

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:

		National Currency	Foreign Currency
Rates on Reserve Base			
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



currency, the amount of which at 31 December 2019 was AOA 93,585,794 thousand (2018: AOA 60,258,515 thousand). These debt securities were accounted at their acquisition cost and subsequently measured as described in accounting policy 2.5.

According to Instruction No. 17/2019 of 24 October (which revoked Instruction 10/2018 of 19 July), which entered into force on 24 October 2019, the mandatory minimum reserves may be established at 20% with the amounts deposited with Banco Nacional de Angola and 80% in Treasury Bonds in foreign currency, the securities identified in the previous paragraph are eligible for consideration.

Note 5. Loans and advances to credit institutions repayable on demand

This balance is analysed, regarding its nature, as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Loans and advances to credit institutions in Angola		
Deposits payable on demand	508,865	406,852
Outstanding cheques	814,531	4,565
	1,323,396	411,417
Loans and advances to credit institutions abroad		
Deposits payable on demand	23,104,794	26,328,312
	23,104,794	26,328,312
Total	24,428,190	26,739,729

Outstanding checks on credit institutions have been collected in the first business days following the reference date.

As at 31 December 2019 and 2018, loans and advances at other credit institutions do not bear interest.

Note 6. Financial assets and liabilities at fair value through profit and loss

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Financial assets mandatorily at fair value through profit and loss		
Securities		
Other variable income securities	56,701,261	16,387,405
Loans and advances to Customers	12,711,039	10,183,491
	69,412,300	26,570,896
Financial assets held for trading		
Derivatives		
Derivative financial instruments with positive fair value	13,064	49,548
	13,064	49,548
	69,425,364	26,620,444
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	207,095	50,510
	207,095	50,510
	207,095	50,510



During 2015, Banco Nacional de Angola converted some of the mandatory reserves in USD of ATLANTICO into securities denominated in the same currency, the amount of which at 31 December 2019 was AOA 93,585,794 thousand (2018: AOA 60,258,515 thousand).