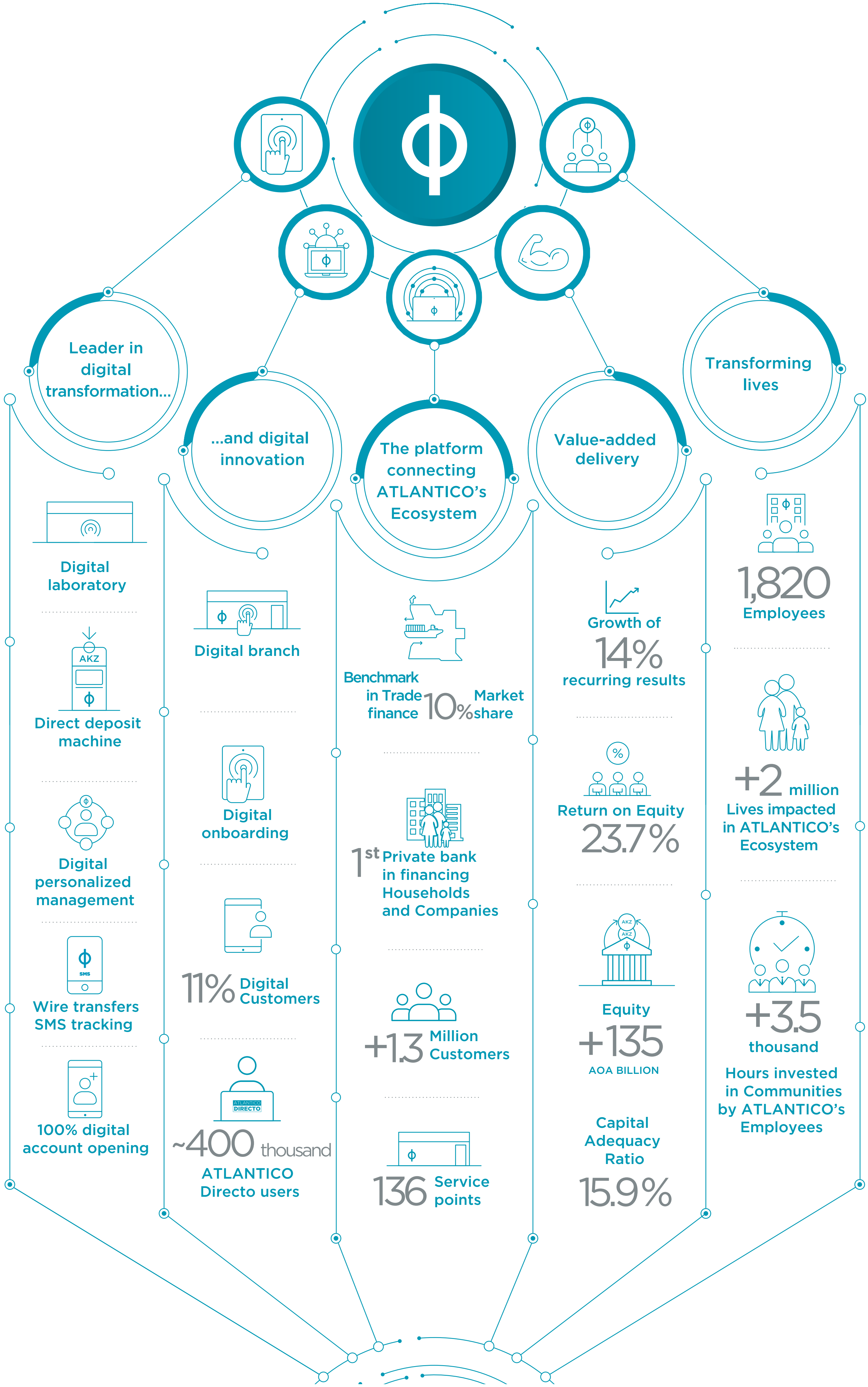
Annual Report
2018

ATLANTICO

BANCO MILLENNIUM ATLANTICO



Leader in digital transformation...
Digital laboratory
Direct deposit machine
AKZ
Digital personalized management
Wire transfers SMS tracking
SMS
100% digital account opening
...and digital innovation
Digital branch
Digital onboarding
11% Digital Customers
ATLANTICO DIRECTO
~400 thousand
ATLANTICO Directo users
The platform connecting ATLANTICO's Ecosystem
Benchmark in Trade finance
10% Market share
1st Private bank in financing Households and Companies
+1.3 Million Customers
136 Service points
Value-added delivery
Growth of 14% recurring results
%
Return on Equity 23.7%
AKZ
Equity +135 AOA BILLION
Capital Adequacy Ratio 15.9%
Transforming lives
1,820 Employees
+2 million
Lives impacted in ATLANTICO's Ecosystem
+3.5 thousand
Hours invested in Communities by ATLANTICO's Employees

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Message

1.0 Joint message from the Chairman and the CEO

Dear Stakeholders of ATLANTICO's Ecosystem

In 2018, world GDP continued to grow, in an atmosphere of trust among major economies' economic agents, despite some financial turmoil. The upsurge of world protectionism resulted in a slowdown in international trade, which, coupled with the United Kingdom's exit from the European Union, has led to an increase in uncertainty for the international investors' decision-making. The oil price remained volatile and, along with the standardization cycle of US foreign exchange policy, led to a lower appetite for investors' risk-taking. Consequently, the ECB kept interest rates at record lows and FED held the increase in interest rates in order to control inflation in the Eurozone and the US respectively.

Notwithstanding the expansionary policies, there have been signs of slowdown on the world economy, keeping markets cautious and reviving the discussion on what should be the policy for central banks.

The global challenges for the international community were also strengthened. Some of the changes in the political field led to an adjustment process of both the geopolitical and economic order, as was the case of reviewing the foreign trade agreements between the USA and China. Challenges have also emerged in the field of sustainability in the various social and environmental dimensions, for which the involvement of public entities but also – and, more than ever before – of private business entities and civil society becomes decisive.

Daniel Carvalho Santos
Chief Executive Officer

Carlos José da Silva
Chairman of the Board of Directors

António Assis de Almeida
Deputy Chairman of the Board of Directors

Despite the increase in indebtedness that could exercise some pressure on macroeconomic stabilization, the progressive increase in the oil price had a positive impact on Angola and on the exporting countries of this commodity.

In Angola, 2018 marked the year of the investment on diversification of the GDP and the opening of new doors towards economic and social sustainability. The change in the exchange rate system was an important milestone in the financial sector, with the exchange rate no longer being administratively set, which reduced the scarcity of foreign currency and improved levels of external competitiveness. We also witnessed the moderation of the monetary policy as well as the external promotion of the country and the strengthening of bilateral relations with strategic markets, which showed a more favorable framework for investment and the enhancement of the economy.

At ATLANTICO, we kept focused on the implementation of the Strategic Plan "ATLANTICO 2.1", launched in 2017. We have strongly invested in the digitization of our services, with an impact on improving the experience of more than 1.3 million Customers, namely in the onboarding, deposits and remote management processes. Currently, more than 1,250 accounts are opened on a daily basis at ATLANTICO's service points. On the other hand, aiming to be closer to our Customers, we launched the Digital ABC service that allows 100% digital account opening from the mobile phone or tablet.

In 2018, we strengthened our relationships in the foreign market with a network of 29 correspondent banks and increased our relationships with counterparts through the approval of credit facilities with the International Finance Corporation and Commerzbank. We kept investing in Angolan Companies and Families and we were, once again, the private bank that most finances the economy, with a market share of 10%.

We promote Social Transformation, one of the cornerstones of ATLANTICO 2.1, acting through ATLANTICO Foundation in areas such as Knowledge, Entrepreneurship and Health and Welfare, with a direct and indirect impact on the lives of more than seven thousand Families. We invest to create value!

Notwithstanding the adverse scenario, we successfully met the goals we set ourselves, which resulted in a net income of approximately AOA 27 billion, thus representing a return on equity of about 24%.

ATLANTICO positions itself as one of the most modern and sound banks in our financial system, with a fair and well-balanced governance model to meet the macroeconomic and banking challenges of Angola, in line with good international practices. In 2018, ATLANTICO's Shareholders decided at the General Meeting to approve the decision of Mr. Carlos José da Silva to cease his duties as Chairman of the Board of Directors on 31 December 2018 and, therefore, to ratify a succession plan initiated in October 2015.

In this process, Mr. António Assis de Almeida won the vote of confidence of the Shareholders and was appointed as the new Chairman of the Board of Directors, with effect from 1 January 2019, which depicts our commitment to continue to pursue the goals undertaken at the merger and which are reflected in our Strategic Plan.

In 2019, ATLANTICO will continue to focus on consolidating its position as a digital bank, with a strong Customer orientation, and will pay particular attention to the process of opening capital, keeping its commitment to transform the challenges of the current economic framework into real financial solutions for Families and business projects of our Customers.

The Board of Directors and Executive Committee of ATLANTICO are grateful for the trust of our Customers, Shareholders and Stakeholders in general and we are committed to respect it, contributing positively, with intelligence and innovation, to the fulfillment of the dream of transforming lives and creating value.

To ATLANTICO's professionals and leaders, we would like to thank you for making ATLANTICO's transformation and growth process possible with your dedication and commitment on a daily basis.

ATLANTICO, Attitude with Value. Towards 2.1

2.0

Macroeconomic framework

2.1. International economy

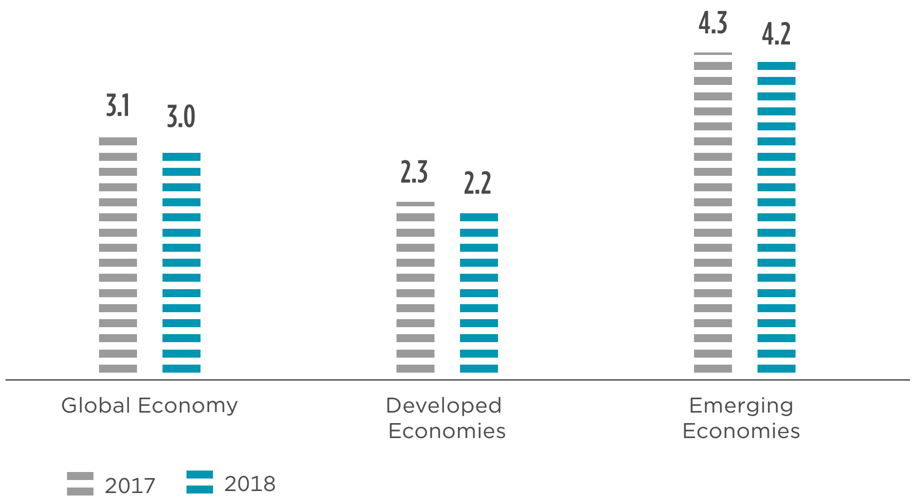
The world economy follows the gradual recovering process after the economic and financial crisis. In this context, the main international institutions estimate a moderate growth of the world economy in 2018.

The International Monetary Fund estimates that the world economy grew by 3.7% in 2018, 0.1 pp below compared to the previous year[1].

According to the World Bank, the growth rate stood at 3%, representing a 0.1 pp decrease compared to 2017. The growth of the world economy was conditioned by a significant decrease in trade in the first semester, with a partial recovery on the following semester and the contraction of global investment[2].

The uncertainty created by the trade war between the US and leading world economies, such as China and the European Union, with a significant impact on industrial activity, stands out among the constraints of the global economy growth over the past year. Other factors are the negotiation process of the agreement for the exit of the United Kingdom from the European Union (Brexit) and the strengthening of dollar with the increase of interest rates by the US Federal Reserve.

Rate of Economic Growth (%)



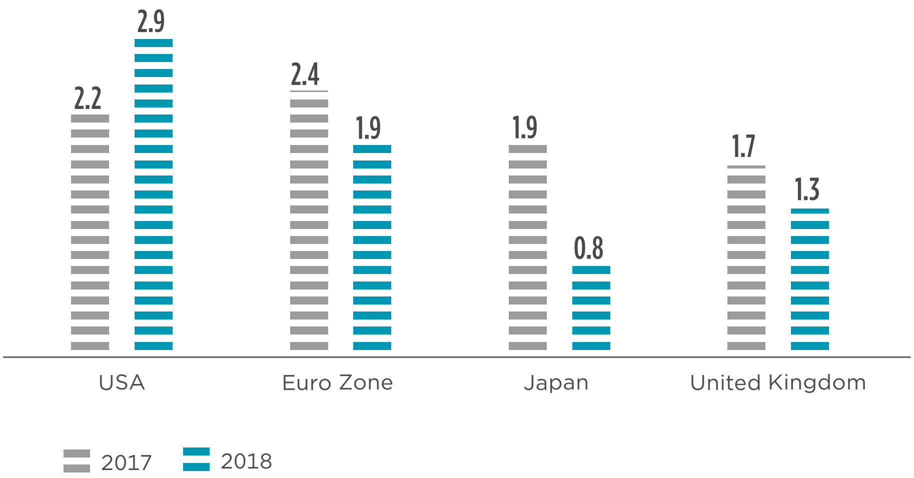
Source: World Bank, Global Economic Prospects, January 2019

2.1.1. Developed Economies

Economic activity in the developed economies showed different performances. Growth remained solid in the USA, driven by tax incentives. By contrast, growth in the Euro Zone was less intense than expected due to the slowdown in net exports. The World Bank estimates that developed economies grew by 2.2% in 2018[2], slightly below the 2.3% level recorded in 2017.

[1] IMF, World Economic Outlook Update, January 2019
[2] World Bank, Global Economic Prospects, January 2019

Rate of Economic Growth (%)



Source: World Bank, Global Economic Prospects, January 2019

2.1.1.1. USA

The US economy expanded by 2.9% in 2018, exceeding the 2.2% recorded in 2017, driven mainly by domestic demand, which performed better than expected as a result of tax incentives and still-accommodative monetary policy[2].

The labor market has remained strong. The unemployment rate fell from 4.1% in 2017 to 3.9% at the end of 2018, which represented the minimum of the last 50 years. This reduction was sustained by the increase in consumption[3].

During the year under review, the US government raised tariffs on over USD 300 billion on imported products, mostly Chinese. Other countries retaliated with tariffs over USD 150 billion on US products, impacting overall price levels and high political uncertainty.

The inflation rate went from 2.1% to 1.9% during the year, reaching peaks of 2.9% during mid-year, coinciding with the period when protective measures were applied[3]. The price development allowed the Federal Reserve to make four increases in the interest rate during 2018, which led to an accumulated increase of 1 p.p. in the period under analysis, closing the year at 2.5%.

2.1.1.2. United Kingdom

In the United Kingdom, 2018 was characterized by political tensions regarding the achievement of the best agreement to leave the European Union (Brexit) and the ability of prime minister Theresa May to lead the process.

Despite internal divisions within the Labor Party and outside with its opponents, the prime minister managed to reach an agreement for Brexit, which was in accordance with the expectations of the member countries, but did not receive the internal approval of the parliament, extending the uncertainty about the potential impact of leaving the European Union.

3.7%

World economy growth in 2018, estimated by the International Monetary Fund.

[2] World Bank, Global Economic Prospects, January 2019
[3] Data retrieved from the Bloomberg application. February 2019

The World Bank estimates that the economy grew by 1.3% in 2018, a decrease of 0.4 p.p. compared to the previous year.

The unemployment rate followed the same trend as the other developed economies, with a reduction of 0.4 p.p. over the year under analysis, reaching 4% at the end of the year.

The inflation rate went from 3% to 2.1% in 2018 as a result of the Bank of England's increase in the interest rate from 0.50% to 0.75%, which aimed to limit the development of overall level of prices and provide greater stability to the pound, more vulnerable as a result of the expectation around Brexit.

2.1.1.3. Euro Zone

The Euro Zone grew less than expected in 2018, with an estimated growth rate of 1.9%, 0.2 p.p. lower than forecasted at the middle of the year and 0.5 p.p. against the previous year[2].

Poor export performance has conditioned the growth of the group, reflecting the initial appreciation of the euro and the lower external demand[2].

Unemployment decreased over the year from 8.6% to 7.9%. The inflation rate rose from 1.3% in 2017 to 1.5% in 2018, a modest development, despite the incentives of the European Central Bank, which maintained the accommodative monetary policy, with the benchmark interest rate at record low (0%), and the maintenance of the quantitative easing program, which resulted in the injection of more than EUR 2,600 billion in the economy over the period covered and was discontinued at the end of 2018.

2.1.1.4. Japan

In accordance with the World Bank, the Japanese economy showed an estimated growth rate of 0.8% in 2018, conditioned by climatic conditions and natural disasters[2].

The labor market remained strong, with the unemployment rate reduced by 0.3 p.p. in 2018 to 2.4%. The level of remuneration increased and the participation rate remained above 79%, despite the weakening of productivity[2].

The inflation rate showed a decreasing trend throughout the year, fluctuating from 1% to 0.3%, despite the maintenance of the incentives of the Central Bank of Japan, in which the yield curve control program and quantitative easing stand out.

The Central Bank of Japan kept the benchmark interest rate unchanged at -0.1% throughout the year. Incentives through monetary policy have not shown the expected levels of effectiveness, with inflation and GDP growing relatively moderately. However, due mainly to the level of public debt, which is around 250% of GDP (gross public debt), the Government took the decision to increase the consumption tax at the end of the year. Although the Government has already announced a temporary incentive package to mitigate the impact of the additional tax burden, the economy is expected to continue to grow without presenting the projected levels of growth.

2.1.2. Emerging and Developing Economies

2.1.2.1. BRICS – Brazil, Russia, India, China and South Africa

The BRICS – a set of five countries made up of Brazil, Russia, India, China and South Africa – recorded annual economic growth of 5.3% in 2018, according to World Bank estimates, maintaining the upward trend recorded in previous years of 4.0% in 2015, 4.4% in 2016 and 5.2% in 2017.

The highest oil price supported by the OPEC production cut-off agreement and some of the world's leading producers, such as Russia, contributed to the recovery of the Brazilian and Russian economies, which grew for the second consecutive year following the contraction in 2016. In 2018, the World Bank estimates that GDP in Brazil and Russia expanded by 1.2% and 1.6%, respectively, against 1.1% and 1.5% in 2017.

[2] World Bank, Global Economic Prospects, January 2019

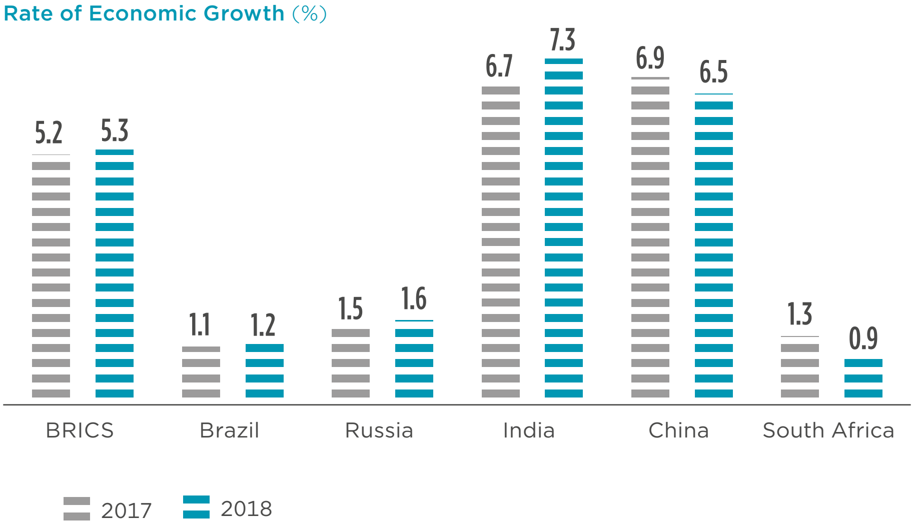
The BRICS – a set of five countries made up of Brazil, Russia, India, China and South Africa – recorded annual economic growth of 5.3% in 2018, according to World Bank estimates, maintaining the upward trend recorded in previous years of 4.0% in 2015, 4.4% in 2016 and 5.2% in 2017.

China and South Africa grew by 6.5% and 0.9% in 2018, less than in 2017, when it stood at 6.9% and 1.3%, respectively. The reasons for a more moderate growth differ. China has suffered political and trade tensions and the consequent trade war with the US, the poor performance of its major trading partners and the restructuring of its economic growth model that has change from a model focused on exports (external consumption) and investment to a growth model based on domestic consumption.

South Africa faced a number of structural constraints which had a negative impact on important sectors such as agriculture and fisheries, the mining and the manufacturing industries[4], sectors responsible for the expansion of the economy in previous years. Structural constraints include drought (the effect of the El Niño phenomenon), political uncertainty and lack of investor confidence, capital outflows and exchange rate pressure over the Rand, the unmet need for investment in infrastructure and the high level of unemployment (over 26%)[5].

As for India, GDP grew by 7.3% in 2018, representing an increase of 0.6 p.p. compared to the previous year, according to the World Bank. India led the BRICS performance in 2018, leveraged by the structural reforms implemented – such as tax reform and the improvement of the governance of the public sector performance – and macroeconomic stability, which have contributed to the improvement of investor confidence and the business environment.

Rate of Economic Growth (%)



Source: World Bank, Global Economic Prospects, January 2019

[4] South African Market Insights. Available at https://www.southafricanmi.com/south-africas-gdp.html. Accessed on 4 March 2019
[5] Engineering News. Available at: <http://www.engineeringnews.co.za/article/world-bank-says-confidence-not-enough-to-lift-south-africas-growth-prospects-2019-01-22>. Accessed on 22 January 2019

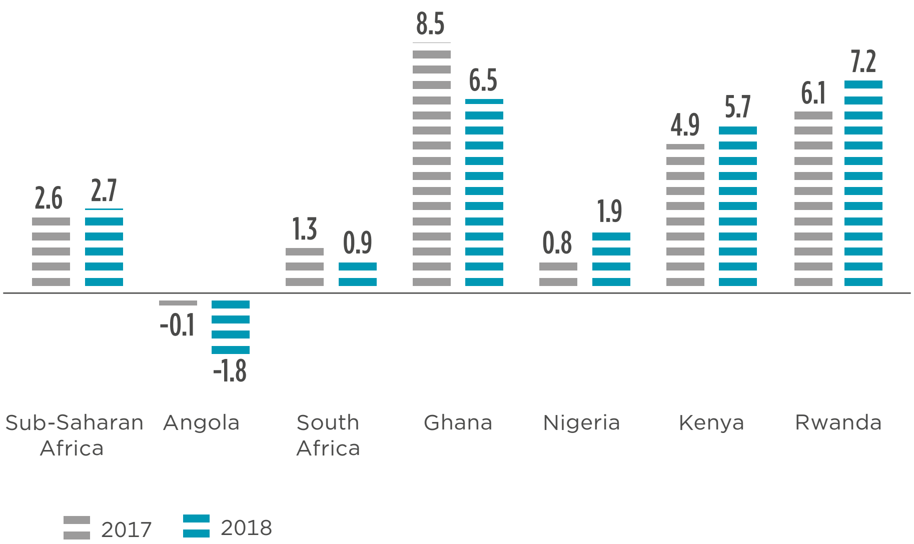
2.1.2.2. Sub-Saharan Africa

Sub-Saharan Africa's GDP grew by 2.7% in 2018, surpassing the rate recorded in 2017 (2.6%), thus remaining very much conditioned by the performance of the commodity market[2].

According to the World Bank, of the three leading economies in Africa (South Africa, Nigeria and Angola), only Nigeria grew more in 2018 compared to 2017, with a record of 1.9% in 2018 and 0.8% in 2017, reflecting the recovery of productive capacity in the oil sector, sustained by the reduction of attacks on oil fields.

South Africa and Angola showed levels of growth far below expectations, conditioned by the constraints of the current macroeconomic context, which led them to embark on the process of political and economic reforms supported by a series of economic stabilization measures, such as the adoption of restrictive monetary policy and the amendments to the tax package.

Rate of Economic Growth (%)



Source: World Bank, Global Economic Prospects, January 2019

[2] World Bank, Global Economic Prospects, January 2019

2.2. Angolan Economy

2.2.1. Real Sector

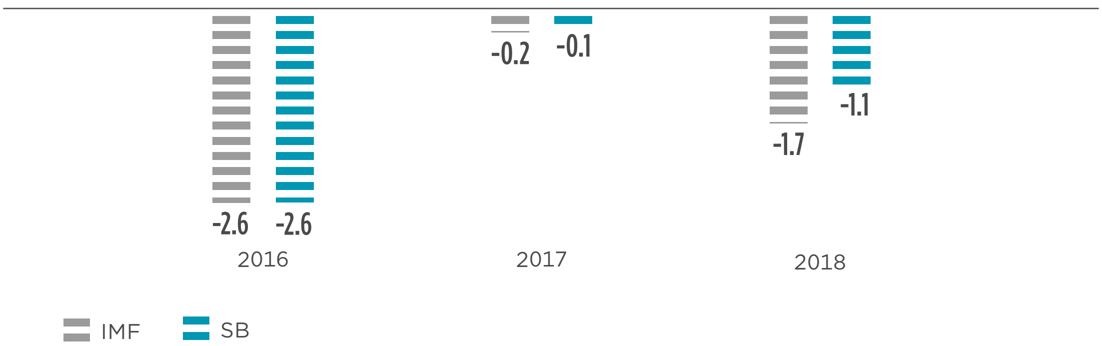
2018 was characterized by the upkeep of the economic recession at levels above 2017. In accordance with the International Monetary Fund, Angola recorded a negative economic performance for the third year in a row, much due to a negative growth rate of the Gross Domestic Product (GDP) in 2018, of -1.7%[6]. This negative performance represents a steep decline of 1.5 p.p. compared to 2017's performance. In addition, the World Bank estimates that the economic change in 2018 stood at -1.8%[2], deteriorating by 1.7 p.p. against 2017.

The Government also reported a GDP contraction of -1.1%, according to the Revised Executive Monetary Programming (PMER – Programação Monetária Executiva Revista)[7], representing an increase of 1 p.p. compared to 2017. The Government's outlook overcomes that of the African Development Bank (ADB), which estimates that the growth rate has reached 0.7%[8] in 2018, compared with the -0.2% rate in 2017.

The promotion of the non-oil sector has been one of the main goals since the downfall of international oil prices. The Government estimates that the sector recorded a growth of 1.0% in 2018, lower than the 1.2% registered in the previous year. The performance of the non-oil sector reflects the recovery of economic activity in the energy sectors, with a growth of 30%, followed by agriculture with a 3.1% increase and the building sector with a growth of 2.3%[9].

With respect to the oil and gas sector, the forecasted growth of 6.1% in the 2018 State Budget (SB) will not be recorded, considering PMER's expectations of an 8.2% contraction. This record represents a significant reduction compared to the 2017 performance of -5.3%, as a result of the downward revision of oil production, including gas at 8%, to 1,617,300 barrels / day, about 590.3 million barrels per year. Although the average price of crude oil exports in 2018 was set at 72 USD / barrel, which surpassed the average of 50 USD / barrel estimated at OGE 2018 by approximately 43%.

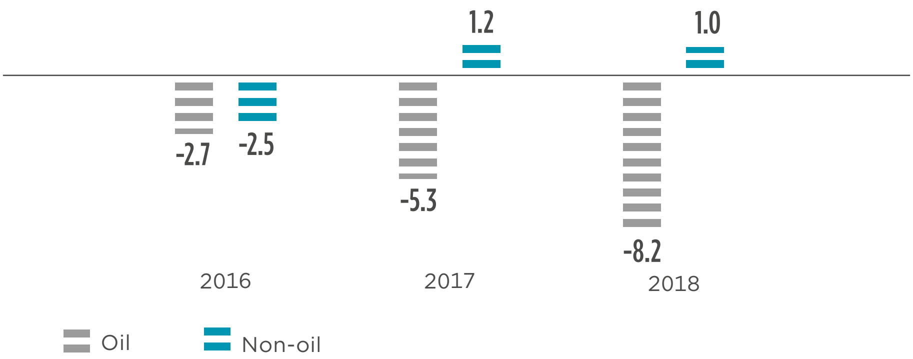
GDP Growth Rate (%)



Source: International Monetary Fund – Country Report, December 2018;
2019 SB and National Statistical Institute – National Accounts, third quarter of 2018

[2] World Bank, Global Economic Prospects, January 2019
[6] IMF, Country Report No. 18/370, December 2018
[7] Date relating to PMER were disclosed in the 2019 SB
[8] African Development Bank, African Economic Outlook 2019
[9] Rationale Report of the 2019 SB

Oil and Non-Oil GDP (%)



Source: 2019 State Budget

2.2.1.2. Context indicators

Entrepreneurs' expectations on the short-term economic performance, represented by the Economic Climate Indicator (ICE), stood at -12 points in the fourth quarter of 2018, translating into a recovery of 4 points and 3 points against the previous quarter and compared to the same period of the previous year, respectively.

The confidence indicator registered the best year-on-year change in the "Construction" (an increase of 25 points: to reach -20 points) and "Transport" (an increase of 8 points: to reach 5 points) sectors. On the other hand, the most significant reductions corresponded to the "Communication" (a decrease of 8 points: to reach 19 points) and "Manufacturing Industry" (a decrease of 7 points: to reach -15 points), which presented as main constraints the high rate level interest rates, financial difficulties and lack of raw materials.

Industrial production[10] presented a downward trajectory in the third quarter of 2018, with the Industrial Production Index (IPI) recording a quarterly reduction of 0.7% and a 10% year-on-year reduction. The year-on-year record reflects the negative variation of "Mining Industry" (12.1%) and "Energy Products" (10.3%), despite the positive register of "Intermediate Goods" (30.4%) and "Production and Distribution of Electricity, Gas and Steam" (18.2%).

In accordance with the data from the 2015-2016 Multiple Health Indicators Survey, the unemployment rate stood at 20%[11], differing from the unemployment register of 24.2% relating to the 2014 Census.

-1.8%

Economic change in 2018, considered by the World Bank.

[10] The IPI information corresponds to the most updated information disclosed until 25 February 2019

[11] The most recent data was disclosed in September 2017

Economic Climate Indicator (points)

Description	Index		
	4Q 2017	3Q 2018	4Q 2018
Economic Climate Indicator	-15	-16	-12
Trade Confidence Indicator	-30	-29	-24
Construction Confidence Indicator	-45	-33	-20
Manufacturing Industry Confidence Indicator	-8	-21	-15
Transport Confidence Indicator	-3	5	5
Tourism Confidence Indicator	-18	-23	-21
Extractive Industry Confidence Indicator	-4	-14	-7
Communication Confidence Indicator	27	16	19

Source: National Statistical Institute

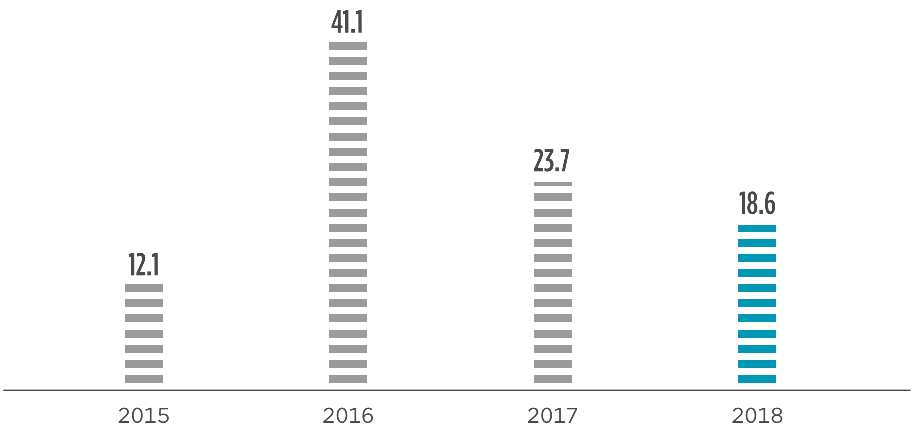
2.2.1.3. Price level

The national inflation rate[12] recorded a downward trajectory in the course of 2018, falling below the record in 2017 and 2016, by 23.7% and 41.1%, respectively.

Inflation is significantly lower than the 28.7% estimate presented in OGE 2018, remaining below the 2017 and 2016 records, of 23.67% and 41.1%, respectively.

Despite the entry into force of the floating exchange rate with bands in January 2018, the deceleration of inflation reflects the adoption of joint strategies by the economic regulators, which include the implementation of the regulated price system in 2016, the elimination of direct sales with the purpose to ensure greater efficiency in the distribution of foreign currency, the availability of various assets, a tighter monetary policy, with particular reference to the ending of reserves in national currency for the acquisition of foreign currency and the existing possibility of abolishing the establishment of reserve requirements through the use of Treasury Securities of the banks' portfolio.

Annual Inflation Rate (%)



Source: National Statistical Institute

[12] The national annual inflation rate that has been used as reference by the Angola Central Bank (BNA – Banco Nacional de Angola) since January 2018

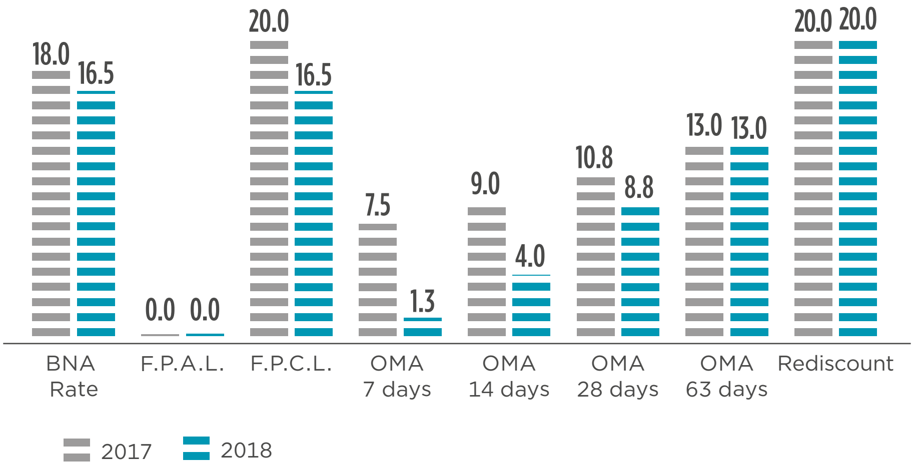
BNA's commitment to strengthening the financial sector mirrored in the increase of the share capital required from commercial banks from AOA 2.5 billion to AOA 7.5 billion.

2.2.2. Monetary policy

The last year was marked by moderate restrictive monetary policy measures adopted by the Angola Central Bank (BNA – Banco Nacional de Angola) in previous years.

BNA cut the Marginal Lending Rate twice in 2018 at the meetings of the Monetary Policy Committee in May and July, reducing it from 20.0% to 18.0% and from 18.0% to 16.5%, respectively. On the other hand, the Marginal Lending Facility Rate remained unchanged at 0%.

Reference Interest Rates (%)



OMA: Operações de Mercado Aberto (Open Market Operations)

Source: Angola Central Bank (BNA – Banco Nacional de Angola)

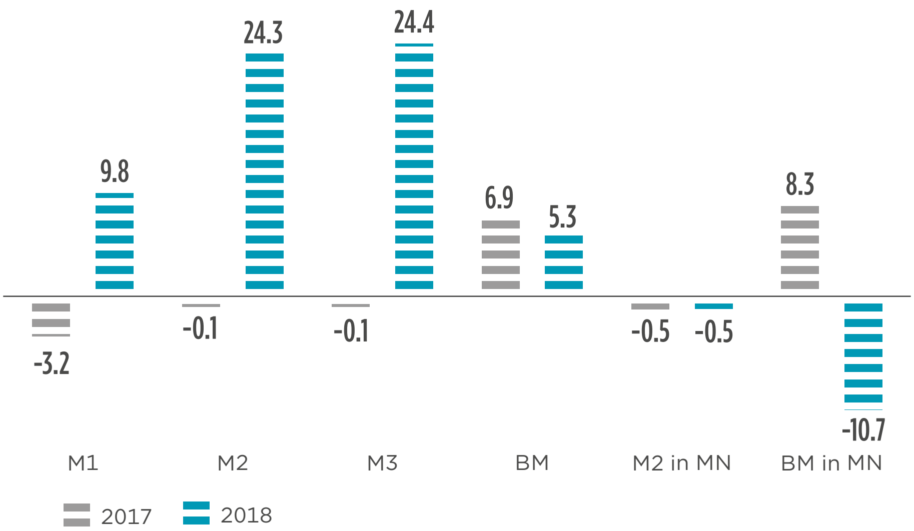
BNA's Monetary Policy Committee (MPC) decided at the meeting held in May to join together the Marginal Lending Facility Rate and the Basic Interest Rate (BNA Rate), which eventually took the name of BNA Rate, being fixed at 18%. As a result, the BNA Rate now reflects the effective cost of marginal lending to commercial banks. On the other hand, it changed the frequency of CPM meetings to bimonthly meetings, which were previously held on a monthly basis.

Despite the strong exchange rate depreciation resulting from the change of the exchange rate arrangement from fixed to floating within bands (soft peg), and from the historic correlation between the exchange rate and the inflation rate to have caused heightened expectations of the inflation rate, the opposite effect occurred, with the reduction of inflation being supported by the adoption of a restrictive monetary policy coupled with the increase in foreign exchange sales and the gradual replacement of direct sales by the foreign exchange auctions, which contributed for a greater efficiency of the distribution, not allowing a rupture in the normal flow of imports, thus helping to preserve the level of supply of goods and services and price stability.

The downward trend in the annual inflation rate, which by the middle of 2018 stood below 20%, representing a significant decrease of the 23% projected in the Macroeconomic Programming, allowed the Central Bank to cut the Reference Interest Rate.

The monetary base (MB) in national currency (NC) assumed the position of the main economic and financial indicator for monetary policy decisions and, as with monetary aggregates, if the foreign currency component is excluded, contracts 10.7% throughout the year.

Monetary Aggregates (Δ annual %)



Source: Angola Central Bank (BNA – Banco Nacional de Angola)

However, money supply, measured by the monetary aggregate M2, expanded by 24%, different from the -0.1% recorded in 2017, mainly due to the effect of exchange rate depreciation. The monetary base in national currency, reference for the monetary policy decisions of the Angola Central Bank (BNA – Banco Nacional de Angola), contracted 11% in the period under analysis, reflecting the lower availability of kwanzas in the economy.

The depreciation of the kwanza also affected the monetary aggregates M1 and M3, recording a growth of 10% and 24%, respectively, contrasting with -3% and 1% calculated in 2017.

In 2018, despite maintaining the required reserve ratio unchanged over the first five months by 21% for national currency and 15% for the foreign currency, BNA decided, at the following meetings, to held two consecutive 2 p.p. reductions in the national currency ratio, in May and July, reaching 17%.

In July, the BNA's MPC decided to standardize the reserve requirement ratio by 17% for all deposits in local currency. Previously, the ratio for Central Government deposits stood at 75% and for Local Governments and Municipal Administrations stood at 50%. The decision provided additional liquidity to banks, in particular to banks holding large volumes of Government deposits in local currency.

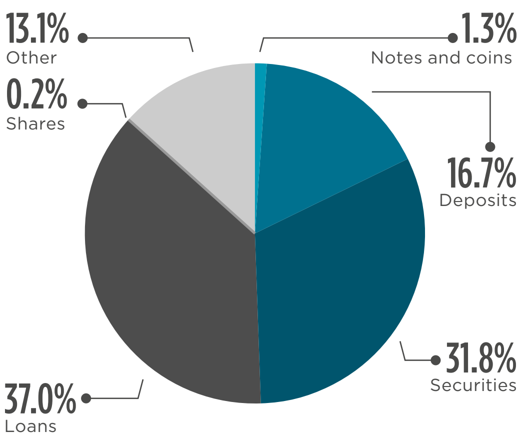
BNA's commitment to strengthening the financial sector was reflected in the increase of the minimum capital requirement for commercial banks from AOA 2.5 billion to AOA 7.5 billion to be achieved by the end of 2018 culminated with the termination of the license to two commercial banks due to default. The IMF recognizes the importance of the solidness of the financial system to the implementation of the necessary reforms for the country, with special focus on the evolution of non-performing loans, acknowledging that Recredit will have a key role to play, mainly in the recapitalization and restructuring of public banks.

2.2.3. Banking sector[13]

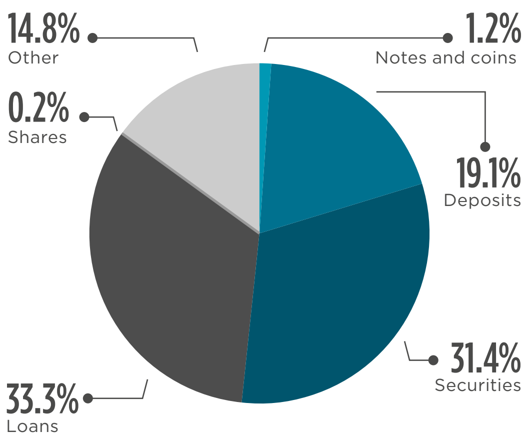
Commercial banks' assets increased by 30% in 2018, compared to the 2% recorded in 2017. A significant part of this growth was supported by the exchange rate effect created by the depreciation of kwanza throughout the year, since banks still account for more than 30% of total assets in foreign currency.

In terms of structure, a reduction in the share of loans over total assets was established, reducing from 37.0% to 33.3%. In contrast, deposits (in resident and non-resident financial institutions) and other assets (property, plant and equipment and other lower liquid assets) increased their shares by 2.4 percentage points and 1.7 percentage points, respectively, reaching 19.1% and 14.8% of total assets in 2018. As for debt securities, the variation was moderate, decreasing 0.4 p.p., settling at 31.4% in 2018.

2017



2018



[13] 2018 data released by Angola Central Bank (BNA – Banco Nacional de Angola) are preliminary. There is, though, the possibility of that data being different from the final data. Updated 15 March 2019

The capital and reserves account grew by 53.5% from AOA 1,338 billion in 2017 to AOA 2,055 billion in 2018, which is in line with the most demanding minimum capital requirements defined by BNA, with the required capital increase to banks from AOA 2.5 billion to AOA 7.5 billion.

Liabilities of banks show a 12% increase in transferable deposits, from AOA 3,313 billion to AOA 3,727 billion, and a 44% increase in other deposits from AOA 2,786 billion to AOA 4,003 billion.

The exchange rate effect was decisive for the growth in liabilities, and the total of transferable deposits in foreign currency amounts to a third of the total. With regards to other deposits and the currency portion being larger, representing about 57% of the total, the exchange rate impact was higher. Transferable deposits in foreign currency grew by 44% to AOA 1,305 billion and other external currency deposits increased by 111% to AOA 2,299 billion.

The ratio of non-performing loans to gross loans decreased from 28.8% in 2017 to 28.1% in 2018. As to non-performing loans net of provisions for impairment over the regulatory own funds, the ratio halved from 35% to 20%, probably reflecting the fact that banks have significantly increased their impairment provisions.

The net result on the average total assets of banks (Return on Assets) increased significantly, from 2.1% to 4.4%, and the net result on total average equity capital (Return on Capital) increased from 14.5% to 26.6%, from 2017 to 2018, showing that banking activity remains profitable.

The cost-to-income ratio contracted from 51.8% in 2017 to 30.3% in 2018, which shows that the ratio of operating costs to net operating income declined as a result of the strong growth in net earnings in the sector. The spread between lending rates and deposit rates increased, in the period under review, from 23.8% to 27.3%.

2.2.4. Fiscal sector

2.2.4.1. State Budget

The total amount of public revenue may have reached AOA 5,625 billion in 2018, according to the PMER submitted in the 2019 SB, which surpassed the estimate of AOA 4,404 billion in the 2018 SB. Current revenues represent 100% of total revenues and the capital revenues' caption is not disclosed because the 2018 State Budget estimated to have a zero collection.

Tax revenues may have accounted for about 93.5% of total current revenues, settling at AOA 5,257 billion and an amount higher than the AOA 4,139 billion forecasted. Revenue arising from tax on oil may have reached AOA 3,885 billion – 67% of which representing the concessionaire's rights – and from non-oil taxes settled at AOA 1,371 billion.

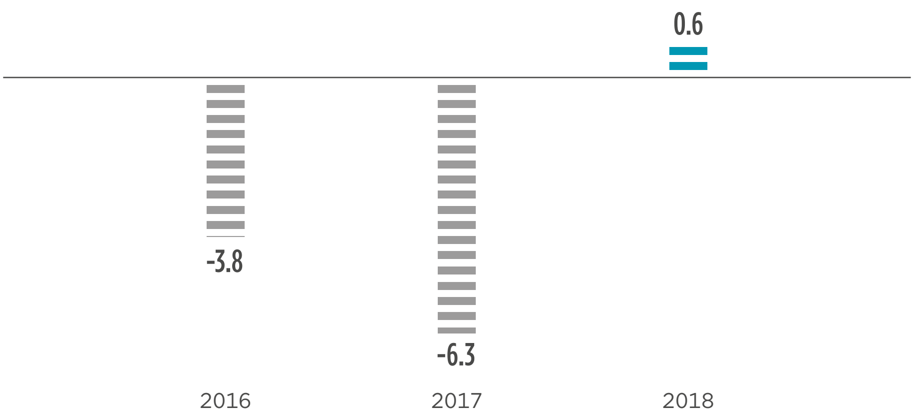
According to government estimates, total public expenditure could have been set at AOA 5,450 billion in 2018, higher than the AOA 5,209 billion planned for the year. Current expenditure should account for 80.2% of total expenditure, equivalent to about AOA 4,370 billion, and the remainder, account for capital expenditure,

Current expenditure consist of Payroll (38.7%), Interest (27.1%), Goods and Services (22.2%) and Current Transfers (12%).

Budgetary management has been characterised by the positive outlook regarding the increase in the price of crude oil, which plays a major role to the revenue collection by the State. The President of the Republic, João Lourenço, in his Opening Speech of the New Parliamentary Year on the State of the Nation, that took place in October 2018, stated that oil revenues, resulting from the difference between the oil price estimated in the SB, of USD 50/barrel and the average price level of the branches exported by Angola, at approximately USD 70/barrel, reached USD 4 billion, which was aimed to pay the domestic debt securities.

The scenario of successive fiscal deficits recorded since 2014 could be reversed as of 2018, with the Government estimating an overall balance of 0.6% of GDP. Given the objective of tax consolidation, the forecasts reflect the positive expectation on the increase in tax revenues that exceed the variation in expenses. The Government expects for 2018 the primary surplus to be AOA 1,375 billion, about 4.8% of GDP, with debt service interest expected to reach 4.2% of GDP[9].

Budget Balance (% PIB)



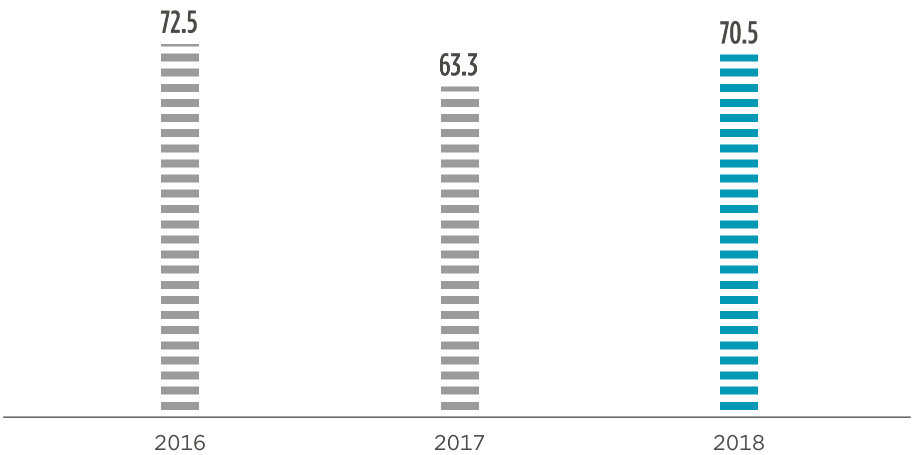
Source: 2019 State Budget

[9] Rationale Report of the 2019 SB. Stock of public debt in August, according to the 2019 SB

2.2.4.2. Public debt

Based on the analysis from January to August 2018, the public debt stock may have reached AOA 20,319 billion, representing approximately 70.5% of GDP. Regarding government debt, it should be noted that the estimate has been set at an approximate level of AOA 19,226 billion, which is close to 66.7% of GDP. Public debt in 2018 represents an increase of 7.2 p.p. compared to 2017 and 2 p.p. decreased against 2016, as a result of the reduction in the international price of crude oil, exchange depreciation and the recession in the economy.

Government Debt Stock (% GDP)



Source: 2019 State Budget

Debt service reached AOA 5,756 billion in 2018, almost tripling the figure reported in 2016 (AOA 1,709 billion). The debt service burden over the SB's total expenditure rose from 28.4% of GDP in 2016 to 57.4% of GDP in 2018. Following the same path is the ratio between debt service and tax income, which varied from 65.8% to 77.8% of GDP in the period referred to above[14].

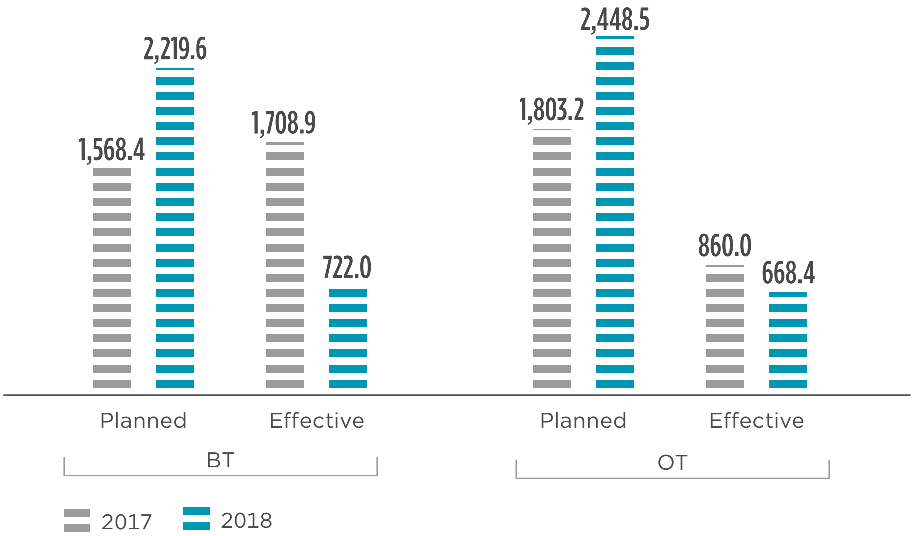
In accordance with the latest data released in the 2019 Annual Debt Plan (PAE – Plano Anual de Endividamento), approved in January 2019, a stock of Government debt (excluding public companies debt) in the amount of AOA 20,659 billion is estimated, representing 72% of the GDP.

The stock of domestic debt stood at 28% of GDP in 2018 and external debt at 44%, differing from the 31% and 29% projected in the PAE for 2018.

In 2018, the Treasury planned issuing AOA 2,220 billion in Treasury Bills (BT's) and AOA 2,449 billion in Treasury Bonds (OT's). However, the fundraising was lower, from just AOA 722 billion and AOA 668 billion to BT's and OT's, respectively.

[14] Amounts in kwanzas obtained using the average end-of-period exchange period published by Angola Central Bank (BNA – Banco Nacional de Angola)

Issuance of Treasury Bonds (AOA billion)



Source: 2019 Annual Debt Plan (PAE – Plano Anual de Endividamento)

With respect to the foreign market, the expected fundraising was settled at AOA 1,959 billion, in which the component of the issuance of eurobonds with an estimated amount of AOA 437 billion stands out, approximately 22.33% of the total. However, in 2018, the issuance of approximately USD 3.5 billion in eurobonds, representing approximately AOA 843 billion[15], reflects the second issuance of eurobonds carried out in May 2018, amounting to USD 3 billion, divided into USD 1.75 billion at a 10-year maturity at the rate of 8.3%, and USD 1.25 billion at a 30-year maturity at the rate of 9.4%. The high demand for securities allowed the reopening of the issue in July, adding USD 500 million to the issue line of USD 1.25 billion with maturity in 2048[16].

2.2.5. External Sector[17]

The balance of payments recorded a deficit of USD 1,213 million in the third quarter of 2018, a relevant deterioration compared to the surplus of USD 597 million in the same period, influenced by the worsening of the capital and financial account deficit and the caption of errors and omissions.

The current account recorded a surplus of USD 2,979 million representing an improvement over the deficit of USD 592 million in the same period of 2017. The current account ratio for the Gross Domestic Product (GDP) ranged from -1.9% in the third quarter of 2017 to 10.8% in the same period of 2018.

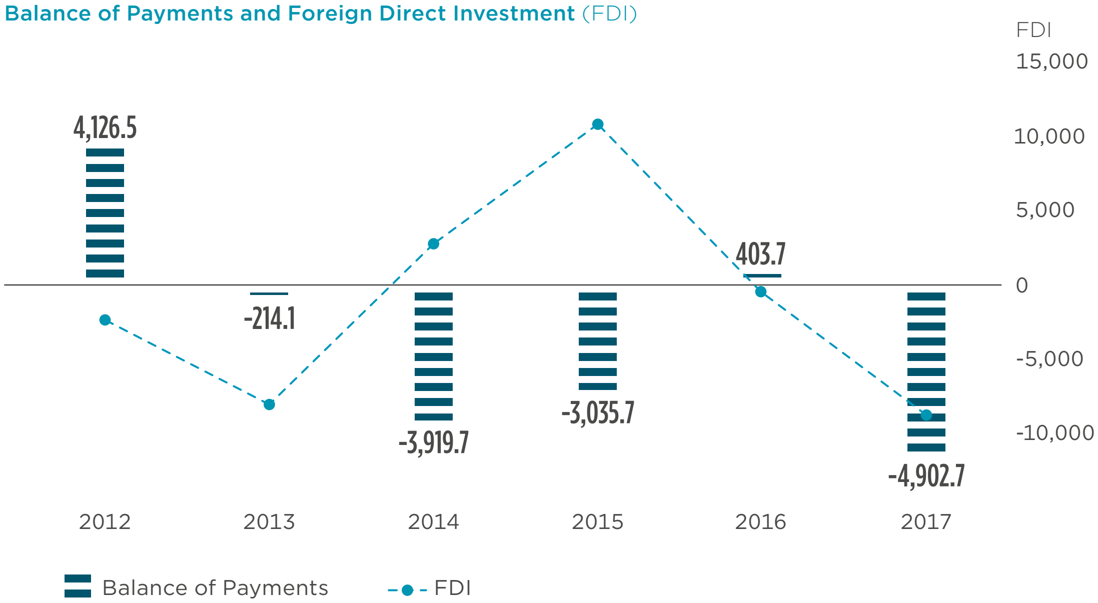
The goods account which, coming on top of services and income, comprise the current account, showed the highest positive variation by recording a year-on-year increase of 48.8%, to USD 6,788 million in the last but one quarter of 2018. It should be noted that the GDP ranged from 14.6% to 24.5% in the period under review.

[15] Amounts in kwanzas obtained using the average end-of-period exchange rate published by the Angola Central Bank (BNA – Banco Nacional de Angola)
[16] Jornal de Angola. Available at: «http://jornaldeangola.sapo.ao/economia/emissao_de_eurobonds_reabre_com_520_milhoes_de_dolares». 19 July 2018
[17] To date (22 March 2019), the fourth quarter of 2018 had not been published

The year-on-year analysis for the third quarter of 2018 shows that exports increased by 28% and imports by 3.6%. As for exports, China was the main destination (62.3% of the total) and crude oil the main product (91.5% of the total); as for imports, China led as the main country of origin (20.5% of the total) and food as the main import (23.3% of the total).

During the period under review, the capital account remained at USD 29,217, influenced by the licensing of fishing activities. In turn, the financial account decelerated from a surplus of 31% to USD 2,544 million[18] in the third quarter of 2018, motivated mainly by the reduction of reserve assets (323%) and direct investment (39%).

Balance of Payments and Foreign Direct Investment (FDI)



Source: Angola Central Bank (BNA)

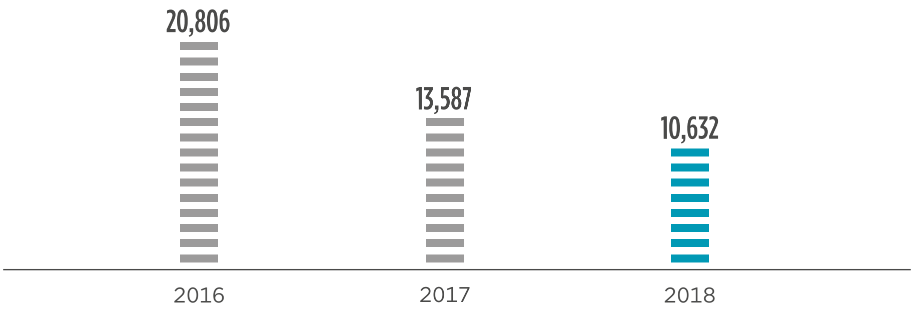
Foreign direct investment, one of the main captions in the financial account, showed a 39.1% surplus reduction to USD 1,155 million in the third quarter of 2018, considering that foreign direct investment in Angola (liabilities), in the third quarter of 2018, reached USD 1,904 million, a year-on-year increase of 34.2%. This flow is mainly related to the implementation of projects related to the oil sector (84.2% of the total), with the United States representing the main source of resources (22.4% of the total).

The amount of investment abroad (assets) decreased by 7.7% to USD 3,059 million, with Portugal representing the main destination, and the non-oil sector (particularly the financial sector, banking) being the most attractive.

The position of net international investment in the third quarter of 2018 reached a deficit of USD 30,837 million, worsening from 8.1% in the same period last year, influenced by a 4% increase in liabilities to USD 80,087 million and 1.6% in assets to USD 49,250 million.

[18] The BNA's data analysis used to obtain the balance of payments of -1,213 million USD reveals a record of -3,758 million USD in the financial account, however the assets (outflows) outweighed the liabilities (inflows)

Net International Reserves (USD billion)



Source: Angola Central Bank (BNA)

In 2018, Net International Reserves contracted by 19%, reaching USD 10.63 billion at the end of the year as a result of the pressure generated by the increase in foreign exchange sales which reached EUR 11.46 billion in 2018, 5% higher than last year.

External trade, key partners (AOA million)

	External trade			
	Third Quarter - 2017		Third Quarter - 2018	
Exports	1,385,430	(100%)	2,925,864	(100%)
China	733,118	(52.9%)	1,692,354	(57.8%)
India	87,588	(6.3%)	288,200	(9.9%)
USA	77,676	(5.6%)	94,611	(3.2%)
Other	246,834	(17.8%)	224,566	(7.7%)
Imports	512,255	(100%)	674,771	(100%)
China	90,903	(17.7%)	147,541	(21.9%)
Portugal	82,546	(16.1%)	107,553	(15.9%)
USA	40,904	(8.0%)	40,904	(6.8%)
Other	137,153	(26.8%)	297,902	(20.7%)
Total	873,175		2,251,093	

Source: National Statistical Institute

2.3. Financial markets[19]

2.3.1. Stock markets

a) World

In general terms, the main stock exchanges showed negative performances during 2018, penalized by the uncertainties generated by the commercial tensions between the major world economies, in light of the growing wave of protectionism among nations, especially the United States.

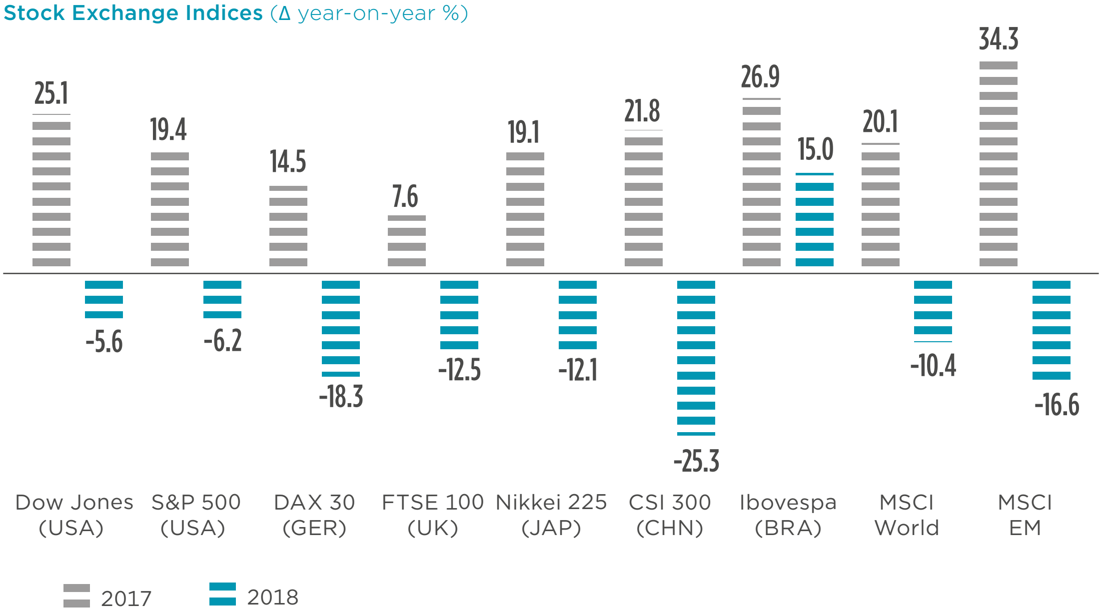
The stock indices of Morgan Stanley Capital International (MSCI), MSCI World and MSCI Emerging Markets allow to analyze the global stock market trend in the advanced and emerging economies, respectively.

MSCI World contracted 10.4% in 2018 reaching 1,883.9 points and MSCI Emerging Markets, 16.6%, standing at 965.8 points.

In disaggregated terms, Dow Jones (-5.6%), S&P 500 (-6.2%) and Nasdaq (-3.9%) dropped throughout the year to 23,237.5 points, 2,506.9 points and 6,635.3 points.

The British stock index (FTSE 100) fell 12.5% to 6,728 points. The German DAX 30 index contracted 18.3% and the Japanese Nikkei 225 index fell by 12.1% to 10,559.0 and 20,014.8 points, respectively.

Stock Exchange Indices (Δ year-on-year %)



Source: Bloomberg

With regard to emerging market exchanges, the spotlight was China, with the CSI 300 index contracting 25.3%, to 3,010.7 points, surpassing the positive performance of the Brazilian stock index, which expanded 11.9%, reaching 85,460.2 points.

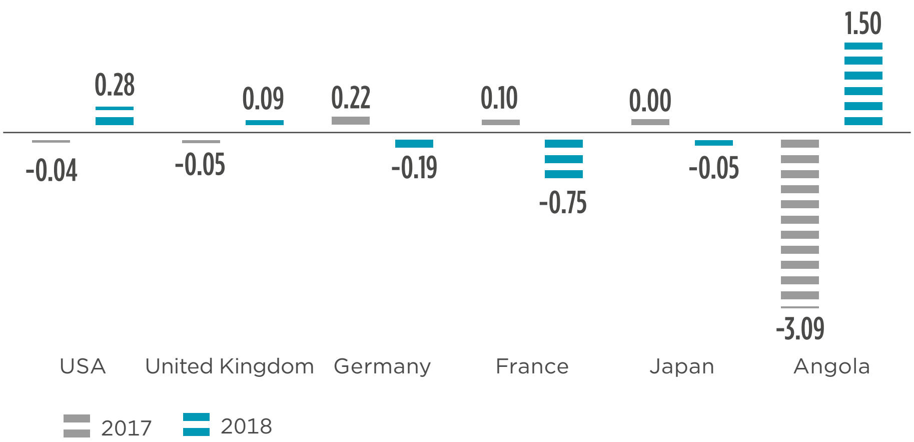
With the normalization of monetary policy in US, which began in December 2015, yields on US sovereign bonds were impacted. Average yields on 10-year US bonds increased by 0.3 pp over the year to 2.7%, in line with the Federal Reserve's monetary policy trend, which resulted in a cumulative growth of the benchmark interest of 2.3 p.p. in the last three years, to 2.5% in December 2018.

[19] Bloomberg is the source for the international financial market data

As in the US, the UK's sovereign debt on 10 years also showed an upward trend, with a slight increase of 0.08 p.p., reaching 1.9%. The benchmark interest rate by the Bank of England increased by 0.25 p.p. to 0.8% gave support to the yield trend.

The average yields on sovereign debt of Germany, France and Japan with the same maturity (10 years) contracted throughout the year, with variations of -0.19 p.p., -0.08 p.p. and -0.05 p.p., as a result of incentives to the current economy, with emphasis on quantitative easing, standing at 0.2%, 0.7% and -0.01%, respectively.

Yield variation on 10-year sovereign debt (percentage points)



Source: Bloomberg

b) Angola

Regarding Angola, eurobonds (sovereign bonds denominated in foreign currency) were issued at the beginning of May, in the amount of approximately USD 1.75 billion with a 10-year maturity at an 8.6% interest rate and USD 1.25 billion with a 30-year maturity at a 9.4% rate. Over the year, the average yield of the sovereign debt on 10-year increased by 0.8 p.p. and on 30-year increased by about 0.7 p.p., reflecting the level of the public debt stock and the behavior of the oil price, important indicators of the ability of the Government to honor debt services. Concerning the yield of eurobonds issued in 2015 with a 10-year maturity, the increase was 1.5 p.p.

In the domestic market, interest rates on debt securities decreased throughout the year, in particular for short-term securities (Treasury Bills) which decreased between 2.6 p.p. to 4.9 p.p. in most maturities, standing at 13.6% (to 91 days), 17.1% (to 181 days) and 19.1% (364 days).

Nonetheless, the reduction of interest rates in a period of lower liquidity available in the economy affected the demand for bonds in the primary market, which was far below the forecast. It is stressed that the State planned to issue about AOA 2,448 billion in OT's and approximately AOA 2,219 billion in BT's, however it issued only 27% (AOA 668 billion) and 33% (AOA 722 billion), respectively.

In the secondary market, there was an increase in the volume of traded securities compared to the previous year. Over AOA 794 billion were traded in 2018, compared to AOA 528 billion in 2017, a 51% increase, reflecting the ongoing evolution of the market and high demand for Treasury Bonds indexed to the exchange rate for protection against exchange rate risk resulting from the devaluation of the national currency.

In December, the first placement of corporate bonds stands out on the Angola Debt and Securities Exchange (BODIVA), valued at AOA 4.7 billion, with a 3-year maturity at an interest rate of 17%, a significant event on the process of market maturity.

Years	BT			OT MN-NR			OT MN-TXC		
	91 days	182 days	364 days	3 years	4 years	5 years	3 years	4 years	5 years
2017	16.15%	20.25%	23.90%	12.25%	25.88%	26.13%	7.25%	7.50%	7.75%
2018	**13.60%**	**17.05%**	**19.05%**	**23.00%**	**22.00%**	**23.75%**	**5.25%**	**5.50%**	**5.00%**

2.3.2. Money market

a) World

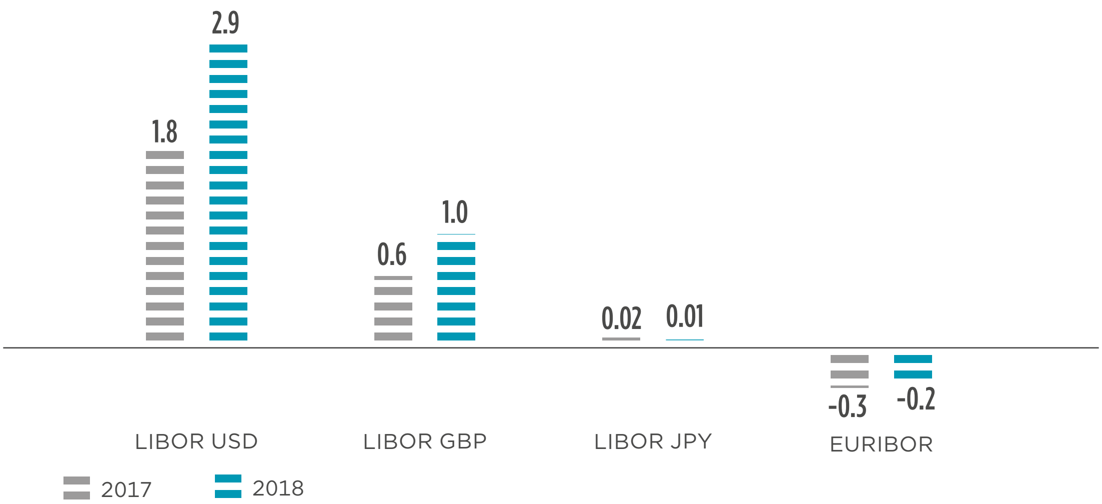
The main benchmark rates in the international money market followed different trajectories, influenced by different monetary policy positions, with an emphasis on the US (interest rate increase) and the Euro Zone (0% rate maintenance).

The 6-month USD Libor interest rate increased by 1.04 p.p. over the year under review reaching 2.9%. The development of the rate was sustained by the Federal Reserve's monetary policy decisions, which resulted in four 0.3 p.p. increases in the benchmark interest rates over 2018, increasing from 1.5% to 2.5%.

The Libor GBP at 6 months showed a 0.5 p.p. increase over 2018, reaching 1.0%. The trend was supported by the increase of the interest rate by the European Central Bank whose purpose was to plate for the stability of the British Pound motivated by the expectation around the Brexit.

The 6-month Euribor contracted 0.03 p.p. in the year under analysis, standing at -0.2% underpinned by the maintenance of incentives to the economy throughout the year by the European Central Bank (ECB).

Interest Rate Money Market (%)



Source: Bloomberg

With the new OPEC agreement, Angola now has a production limit of 1.48 million barrels per day.

The main refinancing rate remained at 0% and interest rates on deposits and the marginal lending facility also remained at -0.4% and 0.3%, respectively. The quantitative easing program stood at EUR 60 billion per month in 2017 and the ECB decided, as of January 2018, to halve it by extending the purchase period to September 2018. It also announced the discontinuation of the program in December 2018.

b) Angola

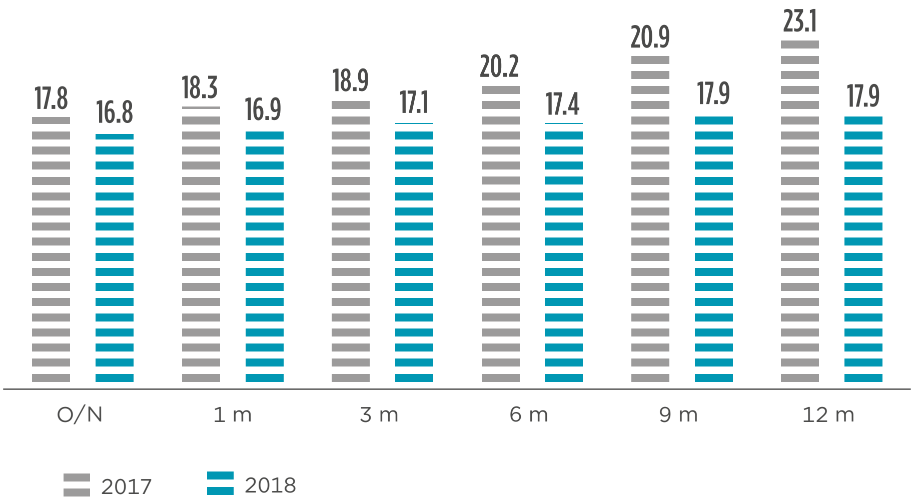
In Angola, the performance of the general price level allowed some restrictive monetary policy measures to be lighten, especially regarding the reduction of the marginal lending facility rate and the reserve requirement ratio.

The monetary mass, measured by the M2 aggregate, expanded by 24% in 2018, mainly due to the effect of exchange rate depreciation. The monetary base in national currency, a benchmark for the monetary policy decisions of Angola Central Bank, contracted 11% in the year under analysis, as a result of the lower volume of kwanzas available in the economy.

The need for liquidity in the economy revived the interbank money market, with the volume of traded liquidity improved from AOA 2,354 billion in 2017 to AOA 9,068 billion in 2018, a 285% increase.

Luibor interest rates dropped over the course of 2018 in most maturities. Luibor overnight fell by 1.02 p.p. to 16.8% at the end of the year. In the other maturities, there were variations between -1.0 and -5.1 p.p., in line with BNA's benchmark rates. Overall, in 2018, rates were in the range of 16.7% and 17.9%.

Luibor (%)



Source: Angola Central Bank (BNA)

11%

Contraction of the monetary base in national currency, reference to BNA's monetary policy decisions, in 2018.

2.3.3. Exchange market

a) World

The year 2018 was marked by the broad-based appreciation of the dollar against the main counterparts. The dollar was influenced by the monetary policy measures of the Federal Reserve.

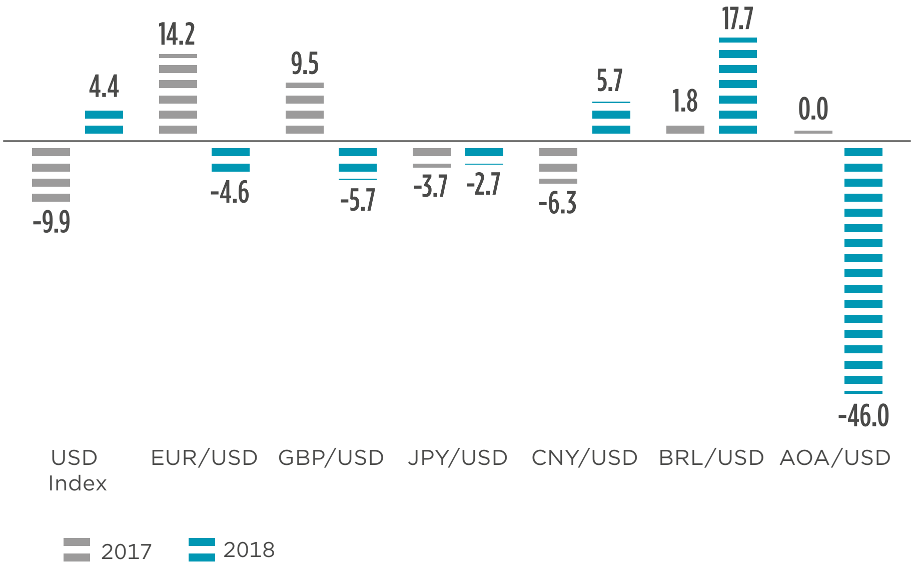
The US Dollar Index, which measures the value of the US dollar against the major counterparties, developed by the Intercontinental Exchange (ICE), expanded 4.4% in 2018, recovering from the contraction of 9.9% in 2017.

The euro showed a depreciation of 4.6% against the dollar, standing at USD 1.145. The pound followed the same path by depreciating around 5.7%, settling at USD 1.274.

With regards to currencies in the emerging economies, there was an overall depreciation of the currencies driven by the more moderate prospects of economic growth, underpinned by further restrictive monetary policies, and decreases in exports enhanced by protectionist trade policies, reflected in the contraction of 10.6% of the JP Morgan Emerging Market Currency index throughout the year, settling at 62.3 points.

Among the currencies guiding the index, the yuan (Chinese currency) lost its value throughout the year, reflecting the 5.3% depreciation of the yuan against the dollar.

Currency exchange rate variation against USD (%)



Source: Bloomberg

b) Angola

In Angola, the adoption of a flexible exchange rate system with a bandwidth in 2018 over the previous exchange rate system and the progressive replacement of the mechanism of direct allocation of foreign currency by currency auctions helped to decrease the pressure on the stock of foreign currency as well as to improve the efficiency in the distribution of currencies, but led to a significant depreciation of the exchange rate.

The exchange rate depreciated against the dollar from 165.9 kwanzas in 2017 to 308.6 kwanzas in 2018 and, against the euro, from 185.5 kwanzas to 353.0 kwanzas in the same period.

BNA sold approximately EUR 11.46 billion in 2018, a slight increase compared to the EUR 10.94 billion recorded in 2017.

2.3.4. Commodities market

a) World

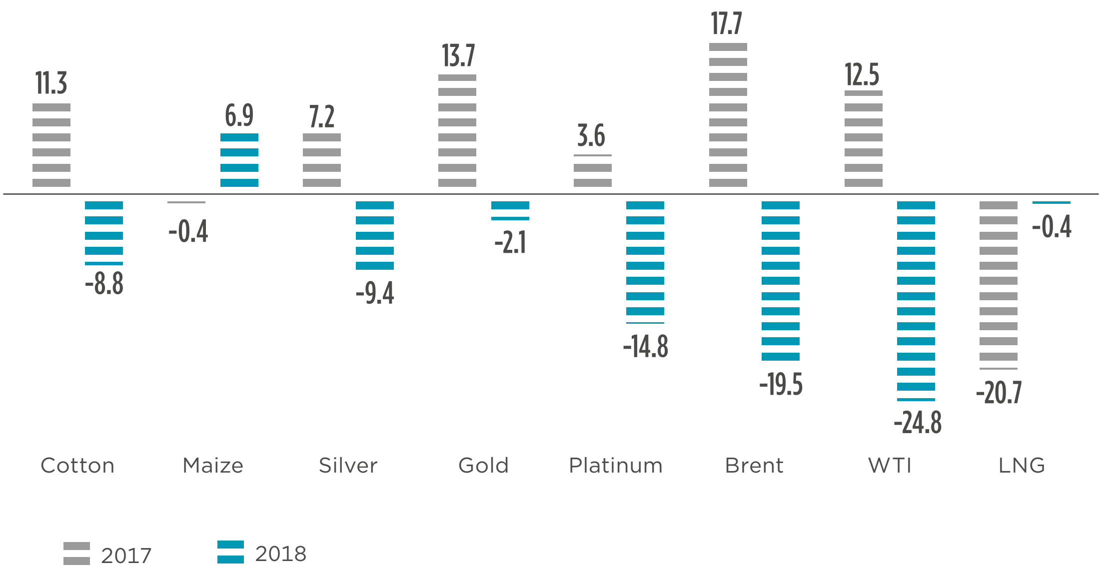
The main commodities traded in the international markets did not follow the process of recovering its commercial value in 2018.

Gold, silver and platinum prices dropped by 1.6%, 8.6% and 14.3% in the year under review when hitting USD 1,281.58/ounce, USD 15.49/ounce and USD 795.16/ounce, respectively.

Economic performance and US interest rate normalization have contributed to channeling demand for US debt securities as a result of greater attractiveness, which has negatively impacted demand for safe assets (gold, silver and platinum). However, the uncertainty surrounding trade tensions and the adoption of protectionist measures of trade policy balances, although slightly, with the depreciating trend, channeling the demand for these assets, particularly gold, which is reflected in the more modest loss of value compared with silver and platinum.

Regarding oil, despite the relative success of the Organization of the Petroleum Exporting Countries (OPEC) agreement with its allies (Russia, Kazakhstan and Oman) that resulted in the rising price of crude over the first three quarters of 2018, the significant increase in supply during the period of high price led to the significant fall in price in the last quarter. Therefore, Brent and WTI prices lost 19.6% and 24.8% of their value, standing at 53.80 and 45.41 USD/barrel, respectively.

Raw Materials (Δ year-on-year %)



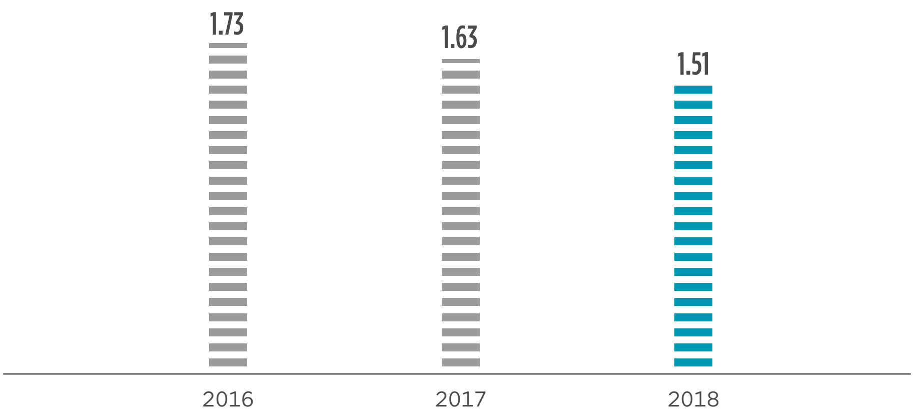
Source: Bloomberg

b) Angola

Angolan crude production fell from 1.63 million barrels per day in 2017 to 1.51 million barrels per day in 2018, reflecting the production limit enforced by the OPEC agreement in the first stage, and constraints generated by the decline in investment in the sector, at a subsequent stage.

At the end of 2018, OPEC and Russia reached a new crude oil cut-off agreement, expected to be in force in 2019, which will reduce OPEC production from 26.74 to 25.94 million barrels per day[20] and non- OPEC (Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, Sudan and South Sudan) from 18.32 to 17.94 million barrels per day. Under the new agreement, Angola has a production limit of 1.48 million barrels per day.

Angola's oil production (million barrels per day)



Source: OPEP, OPEC Monthly Oil Report, February 2019

[20] The value does not include the production of Qatar, which has withdrawn from the organization, such as Venezuela, Libya and Iran, which are exempt

3.0

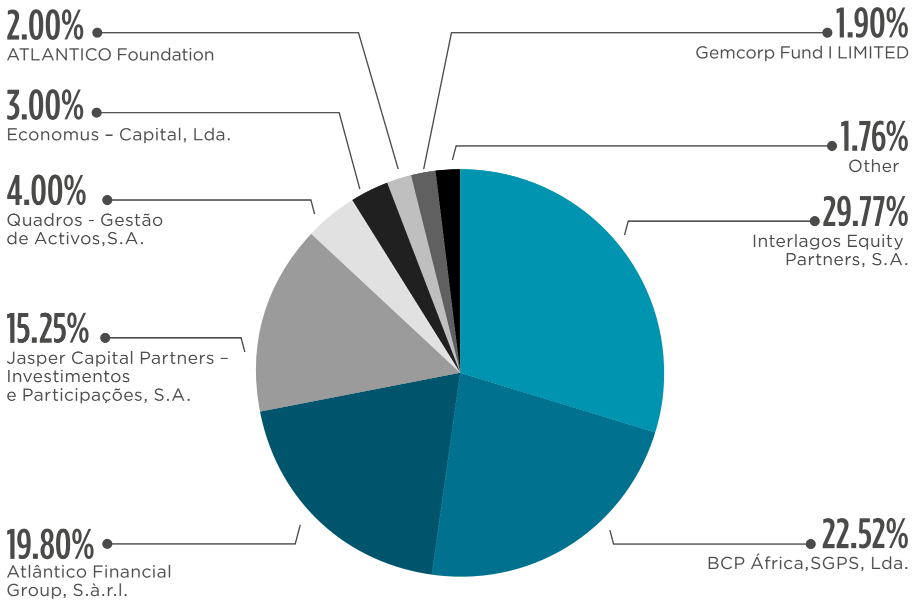
ATLANTICO

3.1. Institutional

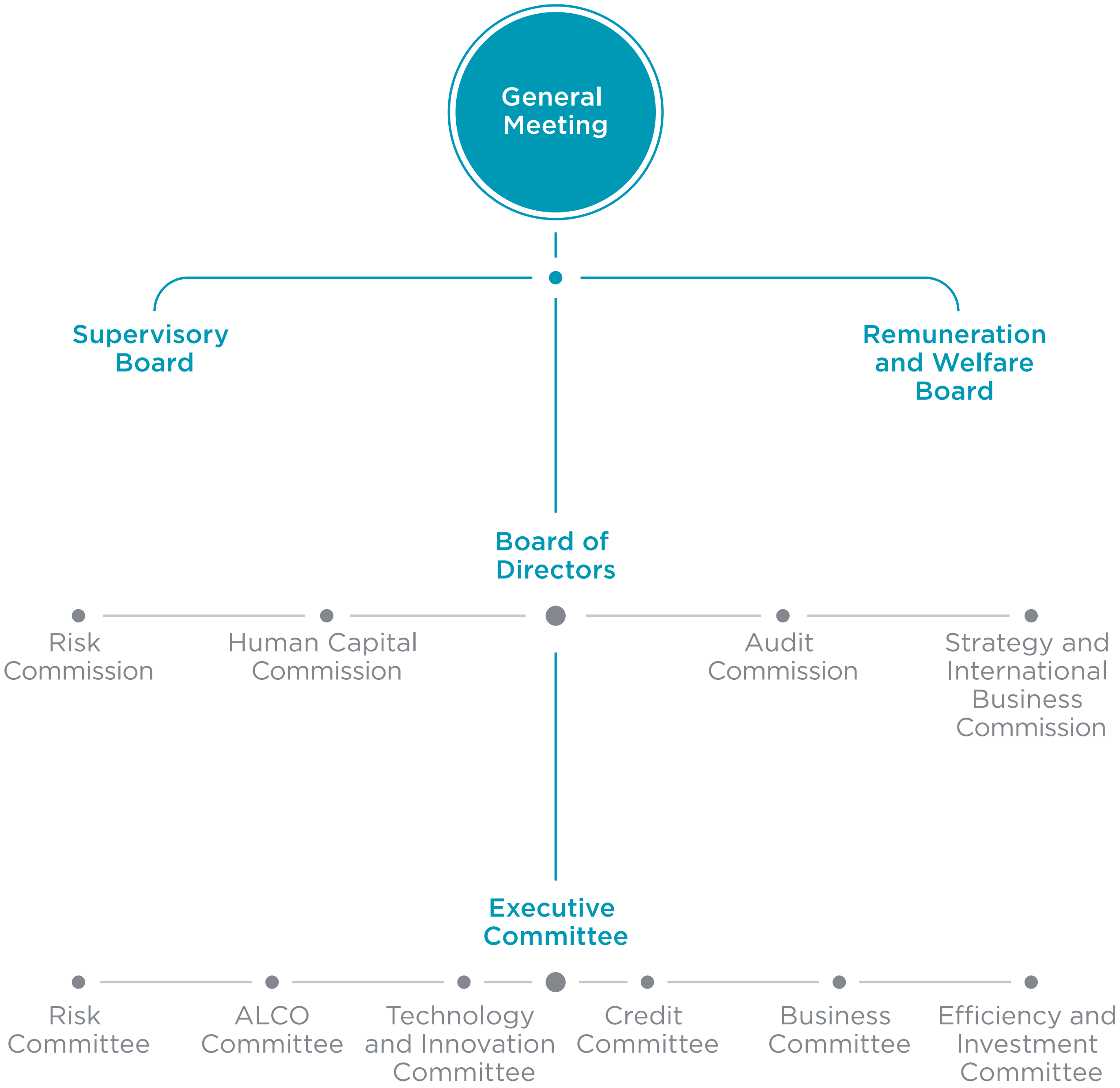
ATLANTICO was incorporated on 31 August 2006, and started its activity in November 2006, as an Angolan banking institution regulated by Angola Central Bank. On 3 May 2016, Banco Millennium Angola was merged into ATLANTICO. This merger enabled the integration of operations of both banking institutions, which together have more than 20 years of experience and have been acting as partners since 2008. As a result of this merger, ATLANTICO consolidated its universal character and strengthened its position in the Angolan banking market, joining the top 5 of Angola's largest banks, becoming the largest private bank in financing Angolan Companies and Households, and strengthening its position as one of the largest banks in the banking sector.

Shareholders' Structure

Banco Millennium Atlântico is mainly held by private Angolan shareholders. As at 31 December 2018, the shareholders' structure was detailed as follows:



Governance Model



Organic Structure

Board of Directors
BD

Executive Committee
EC

Business

- Investment Banking
  IB
- Mass Market
  DPN
- Private Banking
  DPB
- Large Corporate and Institutionals
  DLC
- Corporate
  DCO
- Business Dynamization
  DMN
- Prestige
  DPR
- Disruption Lab
- Bancassurance
- Social Investment

Support

- Digital Banking & Innovation
  DBI
- General Services
  DSG
- Processes and Organisation
  DPO
- Treasury and Markets
  DTM
- Human Capital
  DCH
- Legal
  DJU
- Brand and Communication
  DMC
- Marketing
  DMK
- Accounting
  DCT
- Cyber Security
  DCS
- Credit Recovery
  DRC
- Credit
  DCR
- International & Investor Relations
  IIR

Control

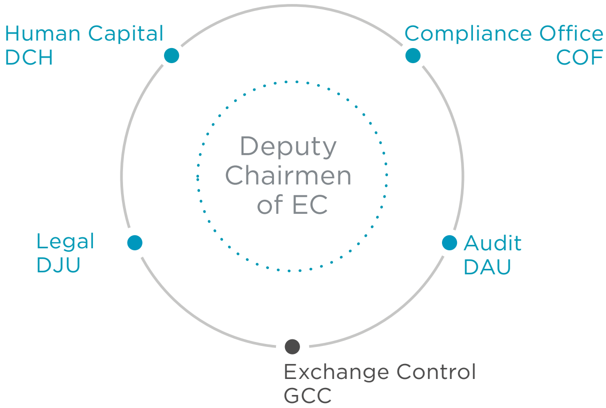
- Audit
  DAU
- Compliance Office
  COF
- Risk Office
  ROF
- Planning and Control
  DPC
- Foreign Exchange Control
  GCC

Department
Office
Focal point
Standalone unit

Executive Committee – Members and Areas of Responsibility

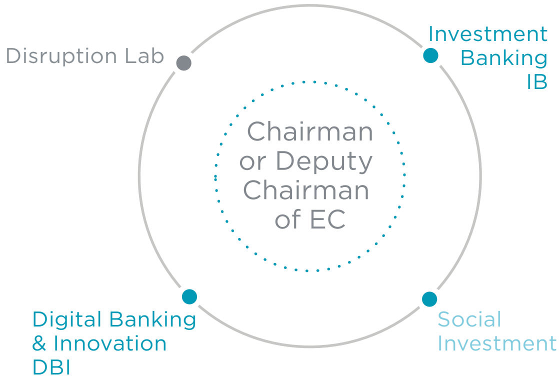
Daniel Santos
Chairman of EC

Chief Executive Officer (CEO)



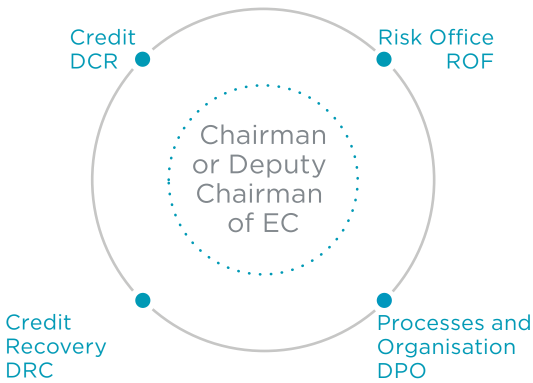
Augusto Baptista
Deputy Chairman of EC

Chief Digital & Investment Banking Officer (CDIBO)



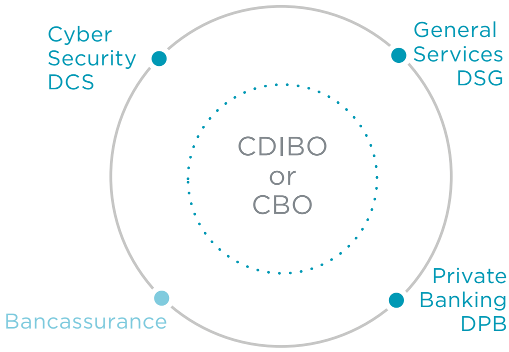
Paulo Tomás
Deputy Chairman of EC

Chief Risk Officer (CRO)



Patrícia Gabriel
Member

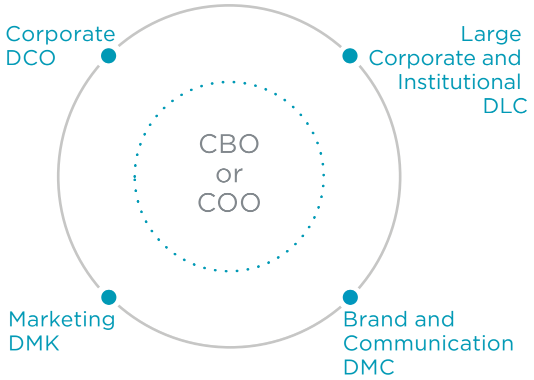
Chief Operating Officer (COO)



The order of replacement presented above should be applied only in cases where the absent/prevented Director has not had the opportunity to directly appoint his/her alternate, with due caution in relation to potential situations of conflict of interest.

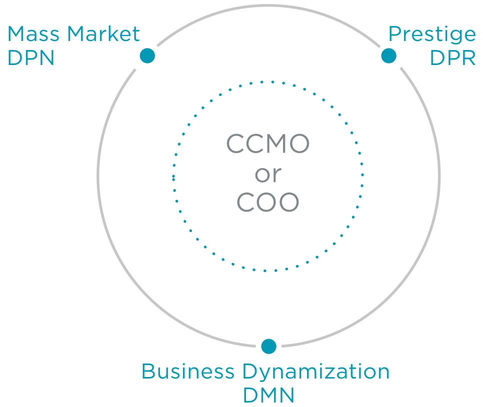
Odyle Cardoso
Member

Chief Corporate & Marketing Officer (CCMO)



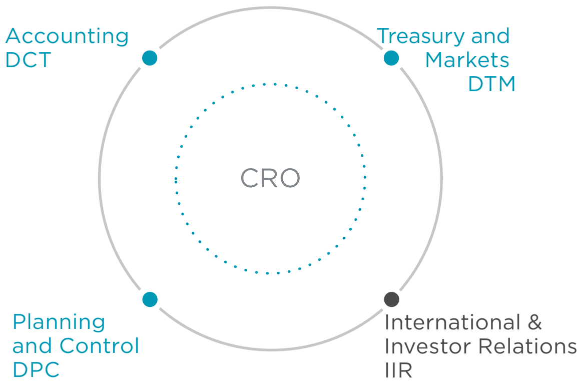
Jorge Pena
Member

Chief Business Officer (CBO)



Éder Sousa
Member

Chief Financial Officer (CFO)



The CEO and the Deputy CEOs can agree, among themselves, on a suitable sharing of areas of responsibility whenever one is absent/prevented from performing duties.

- Department
- Office
- Focal point
- Standalone Unit

OUR MISSION

To be a **benchmark** institution in Angola, respected in the World, that stands out for **Customer's** experience, excellence in **transformation** of Lives, **multiplication** of Customers' Assets, committed to its **Ecosystem**, today and in the future.

VISION TOWARDS 2.1.

To be the leading bank in **digital** transformation, being present and **close** to all, in ATLANTICO's **Ecosystem**, at all times and through different **platforms**.

Two large institutions transformed into a great strategic program

The aim of bringing digital reality to Customer's service

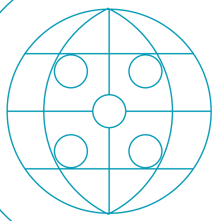
The agenda that will lead ATLANTICO to 2021

ATLANTICO 2.1

1>2 = 2.1

THIS IS ATLANTICO's EQUATION!

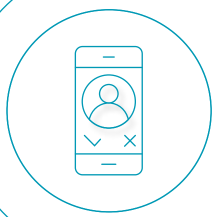
ATLANTICO 2.1 | Our strategic agenda is based on five pillars



Universality

"To serve all customers, always, where and how they choose"

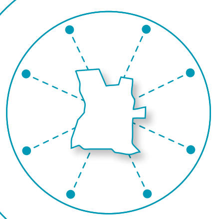
• Be the bank that best serves all Customer segments.
• Care model and differentiated proposals by segment.
• Ambition to reach more families and companies, aiming to increase our Customer base to 2 million by 2021.



Innovation

"Leader in digital transformation"

• Leading through solutions at the Digital Age border.
• Use Digital Age's technology and processes to enhance our Customers' experience.
• Digitalize our processes in order to increase our People's time and convert this time into more results.



Partnerships over Angola

"Benchmark in the investment in Angola"

• Continue to support the diversification of our economy.
• Contribute to the employment and product generation in order for families, companies and the country to prosper.
• Strengthen the role of ATLANTICO as an Investment Bank.

Customer's Primacy

"Best Bank in Customer service"

• To have the Customer as the center of our existence and the reason for our future.
• Know how to capture, withhold, foster and strengthen the relationship with Customers, serving them with the highest-quality service standard.
• Organisation in multidisciplinary teams, adopting a dynamic and collaborative work methodology, based on short delivery cycles and tangible deliverables, with a focus on Customers.

Values for Life

"Sustainable investment in the Community"

• Commitment to the Community and focus on sound and lasting results.
• ATLANTICO Foundation will increase investment in carefully selected projects that build on values and knowledge, without which there are no prosperous societies.

Our commitment to ATLANTICO's Ecosystem

Communities

"Leave a footprint in Society, contributing to the transformation of their lives in a sustainable manner, creating values for life"

+3,500 HOURS INVESTED BY ATLANTICO'S EMPLOYEES

+16,000 IMPACTED LIVES

+800 ATLANTICO'S VOLUNTEERS

+70 JOBS CREATED

People

"Promote individual and professional development of ATLANTICO's Family by creating values for life and transforming lives"

+30% CARREER DEVELOPMENT

1,820 EMPLOYEES

+41,000 TRAINING HOURS

+5,000 MEMBERS OF ATLANTICO'S FAMILY

81% OVERALL SATISFACTION INDEX

Partners

"Build and foster partnerships, where we grow and strengthen together"

+60 JOBS CREATED

10% MARKET SHARE — BENCHMARK IN TRADE FINANCE

BUSINESS PARTNER NETWORK:
- INSURANCE
- ASSET MANAGEMENT
- CORRESPONDENT BANKS IN 4 CONTINENTS

Customers

"Deliver an outstanding service to Customers"

+1.3 MILLION CUSTOMERS

3.9 COMPLAINTS PER 1,000 CUSTOMERS

11% DIGITAL CUSTOMERS

1.5 MILLION JOBS CREATED

Regulatory Agencies

"Acting strictly and in line with the best practices in the financial industry"

41 INTERNAL CONTROL IMPROVEMENT OPPORTUNITIES

15.9% CAPITAL ADEQUACY RATIO

Shareholders

"Protect and maximise Shareholders' equity, in a whole and sustainable way"

23.7% RETURN ON EQUITY

48.6% COST TO INCOME

+135 AOA BILLION EQUITY

14% GROWTH OF RECURRING RESULTS

Customer Driven

People Development

Innovation

Agility

Efficiency and Accuracy

3.2. Universal

+1.3 Million Customer

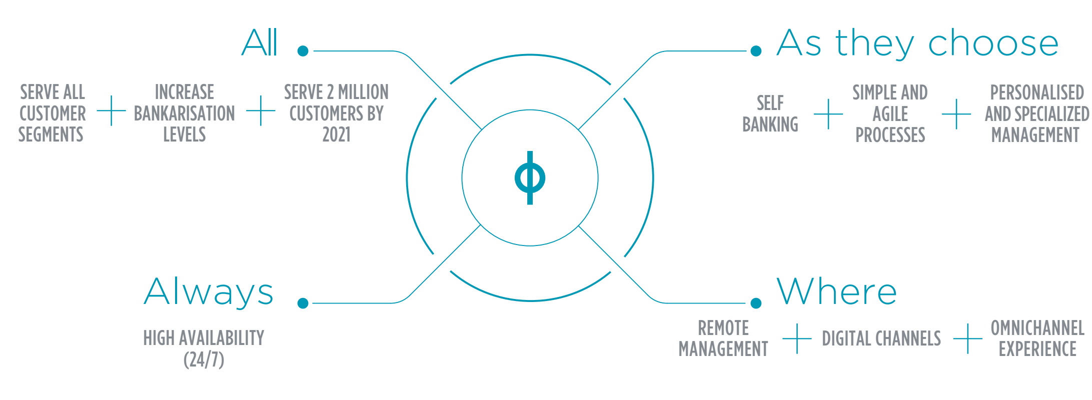
13.1% Market Share

136 Service Points

Digital Ecosystem

ATLANTICO'S ambition is to transform its position as universal bank, in the service to its Customers: "Serve all, always, where and how they choose".

The Bank's business model is based on the following fundamental principles:



In this regard, in 2018, ATLANTICO has strengthened its universal positioning through its digital vision, transforming its processes as a way to make them simpler and more agile, and innovating in the solutions made available to Customers, providing them with greater availability, autonomy and proximity to the Bank, and expanding its customer base, regardless of the segment.

The Bank also consolidated its position as a partner of Families and Companies, inspired by its needs and worthy of its trust, keeping its position as leader in financing among private banks.

Mass Market

For the segment of private individuals and small businesses, whose **transaction** needs are greater, ATLANTICO bets on a **universal** positioning, where the Customer chooses at which service point wants to be served, and aims to be **closer** to Customers, namely through contact plans and remote sales, which are now beginning to be implemented. The Bank also aims to increase **bankarisation** and financial literacy rates, reducing the gap between the informal sector and the financial sector, through a closer positioning to this social reality and the development of solutions aligned with its needs.

Another critical success factor is the quality of the service provided, based on **digital, simple, agile and autonomous** processes for the Customer.

In 2018, the Bank concluded the expansion of the breakthrough **digital onboarding solution** to the entire network of service points in line with ATLANTICO's vision for this segment, providing fully digital and agile experience during the opening of bank accounts, assignment of debit cards (Multicaixa) and access to ATLANTICO Directo (Internet banking and App mobile), streamlining processes and significantly reducing its duration.

In the path towards process automation, ATLANTICO continued to innovate with the availability of **Direct Deposit Machines**, allowing the execution of small deposits autonomously, safely and conveniently, every day of the week and 24 hours a day, thus meeting Customer's needs. In the future, the ambition is to extend this service to more business geographies of the Bank.

- **+ 12,000 "numb" Customers reactivated**
- **+ 500,000 interactions with Customers (inbound and outbound)**

ATLANTICO also strengthened its position as **Bank of University students**, in line with the ambition to "Be a Bank that leaves a footprint in Society", seeking to improve the employability of young people and contributing to the sustainability of the country's future through knowledge and ability to undertake new businesses or projects. To this end, ATLANTICO presented students with the **University Offer**, made up of products and services tailored to their needs (University Account, University Debit Card, University Savings Plan, Students Loans and Discounts on Selected Partners).

Given the transactional needs of mass market Customers, the Bank designed **Salary Offer**. This solution allows Customers with domiciled salary in ATLANTICO to receive an advance salary payment, available for 30 days and renewable for the same period, enabling the implementation of projects or the response to specific or unforeseen situations.

In order to be closer to Customers, the Bank reinforced its **Direct Business** team, dedicated to customer service 24/7, as well as to direct contact with pre-selected Customers to present products and services tailored to their needs. In 2018, this team's work allowed for:

- Direct reactivation of more than 12,000 "numb" customers;
- Stimulate and reactivate small business Customers;
- More than 500,000 interactions with Customers (inbound and outbound);
- Monitorisation of the entire Bank's TPA park aiming to increase the use and recovery of inactive equipment.

Proximity to Customers was also strengthened due to the increasing proximity to front office employees, who interact directly with Customers through the **Active Business** team. This team, through SOS Network, supports the entire mass market network in the clarification of business doubts and in employees' training.

Prestige

ATLANTICO's ambition is to provide a **personalised, close and priority** service to its affluent private Customers (PRESTIGE) and SME (PRESTIGE Empresas). To this end, the Bank invests in customized and specialized management and an offer targeting digital solutions that bring Customers closer and at differentiated levels of service.

Cine Atlântico and the 3rd Jazzing Festival, held in February, cleared the Prestige segment's position for 2018. Throughout the year, a few events were also held to bring ATLANTICO closer to PRESTIGE Customers, in line with the ambition of focusing Customers' account managers on a proactive relationship with them, using remote contacts or scheduling face-to-face visits.

This year, PRESTIGE'S challenge was to continually focus on the outstanding customer service and to consolidate the Bank's vision of valuing and enhancing customers' time, offering them greater autonomy and proximity by transforming the way ATLANTICO serves them in digital channels, with excellence, responsibility, secrecy and total security.

In order to be closer to private Customers, by making the most of their time, the Bank innovated with the availability of **Digital ABC**, a full digital account opening experience in the mobile phone or tablet, through ATLANTICO's mobile App, in a four-step journey, without needing to approach a service point, anytime, anywhere.

ATLANTICO was a pioneer in the provision of **Digital Prestige**, a remote personalised management service provided by a team fully dedicated to management through remote channels and digital tools and processes.

Also, in line with the ambition to provide PRESTIGE Customers with a customized value proposition, **PRESTIGE Offer** was launched, in a different and bold way to value Customers through innovative solutions and an ecosystem of partnerships geared to Customers' needs.

As to Business Customers, the challenge was the consolidation of branches and teams specialized in providing advisory services to SMEs, targeted towards better and closer follow-up of Customer projects, since its implementation, with particular emphasis on projects of the sectors covered by the Angola Investe program, in which ATLANTICO is the main funding bank.

Private Banking

In this segment, ATLANTICO's main ambition is to provide a **personalised** service, with **financial advice** and **wealth managment**.

For this purpose, the Bank has a highly experienced team, with relevant know-how in the main areas of personalised banking, which is based on accuracy, secrecy, innovation and operational safety.

The private bankers' team is in Luanda and has implemented a digital service model that allows to respond to the needs of Private Customers. To this end, it provides direct online access to its portfolio, namely information related to accounts, banking transactions, specialized information on products and services and information on national and international markets, through the Private Newsletter, always ensuring information security and the quality of services.

For the success of this transformation, it is the Bank's intention to increasingly become part of the ecosystem of its Customers. This initiative aims to add value to them, who value the freedom to manage their finances anywhere in the world, with the greatest convenience and security. Thus, ATLANTICO renews its commitment to remain at the forefront of its Private Customers.

Corporate

ATLANTICO has an extensive experience and know-how in the customized management of Corporate Customers, aiming to be a leader in this segment.

2018 was a year of regulatory changes in the banking sector, with an impact on Customers' dynamics. There were profound changes in the exchange market, in which the Angola Central Bank began to sell more foreign currency to commercial banks, on a regular basis.

However, this increase in sales volume has not been matched by several Corporate companies due to the reduction of their liquidity and other macroeconomic aspects that contributed directly to the slowdown of the economy.

On the other hand, there was an increased trend and concern of companies to restructure or diversify their business, adjusting them to the "new" macroeconomic reality.

Given the facts described, in 2018 the strategy for the Corporate segment focused on the necessary adjustments of the operational and business models, with particular emphasis on the evaluation of financial assets' quality, loan to deposits ratio management and monitoring of performing and non-performing loan.

Nevertheless, the transformation scenario of Customers' businesses also provided the opportunity to explore new solutions, which led up to the structuring of the **first real estate leasing operation** and the **first confirming operation in Angola**.

At the same time, there was also a strong and positive investment in the capture and withholding of resources via the **TPA Bonus Campaign**, with bonus levels designed to reward the business Customers whose automatic payment terminals (TPA) reach the goal of their level.

Large Corporate

Since 2015, ATLANTICO has made a strong commitment in this segment, with the objective of ensuring a **personalised management to large companies and institutional customers**.

To this end, the Bank has a team of experts in the main business sectors of the Angolan economy:

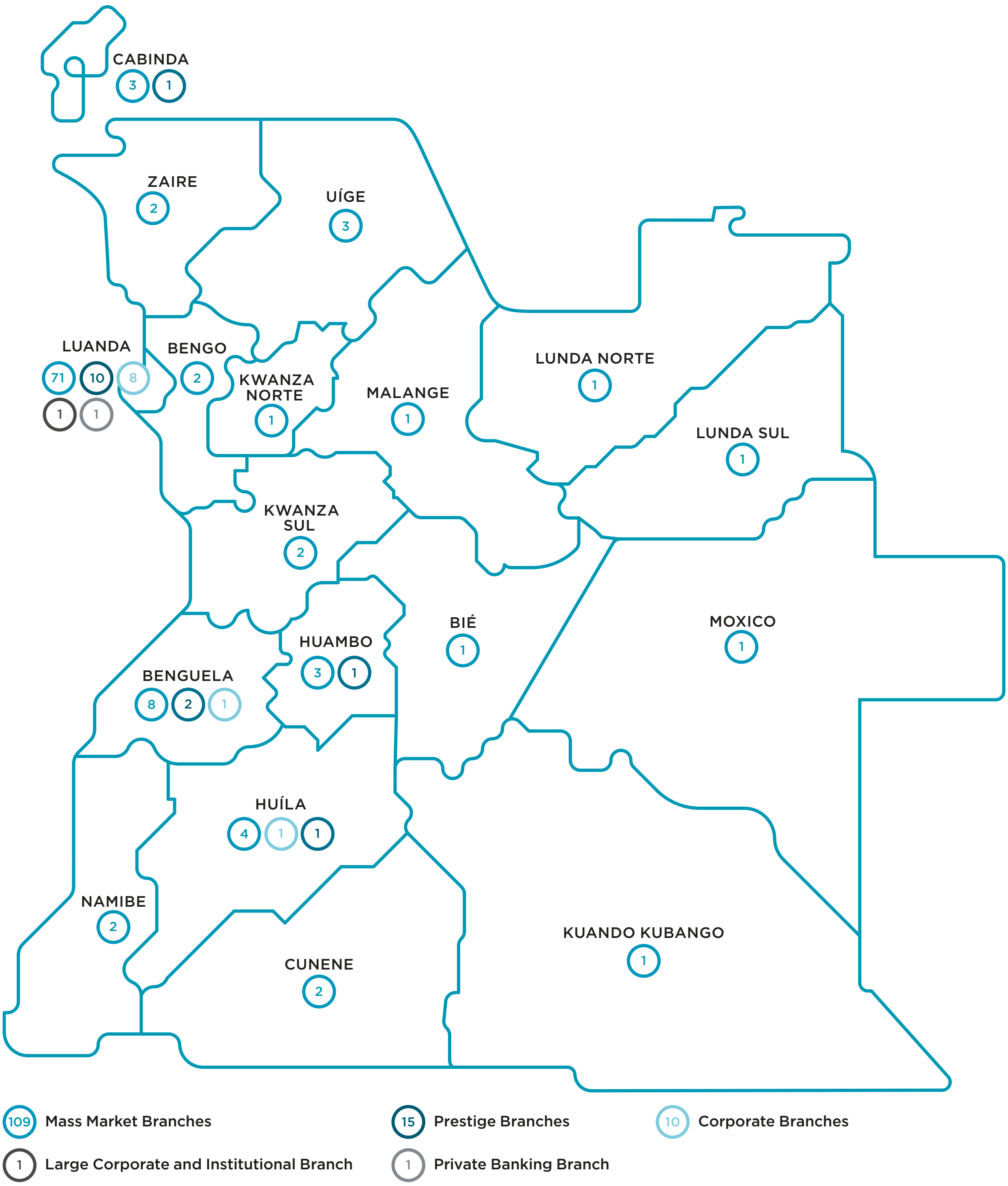
- Construction and Services – promotion of synergies between the various companies with similar activity in the market, through common suppliers;
- Distribution and Logistics – a wide range of trade finance solutions for large distributors, in which ATLANTICO has a market-valued performance and customized solutions for the entire logistics supply chain;
- Industry – support to a strategic sector for the Government in the implementation of the plan for the diversification of the economy;
- Institutional – specialized assistance to public bodies, associations, foundations, religious institutions and other institutional Customers;
- Oil and Gas – with an improved approach in this field, ATLANTICO is eligible to provide tailored solutions to the specific needs of the sector, for national and international companies that act as providers and oil operators in Angola;
- Real Estate Development and Telecommunications – with experience and tailored made solutions, the Bank works the entire value chain of the important sectors of the national economy.

With the reorganization process of the operating model being completed, with a view to procedural agility and differentiated delivery, ATLANTICO strengthened the use of best national and international practices throughout 2018. Operational improvements were made in relevant processes that provided them a greater agility, allowing to gain market share in the oil sector and to attend to strategic forums for greater interaction with partners and prospective Customers.

The Bank promptly ensured the implementation of the continuing changes which have shaped the financial activity, aiming to corroborate compliance of internal processes and skills around those changes. The economic challenge was impacted by the reduction in interbank liquidity, largely driven by the strategy of massive reduction of external debt, through the execution of the operating backlog, the currency depreciation and the reduction of investment, whose impact was felt in all sectors with greater predominance for the Construction, Real Estate Development and Oil & Gas Industries.

ATLANTICO explored its ecosystem, providing the creation of strategic partnerships that empower the Customers business and, simultaneously, the Bank's profitability.

Service points

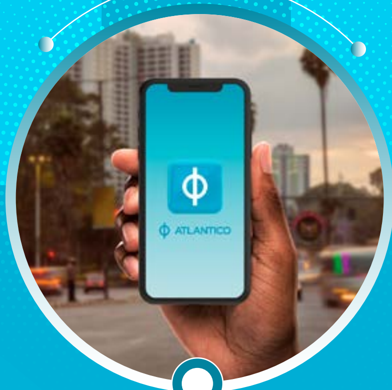


DIGITAL BRANCH

DIGITAL ONBOARDING

DIRECT DEPOSITS MACHINE

DISRUPTION LAB (DIGITAL LABORATORY)



100% DIGITAL ACCOUNT OPENING

3.3. Innovative

~45%
Core processes digitalized

~40%
Core processes in self-banking

~400 thousand ATLANTICO Directo users

11%
Digital Customers

ATLANTICO positions itself as an innovative and digital bank, aiming to be "Leader in digital transformation".

ATLANTICO's digital transformation footprint is already very relevant, standing out as leader in this field in the Angolan financial sector. To this end, the Bank has sought to digitize its core processes and develop innovative solutions to improve the Customer experience and, simultaneously, extend the time that ATLANTICO's People have available to add more value to Customers.

In 2017, the Bank pioneered the opening of the first **Digital service point** and the implementation of the first **Digital onboarding** solution in Angola. At the Digital service point, located at Xyami Nova Vida, Customers can experience a 100% digital onboarding journey: opening an account without any paper, with immediate delivery of a debit card and the access codes to ATLANTICO Directo (*Offer 3 in 1*).

In 2018, in order to simplify the day-to-day transactions of Customers, the implementation of the first **Direct deposit machine** backed the Digital service point journey, which allows deposits to be made autonomously, conveniently and safely, in an extended working time and the Customer's account is immediately credited.

Also in 2018, the roll out of the Digital onboarding solution for all ATLANTICO's private customer service points was completed, allowing more than **800,000 processes** to be processed throughout the year, including more than **18,000 account openings per month**, assignment of debit cards and access codes to ATLANTICO Directo. This solution allowed a significant increase in the processing capacity of this sort of operations, as well as a marked shortfall in the respective levels of service, positively impacting the Customers' experience.

During the same year, the PoC (Proof of Concept) of the **100% digital account opening** was initiated, which gives ATLANTICO Private Customers the chance to open an account 100% digital, through their mobile phone or tablet, in only four steps, anytime, anywhere. This is the first account opening process on smartphone or tablet, with facial recognition and document validation.

In order to leverage the use of digital channels by Customers, the Bank made available in 2018, at ATLANTICO Directo, the fast pay feature "**Paga Rápido**", which allows the carrying out of low value transactions without inserting a confirmation key, thus giving greater agility and easiness to Customers in performing this sort of transactions.

In order to enhance the innovative positioning of ATLANTICO and promote an ecosystem of fostering entrepreneurship and digital innovation in Angola, the Bank launched the Disruption Lab (Powered by ATLANTICO) in 2018.

This digital lab aims to be an aggregator and generator of digital innovation in Angola and to lead the efforts of technological disruption of ATLANTICO's Ecosystem, through the incubation and acceleration of ideas with significant potential to create value, to ensure that Customers, People, Partners, Communities and, often, competitors – coopetidors – benefit from the knowledge and experience provided by the latest technological innovations, with a significant number of skills arising from startechs, universities and financial institutions, both national and international.

"The business environment and large financial institutions are changing due to factors coupled with new technologies, new strategies and new services. If banks and companies wish to remain relevant, they should follow the duty of suitability. This involves fostering the spirit of intrapreneur and entrepreneur, within and with organizations, respectively. ATLANTICO's digital lab is committed to actively promote this spirit, traditionally characterized by passion, conviction and drive. "

The purpose of the Disruption Lab is to:

- Develop digital and analytics skills;
- Integrate a critical mass of talent into a multidisciplinary team (combination of internal and external resources, including but not limited to new recruitments);
- Ensure the creation of know-how and expertise for the long term through training and certification programs;
- Implement consistent methodologies across the organization.

In order to achieve this purpose, the Disruption Lab is organized in multidisciplinary teams, comprised of Employees and Partners of the startech ecosystem, adopting and training teams in agile work methodologies.

3.4. Investment Partner

10%
Market share Trade finance

25%
Growth in Trade finance business

1st Private bank in financing Households and Companies

29 correspondent banks on 4 continents

ATLANTICO aims to be a benchmark partner in the investment to and from Angola, in order to continue to support Angola's affirmation in the world and the diversification of the Angolan economy. To this end, it has focused on consolidating the network of international partners and strengthening the leading role in investment banking.

The Bank has outlined a strategy for the growth of its network of international correspondent banks and the establishment of relations with multilateral development financial institutions with the objective of accessing external credit facilities to support investment and the trade finance activity, in order to respond to Customers' needs, namely at the level of international transactions and implementation of investment projects (greenfield, brownfield).

Currently, ATLANTICO has a network of **correspondent banks with presence in four continents**, in the main geographies of commercial and investment relations with Angola, allowing high geographical coverage for the execution of international payments.

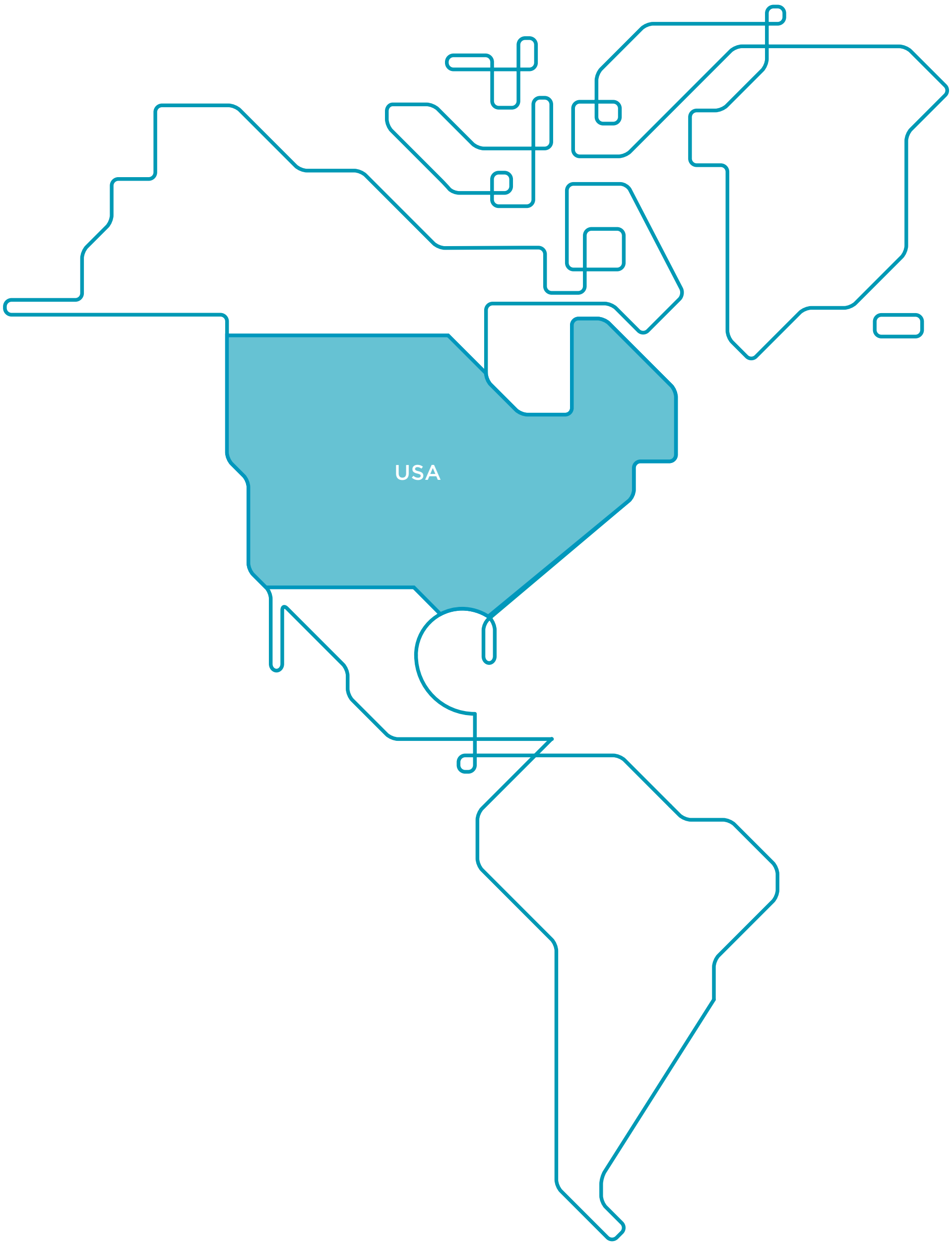
In this context, in 2018 ATLANTICO recorded a **25% growth in the trade finance business** (issuance of Letters of Credit), in line with the implementation of Notice 05/2018, from the Angola Central Bank (BNA – Banco Nacional de Angola), that defines the obligation to settle goods' import and export operations through remittances or documentary credit.

Export + Offer

- Credit facility addressed to Corporate Corporate Customers in the agricultural, livestock, food, beverage, steel, minerals, timber, saline and coffee industries;
- Flexible financing, multi-purpose, as it allows access to credit for:
  - Payment of imports to ensure production for export;
  - Payment of expenses in national territory generated by the export activity;
  - Payment of current treasury expenses from the anticipation of 100% of the export revenue.

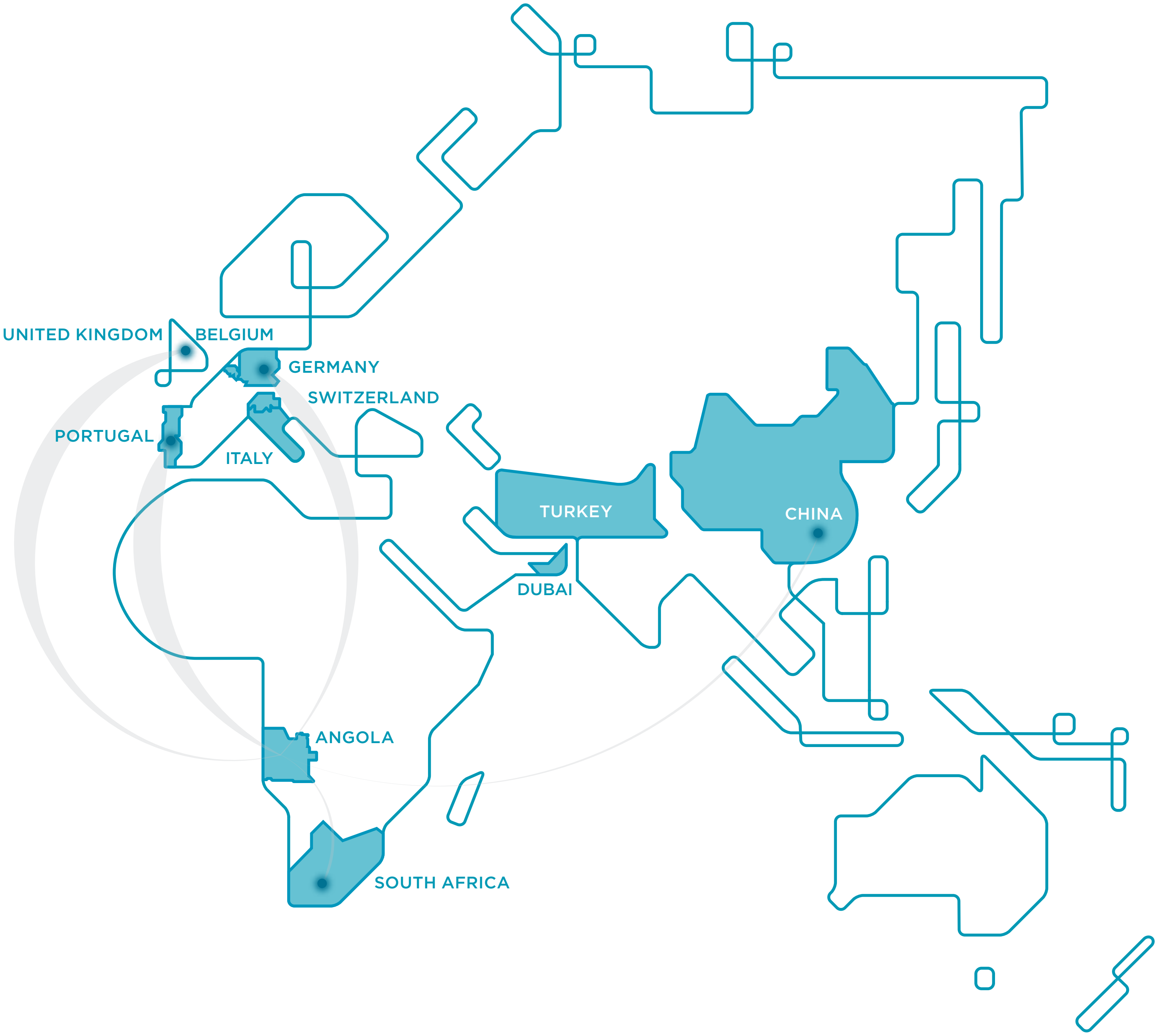
In addition, the Bank recorded a **65% annual increase in the volume of foreign payment orders** for countries such as Portugal, Germany, China, the United Kingdom and South Africa.

Multi-geographic positioning



Countries with correspondent banks

Countries receiving payment orders


UNITED KINGDOM
BELGIUM
GERMANY
SWITZERLAND
PORTUGAL
ITALY
TURKEY
CHINA
DUBAI
ANGOLA
SOUTH AFRICA

In 2018, ATLANTICO also started a negotiation process of credit facilities with multilateral development financial institutions, with the objective of increasing the lending capacity to the economy, contributing to the process of economic diversification and development of internal production capacity.

In November, ATLANTICO held a business forum in which it brought together public and private entities, and in which some Angolan companies presented their experiences and projects, with a view to supporting domestic production and its distribution to international markets.

Produce + Offer

- Credit facility to support national production, targeted to Corporate Customers operating in the manufacturing industry, support to the productive sector, agriculture, livestock and fishery sectors;
- Financing up to the amount in AOA equivalent to USD 140,000 per project, with grace period up to 6 months;
- In addition to allowing access to credit for business optimization, it also allows the Customer to obtain a reduction up to 10% of the standard commission;
- Includes a 30% discount on partnerships with local training companies to train company management staff.

On the other hand, in order to streamline these credit facilities and foster investment, ATLANTICO, through its **Investment Banking** solutions, has a leading position as a benchmark in this business segment, with a track record of supporting investment in Angola and investment in international markets.

2012 — Banco Keve: Financial advisor on the first issuance of corporate bonds

2012 — Baia de Luanda: Financial advisor and Mandate Lead Arranger of a syndicated loan to finance the rehabilitation of Luanda's Bay

2013 — Soares da Costa: Financial advisor for the acquisition of a controlling stake in a Portuguese construction company

2014 — Controlinveste: Financial advisor for the acquisition of a controlling stake in a Portuguese media holding company

2015 — Grupo Salvador Caetano: Financial advisor for the sale of a minority stake of a strategic player in the automotive sector in Angola

2016 — Biocom: Financial advisor and Mandate Lead Arranger of a syndicated loan to finance the largest agribusiness project in Angola

2017 — Lauca: Financing of the largest hydroelectric project in Angola (2,070 Mw)

● Corporate Finance ● Structured Finance ● Capital Markets

Through the Investment Banking services, ATLANTICO offers innovative products and services that are suitable to the development stage of the Angolan and African investment banking market, based on international benchmarks, serving as a driving force for the development of the Angolan financial sector.

The improvements in the business environment and investors' trust in the Angolan economy in 2018, as well as the capture of credit facilities from ATLANTICO's network of international partners, generated Investment Banking opportunities, especially in terms of solutions offering for projects with foreign currency needs, and is currently in the pipeline for implementation in 2019.

In 2018, work has been carried out to flag to the market our interest in continuing to be the benchmark partner for national development in the three major areas of Investment Banking: **Corporate finance, Structured finance and Capital markets**.

Regarding **Corporate finance**, the Bank provided support to companies in the food & beverage industry, in their capital opening processes and a telecommunications company, in the acquisition of a majority stake in another company in the same industry, which should be completed in 2019.

Concerning **Structured finance**, the Bank was involved in the structuring of financing operations and made significant progress towards the restructuring processes of two important agro-industrial and beverage companies.

Taking advantage of the new business environment and of a further market opening, the Bank dedicated 2018 to the study and development of **Capital markets** financing solutions, which will help companies with financing needs, in following years, while at the same time providing an excellent investment opportunity for economic surplus agents.

The Bank was also focused on monitoring the privatizations process that is expected to be one of 2019's milestones, of which ATLANTICO wants to be part of.

3.5. Agile and Customer-driven

1,820
Employees

81%
Overall satisfaction index

+41,000
Training hours

+30%
Career growth

ATLANTICO's plan is to be an agile and Customer-driven organization with the ambition to be the "Best Bank in Customer Service".

Guided by the Customer's primacy, ATLANTICO believes that its plan is achieved through its largest intangible asset: ATLANTICO's Culture. A unique culture made of, by and for People. In 2017, ATLANTICO renewed its commitment to each element of its ecosystem, rebuilding its mission and the corporate values that sustain its culture: Our Values for Life.

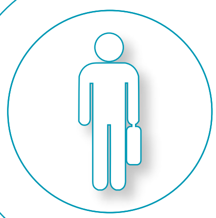
The Organizational Satisfaction Study conducted in 2018 reveals an Overall Satisfaction Index of 81%, with emphasis on Commitment, Ambition, Leadership and Culture as the main reasons for the satisfaction of the ATLANTICO's People.

Our Values for Life

Customer driven

“To think, live and feel the Customer”

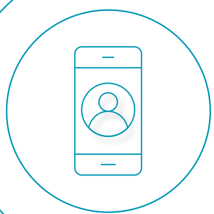
• Anticipate, understand and satisfy the real needs of Customers, adding value and being a Partner in achieving their dreams and life projects.



People Development

“People are ATLANTICO’s greatest asset”

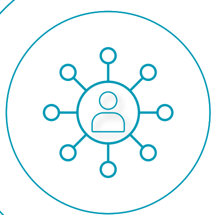
• People are a priority for ATLANTICO. They embody our culture and deliver our commitment to ATLANTICO’s Ecosystem, generating “Attitude with Value” with their skills. ATLANTICO transforms their lives, compromising them as agents of the development of People in ATLANTICO’s Ecosystem.



Innovation

“Thinking different, simple and digital, anticipating the future”

• The on-going concern, the boldness to go beyond, the ambition to anticipate the future, which leads us to be pioneers in creating disruptive solutions to improve customer’s experience, by simplifying it.



Agility

“Harmony of skills in delivering value”

• Agility, in ATLANTICO, represents a proper way of being and thinking, detached from status quo. A constant availability and flexibility to work, in a multidisciplinary way, with new variables and methodologies, contributing for the creation of solutions for Customers’ equations.

Efficiency and Accuracy

“With Responsibility, We create more Value”

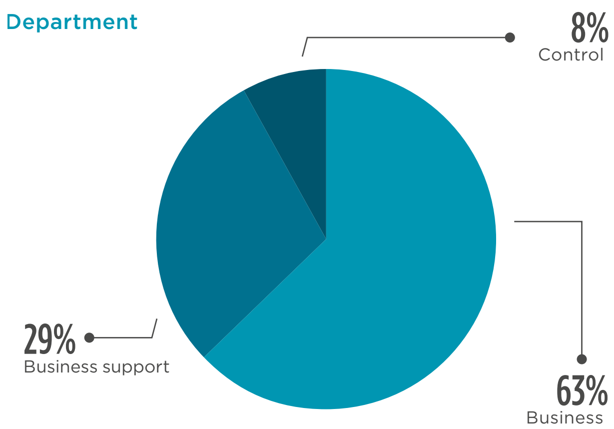
• Ability to achieve goals within the agreed deadlines, with the highest quality, optimizing available resources and ensuring the careful compliance with the legislation, standards and procedures.

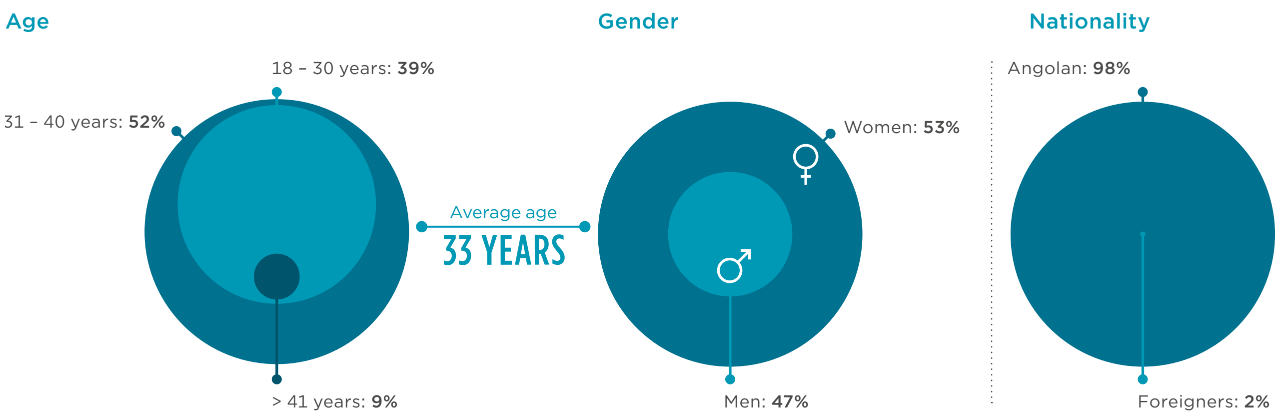
People are an undeniable differentiating factor. They increase the service quality, positioning ATLANTICO as the benchmark institution, totally **Customer Driven**, which better understands and anticipates their needs, adding unequivocal value to their lives. ATLANTICO thinks, lives and feels Customer.

For the achievement of this commitment to the Customer, ATLANTICO acts in an integrated way, through a strong commitment to **Innovation**, promoting the creation of innovative solutions and the investment in digitization; the implementation of new organizational formats and work methodologies that give greater **Agility** to the entire organization; the structuring of mechanisms that consolidate Institutional **Efficiency and Accuracy**; and the **Development of People**.

In 2018, ATLANTICO's Team maintained its structure of 1,820 Employees, more than 60% integrated in business areas, in line with international best practices.

Team's distribution





A total investment of AOA 200 million in training, the equivalent to 41,323 hours of training.

The Team is young, mainly comprised of Angolan Employees, 74% of whom belong to generation Y. ATLANTICO's Team is characterized by a strong sense of restlessness, innovation, openness to the world and propensity for digital experiences.

It was precisely on the digital platforms that ATLANTICO received more than 4,900 applications, an increase of 24% compared to 2017, which resulted in 74 new admissions.

In line with the strategic ambition of "Leave a footprint in Society", the investment in the development of People requires the training of young talents. As such, ATLANTICO streamlined a set of protocols with local universities, which resulted in an internship program involving 15 students and newly graduates. For a six-month period, they met and went through several ATLANTICO teams, interconnecting knowledge with experience. **ATLANTICO's Internship Program** creates synergies with the academic environment and will continue in 2019.

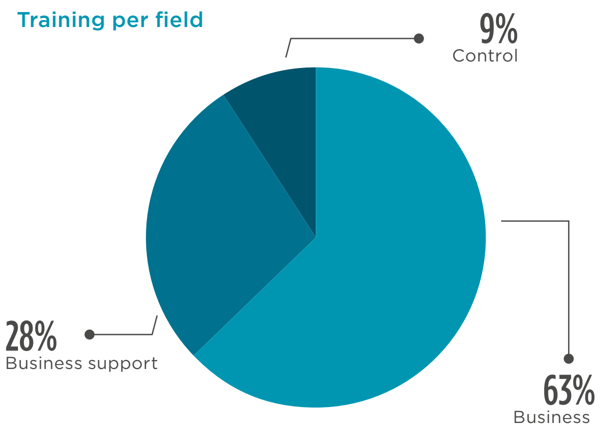
Also in 2018, the **Internal Scholarship Program** was launched, giving six ATLANTICO Employees the opportunity to have the academic year, at the undergraduate and post-graduate level, borne by ATLANTICO. This was an investment of over AOA 8 million.

The **training** strategy was reviewed, to be more customized to the function and activity performed, and therefore training was given in an on-job context. This strategic reset led to an optimization of the financial investment carried out, at approximately 49%.

The total investment in training was AOA 200 million, the equivalent to 41,323 hours of training.

Besides the technical component, there was a great focus on ensuring ATLANTICO's service quality, in particular in the Sales and Servicing fields, which is why the business area represents more than 60% of the training proportional to the distribution of ATLANTICO's Team.

Training per field



The investment in people's knowledge has a catalytic effect on internal agility and of its positive impact on the entire ATLANTICO's Ecosystem. Qualifying people and contributing to the development of the Angolan economy and Society is, and will always be, a commitment of ATLANTICO. As a result of the investment made in People, in 2018, more than 30% of the Employees had a **career growth**.

2018 was also a year dedicated to building a more agile, innovative and efficient ATLANTICO. It was a year of consolidating best practices, redefining internal processes and creating synergies for a deliverywith value. A delivery based on pioneering and disruptive solutions that anticipate the future.

Agility is a strategic pillar and is inherent to ATLANTICO's culture, rooted in all Employees, visible every day. It is reflected in the restlessness and the willingness to go beyond, of challenging assumptions, learning from experiences and acknowledging achievements.

It is based on this culture that ATLANTICO is achieving its transformation process on different levels, namely through the setting-up of **multidisciplinary teams**, guided by specific project management methodologies, to address strategic and cross-cutting themes for ATLANTICO.

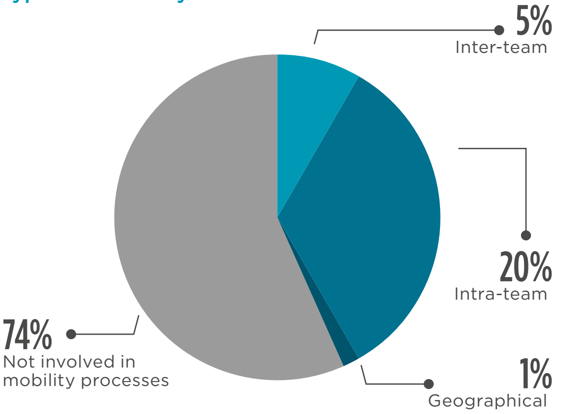
The **Disruption Lab**, an organic unit independent of ATLANTICO, created in 2018 with the goal of implementing and promoting digital innovation, through the incubation and acceleration of ideas with significant potential to create value, is set-up by multidisciplinary project teams, characterized by a start-up and authoring environment. This laboratory is a result of the investment made by ATLANTICO in innovation, digitization and also in agility; it is an example of a unique culture that challenges what has already been set and that believes in the potential for complementarity of different thoughts and resources.

In a culture guided by meritocracy, ATLANTICO promoted, in 2018, the **first cross exercise of identification and recognition of its potential**, a process of decisive importance for the construction of the future. 275 Employees were identified, representing 15% of the total universe, whose capacity, attitude and performance are differentiated and positively influence the transformation process. The identified Employees have been involved in a specific monitoring, development and retention program that works on complementary vectors such as knowledge, welfare and career.

At ATLANTICO, career growth opportunities are multidirectional, sharing knowledge and experiences, cultural diversity and creating synergies.

In 2018, 26% of Employees were involved in **mobility** processes, promoting a cross vision and knowledge of ATLANTICO's activity, positively impacting the Bank's skills development, dynamics and agility.

Types of mobility



For ATLANTICO, agility means a way of life, to make it happen for a future in which the harmony of skills contributes for a delivery with value.

Angolan Women's Day

Heart Day – Basket Tournament

Annual Meeting

Open Day with universities

3.6. Responsible

+16,000
Lives impacted

+800
ATLANTICO's volunteers

+3,500
Hours invested in Communities

+ AOA 2 billion
Expected investment by 2021

ATLANTICO aims to "Leave a footprint in Society, contributing to the transformation of their lives in a sustainable manner, creating values for life"

Social Transformation is a foundational pillar of ATLANTICO. Its Founders have created not only a Bank but also an Institution based on the creation of Values for Life. A new generation Institution, creating more value for Customers, for its People, for Shareholders and, above all, for Society, striving for the transformation of lives and committed to its Ecosystem.

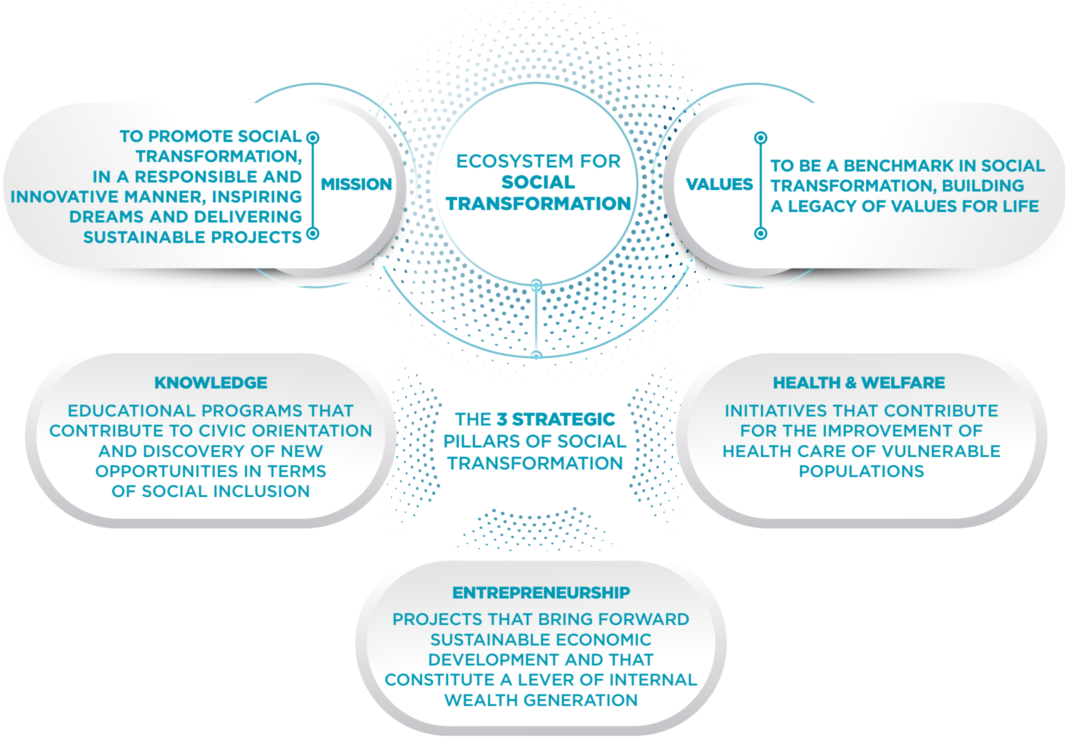
ATLANTICO honors its commitment to the development of Angola on a daily basis through the generation of results to achieve its ambition of transforming the lives of People and Communities.

This transforming impact begins in the lives of Employees and their Families, ATLANTICO's People, in their welfare, stability and sustainability, extending to the Communities and the entire ATLANTICO Ecosystem.

For the past 12 years, ATLANTICO's People and Partners were essential links in this chain. In 2018, over 800 ATLANTICO's volunteers invested more than 3,500 hours in Communities. Their commitment, sense of mission and humanism allowed us to impact more than 16,000 lives and create more than 70 direct and indirect jobs.

Ecosystem of Social Transformation

In 2018, ATLANTICO rebuilt its **Social Transformation Strategy**, with a clear mission and vision focused on three very specific pillars of action.



ATLANTICO Foundation will be the entity, within ATLANTICO's Ecosystem, responsible for the achievement of this Social Transformation Strategy. This commitment will always be guided by the principle of being discerning in the projects to support, as a way to cause greater social impact. The engagement and mobilization of ATLANTICO's People and Partners is vital for the delivery of this commitment, as it is through People and with the support of Partners that ATLANTICO reaches Communities, endowing them with tools that promote Social Transformation.

LOGOS – Generation with Value, a program of Social Transformation that aims to empower young people to make life-affirming choices.

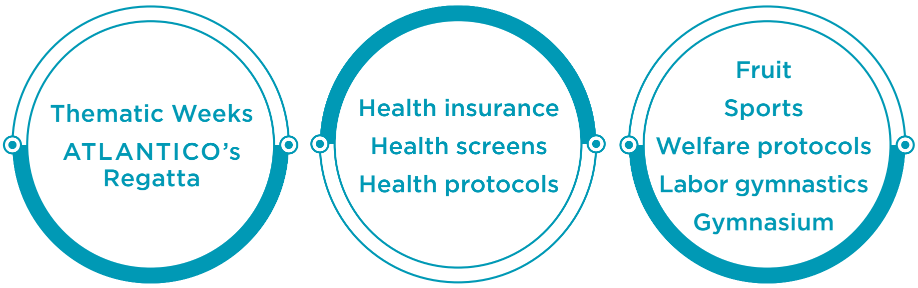
LOGOS in 2018:
- **2,000 young people**
- **70 monitors**
- **14 centers**

One of the examples of the criterion guiding ATLANTICO's performance in terms of Social Transformation is **LOGOS – Generation with Value**, a program of social transformation whose objective is to empower young people to make life-affirming choices, granting criterion through sports, an educational vehicle to pass on knowledge and values that will empower them forever.

2018 marked the 10th anniversary of the program, in which over 2,000 young people have participated, aged between 6 and 18 years, employing more than 70 monitors in its 14 centers located in Luanda, Benguela, Huíla, Namibe, Huambo, Cunene, Cabinda, Bié, Kuanza Sul and Uíge.

With this sense of responsibility and mission, ATLANTICO strengthens on a daily basis its culture of respect, challenge and overcoming, awareness and continuous improvement. It is through professional development, career opportunities, internal challenges, communication and work environment that ATLANTICO touches and transforms the lives of Employees. Each Employee is an ambassador of ATLANTICO's Culture and it is through it that their families and social environment are influenced.

In 2018, following the **Health and Welfare Program**, started in 2016, several activities were promoted, such as physical condition screenings and awareness campaigns for a variety of subjects, which, together with the daily distribution of fruit and the labor gymnastics program, have contributed to the balance and welfare of our people.



In 2018, **ATLANTICO's Volunteer Program** continued, through which ATLANTICO's volunteers shared important skills for the future of children and young people, namely by teaching values such as reading and stimulating educational activities and raising awareness on various subjects, such as hygiene and financial literacy. Over the year, donations were also delivered, such as teaching material, food, clothes and toys, resulting from internal donation campaigns.

Over 21 tons of food donated as part of the 9th food campaign of the Food Bank in Angola

Also in 2018, ATLANTICO joined the **9th food campaign of the Food Bank of Angola**, having contributed with over 21 tons of food, which were distributed by social welfare associations and needy-families.

For 2019, ATLANTICO reaffirms the commitment and engagement of all its People with the Communities, through projects promoted by ATLANTICO Foundation.

Within the welfare scope of Communities, ATLANTICO also strengthens its **socio-environmental commitment**. The Bank believes that an outstanding socio-environmental performance represents an important differentiating factor and a fundamental condition for sustainable development.

Thus, in 2018, ATLANTICO (i) strengthened its position as a **partner for the sustainable enhancement of the Angolan economy**, providing support to the development of small and medium-sized enterprises (SMEs), which mainly benefit the poorest communities; and (ii) started the development of the **Socio-environmental risk management policy**, creating conditions for the future implementation of the Socio-environmental Management System (SGAS), taking the international socio-environmental standard into account (Equator Principles).

This policy will aim to ensure sustainability, environmental balance, social impact and the prevention of road accidents that may cause constraints in projects, also reducing the risk of non-compliance with the commitment made.

The Bank is aware that all human activities may cause impact to the environment and recognizes the environmental performance of its business activities (direct and indirect). It also seeks to streamline available resources, as well as to continuously improve the incorporation of ethical and environmental concerns with a view to gradually and sustainably mitigate negative impacts on the environment.

Nazaré's children's home

Reforestation

Consoladora dos Aflitos children's home

Food Bank in Angola

4.0

Risk management

4.0. Risk management

ATLANTICO views risk management as a central element of its strategic vision, supporting this function in a structure of collegiate bodies composed of Committees and Commissions independent of other governance structures. Therefore, the risk management function is independent of risk-generating areas and presents decision and control mechanisms directly dependent on the Bank's Management.

By acting across the Organization, the Risk Office has the ability to define, identify, quantify and report the several risks on an individually basis and integrated manner. In this way, the policies adopted for each identified risk typology include a joint analysis of all these risks, which ensures the consistency of the risk measurement and imposes global limits that allow to establish the prudential management of the institution.

The management of these risks is essential for the development, profitability and sustainability of the business, ensuring compliance with the legal requirements and definitions in full articulation with the strategic assumptions of the budget year, namely the correct determination of the necessary own funds and adequate exposures to credit, liquidity and other risks arising from financial activity.

The Bank's risk management is performed in accordance with the strategies and policies defined by the Board of Directors, with the respective delegation of powers to the Executive Committee and to the Risk Office, which is responsible for implementing the defined strategies and policies. In order to ensure adequate segregation of responsibilities the Risk Office is assigned to an Administrator without direct responsibility for commercial directorates.

On the organizational side, it should be noted the importance of the Risk Management Committee, which is composed by two Directors and those responsible for the management of financial risks (credit, interest rate, exchange rate, liquidity and solvency) and non-financial risks (operational risk, compliance risk, reputational risk and information system risk).

Risk management governance is articulated by the following committees:

Risk Management Committee – a collegiate body responsible for supervising credit, market, liquidity, solvency and operational risks. It has the responsibility to monitor, evaluate and propose measures to correct deviations from the policies and limits defined for the several types of risk. It meets on a quarterly basis.

Assets and Liabilities Committee (ALCO) – it is responsible for deciding on structural measures to adjust the balance to the Bank's strategy and objectives, as well as to analyse and discuss the evolution of the main balance sheet indicators. It meets every two months.

Credit Committee – it has intervention in the management of credit risk. Its main responsibilities are to decide on all the operations that are submitted to it in accordance with the current credit granting policies and rules, which are embodied in a specific regulation. It meets every week.

In order to strengthen the independence of the supervisory functions, a Risk Commission was also established. This Commission has powers delegated directly by the Board of Directors and is independent of the Executive Committee. This Committee is presented with several information on management, planning and results of the main activities, and is responsible for monitoring the general level of risk assumed by the Bank and controlling the process of its management.

In this sphere of action, the following events stand out as the most significant during 2018:

- Within the definition of the methodology for the creation and revision of the Risk Profile, a plan for the monitoring, reporting and requirement of corrective action plans for the limits defined in the Risk Profile regarding the appetite, tolerance and capacity of each risk indicator was fully deployed during 2018, in accordance with BNA's Notice No. 07/2016 – Governance of Risk.

- Deployment of a computer tool that allows automatic calculation of the regulatory requirements related to the reports required by BNA in accordance with the New Regulatory Package, published in 2016, regarding the Solvency Ratio and Regulatory Own Funds, Liquidity Risk, Prudential Limits on Large Risks and Interest Rate Risk.
- Deployment of IFRS 9, having revised the credit impairment model and other assets, along with a set of other decisions that have a significant impact on the accounting methodologies and reporting obligations of ATLANTICO:
  - Under the Measurement and Classification component, the credit and securities portfolio was reclassified for each of the three classes of financial assets (amortised cost, fair value through other comprehensive income – FVOCI, and fair value through profit and loss – FVTPL) based on the business model and the contractual cash flow characteristics of the assets (SPPI tests).
  - Within the revision of the credit impairment model: allocation by stages, review of the concept of default, adequacy of impairment parameters to the lifetime perspective (based on the evolution of macroeconomic variables and their relation to the level of credit default) and the inclusion of the creation of scenarios on the individual basis. On January 2018, transition impacts (as at 31 December 2017) and the impacts of estimated values in the new methodology for June and September 2018 were calculated and approved, considering the effects of the reclassification and measurement and the evolution of the impairment methodology. Therefore, the first report to the supervisor was performed as at December 2018.
  - Changes to the IT systems that support the calculation of impairment and the classification and measurement of assets, as well as their accounting in order to ensure the necessary support to the calculations and their analyses and results.
  - Training of the areas involved in the calculation and analysis of impairment, performance of SPPI tests and calculation of fair value and accounting and management reporting.
- Continuous investment in the creation of robust and integrated databases and automation of critical reports in the processes of analysis and reporting of the risk function, in order to increase the efficiency of these processes and to minimize the associated operational risk.
- Improvement of fair value calculation models and impairment analysis of securities and other assets.
- Continuous review and calibration of rating and scoring models, in order to ensure adherence of the model results to the client's credit risk assessment.
- Specific scoring model design for automatic credit decision support, considering the transactional profile and financial behavior of the client base.
- Full implementation of the Bank's operational risk management model.
- Monitoring of the governance defined for the process of designing, approving and launching of Products and Services, which provides for the participation of several directorates in the feasibility of new products, including the Internal Control team, prior to its approval in the Business Committee.
- Continuous improvement of the coverage and quality BNA's report to the CIRC.
- Improvement of the quality of information that supports the identification of receivables that can be used in the calculation of Mandatory Reserves.
- Review of risk limits of National and International Counterparties.
- Review of the credit pricing model.
- Deployment of a computer tool for the complete registration and management of collaterals of credit operations, supporting and promoting the continuous improvement of the quality of the registration of collaterals and their allocation to operations, in order to optimize capital consumption.
- Implementation of the different phases contained in the Action Plan prepared and sent to the BNA, which aims to the Methodology of Stress Tests deployment (Instructive No. 02/2017).

4.1. Risk profile

The principles of risk governance in financial institutions, established by BNA's Notice No. 7/2016, are based on the essential principle that "since risk acceptance is a fundamental part of their activity, they shall find a balance between the risk they are willing to take and the returns they expect to achieve in order to ensure a sound and sustainable financial situation".

In order to identify, among the risks inherent to the activity and characteristics of the institution, which are the materially relevant risks, ATLANTICO defined a set of indicators that allow to assess the Bank's exposure to each type of financial and non-financial risk and the existence of a potential significant impact on the Bank's balance sheet structure or activity.

In order to ensure that all elements are integrated into the business and management strategy, compliance with tolerance limits and levels is ensured and their monitoring is systematically reported. Accordingly, the adequacy of the limits is tested periodically, promoting an at least annual review of the Bank's risk profile approved by the Bank's Board of Directors simultaneously with the approval of the budget.

The Risk Office is responsible for monitoring the risk profile and for communicating the main results and conclusions, and is also responsible for advising the Institution's Executive Committee and Board of Directors regarding its periodic review and updating, as well as the evaluation of actions or remediation measures that should be deployed whenever there is a breach of established limits that could negatively affect the Bank's activity.

The limits that compose the ATLANTICO risk profile are established at three levels. These limits give rise to the responsibilities of communication and to the development of corrective actions.

- Risk appetite reflects the level of risk for which ATLANTICO is prepared and predisposed to accept, considering its strategy and financial capacity to take losses.
- The definition of a tolerance zone enables a timely alert system to be established and to deploy corrective actions before the bank reaches its maximum risk-taking capacity.
- The capacity limit refers to the maximum amount of risk that the Bank is willing to accept in the course of its business, without jeopardizing its stability, position and/or solvency.

Within the scope of the risk profile, one or more follow-up metrics are associated for each risk typology, which in turn have associated specific limits for appetite, tolerance and capacity.

Since its approval in 2017, this risk management tool has been fully deployed in terms of its monitoring dynamics and the generation of corrective diversion actions, and is now fully integrated into the Bank's strategic and prudential planning management, in accordance with its main objective.

The formal report of the monitoring of the risk profile is performed on a quarterly basis, in the Risk Management Committee. However, whenever some of the indicators calculated with a lower periodicity are outside the established limits, it is duly communicated and subsequent actions are established in a timely manner.

4.2. Credit risk

Credit risk management is based on a set of policies and guidelines established according to the Bank's business strategies and risk profile.

Loans granted

Loan granting is developed and based on regularly revised regulations and requirements that discipline the activity and clearly establish the delegation of competences, both in value and profitability, according to the implicit risk of clients, segments and operations.

Credit Committee is the body with intervention in the management of credit risk. Its main responsibilities are to decide on all the operations submitted to it, in accordance with the policies and rules in force, which are embodied in a specific regulation.

In addition to this requirements, loan granting is supported by the assessment and classification of Clients risk, with the support of scoring and rating models, and in the assessment of the level of coverage of collateral of operations. For the most significant exposures, the capital consumption and its impact on the limits of the Great Risks are analyzed on a case-by-case basis.

The Credit Division is responsible for the credit analysis and opinion. The attribution of the rating to the companies and scoring to the individuals is performed by the Risk Office Rating Unit, based on the internally developed models based on four vectors (two qualitative: Business and Shareholders/Management and two quantitative: Economic-Financial Analysis and Solvency and Responsibilities). In this way, the Client risk analysis is performed by a unit different from the Credit Division, ensuring the independence principle recommended in the best risk management practices.

All credit operations are preceded by a credit risk analysis in order to assess the repayment capacity and the best form of risk coverage. The decision levels are defined in the internal regulation.

The Credit Division formulates an opinion or a credit decision after being duly clarified of all the assumptions and must thereupon make every effort to obtain them from the commercial sales area.

"Authorized", "authorized with changes" or "refused" credit decisions are based on an indication of the reasons given in the immediately preceding paragraph. They equally made accountable the employees, the branches and the decision levels involved.

The analysis of credit operations considers four factors: liquidity, profitability, security and concentration:

- **Liquidity:** the client's ability to meet its financial commitments within the agreed deadlines.
- **Profitability:** each credit operation should generate a positive return to the Bank.
- **Security:** the operation shall always comply with the rules defined internally and by the legal framework to which the Bank is subject. Obtaining additional guarantees may increase the creditworthiness of the operation, but an operation shall not be authorized only for the guarantees provided.
- **Concentration:** the client's concentration shall always be analysed. The more dispersed the credit portfolio, the lower the probability of loss.

Credit monitoring

The credit monitoring is the responsibility of all those involved in the credit process, and in particular the commercial areas, who must ensure the provision of any and all information about the client which may cause a change in their solvency conditions.

The overall objective of the credit follow-up process is to detect early signs of deterioration in clients' credit conditions and to take appropriate actions to prevent the risk of default, to regularize as early as possible the actual default, to minimize the need for provisioning/impairment, and creating conditions for recovery.

As a result of the detection of deterioration signs in the client's financial situation or the existence of actual non-compliance and in the light of the seriousness of the situation observed, clients shall be subject to a re-analysis of their risk level and complementary monitoring procedures shall be adopted.

Credit recovery is the responsibility of the Credit Recovery Department and the Legal Department. The Credit Recovery Department ensures the monitoring and management of the liabilities assumed by clients that have been in default for more than 45 days (overdrafts), 75 days (leasing) or 90 days (other credits). One year after the entry into the Credit Recovery Department, according to the maturity defined in the previous paragraph, the proceedings move to the litigation area of the Legal Division.

Measurement of credit risk

Credit risk monitoring is based on monitoring and controlling the evolution of the credit risk exposure of the Bank's portfolio and on the implementation of mitigation actions to preserve credit quality and the defined risk limits.

Risk Office is responsible for defining and monitor the Risk Profile indicators for credit risk and counterparty credit risk, as well as their communication to Management in case of extrapolating the established capacity limits.

Risk Office is also responsible for calculating and reporting monthly credit impairment, regulatory provisions, prudential limits on large exposures, regulatory capital adequacy and the solvency ratio in accordance with the regulatory requirements.

The credit impairment analysis focuses on the credit quality of the borrower, as well as on the expectations of recovery of the specific credit operation, considering the cash flows released and the evolution of the business plan, as well as collaterals and existing guarantees, which may be based in statistical models of determination of expected losses or in the individual analysis of operations and clients.

The impairment assessment also includes the calculation of other financial assets, namely securities, equity investments, money market financial investments and other assets, using internally developed models based on the risk assessed for the counterparties.

4.3. Market and liquidity risk

The main players in the daily management of market and liquidity risk are the Treasury and Markets Department and the Risk Office. The Treasury and Markets Department is responsible for the selection and execution of market operations and for daily liquidity management considering the limits defined in the Bank's risk profile. Risk Office is responsible for the identification, measurement and monitoring of risk, ensuring that the defined limits are met.

The Risk Management Committee and ALCO are responsible for overseeing these risks and are also responsible for monitoring, assess and proposing measures to correct deviations from management policies and limits established for liquidity and market risks (interest rate and exchange rate risks).

Liquidity risk

The liquidity risk assessment is based on the calculation and analysis of indicators to identify the evolution of the Bank's liquidity situation for short-term time horizons. The monitoring of the current and structural liquidity levels required, according to the amounts and terms of the commitments assumed and the portfolio resources, is performed through the identification of liquidity gaps for which exposure limits are defined. These indicators are based on the time-lag distribution of existing flows of assets and liabilities at the date of analysis, in accordance with pre-established assumptions.

The liquidity position of ATLANTICO is calculated on a regular basis, identifying the factors that justify the variations that occurred. This monitoring is reinforced by the implementation of stress tests in order to characterize the Bank's risk profile and to ensure that its obligations can be met in a scenario of worse market conditions.

In August 2016, BAN published Instructive No. 19/2016 – Liquidity Risk, defining the individual information on the distribution of balance sheet and off-balance sheet positions by time-lags and disaggregated analysis in national currency and relevant foreign currencies. The Bank closely monitors its level of compliance with the limits established in this Notice.

Interest rate risk

Interest rate risk assessment is performed through a process of risk sensitivity analysis, performed for the universe of operations included in the Bank's balance sheet. Interest rate risk is calculated by classifying all assets, liabilities and off-balance-sheet items, which are part of the banking portfolio and are sensitive to interest rate fluctuations, by interest rate repricing periods. The Bank analyses daily the main reference rates of the domestic and international markets, namely LUIBOR, EURIBOR and LIBOR, in order to measure the risk inherent in assets and liabilities sensitive to interest rate variations.

In its analysis, the Bank considers Notice No. 8/2016, which regulates interest rate risk in banking portfolio, which considers a 2% instantaneous shock (positive or negative) in interest rates and results in a parallel movement of yield curve in the same magnitude, estimating the impact on the present value of the cash flows and the profit margin of the institutions. Their monitoring is performed on a systematic basis according to the re-pricing periods of assets and liabilities.

The calculation of the fair value of securities in the Bank's own portfolio is also a mechanism for monitoring interest rate risk. The fair value of a financial instrument corresponds to the amount by which a financial asset or liability can be sold or settled between independent, informed and interested parties in the transaction under normal market conditions. The Risk Office is responsible for the monthly calculation of the fair value of the fixed-income securities in its own portfolio using the discounted cash flow methodology (according to a curve constructed based on issues of securities with indexing characteristics and equivalent maturities).

Exchange rate risk

The Bank monitors its exposure to exchange rate risk by controlling and re-evaluating daily exposures of open global positions assumed in the several currencies and adopts comprehensive hedging strategies to ensure that these positions remain within the limits approved by management.

The Bank's exchange rate risk assessment is based on the definition and control of the limits established for the short and long exchange exposure and its relationship with the Regulatory Own Funds.

In addition to the monitoring of the position and exchange exposure and its comparison with the limits established by the Bank, the Risk Office has the responsibility of preparing the stress tests in which it assesses the impact of any possible exchange appreciation or depreciation on the asset structure, on the results and on the Bank's solvency ratio.

4.4. Solvency risk

The clearance of regulatory own funds and solvency ratio is performed and reported by ATLANTICO, since January 2018, based on the New Regulatory Package published by the BNA in April 2016.

In order to align regulation with international standards, the supervisor issued this set of regulations establishing the risk categories considered in the calculation of the regulatory solvency ratio and redefines the characteristics of financial instruments considered in the determination of regulatory own funds. The regulations define new rules for the calculation of regulatory capital requirements for credit risk and counterparty credit risk (Notice No. 3/2016), capital requirements for market risk and credit risk of counterparties in the trading portfolio (Notice No. 04/2016) and own funds requirements for operational risk (Notice No. 05/2016), reflecting a higher demand on the robustness of the Bank's capital structure.

Regulatory Own Funds correspond to the sum of the Core Own Funds with the complementary own funds. The Solvency Ratio corresponds to the ratio of regulatory own funds to the calculated value for capital requirements determined by the value of the risk-weighted assets plus the requirements for market requirements and operational risk, the minimum regulatory value being 10%.

The Bank has a preventive approach in solvency risk management:

- Minimum risk limits are defined for the solvency ratio, from which the Risk Office performs interim calculations to measure the evolution of the balance during the month of the main balance sheet items, reconciling with events detected within the scope of the management of other risks, namely credit, foreign exchange, liquidity and operational risks.
- Investment or divestment operations, as well as loan granting or settlement operations, which have significant volumes are previously assessed by the Risk Office in terms of their impact on the Bank's solvency – through net profit and potential reduction on capital requirements.

The final amount and detail of the calculation of the Regulatory Own Funds and the Regulatory Solvency Ratio performed by the Risk Office is included in the monthly presentation of results to the Board of Directors, and analyses and projections are regularly submitted to the Risk Management Committee.

Solvency Ratio impacts resulting from stress tests, as well as other ratios that relate exposure to a certain risk to the Bank's Own Equity level, are reported under the specific risk.

4.5. Operational risk

ATLANTICO's operational risk management is based on an organizational model based on processes/services, allowing the Bank to adopt an end-to-end perspective of the value chain of products and services in operational risk management, involving the entire organization and enhancing cross-sectorial participation and accountability.

Aware of the importance of effective operational risk monitoring and control, and in order to achieve the proposed objectives, ATLANTICO has designated operational risk management officers for each process – process owners. The profile of these managers includes a strong command of the themes of their area of intervention, namely the level of knowledge of business processes and the ability to suggest risk mitigation measures and increase efficiency, ensuring the registration and monitoring of all events that may have caused financial losses.

In the day-to-day business of the Bank, it is the responsibility of the process owners and those responsible for each Organic Unit to ensure the correct implementation of policies and methods of operational risk control. The Risk Office is responsible for the additional monitoring of risks incurred and the centralization of events registration and mitigation actions, as well as their implementation.

The accountability of Organic Units and the process owners in the identification and active management of operational risk is central to the methodology.

In 2018, there was a consolidation of the operational risk model in its several dimensions, already covering more than 50% of ATLANTICO's representative processes, with strong evidence of the implementation and its results, namely in the quarterly presentations to the Risk Management Committee, in the monitoring of recommendations made and in the capture of events and annual risk reviews.

The methodology adopted by ATLANTICO is based on three main instruments:

- Risk self-assessment meetings that allow the Bank to take a qualitative approach to the identification of potential risks through an analysis of the materialization of losses in the process, considering the worst scenarios in each risk category and the definition of the strategy and action plans to reduce the risk inherent in each process to the maximum acceptable level of risk;
- Identification and quantification of Key Risk Indicators (KRI), which means, metrics that alert to changes in the risk profile or the effectiveness of process controls, allowing the preventive launch of corrective actions;
- Gathering of information on losses resulting from operational risk events.

The three operational risk management instruments are based on twenty risk categories, defined by the Bank in accordance with the recommendations of BNA's Instructive No. 28/2016 and with the guidelines of the Basel Committee, grouped into the following categories:

- People risks;
- Information systems risks;
- Procedural risks;
- External risks;
- Organizational risks.

In the annual risk self-assessment exercises, each Bank representative process evaluates the twenty risk categories in the Risk Tolerance Matrix, in terms of severity (level of financial impact in case of risk occurrence) and frequency (probability of occurrence of risk), with which certain operational risk events may occur. The Bank's exposures to operational risks are classified as insignificant, low, medium, high and/or catastrophic, allowing the identification of the most risky processes and the most significant risk categories for the Bank.

Also the captured operational risk events are classified according to the category of risk to which they refer, allowing to measure the categories in which the Bank incurred higher losses and, consequently, those in which it will have to make greater efforts to mitigate the risks.

ATLANTICO's operational risk management model also covers compliance, reputational and information systems risks. The reputational risk is assessed in the annual self-assessment exercises, being also contemplated in the management model.

The day-to-day management of this risk is performed on a daily basis through the identification, analysis, evaluation, quantification, monitoring and control of operational risk events or incidents, identified throughout the organization and reported and managed (regarding its classification and proposal of mitigation actions preventive and corrective) by process owners. Additionally, the Risk Office collects information from other sources, such as the Audit Department (frauds), the Process and Organization Department (Customer Complaints), the Accounting Department (fines, cash shortage and other loss records) and the General Services Department (events related to security and heritage) that ensure the completeness of the events captured and reported.

On a quarterly basis, the Risk Office reports to the Risk Management Committee the status of the implementation of the operational risk management model in the Bank and the monitoring of the limits defined in the Bank's Risk Profile, as well as the level of implementation of the mitigation actions and their result in the operational risk level of the Bank.

4.6. Cyber Security

The trend towards adoption of business models based on digital platforms has increased globally, posing a greater risk to organizations. At ATLANTICO, the strategy goes through digital transformation, in order to reinforce its commitment to one of its founding pillars: "Security and Confidentiality".

As a high priority, the Bank established the Cyber Security program through a rigid governance model to follow up on its implementation. This program aims at strengthening Cyber Security controls aligned with international frameworks, developing initiatives to increase the maturity level in several related domains.

The increase in maturity level is consist with reinforcing the vulnerability management mechanisms of information assets, integrating the principles of Cyber Security throughout the information systems development lifecycle, in order to strengthen defences and improve resiliency against Cyber Security threats, and a strong commitment to enhance people's awareness on related matters.

4.7. Compliance

In 2018, the legal and regulatory environment was marked by the reinforcement of the institutional mechanisms for monitoring the risks inherent in banking financial activity, as well as the assumptions and procedures to be observed in foreign exchange operations.

This trend is due to the continuous work performed by the BNA and by other regulators to ensure the implementation of an efficient and effective regulatory framework, whose main purpose is to strengthen the banking financial system, strengthen regulation, as well as guarantee the soundness of financial institutions, ensuring the recovery of the stability and credibility of the Angolan Financial System.

In accordance with the Basic Rules of Financial Institutions, Law No. 12/15 of 17 June, the National Financial Stability Council (Conselho Nacional de Estabilidade Financeira – CNEF) was created. Its main responsibilities are summarized in the articulation between the different supervisory bodies, having established as the main initiative to attract international support, in particular the effort to rehabilitate relations with international correspondent banks.

In this context, the executive and financial sector regulators (Angola Central Bank and the Capital Markets Commission) published a set of Regulations referred to in the following table:

Notices	Instructives	Directives	Additional Legislation
01/2018 – Foreign Exchange Limit.	**01/2018** – Foreign exchange policy: Auctions for the purchase and sale of foreign currency.	**01/DCC/2018** – Submission of information regarding the map of needs.	**Presidential Decree No. 139/18 of 4 June** – Legal regime of fees in the Securities Market.
02/2018 – Adequacy of minimum social capital and regulatory capital of Financial Institutions.	**02/2018** – Procedures to be observed in the execution of foreign exchange transactions.	**01/DSI/DRO/DMA/2018** – Daily exchange rate limit for Commercial Banks.	**CMC – Instructive No. 001/ CMC/07-1** – Provision of financial information by intermediation agents.
03/2018 – Exemption from commissions within minimum banking services.	**05/2018 – Monetary Policy** – Mandatory Reserves.	**3/DCC/2018** – Submission of information regarding the map of needs.	**Presidential Decree No. 02/18** – Approves the Organic Statute of the Financial Information Unit and repeals Presidential Decrees No. 39/17 and 212/13.
04/2018 – Amendment to Article 12 of Notice No. 09/17 – Time for execution of transfers.	**06/2018** – Exchange rate policy – Limit of foreign exchange operations for family aid.	**04/DSP/DRO/2018** – Requirements for the calculation and fulfillment of mandatory reserves.	**Presidential Decree No. 04/18** – Amendment of the Organic Statute of the Sovereign Fund of Angola and Article 8 (composition and appointment) of Presidential Decree No. 89/13.
05/2018 – Rules and procedures applicable to foreign exchange transactions for the import and export of goods.	**07/2018** – Creation of the independent function of exchange control in financial institutions.	**05/DMA/DRO/2018** – Requirements for the access to the Overnight FCO liquidity facility.	**Law No. 9/18 of 26 June** – Voluntary repatriation of financial resources.
06/2018 – Foreign Exchange Policy – Foreign Exchange Limit.	**08/2018** – Temporary suspension of licensing of foreign exchange transactions for the import of goods.	**02/DCC/2018** – Submission of the individual map of needs for all trading and offshores payments.	**Order No. 217/18 of 18 September** – Ministry of Finance – Authorizes the constitution of the Pension Fund of Millennium Atlântico bank to be managed by Fortaleza Seguros, S.A. and also approves its contract.
09/2018 – Financial System – Operational Rules.	**09/2018** – Limits of currency exchange operations.	**04/DMA/2018** – BNA rate – Notice No. 10/2011 of 20 October.	
12/2018 – Foreign exchange policy – Limit of exchange position (repeals Notice No. 06/2018 of 15 August and all the legislation that contradicts it).	**10/2018** – Mandatory reserves.	**04/DSI/10 of 28 December** – Report to the BNA on foreign currency import and export operations.	

(Continues)

(Continuation)

Notices	Instructives	Directives	Additional Legislation
	12/2018 – Payment of hospital and school expenses.	**04/DSP/DRO/2018** – Requirements for the calculation and fulfillment of mandatory reserves.	
	13/2018 – Prevention of Money Laundering and Terrorist Financing in International Trade Operations.	**03/DRO/2018** – Implementation Guide for the Stress Testing Program.	
	14/2018 – Remuneration of collateral deposits associated with letters of credit.	**05/DSB/DRO/DMA/2018** – Limit of exchange position – Daily information (repeals Directive No. 01/DSI/DRO/DMA/2018).	
	15/2018 – Sale of foreign currency to Foreign Exchange Bureaus and Payment Services Companies.	**06/DMA/2018** – Submission of information from the interbank foreign Exchange market.	
	17/2018 – Repatriation of financial resources – Operational rules.		
	18/2018 – Conversion of credits granted in foreign currency to individuals.		
	19/2018 – Auctions for buying and selling foreign currency. Organizational and operational procedures.		
	20/2018 – Reference exchange rates. Methodology of calculation. Exchange Rates of Banking Financial Institutions.		

4.8. Audit

The Audit Department (DAU) is focused on providing an independent and objective service to add value, improve the procedures that support the Bank's operations, and assist the Bank's Executive Committee in achieving the objectives by providing a systematic and disciplined approach, in order to assess and improve the effectiveness of risk management, control and governance processes, ensuring the adequacy and effectiveness of the Internal Control System.

Therefore, audit actions aim to assess whether the Bank's activity is being conducted in accordance with the principles, rules and instructions defined by the Global Internal Institute of Auditors (IIA) and by the Board of Directors.

In line with BNA's Notice No. 2/2013 of 19 April, the Audit Department ensures the implementation of an internal control system adequate to the nature, size and complexity of its activity, having as main objectives the efficiency in the execution of operations, risk control, reliability of information and compliance with applicable legal regulations and internal guidelines.

Bearing in mind the importance of the above mentioned, ATLANTICO does not face internal audit just as a legal responsibility, but a management's ally and the guarantor of the fundamental pillars of the Institution.

Strategy DAU 2.1

DAU is attentive to each phase of the Bank's growth and development and the market, thus forming a model of action that provides a positive scope in forecasting and diagnostic actions.

Therefore, being one of the main concerns of DAU to anticipate changes to positively guarantee its effects on the Bank in 2018, a strategic plan called "DAU 2.1" was defined, in line with the strategic pillars defined by the Bank in 2017.

The strategy focused, mainly, on the following:

- Universality;
- Assert itself as an innovative and digital audit;
- Be an agile and customer-oriented audit.

In addition to other measures already implemented to achieve this objective, in 2018, the DAU performed the following actions:

- Change of its organizational structure in order to align itself with the strategy;
- Promotion of the issue of "data analytics" with the change of the IT Audit Unit for Information Systems and Data Analytics with the aim of adding value in this matter;
- Deployment of cross-audits by multidisciplinary teams;
- Continuous and gradual rotation of teams in order to develop multivariate skills;
- Preparation of a Quality Assurance program to periodically assess the actions performed by the DAU to guarantee continuous improvement and adoption of the best international practices of Internal Audit;
- Approval of the Internal Audit Charter that defines the mission, powers and responsibilities of the DAU;
- Materialization of the Regional Audit and the remote approaches to Retail, in order to guarantee greater efficiency and increase the agility in the process.

These measures are important because, with the frequent implementation of new paradigms in the market, also driven by the advancement of technology, an even more robust view of internal auditing is necessary, with a measurement and prevention improvement of existing issues and to prevent future.

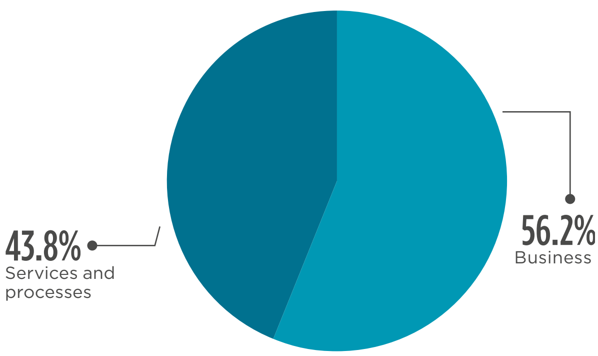
Therefore, as the Bank moves in the face of changes, the focus of the DAU also varies. As changes occur rapidly, important details at one stage may become less significant in another, making the DAU consistently aligned with the Bank's objectives and assisting it with its needs and expectations.

Planning and execution of activities

The annual DAU plan for 2018 continued to be risk-based in order to determine the priority activities as well as to make it consistent and in line with the Bank's objectives and in accordance with internationally recognized and accepted internal audit principles (International Standards for the Professional Practice of Internal Auditing – IPPF).

Accordingly, the number of activities planned reflects the Bank's perception of risk, the geographic capillarity, the evolution/trend of the banking business, as well as the performance of the audited units obtained in the previous year.

Distribution of audits by macro-areas



Although there were changes in the plan throughout the year, the number of planned activities exceeded approximately 20% the previous period. This was mainly due to the considerable increase in the preventive controls performed by Remote Audits and Employees Units, due to the stabilization of the basic routines created during 2017.

Notwithstanding the above, the plan continues to present a strong component of business audits, in order to maintain the adequate control environment and the presence of the Audit function in these areas.

On the other hand, the work program of face-to-face audits was also reduced, promoting remote audits.

In some cases, the implementation of the planned actions has been conditioned by the need to perform priority interventions, together with the prudence or adequacy of the Bank's structural development and in line with Standard No. 2010 (Planning) of IIA IPPF.

These actions resulted in recommendations and opportunities for improvement, whose implementation sought to ensure the adequacy of the proposed corrective measures, as well as contribute greatly to the strengthening of the Control Environment and, consequently, the strengthening of the Internal Control System.

Follow-up actions were also performed on the audits performed by the External Auditor and by Angola Central Bank, with the supervision and follow-up of the Audit Committee.

In this context, during 2018, the Audit Department complied with the plan and reviewed the materialization of the defined objectives, whose identified opportunities for improvement served as a basis for the preparation of the plan for 2019.

5.0

Financial information

5.1. Summary of indicators

Indicators	2018	2017	Δ %
Size			
Loans and advances to customers (AOA thousand)	420,264,577	395,712,862	6%
Resources from customers and other loans (AOA thousand)	1,042,924,548	801,365,710	30%
Net assets (AOA thousand)	1,358,771,967	1,069,661,343	27%
Customers	1,336,096	1,117,610	20%
Employees	1,820	1,840	-1%
Service Points	136	139	-2%
Financial Structure			
Deposits repayable on demand/Total deposits (%)	35.9%	46.8%	-10.96 p.p.
Overdue loans ratio (%)	9.9%	7.2%	2.69 p.p.
Credit at risk (%)	15.6%	10.7%	4.91 p.p.
Credit at risk coverage ratio (%)	103.6%	96.9%	6.70 p.p.
Loan-to-Deposit ratio (%)	49.3%	55.0%	-5.73 p.p.
Income and Profitability			
Net income (AOA thousand)	27,225.087	23,828.500	14%
Total operating income (AOA thousand)	102,920	83,830	20%
Operating costs (AOA thousand)	44,036	39,542	11%
Cost-to-income (%)	42.3%	47.2%	-4.9 p.p.
Cost-to-income (%) [1]	48.6%	47.2%	1.4 p.p.
ROA (%)	2.1%	2.3%	-0.2 p.p.
ROE (%)	23.7%	22.1%	1.6 p.p.
Regulatory			
Capital adequacy ratio (%)	15.9%	12.1%	3.8 p.p.
Regulatory own funds (AOA thousand)	101,138,615	82,007,000	23%

[1] Cost-to-income – Excluding non-recurring events.

5.2. Business performance

Over recent years, the macroeconomic context, in particular in 2018, as well as the regulatory framework established, have impacted banks' business activities in different strands. In 2018, the economy showed a recessive performance for the third year in a row. In terms of prudential framework, we are witnessing the implementation of several regulations by the regulatory authority, including:

- Instructive no. 5/2018 and 10/2018 - Monetary policy, Mandatory reserves;
- Implementation of IFRS 9 and new rules for calculating the Regulatory Capital adequacy ratio;
- Instructive no. 03/2018 – Fee exemption within minimum banking services;
- Instructive no. 14/2018 relating to the remuneration of collateral deposits associated with letters of credit;
- New rules on money laundering (Instructive no. 13/2018);
- 01/2018 - Exchange rate policy: Auctions for the purchase and sale of foreign currency.

The context was also marked by low liquidity in the financial system for a substantial part of 2018. This scarcity began in the previous year, substantiated in a set of measures aimed mainly at the reduction of inflation.

On the one hand, ATLANTICO guided its business throughout the year by the achievement of objectives and goals set forth and, on the other, by the adoption of a set of policies and measures aimed at strengthening the robustness of the balance sheet, particularly with regards to impairment, exchange position, exposure to counterparties and solvency.

Net income

ATLANTICO's profit in 2018 amounted to AOA 27,225 million. Compared to 2017, profit increased by AOA 3,396 million, representing a 14% growth. As in the entire financial system, the growth contributed strongly to the Complementary Margin, and to ATLANTICO this growth was 142% compared to 2017, with particular focus on the growth in Gains / (losses) from foreign exchange differences (274%) and Fees and commission income (51%).

Total operating income

Total operating income amounted to AOA 102,920 million, representing a growth of 20% compared to 2017. The reduction in the liquidity of the financial system had an impact on the funding costs of banks. In the case of ATLANTICO, the costs of deposits and fund raising in the MMI increased by 100%. Income from loans amounted to AOA 82,477 million (+13%). Nonetheless, the significant increase in interest and charges of approximately 100% significantly influenced the performance of the Net interest income, which remained at AOA 67,229 million.

The 24% growth in Net operating income was boosted by the positive performance of the Gains / (losses) from foreign exchange differences and Fees and commission income.

In 2018, Fees and commission income amounted to about AOA 21 billion, a +51% increase over the previous year, with emphasis being place in the trade finance business, which grew by 87% (AOA 2,440 million). In addition, 2018 was marked by the diversification of additional revenues, with events related to the sale of non-current assets and capital gains in transactions with financial assets, which totaled about AOA 12 billion.

Operating costs

In 2018, Operating Costs amounted to AOA 44,036 million, representing an increase in absolute terms of AOA 4,709 million (+12%), also explained by the exchange depreciation in 2018 and by the 18.6% inflation recorded in the year.

Staff costs was the caption that grew the most in absolute terms (AOA 2,679 million), reflecting the salary adjustment and given the context of a significant loss of purchasing power. All other captions had a growth mainly associated to the exchange depreciation.

Effectiveness

The Cost-to-income ratio, including non-recurring events, reached 48.6%, representing a deviation of 1.4 p.p. against the previous year.

It should be noted that in terms of effectiveness, ATLANTICO has successfully implemented a cost optimization program with a special focus on the following initiatives implemented in 2018:

- Renegotiation and de-indexation of lease agreements to the USD;
- Implementation of a new operating model on the maintenance and repairing of buildings;
- Optimization of property, plant and equipment;
- Renegotiation of the cleaning contract;
- Optimization of costs with physical and static security.

With the exchange rate effect being excluded, these measures had a positive impact in 2018 of over AOA 700 million in cost optimization, with the purpose of significantly materializing in the coming years.

Impairment

With the worsening of overdue and at-risk loans, the country's macroeconomic and financial situation has impacted the deterioration levels of credit portfolio in the entire financial system. The Bank significantly strengthened the level of impairment losses, with a remarkable growth of AOA 17.6 billion (96%) in 2018 compared to the same period last year, with coverage ratio for loans at risk greater than 100%.

Solvency

The Capital adequacy ratio in December stood at 15.9%, reflecting an improvement of 3.8 p.p. compared to the same period and above the minimum regulatory limit of 10% set out.

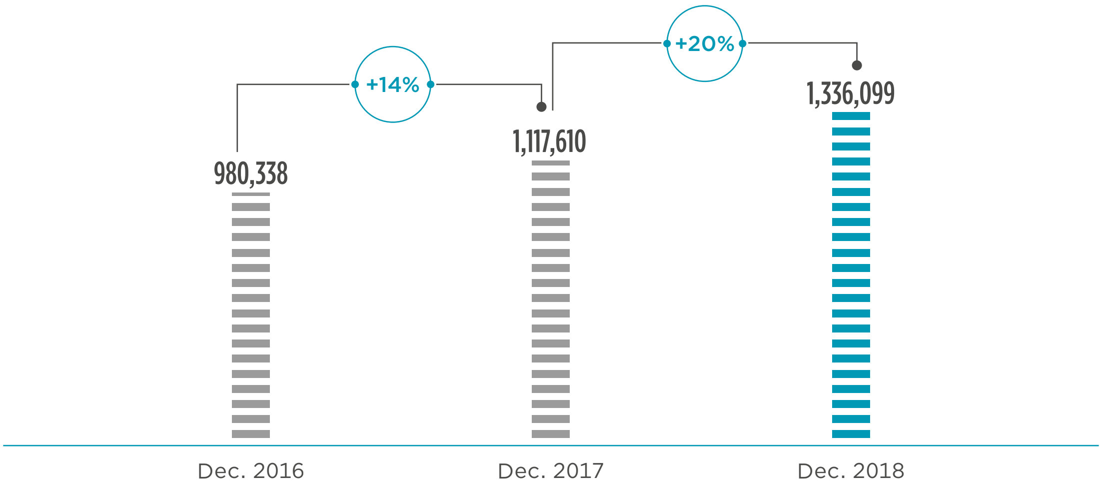
This qualitative development of solvency is mainly explained by the increase in Regulatory Own Funds resulted from the IFRS 9 implementation. Accordingly, it now regards the impairment criteria, on an exclusive basis, instead of provisions and also the reduction of large risks resulting from the strengthening of guarantees in credit processes and exposure reduction for borrowers.

5.3. Business development

5.3.1. Customers

2018 was very positive in terms of attracting new Customers to ATLANTICO. The Bank exceeded this year, for the first time, the 200,000 customer threshold in a single year, reflecting a growth of approximately 20% over the previous year. In addition to the great focus of business teams, this sustained rhythm relies on technological improvement, aiming for the materialization of the Bank's strategic pillar of leading as an innovative and digital bank.

Development of the number of customers



5.3.2. Service Points

In 2018 and consolidating ATLANTICO's leadership as an innovative bank and leader in digital transformation, the optimization process of the network of service points continued. ATLANTICO closed the year with less three service points than last year.

ATLANTICO's emphasis shall be reaching, digitally, most of its Customers, focusing on the transformation of the current network, through the opening of digital branches and ATM centers:

Development of Service Points

	Dec. 2018	Dec. 2017	Δ abs.	Δ %
Mass Market Branches	109	112	-3	-3%
Prestige Branches	15	15	0	0%
Corporate Branches	10	10	0	0%
Large Corporate and Institutional Branches	1	1	0	0%
Private Banking	1	1	0	0%
	136	139	-3	-2%

5.3.3. Intermediation and trade finance

ATLANTICO has currently a network of correspondent banks in four different continents, in the main geographies of trade and investment relations with Angola. This fact allows for a greater geographical coverage for international payments.

In this context, in 2018, ATLANTICO recorded a 25% growth in the trade finance business (issuance of credit letters), in line with the implementation of Notice no. 05/2018, which lays down the settlement requirement for imports and exports of goods by means of remittances or documentary credit.

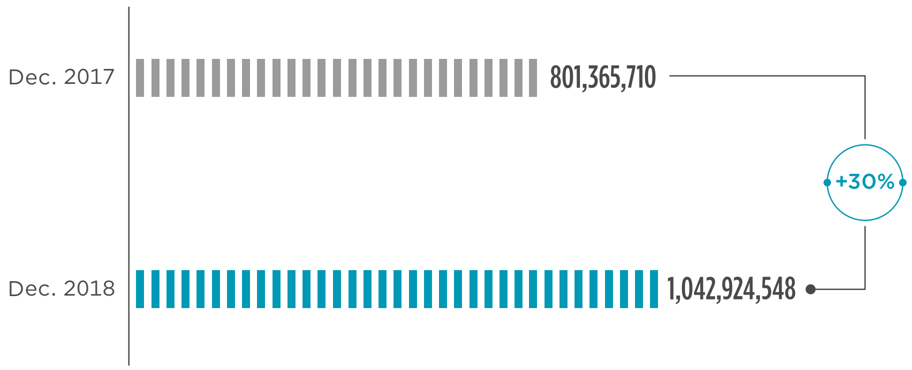
In addition, the Bank recorded a 65% annual increase in the volume of foreign payment orders for countries such as Portugal, Germany, China, the United Kingdom and South Africa.

5.3.4. Financial resources

Despite the restrictive framework adopted by the monetary policy and the cross-border impact on the financial system, ATLANTICO's deposit portfolio shows a nominal growth of 30%, largely justified by the exchange rate depreciation in the year and also by the commercial effort to further increase investment. This increase is valued as an atypical year characterized by the pressure on treasury to support volumes of national and international transfer transactions in line with the new exchange market mechanisms. Also, in 2018, the Angola Central Bank issued a set of Instructives and Notices on the functioning of the payment system, with emphasis being placed on Instructive no. 4/18 of 21 February, which guides banks to comply with payment deadlines, subject to pecuniary and administrative penalties.

Overall, investment portfolio increased by AOA 241 billion, of which about AOA 16 billion resulted from the increase in the portfolio in kwanzas, under a scenario in which the system's level of investment decreased.

Development of Deposits (AOA thousand)

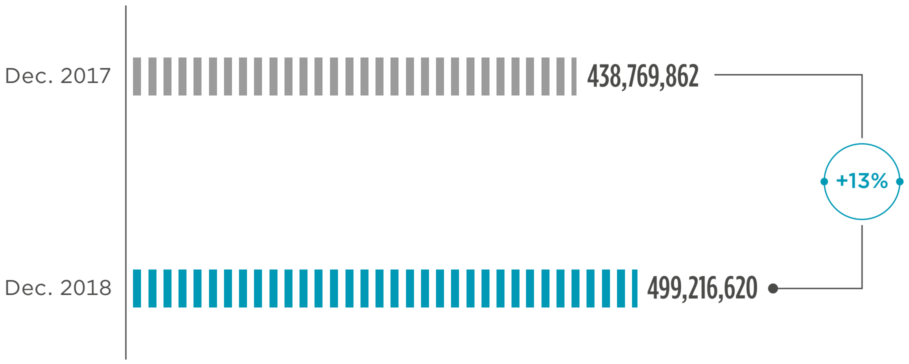


5.3.5. Granting of credit

As a result of a less favorable economic climate, the credit policy in 2018 was surrounded by a greater degree of conservatism.

In December 2018, the credit portfolio amounted to AOA 499,216,620 thousand, an increase of 13% over the previous year. This growth is explained, in large part, by the exchange depreciation and, less expressively, by an increase in the granting of new loans.

Development of credit (AOA thousand)



The conservatism adopted had essentially to do with the restriction on liquidity in national currency, which did not delivered the projected level of credit granted. On the other hand, the less positive moment in the country's economy has not allowed for the emergence of sufficiently attractive projects and/or transactions and at acceptable risk levels and mitigating risks.

5.3.6. Automatic Payment Terminals (APTs)

APTs have increasingly established itself as the outstanding form of payment for consumers of banking services in Angola. ATLANTICO's APTs grew from about 1,000 active APTs in 2008 to 62,967 in 2018. ATLANTICO's APTs grew by only 3% compared to 2017; this fact is explained by the "cleaning" process of inactive APTs, which has resulted in the cancellation of more of 2,000 APTs.

5.3.7. Deposit machines

In 2018, deposit machines increased to five, distributed in three provinces (Luanda, Huila and Zaire), representing another significant step in the implementation of ATLANTICO's digital strategy and its ambition to lead digital transformation.

Machines have shown a very positive performance involving 24/7 deposit transactions, reaching a monthly average above AOA 200 million per machine. In addition, the machines have made it possible to stimulate a new service model, focusing Employees on commercial actions.

5.4. Development of financial statements

5.4.1. Balance sheet development

Balance Sheet as at 31 December 2018 and 2017 (AOA thousand)

Description	Balance		Δ	
	Dec. 18	Dec. 17	Abs.	%
Assets				
Cash and deposits at central banks	159,372,252	133,610,160	25,762,092	19%
Loans and advances to credit institutions repayable on demand	26,739,729	4,510,199	22,202,530	492%
Financial assets at fair value through profit or loss	26,620,444	3,716,472	22,903,972	616%
Financial assets at fair value through other comprehensive income	198,119,726	n.a.	n.a.	n.a.
Financial assets available for sale	n.a.	98,155,111	n.a.	n.a.
Financial assets at amortized cost				
Debt instruments	274,968,716	n.a.	n.a.	n.a.
Loans and advances to customers	420,264,577	395,712,862	24,551,715	6%
Loans and advances to credit institutions	13,312,565	31,234,743	(17,992,178)	-57%
Financial assets held to maturity	n.a.	219,034,443	n.a.	n.a.
Other tangible assets	65,709,104	62,746,419	2,962,685	5%
Intangible assets	32,625,573	30,204,743	2,420,830	8%
Non-current assets held for sale	65,790,661	43,544,500	22,246,161	51%
Current tax assets	1,718,458	1,584,392	134,066	8%
Deferred tax assets	1,832,945	157,246	1,675,699	1066%
Other assets	71,697,217	45,450,053	26,247,164	58%
Total assets	1,358,771,967	1,069,661,343	289,110,624	27%
Liabilities and equity				
Resources from central banks and other credit institutions	160,054,580	117,181,364	42,873,216	37%
Resources from customers and other loans	1,042,924,548	801,365,710	241,558,838	30%
Financial liabilities at fair value through profit or loss	50,510	-	50,510	100%
Provisions	5,161,101	2,454,201	2,706,900	110%
Current tax liabilities	-	2,178,122	(2,178,122)	-100%
Deferred tax liabilities	862,012	746,113	115,899	16%
Other liabilities	14,679,726	17,196,793	(2,517,067)	-15%
Total liabilities	1,223,732,477	941,122,303	282,610,174	30%
Share capital	53,821,603	53,821,603	-	0%
Share premium	34,810,069	34,810,069	-	0%
Own Shares	(492,182)	(492,182)	-	0%
Other reserves and retained earnings	17,327,517	14,829,558	2,497,959	17%
Revaluation reserves	2,347,396	1,741,492	605,904	35%
Net Income	27,225,087	23,828,500	3,396,587	14%
Total equity attributable to the Bank's shareholders	135,039,490	128,539,040	6,500,450	5%
Total liabilities	1,358,771,967	1,069,661,343	289,110,624	27%

(*) Balances relating to 31 December 2017 correspond to the statutory accounts at that date. These balances are disclosed exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, as at 1 January 2018, as permitted by IFRS 9 (note 35).

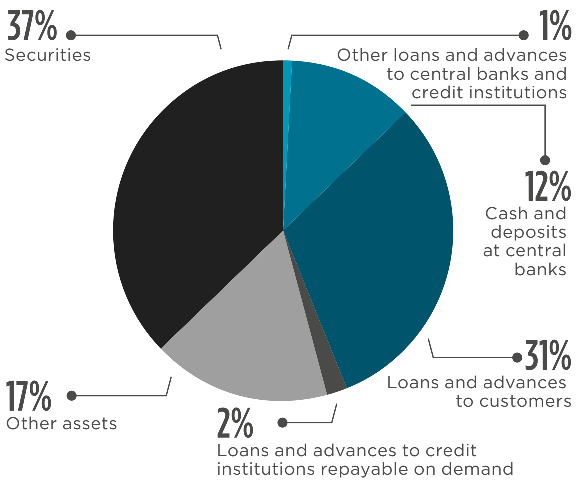
5.4.1.1. Assets structure

ATLANTICO's net assets grew 27% in 2018, reflecting an absolute increase of AOA 289,110 million compared to 2017. In addition to the increased activity, the strong growth of assets is influenced by the impact of currency depreciation on assets denominated in or indexed to the foreign currency, highlighting the growth in the following captions:

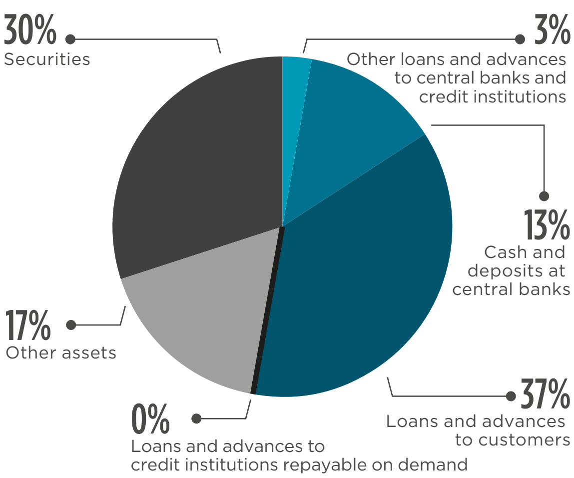
- Financial assets at fair value through other comprehensive income at 102%;
- Debt instruments at 49%;
- Financial assets at fair value through profit or loss of 616%.

In terms of Assets composition, securities became the most representative asset in the balance sheet, benefiting from the significant component in foreign currency and the purchase to Customers for various purposes, including the compliance with credit liabilities. Early redemptions of relevant loans also contributed for the strengthening of the securities' weight under assets. The graphs below show the evolution of the Assets composition in the two reporting periods:

2018



2017

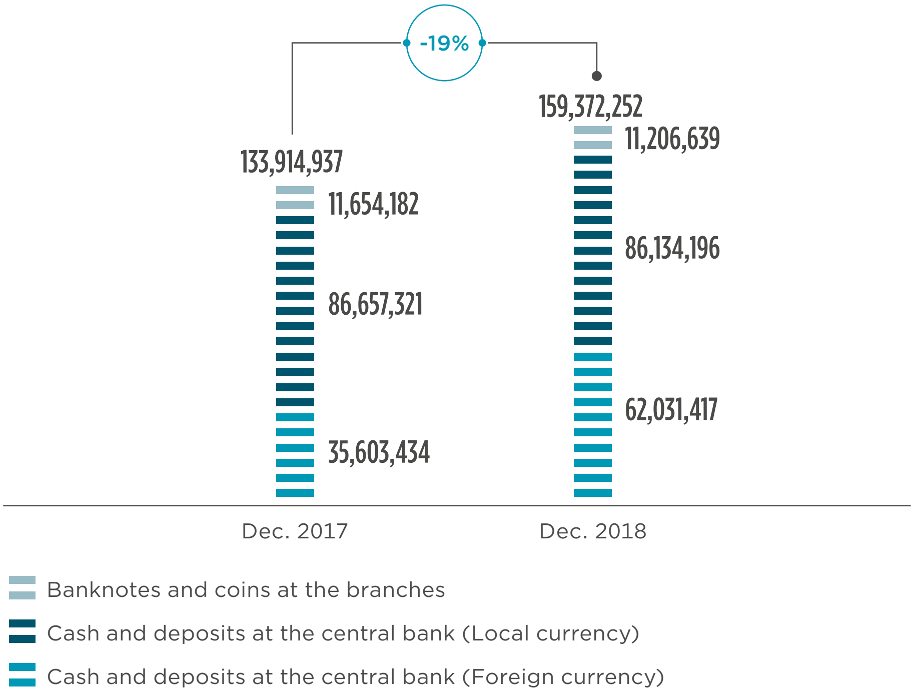


a) Cash and deposits at central banks

This caption includes banknotes and coins in branches, ATM notes, cash and deposits at the central bank and self-banking (deposit machines). Cash and cash equivalents grew by 19% in the period, influenced by the exchange rate effect, and cash and cash equivalents in local currency suffered a slight decrease as a result of:

- The Bank's participation in auctions (ATLANTICO acquired around EUR 806 million in 2018, with a market share of 7%);
- Reimbursement in Money Market transactions.

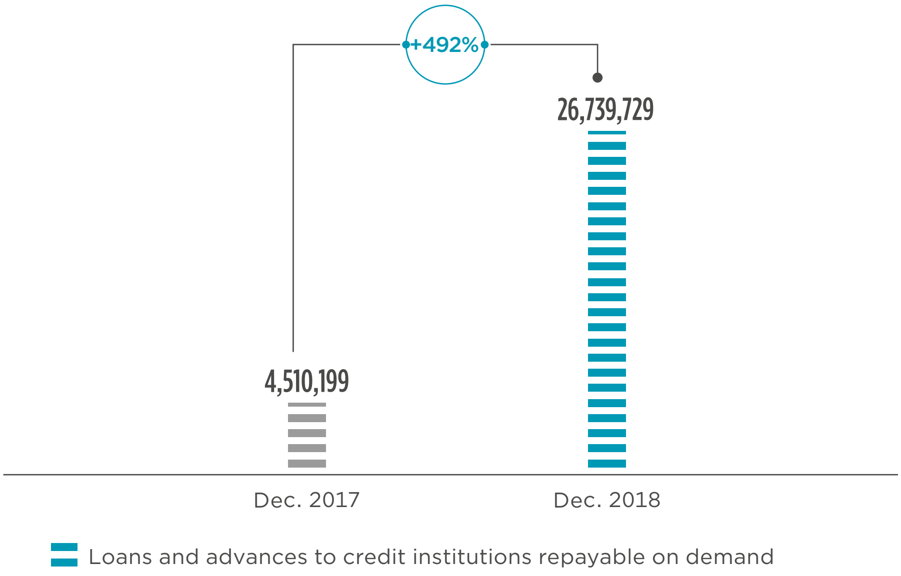
Cash and deposits at central banks (AOA thousand)



b) Loans and advances to credit institutions repayable on demand

The implementation of new rules in the exchange market allowed an improvement in the provision of foreign currency by Angola Central Bank (BNA – Banco Nacional de Angola) to meet the settlement of letters of credit, transfer operations and foreign exchange repos. This situation, coupled with the operating model for the opening of letters of credit, has allowed the Bank to strengthen collaterals with our banking correspondents. Accordingly, in 2018, cash and cash equivalents abroad grew by 492%.

Loans and advances to credit institutions repayable on demand (AOA thousand)

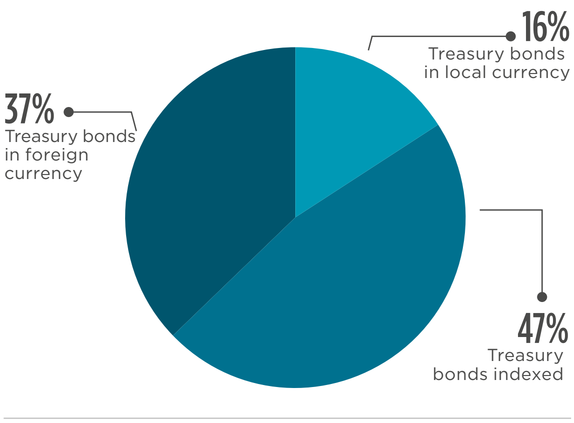


c) Securities

ATLANTICO's securities portfolio gained ground in the Bank's asset structure. In the course of 2018, this pool of assets became the largest caption of funds applications, outweighing credit. The Bank's securities portfolio is essentially comprised of treasury bonds in foreign currency, treasury bonds indexed to foreign currency and non-convertible treasury bonds. This structure results from a protection strategy of the Bank against exchange depreciation.

With respect to typology and currency, about 84% of the securities are denominated in foreign currency or indexed to the foreign currency.

Transfer of securities per currency



In 2018, the total volume of securities in the portfolio increased by about AOA 184,870 million.

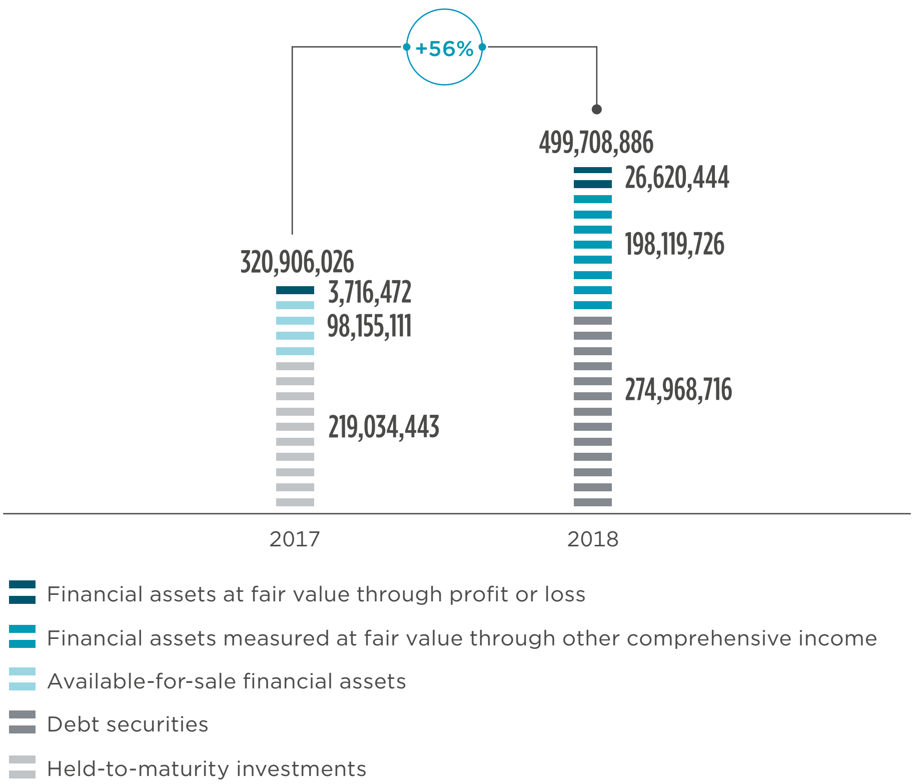
In 2018, pursuant to the new rules on exposure and foreign exchange position, we witnessed transactions with a national counterparty which consisted in the reduction of securities indexed to the US dollar and an increase in USD-denominated securities of about USD 65 million, changing the currency structure of these assets and improving the foreign exchange position and the potential for receiving maturities in US dollars.

Following the adoption of IFRS 9, the presentation of Securities has been changed. These assets shall now be classified into three categories and measurement criteria whose classification depends on the contractual cash flows and related business model. The criteria is to assess whether cash flows relate solely to the payment of principal and interest (SPPI).

Accordingly, the new categories are:
- Financial assets at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at amortized cost.

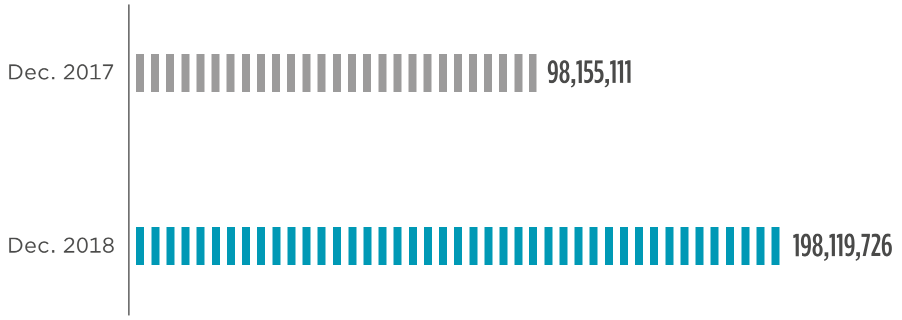
Based on the aforementioned classification, the total volume of securities in the portfolio increased by about AOA 184,870 million in 2018, reflecting a 56% positive variation against 2017, which can be fully explained by the exchange rate effect.

Securities (AOA thousand)



i. Financial assets measured at fair value through other comprehensive income
This caption includes all assets whose purpose is to hold them on the balance sheet and to benefit from the cash flows, either by their sale or by contractual flows. Available-for-sale financial assets increased by 102%, from AOA 98,155 million to AOA 198,191 million, 37% justified by the reclassification resulting from the adoption of IFRS 9 and the remainder justified by the exchange rate developments.

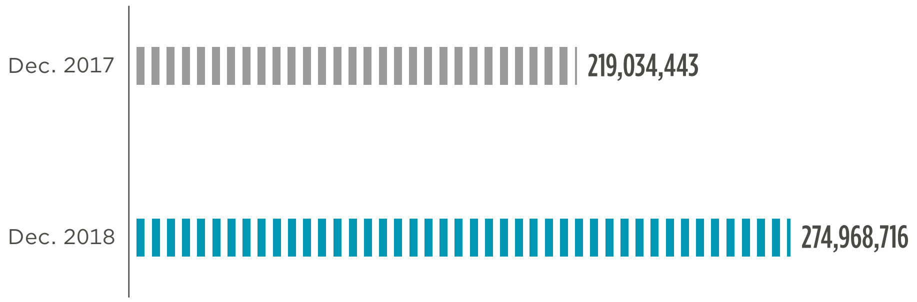
Financial assets measured at fair value through other comprehensive income
(AOA thousand)



ii. Financial assets at amortized cost – Debt instruments
Non-derivative financial assets are recognized under this caption, with fixed or determinable payments and fixed maturity, for which the Bank expects to receive contractual cash flows and hold it to maturity.

During 2018, Debt instruments recorded an increase of AOA 55,934 million, enhanced by Bonds indexed to the US dollar and Bonds issued in foreign currency, influenced by the exchange rate devaluation. In 2018, the Financial assets held to maturity amounted to AOA 274,969 million, and AOA 51 billion was reclassified to other categories under IFRS 9.

Financial assets at amortized cost – Debt securities
(AOA thousand)



+616%

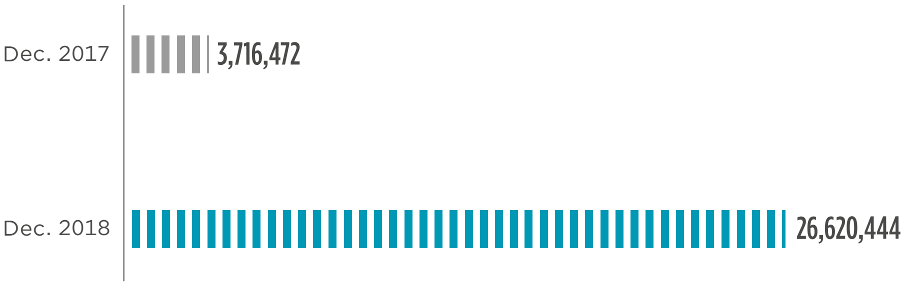
Increase of financial assets at fair value through profit or loss

iii. Financial assets at fair value through profit or loss

This category includes financial assets held for trading acquired for the ultimate purpose of trading in the short term or held as part of a portfolio of assets, usually securities, for which there is evidence of recent activities leading to short-term gains and financial assets and liabilities designated at fair value on their initial recognition.

At the end of 2018, financial assets at fair value through profit or loss amounted to AOA 26,620 million, an increase of 616% compared to 2017. This caption, mainly represented by securities, was primarily explained by derivatives (hedging forwards).

Financial assets at fair value through profit or loss (AOA thousand)



d) Loans and advances to customers

Developments in credit in 2018 was approximately 17%, that is an increase of about AOA 75,119 million. ATLANTICO was always of the opinion that the granting of credit was the core basis of its business activity and is therefore one of the main financial institutions in supporting the economy and families. In 2018, the loan portfolio amounted to AOA 513,889 million. The exchange rate impact also had a strong representation in this caption, with depreciation accounting for 96% of the total variation. The quality of the portfolio decreased slightly, which entailed an increase in impairment levels (94% over the same period last year). As to the increase in impairment, it should be noted that the application of IFRS 9 implied changes in the impairment measurement model, and the increase of AOA 41,012 million is broken down into different effects, such as:

- Transition adjustment from IAS 39 to IFRS 9, in the amount of AOA 5,208 million;
- Exchange effect in the amount of AOA 10,244 million;
- Increase in impairment due to credit deterioration in the amount of AOA 25,560 million.

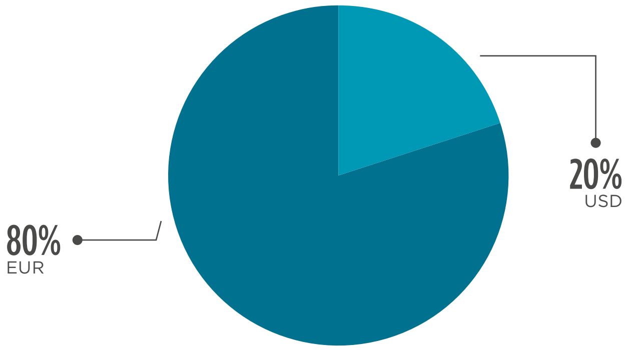
Regarding credit by currency typology, the loan portfolio is set on 75% in national currency, in line with BNA's policy that guides financial institutions to grant credit in national currency, and 25% in foreign currency represented by contracts traded in prior periods.

e) Other loans and advances to credit institutions

The amount recorded in 2018 is largely the result of foreign currency investments to collateralization with correspondent banks for issuing letters of credit (CDI).

At the end of 2018, liquidity investments were estimated AOA 13,312 million, representing a 57% decrease compared to 2017. This reduction is associated with the release of collaterals for amortization of letters of credit. The following chart highlights the distribution of these assets by currency.

Other loans and advances to credit institutions
(AOA thousand)



f) Property, plant and equipment and Intangible assets

Property, plant and equipment increased by 6% compared to 2017, due mainly to the development of tangible and intangible assets with a growth of 5% and 8%, respectively.

In 2018, ATLANTICO invested approximately AOA 7,104 million in automatic data-processing systems meeting the Bank's commitment to improve current systems and restructuring IT systems. On the other hand, in line with the digital transformation process, ATLANTICO invested AOA 1,011 million in equipment, which also contributed to the increase in this caption.

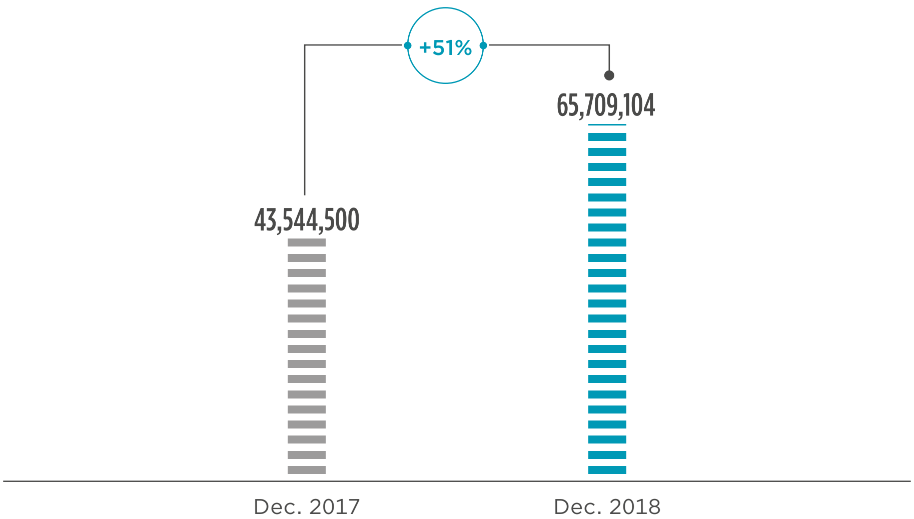
Property, plant and equipment and intangible assets (AOA thousand)

	Dec. 18	Dec. 17
Property, plant and equipment	65,709,104	62,746,419
Intangible assets	32,625,573	30,204,743
Total	98,334,677	92,951,162

g) Non-current assets held for sale

This caption is represented by real estate properties not allocated to the Bank's current operating activities. These are mainly properties received as payment and discontinued branches, available for sale. Compared to 2017, Non-current assets held for sale recorded an increase in the amount of AOA 65,790 million (51%). Notwithstanding the successful sale of some of these assets in 2018, this increase refers essentially to new assets received as payment on the recovery of a set of loans.

Non-current assets held for sale (AOA thousand)

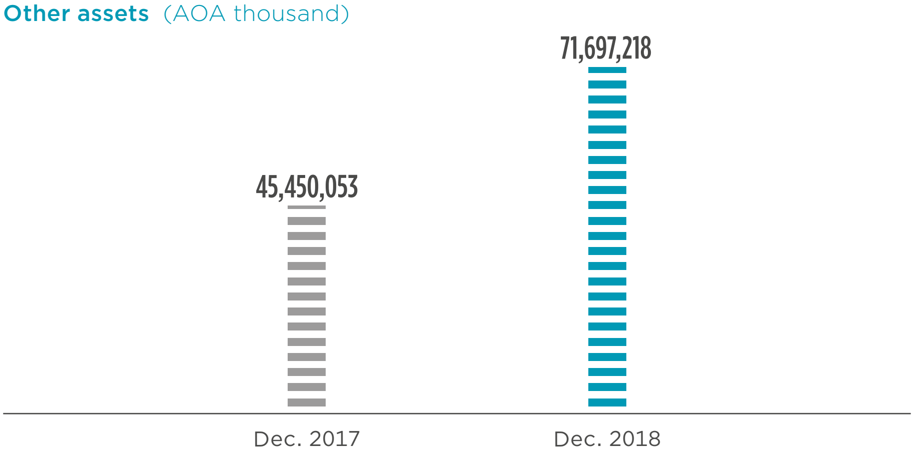


h) Other assets

Other assets contain equity elements related to receivables within the execution of preliminary sale-purchase contract agreements of assets received as a payment and advance payments made on ongoing projects.

Given that part of these contracts is denominated in foreign currency, the growth is essentially explained by the exchange variation.

Other assets (AOA thousand)

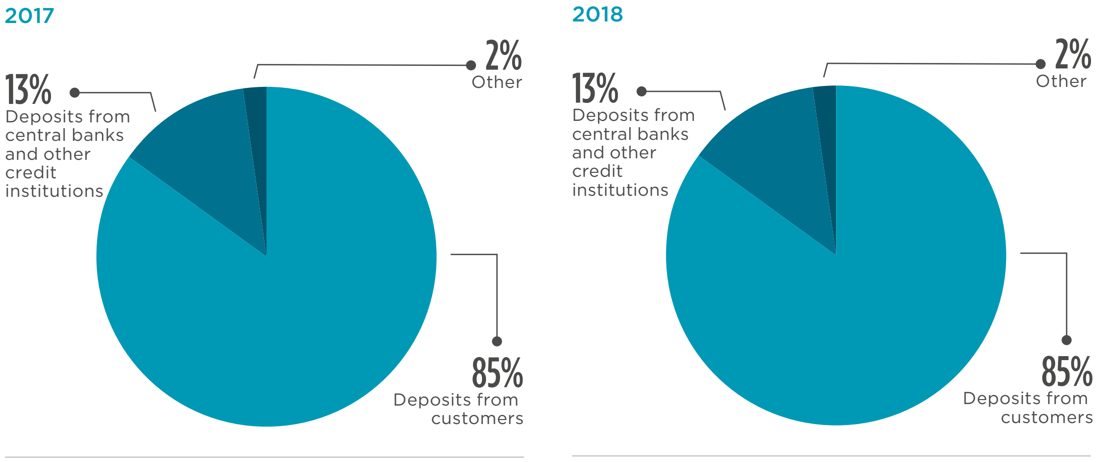


5.4.1.2. Liabilities structure

ATLANTICO's Liabilities increased 30% in 2018, which corresponds to an absolute increase of AOA 282,610 million when compared to 2017. This increase is boosted by the positive performance of Deposits from customers and Deposits from other credit institutions.

Regarding the Liabilities structure, Customer deposits are the main source of financing for the activity, representing about 85% of the Liabilities in 2018, in line with the 2017 structure. With respect to Deposits from central banks and other credit institutions, a significant increase of 1 p.p. was recorded against 2017, representing an absolute increase of AOA 42,873 million.

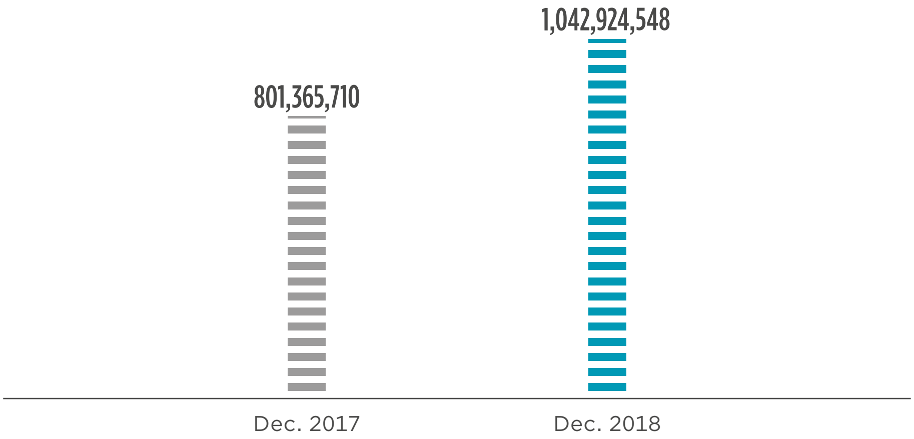
Liabilities structure



a) Resources from customers and other loans

Despite the restrictive framework adopted by the monetary policy and the cross-border impact on the financial system, ATLANTICO's deposit portfolio shows a nominal growth of 30%, largely justified by the exchange rate depreciation in the year and by the commercial effort to further increase investment. This increase is valued as an atypical year characterized by the pressure on treasury to support volumes of national and international transfer transactions in line with the new exchange market mechanisms. Also, in 2018, the Angola Central Bank issued a set of Instructives and Notices on the functioning of the payment system, with emphasis being placed on Instructive no. 4/18 of 21 February, which guides banks to comply with payment deadlines, subject to pecuniary and administrative penalties.

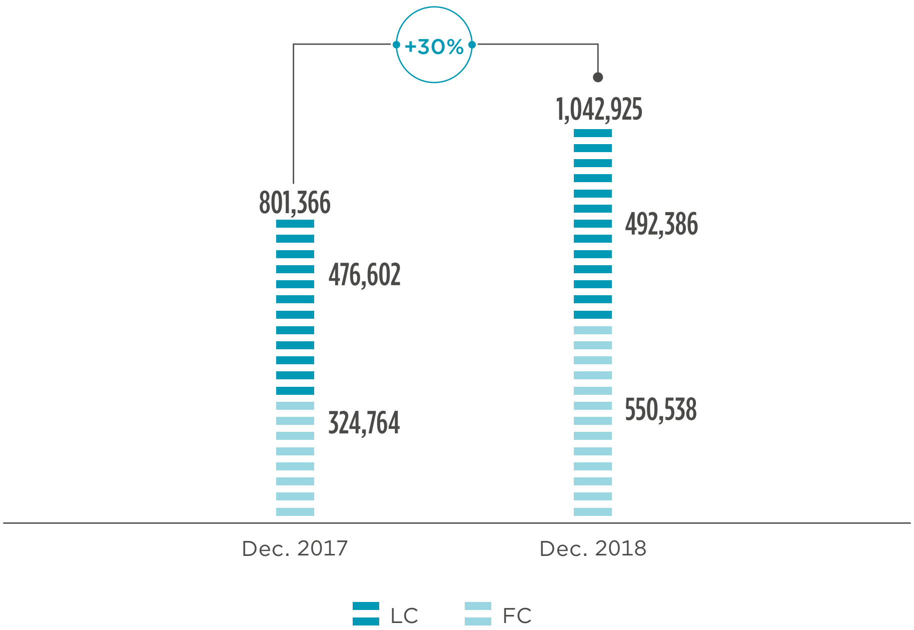
Deposits from customers (AOA thousand)



Performing an analysis to deposits by currency typology, there is a positive development in national currency in the amount of AOA 15,783 million, explained by the business performance in the commercial areas.

Foreign currency deposits recorded a negative variation of about USD 173 million, the equivalent to AOA 53,499 million. This decrease is related with the reduction of the foreign exchange backlog of foreign operations and settlement of letters of credit.

Development of deposits by currency (AOA million)



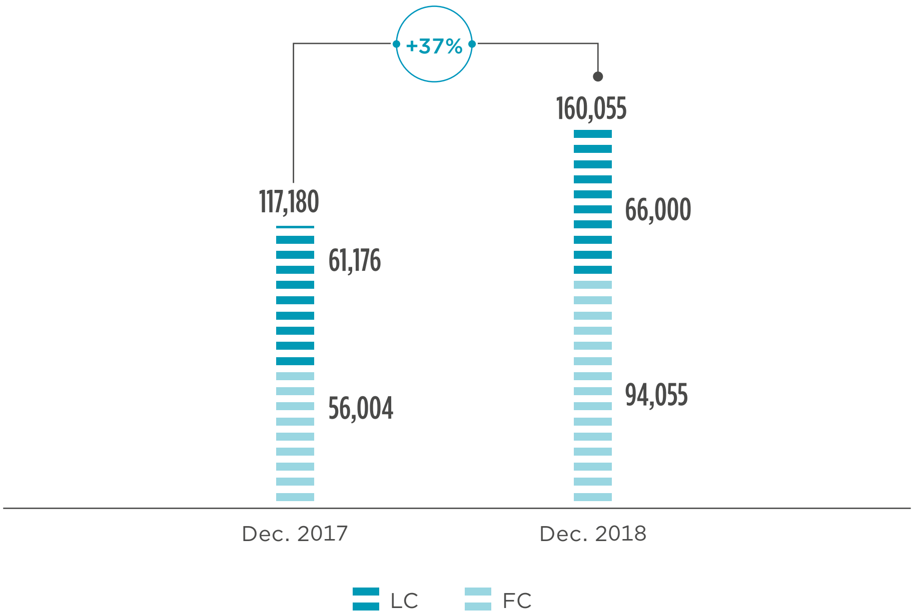
In foreign exchange terms, despite the reduction in foreign currency deposits, the depreciation of the kwanza increased the value of the deposits in the portfolio. ATLANTICO has a strong weight of deposits in USD, which have been increased through the effect of the exchange rate, which explains 95% of the increase of the year.

From the total portfolio resources at the end of the year, 59% were applied resulting in an increase of 3 p.p. compared to 2017.

b) Deposits from central banks and other credit institutions

In nominal terms, Deposits from central banks and other credit institutions recorded a 37% increase over the previous year. This increase is related with the exchange rate effect of the short-term financing lines agreed with foreign counterparties.

Deposits from central banks and other credit institutions
(AOA million)



5.4.1.3. Equity

Equity amounted to AOA 6.5 billion, recording a 5% increase. Equity is a key indicator of banks' balance soundness, with an impact on their solvency. From the regulatory perspective, there was also the positive progress of regulatory own funds, which translated into a significant increase in the Capital adequacy ratio from 12.1% to 15.9% in 2018.

5.4.2. Income statement

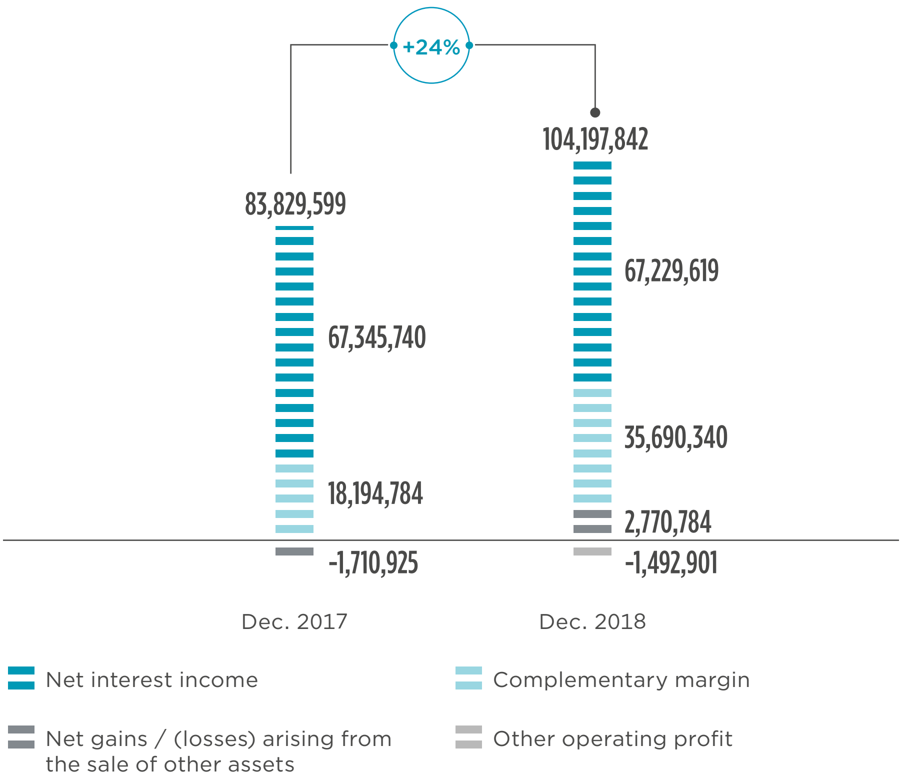
Income Statement as at 31 December 2018 and 2017 (AOA thousand)

	Dec. 18	Dez. 17	Δ abs.	Δ %
Interest and similar income	118,452,965	93,261,325	25,191,640	27%
Interest and similar expense	(51,223,346)	25,915,585	(25,307,761)	98%
Net interest income	67,229,619	67,345,740	(116,121)	0%
Gains from fees and commissions income	21,250,115	13,947,733	7,302,382	52%
Losses from fees and commissions income	(610,385)	(288,880)	(321,505)	111%
Net gains / (losses) from fees and commissions income	20,639,730	13,658,853	6,980,877	51%
Net gains / (losses) from other financial assets and liabilities at fair value through profit or loss	(1,134,897)	410,851	(1,545,749)	-376%
Net gains from financial operations	2,729,250	527,659	2,201,591	417%
Net gains / (losses) from foreign exchange	13,456,258	3,597,421	9,858,837	274%
Net gains / (losses) from financial operations	15,050,611	4,535,931	10,514,679	232%
Staff costs	(22,481,591)	(19,802,642)	(2,678,949)	14%
General and Administrative Costs	(16,946,248)	(15,380,777)	(1,565,471)	10%
Amortizations and depreciations	(4,608,577)	(4,358,686)	(249,891)	6%
Profit / (loss) from the sale of other assets	2,770,784	-	2,770,784	100%
Provisions net of reversals	(9,106,581)	(1,436,630)	(7,669,951)	534%
Impairment for loans and advances to customers net of reversals and recoveries	(24,548,370	(17,005,808)	(7,542,562)	44%
Impairment for financial assets through other comprehensive income	(200,240)	-	(200,240)	100%
Other operating income	(1,492,901)	(1,710,925)	218,024	-13%
Profit / (loss) before tax from continuing operations	26,306,235	25,845,056	461,179	2%
Income Tax	918,852	(2,016,556)	2,935,408	-146%
Current	819,529	(1,916,955)	2,736,484	-143%
Deferred	99,323	(99,601)	198,924	-200%
Net income / (loss)	27,225,087	23,828,500	3,396,587	14%

5.4.2.1. Net operating income

Compared to 2017, net operating income stood at AOA 104,198 million, representing an increase of AOA 20,368 million (+24%), sustained by the excellent performance of the complementary Margin.

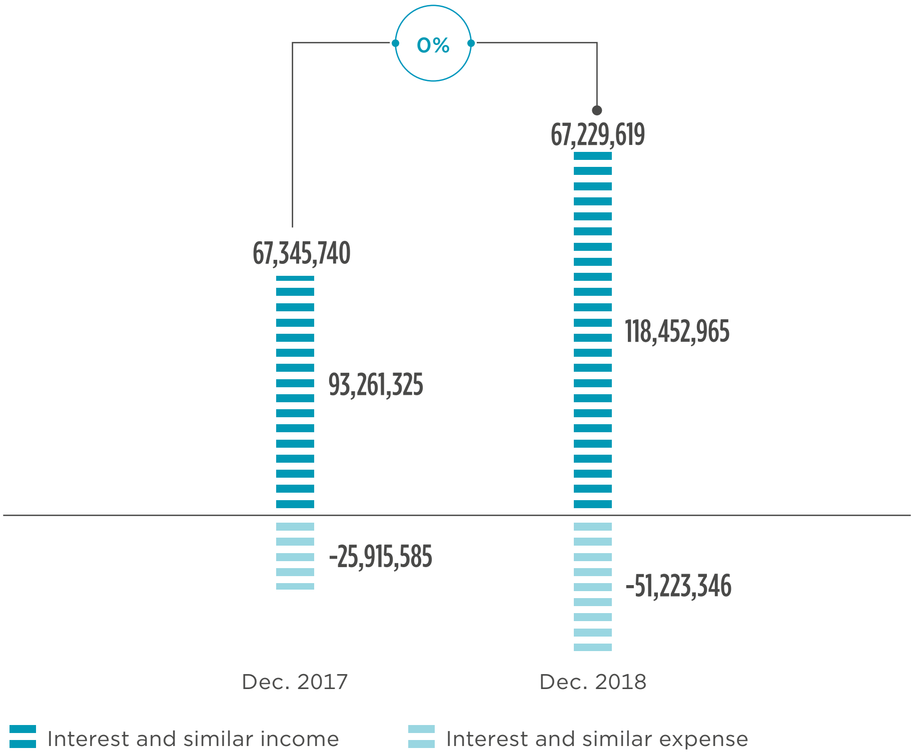
Net operating income (AOA thousand)



a) Net interest income

In 2018, Net interest income had a slight growth, remaining at AOA 67 billion, similar to that of 2017. The development in Net interest income results from the increase in interest and similar income (27%) that was offset by the significant increase (98%) in Interest and similar charges, resulting from the remuneration of deposits and taken at the Interbank Money Market (IMM).

Net interest income (AOA thousand)



Interest on loans to Customers amounted to AOA 82,445 million (+13%), a less significant increase when compared to the previous year (+29%). This increase is explained by 5.8% by the exchange rate effect and by 6.3% by the increase in interest rates, especially in national currency.

Interest and similar income (AOA thousand)

	Dec. 18	Dec. 17	Δ %
Loans	82,445,042	73,231,588	13%
Securities	35,665,300	19,824,868	80%
Investments	342,623	204,869	67%
Interest received	118,452,965	93,261,325	27%

Interest on securities contributed 63% to the increase in the Net interest income, from AOA 19,825 million in 2017 to AOA 35,665 million in 2018, due to the increase in investment in treasury bonds and the significant exchange rate effect.

Funding interest amounted to AOA 16,872 million, representing an increase of AOA 10,835 million.

Interest on deposits amounted to AOA 35,140 million, 73% above the value recorded in the same period last year (AOA 19,878 million).

The change in deposit interest at AOA 14,473 million was due to the strengthening of the national currency deposit portfolio (AOA 12,743 million) and, on the other hand, the impact of the exchange variation (AOA 2,891 million).

Funding interest amounted to AOA 16,872 million, representing an increase of AOA 10,835 million. This significant increase is related with the increase in the rate of remuneration and the increase in the volume of funds raised in national currency.

Interest and similar expense (AOA thousand)

	Dec. 18	Dec. 17	Δ %
Resources from customers and other loans	34,351,133	19,878,483	73%
Funds	6,037,102	16,872,213	-64%
Total	40,388,235	36,750,696	10%

b) Complementary Margin

The complementary Margin amounted to AOA 36,968 million representing an increase of AOA 20,484 million compared to 2017, of which 56% was explained by Fees and Commissions and 41% explained by the Net gains / (losses) from financial operations.

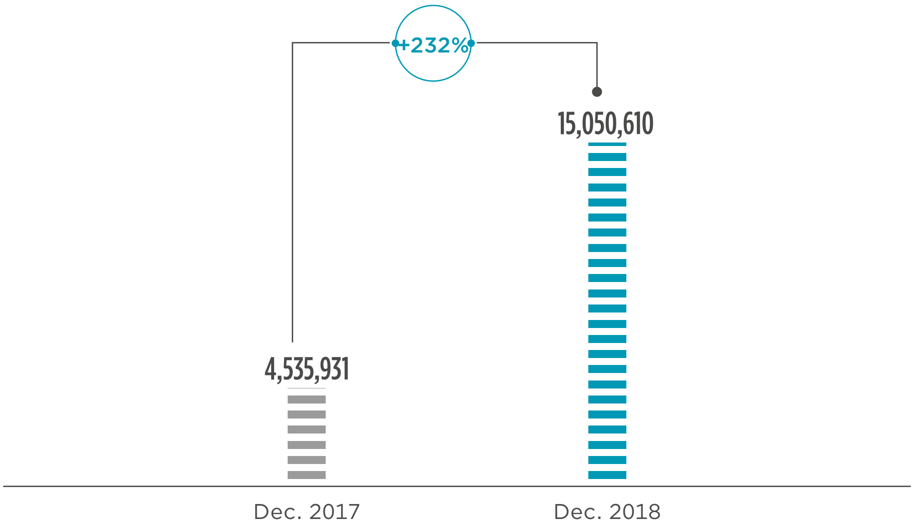
Complementary Margin (AOA thousand)

	Dec. 18	Dec. 17	Δ abs.	Δ %
Net gains/(losses) from fees and commissions income	20,639,730	13,658,853	6,980,877	51%
Net gains/(losses) from financing activities	15,050,610	4,535,931	10,514,679	232%
Net gains/(losses) from the sale of other assets	2,770,784	(1,710,925)	4,481,709	0%
Other operating income	(1,492,901)	-	(1,492,901)	0%
Complementary margin	36,968,223	16,483,859	20,484,364	124%

i. Net gains / (losses) from financial operations

In 2018, Net gains / (losses) from financial activities reached an amount of AOA 15,050 million. This caption recorded an increase of AOA 10,515 million resulting from the significant increase in revaluation results of assets and liabilities in foreign currency.

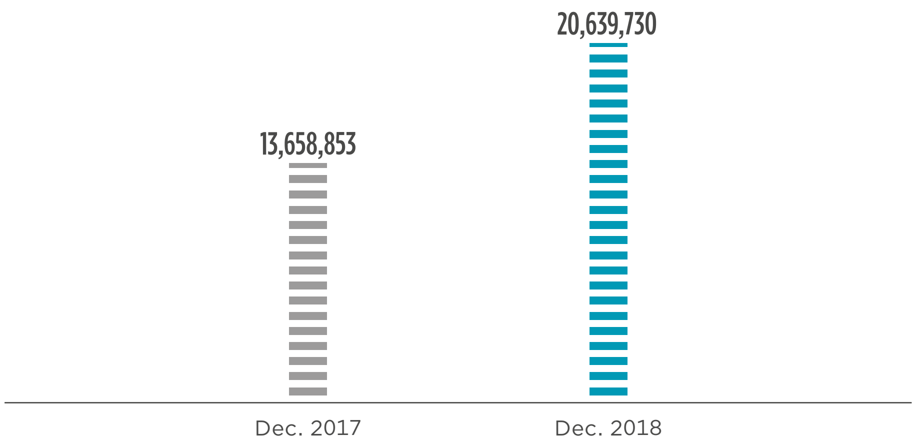
Net gains / (losses) arising from financing activities (AOA thousand)



ii. Net gains/(losses) from fees and commissions income
Commissions amounted to AOA 20,639 thousand, representing a 51% growth (AOA 6,981 million) compared to the same period last year, mainly as a result of the increase in the following commissions:

- Letters of credit: AOA 2,440 million;
- Transfers: AOA 1.864 million;
- Collaterals: AOA 1.826 million.

Net gains/(losses) arising from fees and commissions (AOA thousand)

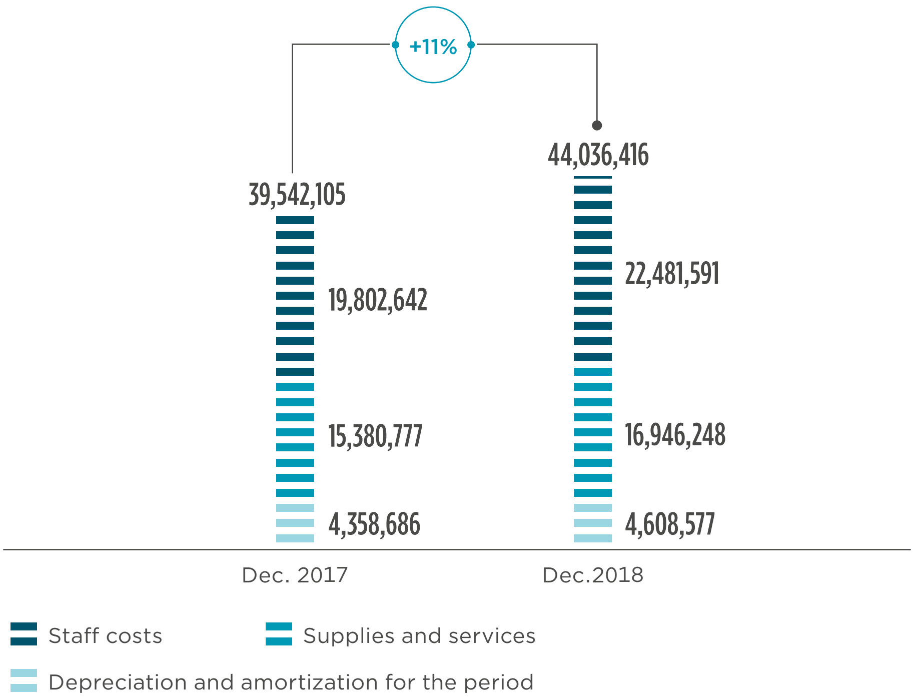


5.4.2.2. Operating costs

Operating costs reached AOA 44,036 million in 2018. This is an 11% increase compared to 2017 (+AOA 4,494 million), directly related to the increase in staff costs as it represented 51% of operating costs.

General and Administrative Costs were the second driving force behind these increases, representing 10% of Operating Costs.

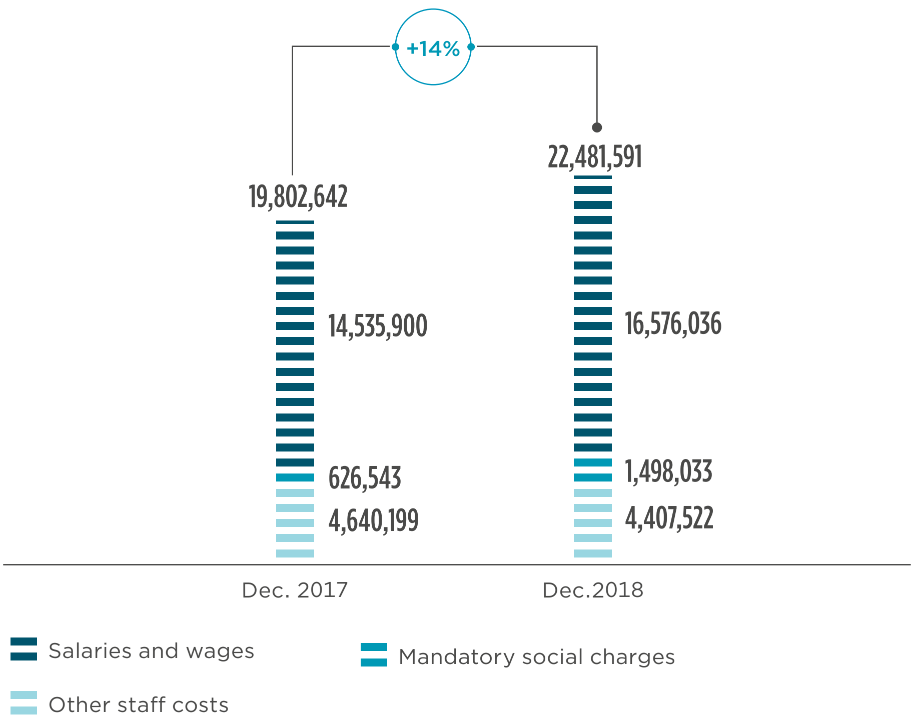
Operating costs (AOA thousand)



a) Staff costs

With an absolute growth of AOA 2,679 million in 2018, Staff costs were mainly boosted by the salary adjustment that resulted from the increase in optional charges, such as health insurance and performance bonuses. In addition to these factors, there is also a component of Staff costs indexed to foreign currency, which was also impacted by the currency depreciation that occurred.

Staff costs (AOA thousand)



b) General and Administrative Costs

In 2018, the costs with third-party supplies and services amounted to AOA 16,946 million, AOA 1,565 million (+ 10%) above the same period last year, mainly due to the increase in advisory and auditing fees in the amount of AOA 1,053 million and also rents and leases in the amount of AOA 507 million.

The exchange rate effect is one of the main drivers of the increase in these costs, since many of the advisory services are agreed in foreign currency.

The increase in costs for rents and leases (AOA 507 million) was mainly due to real estate costs whose leasing contracts are still indexed to foreign currency.

c) Depreciation and amortization

Amortization costs amounted to AOA 4,609 million, an increase of 6% over 2017. This growth reflects the investments made in the modernization of the Bank's technology park and other equipment in line with the transformation plan of ATLANTICO.

5.4.2.3. Impairment and provisions

In January 2018, IFRS 9 - Financial Instruments entered into force, replacing IAS 39 - Financial Instruments. This standard establishes new rules for the recognition of financial instruments and introduces significant changes, especially in terms of methodology for calculating impairment and regulatory capital. As a result, provisions and impairments reached a total amount of AOA 33,654 million, highlighting an increase of AOA 15,212 million (82%) compared to the same period of 2017.

The Balance Sheet and Income Statement show and increase in impairment which can be explained by the following effects:

Impairment and provisions (AOA thousand))

Increase in impairment for 2018	41,012
Transition adjustment	5,208
Exchange rate effect	10,244
Charge for the period	25,560

5.4.2.4. Income / (loss) for the period

In 2018, Net income/ (loss) reached AOA 27,225 million, an increase of 14% compared to the same period of the previous year. To this positive performance, we highlight the contribution of the complementary margin, which grew by 111% over the previous year, benefiting from a greater dynamic in terms of commissioning, foreign exchange results and disposal of assets against a background where net interest income did not evolve over 2017. In addition, it is important to mention that the strong increase in impairment and provisions as a consequence of the less favorable economic conditions experienced by companies and an increase in operating costs of 11%, influenced by the devaluation and inflation environment of 18%.

5.5. Proposal for application of profits

The proposal for application of the 2018 profits, in the amount of AOA 27,225 million, is as follows:

- Legal reserve (10%), under the terms of current legislation, in the amount of AOA 2,723 million;
- Retained earnings (90%) in the amount of AOA 24,502 million.

6.0

Financial statements and notes to the financial statements

Financial Statements

As at 31 December 2018 and 2017

Balance sheet as at 31 December 2018 and 2017 (Thousands of AOA)

	Notes	31.12.2018	31.12.2017 (*)
Assets			
Cash and deposits at central banks	4	159,372,252	133,610,160
Loans and advances to credit institutions repayable on demand	5	26,739,729	4,510,199
Financial assets at fair value through profit and loss	6	26,620,444	3,716,472
Financial assets at fair value through other comprehensive income	7	198,119,726	-
Financial assets available for sale	7	-	98,155,111
Financial assets at amortised cost			
Debt instruments	8	274,968,716	-
Loans and advances to customers	9	420,264,577	395,712,862
Loans and advances to credit institutions	10	13,312,565	31,234,743
Held-to-maturity investments	8	-	219,034,443
Other tangible assets	11	65,709,104	62,746,419
Intangible assets	12	32,625,573	30,204,743
Non-current assets held for sale	13	65,790,661	43,544,500
Current tax assets		1,014,785	1,584,392
Deferred tax assets	14	2,536,619	157,246
Other assets	15	71,697,218	45,450,053
Total assets		1,358,771,969	1,069,661,343
Liabilities and equity			
Resources from central banks and other credit institutions	16	160,054,580	117,181,364
Resources from clients and other loans	17	1,042,924,548	801,365,710
Financial liabilities at fair value through profit and loss	6	50,510	-
Provisions	18	5,161,101	2,454,201
Current tax liabilities	14	-	2,178,122
Deferred tax liabilities	14	862,012	746,113
Other liabilities	19	14,679,727	17,196,793
Total liabilities		1,223,732,478	941,122,303
Share capital	20	53,821,603	53,821,603
Share premium	20	34,810,069	34,810,069
Own shares	20	(492,182)	(492,182)
Other reserves and retained earnings	21	17,327,517	14,829,558
Revaluation reserves	21	2,347,396	1,741,492
Net income		27,225,088	23,828,500
Total equity attributable to Bank's shareholders		135,039,491	128,539,040
Total liabilities and equity		1,358,771,969	1,069,661,343

(*) The balances related to 31 December 2017 correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as permitted by IFRS 9 (note 36).

The following notes form an integral part of these financial statements.

Income statement for the periods ended at 31 December 2018 and 2017 (Thousands of AOA)

	Notes	31.12.2018	31.12.2017
Interest and similar income	22	118,452,965	93,261,325
Interest and similar expense	22	(51,223,346)	(25,915,585)
Net interest income		67,229,619	67,345,740
Gains from fees and commissions income	23	21,250,115	13,947,733
Losses from fees and commissions income	23	(610,385)	(288,880)
Net gains / (losses) from fees and comissions income		20,639,730	13,658,853
Net gains / (losses) from other financial assets and liabilities at fair value through profit and loss	24	(1,134,897)	410,851
Net gains from financial operations	25	2,729,250	527,659
Net gains / (losses) from foreign exchange	26	13,456,258	3,597,421
Net gains / (losses) from financial operations		15,050,611	4,535,931
Total operating income		102,919,960	85,540,524
Staff costs	27	(22,481,591)	(19,802,642)
General and administrative costs	28	(16,946,248)	(15,380,777)
Amortizations and depreciations	11 and 12	(4,608,577)	(4,358,686)
Profit / (loss) from the sale of other assets	29	2,770,784	-
Provisions net of reversals	13, 15 and 18	(9,106,581)	(1,436,630)
Impairment for loans and advances to customers net of reversals and recoveries	8 and 9	(24,537,890)	(17,005,808)
Impairment for financial assets through other comprehensive income	21	(210,720)	-
Other operating income	30	(1,492,901)	(1,710,925)
Profit / (loss) before tax from continuing operations		26,306,236	25,845,056
Income tax		918,852	(2,016,556)
Current	14	131,263	(1,916,955)
Deferred	14	787,589	(99,601)
Profit / (loss) after tax from continuing operations			
Net profit / (loss)		27,225,088	23,828,500
Weighted average number of ordinary shares issued		53,821,603	53,821,603
Basic earnings per share (in kwanzas)	31	0.51	0.45
Diluted earnings per share (in kwanzas)	31	0.51	0.44

The following notes form an integral part of these financial statements.

Statement of comprehensive income for the periods ended at 31 December 2018 and 2017 (Thousands of AOA)

	Notes	31.12.2018	31.12.2017
Net profit / (loss) for the period		27,225,088	23,828,500
Items that may be reclassified into the income statement			
Debt instruments at fair value through other comprehensive income			
Profit / (losses) for the period	21	2,352,363	1,660,450
Transfer to profit / (loss) for impairment recognised in the period	21	(210,720)	-
Deferred taxes	21	(116,139)	(499, 977)
		2,025,504	1,160 473
Total comprehensive income for the period		29,250,592	24,988,973

Statement of changes in equity for the periods ended at 31 December 2018 and 2017
(Thousands of AOA)

	Share capital	Share premiums	Own shares	Reserves and retained earnings			Net profit/ (losses) for the period	Total equity
				Fair values reserves	Other reserves and retained earnings	Total		
Balance on 31 December 2016	53,821,603	34,810,069	(492,182)	581,019	9,738,854	10,319,873	17,038,342	115,497,705
Fair value changes, net of taxes	-	-	-	1,160,473	-	1,160,473	-	1,160,473
Net profit / (losses) for the period	-	-	-	-	-	-	23,828,500	23,828,500
Total comprehensive income for the period	-	-	-	1,160,473	-	1,160,473	23,828,500	24,988,973
Results application								
Reserves and retained earnings	-	-	-	-	4,980,667	4,980,667	(4,980,667)	-
Dividends	-	-	-	-	-	-		-
Dividends for shareholders	-	-	-	-	-	-	(11,947,638)	(11,947,638)
Dividends for own shares	-	-	-	-	110,037	110,037	(110,037)	-
Balance on 31 December 2017	53,821,603	34,810,069	(492,182)	1,741,492	14,829,558	16,571,050	23,828,500	128,539,040
Transition adjustments to IFRS 9	-	-	-	(1,419,600)	(2,442,065)	(3,861,665)	-	(3,861,665)
Balance on 1 January 2018	53,821,603	34,810,069	(492,182)	321,892	12,387,493	12,709,385	23,828,500	124,677,375
Fair value changes, net of taxes	-	-	-	2,025,504	-	2,025,504	-	2,025,504
Net profit / (losses) for the period	-	-	-	-	-	-	27,225,088	27,225,088
Total comprehensive income for the period	-	-	-	2,025,504	-	2,025,504	27,225,088	29,250,592
Results application								
Reserves and retained earnings	-	-	-	-	4,765,700	4,765,700	(4,765,700)	-
Dividends	-	-	-	-	-	-	-	-
Dividends for shareholders	-	-	-	-	-	-	(18,888,476)	(18,888,476)
Dividends for own shares	-	-	-	-	174,324	174,324	(174,324)	-
Balance on 31 December 2018	53,821,603	34,810,069	(492,182)	2,347,396	17,327,517	19,674,913	27,225,088	135,039,491

The following notes form an integral part of these financial statements.

Cash flow statement for the periods ended at 31 December 2018 and 2017
(Thousands of AOA)

	Notes	31.12.2018	31.12.2017
Cash flows arising from operating activities			
Interest income received		172,516,228	105,514,486
Interest expense paid		(56,185,755)	(23,535,505)
Payments to employees and suppliers		(38,407,323)	(38,572,393)
Cash flows before changes in operating assets and liabilities		77,923,150	43,406,588
Changes in operating assets and liabilities:			
Financial assets at fair value through profit and loss		(8,973,995)	6,322,185
Financial assets at fair value through other comprehensive income		(96,163,581)	-
Financial assets available for sale		-	17,103,349
Financial assets at amortised cost			
Debt securities		(55,272,137)	-
Loans and advances to customers		(89,358,490)	(68,998,814)
Loans and advances to credit institutions repayable on demand		17,932,364	(14,530,557)
Held-to-maturity investments		-	(8,965,884)
Deposits from credit institutions		41,053,783	56,534,366
Non-current assets held for sale		(21,354,788)	(41,693,208)
Deposits from customers		246,712,642	57,395,933
Other operating assets and liabilities		(37,432,434)	40,273,625
Net cash flows arising from operating activities, before income taxes		75,066,514	86,847,583
Taxes on income paid		(1,393,336)	(621,347)
Net cash flows arising from operating activities		73,673,178	86,226,236
Cash flows arising from investing activities			
Dividends received		73,812	-
Acquisition of financial investments		(6,866,892)	(9,470,221)
Net cash flows arising from investing activities		(6,793,080)	(9,470,221)
Cash flows arising from investing activities			
Reimbursement of bonds and subordinated debt		-	(4,149,083)
Dividends from ordinary shares paid		(18,888,476)	(15,390,888)
Net cash flows arising from financing investments		(18,888,476)	(19,539,971)
Net changes in cash and cash equivalents		47,991,622	57,216,044
Cash and cash equivalents at the beginning of the period		138,120,359	80,904,315
Net changes in cash and cash equivalents		47,991,622	57,216,044
Cash and cash equivalents at the end of the period		186,111,981	138,120,359
Cash and cash equivalents includes:			
Cash	4	11,206,639	11,654,182
Loans and advances to central banks	4	148,165,613	121,955,978
Loans and advances to credit institutions	5	26,739,729	4,510,199
Total		186,111,981	138,120,359

The following notes form an integral part of these financial statements.

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Notes to the financial statements

Notes to the financial statements

NOTE 1.
Introduction

Banco Millennium Atlântico, S.A., which also uses the brand ATLANTICO (hereinafter referred to as "Banco" or "ATLANTICO"), was incorporated by Public Deed on 31 August 2006. Through communication of Angola Central Bank (hereinafter also referred to as "BNA") dated 6 November 2006, ATLANTICO was authorized and definitively registered as ATLANTICO, and started its business activity on 17 November 2006. ATLANTICO operates and has its head office in Angola, at Rua do Centro de Convenções de Talatona, Via S8, GU05B, Edifício ATLANTICO, Bloco 7/8, Bairro Talatona, Distrito Urbano da Samba, Luanda.

The Bank is dedicated to obtaining resources from third-parties in the form of deposits or other, which applies, together with its own resources, in the granting of loans, in deposits at BNA, in investments in credit institutions, in the acquisition of securities and other assets, for which it is duly authorized. The Bank also provides other bank services and performs various types of transactions in foreign currency through a network, as at 31 December 2018, of 109 branches and 27 customer service centers (31 December 2017: 111 branches and 28 customer service centers).

Regarding the shareholder structure, as detailed in note 20, the Bank is owned mainly by private Angolan shareholders.

In May 2016, the former Banco Privado Atlântico entered into a merger by incorporation with Banco Millennium Angola, creating Banco Millennium Atlântico. For accounting purposes, the merger produced effects on 1 January 2016.

NOTE 2.
Accounting policies

2.1. Basis of presentation

In accordance with the provisions of Notice No. 6/2016 of 22 June, from Angola Central Bank, the financial statements of Banco Millennium Atlântico, S.A., (Bank or ATLANTICO) are prepared in accordance with the International Financial Reporting Standards ("IFRS").

IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and their predecessor bodies.

Angola Central Bank ("BNA") expressed an interpretation referring that not all the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") have been fulfilled in order for the Angolan economy to be considered hyperinflationary in the period ended 31 December 2018, and, accordingly, the Board of Directors of the Bank decided not to apply the provisions of that Standard to its financial statements as of that date.

The individual financial statements of Banco Millennium Atlântico, S.A, now presented, relate to the period ended as at 31 December 2018.

The accounting policies presented in this note were applied consistently with those used in the financial statements as of 31 December 2017, except for the changes resulting from the adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers. IFRS 9 has replaced IAS 39 Financial instruments – Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. The requirements presented by IFRS 9 are generally applied retrospectively by adjusting the opening balance sheet to the date of initial application.

ATLANTICO decided for the exception that allows that comparative information from prior periods may not be restated, if related to changes of classification and measurement (including impairment). Differences arising in assets and liabilities balance sheet amounts, resulting from IFRS 9 adoption, were recognised in Other reserves and Retained Earnings, as at 1 January 2018, as described in note 21.

The financial statements are expressed in thousands of kwanzas, rounded to the nearest thousand. These were prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, namely financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

The preparation of financial statements in accordance with IFRS requires the Bank to make judgments and estimates and to use assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. Changes in such assumptions or differences between them and reality may have an impact on current estimates and judgments. Areas that involve a higher level of judgment or complexity, or where assumptions and significant estimates are used in the preparation of the financial statements are analysed in Note 3.

The Bank's financial statements for the period ended on 31 December 2018 were approved by the Board of Directors on 10 April 2019.

2.2. Comparability of the information

The Bank adopted the standards whose application is mandatory for periods beginning on or after 1 January 2018. The accounting policies were applied consistently and are consistent with those used in the prior year financial statements, except for the changes resulting from the adoption of the following standards as at 1 January 2018: IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers. IFRS 9 provides new requirements regarding (i) classification and measurement of financial assets and liabilities, (ii) measurement and recognition of impairment of financial assets by applying the expected credit losses model and (iii) hedge accounting.

The requirements presented by IAS/IFRS are generally applied retrospectively, by adjusting the opening balance sheet to the date of initial application (1 January 2018). The impacts arising from the implementation of IFRS 9 are presented in note 36. No significant impacts related to the adoption of IFRS 15 were found.

2.3. Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency (kwanza) at the exchange rate published on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into the functional currency at the exchange rate published at the balance sheet date. Foreign exchange differences resulting from the conversion are recognised in the income statement. Non-monetary assets and liabilities expressed in foreign currency and recorded at historical cost are converted to the functional currency at the exchange rate published on the date of the transaction. Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate published on the date when the fair value is determined and recognised in the income statement, except for those recognised in available-for-sale financial assets, whose difference is recorded in equity.

The reference exchange rates of kwanza towards US dollar (USD) and euro (EUR) were the following:

Currency	Dec./18	Dec./17
AOA/USD	308.607	165.924
AOA/EUR	353.015	185.400

2.4. Loans granted and accounts receivable

Loans granted and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market and are not intended to be sold in the short term. These categories include loans granted to customers, cash and cash equivalents, other loans and advances to credit institutions and other receivables that are not traded in an active market. These are recorded by the contracted amounts, when originated by the Bank, or by amounts paid, when purchased from other entities.

Loans granted and accounts receivable are initially accounted at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method and are presented in the balance sheet net of impairment losses. Interest calculated at the effective interest rate is recognised in Net interest income on a straight-line basis.

Loans granted and accounts receivable are derecognised from the balance sheet (write-offs) when (i) the contractual rights of the Bank to their respective cash flows have expired, (ii) the Bank transferred substantially all associated risks and rewards of ownership, or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

2.5. Financial instruments

Classification, initial recognition and subsequent measurement

In accordance with IFRS 9 – "Financial instruments", financial assets can be classified into three categories with different measurement criteria:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through profit and loss; and
- Financial assets measured at fair value through other comprehensive income.

The classification of assets depends on the characteristics of the contractual cash flows and the business model related to them.

With regards to the characteristics of contractual cash flows, the criteria is to assess whether these reflect solely payments of principal and interest (SPPI).

Business model

The standard identifies two relevant business models for the Bank's activity:

- Business model whose purpose is to held the asset to collect its contractual cash flows (Hold to collect); and,
- Business model whose purpose is both to collect its contractual cash flows and the sale of financial assets (Hold to collect and sell).

A debt financial instrument that (i) is managed under a business model whose purpose is to held financial assets in the portfolio and receive all of its contractual cash flows and (ii) has contractual cash flows on specific dates corresponding to solely payments of principal and interest on the outstanding principal – should be measured at amortised cost, unless it is designated at fair value through profit and loss under the fair value option – "Hold to collect".

A debt financial instrument that (i) is managed under a business model whose purpose is both to collect its contractual cash flows and the sale of financial assets and (ii) contains contractual clauses that give rise to cash flows corresponding to solely payments of principal and interest on the outstanding capital – should be measured at fair value through other comprehensive income ("FVTOCI"), unless it is designated at fair value through profit and loss under the fair value option – "Hold to collect and sale".

All other debt financial instruments should be measured at fair value through profit and loss ("FVPL").

The Bank assessed its business models based on a wide set of indicators, including its business plan and current risk management policies.

The Bank conducted an assessment of the business model in which the financial instrument is held, at a portfolio level, as this approach reflects the best way in which assets are managed and how the information is made available to management bodies. The information considered in this assessment includes:

- policies and goals established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, keeping a certain interest rate profile, adjusting the lifetime of financial assets to the lifetime of liabilities that sponsor these assets or generating cash flows through the sale of the assets;
- how the portfolio's performance is assessed and reported to the Bank's management bodies;
- assessing the risks that affect the performance of the business model (and of the financial assets held under this business model) and how these risks are managed;
- the remuneration of business managers – e.g. to what extent the compensation depends on the fair value of assets under management or contractual cash flows received; and
- frequency, volume and periodicity of sales in previous periods, the reasons for such sales and the expectations about future sales. However, sales information should not be considered separately, but as part of an overall assessment of how the Bank sets goals for managing financial assets and how cash flows are obtained.

Assess if contractual cash flows correspond solely to payments of principal and interest (SPPI)

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the compensation for the time value of money, the credit risk associated with the outstanding amount over a given period of time and for other risks and costs associated to the activity (e.g. liquidity risk and administrative costs), as well as a mark-up rate.

In the assessment of financial instruments in which contractual cash flows relate exclusively to the payments of principal and interest, the Bank considered the original contractual terms of the instrument. This assessment included the analysis of existing situations in which the contractual terms can change the periodicity and the amount of cash flows which fail to comply with the SPPI condition. In the assessment process, the Bank considered:

- contingent events that may change the periodicity and amount of cash flows;
- characteristics resulting in leverage;
- prepayment and extension of maturity terms;
- provisions that may restrict the Bank's right to claim cash flows relating to specific assets (e.g. non-recourse loans); and
- characteristics that may change time-value compensation of money (e.g. periodic resetting interest rates.

As previously mentioned, the "Hold to collect" business model establishes quantitative thresholds based on past experience in order to evaluate the frequency and materiality of sales. The sales forecast for the financial assets classified under this business model do not exceed the thresholds set by the Bank.

With regards to the other financial instruments, namely equity instruments and derivatives, these are by definition classified at fair value through profit and loss. For equity instruments, there is an irrevocable option to designate that all fair value changes are recognised in other comprehensive income, in which case only dividends are recognised in profit and loss as long as they do not clearly represent a recovery of part of the investment cost as the gains and losses are not reclassified to profit and loss even when they are derecognised.

Reclassification

Financial assets are not reclassified after their initial recognition, except for the period after the Bank changes its business model to the management of financial assets. Financial assets are reclassified to other categories only if the business model used in their management changes. In such case, all affected financial assets are reclassified.

The reclassification is applied prospectively from the date of reclassification, and no gains, losses (including impairment losses) or previously recognised interest are restated.

Reclassification of investments in equity instruments measured at fair value through other comprehensive income or financial instruments designated at fair value through profit and loss, is not allowed.

Financial assets measured at amortised cost

The Bank measures a financial asset at amortised cost if it meets, simultaneously, the following requirements and is not recorded at FVTPL (use of the Fair Value Option):

- the financial asset is held in a business model whose main purpose is to held the asset to collect its contractual cash flows (HTC – Held to collect); and
- its contractual cash flows occur on specific dates and correspond solely to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

These instruments are initially recorded at fair value and subsequently valued at amortised cost, based on the effective interest rate method and are subject to impairment tests.

Included in this category are debt securities, loans and advances to customers and other loans and advances to credit institutions and other receivables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt instruments that are recorded at fair value at the time of their initial recognition. Gains and losses on subsequent fair value variation are recorded in a specific equity caption referred to as "Accumulated comprehensive income reserve" until its sale where they are reclassified to profit and loss for the period, except for equity instruments that are reclassified to retained earnings.

Interest is calculated using the effective interest rate method and recorded in the income statement under "Interest and similar income".

Income from variable income securities is recognised in the income statement under "Income from equity instruments (Dividends)" at the date these are allocated. According to this criteria, prepaid dividends are recorded as income for the period in which its distribution is approved.

Financial assets and liabilities at fair value through profit and loss

All financial assets that are not measured in accordance with the methods described above are measured at fair value through profit and loss. In addition, at initial recognition, the Bank may irrevocably classify a financial asset, which otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income and at fair value through profit and loss, if the classification significantly eliminates the accounting mismatch that would otherwise exist (Fair Value Option).

Securities acquired for the purpose of realising gains from short-term fluctuations in market prices fall within this category. Also included in this category are financial derivative instruments, excluding those that meet hedge accounting requirements.

Gains and losses generated by the subsequent valuation recorded in the income statement, under "Gains / (losses) arising from financial assets and liabilities measured at fair value through profit and loss". Interest is reflected under the caption "Interest and similar income".

Debt instruments whose contractual cash flow characteristics do not comply with the SPPI criteria and that would otherwise be measured at amortised cost or at fair value through other comprehensive income are mandatorily measured at fair value through profit and loss.

Financial assets held for trading include variable income securities in active markets acquired for the purpose of being traded in the short term. Trading derivatives with net value receivable (positive fair value) and options purchased are included in the financial assets held for trading. Trading derivatives with a net amount payable (negative fair value) and options sold are included in the financial liabilities held for trading.

Financial assets and liabilities held for trading and other financial assets at fair value through profit and loss are initially recognised at fair value. Gains and losses arising from the subsequent fair value variation are recognised in the income statement.

Derecognition

Assets are derecognised when (i) the contractual rights of the Bank to their respective cash flows have expired, (ii) the Bank transferred substantially all associated risks and rewards of ownership, or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

Sale transactions with repurchase agreement

Securities sold under repurchase agreements are held in the portfolio where they were originally recorded. The funds received are recorded as liabilities, on the settlement date, and the interest payable is accrued.

IAS 39

Until 1January 2018, financial assets were recorded on the date of acquisition, at their fair value, plus costs directly attributable to the transaction. Upon initial recognition, these assets were classified in one of the following categories as defined in IAS 39 – Financial Instruments: Recognition and Measurement:

Other loans and advances to credit institutions, loans and advances to customers, other amounts receivable
This category of financial assets included, mainly, loans and advances to customers and other loans and advances to credit institutions.

Loans and advances to customers include loans granted to customers and other loans with the purpose of not being sold in the short term and are initially recorded at their contracted amount.

Loans and other receivables were subsequently recorded at amortised cost net of impairment and were subject to periodic impairment analysis.

The commissions and external costs attributable to the contracting of operations underlying the assets included in this category as well as interests on loans granted were accrued over the loans maturity period, according to the effective interest rate method and are recognised irrespective of the moment at which they are paid or received.

Available-for-sale financial assets (IAS 39)
This caption included:
- Fixed income securities that have not been classified as a trading portfolio or as a credit portfolio;
- Available-for-sale equity securities; and
- Shareholder loans and supplementary capital contributions/loans in available-for-sale financial assets.

Assets classified as available-for-sale were measured at fair value, except for equity instruments not quoted in an active market and whose fair value cannot be reliably measured or estimated and therefore were recorded at acquisition cost, net of impairment. Additionally, in the absence of market prices for commercial paper operations, these were recorded at amortised cost.

Gains and losses arising from changes in the fair value of available-for-sale financial assets were recognised directly in equity under Fair value revaluation reserves. At the time of sale, or if impairment is found, the accumulated changes in fair value were transferred to profit and loss for the period.

Interest accrued on bonds and other fixed income securities and the differences between their acquisition cost and nominal value (premium or discount) were recorded in the income statement, using the effective interest rate method.

Income from variable income securities (dividends in the case of shares) was recorded in the income statement on the date they are allocated or received. According to this criteria, prepaid dividends were recorded as income for the period in which their distribution is approved.

IAS 39 identifies some events that considers as objective evidence of impairment of available-for-sale financial assets, namely:
- Significant financial difficulties;
- Contractual breach in terms of repayment of principal or payment of interest;
- Probability of bankruptcy; and
- Disappearance of an active market for the financial asset due to financial difficulties.

In addition to impairment signs relating to debt instruments mentioned above, the following specific signs were also considered for equity instruments:
- Significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates indicating that the investment cost may not be fully recovered; and
- A significant or prolonged decline in the market value of the financial asset below the acquisition cost.

As at the date of preparation of the financial statements, the Company assessed the existence of situations of objective evidence of impairment that would indicate that the cost of investments might not be recoverable in the medium term, considering the market situation and the available information on the issuers.

In the event of objective evidence of impairment, the accumulated loss in the fair value revaluation reserve was removed from equity and recognised in the income statement.

Impairment losses on fixed income securities were reversed through profit and loss if there is a positive change in the fair value of the security resulting from an event occurring after the impairment determination. Impairment losses on variable income securities could not be reversed. In case of securities for which impairment has been recognised, subsequent negative changes in fair value were always recognised in the income statement.

Financial assets held to maturity (IAS 39)
This caption included non-derivative financial assets with fixed or determinable payments and defined maturities, which the Bank had the intention and capacity to hold to maturity. These investments were recorded at amortised cost, based on the effective interest rate method and are subject to impairment tests.

Impairment losses recognised in financial investments held to maturity were recorded in the income statement for the period.

If, in a subsequent period the amount of the impairment loss decreased, and that impairment could be objectively related to an event that occurred after the recognition of impairment, this was reversed against the income statement.

Financial assets held for trading and at fair value through profit and loss and financial liabilities held for trading (IAS 39)
This category included mainly securities acquired for the purpose of realising gains from short-term fluctuations in market prices fall within this category. Also included in this category are financial derivative instruments, excluding those that meet hedge accounting requirements.

Financial assets classified under this category were recorded at fair value, with gains and losses generated by the subsequent valuation recorded in the income statement, under "Gains/ (losses) arising from financial assets and liabilities measured at fair value through profit and loss". Interest is reflected under the caption "Interest and similar income".

This category included financial assets held for trading, which mainly included securities acquired for the purpose of realising gains from short-term fluctuations in market prices. This category also includes derivative financial instruments, excluding those that meet hedge accounting requirements.

Impairment
IFRS 9 introduces the concept of expected credit losses that differs significantly from the concept of losses incurred under IAS 39, thereby anticipating the recognition of credit losses in the financial statements of the institutions. Thus, when determining the ECL, macroeconomic factors are considered, whose changes impact the expected losses. IFRS 9 defines that the concept of impairment based on expected losses be applied to all financial assets other than financial assets measured at fair value through profit and loss and equity instruments measured at fair value through equity.

The Bank applies the concept of expected credit losses of IFRS 9 to financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, finance leases, other amounts receivable, financial guarantees and loan commitments not recorded at fair value.

The expected loss for credit risk is an estimate weighted by the probability of the present value of the credit losses. This estimate results from the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of several future macroeconomic scenarios discounted at the interest rate of the financial instruments.

The Bank measures the expected loss on an individual or collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset using the asset's original effective interest rate, whether measured individually or collectively.

The ECL determination to be applied depends on the allocation of the contract to one of three stages. At the initial recognition stage, each contract is allocated to stage 1 (with the exception of Contracts Purchased or Originated with Objective Evidence of Loss: Purchased or Originated Credit Impaired – POCI).

For each of the subsequent reporting dates, it is necessary to perform an analysis to the variation in the default risk from that date to the expected maturity of the agreement.

Instruments that are subject to impairment calculations are divided in three stages considering its credit risk level, as follows:

Stage 1: no significant increase in credit risk since its initial recognition. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur within 12 months after the reporting date;

Stage 2: instruments in which there is a significant increase in credit risk since its initial recognition, however no objective evidence of impairment exists. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

Stage 3: instruments for which there is objective evidence of impairment losses as a consequence of events that resulted in losses. In this case, impairment losses will correspond to expected credit losses over the expected residual life of the instrument.

Depending on the operation's Stage classification, credit losses are estimated according to the following criteria:
- 12-month expected losses: expected loss resulting from a loss event occurring within 12 months after the calculation date and it is applied for stage 1 operations; and,
- Lifetime expected losses: expected loss obtained through the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the agreement. That is, the expected loss results from all potential loss events to maturity and it is applied to stage 2 and 3 operations.

With the exception of financial assets purchased or originated with impairment (designated by POCI), impairment losses must be estimated through a provision for losses in an amount equal to:
- Expected loss on a 12-month credit risk, i.e. estimated total loss resulting from events of default of the financial instrument that may occur within 12 months after the reporting date (referred to as Stage 1);
- Expected loss on a lifetime credit risk, i.e. expected loss obtained through the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the agreement, resulting from all possible events of default of the financial instrument (referred to as Stage 2 and Stage 3). A provision for the expected loss on a lifetime credit risk is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition or if the financial instrument is impaired.

IFRS 9 – "Financial instruments" fails to define a concept of default. However, the Bank has chosen to update its internal default definition by introducing a set of criteria to reflect a more forward-looking model for the recognition of expected losses on financial assets. For an operation to be classified in default, it is only necessary that one of the criteria is met. Any particular operation / customer will no longer be classified in default if it fails to comply with the respective entry criteria and after that quarantine period has been fulfilled.

Impairment requirements of IFRS 9 are complex and require management decisions, estimates and assumptions, particularly in the following areas:

- Assessment of an increase in significant risk since the moment of initial recognition; and
- Inclusion of forward-looking information on the ECL calculation, in order to provide a prospective view on expected losses.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference of all cash shortfalls (i.e. the difference between the cash flows due to the Bank under the agreement and the cash flows the Bank expects to receive);
- Financial assets with impairment signs at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused loan commitments: the present value of the difference between the resulting contractual cash flows if the commitment is fulfilled and the cash flows that the Bank expects to receive;
- Financial guarantees: the present value of expected repayments less the amounts that the Bank expects to recover.

The concept supporting the Bank's approach for the determination of impairment losses on loans subject to collective analysis is the definition of homogeneous segments that consider the quality of its assets and the characteristics of credit / customer risk. Accordingly, the Bank ensures that for the purposes of analyzing these exposures and determining the risk parameters (PD and LGD), these have similar risk characteristics. Each segment is set up based on assumptions of statistical materiality (in order to estimate its risk profile) and relevance or adequacy to the various processes related to the Bank's credit risk management.

In accordance with IFRS 9, the Bank has developed ECL lifetime for financial assets as the present value of the difference between (1) the cash flows to which the entity is entitled under the agreement, and (2) the cash flows that the entity expects to receive. For assets that are not in default, the same principle applies.

The Bank defined the 12-month ECL as the portion of ECL lifetime that represents the expected credit losses that result from default events that may occur within 12 months after the reporting date.

The current methodology in the Bank defines that, for assets in default, the lifetime ECL is obtained through the loss value given the default, depending on the elapsed time since the asset entered in default.

Significant increase in credit risk

The stage 2 rating is based on the observation of a significant increase in the credit risk level. Since the standard does not determine how to measure this significant increase, the Bank estimates it by comparing the residual Lifetime Forward-Looking PDs at the reporting date with those estimated in the agreement, for the same residual maturity.

Since the Bank does not yet have the required rating and scoring models, the stage 2 rating is made based on objective triggers with the available information.

Triggers for the significant increase in credit risk are detected through automatic processes, based on information stored in the Bank's information systems.

Inputs in ECL measurement

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Discount rate of cash flows (effective interest rate) (Discount Rate – DR); and
- These parameters will be achieved through internal statistical models and other relevant historical data, tailored to reflect forward-looking information.

PDs will be estimated based on a certain historical period, and will be calculated based on statistical models. These models will be based on internal data comprising both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also change.

The risk levels will be a highly relevant input for determining PDs associated with each exposure. The Bank will collect performance and default indicators on its credit risk exposures with analysis by types of customers and products.

LGD is the extent of the loss that is expected to occur if the exposure goes into default. The Bank estimates LGD parameters based on the historical recovery rates after counterparty defaults. LGD models consider the associated collaterals and the default time.

EAD represents the expected exposure if the exposure and / or the customer enter into defaults. The Bank will obtain EAD amounts from the counterparty's current exposure and potential changes to the current allowable amount under contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD amount considers the credit conversion factor (CCF), which measures the proportion of the off-balance sheet exposure that is converted into equity exposure until the effective date, that is, the prospective potential amount that may be used in accordance with the agreement.

The discount rate to use according to the standard would be the effective interest rate of the contract. As described above, with the exception of financial assets that consider a 12-month PD once they do not present a significant increase in credit risk, the Bank will calculate the ECL amount considering the risk of default during the maximum contractual period of the contract or, in some specific situations, based on behavioral maturity.

Forward-looking information

According to this new model recommended by IFRS 9, the measurement of expected losses will also require the provision of forward-looking information, including trends and future scenarios, including macroeconomic data. In this context, estimates of expected credit impairment losses will include several macroeconomic scenarios whose probability will be assessed considering past events, the current status and future macroeconomic trends. In addition, IFRS 9 also proposes the identification of alternative scenarios for impairment calculation.

Under IFRS 9, the Bank conducted several correlation tests to incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of ECL.

A detailed analysis of available macroeconomic data was conducted to determine statistically significant relationships between them and portfolio default rates. Based on this analysis, prospective scenarios were assumed that include, besides the central scenario, best-case and worst-case scenarios. This analysis and consequent incorporation into the impairment model are carried out regularly by the Bank, including identification and testing of other macroeconomic data.

In this context, the Bank used a linear regression model to capture the impact of macroeconomic factors with a significant influence on the probability of default. This model considered three different scenarios: (i) an economic development best-case scenario; (ii) an economic growth best-case scenario; and (iii) a worst-case scenario that included an increase in inflation rates.

There are two methods for calculating impairment losses: i) individual analysis and ii) collective analysis.

The Bank measures the expected loss on an individual or collective basis for portfolios of financial instruments that share similar risk characteristics. The measurement of the provision for losses is based on the present value of the expected cash flows of the asset using the asset's original effective interest rate, whether measured individually or collectively.

Financial assets impaired

A financial asset is impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred. Financial assets impaired are referred to as Stage 3 assets. The Bank has adopted the internal definition of non-performing loans as a criteria for identifying credits under Stage 3. The internal definition of non-performing loans is covered by objective and subjective criteria and is used for the Bank's credit risk management.

Purchased or originated credit impaired (POCI)

Financial assets classified as POCI are treated differently as these are "impaired". For these assets, the Bank, upon its initial recognition under Stage 3, records the asset at the net amount of the expected loss.

In subsequent measurement, an ECL with a lifetime PD is always calculated and its changes are recorded in the income statement. The associated interest is calculated by applying the effective interest rate to the net book value of the asset.

Fair value (IFRS 13)

As mentioned above, financial assets classified under Financial assets at fair value through profit and loss and Available-for-sale financial assets are recorded at fair value.

The fair value of a financial instrument is the price at which an orderly sale transaction of an asset or transfer of a liability would be completed between market players at the balance sheet date.

The fair value of securities is determined based on the following criteria:

- Closing price at the balance sheet date, for instruments traded in active markets; and
- Market prices (bid prices) disclosed through the financial information media, namely Bloomberg.

The fair value of derivatives is determined based on the following criteria:

- Quotations obtained in active markets;
- Models incorporating valuation techniques accepted in the market, including discounted cash-flows and options valuation models.

Guarantees provided and irrevocable commitments

Liabilities for guarantees and irrevocable commitments are recorded under off-balance-sheet items at their fair value, with interest, commissions or other income being recorded in the income statement over their maturity period.

Performance guarantees are initially recognised at fair value, which is usually evidenced by the amount of commissions received over the contract period. Upon the breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognised in Loans and advances to customers after the loss compensation is transferred to the collateral taker.

The fair value of financial assets held for trading and traded in active markets is their most representative bid-price, within the bid-ask range or their closing price at the balance sheet date. If a market price is not available, the fair value of the instrument is estimated based on valuation techniques, which include pricing models or discounted cash flow techniques.

When discounted cash flow techniques are used, future cash flows are estimated in accordance with management expectations and the discounted rate used corresponds to the market rate for financial instruments with similar characteristics. In pricing models, the data used corresponds to market price information.

The fair value of derivative financial instruments which are not traded on the stock market, including the credit risk component allocated to the parties involved in the transaction

("Credit Value Adjustments" and "Debit Value Adjustments"), is estimated based on the amount that would be received or paid to settle the contract on the concerned date, considering the prevailing market conditions, as well as the credit quality of the parties involved.

2.6. Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, regardless from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

2.7. Property and equipment

i. Recognition and measurement

Property and equipment are recorded at acquisition cost less accumulated depreciation and impairment losses. Costs includes expenses which are directly attributable to the acquisition of goods.

ii. Subsequent costs

Subsequent costs are recognised as a separate asset only when it is likely that future economic benefits will result for the Bank. All other repairs and maintenance expenses are recognised as costs as they are incurred following the accrual principle.

iii. Depreciation

Land is not depreciated. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	25 to 50
Equipment:	
Furniture and office supplies	8 to 10
Machinery and tools	4 to 10
IT equipment	3 to 6
Indoor installations	4 to 10
Transport material	3 to 4
Security equipment	6 to 15

Whenever there is an indication that property and equipment might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount (IAS 36). Impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

2.8. Intangible assets

Software

The costs incurred with the acquisition of software to third entities are capitalized as well as additional expenses incurred by the Bank necessary for their implementation. These costs are amortised on a straight-line basis over the estimated useful life, which normally corresponds to five years.

Research and development expenditure

Costs directly related to the development of computer applications, whose use can be expected to generate future economic benefits extending beyond one year, are recognised and recorded as intangible assets.

All other charges related to IT services are recognised as costs when incurred.

Goodwill

Goodwill recorded in the financial statements results from the difference between the values defined in the merger of Banco Millennium Angola and the amount by which assets and liabilities of that entity were recorded in the accounts. Goodwill is recognised as an asset and recorded at acquisition cost, and is not subject to amortisation.

According to IAS 36, the recoverable amount of goodwill shall be the highest between its value in use (i.e., the present value of the future cash flows expected from its use) and its fair value less costs of sale. Based on these criteria, ATLANTICO performed an evaluation that considers, among others, the following factors:

- An estimate of the future cash flows generated;
- Time value of money;
- A risk premium related with uncertainty; and
- Other factors related with the markets' financial current situation, in particular inflation and exchange rate development and interest rates growth.

This assessment is based on reasonable and supportable assumptions that represent the best estimate of the Board of Directors on the economic conditions that may affect goodwill and its extrapolation for future periods. The assumptions used for this assessment may change with the change in economic and market conditions.

The review of the assumptions used and the development of macroeconomic and market conditions may result in changes in these assumptions and, consequently, in the recoverable amount of goodwill.

For the purposes of assessing Goodwill, estimated data for the following periods were used, based on the budget and future prospects and a discount rate, which includes an appropriate risk premium to the estimated future cash flows. Based on these assumptions, the recoverable amount is higher than the balance sheet value.

2.9. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted in the Bank's financial statements at their historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to the variability in returns resulting from its involvement with that entity and might set hold of them through the power it holds over its relevant activities (*de facto control*).

Associates are those entities, in which the Bank has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually demonstrated by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the Group and the investee;
- Interchange of the management team; and
- Provision of essential technical information.

Impairment

The recoverable amount of investments in subsidiaries and associates is reviewed whenever there is evidence of impairment. Impairment losses are determined based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period. The recoverable amount is determined as the highest between the value in use of the assets and the fair value less selling costs, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value of money and business risks.

2.10. Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

The Bank also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalized.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Bank.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of selling costs. In case of unrealized losses, these should be recognised as impairment losses against results.

2.11. Leases

The Bank classifies its leasing agreements as finance leases or operating leases according to their substance rather than its legal form. A lease is classified as a finance lease if it transfers all risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortization of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period end.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

2.12. Taxes

i. Income taxes

Income tax recognised in profit or loss comprises current and deferred tax effects. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in equity and are recognised in profit and loss in the moment the results were originated.

(i.i.) Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As established by Law 19/14, which came into force on 1 January 2015, the Industrial Tax is provisionally settled in a single installment to be carried out in August, calculated by applying a rate of 2% on the amount resulting from financial intermediation, calculated in the first six months of the previous fiscal year, excluding income subject to capital gains tax, regardless of the existence of taxable income in the year.

(i.ii.) Deferred taxes

Deferred taxes are calculated under the liability method based on the balance sheet date, in respect of temporary differences between the accounting values of assets and liabilities and its tax base, using the rates of tax approved or substantially approved at the balance sheet date in each jurisdiction and which are expected to be applied when temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank, as established in IAS 12 – Income Tax, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(i.iii.) Capital Gains Tax (CGT)

Presidential Legislative Decree No. 2/14 of 20 October, in force since 19 November 2014, reviewed and introduced several legislative changes to the CGT Code, following the Tax Reform project.

CGT is applied generally on income from the Bank's financial investments. The rate varies from 5% (in case of interest, amortization premiums or reimbursement and other forms of remuneration of government securities, bonds, equity securities or other similar securities issued by any company, which are admitted to trading on a regulated market and with a maturity equal or greater than three years) and 15%. Notwithstanding the above, regarding income from government securities, in accordance with the latest understanding of Tax Authorities addressed to ABANC (letter with reference number 196/DGC/AGT/2016 of 17 May 2016), only those arising from securities issued on or after 1 January 2012 are subject to this tax.

In addition, it should also be noted that according to the Tax Authorities, exchange rate revaluations of government securities issued in national currency but indexed to foreign currency, issued since 1 January 2012, should be subject to Industrial Tax until the Angola Central Bank is in a position to make the appropriate CGT withholding tax.

Moreover, under the terms of article 18 of the Industrial Tax Code, CGT itself is not deductible as an expense for the purpose of calculating taxable amount, and, on the other hand, income subject to CGT will be deducted from taxable income, in accordance with the provisions of article 47 of the Industrial Tax Code.

(i.iv.) Special contribution on Foreign Exchange Invisible Current Operations

Special Contribution on Foreign Exchange Invisible Current Operations is levied, at a 10% rate, on transfers made under service agreements of foreign technical or management assistance, regulated by the provisions of the respective Regulation, approved by Presidential Decree No. 273/11 of 27 October, as amended by Presidential Decree No. 123/13 of 28 August.

ii. Property tax

(ii.i.) Property tax

Because of the amendment introduced by Law No. 18/11, of 21 April, the exemption previously provided for in the PT Code was revoked, with PT being levied at a 0.5% rate on the book value of own properties which are intended to develop the Bank's normal business (exceeding AOA 5,000 thousand).

(ii.ii.) SISA

Pursuant to the piece of Legislation No. 230 of 18 May 1931, as well as amendments introduced by Law No. 15/92 of 3 July and Law No. 16/11 of 21 April, SISA is levied on all acts involving the perpetual or temporary transfer of ownership of any value, kind or nature, regardless name or form of the ownership title (e.g. acts that affect the transmission of improvements in rural or urban buildings, real estate transmissions through donations with pensions or transfer of real estate through donations) at a 2% rate.

iii. Other taxes

The Bank is also subject to indirect taxes, such as custom duties, stamp duty, consumption tax, and other taxes.

iv. Tax replacement

(iv.i.) Capital Gains Tax

In accordance with Presidential Legislative Decree No. 2/14, of 20 October, the Bank withholds 10% of the interest on term deposits paid to clients at the CGT rate.

(iv.ii.) Stamp Duty

According to Presidential Legislative Decree No. 3/14 of 21 October, the Bank is responsible for the settlement and delivery of Stamp Duty due by its clients in all banking operations (e.g. financing, interest charge on financing, financial services fees), and the Bank settles the tax at rates established in the Stamp Duty General Chart.

(iv.iii.) Industrial Tax

According to the provisions of Article 67 of Law No. 19/14 of 22 October, services of any kind are subject to withholding tax at a 6.5% rate.

(iv.iv.) Property Tax

Pursuant to Law No. 18/11 of 21 April, the Bank withholds PT at a 15% rate on the payment or delivery of rents related to rented properties.

2.13. Employee benefits

i. Defined-contribution plans

For defined-contribution plans, the liabilities related to the benefit attributable to the Bank's employees are recognised as an expense of the period when due. Prepaid contributions are recognised as an asset if a refund or reduction of future payments is available.

ii. Long-term employee benefits

The Bank's net liability for long-term employee benefits is the amount of future benefit that employees are expected to benefit in return for their service in the current period and in past periods. This benefit is discounted in order to determine its present value. Re-measurements are recognised in the results for the period.

iii. Benefits associated with the termination of functions

Benefits associated with the termination of functions are recognised as cost, whichever is earlier, between the time where the Bank can no longer withdraw the offer of these benefits or when the group recognizes costs associated with a restructuring. If benefits are not expected to be net benefits within 12 months, these are then discounted.

iv. Short-term employee benefits

Short-term employee benefits are recorded as a cost once the associated service has been provided. A liability is recognised for the amount expected to be settled if the Bank has a present legal or constructive obligation to pay this amount as a result of a service rendered in the past by the employee and that liability can be estimated reliably.

v. Pension fund liabilities

Law No. 07/04 of 15 October, which revoked Law No. 18/90, of 27 October, which regulates the Angolan Social Security system, foresees the attribution of retirement pensions to all Angolan workers registered at the Social Security. The value of these pensions is calculated based on a table proportional to the number of service years applied to the average monthly gross wages received in the periods immediately preceding the date on which the worker ceases to work. According to Decree No. 7/99, of 28 May, the contribution rates for this system are 8% for the employer and 3% for the workers.

By resolution of the Bank's Board of Directors, ATLANTICO is making contributions under a defined contribution plan, corresponding to a fixed percentage of 8% of the monthly pensionable salary of each employee (5% by the Bank and 3% by the employee), in order to ensure employees hired locally or their families, the entitlement to cash benefits covering old-age, disability or death pension supplements. The old-age retirement pension is awarded to employees if they are 60 years old and have at least 5 years of continuous service at the Bank. The disability benefit is awarded to employees who have 5 years of continuous service and who have been diagnosed total and permanent disability equal to 100%. In case of death, employees may appoint beneficiaries and respective percentages of the reimbursement's distribution.

On December 2017, the Bank has set up a Pension Fund to which the amounts of contributions made up to date have been transferred. As at 31 December 2016, the amounts were recorded in the caption Provisions, as referred in note 18.

vi. Variable remuneration paid to employees and directors

The Bank assigns variable remuneration to its employees and directors as a result of their performance (performance bonus). The Board of Directors and the Evaluation and Remuneration Committee establish the respective allocation criteria for each employee and director, respectively, whenever this is attributed. The variable remuneration attributed to employees and directors is recorded against income in the period to which they relate, although payable in the following year (see Note 27).

vii. Holiday allowance

General Labor Law, Law 7/15, establishes that the amount of holiday allowance payable to employees in a given year is a right they acquired in the immediately preceding year. As a result, the Bank records the amounts relating to holiday payable in the following year at the end of the year.

2.14. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions for loan commitments and financial guarantees is made in accordance with the impairment model implemented when adopting IFRS 9 described in Note 2.5.

The provisions measurement is based on the defined principles on IAS 37 regarding the best estimate of the expected cost, the most probable result of the actions in progress and considering the risks and uncertainties inherent to the process.

In cases where the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially recognised or for the cases that the situations were no longer observed.

2.15. Interest income

Interest income and expense for financial instruments measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss are recognised under interest and similar income or interest and similar expense captions (Net interest income), using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) arising from assets and liabilities at fair value through profit and loss.

2.16. Dividends from equity instruments

Dividends (income from equity instruments) are recognised in the income statement when the right to receive the dividends is attributed. Dividends are recorded under net income from financial operations, net results of other financial instruments at fair value through profit or loss or other income, depending on the classification of the underlying instrument.

2.17. Fee and commission income

Fees and commissions are recognised according to performance obligations:

- Fees and commissions which are earned as services are rendered are recognised in income over the period in which the service is being provided;
- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

2.18. Fiduciary activities

Assets held under fiduciary activities are not recognised in the Bank's financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period to which they relate.

2.19. Financial results

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, including embedded derivatives and dividends received associated with these portfolios.

These results also includes gains and losses arising from the sale of available for sale financial assets and investments held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

2.20. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with banks.

Cash and cash equivalents exclude deposits part of mandatory reserves with the Central Banks.

2.21. Financial guarantees and commitments

Financial guarantees are contracts which force the Bank to make specific payments in order to reimburse the holder for a loss incurred as a result of a debtor's failure to comply with a payment. Commitments are firm commitments with the purpose of providing credit under predetermined conditions.

Liabilities arising from financial guarantees or commitments given to provide a loan at an interest rate below market value are initially recognised at fair value and the initial fair value is amortised over the useful life of the guarantee or commitment. Subsequently the liability is recorded at the higher of the amortised amount and the present value of any payment expected to be settled.

2.22. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Bank's shareholders by the weighted average number of ordinary shares outstanding, 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 anticipated 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 calculation of collective impairment considers several scenarios with a specific weighting, based on the internal methodology defined for scenario analysis – definition of multiple perspectives of macroeconomic evolution with probability of relevant likelihood.

NOTE 4.
Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Cash	11,206,639	11,654,182
Deposits at central banks	148,165,613	121,955,978
Angola Central Bank	148,165,613	121,955,978
	159,372,252	133,610,160

The balance Cash and deposits at Angola Central Bank corresponds to mandatory deposits intended to satisfy legal minimum cash requirements. In accordance with Instruction No. 10/2018 of Angola Central Bank, of 19 July 2018, 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	17%	100%
Other Sectors	Weekly calculation	17%	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 2018, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounts to AOA 148,165,613 thousand (2017: AOA 121,955,978 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, Angola Central Bank converted some of the mandatory reserves in USD of ATLANTICO into securities denominated in the same currency, the amount of which at 31 December 2018 was AOA 60,258,515 thousand (2017: AOA 33,121,792 thousand). These debt securities were accounted at their acquisition cost and subsequently measured as described in accounting policy 2.5.

According to Instruction No. 10/2018 of 19 July (which revoked Instruction 05/2018 of 25 May), which entered into force on 23 July 2018, the mandatory minimum reserves may be established at 20% with the amounts deposited with Angola Central Bank 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:

(Thousands of AOA)

	31.12.2018	31.12.2017
Loans and advances to credit institutions in Angola		
Deposits payable on demand	406,852	69,223
Outstanding checks	4,565	31,478
	411,417	100,701
Loans and advances to credit institutions abroad		
Deposits payable on demand	26,328,312	4,409,498
	26,328,312	4,409,498
	26,739,729	4,510,199

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

As at 31 December 2018 and 2017, loans and advances at other credit institutions do not bear interest.

NOTE 6.
Financial assets at fair value through profit and loss

This balance, as at 31 December 2018 and 2017, is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Financial assets at fair value through profit and loss		
Securities		
Bonds and other fixed income securities		
Issued by public entities	-	772,702
	-	772,702
Financial assets mandatorily at fair value through profit and loss		
Securities		
Other variable income securities	16,387,405	-
Loans and advances to customers	10,183,491	-
	26,570,896	-
Financial assets held for trading		
Derivatives		
Derivative financial instruments with positive fair value	49,548	2,943,770
	49,548	2,943,770
	26,620,444	3,716,472
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	(50,510)	-
	(50,510)	-
	(50,510)	-

According to the accounting policy described in Note 2.5., financial assets at fair value through profit and loss are those acquired for the purpose of trading in the short term regardless of their maturity.

In accordance with IFRS 13, financial instruments are measured according to the following valuation levels described in Note 34, as follows:

(Thousands of AOA)

	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at fair value through profit and loss				
Securities				
Other variable income securities	-	6,854,053	9,533,352	16,387,405
Loans and advances to customers	-	-	10,183,491	10,183,491
	-	6,854,053	19,716,843	26,570,896
Financial assets held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	49,548	-	49,548
	-	49,548	-	49,548
Balance on 31 December 2018	-	6,903,601	19,716,843	26,620,444
Financial liabilities held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	50,510	-	50,510
Balance on 31 December 2018	-	50,510	-	50,510
Financial assets at fair value through profit and loss				
Securities				
Bonds and other fixed income securities				
Issued by public entities	-	772,702	-	772,702
Financial assets held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	2,943,770	-	2,943,770
Balance on 31 December 2017	-	3,716,472	-	3,716,472

The main parameters used during 2018 and 2017 in the valuation model, as well as the description of the valuation levels established by IFRS 13, are described in Note 34.

As at 31 December 2018, Other variable income securities refers to the ODELL Liquidez, ODELL Retail and Logistics and ODELL Protecção funds, managed by ODELL GLOBAL INVESTORS – Sociedade Gestora de Empresas de Investimento Colectivo, S.A., valued according to the price quotation published by the entity.

As at 31 December 2018 and 2017, the maturity of financial assets at fair value through profit and loss is as follows:

(Thousands of AOA)

	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undefined maturity	Total
Financial assets mandatorily at fair value through profit and loss						
Securities						
Other variable income securities	-	-	-	-	16,387,405	16,387,405
Loans and advances to customers	79,420	9,697,278	87,441	319,352	-	10,183,491
	79,420	9,697,278	87,441	319,352	16,387,405	26,570,896
Financial assets held for trading						
Derivatives						
Derivative financial instruments with positive fair value	49,548	-	-	-	-	49,548
	49,548	-	-	-	-	49,548
Balance on 31 December 2018	128,968	9,697,278	87,441	319,352	16,387,405	26,620,444
Financial liabilities held for trading						
Derivatives						
Derivative financial instruments with positive fair value	50,510	-	-	-	-	50,510
Balance on 31 December 2018	50,510	-	-	-	-	50,510
Financial assets at fair value through profit and loss						
Securities						
Bonds and other fixed income securities						
Issued by public entities	-	6,814	765,888	-	-	772,702
Financial assets held for trading						
Derivatives						
Derivative financial instruments with positive fair value	192,986	2,750,784	-	-	-	2,943,770
Balance on 31 December 2017	192,986	2,757,598	765,888	-	-	3,716,472
Financial liabilities held for trading						
Derivatives						
Derivative financial instruments with positive fair value	-	-	-	-	-	-
Balance on 31 December 2017	-	-	-	-	-	-

NOTE 7.
Financial assets at fair value through other comprehensive income

This balance as at 31 December 2018 and 2017, is analysed as follows

(Thousands of AOA)

	Cost [1]	Fair value adjustment		Impairment losses	Interest	Book value
		Positive	Negative			
Financial assets at fair value through other comprehensive income						
Bonds and other fixed income securities						
Issued by public entities	190,369,979	2,834,044	-	-	3,107,408	196,311,431
Issued by other entities	1,329,384	72,553	-	-	68,576	1,470,513
Shares	337,782	-	-	-	-	337,782
Balance on 31 December 2018	192,037,145	2,906,597	-	-	3,175,984	198,119,726
Financial assets available for sale						
Bonds and other fixed income securities						
Issued by public entities	76,968,974	595,526	-	-	1,809,234	79,373,734
Issued by other entities	3,165,319	284,510			140,038	3,589,867
Shares	610,164	-	-	(28,895)	-	581,269
Other variable income securities	13,002,672	1,607,569	-	-	-	14,610,241
Balance on 31 December 2017	93,747,129	2,487,605	-	(28,895)	1,949,272	98,155,111

(1) Acquisition cost for shares and other equity instruments and amortised cost debt securities.

In accordance with the accounting policy described in note 2.5, debt securities at fair value through other comprehensive income are impaired as a result of the adoption of IFRS 9, as set out in the defined model.

In accordance with IFRS 9, capital investments are not subject to impairment.

All exposures relating to debt securities disclosed under this caption are positioned at stage 1.

The balance Shares includes the financial investment in EMIS – Empresa Interbancária de Serviços, S.A. (“EMIS”). EMIS was set up to manage electronic facilities for payments and other complementary services. On 31 December 2018, the Bank holds a 7.90% interest of this Company’s share capital and additional financial investments amounting to AOA 323,387 thousand (2017: AOA 174,053 thousand).

During the first half of 2018, the Bank sold the investment held in Atlântico Europa SGPS, S.A., generating a gain as described in note 25.

As at 31 December 2017, the balance Investment Units refers to ODELL Liquidez and ODELL Retail and Logistics Funds, managed by ODELL GLOBAL INVESTORS – Sociedade Gestora de Organismos de Investimento Colectivo, S.A., valued according to the price quotation published by the entity.

As at 31 December 2018 and 2017, the analysis of financial assets at fair value through other comprehensive income, by valuation levels, is presented as follows:

(Thousands of AOA)

	Level 1	Level 2	Level 3	At cost	Total
Bonds and other fixed income securities					
Issued by public entities	-	196,311,431	-	-	196,311,431
Issued by other entities	-	1,470,513	-	-	1,470,513
Shares	-	-	337,782	-	337,782
Balance on 31 December 2018	-	197,781,944	337,782	-	198,119,726
Bonds and other fixed income securities					
Issued by public entities	-	79,373,734	-	-	79,373,734
Issued by other entities	-	3,589,867	-	-	3,589,867
Shares	-	-	-	581,269	581,269
Other variable income securities	-	14,230,624	379,617	-	14,610,241
Balance on 31 December 2017	-	97,194,225	379,617	581,269	98,155,111

As at 31 December 2018 and 2017, the maturity of financial assets at fair value through other comprehensive income is as follows:

(Thousands of AOA)

	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	2,145,799	16,203,746	101,913,790	76,048,096		196,311,431
Issued by other entities	-	-	1,470,513	-	-	1,470,513
Shares	-	-	-	-	337,782	337,782
Balance on 31 December 2018	2,145,799	16,203,746	103,384,303	76,048,096	337,782	198,119,726
Bonds and other fixed income securities						
Issued by public entities	4,370,437	3,926,824	58,004,747	13,071,726		79,373,734
Issued by other entities				3,589,867		3,589,867
Shares					581,269	581,269
Other variable income securities					14,610,241	14,610,241
Balance on 31 December 2017	4,370,437	3,926,824	58,004,747	16,661,593	15,191,510	98,155,111

NOTE 8.
Financial assets at amortised cost – Debt instruments

As at 31 December 2018 and 2017, this balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Bonds and other fixed income securities		
Issued by public entities		
Bonds indexed to the exchange rate of the United States dollar	190,561,375	135,600,826
Foreign currency bonds	69,056,073	66,835,227
Non-readjustable bonds	16,029,971	16,598,390
	275,647,419	219,034,443
Impairment losses	(678,703)	-
	274,968,716	219,034,443

In accordance with the accounting policy described in note 2.5, debt securities measured at amortised cost are impaired as a result of the adoption of IFRS 9, as set out in the defined model.

All exposures relating to debt securities disclosed under this caption are positioned at stage 1.

Changes occurred in impairment losses of financial assets as an adjustment to the investment amounts at amortised cost were as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	-	-
Impact of transition to IFRS 9	478,663	-
Charge-off	200,040	-
Balance on 31 December	678,703	-

As at 31 December 2018 and 2017, the maturity of financial instruments held to maturity is as follows:

(Thousands of AOA)

	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undefined maturity	Total
Debt securities						
Bonds issued by public entities	14,579,248	22,851,970	193,744,246	44,471,955	-	275,647,419
Balance on 31 December 2018	14,579,248	22,851,970	193,744,246	44,471,955	-	275,647,419
Held-to-maturity investments						
Bonds issued by public entities	23,181,681	32,003,810	113,096,248	50,581,507	-	218,863,246
Bonds issued by other entities	171,197	-	-	-	-	171,197
Balance on 31 December 2017	23,352,878	32,003,810	113,096,248	50,581,507	-	219,034,443

NOTE 9.
Loans and advances to customers

As at 31 December 2018 and 2017, this balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Domestic credit		
Corporate		
Loans	306,529,350	272,280,970
Current account loans	49,644,658	41,219,487
Overdrafts	15,722,409	26,603,139
Credit cards	167,189	-
Retail		
Loans	14,548,483	14,655,473
Employees	4,469,479	3,830,121
Consumer credit	3,075,426	1,069,593
Mortgage loans	2,885,839	4,585,711
Credit cards	449,338	478,404
Overdrafts	157,530	133,907
	397,649,701	364,856,805
Foreign credit		
Corporate		
Overdrafts	10	-
Loans	-	6,804,180
Retail		
Employees	509,450	180
Credit cards	499,903	273,007
Consumer credit	5,271	-
Overdrafts	448	33
Loans	-	3,543
	1,015,082	7,080,943
Overdue loans		
Below 3 months	334,593	4,888,324
3 to 12 months	14,717,634	5,356,285
1 to 3 years	24,963,374	12,589,139
Above 3 years	16,132,996	9,003,073
	56,148,597	31,836,821
	454,813,380	403,774,569
Interest receivable	44,403,240	34,995,293
	499,216,620	438,769,862
Impairment losses	(78,952,043)	(43,057,000)
	420,264,577	395,712,862

As at 31 December 2018 and 2017, the maturity of loans and advances to customers is as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Below 3 months	89,661,510	67,063,005
3 to 12 months	37,311,736	60,587,367
1 to 5 years	77,379,572	91,034,052
Above 5 years	194,311,965	153,253,323
Undefined maturity	56,148,597	31,836,822
	454,813,380	403,774,569

Changes occurred in impaired losses referred to in assets as corrected loans and advances are as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	43,057,000	43,658,936
Impact of transition to IFRS 9	4,015,291	-
Charge for the period / Reversals	24,337,850	17,699,279
Charge-off	(4,801,088)	(18,249,992)
Exchange differences and other	12,342,990	(51,223)
Ending balance	78,952,043	43,057,000

Loans and advances to customers by interest rate type are as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Fixed rate	42,361,333	126,444,640
Variable rate	456,855,287	312,325,222
	499,216,620	438,769,862

The balance financial leases, by residual maturity, is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Outstanding rents and residual values		
Below 1 year	3,189,108	3,412,904
1 to 5 years	3,596,220	4,199,358
Above 5 years	992,694	226,907
	7,778,022	7,839,169
Outstanding interest		
Below 1 year	788,417	910,855
1 to 5 years	1,005,283	956,444
Above 5 years	467,339	34,348
	2,261,039	1,901,647
Outstanding capital		
Below 1 year	2,562,080	2,578,429
1 to 5 years	2,590,936	3,242,914
Above 5 years	525,354	192,558
	5,678,370	6,013,901
Impairment	(975,608)	(752,791)
	4,702,762	5,261,110

There are no leasing contracts with contingent rent.

The analysis of exposures and impairment by segment and respective overdue is as follows:

(Thousands of AOA)

	Exposure as at 31.12.2018				Impairment as at 31.12.2018		
	Total exposure	Credit in compliance	From which reestructured	Default credit	Total impairment	Credit in compliance	Default credit
Corporate							
Loans	384,757,775	350,086,441	31,392,143	34,671,334	57,056,518	43,386,589	13,669,928
Current account loans	53,839,728	49,978,287	-	3,861,441	3,557,106	913,800	2,643,306
Overdrafts	30,017,264	15,928,769	-	14,088,495	9,204,498	2,190,415	7,014,083
Credit cards	167,189	167,189	-	-	10,041	10,041	-
Retail							
Loans	17,607,260	14,581,721	905,185	3,025,539	7,918,335	3,178,029	4,740,306
Employees	4,999,035	4,998,163	-	872	247,649	235,776	11,873
Consumer credit	3,260,019	3,253,907	86,339	6,112	222,486	200,621	21,865
Mortgage loans	2,964,928	2,963,778	-	1,150	284,597	161,910	122,687
Credit cards	949,241	949,241	-	-	33,941	33,941	-
Overdrafts	654,181	160,526	-	493,655	416,872	1,882	414,990
Total	499,216,620	443,068,022	32,383,667	56,148,598	78,952,043	50,313,004	28,639,038

(Thousands of AOA)

	Exposure as at 31.12.2017				Impairment as at 31.12.2017		
	Total exposure	Credit in compliance	From which reestructured	Default credit	Total impairment	Credit in compliance	Default credit
Corporate							
Loans	326,540,192	309,899,792	28,244,728	15,592,444	28,510,130	20,027,010	8,483,119
Current account loans	45,657,244	42,542,472	-	2,662,707	3,473,549	1,605,466	1,868,084
Overdrafts	38,314,545	27,276,750	-	11,037,795	6,292,073	1,075,811	5,216,262
Retail							
Loans	16,635,537	14,892,820	984,260	1,678,853	2,939,844	973,070	1,966,773
Employees	4,146,057	4,139,325	-	6,482	131,481	121,864	9,616
Consumer credit	4,709,907	4,644,496	465,135	57,843	804,386	502,246	302,140
Mortgage loans	779,932	751,411	-	28,521	17,825	14,857	2,968
Credit cards	1,461,291	1,073,435	172,171	382,410	616,085	62,828	553,256
Overdrafts	525,157	135,389	-	389,767	271,627	5,798	265,830
Total	438,769,862	405,355,890	29,866,294	31,836,822	43,057,000	24,388,950	18,668,048

The breakdown of loans and advances to customer by stage is as follows:

(Thousands of AOA)

	31.12.2018			
	Stage 1	Stage 2	Stage 3	Total
Loans at amortised cost				
Gross amount	181,817,457	157,217,477	160,181,686	499,216,620
Impairment losses	(1,297,296)	(22,256,355)	(55,398,392)	(78,952,043)
	180,520,161	134,961,122	104,783,294	420,264,577

The Stage transfer matrix for the period between 1 January 2018 and 31 December 2018 is as follows:

(Thousands of AOA)

	31.12.2018			
	Stage 1	Stage 2	Stage 3	Total
Stage as at 01-01-2018				
Stage 1	117,877,281	73,891,785	3,531,726	195,300,792
Stage 2	11,117,510	58,849,223	31,219,079	101,185,812
Stage 3	18,367	1,267,852	86,535,211	87,821,430
Exposures originated in 2018	52,804,299	23,208,617	38,895,670	114,908,586
	181,817,457	157,217,477	160,181,686	499,216,620

As at 31 December 2018 and 2017, the analysis of the credit portfolio by segment and by granting year is as follows:

(Thousands of AOA)

	31.12.2018					
Segment	2015 and preceding years			2016		
	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment
Corporate						
Loans	507	201,067,825	37,049,292	156	69,323,249	5,141,935
Current account loans	76	22,117,388	3,010,057	16	8,985,734	158,915
Credit cards	228	41,341	1,654	215	45,215	4,994
Overdrafts	1,278	20,802,887	7,356,303	285	1,139,224	182,350
Retail						
Loans	2,004	8,536,082	4,154,798	219	1,037,030	619,732
Employees	328	1,784,204	133,090	142	55,297	1,426
Mortgage loans	33	1,484,225	178,302	5	478,326	8,536
Credit cards	893	137,655	4,471	609	81,606	10,942
Consumer credit	542	1,945,274	42,244	233	344,661	14,136
Overdrafts	10,914	532,199	366,329	2,740	35,611	17,405
Total	16,803	258,449,080	52,296,540	4,620	81,525,953	6,160,371

(continues)

(continuation)

(Thousands of AOA)

31.12.2018								
2017			2018			Total		
Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment
95	38,764,939	4,342,953	114	75,601,762	10,522,338	872	384,757,775	57,056,518
16	4,465,724	81,226	16	18,270,882	306,908	124	53,839,728	3,557,106
156	43,585	1,987	88	37,048	1,406	687	167,189	10,041
196	8,071,195	1,664,594	86	3,958	1,251	1,845	30,017,264	9,204,498
57	597,521	439,069	38	7,436,627	2,704,736	2,318	17,607,260	7,918,335
1,191	2,486,674	88,607	325	672,860	24,526	1,986	4,999,035	247,649
6	910,747	48,655	2	91,630	49,104	46	2,964,928	284,597
733	614,230	17,483	386	115,750	1,045	2,621	949,241	33,941
110	243,680	12,960	153	726,404	153,146	1,038	3,260,019	222,486
6,050	44,200	26,429	3,448	42,171	6,709	23,152	654,181	416,872
8,610	56,242,495	6,723,963	4,656	102,999,092	13,771,169	34,689	499,216,620	78,952,043

(Thousands of AOA)

Segment	31.12.2017					
	2014 and preceding years			2015		
	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment
Corporate						
Loans	348	119,677,069	16,441,529	274	70,596,424	5,062,940
Current account loans	97	14,165,719	2,299,801	27	17,079,333	776,530
Overdrafts	795	32,306,543	5,806,483	266	1,417,625	215,699
Retail						
Loans	4,111	7,841,148	1,977,087	1,238	5,943,507	660,060
Employees	302	1,085,246	24,913	374	783,694	15,551
Mortgage loans	53	2,110,675	509,538	15	847,562	109,449
Credit cards	956	73,490	833	2,487	109,490	1,649
Consumer credit	134	880,099	539,497	37	62,891	17,795
Overdrafts	8,614	452,249	241,207	2,821	33,631	15,097
Total	15,410	178,592,238	27,840,888	7,539	96,874,157	6,874,770

(continues)

(continuation)

(Thousands of AOA)

	31.12.2017								
	2016			2017			Total		
	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment
	155	77,736,833	3,534,001	112	58,529,866	3,471,660	889	326,540,192	28,510,130
	27	7,940,171	119,999	30	6,472,023	277,219	181	45,657,246	3,473,549
	247	1,055,860	92,427	119	3,534,516	177,463	1,427	38,314,544	6,292,072
	487	1,541,956	271,547	154	1,308,926	31,150	5,990	16,635,537	2,939,844
	857	115,469	2,808	2,102	2,161,648	88,208	3,635	4,146,057	131,480
	6	822,538	89,089	5	929,132	96,310	79	4,709,907	804,386
	2,511	173,272	10,809	2,257	423,681	4,534	8,211	779,933	17,825
	27	157,308	20,875	38	360,992	37,918	236	1,461,290	616,085
	2,882	16,624	7,548	6,017	22,652	7,777	20,334	525,156	271,629
	7,199	89,560,031	4,149,103	10,834	73,743,436	4,192,239	40,982	438,769,862	43,057,000

As at 31 December 2018 and 2017, the analysis of the amount of gross credit exposure and the amount of impairment recorded for exposures reviewed individually and collectively by segment, business sector and geography is as follows:

1. By segment

(Thousands of AOA)

2018	Individual impairment		Collective impairment		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate						
Loans	232,731,959	49,005,268	152,025,816	8,051,250	384,757,775	57,056,518
Current account loans	7,900,338	2,319,031	45,939,390	1,238,075	53,839,728	3,557,106
Overdrafts	23,438,954	6,886,728	6,578,310	2,317,770	30,017,264	9,204,498
Credit cards	3,490	618	163,699	9,423	167,189	10,041
Retail						
Loans	10,166,102	2,595,800	7,441,158	5,322,535	17,607,260	7,918,335
Employees	-	-	4,999,035	247,649	4,999,035	247,649
Mortgage loans	-	-	2,964,928	284,597	2,964,928	284,597
Credit cards	142	50	949,099	33,891	949,241	33,941
Consumer credits	-	-	3,260,019	222,486	3,260,019	222,486
Overdrafts	3,041	135	651,140	416,737	654,181	416,872
Total	274,244,026	60,807,630	224,972,594	18,144,413	499,216,620	78,952,043

(Thousands of AOA)

2017	Individual impairment		Collective impairment		IBNR impairment		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	240,967,593	24,074,647	19,068,987	3,721,673	66,503,611	713,811	326,540,191	28,510,131
Current account loans	11,868,528	1,809,519	4,290,819	830,894	29,497,899	833,136	45,657,246	3,473,549
Overdrafts	35,521,266	5,196,692	1,790,888	1,015,387	1,002,391	79,994	38,314,545	6,292,073
Retail								
Loans	8,721,616	868,789	5,232,643	2,037,915	2,681,278	33,139	16,635,537	2,939,843
Employees	(237,068)	-	6,655	9,684	4,376,470	121,796	4,146,057	131,480
Mortgage loans	820,776	63,198	1,567,885	591,018	2,321,246	150,170	4,709,907	804,386
Credit cards	6,556	196	88,177	11,878	685,199	5,751	779,932	17,825
Consumer credits	-	-	984,500	607,253	476,790	8,832	1,461,290	616,085
Overdrafts	6,289	1,125	392,703	265,874	126,165	4,629	525,157	271,628
Total	297,675,556	32,014,166	33,423,257	9,091,576	107,671,049	1,951,258	438,769,862	43,057,000

2. By business sector

(Thousands of AOA)

2018	Real estate		Wholesale and retail rade		Construction		Manufacturing industry	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	164,540,229	24,784,947	41,105,376	5,084,963	60,566,022	14,063,012	70,197,466	7,486,792
Current account loans	872,766	121,598	11,609,283	1,612,261	15,508,616	976,670	14,004,992	408,387
Overdrafts	7,938,073	1,234,638	7,604,586	1,316,516	10,222,631	3,609,576	2,666,965	2,261,206
Credit cards	1,860	163	28,465	3,145	16,149	897	4,621	1,001
Retail								
Loans	-	-	-	-	-	-	267,814	17,501
Employees	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-	88	75
Consumer credits	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	1,263	1,244
Total	173,352,928	26,141,346	60,347,710	8,016,885	86,313,418	18,650,155	87,143,209	10,176,206

(Thousands of AOA)

2018	Retail		Institutional		Others		Total	
	Total exposure	Impairment	Total exposure	Impair-ment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	4,247,910	1,633,596	6,383,997	59,210	37,716,775	3,943,998	384,757,775	57,056,518
Current account loans	-	-	2,210,669	140	9,633,402	438,050	53,839,728	3,557,106
Overdrafts	71,628	55,252	2,568	81	1,510,813	727,229	30,017,264	9,204,498
Credit cards	49,257	1,687	2,404	3	64,433	3,145	167,189	10,041
Retail								
Loans	17,023,317	7,830,927	-	-	316,129	69,907	17,607,260	7,918,335
Employees	4,999,035	247,649	-	-	-	-	4,999,035	247,649
Mortgage loans	2,964,928	284,597	-	-	-	-	2,964,928	284,597
Credit cards	463,203	24,241	-	-	485,950	9,625	949,241	33,941
Consumer credits	3,260,019	222,486	-	-	-	-	3,260,019	222,486
Overdrafts	652,918	415,628	-	-	-	-	654,181	416,872
Total	33,732,215	10,716,063	8,599,638	59,434	49,727,502	5,191,954	499,216,620	78,952,043

2. By business sector

(Thousands of AOA)

2017	Real estate		Wholesale and retail rade		Construction		Manufacturing industry	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	132,418,267	10,151,421	37,697,198	3,267,782	49,406,167	5,877,282	56,801,586	4,514,083
Current account loans	946,411	86,367	6,118,617	1,197,813	26,054,671	1,438,037	3,858,428	216,703
Overdrafts	5,208,792	237,062	18,782,778	1,130,610	4,673,818	2,083,370	5,862,113	1,683,991
Retail								
Loans	-	-	-	-	3,674,712	551,207	440,565	30,961
Employees	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Credit cards	2,858	93	49,278	2,311	18,629	241	4,537	647
Consumer credits	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	57,060	5,080
Total	138,576,328	10,474,943	62,647,871	5,598,516	83,827,997	9,950,137	67,024,289	6,451,465

(Thousands of AOA)

2017	Retail		Institutional		Others		Total	
	Total exposure	Impairment	Total exposure	Impair-ment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	-	-	10,768,081	28,998	39,448,892	4,670,563	326,540,191	28,510,129
Current account loans	24,566	1,023	3,054,125	11,106	5,600,427	522,499	45,657,245	3,473,548
Overdrafts	-	-	-	-	3,787,044	1,157,039	38,314,545	6,292,072
Retail								
Loans	10,984,217	2,197,818	-	-	1,536,044	159,858	16,635,538	2,939,844
Employees	4,382,452	131,228	-	-	(236,395)	252	4,146,057	131,480
Mortgage loans	4,709,907	804,386	-	-	-	-	4,709,907	804,386
Credit cards	358,021	9,794	1,669	-	344,940	4,738	779,932	17,824
Consumer credits	1,461,291	616,085	-	-	-	-	1,461,291	616,085
Overdrafts	436,949	237,245	-	-	31,147	29,307	525,156	271,632
Total	22,357,403	3,997,579	13,823,875	40,104	50,512,099	6,544,256	438,769,862	43,057,000

3. By geography

(Thousands of AOA)

2018	Angola		Portugal		Other countries		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	383,426,771	56,806,798	1,331,004	249,720	-	-	384,757,775	57,056,518
Current account loans	53,839,728	3,557,106	-	-	-	-	53,839,728	3,557,106
Overdrafts	29,845,541	9,171,349	170,464	31,982	1,259	1,167	30,017,264	9,204,498
Credit cards	167,189	10,041	-	-	-	-	167,189	10,041
Retail								
Loans	17,607,260	7,918,335	-	-	-	-	17,607,260	7,918,335
Employees	4,484,990	240,233	512,215	7,397	1,830	19	4,999,035	247,649
Consumer credits	3,254,675	222,240	3,005	116	2,339	130	3,260,019	222,486
Mortgage loans	2,964,928	284,597	-	-	-	-	2,964,928	284,597
Credit cards	449,338	24,085	488,893	9,659	11,010	197	949,241	33,941
Overdrafts	647,914	411,683	2,131	1,893	4,136	3,296	654,181	416,872
Total	496,688,334	78,646,467	2,507,712	300,767	20,574	4,809	499,216,620	78,952,043

(Thousands of AOA)

2017	Angola		Portugal		Other countries		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	319,736,013	27,944,324	6,804,179	565,806	-	-	326,540,192	28,510,130
Current account loans	45,657,246	3,473,549	(2)	-	-	-	45,657,244	3,473,549
Overdrafts	38,313,882	6,291,674	-	-	663	399	38,314,545	6,292,073
Retail								
Loans	16,631,979	2,939,780	-	-	3,558	64	16,635,536	2,939,844
Employees	4,146,036	131,479	-	-	21	2	4,146,057	131,481
Mortgage loans	4,709,907	804,386	-	-	-	-	4,709,907	804,386
Credit cards	478,405	14,774	290,987	2,992	10,540	59	779,932	17,825
Consumer credits	1,461,291	616,085	-	-	-	-	1,461,291	616,085
Overdrafts	521,887	269,122	1,499	1,240	1,771	1,268	525,157	271,627
Total	431,656,646	42,485,173	7,096,663	570,038	16,553	1,789	438,769,862	43,057,000

The analysis of the fair value of guarantees underlying the loan portfolio of the businesses segments, construction and real estate development and mortgage loans as at 31 December 2018 and 2017 is as follows:

(Thousands of AOA)

Fair value	31.12.2018			
	Corporate			
	Real Estate		Asset-backed loans	
	Number of properties	Amount	Number	Amount
< 50 MAOA	28	669,279	548	7,650,302
>= 50 MAOA e < 100 MAOA	22	1,577,029	115	8,057,833
>= 100 MAOA e < 500 MAOA	31	7,011,157	129	25,997,345
>= 500 MAOA e < 1.000 MAOA	3	1,838,757	12	8,417,028
>= 1.000 MAOA e < 2.000 MAOA	8	11,324,900	5	6,648,640
>= 2.000 MAOA e < 5.000 MAOA	4	13,734,976	6	17,978,276
>= 5.000 MAOA	2	14,001,426	2	28,330,891
Total	98	50,157,525	817	103,080,316

(continues)

(Thousands of AOA) (continuation)

31.12.2018							
Construction and real estate development				Mortgage loans			
Real Estate		Asset-backed loans		Real Estate		Asset-backed loans	
Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
3	60,707	62	703,079	19	551,107	8	40,060
-	-	11	784,165	6	477,670	1	50,000
5	1,664,624	29	6,008,641	3	590,311	1	108,012
6	3,757,762	8	6,087,155	-	-	-	-
8	10,440,018	3	4,505,046	-	-	-	-
10	32,615,491	1	4,639,064	-	-	-	-
9	70,668,012	4	33,729,521	-	-	-	-
41	119,206,615	118	56,456,671	28	1,619,088	10	198,072

(Thousands of AOA)

Fair value	31.12.2017			
	Corporate			
	Real Estate		Asset-backed loans	
	Number of properties	Amount	Number	Amount
< 50 MAOA	10	242,536	686	7,496,208
>= 50 MAOA e < 100 MAOA	12	920,464	74	5,156,157
>= 100 MAOA e < 500 MAOA	35	7,639,221	84	16,315,428
>= 500 MAOA e < 1,000 MAOA	10	6,719,960	10	5,836,908
>= 1,000 MAOA e < 2,000 MAOA	17	21,651,946	1	1,400,033
>= 2,000 MAOA e < 5,000 MAOA	5	13,755,955	9	29,680,316
>= 5,000 MAOA	3	27,776,831	2	24,980,905
Total	92	78,706,913	866	90,865,955

(continues)

(Thousands of AOA) (continuation)

31.12.2017							
Construction and real estate development				Mortgage loans			
Real Estate		Asset-backed loans		Real Estate		Asset-backed loans	
Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
1	30,320	52	447,668	15	547,966	9	79,388
1	99,554	4	283,012	10	706,623	3	168,485
1	495,379	20	4,278,884	3	711,084	-	-
6	5,103,736	3	1,934,062	-	-	-	-
7	10,462,300	0	0	-	-	-	-
9	32,027,591	3	8,500,664	-	-	-	-
6	58,265,264	1	7,938,959	-	-	-	-
31	106,484,144	83	23,383,249	28	1,965,673	12	247,873

The analysis of the fair value and the net book value of properties received as recovery or foreclosure, by type of real estate and seniority is as follows:

1. By type of real estate

(Thousands of AOA)

	31.12.2018			31.12.2017		
	Number of properties	Fair value of the asset	Net book value	Number of properties	Fair value of the asset	Net book value
Land						
Developed	38	90,862,222	59,579,968	35	41,913,638	41,500,044
Constructed buildings						
Commercial	2	595,324	798,872	-	-	-
Housing	2	4,308,502	4,406,041	-	-	-
Total	42	95,766,048	64,784,881	35	41,913,638	41,500,044

2. By seniority

(Thousands of AOA)

Time since recovery / foreclosure	31.12.2018				
	<1 year	>= 1 to <2.5 years	>= 2.5 to <5 years	>= 5 years	Total
Land					
Developed	18,079,924	41,500,044	-	-	59,579,968
Constructed buildings					
Commercial	798,872	-	-	-	798,872
Housing	4,406,041	-	-	-	4,406,041
Total	23,284,837	41,500,044	-	-	64,784,881

(Thousands of AOA)

Time since recovery / foreclosure	31.12.2017				
	<1 year	>= 1 to <2.5 years	>= 2.5 to <5 years	>= 5 years	Total
Land					
Developed	39,813,638	1,686,406	-	-	41,500,044
Total	39,813,638	1,686,406	-	-	41,500,044

The disclosure of risk factors associated with the impairment model by segment is as follows:

(Thousands of AOA)

2018	Impairment as at 31.12.2018				
	Probability of default (%)				Loss due to the default (%)
	< 30 days without evidence	< 30 days with evidence	Between 30 and 60 days	Between 60 and 90 days	
Corporate					
Loans	8%	28%	59%	81%	58%
Current account loans	10%	30%	46%	71%	58%
Overdrafts	27%	56%	53%	74%	58%
Particulares					
Loans	5%	40%	43%	66%	43%
Employees	4%	50%	56%	89%	32%
Mortgage loans	17%	75%	68%	83%	43%
Credit cards	2%	3%	19%	40%	43%
Consumer credits	13%	43%	54%	81%	43%
Overdrafts	15%	69%	36%	63%	43%

NOTE 10.
Loans and advances to credit institutions

This balance, as at 31 December 2018 and 2017, is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Loans and advances to credit institutions abroad		
Loans and advances	13,273,297	31,205,662
Interest receivable	39,268	29,081
	13,312,565	31,234,743

As at 31 December 2018 and 2017, the balance of other loans and advances to central banks and credit institutions by maturity, is as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Below 3 months	10,690,531	25,425,083
3 to 12 months	2,582,766	5,780,579
	13,273,297	31,205,662

The balance Other loans and advances to central banks and other credit institutions earn interest at a 20.36% average rate for national currency (2017: 14.75%) and at 0.82% for foreign currency (2017: 0.94%).

NOTE 11.
Other tangible assets

As at 31 December 2018 and 2017, this balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Real estate		
For own use	36,805,474	44,835,522
Other	8,190,585	1,424,304
	44,996,059	46,259,826
Equipment		
IT equipment	6,520,912	5,686,171
Interior installations	1,378,663	1,045,707
Furniture and material	3,100,040	2,918,932
Security equipment	2,386,256	2,076,309
Machinery and tools	967,697	736,828
Transport equipment	3,077,322	2,850,416
Other	239,609	194,299
	17,670,499	15,508,662
Assets under construction		
Improvements in rented buildings	17,689,478	13,538,400
Equipment	303,977	583,237
Other	51,853	191,040
	18,045,308	14,312,677
Other assets		
Other	1,270,247	1,336,503
	1,270,247	1,336,503
	81,982,113	77,417,668
Accumulated depreciation		
Charge for the period	3,282,554	3,586,445
Accumulated charge in previous periods	14,671,249	12,611,339
Disposals and Transfers	(1,680,794)	(1,526,535)
	16,273,009	14,671,249
	65,709,104	62,746,419

During 2018, changes in the balance Property and equipment are analysed as follows:

(Thousands of AOA)

	Balance at 01.01.2018	Acquisitions/ Charges	Disposals/ Write-offs	Transfers	Balance at 31.12.2018
Acquisition cost					
Real estate					
For own use	44,835,522	850,634	(1,844,512)	(7,036,170)	36,805,474
Other	1,424,304	2,475	272,364	7,036,170	8,190,585
	46,259,826	853,109	(2,116,876)	-	44,996,059
Equipment					
IT equipment	5,686,171	1,011,151	(176,410)	-	6,520,912
Interior installations	1,045,707	332,956	-	-	1,378,663
Furniture and material	2,918,932	192,916	(11,808)	-	3,100,040
Security equipment	2,076,309	309,947	-	-	2,386,256
Machinery and tools	736,828	230,869	-	-	967,697
Transport equipment	2,850,416	623,078	(396,172)	-	3,077,322
Other	194,299	87,204	(41,894)	-	239,609
	15,508,662	2,788,121	(626,284)	-	17,670,499
Assets under construction					
Improvements in rented buildings	13,538,400	4,687,323	(330,260)	(205,985)	17,689,478
Equipment	583,237	79,336	-	(358,596)	303,977
Other	191,040	1,867	(141,054)	-	51,853
	14,312,677	4,768,526	(471,314)	(564,581)	18,045,308
Other assets					
Other	1,336,503	5,500	(71,756)	-	1,270,247
	1,336,503	5,500	(71,756)	-	1,270,247
	77,417,668	8,415,256	(3,286,230)	(564,581)	81,982,113
Accumulated amortization					
Real estate					
For own use	5,226,813	871,683	(1,584,227)	-	4,514,269
	5,226,813	871,683	(1,584,227)	-	4,514,269
Equipment					
IT equipment	3,863,521	885,413	-	-	4,748,934
Interior installations	548,873	155,892	-	-	704,765
Furniture and material	1,344,921	317,280	-	-	1,662,201
Security equipment	962,519	230,138	-	-	1,192,657
Machinery and tools	525,797	108,789	-	-	634,586
Transport equipment	1,390,893	559,950	(92,377)	-	1,858,466
Other	45,589	55,830	-	-	101,419
	8,682,113	2,313,292	(92,377)	-	10,903,028
Other assets					
Other	762,323	97,579	(4,190)	-	855,712
	762,323	97,579	(4,190)	-	855,712
	14,671,249	3,282,554	(1,680,794)	-	16,273,009
	62,746,419	5,132,702	(1,605,436)	(564,581)	65,709,104

As at 31 December 2018, the balance Assets under construction includes the amount of AOA 12,551,873 thousand (2017: AOA 8,951,095 thousand) related to the construction of the Bank's new headquarters building in Baía de Luanda and the amount of AOA 1,655,063 thousand (2017: AOA 1,655,063 thousand) related to the acquisition of 1 fraction located in "Empreendimento Cidade Financeira" in Talatona.

NOTE 12.
Intangible assets

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Purchased from third parties		
Automated data-processing system	10,154,807	6,586,692
Other	695,140	454,541
	10,849,947	7,041,233
Goodwill		
Millennium incorporation	25,632,743	25,632,743
Work in progress		
Automated data-processing system	208,650	251,020
Accumulated amortization		
Charge for the period	1,326,023	772,241
Accumulated charge in previous periods	2,720,253	3,855,876
Disposals and Transfers	19,491	(1,907,864)
	4,065,767	2,720,253
	32,625,573	30,204,743

Changes in this balance is as follows:

(Thousands of AOA)

	Balance at 01.01.2018	Acquisitions/ Charges	Disposals/ Write-offs	Transfers and perimeter changes	Balance at 31.12.2018
Purchased from third parties					
Automated data-processing system	6,586,692	3,581,500	(13,385)	-	10,154,807
Other	454,541	240,599	-		695,140
	7,041,233	3,822,099	(13,385)	-	10,849,947
Goodwill	25,632,743	-	-	-	25,632,743
Work in progress	251,020	15,764	(58,134)	-	208,650
Accumulated amortization					
Automated data-processing system	2,279,406	1,320,343	-	19,491	3,619,240
Other	440,847	5,680	-		446,527
	2,720,253	1,326,023	-	19,491	4,065,767
Net balance at 31 December	30,204,743	2,511,840	(71,519)	(19,491)	32,625,573

Goodwill recognised under the merger results from the difference between the book value of the assets and liabilities and the amount calculated on the evaluation.

NOTE 13.
Non-current assets held for sale

As at 31 December 2018 and 2017, this balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Non-current assets held for sale		
Real estate	67,768,063	44,251,822
	67,768,063	44,251,822
Impairment losses	(1,977,402)	(707,322)
	65,790,661	43,544,500

The amounts presented refer to real estate and similar properties received as recovery and facilities which are not in use, available for sale immediately. As at 31 December 2018, the value of real estate and similar properties amounted to AOA 64,784,882 thousand (2017: AOA 41,500,044 thousand). As at 31 December 2018, the value of facilities that are not in use amounted to AOA 2,983,181 thousand (2017: AOA 2,751,778 thousand) and the Bank recorded an impairment for these assets in the total amount of AOA 1,977,402 thousand (2017: AOA 707,322 thousand).

Changes in impairment losses were as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	707,322	154,503
Charge for the period / (Reversals)	1,201,429	694,885
Charge off	-	-
Exchange differences and other	68,651	(142,066)
Ending balance	1,977,402	707,322

Changes in non-current assets held for sale during 2018 and 2017 were as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	44,251,822	2,074,489
Increases	29,114,740	42,177,333
Disposals	(6,163,080)	-
Reclassifications / transfers	564,581	-
Ending balance	67,768,063	44,251,822

In 2018 and 2017, inflows relate to land received as recovery in compliance with the restructuring of a set of loans related with a real estate project.

Where the asset is not disposed of within one year, the Bank assesses whether the requirements continue to be met, in particular if the sale has not taken place for reasons other than the Bank. The Bank shall ensure that all necessary actions have been taken to enable the sale and that the asset continues to be actively marketed and at reasonable selling prices given the market circumstances. As a result of the efforts made, disposals of a pool of assets amounting to AOA 6,163,080 thousand were made.

NOTE 14.
Taxes

The Bank is subject to Industrial Tax, and is considered a Group A tax payer.

Income taxes (current or deferred) are recognised in profit and loss for the year, except where transactions giving rise to it have been carried in other equity items. In such situations, the corresponding tax is also carried against equity, and does not affect profit and loss for the year.

The current tax for the years ended on 31 December 2018 and 2017 was calculated in accordance with article 64, paragraph 1 of Law No. 19/14, of 22 October, using the applicable tax rate of 30%.

Tax returns are subject to review and correction by tax authorities for a 5-year period. This could result in different interpretations of tax law, resulting in corrections to taxable profit for the last five years. However, no significant correction is to be expected in respect to those years and, if it occurs, no significant impacts on the financial statements are expected.

Taxes losses generated in each year, as set out in article 48 (paragraph 1) of the Industrial Tax Code, can be deducted from taxable income for 3 subsequent years.

Deferred taxes are calculated using the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date. Thus, for the year 2018 and 2017, deferred tax was generally calculated based on a 30% rate.

Deferred tax assets and liabilities as at 31 December 2018 and 2017 are analysed as follows:

(Thousands of AOA)

	Assets		Liabilities		Net	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Loans to customers (direct and indirect)	1,680,334	157,246	-	-	1,680,334	157,246
Available-for-sale securities portfolio	203,611	-	862,012	746,113	(658,401)	(746,113)
Provisions	703,674	-				
Other	(51,000)	-	-	-	(51,000)	-
Deferred tax assets/(liabilities)	2,536,619	157,246	862,012	746,113	970,933	(588,867)

Changes in deferred taxes recorded in the balance sheet were offset as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	(588,867)	307,902
Impact of transition to IFRS 9	1,654,999	-
Recognised in current taxes	-	(296,950)
Recognised in the income statement	819,529	(99,601)
Recognised in reserves – other comprehensive income	(862,012)	(499,977)
Exchange differences and other	(52,716)	(241)
Ending balance (assets/(liabilities))	970,933	(588,867)

Tax recognised in the income statement and reserves during the periods ended on 31 December 2018 and 2017 have the following sources:

(Thousands of AOA)

	31.12.2018		31.12.2017	
	Recognised in the income statement	Recognised in reserves	Recognised in the income statement	Recognised in reserves
Loans to customers (direct and indirect)	39,311	-	(99,601)	-
Available-for-sale securities portfolio	60,012	(862,012)	-	(499,977)
Provisions	688,266			
Other	-	-	-	-
Deferred taxes	787,589	(862,012)	(99,601)	(499,977)
Current taxes	131,263	-	(1,916,955)	-
Total tax recognised	918,852	(862,012)	(2,016,556)	(499,977)

The reconciliation of the effective tax rate, with respect to the amount recognised in the income statement, is analysed as follows:

(Thousands of AOA)

	31.12.2018		31.12.2017	
	%	Value	%	Value
Profit before tax		26,306,236		25,845,056
Tax rate	30.0		30.0	
Tax based on the tax rate		7,891,871		7,753,517
Life and health insurance (Article 18)	0.0	8,324	0.0	4,445
Exceeding amortizations (Article 40)	0.3	67,163	0.4	95,080
Provisions (Article 36)	5.1	1,353,573	(2.2)	(559,730)
Capital Gains Tax and Property Tax (Article 18)	2.5	651,501	1.5	391,763
Fines and charges (Article 18)	0.5	133,622	0.0	1,315
Grants (Article 18)	0.3	82,433	0.1	25,338
Social welfare charges (Article 15)	0.2	51,770	0.1	23,588
Changes related to previous periods and extraordinary (Article 18)	1.2	324,978	-	-
Non-specified expenditure	1.2	319,635	1.7	442,583
Income subject to Capital Gain Tax (Article 47)	(39.0)	(10,265,277)	(22.7)	(5,857,847)
Other	(2.4)	(631,388)	(0.5)	(141,930)
Tax payable – current tax liabilities	-	-	8.4	2,178,122
Other expense / (income) – Industrial tax	-	(131,263)	-	(261,167)
Income tax for the period		(131,263)		1,916,955

Income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan Government, whose issue is regulated by Presidential Decree No. 259/10, of 18 November and Presidential Decree No. 31/12, 30 of January, is exempted from all taxes.

In addition, Presidential Legislative Decree No. 5/11, of 30 December (revised and republished through Presidential Legislative Decree No. 2/14, of 20 October) implemented a rule of subjection to CGT over income of public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan Government.

Nevertheless, and in accordance with article 47 of the Industrial Tax Code (Law No. 19/14, of 22 October), in force since 1 January 2015, to determine the taxable income, income subject to Capital Gains Tax will be deducted.

Thus, to determine taxable income for the years ended on 31 December 2018 and 2017, such income was deducted from taxable income.

Likewise, the expenditure calculated with the settlement of Capital Gains Tax is not accepted for tax purposes for the calculation of the taxable amount, as set out in subparagraph a) of paragraph 1 of article 18 of the Industrial Tax Code.

NOTE 15.
Other assets

As at 31 December 2018 and 2017, the balance Other assets is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Advances and other receivables	53,232,963	34,692,156
Other debtors	16,197,826	4,959,117
Pending transactions	3,693,152	2,616,430
Escrow accounts	2,004,093	1,231,893
Deferred costs	1,792,952	2,035,346
Administrative public sector	1,758,085	1,153,646
Precious metals, coins, medals and other resources	2,210	2,210
Other assets	321,957	415,612
	79,003,238	47,106,410
Impairment losses	(7,306,020)	(1,656,357)
	71,697,218	45,450,053

The balance Advances and other receivables includes: (i) the amount of AOA 30,183,936 thousand (2017: AOA 18,031,705 thousand) related to amounts receivable under purchase and sale agreements of land received as payment, (ii) the advance in the amount of AOA 5,133,063 (2017: AOA 3,731,658 thousand) for a residential project, (iii) the advance in the amount of AOA 2,432,530 thousand (2017: AOA 1,491,190 thousand) for the construction project of a University Hospital.

As at 31 December 2017, Other assets also included the amount of AOA 1,617,086 thousand receivable under the resolution of part of the purchase and sale agreement of the building used by Millennium Angola.

Changes occurred in impairment losses in Other assets are disclosed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	1,656,357	1,402,409
Impact of transition to IFRS 9	(170,000)	-
Charges for the period	5,633,268	3,088,588
Reversals	(593,979)	(225,272)
Charge-off	(263,767)	(2,744,141)
Reclassifications	-	134,773
Exchange differences and others	1,044,141	-
Closing balance	7,306,020	1,656,357

NOTE 16.
Resources from central banks and other credit institutions

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Deposits from central banks and other credit institutions		
Loans	154,659,025	110,734,577
Deposits	1,536,815	3,077,315
	156,195,840	113,811,892
Other deposits	481,681	1,811,191
Interest payable	3,377,059	1,558,281
	160,054,580	117,181,364

The balance Deposits from other credit institutions is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Domestic		
Loans	70,629,105	56,018,480
Other deposits	481,681	1,811,191
Interest payable	3,325,039	1,423,159
	74,435,825	59,252,830
Abroad		
Loans	84,029,920	54,716,097
Deposits	1,536,815	3,077,315
Interest payable	52,020	135,122
	85,618,755	57,928,534
	160,054,580	117,181,364

As at 31 December 2018 and 2017, the maturity of deposits from central banks and other credit institutions is as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Below 3 months	146,195,840	98,811,892
3 to 12 months	10,000,000	15,000,000
	156,195,840	113,811,892

Deposits from other credit institutions bear interest at an average rate of 18.58% for national currency (2017: 17.74%) and 3.54% for foreign currency (2017: 2.67%).

NOTE 17.
Resources from clients and other loans

The balance Deposits from customers, by its nature, is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Deposits repayable on demand		
Deposits repayable on demand	425,015,653	375,273,810
Term deposits		
Term deposits	609,536,265	420,517,474
Interest payable	8,372,630	5,574,426
	617,908,895	426,091,900
	1,042,924,548	801,365,710

As at 31 December 2018 and 2017, the maturity of deposits from customers is as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Payable immediately	425,015,653	375,273,810
Payable term		
Below 3 months	324,866,543	180,416,190
3 to 12 months	284,669,722	240,101,284
	609,536,265	420,517,474
	1,034,551,918	795,791,284

Deposits from customers and other loans bear interest at an average rate of 9.19% for national currency (2017: 8.96%) and 3.36% for foreign currency (2017: 3.46%).

NOTE 18.
Provisions

As at 31 December 2018 and 2017, the balance Provisions is analysed as follows:

(Thousands of AOA)

	Provisions for guarantees and other commitments	Provisions for other liabilities and charges	Total
Balance at 31 December 2016	2,041,198	4,374,547	6,415,745
Charge for the period/Reversals	(693,471)	(2,121,571)	(2,815,042)
Charge-off	(974,459)	(1,620,538)	(2,594,997)
Reclassifications	-	1,448,495	1,448,495
Exchange differences and other			-
Balance at 31 December 2017	373,268	2,080,933	2,454,201
Charge for the period/Reversals	177,032	2,688,831	2,865,863
Charge-off	-	(379,485)	(379,485)
Reclassifications	-	(1,448,495)	(1,448,495)
Exchange differences and other	441,244	1,227,773	1,669,017
Balance at 31 December 2018	991,544	4,169,557	5,161,101

This balance covers certain properly identified contingencies arising from the Bank's activity which are reviewed on each reporting date with the purpose to reflect the best estimate of the amount and associated probability of payment.

As at 31 December 2018 and 2017, the balance Provisions for guarantees and commitments records provisions for documentary credit granted and guarantees provided.

As at 31 December 2018, Other provisions for risks and charges includes the amount of AOA 2,777,463 thousand relating to liabilities for supplementary retirement pension.

NOTE 19.
Other liabilities

As at 31 December 2018 and 2017, this balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Other liabilities		
Liabilities with employees	6,668,590	4,979,590
Accrued expenses	3,117,426	2,092,128
Other creditors	2,897,606	7,758,935
Tax charges payable – with held from third parties	1,734,681	739,133
Administrative and marketing costs	22,045	258,721
Social Security contribution	49	68,422
Dividends payable	974	974
Other sundry liabilities	238,356	1,298,890
	14,679,727	17,196,793

The balance Liabilities with employees includes the amount of AOA 5,612,525 (2017: AOA 3,765,920 thousand) related to 2018 variable remuneration to be settled in the following year and the amount of AOA 870,336 thousand (2017: AOA 1,007,668 thousand) related to holiday allowances.

The balance Accrued expenses includes costs to be settled to Banco Atlântico Europa, S.A. in the amount of AOA 285,296 thousand (2017: AOA 242,145 thousand) related to services rendered by this entity. In addition, as in 31 December 2018, this balance includes amounts payable to service providers associated with telecommunications, security, transport and cleaning services, among others.

As at 31 December 2017, the balance Other sundry liabilities includes the amount of AOA 975,969 thousand related to collaterals of documentary import credits.

NOTE 20.
Share capital, share premiums and own shares

Ordinary shares

The Bank was incorporated with a share capital of AOA 801,728 thousand (being worth USD 10,000,000 at the exchange rate in force on 6 and 21 November 2006), represented by 1,000,000 nominal shares of ten US dollars (USD) each, having been fully subscribed and paid in cash.

In June 2009, a capital increase amounting to AOA 6,510,772 thousand (being worth USD 55,000,000), represented by 5,500,000 new shares with a nominal value of USD 10 each, was fully subscribed and paid up by the incorporation of retained earnings (AOA 268,346 thousand), conversion of a subordinated loan (AOA 300,886 thousand), cash inflows (AOA 3,504,040 thousand) and through the issue of preferred shares without voting rights in the amount of AKZ 2,437.500 thousand (being worth USD 32,500,000). Preferred shares were issued for USD 25.14 each, which included a share premium of USD 15.14 per share.

In June 2011, a capital increase amounting to AOA 4,949,243 thousand (being worth USD 52,500,000), represented by 5,250,000 new shares with a nominal value of USD 10 each, was fully subscribed and paid up by the incorporation of retained earnings (AOA 3,764,524 thousand) and cash inflows (AOA 1,183,719 thousands). In November 2011, a further injection of capital amounting to AOA 4,763,650 thousand (being worth USD 50,000,000), represented by 5,000,000 new shares with a nominal value of USD 10 each, was fully subscribed and paid up through cash inflows. As part of this new capital increase, additional cash inflows amounting to AOA 2,029,207 thousand were made with the purpose to maintain the equivalent in kwanzas of all the USD shares incorporated, based on the exchange rate of 13 December 2011.

In September 2013, ATLANTICO incorporated in its share capital, share premiums of preferred shares, issued in June 2009, amounting to AOA 1,467,930 thousand, through the issue of 1,144,740 new ordinary shares, with a nominal value of AOA 1,000 each, in the amount of AOA 1,144,740 thousand and changed the nominal value of 1,292,760 preferred shares for AOA 1,000, amounting to AOA 323,190 thousand. In addition, on the same date, ATLANTICO increased its capital by incorporating retained earnings, in the amount of AOA 205,400, therefore the Bank's share capital would worth USD 200,000,000, at the exchange rate of 6 September 2013.

In December 2013, the Bank converted preferred shares without voting rights in the amount of AOA 1,292,760 thousand into ordinary shares in equal number and nominal value. Also in December 2013, a capital increase amounting to AOA 14,897,900 thousand, represented by 14,897,900 new shares with the nominal value of AOA 1,000, was fully subscribed, through the incorporation of retained earnings in the amount of AOA 4,879,700 thousand (being worth USD 50,000,000 at the exchange rate of 17 December 2013) and cash inflows in the amount of AOA 9,759,400 thousand (being worth USD 100,000,000 at the exchange rate of 17 December 2013). As of 31 December 2013, this capital increase was not yet fully paid up, with cash advances amounting to AOA 975,940 thousands still to be undertaken. As part of this new capital increase, retained earnings amounting to AOA 258,800 thousand were also incorporated as to maintain the share capital of ATLANTICO in kwanzas, corresponding to USD 350,000,000 at the exchange rate of 17 December 2013. In 2014, cash inflows amounting to AOA 975,940 thousand were made and the above-mentioned capital increase was fully paid up.

As a result of the operations described above, as at 31 December 2015, the Bank's share capital amounts to AOA 34,157,900 thousand, represented by 34,157,900 ordinary shares with a nominal value of AOA 1,000.

During 2015, the main shareholder of ATLANTICO, Global Pactum, Gestão de Activos, S.A., sold the majority of its shareholding in the Bank, resulting in a new shareholder structure.

In 2016, with the merger and contribution in kind made with Millennium's assets, the capital increase referred to in the minutes was fulfilled, amounting to AOA 21,939,787 thousand, corresponding to 21,939,787 new shares. Simultaneously, a share premium of AOA 40,782,829 thousand was generated.

Considering the existence of own shares received within the merger, it was decided to cancel the own shares held. On this basis, the share capital of Atlântico is reduced from AOA 56,097,687 thousand to AOA 53,821,603 thousand, as a result of the extinction of 2,276,084 fully paid-up own shares of which, as a result of the merger, Atlântico will become holder, based on articles 461 and 372, paragraph 4, subparagraph a), of the Companies Code.

As at 31 December 2018, the Bank's share capital in the amount of AOA 53,821,603 thousand was represented by 53,821,603 ordinary shares, fully subscribed and paid up by different shareholders.

As at 31 December 2018 and 2017, the Shareholder structure is as follows:

	% Capital	
	31.12.2018	31.12.2017
Interlagos Equity Partners, S.A.	29.77%	29.77%
BCP África, SGPS, LDA.	22.52%	22.52%
Atlântico Financial Group, S.à.r.l.	19.80%	19.80%
Jasper Capital Partners - Investimentos e Participações, S.A.	15.25%	15.25%
Quadros - Gestão de Activos, S.A.	4.00%	4.00%
Economus - Capital, LDA.	3.00%	3.00%
Fundação ATLANTICO	2.00%	2.00%
Gemcorp Fund I	1.90%	1.90%
Own shares	0.91%	0.91%
Other entities	0.84%	0.84%
	100.00%	100.00%

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 amount of the share premium has been cut up in the amount of AOA 4,589,246 as a result of the dividends distributed in 2016 in 2015 related to Banco Millennium Angola 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 2017, the share premium amounts to AOA 34,810,069 thousand.

Own shares

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.

NOTE 21.
Other reserves and retained earnings

Legal reserve

This balance 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.

Fair value reserves

Fair value reserves represent the potential gains and losses on financial assets available for sale net of impairment losses recognised in the income statement and/or in prior periods. The value of this reserve is disclosed net of deferred taxes.

Changes in these balances 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 at 31 December 2016	827,155	(246,136)	581,019	8,482,829	1,256,524	9,738,854	10,319,873
Fair value changes	1,660,450	(499,977)	1,160,473	-	-	-	1,160,473
Legal reserves	-	-	-	4,980,667	(4,980,667)	-	-
Transfer to retained earnings	-	-	-	-	4,980,667	4,980,667	4,980,667
Dividends from own shares	-	-	-	-	110,037	110,037	110,037
Balance at 31 December 2017	2,487,605	(746,113)	1,741,492	13,463,496	1,366,561	14,829,558	16,571,050
Transition adjustments to IFRS 9	(1,419,600)	-	(1,419,600)	-	(2,442,065)	(2,442,065)	(3,861,665)
Balance at 1 January 2018	1,068,005	(746,113)	321,892	13,463,496	(1,075,504)	12,387,493	12,709,385
Fair value changes	2,141,643	(116,139)	2,025,504	-	-	-	2,025,504
Legal reserves	-	-	-	2,382,850	-	2,382,850	2,382,850
Transfer to retained earnings	-	-	-	-	2,382,850	2,382,850	2,382,850
Dividends from own shares	-	-	-	-	174,324	174,324	174,324
Balance at 31 December 2018	3,209,648	(862,252)	2,347,396	15,846,346	1,481,670	17,327,517	19,674,913

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

(Thousands of AOA)

	31.12.2018	31.12.2017
Balance at the beginning of the period	1,741,492	581,019
Impact of transition to IFRS 9	(1,419,600)	-
Fair value changes	4,849,335	2,188,109
Disposals for the period	(2,729,250)	(527,659)
Impairment recognised in the period	(210,720)	-
Deferred taxes recognised in reserves	116,139	(499,977)
Balance at the end of the period	2,347,396	1,741,492

NOTE 22.
Net interest income

Net interest income is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Interest and similar income		
Interest from financial assets at amortised cost		
Interest from loans to customers	82,445,042	73,231,588
Interest from debt securities (2017: Interest from held-to-maturity investments)	23,201,761	13,161,968
Interest from deposits and other investments	342,623	204,869
Interest from financial assets at fair value through comprehensive income (2017: Interest from available for sale assets)	12,431,476	6,556,215
Interest from financial assets at fair value through profit or loss	32,063	106,685
	118,452,965	93,261,325
Interest and similar expenses		
Interest from loans of central banks and other financial institutions	16,872,213	5,948,352
Interest from deposits of customers	34,351,133	19,878,483
Interest from subordinated liabilities	-	88,750
	51,223,346	25,915,585
Net interest income	67,229,619	67,345,740

The balance Interest from loans to customers include (i) the positive amount of AOA 1,452,060 thousand (2017: 1,382,247 thousand) related to commissions and other income accounted for using the effective interest rate, as set out in IFRS and explained in note 2.3 and (ii) the amount of AOA 7,705,484 related to financial assets in Stage 3.

NOTE 23.
Net gains / (losses) from fees and commissions income

Net fee and commission income is analysed as follows::

(Thousands of AOA)

	31.12.2018	31.12.2017
Fee and commission income	21,250,115	13,947,733
Documentary credits openings	5,255,694	2,815,504
Transfers issued/received	3,163,471	1,614,407
Guarantees provided	2,390,735	564,374
Electronic transactions	2,131,526	1,796,056
VISA fees	2,107,014	2,149,589
Credit facilities openings/extension and maintenance	1,743,306	1,168,264
Foreign currency transactions	1,409,190	668,364
Maintenance of demand deposits accounts	987,831	1,035,427
Customs - revenue collection	604,439	371,039
Withdrawals	117,677	223,788
Structuring operations and financial advisory	36,650	677,501
Other fee and commission income	1,302,582	863,420
Fee and commission expense	(610,385)	(288,880)
Foreign transactions	(504,951)	(276,418)
Other fee and commissions	(105,434)	(12,462)
	20,639,730	13,658,853

NOTE 24.
Net gains / (losses) from financial assets and liabilities at fair value through profit and loss

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018			31.12.2017		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets at fair value through profit/(loss)						
Securities						
Bonds and other fixed income securities						
Issued by public entities	-	-	-	15,723	-	15,723
	-	-	-	15,723	-	15,723
Financial assets mandatorily at fair value through profit and loss						
Securities						
Other variable income securities	1,463,795	-	1,463,795	-	-	-
Loans and advances to	-	(2,728,414)	(2,728,414)	-	-	-
	1,463,795	(2,728,414)	(1,264,619)	-	-	-
Financial assets held for trading						
Derivatives						
Interest, rates, contracts	129,722	-	129,722	395,128	-	395 128
	129,722	-	129,722	395,128	-	395,128
	1,593,517	(2,728,414)	(1,134,897)	410,851	-	410,851

This caption includes the gains following the disposals of securities recorded in the portfolio and financial assets at fair value through profit and loss, as defined in Note 2.5.

NOTE 25.
Net gains from financial operations

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018			31.12.2017		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	1,574,837	-	1,574,837	527,659	-	527,659
Shares	1,154,413	-	1,154,413	-	-	-
	2,729,250	-	2,729,250	527,659	-	527,659

The balance Shares includes the amount of AOA 1,080,604 relating to the net gain resulting from the sale of the total shareholding held in Atlântico Europa SGPS, as referred to in note 7.

NOTE 26.
Net gains / (losses) from foreign exchange

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Gains arising from currency transactions	(6,815,076)	3,404,361
Gains arising from revaluation of assets and liabilities	20,271,334	193,060
	13,456,258	3,597,421

This caption includes the results from foreign exchange differences of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in Note 2.3.

NOTE 27.
Staff costs

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Wages and salaries	16,576,036	14,535,900
Remunerations	16,576,036	14,535,900
Mandatory social charges	1,498,033	626,543
Other staff costs	4,407,522	4,640,199
	22,481,591	19,802,642

The balance Remunerations includes the amount of AOA 5,857,285 thousand regarding variable remuneration (2017: AOA 4,095,168 thousand) of employees and management bodies for the 2018 period, to be settled in the following year.

The balance Other staff costs includes the amount of AOA 503,727 thousand referring to loans granted to employees and management bodies as defined in IAS 19 (2017: AOA 362,563 thousand).

The number of Bank employees, considering permanent and fixed-term employees, is broken down by professional category, as follows:

	31.12.2018	31.12.2017
Senior management functions	119	114
Management functions	275	266
Specific functions	1,371	1,307
Administrative and other functions	55	153
	1,820	1,840

NOTE 28.
General and administrative costs

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Audit and advisory	3,299,493	2,246,062
Security and surveillance	2,413,748	2,626,024
Communications costs	2,145,389	2,029,449
Rental costs	2,073,584	1,566,616
Maintenance and repair	1,876,283	2,121,497
Travel, hotel and representation costs	1,549,113	1,915,356
Consumables	1,149,834	993,791
Advertising costs	1,123,179	1,162,197
Water, energy and fuel	665,089	391,861
IT services	277,346	108,527
Other	373,190	219,397
	16,946,248	15,380,777

NOTE 29.
Net gains / (losses) from sales of other assets

The balance of this caption in the amount of AOA 2,770,784 thousand refers to the gains and losses obtained with the sale of non-current assets held for sale.

NOTE 30.
Other operating income (expense)

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Other operating income/(expense)		
Non-recurring income from credit operations	1,757,502	-
Direct and indirect taxes	(3,005,103)	(1,598,435)
Contributions and donations	(167,577)	(138,785)
Other	(77,723)	26,295
	(1,492,901)	(1,710,925)

The balance Direct and indirect taxes includes (i) the amount of AOA 1,650,132 thousand (2017: AOA 916,873 thousand) related to Capital Gains Tax.

NOTE 31.
Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Bank's shareholders by the weighted average number of ordinary shares outstanding during the year.

(Thousands of AOA)

	31.12.2018	31.12.2017
Net profit attributable to the shareholders of the Bank	27,225,088	23,828,500
Weighted average number of ordinary shares (thousands)	53,821,603	53,821,603
Weighted average number if own shares in portfolio (thousands)	(492,182)	(492,182)
Weighted average number of ordinary shares outstanding (thousands)	53,329,421	53,329,421
Basic earnings per share attributable to the Bank's shareholders (thousands of kwanzas)	0.51	0.45

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares to the weighted average number of ordinary shares outstanding and to the net profit attributable to the Bank's shareholders.

As at 31 December 2018, diluted earnings per share, considering the effect of own shares, is 0.51 (2017: 0.44).

NOTE 32.
Guarantees and other commitments

This balance is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Guarantees received	1,524,585,950	1,210,376,877
Guarantees granted	107,797,642	61,465,029
Commitments to third parties	27,551,001	37,331,491
	1,659,934,593	1,309,173,397

Bank guarantees granted are financial operations that do not translate into mobilisation of Funds by the Bank.

The breakdown of guarantees and commitments provided by stage is as follows:

(Thousands of AOA)

	31.12.2018			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	65,372,999	40,988,223	1,436,420	107,797,642
Impairment losses	(287,087)	(380,908)	(323,608)	(991,544)
	65,085,971	40,607,315	1,112,812	106,806,098

Documentary credits correspond to irrevocable commitments with the Bank's client, which ensure the payment of a determined amount to client's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or amended without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Bank's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time the credit was granted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, being that the Bank requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these commitments expire without having being used, the indicated amounts do not represent necessarily future cash flow needs.

Financial instruments recorded as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in Note 2.5. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

For financial assets recognised in the Balance Sheet, the maximum exposure to credit risk is represented by the net book value of impairment. For off-balance sheet items, the maximum collateral exposure is the maximum amount that the Bank would have to pay if collaterals were forfeited. For loans and other commitments related to irrevocable credit, the maximum exposure is the total amount of commitments undertaken.

The Bank provides custody services, asset management, investment management and advisory services that involve taking decisions of buying and selling several types of financial instruments. For certain services rendered, targets and profitability levels are set out for assets under management.

In the context of fiduciary activities, the Bank provides custody services to its customers. Recognition in off-balance sheet items is described in the accounting policy of note 2.21.

NOTE 33.
Transactions with related parties

As at 31 December 2018 and 2017, the balances and transactions with related parties are presented as follows:

(Thousands of AOA)

	31.12.2018				
	Shareholders	Board of Directors	Other key management and family members	Other related parties	Total
Assets					
Loans and advances to credit institutions repayable on demand	8,175,207	-	-	-	8,175,207
Deposits with credit institutions	9,404,932	-	-	-	9,404,932
Loans and advances to customers	6,803,463	1,304,300	2,724,471	282	10,832,516
Other assets	600,000	-	-	238,789	838,789
Total Assets	24,983,602	1,304,300	2,724,471	239,071	29,251,444
Liabilities					
Deposits from central banks and other credit institutions	83,976,728	-	-	-	83,976,728
Deposits from customers	5,745,222	3,638,203	4,921,488	806,113	15,111,026
Total Liabilities	89,721,950	3,638,203	4,921,488	806,113	99,087,754

(Thousands of AOA)

	31.12.2017			
	Shareholders	Board of Directors	Other key management and family members	Other related parties
Assets				
Loans and advances to credit institutions repayable on demand	2,565,846	-	-	2,565,846
Deposits with credit institutions	17,577,914	-	-	17,577,914
Loans and advances to customers	8,559,259	1,756,752	3,977,798	14,293,809
Total Assets	28,703,019	1,756,752	3,977,798	34,437,569
Liabilities				
Deposits from central banks and other credit institutions	53,746,206	-	-	53,746,206
Deposits from customers	6,239,827	1,665,073	1,272,304	9,177,204
Total Liabilities	59,986,033	1,665,073	1,272,304	62,923,410

The Bank considers the following related parties:

a) All entities holding qualified shareholdings: shareholders holding, directly or indirectly, a percentage equal to or greater than 10% of ATLANTICO's share capital;

b) All entities that are directly or indirectly owned by more than 10% by the shareholders, falling within the previous point;

c) All entities in which ATLANTICO owns, directly or indirectly, at least 10% of the share capital or voting rights of the subsidiary company or that, for any reason, allows for the exercise of the control and / or significant influence in the management of the subsidiary company;

d) Any person or entity, irrespective of its legal form, that has a relationship with the shareholder, is one of the following:
- Spouse or unmarried partner, parents, grandparents, children, grandchildren and household members;
- Entities in which some of the above listed persons hold a qualified shareholding;

e) Entities that are directly or indirectly in a control or group relationship with ATLANTICO;

f) Members of the administrative and supervisory bodies of ATLANTICO as well as any person or entity, irrespective of its legal form, that has a relationship with a member of the administrative and/or supervisory bodies of one of the following:
- Spouse or unmarried partner, parents, grandparents, children, grandchildren and household members;
- Entities controlled by the member of the administrative and/or supervisory bodies, and entities in which they hold a qualified shareholding;
- Entities controlled by one of the persons listed in the first sub-paragraph of point f);

g) Entities whose majority of the members of the administrative or management bodies match with those of the ATLANTICO or, in case of distinct people, are connected between by marriage, unmarried partnership or kinship in direct line up to the second degree;

h) Other key management of ATLANTICO and family members – Head Directors, their spouses, descendants or ascendants, in direct line up to the second degree;

i) Entity hired by ATLANTICO to provide post-employment benefit plans for ATLANTICO employees.

The members of the Board of Directors and of the Supervisory Board, as at 31 December 2018, are as follows:

Board of Directors:
Carlos José da Silva
António João Assis de Almeida
Miguel Maya Dias Pinheiro
Atanas Stefanov Bostandjiev
Daniel Gustavo Carvalho dos Santos
Augusto Costa Ramiro Baptista
Paulo Fernando Cartaxo Tomás
Ana Patrícia Pereira Gabriel Tavares
Éder Nuno Vicente Samuel de Sousa
Jorge Manuel de Aguiar Pena
Odyle Vieira Dias Cardoso
José Miguel B. S. da Silva Pessanha
José Miguel Nunes Anacoreta Correia
Diogo Baptista Russo Pereira da Cunha
Hermenegilda de Fátima Agostinho Lopes Benge

Supervisory Board:
António Guilherme Rodrigues Frutuoso de Melo
Luís Carlos Costa Prazeres
José Pedro Porto Dordio
Nelson Luís Vieira Teixeira
Maria Cristina Santos Ferreira

As at 31 December 2018 and 2017, the Bank does not have subsidiaries, joint ventures and jointly controlled entities.

All transactions with related parties are carried out at regular market prices, using the principle of fair value.

NOTE 34.
Fair value of financial assets and liabilities

Fair value is based on listed market prices if available; otherwise fair value is determined based on cash-flow discounting techniques. Cash flows for the different instruments are calculated according with its financial characteristics and discount rates used include both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by parameters used in the evaluation model that, necessarily have some degree of judgment and reflect exclusively the value attributed to different financial instruments.

As at 31 December 2018 and 2017, the Bank's fair value of financial assets and liabilities is analysed as follows:

(Thousands of AOA)

	Amortized Cost	Measured at Fair Value			Total book value	Fair value
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with para-meters not observa-ble in the market (Level 3)		
31 December 2018						
Assets						
Cash and deposits at central banks	159,372,252	-	-	-	159,372,252	159,372,252
Loans and advances to credit institutions repayable on demand	26,739,729	-	-	-	26,739,729	26,739,729
Financial assets and liabilities at fair value through profit or loss	-	-	6,903,601	19,716,843	26,620,444	26,620,444
Financial assets at fair value through other comprehensive income	-	-	197,781,944	337,782	198,119,726	198,119,726
Financial assets at amortised cost						
Debt securities	274,968,716	-	-	-	274,968,716	272,409,571
Loans and advances to customers	420,264,577	-	-	-	420,264,577	418,456,722
Other loans and advances to credit institutions	13,312,565	-	-	-	13,312,565	13,312,565
Financial assets	894,657,839	-	204,685,545	20,054,625	1,119,398,009	1,115,031,009
Deposits from central banks and other credit institutions	160,054,580	-	-	-	160,054,580	160,054,580
Deposits from customers	1,042,924,548	-	-	-	1,042,924,548	1,042,924,548
Financial liabilities	1,202,979,128	-	-	-	1,202,979,128	1,202,979,128

(Thousands of AOA)

	Amortized cost	Valued at Fair Value			Total book value	Fair value
		Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with parameters not observable in the market (Level 3)		
31 December 2017						
Cash and deposits at central banks	133,610,160	-	-	-	133,610,160	133,610,160
Loans and advances to credit institutions repayable on demand	4,510,199	-	-	-	4,510,199	4,510,199
Other loans and advances to central banks and credit institutions	31,234,743	-	-	-	31,234,743	31,234,743
Financial assets and liabilities at fair value through profit or loss						
Financial assets held for trading						
Securities						
Bonds issued from public entities	-	-	772,702	-	772,702	772,702
Derivatives						
Exchange rates	-	-	2,943,770	-	2,943,770	2,943,770
Financial assets available for sale						
Bonds issued from public entities	-	-	79,373,734	-	79,373,734	79,373,734
Bonds issued from other entities	-	-	3,589,867	-	3,589,867	3,589,867
Shares	581,269	-	-	-	581,269	581,269
Other variable income securities			14,230,624	379,617	14,610,241	14,610,241
Held-to-maturity investments	219,034,443				219,034,443	218,259,685
Loans and advances to customers	395,712,862	-	-	-	395,712,862	393,525,473
Financial assets	565,649,233	-	100,910,697	379,617	666,939,547	664,752,158
Deposits from central banks and other credit institutions	117,181,364	-	-	-	117,181,364	117,181,364
Deposits from customers	801,365,710	-	-	-	801,365,710	801,365,710
Financial liabilities	918,547,074	-	-	-	918,547,074	918,547,074

The Bank uses the following hierarchy for fair value with 3 levels in the evaluation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access;

Level 2: Fair value is determined based on evaluation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and evaluation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument. It also includes instruments whose valuation is obtained through quotations disclosed by independent entities but whose markets have the lowest liquidity; and

Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use do evaluate the same instruments, including assumptions about the inherent risks, the evaluation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Bank considers an active market for a given financial instrument at the measurement date, depending on the volume of business and liquidity of the transactions carried out, the relative volatility of quoted prices and the readiness and availability of the information, and the following conditions should apply:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There are executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes; and
- The parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

The main methodologies and assumptions used in estimating the fair value of financial assets and liabilities recorded in the balance sheet at amortised cost are analysed as follows:

Cash and deposits at central banks, Loans and advances to credit institutions and Other loans and advances to central banks and credit institutions

Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Financial assets at fair value through profit and loss and Financial assets at fair value through other comprehensive income
These financial instruments are measured at fair value for the Angolan public debt securities. Fair value is based on market prices (BODIVA), whenever these are available; otherwise, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Interest rates are determined based on information disseminated by financial content providers and BNA. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are also used in the projection of the non-deterministic cash flows, such as indexes.

For investment funds, the best fair value estimate considered is the financial statements of these bodies at the Bank's balance sheet date and, where possible, with the Auditor's Report.

Financial assets at amortised cost
The fair value of these instruments is based on market prices, whenever these are available; otherwise, fair value is estimated through the update of expected cash-flows of future capital and interest for these instruments.

For disclosure purposes, Treasury Bills have short-term residual maturities and Treasury Bonds in foreign currency bear interest rates in line with the comparable market rates in force, and therefore their carrying amount represents substantially the fair value of these assets.

Loans and advances to customers
The fair value of loans and advances to customers is calculated based on the update of expected principal and interest future cash flows, considering that the payments of the instalments occur in the contractually defined dates. The expected future cash flows of homogeneous credit portfolios, such as mortgage loans, are estimated on a portfolio basis. The discount rates used are the current rates charged for loans with similar characteristics.

Deposits from central banks and other credit institutions
The fair value of loans and advances to customers is calculated based on the update of expected principal and interest future cash flows, considering that the payments of the instalments occur in the contractually defined dates.

Deposits from customers
The fair value of these financial instruments is calculated based on the expected principal and interest future cash flows. The discount rate used reflects the rates charged for deposits with similar characteristics at the balance sheet date. Considering that the applicable interest rates are renewed for periods of less than one year, there are no material differences in their fair value.

Exchange rates
Concerning the exchange rates, the Bank uses in its valuation models the spot rate observed in the market at the time of the valuation.

NOTE 35.
Risk management

Main risk categories

Credit – Credit risk is the uncertainty of recovery of an investment and its return, due to the debtor's (or guardian, if applicable) inability to fulfil its financial commitments to the Bank, causing a financial loss to the creditor. Credit risk is reflected in debt securities or other receivables.

Market – Market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or the prices of the different financial instruments that comprise it, considering both the correlations between them and the respective volatilities. Therefore, Market Risk encompasses the risk of interest rate, exchange rate and other price risks.

Liquidity – Liquidity risk reflects the inability of the Bank to meet its liabilities associated with financial liabilities on each maturity date without incurring significant losses as a result of a deterioration in the conditions of access to financing (financing risk) and/or sale of its assets for amounts lower than the amounts usually practiced in the market (market liquidity risk).

Real Estate – Real estate risk is the probability of negative impacts on income and/or capital due to unfavorable changes in the market price.

Operating – Operating risk is the probability of failures or inappropriateness of internal procedures, information systems, human behavior or external events.

Risk Assessment

Credit Risk

Credit risk models play a key role in the credit decision process. Therefore, the loan portfolio's decision-making process is based on a set of policies, through scoring models for Private and Business clients' portfolios and rating for the corporate segment.

Credit decisions depend on risk classifications and compliance with several rules on the financial standing and behavior of the proposers. There are relative scoring models for the main credit portfolios of private clients, namely mortgage loans and individual loans, including the necessary segmentation between clients and non-clients (or recent clients).

The main goals of credit risk management are:

- Define the provisioning rules/impairment calculations;
- Define the process of risk analysis;
- Analyze the sectorial and geographical risks;
- Analyze the non-diversification risks;
- Define and monitoring the internal boundaries for counter parties;
- Monitoring the implementation of risks cutback plans, through a follow-up of the overdue credit portfolio.

In order to mitigate the credit risk, the portfolio analysis includes the following criteria:

- Customer's background, to seek the existence of credit defaults, pledges or debts;
- Exposure limits to credit risk, where, in accordance with the counterparties' credit capacity, it is established an internal rating, as well as the definition of maximum limits to counterparties;
- Default risk, where the clients with ratings of high default probability are rejected;
- Personal or real guarantees at the credit conception, in order to mitigate the Bank's exposure to the respective counterparty.

The Bank's exposure to credit risk is presented as follows:

(Thousands of AOA)

	31.12.2018		
	Gross book value	Impairment	Net book value
Balance sheet items			
Cash and deposits at central banks	148,165,613	-	148,165,613
Loans and advances to credit institutions repayable on demand	26,739,729	-	26,739,729
Financial assets at fair value through profit or loss	26,620,444	-	26,620,444
Financial assets at fair value through other comprehensive income	198,119,726	-	198,119,726
Financial assets at amortised cost			
Loans and advances to customers	499,216,620	(78,952,043)	420,264,577
Debt securities	275,647,419	(678,703)	274,968,716
Other loans and advances to credit institutions	13,312,565	-	13,312,565
Valores a receber	55,237,056	(3,060,860)	52,176,196
Other debtors	17,955,911	(1,501,605)	16,454,306
	1,261,015,083	(84,193,211)	1,176,821,872
Off-balance sheet items			
Documentary credit	89,789,769	(640,932)	89,148,837
Guarantees provided	18,007,873	(350,612)	17,657,261
	107,797,642	(991,544)	106,806,098
	1,368,812,725	(85,184,755)	1,283,627,970

(Thousands of AOA)

	31.12.2017		
	Gross book value	Impairment	Net book value
Balance sheet items			
Cash and deposits at central banks	121,955,978		121,955,978
Loans and advances to credit institutions repayable on demand	4,510,199	-	4,510,199
Other loans and advances to central banks and credit institutions	31,234,743	-	31,234,743
Financial assets at fair value through profit or loss	3,716,472	-	3,716,472
Financial assets available for sale	82,963,601	-	82,963,601
Held-to-maturity investments	219,034,443	-	219,034,443
Loans and advances to customers	438,769,862	(43,057,000)	395,712,862
Other receivables	35,924,049	(1,133,351)	34,790,698
Other debtors	6,112,763	(523,006)	5,589,757
	944,222,110	(44,713,357)	899,508,753
Off-balance sheet items			
Documentary credit	47,547,389	(178,228)	47,369,161
Guarantees provided	13,917,640	(195,040)	13,722,600
	61,465,029	(373,268)	61,091,761
	1,005,687,139	(45,086,625)	960,600,514

As at 31 December 2018 and 2017, the Bank's exposure to credit risk, by sector of activity, is presented as follows:

(Thousands of AOA)

	31.12.2018					
	Loans to customers		Guarantees provided and credit letters	Total exposure	Impairment	
	Due	Past due			Amount	Impairment/ Total exposure
Real Estate	159,166,414	14,186,515	334,745	173,687,674	26,141,631	15%
Wholesale and retail trading	50,217,274	10,130,436	69,979,330	130,327,040	8,544,084	7%
Buildings and construction	75,873,357	10,440,061	16,529,084	102,842,502	18,964,480	18%
Manufacturing industry	77,491,412	9,651,797	8,224,582	95,367,791	10,245,759	11%
Private	29,974,706	3,757,510	48,540	33,780,756	10,717,410	32%
Institutional	8,599,537	102	-	8,599,639	59,435	1%
Others	41,745,323	7,982,176	12,681,361	62,408,860	5,270,789	8%
Total	443,068,023	56,148,597	107,797,642	607,014,262	79,943,588	92%

(Thousands of AOA)

	31.12.2017					
	Loans to customers		Guarantees provided and credit letters	Total exposure	Impairment	
	Due	Past due			Amount	Impairment/ Total exposure
Real Estate	138.559.371	16.960	360.882	138.937.213	10.474.943	8%
Wholesale and retail trading	55.465.696	7.182.176	38.034.516	100.682.388	5.758.977	6%
Buildings and construction	76.306.906	7.521.090	11.413.000	95.240.996	10.131.388	11%
Manufacturing industry	60.045.161	6.979.128	5.418.934	72.443.223	6.468.206	9%
Private	20.288.849	2.068.552	71.126	22.428.527	3.997.579	18%
Institutional	13.823.875	-	-	13.823.875	40.104	0%
Others	42.443.182	8.068.916	6.166.571	56.678.669	6.559.071	12%
Total	406.933.040	31.836.822	61.465.029	500.234.891	43.430.268	63%

As at 31 December 2018 and 2017, the geographical concentration of credit risk is presented as follows:

(Thousands of AOA)

	31.12.2018			
	Geographical area			
	Angola	Portugal	Other	Total
Loans and advances to customers	496,688,334	2,507,712	20,574	499,216,620
Guarantees provided and credit letters	107,502,974	-	294,668	107,797,642
Total	604,191,308	2,507,712	315,242	607,014,262

(Thousands of AOA)

	31.12.2017			
	Geographical area			
	Angola	Portugal	Other	Total
Loans and advances to customers	431,656,643	7,096,666	16,553	438,769,862
Guarantees provided and credit letters	61,205,290	-	259,739	61,465,029
Total	492,861,933	7,096,666	276,292	500,234,891

Real estate guarantees and financial collaterals, which allow a direct reduction in the position value, are important for credit risk mitigation. Personal protection guarantees, with a substitution effect in the position at risk, are also considered.

Credit operations collateralised by financial guarantees are considered for direct reductions, namely, deposits, Angolan state bonds and other similar guarantees.

Regarding real mortgage guarantees, the valuation of assets are performed by independent appraisers. The revaluation of the assets is performed through assessments on-the-site, performed by a technical appraiser, in accordance with best market practices.

The Bank's Calculation Model of Impairment Losses of the Loans Portfolio has been in production since 2018 and is governed by the general principles defined in IFRS 9, as well as by the guidelines and iterations for the implementation of IAS/IFRS with Angola Central Bank, in order to align the calculation process with the best international practices.

The Bank's impairment model begins with the segmentation of the credit portfolio customers into separate groups, according to their stage and depending on the existence of signs of impairment (which include internal and external information) and the size of the set of exposures of each economic/customer group:

Individually Significant: Customers or Economic Groups that meet at least one of the following requirements are subject to an individual analysis:

For each one of the customers/active loans, a set of impairment signs is verified, which includes internal and external information. This information increases impairment values, since these represent an increase in the risk of default.

It should be noted that a restructured loan is a sign of impairment and, therefore, the loan portfolio marked as restructured is included in the loans with signs of impairment.

In the group of homogeneous populations, client exposures are subject to collective analysis.

Impairment value for Individually Significant Customers is determined through the discounted cash-flows method. Basically, the impairment value corresponds to the difference between the credit value and the sum of the expected cash flows for the several operations of the client, which are updated according to the interest rates of each operation.

Market Risk

Market Risk is controlled, in a short and long term vision, for the bank portfolio. The main actors in the daily management of Market and Liquidity Risk are the Treasury and Markets Department and the Risk Department.

The Treasury and Markets Department is responsible for the selection and performance of market operations and for liquidity management, considering the limits defined in the Bank's risk profile.

The Risk Department is responsible for the identification, measurement and monitoring of risks, always ensuring that the defined limits are met.

The Bank also complies with Notice No. 08/2016 of 16 May, regarding the Interest Rate Risk in the banking portfolio (financial instruments not held in the portfolio of financial assets at fair value through profit and loss).

The investment portfolio is mainly concentrated in National Treasury bonds and, by 31 December 2018, it represented 99.9% (31 December 2017: n/a) of the total portfolio of financial assets at fair value through other comprehensive income and at amortised cost.

The assessment of the interest rate risk originated by operations from the banking portfolio is made by risk sensitivity analysis.

Based on the financial characteristics of each contract, cash flows are projected according to the dates of rate re-establishment and possible behavioral assumptions considered.

The aggregation of the expected cash flows, at each time frame, for each of the currencies analysed, allows the determination of the interest rate gaps by refixing periods.

Following the recommendations of Instruction No. 06/2016 of 8 August of Angola Central Bank, the Bank calculates its exposure to the balance sheet interest rate risk based on the methodology defined in the Instruction.

As at 31 December 2018 and 2017, the Bank's assets and liabilities by type of rate, are analysed as follows:

(Thousands of AOA)

	31.12.2018				
	Exposure to		Not subject to risk of interest rate	Derivatives	Total
	Fixed rate	Variable rate			
Assets					
Cash and deposits at central banks	-	-	159,372,252	-	159,372,252
Loans and advances to credit institutions repayable on demand	-	-	26,739,729	-	26,739,729
Financial assets at fair value through profit or loss	-	10,183,491	16,387,405	49,548	26,620,444
Financial assets at fair value through other comprehensive income	196,311,431	1,470,513	337,782	-	198,119,726
Financial assets at amortised cost					
Debt securities	274,968,716	-	-	-	274,968,716
Loans and advances to customers	42,361,333	456,855,287	-	-	499,216,620
Other loans and advances to credit institutions	13,312,565	-	-	-	13,312,565
	526,954,045	468,509,291	202,837,168	49,548	1,198,350,052
Liabilities					
Deposits from central banks and other credit institutions	86,112,479	73,942,101	-	-	160,054,580
Deposits from customers and other deposits	617,908,895	-	425,015,653	-	1,042,924,548
	704,021,374	73,942,101	425,015,653	-	1,202,979,128

(Thousands of AOA)

	31.12.2017				
	Exposure to		Not subject to risk of interest rate	Derivatives	Total
	Fixed rate	Variable rate			
Assets					
Cash and deposits at central banks	-	-	133,610,160	-	133,610,160
Loans and advances to credit institutions repayable on demand	-	-	4,510,199	-	4,510,199
Other loans and advances to central banks and credit institutions	31,234,743	-	-	-	31,234,743
Financial assets at fair value through profit or loss	772,702	-	-	2,943,770	3,716,472
Financial assets available for sale	79,373,734	3,589,867	15,220,405	-	98,184,006
Held-to-maturity investments	219,034,443	-	-	-	219,034,443
Loans and advances to customers	126,444,640	312,325,222	-	-	438,769,862
	456,860,262	315,915,089	153,340,764	2,943,770	929,059,885
Liabilities					
Deposits from central banks and other credit institutions	59,739,725	57,441,639	-	-	117,181,364
Deposits from customers and other deposits	426,091,900	-	375,273,810	-	801,365,710
	485,831,625	57,441,639	375,273,810	-	918,547,074

The following table presents the average interest rates for the major categories of the Bank's financial assets and liabilities for the period ended on 31 December 2018 and 2017, as well as the respective average balances and income and expenses for the period:

(Thousands of AOA)

	31.12.2018			31.12.2017		
	Average balance for the period	Interest for the period	Average interest rate	Average balance for the period	Interest for the period	Average interest rate
Investments						
Cash	17,164,087	-	0.00%	10,179,034	-	0.00%
Financial assets at amortised cost						
Loans and advances to customers	423,380,954	82,445,042	19.47%	495,210,456	73,231,588	14.79%
Debt securities (2017: Held-to-maturity investments)	284,170,006	23,201,761	8.16%	180,040,718	13,161,968	7.31%
Other loans and advances to credit institutions	19,366,401	342,623	1.77%	25,322,251	204,869	0.81%
Interest from financial assets at fair value through comprehensive income (2017: Interest from financial assets available for sale)	182,132,045	12,431,476	6.83%	102,943,463	6,556,215	6.37%
Interest from financial assets at fair value through profit and loss	26,602,446	32,063	0.12%	4,102,088	106,685	2.60%
Total Investments	952,815,940	118,452,965		817,798,010	93,261,325	
Resources						
Deposits from customers	1,008,058,404	34,351,133	3.41%	767,221,777	19,878,483	2.59%
Interbank resources	171,600,104	16,872,213	9.83%	87,220,688	5,948,352	6.82%
Other resources	-	-	-	105,871	88,750	-
Financial liabilities	1,179,658,508	51,223,346		854,548,336	25,915,585	
Net interest income		67,229,619			67,345,740	

The sensitivity to the balance sheet interest rate risk, by currency, is calculated through the difference between the present value of the interest rate mismatch, discounted at market interest rates in force, and the discounted value of the same cash flows simulating parallel shifts of the market interest rate yield curve.

As at 31 December 2018 and 2017 and according to the information reported to BNA, the financial instruments sensitivity analysis to interest rate changes are as follows:

(Thousands of AOA)

Exposure by maturity intervals or rate re-adjustment – impact in Equity							
Dec. 18							
Time gap	Assets	Liabilities	Off-balance sheet items		Position	Equity	
			(+)	(-)		Weighting factor	Weighted position
At sight – 1 month	255,877,587	320,571,769	18,468,420	32,651,899	(78,877,660)	0.08%	(63,102)
1 – 3 months	109,556,714	259,214,138	-	-	(149,657,423)	0.32%	(478,904)
3 – 6 months	92,127,127	168,149,498	-	-	(76,022,370)	0.72%	(547,361)
6 – 12 months	72,554,994	169,707,927	14,203,965	27,828	(82,976,796)	1.43%	(1,186,568)
1 – 2 years	124,456,408	55,370,405	-	-	69,086,003	2.77%	1,913,682
2 – 3 years	121,651,187	30,503,241	-	-	91,147,946	4.49%	4,092,543
3 – 4 years	121,706,197	28,851,696	-	-	92,854,501	6.14%	5,701,266
4 – 5 years	38,006,301	28,335,351	-	-	9,670,950	7.71%	745,630
5 – 7 years	113,557,868	28,335,351	-	-	85,222,517	10.15%	8,650,085
7 – 10 years	37,658,608	28,335,351	-	-	9,323,257	13.26%	1,236,264
10 – 15 years	13,176,281	28,335,351	-	-	(15,159,070)	18.84%	(2,855,969)
15 – 20 years	13,357,566	28,335,351	-	-	(14,977,785)	22.43%	(3,359,517)
> 20 years	16,580,106	28,335,351	-	-	(11,755,245)	26.03%	(3,059,890)
						Total	10,788,160
						Accumulated impact of instruments sensitive to interest rate	10,788,160
						Regulatory own funds	101,138,615
						Impact on economic value / own funds	10.67%

(Thousands of AOA)

Exposure by maturity intervals or rate re-adjustment – impact in Equity							
Dec. 17							
Time gap	Assets	Liabilities	Off-balance sheet items		Position	Equity	
			(+)	(-)		Weighting factor	Weighted position
At sight – 1 month	245,769,952	233,383,890	12,896,788	-	25,282,850	0.08%	20,226
1 – 3 months	89,710,368	161,109,842	12,285,131	2,876,608	(61,990,951)	0.32%	(198,371)
3 – 6 months	125,044,011	142,390,389	3,224,197	-	(14,122,181)	0.72%	(101,680)
6 – 12 months	59,882,959	142,703,853	3,224,197	-	(79,596,696)	1.43%	(1,138,233)
1 – 2 years	82,752,055	35,145,550	4,298,929	-	51,905,434	2.77%	1,437,781
2 – 3 years	46,337,342	25,806,813	4,298,929	-	24,829,458	4.49%	1,114,843
3 – 4 years	61,708,423	25,407,529	4,298,929	-	40,599,823	6.14%	2,492,829
4 – 5 years	29,519,055	25,007,192	4,298,929	-	8,810,792	7.71%	679,312
5 – 7 years	67,079,980	25,007,192	4,298,929	-	46,371,717	10.15%	4,706,729
7 – 10 years	39,234,505	25,007,192	4,298,929	-	18,526,242	13.26%	2,456,580
10 – 15 years	12,803,431	25,007,192	4,298,929	-	(7,904,831)	18.84%	(1,489,270)
15 – 20 years	11,212,757	25,007,192	4,298,929	-	(9,495,506)	22.43%	(2,129,842)
> 20 years	10,731,726	25,307,468	4,298,929	-	(10,276,814)	26.03%	(2,675,055)
						Total	5,175,849
						Accumulated impact of instruments sensitive to interest rate	5,175,849
						Regulatory own funds	72,968,365
						Impact on economic value / own funds	7.09%

According to Article 6 of Notice No. 08/2016 of 16 May, the Bank shall inform Angola Central Bank whenever there is a potential decrease in economic value in its banking portfolio equal or higher than 20% of regulatory own funds. During 2018 and 2017, the Bank complied with this requirement.

As at 31 December 2018 and 2017, the breakdown of assets and liabilities, by currency, is analyzed as follows:

(Thousands of AOA)

	31.12.2018					
	Kwanzas	Kwanzas indexed at American dollars	American dollars	Euro	Other currencies	Total
Assets						
Cash and deposits at central banks	95,665,319	-	62,242,504	1,121,223	343,206	159,372,252
Loans and advances to credit institutions repayable on demand	407,181	-	7,673,129	17,877,926	781,493	26,739,729
Financial assets at fair value through profit or loss	26,620,444	-	-	-	-	26,620,444
Financial assets at fair value through other comprehensive income	82,146,938	73,654,676	42,318,112	-	-	198,119,726
Financial assets at amortised cost	-	-	-	-	-	-
Debt securities	15,351,265	190,561,375	69,056,076	-	-	274,968,716
Loans and advances to customers	318,910,000	19,249,412	71,612,644	10,492,518	3	420,264,577
Other loans and advances to credit institutions	-	-	10,645,977	2,666,588	-	13,312,565
Other tangible assets	65,709,104	-	-	-	-	65,709,104
Intangible assets	32,625,573	-	-	-	-	32,625,573
Non-current assets held for sale	65,790,661	-	-	-	-	65,790,661
Current tax assets	1,419,014	-	299,444	-	-	1,718,458
Deferred tax assets	1,832,945	-	-	-	-	1,832,945
Other assets	31,370,086	-	36,791,267	3,496,676	39,188	71,697,217
	737,848,530	283,465,463	300,639,153	35,654,931	1,163,890	1,358,771,967
Liabilities						
Deposits from central banks and other credit institutions	70,575,290	-	89,088,605	390,685	-	160,054,580
Deposits from customers and other deposits	492,386,131	50,935,880	457,729,474	41,159,474	713,589	1,042,924,548
Financial assets at fair value through profit or loss	50,510	-	-	-	-	50,510
Current tax assets	-	-	-	-	-	-
Deferred tax assets	490,164	-	371,848	-	-	862,012
Provisions	540,410	2,777,463	356,042	1,487,177	9	5,161,101
Other liabilities	5,129,315	11,046,598	(2,615,673)	1,022,593	96,893	14,679,726
	569,171,820	64,759,941	544,930,296	44,059,929	810,491	1,223,732,477
	168,676,710	218,705,522	(244,291,143)	(8,404,998)	353,399	135,039,490

(Thousands of AOA)

	31.12.2017					
	Kwanzas	Kwanzas indexed at American dollars	American dollars	Euro	Other currencies	Total
Assets						
Cash and deposits at central banks	95,286,143	-	37,833,892	271,139	218,986	133,610,160
Loans and advances to credit institutions repayable on demand	98,477	-	1,700,148	2,425,610	285,964	4,510,199
Other loans and advances to central banks and credit institutions	-	-	26,230,966	5,003,777	-	31,234,743
Financial assets at fair value through profit or loss	2,750,642	772,844	3,069,594	(2,876,608)	-	3,716,472
Financial assets for sale	14,049,661	68,833,042	15,272,408	-	-	98,155,111
Held-to-maturity investments	16,603,151	135,599,986	66,831,306	-	-	219,034,443
Loans and advances to customers	333,679,347	11,843,344	43,540,620	6,649,551	-	395,712,862
Non-current assets held for sale	43,544,500	-	-	-	-	43,544,500
Other tangible assets	62,746,419	-	-	-	-	62,746,419
Intangible assets	30,204,743	-	-	-	-	30,204,743
Current tax assets	1,584,392	-	-	-	-	1,584,392
Deferred tax assets	157,246	-	-	-	-	157,246
Other assets	22,278,183	-	21,056,284	2,009,040	106,546	45,450,053
	622,982,904	217,049,216	215,535,218	13,482,509	611,496	1,069,661,343
Liabilities						
Deposits from central banks and other credit institutions	55,903,736	-	46,149,923	15,028,999	98,706	117,181,364
Deposits from customers and other deposits	476,602,184	32,513,021	268,516,971	22,745,127	988,407	801,365,710
Provisions	1,851,658	-	-	602,543	-	2,454,201
Current tax liabilities	2,178,122	-	-	-	-	2,178,122
Deferred tax liabilities	746,113	-	-	-	-	746,113
Subordinated debt	-	-	-	-	-	-
Other liabilities	3,452,568	-	8,771,431	4,972,777	17	17,196,793
	540,734,381	32,513,021	323,438,325	43,349,446	1,087,130	941,122,303
	82,248,523	184,536,195	(107,903,107)	(29,866,937)	(475,634)	128,539,040

The sensitivity analysis of the book value of financial instruments to changes in exchange rates, as at 31 December 2018 and 2017 is presented as follows:

(Thousands of AOA)

Currency	31.12.2018					
	-20%	-10%	-5%	5%	10%	20%
American dollars	48,858,229	24,429,114	12,214,557	(12,214,557)	(24,429,114)	48,858,229
Kwanzas indexed at American dollars	(43,741,104)	(21,870,552)	(10,935,276)	10,935,276	21,870,552	(43,741,104)
Euros	1,681,000	840,500	420,250	(420,250)	(840,500)	1,681,000
Other currencies	(70,681)	(35,340)	(17,670)	17,670	35,340	(70,680)
	6,727,443	3,363,722	1,681,861	(1,681,861)	(3,363,722)	6,727,444

(Thousands of AOA)

Currency	31.12.2017					
	-20%	-10%	-5%	5%	10%	20%
American dollars	21,580,621	10,790,311	5,395,155	(5,395,155)	(10,790,311)	(21,580,621)
Kwanzas indexed at American dollars	(36,907,239)	(18,453,620)	(9,226,810)	9,226,810	18,453,620	36,907,239
Euros	5,973,387	2,986,694	1,493,347	(1,493,347)	(2,986,694)	(5,973,387)
Other currencies	95,127	47,563	23,782	(23,782)	(47,563)	(95,127)
	(9,258,104)	(4,629,052)	(2,314,526)	2,314,526	4,629,052	9,258,104

The result of the presented stress test corresponds to the expected impact (before taxes) on shareholders' equity, due to a 20% valuation in the exchange rate of each currency against the kwanza.

Liquidity Risk

The assessment of the liquidity risk is made using internal metrics, defined by the Bank's management, namely, exposure limits. This control is reinforced with monthly execution of stress tests, in order to characterize the Bank's risk profile and ensure that fulfills its obligations in a liquidity crisis scenario.

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored on a daily basis and several reports are prepared for control, monitor and support to the decision-making process of the Risk Committee.

The evolution of the liquidity situation is performed based particularly on future cash flows estimated for various time horizons, considering the Bank's balance sheet. To the calculated values is added the analysis day's liquidity position and the amount of assets considered highly liquid in the portfolio of uncommitted assets, determining the cumulative liquidity gap for different time horizons. Additionally, it is also performed a follow-up of liquidity positions of a prudential point of view, calculated under the rules required by Angola Central Bank (Instruction No. 06/2016 of 8 August).

As at 31 December 2018 and 2017, the residual maturities of the Bank's financial assets and liabilities had the following structure:

(Thousands of AOA)

	31.12.2018						
	Maturity dates						
	On demand	Within 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undetermined	Total
Assets							
Cash and deposits at central banks	159,372,252	-	-	-	-	-	159,372,252
Loans and advances to credit institutions repayable on demand	26,739,729	-	-	-	-	-	26,739,729
Financial assets at fair value through profit and loss	-	128,968	9,697,278	87,441	319,352	16,387,405	26,620,444
Financial assets at fair value through other comprehensive income	-	2,145,799	16,203,746	103,384,303	76,048,096	337,782	198,119,726
Financial assets at amortised cost							
Debt securities	-	14,579,248	22,851,970	193,744,246	44,471,955	-	275,647,419
Loans and advances to customers	-	89,661,510	37,311,736	77,379,572	194,311,965	56,148,597	454,813,380
Other loans and advances to credit institutions	-	10,690,531	2,582,766	-	-	-	13,273,297
	186,111,981	117,206,056	88,647,496	374,595,562	315,151,368	72,873,784	1,154,586,247
Liabilities							
Deposits from central banks and other credit institutions	-	146,195,840	10,000,000	-	-	-	156,195,840
Deposits from customers and other deposits	425,015,653	324,866,543	284,669,722	-	-	-	1,034,551,918
Financial liabilities at fair value through profit and loss	-	50,510	-	-	-	-	50,510
	425,015,653	471,112,893	294,669,722	-	-	-	1,190,798,268
Net exposure	(238,903,672)	(353,906,837)	(206,022,226)	374,595,562	315,151,368	72,873,784	(36,212,021)

(Thousands of AOA)

	31.12.2017						
	Maturity dates						
	On demand	Within 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undeter-mined	Total
Assets							
Cash and deposits at central banks	133,610,160	-	-	-	-	-	133,610,160
Loans and advances to credit institutions repayable on demand	4,510,199	-	-	-	-	-	4,510,199
Other loans and advances to central banks and credit institutions	-	25,425,083	5,780,579	-	-	-	31,205,662
Financial assets and liabilities at fair value through profit or loss		192,986	2,757,598	765,888			3,716,472
Financial assets available for sale	-	4,370,437	3,926,824	58,004,747	16,661,593	15,191,510	98,155,111
Held-to-maturity investments	-	23,352,878	32,003,810	113,096,248	50,581,507	-	219,034,443
Loans and advances to customers	-	67,063,005	60,587,367	91,034,052	153,253,323	31,836,822	403,774,569
	138,120,359	120,404,389	105,056,178	262,900,935	220,496,423	47,028,332	894,006,616
Liabilities							
Deposits from central banks and other credit institutions	-	98,811,892	15,000,000	-	-	-	113,811,892
Deposits from customers and other deposits	375,273,810	180,416,190	240,101,284	-	-	-	795,791,284
	375,273,810	279,228,082	255,101,284	-	-	-	909,603,176
Net exposure	(237,153,451)	(158,823,693)	(150,045,106)	262,900,935	220,496,423	47,028,332	(15,596,560)

The Bank already calculates the Liquidity Ratio in accordance with Instruction 19/2016 of 30 August. This Instruction defines, as a minimum, a 100% ratio in kwanzas and 150% for the exposure in foreign currency.

Real Estate Risk

As at 31 December 2018 and 2017, exposure to real estate and investments real estate fund units presented the following values:

(Thousands of AOA)

	31.12.2018	31.12.2017
Real estate received as loan guarantee	64,784,882	41,500,044
Real estate reclassified from property and equipment	2,983,181	2,751,778
	67,768,063	44,251,822

Operating Risk
The Bank's Risk Department performs the corporate operational risk management function of the Bank, which is supported by the existence of counterparts in different organizational units that ensure the adequate implementation of operational risk management in the Bank.

The Bank has initiated a set of guidelines and actions aimed at better alignment of systems, human resources and processes in order to allow an effective continuous mitigation of Operating Risk, making a continuous investment to be in line with the best international practices.

ATLANTICO's operating risk management is based on a process-based organizational model that allows the Bank to adopt an end-to-end perspective of the value chain of products and services in Operating Risk management, involving the whole organization and enhancing cross-responsibility.

The identification of events that might generate Operating Risk and respective assessment is performed at the level of the organic units by the process owners of the different Operating Risk processes.

Operating Risk management is performed using three instruments:
- Identification of events of losses resulting from Operating Risks and respective mitigation actions performed by Departments;
- Risk self-assessment meetings organized by those responsible for each process and which allow the Bank to take a qualitative approach to identifying potential risks through a structured analysis from a procedural perspective;
- Identification and quantification of Key Risk Indicators (KRI) or, in other words, metrics that identify changes in the risk profile or in the processes controls effectiveness, allowing the preventive implementation of corrective actions.

Capital Management and Solvency Ratio

The Bank's own funds are calculated in accordance with the applicable regulatory standards, namely with Notice no. 02/2016 of 28 April and Instruction no. 18/2016 of 08 August. The solvency ratio reflects the ratio of regulatory own funds and the sum of the value of regulatory own funds requirements for credit risk and counterparty credit risk (Notice No. 3/2016), own funds requirements for market risk and credit risk of counterparties in the trading portfolio (Notice 04/2016) and own funds requirements for operational risk (Notice no. 05/2016).

Angolan financial institutions shall maintain a level of own funds compatible with the nature and scale of operations, duly weighted by the risks inherent to the operations, with a minimum regulatory Solvency Ratio of 10%.

Regulatory Own Funds comprise:
1. Original Own Funds – comprise (i) paid-up share capital; (ii) share premiums relating to elements included in the previous paragraph; (iii) reserve for monetary adjustments of paid-up share capital; (iv) positive retained earnings from previous periods; (v) legal, statutory and other reserves resulting from undistributed income/profit, or incorporated for capital increase and (vi) positive net income of the previous period; (vii) provisional positive net income of the current period; (viii) portion of the reserve and net income related to deferred tax assets, provided that they relate to losses containing as a negative element original own funds, and (ix) instruments whose issuance conditions were previously approved by Angola Central Bank.

Negative elements of the Original Own Funds – Comprise: (i) own shares in the portfolio, at the book value in the balance sheet; (ii) negative income, retained from previous periods; (iii) negative net income from the previous period; (iv) negative latent income relating to revaluation of securities; (v) negative latent income relating to the revaluation of available-for-sale securities and cash flow hedges and investments abroad; (vi) provisional negative net income for the current period; (vii) intangible assets net of depreciations; (viii) deferred costs relating to pension liabilities; (ix) portion of the reserve and net income related to deferred tax liabilities, provided that they relate to gains containing as a positive element original own funds; (x) positive revaluation differences resulting from the application of the equity method; (xi) lack of provisions under the provisions of Notice 12/2014, of 17 December, on the constitution of provisions; and (xii) actuarial losses not recognised in profit and loss.

2. Additional Own Funds – comprise (i) fixed-term preferred shares; (ii) generic funds and provisions; (iii) reserves resulting from real estate for own use; (iv) subordinated debt, in the form of loans or bonds issued, whose issuance conditions were previously approved by Angola Central Bank; (v) positive latent income relating to the revaluation of available-for-sale securities and cash flow hedges and investments abroad, up to 45% (forty five percent) of their value (by the amount of the net effect of the hedge) before taxes; (vi) other instruments whose issuance conditions have been previously approved by Angola Central Bank.

3. Deductions – comprise:
   (i) instruments issued or obtained by other financial institutions, of which the Institutions are holders, provided for in Article 5 (2) (a) and (i) and Article 7 (2) (a), (d) and (f), both of Notice 02/2016. This deduction should consider the book value in the balance sheet, net of provisions, and should met the following conditions:
   a) If the Institution has a participation above 10% (ten percent) of the investee's share capital, all of the aforementioned instruments shall be deducted, or
   b) If the Institution has a participation below or equal to 10% (ten percent) of the investee's share capital, and if above ten 10% (ten percent) of the investor's share capital, all of the aforementioned instruments shall be deducted, except 10% (ten percent) of the investor's own funds, determined before this deduction;

   (ii) the surplus against the limits established in Notice 9/2016, on prudential limits to large exposures.

Positive income referred to in the previous points may only be considered when certified by the chartered accountant, member of the supervisory board or statutory auditor and by the external auditor.

An overview of the Bank's capital requirements calculations for 31 December 2018 and 2017 is as follows:

(Thousands of AOA)

		31.12.2018
Regulatory Own Funds Requirements		
Credit risk		46,996,166
Operating risk		13,686,072
Market risk and counterparty credit risk in the trading portfolio		2,798,783
	A	63,481,021
Regulatory Own Funds		
Original own funds		99,629,575
Additional own funds		1,509,040
	B	101,138,615
Regulatory solvency ratio	C=B/A*10%	15.93%

NOTE 36.
Transition to IFRS 9 – Financial instruments

In 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 – Financial Instruments ("IFRS 9"). This new standard is effective for periods beginning on or after 1 January 2018 and replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). As allowed by the transitional provisions of IFRS 9, the Bank did not restate the comparative values in its financial statements arising from the application of IFRS 9. The impacts on the Bank's financial statements were recognised under Retained earnings and, therefore, in the regulatory capital reported.

IFRS 9 incorporates significant changes to IAS 39 essentially at three levels:

i) new rules for the classification, recognition and measurement of financial assets in accordance with the Group's business model and the characteristics of the contractual cash flows of these assets;

ii) new methodology concepts and measurement of impairment for financial assets, calculated on an expected credit loss basis ("ECL"); and

iii) new hedge accounting requirements more aligned with the entities' risk management practices. The Bank adopted IFRS 9 "Financial Instruments" for the first time on 1 January 2018. This situation led to changes in the classification and valuation of certain financial assets. The impacts on the financial statements arising from the adoption of this new standard were estimated on 1 January 2018, based on the information available to date and on a set of assumptions. Building on these estimates, the adoption of IFRS 9 resulted in a reduction of the Bank's net position, as of 1 January 2018, of approximately AOA 3,861,664 thousand, as follows:

(Thousands of AOA)

IAS 39					IFRS 9			
Classfication 31-12-2017	Measurement method before the transition	Book Value before the transition	Reclassification	Remeasurement	Book Value at the transition	Measurement method at the transition		Classfication 01-01-2018
Assets								**Assets**
Cash and deposits at central banks	AC	133,610,160	-	-	133,610,160	AC		Cash and deposits at central banks
Loans and advances to credit institutions repayable on demand	AC	4,510,199	-	-	4,510,199	AC		Loans and advances to credit institutions repayable on demand
Financial assets at fair value through profit or loss	FVTPL	3,716,472	20,832,294	-	24,548,766	FVTPL	A	Financial assets at fair value through profit or loss
Financial assets available for sale	FVOCI	98,155,111	13,731,596	-	111,886,707	FVOCI	B	Financial assets at fair value through other comprehensive income
								Financial assets at amortised cost
Held-to-maturity investments	AC	219,034,443	(27,569,135)	(478,663)	190,986,645	AC	C	Debt securities
Loans and advances to customers	AC	395,712,862	(6,994,755)	(5,208,000)	383,510,107	AC/ FVTPL	D	Loans and advances to customers
Other loans and advances to central banks and credit institutions	AC	31,234,743	-	-	31,234,743	AC		Other loans and advances to central banks and credit institutions
Other tangible assets		62,746,419	-	-	62,746,419			Other tangible assets
Intangible assets		30,204,743	-	-	30,204,743			Intangible assets
Non-current assets held for sale		43,544,500	-	-	43,544,500			Non-current assets held for sale
Current tax assets		1,584,392	-	-	1,584,392			Current tax assets
Deferred tax assets		157,246	-	1,654,999	1,812,245		E	Deferred tax assets
Other assets	AC	45,450,053	-	170,000	45,620,053	AC/ FVTPL	F	Other assets
Total Assets		1,069,661,343	-	(3,861,664)	1,065,799,679			**Total Assets**

(Thousands of AOA)

	IAS 39				IFRS 9		
Classifications 31-12-2017	Meas-urement method before the trans-ition	Book Value before the transition	Reclassi-fication	Remeas-urement	Book Value at the transition	Meas-urement method at the transition	Classfications 01-01-2018
Liabilities							**Liabilities**
Deposits from central banks and other credit institutions	AC	117,181,364	-	-	117,181,364	AC	Deposits from central banks and other credit institutions
Deposits from customers and other deposits	AC	801,365,710	-	-	801,365,710	AC	Deposits from customers and other deposits
Provisions		2,454,201	-	-	2,454,201		Provisions
Current tax liabilities		2,178,122	-	-	2,178,122		Current tax liabilities
Deferred tax liabilities		746,113	-	-	746,113		Deferred tax liabilities
Other liabilities	AC	17,196,793	-	-	17,196,793	AC	Other liabilities
Total Liabilities		941,122,303	-	-	941,112,303		**Total Liabilities**
Equity							**Equity**
Share capital		53,821,603	-	-	53,821,603		Share capital
Share premium		34,810,069	-	-	34,810,069		Share premium
Own shares		(492,182)	-	-	(492,182)		Own shares
Revaluation reserves		1,741,492	(1,607,569)	187,970	321,892	G	Revaluation reserves
Other reserves and retained earnings		38,658,058	1,607,569	(4,049,634)	36,215,993	H	Other reserves and retained earnings
Total equity attributable to the equity holders of the Bank		128,539,040	-	(3,861,664)	124,677,376		**Total equity attributable to the equity holders of the Bank**
Total Equity		128,539,040	-	(3,861,664)	124,677,376		**Total Equity**
Total liabilities and equity		1,069,661,343	-	(3,861,664)	1,065,799,679		**Total liabilities and equity**

A – This impact results from three different situations:

- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 14,610,241 thousand;
- Reclassification of a set of credits that, failing to meet the SPPI requirements, are no longer classified in the customer loan portfolio and are now mandatorily recorded at fair value through profit and loss, in the amount of AOA 6,994,755 thousand; and
- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Financial Assets at fair value through profit and loss and are now recorded in the financial assets at fair value through other comprehensive income in the amount of AOA 772,702 thousand.

B – This impact results from three different situations:

- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Held-to-maturity Investments and are now recorded in the portfolio of Financial Assets at fair value through other comprehensive income, in the amount of AOA 27,569,135 thousand;
- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Financial Assets at fair value through profit and loss and are now recorded in the portfolio of Financial assets at fair value through other comprehensive income in the amount of AOA 772,702 thousand; and
- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 14,610,241 thousand.

C – This impact results from two different situations:

- Reclassification of securities that, due to the revision of the business model, are no longer classified in the portfolio of Held-to-maturity Investments and are now recorded in the portfolio of Financial Assets at fair value through other comprehensive income, in the amount of AOA 27,569,135 thousand; and
- Recognition of impairment of public debt securities in the amount of AOA 478,663 thousand.

D – This impact results from two different situations::

- Reclassification of a set of credits that, failing to meet the SPPI requirements, are no longer classified in the customer loan portfolio and are now mandatorily recorded at fair value through profit and loss, in the amount of AOA 6,994,755 thousand, (includes (i) the amount of AOA 8,187,464 thousand relating to gross loans to customers and (ii) the amount of AOA 1,192,709 thousand relating to impairment); and
- Adjustment to impairment allocated to Loans and advances to customers to ensure the compliance with IFRS 9 requirements, in the amount of AOA 5,208,000 thousand.

E – This impact results from three different situations:

- Recognition of the deferred tax asset relating with the credit impairment in the amount of AOA 1,562,400 thousand;
- Recognition of the deferred tax asset relating with the recognition of impairment for the loan portfolio measured at amortised cost in the amount of AOA 143,599; and
- Recognition of deferred tax liability relating with the impairment reversal for other assets in the amount of AOA 51,000.

F – Impairment reversal for other assets in the amount of AOA 170,000 thousand.

G – This impact results from two different situations:

- Reclassification of Investment Fund Units, which are not eligible for the irrevocable option of classifying equity instruments at fair value through other comprehensive income and therefore are no longer classified in the portfolio of Available-for-sale and are now recorded at fair value through profit and loss, in the amount of AOA 1,607,569 thousand; and
- Impairment recognition of securities included in the fair value portfolio through other comprehensive income in the amount of AOA 187,970 thousand.

H – Total impact of the IFRS 9 adoption in other reserves and retained earnings of the Bank
The adoption of a new impairment model based on expected credit losses instead of losses incurred, has had an impact on the accumulated amounts of impairment losses and provisions.

The following table sets forth the reconciliation between the accounting values of impairment and provisions on the balance sheet in accordance with the measurement categories of IAS 39 and IFRS 9 as of 1 January 2018:

(Thousands of AOA)

	Impairment losses/ Provisions (IAS 39) as at 31 December 2017	Remeasurement	Impairment losses/ Provisions (IFRS 9) as at 1 January 2018
Cash and cash equivalents	-	-	-
Other loans and advances to central banks and credit institutions	-	-	-
Loans and advances to customers	43,057,000	5,208,000	48,265,000
Other loans and advances to securities at amortised cost	-	478,663	478,663
Other loans and advances to securities at fair value through other comprehensive income – Debt Instruments	-	-	-
Other Assets	1,656,357	(170,000)	1,486,357
Total Impairment	44,713,357	5,516,663	50,230,020
Provisions for credit commitments	373,268	-	373,268
Total Impairment losses and Provisions	45,086,625	5,516,663	50,603,288

NOTE 37.
Recently issued accounting standards and interpretations

New standards and interpretations applicable to the period

IFRS 15 – Revenue from contracts with customers

IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers with mandatory application for periods beginning on or after 1 January 2018.

This standard will revoke IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:
i) At a time when the control of the goods or services is transferred to the customer; or
ii) Over the period, to the extent that represents the performance of the entity.

The Bank adopted IFRS 15 on 1 January 2018. As part of the gap analysis performed, the approach followed by the Bank to identify revenue from contracts with customers subject to accounting in accordance with the standard requirements and the subsequent analysis, is as follows:
- Identification of the income statement captions that may present revenue records resulting from contracts with customers;
- For each of the captions identified in the point above, the regulatory framework was set out establishing the guidance for the accounting whenever the high-level assessment of the caption's nature allows for that direct identification;
- Analysis of accounts for captions that, under the previous point, were not fully included in another standard.

A detailed analysis was made of the commissions or income that are being recorded in those accounts. Following the analysis described, revenue not relating to contracts from customers are excluded.

For situations where revenue falls within the scope of IFRS 15, the respective framework has been established in the standard analysis model, in order to identify any accounting gaps against the current accounting treatment.

There were no significant impacts on the Bank's financial statements arising from the adoption of this standard.

IFRS 16 – Leases

The Bank is required to apply IFRS 16 – Leases issued by the IASB on 13 January 2016 for periods beginning on or after 1 January 2019. The Bank assessed the estimated impact that the initial application of IFRS 16 will have in its Financial Statements, as described below. Changes to the impacts resulting from the adoption of IFRS 16, as of 1 January 2019, may occur in response to:

- the set of tests and assessment of controls on new IT systems are not yet finished by the Bank; and
- the new accounting policies are subject to changes until the Bank presents its first financial statements including the date of initial application.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and low value leases. The accounting policy for lessors remains similar to that of the current standard – that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 revokes the current guidance on leases, including IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease.

i. Leases in which the Bank is the lessee

The Bank will recognise the new assets and liabilities for its operating leases of agencies and facilities (central services). The nature of expenses related to these operating leases will be changed as IFRS 16 replaces operating lease expenses on a straight-line basis by depreciation for right-of-use assets and interest charges related to lease liabilities.

The Bank formerly recognised operating lease expenses on a straight-line basis over the lease term and recognised assets and liabilities only when there was a difference in the time period between lease payments and expense recognition.

As of 31 December 2018, the Bank is assessing the impact of adopting the new standard and should not expect the impact to be significant

IFRIC 22 – Foreign currency translations and advance consideration

It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018.

This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date).

There were no significant impacts on the Bank's financial statements arising from the amendment of this standard.

IFRIC 23 – Uncertainty over income tax treatment

On June 7, 2017 was issued an interpretation on how to handle, in an accounting manner, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment be made to the Authorities in the context of a tax dispute and the entity intends to appeal to a tax examination which resulted in a payment to a taxation authority.

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the standard as to the favorable outcome in favor of the entity on the matter concerned.

In this context, the entity may use the most likely amount method or, if the resolution can dictate ranges of values, use the expected value method.

IFRIC 23 becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Bank does not expect significant changes in the adoption of this interpretation.

Other Amendments

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.
- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide information that helps the investors to better understand changes in a company's indebtedness.
- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments to IFRS 12 (clarification of the scope of the Standard), with effective date on or after 1 January 2017.
- On 20 June 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- On 8 December 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IAS 40 – Transfers of investment property clarifies the time at which the entity must transfer properties under construction or development of, or for, investment properties when there is an evident change in the use of such properties (other than that listed in paragraph 57 of IAS 40)
- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments with effective application date for periods beginning on or after 1 July 2018 to IFRS 1 (Removal of fixed dates for First-time adopters) and IAS 28 (Measuring an associate or joint venture at fair value).
- The annual improvements cycle 2015-2017, issued by IASB on 12 December 2017, introduce amendments to IFRS 3 (Remeasurement of previously held interests – obtaining control or joint control in a joint operation), to IFRS 11 (Non-remeasurement of previously held interests – obtaining control or joint control in a joint operation), to IAS 12 (Accounting for income tax consequences of dividends), to IAS 23 (treatment of general borrowings any borrowing originally made to develop an asset when the asset is ready for intended use or sale), with effective date on or after 1 January 2019.

The Bank does not anticipate any impact on the application of these changes in its financial statements.

7.0

Certificates

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BANCO MILLENNIUM ATLANTICO

Report of the Fiscal Board

(This report is a free translation to English from the original Portuguese version)

To the Shareholders,

1. The Fiscal Board hereby submits its report and advice on the management report and financial statements of Banco Millennium Atlântico, S.A. prepared by the Board of Directors relating to the fiscal year of 2018, in fulfilment of the legal provisions contained in articles nr. 441.1. g), nr. 442 and nr. 443 of the Companies Act (“*Lei das Sociedades Comerciais*”), and in article nr. 30.1 of the company’s bylaws.

2. The Fiscal Board held meetings with the members of the Board of Directors and the Executive Committee responsible for the financial area as it considered necessary, and was promptly and fully informed on the resolutions of the Executive Committee, Board of Directors and decisions and recommendations from the Shareholders.

3. In the performance of its duties, this Board had the opportunity to witness the professionalism, commitment and transparency of the procedures adopted by the Executive Committee as well as by the Board of Directors and other officers of the Bank.

4. The Fiscal Board carried out all checks it deemed useful and necessary. It monitored the preparation of the financial statements, obtained all clarifications it requested in relation thereto from the Bank, and watched over the compliance of legal and regularity provisions, bylaws and rules issued by the supervisory authorities and also with the general policies, rules and practices established internally.

5. Moreover, this Fiscal Board did not identify any situation that did not comply with the bylaws and legal provisions, or with the applicable accounting policies, criteria, rules and practices.

6. All things considered, including the contents of the financial statements and the report from the external auditor, which we have reviewed and agree with, we are of the opinion that the Annual General Meeting should:

   - Approve the report prepared by the Board of Directors and the financial statements of Banco Millennium Atlântico, S.A. relating to the fiscal year ended on the 31st of December 2018;

   - Approve the allocation of results of the fiscal year of 2018 proposed by the Board of Directors, as follows:
     a) Legal reserve (10%), in the amount of AKZ 2,722,508,877; and
     b) Retained earnings (90%), in the amount of AKZ 24,502579,895;

Cidade Financeira Via S8,
Talatona – Luanda Sul, Angola
(+244) 226 432 400
www.atlantico.ao
Nº Licença:0055
Nº Mat. Registo Comercial: 970-06
Nº Contribuinte Fiscal: 5401152540

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- Propose a motion of praise and recognition for the performance of the Board of Directors.

Luanda, the 22nd of April 2019

The Fiscal Board,

António Guilherme Rodrigues Frutuoso de Melo – Chairman of the Fiscal Board

Luís Costa Prazeres

Luís Costa Prazeres – Member of the Fiscal Board

José Pedro Porto Pais Dordio – Member of the Fiscal Board

Nélson Luís Vieira Teixeira

Nélson Luís Vieira Teixeira – Member of the Fiscal Board

Maria Cristina Santos Ferreira – Accounting Expert – Fiscal Board

Cidade Financeira Via S8,
Talatona – Luanda Sul, Angola

(+244) 226 432 400
www.atlantico.ao

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KPMG Angola - Audit, Tax, Advisory, S.A.
Edifício Moncada Prestige - Rua Assalto ao Quartel de Moncada 15 2º
Luanda - Angola
+244 227 28 01 01 | www.kpmg.co.ao

INDEPENDENT AUDITORS REPORT

To the Shareholders of
Banco Millennium Atlântico, S.A.

Introduction

1. We have audited the attached financial statements of **Banco Millennium Atlântico, S.A.**, which comprise the Balance Sheet as at 31 December 2018, which shows total assets of 1,358,771,969 thousands of Kwanzas and total equity of 135,039,491 thousands of Kwanzas, including net income for the year of 273,225,088 thousands of Kwanzas, the income statement, the comprehensive income statement, the statement of changes in equity and the cash flow statement for the year then ended, as well as the corresponding Notes.

Board of Directors' responsibility for the financial statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for the internal control the Board deems necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's responsability

3. Our responsibility is to express an independent opinion on these financial statements based on our audit, which was conducted in accordance with the Technical Standards issued by the Institute of Statutory Auditors ("Ordem dos Contabilistas e Peritos Contabilistas de Angola"). These standards require that we comply with the ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the propose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

6. As described in Note 2.1 of the Notes to the financial statements, Banco Nacional de Angola ("BNA") and Associação Angolana de Bancos ("ABANC") have expressed an interpretation that not all the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") have been fulfilled, and, accordingly, the Bank's Board of Directors decided to maintain the non-application of the provisions of that Standard to its financial statements as of that date, as it had already done in 2017. As at 31 December 2018, the inflation rate accumulated over the last three years is close to or above 100%, depending on the index used, and there is also the expectation that it will continue to cumulatively exceed 100% in 2018, which is an objective quantitative condition which leads us to consider, in addition to the existence of other conditions considered in IAS 29, that the functional currency of the Bank's financial statements at 31 December 2018 corresponds to the currency of a hyperinflationary economy. In these circumstances, the Bank should have presented its financial statements on that date, considering that premise and in accordance with the provisions set forth in that Standard, which also establishes the restatement of the financial statements for the previous year presented for comparative purposes. However, we have not obtained sufficient information which enable us to quantify the effects of this situation on the Bank's financial statements as at 31 December 2018, which we consider to be material.

KPMG

Qualified opinion

7. In our opinion, except for the effects of the subject described in paragraph 6 of "Basis for Qualified Opinion", the financial statements mentioned in paragraph 1 above appropriately present, in all material respects, the financial position of **Banco Millennium Atlântico, S.A.** as at 31 December 2018 and its financial performance and cash flows relative to the financial year ended on that date, in compliance with the International Financial Reporting Standards.

Luanda, 12 April 2019

KPMG Angola – Audit, Tax, Advisory, S.A.
Representada por
Vitor Manuel da Cunha Ribeirinho
Expert Accountant ("Perito Contabilista") (License No. 20120089)

2018 ANNUAL REPORT

BANCO MILLENNIUM ATLANTICO

Headquarters:
Cidade Financeira Via S8,
Talatona – Luanda Sul, Angola

International & Investor Relations:
irr@altantico.ao
T. +244 226 432 400
F. +244 222 691 818

www.atlantico.ao

Swift code:
PRTLAOLU

Graphic production:
Choice – Comunicação Global, Lda.
choice@choice.pt
www.choice.pt

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