

As at 31 December 2020 and 2019, the value of the Bank's transactions with related parties and the related costs and income recognised in the period under review are summarised as follows:

(Thousands of AOA)

	31-12-2020				
	Shareholders	Board of Directors	Other key management and family members	Other related parties	Total
Assets					
Loans and advances to credit institutions repayable on demand	16,458,192	-	-	23,009,752	39,467,944
Financial assets at fair value through profit and loss	-	-	-	202,908,812	202,908,812
Deposits with credit institutions	47,120,220	-	-	-	47,120,220
Loans and advances to Customers	18,129,113	2,214,818	3,984,946	1,837	24,330,714
Other assets	6,654,480	-	-	638,853	7,293,333
Total assets	88,362,005	2,214,818	3,984,946	226,559,254	321,121,023
Liabilities					
Deposits from central banks and other credit institutions	-	-	-	-	-
Deposits from Customers	23,355,951	11,698,625	7,972,701	17,071,046	60,098,323
Total liabilities	23,355,951	11,698,625	7,972,701	17,071,046	60,098,323

(Thousands of AOA)

	31-12-2019				
	Shareholders	Board of Directors	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 and 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

(Thousands of AOA)

	31-12-2020				
	Shareholders	Board of Directors	Other key management and family members	Other related parties	Total
Interest from loans to Customers	8,340,927	1,129,848	2,003,863	734	11,475,372
Interest and similar income	8,340,927	1,129,848	2,003,863	734	11,475,372
Interest from deposits of Customers	(86,144)	(1,599,377)	(551,250)	(1,037,218)	(3,273,988)
Interest and similar expenses	(86,144)	(1,599,377)	(551,250)	(1,037,218)	(3,273,988)
Net interest income	8,254,782	(469,529)	1,452,613	(1,036,483)	8,201,384
Net gains/(losses) arising from the sale of other assets	-	-	-	48,103,356	48,103,356

(Thousands of AOA)

	31-12-2019				
	Shareholders	Board of Directors	Other key management and family members	Other related parties	Total
Interest from loans to Customers	8,281,435	2,694,129	1,292,461	34,525	12,302,550
Interest and similar income	8,281,435	2,694,129	1,292,461	34,525	12,302,550
Interest from deposits of Customers	(2,160,845)	(941,913)	(541,185)	(4,873,061)	(8,517,005)
Interest and similar expenses	(2,160,845)	(941,913)	(541,185)	(4,873,061)	(8,517,005)
Net interest income	6,120,590	1,752,216	751,276	(4,838,536)	3,785,546
Net gains/(losses) arising from the sale of other assets	-	-	-	2,722,455	2,722,455

In the periods ended 31 December 2020 and 2019, the Bank has a set of transactions with related parties. These transactions include the shares held in Atlântico Funds (Note 6), whose balances as at 31 December 2020 and 2019, amount to AOA 202,908,812 thousand and AOA 55,258,285 thousand, respectively, as well as the result generated from the sale of other assets (Note 27).

The remuneration costs and other benefits granted to the Bank's key management personnel (short- and long-term) are disclosed in Note 28.

All transactions with related parties are carried out at regular market prices, using the principle of fair value.

Note 38. 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 subjectivity and exclusively reflect the value attributed to different financial instruments.

As at 31 December 2020 and 2019, the fair value of financial instruments is presented as follows:

(Thousands of AOA)

	31-12-2020						
	Book value (net)	Fair value of financial instruments			Difference	Assets valued at historical cost	Total book value
		Measured at fair value	Measured at amortised cost	Total			
Assets							
Financial assets at fair value through profit and loss							
Shares	204,931,937	204,931,937	-	204,931,937	-	-	204,931,937
Hedging derivatives	3,640,415	3,640,415	-	3,640,415	-	-	3,640,415
Credit that does not comply with SPPI	8,354,190	8,354,190	-	8,354,190	-	-	8,354,190
	216,926,542	216,926,542	-	216,926,542	-	-	216,926,542
Financial assets at fair value through other comprehensive income							
Securities	5,311,579	5,311,579	-	5,311,579	-	-	5,311,579
Other assets	448,954	448,954	-	448,954	-	-	448,954
	5,760,534	5,760,534	-	5,760,534	-	-	5,760,534
Financial assets at amortised cost							
Debt securities	410,080,698	-	410,080,698	410,080,698	-	-	410,080,698
Loans and advances to Customers	454,270,709	-	454,270,709	454,270,709	-	-	454,270,709
Other loans and advances to central banks and credit institutions	83,591,141	-	83,591,141	83,591,141	-	-	83,591,141
	947,942,547	-	947,942,547	947,942,547	-	-	947,942,547
	1,170,629,623	222,687,076	947,942,547	1,170,629,623	-	-	1,170,629,623
Liabilities							
Financial liabilities at fair value through profit and loss							
Hedging derivatives	3,978,187	3,978,187	-	3,978,187	-	-	3,978,187
	3,978,187	3,978,187	-	3,978,187	-	-	3,978,187
Financial liabilities at amortised cost							
Borrowings from credit institutions	8,553,983	-	8,553,983	8,553,983	-	-	8,553,983
Deposits from Customers and other loans - Term deposits	936,150,243	-	936,150,243	936,150,243	-	-	936,150,243
	944,704,226	-	944,704,226	944,704,226	-	-	944,704,226
	948,682,413	3,978,187	944,704,226	948,682,413	-	-	948,682,413

(Thousands of AOA)

31-12-2019

	Book value (net)	Fair value of financial instruments			Difference	Assets valued at historical cost	Total book value
		Measured at fair value	Measured at amortised cost	Total			
Assets							
Financial assets at fair value through profit and loss							
Shares	56,701,261	56,701,261	-	56,701,261	-	-	56,701,261
Hedging derivatives	13,064	13,064	-	13,064	-	-	13,064
Credit that does not comply with SPPI	12,711,039	12,711,039	-	12,711,039	-	-	12,711,039
	69,425,364	69,425,364	-	69,425,364	-	-	69,425,364
Financial assets at fair value through other comprehensive income							
Securities	33,832,775	33,832,775	-	33,832,775	-	-	33,832,775
Other assets	345,683	345,683	-	345,683	-	-	345,683
	34,178,458	34,178,458	-	34,178,458	-	-	34,178,458
Financial assets at amortised cost							
Debt securities	529,302,406	-	529,302,406	529,302,406	-	-	529,302,406
Loans and advances to Customers	442,701,013	-	442,701,013	442,701,013	-	-	442,701,013
Other loans and advances to central banks and credit institutions	17,012,282	-	17,012,282	17,012,282	-	-	17,012,282
	989,015,701	-	989,015,701	989,015,701	-	-	989,015,701
	1,092,619,523	103,603,822	989,015,701	1,092,619,523	-	-	1,092,619,523
Liabilities							
Financial liabilities at fair value through profit and loss							
Hedging derivatives	207,095	207,095	-	207,095	-	-	207,095
	207,095	207,095	-	207,095	-	-	207,095
Financial liabilities at amortised cost							
Borrowings from credit institutions	173,218,009	-	173,218,009	173,218,009	-	-	173,218,009
Deposits from Customers and other loans - Term deposits	754,878,167	-	754,878,167	754,878,167	-	-	754,878,167
	928,096,176	-	928,096,176	928,096,176	-	-	928,096,176
	928,303,271	207,095	928,096,176	928,303,271	-	-	928,303,271

The Bank uses the following hierarchy for fair value, with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgement, the observability of the data used and the importance of the parameters used in determining the fair value of the instrument, in accordance with the provisions of 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 the one prevailing in the main market of the instrument, or the 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 to value the same instruments, including assumptions about inherent risks, the valuation technique used and the 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 change regularly; and
- 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.

As at 31 December 2020 and 2019, all financial assets recorded at fair value were classified in levels 2 and 3, even though, in some situations, these were prices verified on the Angolan capital market (BODIVA). Because this market started its activity at the end of 2016, given the low liquidity and depth of the capital market and the early stage it is now, they were not considered to have the necessary conditions to be classified at level 1.

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 REPAYABLE ON DEMAND 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 accounted at fair value for Angolan public debt securities. The fair value is based on market quotations available at BODIVA, whenever these are available. Otherwise, fair value is estimated through numerical models based on discounted cash-flow 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 respective maturities.

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 - DEBT SECURITIES

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, it is presumed that Treasury Bills (where applicable) have short-term residual maturities and that Treasury Bonds in foreign currency bear interest rates in line with the comparable market rates in force, therefore their book value substantially represents 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.

OTHER ASSETS

Other assets classified at fair value through profit and loss were valued in accordance with the assumptions defined in the internal model for the valuation of assets at fair value in the level 3 hierarchy. The model estimates the fair value of these assets by the sum of the discounted cash flows at a valuation benchmark rate defined based on the assumptions made in the internal model. The fair value of other assets at amortised cost is presumed to be their carrying amount.

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.

Concerning the exchange rates, the Bank uses in its valuation models the spot rate observed in the market at the time of the valuation.

During the period ended 31 December 2020, the Bank did not reclassify securities.

As at 31 December 2019, the fair value of the reclassified securities is as follows:

(Thousands of AOA)

Fair value
31-12-2019

Investments at amortised cost

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
	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:

(Thousands of AOA)

31-12-2019

Investments at amortised cost

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
	(145,538)

As at 31 December 2020 and 2019, the credit quality of financial assets, is presented as follows:

(Thousands of AOA)

	Rating origin	Rating level	31-12-2020		
			Gross exposure	Impairment losses	Net exposure
Loans and advances to Customers	External rating	N/D	-	-	-
		Low	76,575,753	(19,834,937)	56,740,816
	Internal rating	Medium	93,068,816	(15,991,448)	77,077,368
		High	202,548,744	(22,748,261)	179,800,483
	No rating	N/D	227,487,963	(86,835,920)	140,652,042
Other assets	External rating	AAA to AA-	-	-	-
		A+ to A-	45,893,416	(3,843)	45,889,572
		BBB+ to BBB-	99,537,337	(59,182)	99,478,155
		BB+ to BB-	5,498,696	(5,688)	5,493,008
		B+ to B-	9,263,139	(55,219)	9,207,921
		<B-	668,566,514	(20,278,278)	648,288,235
	Internal rating	N/D	-	-	-
	No rating	N/D	516,430,017	(29,067,614)	487,362,403
			1,944,870,394	(194,880,390)	1,749,990,004

(Thousands of AOA)

	Rating origin	Rating level	31-12-2019		
			Gross exposure	Impairment losses	Net exposure
Loans and advances to Customers	External rating	N/D	-	-	-
		Low	81,822,559	(15,649,736)	66,172,824
	Internal rating	Medium	78,718,906	(10,657,200)	68,061,706
		High	176,464,069	(21,407,338)	155,056,732
	No rating	N/D	214,954,189	(61,544,438)	153,409,751
Other assets	External rating	AAA to AA-	-	-	-
		A+ to A-	351,778	-	351,778
		BBB+ to BBB-	25,088,007	-	25,088,007
		BB+ to BB-	734,415	-	734,415
		B+ to B-	2,751,307	-	2,751,307
		<B-	759,145,757	(8,278,494)	750,867,263
	Internal rating	N/D	-	-	-
	No rating	N/D	390,040,431	(11,055,141)	378,985,290
			1,730,071,420	(128,592,347)	1,601,479,073

Note 39. RISK MANAGEMENT

The Bank is subject to different types of risk in the course of its business. Risk management is carried out centrally with respect to the specific risks of each business.

The risk management policy aims to define the profile for each risk identified as material to the Bank, with a view to protecting the Bank's soundness, as well as the guidelines for implementing a risk management system that allows the identification, assessment, monitoring, control and reporting of all material risks inherent to the Bank's activity.

In this context, the monitoring and control of the main financial risks - credit, market and liquidity - and non-financial risks - operational - to which the Bank's activity is subject to, are of particular importance.

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 practised 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.

INTERNAL ORGANISATION

The Risk Management Department (DGR) is part of ATLANTICO's organisational structure and takes autonomous and independent direct accountability for the risk management system. This Department has no direct responsibility over any risk-taking function, which depends on the hierarchical and functional structure of the Board of Directors (CA) and is monitored on a daily basis by a director appointed by the Executive Committee (CE).

The Board of Directors is responsible for defining, approving and implementing a risk management system that identifies, assesses, controls and monitors all the material risks to which the Bank is exposed, in order to ensure that they remain at the previously defined level and that they will not significantly affect the Bank's financial position.