Bridge over the Catumbela river | Benguela

BCA

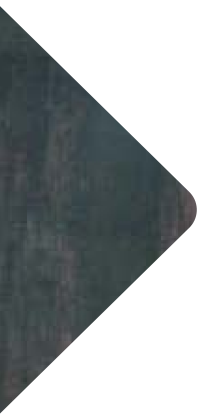
Banco Comercial Angolano

# Annual Report 2014

Fenda do Bimbe | Huíla

# index





# Approval of the Board of Directors

The members of the Board of "Banco Comercial Angolano, S.A." are responsible for the preparation, integrity and objectivity of the financial statements and other information contained in this report.

To satisfy this responsibility the Bank has put in place systems of internal accounting and administrative control, to ensure that its assets are safeguarded and that the operations, the transactions are executed, recorded in conformity with the rules and procedures adopted.

The audited financial statements for the year ended on the 31st of December 2014, presented herewith were approved by the Board of Directors and are signed on its behalf by:

**Francisco da Silva Cristovão**
Chairman

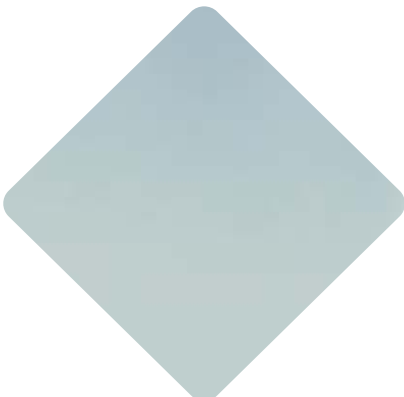
**Mateus Filipe Martins**
Chief Executive Officer

Luanda, April 23rd, 2015

Humpata Falls | Huíla

Baobab tree in Salinas do Mussulo | Luanda

# Board Report 2014



The operating strategy adopted by the bank since 2009 ensured that after a number of years of making losses, the bank became profitable after the implementation of a recovery strategy. During this period, the shareholders' equity tripled notwithstanding the fact that the biggest shareholder withdrew in 2008 and the soon after, the whole world was affected by the global financial crisis, a series of new regulations were implemented by the Angolan Central Bank in order to reduce the risk of failures in the banking sector and the government undertook a fiscal system review which resulted in a higher tax burden for both individuals and corporates.

For the period 2014-2016 the focus has shifted slightly to improving efficiency across the bank and also balance sheet growth. In order to achieve these objectives, a lot of effort will go into:

- Increase and diversify the customer base;
- Source stable term deposits at a reasonable cost of funding;
- Reduce the concentration risk for the advances portfolio through the diversification of the advances portfolio in terms of type of clients and industry sectors.

The above means that there is a need for a closer relationship with the customers and also the provision of services closer to the customers through a wide footprint and alternative distribution channels such as electronic ones. In this regards, one of the key objectives that has to be achieved by the end of 2016 is an increase in our branch network to at least 50 branches in 14 out of 18 provinces in the country in an effort to guarantee a growth of the customer base to at least 100 000 customers of which 80-90% would have debit cards and at least 60% would be on our electronic banking channels such as internet banking, SMS banking and Mobile banking. In addition to these already existing products and services, the bank will seek to launch new and innovative products and services in the near future.

The bank will also continue to invest in:

- The improvement of compliance processes and systems in the customer on--boarding, payment filtering for sanctions purposes and the improvement of risk management systems and tools for Anti Money Laundering purposes;
- Perfecting the IT and operational infrastructure to ensure sustainable growth;
- Training and capacitating of our staff members at all levels;
- Increasing shareholders' equity in order to provide solidity to the bank;
- The upgrade of the bank's IT and Business Continuity Management Plans and infrastructure; and
- Creating value for all stakeholders.

The bank's vision continues to be "A referenced universal bank in Angola focusing mainly on corporate and institutional banking yet maintaining a close eye on the prospects offered by the individual customer segment".

The bank's mission continues to be to "Create value for our stakeholders by providing world class banking services to our clients through maintaining excellent relationships with all those who contribute to the bank's growth; consolidating the banks image, reputation and prestige and ultimately by increasing our market share".

## Financial indicators

### Assets

During 2014, the bank's strategy was mainly to invest in treasury bill/bonds and loans and advances which registered increases of 233% and 10% respectively, in comparison to the prior period. At the same time, other investments decreased by 83%. Notwithstanding this effort, the bank's total assets (63% of which are interest earning) remained stable (with a minute increase of 0,22% in comparison to 2013).

### Liabilities

On the liabilities side, just like on the asset side, there was little variation from the prior year. The only notable change was in the structure of customer deposits where demand deposits decreased by 15% and term deposits increased by the same percentage.

### Equity

The equity increased as a result of the net profit from the previous financial year.

## Income statement

Despite a 77% reduction in investment income, the increase in income from treasury bills/bonds and in loans and advances by 391% and 39% respectively, combined with a 31% decrease in the cost of funding through term deposits resulted in an overall increase of 23% in net interest income. On the other hand, the non interest income decreased substantially due to a reduction in exchange profits of 8% and a 11% reduction in commissions for banking services.

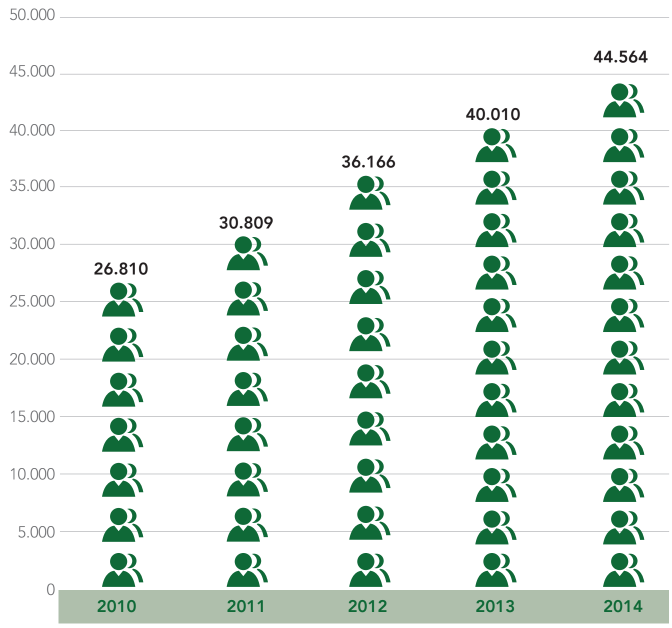
**Francisco da Silva Cristóvão**
Chairman

**Mateus Filipe Martins**
Chief Executive officer

Lobito Bay | Benguela

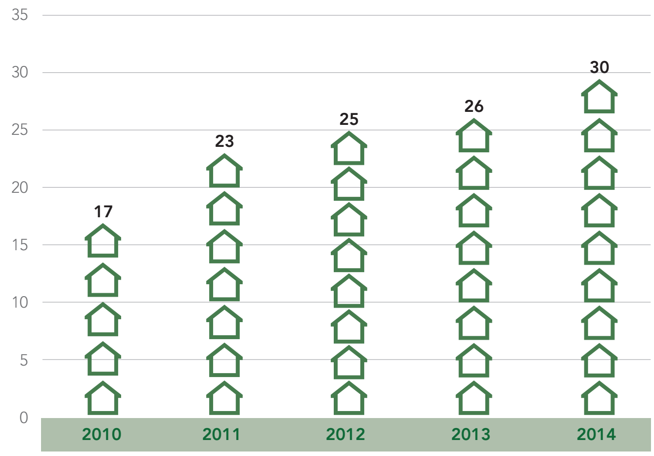
# Growth of BCA

## Customers

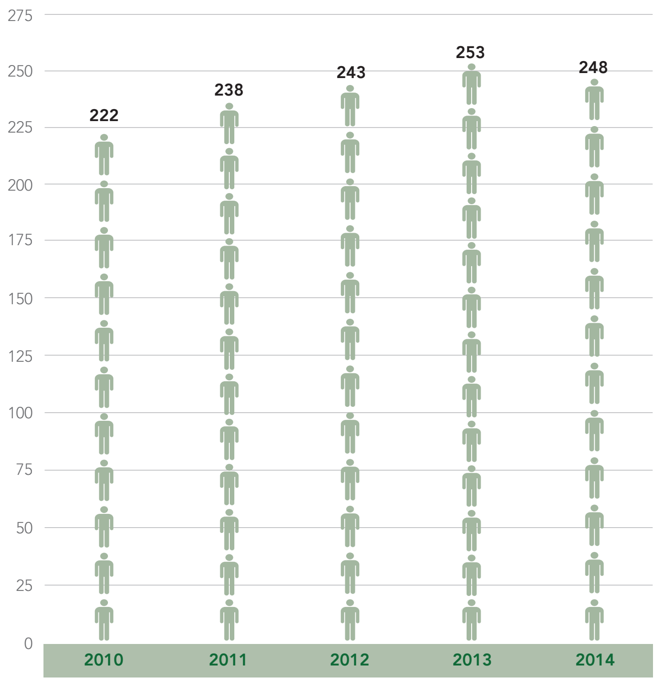



## Equity

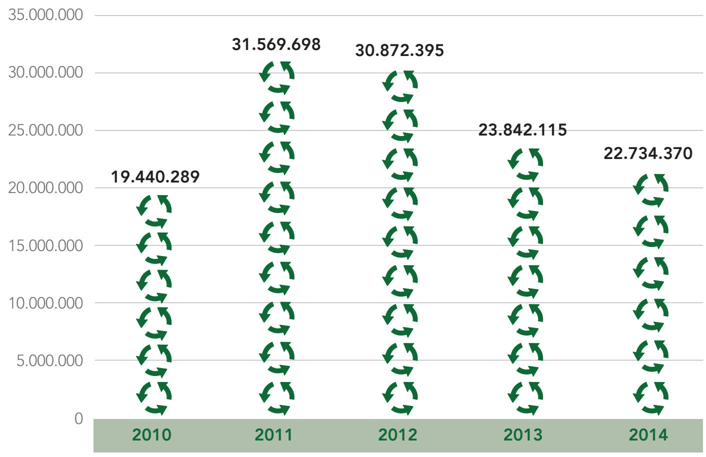
## Branches



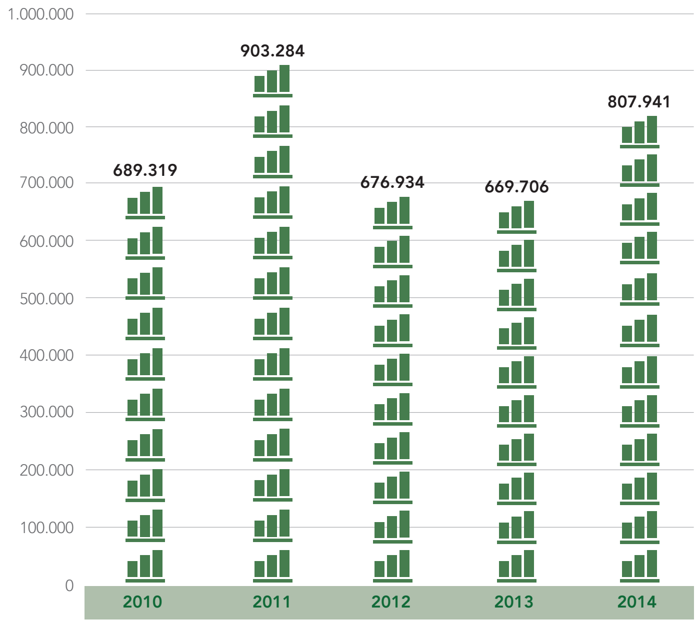

## Total Employees



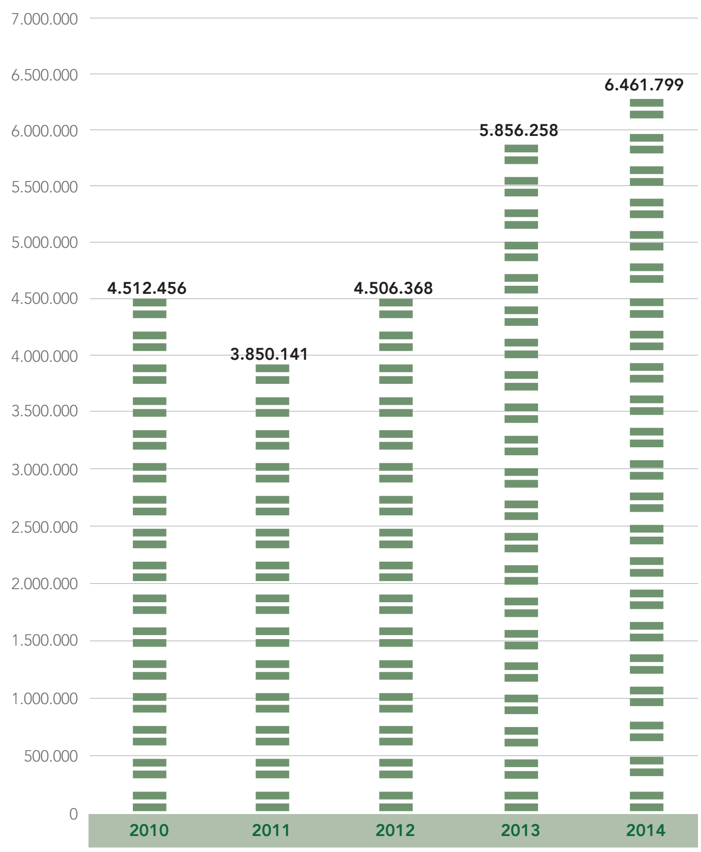
## Customer Assets




## Net Profit



## Loans



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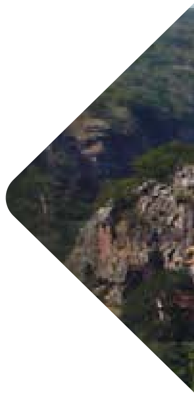
1.500.000
1.000.000
500.000
0
4.512.456
3.850.141
4.506.368
5.856.258
6.461.799
2010
2011
2012
2013
2014

# Key Indicators

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| **Balance Sheet** | | | | |
| Total Assets | 30.924.788 | 300.641 | 30.854.273 | 316.069 |
| Loans and Advances | 6.461.799 | 62.819 | 5.856.258 | 59.991 |
| Customers liabilities | 22.734.370 | 221.016 | 23.842.115 | 244.237 |
| Shareholders' Equity | 5.856.197 | 56.932 | 5.286.280 | 54.152 |
| **Activity** | | | | |
| Net Interest Income (NII) | 1.498.935 | 15.216 | 1.217.662 | 12.620 |
| Net Operating Margin (NOM) | 3.288.588 | 33.384 | 3.223.262 | 33.407 |
| Operating Costs (OC) | 2.345.993 | 23.815 | 2.224.698 | 23.058 |
| Operating Profit (OP) | 942.595 | 9.569 | 998.564 | 10.349 |
| Net Profit (NP) | 807.941 | 8.202 | 669.706 | 6.941 |
| NII / NOP | 45,6% | 45,6% | 37,8% | 37,8% |
| Non-Int. Income/NII | 120,6% | 120,6% | 165,6% | 165,6% |
| Cost-to-Income | 71,3% | 71,3% | 69,0% | 69,0% |
| OP/ Average Assets | 7,6% | 7,6% | 7,2% | 7,2% |
| **Solidity** | | | | |
| Non-Perfoming Loans/Total Loans | 6,9% | 6,9% | 2,9% | 2,9% |
| Provisions/Non-Perfoming Loans | 53,7% | 53,7% | 143,6% | 143,6% |
| Return on Avg. Assets (ROAA) | 2,6% | 2,6% | 2,2% | 2,2% |
| Return on Equity (ROE) | 14,5% | 14,5% | 13,5% | 13,5% |
| Capital Adequacy Ratio | 44,1% | 44,1% | 35,2% | 35,2% |
| Fixed Assets Ratio | 73,8% | 73,8% | 73,8% | 73,8% |
| Gearing Ratio (Debt/equity) | 496,0% | 496,0% | 583,0% | 583,0% |
| Top 20 Loans/Equity | 86,0% | 86,0% | 95,0% | 95,0% |



Kwanza River | Malanje

# Governance and Management Structure

## GOVERNANCE STRUCTURE

### General Assembly

| | |
|---|---|
| Chairman | Afonso Domingos Pedro Van-Dúnem "Mbinda" |
| Vice-Chairman | Mário António de Sequeira e Carvalho |
| Secretary | José Francisco Luís António |

### Board of Directors

| | |
|---|---|
| Chairman (Non-executive) | Francisco da Silva Cristóvão |
| Director (Non-executive) | António Daniel Pereira dos Santos |
| Director (Executive) | Mateus Filipe Martins |
| Director (Executive) | Mathias Tohana Nleya |
| Director (Executive) | José Carlos de Almeida Marques |

## MANAGEMENT STRUCTURE

### Executive Committee

| | |
|---|---|
| Chief Executive Officer | Mateus Filipe Martins |
| Director | Mathias Tohana Nleya |
| Director | José Carlos de Almeida Marques |

### Heads of Department

| | |
|---|---|
| ◆ Head of Finance | Helder Lisboa |
| ◆ Head of Risk and Credit | Tatiana Muhongo |
| ◆ Head of Treasury | Bo Kronback |
| ◆ Head of Internal Audit | Hirondina Ferreira |
| ◆ Head of Human Resources | Hernani Cambinda |
| ◆ Head of Operations | Zuleica Pereira |
| ◆ Head of Infrastructure & Branch Expansion | João Reis |
| ◆ Head of IT | Otniel Agostinho |
| ◆ Head of Legal | Delfina Cumandala |
| ◆ Head of Policies & Procedures | Lizeth Lemos |
| ◆ Head of Retail Banking | Mário Leitão |
| ◆ Head of Corporate Banking | José Carlos de Almeida Marques |

Pedras Negras of Pungo Andongo | Malanje

# Corporate Governance Statement

The Board of Directors remains committed to the maintenance of the highest corporate governance standards in the operations and structures of the Bank. In order to align the bank's governance structures with best practices and also the new Central Bank regulation, Notice 01/2013, the following committees were created:

### CMC (Management Committee)

This Committee is composed by the Executive Directors (EXCO) and the heads of all the departments in the bank. It discusses, recommends the implementation and changes to the bank's policies and, procedures among other things. Meetings of this committee are held on a monthly basis.

### Staff Credit Committee

This committee is made up of the heads of the credit department, human resources department and the legal department. It analyses and approves staff loans and advances and recommends approved loans for ratification by the management credit committee.

### Management Credit Committee

The Credit Management Committee is comprised by the Executive Directors and the heads of the Credit, Risk, Legal, Retail and Corporate banking departments. It analyses and approves, should that be the case, loans and advances up to a maximum of USD 2.000.000, and recommends loan facilities above this sanctioning level to the Board Credit Committee for approval. This committee meets whenever loan applications within the above criteria are presented.

### Board Credit Committee

This committee is made up of 2 non executive directors and 1 executive director. It analyses and approves loans and advances above USD 2 000 000 as recommended for approval by the management credit committee.

### New Products Committee

This committee is made up of the heads of the Retail banking, Corporate banking, Credit and Risk, Marketing and Information Technologies departments and is chaired by the Executive Director for Retail and Corporate Banking. This committee is responsible for analysing, discussing and recommending the implementation of new products within the bank.

### Asset and Liability Committee (ALCO)

The Asset and Liability Committee (ALCO) is composed by the Executive Directors and the heads of the following departments: Financial, Credit, Market Risk, Corporate Banking, Retail banking and Treasury. The ALCO has the responsibility of assessing, recommending, and supporting the bank's operations by adding value to the business through the effective management of liquidity and market risks, determining risk appetite for these classes, managing assets mix and maximising the bank's income. This committee meets ordinarily every month.

## Loan Recoveries Committee

The Loan Recoveries Committee is comprised by the Executive Directors, the heads of Credit and Risk, Legal, Retail and Corporate banking. It discusses and decides on actions to be taken to recover non performing loans and to limit credit losses. The committee meets once a month.

## Risk Management Committee

This committee meets on a quarterly basis to review and recommend risk management policies, procedures and profiles for the following risks:

- Operational risk;
- Reputational risk;
- Money laundering risk; and
- Compliance and legal risk.

## Branch Expansion Operational Group

This committee defines the branch expansion strategy and evaluates the associated costs together with discussing and monitoring progress on all new branch projects. It is composed of two Executive Directors, the head of the infrastructure department and any other ad-hoc members.

## Technical Support Operational Group

The technical support committee is responsible for the design and functioning of all the IT infrastructure of the bank. It is composed by two Executive Directors and the head of the IT department and the IT security Manager.

## Management Remuneration Committee

This committee is made up of the heads of human resources and of the legal department. It prepares proposals for presentation and approval by the EXCO with regards to all staff member levels below head of department.

After the publication of Central Bank Notices 1/2013, 2/2013 and 3/2013, the bank started an internal restructuring process so as to ensure full compliance with the aforementioned notices and we envisage to have all these processes completed during 2015.

Miradouro da Lua | Luanda

# Risk Management Report

Risk management is a core capability of Banco Comercial Angolano (BCA) and is integral to the execution of its activities, evaluating strategic alternatives and setting objectives aligned with its strategy.

BCA's philosophy is underpinned by its objective of creating stakeholder value through sustainable and profitable growth, consistent with shareholders' expectations of the group's risk-bearing capacity and risk appetite.

BCA's risk and ethical culture is aligned with its risk philosophy. The bank's objective is to ensure that a world-class risk management culture is sustained throughout its operations.

The management of risk is fundamental to BCA's business and plays a crucial role in enabling management to operate more effectively in an uncertain and risky environment. BCA adopts the following approach to risk management:

- All risks must be identified and managed. The returns must be commensurate with the risks taken, relative to BCA's risk appetite;
- The effectiveness of risk management processes throughout the bank is ensured through formal governance and comprehensive, regular reporting processes in a well-defined control environment; and
- Each individual, relative to his or her position, is responsible for identifying with the bank's declared priority of risk management, recognising real or anticipated risks and taking appropriate action.

The details of some of the principal risks are as follows:

### Operational risk

Operational risk is defined as the potential for loss resulting from inadequate and/or failed internal processes, people and system or from external events. Operational risk is thus the risk of failure, or near failure of critical business processes and their underlying operational systems and data, be it failure of activities, systems or people.

Operational risk management forms part of the day-to-day responsibilities of all business units and specialist function management. Several specialist functions also attend to specialised areas of operational risk management contained within the causal structure of the operational risk definition.

BCA follows the Basic Indicator Approach (BIA) in managing operational risk as this helps to:

- Reduce the operational risk management events and associated financial losses;
- Strengthen the BCA brand and the bank's economic capital;
- Satisfy the central bank requirements;
- Make a proactive follow-up of significant operational risk management events, ineffective controls and possible breaches of indicative limits;
- Establish appropriate risk appetite and tolerance;
- Delegate competencies and authorisation limits; and
- Define the resource allocation format.

### Liquidity risk

The liquidity risk is the risk of compromising the financial capacity of the bank, in such a way that the currents operations cannot be financed and the financial commitments cannot be accomplished in due time.

The risk of commercial liquidity refers to the inability to cover the short term open positions of financial instruments based on market prices, preventing adverse financial impacts resulting from shortages in the market.

The careful administration of the liquidity is fundamental for the viability of the Bank. The administration of the liquidity risk includes a general approach on the Balance Sheet structure, which consolidates and synthesizes all of the origins and application of the liquidity, for besides including the analysis of the liquidity, of the profitability and of the sensibility of the different elements of the assets and liabilities relatively to variations of the interest tax. The liquidity risk management is developed independent and regularly by the Director of Risk and it is reported to the Assets and liabilities Committee (ALCO) and the Executive Board.

The effective management of liquidity risk seeks to achieve the following main objectives:

- To satisfy the customer requirements for cash withdrawals, loans and advances and other short-term liquidity requirements;
- To ensure that there is a buffer for any seasonal changes to demand for liquid assets are adequately catered for;

- To ensure the right balance between covering cyclical fluctuations in customer demand and the holding of excessive liquid assets with low returns;
- To minimise the potential negative impact of changes in market conditions that may affect the bank; and
- To provide security against the negative consequences that may be generated by a loss of confidence by customers resulting in a run on banks.

To reach the objectives above proposed, the following instruments are used for liquidity management:

- Monitor and manage the liquidity cost in the Bank through daily meetings of liquidity;
- Assure that the Bank possesses, at any moment, a certain amount of net assets as protection against an unexpected movement in the cash flow;
- Consider and manage the characteristics and the risks of the different liquidity sources, adopting appropriate funding strategies (including the constitution of a wallet of bottoms, diversified and stable), according to the Bank's needs of liquidity;
- Reduce the liquidity risk emanated from improper funding source concentrations - to guarantee the appropriate diversification of deposits structure, to examine the trust level in a certain specific source of funding;
- Consider the need of diversification of the liquidity sources, assets' stability and the readiness of the alternative sources of funding to the liquidity.

In general, the liquidity risk is managed by the approach on the cash flow, with the final purpose of assuring an appropriate level of monthly liquidity (avoiding an improper concentration of funds, as well as accomplishing with the limits of cash flows expressed as percentage of the total deposits and current accounts) through the funding strategy optimization, always considering the weighted interest rate and the projected growth in the Balance Sheet.

The liquidity risk process monitoring includes:

- Monthly Cash flows expressed as percentage of the total deposits and current accounts; and
- Required reserves and other required regulations.

The Treasury and Markets departments of the Bank are responsible for the liquidity regulations accomplishment, issued by the Administration Board.

### Interest rate risk

Interest rate risk refers to the potential variability in the bank's financial condition owing to changes in the level of interest rates. From an earnings perspective, changes in interest rates affect a bank's net interest income and the level of other interest-sensitive income and operating expenditure, as well as credit risk. However, from an economic value perspective, changes in interest rates affect the underlying value of assets, liabilities and off-balance sheet instruments.

Through matched funds transfer pricing and asset/liability repricing, risk is transferred from businesses. The inherent mismatch is managed centrally within an agreed risk tolerance at net income level. In doing so, the effects of interest rates on other aspects of the business, which may offset the impact of interest rates on net interest income, are also considered.

Quantitative limits for interest rate risk are established to meet BCA's goal of containing its exposure to adverse consequences arising from changes in prevailing interest rates.

The Bank should use models of simulation of liquid incomes of interest (projections) to evaluate its exposure to short term interest rate alterations. The management Board can annually establish and approve limits of sensibility for liquid income of interests. At least, the Bank should quarterly measure the sensibility for its liquid incomes of interest according to variations of the interest rate. The results propitiated by the models of simulation of liquid incomes of interest illustrate the premature impact, in at least two different and hypothetical sceneries, of variations in the interest taxes, for periods of at least one year. One of the sceneries contemplates, as much as possible, the best estimate relatively to the more probable future conditions of the interest rate. Another of the sceneries reflects the Board's estimative relatively an extremely adverse level of the interest rate and it is used to evaluate the behaviour of the liquid incomes of interest in tension conditions.

Reward profiles of the risk with an interest rate to twelve months (with the defined reward as the accomplishment or about accomplishment of the variable destiny - as they are liquid incomes of interests and their expected components and the defined risk as the negative variation of the variable destiny), for the income of the liquid interest and their components, they are quantified and appraised through an approach of understanding simulation.

This simulation approach collects a variety of possible sceneries of interest rate. In the development of sceneries of interest taxes, several factors are considered such as the level and the prevalent structure of interest rates, as well as the historical movements.

The interest rates can have a direct or indirect influence in the business in the following way:

- Assets Margin: The assets margin at risk is the impact that adverse movements at price, volumes and assets composition level (product type, structures of the customers' base) have in the value of the Bank assets. Regarding the connection between the assets price and the loans risk, the expected loans losses constitute an intrinsic cost to the loan business. The loan risk is, however, managed as a part of the normal management activities process and the loans portfolio monitoring, according to the current loans risk policies.

- Liabilities Margin: The liabilities margin at risk is the impact that the adverse movements at prices and liability composition level (product type, etc.) have in the value of the bank liabilities.

- Exploration Result: measured through the negative deviation from the set fees level, commissions and service rate, as a consequence of the business risk resulting from the non accomplishment of the sales objectives, reduction of prices due to pressures of the competitors and the reduction on the transactions volume. The risk associated to revenues from the trading and investment activities is managed as an integral part of the market, commercial and investment risk.

- Operating expenses: measured through the negative deviation from the set operating expenses level, which can happen due to the occurrence of no planned costs, inadequate costs control and under-use of the installed capacity.

## Credit risk

The loan risk refers to the risk of financial loss (capital and/or revenue) as a result of a debtor default, for any reason.

The Bank endeavours to grant loan facilities based on loan principles with appropriate returns, balancing the risk and the revenue. The general policy is to find primary motivation in the:

- Merits of the business;
- Debtor's financial position; and
- Transaction (the decision should never be based on guarantee only).

A balance between risk and customer quality service must be held. A quality service does not imply granting loans to entities that are not creditworthy.

The Bank will not concede loan of any nature to any customer lacking the capacity to pay back one's debt.

The aim of the Bank is to concede loans to any companies and/or individuals, based on their own financial capacity and not exclusively based on the main company confidence, others debtors, or the granted guarantee base.

Facilities should be granted to an individual or a company in whose name the assets used as security are registered.

Assessment of the individuals and companies financial profile varies depending on the sector, individuals, and efforts should be made in order to use comparative studies as a guideline, where available.

It is essential to develop mutual trust and confidence through personal contact with customers to whom we are conceding loans. In the case of businesses, we must visit its physical location, at least once a year, preferably at the time facilities assessment is undertaken.

In general, the bank will seek unlimited guarantees and cession or loans accounts capitalization (except of partnerships) of the directors/ partners/ curators as guarantee for the facilities granted to companies, corporations, partnerships, curators and spouses, in the case of individuals.

The following organs are responsible for credit sanctioning on behalf of the bank, according to their responsibilities: Credit Department, Staff Loans Committee, Executive Credit Committee, and the Board Credit Committee.

Aloe Vera plants,
Salinas do Sumbe | Kwanza Sul

# Macroeconomic View

## GLOBAL ECONOMY

In 2014 the global economy continued to see signs of recovery despite facing extremely complex forces that are endeavouring to lend it a new structure. This is true of the legacy of the financial crisis, the Euro Zone crisis, high government, business and household debt, weak investment, weaknesses in the labour market due to ageing populations in the advanced economies, persistent reduction of yields of securities reflected in low real interest rates, contrasting with negative expectations on inflation.

To these factors must be added substantial changes in the foreign-exchange market, with reflections on growth rates and on the monetary policy of countries, and the fall of oil prices for importing countries, which stimulated growth but had adverse effects for exporting economies.

In 2014 global economic growth stood at 3.4% compared to 3.0% in 2013.

GDP Growth (%)

| Zone | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|---|---|---|---|---|---|---|
| World | 5,2 | 3,9 | 3,2 | 3,0 | 3,4 | 3,5 |
| Advanced economies | 3,0 | 1,7 | 1,4 | 1,3 | 1,8 | 2,5 |
| Euro Zone | 2,0 | 1,6 | - 0,7 | - 0,5 | 0,9 | 1,7 |
| Emerging markets and developing economies | 7,5 | 6,3 | 5,1 | 4,7 | 4,6 | 4,4 |

Source: IMF

* The 2015 figures are World Economic Outlook projections updated in January 2015.

### Developed Economies

The performance of the OECD (Organization for Economic Co-operation and Development) economies recovered, despite the factors mentioned above, having grown 1.8% in 2014.

With regard to the advanced economies, the solid growth of the USA and Canada, at 2.4% and 2.5% stand out. The US economy has benefited from lower energy costs, labour market growth, a strengthening and improvement of consumer confidence and an increasingly strong currency.

Canadian growth is mostly the result of accommodating monetary policies and a gradual consolidation of fiscal policy.

### Euro Zone

World Economic Outlook data show that economic activity in the Euro Zone was weaker than expected in the second half of 2014. Private investment was weaker across most of the EU, except for Ireland, Spain and Germany.

Despite clear weaknesses, there was a modest recovery in the economy of the Euro Zone. Several countries such as Germany, Spain and Ireland have managed to turn their economic activity round, up from 0.5%, -1.2%, -0.3% in 2013 to 1.6%, 1.4% and 4.8% in 2014.

### Emerging markets and developing economies

The European emerging economies' growth stood as in 2013, at 2.8%.

Although global growth remains stable, there was a "concession" in respect of growth rates among these economies. In Turkey, where in 2013 growth stood at 4.3%, it slowed to 2.9%. In Poland the growth rate rose from 1.6% in 2013 to 3.3% in 2014, in Romania it fell from 3.5% to 2.9% and in Hungary it increased from 1.1% to 3.6%.

The emerging economies of Asia continue to consolidate their growth, though at a slower pace. In China growth fell 0.3 percentage points to stand at 7.4% compared with 7.7% in 2013. In India it rose 2.8 percentage points to stand at 7.2% compared to 4.4% in 2013.

In Latin America and the Caribbean economic growth slowed to 1.3% due mainly to the slowdown of the global commodities market. Bad business climate and low consumer confidence in Brazil, as well as the persistent crisis in Venezuela, have aggravated the economy of the sub-region.

### Sub-Saharan Africa

In sub-Saharan Africa, despite the fall of oil prices, political uncertainties surrounding the elections, the effects of epidemics such as Ebola, growth remains solid, falling by just 0.2 percentage points compared to the growth of 2013 when it stood at 5.2%.

Nigeria maintained its 2013 growth rate, up 6.3% in 2014. Angola improved 0.1 percentage points, putting growth at 4.2%. The Republic of Congo improved its economic activity by 1.5 percentage points, growing 6.0% in 2014.

The South African economy has seen a 0.7 percentage point slowdown of activity in 2014 due to strikes in the mining sector and restrictions to the supply of electricity, growth standing at 1.5%.

The economies of Guinea Conakry, Liberia, and Sierra Leone have had to deal with serious disturbances in agriculture and to postpone several projects in the field of mining due to restrictions imposed by the Ebola epidemic, which underlay the decline of economic activity in these countries.

The region's oil-exporting countries such as Nigeria, Chad and Angola had to quickly adjust their macroeconomic management tools in the light of the sharp drop of the price of their main export product. This has affected negatively growth rates, deteriorated their current accounts balance and generated higher inflation.

## ANGOLAN ECONOMY

### Overview of economic growth

The Angolan economy maintains the slow growth seen since 2013, despite the difficulties imposed by the international context and the poorer national economic climate in 2014. This year, the country's economic activity grew by 4.2%, up 0.2 percentage points than in 2013.

GDP growth (%)

| Country | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|---|---|---|---|---|---|---|
| Angola | 3,4 | 3,9 | 5,2 | 4,1 | 4,2 | 4,5 |

Source: IMF

* The 2015 figures are World Economic Outlook projections updated in January 2015.

Government efforts to diversify the economy in order to decrease dependence on the oil sector are clearer to see with the rehabilitation, modernisation and development of economic and social infrastructure and the enhancement of programmes to promote investment in agriculture and industry and encourage entrepreneurship. The aim is to increase the contribution and the weight of small and medium enterprises in national production, creating more jobs and improving the tax-revenue structure. Of these programmes emphasis is given to the Angola Investe.

According to the 2015 revised State's Budget Assessment Report, up to the second quarter the non-oil sector had a growth forecast of 8.2% while the oil sector was set to fall 3.5%.

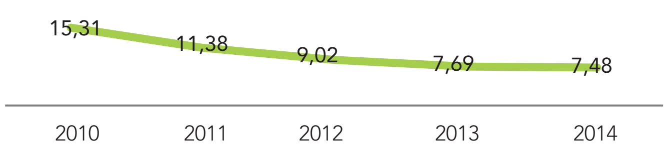
It is also expected that in 2015 oil revenues will account for 39% of current revenue while those of the non-oil sector will be greater, in the order of 59% of current revenue, thus reversing the situation that has long dominated the structure of the national accounts. This reversal was due, in part, to the drop of oil prices and to the efforts to diversify the economy. At the beginning of 2015 the State, more prudent, revised the budget with a view to "adjusting budget policy to the new perspectives of national macroeconomic programming and the new international economic and financial reality".

The tax reform, which is now at a very advanced stage, provided the Tax Authority with a new structure, with emphasis on the merge of bodies such as the National Tax Directorate (DNI), the National Customs Service (SNA) and the Executive Tax Reform Project (PERT) into a single body. This gave rise to General Tax Administration, responsible for the co-ordination of the entire process of collecting tax revenues to ensure efficiency of the tax system.

## Inflation

In 2014 inflation continued the positive trend begun in 2011, despite the slowdown of the annual decline seen as from 2013.

Inflation




Source: Banco Nacional de Angola (BNA) and Instituto Nacional de Estatistica (INE)

As stated in the Inflation Report of the National Bank of Angola for the 2nd quarter of 2014, the continued downward trend of the CPI may fundamentally be linked to the decline of foodstuff prices around the globe and to currency stability during much of the year.

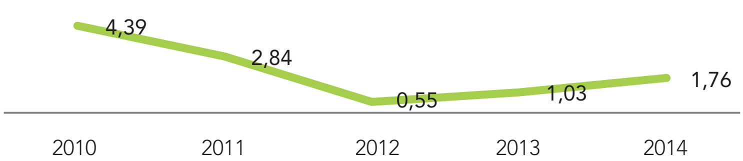
A brief overview of the classes used in calculating inflation shows that classes 3 - Apparel and footwear, 5 - Furniture household equipment and maintenance, 9 - Leisure and culture, 11 - Hotels, cafés and restaurants, and 12 - Miscellaneous goods and services tended to increase during the closing months of 2014. Were it not for the contrary performance of the Food and non-alcoholic beverages; Health; Housing, Water, electricity and fuel classes, inflation would have risen.

### External sector and the foreign exchange market

The current account deterioration resulting from the big drop of oil prices, coupled with the operational problems that limited production in some blocks, caused the Kwanza to depreciate against the US dollar. This year, the current account balance covers just 43% of the balance of the capital and financial account. This entails a loss of gross reserves in the order of US$ 4,542 million, more than enough to justify the loss of value of the national currency against the US dollar.

Between 2013 and 2014 the Kwanza depreciated 1.76% against the dollar. In 2014 the dollar cost 98.3 Kwanzas compared to 96.6 in 2013.

Accumulated Nominal Annual Depreciation of the AKZ (%)




Source: 2015 revised State Budget Assessment Report.

Despite the fall, Net international reserves continue to have buffer capacity in the event of situations likely cause an imbalance of the balance of payments.

## Money market

In 2014 the M1, M2 and M3 monetary aggregates grew by 18.45%, 13.49%, 15.01% respectively compared to the 2013 figures.

As mentioned in the  State Budget Rationale Report revised for 2015, the monetary base in national currency fell from AKZ 867,204.34 million to AKZ 851,099.46 million. This was a fall of 1.89%, the result of the reduction of deposits by commercial banks in national currency.

The weighted average interest rates of Treasury Bonds (TB) with maturities of 91, 182 and 364 days increased 2.80, 2.52 and 0.82 percentage points respectively, the result of the increase of public debt securities issues to finance the budget deficit.

The LUIBOR overnight rate (one-day maturity) increased 1.43 percentage points to 6.14% in 2014.

Last but not least, it must be mentioned that the work done by the Central Bank to modernise and ensure the stability of the National Financial Sector through the issuance of various standards and instructions with a view to full adoption of the International Financial Reporting Standards as from 2016 and implementation of the Basel II principles.

# Distribution Channels

## 1 - Direct:
## Branches (30)

### LUANDA
**Valódia - Sede**
Av. Comandante Valódia, 83-A
Tel: (+244) 222 448 842/48/49
Fax: (+244) 222 449 516
E-mail: bca@bca.co.ao
SWIFT: COMLAOLU

**Deolinda Rodrigues**
Rua Deolinda Rodrigues, 477
Estrada de Catete - Luanda
Tel/Fax: (+244) 222 260 063/2376

**N'gola Kiluanji**
Rua N'gola Kiluanji, 183
São Paulo - Luanda
Tel: (+244) 222 384 508/40
Fax: (+244) 222 384 570

**Rainha Ginga**
Rua Rainha Ginga, 8 - B
Coqueiros - Luanda
Tel: (+244) 222 334 160/3289/3678
Fax: (+244) 222 330 189

**Major Kanhangulo**
Rua Major Kanhangulo, 288
Ingombota - Luanda
Tel: (+244) 222 330 932/1097
Fax: (+244) 222 330 802

**Morro Bento**
Rua Pedro Castro Van-Dúnem
Estrada Nacional - Talatona
Bairro Morro Bento

**Torres da Imporáfrica**
Rua Kwame N'Kruma, Edifício
Torres Imporafrica R/C
Bairro Maculusso
Tel/Fax: (+244) 222 208 222/01

**Aeroporto Internacional 4 de Fevereiro**
Área das Chegadas Internacionais
Bairro do Cassenda
Tel: (+244) 222 204 200/02

**Porto de Luanda**
Guiché Único das Alfândegas
Rua Padre José Maria Antunes
Tel: (+244) 222 206 000

**Missão**
Rua da Missão, 42

**Funda Coca-Cola**
Funda Fábrica Coca-Cola

**Porto Seco de Viana**

**Sambizanga**

**Colégio Pitruca**
Nova Vida

**Hospital do Prenda**

**Hipermercado Jumbo**

**EDEL Viana**

### CABINDA
**Cabinda**
Largo Lopes Pim-Pim
Tel: (+244) 231 220 125
Fax: (+244) 231 222 127

**Aeroporto Cabinda**
Av. Duque de Chiasi
Aeroporto de Cabinda
Tel: (244) 231 223 148
Fax: (+244) 231 223 149

**Porto de Cabinda**

### BENGUELA
**Benguela**
Rua Comandante Kassanje, 1
Tel:(+244) 272 23704/42/43/44/71
Fax: (+244) 272 236 640

### LOBITO
**Lobito**
Av. 25 de Abril, Bairro 28
Edifício da ENE
Tel: (+244) 272 226 606/7/8/9/10
Fax: (+244) 272 611

**Porto do Lobito**

### CUNENE
**Santa Clara**
Rua Principal de Sta. Clara
Próximo da Alfândega Sta. Clara

### HUAMBO
**Aeroporto do Huambo**
Aeroporto Albano Machado

**Huambo**
Av. da Independência

### UÍGE
**Comércio Uíge**
Convergência à Rua do Comércio,
23-A com a Rua da Ambuila, 20

**ENE Uíge**

### MALANGE
**Malange**

### HUILA
**ENE Lubango**

## 2 - Indirect:
## Limited service branches

ATM Machines - (45)
POS - (152)

Serra da Leba | Huíla

Mussulo Island | Luanda

# Financial Statements

For the year ended 31 December 2014

## Balance Sheet

| | Notes | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 3 | 7.001.782 | 68.070 | 7.113.801 | 72.873 |
| Placements with other banks | 4 | 1.830.063 | 17.791 | 10.766.538 | 110.292 |
| Trading and Investment securities | 5 | 11.351.672 | 110.357 | 3.393.529 | 34.763 |
| Loans and advances | 6 | 6.461.799 | 62.819 | 5.856.258 | 59.991 |
| Equity investments | 7 | 70.871 | 689 | 70.871 | 726 |
| Intangible assets | 8 | 745.836 | 7.251 | 786.207 | 8.054 |
| Property, equipment and other tangible assets | 8 | 3.064.800 | 29.795 | 2.545.585 | 26.077 |
| Pending operations | 9 | 19.585 | 190 | 152.599 | 1.563 |
| Other Assets | 10 | 378.380 | 3.679 | 168.885 | 1.730 |
| | | 30.924.788 | 300.641 | 30.854.273 | 316.069 |
| **Liabilities** | | | | | |
| Deposits from other banks | 11 | 696.837 | 6.774 | 22.284 | 228 |
| Deposits from clients | | | | | |
| a) Demand | 12 | 13.293.911 | 129.239 | 15.719.935 | 161.034 |
| b) Term | 12 | 9.293.139 | 90.345 | 8.069.130 | 82.660 |
| Other pending liabilities | 13 | 181.918 | 1.769 | 506.593 | 5.190 |
| Foreign exchange operations | 14 | 147.320 | 1.432 | 53.050 | 543 |
| Other liabilities | 15 | 1.379.584 | 13.412 | 1.131.325 | 11.589 |
| Prov. for potential liabilities | 16 | 75.882 | 738 | 65.676 | 673 |
| | | 25.068.591 | 243.709 | 25.567.993 | 261.917 |
| **Equity** | | | | | |
| Capital | 17 | 2.500.000 | 27.208 | 1.308.702 | 15.000 |
| Capital maintenance reserve | 18 | 82.579 | – | 82.579 | – |
| Fair value adjustment | 18 | (29.824) | (290) | 12.963 | 133 |
| Other reserves | 18 | 2.495.501 | 24.260 | 3.212.330 | 32.907 |
| Foreign currency translation reserve | | – | (2.448) | – | (829) |
| Retained income for the year | | 807.941 | 8.202 | 669.706 | 6.941 |
| | | 5.856.197 | 56.932 | 5.286.280 | 54.152 |
| | | 30.924.788 | 300.641 | 30.854.273 | 316.069 |

## Income Statement

| | Notes | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|---|
| Interest and other similar income | 19 | 1.732.293 | 17.585 | 1.507.988 | 15.629 |
| Interest and other similar expenses | 20 | (233.358) | (2.369) | (290.326) | (3.009) |
| **Net interest margin** | | 1.498.935 | 15.216 | 1.217.662 | 12.620 |
| Fee and commission income | 21 | 711.938 | 7.227 | 797.159 | 8.262 |
| Results of financial operations | 22 | 1.115.281 | 11.322 | 1.213.475 | 12.577 |
| Other income | 23 | 4.712 | 48 | 5.977 | 62 |
| Fee and commission expenses | | (23.665) | (240) | (27.227) | (282) |
| | | 1.808.266 | 18.357 | 1.989.384 | 20.619 |
| Impairment losses on loans | 27 | (18.613) | (189) | 16.216 | 168 |
| **Operating margin** | | 3.288.588 | 33.384 | 3.223.262 | 33.407 |
| Salaries and other payroll expenses | 24 | (977.656) | (9.924) | (1.000.517) | (10.370) |
| Third party supplies | 25 | (633.849) | (6.434) | (735.296) | (7.620) |
| Other admin expenses | 26 | (283.179) | (2.875) | (235.793) | (2.444) |
| Taxes and similar expenses | 28 | (39.069) | (397) | (2.774) | (29) |
| Depreciation | 8 | (281.903) | (2.862) | (241.063) | (2.498) |
| Prov. For Potential Responsabilities | 10 | (95.627) | (930) | - | - |
| Retirement compensation prov | 16 | (6.509) | (107) | (5.843) | (61) |
| Other gains / (expenses) | 29 | (28.201) | (286) | (3.412) | (36) |
| | | (2.345.993) | (23.815) | (2.224.698) | (23.058) |
| **Operating profit** | | 942.595 | 9.569 | 998.564 | 10.349 |
| Non-operating results / (Loss) | 30 | 5.752 | 58 | 9.151 | 95 |
| | | 948.347 | 9.627 | 1.007.715 | 10.444 |
| Provision for Income taxes | 31 | (140.406) | (1.425) | (338.009) | (3.503) |
| Net profit for the year | | 807.941 | 8.202 | 669.706 | 6.941 |

For the year ended 31 December 2014

## Cash Flow Statement

| | 2014<br>AKZ'000 | 2013<br>AKZ'000 |
|---|---|---|
| Profit before tax | 948.347 | 1.007.715 |
| **Add**: | | |
| Depreciation | 281.903 | 241.063 |
| Retirement compensation prov | 91.930 | 5.843 |
| Loan loss provisions | 18.613 | (16.216) |
| Non Operating Results | 3.399 | (3.314) |
| **Less:** | | |
| Dividend paid | (195.237) | – |
| Tax paid | (428.744) | (144.476) |
| Cash flows from operating activities | 720.211 | 1.090.615 |
| Increase in loans and advances | (605.541) | (1.320.917) |
| Increase in other assets | (209.495) | (12.137) |
| Decrease / (Increase) in pending operations | 133.014 | (52.492) |
| Decrease / (Increase) in deposit from other banks | 674.553 | (946.563) |
| Increase in other liabilities | 467.101 | 108.715 |
| Increase / (Decrease) in foreign exchange operations | 94.270 | (8.468) |
| Decrease / (Increase) in other pending liabilities | (324.675) | 223.194 |
| | 949.438 | (918.053) |
| **Investing activities** | | |
| Purchase of fixed assets | (837.774) | (528.710) |
| Sale / (Purchase) of trading and investment securities | (7.958.143) | 872.865 |
| Placements with other banks | 8.936.475 | 5.324.367 |
| Equity investments | – | 6.855 |
| | 140.558 | 5.675.377 |
| **Financing activities** | | |
| Demand deposits | (2.426.024) | (1.217.461) |
| Term deposits | 1.224.009 | (4.836.206) |
| | (1.202.015) | (6.053.667) |
| Decrease in cash and cash equivalents | (112.019) | (1.296.343) |
| Opening balance of cash and cash equivalents | 7.113.801 | 8.410.144 |
| Closing balance of cash and cash equivalents | 7.001.782 | 7.113.801 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CONSTITUTION AND ACTIVITY

Banco Comercial Angolano, S.A. ("BCA" or "the Bank"), with its head office in Luanda, is a 100% Angolan owned private company.

The Bank was formed on the 17th of March 1997 and started its business activity on the 23rd of March 1999. BCA's business goal is to operate as a bank and to provide loans, using any financial operations as appropriate and investing in bonds or other financial instruments, such as Money transfer, Insurance sales.

At the end of 2014, the Bank operated 30 branches throughout the country, 4 of which were opened during 2014.

## 2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

### 2.1. COMPARABILITY OF INFORMATION

These financial statements are presented in such a way as to allow comparison with those of the prior year in accordance with the new chart of accounts Contif.

### 2.2. BASIS OF PRESENTATION

The financial statements are prepared in Kwanza (AKZ) on the historic cost basis, except for fixed assets which are restated as permitted by Angolan legislation, and in accordance with the accounting principles and rules of the General Plan of Accounting for Financial Institutions established by the National Bank of Angola (Central Bank).

For the year ended 31 December 2014

### Currency of presentation

Since it started its activities, the Bank has applied the accounting and presentation practices required of financial institutions by the Angolan regulations. These regulations require that the accounts are maintained in the local currency, the Kwanza, using the principles of the multi-currency system.

However, the Board has decided that the US Dollar (USD) is the Bank's functional currency as it is the currency most representative of the Bank's international operations. As a result, financial information is presented in both currencies. The AKZ/USD exchange rates used in the preparation of this financial statement were as follows:

| Year ended on | Average Rate | Closing Rate |
|---|---|---|
| 31.12.13 | 96,49 | 97,62 |
| 31.12.14 | 98,51 | 102,86 |

The financial statements in AKZ were converted to USD using the following rates:

- Historical – Shareholders' equity;
- Closing – All other assets and liabilities;
- Average – Income statement.

Exchange differences arising from this conversion process are included in Shareholders' Equity, in the account denominated as "Foreign Currency Translation Reserve".

## 2.3. ACCOUNTING POLICIES

The following accounting principles have been applied in preparing the financial statements and have been consistently applied except where stated:

### a) Accrual principle

Costs and income are recorded in the period to which they relate, independent of the period in which they are paid or received in accordance with the accruals concept.

b) Purchasing power adjustments

The financial statements take into account the effects of changes in the purchasing power of the local currency, should the cumulative inflation rate in the past three years as reflected in the Consumer price Index (CPI) as disclosed by the National Statistical Institute (INE) exceed 100%.

c) Loan loss provisions

The Credit Risk provision policy has been modified, with effect from the 31st of March 2008, in the light of the notice 9/07 issued by the BNA (Angolan central bank) on the 12th of September 2007, which was then revoked by regulation 03/12 on the 28th of March 2012.

The regulations of 28th of March 2012 require specific provisions that are calculated according to the following criteria.

*Classification of Operations and Credit Provisions*

As from the date credit is granted to a customer, a provision must be created based on the classification of the customers risk. This risk is determined after an analysis is made of the quality of the customer and the actual use of the credit.

| Risk | Risk Level | Minimum Provision to be constituted |
|---|---|---|
| None | A | 0% |
| Lowest | B | 1% |
| Low | C | 3% |
| Moderate | D | 10% |
| High | E | 20% |
| Highest | F | 50% |
| Loss | G | 100% |

The credit classification by risk level must be reviewed:

1. Yearly, based on the client quality and in relation to the operation.
2. Monthly, if there is a delay on the capital and/ or interest installment.

| Number of Days Delay | Minimum Risk Level |
|---|---|
| 15 to 30 | B |
| 30 to 60 | C |
| 60 to 90 | D |
| 90 to 150 | E |
| 150 to 180 | F |
| Superior to 180 | G |

The bank applies a doubled delay for the monthly check, as its loan portfolio has an overall delays above 24 months (as fixed by the article n° 10 of the rule n° 03/2012).

### d) Other Provisions

The Bank has constituted "guarantees provided" whose levels attribution observe, as for credits provisions, the 3/2012 BNA Law. The provisions for the labours retirement compensation is set in accordance with the article 262 of the labour law, and the article n.° 3 of the Decree n° 76/05, issued on October 12th.

e) Transactions in foreign currency

Transactions in foreign currency are accounted for in accordance with the multi-currency system principles under which each transaction is initially registered in the currency in which it is carried out. As a result, balances expressed in foreign currency are converted to Kwanzas on monthly basis and at the end of every accounting period by applying the average buying and selling rate published by the National Bank of Angola. The exchange rate used at the year end to convert US Dollars into Kwanza is the rate set out in Note 2.2.

f) Trading and investment securities

Trading and investment securities are recorded at the transaction value on trade date and then classified based on the bank's ability and intentions into one or more of the following classifications:

1. Trading assets – Investments acquired for the purpose of generating short term fluctuations in price or dealer's margin. Trading assets are held at fair value and unrealised gains and losses are accounted for as non-interest income in the income statement;

2. Held-to-maturity – Investments with a fixed maturity date and where the bank has a firm intention and ability to hold the investment to such date. The investments are held at amortised cost and reviewed where appropriate;

3. Available-for-sale – Investments normally held to maturity, but that may be sold in response to a need for liquidity owing to changes in interest rates, Exchange rates or other economic conditions.

Subsequent to initial recording all trading assets and available-for-sale assets are measured at fair value with the gains and losses arising from a change in the fair value being recorded as follows:

1. Through the income statement for trading assets; and

2. Through equity net of tax for available-for-sale assets.

Impairments that are considered to be permanent in nature are recognised as losses immediately in the period and taken to the income statement and is not reversible in future periods.

Central bank bills and treasury bills are issued at a discount and registered in the books at the amount actually paid and at the end of the year the fair value is calculated using the criteria above.

All the treasury bonds are registered in the books at the amount paid on the date of purchase.

All bonds held in the Banks portfolio are registered at the amount paid and classified as Available-for-Sale.

The fair-value calculation method used by the bank takes into account:

i. For the bonds with a maturity under a year: the average price for similar financial instruments, considering the operations maturity date, the credit risk and the instrument currency; the price established by the Central Bank; the probable net value gained by the adoption of an internal assessment model;

ii. For the quoted bonds: the quotation value at a specific date, or if not available, the average price of negotiation on the previous working day.

In the case of bonds for which there is no quotation in the market with regular transactions, with a maturity under a year, they are valued at their buying costs, as this is understood as the best approach to their market value.

*Risk Classes Classification*

The Bank classifies its trading and investment securities assets at the following levels, taking into account the same criteria established by the Central Bank for loans provisions:

| Risk | Risk Level | Minimum Provision to be constituted |
|---|---|---|
| None | A | 0% |
| Lowest | B | 1% |
| Low | C | 3% |
| Moderate | D | 10% |
| High | E | 20% |
| Highest | F | 50% |
| Loss | G | 100% |

## g) Equity investment

*Investments in Associates*

Investments in associates are those where the bank holds directly or indirectly at least 10% shares in any business and in which it exercises some significant influence. These investments are recorded in the books using the Equity Method. In accordance with this method, the investment is initially recognised at cost and adjusted thereafter for post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

*Other Equity Investments*

Other equity investments (where the bank holds less than 10% or does not exercise significant influence) are recognised at cost in Kwanzas, whether the original investment was done in local currency or in foreign currency less any post acquisition impairment losses.

## h) Property, plant and equipment

Intangible assets comprise establishment costs and software and are amortized on the straight line basis over three years from the year in which they are incurred.

The tangible assets are registered at its acquisition cost. Acquisition costs include all costs required to bring the assets to their present useful state, such as associated taxes, brokerage fees, notary fees, etc.

Depreciation is calculated monthly by the constant shares method on the straight line basis using the maximum rates permitted by Angolan tax law in accordance with the following periods that do not differ substantially from the assets' useful lives:

| | Useful life (Years) |
|---|---|
| Premises Owned | 50 |
| Improvements to leasehold premises | 10 - 25 |
| Computer equipment | 3 |
| Vehicles | 3 |
| Other fixed assets | 3 - 10 |

In order to comply with clause 2 of Article 7 of Decree 6/96 of 26 January 1996, depreciation of the annual increase in those assets that have been re-valued is accounted for only in the accounting period following that in which the revaluation took place; depreciation is accounted for monthly on the straight line basis over the remaining useful life of the asset concerned.

i) Income tax

The tax currently payable is calculated at 30% of the taxable profit for the year.

The tax law in Angola determines that all tax declarations for the previous 5 years are still subject to additional reviews and audits and hence the tax Office can order the bank to make changes to the tax expenses presented and hence result in a change in the taxable income. To this end, it means that the tax returns for 2009 to 2013 still fall within this legal requirement. Management, however, does not foresee that any material changes could be effected by the tax Office on the self-declarations that were submitted for the period stated above.

Deferred tax is provided for on a comprehensive basis using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The income derived from government bonds (short term treasury bills and long term bonds) issued by the state in accordance with the Public Debt Framework Act (Law n.° 16/02 of 5 December), and Decrees 51 and 52/03 of 8 July, is exempt from Income Tax as stipulated in item 1 of article 23 of the Income Tax Code. The code specifically states that income from Angolan Government bonds should not be considered as taxable income in the calculation of income tax liabilities.

### j) Loans and Advances

Loans are financial assets recorded initially at their contract value, when granted by the Bank, or their paid value, when acquired from other banks.

Interest and other similar income, as well as other gains and expenses regarding loans and advances operations are spread during the tenor of the loan against the profits accounts, regardless to the moment their payments are either requested or made. The reponsabilities for the guarantees and securities are recorded in the off-balance accounts by their risk value.

All loans and advances to clients , as well as guarantees and securities provided, are subject to loan loss provisions, calculated in line with notice n.° 3/2012, issued on 28 March by the Central Bank, and as detailed in note 2.3 c) above.

### k) Impairment

Financial assets are reviewed at each reporting date to determine if there is objective evidence of impairment. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the recoverable amount is less than the carrying amount.

In considering whether or not indications of impairment exist, the bank takes into account the following factors:

a) An asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease an asset's recoverable amount materially;

d) The carrying amount of the net assets of the entity is more that its market capitalisation;

e) Evidence is available of obsolescence or physical damage of an asset;

f) Significant changes with an adverse effect on the entity have taken place during the period, in the extent to which, or manner in which an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset and reassessing the useful life of an asset as finite rather than indefinite; and

g) Evidence is available from internal reporting that indicates the economic performance of an asset is, or will be, worse than expected.

### l) Principal estimates and provisions

The financial statements include estimates which were made in conditions of uncertainty, however, no hidden or excessive reserves were created.

Provisions were constituted on the basis of present constructive or legal obligations as a result of past events where it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made.

## 3. CASH AND CASH EQUIVALENTS

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Cash: | | | | |
| - Local currency: | 1.616.232 | 15.712 | 1.750.962 | 17.937 |
| - Foreign currency: | 185.612 | 1.804 | 284.585 | 2.915 |
| | 1.801.844 | 17.516 | 2.035.547 | 20.852 |
| Balances at the National Bank of Angola (BNA) | | | | |
| - Local currency: | 2.224.486 | 21.627 | 2.244.856 | 22.996 |
| - Foreign currency: | 1.158.752 | 11.265 | 1.202.172 | 12.315 |
| | 3.383.238 | 32.892 | 3.447.028 | 35.311 |
| Outstanding cheques | 1.671 | 16 | 50.524 | 517 |
| NOSTRO accounts | 1.815.029 | 17.646 | 1.580.702 | 16.193 |
| | 1.816.700 | 17.662 | 1.631.226 | 16.710 |
| | 7.001.782 | 68.070 | 7.113.801 | 72.873 |

In accordance with Instructions n.º 01/14 of 12 February, the coefficient for the statutory reserve required by the National Bank of Angola is 12.5%, 50%, and 100%, for the total deposits, expressed in local currency, of clients, local and central governments, respectively. The coefficient for the statutory reserve required by the National Bank of Angola is 15%, for clients total deposits, and 100% for the local and central government deposits, both in foreign currency. The reserve requirement is calculated weekly on the arithmetic average of balances on each day of the week. These deposits do not earn interest.

At 31 December 2014, the balances at the National Bank of Angola (BNA) both in local currency and foreign currency are to comply with minimum reserve requirements.

## 4. PLACEMENTS WITH OTHER BANKS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| With local banks | 750.036 | 7.291 | 9.543.615 | 97.765 |
| With foreign banks | 1.078.542 | 10.485 | 1.221.438 | 12.512 |
| Gold coins | 1.485 | 15 | 1.485 | 15 |
| | 1.830.063 | 17.791 | 10.766.538 | 110.292 |

At 31 December 2014 and 31 December 2013, placements with local and foreign banks had a residual maturity under 60 days.

The interest rates of placement at 31 December 2014 were as follow:

- AKZ – 1.75%
- EUR – 0.25%
- USD – 0.46%

For the year ended 31 December 2014

## 5. TRADING AND INVESTMENT SECURITIES

| 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Thousands of Kwanzas | Buying costs | Nominal Value Adjustment | Fair Value Adjustment | Deferred Profit | Provisions | Balance |
| Treasury bills – LCY | 3.142.025 | – | – | 118.756 | – | 3.260.781 |
| Treasury bonds – LCY | | | | | | |
| - OT TX | 54.136 | – | – | 74 | – | 54.210 |
| - OT NR | 7.360.500 | (18.216) | (42.606) | 110.801 | – | 7.410.479 |
| Treasury bonds – FCY | | | | | | |
| - OT USD | 514.315 | – | – | 7.036 | – | 521.351 |
| - OT EUR | - | – | – | – | – | - |
| Subordinates Bonds | 102.863 | – | – | 3.017 | (1.029) | 104.851 |
| | 11.173.839 | (18.216) | (42.606) | 239.684 | (1.029) | 11.351.672 |

| 2013 | | | | | | |
|---|---|---|---|---|---|---|
| Thousands of Kwanzas | Buying costs | Nominal Value Adjustment | Fair Value Adjustment | Deferred Profit | Provisions | Balance |
| Treasury bills – LCY | 676.851 | – | 10.973 | 7.375 | – | 695.199 |
| Treasury bonds – LCY | | | | | | |
| - OT TX | 421.177 | 20.862 | – | 4.019 | – | 446.058 |
| - OT NR | 1.497.300 | (553) | 9.592 | 13.013 | – | 1.519.352 |
| Treasury bonds – FCY | | | | | | |
| - OT USD | 488.092 | – | – | 5.866 | – | 493.958 |
| - OT EUR | 136.200 | – | (621) | 5.219 | (1.343) | 139.455 |
| Subordinates Bonds | 97.619 | – | – | 2.864 | (976) | 99.507 |
| | 3.317.239 | 20.309 | 19.944 | 38.356 | (2.319) | 3.393.529 |

The above mentioned bonds are classified as Available for Sale. The investment securities from the Angolan State are classified in A risk level, while those from Banco Keve are recorded at B risk level.

The bank acquired from the Angolan State during 2014 Non Adjustable Bonds (NR) in local currency, amounting to AKZ 5.863.200.000.

The treasury bills are recorded at their buying costs as this reflects their best market price approach, considering there is no quotation for such kind of assets in the market and, their maturity are less than a year.

The maturity profile of the above-mentioned trading and investment securities is as follows:

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **Treasury and central bank bills** | | | | |
| Up to 6 months | 3.260.781 | 31.700 | – | – |
| From 6 months to 1 year | – | – | 695.199 | 7.122 |
| | 3.260.781 | 31.700 | 695.199 | 7.122 |
| **Treasury bonds** | | | | |
| Up to 6 months | – | – | 457.123 | 4.683 |
| From 6 months to 1 year | 1.556.902 | 15.136 | 77.034 | 789 |
| More than 1 year | 6.533.989 | 63.521 | 2.164.173 | 22.169 |
| | 8.090.891 | 78.657 | 2.698.330 | 27.641 |
| | 11.351.672 | 110.357 | 3.393.529 | 34.763 |

The average interest rate are displayed below:

| | 2014<br>% | 2013<br>% |
|---|---|---|
| Treasury bills – LCY | 5,03 | 5,36 |
| Central bank bills – LCY | – | – |
| Treasury Bonds – LCY | 7,00 | 7,02 |
| Treasury Bonds – FCY (USD) | 7,37 | 7,58 |
| Treasury Bonds – FCY (EUR) | – | 5,63 |

The bank adopted a trading and investment securities policy complying with angolan market reality, in accordance with risk controls, mainly the liquidity and market risks.

## 6. LOANS AND ADVANCES

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Loans and advances | 6.222.305 | 60.492 | 5.895.521 | 60.393 |
| Non performing loans | 443.583 | 4.312 | 171.120 | 1.753 |
| Accrued interest | 34.041 | 330 | 35.380 | 362 |
| | 6.699.929 | 65.134 | 6.102.021 | 62.508 |
| Loan loss provisions | (238.130) | (2.315) | (245.763) | (2.517) |
| | 6.461.799 | 62.819 | 5.856.258 | 59.991 |

Loan loss provisions for non-performing loans, including overdue capital and interest and doubtful accounts as referred to in Note c) total AKZ 238.130 thousands (2013: 245.763 thousands), which represents 3.55% of total loans and advances.

The basic principles that BCA is using in granting loans and advances are as follows:

- Granting of credit is subject to a rigorous process which ensures that credit is granted within the realms of the defined strategy and also in compliance with all regulatory provisions issued by the central bank in this regard;
- In the credit risk assessment and evaluation process the bank takes into consideration the marginal effect of each loan on the whole loans and advances portfolio and also takes into account industry/sector limits and also the financial stability of the customer;
- In order to mitigate the credit risk, especially in ensuring the reduction of losses resulting from the credit granting process, the board of directors has emphasised the need for continuous improvement of the internal control environment and credit risk governance and hence approved the constitution of a credit monitoring and recovery committee in this regard.

At 31 December 2014 and 2013 the bank major customer represented 16.82% and 21.39% of the credit portfolio, respectively. The total of the top twenty customers represented in those dates 74.93% and 66.93% of the credit portfolio, respectively.

At 31 December 2014 and 2013 the credit granted to the bank shareholders or to companies managed by them was 305.207 thousand Kwanzas and 71.850 thousand Kwanzas, respectively.

At 31 December 2014 the sector analysis of credit provided by the bank was as follows:

| | 2014<br>AKZ'000 | 2014<br>USD'000 | % |
|---|---|---|---|
| Construction | 85.071 | 827 | 1 |
| Wholesale and retail | 338.299 | 3.289 | 5 |
| Transport and communication | 34.492 | 335 | 1 |
| Service supply and housing | 4.181.769 | 40.653 | 62 |
| Individuals | 2.060.298 | 20.030 | 31 |
| | 6.699.929 | 65.134 | 100 |

At 31 December 2013 the sector analysis of credit provided by the bank was as follows:

| | 2013<br>AKZ'000 | 2013<br>USD'000 | % |
|---|---|---|---|
| Construction | 322.520 | 3.304 | 5 |
| Wholesale and retail | 912.615 | 9.349 | 15 |
| Electricity, gas and Water Production and Supply | 98.682 | 1.011 | 2 |
| Fishing and Agriculture | 2.617.845 | 26.817 | 43 |
| Individuals | 2.150.359 | 22.027 | 35 |
| | 6.102.021 | 62.508 | 100 |

Loans and advances by currency:

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Kwanzas | 5.809.443 | 56.477 | 4.486.944 | 45.963 |
| US Dollars | 890.398 | 8.656 | 1.614.988 | 16.544 |
| Other Currencies | 88 | 1 | 89 | 1 |
| | 6.699.929 | 65.134 | 6.102.021 | 62.508 |

At 31 December 2014 and 2013 the annual average credit interest rate (excluding the advances) was of 15,20% and 17,70%, respectively, for the credit on national currency, and 9,10% and 7,10%, respectively, for the credit on foreign currency.

Loans and advances by credit risk classification:

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| A | – | – | – | – |
| B | 245.920 | 2.391 | 17.404 | 178 |
| C | 38.916 | 378 | 18.135 | 186 |
| D | 9.287 | 90 | 9.604 | 98 |
| E | 20.156 | 196 | 14.920 | 153 |
| F | – | – | 7.445 | 76 |
| G | 129.304 | 1.257 | 103.612 | 1.062 |
| | 443.583 | 4.312 | 171.120 | 1.753 |

Comparative analysis of loans and advances by credit risk classification:

| | | 2014 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Risk | A | B | C | D | E | F | G | WO | Payments | Total | 2013 Portfolio |
| | A | 69,85% | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% | 30,15% | 30,92% | 1.886.840.914 |
| | B | 86,81% | 0,55% | 0,39% | 0,36% | 0,00% | 0,03% | 0,03% | 0,03% | 11,81% | 59,99% | 3.660.813.804 |
| | C | 0,00% | 1,14% | 97,38% | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% | 1,48% | 4,60% | 280.406.710 |
| 2013 | D | 0,00% | 0,87% | 1,47% | 72,33% | 0,00% | 5,15% | 0,00% | 0,00% | 20,19% | 1,71% | 104.188.069 |
| | E | 0,00% | 4,71% | 0,00% | 24,00% | 64,01% | 0,00% | 0,12% | 0,00% | 7,16% | 0,24% | 14.921.218 |
| | F | 0,00% | 0,00% | 39,43% | 0,00% | 0,00% | 0,00% | 0,57% | 0,00% | 60,00% | 0,04% | 2.486.796 |
| | G | 0,00% | 4,29% | 0,00% | 0,00% | 0,00% | 0,00% | 57,43% | 22,17% | 16,12% | 2,50% | 152.363.745 |
| | Total | 30,92% | 59,99% | 4,60% | 1,71% | 0,24% | 0,04% | 2,50% | 0,57% | 17,28% | 100,00% | |
| | 2013 Porfolio | 1.886.840.915 | 3.660.813.548 | 280.406.710 | 104.188.069 | 14.921.218 | 2.486.796 | 152.363.745 | 34.886.093 | 1.054.250.804 | | 6.102.021.256 |

Maturity profile of loans and advances:

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| **Loans and advances** | | | | |
| **In foreign currency:** | | | | |
| Up to 1 year | 119.596 | 1.163 | 432.219 | 4.428 |
| From 1 to 5 years | 301.577 | 2.932 | 799.112 | 8.186 |
| More than 5 years | 464.750 | 4.518 | 482.044 | 4.938 |
| | 885.923 | 8.613 | 1.713.375 | 17.552 |
| **In local currency:** | | | | |
| Up to 1 year | 2.136.928 | 20.774 | 1.175.754 | 12.044 |
| From 1 to 5 years | 3.426.455 | 33.311 | 3.212.892 | 32.912 |
| More than 5 years | 18.675 | 181 | – | – |
| Overdrafts | 231.948 | 2.255 | – | – |
| | 5.814.006 | 56.521 | 4.388.646 | 44.956 |
| | 6.699.929 | 65.134 | 6.102.021 | 62.508 |

The loans and advances of more than 5 years, in foreign currency are essentially house loans conceded to some workers.

For the financial years of 2014 and 2013, bad debts have been deducted from the assets by use of loans provisions, which were rated at G level amounting to AKZ 26.246 thousands and AKZ 28.973 thousands, respectively.

On the other hand, 5 loans, amounting to AKZ 55.209 thousands, were restructured.

The credit provisions movement during the year of 2014 was:

| Thousands of Kwanzas | Loans Provisions |
|---|---|
| Balance at 01 January 2014 | 245.763 |
| Reinforcements | 88.487 |
| Deductions | (69.874) |
| Provision for the Year | 18.613 |
| Used | (26.246) |
| Balance at 31 December 2014 | 238.130 |

## 7. EQUITY INVESTMENTS

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| EMIS – Empresa Interbancária de Serviços: | | | | |
| Capital | 26.253 | 255 | 26.253 | 269 |
| Supplements | 44.980 | 438 | 44.980 | 461 |
| Capital - Impairment | (362) | (4) | (362) | (4) |
| | 70.871 | 689 | 70.871 | 726 |

These investments are valued in accordance with Note 2.3. (f). The supplements are remunerated at 6 months libor rate plus 325 base point.

## 8. INTANGIBLE ASSETS

| INTANGIBLE ASSETS | | | | | | |
|---|---|---|---|---|---|---|
| AKZ'000 | Opening Balance | Increases | Transfer | Other | Write off | Closing Balance |
| **Cost** | | | | | | |
| Software | 109.479 | 7.735 | – | – | (244) | 116.970 |
| Expansion related | 1.060 | – | – | – | – | 1.060 |
| Works in rented properties | 1.029.218 | 393 | 44.134 | – | – | 1.073.745 |
| Other intangible assets | 14.462 | – | – | – | – | 14.462 |
| | 1.154.219 | 8.128 | 44.134 | – | (244) | 1.206.237 |
| **Depreciation** | | | | | | |
| Software | (84.805) | (13.023) | – | – | – | (97.828) |
| Expansion related | (294) | (353) | – | – | – | (647) |
| Works in rented properties | (277.131) | (75.104) | – | – | – | (352.235) |
| Other intangible assets | (5.782) | (3.909) | – | – | – | (9.691) |
| | (368.012) | (92.389) | – | – | – | (460.401) |
| **Net** | | | | | | |
| Software | 24.674 | (5.288) | – | – | (244) | 19.142 |
| Expansion related | 766 | (353) | – | – | – | 413 |
| Works in rented properties | 752.087 | (74.711) | 44.134 | – | – | 721.510 |
| Other intangible assets | 8.680 | (3.909) | – | – | – | 4.771 |
| | 786.207 | (84.261) | 44.134 | – | (244) | 745.836 |

## 8. PROPERTY, EQUIPMENT AND OTHER TANGIBLE ASSETS

| TANGIBLE ASSETS | | | | | | |
|---|---|---|---|---|---|---|
| AKZ'000 | Opening Balance | Increases | Transfer | Other | Write off | Closing Balance |
| **Cost** | | | | | | |
| Buildings | 1.416.849 | 62.208 | 400.135 | – | – | 1.879.192 |
| Equipment | 1.253.770 | 115.454 | 74.350 | – | – | 1.443.574 |
| Capital WIP | 741.512 | 651.984 | (518.619) | (76.782) | – | 798.095 |
| | 3.412.131 | 829.646 | (44.134) | (76.782) | – | 4.120.861 |
| **Depreciation** | | | | | | |
| Buildings | (77.739) | (51.728) | – | – | – | (129.467) |
| Equipment | (788.807) | (137.786) | – | (1) | – | (926.594) |
| Capital WIP | – | – | – | – | – | – |
| | (866.546) | (189.514) | – | (1) | – | (1.056.061) |
| **Net** | | | | | | |
| Buildings | 1.339.110 | 10.480 | 400.135 | – | – | 1.749.725 |
| Equipment | 464.963 | (22.332) | 74.350 | (1) | – | 516.980 |
| Capital WIP | 741.512 | 651.984 | (518.619) | (76.782) | – | 798.095 |
| | 2.545.585 | 640.132 | (44.134) | (76.783) | – | 3.064.800 |

## 9. PENDING OPERATIONS

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Electronic settlements | – | – | 7.745 | 79 |
| International School | – | – | 132.401 | 1.357 |
| Other debtors | 1.984 | 19 | 354 | 3 |
| Expense advances | 17.601 | 171 | 12.099 | 124 |
| | 19.585 | 190 | 152.599 | 1.563 |

The balance at "Electronic settlements" and "International School" accounts were reclassified to the "Other Assets" Account (See Note 10). Expense advances is composed by the amounts advanced to the branches to acquire consumables.

## 10. OTHER ASSETS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Electronic settlements | 11.428 | 111 | – | – |
| EMIS | 7.193 | 70 | – | – |
| Customs Gains | 20.501 | 199 | 6.665 | 68 |
| Deferred Tax | 12.782 | 124 | 217 | 2 |
| Stock Exchange | 25.716 | 250 | 24.405 | 250 |
| International School | 95.627 | 930 | 20.160 | 207 |
| -Investiment | 191.254 | 1.860 | 20.160 | 207 |
| -Impairment | (95.627) | (930) | – | – |
| Suppliers Advance | 19.087 | 186 | 19.087 | 196 |
| Stationery | 57.440 | 559 | 25.542 | 262 |
| Accruals | 65.287 | 635 | 40.644 | 416 |
| - Health Insurance | 26.605 | 259 | 1.983 | 20 |
| - Rental and Hire | 32.467 | 316 | 35.041 | 359 |
| - Others | 6.215 | 60 | 3.620 | 37 |
| Sectional purchase ABANC HQ | 21.736 | 211 | 22.944 | 235 |
| Unsold vehicle licence discs | 10.945 | 106 | 3.154 | 32 |
| Others | 30.638 | 298 | 6.067 | 62 |
| | 378.380 | 3.679 | 168.885 | 1.730 |

The amount of unsold licence vouchers in the Bank's possession at 31 December 2014 is to be sold to the public as an agent authorized by the Tax National Administration, from which the Bank receives a 11% commission.

The bank share for the ABANC (Banker´s Association) acquisition is to be depreciated for 20 years from 2013.

The account "Customs Gains" is composed by commissions to be received from the Customs Service for the work rendered. The deferred tax is the bonds the fair-value calculation results.

The International School is a school building project with international standard, at "Lar do Patriota", (Luanda-Benfica), whose viability studies ended in 2014. The Rudimba Shopping balance has been transferred to this account.

## 11. DEPOSITS FROM OTHER BANKS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **On Demand:** | | | | |
| From banks in the country | 514.776 | 5.000 | – | – |
| From foreign banks | 182.061 | 1.774 | 22.284 | 228 |
| | 696.837 | 6.774 | 22.284 | 228 |

The residual maturity for the deposits from other banks was less than 15 days. The average interest rate for transactions in the country was 1.9%. There was no interest for operations held in foreign banks.

## 12. DEPOSITS FROM CLIENTS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **Demand deposits:** | | | | |
| In local currency | 10.018.238 | 97.394 | 10.531.791 | 107.887 |
| In foreign currency | 3.275.673 | 31.845 | 5.188.144 | 53.147 |
| | 13.293.911 | 129.239 | 15.719.935 | 161.034 |
| **Term deposits:** | | | | |
| In local currency | 6.987.642 | 67.932 | 6.909.876 | 70.785 |
| In foreign currency | 2.305.497 | 22.413 | 1.159.254 | 11.875 |
| | 9.293.139 | 90.345 | 8.069.130 | 82.660 |
| | 22.587.050 | 219.584 | 23.789.065 | 243.694 |

On the 31 of December 2014 and 2013, the major bank deposit was 24.73% and 31.93% of all deposits, respectively. The Top 20 deposits represented 62.73% and 62.07% of all deposits.

Term deposits as per maturity:

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **Term Deposits in foreign currency:** | | | | |
| Up to 3 months | 1.522.670 | 14.803 | 783.351 | 8.025 |
| From 3 to 6 months | 613.197 | 5.961 | 303.130 | 3.105 |
| From 6 to 12 months | 169.630 | 1.649 | 72.773 | 745 |
| | 2.305.497 | 22.413 | 1.159.254 | 11.875 |
| **Term Deposits in local currency:** | | | | |
| Up to 3 months | 5.280.243 | 51.333 | 5.219.937 | 53.473 |
| From 3 to 6 months | 1.215.680 | 11.819 | 1.208.470 | 12.380 |
| From 6 to 12 months | 491.719 | 4.780 | 481.469 | 4.932 |
| | 6.987.642 | 67.932 | 6.909.876 | 70.785 |
| | 9.293.139 | 90.345 | 8.069.130 | 82.660 |

## 13. OTHER PENDING LIABILITIES

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Bankers cheques | 137.754 | 1.340 | 251.651 | 2.578 |
| Cheques resources – In local currency | 5.727 | 56 | 15.902 | 163 |
| Others | 36.135 | 351 | 238.910 | 2.448 |
| Cashier excesses | 2.302 | 22 | 130 | 1 |
| | 181.918 | 1.769 | 506.593 | 5.190 |

In the "Others" accounts there is the amount concerned with "Credit Transfer System" (AKZ 1.500 thousand), and the values regarding the Jumbo Supermarket (AKZ 3.589 thousand).

For the year ended 31 December 2014

## 14. FOREIGN EXCHANGE OPERATIONS

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Amounts held as collateral for foreign exchange operations | 147.320 | 1.432 | 53.050 | 543 |

The balance on this account represents cash collateral for customer letters of credit which were yet to be liquidated at 31 December 2014.

## 15. OTHER LIABILITIES

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Creditors | | | | |
| Suppliers | 825.456 | 8.025 | 388.627 | 3.981 |
| Provisions | 288.284 | 2.803 | 222.599 | 2.280 |
| Staff | 41.836 | 407 | 100.179 | 1.026 |
| Fiscal obligations | 156.050 | 1.517 | 359.122 | 3.679 |
| Others | 67.958 | 660 | 60.798 | 623 |
| | 1.379.584 | 13.412 | 1.131.325 | 11.589 |

Fiscal Obligations refer essentially to the amounts owing for corporate income tax (AKZ 140.406 thousands); income tax deducted from employees' salaries, stamp tax and social. All these amounts will be paid in 2015.

There are in Provisions account the amount of incurred costs whose invoices were not received as at 31st of December 2014, such as, health care (AKZ 87.858), rent (AKZ 55.193), and others.

## 16. PROVISIONS FOR POTENTIAL LIABILITIES

| | 2014<br>AKZ'000 | 2013<br>AKZ'000 |
|---|---|---|
| Opening Balance | 65.676 | 58.573 |
| Provisions for the Year | 6.509 | 5.843 |
| Translation Reserve | 3.697 | 1.260 |
| Used | – | – |
| Closing Balance | 75.882 | 65.676 |

The provisions for potential liabilities are the compensation for workers retirement, which is reinforced on yearly basis, as per the Angolan Labour Laws.

## 17. CAPITAL

The share capital of the bank is AKZ 2.500.000.000, represented by 6.250.000 shares of a nominal value of AKZ 400 each. The net profit per share is 12.93%

At 31 December 2014 the bank shareholders structure was as follows:

| | Number of Shares | % |
|---|---|---|
| SADINO, Lda | 817.528 | 13,08 |
| Salomão José Luheto Xirimbimbi | 690.587 | 11,05 |
| GEFI | 609.104 | 9,75 |
| Fundo de Pensões | 583.330 | 9,33 |
| José Francisco Luís António | 576.338 | 9,22 |
| Julião Mateus Paulo "Dino Matrosse" | 437.500 | 7,00 |
| Mateus Filipe Martins | 383.242 | 6,13 |
| Afonso Domingos Van-Dúnem "Mbinda" | 312.501 | 5,00 |
| Casa Smart | 237.552 | 3,80 |
| Fernando José de Franca Van-Dunen | 195.765 | 3,13 |
| José Jaime Agostinho de S. Freitas | 195.765 | 3,13 |
| Visgosol | 166.667 | 2,67 |
| Lopo Fortunato Ferreira do Nascimento | 130.962 | 2,10 |
| Abel Fernandes da Silva | 113.851 | 1,82 |
| António Mosquito Mbakassy | 113.851 | 1,82 |
| Pedro de Castro Van-Dunem (Herdeiros) | 112.552 | 1,80 |
| João Manuel de Oliveira Barradas | 92.754 | 1,49 |
| Augusto da Silva Tomás | 90.042 | 1,44 |
| Marcolino José Carlos Moco | 90.042 | 1,44 |
| Dumilde das Chagas Rangel | 54.023 | 0,86 |
| IMPORAFRICA-IMOBILIÁRIA Lda. | 54.023 | 0,86 |
| Valentim Amões (Herdeiros) | 47.008 | 0,75 |
| Generoso Hermenegildo G. de Almeida | 45.020 | 0,72 |
| Benvindo Rafael Pitra (Herdeiros) | 33.333 | 0,53 |
| Estevão Pitra | 16.665 | 0,27 |
| Isaac Francisco Mário dos Anjos | 16.665 | 0,27 |
| José Amaro Tati | 16.665 | 0,27 |
| Santos Matoso Júnior | 16.665 | 0,27 |
| Total | 6.250.000 | 100,00 |

## 18. STATEMENT OF SHAREHOLDERS' EQUITY

| AKZ'000 | Capital | Capital maintenance reserve | Other reserves | Fair value adjustment | Retained income | Total |
|---|---|---|---|---|---|---|
| Balance 31 December 2013 | 1.308.702 | 82.579 | 3.212.330 | 12.963 | 669.706 | 5.286.280 |
| Appropriation of 2013 retained income | – | – | 474.469 | – | (474.469) | – |
| Dividends | – | – | – | – | (195.237) | (195.237) |
| Reserves Incorporation | 1.191.298 | – | (1.191.298) | – | – | – |
| 2013 Fair value adjustment | – | – | – | (12.963) | – | (12.963) |
| 2014 Fair value adjustment | – | – | – | (29.824) | – | (29.824) |
| Profits for the year | – | – | – | – | 807.941 | 807.941 |
| Balance 31 December 2014 | 2.500.000 | 82.579 | 2.495.501 | (29.824) | 807.941 | 5.856.197 |

The Capital Maintenance Reserve was calculated in accordance with the accounting policy described in Note 2.3. (i)

The legal and other reserves represent amounts that have been appropriated from prior period profits in accordance with legal requirements.

The fair value adjustment is issued from the trade and investment securities assessment that are available for sale. The total fair value adjustment amounted to 42.606 thousands of kwanzas, from which deferred tax amounting to 12.782 thousands of Kwanzas were deducted to arrive at the net fair value adjustment of AKZ 29.824 thousands.

For the year ended 31 December 2014

## 19. INTEREST AND OTHER SIMILAR INCOME

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Loans & Advances to Customers | 906.461 | 9.202 | 635.631 | 6.588 |
| Term deposits with Banks abroad | 5.676 | 58 | 5.554 | 58 |
| Interbank lending | 157.058 | 1.594 | 702.175 | 7.277 |
| Other debtors and investments | 28.243 | 287 | 35.198 | 365 |
| Treasury Bills | 634.855 | 6.444 | 129.430 | 1.341 |
| | 1.732.293 | 17.585 | 1.507.988 | 15.629 |

## 20. INTEREST AND OTHER SIMILAR EXPENSES

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Deposits | 199.881 | 2.029 | 288.680 | 2.992 |
| Interbank lending | – | – | – | – |
| On funds related to Treasury bills with repurchase agreements | 33.477 | 340 | 1.646 | 17 |
| | 233.358 | 2.369 | 290.326 | 3.009 |

## 21. FEE AND COMMISSION INCOME

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Withdrawal fees | 22.459 | 228 | 65.789 | 682 |
| From general banking services | 660.349 | 6.703 | 716.545 | 7.426 |
| From guarantees given by the Bank | 29.130 | 296 | 14.825 | 154 |
| | 711.938 | 7.227 | 797.159 | 8.262 |

The fees and commissions from general banking services are derived from the intermediation in import operations, MoneyGram Transfers, insurance and others.

## 22. RESULTS OF FINANCIAL OPERATIONS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Gains from FX transactions | 1.167.346 | 11.851 | 2.400.887 | 24.884 |
| Losses from FX transactions | (52.065) | (529) | (1.187.412) | (12.307) |
| | 1.115.281 | 11.322 | 1.213.475 | 12.577 |

## 23. OTHER INCOME

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Bank guaranteed cheque fees | – | – | 35 | 1 |
| Cheque account fees | 3.956 | 40 | 4.660 | 48 |
| Reimbursement of expenses | 701 | 7 | 1.277 | 13 |
| Other | 55 | 1 | 5 | – |
| | 4.712 | 48 | 5.977 | 62 |

## 24. SALARIES AND OTHER PAYROLL EXPENSES

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Social Security | 38.573 | 392 | 38.321 | 397 |
| Other benefits | 38.767 | 393 | 115.681 | 1.200 |
| Staff Salaries | 824.966 | 8.374 | 814.541 | 8.442 |
| Other | 75.350 | 765 | 31.974 | 331 |
| | 977.656 | 9.924 | 1.000.517 | 10.370 |

The Bank had 248 employees at 31 December 2014 (253 at 31 December 2013).

For the year ended 31 December 2014

## 25. THIRD PARTY SUPPLIES

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Communication costs | 106.293 | 1.079 | 165.476 | 1.715 |
| Repairs and maintenance | 30.813 | 313 | 34.830 | 361 |
| Professional services | 79.473 | 807 | 53.236 | 551 |
| Travel and other related costs | 56.842 | 577 | 46.902 | 486 |
| Third party supplies | 165.827 | 1.683 | 197.160 | 2.043 |
| Marketing | 53.880 | 547 | 76.959 | 798 |
| Rentals | 138.500 | 1.406 | 153.334 | 1.589 |
| Insurance | 2.221 | 22 | 7.399 | 77 |
| | 633.849 | 6.434 | 735.296 | 7.620 |

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2014 AKZ'000 | 2014 USD'000 | 2013 AKZ'000 | 2013 USD'000 |
|---|---|---|---|---|
| Computer costs | 47.015 | 477 | 57.802 | 599 |
| Security costs | 124.322 | 1.262 | 91.543 | 949 |
| Staff training | 44.011 | 447 | 26.835 | 278 |
| Cash transportation costs | 13.869 | 141 | 13.352 | 138 |
| Other | 53.962 | 548 | 46.261 | 480 |
| | 283.179 | 2.875 | 235.793 | 2.444 |

In the "Others" account there are AKZ 21.725 thousands costs of the Clean casual labors, and others.

## 27. IMPAIRMENT LOSSES ON LOANS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Provisions for loan losses | (18.613) | (189) | 16.216 | 168 |

See the yearly Provision movement on the Note 6.

## 29. OTHER GAINS AND EXPENSES

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Gains on Fixed Assets | 1.032 | 10 | 1.136 | 12 |
| Regulation's Penalty | (90) | (1) | (8.400) | (89) |
| Other Profits and Costs | (29.143) | (295) | 3.852 | 41 |
| | (28.201) | (286) | (3.412) | (36) |

## 30. NON-OPERATING RESULTS

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| Bad debt recoveries | 2.727 | 27 | 5.837 | 61 |
| Prior period gains | 4.413 | 45 | 5.146 | 53 |
| Prior period losses | (1.388) | (14) | (1.832) | (19) |
| | 5.752 | 58 | 9.151 | 95 |

For the year ended 31 December 2014

## 31. INCOME TAXES

The tax reconciliation at 31 December 2014 and 2013 is presented as follows:

| | 2014<br>AKZ'000 | 2013<br>AKZ'000 |
|---|---|---|
| Profit before tax | 948.347 | 1.007.715 |
| Non deductable costs | 172.714 | 19.691 |
| Tax exempt income | 645.035 | 58.608 |
| Taxable profits | 476.026 | 968.798 |
| Nominal tax rate | 30% | 35% |
| Income Tax Payable | 142.808 | 339.079 |
| Deduction of IAC paid | 2.402 | 1.070 |
| Net Income tax payable | 140.406 | 338.009 |
| Effective tax rate | 15% | 34% |

The tax exempt income is comprised of interest income generated by government bonds. The Capital tax deductions paid (IAC) was charged on income generated from overnight deposits at the Central Bank and also the "Banco Keve" corporate bond.

## 32. OFF BALANCE SHEET ITEMS AND CONTINGENCIES

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **Guarantees provided and other liabilities** | | | | |
| Guarantees and securities provided | (971.626) | (9.446) | 18.000 | 184 |
| Letters of Credit issued | 830.562 | 8.074 | 1.845.276 | 18.903 |
| | (141.064) | (1.372) | 1.863.276 | 19.087 |
| **Guarantees received** | | | | |
| Guarantees received | 8.832.516 | 85.867 | 9.046.715 | 92.674 |

## 33. RELATED PARTY DISCLOSURE

At 31 December 2014 and 2013, the main balances and deals held with the related party, were as follow:

| | 2014<br>AKZ'000 | 2014<br>USD'000 | 2013<br>AKZ'000 | 2013<br>USD'000 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Loans and advances | 305.207 | 2.967 | 71.850 | 736 |
| | 305.207 | 2.967 | 71.850 | 736 |
| **Liabilities:** | | | | |
| Deposits | 350.725 | 3.410 | 415.471 | 4.257 |
| | 350.725 | 3.410 | 415.471 | 4.257 |

The average Interest rates for the transactions with related party were as follows:

| | Local Currency<br>% | Foreign Currency<br>% |
|---|---|---|
| Loans | 12,6 | 8,7 |
| Deposits | 2,5 | 2,1 |

For the year ended 31 December 2014

## 34. BALANCE SHEETS BY CURRENCY

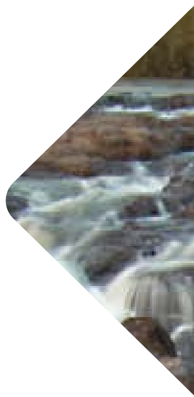
| | 2014<br>Local Currency<br>(Expressed in AKZ) | 2014<br>Foreign Currency<br>(Expressed in AKZ) | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 3.842.390 | 3.159.392 | 7.001.782 |
| Placements with other banks | 751.521 | 1.078.542 | 1.830.063 |
| Trading and Investment securities | 10.725.470 | 626.202 | 11.351.672 |
| Loans and advances | 5.564.514 | 897.285 | 6.461.799 |
| Equity investments | 70.871 | – | 70.871 |
| Intangible assets | 745.836 | – | 745.836 |
| Property, equipment and other tangible assets | 3.064.800 | – | 3.064.800 |
| Pending operations | 15.958 | 3.627 | 19.585 |
| Other assets | 158.166 | 220.214 | 378.380 |
| | 24.939.526 | 5.985.262 | 30.924.788 |
| **LIABILITIES** | | | |
| Deposits from other banks | – | 696.837 | 696.837 |
| Deposits from clients | 17.005.890 | 5.581.160 | 22.587.050 |
| Accruals and other liabilities | 152.933 | 28.985 | 181.918 |
| Pending Foreign Exchange Operations | – | 147.320 | 147.320 |
| Other liabilities | 1.128.557 | 251.027 | 1.379.584 |
| Prov for potential liabilities | 150 | 75.732 | 75.882 |
| | 18.287.530 | 6.781.051 | 25.068.591 |
| EQUITY | | | 5.856.197 |

| | 2013<br>Local Currency<br>(Expressed in AKZ) | 2013<br>Foreign Currency<br>(Expressed in AKZ) | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 4.046.342 | 3.067.459 | 7.113.801 |
| Placements with other banks | 9.545.100 | 1.221.438 | 10.766.538 |
| Trading and Investment securities | 2.658.290 | 735.239 | 3.393.529 |
| Loans and advances | 4.241.181 | 1.615.077 | 5.856.258 |
| Equity investments | 70.871 | – | 70.871 |
| Intangible assets | 786.207 | – | 786.207 |
| Property, equipment and other tangible assets | 2.545.585 | – | 2.545.585 |
| Pending operations | 21.715 | 130.884 | 152.599 |
| Other assets | 112.692 | 56.193 | 168.885 |
| | 24.027.983 | 6.826.290 | 30.854.273 |
| **LIABILITIES** | | | |
| Deposits from other banks | – | 22.284 | 22.284 |
| Deposits from clients | 17.441.667 | 6.347.398 | 23.789.065 |
| Accruals and other liabilities | 481.339 | 25.254 | 506.593 |
| Pending Foreign Exchange Operations | – | 53.050 | 53.050 |
| Other liabilities | 780.359 | 350.966 | 1.131.325 |
| Prov for potential liabilities | 150 | 65.526 | 65.676 |
| | 18.703.515 | 6.864.478 | 25.567.993 |
| EQUITY | | | 5.286.280 |

## 35. SUBSEQUENT EVENTS

From 31 December 2014 to the date of the financial statements approval, there were no significant facts affecting the financial position and/or performance of the Bank that required adjustment and/or disclosure.

# Report and Opinion of the Fiscal Council



Dear Shareholders,

In accordance with the Angolan Legal and Regulatory requirements, the fiscal council is required to issue a report in respect of its activities and issue an opinion in respect of the Financial Statements of the "Banco Comercial Angolano" (BCA) for the financial year ended 31 December 2014.

Throughout the year the Fiscal Council continually monitored the company´s activities and verified its accounting records as well as the related supporting documentation. The Fiscal council wishes to recognize that it received complete cooperation from the Board of Directors in obtaining any information it considered necessary to fulfill its responsibilities.

The banks financial statements were audited by its external auditors, whose opinion is that the financial statements present fairly, in all material aspects, the financial position of BCA at 31 December 2014, the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Angola for the banking sector.

Having taken into consideration the external auditors report, it is the opinion of the Fiscal Council that the Shareholders Assembly should approve the Annual Report and Financial Statements for the 2014 financial year.

The Fiscal Council, 28th April 2015

**Paul de Sousa**
Chairman of the Fiscal Council

**Esperança Cahango**
Member of the Fiscal Council

**Domingos Filipe**
Member of the Fiscal Council

Monte Negro Falls | Cunene

# External Auditors' Report

To the Board of Directors of
Banco Comercial Angolano

## Independent auditor's report

### Report on the financial statements

We have audited the accompanying financial statements of Banco Comercial Angolano, S.A.. These financial statements comprise the balance sheet at December 31, 2014 with total assets of 30.924.788 thousands of Kwanzas, net equity of 5.856.197 thousands of Kwanzas and profit for the year of 807.941 thousands of Kwanzas, and the profit and loss account, statement of changes in equity and a statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Angola applicable to the banking sector and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's



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preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion the financial statements give a true and fair view of the financial position of Banco Comercial Angolano, S.A. as at December 31, 2014 and of its financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Angola applicable to the banking sector.

For PricewaterhouseCoopers (Angola), Lda

Ricardo Santos

Ricardo Santos
Partner

Luanda, April 27, 2015

Banco Comercial Angolano

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