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## **CAIXA ECONÓMICA DE CABO VERDE, S.A.**

### **Financial Statements at December 31, 2017, and accompanying Audit Report**

## **AUDIT REPORT**

### **REPORT ON FINANCIAL STATEMENT AUDIT**

#### **Qualified Opinion**

We have audited the accompanying financial statements of Caixa Económica de Cabo Verde ("Caixa"), which comprise the balance sheet as at December 31, 2017 (totaling 72.270.116 million Cabo Verdean escudos (CVE), and 4.147.473 billion CVE in total shareholder's equity, including a net profit of 452.519 million CVE), profit and loss accounts, income statement and statement of other comprehensive income, statement of changes in equity and cash flow statement for the year ended at that date, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters referred to in the "Basis for qualified opinion" section, the accompanying financial statements present fairly and appropriately, in all material respects, the financial position of Caixa Económica de Cabo Verde as at December 31, 2017 and its financial performance and cash flows for the year then ended, in accordance with the accounting principles generally accepted for the banking sector in Cape Verde.

#### **Basis for qualified opinion**

1. In previous years, Caixa, in conjunction with an external consultant, developed a model for determining collective impairment, which has undergone improvements, namely in terms of methodology, governance model and procedures for calculating risk factors. Nevertheless, there are still some inconsistencies regarding the classification of transactions, identification and calculation of impairment losses on restructured loans, including capitalization of interest written off assets and debt consolidation. Caixa's Board of Directors intends to continue to implement a number of measures to improve the collective impairment model and reflect them on the IFRS 9 model that is being prepared by Caixa.

The customer loan portfolio includes mCVE. 30.243.322 (mCVE. 25.228.885 in 2016) from customers analyzed on a collective basis whose impairment as at December 31, 2017 amounted to 1,895,292 (mCVE 1,218,890 in 2016), on which, in view of the foregoing, we are not able to express an opinion on the amount of impairment losses recognized

2. Our audit report on the 2016 Financial Statements dated April 13 2017, included a qualification by limitation of scope in the Balance Sheet item "Other assets" and "Other liabilities" due to within its loan granting activity, Caixa offers its customers a microcredit product. Considering its particular characteristics, Caixa recognized 59.789 million CVE in its financial statements, under "Other Assets" and "Other liabilities." However, the Board believes that most of the risks and benefits inherent in this type of credit belong to Caixa, so it should recognize the assets, liabilities, retained earnings, costs and income in accordance with the International Financial Reporting Standards. In 2017, the bank incorporated the microcredit portfolio and had a positive impact on the bank's capital in mCVE 73,962, as a counterpart to the increase in the item loan to customer in assets in mCVE 25,767 and the decrease in funds in other credit institutions in mCVE 48,195. The available information does not allow the entity to present the comparative information, in these circumstances the Financial Statements for the year ended 31 December 2016 are not comparable in this regard.

Our audit was conducted in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are described in the "Auditor's Responsibilities for the Financial Statement Audit" section below.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Key audit matters

Key audit matters are those that, in our professional judgment, played a greater role in auditing the financial statements of the current year. These matters were considered in the context of the financial statement audit as a whole and in forming our opinion, and we do not express a separate opinion on these matters. We describe below the audit key matters of the current year:

### 1. Customer Loan Measurement

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>The customer loans item, as described in Notes 9, of the Annex to the Financial Statements, on December 31, 2017 and December 31, 2016, shows an amount of 46,907,492 mCVE and 40,733,962 mCVE, respectively, corresponding to loans to customers, net of impairment.</p> <p>At initial recognition these assets are recorded at their fair value, less any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. Subsequently, these assets are recognized in the balance sheet at amortized cost, less any impairment losses (see note 2.2 c) d).</p> <p>The identification of signs of impairment is carried out on an individual basis in relation to financial assets in which the exposure is individually significant and on a collective basis for assets whose debit balances are not individually relevant (see note 2.2 c) d).</p> <p>We considered the process of calculating impairment losses as a relevant audit matter since it is based on internal methodologies that require the use of assumptions and judgments, which may not materialize in the future and consequently cause losses that are different from those estimated.</p>	<p>Our approach to the risk of material misstatement included the following procedures:</p> <ul style="list-style-type: none"> <li>• Understanding the internal control procedures implemented in the process of calculating impairment losses;</li> <li>• Analysis of the methodologies and assumptions used by the Bank in determining the net book value of the loan, through: <ul style="list-style-type: none"> <li>i. Inquiry to those responsible for determining impairment, in order to understand the basis and assumptions used for the most significant exposures and to obtain the documentation supporting their respective decisions;</li> <li>ii. For loans with impairment evidence analyzed individually, detailed tests were performed on the documentation that supports the estimates and judgments used, such as the discount rate, the timing and the recoverable amount of the collaterals. In particular, we tested the existence of mortgages on existing collateral by examining the certificates of contents of the land registry and tested the value underlying the collateral by analyzing the evaluation reports prepared by external specialists contracted by the Bank; and</li> <li>iii. We analyzed the supporting documentation of the estimates and the judgments incorporated in the impairment model, namely in the determination of the risk parameters of percentage of probability of default (PD) and percentage of loss in case of loss given default (LGD).</li> </ul> </li> </ul> <p>We have analyzed the disclosures in the Notes to the Bank's financial statements, assessing their consistency with the knowledge obtained through the auditing procedures performed and the requirements of international financial reporting standards</p>

## 2. Valuation of real estate received by loan recovery

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>The item Other assets, as described in Note 15, of the Annex to the Financial Statements, on December 31, 2017 and December 31, 2016, amounts to 1,205,549 mCVE and 1,143,563 mCVE, respectively.</p> <p>Periodically, the bank requests independent entities and registered with Banco Central de Cabo Verde evaluations of real estate received by recovery of loan. If the valuation value, less estimated costs to be incurred with the sale of the property, is lower than the balance sheet value, impairment losses are recorded.</p> <p>We considered the process of calculating impairment losses of assets acquired thru loan recovery as a relevant audit matter since it is based on methodologies that require the use of assumptions and judgments, which may not materialize in the future and consequently cause losses that are different from those estimated.</p>	<p>Our approach to the risk of material misstatement included the following procedures:</p> <ul style="list-style-type: none"> <li>• Implementation of specific detail procedures to identify real estate property with signs of impairment and to determine the corresponding amounts;</li> <li>• Carrying out detailed tests with the objective of assessing the ownership of assets acquired in loan recovery;</li> <li>• Analysis of the assumptions and judgments underlying the evaluations prepared by independent evaluators of the assets acquired in loan recovery;</li> <li>• Inspection of the amounts presented in the financial statements to test their agreement with accounting records and disclosures, to test their fullness against existing regulations.</li> </ul>

### Other audit matters

Following we describe other audit matters for the current year:

- ▶ our audit report on the 2016 Financial Statements dated April 13 2017, included three qualifications by limitation of scope, of which the management took action in the current year that allow them to be exceeded.

Our opinion is not changed in respect to these matters.

### Responsibilities of the management body and supervisory body for the financial statements

The management body is responsible for:

- ▶ preparing financial statements that present a true and fair view of Caixa's financial position, financial performance and cash flows, in accordance with generally accepted accounting principles for the banking sector in Cabo Verde;
- ▶ drawing up the Management Report, under the legal and regulatory terms;
- ▶ establishing and maintaining an appropriate internal control system to enable the preparation of financial statements free of material misstatement due to fraud or error;
- ▶ adopting accounting policies and criteria that are appropriate to the circumstances; and
- ▶ evaluating Caixa's ability to continue in business, disclosing, when applicable, matters that may give rise to significant doubts about the ability to continue in business.

The supervisory body is responsible for overseeing the preparation and disclosure of Caixa's financial information.

### **Auditor's responsibilities for the financial statement audit**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion. Reasonable assurance is a high level of assurance but it is no guarantee that an audit conducted under ISA will always detect material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, alone or together, they can reasonably be expected to influence user's economic decisions made on the basis of those financial statements.

As part of an ISA audit, we make professional judgments and maintain professional skepticism during the audit, and also:

- ▶ we identify and evaluate the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures that address such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping with internal control;
- ▶ we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of Caixa's internal control;
- ▶ we evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management body;
- ▶ we draw conclusions on the appropriation of the management body's use of the continuity assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubts about Caixa's ability to continue in business. If we conclude that there is material uncertainty, we must draw attention, in our report, to the related disclosures included in the financial statements or, if these disclosures are not appropriate, modify our opinion. Our conclusions are based on audit evidence obtained as at the date of our report. However, future events or conditions may cause Caixa to discontinue its activities;
- ▶ we evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether these financial statements represent the underlying transactions and events, in order to achieve an appropriate presentation;
- ▶ we communicate with those in charge of governance, among other matters, about the scope and planned timetable of the audit, and the significant conclusions of the audit, including any significant deficiencies in internal control identified during the audit; and
- ▶ of the matters that we communicate to those in charge of governance, we determine the most important ones in the financial statement audit for the current year, which are the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure.

Lisbon, April 25 2018

Ernst & Young Audit & Associates – SROC, S.A.  
Society of Chartered Accountants no. 178  
Represented by:

António Filipe Dias da Fonseca Brás (ROC nº 1661)

**BALANCE SHEET ON DECEMBER 31, 2017 AND 2016**

<b>Asset</b>	<b>Notes</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Cash and cash equivalents at Central Banks	5	10 190 370	9 588 790
Cash equivalents at other credit institutions	6	2 129 308	1 299 522
Available-for-sale Financial assets	7	3 823	3 823
Investments in credit institutions	8	8 528 240	6 140 458
Loans to customers	9	46 907 492	40 733 962
Investment properties	10	5 052	5 188
Other tangible assets	11	1 986 167	2 044 471
Intangible assets	12	11 228	12 717
Investments in subsidiaries, associates and joint ventures	13	78 339	79 078
Current tax assets	14	45 488	22 921
Deferred tax assets	14	-	14 848
Other assets	15	2 384 610	2 295 014
<b>Total assets</b>		<b>72 270 116</b>	<b>62 240 792</b>
<b>Liabilities</b>			
Funds from central banks		0	0
Funds from other credit institutions	16	634 647	486 736
Customer funds and other loans	17	67 019 735	57 615 507
Provisions	18	71 228	66 351
Current tax liabilities	14	74 577	12 106
Deferred tax liabilities	14	-	-
Other liabilities	19	322 456	345 485
<b>Total liabilities</b>		<b>68 122 643</b>	<b>58 526 185</b>
<b>Shareholder's Equity</b>	20	1 392 000	1 392 000
Other reserves and retained earnings	21	2 302 954	2 119 876
Income for the year	21	452 519	202 730
<b>Total Shareholders' Equity</b>		<b>4 147 473</b>	<b>3 714 607</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>72 270 116</b>	<b>62 240 792</b>

The accompanying notes are an integral part of these financial statements

**INCOME STATEMENT FOR THE YEARS ENDED  
DECEMBER 2017 AND DECEMBER 2016**

	Notes	12/31/2017	12/31/2016
Interest and similar income	22	3 869 195	3 381 235
Interest and similar expenses	23	(1 637 773)	(1 693 421)
<b>NET INTEREST INCOME</b>		<b>2 231 421</b>	<b>1 687 815</b>
Income from capital instruments		167	-
Income from services and fees	24	204 264	184 728
Expenses from services and fees	24	(87 195)	(65 510)
Income from available-for-sale assets		0	-
Income from foreign currency revaluations	25	83 697	68 934
Income from the sale of other assets	26	3 116	3 043
Other operating income	27	105 412	141 487
<b>TOTAL OPERATING INCOME</b>		<b>2 540 885</b>	<b>2 020 497</b>
Personnel costs	28	(749 064)	(736 330)
General and administrative costs	29	(540 174)	(542 982)
Amortization for the year	10/11/12	(180 269)	(223 560)
Provisions net of recoveries and cancellations	18	(4 877)	(13 904)
Impairment of other financial assets net of reversals and recoveries	18	(510 322)	(286 554)
Impairment of other assets net of reversals and recoveries	18	(45 822)	(17 198)
Income from associate companies	13	19 740	7 450
<b>INCOME BEFORE TAXES</b>		<b>530 097</b>	<b>207 418</b>
Taxes			
Current	14	(62 730)	(19 535)
Deferred	14	(14 848)	14 848
		(77 577)	(4 687)
<b>Profit and comprehensive income for the year</b>		<b>452 519</b>	<b>202 731</b>
Earning per share		0,33	0,15

**CASH FLOW STATEMENT FOR THE YEARS ENDED**  
**DECEMBER 31 2017 AND 2016**

	12/31/2017	12/31/2016
<u>Cash flows from operating activities</u>		
Income from interests and commissions	4 073 459	3 565 963
Payment of interest and commissions	(1 724 969)	(1 758 931)
Other income / (payments) relating to operating activities	189 110	210 421
Payments to employees and suppliers	(1 289 239)	(1 279 312)
Payments of income taxes	(47 932)	(31 179)
<b>Operating income before changes in operating assets</b>	<b>1 200 429</b>	<b>706 962</b>
(Increases) decreases in operating assets:		
Investments in credit institutions	(2 387 782)	(4 182 595)
Customer loans	(6 219 351)	(1 752 149)
Other assets	(141 333)	(460 330)
	<b>(8 748 465)</b>	<b>(6 395 073)</b>
Increases (decreases) in operating liabilities:		
Funds from Central Banks and other credit institutions	147 911	32 242
Customer funds	9 404 228	5 845 423
Other liabilities	(348 310)	(581 330)
	<b>9 203 829</b>	<b>5 296 334</b>
<b>Net cash from operating activities</b>	<b>1 655 793</b>	<b>(391 777)</b>
<u>Cash flows from investment activities</u>		
(Increases) decreases in investment assets:		
Investments in subsidiaries, associates and joint ventures	739	(4 875)
Dividends from associates and joint ventures	19 740	7 450
Intangible assets	(4 211)	(12 693)
Other tangible assets	(104 606)	(32 572)
Revenue from sale of tangible assets	3 116	3 043
<b>Net cash from investment activities</b>	<b>(85 222)</b>	<b>(39 647)</b>
<u>Cash flows from financing activities</u>		
Capital increase	-	-
Distributed Dividends	(139 205)	(139 205)
<b>Net cash from financing activities</b>	<b>(139 205)</b>	<b>(139 205)</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>1 431 367</b>	<b>(570 628)</b>
Cash and cash equivalents at beginning of year	10 888 311	11 458 940
Cash and cash equivalents at end of year	12 319 678	10 888 311



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Capital	Legal Reserves	Other Reserves	Retained Earnings	Income for the Year	Total
<b>Balances on December 31 2015</b>	<b>1 392 000</b>	<b>465 596</b>	<b>2 047 922</b>	<b>(305 039)</b>	<b>425 365</b>	<b>4 025 844</b>
<b>Investment of income from 2015:</b>						
Transfer to reserves	-	42 537	243 628	-	(286 165)	-
Dividend distribution	-	-	-	-	(139 200)	(139 200)
Impairment on assets acquired thru Credi Recovery	-	-		(374 768)	-	(374 768)
Comprehensive income for the Year	-	-		-	202 730	202 730
<b>Balances on December 31 2016</b>	<b>1 392 000</b>	<b>508 133</b>	<b>2 291 550</b>	<b>(679 807)</b>	<b>202 730</b>	<b>3 714 606</b>
<b>Investment of the year 2016 profit:</b>						
Transfer to reserves		20 273	101 722	-	(121 995)	(121 995)
Dividend distribution	-	-	-	-	(80 736)	(80 736)
Microcredit	-	-	73 962	-	-	73 962
Current taxes-Microcredit	-	-	(12 879)	-	-	(12 879)
Comprehensive income for the Year	-	-	-	-	452 519	452 519
<b>Balances on December 31 2017</b>	<b>1 392 000</b>	<b>528 406</b>	<b>2 454 355</b>	<b>(679 807)</b>	<b>452 518</b>	<b>4 147 472</b>

The accompanying Notes are an integral part of these Financial Statements

## 1. INTRODUCTORY NOTE

Caixa Económica de Cabo Verde, S.A. (Caixa) is a banking and a credit institution that was transformed into a public limited liability company by Decree-Law No. 54/93, dated 31 August. As part of the process to privatize financial institutions and publicly owned financial companies, in accordance with the Council of Ministers' resolution No. 46/99, dated 27 September, a Group made up of Caixa Económica Montepio Geral, S.A., IMPAR - Companhia Cabo-verdiana de Seguros, S.A.R.L., and a Local Group consisting of 51 national businesspeople and professionals held the majority of Caixa's share capital until September 2009. From this date, Geocapital, Sociedade de Gestão e Participação, S.A. acquired the shares of Caixa Económica Montepio Geral, S.A. and Montepio Geral - Associação Mutualista. On December 2017, IMPAR – Companhia cabo-verdiana de Seguros, S.A.R.L., sold all its shares to INPS-Instituto nacional da Previdência Social (Note 20).

Caixa's share capital is represented by 1,392,000 shares, 100% of which are listed on Bolsa de Valores de Cabo Verde.

Caixa's purpose is to carry out all legally authorized banking activities and transactions, with the possibility of acquiring shares in companies whose purpose is different from the above, in companies governed by special laws, and in complementary company groupings.

Caixa's financial statements on December 31, 2017 were approved by the Board of Directors on March 1, 2018, and are subject to approval by the General Assembly. However, Caixa's Board of Directors considers that they will be approved without significant changes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Bases of presentation

Caixa's financial statements were prepared assuming the continuity of operations, based on the accounting books and records kept in accordance with the principles set out in the International Financial Reporting Standards (IFRS), pursuant to Notice No. 2/2007, dated 19 November, issued by Banco de Cabo Verde.

### 2.2. Accounting Policies

#### a) Accrual basis

Income and expenses are recognized in accordance with the principle of accrual basis and are recorded as they are generated, regardless of when they are paid or received.

#### b) Translation of foreign currency balances and transactions

Assets and liabilities denominated in foreign currencies are translated into Cabo Verde Escudos at Caixa's average exchange rate on the last business day of each month. Exchange rate differences determined in currency translation are reflected in the income statement, except those arising from non-monetary financial instruments, such as shares classified as available-for-sale, which are recognized in equity until they are sold.

In fiscal years 2017 and 2016, the exchange rate of the Cabo Verde Escudo against the Euro was fixed at 1 Euro/110.265 Cabo Verde Escudos. On December 31, 2017 and 2016, the exchange rate against the U.S. dollar (USD) was 92.5435 and 105.633, respectively.

#### c) Financial assets

Financial assets are recognized on the contract date at their fair value plus costs directly attributable to the transaction. Caixa has no trading assets or other assets recorded at fair value through profit or loss, so upon initial recognition financial assets were classified under the following categories defined in IAS 39:

### *Loans and accounts receivables*

These are financial assets with fixed or determinable payments that are not listed in an active market. This category includes customer loans (including securitized loans granted to companies), receivables from other credit institutions and other accounts receivable recorded in "Other assets." It also includes debt securities issued by the State of Cabo Verde as they were acquired by Caixa on the primary market essentially for holding until maturity, and there is no active secondary market.

On initial recognition these assets are recorded at fair value, minus any fees included in the effective rate, plus all incremental costs directly attributable to the transaction. Subsequently, these assets are recognized in the balance sheet at amortized cost, less any impairment losses.

### *Recognition of interest*

Interests are recognized based on the effective interest method, which allows to calculate the amortized cost and allocate interest over the period of operations. The effective interest rate is that which, being used to discount the estimated future cash flows associated with the financial instrument, allows to match its present value to the financial instrument's value on the date of initial recognition.

### *Non-performing loans and cancellations of principal and interest*

Interest on loans are canceled on the operation's due date or the date of the first past due installment. Unrecorded interest on the loans referred to above is only recognized in the fiscal year it is charged, except in exceptional circumstances if there is concrete evidence of its receipt, being recorded under "Interest and similar income."

According to the policies in place at Caixa, all principal owed on operations with past due installments is classified under overdue loans 30 days after its due date, with the exception of operations in which only interest is overdue.

Caixa periodically writes off loans considered uncollectible by use of impairment, after specific assessment by the departments responsible for credit monitoring and recovery and after approval by the Board of Directors. Any recoveries of loans written off are recognized in the income statement under "Other operating income," and in 2015 they were recorded under "Loan impairment net of reversals and recoveries".

### *Available-for-sale financial assets*

Available for sale financial assets, which correspond to companies' shares, shall be measured at fair value, except for equity instruments not listed in an active market and whose fair value cannot be reliably measured, which are recorded at cost. Gains or losses resulting from the revaluation are recorded directly in equity under "Revaluation reserves." At the time of sale, or if impairment is determined, the accumulated changes at fair value are transferred to income or expense for the year and are recorded under "Income from available for sale financial assets" or "Impairment of other financial assets, net of reversals and recoveries," respectively.

On December 31, 2017 and 2016, available for sale assets represent non-listed assets whose fair value could not be reliably measured, so Caixa kept these assets at historical cost, net of impairment.

Dividends and other income from equity instruments classified in this category are recorded as income under "Income from equity instruments" when Caixa's right to receive them is established.

## **d) Impairment of financial assets**

### *Loans and accounts receivables*

Caixa periodically conducts impairment tests on its financial assets at amortized cost, namely loans and accounts receivables.

Identification of impairment evidence is done on an individual basis for financial assets in which exposure is individually significant, and on a collective basis for available assets whose outstanding balances are not individually significant.

The following events may be evidence of impairment:

- Breach of contract terms, including late payments of interest or principal;
- Record of default in the financial system;
- Existence of current operations resulting from credit restructuring or ongoing negotiations for credit restructuring;
- Difficulties in terms of the capacity of partners and management, namely as regards the exit of key partners or main staff and disagreements among partners;
- Significant financial difficulties on the part of the borrower or lender;
- High probability that the borrower or lender will file for bankruptcy;
- Decrease in the borrower's competitive position; and
- Historical collection behavior that makes it possible to deduce that the nominal value will not be fully recovered.

Caixa carries out an individual assessment of customers with more than 50 million CVE in liabilities or companies in default for more than 90 days.

Whenever evidence of impairment is identified on individually assessed assets, any impairment loss is the difference between the present value of future cash flows expected to be received (recoverable amount), discounted at the original effective interest rate of the asset, and the value in the balance sheet at the time of assessment.

Assets that were not subjected to specific assessment are included in a collective impairment assessment, being classified into homogeneous groups with similar risk characteristics (namely based on the characteristics of counterparts and type of loan). Future cash flows were estimated based on historical information regarding defaults and recoveries in assets with similar characteristics.

For this purpose, Caixa established the following segments for its loan portfolio:

- Corporate loans
- Mortgage loans
- Individual producers
- Other loans to individuals
- Guarantees
- Public sector

In addition, individually assessed assets for which there was no objective evidence of impairment were also subject to collective impairment assessment, as described above.

Impairment losses calculated in the collective assessment incorporate the temporal effect of discounted cash flows estimated to be received in each transaction for the balance sheet date.

No impairment is recorded for loans granted to the State of Cabo Verde (including government securities), public corporations or municipalities or guaranteed by these entities.

The amount of calculated impairment is recognized in costs, under "Impairment of other financial assets, net of reversals and recoveries," and it is reflected in the balance sheet separately as a deduction from the amount of the loan to which it relates.

### *Available-for-sale financial assets*

For these financial assets, namely unlisted equity instruments whose fair value cannot be reliably measured, Caixa performs periodic impairment tests. In this context, the recoverable amount is the best estimate of future cash flows receivable from the asset, discounted at a rate that appropriately reflects the risk associated with holding it.

The amount of impairment loss determined is recognized directly in the profit and loss of the year.

### *Repurchases*

Securities sold with a repurchase agreement for a fixed price or at a price that equals the sale price plus interest inherent to the term of the transaction are not derecognized from the Balance Sheet.

The corresponding liability is recorded in amounts payable.

The difference between the value of the income and the repurchase value is treated as interest and is deferred over the life of the agreement, using the effective interest method.

### e) Financial liabilities

Financial liabilities are recorded on the contract date at their fair value, less costs directly attributable to the transaction. Financial liabilities include funds from credit institutions and customers and liabilities incurred for payment of services or purchase of assets, recorded under “Other liabilities.”

Sale and repurchase agreements, namely of Treasury Bonds and Treasury Bills, are recorded under “Funds from customers and other loans,” with the corresponding securities being recorded in Caixa’s portfolio.

Financial liabilities are valued at amortized cost and interest, when applicable, is recognized in accordance with the effective interest method.

### f) Assets received through credit recovery

Auctioned property and other assets that are obtained through recovery of non-performing loans and that are not available for immediate sale are recorded at auction value when the legal proceedings have been completed, under “Other assets.”

These assets are not amortized. Property received through credit recovery is subject to periodical appraisal. If the appraised value, minus estimated costs to be incurred with the sale of the property, is less than book value, impairment losses are recorded. Up to 2013, for properties acquired in determining impairment, Caixa also considered the age of the properties in the portfolio.

For the sale of auctioned off property the assets are written-off, with any gains or losses recorded under “Other operating income and costs”.

### g) Investment properties

These are properties held for the purpose of obtaining income through lease and/or revaluation.

Investment properties are recorded at the acquisition cost, net of accumulated amortization and impairment losses.

Amortizations are calculated and recorded as an expense under “Amortization for the year” over an estimated useful life of 60 years.

### h) Other tangible assets

They are recorded at acquisition cost, net of accumulated amortization and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognized as expense for the year under “General and administrative expenses.”

Amortization is calculated on a systematic basis over the estimated useful life of the asset, which corresponds to the period in which the asset is expected to be available for use, that is:

	Purchased by 2015	Purchased after 2015
Property for own use	50	33-60
Equipment:		
Office Furniture and Equipment	8	8
Machinery and tools	5-6	5
Computer equipment	5	3-5
Interior Installations	4-5	5-8
Transportation equipment	5-6	7
Security equipment	5-12	5-10
Other equipment	6	8

Lands are not subject to amortization.

Expenditure on construction and improvements in buildings occupied by Caixa as lessee under operating leases are capitalized under this caption head and generally amortized over a period of 10 years.

Amortization is recorded under costs for the year.

Tests are periodically carried out to identify evidence of impairment on tangible assets, in accordance with IAS 36 – “Impairment of Assets.” Where there is evidence, whenever the net book value of tangible assets exceeds their recoverable value (greater between value in use and fair value), a n impairment loss is recognized and reflected in the profit and loss of the year under “Impairment of other assets.” Impairment losses may be reversed, also impacting profit and loss for the period, if there’s a subsequent increase in the recoverable amount of the asset.

Amortization calculation takes into account an estimated residual value of the equipment, particularly in the case of vehicles.

Caixa periodically assesses the adequacy of the estimated useful life of its tangible assets.

i) Intangible assets

This item essentially comprises cost of acquisition, development or preparation for use of software used to carry out Caixa’s activities.

Intangible assets are recorded at acquisition cost, net of accumulated amortization and impairment losses.

Amortization is recorded as cost for the year on a systematic basis over the estimated useful lives of the assets, which corresponds to a period of 3 years.

Costs related to software maintenance are recognized as expenses for the year in which they are incurred.

j) Investments in subsidiaries, associates and joint ventures

This item includes shareholdings in companies in which Caixa has significant influence, but over whose management it doesn't exercise effective control ("associates"). Significant influence is said to exist whenever Caixa holds between 20% and 50% of the capital or voting rights or, if less than 20%, Caixa is part of the management and has direct influence on development of relevant policies.

These assets are recorded under the equity method. According to this method, shareholdings are initially valued at acquisition cost, which is subsequently adjusted based on Caixa's actual percentage in the changes in associates' equity (including profit/loss).

These assets are subject to periodic impairment tests. Impairment losses are recorded in the income statement under "Impairment of other assets net of reversals and recoveries".

k) Profit tax

Caixa is subject to Corporate Income Tax at the rate of 25%, and a fire tax of 2% of the calculated tax, which corresponds to an aggregate tax rate of 25.5%.

*Current taxes*

Current tax is calculated based on taxable profit for the year, which differs from accounting income due to adjustments made to taxable income resulting from costs or income that are not relevant for tax purposes or that will only be considered in other accounting periods.

*Deferred taxes*

Total taxes on profits recorded in the income statement include current taxes and deferred taxes.

Deferred taxes correspond to the impact on tax recoverable/payable in future periods resulting from deductible or taxable temporary differences between the book value of assets and liabilities and their tax basis, which is used in determining taxable profit.

Deferred tax liabilities are generally recorded for all taxable temporary differences, while deferred tax assets are only recognized up to the amount where existence of future taxable income is probable, enabling the use of the corresponding deductible tax differences or of tax loss reporting. Additionally, no deferred tax assets are recognized where their recoverability may be questionable due to other situations, including matters related to interpretation of the tax legislation that is in force.

Notwithstanding, one does not record deferred taxes relating to temporary differences arising from initial recognition of assets and liabilities in transactions that do not affect the accounting income or taxable profit.

Deferred taxes are calculated based on the tax rates that are expected to be in force at the date of reversal of temporary differences, which correspond to the rates approved or substantially approved at the balance sheet date.

Income taxes (current or deferred) are reflected in the income statement, except in cases where transactions that caused them have been reflected in other equity items (for example, in the case of revaluation of available for sale financial assets). In these situations, the corresponding tax is also reflected as a charge to equity, without affecting the income for the year.

l) Provisions and contingent liabilities

A provision is made when there is a present obligation (legal or constructive) resulting from past events for which the future expenditure of funds is probable and it can be reliably determined. The amount of the provision corresponds to the best estimate of the amount to be paid to settle the liability on the

balance sheet date.

If the future expenditure of funds is not likely, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the possibility of their payment is remote.

Provisions for other risks are intended to cover tax contingencies and others resulting from Caixa's activities.

m) Employee benefits

Liabilities with employee benefits are recognized in accordance with the principles established by IAS 19 – "Employee Benefits."

Short-term benefits, including productivity bonuses paid to employees for their performance, are reflected in "Staff costs" in the period to which they relate, in accordance with the principle of accruals.

Additionally, Caixa did not assume any liability whatsoever for payment of pensions and other postemployment benefits to its employees, who are covered by the general Social Security system.

n) Fees

Fees relating to credit operations, which are essentially opening and credit management fees, are recognized by applying the effective interest method over the period of the operations, regardless of when they are charged or paid, and are recorded under "Interest and similar income – Fees received related to amortized cost".

Fees associated with guarantees, documentary credits and annual fees for cards are subject to linear deferral over the corresponding period.

Fees for services rendered are recognized as income over the period of service or, at once, if they correspond to compensation for single acts.

o) Amounts received in deposits

The amounts received in deposit, namely customers' securities, are recorded under off-balance sheet items at nominal value.

p) Cash and cash equivalents

For the purposes of preparing the Cash Flow Statement, Caixa considers as "Cash and cash equivalents" the total of "Cash and cash equivalents at central banks" and "Cash assets at other credit institutions".



### 3. Critical accounting estimates and most relevant judgmental aspects in applying accounting policies

When applying the accounting policies described above, Caixa's Board of Directors needs to make estimates. The estimates with the most impact on Caixa's financial statements include those presented below.

#### *Determining impairment losses on granted loans*

Impairment losses on loans are determined according to the methodology described in Note 2.2. d). Thus, determining impairment of individually analyzed assets results from a specific assessment done by Caixa based on its knowledge of customers' reality and on guarantees associated with the operations in question.

Determination of impairment through collective assessment is based on determined historical parameters for comparable types of operations, taking into account estimates of default and recovery.

Caixa believes that impairment determined based on this methodology helps to adequately reflect the risk associated with its loan portfolio, taking into account the rules established by IAS 39.

#### *Determining profit taxes*

Profit taxes (current and deferred) are determined by Caixa based on rules established by the tax regime in place. However, in some situations the tax law may not be sufficiently clear and objective and may lead to different interpretations. In these cases, the recorded values result from the best view of Caixa's Board on the proper framework for its operations, although it is likely to be questioned by the tax authorities.

#### *Impairment of assets received through credit recovery*

Impairment losses on assets received through credit recovery are determined according to the methodology described in Note 2.2. f). Thus, determination of impairment on these assets results from an evaluation conducted by Caixa based on knowledge of the real estate market and information provided by internal and external appraisers.

### 4. Adoption of new Standards (IAS/IFRS) or revision of already issued Standards

#### 4.1 *Voluntary changes in accounting policies*

With the exception of that mentioned in Note 1, there were no voluntary changes in accounting policies during the year, in the light of those considered when preparing the financial information related to the previous year that was presented in the comparisons.

#### 4.2 *New standards and interpretations applicable to the year*

There was no significant effect on the accounting policies and disclosures adopted by Caixa as a result of the European Union's endorsement of various issues, revisions, changes and improvements in standards and interpretations effective as of January 1, 2016.

#### 4.3 *New standards and interpretations already issued, but not yet mandatory*

The standards and interpretations recently issued by the IASB whose application is mandatory only in periods beginning after January 1, 2017 or later, and which Caixa did not adopt in advance, are analyzed below.

The application of these standards and interpretations are not expected to have material impacts on Caixa's financial statements.

##### 4.3.1. *Already endorsed by the EU*

- a) IFRS 9 Financial instruments (issued on July 24, 2014): This standard was finally completed on July 24, 2014, and it is summarized, by topic, as follows:

- (i) Classification and measurement of financial assets

- All financial assets are measured at fair value on the date of initial recognition, adjusted for transaction costs if the instruments are not accounted for at fair value through profit or loss (FVTPL).
- Debt instruments are subsequently measured based on their contractual cash flows and the business model in which such instruments are held. If a debt instrument has contractual cash flows that are only principal and interest payments on the outstanding principal and it is held within a business model with the aim of holding assets to collect contractual cash flows, then the instrument is recorded at amortized cost. If a debt instrument has contractual cash flows that are exclusively the payments of principal and interest on the capital owed and it is held in a business model whose purpose is to collect contractual cash flows and sell financial assets, then the instrument is measured at fair value through profit or loss (FVTPL) and subsequently reclassified to profit.
- All other debt instruments are subsequently accounted for at FVTPL. In addition, there is an option that allows financial assets to be designated as FVTPL at the initial recognition, if this eliminates or significantly reduces significant accounting derecognition in profit for the year.
- Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option, on an instrument to instrument basis, to present the changes in fair value of non-commercial instruments in the statement of comprehensive income (without subsequent reclassification to profit for the year).

(ii) Classification and measurement of financial liabilities

- For financial liabilities designated as FVTPL using the fair value option, the amount of the change in the fair value of these financial liabilities that is attributable to changes in credit risk must be presented in the statement of comprehensive income. The remainder of the change in fair value shall be presented in profit, unless the presentation of the change in fair value relating to the liability's credit risk in the statement of comprehensive income will create or increase an accounting derecognition in profit for the year.
- All other IAS 39 requirements for classifying and measuring financial liabilities were carried forward to IFRS 9, including rules for separating embedded derivatives and the criteria for using the fair value option.

(iii) Impairment

- Impairment requirements are based on an expected credit loss (ECL) model, which replaces the IAS 39 incurred-loss model.
- The ECL model applies to: (i) debt instruments accounted for at amortized cost or at fair value through comprehensive income, (ii) the majority of loan commitments, (iii) financial guarantee contracts, (iv) contractual assets under IFRS 15, and (v) accounts receivable from leases under IAS 17 - Leases.
- Entities are generally required to recognize 12-month or lifetime ECLs, depending on whether there was a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For accounts receivable from customers without a significant financing component, and depending on an entity's accounting policy choice for other customer loans and accounts receivables from leases, a simplified approach may be applied in which the lifetime ECLs are always recognized.
- The measurement of ECLs should reflect the weighted probability of the profit, the effect of the time value of money, and be based on reasonable and supportable information that is available without undue cost or effort.

(iv) Hedge accounting

- Hedge effectiveness tests should be sequential and may be qualitative, depending on the complexity of the hedge.
- A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.
- The time value of an option, the forward element of a forward contract and any foreign currency base spread may be excluded from the designation as hedging instruments and be accounted for as hedging costs.

- Larger sets of items may be designated as hedged items, including tier designations and some net positions.

The standard is applicable for years beginning on or after January 1, 2018. Early application is permitted provided it is properly disclosed. The application varies according to the requirements of the standard, being partially retrospective and partially prospective.

b) IFRS 15 Revenue from contracts with customers (issued on May 28, 2014):

This standard applies to all revenue from contracts with customers, replacing the following existing standards and interpretations: IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenues - Barter Transactions Involving Advertising Services). It also provides a model for recognizing and measuring sales of some non-financial assets, including disposals of property, equipment and intangible assets. The principles of this standard should be applied in five steps: (i) identify the contract with the customer, (ii) identify the performance obligations of the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance of the contract, and (iv) recognize the income when the entity meets a performance obligation. This standard also specifies how to account for incremental costs in obtaining a contract and costs directly related to the performance of a contract. The interpretation is applicable for years beginning on or after January 1, 2017. Early application is permitted provided it is properly disclosed. The application is retrospective.

4.3.2. Not yet endorsed by the UE

- a) IFRS 14 Regulatory deferral accounts (issued on January 30, 2014): This standard allows an entity, whose activities are subject to regulated rates, to continue to apply most of its accounting policies of the previous accounting standards relating to regulatory deferral accounts when adopting IFRSs for the first time. The interpretation is applicable for years beginning on or after January 1, 2016. Early application is permitted provided it is properly disclosed. The application is retrospective. The European Union (EU) decided not to endorse this intermediate standard and wait for the final standard.

b) IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with some exceptions. A lease is defined as a contract, or part of a contract, that transfers the right to use a good (the underlying asset) for a period of time in exchange for a value.

IFRS 16 requires lessees to account for all leases based on a single model of recognition in the balance sheet (on-balance model), similarly to the way IAS 17 treats finance leases. The standard recognizes two exceptions to this model: (1) low-value leases (e.g. personal computers) and short-term leases (i.e., with a less than 12 month lease term). At the start date of the lease, the lessee will recognize the liability related to the lease payments (i.e. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e. Right-of-use or ROU).

The lessees will have to separately recognize the cost of interest on the lease liability and the depreciation of the ROU.

The lessees should also remeasure the lease liability on the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). The lessee will recognize the amount of remeasurement of the lease liability as an adjustment in the ROU.

The lessee's accounting remains substantially unchanged from the current treatment under IAS 17. The lessor still classifies all leases using the same IAS 17 principles and distinguishing between two types of leases: operating and finance leases.

The standard should be applied for years beginning on or after January 1, 2019. Early application is permitted provided that IFRS 15 is also applied. The application is retrospective and entities may choose whether to apply the "full retrospective approach" or "modified retrospective approach".

- c) IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments issued on September 11, 2014):

The amendments seek to resolve the conflict between IFRS 10 and IAS 28 when there is loss of control of

a subsidiary that is sold or transferred to an associate or joint venture. The amendments to IAS 28 introduce different recognition criteria for the effects of the sale or contribution of assets by between an investor (including its consolidated subsidiaries) and its associate or joint venture, depending on whether or not the transactions involve assets that constitute a business as set out in IFRS 3 - Business Combinations. When transactions constitute a business combination as required, the gain or loss must be recognized, in full, in the investor's income statement for the year. However, if the transferred asset is not a business, the gain or loss shall continue to be recognized only to the extent that it relates to other (unrelated) investors. The amendments are applicable for years beginning on or after January 1, 2016. Early application is permitted provided it is properly disclosed. The application is prospective.

d) IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – amendments to IAS 12

The IASB issued amendments to IAS 12 to clarify the accounting of deferred tax assets on unrealized losses on debt instruments measured at fair value.

The amendments clarify that an entity should consider whether the country's tax rules restrict the sources of taxable income against which deductions can be made upon the reversal of a deductible temporary difference. In addition, the amendments provide guidance on how an entity should determine its future taxable income and explain the circumstances in which such taxable income may include the recovery of certain assets for a value greater than its book value.

The amendments are applicable for annual periods beginning on or after January 1, 2017. However, in the initial application of these amendments, the change in initial equity for the earliest comparative period presented can be recognized in the initial retained earnings for the comparative period (or in another equity component, as appropriate), without allocating this change between the initial retained earnings and other equity components. Entities applying this option shall disclose it. Early application is permitted provided it is properly disclosed.

e) IAS 7 Disclosure Initiative: amendments to IAS 7

The amendments to IAS 7 are part of IASB's Disclosure Initiative project and assist the users of financial statements to better understand the entity's debt changes. The amendments require an entity to disclose changes in its liabilities related to financing activities, including changes in cash flows and non-cash flows (such as unrealized exchange gains and losses).

The amendments are applicable for annual periods beginning on or after January 1, 2017. Early application is permitted. Entities do not need to disclose comparative information.

f) Clarifications to IFRS 15:

In April 2016, the IASB issued amendments to IFRS 15 to address various matters related to the implementation of the standard.

Clarifications should be applied simultaneously with the application of IFRS 15 for years beginning on or after January 1, 2018. Early application is permitted provided that it is properly disclosed. The application is retrospective, and the entities can choose whether to apply the "full retrospective approach" or a "modified retrospective approach".

g) IFRS 2 Classification and measurement of share-based payment transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 as regards the classification and measurement of share-based payment transactions. These amendments deal with three key areas: (i) Vesting conditions, (ii) Classification of share-based payment transactions with the option to settle by net value, to comply with withholding tax obligations, and (iii) Accounting for a change in the terms and conditions of an equity-based payment transaction that changes its classification from cash settled to settlement with equity instruments.

The amendments shall apply for annual periods beginning on or after January 1, 2018. At the adoption date, companies shall apply the amendments without changing the comparatives. But retrospective application is allowed if it is applied to the three amendments and another criterion is met. Early application is permitted.

h) Application of IFRS 9 with IFRS 4 - Amendments to IFRS 4

The amendments address some of the issues raised by the implementation of IFRS 9 prior to the implementation of the new insurance contract standard that the IASB will issue to replace IFRS 4.

Temporary exemption is applicable for the first time for annual periods beginning on or after January 1, 2018. An entity may opt for the overlap approach when applying IFRS 9 for the first time and apply this approach retroactively to financial assets designated at the date of transition to IFRS 9. An entity shall amend comparatives to reflect the overlap approach if, and only if, it changes the comparative when applying IFRS 9.

i) IFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation clarifies that in determining the spot exchange rate to be used in the initial recognition of an asset, expense or income (or part) associated with the derecognition of non-monetary assets or liabilities related to an advance consideration, the transaction date is the date on which the entity initially recognizes the non-monetary asset or liability related to an advance consideration.

If there are multiple payments or receipts of an advance consideration, the entity shall determine the transaction date for each payment or receipt.

A company may apply this interpretation on a full retrospective application basis. Alternatively, it may apply this interpretation prospectively to all assets, expenses and income within its scope that are initially recognized on or after:

(i). The beginning of the reporting period in which the entity applies the interpretation for the first time; or

(ii). The beginning of the reporting period presented as the comparative period in the financial statements for the year in which the entity applies the interpretation for the first time. Early adoption is allowed provided it is properly disclosed.

j) Transfers of investment property (amendments to IAS 40)

The amendments clarify when an entity should transfer a property, including properties under construction or development, to, or out of, investment properties.

The amendments determine that a change in use occurs when the property meets, or fails to meet, the definition of investment property, and there is evidence of change in use.

A mere change in the management body's intention to use the property is not evidence of change in use.

The amendments are applicable for annual periods beginning on or after January 1, 2018.

An entity shall apply the amendments prospectively to changes in use occurring on or after the beginning of the annual period in which the entity applies these amendments for the first time. Entities shall reevaluate the classification of the properties held at that date and, if applicable, reclassify the property to reflect the conditions that existed at that date.

Retrospective application is only permitted if it is possible to apply it without it being affected by events that occurred after the date of its application.

Early application is permitted provided it is properly disclosed.

k) Annual improvements for the 2014-2016 cycle

In the annual improvements for the 2014-2016 cycle, the IASB introduced five improvements to the following three standards: (i) IFRS 1 First-time adoption of IFRS (ii) IAS 28 Clarification that the measurement of fair value through profit and loss is a choice that is made on an investment by investment basis, and (iii) IFRS 12 Disclosures of interests in other entities.

As mentioned in Note 2.1, in preparing its financial statements, Caixa used the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for the periods beginning as of January 1, 2015.

The impacts of the application of these standards, particularly with respect to IFRS 9, will be subject to future evaluation by Caixa.

## 5. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This item breaks down as follows:

	2017	2016
Caixa	3 345 513	3 627 391
Demand Deposits with Banco de Cabo Verde	6 844 857	5 961 398
	<u>10 190 370</u>	<u>9 588 790</u>

Demand deposits with Banco de Cabo Verde are intended to meet the minimum reserve requirements. In accordance with Banco de Cabo Verde provisions, these assets correspond to 15% of the average actual liabilities in domestic and foreign currency to residents and emigrants. In 2016, was set a minimum daily percentage of 15% of the amount of minimum reserves that financial institutions are required to keep in demand deposit accounts.

Demand deposits with Banco de Cabo Verde are not remunerated.

## 6. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	2017	2016
Demand deposits:		
At credit institutions in the country		
. BCA	2 661	2 664
. Ecobank	0	0
At credit institutions abroad		
. Banque et Caisse D'Espargne de L'Etat	302 554	337 592
. Novo Banco SA	82 953	176 637
. Montepio Geral	801 600	324 846
. Commerzbank	0	0
. Banco Espírito Santo	0	0
. Caixa Geral de Depósitos	62 328	90 889
. Natexis Banques Populaires	676 403	202 464
. Bank of China, Macau Branch	4 266	44 242
. BPI	100 157	60 588
. Others	8 739	22 966
	<u>2 041 659</u>	<u>1 262 889</u>
In the country	78 799	33 595
Abroad	8 268	2 152
Checks pending collection	<u>87 067</u>	<u>35 747</u>
Other assets	<u>581</u>	<u>886</u>
	<u>2 129 308</u>	<u>1 299 522</u>

During fiscal years 2017, Caixa closed the demand deposit accounts it had with its correspondent Banco do Brasil, Sucursal.

Checks pending collection correspond to checks of customers of other banks sent for clearing. These amounts are collected in the early days of the following fiscal year.

## 7. AVAILABLE FOR SALE FINANCIAL ASSETS

On December 31, 2017 and 2016, equity and debt instruments classified as available for sale financial assets were broken down as follows:

Security	Acquisition cost	Impairment (Note 18)	Balance Sheet Net amount
<u>Equity instruments valued at historical cost</u>			
Guarantee Fund for Private Investment in West Africa (GARI fund)	3.823	-	3.823
<u>Debt instruments valued at historical cost</u>			
Portuguese government bonds	200	(200)	-
	4.023	(200)	3.823

Due to the difficulty in determining their fair value, shares in the G.A.R.I. Fund were recorded at historical cost.

Caixa kept the Portuguese government bonds recorded at historical cost, with impairment of 200,000 CVE, to reduce the carrying value to its estimated realizable value.

## 8. INVESTMENTS IN CREDIT INSTITUTIONS

This item breaks downs as follows:

	2017	2016
Investments in credit institutions in the country:		
In Banco de Cabo Verde		
Term deposit	6 600 000	5 000 000
Monetary Regularization Bills	-	267 000
Monetary Regularization Bills	1 800 000	738 000
Investments in credit institutions abroad:		
Collateral deposits	132 101	135 479
Term deposits		
Interest receivable	586	231
Deferred income	(4 448)	(252)
	<u>8 528 240</u>	<u>6 140 458</u>

On December 31, 2017 Caixa has investments (overnight deposits) in Banco de Cabo Verde totaling 6.600 mCve, e Monetary Intervention Bills (TIM) totaling mCve. 1.800.

On December 31, 2017 and 2016, the item "Investments in credit institutions abroad – Collateral Deposits" corresponds to guarantees in the form of deposits, provided by Caixa to other credit institutions as collateral for bank guarantees given to these entities by Caixa. There are collateral deposits that are remunerated and other that are remunerated at negative interest rate, being reimbursed upon settlement of the associated bank guarantee.

On December 31, 2017 and 2016, investments in credit institutions abroad break down as follows, by credit institution:

	2017	2016
Banque et Caisse D'Espargne de L'Etat	108 225	135 479
Caixa Geral Depósitos		
Others	23 876	
	<u>132 101</u>	<u>135 479</u>



## 9. LOANS TO CUSTOMERS

This item breaks down as follows:

	2017	2016
Short-term domestic loans:		
Trade discounts	1 926 783	119 958
Loans	686 641	652 319
Overdraft loan on demand deposit	741 936	200 136
Medium, long term domestic loans:		
Loans	25 155 539	23 119 613
Other loans	325 042	208 211
Employee loans	1 157 696	1 095 852
	<u>29 993 636</u>	<u>25 396 089</u>
Other loans and receivables (securitized):		
Government bonds	12 005 770	10 559 541
Other fixed income securities	2 414 574	2 010 779
	<u>14 420 344</u>	<u>12 570 320</u>
Interest receivable	300 766	250 615
Deferred costs	1 443	1 622
Deferred income	(295 693)	(260 981)
Overdue loans and interests	6 044 997	5 563 829
	<u>50 465 493</u>	<u>43 521 494</u>
Impairment of loans to customers (Note 18)	(3 558 001)	(2 787 533)
	<u><u>46 907 492</u></u>	<u><u>40 733 961</u></u>

The item "Other loans and receivables (securitized) - Government bonds" refers to Cabo Verde Treasury bonds remunerated at a fixed interest rate.

On December 31, 2017 and 2016, Treasury bonds sold under repurchase agreements amounted to mCve. 3.372.730 and 3.672.730, respectively (Note 17).

On December 31, 2017 and 2016, the item “Other loans and receivables (securitized) - Other fixed income securities” included the value of domestic companies’ bonds, categorized as “Loans and accounts receivables.” These bonds break down as follows:

Secutity	2017	2016	Maturity
Other fixed income securities			
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Series B	-	147 088	14/06/2017
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Series C	630 227	630 227	14/06/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Series E	368 273	-	14/06/2025
Sociedade de Gestão de Investimentos, Lda.	13 343	13 343	18/02/2014
IFH - Imobiliária, Fundiária e Habitat, SA- Series C	473 195	473 195	06/01/2019
IFH - Imobiliária, Fundiária e Habitat, SA Tranche I- Series D	406 616	406 616	14/09/2022
IFH - Imobiliária, Fundiária e Habitat, SA Tranche II- Series D	278 384	278 384	14/10/2022
CVFF - Cabo Verde Fast Ferry, S.A.	50 047	50 047	14/10/2017
INPHARMA, SA	7 919	11 879	24/12/2019
ASA- Agência Segurança Aérea-Série D	186 569	-	25/08/2027
	<u>2 414 573</u>	<u>2 010 779</u>	

Bonds issued by Electra – Empresa de Electricidade e Águas, S.A.R.L. and IFH – Imobiliária, Fundiária e Habitat, S.A. are endorsed by the State of Cabo Verde. Caixa económica de Cabo Verde acquired in June 2017 Electra’s Serie E Bond in the amount of 368.273 mCve with maturity date of June 2025.

The bonds of Cabo Verde fast ferry (CVFF) and Sociedade Gestão de Investimentos, Lda. have been in default since August 2014. On December 31, 2017, accrued and unpaid interest on Cabo Verde Fast Ferry (CVFF) and Sociedade Gestão de Investimentos, Lda. bonds amounted to mCve. 9.125 and mCve. 1.987, respectively. The next interest coupons will expire in February 2018.

The bonds subscribed from Laboratórios Inpharma - Indústria Farmacêutica, S.A. mature in December 2019. In FY 2017 and 2016, the repayment of capital amounted to 3.960 million CVE, settled on the date of coupon payment.

In fiscal year 2017, ASA- Agência Segurança Aérea issued bonds in which Caixa acquired the amount of mCve. 186.569, with maturity date of August 2027.

On December 31, 2017 and 2016, Loans to customers, excluding “Other loans and receivables (securitized),” accrued interest and deferred income, were as follows, by business sector:

	2017			2016		
	Performing loans	Non- performing Loans	Total	Performing loans	Non- performing Loans	Total
<b>Companies:</b>						
Trade	438 372	482 772	921 144	330 495	462 435	792 931
Construction and public works	1 547 306	149 130	1 696 435	1 031 417	328 848	1 360 266
Transportation	3 313 840	297 401	3 611 240	1 937 571	298 028	2 235 600
Industry	545 206	531 800	1 077 005	360 517	398 149	758 666
Hospitality	557 945	358 178	916 122	490 167	859 068	1 349 235
Energy	1 403 366	1 080	1 404 446	790 558	-	790 558
Others	4 521 535	1 026 491	5 548 026	3 561 650	576 903	4 138 553
	<u>12 327 568</u>	<u>2 846 850</u>	<u>15 174 418</u>	<u>8 502 377</u>	<u>2 923 432</u>	<u>11 425 808</u>
<b>Individuals:</b>						
Mortgage	11 487 504	1 955 382	13 442 885	11 033 812	1 638 160	12 671 972
Others	6 178 565	1 187 677	7 366 242	5 859 901	1 002 238	6 862 139
	<u>17 666 068</u>	<u>3 143 059</u>	<u>20 809 127</u>	<u>16 893 713</u>	<u>2 640 398</u>	<u>19 534 111</u>
	<u>29 993 636</u>	<u>5 989 909</u>	<u>35 983 545</u>	<u>25 396 090</u>	<u>5 563 829</u>	<u>30 959 919</u>

The “Loans to Employees” item refers to loans to employees on December 31, 2017 and 2016, which are remunerated at low interest rates, in accordance with Caixa's loans to employee's policy.

## 10. INVESTMENT PROPERTIES

The changes in this item in the years ended December 31, 2017 and 2016 are as follows:

	Balance on 12-31-2016		Write-off	Amortization For the year	Balance on 12-31-2017	
	Gross value	Accumulated amortizations			Gross value	Accumulated amortizations
Land	3 684	-		-	3 684	-
Property	4 752	(3 247)	(334)	(198)	4 418	(3 049)
	<u>8 436</u>	<u>(3 247)</u>		<u>(198)</u>	<u>8 102</u>	<u>(3 049)</u>

	2016					
	Balance on 12-31-2015				Balance on 12-31-2016	
	Gross value	Accumulated amortizations	Write-off	Amortization For the year	Gross value	Accumulated amortizations
Land	3 684	-		-	3 684	-
Property	4 980	(3 439)		(192)	4 752	(3 247)
	8 664	(3 439)		(192)	8 436	(3 247)

On December 31, 2017 and 2016, the fair value of investment properties was determined based on assessments made by Caixa's Office of Facilities and Property Valuation, and it was:

	2017		2016	
	Net Value	Assessment value	Net Value	Assessment value
Land	3 683	18 640	3 684	18 640
Buildings	1 369	14 664	1 505	14 664
	<u>5 052</u>	<u>33 304</u>	<u>5 189</u>	<u>33 304</u>

In FY 2017 and 2016, income from the rental of these properties amounted to mCve. 96 e mCve. 104, respectively.

## 11. OTHER TANGIBLE ASSETS

In FY 2017 and 2016, the item “Other tangible assets” was as follows:

	Balances on 12-31-2016		Additions	Sales / Write-offs		Amortization for the Year	Transfers	Regularizations	Balances on 12-31-2017		
	Gross value	Accumulated amortizations		Gross Value	Write-offs				Gross value	Accumulated amortizations	Net value
Property	1.534.961	(73.049)	39.954	-	-	(32.337)	-	-	1.574.914	(105.386)	1.469.529
Works in rented buildings	47.937	(38.901)	-	-	-	(2.433)	-	-	47.937	(41.334)	6.603
Artistic heritage	4.323	-	89	-	-	-	-	-	4.411	-	4.411
Equipment:											
Furniture and materials	220.322	(168.096)	9.015	(518)	-	(14.035)	1.519	(931)	230.338	(183.062)	47.276
Machinery and tools	290.667	(252.557)	13.500	(660)	-	(14.670)	395	(440)	303.902	(267.589)	36.313
Computer equipment	392.051	(331.963)	14.697	(16.569)	-	(18.903)	774	(750)	390.952	(351.616)	39.337
Indoor facilities	566.214	(512.778)	10.233	-	-	(52.193)	77	(77)	576.525	(565.047)	11.477
Transportation equipment	173.013	(102.106)	-	(9.683)	-	(10.686)	-	-	163.330	(112.791)	50.539
Security equipment	139.399	(104.612)	1.969	-	-	(14.954)	-	-	141.368	(119.566)	21.801
Other equipment	6.727	(5.652)	130	-	-	(464)	126	(116)	6.983	(6.232)	751
	3.375.614	(1.589.714)	89.585	(27.430)	-	(160.673)	2.891	(2.314)	3.440.660	(1.752.623)	1.688.037
Construction in progress	258.571	-	105.131	(65.572)	-	-	-	-	298.129	-	298.129
	3.634.185	(1.589.714)	194.716	(93.002)	-	(160.673)	2.891	(2.314)	3.738.790	(1.752.623)	1.986.166

	Balances on 12-31-2015		Additions	Sales / Write-offs		Amortization for the Year	Transfers	Regularizations	Balances on 12-31-2016		
	Gross value	Accumulated amortizations		Gross Value	Write-offs				Gross value	Accumulated amortizations	Net value
Property	1.633.536	(142.387)	3.709	(1.298)	178	(31.825)	-	-	1.635.946	(174.035)	1.461.912
Works in rented buildings	46.816	(36.552)	1.427	-	-	(2.655)	-	-	48.242	(39.207)	9.035
Artistic heritage	4.237	-	86	-	-	-	-	-	4.323	-	4.323
Equipment:											
Furniture and materials	214.865	(153.978)	5.394	(142)	-	(14.120)	-	-	220.117	(168.098)	52.019
Machinery and tools	273.211	(238.527)	18.666	(1.208)	-	(14.030)	-	-	290.669	(252.557)	38.112
Computer equipment	357.215	(320.335)	42.000	(7.205)	-	(11.621)	-	-	392.010	(331.956)	60.054
Indoor facilities	564.489	(419.811)	1.725	-	-	(92.965)	-	-	566.214	(512.776)	53.438
Transportation equipment	169.405	(105.276)	29.900	(26.291)	23.906	(20.736)	-	-	173.014	(102.106)	70.908
Security equipment	132.642	(89.483)	7.005	-	-	(15.138)	-	-	139.647	(104.621)	35.026
Other equipment	6.654	(5.160)	70	-	-	(491)	-	-	6.724	(5.651)	1.073
	3.403.070	(1.511.509)	109.981	(36.144)	24.084	(203.581)	-	-	3.476.907	(1.691.007)	1.785.900
Construction in progress	198.543	-	85.751	(25.723)	-	-	-	-	258.571	-	258.571
	3.601.613	(1.511.509)	195.732	(61.867)	24.084	(203.581)	-	-	3.735.478	(1.691.007)	2.044.471

On December 31, 2017 and 2016, “Construction in progress” included costs of setting up new branches, totaling mCve. 298.129 and mCve. 258.571, respectively.

## 12. INTANGIBLE ASSETS

On December 31, 2017 and 2016, the item "intangible assets" records Caixa's software. In FY 2017 and 2016, the item "Intangible assets" was as follows:

	2017								
	Balances on 12-31-2016						Balances on 12-31-2017		
	Gross value	Accumulated amortizations	Additions	Regularizations Gross value	Amortizations amortization	for the Year	Gross value	Accumulated amortizations	Net value
Software	<u>306.864</u>	<u>(294.147)</u>	<u>4.211</u>	<u>-</u>	<u>-</u>	<u>(5.700)</u>	<u>311.075</u>	<u>(299.847)</u>	<u>11.228</u>

	2016								
	Balances on 12-31-2015						Balances on 12-31-2016		
	Gross value	Accumulated amortizations	Additions	Regularizations Gross value	Amortizations amortization	for the Year	Gross value	Accumulated amortizations	Net value
Software	<u>294.172</u>	<u>(282.035)</u>	<u>12.692</u>	<u>-</u>	<u>-</u>	<u>(12.112)</u>	<u>306.864</u>	<u>(294.147)</u>	<u>12.717</u>

### 13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2017 and 2016, the balance of this item breaks down as follows:

2017							
Entity	% of shares	Acquisition cost	Book value	Date	Net asset	Profit / Loss	Equity
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	1.039	31/12/2013	387.194	(33.755)	5.820
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SAI	10,00%	10.000	77.300	31/12/2017	1.433.491	200.472	773.009
<b>Total</b>		<b>22.500</b>	<b>78.339</b>				

  

2016							
Entity	% of share	Acquisition cost	Book Value	Date	Net Assets	Profit / Loss	Equity
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	-	Dez-13	387.194	(33.755)	5.820
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10,00%	10.000	67.270	Dez-16	1.183.632	164.895	672.702
Novo Banco, SA	11,76%	120.000	-	Jun-13	3.003	(86.747)	31.536
Sophis Gere	10,00%	3.500	268	Set-16	3.426	(3.180)	2.680
CV Garante	15,00%	15.000	11.540	Dez-16	77.516	(6.029)	76.926
		<b>161.000</b>	<b>79.078</b>				

Caixa classified its holdings in SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL (SISP), CV Garante – Sociedade de Garantia Mútua, S.A. (CV Garante), Imotur – Imobiliária e Turística de Cabo Verde, S.A. (Imotur) and Sophis Gere, S.A. (Sophis Gere), as Investments in associates, despite its share being less than 20%, since Caixa is part of the management body, which, in the opinion of its Board of Directors, gives it significant influence over the operations of SISP, CV Garante, Imotur, and Sophis Gere, thus fitting in with the provisions of IAS 28 - Investments in Associates.

In October 2010, Caixa subscribed 20% of Novo Banco's share capital. This is a Bank that aims to fund the lower classes, particularly by providing micro-credit or by funding nongovernmental organizations (NGOs). Novo Banco began operations in December 2010. In FY 2012, its capital was increased by 300 million CVE, with Caixa's contribution being 60 million CVE.

In May 2015, Novo Banco's capital was again increased by 249.5 million CVE), subscribed in cash by the State of Cabo Verde (100 million CVE) and by INPS (149.5 million CVE), with Caixa and the remaining shareholders waiving their respective legal right of first refusal and assigned to the subscribers of the capital increase a portion of their shares. As a result, Caixa's shares in Novo Banco's capital was reduced to 11.76%.

On March 8, 2017 Banco de Cabo Verde applied a resolution measure to Novo Banco, with Caixa acquiring part of its assets against the deposits assumed.

Sophis Gere, S.A. was created on October 26, 2012 with the corporate purpose of managing real estate investment funds and managing cash assets and funds of other savers, namely public and private entities. In FY 2014, its capital was increased by 15 million CVE, with Caixa's contribution being 1.5 million CVE. On 04/10/2017, Sofis Gere General Assembly approved the dissolution of the company, which represented a loss for Caixa in the

amount of 268 mCvE.

CV Garante – Sociedade de Garantia Mútua, S.A. was created in July 2013. It is a mutual guarantee company whose corporate purpose is to carry out financial transactions for the benefit of micro, small and medium enterprises, with a view to promoting and facilitating their access to finance, be it in the financial system or in the capital market. Caixa subscribed 15,000 shares, worth 15 million CVE, corresponding to 15% of CV Garante's capital. Under the Shareholders Agreement, CV Garante's shareholders grant SPMG - Sociedade de Investimento, S.A. an option to sell CV Garante's shares at the nominal value to be exercised each year at 31 December. The changes in the book value of these holdings in FY 2017 and 2016 and their impact on Caixa's financial statements can be shown as follows:

	IMOTUR	SISP	TOTAL
Balance on 31 December 2015	7 067	60 843	67 910
Dividends		(8 603)	(8 603)
Income from associates	(6 028)	14 723	8 695
Balance on 31 December 2016	1 039	66 963	68 002
Dividends		(9 710)	(9 710)
Income from associates		20 047	20 047
Balance on 31 December 2017	1 039	77 300	78 339



## 14. INCOME TAX

On December 31, 2017, Caixa is subject to the Corporate Income Tax (IRPC), at the rate of 25%, and a fire tax of 2% of the assessed tax, corresponding to an aggregate tax rate of 25.5%.

The balances of income tax assets and liabilities on December 31, 2017 and 2016 were as follows:

	2017	2016
Current tax assets		
. IRPC recoverable	45 488	15 543
. Withholdings for the year	-	7 378
	<u>45 488</u>	<u>22 921</u>
Current tax liabilities		
. Estimated taxes for the year	69 237	-
. Autonomous taxation	6 371	12 106
. IRPC recoverable	(1 032)	-
	<u>74 577</u>	<u>12 106</u>
Deferred tax assets		
. By reportable tax losses	-	14 848
	<u>-</u>	<u>14 848</u>

The item "Current tax assets - IRPC recoverable" corresponds to fractioned payments made in the fiscal years 2016 and 2017.

The detail and changes in deferred taxes in FY 2017 and 2016 were as follows:

	2017		
	Balance on 12-31-2016	Change in Change in Profit/loss	Balance on 12-31-2017
Reportable tax losses	14 848	(14 848)	-
	<u>14 848</u>	<u>(14 848)</u>	<u>-</u>
	2016		
	Balance on 12-31-2015	Change in Change in Profit/loss	Balance on 12-31-2016
Prejuízos fiscais reportáveis	-	14 848	14 848
	<u>-</u>	<u>14 848</u>	<u>14 848</u>

Under the IRPC Code, approved by Law No. 82/VIII/2015, dated January 7, tax losses are deducted from taxable profits, if any, for one or more of the following seven taxation periods. In FY 2017, Caixa used deferred taxes related to reportable tax losses totaling mCve. 14.848. The amount of reportable tax losses that was actually used in 2017 was mCve. 58.227.

The reconciliation between the nominal rate and the effective tax rate in fiscal years 2017 and 2016 can be shown as follows:

	2017		2016	
	Rate	Tax	Rate	Tax
Income before taxes		530 097		207 418
Tax calculated based on nominal rate	25,5%	135 175	25,5%	52 892
Tax benefits:				
. Income from Government bonds placed on the secondary market	-9,3%	-49 509	-23,9%	-49 512
. Income from bonds	-19,5%	-103 384	-13,20%	-27 384
. Other	-0,2%	-1 216	-0,5%	-1 124
Impairment and provisions not accepted as tax cost	18,1%	95 994	4,6%	9 468
Reversal of taxed provisions	-0,2%	-902	-2%	-4 087
Application of the equity method	-14,6%	-5 034	-0,9%	-1 900
Non-tax-deductible expenses	0,2%	1 078	0,3%	626
Autonomous taxation	1,2%	6 372	5,8%	12 106
Correction in the amount of deferred taxes				
Relating to reportable tax losses	-2,8%	-14 848	0,0%	0
Corrections relating to previous	0,0%	0	3,6%	7 429
Others	1,90%	11 882	3,0%	6 174
Tax on profit for the year	14,30%	75 608	2,26%	4 687

Income from bonds or products of a similar nature, including public-debt securities listed on Bolsa de Valores de Cabo Verde, is taxed on income tax at a 5% tax rate. The rate applies only to income earned through December 31, 2025.

In December 2010, Caixa received notification from DCI about an additional settlement, in the amount of 5.749 million CVE, relating to adjustments made to income tax for FY 2005. Caixa accepted adjustments totaling 177,000 CVE and submitted a complaint regarding the remaining adjustments. Caixa settled tax relating to adjustments accepted in December 2012. During FY 2017, DCI concluded the process in reference to the FY 2005, having accepted the complaint presented by Caixa.

In July 2011, Caixa received a notification from DGCI setting the income tax for FY 2010 at 74.640 million CVE. This notification had implied a number of adjustments to the tax calculated by Caixa which were the subject of complaint. In January 2012, Caixa received a new notification correcting the previously set amounts and determining 40.644 million CVE in tax. Caixa settled 16.145 million CVE and submitted a complaint regarding the remaining amount. It is currently waiting for DCI to complete the process.

On December 31, 2017, a provision for tax contingencies totaling mCve. 31.877, was recognized and which, the majority of that amount, is allocated to the 2010 case waiting completion by DCI.

Under the terms of the General Tax Code, approved by Law No. 47/VIII/2013, dated December 20, the tax

authorities have the right to review Caixa's tax position for a period of five years, which may result in possible adjustments to taxable income, due to different interpretations of the tax law. In the opinion of the Board of Directors, it is not expected that any adjustment will be significant to Caixa's financial statements on December 31, 2017.

**15. OTHER ASSETS**

This item breaks down as follows:

	2017	2016
Other assets:		
Assets received through credit recovery	1 702 114	1 610 528
Coins and medals	86	86
	<u>1 702 200</u>	<u>1 610 615</u>
Debtors:		
Amounts receivable from the State of Cabo Verde		
. Bonuses	979 243	904 385
. Others	55 259	52 451
Micro-Credit Fund	0	59 790
Debtors for exchange remittances	9 508	5 378
Sundry debtors	49 173	53 603
	<u>1 093 183</u>	<u>1 075 607</u>
Deferred expenses:		
Insurance	0	822
Others	13 430	12 796
	<u>13 430</u>	<u>13 619</u>
Lending operations pending settlement:	<u>74 919</u>	<u>47 436</u>
	<u>2 883 732</u>	<u>2 747 276</u>
Ativo Bruto		
Impairment of other assets (Note 18):		
Assets received through credit recovery	(468 675)	(421 815)
Other assets	(30 447)	(30 447)
Accumulated Impairment	<u>(499 122)</u>	<u>(452 262)</u>
Net Assets	<u><u>2 384 610</u></u>	<u><u>2 295 014</u></u>

On December 31, 2017 and 2016, the assets received through credit recovery correspond to property and other assets received as payment in kind, and they break down as follows, according to the date they were acquired by Caixa:

Acquisition year	2017			2016		
	Gross value	Impairment	Net Value	Gross value	Impairment	Net Value
2004	1 974	(1 974)	-	2 100	(1 973)	127
2007	1 107	(958)	149	958	(958)	-
2008	3 352	(3 324)	28	3 337	(3 324)	13
2013	259 176	-	259 176	255 434	-	255 434
2014	641 014	(138 500)	502 514	637 497	(138 500)	498 997
2015	307 279	(109 990)	197 289	305 075	(109 990)	195 085
2016	343 750	(151 004)	192 746	343 207	(151 004)	192 203
2017	76 246	(22 600)	53 646	-	-	-
	<u>1 633 898</u>	<u>(428 350)</u>	<u>1 205 548</u>	<u>1 547 608</u>	<u>(405 749)</u>	<u>1 141 859</u>
2009	400	(400)	-	400	(400)	-
2014	7 395	(3 395)	4 000	7 128	(28)	7 100
2015	56 531	(36 531)	20 000	53 689	(15 638)	38 051
2017	3 890	-	3 890	1 704	-	1 704
	<u>68 216</u>	<u>(40 326)</u>	<u>27 890</u>	<u>62 921</u>	<u>(16 066)</u>	<u>46 855</u>
	<u>1 702 114</u>	<u>(468 676)</u>	<u>1 233 438</u>	<u>1 610 529</u>	<u>(421 815)</u>	<u>1 188 714</u>

During 2016, Caixa received one real estate properties as payment in kind, whose balance sheet value on December 31, 2017 totaled mCve. 53.646.

Caixa is capitalizing the value of the assets received as payment in kind amounts associated with the Property Tax, notary and transmission costs.

At the end of FY 2015, Caixa received as payment in kind four properties, whose book value on December 31, 2015 was 300.81 million CVE, part of them was incomplete or showed signs of degradation. Following these transactions, Caixa reversed impairment losses totaling 107.598 million CVE and recognized 43.176 million CVE in income for FY 2015 under "Interest from loans to customers - Recovery of canceled interest," relating to the recovery of interest written off from assets.

On November 30, 2015, Caixa entered into a payment in kind agreement, having received a vessel whose book value on December 31, 2015 was 50 million CVE. The net amount of impairment losses on credit granted at the date of the settlement was 37.672 million CVE. As a result of this transaction, Caixa reversed impairment losses in totaling 11.949 million CVE.

Through a payment in kind agreement dated December 31, 2014 entered into by and between Caixa and Tecnici, the latter gave Caixa three plots of land located in Achada Grande Trás, Santiago Island, extinguishing the total amount of debenture loans and credit that Caixa granted this entity. On December 31, 2015, the book value and valuation of independent appraisers in 2014 was 602.879 and 794.527 million CVE, respectively. As a result of this transaction, Caixa reversed impairment losses totaling 138.5 million CVE, recorded approximately 69.6 million CVE in income for FY 2014 under "Interest on loans to customers," related to overdue interest and arrears interest, and settled an unauthorized overdraft in the amount of approximately 57.33 million CVE, which was used to charge interest on credit operations up to the date of the settlement. The value of these plots of land was determined taking into account their constructive potential. As at December 31, 2015 and 2014, no project had been approved or developed for these plots of land.

In FY 2013, Caixa received a property called "Sabura Hotel," located in Santa Maria, Sal Island, as payment in

kind which book value on December 31, 2014 was mCve. 251.672. The net amount of impairment losses on loans on the date of the settlement amounted to 199.731 million CVE. Following this transaction, Caixa recognized 42.268 million CVE, relating to recovery of interest written off from assets, as income for FY 2013, under “Interest on loans to customers - Recovery of canceled interest.” The value of this hotel was determined based on the property’s building cost.

In FY 2016, Caixa canceled the reversal of the impairment losses made as a result of the aforementioned settlements, generating an increase of 413.312 million CVE in impairment, with 374.768 million CVE being recorded through retained earnings and 38.544 million CVE through profit or loss.

As at December 31, 2016 Caixa had subsidies receivable amounting to 904.385 million CVE (820.346 million CVE as at December 31, 2015). Based on an external audit on the implementation of the subsidized loan system, the Direção Geral do Tesouro (DGT) questioned the eligibility of a number of operations. On March 24, 2015, the DGT informed Caixa that it would assume the debt relating to part of mortgage loan subsidies claimed between 2004 and 2008, amounting to 169.883 million CVE, and the total amount claimed between 2009 and 2012, amounting to 359.590 million CVE, although a payment plan had not yet been set up. In addition, the DGT considered the subsidies claimed between 2004 and 2008, amounting to 127.977 million CVE, to be ineligible, with Caixa setting aside this amount in the financial statements for FY 2014 against retained earnings. On April 7, 2016, DGT informed Caixa that the amount of the subsidies for the 2004-2008 period was adjusted to 161.341 million CVE and that the mortgage loans subsidies for the 2013-2015 period, totaling 279.812 million CVE which would be confirmed and validated by being entered into the computer system for subsidized loans control and monitoring. There are also subsidies claimed for other lines which have not yet been confirmed and validated by the DGT and that amount to 11.061 million CVE.

Additionally, on April 6, 2016, the DGT sent Caixa a proposal to pay the debt relating to mortgage loans subsidies granted between 2004 and 2012, totaling 520.931 million CVE, in 18 annual installments of 28.941 million CVE. Although the proposal does not include any remuneration, which would imply recognizing a loss due to the financial effect, the negotiations with the DGT will continue with a view to establishing a more favorable form of payment for Caixa.

On August 18, 2017, the State of Cabo Verde and Caixa Económica de Cabo Verde signed an agreement where interest subsidies and other debts are recognized, in the amount of mCve 990.191 with reference to 12/31/2016. It was also agreed a debt amortization plan, with the maturity of 12 years, counted from 1-1-2018, at 4.375% rate, with quarterly installments periodicity

On December 31, 2017, the Microcredit Program was fully integrated into Caixa's financial statements, but may continue to be monitored analytically.

As at December 31, 2017 and 2016, the balance of "Debtors through foreign currency remittances" referred to remittances of checks abroad, which were settled at the beginning of the subsequent fiscal year.

## 16. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	2017	2016
Demand deposits:		
By credit institutions in the country	581 687	195 781
By credit institutions abroad	-	-
	<u>581 687</u>	<u>195 781</u>
Term deposits:		
By credit institutions in the country	50 000	280 000
By credit institutions abroad	-	-
	<u>50 000</u>	<u>280 000</u>
Interest:		
On deposits	2 960	10 928
On loans received	-	27
	<u>2 960</u>	<u>10 955</u>
	<u><u>634 647</u></u>	<u><u>486 736</u></u>

As at December 31, 2017 and 2016, the item "Funds from other credit institutions" presented the deposits of credit institutions with Caixa Económica.

Os depósitos a prazo em aberto a 31 de dezembro de 2017 são da empresa IMPAR - Companhia Cabo-verdiana de Seguros, SARL, quase na totalidade com maturidade em agosto de 2018.

## 17. CUSTOMER FUNDS AND OTHER LOANS

This item breaks down as follows:

	2017	2016
Savings deposits:		
Individuals - passbook	7 531 294	6 799 548
Sight deposits:		
By residents	22 651 985	16 619 988
By emigrants	1 017 482	729 350
	23 669 467	17 349 338
Term deposits:		
By residents	16 953 326	15 140 720
By emigrants	14 526 722	13 570 311
	31 480 048	28 711 031
Other funds:		
Securities sold under repurchase agreements (Notes 2.2 and) and 9)	3 372 730	3 672 730
Loans obtained from residents	413 634	420 000
Checks and money orders payable	(48 983)	(23 152)
Others	-	-
	3 737 381	4 069 578
Interest:		
On deposits	549 753	633 154
On securities sold under repurchase agreements	45 422	46 049
On loans obtained from residents	6 370	6 808
Non-resident loans deferred expenses	-	-
	601 545	686 011
	67 019 735	57 615 506

The item securities sold under repurchase agreements refers to the amount payable for securities granted and recorded under loans to customers – Government bonds, according to the accounting policy referred to in paragraph 2.2.e).

As at December 31, 2017 and 2016, "Other funds - Loans obtained from residents" referred to a loan obtained from Instituto Nacional de Previdência Social (INPS), which bears interest at a fixed rate, to be repaid in 15 annual installments. This loan is aimed at granting loans to INPS workers for home ownership.

As at December 31, 2017 and 2016, the balance of "Checks and money orders payable" included 63.792 million CVE and 66.473 million CVE, respectively, relating to transfers received via Western Union whose financial compensation only occurred in early 2018 and 2017.



## 18. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa's provisions and impairment for the years ended December 31, 2017 were as follows:

	2017				Balances on 12/31/2017
	Balances on 12/31/2016	Net allocations In profit/loss	Uses	Transfers	
<u>Impairment</u>					
Impairment of loans to customers	2 787 533	510 322		260 146	3 558 001
Impairment of available for sale financial assets	200			-	200
Impairment of Associates	1 038		(1 038)		-
Impairment of other assets					
Impairment on assets acquired thru loan recovery	421 815	46 860		-	468 675
Debtors, other investments	30 447			-	30 447
	3 241 033	557 182	- (1 038)	260 146	4 057 323
<u>Other provisions</u>	39 351			-	39 351
Tax contingencies (Note 14)	27 000	7 378	(2 501)	-	31 877
	3 307 385	564 560	- (3 539)	260 146	4 128 552

Changes in Caixa's provisions and impairment for the years ended December 31, 2016 were as follows:

	Balances on 12.31.2015	Net allocations In profit/loss	Uses	Balances on 12.31.2016	Loan Recovery
<u>Impairment</u>					
Impairment of loans to customers	2.500.979	286.554		2.787.533	(100.703)
Impairment of available for sale financial assets	200	-	-	200	-
Impairment of Associates	7.067	-	(6.029)	1.038	-
Impairment of other assets					
Impairment on assets acquired thru loan recovery	8.503	413.312		421.815	-
Debtors, other investments	30.447	-	-	30.447	-
	2.547.196	699.866	(6.029)	3.241.033	-
<u>Other provisions</u>	54.531	1.820	(17.000)	39.351	-
Tax contingencies	24.800	2.200	-	27.000	-
	2.626.528	703.886	(23.029)	3.307.385	-

In June 2014, a declarative judgment action was brought against Caixa and against the State of Cabo Verde, under which the claimants claim property damage and personal injury totaling approximately 216 million CVE (161 million CVE in the form of loss of profits, 40 million CVE in the form of property damage, and 15 million CVE in the form of actual damages). Caixa and the State of Cabo Verde presented their challenges, in July 2014, and the case is currently awaiting trial. Caixa did not record any provision for this contingency in its financial

statements. The Board of Directors is convinced that the arguments will be accepted by the Court and that this situation will not have significant impacts on the financial statements.

## 19. OTHER LIABILITIES

This item breaks down as follows:

	2017	2016
Funds:		
Consigned funds - Micro-Credit Fund (Note 15)	-	59 790
General government sector - tax withholding at source	63 684	53 380
Others	6 723	6 792
	<u>70 407</u>	<u>119 962</u>
Staff costs:		
Vacation and vacation pay	66 859	60 725
Productivity bonus	35 323	35 426
Allowance for faults	13 215	12 546
	<u>115 397</u>	<u>108 698</u>
Other administrative expenses:		
ATM charges	9 770	10 154
Water, gas and electricity	7 661	7 935
Communications	11 432	7 977
Payable commissions - Western Union	-	-
	-	-
Others	17 663	20 337
	<u>46 525</u>	<u>46 403</u>
Deferred income:		
Off-balance sheet transactions	2 592	873
Other settlement accounts	87 535	69 549
Other Liabilities	<u>322 456</u>	<u>345 485</u>

As at December 31, 2017 and 2016, "Other administrative expenses – Other" included 19.876 million CVE and 19.477 million CVE, respectively, relating to amounts payable to INPS as social security contributions for December, as well as and 10.541 million CVE and 9.817 million CVE, respectively, referring to employees' income tax for December.

As at December 31, 2017 e 2016, item "Other settlement accounts" included 11.414 million CVE and 10.914 million CVE, respectively, relating to amounts of subsidized loans pending settlement. Additionally, the remaining balance of this item is comprised primarily of amounts to settle with banks and customers which correspond essentially to interbank electronic transfers that are cleared in the first days of the following year.

## 20. CAPITAL

As at December 31, 2017 and 2016, Caixa's capital was represented by 1,392,000 shares, with a nominal value of one thousand Cabo Verde Escudos each, fully subscribed and paid up.

As at December 31, 2017 and 2016, Caixa's shareholder structure was as follows:

Entity	2017		2016	
	Number Of shares	%	Number Of shares	%
Instituto Nacional de Previdência Social	657 200	47,21%	455 164	32,70%
Geocapital, Sociedade de Gestão e Participação, S.A.	381 904	27,44%	381 904	27,44%
Correios de Cabo Verde	210 749	15,14%	210 749	15,14%
Impar - Companhia Caboverdeana de Seguros	-	0,00%	168 032	12,07%
Outros subscritores e trabalhadores	142 147	10,21%	176 151	12,65%
	<u>1 392 000</u>	<u>100,00%</u>	<u>1 392 000</u>	<u>100,00%</u>

Instituto Nacional de Previdência Social purchased the shares of Impar and a group of private shareholders, in a total of 200,211 shares, holding 47.21% of Capital

## 21. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

As at December 31, 2017 and 2016, the reserves and retained earnings items were as follows:

	2017	2016
Other reserves and retained earnings		
. Legal reserves	528 406	508 133
. Other reserves	2 454 356	2 291 551
. Retained earnings	(679 808)	(679 808)
	<u>2 302 954</u>	<u>2 119 876</u>
Profit for the year	452 519	202 730
	<u>2 755 473</u>	<u>2 322 606</u>

Under the legislation in force in Cabo Verde (Law No. 3/V/96), a minimum of 10% of annual net income must be allocated to legal reserve. This reserve is not distributable, except in case of the entity's liquidation, and it may be used to increase capital or to cover losses when other reserves are exhausted.

At the General Meeting held on April 27, 2017, it was decided that dividends totaling 80.736 million CVE would be distributed, while 20.273 million CVE and 101.722 million CVE, respectively, would be incorporated into legal reserve and other reserves.

As mentioned in Note 15. Other assets, the value of property received as payment in kind that had been recorded by the gross amount of credit at the date of the settlement was restated by the net amount of the credit at the date of the settlement, with a negative impact of 374.768 million CVE on retained earnings.

On December 2017, the micro-credit fund was incorporated in reserves in the amount of mcve 73.962.

**22. INTEREST AND SIMILAR INCOME**

	2017	2016
Interest on loans to customers		
Domestic loans	2 730 032	2 369 600
Recovery of canceled interest	226 518	216 337
Interest on other loans and receivables (securitized)		
Treasury Bonds	609 618	536 926
Other fixed income securities	113 992	107 389
Interest on investments in Banco de Cabo Verde		
Term	4 615	8 874
Monetary Regularization Securities	607	666
Monetary Intervention Securities	5 775	1 657
Interest on investments in credit institutions abroad	1 178	1 502
Interest on investments in credit institutions in the country		
Interest on Financial Assets - Securities	3 006	2 443
Interbank money market interest	1 541	-
Other interest and similar income	1 936	
Fees received relating to amortized cost	170 378	135 840
	<u>3 869 195</u>	<u>3 381 234</u>

## 23. INTEREST AND SIMILAR EXPENSES

This item is as follows:

	2017	2016
Savings deposits		
Passbooks	237 668	172 662
Demand deposits		
By emigrants	15 664	14 433
By residents	-	122
Term deposits		
By emigrants	523 600	561 341
By residents	612 949	652 728
Loans		
Non-residents	286	22
Residents	10 165	8 763
Repurchase agreements		
Treasury Bonds	209 672	243 701
Canceled Interest on loans to customers		
Domestic loans	22 610	39 429
Others	5 160	219
	<u>1 637 773</u>	<u>1 693 420</u>

## 24. INCOME AND COSTS WITH SERVICES AND FEES

This item is as follows:

	2017	2016
Income from services and fees:		
Western Union fees	45 652	43 783
Fees on foreign exchange transactions	85 431	76 576
Guarantees and sureties	13 002	8 206
Early settlement fee		
VISA fees	17 882	15 612
Documentary credits	358	6 028
Account maintenance fees	7 232	15 126
Other banking services	19 540	10 067
Other fees	15 168	9 330
	<u>204 264</u>	<u>184 728</u>
Expenses with services and fees:		
Fees on foreign exchange transactions	(17 504)	(15 032)
VISA fees	(31 359)	(15 219)
Other fees and charges	(38 332)	(35 259)
	<u>(87 195)</u>	<u>(65 510)</u>

## 25. INCOME FROM FOREIGN CURRENCY REVALUATION

This item is as follows:

	2017			2016		
	Profit	Loss	Net	Profit	Loss	Net
Income in foreign currencies	204 637	(101 140)	103 497	176 543	(137 896)	38 647
Income in banknotes and coins	121 430	(141 230)	(19 799)	166 948	(136 661)	30 287
	<u>326 067</u>	<u>(242 370)</u>	<u>83 697</u>	<u>343 491</u>	<u>(274 557)</u>	<u>68 934</u>

## 26. INCOME FROM DISPOSAL OF OTHER ASSETS

In the years ended December 31, 2017 and 2016, the balance of this item corresponded to gains on disposal of tangible fixed assets.

Profit and losses on disposal of non-current assets maintained for sale	-
Profit and losses on disposal of other tangible assets	<u>3 116</u>
	<u>3 116</u>

## 27. OTHER OPERATING INCOME

This item is as follows:

	2017	2016
Other operating income:		
Provision of services:		
Service charges	25 638	25 784
Credit Cards	5 576	6 848
Sale of checks and passbooks	7 561	19 617
Property lease (Note 8)	96	104
Recovery of bad debts	77 946	100 703
Other operating income	20 982	3 436
	<u>137 799</u>	<u>156 493</u>
Other operating costs:		
Other operating costs	(29 407)	(8 003)
Donations	(255)	(1 411)
Contributions	(2 053)	(1 735)
Others	(672)	(3 856)
	<u>(32 387)</u>	<u>(15 006)</u>
Other operating income	<u>105 412</u>	<u>141 487</u>

The item Recovery of bad debts includes 77.946 million CVE derived from amounts recovered from credits that had already been written off from assets.

## 28. STAFF COSTS

This item is as follows:

	2017	2016
Compensation of employees	579 075	561 766
Compensation of management and supervisory bodies	26 093	37 531
Social charges		
Social security	88 865	83 443
Medical expenses	5 439	5 503
Others	8 896	8 359
Productivity bonus (Note 18)	35 323	35 426
Others	5 374	4 301
	<u>749 064</u>	<u>736 330</u>

As at December 31, 2017 and 2016, Caixa's workforce was as follows:

	2017	2016
Executive directors	3	3
General Management and Coordination	33	36
Branch Managers and Service leader	33	32
Superior associates	143	140
Administrative	88	84
Auxiliary staff	54	53
	<u>354</u>	<u>348</u>

As at December 31, 2017 and 2016, the figures above included 36 and 34 employees, respectively, with a fixed term employment contract.

## 29. GENERAL AND ADMINISTRATIVE EXPENSES

This item is as follows:

	2017	2016
Specialized services	182 828	170 920
ATM charges	106 928	106 798
Water, gas and electricity	54 179	56 441
Advertising	23 931	30 091
Communications	29 089	32 653
Travels, accommodation and representation	29 133	29 210
Consumables	26 212	27 963
Insurance	18 933	23 499
Maintenance and repairs	18 420	25 862
Rents and leases	16 863	17 808
Fuels	7 446	7 358
Transports	1 186	2 724
Staff training costs	17 716	443
Computer equipment	734	2 553
Litigation and notary services	1 067	3 050
Others	5 510	5 608
	<u>540 174</u>	<u>542 982</u>



### 30. CONTINGENT LIABILITIES AND COMMITMENTS

As at December 31, 2017 and 2016, the contingent liabilities associated with banking activities were recorded in off-balance sheet items and were as follows:

	2017	2016
Contingent liabilities		
Guarantees and sureties	750 930	350 525
Documentary credits opened	14 759	223 269
	<u>765 689</u>	<u>573 795</u>
Deposits and custody of securities	41 105 516	38 440 627
Third-party loan management	701 090	
	<u>42 572 296</u>	<u>39 014 422</u>

As at December 31, 2017 and 2016, "Deposits and custody of securities" included 24.583.568 billion CVE and 23.934.643 billion CVE, respectively, related to securities deposited with Caixa by INPS.

Following the Resolution of Novo Banco and the transfer of its financial assets to INPS and BCV, Caixa signed with these two institutions agreements for the assignment and management of the respective loan portfolios, namely:

With INPS – Assignment agreement dated 07/06/17 between Novo Banco, INPS and Caixa, to Caixa for the purpose of managing Novo Banco's loan portfolio, with a balance as of 12/31/17 of 649,436 mCve.

With the BCV - Agreement dated 09/26/17 between BCV and Caixa, where this latter takes a loan portfolio for management purposes with a balance as of 12/31/17 of 51,654mCve.

In the context of these agreements, Caixa's responsibilities consist in the recovery of the portfolios, i.e., in the management and collection of installments, and for this purpose it must carry out all the diligent procedures that characterize the monitoring, collection and recovery, typical activities of banks, in the scope of its credit activity.

For the services provided by Caixa, in return, both contracts foresee a monthly success rate of 20% on interest charged, as well as an annual management fee of 2% of the outstanding principal amount as of December 31 of the previous year, and the total amount received by Caixa (monthly interest + annual management fee) must not exceed 50% of the total interest actually collected in the year in question.

### 31. SEGMENT REPORTING

For management purposes, Caixa is organized into two segments, called “Trading and Sales” and “Commercial Banking.”

The Trading and Sales segment is related to cash management, securities portfolio management and other market transactions. In the Commercial Banking segment is to be highlighted loans and deposits and services to customers and others.

On December 31, 2017, the information relating to Caixa’s operating segments can be summarized as follows:

	2017		
	Trading And Sales	Commercial Banking	Total Negociation
Interest and similar income	912 645	2 956 550	3 869 195
Interest and similar expenses		(1 637 773)	(1 637 773)
NET INTEREST INCOME	912 645	1 318 777	2 231 422
Incomen from equity Instruments		170	170
Income from services and fees		204 264	204 264
Expenses from services and fees		(87 195)	(87 195)
Income from foreign exchange revaluation		83 697	83 697
Income from the sale of other assets	3 116		3 116
Other operating income	105 412		105 412
OPERATING INCOME	1 021 173	1 519 712	2 540 886
Provisions and impairment net of reversals and recoveries		(561 021)	(561 021)
	1 021 173	958 691	1 979 865
Other expenses and income		-	(1 527 345)
Income after taxes			452 520
Cash and Cash Equivalents at central banks		10 190 370	10 190 370
Cash equivalents at other credit institutions		2 129 308	2 129 308
Available for sale financial assets	3 823		3 823
Investments in Credit Institutions	1 797 640	6 730 599	8 528 240
Loans to Customers	14 420 344	32 487 148	46 907 492
Funds from other credit institutions		634 647	634 647
Customer funds and other loans	413 634	66 606 086	67 019 720

On December 31, 2016, the information relating to Caixa's operating segments can be summarized as follows:

	2016		
	Trading And Sales	Commercial banking	Total
Interest and similar income	792.855	2.588.380	3.381.235
Interest and similar expenses	-	(1.693.421)	(1.693.421)
<b>NET INTEREST INCOME</b>	<b>792.855</b>	<b>894.959</b>	<b>1.687.815</b>
Income from services and fees	-	184.728	184.728
Cost with services and fees	-	(65.510)	(65.510)
Income from foreign exchange revaluation	-	68.934	68.934
Income from the sale of other assets	3.043	-	3.043
Other operating income	141.487	-	141.487
<b>OPERATING INCOME</b>	<b>937.385</b>	<b>1.083.111</b>	<b>2.020.497</b>
Provisions and impairment net of reversals and recoveries	-	-	(317.656)
	<b>937.385</b>	<b>1.083.111</b>	<b>1.702.841</b>
Other expenses and income	-	-	(1.500.111)
<b>Income after taxes</b>	<b>-</b>	<b>-</b>	<b>202.730</b>
Cash and Cash Equivalents at central banks	-	9.588.790	9.588.790
Cash equivalents at other credit institutions	-	1.299.522	1.299.522
Available for sale financial assets	3.823	-	3.823
Investments in Credit Institutions	1.004.748	5.135.710	6.140.458
Loans to Customers	12.570.320	28.163.642	40.733.963
Funds from other credit institutions	-	486.736	486.736
Customer funds and other loans	420.000	57.195.507	57.615.507

The entirety of Caixa's operations is carried out in the Republic of Cabo Verde.

## 32. RELATED ENTITIES

Related entities of Caixa are its shareholders, associates and management bodies. As at December 31, 2017 and 2016, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

	2017			
	Shareholders			Associates
	State of Cabo Verde	Instituto Nacional de Previdência Social	IMPAR	
<b>Assets:</b>				
Cash equivalents at other credit institutions	-	-	-	-
Investments in credit institutions	8 400 000			
Loans to customers				174 753
Investments in subsidiaries, associates and joint ventures				78 339
Impairment				0
Other asset	1 034 550			
<b>Liabilities:</b>				
Funds from other credit institutions				- 116 687
Customer funds and other loans		17 025 405		
<b>Off balance sheet:</b>				
Guarantees				
<b>Income:</b>				
Interest and similar income	620 615			
<b>Costs:</b>				
Interest and similar expenses	209 700	10 165	-	

	2016			
	Shareholders			
	State Cabo Verde	Instituto Nacional de Previdência Social	IMPAR	Associates
<b>Assets:</b>				
Cash equivalents at other credit institutions	-	-	-	-
Investments in credit institutions	1.005.000	-	-	-
Loans to customers	10.559.541	-	-	174.753
Investments in subsidiaries, associates and joint ventures	-	-	-	80.116
Impairment	-	-	-	(66.406)
Other asset	956.836	-	-	-
<b>Liabilities:</b>				
Funds from other credit institutions	-	-	316.818	188.174
Customer funds and other loans	-	14.313.695	-	-
<b>Off balance sheet:</b>				
Guarantees	-	-	-	-
<b>Income:</b>				
Interest and similar income	655.513	-	-	-
<b>Costs:</b>				
Interest and similar expenses	-	8.763	14.786	-

### Management bodies

In 2017, the costs incurred relating to remuneration and other benefits granted to members of Caixa's Board of Directors totaled 25.523 million CVE (37.531 million CVE in FY 2016) (Note 28).

As at December 31, 2017 and 2016, loans granted to the Board of Director members amounted to mCve. 4.593 and mCve. 5.728, respectively.

## 33. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Financial risks management policies inherent in Caixa Económica de Cabo Verde's operations

Caixa Económica de Cabo Verde is subject to many risks in carrying out its operations. Risk management is based on the ongoing identification and assessment of exposure to various risks, such as market risk, liquidity risk, credit risk, operational risk, and adoption of a control strategy, within pre-established parameters.

The management is complemented by a posteriori assessment of performance indicators.

### Foreign exchange risk

Foreign exchange risk is calculated on the institution's overall foreign-exchange position, which is determined as established in Banco de Cabo Verde's Notice No. 3/2000 and its technical instructions. Considering the legally binding agreement that establishes the parity between the Cabo Verde escudo and the euro, the euro position is not computed for the purpose of calculating total long and short positions opened.

### Liquidity risk

Liquidity risk is the possibility of failure to comply with financial obligations and commitments and to obtain funds and make investments at appropriate rates and maturities.

At Caixa, risk assessment takes into account the indicators established by the supervisory authority and Board of Directors and consists in permanently respecting the liability coverage ratio.

Monitoring in different periods is based on projected fund inflows and outflows, helping to efficiently manage the needs.

As at December 31, 2017 and 2016, the contractual residual maturities of the financial instruments were as follows:

	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Indefinite	Total
<b>Assets:</b>							
Cash and cash equivalents at Central Banks	10.190.370						10.190.370
Cash equivalents at other credit institutions	2.129.308						2.129.308
Investments in credit institutions	6.900.000	23.876	1.608.225			-3.862	8.528.240
Loan to customers	1.818.797	587.229	4.726.266	13.534.553	23.747.134	6.051.513	50.465.493
	<b>21.038.475</b>	<b>611.105</b>	<b>6.334.491</b>	<b>13.534.553</b>	<b>23.747.134</b>	<b>6.047.651</b>	<b>71.313.410</b>
<b>Liabilities:</b>							
Cash and cash equivalents at Central Banks	0						0,00
Cash equivalents at other credit institutions	-581.687		-50.000			-2.960	-634.647
Customer funds and other loans	35.368.920	5.010.438	18.470.759	-7.154.439	-400.000	-615.179	67.019.735
	<b>35.950.607</b>	<b>5.010.438</b>	<b>18.520.759</b>	<b>-7.154.439</b>	<b>-400.000</b>	<b>-618.139</b>	<b>67.654.382</b>
<b>Liquidity Gap</b>	<b>56.989.082</b>	<b>5.621.542</b>	<b>24.855.251</b>	<b>20.688.992</b>	<b>24.147.134</b>	<b>6.665.790</b>	<b>3.659.029</b>

The maturities presented are contractual, but in reality the Demand deposits included in the item Customer funds and other loans are stable and have longer maturities, enabling Caixa to meet the liquidity ratios required by Banco de Cabo Verde.

The “indefinite” column includes interest receivable and payable and amounts already received or paid that are being deferred, and non-performing loans

#### Interest rate risk

Interest rate risk management aims to protect the asset value, as well as optimize Caixa’s net interest income.

Caixa bears the interest rate risk whenever contracted operations have future cash flows that are sensitive to changes in interest rates.

The methodology adopted to measure this risk consists in grouping sensitive assets and liabilities at intervals, according to interest rate revision dates. The assets and liabilities cash flows, as well as the corresponding interest rate risk gap, are calculated at each interval.

#### Market risk

Market risk is defined as the risk of loss in off balance sheet accounts due to a change in market prices, such as instruments relating to Foreign exchange risks in all balance sheet and off balance sheet items, and instruments relating to interest rate risks that make up the trading portfolio.

The Foreign exchange risk is calculated on the overall position in foreign currency, in accordance with Law

No. 3/V/96, of 1 July, and Decree-Law No. 12/2005, dated 7 February.

The minimum amount of equity allocated to cover market risk relating to exchange rates is 10% of the overall foreign-exchange position.

#### Credit risk

Credit risk reflects the possibility of losses if the counterparty or its guarantor fails to comply with its financial obligations, namely loan repayment.

Caixa applies a risk management strategy that relies on rules and procedures and a provisioning policy based on collective and individual credit analyses. To this end, the concepts, principles and rules to be observed during the life of the loan, including the recovery phase, are established. Assessment of risk related to lending and off-balance sheet operations is supported in the proposed operation's quality assessment, including its purpose, duration, guarantees, among others. The specific risk assessment also considers exposure concentration and large exposure limits from a prudential perspective.

#### Maximum exposure to credit risk

As at December 31, 2017 and 2016, Caixa's maximum exposure to credit risk breaks down as follows:

	<b>2017</b>	<b>2016</b>
Investments in credit institutions	8.528.240	6.140.479
Loans to Customers (Net of Impairment and Provisions)	46.907.492	40.733.355
	<b>55.435.731</b>	<b>46.873.834</b>
Other Commitments:		
Guarantees and sureties (net of provisions)	750.930	350.525
Opened Documentary credits	14.759	223.269
Third-party Loan Management	701.090	0
	<b>1.466.780</b>	<b>573.794</b>
<b>Maximum Exposure to Credit Risk</b>	<b>56.902.511</b>	<b>47.447.628</b>
Quality of loans to customers		

As at December 31, 2017 and 2016, the gross book value of loans to customers, excluding "Other loans and receivables (securitized)," accrued interest or guarantees and documentary credit to companies, was as follows:

	<b>2017</b>			
	Performing Loans	Non-performing Loans	Loans in "default"	Total Loans
<b>Retail</b>				
<b>Mortgage</b>				
Due	11.042.478	328.039	1.569.983	12.940.500
Past due	-504	2.466	333.125	335.086
	<u>11.041.975</u>	<u>330.505</u>	<u>1.903.108</u>	<u>13.275.587</u>
<b>Consumption</b>				
Due	4.777.690	102.907	326.313	5.206.911
Past due	1	15.554	172.159	187.713
	<u>4.777.691</u>	<u>118.462</u>	<u>498.472</u>	<u>5.394.624</u>
<b>Other Loans</b>				
Due	478.412	69.367	342.770	890.549
Past due	15.207	4.013	96.380	115.601
	<u>493.619</u>	<u>73.380</u>	<u>439.151</u>	<u>1.006.150</u>
<b>Personnal guarantees</b>				
Due	8.010	0	0	8.010
Past due	0	0	0	0
	<u>8.010</u>	<u>0</u>	<u>0</u>	<u>8.010</u>
<b>Enterprises</b>				
Due	7.933.445	3.106.366	1.461.577	12.501.387
Past due	1.665	8.730	1.828.288	1.838.683
	<u>7.935.110</u>	<u>3.115.095</u>	<u>3.289.865</u>	<u>14.340.070</u>
<b>Individual producers</b>				
Due	793.955	63.804	186.767	1.044.526
Past due	82	1.972	145.440	147.495
	<u>794.038</u>	<u>65.775</u>	<u>332.208</u>	<u>1.192.021</u>
<b>Corporate guarantees</b>				
Due	747.319	0	10.360	757.679
Past due	0	0	0	0
	<u>747.319</u>	<u>0</u>	<u>10.360</u>	<u>757.679</u>
<b>Financial Institutions</b>				
Due	764	0	0	764
Past due	0	0	441	441
	<u>764</u>	<u>0</u>	<u>441</u>	<u>1.205</u>
<b>Public sector</b>				
Due	878.560	0	0	878.560
Past due	0	0	1.817	1.817
	<u>878.560</u>	<u>0</u>	<u>1.817</u>	<u>880.377</u>
<b>Novo Banco</b>				
Due	302.907	23.268	175.906	502.082
Past due	0	3.864	143.490	147.354
	<u>302.907</u>	<u>27.133</u>	<u>319.396</u>	<u>649.436</u>
Total due loans	26.963.542	3.693.750	4.073.677	34.730.969
Total past due loans	16.451	36.599	2.721.140	2.774.190
<b>Total Loans</b>	<u>26.979.993</u>	<u>3.730.349</u>	<u>6.794.816</u>	<u>37.505.159</u>
	26.979.993	3.730.349	6.794.816	37.505.159

In preparing the above tables, the following classifications were considered:

- "Performing loans"



- Companies: loans with no overdue payments or with balances up to 30 days past due;
- Individuals: loans with no overdue payments or with balances up to 7 days past due;
- “Non-performing loans”
  - Companies: loans with balances between 30 and 90 days past due;
  - Individuals: loans with balances between 7 and 90 days past due;
- “Loans in default” – loans with balances more than 90 days past due. With regard to loans granted to companies, if the customer has at least one operation with payments more than 90 days past due, the entire exposure to Caixa was reclassified under this category.

Additionally, overdue loans include only the amounts of operations or installments overdue and unpaid on the reference date. In Note 9, “Overdue loans” includes the full amount of receivables related to operations with past due amounts.

As at December 31, 2017 and 2016, loans that were assigned specific impairment through individual assessment totaled 7.261.837 billion CVE and 6.304.876 billion CVE, respectively, with impairment amounting to 1.647.032 billion CVE and 1.617.364 billion CVE, respectively. As described in Note 2.2. d), loans subject to individual assessment for which no specific impairment was assigned were included in a collective assessment.

The credit quality indicators as at December 31, 2017 and 2016, calculated in accordance with the criteria set out in Circular No. 150, Series A, dated December 28, 2009, issued by Banco Central de Cabo Verde, are presented as follows:

	2017	2016
Loans in default / total loans	10,48%	11,66%
Net loans in default / total net loans	3,43%	5,25%

#### Fair value

The table below shows a comparison between the fair value and book value of the main financial assets and liabilities held at amortized cost as at December 31, 2017 and 2016:

	2017				
	Balances Analyzed		Difference	Non analyzed Balances	
	Book Value	Fair Value		Book Value	Total Book Value
<b>Assets:</b>					
Cash and cash equivalents at central banks	10.190.370,34	10.190.370,34	0,00	0,00	10.190.370,34
Cash equivalents at other credit institutions	2.129.307,77	2.129.307,77	0,00	0,00	2.129.307,77
Available for Sale Financial Assets	3.822,50	3.822,50	0,00	0,00	3.822,50
Investments in credit institutions	8.526.151,15	8.526.151,15	0,00	0,00	8.526.151,15
Loans to customers	44.477.672,28	45.291.188,33	813.516,05	5.989.908,74	50.467.581,02
	<b>65.327.324,04</b>	<b>66.140.840,09</b>	<b>813.516,05</b>	<b>5.989.908,74</b>	<b>71.317.232,78</b>
<b>Liabilities:</b>					
Funds from central banks			0,00	0,00	0,00
Funds from other credit institutions	634.647,00	635.298,33	651,33	0,00	634.647,00
Customer funds and other loans	67.019.734,73	68.266.451,06	1.246.716,34	0,00	67.019.734,73
	<b>67.654.381,72</b>	<b>68.901.749,39</b>	<b>1.247.367,67</b>		<b>67.654.381,72</b>

	2016				
	Balances Analyzed			Non analyzed Balances	
	Book Value	Fair Value	Difference	Book Value	Total Book Value
<b>Assets:</b>					
Cash and cash equivalents at central banks	9.588.789,61	9.588.789,61	0,00	0,00	9.588.789,61
Cash equivalents at other credit institutions	1.299.521,86	1.299.521,86	0,00	0,00	1.299.521,86
Available for Sale Financial Assets	3.822,50	3.822,50	0,00	0,00	3.822,50
Investments in credit institutions	6.140.457,92	6.140.457,92	0,00	0,00	6.140.457,92
Loans to customers	37.966.409,77	35.041.223,66	-2.925.186,11	5.555.085,62	43.521.495,39
	<b>54.999.001,66</b>	<b>52.073.815,55</b>	<b>2.925.186,11</b>	<b>5.555.085,62</b>	<b>60.554.087,28</b>
<b>Liabilities:</b>					
Funds from central banks	0,00		0,00	0,00	0,00
Funds from other credit institutions	486.735,93	289.847,11	-196.888,82	0,00	486.735,93
Customer funds and other loans	57.615.506,54	58.014.971,97	399.465,43	0,00	57.615.506,54
	<b>58.102.242,46</b>	<b>58.304.819,07</b>	<b>-202.576,61</b>		<b>58.102.242,46</b>

The following assumptions were used to determine fair value:

- For balances in cash and short-term investments in credit institutions, the book value corresponds to the fair value;
- For available for sale financial assets:
  - Portuguese government bonds were recorded at historical cost, with a recorded impairment of 200,000 CVE, to reduce the carrying value to its estimated realizable value.
  - Due to its low book value, shares in the GARI Fund were recorded at historical cost.
- The fair value of remaining instruments was determined by Caixa based on discounted cash flow models, taking into consideration the contractual terms of operations and using interest rates that are suitable to the type of instrument and the rates for similar instruments issued or contracted near the end of the year.
- The column “Non-analyzed balances” includes mainly non-performing loans.

#### Sensitivity analysis - Interest rate

On December 31, 2017, the impact of parallel shifts of 50, 100 and 200 basis points (bps) in the yield curve on the fair value of financial instruments sensitive to interest rate risk, excluding financial derivatives, can be demonstrated by the following tables:

	-200bp	-100bp	-50bp	+50bp	+100bp	+200bp
Asset	-298 280,17	-283 119,50	-147 308,05	107 535,56	227 219,98	452 570,67
Total	-298 280,17	-283 119,50	-147 308,05	107 535,56	227 219,98	452 570,67
Liability	-3 233,78	-5 448,40	-6 555,70	-8 770,32	-9 877,63	-12 092,25
Total	-3 233,78	-5 448,40	-6 555,70	-8 770,32	-9 877,63	-12 092,25
<b>Total Gains/Losses</b>	<b>-295 046,39</b>	<b>-277 671,10</b>	<b>-140 752,34</b>	<b>116 305,89</b>	<b>237 097,61</b>	<b>464 662,92</b>

The following table presents the effect, on the projected net interest income for FY 2017 and 2016, respectively, of a parallel shift of 50, 100 and 1200 bps in the yield curves that index financial instruments that are sensitive to changes in interest rate:

#### NET INTEREST INCOME PROJECTION

	2017					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
FY 2016	-12 604,54	-6 302,27	-3 151,14	3 151,14	6 302,27	12 604,54
FY 2017	-12 604,54	-6 302,27	-3 151,14	3 151,14	6 302,27	12 604,54

In calculating the impacts presented in the table above, it was considered that the assets and liabilities that were sensitive to interest rate on the date of the calculation would remain stable over FY 2017 and 2016, respectively, being renewed where applicable, taking into consideration the market conditions on those renewal dates and the average spread of outstanding operations on December 31, 2017 and 2016. Such impacts correspond exclusively to corporate bonds held by Caixa.

Note that the information contained in the tables above refers to a static scenario and does not take into account the changes in strategy and policies related to interest rate risk management that Caixa may adopt as a result of changes in benchmark interest rates.

As at December 31, 2017 and 2016, loans to customers, totaling 27.165.795 billion CVE and 29.146.357 billion CVE, respectively, were mainly granted at a fixed rate

Foreign exchange risk

Breakdown of financial instruments by currency

As at December 31, 2017 and 2016, financial instruments were broken down as follows, by currency:

	2017				
	Current				
	CVE	Euros	Dolar USD	Outras	Total
<b>Assets:</b>					
Cash and cash equivalents at central banks	7.731.031	2.212.301	196.507	50.533	10.190.370
Cash equivalents at other credit institutions	81.460	1.472.211	543.792	31.845	2.129.308
Available for Sale Financial Assets	0	3.823	0	0	3.823
Investments in credit institutions	8.396.138	108.225	23.876	0	8.528.240
Loans to customers (Gross balance)	50.465.485	2	6	0	50.465.493
Other assets (net value)	2.338.664	44.915	1.030	0	2.384.610
	<b>69.012.777</b>	<b>3.841.476</b>	<b>765.212</b>	<b>82.378</b>	<b>73.701.842</b>
<b>Liability</b>					
Funds from other credit institutions	-625.770	-3.378	-5.500	0	-634.647
Customer funds and other loans	-64.627.845	-1.640.953	-745.653	-5.284	-67.019.735
Other liabilities	1.962.019	-2.193.323	-14.059	-77.094	-322.456
Other Reserves and Retained Earnings	-2.299.131	-3.823	0	0	-2.302.954
	<b>-65.590.727</b>	<b>-3.841.476</b>	<b>-765.212</b>	<b>-82.378</b>	<b>-70.279.792</b>
<b>Net Exposure</b>	<b>3.422.051</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.422.051</b>

	2016				
	Currency				Total
	CVE	Euros	Dollar USD	Others	
<b>Assets:</b>					
Cash and cash equivalents at central banks	6.821.474,73	2.444.530,72	250.445,29	72.338,86	9.588.789,61
Cash equivalents at other credit institutions	36.258,24	1.000.888,39	232.847,75	29.527,48	1.299.521,86
Available for Sale Financial Assets	0,00	3.822,50	0,00	0,00	3.822,50
Investments in credit institutions	6.004.979,39	108.225,10	27.253,43	0,00	6.140.457,92
Loans to customers (Gross balance)	43.521.490,68	3,80	0,91	0,00	43.521.495,39
Investments in subsidiaries, associates and joint ventures	79.077,62	0,00	0,00	0,00	79.077,62
Other Assets (net value)	2.252.921,89	41.803,15	149,86	139,34	2.295.014,23
	<b>58.716.202,55</b>	<b>3.599.273,66</b>	<b>510.697,24</b>	<b>102.005,68</b>	<b>62.928.179,13</b>
<b>Liabilities</b>					
Funds from other credit institutions	-428.549,55	-8.377,13	-49.809,25	0,00	-486.735,93
Customer funds and other loans	-55.994.196,70	-1.171.064,02	-446.853,23	-3.392,59	-57.615.506,53
Other liabilities	-344.998,66	-185,39	-191,82	-108,62	-345.484,49
Other Reserves and Retained Earnings	-2.116.053,77	-3.822,50	0,00	0,00	-2.119.876,27
	<b>-58.883.798,68</b>	<b>-1.183.449,04</b>	<b>-496.854,30</b>	<b>-3.501,21</b>	<b>-60.567.603,22</b>
<b>Net Exposure</b>	<b>-167.596,13</b>	<b>2.415.824,62</b>	<b>13.842,94</b>	<b>98.504,48</b>	<b>2.360.575,91</b>

### 34. CAPITAL MANAGEMENT

In accordance with the prudential rules, Caixa Económica is subject to compliance with the solvency ratio, liquidity ratios, risk sharing and equilibrium of balance of payments.

Caixa's Equity is managed so as to comply with prudential Equity levels, pursuant to BCV Notice No. 3/2007, dated 19 November: "Equity of Credit Institutions, Non-banking Institutions and International Financial Institutions," in order to provide coverage for weighted credit risk, operational risk and market risk.

BCV Notice No. 3/2007 establishes the Equity requirements applicable to Credit Institutions and the methods for calculating the solvency ratio.

Equity is divided into two categories:

- Core capital, determined from equity net of unrealized gains and losses; and
- Tier 2 capital, which are limited to 100% of the core capital amount and are made up primarily of subordinated loans.

Deductions related to holdings in other credit institutions decrease the total equity amount.

Pursuant to the regulations, Caixa must comply with a solvency ratio of 10% at all times.

As at December 31, 2017 and 2016, Caixa Económica de Cabo Verde complied with the regulatory requirements, as follows:

	Equity	Solvency	Fixed assets limit
2017	4 136 245	15,78%	199,98%
2016	3 690 349	15,26%	173,39%

### **35. SUBSEQUENT EVENTS**

There are not any subsequent events worthy of record.