An overview of the Bank's capital requirements calculations for 31 December 2018 and 2017 is as follows:

(Thousands of AOA)

		31.12.2018
Regulatory Own Funds Requirements		
Credit risk		46,996,166
Operating risk		13,686,072
Market risk and counterparty credit risk in the trading portfolio		2,798,783
	A	63,481,021
Regulatory Own Funds		
Original own funds		99,629,575
Additional own funds		1,509,040
	B	101,138,615
Regulatory solvency ratio	C=B/A*10%	15.93%

NOTE 36.
Transition to IFRS 9 – Financial instruments

In 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 – Financial Instruments ("IFRS 9"). This new standard is effective for periods beginning on or after 1 January 2018 and replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). As allowed by the transitional provisions of IFRS 9, the Bank did not restate the comparative values in its financial statements arising from the application of IFRS 9. The impacts on the Bank's financial statements were recognised under Retained earnings and, therefore, in the regulatory capital reported.

IFRS 9 incorporates significant changes to IAS 39 essentially at three levels:

i) new rules for the classification, recognition and measurement of financial assets in accordance with the Group's business model and the characteristics of the contractual cash flows of these assets;

ii) new methodology concepts and measurement of impairment for financial assets, calculated on an expected credit loss basis ("ECL"); and

iii) new hedge accounting requirements more aligned with the entities' risk management practices. The Bank adopted IFRS 9 "Financial Instruments" for the first time on 1 January 2018. This situation led to changes in the classification and valuation of certain financial assets. The impacts on the financial statements arising from the adoption of this new standard were estimated on 1 January 2018, based on the information available to date and on a set of assumptions. Building on these estimates, the adoption of IFRS 9 resulted in a reduction of the Bank's net position, as of 1 January 2018, of approximately AOA 3,861,664 thousand, as follows:

(Thousands of AOA)

IAS 39					IFRS 9			
Classfication 31-12-2017	**Meas-urement method before the trans-ition**	**Book Value before the transition**	**Reclassi-fication**	**Remeas-urement**	**Book Value at the transition**	**Meas-urement method at the trans-ition**		**Classfication 01-01-2018**
Assets								**Assets**
Cash and deposits at central banks	AC	133,610,160	-	-	133,610,160	AC		Cash and deposits at central banks
Loans and advances to credit institutions repayable on demand	AC	4,510,199	-	-	4,510,199	AC		Loans and advan-ces to credit insti-tutions repayable on demand
Financial assets at fair value through profit or loss	FVTPL	3,716,472	20,832,294	-	24,548,766	FVTPL	A	Financial assets at fair value through profit or loss
Financial assets available for sale	FVOCI	98,155,111	13,731,596	-	111,886,707	FVOCI	B	Financial assets at fair value through other comprehensive income
								Financial assets at amortised cost
Held-to-maturity investments	AC	219,034,443	(27,569,135)	(478,663)	190,986,645	AC	C	Debt securities
Loans and advances to customers	AC	395,712,862	(6,994,755)	(5,208,000)	383,510,107	AC/ FVTPL	D	Loans and advan-ces to customers
Other loans and advances to central banks and credit institutions	AC	31,234,743	-	-	31,234,743	AC		Other loans and advances to central banks and credit institutions
Other tangible assets		62,746,419	-	-	62,746,419			Other tangible assets
Intangible assets		30,204,743	-	-	30,204,743			Intangible assets
Non-current assets held for sale		43,544,500	-	-	43,544,500			Non-current as-sets held for sale
Current tax assets		1,584,392	-	-	1,584,392			Current tax assets
Deferred tax assets		157,246	-	1,654,999	1,812,245		E	Deferred tax assets
Other assets	AC	45,450,053	-	170,000	45,620,053	AC/ FVTPL	F	Other assets
Total Assets		1,069,661,343	-	(3,861,664)	1,065,799,679			**Total Assets**

(Thousands of AOA)

	IAS 39				IFRS 9		
Classifications 31-12-2017	Meas-urement method before the trans-ition	Book Value before the transition	Reclassi-fication	Remeas-urement	Book Value at the transition	Meas-urement method at the transition	Classfications 01-01-2018
Liabilities							**Liabilities**
Deposits from central banks and other credit institutions	AC	117,181,364	-	-	117,181,364	AC	Deposits from central banks and other credit institutions
Deposits from customers and other deposits	AC	801,365,710	-	-	801,365,710	AC	Deposits from customers and other deposits
Provisions		2,454,201	-	-	2,454,201		Provisions
Current tax liabilities		2,178,122	-	-	2,178,122		Current tax liabilities
Deferred tax liabilities		746,113	-	-	746,113		Deferred tax liabilities
Other liabilities	AC	17,196,793	-	-	17,196,793	AC	Other liabilities
Total Liabilities		941,122,303	-	-	941,112,303		**Total Liabilities**
Equity							**Equity**
Share capital		53,821,603	-	-	53,821,603		Share capital
Share premium		34,810,069	-	-	34,810,069		Share premium
Own shares		(492,182)	-	-	(492,182)		Own shares
Revaluation reserves		1,741,492	(1,607,569)	187,970	321,892	G	Revaluation reserves
Other reserves and retained earnings		38,658,058	1,607,569	(4,049,634)	36,215,993	H	Other reserves and retained earnings
Total equity attributable to the equity holders of the Bank		128,539,040	-	(3,861,664)	124,677,376		**Total equity attributable to the equity holders of the Bank**
Total Equity		128,539,040	-	(3,861,664)	124,677,376		**Total Equity**
Total liabilities and equity		1,069,661,343	-	(3,861,664)	1,065,799,679		**Total liabilities and equity**

A – This impact results from three different situations:

- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 14,610,241 thousand;
- Reclassification of a set of credits that, failing to meet the SPPI requirements, are no longer classified in the customer loan portfolio and are now mandatorily recorded at fair value through profit and loss, in the amount of AOA 6,994,755 thousand; and
- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Financial Assets at fair value through profit and loss and are now recorded in the financial assets at fair value through other comprehensive income in the amount of AOA 772,702 thousand.

B – This impact results from three different situations:

- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Held-to-maturity Investments and are now recorded in the portfolio of Financial Assets at fair value through other comprehensive income, in the amount of AOA 27,569,135 thousand;
- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Financial Assets at fair value through profit and loss and are now recorded in the portfolio of Financial assets at fair value through other comprehensive income in the amount of AOA 772,702 thousand; and
- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 14,610,241 thousand.

C – This impact results from two different situations:

- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Held-to-maturity Investments and are now recorded in the portfolio of Financial Assets at fair value through other comprehensive income, in the amount of AOA 27,569,135 thousand; and
- Recognition of impairment of public debt securities in the amount of AOA 478,663 thousand.

D – This impact results from two different situations::

- Reclassification of a set of credits that, failing to meet the SPPI requirements, are no longer classified in the customer loan portfolio and are now mandatorily recorded at fair value through profit and loss, in the amount of AOA 6,994,755 thousand, (includes (i) the amount of AOA 8,187,464 thousand relating to gross loans to customers and (ii) the amount of AOA 1,192,709 thousand relating to impairment); and
- Adjustment to impairment allocated to Loans and advances to customers to ensure the compliance with IFRS 9 requirements, in the amount of AOA 5,208,000 thousand.

E – This impact results from three different situations:

- Recognition of the deferred tax asset relating with the credit impairment in the amount of AOA 1,562,400 thousand;
- Recognition of the deferred tax asset relating with the recognition of impairment for the loan portfolio measured at amortised cost in the amount of AOA 143,599; and
- Recognition of deferred tax liability relating with the impairment reversal for other assets in the amount of AOA 51,000.

F – Impairment reversal for other assets in the amount of AOA 170,000 thousand.

G – This impact results from two different situations:

- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 1,607,569 thousand; and
- Impairment recognition of securities included in the fair value portfolio through other comprehensive income in the amount of AOA 187,970 thousand.

H – Total impact of the IFRS 9 adoption in other reserves and retained earnings of the Bank

The adoption of a new impairment model based on expected credit losses instead of losses incurred, has had an impact on the accumulated amounts of impairment losses and provisions.

The following table sets forth the reconciliation between the accounting values of impairment and provisions on the balance sheet in accordance with the measurement categories of IAS 39 and IFRS 9 as of 1 January 2018:

(Thousands of AOA)

	Impairment losses/ Provisions (IAS 39) as at 31 December 2017	Remeasurement	Impairment losses/ Provisions (IFRS 9) as at 1 January 2018
Cash and cash equivalents	-	-	-
Other loans and advances to central banks and credit institutions	-	-	-
Loans and advances to customers	43,057,000	5,208,000	48,265,000
Other loans and advances to securities at amortised cost	-	478,663	478,663
Other loans and advances to securities at fair value through other comprehensive income – Debt Instruments	-	-	-
Other Assets	1,656,357	(170,000)	1,486,357
Total Impairment	44,713,357	5,516,663	50,230,020
Provisions for credit commitments	373,268	-	373,268
Total Impairment losses and Provisions	45,086,625	5,516,663	50,603,288