

In contracts with payment plans with a term longer than one year and no agreed interest rate, the Bank records the discount effect associated to the contracted payment plan, adjusting the fair value of the financial asset to its present value.

The calculation of impairment is based on a maximum loss associated with a failure to perform the contract according to its terms. The Bank defined a maximum rate of 25% as a threshold for the classification in Stage 3 of the individually significant exposures (as a result of the credit impairment model), applying this concept in the CPCV, according to the verification of the defined risk criteria (Note 2.5).

In addition to the evaluation factors described above, the Bank monitors the financial capacity of the borrower and its continuing interest in keeping the promise contracted on a regular basis, reflecting the results of this monitoring in the assessment of impairment.

Alternative methodologies and the use of different assumptions and risk criteria could result in a different level of impairment losses recognised with a consequent impact in the income statement of the Bank.

Additionally, the measurements and impairment tests on the CPCV (Notes 15) are based, among other factors, on valuations made by independent experts registered with the Capital Market Commission of Angola, which have implied a set of assumptions whose verification is subject to uncertainty in view of the current circumstances of the real estate market.

Note 4. CASH AND DEPOSITS AT CENTRAL BANKS

This caption is analysed as follows:

(Thousands of AOA)

	31-12-2019	31-12-2020
Cash		
In national currency	12,582,075	18,255,642
In foreign currency	3,534,939	5,313,044
	16,117,014	23,568,686
Demand deposits at the Banco Nacional de Angola		
In national currency	85,712,294	79,334,412
In foreign currency	89,159,140	119,208,215
	174,871,434	198,542,627
	190,988,448	222,111,313

The caption Demand deposits at the Banco Nacional de Angola (BNA) includes mandatory deposits whose purpose is to satisfy legal reserve requirements. These deposits do not bear interest.

As at 31 December 2020, the reserve requirements were determined in accordance with the provisions of Instruction no. 16/2020 of 2 October and Directive no. 04/DMA/2020 of 6 October. As at 31 December 2019 they were determined in accordance with Instruction no. 17/2019 of 24 October and Directive no. 08/DMA/DRO/2019 of 24 October.

Reserve requirements are established in national and foreign currency according to the respective denomination of the liabilities that form their reserve base.

As at 31 December 2020, the minimum reserve requirements for demand deposits with the BNA were calculated by applying the ratios summarised in 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%	17%

The amount of up to 80% of the assets representing the value of disbursements of loans in national currency granted to projects in the agriculture, livestock, forestry and fisheries sectors may be deducted from the requirement in national currency, provided they have a residual maturity greater than or equal to 24 months. The same applies to the total amount of loans granted for the production of essential goods that show a deficit in national production supply, raw materials and the investment required for their production, including in investment for the acquisition of technology, machinery and equipment under the terms of Notice no. No. 10/2020 of 01 April, on granting credit to the real sector of the economy, whatever the residual maturity.

During 2015, Banco Nacional de Angola converted part of ATLANTICO's reserve requirements in USD, into securities denominated in the same currency, whose amount at 31 December 2020 and 2019, amounted to AOA 126,432,308 thousand and AOA 93,585,794 thousand, respectively (Note 8). These debt securities were accounted at their acquisition cost and subsequently measured as described in accounting policy 2.5.

According to Instruction no. 16/2020 of 02 October (which revoked Instruction no. 17/2019 of 24 October), in force since 02 October 2020, combined with Directive no. 04/DMA/2020 of 06 October, the minimum reserve requirements may be established at 20% with the amounts deposited with the Banco Nacional de Angola and 80% in treasury bonds in foreign currency, and the securities identified in the previous paragraph are eligible for this purpose.

As at 31 December 2020, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounts to AOA 213,858,895 thousand. On that same date, 59% of the total amount due was covered by treasury bonds in foreign currency.