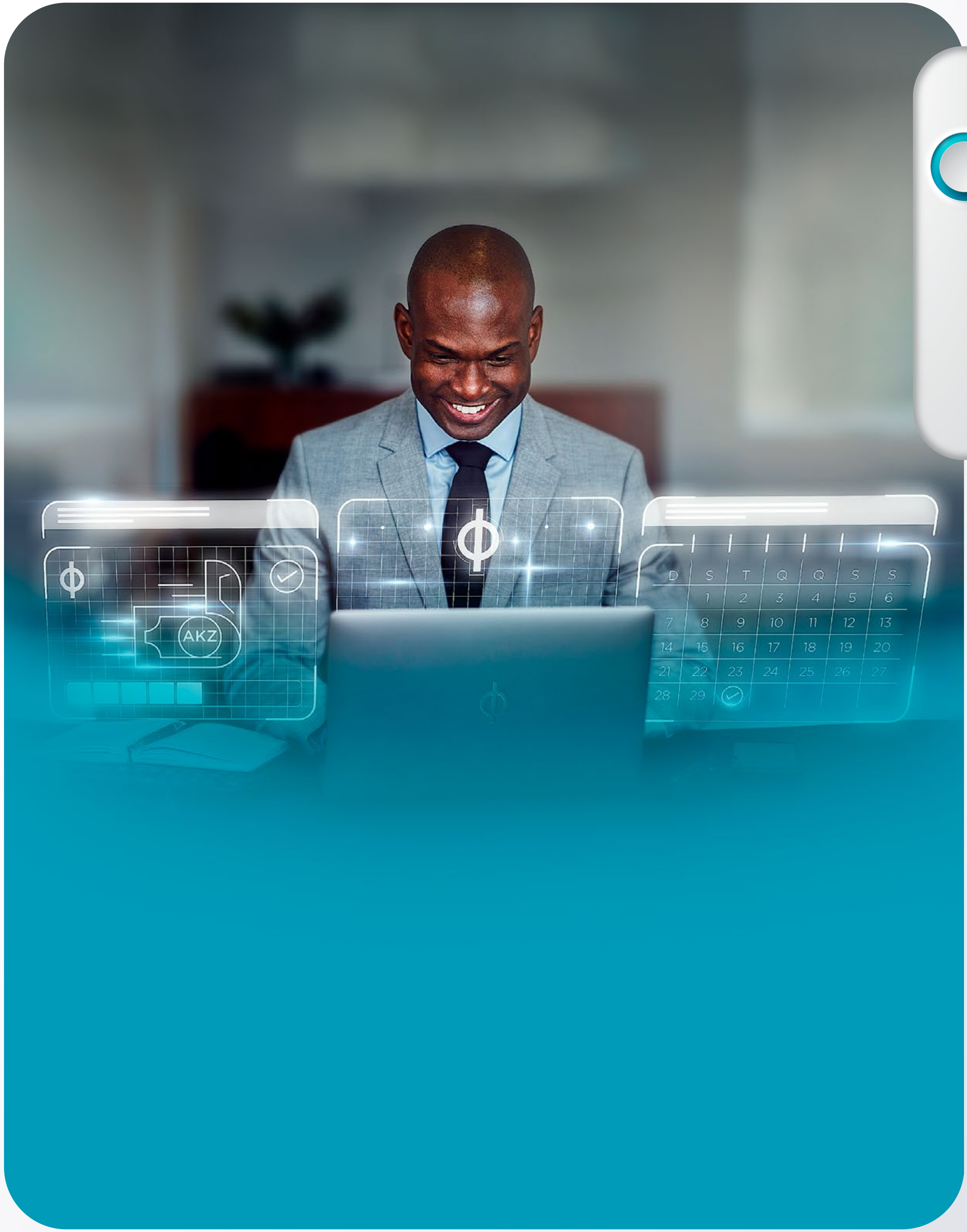


02

MACROECONOMIC FRAMEWORK

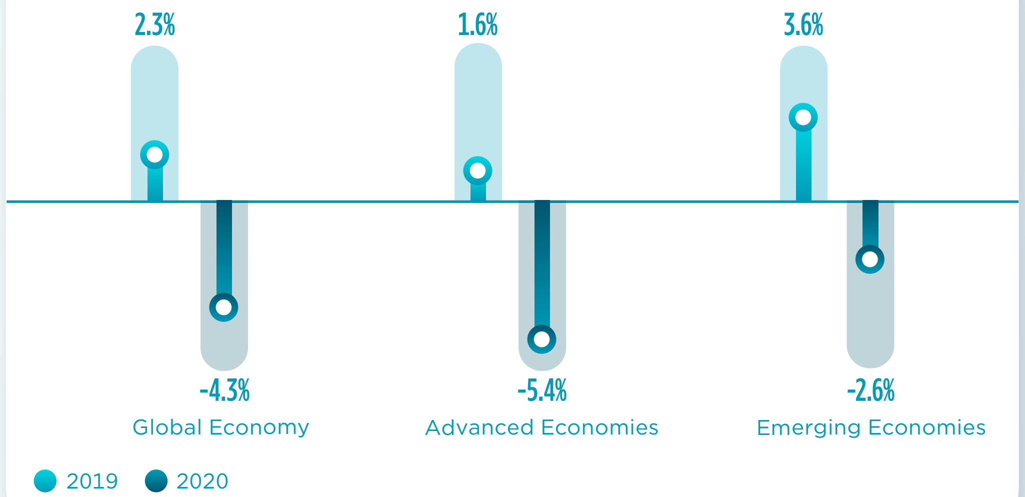
2.1. World economy

The world economy contracted by 4.3% in 2020[1], in contrast to the 2.3% growth in 2019. The deterioration of the world economy in 2020 reflects the impacts of the Covid-19 pandemic, which restricted the movement of people and goods. The tourism sector was significantly pressured and may represent the sector with the most delayed recovery. In parallel, there was an increase in the level of unemployment in the economies.

The trend in unemployment reflects the slowdown in production and the reduction in global investment flows, the latter influenced by uncertainty and the accommodative monetary policy adopted by the developed economies. Global Foreign Direct Investment (FDI) may have contracted by 42% to USD 859 billion, falling below USD 1 trillion for the first time since 2005[2].

The same contractionary trend is presented by the International Monetary Fund (IMF), which forecasts a global economic recession of 3.5% in 2020, a reversal from the 2.8% growth recorded in 2019, justified by the -9.6% reduction in the volume of trade in goods and services in 2020, after expanding by 1.0% in 2019[3].

ECONOMIC GROWTH



Source: World Bank, Global Economic Prospects, January 2021

[1]World Bank (WB) – Global Economic Prospects, January 2021.
[2]UNCTAD – Investment Trends Monitor, January 2021.
[3]International Monetary Fund (IMF) – *World Economic Outlook* (WEO), January 2021

2.1.1. ADVANCED ECONOMIES

The adoption of fiscal stimulus packages to support pandemic economies characterised the year 2020, with global fiscal support amounting to USD 14 trillion, of which USD 11.8 trillion[4] was granted by the advanced economies.

The measure was characterised by the need to mitigate the impacts of the Covid-19 pandemic through the allocation of consumption stimuli - direct transfers - and loans with facilitated conditions - reduced interest and/or negotiated grace period. As a result, the budget deficit was set at 13.3% of GDP in 2020, a significant deterioration compared to the -3.3% of GDP recorded in 2019. Public debt also marked a significant upward trend, projecting a level of 122.7% of GDP in 2020, which represents an increase of 17.9 p.p. compared to the previous year.

With regard to economic growth, the developed economies are expected to contract by 4.9% in 2020, following the 1.6% growth recorded in 2019, according to data released by the IMF. With the same trend, the World Bank estimates a contraction of 5.4% in 2020.

The main developed economies recorded recession in 2020, such as the case of the US and in the Euro Zone[5], which contracted by 3.4% and 7.2%, significantly pressured by the impact of the Covid-19 pandemic, taking into consideration that in 2019 they had recorded growth of 2.2% and 1.3%, respectively.

Regarding the main stock market indices in the USA, the Dow Jones and the S&P 500, both recorded a positive balance at year-end, standing at 30,606.48 and 3756.07 points in 2020, an annual increase of 7.25% and 16.26%, respectively. The USD index settled at 89.937 points, a depreciation of 6.69%, reflecting uncertainty about the performance of the world's largest economy under pressure from Covid-19 and political tensions. However, the prospect of economic recovery, in the long, term contributed to a decrease in the yield on 10-year sovereign debt by 100.43 b.p., to 0.9132%, as did the 6-month USD Libor, which fell by 165.45 b.p., to 0.258%.

The number of infected people in the USA reached 20.1 million people, with the total number of deaths setting at around 347,000 people[6] in 2020, despite the measures taken to restrict the movement of people and goods. During such restrictions—lockdowns—commercial institutions provide services for a reduced period of time, with the aim of helping to keep people at home and limiting leaving the house only for essential activities. Additionally, the US Presidential elections culminated in the victory of the Democratic candidate, Joe Biden, with 306 Electoral College votes, which surpassed the minimum of 207 votes necessary for him to be declared the 46th President of the USA. The victory was contested by outgoing President Donald Trump, who demanded a recount, and the Democratic candidate's victory was confirmed.

[4]IMF – *Fiscal Monitor Update*, January 2021
[5]Data from the World Economic Outlook, of January 2021.
[6]The data corresponds to the disclosure made by Johns Hopkins University, with the update date corresponding to 31 December 2020.

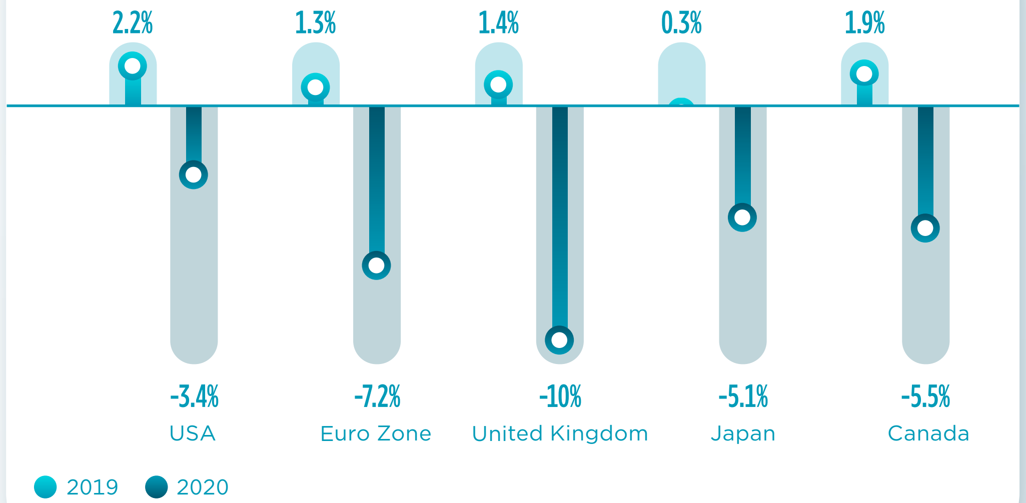
Among the advanced economies that contracted the least in 2020, Japan stood out, recording an economic performance of -5.1%, in contrast to a growth of 0.3% in 2019. The record reflects the impact of Covid-19 and the consequent measures to restrict the movement of people and goods, with the total number of confirmed cases having reached 230,300 and deaths 3,400.

The economic stimulus package amounting to approximately USD 2.2 trillion - which included direct transfers to consumers and loans to small businesses - contributed to the Nikkei 225 index rising by 16.01%, to 27,444.17 points. The 6-month JPY Libor fell by 7.6 b.p. to -0.058%, while the yield on 10-year sovereign debt increased by 3.7 b.p. to 0.017%. In turn, the Japanese currency appreciated by 4.92%, standing at JPY 103.34 per unit of the Dollar.

The trajectory of UK's GDP in 2020 mainly reflected the impact of the Covid-19 pandemic and the completion of Brexit (the UK's exit from the European Union) which materialised on 31 December 2020 after three years of negotiations.

The British economy contracted by 10% in 2020, after growing by 1.4% in 2019 according to data released by the IMF. The stimulus package to the economy included the GBP 895 billion asset purchase programme by the Bank of England. As a result, the budget deficit varied from 2.3% of GDP in 2019, to 14.5% of GDP in 2020 and the level of public debt as a percentage of GDP increased from 85.2% in 2019, to 103.3% in 2020. The FTSE 100 index fell by 14.34% to 6460.52 points. At the same time, the yield on the 10-year sovereign debt fell by 62.46 b.p., to 0.1923%, the 6-month GBP Libor fell by 0.85 p.p., to 0.0298%, and the Pound appreciated 3.12% against the Dollar to USD 1.367 per unit of currency.

ECONOMIC GROWTH



Source: IMF - *World Economic Outlook January 2021*

2.1.2. EMERGING AND DEVELOPING ECONOMIES

The decrease in transactions of goods and services by 8.9% and the deterioration of crude oil prices by 32.7% in 2020 contributed to pressure on the economic growth of the countries in the region, with a deterioration of 6.0 p.p., to -2.4% in 2020, according to IMF data.

Restrictive measures on the movement of people and goods to mitigate the spread of Covid-19 also contributed to a 12% contraction in the flow of Foreign Direct Investment (FDI), to USD 616 billion in 2020, with emphasis on the reduction of capital flows to greenfield[7] projects (-46%), financing agreements (-7%) and mergers and acquisitions (-4%).

The need to allocate resources to control the pandemic fuelled an increase in the fiscal deficit and debt as a percentage of GDP, with records set at -10.3% and 63.3% in 2020, whereas in 2019 they reached -4.8% and 54.3%, respectively.

Among the countries that make up the BRICS[8], China stands out, an economy considered the ground zero of the Covid-19 pandemic in December 2019. This country, which was the first to suffer the impacts of the pandemic, showed the only positive performance among the economies of the group, recording a GDP growth of 2.3% in 2020, a significant moderation compared to the 6.0% for 2019, as a result of the restriction measures, having recorded 96,000 confirmed cases of coronavirus in 2020.

The strategies to contain the impacts of the pandemic contributed to a budget balance in terms of GDP of -11.8% in 2020, which is worse than the -6.3% recorded in 2019. Public debt stood at 65.2% of GDP in 2020, an annual increase of 8.7 p.p.

However, despite the moderation in total FDI, the flow to China recorded a 4% increase, amounting to USD 163 billion, the largest investment destination in 2020.

The CSI 300 index increased by 27.21% to 5211.29 points. The yield on Chinese 10-year sovereign debt increased 0.1 b.p. to 3.139%.

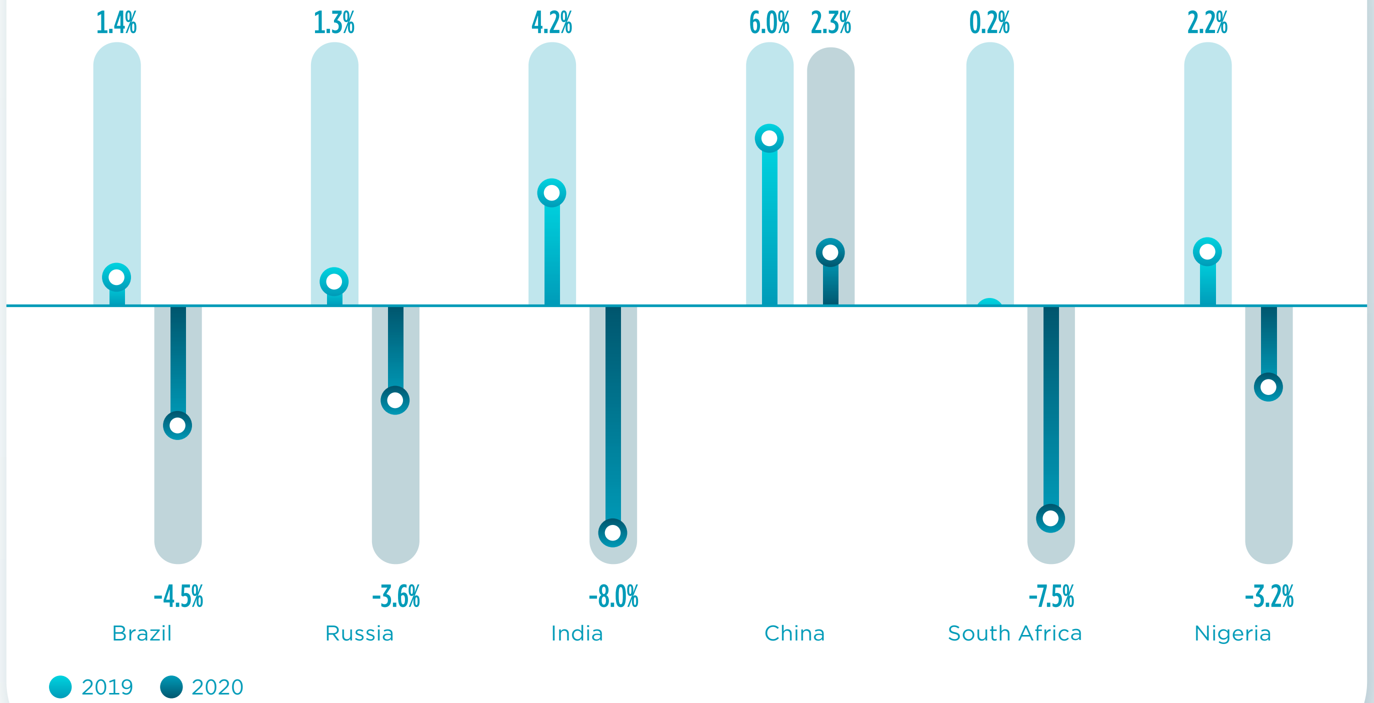
Regarding Brazil and Russia, the economic performance of -4.5% and -3.6% in 2020 should be highlighted, representing an economic deterioration compared to the growth of 1.4% and 1.3%, respectively, in 2019. In turn, in Brazil, despite an economic slowdown, the Ibovespa increased by 2.92% to 119,017.2 points in 2020, influenced by the reduction of the reference interest rate (Selic) by 2.5 p.p. to 2% at the end of 2020.

[7] Projects developed from scratch, in a location without initial infrastructure.
[8] Brazil, Russia, India, China and South Africa.

South Africa marked a recession of 7.5%, a deceleration of 7.7 p.p. compared to 2019, reflecting the impact of Covid-19 – which contributed to an increase in unemployment from 29.1%, to 32.5% – and tensions related to corruption cases. As a consequence, the South African currency depreciated by 6.64%, with the rate standing at ZAR 14.99 per unit of the dollar.

The International Monetary Fund forecasts that sub-Saharan Africa will have recorded a recession of 2.6% in 2020, which contrasts with growth of 3.2% for 2019, pressured mainly by the reduction in the international price of raw materials, particularly oil, the main product exported by economies such as Nigeria and Angola.

ECONOMIC GROWTH



Source: FMI-*World Economic Outlook*, Janeiro 2021

2.2. Angolan economy

2.2.1. REAL SECTOR

The real Gross Domestic Product (GDP) growth rate stood at -3.6% in 2020, according to government estimates. The performance contrasts with the 0.6% contraction of the previous year, reflecting low oil production coupled with reduced growth in the non-oil sector and moderation in consumption and production as a result of the Covid-19 pandemic, with the number of confirmed cases amounting to 17,553 in 2020. Oil production could have settled at 1.283 million barrels/day, down from 1.383 million barrels/day in 2019[9].

Internal constraints marked the production of alternative sectors to oil, with diamond production likely to have reached 8 million carats in 2020, which contributed to the sector of Diamonds, Metallic Minerals and Other Minerals extraction recording a contraction of 12.3%, a reversal compared to the growth of 8.5% in 2019. On the other hand, the Energy sector showed growth of 7.8% in 2020, which represents an acceleration in relation to the 0.5% expansion of the previous period, as a result of the increased production of certain dams, particularly Laúca.

In terms of oil production, the downward trend seen in recent years continued, reflecting the maturation of some exploration fields, as well as the decrease in investment in exploration and production as a result of the collapse in oil prices in 2014. In 2020, according to OPEC secondary sources, the country's oil production reached an average of 1.262 million barrels/day, which corresponds to a reduction of 139 thousand barrels/day compared to 2019. National production accounted for around 5% of the total produced by OPEC, as the second largest producer in Africa.

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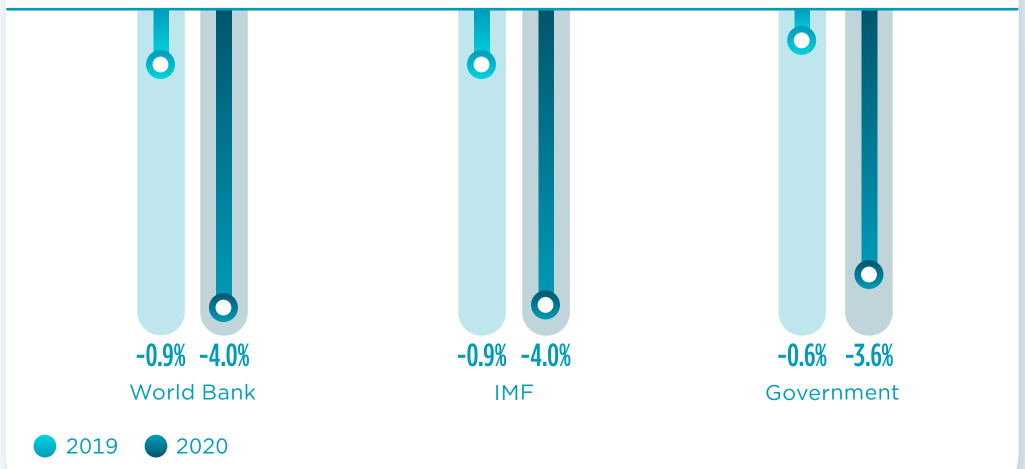
[9]2021 State Budget.

REAL GROWTH RATE OF THE ECONOMY



Source: IMF – World Economic Outlook, January 2021

Expectations regarding the economy's performance in the short term, collected from national entrepreneurs, recorded a downward trajectory in 2020, falling from -15 points in the first quarter to -24 points in the third quarter[10], while in 2019 it recorded an improvement from -9 points in the first quarter to -7 points in the third quarter. The decrease recorded in 2020 reflects the impact of the Covid-19 pandemic - restrictions on imports and moderation of demand - coupled with the ongoing exchange rate depreciation and its impacts on inflation. However, of the seven sectors analysed by the Economic Climate Indicator (ECI), the Communication Confidence Indicator remained positive by 7 points in the third quarter of 2020. The worst record concerns the Construction Confidence Indicator with -47 points - a sector with a significant component of imports and dependence on public investments, which were channelled to pandemic control.

2.2.1.1. SOCIAL INDICATORS

Angola's Human Development Index (HDI) places the country in the category of medium human development, ranking 148 out of the 189 countries and territories considered, with an assessment of 0.581 points, after having been ranked 149 in 2019.

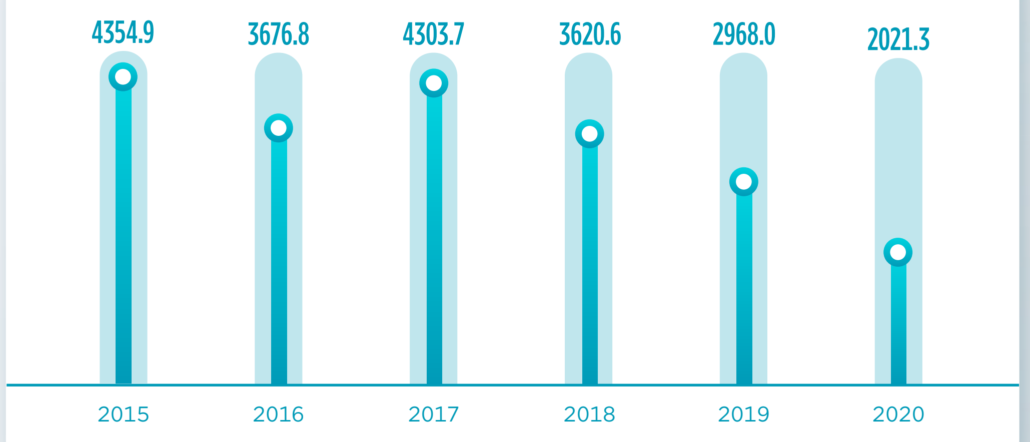
Since 1990, life expectancy in Angola has increased by an average of 15.8 years, to 61.2 years of age in 2020. There are 2.1 doctors per 10,000 people and government coverage of essential health services is approximately 39%, according to UNICEF figures. Additionally, it is expected that around 25% of the population will spend more than 4.5% of their income on health-related expenses, according to data from the World Health Organization and the World Bank, presented in the Universal Health Coverage report.

The population has, on average, 11.8 expected years of schooling. Only 3.8% of people living in rural areas have access to electricity and 47.6% of the population lives below the poverty threshold, according to updated UNICEF data. However, as a result of the impacts of Covid-19 on the deteriorating quality of life and labour market structure, the poverty rate may have increased to 50.1% by 2020, according to World Bank data.

The Multidimensional Poverty Index in Angola indicates that the incidence of poverty in rural areas is close to 87.8%, whilst in urban areas it reaches around 35.0% of the population. Deprivation of quality housing, electricity, and civil registry affect around 44.2%, 43.7% and 43.3% of the country's population, respectively.

In 2020, GDP per capita was USD 2021.31, down from USD 2967.95 the year before. The decrease in GDP associated with the maintenance of population growth justified the performance of the indicator. During the period under review, the unemployment rate ascertained in the fourth quarter stood at 30.6%, compared to the rate of 31.8% for the same period of 2019. Despite the pressures to the economy, the impact of the reforms in the economy allowed public tender for health and education.

PIB PER CAPITA (USD)



Source: IMF, WEO October 2020

As a result of the impacts of Covid-19 on the deteriorating quality of life and labour market structure, the poverty rate may have increased to 50.1% by 2020, according to World Bank data.

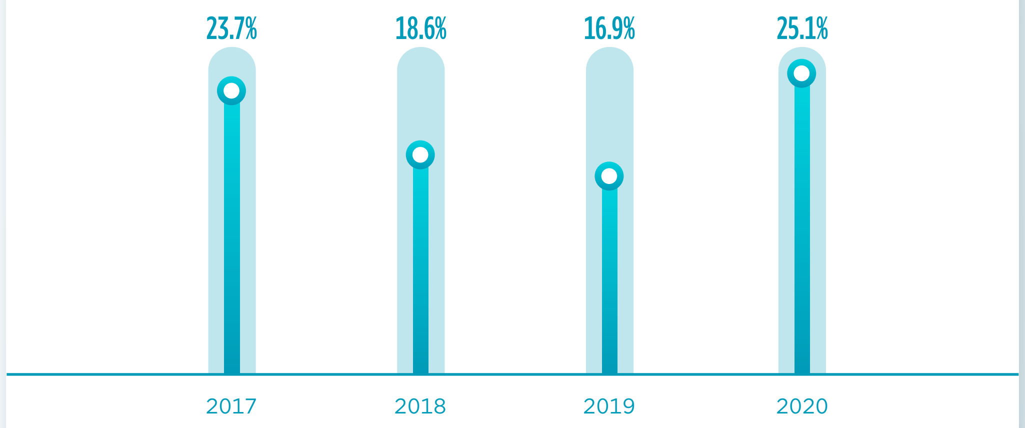
[10] Data available until 23-02-2021.

2.2.1.2. PRICE LEVEL

The annual National inflation rate for 2020 closed at 25.10%, the highest level since December 2017, when it stood at 23.67%. The annual variation of the Consumer Price Index stood above the target of 25.0% presented in the State Budget (SB) for 2020, pressured by the constraints on production and imports intensified by Covid-19, taking into account the process of exchange rate depreciation underway in the economy.

Food prices recorded an annual growth of 29.08% in 2020, an acceleration of 10.30 p.p. over the same period of the previous year. At the same time, non-food prices recorded a year-on-year change of 17.3%, an acceleration of 2.74 p.p. when compared to 2019.

INFLATION RATE



SOURCE: National Statistical Institute

On the other hand, the prices of tradable goods increased by 26.69% in December 2020 (+8.20 p.p. compared to December 2019), while the prices of non-tradable goods recorded an annual increase of 14.33% (+2.08 p.p. compared to December 2019), reflecting the increase in context costs, which supersedes the effect of the moderation in domestic demand.

Wholesale goods prices also recorded the same upward trend as they closed 2020 with an annual change of 26.85%, which represents an increase of 7.93 p.p. compared to the previous year.

The monthly change in the Wholesale Price Index calculated in December 2020 stood at 2.20%, an acceleration of 0.54 p.p. compared to the close of 2019, with the prices of imported products contributing 74% and domestic products the remainder, with manufacturing accounting for the main contribution in products of both origins.

2.2.2. TAX SECTOR

The challenge of containing the impacts of the Covid-19 pandemic put pressure on the fiscal consolidation process that represented the Government's main management strategy until 2019.

2.2.2.1. EXTENDED FUND FACILITY

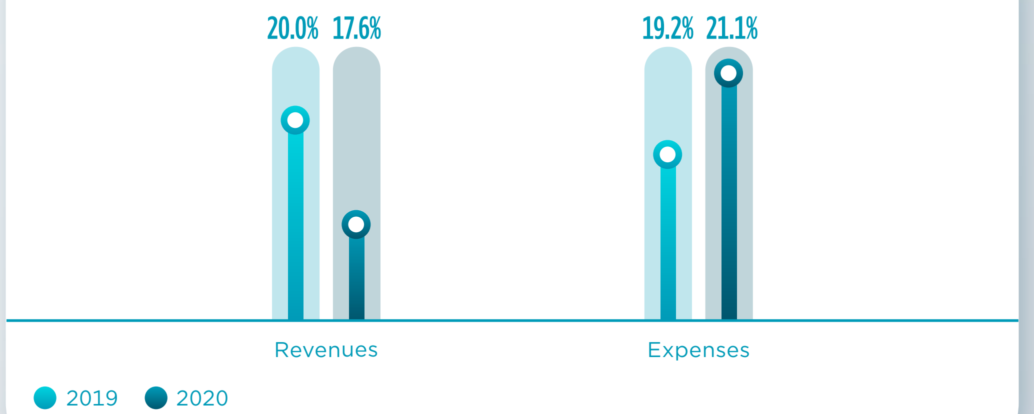
The programme approved in December 2018 for a total amount of USD 3.7 billion, with a planned duration until 2021, benefited from an increase of USD 765 million in September 2020, at the time of the third revision of the Extended Financing Agreement. Thus, the total resources allocated to Angola could amount to USD 4.4 billion as a result of the additional support to address the impacts of Covid 19 and maintain the implementation of structural reforms.

At the time of the third review, a disbursement of USD 1 billion was carried out, which contributed to the total amount spent reaching USD 2.48 billion in September 2020. Given the updated amount, disbursements to date represent approximately 56% of the total forecast up to 2021.

The IMF considers that economic performance in 2020 reflected the impact of the health crisis generated by the Covid-19 pandemic, the collapse of the international crude oil price and the moderation of world demand for the commodity. The institution recommends that in order to enable a rapid recovery, policies to promote macroeconomic and fiscal stability should be adopted, in which priority is given to private sector management. Among the measures underway, it is worth highlighting revenue collection via the privatisation process, which by June 2020 will contribute to accumulating the equivalent of USD 53 million, as a result of the sale of 14 companies. However, the Government has presented the prospect of raising the equivalent of USD 125 million in 2020, through the presentation in public tender of approximately 40 assets.

The Bretton Woods institution estimates that revenues fell by 5.88% to AOA 6145 billion, with oil tax revenues accounting for 55.38% of the total, a drop of 5.15 p.p., compared to the 2019 contribution. Regarding expenditure, estimates for 2020 were set at AOA 7399 billion, an annual increase of 17.99%, which is characterised by a contribution of interest on debt of 32.92%, an increase of 5.77 p.p. compared to 2019.

INCOME AND EXPENDITURE (% GDP)



Source: IMF - Second Review Under the Extended Fund Facility

2.2.2.2. STATE BUDGET

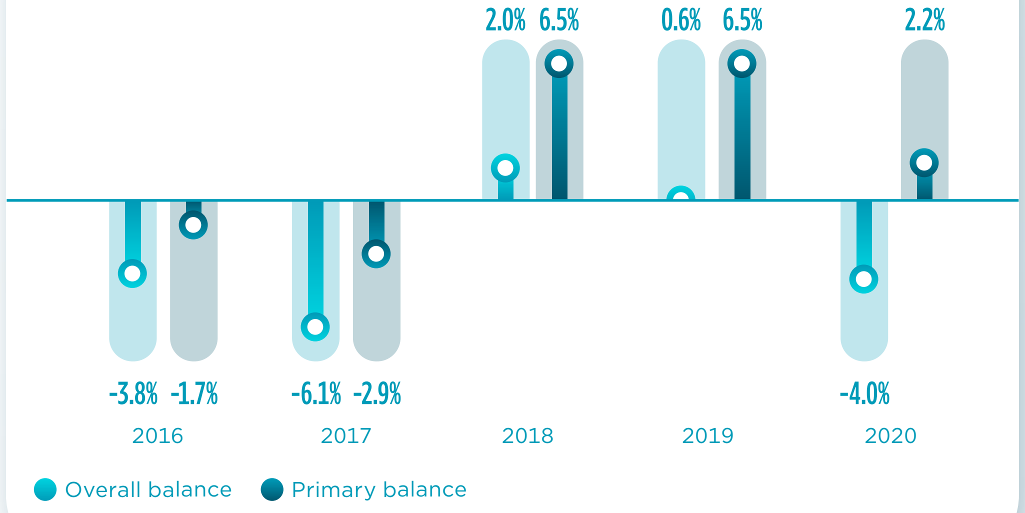
The amount of revenue and expenditure reached AOA 13,455.3 billion in 2020, according to data from the State Budget for 2021 (SB 2021), which exceeds the total for 2019 by AOA 3048.2 billion.

2020 Tax revenues may have accounted for about 86.21% of total current revenues, settling at AOA 5280.4 billion and an amount higher than the AOA 6074.8 billion forecasted. Revenue from oil taxes may have reached AOA 2951.8 billion, a reduction of 25.32% - as a result of the moderation of production and the price of crude oil - and those from non-oil taxes set at AOA 2328.6 billion, which contrasts with AOA 2122.4 billion in 2019.

According to Government estimates, total public expenditure should have reached the AOA 7392.6 billion in 2020, higher than the AOA 6336.1 billion planned for 2019. Current expenditure should account for 80.22% of total expenditure, equivalent to about AOA 5930.5 billion, and the remainder, account for capital expenditure. Current expenditure consists of Payroll (36.79%), Interest (33.17%), Goods and Services (17.34%) and Current Transfers (12.70%).

The process of reversing the budget balance from deficit to surplus that started in 2018 as a result of the fiscal consolidation process has had the effect faded mainly due to the need for additional health expenditure and economic stimulus due to the Covid-19 pandemic, culminating in the overall budget deficit rebounding to -4.0% of GDP in 2020.

BUDGET BALANCE (% GDP)



Source: 2021 State Budget

2.2.2.3. PUBLIC DEBT

Public debt may have reached a stock of AOA 48,490 billion in 2020, which represents an increase of AOA 13,477 compared to the 2019 record, with the debt trajectory increasing from 107.1% of GDP in 2019, to 134.2% of GDP in 2020. Preliminary data released by the IMF suggest that a double-digit level will be reached from 2023 onwards, with debt standing at 97.2% of GDP.

The Government estimates that public debt may have reached 123% of GDP in 2020, an increase of approximately 10 p.p. compared to the previous year, and the debt containment strategy is maintained, with the target set at 60% of GDP.

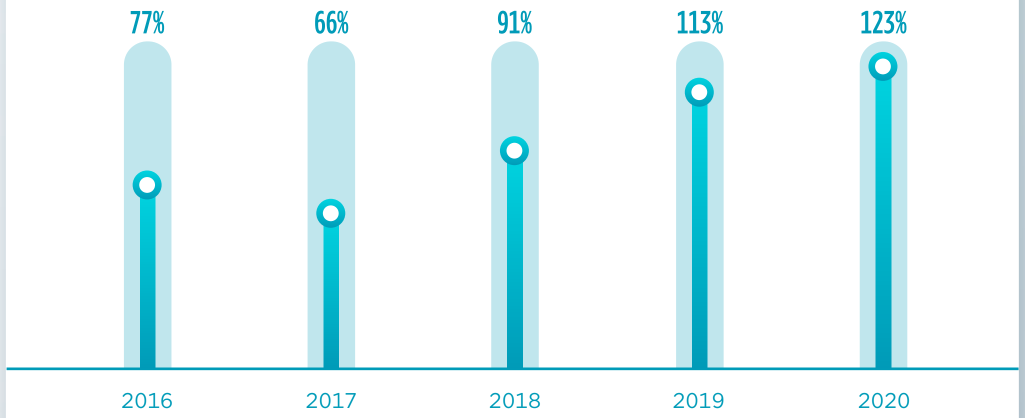
Debt service reached AOA 7524.5 billion in 2020, an increase of 41.10% when compared to 2019, when it stood at AOA 5332.9 billion. The debt service burden over the GDP rose from 19.92% in 2019 to 23.59% of GDP in 2020. On the reverse path, the contribution of tax operations expenditure in the SB rose from 57.52% in 2019 to 54.94% in 2020 and the ratio of debt service to tax revenue varied from 95.85% to 142.50% in the above-mentioned period.

The outlook for public debt and the budget deficit was revised upwards, although accompanied by the intention to negotiate debt with the main international creditors, in which Angola's participation in the Debt Service Suspension Initiative presented by the G20 countries stands out.

The Debt Service Suspension Programme (DSSI) is characterised by being an initiative of the G20 countries that makes it possible to relieve the payment of the bilateral debt of 73 low-income countries, from May to December 2020. The suspended payments are to be made over three years thereafter. With the relief achieved, the countries could reallocate resources to support the fight against Covid-19.

In Africa, 36 countries were targeted by this measure, with the total suspension set at USD 5,584.0 million, about 57% of the total amount foreseen. Angola is expected to benefit from USD 2,645.6 million in relief, the largest suspension amongst African countries, accounting for 23% of the total. The second highest amount, of USD 802.6 million, is for Kenya.

PUBLIC DEBT (% GDP)



Source: 2021 State Budget

2.2.3. BANKING SECTOR

The Government's current strategy, in which the need to promote economic diversification by encouraging credit to the productive sector is highlighted, has made the performance of the institutions that make up the banking sector increasingly relevant. Besides the Macroeconomic Stabilisation Programme (PEM – Programa de Estabilização Macroeconómica), the Extended Fund Facility with the IMF also provides for greater robustness and stability in this sector.

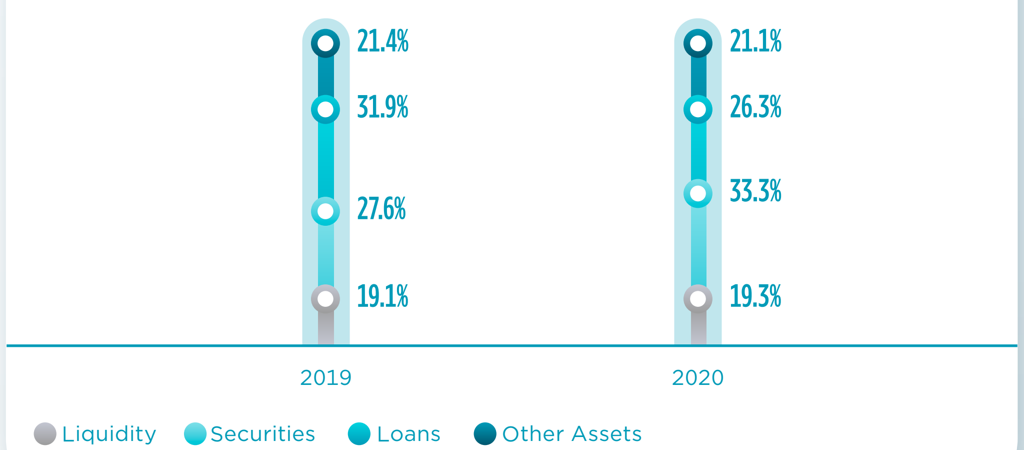
As part of the diversification of national production, banking financial institutions must grant credit to producers of essential goods whose national production is below demand, according to Notice no. 10/2020 of 3 April. The characteristics of the credit to be granted include the total cost of 7.5% per year and the balance of the credit must correspond, at least, to 2.5% of the total net assets recorded up to 31 December of the previous year. Until 31 December 2020, total disbursements were set at AOA 142.99 billion.

Priority was given to the stability of the financial system, with the entry into force of Notice no. 21/2020, of 16 October, which provides for the deferral, for three years, of the constitution of impairments by banking financial institutions for Public Debt Securities, as a result of the increase in credit risk worsened by the deterioration of macroeconomic indicators, due to the impact of the Covid-19 pandemic.

Furthermore, reference should be made to the need to support the economy as part of the mitigation of the impacts of Covid-19, in which the need to grant a moratorium to corporate and individual Customers for a period of 60 days, as presented in Instruction no. 04/2020, of 30 March, pursuant to Presidential Decree no. 82/20, of 26 March, was implemented, so that reserve resources could be reinforced and bankruptcies and consequences for the labour market could be avoided.

The assets of the banking sector stood at AOA 21,734.37 billion, in 2020, an increase of 18.25% when compared with the previous year. The item Financing to the economy accounted for 26.3% of assets, while government securities represented 33.3%, a reduction of 5.6 and an increase of 5.7 p.p., respectively. On the other hand, liabilities were concentrated in deposits by 66.4%, with 74.4% of total deposits representing private sector deposits.

COMMERCIAL BANKS ASSETS



Source: BNA

Regarding the soundness of the banking sector, it is noted that the solvency ratio recorded an annual increase of 0.71 p.p., to 28.17%, in July 2020 . Return on Net Assets (RONA) reached 5.0%, an increase of 4.32 p.p. since July 2019. At the same time, Return on Assets (ROA) stood at 0.50%, corresponding to an increase of 0.41 p.p. when compared to July 2019.

The transformation ratio stood at 34.26%, below the 44.36% of July 2019, which reflects an increase in loans granted (7.01%) that was lower than the increase in deposits collected (29.7%). The moderation of credit granted is a reflection of the uncertainties imposed by Covid-19 and the restrictive monetary policy. During the period under review, the ratio of loans to the public sector over total loans increased by 2.12 p.p to 12.1%. On the other hand, the weight of loans to the private sector has followed an opposite trend, decreasing 2.12 p.p., standing at 87.9% in the period mentioned above, which reflects the risk perception of the banking financial institutions.

Non-performing loans reached 21.22% of total gross credit in July 2020, a reduction of 14.27 p.p. from the level recorded in the same period of the previous year, which may reflect the credit moratorium required by the Central Bank and the availability of liquidity to the economy, which are measures concerning the mitigation of the impacts of Covid-19.

The banking spread narrowed in July 2020, mainly justified by the relative resilience of lending rates – with the definition of fixed rates for compulsory credit –, and by the lower availability of liquidity in the banking sector, having varied from 21.15% in July 2019 to 19.05% in July 2020.

BANKING SECTOR SOUNDNESS INDICATORS (%)

Capital adequacy	Dec./18	Jul./19	Dec./19	Jul./20
Solvency Ratio ≥ 10%	24.2	27.46	24.09	28.17
Solvency Ratio ≥ 8.5%	21.7	22.53	19.66	24.29
Asset quality				
Non-performing loans	28.1	35.49	32.5	21.22
Profitability				
ROA	4.4	0.09	1.0	0.5
ROE	26.6	0.68	7.78	5.0
Total expenses / Total income	99.6	98.07	105.6	97.12
Cost-to-income	30.3	44.87	35.66	-178.6
Lending rate – Deposit rate (spread) / Interest rate spread	27.3	21.15	20.35	19.05
Savings deposit rate / Deposit interest rate	4.5	3.75	8.26	6.38
Net interest income	43.2	54.91	44.78	-215.84
Liquidity				
Net assets / Total assets	41.8	24.12	27.0	26.43
Net assets / Short-term liabilities	28.6	30.16	33.44	32.77
Total loans / Total deposits	44.2	44.36	41.85	34.26
FC Liabilities / Total Liabilities	46.1	46.11	53.07	54.39
Market sensitivity and change				
Net currency exposure outstanding	36.5	14.16	3.76	42.16

Source: BNA

[11]Data provided by BNA, until 25-02-2021.

2.2.4. EXCHANGE MARKET AND EXTERNAL SECTOR

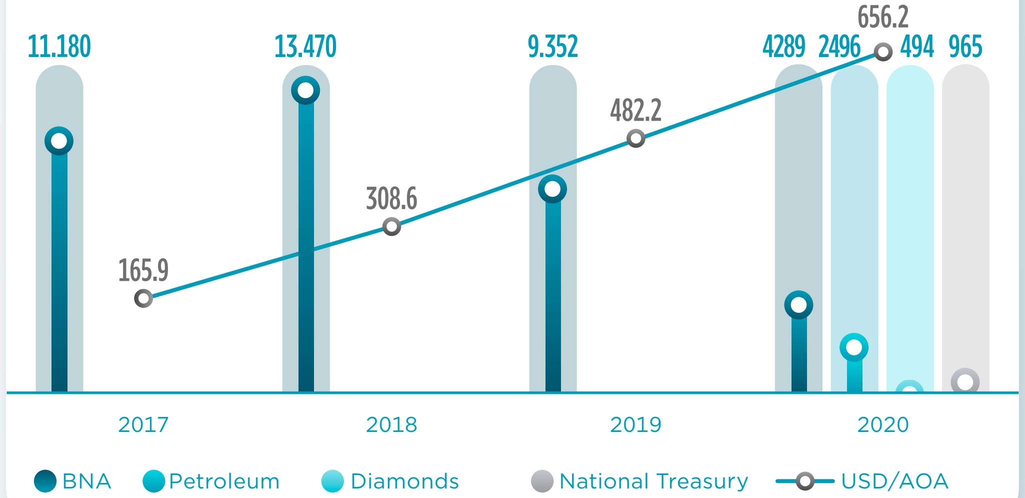
The stimulation of the foreign exchange market characterised 2020 with the entry of new suppliers of foreign currency, as in the case of oil companies, diamond companies and the National Treasury, the possibility of direct negotiations through the Bloomberg platform and the adoption of currency forwards, which minimises the impact of exchange rate depreciation through the possibility of defining the exchange rate and the future maturity date within a maximum of one year, according to data disclosed in Notice no. 22/2020, of 23 November.

The maintenance of the foreign exchange market liberalisation process and the improvement in access to foreign currency have contributed to reducing the differential between the official and parallel markets. It should be noted that the exchange rate differential against the Dollar went from 150% in 2017 (when the new foreign exchange regime was implemented) to around 16% in December 2020.

The Kwanza exchange rate against the Dollar stood at AOA 656.22, representing an accumulated depreciation of 26.52%, a moderation of 9.49 p.p. compared to 2019. The same trend was seen in the exchange rate of the Kwanza against the Euro, depreciating 32.83% in 2020, after losing around 34.73% of its value in 2019.

The sale of foreign currency by BNA to Commercial Banks fell by 54% in 2020, to the equivalent of USD 4289.98 million, which reflects the 25.31% reduction in Net International Reserves (NIR), to USD 8748 million in the year under review.

SALE OF FOREIGN CURRENCY AND EXCHANGE RATE (USD MILLION)



Source: BNA

The balance of payments recorded a deficit of USD 176.5 million in the third quarter of 2020, an improvement of USD 163.2 million compared to the same period of 2019. The record reflects the moderation of the deficit in the capital and financial account by USD 2614.7 million in the third quarter of 2020 to - USD 582.7 million, and the current account remaining at positive levels, although it decreased by USD 940 million to USD 521.5 million in the third quarter of 2020.

[12]Data published by BNA, until 25-02-2021.

2.2.5. MONEY MARKET

The target of controlling inflation, in the face of the continuous process of currency devaluation, has contributed to the adoption of a restrictive monetary policy. Meanwhile, in 2020, in view of the need to address the impacts of the Covid-19 pandemic on the economy, the BNA also introduced stimuli to the economy.

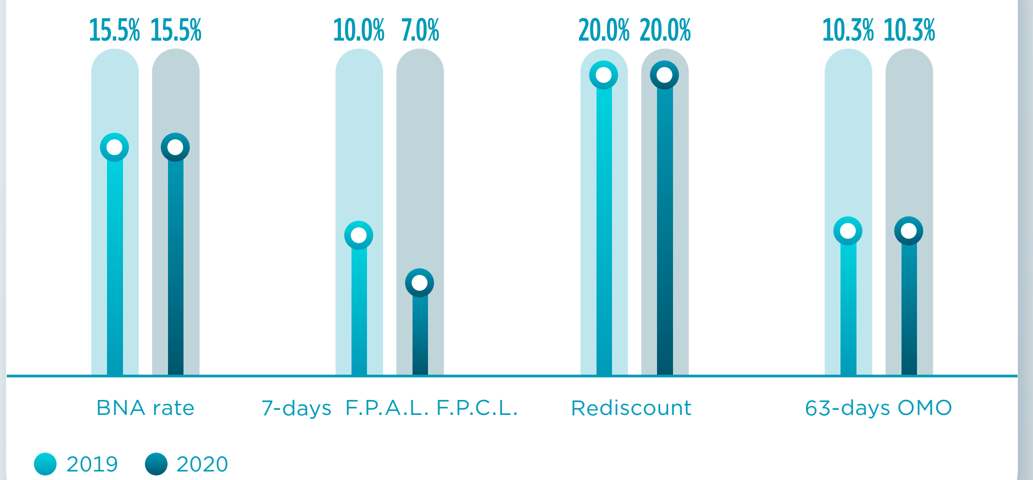
The monetary supply measured by the monetary aggregate M2 increased by 22.03% to AOA 12,447.3 billion in 2020, below the level of the inflation rate, while the Monetary Base in National Currency, the operational instrument of monetary policy stood at AOA 1657.8 billion, which represents an increase of 4.53% compared to 2019.

In 2020, the BNA's Monetary Policy Committee (MPC) kept the benchmark interest rate at 15.5%, the coefficient of mandatory reserves in national currency at 22% and made notes and coins ineligible. Additionally, BNA decided to reduce the 7-day liquidity absorption interest rate by 3 p.p., to 7.0%, and increased the coefficient of mandatory reserves in foreign currency by 2.0 p.p., to 17% — the constitution of the differential should be carried out using the national currency.

On the other hand, it activated the Marginal Lending Facility Overnight, in the amount of up to AOA 100 billion and introduced a liquidity line valued at AOA 100 billion for the acquisition of Government Securities owned by non-financial institutions, with the aim of providing liquidity for companies to minimise the impact of Covid-19 on their production capacity.

Liquidity transactions between commercial banks stood at AOA 9865.05 billion, which corresponds to a 163% increase when compared with 2019, which may reflect the commercial banks' need for liquidity as a result of the measures adopted by BNA. The rates calculated in interbank operations followed a downward trend in most maturities, with the emphasis on Luibor Overnight, which in 2020 recorded a decrease of 12.73 p.p. to 9.75%.

INTEREST RATES



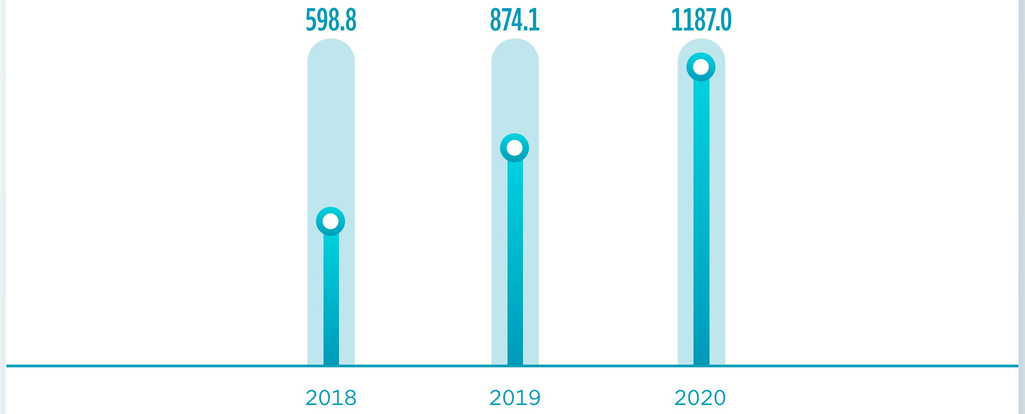
Source: BNA

2.2.6. CAPITAL MARKET

In 2020, Treasury estimated the issue of Treasury Bonds in the amount of AOA 1398.33 billion and Treasury Bills in the amount of AOA 1041.02 billion, with demand set at approximately 57.08% and 121.39%, which may reflect the preference for short-term assets, as a result of uncertainty about the long-term performance of the economy. The 2020 Annual Borrowing Plan showed an annual increase of 57.8% in the amount of Treasury Bonds and 23.44% in total Treasury Bill issues.

Treasury Bond transactions, on the secondary market, stood at AOA 1187.03 billion in 2020, an increase of 35.80% compared to the same period in 2019. The continued dynamism of the market reflects the confidence of investors, the Central Bank's strategy of buying Non Re-adjustable Treasury Bonds in order to grant liquidity to economic agents to cope with the impacts of Covid-19 – by means of Instruction 06/2020 and 09/2020 –, as well as greater financial literacy.

SECURITIES TRANSACTIONS ON THE SECONDARY MARKET (AOA BILLION)



Source: BODIVA

With regard to Eurobonds, no issues were made in 2020, and the securities issued in 2015, 2018 and 2019, with maturities ranging from 10 to 30 years, remained in progress. The respective yields - the return required by investors to acquire Eurobonds - showed an upward trend in most maturities influenced by the reduction in the international price of crude oil, the increased need for debt to deal with the Covid-19 pandemic and the deterioration in the performance of the economy. The biggest increases of 2.351 p.p. and 1.901 p.p., to 8.36% and 8.88%, occurred in the Eurobonds maturing in 2025 and 2028, respectively.