AR 2019

ANNUAL REPORT

ATLANTICO

BANCO MILLENNIUM ATLANTICO

20:19 Tues, 31 December

100%

20:19

Tuesday, 31 December

Leader in digital transformation...

1st Digital branch in Angola

Digital onboarding ~30 thousand accounts/ month

14% Digital Customers

~580 thousand ATLANTICO Directo users

MOBILE BANKING Feature phones *400# 14 thousand Customers in 2 months

...and digital innovation

Digital Laboratory 1 Incubated start up

35 Direct deposit machines 24/7

Digital personalized management 2,476 Customers

100% digital account opening 630

24h ATLANTICO SEMPRE DISPNIVEL High availability 24/7

The platform connecting ATLANTICO's Ecosystem

+1.8 Million Customers

130 Service Points 1/3 on 24/7

Omnichannel platform

Benchmark in financing Households and Companies

Benchmark in Trade finance 9% Market share

Value-added delivery

Growth of 12% results

Return on Equity 23%

Equity +163 AOA billion

Capital Adequacy Ratio 14.5%

Transforming lives

1,812 Employees

+6.8 thousand Families impacted in ATLANTICO's Ecosystem

+13.6 thousand hours invested in Communities by ATLANTICO's Employees

DIFERENTES PELO CLIENTE

ATLANTICO BANCO MILLENNIUM ATLANTICO

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Message

1.0

1.0 Joint message from the Chairman and the CEO

ATLANTICO 2019
António Assis de Almeida
Chairman of the Board of Directors

ATLANTICO 2019
Daniel Santos
Chief Executive Offcer

Dears Clients, Stakeholders and Colleagues,

Banks play an essential role in the economy and in creating prosperity. A role that we understand is beyond financial leveraging and intermediation. At ATLANTICO, we take this responsibility and work to make it happen. Similarly, the economy plays a central role in the banking industry. It is directly reflected in the life of banks, as it also happens in the lives of families and companies in general.

Accordingly, we would like to begin this message by highlighting the main events that took place in 2019 with an impact on the international and national economy, and on the lives of families and companies, and in banking.

The trade war between the United States and China was one of the most significant events of the year that had been going on since 2018 and was caused by trade deficit between the two countries, which was largely favourable to China. Given the time involved in the negotiations, some international agencies have revised downwards the growth of the world economy. An agreement was finally reached in December.

Another significant event related to the trade war was the reversal of the U.S. yield curve associated with fear of an international recession. This had an impact on long-term U.S. debt securities, which began to be traded at lower interest rates than short-term debt.

In October 2019, and three years after the referendum, the United Kingdom and the European Union finally agreed on the terms of BREXIT, which took place on 31 January 2020. This was a major event for the European Union and the United Kingdom – EU's first withdrawal since its inception.

In the Middle East, the inflammatory rhetoric between Iran and Israel, and Iran and Saudi Arabia, has fuelled fears of military escalation in the region. These events, associated with the cut in crude oil production by the OPEC countries, allowed production to be maintained at acceptable levels. Although, at the end of 2019, the price of oil fell to historical levels.

In Angola, the Central Bank released, in April, Notice 4/20 allowing banks to discount mandatory reserves against financing key sectors of the economy, promoting, this way, financing for the diversification of the economy. Around October, the Central Bank moved from a foreign exchange rate fluctuation bands policy to a free-floating policy. 2019 was also marked by the decrease in international reserves, maintaining, however, acceptable levels.

The currency depreciated due to pressure on the Kwanza and fell more than expected. In addition, restrictive measures were introduced in order to reduce the money supply in circulation, such as an additional 5 p.p. increase in mandatory reserves requirements. GDP declined mainly as a result of the 6.9% drop in oil extraction compared to the same period of the previous year.

Meanwhile, in August, the Angolan Government's commitment to the privatization program was also reaffirmed, with the publication of an ambitious list of 195 companies and share holding positions to be placed on the market.

In the sphere of ATLANTICO, we remain focused on the consolidation of the Strategic Plan "ATLANTICO 2.1", under the motto "Different for the Customer". We have made a strong investment on the improvement of our Customers experience, using digital solutions that allow remote banking operations to the scale of our more than 1.8 million Customers. We operated the soundness and upgrade of our technological platform providing it greater capacity, scalability and high availability. We launched the 100% digital account opening process.

Also in 2019, we made the soft launch of a platform for banking transactions on feature phones (*400#) in order to simplify and bank the low-income sectors through a pilot with relevant membership rates.

Additionally, and also within the modernisation and digitalisation of banking services, we have consolidated the Direct deposits solution through the nationwide launch of more than thirty deposit machines, available 24/7 (ATLANTICO 24 hours) in 1/3 of our network, reaching 3,245 direct deposits per day, in a strong commitment with self-banking.

Despite the major challenges of a changing and contracting economy, the Bank closed 2019 with a net income of AOA 30.5 billion, a 12% increase when compared to 2018, a 23% Return on equity (ROE) and a 47% recurring Cost-to-income (CTI).

In 2019, ATLANTICO maintained a leading position in corporate and household financing and social investment. The Bank's Asset Quality Assessment (AQA) was successfully completed and we closed the year with a Regulatory solvency ratio (RSR) of 14.5%.

In terms of Governance and Internal Control System, the Bank has focused on balance sheet risk management and on strengthening tools and processes to fight money laundering (AML) and terrorist financing (TF).

In 2019, ATLANTICO strengthened its relations with international counterparties, with emphasis on the contracting of financing lines with Commerzbank and International Finance Corporation. These financing lines allow us to provide more financial solutions to our Customers, in particular SME and women, supporting the economy's diversification process.

In 20.20, our mission is to maximise the investment made in the improvement of technology for the benefit of the business, materializing, thus, ATLANTICO 2.1's central challenge of being an Universal Bank with a Digital base.

We would like to thank our Customers for the trust placed in us. As always, we will do everything we can to remain worthy of it.

The Board of Directors and the Executive Committee of ATLANTICO also express their gratitude to ATLANTICO's Stakeholders and Shareholders.

We would like to address our respect and esteem to our People, the most valuable asset of any organisation and the reason underlying any human enterprise. To all Employees and Leaders of ATLANTICO our warmest thanks for their devotion, professionalism and commitment in transforming the Bank in an era of great challenges, where change is the only constant.

We continued to invest in preparing our Employees for the challenges of the future, investing in their continuous training, a commitment we maintain for 2020.

Despite the challenges and adversities of a changing economy, in a restrictive context, in 2019, ATLANTICO made significant deliveries in terms of its transformation and business. We will continue to honour the trust of Customers and the market, contributing to the creation of value.

ATLANTICO, Different for the Customer. Towards 2.1

Macroeconomic framework

2.0

2.1 International economy

The World Bank predicts a moderation in world economic growth of 0.6 p.p., to 2.4% in 2019, in which, in addition to the moderation of international commercial transactions, the increase in public indebtedness. On the other hand, the International Monetary Fund (IMF) forecasts a world economic growth of 2.9% in 2019, compared with 3.6% in 2018, pressured by the decrease in the volume of trade in goods and services from 3.7% in 2018 to 1.0% in 2019[1].

ECONOMIC GROWTH (%)

2018 2019

Source: World Bank *Global Economic Prospects*, January 2020

2.1.1. Developed economies

The moderate growth path of the world economy reflects the impact of moderation in developed economies. The World Bank estimates a deceleration of advanced economies from 0.6 p.p. to 1.6% in 2019, resulting from the moderation of investment in physical and human capital by approximately 1 p.p. to 2% in 2019.

The breakdown analysis shows that, in 2019, the US and the Euro Area decelerated 0.3 p.p. and 0.8 p.p. to 2.3% and 1.1%, respectively. The US economy performance was marked by the management of trade tension with China, which was characterised by the imposition and retaliation of tariffs between the two countries. It should be noted that in December 2019 the negotiations between the USA and China led to the establishment of a trade agreement, with China committing itself to the acquisition of USD 40 to 50 billion in US agricultural products and the USA postponing the increase in tariffs to 30% to approximately USD 200 billion in Chinese products. The trade deficit has been reduced from USD 60.81 billion in 2018 to USD 48.88 billion in 2019. At the same time, the unemployment rate maintained its downward trend by reducing 0.2 p.p. to 3.7% in 2019, the lowest level since 1969.

[1] International Monetary Fund (IMF) – *World Economic Outlook (WEO)*, January 2020.

The main stock market indices in the USA, the Dow Jones and S&P 500, reached the highest level of the historical series, which preceded 1896, at 28,538.44 and 3,230.78 points in 2019, an annual increase of 22.34% and 28.88%, respectively. The USD Index stood at 96.39 points, an annual increase of 0.22%, reflecting investors' demand for more profitable assets over the decreases in the Federal Reserve's[2] reference interest rate, as well as trade tensions in the USA. As a result, the yield on 10-year sovereign debt fell 76.67 b.p. to 1.917%, just as the 6-month Libor USD fell 96.35 b.p. to 1.912%.

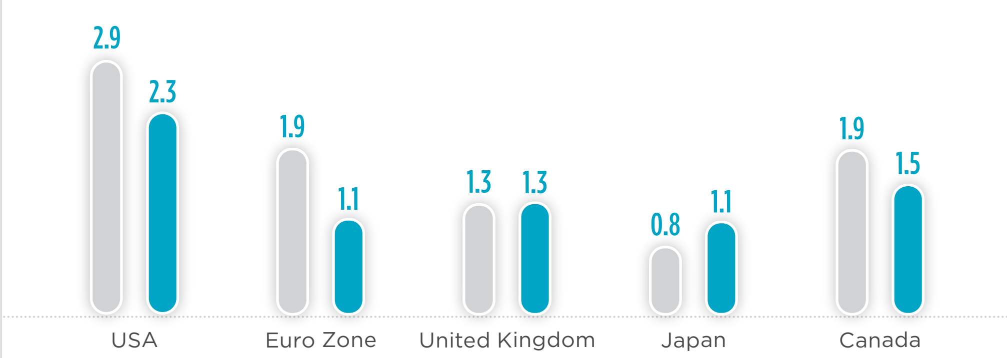
Among the advanced economies that grew the most in 2019, Japan stood out, expanding 0.3 p.p., standing at 1.1%.

Japan's growth helped the Nikkei 225 index to increase by 18.20% to 23,656.62 points. Similarly, the 6-month JPY Libor increased by 0.82 b.p. to 0.018%, while yield fell by 1.50 b.p. to -0.02%. The Japanese currency appreciated 0.99 p.p., standing at 108.61 JPY per unit of the dollar.

In the United Kingdom, the British GDP path has been mainly influenced by the Brexit (UK's withdrawal from the European Union), initially scheduled for 29 March 2019 and postponed about three times, culminating with the resignation of British Prime Minister Theresa May in June and the election of Boris Johnson.

The British economy expanded by 1.3% in 2019, the same level as in 2018 according to IMF data. Despite the uncertainties connected to Brexit, consumer confidence improved from -14 points in 2018 to -11 points in 2019. The FTSE 100 index increased by 12.10% to 7,542.44 points. At the same time, the yield on 10-year sovereign debt fell by 45.80 b.p. to 0.82% and the GBP Libor decreased by 15.47% to 0.88%. It should be noted that the pound valued by 3.94% to USD 1.3257 per unit of currency, reflecting the scope of the agreement for the implementation of Brexit – United Kingdom's withdrawal from the European Union – on 31 January 2020.

ECONOMIC GROWTH (%)



2018 2019

Source: *World Economic Outlook, Global Economic Prospects*, January.

[2] The US Federal Reserve reduced the basic interest rate three times, in order to sustain the expansion of the economy, through the influence on loans to consumers and companies. The basic interest rate stood between 1.5% and 1.75%.

2.1.2. Emerging and developing economies

The moderation of commercialtransactions and the international quotation of commodities represented the main pressures for the economic growth of the countries in the region, which stood at 3.5% in 2019, a moderation of 0.8 p.p.

The BRICS[3] member states recorded an economic growth of 4.6% in 2019, a moderation of 0.8 p.p. compared to 2018, influenced by the 10.3%[4] decrease in the international price of crude oil and 4.7%[5] decrease in the price of non-oil commodities. In terms of disaggregated analysis, India experienced the biggest slowdown, with growth rising from 6.8% in 2018 to 5.0% in 2019.

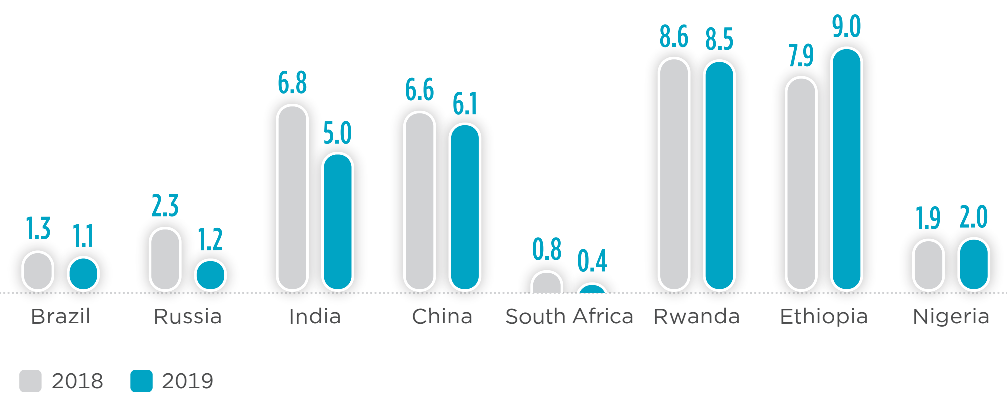
Brazil and Russia recorded economic growth of 1.1% and 1.2%, representing a decrease of 0.2 p.p. and 1.1 p.p., respectively. In Brazil, despite a slowdown, the Ibovespa increased by 31.58%, standing at 115,645.30 points in 2019, the highest level in the last 20 years, supported by the reduction in the reference interest rate (Selic), the country's moderate economic recovery and the approval of the new social welfare laws.

South Africa expanded by 0.4%, representing a deceleration of 0.4 p.p. against 2018, reflecting political uncertainties and an increase in the unemployment rate by 2 p.p. to 29.1%. However, it should be noted that the South African currency valued by 2.48%, with the rate standing at ZAR 14.00 per unit of the dollar.

China grew 6.1% in 2019, a decrease of 0.5 p.p. in relation to the previous year, reflecting the trade tension with the USA. The CSI 300 index increased by 36.07% to 4,096.58 points. The yield on Chinese sovereign debt contracted by 16.80 b.p. to 3.13%. In turn, the Chinese currency depreciated by 1.22% against the dollar, standing at CNY 6.9632 per unit of the dollar.

The World Bank estimates that sub-Saharan Africa will grow by 2.4% in 2019, a deceleration of 0.2 p.p. compared to the previous year, reflecting the impacts of the reduction in the price of crude oil over Angola and Nigeria. At the same time, it should be noted that some economies grew more than 8% in 2019, such as Ethiopia and Rwanda, with GDP rising 9% and 8.5%, respectively.

ECONOMIC GROWTH (%)



Source: *Global Economic Prospects*, January

2.2 Angolan economy

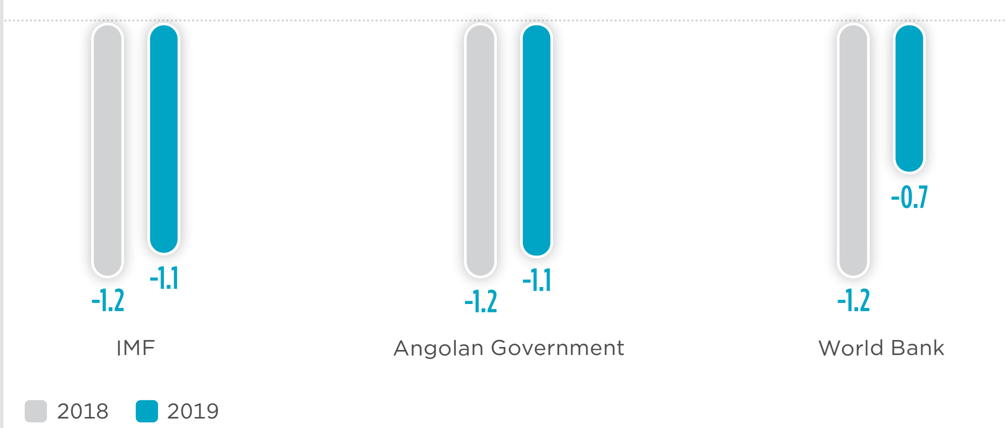
2.2.1. Real sector

In accordance with government estimates, Gross Domestic Product (GDP) recorded a negative real change of 1.1% in 2019. The performance compares with the downturn of 1.2% in the previous year, a reflection of the low oil production associated with the moderation of non-oil sector growth. Oil production could have settled at 1.39 million barrels/day, down from 1.62 million barrels/day in 2018[6].

Internal constraints marked the production of alternative sectors to oil, with diamond production likely to have reached 9 million carats, driven by the 17.9% increase in the sector of Diamond, Metallic and Other Minerals extraction over the previous year. The performance of the sector reflects ongoing reforms in the sector, with the liberalisation of preferential Customers, the legalisation of diamond cooperatives and the attraction of new investment to the sector. The manufacturing, construction and energy sectors performed positively.

Oil production maintained the downward trend recorded[7] in recent years, reflecting the maturation of some exploration fields, as well as the decrease in investment in exploration and production as a result of the collapse in oil prices in 2014. In 2019, according to OPEC secondary sources, the country's oil production reached an average of 1.40 million barrels/day, which corresponds to a reduction of 104 thousand barrels/day compared to 2018. At this level, national production accounted for around 5% of the total produced by OPEC, as the second largest producer in Africa.

REAL GROWTH RATE OF THE ECONOMY



Source: SB, IMF, WB.

[3] Brazil, Russia, India, China and South Africa.
[4] Average price of Brent, Dubai and West Texas Intermediate (WTI) type oil. In disaggregated terms, Brent and WTI increased by 23% and 35%, to USD 66 and 61.06 per barrel, respectively.
[5] World Bank – *Global Economic Prospects*, January 2020.

[6] 2020 State Budget.
[7] The discovery of new blocks combined with reforms in the oil sector, such as the creation of the National Petroleum and Gas Agency (ANPG) – which will now play the role of National Concessionaire, with responsibility for regulating, supervising and promoting the carrying out of oil activities – should contribute to the improvement of oil production throughout 2020.

Consumption is estimated to have remained the main item in the composition of Angola's GDP in 2019, with an impact on GDP growth, in line with the decrease in households' purchasing power, the maintenance of price increases, the decrease in employment levels and the maintenance of exchange rate depreciation in the economy. The same performance may have been confirmed in public consumption, which remained stagnant due to the commitment to fiscal consolidation.

Public and private investment remained low, with public investment forecast to increase by 42% over the previous year, while foreign direct investment fell again. On the other hand, private investment financed by the banking sector increased by 22% compared to the previous year. Meanwhile, exports of goods fell by 13% to USD 35.3 billion and imports declined by 3.7% to USD 15.2 billion.

The 2019 Global Competitiveness Index ranked Angola as the 136th most competitive country in the world with 38.1 points. The performance represents an improvement of 1.0 p.p. over the previous classification, in an assessment of 141 countries. In comparative terms with some African countries, the country is better ranked than Mozambique, the Democratic Republic of Congo and Chad, whereas Nigeria and South Africa, the continent's two largest economies, rank 116th (-1 position) and 60th (+7 position), respectively.

2.2.1.1. Money market

Monetary policy remained restrictive over the course of 2019. The maintenance of the exchange rate depreciation, associated with the need to ensure price stability in the economy, justified the positioning of the monetary policy.

> **"Public and private investment remained low, with public investment forecast to increase by 42% over the previous year. Private investment financed by the banking sector increased by 22% compared to the previous year.**

The monetary supply measured by the monetary aggregate M2 increased by 30.2% to AOA 10,214.35 billion in 2019, above the level of the inflation rate, whereas the Monetary Base in National Currency, the operational instrument of monetary policy stood at AOA 1,585.9 billion, representing an increase of 22% compared to 2018.

In 2019, the Monetary Policy Committee (CPM) of the BNA showed signs of easing of the restrictive monetary policy by reducing the reference interest rate from 16.5% to 15.5%, notwithstanding the increase in the last quarter of the coefficient of reserve requirements in national currency from 17% to 22%. Additionally, the BNA decided to increase the 7-day liquidity-absorbing interest rate to 10%, which represents the highest level since the historical series (2016), and at the end of 2017 the BNA ceased to pay operations of this nature.

In the interbank market, liquidity transactions between commercial banks stood at AOA 3,751.21 billion, which corresponds to a 59% decrease when compared with 2018, which may reflect the moderation of the commercial banks' need for liquidity as a result of the measures adopted by BNA. The rates calculated in interbank operations followed an upward trend in most maturities, with the emphasis on Luibor Overnight, which in 2019 recorded an increase of 5.73 p.p.

INTEREST RATES (%)

OMO: Open Market Operations
Source: BNA

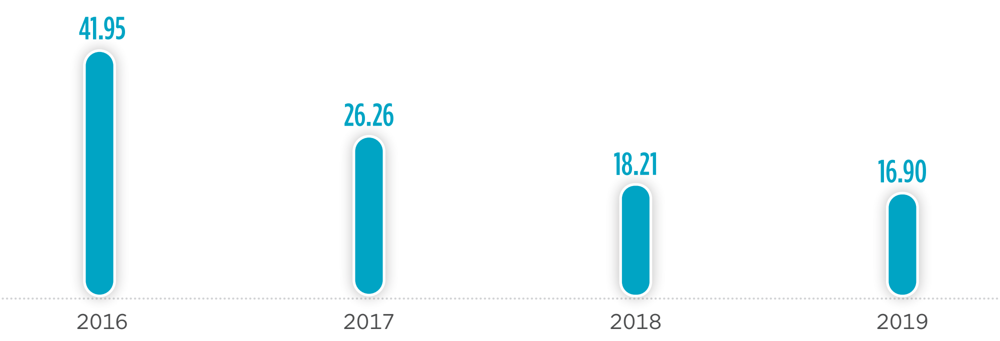
2.2.1.2. Price levels

The National Consumer Price Index (CPI) increased by 16.9% to 271.22 points. The performance compares with the 18.6% increase in the previous year, reflecting an average monthly price increase of 1.31%.

The level recorded represents the lowest of the last three years and remained below the level provided by the Government, of 17.7%, reflecting the restrictive conditions of liquidity in the market, better allocation of currencies in the foreign exchange market and reduction of the disposable income of families.

Food prices grew by 18.78%, an acceleration of 3.4 p.p. over the same period of the previous year. At the same time, non-food prices recorded a year-on-year change of 14.4%, a deceleration of 12.2 p.p. when compared to 2018.

INFLATION RATE (%)



Source: National Statistical Institute

On the other hand, the prices of tradable goods grew by 18.5% (+1.25 p.p. compared to December 2018), a relative rigidity compared to the exchange rate depreciation recorded in the previous period, whereas the prices of non-tradable goods grew by 12.25% year-on-year (-17.72 p.p. compared to December 2018), reflecting the reduction in context costs and domestic demand.

The same performance was seen in wholesale goods prices, which closed the year at 18.9%, an increase of 2.06 p.p. when compared to the previous period. The prices of imported products contributed with 1.24 p.p., corresponding to 74% of the price increase, while the prices of domestic products contributed with 0.43 p.p., which corresponds to 26% of the change recorded in December 2019.

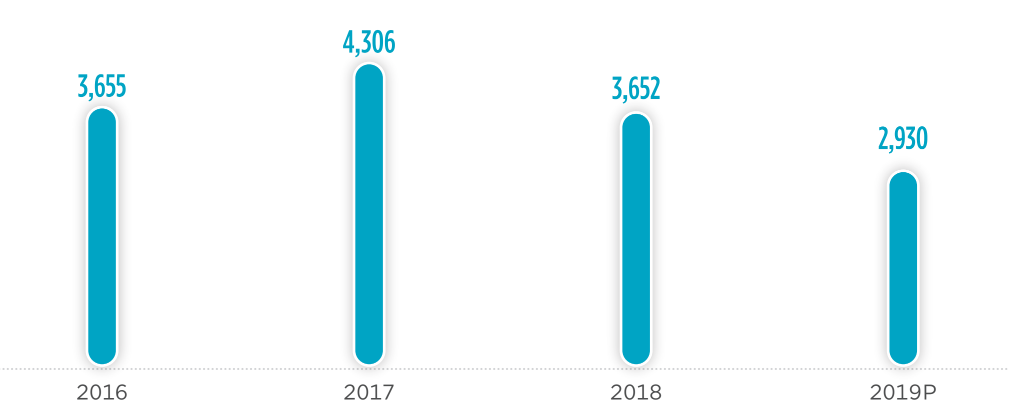
2.2.1.3. Social indicators

Angola remained in the middle-income country class with the Human Development Index (HDI) valued at 0.57 points. In 2018, average life expectancy stood at 60.8 years, while expectations of years of schooling per person stood at 11.8 years. The infant mortality rate recorded relative improvements and stood at 68 per 1,000 live births, according to UNICEF data, in 2019.

In 2019, GDP per capita was USD 2,934, down from USD 3,621 the year before. The decrease in GDP associated with the maintenance of population growth justified the performance of the indicator. During the period under review, the unemployment rate remained at high levels, with Instituto Nacional de Estatística (National Statistical Institute) calculating a rate of 30.7% for the third quarter, compared with 28.8% in 2018, which reflects the maintenance of challenging economic conditions.

The country has made efforts to achieve the Sustainable Development Goals (SDG), defining the programme for increasing agricultural production, increasing food self-sufficiency and improving access to electricity and drinking water.

GDP *PER CAPITA*



Source: ATLANTICO´s research

Projection.

2.2.2. Banking sector

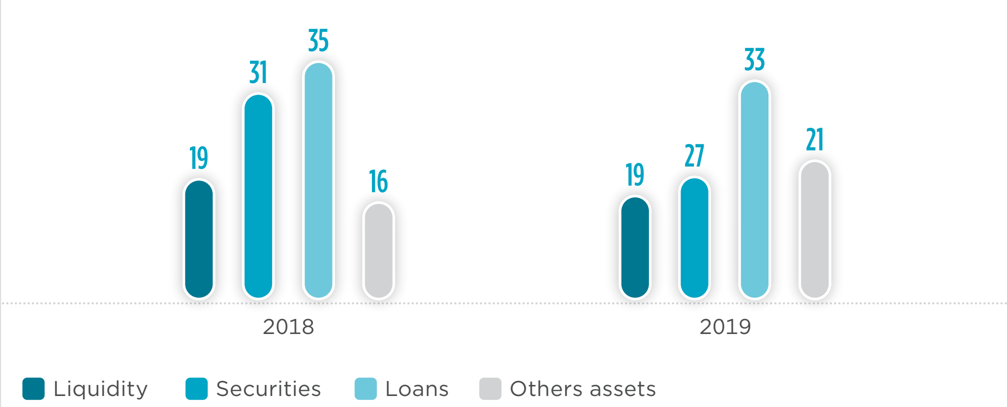
Changes in the macroeconomic and regulatory fundamentals of the economy and the banking sector in 2019 were reflected in the profitability of financial institutions and the capacity to absorb adverse shocks to the sector. The implementation of the Executive's Macroeconomic Stabilisation Plan (MSP), through the downward adjustment of public expenditure, reallocation of resources and changes in the pattern of investment and consumption, combined with the restructuring of the sector and the increase in minimum share capital and revocation of licences, put pressure on the sector's performance.

The number of banks operating in the sector decreased from 29 to 27, from January to December 2018, and by the end of 2019 it decreased to 26. The increase in the minimum share capital required by BNA from AOA 2.5 billion to AOA 7.5 billion in 2018 contributed to the license withdrawal of three banks in the sector. This year BNA carried out the Asset Quality Assessment (AQA) of thirteen banks which represent 92.8% of total assets, and concluded that the sector is overall robust.

> "BNA carried out the Asset Quality Assessment (AQA) of thirteen banks which represent **92,8% of total assets**, and concluded that the sector is overall robust.

The assets of the banking sector stood at AOA 18,977.81 billion, an increase of 33.4% when compared with the previous year. Loans accounted for 32.5% of assets, while government securities represented 27.4%, a reduction of 2.1 and 3.8 p.p., respectively. On the other hand, liabilities were concentrated in deposits by 64.3%, with 74.4% of total deposits representing private sector deposits.

COMMERCIAL BANKS ASSETS (%)



Source: ATLANTICO's research

Available financial strength indicators up to September 2019 suggest a positive performance in solvency. Return on net assets (ROE) reached 6.3% during September, a reduction of 20.3 p.p. since December 2018. At the same time, return on assets (ROA) stood at 0.84%, corresponding to a reduction of 3.6 p.p. when compared to December 2018.

The transformation ratio stood at 43.9%, below the 44.2% of December 2018, which may reflect an increase in loans granted that was lower than that of new deposits. During the period under review, the ratio of loans to the public sector to total loans decreased from 11.6% in 2018 to 9.7% in September 2019. On the other hand, the weight of loans to the private sector has followed an opposite trend, increasing 1.7 p.p., standing at 90.2% in the period mentioned above.

Non-performing loans for the month of September reached 34.62% of total gross credit, an increase of 5.8 p.p. compared to the same period of the previous year, which may reflect macroeconomic constraints, an increase in the general price levels, a decrease in the employment rate and an increase in public deficits.

The banking spread fell considerably in 2019, mainly due to the development of default rates in the economy and the need to attract more liquidity to the banking sector, which varied from 27.3% in December 2018 to 19.1% in September 2019.

2.2.3. Fiscal sector

The fiscal consolidation process represented the Government's main management strategy in 2019, and was intensified by the agreement with the International Monetary Fund, the Extended Fund Facility (EFF) or the Extended Fund Facility.

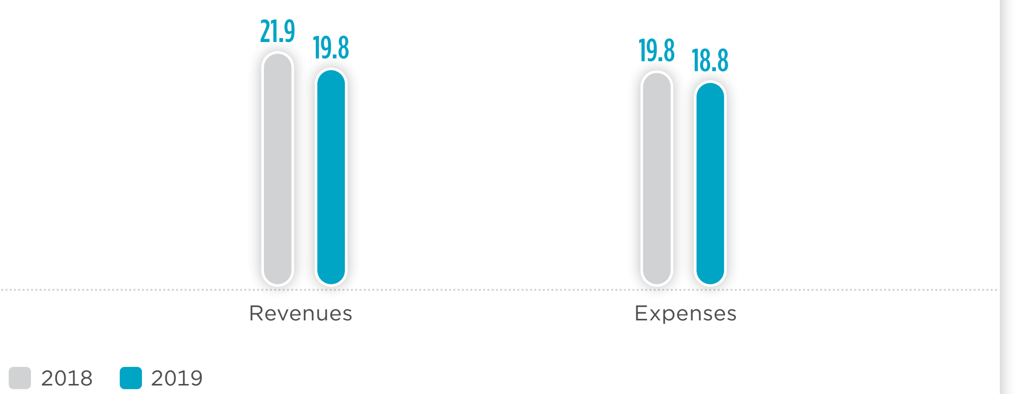
2.2.3.1. Extended fund facility

The programme approved in December 2018 for a total amount of USD 3.7 billion, scheduled to last until the end of 2021, provides for the disbursement of the total amount effective in instalments, subject to an assessment of compliance with agreed strategies, culminating in a total of USD 1.48 billion granted in 2019, which represents 40% of the forecast.

The strategy, which is expected to reach a level of public indebtedness of approximately 65%, encompasses the increase in non-oil tax revenues – through the elimination of subsidies (scheduled for 2020) and the implementation of Value Added Tax (VAT). VAT was implemented in October 2019, at a rate of 14%, with the expectation of collecting AOA 249,233.58 million in 2019, which represents about 51% of the total estimated consumption tax for the year. This includes the increase in the rate of excise duty on alcoholic beverages from 16% to 25%, by Decree-Law no. 18/19, having contributed to a collection of AOA 53,004.69 million, with a weight of 11% on total collection.

In addition, the agreement foresees the development of projects to support the vulnerable population. The Ministry of Social Action, Family and Women's Promotion (MASFAMU) has been running since September 2019 the "Programa de Transferências Sociais Monetárias – Valor Criança" programme, with a deadline for completion set for December 2020.

INCOME AND EXPENDITURE (% GDP)



Source: IMF – *Second Review Under the Extended Fund Facility.*

2.2.3.2. State Budget

The State Budget for 2020 (SB 2020), with final approval in December 2019, shows that the total amount of public revenue may have reached AOA 6,260.4 billion in 2019, exceeding the estimate of AOA 5,986.1 billion presented in the Revised SB for 2019.

> "The State Budget for 2020 shows that the total amount of public revenue may have reached **AOA 6.260,4 billion** em 2019.

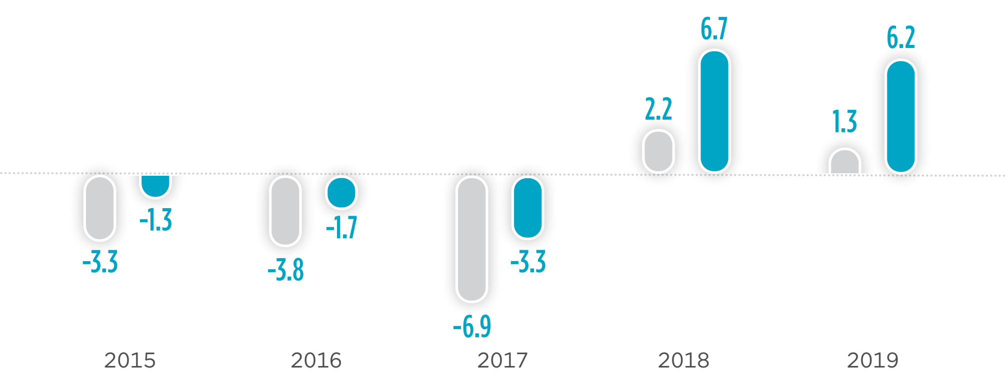
2019 Tax revenues may have accounted for about 94% of total current revenues, settling at AOA 5,875.5 billion and an amount higher than the AOA 5,563.9 billion forecasted. Revenue arising from tax on oil may have reached AOA 3,896.1 billion – 63% of which representing the concessionaire's rights – and those from non-oil taxes stood at AOA 1,979.4 billion, in contrast with the anticipated AOA 1,996.2 billion.

According to government estimates, total public expenditure should have reached the AOA 5,984.7 billion in 2019, above the AOA 5,980.0 billion planned for the year. Current expenditure should account for 84% of total expenditure, equivalent to about AOA 5,010.9 billion, and the remainder, account for capital expenditure. Current expenditure consist of Payroll (39.6%), Interest (34.3%), Goods and Services (15.5%) and Current Transfers (10.6%).

The 2020 SB presents 2018 as the period of inflection of the successive fiscal deficit scenarios recorded since 2014, with the government estimating an overall balance of 0.9% of GDP in 2019. 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 2019 the primary surplus to be AOA 1,995.1 billion, approximately 6.2% of GDP, with debt service interest expected to reach 5.3% of GDP[8].

[8] Rationale Report of the 2020 SB.

BUDGET BALANCE (% GDP)



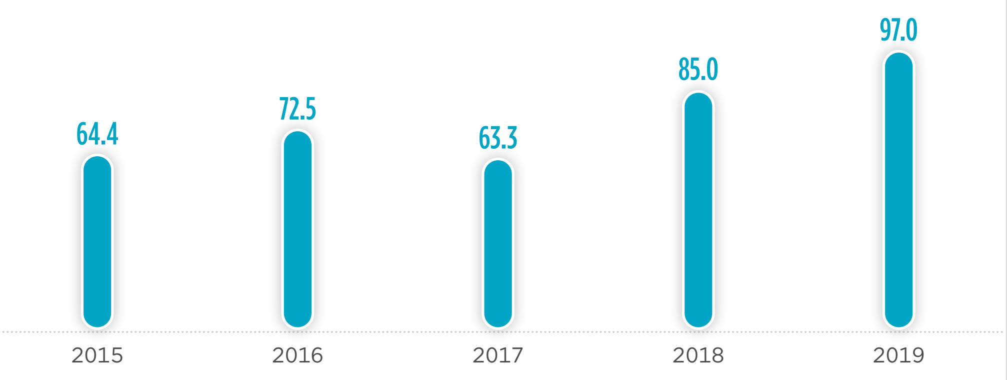
Source: 2020 State Budget.

2.2.3.3. Public debt

Public debt may have reached an updated stock level of AOA 32.5 trillion in the analysis from January to July 2019, representing approximately 93% of the GDP. Regarding government debt, it should be noted that the estimate has been set at an approximate level of AOA 23.17 trillion, which is close to 83.3% of GDP. The recording of public debt in 2019 represents an increase of 5.1 p.p. compared to 2018.

Debt service reached AOA 5,368 billion in 2019, down 8% on 2018, when it stood at AOA 5,844.1 billion. The debt service burden on GDP decreased from 22% to 17%. The same path was followed by the contribution to total expenditure in the SB, which fell from 60% in 2018 to 52% in 2019, and by the ratio of debt service to tax revenue, which varied from 108% to 91% in the above-mentioned period.

PUBLIC DEBT (% GDP)



Source: 2020 State Budget.

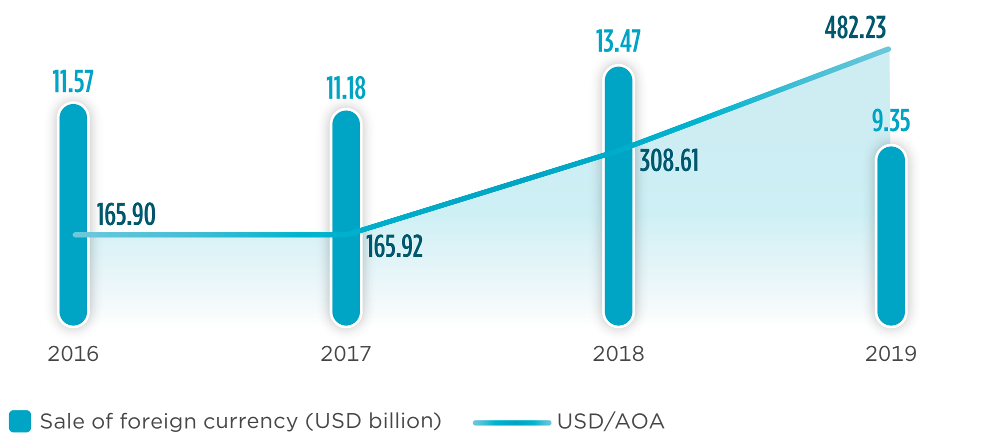
2.2.4. Exchange market and external sector

During 2019, the process of foreign exchange market liberalisation continued, which contributed to the improvement in access to foreign currency and was reflected in the narrowing of the exchange rate differential between the formal and parallel markets. It should be noted that the exchange rate differential against the dollar went from 150% in 2017 (when the new foreign exchange regime was implemented) to around 23% in December 2019, down from 28.26% in 2018.

The kwanza exchange rate against the dollar stood at AOA 482.227 per unit of the US currency, representing an accumulated depreciation of 36%, a moderation of 10 p.p. compared to 2018. The same trend was seen in the exchange rate of the kwanza against the euro, depreciating 35% after losing around 47% of its value in 2018.

The sale of foreign currency by BNA to the Commercial Banks recorded an annual decrease of 31% in 2019, standing at USD 9,352.25 million. In the meantime, it should be noted that, since 2 January 2020, BNA has adopted a measure which may contribute to the efficiency of the foreign exchange market by allowing Commercial Banks to acquire foreign currency directly from the oil companies.

SALE OF FOREIGN CURRENCY AND EXCHANGE RATE



SOURCE: BNA.

Net International Reserves (NIR) increased by 11.2% to USD 11,838 million, compared with 2018 to 2019, representing a coverage of approximately 6.7 months of imports[9]. The increase reflected the issuing of Eurobonds in the amount of USD 3 billion in November 2019.

In 2019, the Government used external bilateral and multilateral financing in order to ensure external savings, liquidity and foreign exchange to guarantee the solvency of external accounts, extend the maturity of public debt and finance the country's development process, with the stock of external public debt representing 70% of GDP, an increase of 10.3 p.p. from the stock in the third quarter of 2018.

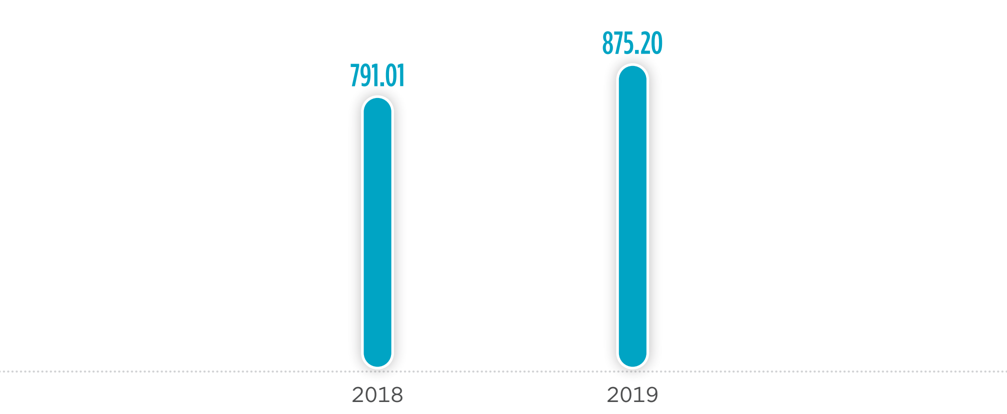
[9] ATLANTICO's research

2.3 Stock markets

In 2019, the Treasury recommended the issue of Treasury Bonds in the amount of AOA 1,339.88 billion, with total demand covering only 25%. At the same time, the issue of Treasury Bills was estimated at AOA 559.71 billion, with demand absorbing nearly 80%.

In the secondary market, there has been a continuation of the market dynamism, supported by investor confidence, as well as by greater financial literacy. The amount traded in 2019 stood at AOA 874.1 billion, corresponding to an increase of approximately 11% compared with 2018. It should be noted that Treasury Bond transactions accounted for 95%, with emphasis on exchange-indexed Treasury Bonds (corresponding to around 74%).

SECURITIES TRANSACTIONS ON THE SECONDARY MARKET (AOA BILLION)



Source: BODIVA

The country issued Eurobonds for the third time on the international market, amounting to USD 3 billion, divided into two tranches, with demand surpassing supply, reaching approximately USD 8.44 billion.

With regard to the Eurobonds yields of previous issues, there was a downward trend in yields in 2019, which may reflect investors' optimism as a result of the economic reforms planned and underway, such as the estimated recovery of the oil sector. The Eurobonds yield coming due in 2025 fell by 2.37 p.p. to 6.01%.

Eurobonds

Issuance	Maturity (years)	Coupon	Amount	Annual interest
2015				
04-11-2015	10	9.50%	1,500,000,000.0	142,500,000.0
2018				
02-05-2018	10	8.25%	1,750,000,000.0	144,375,000.0
02-05-2018	30	9.38%	1,250,000,000.0	117,187,500.0
2019				
19-11-2019	10	8.00%	1,750,000,000.0	140,000,000.0
19-11-2019	30	9.13%	1,250,000,000.0	114,062,500.0

"

Angola issued Eurobonds for the third time on the international market, amounting to USD 3 billion divided into two tranches, with demand surpassing supply, reaching approximately USD 8.44 billion.

ATLANTICO

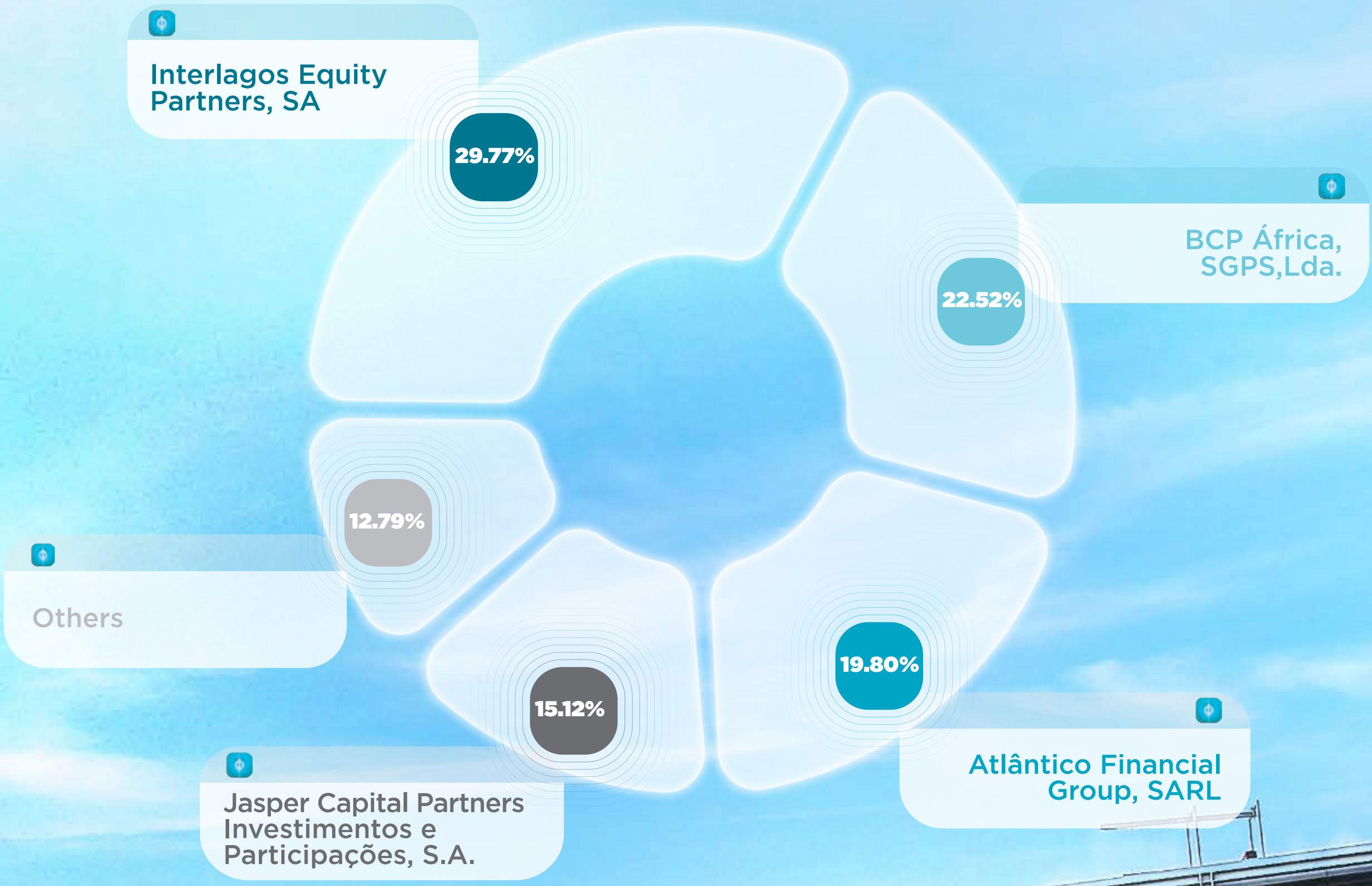
3.0

3.1 Institutional

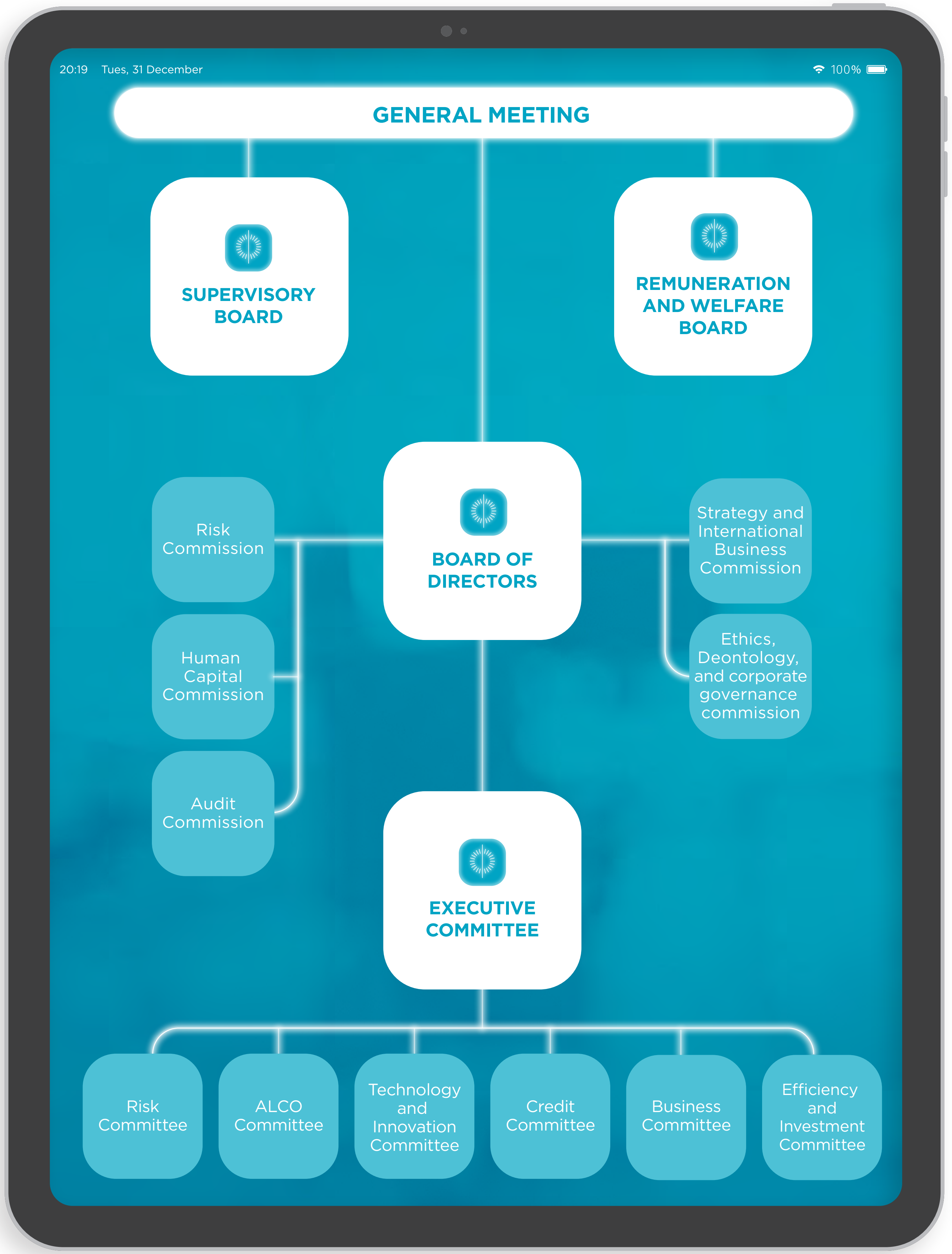
ATLANTICO was incorporated on 31 August 2006, and started its activity in November 2006, as an Angolan banking institution regulated by Angola Central Bank. On 3 May 2016, Banco Millennium Angola was merged into ATLANTICO. This merger enabled the integration of operations of both banking institutions, 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, as one of 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

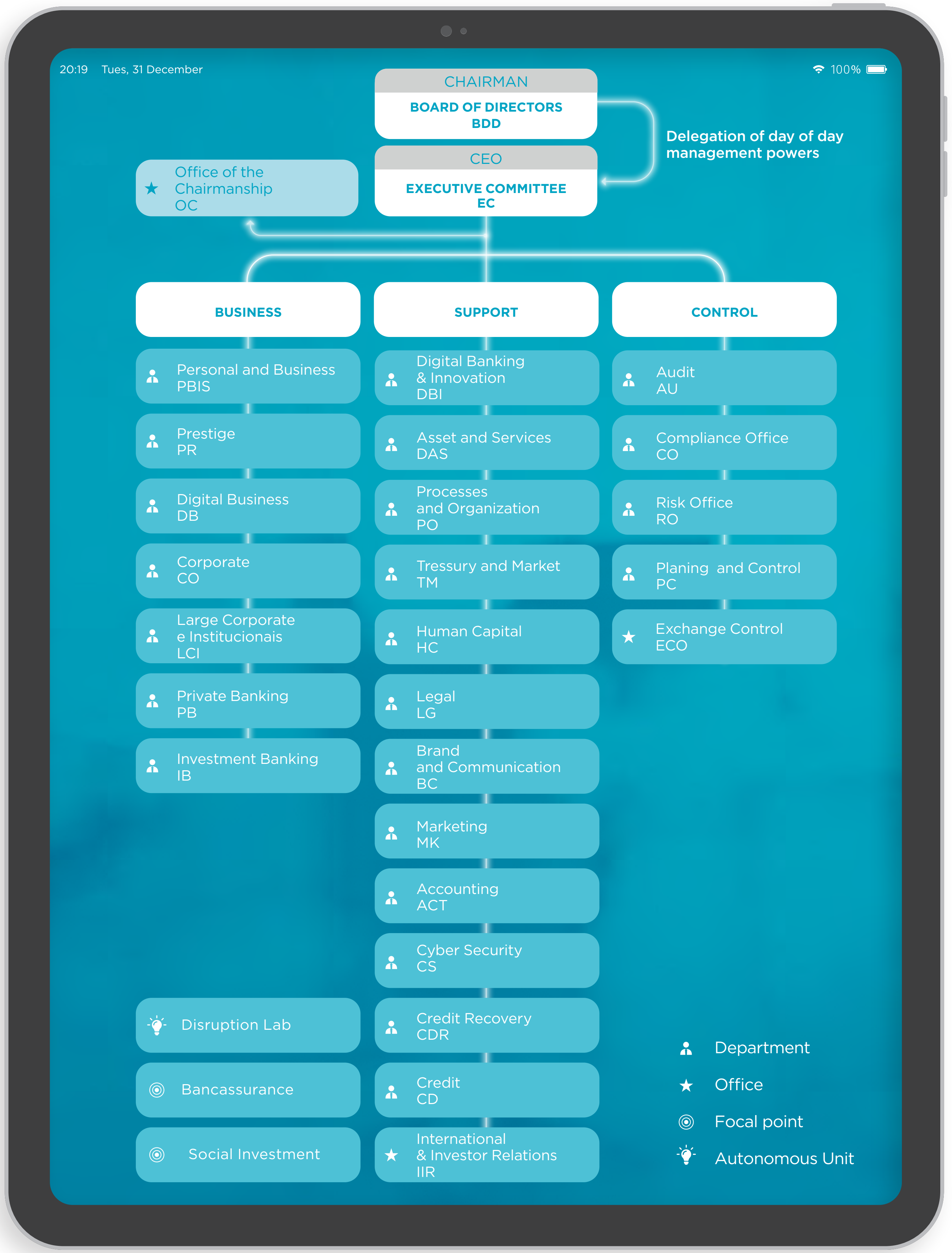
Banco Millennium Atlântico is mainly held by private Angolan shareholders. As at 31 December 2019, the shareholders' structure was detailed as follows:



Governance Model



Organic Structure



Executive Committee

Members and Areas of Responsibility

PATRÍCIA GABRIEL
MEMBER
Chief Operating Officer (COO)

- Asset and Services • DAS
- Cyber Security • CS
- Private Banking • PB

CRO or CMO*

PAULO TOMÁS
DEPUTY CHAIRMAN
Chief Risk Officer (CRO)

- Credit • CD
- Risk Office • RO
- Credit Recovery • CDR
- Processes and Organization • PO

CHAIRMAN or DEPUTY CHAIRMAN*

ÉDER SOUSA
MEMBER
Chief Financial Officer (CFO)

- Accounting • ACT
- Tressury and Market • TM
- Planing and Control • PC
- Internacional & Investors Relations • IIR

CRO*

DANIEL SANTOS
CHAIRMAN OF EC
Chief Executive Officer (CEO)

- Human Capital • HC
- Legal • LG
- Compliance Office • CO
- Audit • AU
- Exchange Control • ECO
- Office of the Chairmanship • OC

DEPUTY CHAIRMEN*

JOÃO MENDONÇA
MEMBER
Chief Marketing Officer (CMO)

- Marketing • MK
- Brand and Communication • BC
- Digital Business • DB
- Bancassurance

CBO or COO*

AUGUSTO BAPTISTA
DEPUTY CHAIRMAN OF EC
Chief Digital & Investment Banking Officer (CDIBO)

- Investment Banking • IB
- Digital Banking & Innovation • DBI
- Large Corporate and Institutionals • DLC
- Disruption Lab • LAB
- Social Investment

CHAIRMAN or DEPUTY CHAIRMAN*

ODYLE CARDOSO
MEMBER
Chief Business Officer (CBO)

- Corporate • CO
- Personal and Business • PBIS
- Prestige • PR

CMO or COO*

* The order of replacement presented 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.

* 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.

20:19 Tues, 31 December

100%

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**.

2.1 DIFERENTES PELO CLIENTE

- Innovation
- Universality
- Partnerships over Angola
- Customer's Primacy
- Values for Life

ATLANTICO 2.1

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

1>2=2.1

This is ATLANTICO's equation!

Strategic Pillars

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.

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.

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"

13,664 HOURS INVESTED BY ATLANTICO'S EMPLOYEES

6,820 IMPACTED LIVES

1,500 ATLANTICO'S VOLUNTEERS

58 JOBS CREATED

People

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

20% CARREER DEVELOPMENT

5,446 MEMBERS OF ATLANTICO'S FAMILY

48,141 TRAINING HOURS

1,812 EMPLOYEES

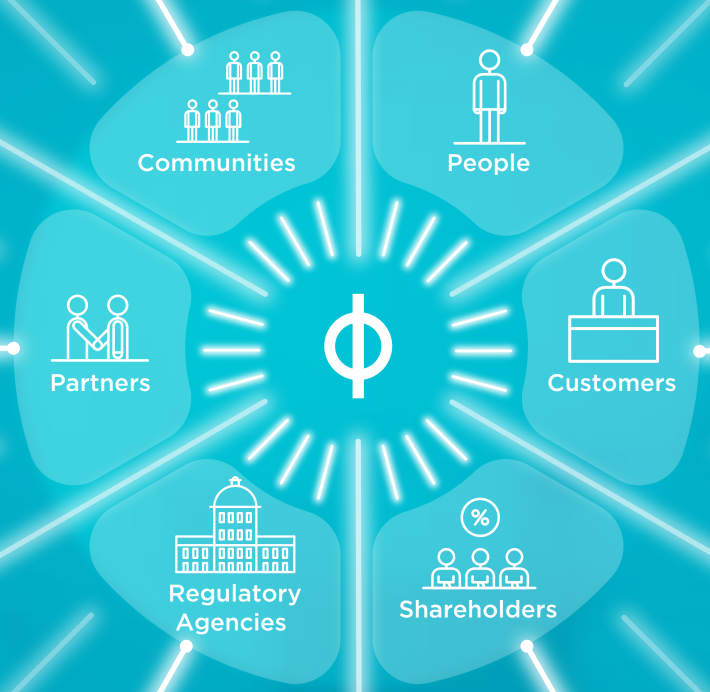
Partners

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

60 JOBS CREATED

BENCHMARK IN TRADE FINANCE **9%** MARKET SHARE

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



Customers

"Deliver an outstanding service to Customers"

+1.8 MILLION CUSTOMERS

1.9 COMPLAINTS PER 1,000 CUSTOMERS

14% DIGITAL CUSTOMERS

+1.8 MILLION JOBS CREATED

Regulatory Agencies

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

42 INTERNAL CONTROL IMPROVEMENT OPPORTUNITIES

14.5% CAPITAL ADEQUACY RATIO

Shareholders

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

47% COST TO INCOME

163 AOA BILLION EQUITY

12% GROWTH OF RECURRING RESULTS

Customer Driven

People Development

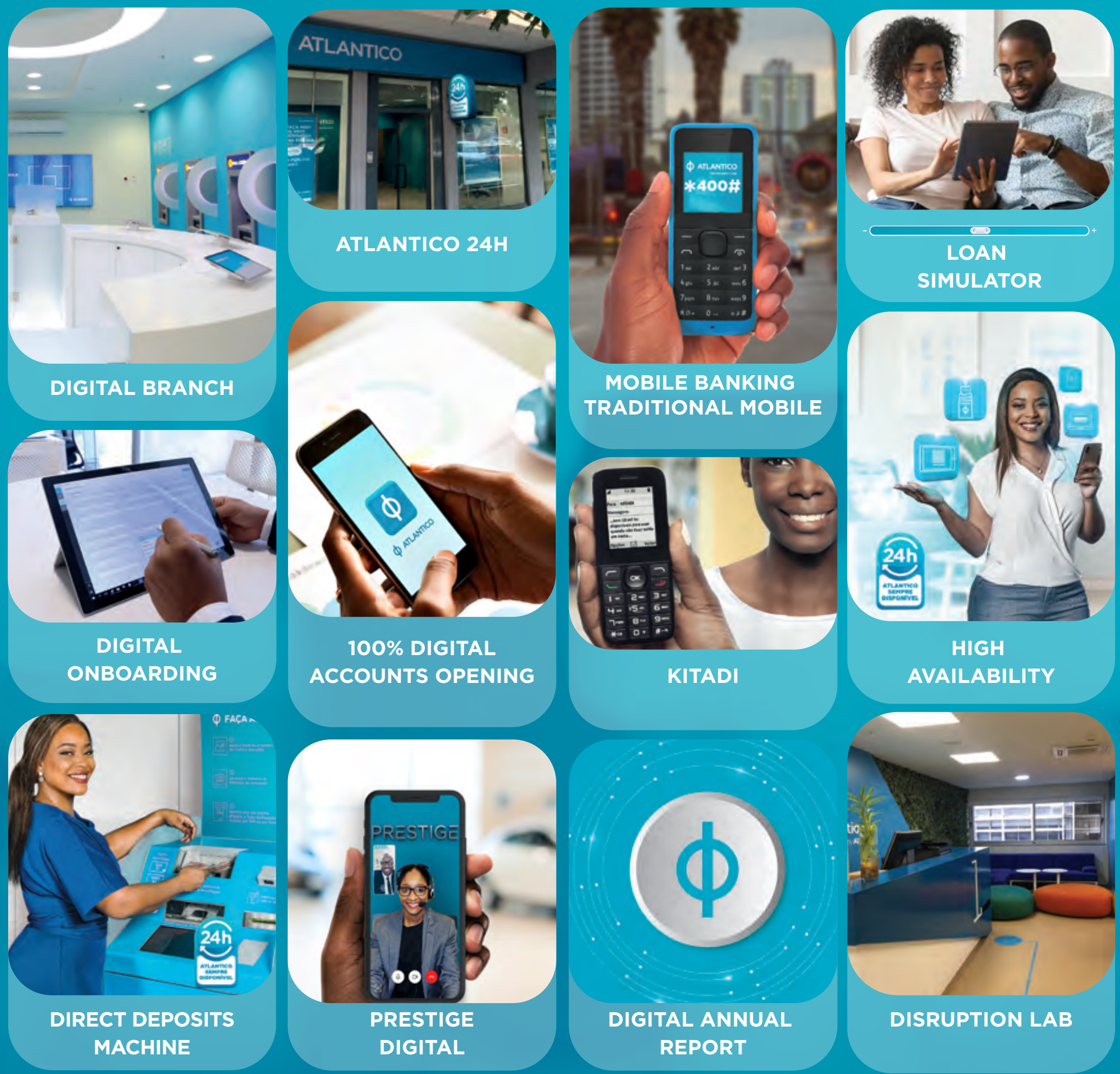
Innovation

Agility

Efficiency and Accuracy

3.2 Innovative

In line with the ambition to be a leader in digital transformation, for ATLANTICO, 2019 was another year of several deliveries in terms of digital innovation, with the development of solutions that allow to serve Customers in scale and high availability, providing them with a better experience, with simpler, more agile and more autonomous journeys.



~45% Core processes paperless	~40% Core processes in self-banking	~580 thousand ATLANTICO Directo users	14% Digital Customers

One of the critical reasons for ATLANTICO to be constantly at the forefront of digital innovation is its robust IT infrastructure and architecture. Therefore, in 2019, the critical path of ATLANTICO's digital transformation process included:

(i) The **upgrade of our core banking system (Banka 3G)**, in order to strengthen and modernise the core of ATLANTICO's IT architecture;

(ii) The **reorganisation of ATLANTICO's data centres** in order to optimise their performance and to ensure the necessary geographical redundancies and other security conditions of these infrastructures supporting the Bank's technology board;

(iii) An **IT infrastructure enhancement plan**, which included, among others, the migration to a **hyperconvergence** structure, which will allow an increase in data processing scalability, and the **high availability of the main IT architecture applications**, increasing their processing capacity.

As a result of the modernisation of its IT architecture core, ATLANTICO implemented the **Repricing** module, which provided greater agility in price negotiation and was able to make available to its Customers the performance of **high availability (24/7) operations on digital channels** (Internet banking, App mobile banking and Mobile Banking Platform for traditional phones*400#), improving our Customers' experience. Moreover, as a digital bank, we are concerned with channel security. We have therefore made confirmation via **SMS Token** mandatory for operations.

The modernisation and robustness of ATLANTICO's technological board, during 2019, also allowed us to scale and grant high availability to a set of other critical digital solutions in the service rendered to Customers, providing them with a better experience in their journeys:

(i) The experience of the Customer **Onboarding** journey was improved through the implementation of the following digital innovations:

a. A solution for online **external captures (out of the service points)**, providing Customers with an experience similar to the one they would have at the service point;

b. **Workflow to update Customer data** in a more agile and secure way, from the service points, which allowed to support the Customer data update campaign, promoted by ATLANTICO;

c. **ABC Digital** strengthening (mobile onboarding solution), among other updates, with the automation of the validation process for Customer identification documentation, introducing greater operational efficiency, security and improving the Customer experience.

(ii) The experience provided by the proof of concept of the **direct deposit machine**, carried out in 2018 at the Xyami Nova Vida service point, was extended in 2019 to around one third of the ATLANTICO high availability service point network (24/7). ATLANTICO currently has a network of 35 direct deposit machines, available to receive deposits 24 hours a day, 7 days a week. In addition to the operational efficiency in processing low-value deposits enabled by this innovation, which already accounts for around 40% of total deposits processed by the Bank in 24/7 services points, the improvement in customer experience has also resulted in an increase in the volume of deposits collected by the Bank in the retail segments.

(iii) The **Abroad Transfers** journey was also subject to an improvement in the experience provided to Customers, through the implementation of an integrated and autonomous **Auction Management** model, to support the management of the allocation of currency purchased at BNA auctions to Customers' needs, allowing a decrease in the respective levels of service;

(iv) With the internal development of a **Workflow for Letters of Credit**, a first step was taken towards improving the operational efficiency and the levels of service to Customers in import operations. However, in parallel, the Bank began in 2019, and plans to complete in 2020, the implementation of a more robust solution for managing the entire journey of **Trade finance**, in which, in addition to an internal workflow, it will provide Customers with the possibility of registering their operations, with full autonomy and in high availability (24/7), from its premises;

> "In order to be increasingly closer to all types of Customers, in line with the pillar of Universality on which the ATLANTICO 2.1 Strategic Plan is based, at the end of 2019 we launched a **Mobile banking pilot platform for traditional mobile phones**

(v) In order to improve the Customers' experience in the **Credit** journey, in 2019 we began the transformation of this journey with the implementation of a **Personal Credit Simulator**, available in the main channels of access to the Bank (Service Points, Contact Centre, Internet banking and App mobile banking), so that Customers have the autonomy to simulate, in high availability (24/7), the conditions of access to this type of credit;

(vi) In order to be increasingly closer to all types of Customers, in line with the pillar of Universality on which the ATLANTICO 2.1 Strategic Plan is based, at the end of 2019 we launched a **Mobile banking pilot platform for traditional mobile phones (*400#)**, allowing autonomous and high availability (24/7) access to mobile banking operations for low-income populations, without the need for internet access and a smartphone, in line with ATLANTICO's motto of "Simplify to bank".

In order to better support ATLANTICO's business model for the **Prestige** Customers segment, which includes the ambition to provide a customised, close and priority service to these Customers, existing solutions were scaled up and innovative digital solutions were developed:

(i) **Digital business cards** and **e-mail signatures**, with photo and contact information of the Prestige manager, as well as his/her direct superior, in order to personalise the remote interaction (Phone, Email, WhatsApp and Skype) of Customers with their manager;

(ii) Broadening of the means available for **effective telephone sales** to all Prestige managers so that they are closer to their Customers;

(iii) Implementation of a tool to control **service levels in managers' responses** to customer requests via Email, which ensures that they are given priority treatment (in less than 24 hours).

Besides the journey of its Customers, ATLANTICO values the journey of all the stakeholders of the ATLANTICO Ecosystem, in their interactions with the Bank. Therefore, in 2019, the development and implementation of the **Digital Annual Report**, a platform that allows to consult the information on ATLANTICO's performance, in each economic year, in a simpler, more agile and digital way.

It is also part of ATLANTICO's strategy to be in line with national and international best practices, thus the focus in 2019 was also on delivering digital solutions to meet regulatory requirements and best practices, such as (i) the **Adoption of VAT** (Value Added Tax) in our generic billing system and (ii) the implementation of a more robust **AML** (Anti-money laundering) platform, for screening Customers and their transactions.

Launched in 2018, the Disruption Lab (Powered by ATLANTICO), continued its mission in 2019 to promote an ecosystem of entrepreneurship and digital innovation in Angola, giving it materiality with the launch of **Mercado 3.0**, a marketplace developed by the first start-up incubated by the Disruption Lab. By the end of 2019, the App Mercado 3.0 had already been downloaded 650 times, with 200 Customers and 80 suppliers registered. In addition, Disruption Lab developed a partnership with the **Founder Institute**, the world's largest start-up accelerator, present in 70 countries and over 180 cities, and has been working on mapping the national entrepreneurial ecosystem with a view to developing initiatives that can leverage it.

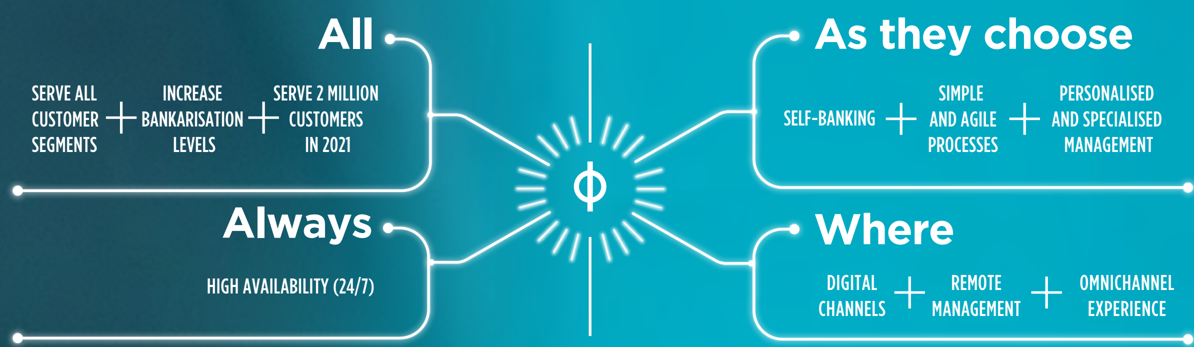
> "In 2019, ATLANTICO developed and implemented the **Digital Annual Report**, a platform that allows to consult the information on the Banks's performance in a **simpler, more agile and digital way.**

3.3 Universal

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

In line with this universal positioning, ATLANTICO presents differentiated approaches for each type of Customer: Mass Market (Individuals and Companies), Prestige (Individuals and Companies), Private, Corporate and Large Corporate.

Our business model is based on the following fundamental principles:



In 2019, ATLANTICO kept its commitment to developing and implementing digital solutions, which, on a large scale and high availability, would allow serving Customers in a simpler, more agile and autonomous way, making us **Different for the Customer**.

These developments had as main objectives, for Personal Customers, to improve the onboarding processes of new Customers, increasing ATLANTICO's capacity to attract, and the Customers' experience, in day-to-day transactions, contributing to the increase in the levels of activation, transactionality and customer loyalty.

As far as Corporate Customers are concerned, the focus was on supporting their import, production and export financing needs, thus contributing to the Government's strategy of diversifying the economy through the operation of the financing lines made available by the Government's programmes, as well as attracting specific financing lines from correspondent banks and multilateral entities.

For the **Personal Customer** segment, with more **transactional** needs in its day-to-day operations, ATLANTICO's focus has been on:

(i) Capitalising on the installed capacity of its **digital Onboarding** tool (which provides Personal Customers with a simple, agile and totally digital experience when opening an account, assigning a Debit Card and accessing ATLANTICO's digital channels), to record numbers when capturing new Customers (335,000) and improve Customer levels with a Debit Cards (74%) and access to digital channels (580,000 ATL Direct Users). In addition to the optimised service levels enabled by this tool, which allows an account to be opened in 15 minutes, other critical success factors include the method adopted for external customer captures, in line with the principle of proximity in customer service, according to ATLANTICO's business model.

(ii) Optimise and digitalise processes, which allow to serve Customers in scale, high availability and remotely, providing them with simple, agile and digital journeys in their day-to-day transactions, namely through:

a. Availability of products and services in **High availability (24/7)**, in ATLANTICO Directo (Internet banking, Mobile App, *400# and Contact Center) and in the service points. At the service points, in addition to the implementation of an extended timetable for face-to-face service (from 7 a.m. to 5 p.m.) in five locations in Luanda and Lubango area, the pioneering concept of ATLANTICO 24 horas was also launched, which consists of the provision of a set of products and services, on a self-banking basis, 24 hours a day. This way, in May 2019, was launchedin Sagrada Família the first service point operating exclusively on a self-banking basis, 24 hours a day, without the physical presence of Employees;

b. Expansion of the **Direct Deposit Machines** network to 35 machines, covering one third of our network of service points, at high availability (24/7). One of these machines was installed in the stand-alone mode, in one of the stores of a reference partner, with the double objective of serving the partner, in its current cash management, as well as the community where it is inserted. At the end of 2019, this network of machines received + 45,470 deposits/month (27% after working hours), which represented about 40 % of the total deposits made by our Customers in 24/7 service points;

c. Reinforcement of the means available for **effective sales by telephone**, with the objective of getting closer and closer to our Customers;

d. Launch of a pilot **mobile banking platform for traditional mobile phones (*400#)**, allowing to carry out banking operations on the telephone, to Customers without access to smartphones and mobile data, in a simple, secure and digital way. Under the motto "Simplify to bank", this solution, a pioneer in our market, has as its main objective the simplification and digitalisation of the main journeys of the day-to-day life of low income Customers, contributing to the increase of their banking levels (+14 thousand memberships in less than 2 months);

e. Launch of **Kitadi** a credit product pilot, which consists of a bank overdraft solution, with a pre-approved limit, based on an analysis of the historical evolution of cash flows and recurring balances of Personal Customers, which allows the availability of solutions more in line with Customer needs (79% use).

With regard to **Personalised Management Personal Customers (Prestige)**, ATLANTICO bets on providing them with a **personalised**, **close** and **priority** service, maintaining its focus on specialisation and differentiation of its value proposition, on digital solutions that bring the Bank closer to the Customers and on differentiated service levels. In this context, the following stand out in 2019:

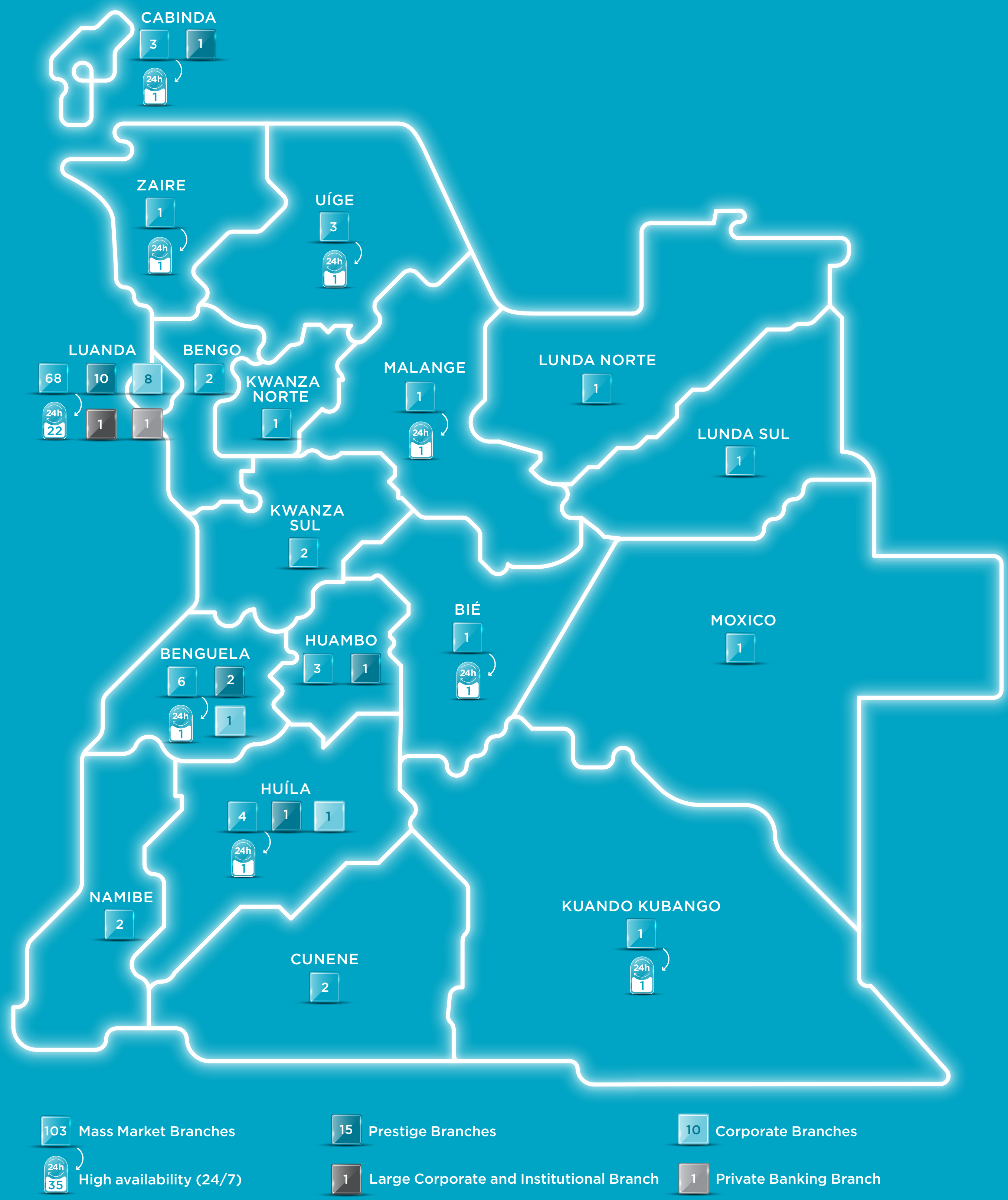
(i) The implementation of a set of tools (e.g., **digital business cards** and **e-mail signatures**, with photo and contact details of the Prestige manager, as well as his/her direct manager) that facilitate and make the interaction of Customers with their manager in remote interactions (telephone, e-mail, WhatsApp and Skype) more personal;

(ii) The significant increase in the penetration rate of the **Prestige Offer** (68% of Prestige Private Customers), an integrated solution that enhances customer loyalty by providing a predefined set of products and services in line with the profile of this customer typology;

(iii) The migration of more Private Customers to **Prestige Digital**, a pilot service of personalised digital management. By the end of 2019, more than 20% of Prestige Individual Customers were already being tracked by their custom manager, in a completely remote and digital way;

(iv) The implementation of a tool to control **service levels in managers' responses** to customer requests via e-mail, which ensures that they are handled in less than 24 hours..

Service points



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100%

3.4 Investment partner

For the Corporate segments, the focus continued to be on providing trade finance and investment solutions. In order to ensure greater proximity to these Customers, to know their challenges and identify their needs, since 2015 ATLANTICO has been carrying out "CE Fora de Portas" ("Outside Doors Executive Commissions"), visiting various provinces of the country. These sessions are held quarterly and also include meetings with local authorities with the aim of identifying projects that contribute to the development of the region.

In 2019, "CE Fora de Portas" were held with the following geographical coverage: Cabinda, Malanje, Luanda (Cacuaco, Viana), Bengo (Ícolo, Dande).

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, having achieved and exceeded the target set by the Government of Credit under the Credit Support Programme and Notice no. 4/2019. By exceeding its objectives, ATLANTICO has positioned itself as one of the leading private banks in financing the economy.

9% Market share for Trade finance

33 Correspondent banks in 4 continents

AOA 28 B Economic diversification financing in 2019

Intermediary with **largest stock exchange** transaction

DIVERSIFICATION CREDIT

Credit under the Government's Credit Support Programme (PAC) and Notice 4/2019, for the production of essential goods and the promotion of national production.

ATLANTICO has met and exceeded the defined objective of granting credit to promote diversification of the economy by more than 2% (AOA 27,583 M) of its total assets.

In view of the challenges of the Angolan market and in order to continue supporting Customers, the Bank has defined a strategy for the growth of its international correspondent banks network and the establishment of relations with multilateral development financial institutions, with the aim of accessing external financing lines to support investment and trade finance activity.

> "The Bank has established relationships with **multilateral development financial institutions** to attract foreign currency financing lines

It currently has a network of around **127 correspondent banks** with active RMA (Relationship Management Application), **and transactions with 33 banks**, with a presence in the main geographies of the world, particularly those where there is a greater commercial relationship with Angola, which allows it to carry out international transactions tailored to the needs of its Customers and in the main currencies.

The Bank has established relationships with multilateral development financial institutions to attract foreign currency financing lines and support investment in order to meet the needs of its Customers in the implementation of investment projects.

FINANCING LINES

COMMERZBANK

EUR 30,000,000 Financing Line with ECA Guarantees

IFC International Finance Corporation WORLD BANK GROUP

USD 50,000,000 Financing Line for small and medium-sized enterprises

USD 50,000 Financing Line for Trade Finance Operations

In 2019, ATLANTICO was accepted as Issuer Bank in IFC's Global Trade Finance Programme (GTFP), with a limit amount of USD 50M, to support the Trade Finance activity.

ATLANTICO accumulates experience in the development of solutions for the Trade Finance business and has teams specialised in identifying opportunities to leverage Customers' business. During 2019, the Bank started the transformation of Trade Finance process, making it simpler, more agile and digital, in order to improve the service levels in these operations.

In 2019, ATLANTICO maintained a relevant market share in terms of import letter of credit (ILC) issuing, although there was a decrease compared to 2018. The increase in export-related operations should also be noted, with a relevant growth in the record of export letters of credit (ELC) as a result of initiatives implemented to support Customers with export potential.

In order to boost these financing lines and encourage investment, ATLANTICO, through its Investment Banking solutions, is positioned as a reference in this business segment, with a track record of supporting investment in Angola and Angolan investment in international markets.

Through Investment Banking, the Bank has been supporting its Customers in three major areas: Corporate Finance, Structured Finance and Capital Markets.

> "During 2019, the Bank started the transformation of Trade Finance process, making it **simpler, more agile and digital**, in order to improve the service levels in these operations.

In terms of **Corporate Finance**, ATLANTICO provides support in the following areas: Mergers & Acquisitions, Valuations, Business Plans, Feasibility Studies, among others.

In 2019, the Bank concluded the advisory of a pioneering operation in the automotive sector, which will bring diversified solutions to the Angolan market.

ATLANTICO offers **Structured Finance** solutions, supporting Customers in structuring financing operations and in restructuring processes.

In 2019, the Bank advised two relevant players in the Consumer Goods sector on structuring and raising debt for integrated food production projects. In addition, the Bank followed the restructuring processes of three important companies in the agro-industrial, beverage and construction sectors.

Regarding the **Capital Markets** area, in 2019, ATLANTICO strengthened its position in the BODIVA markets ranking, closing the year as the third intermediary with the highest trading volume. This position in the Top 3 corresponds to a market share of around 16% and an increase of around 150% in the amount traded, compared with the previous year. This year, ATLANTICO was distinguished by BODIVA with the award corresponding to the "Largest amount traded in a single session of the Public Debt market" since 2015.

One of the factors contributing to this increase was the internal initiative to create a specialised unit focused exclusively on providing trading services in regulated markets. This initiative has made it possible to achieve an improvement in the services provided, especially at the level of institutional Customers (corporate, insurance companies, investment funds, etc.).

In addition, at the Advisory level, diversified and alternative products to traditional debt raising were developed.

As part of the reduction of the State's role in the economy, ATLANTICO created a multidisciplinary international consortium, which may support the State in the privatisation process in a wide range of areas. This consortium comprises a renowned international investment bank, legal and financial advisors qualified to assist the State or a customer in the completion of one or more transactions.

Finally, in November the Bank had an active presence at the Africa Investment Forum in Johannesburg, standing out as the only Angolan Bank, as Transaction Advisor, to present a project to international investors.

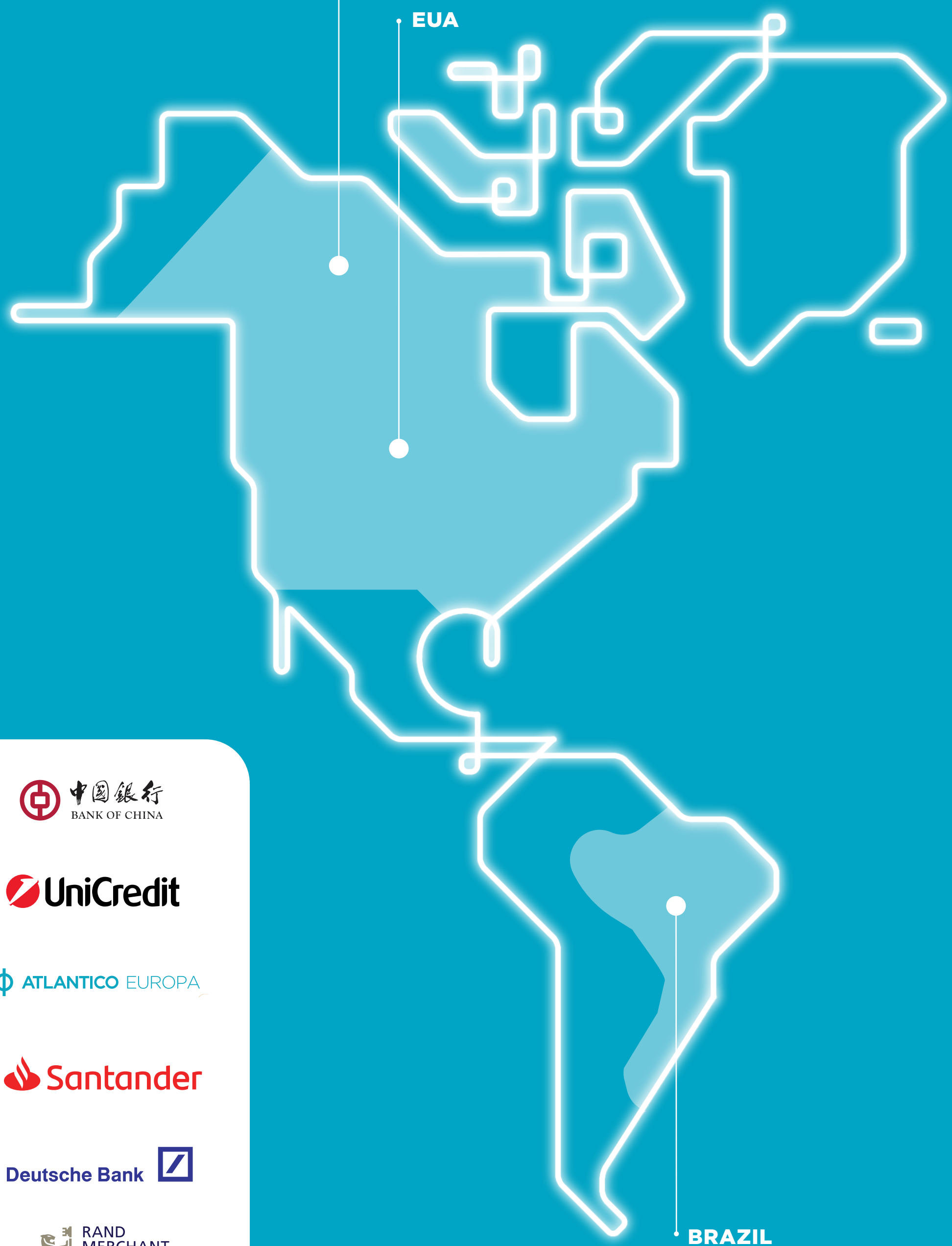
It is estimated that the projects structured and supported by ATLANTICO in 2019 will have the following impact on the economy:

150
Jobs created
in the project start-up year

100 Tons/year
Annual production (start-up year)
that will replace imports in Angola

18 M USD
Tax collection
(start-up year)

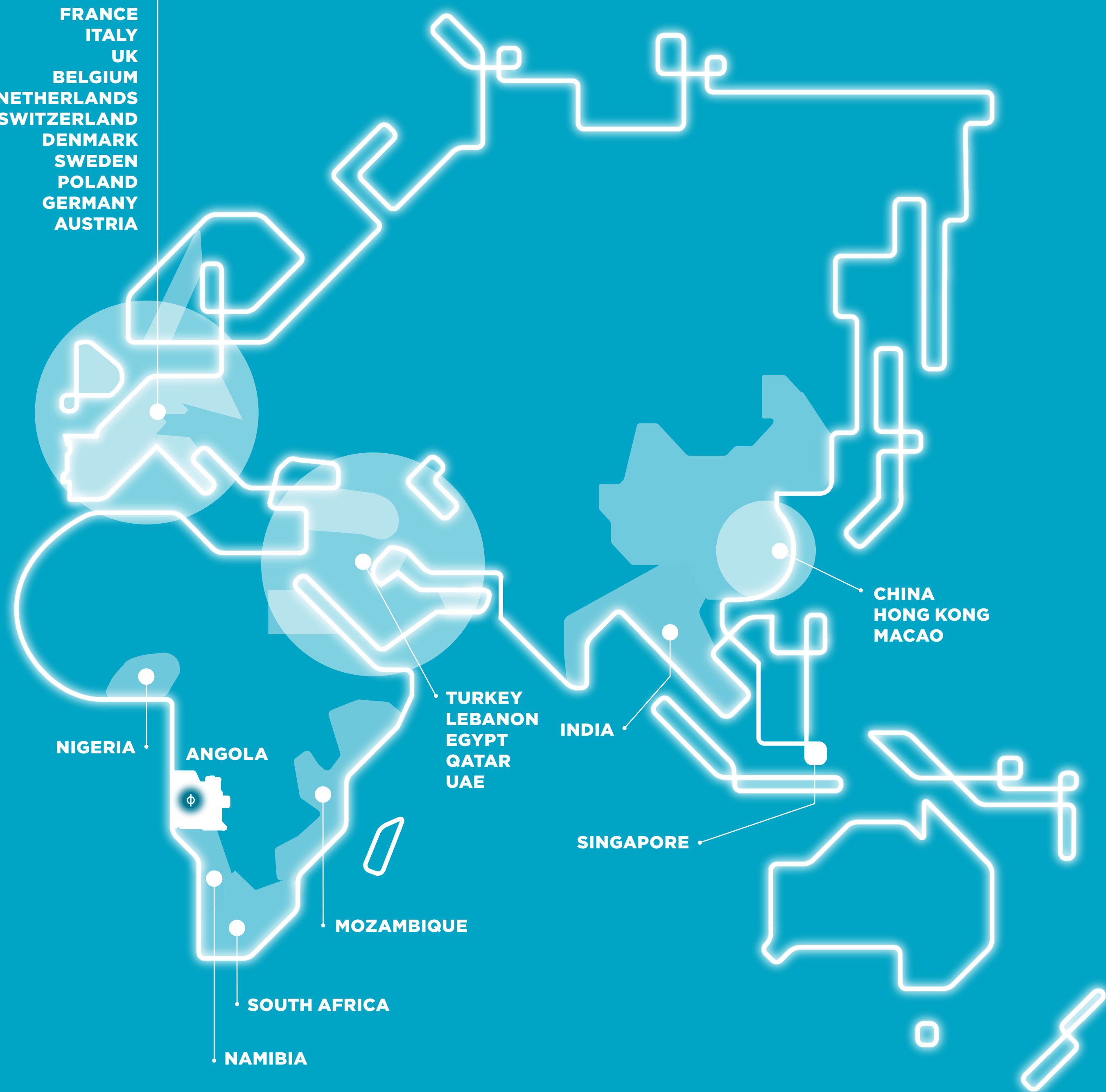
Global coverage
of our clients' operations



COMMERZBANK
BANK OF CHINA
BYBLOS BANK
UniCredit
Millennium bcp
ATLANTICO EUROPA
NOVO BANCO
Santander
mashreq المشرق
Deutsche Bank
aktif bank
RAND MERCHANT BANK
NEDBANK
absa

CORRESPONDENT BANKS

33 correspondent banks in 4 continents



Countries with correspondent banks

20:19 Teus, 31 December 100%

3.5 Agile and Customer-driven

ATLANTICO's plan to be the "Best Bank in Customer Service" is based on pillars such as Universality, Efficiency and Agility and represents a challenge of internal transformation, training and recycling of skills, introduction of new and different work methodologies.

Guided by the Customer's primacy, ATLANTICO believes that its plan is achieved through its largest intangible asset: ATLANTICO's Culture, sustained by our Values for Life.

1,812 Employees

33 Years Average age

+48 thousand training hours

+20% Career growth

Our Values for Life

CUSTOMER-DRIVEN

"Think, live and feel the Customer"

Anticipate, understand and satisfy the true needs of Customers, adding value and being a Partner in the achievement of 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 ongoing 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"

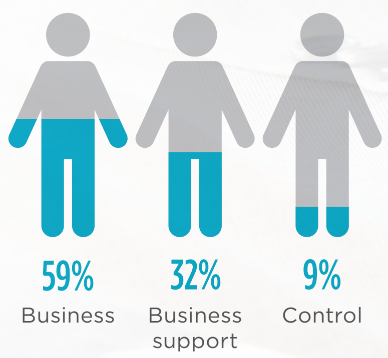
Agility, in ATLANTICO, represents a proper way of being and thinking, detached from status quo. A constant availability and flexibility to work, in a multidisciplinary way, with new variables and methodologies, contributing for the creation of solutions for Customers' equations.

EFFICIENCY AND ACCURACY

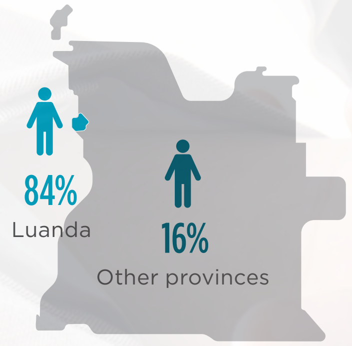
"With responsibility, we create more value"

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.

AREAS



GEOGRAPHIES

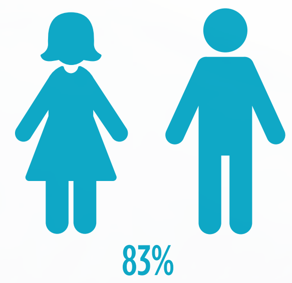


“

In 2019, the ATLANTICO team remained stable and almost unchanged from the previous year, with 1,812 employees, spread over the 18 provinces, mostly integrated into the business areas.

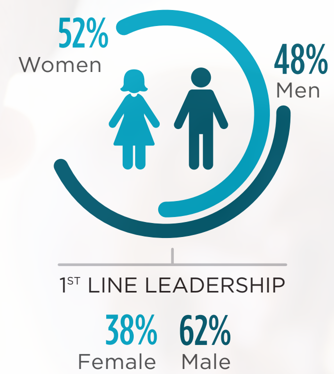
AGE

Y AND Z GENERATIONS[1]

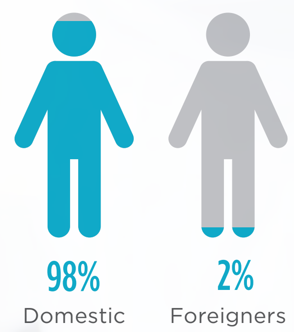


[1]Born between 1981 and 1996.

GENDER



NATIONALITY



On the Bank's Human Capital side, 2019 was dedicated to building the foundations of the future for a **more agile, innovative** and **efficient Team**. It was a year of reframing internal processes and creating synergies for a value delivery based on pioneering and disruptive solutions that set ATLANTICO as a benchmark institution.

The structure and characteristics of the Team are, therefore, inseparable factors to achieve ATLANTICO's plan.

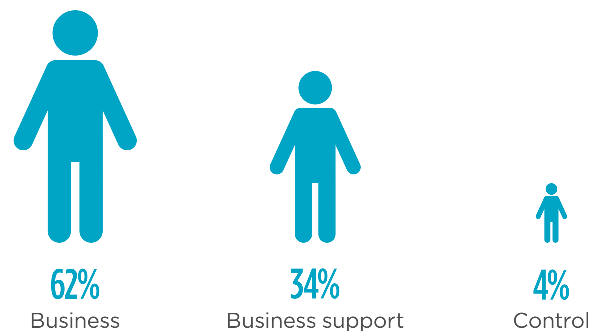
In 2019, the ATLANTICO team remained stable and almost unchanged from the previous year, with 1,812 employees, spread over the 18 provinces, mostly integrated into the business areas.

With an average age of 33 and 83% of employees belonging to the Y and Z generations (born between 1981 and 1996), ATLANTICO is characterised by a young team, with a strong sense of purpose and involvement, restlessness, environmental and social concerns, with the need to feel they are making a difference for the future, a **Team open to new life experiences** and with an almost natural ability for new and digital tools.

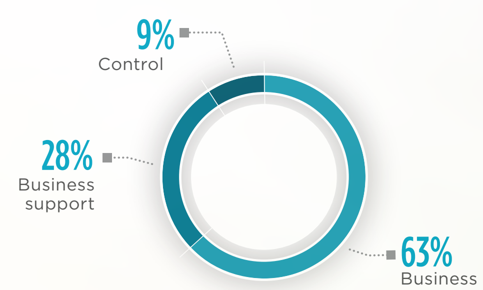
These characteristics are well present in the day-to-day and increasingly agile and multi-disciplinary way of working of the ATLANTICO Team. The agility has been enhanced by the investment in digital tools, which generate synergies and efficiencies, and it was precisely through **digital means** that ATLANTICO received about **17,500 applications**, an increase by over 250% compared to 2018.

Despite the macroeconomic environment, 175 new Employees joined ATLANTICO, more than doubled the number in 2018. Of these, 62% strengthened the business areas, a ratio in line with good management practices.

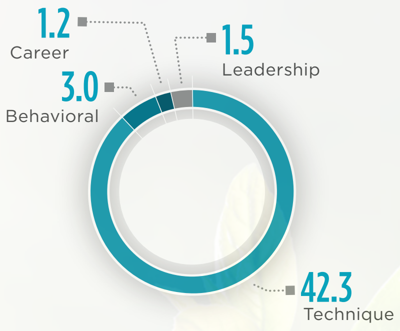
ADMISSION OF EMPLOYEES BY AREA



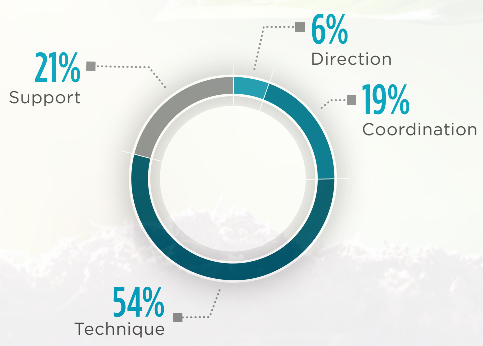
TRAINNING PER AREA



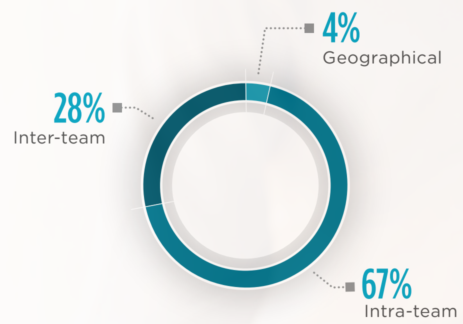
TRAINING HOURS (THOUSANDS)



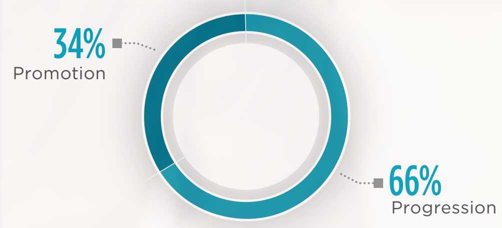
TRAINING PER CAREER



TYPES OF MOBILITY



CAREER GROWTH



> **Train people**, acknowledge their worth and contribute to the development of the Angolan economy and society is, and always will be, **a commitment of ATLANTICO.**

In 2019, ATLANTICO also promoted the second edition of the **ATLANTICO Internship Programme**, which involved 14 students and recent graduates from leading national educational institutions. Within a **6-month period**, these trainees went through several ATLANTICO Teams, connecting knowledge and experience.

Investing in People is a reflection of ATLANTICO's commitment to Angola and to social transformation, which begins internally with the empowerment and well-being of Employees.

With the main objective of continuing to leverage the employees' knowledge development, together with the annual training plan, ATLANTICO continued **the Internal Scholarship Programme**, which provides Employees with **financial support** to attend degree, post-graduate and master's courses. This second edition awarded scholarships to **10 Employees**, an investment of **over 5 million kwanzas**.

In 2019, the training strategy followed a more consistent investment line, resulting from the reframing that took place in 2018. The employees therefore benefited from greater customisation of training programmes according to their function and activity. The Bank also focused on e-learning and on-the-job learning.

Investment in training exceeded 470 million kwanzas, **more than double that of 2018**, resulting in **48,141 hours of training**, distributed on a proportional basis across the different areas of the ATLANTICO Team.

The mains focus was on the acquisition and updating of behavioural as well as technical knowledge and skills, in terms of products and services, focused on the excellence in care quality and service provided to the Customer.

In building the future, the leadership functions have a decisive role, due to the component of strategic guidance, reading of the context, adaptability, guidance and motivation of the Teams, as well as the training of its succession.

In 2019, the leadership functions had 78% more training hours than in 2018.

Also in 2019, ATLANTICO promoted the second cross-cutting exercise of identification and recognition of its potential, a process of great importance for building the future. A total of 300 Employees were identified representing 17% of the total universe whose potential, attitude and performance are differentiated and positively influence the transformation process. The Employees identified were involved in a specific monitoring, development and retention programme that acts on supportive vectors such as knowledge, well-being and career.

Train people, acknowledge their worth and contribute to the development of the Angolan economy and society is, and always will be, a commitment of ATLANTICO.

As a result of this investment and commitment, there were **631 mobilities**, Employees who embraced new challenges within ATLANTICO, and **648 career developments** through progression and promotion.

It is on the basis of this culture of knowledge, dynamism and agility, with a focus on delivery and development, which the process of organizational transformation, started in 2018, is becoming increasingly significant. The introduction of agile work methodologies and the setting-up of multidisciplinary teams, guided by specific project management methodologies, is a reality today.

In addition to the Disruption Lab – an independent laboratory for promoting digital innovation – an ATLANTICO pilot team was set up in 2019, which works using agile and innovative methodologies that reduce time-to-market, increase functional flexibility, autonomy and the degree of accountability of each employee. This new team contributes to efficiency and to the further development of internal skills.

The future of ATLANTICO is settled on its strategy, on its capacity for technological innovation and on its People, professionals of and for the knowledge, People who materialise every day a unique culture, which triggers a contagious positive effect throughout the ATLANTICO ecosystem.

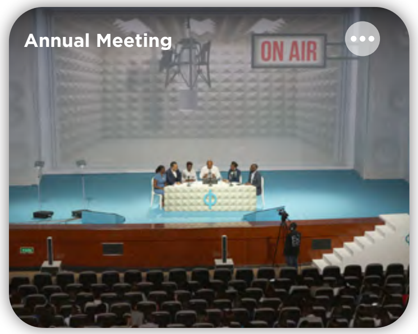
20:19 Tues, 31 December

100%

Years Months Days Photos

March 2019

May 2019



September 2019

3.6 Responsible

Social Transformation is a foundational pillar of ATLANTICO, with the sharing of the results of its activity with the Community in which it operates in its DNA, leaving a relevant mark on society. Its Founders have created an Institution based on the creation of Values for Life. An Institution that generates values for Customers, for Shareholders, for its People and, above all, for Society.

ATLANTICO's Social Transformation strategy defines the following areas of action: **Knowledge, Entrepreneurship and Health & Wellness.** In January 2019, Fundação Atlântico was formally mandated by ATLANTICO to materialise this strategy.

KNOWLEDGE LOGOS PROJECT

Object	With the help of sports, social and cultural programmes, enable young people between the ages of 6 and 14 to make positive choices for their lives and to be more socially responsible.
Scope of action	5 provinces, 6 centres, 724 participants, 48 monitors.
Values	Team Spirit, Sharing, Discipline, Commitment and Determination.

ENTREPRENEURSHIPS DOMBE 4.0

Object	Develop models of inclusive development based on rural property, namely, to support farming families through training programmes, technical assistance and agricultural management aiming to make them self-sustainable and to professionalise as to promote the integration of their production and the community in the Angolan formal market –, as well as to attract young Angolans to the primary sectors.
Scope of action	161 families in Dombe Grande Commune, Benguela province. The objective is to replicate the model to other regions of the country.
Results achieved	■ Technical monitoring in the cultivation of about 120 ha of the following products: 100 tons of beans, 3 tons of potatoes and 4 tons of peanuts. An outflow of about 40% to the formal market (Maxi national network). ■ Improving living conditions of households (direct beneficiaries 161, indirect beneficiaries 805). ■ The project already has 8 young agricultural engineers (from the Faculty of Agricultural Sciences) who accompany the families daily in the field.

On the other hand, the impact on the lives of Employees and their families, ATLANTICO People, on their well-being, stability and sustainability materialises through the ATLANTICO Welfare Programme, with direct impact on ATLANTICO families and the Volunteer Programme "We Share Values for Life".

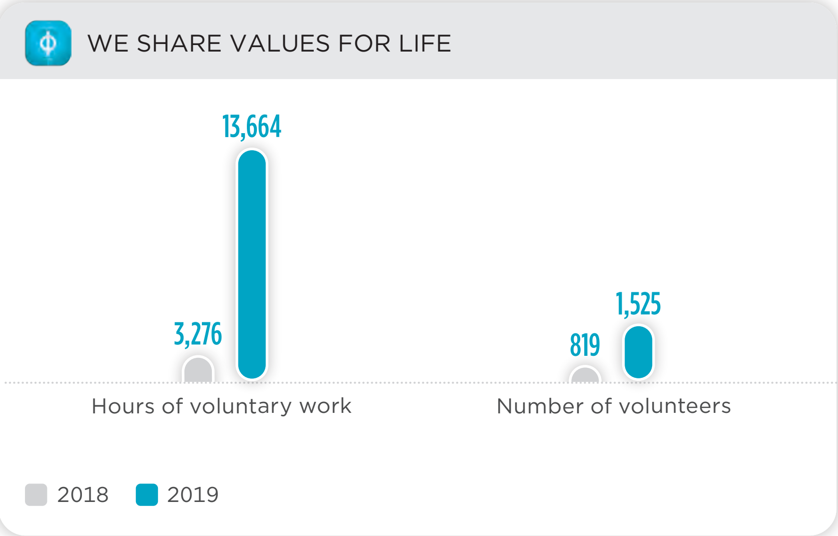
The Health and Welfare Programme, started in 2016, has allowed ATLANTICO to continue to promote a range of activities, of involvement and awareness of various issues that contribute to the balance and health of employees and their families.

> **"The ATLANTICO Volunteer Program "We Share Values for Life" has been gaining greater acceptance, with more than 1,500 volunteer Employees who have invested more than 13,600 hours in the service of the Community.**

Throughout 2019, with an investment of over AOA 34 million, specific dates were celebrated, such as the Angolan Women's Day and the Africa Day - with activities to promote African culture, events dedicated to sport and health, including physical condition screening, as well as awareness-raising actions on various topics which, in parallel with the practice of daily fruit distribution and workplace exercise, have contributed to the balance and well-being of our People.

The ATLANTICO Volunteer Program "We Share Values for Life" emerged in 2017 and has been gaining greater acceptance, with more than 1,500 volunteer Employees who have invested more than 13,600 hours in the service of the Community.

These numbers reflect the strong sense of mission of ATLANTICO volunteers and the positive contagion effect that has an integrated and continued programme over time.



The level and scope of the "Sharing Values for Life" programme has also been gradually extended. Along with fortnightly volunteering and various donation campaigns throughout the year, the Bank has joined causes with a noble purpose and a strong impact on society.

> "Through integrated and continuous actions, ATLANTICO honours its commitment to the future and the transformation of society on a daily basis, pursuing the **ambition to transform the lives of People and the Community.**

In 2019, **ATLANTICO joined UNICEF** under the Social Cash Transfers pilot project in Bié Province, providing volunteers, knowledge and means to operationalise the entire **financial literacy and banking project for families** supported by UNICEF.

It should also be noted that, continuing the work begun in 2018, ATLANTICO once again joined the food collection campaigns of the Food Bank of Angola. The 748 ATLANTICO volunteers, together with their families, contributed to the collection of more than **32 tons of food**, channelled to charities and families properly referenced.

In addition to the social component, through the Foundation on sustainable investment in communities and the voluntary actions of ATLANTICO People, the Bank has also been strengthening its commitment to environmental responsibility.

In 2019, ATLANTICO completed the development of the Socio-environmental Management System (SGAS), and began implementing it in the Bank's daily operations, maintaining the Socio-environmental international standard (Equator Principles). In 2020, via SGAS, it intends on continuing the plan to support projects of sustainability, environmental balance, social impact and the prevention of accidents along the way that negatively influence the materialisation of projects.

In addition, also in 2020, we intend on developing a set of activities, such as:

- Hold awareness-raising sessions for Employees, Suppliers and Customers;
- Reinforce the socio-environmental concern with Customers in the credit portfolio;
- Perform ergonomic assessment sessions;
- Establish partnerships for studies and socio-environmental assessments;
- Improve the parameters of socio-environmental analysis in credit processes.

Through these integrated and continuous actions, ATLANTICO honours its commitment to the future and the transformation of society on a daily basis. Pursuing the ambition to transform the lives of People and the Community, the Bank will continue to invest in social action projects that contribute to building and strengthening a knowledge-based, sustainable society with Values for Life.

20:19 Tues, 31 December

100%

Years | **Months** | Days | Photos

January 2019


Nazaré's children's home


Nazaré's children's home

June 2019


Thousand Adventures race

July 2019


Entrepreneurships – Dombe 4.0


Entrepreneurships – Dombe 4.0


Entrepreneurships – Dombe 4.0

August 2019

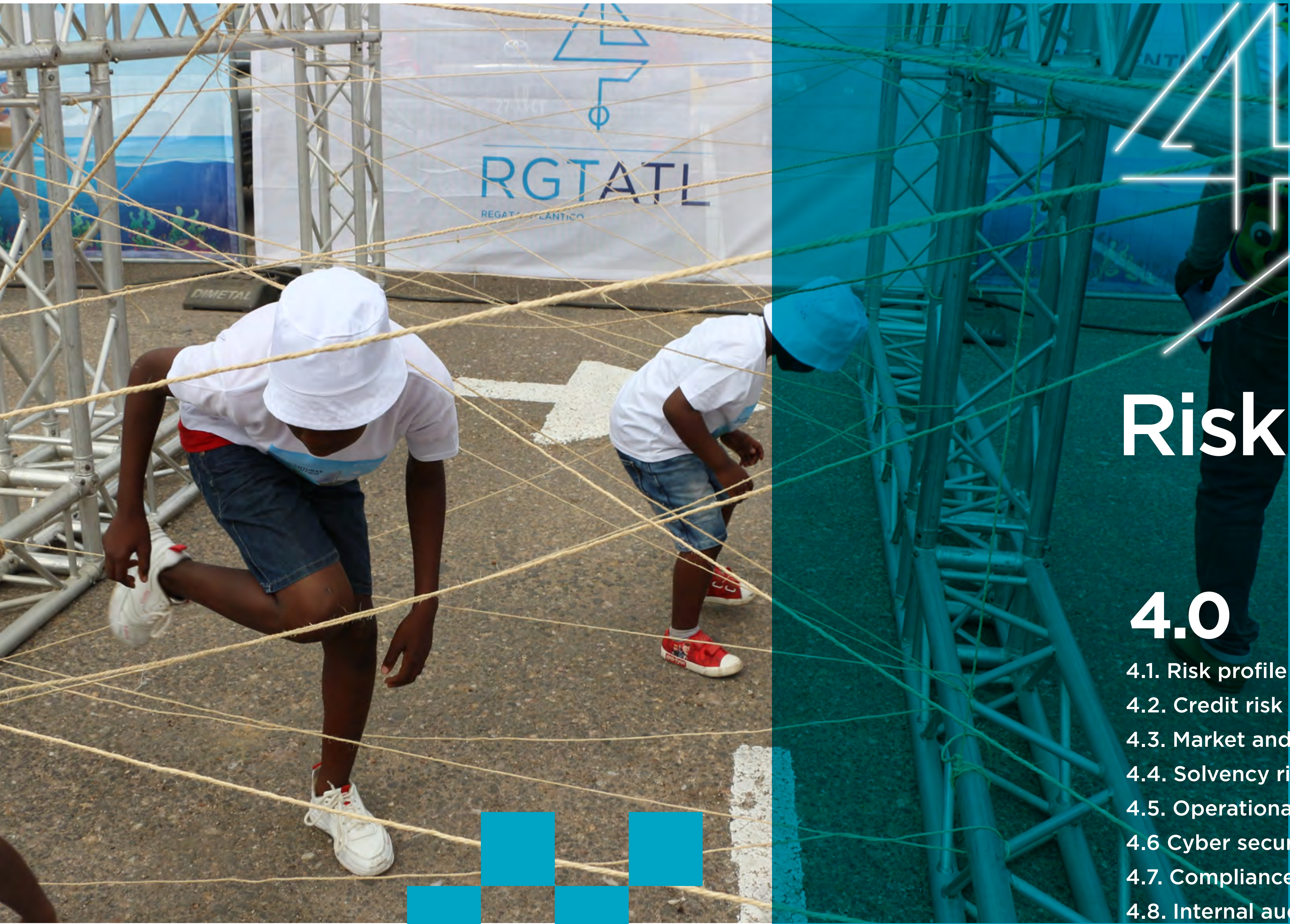
Banking project for families supported by UNICEF


Banking project for families supported by UNICEF


Banking project for families supported by UNICEF

Decembre 2019

Food collection for the Food Bank in Angola



Risk management

4.0

4.0 Risk management

ATLANTICO sees risk management as a central element in its strategic vision, supporting this function in a structure of collegiate bodies composed of Committees and Commissions independent from the other governance structures. Thus, the risk management function is independent of the risk generating areas and provides decision-making and control mechanisms directly dependent on the Bank's Board of Directors.

By acting across the organisation, Risk Office has the ability to define, identify, quantify, and report the various risks in an individual and integrated manner. Thus, in addition to the policies adopted for each type of risk identified, there is a joint analysis of all these risks, which guarantees the consistency of the risk measurement and imposes overall limits, which enable the prudential management of the institution to be established.

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

The Bank's risk management is carried out in accordance with strategies and policies defined by the Board of Directors, with the respective delegation of powers to the Executive Committee, with the Risk Office being assigned to a Director without direct responsibility for the commercial departments, and the Risk Office, which is responsible for implementing the strategies and policies defined.

On the organisational side, it is important to stress the importance of the Risk Management Committee, in which two Directors participate, as well as those responsible for the Departments that manage and control financial (credit, interest rate, exchange rate, liquidity and solvency) and non-financial risks (namely operational risk, compliance risk, reputational risk and information systems risk).

The governance of risk management is articulated in the actions of the following committees:

Risk Management Committee - is the collegial body responsible for the supervision of 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 various types of risk. It meets on a quarterly basis.

The assets and Liabilities Committee (ALCO) is responsible for deciding on structural measures to bring the balance sheet into line with the Bank's strategy and objectives, and for analysing and discussing the evolution of the main balance sheet indicators. It meets every two months.

Credit Committee - is the body with intervention in credit risk management. Its main responsibilities are to make rulings on all operations submitted to it in accordance with current credit policies and rules, which are embodied in specific regulations. It meets every week.

In order to reinforce the independence of the control functions, a Risk Committee is also established, with powers delegated directly by the Board of Directors and independent from the Executive Committee. This Committee is provided with diverse management information, planning and the results of key activities, and is responsible for monitoring the overall level of risk assumed by the Bank and controlling its management process.

In this scope, the following events stand out as the most significant throughout 2019:

1. Asset Quality Assessment (AQA) Programme – In order to assess the strength and stability of the Angolan Financial system, Banco Nacional de Angola carried out an assessment of asset quality of 13 largest banks between May and October. The scope of the exercise and its complexity determined the focus of management in this critical process, having mobilized significant efforts for its execution together with the selected external auditor.

   The program was divided into four distinct workstreams:

   - Individual analysis of the main assets including all assets with a book value greater than 2.5% of regulatory Own Funds;
   - Analysis of the collective impairment model and data quality;
   - Calculation of capital and equity requirements and stress test;
   - Internal Control.

2. Stress tests - in accordance with regulatory obligation, the Bank reported to the BNA the results of stress tests with reference to December 2018 and June 2019, with the process being based on the following activities:

   - Identification of risk factors relevant to the Bank.
   - Definition of sensitivity analyses and effort scenarios based on economic assumptions - studies of developments in macroeconomic and sectorial indicators were developed, and sensitivities were calculated on the basis of impacts on the source variables and their application to risk factors by correlation effect determined by the Bank.
   - Data validation and shock simulation.
   - Modelling of stress tests, calculations and information analysis.
   - Development of report on the studies, tests and conclusions.

3. Continuous improvement processes focused on automating the integration of critical systems for credit risk, liquidity, solvency and interest rate assessment and on automating the production of critical reports in the month-end process in order to reduce the duration of this process.
4. Review of the models for calculating the fair value of securities.
5. Modelling of the calculation of impairment of securities, assets recorded in other values and non-current assets available for sale.
6. Design of a specific scoring model to support automatic credit decision, considering the transactional profile and financial behaviour of the customer portfolio.
7. Beginning of the implementation of an IT tool to support the Rating function and its integration with the credit decision process, with the following objectives: creation of a balance sheet database based on the companies' financial statements, automation of the production of economic and financial indicators, definition of multiple scoring and

rating models and automation of the scoring calculation and implementation of workflow for assigning degrees of risk to clients.

8. Definition and implementation of a communication plan within the scope of Operational Risk Management, promoting a risk culture and a more active participation of the first line of defence in the management model.
9. Improvement of the quality of information that supports the identification of credit rights that can be used in the reserve requirement calculation.
10. Continuous monitoring of the recording and revaluation of collateral in credit operations, supporting and promoting the continuous improvement of the quality of the registration of collateral and its allocation to operations, with a view to optimising capital consumption.

4.1 Risk profile

The principles of risk governance in financial institutions, established by the National Bank of Angola's Notice No. 7/2016, are based on the essential principle that "given that risk acceptance plays a key role on their activity, they must 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, amongst the risks inherent to the activity and characteristics of the institution, which risks are materially relevant, ATLANTICO has defined a set of indicators that allow an assessment, for each type of financial and non-financial risk, of the Bank's exposure to these risks and the existence or not of a potential significant impact on the Bank's balance sheet structure or activity.

To ensure that all elements are integrated into the business and management strategy, compliance with limits and tolerance levels is ensured and their monitoring is systematically reported. Thus, the adequacy of the limits is tested on a regular basis, promoting at least an annual review of the institution's risk profile, approved by the Bank's Board of Directors together with the budget approval.

The Risk Office is responsible for monitoring and checking the risk profile and for communicating the main results and conclusions. It is also responsible for advising the Executive Committee and the Bank's Board of Directors on its review and periodic updating, as well as evaluating the corrective actions or measures to be implemented whenever there is a breach of the established limits that may condition or negatively affect the Bank's activity.

The limits that make up ATLANTICO's risk profile are established on three levels, deriving from them the responsibilities for communication and the development of corrective actions.

- Risk appetite reflects the level of risk for which ATLANTICO is prepared and is willing to accept, taking into account its strategy and its financial capacity to assume losses.
- The definition of a tolerance zone makes it possible to establish a timely warning system and trigger corrective measures before the Bank reaches its maximum risk taking capacity.
- The capacity limit refers to the maximum amount of risk that the Bank is prepared to accept in the course of its business without undermining its stability, positioning and solvency.

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

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

Since its approval in 2017, this risk management instrument has been fully implemented in terms of its dynamics of monitoring and generating corrective actions for deviations, and is now fully integrated into the Bank's strategic and prudential planning management, in accordance with its main objective.

Formal risk profile monitoring reporting is carried out quarterly in the Risk Management Committee, although whenever some indicators calculated less than quarterly are outside the established limits, this is duly reported and subsequent actions are established in a timely manner.

4.2 Credit risk

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

Granting of credit

The activity of granting credit is developed and based on regulations and standards, which are regularly reviewed and regulate the activity and clearly establish the delegation of powers, both in value and profitability, according to the implicit risk of Customers, segments and operations.

Credit Committee is the body with intervention in credit risk management. Its main responsibilities are to make rulings on all operations submitted to it in accordance with current credit policies and rules, which are embodied in specific regulations.

In addition to the regulations, the granting of credit is supported by the assessment and classification of the client's risk with the support of scoring and rating models, and the assessment of the level of collateral coverage of operations. For the most significant exposures, capital consumption and its impact on the limits to large risks (credit risk concentration) are also analysed on a case-by-case basis.

The credit analysis and opinion is the responsibility of the Credit Department, with the attribution of ratings to companies and scoring to individuals being the responsibility of the Risk Office Rating Unit, based on the models developed internally based on four vectors (two qualitative): Business and Shareholders/Management and two quantitative: Economic-Financial Analysis and Solvency and Liabilities). Thus, the analysis of client risk is carried out by a separate unit of the Credit Division, ensuring the principle of independence advocated 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 way to cover the risk, the decision levels being defined in the rules of procedure.

The Credit Department will issue an opinion or a credit decision after being duly informed of all the assumptions, and until then shall make every effort to obtain them from the commercial area and the client.

Credit decisions "authorised", "authorised with amendments" or "declined" shall be based on the grounds set out in the immediately preceding opinion. They are supportive and hold the employees, the branches and the decision-making levels involved equally responsible.

The analysis of credit operations takes into account four elements: liquidity, profitability, security and concentration.

- Liquidity: the customer's ability to meet its financial commitments within agreed deadlines.
- Profitability: each of the credit operations should generate positive returns to the Bank.
- Security: the operation must always comply with the regulations defined internally and by the legal framework to which the Bank is subject. Obtaining additional guarantees may increase the credit security of the transaction, but a transaction should not be authorised solely on the basis of the guarantees provided.
- Concentration: Customer concentration should always be analysed. The more dispersed the credit portfolio is, the less l ikely it is to be lost.

Credit monitoring

Credit monitoring is the responsibility of all those involved in the credit process, and in particular the commercial areas, which must ensure the provision of all information regarding the client, capable of translating a change in the solvency conditions.

The overall objective of the credit monitoring process is the timely detection of any deterioration in the credit conditions of Customers and the pursuit of appropriate actions to prevent the risk of default, to settle as soon as possible the actual default, to minimise the need for provisioning/ impairment and to create conditions that leverage the results of recovery.

As a result of the detection of signs of deterioration in the customer's financial situation or the existence of actual default and depending on the seriousness of the situation observed, Customers should be subject to re-examination of their degree of risk and the adoption of complementary monitoring procedures.

Credit recovery is the responsibility of the Credit Recovery Department and the Legal Department. The Credit Recovery Department monitors and manages the responsibilities assumed by Customers who have been in default for more than 45 days (overdrafts), 75 days (leasing) or 90 days (other credits). One year after joining the Credit Recovery Department, in accordance with the maturity defined in the previous item, the cases are transferred to the litigation area within the Legal Department.

Credit risk measurement

Credit risk monitoring involves monitoring and controlling the evolution of the Bank's portfolio exposure to credit risk and implementing mitigation actions to preserve credit quality and defined risk limits.

The Risk Office is responsible for defining and monitoring the Risk Profile indicators for credit risk and counterparty credit risk, as well as communicating them to the Board in the event of the established capacity limits being exceeded.

The Risk Office is responsible for calculating and reporting monthly credit impairment, regulatory provisions, prudential limits for large exposures and regulatory capital requirements for credit risk and counterparty credit risk.

The credit impairment analysis focuses on the debtor's credit quality, as well as on the expectations of recovery of the specific credit operation, taking into account, namely, the cash flows released and the evolution of the business plan, as well as the collaterals and existing guarantees, and may be based on statistical models for determining expected losses or on individual analysis of operations and Customers.

The assessment of impairment also includes the measurement of other financial assets, namely securities, equity investments in companies, money market financialinvestments and other asset values, using internally developed models based on the risk measured to the counterparties and provided that these assets are not valued at fair value.

The policy for determining the impairment associated with financial assets was defined in accordance with IFRS 9. This standard introduces the concept of expected credit losses, which differs significantly from the concept of incurred losses under IAS 39, by anticipating the recognition of credit losses in the financial statements of institutions. Thus, in determining the ECL (Expected Credit Loss), macroeconomic factors are taken into account, whose changes impact the expected losses.

The Bank measures the ECL individually, or on a 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 from the asset, using the asset's original effective interest rate, regardless of whether it is measured separately or collectively. The determination of the ECL to be applied depends on the allocation of the agreement to one of three stages.

> “
> **The policy for determining the impairment associated with financial assets was defined in accordance with IFRS 9.**

At the initial recognition, each agreement is allocated to Stage 1 (with the exception of Acquired or Originated Agreements with Objective Evidence of Loss), and an analysis of the variation in the risk of default from that date to the expected maturity of the agreement must be performed at each subsequent reporting date. If there is an increase in risk, the estimated loss provision for credit risk should be increased.

Instruments subject to the impairment calculation are divided into three stages, taking into account their level of credit risk, as follows:

- *Stage* 1: no significant increase in credit risk since initial recognition. In such a case, the impairment will reflect expected credit losses resulting from default events that may occur in the 12 months following the reporting date;
- *Stage* 2: instruments in which a significant increase in credit risk is considered to have occurred since initial recognition, but for which there is yet no objective evidence of impairment. In this case, the impairment will reflect the 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 as a result of events that resulted in losses. In this case, the amount of impairment will reflect expected credit losses over the expected residual life of the instrument.

4.3 Market and liquidity risks

The main players in the daily management of market and liquidity risks are the Treasury and Markets Department and the Risk Office. The Treasury and Markets Division is responsible for selecting and carrying out transactions with the market and for the daily management of liquidity, within the limits defined in the Bank's risk profile. The Risk Office is responsible for identifying, measuring and monitoring risk, ensuring that the defined limits are followed.

The Risk Management Committee and the ALCO Committee are the bodies responsible for overseeing these risks and are responsible for monitoring, assessing and proposing measures to correct deviations from management policies and limits set for liquidity and market risks (foreign exchange and interest rate).

Liquidity risk

The assessment of liquidity risk is based on the calculation and analysis of indicators that allow the Bank's liquidity situation to be identified for short-term horizons. The monitoring of current and structural liquidity levels, according to the amounts and deadlines of commitments and resources in the portfolio, is carried out through the identification of liquidity gaps, for which exposure limits are defined. These indicators are based on the distribution by time bands of the flows of existing liabilities and assets at the date of the analysis, according to pre-established assumptions.

The liquidity position of ATLANTICO is regularly assessed and the factors that justify the changes are identified. This control is strengthened by performing stress tests in order to define the Bank's risk profile and ensure that its obligations can be met in a scenario of deteriorating market conditions.

In August 2016, the National Bank of Angola published Instruction No. 19/2016 - Liquidity Risk, defining individual information on the distribution of balance sheet and off-balance sheet positions by time bands and breakdown analysis in national currency and relevant foreign currencies. The Bank closely monitors its compliance with the limits set out in this Notice.

Interest rate risk

The assessment of interest rate risk is carried out through a risk sensitivity analysis process carried out for the operations comprising the Bank's balance sheet. The interest rate risk is calculated by classifying all assets, liabilities and off-balance-sheet items in the banking book, which are sensitive to interest rate movements, by marginal maturity bands of interest rate reset. The Bank analyses daily the main reference rates of the domestic and international markets, namely LUIBOR, EURIBOR and LIBOR, in order to assess the risk inherent to assets and liabilities sensitive to interest rate variations.

In its analysis, the Bank considers Notice No. 8/2016, that regulates the interest rate risk in the banking portfolio, which considers an instantaneous positive or negative shock of 2% on interest rates and results in a parallel movement of the yield curve of the same magnitude, estimating the impact on the current value of cash flows and the financial margin of institutions. It is monitored on a systematic basis according to the repricing periods of assets and liabilities.

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

Exchange rate risk

The Bank monitors its exposure to foreign exchange risk by monitoring and revaluing on a daily basis the exposure of the global open positions taken in the various currencies and adopts global hedging strategies to ensure that these positions remain within the limits approved by the Board.

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

In addition to monitoring exchange position and exposure and comparing it with the limits established by the Bank, the Risk Office is responsible for preparing stress tests in which it assesses the impact of any exchange rate appreciation or devaluation on the Bank's asset structure, results and solvency ratio.

4.4 Solvency risk

The calculation 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 National Bank of Angola in April 2016.

In order to align the regulations with international best practices, this set of regulations introduced a series of changes, which include the calculation of regulatory capital requirements for credit risk and counterparty credit risk (Notice No. 3/2016), capital requirements for market risk and counterparty credit risk in the trading portfolio (Notice No. 04/2016) and capital requirements for operational risk (Notice No. 05/2016). Overall, these requirements reflect a greater demand on the robustness of Banks' capital structure.

Regulatory own funds are the sum of basic own funds and additional own funds. The solvency ratio corresponds to the ratio between regulatory own funds and the value calculated for capital requirements as determined by the value of risk-weighted assets plus market and operational risk, with a minimum regulatory value of 10%.

The Bank has a preventive approach to solvency risk management:

- The Risk Profile defines minimum limits for the solvency ratio from which the Risk Office performs interim calculations to measure the impact of the evolution during the month of the main balance sheet items on the value of the ratio, reconciling it with events detected in the management of other risks, namely credit, foreign exchange rate, liquidity and operational;
- Investment or disinvestment operations, as well as credit granting or settlement operations, which have significant volumes are previously assessed by the Risk Office for their impact on the Bank's solvency - via earnings and capital consumption.

The final amount and detail of the Regulatory Own Funds and Regulatory Solvency Ratio calculation performed by the Risk Office are included in the monthly earnings presentation to the Board of Directors and analysis and projections are regularly presented to the Risk Management Committee.

The impacts on the Solvency Ratio resulting from stress tests, as well as other ratios that relate exposure to a certain risk to the level of the Bank's Own Funds are reported to the Board on a regular basis.

Asset Quality Assessment (AQA) programme results

At the end of December, the National Bank of Angola published the results of the Asset Quality Assessment Programme carried out in 2019, with reference to 31 December 2018, involving 13 banks representing 92.8% of the total assets of the Angolan Banking System.

> Taking into account the incorporation of the AQA adjustments and the net profit in 2019, **the final RSR was estimated at 14.5%.**

Overall, the results of the AQA revealed that the banking system is globally robust, with the impacts of the financial year giving rise to a need for recapitalisation for a small number of banks, which were concentrated in two banks around 96% of total recapitalisation needs in relation to the minimum regulatory requirements in force, with reference to 31 December 2018.

In this regard and considering that the financial year ended 31 December 2018, the National Bank of Angola instructed the Banks to record the adjustments identified in the AQA in the financial statements for the financial year ended 31 December 2019, taking into account the evolution of their assets during the current year.

The main adjustments to the Regulatory Solvency Ratio resulted from the assumptions defined by the supervisor in the year, meanwhile reflected in Guidelines No. 13 /DSB/DRO/2019 – Guide on the recomendations for AQA Methodologies for 2019, particulary for associates discounts applicable to the value of real estate assets, the impairment of national public debt securities and the review of risk factors in the collective credit impairment calculation model.

Taking into account the incorporation of the AQA adjustments and the net profit in 2019, the RSR with the reference 31 december 2019 amount to 14.5%, significantly above the regulatory minimum of 10%, with no need for the Bank's recapitalisation.

4.5 Operational risk

The operational risk management model is a process-based management model, with an end-to-end perspective of the product and service value chain in operational risk management and allows the identification of potential risks and assessment of the impact of improvements.

Mindful of the importance of effective monitoring and control of operational risk and in order to achieve the proposed objectives, ATLANTICO has designated persons in charge of operational risk management for each process - the process owners. The profile of these persons in charge includes a strong command of the themes of their area of intervention, namely in terms of knowledge of business processes and capacity to suggest risk mitigation measures and increase efficiency, ensuring the recording and monitoring of all events that may lead to financial losses.

In the Bank's day-to-day business, the process owners and those responsible for each Organic Unit are responsible for ensuring the correct implementation of policies and methods for operating risk control, with the Risk Office being responsible for the complementary monitoring of the risks incurred, the centralisation of the recording of events and mitigation actions, as well as their implementation.

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

ATLANTICO's operational risk management model is based on three main instruments:

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

During the annual risk self-assessment, each representative process of the Bank evaluates in the Risk Tolerance Matrix the 20 categories of risk in terms of level of severity (level of financial impact in the event of risk occurrence) and frequency (probability of risk occurrence) 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 for the identification of the processes with the highest risks and the most significant risk categories for the Bank.

The current management of this risk is carried out on a daily basis, through the identification, analysis, evaluation, quantification, monitoring and control of operational risk events or incidents, identified throughout the organisation and reported and managed (in terms of their classification and proposal for preventive and corrective mitigation actions) by the process owners. Furthermore, information is collected from other alternative sources, e.g. the Audit Department (frauds), the Processes and Organisation Department (customer complaints), the Accounting Department (fines, cashier failures and other loss records) and the General Services Department (events related to security and assets) which ensure the completeness of the events recorded and reported.

The operating risk events captured are classified according to the category of risk to which they refer, allowing the categories in which the Bank incurred the greatest losses to be measured and, consequently, those in which it will have to make greater efforts to mitigate risk.

The three operational risk management instruments are developed on the basis of 20 risk categories, defined by the Bank in accordance with the recommendations of the BNA in Instruction No. 28/2016 and the guidelines of the Basel Committee, and grouped into the following categories:

- People risks;
- Information systems risks;
- Process risks;
- External risks;
- Organisationl risks.

It is noticeable from the categories presented that ATLANTICO's operational risk management also covers compliance and information systems risks, including cyber threats. Reputational risk is assessed in the annual self-assessment exercises and is also included in the management model.

The management model described is fully operational in its various dimensions since the end of 2017, with the business processes, support and control being systematically reviewed in order to ensure an up-to-date and adequate risk assessment.

The digital transformation of the Bank, in particular the implementation of IT tools that strengthen the control environment and have significantly altered process activities, and the adoption of an organisation more oriented towards the transversal management of processes (both in terms of efficiency and risk) have introduced significant changes in process activities and controls. ATLANTICO is constantly monitoring these changes by involving the entire Bank in operational risk management, in particular through:

- Monitoring of the implementation of the 275 mitigation actions identified;
- Quarterly presentations of results to the Risk Management Committee;
- Promoting workshops, presentations and multiple contacts with process owners and management to ensure the correct functioning of the first line of defence;
- Ongoing communication plan, which reinforces the Bank's risk culture, encourages the inclusion of all employees in the recording management model (through the recording and reporting of events) and reinforces the process owners' responsibilities.

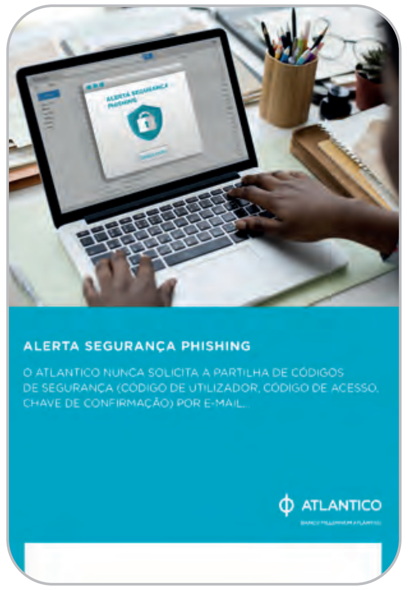
4.6 Cyber security

ATLANTICO remains actively focused on Cyber Security mitigation, ensuring that it is regularly reported according to best practices, thus ensuring strict compliance with the governance, supervisory and appropriate executive support to the digital transformation plan.

At ATLANTICO, we maintain a strong investment commitment to support and provide business initiatives with technical and procedural controls that contribute to the improvement of prevention, detection, response and recovery capabilities, in an increasingly adverse digital environment due to the growing global risk of cyber-attacks, brought about by the swift adoption of digital solutions and the rapid development of digital infrastructures. Given the importance of dynamic participation by other players in this area, the Bank cooperates proactively with the regulator, namely by participating in specialist forums, with a view to discussion and growing awareness of our market, for the improvement of mechanisms to defend the critical infrastructure of the country.

The security awareness and training programme, underpinned by a people centred approach, is designed to engage Employees, Partners and Customers to enable them to proactively identify potential cyber-risks and work as the first line of defence.

EXAMPLES OF INTERNAL AND EXTERNAL AWARENESS CAMPAIGNS:



4.7 Compliance

Compliance activities focus on the promotion, definition, approval and implementation of policies and processes aimed at ensuring that management bodies, functional structures and all Employees comply with legal and regulatory requirements (internal and external) that rule the Bank's activities.

These standards allow for an adequate management of the compliance risk, at both strategic and operating levels, and prevent the institution from incurring legal or regulatory sanctions and financial or reputational losses, resulting from non-compliance with laws, codes of conduct and rules of "good business practices" and duties to which it is subject.

The Compliance department performs its activities autonomously, independently and permanently, with full and free access to the Bank's internal information. However, it is the responsibility of the Executive Committee, together with the supervision and monitoring of the Audit Committee, to define the strategic guidelines of its activities.

The Prevention of Money Laundering and Terrorist Financing is one aspect of compliance risk management.

There is growing concern, on both ATLANTICO and the regulators, to implement procedures for controlling exposure to the risk of Money Laundering and Terrorist Financing in order to reduce the likelihood of the Bank becoming a vehicle for the flow of funds with illegal origins and/or uses.

Accordingly, ATLANTICO's management model is based on the Policy for Prevention and Detection of Money Laundering and Terrorist Financing, the Customer Acceptance Policy and on the Sanctions Policy, which define the activities aimed at the execution of operations and identifying and accepting their stakeholders, as well as the control activities, carried out by the Compliance and Internal Audit departments.

Compliance function is based on two major units that complement each other: AML and Legal.

AML (*Anti Money Laundering*): responsible for monitoring all anti-money laundering and anti-terrorist financing activities and maintaining the relationship with the Correspondent Banks within Compliance. Its main functions are:

1. Define rules, procedures and criteria for action in accordance with the legal standards related with the processes of opening accounts, screening and monitoring of Customers;
2. Authorise and control the process of opening accounts and transactions prior to their execution through the client risk matrix;
3. Monitor the account opening processes, the KYC (Know Your Customer) associated with the Bank's portfolio, including PEP (Politically Exposed Persons) and other high risk groups based on the execution of Client risk profiles;
4. Monitor and control compliance with the reporting requirement to the IUF (DTN; DOS; DIPD and CE);
5. Ensure the effectiveness of the Compliance applications and update the lists of international sanctions used;
6. Analyse inactive accounts;
7. Define processes to ensure the identification of suspicious operations by generating alerts on entities, accounts and transactions and monitoring these situations, based on a risk analysis and management in close compliance with the legislation in force;
8. Report suspicious and client transactions designated in the sanctions lists to the relevant authorities as provided for in the regulations in force;
9. Define rules, procedures and criteria for action relating to the processes of screening and monitoring of Customers and transactions;
10. Monitor and analyse situations of potential conflict of interest, collecting all inherent data and advising the areas involved on their resolution;
11. Ensure the archiving of the transactions database subject to internal communication;
12. Monitor Client transactions, ensuring appropriate levels of diligence in monitoring their execution, control and reporting;
13. Ensure mitigation of the risk associated with money laundering and terrorist financing within Trade Finance;
14. Manage and ensure a compliance relationship geared towards best international practice with correspondent banks.

Within the competence of AML, **652** high risk clients were analysed and 1 **true positive** client was found, whose business relationship was not started.

For the purposes of customer analysis and assessment, ATLANTICO guarantees the daily screening of its customer database against lists of Sanctions and PEP, namely OFAC, BOE, EU, PEP, NU and HMT, as well as internal lists of bad guys and other lists that the Angolan State may consider.

Regarding the requirement to report to the Financial Information Unit (IUF), in 2019 **24,200** cash **operations, 44 operations suspected** of being related to money laundering practices, **4 reports** from designated entities and **5 spontaneous reports** were reported.

Legal: responsible for ensuring the legal compliance of banks' processes and procedures. Its main functions are:

1. Issue opinions requested by the different Bank's Departments on general matters relating to the account opening process;
2. Ensure communication with official bodies as part of responses to letters;
3. Identify internal and external factors with an **impact on the Bank's operation and reputation**;
4. Issue institutional letters attesting to the trustworthiness of Customers;
5. Issue expert advice on compliance requested by the different Bank's Departments;
6. Monitor and control compliance with regulatory reporting requirements;
7. Identify, assess and manage Compliance risks in the Bank's different processes, recommending measures to mitigate the risks;
8. Participate in the process of preparing and defining the Bank's internal policies, rules and procedures;
9. Check the compliance of licensing procedures for products, banking services and advertising;
10. Prepare the regulatory summaries and set the action points to be noted in their implementation;

11. Regulatory Compliance – monitor and update the map of legislation applicable to the banking sector and compliance of internal regulations with external regulations;
12. Monitor and regularly assess the adequacy and effectiveness of measures and procedures and detect any risk of non-compliance with legal obligations and duties.
13. Issue opinions on transactions with Related Parties and monitor their approval cycle in accordance with current regulations and policy.

In 2019, as part of its responsibility to align processes and ensure full compliance with standards, the Compliance department participated on the updating, preparation and approval of **96 processes** across the Bank. It has also disseminated and ensured the implementation of the steps needed to publish the regulations of regulatory and legislative bodies.

Within the licensing framework of banking products and services, in 2019, the Compliance department participated in the **preparation and licensing of 8 products** with the Regulator. It also monitored compliance with regulatory reports and took actions that aim at mitigate the risk of non-compliance with statutory deadlines.

Given the importance of these matters, training sessions on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions were held throughout 2019:

- New Employees under the 1st Dive Training Programme:

  The goal is to ensure that all Employees have sufficient and clear information on AML before performing duties in the Bank. The training contents include basic and introductory concepts on Compliance in Anti-Money Laundering, Anti-Terrorist Financing and Sanctions, as well as compliance and financial crime detection practices.

- All Bank Employees:

  The Anti-Money Laundering, Anti-Terrorist Financing and Sanctions training programme is updated on an annual basis and all employees attend this e-learning and on-site training.

4.8 Internal audit

The Audit Department is focused on providing an independent and objective service aimed at add value, improve operations and support the Bank's Board of Directors in reaching its goals as provided in Article 17 of Notice No. 02/2013 of 19 April.

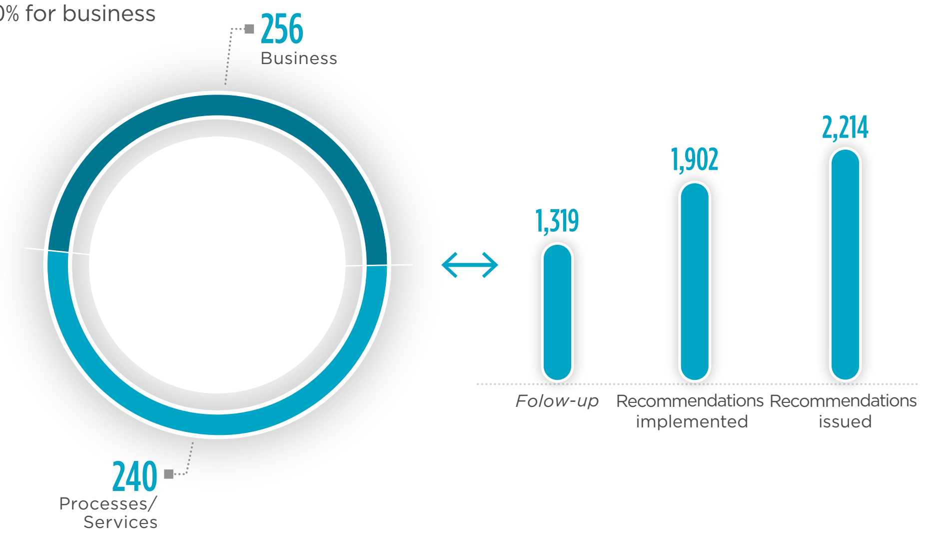
The definition of the strategic guidelines for the internal audit function is the responsibility of the Executive Committee, with the supervision and monitoring of the Audit Committee.

In view of the internal strategy defined in 2017, the following deliveries were made in 2019:

- Implementation of cross-cutting and complete audits, by multidisciplinary teams;
- Continuous monitoring, with automatic controls concerning processes and operations;
- Data Analytics - definition of dashboards to monitor the data and alerts generated by the developed platforms;
- Internal initiatives - multidisciplinary teamsto deal with situations arising from fraud and operational failures, namely: phishing; offline transactions; irregular signatures and operations abroad (OPE).

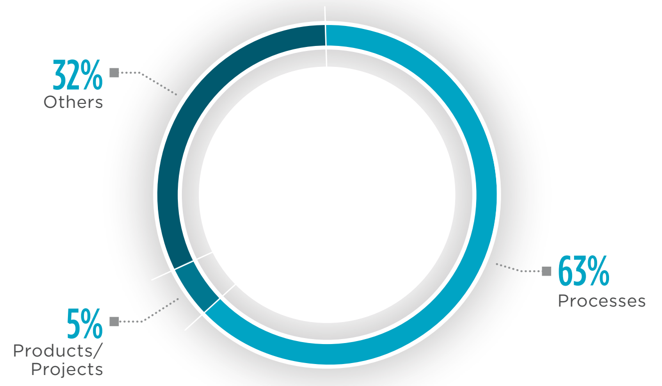
ACTIVITIES PERFORMED

- **496 auditis carried out**
- Coverage degree:
  100% for business



- **+66, extraordinarily, audits carried out**, at all service points in Luanda.
- Follow-up of all external inspections made by BNA and CMC.
- **443/475 (93%) cases and/or complaints analysed and 678 recommendations issued.**
- Analysis of complaints received.
- Approximately **85 improvement opportunities** (procedural/application) issued.
- **110 opinions issued**, relating to the Bank's products, processes and projects.

OPINIONS ISSUED



IMPACT OF ACTIONS PERFORMED

Implementation of 7 new controls and/or continuous monitoring alerts.

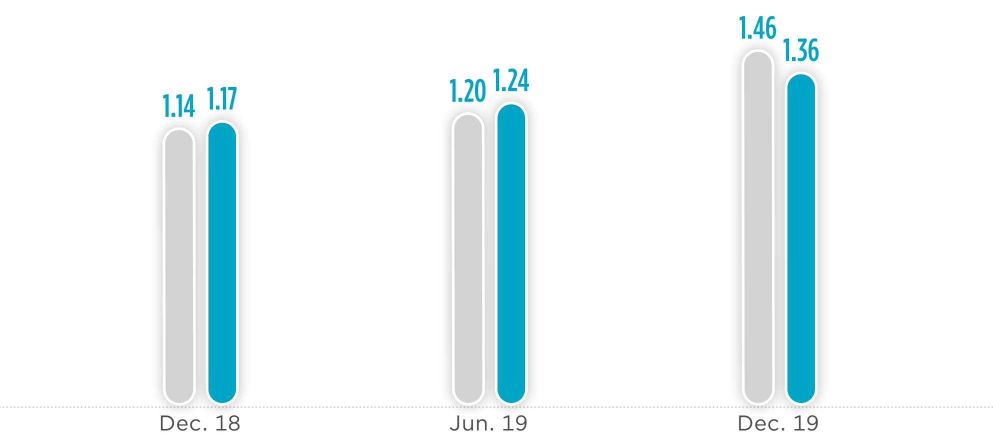
Setting-up of RADAR (Risk Base Audit Rating),which assesses the risk level of service points.

Action to assess the quality improvement of audit actions, through Quality Assurance.

Training courses on compliance and conduct practices.

In 2019, there was a continuous improvement in ratings given to audit reports, as well as in the risk level associated with the lack of compliance recorded, primarily for the business.

DEGREE OF RISK



Caption: High = 0 | Medium = 1 | Low = 2

"In 2019, there was a **continuous improvement in ratings given to audit reports**, as well as the risk level associated with the lack of compliance recorded, primarily for the business.

Financial information

5.0

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5.1 Key indicators

AOA 30.5 B **+12%** Net income	**23%** **-0.8 p.p.** Return on equity	**2.1%** **+0.03 p.p.** Return on assets	**14.5%** **-1.2 p.p.** Capital adequacy ratio
AOA 111 B **+5%** Operating income	**AOA 40 B** **-8.2%** Operating costs	**47%** **-2 p.p.** Cost-to-income (recurring)	**AOA 1,601 B** **+17.9%** Net assets
AOA 1,235 B **+18.4%** Deposits from Customers	**AOA 443 B** **+2.8%** Net loans	**15.7%** **-1.2 p.p.** Credit at risk ratio	**130%** **+29 p.p** Credit at risk coverage ratio

5.2 Summary of business performance

Net income

We closed 2019 with net results in the amount of AOA 30.5 billion, representing a 12% growth compared to the previous period.

These results reflect a 93% degree of compliance with the budget defined for the period. Notwithstanding the positive performance and in line with the Bank's budget planning, 2019 included exogenous events that had an unfavorable impact on financial performance, namely: the continuous cycle of economic slowdown that has affected companies and families and, consequently, the loss ratio of ATLANTICO's credit portfolio; events associated with a more restrictive monetary policy with an impact on interest rates and liquidity levels to grant more credit to the economy; and, finally, the asset quality assessment process, with impact on the fair value assumptions of public debt and discount rates for real estate assets received by transfer.

Cost of risk

The increase in impairments is related to the recession in the Angolan economy, which has an impact on the performance of companies and on household income and which is reflected in the Bank's balance sheet in the worsening of overdue loans and risk. In 2019, ATLANTICO significantly reinforced the level of impairments, in an approximate amount of AOA 31 billion increasing its credit-at-risk coverage ratio to 130%.

Capital adequacy ratio

In December, Capital adequacy ratio stood at 14.5%, reflecting a -1.2 p.p. decrease compared to the same period. This decrease is essentially due to the adoption of adjustments within the AQA exercise, and, according to the regulations in force in Angola, the minimum ratio required for banking institutions is 10%. Therefore, ATLANTICO continues to present solid ratios and availability of capital to support business growth and risks of Bank activity, also regarding the contribution for increasing own funds through non-distribution of dividends for the year.

Operational efficiency

The Cost-to-income ratio reached 39%, representing a deviation of -3 p.p. against the previous year. If we exclude non-recurring events that occurred at the level of revenue, cost-to-income ratio reaches 47%, with a favorable evolution of 2 p.p. compared the previous period.

The improvement of efficiency levels is one of the Bank's fundamental focuses, defining strict objectives for each business cycle, whose implementation is monitored by a specific team, under the supervision of the Efficiency and Investment Committee.

5.3 Evolution of financial statements

5.3.1. Balance sheet evolution

(AOA thousand)

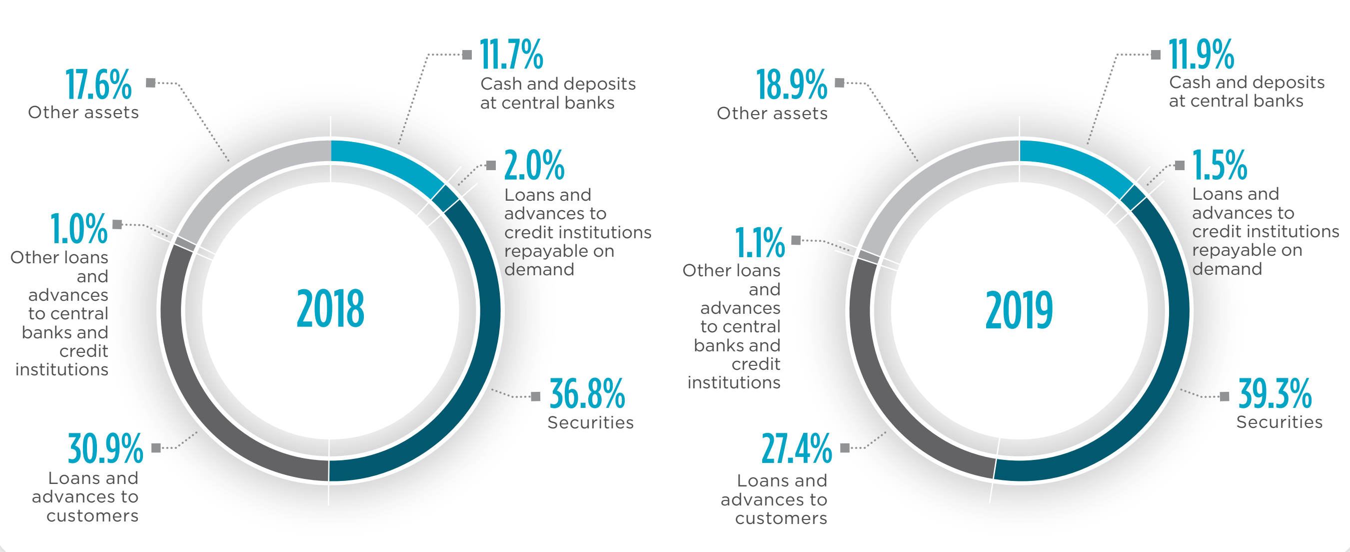
	31.12.2019	31.12.2018	Δ	Δ %
Assets				
Cash and deposits at central banks	190,988,448	159,372,252	31,616,196	20%
Loans and advances to credit institutions repayable on demand	24,428,190	26,739,729	(2,311,539)	-9%
Financial assets and liabilities at fair value through profit and loss	69,425,364	26,620,444	42,804,920	161%
Financial assets and liabilities at fair value through other comprehensive income	34,178,458	198,119,726	(163,941,268)	-83%
Financial assets at amortised cost				
Debt securities	529,302,406	274,968,716	254,333,690	92%
Loans and advances to customers	442,701,013	420,264,577	22,436,436	5%
Loans and advances to credit institutions repayable on demand	17,012,282	13,312,565	3,699,717	28%
Other tangible assets	61,282,073	65,709,104	(4,427,031)	-7%
Property and equipment	35,981,690	32,625,573	3,356,117	10%
Non-current assets held for sale	88,628,779	65,790,661	22,838,118	35%
Current tax assets	2,056,239	1,014,785	1,041,454	103%
Deferred tax assets	2,288,990	2,536,619	(247,629)	-10%
Other assets	103,205,141	71,697,218	31,507,923	44%
Total assets	**1,601,479,073**	**1,358,771,969**	**242,707,104**	**18%**
Liabilities and equity				
Deposits from central banks and other credit institutions	176,493,638	160,054,580	16,439,058	10%
Deposits from customers and other deposits	1,234,985,588	1,042,924,548	192,061,040	18%
Financial liabilities and liabilities at fair value through profit and loss	207,095	50,510	156,585	310%
Provisions	8,382,018	5,161,101	3,220,917	62%
Current tax liabilities	-	-	-	
Deferred tax liabilities	68,602	862,012	(793,410)	-92%
Other liabilities	18,024,543	14,679,727	3,344,816	23%
Total liabilities	**1,438,161,484**	**1,223,732,478**	**214,429,006**	**17%**
Share capital	53,821,603	53,821,603	-	0%
Share premium	34,810,069	34,810,069	-	0%
Treasury stock	(492,182)	(492,182)	-	0%
Other reserves and retained earnings	44,552,606	17,327,517	27,225,089	157%
Revaluation reserves	160,631	2,347,396	(2,186,765)	-93%
Profit/(loss) for the period	30,464,862	27,225,088	3,239,774	12%
Total equity attributable to the equity holders of the Bank	**163,317,589**	**135,039,491**	**28,278,098**	**21%**
Total liabilities and equity	**1,601,479,073**	**1,358,771,969**	**242,707,104**	**18%**

5.3.1.1. Assets structure

Government debt securities continue to represent the main investment line of the Bank's assets (39.3%), having strengthened its weight in 2019 following the exchange variation that occurred in the period. This composition of assets reflects a conservative perspective on asset management and concerns about currency and liquidity risks.

The Bank's assets amounted to AOA 1,601,479 billion, reflecting an 18% growth in the last 12 months. It should be noted the 12% growth of the securities portfolio due to the foreign exchange effect and the credit portfolio in national currency.

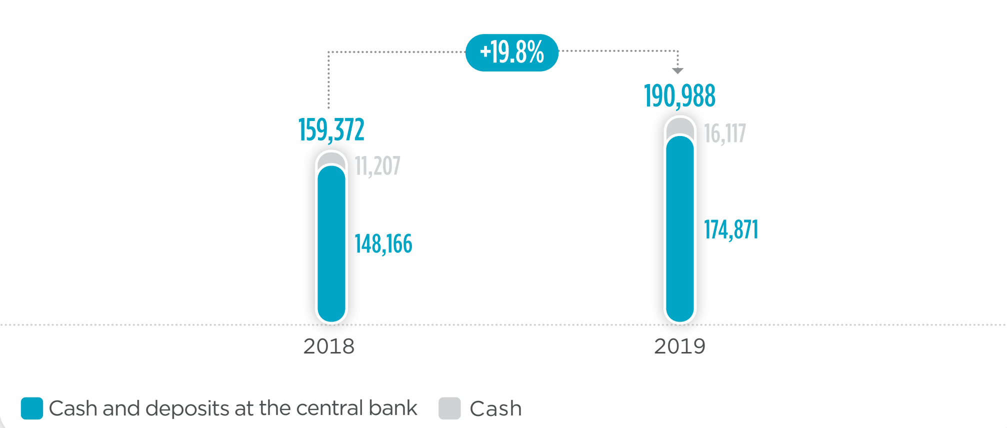
ASSETS STRUCTURE



a) Cash and deposits at the central bank

Cash and deposits at the central bank present a positive nominal evolution compared to 2018, with emphasis on Cash and cash equivalents, which grew AOA 4,910 million (+44%) and Cash and cash equivalents at BNA, which increased AOA 26,705 million, influenced by the exchange rate effect.

CASH AND DEPOSITS AT CENTRAL BANKS (AOA MILLION)



Cash includes: ATM notes, which increased AOA 629 million (+27%); banknotes and coins in branches in local and foreign currency, which increased AOA 3,864 million (+56%), and in deposit machines, which increased AOA 417 million (+1.517%). This evolution in cash and cash equivalents is related to the increase in the Bank's customer base in the mass market segment, the growth in the number of deposit machines and value collection contracts.

(AOA million)

	31.12.2019	31.12.2018	Δ	Δ%
Cash and deposits at the central bank	174,871	148,166	26,706	18%
Local currency	85,712	86,134	-421	0%
Foreign currency	89,159	62,031	27,128	44%

Regarding Cash and deposits at the central bank, approximately 49% are in national currency and 51% in foreign currency and represent the amounts available to meet the requirements of mandatory reserves, guarantee funds for the different clearing houses to deal with the Bank's current transactions and free reserves. The change in this caption is mainly explained by the exchange rate effect, which presented a positive fluctuation compared to the previous year and was impacted by approximately AOA 35,851 million. Excluding this effect, the Bank recorded a decrease in the amount of USD 16 million, corresponding to AOA 7,780 million, and AOA 421 million in resources in national currency.

During 2019, mandatory reserves registered an increase of 42%, approximately AOA 47,800 million, of which 49.7% was in national currency and 50.3% in foreign currency. The increase in mandatory reserves in national currency is explained by the worsening of the coefficient of reserves in national currency, from 17% to 22%, with an impact estimated at AOA 35,812 million, mitigated by credit rights.

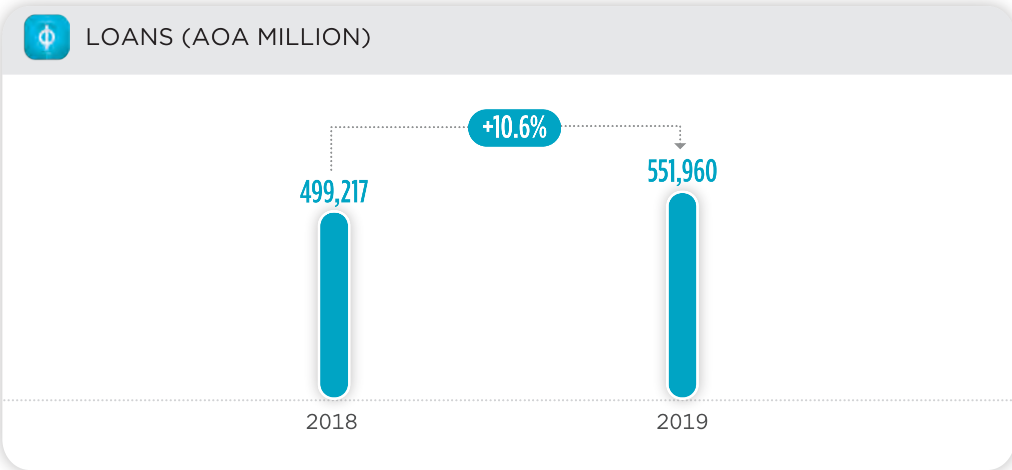
b) Loans and advances to credit institutions repayable on demand

Loans and advances to credit institutions repayable on demand represent cash in demand available with counterparties. Compared to the previous year, there was an 8% decrease (approximately AOA 2,312 million), a total amount of AOA 24,428 million. The decrease in availability at other institutions is related to the settlement of letters of credit and the execution of transactions abroad, as well as the use of funds to reduce lines of credit with counterparties.

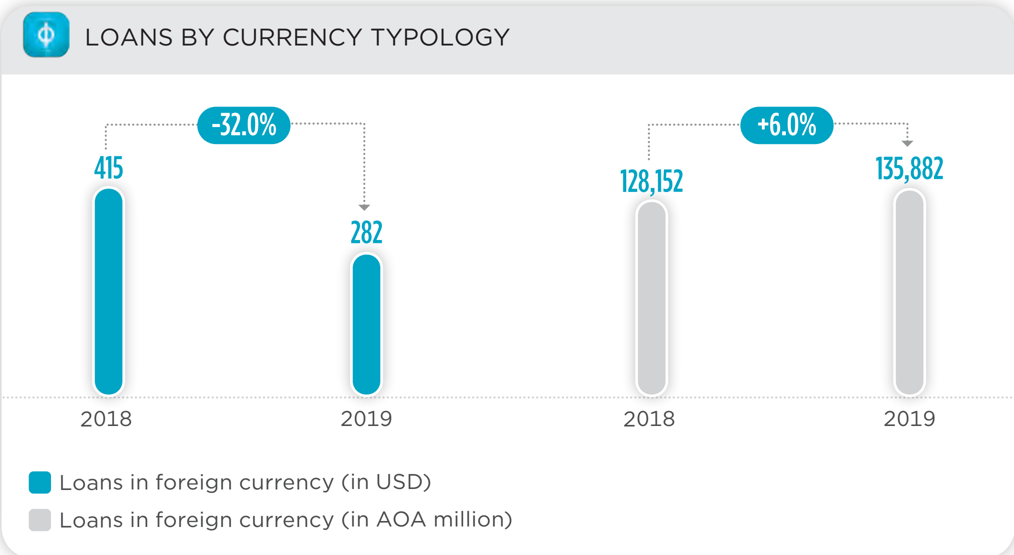
c) Loans and advances to Customers

ATLANTICO's gross loan portfolio (before impairment) amounted to AOA 551 billion, having grown approximately 11% when compared to the same period last year. The increase of approximately AOA 52,743 million was driven by the companies segment in the fields of industry, commerce, construction and agriculture, reflecting the strategy of greater focus on portfolio diversification and reinforcement of guarantees, as well as ATLANTICO's commitment to support companies and individuals, despite the environment of major restrictions that are imposed.

In order to adequately cover credit risk and increase recovery capacity, the Bank has reinforced guarantees in existing and new operations, given the scenario of economic deterioration and increased risk of default.



The continued depreciation of Kwanza in the year compared to the main currencies (EUR 53% and USD 57%) was reflected in the foreign currency portfolio, which is a relevant point for the increase registered.



Loans in foreign currency were driven by the exchange devaluation, despite the increase of 6% in the volume of loans granted in foreign currency. Loans in foreign currency recorded a 32% decrease, approximately USD 133 million, compared to the previous year.

Regarding credit payments, given the less positive outlook in terms of liquidity, Customers made payments through transfers in the total amount of AOA 34,818 million. The default level increased from AOA 56,148 million in 2018, to AOA 82,407 million in 2019, corresponding to a relative growth of 47%. This situation raised the level of impairment from AOA 78,952 million in 2018, to AOA 109,258 million in 2019, a reinforcement of approximately AOA 30 billion, explained by the following events:

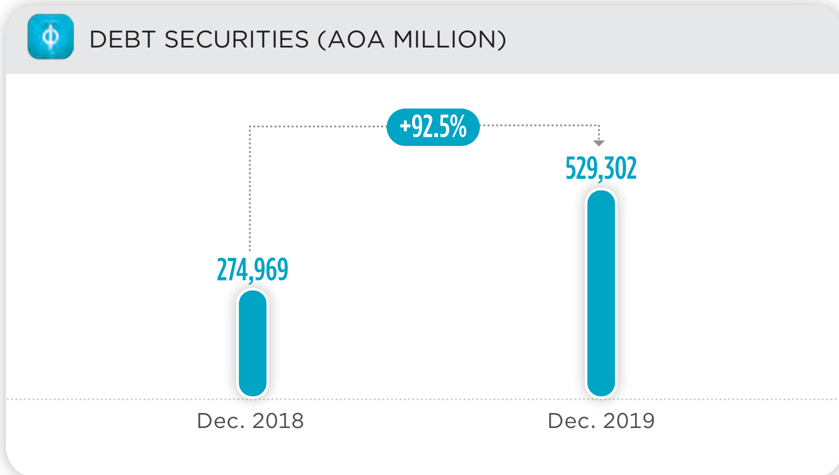
- Charge for the period/Reversals: + AOA 20,856 million;
- Charge-off: - AOA 6,862 million;
- Exchange devaluation and other: + AOA 16,312 million.

This reinforcement is explained by the deterioration in the quality of the portfolio, namely the increase in overdue loans in the period, from 9.9% to 13.3%.

The overdue credit coverage ratio decreased 6 p.p. compared to the same period last year, from 164% to 154%.

d) Debt securities

These fixed income assets are held by the institution until maturity. In 2019, they presented a 92.5% increase, + AOA 254,334 million, amounting to more than + AOA 500,000 million. These securities are mainly in foreign currency (97%) or indexed.



Also in this evolution, we highlight the reclassification of a portfolio of securities in the amount of AOA 103 billion from "Fair value through other comprehensive income" to "Debt securities at amortised cost", within the business improvement for these securities and the AQA exercise. Excluding the effect of the securities reclassification, the growth in this category was 40%, which is in line with the depreciation levels less the maturity of operations in the year.

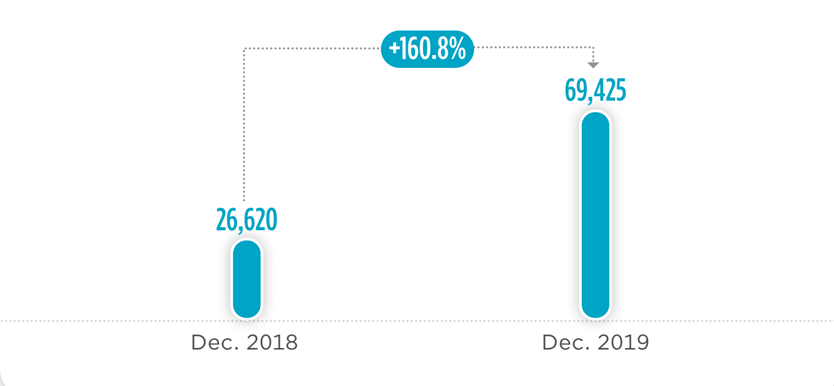
e) Financial assets at fair value through profit or loss

As at 31 December 2019, financial assets at fair value through profit or loss are mainly comprised of variable income securities (82%), namely the participation units held by ATLANTICO in several funds managed by the collective investment management company – ATLANTICO GESTÃO DE ACTIVOS.

Approximately 18% of financial assets at fair value through profit or loss refer to loans that do not meet the SPPI criteria, in accordance with IFRS 9.

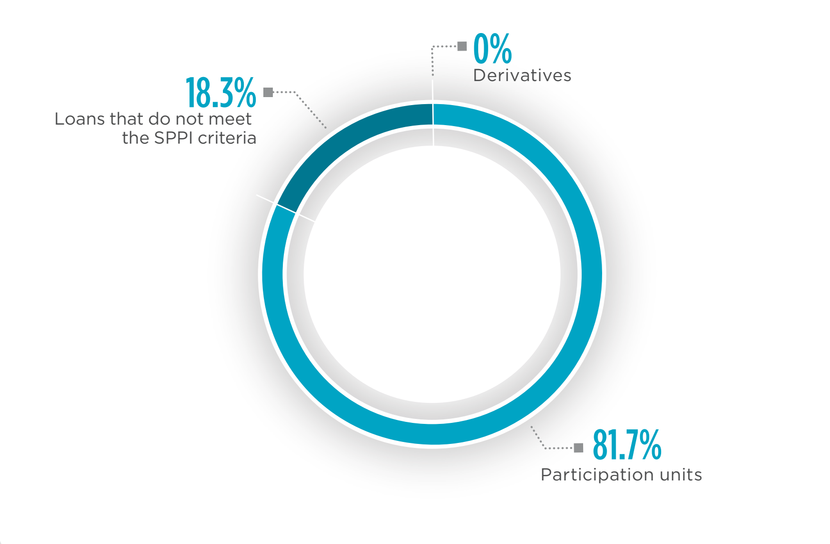
> "In 2019, **they presented a 92.5% increase, + AOA 254,334 million. These securities are mainly in** foreign currency (97%) or indexed.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOA MILLION)



This caption is divided as follows:

ASSETS AT FAIR VALUE THROUGH RESULTS



f) Financial assets at fair value through other comprehensive income

This category includes investments in securities, whose the purpose is to periodically receive interest and sell them. In December 2019, these assets amounted to AOA 34,178 million, an 83% decrease compared to the previous year, due to the reclassification of portfolios in the amount of AOA 103,558 million to debt securities. The additional decrease is explained by the sale of the portfolio.

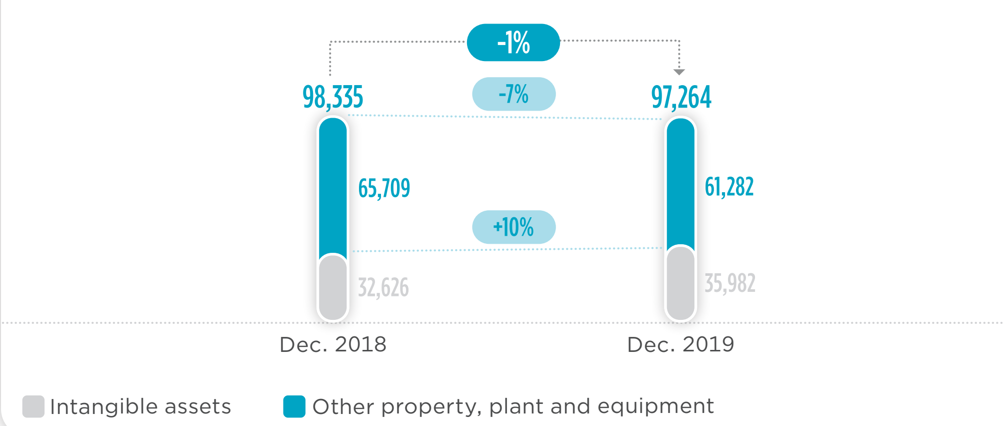
g) Property, plant and equipment and Intangible assets

As at 2019, it should be noted the implementation of IFRS 16 – Financial leases, which had an impact in the increase of fixed assets regarding the lease agreements in line with the criteria defined in the standard. The impact of the first adoption is of approximately AOA 5 billion on assets.

The class of Property, plant and equipment and Intangible assets has been decreasing, justified not only by the normal depreciation of these assets but also by a set of measures that ATLANTICO has adopted in the framework of its commitment to operational efficiency. In this sense, in 2019, the Bank sold a set of real estate assets previously for its own use, in a total amount of AOA 12 billion, and closed 6 service points in line with the strengthening of the efficiency pillar.

Within Property, plant and equipment and Intangible assets, the main increases are related to investments in the field of technology and innovation, in line with the digital transformation that ATLANTICO has been performing. It should be noted the investments referring to the reinforcement of the technological infrastructure (hardware) to guarantee the robustness of the technological board and the upgrade of the Bank's core system

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (AOA MILLION)



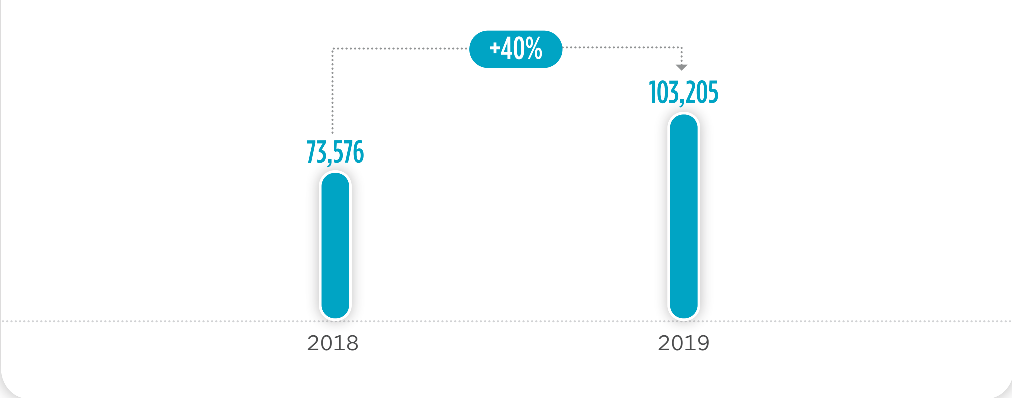
h) Non-current assets held for sale

This category includes the set of real estate received by transfer for credit default and own properties discontinued from the Bank's normal activity.

Credit operations and the respective payment capacity of Customers are directly related to the macroeconomic context and the negative performance of the Angolan economy in the last four years, especially affecting Customers and the quality of the Bank's credit portfolio.

Therefore, in 2019, ATLANTICO registered a 36% increase in this category supported by transfers in credit compliance. However, it should be noted that the Bank reinforced the process of communication and sale of these assets, creating management and control mechanisms with specialised teams, with sales that were equally relevant.

OTHER ASSETS (AOA MILLION)



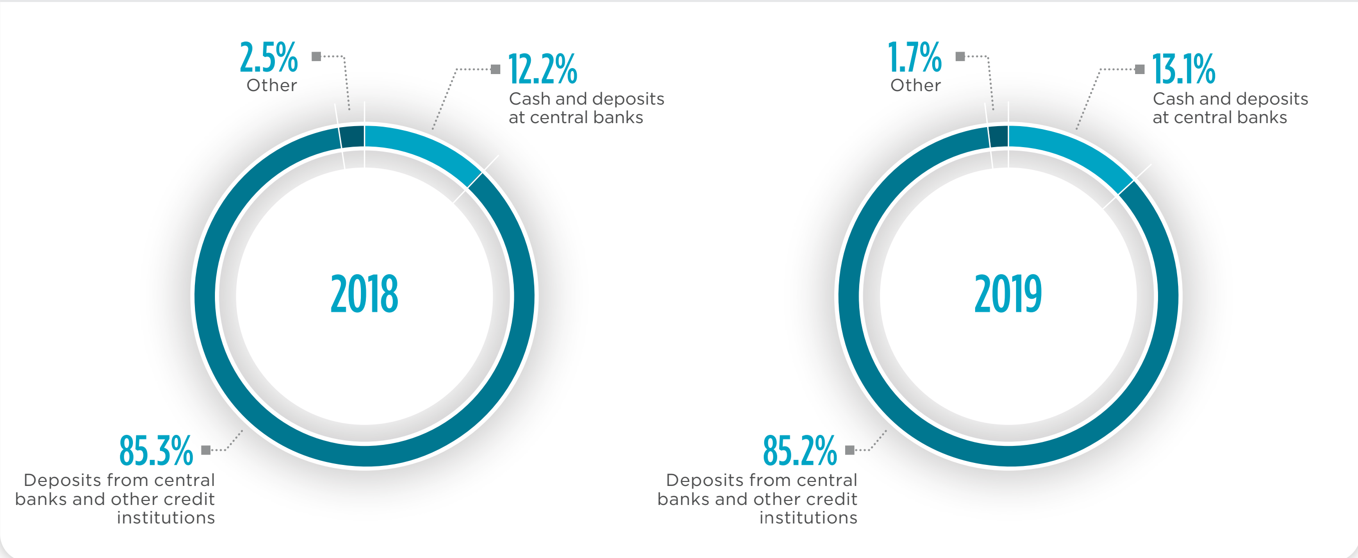
i) Other assets

This class includes deposit accounts, sundry debtors, deferred costs, projects under development and operations to be settled. In 2019, the evolution of this caption is related, on the one hand, to the exchange rate effect and, on the other hand, to sales performed and not fully paid.

5.3.1.2. Liabilities structure

Deposits continue to represent the main source of financing for ATLANTICO's activity, which consists of financial intermediation. It is through the volume of deposits that the Bank fulfills its social mission of granting loans to families and companies through the attribution of an interest rate. In this way, the liability structure remained stable when compared to 2018, although it should be noted the Bank's commitment to increase deposits in 2019 and the decrease of its exposure to national and international counterparties. In order to continue financing its operations, ATLANTICO used less funds available in the national and international interbank market, where free liquidity levels are lower and costs are higher.

LIABILITIES STRUCTURE

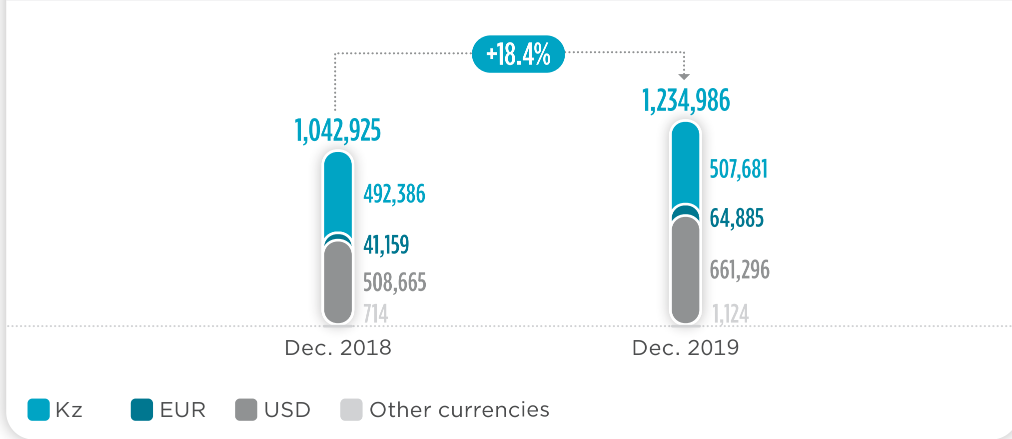


a) Deposits from Customers and other loans

In 2019, the Bank's deposits increased AOA 192,061 million, reaching AOA 1,234,986 million. Local currency resources grew approximately 3% and foreign currency resources decreased by USD 278 million, 15% less than in the previous year, having the total effect in kwanzas been mitigated by the exchange devaluation.

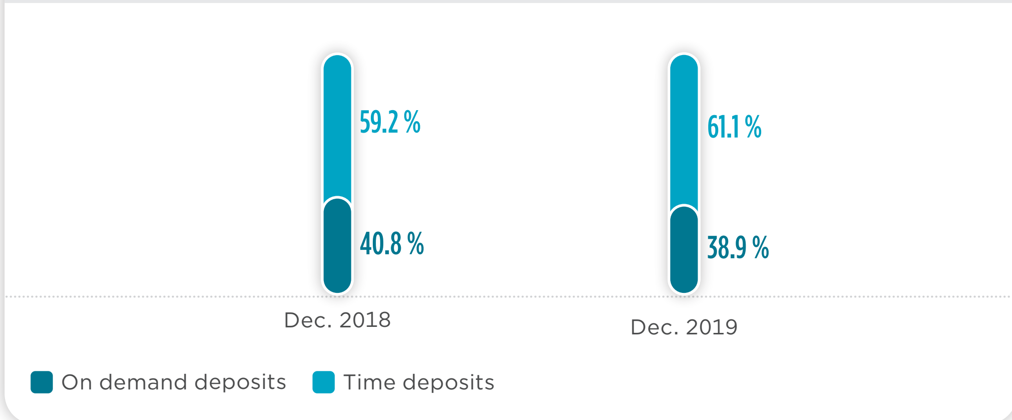
The decrease in foreign currency resources is mainly related to the amortisation of credits in foreign currency, sale of Customers to the foreign currency bank and performance of operations abroad.

RESOURCES FROM CUSTOMERS (AOA MILLION)



Regarding the stability of resources, the portfolio evolved with time deposits, increasing their proportion by 2 p.p. (2019: 61%; 2018: 59%).

DEPOSITS BY CURRENCY



The increase in interest-bearing deposits also implied an increase in interest charges.

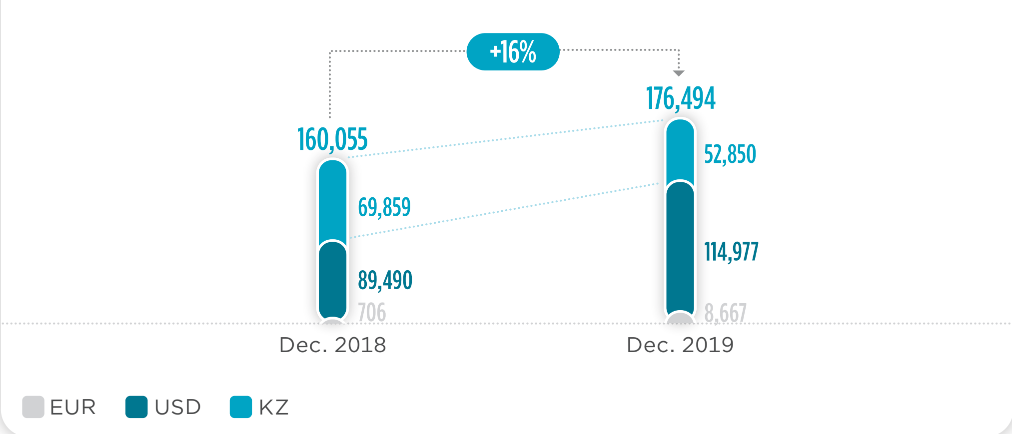
b) Deposits from central banks and other credit institutions

Deposits from central banks and other credit institutions represent complementary sources for raising funds necessary for ATLANTICO's activity.

The use of these financing sources is related to the maturity calendar of government bonds, with the application of monetary policy through the mandatory reserve instrument, whose coefficient increased to 22% in 2019, and also with the foreign exchange market as a major consumer of liquidity in national currency.

In 2019, liquidity transactions in the interbank money market presented a significant decrease, estimated at 58% compared to 2018, in line with the guidelines of a more conservative monetary policy. Regarding ATLANTICO, in November and December, the Bank intensified the use of outlets due to the increase in the coefficient of mandatory reserves.

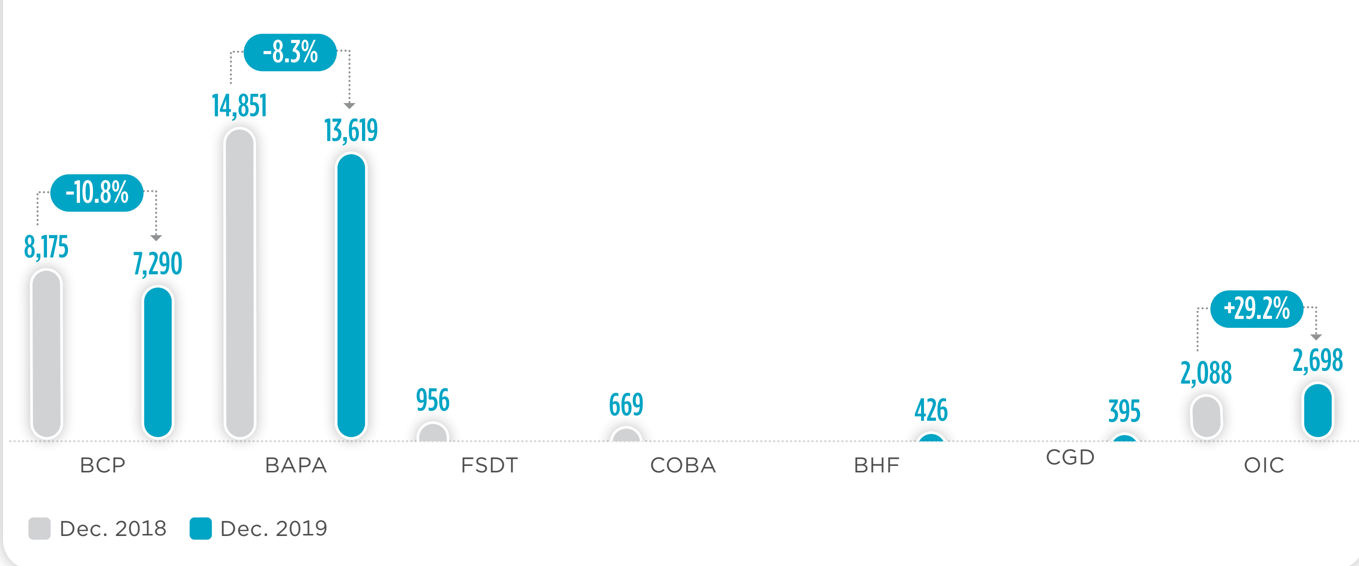
DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS (AOA MILLION)



In 2019, the Bank's deposits increased AOA 192,061 million, reaching AOA 1,234,985 million, still below the 30% growth in the market. Local currency resources grew approximately 3% and foreign currency resources decreased.

Deposits from central banks and other credit institutions presented a 10% increase. Excluding the exchange rate effect, fundraising from these complementary sources has decreased, both in national and foreign currency.

DETAIL AND EVOLUTION OF THE MAIN CORRESPONDING BANKS



c) Other liabilities

This caption is composed by smaller liabilities that do not fall within the specific categories previously addressed.

The 16% increased observed results from the adoption, in January 2019, of IFRS 16 – Finance leases, with a finance lease liability valued at AOA 6,017 million, as described in note 20 attached.

5.3.2. Income statement evolution

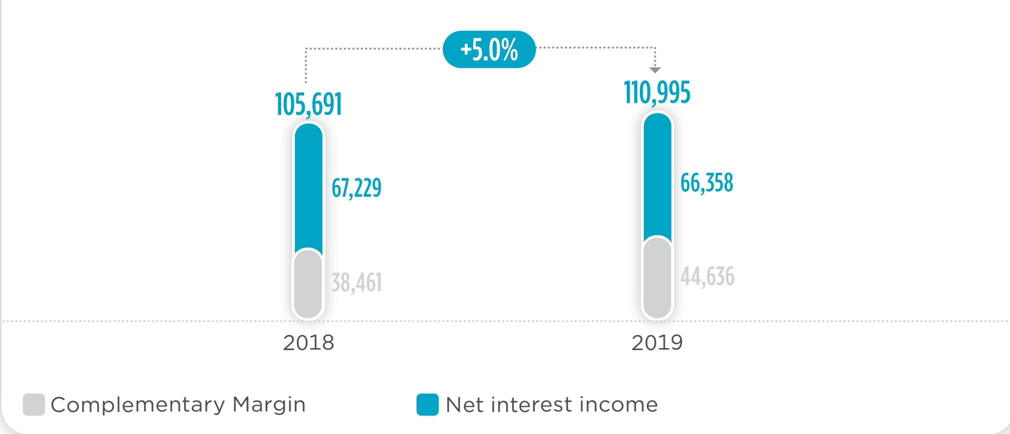
(AOA thousand)

	31.12.2019	31.12.2018	Δ	Δ %
Interest and similar income	119,613,445	118,452,965	1,160,480	1%
Interest and similar expense	(53,255,332)	(51,223,346)	(2,031,986)	4%
Net interest income	**66,358,113**	**67,229,619**	**(871,506)**	**-1%**
Fees and commissions income	16,813,068	21,250,115	(4,437,047)	-21%
Fees and commissions expense	(1,786,607)	(610,385)	(1,176,222)	193%
Profit/(loss) from fees and commissions	**15,026,461**	**20,639,730**	**(5,613,269)**	**-27%**
Net gains/(losses) arising from financial assets and liabilities through profit or loss	(287,653)	(1,134,897)	847,244	-75%
Net gains/(losses) arising from available for sale financial assets	1,053,520	2,729,250	(1,675,730)	-61%
Net gains/(losses) arising from foreign exchange differences	3,124,635	13,456,258	(10,331,623)	-77%
Net gains/(losses) arising from the disposal of other assets	25,719,887	2,770,784	22,949,103	828%
Net gains/(losses) from financial operations	**29,610,389**	**17,821,395**	**11,788,994**	**66%**
Operating income	**110,994,963**	**105,690,744**	**5,304,219**	**5%**
Staff costs	(21,146,974)	(22,481,591)	1,334,617	-6%
Supplies and services	(12,855,806)	(16,946,248)	4,090,442	-24%
Depreciation and amortisation for the period	(6,424,570)	(4,608,577)	(1,815,993)	39%
Provisions net of reversals	(2,764,676)	(9,106,581)	6,341,905	-70%
Impairment for financial assets at amortised cost	(28,870,784)	(24,537,890)	(4,332,894)	18%
Impairment for financial assets through other comprehensive income	175,354	(210,720)	386,074	-183%
Other operating income	(8,395,016)	(1,492,901)	(6,902,115)	462%
Profit/(loss) before tax from continuing operations	**30,712,491**	**26,306,236**	**4,406,255**	**17%**
Income tax	(247,629)	918,852	**(1,166,481)**	**-127%**
Current	-	131,263	(131,263)	-100%
Deferred	(247,629)	787,589	(1,035,218)	-131%
Profit/(loss) after tax from continuing operations				
Net profit/(loss)	**30,464,862**	**27,225,088**	3.239.774	12%

5.3.2.1. Operating income

The operating income was set at AOA 110,994 million, an increase of 5% compared to the previous period. This increase results from the positive performance from the sale of properties, compensating the effects of the reduction of commissions and other categories of complementary margin.

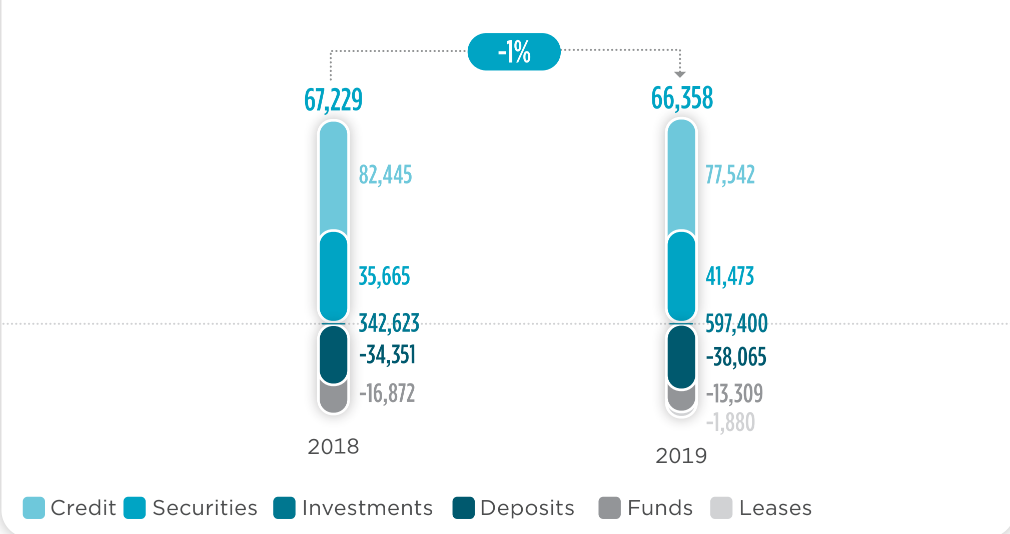
OPERATING INCOME (AOA MILLION)



a) Net interest income

Excluding the effect of the application of IFRS 16 – Financial leases in 2019, Net interest income increased 1% compared to the same period last year, benefiting from the 16% increase in interest on securities and the stabilization of global financial charges. There was an increase in expenses with deposit interest, which was more than offset by a decrease in charges for raising liquidity in the money market, resulting from the decrease in exposure to national and international counterparties.

NET INTEREST INCOME EVOLUTION (AOA MILLION)

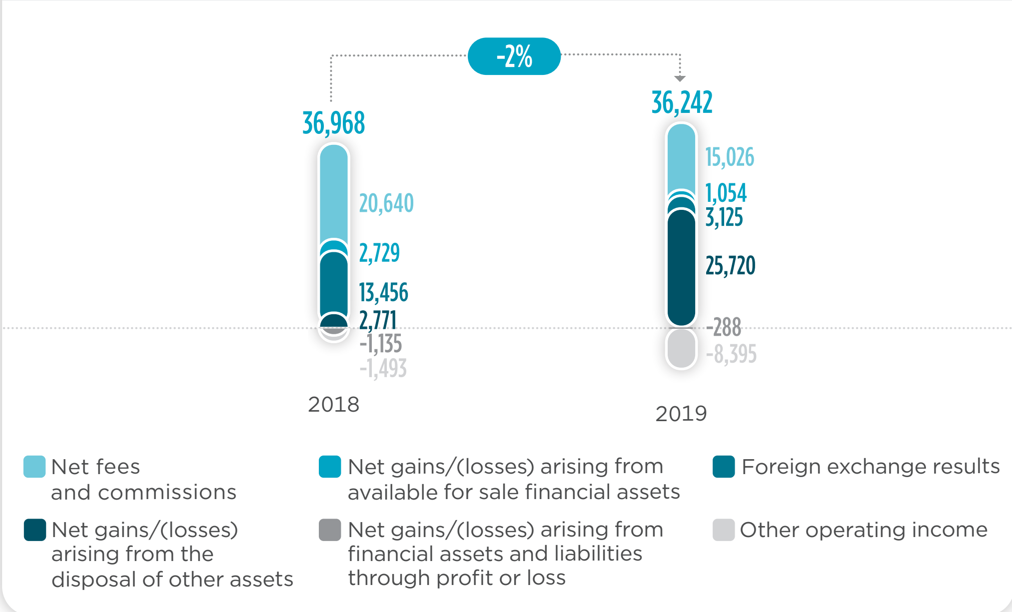


In 2019, credit interest amounted to AOA 77,542 million, a 5% decrease compared to 2018.

Interest on securities had a very important contribution to mitigate the impact of the fall in credit interest on net interest income, with a 16% growth in interest income on securities compared to the same period last year.

b) Complementary margin (including Other operating income)
The complementary margin decreased approximately 2% compared to the previous period, due to the impact of the sharp reduction in exchange rate results (-77%) and commissions income (-25%) and by the increase in Other operating income (+462%). These negative impacts were mitigated by the positive results of the capital gains generated by the sale of properties.

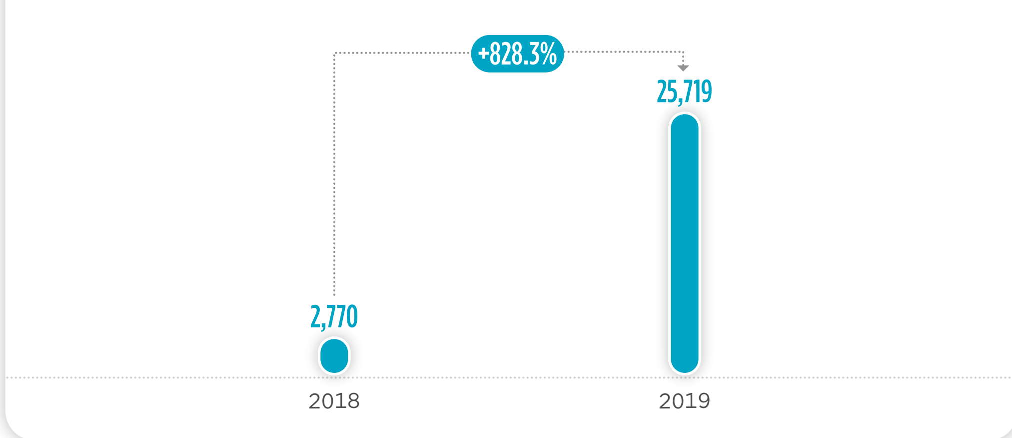
COMPLEMENTARY MARGIN (AOA MILLION)



i. Net gains / (losses) from the disposal of other assets
Net gains / (losses) from the disposal of property include the gains generated by the sale of non-current assets held for sale. In 2019, this revenue line had a fundamental contribution for the results obtained.

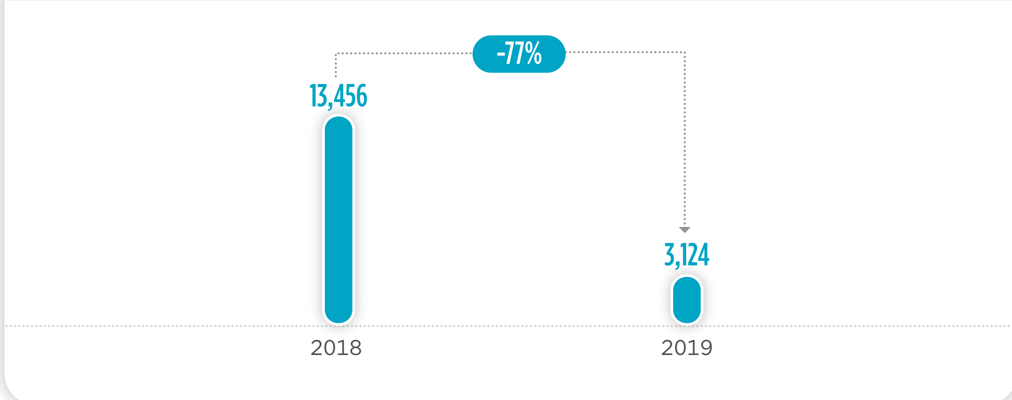
Overall, the gains generated by the sale of property amounted to AOA 25,719 million, +828% compared to the previous year, as a result of the new model implemented for the sale and monitoring of the housing stock resulting from the transfers and the disposal of properties for own use over the period.

EVOLUTION OF NET GAINS / (LOSSES) FROM THE DISPOSAL OF OTHER ASSETS (AOA MILLION)



ii. Foreign exchange results
Foreign exchange results amounted to AOA 3,124 million. Compared to 2018, there is a 77% fall, influenced by the lower volume of foreign exchange operations and the management of the Bank's foreign exchange position.

FOREIGN EXCHANGE RESULTS (AOA MILLION)



iii. Services rendered and commissions
Commissioning revenues dropped approximately 27% in 2019, combining the effects of a lower volume of activity and the large regulatory influence caused by price changes. The change seen in this period is explained by the behavior of the following commissions:

1. Transfers: - AOA 723 million;
2. Payment methods: - AOA 648 million;
3. Credit: - AOA 556 million;
4. Customs invoices: - AOA 433 million;
5. Documentary credits: - AOA 348 million.

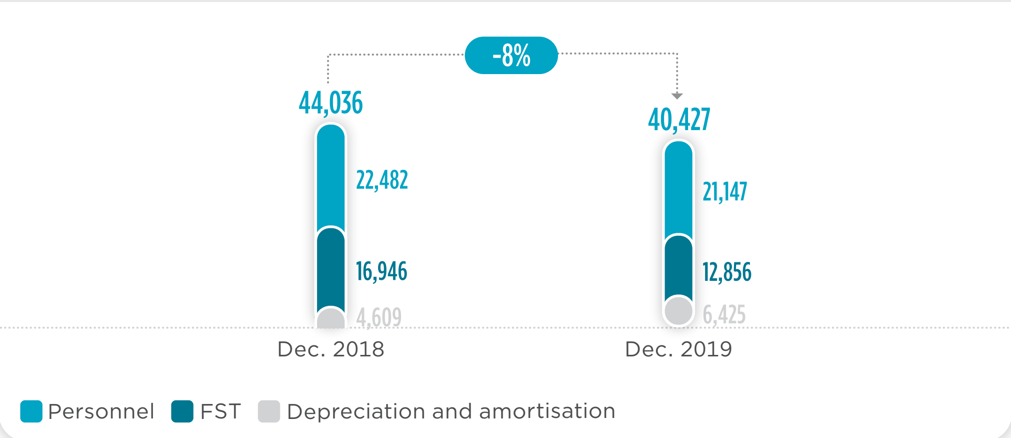
It should also be noted that non-recurring events occurred in 2018, in the amount of AOA 1,740 million, were the basis for the sharpest decrease in commissions when compared to the previous year.

Detail of the evolution of the main commissioning lines
(AOA thousand)

Description	31.12.2019	31.12.2018	Abs.	%
Commissions received	**16,813,068**	**21,250,115**	**(4,437,047)**	**-26%**
Opening of documentary credit	4,914,483	5,255,694	(341,211)	-7%
Transfers issued/received	2,641,791	3,163,471	(521,680)	-20%
VISA commissions	2,169,633	2,107,014	62,619	3%
Electronic transactions	2,142,534	2,131,526	11,008	1%
Opening / renewals and maintenance of credit lines	1,457,265	1,743,306	(286,041)	-20%
Maintenance of DO account	1,000,424	987,831	12,593	1%
Guarantees provided	687,345	2,390,735	(1,703,390)	-248%
Exchange transactions	174,965	1,409,190	(1,234,225)	-705%
Customs - Revenue collection	171,048	604,439	(433,391)	-253%
Withdrawals	168,076	117,677	50,399	30%
Structuring of transactions and financial consultancy	56,508	36,650	19,858	35%
Other commissions	1,228,996	1,302,582	(73,586)	-6%
Commissions paid	**(1,786,607)**	**(610,385)**	**(1,176,222)**	**66%**
Foreign transactions	(685,925)	(504,951)	(180,974)	26%
Electronic transactions	(626,627)	-	(626,627)	100%
Other commissions	(474,055)	(105,434)	(368,621)	78%
Total	**15,026,461**	**20,639,730**	**5,613,269**	**37%**

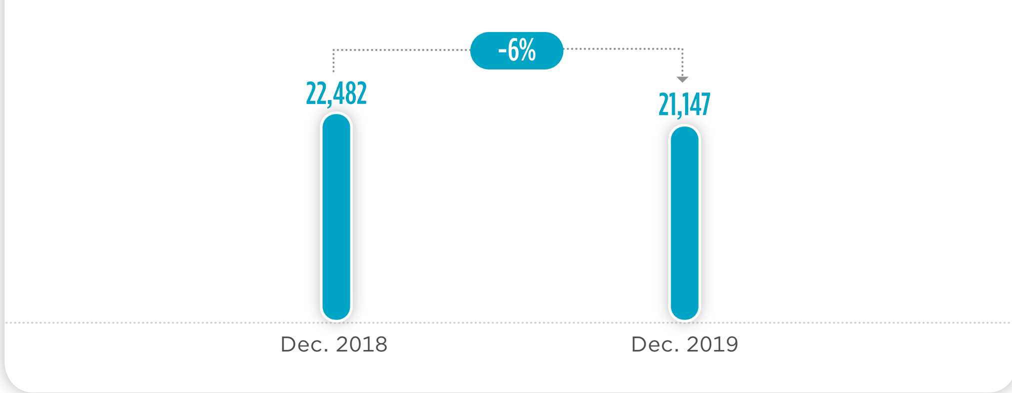
c) Operating costs
Operating costs amounted to AOA 40,427 million, representing an 8% decrease compared to the same period last year. This result reveals a very positive performance in a context of high inflation, which is attributed to the Bank's strong focus on controlling operating expenses and implementing operational efficiency measures across all areas over the past few years, allowing for an improvement in results.

OPERATING COSTS (AOA MILLION)



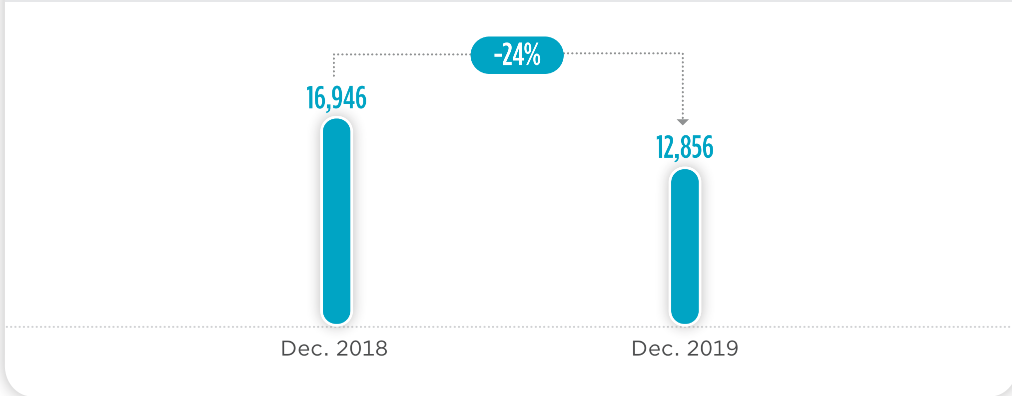
i. Personnel costs
Personnel costs constitutes the largest share of operating expenses, approximately 52% in 2019, compared to 51% in 2018. Even considering the salary adjustment in 2019, personnel costs decreased approximately 6% due to the lower volume of performance bonuses determined by the degree of achievement of the objectives.

PERSONNEL COSTS (AOA MILLION)



ii. Supplies and external services
Expenses with supplies and external services performed very positively, especially considering the inflation levels and the exchange rate devaluation in the period. The decrease in these costs is largely due to the Bank's commitment to generate greater efficiency in the operation, which has resulted in the application of a set of measures to optimize costs and processes at the organization level.

SUPPLIES AND EXTERNAL SERVICES (AOA MILLION)



In 2019, there was an increase in expenses with communication for business support and in expenses with advertising and publicity related to institutional positioning.

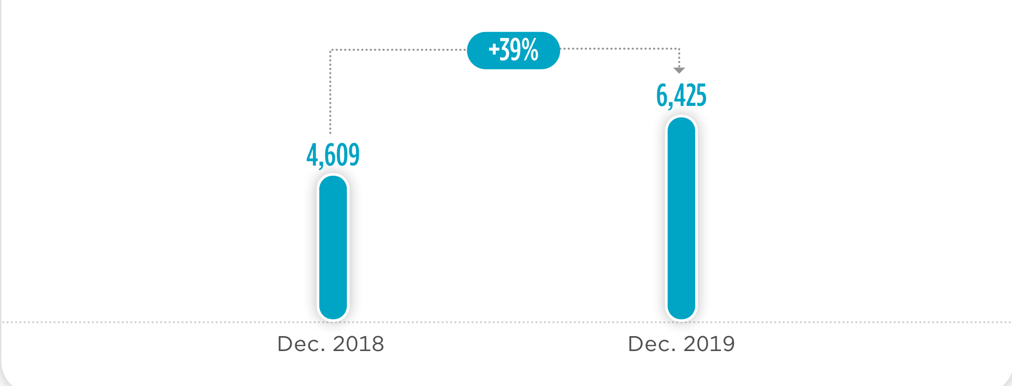
We highlight a wide decrease in expenses with advisory (-24%), security, maintenance and repair (-17%); transport and travel (-44%), expenses with miscellaneous materials (-49%), among others.

The entry into force of IFRS 16 contributed to the negative variation in charges with supplies and external services by approximately AOA 2 billion.

iii. Depreciation and amortisation

Depreciation and amortisation costs amounted to a total of AOA 6,424 million, a figure above the previous year amount of + AOA 1,815 million (+39%).

DEPRECIATION AND AMORTISATION (AOA MILLION)



The increase in amortisation expenses results, on the one hand, from the higher number of investments in technology and, on the other hand, from the impact of IFRS16 – Financial leases, in the amount of AOA 691 million.

Detail of operating costs by nature (AOA thousand)

Description	Dez.18	Dez.19	Abs.	%
Personnel costs	**22,482**	**21,147**	**(1,335)**	**-6%**
Communications costs	2,145	2,751	606	28%
Water, energy and fuel	665	287	(378)	-57%
Miscellaneous materials	1,150	586	(564)	-49%
External services	**3,960**	**3,624**	**(336)**	**-8%**
Transport, travel and hotel	1,285	725	(560)	-44%
Advertising costs	1,123	1,308	185	16%
Security, maintenance and repair	4,055	3,374	(681)	-17%
Audit, advisory and other specialised services	3,914	2,958	(956)	-24%
Insurance	271	288	17	6%
Rental costs	2,074	66	(2,008)	-97%
Other	264	513	249	94%
External services	**12,986**	**9,232**	**(3,754)**	**-29%**
External services supply	**16,946**	**12,856**	**(4,090)**	**-24%**
Amortisation for the period	4,609	6,425	1,816	39%
Total Operating costs	**44,036**	**40,428**	**(3,609)**	**-8%**

5.4 Proposal for application of profits

The proposal for application of the 2019 profits, in the amount of AOA 30,465 million, is as follows:

- Legal reserve (10%), according to the legislation in force, in the amount of AOA 3,046 million;
- Retained earnings (90%) in the amount of AOA 27,418 million.

Financial Statements and Notes to the Financial Statements

6.0

Financial Statements

Balance Sheet as at 31 December 2019 and 2018 (AOA thousand)

	Notes	31.12.2019	31.12.2018
Assets			
Cash and deposits at central banks	4	190,988,448	159,372,252
Loans and advances to credit institutions repayable on demand	5	24,428,190	26,739,729
Financial assets and liabilities at fair value through profit and loss	6	69,425,364	26,620,444
Financial assets and liabilities at fair value through other comprehensive income	7	34,178,458	198,119,726
Financial assets at amortised cost			
Debt securities	8	529,302,406	274,968,716
Loans and advances to Customers	9	442,701,013	420,264,577
Loans and advances to credit institutions repayable on demand	10	17,012,282	13,312,565
Other tangible assets	11	61,282,073	65,709,104
Property and equipment	12	35,981,690	32,625,573
Non-current assets held for sale	13	88,628,779	65,790,661
Current tax assets		2,056,239	1,014,785
Deferred tax assets	14	2,288,990	2,536,619
Other assets	15	103,205,141	71,697,218
Total assets		**1,601,479,073**	**1,358,771,969**
Liabilities and equity			
Deposits from central banks and other credit institutions	16	176,493,638	160,054,580
Deposits from Customers and other deposits	17	1,234,985,588	1,042,924,548
Financial liabilities and liabilities at fair value through profit and loss	6	207,095	50,510
Provisions	18	8,382,018	5,161,101
Current tax liabilities	14	-	-
Deferred tax liabilities	14	68,602	862,012
Other liabilities	19	18,024,543	14,679,727
Total liabilities		**1,438,161,484**	**1,223,732,478**
Share capital	20	53,821,603	53,821,603
Share premium	20	34,810,069	34,810,069
Treasury stock	20	(492,182)	(492,182)
Other reserves and retained earnings	21	44,552,606	17,327,517
Revaluation reserves	21	160,631	2,347,396
Profit/(loss) for the period		30,464,862	27,225,088
Total equity attributable to the equity holders of the Bank		**163,317,589**	**135,039,491**
Total liabilities and equity		**1,601,479,073**	**1,358,771,969**

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

Income Statement for the periods ended at 31 December 2019 and 2018 (AOA thousand)

	Notes	31.12.2019	31.12.2018
Interest and similar income	22	119,613,445	118,452,965
Interest and similar expense	22	(53,255,332)	(51,223,346)
Net interest income		**66,358,113**	**67,229,619**
Fees and commissions income	23	16,813,068	21,250,115
Fees and commissions expense	23	(1,786,607)	(610,385)
Profit/(loss) from fees and commissions		**15,026,461**	**20,639,730**
Net gains/(losses) arising from financial assets and liabilities through profit or loss	24	(287,653)	(1,134,897)
Net gains/(losses) arising from available for sale financial assets	25	1,053,520	2,729,250
Net gains/(losses) arising from foreign exchange differences	26	3,124,635	13,456,258
Net gains/(losses) arising from the disposal of other assets	27	25,719,887	2,770,784
Net gains/(losses) from financial operations		**29,610,389**	**17,821,395**
Operating income		**110,994,963**	**105,690,744**
Staff costs	28	(21,146,974)	(22,481,591)
Supplies and services	29	(12,855,806)	(16,946,248)
Depreciation and amortisation for the period	11 and 12	(6,424,570)	(4,608,577)
Provisions net of reversals	13, 15 and 18	(2,764,676)	(9,106,581)
Impairment for financial assets at amortised cost	8 and 9	(28,870,784)	(24,537,890)
Impairment for financial assets through other comprehensive income	21	175,354	(210,720)
Other operating income	30	(8,395,016)	(1,492,901)
Profit/(loss) before tax from continuing operations		**30,712,491**	**26,306,236**
Income tax		(247,629)	918,852
Current	14	-	131,263
Deferred	14	(247,629)	787,589
Profit/(loss) after tax from continuing operations			
Net profit/(loss)		**30,464,862**	**27,225,088**
Weighted average number of ordinary shares issued	31	53,821,603	53,821,603
Basic earnings per share (in kwanzas)	31	0.57	0.51
Diluted earnings per share (in kwanzas)	31	0.57	0.51

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

Statement of Comprehensive Income for the periods ended at 31 December 2019 and 2018 (AOA thousand)

	Notes	31.12.2019	31.12.2018
Net profit/(loss) for the period		**30,464,862**	**27,225,088**
Items that may be reclassified into the income statement			
Debt instruments at fair value through other comprehensive income			
Profit/(losses) for the period	21	(3,155,529)	2,352,363
Transfer to profit/(loss) for impairment recognised in the period	21	175,354	(210,720)
Deferred taxes	21	793,410	(116,139)
		(2,186,765)	**2,025,504**
Total comprehensive income for the period		**28,278,097**	**29,250,592**

Statement of Changes in equity for the periods ended at 31 December 2019 and 2018 (AOA thousand)

				Reserves and retained earnings				
	Share Capital	Share premiums	Treasury stock	Fair values reserves	Other reserves and retained earnings	Total	Net profit/ (losses) for the period	Total equity
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**
Application of 2017 profits								
Reserves and retained earnings	-	-	-	-	4,765,700	4,765,700	(4,765,700)	-
Distribution of profits	-	-	-	-	-	-	-	-
Dividends for Shareholders	-	-	-	-	-	-	(18,888,476)	(18,888,476)
Dividends for treasury stock	-	-	-	-	174,325	174,325	(174,325)	-
Balance on 31 December 2018	**53,821,603**	**34,810,069**	**(492,182)**	**2,347,396**	**17,327,517**	**19,674,914**	**27,225,088**	**135,039,491**
Fair value changes, net of taxes	-	-	-	(2,186,765)	-	(2,186,765)	-	(2,186,765)
Net profit/(losses) for the period	-	-	-		-	-	30,464,862	30,464,862
Total comprehensive income for the period	**-**	**-**	**-**	**(2,186,765)**	**-**	**(2,186,765)**	**30,464,862**	**28,278,097**
Application of 2018 profits								
Reserves and retained earnings	-	-	-	-	27,225,088	27,225,088	(27,225,088)	-
Balance on 31 December 2019	**53,821,603**	**34,810,069**	**(492,182)**	**160,631**	**44,552,606**	**44,713,237**	**30,464,862**	**163,317,589**

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

Cash Flow Statement for the periods ended at 31 December 2019 and 2018
(AOA thousand)

	Notes	31.12.2019	31.12.2018
Cash flows arising from operating activities			
Interest income received		114,636,165	172,516,228
Interes expense paid		(49,129,904)	(56,185,755)
Payments to employees and suppliers		(42,135,806)	(38,407,323)
Cash flows befores changes in operating assets and liabilities		**23,370,455**	**77,923,150**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit and loss		(39,805,512)	(8,973,995)
Financial assets at fair value through other comprehensive income		(132,955,504)	(96,163,581)
Financial assets at amortised cost			
Debt securities		33,065,947	(55,272,137)
Loans and advances to Customers		(22,910,209)	(89,358,490)
Loans and advances to credit institutions repayable on demand		(3,655,819)	17,932,364
Deposits from credit institutions		19,274,779	41,053,783
Non-current assets held for sale		1,184,489	(21,354,788)
Deposits from Customers		184,271,473	246,712,642
Other operating assets and liabilities		(27,221,525)	(37,432,434)
Net cash flows arising from operating activities, before income taxes		**34,618,574**	**75,066,514**
Taxes on income paid		(585,409)	(1,393,336)
Net cash flows arising from operating activities		**34,033,165**	**73,673,178**
Cash flows arising from investing activities			
Dividends received		-	73,812
Acquisition of financial investments		(3,283,932)	(6,866,892)
Net cash flows arising from investing activities		**(3,283,932)**	**(6,793,080)**
Cash flows arising from investing activities			
Reimbursement of bonds and subordinated debt		(1,444,576)	-
Dividends from ordinary shares paid		-	(18,888,476)
Net cash flows arising from financing investments		**(1,444,576)**	**(18,888,476)**
Net changes in cash and cash equivalents		**29,304,657**	**47,991,622**
Cash and cash equivalents at the beginning of the period		**186,111,981**	**138,120,359**
Net changes in cash and cash equivalents		29,304,657	47,991,622
Cash and cash equivalents at the end of the period		**215,416,638**	**186,111,981**
Cash and cash equivalents includes:			
Cash	4	16,117,014	11,206,639
Loans and advances to central banks	4	174,871,434	148,165,613
Loans and advances to credit institutions	5	24,428,190	26,739,729
Total		**215,416,638**	**186,111,981**

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

Notes to the Financial Statements

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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 Banco Nacional de Angola (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, GUOSB, 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 2019, of 130 service points (31 December 2018: 136 service points).

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 produces 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 Banco Nacional de Angola, 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.

The individual financial statements of Banco Millennium Atlântico, S.A, now presented relate to the period ended as at 31 December 2019.

For the period ended 2017 and 2018, Banco Nacional de Angola ("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 and, thus, 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 effect resulting from the application of this standard in those financial years is not also reflected in the financial statements of 31 December 2019.

The accounting policies presented in this note were applied consistently with those used in the financial statements as of 31 December 2018, except for the changes resulting from the adoption of IFRS 16 – Leases which replaces IAS 17 – Leases. The most relevant changes are described in note 2.11 - Leases.

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 2019 were approved by the Board of Directors on 15 April 2020.

2.2. Comparability of the information

The Bank adopted the standards whose application is mandatory for periods beginning on or after 01 January 2019. 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 IFRS 16, whose impact is presented in note 2.11.

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).

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	31.12.2019	31.12.2018
AOA/USD	482.227	308.607
AOA/EUR	540.817	353.015

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 & 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. In particular, 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.

Reclassifications

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 according to 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).

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.

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.

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.

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; and
- 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 analysing 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. Thus, this principle applies to assets that are not in default.

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 behavioural 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 fosses: 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 Equipment	25 to 50
Equipment:	
Furniture and material	8 to 10
Machinery and tools	4 to 10
IT equipment	3 to 6
Indoor installations	4 to 10
Transport equipment	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, Atlântico 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 normally demonstrated in one or more of the following ways:

- 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 carrying amount. 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 formalised.

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

The subsequent measurement 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 adopted IFRS 16 Leases on 1 January 2019. The standard introduced a unique model for accounting of leases in the Balance Sheet. As a result of this adoption, the Bank, as a lessee, recognised assets under right of use which represent its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments. Accounting as a lessor remains unchanged compared to the accounting policies already in place.

The Bank has adopted IFRS 16 using the Modified Retrospective approach, which has no impact on equity since, with the exception of prior or accrued lease payments related to that lease recognised in the Balance Sheet immediately before the date of initial application, there are no differences between the right to use the asset and the lease liability at the time of initial recognition (1 January 2019). The comparative information presented for 2018 has not been restated - *i.e.* it is presented, as previously reported, in accordance with IAS 17 and related interpretations. The details of changes in accounting policies are disclosed in the following paragraphs.

A. Lease definition

Previously, the Bank determined date on which the agreement takes effect whether an arrangement is or contains a lease in accordance with IFRIC 4 - Determining Whether an Arrangement Contains a Lease. The Bank evaluates whether an agreement is or contains a lease on the basis of the lease definition. In accordance with IFRS 16, an agreement is, or contains, a lease if it conveys the right to use an identified asset (the underlying asset) for a specified period of time in return for consideration.

On the commencement date or at the revaluation of an agreement containing a leasing component, the Bank allocates the consideration in the agreement for each leasing component and not the leasing on the basis of its individual relative price. However, for leases in which the entity is a lessee, it has been decided not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

B. As a lessee

From the lessee's point of view, the Bank leases a number of real estate properties used for the Bank's branches and central services.

As a lessee, the Bank previously classified leases as operating or finance leases on the basis of an overall assessment of whether the lease transfers substantially all the risks and benefits associated with ownership of the underlying assets. In accordance with IFRS 16, the Bank recognises assets under right of use and lease liabilities for some classes of assets - *i.e.* these leases are recognised in the entity's balance sheet.

The Bank records assets under right of use in "Property and equipment", that is, in the same caption as the underlying assets of the same nature that are its property. The carrying amounts of assets under right of use are detailed as follows:

(AOA thousand)

	Real estate	Equipment	Other	Total
Balance as of 1 January 2019	7,027,916	-	-	7,027,916
Balance as of 31 December 2019	5,608,353	-	-	5,608,353

The Bank records lease liabilities under "Other liabilities" in the Balance Sheet.

The Bank recognises an asset under right of use and a liability for the lease at the commencement date of the lease.

Assets under right of use

Assets under right of use are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments to be made over the lease term, discounted at the implicit rate of the lease or, if the rate cannot be readily determined, at the Bank's incremental financing rate. The Bank generally uses its incremental financing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the expected amount to be paid under a residual value guarantee, or, if appropriate, changes in the assessment of whether a call or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Judgement in determining the term of the lease

The Bank has applied judgment to determine the lease term of some agreements in which it is the lessee, which include renewal and termination options. The Bank determines the lease term as the non-cancellable period during which it has the right to use an underlying asset together with the periods covered by an option to renew the lease if there is reasonable certainty of exercising that option and the periods covered by a termination option if there is reasonable certainty of not exercising that option. The assessment of whether or not the Bank will exercise such options will have an impact on the lease term, which will significantly affect the amount of lease liabilities and right of use assets recognised.

The Bank has the option, namely in property leasing agreements, to lease the assets for additional periods of 1 to 5 years. The Bank applies judgement in assessing whether it is reasonably certain to exercise the renewal option, *i.e.* it considers all relevant factors that create an economic incentive to exercise it or not.

ii) Transition

Previously, the Bank classified property leases as operating leases in accordance with IAS 17. Some leases include options to extend the lease for additional periods after the end of the non-cancellable period. Some leases also provide for additional lease payments due to changes in local index prices.

In the transition to leases classified as operating leases in accordance with IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental financing rate as at 1 January 2019. Assets under right of use are measured at an amount equivalent to lease liabilities, adjusted for the amount of any advance or accumulated lease payments - the Bank has adopted this approach for all other leases.

Practical arrangements

The Bank adopted some practical arrangements provided for in the standard when applying IFRS 16 for leases previously classified as operating leases in accordance with IAS 17, namely the separation of lease components from non-lease components.

For leases that were classified as finance leases in accordance with IAS 17, the carr ing amount of assets under right of use and lease liabilities as at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability in accordance with IAS 17 immediately before that date.

C. As a lessor

The accounting policies applicable to the Bank as a lessor in the comparative period are no different from those applicable under IAS 17. Thus, the Bank is not required to make any adjustments in the transition to IFRS 16 for leases where it acts as a lessor.

D. Impacts on Financial Statements

i.) Impacts on the transition
In the transition to IFRS 16, the Bank recognised the assets under right of use and lease liabilities. The impact on the transition is detailed below.

(AOA thousand)

	01.01.2019
Assets under right of use disclosed in Other property, plant and equipment	7,027,916
Lease liabilities	7,027,916

In measuring lease liabilities, the Bank discounted lease payments using its incremental financing rate as at 1 January 2019.

ii.) Impacts for the period
As a result of the initial application of IFRS 16, in relation to leases that were previously classified as operating leases, the Bank has recorded AOA 5,608,353 thousand assets under right of use, net of depreciation and AOA 6,017,264 thousand lease liabilities as at 31 December 2019.

Also in relation to leases under IFRS 16, the Bank recognised depreciation and interest expense, rather than operating lease expenses. In the year ended 31 December 2019, the Bank recognised AOA 690,705 thousand depreciation charges and AOA 1,880,272 thousand interest charges on the above-mentioned leases.

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 of 22 October, which came into force on 1 January 2015, the Industrial Tax is provisionally settled in a single instalment 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 carrying amounts 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 near 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 Banco Nacional de Angola 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. Value Added Tax
The Bank, as a taxable person registered with the Tax Office of Large Taxpayers, has been covered by the general VAT system since this tax came into force on 1 October 2019.

Under the terms of the VAT Code approved by Law No. 7/19 of 24 April and the amendments introduced by Law No. 17/19 of 13 August, they are subject to this tax: (i) the transfer of goods and services within national territory, for consideration, by a taxable person acting as such; and (ii) the import of goods.

Nevertheless, the VAT Code provides for exemptions for certain transactions, including those described in Annex III to this Code, except for those which give rise to the payment of a specific and predetermined tax, or consideration, for their performance. This exemption does not give the taxable person the right to deduct the VAT incurred on the acquisition of goods and services related to exempt transactions.

Considering the Bank is a taxable person that carries out transactions which grant the right to deduct (*i.e.* transactions taxed on VAT) and transactions which do not grant the right to deduct (*i.e.* transactions which are exempt from this tax under the aforementioned terms), the VAT incurred by the Bank on its purchases of goods and services is only partially deductible through the *pro rata* method.

iv. Other taxes
The Bank is also subject to indirect taxes, such as Custom Duties, Stamp Duty, Consumption Tax, and other taxes.

v. Tax replacement

(v.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 Customers at the CGT rate.

(v.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 Customers 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.

(v.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.

(v.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.

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 28).

vii. Holiday allowance

General Labour 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 early 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 collective impairment calculation considers several scenarios with a specific weighting, based on the internal methodology defined on scenario - definition of multiple perspectives of macroeconomic developments, with a relevant probability of occurrence.

Note 4.
Cash and deposits at central banks

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Cash	**16,117,014**	**11,206,639**
Deposits at central banks	**174,871,434**	**148,165,613**
Banco Nacional de Angola	174,871,434	148,165,613
	190,988,448	**159,372,252**

The balance Cash and deposits at Banco Nacional de Angola corresponds to mandatory deposits intended to satisfy legal minimum cash requirements. In accordance with Instruction No. 17/2019 of Banco Nacional de Angola, of 24 October 2019, the minimum reserve requirements on deposits payable on demand with BNA are summarised in accordance with the following table:

Rates on Reserve Base		National Currency	Foreign Currency
Central Government, Local Governments and Local Administration	**Daily calculation**	22%	100%
Other sectors	**Weekly calculation**	22%	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 2019, the total amount of liabilities (Central Government, Local Governments, Local Administrations and Other Sectors) amounts to AOA 174,871,434 thousand (2018: AOA 148,165,613 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, Banco Nacional de Angola converted some of the mandatory reserves in USD of ATLANTICO into securities denominated in the same currency, the amount of which at 31 December 2019 was AOA 93,585,794 thousand (2018: AOA 60,258,515 thousand). These debt securities were accounted at their acquisition cost and subsequently measured as described in accounting policy 2.5.

According to Instruction No. 17/2019 of 24 October (which revoked Instruction 10/2018 of 19 July), which entered into force on 24 October 2019, the mandatory minimum reserves may be established at 20% with the amounts deposited with Banco Nacional de Angola 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:

(AOA thousand)

	31.12.2019	31.12.2018
Loans and advances to credit institutions in Angola		
Deposits payable on demand	508,865	406,852
Outstanding cheques	814,531	4,565
	1,323,396	**411,417**
Loans and advances to credit institutions abroad		
Deposits payable on demand	23,104,794	26,328,312
	23,104,794	**26,328,312**
Total	**24,428,190**	**26,739,729**

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

As at 31 December 2019 and 2018, loans and advances at other credit institutions do not bear interest.

Note 6.
Financial assets and liabilities at fair value through profit and loss

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Financial assets mandatorily at fair value through profit and loss		
Securities		
Other variable income securities	56,701,261	16,387,405
Loans and advances to Customers	12,711,039	10,183,491
	69,412,300	**26,570,896**
Financial assets held for trading		
Derivatives		
Derivative financial instruments with positive fair value	13,064	49,548
	13,064	**49,548**
	69,425,364	**26,620,444**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	207,095	50,510
	207,095	**50,510**
	207,095	**50,510**

"During 2015, Banco Nacional de Angola converted some of the mandatory reserves in USD of ATLANTICO into securities denominated in the same currency, the amount of which at 31 December 2019 was AOA 93,585,794 thousand (2018: AOA 60,258,515 thousand).

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

(AOA thousand)

	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at fair value through profit and loss				
Securities				
Other variable income securities	-	10,153,291	46,547,970	56,701,261
Loans and advances to Customers	-	-	12,711,039	12,711,039
	-	**10,153,291**	**59,259,009**	**69,412,300**
Financial assets held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	13,064	-	13,064
	-	**13,064**	**-**	**13,064**
Balance on 31 December 2019	**-**	**10,166,355**	**59,259,009**	**69,425,364**
Financial liabilities held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	207,095	-	207,095
Balance on 31 December 2019	**-**	**207,095**	**-**	**207,095**
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
Financial assets held for trading				
Derivatives				
Derivative financial instruments with positive fair value	-	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**

The main parameters used during 2019 and 2018 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 2019, Other variable income securities refers to the ODELL Liquidez, ATLANTICO Property and ATLANTICO Protecção funds, managed by ATLÂNTICO GESTÃO DE ACTIVOS – Sociedade Gestora de Organismos de Investimento Colectivo, S.A., valued according to the price quotation published by the entity.

As at 31 December 2019 and 2018, the maturity of financial assets at fair value through profit and loss is as follows:

(AOA thousand)

	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	-	-	-	-	56,701,261	56,701,261
Loans and advances to Customers	12,590,568	-	13,896	106,575	-	12,711,039
	12,590,568	**-**	**13,896**	**106,575**	**56,701,261**	**69,412,300**
Financial assets held for trading						
Derivatives						
Derivative financial instruments with positive fair value	13,064	-	-	-	-	13,064
	13,064	**-**	**-**	**-**	**-**	**13,064**
Balance on 31 December 2019	**12,603,632**	**-**	**13,896**	**106,575**	**56,701,261**	**69,425,364**
Financial liabilities held for trading						
Derivatives						
Derivative financial instruments with positive fair value	207,095	-	-	-	-	207,095
Balance on 31 December 2019	**207,095**	**-**	**-**	**-**	**-**	**207,095**
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
Financial assets held for trading						
Derivatives						
Derivative financial instruments with positive fair value	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**

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

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	Cost [1]	Potential added value		Interest	Book value
		Positive	Negative		
Financial assets at fair value through other comprehensive income					
Bonds and other fixed income securities					
Issued by public entities	31,033,187	-	(302,967)	1,018,035	31,748,255
Issued by other entities	1,854,719	141,701	-	88,100	2,084,520
Shares	345,683	-	-	-	345,683
Balance on 31 December 2019	**33,233,589**	**141,701**	**(302,967)**	**1,106,135**	**34,178,458**
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**

[1] Acquisition cost for shares and other equity instruments and amortised cost for 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.

As at 31 December 2019, Bonds and other fixed income securities include the impairment transferred to profit and loss in the amount of AOA 534,514 thousand (2018: AOA 492,554 thousand).

As detailed in note 8, the Bank has reconfigured its securities portfolio, in particular the change in the classification of US dollar Treasury Bonds and US dollar Indexed Bonds, previously allocated to the Hold to Collect and Sell business model, to the business model that foresees the holding of assets until their maturity, Hold to Collect. The amount related to the reclassifications refers to AOA 103,395,532 thousand and AOA 37,330,023, respectively.

The balance Shares includes the financial investment in EMIS - Empresa Interbancária de Serviços, S.A. ("EMIS"), which was set up to manage electronic facilities for payments and other complementary services. On 31 December 2019, the Bank holds a 7.90% interest of this Company's share capital and additional financial investments amounting to AOA 337,682 thousand (2018: AOA 337,682 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 2019 and 2018, the analysis of financial assets at fair value through other comprehensive income, by valuation levels, is presented as follows:

(AOA thousand)

	Level 1	Level 2	Level 3	At cost	Total
Bonds and other fixed income securities					
Issued by public entities	-	31,748,255	-	-	31,748,255
Issued by other entities	-	2,084,520	-	-	2,084,520
Shares	-	-	345,683	-	345,683
Balance on 31 December 2019	**-**	**33,832,775**	**345,683**	**-**	**34,178,458**
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**

As at 31 December 2019 and 2018, the maturity of financial assets at fair value through other comprehensive income is as follows:

(AOA thousand)

	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	804,772	4,406,114	26,537,369	-	-	31,748,255
Issued by other entities	-	-	2,084,520	-	-	2,084,520
Shares	-	-	-	-	345,683	345,683
Balance on 31 December 2019	**804,772**	**4,406,114**	**28,621,889**	**-**	**345,683**	**34,178,458**
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**

Note 8.
Financial assets at amortised cost – Debt securities

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Bonds and other fixed income securities		
Issued by public entities		
Bonds indexed to the exchange rate of the United States dollar	279,117,189	190,561,375
Foreign currency bonds	236,409,487	69,056,073
Non-readjustable bonds	22,054,224	16,029,971
	537,580,900	**275,647,419**
Impairment losses	(8,278,494)	(678,703)
Total	**529,302,406**	**274,968,716**

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.

As at 1 October 2019, the Bank has reconfigured its securities portfolio, in particular the change in the classification of US dollar Treasury Bonds and US dollar Indexed Bonds, previously allocated to the Hold to Collect and Sell business model, to the business model that foresees the holding of assets until their maturity, Hold to Collect. The amount related to the reclassifications refers to AOA 103,395,532 thousand and AOA 37,330,023, respectively.

As at 31 December 2019, the Fair Value of the reclassified securities is as follows:

(AOA thousand)

	Fair value 31.12.2019
Bonds and other fixed income securities	
Issued by public entities	
Bonds indexed to the exchange rate of the United States dollar	48,341,308
Foreign currency bonds	102,832,050
Total	**151,173,358**

The fair value gains or (losses) that would have been recognised under Other Comprehensive Income had the financial assets not been reclassified, in the period between the reclassification date and 31 December 2019 are as follows:

(AOA thousand)

	31.12.2019
Bonds and other fixed income securities	
Issued by public entities	
Bonds indexed to the exchange rate of the United States dollar	355,571
Foreign currency bonds	(563,483)
	(207,912)
Tax effect	62,374
Total	**(145,538)**

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

(AOA thousand)

	31.12.2019	31.12.2018
Balance on 1 January	678,703	-
Impact of transition to IFRS 9	-	478,663
Charge for the period/(Reversals)	8,014,653	200,040
Exchange rate and other differences	(414,862)	-
Balance on 31 December	**8,278,494**	**678,703**

As at 31 December 2019 and 2018, the maturity of financial instruments held to maturity is as follows:

(AOA thousand)

	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Undefined maturity	Total
Debt securities						
Bonds issued by public entities	27,660,108	88,201,058	358,677,914	63,041,820	-	537,580,900
Balance on 31 December 2019	**27,660,108**	**88,201,058**	**358,677,914**	**63,041,820**	**-**	**537,580,900**
Held-to-maturity investments						
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**

Note 9.
Loans and advances to Customers

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Domestic credit		
Corporate		
Loans	324,656,878	306,529,350
Current account loans	41,847,634	49,644,658
Overdrafts	2,718,806	15,722,409
Credit cards	281,799	167,189
Retail		
Loans	16,904,690	14,548,483
Employees	4,484,406	4,469,479
Consumer credit	3,204,329	3,075,426
Mortgage loans	2,815,354	2,885,839
Credit cards	927,000	449,338
Overdrafts	888,963	157,530
	398,729,859	**397,649,701**
Foreign credit		
Corporate		
Overdrafts	-	10
Retail		
Credit cards	951,720	499,903
Employees	498,444	509,450
Overdrafts	35,510	448
Loans	14,611	-
Consumer credit	3,646	5,271
	1,503,931	**1,015,082**
Overdue loans		
Below 1 year	8,052,183	15,052,227
1 to 3 years	39,445,122	24,963,374
Above 3 years	34,910,648	16,132,996
	82,407,953	**56,148,597**
	482,641,743	**454,813,380**
Interest receivable	69,317,982	44,403,240
	551,959,725	**499,216,620**
Impairment losses	(109,258,712)	(78,952,043)
Total	**442,701,013**	**420,264,577**

As at 31 December 2019 and 2018, the maturity of loans and advances to Customers is as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Below 3 months	25,791,809	89,661,510
3 to 12 months	37,208,996	37,311,736
1 to 5 years	131,788,088	77,379,572
Above 5 years	205,444,897	194,311,965
Undefined maturity	82,407,953	56,148,597
Total	**482,641,743**	**454,813,380**

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

(AOA thousand)

	31.12.2019	31.12.2018
Opening balance	**78,952,043**	**43,057,000**
Impact of transition to IFRS 9	-	4,015,291
Charge for the period / Reversals	20,856,131	24,337,850
Charge-off	(6,861,851)	(4,801,088)
Exchange differences and other	16,312,389	12,342,990
Ending balance	**109,258,712**	**78,952,043**

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

(AOA thousand)

	31.12.2019	31.12.2018
Fixed rate	57,958,616	42,361,333
Variable rate	494,001,109	456,855,287
Total	**551,959,725**	**499,216,620**

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

(AOA thousand)

	31.12.2019	31.12.2018
Outstanding rents and residual values		
Below 1 year	3,897,453	3,189,108
1 to 5 years	2,717,798	3,596,220
Above 5 years	6,686,064	992,694
	13,301,315	**7,778,022**
Outstanding interest		
Below 1 year	405,382	788,417
1 to 5 years	1,370,720	1,005,283
Above 5 years	1,798,872	467,339
	3,574,974	**2,261,039**
Outstanding capital		
Below 1 year	3,523,159	2,562,080
1 to 5 years	1,347,078	2,590,936
Above 5 years	4,887,192	525,354
	9,757,429	**5,678,370**
Impairment	(1,070,582)	(975,608)
Total	**8,686,847**	**4,702,762**

There are no leasing contracts with contingent rent.

The analysis of exposures and impairment by segment and respective overdue is as follows:

(AOA thousand)

	Exposure as at 31.12.2019				Impairment as at 31.12.2019		
Segment	Total exposure	Credit in compliance	From which reestructured	Default credit	Total impairment	Credit in compliance	Default credit
Corporate							
Loans	445,274,263	390,464,917	57,350,114	54,809,346	82,495,849	55,644,061	26,851,787
Current account loans	52,278,729	42,483,932	-	9,794,797	4,753,894	1,338,359	3,415,535
Overdrafts	17,183,019	3,593,260	-	13,589,759	8,325,502	786,133	7,539,370
Credit cards	281,859	281,859	-	-	12,540	12,540	-
Retail							
Loans	22,223,934	18,596,329	4,981,007	3,627,605	12,107,626	5,601,668	6,505,958
Employees	5,004,989	5,002,967	-	2,022	274,315	226,908	47,407
Consumer credit	3,470,162	3,464,222	22,856	5,940	388,175	365,987	22,188
Mortgage loans	2,846,975	2,844,483	-	2,492	343,706	144,328	199,378
Credit cards	1,878,720	1,878,720	-	-	55,077	55,077	-
Overdrafts	1,517,075	941,083	-	575,992	502,028	14,133	487,896
Total	**551,959,725**	**469,551,772**	**62,353,977**	**82,407,953**	**109,258,712**	**64,189,194**	**45,069,519**

(AOA thousand)

	Exposure as at 31.12.2018				Impairment as at 31.12.2018		
Segment	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**

The breakdown of loans and advances to customer by stage is as follows:

(AOA thousand)

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Loans at amortised cost				
Gross amount	99,486,212	251,931,266	200,542,247	551,959,725
Impairment losses	(1,065,994)	(23,389,439)	(84,803,279)	(109,258,712)
Total	**98,420,218**	**228,541,827**	**115,738,968**	**442,701,013**

(AOA thousand)

	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)
Total	**180,520,161**	**134,961,122**	**104,783,294**	**420,264,577**

The Stage transfer matrix for the years of 2018 and 2019 is as follows:

(AOA thousand)

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Stage as at 01-01-2019				
Stage 1	39,825,756	79,033,621	575,101	119,434,478
Stage 2	2,819,942	121,521,499	986,261	125,327,702
Stage 3	-	408,607	165,284,675	165,693,282
Exposures during 2019	56,840,514	50,967,539	33,696,210	141,504,263
Total	**99,486,212**	**251,931,266**	**200,542,247**	**551,959,725**

(AOA thousand)

	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 during 2018	52,804,299	23,208,617	38,895,670	114,908,586
Total	**181,817,457**	**157,217,477**	**160,181,686**	**499,216,620**

As at 31 December 2019 and 2018, the loan portfolio by segment and by year of operations is presented as follows:

(AOA thousand)

	31.12.2019									31.12.2019					
	2016 and preceding years			2017			2018			2019			Total		
Segment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment
Corporate															
Loans	446	245,513,854	56,029,049	79	35,478,579	4,069,233	107	88,210,802	13,458,347	89	76,071,028	8,939,220	721	445,274,263	82,495,849
Current account loans	21	3,593,182	2,948,147	-	-	-	9	1,585,776	237,343	82	47,099,771	1,568,404	112	52,278,729	4,753,894
Credit cards	395	102,107	7,017	143	57,752	1,696	84	36,748	1,580	285	85,252	2,247	907	281,859	12,540
Overdrafts	1,642	16,951,714	8,281,843	270	68,428	38,374	206	14,768	2,834	87	148,109	2,451	2,205	17,183,019	8,325,502
Retail															
Loans	1,947	7,171,181	5,868,353	73	591,170	508,886	63	9,080,071	4,937,496	54	5,381,512	792,891	2,137	22,223,934	12,107,626
Employees	929	1,625,389	116,143	1,115	2,355,495	118,459	339	583,924	31,400	600	440,181	8,313	2,983	5,004,989	274,315
Mortgage loans	25	1,507,306	272,949	5	768,423	16,392	3	36,559	38,711	4	534,687	15,654	37	2,846,975	343,706
Credit cards	1,499	298,453	17,517	656	1,080,639	27,081	543	144,816	2,534	1,382	354,812	7,945	4,080	1,878,720	55,077
Consumer credit	263	1,431,644	280,482	89	107,548	8,185	127	588,812	31,220	163	1,342,158	68,288	642	3,470,162	388,175
Overdrafts	23,978	1,332,963	442,733	5,973	31,706	14,302	30,866	72,321	17,273	3,072	80,085	27,720	63,889	1,517,075	502,028
Total	**31,145**	**279,527,793**	**74,264,233**	**8,403**	**40,539,740**	**4,802,608**	**32,347**	**100,354,597**	**18,758,738**	**5,818**	**131,537,595**	**11,433,133**	**77,713**	**551,959,725**	**109,258,712**

(AOA thousand)

	31.12.2018									31.12.2018					
	2015 and preceding years			2016			2017			2018			Total		
Segment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	Number of transactions	Amount	Impairment	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	95	38,764,939	4,342,953	114	75,601,762	10,522,338	872	384,757,775	57,056,518
Current account loans	76	22,117,388	3,010,057	16	8,985,734	158,915	16	4,465,724	81,226	16	18,270,882	306,908	124	53,839,728	3,557,106
Credit cards	228	41,341	1,654	215	45,215	4,994	156	43,585	1,987	88	37,048	1,406	687	167,189	10,041
Overdrafts	1,278	20,802,887	7,356,303	285	1,139,224	182,350	196	8,071,195	1,664,594	86	3,958	1,251	1,845	30,017,264	9,204,498
Retail															
Loans	2,004	8,536,082	4,154,798	219	1,037,030	619,732	57	597,521	439,069	38	7,436,627	2,704,736	2,318	17,607,260	7,918,335
Employees	328	1,784,204	133,090	142	55,297	1,426	1,191	2,486,674	88,607	325	672,860	24,526	1,986	4,999,035	247,649
Mortgage loans	33	1,484,225	178,302	5	478,326	8,536	6	910,747	48,655	2	91,630	49,104	46	2,964,928	284,597
Credit cards	893	137,655	4,471	609	81,606	10,942	733	614,230	17,483	386	115,750	1,045	2,621	949,241	33,941
Consumer credit	542	1,945,274	42,244	233	344,661	14,136	110	243,680	12,960	153	726,404	153,146	1,038	3,260,019	222,486
Overdrafts	10,914	532,199	366,329	2,740	35,611	17,405	6,050	44,200	26,429	3,448	42,171	6,709	23,152	654,181	416,872
Total	**16,803**	**258,449,080**	**52,296,540**	**4,620**	**81,525,953**	**6,160,371**	**8,610**	**56,242,495**	**6,723,963**	**4,656**	**102,999,092**	**13,771,169**	**34,689**	**499,216,620**	**78,952,043**

As at 31 December 2019 and 2018, 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

(AOA thousand)

2019	Individual impairment		Collective impairment		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate						
Loans	360,820,689	69,515,251	84,453,574	12,980,597	445,274,263	82,495,848
Current account loans	14,042,209	2,973,190	38,236,520	1,780,705	52,278,729	4,753,895
Overdrafts	14,909,958	5,794,841	2,273,061	2,530,661	17,183,019	8,325,502
Credit cards	3,834	909	278,025	11,631	281,859	12,540
Retail						
Loans	12,669,510	4,586,299	9,554,424	7,521,327	22,223,934	12,107,626
Employees	-	-	5,004,989	274,315	5,004,989	274,315
Consumer credits	1,230,533	35,257	2,239,629	352,918	3,470,162	388,175
Mortgage loans	192,504	5,516	2,654,471	338,190	2,846,975	343,706
Credit cards	12	-	1,878,708	55,077	1,878,720	55,077
Overdrafts	-	-	1,517,075	502,028	1,517,075	502,028
Total	**403,869,249**	**82,911,263**	**148,090,476**	**26,347,449**	**551,959,725**	**109,258,712**

(AOA thousand)

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
Consumer credits	-	-	2,964,928	284,597	2,964,928	284,597
Mortgage loans	142	50	949,099	33,891	949,241	33,941
Credit cards	-	-	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**

2. By business sector

(AOA thousand)

2019	Real estate		Wholesale and retail rade		Construction		Manufacturing industry	
	Total exposure	Impair-ment	Total exposure	Impair-ment	Total exposure	Impair-ment	Total exposure	Impair-ment
Corporate								
Loans	148,202,180	28,300,840	67,980,535	9,209,097	97,662,031	21,743,934	83,893,178	14,796,367
Current account loans	667,596	189,166	12,570,706	2,345,962	25,339,920	969,535	6,888,714	242,306
Overdrafts	4,154,621	2,181,057	5,792,639	2,001,643	4,011,679	2,209,471	1,455,697	1,152,110
Credit cards	1,693	171	54,682	3,878	22,444	638	6,960	1,022
Retail								
Loans	-	-	-	-	-	-	378,584	96,060
Employees	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-	8	7
Consumer credits	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	1,006	992
Total	**153,026,090**	**30,671,234**	**86,398,562**	**13,560,580**	**127,036,074**	**24,923,578**	**92,624,147**	**16,288,864**

(AOA thousand)

2019	Retail		Institutional		Others		Total	
	Total exposure	Impair-ment	Total exposure	Impair-ment	Total exposure	Impair-ment	Total exposure	Impair-ment
Corporate								
Loans	5,406,357	2,160,146	669,013	44,279	41,460,969	6,241,185	445,274,263	82,495,848
Current account loans	20,220	-	-	-	6,791,573	1,006,926	52,278,729	4,753,895
Overdrafts	447,039	74,667	104	9	1,321,240	706,545	17,183,019	8,325,502
Credit cards	77,924	2,949	7,354	144	110,802	3,738	281,859	12,540
Retail								
Loans	21,530,539	11,923,175	-	-	314,811	88,391	22,223,934	12,107,626
Employees	5,004,989	274,315	-	-	-	-	5,004,989	274,315
Mortgage loans	2,846,975	343,706	-	-	-	-	2,846,975	343,706
Credit cards	952,336	40,598	-	-	926,376	14,472	1,878,720	55,077
Consumer credits	3,470,162	388,175	-	-	-	-	3,470,162	388,175
Overdrafts	1,516,025	500,998	-	-	44	38	1,517,075	502,028
Total	**41,272,566**	**15,708,729**	**676,471**	**44,432**	**50,925,815**	**8,061,295**	**551,959,725**	**109,258,712**

2. By business sector

(AOA thousand)

2018	Real estate		Wholesale and retail trade		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**

(AOA thousand)

2018	Retail		Institutional		Others		Total	
	Total exposure	Impairment	Total exposure	Impairment	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**

3. By geography

(AOA thousand)

2019	Angola		Portugal		Other countries		Total	
	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment	Total exposure	Impairment
Corporate								
Loans	443,194,447	81,688,411	2,079,816	807,437	-	-	445,274,263	82,495,848
Current account loans	52,278,729	4,753,895	-	-	-	-	52,278,729	4,753,895
Overdrafts	17,006,572	8,256,245	175,142	67,994	1,305	1,263	17,183,019	8,325,502
Credit cards	281,800	12,488	-	-	59	52	281,859	12,540
Retail								
Loans	22,209,086	12,107,107	-	-	14,848	519	22,223,934	12,107,626
Employees	4,502,792	267,905	499,862	6,133	2,335	277	5,004,989	274,315
Consumer credits	3,466,462	388,000	2,238	105	1,462	70	3,470,162	388,175
Mortgage loans	2,846,975	343,706	-	-	-	-	2,846,975	343,706
Credit cards	927,001	39,834	7,779	106	943,940	15,137	1,878,720	55,077
Overdrafts	1,474,606	495,669	2,960	2,683	39,509	3,676	1,517,075	502,028
Total	**548,188,470**	**108,353,260**	**2,767,797**	**884,458**	**1,003,458**	**20,994**	**551,959,725**	**109,258,712**

(AOA thousand)

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**

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 2019 and 2018 is as follows:

(AOA thousand)

Fair value	31.12.2019				31.12.2019							
	Corporate				Construction and real estate development				Mortgage loans			
	Real Estate		Asset-backed loans		Real Estate		Asset-backed loans		Real Estate		Asset-backed loans	
	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
< 50 MAOA	31	741,070	733	8,009,468	2	61,062	94	967,903	21	530,921	9	39,336
>= 50 MAOA e < 100 MAOA	21	1,560,334	132	9,167,447	-	-	16	1,168,767	8	603,235	-	-
>= 100 MAOA e < 500 MAOA	33	7,527,711	104	21,787,801	11	3,534,714	26	5,792,487	4	729,534	1	119,095
>= 500 MAOA e < 1,000 MAOA	3	2,012,416	8	5,367,328	6	4,478,324	2	1,430,544	-	-	-	-
>= 1,000 MAOA e < 2,000 MAOA	9	13,889,343	4	5,295,087	5	6,333,779	6	7,464,587	-	-	-	-
>= 2,000 MAOA e < 5,000 MAOA	2	7,863,748	1	2,870,062	6	20,471,766	1	3,395,679	-	-	-	-
>= 5,000 MAOA	3	27,176,923	3	35,430,031	11	93,048,643	2	17,425,612	-	-	-	-
Total	**102**	**60,771,545**	**985**	**87,927,224**	**41**	**127,928,288**	**147**	**37,645,579**	**33**	**1,863,690**	**10**	**158,431**

(AOA thousand)

Fair value	31.12.2018				31.12.2018							
	Corporate				Construction and real estate development				Mortgage loans			
	Real Estate		Asset-backed loans		Real Estate		Asset-backed loans		Real Estate		Asset-backed loans	
	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount	Number of properties	Amount	Number	Amount
< 50 MAOA	28	669,279	548	7,650,302	3	60,707	62	703,079	19	551,107	8	40,060
>= 50 MAOA e < 100 MAOA	22	1,577,029	115	8,057,833	-	-	11	784,165	6	477,670	1	50,000
>= 100 MAOA e < 500 MAOA	31	7,011,157	129	25,997,345	5	1,664,624	29	6,008,641	3	590,311	1	108,012
>= 500 MAOA e < 1,000 MAOA	3	1,838,757	12	8,417,028	6	3,757,762	8	6,087,155	-	-	-	-
>= 1,000 MAOA e < 2,000 MAOA	8	11,324,900	5	6,648,640	8	10,440,018	3	4,505,046	-	-	-	-
>= 2,000 MAOA e < 5,000 MAOA	4	13,734,976	6	17,978,276	10	32,615,491	1	4,639,064	-	-	-	-
>= 5,000 MAOA	2	14,001,426	2	28,330,891	9	70,668,012	4	33,729,521	-	-	-	-
Total	**98**	**50,157,525**	**817**	**103,080,316**	**41**	**119,206,615**	**118**	**56,456,671**	**28**	**1,619,088**	**10**	**198,072**

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

(AOA thousand)

Type of real estate	31.12.2019			31.12.2018		
	Number of properties	Fair value of the asset	Net book value	Number of properties	Fair value of the asset	Net book value
Land						
Urban	41	155,855,143	70,904,685	38	90,862,222	59,579,968
Constructed buildings						
Commercial	8	19,933,291	13,013,128	2	595,324	798,872
Housing	24	4,119,067	3,011,107	2	4,308,502	4,406,041
Total	**73**	**179,907,501**	**86,928,920**	**42**	**95,766,048**	**64,784,881**

2. By seniority

(AOA thousand)

Time since recovery/foreclosure	31.12.2019				
	<1 year	≥ 1 to < 2.5 years	≥ 2.5 to < 5 years	≥ 5 years	Total
Land					
Urban	47,708,534	21,509,745	1,686,406	-	70,904,685
Constructed buildings					
Commercial	2,844,608	10,168,520	-	-	13,013,128
Housing	2,195,934	815,173	-	-	3,011,107
Total	**52,749,076**	**32,493,438**	**1,686,406**	**-**	**86,928,920**

(AOA thousand)

Time since recovery/foreclosure	31.12.2018				
	<1 year	≥ 1 to < 2.5 years	≥ 2.5 to < 5 years	≥ 5 years	Total
Land					
Urban	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**

The disclosure of risk factors associated with the impairment model by segment is as follows:

Impairment as at 31.12.2019					
2019	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	3%	12%	43%	62%	86%
Current account loans	3%	12%	43%	62%	78%
Overdrafts	3%	12%	43%	62%	76%
Retail					
Loans	5%	40%	43%	66%	85%
Employees	4%	9%	35%	44%	85%
Mortgage loans	6%	12%	26%	43%	85%
Credit cards	1%	2%	23%	35%	85%
Consumer credits	4%	19%	36%	54%	85%
Overdrafts	1%	2%	23%	35%	85%

Impairment as at 31.12.2018					
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%
Retail					
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.
Other loans and advances to central banks and credit institutions

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Loans and advances to credit institutions in Angola		
Operations with resale agreement	12,433,000	
Interest receivable	81,965	-
Loans and advances to credit institutions abroad		
Loans and advances	4,496,521	13,273,297
Interest receivable	796	39,268
Total	**17,012,282**	**13,312,565**

As at 31 December 2019 and 2018, the maturity of investments from central banks and other credit institutions is as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Below 3 months	16,523,369	10,690,531
3 to 12 months	406,152	2,582,766
Total	**16,929,521**	**13,273,297**

The balance Other loans and advances to central banks and other credit institutions earn interest at a 13.96% average rate for national currency (2018: 20.36%) and 1.00% for foreign currency (2018: 0.82%).

Note 11.
Property and equipment

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Acquisition value		
Real estate		
For own use	29,049,382	36,805,474
Other	5,667,202	8,190,585
	34,716,584	**44,996,059**
Assets under right of use		
Real estate	5,608,353	-
	5,608,353	**-**
Equipment		
IT equipment	8,895,979	6,520,912
Interior installations	1,494,159	1,378,663
Furniture and material	3,159,630	3,100,040
Security equipment	2,460,740	2,386,256
Machinery and tools	1,078,033	967,697
Transport equipment	3,203,899	3,077,322
Other	252,834	239,609
	20,545,274	**17,670,499**
Assets under construction		
Improvements in rented buildings	17,347,782	17,689,478
Equipment	302,317	303,977
Other	104,023	51,853
	17,754,122	**18,045,308**
Other assets		
Other	1,279,942	1,270,247
	1,279,942	**1,270,247**
	79,904,275	**81,982,113**
Accumulated depreciation		
Charge for the period	4,147,687	3,282,554
Accumulated charge in previous periods	16,273,009	14,671,249
Disposals and Transfers	(1,798,494)	(1,680,794)
	18,622,202	**16,273,009**
Total	**61,282,073**	**65,709,104**

During 2019, changes in the balance Property and equipment are analysed as follows:

(AOA thousand)

	Balance at 01.01.2019	Acquisitions/ Charges	Disposals/ Write-offs	Transfers	Balance at 31.12.2019
Acquisition cost					
Real estate					
For own use	36,805,474	2,071,342	(9,827,434)	-	29,049,382
Other	8,190,585	347,850	(2,871,233)	-	5,667,202
	44,996,059	**2,419,192**	**(12,698,667)**	**-**	**34,716,584**
Assets under right of use					
Real estate	-	5,608,353	-	-	5,608,353
	-	**5,608,353**	**-**	**-**	**5,608,353**
Equipment					
IT equipment	6,520,912	2,379,944	(4,877)	-	8,895,979
Interior installations	1,378,663	119,010	(3,514)	-	1,494,159
Furniture and material	3,100,040	62,179	(2,589)	-	3,159,630
Security equipment	2,386,256	74,484	-	-	2,460,740
Machinery and tools	967,697	110,581	(245)	-	1,078,033
Transport equipment	3,077,322	247,162	(120,585)	-	3,203,899
Other	239,609	13,232	(7)	-	252,834
	17,670,499	**3,006,592**	**(131,817)**	**-**	**20,545,274**
Assets under construction					
Improvements in rented buildings	17,689,478	4,541,946	(4,883,642)	-	17,347,782
Equipment	303,977	4,697	(6,357)	-	302,317
Other	51,853	56,656	(4,486)	-	104,023
	18,045,308	**4,603,299**	**(4,894,485)**	**-**	**17,754,122**
Other assets					
Other	1,270,247	9,738	(43)	-	1,279,942
	1,270,247	**9,738**	**(43)**	**-**	**1,279,942**
	81,982,113	**15,647,174**	**(17,725,012)**	**-**	**79,904,275**
Accumulated amortization					
Real estate					
For own use	4,514,269	668,985	(1,377,939)	-	3,805,315
	4,514,269	**668,985**	**(1,377,939)**	**-**	**3,805,315**
Assets under right of use					
Real estate	-	690,704	-	-	690,704
	-	**690,704**	**-**	**-**	**690,704**
Equipment					
IT equipment	4,748,934	988,719	(173,980)	-	5,563,673
Interior installations	704,765	174,559	11,707	-	891,031
Furniture and material	1,662,201	322,630	(13,968)	-	1,970,863
Security equipment	1,192,657	251,843	(78)	-	1,444,422
Machinery and tools	634,586	117,305	58,864	-	810,755
Transport equipment	1,858,466	607,276	(167,179)	-	2,298,563
Other	101,419	271,912	378,198	-	751,529
	10,903,028	**2,734,244**	**93,564**	**-**	**13,730,836**
Other assets					
Other	855,712	53,754	(514,119)	-	395,347
	855,712	**53,754**	**(514,119)**	**-**	**395,347**
	16,273,009	**4,147,687**	**(1,798,494)**	**-**	**18,622,202**
Total	**65,709,104**	**11,499,487**	**(15,926,518)**	**-**	**61,282,073**

As at 31 December 2019, the balance assets under right of use corresponds to the impact of the adoption of IFRS 16, as at 1 January 2019, as described in note 2.11.

As at 31 December 2019 and 2018, the balance assets under construction includes the amount of AOA 12,551,873 thousand related to the construction of the Bank's new headquarters building in Baía de Luanda.

Note 12.
Intangible assets

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Purchased from third parties		
Automated data-processing system	15,698,749	10,154,807
Other	723,431	695,140
	16,422,180	**10,849,947**
Goodwill		
Millennium incorporation	25,632,743	25,632,743
Work in progress		
Automated data-processing system	253,854	208,650
Accumulated amortization		
Charge for the period	2,276,883	1,326,023
Accumulated charge in previous periods	4,065,767	2,720,253
Disposals and Transfers	(15,563)	19,491
	6,327,087	**4,065,767**
Total	**35,981,690**	**32,625,573**

Changes in this balance is as follows:

(AOA thousand)

	Balance at 01.01.2019	Acquisitions/ Charges	Disposals/ Write-offs	Transfers and perimeter changes	Balance at 31.12.2019
Purchased from third parties					
Automated data-processing system	10,154,807	5,415,589	(82,110)	210,463	15,698,749
Other	695,140	43,325	(15,034)	-	723,431
	10,849,947	**5,458,914**	**(97,144)**	**210,463**	**16,422,180**
Goodwill	**25,632,743**	**-**	**-**	**-**	**25,632,743**
Work in progress	**208,650**	**255,667**	**-**	**(210,463)**	**253,854**
Accumulated amortization					
Automated data-processing system	3,619,240	2,266,156	(15,563)	-	5,869,833
Other	446,527	10,727	-	-	457,254
	4,065,767	**2,276,883**	**(15,563)**	**-**	**6,327,087**
Net balance at 31 December	**32,625,573**	**3,437,698**	**(81,581)**	**-**	**35,981,690**

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 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Non-current assets held for sale		
Real estate	92,303,461	67,768,063
	92,303,461	**67,768,063**
Impairment losses	(3,674,682)	(1,977,402)
Total	**88,628,779**	**65,790,661**

The amounts presented relate to real estate and similar properties received in donation and facilities that are not in use, available for immediate sale. As at 31 December 2019, the value of real estate and similar properties amounted to AOA 90,246,647 thousand (2018: AOA 64,784,882 thousand) and the value of facilities that are not in use amounted to AOA 2,056,854 thousand (2018: AOA 2,983,181 thousand) and the Bank recorded an impairment for these assets in the total amount of AOA 3,674,682 thousand (2018: AOA 1,977,402 thousand).

Changes occurred in impairment losses were as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Opening balance	**1,977,402**	**707,322**
Charge for the period/(Reversals)	1,697,280	1,201,429
Charge off	-	-
Exchange differences and other	-	68,651
Closing balance	**3,674,682**	**1,977,402**

Changes in non-current assets held for sale during 2019 and 2018 were as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Opening balance	**67,768,063**	**44,251,822**
Increases	56,792,066	29,114,740
Disposals	(36,399,943)	(6,163,080)
Reclassifications/transfers	4,143,275	564,581
Closing balance	**92,303,461**	**67,768,063**

In 2019 and 2018, 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 two years, 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 36,399,943 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 2019 and 2018 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 periods ended 31 December 2019 and 2018, deferred tax was generally calculated based on a 30% rate.

Deferred tax assets and liabilities as at 31 December 2019 and 2018 are analysed as follows:

(AOA thousand)

	Assets		Liabilities		Net	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loans to Customers (direct and indirect)	418,349	1,680,334	-	-	418,349	1,680,334
Available-for-sale securities portfolio	152,159	203,611	68,602	862,012	83,557	(658,401)
Other provisions	1,718,482	703,674	-	-	1,718,482	703,674
Other	-	(51,000)	-	-	-	(51,000)
Deferred tax assets/ (liabilities)	**2,288,990**	**2,536,619**	**68,602**	**862,012**	**2,220,388**	**1,674,607**

Changes in deferred taxes recorded in the balance sheet were offset as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Opening balance	**1,674,607**	**(588,867)**
Impact of transition to IFRS 9	-	1,654,999
Recognised in the income statement	(247,629)	787,589
Recognised in reserves – other comprehensive income	793,410	(116,139)
Exchange differences and other	-	(62,975)
Closing balance (assets/(liabilities))	**2,220,388**	**1,674,607**

Tax recognised in the income statement and reserves during the periods ended on 31 December 2019 and 2018 have the following sources:

(AOA thousand)

	31.12.2019		31.12.2018	
	Recognised in the income statement	Recognised in reserves	Recognised in the income statement	Recognised in reserves
Loans to Customers (direct and indirect)	(1,261,985)	-	39,311	-
Available-for-sale securities portfolio	(51,452)	793,410	60,012	(116,139)
Provisions	1,014,808	-	688,266	-
Other	51,000	-	-	-
Deferred taxes	**(247,629)**	**793,410**	**787,589**	**(116,139)**
Current taxes	**-**	**-**	**131,263**	**-**
Total tax recognised	**(247,629)**	**793,410**	**918,852**	**(116,139)**

The reconciliation of the effective tax rate, with respect to the amount recognised in the income statement, is analysed as follows:

(AOA thousand)

	31.12.2019		31.12.2018	
	%	Value	%	Value
Profit before tax	**-**	**30 712 491**	**-**	**26,306,236**
Tax rate	30.0	-	30.0	-
Tax based on the tax rate	-	9,213,747	-	7,891,871
Life and health insurance (Article 18)	0.0	8,396	0.0	8,324
Exceeding amortizations (Article 40)	0.4	109,215	0.3	67,163
Provisions (Article 36)	1.9	571,385	5.1	1,353,573
Capital Gains Tax and Property Tax (Article 18)	3.2	983,760	2.5	651,501
Fines and charges (Article 18)	0.0	7,311	0.5	133,622
Grants (Article 18)	0.9	271,563	0.3	82,433
Social welfare charges (Article 15)	0.1	42,116	0.2	51,770
Changes related to previous periods and extraordinary (Article 18)	0.4	108,580	1.2	324,978
Non-specified expenditure	1.0	302,843	1.2	319,635
Income subject to Capital Gain Tax (Article 47)	(38.1)	(11,712,340)	(39.0)	(10,265,277)
Other	(0.6)	(189,041)	(2.4)	(631,388)
Tax payable – current tax liabilities	**-**	**-**	**-**	**-**
Other charges – Industrial tax	-	-	-	(131,263)
Income tax for the period	**-**	**-**	**-**	**(131,263)**

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 2019 and 2018, 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:

(AOA thousand)

	31.12.2019	31.12.2018
Debtors from promissory purchase contracts	56,124,841	41,521,330
Other debtors	35,352,664	22,436,954
Pending transactions	8,752,265	3,358,234
Deferred costs	7,187,876	7,862,082
Escrow accounts	2,943,724	2,004,093
Administrative public sector	49,233	1,758,085
Precious metals, coins, medals and other resources	2,210	2,210
Other assets	143,892	60,250
	110,556,705	**79,003,238**
Impairment losses	(7,351,564)	(7,306,020)
Total	**103,205,141**	**71,697,218**

The balance Other debtors includes: (i) the advance in the amount of AOA 9,358,511 thousand (2018: AOA 5,133,063 thousand), carried out in the framework of a residential project and (ii) the advance payment of AOA 2,471,654 thousand (2018: AOA 2,432,530 thousand) for the construction project of a University Hospital.

Changes occurred in impairment losses in Other assets are disclosed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Opening balance	**7,306,020**	**1,656,357**
Impact of transition to IFRS 9	-	(170,000)
Charges for the period/(Reversals)	(615,611)	5,039,289
Charge-off	(1,437)	(263,767)
Reclassifications	-	-
Exchange differences and others	662,592	1,044,141
Closing balance	**7,351,564**	**7,306,020**

Note 16.
Deposits from central banks and other credit institutions

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Deposits from central banks		
Transactions with repurchase agreement	20,033,025	-
Deposits from central banks and other credit institutions		
Loans	150,976,417	154,659,025
Deposits	1,667,229	1,536,815
	152,643,646	**156,195,840**
Other deposits	3,275,629	481,681
Interest payable	541,338	3,377,059
Total	**176,493,638**	**160,054,580**

The balance Deposits from other credit institutions is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Domestic		
Loans	29,000,000	70,629,105
Other deposits	3,275,629	481,681
Interest payable	528,079	3,325,039
Transactions with repurchase agreement	20,033,025	-
	52,836,733	**74,435,825**
Abroad		
Loans	121,976,417	84,029,920
Deposits	1,667,229	1,536,815
Interest payable	13,259	52,020
	123,656,905	**85,618,755**
Total	**176,493,638**	**160,054,580**

As at 31 December 2019 and 2018, the maturity of deposits from central banks and other credit institutions is as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Below 3 months	152,643,646	146,195,840
3 to 12 months	-	10,000,000
Total	**152,643,646**	**156,195,840**

Deposits from other credit institutions bear interest at an average rate of 22.79% for national currency (2018: 18.58%) and 4.21% for foreign currency (2018: 3.54%).

Note 17. Deposits from Customers

The balance Deposits from Customers, by its nature, is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Deposits repayable on demand		
Deposits repayable on demand	**480,107,421**	**425,015,653**
Term deposits		
Term deposits	746,669,643	609,536,265
Interest payable	8,208,524	8,372,630
	754,878,167	**617,908,895**
Total	**1,234,985,588**	**1,042,924,548**

As at 31 December 2019 and 2018, the maturity of deposits from Customers is as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Payable immediately	**480,107,421**	**425,015,653**
Payable term		
Below 3 months	181,766,299	324,866,543
3 to 12 months	564,903,344	284,669,722
	746,669,643	**609,536,265**
Total	**1,226,777,064**	**1,034,551,918**

Deposits from Customers and other loans bear interest at an average rate of 11.85% for national currency (2018: 9.19%) and 3.33% for foreign currency (2018: 3.36%).

Note 18. Provisions

As at 31 December 2019 and 2018, the balance Provisions is analysed as follows:

(AOA thousand)

	Provisions for guarantees and other commitments	Provisions for other liabilities and charges	Total
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/Transfers	-	(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**
Charge for the period/Reversals	(432,466)	2,115,473	1,683,007
Charge-off	-	(465,517)	(,465,517)
Reclassifications/Transfers	-	(41,819)	(41,819)
Exchange differences and other	279,749	1,765,497	2,045,246
Balance at 31 December 2019	**838,827**	**7,543,191**	**8,382,018**

As at 31 December 2019 and 2018, the balance Provisions for guarantees and commitments records provisions for documentary credit granted and guarantees provided.

The balance of Other provisions for risks and charges 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.

Note 19.
Other liabilities

As at 31 December 2019 and 2018, this balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Other liabilities		
Lease liabilities	6,017,264	-
Accrued expenses	3,598,482	3,117,426
Tax charges payable – with held from third parties	3,336,207	1,734,681
Sundry debtors	2,208,925	2,897,606
Liabilities with employees	1,126,545	6,668,590
Administrative and marketing costs	216,325	22,045
Social Security contribution	133,652	49
Dividends payable	974	974
Other sundry liabilities	1,386,169	238,356
Total	**18,024,543**	**14,679,727**

As at 31 December 2019, the balance Lease liabilities corresponds to the impact of the adoption of IFRS 16, as at 1 January 2019, as described in note 2.11.

The balance Accrued expenses includes costs to be settled to Banco Atlântico Europa, S.A. in the amount of AOA 333,195 thousand (2018: AOA 285,296 thousand) related to services rendered by this entity. In addition, this balance includes amounts payable to service providers associated with telecommunications, security, transport and cleaning services, among others.

The balance Liabilities with employees includes the amount of AOA 914,413 (2018: AOA 870,336 thousand) related to holiday allowances.

As at 31 December 2018, the balance Bonds with employees also included the amount of AOA 5,612,525 thousand related to variable remuneration for the financial year of 2018, to be settled in the following year.

Note 20.
Share capital, Share premiums and Treasury stock

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 AOA 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 ATLANTICO 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, ATLANTICO will become holder, based on articles 461 and 372, paragraph 4, subparagraph a), of the Companies Code.

As at 31 December 2019, 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 2019 and 2018, the Shareholder structure is as follows:

(% Capital)

	31.12.2019	31.12.2018
Interlagos equity Partners	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.	15.12%	15.12%
Quadros - Gestão de Activos, S.A.	4.13%	4.13%
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	0.85%	0.85%
	100.00%	**100.00%**

Share premium
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 2019, 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.
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 at fair value through other comprehensive income, net of impairment recognised in the income statement in the period and/or in prior periods. The value of this reserve is disclosed net of deferred taxes.

Changes in these balances are analysed as follows:

(AOA thousand)

	Fair value reserve			Other 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	Total reserves and retained earnings
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**
Fair value changes	(2,980,175)	793,410	(2,186,765)	-	-	-	(2,186,765)
Legal reserves	-	-	-	2,722,510	-	2,722,510	2,722,510
Transfer to retained earnings	-	-	-	-	24,502,579	24,502,579	24,502,579
Balance at 31 December 2019	**229,473**	**(68,842)**	**160,631**	**18,568,856**	**25,984,249**	**44,552,606**	**44,713,237**

Changes in fair value reserve, net of deferred taxes, can be analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Balance at the beginning of the period	**2,347,396**	**1,741,492**
Impact of transition to IFRS 9	-	(1,419,600)
Fair value changes	(2,102,009)	4,849,335
Disposals for the period	(1,053,520)	(2,729,250)
Impairment recognised in the period	175,354	(210,720)
Deferred taxes recognised in reserves	793,410	116,139
Balance at the end of the period	**160,631**	**2,347,396**

Note 22.
Net interest income

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Interest and similar income		
Interest from financial assets at amortised cost		
Interest from loans to Customers	77,542,704	82,445,042
Interest from debt securities	26,729,347	23,201,761
Interest from deposits and other investments	597,400	342,623
Interest from financial assets at fair value through comprehensive income	14,041,621	12,431,476
Interest from financial assets at fair value through profit or loss	702,373	32,063
	119,613,445	**118,452,965**
Interest and similar expenses		
Interest from deposits of Customers	38,065,653	34,351,133
Interest from loans of central banks and other financial institutions	13,309,407	16,872,213
Interest from leases	1,880,272	-
Interest from subordinated liabilities	-	-
	53,255,332	**51,223,346**
Net interest income	**66,358,113**	**67,229,619**

The balance Interest from loans to Customers include (i) the positive amount of AOA 1,835,576 thousand (2018: AOA 1,452,060 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 6,071,773 thousand related to financial assets in Stage 3 (2018: AOA 7,705,484 thousand).

Note 23.
Net fee and commission income

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Fee and commission income	**16,813,068**	**21,250,115**
Documentary credits openings	4,914,483	5,255,694
Transfers issued/received	2,641,791	3,163,471
VISA fees	2,169,633	2,107,014
Electronic transactions	2,142,534	2,131,526
Credit facilities openings/extension and maintenance	1,457,265	1,743,306
Maintenance of demand deposits accounts	1,000,424	987,831
Guarantees provided	687,345	2,390,735
Foreign currency transactions	174,965	1,409,190
Customs – revenue collection	171,048	604,439
Withdrawals	168,076	117,677
Structuring operations and financial advisory	56,508	36,650
Other fee and commission income	1,228,996	1,302,582
Fee and commission expense	**(1,786,607)**	**(610,385)**
Foreign transactions	(685,925)	(504,951)
Electronic transactions	(626,627)	-
Other fee and commissions	(474,055)	(105,434)
Total	**15,026,461**	**20,639,730**

Note 24.
Net gains/(losses) arising from financial assets and liabilities at fair value through profit and loss

This balance is analysed as follows:

(AOA thousand)

	31.12.2019			31.12.2018		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets at fair value through profit/(loss)						
Securities						
Other variable income securities	1,408,904	-	1,408,904	1,463,795	-	1,463,795
Loans and advances to Customers	-	(1,690,686)	(1,690,686)	-	(2,728,414)	(2,728,414)
	1,408,904	**(1,690,686)**	**(281,782)**	**1,463,795**	**(2,728,414)**	**(1,264,619)**
Financial assets held for trading						
Derivatives						
Interest rates contracts	-	(5,871)	(5,871)	129,722	-	129,722
	-	**(5,871)**	**(5,871)**	**129,722**	**-**	**129,722**
Total	**1,408,904**	**(1,696,557)**	**(287,653)**	**1,593,517**	**(2,728,414)**	**(1,134,897)**

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.
Gains arising from financial operations

This balance is analysed as follows:

(AOA thousand)

	31.12.2019			31.12.2018		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	1,053,520	-	1,053,520	1,574,837	-	1,574,837
Shares	-	-	-	1,154,413	-	1,154,413
Total	**1,053,520**	**-**	**1,053,520**	**2,729,250**	**-**	**2,729,250**

As at 31 December 2018, 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) arising from foreign exchange differences

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Gains/(losses) arising from currency transactions	6,373,933	(6,815,076)
Gains/(losses) arising from revaluation of assets and liabilities	(3,249,298)	20,271,334
Total	**3,124,635**	**13,456,258**

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.
Net gains/(losses) arising from the sale of other assets

The balance of this caption in the amount of AOA 25,719,887 thousand (2018: AOA 2,770,784) refers to the gains and losses obtained with the sale of non-current assets held for sale.

Note 28.
Staff costs

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Wages and salaries	13,728,932	16,576,036
Remunerations	13,728,932	16,576,036
Mandatory social charges	2,988,012	1,498,033
Other staff costs	4,430,030	4,407,522
Total	**21,146,974**	**22,481,591**

The balance Remunerations includes the amount of AOA 957,914 thousand regarding variable remuneration (2018: AOA 5,857,285 thousand) of employees and management bodies for the 2019 period, already settled.

The balance Other staff costs includes the amount of AOA 708,640 thousand referring to loans granted to employees and management bodies as defined in IAS 19 (2018: AOA 503,727 thousand).

The number of Bank employees, considering permanent and fixed-term employees, is broken down by professional category, as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Senior management functions	117	119
Management functions	313	275
Specific functions	1,357	1,371
Administrative and other functions	25	55
Total	**1,812**	**1,820**

Note 29. Supplies and services

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Communications costs	2,750,579	2,145,389
Audit and advisory	2,621,959	3,299,493
Security and surveillance	1,861,327	2,413,748
Maintenance and repair	1,701,009	1,876,283
Advertising costs	1,307,986	1,123,179
Travel, hotel and representation costs	1,236,754	1,549,113
Consumables	585,924	1,149,834
Water, energy and fuel	287,267	665,089
IT services	148,248	277,346
Rental costs	66,380	2,073,584
Other	288,373	373,190
Total	**12,855,806**	**16,946,248**

Note 30. Other operating income

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Other operating income/(expense)		
Non-recurring income from credit operations	55,495	1,757,502
Direct and indirect taxes	(4,724,228)	(3,005,103)
Deposit collateral provision	(2,566,238)	-
Contributions and donations	(674,774)	(167,577)
Other	(485,271)	(77,723)
Total	**(8,395,016)**	**(1,492,901)**

The balance Direct and indirect taxes includes (i) the amount of AOA 2,094,457 thousand (2018: AOA 1,650,132 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.

(AOA thousand)

	31.12.2019	31.12.2018
Net profit attributable to the shareholders of the Bank	**30,464,862**	**27,225,088**
(-) Remuneration of perpetual liabilities	-	-
(+) Gains/losses registered in reserves	-	-
Adjusted net consolidated profit attributable to the shareholders of the Bank	**30,464,862**	**27,225,088**
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 (AOA thousand)	**0.57**	**0.51**

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 2019, diluted earnings per share, considering the effect of treasury stock, is 0.57 (2018: 0.51).

Note 32.
Guarantees and other commitments

This balance is analysed as follows:

(AOA thousand)

	31.12.2019	31.12.2018
Guarantees received	1,996,520,658	1,524,585,950
Liabilities for services provided	641,585,214	421,271,481
Guarantees granted	69,398,163	107,797,642
Commitments to third parties	13,521,899	27,551,001
Total	**2,721,025,934**	**2,081,206,074**

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:

(AOA thousand)

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	58,199,435	9,491,887	1,706,841	69,398,163
Impairment losses	(173,092)	(120,821)	(548,730)	(842,643)
Total	**58,026,343**	**9,371,066**	**1,158,111**	**68,555,520**

(AOA thousand)

	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	(287,028)	(380,908)	(323,608)	(991,544)
Total	**65,085,971**	**40,607,315**	**1,112,812**	**106,806,098**

Documentary credits correspond to irrevocable commitments with the Bank's customer, which ensure the payment of a determined amount to customer'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 Customers 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 customer 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 carrying amount 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 2019 and 2018, the balances and transactions with related parties are presented as follows:

(AOA thousand)

	31.12.2019				
	Shareholders	Executive Committee	Other key management and family members	Other related parties	Total
Assets					
Loans and advances to credit institutions repayable on demand	7,289,654	-	-	1,344,604	8,634,258
Financial assets at fair value through profit or loss	-	-	-	54,885,423	54,885,423
Deposits with credit institutions	1,852,909	-	-	-	1,852,909
Loans and advances to Customers	7,818,226	1,959,512	8,734,867	29,091,954	47,604,559
Other assets	5,971,381	-	-	184,672	6,156,053
Total assets	**22,932,170**	**1,959,512**	**8,734,867**	**85,506,653**	**119,133,202**
Liabilities					
Deposits from central banks and other credit institutions	113,335,811	-	-	8,653,865	121,989,676
Deposits from Customers	3,306,323	13,323,732	7,051,156	9,124,571	32,805,782
Other liabilities	-	-	-	1,750,124	1,750,124
Total Liabilities	**116,642,134**	**13,323,732**	**7,051,156**	**19,528,560**	**156,545,582**

(AOA thousand)

	31.12.2018				
	Shareholders	Executive Committee	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	4,656,507	-	-	238,789	4,895,296
Total assets	**29,040,109**	**1,304,300**	**2,724,471**	**239,071**	**33,307,951**
Liabilities					
Deposits from central banks and other credit institutions	83,976,728	-	-	-	83,976,728
Deposits from Customers	6,101,994	3,638,203	4,921,488	806,113	15,467,798
Total Liabilities	**90,078,722**	**3,638,203**	**4,921,488**	**806,113**	**99,444,526**

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, grand-children 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/or 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, grand-children 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: First-line 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 2019, are as follows:

Board of Directors:
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
João da Conceição Ribeiro Mendonça
Odyle Vieira Dias Cardoso
Diogo Baptista Russo Pereira da Cunha
Elpídio Ferreira Lourenço Neto
Hermenegilda de Fátima Agostinho Lopes Benge
José Miguel B. S. da Silva Pessanha
José Miguel Nunes Anacoreta Correia

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 2019 and 2018, the Bank does not have associates, 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 quoted market prices, whenever 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 2019 and 2018, the Bank's fair value of financial assets and liabilities is analysed as follows:

(AOA thousand)

		Measured at Fair Value				
	Amortised Cost	Market prices (Level 1)	Valuation models with observable market parameters (Level 2)	Valuation models with parameters not observable in the market (Level 3)	Total book value	Fair value
31 December 2019						
Assets						
Cash and deposits at central banks	190,988,448	-	-	-	190,988,448	190,988,448
Loans and advances to credit institutions repayable on demand	24,428,190	-	-	-	24,428,190	24,428,190
Financial assets at fair value through profit or loss	-	-	10,166,355	59,259,009	69,425,364	69,425,364
Financial assets at fair value through other comprehensive income	-	-	33,832,775	345,683	34,178,458	34,178,458
Financial assets at amortised cost						
Debt securities	529,302,406	-	-	-	529,302,406	532,604,339
Loans and advances to Customers	442,701,013	-	-	-	442,701,013	441,712,983
Other loans and advances to credit institutions	17,012,282	-	-	-	17,012,282	17,012,282
Financial assets	**1,204,432,339**	**-**	**43,999,130**	**59,604,692**	**1,308,036,161**	**1,310,350,064**
Deposits from central banks and other credit institutions	176,493,638	-	-	-	176,493,638	176,493,638
Financial liabilities at fair value through profit or loss	-	-	-	207,095	207,095	207,095
Deposits from Customers and other loans	1,234,985,588	-	-	-	1,234,985,588	1,234,985,588
Financial liabilities	**1,411,479,226**	**-**	**-**	**207,095**	**1,411,686,321**	**1,411,686,321**

(AOA thousand)

	Amortised Cost	Measured at Fair Value: Market prices (Nível 1)	Measured at Fair Value: Valuation models with observable market parameters (Nível 2)	Measured at Fair Value: Valuation models with parameters not observable in the market (Nível 3)	Total book value	Fair value
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 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

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 turnover 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 unfavourable changes in the market price.

Operating – Operating risk is the probability of failures or inappropriateness of internal procedures, information systems, human behaviour 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 Customers' portfolios and rating for the corporate segment.

Credit decisions depend on risk classifications and compliance with several rules on the financial standing and behaviour of the proposers. There are relative scoring models for the main credit portfolios of private Customers, namely mortgage loans and individual loans, including the necessary segmentation between Customers and non-Customers (or recent Customers).

The main goals of credit risk management are:

- Define the provisioning rules/impairment calculations;
- Define the process of risk analysis;
- Analyse the sectorial and geographical risks;
- Analyse 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 Customers 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:

(AOA thousand)

	31.12.2019		
	Gross book value	Impairment	Net book value
Balance sheet items			
Cash and deposits at central banks	174,871,434	-	174,871,434
Loans and advances to credit institutions repayable on demand	24,428,190	-	24,428,190
Financial assets at fair value through profit or loss	69,425,364	-	69,425,364
Financial assets at fair value through other comprehensive income	34,178,458	-	34,178,458
Financial assets at amortised cost			
Loans and advances to Customers	551,959,725	(109,258,712)	442,701,013
Debt securities	537,580,900	(8,278,494)	529,302,406
Other loans and advances to credit institutions	17,012,282	-	17,012,282
Debtors from promissory purchase contracts	56,124,841	(3,680,572)	52,444,269
Other debtors	35,352,664	(3,374,377)	31,978,287
	1,500,933,858	**(124,592,155)**	**1,376,341,703**
Off-balance sheet items			
Documentary credit	58,380,008	(692,846)	57,687,162
Guarantees provided	11,018,155	(149,797)	10,868,358
	69,398,163	(842,643)	68,555,520
Total	**1,570,332,021**	**(125,434,798)**	**1,444,897,223**

(AOA thousand)

	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
Debtors from promissory purchase contracts	41,521,330	(3,970,210)	37,551,120
Other debtors	22,436,954	(3,042,601)	19,394,353
	1,251,780,400	**(86,643,557)**	**1,165,136,843**
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
Total	**1,359,578,042**	**(87,635,101)**	**1,271,942,941**

As at 31 December 2019 and 2018, the Bank's exposure to credit risk, by sector of activity, is presented as follows:

(AOA thousand)

	31.12.2019					
	Loans to Customers		Guarantees provided and credit letters	Total exposure	Impairment	
	Due	Past due			Amount	Impairment/ Total exposure
Real Estate	89,423,829	30,202,963	106,068	119,732,860	30,671,234	26%
Wholesale and retail trading	65,537,408	16,762,035	34,227,738	116,527,181	13,724,781	12%
Buildings and construction	107,501,342	9,425,787	7,042,093	123,969,222	25,015,058	20%
Manufacturing industry	62,515,043	15,256,065	8,395,001	86,166,109	16,356,160	19%
Private	34,146,754	4,573,104	831,506	39,551,364	16,139,204	41%
Institutional	626,581	104	-	626,685	44,432	7%
Others	40,482,834	6,187,894	18,795,757	65,466,486	8,150,486	12%
Total	**400,233,791**	**82,407,953**	**69,398,163**	**552,039,907**	**110,101,355**	**137%**

(AOA thousand)

	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%**

As at 31 December 2019 and 2018, the geographical concentration of credit risk is presented as follows:

(AOA thousand)

	31.12.2019			
	Geographical area			
	Angola	Portugal	Other	Total
Loans and advances to Customers	548,188,470	2,767,797	1,003,458	551,959,725
Guarantees provided and credit letters	68,994,388	-	299,831	69,294,219
Total	**617,182,858**	**2,767,797**	**1,303,289**	**621,253,944**

(AOA thousand)

	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**

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 Banco Nacional de Angola, 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, customer exposures are subject to collective analysis.

Impairment value for Individually Significant Customers is determined through the discounted cash flows method. Essentially, 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 customer, 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 2019, it represented 90.3% (31 December 2018: 99.99%) 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 behavioural 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 Banco Nacional de Angola, the Bank calculates its exposure to the balance sheet interest rate risk based on the methodology defined in the Instruction.

As at 31 December 2019 and 2018, the Bank's assets and liabilities by type of rate, are analysed as follows:

(AOA thousand)

	31.12.2019				
	Exposure to		Not subject to risk of interest rate	Derivatives	Total
	Fixed rate	Variable rate			
Assets					
Cash and deposits at central banks	-	-	190,988,448	-	190,988,448
Loans and advances to credit institutions repayable on demand	-	-	24,428,190	-	24,428,190
Financial assets at fair value through profit or loss	-	12,711,039	56,701,261	13,064	69,425,364
Financial assets at fair value through other comprehensive income	31,748,255	2,084,520	345,683	-	34,178,458
Financial assets at amortised cost					
Debt securities	529,302,406	-	-	-	529,302,406
Loans and advances to Customers	57,958,616	494,001,109	-	-	551,959,725
Other loans and advances to credit institutions	17,012,282	-	-	-	17,012,282
	636,021,559	**508,796,668**	**272,463,582**	**13,064**	**1,417,294,873**
Liabilities					
Deposits from central banks and other credit institutions	126,932,534	49,561,104	-	-	176,493,638
Deposits from Customers and other deposits	754,878,167	-	480,107,421	-	1,234,985,588
Total	**881,810,701**	**49,561,104**	**480,107,421**	**-**	**1,411,479,226**

(AOA thousand)

	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
Total	**704,021,374**	**73,942,101**	**425,015,653**	**-**	**1,202,979,128**

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 2019 and 2018, as well as the respective average balances and income and expenses for the period:

(AOA thousand)

	31.12.2019			31.12.2018		
	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	28,095,286	-	0.00%	17,164,087	-	0.00%
Financial assets at amortised cost						
Loans and advances to Customers	431,379,790	77,542,704	17.98%	423,380,954	82,445,042	19.47%
Debt securities	452,073,608	26,729,347	5.91%	284,170,006	23,201,761	8.16
Other loans and advances to credit institutions	19,340,883	597,400	3.09%	19,366,401	342,623	1.77%
Interest from financial assets at fair value through comprehensive income	109,514,321	14,041,621	12.82%	182,132,045	12,431,476	6.83%
Interest from financial assets at fair value through profit and loss	45,065,378	702,373	1.56%	26,602,446	32,063	0.12%
Total Investments	**1,085,469,266**	**119,613,445**	**-**	**952,815,940**	**118,452,965**	**-**
Resources						
Deposits from Customers	1,191,157,255	38,065,653	3.20%	1,008,058,404	34,351,133	3.41%
Interbank resources	161,765,720	13,309,407	8.23%	171,600,104	16,872,213	9.83%
Leases interest	6,953,282	1,880,272	27.04%	-	-	-
Financial liabilities	**1,359,876,257**	**53,255,332**	**-**	**1,179,658,508**	**51,223,346**	**-**
Net interest income	**-**	**66,358,113**	**-**	**-**	**67,229,619**	**-**

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 2019 and 2018 and according to the information reported to BNA, the financial instruments sensitivity analysis to interest rate changes are as follows:

(AOA thousand)

Exposure by maturity intervals or rate re-adjustment – impact in equity							
Dec. 2019							
Time gap	Assets	Liabilities	Off-balance sheet items		Position	Equity	
			(+)	(-)		Weighting factor	Weighted position
At sight - 1 month	257,110,181	404,206,900	24,616,121	24,519,175	(146,999,773)	0.08%	(117,600)
1 - 3 months	102,071,497	245,376,730	-	-	(143,305,233)	0.32%	(458,577)
3 - 6 months	70,748,857	201,073,768	-	-	(130,324,911)	0.72%	(938,339)
6 - 12 months	190,110,934	266,815,666	-	-	(76,704,732)	1.43%	(1,096,878)
1 - 2 years	104,787,007	33,891,791	-	-	70,895,216	2.77%	1,963,797
2 - 3 years	188,624,622	32,926,558	-	-	155,698,064	4.49%	6,990,843
3 - 4 years	58,491,060	32,123,836	-	-	26,367,224	6.14%	1,618,948
4 - 5 years	133,542,350	32,123,836	-	-	101,418,514	7.71%	7,819,367
5 - 7 years	60,047,733	32,123,836	-	-	27,923,897	10.15%	2,834,276
7 - 10 years	41,543,507	32,123,836	-	-	9,419,671	13.26%	1,249,048
10 - 15 years	17,926,871	32,123,836	-	-	(14,196,965)	18.84%	(2,674,708)
15 - 20 years	15,293,838	32,123,836	-	-	(16,829,998)	22.43%	(3,774,969)
> 20 years	14,329,234	32,123,836	-	-	(17,794,602)	26.03%	(4,631,935)
Total							**8,783,274**
Accumulated impact of instruments sensitive to interest rate							**8,783,274**
Regulatory own funds							**110,657,159**
Impact on economic value/own funds							**7.94%**

(AOA thousand)

Exposure by maturity intervals or rate re-adjustment – impact in equity							
Dec. 2018							
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%**

According to Article 6 of Notice No. 08/2016 of 16 May, the Bank shall inform Banco Nacional de Angola whenever there is a potential decrease in economic value in its banking portfolio equal or higher than 20% of regulatory own funds. During 2019 and 2018, the Bank complied with this requirement.

As at 31 December 2019 and 2018, the breakdown of assets and liabilities, by currency, is analysed as follows:

(AOA thousand)

	31.12.2019					
	Kwanzas	Kwanzas indexed at American dollars	American dollars	Euro	Other currencies	Total
Assets						
Cash and deposits at central banks	98,294,369	-	90,743,585	1,399,185	551,309	190,988,448
Loans and advances to credit institutions repayable on demand	504,495	-	2,529,825	20,284,756	1,109,114	24,428,190
Financial assets at fair value through profit or loss	55,850,206	-	1,004,832	12,570,326	-	69,425,364
Financial assets at fair value through other comprehensive income	-	32,093,132	2,085,326	-	-	34,178,458
Financial assets at amortised cost	-	-	-	-	-	-
Debt securities	21,748,999	274,824,002	232,729,405	-	-	529,302,406
Loans and advances to Customers	351,506,676	34,075,923	53,754,564	3,363,842	8	442,701,013
Other loans and advances to credit institutions	12,515,024	-	3,280,301	1,216,957	-	17,012,282
Other tangible assets	61,282,073	-	-	-	-	61,282,073
Intangible assets	35,981,690	-	-	-	-	35,981,690
Non-current assets held for sale	88,628,779	-	-	-	-	88,628,779
Current tax assets	2,056,239	-	-	-	-	2,056,239
Deferred tax assets	2,288,990	-	-	-	-	2,288,990
Other assets	29,721,102	5,989,804	61,573,608	5,857,748	62,878	103,205,140
	760,378,642	**346,982,861**	**447,701,446**	**44,692,814**	**1,723,309**	**1,601,479,072**
Liabilities						
Deposits from central banks and other credit institutions	52,818,310	-	114,989,257	8,686,071	-	176,493,638
Deposits from Customers and other deposits	507,681,101	39,290,772	622,004,964	64,885,207	1,123,544	1,234,985,588
Financial assets at fair value through profit or loss	207,095	-	-	-	-	207,095
Current tax assets	-	-	-	-	-	-
Deferred tax liabilities	-	33,486	35,116	-	-	68,602
Provisions	236,796	5,786,724	75,587	2,282,646	265	8,382,018
Other liabilities	15,173,747	-	917,914	1,892,667	40,215	18,024,543
	576,117,049	**45,110,982**	**738,022,838**	**77,746,591**	**1,164,024**	**1,438,161,484**
Total	**184,261,593**	**301,871,879**	**(290,321,392)**	**(33,053,777)**	**559,285**	**163,317,588**

(AOA thousand)

	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 liabilities	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**
Total	**168,676,710**	**218,705,522**	**(244,291,143)**	**(8,404,998)**	**353,399**	**135,039,490**

The sensitivity analysis of the book value of financial instruments to changes in exchange rates, as at 31 December 2019 and 2018 is presented as follows:

(AOA thousand)

	31.12.2019					
Currency	-20%	-10%	-5%	5%	10%	20%
American dollars	58,064,278	29,032,139	14,516,070	(14,516,070)	(29,032,139)	58,064,278
Kwanzas indexed at American dollars	(60,374,376)	(30,187,188)	(15,093,594)	15,093,594	30,187,188	(60,374,376)
Euro	6,610,755	3,305,378	1,652,689	(1,652,689)	(3,305,378)	6,610,755
Other currencies	(111,858)	(55,929)	(27,964)	27,964	55,929	(111,857)
Total	**4,188,800**	**2,094,401**	**1,047,200**	**(1,047,200)**	**(2,094,401)**	**4,188,801**

(AOA thousand)

	31.12.2018					
Currency	-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)
Euro	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)
Total	**6,727,443**	**3,363,722**	**1,681,861**	**(1,681,861)**	**(3,363,722)**	**6,727,444**

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 fulfils 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 Banco Nacional de Angola (Instruction No. 06/2016 of 8 August).

As at 31 December 2019 and 2018, the residual maturities of the Bank's financial assets and liabilities had the following structure:

(AOA thousand)

	31.12.2019						
	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	190,988,448	-	-	-	-	-	190,988,448
Loans and advances to credit institutions repayable on demand	24,428,190	-	-	-	-	-	24,428,190
Financial assets at fair value through profit or loss	-	12,603,632	-	13,896	106,575	56,701,261	69,425,364
Financial assets at fair value through other comprehensive income	-	804,772	4,406,114	28,621,889	-	345,683	34,178,458
Financial assets at amortised cost							
Debt securities	-	27,660,108	88,201,058	358,677,914	63,041,820	-	537,580,900
Loans and advances to Customers	-	25,791,809	37,208,996	131,788,088	205,444,897	82,407,953	482,641,743
Other loans and advances to credit institutions	-	16,517,468	405,748	-	-	-	16,923,216
	215,416,638	**83,377,789**	**130,221,916**	**519,101,787**	**268,593,292**	**139,454,897**	**1,356,166,319**
Liabilities							
Deposits from central banks and other credit institutions	-	152,643,646	-	-	-	-	152,643,646
Deposits from Customers and other deposits	480,107,421	181,766,299	564,903,344	-	-	-	1,226,777,064
Financial liabilities at fair value through profit or loss	-	207,095	-	-	-	-	207,095
	480,107,421	**334,617,040**	**564,903,344**	**-**	**-**	**-**	**1,379,627,805**
Net exposure	**(264,690,783)**	**(251,239,251)**	**(434,681,428)**	**519,101,787**	**268,593,292**	**139,454,897**	**(23,461,486)**

(AOA thousand)

	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 or 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 or 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)**

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 2019 and 2018, exposure to real estate and investments real estate fund units presented the following values:

(AOA thousand)

	31.12.2019	31.12.2018
Real estate received as loan guarantee	90,246,647	64,784,882
Real estate reclassified from property and equipment	2,056,814	2,983,181
Total	**92,303,461**	**67,768,063**

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:

- 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 Fund – 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 Banco Nacional de Angola.

   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: 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 Banco Nacional de Angola; (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 Banco Nacional de Angola.

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 2019 is as follows:

(AOA thousand)

		31.12.2019
Regulatory Own Funds Requirements		
Credit and counterparty risk		59,016,619
Operating risk		13,639,753
Market risk and counterparty credit risk in the trading portfolio		3,458,533
	A	**76,114,905**
Regulatory Own Funds		
Original own funds		127,398,142
Additional own funds		103,263
Discounts from basic and complementary own funds		(16,844,246)
	B	**110,657,159**
Regulatory solvency ratio	**C=B/A*10%**	**14.54%**

(AOA thousand)

		31.12.2018
Regulatory Own Funds Requirements		
Credit and counterparty 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.
Recently issued accounting standards and interpretations

The accounting standards and interpretations recently issued that have become effective and that the Bank has applied in preparing its financial statements are as follows:

IFRS 16 – Leases

IASB, issued on 13 January 2016, IFRS 16 Leases, of mandatory application for periods beginning on or after 01 January 2019. The standard was endorsed in the European Union by European Commission Regulation 1986/2017 of 31 October. Early adoption is permitted provided that IFRS 15 is also adopted. This standard revokes IAS 17 – Leases.

IFRS 16 removes the classification of leases as operating or financial (for the lessor – the customer of the lease), treating all leases as financial.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements of the standard.

IFRIC 23 – Uncertainty over Income Tax Treatment

On 7 June 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 favourable outcome in favour 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 was adopted by EU Commission Regulation 2018/1595 of 23 October and is mandatory for financial years starting on or after 1 January 2019 and may be adopted in advance.

No significant changes have been recorded in the adoption of this interpretation.

The Bank has decided not to apply in advance the following standards and/or interpretations adopted by the European Union:

Definition of Materiality (amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB issued amendments to its definition of materiality to help companies make materiality judgments.

The amendments consist of (a) replacing the term 'may influence' with 'may reasonably be expected to influence'; (b) including the concept of 'concealment' together with the concepts of 'omission' and 'misstatement' of information in the definition of materiality; (c) clarifying that the 'users' referred to are the primary users of the general financial statements referred to in the Framework; and (d) aligning the definition of materiality among IFRS disclosures.

The amended definition of materiality therefore states that 'The information is material if it can reasonably be expected that its omission, misstatement or concealment could influence the decisions that primary users of the general financial statements will make on the basis of those financial statements, which provide the financial information about a particular reporting entity'.

The amendments are effective from 1 January 2020, but can be implemented in advance.

Amendments to references to the IFRS standards framework

In March 2018, the IASB issued a comprehensive set of financial reporting concepts, the revised Framework for Financial Reporting (Framework), which aims to update, in the existing standards, references and citations to the existing version of the Framework or the version that was replaced in 2010, replacing them with references to the revised Framework.

The revised Framework is effective from 1 January 2020 – with early adoption permitted – for companies that use the Framework to develop accounting policies when no IFRS standard applies to a specific transaction.

Reform of Interest Rate Benchmarks (amendments to IFRS 9, IAS 39 and IFRS 7)

On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to ease the potential effects of the uncertainty caused by the IBOR reform. Moreover, the amendments require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The amendments provide exceptions for entities to apply hedge accounting requirements, assuming that the interest rate benchmark, on which the hedged risk, the hedged item's cash flows or the hedged instrument's cash flows are based, is not changed as a result of the IBOR reform. The proposed exceptions apply only to hedge accounting requirements and the amendments do not provide any cushion against other consequences arising from the reform of the interest rate benchmark.

The amendments have a limited scope. If a hedge relationship no longer meets the hedge accounting requirements for reasons other than those specified in the amendments, discontinuing hedge accounting remains necessary.

In addition, the amendments clarify that if an entity designates cash flows based on interest rate benchmarks as the hedged item in a cash flow hedge, the entity does not assume, for the purpose of measuring the ineffectiveness of the hedge, that expected replacement of the interest rate benchmark with an alternative benchmark will result in no cash flow after replacement. The gain or loss on the hedge shall be measured using cash flows based on an interest rate benchmark when applying a present value technique, discounted at a market discount rate that reflects market participants' expectations about the uncertainty resulting from the reform.

Amendments are mandatory for all hedge relationships to which the exceptions apply.

The amendments have an effective date of adoption of annual periods beginning on or after 1 January 2020. Early adoption is allowed. Amendments are applied retrospectively to hedging relationships existing at the beginning of the reporting period in which the entity first applies the amendments and to the gain or loss recognised in comprehensive income at the beginning of the period in which the entity first applies the amendments (that is, even if the reporting period is not an annual period).

Standards, amendments and interpretations issued but not yet in force for the Bank

Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements)
The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The amendments aim to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. The amendments include clarification on the debt classification requirements that a business can settle by converting into capital.

This amendment becomes effective for periods after 1 January 2022.

Note 37.
Events after the reporting period

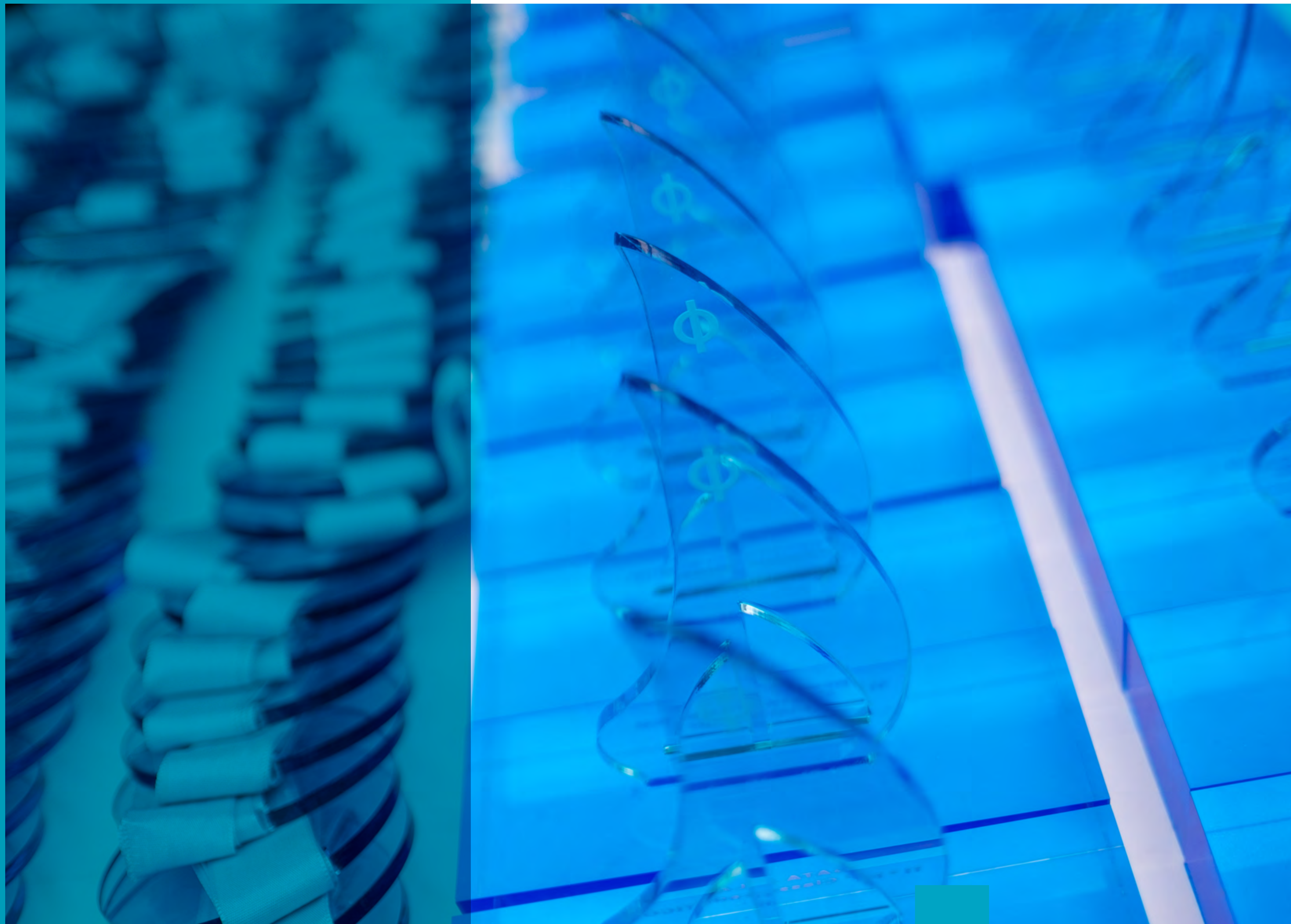
With regard to the public health pandemic associated with the new COVID-19 virus, since it is not yet possible to determine the possible impacts, the Bank's Board of Directors has been monitoring developments at national and international level in order to take timely action to mitigate any impact that may arise. In this sense, the Bank has defined a Contingency Plan aimed at preventing and mitigating the risks associated with the spread of the virus, which determines the adoption of measures that allow: ensuring the lives and health of employees and their safety conditions by providing preventive information and appropriate means of protection, maintaining essential services in operation, ensuring the operation and functioning of infrastructures and assessing the asset value impacts.

Although Governments and Central Banks and Multilateral Agencies are developing packages with measures to stimulate economies – such as the easing of deadlines for compliance with credit obligations determined in Instruction No. 04/2020 of the Banco Nacional de Angola – the existing data do not allow the quantification of financial impacts in a reliable manner. However, the Bank is taking steps to minimise these impacts on its solvency and liquidity.

Note 38.
Explanation added for translation

These financial statements and corresponding notes are a free translation of the financial statements and notes to the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

7.0 Certificates



7.0

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 in both individual and consolidated basis of Banco Millennium Atlântico, S.A. prepared by the Board of Directors relating to the fiscal year of 2019, 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 in both individual and consolidated basis of Banco Millennium Atlântico, S.A. relating to the fiscal year ended on the 31st of December 2019;

   - Approve the allocation of results of the fiscal year of 2019 proposed by the Board of Directors, as follows:
     a) Legal reserve (10%), in the amount of AKZ 3,046,486,086.91; and

     b) Retained earnings (90%), in the amount of AKZ 27,418,374,782.21.

   - Propose a motion of praise and recognition for the performance of the Board of Directors.

Luanda, the 17th of April 2020

The Fiscal Board,

SIGNED ON THE ORIGINAL
António Guilherme Rodrigues Frutuoso de Melo – Chairman of the Fiscal Board

SIGNED ON THE ORIGINAL
Luís Costa Prazeres – Member of the Fiscal Board

SIGNED ON THE ORIGINAL
José Pedro Porto Pais Dordio – Member of the Fiscal Board

SIGNED ON THE ORIGINAL
Nélson Luís Vieira Teixeira – Member of the Fiscal Board

SIGNED ON THE ORIGINAL
Maria Cristina Santos Ferreira – Accounting Expert – Fiscal Board

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INDEPENDENT AUDITORS REPORT

To the Shareholders of
Banco Millennium Atlântico, S.A.

Introduction

1. We have audited the accompanying financial statements of **Banco Millennium Atlântico, S.A.**, which comprise the Balance Sheet as of 31 December 2019, which shows total assets of 1,601,479,073 thousands of Kwanzas and total equity of 163,317,589 thousands of Kwanzas, including a profit for the year of 30,464,862 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 such internal control as the Board determines is necessary to enable the preparation of financial statements that are 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 of the Angolan Institute of Accountants and Statutory Auditors ("Ordem dos Contabilistas e Peritos Contabilistas de Angola"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 procedures selected 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 in 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 audit 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, in order to consider the Angolan economy as hyperinflationary regarding the periods ended at 31 December 2017 and 2018, and, accordingly, the Bank's Board of Directors decided to maintain the non-application of the provisions of that Standard to its financial statements during the period considered in hyperinflation. As at 31 December 2018, the inflation rate accumulated over the last three years is close to or above 100%, 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.

   As of 31 December 2019, considering that the accumulated inflation indicator for the years 2017, 2018 and 2019 is less than 100%, and given that there were no other significant adverse effects, it is possible to consider that Angola is no longer considered a hyperinflationary economy in 2019. Accordingly, IAS 29 is no longer applied prospectively for the periods beginning on 1 January 2019.

   The Bank did not rcognise the adjustments that would be necessary, given that premise and in accordance with the provisions set out in that Standard, namely its application with reference to the years 2017 and 2018, the period covered by hyperinflation, with the respective impact on the opening balances, for the current period.

   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 2019, which we consider to be material.

Qualified opinion

7. In our opinion, except for the effects of the subject described in paragraph 6 of "Basis for Qualified Opinion" section, the financial statements mentioned in paragraph 1 above Present fairly, in all material respects, the financial position of **Banco Millennium Atlântico, S.A.** as at 31 December 2019 and of its financial performance and cash flows relative to the financial year ended, in compliance with the International Financial Reporting Standards.

Emphasis of matter

8. Without qualifying our opinion expressed mentioned in the previous paragraph, we draw attention to note 37 to the financial statements, which describes that, following the declaration of the outbreak of the novel coronavirus, called COVID-19, as a pandemic, which occurred after the balance sheet date and, as such, an non-adjustable event, although it is not yet possible to determine

KPMG

the possible impacts, the Bank's Board of Directors has been monitoring the developments at national and international level, in order to take timely measures to mitigate any impact that may arise from it. Therefore, the Bank has defined a Contingency Plan aimed at preventing and mitigating the risks associated with the spread of the virus, which determines the adoption of measures to ensure the life and health of employees and their safety conditions, maintaining essential services in operation, guarantee the operability and functioning of the infrastructures and evaluate the patrimonial impacts in the value of the assets.

Although Governments and Central Banks and Multilateral Agencies are designing packages with measures aimed at stimulating economies, such as the flexibility of terms for the fulfillment of credit obligations determined in Instruction No. 04/2020 of the National Bank of Angola, the Board of Directors understands that the data currently available do not allow a safe measurement of financial impacts, and the Bank is gathering a set of measures to reduce these impacts on its solvency and liquidity.

Other matters

9. The attached individual financial statements refer to the Bank's activity at an individual basis. The Bank prepared for the first time consolidated financial statements for the year ended 31 December 2019.

Luanda, 22 April 2020

Signed on the Original

KPMG Angola – Audit, Tax, Advisory, S.A.
Represented by
Vitor Manuel da Cunha Ribeirinho
Expert Accountant ("Perito Contabilista") (License No. 20120089)

2019 ANNUAL REPORT

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