

Angola 2014 Banking Review

Annual performance of the sector in Angola

The pattern of quality
Based on growth

October 2014





The pattern of quality based on growth

It is with great pleasure that we present the ninth edition of our Banking Analysis Study. This is an initiative that, year after year, we have the privilege to continue and we are proud to present this study with the regularity and seriousness that this sector deserves.

In this issue, we re-analyse the financial performance of banks operating in Angola and we share with interested parties the developments with which the market and the development of the economy have challenged us.

During 2013, the global economy returned to growth and showed positive results, with an increase of 12% in the volume of assets and a 13% growth in the profits of financial institutions on a year-on-year basis.

Moreover, the preservation of the levels of default at roughly 11% and the recent intervention of the central bank (the National Bank of Angola – referred to throughout this report as “BNA”) in an institution of this sector highlight the need for careful management of various risks, including in particular, credit risk. In this context, in 2013, BNA issued an important set of regulations on internal control and risk management.

Encouraged by the evolution of this sector and its participants, we wanted to go further in the production and sharing of knowledge. Therefore, in addition to keeping a watchful eye and rigorous attitude towards financial reporting, this time we also present a parallel study on the quality of financial services, a subject that is on the agenda of the managers of many institutions.

For this reason, this ninth edition of the Banking Analysis Study also shares the reflections of managers and several regulators, who agreed to express their views on this specific point.

We believe that the increase in the level of standards is a basis for the growth of this sector. In parallel with the evolution of the main financial sector indicators, and according to the providers and consumers of banking services, the sector has also enjoyed significant evolution in the quality of services provided. Naturally, this progress is not finished, and we envisage the maintenance or even an increase in the focus of financial institutions on this aspect. Our commitment is to continue to focus on the monitoring of the financial sector, and to seek that this analysis strengthens and guarantees constant reflection by participants.

Today, we are certain that quality standards are a cornerstone of growth and will be the cornerstone for the sustainable development of the country, and the banking sector, in particular.

Rui Santos Silva
Country Managing Partner
Deloitte Angola

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Financial Statements

Deposits and loans grow faster than GDP



Amílcar Azevedo da Silva
Chairman of the
Angolan Association of Banks

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

We awaited with eager anticipation the unfolding of the banking activity, during 2013, after a year (2012) that we considered atypical, especially with regard to the reduction in profits.

Therefore, we can consider as good both the financial results and the performance of the banking system. The growth in deposits and loans (11% and 14% respectively) is well above the rate of GDP growth. In particular, the ability to apply resources at a greater rate than the increase in deposits indicates the confidence that customers have in the banks, and have more of a careful and better perception of their loan-granting activity. We regard this as very significant. In addition to these key indicators of activity in banks, there is also the general rise in profits reported by them, despite maintaining a fairly stable, cautious provisions policy, which is necessary to enhance the system and ensure continued levels of capital adequacy, where the solvency ratio reached to 19% during the year, well above the minimum of 10% required by BNA. The performance, in general, also gave positive indications as a result of the focus on customers, with the expansion of contact points and the investment by banks in training and modernisation. This also places emphasis on the demonstration of professionalism and competence of banks with the implementation of the new exchange rate regime in the oil sector. During the first half of 2014, there was a slight increase in the amount of credit in the economy (the second half is always better) and high growth in deposits. That will allow banks, overall, to maintain a good level of liquidity, though in the period under review there was some dissatisfaction in the forex market, which we believe has passed, due to the measures taken.

What event would you highlight as the most significant in the Angolan economy in 2013 and the first half of 2014?

There have been many significant events and it would be difficult to highlight just one. I will mention, for example, in 2013, due to their relevance the continued downward trend in the inflation rate, the implementation of the new exchange rate regime in the oil sector, completed in October, the stability of the exchange rate (depreciated 1.85% in the year), the net international reserves were above \$ 30 billion, allowing the coverage of 8 months of imports.

In the first half of 2014, I would mention the fall in the production and export of oil, with negative effects on tax revenues, the continued fall in the rate of inflation, stagnation of international net reserves at around \$ 30 billion; the reduction in the supply of US dollar auctions by BNA, now standardised, as all being relevant factors that in one way or another affect the activity of banks and the economy as a whole.

How is the process of de-dollarisation of the Angolan economy going?

The de-dollarisation of economies in countries like ours that have experienced unsettling turbulence is not quite complete. But there are measures that must be taken in order to safeguard the sovereignty of our currency. Although they are not always easy to understand, they are necessary. I think progress is being made in the provision of payment instruments as well as in improving the meeting of the demand for goods in the market. It is hoped that this will normalise the situation efficiently.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

We all know how the banking market has grown in recent years. This was partly due to the efforts of the boards of banks and their employees in seeking to satisfy the needs of customers. We recognise, however, several inadequacies in different orders at different levels, which are being tackled, both in terms of workers, and in terms of the clientele, continuing the processes of training and financial inclusion. This is contributing, although less than we would like, to the growth of the economy, the reputation of the banks and the credibility of their customers.

The strong concentration of the population in urban centres makes it difficult, though not impossible, to implement processes. If we take into account the increased expansion of banking services, and the increased use of existing payment instruments, it becomes easier to conclude that the quality of service is improving.

Solvency ratio higher than required by BNA

The largest bank and the first to be rated



Mário Barber
Executive Director
and Chairman of
the Executive Committee

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

In 2013 there was an increase in activity, driven by economic growth and completion of the implementation of the exchange rate system in the oil sector (NRCSP). Deposits grew by about 17% (compared with 9% the previous year) while loans net of provisions, grew by 10% (compared with 27% the previous year). The smaller growth in loans granted may be due to the increased credit risk, evidenced by the growth in matured loans from 6.8% in 2012 to 9.8% in 2013. The activity in the first half of 2014 followed in general terms the previous year (an increase in loans in excess of the increase in deposits) but was particularly affected by the temporary reduction in the availability of foreign currency for sale to customers, resulting from reduced oil production. The system of payments in national currency continued to grow rapidly. Apart from the rise of banking and greater use of banking services by the non-oil sector, the NRSCP strongly contributed to this increase, by requiring that, from July 1, 2013, all payments to foreign residents be made in national currency.

In 2013 and the first half of 2014, the *Banco Nacional de Angola* (BNA) continued to pursue its expansionary monetary policy with the reduction of the coefficient of compulsory reserves in national currency, the reduction of the reference interest rates leading to a fall in inflation and a reduction in loan interest rates. With regard to prudential regulation, we highlight the publication of standards relating to governance, internal control and external auditing, as well as the opening of a consultation process of adopting standards to achieve a greater conformity of this sector with the Basel II Accord and international accounting standards (IAS/IFRS).

What event would you highlight as the most significant in the Angolan economy in 2013 and the first half of 2014?

The continued reduction in inflation, which in June 2014 stood at the lowest ever level, is certainly a major event for several reasons. Among these we can highlight the positive effect on economic sentiment and the demonstration, at a national and international level, of the ability of the authorities to use monetary instruments and exchange rate policy to achieve their goals. Furthermore, the implementation, in 2013, of the new exchange rate regime in the oil sector involved a set of opportunities and challenges for the financial system in particular and the economy in general.

The credit rating assigned to us by the rating agency is the same as that of Angola

How is the process of de-dollarisation of the Angolan economy going?

The process of de-dollarisation comprises a set of measures taken by the authorities with a view to the gradual withdrawal of the US dollar from the domestic market. This is done by ensuring the effectiveness of BNA to act as a monetary authority, leaving foreign currency to be used only for international payments (and not for payments within Angola). The initial measures that had a direct impact on the balance sheets of banks consisted of setting limits on foreign exchange exposure (2007) and limiting loans in foreign currency (2010). This was followed by measures that aggravated the cost of allocated capital of assets in foreign currency (2011). The differentiation of the compulsory reserve coefficient, favouring local over foreign currency, also contributed to the effort of de-dollarisation. In addition to these prudential measures and monetary policy, we believe that the greatest contribution arose from the implementation of the new foreign exchange regime for the oil sector (NRCSP) between 2012 and 2013. There has also been a growing concern on the part of the authorities with alignment of policies, particularly fiscal policy.

Overall, we believe that all of the measures implemented so far – in addition to the recognition of the need to make subsequent adjustments to improve the measures to increase economic efficiency and to better ensure macroeconomic stability – have successfully contributed to the reduction of de-dollarisation.

Meanwhile, in addition to the implementation of these measures, there has been a big effort by BNA to clarify the scope of businesses. We believe that this process of continuous public awareness is crucial for their success, increasing the confidence of agents of change. We also understand that the process of de-dollarisation in an economy with (i) a high dependence on a single sector (oil), (ii) limited domestic production capacity and (iii) a high dependence on external factors, as has been seen in the past where foreign currency played a crucial role – should be implemented gradually, as it is unsustainable to do it quickly. Thus, in parallel to the direct measures of de-dollarisation, we must highlight the importance for Angola's success of continued efforts to manage macroeconomic stability and the expectations of businesses.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

BAI has become the first bank in the Angolan market to undergo the rating process, opting for the Moody's and Fitch Rating agencies for this purpose. Moody's gave the bank the "Ba3/Not prime" rating for deposits in national currency and "B1/Not prime" for foreign currency deposits, both identical to the sovereign rating, which we believe is the best possible result that could have been achieved. The rating from Moody's reflects i) the bank's well-established activities in Angola and the liquidity of its balance sheet; ii) a solid loan provision policy, capitalisation and revenues flow that allows the bank to generate sufficient equity to absorb losses ; iii) loan quality and the high cost of credit; iv) the evaluation of a high probability of government support, if the situation were to require it.

The bank's decision to submit to the rating process demonstrates its intent to improve the model of governance in general and, in particular, the transparency of the system and its internal control. It is expected that, with BAI having pioneered this action, other banks will also agree to the evaluation of credit risk, thereby improving and increasing transparency while enhancing the credibility of the Angolan banking system.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

After a period of strong expansion of the banking business in Angola, we are now seeing a greater concern with improving the quality of services provided by financial institutions, providing more services, increasing the branch network, hiring more skilled workers and investing in training.

BNA has strengthened regulation and the availability of the Consumer Portal of Financial Products and Services, where as well as consulting useful information, customers can make complaints. In the case of BAI, we are obviously committed to the constant improvement of services provided, owing to the increased satisfaction and loyalty of our customers. It has therefore become clear that it is a responsibility that should be prioritised as one of our most important, due to the position of our bank in the sector.

What are the main challenges or constraints in relation to improving the quality of financial services?

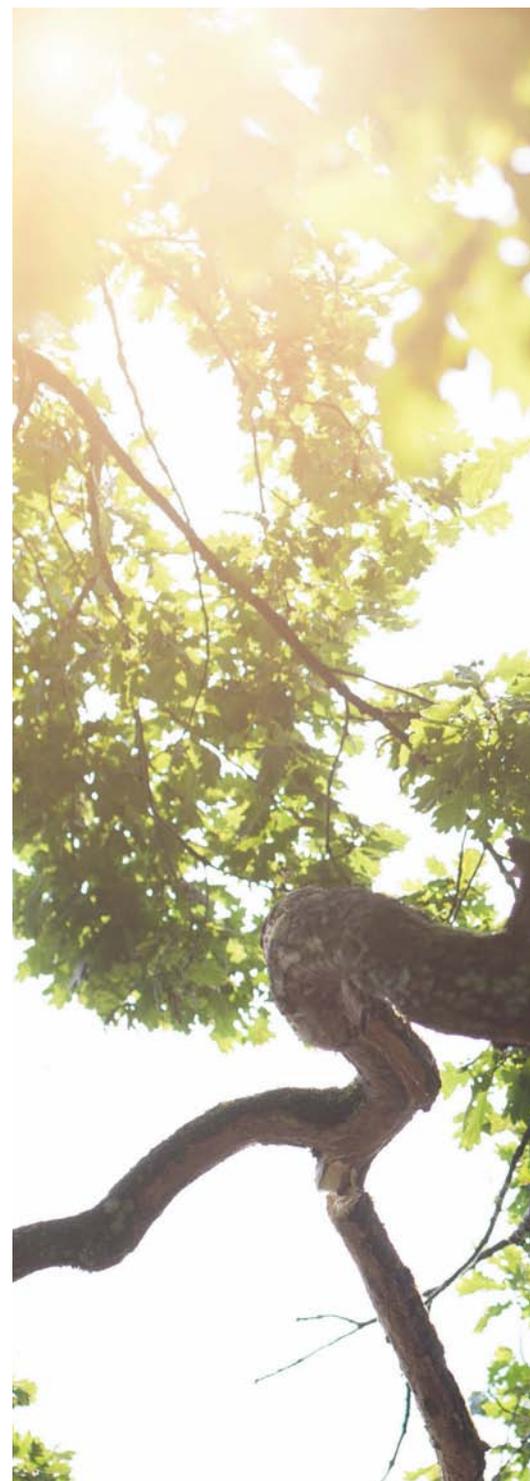
One of the biggest challenges in improving the quality of financial services includes human resources and computer and communication platforms. In the area of human resources, the importance of training to deal with a developing market with more demanding customers has been appreciated. In relation to computer platforms and communication, it is necessary to continue investing in the integration of systems and the increased availability of services. Consumer habits also affect the quality of financial services. For example, despite the investments that the sector – and BAI in particular – have been making at the level of electronic channels (such as ATMs or internet banking), the use of these services remains below a desirable level as customers often prefer to go to branches, causing unnecessary queues.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

Improving the quality of services provided is one of the main objectives of BAI. For example, in order to reduce the number of customers turning up at the counters (with resulting queues) and to increase the availability of services, BAI (being the bank that represents, in terms of averages, the highest volume of cash flows per outlet) has invested heavily in alternative service channels for its customers, such as ATM networks and mobile banking, a service that was recently launched in the market that increases practicality as it is safe and simple to access on one's phone. This facilitates balance enquiries, banking transfers and payment services, among others. In relation to quality measures, the database regularly performs internal evaluations through satisfaction surveys of its external and internal customers to evaluate and monitor the way that continuous, high quality services are provided by bank employees. Furthermore, the bank has also been implementing a set of indicators to measure service levels, which are monitored and reviewed by the executive committee. Customer complaints are also an important tool for the continuous improvement of our services. Overall, this information is used to improving internal processes in terms of adequacy, with the support of the BAI Academy and training directed at identified needs.

For 2015, what are the main targets and objectives of your bank?

The goals and objectives for 2015 are incorporated in the Strategic Plan for 2014-2017. In these, we highlight (i) improving the quality of the loan portfolio; (ii) continuous training of human resources; (iii) improving the quality of services; and (iv) improving operational processes and supporting technologies.



Continuous training is our priority



José Aires
Chairman of the
Board of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

The financial system achieved a positive result in 2013, due to the involvement of the central bank and the activities of the 23 commercial banks that increased their number of employees, their assets and expanded their commercial banking network by opening new agencies and branches.

These establishments now cover much of the geography of Angola but there is still inadequate provision of financial services in the most remote regions of the country. It should be noted that the financial system has made efforts to raise the quality levels of this sector, approaching "high African standard" levels.

The expansion of trade networks in the banking system has allowed the reduction of flows to financial institutions the big urban centres and has increased the large urban centres and increased levels of financial inclusion, giving rise to a greater availability of financial services, as well as increased financing of the economy. Major efforts were made at regulatory level and in monitoring to track the performance and growth of the sector with the approval of new regulations in several areas; in particular, we highlight notifications numbered 1 and 2 from BNA in 2013, aiming to provide greater transparency in organisational structures and capital, and policies and processes for risk management, while retaining some control over these areas.

With regard to financial indicators, according to the central bank in December 2013, the solvency ratio for financial institutions stood at 19.5%, being far greater than the 10% required by BNA, demonstrating the robustness of the sector and of financial institutions.

Loans to the private sector predominate with a 96.3% share while public sector loans achieved only a 3.7% share. Non-performing loans, in turn, stood at 9.8% of total loans, demonstrating an improvement in the quality of assets of financial institutions.

Despite this positive performance in 2013, the financial system still faces a number of challenges in the coming years and some of them have continued in the first half of 2014.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

The implementation of coherent macroeconomic policies and consistent stabilisation, as well as the correct channelling of resources and efforts to restore oil production capacity, gave an added dimension to the Angolan economy, moving it into the category of middle-income countries. With a growth in Gross Domestic Product (GDP) of 5.1% in 2013, Angola is one of the African nations that grew most last year. One of the highlights of 2013 was the implementation of the new exchange rate regime for the oil sector which has resulted in a high level of liquidity in the national currency, increasing the overall volume of deposits and loans in the financial market. It was noted, at the beginning of the year, that there would be a launch of new Kwanza banknotes and coins, with particular attention to the first issue of notes with a face value of five thousand. At the end of 2013, what stood out was the exporting of natural gas to China and Brazil, which promises to be an important feature in 2014, representing 8% of the state's revenues. The non-oil sector was led by construction companies which represented 5% of the GDP. The rate of national inflation remained stable until October, when it fell to 8.38%. The Angolan economy was also rated BB by the international agency Fitch Ratings as a robust economy. We also note the publication of the National Development Plan for 2013-2017, with the construction of a Medium Term Fiscal Framework, using an IMF technique to project revenues and expenditure, tax rules and related regulations, aimed at stabilising the macroeconomic programme. We also want to emphasise the support for state-owned companies in the form of business investment and operating subsidies, because they have a significant impact on GDP.

How is the process of de-dollarisation of the Angolan economy going?

The process of de-dollarisation, starting with the implementation of the new exchange rate regime has not yet been completely absorbed by many institutions and individuals, as there are still some required payments in foreign currency. This process of de-dollarisation gave rise to a sense of unease among the population in relation to deposits in dollars and the scarcity of them during the last months of 2013 and early in 2014. However, the policy was considered positive for the Angolan economy, leading to an appreciation of the Kwanza, increased financial use of the Kwanza in the Angolan payments system and contributing to the development of the foreign exchange market and the non-oil sector economy. We believe that de-dollarisation provided greater leverage to the economy, in particular to financial operators. This is because, in the past, financial transactions in Angola were made mostly in foreign currency (particularly in the US dollar). Today, there is commendable behaviour amongst financial operators and the general population. The latter not only embraced this programme, but also became aware of the value that our currency holds for the spreading of the national economy, while also increasing the flow of Kwanzas in acquiring goods and services.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

I would like to highlight the construction of our new BANC headquarters in *Talatona*.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

Over the years the quality of financial services has improved significantly. This improvement has been present in several aspects: this may be due to the increase in product and financial services, the speed of operational executions aimed at customers as well as the guarantee of better management of other resources, giving customers an optimal use of their financial resources in order to obtain the best performance from them. The best customers have been granted the possibility of applying their resources in seasonal periods, in which the rates of return on invested capital are more appealing. The central bank started to raise its profile in the financial market, due to the increased level of financial inclusion in the economy, contributing to the increase of foreign exchange in the market, giving rise to the possibility of increasing the speed of banks' execution of transactions for their customers. All of this has also contributed to an increased volume of imports.

Nowadays, it is possible for everyone to find a financial institution nearby, as well as dynamic managers that propose the most effective and advantageous ways of applying resources to customers so that they may create profitable businesses that have the greatest impact on our economy.

What are the main challenges or constraints in relation to improving the quality of financial services?

The lack of transparency in the information provided by some companies is considered as a major challenge for service improvement. Banks can and should do more to address this issue. Sometimes there are customers who meet all of the requirements to qualify for a specific loan but for purely bureaucratic reasons and the lack of credibility of the information presented, it is not possible to complete the process. Thus, many banks often end up severing their link with the customer and provide a service without high quality, finding that they are unable to obtain or retain the customer.

In addition, recognition of the customer as an equal is not yet applied in the Angolan market. Many financial institutions see customers as someone who simply comes to make a deposit or a withdrawal and not as someone who will add value to the institution. In short, it is important that banks begin to measure business performance based on new segmentation criteria that will translate into greater effectiveness and efficiency for the parties involved.

BANC has built its new headquarters in *Talatona*

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

The large amount and continuity of training, as well as the creation of policy incentives and recognition of our human capital, are the main priorities of our institution for the provision of high-quality services. Alongside this, we have worked to create a “high-quality” service for customers so that they feel that they are part of the bank’s processes. We recognise that the Angolan banking sector is constantly changing and becoming increasingly competitive, but we believe that we have the human, technological and financial resources capable of providing a differentiated service of high quality to our customers.

For 2015, what are the main targets and objectives of your bank?

The main targets and objectives are to continue expanding our branch network, and to raise the level of responses to customers, as we want them to be an essential partner in the development of the people and the country.



The private bank with the largest network in the country



Fernando Teles
Chairman of the
Board of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

Generally the performance of the financial system was very positive, with some growth in terms of results; raised from customers increased as well as the indicators of financial inclusion. In 2014, the trend has been maintained, although of course, increasingly challenging to maintain the growth levels of previous years.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

The downward trend of inflation in recent years is undoubtedly a fact worth mentioning. In 2013 it stood at 7.69% (9.02% in 2012), the lowest value seen in recent years.

How is the process of de-dollarisation of the Angolan economy going?

The campaign of de-dollarisation has naturally, as expected, allowed an increase of transactions in Kwanzas. In 2013, deposits in the national currency in the banking sector grew significantly, representing about 62% of total deposits (55% in 2012). This is a very positive result, demonstrating that we are firmly on the path to the de-dollarisation of the economy. The process is intended to enhance the Kwanza, and in this context, to make the domestic currency dominant in the execution of banking operations.

In connection to this, BNA ceased the obligation to pay for imports in foreign currency, thereby reducing the use of foreign currency in the Angolan economy. BIC also made a contribution to this process, with the selling of the Kwanza in *Banco BIC Português*, which in this form, represents a pioneering and fundamental step for the internationalisation of the currency.

Is there some aspect that you would like to highlight regarding the activities conducted by the bank you oversee with regard to this time period?

Banco BIC has maintained its focus on the expansion of its commercial network through opening 17 branches. Since the beginning of the year it has become the private bank with the largest commercial network, providing increasingly broad coverage across the national territory, making of growth network of operations in Angola. In addition, we exceeded the threshold of 1 million customers. Our growth does not stop there. At the national level we extended our business activities beyond banking, with the opening of an insurance company and an asset management company.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

There have been positive signs, but there is still room for improvement. The banks have made a significant effort to improve their quality of service and are focused on increasing levels of customer loyalty and satisfaction. Increased competition resulting from the entry of new banks in the market, combined with the levels of growth of financial inclusion in Angola, have posed major concerns in the banking sector. The level of development and provision of products and services are increasingly differentiated and customised to fully satisfy customer needs.

In general, the customers and the market are becoming increasingly demanding and sophisticated, looking for better investment solutions. In this context, the financial institutions should seek to adapt themselves to the requirements of the market, aligning themselves with the best international practices.

What are the main challenges or constraints in relation to improving the quality of financial services?

There is room for improving the skills in existing resources, with this investment being fundamentally at the level of technical and behavioural training.

It also is important to optimise and modernise computer systems and redefine operating processes, with the aim of operating more efficiently in terms of banking services.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

At *Banco BIC*, we seek to improve our level of efficiency, taking future challenges into account. We seek to invest in the continuous shaping of our structures, sharing training programmes and experiences with *Banco BIC Português*, in order to reduce existing weaknesses in the quality of our customer service. In addition, we consider the support of new technological tools as fundamental in meeting the needs of the most demanding customers. We are also attempting to improve the tools that contribute to increased levels of financial inclusion by offering extended products such as cards, new electronic channels and automatic payment systems.

BIC are going to create an insurance company and an asset management company

For 2015, what are the main targets and objectives of your bank?

Our future challenges, that we have as goals and objectives are, to consolidate the internationalisation of *Banco BIC*, to increase our share in the Angolan market, to increasingly position us as the preferred partner to the Angolan business community inside and outside of Angola, and also, to enlarge the marketing of new products, namely in insurance, as well as extending the BIC brand to other business areas.

Our goal is to continue to grow



Fernando Marques Pereira
Chairman of the
Executive Committee

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

The performance of the Angolan financial system in 2013 reflected the continuation of the policies adopted by banks in the past year to rigorously strengthen their provisions for credit risk. This impacted the results of banks in the system in a significant way as they underperformed in comparison to last year's net profit. It should be noted that the return on equity in most good banks has fallen in recent years, and in 2013, only six of the major banks had a Return on Equity of over 15%, which seems to show the maturity of the Angolan financial system. Regarding production, it has continued to progress within the system, with deposits and loans increasing by 16.9% and 15.1% respectively, with national currency becoming more relevant in both deposits and loans. It is expected that in the first half of 2014 this situation will improve.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

During 2013, I would highlight the lack of fiscal policy, both with budgetary impact on the demand for loans in the economy and on GDP growth which was lower than the expected levels in the National Development Plan 2013-2017 (7.1%). It should also be highlighted that the value of exports fell, due to the fall in the average price per barrel of oil. This however, allowed BNA to retain a strong capacity to intervene in the foreign exchange market, as the level of foreign exchange reserves remained at high levels and the level of public debt remained under control.

It should also be noted that the continued reduction of inflation reached an all-time low in 2013. In general, based on the indicators of the economic climate, the situation showed a positive trend in the first half of 2014, with the different sectors having evolved favourably in relation to the end of 2013. However, the construction sector continues to develop unfavourably, remaining below average rates.

How is the ongoing process of de-dollarisation advancing in the Angolan economy?

As stated well in the question, it is a process that requires economic agents to adapt and improve all of their procedures on a daily basis in order to comply fully with the newly defined Foreign Exchange Law for the oil sector.

In my opinion, the Angolan financial sector has in general, met the expectations of authorities and of operators and providers in the oil sector, offering good quality and competitive services when compared with those offered by international financial institutions. As expected, the volatility in the forex market increased, especially in the dollar, leading to greater requirements in monitoring activities conducted by BNA and in response, the market must evolve with these foreign exchanges, which will certainly happen this year.

Is there some aspect that you would like to highlight regarding the activities conducted by the bank you oversee with regard to this time period?

What should be highlighted is the positive and ongoing evolution that *Caixa Geral Totta Banco de Angola* has shown, leading to further increases in net income as in 2013 there was a growth rate of 19.1% – better than the previous year, leading to a closing result of 6,677.3 million Kwanzas, allowing us to retain our position as the fifth best bank in terms of net income, with a solvency ratio of 28%.

Also, the expansion of the physical network and the supply of goods and services should be noted, with some of these being innovative in the market, as was the case with the launch of a credit card co-branded with TAP.

In the first half of this year I have to point out that our assets exceeded the value of 200 billion Kwanza (two billion Dollars).

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The quality of service provided by the financial sector, though still with much to improve, has evolved very positively in recent years.

One should also recognise the continual widening of access channels by banks through the enlargement of their branch networks, ATM and POS networks and of electronic components (internet, mobile and tablet banking). Also, the increased amount of activities allowed in the electronic channel will certainly increase this year with the release of new features by EMIS.

The increasing delegation to banks of foreign exchange transactions by BNA will also increase and improve the level of banking services in trade finance, where the banks will continue to evolve to provide high quality services.

What are the main challenges or constraints in relation to improving the quality of financial services?

Including what was said previously, I would also highlight the training of human resources as a determining factor in the quality of services by improving the ability to respond to the needs of customers and the efficiency of these services, minimising errors in operations. There are some restrictions that still impact service quality in the form of logistics such as energy, communications and water supplies that are being minimised in terms of costs for banks that, if overcome, could have a very positive impact in reducing the costs of financial services borne by their customers.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

At *Banco Caixa Geral Totta de Angola*, we have an interest to improve the quality of services available in both customer care at branches and in back-office services as these are both very relevant in the quality of execution of operations. A rigorous analysis of complaints has constituted an excellent tool to identify areas of inefficiency, so that we may immediately set up plans of action to overcome these weaknesses.

For 2015, what are the main targets and objectives of your bank?

Our objectives for 2015 are to continue to grow in terms of results, branch networks and business centres (the strategic plan from 2013 to 2015 indicates that next year, the number of branches will exceed our current number of 28, to 50 and then to 70, between 2016 and 2018), larger commercial dimensions, and, in general, the implementation of all necessary measures to fully comply with BNA regulations in particular, regarding corporate governance and systems of internal control.

Net income rose by 19%
and we climbed to 5th place
in the rankings

A bet on internal strength



Mateus Filipe Martins
President of the
Executive Committee

How do you evaluate the results and the performance of the financial system in 2013 and the first half of 2014?

The financial sector continues to grow, although at a slower pace than in previous years. This fact is confirmed by the growth rate of financial inclusion, resulting in an increase in customer deposits of 17.46%. The campaigns promoted by BNA have also contributed to this increase. Referring in particular to “Bankita” deposits, the massive adhesion to the use of Multicaixa cards led to a number valid cards reaching 2.4 million in 2013, compared to 2 million in 2012. However, as a consequence of policies aiming for the “de-dollarisation” of the economy, there has been a large reduction in customer funds in foreign currencies and a growth of customer funds in national currency.

Overall, there has been a growth of credit in the economy of 13.52%, reaching a figure of 2,941,790 million Kwanza in 2013, compared to 2,393,104 million Kwanza in 2012, driven by the reduction of rates of return on bonds and securities. However, we note with some concern a deterioration in the asset quality of banks in general (represented by an increase in overdue loans from 286,564 million to 323,619 million Kwanzas, representing an increase of 14.41%). Regarding profitability, we have witnessed a slight increase in the net results of banking, corresponding to an increase of 2,272 million Kwanzas (2.46%) in 2013, (94,500 million Kwanza compared to 92,227 million in 2012). Despite the increase in net results, the return on equity (ROE) and assets (ROA) decreased from 12.45% and 1.56%, respectively, in December 2012 to 10.89% and 1.43% in December 2013 as a result of increased equity requirements and the volume of banking activities.

The level of regulatory evolution remains very active with the adoption of an extended set of standards aimed at making banking more solid in terms of provisions and guarantees of loans, credit risk, operational and market risk, and equity and solvency ratios. In addition, the project of adopting IAS/IFRS, replacing the current CONTIF, has just been implemented with guidance from BNA and proves to be a major challenge for most banks. In addition, there are significant expectations to understand the impacts that will result from the new

package of tax legislation (tax collection, industrial tax and taxation of employment income recently approved by the National Assembly).

What event would you regard as the most significant in the Angolan economy in 2013 and in the first half of 2014?

There are a number of factors and events that affected Angola’s economy during 2013 and the first half of about 2014. However, for me, the two events that had a profound impact from an economic point of view were: the decline of inflation and fiscal reforms. The evolution of inflation rates was of great importance for the Angolan economy, as in 2013, it had decreased from nearly 9% in January 2013 to slightly above 7.5% at the end of the year.

This trend gave strength and confidence to the economy as this trust has been largely driven by reducing inflation rates. This cascade was also triggered by a number of other factors, namely; the increase in savings and increased appetite for loans in domestic currency rather than foreign currency. The level of financial inclusion in the Angolan economy is also an important factor for the implementation of monetary and financial policies in the country. Due to the economic stability, we saw a growth in the rate of financial inclusion.

The promotion of Bankita accounts helped raise this percentage and clearly demonstrates that people now have more confidence in the ability of the Kwanza to maintain its purchasing power. The policy of de-dollarisation is essential for the financial control and for the development of the country. The money supply is directly linked to inflation, and thus the regulatory measure that has been in force since the beginning of 2014, where the importing of notes is conditioned prior to the obtaining of permits to import foreign currency, will help in limiting the amount of notes outside the control of BNA.

A proof of the success of this measure is the percentage of foreign currency relative to the money supply M3. At the start of 2013, this ratio was almost 50% and by the middle of June 2014 it had fallen to 37%, illustrating the success of this measure.

The decline in inflation also had a positive impact for borrowers with the lower interest rate on loans. The reduction of inflation also resulted in a reduction in the yield on securities such as treasury bills and treasury bonds, pressuring banks to invest more in loans to the economy, rather than in bonds. The composition of loan portfolios by currency reveals confidence in the national currency and the success of the de-dollarisation of the economy. In January 2013 loans in national currency totalled 62% of loans, while foreign currency was 38%. A year and a half later the proportion had changed to 72% in local currency and 28% in foreign currency. Despite lower interest rates, deposits in national currency increased by roughly 50%, while in foreign currency there was stagnation. In December 2013, the proportion of deposits in the national currency against foreign currency was 55% to 45%, and by June 2014 it had changed to 64% and 36%. A key factor in reducing inflation has been a stable exchange rate. Angola imports most consumer goods and the so-called imported inflation, which continued to fall as a result of the stability of the of the Kwanza/Dollar exchange rate in this period.

The quality of
banking services is
still not satisfactory

The second event that I would like to highlight is the tax reform and its impact. As oil and diamonds still represent half of the GDP and tax revenues, these areas also dominate the state's budget. The government is continuing the policy of diversifying the economy in order to reduce the weight of the oil sector by increasing agriculture and manufacturing to have other resources besides the earnings from the oil sector. Looking back to the year 2013 and to the first six months of 2014, tax revenues from the non-oil sector continue to grow, from around 25% of total revenues in 2013 to approximately 33% in 2014. With these changes, the government aims to reduce the country's vulnerability arising from its dependence on oil revenues. To boost the diversification of the Angolan economy, a set of promotional, developmental and marketing and production programmes for the support of the non-oil sector were launched, using tax and financial incentives, and other very generous stimuli. The aim of these programmes was to increase the importance and share of the SME sectors in the economy, promoting macroeconomic stability, improving employment rates, encouraging and diversifying national production and appealing to motivation, incentives and entrepreneurial spirit, especially among the young, while improving and diversifying sustainable tax revenues. In short, we can say that the Angolan economy demonstrated a good performance with more and better diversification, low inflation, and a stable exchange rate.

How is the process of de-dollarisation of the Angolan economy going?

Although not yet completed, the results of de-dollarisation by BNA, makes me believe in a success that few expected at the beginning. We should remember the Angolan economy of only a few years ago, with a high inflation rate accompanied by high levels of depreciation of the Kwanza. These factors made the US dollar the currency for current exchange and the store of value for traders. By sustaining low inflation rates at levels never before encountered in the Angolan economy and stabilising the value of the Kwanza through exchange rates, BNA was able to preserve the value of the national currency and increase the trust in the Kwanza amongst businesses. The effectiveness of this monetary policy has permitted remarkable macroeconomic stability, increasing the confidence of internal and external businesses. These results are highly visible in the portfolios of deposits and loans in the financial system that changed from being mostly composed of dollars to Kwanzas. The prudential regulation of BNA, that actively managed reserve requirements on deposits, and the entry into force of the new exchange regime for the oil industry made these results possible. Ceasing to use US dollars in domestic transactions means, also that we must seek to use it in the payment of external obligations assumed by companies and individuals. The major challenges that we are now facing are maintaining macroeconomic stability and increasing economic diversification. The investment in sectors that allow import substitution of, reducing pressure on foreign currency reserves, is critical in maintaining the process of de-dollarisation. Initial fears that the removal of the dollar from circulation would cause an informal market to develop and lead to high prices for the dollar have not.

This gives rise to another fear that is, in my opinion, the main measure adopted by BNA that contributed to the success of this programme: the fact that the central bank has been available to provide many businesses with the foreign currency necessary to comply with external obligations means that they have no need for another source of foreign currency such as that available to them through the financial system.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

I believe that, despite all of the improvements, we cannot consider the level of the service quality provided by banks operating in Angola satisfactory. There is still very large margin for improvement.

We have to however distinguish customer segmentation between “businesses” and “private”. I certainly believe that for the business segment, for the level of service that they receive, the fact that it is already capable of being more individualised demonstrates signs of a higher-quality service.

The banks have made huge investments in recent years, particularly in the expansion of their branch networks, the adoption of new access channels to banking and the strengthening and improving of internal processes and procedures. These investments have had an obvious impact on the private sector, particularly in the growth rate of financial inclusion amongst the Angolan population, thereby improving the financial literacy of customers and their perception of the quality of services provided to them. The Angolan banking sector already offers its customers the possibilities of a level of interaction with their services that is among the best in Africa. However, customers still prefer to interact with their bank through branches and the network of Multicaixas. It is by the level of services provided by branches and Multicaixas that customers judge the level of quality of service that banks provide them with. Factors such as quality (efficiency of procedures and effectiveness of results), friendliness of service, availability of cash upon request and quality of information provided are all important to customers. It is at this level that the Angolan banking sector is, and will always have, some improving to do.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

This is a service industry and in this type of business in Angola there are, in my opinion, two key factors to improve customers' perception of the quality of service that is supplied to them by banks:

- 1) To improve processes and procedures, orienting them towards the various customer segments and their needs. This customer orientation entails improving compliance policies and procedures, which are increasingly attentive and sensitive;
- 2) The fundamental factor: Human capital. Given the rapid evolution and growth of the banking sector there has been a struggle due to a huge lack of qualified and experienced employees. The enormous mobility of HR has become unstable and does not allow teams to establish models of integrated human resources management.

What hinders the adoption of developmental programmes is the technical training of employees, particularly in commercial and operational areas, which would allow them with a good spirit of service effectively to provide excellent customer service. A solid model of corporate governance, quality, motivation, preparation and training of human resources coupled with a rigorous following of standards of compliance procedures and their application to the needs of customers, are in my opinion, the key factors in improving the quality of banking services.

For 2015, what are the main targets and objectives of your bank?

For the year of 2015, in addition to the efforts aimed at the expansion of our branch network and the diversification of distribution channels, we will continue working on the adoption of policies focused on strengthening the cohesion of already consolidated teams, while also continuing to build new teams. Without motivated, committed and cohesive teams it is difficult to expand and standardise a philosophy of customer service that would make a difference. The continuous improvement of our computer infrastructure and the entirety of our business support structure are crucial to improving the quality of our services. We will continue to refine our mechanisms of corporate governance, anchored in compliance with the best international practices, whose epicentre is the preservation of customer deposits, as they are values we want to see strengthened that will always accompany us. We are aware that there will come a time when the vast majority of customers will not choose their bank due to the noise of advertising or decoration of windows, but rather by assessing the robustness of key indicators and ratios, and the financial soundness of the institution.

In 20 years, a million customers



Emídio Pinheiro
Chairman of the
Executive Committee

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

A key indicator of the performance of the Angolan evolution of deposits and of the de-dollarisation process. Total deposits grew by 15.8% and in the first half 2014 they achieved a growth of 9.3% (18.6% when annualised). At the same time, deposits in national currency represented 55% of total deposits at the end of 2012, reached 62.3% in 2013 and in the first half 2014 had already achieved a weight of 64.3%. Therefore, we can see significant advances in the financial system is the as I've said, it is very important de-dollarisation process. Banking data has also been very relevant. If we take EMIS's statistics into account for the year of 2013, the number of valid Multicaixa cards exceeded 2.4 million and in the first half of 2014 it reached 2.752 million, representing a growth of 11.8% (23.6% when annualised). The network of ATMs grew by 15.9% and the TPA network grew by 34.7%, approaching 32,000 TPAs installed. By the close of the first half of 2014, we already had 38,704 TPAs installed, representing a growth rate of 22% (44% when annualised). Regarding ATMs, we saw a growth rate of 5.2% (10.4% when annualised). These are very impressive numbers that reflect the dynamics in growth and improvements in the accessibility of the Angolan banking system.

How is the process of de-dollarisation of the Angolan economy going?

The process of de-dollarisation was reinforced throughout the year with the implementation of the new exchange rate regime in the oil sector. This new scheme, which aims to internalise capital flows generated by the oil industry, requires the intermediation of payments through financial institutions based in Angola, with domestic payments being made in Kwanzas. The higher the levels of domestic currency – the Kwanza – in our economy, the greater the capacity and effectiveness of the central bank to exercise its functions of defending the national currency and protecting the financial system.

About three years ago, in early 2011, the proportion of loans in the economy in the local currency was 37%, and at the end of March 2014 it stood at 64%. We also saw significant advances in the de-dollarisation process, which, as I've already said is important for sustained and balanced growth in the economy.

Is there some aspect that you would like to highlight regarding the activities conducted by the bank you oversee with regard to this time period?

The year of 2013 was very challenging and stimulating for the BFA team. Firstly, because it commemorated the 20 year anniversary of our establishment, at a time when we reached the milestone of our first million customers. Secondly, due to the recognition by our customers and the specialised press, BFA received a record number of awards such as the Best Bank in Angola (Melhor Banco de Angola). We are a reference in the Angolan market for dynamism and strength:

The BFA Fortress:

- Return on Assets: 3.0%
- Return on equity: 31.6%
- Cost-to-Income Ratio: 39.9%
- Regulatory Solvency Ratio: 25.8%

Briefly, in December 2013 our network of branches totalled 175 points of service (151 branches, 16 corporate centres, 8 investment centres). Our number of customers reached 1,192,513, and our number of employees increased to 2,428. We also reinforced our segmentation strategy with the deepening of our value proposition for companies in the oil sector. We also focused on the creation of enterprise centres for Oil & Gas - Vendors, ensuring an adequate response to the specific needs of providers of services to companies in the oil sector and the consolidation of the structure of our Oil & Gas business centres - Operators, directed at operators, maintaining an excellent level of service. The year 2013 also marked the beginning of a new dynamic in the communicating of our products and services through the restructuring of our website, which included new and more attractive features.

BFA has had a complaints handling unit since 2012

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The quality of service in the financial sector has improved steadily over the years, especially in the provision of solutions for customers. For example, this can be seen in terms of automated banking, transactions/payment services in Multicaixa, card offerings, solutions and protocols for employees of companies and telephone service lines. In addition, regulation and central bank activity in the business process area and in the monitoring of customer complaints came to establish a new priority in the management of banks, issues within service quality and customer service.

A lot of work still needs to be done in order to develop this matter, leaving room for improvement particularly in terms of improving the culture of service and guiding the customer with the care provided.

What are the main challenges or constraints in relation to improving the quality of financial services?

A major challenge continues to be the creation of a financial culture for customers to reduce the number and volume of cash payments and begin to use other payment methods such as electronic ones, which are more convenient and safe. There is also room to encourage the use of *Multicaixa*.

It is a process that is parallel to the increasing formalisation of the economy in which the financial institutions, on the one hand, have to increase their capacity in terms of offering means of payments, with the availability of more ATMs and TPAs, and on the other, companies should invest in improving management tools as a method of overcoming the difficulties in lending by banks that still persevere.

Finally, the lack of basic infrastructure (electricity and communications), despite the significant improvements in recent years, still has repercussions on the operations of banks in their network of branches.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

Improving quality is a major objective for BFA. Due to this, a number of initiatives were introduced to improve knowledge about the reality in which it operates, and thus, to allow for the development of quantified strategies.

One of the areas in which we place more importance has been around the management and treatment of complaints. Since 2012, BFA has had a complaints department, which reflects our commitment to improving our practices and service quality. Customer complaints are an important indicator for detecting breaches and implications with regard to operational risk. Also, throughout 2013, we have made major investments in IT areas, including the implementation of a new front-end support system for marketing activity developed under the "eMudar@ BFA" project; enhancing security and mechanisms for controlling operational risk; deepening transfer and payment systems; developing support systems for business growth and risk control in BFA.

For 2015, what are the main targets and objectives of your bank?

We intend to keep the BFA as the bank of reference in Angola, whether in relation to innovation and customer services, or through capital strength: together they generate the trust needed by customers, allowing us to lay the foundations of our growth objectives.

Ten years of focusing on quality



Rui Costa Campos
Chairman of the
Board of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

As in previous years, in 2013 the Angolan financial system experienced gradual growth, mainly influenced by the macroeconomic stability and the adoption of effective monetary policy instruments. The banking sector continued to be highly attractive with an annual increase in the level of assets of 12%, deposits of 17% and loans to the economy of 16%. For the first half of 2014, the same growth trend continued, with the exception of deposits which had reduced by 9% in May 2014 (compared to December 2013).

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

In this period several relevant events were recorded in the Angolan economy, with particular reference to the:

- Reduction in the required ratio of reserves in national currency to 15%;
- Entry of the new Kwanza coins and notes into service (banknotes and coins) and the marketing of it outside the country;
- Approval of the presidential decree authorising the operation of the *Angola Stock Exchange*", and the appointment of its board of directors.

How is the process of de-dollarisation of the Angolan economy going?

The process of de-dollarisation in the Angolan economy is positive and has shown encouraging results that can be seen with the gradual reduction in inflation, the appreciation of the national currency and the stability of the financial system. To further such a process it is important to focus on increasing national supply and the diversification of the economy.

Is there some aspect that you would like to highlight regarding the activities conducted by your bank with regard to this time period?

In 2013, the bank completed 10 years of operating in Angola, and had the following performance indicators

- Gross operating income showed an annual growth of 22% and the efficiency ratio (cost-to-income ratio) improved from 60% to 54%; The number of customers increased by 21% and its resources by 15% as a result of the new model of commercial activity;
- The marketing VISA cards (Gold and Classic) commenced;
- The start of commercialising VISAs (Gold and Classic);
- Creation of the Oil & Gas office for personalised service firms in the oil sector, gas sector and their derivatives;
- Under the policy of commercial expansion, it should be noted that the bank is present in 14 of the 18 provinces of Angola.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The quality of service in the financial sector is measured by the level of customer satisfaction. In the Angolan market, the growth of the banking network has contributed to the homogeneity of the market in terms of dynamism and competitiveness of banking. Another aspect to highlight is the ongoing modernisation that has been observed, with a positive and qualitative impact within the Angolan society.

The bank is present in 14 of the 18 provinces in Angola

What are the main challenges or constraints in relation to improving the quality of financial services?

The biggest challenges or constraints in improving the quality of the financial services relate to the training of human capital and technological innovation. Other variables that may influence improvements to the quality of financial services are the enlargement of the commercial network, the continued strengthening of regulations applicable to the domestic financial sector, the sophistication of the products offered and the diversification of investment and saving options.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

Banco Keve has had a quality and organisation department since 2012. This control aims to ensure that our services are provided with quality and excellence to both internal and external customers. To improve the quality of services provided, the bank has focused on the training of its human capital, internal communication and the greater diffusion of products and services, including their features and benefits.

For 2015, what are the main targets and objectives of your bank?

For the year 2015, the bank has as strategic objectives the consolidation and expansion of activity and continuing to treat the customer as the principal asset, maintaining its fundamental objective to build an increasingly transparent and solid bank in terms of service provided to its customers.

Merging commercial and investment banking



Adriano Carvalho
Executive Director

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

Despite the difficult context of the international scene, with direct reflections upon economies that are highly dependent on stable global markets, the Angolan financial system had a very positive performance over the past 18 months, apart from the lower investment flows and aggregate business. After the “euphoria” of the early years, when the climate of war in Angola which was present for decades was overcome, and with the achievement of political and institutional stability that allowed democratic practice within a broad party-based spectrum that represented the nation, a new level of maturity was achieved. This required all stakeholders to have distinctive and innovative answers, with more demand to match the real needs of the people in the country’s development in a context of growing deposits and loans.

In parallel, there is a need to follow this with the implementation of technical and supervisory improvements. For example, the introduction of the International Financial Reporting Standards (IFRS), which promote greater scrutiny of accounts by the regulator and customers, with regard to capital and provisions of banks. Against this backdrop, and as observed in other markets of this type, this will lead to the beginning of a phase of consolidation and mergers. In short, I see a safe and promising road ahead. In terms of the market, I would like to highlight the recent downturn in oil revenues, but also the measures of the Angolan Executive to increase production, with the preparation of nine more oil blocks, ongoing drilling, the construction of the refinery in Benguela and the resolution of the problems with Angola LNG. We are therefore talking about large investments that will have a positive impact on the economy, by having a multiplier effect on an extensive national production chain

What event would you highlight as the most significant in the Angolan economy in 2013 and the first half of 2014?

The most striking events of 2013 and the first half of 2014 were the slowing down of economic growth, the continuing of the process of “de-dollarisation”, the BES-BESA case and the fact that the Angolan economy reached a historical high in 2014, in which half of the GDP originated from sectors unrelated to oil activities. This situation is in the general context of continued general – and fundamental – public investment in the national infrastructure such as in roads, bridges, the national grid, sanitation, water, the promotion of niche businesses that facilitate the creation and development of trade and in domestic industry. I would also highlight the investments in national entrepreneurship and training. It is important to note that all of this occurs within a framework of political stability, which is crucial for the decision-making abilities of companies at the time of investing their capital.

How is the process of de-dollarisation of the Angolan economy going?

I believe that it has proceeded as planned. That there are still many adjustments to be made, but on balance, the main objectives are being achieved. The previous model of “de-dollarisation” was inefficient and did not fit well with the designs of growth and national sovereignty. The trend of “de-dollarisation” reduces some risks associated with the possession of the American currency - risks associated with the current monetary policy of the US Federal Reserve, and enables the inclusion of this essential money supply in the domestic financial system, contributing to the promotion of the national economy. Parallel to and in unison with the process of “dedollarisation”, I would highlight the significant changes in financial regulation, aimed at promoting greater transparency and control of financial flows out of the country. This also gives a surrounding context of legitimising those flows and preventing possible cases of money laundering, capital flight, and the combating of terrorism, a preoccupation that is widespread internationally.

The challenge is implementing the Best World Practices in Angola

In this area, the advances in terms of mechanisms and processes were very good, to the extent that in recent years, Angola has almost become aligned with the rest of the international community, allowing Angola to assume a position of leadership within a regional context.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

After the first few years where *Banco Kwanza* was almost a dedicated investment banking entity, *Banco Kwanza Invest* has been undergoing a major restructuring that will combine investment banking with commercial banking activities, providing an opportunity to expand further and provide solutions that are more responsive to the needs and expectations of our current and future customers. In addition, our strategy fits the requirements that have been dictated by both national developments and the demands of public and private investors.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The level of services is, in general, far superior to what it was ten years ago, but I think that we can still greatly improve – and we will continue to do so as financial institutions continue to modernise and professionalise their activities, responding to the increasing levels of sophistication and requirements of customers. The challenge we now all face is how best to serve the various segments of the market in the most effective and efficient form in terms of costs. It should be noted that although the movements shown by the banking sector are exhibiting positive signs, with citizens searching for banks to make deposits in, we still have a long way to go.

For you, what are the main challenges in or restrictions on improving the quality of financial services?

The biggest challenge is the capability (or difficulty) of implementing some of the best world practices in a national context considering that the financial sector is predominantly operating with cutting-edge technology. The import, implementation and the dissemination of know-how also remain as key challenges of any developing economy, and Angola is no exception.

The costs involved, the processes, the training of people and the regulation and legislation involved, in an economy that would like to stay competitive and occupy a leadership position in Africa, are aspects that should be addressed by the various stakeholders through creating a mechanism that is capable of promoting modernisation at the lowest possible cost.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

Various measures have been (and are in the process of being) implemented to improve the quality of services available. Within this, it should be highlighted that a substantial investment has been made in information technology, communications and identification of talents that can share not only specific knowledge of the material, but also, instil a company culture to respond to the expectations of customers in an appropriate manner. Other key factors for the success of financial organisations – and we are no exception – are the unfaltering inherent credibility that is essential for investors, authorities and the public in general, the transparency of our operations and the adherence to the principles outlined by the Basel Accord. With these factors, the banking system is likely to be more resistant to financial shocks. BKI acts in accordance with the standards proposed by both international and Angolan organisations and acts in a context of modern corporate governance criteria, excellence and in accordance with the best world practices, which are essential for the success of businesses.

For 2015, what are the main targets and objectives of your bank?

Broadly speaking, to position Banco Kwanza Invest in response to the expectations of our customers with high levels of rigour and satisfaction, and also, to take advantage of market opportunities, in a profitable and competitive way in the areas in which we operate.

Leaders in Angola Investe



**António
Gaioso Henriques**
Chairman of the Executive
Committee

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

The Angolan financial sector has grown substantially and contributed increasingly to the development of the national economy.

Between 2013 and 2014, we have continued to witness a strong expansion in the network of branches of many banks, businesses and insurers as they attempt to expand both their distribution network and their supply of products and services. This, in turn, has contributed to the growth of financial activity as well as the increase in the level of the banking population. In this period, we have continued to witness the cleaning of balance sheets of some of the major banks, leading to negative impact on their results. In addition, the initiatives of the National Bank of Angola (BNA) should be taken into consideration. These include the introduction of new regulations to increase transparency, improve management and strengthen the banking system.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

We would like to highlight the implementation of the new exchange rate regime in the oil sector. This represents an important opportunity for the Angolan financial sector as it will introduce greater flows within the economy, which will in turn, contribute to strengthening the Angolan banking system.

As expected, this new law gave rise to both a primary exchange market and a secondary exchange market that allows the participation of smaller banks, such as Banco Millennium Angola. However, these smaller banks are more efficient in trade finance operations and this law no longer limits them to foreign exchange auctions and as a result, they can more ably serve their customers with greater access to foreign exchange.

How is the process of de-dollarisation of the Angolan economy going?

With the changes to the exchange rate regime that BNA implemented, the process of “de-dollarisation” has been accelerated in the Angolan economy and the exposure of the US dollar in the balance sheets of Angolan companies has been reduced. In addition, the stabilisation of the value of the Kwanza against the US dollar and the reduction in the inflation rate has led to a greater confidence in the domestic currency, with positive consequences for banks. The Kwanza has become the main currency for the savings of both companies and households. This has led to a widening in the duration of deposits, allowing for greater consistency in financing from banks and further support for the development of Angola’s economy.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

There are various aspects regarding the activities of the bank which deserve to be highlighted:

- Banco Millennium Angola (BMA) has continued with its programme of expanding its commercial network by opening 6 new branches. With this, it reached a total of 85 branches by the end of the first half of 2014, with 50 of these branches being open on a Saturday morning from 08:00 till noon. In addition, seven company and corporate centres – including one designed specifically for the oil industry – and seven prestige centres have been opened, with the prestige centres exceeding expectations. The expansion and segmentation of our commercial network has leveraged the increasing strength of our customer base which has risen to almost 500 thousand people with significant growth shown in comparison to last year;
- The bank has also continued to launch new products and services that include: various savings products aimed at specific customer segments; five new Visa debit cards for individuals and businesses; mobile banking services through updating the iPhone app; leasing and factoring; the sale of life and vehicle insurance through partnerships with insurance companies; personal and vehicle loans; internet banking with the bank's developed "straight-through processing" and achieved certification in accordance with ISO 25010; a call centre which is to be introduced shortly with the objective of being closer to the customer; and the most recent campaign, the "Sou+Millennium" scheme which is designed to reward customer loyalty.
- As part of the Angola Investe programme, the bank has become prepared to develop its systems and training of employees in accordance with the needs of this highly strategic programme that is focused on stimulating national entrepreneurship and believed to be capable of changing the Angolan business environment. As a result of this strong commitment, Banco Millennium Angola is the leader in the Angola Investe programme in the number of cases of approved finance and implemented financing, as well as the amount disbursed.
- In terms of training, BMA believes that while In conclusion, for the period in question, BMA has had a significant growth rate through an increase in commercial capacity, both in terms of branches and well-trained professionals. This has led to a strong development in terms of products and services that are offered, allowing them to increasingly support the economy. This has translated into growth in the granting of loans, deposits and transactional activity in the system that is far above its "natural" share. Finally, with controlled operational costs and risk levels, this has allowed us to provide interesting levels of returns to our shareholders.

BMA's call centre service will be launched shortly

How do you evaluate the level of service in the financial sector, and how do you feel that it has evolved recently?

Knowing that the rate of banking within Angola is still low in relation to the population of the country – only 20% of Angolans have an account with a financial institution – financial education is a key factor in determining the depth and stability of the financial system.

With its network of branches that ensures a strong national presence in all provinces, Banco Millennium has made a positive contribution to the banking penetration of the country.

However, despite the strong growth rate of its commercial network, there has been a major effort by the bank to maintain its levels of customer service in relation to the market average. This has been done by constantly developing its information (IT) infrastructure, through training its teams of professionals and the development of their remote channels, allowing for increasingly easy access for BMA customers.

What are the main challenges or constraints in relation to improving the quality of financial services?

With the growth of the Angolan economy and the banking market on the one hand, and the changing paradigm of banking activities on the other, banks will be required to assume increasing levels of risk in a highly competitive environment that faces generally declining results and margins.

In Angola, the challenges of economic growth are associated with the diversification of the economy, the acceleration of the financial inclusion process, the ability to manage risks and the attraction of capital and investment. These factors are crucial for determining the consolidation of the sector, in addition to the continual reinforcement of mechanisms for risk management of loans and the mitigation of operational risks.



In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

BMA is attentive to the needs of its customers and is keen to consistently improve the quality of service provided, motivated by the effects that this may have. The bank has implemented various systems of information regarding the quality of its services such as the management of customer complaints and surveys, handled through an external entity. This information is then analysed and considered an important factor for improving the level of service provided and the treatment of its customers' specific needs. With this, it has developed products and services to the same rigorous extent. Certain examples of these services include mobile banking; achieved through updating the iPhone mobile app version, the implementation of call centres; which will be launched soon and internet banking. In addition, the bank has developed the capacity to conduct "straight through processing" - an international and domestic electronic payment system - through Millennium Angola's website that has received a certificate of software quality in accordance with ISSO/ IEC 25010 from two software companies, ISQapapve and SQS Portugal. We believe that systems with high quality software are very likely to be a way of successfully improving the quality of services delivered by Millennium Angola. However, the training of our employees is also a key factor in improving the quality of service that we deliver. As banking is all about services, and services are all about people, only a motivated and well-trained team is capable of achieving levels of customer attendance that are excellent.

For 2015, what are the main targets and objectives of your bank?

The bank's strategy continues to be focused on growth, gaining market share and becoming recognised as "the bank", rather than just "another bank", with a focus being placed on the customer as a primary objective. Managing and maintaining adequate levels of customer service in a rapidly growing commercial environment requires an additional capacity to re-invent our structure at any point and to improve our processes and internal systems. This will provide an ability to maintain an agile, flexible and reliable structure.

BMA will continue to develop remote channels as an important gateway for the bank, providing a simple, but effective, way to present the existing range of products and services. This will permit all types of transactions that allow for the migration of customers to these remote channels, solidifying BMA's position at the front line of innovation.

In addition, we are very aware of the latest developments in the capital market and in response, we are already investing in systems, training employees and preparing operations so that we may remain at the forefront of market transactions.

For 2015, the forecasts are very ambitious and depend on the continued growth of our market share, through offering dedicated and innovative products and services, achieving excellent levels of customer service and increasing the level of sophistication in the management of risk and control of costs. All of these, while still maintaining adequate levels of profitability for our shareholders, are our main goals.

Increasing capital and internationalisation



Mário A. Palhares
Chairman of the Board
of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

In 2013, the Angolan economy continued to grow at a good pace, with GDP growing by 7.4% despite a slight contraction in the most significant component of their GDP, the oil sector, of 0.33%. This growth has arisen from the strong performance of the non-oil sector, which achieved a growth rate of 11.5% in real terms as there was a significant focus on improving the basic infrastructure in various divisions of the non-oil sector, funded through public investment. The government has also taken encouragement measures, providing private initiatives and conducting macroeconomic reforms, and in particular, we highlight the Angola Investe programme. The main aim of this activity is to diversify the Angolan economy through strengthening micro, small and medium-sized companies, giving them the capacity to generate employment and contribute to economic growth. At the end of 2013, the inflation rate reached a historical single digit figure of 7.7%. As a result of this, in the first half of 2014, the monetary policy implemented by the National Bank of Angola (BNA) has been focused on reducing the levels of inflation in the economy. The result of this should be that interest rates will tend to decrease while the financing of the economy should become more competitive. The ratio of obligatory reserves in national currency has fallen from 20% to 15%, providing additional liquidity to many financial institutions, contributing positively towards levels of financing within the economy, with the Kwanza as the preferred currency for transactions within Angola.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

The appointment of the Board of Directors at BODIVA and the future requirements of the capital market during the year present significant challenges for the Angolan banking industry. These challenges will arise for the banks through either, the modernisation and adapting of their service offerings, or, through the range of products that are available, while still continuing to establish themselves as alternative sources of financing.

How is the process of de-dollarisation of the Angolan economy going?

The “de-dollarisation” of the Angolan economy and the entrance of the new exchange rate regime in the oil sector have compelled oil companies to pay their debts and domestic suppliers in Kwanzas. , this has increased the amount of national currency that is currently in circulation in the domestic economy, while it has also improved the level of integration of the oil sector within the economy.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

Through setting up medium and long-term credit lines with Commerzbank, we have managed to finance industrial projects in the country and increase the share capital of BNI to 150 million dollars on 31 March 2014 (a capital increase of 87 million dollars). This increase has allowed us to improve our capacity to operate in the market, consolidate our equity and gain greater national and international visibility. We have recently set up Banco BNI Europa in Lisbon, which will focus on private banking and corporate finance while also operating in the fields of trade finance and consulting, strengthening the links between Angolan companies and their external business partners. We also participated in several structured operations that are focused on the financing of the economy. The particular transactions that we would like to highlight are the financing of the acquisition of the new fleet of TAAG and the signing of an agreement with IFG, a subsidiary of the World Bank. This agreement is a GTP, or Global Trade Finance Program, focused on increasing production, business and distribution in Angola, and is composed of a 25 million dollar credit line. This will allow us to support small and medium enterprises through trade finance, while also supporting the corporate customers of these businesses.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The Angolan banking sector has been making an effort at both an organisational and functional level with the introduction of AML (Anti Money Laundering) measures, compliance and the future introduction of various other measures. These have been implemented with the assistance and support of the National Bank of Angola; acting as the system's quality control supervisor while following international best practices. We are witnessing a market that is becoming increasingly demanding and competitive, forcing banks to constantly innovate and increase the quality of services provided. This will be achieved through increasing their range of products, improving customer service and investing in new technology as a means of growth and innovation.

What are the main challenges or constraints in relation to improving the quality of financial services?

Improving the quality of financial services will always be done through training and investment in new technology. In doing so, this will allow Angolan banks to rub shoulders with some of the biggest international banks in Angola through modernising services and new products that will be available. In addition, the establishment of partnerships and international lines of credit will open the door to the possibilities of structured transactions, giving rise to an alternative means of financing.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

Our medium size requires us, in such a competitive market, to constantly and consistently improve our range of products and service quality through investment in the continuous and permanent training of our employees. This, in turn, will provide us with the means to find innovative solutions that meet the needs of our customers. We are an agile bank and we would like to continue to develop the relationship we have with our customers.

We continue to give priority to the internal reorganisation and restructuring of our customer service teams, as well as the continuous expansion of our sales network, which already has a total of 86 branches. We recently launched an innovative product in the market called Multibónus which is applicable to both existing and future customers with BNI Visa and Mastercard cards. This service allows customers to receive discounts on immediate payments when conducting business with Multibónus vendors and these cards. The service has been well received, with good membership levels that have been meeting the defined growth forecasts.

For 2015, what are the main targets and objectives of your bank?

The Angolan financial sector is currently undergoing a phase of restructuring, either through the economic developments of the country or the entry of new players from the international matrix. This has led to greater levels of professionalisation and specialisation of banks in general, with BNI being no exception. The availability of new products, such as leasing, factoring and renting, investment banking – with a particular highlight in project finance – and the future introduction of capital market requirements will give rise to new channels of financial access and funding. We will continue to invest in future technologies and we plan to create and consolidate an oil & gas insurance company. We will also continue to adapt our structures to meet the demands of future challenges and regulation.

**BNI and
Commerzbank,
with a line of
credit to industry**

A bank with a presence in 89 municipalities



Paixão Junior
Chairman of the Board
of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

With inflation at decreasing rates since 2011, BNA have adjusted their policies in order to implement a more accommodative monetary policy, while also achieving significant structural changes. In the case of the new operational framework regarding monetary policy that has been in place since 2012 and the new exchange rate regime in the oil sector that has been gradually adopted throughout 2013, the general flows of this sector will now be transmitted through the Angolan banking system.

Monetary policy has become less restrictive during the past year, with BNA reducing its reference rates and the ratio of required reserves of deposits in domestic currency several times. In July 2013, it decreased from 20% to 15%, and then subsequently to 12.5%. The exchange rate has remained stable and the inflation rate achieved a slight decrease with a historically low rate of 6.89% being achieved in June 2014. These developments have eventually had a positive impact on the reduction of interest rates charged by commercial banks on loans, contributing to increased customer confidence in the domestic currency and the financial system. In this sense, the overall performance of the banking sector was positive, with the net income of the sector growing by 2.5% in 2013. This growth was a result of increases in loan income, despite the decrease in the net interest margin.

Loans granted per sector grew by roughly 13.5% in 2013. Despite this, there was a decrease in the quality of loans as the ratio of overdue loans grew by 3%, mainly resulting from the increase of overdue loans to companies. Capital indicators continued to show very positive results, with the solvency ratio standing at 19.5% by the end of 2013. This was much higher than the minimum required level of 10% as defined by the regulator.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

In 2013, we would like to highlight the growth in GDP of the non-oil sector, which has had a higher growth rate than the oil sector since 2006, reflecting the effort made to diversify the Angolan economy. As we know, this sector is generating a large number of jobs, particularly in agriculture, manufacturing and construction. For this reason, we expect that the growth of this sector will have a positive impact on the level of financial inclusion in Angola.

Project Soba widened the bank's network and promoted financial inclusion

How is the process of de-dollarisation of the Angolan economy going?

The process of "de-dollarising" the economy will allow greater control over the money supply in circulation and the appreciation of the domestic currency. However, this process should occur in a gradual manner to avoid compromising the growth rate in an economy that is still heavily dependent on imports.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

In 2013, we would like to highlight the launch of project "Soba" in the province of Cuando Cubango. This innovative project will, on the one hand, allow for the expansion of the banking sector at a lower cost, while on the other, promote the level of banking available in even the most remote communities, boosting the economies of these families and combating poverty in these areas of Angola. In 2014, project "Soba" was extended to the provinces of Huambo and Bié. Throughout 2013, the internal structure of BPC was reinforced through the creation of new areas. This allowed a response to the evolution and sophistication of the financial system and regulatory requirements, such as with the Compliance Division and Division of Investment banks.

In the first half of 2014, the bank finished updating its core system, which has enabled the conducting of activities with greater speed and security, while also meeting the minimum requirements needed to fully adopt the international best practice standards in the future (IAS/IFRS). In this period, the bank opened 32 new branches, extending the geographical coverage of BPC to 89 municipalities in the country and allowing for major developments in terms of electronic services. In relation to human resources, an important aspect to emphasise was the qualitative changes resulting from a process of careful planning and the implementation of a more comprehensive training regime.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The quality of banking services in Angola has almost reached the level of those shown in more mature markets. The banks have made a significant effort to improve the quality of services provided, namely in the development of products and services that are more adjusted to the needs of customers, the adequacy of processes and systems with the objective of ensuring greater efficiency in communication, and the development of competencies in their employees. However, there are still some gaps at the customer service level, resulting from insufficient technical training and the behavioural skills of a large percentage of banking employees, both in terms of execution of operations and in terms of operational inefficiencies.

What are the main challenges or constraints in relation to improving the quality of financial services?

There are two major challenges in improving the quality of banking services. Firstly, there is a need to implement a business strategy that understands the expectations of customers and that can anticipate their needs appropriately, supported by a back-office model that can guarantee adequate levels of customer service that meet market requirements. Secondly, a human resource management model should be designed that is able to attract, motivate and retain employees, providing them with the technical and behaviour skills that will allow them to deliver an excellent service.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

The bank is developing various projects with the primary objective of increasing the quality of customer service and the geographical scope of BPC through the expansion of its physical network and the alternative channels available to their customers. BPC has defined an ongoing strategic information systems plan (Plano Estratégico dos Sistemas de Informação or PESI) to improve the operating efficiency, quality of information and the quality of service delivered to the customer. In this sense, it should be highlighted that the updating of the core system and the implementation of a Customer Relationship Management service (CRM), gives a greater understanding of customers and allows products to be adjusted according to their needs. In relation to human capital, the bank is implementing a set of actions that will allow for a sustainable form of human resource management and training of employees.

Particular importance is being placed on training, both technical and behavioural. In 2013, the total investment in training was approximately 5.7 million dollars.

For 2015, what are the main targets and objectives of your bank?

In the next year, the bank will continue to focus its efforts on the diversification and innovation of its products, on the adequacy of processes and technological solutions and human resource training, aimed at improving the quality of services provided, productivity and profitability of the institution.



With 500 million dollars in equity



Carlos da Silva
Chairman of the Board
of Directors

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

Since the financial crisis in 2007, the domestic and international financial systems have faced various challenges year-on-year, with 2013 being no exception. The domestic market has shown a slight decline in net international reserves compared to 2012 and an increase in the volume of business conducted by the financial system, as highlighted by the increases in credit conceded and funds raised.

In addition, the process of “de-dollarisation” has been continued in the domestic economy, along with a stable exchange rate policy. These measures, executed by executives and regulators alike, have allowed a continued decrease in the inflation rate, which recently fell below 7%, and a gradual decrease in the reference rates of the financial sector. These initiatives, coupled with a highly competitive environment, have created pressures which have led to a progressive decrease in the financial margins of banks, impacting the profitability of the sector, and consequently, the net results and liquidity of the financial system. In parallel with the decline of financial margins, the percentage of loans in default has also risen, obliging banks to strengthen their doubtful debt provisions. Due to these provisions, further pressures have been placed on the declining results of the sector.

The first half of activity in 2014 exhibited the same parameters as in 2013, with very few changes.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

There were a number of factors which contribute (in our opinion) towards the most remarkable event of the national economy in 2013, which has been the continued and accelerated macroeconomic stability. These factors include:

- The positive impact of the new exchange rate regime in the oil sector, which had its biggest impact in 2013, increasing the liquidity of Kwanzas and the predominance of the Kwanza over the US dollar.
- The circulation of new Kwanza notes with a higher face value (the entire process was conducted by the regulator in an exemplary manner, having a big impact on the level of currency in circulation) helping to boost confidence in the national currency as a store of value.
- The continued monetary and exchange rate policies allowed maintained, progressive reductions in the inflation rate, which recently reached a historically low level of 6.98%.

How is the process of de-dollarisation of the Angolan economy going?

We understand that the process of “de-dollarisation” has been in progress for several years and is running well in terms of accomplishing its primary objectives, in particular, the control of inflation rates and the reduction of demand for international currencies.

As with any other developing economy in the world with high levels of imports, the process of “dedollarisation” and the control of exchange rates create certain adverse effects on the economy. We highlight in particular, the increasing difficulty for businesses and investors in the tradable sector, as they are more exposed to imports and as a result, will lose their competitive edge as a result of the real appreciation of the national currency. We believe that regulators and executives are aware of this situation and that they are capable of managing it in a balanced way, enhancing the competitiveness of the national economy and its stability in a macroeconomic sense.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

The achievement of attaining a national dimension, with a presence in all the provincial capitals of the country, is something that we would like to highlight from 2013. With this extended presence, Atlântico has managed to gain the ability to serve businesses and families all over the country. By opening business centres, we have developed our programme of financial literacy, contributing to the policies pursued by the National Bank of Angola (BNA) to increase banking rates. Due to this growth, and the desire to maintain the current service levels provided for our customers, we created a "bank counter school", an education space where the activities and culture of our bank can be explained, with rigour and excellent service, to our customers. In order to achieve this scale and capacity to intervene in the national economy, we highlight the increase by our shareholders in our share capital by 150 million dollars. This increase in capital leaves Atlântico with almost 500 million dollars in equity, and a platform that allows us to participate in projects relating to the national economy on a greater scale.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

Our financial system has evolved at a steady rate and at a considerable pace, taking certain steps towards converging with the best observed practices that are used in more mature markets.

The investments by various banks have already had visible results. This has been seen through the development of their distribution network, the provision of a targeted service and the increasing availability and convenience of services, namely through non-visible channels.

In addition, the banks, in conjunction with BNA and EMIS, have taken important steps to improve the availability, quality and safety of financial services.

These factors have had a positive effect on the quality of service delivered to customers.

There is still a large margin for improvement, but the trajectory of what has been achieved is encouraging and should satisfy various participants in the sector.

The creation of the "*balcão escola*" to shape and transmit the culture of the bank

What are the main challenges or constraints in relation to improving the quality of financial services?

We think that the financial system has known of, over the past few years, the need to proactively anticipate growing market requirements.

In addition, the requirements of the market have also highlighted certain challenges that the sector will need to overcome:

- The expansion required in terms of the number of customers is one obstacle in particular that should be highlighted. This expansion has created elevated requirements for banks, namely in the extent of growth required in the banking network, the recruitment and training of professionals, and the development of complementary channels and of online banking, amongst others. The struggle of promoting banking amongst the domestic population is an unavoidable reality and is part of a structured mission that is being coordinated by regulator. We believe that this challenge will still exist in the future, especially as Angola has a young and growing population, which will bring some hundreds of thousands of new customers to the sector year-on-year. In addition, these customers will be adapted to new technology, and as a result, will have a tendency to be more demanding. We think that information technology, particularly online banking, will play a key role in the continued growth of service quality, while at the same time, promoting banking activities to the population.
- Another challenge is the supply of new financing means to companies. Until recently, domestic companies had two options to realise their investment projects: through exclusively using their own equity or through resorting to some extent of bank financing. In the past few years, regulation and the market have allowed the number of financing options to increase, initially by setting up banking syndicates, and more recently, with complementary capital options, such as issuing bonds, or the formation of investment fund projects. Given these increasing opportunities, we feel that there will be additional pressures put on banks by companies as they will need to be financed in a number of new ways, and that, this will create additional challenges with banks needing to strengthen internal competencies to service these needs.
- Finally, I would like to highlight a challenge for both banks and customers. The world banking sector has been undergoing significant changes in terms of regulation, and Angola is no exception. The progressive measures introduced by regulators have required changes in the procedures and form of banking services, in order to adapt to the modifications of the legal framework of the sector. In this context, banks are challenged to constantly adapt to new rules and at the same time, the challenge of helping their customers, who must also be prepared to comply with new legal frameworks.

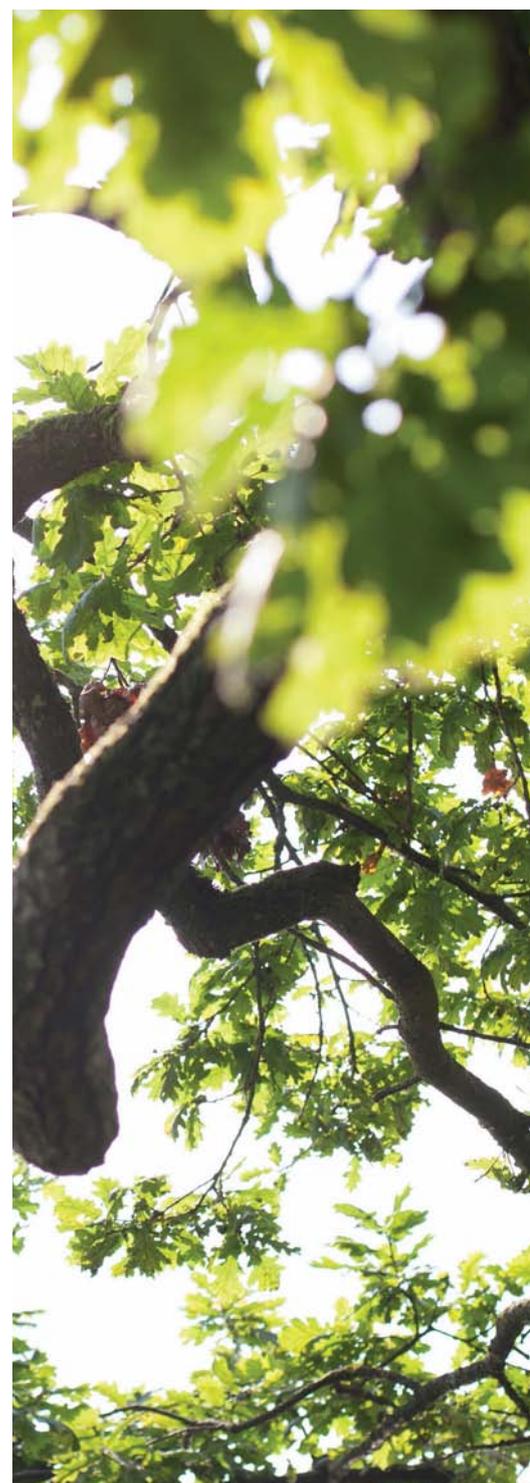
In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

The bank has internal supervision measures of monitoring and controlling its activities, including measures of operational performance for each unit, measures of performance in business evolution and performance metrics related to customer satisfaction. In addition, we implemented a “cabinet of complimentary channels” at the start of this year which, among other things, collects and provides solutions to customer complaints. The creation of better collection conditions, monitoring and feedback responses from our customers has allowed us to extract critical knowledge to further improve our value proposition. The recent award of “Best Customer Service Bank”, together with distinctions such as “Best Wealth Management Team”, “Best Investment Bank”, “Best Trade Finance Bank” and “Superbrand” created a further sense of urgency to continue our improvements and to augment our worthiness of the confidence displayed by both the market and our customers.

For 2015, what are the main targets and objectives of your bank?

Atlântico has an ongoing strategic plan which will end in 2015 that is called “Atlântico 2015”. This programme is based on the consolidation of the bank into a universal bank, improving our supply, the expansion of the network to all national provinces, the exponential increase in our customer base and the reinforcing of our service through new channels that are powered by technology.

The Atlântico team achieved all of their principal strategic targets in 2014, despite having been previously scheduled to achieve this in 2015. Amongst these metrics, we highlight the goals reached in terms of number of customers, volume of assets under management and number of Atlântico centres. We are, at the moment, defining a new programme – “Atlântico 2017” that will define our new strategic objectives for the period 2015-2017.



The pioneer of microcredit



Coutinho Nobre Miguel
Chairman of the
Executive Committee

How do you evaluate the results and the performance of the financial system in 2013 and in the first half of 2014?

The Angolan financial system, essential for national development and for the economic growth policy, has continued to show significant and decisive developments and results. The following key aspects stand out:

- The monetary policy of the central bank continued its prudent course. BNA has continued to accommodate the systematic reduction of low overall prices (inflation), and this is evident in the exchange rate stability and the moderate growth in domestic credit. In fact, after reducing the base rate throughout 2013 by 1.0%, it remained in the first half of 2014 at 9.25% (reaching 8.75% at the beginning of the second half of 2014).
- The process of de-dollarisation, which began about 3.5 years ago but was reinforced decisively this year, has greatly contributed to preserving the value of the national currency and consequently to greater strength and stability in the financial sector, and the banking sector in particular (the reduction of currency risk to which their balance sheets are exposed).
- The process of the effective implementation of a solid national capital market (as an alternative and fundamental instrument of financing the economy) was the subject of visible and decisive steps.
- The banking sector in particular has maintained and strengthened its robustness, maintaining high levels of capital, weighted by assets adjusted for risk (about 19.5% in late 2013).
- The consistent introduction and implementation, under the aegis of BNA, of the guiding principles of Basel II for financial institutions, particularly in the strategic areas of corporate governance and controlling activity risks which the institutions are implementing.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

It is difficult to identify which of all the recent important developments is the most significant. From the necessarily summarised listing above, one could say that the publication and implementation of the new regulatory framework of exchange rules for the oil sector (whose effects were fundamentally felt during 2013 and mainly include the end of the payment in foreign currency for incurred on goods and services contracted to foreign resident tax companies, alongside other specific measures of the exchange rate correction) a milestone or significant event in the overall process, and officially appointed the de-dollarisation of the economy. The clear strategic impact of the process of de-dollarisation (as mentioned above) clearly justifies this choice.

How is the process of de-dollarisation of the Angolan economy going?

The responses to the previous two questions fully support the finding that this process, rightly driven by economic and inflation authorities in the country, is of positive significance and is strategic for the development of the national economy. As already mentioned, the preservation of the value of the national currency (by maintaining a low inflation rate) is an inducing factor with greater strength and stability within the financial and banking sector in particular through reducing the exchange rate risk to which they have exposed their balance sheets- a strategic objective of the sustained development of the national economy.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

Certainly! The economic and financial performance of the bank in this period perfectly in line with the goals outlined in its strategic plan 2012-2015, validated and approved by the shareholder structure, and has been gradually and consistently pursued by the board. Here are some indicators for the year 2013:

- Net profit of the Bank increased by 16.6% over the previous year, reaching 3.4237 billion Kwanzas.
- The return on equity (ROE) and on total assets under management (ROA) stood at 23.6% and 1.7% respectively.
- Net operating income grew 23.0% compared to 2012, strongly driven by the increased Financial Margin which grew by 37.5%.
- Total assets under management increased by 13.1% compared to 2012, amounting to 205,775 million Kwanzas.
- The loan portfolio grew by 44.7% throughout the year and stood at 75,902 million Kwanzas at the end of the year, whereas credit growth in the retail segment stood at 85%.
- Also, the total of customer funds under management grew by 15.9%, reaching the 182,475 million Kwanzas by 31 December.

Moreover, due to the constant attention and focusing on both the quality and soundness of credit within the customer base, and improving the operational efficiency of the Bank:

- The total ratio of provisions on the credit portfolio loans decreased by 1.2% (and currently stands at 3.7%), even taking into account that of the total provision for doubtful accounts increased by about 9.4%.
- The overall operational efficiency, measured by the cost-to-income ratio, has shown a significant improvement from 70.2% in 2012 to 67.2% in late 2013.

Finally, in terms of the organic growth of the Bank and in investments:

- The network of commercial distribution expanded by about 16.5% compared to 2012, with the opening of 21 new business units (branches).
- The total number of employees grew by about 18.3%, to a total of 1,221 at the end of the year.
- As can be seen from our regularly published reports and accounts, the bank experienced healthy growth and visibility in the aggregate principal indicators.

Loan portfolio
grew by 45%

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The national financial and banking sector in particular, has taken decisive and visible steps to put their service levels and relationship with customers in line with the best international practices.

This assumption is clearly demonstrable both in terms of increasing quality and in the aesthetic terms and in the terms of functional physical distribution networks (agencies).

Also with regards to the provision of the so-called basic developments, both quantitative and qualitative, distribution is notorious; two examples to demonstrate this:

- A national network of ATMs today already responds either geographically or functionally almost all to the needs of consumers.
- Virtually all financial institutions have their own understandable 'sites' and have a relatively efficient way to interact with their customers and with the general public.

These findings do not mean of course, that this is a completed process. The objective of improving service levels and customer satisfaction is indeed a continuous process, and by definition, we believe, amongst all of the participants in the market, this process is failing to show progress.

The levels of individual care and satisfaction of each and every customer that relates to the different institutions or even extending the availability of additional channels for customer relationships should be increased, and especially by improving its operative efficiency, which are objectives, naturally pursued by the national financial system.

What are the main challenges or constraints in relation to improving the quality of financial services?

As mentioned above, raising the standards of individual care, both in terms of efficient operating in either the single contact (input critical levels of customer satisfaction in relationship with their institutions), alongside the availability of new and increasingly efficient and complementary relationship channels with customers are the main challenges for the different operators and that in particular Banco Sol has continuously given attention to. This is a path that has been and will continue to be followed continuously and without hesitation by the different institutions. This can be achieved through three axes of key performance:

- Continuous training of banking staff towards the evolution of the levels of care and the financial needs of clientele.
- Investment in the new and increasingly advanced operating media enablers in broader and more efficient services.
- Financial education of different clienteles, pledge for a greater knowledge of financial products and services available and the possibilities and/ or limitations in meeting the respective financial needs by the different institutions.

In your bank, what are the main measures taken in order to examine and/ or improve the quality of services available?

In the case of Banco Sol and the respective directors, continuous maintenance and increased levels of customer satisfaction with the services provided, are assumed as a strategic objective. An integrated process for managing complaints and suggestions from customers has been implemented and has been functioning regularly for many years. The collection and centralised technical treatment of all complaints and suggestions received, means they can monitor their own forum as well as the adoption of the respective corrective measures, at the organisational level and at the operating level that are often required, these are supervised and accompanied by the top management of the bank.

In addition, the carrying out of the "mystery client", with their own network distribution points (branches) is also practical to regulate the institution. Also in this particular finding and their implementation on any corrective actions that are necessary, are accompanied by the Board of Directors. As also noted above, in the previous question, the ongoing and specific training of our bank staff for the evolution of the levels of care and the financial needs of customers, has always been an integral part of the fundamental and general training plans at Banco Sol.

For 2015, what are the main targets and objectives of your bank?

In 2015 the bank will continue to fulfil and assertively follow the path and goals outlined in the strategic plan. Clearly focused on organic growth sustained in the institution:

- We will work tirelessly in order to continue to earn the trust of more customers, offering them innovative and technologically advanced financial solutions. The sustained increase in the market share of the bank, based on the quality of services, customer solutions, innovative and robust financial platforms are strategic objectives thus assumed.
- We will continue, through the Microcredit of which we are proud of being the pioneers and boosters in the Angolan market, and in conjunction with public bodies and various private institutions of social support, to provide easy access conditions of credit lines to social groups and to the economically disadvantaged, inducing social inclusion and the well-being of the increasingly large sectors of the population.
- We will continue to be firmly present with the national effort to bring the banking system increasingly larger sectors of the population, participating simultaneously in their respective financial education.
- We will finally continue to move forward, towards the steps of internationalization, which has already been initiated into the new strategic geographies of the bank's activity, accompanying and supporting the growing dynamism of the internationalization movement of our economy, which the national business sector has as its key strategic aims.
- As we have repeatedly stated, our greatest asset is the human being. In this perspective, as we mention above, we continue to work diligently in training, with technical distinction, and for our senior staff to be both professional and academic, which is a predominant factor for success.

Growth higher than the market average



Executive Committee

How would you evaluate the results and performance of the financial system in 2013 and the first half of 2014?

In terms of results, the Angolan banking industry reversed the trend of decline shown in 2012. During this period, the banking sector managed to remain solid and robust, with a consolidated solvency ratio that was comfortable, and far greater than the minimum requirements. This improvement was observed in spite of an increasing number of non-performing loans and the narrower margins resulting from increasing competitiveness. The monetary policy conducted by BNA continues to achieve strong results in reducing inflation rates, exchange rate stability and fostering the acceleration of the granting of credit within the economy. This has resulted from a reduction in the obligatory reserves, a reduction in liquidity provisions and increased liquidity absorption rates. During the first half of 2014, the pace of fiscal execution has fallen short of its expected level, impacting the level of diversification in the economy, and consequently, economic growth.

What event would you regard as the most significant in the Angolan economy in 2013 and the first half of 2014?

From an exchange rate point of view, in 2013, there was a change in legislation regarding the exchange rates in the oil industry, with a new phase coming into effect in July. There was an effective reduction in the use of the Dollar (USD) in the economy with the Kwanza gaining relevance in local transactions, giving rise to an increase in the value of deposits and loans in the national currency.

How is the process of de-dollarisation of the Angolan economy going?

As mentioned, the process of "de-dollarisation" has been done successfully through changes that have been made to the exchange rate legislation, leading to a reduction in the circulation of Dollars in the economy. This is a continual and gradual process that is impacting the balance sheets of banks, with changes affecting the structure of deposits and loans by currency. However, the share of imports in the economy is still very significant. The only way to promote an effective reduction in the presence of the Dollar in the Angolan economy is through enforcing a policy that is in conjunction with substituting exports for domestic production.

Is there some aspect that you would like to highlight regarding the activities of your bank with regard to this time period?

Although Standard Bank of Angola (SBA) was only in its third year of operations in 2013, it achieved a remarkable year of growth, as evidenced by an increase of 140% of total net assets which was far higher than the average of the market. This growth was sustained by the significant increase in customer deposits, demonstrating the confidence, solidity and credibility of SBA. SBA was the bank that grew by the largest margin in Angola in relation to assets, deposits and loans. We also expanded our influence in the domestic market through opening 11 new branches, with a special focus being placed on the reinforcement of our presence in various provinces in Angola through opening branches in the cities of Huambo, Namibia, Lubango, Onjiva, Porto Amboim and Cabinda.

We started 2014 as the 11th largest bank in Angola in terms of total assets. It is our ambition to continue climbing this ranking, but above all, we are prioritising the profitability of our business by placing a large emphasis on our customers. In the first half of 2014, SBA achieved positive results that were relevant in confirming the effectiveness and consolidation of our strategy.

In relation to financial performance, SBA will continue to invest heavily in training and human capital and technology and innovation, but also, in our systems of internally controlling and managing risk. This will allow SBA to achieve sustainable growth in the long run, granting SBA the ability to be recognised as a financial institution of reference in Angola.

How do you evaluate the level of service quality in the financial sector, and how do you feel that it has evolved recently?

The quality of service has improved as a result of greater levels of competition that promote innovation. In order to offer increasingly innovative and effective solutions to our customers, all financial institutions are searching for methods to improve their services and increase their quality of service. This is the only way to guarantee a sustainable and solid growth of the banking sector. The regulatory alterations introduced at the beginning of 2013, the level of systems of internal control, management of risks and corporate governance have also had important impacts in this sense.

What are the main challenges or constraints in relation to improving the quality of financial services?

The biggest challenges continue to be the level of recruitment and training of new talent. It is important to maintain a high level of investment in the training and technical capacity of our human capital.

In your bank, what are the main measures taken in order to examine and/or improve the quality of services available?

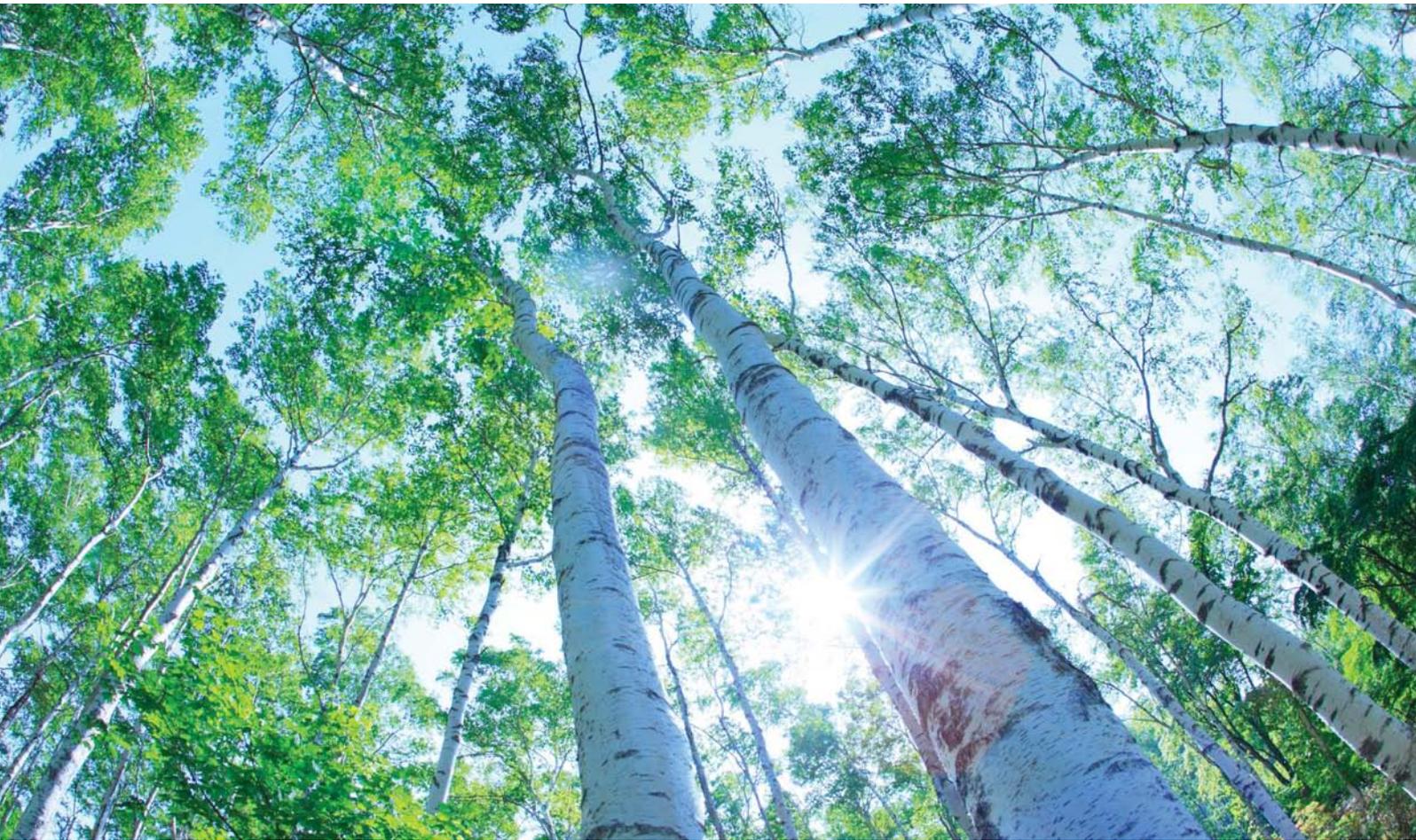
As outlined earlier, SBA, with the intention of delivering an excellent service to its customers and becoming relevant as a source of reference in the Angolan financial system, has invested heavily in the development of innovative and effective solutions for its customers to foster the sense of quality with the service it delivers to customers. We have taken customer feedback into consideration and acted in a way that has allowed us to address the opportunities for improvement that have been identified, and in turn, this has been appreciated and recognised by our customers. In addition, SBA has invested heavily in the training of its employees with specific plans to train each employee according to their area. The priority of SBA is to actively participate in the training of its employees. In this sense, SBA continue to implement a culture where transfers of knowledge allow employees to have not only experience and international training, but also, training that allows for the development of competency and leadership, which in turn, will also be reflected in the quality of service provided.

For 2015, what are the main targets and objectives of your bank?

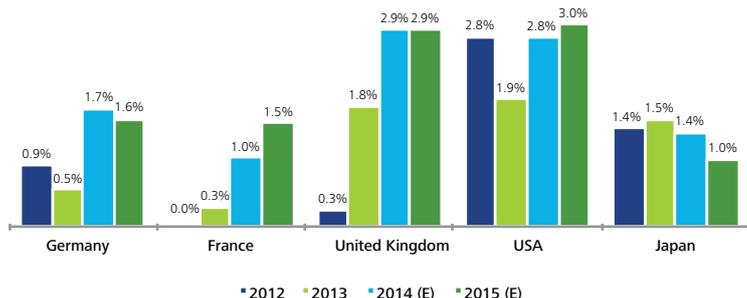
The main goals and objectives for 2015 include a greater level of penetration in the market for our existing customers, as well as attracting new customers by offering effective products and services which distinguish us from the competition and make us more competitive. Therefore, we want to continue to grow in a sustainable fashion, from capacity of deposits and loans granted, to profitability and invested capital. We have also planned to increase our share capital so that we may have one of the highest levels of bank capital, which will demonstrate the commitment of our shareholders to the Angolan market. Lastly, we will continue our investments in the training of our human capital and technology, taking best practices and regulatory requirements into account.

SBA was the bank that grew the most in terms of assets, deposits and loans

Macroeconomic Framework

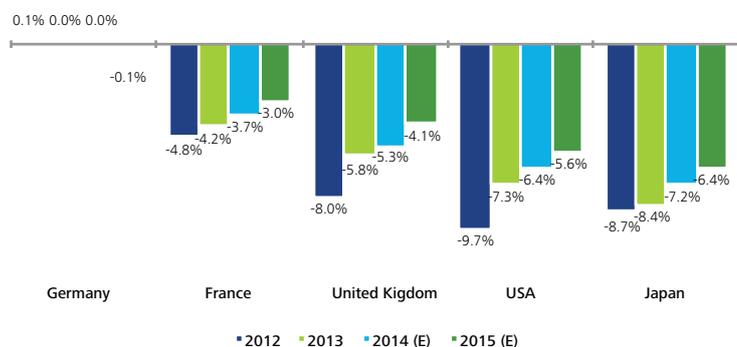


GDP (2012-2015)



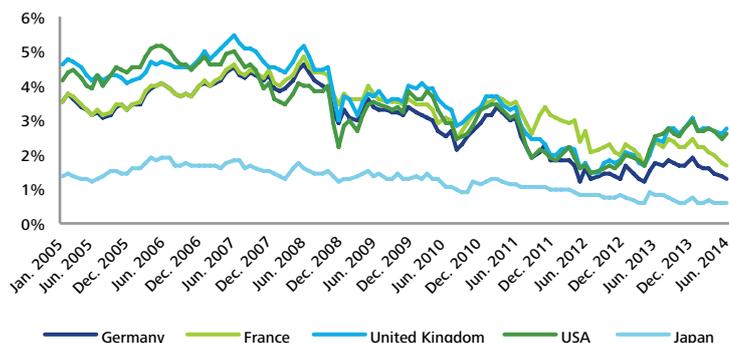
Source: IMF - World Economic Outlook 2014.

Public Deficits (2012-2015)



Unit: Percentage of GDP.
Source: IMF - World Economic Outlook 2014.

Treasury Bonds, 10 years (2005-2014)



Source: Investing.com

Introduction

The world economy has shown the first signs of recovery, with expectations that this upward trend will continue in 2014-2015. These positive indications are mainly exhibited by developed economies, and while emerging markets continue to contribute to two thirds of global growth, their growth rates have been hindered by unfavourable external conditions. With this, geopolitical risks and consolidation policies are two challenges that promise to affect both developed and developing economies alike.

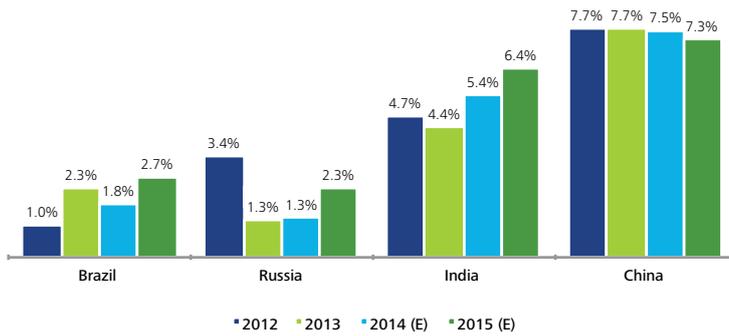
The Eurozone has demonstrated a gradual recovery of economic activity, and by 2014, the region should return to a positive growth rate of around 1.2% after two consecutive years of contraction, -0.7% and -0.5% in 2012 and 2013 respectively. These improvements have arisen from the slowing pace of budget consolidation combined with Ireland, Portugal and Spain leaving their respective external intervention programmes, as well as a positive contribution from exports. Germany and France continue to prove to be the most robust economies in the Eurozone due to their improving labour market conditions and recovery in consumption and investment.

Under these circumstances, there are more optimistic perspectives surrounding the evolution of costs associated with sovereign debt, resulting in a more positive feeling towards the bond market and lower risk aversion. As a result, rates of return (spreads) have been altered throughout various regions of the world.

In addition, the uncertainty and risks regarding Ukraine have led to a lowered expected inflation rate, with the possibility of deflation. However, the creation of the banking union may minimise the fragilities of the European banking system.

In addition, despite the reduction of its intensity, restrictive fiscal policies adopted by several countries continue to affect economic policy, inhibiting the growth of domestic demand and restricting companies from increasing their competitiveness and financial capacity.

GDP - BRIC (2012-2015)



Source: IMF - World Economic Outlook 2014.

Regarding the United States' economy, which returned to positive growth rates in 2010, a growth rate of 1.9% was achieved in 2013. According to the IMF, this growth is expected to continue with greater values to be reported in both 2014 (2.8%) and 2015 (3.0%). The revival of the United States' economy has been driven by the growth of exports, the continuation of expansionary monetary policy and the recovery of the real estate sector. However, current forecasts are dependent on the consolidation of public debt and the existence of an adjustment plan to ensure fiscal sustainability in the future.

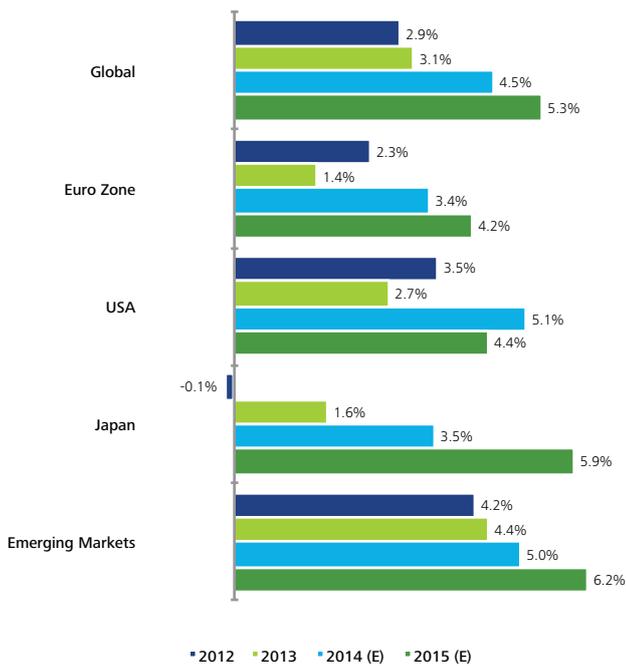
Japan represents one of the main focus points of the world economy. After a contraction of 0.5% in 2011, the Japanese economy experienced a growth rate of 1.5% in 2013 as a result of the increases in private investments, increased levels of exports and a devaluation of the Yen. Despite this, the levels of growth are expected to decline in the coming years. This situation, as shown by various international organisations, has arisen from a more restrictive fiscal policy for the period of 2014-2015, giving rise to higher rates of consumption tax rising from 5% to 8% in 2014 and 8% to 10% in 2015.

In the current macroeconomic climate, according to information provided by the IMF, developed economics achieved a growth rate of 1.3%, with expectations that growth rates will improve in the coming years (2.2% and 2.3% in 2014 and 2015 respectively).

Emerging and developing economies continue the trajectory towards economic slowdown that they have shown since 2010 (7.5%) as their growth rate in 2013 was 4.7%. However, in 2014 and 2015, higher rates are expected (4.9% and 5.3% respectively) as a result of the strengthening activities of developed economies and the depreciation of developing economies' currencies.

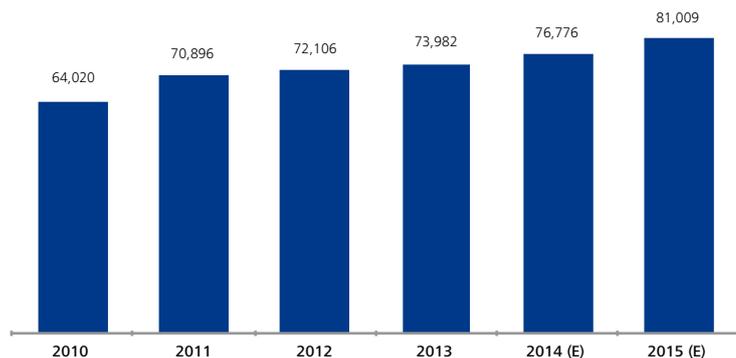
In the context of budget consolidation and reduced inflation rates, many analysts from around the world highlight the importance of policies that improve the dynamism of the labour market along with the competitiveness and productivity of the tradable sector, as well as resizing the levels of government intervention.

World Exports (2012 – 2015)



Source: IMF.

GDP (2010-2015), total of 189 countries



Unit: USD billion.
Source: IMF.

Main macroeconomic indicators

Gross Domestic Product

Global economic activity has shown moderate signs of recovery, mainly due to the greater robustness of the Eurozone’s and United States of America’s economies.

In absolute terms, the gross domestic product continues to show an upward trend, and according to the IMF’s forecasts, this trend will continue in both 2014 and 2015. The disparity between developed and emerging economies, or economies in the process of emerging, continues with 5% of countries representing 65% of the world’s gross domestic product in 2013. In 2014, it is expected that this share will increase to 66%.

The United States of America, China, Japan, Germany and France continue to be the five main economies at a global scale, with the United Kingdom’s economy expected to reach almost the same size as France’s in 2014. In 2013, Russia surpassed Italy to become the eighth largest economy. However, according to projections from the IMF, it is expected that Italy will reoccupy its previous ranking of eighth place in 2014.

Financial Markets (2012-2014 YTD)



Source: Bank of Portugal (Portugal’s central bank), BBA.

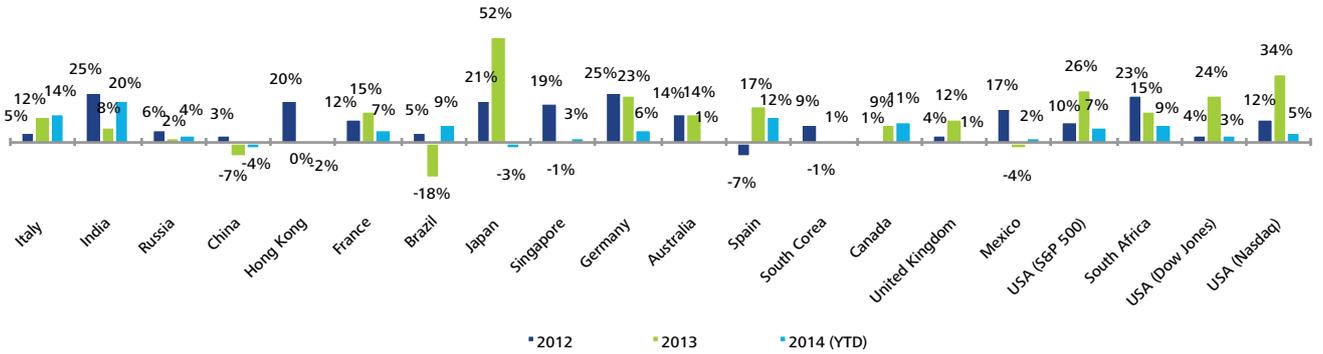
Interest Rates

In 2013, the major economies continued their expansionary monetary policies, despite facing weak economic growth and reduced inflationary pressures.

After the sharp drops in 2012, 2013 and 2014, reference interest rates remain relatively stable, and since the beginning of the year, the Euribor has remained higher than the reference rate of the Dollar.

The behaviour of interest rates continues to be determined by the actions of central banks. Despite the gradual recovery of the European and United States’ economies, no reversal of these policies is to be expected by the central banks in relation to the reference interest rate.

Financial Markets (2012-2014 YTD)



Source: MSN Finance, Investing.com

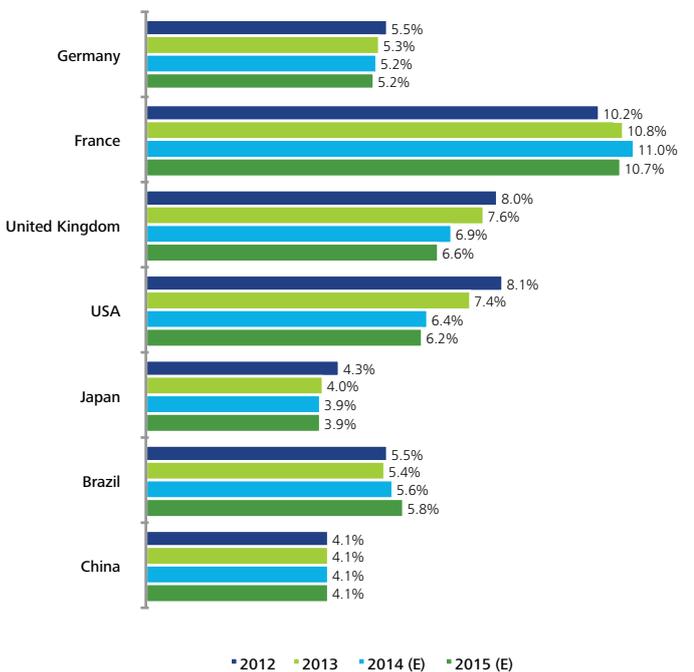
Equity markets

The tensions in Ukraine and the involvement of several economic blocks in this situation led to a reduction in confidence and an increase in volatility in the main world stock market indices. However, in 2013 (and early 2014), stock indices in developed economies reached historically high levels.

The growth in 2013 was essentially linked to the performance of the Japanese, American and German markets whose stock indices experienced growth rates greater than 20%. In addition, the performance of developing economies was relatively disappointing, with particular reference to Brazil, China, México, Singapore, South Korea and Hong Kong.

According to the months elapsed in 2014 so far, the best performances have come from the Indian, Italian, Spanish and Canadian economies, with values greater than 10%.

Unemployment Rate (2012-2015)



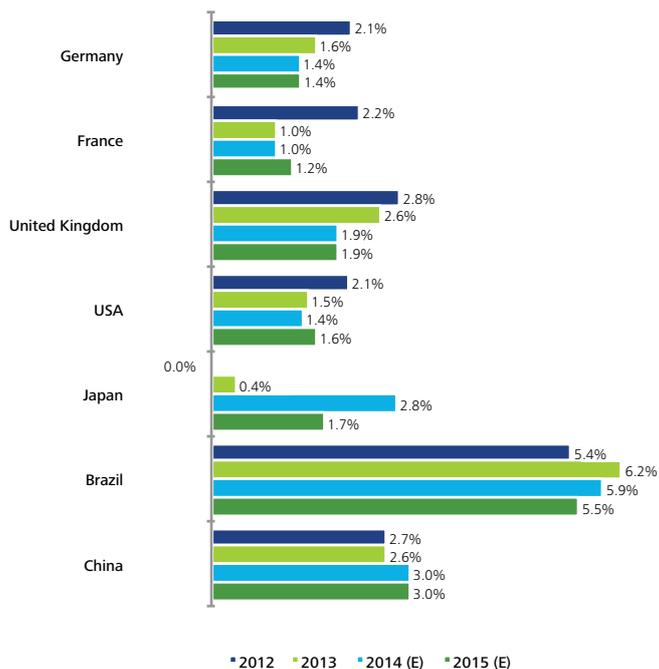
Unemployment Rates

The reduction, or stabilisation, of unemployment rates has started to become evident in various countries with the initial signs of recovery, but also due to aging populations and workers who faced long-term unemployment leaving the market.

Conversely, the Eurozone suffered, until 2013, rising rates of unemployment. However, from 2014, there are signs that unemployment rates will finally start to decrease in the Eurozone from 12.1% in 2012, to 11.9% and 11.6% in 2014 and 2015 respectively. Future estimates by the IMF for the Eurozone should not only be relevant for periphery countries, but also relevant for the economic situation of central countries such as France.

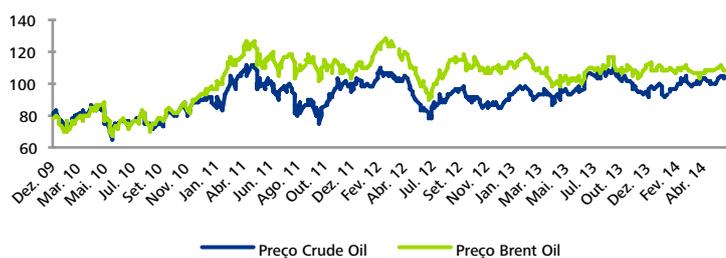
Source: IMF.

Inflation Rate (2012-2015)



Source: IMF.

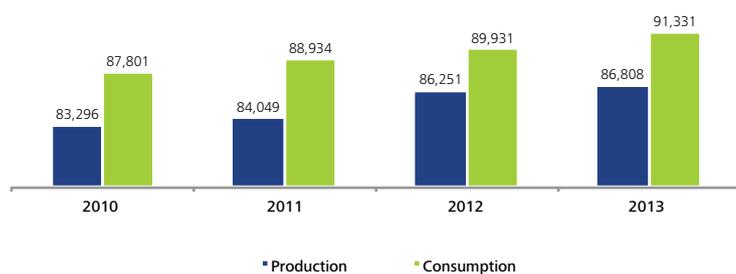
Oil Price (2009-2014YTD)



Unit: Dollars per barrel

Source: US Energy Information Administration.

Oil Production vs Consumption (2010-2013)



Unit: Thousands of Barrels

Source: US Energy Information Administration.

Inflation rate

In recent years, inflation rates have continued to present challenges for both developed and developing economies, with a risk of deflation for certain Eurozone countries.

One highlight is that Japan, which experienced negative rates of inflation for four consecutive years, finally achieved a positive inflation rate of 0.4% in 2013. Generally, in accordance with the IMF, it is expected that in 2014 inflation rates will remain at almost identical values to those seen in previous years. This in turn will hinder both the correction of imbalances in certain economies and the restoration of economic activity and growth.

Oil

Advanced projections for the economic growth of certain countries and stock markets are not independent of oil price fluctuations.

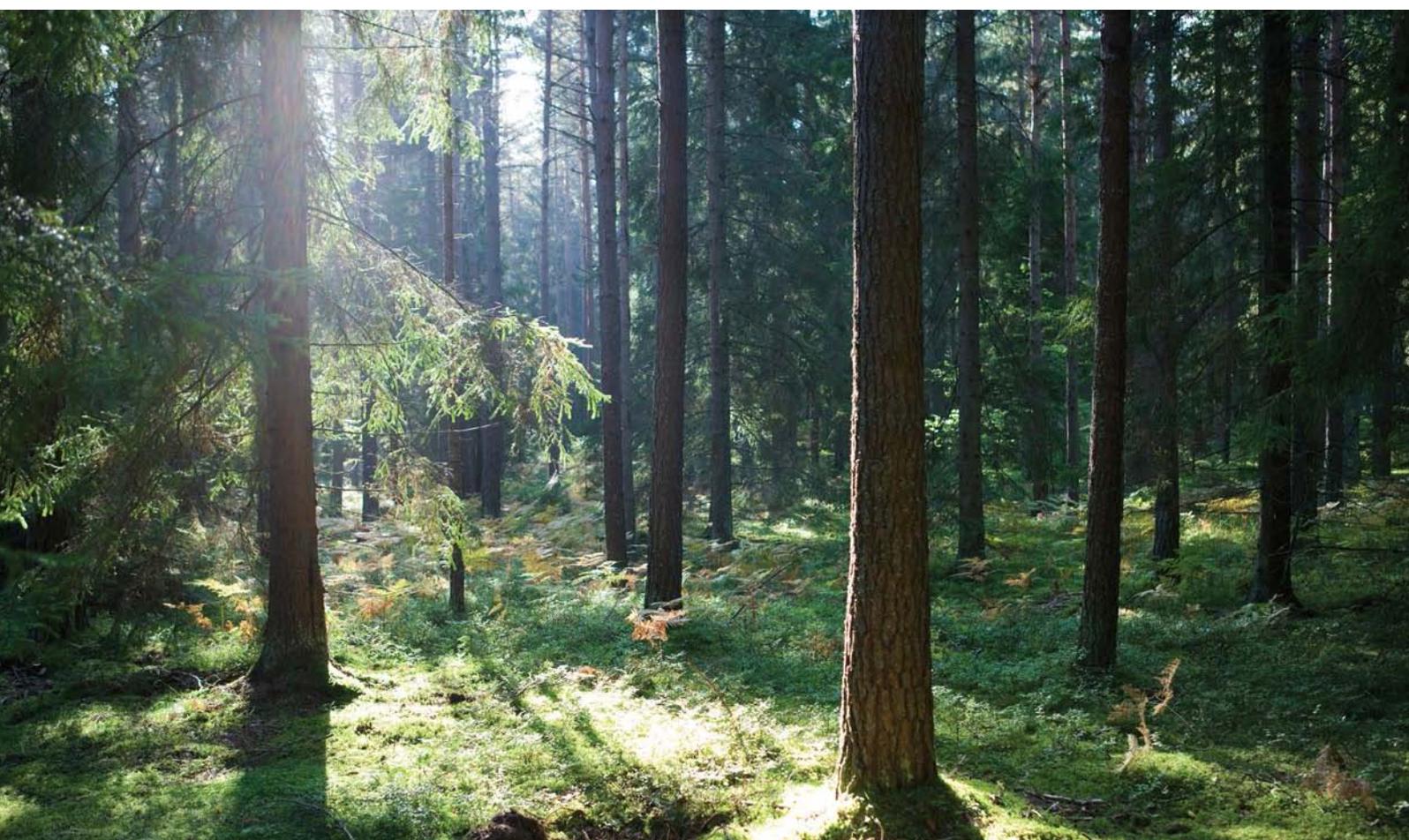
The slowdown of certain emerging economies, such as Brazil or China, has had a negative impact on international trade of goods and services. However, this slowdown may have a favourable effect on the price of raw materials and oil.

According to the US Energy Information Administration, in July 2008, the price of oil reached a historical high of 148 USD per barrel, with a historical low of 30 USD per barrel being shown in December of the same year. Throughout recent years, the price of oil has been consistently rising, reaching 105 USD per barrel in June 2014. This growth has originated from pressures and instability in the Middle East, as well as the recovery in global economic activity, particularly in developed economies.

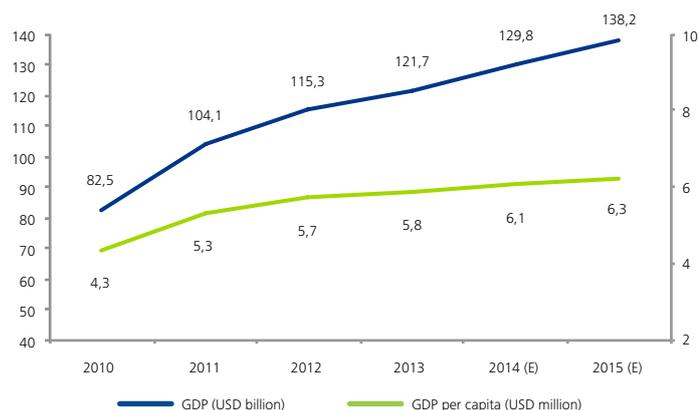
As has been the case since 2010, Brent Oil prices have remained higher than those of Crude Oil. However, in parallel, there has also been a convergence in the prices of Crude and Brent oil from halfway through 2013.

Contrary to the previous year, in 2013, production of oil displayed a positive growth rate that was inferior to the growth of consumption, 0.6% and 1.6% respectively.

Angola's Economic Framework



GDP (2010-2015)



Source: IMF.

Oil GDP and Non-oil GDP (2010-2013)



Source: State Budget Fundaments Report – 2014.

Introduction

In an environment characterised by the uncertainty and volatility of global economic recovery, the Angolan economy had a slightly lower growth rate in 2013 than in 2012 (4.1% and 5.2% respectively). However, according to the IMF, in 2014 and 2015, growth rates should rise to 5.3% and 5.5% respectively.

The economic growth forecasts for the next few years are based on the assumptions that Angolan oil exports will reach levels of 62.9 billion USD in 2014 and 67.4 billion USD in 2015 and that Angola is capable of increasing its production of oil from 1.7 million barrels per day in 2013, to 1.8 and 2.0 million barrels per day in 2014 and 2015 respectively.

The rebound of Angola's Gross Domestic Product is directly associated with Foreign Direct Investment (FDI). According to the Economist Intelligence Unit, FDI should increase from 5.1 billion USD in 2013 to 8.6 and 12.3 billion USD, in 2014 and 2015 respectively.

The favourable development of the oil sector has allowed the Angolan government to increase its revenues, while also controlling their deficit and public debt. According to the State Budget Report for 2014, the government should continue to promote the development of SMEs, the transfer of skills and a more stable growth rate, including job creation rates.

Principle Macroeconomic Indicators

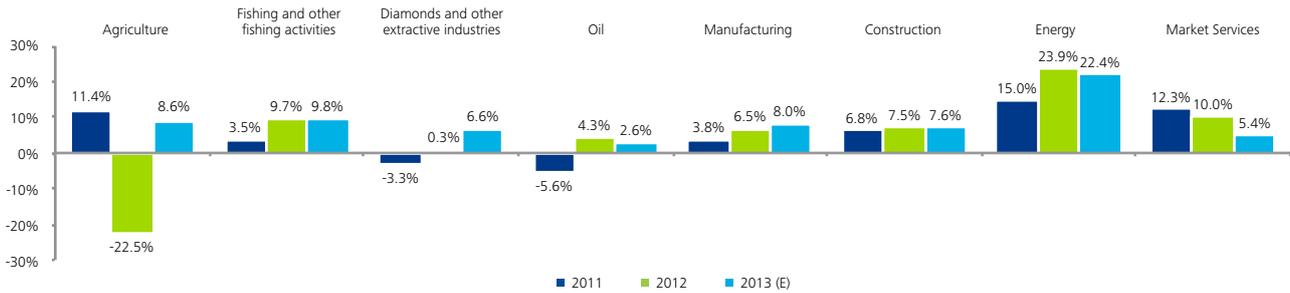
Gross Domestic Product

The Angolan economy showed more modest growth rates from 2009-2011 as the contribution of the Oil sector towards the GDP shrunk. From 2012, the oil sector began to positively contribute to the country's product again, which reached an overall growth rate of more than 4% in 2013.

The growth of GDP for the next few years is associated with the growth of oil prices and domestic production.

Although the oil sector represents a smaller share of Angola's economy than it previously did, there is still a significant dependence on this sector of activity.

GDP Activity Sector (2011-2013)



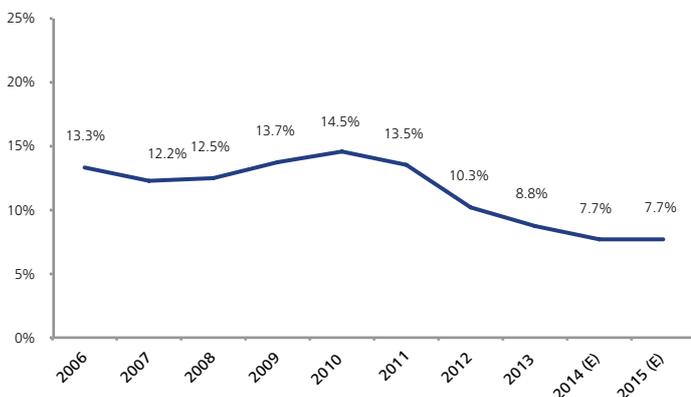
Source: State Budget Fundaments Report – 2014.

According to the Africa Development Bank Group, the OECD and the United Nations, in 2013, the oil sector accounted for 46% of Angola’s GDP, 80% of government revenue and 95% of exports.

In 2013, the growth of GDP was essentially provided by non-oil sector activities, particularly through Energy (22%), Fishing (10%), Agriculture (9%), Manufacturing (8%) and Construction (8%).

In parallel, the growth of the oil sector can provide the resources that are necessary to increase investments in hydroelectric energy, telecommunications and large agricultural projects. However, ensuring controlled inflation and exchange rates is highly important to guarantee the competitiveness of the non-oil sectors.

Inflation Rate (2006-2015)



Source: IMF.

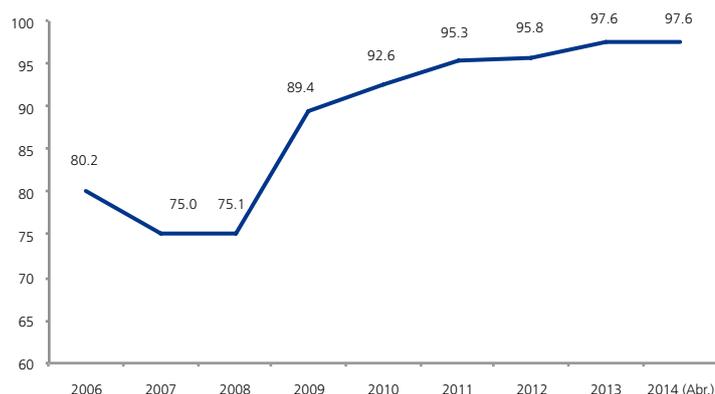
Inflation Rates

Monetary policy has been directed at stabilising inflation and exchange rates.

The inflation rate has been reduced since 2010 and from 2012; it has been below double-digits. In 2013, the National Bank of Angola (BNA) lowered the reference interest rate three times, totalling 100 base points, reflecting the positive growth trend of the inflation rate.

From its introduction, in the 1st quarter of 2014, the new customs tariff applied to certain consumer goods and the expansion of public spending may increase inflationary pressures in the coming periods.

Average Exchange Rate USD - AKZ (2006-2014 YTD)



Source: BNA (Angola's central bank).

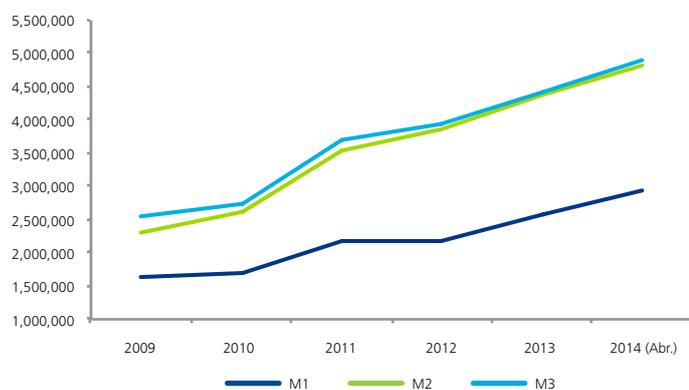
Exchange Rates

The national currency, the Kwanza, remains stable and is essentially supported by an accumulation of international reserves.

Despite successive devaluations against the American Dollar, since 2008, the currency has managed to stabilise its value. In April 2014, the exchange rate registered a value of 97.6 Kwanzas to the dollar, having registered a devaluation of 1.8% in 2013 from the previous year.

The Economist Intelligence Unit predicts that during 2014, the monetary policy will remain focused on controlling inflation, helping reduce uncertainty and increasing the efficiency of the financial system. The process of "de-dollarisation" of the economy, through tighter regulation on imports and the implementation of a new exchange rate policy regarding the oil sector, should continue in 2014.

Money Supply (2009-2014 YTD)



Source: BNA (Angola's central bank).

Money Supply¹

The money supply is displaying signs that it will move mainly upwards, with some cyclical movements and a tendency to decrease in the first few months of every year for the various monetary aggregates.

In the last quarter of 2013, the application of the new exchange rate regime was completed. This new exchange rate is applicable to the oil sector and forces international companies in the oil sector to complete their payments through national banking institutions, which may help enhance the liquidity of the Angolan economy.

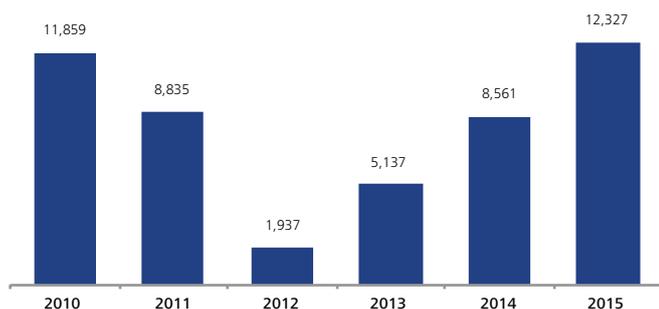
¹ Money supply consists of M1, M2 and M3:

M1 (Money): Comprised of notes and coins in the possession of the public plus current accounts of companies, of individuals and of local authorities, in domestic and foreign currencies.

M2 (Money + Quasi Money): M1 + savings accounts of companies and individuals, in domestic and foreign currencies, plus other obligations in foreign currencies of companies and individuals.

M3 (Payment Means): M2 + "Other financial instruments" represented by central bank Securities in the possession of private entities, plus loans and repurchase Agreements both in domestic and foreign currencies, of individuals and of private non-financial companies.

Foreign Direct Investment (2010-2015)



Unit: USD million.

Source: Economist Intelligence Unit, June 2014.

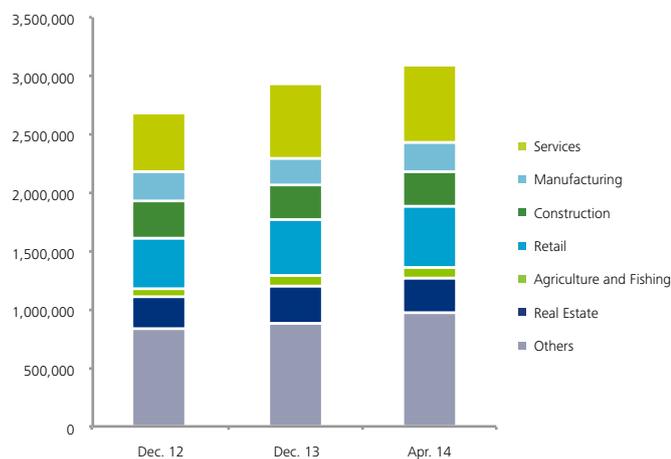
Trade Balance

Despite its stability, in 2013, there was a deterioration of the trade balance (and the current account) due to oil revenues that grew less than expected. In the long run, the balance of the two accounts is likely to suffer given the fall in oil prices, as projected by various institutions.

The oil sector continues to represent a very significant share of Angola's exports, as in 2013, it constituted approximately 95% of the total volume of exports. The oil, gas, refined oil products and diamond sectors are the principal exporting sectors, while the import sector is mainly dominated by machinery and equipment, vehicles and transport materials and foodstuffs.

Foreign Direct Investment should exceed 5.1 billion USD in 2013, growing to 8.6 billion USD in 2014 and 12.3 billion USD in 2015, mainly concentrated in real estate, construction, hospitality and tourism.

Contribution to the Economy by Sector of Activity



Unit: AKZ million.

Source: BNA (Angola's central bank).

Credit in the Economy

In 2013, credit in the economy grew by 10%.

The retail and services sectors continue to show the most significant increases, with the service sector achieving a growth rate of 31%.

In April 2014, the credit in the economy expanded by 15% during a one year period and by approximately 5% from the end of 2013.

Final considerations and future prospects

Effective diversification of the national economy, and the realisation of future projections regarding an increase in oil prices, coupled with increased production capacity, will be the main drivers for economic growth in Angola in the coming years. In relation to national oil production, although it is projected that 2 million barrels of oil per day will be produced in 2015, there is a risk that there could be delays at the exploration level.

Despite the strength of the contribution by oil sector to Angola's GDP, only 1% of the labour force is employed in this sector. As a result, there is an ambition to strengthen the link between oil companies and the rest of the economy, promoting diversification and sustainable growth of the economy.

In order to achieve this, the African Development Bank Group, the OECD and the United Nations report that the Angolan government wants to reduce the percentage of revenue that comes from the oil sector, from 80% of GDP to below 70% in 2014, and to see non-oil sector revenues rise from 6.6% to 9.6% of GDP in that year.

These organisations mention that although there is a high level of potential growth for the country, several obstacles still exist. These challenges include an inadequate transport infrastructure (national and connections to external markets), difficulties in access to financing, uncertainty surrounding trade fluctuations, exposure to volatile commodity prices of and possible changes of strategy by multinational enterprises. In the past few years, various executive initiatives have been developed to overcome these obstacles and achieve effective economic diversification and reduced dependence on the oil sector.

The consolidation of the national financial sector represents a key element in this diversification process. According to the World Bank, the expansion of access to financial systems for Small and Medium business (SMEs) and start-ups is one of the essential factors for the promotion of diversification and growth in a sustainable economy in the medium and long run. This will not only provide an ability to have increased accessibility to funds, but will also create a mechanism which will allow these businesses to be effectively supported. In turn, the projects of these supported businesses will be more effectively structured and the quality of their work should also rise, bolstering their economic viability.

Despite the steps taken in this area over the past few years, there is still a long way to go as there is a need to promote more effectively the current programmes and to develop complementary programmes that are more focused on the activities of a specific sector.

Banking Analysis Study 2014



Study Preparation

The analysis of this sector is completed with a compilation of information from banks operating within the market and the National Bank of Angola (BNA). To conduct a comparison, reference data was collected from other markets, namely the Portuguese, Brazilian, South African and North American markets.

The aggregate values of the system, unless expressly mentioned, are obtained by combining the values of all of the banks considered in the study. This includes banks operating within Angola during 2013, with the exception of Banco Kwanza Investimento (Kwanza Investment Bank), as the activities of this bank are not comparable with the other banks operating in the market.

In addition, in view of the recent intervention by the central bank BNA in BESA, we opted not to consider the information from that bank (BESA) when doing a comparative analysis of the rankings of each bank. However, we consider the volume of this bank when consolidating the banking volume of the sector to guarantee comparability with previous years, as well as other public information.

The banks operating in Angola in 2013 are shown in Figure 1. Banks that have been approved by BNA but have not yet commenced activities are shown in Figure 2, with the exception of Standard Chartered Bank of Angola which commenced activities in 2014, but does not yet have enough information for the period under review.

Table 1 - Banks active in Angola in 2013

Acronym	Name	Founding Year
BPC	Banco de Poupança e Crédito	1976
BCI	Banco de Comércio e Indústria	1991
BCGTA	Banco Caixa Geral Totta de Angola	1993
BFA	Banco de Fomento Angola	1993
BMA	Banco Millennium Angola	1993
BAI	Banco Angolano de Investimentos	1997
BCA	Banco Comercial Angolano	1999
SOL	Banco Sol	2001
BESA	Banco Espírito Santo Angola	2002
BRK	Banco Regional do Keve	2003
BMF	Banco BAI Microfinanças	2004
BIC	Banco BIC	2005
BNI	Banco de Negócios Internacional	2006
BPA	Banco Privado Atlântico	2006
BDA	Banco de Desenvolvimento de Angola	2006
BANC	Banco Angolano de Negócios e Comércio	2007
VTB	Banco VTB - África	2007
FNB	Finibanco Angola	2008
BKI	Banco Kwanza Investimento	2008
BCH	Banco Comercial do Huambo	2010
SBA	Standard Bank de Angola	2010
BVB	Banco Valor	2010

Source: BNA - List of authorised institutions.

Table 2 - Authorised banks, without activities in Angola in 2013

Acronym	Name	Founding Year
SCBA	Standard Chartered Bank de Angola S.A	2014
BPPH	Banco de Poupança e Promoção Habitacional	-
BACA	Banco de Activos e Créditos de Angola	-
BIR	Banco de Investimento Rural	-
BPR	Banco Prestígio	-
BPAN	Banco Pungo Andongo	-
ECO	Ecobank de Angola	-

Source: BNA - List of authorised institutions.

Introduction

In 2013, the banking sector maintained its trajectory of growth from in previous years, aided by regulatory changes in monetary policy, exchange rates and banking supervision.

Monetary policy administered by BNA, as in previous years, allowed the inflation rate to be reduced to 7.69% by December 2013. This reduction allowed BNA's reference rate to remain constant at 10.25% and reduced the intervals of LUIBOR¹, which lay between 4.71% at overnight maturity and 9.34% at a 12 month maturity period. In addition, the costs of financial institutions in the banking sector continued to fall and the volume of internal credit grew, due to the reduction in the lending rates of commercial banks. As a result of this, the total assets of these banks grew by 12%, providing an overall solvency ratio of 19.47% for the sector, almost double the required ratio (10%).

Even in 2013, it was possible to notice the effects of changing the foreign exchange regime for the oil sector. BNA ceased being the only provider of foreign currency in the market, with the support of other banks, to such an extent that, at times, the secondary transactions market had higher levels of foreign currency than the primary market. The adjustment to the new exchange rate regime, as expected, produced a slight depreciation of 1.85% of the Kwanza against the US dollar, leading to an exchange rate of 97.619 Kwanzas to the dollar on 31 December 2013.

Furthermore, in 2013, BNA changed the treatment and disclosure of accounting information with the objective of adopting the best international practices for reporting financial and accounting information. At the end of the year, they presented the first financial statements in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).

Regarding the regulation of the banking system, BNA published notices relating to corporate governance and internal control, and a guide outlining the implementation of methods to combat money laundering and the financing of terrorist organisations.

In addition, regulatory documents relevant to the development of capital markets were published, regulating the activities of Collective Investments Schemes (investment funds), Brokerages, Distribution Companies and the Regulated Market of Sovereign Debt.

¹ LUIBOR – average reference interest rate of liquidity-providing operations in an unsecured market between banks

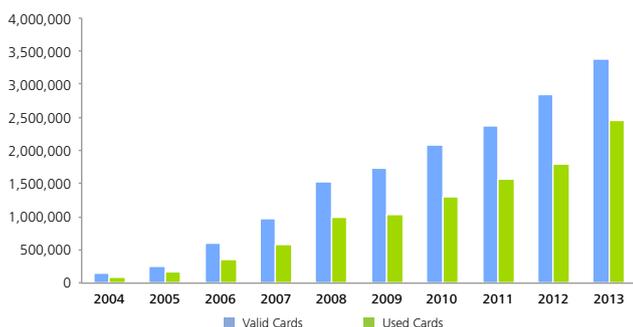
Electronic Means of Payment

Electronic means of payment continue to show strong growth rate in the national market. The number of active credit and debit cards increased by about 37% in 2013, with the number of valid cards growing by 19%.

In relation to the terminal network, the number of Automated Teller Machines (ATMs) and Automatic Payment Terminals (TPAs) grew by 11% and 35% respectively. The number of ATMs rose to 2,234 in 2013, compared to 2,014 in 2012 and the number of TPAs rose to 31,716 in 2013 compared to 23,545 in 2012.

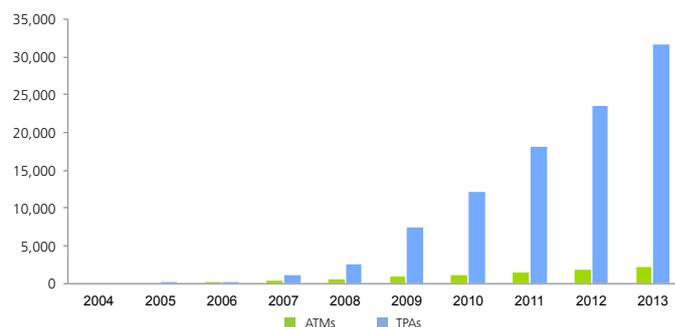
In addition, the number of transactions in 2013 grew by approximately 27% compared to 2012, with an increase of 22% of transactions done by ATM and 65% in transactions completed by TPAs. With this, it is clear that the increase in the number of TPAs was accompanied by an even more significant increase in transactions, signifying an increased openness of businesses to use these payment methods.

Figure 3 – Credit and Debit Cards



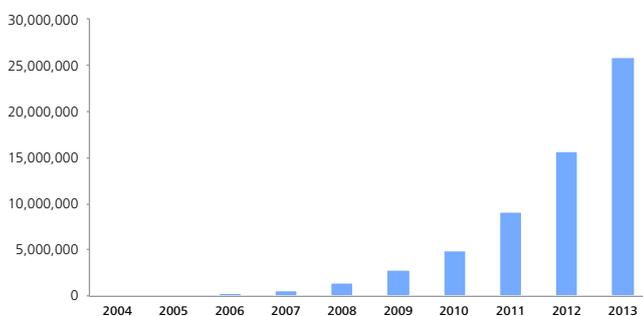
Source: Empresa Interbancária de Serviços (EMIS).

Figure 4 – Terminal Network



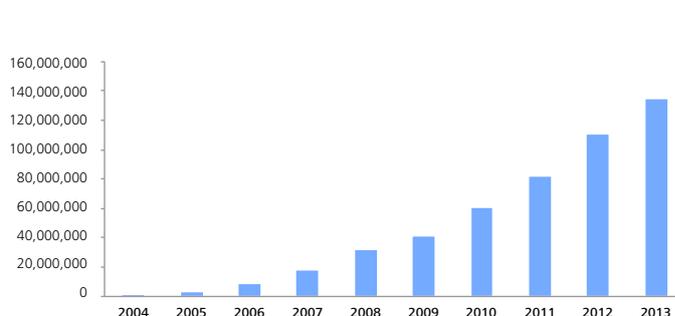
Source: Empresa Interbancária de Serviços (EMIS).

Figure 5 – Transactions at TPAs



Source: Empresa Interbancária de Serviços (EMIS).

Figure 6 – Transactions at ATMs



Source: Empresa Interbancária de Serviços (EMIS).

²Active cards – Cards which have been used at least once (Used).

³Valid cards – Cards released before their expiration date (Valid).

Structure of Assets

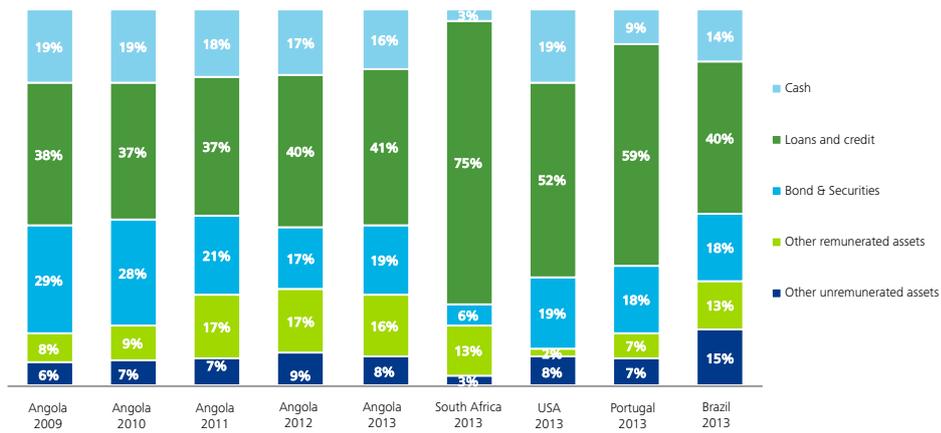
In 2013, the aggregate amount of assets in national banks grew by roughly 12%, with very few variations in the structure of their composition compared to previous years.

The weight of customer credit (loans) in the overall structure of the assets of the national bank was 41%, remaining higher than that of Brazil, which experienced an increase of 3% in 2013. However, these values continue to remain lower than those of the more mature markets.

The remaining components have seen very little variation.

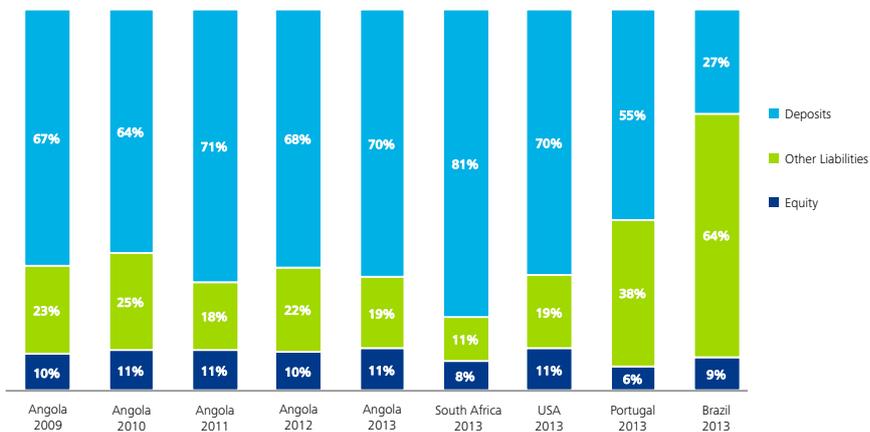
In the structure of funding assets, there was an increase of the share that came from customer deposits, from 68% to 70% reducing the weight of other liabilities from 22% to 18%, and an increase in working capital from 10% to 11%.

Figure 7 – Structure of Assets



Source: central banks; financial statements of banks.

Figure 8 – Structure of Funding

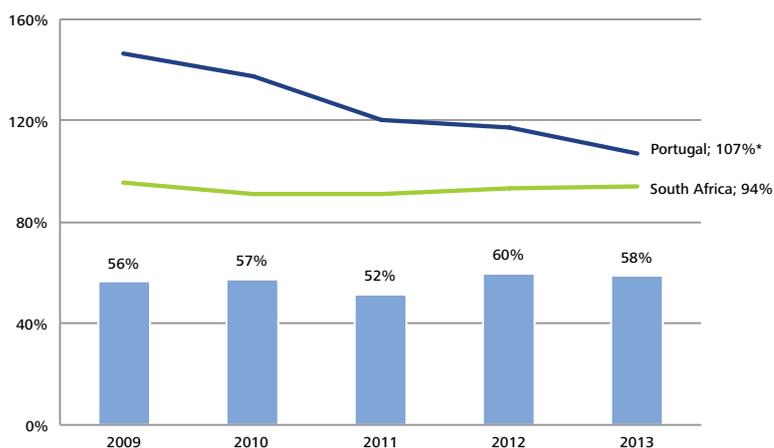


Source: central banks; financial statements of banks.

Net loans to deposits

Despite the increase in net loans in 2013, this was not greater than the growth of deposits, which translates into a reduction in the transformation ratio between 2012 and 2013, with values of 60% and 58% respectively.

Figure 9 – Net loans over Deposits



Source: central banks; financial statements of banks.

*The ratio shown does not consider securitised or derecognised assets

Total Assets

The total value of the assets of banks in 2013 stood at 6,621 billion AKZ, representing a growth rate of 12% over 2012.

The relative position among the top banks remained unchanged, with BAI topping the list with a 15.7% share of total assets. Despite this, there has been a slight increase in the proportion represented by small banks which confirms the tendency of a decreasing concentration ratio that has been observed since 2009.

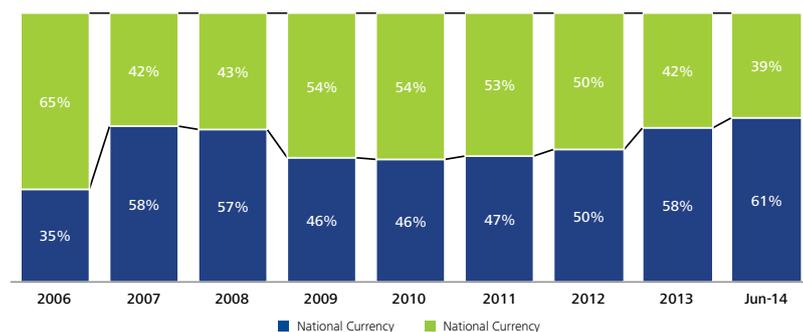
Figure 10 – Ranking of Total Assets

2013			2012		
Ranking	Bank	Quota	Ranking	Bank	Quota
1	BAI	15.7%	1	BAI	17.5%
2	BPC	14.9%	2	BPC	15.6%
3	BFA	13.1%	3	BFA	12.9%
4	BIC	11.3%	4	BIC	11.3%
5	BPA	5.4%	5	BPA	5.0%
6	BMA	3.4%	6	BDA	3.1%
7	BDA	3.3%	7	SOL	3.0%
8	SOL	3.1%	8	BMA	3.0%
9	BNI	2.8%	9	BNI	2.7%
10	BCGTA	2.8%	10	BCGTA	2.6%
11	SBA	2.2%	11	BCI	1.8%
12	BCI	1.5%	12	BRK	1.5%
13	BRK	1.5%	13	SBA	1.1%
14	FNB	0.8%	14	BCA	0.6%
15	BCA	0.5%	15	FNB	0.5%
16	BANC	0.2%	16	BANC	0.3%
17	BVB	0.2%	17	VTB	0.2%
18	VTB	0.2%	18	BMF	0.2%
19	BMF	0.2%	19	BVB	0.1%
20	BCH	0.1%	20	BCH	0.1%

Source: financial statements of banks.

Note: This analysis is in accordance with the study preparation.

Figure 11 – Composition of Deposits by Currency



Source: BNA.

Customer Deposits

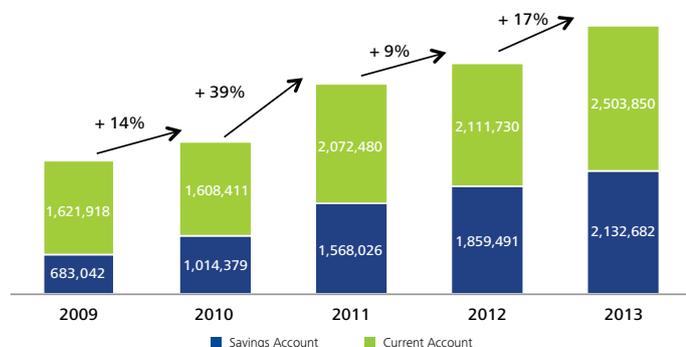
Aggregate view

The total value of customer deposits in the domestic banking sector in 2013 was 4.637 billion AKZ, a growth rate of 17% compared against 2012.

According to data from the National Bank of Angola, the demand for deposits in national currency has grown compared to foreign currency. After the identical preference in 2012, the proportion of deposits in national currency grew from 50% in 2012 to 58% in 2013, showing an increase of 8%. This increase will be even higher compared with June 2014 as the increase will be 11%.

Regarding the composition of customer deposits, the value of the combination of current accounts is higher than 2,500 billion AKZ, with savings accounts exceeding 2,130 billion AKZ. With this, there is a clear reduction in the relative share of savings accounts in the overall structure of deposits as it fell from 47% in 2012 to 46% in 2013.

Figure 12 – Composition of Deposits by Currency



Unit: Millions of AKZ.

Source: financial statements of banks.

Relative Position of Banks

Using the public information provided by banks relating to customer deposits in 2013, it is clear that the relative position of the largest banks remained unchanged from the previous year.

BAI remains the leader with a market share of 19.5%, followed by BFA with 16.5%, showing that the market shares of the larger banks have decreased due to growth of the smaller banks.

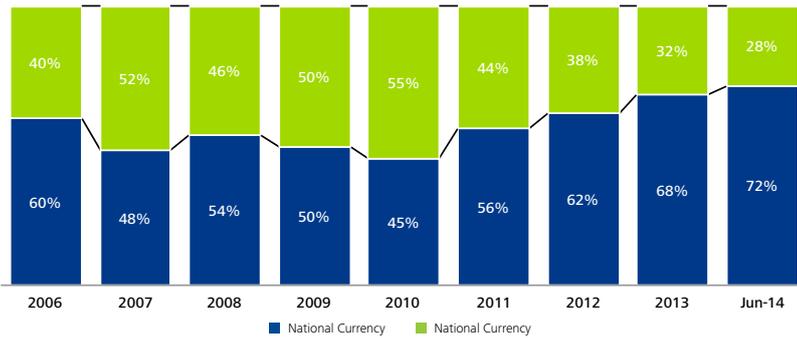
Figure 13 – Ranking by Customer Deposits

2013			2012		
Ranking	Bank	Quota	Ranking	Bank	Quota
1	BAI	19.5%	1	BAI	20.5%
2	BFA	16.5%	2	BFA	16.8%
3	BPC	15.8%	3	BPC	15.9%
4	BIC	13.3%	4	BIC	13.2%
5	BPA	6.0%	5	BPA	5.2%
6	SOL	3.9%	6	SOL	3.9%
7	BMA	3.5%	7	BNI	3.2%
8	SBA	2.9%	8	BMA	3.0%
9	BNI	2.9%	9	BCGTA	2.8%
10	BCGTA	2.9%	10	BRK	1.8%
11	BRK	1.8%	11	BCI	1.7%
12	BCI	1.4%	12	SBA	1.3%
13	FNB	0.9%	13	BCA	0.8%
14	BCA	0.5%	14	FNB	0.5%
15	BANC	0.2%	15	BANC	0.2%
16	BVB	0.2%	16	VTB	0.2%
17	VTB	0.2%	17	BVB	0.2%
18	BMF	0.1%	18	BMF	0.1%
19	BCH	0.1%	19	BCH	0.0%

Source: financial statements of banks.

Note: This analysis is in accordance with the study preparation.

Figure 14 – Structure of Loans by Currency



Source: BNA Aggregates.

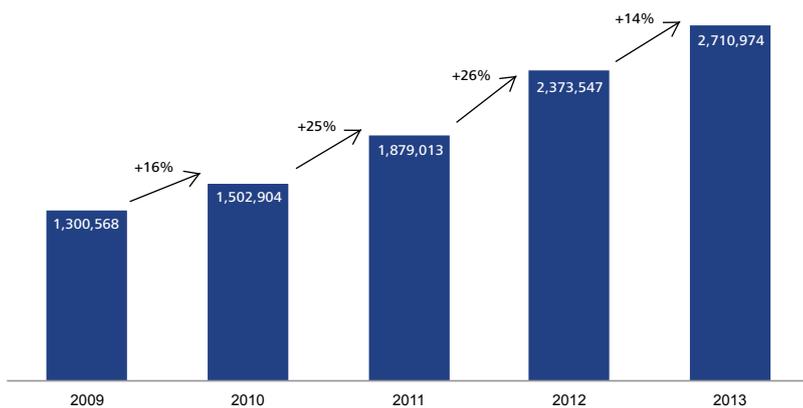
Loans to Customers

Aggregate Vision

At the end of 2013, total gross loans amounted to 2,905 billion AKZ, showing a growth rate of 13% compared to 2,574 billion AKZ in 2012.

According to BNA, the composition of credit by currency has changed, with an increase of 6% in the share of loans in national currency between 2012 and 2013 reaching 68% by the end of 2013. This trend continued until June 2014 where the share of loans in national currency was 72%, due to the imposition of more restrictive policies regarding the granting of loans in foreign currencies and the progressive reduction in interest rates for the national currency.

Figure 15 – Net Loans to Customers



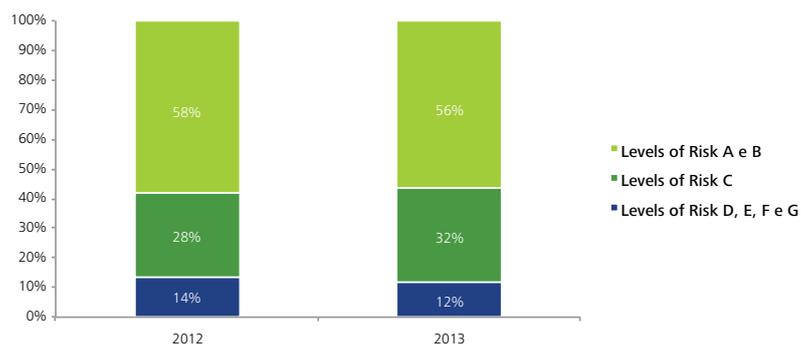
Unit: Millions of AKZ.

Source: financial statements of banks.

Regarding net loans to customers, growth has followed the same trend as previously, but at a lower rate than that of last year. The aggregate value of these loans exceeded 2,710 billion AKZ in 2013, or a growth rate of 14% compared to the prior year.

Analysing the breakdown of the loan portfolio by risk level, there was a slight increase in intermediate risks (C), loans overdue between 30 and 60 days, with a decrease in low risk (A and B) and a slight increase in high risk (D, E, F and G) loans.

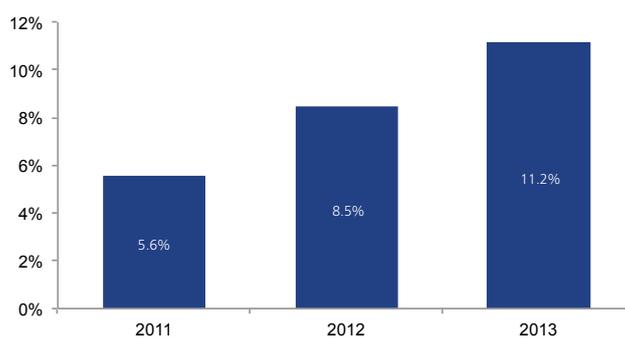
Figure 16 – Segregation of Loan Portfolio by Risk Level



Source: Annexes of banks' financial statements.

Regarding the ratio of overdue loans, according to information provided by the central bank in its 2013 report, this ratio rose to 11.18%, showing a slight increase compared to the value for the previous period (8.51%).

Figure 17 – Overdue Loans



Source: BNA's 2013 Report and Accounts.

⁴ The following banks were considered for this analysis: BAI, BANC, BCA, BCH, BDA, BFA, BIC, BMA, BNI, BPA, BPC, BRK, FNB and SBA.

Relative Position of Banks

In relation to loans to customers, the largest banks remained in the same position relative to 2012.

As with other aggregate measures, there is a tendency of lower concentration ratios with small and medium sized banks gaining more of a foothold in the market. With regards to guarantees and documentary credits, on the 31st of December 2013, BPC, BAI, BIC, BPA and BFA reported the volumes shown in the figure below.

Figure 18 – Ranking by Net Loans to Customers

2013			2012		
Ranking	Bank	Quota	Ranking	Bank	Quota
1	BPC	22.9%	1	BPC	22.8%
2	BAI	9.1%	2	BAI	10.8%
3	BIC	7.3%	3	BIC	9.5%
4	BPA	6.7%	4	BPA	5.9%
5	BFA	5.3%	5	BFA	5.8%
6	BDA	3.3%	6	BNI	3.2%
7	BNI	3.2%	7	BDA	3.1%
8	BMA	3.0%	8	BMA	2.6%
9	SOL	2.8%	9	SOL	2.2%
10	BCI	1.8%	10	BCGTA	2.2%
11	BCGTA	1.6%	11	BCI	1.9%
12	BRK	1.4%	12	BRK	1.2%
13	SBA	1.3%	13	FNB	0.4%
14	FNB	0.8%	14	SBA	0.4%
15	VTB	0.3%	15	BMF	0.3%
16	BMF	0.2%	16	BCA	0.2%
17	BCA	0.2%	17	VTB	0.2%
18	BANC	0.2%	18	BANC	0.1%
19	BVB	0.1%	19	BVB	0.1%
20	BCH	0.0%	20	BCH	0.0%

Source: financial statements of banks.

Note: This analysis is in accordance with the study preparation.

With regards to guarantees and documentary credits, on the 31st of December 2013, BPC, BAI, BIC, BPA and BFA reported the volumes shown in the figure below.

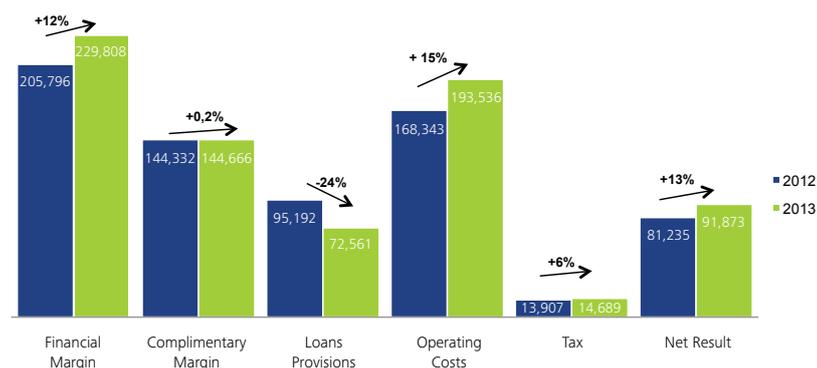
Figure 19 – Guarantees Provided, Documentary Loans and Gross Lending



Unit: Millions of AKZ.

Source: financial statements of banks.

Figure 20 – Components of Net Income



Unit: Millions of AKZ.
Source: financial statements of banks.

Results

Aggregate Vision

The operating income of the domestic banking sector increased in 2013 to almost 374 billion AKZ, a growth rate of 7% compared to 2012.

This growth is mainly explained by the increase in financial margins which were 12% higher than in 2012, increased revenue from customer loans and the growth of results relating to foreign exchange activities which caused an increase in the complementary margin of 0.2%.

Net allocations to provisions for loans to customers fell by 24% in 2013, to almost 73 billion AKZ, compared to 95 billion AKZ in the previous year. Operating expenses rose to 194 billion AKZ, an increase of 15% over 2012, reflecting the efforts by domestic banks to increase their operations by reinforcing their physical presence throughout the whole country as well as increasing their employee numbers.

However, the total net profit of the sector increased to nearly 92 billion AKZ in 2013, a growth rate of 13% over the 81 billion in 2012.

Relative position of banks

With regards to results, there were small changes in the positions of the largest banks in the sector compared to 2012, with BFA retaining the top spot followed by BIC in second place in 2013.

Although the aggregate results of this sector have increased, this growth is not generalised to all of the institutions as nearly half of the banks earned lower profits than they did last year.

Figure 21 – Ranking by Net Results

2013			2012		
Ranking	Bank	Resultado	Ranking	Bank	Resultado
1	BFA	23,899	1	BFA	20,976
2	BIC	19,646	2	BAI	17,217
3	BAI	12,082	3	BIC	16,106
4	BPC	7,219	4	BPC	7,816
5	BCGTA	6,677	5	BCGTA	5,608
6	BPA	6,154	6	BPA	5,603
7	BMA	4,872	7	BMA	4,824
8	SOL	3,465	8	BNI	3,379
9	BDA	2,833	9	SOL	2,876
10	BNI	2,759	10	VTB	1,417
11	FNB	1,465	11	BRK	1,388
12	VTB	1,333	12	FNB	1,087
13	BRK	1,304	13	BCA	677
14	BCA	670	14	BANC	46
15	BANC	207	15	BMF	9
16	BCH	84	16	BCH	-1
17	BMF	-799	17	SBA	-983
18	SBA	-1,039	18	BVB	-1,163
19	BVB	-1,580	19	BCI	-4,559
20	BCI	-2,999	20	BDA	-6,530

Unit: Millions of AKZ.
Source: financial statements of banks.
Note: This analysis is in accordance with the study preparation.

Profitability

Aggregate view

In 2013, there was a stabilisation of the return on average equity (ROAE) with the value of 13.7%, being slightly inferior to the value obtained for 2012 (14%). This reduction reflects the diminishing of the leverage rate between 2012 and 2013.

Figure 22 – Indicators of Profitability

Indicators of Profitability	2013	2012	2011	2010	2009
Financial Margin	3.7%	3.7%	4.8%	5.2%	3.6%
Complementary Margin	2.3%	2.6%	2.5%	2.4%	4.2%
Return on Average Assets (ROAA)	1.5%	1.5%	2.7%	3.4%	3.4%
Leverage Rate	9.1	9.7	9.3	9.3	10.6
Return on Average Equity (ROAE)	13.7%	14.0%	25.4%	33.0%	39.9%

Source: financial statements of banks.

Relative position of banks

In relation to the profitability of Angolan banks, twelve banks have profitability measures greater than or equal to 14%, while six have ROAEs greater than 20% (BDA, VTB, BFA, SOL, BIC and BCGTA).

Figure 23 – Ranking by Profitability (ROAE)

2013			2012		
Ranking	Bank	ROAE	Ranking	Bank	ROAE
1	BDA	52%	1	VTB	49%
2	VTB	41%	2	BFA	29%
3	BFA	30%	3	SOL	26%
4	SOL	26%	4	BIC	24%
5	BIC	25%	5	FNB	20%
6	BCGTA	21%	6	BCGTA	20%
7	FNB	19%	7	BMA	19%
8	BMA	16%	8	BNI	19%
9	BPA	16%	9	BPA	19%
10	BRK	14%	10	BAI	18%
11	BNI	14%	11	BRK	16%
12	BCA	14%	12	BCA	15%
13	BAI	12%	13	BPC	9%
14	BPC	8%	14	BMF	3%
15	BCH	7%	15	BANC	2%
16	BANC	5%	16	BCH	-0%
17	SBA	-15%	17	SBA	-18%
18	BCI	-38%	18	BCI	-46%
19	BVB	-69%	19	BDA	-72%
20	BMF	-104%	20	BVB	-87%

Source: financial statements of banks.

Note: This analysis is in accordance with the study preparation.

Efficiency

Aggregate view

In 2013, the indicator of operating costs to gross operating income (cost-to-income ratio) rose, due to the continued expansion effort and consolidation of banking activities, coupled with more modest growth in gross operating income. With this, the cost-to-income ratio grew to 51.7% compared with 48.1% in 2012.

Figure 24 – Indicators of Efficiency

Indicators of Efficiency	2013	2012	2011	2010	2009
Cost-to-Income	51.7%	48.1%	40.9%	38.1%	34.5%
Efficiency Ratio	1.9	2.1	2.4	2.6	2.9
Operational Costs (%Assets)	3.1%	3.1%	3.0%	2.9%	2.7%

Source: financial statements of banks.

Relative position of banks

There is still a collection of banks that have cost-to-income ratios with values lower than 40% (FNB, BDA, VTB, BCGTA and BAI). In addition, BFA and BIC have values that are very close to 40%.

Figure 25 – Ranking by Cost-to-Income Ratio (%)

2013			2012		
Ranking	Bank	Valor	Ranking	Bank	Valor
1	FNB	31.5%	1	VTB	32.4%
2	BDA	35.5%	2	BCGTA	35.3%
3	VTB	36.4%	3	FNB	36.3%
4	BCGTA	37.5%	4	BIC	37.6%
5	BAI	39.1%	5	BAI	38.2%
6	BFA	40.9%	6	BFA	44.0%
7	BIC	41.2%	7	BDA	44.3%
8	BMA	54.6%	8	BPA	44.5%
9	BPA	54.6%	9	BPC	49.3%
10	BRK	54.8%	10	BMA	54.0%
11	BPC	63.3%	11	BNI	58.8%
12	BNI	65.9%	12	BRK	60.1%
13	SOL	67.5%	13	BCA	67.6%
14	BCA	69.1%	14	SOL	70.4%
15	BCH	79.6%	15	BMF	86.5%
16	BANC	82.8%	16	BANC	92.9%
17	BCI	101.9%	17	BCI	122.2%
18	SBA	102.9%	18	SBA	130.3%
19	BMF	123.3%	19	BCH	222.9%
20	BVB	222.5%	20	BVB	574.8%

Source: financial statements of banks.

Note: This analysis is in accordance with the study preparation.

Conclusion

In 2013, the financial system can sustain the growth that it has enjoyed over the past few years, showing itself to be one of the principal examples of sound macroeconomic performance in the country. The players in the sector have focused on diversifying their market offering and the delivery of banking services of higher quality.

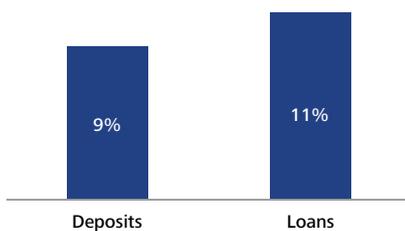
In 2013, the main aggregates, such as deposits and loans in the economy, grew 17% and 13% respectively. The uneven growth between loans and deposits has led to a reduction in the transformation ratio from 60% in 2012 to 58% in 2013. In 2013, there was a slight deterioration in efficiency (cost-to-income ratio), partially due to the tendency of banks to keep expanding their geographical presence in the past year.

Putting the year so far into perspective with data released by BNA, deposits and loans have both shown positive growth rates of 9% and 11% respectively until June 2014.

In addition, in June of this year, the Economic Committee of the Council of Ministers approved a proposal to introduce the Programme of Potential Credit to the Economy (PPCE), based on a study initiated by BNA in 2013 regarding the main limitations that exist in the process of granting credit. With this, they intend to create more favourable conditions (incentives) for the granting of loans by commercial banks and to reverse the increase in the ratio of overdue loans.

Finally, it is expected that the effects of “de-dollarisation” and the new exchange rate will produce far more substantial effects and that the proposed emergence of the capital market, which is not far from becoming a reality, will bring a new level of dynamism to the banking sector.

Figure 26 – Growth Rates of Aggregate Loans and Deposits until June 2014



Source: BNA Aggregates.

Financial Statements



Financial Statements

Balance Sheets

2013									
	BAI	BCA	BCI	BMA	BESA	BFA	BIC	BPC	BCGTA
Assets									
Cash and Deposits	189,309	7,114	17,387	36,371	59,817	144,564	122,768	148,597	43,473
Liquidity Investments	322,647	10,767	8,890	32,953	1,763	227,110	86,601	52,386	20,479
Securities	199,901	3,394	5,376	42,869	118,606	325,608	319,685	46,472	66,863
Derivative Financial Instruments	0	0	0	0	0	127	0	0	0
Loans in the Payment System	624	153	76	580	7	0	0	0	176
Operações Cambiais	0	0	0	1,860	0	6,901	2,498	0	0
Loans	245,708	5,856	49,677	81,454	770,631	144,013	198,615	619,473	44,057
Other Values	23,537	168	9,375	4,690	90,028	1,923	9,288	58,251	438
Commercial and Industrial Inventories	0	0	0	0	0	0	0	0	0
Fixed Assets	57,967	3,403	8,116	22,706	66,287	17,786	11,869	63,002	7,530
TOTAL ASSETS	1,039,693	30,855	98,897	223,483	1,107,139	868,032	751,324	988,181	183,016
Liabilities									
Deposits	902,936	23,789	67,119	162,727	349,163	763,025	615,478	731,953	132,395
Liquidity Funding	9,762	0	1,958	19,331	596,962	0	1,000	70,286	81
Funding Through Securities	0	0	0	0	0	0	0	0	0
Derivative Financial Instruments	0	0	0	0	0	166	0	0	0
Obligations in the Payment System	3,384	507	1,583	2,614	20	4,783	8,746	8,225	1,518
Exchange Rate Operations	1,385	53	0	1,830	1	6,735	2,510	27,503	4
Other Funding	504	22	13,219	0	0	0	27,710	28,131	0
Advances from Customers	3,115	0	0	0	0	0	0	0	0
Other Obligations	8,924	1,131	5,202	3,442	2,423	5,610	7,276	25,037	14,167
Provisions	5,253	66	1,639	545	662	3,072	1,839	3,903	1,560
TOTAL LIABILITIES	935,263	25,568	90,720	190,489	949,231	783,391	664,559	895,038	149,725
Equity									
Share Capital	14,787	1,309	6,894	11,140	64,371	3,522	2,415	31,672	8,575
Monetary Updating of Capital Reserves	28	83	0	0	0	451	5,798	0	802
Reserves and Funds	76,909	3,212	3,259	16,982	21,185	55,515	51,287	52,331	16,657
Potential Earnings	671	13	3,168	0	1,058	1,254	1,460	346	580
Capital Conversion Reserves	0	0	0	0	0	0	0	0	0
Retained Earnings	0	0	-2,145	0	67,674	0	6,159	1,563	0
(-) Anticipated Dividends	0	0	0	0	0	0	0	0	0
Accounting Criteria Amendment Earnings	0	0	0	0	0	0	0	12	0
(-) Own Treasury Shares	-47	0	0	0	0	0	0	0	0
Net Income	12,082	670	-2,999	4,872	3,620	23,899	19,646	7,219	6,677
TOTAL EQUITY	104,430	5,287	8,177	32,994	157,908	84,641	86,765	93,143	33,291
TOTAL LIABILITIES AND EQUITY	1,039,693	30,855	98,897	223,483	1,107,139	868,032	751,324	988,181	183,016

Profit & Loss Accounts

2013									
	BAI	BCA	BCI	BMA	BESA	BFA	BIC	BPC	BCGTA
1. Income from Financial Instruments (Assets)	48,080	1,508	5,232	11,693	89,819	35,012	39,489	78,451	7,779
2. (-) Costs from Financial Instruments (Liabilities)	-13,902	-290	-1,144	-3,123	-59,725	-10,515	-13,232	-34,050	-1,839
3. Net Interest Income (1+2)	34,178	1,218	4,088	8,570	30,094	24,497	26,257	44,401	5,940
4. Net Income from Trading and Fair Value Adjustments	0	6	0	0	0	30	1,691	724	0
5. Net Income from Exchange Rate Operations	11,591	1,213	1,333	4,372	1,105	11,537	7,113	8,222	6,058
6. Net Income from Financial Services	10,345	770	2,077	3,955	4,143	3,962	4,277	16,342	2,813
7. (-) Provisions for Bad Debt and Guarantees	-21,933	16	-3,821	-2,074	-9,077	-1,067	-5,992	-16,555	-239
8. Net Income from Insurance, Capitalisation and Health Care Plans	0	0	0	0	-348	0	0	0	0
9. Results of Financial Intermediation (3+4+5+6+7+8)	34,181	3,223	3,677	14,823	25,917	38,959	33,346	53,134	14,572
10. (-) Administrative and Sales Costs	-21,951	-2,215	-7,641	-9,217	-14,717	-16,368	-16,222	-44,116	-5,548
11. (-) Provisions for Values and Probable Liabilities	-1,379	-6	-323	131	-592	-274	1,596	-4,392	-137
12. Other Operating Income and Costs	671	-3	299	258	-194	2,730	1,454	48	348
13. Other Operating Income and Costs (10+11+12)	-22,659	-2,224	-7,665	-8,828	-15,503	-13,912	-13,172	-48,460	-5,337
14. Net Income from Fixed Assets	-1,477	0	45	256	126	0	0	39	0
15. Earnings from Updating Monetary Assets	0	0	0	0	-1,806	0	0	0	0
16. Operational Income (9+13+14+15)	10,045	999	-3,943	6,251	8,734	25,047	20,174	4,713	9,235
17. Non-Operating Income	462	9	944	47	-5,114	45	60	4,799	1
18. Earnings from Foreign Exchange Conversions to USD	0	0	0	0	0	0	0	0	0
19. Earnings before Tax and Other Charges (16+17+18)	10,507	1,008	-2,999	6,298	3,620	25,092	20,234	9,512	9,236
20. (-) Charges on Current Earnings	1,575	-338	0	-1,426	0	-1,193	-588	-2,293	-2,559
21. Net Income (19+20)	12,082	670	-2,999	4,872	3,620	23,899	19,646	7,219	6,677

Millions of Kwanzas (AKZ)

BRK	BMF	SOL	BPA	BNI	BANC	BDA	VTB	FNB	BCH	SBA	BVB
18,607	2,345	50,708	89,102	31,439	4,577	18,985	4,526	11,857	1,282	31,114	4,458
23,016	870	65,222	10,571	32,041	622	87,454	0	11,651	1,307	45,865	1,150
10,392	0	638	33,923	10,246	537	14,035	490	2,334	0	31,426	1,162
0	0	0	0	0	0	0	0	0	0	0	0
26	1	918	48	1	11	0	227	1,185	0	183	265
5	0	96	2,190	781	0	0	0	0	0	6	0
39,129	6,242	75,902	181,730	85,964	4,608	90,305	6,934	21,708	889	34,102	3,978
1,212	148	1,206	10,100	8,095	2,487	193	1,814	756	207	2,630	68
0	0	0	0	0	0	0	0	0	0	0	0
5,813	1,013	11,150	29,342	15,609	3,519	10,076	367	5,112	373	3,166	4,039
98,200	10,619	205,840	357,006	184,176	16,361	221,048	14,358	54,603	4,058	148,492	15,120
83,049	5,157	182,475	276,290	133,500	10,739	0	7,005	42,497	2,507	134,737	9,992
0	4,285	0	19,238	15,750	32	0	2,239	0	0	0	0
0	0	1,788	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	1	0	0	0
615	10	1,749	936	1,083	746	0	88	2,592	6	691	35
23	0	464	2,195	783	0	0	0	0	0	3	0
3,071	230	7	5,013	5,220	0	214,035	741	0	0	3,922	0
0	0	0	0	0	0	0	0	0	0	0	0
786	72	4,040	6,923	6,355	173	1,510	890	1,117	236	2,534	1,203
701	0	781	1,569	367	15	212	76	55	0	181	39
88,245	9,754	191,304	312,164	163,058	11,705	215,757	11,039	46,262	2,749	142,068	11,269
4,000	2,587	1,378	33,182	6,039	4,309	4,019	1,400	4,182	1,500	9,530	6,882
0	0	0	0	0	0	0	0	0	0	0	0
4,476	127	1,489	3,868	4,537	140	5,552	586	2,694	15	52	0
37	0	301	50	0	0	0	0	0	0	87	0
0	0	0	0	0	0	0	0	0	0	0	0
138	-1,050	7,903	1,588	7,869	0	-7,113	0	0	-290	-2,206	-1,451
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	-86	0	0	0	0	0	0	0
1,304	-799	3,465	6,154	2,759	207	2,833	1,333	1,465	84	-1,039	-1,580
9,955	865	14,536	44,842	21,118	4,656	5,291	3,319	8,341	1,309	6,424	3,851
98,200	10,619	205,840	357,006	184,176	16,361	221,048	14,358	54,603	4,058	148,492	15,120

Source: Financial Statements of Banks.

BRK	BMF	SOL	BPA	BNI	BANC	BDA	VTB	FNB	BCH	SBA	BVB
6,318	1,110	12,596	21,823	10,661	539	13,423	723	2,593	99	3,252	577
-1,660	-455	-3,210	-6,377	-4,717	-166	-4,917	-181	-922	-32	-415	-98
4,658	655	9,386	15,446	5,944	373	8,506	542	1,671	67	2,837	479
30	0	0	0	0	30	270	0	0	0	39	0
1,742	87	3,371	3,896	2,683	1,312	1,023	1,091	2,044	302	2,908	308
1,925	73	3,388	3,710	2,426	424	2,930	1,918	1,074	188	1,717	83
-2,333	-505	-652	-1,210	-689	3	-4,524	-211	-1,066	-3	-342	-290
0	0	0	0	0	0	0	0	0	0	0	0
6,022	310	15,493	21,842	10,364	2,142	8,205	3,340	3,723	554	7,159	580
-4,577	-1,005	-10,898	-12,593	-7,279	-1,771	-4,518	-1,292	-1,508	-444	-7,722	-1,935
0	0	-399	-864	-44	-35	-9	-8	-61	0	-207	0
335	-72	1,210	-199	1,632	43	8	0	-21	16	-45	22
-4,242	-1,077	-10,087	-13,656	-5,691	-1,763	-4,519	-1,300	-1,590	-428	-7,974	-1,913
1	0	0	244	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
1,781	-767	5,406	8,430	4,673	379	3,686	2,040	2,133	126	-815	-1,333
-95	-32	-41	12	-456	-64	-853	-6	69	5	23	-247
0	0	0	0	0	0	0	0	0	0	0	0
1,686	-799	5,365	8,442	4,217	315	2,833	2,034	2,202	131	-792	-1,580
-382	0	-1,900	-2,288	-1,458	-108	0	-701	-737	-47	-247	0
1,304	-799	3,465	6,154	2,759	207	2,833	1,333	1,465	84	-1,039	-1,580

Source: Financial Statements of Banks.

Consolidated Balance Sheet

Millions of Kwanzas (AKZ)

Assets	31/12/2013	31/12/2012
Cash and Deposits	1,038,401	1,024,662
Liquidity Investments	1,043,363	978,611
Securities	1,233,959	983,139
Derivative Financial Instruments	127	0
Loans in the Payments System	4,482	3,127
Exchange Rate Operations	14,338	7,006
Loans	2,710,974	2,373,547
Other Values	226,615	231,760
Commercial and Industrial Inventories	0	409
Fixed Assets	348,244	294,580
TOTAL ASSETS	6,620,503	5,896,841
Liabilities		
Deposits	4,636,532	3,971,221
Liquidity Funding	740,923	744,081
Funding Through Securities	1,789	4,679
Derivative Financial Instruments	166	45
Obligations in the Payment System	39,934	138,137
Exchange Rate Operations	43,490	54,709
Other Funding Received	301,825	258,382
Advances from Customers	3,115	2,356
Other Obligations	99,054	94,673
Provisions	22,533	21,300
TOTAL LIABILITIES	5,889,361	5,289,583
Equity		
Share Capital	223,692	148,525
Monetary Updating of Capital Reserves	7,161	7,161
Reserves and Funds	320,872	275,113
Potential Earnings	9,025	7,786
Capital Conversion Reserve	0	0
Retained Earnings	78,640	87,473
(-) Anticipated Dividends	0	0
Accounting Criteria Amendment Earnings	12	12
(-) Own Treasury Shares	-133	-47
Net Income	91,873	81,235
TOTAL EQUITY	731,142	607,258
TOTAL LIABILITIES AND EQUITY	6,620,503	5,896,841

Source: financial statements of banks.

Consolidated Profit & Loss Account

Millions of Kwanzas (AKZ)

	31/12/2013	31/12/2012
1. Income from Financial Instruments (Assets)	390,777	362,398
2. (-) Costs from Financial Instruments (Liabilities)	-160,969	-156,603
3. Net Interest Income (1+2)	229,808	205,795
4. Net Income from Trading and Fair Value Adjustments	2,818	1,305
5. Net Income from Exchange Rate Operations	73,311	70,336
6. Net Income from Financial Services	68,537	72,690
7. (-) Provisions for Bad Debt and Guarantees	-72,561	-95,192
8. Net Income from Insurance, Capitalisation and Health Care Plans	-348	-3
9. Results of Financial Intermediation (3+4+5+6+7+8)	301,565	254,931
10. (-) Administrative and Sales Costs	-193,536	-168,342
11. (-) Provisions for Values and Probable Liabilities	-7,002	-6,176
12. Other Operating Income and Costs	8,540	10,141
13. Other Operating Income and Costs (10+11+12)	-191,998	-164,377
14. Net Income from Fixed Assets	-765	-924
15. Earnings from Updating Monetary Assets	-1,806	0
16. Operational Income (9+13+14+15)	-106,996	89,630
17. Non-Operating Income	-434	5,512
18. Earnings from Foreign Exchange Conversions to USD	0	0
19. Earnings before Tax and Other Charges (16+17+18)	106,562	95,142
20. (-) Charges on Current Earnings	-14,689	-13,907
21. Net Income (19+20)	91,873	81,235

Source: financial statements of banks.

Consolidated Indicators

	2013	2012	2011	2010	2009
SIZE AND GROWTH					
Growth of Client Deposits (%)	16.9%	8.8%	39.0%	13.8%	65.1%
Growth of Net Loans to Clients (%)	14.2%	26.3%	25.0%	15.6%	59.3%
Growth of Assets	12.3%	15.4%	24.2%	19.7%	29.2%
LIQUIDITY					
Equity / Total Assets (%)	11.0%	10.3%	10.8%	10.7%	9.5%
Net Loans / Customer Deposits (%)	58.8%	60.1%	51.8%	57.6%	54.0%
Savings Accounts / Customer Deposits (%)	46.0%	46.8%	43.1%	38.7%	32.1%
QUALITY OF ASSETS					
Provisions for Loans / Total Loans (%)	6.7%	7.8%	6.8%	6.5%	4.2%
PERFORMANCE					
Return on Average Equity (ROAE) (%)	13.7%	14.0%	25.4%	33.0%	39.9%
Return on Average Assets (ROAA) (%)	1.5%	1.5%	2.7%	3.4%	3.4%
Net Interest Income / Average Assets (%)	3.7%	3.7%	4.8%	5.2%	3.6%
Complementary Margins / Average Assets (%)	2.3%	2.6%	2.5%	2.4%	4.2%
Gross Operating Income / Average Assets (%)	6.0%	6.4%	7.2%	7.6%	7.8%
PRODUCTIVITY AND EFFICIENCY					
Operating Costs / Gross Operating Income (%)	51.7%	48.1%	40.9%	38.1%	34.5%
Operating Costs / Average Assets (%)	3.1%	3.1%	3.0%	2.9%	2.7%

Source: financial statements of banks.

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