

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares to the weighted average number of ordinary shares outstanding and to the net profit attributable to the Bank's shareholders.

As at 31 December 2019, diluted earnings per share, considering the effect of treasury stock, is 0.57 (2018: 0.51).

Note 32. Guarantees and other commitments

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Guarantees received	1,996,520,658	1,524,585,950
Liabilities for services provided	641,585,214	421,271,481
Guarantees granted	69,398,163	107,797,642
Commitments to third parties	13,521,899	27,551,001
Total	2,721,025,934	2,081,206,074

Bank guarantees granted are financial operations that do not translate into mobilisation of Funds by the Bank.

The breakdown of guarantees and commitments provided by stage is as follows:

(AOA thousand)

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	58,199,435	9,491,887	1,706,841	69,398,163
Impairment losses	(173,092)	(120,821)	(548,730)	(842,643)
Total	58,026,343	9,371,066	1,158,111	68,555,520

(AOA thousand)

	31.12.2018			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	65,372,999	40,988,223	1,436,420	107,797,642
Impairment losses	(287,028)	(380,908)	(323,608)	(991,544)
Total	65,085,971	40,607,315	1,112,812	106,806,098

Documentary credits correspond to irrevocable commitments with the Bank's customer, which ensure the payment of a determined amount to customer's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or amended without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Bank's Customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that Customers maintain certain conditions verified at the time the credit was granted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, being that the Bank requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these commitments expire without having being used, the indicated amounts do not represent necessarily future cash flow needs.

Financial instruments recorded as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in Note 2.5. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

For financial assets recognised in the Balance Sheet, the maximum exposure to credit risk is represented by the net carrying amount of impairment. For off-balance sheet items, the maximum collateral exposure is the maximum amount that the Bank would have to pay if collaterals were forfeited. For loans and other commitments related to irrevocable credit, the maximum exposure is the total amount of commitments undertaken.

The Bank provides custody services, asset management, investment management and advisory services that involve taking decisions of buying and selling several types of financial instruments. For certain services rendered, targets and profitability levels are set out for assets under management.

In the context of fiduciary activities, the Bank provides custody services to its Customers. Recognition in off-balance sheet items is described in the accounting policy of note 2.21.