

NOTE 8

Financial assets at amortised cost – Debt securities

This caption is analysed as follows:

	(Thousands of AOA)	
	31-12-2021	31-12-2020 (restated)
BONDS AND OTHER FIXED-INCOME SECURITIES		
Issued by public entities		
Foreign currency Treasury Bonds	322,176,163	318,470,851
Treasury Bonds indexed to the US Dollar	47,649,560	99,936,283
Non-adjustable Treasury Bonds	4,922,780	11,663,341
	374,748,503	430,070,475
Impairment losses	(5,443,257)	(33,715,517)
	369,305,246	396,354,958

The fair value of the investment portfolio at amortised cost is disclosed in Note 38, within the scope of the disclosure requirements set out in IFRS 7 and IFRS 9.

In accordance with the accounting policy described in Note 2.6, debt securities measured at amortised cost are impaired as a result of the adoption of IFRS 9, as set out in the defined model (Note 2.6).

In September 2020, the international rating agencies Moody's and Fitch Ratings downgraded the credit risk rating of the sovereign debt of the Republic of Angola, thus reflecting the deterioration of the international market's perception of the Angolan economy. The notes published by the rating agencies refer to the negative impacts of the sharp drop in oil prices, the Covid-19 pandemic, the progressive devaluation of the Kwanza, as well as the high volume of public debt, factors that, according to these entities, place the Angolan economy in a vulnerable situation, increasing the risk of a default event.

In September 2021, Moody's rating agency revised upwards the Republic of Angola's debt rating, improving the external rating from Caa1 to B3. According to the note published, reference is made to the positive impacts, on the macroeconomic environment associated with the increase in the price of oil and the stability observed in terms of exchange rates.

In January 2022, the Fitch rating agency revised upwards the debt rating of the Republic of Angola, improving the external rating from CCC to B3. According to the note published, reference is made to the positive impacts on the macroeconomic environment associated with the increase in the price of oil and an improvement in tax management (Note 43).

Directive No. 13/DSB/DRO/2019, which includes the recommendations for implementing the methodologies of the Asset Quality Assessment (AQA) exercise, states that "In the specific case of impairment losses for national public debt in national and foreign currency (measured at amortised cost), the following criteria should be considered: (i) 12-month probability of default (PD) for Angola's rating published in Moody's study "Sovereign default and recovery rates" applicable to the period concerned; and (ii) loss given default (LGD) associated with the sovereign default events verified, as indicated in the same study. The Bank has adopted this methodology as its accounting policy for this matter.

In accordance with the accounting policy described in Note 2.6. and considering that the assessment of the significant increase in credit risk for the determination of the impairment stage should be based on the date of origination of the assets.

It should be noted that for the calculation of impairment on 31 December 2021, Moody's "Sovereign default and recovery rates 1983-2020" was considered, which on this date gives an implicit impairment rate of 1.484% (PD of 2.473% and LGD of 60%) for Stage 1 operations.

As at 31 December 2021 and 2020, the caption Financial assets at amortised cost – Debt securities includes AOA 108,015,851 thousand and AOA 126,432,308 thousand, respectively, relating to an issue of Treasury Bonds of the Republic of Angola in United States Dollars falling due in December 2022 which, according to information obtained from the Bank, was originated in December 2015 as a

result of a translation process of the balance of foreign currency deposit accounts held by the Bank with the Banco Nacional de Angola (BNA). In this context, during 2020 it was the Board of Directors' understanding not to record any impairment loss for these securities in the Bank's financial statements. However, during 2021 the amount of impairment losses on the above-mentioned Treasury Bonds was recognised retrospectively in accordance with IAS 8. The impacts of restatement are presented in more detail in Note 41.

In the period ended 31 December 2021 and 2020, the caption presents the following changes:

(Thousands of AOA)

	31-12-2020 (restated)	Acquisitions	Maturities	Disposals	Exchange rate effect (Note 26)	Changes in amortised cost	31-12-2021
BONDS AND OTHER FIXED-INCOME SECURITIES							
Issued by public entities							
Foreign currency Treasury Bonds	318,470,851	51,912,288	-	-	(48,303,831)	96,855	322,176,163
Treasury Bonds indexed to the US Dollar	99,936,283	43,496	(4,130,752)	(6,828,370)	(40,244,179)	(1,126,918)	47,649,560
Non-adjustable Treasury Bonds	11,663,341	-	(4,436,094)	(2,059,652)	-	(244,815)	4,922,780
	430,070,475	51,955,784	(8,566,846)	(8,888,022)	(88,548,010)	(1,274,878)	374,748,503

(Thousands of AOA)

	31-12-2019 (restated)	Acquisitions	Maturities	Disposals	Exchange rate effect (Note 26)	Changes in amortised cost	31-12-2020 (restated)
BONDS AND OTHER FIXED-INCOME SECURITIES							
Issued by public entities							
Foreign currency Treasury Bonds	236,409,487	-	-	-	80,155,534	1,905,830	318,470,851
Treasury Bonds indexed to the US Dollar	279,117,189	-	(103,020,605)	(99,350,637)	22,103,015	1,087,321	99,936,283
Non-adjustable Treasury Bonds	22,054,224	326,815	(10,982,675)	(181,500)	-	446,477	11,663,341
	537,580,900	326,815	(114,003,280)	(99,532,137)	102,258,549	3,439,628	430,070,475

In the period ended 31 December 2020, the decrease in the balance of the caption Bonds indexed to the exchange rate of the United States Dollar results from a number of sales made under the exchange rate resetting plan being implemented by the Bank (Note 2.6.).

The sales of financial assets classified in this business model exceed the defined thresholds of frequency. However, the Bank considers that since these are not significant sales, associated to a plan with a regulatory framework that justifies sales above the threshold, this does not jeopardise or changes the business model originally defined/classified for this portfolio of assets.

As at 31 December 2021 and 2020, the breakdown of financial assets measured at amortised cost, by residual maturity, is as follows:

(Thousands of AOA)						
31-12-2021	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undefined maturity	Total
BONDS AND OTHER FIXED-INCOME SECURITIES						
Issued by public entities						
Foreign currency Treasury Bonds	-	108,015,851	214,160,312	-	-	322,176,163
Treasury Bonds indexed to the US Dollar	-	-	23,218,687	24,430,873	-	47,649,560
Non-adjustable Treasury Bonds	179,231	1,578,673	3,164,876	-	-	4,922,780
Impairment losses	(2,522)	(23,389)	(5,068,240)	(349,106)	-	(5,443,257)
	176,709	109,571,135	235,475,635	24,081,767	-	369,305,246

(Milhares de kwanzas)						
31-12-2020 (restated)	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undefined maturity	Total
BONDS AND OTHER FIXED-INCOME SECURITIES						
Issued by public entities						
Foreign currency Treasury Bonds	-	-	318,470,851	-	-	318,470,851
Treasury Bonds indexed to the US Dollar	-	16,540,964	50,533,265	32,862,054	-	99,936,283
Non-adjustable Treasury Bonds	3,272,561	1,309,617	7,081,163	-	-	11,663,341
Impairment losses	(216,135)	(779,244)	(30,568,815)	(2,151,323)	-	(33,715,517)
	3,056,426	17,071,337	345,516,464	30,710,731	-	396,354,958

As at 31 December 2021 and 2020, Financial assets measured at amortised cost – Debt securities are as follows:

(Thousands of AOA)

31-12-2021	Issuing Entity	Average rate	Nominal value	Acquisition cost	Interest	Premium/Discount	Impairment losses	Book value
BONDS AND OTHER FIXED-INCOME SECURITIES								
Issued by public entities								
Foreign currency Treasury Bonds	Angolan Government	6.35%	320,173,477	368,477,309	2,214,849	(212,163)	(3,091,758)	319,084,405
Treasury Bonds indexed to the US Dollar	Angolan Government	7.96%	47,689,158	13,816,737	831,248	(870,846)	(2,280,164)	45,369,396
Non-adjustable Treasury Bonds	Angolan Government	13.69%	4,721,118	4,721,117	129,558	72,104	(71,335)	4,851,445
			372,583,753	387,015,163	3,175,655	(1,010,905)	(5,443,257)	369,305,246

(Thousands of AOA)

31-12-2020 (restated)	Issuing Entity	Average rate	Nominal value	Acquisition cost	Interest	Premium/Discount	Impairment losses	Book value
BONDS AND OTHER FIXED-INCOME SECURITIES								
Issued by public entities								
Foreign currency Treasury Bonds	Angolan Government	7.78%	316,565,021	316,565,021	1,905,830	-	(26,669,968)	291,800,883
Treasury Bonds indexed to the US Dollar	Angolan Government	5.30%	98,848,963	24,732,364	1,667,411	(580,091)	(6,275,777)	93,660,506
Non-adjustable Treasury Bonds	Angolan Government	13.46%	11,216,863	11,216,863	365,036	81,442	(769,772)	10,893,569
			426,630,847	352,514,248	3,938,277	(498,649)	(33,715,517)	396,354,958

Changes in impairment losses for financial assets measured at amortised cost were as follows:

(Thousands of AOA)

	31-12-2021	31-12-2020 (restated)
Opening balance	33,715,517	8,278,494
Charge for the period/(Reversals) (Note 33)	(26,458,763)	8,695,223
Foreign exchange and other differences (Note 26)	(1,813,497)	16,741,800
Closing balance	5,443,257	33,715,517