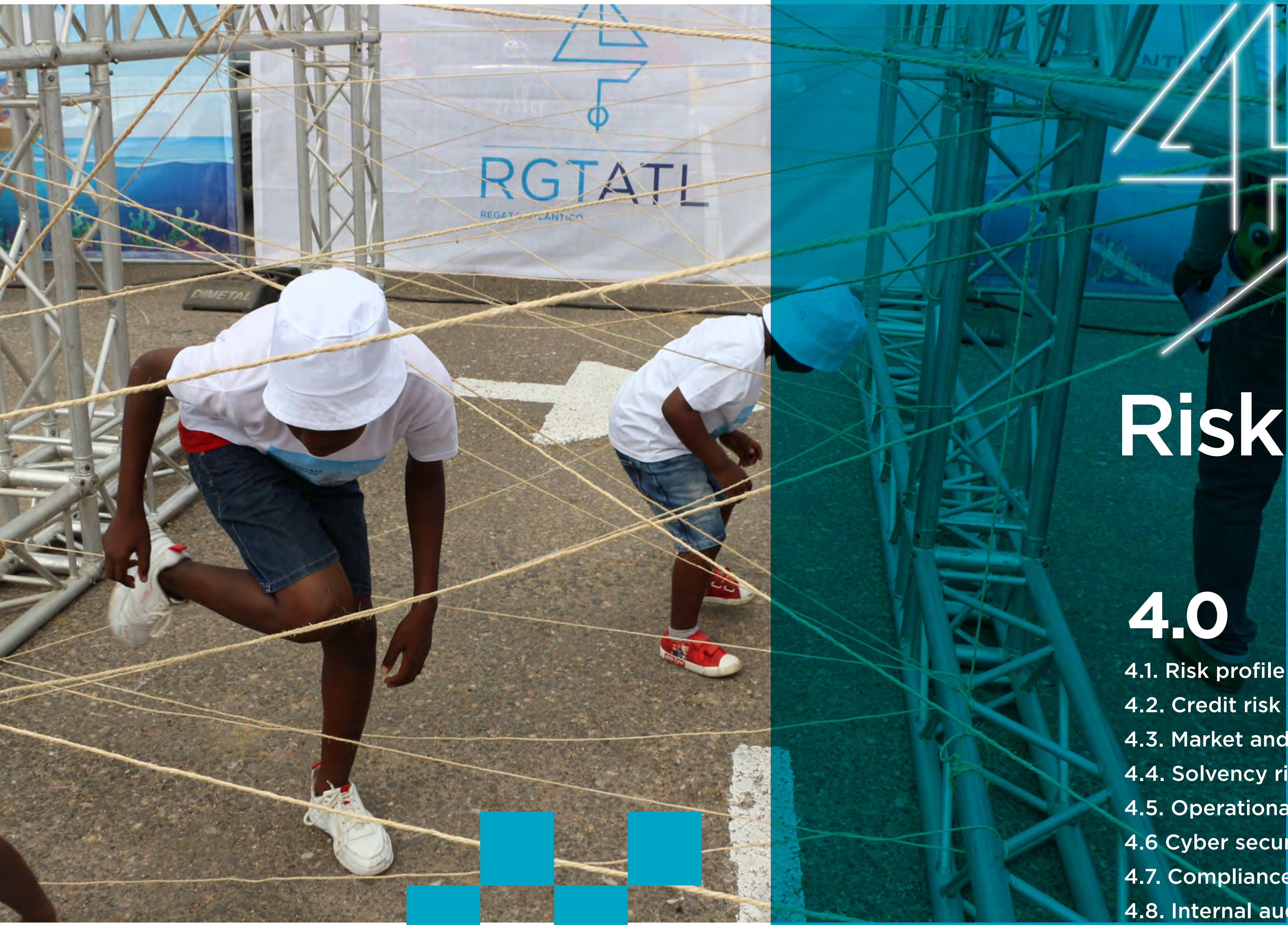


4.0 Risk management

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.

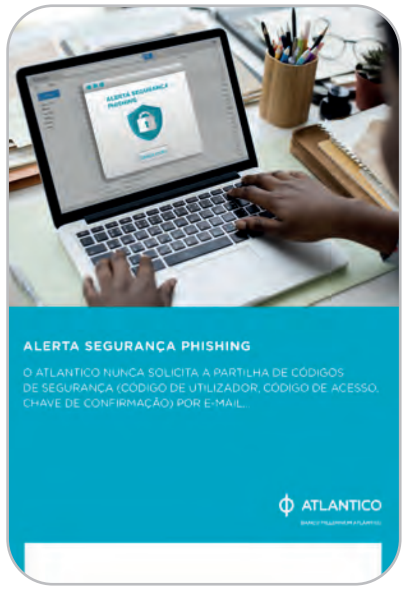
4.6 Cyber security

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.

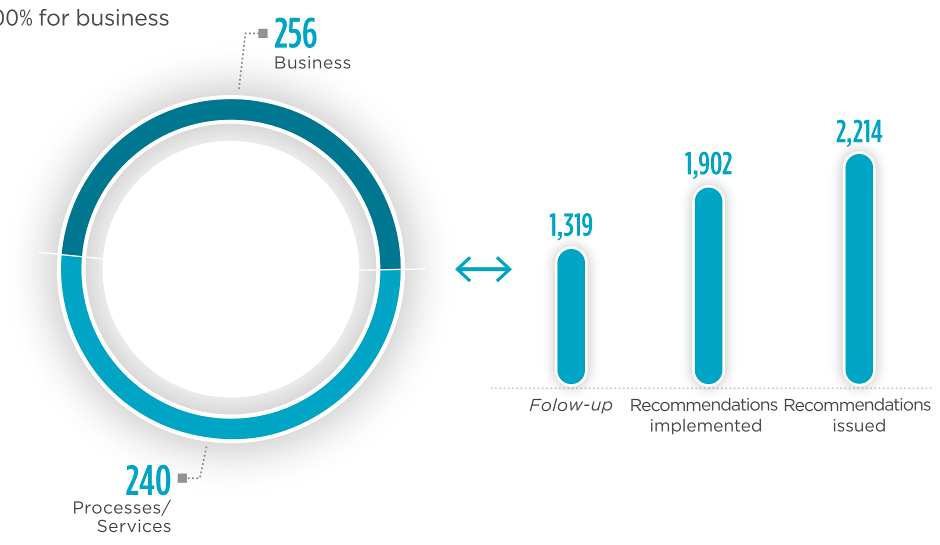
The definition of the strategic guidelines for the internal audit function is the responsibility of the Executive Committee, with the supervision and monitoring of the Audit Committee.

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).

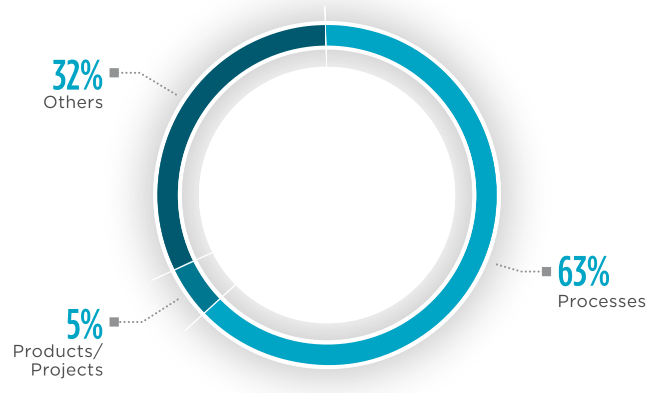
ACTIVITIES PERFORMED

- **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.

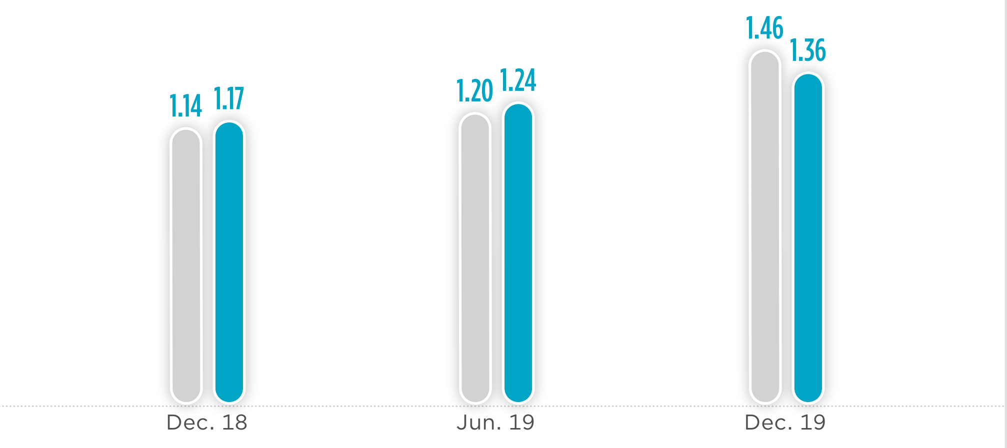
Setting-up of RADAR (Risk Base Audit Rating),which assesses the risk level of service points.

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.