Note 1.
Introduction

Banco Millennium Atlântico, S.A., which also uses the brand ATLANTICO (hereinafter referred to as "Banco" or "ATLANTICO"), was incorporated by Public Deed on 31 August 2006. Through communication of Banco Nacional de Angola (hereinafter also referred to as "BNA") dated 6 November 2006, ATLANTICO was authorized and definitively registered as ATLANTICO, and started its business activity on 17 November 2006. ATLANTICO operates and has its head office in Angola, at Rua do Centro de Convenções de Talatona, Via S8, GUOSB, Edifício ATLANTICO, Bloco 7/8, Bairro Talatona, Distrito Urbano da Samba, Luanda.

The Bank is dedicated to obtaining resources from third parties in the form of deposits or other, which applies, together with its own resources, in the granting of loans, in deposits at BNA, in investments in credit institutions, in the acquisition of securities and other assets, for which it is duly authorized. The Bank also provides other bank services and performs various types of transactions in foreign currency through a network, as at 31 December 2019, of 130 service points (31 December 2018: 136 service points).

Regarding the shareholder structure, as detailed in note 20, the Bank is owned mainly by private Angolan Shareholders.

In May 2016, the former Banco Privado Atlântico entered into a merger by incorporation with Banco Millennium Angola, creating Banco Millennium Atlântico. For accounting purposes, the merger produces effects on 1 January 2016.

Note 2.
Accounting policies

2.1. Basis of presentation

In accordance with the provisions of Notice No. 6/2016 of 22 June, from Banco Nacional de Angola, the financial statements of Banco Millennium Atlântico, S.A., (Bank or ATLANTICO) are prepared in accordance with the International Financial Reporting Standards ("IFRS").

IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and their predecessor bodies.

The individual financial statements of Banco Millennium Atlântico, S.A, now presented relate to the period ended as at 31 December 2019.

For the period ended 2017 and 2018, Banco Nacional de Angola ("BNA") expressed an interpretation referring that not all the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") have been fulfilled in order for the Angolan economy to be considered hyperinflationary and, thus, the Board of Directors of the Bank decided not to apply the provisions of that Standard to its financial statements as of that date. The effect resulting from the application of this standard in those financial years is not also reflected in the financial statements of 31 December 2019.

The accounting policies presented in this note were applied consistently with those used in the financial statements as of 31 December 2018, except for the changes resulting from the adoption of IFRS 16 – Leases which replaces IAS 17 – Leases. The most relevant changes are described in note 2.11 - Leases.

The financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand. These were prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, namely financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

The preparation of financial statements in accordance with IFRS requires the Bank to make judgments and estimates and to use assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. Changes in such assumptions or differences between them and reality may have an impact on current estimates and judgments. Areas that involve a higher level of judgment or complexity, or where assumptions and significant estimates are used in the preparation of the financial statements are analysed in Note 3.

The Bank's financial statements for the period ended on 31 December 2019 were approved by the Board of Directors on 15 April 2020.

2.2. Comparability of the information

The Bank adopted the standards whose application is mandatory for periods beginning on or after 01 January 2019. The accounting policies were applied consistently and are consistent with those used in the prior year financial statements, except for the changes resulting from the adoption of IFRS 16, whose impact is presented in note 2.11.

The requirements presented by IAS/IFRS are generally applied retrospectively, by adjusting the opening balance sheet to the date of initial application (1 January 2018).

2.3. Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency (kwanza) at the exchange rate published on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into the functional currency at the exchange rate published at the balance sheet date. Foreign exchange differences resulting from the conversion are recognised in the income statement. Non-monetary assets and liabilities expressed in foreign currency and recorded at historical cost are converted to the functional currency at the exchange rate published on the date of the transaction. Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate published on the date when the fair value is determined and recognised in the income statement, except for those recognised in available-for-sale financial assets, whose difference is recorded in equity.

The reference exchange rates of kwanza towards US dollar (USD) and euro (EUR) were the following:

Currency	31.12.2019	31.12.2018
AOA/USD	482.227	308.607
AOA/EUR	540.817	353.015

2.4. Loans granted and accounts receivable

Loans granted and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market and are not intended to be sold in the short term. These categories include loans granted to Customers, cash and cash equivalents, other loans and advances to credit institutions and other receivables that are not traded in an active market. These are recorded by the contracted amounts, when originated by the Bank, or by amounts paid, when purchased from other entities.

Loans granted and accounts receivable are initially accounted at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method and are presented in the balance sheet net of impairment losses. Interest calculated at the effective interest rate is recognised in Net interest income on a straight-line basis.

Loans granted and accounts receivable are derecognised from the balance sheet (write-offs) when (i) the contractual rights

of the Bank to their respective cash flows have expired, (ii) the Bank transferred substantially all associated risks and rewards of ownership, or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

2.5. Financial instruments

Classification, initial recognition and subsequent measurement

In accordance with IFRS 9 – "Financial instruments", financial assets can be classified into three categories with different measurement criteria:

- Financial assets measured at amortised cost,
- Financial assets measured at fair value through profit and loss; and
- Financial assets measured at fair value through other comprehensive income.

The classification of assets depends on the characteristics of the contractual cash flows and the business model related to them.

With regards to the characteristics of contractual cash flows, the criteria is to assess whether these reflect solely payments of principal and interest (SPPI).

Business model

The standard identifies two relevant business models for the Bank's activity:

- Business model whose purpose is to held the asset to collect its contractual cash flows (Hold to collect); and,
- Business model whose purpose is both to collect its contractual cash flows and the sale of financial assets (Hold to collect and sell).

A debt financial instrument that (i) is managed under a business model whose purpose is to held financial assets in the portfolio and receive all of its contractual cash flows and (ii) has contractual cash flows on specific dates corresponding to solely payments of principal and interest on the outstanding principal - should be measured at amortised cost, unless it is designated at fair value through profit and loss under the fair value option – "Hold to collect".

A debt financial instrument that (i) is managed under a business model whose purpose is both to collect its contractual cash flows and the sale of financial assets and (ii) contains contractual clauses that give rise to cash flows corresponding to solely payments of principal and interest on the outstanding capital - should be measured at fair value through other comprehensive income ("FVTOCI"), unless it is designated at fair value through profit and loss under the fair value option "Hold to collect & sale".

All other debt financial instruments should be measured at fair value through profit and loss ("FVPL").

The Bank assessed its business models based on a wide set of indicators, including its business plan and current risk management policies.

The Bank conducted an assessment of the business model in which the financial instrument is held, at a portfolio level, as this approach reflects the best way in which assets are managed and how the information is made available to management bodies. The information considered in this assessment includes:

- policies and goals established for the portfolio and the practical operability of these policies. In particular, how the management strategy focuses on receiving contractual interest, keeping a certain interest rate profile, adjusting the lifetime of financial assets to the lifetime of liabilities that sponsor these assets or generating cash flows through the sale of the assets;
- how the portfolio's performance is assessed and reported to the Bank's management bodies;
- assessing the risks that affect the performance of the business model (and of the financial assets held under this business model) and how these risks are managed;
- the remuneration of business managers – *e.g.* to what extent the compensation depends on the fair value of assets under management or contractual cash flows received; and
- frequency, volume and periodicity of sales in previous periods, the reasons for such sales and the expectations about future sales. However, sales information should not be considered separately, but as part of an overall assessment of how the Bank sets goals for managing financial assets and how cash flows are obtained.

Assess if contractual cash flows correspond solely to payments of principal and interest (SPPI)

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the compensation for the time value of money, the credit risk associated with the outstanding amount over a given period of time and for other risks and costs associated to the activity (*e.g.* liquidity risk and administrative costs), as well as a mark-up rate.

In the assessment of financial instruments in which contractual cash flows relate exclusively to the payments of principal and interest, the Bank considered the original contractual terms of the instrument. This assessment included the analysis of existing situations in which the contractual terms can change the periodicity and the amount of cash flows which fail to comply with the SPPI condition. In the assessment process, the Bank considered:

- contingent events that may change the periodicity and amount of cash flows;
- characteristics resulting in leverage;
- prepayment and extension of maturity terms;
- provisions that may restrict the Bank's right to claim cash flows relating to specific assets (*e.g.* non-recourse loans); and
- characteristics that may change time-value compensation of money (*e.g.* periodic resetting interest rates.

As previously mentioned, the "Hold to collect" business model establishes quantitative thresholds based on past experience in order to evaluate the frequency and materiality of sales. The sales forecast for the financial assets classified under this business model do not exceed the thresholds set by the Bank.

With regards to the other financial instruments, namely equity instruments and derivatives, these are by definition classified at fair value through profit and loss. For equity instruments, there is an irrevocable option to designate that all fair value changes are recognised in other comprehensive income, in which case only dividends are recognised in profit and loss as long as they do not clearly represent a recovery of part of the investment cost as the gains and losses are not reclassified to profit and loss even when they are derecognised.

Reclassifications

Financial assets are not reclassified after their initial recognition, except for the period after the Bank changes its business model to the management of financial assets.

Financial assets are reclassified to other categories only if the business model used in their management changes. In such case, all affected financial assets are reclassified.

The reclassification is applied prospectively from the date of reclassification, and no gains, losses (including impairment losses) or previously recognised interest are restated.

Reclassification of investments in equity instruments measured at fair value through other comprehensive income or financial instruments designated at fair value through profit and loss, is not allowed.

Financial assets measured at amortised cost

The Bank measures a financial asset at amortised cost if it meets, simultaneously, the following requirements and is not recorded at FVTPL (use of the Fair Value Option):

- the financial asset is held in a business model whose main purpose is to held the asset to collect its contractual cash flows (HTC – Held to collect); and
- its contractual cash flows occur on specific dates and correspond solely to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

These instruments are initially recorded at fair value and subsequently valued at amortised cost, based on the effective interest rate method and are subject to impairment tests.

Included in this category are debt securities, loans and advances to Customers and other loans and advances to credit institutions and other receivables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt instruments that are recorded at fair value at the time of their initial recognition. Gains and losses on subsequent fair value variation are recorded in a specific equity caption referred to as "Accumulated comprehensive income reserve" until its sale where they are reclassified to profit and loss for the period, except for equity instruments that are reclassified to retained earnings.

Interest is calculated using the effective interest rate method and recorded in the income statement under "Interest and similar income".

Income from variable income securities is recognised in the income statement under "Income from equity instruments (Dividends)" at the date these are allocated. According to this criteria, prepaid dividends are recorded as income for the period in which its distribution is approved.

Financial assets and liabilities at fair value through profit and loss

All financial assets that are not measured according to the methods described above are measured at fair value through profit and loss. In addition, at initial recognition, the Bank may irrevocably classify a financial asset, which otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income and at fair value through profit and loss, if the classification significantly eliminates the accounting mismatch that would otherwise exist (Fair Value Option).

This category included mainly securities acquired for the purpose of realising gains from short-term fluctuations in market prices fall within this category. Also included in this category are financial derivative instruments, excluding those that meet hedge accounting requirements.

Gains and losses generated by the subsequent valuation recorded in the income statement, under "Gains/(losses) arising from financial assets and liabilities measured at fair value through profit and loss". Interest is reflected under the caption "Interest and similar income".

Debt instruments whose contractual cash flow characteristics do not comply with the SPPI criteria and that would otherwise be measured at amortised cost or at fair value through other comprehensive income are mandatorily measured at fair value through profit and loss.

Financial assets held for trading include variable income securities in active markets acquired for the purpose of being traded in the short term. Trading derivatives with net value receivable (positive fair value) and options purchased are included in the financial assets held for trading. Trading derivatives with a net amount payable (negative fair value) and options sold are included in the financial liabilities held for trading.

Financial assets and liabilities held for trading and other financial assets at fair value through profit and loss are initially recognised at fair value. Gains and losses arising from the subsequent fair value variation are recognised in the income statement.

Derecognition

Assets are derecognised when (i) the contractual rights of the Bank to their respective cash flows have expired, (ii) the Bank transferred substantially all associated risks and rewards of ownership, or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

Sale transactions with repurchase agreement

Securities sold under repurchase agreements are held in the portfolio where they were originally recorded. The funds received are recorded as liabilities, on the settlement date, and the interest payable is accrued.

Impairment

IFRS 9 introduces the concept of expected credit losses that differs significantly from the concept of losses incurred under IAS 39, thereby anticipating the recognition of credit losses in the financial statements of the institutions. Thus, when determining the ECL, macroeconomic factors are considered, whose changes impact the expected losses. IFRS 9 defines that the concept of impairment based on expected losses be applied to all financial assets other than financial assets measured at fair value through profit and loss and equity instruments measured at fair value through equity.

The Bank applies the concept of expected credit losses of IFRS 9 to financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, finance leases, other amounts receivable, financial guarantees and loan commitments not recorded at fair value.

The expected loss for credit risk is an estimate weighted by the probability of the present value of the credit losses. This estimate results from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of several future macroeconomic scenarios discounted at the interest rate of the financial instruments.

The Bank measures the expected loss on an individual or collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset using the asset's original effective interest rate, whether measured individually or collectively.

The ECL determination to be applied depends on the allocation of the contract to one of three stages. At the initial recognition stage, each contract is allocated to stage 1 (with the exception of Contracts Purchased or Originated with Objective Evidence of Loss: Purchased or Originated Credit Impaired - POCI).

For each of the subsequent reporting dates, it is necessary to perform an analysis to the variation in the default risk from that date to the expected maturity of the agreement.

Instruments that are subject to impairment calculations are divided in three stages considering its credit risk level, as follows:

Stage 1: no significant increase in credit risk since its initial recognition. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur within 12 months after the reporting date;

Stage 2: instruments in which there is a significant increase in credit risk since its initial recognition, however no objective evidence of impairment exists. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

Stage 3: instruments for which there is objective evidence of impairment losses as a consequence of events that resulted in losses. In this case, impairment losses will correspond to expected credit losses over the expected residual life of the instrument.

Depending on the operation's Stage classification, credit losses are estimated according to the following criteria:

- 12-month expected losses: expected loss resulting from a loss event occurring within 12 months after the calculation date and it is applied for stage 1 operations; and,
- Lifetime expected losses: expected loss obtained through the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the agreement. That is, the expected loss results from all potential loss events to maturity and it is applied to stage 2 and 3 operations.

With the exception of financial assets purchased or originated with impairment (designated by POCI), impairment losses must be estimated through a provision for losses in an amount equal to:

- expected loss on a 12-month credit risk, *i.e.* estimated total loss resulting from events of default of the financial instrument that may occur within 12 months after the reporting date (referred to as Stage 1);
- expected loss on a lifetime credit risk, *i.e.* expected loss obtained through the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the agreement, resulting from all possible events of default of the financial instrument (referred to as Stage 2 and Stage 3). A provision for the expected loss on a lifetime credit risk is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition or if the financial instrument is impaired.

IFRS 9 - "Financial instruments" fails to define a concept of default. However, the Bank has chosen to update its internal default definition by introducing a set of criteria to reflect a more forward-looking model for the recognition of expected losses on financial assets. For an operation to be classified in default, it is only necessary that one of the criteria is met. Any particular operation/customer will no longer be classified in default if it fails to comply with the respective entry criteria and after that quarantine period has been fulfilled.

Impairment requirements of IFRS 9 are complex and require management decisions, estimates and assumptions, particularly in the following areas:

- assessment of an increase in significant risk since the moment of initial recognition; and
- inclusion of forward-looking information on the ECL calculation.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference of all cash shortfalls (*i.e.* the difference between the cash flows due to the Bank under the agreement and the cash flows the Bank expects to receive);
- financial assets with impairment signs at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused loan commitments: the present value of the difference between the resulting contractual cash flows if the commitment is fulfilled and the cash flows that the Bank expects to receive; and
- financial guarantees: the present value of expected repayments less the amounts that the Bank expects to recover.

The concept supporting the Bank's approach for the determination of impairment losses on loans subject to collective analysis is the definition of homogeneous segments that consider the quality of its assets and the characteristics of credit/customer risk. Accordingly, the Bank ensures that for the purposes of analysing these exposures and determining the risk parameters (PD and LGD), these have similar risk characteristics. Each segment is set up based on assumptions of statistical materiality (in order to estimate its risk profile) and relevance or adequacy to the various processes related to the Bank's credit risk management.

In accordance with IFRS 9, the Bank has developed ECL lifetime for financial assets as the present value of the difference between (1) the cash flows to which the entity is entitled under the agreement, and (2) the cash flows that the entity expects to receive. For assets that are not in default, the same principle applies.

The Bank defined the 12-month ECL as the portion of ECL lifetime that represents the expected credit losses that result from default events that may occur within 12 months after the reporting date. Thus, this principle applies to assets that are not in default.

The current methodology in the Bank defines that, for assets in default, the lifetime ECL is obtained through the loss value given the default, depending on the elapsed time since the asset entered in default.

Significant increase in credit risk

The stage 2 rating is based on the observation of a significant increase in the credit risk level. Since the standard does not determine how to measure this significant increase, the

Bank estimates it by comparing the residual Lifetime Forward-Looking PDs at the reporting date with those estimated in the agreement, for the same residual maturity.

Since the Bank does not yet have the required rating and scoring models, the stage 2 rating is made based on objective triggers with the available information.

Triggers for the significant increase in credit risk are detected through automatic processes, based on information stored in the Bank's information systems.

Inputs in ECL measurement
The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Discount rate of cash flows (effective interest rate) (Discount Rate – DR); and
- These parameters will be achieved through internal statistical models and other relevant historical data, tailored to reflect forward-looking information.

PDs will be estimated based on a certain historical period, and will be calculated based on statistical models. These models will be based on internal data comprising both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also change.

The risk levels will be a highly relevant input for determining PDs associated with each exposure. The Bank will collect performance and default indicators on its credit risk exposures with analysis by types of Customers and products.

LGD is the extent of the loss that is expected to occur if the exposure goes into default. The Bank estimates LGD parameters based on the historical recovery rates after counterparty defaults. LGD models consider the associated collaterals and the default time.

EAD represents the expected exposure if the exposure and /or the customer enter into defaults. The Bank will obtain EAD amounts from the counterparty's current exposure and potential changes to the current allowable amount under contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD amount considers the credit conversion factor (CCF), which measures the proportion of the off-balance sheet exposure that is converted into equity exposure until the effective date, that is, the prospective potential amount that may be used in accordance with the agreement.

The discount rate to use according to the standard would be the effective interest rate of the contract.

As described above, with the exception of financial assets that consider a 12-month PD once they do not present a significant increase in credit risk, the Bank will calculate the ECL amount considering the risk of default during the maximum contractual period of the contract or, in some specific situations, based on behavioural maturity.

Forward-looking information
According to this new model recommended by IFRS 9, the measurement of expected losses will also require the provision of forward-looking information, including trends and future scenarios, including macroeconomic data. In this context, estimates of expected credit impairment losses will include several macroeconomic scenarios whose probability will be assessed considering past events, the current status and future macroeconomic trends. In addition, IFRS 9 also proposes the identification of alternative scenarios for impairment calculation.

Under IFRS 9, the Bank conducted several correlation tests to incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of ECL.

A detailed analysis of available macroeconomic data was conducted to determine statistically significant relationships between them and portfolio default rates. Based on this analysis, prospective scenarios were assumed that include, besides the central scenario, best-case and worst-case scenarios. This analysis and consequent incorporation into the impairment model are carried out regularly by the Bank, including identification and testing of other macroeconomic data.

In this context, the Bank used a linear regression model to capture the impact of macroeconomic factors with a significant influence on the probability of default. This model considered three different scenarios: (i) an economic development best-case scenario; (ii) an economic growth best-case scenario; and (iii) a worst-case scenario that included an increase in inflation rates.

There are two methods for calculating impairment fosses: i) individual analysis and ii) collective analysis.

The Bank measures the expected loss on an individual or collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset using the asset's original effective interest rate, whether measured individually or collectively.

Financial assets impaired
A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets impaired are referred to as Stage 3 assets. The Bank has adopted the internal definition of non-performing loans as a criteria for identifying credits under Stage 3. The internal definition of non-performing loans is covered by objective and subjective criteria and is used for the Bank's credit risk management.

Purchased or originated credit impaired (POCI)
Financial assets classified as POCI are treated differently as these are "impaired". For these assets, the Bank, upon its initial recognition under Stage 3, records the asset at the net amount of the expected loss.

In subsequent measurement, an ECL with a lifetime PD is always calculated and its changes are recorded in the income statement. The associated interest is calculated by applying the effective interest rate to the net book value of the asset.

Fair value (IFRS 13)
As mentioned above, financial assets classified under Financial assets at fair value through profit and loss and Available-for-sale financial assets are recorded at fair value.

The fair value of a financial instrument is the price at which an orderly sale transaction of an asset or transfer of a liability would be completed between market players at the balance sheet date.

The fair value of securities is determined based on the following criteria:

- closing price at the balance sheet date, for instruments traded in active markets; and
- market prices (bid prices) disclosed through the financial information media, namely Bloomberg.

The fair value of derivatives is determined based on the following criteria:

- quotations obtained in active markets;
- models incorporating valuation techniques accepted in the market, including discounted cash flows and options valuation models.

Guarantees provided and irrevocable commitments

Liabilities for guarantees and irrevocable commitments are recorded under off-balance-sheet items at their fair value, with interest, commissions or other income being recorded in the income statement over their maturity period.

Performance guarantees are initially recognised at fair value, which is usually evidenced by the amount of commissions received over the contract period. Upon the breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognised in Loans and advances to Customers after the loss compensation is transferred to the collateral taker.

The fair value of financial assets held for trading and traded in active markets is their most representative bid-price, within the bid-ask range or their closing price at the balance sheet date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, which include pricing models or discounted cash flow techniques.

When discounted cash flow techniques are used, future cash flows are estimated in accordance with management expectations and the discounted rate used corresponds to the market rate for financial instruments with similar characteristics. In pricing models, the data used corresponds to market price information.

The fair value of derivative financial instruments which are not traded on the stock market, including the credit risk component allocated to the parties involved in the transaction ("Credit Value Adjustments" and "Debit Value Adjustments"), is estimated based on the amount that would be received or paid to settle the contract on the concerned date, considering the prevailing market conditions, as well as the credit quality of the parties involved.

2.6. Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, regardless from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

2.7. Property and equipment

i. Recognition and measurement

Property and equipment are recorded at acquisition cost less accumulated depreciation and impairment losses. Costs includes expenses which are directly attributable to the acquisition of goods.

ii. Subsequent costs

Subsequent costs are recognised as a separate asset only when it is likely that future economic benefits will result for the Bank. All other repairs and maintenance expenses are recognised as costs as they are incurred following the accrual principle.

iii. Depreciation

Land is not depreciated. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises Equipment	25 to 50
Equipment:	
Furniture and material	8 to 10
Machinery and tools	4 to 10
IT equipment	3 to 6
Indoor installations	4 to 10
Transport equipment	3 to 4
Security equipment	6 to 15

Whenever there is an indication that property and equipment might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount (IAS 36). Impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

2.8. Intangible assets

Software

The costs incurred with the acquisition of software to third entities are capitalized as well as additional expenses incurred by the Bank necessary for their implementation. These costs are amortised on a straight-line basis over the estimated useful life, which normally corresponds to five years

Research and development expenditure

Costs directly related to the development of computer applications, whose use can be expected to generate future economic benefits extending beyond one year, are recognised and recorded as intangible assets.

All other charges related to IT services are recognised as costs when incurred.

Goodwill

Goodwill recorded in the financial statements results from the difference between the values defined in the merger of Banco Millennium Angola and the amount by which assets and liabilities of that entity were recorded in the accounts. Goodwill is recognised as an asset and recorded at acquisition cost, and is not subject to amortisation.

According to IAS 36, the recoverable amount of goodwill shall be the highest between its value in use (*i.e.*, the present value of the future cash flows expected from its use) and its fair value less costs of sale. Based on these criteria, Atlântico performed an evaluation that considers, among others, the following factors:

- an estimate of the future cash flows generated;
- time value of money;
- a risk premium related with uncertainty; and
- other factors related with the markets' financial current situation, in particular inflation and exchange rate development and interest rates growth.

This assessment is based on reasonable and supportable assumptions that represent the best estimate of the Board of Directors on the economic conditions that may affect goodwill and its extrapolation for future periods. The assumptions used for this assessment may change with the change in economic and market conditions.

The review of the assumptions used and the development of macroeconomic and market conditions may result in changes in these assumptions and, consequently, in the recoverable amount of goodwill.

For the purposes of assessing Goodwill, estimated data for the following periods were used, based on the budget and future prospects and a discount rate, which includes an appropriate risk premium to the estimated future cash flows. Based on these assumptions, the recoverable amount is higher than the balance sheet value.

2.9. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted in the Bank's financial statements at their historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to the variability in returns resulting from its involvement with that entity and might set hold of them through the power it holds over its relevant activities (*de facto* control).

Associates are those entities, in which the Bank has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is normally demonstrated in one or more of the following ways:

- representation on the Executive Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; and
- provision of essential technical information.

Impairment

The recoverable amount of investments in subsidiaries and associates is reviewed whenever there is evidence of impairment. Impairment losses are determined based on the difference between the recoverable value of investments in subsidiaries or associates and their carrying amount. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period. The recoverable amount is determined as the highest between the value in use of the assets and the fair value less selling costs, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value of money and business risks.

2.10. Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

The Bank also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Bank.

The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of selling costs. In case of unrealized losses, these should be recognised as impairment losses against results.

2.11. Leases

The Bank adopted IFRS 16 Leases on 1 January 2019. The standard introduced a unique model for accounting of leases in the Balance Sheet. As a result of this adoption, the Bank, as a lessee, recognised assets under right of use which represent its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments. Accounting as a lessor remains unchanged compared to the accounting policies already in place.

The Bank has adopted IFRS 16 using the Modified Retrospective approach, which has no impact on equity since, with the exception of prior or accrued lease payments related to that lease recognised in the Balance Sheet immediately before the date of initial application, there are no differences between the right to use the asset and the lease liability at the time of initial recognition (1 January 2019). The comparative information presented for 2018 has not been restated - *i.e.* it is presented, as previously reported, in accordance with IAS 17 and related interpretations. The details of changes in accounting policies are disclosed in the following paragraphs.

A. Lease definition

Previously, the Bank determined date on which the agreement takes effect whether an arrangement is or contains a lease in accordance with IFRIC 4 - Determining Whether an Arrangement Contains a Lease. The Bank evaluates whether an agreement is or contains a lease on the basis of the lease definition. In accordance with IFRS 16, an agreement is, or contains, a lease if it conveys the right to use an identified asset (the underlying asset) for a specified period of time in return for consideration.

On the commencement date or at the revaluation of an agreement containing a leasing component, the Bank allocates the consideration in the agreement for each leasing component and not the leasing on the basis of its individual relative price. However, for leases in which the entity is a lessee, it has been decided not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

B. As a lessee

From the lessee's point of view, the Bank leases a number of real estate properties used for the Bank's branches and central services.

As a lessee, the Bank previously classified leases as operating or finance leases on the basis of an overall assessment of whether the lease transfers substantially all the risks and benefits associated with ownership of the underlying assets. In accordance with IFRS 16, the Bank recognises assets under right of use and lease liabilities for some classes of assets - *i.e.* these leases are recognised in the entity's balance sheet.

The Bank records assets under right of use in "Property and equipment", that is, in the same caption as the underlying assets of the same nature that are its property. The carrying amounts of assets under right of use are detailed as follows:

(AOA thousand)

	Real estate	Equipment	Other	Total
Balance as of 1 January 2019	7,027,916	-	-	7,027,916
Balance as of 31 December 2019	5,608,353	-	-	5,608,353

The Bank records lease liabilities under "Other liabilities" in the Balance Sheet.

The Bank recognises an asset under right of use and a liability for the lease at the commencement date of the lease.

Assets under right of use

Assets under right of use are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments to be made over the lease term, discounted at the implicit rate of the lease or, if the rate cannot be readily determined, at the Bank's incremental financing rate. The Bank generally uses its incremental financing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the expected amount to be paid under a residual value guarantee, or, if appropriate, changes in the assessment of whether a call or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Judgement in determining the term of the lease

The Bank has applied judgment to determine the lease term of some agreements in which it is the lessee, which include renewal and termination options. The Bank determines the lease term as the non-cancellable period during which it has the right to use an underlying asset together with the periods covered by an option to renew the lease if there is reasonable certainty of exercising that option and the periods covered by a termination option if there is reasonable certainty of not exercising that option. The assessment of whether or not the Bank will exercise such options will have an impact on the lease term, which will significantly affect the amount of lease liabilities and right of use assets recognised.

The Bank has the option, namely in property leasing agreements, to lease the assets for additional periods of 1 to 5 years. The Bank applies judgement in assessing whether it is reasonably certain to exercise the renewal option, *i.e.* it considers all relevant factors that create an economic incentive to exercise it or not.

ii) Transition

Previously, the Bank classified property leases as operating leases in accordance with IAS 17. Some leases include options to extend the lease for additional periods after the end of the non-cancellable period. Some leases also provide for additional lease payments due to changes in local index prices.

In the transition to leases classified as operating leases in accordance with IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental financing rate as at 1 January 2019. Assets under right of use are measured at an amount equivalent to lease liabilities, adjusted for the amount of any advance or accumulated lease payments - the Bank has adopted this approach for all other leases.

Practical arrangements

The Bank adopted some practical arrangements provided for in the standard when applying IFRS 16 for leases previously classified as operating leases in accordance with IAS 17, namely the separation of lease components from non-lease components.

For leases that were classified as finance leases in accordance with IAS 17, the carr ing amount of assets under right of use and lease liabilities as at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability in accordance with IAS 17 immediately before that date.

C. As a lessor

The accounting policies applicable to the Bank as a lessor in the comparative period are no different from those applicable under IAS 17. Thus, the Bank is not required to make any adjustments in the transition to IFRS 16 for leases where it acts as a lessor.

D. Impacts on Financial Statements

i.) Impacts on the transition
In the transition to IFRS 16, the Bank recognised the assets under right of use and lease liabilities. The impact on the transition is detailed below.

(AOA thousand)

	01.01.2019
Assets under right of use disclosed in Other property, plant and equipment	7,027,916
Lease liabilities	7,027,916

In measuring lease liabilities, the Bank discounted lease payments using its incremental financing rate as at 1 January 2019.

ii.) Impacts for the period
As a result of the initial application of IFRS 16, in relation to leases that were previously classified as operating leases, the Bank has recorded AOA 5,608,353 thousand assets under right of use, net of depreciation and AOA 6,017,264 thousand lease liabilities as at 31 December 2019.

Also in relation to leases under IFRS 16, the Bank recognised depreciation and interest expense, rather than operating lease expenses. In the year ended 31 December 2019, the Bank recognised AOA 690,705 thousand depreciation charges and AOA 1,880,272 thousand interest charges on the above-mentioned leases.

2.12. Taxes

i. Income taxes

Income tax recognised in profit or loss comprises current and deferred tax effects. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in equity and are recognised in profit and loss in the moment the results were originated.

(i.i.) Current taxes
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As established by Law 19/14 of 22 October, which came into force on 1 January 2015, the Industrial Tax is provisionally settled in a single instalment to be carried out in August, calculated by applying a rate of 2% on the amount resulting from financial intermediation, calculated in the first six months of the previous fiscal year, excluding income subject to capital gains tax, regardless of the existence of taxable income in the year.

(i.ii.) Deferred taxes
Deferred taxes are calculated under the liability method based on the balance sheet date, in respect of temporary differences between the carrying amounts of assets and liabilities and its tax base, using the rates of tax approved or substantially approved at the balance sheet date in each jurisdiction and which are expected to be applied when temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the near future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank, as established in IAS 12 – Income Tax, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(i.iii.) Capital Gains Tax (CGT)
Presidential Legislative Decree No. 2/14 of 20 October, in force since 19 November 2014, reviewed and introduced several legislative changes to the CGT Code, following the Tax Reform project.

CGT is applied generally on income from the Bank's financial investments. The rate varies from 5% (in case of interest, amortization premiums or reimbursement and other forms of remuneration of government securities, bonds, equity securities or other similar securities issued by any company, which are admitted to trading on a regulated market and with a maturity equal or greater than three years) and 15%. Notwithstanding the above, regarding income from government securities, in accordance with the latest understanding of Tax Authorities addressed to ABANC (letter with reference number 196/DGC/AGT/2016 of 17 May 2016), only those arising from securities issued on or after 1 January 2012 are subject to this tax.

In addition, it should also be noted that according to the Tax Authorities, exchange rate revaluations of government securities issued in national currency but indexed to foreign currency, issued since 1 January 2012, should be subject to Industrial Tax until the Banco Nacional de Angola is in a position to make the appropriate CGT withholding tax.

Moreover, under the terms of article 18 of the Industrial Tax Code, CGT itself is not deductible as an expense for the purpose of calculating taxable amount, and, on the other hand, income subject to CGT will be deducted from taxable income, in accordance with the provisions of article 47 of the Industrial Tax Code.

(i.iv.) Special contribution on Foreign Exchange Invisible Current Operations
Special Contribution on Foreign Exchange Invisible Current Operations is levied, at a 10% rate, on transfers made under service agreements of foreign technical or management assistance, regulated by the provisions of the respective Regulation, approved by Presidential Decree No. 273/11 of 27 October, as amended by Presidential Decree No. 123/13 of 28 August.

ii. Property tax

(ii.i.) Property tax
Because of the amendment introduced by Law No. 18/11, of 21 April, the exemption previously provided for in the PT Code was revoked, with PT being levied at a 0.5% rate on the book value of own properties which are intended to develop the Bank's normal business (exceeding AOA 5,000 thousand).

(ii.ii.) SISA
Pursuant to the piece of Legislation No. 230 of 18 May 1931, as well as amendments introduced by Law No. 15/92 of 3 July and Law No. 16/11 of 21 April, SISA is levied on all acts involving the perpetual or temporary transfer of ownership of any value, kind or nature, regardless name or form of the ownership title (*e.g.* acts that affect the transmission of improvements in rural or urban buildings, real estate transmissions through donations with pensions or transfer of real estate through donations) at a 2% rate.

iii. Value Added Tax

The Bank, as a taxable person registered with the Tax Office of Large Taxpayers, has been covered by the general VAT system since this tax came into force on 1 October 2019.

Under the terms of the VAT Code approved by Law No. 7/19 of 24 April and the amendments introduced by Law No. 17/19 of 13 August, they are subject to this tax: (i) the transfer of goods and services within national territory, for consideration, by a taxable person acting as such; and (ii) the import of goods.

Nevertheless, the VAT Code provides for exemptions for certain transactions, including those described in Annex III to this Code, except for those which give rise to the payment of a specific and predetermined tax, or consideration, for their performance. This exemption does not give the taxable person the right to deduct the VAT incurred on the acquisition of goods and services related to exempt transactions.

Considering the Bank is a taxable person that carries out transactions which grant the right to deduct (*i.e.* transactions taxed on VAT) and transactions which do not grant the right to deduct (*i.e.* transactions which are exempt from this tax under the aforementioned terms), the VAT incurred by the Bank on its purchases of goods and services is only partially deductible through the *pro rata* method.

iv. Other taxes

The Bank is also subject to indirect taxes, such as Custom Duties, Stamp Duty, Consumption Tax, and other taxes.

v. Tax replacement

(v.i.) Capital Gains Tax
In accordance with Presidential Legislative Decree No. 2/14, of 20 October, the Bank withholds 10% of the interest on term deposits paid to Customers at the CGT rate.

(v.ii.) Stamp Duty
According to Presidential Legislative Decree No. 3/14 of 21 October, the Bank is responsible for the settlement and delivery of Stamp Duty due by its Customers in all banking operations (*e.g.* financing, interest charge on financing, financial services fees), and the Bank settles the tax at rates established in the Stamp Duty General Chart.

(v.iii.) Industrial Tax
According to the provisions of Article 67 of Law No. 19/14 of 22 October, services of any kind are subject to withholding tax at a 6.5% rate.

(v.iv.) Property Tax
Pursuant to Law No. 18/11 of 21 April, the Bank withholds PT at a 15% rate on the payment or delivery of rents related to rented properties.

2.13. Employee benefits

i. Defined-contribution plans

For defined-contribution plans, the liabilities related to the benefit attributable to the Bank's employees are recognised as an expense of the period when due. Prepaid contributions are recognised as an asset if a refund or reduction of future payments is available.

ii. Long-term employee benefits

The Bank's net liability for long-term employee benefits is the amount of future benefit that employees are expected to benefit in return for their service in the current period and in past periods. This benefit is discounted in order to determine its present value. Re-measurements are recognised in the results for the period.

iii. Benefits associated with the termination of functions

Benefits associated with the termination of functions are recognised as cost, whichever is earlier, between the time where the Bank can no longer withdraw the offer of these benefits or when the group recognizes costs associated with a restructuring. If benefits are not expected to be net benefits within 12 months, these are then discounted.

iv. Short-term employee benefits

Short-term employee benefits are recorded as a cost once the associated service has been provided. A liability is recognised for the amount expected to be settled if the Bank has a present legal or constructive obligation to pay this amount as a result of a service rendered in the past by the employee and that liability can be estimated reliably.

v. Pension fund liabilities

Law No. 07/04 of 15 October, which revoked Law No. 18/90, of 27 October, which regulates the Angolan Social Security system, foresees the attribution of retirement pensions to all Angolan workers registered at the Social Security. The value of these pensions is calculated based on a table proportional to the number of service years applied to the average monthly gross wages received in the periods immediately preceding the date on which the worker ceases to work. According to Decree No. 7/99, of 28 May, the contribution rates for this system are 8% for the employer and 3% for the workers.

By resolution of the Bank's Board of Directors, ATLANTICO is making contributions under a defined contribution plan, corresponding to a fixed percentage of 8% of the monthly pensionable salary of each employee (5% by the Bank and 3% by the employee), in order to ensure employees hired locally or their families, the entitlement to cash benefits covering old-age, disability or death pension supplements. The old-age retirement pension is awarded to employees if they are 60 years old and have at least 5 years of continuous service at the Bank. The disability benefit is awarded to employees who have 5 years of continuous service and who have been diagnosed total and permanent disability equal to 100%. In case of death, employees may appoint beneficiaries and respective percentages of the reimbursement's distribution.

On December 2017, the Bank has set up a Pension Fund to which the amounts of contributions made up to date have been transferred.

vi. Variable remuneration paid to employees and directors

The Bank assigns variable remuneration to its employees and directors as a result of their performance (performance bonus).

The Board of Directors and the Evaluation and Remuneration Committee establish the respective allocation criteria for each employee and director, respectively, whenever this is attributed. The variable remuneration attributed to employees and directors is recorded against income in the period to which they relate, although payable in the following year (see note 28).

vii. Holiday allowance

General Labour Law, Law 7/15, establishes that the amount of holiday allowance payable to employees in a given year is a right they acquired in the immediately preceding year. As a result, the Bank records the amounts relating to holiday payable in the following year at the end of the year.

2.14. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions for loan commitments and financial guarantees is made in accordance with the impairment model implemented when adopting IFRS 9 described in note 2.5.

The provisions measurement is based on the defined principles on IAS 37 regarding the best estimate of the expected cost, the most probable result of the actions in progress and considering the risks and uncertainties inherent to the process.

In cases where the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially recognised or for the cases that the situations were no longer observed.

2.15. Interest income

Interest income and expense for financial instruments measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss are recognised under interest and similar income or interest and similar expense captions (Net interest income), using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains/(losses) arising from assets and liabilities at fair value through profit and loss.

2.16. Dividends from equity instruments

Dividends (income from equity instruments) are recognised in the income statement when the right to receive the dividends is attributed. Dividends are recorded under net income from financial operations, net results of other financial instruments at fair value through profit or loss or other income, depending on the classification of the underlying instrument.

2.17. Fee and commission income

Fees and commissions are recognised according to performance obligations:

- fees and commissions which are earned as services are rendered are recognised in income over the period in which the service is being provided;
- fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

2.18. Fiduciary activities

Assets held under fiduciary activities are not recognised in the Bank's financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period to which they relate.

2.19.Financial results

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, including embedded derivatives and dividends received associated with these portfolios.

These results also includes gains and losses arising from the sale of available for sale financial assets and investments held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

2.20. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with banks.

Cash and cash equivalents exclude deposits part of mandatory reserves with the Central Banks.

2.21. Financial guarantees and commitments

Financial guarantees are contracts which force the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to comply with a payment. Commitments are firm commitments with the purpose of providing credit under predetermined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognised at fair value and the initial fair value is amortised over the useful life of the guarantee or commitment. Subsequently the liability is recorded at the higher of the amortised amount and the present value of any payment expected to be settled.

2.22. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Bank's shareholders by the weighted average number of ordinary shares outstanding,

excluding the average number of own shares held by the Bank.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares as dilution. Contingent or potential issues are treated as dilutive when their conversion to shares decreases earnings per share.

If the result per share is changed as a result of a premium or discount issue or other event that changes the potential number of ordinary shares or changes in accounting policies, the calculation of earnings per share for all periods presented is adjusted retrospectively.

Note 3.
Critical accounting estimates and judgments used in the preparation of the financial statements

IAS/IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank reported results and related disclosure. A broad description of the main accounting policies used by the Bank is presented in Note 2 to the financial statements.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, the Bank reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material aspects.

3.1. Impairment of financial assets at amortised cost or fair value through other comprehensive income

The critical judgments with the greatest impact on the recognised amounts of impairment of financial assets at amortised cost and at fair value through equity are as follows:

- evaluation of the business model: the classification and measurement of financial assets depends on the SPPI test results and on the business model definition. The Bank determines the business model based on how it wants to manage financial assets and business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the early derecognition of assets at amortised cost or at fair value through equity considering whether a prospective change of the asset is necessary;
- significant increase in credit risk: as described in policy 2.5 - Financial instruments, the determination of the transfer of an asset from stage 1 to stage 2 for impairment purposes is carried out based on a significant increase in its credit risk, and IFRS 9 does not objectively define what constitutes a significant increase in credit risk;
- Banks' definition for assets with similar credit risk characteristics: when expected credit losses are measured within a collective model, financial instruments are bundled based on the same risk characteristics. With the purpose to ensure that assets are properly reclassified in the event of changes in credit risk characteristics, the Bank monitors their suitability.

Models and assumptions used: the Bank uses several models and assumptions when measuring the estimate of expected credit losses. The judgment is applied in the identification of the most suitable model for each type of asset as well as in the determination of assumptions used in these models. In addition, in compliance with the IFRS 9 regulation that explains the need for the impairment result to consider multiple scenarios, a methodology for incorporating scenario analysis into the risk parameters was implemented. Thus, the collective impairment calculation considers several scenarios with a specific weighting, based on the internal methodology defined on scenario - definition of multiple perspectives of macroeconomic developments, with a relevant probability of occurrence.

Note 4.
Cash and deposits at central banks

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Cash	**16,117,014**	**11,206,639**
Deposits at central banks	**174,871,434**	**148,165,613**
Banco Nacional de Angola	174,871,434	148,165,613
	190,988,448	**159,372,252**

The balance Cash and deposits at Banco Nacional de Angola corresponds to mandatory deposits intended to satisfy legal minimum cash requirements. In accordance with Instruction No. 17/2019 of Banco Nacional de Angola, of 24 October 2019, the minimum reserve requirements on deposits payable on demand with BNA are summarised in accordance with the following table:

Rates on Reserve Base		National Currency	Foreign Currency
Central Government, Local Governments and Local Administration	**Daily calculation**	22%	100%
Other sectors	**Weekly calculation**	22%	15%

Compliance with the minimum mandatory cash requirements for a given weekly observation period (Other Sectors) is carried out considering the average amount of balances of deposits with the Bank during that period. As at 31 December 2019, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounts to AOA 174,871,434 thousand (2018: AOA 148,165,613 thousand). The current legislation also allows the Bank to comply with the Minimum Reserves through Treasury Securities or Funding to the Ministry of Finance.

During 2015, Banco Nacional de Angola converted some of the mandatory reserves in USD of ATLANTICO into securities denominated in the same