

SHARE PREMIUMS

The capital increase made in 2016 under the merger by incorporation led to a share premium of AOA 40,782,829 thousand. The balance of share premiums was reduced in the amount of AOA 4,589,246 as a result of the dividends distributed in 2016 related to 2015 from Banco Millennium Angola, S.A. and in the amount of AOA 1,361,574 thousand, under the acquisition of own shares. Moreover, the amount related to costs with the capital increase amounts to AOA 21,940 thousand. As at 31 December 2020 and 2019, the caption Share premiums amounted to AOA 34,810,069 thousand.

TREASURY STOCK

During 2016, the Bank acquired its own shares amounting to AOA 492,182 thousand with a corresponding share premium of AOA 1,361,574 thousand under a settlement of an amount receivable by a shareholder. The share price calculation within this operation was based on the same market multiple adopted for the ATLANTICO merger with Banco Millennium Angola, S.A.

Note 21. RESERVES AND RETAINED EARNINGS

LEGAL RESERVE

This caption consists entirely of Legal reserve, which can only be used to cover previous year losses or to increase share capital.

Angolan legislation applicable to the banking sector requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

REVALUATION RESERVE (FAIR VALUE RESERVES)

Fair value reserve represents the potential capital gains and losses relating to the financial assets' portfolio at fair value through other comprehensive income, net of impairment recognised in the income statement in the period and/or in previous periods. The value of this reserve is disclosed net of deferred taxes.

Changes in fair value reserve, net of deferred taxes, can be analysed as follows:

(Thousands of AOA)

	31-12-2019	31-12-2020
Balance at the beginning of the period	2,347,396	160,631
Fair value changes (net of disposals)	(3,155,529)	18,592
Impairment recognised	175,354	71,145
Deferred taxes recognised in reserves	793,410	(42,881)
Balance at the end of the period	160,631	207,486

REVALUATION RESERVES, RESERVES FOR MONETARY ADJUSTMENT OF SHARE CAPITAL, OTHER RESERVES AND RETAINED EARNINGS

As at 31 December 2020 and 2019, changes occurred in these captions are analysed as follows:

(Thousands of AOA)

	Fair value reserve			Other reserves and retained earnings			Total reserves and retained earnings
	Gross fair value reserve	Deferred tax reserves	Total fair value reserve	Legal reserve	Other reserves and retained earnings	Total other reserves and retained earnings	
Balance as at 31 December 2018	3,209,648	(,862,252)	2,347,396	15,846,346	1,481,670	17,327,517	19,674,913
Fair value changes	(2,980,175)	793,410	(2,186,765)	-	-	-	(2,186,765)
Legal reserves	-	-	-	2,722,510	-	2,722,510	2,722,510
Transfer to retained earnings	-	-	-	-	24,502,579	24,502,579	24,502,579
Balance as at 31 December 2019	229,473	(68,842)	160,631	18,568,856	25,984,249	44,552,606	44,713,237
Fair value changes	89,737	(42,881)	46,855	-	-	-	46,855
Legal reserves	-	-	-	3,046,486	-	3,046,486	3,046,486
Transfer to retained earnings	-	-	-	-	27,418,375	27,418,375	27,418,375
Balance as at 31 December 2020	319,210	(111,723)	207,486	21,615,342	53,402,624	75,017,467	75,224,953

By unanimous resolution of the General Meeting held on 28 April 2020, it was decided to apply the amount corresponding to the net profit obtained in the previous period (2019): 90% in free reserves and 10% in legal reserves.