

As at 31 December 2021 and 2020, the income and expense recognised in the period arising from the Bank's transactions with related parties were as follows:

(Thousands of AOA)

	31-12-2021				
	Shareholders	Board of Directors	Other key management personnel and family members	Other related parties	Total
Interest from loans and advances to Customers	1,282,393	58,843	433,618	-	1,774,854
Interest and similar income	1,282,393	58,843	433,618	-	1,774,854
Interest from deposits from Customers	(286,229)	(864,670)	(82,563)	(508,264)	(1,741,725)
Interest and similar expense	(286,229)	(864,670)	(82,563)	(508,264)	(1,741,725)
Net interest income	996,164	(805,827)	351,055	(508,264)	33,129

(Thousands of AOA)

	31-12-2020 (restated)				
	Shareholders	Board of Directors	Other key management personnel and family members	Other related parties	Total
Interest from loans and advances 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 from Customers	(86,144)	(1,599,377)	(551,250)	(1,037,218)	(3,273,989)
Interest and similar expense	(86,144)	(1,599,377)	(551,250)	(1,037,218)	(3,273,989)
Net interest income	8,254,783	(469,529)	1,452,613	(1,036,484)	8,201,383
Net gains/(losses) arising from the sale of other assets	-	-	-	48,103,356	48,103,356

As at 31 December 2021 and 2020, the Bank has a set of transactions with related parties, namely (i) shares held in investment funds in the amounts of AOA 267,782,881 and AOA 202,908,812 thousand, respectively (Note 6) and (ii) Net gains/(losses) arising from the sale of other assets through the transfer of real estate properties to Pactual Property Fund - FIIF (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 issuing entity.

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 2021 and 2020, the fair value of financial instruments is presented as follows:

(Thousands of AOA)

	31-12-2021				Total book value
	Net book value	Fair value of financial instruments		Total	
		Measured at fair value	Measured at amortised cost		
ASSETS					
Financial assets at fair value through profit or loss					
Shares	267,782,882	267,782,882	-	267,782,882	267,782,882
Loans and advances to Customers	148,956	148,956	-	148,956	148,956
Derivatives	298,758	298,758	-	298,758	298,758
	268,230,596	268,230,596	-	268,230,596	268,230,596
Financial assets at fair value through other comprehensive income					
Bonds and other fixed-income securities	2,584,778	2,584,778	-	2,584,778	2,584,778
Shares	429,389	429,389	-	429,389	429,389
	3,014,167	3,014,167	-	3,014,167	3,014,167
Financial assets at amortised cost					
Debt securities	369,305,248	-	369,305,248	369,305,248	369,305,248
Loans and advances to Customers	440,985,217	-	440,985,217	440,985,217	440,985,217
Other loans and advances to central banks and credit institutions	33,814,992	-	33,814,992	33,814,992	33,814,992
	844,105,457	-	844,105,457	844,105,457	844,105,457
Total Assets	1,115,350,220	271,244,763	844,105,457	1,115,350,220	1,115,350,220
LIABILITIES					
Financial liabilities at fair value through profit or loss					
Derivatives	1,412	1,412	-	1,412	1,412
	1,412	1,412	-	1,412	1,412
Financial liabilities at amortised cost					
Deposits from central banks and other credit institutions					
Deposits from credit institutions	80,660,368	-	80,660,368	80,660,368	80,660,368
Deposits from Customers and other loans					
Term deposits	807,436,759	-	807,436,759	807,436,759	807,436,759
Other loans	28,235,578	-	28,235,578	28,235,578	28,235,578
	916,332,705	-	916,332,705	916,332,705	916,332,705
Total Liabilities	916,334,117	1,412	916,332,705	916,334,117	916,334,117

(Thousands of AOA)

	31-12-2020 (restated)				Total book value
	Net book value	Fair value of financial instruments		Total	
		Measured at fair value	Measured at amortised cost		
ASSETS					
Financial assets at fair value through profit or loss					
Shares	204,931,937	204,931,937	-	204,931,937	204,931,937
Loans and advances to Customers	8,354,190	8,354,190	-	8,354,190	8,354,190
Derivatives	3,640,415	3,640,415	-	3,640,415	3,640,415
	216,926,542	216,926,542	-	216,926,542	216,926,542
Financial assets at fair value through other comprehensive income					
Bonds and other fixed-income securities	5,311,580	5,311,580	-	5,311,580	5,311,580
Shares	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	396,354,958	-	396,354,958	396,354,958	396,354,958
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
	934,216,808	-	934,216,808	934,216,808	934,216,808
Total Assets	1,156,903,884	222,687,076	934,216,808	1,156,903,884	1,156,903,884
LIABILITIES					
Financial liabilities at fair value through profit or loss					
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					
Deposits from central banks and other credit institutions					
Deposits 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
Total Liabilities	948,682,413	3,978,187	944,704,226	948,682,413	948,682,413

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 using valuation techniques based on observable inputs in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same 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 2021 and 2020, all financial assets recorded at fair value were classified in levels 2 and 3, despite the fact that, 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 or 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 the 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 or 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 these liabilities 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 and other loans

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.

As at 31 December 2021 and 2020, the credit quality of financial assets, is presented as follows:

(Thousands of AOA)					
31-12-2021					
	Rating origin	Rating level	Total exposure	Impairment losses	Net exposure
Loans and advances to Customers	Internal rating	Low	74,633,829	(24,298,231)	50,335,598
		Medium	75,965,586	(7,926,815)	68,038,771
		High	225,338,747	(26,278,254)	199,060,493
	No rating	N/A	212,380,361	(88,830,006)	123,550,355
Other assets	External rating	AAA to AA-	-	-	-
		A+ to A-	20,217,422	(2,093)	20,215,329
		BBB+ to BBB-	39,039,706	(18,750)	39,020,956
		BB+ to BB-	1,444,189	(607)	1,443,582
		B+ to B-	719,571,772	(5,718,452)	713,853,320
		<B-	-	-	-
No rating	N/A	521,647,485	(23,148,341)	498,499,144	
			1,890,239,097	(176,221,549)	1,714,017,548

(Thousands of AOA)

31-12-2020 (restated)					
	Rating origin	Rating level	Total exposure	Impairment losses	Net exposure
Loans and advances to Customers	Internal rating	Low	76,575,753	(19,834,937)	56,740,816
		Medium	93,068,816	(15,991,448)	77,077,368
		High	202,548,743	(22,748,261)	179,800,482
	No rating	N/A	227,487,963	(86,835,920)	140,652,043
Other assets	External rating	AAA to AA-	-	-	-
		A+ to A-	45,893,416	(3,843)	45,889,573
		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)	9,207,920
		<B-	668,566,514	(20,278,278)	648,288,236
No rating	N/A	520,178,985	(29,067,614)	491,111,371	
			1,948,619,362	(194,880,390)	1,753,738,972

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 recovering an investment and its return, due to a debtor's (or guarantor, 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 incurred by a given portfolio as a result of changes in rates (interest and exchange rates) and/or in 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 Bank's inability to meet its obligations associated with financial liabilities at each maturity date without incurring in significant losses due to deteriorating access to finance (financing risk) and/or the sale of its assets below their normal market value (market liquidity risk).

Real Estate – Real estate risk results from the probability of negative impacts on the Bank's 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 Office (ROF) 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.