5.0 Financial information

5.0

20:19 Tues, 31 December

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5.1 Key indicators

AOA 30.5 B **+12%** Net income	**23%** **-0.8 p.p.** Return on equity	**2.1%** **+0.03 p.p.** Return on assets	**14.5%** **-1.2 p.p.** Capital adequacy ratio
AOA 111 B **+5%** Operating income	**AOA 40 B** **-8.2%** Operating costs	**47%** **-2 p.p.** Cost-to-income (recurring)	**AOA 1,601 B** **+17.9%** Net assets
AOA 1,235 B **+18.4%** Deposits from Customers	**AOA 443 B** **+2.8%** Net loans	**15.7%** **-1.2 p.p.** Credit at risk ratio	**130%** **+29 p.p** Credit at risk coverage ratio

5.2 Summary of business performance

Net income

We closed 2019 with net results in the amount of AOA 30.5 billion, representing a 12% growth compared to the previous period.

These results reflect a 93% degree of compliance with the budget defined for the period. Notwithstanding the positive performance and in line with the Bank's budget planning, 2019 included exogenous events that had an unfavorable impact on financial performance, namely: the continuous cycle of economic slowdown that has affected companies and families and, consequently, the loss ratio of ATLANTICO's credit portfolio; events associated with a more restrictive monetary policy with an impact on interest rates and liquidity levels to grant more credit to the economy; and, finally, the asset quality assessment process, with impact on the fair value assumptions of public debt and discount rates for real estate assets received by transfer.

Cost of risk

The increase in impairments is related to the recession in the Angolan economy, which has an impact on the performance of companies and on household income and which is reflected in the Bank's balance sheet in the worsening of overdue loans and risk. In 2019, ATLANTICO significantly reinforced the level of impairments, in an approximate amount of AOA 31 billion increasing its credit-at-risk coverage ratio to 130%.

Capital adequacy ratio

In December, Capital adequacy ratio stood at 14.5%, reflecting a -1.2 p.p. decrease compared to the same period. This decrease is essentially due to the adoption of adjustments within the AQA exercise, and, according to the regulations in force in Angola, the minimum ratio required for banking institutions is 10%. Therefore, ATLANTICO continues to present solid ratios and availability of capital to support business growth and risks of Bank activity, also regarding the contribution for increasing own funds through non-distribution of dividends for the year.

Operational efficiency

The Cost-to-income ratio reached 39%, representing a deviation of -3 p.p. against the previous year. If we exclude non-recurring events that occurred at the level of revenue, cost-to-income ratio reaches 47%, with a favorable evolution of 2 p.p. compared the previous period.

The improvement of efficiency levels is one of the Bank's fundamental focuses, defining strict objectives for each business cycle, whose implementation is monitored by a specific team, under the supervision of the Efficiency and Investment Committee.

5.3 Evolution of financial statements

5.3.1. Balance sheet evolution

(AOA thousand)

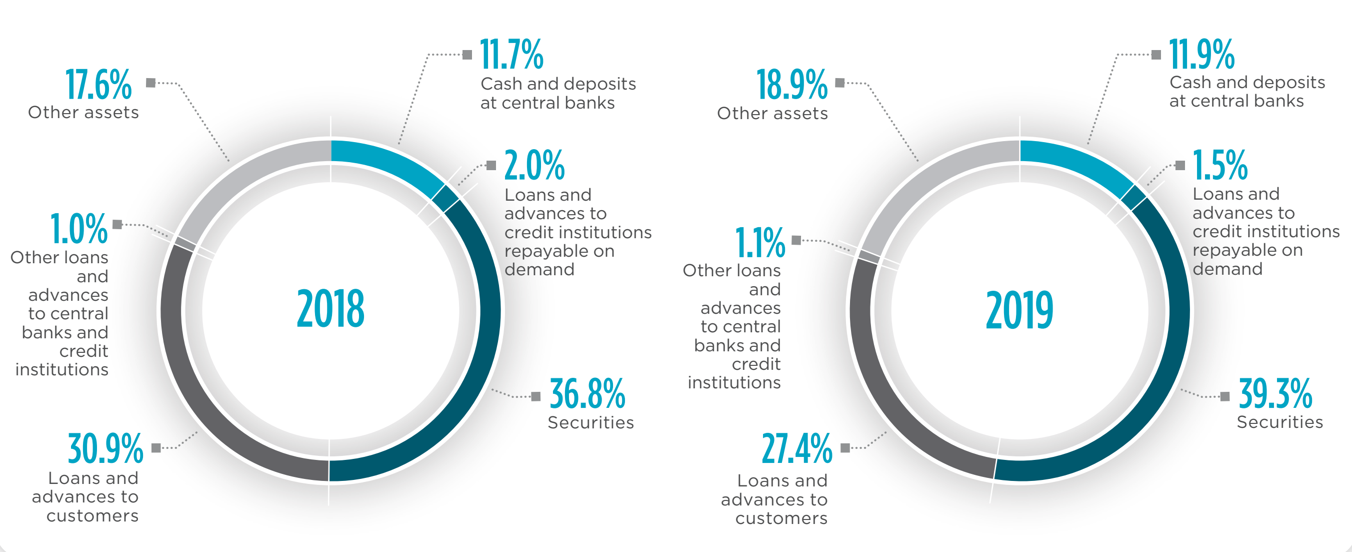
	31.12.2019	31.12.2018	Δ	Δ %
Assets				
Cash and deposits at central banks	190,988,448	159,372,252	31,616,196	20%
Loans and advances to credit institutions repayable on demand	24,428,190	26,739,729	(2,311,539)	-9%
Financial assets and liabilities at fair value through profit and loss	69,425,364	26,620,444	42,804,920	161%
Financial assets and liabilities at fair value through other comprehensive income	34,178,458	198,119,726	(163,941,268)	-83%
Financial assets at amortised cost				
Debt securities	529,302,406	274,968,716	254,333,690	92%
Loans and advances to customers	442,701,013	420,264,577	22,436,436	5%
Loans and advances to credit institutions repayable on demand	17,012,282	13,312,565	3,699,717	28%
Other tangible assets	61,282,073	65,709,104	(4,427,031)	-7%
Property and equipment	35,981,690	32,625,573	3,356,117	10%
Non-current assets held for sale	88,628,779	65,790,661	22,838,118	35%
Current tax assets	2,056,239	1,014,785	1,041,454	103%
Deferred tax assets	2,288,990	2,536,619	(247,629)	-10%
Other assets	103,205,141	71,697,218	31,507,923	44%
Total assets	**1,601,479,073**	**1,358,771,969**	**242,707,104**	**18%**
Liabilities and equity				
Deposits from central banks and other credit institutions	176,493,638	160,054,580	16,439,058	10%
Deposits from customers and other deposits	1,234,985,588	1,042,924,548	192,061,040	18%
Financial liabilities and liabilities at fair value through profit and loss	207,095	50,510	156,585	310%
Provisions	8,382,018	5,161,101	3,220,917	62%
Current tax liabilities	-	-	-	
Deferred tax liabilities	68,602	862,012	(793,410)	-92%
Other liabilities	18,024,543	14,679,727	3,344,816	23%
Total liabilities	**1,438,161,484**	**1,223,732,478**	**214,429,006**	**17%**
Share capital	53,821,603	53,821,603	-	0%
Share premium	34,810,069	34,810,069	-	0%
Treasury stock	(492,182)	(492,182)	-	0%
Other reserves and retained earnings	44,552,606	17,327,517	27,225,089	157%
Revaluation reserves	160,631	2,347,396	(2,186,765)	-93%
Profit/(loss) for the period	30,464,862	27,225,088	3,239,774	12%
Total equity attributable to the equity holders of the Bank	**163,317,589**	**135,039,491**	**28,278,098**	**21%**
Total liabilities and equity	**1,601,479,073**	**1,358,771,969**	**242,707,104**	**18%**

5.3.1.1. Assets structure

Government debt securities continue to represent the main investment line of the Bank's assets (39.3%), having strengthened its weight in 2019 following the exchange variation that occurred in the period. This composition of assets reflects a conservative perspective on asset management and concerns about currency and liquidity risks.

The Bank's assets amounted to AOA 1,601,479 billion, reflecting an 18% growth in the last 12 months. It should be noted the 12% growth of the securities portfolio due to the foreign exchange effect and the credit portfolio in national currency.

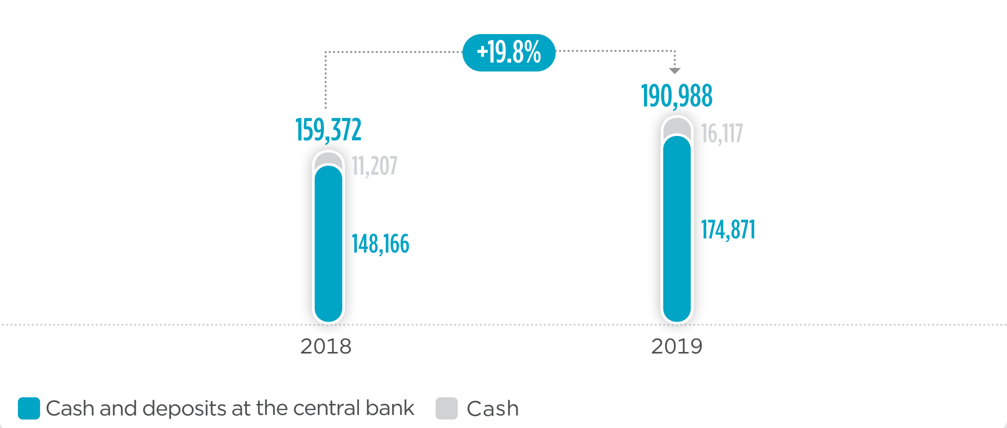
ASSETS STRUCTURE



a) Cash and deposits at the central bank

Cash and deposits at the central bank present a positive nominal evolution compared to 2018, with emphasis on Cash and cash equivalents, which grew AOA 4,910 million (+44%) and Cash and cash equivalents at BNA, which increased AOA 26,705 million, influenced by the exchange rate effect.

CASH AND DEPOSITS AT CENTRAL BANKS (AOA MILLION)



Cash includes: ATM notes, which increased AOA 629 million (+27%); banknotes and coins in branches in local and foreign currency, which increased AOA 3,864 million (+56%), and in deposit machines, which increased AOA 417 million (+1.517%). This evolution in cash and cash equivalents is related to the increase in the Bank's customer base in the mass market segment, the growth in the number of deposit machines and value collection contracts.

(AOA million)

	31.12.2019	31.12.2018	Δ	Δ%
Cash and deposits at the central bank	174,871	148,166	26,706	18%
Local currency	85,712	86,134	-421	0%
Foreign currency	89,159	62,031	27,128	44%

Regarding Cash and deposits at the central bank, approximately 49% are in national currency and 51% in foreign currency and represent the amounts available to meet the requirements of mandatory reserves, guarantee funds for the different clearing houses to deal with the Bank's current transactions and free reserves. The change in this caption is mainly explained by the exchange rate effect, which presented a positive fluctuation compared to the previous year and was impacted by approximately AOA 35,851 million. Excluding this effect, the Bank recorded a decrease in the amount of USD 16 million, corresponding to AOA 7,780 million, and AOA 421 million in resources in national currency.

During 2019, mandatory reserves registered an increase of 42%, approximately AOA 47,800 million, of which 49.7% was in national currency and 50.3% in foreign currency. The increase in mandatory reserves in national currency is explained by the worsening of the coefficient of reserves in national currency, from 17% to 22%, with an impact estimated at AOA 35,812 million, mitigated by credit rights.

b) Loans and advances to credit institutions repayable on demand

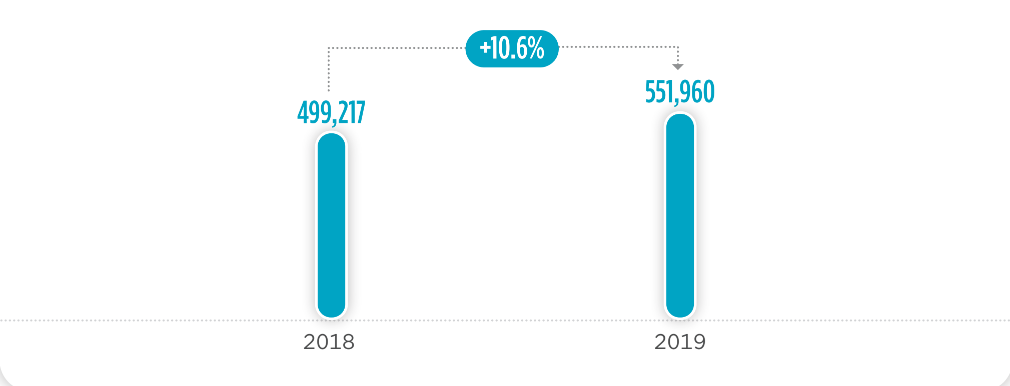
Loans and advances to credit institutions repayable on demand represent cash in demand available with counterparties. Compared to the previous year, there was an 8% decrease (approximately AOA 2,312 million), a total amount of AOA 24,428 million. The decrease in availability at other institutions is related to the settlement of letters of credit and the execution of transactions abroad, as well as the use of funds to reduce lines of credit with counterparties.

c) Loans and advances to Customers

ATLANTICO's gross loan portfolio (before impairment) amounted to AOA 551 billion, having grown approximately 11% when compared to the same period last year. The increase of approximately AOA 52,743 million was driven by the companies segment in the fields of industry, commerce, construction and agriculture, reflecting the strategy of greater focus on portfolio diversification and reinforcement of guarantees, as well as ATLANTICO's commitment to support companies and individuals, despite the environment of major restrictions that are imposed.

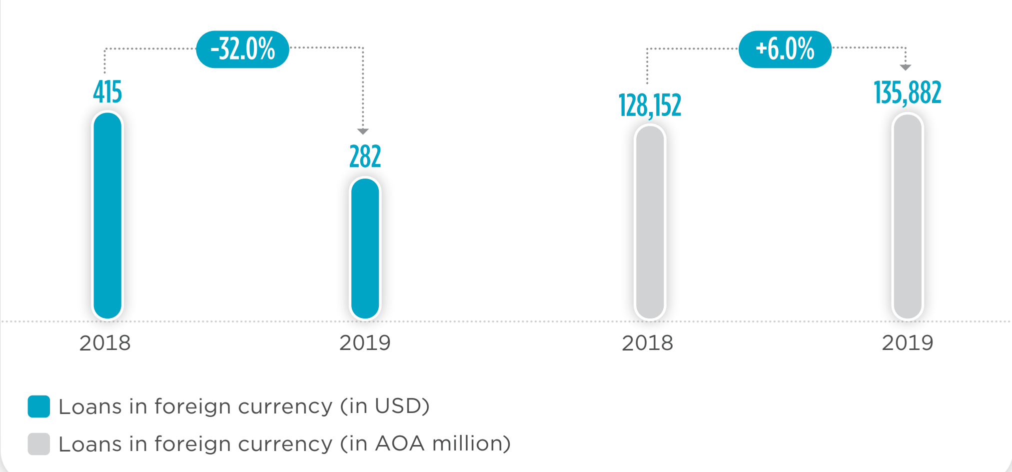
In order to adequately cover credit risk and increase recovery capacity, the Bank has reinforced guarantees in existing and new operations, given the scenario of economic deterioration and increased risk of default.

LOANS (AOA MILLION)



The continued depreciation of Kwanza in the year compared to the main currencies (EUR 53% and USD 57%) was reflected in the foreign currency portfolio, which is a relevant point for the increase registered.

LOANS BY CURRENCY TYPOLOGY



Loans in foreign currency were driven by the exchange devaluation, despite the increase of 6% in the volume of loans granted in foreign currency. Loans in foreign currency recorded a 32% decrease, approximately USD 133 million, compared to the previous year.

Regarding credit payments, given the less positive outlook in terms of liquidity, Customers made payments through transfers in the total amount of AOA 34,818 million. The default level increased from AOA 56,148 million in 2018, to AOA 82,407 million in 2019, corresponding to a relative growth of 47%. This situation raised the level of impairment from AOA 78,952 million in 2018, to AOA 109,258 million in 2019, a reinforcement of approximately AOA 30 billion, explained by the following events:

- Charge for the period/Reversals: + AOA 20,856 million;
- Charge-off: - AOA 6,862 million;
- Exchange devaluation and other: + AOA 16,312 million.

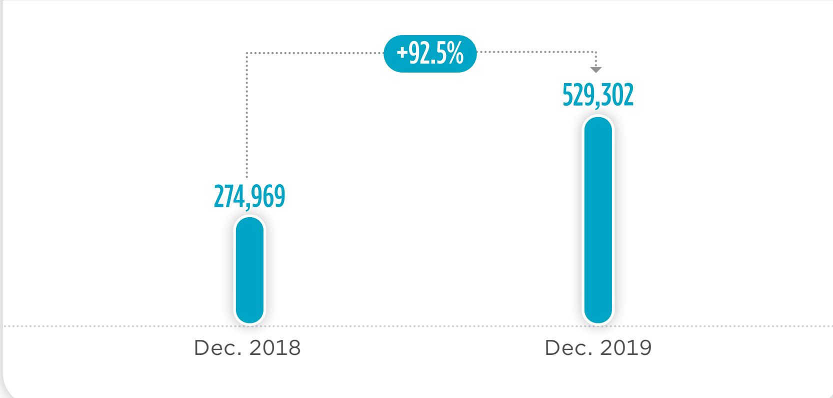
This reinforcement is explained by the deterioration in the quality of the portfolio, namely the increase in overdue loans in the period, from 9.9% to 13.3%.

The overdue credit coverage ratio decreased 6 p.p. compared to the same period last year, from 164% to 154%.

d) Debt securities

These fixed income assets are held by the institution until maturity. In 2019, they presented a 92.5% increase, + AOA 254,334 million, amounting to more than + AOA 500,000 million. These securities are mainly in foreign currency (97%) or indexed.

DEBT SECURITIES (AOA MILLION)



Also in this evolution, we highlight the reclassification of a portfolio of securities in the amount of AOA 103 billion from “Fair value through other comprehensive income” to “Debt securities at amortised cost”, within the business improvement for these securities and the AQA exercise. Excluding the effect of the securities reclassification, the growth in this category was 40%, which is in line with the depreciation levels less the maturity of operations in the year.

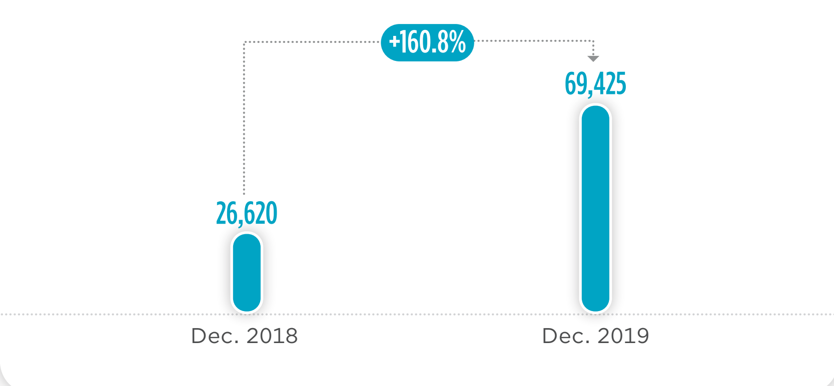
e) Financial assets at fair value through profit or loss

As at 31 December 2019, financial assets at fair value through profit or loss are mainly comprised of variable income securities (82%), namely the participation units held by ATLANTICO in several funds managed by the collective investment management company – ATLANTICO GESTÃO DE ACTIVOS.

Approximately 18% of financial assets at fair value through profit or loss refer to loans that do not meet the SPPI criteria, in accordance with IFRS 9.

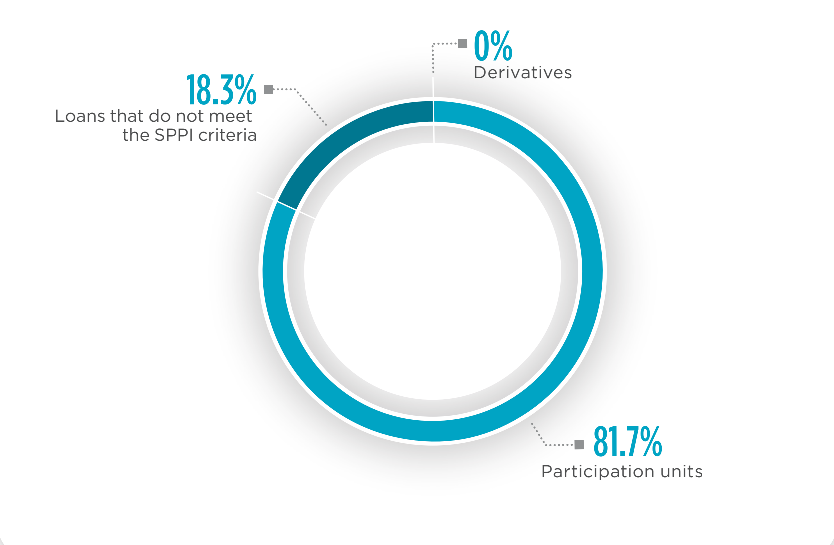
> **“In 2019, they presented a 92.5% increase, + AOA 254,334 million. These securities are mainly in foreign currency (97%) or indexed.**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOA MILLION)



This caption is divided as follows:

ASSETS AT FAIR VALUE THROUGH RESULTS



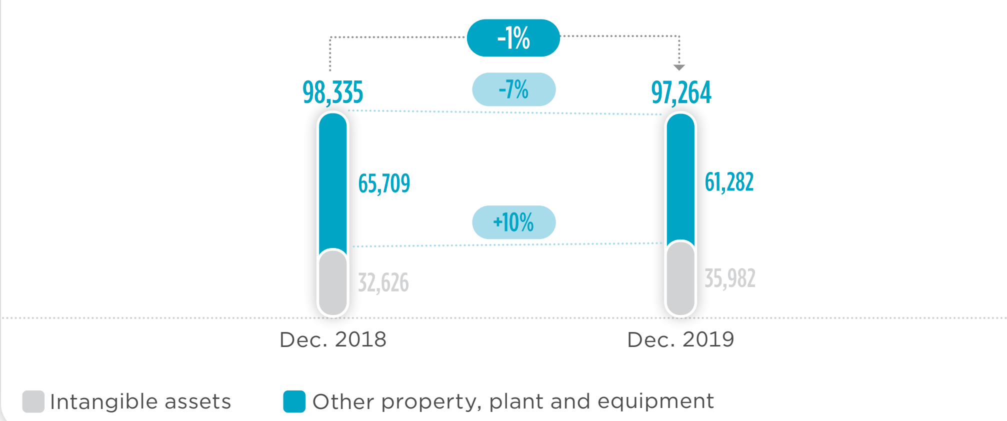
f) Financial assets at fair value through other comprehensive income
This category includes investments in securities, whose the purpose is to periodically receive interest and sell them. In December 2019, these assets amounted to AOA 34,178 million, an 83% decrease compared to the previous year, due to the reclassification of portfolios in the amount of AOA 103,558 million to debt securities. The additional decrease is explained by the sale of the portfolio.

g) Property, plant and equipment and Intangible assets
As at 2019, it should be noted the implementation of IFRS 16 – Financial leases, which had an impact in the increase of fixed assets regarding the lease agreements in line with the criteria defined in the standard. The impact of the first adoption is of approximately AOA 5 billion on assets.

The class of Property, plant and equipment and Intangible assets has been decreasing, justified not only by the normal depreciation of these assets but also by a set of measures that ATLANTICO has adopted in the framework of its commitment to operational efficiency. In this sense, in 2019, the Bank sold a set of real estate assets previously for its own use, in a total amount of AOA 12 billion, and closed 6 service points in line with the strengthening of the efficiency pillar.

Within Property, plant and equipment and Intangible assets, the main increases are related to investments in the field of technology and innovation, in line with the digital transformation that ATLANTICO has been performing. It should be noted the investments referring to the reinforcement of the technological infrastructure (hardware) to guarantee the robustness of the technological board and the upgrade of the Bank's core system

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (AOA MILLION)

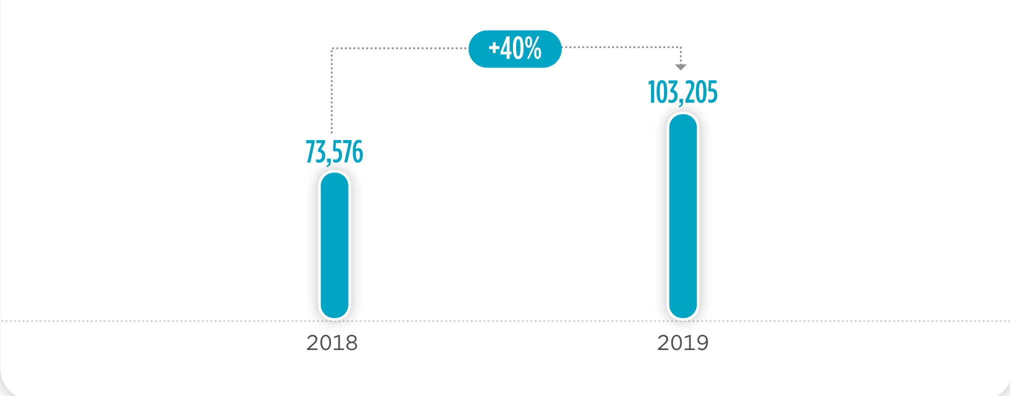


h) Non-current assets held for sale
This category includes the set of real estate received by transfer for credit default and own properties discontinued from the Bank's normal activity.

Credit operations and the respective payment capacity of Customers are directly related to the macroeconomic context and the negative performance of the Angolan economy in the last four years, especially affecting Customers and the quality of the Bank's credit portfolio.

Therefore, in 2019, ATLANTICO registered a 36% increase in this category supported by transfers in credit compliance. However, it should be noted that the Bank reinforced the process of communication and sale of these assets, creating management and control mechanisms with specialised teams, with sales that were equally relevant.

OTHER ASSETS (AOA MILLION)



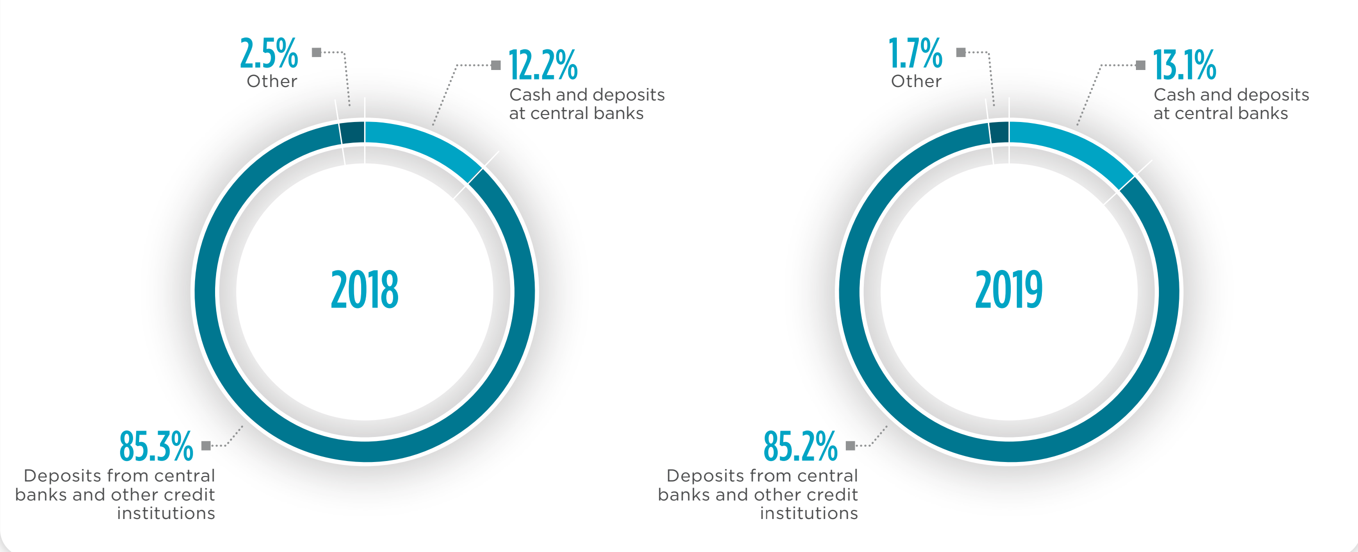
i) Other assets

This class includes deposit accounts, sundry debtors, deferred costs, projects under development and operations to be settled. In 2019, the evolution of this caption is related, on the one hand, to the exchange rate effect and, on the other hand, to sales performed and not fully paid.

5.3.1.2. Liabilities structure

Deposits continue to represent the main source of financing for ATLANTICO's activity, which consists of financial intermediation. It is through the volume of deposits that the Bank fulfills its social mission of granting loans to families and companies through the attribution of an interest rate. In this way, the liability structure remained stable when compared to 2018, although it should be noted the Bank's commitment to increase deposits in 2019 and the decrease of its exposure to national and international counterparties. In order to continue financing its operations, ATLANTICO used less funds available in the national and international interbank market, where free liquidity levels are lower and costs are higher.

LIABILITIES STRUCTURE

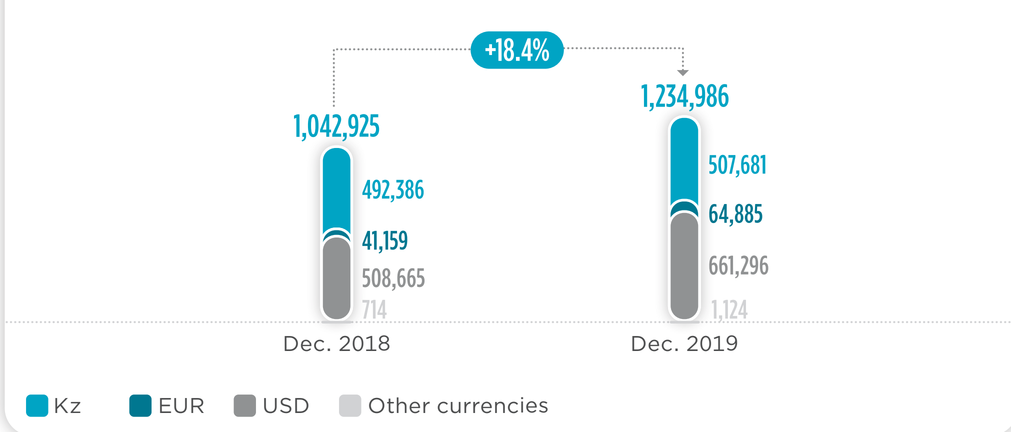


a) Deposits from Customers and other loans

In 2019, the Bank's deposits increased AOA 192,061 million, reaching AOA 1,234,986 million. Local currency resources grew approximately 3% and foreign currency resources decreased by USD 278 million, 15% less than in the previous year, having the total effect in kwanzas been mitigated by the exchange devaluation.

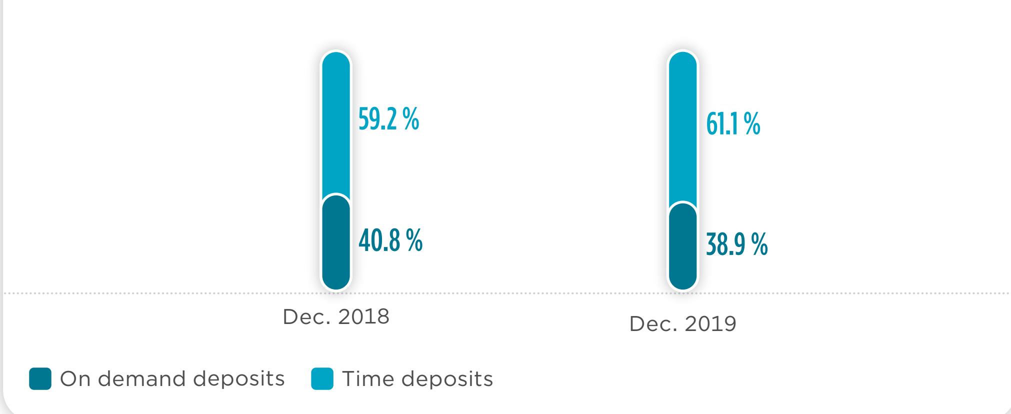
The decrease in foreign currency resources is mainly related to the amortisation of credits in foreign currency, sale of Customers to the foreign currency bank and performance of operations abroad.

RESOURCES FROM CUSTOMERS (AOA MILLION)



Regarding the stability of resources, the portfolio evolved with time deposits, increasing their proportion by 2 p.p. (2019: 61%; 2018: 59%).

DEPOSITS BY CURRENCY



The increase in interest-bearing deposits also implied an increase in interest charges.

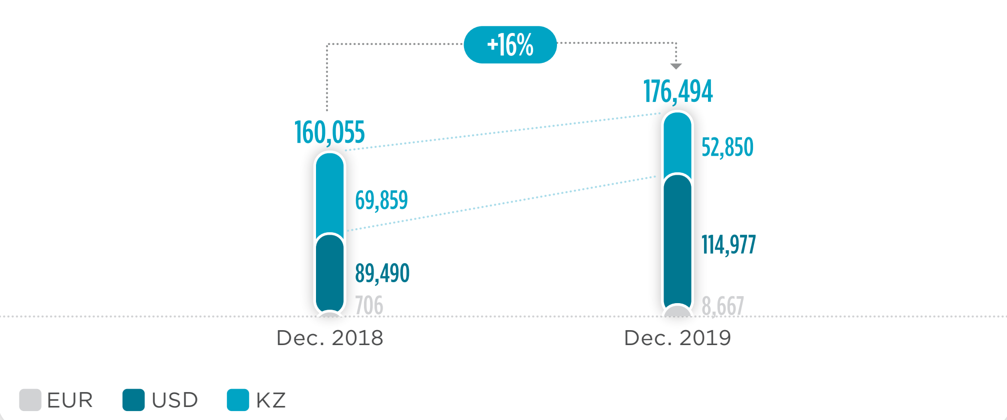
b) Deposits from central banks and other credit institutions

Deposits from central banks and other credit institutions represent complementary sources for raising funds necessary for ATLANTICO's activity.

The use of these financing sources is related to the maturity calendar of government bonds, with the application of monetary policy through the mandatory reserve instrument, whose coefficient increased to 22% in 2019, and also with the foreign exchange market as a major consumer of liquidity in national currency.

In 2019, liquidity transactions in the interbank money market presented a significant decrease, estimated at 58% compared to 2018, in line with the guidelines of a more conservative monetary policy. Regarding ATLANTICO, in November and December, the Bank intensified the use of outlets due to the increase in the coefficient of mandatory reserves.

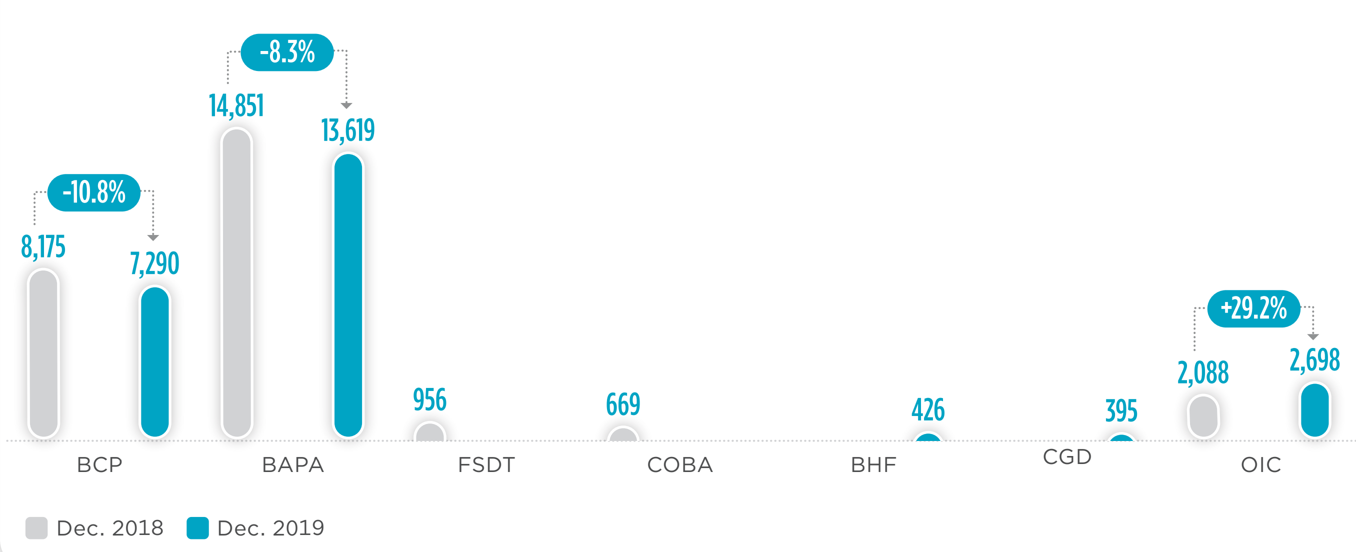
DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS (AOA MILLION)



"In 2019, the Bank's deposits increased AOA 192,061 million, reaching AOA 1,234,985 million, still below the 30% growth in the market. Local currency resources grew approximately 3% and foreign currency resources decreased.

Deposits from central banks and other credit institutions presented a 10% increase. Excluding the exchange rate effect, fundraising from these complementary sources has decreased, both in national and foreign currency.

DETAIL AND EVOLUTION OF THE MAIN CORRESPONDING BANKS



c) Other liabilities

This caption is composed by smaller liabilities that do not fall within the specific categories previously addressed.

The 16% increased observed results from the adoption, in January 2019, of IFRS 16 – Finance leases, with a finance lease liability valued at AOA 6,017 million, as described in note 20 attached.

5.3.2. Income statement evolution

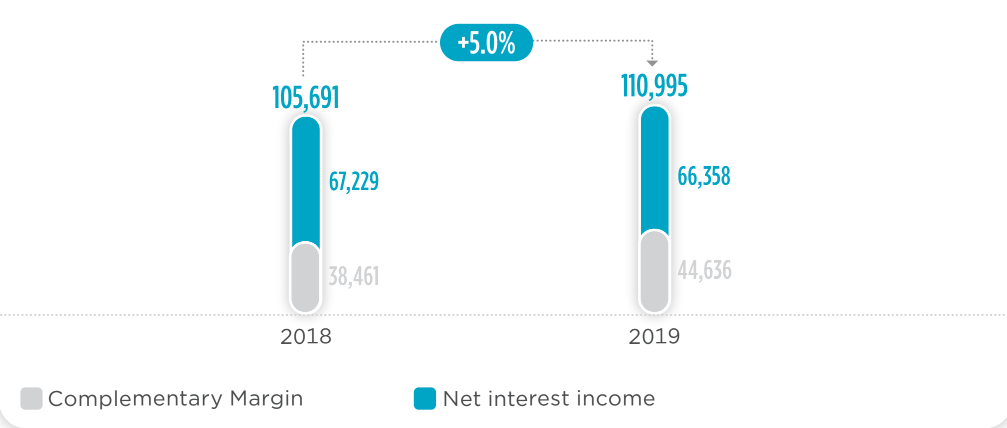
(AOA thousand)

	31.12.2019	31.12.2018	Δ	Δ %
Interest and similar income	119,613,445	118,452,965	1,160,480	1%
Interest and similar expense	(53,255,332)	(51,223,346)	(2,031,986)	4%
Net interest income	**66,358,113**	**67,229,619**	**(871,506)**	**-1%**
Fees and commissions income	16,813,068	21,250,115	(4,437,047)	-21%
Fees and commissions expense	(1,786,607)	(610,385)	(1,176,222)	193%
Profit/(loss) from fees and commissions	**15,026,461**	**20,639,730**	**(5,613,269)**	**-27%**
Net gains/(losses) arising from financial assets and liabilities through profit or loss	(287,653)	(1,134,897)	847,244	-75%
Net gains/(losses) arising from available for sale financial assets	1,053,520	2,729,250	(1,675,730)	-61%
Net gains/(losses) arising from foreign exchange differences	3,124,635	13,456,258	(10,331,623)	-77%
Net gains/(losses) arising from the disposal of other assets	25,719,887	2,770,784	22,949,103	828%
Net gains/(losses) from financial operations	**29,610,389**	**17,821,395**	**11,788,994**	**66%**
Operating income	**110,994,963**	**105,690,744**	**5,304,219**	**5%**
Staff costs	(21,146,974)	(22,481,591)	1,334,617	-6%
Supplies and services	(12,855,806)	(16,946,248)	4,090,442	-24%
Depreciation and amortisation for the period	(6,424,570)	(4,608,577)	(1,815,993)	39%
Provisions net of reversals	(2,764,676)	(9,106,581)	6,341,905	-70%
Impairment for financial assets at amortised cost	(28,870,784)	(24,537,890)	(4,332,894)	18%
Impairment for financial assets through other comprehensive income	175,354	(210,720)	386,074	-183%
Other operating income	(8,395,016)	(1,492,901)	(6,902,115)	462%
Profit/(loss) before tax from continuing operations	**30,712,491**	**26,306,236**	**4,406,255**	**17%**
Income tax	(247,629)	918,852	**(1,166,481)**	**-127%**
Current	-	131,263	(131,263)	-100%
Deferred	(247,629)	787,589	(1,035,218)	-131%
Profit/(loss) after tax from continuing operations				
Net profit/(loss)	**30,464,862**	**27,225,088**	3.239.774	12%

5.3.2.1. Operating income

The operating income was set at AOA 110,994 million, an increase of 5% compared to the previous period. This increase results from the positive performance from the sale of properties, compensating the effects of the reduction of commissions and other categories of complementary margin.

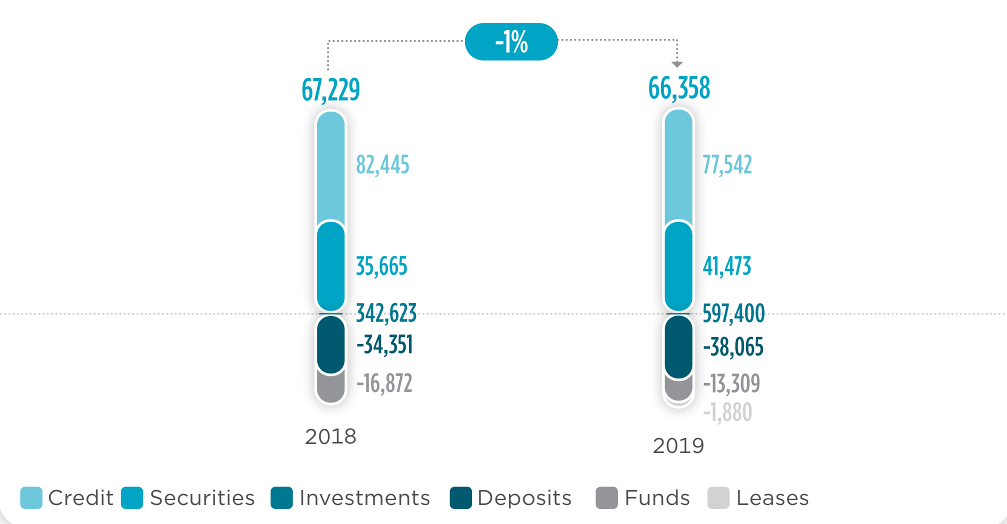
OPERATING INCOME (AOA MILLION)



a) Net interest income

Excluding the effect of the application of IFRS 16 – Financial leases in 2019, Net interest income increased 1% compared to the same period last year, benefiting from the 16% increase in interest on securities and the stabilization of global financial charges. There was an increase in expenses with deposit interest, which was more than offset by a decrease in charges for raising liquidity in the money market, resulting from the decrease in exposure to national and international counterparties.

NET INTEREST INCOME EVOLUTION (AOA MILLION)



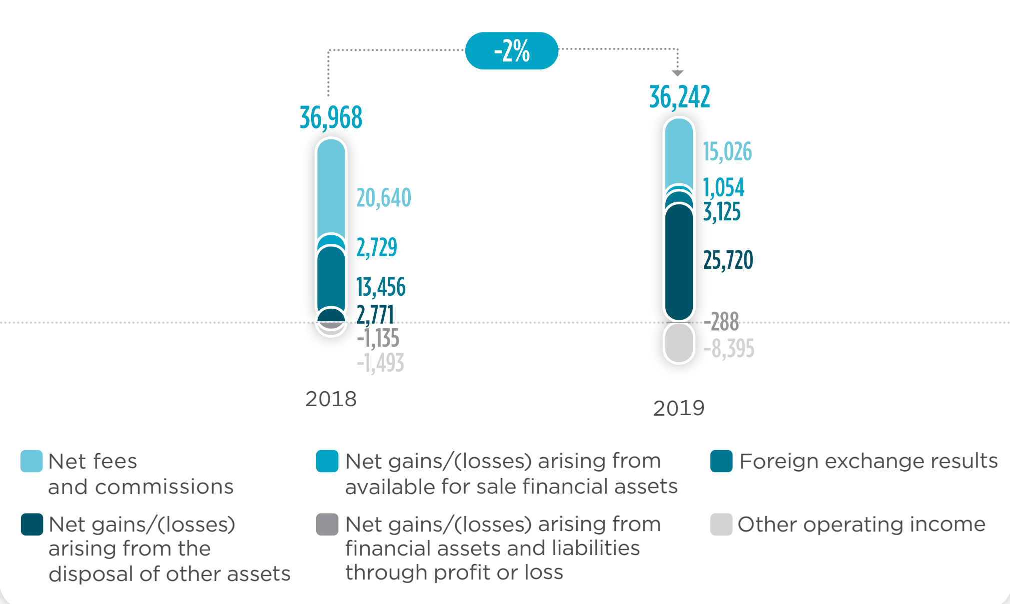
In 2019, credit interest amounted to AOA 77,542 million, a 5% decrease compared to 2018.

Interest on securities had a very important contribution to mitigate the impact of the fall in credit interest on net interest income, with a 16% growth in interest income on securities compared to the same period last year.

b) Complementary margin (including Other operating income)

The complementary margin decreased approximately 2% compared to the previous period, due to the impact of the sharp reduction in exchange rate results (-77%) and commissions income (-25%) and by the increase in Other operating income (+462%). These negative impacts were mitigated by the positive results of the capital gains generated by the sale of properties.

COMPLEMENTARY MARGIN (AOA MILLION)

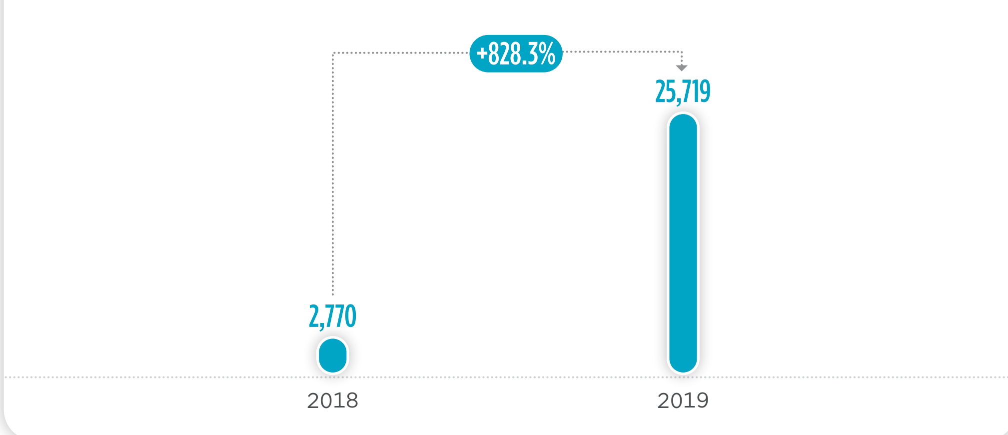


i. Net gains / (losses) from the disposal of other assets

Net gains / (losses) from the disposal of property include the gains generated by the sale of non-current assets held for sale. In 2019, this revenue line had a fundamental contribution for the results obtained.

Overall, the gains generated by the sale of property amounted to AOA 25,719 million, +828% compared to the previous year, as a result of the new model implemented for the sale and monitoring of the housing stock resulting from the transfers and the disposal of properties for own use over the period.

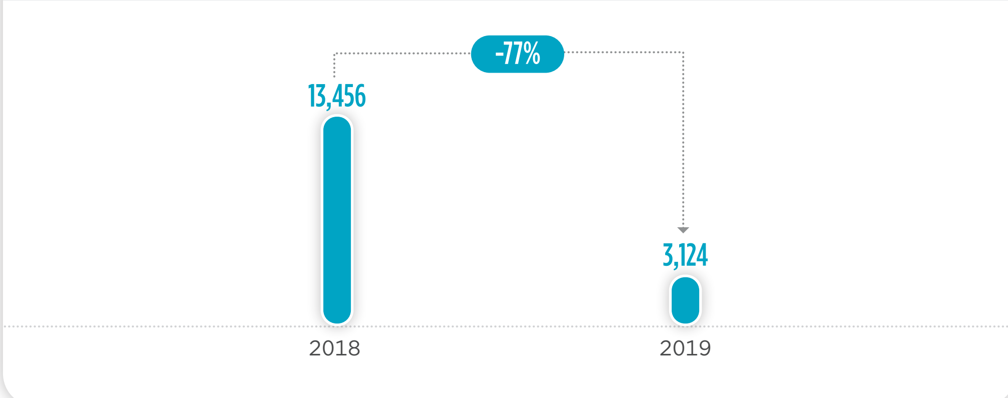
EVOLUTION OF NET GAINS / (LOSSES) FROM THE DISPOSAL OF OTHER ASSETS (AOA MILLION)



ii. Foreign exchange results

Foreign exchange results amounted to AOA 3,124 million. Compared to 2018, there is a 77% fall, influenced by the lower volume of foreign exchange operations and the management of the Bank's foreign exchange position.

FOREIGN EXCHANGE RESULTS (AOA MILLION)



iii. Services rendered and commissions

Commissioning revenues dropped approximately 27% in 2019, combining the effects of a lower volume of activity and the large regulatory influence caused by price changes. The change seen in this period is explained by the behavior of the following commissions:

1. Transfers: - AOA 723 million;
2. Payment methods: - AOA 648 million;
3. Credit: - AOA 556 million;
4. Customs invoices: - AOA 433 million;
5. Documentary credits: - AOA 348 million.

It should also be noted that non-recurring events occurred in 2018, in the amount of AOA 1,740 million, were the basis for the sharpest decrease in commissions when compared to the previous year.

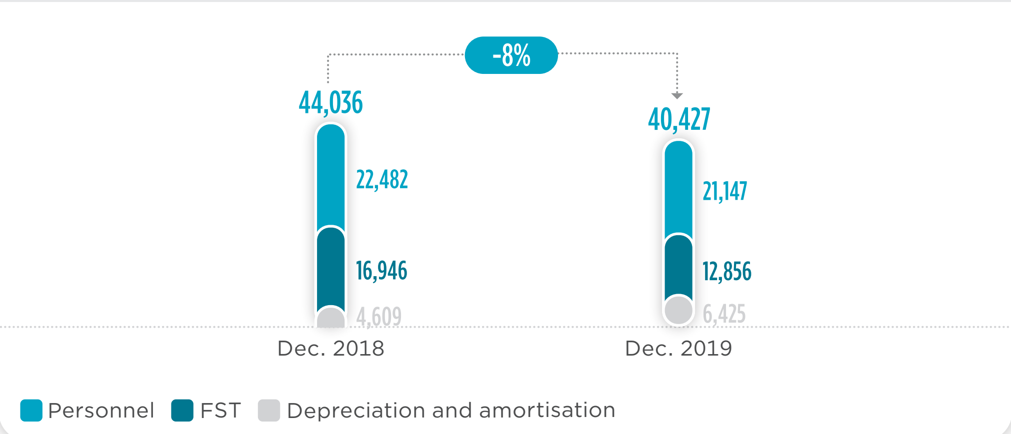
Detail of the evolution of the main commissioning lines
(AOA thousand)

Description	31.12.2019	31.12.2018	Abs.	%
Commissions received	**16,813,068**	**21,250,115**	**(4,437,047)**	**-26%**
Opening of documentary credit	4,914,483	5,255,694	(341,211)	-7%
Transfers issued/received	2,641,791	3,163,471	(521,680)	-20%
VISA commissions	2,169,633	2,107,014	62,619	3%
Electronic transactions	2,142,534	2,131,526	11,008	1%
Opening / renewals and maintenance of credit lines	1,457,265	1,743,306	(286,041)	-20%
Maintenance of DO account	1,000,424	987,831	12,593	1%
Guarantees provided	687,345	2,390,735	(1,703,390)	-248%
Exchange transactions	174,965	1,409,190	(1,234,225)	-705%
Customs - Revenue collection	171,048	604,439	(433,391)	-253%
Withdrawals	168,076	117,677	50,399	30%
Structuring of transactions and financial consultancy	56,508	36,650	19,858	35%
Other commissions	1,228,996	1,302,582	(73,586)	-6%
Commissions paid	**(1,786,607)**	**(610,385)**	**(1,176,222)**	**66%**
Foreign transactions	(685,925)	(504,951)	(180,974)	26%
Electronic transactions	(626,627)	-	(626,627)	100%
Other commissions	(474,055)	(105,434)	(368,621)	78%
Total	**15,026,461**	**20,639,730**	**5,613,269**	**37%**

c) Operating costs

Operating costs amounted to AOA 40,427 million, representing an 8% decrease compared to the same period last year. This result reveals a very positive performance in a context of high inflation, which is attributed to the Bank's strong focus on controlling operating expenses and implementing operational efficiency measures across all areas over the past few years, allowing for an improvement in results.

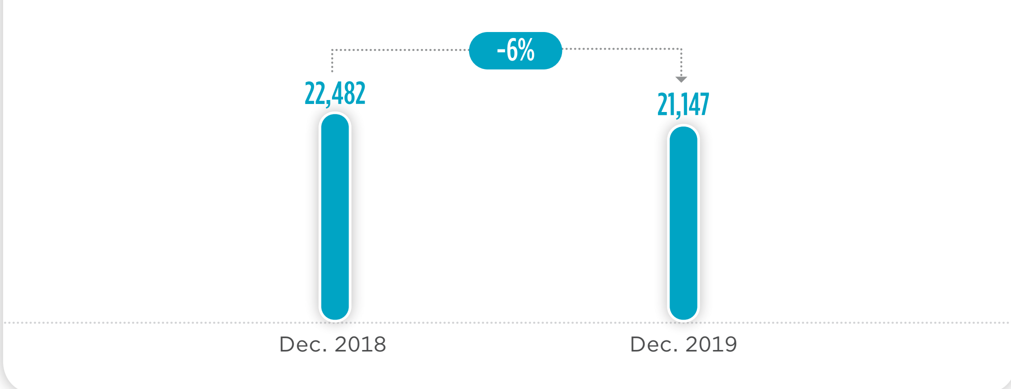
OPERATING COSTS (AOA MILLION)



i. Personnel costs

Personnel costs constitutes the largest share of operating expenses, approximately 52% in 2019, compared to 51% in 2018. Even considering the salary adjustment in 2019, personnel costs decreased approximately 6% due to the lower volume of performance bonuses determined by the degree of achievement of the objectives.

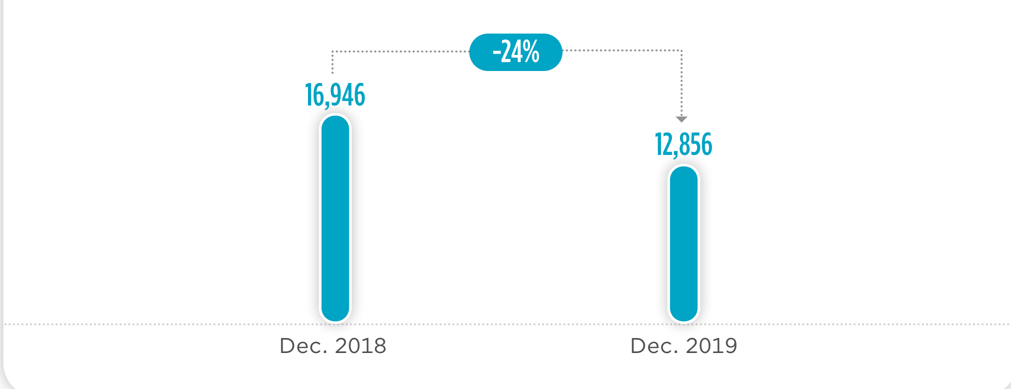
PERSONNEL COSTS (AOA MILLION)



ii. Supplies and external services

Expenses with supplies and external services performed very positively, especially considering the inflation levels and the exchange rate devaluation in the period. The decrease in these costs is largely due to the Bank's commitment to generate greater efficiency in the operation, which has resulted in the application of a set of measures to optimize costs and processes at the organization level.

SUPPLIES AND EXTERNAL SERVICES (AOA MILLION)



In 2019, there was an increase in expenses with communication for business support and in expenses with advertising and publicity related to institutional positioning.

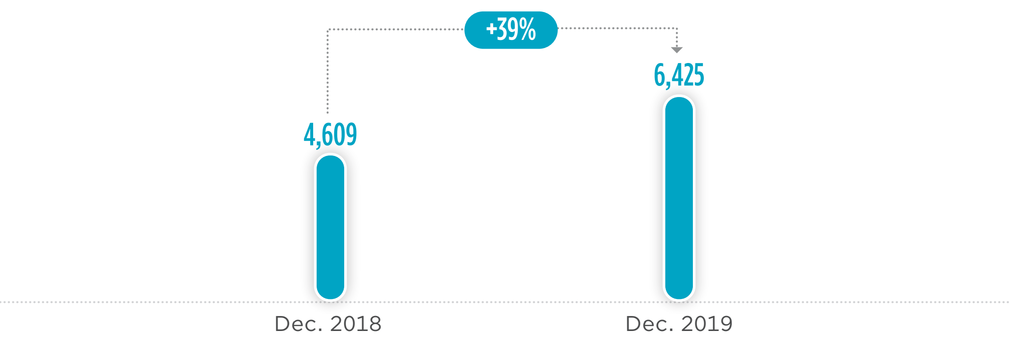
We highlight a wide decrease in expenses with advisory (-24%), security, maintenance and repair (-17%); transport and travel (-44%), expenses with miscellaneous materials (-49%), among others.

The entry into force of IFRS 16 contributed to the negative variation in charges with supplies and external services by approximately AOA 2 billion.

iii. Depreciation and amortisation

Depreciation and amortisation costs amounted to a total of AOA 6,424 million, a figure above the previous year amount of + AOA 1,815 million (+39%).

DEPRECIATION AND AMORTISATION (AOA MILLION)



The increase in amortisation expenses results, on the one hand, from the higher number of investments in technology and, on the other hand, from the impact of IFRS16 – Financial leases, in the amount of AOA 691 million.

Detail of operating costs by nature (AOA thousand)

Description	Dez.18	Dez.19	Abs.	%
Personnel costs	**22,482**	**21,147**	**(1,335)**	**-6%**
Communications costs	2,145	2,751	606	28%
Water, energy and fuel	665	287	(378)	-57%
Miscellaneous materials	1,150	586	(564)	-49%
External services	**3,960**	**3,624**	**(336)**	**-8%**
Transport, travel and hotel	1,285	725	(560)	-44%
Advertising costs	1,123	1,308	185	16%
Security, maintenance and repair	4,055	3,374	(681)	-17%
Audit, advisory and other specialised services	3,914	2,958	(956)	-24%
Insurance	271	288	17	6%
Rental costs	2,074	66	(2,008)	-97%
Other	264	513	249	94%
External services	**12,986**	**9,232**	**(3,754)**	**-29%**
External services supply	**16,946**	**12,856**	**(4,090)**	**-24%**
Amortisation for the period	4,609	6,425	1,816	39%
Total Operating costs	**44,036**	**40,428**	**(3,609)**	**-8%**

5.4 Proposal for application of profits

The proposal for application of the 2019 profits, in the amount of AOA 30,465 million, is as follows:

- Legal reserve (10%), according to the legislation in force, in the amount of AOA 3,046 million;
- Retained earnings (90%) in the amount of AOA 27,418 million.