	**57 174 826**	**22 654 745**	**7 381 262**
Customer deposits	122 868 256	67 995 892	54 872 363	-	-
LIABILITIES	**122 868 256**	**67 995 892**	**54 872 363**	**-**	**-**
Off-balance sheet items with interest rate sensitivity	**1 252 628**	**1 011 968**	**180 000**	**59 807**	**853**
Net interest rate risk gap	**22 482 568**	**(10 096 563)**	**2 482 462**	**22 714 552**	**7 382 116**

2020	Carrying amount	< 1 year	1 to 5 years	5 to 10 years	> 10 years
Cash and cash equivalents	4 488 358	4 488 358	-	-	-
Investments at central banks and OIC	37 794 531	37 794 531	-	-	-
Customer loans	28 208 832	6 830 576	12 066 008	2 529 080	6 783 168
Securities	40 756 764	16 754 480	24 002 284	-	-
ASSETS	**111 248 486**	**65 867 945**	**36 068 293**	**2 529 080**	**6 783 168**
Funds from financial institutions	11 508 017	11 508 017	-	-	-
Customer deposits	79 244 063	40 487 486	38 756 577	-	-
LIABILITIES	**90 752 080**	**51 995 503**	**38 756 577**	**-**	**-**
Off-balance sheet items with interest rate sensitivity	**6 468 222**	**6 283 046**	**185 176**	**-**	**-**
Net interest rate risk gap	**26 964 628**	**20 155 489**	**(2 503 109)**	**2 529 080**	**6 783 168**

The sensitivity analysis of net interest income and economic capital captures the expected impact of changes in interest rates against a projected base scenario, over a given period (typically one year).

The following tables summarise the estimated impact on financial margin and economic capital corresponding to the base scenario resulting from a parallel shift (increase and decrease) in the 2% interest rate curve. The estimated impacts assume that the other variables not related to interest rate risk remain unchanged. In the construction of the tables, the effects of embedded options were ignored, with an on demand maturity being considered for deposits with no defined maturity. The securities were considered at a net amount of haircuts. Consequently, the sensitivity analysis presented is based on simplified scenarios, including the assumption that the size and structure of the balance sheet do not change (in addition to the balances sensitive to changes in interest rates).

EXPOSURES BY MATURITY INTERVAL OR RATE RESET - IMPACT ON NET POSITION - 31/12/2021

Time band	Assets (+)	Liabilities (-)	Off-balance sheet items (+)	Off-balance sheet items (-)	Position (+/-)	Weighting factor (A)	Weighting position (B)
on demand - 1 month	41 678 966	7 446 411	983 999	0	35 216 554	0.08%	28 173
1 - 3 months	20 407 618	23 734 427	27 969	0	-3 298 840	0.32%	-10 556
3 - 6 months	288 186	13 281 699	0	0	-12 993 514	0.72%	-93 553
6 - 12 months	294 257	23 533 355	0	0	-23 239 098	1.43%	-332 319
1 - 2 years	9 083 063	44 898 457	0	0	-35 815 395	2.77%	-992 086
2 - 3 years	56 157 829	9 872 877	0	0	46 284 952	4.49%	2 078 194
3 - 4 years	554 239	101 029	180 000	0	633 210	6.14%	38 879
4 - 5 years	43 958	0	0	0	43 958	7.71%	3 389
5 - 7 years	5 694 403	0	59 807	0	5 754 210	10.15%	584 052
7 - 10 years	0	0	0	0	0	13.26%	0
10 - 15 years	6 857 305	0	853	0	6 858 158	18.84%	1 292 077
15 - 20 years	87 093	0	0	0	87 093	22.43%	19 535
+ 20 years	340 630	0	0	0	340 630	26.03%	88 666
	141 487 547	**122 868 256**	**1 252 628**	**0**			**2 704 451**

Accumulated impact of interest rate-sensitive instruments	**2 704 451**
Regulatory own funds	**24 994 015**
Impact on economic value / Regulatory own funds	**10.82%**

EXPOSURES BY MATURITY INTERVAL OR RATE RESET - IMPACT ON NET POSITION - 31/12/2020

Time band	Assets (+)	Liabilities (-)	Off-balance sheet items (+)	Off-balance sheet items (-)	Position (+/-)	Weighting factor (A)	Weighting position (B)
on demand - 1 month	33 972 962	19 960 918	0	2 590 424	11 421 620	0.08%	9 137
1 - 3 months	16 146 185	11 421 844	0	3 069 026	1 655 315	0.32%	5 297
3 - 6 months	6 759 879	10 847 543	0	357 647	-4 445 310	0.72%	-32 006
6 - 12 months	8 988 919	9 765 198	0	265 950	-1 042 229	1.43%	-14 904
1 - 2 years	16 894 413	30 014 470	0	0	-13 120 057	2.77%	-363 426
2 - 3 years	11 961 994	0	0	0	11 961 994	4.49%	537 094
3 - 4 years	7 185 757	8 742 107	0	185 176	-1 741 525	6.14%	-106 930
4 - 5 years	26 129	0	0	0	26 129	7.71%	2 015
5 - 7 years	2 529 080	0	0	0	2 529 080	10.15%	256 702
7 - 10 years	0	0	0	0	0	13.26%	0
10 - 15 years	4 840 444	0	0	0	4 840 444	18.84%	911 940
15 - 20 years	119 653	0	0	0	119 653	22.43%	26 838
+ 20 years	191 681	0	0	0	191 681	26.03%	49 895
	109 617 096	**90 752 080**	**0**	**6 468 222**			**1 281 651**

Accumulated impact of interest rate-sensitive instruments	**1 281 651**
Regulatory own funds	**22 402 423**
Impact on economic value / Regulatory own funds	**5.72%**

EXPOSURES BY MATURITY RANGE OR RATE RESET - IMPACT ON INTEREST MARGIN - 31/12/2021

Time band	Assets (+)	Liabilities (-)	Off-balance sheet items (+)	Off-balance sheet items (-)	Position (+/-)	Weighting factor (F)	Weighting position (G)
on demand	37 281 149	1 892 752	0	0	35 388 397	2.00%	707 768
on demand - 1 month	3 564 662	3 187 718	983 999	0	1 360 943	1.92%	26 130
1 - 2 months	14 910 093	15 721 884	3 599	0	-808 192	1.75%	-14 143
2 - 3 months	6 034 769	5 646 602	24 370	0	412 537	1.58%	6 518
3 - 4 months	235 839	2 434 525	0	0	-2 198 686	1.42%	-31 221
4 - 5 months	52 346	4 684 192	0	0	-4 631 846	1.25%	-57 898
5 - 6 months	0	5 689 794	0	0	-5 689 794	1.08%	-61 450
6 - 7 months	34 526	4 053 602	0	0	-4 019 076	0.92%	-36 976
7 - 8 months	50 776	2 511 127	0	0	-2 460 351	0.75%	-18 453
8 - 9 months	-252	8 124 771	0	0	-8 125 023	0.58%	-47 125
9 - 10 months	0	6 158 804	0	0	-6 158 804	0.42%	-25 867
10 - 11 months	0	4 767 192	0	0	-4 767 192	0.25%	-11 918
11 - 12 months	209 207	3 122 927	0	0	-2 913 721	0.08%	-2 331
	62 373 116	**67 995 892**	**1 011 968**	**0**			**433 034**

Accumulated impact of interest rate-sensitive instruments up to one year	**433 034**
Interest margin	**9 695 328**
Accumulated impact of interest rate-sensitive instruments up to one year as a percentage of MJ	**4.47%**

EXPOSURES BY MATURITY RANGE OR RATE RESET - IMPACT ON INTEREST MARGIN - 31/12/2020

Time band	Assets (+)	Liabilities (-)	Off-balance sheet items (+)	Off-balance sheet items (-)	Position (+/-)	Weighting factor (F)	Weighting position (G)
on demand	28 672 554	1 310 203	0	0	27 362 351	2.00%	547 247
on demand - 1 month	5 300 217	17 012 962	0	2 204 254	-13 916 999	1.92%	-267 206
1 - 2 months	14 904 492	3 433 883	0	2 856 405	8 614 204	1.75%	150 749
2 - 3 months	1 241 884	6 350 208	0	598 790	-5 707 114	1.58%	-90 172
3 - 4 months	272 808	2 157 327	0	0	-1 884 519	1.42%	-26 760
4 - 5 months	6 479 101	2 330 772	0	0	4 148 329	1.25%	51 854
5 - 6 months	7 971	6 031 893	0	357 647	-6 381 569	1.08%	-68 921
6 - 7 months	429	1 419 619	0	265 950	-1 685 140	0.92%	-15 503
7 - 8 months	5 678 685	1 311 921	0	0	4 366 765	0.75%	32 751
8 - 9 months	2 365 525	1 327 928	0	0	1 037 597	0.58%	6 018
9 - 10 months	0	1 701 262	0	0	-1 701 262	0.42%	-7 145
10 - 11 months	944 280	6 278 300	0	0	-5 334 021	0.25%	-13 335
11 - 12 months	0	1 329 225	0	0	-1 329 225	0.08%	-1 063
	65 867 945	**51 995 503**	**0**	**6 283 046**			**298 512**

Accumulated impact of interest rate-sensitive instruments up to one year	**298 512**
Interest margin	**10 389 705**
Accumulated impact of interest rate-sensitive instruments up to one year as a percentage of MJ	**2.87%**

EXCHANGE RATE RISK

The carrying amounts of monetary assets and liabilities in foreign currency are shown below:

FOREIGN CURRENCY	ASSETS		LIABILITIES	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
EUR	9 120 328	9 066 326	(10 158 384)	(14 040 178)
USD	6 890 152	12 060 248	(6 310 829)	(7 136 267)
GBP	793 687	352 928	-	-
ZAR	32 501	30 653	(2 463)	(3 169)
	16 836 667	**21 510 154**	**(16 471 676)**	**(21 179 614)**

2021	EUR		USD	
	10% Appreciation	10% Depreciation	10% Appreciation	10% Depreciation
Retained	(103 806)	103 806	871 342	(871 342)
Other comprehensive income	-	-	-	-
	(103 806)	**103 806**	**871 342**	**(871 342)**

8. SOLVENCY RISK

Solvency risk is the risk that the Bank does not have a sufficient level of capital to deal with unexpected future losses resulting from its activity.

Banco Nacional de Angola establishes the following capital requirements:

- Minimum share capital of AKZ 7,500 million, as provided for in the Banco Nacional de Angola Notice 2/2018, of 21 February;
- Regulatory solvency ratio of 10%, as provided for in Banco Nacional de Angola Notice 2/2016, of 28 April;
- Original own funds ratio of 8.5%, as provided in Banco Nacional de Angola Notice 2/2016, of 28 April;
- Regulatory own funds ratio of 10% to cover credit risk, as provided for in Instruction 12/2016, of 8 August;
- Regulatory own funds ratios to cover market risk, as provided in the annexes to Instruction 14/2016, of 8 August;
- Regulatory own funds to cover operational risk corresponding to 15% of the average of the last 3 years of the annual exposure indicator, as provided for in Instruction 16/2016, of 8 August.

The Bank's regulatory solvency ratio and own funds as of 31 December 2021 and 2020 were calculated as follows:

SOLVENCY RATIO		2021	2020
Credit risk and counterparty credit risk	A	2 394 293	1 848 393
Market risk and counterparty credit risk in the trading book	B	762 972	424 351
Operational risk	C	2 602 651	912 692
Regulatory Own Funds Requirements	**D=A+B+C**	**5 759 916**	**3 185 436**
Original Own Funds	E	25 389 819	22 402 423
Additional Own Funds	F	-	-
Excess of Prudential limits on large exposures	G	395 804	-
Regulatory Own Funds	**H=E+F+G**	**24 994 015**	**22 402 423**
Solvency Ratio	**I=H/(D*10%)**	**43.4%**	**70.3%**

9. NET INTEREST INCOME

Net interest income for the years ended 31 December 2021 and 2020 is detailed as follows.

NET INTEREST INCOME	2021	2020
Customer loans	8 315 421	3 509 379
Investments at central banks and OIC	374 429	723 530
Financial assets at amortised cost	7 100 090	9 993 209
Interest and similar income	**15 789 940**	**14 226 118**
Central bank and OIC funds	(1 111 663)	(1 681 219)
Customer deposits	(5 105 548)	(2 155 194)
Interest on lease liabilities	(56 271)	-
Interests and similar expenses	**(6 273 482)**	**(3 836 413)**
Net interest income	**9 516 458**	**10 389 705**

In the period ending 31 December 2021, interest on loans and advances to customers showed an increase of approximately 4,800 million kwanzas, which reflects the significant growth in the Bank's credit operations in the period in question.

As of 31 December 2021 and 2020, interest on financial assets at amortised cost includes the negative effect of 1,558,261 thousand kwanzas and the positive effect of 3,320,755 thousand kwanzas, respectively, both related to the exchange revaluation of Angolan treasury bonds indexed to the USD (Note 3.4).

10. INCOME FROM SERVICES AND FEES

The results of services and commissions for the years ended 31 December 2021 and 2020 are detailed as follows.

INCOME FROM SERVICES AND FEES	2021	2020
Revenue collection		
Foreign operations	1 881 044	2 876 904
Documentary credit operations	407 456	1 028 530
ATM/TPA/Multicaixa movements	768 021	853 370
Current account operations	578 326	135 450
Withdrawals	48 331	91 744
Intermediation of securities	315 765	87 647
Insurance	191 464	-
Cards	430 762	67 278
Other credit operations	151 442	39 118
TPA rental	58 250	29 779
Transfers	24 186	13 724
Guarantees provided	12 446	13 113
Cheques	1 594	1 520
Other	43 867	134 222
INCOME FROM SERVICES AND FEES	**4 912 953**	**5 372 399**
Foreign operations	336 831	483 291
TPA/Multicaixa movements	246 546	156 012
Cards	197 501	98 315
Other	71 647	-
EXPENSES ON SERVICES AND FEES	**852 525**	**737 618**
INCOME FROM SERVICES AND FEES	**4 060 428**	**4 634 781**

The "Overseas transactions" item refers to expenses and commissions charged on remittances and payments abroad. On 31 December 2021 there was a decrease of approximately 935 million Kwanzas under this heading, which is explained by the reduction in the volume of operations of this nature and by the appreciation of the Kwanza against the USD and the Euro.

On 31 December 2021 there was an increase in commissions on securities intermediation of approximately Kwanzas 440 million, as a result of better performance in the negotiation of financial instruments. In the same period there was also an increase in the "Other credit operations" item (approximately 338 million Kwanzas), as a result of the increase in the volume of credit operations.

11. RESULTS OF DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST AND FAIR VALUE THROUGH RESERVES

During the years ended 31 December 2021 and 2020, financial assets measured at amortised cost (securities) were sold with a carrying amount before derecognition of 55,706,436 thousand kwanzas and 40,715,697 thousand kwanzas, respectively. As a result of these transactions, the Bank recognised net gains of 193,686 thousand kwanzas and 463,173 thousand kwanzas, respectively.

12. FOREIGN EXCHANGE INCOME

The foreign exchange income for the years ended 31 December 2021 and 2020 are detailed as follows.

FOREIGN CURRENCY	2021			2020		
	Income	Expenses	Profits and losses	Income	Expenses	Profits and losses
Currency transactions	8 173 144	1 178 267	6 994 877	12 155 366	3 985 895	8 169 471
Foreign exchange revaluation of monetary assets and liabilities	527 249 795	527 629 229	(379 433)	13 583 392 257	13 585 556 449	(2 164 192)
	535 422 940	**528 807 496**	**6 615 443**	**13 595 547 623**	**13 589 542 344**	**6 005 279**

Foreign exchange income does not include the effect of the revaluation of foreign exchange derivative financial instruments, which are included in the profits and losses of financial assets and liabilities measured at amortised cost (Nota 3.4).

13. OTHER OPERATING PROFIT OR LOSS

The other operating profit or loss for the years ended 31 December 2021 and 2020 are detailed as follows.

EXPENSES	2021	2020
Fees	(114 024)	(50 438)
Other taxes	(576 015)	(310 344)
Penalties applied by regulatory authorities	(153 489)	(139 113)
Costs of levies	(48 261)	(17 354)
Other	(107 608)	(42 344)
	(999 397)	**(559 593)**

The caption other taxes mainly concerns costs of the IAC, custody fee and emoluments related to the acquisition of a plot of land.

14. PAYROLL EXPENSES

The Bank’s payroll expenses for the years ended 31 December 2021 and 2020 are detailed below:

PAYROLL EXPENSES	2021	2020
Members of the management and supervisory bodies		
Wages and salaries:		
Basic remuneration	(665 034)	(526 671)
Additional remuneration	(851 379)	(105 856)
Other	(100 529)	(26 877)
	(1 616 942)	**(659 404)**
Employees		
Wages and salaries:		
Basic remuneration	(1 188 421)	(870 293)
Additional remuneration	(929 711)	(553 420)
Subsidised interest	(129 883)	(82 867)
Other	(118 455)	(82 791)
	(2 366 470)	**(1 589 371)**
Social insurance charges		
Compulsory	(168 688)	(100 647)
	(168 688)	**(100 647)**
	(4 152 101)	**(2 349 422)**

The Bank's employees as at 31 December 2021 and 2020 are detailed by the various professional categories as follows:

EMPLOYEES	2021	2020
Positions with administrative duties	5	5
Positions with executive duties	16	16
Positions with leadership and management duties	22	12
Positions with technical duties	28	24
Positions with administrative and other duties	35	32
	106	89

15. THIRD-PARTY SUPPLIES AND SERVICES

The balance of this item in the years ended 31 December 2021 and 2020 is detailed as follows.

THIRD-PARTY SUPPLIES AND SERVICES	2021	2020
Water, energy and fuels	4 121	3 408
Current consumables	297 881	106 703
Leases and rents	4 273	9 038
Communications	318 592	211 972
Travel, accommodation and representations	44 079	29 148
Publications, advertising and publicity	102 808	74 107
Maintenance and repair	262 105	202 090
Audits, studies and consultations	288 459	106 499
Computing	663 750	423 671
Other specialised services	3 159 401	1 391 817
Staff training	49 662	36 850
Insurance	44 219	25 157
Litigation	1 140	1 674
Other external supplies and services	385 444	230 141
	5 625 936	**2 852 275**

16. DEPRECIATION AND AMORTISATION FOR THE YEAR

The balance of this item in the years ended 31 December 2021 and 2020 is detailed as follows.

DEPRECIATION AND AMORTISATION FOR THE YEAR	2021	2020
INTANGIBLE ASSETS	**222 440**	**132 542**
OTHER TANGIBLE ASSETS		
Immovable	4 998	4 877
Equipment		
Furniture	33 720	19 561
Machines and tools	93 379	46 815
Computer equipment	68 597	37 641
Interior fittings	5 950	3 561
Transport equipment	110 983	79 012
Transmission equipment	786	570
Other equipment	33 239	20 113
Improvements in third-party properties	267 694	133 099
Other tangible assets	363 442	149 452
	982 788	**494 701**
	1 205 228	**627 243**

17. PROVISIONS NET OF CANCELLATIONS

The balance of this item in the years ended 31 December 2021 and 2020 concerns the provision for expected credit losses related to guarantees provided (note 18).

18. IMPAIRMENT FOR CUSTOMER LOANS NET OF REVERSALS AND RECOVERIES

The amounts related to impairment of loans and advances to customers recognised in profit or loss for the years ended 31 December 2021 and 2020 are detailed between on-balance sheet exposures (loan portfolio) and off-balance sheet exposures (guarantees and commitments) as follows.

	2021	2020
Loan portfolio	491 051	(580 877)
Guarantees and undertakings	26 552	37 019
	517 603	**(543 858)**

The detail of the item "Impairment for loans and advances to customers net of reversals and recoveries", for the years ended 31 December 2021 and 2020, is as follows.

LOAN PORTFOLIO	2021	2020
Increases in the year	(5 434 489)	(580 877)
Decreases in the year	5 925 540	-
	491 051	**(580 877)**

GUARANTEES AND UNDERTAKINGS	2021	2020
Increases in the year	(470 331)	(197 272)
Decreases in the year	443 779	160 253
	(26 552)	**(37 019)**

19. IMPAIRMENT FOR OTHER FINANCIAL ASSETS NET OF REVERSALS AND RECOVERIES

The balance of this item in the years ended 31 December 2021 and 2020 is broken down as follows.

	2021	2020
Cash balances at OIC	-	(389)
Securities portfolio	1 458 939	(1 910 968)
	1 458 939	**(1 911 357)**

In May 2021, the rating agency Moody's announced the upgrade of Angola's sovereign rating , changing it from Caa1 to B3, having maintained the outlook to "stable". This event resulted in the revision of the probability of default of the Angolan State from 11.3% to 2.4%, which generated the reduction in the impairment of the securities portfolio (Treasury Bonds of the Angolan State) observed in the year ended 31 December 2021.

20. TAXES ON PROFIT OR LOSS

Taxes on profit or loss for the years ended 31 December 2021 and 2020 relate only to current tax, as at these dates there were no relevant temporary differences.

The tax rate applied to the income for the years ended 31 December 2021 and 2020 was 35%.

As at 31 December 2021, Other accrued expenses include urban property tax costs, IAC and loss on exchange revaluations of indexed bonds.

TAXES ON PROFIT OR LOSS	2021	2020
PROFIT/LOSS BEFORE TAXES	**10 379 895**	**12 669 986**
TAX FINES (ART° 40)	22 845	15 066
OTHER ACCRUED EXPENSES	2 270 590	370 356
TRANSITION		
Income subject to IAC	8 852 037	6 775 113
Other		3 272 935
	3 821 292	**3 007 360**
Tax losses to be offset		
Statutory tax rate	35%	35%
normal rate tax		
Provisional liquidation		0.00
taxes payable		
Deferred taxes - assets		
	1 337 452	**1 052 576**

21. EARNINGS PER SHARE

The calculation of earnings per share (RpA) is detailed below.

RpA	2021	2020
Profits and losses		
Net earnings for the year	9 042 443	11 617 407
Average number of shares outstanding		
Weighted average number of ordinary shares for calculation of basic and diluted RpA	1 000 000	1 000 000
Basic RPA	**9.04**	**11.62**
Diluted RPA	**9.04**	**11.62**

At 31 December 2021 and 2020 there were no potentially dilutive instruments, so the basic and diluted earnings per share were equal.

22. CASH AND CASH EQUIVALENTS IN CENTRAL BANKS

The balance of this caption at 31 December 2021 and 2020 is detailed as follows:

CASH AND CASH BALANCES AT CENTRAL BANKS	2021	2020
CASH		
Notes and coins in local currency	1 204 289	635 179
Notes and coins in foreign currency	3 764 575	3 567 928
Notes at ATM	453 178	285 251
	5 422 042	**4 488 358**
DEPOSITS AT CENTRAL BANKS		
Banco Nacional de Angola		
In domestic currency	20 107 287	6 483 379
In foreign currency	3 954 854	3 296 959
	24 062 142	**9 780 338**
IMPAIRMENT	-	-
	29 484 184	**14 268 696**

Deposits at central banks in local and foreign currency aim to comply with the provisions in force for maintaining compulsory minimum reserves, and are not remunerated.

The compulsory reserves are calculated according to the BNA's instruction on monetary policy and are constituted in local currency and in foreign currency, according to the respective denomination of the liabilities that constitute their reserve base, and must be maintained throughout the period to which they refer.

At 31 December 2021 and 2020, in accordance with Instructions 08/2021 and 16/2020 of Banco Nacional de Angola, the requirements for maintaining compulsory reserves were calculated by applying the following percentages:

		2021		2020	
RATES ON THE RESERVE BASE		**Local Currency**	**Foreign Currency**	**Local Currency**	**Foreign Currency**
Central Government	Daily Determination	100%	100%	22%	100%
Local governments and municipal administrations		100%	100%	100%	100%
Other Sectors	Weekly Determination	22%	22%	22%	17%

At 31 December 2021 and 2020 the total compulsory reserves amounted to 14,114,204 thousand kwanzas and 8,480,150 thousand kwanzas, respectively.

23. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

The balance of this caption at 31 December 2021 and 2020 is detailed as follows.

	2021			2020		
CASH BALANCES AT OTHER CREDIT INSTITUTIONS	**Gross amount**	**Impairment**	**Final net**	**Gross amount**	**Impairment**	**Final net**
CASH AT OTHER CREDIT INSTITUTIONS IN THE COUNTRY						
Other cash balances - Transactions pending settlement	109 552	-	109 552	113 752	-	113 752
	109 552	-	109 552	113 752	-	113 752
CASH BALANCES AT OTHER CREDIT INSTITUTIONS ABROAD						
Demand deposits						
In EUR	6 564 725	-	6 564 725	6 341 753	-	6 341 753
In USD	1 923 731	-	1 923 731	7 918 088	-	7 918 088
In other currencies	32 501	(389)	32 112	30 653	(389)	30 264
	8 520 957	(389)	8 520 568	14 290 494	(389)	14 290 105
	8 630 510	(389)	8 630 121	14 404 247	(389)	14 403 858

The caption Transactions pending settlement concerns the cheques that will be sent for clearing on the first business day of 2022 and 2021, respectively.

All assets recognised under this caption are at stage 1 for the purpose of calculating the respective impairment losses.

There was no movement in impairment losses during the year ended 31 December 2021.

The movement in impairment losses under this item in the year ended 31 December 2020 are shown below.

2020 — IMPAIRMENT LOSSES	**Opening balance**	**Increases**	**Decreases**	**Closing balance**
CASH BALANCES AT OTHER CREDIT INSTITUTIONS ABROAD				
Demand deposits				
In EUR	(366)	-	-	(366)
In USD	(16)	-	-	(16)
In other currencies	(7)	-	-	(7)
	(389)	**-**	**-**	**(389)**

24. INVESTMENTS AT CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The balance of this item at 31 December 2020 related to investments in credit institutions in Angola with a maturity of up to 3 months.

All assets recognised under this item were at stage 1 for the purpose of calculating the respective impairment losses.

25. CUSTOMER LOANS

The breakdown of the item customer loans at 31 December 2021 and 2020, by macro-segment, is presented below.

2021 — AMORTISED COST	Gross amount	Impairment losses (ECL)	Net carrying amount
Companies	48 408 275	(1 091 664)	47 316 611
Private individuals	591 455	(44 227)	547 228
Employees	444 569	(4 448)	440 122
	49 444 300	**(1 140 339)**	**48 303 961**

2020 — AMORTISED COST	Gross amount	Impairment losses (ECL)	Net carrying amount
Companies	26 451 532	(1 569 360)	24 882 172
Private individuals	1 199 535	(56 096)	1 143 440
Employees	557 764	(5 934)	551 830
	28 208 832	**(1 631 390)**	**26 577 442**

At 31 December 2021 and 2020, the breakdown of the balance of the customer caption between fixed interest rates and variable interest rates is shown below.

2021 — AMORTISED COST	Gross amount	Impairment losses (ECL)	Net carrying amount
Fixed interest rate	48 613 242	(850 267)	47 762 974
Variable interest rate	831 058	(290 072)	540 986
	49 444 300	**(1 140 339)**	**48 303 961**

2020 — AMORTISED COST	Gross amount	Impairment losses (ECL)	Net carrying amount
Fixed interest rate	27 147 055	(1 287 260)	25 859 796
Variable interest rate	1 061 777	(344 130)	717 646
	28 208 832	**(1 631 390)**	**26 577 442**

At 31 December 2021 the Bank's ten largest customers together represent approximately 91.5% (72.2% in 2020) of the total loan portfolio.

The development of expected credit losses (ECL) for on-balance sheet exposures for the years ended 31 December 2021 and 2020 is set out below.

2021	Stage 1	Stage 2	Stage 3	Total
BALANCE AT THE BEGINNING OF THE YEAR	**(1 235 374)**	**(2)**	**(396 013)**	**(1 631 390)**
New loans originated	(149 977)	(5 050)	(184 084)	(339 111)
Loans settled	643 338	2	225 181	868 521
Transfers to stage 3	-	-	(38 360)	(38 360)
BALANCE AT THE END OF THE YEAR	**(742 014)**	**(5 050)**	**(393 276)**	**(1 140 339)**

2020	Stage 1	Stage 2	Stage 3	Total
BALANCE AT THE BEGINNING OF THE YEAR	**(837 314)**	**(84 557)**	**(128 642)**	**(1 050 513)**
New loans originated	(490 438)	(2)	(42 204)	(532 644)
Loans settled	92 378	84 557	-	176 935
Transfers to stage 1	-	-	(225 168)	(225 168)
BALANCE AT THE END OF THE YEAR	**(1 235 374)**	**(2)**	**(396 013)**	**(1 631 390)**

26. FINANCIAL ASSETS MEASURED AT AMORTISED COST

The breakdown of this item by type of security at 31 December 2021 and 2020 is presented below:

2021 — AMORTISED COST	Gross amount	Impairment	Final net
Bonds and other fixed income securities from public issuers			
Treasury bonds in local currency	48 408 914	(712 512)	47 696 402
Treasury bonds indexed to the USD	8 130 677	(120 643)	8 010 034
	56 539 591	**(833 155)**	**55 706 436**

2020 — AMORTISED COST	Gross amount	Impairment	Final net
Bonds and other fixed income securities from public issuers			
Treasury Bills	8 404 126	(366 449)	8 037 677
Treasury bonds in local currency	24 865 548	(1 272 811)	23 592 736
Treasury bonds indexed to the USD	9 738 118	(652 834)	9 085 284
	43 007 791	**(2 292 094)**	**40 715 697**

The movement in expected credit losses (ECL) in the years ended 31 December 2021 and 2020 is shown below.

2021	Stage 1	Stage 2	Stage 3	Total
BALANCE AT THE BEGINNING OF THE YEAR	**2 292 094**	**-**	**-**	**2 292 094**
Increases	114 679	-	-	114 679
Decreases	(1 573 618)	-	-	(1 573 618)
BALANCE AT THE END OF THE YEAR	**833 155**	**-**	**-**	**833 155**

2020	Stage 1	Stage 2	Stage 3	Total
BALANCE AT THE BEGINNING OF THE YEAR	**396 583**	**-**	**-**	**396 583**
Increases	2 664 236	-	-	2 664 236
Decreases	(768 725)	-	-	(768 725)
BALANCE AT THE END OF THE YEAR	**2 292 094**	**-**	**-**	**2 292 094**

The schedule of investments in debt instruments by maturity at 31 December 2021 and 2020 is shown below.

2021	< 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Impairment	Total
Bonds and other fixed income securities from public issuers						
Treasury bonds in local currency	-	12 958 665	35 450 249	-	(712 512)	47 696 402
Treasury bonds indexed to the USD	5 669	-	8 125 008		(120 643)	8 010 034
	5 669	**12 958 665**	**43 575 257**	**-**	**(833 155)**	**55 706 436**

2020	< 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Impairment	Total
Bonds and other fixed income securities from public issuers						
Treasury Bills	-	8 404 126	-	-	(366 449)	8 037 677
Treasury bonds in local currency	2 915 364	5 573 868	16 376 316	-	(1 272 811)	23 592 736
Treasury bonds indexed to the USD	417 331		9 320 787		(652 834)	9 085 284
Bonds in foreign currency	-	-	-	-	-	-
	3 332 695	**13 977 994**	**25 697 102**	**-**	**(2 292 094)**	**40 715 697**

27. NON-CURRENT ASSETS HELD FOR SALE

The details of non-current assets held for sale by type of asset and by group for disposal are presented below.

NON-CURRENT ASSETS HELD FOR SALE	2021	2020
Immovable	418 671	418 671
Impairment losses	(418 671)	(418 671)
TOTAL	**-**	**-**

In 2017, the Bank received as a donation a property that it recorded under this caption, considering that its sale was highly probable in a short period of time (less than 1 year). In view of the time already elapsed, the Bank chose to constitute 100% impairment, given the reduction in the value of the asset and the supervisor's policy regarding this matter.

The property concerned is described in the following table.

NAME	Year of acquisition	Acquisition cost	Impairment	Net book value	Market value	Evaluation date
Malange - Administrative Area	2017	418 671	(418 671)	-	-	out/18
Total		**418 671**	**(418 671)**			

28. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

The movement in other tangible and intangible assets in the years ended 31 December 2021 and 2020 is shown below.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS	2020	Additions	Disposals/Write-offs	Adjustments/ Transfers	2021
Other tangible assets					
Land	-	4 657 032	-	-	4 657 032
Own service properties	124 962	-	-	-	124 962
Furniture, fixtures, installations and equipment	1 482 953	594 193	-	-	2 077 146
Tangible assets in progress	1 016 105	-	-	(36 373)	979 732
Works on leased properties (improvements)	1 236 799	184 996	-	-	1 421 794
Right-of-Use	881 955	96 810	-	747 559	1 726 324
Other tangible assets	509	-	-	-	509
	4 743 283	**5 533 031**	**-**	**711 186**	**10 987 500**
(-) Accumulated depreciation	(876 909)	(982 788)	-	1 341	(1 858 357)
	3 866 374	**4 550 242**	**-**	**712 527**	**9 129 144**
Intangible Assets					
Automatic data-processing systems (Software)	1 137 758	345 792	-	-	1 483 549
Intangible assets in progress	72 589	432 106	-	-	504 695
Other intangible assets	71 872	-	-	-	71 872
	1 282 219	**777 897**	**-**	**-**	**2 060 117**
(-) Accumulated amortisation	(482 429)	(222 440)	-	-	(704 870)
	799 790	**555 457**	**-**	**-**	**1 355 247**
	4 666 164	**5 105 699**	**-**	**712 527**	**10 484 391**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS	2019	Additions	Disposals/Write-offs	Adjustments/ Transfers	2020
Other tangible assets					
Own service properties	120 000	4 962	-	-	124 962
Furniture, fixtures, installations and equipment	635 856	847 097	-	-	1 482 953
Tangible assets in progress	187 537	828 568	-	-	1 016 105
Works on leased properties (improvements)	424 095	812 704	-	-	1 236 799
Right-of-Use	884 139	-	-	(2 184)	881 955
Other tangible assets	509	-	-	-	509
	2 252 137	**2 493 330**	**-**	**(2 184)**	**4 743 283**
(-) Accumulated depreciation	(382 207)	(527 438)	-	32 736	(876 909)
	1 869 930	**1 965 892**	**-**	**30 552**	**3 866 374**
Intangible Assets					
Automatic data-processing systems (Software)	696 431	362 867	-	78 459	1 137 758
Intangible assets in progress	80 165	70 883	-	(78 459)	72 589
Other intangible assets	71 872	-	-	-	71 872
	848 468	**433 750**	**-**	**-**	**1 282 219**
(-) Accumulated amortisation	(349 888)	(132 541)	-	-	(482 429)
	498 580	**301 210**	**-**	**-**	**799 790**
	2 368 509				**4 666 164**

The regularisations in assets under rights of use (IFRS 16) occurring in the year 2021 relate essentially to the effect of remeasurements arising from lease modifications. These changes are associated with the revision of the terms of some leases (enlargement).

The increase occurred in the year ended 31 December 2021, in the caption "Land", relates to the acquisition of a plot of land to build the Bank's future headquarters.

29. OTHER ASSETS

The balance of the caption “Other assets” at 31 December 2021 and 2020 is detailed below.

2021	Gross amount	Impairment	Carrying amount
Sundry debtors	298 006	-	298 006
Prepaid expenses	45 804	-	45 804
Other transactions to be settled	286 464	-	286 464
Income receivable	371 743	(5 453)	366 290
	1 002 017	**(5 453)**	**996 564**

2020	Gross amount	Impairment	Carrying amount
Sundry debtors	352 927	-	347 474
Prepaid expenses	1 694 196	-	1 694 196
Other transactions to be settled	1 454 142	-	1 454 142
Income receivable	273 870	(5 453)	273 870
	3 775 135	**(5 453)**	**3 769 682**

At 31 December 2021, the item of prepaid expenses is composed of: (i) 10 million Kwanzas related to advances to suppliers and (ii) 35 million Kwanzas related to deferred costs.

The balance of the item Other operations pending settlement essentially corresponds to the counterpart of clearing of Mastercard transactions.

The item of receivables includes the amount of AKZ 366 million receivable from the Ministry of Economy in relation to subsidised loans made under the Angola Investe programme.

2021	Opening balance	Increases	Decreases	Closing balance
Sundry debtors	(5 453)	-	-	(5 453)
	-	**-**	**-**	**(5 453)**

The movement in accumulated impairment losses for other assets in the years ended 31 December 2021 and 2020 was as follows.

2020	Opening balance	Increases	Decreases	Closing balance
Sundry debtors	(5 453)	-	-	(5 453)
	-	**-**	**-**	**(5 453)**

30. FUNDS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

The balance of this caption at 31 December 2021 and 2020 is detailed as follows.

FUNDS FROM OTHER CREDIT INSTITUTIONS IN THE COUNTRY	2021	2020
INTERBANK MONEY MARKET		
Liquidity funding	-	11 500 000
Interest payable	-	8 017
	-	**11 508 017**

The maturity of all funds as of 31 December 2020 was less than 3 months.

31. CUSTOMER FUNDS AND OTHER LOANS

The balance of this caption at 31 December 2021 and 2020 is detailed as follows.

CUSTOMER FUNDS AND OTHER LOANS	2021	2020
PRIVATE INDIVIDUALS		
Time deposits	1 564 934	2 040 199
Demand deposits	7 253 722	6 420 886
	8 818 655	**8 461 084**
COMPANIES		
Time deposits	15 477 118	13 326 588
Demand deposits	30 738 560	26 382 515
Other	-	1 089 658
	46 215 678	**40 798 761**
STATE		
Time deposits	56 614 643	28 722 349
Demand deposits	11 219 279	1 261 869
	67 833 922	**29 984 218**
	122 868 256	**79 244 063**

As of 31 December 2021 and 2020, most customer demand deposits are not remunerated and all time deposit operations have a fixed interest rate.

The schedule as at 31 December 2021 and 2020 of customer funds and other loans, by maturity, is as follows:

SCHEDULE	2021	2020
Up to 3 months	68 237 509	45 423 697
From 3 to 6 months	8 209 558	6 498 919
From 6 months to 1 year	16 154 606	5 597 504
Over 1 year	30 266 583	21 723 942
	122 868 256	**79 244 063**

32. OTHER LIABILITIES

The balance of the item Other liabilities at 31 December 2021 and 2020 is detailed below.

OTHER LIABILITIES	2021	2020
Public Sector (fiscal nature)	1 881 134	1 323 132
Sundry creditors	481 441	198 842
Holiday pay and holiday allowances payable	163 233	248 282
Other transactions to be settled	1 002 774	2 116 719
Lease liabilities	855 553	198 329
	4 384 135	**4 085 304**

The item "Public Sector" corresponds to the provision for industrial tax and current taxes payable in the year 2022.

The item "Other pending transactions" includes the amount of AKZ 603,674 thousand with reference to amounts to be cleared and the amount of aKZ 399,100 thousand with reference to electronic clearing operations.

The caption "Leasing Liabilities" corresponds to liabilities recognised under IFRS 16, as described in the Bank's accounting policies.

33. SHARE CAPITAL

As of 31 December 2021 and 2020, the Bank's share capital consisted of 1,000,000 shares with a nominal value of AKZ 10,000 each.

As of 31 December 2021 and 2020, share capital is represented by the following categories of shares.

SHARE CAPITAL	2021	2020
CATEGORY A		
Nominal value	10 000	10 000
No. of shares	1 000 000	1 000 000
TOTAL		
No. of shares	1 000 000	1 000 000

As of 31 December 2021 and 2020, the Bank's shareholder structure has the following composition.

2021 — SHAREHOLDER STRUCTURE	% of share	Amount
Helder Marcos Nunes da Silva	2.5%	252 829
Joana D´Assunção Inacio Paixão Franco	10.7%	1 066 667
João Henriques Pereira	20.0%	2 000 000
Ligia Maria Madaleno	56.4%	5 638 211
Manuel João Gonçalves Fonseca	3.0%	300 626
Valdomiro Minoru Dondo	7.4%	741 667
	100.0%	**10 000 000**

2020 — SHAREHOLDER STRUCTURE	% of share	Amount
Helder Marcos Nunes da Silva	2.5%	252 829
Joana D´Assunção Inacio Paixão Franco	10.7%	1 066 667
João Henriques Pereira	30.0%	3 000 000
Ligia Maria Madaleno	46.4%	4 638 211
Manuel João Gonçalves Fonseca	3.0%	300 626
Valdomiro Minoru Dondo	7.4%	741 667
	100.00%	**10 000 000**

34. OTHER RESERVES AND UNAPPROPRIATED RETAINED EARNINGS

The balance of this caption at 31 December 2021 and 2020 is detailed as follows.

	2021	2020
Legal reserve	6 694 746	577 446
Retained earnings	1 007 496	1 007 358
	7 702 241	**1 584 804**

Under current legislation, the Bank must establish a legal reserve fund up to the amount of its capital. To this end, a minimum of 10% of the previous year's net income must be transferred to this reserve. This reserve may only be used to cover accumulated losses when the other reserves constituted are exhausted.

35. GUARANTEES AND OTHER COMMITMENTS

The amount of guarantees provided and received and other (off-balance sheet) commitments as of 31 December 2021 and 2020 are shown below:

GUARANTEES AND OTHER COMMITMENTS	2021	2020
Guarantees provided	757 037	829 352
Open documentary credits	9 538 981	6 326 480
Irrevocable lines of credit	5 775 169	7 240 948
Guarantees received	(82 849 799)	(40 152 362)

The guarantees and sureties provided are bank operations that do not involve the mobilisation of funds by the Bank, being related to guarantees provided to support import operations and for the execution of contracts by the Bank's customers. The guarantees provided represent values that may be due in the future.

Open documentary credits are irrevocable commitments assumed by the Bank, on behalf of its customers, to pay/order payment of a specific amount to the supplier of a given good, within a stipulated period, against the presentation of documents related to the shipping of the good. The condition of irrevocability consists in the fact that it may not be cancelled or altered without the express agreement of all the parties involved.

Irrevocable credit lines (commitments assumed vis-à-vis third parties) represent contractual agreements for the extension of credit to the Bank's customers (e.g., unused credit lines) which, in general, are contracted for fixed terms or with other expiry requirements, and usually require payment of a fee. These commitments represent amounts that may be due in the future.

Notwithstanding the particularities of these commitments, the assessment of these operations follows the same basic principles as any other commercial operation, namely that of solvency, both of the customer and the underlying business, and the Bank requires these operations to be duly collateralised where necessary. Since most of them are expected to expire without being used, the amounts indicated do not necessarily represent future cash requirements.

Financial instruments classified as guarantees and other commitments are subject to the same approval and control procedures as applied to the loan portfolio, namely in terms of the assessment of the adequacy of the provisions set up as described in the corresponding accounting policy. The maximum credit exposure is represented by the nominal value that could be lost in relation to the contingent liabilities and other commitments assumed by the Bank in the event of default by the respective counterparties, without taking into account potential recoveries of credit or collateral.

The details of exposures (EAD) and impairment losses (ECL) by off-balance sheet type as of 31 December 2021 and 2020 are shown below.

In 2021 the (ECL) include the exchange rate effect of 474 thousand kwanzas resulting from the revaluation process of operations in foreign currency.

2021	STAGE 1		STAGE 2		STAGE 3		TOTAL	
	EAD	ECL	EAD	ECL	EAD	ECL	EAD	ECL
Guarantees provided	757 037	(2 835)	-	-	-	-	757 037	(2 835)
Documentary credits	7 673 673	(25 337)	-	-	-	-	7 673 673	(25 337)
Irrevocable lines of credit	5 775 169	-	-	-	17 994	-	5 793 163	-
	14 205 879	**(28 173)**	**-**	**-**	**17 994**	**-**	**14 223 873**	**(28 173)**

2020	STAGE 1		STAGE 2		STAGE 3		TOTAL	
	EAD	ECL	EAD	ECL	EAD	ECL	EAD	ECL
Guarantees provided	829 352	(12 440)	-	-	-	-	829 352	(12 440)
Documentary credits	5 694 069	(42 758)	-	-	-	-	5 694 069	(42 758)
Irrevocable lines of credit	7 222 739	-	-	-	18 209	-	7 240 948	-
	13 746 159	**(55 199)**	**-**	**-**	**18 209**	**-**	**13 764 368**	**(55 199)**

36. LEASES

The Bank was lessee under several lease agreements (or agreements that include leases) during the years ended 31 December 2021 and 2020. In the same period, it did not assume any rights and obligations as a lessor, and, consequently, there are no subleases.

The carrying amount of right-of-use assets as of 31 December 2021 and 2020 is detailed by the nature of the respective underlying assets, as shown below.

2021	Gross amount	Accumulated depreciation	Carrying amount
Own service properties	1 726 324	(702 600)	1 023 724

2020	Gross amount	Accumulated depreciation	Carrying amount
Own service properties	881 955	(340 498)	541 457

The movement in the items of assets under right of use and lease liabilities for the year ended 31 December 2021 is detailed below.

	Balance at 31.12.2020	Initial recognition of new leases	Remeasurement of liabilities	Depreciation for the period	Payments	Other corrections	Balance at 31.12.2021
ASSETS UNDER RIGHT OF USE							
Gross amount	881 955	12 607	855 248	-	-	(23 486)	1 726 324
Accumulated depreciations	(340 498)	-	-	(357 529)	-	(4 573)	(702 600)
	541 457	**12 607**	**855 248**	**(357 529)**	**-**	**(28 059)**	**1 023 724**
LEASE LIABILITIES	**198 329**	**10 807**	**855 248**	**-**	**(413 386)**	**204 555**	**855 553**

	Balance at 31.12.2019	Initial recognition of new leases	Remeasurement of liabilities	Depreciation for the period	Payments	Other corrections	Balance at 31.12.2020
ASSETS UNDER RIGHT OF USE							
Gross amount	-	855 389	140 255	-	-	(113 689)	881 955
Accumulated depreciations	-	-	-	(340 498)	-	-	(340 498)
	-	**855 389**	**140 255**	**(340 498)**	**-**	**(113 689)**	**541 457**
LEASE LIABILITIES	**-**	**204 935**	**140 255**	**-**	**(69 366)**	**(77 495)**	**198 329**

The amounts of other corrections relate essentially to corrections made to opening balances which, in the opinion of the Board of Directors, are not sufficiently material to warrant retrospective treatment.

Cash flows related to lease payments for the years ended 31 December 2021 and 2020 are detailed below.

	2021	2020	Caption in the cash flow statement
Leasing interest	56 271	44 176	Payments of interest, fees and other similar expenses
Lease payments (capital)	357 115	-	Other financing operations
	413 386	**44 176**	

During the years ended 31 December 2021 and 2020, there were no sale & leaseback transactions.

37. RELATED PARTIES

In accordance with IAS 24 (Related Party Disclosures), the following are considered entities related to the Bank:

- Holders of qualifying holdings – shareholders, assuming that this is the case when the shareholding is not less than 2.50%;
- Entities that are directly or indirectly in a controlling relationship or in a group relationship – subsidiaries, associated companies and jointly controlled entity;
- Members of the Bank's management and supervisory bodies and their spouses, descendants or ascendants up to the second degree in a direct line.

During the years 2021 and 2020, the following transactions with related parties took place.

2021	Foreign exchange income	Interest received	Interest payable	Fees received	Credit granted	Funds obtained
Key management personnel	14 486	-	-	37 501	-	523 218
Other related parties	595 032	430 915	167 064	253 647	951 482	5 649 165
	609 518	**430 915**	**167 064**	**291 148**	**951 482**	**6 172 382**

2020	Foreign exchange income	Interest received	Interest payable	Fees received	Credit granted	Funds obtained
Key management personnel	12 875			2 390	11 882	748 330
Other related parties	765 086	387 829	78 309	759 670	2 308 242	(1 563 656)
	777 961	**387 829**	**78 309**	**762 060**	**2 320 124**	**(815 326)**

At 31 December 2021 and 2020, the Bank had the following balances and positions with related parties.

2021	Net impairment credit granted	Funds obtained
Key management personnel		969 422
Other related parties	2 760 717	9 082 446
	2 760 717	**10 051 868**

2020	Net impairment credit granted	Funds obtained
Key management personnel	11 211	1 270 108
Other related parties	4 493 396	3 053 186
	4 504 607	**4 323 294**

The remunerations of the Bank's key management personnel for the years 2021 and 2020 are detailed below:

REMUNERATION	2021	2020
Short-term employee benefit	1 642 795	661 106
Termination benefit	-	116 670
	1 642 795	**777 776**

All transactions with related parties were carried out at normal market prices.

38. SUBSEQUENT EVENTS

At the beginning of 2022, although with less expression thanks to progress in the vaccination process, the pandemic generated by COVID-19 continues to have a worldwide impact, still affecting various sectors of the economy, with direct and indirect effects caused by the disease, such as tourism, transport and a large part of services. The risks of new waves are now lower, with an expected easing of restrictive measures impacting on global economic recovery and the reduction of social inequalities, which will cause the world's economies to start recovering, namely in Europe and the United States of America, where significant financial packages for recovery have already been approved.

However, the recent military invasion of Ukraine by the Russian Federation threatens to significantly affect world economies, which were showing signs of recovery after two years of social, economic and financial constraints resulting from the COVID 19 pandemic, particularly in Europe and the United States of America. The economic and financial consequences are already being felt in the short term and are expected to worsen in the medium and long term.

To the instability already seen in the financial markets, which are trying to accommodate the effect of the heavy economic sanctions applied to the Russian Federation, are added the prospects of a consistent rise in prices in commodities – gas, oil, cereals, minerals and others. But it is not only in the inflation relating to these products. Inflation is expected to be incorporated in products in general, in distribution and commercial sales, and may worsen the situation of consumers, in all countries of the world.

The consequence of the rise in prices – accelerated by this attack – may force the banking system to reassess its policies for granting credit to economies, and the Central Banks may review their policy of purchasing state debts, which, if reduced, will certainly increase the cost of financing by raising interest rates.

Ukraine is one of the largest producers and exporters of cereals to Europe, and during the period of conflict it is expected to be unable to produce these foods, accentuating global shortages and leading to further price increases. At the level of natural gas – which comes from the Russian Federation via Ukraine – there could be attacks on pipelines, cuts or sabotage, which could compromise the supply to industry in Central and Western Europe with failures, thus conditioning the operating capacity of companies.

Therefore, and since the pandemic has had and continues to have a very significant social and economic impact, aggravated now by the ongoing conflict in Europe, the Board of Directors expects to implement all the measures it deems necessary and appropriate to minimise potential impacts, should they occur and in line with the recommendations of the competent entities.

10 ANNEXES

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INDEPENDENT AUDITOR'S REPORT
(Amounts stated in thousand Kwanzas)

To Shareholders of:
Banco de Investimento Rural, SA

Introduction

1. We have examined the financial statements of Banco de Investimento Rural, SA (the "Bank") which included the balance sheet as at 31 December 2021 (showing a total of 154,025,247 tAOA and total equity of 26,744,684 tAOA), including net earnings of 9,042,443 tAOA), the income statement by nature of expense, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended at that date, and the accompanying notes to the financial statements, which include a summary of the significant accounting policies.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the preparation and presentation of the financial statements in an appropriate manner, in accordance with International Financial Reporting Standards and for the internal control that it deems necessary to enable the preparation of those financial statements free from material misstatement due to fraud or error.

Auditor's Responsibilities

3. Our responsibility is to express an independent opinion on the financial statements based on our audit, which was conducted in accordance with the Technical Norms of the Institute of Accountants and Accounting Specialists of Angola. These standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material distortion.

4. An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures chosen depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the financial statements due to fraud or error. In making such risk assessments, the auditor considers internal control relevant to the preparation and presentation of the financial statements by the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. An audit also includes evaluating the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management, as well as evaluating the overall presentation of the financial statements.

5. We are convinced that the audit evidence we obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Unqualified Opinion

6. 6. In our opinion, the financial statements referred to in paragraph 1 present, in all material respects, the financial position of Banco de Investimento Rural, S.A. as at 31 December 2021 and its financial performance and cash flows for the period ended at that date, in accordance with International Financial Reporting Standards (IFRS).

Emphasis

7. 7. Russia's recent military attack on Ukraine resulted in heavy economic and financial sanctions from Western economies, particularly from Europe and the United States. These sanctions have already resulted in the worsening of energy and commodity prices in general, which had already begun to be felt with the COVID-19 pandemic. Therefore, in addition to the continuing effects of the recession caused by the COVID-19 pandemic, the Entity must also assess the potential impacts on its operational activity and future financial statements arising from the Russian Federation's military invasion of Ukraine. However, as mentioned in the management report and attached notes, the impact resulting either from the effects of the COVID-19 pandemic or the invasion of Ukraine by the Russian Federation is not known, which could give rise to adjustments in the financial statements under analysis or which would place the continuity of the Entity in question.

Luanda, 11 March 2022

Crowe
Represented by João Martins de Castro
Chartered Accountant registered at the OCPCA under no. 20140123
and at the CMC under no. 11/2017

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholders of Banco de investimento Rural, SA

In compliance with the legal and statutory provisions, namely Law 1/04 of 13 February (Companies Act) and Article 285 and Article 305(g) of the Articles of Association of Banco de Investimento Rural, SA, we submit for consideration the Report on the supervisory action and issue an opinion on the Financial Statements of Banco de Investimento Rural, SA, the Management Report of the Board of Directors, the statement of changes in Equity and the proposal for the appropriation of profits, for the financial year ended 31 December 2021.

1. During the year, the Supervisory Board had the opportunity to monitor the Bank's activities with the frequency and to the extent deemed appropriate, through accounting and management information and contacts with the Management.

2. The Supervisory Board considered the Financial Statements, including the Balance Sheet, the Income Statement and the respective notes, cash flows, the Management Report of the Board of Directors and the proposal for the appropriation of profits, which are in accordance with International Accounting Standards (IASB) and International Financial Reporting Standards (IFRS).

3. The Supervisory Board considered and issued opinions on the Report on Corporate Governance and the Internal Control System that comprised the information up to 30 November 2021; on the veracity of the Internal Control System for the Prevention of Money Laundering, Terrorist Financing and the Proliferation of Weapons of Mass Destruction that comprised the information as at 31 December 2021.

4. In compliance with Notice no. 6/2020 of 3 March, from the NBA - National Bank of Angola, the Supervisory Board, during the year, assessed the files received from the Board of Directors and issued the respective opinions.

5. Accordingly taking into account the work performed and the opinion of the Independent Auditors, the substance of which we agree with, the Supervisory Board considers that in the year ended 31 December 2021:

a) - The Financial Statements, changes in equity and the Management Report of the Board of Directors, are in accordance with the legal and statutory provisions;

b) - As of 31 December 2021, the bank's balance sheet showed total Assets of AOA 154,025,247,000 and net earnings of AOA 5,042,443,000.

6. The Supervisory Board considers that the information referred to in point two is adequate and allows an understanding of the bank's financial position, results on the various fronts and the way in which the activities were carried out, so that it is recommended that the General Meeting:

a) - Approve the Accounts for the 2021 financial year;

b) - Approve the Management Report of the Board of Directors for the year ended 31 December 2021;

c) - Approve the appropriation of profits proposed by the Board of Directors.

Luanda, 15 March 2022

The Supervisory Board

Faustino Mpemba Madia
President

Carlos Ferraz
Board Member

Nuno Ricardo Duarte Barros
Board Member

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