

NOTE 21.**Other reserves and retained earnings****Legal reserve**

This balance consists entirely of Legal reserve, which can only be used to cover previous year losses or to increase share capital.

Angolan legislation applicable to the banking sector requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

Fair value reserves

Fair value reserves represent the potential gains and losses on financial assets available for sale net of impairment losses recognised in the income statement and/or in prior periods. The value of this reserve is disclosed net of deferred taxes.

Changes in these balances are analysed as follows:

(Thousands of AOA)

| | Fair value reserve | | | Other reserves and retained earnings | | | Total reserves and retained earnings |
|------------------------------------|--------------------------|-----------------------|--------------------------|--------------------------------------|--------------------------------------|--|--------------------------------------|
| | Gross fair value reserve | Deferred tax reserves | Total fair value reserve | Legal reserve | Other reserves and retained earnings | Total other reserves and retained earnings | |
| Balance at 31 December 2016 | 827,155 | (246,136) | 581,019 | 8,482,829 | 1,256,524 | 9,738,854 | 10,319,873 |
| Fair value changes | 1,660,450 | (499,977) | 1,160,473 | - | - | - | 1,160,473 |
| Legal reserves | - | - | - | 4,980,667 | (4,980,667) | - | - |
| Transfer to retained earnings | - | - | - | - | 4,980,667 | 4,980,667 | 4,980,667 |
| Dividends from own shares | - | - | - | - | 110,037 | 110,037 | 110,037 |
| Balance at 31 December 2017 | 2,487,605 | (746,113) | 1,741,492 | 13,463,496 | 1,366,561 | 14,829,558 | 16,571,050 |
| Transition adjustments to IFRS 9 | (1,419,600) | - | (1,419,600) | - | (2,442,065) | (2,442,065) | (3,861,665) |
| Balance at 1 January 2018 | 1,068,005 | (746,113) | 321,892 | 13,463,496 | (1,075,504) | 12,387,493 | 12,709,385 |
| Fair value changes | 2,141,643 | (116,139) | 2,025,504 | - | - | - | 2,025,504 |
| Legal reserves | - | - | - | 2,382,850 | - | 2,382,850 | 2,382,850 |
| Transfer to retained earnings | - | - | - | - | 2,382,850 | 2,382,850 | 2,382,850 |
| Dividends from own shares | - | - | - | - | 174,324 | 174,324 | 174,324 |
| Balance at 31 December 2018 | 3,209,648 | (862,252) | 2,347,396 | 15,846,346 | 1,481,670 | 17,327,517 | 19,674,913 |

Changes in fair value reserve, net of deferred taxes, can be analysed as follows:

(Thousands of AOA)

| | 31.12.2018 | 31.12.2017 |
|---|-------------|------------|
| Balance at the beginning of the period | 1,741,492 | 581,019 |
| Impact of transition to IFRS 9 | (1,419,600) | - |
| Fair value changes | 4,849,335 | 2,188,109 |
| Disposals for the period | (2,729,250) | (527,659) |
| Impairment recognised in the period | (210,720) | - |
| Deferred taxes recognised in reserves | 116,139 | (499,977) |
| Balance at the end of the period | 2,347,396 | 1,741,492 |

NOTE 22.

Net interest income

Net interest income is analysed as follows:

(Thousands of AOA)

| | 31.12.2018 | 31.12.2017 |
|---|-------------|------------|
| Interest and similar income | | |
| Interest from financial assets at amortised cost | | |
| Interest from loans to customers | 82,445,042 | 73,231,588 |
| Interest from debt securities (2017: Interest from held-to-maturity investments) | 23,201,761 | 13,161,968 |
| Interest from deposits and other investments | 342,623 | 204,869 |
| Interest from financial assets at fair value through comprehensive income (2017: Interest from available for sale assets) | 12,431,476 | 6,556,215 |
| Interest from financial assets at fair value through profit or loss | 32,063 | 106,685 |
| | 118,452,965 | 93,261,325 |
| Interest and similar expenses | | |
| Interest from loans of central banks and other financial institutions | 16,872,213 | 5,948,352 |
| Interest from deposits of customers | 34,351,133 | 19,878,483 |
| Interest from subordinated liabilities | - | 88,750 |
| | 51,223,346 | 25,915,585 |
| Net interest income | 67,229,619 | 67,345,740 |

The balance Interest from loans to customers include (i) the positive amount of AOA 1,452,060 thousand (2017: 1,382,247 thousand) related to commissions and other income accounted for using the effective interest rate, as set out in IFRS and explained in note 2.3 and (ii) the amount of AOA 7,705,484 related to financial assets in Stage 3.