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.	

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(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.

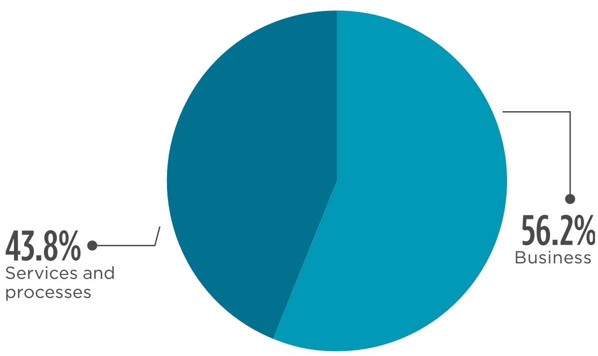
Therefore, as the Bank moves in the face of changes, the focus of the DAU also varies. As changes occur rapidly, important details at one stage may become less significant in another, making the DAU consistently aligned with the Bank's objectives and assisting it with its needs and expectations.

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.