



BankBIC

2016 MANAGEMENT REPORT

An Overview of Annual Performance

INTRODUCTION

After obtaining the final approval and the respective license from the Central Bank of Namibia in May 2016, Bank BIC Namibia commenced operations in June 2016.

CONTENTS

I.	FINANCIAL HIGHLIGHTS	3
II.	MESSAGE FROM THE CHAIRMAN	4
III.	DIRECTORS RESPONSIBILITY FOR THE FINANCIAL REPORTING	6
IV.	AUDITORS' REPORT	8
V.	DIRECTORS' REPORT	10
VI.	HISTORY	11
VII.	ORGANIZATIONAL STRUCTURE	15
VIII.	HUMAN RESOURCES	16
	<i>Staff Complement</i>	17
	<i>Training</i>	18
	<i>Vacancies</i>	19
	<i>Benefits</i>	19
	<i>Events and Activities</i>	20
IX.	MACROECONOMIC FRAMEWORK	21
	<i>World Economy</i>	21
	<i>Angolan Economy</i>	30
	<i>Namibian Economy</i>	32
X.	RISK & COMPLIANCE	35
XI.	CREDIT RISK	37
XII.	PERSONAL AND CORPORATE BANKING	40
XIII.	INTERNATIONAL AND FINANCIAL AREA	43
XIV.	FINANCIAL STATEMENTS	45
	<i>Notes to the Financial Statements</i>	50

FINANCIAL HIGHLIGHTS

	2016	2015
Total Assets, net	297.798.327	17.151.474
Business Turnover	23.495.723	-
Loans and advances to clients	9.613.053	-
Deposits from clients	13.785.547	-
Shareholders' Equity	266.774.801	831.153
Profitability		
Net Interest Income	11.918.517	8.605
Net Operating Income	10.525.615	(595.408)
Net Operating Income / Net Assets	4 %	(4) %
Net Operating Income per Employee	424.909	(45.800)
Net Income/ (Loss)	(27.206.352)	(6.018.847)
Efficiency Ratios		
General operating expenses / Net Operating Income	355%	N/A
Staff Costs / Net Operating Income	104%	N/A
Distribution Network	1	-
Number of Employees	25	13

MESSAGE FROM THE CHAIRMAN

Bank BIC Namibia commenced operation in June 2016 and thus we are completing our first semester of activity.

We are a Namibian bank, focused on serving the Namibian market and aiming to cooperate in the strengthening of the economic and financial relations between Namibia and Angola. Under the internationalization strategy of the BIC Universe, we want to become the banking business partner for all Namibian and Angolan entities, either corporate or individuals, doing businesses in both countries.

To cope with this strategy and objectives, we count with the support of Banco BIC (Angola), one of the major players in the Angolan financial market.

Also, due to the international presence of the BIC Universe in Europe through Portugal, we are in a very good position to support all trade and investment flows between Namibia and Europe.

In the first months of activity, the effort of the Bank was directed to achieve the necessary conditions to operate in the market, assuring the development of the commercial area in a sustained way, focused on the client and in the quality of the service provided, with an adequate control of the risks inherent to the banking activity.

During this period, we faced several constraints related to changes that are currently take place in the industry, such as the payment and settlement system. We are also aware of other operational issues that took longer than expected to enter into production. All those are being continuously monitored to ensure that we can exceed our client expectations.

We started with a commercial branch in Windhoek and we expect to open three or four additional branches in 2017, being those part of our commercial and expansion plan of having between 18 and 20 branches in Namibia in five years from inception.

In Namibia we also want to follow our DNA of being a strong and competitive commercial bank, dedicated either to corporates or individuals, with a strong focus on the international trade and foreign currency transactions.

To achieve this purpose, Bank BIC Namibia count with a strong and solid shareholder structure, as well as highly qualified and motivated employees. We surely hope to deserve the confidence of our clients.

I would like to finish with a special word of appreciation to the Bank of Namibia, for its cooperation and support since the entering of the BIC brand in Namibia.

In Namibia, like in all countries of the BIC Universe, we embrace our logo of "Growing Together".

Fernando Mendes Teles
Chairman of the Board of Directors

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL REPORTING

The Directors are responsible for the preparation and fair presentation of the financial statements of the Bank, comprising the balance sheet as at 31 December 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in a manner required by the Companies Act of Namibia.

The Directors are required by the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Bank as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The Bank's independent external auditors have audited the financial statements and their report is presented in this report.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank

and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

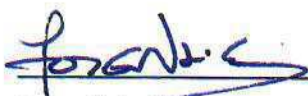
The Directors have made an assessment of the Bank's ability to continue as a going concern and believe that the Bank will operate as a going concern in the year ahead.

The Directors are of the opinion, based on the information and explanations given by management, that the internal control system provides reasonable assurance that the financial records may be relied on for the preparation of the period financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 45 to 78, were approved by the Board of Directors and are signed on their behalf by:

Windhoek, 23 March 2017



Jorge Veiga
Chief Executive Officer



Lindsay Crawford
Executive Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF Bank BIC Namibia Limited

Opinion

We have audited the financial statements of Bank BIC Namibia Limited, which comprise the balance sheet as at 31 December 2016 and the statement of profit and loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies and other explanatory notes and the Report of the directors as set out on pages 10 to 12 and 45 to 78. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank BIC Namibia Limited as at 31 December 2016 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises annual report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDER OF Bank BIC Namibia Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

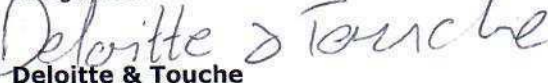
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (Namibia)
ICAN practice number: 9407

Johann Cronjé
Partner
Windhoek
21 April 2017

DIRECTORS' REPORT

MAIN BUSINESS AND OPERATIONS

Bank BIC Namibia Limited is a bank that commenced its activities during the current period. The banking license approval was obtained on 31 May 2016 and Bank BIC started operations on 20 June 2016.

HOLDING COMPANY

The Bank is a ninety-five percent (95%) owned subsidiary of Bank BIC Namibia Holdings Limited, a company registered and incorporated in Namibia.

SHARE CAPITAL

The authorized share capital of the Bank comprises 300.000.000 ordinary shares of N\$ 1 each, as detailed in note 14 of the annual financial statements. During the year 2016, share capital was increased from N\$ 4.000 to N\$ 300.000.000 in accordance with Bank of Namibia determination. At year end, all shares were issued, subscribed and fully paid up.

RESULTS FOR THE YEAR

The results and financial position of the Bank for the year ended 31 December 2016 are fully disclosed in the financial statements and, in the opinion of the Directors, require no further comment.

PROPERTY PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

The Bank incurred capital expenditure on "computer and office equipment" during the year of N\$ 2.042.715 (2015: N\$ 9.471.396) and on intangible assets of N\$ 18.418.724 (2015: N\$ 4.327.854), as per notes 8 and 9 respectively. 11

GOING CONCERN

The Directors, in performing their assessment of the Banks' ability to continue as a going concern, have no reason to doubt that the Bank has access to adequate resources to continue in operational existence for the foreseeable future. The going concern basis in preparing financial statements is considered appropriate and, therefore, the Directors believe that the Bank will operate as a going concern in the year ahead.

COMPANY INFORMATION

Bank BIC Namibia Limited was incorporated in Namibia on 13 July 2015 with registration number 2015/0682.

DIRECTORS

The Directors of the Bank during the year and to the date of this report are as follows:

Name	Nationality	Date Appointed
<i>Fernando Teles (Chairman)*</i>	<i>Portuguese</i>	<i>13 July 2015</i>
<i>Jaime Pereira (Vice-Chairman)*</i>	<i>Portuguese</i>	<i>13 July 2015</i>
<i>Hugo Teles *</i>	<i>Portuguese</i>	<i>13 July 2015</i>
<i>Jorge Veiga (Chief Executive Officer)</i>	<i>Angolan</i>	<i>13 July 2015</i>
<i>Lindsay Crawford</i>	<i>Namibian</i>	<i>1 August 2015</i>

() Non-Executive*

AUDITORS Deloitte & Touche

REGISTERED OFFICE AND ADDRESS

Av Dr Agostinho Neto Road, Unit 6 - Ausspännplatz, Windhoek, Namibia

POSTAL ADDRESS

P.O. Box 5001 - Ausspännplatz, Windhoek, Namibia 12

SECRETARY

The secretary of the Bank is CR van Wyk & Company.

SUBSEQUENT EVENTS

No subsequent events after the year end to report.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements of the Bank are set out on pages 45 to 78 and were approved by the Board of Directors on 23 March 2017, duly signed on page 7.

HISTORY

BIC brand was born in Angola, with the opening of Banco BIC, S.A. in May 2005 and, although it may be considered a young bank, it is currently a reference in the Angolan banking sector. Banco BIC is the largest private bank in Angola in terms of business units coverage, with more than 220 branches across the country and more than 2.000 employees.

Currently, Banco BIC is the third largest bank in Angola in terms of loans to clients and the fourth in terms of customer deposits, being consistently one of the most profitable. It is also worth mentioning that in 2014, Banco BIC (Angola) opened a representation office in Johannesburg, South Africa.

Back in 2008, BIC expanded its brand to Europe, with the establishment of Banco BIC Português, S.A. in Portugal, with the same shareholder structure of the Angolan bank. BIC Portugal is a commercial bank with special focus on SME's, namely exporter companies.

In 2012, BIC Portugal acquired former Banco Português de Negócios, which enabled a significant increase of the commercial network. Since then, it has experienced a significant growing trend, on a counter-cycle with the Portuguese financial sector. Between March 2012 and December 2016 loans to clients grew 1,8 billion euros (78%) and customer deposits increased more than 3 billion euros (167%).

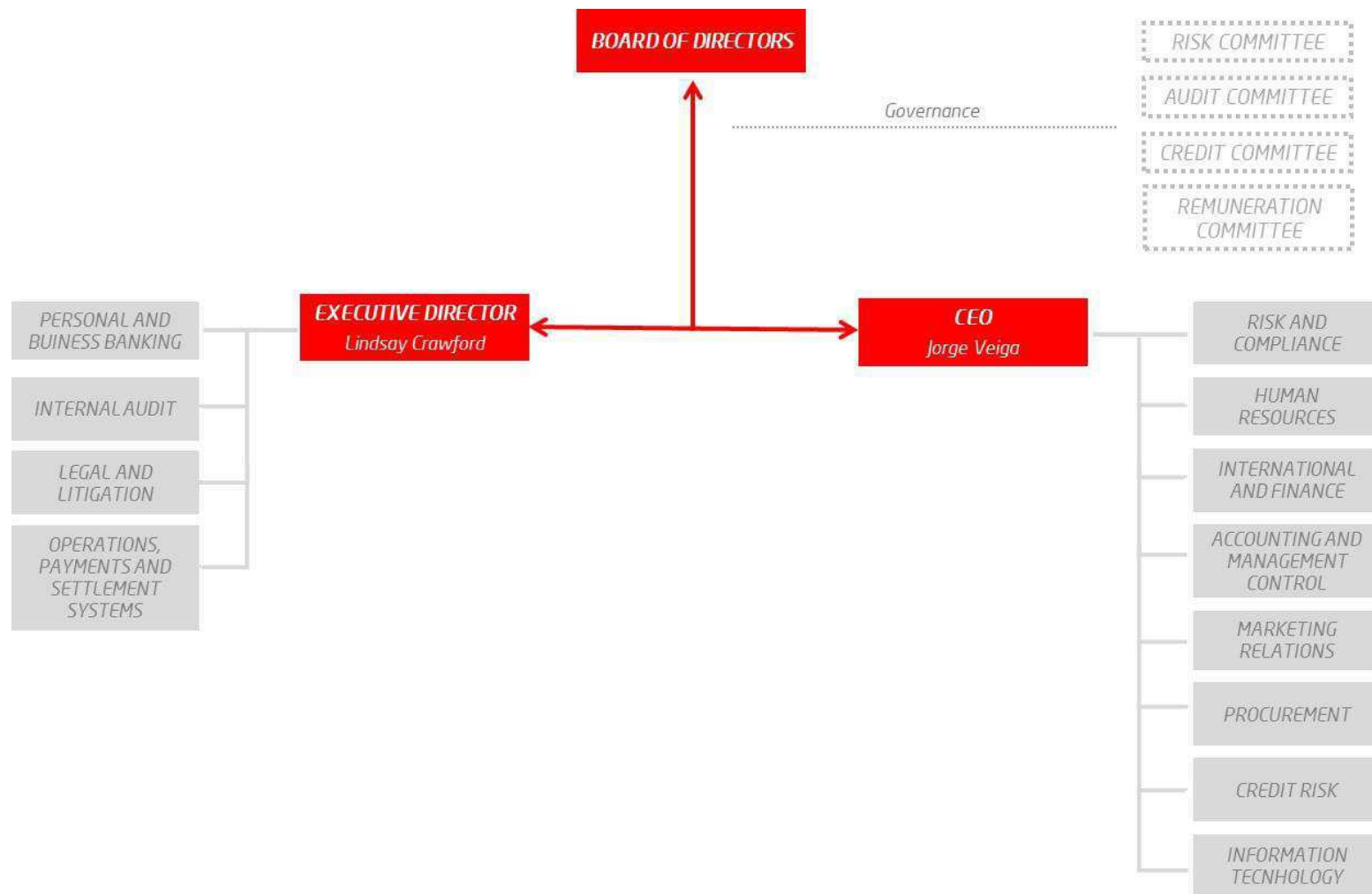
BIC Portugal has currently more than 220 branches across the country and, approximately, 1.500 employees.

Continuing its trend to become an international brand, BIC shareholders acquired in 2013 a financial institution in Cape Verde. Banco BIC Cabo Verde is currently an international financial institution operating in Cape Verde with non-residents, having total assets of 560 million euros and shareholders' equity of 41 million euros.

Due to the high number of commercial trades, investments and business relationships between Namibia and Angola, BIC shareholders considered that the presence of the BIC brand in Namibia, with a strong relation with the European market through Portugal, would bring important synergies to Namibian investors.

Accordingly, Bank BIC Namibia was established in July 2015, and commenced operations in June 2016, with a special focus on commercial banking and international trade, aiming to support either Namibian corporates and individuals, or Angolan and European investors in the country

ORGANIZATIONAL STRUCTURE



HUMAN RESOURCES

The Employees are Bank BIC Namibia's greatest asset and thus the focal point in the banks activity.

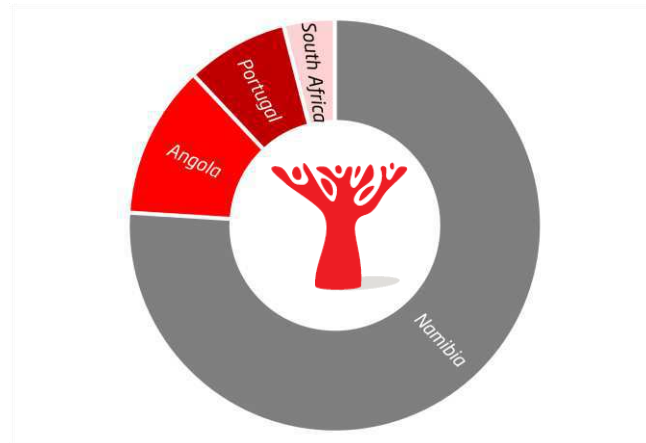
Bank BIC Namibia has 25 employees, 17 within the Head Office and 8 within the Bank's first Branch, 60% of which joined the team during 2016.

DEPARTMENTS	2016	2015
Executive Directors	2	2
Operations, Payment & Settlement Systems	3	1
Personal & Business Banking	1	1
Risk and Compliance Office	1	1
Human Resources	1	1
Informations & Techonology	1	1
International & Finance	3	-
Credit Risk	1	-
Accounting Management Control	3	-
Marketing	1	-
Windhoek Branch	8	6
Total	25	13

Attributable to being a new establishment, priority was given to creating a healthy, balanced, competitive and results-driven culture, excellent training for employees and benefits. The foundations of the Human Resources, including, but not limited to its policies and procedures, were created with a clear understanding of the BIC culture globally, as well as incorporating in that the Namibian values.

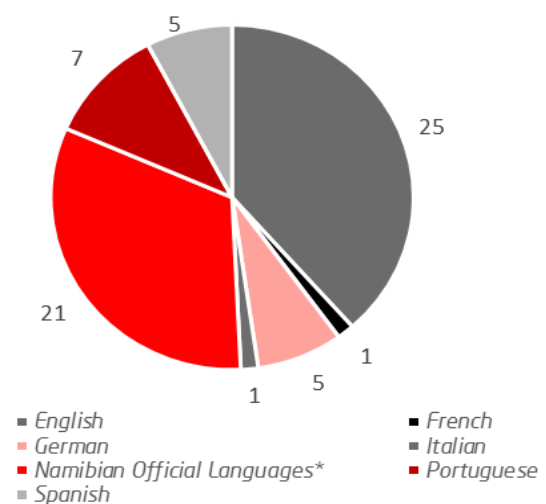
Staff Complement

Bank BIC Namibia embraces diversity, with a staff complement originating from Namibia, Angola, South Africa and Portugal.



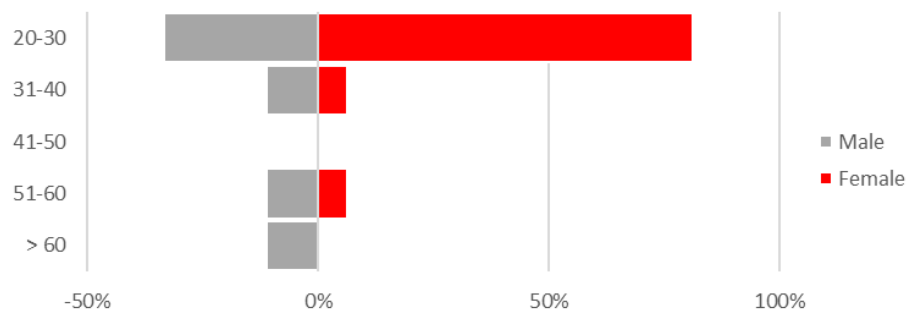
Ensuring that our values are embraced by all employees, a diversity culture workshop aiding cultural awareness and encouraging open-mindedness was offered with 100% attendance.

All combined, Bank BIC Namibia's employees speak ten different Languages, four of which are local and six international. As an International bank, oriented to the International Market, the ability to communicate in different languages is very important at BIC. Employees are encouraged to practice, as well as undergo courses paid for by the Bank. This supports the relationship, understanding and empathy between colleagues, stakeholders and clients.



In terms of gender, 36% of our staff complement are men whilst 64% are women. Such figures are higher than the benchmark levels of the Namibian market as well as the banking industry specifically.

The average age is 35 years old, ranging from 20's to 60's. The culture at the bank is relatively young which feeds our missions by which as the Bank grows, the employees grow. Growing Together. The latter however cannot be successful without education and training being at the forefront.



The percentage of employees with or undergoing tertiary education in 2016 is 84%. Human Resources has implemented a Continuous Development Plan, whereby employee growth incorporates education from the outset. Employees are able to set realistic goals including promotions and career advancements, with qualifications required in mind.

Training

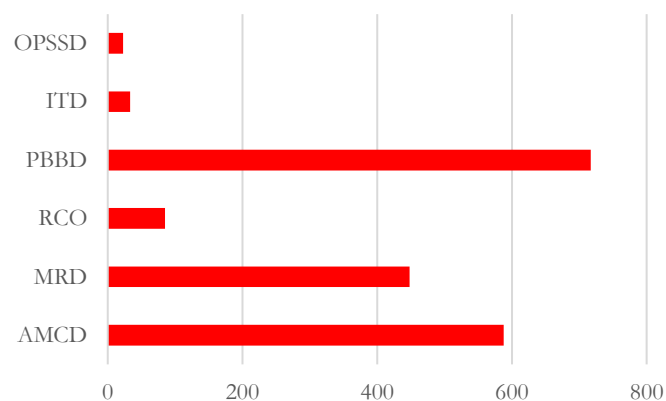
Within the scope of management knowledge, deemed essential for the success of the Bank, professional training remained geared towards the development of people and creating a foundation for the running of the Bank. The main aim of the training sessions was to increase employee potential as well as align Human Resources policies with the expectations of the employees and the strategic objectives of the Bank.

100% of our staff complement were trained during 2016. Various courses were offered, with emphasis on the banking systems as well as compliance. The total amount of training hours exceeded 5.000, and the investment in training surpassed N\$ 300.000.

To encourage group culture, branch employees were invited to Banco BIC, S.A. (Lubango, Angola), whereby they were introduced to the Banking Software, policies and BIC spirit of teamwork. Additionally, Operations, Credit and Sales Managers, spent one week in Luanda, at the Head-office of Banco BIC. S.A., exchanging experiences, knowledge and skills with their colleagues. This was a great opportunity for all employees who benefited, primarily as they witnessed firsthand the success of the bank globally as well as how it has affected the lives of the employees whom are committed to Growing Together.

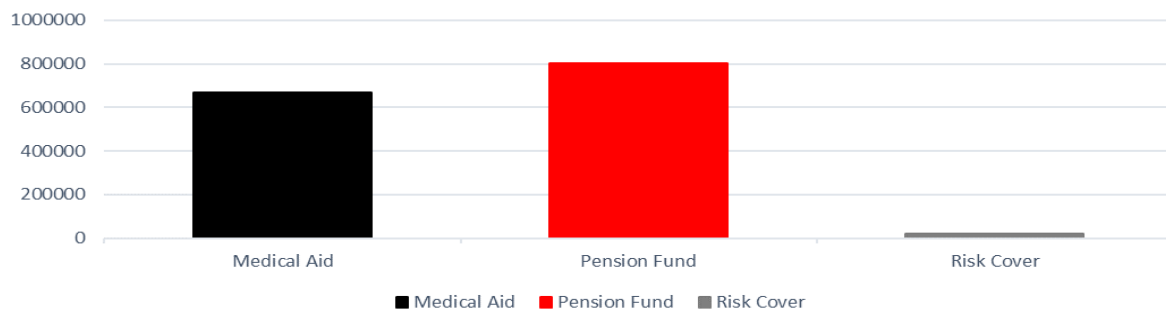
Vacancies

During 2016 Bank BIC Namibia advertised 12 national vacancies and received over 2,000 applications. Vacancies ranged from Branch Positions to Senior Management Positions. Vacancies were advertised via international recruitment agencies, local newspapers, online and internally.



Benefits

As part of Bank BIC Namibia's retention plan all Employees receive Medical Aid, Pension Fund as well as Risk Cover totaling over 1 million NAD in costs.



The employees have the option of selecting any of Namibian Health Plan's (NHP) medical aid scheme that best suits their individual needs and those of their family.

The Bank has a Pension Fund as well as Risk Cover. Risk Cover includes disability benefit for the employee until the age of 60, funeral cover for the employee and his/her family as well.

Events and Activities

*Assuming our Social Responsibility, Bank BIC partnered with Namibian Blood Transfusing Services, organizing our **First Blood Donation Day**. Volunteering and giving back to society is at the heart of the Bank, primarily for such causes.*



Events organized for employees also included the Employee Wellness Day, organized by NHP with local traders, whom tested cholesterol, blood pressure, visual acuity tests, etc.,

MACROECONOMIC FRAMEWORK

World Economy

Advanced economies were at the epicenter of the global financial crisis and, after nearly a decade has passed since it began, there is a significant overall progress of recovery of macroeconomic indicators, although with considerable disparities between countries. If, on one hand, several economies are still showing macro -economic levels under the ones observed before the crisis (including various southern European economies), in other cases, these levels have been exceeded, but the trend of evolution pre-crisis has not yet been resumed (for example, in the USA and in advanced economies of Southeast Asia).

Economies in a later stage of recuperation show, in general, banking systems with high values of impairments in their balance sheets, which has hindered the financing of economic activity, and thus the intensity of the process of economic recovery.

Global Activity

According with the information already available for 2016, global economic activity has slowed marginally compared to the previous year. The most recent estimates from the International Monetary Fund (IMF) point to a world GDP growth of 3,1% in real terms, after an increase of 3,2% in 2015 and 3,4% in 2014. Such occurred in a backdrop scenario of slowing economic activity in all the advanced economies and stabilization of the growth rate in developing and emerging economies.

In the U.S., the economy showed a significant loss of momentum in 2016 compared to the previous year (rate of change in GDP of 1,6% in 2016, compared with 2,6% in 2015), but with a non-consistent behavior throughout the year. The sharp slowdown in the first semester reflected essentially the progress stocks and business investment, due to the unfavorable performance of this aggregate of expenses in the energy sector and in export industries affected by the dollar's appreciation movement. However, the dynamics of private consumption remained strong, supported by a robust labour market, wages growth and the

advanced stage of resolving financial imbalances of households and businesses, leading to some recovery of economic activity in the second half of 2016.

In the Euro zone, the slowdown in economic activity was less intense, with the rate of change of GDP going to 1,7% in 2016, compared with 2% in the previous year. Domestic demand, particularly investment, lost some momentum after several quarters showing a stronger-than-expected behaviour. And if, on one hand, the activity remained below the level of potential output, on the other hand, the result of the British referendum to stay in the European Union (Brexit) seems to have had a very limited impact on activity and on the confidence of economic agents in the Euro zone. However, the behavior of the different Member States was heterogeneous. As far as the largest economies, GDP maintained the growth rate in Spain (with 3,2%), accelerated (slightly) in Germany (for 1,8%) and Italy (for 1%) and slowed in France (to 1,1%). The year 2016 was characterized by a slowdown also in some smaller economies, Ireland (while maintaining a high growth rate), Belgium and Portugal. Greece already had a marginally positive behavior, interrupting the recessive trajectory of the previous years.

In the United Kingdom, there was also some loss of momentum, though only marginal throughout the year (the rate of change in the GDP increased from 2,2% in 2015, to 2% in 2016), with economic activity to remain supported by domestic demand. The vote in favor of the Brexit had a short-term negative impact on major industrial activity, but had a limited effect in the household consumption expenses indicators.

In Japan, economic activity slowed from a growth rate of 1,2% in 2015, to 1% in 2016. The activity was affected by the significant slowdown in exports, which contrasted with the dynamism of household consumption expenses and business investment. The activity also slowdown in Hong Kong and Taiwan, particularly as reflection of a financial turmoil earlier this year in China.

As for the emerging and developing economies group, the stabilization of the rate of growth in 2016 occurred after the previous year being marked by negative reflexes of the sharp drop in raw material prices and the significant capital output in several countries. However, this has hidden such disparate behavior of the different economic blocks.

In China, there was a new slowdown of GDP in 2016, this time to a 6,7% variation rate, minus 0,2 percentage points (p.p.) that in 2015. The ongoing process of structural change, with increased service weight and recoil of the importance of the industry has been supported by accommodative monetary policy, stimulating aggregate spending (and despite financial volatility episodes that have characterized this economy). In the emerging Asian economies, the slowdown was slightly more pronounced, from 6,7% in 2015, to 6,3% in 2016.

The same pattern was visible in the case of the European emerging countries, with a slowdown of GDP growth of 3,7% in 2015, to 2,9% by 2016.

Similarly, the combined economies of Latin America and the Caribbean went to a scenario of contraction in 2016 (-0,7% of GDP, compared to 0,1% in the previous year). However, the largest economies of this economic block kept disparate progress: Brazil's remained in recession (-3,5% variation in 2016, compared to -3,8% in 2015), still a reflection of international oil prices in the previous year, the soaring of several administered, and political uncertainty; while Mexico remained in expansion path, although with some slowdown (to 2,2% in 2016 facing the 2,6% in the previous year).

In Russia, it was apparent a significant easing of the pace of contraction of the GDP (a variation of -3,7% in 2015, to -0,6% in 2016), able to benefit from the recent context of stabilization of international oil prices and the exchange rate of the Rouble, as well as improving the financial conditions of the banking system.

Finally, the Middle East and North Africa combined economies has benefit from a significant acceleration of economic activity, to a growth rate of 3,8% in 2016, compared with 2,5% in the previous year.

For 2017, the IMF forecasts point out to some acceleration of global economic activity, with global GDP to grow 3,4%. This acceleration will result from greater dynamism both from advanced economies as well as from the emerging and developing economies block (growth of, respectively, 1,9% and 4,5%). Within the first group of countries, is accentuated the important acceleration in the USA (2,3%) growth, against a marginal slowdown in the Euro zone (to 1,6%) and Japan (for 0,8%). As for the second, its pointed out the provided recovery

of Russia and Brazil (a positive variation passage of GDP of 1,1% and 0,2%, respectively), against a new (slight) slowdown in China (to 6,5%).

International Trade

The international trade volume in goods and services registered a new slowdown in 2016 at global level, this time for a growth rate of 1,9% (as against 2,7% in 2015 and 3,4% in 2014). This development, which was significantly below the initially envisaged, it was only a reflection of the loss of momentum in the case of advanced economies, as trade flows that relate to emerging and developing economies have accelerated significantly. Since the rate of growth of international trade was lower than the world's GDP, the year 2016 was characterized by a (new) reduction of the intensity of trade at a global level.

Raw Material Prices and Inflation Rates

In 2016, the price indices of raw materials compiled by IMF retreated for the fifth consecutive year, with losses of 15,9% in oil and 2,7% in the non-energy component, though diminishing in the face of very severe falls in 2015 (average variation of -47,1% and -17,4%, respectively).

Particularly in relation to oil, the price of Brent Crude in dollars per barrel have retreated 16% in 2016 (after a fall of 46% the year before), but finished the year with an important ascent. In fact, at the end of the year (at the 30th of November), and after several advances and setbacks in the negotiations, the OPEC countries agreed with a cut in the production (1,2 M barrels per day, to 32,5 M barrels/day), for the first time in eight years. It was even reached an agreement with countries outside OPEC to reduce production by 600 K barrels per day, which is the first global cut in 15 years. Following the agreements, the price of a barrel of Brent Crude Oil finished the month of December in \$55 (against \$46 in November).

The base metals component also finished the year with an important ascent, reacting, among other factors, to the strong investment activity in infrastructure in China and to the perspective of accelerated United States investment within a framework of budgetary stimulus from the new United States Presidency.

In all the advanced economies, the inflation rate, measured by the change in the consumer price index (CPI) remained in 2016 in quite low values, although in upward trajectory compared to the previous year (average rate of 0,7% to 0,3% in 2015 and 2016) mirroring, particularly, the recent reversal of progress of prices of several raw materials and the recovery of labour costs in some countries.

In the Euro zone, the rate of inflation stood at 0,2% in 2016, versus 0% in 2015, with the imported component giving a significant negative contribution to the progress of prices (in contrast, the GDP deflator, aggregate indicator of production prices, rose 1% and 1,1% in 2015 and 2016). In the United Kingdom, the inflation rate increased from 0% in 2015, to 0,7 percent last year.

In the U.S., the acceleration in consumer prices was more intense, as a reaction (out of phase) to the economic activity also globally more dynamic than in Europe in the previous two years. The inflation rate recovered to 1,3% in 2016, compared to 0,1% in the previous year.

In Japan, by contrast, the inflation rate went from 0,8% in 2015, to - 0,1% in 2016, and after a peak of 2,4%, in 2014. This development occurred in a strong context of deceleration in producer prices (the GDP deflator slowed to 2% by 2015, to 0,2% by 2016).

In the emerging and developing economies, by contrast, the inflation rate remained at relatively high levels (such as reflection of rates of growth of GDP also globally higher than in advanced economies), but stable (mirroring the context of a greater exchange rate stability also in several countries). The average inflation rate in this group of countries has retreated only slightly compared to 2015 (average rate of 4,5% in 2016, compared with 4,7% in 2015).

Monetary Policy and Interest Rates

In response to inflation rates (particularly when measured by the underlying indicators) persistently below inflation objectives of monetary policy and a slow recovery of economic activity in advanced economies, the respective central banks kept the expansionary orientation framework of monetary policy.

The European Central Bank (ECB) kept interest rates unchanged (0% in the case of the interest rate applicable to the main refinancing operations), indicating that they should remain at very low levels for a long period. At the end of the year, the ECB announced the extension of the unconventional measures monetary expansion program (asset purchase program), which was initially expected to finish in March 2017. The program will be extended at least until the end of 2017, but with the pace of monthly purchases to be reduced from 80 to 60 billion euros. If, however, prospects become less favorable, the ECB could increase the volume and/or the duration of the program. In parallel, to ensure the continuation of its good execution, the ECB widened the eligible securities to accept public debt securities of residual maturity of least then one year instead of two, and with yields below the interest rate of the ECB's deposit facility (fixed at -0,4%). However, it has not changed the limits of detention of debt by the ECB by issuer and issue, which could put upward pressure on yields of bonds of public debt in countries on the Eurozone periphery (such as happened in immediate reaction of markets on the announcement of the decision).

In the U.S., the Federal Reserve turned out to raise the main interest rate (fed funds rate) only once in 2016, contrary to what was initially expected. In December, the rate was increased by 0,25 percentage points, for a range of 0,25% to 0,75%, about a year after the first climb against the near-zero history minimum (a range of 0% to 0,25%), who had lasted seven years. The Federal Reserve expects economic conditions determine a gradual rise only of interest rates, remaining some time below expected levels. The Federal Reserve prospective began to point to three climbs of 0,25 percentage points in the Directors' rates during the year 2017, instead of the two previously flagged increases. The market's reaction to the decision was the stock rise, Dollar's appreciation (especially against the Euro, which stood at almost 14 years' minimum in this Exchange), and an increase in the yields of bonds in the U.S. and around the world, including countries on the Euro zone periphery.

In the United Kingdom, there was an official interest rate cut in 2016 by the central bank for the first time in seven years (from 0,5% to 0,25%) and a further enlargement of the program of unconventional monetary expansion measures, with the goal of supporting the confidence of economic agents following the vote in favor of the Brexit.

In Japan, the central bank has granted, in 2016, a reassessment of the program of unconventional monetary expansion measures and introduced new mechanisms that will

ensure the necessary expansionary stance while the inflation rate does not meet the objective of 2% consistently.

On the capital market, interest rates on longer-term advanced economies presented a trend of receding until August, against a background of reduction of maturity premiums. From September, began a recovery period (both in nominal and real terms) of these interest rates, particularly in the United States and the United Kingdom following the US presidential election and Brexit vote. The rise also occurred in the Euro area, although much less intense. Taking as reference the public debt to 10 years, the accumulated variation of the yields from August 2016 was close to 100 basis points in the U.S. and 35 base points in Germany.

In the emerging and developing economies, the impact of the developments in advanced economies as described above was heterogeneous. There were increases of interest rates by the central banks of Mexico and Turkey (after cuts in the first half of the year), but rates reductions in Brazil and Russia (given the beneficial impact of the recovery in commodity prices and exchange rates, on this term, stabilization of inflation in these countries).

Foreign Exchange Market

In 2016, the major currency movements in advanced economies were referred to the U.S. Dollar (particularly against the Euro), as a result of the significant rise in the end of the year, reflecting essentially the perspective of guiding monetary policy divergence between the US and the Euro Zone, and to the depreciation of the Pound, following the referendum outcome of the Brexit in June. The Japanese Yen showed a significant movement of appreciation during 2016, partially reversed in the last two months of the year.

Regarding emerging and developing economies, the Chinese Yuan has presented, in 2016, a path of gradual depreciation (after an important appreciation in 2015), while the currencies of several economies of exporting raw materials, with emphasis on the Brazilian Real and the Russian Rouble, showed some recovery as the above, in reaction to the recovery of international prices of raw materials and some improvement of international financing for these countries. Contrasting, Turkey and Mexico have seen their currencies suffer significant

reductions in reaction to an adverse geopolitical context (in the last case, with sensitivity to the outcome of the US presidential elections).

In 2016, the nominal effective Euro exchange rate (regarding the main 19 trading partners of the Euro zone) increased by 2,6%, against a significant reduction of 9,2% on the previous year.

Public Finances

In the Euro zone, the year 2016 was characterized by a reduction of both the public deficit in GDP weight (to 1,7%, less 0,4 percentage points than in 2015) and the Government gross debt ratio in GDP (to 91,5%, less 1,1 percentage points than in 2015), taking advantage of the nominal GDP growth and historically low interest rates on average, about European government debt.

However, the dynamics of these indicators was heterogeneous at the level of each Member States. The significant reduction of the public deficit ratio in countries that were under external financial assistance, mainly in Greece and Portugal, but also in Ireland and Cyprus. However, except for Ireland, these countries increased the Government debt ratio in 2016 (reflecting the behavior of the respective public deficits in the previous year), which remained well above 100% of GDP. Belgium and Italy also recorded debt ratios above 100% of GDP and rising compared with 2015.

In December, the Eurogroup adopted, without preconditions, a package of measures to relieve the debt burdens of Greece (equivalent to about 20% of GDP by 2060). The debt ratio in the country's GDP stood at 179,7 percent in 2016.

In the United Kingdom, continued the process of fiscal consolidation in 2016. There has been a significant reduction in the ratio of public deficit, but remained above 3% (down 1 percentage points to 3,4%), while the Government debt retreated slightly (to 88,6%, 0,4 percentage points less than in 2015).

On the contrary, in the USA, in 2016 the rising weight of the public deficit in GDP (for 4,8 percent, 0,6 percentage points more than in 2015), reversing the decline recorded in the

previous year, while the gross government debt kept its upward trajectory (rose 2,1 percentage points to 107,3%). In the context of the new American Presidency and announced measures to reduce various taxes and increase public investment, it is expected the continuing rise of these indicators in the next few years.

In Japan, after a significant budget consolidation movement between 2013 and 2015, there was a (slight) increase in the ratio of budget deficit in GDP in 2016 (3,7%, 0,2 percentage points more than the previous year). Already the Government debt ratio continued the previous upward trajectory, as a reflection of the high public deficits of recent years (rising to 248,8% of GDP in 2016, more 0,8 percentage points than in 2015).

Angolan Economy

Activity

The Angolan economy continued, in 2016, to suffer the effects of the fall in oil prices that began in mid-2014. Although some recovery during 2016, the price remained far below the values reached before the shock. The fall in the price of oil has led to a considerable reduction of exports and public investment, and led to an accentuated marked reduction regarding the expansion rhythm of the economy, that resulted in a nearly zero-variation rate of the GDP in 2016. It was a minimum of the past two decades and contrasted with the 6,8% peak reached in 2013.

Production and Sales

It occurred a contraction of GDP in the non-oil sector, pressed by industrial, construction and services sectors. Production in the non-oil sector, in particular industrial production, was constrained by the scarcity of raw materials and intermediate goods which are imported, due to limited availability of foreign exchange reserves.

In contrast, oil production increased to 1.789 million barrels a day in 2016, compared with 1.780 million in 2015 and 1.672 million in 2014.

Foreign Exchange Market

Inflationary pressures, caused largely by significant currency devaluation (Kwanza lost about a quarter of its value against the US\$ in the wake of the shock), but also reflecting the increase in fuel prices (due to removal of State subsidies) and to more expansionary monetary policies, made the inflation rate return to double digits. Having into consideration the evolution of the consumer price index, it is estimated that the inflation rate has risen to 33% in 2016 (against 10,3% and, 7,3% respectively, in 2015 and 2014).

Public Finance and External Trade

The economy presented a deficit in the public accounts and external accounts for the third consecutive year in 2016, in contrast with the very high superavits in the period 2010-2012. The oil price shock has, on one hand, reduced the exports of goods (weight of 9,5% of GDP in 2016, compared to 30,1% in 2013) and, on the other, reduced as well oil tax revenues (represents 28,6% of GDP in 2016, against 54,6% in 2013). As a result, and despite the downward adjustment of public spending, the budget deficit was 4,1% of GDP in 2016, 0,8 percentage points more than the previous year. The current account deficit will be set at 4,3% of GDP, but what he represented, was after all, a decrease of 5,7 percentage points in comparison with 2015 because of the sharp drop in imports of goods in 2016 (an adjustment to more limited availability of foreign exchange reserves).

The combined effect of increased public deficits and the sharp reduction in the nominal rate of economic growth, led to an upward trajectory of the Government debt ratio in GDP (including debt of public oil company Sonangol), that could represent, 71,6% of GDP in 2016 (compared to 65,4% in 2015 and 40,7% in 2014).

Competitiveness

In parallel, the available data indicate a deterioration in the economic environment, with the rise of credit default and with the deterioration of the solvency ratios of financial institutions, as well as their profitability indicators, when measured in foreign currency.

The deterioration of terms of trade due to the exchange rate adjustment continued in 2016 (16,2%) to drop, though at a pace quite less than the previous year (fall of 41,6% in 2015). The other side of the coin of this evolution was an important gain in price-competitiveness vis-à-vis major trading partners, that can contribute positively to the effort to diversify the Angolan economy to boost exports of new products. It should be noted, in this regard, that the contribution of the oil sector to the GDP reduced from 40,5% in 2013, to 20,7% in 2016, while its contribution to exports decreased from 98,2% to 95,5% over the same period.

Namibian Economy

Activity

Domestic economic growth is estimated to have slowed in 2016, compared to the previous year. In 2016 Namibia suffered a sharp and sudden drop in economic growth after posting a healthy growth rate of 5,3% in 2015.

The slowdown is mainly attributed to the contractions in the construction and mining sectors, in particular diamond mining (owing to a diamond mining sea vessel that underwent maintenance), agriculture (due to prolonged drought conditions), construction (due to lower government and mining expenditure as well as water shortage) and public administration and defence (because of fiscal consolidation).

Furthermore, anaemic growth in South Africa - Namibia`s largest trading partner - has reduced trade between the two neighbouring countries. The South Africa Revenue Service`s (SARS) cumulative bilateral merchandise trade statistics show that total merchandise trade (import and export of goods) between Namibia and South Africa dropped by 2,2% in 2016 compared to 2015.

Growth in tertiary sector is expected to sustain activities in the economy in 2016, mainly driven by activities in wholesale and retail trade and tourism, although estimated to be lower than that of 2015.

2016 proved challenging for Namibia, with many of the indicators showing major deterioration through the year.

Livestock market in 2016 fell by 31,2% when compared to the previous year, largely due to the persistent drought.

Diamond production fell approximately 11%, primary due to vessel maintenance. Rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds. Marine diamond mining is increasingly important as the terrestrial diamond supply has dwindled.

While most commodity export prices, in Namibia Dollars, remained fairly stable from 2015 to 2016, the uranium price fell 47,3%, to one of its lowest levels in over a decade.

Vehicles sales plummeted by 22,3% on account of government buying less vehicles, liquidity constraints in the commercial banks, and regulatory changes to credit conditions.

Following a 33,7% weakening in the Rand and by extension the Namibia Dollar against the US Dollar through 2015, 2016 saw some respite with the currency recovering by 11,1%.

Credit extension continued to expand through 2016, but did so at a notably lower rate than in 2015. Credit extension to business slowed to 8,5% growth from 14,9% a year earlier. Credit extension to Households slowed to 9,3% from 12,5% a year earlier. Although demand for credit remains strong, the supply thereof has become somewhat constrained due to a number of factors.

Persistent fiscal and monetary stimulus has resulted in a fiscal crowding out, while low interest rates have incentivized borrowing over saving, resulting in an increase of the loan-to-deposit ratios of commercial banks.

*The **Invest in Namibia Conference 2016** was a success, in securing several foreign investments commitments worth billions of Namibia Dollars. One such a commitment is a joint venture agreement between MK International, a South Korean company and the Otavi Town Council for the establishment of a \$250 million reinforcing steel manufacturing plant in Otavi, which is expected to provide 1.500 jobs. Another commitment is for Polycare, a German company that develops innovative low-cost housing systems, to build a production facility in Okahandja.*

The annual inflation rate increased through 2016, averaging 6,7% and finishing the year at 7,3%. By contrast, 2015 inflation was an average 3,4% finishing the year at 3,7% This was mainly driven by the rise in the inflation rates for major categories such as housing, water, electricity, gas and other fuels, transport as well as food. The annual inflation rate increased to 8,2 percent in January 2017, from 7,3% in December 2016. This is the highest level since October 2009.

The preliminary stock of international reserves in 2016 stood at N\$ 1,83 billion. The government expect that foreign reserves will increase to N\$ 1,85 billion in 2017 At this level, the stock of international reserves was estimated at 3,1 months of import cover. The stock of international reserves remains sufficient to sustain the one-to-one link of the Namibia Dollar to the South African Rand.

RISK & COMPLIANCE

It is a well-established philosophy that risk entails both a threat and an opportunity. That the Bank engages in business by selling its services and products to clients is an opportunity to succeed, but it is equally a risk to its success. The Bank has therefore adopted measures to either avoid, reduce, or mitigate the inherent risk of doing banking business.

Bank BIC is cognizant of the fact that effective risk management is intrinsically fundamental to business success and is therefore aligned to its business objectives. It has therefore developed a sound and balanced risk management and oversight structure guided by a Risk Management Policy. These management and oversight structures are resourced with skilled and technical staff befitting not only to the nature and complexity of the task but also to the accompanying risk.

In this context, risk management is distributed and managed across several principal risks:

- *Strategic*
- *Finance & Tax*
- *Treasury*
- *Operational*
- *Compliance*
- *Credit Risk*

Given the diverse risk spectrum across the Bank, the Executive Committee established a Risk Committee ("Riskco") that consists of the Chief Executive Officer, Executive Director, Chief Risk and Compliance Officer, Finance Manager, Head of Credit Risk, Operations Manager, Treasurer and Head of Personal and Business Banking. The Chief Risk and Compliance Officer chairs meetings of the committee. The main aim of the Riskco is to oversee the Bank's risk management framework and the results of the risk management process. The committee meets monthly to reflect on the overall risk management and its status. To ensure effective oversight and accountability, the Riskco reports to the Executive Committee and ultimately to the Board Risk Committee and Board Audit Committee. The latter two committees meet quarterly to conduct their oversight activities in terms of their board-approved charters.

The Bank has a strong compliance management culture as depicted by both policy framework and systems. To effectively manage anti-money laundering compliance risk, the Bank has deployed several information technology systems - such as the Argus System - that enables the effective conduct of sanction screening. The Bank is busy developing an automated capability which will enable it to have better understanding of its transaction, client risk profiling as well its ability to report to the regulator utilizing an XML format.

A set of key risk indicator and metrics for Compliance Risk Management has been set. These includes amongst others;

- Material non-compliance for month*
- Material AML/CTF non-compliance for month*
- Penalties for non-compliance*

The Bank maintains a compliance universe that serves as the foundation for its compliance oversight efforts and further assesses the degree of compliance through the use of compliance risk management plans for key and core legislation.

Independent Assurance

The Bank utilizes the services of internal and external audit to provide independent assurances on the quality and effectiveness of the internal control, risk management and governance processes and systems. The independent internal and external auditors are utilized to provide assurance concerning the effectiveness and efficiency of the internal control environment, financial controls, the safeguarding of assets and financial reporting and disclosure. To round it off, assurance providers report directly to the board committees, who remains ultimately accountable for the adequacy and effectiveness of holistic oversight of the risk management framework.

CREDIT RISK

Credit is the provision of, or a commitment to provide, funds or substitutes for funds (both on and off balance sheet), on a secured or unsecured basis, to a counterparty who is obliged to repay or meet obligations on demand at a future time or per contractual terms, the amount borrowed together with fees and/or Interest thereon.

In the granting of credit and the management of credit, the primary function of Bank BIC Namibia's Credit Department is to conduct quality-lending practices and ensure quality assets. Its secondary function is to support the sales department in their effort to satisfy the right client's needs with acceptable financial solutions. Decision-making must therefore remain flexible without sacrificing quality.

Bank BIC Namibia's credit policy, credit standards and credit norms are developed within the context of the following points of reference:

- All Regulatory Requirements of Namibia and the Bank of Namibia;*
- Best practice guidelines issued by the Basel Committee on Banking Supervision;*
- Sound Corporate Governance Principles.*

One of the basic tenets is the assessment of an applicant's ability and willingness to comfortably service and repay the facility in terms of the arrangement made from determinable and reliable sources.

To this extent, we need to understand the applicant's business activities and requirements through close interaction.

It is not the Bank's policy to finance purely on the strength of the presence of an important or well-known name or the provision of security.

We base ourselves on sound financial criteria to judge the merits of facilities, but should not do so to the exclusion of considerations such as the ability and integrity of management and the potential of the business, which judgement should be employed to gain a balanced

overview of the entire proposition, thus ensuring that all deserving proposals receive thorough consideration.

Credit Risk Management Structures

As part of Bank BIC Namibia's client centric approach, the Credit Management performs a business support function and is therefore structured around the business for effective decision-making and turnaround times.

The Credit Risk Management department is responsible for all credit assessment, Credit Management and monitoring activities of our lending book.

Each credit proposal/application must be motivated and recommended to Credit Risk Management by the appropriate Relationship Manager. Furthermore, each application must include a separate written recommendation from Credit Risk Management for sub-mission to the Board Credit Council. The mandate to approve/decline credit facilities rest with the Board Credit Council.

All facilities should be at least reviewed once a year, however, if there are any negative early warning signals, e.g. regular excesses, an interim review should be carried out immediately as would be the case in terms of best practice.

At any mandated level the credit authority can still make it a condition of an approval that an Interim Review is to be carried out especially if the facility is driven by covenants.

The bank's lending book is set out below per business section and bank facility.

SEGMENT	TYPE OF FACILITY	N\$
Legal entities	Mortgage loans	8.596.068
Individuals	Asset Based Finance	1.053.664
	Other Loans	62.532
Total		9.712.264

Counterparty Credit Risk

Counterparty limits are being determined by International and Finance Department (IFD) and approved by Board Credit Council (BCC). It is the responsibility of IFD to ensure that trading takes place within the agreed limits and any excesses must be reported to Credit Department in writing.

No trade or investment take place with any company, institution or other client that has not received prior approval from BCC.

PERSONAL AND CORPORATE BANKING

Bank of Namibia (BoN) granted Bank BIC a full commercial banking license in May 2016. The Bank opened its first branch in Windhoek on 20 June 2016.

The decision of BIC shareholders to open a Bank in Namibia is in line with its internationalisation strategy, to help and facilitate relations between Namibia, Angola and Portugal. The Bank strongly believes that distinguish itself by providing a better service between the several investors, commercial trades and business relationships of the countries mentioned above.

Given the characteristics of the market and the dimension of the Bank, the strategical target is the corporate segment, focusing on the following sectors:

- *Mining*
- *Tourism*
- *Fishing*
- *Telecommunication and Information Technology*
- *Food and beverages distribution*
- *Small and medium sized manufacturing industries*
- *Small and medium sized services providers*

Additionally, Bank BIC intends to penetrate Namibia's population and provide banking to individual segments. Its strategy is to open 18 to 20 branches in five years, from the beginning of the Bank's activity onwards.

The first branch is located in Windhoek, in the same building as the head office of the Bank - Ausspannplatz. The Bank's focus is on commercial and retail banking. Providing diversified products and services, such as transactional, investment accounts and loans.

In October 2016, the Bank received authorization from Bank of Namibia - Exchange Control Department, to operate in foreign currency, therefore became part of authorized dealers in Namibia.

CLIENTS GROWTH BY MONTH



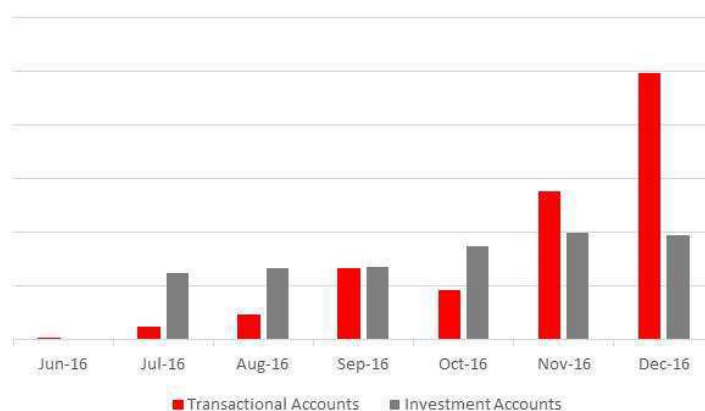
At year ended 31 December 2016, the Bank had a number of, approximately 1.800 clients.

In its clients' portfolio, the Bank had a distribution of 33% residents and 67% non-residents. Where the nationalities are varied, not only from Namibia and Angola but also from Portugal, Cape Verde, Nigeria, United Kingdom and China.

The number of employees dedicated to the Personal and Business Banking, at the year ended 31 December 2016, had several months of training on daily relations with the clients and costumer care, AML/CTF and Compliance.

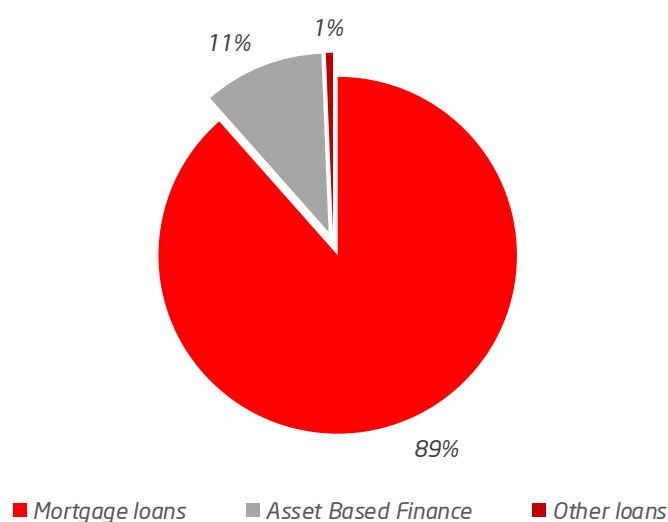
During the first six months of the Bank activity, ended in 31 December 2016, there was a growth from month on clients' deposits, aligned with initial projections for the business.

DEPOSITS GROWTH BY MONTH



Bank BIC received a positive feedback from the market, and so after six months was possible to have a credit disbursement portfolio higher than N\$ 10 million, and a total credit in pipeline higher than N\$ 100 million.

GRANTED LOANS



Additionally, during the half year of 2016 the Bank issued a guarantee of N\$ 5 million, that expired before the year end.

The year of 2016, was a year of implementation of BIC's brand, the Bank faced several constraints due to changes in the industry, such as the payment and settlement system, which had a major impact on the Banks daily activity, specially on electronic fund transfers (EFT).

The Bank expects that in 2017 with the introduction of BIC cards, ATM's and internet banking (BIC net) it will have an important impact on the growth of the business.

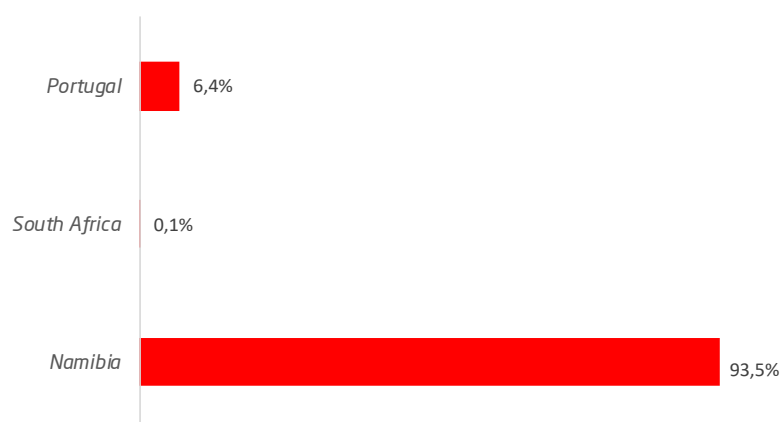
INTERNATIONAL AND FINANCIAL AREA

Treasury Management

The main objectives of the treasury management of the Bank are to ensure compliance with the minimum cash reserve requirements and maintenance of adequate liquidity levels to meet the needs arising from the Bank's activity.

The Bank carries out periodic supervision of liquidity and interest rate risks, conducting monthly reviews that are presented and discussed in the Asset and Liabilities Committee (ALCO).

At end of 2016, treasury was diversified in short term investments in financial institutions amounting N\$ 139 million, and in treasury bills amounting N\$ 118 million, diversified in the different markets that the Bank operates (Namibia, Portugal and South Africa).



Management of Foreign Exchange Position

The Bank maintained a foreign exchange risk policy of little or no bearing, and foreign exchange profits represented the results of the coverage of transactions with clients and counterparties.

Bank BIC operates with the main currencies on the exchange market, particularly the ZAR/EUR.

With a view to offering a broad range of competitive and efficient international products and services to its clients, Bank BIC has established solid partnerships with correspondent banks and international platforms of the BIC Universe, in countries such as Portugal, Angola, South Africa and Cape Verde.

FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2016 and 2015

	Notes	2016	2015
ASSETS			
Cash and balance with central bank	3	660.677	5.301
Balances due from other banks	4	62.325.992	3.565.975
Financial assets	5	117.761.560	-
Loans and advances to financial institutions	6	76.951.445	-
Loans and advances to clients	7	9.613.053	-
Other tangible assets	8	9.670.243	9.194.148
Intangible assets	9	19.172.358	4.325.562
Other assets	10	1.642.999	60.488
Total Assets, net		297.798.327	17.151.474
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from clients and other debts	11	13.785.547	-
Other liabilities	12	17.237.979	16.320.321
Total Liabilities		31.023.526	16.320.321
Shareholders' Equity			
Share capital	14	300.000.000	4.000
Accumulated Loss		(33.225.199)	827.153
Total Shareholders' Equity		266.774.801	831.153
Total Liabilities and Shareholders' Equity		297.798.327	17.151.474

Statement of Profit and Loss for the year ended 31 December 2016, and for the period between 13 July and 31 December 2015

	Notes	2016	2015
Interest and similar income	15	11.982.919	8.605
Interest and similar expenses	15	(64.402)	-
Net interest income		11.918.517	8.605
Income from services and commissions	16	262.723	-
Charges from services and commissions	16	(147.153)	(4.413)
Gain/(Loss) of foreign exchange revaluation	17	856.900	(530.600)
Other operating results	18	(2.268.249)	(69.000)
Impairment net of reversals and recoveries	19	(97.123)	-
Net income from banking activities		10.525.615	(595.408)
Staff Costs	20	(11.005.098)	(1.112.852)
General administrative costs	21	(21.588.321)	(4.031.047)
Depreciation in the period	8, 9	(5.138.548)	(279.540)
Income (loss) before taxation		(27.206.352)	(6.018.847)
Net Income/ (Loss)		(27.206.352)	(6.018.847)

Statement of Comprehensive Income for the year ended 31 December 2016, and for the period between 13 July and 31 December 2015

	<u>2016</u>	<u>2015</u>
Net income for the year	<u>(27.206.352)</u>	<u>(6.018.847)</u>
<i>Income not included in statement of profit and loss</i>	-	-
Comprehensive Income of the period	<u>(27.206.352)</u>	<u>(6.018.847)</u>

Statement of Changes in Equity for the year ended 31 December 2016, and for the period between 13 July and 31 December 2015

	Share Capital	Other Reserves	Retained Earnings (Accumulated Loss)	Equity
Balances at 13 July 2015	-	-	-	-
Issue of ordinary shares	4.000	6.846.000	-	6.850.000
Net Income/ (Loss)	-	-	(6.018.847)	(6.018.847)
Balances at 31 December 2015	4.000	6.846.000	(6.018.847)	831.153
Transfer to share capital	6.846.000	(6.846.000)	-	-
Share capital increase	293.150.000	-	-	293.150.000
Net Income/ (Loss)	-	-	(27.206.352)	(27.206.352)
Balances at 31 December 2016	300.000.000	-	(33.225.199)	266.774.801

Statement of Cash Flow for the year ended 31 December 2016, and for the period between 13 July and 31 December 2015

	Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Income from services and commissions		262.723	-
Interest and similar income		8.874.799	8.605
Charges from interest and commissions		(211.555)	(4.413)
Cash paid to suppliers and employees		(34.861.668)	(5.212.899)
Gains/Losses of foreign exchange		856.900	(530.600)
Results from operating activities	23	(25.078.801)	(5.739.307)
(Increase)/ Decrease in operating assets			
Financial assets		(114.666.377)	-
Loans and advances to financial institutions		(76.936.421)	-
Loans and advances to clients		(9.712.264)	-
Other assets		(1.582.510)	(60.488)
		(227.976.373)	(5.799.795)
Increase/(Decrease) in operating liabilities			
Deposits from clients and other debts		13.785.547	-
Other liabilities		917.658	16.320.321
		14.703.205	16.320.321
NET CASH FLOW GENERATED FROM OPERATIONS		(213.273.168)	10.520.526
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2.042.715)	(9.471.396)
Acquisition of intangible assets		(18.418.724)	(4.327.854)
NET CASH FLOW UTILISED IN INVESTING ACTIVITIES		(20.461.439)	(13.799.250)
CASH FLOW OF FINANCE ACTIVITIES			
Issue of share capital		293.150.000	6.850.000
NET CASH FLOW OF FINANCE ACTIVITIES		293.150.000	6.850.000
Increase/(Decrease) of cash and cash equivalents		59.415.393	3.571.276
Cash and cash equivalents at beginning of period		3.571.276	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		62.986.669	3.571.276

Notes to the Financial Statements

1. INTRODUCTION

Bank BIC Namibia Limited (hereinafter also referred to as "Bank"), was incorporated in Namibia, on the 13 day of July of the year 2015, compliant with the requirements of section 180 of Companies Act, 2004, under the registration number 2015/0682 and started its activity on June 20, 2016.

The Bank is a traditional commercial bank, based in Agostinho Neto Road, Unit 6, Ausspännplatz, Windhoek, whose corporate purpose is commercial and retail banking, providing services such as deposits acceptance, saving accounts, commercial and personal loans and mortgages. Additionally, the Bank offers services such as foreign exchange transactions and trade finance.

The Bank has currently one branch in Windhoek.

2. BASIS OF PRESENTATION AND SUMMARY OF MAIN ACCOUNTING POLICIES

2.1 Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Namibian Companies Act and Bank of Namibia regulations. The annual financial statements have been prepared on the historical cost basis except for the available for sale financial assets and for the financial assets and liabilities at fair-value through profit and loss, and incorporate the principal policies set out below.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period based on

management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

2.2 Standards and Interpretations not yet effective

The Bank has adopted all standards and interpretations that were effective for the current year. The adoption of these standards did not have any significant effect on the financial position or results from operations, cash flows or disclosures.

At the date of approval of these financial statements, the following standards and interpretations were issued but not yet effective:

New/ Revised International Financial Reporting Standards, effective for annual periods beginning on or after:

<i>IFRS 9</i>	<i>Financial Instruments - Classification and Measurement of financial assets</i>	<i>01-Jan-18</i>
<i>IFRS 9</i>	<i>Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing recognition requirements</i>	<i>01-Jan-18</i>
<i>IFRS 9</i>	<i>Financial Instruments - Hedge accounting</i>	<i>01-Jan-18</i>
<i>IFRS 15</i>	<i>Revenue from Contracts with Customers</i>	<i>01-Jan-17</i>
<i>IFRS 16</i>	<i>Leases</i>	<i>01-Jan-18</i>

A reliable estimate of the impact of the adoption of the amendments for the Bank has not yet been determined. However, the Board of Directors anticipate that the adoption of the above mentioned standards and interpretations will have no material impact on the financial statements in future periods.

The financial statements of the Bank for the year ended 31 December 2016 were approved by the Board of Directors on March 23, 2017.

2.3 Accrual Basis

The Bank adopts the accrual basis of accounting. Therefore, profits and losses are recorded as they are generated, regardless of the time when they are received or paid.

2.4 Conversion of Balances and Transactions in Foreign Currency

The accounts of the Bank are prepared in accordance with the currency used in the economic environment in which it operates (referred to as "functional currency"). The results and financial position are expressed in Namibia Dollars, the functional currency of the Bank.

In the preparation of the financial statements, transactions in foreign currency are recognised on the basis of the reference exchange rates in force on the transaction dates. Monetary assets and liabilities denominated in foreign currency, at each balance sheet date, are converted into the functional currency at the exchange rate in force. Non-monetary assets measured at fair value are converted on the basis of the exchange rate in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange differences arising on conversion are recognised in profit and loss for the year, unless arising on non-monetary financial instruments recognised at fair value, such as shares classified as available-for-sale financial assets which are recognised in a specific equity heading until disposal.

2.5 Financial instruments

Loans and advances to clients and accounts receivable from other debtors

Are recorded at nominal value, with the respective income, namely interest and commissions, recognised throughout the period of the operations, when operations that produce cash flows over a period longer than one month are involved. Whenever applicable,

external commissions and costs imputable to loans and advances to clients are included in this financial asset category and recognized throughout the maturity of the loans.

Loans and other account receivables are subject to impairment tests.

Guarantees provided and irrevocable commitments

Guarantees issued and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk. Interest, commission, fees and other related income are recorded in the statement of income over the period of the operations.

Credit impairment losses on loans and advances

As at 31 December 2016, the Bank conducted individual analysis to identify signs of impairment in its credit portfolio. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from its credit portfolio.

As a result of the periodic impairment tests, the Bank constitutes impairments to cover recoverability risk of credit operations and deduct the credit to its expected recoverable amount.

When, for a given credit transaction, the recoverable amount at the reference date is greater than the recoverable amount previously calculated, and this amount was less than the book value, the Bank reverses the impairment. Impairment reversals are recorded in the income statement.

Under the terms of Bank of Namibia BID - 2, the minimum impairment requirement for these financial instruments are detailed as follow:

- for loans graded "Pass" or "Acceptable"	1%
- for loans graded "Watch" or "Special Mention"	2%
- for loans graded "Substantard"	10%
- for loans graded "Doubtful"	50%
- for loans graded "Loss".	100%

For this purpose, it's considered the following:

"Pass" or "Acceptable" - any asset performing in accordance with contractual terms, and is expected to continue doing so;

"Watch" or "Special Mention" - any asset which is overdue 60 days or more but less than 90 days shall be classified as Special mention, at a minimum;

"Substandard" - any asset which is overdue 90 days or more but less than 180 days shall be classified as Substandard at a minimum;

"Doubtful" - any asset which is overdue 180 days or more but less than 360 days shall be classified as Doubtful at a minimum unless: (i) such assets are well-secured; (ii) legal action has actually commenced; and (iii) the time needed to realise collateral does not exceed one year after judgment. Guarantees should be honored within 90 days of call to preclude a Doubtful classification;

"Loss" - any asset which is overdue 360 days or more shall be classified as Loss and shall be written-off within 90 days after being classified as a "loss" against the provisions for loan losses unless such loan is: (i) well-secured; (ii) legal action has commenced; and (iii) the time needed to realise collateral does not exceed one year after judgment. Guarantees must be honored within 90 days of call to preclude Loss classification.

In 2016, the Directors took into consideration the requirements of IAS 39: Financial Instruments Recognition and Measurements, and consider BID - 2 provision described above to approximate the impairment recognition that would be required under IAS 39.

Other financial assets and liabilities

Other financial assets and liabilities are recognised and valued pursuant to IAS 32 and IAS 39, and recorded on their contracting date at their fair value.

i. Financial assets available for sale

Financial assets available for sale are measured at fair value, with the exception of equity instruments, not listed on an active market, and whose fair value cannot be measured reliably, which remain recorded at cost. Gains and losses arising from revaluation are recorded directly in equity, under "Revaluation reserves".

At the time of sale, or in the case of impairment, the accumulated variations in fair value are transferred to income or costs for the year, and recorded under the headings "Results of financial assets available for sale" or "Impairment of other financial assets net of reversals and recoveries", respectively. Foreign exchange gains or losses of monetary assets are directly recorded in the income statement.

For the purpose of determining the earnings of sale, financial assets are valued at weighted average purchase cost.

The interest of debt instruments classified under this category and the differences between purchase cost and nominal value (premium or discount) are determined according to the effective rate method and recorded under the statement of income heading "Interest and similar income".

Revenue from variable yield securities is recorded as income under the caption "Income from equity instruments" when it is established that the Bank is entitled to receive this income.

Fair value

As mentioned above, financial assets recorded under "Financial assets available for sale" are valued at fair value.

Pursuant to IFRS13, fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On the date of acquisition, or at the beginning of an operation, the fair value is generally the value of the transaction.

ii. Loans and accounts receivable

These are financial assets with fixed or determinable payments, not listed on an active market and not included in any other financial asset category.

These assets are initially recognised at their fair value, less any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. Subsequently, these assets are recognised in the balance sheet at amortised cost, less impairment losses and provisions.

Interest is recognised on the basis of the effective rate method, which allows for calculation of the amortised cost and distribution of the interest over the period of the operations.

iii. Other financial liabilities

Other financial liabilities correspond to other credit institutions and clients deposits, issued bonds, subordinated liabilities and liabilities incurred for the payment of services rendered or the purchase of assets, falling under the heading "Other liabilities".

Other financial liabilities are recorded on the contracting date at their respective fair value, less costs directly attributable to the transaction.

Subsequently, they are valued at amortised cost and the interest, when applicable, is recognised in accordance with the effective rate method.

2.6 Other tangible assets

These assets are recorded at purchase cost, less any accumulated amortization or impairment. Repair and maintenance costs, and other expenses associated with their use, are recognised as costs for the year, under the caption "General administrative costs".

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are:

	USEFUL LIFE
<i>Construction in rented properties</i>	<i>8 years</i>
<i>Furniture and equipment</i>	<i>8 years</i>
<i>IT equipment</i>	<i>4 years</i>
<i>Several Installations</i>	<i>8 years</i>
<i>Security Equipment</i>	<i>8 years</i>

Amortisation is recorded in the income statement for the year.

2.7 Intangible assets

This caption essentially covers expenses related to the acquisition, development or preparation of software used in the development of the Bank's activities.

Intangible assets are recorded at acquisition cost, less amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, corresponding to a period of 3 years.

Expenses related to software maintenance are accounted for as costs for the year in which they are incurred.

2.8 Income taxes

The Bank is subject to income tax in accordance with tax laws enacted or substantively enacted at the end of the financial year. Current tax is calculated considering a percentage of 32% based on taxable net income for the year, which may differ from the book value of the year profit.

Tax losses may be carried forward indefinitely for set off against future taxable profit within the respective reporting periods, if the entity does not cease activity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities are booked for all taxable temporary differences.

Current tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

2.9 Provisions and Contingent Liabilities

A provision is constituted when there is a present liability (legal or constructive) arising from past events which are likely to imply the future disbursement of funds, and which may be reliably determined. The amount of the provision corresponds to the best estimate of the disbursement value to settle the liability as at the reporting date.

If the future disbursement of funds is not probable, this is classified as a contingent liability. Contingent liabilities are merely disclosed, unless the possibility of their materialisation is remote.

2.10 Critical accounting estimates and most relevant judgemental aspects in the application of accounting policies

Upon application of the foregoing accounting policies, estimates on the part of the Board of Directors of the Bank are required. The estimates bearing most impact on the financial statements of the Bank include the following.

Determination of impairment losses for loans

Impairment losses for loans granted to customers are determined in accordance with the methodology defined in Note 2.5.

Thus, the Bank complies with the minimum limits defined by Bank of Namibia and, whenever deemed necessary, recognises impairment losses so that its estimate is reflected in the risk of uncollectibility associated with Clients.

The Bank considers that the impairment losses for loans determined on the basis of the methodology referred to in Note 2.5. adequately reflect the risk associated with its portfolio of loans granted to clients.

Assessment of collateral in credit operations

Assessment of collateral in credit operations, such as property mortgages, assumed the maintenance of all real estate market conditions, during the life-cycle of the operations, and correspond to the best fair value estimate of the afore-mentioned collateral at the reporting date.

3. CASH AND BALANCE WITH CENTRAL BANK

	2016	2015
Cash	597.953	5.301
Current Account in Central Bank	62.724	-
	660.677	5.301

The caption "Current Account in Central Bank" includes the deposits related to the requirements of Bank of Namibia Act No. 15 - Banking Institutions to maintain minimum reserve balance.

The value of the minimum reserve balance is calculated considering a percentage of 1% of the average daily amount of total deposits and any other liabilities from clients. The minimum reserve balances do not earn interest.

4. BALANCES DUE FROM OTHER BANKS

	2016	2015
<u>Deposits in Local Banks</u>		
Current Account	4.468.614	3.565.975
Other Deposits - Call accounts	51.202.715	-
<u>Deposits in Foreign Banks</u>		
Current Account (Note 23)	6.654.663	-
	62.325.992	3.565.975

As at 31 December 2016, the caption "Other Deposits" represents deposits in Call Accounts with local banks, with no defined maturity.

5. FINANCIAL ASSETS

	2016	2015
Namibian Treasury Bills	117.761.560	-
	117.761.560	-

As at 31 December 2016, the investment portfolio in treasury bills has the following breakdown:

	Nominal	Principal	Residual maturity (days)	Yield	Balance Sheet Value
NAMITB 0 01/27/17	20.000.000	19.209.769	27	8,42%	19.885.150
NAMITB 0 04/28/17	20.000.000	19.586.155	118	8,75%	19.880.874
NAMITB 0 02/17/17	20.000.000	19.205.399	48	8,47%	19.791.706
NAMITB 0 01/27/17	20.000.000	19.146.268	27	9,14%	19.446.906
NAMITB 0 05/05/17	20.000.000	18.765.568	125	8,89%	19.429.549
NAMITB 0 03/17/17	5.000.000	4.792.343	76	8,88%	4.913.359
NAMITB 0 05/19/17	5.000.000	4.687.280	139	9,02%	4.839.398
NAMITB 0 06/02/17	5.000.000	4.684.981	153	9,09%	4.822.078
NAMITB 0 08/04/17	5.000.000	4.588.614	216	8,99%	4.752.541
	120.000.000	114.666.377		8,78%	117.761.560

6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	2016	2015
Central Bank	74.636.421	-
Foreign Banks (Note 23)	2.300.000	-
	76.936.421	-
Accrued interest receivable	15.024	-
	76.951.445	-

As at 31 December 2016 and 2015, the residual maturity periods of loans and advances to financial institutions, excluding interest receivable, are detailed as follows:

	2016	2015
Up to three months	76.936.421	-
	76.936.421	-

7. LOANS AND ADVANCES TO CLIENTS

	2016	2015
<i>Loans to Clients:</i>		
Mortgage Loans	8.596.068	-
Asset based finance	1.053.664	-
Other loans	62.532	-
	9.712.264	-
<i>Accrued interest receivable</i>	9.221	-
<i>Deferred income</i>	(11.309)	-
<i>Loan impairment, net of reversals and recoveries (Note 19)</i>	(97.123)	-
	9.613.053	-

As at 31 December 2016, the Bank conducted an individually analysis of its credit portfolio and booked impairments of N\$ 97.123 to cover the credit risk of the loan portfolio (Notes 2.5 and 19).

As at 31 December 2016 and 2015, the residual maturity periods of "Loans and advances to Clients", excluding interest receivable, have the following breakdown:

	2016	2015
<i>Up to three months</i>	188.396	-
<i>From three months to one year</i>	551.643	-
<i>From one to five years</i>	4.486.067	-
<i>Over five years</i>	4.486.158	-
	9.712.264	-

As at 31 December 2016, there were no "Overdue loans and interest".

8. OTHER TANGIBLE ASSETS

The movement which occurred under these items during 2016 and 2015 is as follows:

	2016									
	Balance at 31-12-2015			Additions	Transfers		Amortisation for the year	Balance at 31-12-2016		
	Gross Amount	Accumulated Depreciation	Net Amount		Gross Amount	Accumulated Depreciation		Gross Amount	Accumulated Depreciation	Net Amount
<u>Other tangible assets</u>										
Construction in rented properties	2.223.843	-	2.223.843	268.055	-	-	(162.155)	2.491.898	(162.155)	2.329.743
Furniture and equipment	1.809.454	(43.596)	1.765.858	481.094	-	-	(204.638)	2.290.548	(248.234)	2.042.314
IT equipment	4.181.011	(233.652)	3.947.359	1.273.155	-	-	(1.098.749)	5.454.166	(1.332.401)	4.121.765
Several Installations	1.197.296	-	1.197.296	-	-	-	(94.291)	1.197.296	(94.291)	1.103.005
Security Equipment	59.792	-	59.792	20.411	-	-	(6.787)	80.203	(6.787)	73.416
	9.471.396	(277.248)	9.194.148	2.042.715	-	-	(1.566.620)	11.514.111	(1.843.868)	9.670.243
	2015									
	Opening Balance			Additions	Transfers		Amortisation for the year	Balance at 31-12-2015		
	Gross Amount	Accumulated Depreciation	Net Amount		Gross Amount	Accumulated Depreciation		Gross Amount	Accumulated Depreciation	Net Amount
<u>Other tangible assets</u>										
Construction in rented properties	-	-	-	2.223.843	-	-	-	2.223.843	-	2.223.843
Furniture and equipment	-	-	-	1.809.454	-	-	(43.596)	1.809.454	(43.596)	1.765.858
IT equipment	-	-	-	4.181.011	-	-	(233.652)	4.181.011	(233.652)	3.947.359
Several Installations	-	-	-	1.197.296	-	-	-	1.197.296	-	1.197.296
Security Equipment	-	-	-	59.792	-	-	-	59.792	-	59.792
	-	-	-	9.471.396	-	-	(277.248)	9.471.396	(277.248)	9.194.148

9. INTANGIBLE ASSETS

The movement which occurred under these items during 2016 and 2015 is as follows:

	2016									
	Balance at 31-12-2015			Additions	Transfers		Amortisation for the year	Balance at 31-12-2016		
	Gross Amount	Accumulated Depreciation	Net Amount		Gross Amount	Accumulated Depreciation		Gross Amount	Accumulated Depreciation	Net Amount
<u>Intangible assets</u>										
Automatic data processing systems (software)	288.342	(2.292)	286.050	18.153.351	4.039.512	-	(3.571.928)	22.481.205	(3.574.220)	18.906.985
Assets in progress	4.039.512	-	4.039.512	265.373	(4.039.512)	-	-	265.373	-	265.373
	4.327.854	(2.292)	4.325.562	18.418.724	-	-	(3.571.928)	22.746.578	(3.574.220)	19.172.358
	2015									
	Opening Balance			Additions	Transfers		Amortisation for the year	Balance at 31-12-2015		
	Gross Amount	Accumulated Depreciation	Net Amount		Gross Amount	Accumulated Depreciation		Gross Amount	Accumulated Depreciation	Net Amount
<u>Intangible assets</u>										
Automatic data processing systems (software)	-	-	-	288.342	-	-	(2.292)	288.342	(2.292)	286.050
Assets in progress	-	-	-	4.039.512	-	-	-	4.039.512	-	4.039.512
	-	-	-	4.327.854	-	-	(2.292)	4.327.854	(2.292)	4.325.562

10. OTHER ASSETS

	2016	2015
<u>Other Receivables</u>		
Security Deposits	93.000	55.000
Administrative Public Sector	928	-
Other accounts receivable	324.373	-
<u>Other Assets</u>	1.978	-
<u>Deferred Expenses</u>		
Insurance	115.115	-
Other Rents	128.000	-
Other	979.605	5.488
	1.642.999	60.488

As at 31 December 2016, the caption "Deferred Expenses - Other", relates to the deferral of costs with software licenses and communication services.

11. DEPOSITS FROM CLIENTS AND OTHER DEBTS

	2016	2015
Transactional Account	9.906.720	-
Investment Account	3.873.841	-
	13.780.561	-
<u>Accrued interest payable</u>	4.986	-
	13.785.547	-

As at 31 December 2016 and 2015, the residual maturity periods of deposits from clients and other debts, excluding interest payable, are broken down as follow:

	2016	2015
Up to three months	11.057.436	-
From three months to one year	2.713.125	-
From one to five years	10.000	-
	13.780.561	-

12. OTHER LIABILITIES

	2016	2015
<i>Trade and other payables</i>		
Suppliers	3.401.472	600.783
Administrative and Public Sector	15.818	1.195.330
Accrued expenses	3.820.433	-
Other	17.681	-
<i>Other Payable Charges</i>	2.524	4.769.359
<i>Other Operations to be settle</i>	4.129	-
<i>Other Liability Operations to be settle</i>	9.975.922	9.754.849
	<u>17.237.979</u>	<u>16.320.321</u>

As at 31 December 2016 and 2015, the amounts under the caption "Other Liability Operations to be settle", refer to initial costs with the implementation of the Bank, that are due to Banco BIC Português, S.A., and Banco BIC, S.A. (Note 23).

13. TAXATION

Current Tax

As the Bank has no taxable income, no tax expense was recorded in the Bank's financial statements as at 31 December 2016 and 2015.

Deferred Tax Asset

As at 31 December 2016 and 2015, no deferred tax asset has been recognised since, at the present date, there is insufficient evidence that there will be enough future taxable profit against which the tax loss carried forward can be utilised.

Tax losses carried forward as at December 31, 2016 and 2015 amounts to N\$ 33.225.199 and N\$ 6.018.847, respectively.

14. SHARE CAPITAL

As at 31 December 2016 and 2015, the share capital of the Bank was held by the following shareholders:

2016			
Shareholder structure	% capital	No. of shares	Amount
Bank BIC Namibia Holdings Limited	95%	285.000.000	285.000.000
Other shareholders	5%	15.000.000	15.000.000
	100%	300.000.000	300.000.000

2015			
Shareholder structure	% capital	No. of shares	Amount
Bank BIC Namibia Holdings Limited	95%	3.800	3.800
Other shareholders	5%	200	200
	100%	4.000	4.000

The Net loss for the period ended 31 December 2015, amounting to N\$ 6.018.847, was transferred to the caption "Retained Earnings".

15. NET INTEREST INCOME

	2016	2015
<u>Interest on deposit in banks</u>		
Domestic	136.104	-
Foreign	81	8.605
<u>Interest on loans and advances to financial institutions</u>		
Domestic	7.649.502	-
Foreign	7.550	-
<u>Interest on loans and advances to clients</u>		
Domestic loans	285.340	-
<u>Interest on other financial assets</u>		
Interest on financial assets available for sale	3.904.342	-
Interest and similar income	11.982.919	8.605
<u>Interest and similar expenses</u>		
Interest on deposits from clients	(64.402)	-
Interest and similar expenses	(64.402)	-
Net Interest Income	11.918.517	8.605

16. INCOME (CHARGES) FROM SERVICES AND COMMISSIONS

	2016	2015
<u>Income from services and commissions:</u>		
For services provided	168.465	-
For guarantees provided	94.258	-
	262.723	-
<u>Charges from services and commissions</u>		
From banking services received	(147.153)	(4.413)
	(147.153)	(4.413)

17. RESULTS OF FOREIGN EXCHANGE

For the years ended 31 December 2016 and 2015, this refers to gains/ (losses) in the Bank's buy/sale transactions of foreign currency, in addition to the revaluation of its foreign exchange position.

18. OTHER OPERATING RESULTS

	2016	2015
<u>Other operating gains (losses)</u>		
Operating lease charges	(85.349)	-
Other	(81.064)	-
<u>Other taxes</u>		
Indirect taxes	(2.101.279)	(69.000)
Direct taxes	(1.140)	-
Other	583	-
	<u>(2.268.249)</u>	<u>(69.000)</u>

As at 31 December 2016 and 2015, the balance of "Indirect Taxes" refers to stamp duty regarding the share capital subscription.

19. IMPAIRMENTS OF OTHER FINANCIAL ASSETS

As at 31 December 2016 and 2015, the Bank's impairments can be detailed as follows:

	2016	2015
<u>Loan impairment, net of reversals and recoveries</u>		
Loans to clients (Note 7)	97.123	-
	<u>97.123</u>	<u>-</u>

20. STAFF COSTS

	2016	2015
Remuneration of Employees	6.679.682	780.660
Remuneration of the Board	3.399.448	239.583
Other mandatory social expenses	818.892	80.186
Other employee expenses	107.076	12.423
	11.005.098	1.112.852

As at 31 December 2016 and 2015, the Bank had 25 and 13 employees, respectively.

21. GENERAL ADMINISTRATIVE COSTS

	2016	2015
<u>Supplies</u>	1.008.629	56.440
<u>Services</u>		
Specialised services	13.296.760	3.044.933
Rent and leasing	3.089.634	160.731
Communications	894.837	348.859
Travel, accommodation and representation	573.885	225.664
Marketing	469.344	103.155
Maintenance and repair	404.750	981
Staff training	401.480	64.405
Insurance	214.405	10.760
Other services	1.234.597	15.119
	21.588.321	4.031.047

As at 31 December 2016, the caption "Specialised services" is mainly related with IT and consultancy services. Additionally, it is included in this item fees of N\$ 200.000 related to external audit.

22. DISCLOSURES RELATIVE TO FINANCIAL INSTRUMENTS

Risk management policies

The Bank pursues a policy of not leveraging the activity through trading of financial instruments or to taking positions of a speculative nature, recognising that its activity is based

essentially on the commercial and retail segments. Trading Room activity focuses mainly on prudent treasury management, through the investment of surplus liquidity.

The segregation of duties between the areas that originate and monitor risk, so that the latter are able to perform their duties in an objective and independent manner is deemed fundamental.

On this basis, the Bank has worked on developing a management and monitoring system of the different risks, seeking to supply the organisational structures with the most suitable technical and human resources for the different types of risk involved in this activity. Each area has its own organisational structure designed to handle the respective nature, scale and complexity of the activities involved. Furthermore, the Bank endeavours to ensure that the sophistication of the management systems of the different risk types is proportional and suited to the respective level of exposure and degree of tolerance.

Interest rate risk

The interest rate risk may be defined as the impact on net income and equity of an adverse variation in market interest rates. The Bank incurs on interest rate risk whenever, during the course of its activity, it contracts operations with future financial flows that are sensitive to possible variations in the interest rate.

Liquidity risk

Liquidity risk is the risk that an institution might not have sufficient funds to finance its assets or to honour its commitments without incurring unacceptable losses.

Liquidity risk management is based on the weekly analysis of residual maturity dates of the different assets and liabilities of the balance sheet, showing, for each of the ranges considered, the expected volumes of cash inflows and outflows, as well as the respective liquidity gaps.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Exchange rate risk

The exchange rate risk represents the risk of losses due to adverse variations in exchange rates. The Bank pursues a prudent policy of asset and liability management in foreign currency which minimizes the associated exchange rate risk. Ongoing hedging of foreign exchange positions in the different currencies is the objective.

Counterparty credit risk

Counterparty credit risk represents the possibility of non-compliance, by a given counterparty, with obligations relative to the settlement of transactions involving the trading of financial assets.

With regard to counterparty credit risk, it is the aim of the Bank to diversify the counterparties, based on methodologies for the evaluation, monitoring and control of credit ceilings for institutions. Within this context, the Bank has implemented exposure limits to its counterparties, which are constantly being monitored.

Nature and extent of risks arising from financial instruments

Liquidity risk

As at 31 December 2016, the forecast cash flow, excluding projected interests, of the financial instruments, according to their contractual maturity, is as follows:

		2016						
	Up to 1 Month	from 1 to 3 Months	from 3 to 6 months	from 6 months to 1 Year	from 1 to 3 Years	from 3 to 5 Years	from 5 to 10 Years	Total
ASSETS								
Cash and balance with central bank	660.677	-	-	-	-	-	-	660.677
Balances due from other banks	62.325.992	-	-	-	-	-	-	62.325.992
Financial Assets	38.356.037	23.997.742	47.723.984	4.588.614	-	-	-	114.666.377
Loans and advances to financial institutions	76.936.421	-	-	-	-	-	-	76.936.421
Loans and advances to clients	72.229	116.167	178.542	373.101	2.637.973	1.848.094	4.486.158	9.712.264
Other Assets	634.400	285.721	322.720	400.158	-	-	-	1.642.999
	178.985.756	24.399.630	48.225.246	5.361.873	2.637.973	1.848.094	4.486.158	265.944.730
LIABILITIES								
Deposits from clients	10.095.390	962.046	2.552.110	161.015	-	10.000	-	13.780.561
Other Liabilities	17.237.979	-	-	-	-	-	-	17.237.979
	27.333.369	962.046	2.552.110	161.015	-	10.000	-	31.018.540
DIFFERENCIAL	151.652.387	23.437.584	45.673.136	5.200.858	2.637.973	1.838.094	4.486.158	234.926.190

		2015						
	Up to 1 Month	from 1 to 3 Months	from 3 to 6 months	from 6 months to 1 Year	from 1 to 3 Years	from 3 to 5 Years	from 5 to 10 Years	Total
ASSETS								
Cash and balance with central bank	5.301	-	-	-	-	-	-	5.301
Balances due from other banks	3.565.975	-	-	-	-	-	-	3.565.975
Financial Assets	-	-	-	-	-	-	-	-
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans and advances to clients	-	-	-	-	-	-	-	-
Other Assets	60.488	-	-	-	-	-	-	60.488
	3.631.764	-	-	-	-	-	-	3.631.764
LIABILITIES								
Deposits from clients	-	-	-	-	-	-	-	-
Other Liabilities	16.320.321	-	-	-	-	-	-	16.320.321
	16.320.321	-	-	-	-	-	-	16.320.321
DIFFERENCIAL	(12.688.557)	-	-	-	-	-	-	(12.688.557)

Interest rate risk

As at 31 December 2016, the exposure of the Bank's balance sheet to fixed and variable interest rate can be detailed as follows:

	2016		
	Fixed Rate	Variable Rate	Total
ASSETS			
Cash and balance with central bank	660.677	-	660.677
Balances due from other banks	-	62.325.992	62.325.992
Financial Assets	-	114.666.377	114.666.377
Loans and advances to financial institutions	-	76.936.421	76.936.421
Loans and advances to clients	-	9.712.264	9.712.264
Other Assets	1.642.999	-	1.642.999
	2.303.676	263.641.054	265.944.730
LIABILITIES			
Deposits from clients	10.095.390	3.685.171	13.780.561
Other Liabilities	17.237.979	-	17.237.979
	27.333.369	3.685.171	31.018.540
DIFFERENCIAL	(25.029.693)	259.955.883	234.926.190

	2015		
	Fixed Rate	Variable Rate	Total
ASSETS			
Cash and balance with central bank	5.301	-	5.301
Balances due from other banks	3.565.975	-	3.565.975
Financial Assets	-	-	-
Loans and advances to financial institutions	-	-	-
Loans and advances to clients	-	-	-
Other Assets	60.488	-	60.488
	3.631.764	-	3.631.764
LIABILITIES			
Deposits from clients	-	-	-
Other Liabilities	16.320.321	-	16.320.321
	16.320.321	-	16.320.321
DIFFERENCIAL	(12.688.557)	-	(12.688.557)

Exchange rate risk

As at 31 December 2016, the financial instruments are broken down as follows by currency:

	2016				Total
	Namibia Dollar	Euro	United States Dollar	Rand	
ASSETS					
Cash and balance with central bank	490.745	55.556	108.487	5.889	660.677
Balances due from other banks	55.572.622	6.316.849	262.666	173.855	62.325.992
Financial Assets	114.666.377	-	-	-	114.666.377
Loans and advances to financial institutions	74.636.421	-	-	2.300.000	76.936.421
Loans and advances to clients	9.712.264	-	-	-	9.712.264
Other Assets	783.063	-	125.266	734.669	1.642.999
	255.861.492	6.372.405	496.419	3.214.413	265.944.730
LIABILITIES					
Deposits from clients	7.732.791	6.020.956	26.814	-	13.780.561
Other Liabilities	9.564.674	1.890.358	3.180.526	2.602.421	17.237.979
	17.297.465	7.911.314	3.207.340	2.602.421	31.018.540
NET EXPOSURE	238.564.027	(1.538.909)	(2.710.921)	611.992	234.926.190

The exchange rates used at year end were: EUR 14,449; USD 13,713 and RAND 1.

	2015				Total
	Namibia Dollar	Euro	United States Dollar		
ASSETS					
Cash and balance with central bank	5.301	-	-	-	5.301
Balances due from other banks	3.565.975	-	-	-	3.565.975
Financial Assets	-	-	-	-	-
Loans and advances to financial institutions	-	-	-	-	-
Loans and advances to clients	-	-	-	-	-
Other Assets	-	-	-	-	-
	3.571.276	-	-	-	3.571.276
LIABILITIES					
Deposits from clients	-	-	-	-	-
Other Liabilities	8.131.673	5.344.285	2.844.363	-	16.320.321
	8.131.673	5.344.285	2.844.363	-	16.320.321
NET EXPOSURE	(4.560.397)	(5.344.285)	(2.844.363)	-	(12.749.045)

Credit risk

Maximum exposure to Credit Risk

As at 31 December 2016, the maximum exposure to credit risk by type of financial instrument, may be summarised as follows:

	<u>2016</u>	<u>2015</u>
Balance sheet items		
Balances due from other banks	62.325.992	3.565.975
Financial Assets	114.666.377	-
Loans and advances to financial institutions	76.936.421	-
Loans and advances to clients	9.712.264	-
Other Assets	1.642.999	60.488
	<u>265.284.053</u>	<u>3.626.463</u>

Additionally the Bank holds a minimum reserve requirement in Bank of Namibia of N\$ 62.724.

Credit Risk - Loans and advances to clients

As at 31 December 2016, the exposure of the Bank's balance sheet to credit risk on loans and advances to clients can be detailed as follows:

	<u>2016</u>		
	<u>Gross amount</u>	<u>Impairments</u>	<u>Net amount</u>
BUSINESS			
Mortgage Loans	8.596.068	(85.961)	8.510.107
	<u>8.596.068</u>	<u>(85.961)</u>	<u>8.510.107</u>
INDIVIDUALS			
Asset Based Finance	1.053.664	(10.537)	1.043.127
Other Loans	62.532	(625)	61.907
	<u>1.116.196</u>	<u>(11.162)</u>	<u>1.105.034</u>
TOTAL	<u>9.712.264</u>	<u>(97.123)</u>	<u>9.615.141</u>

As referred to in note 2.5. the Bank conducts periodic individual analyses of all customers with loans and receivables (including off-balance sheet liabilities) in the Bank's Balance sheet.

As at 31 December 2016, the Bank considers that the total impairment recorded in the amount of N\$97.123 is adequate to the cover credit risk of loans and advances to clients.

Credit Risk - Other financial assets

As at 31 December 2016, the financial assets are Namibian Treasury Bills (rating by Fitch BBB-).

As at 31 December 2016, investments in financial institutions are all short-term, and have the following breakdown by country:

Namibia	130.209.043
South Africa	98.707
Portugal	8.954.663
	<u>139.262.413</u>

Market Risk

Fair Value

As at 31 December 2016, the financial instruments available for sale are registered at cost since Namibian Treasury bills are not listed on an active market, so their fair value cannot be reliably measures.

Given that this financial instruments have a short term maturity (under one year) we consider the fair value of these instruments do not materially differ from their balance sheet value.

23. RECONCILIATION OF LOSS BEFORE TAXATION TO OPERATING ACTIVITIES

	2016	2015
Income (loss) before taxation	(27.206.352)	(6.018.847)
<u>Adjusted for:</u>		
Depreciation	5.138.548	279.540
Loan impairment, net of reversals and recoveries	97.123	-
Accrued interest receivable		
Financial Assets	(3.095.183)	-
Loans and advances to financial institutions	(15.024)	-
Loans and advances to clients	2.087	-
	<u>(25.078.801)</u>	<u>(5.739.307)</u>

24. RELATED PARTY TRANSACTIONS

As at 31 December 2016 and 2015, the following entities and individuals were considered related entities of the Bank:

	2016	
<u>Name of related entities</u>	<u>Direct Participation</u>	<u>Effective Participation</u>
<u>Shareholders</u>		
Bank BIC Namibia Holding, Limited	95%	95%
<u>Members of the Board</u>		
Fernando Leonídio Mendes Teles	1%	1%
Jaime Pedro Galhoz Pereira	-	-
Hugo Miguel Silva Teles	-	-
Jorge Manuel Gomes Veiga	-	-
Lindsay Peter Crawford	-	-
<u>Financial institutions where the Shareholders have significant influence</u>		
Banco BIC, S.A.	-	-
Banco BIC Português, S.A.	-	-
Banco BIC Cabo Verde, S.A.	-	-

<u>Name of related entities</u>	2015	
	<u>Direct Participation</u>	<u>Effective Participation</u>
<u>Shareholders</u>		
Bank BIC Namibia Holding, Limited	95%	95%
<u>Members of the Board</u>		
Fernando Leonídio Mendes Teles	1%	1%
Jaime Pedro Galhoz Pereira	-	-
Hugo Miguel Silva Teles	-	-
Jorge Manuel Gomes Veiga	-	-
Lindsay Peter Crawford	-	-
<u>Financial institutions where the Shareholders have significant influence</u>		
Banco BIC, S.A.	-	-
Banco BIC Português, S.A.	-	-
Banco BIC Cabo Verde, S.A.	-	-

As at 31 December 2016 and 2015, the financial statements include the following balances and transactions with related parties:

	2016				
	Entities where the shareholder have a significant influence				Total
	Shareholders	Members of Board	Banco BIC Angola	Banco BIC Português	
<u>Assets</u>					
Balances due from other banks	-	-	-	6.654.663	6.654.663
Loans and advances to financial institutions	-	-	-	2.300.000	2.300.000
	-	-	-	8.954.663	8.954.663
<u>Liabilities</u>					
Other liabilities	-	-	(5.239.762)	(4.515.088)	(9.754.849)
	-	-	(5.239.762)	(4.515.088)	(9.754.849)
<u>Costs</u>					
Charges from services and commissions	-	-	-	(1.251)	(1.251)
Remuneration and other general expenses	(39.795)	(3.399.448)	(1.040.000)	-	(4.439.448)
	(39.795)	(3.399.448)	(1.040.000)	(1.251)	(4.440.699)
<u>Income</u>					
Interest and similar income	-	-	-	9.554	9.554
	-	-	-	9.554	9.554

	2015				
	Entities where the shareholder have a significant influence				Total
	Shareholders	Members of Board	Banco BIC Angola	Banco BIC Português	
<u>Liabilities</u>					
Other liabilities	-	-	(5.239.762)	(4.515.088)	(9.754.849)
	-	-	(5.239.762)	(4.515.088)	(9.754.849)
<u>Costs</u>					
Remuneration and other general expenses	-	(239.583)	-	-	(239.583)
	-	(239.583)	-	-	(239.583)