

## 59. APPLICATION OF IAS 29 IN ANGOLA

In 2017, based on the requirements of IAS 29, Angola was considered, for the purpose of presenting financial statements in accordance with IFRS as adopted by the European Union, as a high inflation economy.

The evolution of the consumer price index in Angola in the last three years is as follows:

	2017	2016	2015
Angola price index	195.63	158.19	112.09
Cumulative annual inflation (%)	24	41	12

Source: National Bank of Angola

In this context, pro-forma accounts of the associate Banco Millennium Atlântico, S.A. ("BMA") were prepared, considering the effects of applying IAS 29, namely for non-monetary assets and liabilities, including goodwill, and equity items were restated by applying the price index from the date of acquisition or the date of the last revaluation. The restated asset amounts have been reduced by the amount that exceeds their recoverable value.

The effects of the application of IAS 29 calculated with reference to 1 January 2017 (restatement of non-monetary assets and liabilities and equity items) were recorded in equity without any impact on profit or loss. The effects of the application of IAS 29 in the 2017 were recorded in the income statement.

In the Group's consolidated accounts were also considered the following aspects:

- The restatement of non-monetary assets and liabilities and equity items of BMA, in accordance with the requirements of IAS 29, was made from 30 April 2016 (date of the conclusion of the merger of Banco Privado Atlântico with Banco Millennium Angola, as described in more detail in notes 17 and 58);
- The goodwill recorded in the Bank's consolidated accounts was restated considering the price index evolution after 30 April 2016, as regards to the date of the merger;
- The amount of the investment held in BMA, after considering the effects of the application of IAS 29 described above, was compared to the respective recoverable amount as at 1 January 2017 and 31 December 2017, to conclude for the need to record impairment for the investment in this associate.

The application of IAS 29 on the investment held by the Group in BMA did not have any impact in net equity as at 1 January 2017 and 31 December 2017, implying in 2017:

i) an increase in reserves and retained earnings of Euros 28,428,000:

- increase arising from the application of equity method of consolidation in the amount of Euros 34,321,000 (notes 26 and 43) and,
- decrease of Euros 5,893,000 due to the exchange rate effect (notes 26 and 43).

ii) a decrease in the results of the same amount:

- increase arising from the application of equity method of consolidation in the amount of Euros 11,325,000 (notes 15 and 26) and,
- impairment for the year in the amount of Euros 39,753,000 (note 26).

Therefore, as at 1 January 2017 and 31 December 2017, the investment held in the associate BMA amounts to Euros 219,754,000 and Euros 212,797,000, respectively (note 26).

The aforementioned effects include the appropriation of the gain or loss on the monetary items corresponding to the portion of capital held by the Group in the BMA, which, as at 31 December 2017, amounts to Euros 12,467,000.