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FINANCIAL SERVICES

Review of the Insurance and Pension Fund Sector in Angola

April 2012

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KPMG Angola

Index

1. Preface and Acknowledgements

It is with enormous satisfaction that KPMG presents the first study on the Insurance and Pension Fund Sector in Angola.

We trust this study will constitute a milestone for this Sector in Angola. To this purpose we sought to include both our opinion on the performance of this Sector in Angola from 2008 to 2010, as well as a brief description of the trends and the main challenges facing the Insurance Companies and the Pension Fund Managers over the coming years, as a result of their evolution and maturity.

The year 2010 marked the return of the rhythm of economic growth in Angola, following a period of some deceleration in the growth rate, which occurred due, fundamentally, to the steep drop in oil prices on the international markets. Despite the clear signs of optimism resulting from the economic growth, the Angolan economy continues exposed to the potential effects of an international economic crisis, since its GDP continues highly dependent on oil-based revenue.

As a result of this growth and of some regulatory changes, the Insurance and Pension Fund Sector has presented a solid growth but faces important challenges, both at the strategic and operational level.

We trust this study contributes to a better understanding of this important Sector, not only of the main quantitative aspects, but also of the main trends and challenges.

We also wish to acknowledge the efforts of all those that contributed to the preparation of this study, trusting that it corresponds to the highest expectations of the recipients.

Luanda, April 2012

Sikander Sattar
President of KPMG in Angola

2. Methodology applied in this Study

Methodology applied in this Study and Sources of Information

This study on the Insurance and Pension Fund Sector in Angola results from a compilation of public information made available by the Instituto de Supervisão de Seguros de Angola (ISS) on the Insurance Companies and Pension Fund Managers operating in Angola, as well as of data obtained from other national and international organisms, namely the Angolan Ministry of the Economy, the International Monetary Fund, the Instituto de Seguros de Portugal (ISP), Swiss Re and Fenaseg, relating to the african, european, american and asian markets.

The analysis carried out is based on aggregated figures on the market for the years 2008, 2009 and 2010, whenever available. The figures presented in this study may suffer minor adjustments in the future, however, we do not expect these to have an impact on the changes in the conclusions presented. Additionally, when applicable, a comparison is made with aggregate indicators for other countries (namely Portugal, Brazil, South Africa and the United Kingdom) with the objective of foreseeing the possible evolution of this Sector in Angola.

The aggregated quantitative information presented on the angolan market covers this group of Insurance Companies and Pension Fund Managers, except when otherwise stated. Additionally, a qualitative perspective of the evolution of the Sector is also presented as well as the sector legislation available until the date of publication of the study.

Electronic versions of this study are available, in Portuguese and in English, in the following websites:

www.kpmg.co.ao

www.ISS.gv.ao

The angolan market comprises 10 Insurance Companies and five Pension Fund Managers, as per the listing provided by ISS, organized by order of establishment:

- Insurance Companies:

ENSA SEGUROS DE ANGOLA, S.A.
(Decreto nº 81 – DR 1ª série nº 98/Suplemento de 6 de Dezembro);

AAA SEGUROS, S.A.
(DR 3ª série nº 54 de 22 de Dezembro de 2000);

NOSSA SEGUROS, S.A.
(DR 3ª série nº 2 de 5 de Janeiro de 2005);

G.A. ANGOLA SEGUROS, S.A.
(DR 3ª série nº97 de 15 de Agosto de 2005);

A MUNDIAL SEGUROS, S.A.
(DR 3ª série nº 33 de 15 de Maio de 2006);

GLOBAL SEGUROS, S.A.
(DR 3ª série nº 60 de 17 de Maio de 2006);

GARANTIA SEGUROS, S.A.
(DR 3ª série nº105 de 31 de Agosto de 2007);

CONFIANÇA SEGUROS, S.A.
(DR 3ª série nº 236 de 16 de Dezembro de 2008);

UNIVERSAL SEGUROS, S.A.
(DR 3ª série nº 121 de 01 de Julho de 2009);

CORPORAÇÃO ANGOLANA DE SEGUROS, S.A.
(DR 3ª série nº 112 de 28 de Dezembro de 2009).

- Pension Fund Managers:

GESTÃO DE FUNDOS, S.A.
(DR 3ª série nº 1 de 8 de Janeiro de 1999);

AAA PENSÕES, S.A.
(DR 3ª série nº42 de 10 de Outubro de 2000);

ENSA SEGUROS DE ANGOLA , S.A.
(Decreto nº81/02 –DR 1ª série nº 98/suplemento de 6 de Dezembro);

FÉNIX PENSÕES S.A.
(DR 3ª série nº8/04 de 27 de Janeiro –
DR 3ª série nº 17/04 de 27 de Fevereiro);

BESAACTIF (DR 3ª série nº 182/08 de 29 de Setembro).

3. Macroeconomic Overview

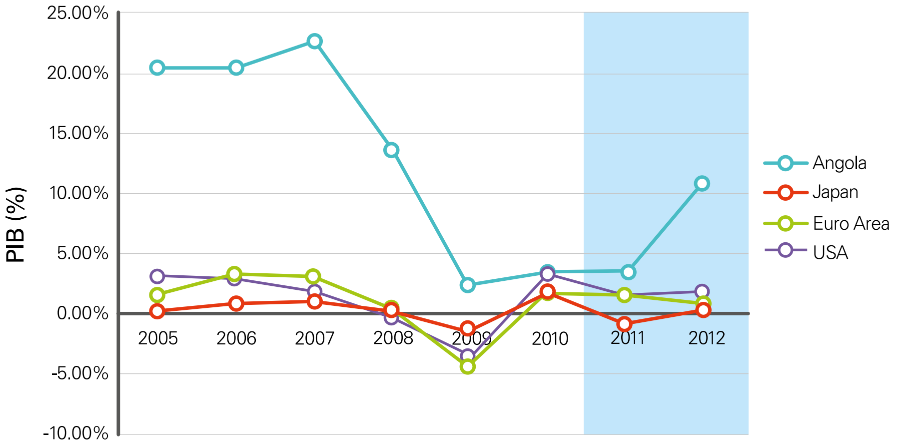
The last few years have been marked, at the global level, by the spectre of successive crises. The sub-prime crisis in 2008 was followed by the sovereign debt crisis in 2011, which threatens to jeopardize the economic recovery that surged in 2010.

2010 marked a turning point in the economic and financial situation versus the year 2009 which, according to the World Economic Outlook elaborated by the IMF, presented a contraction of aggregate GDP of around 0.5%. In 2010, according to the same source, the global economy grew 5%, strongly driven by the emerging economies, which demonstrated greater resistance to the crisis and grew at an average of 7.3%. On the other hand, the more developed economies (ex. Euro Zone, USA and Japan) did not exceed 3%, largely due to the prevailing uncertainty, fed by the sovereign debt crisis and the high unemployment rates, despite the efforts of the Governments and Central Banks to contain or reverse the effects of the crisis.

With its epicentre in the Euro Zone, the world anxiously awaits the rollout of the sovereign debt crisis. In the event this crisis decelerates the already weak recovery of the developed economies, we may yet see a new contraction of the global economy, with the ensuing impact on the prices of petrol and, consequently, on the growth of the angolan economy.

Angola emerges as one of the success stories of the last five years, registering an average growth rate around13%, higher than China, the great emerging power of the present. This growth was strongly leveraged on the excellent results achieved by the national economy between 2006 and 2008, thanks to the high earnings from the oil industry. This trend should continue over the next few years, with IMF forecasts pointing to real GDP growth rates of 3.7% in 2011 and 10.8% in 2012, values aligned with or higher than the global average, which is expected to be less than 4%.

Evolution of real GDP (%)



Source: FMI, World Economic Outlook September 2011

Over the last five years, Angola has been one of the fastest growing global economies, with official forecasts pointing to the maintenance of this growth trajectory.

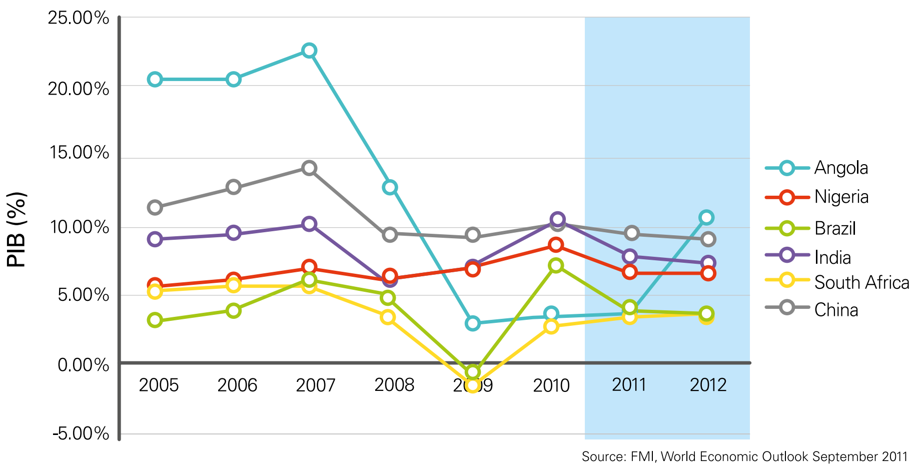
From the analysis of the evolution of the angolan GDP, it is possible to observe that the country has been systematically outgrowing the more developed global economies, even during the years in which the GDP growth rate slowed down due to lower oil prices.

The correlation between the GDP growth and the evolution of the petrol price is clearly reflected in the drop of the growth trend observed in 2009, and which extended into 2010 and 2011.

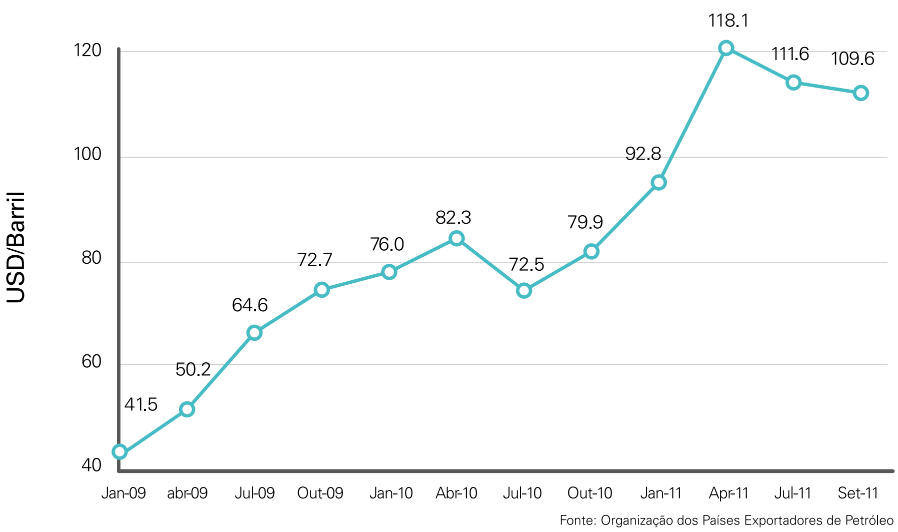
During this triennium, Angola has presented a growth rate below that of the other global emerging markets, particularly China and India, which have a growth structure more leveraged on internal demand and manufactured exports. We draw attention too, to the comparison with the other large oil based economy in the region – Nigeria – which has a GDP evolution that is more constant from year to year, reflecting a more structured GDP.

In the context of the angolan economy it is important to follow the developments in the sovereign debt crisis and its contagious at a global level. A new recession may provoke a new drop in oil prices with the consequent impact on the angolan GDP growth.

Evolution of real GDP (%)



Oil Price - 2009/2011



The evolution of theangolan GDP structure demonstrates local authorities' efforts to diversify the economy. Sectors such as Agriculture, Construction and Services have seen their relative weight in GDP grow since 2008, in comparison to oil which despite being the main "contributor" to GDP presents a decreasing tendency in terms of relative contribution. As the local economy develops it is foreseeable that sectors such as Construction (related to the development of infrastructures) and Services gain more weight in the GDP structure.

This tendency is expected to continue over the next few years given the Government's commitment to Sector diversification, reflected in the State Budget and in the Public Investment Programme (PIP) which clearly focus on investments that will boost growth in non-oil activities.

Commercial Relations

The Balance of Trade was positive in 2010 and a surplus of 80% was achieved. This resulted from the decrease in imports and a significant increase in the value of exports.

Imports in 2010 were primarily from the European Union (42%), with Portugal representing some 19% of the imports, thus becoming the main origin country for angolan imports. In relation to exportation, China is the primary destination of commercial trade, representing almost 50% of the total.

Exchange Rate

The last 10 years (2001-2010) saw a high level of volatility in the AOA/USD rate, particularly during the period 2001 through 2004, during which the exchange rate varied between 30 (2001) and 86 AOA (2004). Over the last few years a relative stabilization of the exchange referential, within the range of 80 – 90 AOA per USD, has occurred.

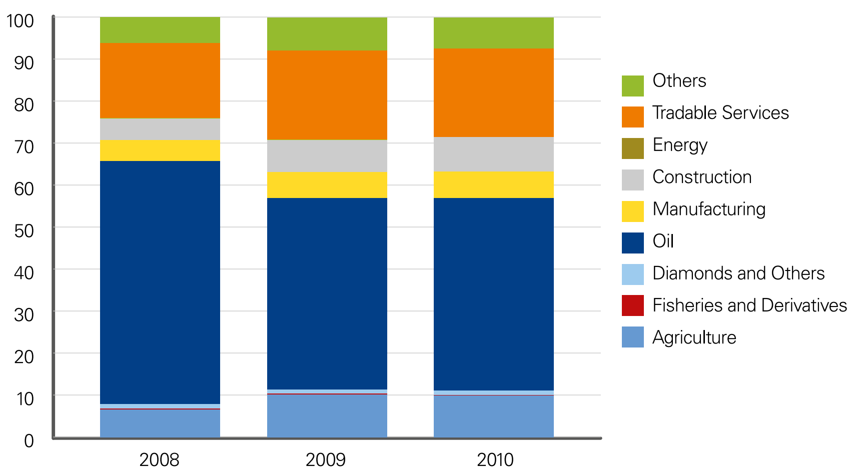
Considering that oil transactions are conducted in USD, the national economy continues to be directly influenced by the volatility of this indicator.

Evolution of the Balance of Trade

	2008	2009	2010
Importation	54%	-14%	-8%
Exportation	59%	-38%	36%
Balance of Trade	62%	-52%	80%

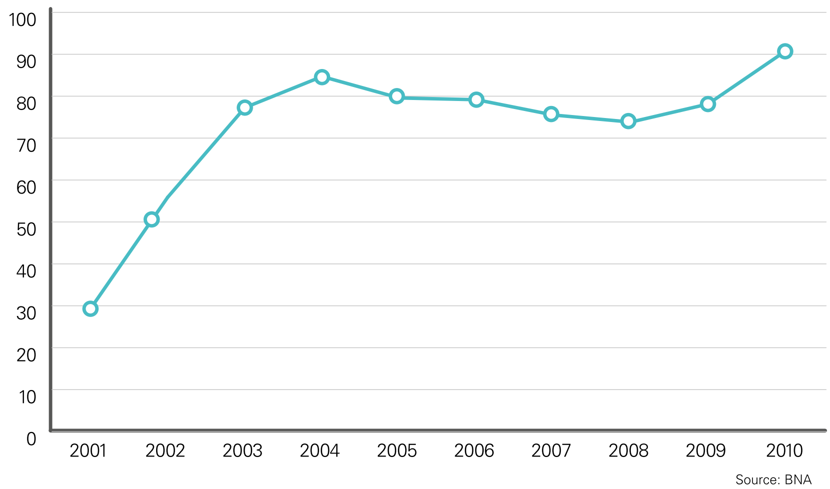
Source: European Comission Trade

Evolution of the angolan GDP structure



Source: Ministry of Planning

Evolution of the average exchange rate AOA/USD

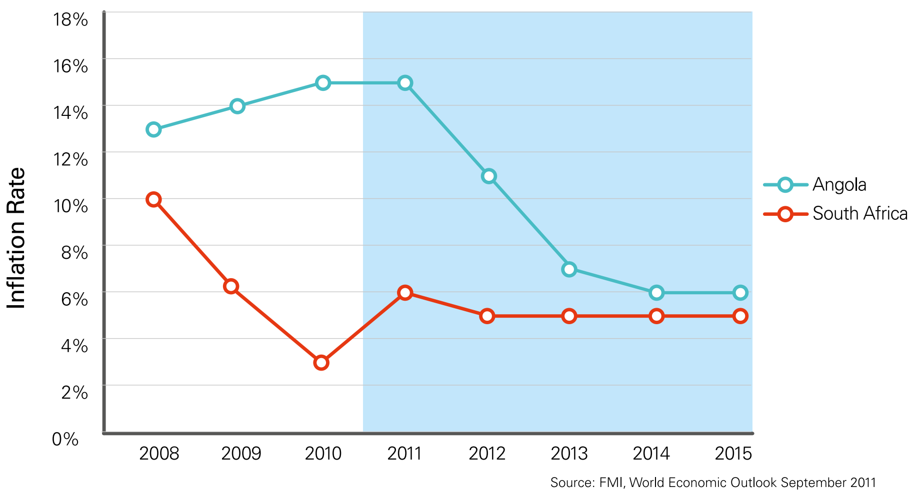


Additionally, and considering the angolan economy's heavy dependence on importation, local prices have tended to change in line with the exchange variation, with many products being price listed directly in Dollars.

Inflation

According to the IMF, the inflation rate recorded in 2010 of approximately 13% should drop to 9.5% in 2011. Over the long term, the inflation rate is expected to stabilize and converge to amounts comparable to those recorded in South Africa (<6%), as a result of the Government's efforts to control the money supply and local inflation.

Evolution of the Inflation Rate



Rating of the Republic

Angola is presently considered to be one of the strongest economies in Africa, not solely because of the GDP growth rates achieved but also due to its future prospects regarding the creation of wealth in the country.

This position is evident in the recent revisions conducted by the Credit Rating Agencies on the stability of the angolan economy, that resulted in it being upgraded, in 2011, by the three main global credit rating agencies (Moody's, Standard & Poor´s (S&P) and Fitch), as follows:

Moody's : from B1 to Ba3;

S&P : from B+ to BB-;

Fitch: from B+ to BB-.

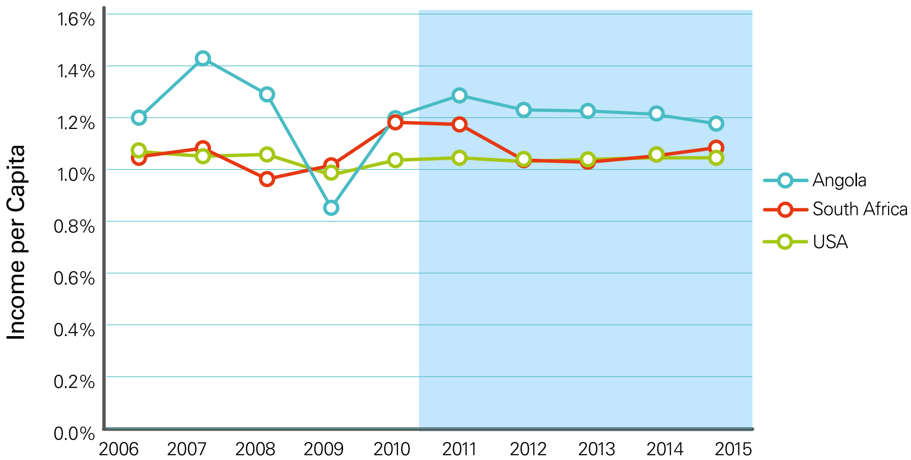
These ratings reflect the expectations of a stable evolution in Angola and, in turn, enable the country to benefit from greater credibility and visibility vis-à-vis investors and business partners, at a national and international level.

The rating of the Republic of Angola was upgraded, conferring greater credibility and international visibility on the angolan economy.

Disposable Income

The economic growth over the last few years has led to an increase in the population's disposable income. According to the Economist Intelligent Unit's, Angola presents per capita income growth rates slightly higher than those of South Africa, and these are expected to be maintained at least until 2015.

Evolution of disposable income per capita



Source: The Economist Intelligence Unit

It is expected that in the coming years the angolan economy continues to grow above the world economic average.

Future Prospects

Even though the global economy's average growth will not exceed 4% in 2011, the estimates for Angola point to a sustainable growth of the economy over the next few years, with GDP expected to grow by 3.7% in 2011 and 10.8% in 2012, according to the Internationa Monetary Fund´s (IMF) World Economic Outlook.

Key to this growth will almost certainly be a global increase in oil prices and the commitment to and continued investment in the diversification of the sectors of activity of the Angolan economy.

The Angolan Ministry of Planning foresees that, in 2011, the GDP portion not derived from petroleum will grow 11.2%, whilst the oil related portion will increase by 2.3%.

Inflation is expected to continue at a relatively high level (15% in 2011), with a tendency to decrease as from 2012 and to achieve relative stability (at some 6% - 7%) from 2013, according to IMF projections.

4. The Insurance Sector in Angola

4.1. Overview – International Insurance Market

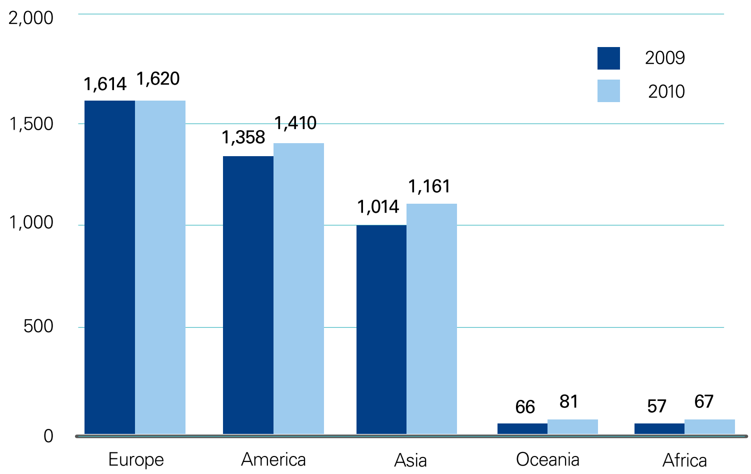
2010 was marked by the recovery of the global economy, with the Insurance Sector following a similar trend, despite a real growth rate below product growth.

At the production level, and following two years of reducing Premium volumes, 2010 was marked by a recovery, with an overall real growth rate of 2.7%, split into 3.2% in the Life and 2.1% in the Non-Life Insurance.

This growth was influenced by the strong performance of the emerging markets – particularly those on the asian continent, but also those in Latin America, which contributed to the growth of the american continent.

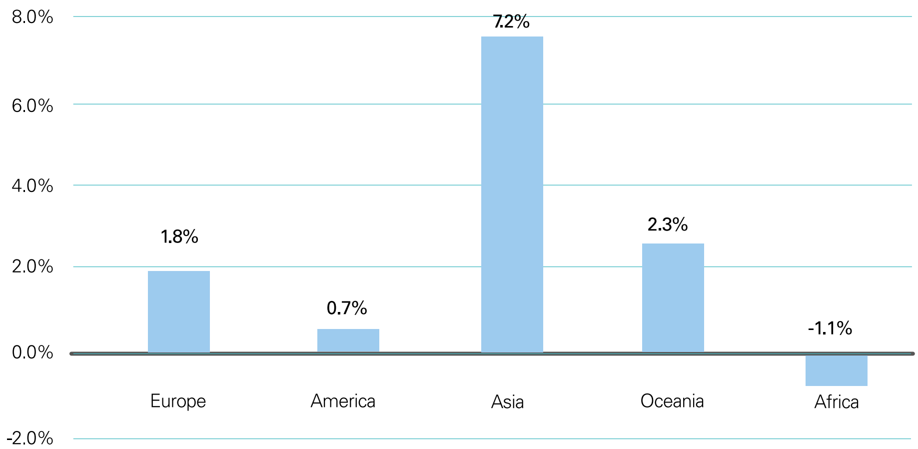
In real terms, the African continent was in counter-cycle, with a decrease in production of 1.1%. This decrease was primarily due to the decrease in Life production in South Africa, a country with a significant importance dimension in the african market.

Global Production (Thousand Million USD)



Source: Sigma 2/2011

Real Growth Rate - 2010



Source: Sigma 2/2011

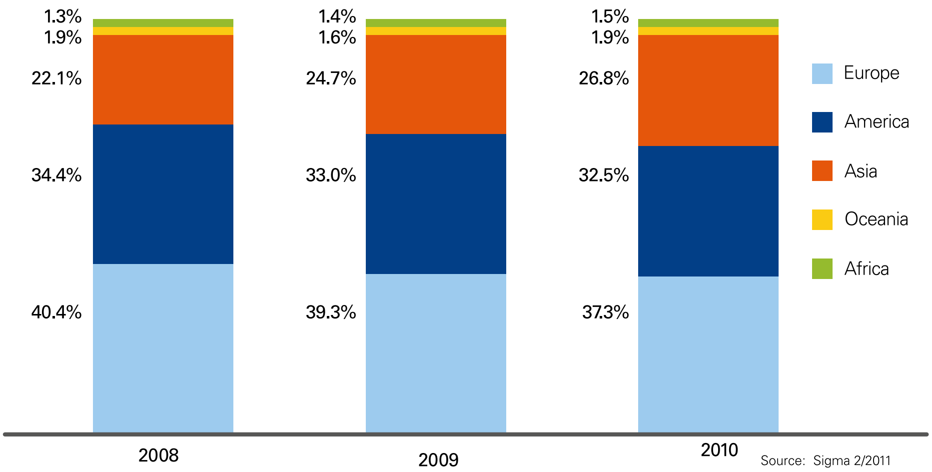
Geographically, production remained significantly concentrated in the european and american markets, which represented around 70% of total production. The asiatic market maintained its relative growth trend, increasingly assuming more importance, with many of its economies recording real two-digit growth rates. The african continent continues behind in the ranking, representing only 1.5% of the global market.

Regarding global profitability of the business is concerned, even though in recovery, it continues to present amounts lower than those achieved in the years prior to the crisis. In the Life Insurance, profitability was boosted by the healthier capital market environment. However, and in terms of global outlook, even though the Premiums are expected to keep increasing, the profitability for 2011 may be affected by the sovereign debt crisis and by the downgrading of the ratings of the European economies. In the Non-Life Insurance, return on equity for 2010 was 6%, after tax.

Considering Insurance penetration rate [1] (Premiums/GDP), a tremendous disparity is evident not only between the different regions, and also between the countries in each region. The african continent also occupies a modest position in terms of this indicator, although, here too, a huge disparity is evident between the various african countries, with South Africa filling the 2nd position, with a penetration level of 14.8%, and Nigeria coming in last (with a mere 0.5%) in the ranking made available by Swiss Re.

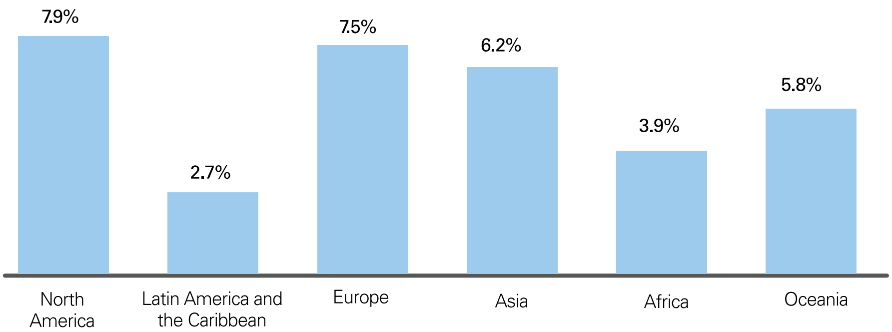
The worldwide premium volume continues to be mainly concentrated in Europe and Asia, despite the high growth rates in Asia.

Dispersion of the Premiums by Regions (%)



Source: Sigma 2/2011

Insurance Penetration Rate [1] (%)



Source: Sigma 2/2011

(1) Indicators at the level of macroeconomic analysis, that reflect the levels of demand for Insurance and pension funds.

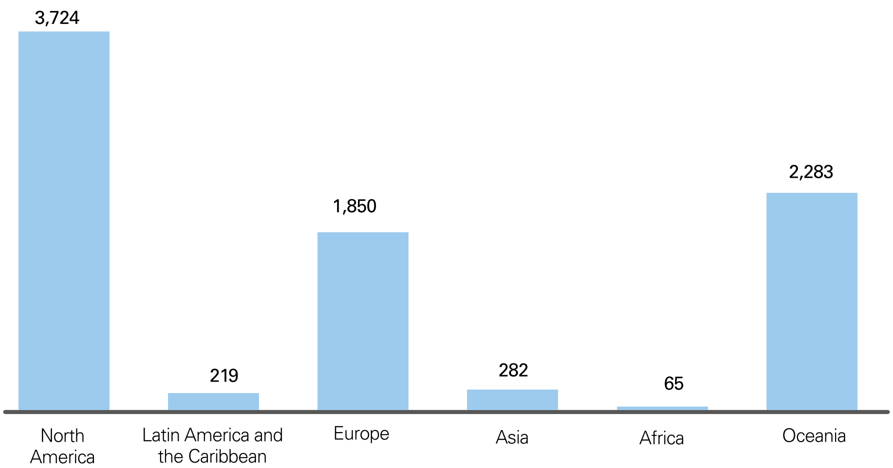
The Insurance density rate [(1)] (Premiums/resident population) reveals that North America, Europe and Oceania record the highest Premium per capita amounts, revealing, here too, a great global disparity.

The african continent, evidences a great disparity between the countries comprising it, with South Africa presenting amounts around 1,050 USD and Nigeria with amounts close to eight USD.

In summary, the Insurance Sector was capable of a global recovery and a return to growth in 2010, and the expectation is for the maintenance of this trend, namely through the development of the emerging markets, with Africa increasingly forming part of these.

This trend is, nevertheless, threatened in 2011 and 2012, due to the escalation of the sovereign debt crisis in Europe, with its financial impact on the Insurance Companies' investment portfolios, and the probable retraction of the economies and consequent drop in demand in the markets most affected.

Insurance Density [(1)] (USD)



Source: Sigma 2/2011

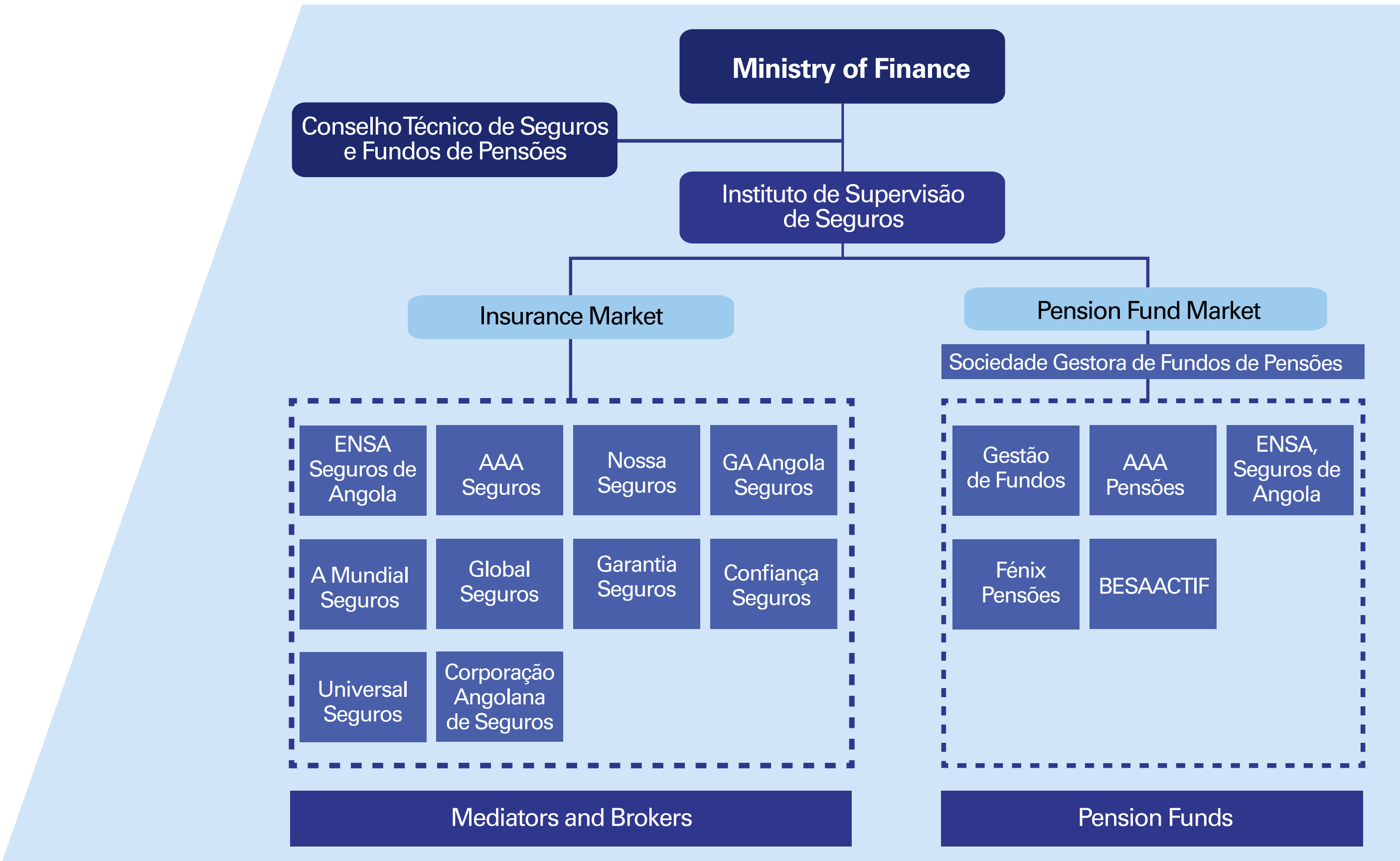
(1) Indicators at the level of macroeconomic analysis, that reflect the levels of demand for Insurance and pension funds.

4.2. The Insurance Market in Angola

4.2.1. Structure and Composition of the Market

The Angolan Insurance market has been growing and developing since its liberalization in 2000. Since then, the visible market transformations have been numerous. Angola moved from a single Insurance company to a total of 21 in 2010, five in the process of being licensed. The mediation and brokerage structure has also grown, with 21 mediating and brokering firms currently in operation and a further eleven in the process of requesting their respective licenses.

The increase in the number of players reveals very clearly the interest this market has been generating in Angola and its attractiveness for new investments. Given the growth rates in the Sector and its, reduced maturity, the number of players are expected to continue to increase in the coming years.



4.2.2. Structure of the portfolio

The strong economic development of the last few years, combined with a more regulated environment, has contributed strongly to the development and attractiveness of this Sector. In only two years, Direct Insurance Premiums have more than doubled, particularly for the Non-Life Insurance, especially Accident, Health and Travel and Motor, the latter due to the introduction of compulsory Motor Insurance.

In relative terms, the Non-Life Insurance has increased its relative weight, representing over 90% of production.

In Non-Life Insurance, the introduction of Decree Law nº. 35/09, relating to the compulsory Motor General Liability Insurance, boosted the growth of this product, which became the most important in the market, with a market share of 27.9%, followed closely by the Accident, health and Travel Insurance Class with 26.4%.

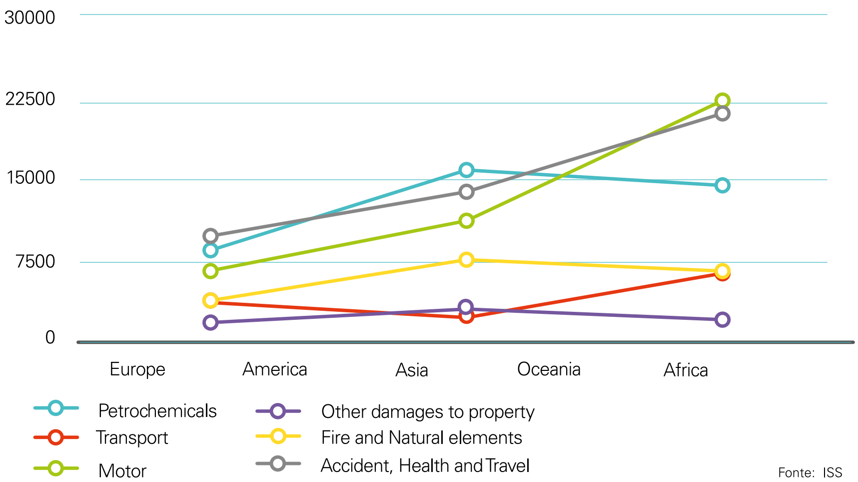
The Life Insurance, despite the important growth achieved during the last two years (+27.8%), has been losing relative importance, representing less than 5% of the total. With the growth of the angolan economy and the revision of the tax and fiscal system and development of the capital market/ stock exchange) an inversion of this trend is to be expected, primarily due to the increase in the consumption of products of a financial nature, in line with the main international markets.

Millions AOA

Classes	2008	2009	2010
Life	2,732,2	3,547.2	3,490.9
Non-life	33,751.8	51,533.4	72,563.4
Accident, Health and Travel	9,119.7	13,070.4	20,070.7
Fire and Natural elements	3,349.1	7,001.6	5,985.5
Other damages to property	1,393.4	2,588.4	1,642.8
Motor	6,013.2	10,484.0	21,219.1
Transport	3,176.0	1,827.1	5,787.7
Petrochemicals	7,840.5	15,015.4	13,636.5
General liability	1,108.9	1,404.2	3,087.8
Other	1,751.1	142.3	1,133.2
Total	**36,484.0**	**55,080.6**	**76,054.3**

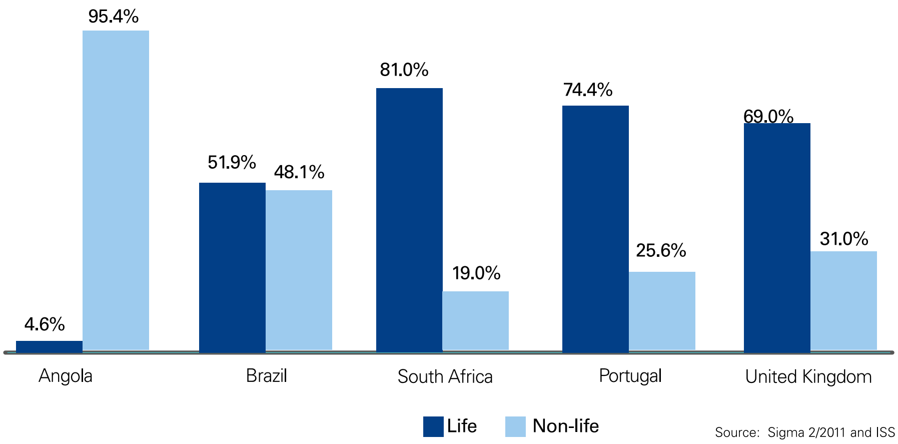
Fonte: ISS

Production Non-life (Million AOA)



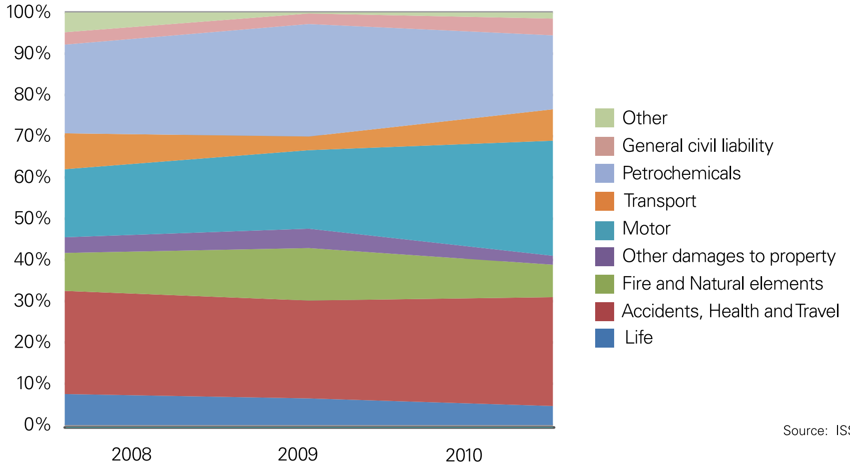
Fonte: ISS

Portfolio Weigth 2010



Source: Sigma 2/2011 and ISS

Portfolio Breakdown



Source: ISS

The analysis of the Sector evolution also reveals the diminishing weight of the Petrochemical Insurance, given the direct correlation between this type of Insurance and the largest Sector of the Angolan economy. This factor reveals not only the greater maturity of the Sector, but also its capacity to offer products that can serve and assure the various Sectors and activities of the angolan economy.

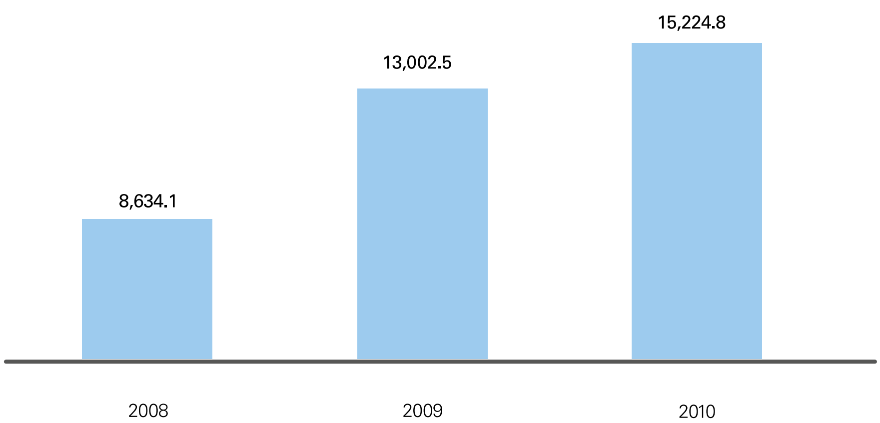
4.2.3. Claims and Indemnities

In line with the Premiums, the direct Insurance indemnities have also increased, reflecting the greater number of Insurance holders and policies issued. However, whilst the total Premium volume increased 38.1% from 2009 to 2010, the increase in direct Insurance indemnities did not exceed 17.1%, which translated into a significant improvement in the results and profitability of the Sector.

Of the total direct Insurance indemnities, the Accident, Health and Travel Insurance represents 40.1% of the indemnities paid out, followed by the Motor Insurance (36.2%) and the Transport Insurance (20.8%). It should also be pointed out that no indemnities were paid out in the Petrochemical Insurance and that the indemnity volume in the Life Insurance was reduced.

Despite the 17.1% increase in indemnities paid out, the strong Premium growth contributed to the reduced claims ratio which, in 2010, registered the lowest amount of the last three years, around 20.0%.

Direct Insurance Indemnities (Millions AOA)



Source: ISS

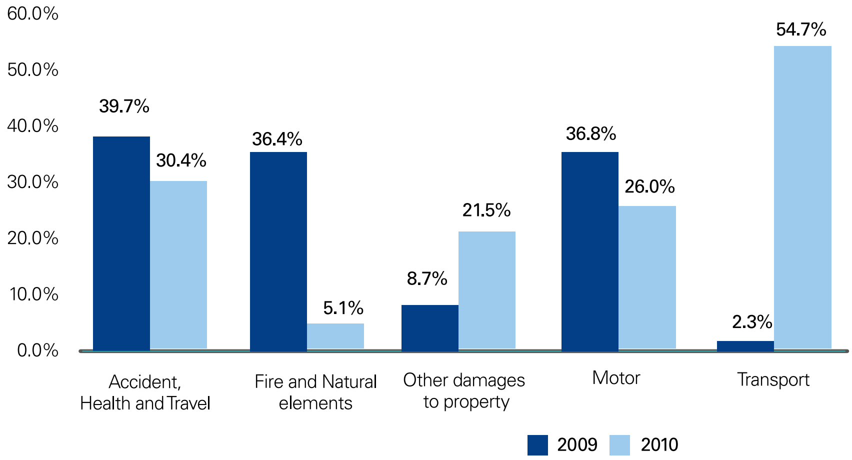
In a more detailed analysis, the Accident, Health and Travel Insurance, which Premium volume has grown considerably, has been recording a lower claims ratio, down to 30.4% in 2010.

In the Motor Insurance, despite the increase in excess of 40% in indemnities paid out, the strong Premium increase resulted in a claims ratio decrease down to 26%, an amount significantly lower than that recorded in other countries.

This trend should invert as the Insurance policy holders gain greater knowledge of their rights and with the increased coverage of the motor repairs companies' network, with a progressive alignment with the claim rate recorded in markets with a greater degree of maturity, foreseen.

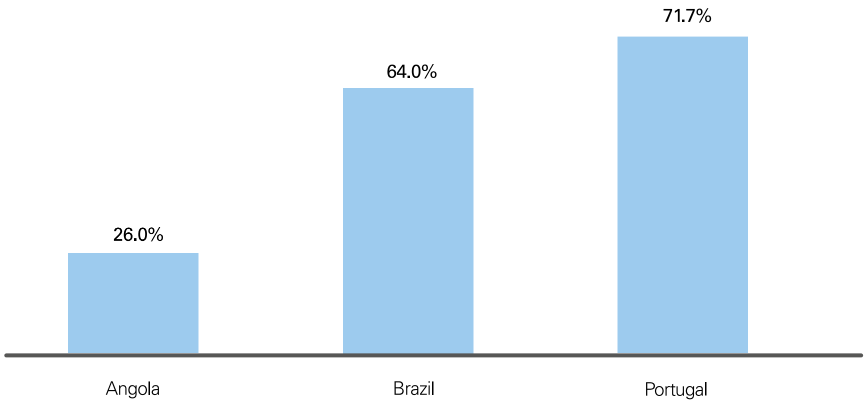
According to ISS's strategic plan for 2012-2017, a satisfactory claims ration should fall between 40% and 60%, contributing in Motor Insurance to greater client satisfaction with the indemnity amounts paid out and an increased conscience of the importance of Insurance for angola's growth.

Claim Rate



Source: ISS

Motor Claim Rate - 2010



Source: ISS, ISP and Fenaseg

4.2.4. ReInsurance

Regarding the ReInsurance Premium volume, it can be observed that, despite its continued growth, it has not kept pace with the Issued Premiums growth volume.

The average cession rate is 50.3% of the total Premiums Issued. These amounts reflect a drop from 2009, at which stage the ReInsurance weight to total direct Premiums amounted to 56.6%. It can further be observed that the Life and Non-Life Insurance present different realities, with the Life Insurance presenting opportunities at the knowledge, experience and risk management levels.

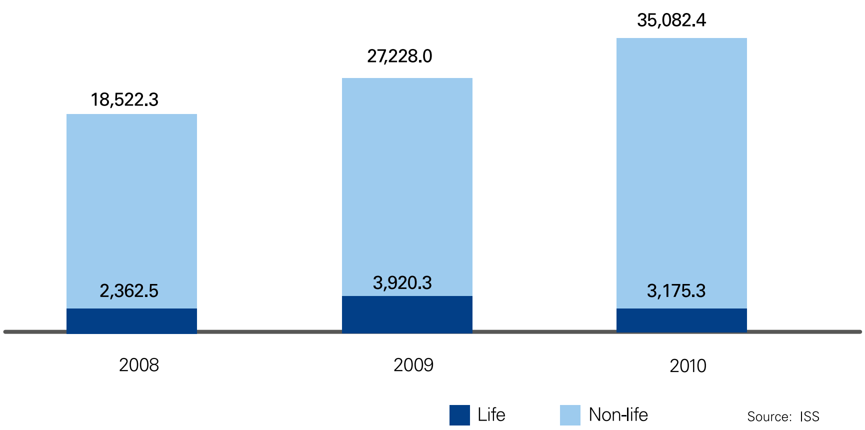
The continued decrease in the cession rate, aligning it to the rates observed in the more mature markets, is to be expected.

Overall, these numbers demonstrate that the market is sensitive to the importance of covering some of the main risks to which it is exposed and is concerned with managing its exposure to risk.

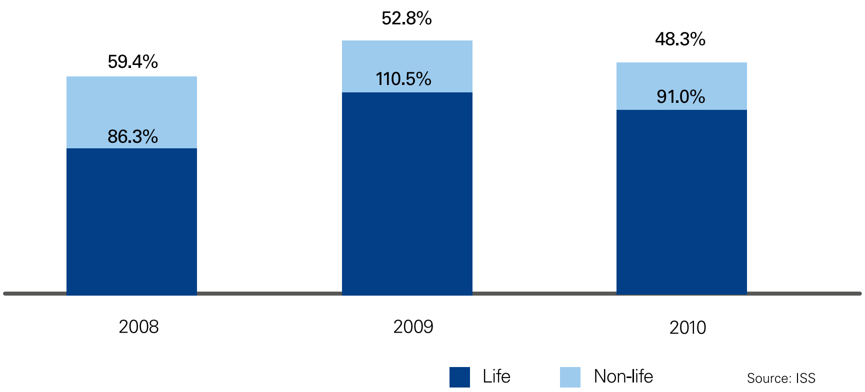
In line with this, as the local Insurance Companies strengthen their Risk Management procedures and attain a larger scale and an increased maturity level, an inversion of this trend, with a decrease in the cession rates, is to be expected.

Additionally, the expectations regarding the creation of a local reInsurance company, as referred to in the ISS strategic plan for the period 2012 through 2017, should, simultaneously, permit the reinforcement of the analytical and risk management skills as well as a decreased capital outflow from the country.

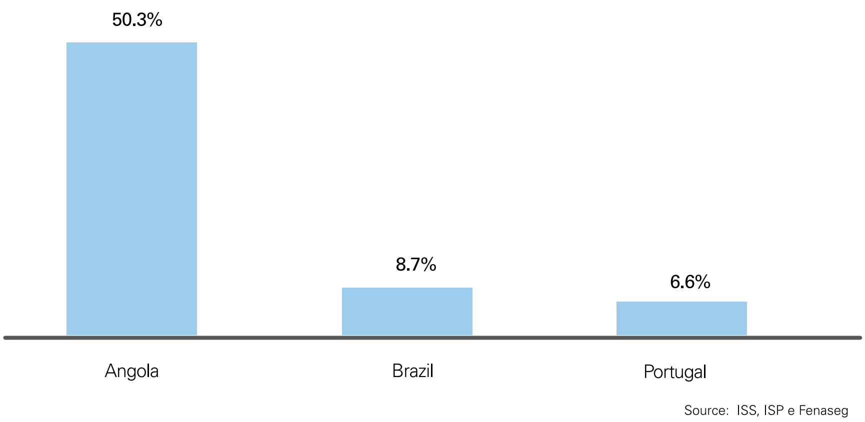
ReInsurance Premiums



ReInsurance to Total Premiums (Millions AOA)



Total cession rate - 2010



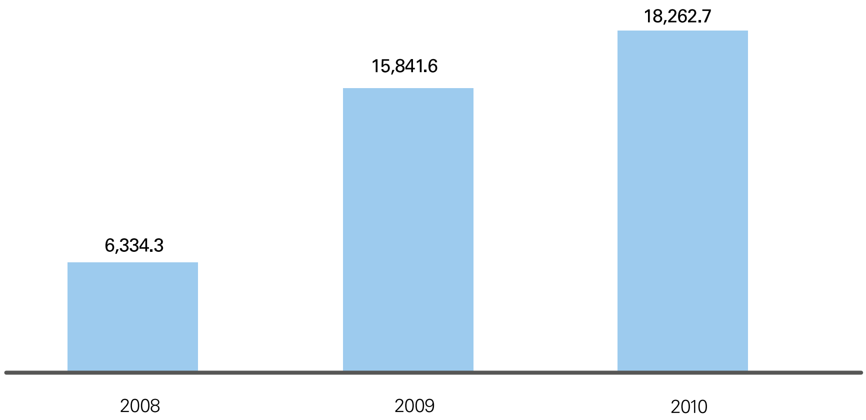
4.2.5. Technical Results

In 2010 the Sector's technical results once again increased to a total of 18,263 Million AOA, representing an increase of 15.3% over 2009 (including ReInsurance). These results reflect the good profitability of the Sector in general, with all the Insurance types presenting relatively low claim ratios.

Following the slightly lower technical results of 2008, the years 2009 and 2010 were marked by a significant increase in the results achieved, essentially due to the compulsory general liability Insurance for some Insurance types (increasing total Premiums). However, the deceleration of the growth between 2009 and 2010 reflects the effects resulting from the fact that this growth is sustained by the Motor General Liability Insurance, has one of the highest Claim Ratios of the Sector.

The Technical Provision increased, yet again, to 42,289 Million AOA in 2010, reflecting a growth of 18.7% on the 35.612 Million AOA recorded in 2009. The increase in the provision is in line with the 17.1% increase in claims, but distant from the 38.1% increase in the total Direct Insurance Premium volume.

Technical results (Millions AOA)



Source: ISS

4.2.6. Other relevant indicators

The Insurance penetration rates [1] in the angolan Sector have been increasing, although they still represent reduced amounts in the order of 1.0%.

This amount is evidence of the high potential presented by the market, particularly in an economy with such a high growth potential. An analysis of markets with different levels of maturity confirms this reality and trend. Note that Insurance have grown normally, but the ratio of premiums/GDP has fluctuated due to the exponential growth of GDP.

At the Insurance density rate [1], an increase in total Premiums per inhabitant, representing, in 2010, to 49.6 USD per person, can be observed. This indicator reinforces the growth and development potential of the market.

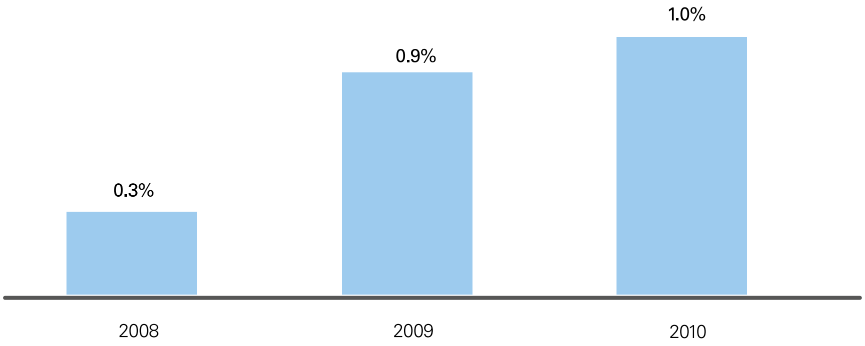
Commissions:

Commissions level as a percentage of premiums has increase from 1.5% in 2008 to 6.8% in 2010. At this level, it is also expected a positive trend due to an increase in market maturity.

Solvency

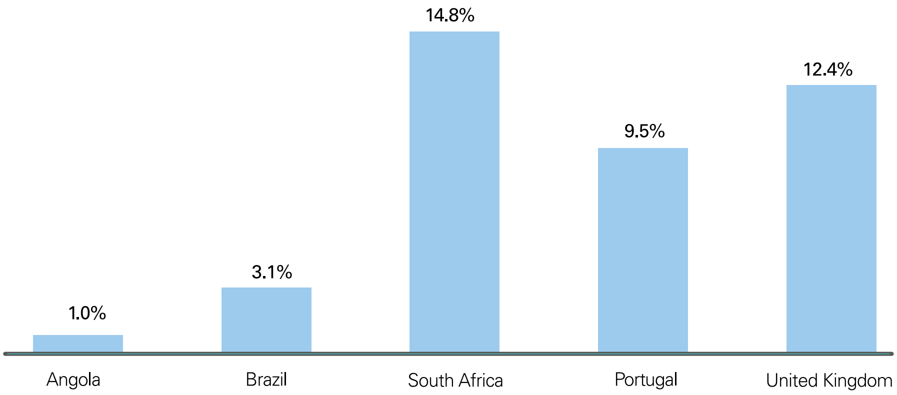
This indicator had an important evolution in the period under review, from values below 100% to a value above 150% in 2010. This is a variable which development is important to monitor and to which the supervision will give special attention.

Insurance Penetration Rate [1]



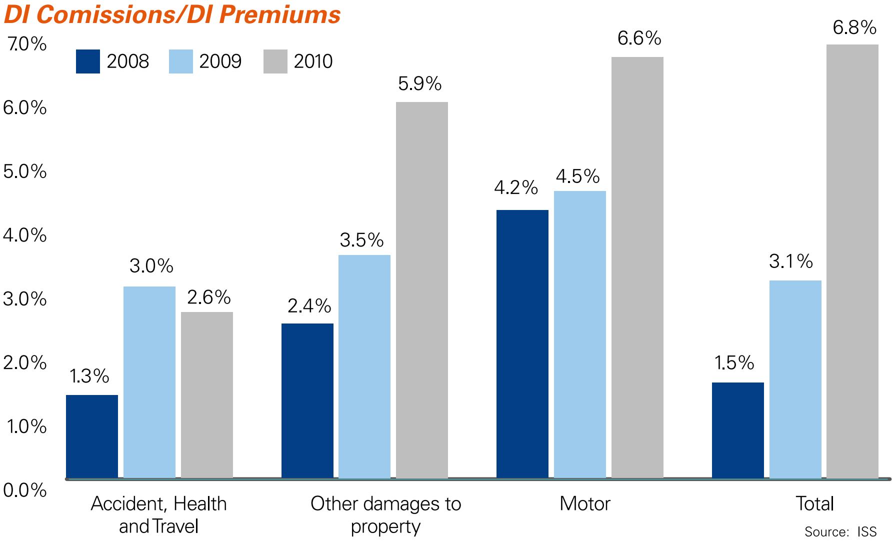
Source: ISS

Insurance Penetration Rate [1]- 2010



Source: Sigma 2/2011 e ISS

DI Comissions/DI Premiums



Source: ISS

(1) Indicators at the level of macroeconomic analysis, that reflect the levels of demand for Insurance and pension funds.

General expenses

The general expenses have increased considerably in 2010 (+49), exceeding the growth of direct Insurance premiums and consequently the weight of the expenditure on the premiums. It is an indicator of great importance and which denotes a lower efficiency of the portfolio. This is certainly a variable to monitor and on which concrete measures must be taken for its reduction.

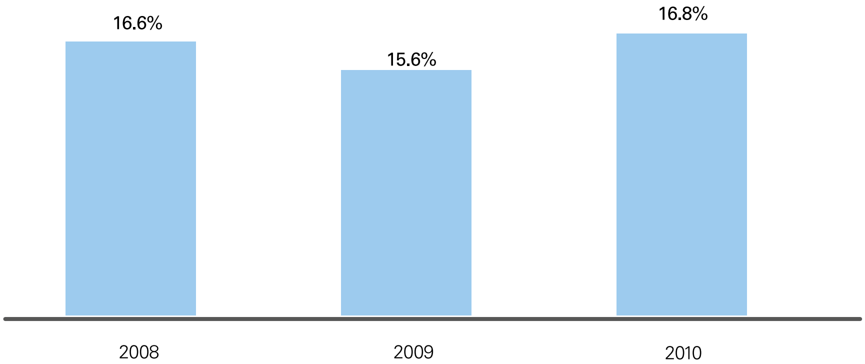
Should be enhanced the importance of the contribution of Insurance sector in fiscal terms, in amounts in the order of 2.7% of premiums DI in 2010, against 2.2% and 1.7% in 2009 and 2008 respectively.

Investments

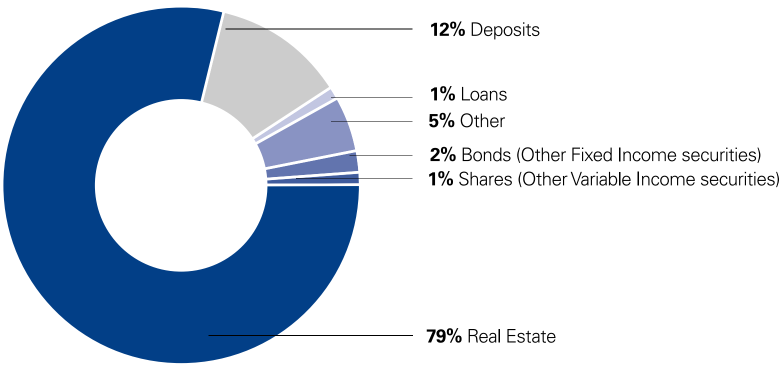
The management and optimization of the investment portfolio is one of the important dimensions of the Insurance sector, with particular emphasis on product life. In 2010, the investments portfolio was primarily composed by real estate and deposits, which constituted about 91.5% of the total portfolio, with a low exposure to capital markets. This high concentration is explained by the degree of evolution of the angolan market, being expected changes with the development of capital market/stock exchange in Angola.

The reduced density rate can be explained by many factors that go from the demographic increase and its ageing structure and the difficulty some segments of the population still have in accessing Insurance products, to financial reasons as well as due to to the geographical factors affecting access and knowledge. Yet again, the expected economic development of the

General Expenses/DI Premiums

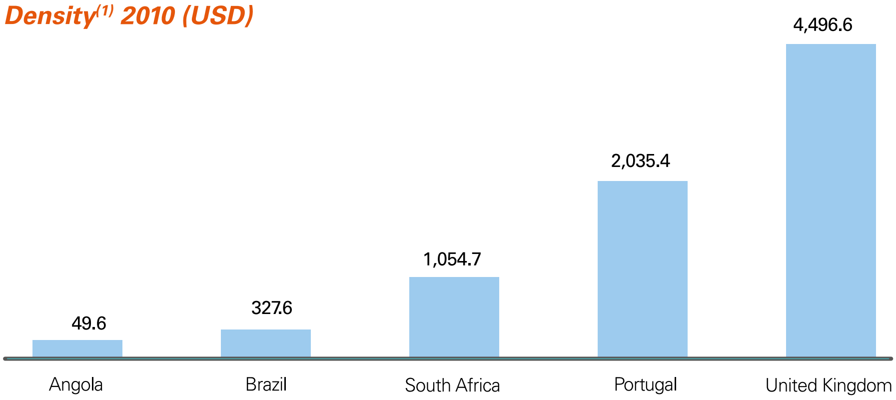


Investments 2010



Source: ISS

Density(1) 2010 (USD)



Source: Sigma 2/2011 e ISS

(1) Indicators at the level of macroeconomic analysis, that reflect the levels of demand for Insurance and pension funds

country and the emergence of a middle class that encompasses a larger section of the population, may boost the values of this indicator in particular and of the entire Sector in general.

According to the ISS forecasts, presented in the strategic plan for the period 2012 through 2017, a satisfactory penetration rate should in the coming years be situated between three per cent and five per cent of GDP and the density rate at Premiums of between 80 USD and 100 USD per capita.

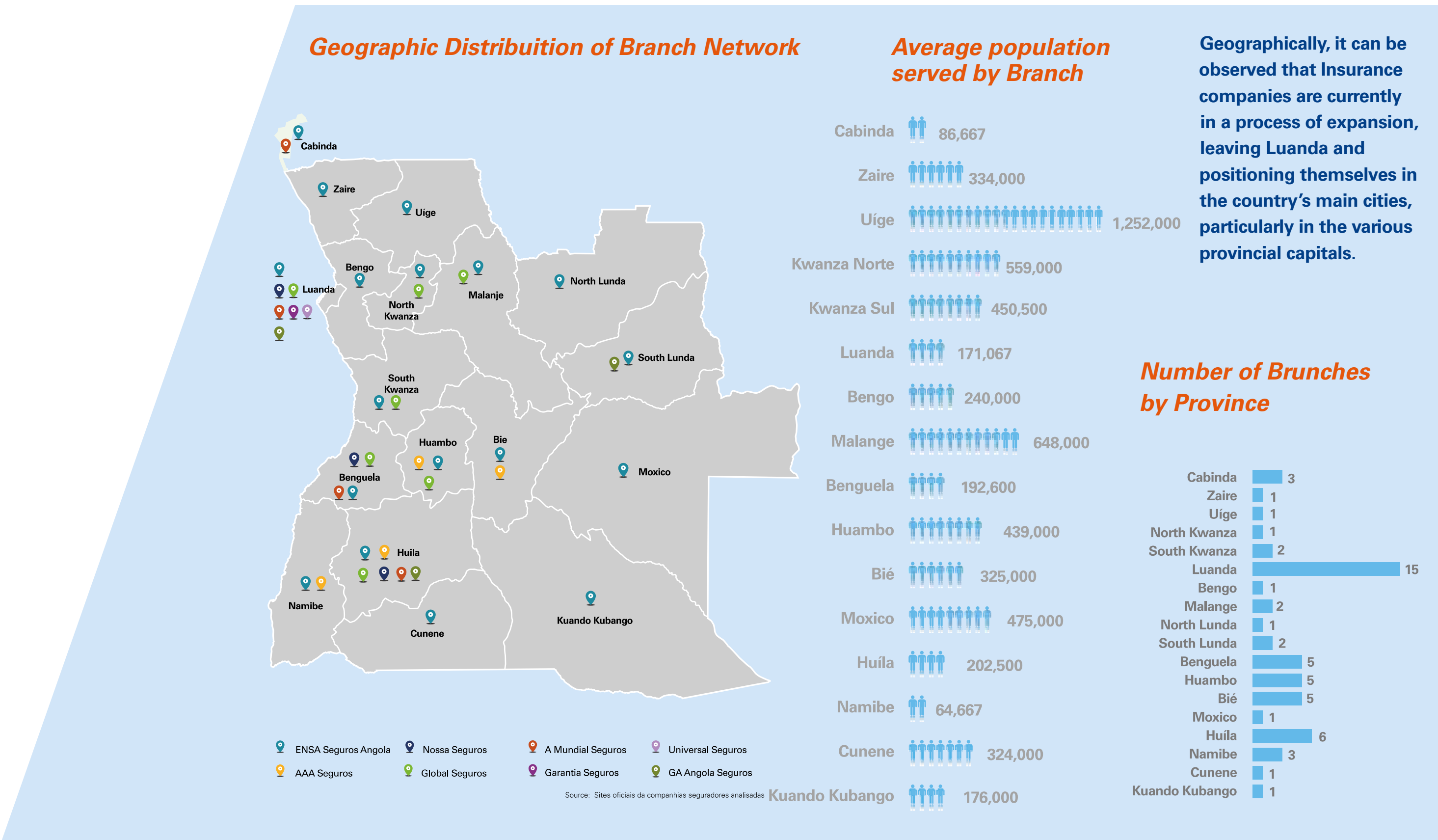
Geographically, it can be observed that Insurance companies are currently in a process of expansion, leaving Luanda and positioning themselves in the country's main cities, particularly in the various provincial capitals.

Amongst these, their presence in Benguela (the country's second largest city) and in Huila, where the generality of the operators now operate, should be highlighted.

In this phase of rapid growth in the Insurance Sector, there are still many Provinces in which the number of branches is extremely reduced, and it will be most interesting to follow/study the expansion methods that will be adopted. Emphasis should be placed on the provinces of Kwanza Norte, Malanje and Moxico, with some half a million inhabitants being served by branch, a fact highlighting the tremendous opportunities available for the implementation of new channels.

The need to rapidly reach greater numbers of people, at controlled costs, should boost the development of new channels, such as offering Insurance through banking channels (bancassurance).

The prospect is that over the coming years the diversification of the distribution channels and the development of products to respond to the needs of these populations, that generally have, lower income levels and different consumption profiles, will grow.



5. The Pension Fund Sector in Angola

5.1. Pension Funds

The year 2010 represented yet another year of growth for the Pension Fund market, with more funds, participants, pensioners and assets being managed.

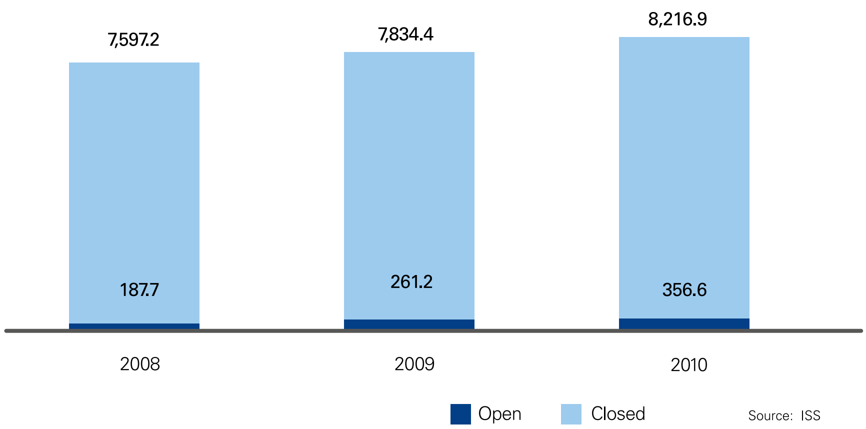
During 2010 five entities were managing Pension Funds, one of them being an Insurance company. These companies managed Open and Closed Funds, that amounted to 37,753 Million AOA.

Open funds in 2010 amounted to a total of 1,543 Million AOA, whilst Closed Funds ascend to 36,209 Million AOA, clearly evidencing the huge imbalance between the two types of funds. On the other hand, this fact also reflects the characteristics of the Angolan market, that seeks in Pension Funds the security of a future retirement and not, as yet, a profitable investment, which is natural given the absence of a capital market.

Regarding contributions to Pension Funds are concerned, their evolution has had a more modest behavior, with growths in the order of 4.0% in 2009 and 5.9% in 2010. In reality, when the exchange rate effect is functioned in a decrease in total contribution, in dollars, becomes apparent. The development of the economy, the revision of fiscal and tax system and the development of capital market/stock exchanges, will contribute to the development and growth of this market.

With the evolution of the market, the number and amounts of the pensions paid have been increasing, totalling, in 2010, 3,776 Million AOA, an amount which is still reduced vis-à-vis the total annual contributions and which can be explained by the relative youth of the portfolio. In addition to this fact, and given the extremely young demographic pyramid of the country, the number of players and contributions are expected to continue to increase at a pace exceeding that of the pensions paid.

Contribuitions made by founder associates to the funds in operation (Millions AOA)



Source: ISS

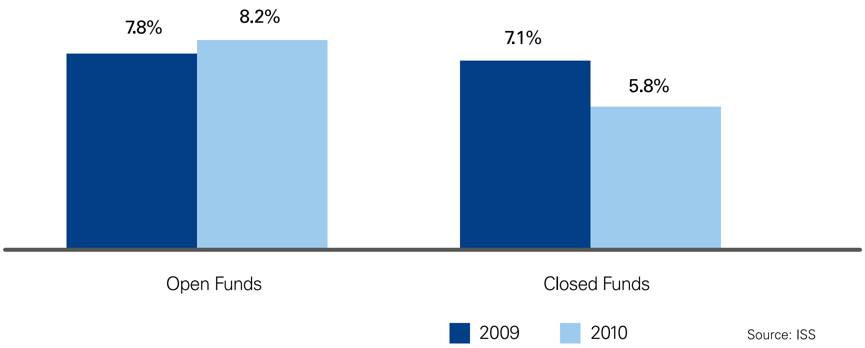
The profitability of the assets invested recorded a heterogeneous behavior, with open funds recording an increase and Closed Funds a decrease. As is to be expected, the comparison of the profitability by fund recorded an equivalent behavior.

The increasing competition and the development of the capital market will be important factors in increasing the levels of real profitability (adjusted by the inflation rate) and the consequent greater expansion of the Sector, particularly in the Open Funds component.

Regarding the market penetration rate[1] (value of the funds/GDP) in 2010, it remained relatively low and at a level identical to that observed in 2009, not having exceeded 0.5% of GDP. These amounts reflect the reduced dimension of the Sector in the Angolan economy, which can be explained by the fact that it is either not a priority for the majority of the population or their economic power does not grant them access to these products. Yet again, it is to be expected that the progressive economic cycle lived by the country may result in a larger portion of the population having access to these products, thereby increasing their weight in the economy.

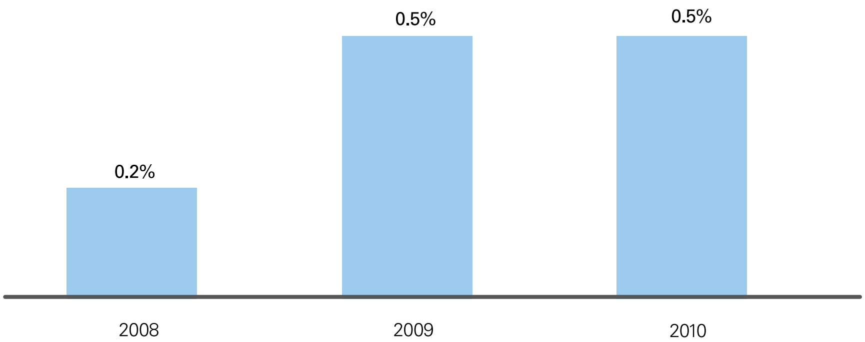
The reasons pointed out above also justify the low contribution amounts by resident, which did not exceed 518 AOA per inhabitant in 2010, and which, even so, represents an improvement of 5.9% on 2009.

Profitability of Assets Invested



Source: ISS

Pension Fund Penetration Rate [1]



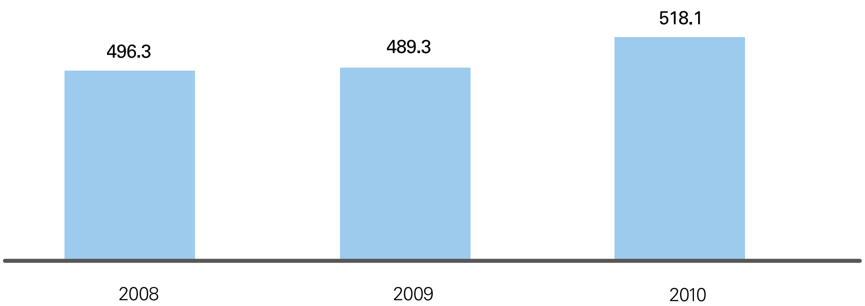
Source: ISS

(1) Indicators at the level of macroeconomic analysis, that reflect the levels of demand for Insurance and pension funds.

Finally, and in respect of the assets being managed, these once again grew in 2010, to 41,626 Million AOA, reflecting a growth of 28.7% on 2009.

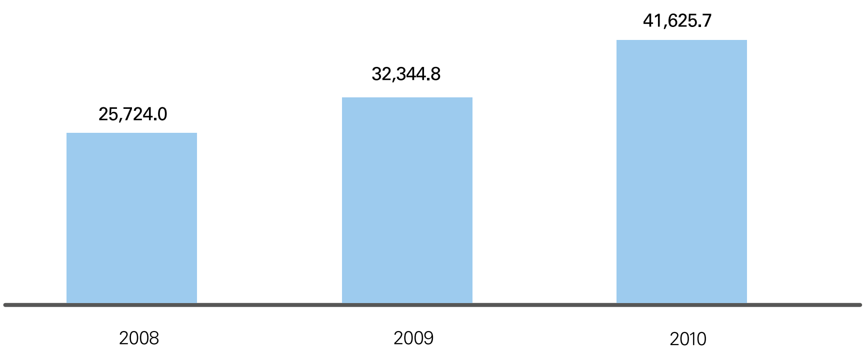
The comparison of total assets to GDP reveals the importance the Sector may come to represent for the future of the country, in acting as a privileged instrument to capture savings and as a source of predominantly long-term investment.

Pension Fund Density (AOA)



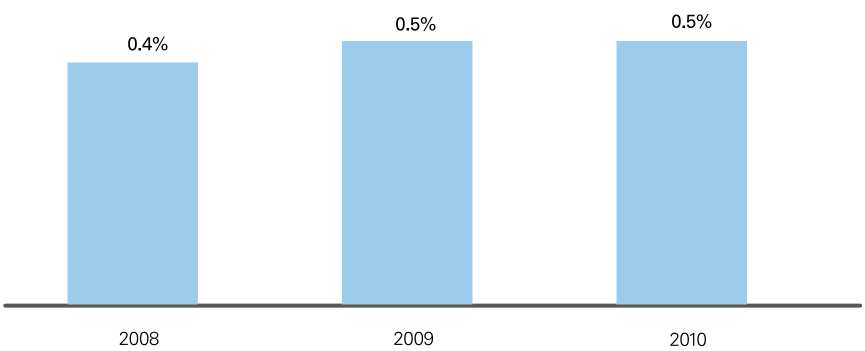
Source: ISS

Total Assets under Management (Millions AOA)



Source: ISS

Total Assets/GDP



Source: ISS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6. Trends and Challenges

6.1 Main Market Trends in Angola

The Insurance and Pension Fund Sector has evolved significantly over the last few years.

To understand the context and the challenges facing the Insurance and Pension Fund Sector in Angola, the different forces in play must be analyzed.

People and Culture

The last few years have seen a progressive improvement in the human resource qualification levels at the Insurance Companies and Pension Funds operating in Angola.

Even so, the average level of skills, particularly in technical areas such as Actuarial Analysis, Risk Management, Strategic and Operational Marketing, amongst others, needs to be reinforced, despite the progress that has recently been achieved.

Growth and Competition

The Angolan market has experienced a phase of significant growth. The Insurance and Pension Fund Sector has also experienced this trend over the last few years, recording an average growth in excess of 10% in the Insurance Sector, and in excess of 20% in the Pension Fund Sector.

In this market liberalization and growth context, the last few years saw the appearance of various new players, and various licensing requests are under preparation.

Despite this positive evolution, both in terms of growth and competition, market penetration continues low when compared to that in other economies where this Sector has achieved a greater level of maturity.

Clients and Distribution Channels

Despite the high growth rate recorded over the last few years, the penetration level of Insurance as a function of GDP is still reduced, when compared to that recorded in other economies where this Sector presents a higher level of maturity.

At regulatory level, the progressive reinforcement of ISS's role is to be expected. ISS's Strategic Plan for the period 2012 through 2017, foresees:

- Reinforcement of direct "on-site" control with an increase in the number of inspections;
- Strengthening the compulsory Insurance policy;
- Monitoring the relationship between prices and costs to safeguard the interests of different parties;
- Promote healthy competition among operators;
- Encouraging high standards of conduct and efficient systems of risk management and internal control;
- Ensure the compliance of the appropriate levels of strength by the operators;
- Development of the Motor Guarantee Fund - Fundo de Garantia Automóvel (FGA) and Insurance Regularization - Regularização de Seguros (FUNSEG);
- Implementation of a new supervisory trend focused on risk;
- Promotion of cooperation with international organisms and adherence to IAIS and IOPRS;
- Promotion of cooperation with entities related to the Insurance Sector (BNA, INE, INADEC, capital markets, AMSA, among others);
- Integration of the specific Insurance and pension fund projects in the tax reform;
- Contributing to the increase of the Insurance and pension funds culture;-Projection of the evolution of Insurance sector.

Currently, there isn't a generalized Insurance culture amongst the angolan population and the valuation of principles such protecting property and people is not yet generalised. The degree of consumer awareness as to Insurance products and as to their rights and obligations is still limited, a fact clearly demonstrated by the low level of claims in the Motor Class. Another factor demonstrating this is the reduced penetration in the Life Insurance market, both from a risk as well as from a financial perspective.

Progressively, with the increase in the average income level, the strengthening of the middle class and the improvement of the average standard of living in Angola, the propensity to safeguard property and people and for savings, is expected to increase.

The growth of the Sector and its progressively greater coverage of the angolan territory, be it through own networks or through the use of alternative distribution channels (mediation or the banking channel), as well as with the various awareness campaigns being run by the Companies, will contribute to the reinforcement of this culture of protection and savings.

At regulatory level

From a regulatory perspective, there has been a gradual strengthening of the legal system and the rule of supervision.

After an initial phase, subsequently the market liberalization in 2001, where the priority was given to the creation and adoption of legal framework in force, a second phase of the evolution as followed with the emergence, after 2005, of new market participants. In the third phase, currently underway, the main objective is to strengthen the presence in the market with the launch of the first inspection and the strengthening of its role in the expansion of the Insurance and pension funds culture to the public, becoming an organization modern, professional, active and efficient.

The growth of the Sector should involve a greater regulatory intensity and a reinforcement of the supervisory practices, promoting the use of practices and tools to ensure the financial soundness of the operators, and strengthening governance structures and mechanisms, with special attention on compliance with market conduct principles and the reporting associated with it.

Additionally, it is expected a progressive strengthening alignment with the international standards and best market practices. In Angola, some relevant examples are the protocol with the INE and the regular relations with the National Bank of Angola and the Capital Market Commission. The participation of ISS in several international forums, such IAIS and the Committee of the Supervisors of Non Banking Financial Institutions, will also contribute to a regulatory reinforcement, with an expected focus on issues such as governance, risk management and internal control, market conduct and reporting.

Additionally, in a market where the culture of buying Insurance to protect property and people, as well as the value attached to savings, are still limited, the adoption of certain compulsory Insurances has been, and will continue to be, an important growth factor in the market.

Presently, the compulsory Classes are the following:

- Work Accident and Professional Diseases;
- Civil Liability for Aviation, Air Transport, Aeronautic Infrastructure and Auxiliary Services;
- Motor Civil Liability.

The developments in the revision of the tax and fiscal systems and the regulation of new market segments, such micro Insurance or popular Insurance will be important elements in the growth of the market.

In summary, in this evolutionary framework, the existence of a concerted effort by the various players to provide answers to the trends of the Sector is fundamental, both from a business strategy as well as from an operational perspective. We now present our view on some of the main challenges facing the Insurance and Pension Fund Sector.

6.2. Main Challenges facing the Insurance Sector

The constant evolution in this Sector presents, without a doubt, numerous opportunities for growth but also some challenges.

In this first study, we sought to share our understanding regarding some of main challenges the Insurance Sector is facing, or will face in the coming years, and which we firmly believe the Institutions should reflect upon and assertively address, namely:

We have sought to address the challenges presented illustrating not merely the main constraints and the difficulties that the Companies may face, but also some initiatives that they may develop to appropriately address these.

1. ***Reinforce the client's knowledge level and develop new products, distribution channels and partnerships;***

2. ***Improve operational efficiency and the Information Systems' Coverage;***

3. ***Strengthen training and improve the mechanisms to retain talent;***

4. ***Adequate the Governance model to the new market and regulatory challenges (Audit, Risk and Compliance).***

1. Reinforce the level of knowledge of the clients and develop new products, distribution channels and partnerships

In this initial phase of development, the Insurance market in Angola has generally been characterized by an approach which only minimally differentiates by client segment. In terms of channels, and despite the first sales experiences through the Banking Sector, direct sales through the Companies' branches are still predominant. Furthermore, the number of mediators operating in the market is still reduced, making this channel one with a comparatively reduced weight in total sales.

With regard to mediation, it is expected an increasingly effective supervision to strengthen the consumer protection, improve the professionalization and enhancement the mediation activity.

As to products, the offer available in the market is primarily tied to compulsory products and coverage, with a reduced penetration of some other products, namely those related to the Life Insurance.

Client Segmentation

To better get to know the clients the treatment of the information already available at the Companies is fundamental. Additionally, the systematic collection of market information on their behavior and profile may also contribute to a better understanding of the types of needs and preferences and, in this manner, help develop an offer which is more adapted to each client segment.

Information that may be used to better know and segment clients may include:

- Geographical information;
- Demographic information;
- Information as to financial capacity;
- Consumption of Insurance products;
- Preferences and behaviors, etc.

Development of new channels and partnerships

The development of new distribution channels and partnerships, primarily in the claims management area, is another challenge for the Sector as a whole.

The need to guarantee greater geographical coverage and better respond to the needs of the various segments, justifies the development of new distribution channels to complement the necessary widening of the channels currently most used (direct sales and brokers/mediators).

The development of partnerships, primarily in the claims management area, may contribute to the differentiation and to the increase in the levels of service and quality, as perceived by the clients of the Insurance companies.

In Angola, the compulsory products are:

- Work Accidents and Professional Diseases;
- Civil Liability for Aviation, Air Transport, Aeronautical Infrastructure and Auxiliary Services;
- Motor Civil Liability.

ISS's strategic plan foresees the creation of diplomas that contribute to the growth of the market and to the introduction of new Insurance products:

- Insurance covering Imports, Merchandize Transport, Transporters, Private Security, Yachts, etc.

Development of new products

In a market with reduced penetration, the compulsory adoption of some Insurance products has presented Insurance companies with an opportunity to expand their total sales volume.

The progressive improvement of the disposable income level in Angola, together with a progressive increase in the level of information on clients, should be followed by a more differentiated offer, that includes, namely, an offer for the Life Insurance areas.

Some of the critical factors subjacent to the development of an adequate product strategy, include:

- Identification of key products;
- Definition of brand positioning by market/product;
- Development of innovative and competitive products;
- Use of competitive pricing models that simultaneously contribute to the maintenance of adequate profitability and solvability levels.

Despite the average income increase, the levels of asymmetry in the distribution of that income are still high, with a very significant part of the population having a low income level.

In this context, the development of microInsurance may be an important growth factor for the Insurance Sector. The last few years were marked by the important development and implementation of microInsurance, with special incidence on developing countries. Africa was no exception, and it is estimated that by the end of 2008 some 14 Million people had microInsurance coverage and the Premium volume totalled some USD 257 Million. The growth potential of the global market for this product is tremendous. Published studies indicate that up to four Billion people may come to benefit from microInsurance – be it through the direct purchase of microInsurance products or through the creation of public-private partnerships – and that the market may be worth some USD 40 Billion.

ISS, in its strategic plan for the period 2012 through 2017, foresees the development of a specific diploma covering the development of microInsurance.

The development of profitable and sustainable microInsurance products is, however, surrounded by numerous and demanding challenges that include regulatory and supervisory aspects, business models, distribution channels, management and sharing of risk mechanisms, adequate coverage and contractual conditions and collection and payment models, amongst others.

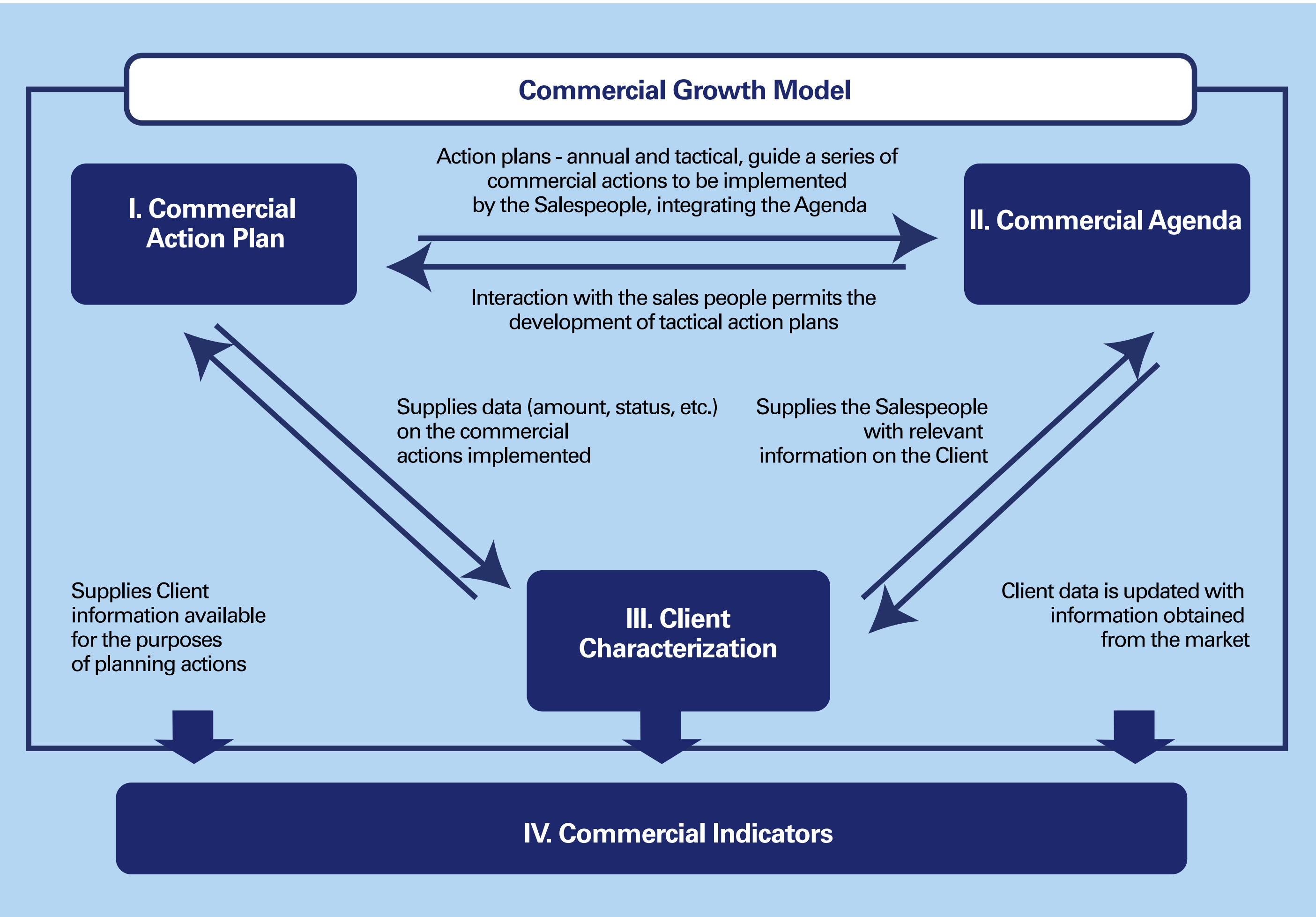
The priority to reduce poverty allied to the large number of people in this market segment, may be the elements that motivate the creation and development of this important market segment in Angola, which will seek solutions that make these models profitable, solvent and adequate to the real challenges and needs of those that can benefit from them.

MicroInsurance is a recent theme, which development was strongly tied to microcredit, broached on various occasions throughout history, but globally known through Professor Muhammad Yunus. This is a concept that aims to create formal risk management products – Insurance – for low-income people.

Strengthen the effectiveness of the Sales Force

The success of a commercial strategy that privileges the development of new products and channels for different client segments, hinges on a strong and dynamic commercial structure. The focus on increasing the efficacy of the sales forces of the Companies, providing them with the technical and human resources that create a real sales culture and commercial dynamic, will be the differentiating factor between the Companies.

This development demands a strong emphasis on staff training, an improvement of the information available, the reorganization of the processes and procedures, as well as the monitoring and permanent adjustment of the commercial networks' performance.



2 . Improving operational efficiency and the Information Systems' coverage

In a context of rapid expansion, during which some Insurance Companies have doubled their Premium volume over periods of one to two years, the strengthening of the operative model supporting the development of the business is a fundamental factor in guaranteeing the quality of the services rendered and adequate levels of services.

Even though the market has, for now, no aggregate information available on cost indicators, the expected increase in the claims ratio, primarily due to the Motor Class' increased relative weight in the Companies' overall portfolios, will almost certainly force the Companies to concern themselves more with improving their efficiency levels and reducing their operating costs.

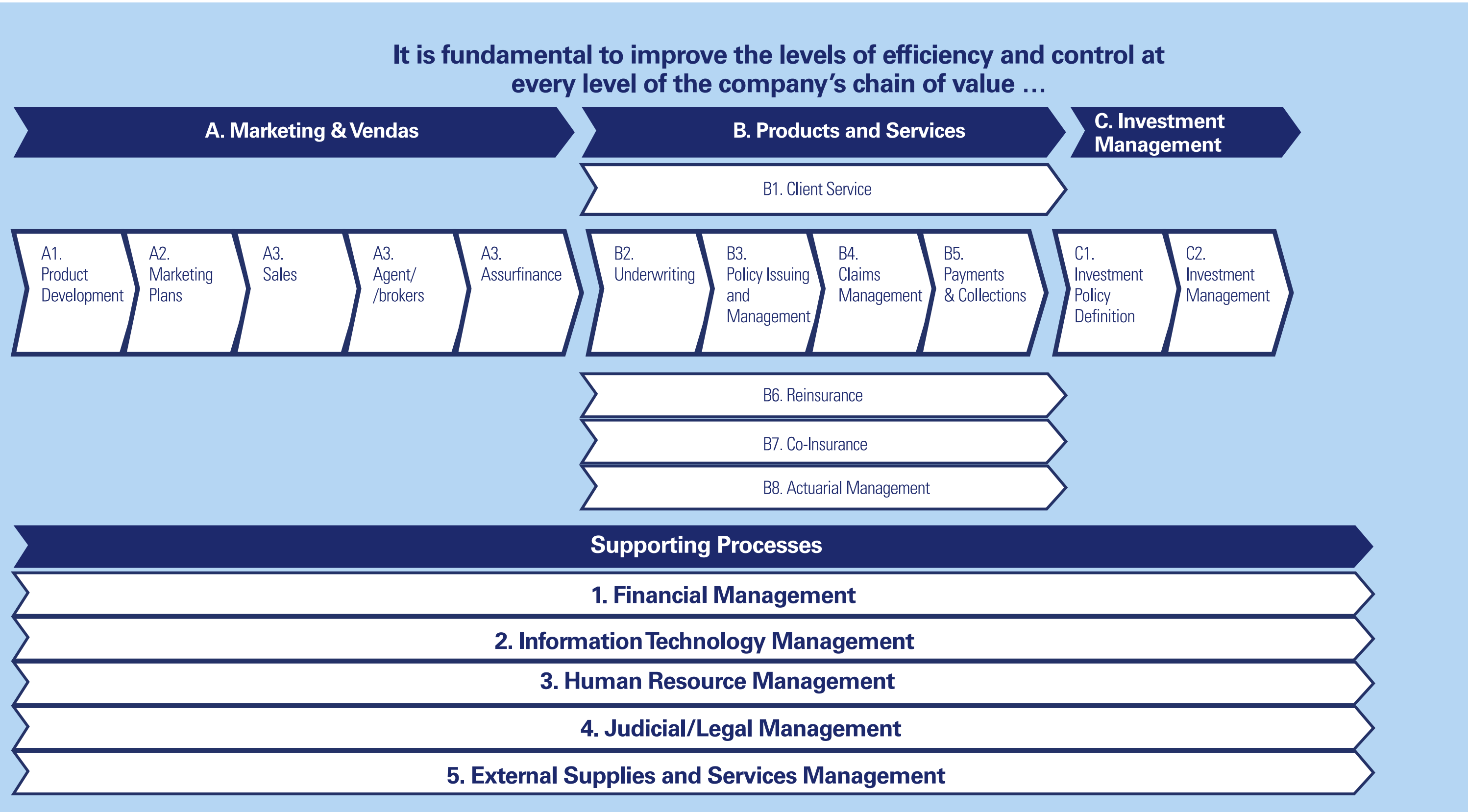
In this context, the increased efficiency of the business and supporting processes and the greater automation of some of the processes will assume growing importance as a means to maintain the desired levels of profitability and solvability of the Sector.

Improvement of the business and supporting processes

In a market in which the Companies' level of process and procedure formalization is generally still reduced, the design and improvement of business and supporting processes as a means to increase the efficiency and predictability of the operations, and to improve, simultaneously, the level of control over these, is fundamental.

In a high growth rate market with increasing levels of competition, the improvement of process efficiency, particularly in areas covering solicitation and subscription, issue and management of policies and management of claims, should constitute a differentiating factor.

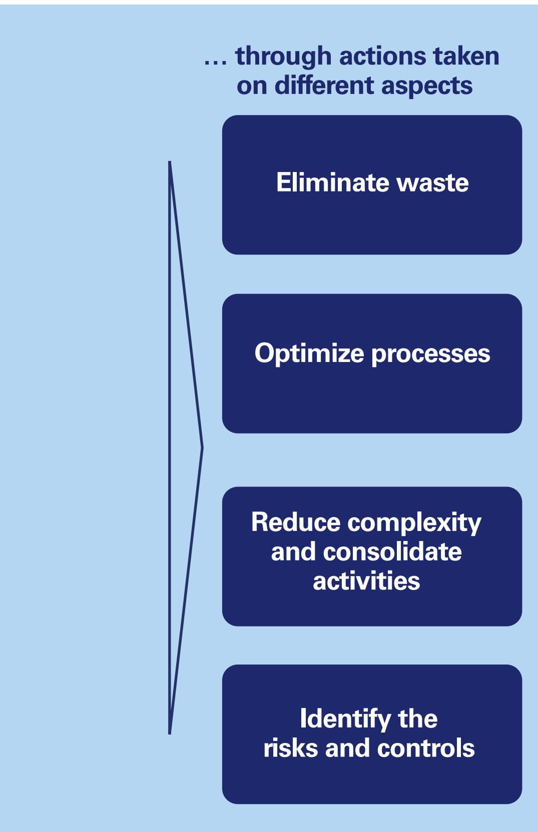
At the supporting processes level, the main processes relating to the financial function should also be evaluated and improved, in order to guarantee better efficiency and control over these functions.



Improvement of the Information Information Systems

The review of the process and operational models should be complemented by a review of the Information and Communication Technologies (ICT) model.

At the application level, the strengthening of the degree of automation in some processes with a high manual intervention is a fundamental factor in improving the levels of service and control. The development of workflow systems and the management of the documentation supporting processes such as the issue and management of policies or claims management, may constitute an important differentiating and service quality factor.



The sales increase, the progressively wider geographic coverage of the angolan territory, as well as the progressively expanding links with a growing number of partners (banks, mediators/brokers, service renderers, etc.) imply new challenges at the processing, storage and communication capacity levels, as well as with security and information quality.

In this matter, the Angolan Financial Institutions should be aware of the legislative reform movements in the ICT Sector, that promulgated, in 2011, the new Legal-Framework for Electronic Communication and Information Society Services (Lei-Quadro das Comunicações Electrónicas e dos Serviços da Sociedade de Informação) and the new Personal Data Protection Law (Lei de Protecção de Dados Pessoais).

The strengthening of the processing capacity and the improvement of the communication infrastructure are important challenges for the entire Sector, and the means to guarantee adequate levels of availability, control and service quality.

3. Increase training and improve the retention of talent mechanisms

The development prospects of the angolan market imply an increase in the number of regular employees and a growing need of their qualification and development, and it is imperative that company strategy leverages on the attraction and retention of the best employees.

The employees are one of the pillars for the success of the strategic execution by organizations, and the strategies need to be adapted to the current paradigm shift in human resource management (people management versus management with people).

In this manner, Human Resource Management should be articulated with the Companies' strategies and objectives, namely in matters such as the capacity to develop teams in the critical Skills.

In this context, it is necessary to adopt a Skills Management process, that enables integrated development at the Training, Recruitment and Selection and Career Management levels, guaranteeing their articulation with the Remuneration and Benefits Policy, Performance Evaluation and Mobility Management.

For this purpose, the structuring and development of this strategy is recommended, in a phased manner, around two perspectives: i) Model of Functional Development and ii) Model of Personal Development.

Model of Functional Development

Includes the areas that aim to guarantee the optimization of human resources and the integration of the functional and organizational needs that surge as a result of the business evolution and the strategic objectives set:

- Recruitment Model;
- Performance Evaluation Systems;
- Training and Development Programmes; and
- Mobility and Talent Management.

The success of this model relies heavily on the capacity to introduce a Performance Evaluation System that guarantees alignment with the objectives of the Company, and which should, to the extent possible, rely on quantitative performance indicators.

For such, it is necessary to, *a priori*, define/evaluate the competencies profiles (Universal, Nuclear and Specific) in accordance with the critical functions, which constitute the base for identifying the responsibilities, the competencies profiles and the training, experience and other requirements.

Personal Development Models

These encompass some of the pillars subjacent to the retention of human resources, both quantitative (ex. Remuneration and Incentives models) and qualitative (model of Careers, promotion and training and succession plans).

In the quantitative sphere, the definition of an equitable, competitive and motivating Remuneration Policy, in its fixed, variable and benefits components, is fundamental.

On the other hand, the qualitative sphere will ensure that the Competencies are obtained through the necessary individual development and will reduced the dependence on expatriate employees and, consequently, will reduce the associated costs.

4. Adequate the Governance model to the new market and regulatory challenges (Audit, Risk and Compliance)

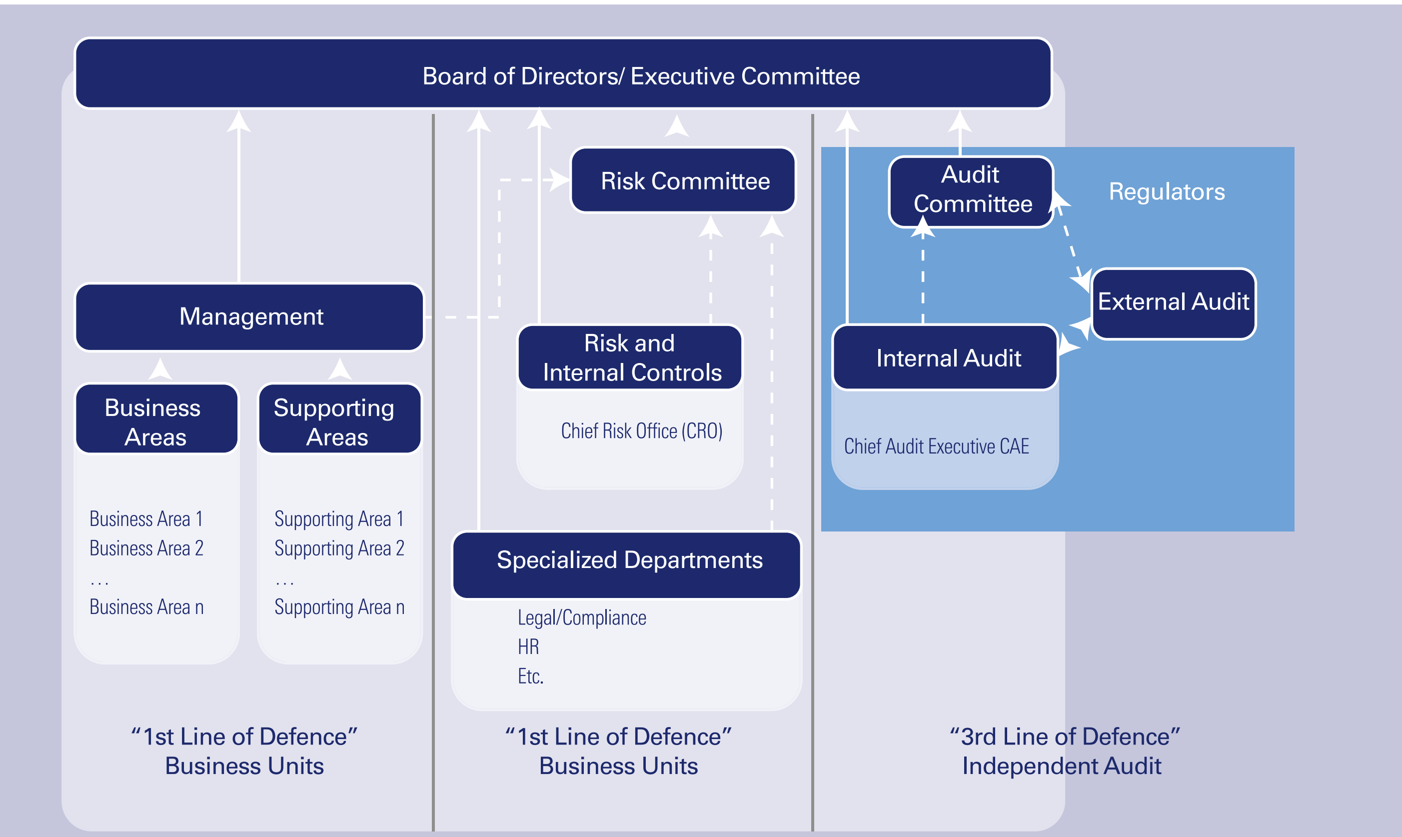
The sector growth and the growing need to protect the interests of clients and shareholders, requires strengthening of the supervisory and control functions at the Companies.

In line with what has occurred in the major markets, a progressive adoption of models that empower the Risk, Compliance and Audit functions and reinforce the control mechanisms through, for example, the strengthening of the levels of segregation of duties, is to be expected.

We believe that, as occurred in other markets, the strengthening of the governance models adopted by the Companies will involve a number of important challenges, namely:

- Reinforcement of the mechanisms that guarantee the level of knowledge and the involvement of top management (fit and proper);
- Reinforcement of the levels of segregation of duties;
- Clarification of the mission, functions and responsibilities;
- Need to articulate the Audit, Risk and Compliance functions with the operating units;
- Filling "new" functions with the human and technical resources appropriate to the performance of said functions.

In summary, a reinforcement of the Companies' Governance mechanisms is to be expected, not only due to the growing need to protect the shareholders' and Insurance takers' interests, but also to progressively attain a degree of regulatory and supervisory alignment with the more developed Insurance markets.



6.3. Main Challenges facing the Pension Fund Sector

The constant evolution in this Sector presents, without a doubt, numerous opportunities for growth but also some challenges.

In this first study, we sought to share our understanding regarding some of main challenges the Pension Fund Sector is facing, or will face in the coming years, and which we firmly believe the Institutions should reflect upon and assertively address, namely:

1. Promote awareness in the market to a culture of savings and to an appreciation of the value of protection;

2. Diversify the offer and progressively improve its level of sophistication and profitability;

3. Reinforce technical skills and increase the efficiency level of the Sector.

We have sought to address the challenges presented throughout this study, illustrating not merely the main constraints and the difficulties that the Companies may face, but also some initiatives that they may develop to appropriately address these.

1. Promote awareness in the market to a culture of savings and to an appreciation of the value of protection

With the evolution of the market, Insurance and pension funds will take an increasingly role in the angolan social protection model.

If factors such as economic growth, per capita income growth and demographic and average life expectancy growth are indisputably positive for any society, the truth is that they also bring challenges that must be addressed and managed. Savings, old age protection and the sustainability of social systems are decidedly some of the greatest challenges facing societies with strong economic and demographic growth, and in respect of which the Insurance and Pension Plan Sector may play an important role.

The strong demographic growth registered in Angola over the last few years and the exciting growth rates foreseen for the coming years, allied with the estimated average life expectancy and per capita income growth rates, lead us to believe that there will be a greater consciousness and concern with protection over the long-term and, thus, with the search for solutions, such as pension funds.

In this context, the Pension Fund Managers should seek to develop/run campaigns to divulge these values. These campaigns should encompass all age groups and social layers of the angolan population, contributing to a progressive market alignment with the level of development in other more mature markets.

2 . Diversify the offer and progressively improve its sophistication and profitability

Over and above these factors of a more exogenous nature, the improvement of the sophistication and diversity of the product offer, encompassing the various pension fund types, will be an important factor of development.

The reinforcement of the offer will be an important factor in channelling the savings in the economy as well as in the retention of regular employees, through the creation of Pension Funds for employees.

In this domain, it will be important to adequate the offer to the different needs and risk profiles of the angolan clients, both individual and corporate. The expected increase in the level of average income, associated with the increased importance of savings and the protection of property and people, will contribute to the progressive appearance of a larger number of Pension Fund Managers, participants and beneficiaries. This increased competition will boost the development of new solutions and products, with adequate profitability levels, thereby gaining and retaining the most important clients.

3 . Reinforce technical skills and increase the efficiency level of the Sector

In this encouraging scenario with important growth prospects, many are the challenges facing the Insurance Companies and the Pension Fund Managers, that will be operating in a more competitive market and managing a tremendous volume of assets over long periods of time.

Some of the main challenges facing the Pension Fund Managers over the coming years include:

- Technical skills to develop products with growing levels of sophistication and profitability;
- Capacity to financially advise clients with a view to increasing the level of penetration of the Sector in the angolan Economy;
- Capacity to manage assets and liquidity;
- Management of the operational and reputational risks of the entity.

An adequate response to these challenges will constitute an important competitive factor, of sustainability and differentiation, in a high potential market.

7. Main Conclusions

The year 2010 marked, momentarily, a turning point in the global economic crisis, following two years marked by strong global deceleration and economic contraction, to which the Angolan economy was not immune. Currently, a concerted effort, on a global scale, is underway to seek effective and long-lasting solutions to restore confidence and robustness to the Financial Sector, critical to support economic growth and development.

In Angola, the year 2010 also marked the resumption of economic growth, following the 2009 year of strong GDP deceleration, with, at present, and according to the latest IMF projections, prospects of growth for 2011 in the order of 3.7% and 10.8% for 2012, which, without a doubt, permit a degree of optimism as to the country' economic evolution.

However, the angolan economy remains exposed to the crisis and to external economic deceleration, since GDP is still very much reliant on oil based revenue, despite the efforts of Sector diversification undertaken by the country's Government.

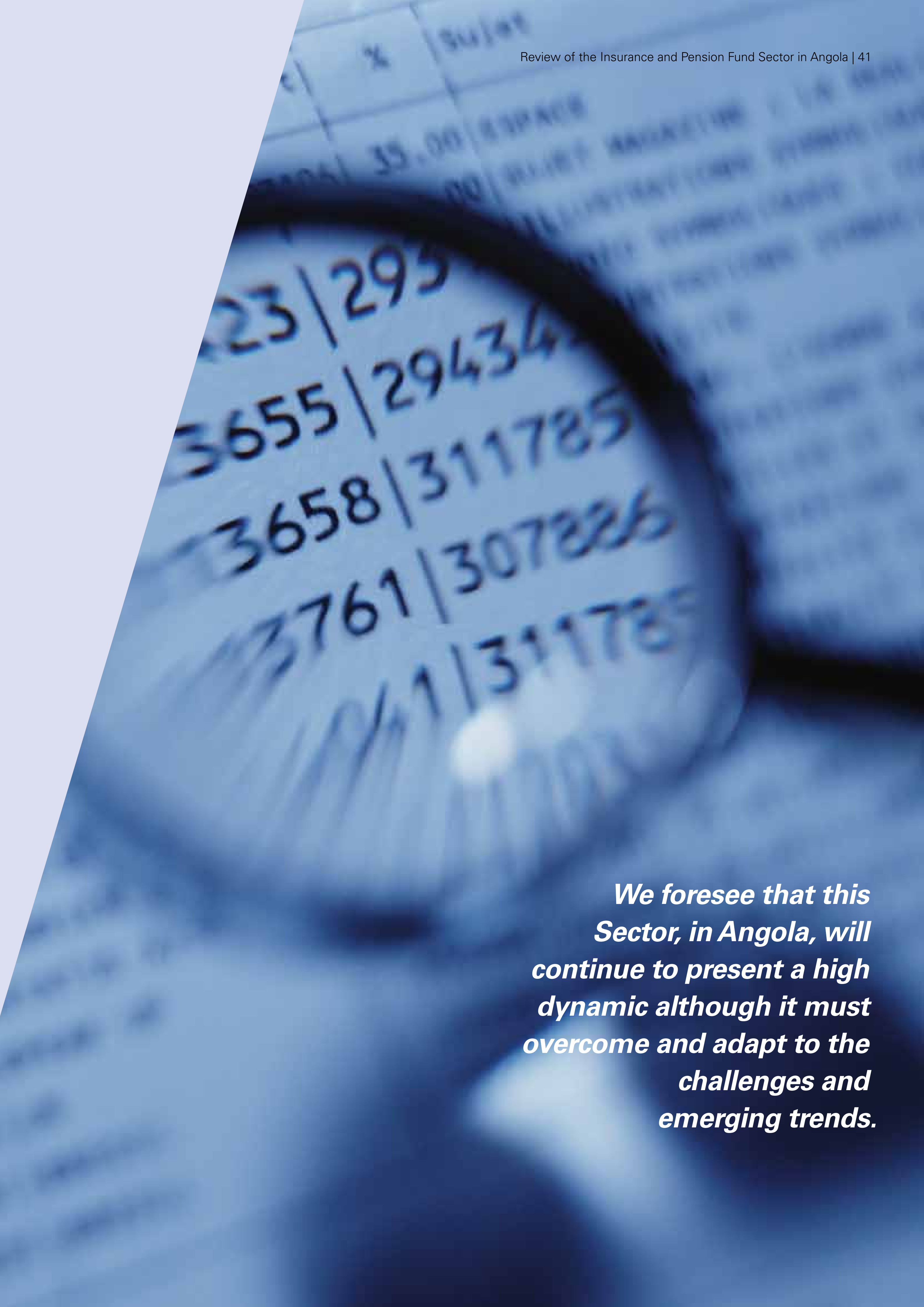
The Insurance and Pension Fund Sector in Angola grew strongly, at rates exceeding those of the economy.

Despite this strong growth, the penetration level is still reduced when compared to that existing in other economies in which this Sector is more mature, clearly displaying the local opportunities for growth and development.

Some of the challenges which, adequately addressed, will permit capturing this potential growth include:

- Promote awareness in the market to a culture of savings and to the appreciation of the value of protection;
- Diversify the offer, developing new channels and partnerships;
- Improve the efficiency of the operations and the Information Systems' coverage;
- Reinforce training and improve the talent retention mechanisms;
- Adequate the Governance model to the new market and regulatory challenges (Audit, Risk and Compliance).

Considering all this trends and challenges, we foresee that this Sector, in Angola, will continue to present a high dynamic although it must overcome and adapt to the challenges and emerging trends.



We foresee that this Sector, in Angola, will continue to present a high dynamic although it must overcome and adapt to the challenges and emerging trends.

Appendix 1

Summary Tables:

1. International Insurance Sector

Global Production Premium Volume (Thousand Million USD)

Description	2008	%	2009	%	2010	%	2009 (Var. Real)	2010 (Var. Real)
Europe	1,704	40.4%	1,614	39.3%	1,620	37.3%	1.8%	1.8%
America	1,450	34.4%	1,358	33.0%	1,410	32.5%	-5.5%	0.7%
Asia	935	22.1%	1,014	24.7%	1,161	26.8%	4.7%	7.2%
Oceania	79	1.9%	66	1.6%	81	1.9%	-11.5%	2.3%
Africa	53	1.3%	57	1.4%	67	1.5%	2.3%	-1.1%
Total	**4,220**	**100.0%**	**4,110**	**100,0%**	**4,390**	**100.0%**	**-0.3%**	**2.7%**

Source: Sigma n 2/2011, Sigma 2/2010

2. Angolan Insurance Sector

Direct Insurance Premiums (Million AOA)

Classes	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Life	2,732	7.5%	3,547	6.4%	3,491	4.6%	29,8%	-1.6%
Accident, Health and Travel	9,120	25.0%	13,070	23.7%	20,071	26.4%	43,3%	53.6%
Fire and Natural elements	3,349	9.2%	7,002	12.7%	5,985	7.9%	109,1%	-14.5%
Other damages to property	1,393	3.8%	2,588	4.7%	1,643	2.2%	85,8%	-36.5%
Motor	6,013	16.5%	10,484	19.0%	21,219	27.9%	74,4%	102.4%
Transport	3,176	8.7%	1,827	3.3%	5,788	7.6%	-42,5%	216.8%
Petrochemicals	7,841	21.5%	15,015	27.3%	13,637	17.9%	91,5%	-9.2%
General liability	1,109	3.0%	1,404	2.5%	3,088	4.1%	26,6%	119.9%
Other	1,751	4.8%	142	0.3%	1,133	1.5%	-91,9%	696.4%
TOTAL	**36,484**	**100%**	**55,081**	**100%**	**76,054**	**100%**	**51.0%**	**38.1%**

Source: ISS

Direct Insurance Indemnities (Million AOA)

Classes	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Life	377	4.4%	1,068	8.2%	-248	-1.6%	183.0%	-123.2%
Accident, Health and Travel	4,500	52.1%	5,188	39.9%	6,099	40.1%	15.3%	17.6%
Fire and Natural elements	924	0.0%	2,546	19.6%	306	2.0%	175.5%	-88.0%
Other damages to property	78	0.0%	226	1.7%	353	2.3%	188.7%	56.3%
Motor	2,699	31.3%	3,855	29.7%	5,517	36.2%	42.8%	43.1%
Transport	99	1.2%	42	0.3%	3,164	20.8%	-57.5%	7409.4%
Petrochemicals	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%
General liability	-3	0.0%	124	1.0%	46	0.3%	3,679.0%	-63.2%
Other	-40	-0,5%	-47	-0.4%	-12	-0.1%	-19.1%	74.1%
TOTAL	**8,634**	**100%**	**13,002**	**100%**	**15,225**	**100%**	**50.6%**	**17.1%**

Note: The amounts of Fire and Natural elements, Other damages to property and General liability for 2008, are included in the caption Other.

Source: ISS

Claims Rate

Classes	2008	2009	2010	2009 (Var)	2010 (Var)
Life	13.8%	30.2%	-7.1%	118.3%	-123.6%
Accident. Health and Travel	49.3%	39.7%	30.4%	-19.6%	-23.4%
Fire and Natural elements	27.6%	36.4%	5.1%	31.9%	-85.9%
Other damages to property	5.6%	8.7%	21.5%	55.3%	146.3%
Motor	44.9%	36.8%	26.0%	-18.1%	-29.3%
Transport	3.1%	2.3%	54.7%	-26.0%	2,266.3%
Petrochemicals	0.0%	0.0%	0.0%	0.0%	0.0%
General liability	-0.3%	8.8%	1.5%	-2,951.6%	-83.3%
Other	-2.3%	-33.1%	-1.1%	1,362.8%	-96.7%
TOTAL	**23.7%**	**23.6%**	**20.0%**	**-0.3%**	**-15.2%**

Source: ISS

ReInsurance Premium Cession (Million AOA)

Classes	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Life	2,362.5	11.3%	3,920.3	12.6%	3,175.3	8.3%	65.9%	-19.0%
Non-life	18,522.3	88.7%	27,228.0	87.4%	35,082.4	91.7%	47.0%	28.8%
TOTAL	**20,884.8**	**100.0%**	**31,148.2**	**100.0%**	**38,257.7**	**100.0%**	**49.1%**	**22.8%**

Source: ISS

General Expenses/ Premiums DI

Description	2008	2009	2010
Staff and Social	2,821	3,712	5.745
Administrative	2,620	3,637	4.941
Fiscal	616	1,219	2.074
Taxes and Charges	323	606	1.107
Taxes on profits	293	613	967
Total	**6,057**	**8,567.9**	**12,759.9**

Source: ISS

DI Commission/DI Premium

Classes	2008		2009		2010	
	Comission	Rate	Comission	Rate	Comission	Rate
Life	26	1.0%	36	1.0%	42	1.2%
Accident. Health and Travel	118	1.3%	387	3.0%	529	2.6%
Fire and Natural elements	35	1.1%	59	0.8%	142	2.4%
Other damages to property	34	2.4%	90	3.5%	96	5.9%
Motor	252	4.2%	467	4.5%	1,405	6.6%
Transport	36	1.1%	27	1.5%	219	3.8%
Petrochemicals	18	0.2%	11	0.1%	0	0.0%
General liability	13	1.1%	21	1.5%	33	1.1%
Other	10	0.6%	50	34.9%	9	0.8%
TOTAL	**542**	**1.5%**	**1,148**	**3.1%**	**2,475**	**6.8%**

Source: ISS

Summary Tables:

Investments 2010

Description	2008	2009	2010
Bonds / (Other Fixed Income securities)	2,527	1,094	580
Shares (Other Variable Income securities)	305	299	299
Real Estate	6,348	6,664	27,103
Deposits	3,821	3,243	4,238
Loans			206
Other	301	695	1,818
TOTAL	**13,302**	**11,995**	**34,244**

Source: ISS

Solvency margin

Description	2008	2009	2010	2009 (Var)	2010 (var)
Elements of the Margin	8,328,560	8,576,571	31,432,879	3,0%	266,5%
Amount of the Margin to establish	8,739,115	8,858,755	20,602,520	1,4%	132,6%
Solvency margin cover rate	**95,3%**	**96,8%**	**152,6%**	**1,6%**	**57,6%**

Source: ISS

Other Elements

Descrição	2008	2009	2010	2009 (Var)	2010 (Var)
Global Technical Result - including result/reins. ceded and accepted (Million AOA)	6,334	15,842	18,263	150.1%	15.3%
Cession Rate (RC Premiums/DI Premiums)	57.2%	56.6%	50.3%	-1.2%	-11.0%
Insurance Penetration Rate Premiums/GDP)	0.3%	0.9%	1.0%	253.8%	8.7%
Insurance Density Rate (Premiums/Res. Population) (AOA)	2,354	3,329	4,596	41.4%	38.1%
Technical Provisions (including mathematical provisions) (Million AOA)	22,796	35,612	42,289	56.2%	18.7%
Technical Provisions /DI Premiums	62.5%	65.1%	55.6%	4.2%	-14.6%
Participation of Insurance in the GDP formation (GVA/GDP)	0.1%	0.3%	0.3%	371.4%	3.0%
Assets Invested (Million AOA)	13,302	11,995	34,244	-9.8%	185.5%
Total Assets (Millions AOA)	52,591	88,065	136,808	67.5%	55.3%

Note: The Insurance penetration and density rates reflect the levels of demand for Insurance within the scope of the macroeconomic analysis

Source: ISS

3. Pension Funds

Pension Funds Market

Descriptions	2008		2009		2010		2009 (Var)	2010 (Var)
No. Companies Managing Pension Funds	3	-	4	-	5 (1)	-	33.3%	25.0%
No. Authorized Pension Funds	21	-	21	-	23	-	0.0%	9.5%
No. Pension Funds in Operation	15	-	19	-	20	-	26.7%	5.3%
Participants (2)	35,000	-	34,088	-	35,571	-	-2.6%	4.4%
Pensioners and/or Beneficiaries (2)	9,630	-	8,260	-	9,637	-	-14.2%	16.7%

(1) Includes a 'direct Insurance' Insurance company that also manages pension funds. (2) Open Pension Funds are not included.

Source: ISS

Value of the Pension Funds (Million AOA)

Type of Funds	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Open	834	3.6%	1,154	3.7%	1,543	4.1%	38.3%	33.8%
Closed	23,324	96.9%	30,209	96.3%	36,209	95.9%	29.5%	19.9%
TOTAL	**24,067**	**100.0%**	**31,362**	**100.0%**	**37,753**	**100.0%**	**30.3%**	**20.4%**

Source: ISS

Contributions to the Pension Funds (Million AOA)

Type of funds	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Open	188	2.4%	261	3.2%	357	4.2%	39.1%	36.5%
Closed	7,597	97.6%	7,834	96.8%	8,217	95.8%	3.1%	4.9%
TOTAL	**7,785**	**100.0%**	**8,096**	**100.0%**	**8,573**	**100.0%**	**4.0%**	**5.9%**

Source: ISS

Pensions Paid (Millions AOA)

Type of funds	2008	%	2009	%	2010	%	2009 (Var)	2010 (Var)
Open	0	0.0%	3	0.1%	4	0.1%	n.a.	63.4%
Closed	2,892	100.0%	3,305	99.9%	3,772	99.9%	14.3%	14.1%
TOTAL	**2,892**	**100.0%**	**3,308**	**100.0%**	**3,776**	**100.0%**	**14.4%**	**14.2%**

Source: ISS

Other Elements

Descrição	2008	2009	2010	2009 (Var)	2010 (Var)
Density Rate of the Pension Funds (Value of funds / Resident Population (AOA))	n.d.	1,895	2,282	n.a.	20.4%
Contributions/Resident Population (AOA)	496	489	518	-1.4%	5.9%
Penetration Rate of the Pension Funds (Value of funds /GDP)	0.2%	0.5%	0.5%	205.9%	-3.8%
Contributions/GDP	0.6%	0.1%	0.1%	-75.0%	-21.4%
Assets Invested (Million AOA)	n.d.	25,654	37,126	n.a.	44.7%
Total Assets (Million AOA)	25,724	32,345	41,626	25.7%	28.7%

Source: ISS

Appendix 2
Insurance and Pension Funds Legislation

Decree No. 25/98– Approves the Regulation of Pension Funds in Angola

Law No. 1/00 - General Insurance Activity - Revokes all legislation that contradicts or adjust the provisions of this Ordinance – DR Nº 5

Decree No. 6/01 - Sets the reInsurance and coInsurance, as well as entities that can perform this activity in Angola - repeals all laws contrary to the provisions of this statute - DR No. 10

Decree No. 2/02 -On the Insurance contract - repeals all laws contrary to the provisions of this statute - DR No. 12 OF 11 FEBRUARY

Decree No. 7/02 - Defines how transgressions law offenses of Insurance and reInsurance sector and the provisions of a regulatory nature issued by the Institute of Insurance Supervision and establishes the scope of their application. - D.R. No. 28 OF 9 APRIL

Decree 79-A/02 - Approves the Plan of Accounts for Insurance companies - repeals all laws that contradicts the provisions of this statute. - D.R. No. 97 OF 5 DECEMBER

Executive Decree No. 58/02 - Adopts rules on the Insurance pricing system - repeals all laws and guidelines contrary to the provisions of this executive order - DR No. 97, OF 5 DECEMBER

Executive Decree No. 5/03 - Approves the regulation on rules and procedures of application for the establishment and operation of Insurance companies: on Social Capital and Reserves; on Financial Investments of Insurers, about the delivery of securities to the Office for Insurance Supervision; on the obligation to carry Insurance in Insurance companies in Angola and on the cancellation and / or suspension of the Insurance policy. - D.R. No. 6 OF 24 JANUARY

Executive Decree No. 6/03 - Approves the regulation on mandatory financial guarantees for the Insurance institutions. - D.R. No. 6 OF 24 JANUARY

Executive Decree No. 7/03 - Approves the regulation on mediation and Insurance brokerage - repeals all laws and guidelines contrary to the provisions of this executive order. - D.R. No. 6 OF 24 JANUARY

Executive Decree No. 16/03 - Approves the operating rules for entities managing pension funds - repeals all laws and guidelines contrary to the provisions of this executive order

Rectifications, DR No. 9 of 21 January 2005 - Adjustments on Order No. 9/03, Executive Decrees Nos 6/03, 58/02 and 16/03

Decree No. 9/03 - Approving the Regulation on the Calculation of the Constitution and Solvency Margin and Guarantee Fund, and Periodic Required Information and Liability Related to Pension Plans of Management Entities and Accounting and Valuation of Assets of Pension Funds - repeals all laws contrary the provisions of this order

Decree No. 63/04, D.R. No. 78 of 28 September - Approves the status of the Institute of Insurance Supervision

Decree No. 96/04, DR No. 101 of 17 December - Creates under the Ministry of Finance Fund Insurance Upgrading and Regularization

Decree No. 53/05, D.R. No. 97 of 15 August - About the legal system for work accidents and occupational diseases

Executive Decree No. 66/05, Official Gazette No. 77 of 29 June -Approves the Technical Regulation of Insurance and Pension Funds

Joint Executive Decree No. 52, Official Gazette No. 55 of 9 May –-About the assumption And exceptionally, by the Angolan Government, responsibility for damages in excess of USD 50,000,000.00, up to USD1.000.000.000, 00, to cover damage to third parties in case of war being the TAAG - EP exempt of such payment

Executive Decree No. 70/06, Official Gazette No. 69 of 7 July - Adjusts the amount of the minimum share capital for the operation of Insurance companies

Executive Decree No. 74/07, Official Gazette No. 78 of 29 June - Regulates and optimizes the practical conditions of the existing access and operation of market Insurance

Decree No. 9/09, D.R. No. 129 of 3 July - Establishes the rules governing the rights, obligations and procedures applicable to air transport of passengers, baggage and cargo, including in animals, under the compulsory Insurance of civil liability for civil aviation

Decree No. 10/09, D.R. No. 129 of July 13 - Creates under the Ministry of Finance and attached to the Institute of Insurance Supervision as a unit dependent on the Motor Guarantee Fund, and approves its organic statute

Decree No. 35/09, D.R. No 150 of 11 August - Proceed to the regulation of Motor Liability Compulsory Insurance established by Article 10 of Law No. 20/03, August 19 - Law on Land Transport

Circular nº 01/ISS /MF/10 - About mandatory motor Insurance declined by ISS and indication of the conditions and insurers, which must contract

Circular nº 02/ISS /MF/10 - About compulsory and periodic information of Insurance companies

Circular nº 03/ISS /MF/10 - About mandatory and periodic Information of pension funds

Circular nº 04/ISS /MF/10 - About the investments of pension funds and the values assigned to the technical provisions of Insurance companies

Circular nº 05/ISS /MF/10,- About the Fund Upgrading and Regularization of Insurance/FUNSEG

Circular nº 06/ISS /MF/10 - About the Insurance Mediation;

Circular nº 01/FGA/MF/10 - About the Operations of Motor Guarantee Fund

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