

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

**Financial Statements at December 31,  
2011, and accompanying Audit Report**

## INDEPENDENT AUDITORS' REPORT

(Amounts expressed in thousands of Cape Verdean Escudos – tCVE)

### **Introduction**

1. We have audited the accompanying financial statements of the Caixa Económica de Cabo Verde, S.A.R.L. (“Caixa”), which comprise the Balance Sheet as at December 31, 2011, evidencing a total of tCVE 42.090.552 and owner equity of tCVE 3.549.658, including net earnings of tCVE 432.678, the Statement of Comprehensive Income, the Statement of changes in equity and cash flows for the year then ended, as well as the corresponding Annexes (Notes 1 through 33).

### **Responsibilities**

2. The Executive Board of the Caixa is responsible for the preparation and fair presentation of financial statements that are free from material misstatement, reflecting the actual financial position of the Caixa, results and comprehensive income, changes in its equity and cash flows, in accordance with the International Financial Reporting Standards (IFRS), as well as for the adoption of adequate policies and accounting criteria and maintenance of relevant internal controls. Our responsibility is to express a professional and independent opinion on those financial statements based on our audit.

### **Scope**

3. Except for the limitation described in paragraph 4 below, our audit works were conducted in accordance with generally accepted auditing standards, which require that the audit works be planned and performed with the aim of obtaining reasonable assurance about whether the financial statements are free from material misstatement. This audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures of financial statements, and assessment of the estimates based on judgments and criteria defined by the Board of Directors and used in their preparation. This examination also included an assessment of the adequacy of the accounting policies adopted and their disclosure taking into account individual circumstances, verifying the applicability of the principle of business continuity and assessment of the adequacy of the overall presentation of the financial statements. We believe that the audit evidence we have obtained provides an acceptable basis for our audit opinion.

## **Reserve**

4. As described in Note 13, on December 31, 2011, the Caixa recorded subsidies receivable and claimed since 2004 in the amount of tCVE. 598.712 (tCVE 485.142 as at December 31, 2010). In the financial year of 2010, the Caixa received from the Directorate-General of the Treasury the preliminary report of an external audit focusing on the regime of subsidized credit intended to determine the value of the Government debt with the Caixa related to interest rate subsidies, which questions the eligibility of a series of transactions for a sample of subsidized loans granted since 1994. Also in 2010, the Caixa disagreed with the findings of this report, having not received to date any additional feedback of the DGT. On the other hand, up to the date of this report we have not received any reply of the DGT to the request for confirmation of the balances and other disclosures with reference to December 31, 2011. Despite the fact that the Board of Directors of the Caixa maintains the understanding that the amounts claimed are properly supported and in accordance with the legal provisions in force, given the lack of new developments in 2011, we cannot draw any conclusions on the full recoverability of the said values of subsidies receivable on December 31, 2011.

## **Opinion**

5. In our opinion, except with respect to the effects of the adjustments which could prove necessary in case the limitation described in paragraph 4 above did not exist, the financial statements referred to in paragraph 1 above give a true and fair view, in all aspects materially relevant, of the financial position of the Caixa Económica de Cabo Verde, S.A.R.L. as of 31 December 2011, as well as the results and the comprehensive income of its operations, the changes in its owner equity and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Lisbon, March 30, 2012

CAIXA ECONÓMICA DE CABO VERDE, S.A.

BALANCE SHEETS ON DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Cape Verdean Escudos)

ASSETS	Notes	2011			2010	LIABILITIES AND OWNER EQUITY	Notes	2011	2010
		Gross Assets	Provisions, impairment & depreciation	Net Assets	Net Assets				
Cash and deposit at Central Banks	3	3.306.285	-	3.306.285	4.791.318	Resources from Central Banks	14	6.942	-
Deposit in other credit institutions	4	647.957	-	647.957	315.138	Resources from other credit institutions	15	2.092.907	1.067.393
Financial assets available for sale	5	4.023	(200)	3.823	3.823	Customer funds and other loans	16	35.957.992	31.911.402
Investment in credit institutions	6	722.477	-	722.477	1.169.958	Provisions	17	48.817	50.002
Loans to customers	7	36.793.746	(2.046.777)	34.746.969	28.308.840	Current tax liabilities	12	99.047	111.866
Investment properties	8	8.028	(3.321)	4.707	14.439	Deferred tax liabilities	12	3.077	4.616
Other tangible assets	9	2.537.828	(810.762)	1.727.066	1.321.711	Other liabilities	18	332.112	258.146
Intangible assets	10	239.533	(232.897)	6.636	21.254	Total Liabilities		38.540.894	33.403.425
Investment in subsidiaries, assoc. companies & joint ventures	11	104.912	-	104.912	101.950	Capital	19	1.392.000	1.392.000
Current tax assets	12	11.127	-	11.127	9.582	Other reserves and retained earnings	20	1.724.980	1.554.838
Deferred tax assets	12	26.587	-	26.587	39.880	Profit for the Year	20	432.678	378.942
Other assets	13	814.515	(32.509)	782.006	631.312	Total equity		3.549.658	3.325.780
Total Assets		<u>45.217.018</u>	<u>(3.126.466)</u>	<u>42.090.552</u>	<u>36.729.205</u>	Total liabilities and owner equity		<u>42.090.552</u>	<u>36.729.205</u>

The accompanying notes are an integral part of these balance sheets.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Cape Verdean Escudos)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Interest and similar income	21	2.999.724	2.623.347
Interest and similar charges	22	(1.122.607)	(850.990)
<b>NET INTEREST INCOME</b>		<u>1.877.117</u>	<u>1.772.357</u>
Income on services and commissions	23	176.638	180.831
Charges from services and commissions	23	(50.836)	(39.848)
Results from foreign exchange revaluation	24	88.766	128.695
Results from the sale of other assets	25	2.387	2.757
Other operating income	26	63.192	55.292
<b>BANKING PRODUCT</b>		<u>2.157.264</u>	<u>2.100.084</u>
Employee costs	27	(554.407)	(519.704)
General administrative expenses	28	(547.838)	(496.484)
Depreciation	8, 9 e 10	(112.995)	(134.636)
Provisions net of reversals and recoveries	17	(6.050)	(14.252)
Loan impairment net of reversals and recoveries	17	(414.554)	(434.066)
Income from related companies	11	6.705	1.621
<b>INCOME BEFORE TAXES</b>		<u>528.125</u>	<u>502.563</u>
Tax			
Current	12	(83.693)	(111.866)
Deferred	12	(11.754)	(11.755)
		<u>(95.447)</u>	<u>(123.621)</u>
<b>Income and comprehensive income for the year</b>		<u><u>432.678</u></u>	<u><u>378.942</u></u>
Average number of ordinary shares issued		1.392.000	1.392.000
Earnings per share		0,31	0,27

The accompanying notes are an integral part of these financial statements.

CAIXA ECONÔMICA DE CABO VERDE, S.A.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Cape Verdean Escudos)

	Other reserves and retained earnings				Results for the year	Total	
	Capital	Leval Reserve	Other reserves	Retained earnings			
Balances at 31 December 2009	1.392.000	298.205	1.401.658	(177.062)	1.522.801	307.653	3.222.454
Distribution of income for the year 2009:							
Incorporation in reserves	-	30.765	1.272	-	32.037	(32.037)	-
Dividends	-	-	-	-	-	(275.616)	(275.616)
Comprehensive income for the year	-	-	-	-	-	378.942	378.942
	<u>1.392.000</u>	<u>328.970</u>	<u>1.402.930</u>	<u>(177.062)</u>	<u>1.554.838</u>	<u>378.942</u>	<u>3.325.780</u>
Distribution of income for the year 2010:							
Incorporation in reserves	-	37.894	132.248	-	170.142	(170.142)	-
Dividends	-	-	-	-	-	(208.800)	(208.800)
Comprehensive income for the year	-	-	-	-	-	432.678	432.678
Balances at 31 December 2011	<u>1.392.000</u>	<u>366.864</u>	<u>1.535.178</u>	<u>(177.062)</u>	<u>1.724.980</u>	<u>432.678</u>	<u>3.549.658</u>

The accompanying notes are an integral part of these financial statements.

CAIXA ECONOMICA DE CABO VERDE, S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Cape Verdean Escudos)

	2011	2010
<u>Cash flows from operating activities</u>		
Receipt of interest and charges	3.176.362	2.804.178
Payment of interest and charges	(1.173.443)	(890.838)
Other receivable/payable related to operating activities	151.958	182.724
Payment to staff and suppliers	(1.106.883)	(1.016.188)
Income tax payment	(86.930)	(84.932)
Operating profits before changes in operating assets	961.064	994.944
(Increases) decreases in operating assets:		
Investment with credit institutions	447.481	(840.427)
Loans to customers	(6.852.682)	(3.972.825)
Other assets	(156.744)	(85.617)
	(6.561.945)	(4.898.869)
Increases (decreases) in operating liabilities:		
Resources from Central Banks and other credit institutions	1.032.456	(48.978)
Customer funds	4.046.590	3.797.792
Other liabilities	74.513	(3.914)
	5.153.559	3.744.900
Cash net of operating activities	(1.408.386)	(1.153.969)
<u>Cash flows from investment activities</u>		
(Increases) decreases in investment assets:		
Investment in subsidiaries, associated companies & joint ventures	3.743	(56.853)
Intangible assets	(1.901)	(5.872)
Other tangible assets	(500.321)	(312.132)
Investment properties	-	(116)
Proceeds from the sale of tangible assets	2.387	2.756
Cash net of investment activities	(496.092)	(372.217)
<u>Cash flows from financing activities</u>		
Dividends	(208.800)	(275.616)
Cash net of financing activities	(208.800)	(275.616)
Increase (decrease) net of cash and cash equivalents	(1.152.214)	(806.858)
Cash and cash equivalents at beginning of year	5.106.456	5.913.314
Cash and cash equivalents at end of year	3.954.242	5.106.456

The accompanying notes are an integral part of these financial statements.

## 1. INTRODUCTORY NOTE

The Caixa Económica de Cabo Verde, S.A. (Caixa) is a banking and credit institution converted into a limited liability company by the Decree-Law No. 54/93, of August 31. Within the scope of the privatization process of financial institutions and public owned financial corporations as provided for by the Resolution No. 46/99, dated September 27, of the Council of Ministers, the Group comprising the Caixa Económica Montepio Geral S.A., IMPAR (Capeverdean Insurance Company), and a Local Group including a set of 51 national entrepreneurs and staff held the majority of Caixa's shareholding up to September 2009. Henceforth, the Geocapital, Sociedade de Gestão e Participação, SA, purchased the shares of the Caixa Económica Montepio Geral S.A. and Montepio Geral – Associação Mutualista (Note 19).

The capital of the Caixa is represented by 1.392.000 shares, 90% of which are listed on the Stock Exchange of Cape Verde (Bolsa de Valores de Cabo Verde).

The Caixa aims at exercising any banking activities and operations legally authorized to banks and may also acquire interests in corporations with different purpose, in companies governed by special laws, and in complementary groups of companies.

The Caixa has its headquarters in the city of Praia, Republic of Cape Verde, featuring a network of 29 agencies to carry out its operations.

The financial statements of the Caixa on December 31, 2011 have been approved by the Executive Board on March 29, 2012, and are pending approval by the General Assembly. However, the Executive Board of the Caixa expects them to be approved without any significant changes.

## 2. SUMMARY OF MAJOR ACCOUNTING POLICIES

### 2.1. Basis of presentation

The financial statements of the Caixa were prepared under the assumption of business continuity, based on the accounting books and records kept in accordance with the principles enshrined in the International Financial Reporting Standards (IFRS), pursuant to Notice No. 2/2007, of November 19, issued by the Banco de Cabo Verde.

### 2.2. Accounting policies

#### a) Accrual

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

#### b) Conversion of balances and transactions in foreign currency

The assets and liabilities denominated in foreign currencies are converted into Cape Verdean Escudos at the average exchange rate of the Caixa on the last working day of each month. Exchange differences on currency conversion are reflected in the income statement, except for those caused by non-monetary financial instruments such as equities classified as available for sale, which are recorded in equity until disposal or sale.



NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
(Amounts expressed in thousands of Cape Verdean Escudos – tCVE)

In the years 2011 and 2010, the exchange rate of the Cape Verdean Escudo against the Euro stood still at 1 Euro/110,265 Cape Verdean Escudos. On December 31, 2011 and 2010, the exchange rate against the U.S. dollar (USD) was as follows:

	<u>2011</u>	<u>2010</u>
1 USD	85,697	83,178

c) Financial Instruments

i) Financial Assets

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

a) Loans and Receivables

These are financial assets with fixed or determinable payments not listed in an active market. This category includes loans to customers (including securitized credit 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 Cape Verde since they were acquired in the primary market by the Caixa chiefly for holding until maturity and there is no active secondary market.

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

*Recognition of interest*

Interest is recognized based on the effective rate method, which makes it possible to calculate the amortized cost and allocate the interest over the period of the transactions. The effective rate is the one which, being used to discount the estimated future cash flows associated with the financial instrument, allows to even its present value to the value of the financial instrument on the date of initial recognition.

*Write off of principal and interest*

Interest on overdue loans is written off on the very date on which the operation becomes due or of the first overdue installment. Interest not reported on the claims referred to above is only recognized in the year it will be charged and is recorded under the heading "Interest and similar income".

In accordance with the policies in place at the Caixa, the entire outstanding amount of operations with arrears is classified as overdue loan 30 days after becoming due, with the exception of transactions with interest due only.

Periodically, the Caixa writes off from the assets its cash loans deemed irrecoverable by using the impairment constituted, following a specific analysis on the part of the bodies in charge of loan monitoring and recovery, and approval by the Executive Board. Any recovery of loans written off from the assets is reflected in the income statement under "Credit impairment".

b) Financial Assets Available for Sale

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

On December 31, 2011 and 2010 the assets available for sale represent unlisted assets whose fair value could not be reliably measured, and therefore the Caixa kept these assets at historical cost.

Dividends and other income from equity instruments in this class are recorded as income under the caption "Income from equity instruments" whenever the Caixa is entitled to these receivables.

d) Impairment of Financial Assets

Financial Assets at Amortized Cost

The Caixa carries out regular reviews to impairment of its financial assets recorded at amortized cost, in particular loans and receivables.

The identification of signs of impairment is performed on an individual basis for financial assets in which exposure is individually significant and on a collective basis for assets available whose outstanding balances are not individually relevant.

The following events may be an indication of impairment:

- Breach of contract terms, including delays in payment of interest or principal;
- Occurrence of events of default in the financial system;
- Existence of operations resulting from loan restructuring or ongoing negotiations for credit restructuring;
- Difficulties in terms of the ability of shareholders and management, particularly as regards the withdrawal of key shareholders or main staff members, and disagreements between shareholders;
- Significant financial difficulties of the debtor or debt issuer;
- Existence of a high probability of bankruptcy of the debtor or debt issuer;
- Decrease of the competitive position of the debtor;
- Historical behavior of the collections that leads to the conclusion that the nominal value will not be fully recovered.

The Caixa performs an individual analysis of the customers evidencing responsibilities over tCVE 50.000 or default events for more than 90 days.

Where indications of impairment are identified in individually analyzed assets, any impairment loss shall be the difference between the present value of future cash flows expected to receive (recoverable amount), discounted at the rate of the asset's original effective interest rate, and the value in the balance sheet at the time of such analysis.

The assets that were not specifically examined are included in a collective impairment analysis and to this effect were classified into homogeneous groups with similar risk characteristics (e.g. based on the characteristics of the counterparties and the type of credit). The future cash-flows were estimated based on historical information on defaults and recoveries on assets with similar characteristics.

To this end, the Caixa has defined the following segments in its loan portfolio:

- Loans to companies
- Mortgage loans
- Other loans to individuals
- Guarantees

In addition, the assets individually assessed and for which no objective evidence of impairment was identified were also subject to collective evaluation of impairment, under the terms described above.

Impairment losses calculated in the collective analysis incorporate the time effect of discounting the cash flows estimated to be received in each transaction at the date of the balance sheet.

Impairment for claims on the government of Cape Verde (including government bonds), public companies or municipalities, or guaranteed by these entities, is not stated.

The amount of impairment found is recognized in costs under the heading "Impairment of other financial assets net of reversals and recoveries", and reflected on the balance sheet separately as a deduction from the amount of the claim it respects to.

#### Financial Assets Available for Sale

For these financial assets, namely unlisted equity instruments whose fair value cannot be reliably measured, the Caixa performs periodic impairment testing. In this context, the recoverable amount represents the best estimate of future flows to receive from the asset, discounted at a rate that appropriately reflects the associated risk.

The amount of impairment loss calculated is recognized directly in the income statement. Impairment losses on these assets cannot be reversed.

e) Financial Liabilities

Financial liabilities are recorded on the contract date at their fair value, less cost directly attributable to the transaction. Financial liabilities include funds of credit institutions and customers and payment incurred with the provision of services or purchase of assets recorded in "Other liabilities".

Sales transactions with repurchase agreements, including Treasury Bonds and Treasury Bills, are recorded under "Customer funds and other loans" and the respective securities are recorded in the portfolio of the Caixa.

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

f) Assets received through credit recovery

The properties and other assets auctioned through the recovery of overdue loans, which are not available for immediate sale, are recorded at the auction value when the respective court proceedings are concluded, under the heading "Other assets".

These assets are not amortized. Periodical assessments of the properties received through debt recovery are conducted. If the assessed value, less the estimated costs to be incurred with the sale of the property, is less than the book value, impairment losses are recorded. In determining the impairment, the Caixa also considers the age of the properties in the portfolio.

Following the sale of the auctioned properties, they are written off and the gains or losses are recorded under "Other operating income and costs".

g) Investment Properties

Investment properties are those held for the purpose of obtaining income through lease and/or their valuation.

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses.

Depreciation is calculated and recorded as an expense in "Yearly depreciation" over an estimated useful life of 60 years.

h) Other tangible assets

These assets are recorded at the acquisition cost less accumulated depreciation and impairment losses. The cost of repair, maintenance and other expenses associated with their use are recognized as cost of the financial year, under the heading "General administrative expenses".

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
(Amounts expressed in thousands of Cape Verdean Escudos – tCVE)

Depreciation is calculated on a systematic basis over the estimated useful life of the asset, which corresponds to the period when the asset is expected to be available for use, id est:

	<u>Years of Useful Life</u>
Buildings for own use	60
Equipment:	
Office material and furniture	8
Tools and equipment	5 - 6
Computer equipment	5
Indoor facilities	4 - 5
Transport material	4 - 6
Safety equipment	5 - 12
Other equipment	6

Land is not depreciated.

Expenditure on works and improvement in buildings occupied by the Caixa as lessee under operating lease are capitalized in this caption and usually amortized over a period of 10 years.

Depreciation is recorded in operating costs.

Analysis is periodically performed to identify evidence of impairment on tangible assets in accordance with Standard IAS 36 – “Impairment of Assets”. Where the net book value of tangible assets exceeds their recoverable amount (greater between use value and fair value), an impairment loss is recognized which reflects in the income statement under “Impairment of other assets”. Impairment losses can be reversed also with an impact on the income, if subsequently an increase in the recoverable value of the asset is found.

The calculation of depreciation takes into account an estimation of the residual value of the equipment, especially for vehicles.

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

i) Intangible Assets

This item essentially comprises the costs with the acquisition, development or preparation for use of software used in developing the activities of the Caixa.

Intangible assets are recorded at acquisition cost, less accumulated depreciation and impairment losses.

Depreciation is recorded as costs on a systematic basis over the estimated useful life of the assets, which corresponds to a period of 3 years.

The costs of software maintenance are recorded as costs in the year they are incurred.

j) Investments in subsidiaries, associated companies and joint ventures

This item includes investments in companies over which the Caixa has significant influence but no effective control over their management ("associated companies"). It is assumed that there is significant influence when the participation of the Caixa stands between 20% and 50% of the capital or voting rights, or, if less than 20%, the Caixa is a member of the managing board and exercises direct influence on the definition of the relevant policies of the company.

These assets are recorded by the equity equivalent method. According to this method, shares are initially valued at acquisition cost, which is then adjusted based on the actual percentage of the Caixa on variations in equity (including results) of the associated companies.

k) Tax on Profit

On December 31, 2011 and 2010, the Caixa is subject to the Single Income Tax (IUR) at the rate of 25%, and a fire rate of 2% on the tax calculated, which corresponds to an aggregated tax rate of 25.5%.

Current Tax

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

Deferred Tax

Total tax on profit includes current tax and deferred tax.

Deferred tax represents the impact on tax recoverable/payable for future periods resulting from deductible or taxable temporary differences between the book value of assets and liabilities and their tax base 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 in which the existence of future taxable income to enable the use of the corresponding deductible tax differences or reported tax losses is likely. Additionally, deferred tax are not recorded where their recoverability may be questionable due to other situations, such as issues of construal and interpretation of the tax legislation in force.

Despite the above, deferred tax related with temporary differences arising from the initial recognition of assets and liabilities in transactions which do not affect the accounting result or the taxable profit is not recorded.

The main conditions that result in temporary differences at the Caixa are the impacts of adopting the IFRS.

Deferred taxes are calculated using the tax rates anticipated to be in force on the date of reversion of the temporary differences, which correspond to the rates enacted or substantially adopted on the date of the balance sheet.

Taxes on income (current or deferred) are reflected in the income statement, except in cases where the transactions that originated them have been reflected in other equity items (e.g. in the case of revaluation of financial assets available for sale). Under these circumstances, the corresponding tax is also reflected in return for equity, not affecting the results for the year.

l) Provisions and contingent liabilities

A provision is made when there is a present (legal or constructive) obligation arising from past events for which it is probable the future expenditure of resources which may be determined reliably. The amount of the provision corresponds to the best estimate of the amount paid to settle the liability at the balance sheet date.

If the future expenditure of resources is not likely, then it concerns a contingent liability. Contingent liabilities are only disclosed when the possibility of their execution is remote.

m) Employee Benefits

The liabilities for employee benefits are recognized in accordance with the principles established by Standard IAS 19 – “Employee Benefits”.

The productivity bonuses paid to employees for their performance are reflected in “Staff costs” in the period concerned, in accordance with the principle of accruals.

Additionally, the Caixa has not assumed any responsibilities regarding payment of pensions and other post-employment benefits to its employees, which are covered by the general social security system.

n) Commissions

Commissions on credit operations, which are essentially fees for opening and managing credit, are recognized by applying the effective rate method over the life period of operations, regardless of when they are charged or paid.

Commissions associated with guarantees, documentary credits and card annuities are subject to linear deferral over the corresponding period.

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

o) Securities held in escrow

The amounts received in escrow, including the securities of customers, are recorded in off balance sheet items at the nominal value.

p) Cash and cash equivalents

For the preparation of the statement of cash flows, the Caixa considers as “Cash and cash equivalents” the total for the items “Cash and deposits at central banks” and “Investments with other credit institutions”.

q) Critical accounting estimates and most relevant judgments in the application of the accounting policies

In applying the accounting policies described above, the Executive Board of the Caixa is bound to perform estimates. Estimates of major impact in the financial statements of the Caixa include those presented below.

Determination of impairment losses on loans granted

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

The determination of impairment by collective analysis is performed based on historical parameters for certain types of comparable transactions, taking into account estimates of default and recovery.

The Caixa believes that the impairment determined based on this methodology allows to adequately reflect the risk associated with its loan portfolio, taking into consideration the guidelines defined by Standard IAS 39.

Calculation of income taxes

Taxes on income (current and deferred) are calculated by the Caixa pursuant to the rules defined by the tax regime in force. However, in some situations tax laws may not be sufficiently clear and objective and lead to the existence of different interpretations. In these cases, the values recorded result from a better understanding of the managing bodies of the Caixa on the proper framework for its operations which is however likely to be questioned by the tax authorities.

r) Adoption of the new Standards (IAS/IFRS) or review of already issued regulations

As referred to in Note 2.1, in preparing the financial statements the Caixa used the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for the period starting on January 1, 2011.



NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
(Amounts expressed in thousands of Cape Verdean Escudos – tCVE)

The following standards, interpretations, amendments and reviews compulsorily applicable in the financial years starting on or after January 1, 2011 were adopted for the first time in the year ended on December 31, 2011:

<b>Standard/Interpretation</b>	<b>Date of effectiveness (financial years beginning on or after)</b>	
<b>NEW OR REVIEWED STANDARDS AND INTERPRETATIONS:</b>		
IAS 24 – “Related Entities” (Amended)	1-Jan-11	This review provides some clarifications related to the disclosures to be made from related parties, in particular as regards to the entities related to the public administration.
IFRIC 19 – Extinguishing financial liabilities with equity instruments	1-Jul-10	This interpretation provides guidance on the accounting for transactions in which the terms of a financial liability are renegotiated and result in the issuance by the entity of equity instruments in favor of its lender with the resulting extinction of all or part of this financial liability.
IAS 32 – Financial Instruments: Presentation	1-Feb-10	Clarification of the standard at the presentation level between equity and liabilities.
<b>AMENDMENTS:</b>		
IFRIC 14 and IAS 19 – Amendment (The limit on a defined benefit asset, minimum funding requirements and their interaction)	1-Jan-11	Clarifies the composition and accounting handling of minimum funding requirements of employee benefit liabilities associated with future services.

Applying these standards had no material effect on the financial statements of the Caixa on 31 December 2011.

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, are available for early adoption, on the date of approval of these financial statements:

<b>Standard/Interpretation</b>	<b>Date of effectiveness (financial years beginning on or after</b>	
<b>NEW OR REVIEWED STANDARDS OR INTERPRETATION:</b>		
IAS 27 – “Consolidated and separate income statements”	1-Jan-13	The standard establishes the principles to be applied in accounting for investments in subsidiaries, joint ventures and associates where an entity has chosen (that is, required by local regulators) to present separate (non-consolidated) financial statements.
IFRS 9 – “Financial instruments” (Amended in 2009)	1-Jan-15	<p>This legislation represents the first phase of the ongoing changes to IAS 39 – “Financial Instruments. Classification and measurement” and IFRS 7 – “Financial instruments: Disclosures”. The text of the new standard introduces changes to the current criteria for classifying and measuring financial assets, most notably:</p> <p>a) Debt instruments not held for trading which are held for the purpose of receiving the contractual flows of principal and interest on the initial investment amount should be recorded at amortized cost. Debt instruments not fitting these characteristics should be recorded at fair value through profit or loss for the year;</p> <p>b) Equity instruments should be recorded at fair value through profit or loss and there is an option available for the irrevocable designation of these instruments not held for trading at the time of their initial recognition, to record at fair value through capital. The use of this option determines that the subsequent valuation of the instrument (including realized gains on sales but excluding dividends received) be fully recognized against the caption Reserves;</p> <p>c) The framework for the classification and measurement of financial assets with embedded derivatives should be carried out by considering the totality of characteristics of the instrument, being no longer possible to separate the derivative and the host contract.</p> <p>d) On 28 October 2010, the IASB introduced changes to IFRS 9, by including new accounting requirements for financial liabilities and transposing to the IFRS 9 the requirements of IAS 39 of recognition and derecognizing of financial assets and liabilities. The Classification and Measurement of financial liabilities remain (generally) from the provisions of IAS 39, excluding the effect of own credit risk.</p>
IFRS 11 – “Joint Ventures”	1-Jan-13	The new standard establishes that the parties involved shall determine the type and the form of

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		the joint venture by evaluating the rights and obligations arising out of the operation. The joint venture can be classified as a joint operation in the event that the parties have rights over the assets and obligations over the liabilities related to the agreement, or as joint venture, where the parties involved have rights over the net assets related to the agreement.
IFRS 12 – “Disclosure of interests in other entities”	1-Jan-13	The standard establishes the disclosure of information that enables users of the financial statements of an entity to assess the nature and risks associated with the interests that the entity owns in other entities, namely, the effect of these interests in its financial position and performance, and cash flows.
IFRS 13 – “Fair value measurement”	1-Jan-13	The standard defines fair value and establishes a framework for determining it. It also establishes a hierarchy for the fair value, according to the inputs used in the valuation models. Moreover, the standard establishes disclosure requirements related to the determination of fair value.
IFRS 7 – Amended (Disclosure of financial instruments)	1-Jul-11	This amendment aims to ensure higher quality disclosure of financial assets that have been transferred but continue to be, even partially recorded in the accounts because they do not meet the criteria for derecognizing; and financial assets that were derecognized because they meet the criteria but the entity continues to have some involvement. This amendment seeks to further clarify the situations in which an entity carries out transactions involving transfers of assets of very significant amounts, close to the end of the reporting periods, in order to achieve a particular aim in the financial statements (window dressing).
IAS 12 – Amended (Deferred Tax. Underlying asset recovery)	1-Jan-12	The purpose of the amendments is to allow an exception to the principle that the measurement of liabilities and assets through deferred tax should reflect the way in which the entity expects to recover or settle the book value of its assets and liabilities. The proposed amendment allows, under certain circumstances, the measurement of liabilities and assets through deferred tax, thus reflecting an assumption that the book value of the underlying asset will be fully recovered through sale.
IAS 1 – Amended (Presentation of items of other comprehensive income)	1-Jul-12	The amendments to the standard include some changes to the way as integrated income is presented.

Though approved by the IASB, these standards have not been adopted by the Caixa in the year ended December 31, 2011, since their enforcement is not yet binding. No significant impacts are anticipated on the financial statements resulting from its adoption.

3. CASH AND DEPOSITS AT CENTRAL BANKS

This item has the following composition:

	2011	2010
Cash	1.462.588	1.681.148
Demand deposits at Banco de Cabo Verde	1.843.697	3.110.170
	<u>3.306.285</u>	<u>4.791.318</u>

Demand deposits opened at the Banco de Cabo Verde are intended to meet the requirements of minimum cash reserves. In accordance with the provisions of the Banco de Cabo Verde, these liquid assets should correspond to 16% of the average effective liquid assets in national and foreign currency for residents and emigrants up to December 31, 2011. As from January 1, 2012, the minimum cash reserves coefficient will become 18%.

These deposits are not remunerated.

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#### 4. DEPOSITS AT OTHER CREDIT INSTITUTIONS

This item has the following composition:

	2011	2010
Demand deposits:		
With credit institutions in the country		
. BCA	7.666	5.630
. Ecobank	1.644	913
With credit institutions abroad		
. Banque et Caisse D'Epargne de L'Etat	254.676	96.869
. JP Morgan Chase Bank,N.A. NY	156.227	-
. Montepio Geral	67.301	125.214
. Credit Suisse	23.933	16.650
. Den Danske Bank	9.280	714
. Banco Espírito Santo	7.859	1.477
. Banque Nationale de Paris	7.438	1.443
. Caixa Geral de Depósitos	6.611	4.693
. ABN AMRO Bank	3.883	9.211
. Natexis Banques Populaires	3.017	2.393
. Banco Português de Investimento	1.114	1.441
. Commerzbank	-	1.969
. Other	6.183	10.123
	<u>556.832</u>	<u>278.740</u>
Values to recover:		
On the country	74.851	34.486
Abroad	15.270	1.098
	<u>90.121</u>	<u>35.584</u>
Other liquid assets	1.004	814
	<u>647.957</u>	<u>315.138</u>

The values to recover are related to checks on other banks' customers sent for clearing. These amounts are collected in the early days of the subsequent financial year.

#### 5. FINANCIAL ASSETS AVAILABLE FOR SALE

On December 31, 2011 and 2010, equity instruments and debt securities classified as financial assets available for sale are composed as follows:

Security	Acquisition cost	Impairment (Note 17)	Bal. Sheet Value (Net)
<u>Equity instruments valued at historical cost</u>			
West African Regional Guarantee Fund (G.A.R.I. Fund)	3.823	-	3.823
<u>Debt securities valued at historical cost</u>			
Portuguese Government Bonds	200	(200)	-
	<u>4.023</u>	<u>(200)</u>	<u>3.823</u>

The Caixa kept the Portuguese government bonds recorded at historical cost and there is an impairment amount of TCVE 200 to reduce the book value to its estimated realizable value.

The participation in the GARI Fund as compared to its reduced book value was recorded at historical cost.

#### 6. INVESTMENTS IN CREDIT INSTITUTIONS

This item presents the following composition:

	<u>2011</u>	<u>2010</u>
Investment with credit institutions in the country:		
At Banco de Cabo Verde		
TRM - Short term open market security	540.000	500.000
TIM - Short term open market security	-	500.000
Investment with credit institutions abroad:		
Security deposits	110.678	110.678
Time deposits	72.573	60.646
Interest Receivable	366	262
Deferred Income	(1.140)	(1.628)
	<u><u>722.477</u></u>	<u><u>1.169.958</u></u>

On December 31, 2011 and 2010, the heading “Investment with credit institutions abroad – security deposits” refers to guarantees in the form of deposits provided by the Caixa at other credit institutions as collateral for documentary credits issued by these entities to Caixa’s customers. These deposits are not remunerated, being refunded upon settlement of the related documentary credit.

On December 2011 and 2010, term deposits and security deposits indicate the following composition per credit institution:

	<u>2011</u>	<u>2010</u>
Banque et Caisse D'Espargne de L'Etat	168.871	168.871
Montepio Geral	2.453	2.453
Other	11.927	-
	<u><u>183.251</u></u>	<u><u>171.324</u></u>

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7. LOANS TO CUSTOMERS

This item presents the following composition:

	2011	2010
Short term domestic credit:		
Trade discounts	233.437	1.392.544
Loans	611.925	1.584.875
Overdrafts on demand deposits	346.637	377.538
Mid and long term domestic credit:		
Loans	21.290.751	18.128.434
Other credit	1.881.794	777.526
	<u>24.364.544</u>	<u>22.260.917</u>
Other loans and receivables (securitized):		
State Bonds	6.451.980	2.251.980
Other fixed income securities	1.539.829	1.539.969
Loans to employees	728.486	686.618
	<u>33.084.839</u>	<u>26.739.484</u>
Interest receivable	155.342	110.043
Deferred costs	2.873	3.274
Deferred income	(267.334)	(254.389)
Overdue credit and interest	3.818.026	3.477.752
	<u>36.793.746</u>	<u>30.076.164</u>
Impairment of loans to customers (Note 17)	(2.046.777)	(1.767.324)
	<u><u>34.746.969</u></u>	<u><u>28.308.840</u></u>

On December 31, 2011 and 2010, the item “Other loans and receivables – (securitized) – State Bonds” includes tCVE 5.656.060 and tCVE 1.456.060, respectively, related to Cape Verde Treasury bonds and bills paid at a fixed interest rate. This item also includes a variable yield Treasury Bond in the amount of tCVE 795.920, to be repaid in a 15 year period, as from January 1, 2000. This security bears interest at the Euribor rate of 6 months, plus a spread of 1,5%. On December 31, 2011 and 2010, the coupon rate in force is of 3,14% and 2,74%, respectively.

On December 31, 2011 and 2010, the Treasury bonds sold through a repurchase agreement amount to tCVE 4.859.230 and tCVE 8.350, respectively (Note 16).

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On December 31, 2011 and 2010, the item “Other loans and receivables (securitized) – Other fixed income securities” includes the value of bonds of national companies categorized as “Loans and receivables”. These bonds are detailed as follows:

Security	2011	2010	Maturity
<u>Other fixed yield securities</u>			
Electra - Empresa de Electricidade e Águas S.A.R.L. - Instalment A	176.766	176.766	14-06-2012
Electra - Empresa de Electricidade e Águas S.A.R.L. - Instalment B	147.088	147.088	14-06-2017
Electra - Empresa de Electricidade e Águas S.A.R.L. - Instalment C	630.227	630.287	14-06-2027
Tecnici - Sociedade Imobiliária de Construções S.A.	200.000	200.000	06-08-2012
IFH - Imobiliária, Fundiária e Habitaf S.A. - Instalment B	283.845	283.814	14-09-2015
IFH - Imobiliária, Fundiária e Habitaf S.A. - Instalment A	31.252	31.252	05-01-2014
CVFF - Cabo Verde Fast Ferry, S.A.	50.651	50.791	14-10-2015
Sociedade de Gestão de Investimentos Lda.	20.000	19.971	18-02-2014
	<u>1.539.829</u>	<u>1.539.969</u>	

The bonds issued by the Electra (Water and Electricity Company) and IFH (Real Estate, Land and Habitat) are endorsed by the State of Cape Verde.

On December 31, 2011 and 2010, loans granted to customers, excluding “Other loans and receivables – securitized” and related accrued interest had the following structure by sector of activity:

	2011			2010		
	Live loans	Overdue loans	Total	Live loans	Overdue loans	Total
Companies:						
Trade	1.079.362	280.178	1.359.540	1.071.213	337.134	1.408.347
Construction and Public Works	1.182.122	105.994	1.288.116	1.000.101	118.504	1.118.605
Transport	1.377.420	351.333	1.728.753	871.258	12.326	883.584
Industry	606.549	105.597	712.146	1.298.928	92.201	1.391.129
Hotels	882.991	233.425	1.116.416	809.497	231.758	1.041.255
Energy	964.781	-	964.781	245.669	-	245.669
Other	2.799.121	183.286	2.982.407	2.677.744	192.345	2.870.089
	<u>8.892.346</u>	<u>1.259.813</u>	<u>10.152.159</u>	<u>7.974.410</u>	<u>984.268</u>	<u>8.958.678</u>
Private:						
Housing	10.174.567	1.409.018	11.583.585	8.367.708	1.332.939	9.700.647
Other	6.026.117	1.149.195	7.175.312	6.605.417	1.160.545	7.765.962
	<u>16.200.684</u>	<u>2.558.213</u>	<u>18.758.897</u>	<u>14.973.125</u>	<u>2.493.484</u>	<u>17.466.609</u>
	<u>25.093.030</u>	<u>3.818.026</u>	<u>28.911.056</u>	<u>22.947.535</u>	<u>3.477.752</u>	<u>26.425.287</u>

Loans to employees on December 31, 2011 and 2010 are repaid at low interest rates.



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## 8. INVESTMENT PROPERTIES

During the financial years ended December 31, 2011 and 2010, this item presented the situation below indicated:

		2011			
		Balance on 31-12-2010		Balance on 31-12-2011	
		Gross value	Accumulated depreciation	Gross value	Accumulated depreciation
Land		12.750	-	3.048	-
Buildings		4.980	(3.291)	4.980	(3.321)
		<u>17.730</u>	<u>(3.291)</u>	<u>8.028</u>	<u>(3.321)</u>

  

		2010			
		Balance on 31-12-2009		Balance on 31-12-2010	
		Gross value	Accumulated depreciation	Gross value	Accumulated depreciation
Land		12.750	-	12.750	-
Buildings		4.980	(3.377)	4.980	(3.291)
		<u>17.730</u>	<u>(3.377)</u>	<u>17.730</u>	<u>(3.291)</u>

On December 31, 2011 and 2010, the investment properties had the following fair value:

	Net Value		Assessed value
	2011	2010	
Land	3.048	12.750	12.398
Buildings	1.659	1.689	11.000
	<u>4.707</u>	<u>14.439</u>	<u>23.398</u>

In 2011, transfers correspond to 2 lands that were transferred to the item "Tangible assets", in view of the termination of the respective leasing contracts.

In the financial years ended December 2011 and 2010, the income resulting from the lease of these properties amounted to tCVE 131 and tCVE 128, respectively (Note 26).

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## 9. OTHER TANGIBLE ASSETS

The items included in “Other Tangible Assets” indicate the following position in the financial years of 2011 and 2010:

	2011										
	Balance on 31-12-2010		Additions	Deductions		Amortization	Transfers	Adjustments	Balance on 31-12-2011		
	Gross value	Accumulated depreciation		Gross value	Depreciation				Gross value	Accumulated depreciation	Net value
Buildings	256.837	(51.105)	35.917	-	-	(6.201)	249.710	51	542.515	(57.306)	485.209
Work in rented buildings	45.349	(23.303)	-	-	-	(2.656)	-	(52)	45.297	(25.959)	19.338
Artistic assets	1.439	-	-	-	-	-	1.453	-	2.892	-	2.892
Equipment:											
Office equipment	121.174	(85.667)	1.145	-	-	(10.350)	25.254	(76)	147.497	(96.017)	51.480
Tools and equipment	206.852	(139.726)	3.593	-	-	(24.211)	10.780	-	221.225	(163.937)	57.288
Computer equipment	274.806	(226.792)	11.321	-	-	(23.145)	7.291	29	293.447	(249.937)	43.510
Indoor facilities	119.079	(94.871)	3.396	-	-	(10.489)	-	75	122.550	(105.360)	17.190
Transport equipment	112.135	(62.585)	6.176	(3.134)	1.481	(13.043)	-	-	115.177	(74.147)	41.030
Safety equipment	54.323	(23.166)	2.938	-	-	(5.960)	1.340	-	58.601	(35.126)	23.475
Other equipment	4.014	(2.581)	105	-	-	(392)	-	-	4.119	(2.973)	1.146
	1.196.008	(715.796)	64.591	(3.134)	1.481	(96.447)	295.828	27	1.553.320	(810.762)	742.558
Current assets	841.499	-	430.085	(35)	-	-	(287.002)	(39)	984.508	-	984.508
	2.037.507	(715.796)	494.676	(3.169)	1.481	(96.447)	8.826	(12)	2.537.828	(810.762)	1.727.066

	2010										
	Balance on 31-12-2009		Additions	Deductions		Amortization	Transfers	Adjustments	Balance on 31-12-2010		
	Gross value	Accumulated depreciation		Gross value	Depreciation				Gross value	Accumulated depreciation	Net value
Buildings	245.835	(37.706)	-	-	-	(3.836)	11.002	(9.563)	256.837	(51.105)	205.732
Work in rented buildings	56.312	(30.263)	39	-	-	(2.655)	(11.002)	9.621	45.349	(23.303)	22.046
Artistic assets	1.439	-	-	-	-	-	-	-	1.439	-	1.439
Equipment:											
Office equipment	119.029	(76.247)	1.687	-	-	(9.420)	458	-	121.174	(85.667)	35.507
Tools and equipment	196.111	(116.627)	8.337	-	-	(23.099)	2.404	-	206.852	(139.726)	67.126
Computer equipment	273.621	(193.824)	1.185	-	-	(32.968)	-	-	274.806	(226.792)	48.014
Indoor facilities	113.824	(83.650)	5.255	-	-	(11.221)	-	-	119.079	(94.871)	24.208
Transport equipment	116.194	(49.853)	780	(4.839)	2.403	(15.135)	-	-	112.135	(62.585)	49.550
Safety equipment	46.753	(24.632)	7.167	-	-	(4.534)	403	-	54.323	(23.166)	25.157
Other equipment	3.701	(2.187)	153	(24)	-	(394)	184	-	4.014	(2.581)	1.433
	1.172.819	(614.995)	24.603	(4.863)	2.403	(103.262)	3.449	58	1.196.008	(715.796)	480.212
Current assets	555.047	-	289.901	-	-	-	(3.449)	-	841.499	-	841.499
	1.727.866	(614.995)	314.504	(4.863)	2.403	(103.262)	-	58	2.037.507	(715.796)	1.321.711

On December 31, 2011 and 2010, the heading “Current Assets” includes tCVE 913.982 and tCVE 599.439, respectively, related with expenses with the construction projects of the new headquarters in the city of Praia. It also comprises figures related to works in progress in agencies.

## 10. INTANGIBLE ASSETS

In the years 2011 and 2010, the caption “Intangible Assets” indicated the following situation:

	2011							
	Balance on 31-12-2010					Balance on 31-12-2011		
	Gross value	Accumulated depreciation	Additions	Amortization	Transfers	Gross value	Accumulated depreciation	Net value
Software	237.633	(216.379)	1.024	(16.518)	876	239.533	(232.897)	6.636

  

	2010						
	Balance on 31-12-2009					Balance on 31-12-2010	
	Gross value	Accumulated depreciation	Additions	Amortization	Gross value	Accumulated depreciation	Net value
Software	231.761	(185.035)	5.872	(31.344)	237.633	(216.379)	21.254

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# 11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

On December 31, 2011 and 2010, the balance of this item indicated the following composition:

Entity	% of shares	Cost of acquisition	2011			2010		
			Bal Sheet value	Date	Net Assets	Profit / Loss	Owner Equity	Bal Sheet value
Novo Banco, S.A.	20,00%	60.000	55.912	31-12-2010	188.445	(5.409)	41.411	60.000
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	100%	10.000	41.605	31-12-2011 <sup>(1)</sup>	569.004	86.115	416.041	33.589
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	7.395	31-12-2010	305.191	(20.442)	279.558	8.361
			<u>82.500</u>					<u>101.950</u>

n.a. not available

<sup>(1)</sup> Provisional Income Statement

The Caixa classified the shares in Imotur (Real Estate & Tourism of Cape Verde) and SISP (Interbank and Payment Systems Company), as investments in associated companies despite the fact that its share in those companies is less than 20%, whereas the Caixa is a member of the governing body which, in the opinion of the Executive Board, confers significant influence on the activities of the Imotur and the SISP and this way fits in the provisions of Standard IAS 28 – Investments in Associated Companies.

In October 2010, the Caixa subscribed 20% of the share capital of “Novo Banco”. This is a Bank intended to finance the lower stratum of the population, mainly with the provision of micro-credit or through the funding of Non Governmental Organizations (NGOs). Novo Banco started operating in December 2010.

The movements in the balance sheet value of these shares in the years 2011 and 2010 and their impact on the financial statements of the Caixa can be evidenced as follows:

	Imotur	SISP	Novo Banco	Total
Balance on December 31, 2009	8.660	34.816	-	43.476
Subscription of Novo Banco's capital	-	-	60.000	60.000
Dividends	-	(3.147)	-	(3.147)
Results in associated companies	(299)	1.920	-	1.621
Balance on December 31, 2010	<u>8.361</u>	<u>33.589</u>	<u>60.000</u>	<u>101.950</u>
Dividends	-	(3.743)	-	(3.743)
Results in associated companies	(966)	11.759	(4.088)	6.705
Balance on December 31, 2011	<u><u>7.395</u></u>	<u><u>41.605</u></u>	<u><u>55.912</u></u>	<u><u>104.912</u></u>

On December 31, 2011, the balance of “Results in associated companies – SISP” includes tCVE 3.148 which refers to an adjustment to the result hit in the previous year.

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12. INCOME TAX

The Caixa is subject to the Single Income Tax (IUR) at the rate of 25% and a fire tax of 2% on the tax calculated, which corresponds to an aggregated tax rate of 25,5%.

The balances of assets and liabilities by income tax on December 31, 2011 and 2010 were the following:

	2011	2010
Current tax assets		
· Withholding tax	11.127	9.582
Current tax liabilities		
· Tax allocated in 2010	(111.866)	(111.866)
· Payments on account of tax allocated in 2010	86.930	-
· Withholding tax 2011	9.582	-
· Tax allocated in 2011	(83.693)	-
	<u>(99.047)</u>	<u>(111.866)</u>
	<u>(87.920)</u>	<u>(102.284)</u>
Deferred tax assets		
· By temporary differences	26.587	39.880
Deferred tax liabilities		
· By temporary differences	(3.077)	(4.616)
	<u>23.510</u>	<u>35.264</u>

The details of deferred tax in the financial years of 2011 and 2010 were as follows:

	2011		
	Balance on 31.12.2010	Variation in results	Balance on 31.12.2011
Adjustments of conversion to the IFRS	<u>35.264</u>	<u>(11.754)</u>	<u>23.510</u>

  

	2010		
	Balance on 31.12.2009	Variation in results	Balance on 31.12.2010
Adjustments of conversion to the IFRS	<u>47.019</u>	<u>(11.755)</u>	<u>35.264</u>

Under the terms set forth in Decree-Law No. 14/2010, of April 26, the impacts of transition to IFRS calculated with reference to January 1, 2008 with effects on equity, which are treated as fiscally relevant under the single income tax regulations, contribute to the formation of taxable income in equal parts for a period of five years.

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The reconciliation between the nominal and the effective tax rate found in the years 2011 and 2010 can be highlighted as follows:

	2011		2010	
	Rate	Tax	Rate	Tax
Income Before Tax		528.125		502.563
Tax calculated based on the nominal rate	25,5%	134.672	25,5%	128.154
Fiscal Benefits :				
. Yields of Government Bonds placed on the secondary market	(7,64%)	(40.349)	(0,67%)	(3.363)
. Other	(0,36%)	(1.889)	(0,65%)	(3.256)
Charges not accepted fiscally	0,57%	3.013	0,42%	2.086
Tax on profit for the year	18,07%	95.447	24,60%	123.621

Under the legislation in force, any income earned on bonds issued by the Treasury of Cape Verde which have been placed on the secondary market is exempt from taxation.

In August 2009, the Caixa received a letter from the Directorate-General of Taxes (DGCI) concerning payment of income tax corrections for the year 2008. During the financial year of 2010, additional payment was fixed at tCVE 8.923 and the Caixa settled such payment by using the provisions made. The excess provision in the amount of tCVE 1.098 was reversed in the year (Note 17).

In September 2010, the Caixa was notified by the Directorate General of Taxes, of an additional payment in the amount of tCVE. 27,683 concerning corrections to the income tax for the year 2009, which it challenged. Also in 2010 and based on the response submitted, the DGCI corrected the amount of tax calculated, having been allocated an income tax of tCVE. 3.870. The Caixa immediately settled the said payment by using the provisions made for the financial year of 2010 (Note 17).

Moreover, in December 2010, the Caixa was informed by the DGCI, of an additional payment in the amount of tCVE 5.330 regarding corrections to the income tax (non-resident companies and real estate income) for the year 2005, which it challenged and is now pending a decision from the Directorate General of Taxes. The Caixa made a provision of tCVE 119 intended only for the IUR – Real estate income (Note 17).

In September 2011, the Caixa received a notification from the DGCI, concerning an additional settlement amounting to tCVE 59.380 for corrections to income tax for the year 2010, which it challenged and now awaits conclusion of the proceedings by the Directorate-General of Taxes.

In November 2011, the Caixa was notified by the DGCI, of an additional settlement amounting to tCVE 6.696 regarding corrections to income tax for the financial year 2006, which it challenged and awaits the conclusion of the proceedings by the Directorate-General of Taxes.

With respect to the notifications received during 2011, the Caixa considers that the DGCI will agree with its position after analysis of the defence presented, and therefore did not carry out the settlement nor provisioned the amounts at stake.

On December 31, 2011 and 2010, the Caixa has a provision for tax contingencies in the amount of tCVE 48.817 and tCVE 50.002, respectively (Note 17).

According to the General Tax Code approved by Law No. 37/IV/92, tax authorities are entitled to review the tax status of the Caixa during a period of five years which are likely to result in corrections to the profit taxable due to different interpretations of tax laws. In the opinion of the Executive Board, any correction or adjustment made is not expected to be significant for the financial statements of the Caixa on December 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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13. OTHER ASSETS

This item has the following composition:

	2011	2010
<u>Other assets:</u>		
Assets auctioned	14.159	14.789
Coins and medals	126	360
<u>Debtors:</u>		
Subsidies receivable from the State of Cape Verde	598.712	485.142
Micro-credit Fund (Note 18)	53.725	54.127
Sundry debtors	109.327	64.877
Debtors for foreign exchange remittances	22.009	25.761
<u>Deferred costs:</u>		
Insurance	1.178	3.479
Other	-	368
Loans to settle	15.279	8.868
	814.515	657.771
Impairment of Other Assets (Note 17)	(32.509)	(26.459)
	<u>782.006</u>	<u>631.312</u>

On December 31, 2011 and 2010, the auctioned assets correspond to properties received within the scope of credit recovery and have the following composition according to the date of its acquisition by the Caixa:

Year of acquisition	2011			2010		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
2004	1.924	(1.924)	-	1.924	(1.924)	-
2007	3.161	(2.371)	790	3.791	(1.417)	2.374
2008	3.324	(1.662)	1.662	3.324	(151)	3.173
2009	5.750	(1.438)	4.312	5.750	(535)	5.215
	<u>14.159</u>	<u>(7.395)</u>	<u>6.764</u>	<u>14.789</u>	<u>(4.027)</u>	<u>10.762</u>

In the years 2011 and 2010, the net capital gains obtained with the sale of properties received through credit recovery amounted to tCVE 1.685 and tCVE 4.813, respectively (Note 25).

Subsidies receivable from the Government of Cape Verde relate to house mortgages and are calculated according to the laws in force in Cape Verde. The balances recorded correspond to the amounts claimed by the Caixa since early 2004.

On December 31, 2011 and 2010, the balance of “Debtors – Micro Credit Fund” refers to loans granted under the Program of Training and Loans to Micro-Companies. The said program is an independently managed structure and comprises training activities for customers, before and after credit granting, covering topics on the related conditions, procedures and responsibilities, the importance of repayment, joint responsibility, business management, among others. Credits are granted only to team groups consisting of 3 to 5 people.

On December 31, 2011 and 2010, the caption “Sundry Debtors” refers to amounts of advance payments made to fixed asset suppliers.

On December 31, 2011 and 2010, the balance of “Debtors for foreign exchange remittances” refers to checks drawn on foreign countries, which were settled early in the period ahead.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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14. RESOURCES FROM CENTRAL BANKS

On December 31, 2011, this heading represents the amount payable for insufficient cash reserves mandatory at the Banco de Cabo Verde for the period between December 16 and 31, 2011.

15. RESOURCES WITH OTHER CREDIT INSTITUTIONS

This caption presents the following composition:

	2011	2010
Demand deposits:		
With credit institutions in the country	110.191	80.193
	<u>110.191</u>	<u>80.193</u>
Time deposits:		
With credit institutions in the country	250.000	482.969
	<u>250.000</u>	<u>482.969</u>
Loans received:		
From credit institutions in the country	1.388.047	-
From international financial organizations	286.689	484.836
Other	38.669	7.586
	<u>1.713.405</u>	<u>492.422</u>
Interest:		
From deposits	12.821	10.465
From loans received	6.490	1.343
	<u>19.311</u>	<u>11.809</u>
	<u>2.092.907</u>	<u>1.067.393</u>

On November 14, 2010, the Caixa received a loan in the amount of EUR 2.600.000 (tCVE 286.689) from the Banque et Caisse D'Espargne de L'Etat. This loan bears interest at a fixed rate and has a maturity date of February 17, 2012.

On October 14, 2005, the Caixa Económica de Cabo Verde, the Banco Comercial do Atlântico, the Banco Interatlântico and the Banco Caboverdiano de Negócios obtained a line of credit with the French Development Agency in the maximum amount of EUR 5.000.000 to support social and economic development projects in the municipalities, to be reimbursed in 10 years as from January 31, 2010 in semiannual installments of principal and interest. This loan bears interest at a rate indexed to Euribor 6 months. On December 31, 2010, the Caixa had used this line of credit in EUR 1.896.998 (tCVE 209.173) and repaid the remaining amount during the financial year of 2011.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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This item has the composition below indicated:

	2011	2010
Savings deposits :		
Individuals – Cheque books	4.733.710	4.308.937
Demand deposits:		
Residents	6.673.953	9.572.374
Emigrants	639.992	602.060
	7.313.945	10.174.434
Time deposits :		
Residents	9.191.582	8.833.956
Emigrants	9.098.062	8.125.577
	18.289.644	16.959.533
Other resources:		
Loans obtained from residents	338.333	50.000
Cheques and orders payable	(18.796)	10.734
Securities sold by repurchase agreement (Note 7)	4.859.230	8.350
	5.178.767	69.084
Interest:		
On deposits	383.413	398.433
On loans to residents	5.449	639
On securities sold by repurchase agreement	52.980	342
Private companies	84	-
	441.926	399.414
	35.957.992	31.911.402

On December 31, 2011 and 2010, demand deposits are not remunerated, except in specific circumstances defined in accordance with the guidelines of the Executive Board of the Caixa.

On December 31, 2011 and 2010, the item “Other assets – Borrowings from residents” refers to a loan obtained from the National Social Security Institute (INPS), which bears interest at a fixed rate, to be repaid in 15 annual installments. This loan is aimed at granting the INPS employees mortgage loans for the purchase of private housing.



NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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# 17. PROVISIONS AND IMPAIRMENT

Movements in provisions and impairment of the Caixa in the years ended December 31, 2011 and 2010 are as follows:

2011						
	Balances on 31.12.2010	Net allocations On results	Utilization	Transfers	Balances on 31.12.2011	Impairment Recoveries
<u>Impairment</u>						
Impairment of loans to customers (Note 7)	1.767.324	458.993	(179.540)	-	2.046.777	(44.439)
Impairment of financial assets Available for sale (Note 5)	200	-	-	-	200	
Impairment of other assets (Note 13)	26.459	6.050	(1.185)	1.185	32.509	
	1.793.983	465.043	(180.725)	1.185	2.079.486	(44.439)
Provisions for tax contingencies (Note 12)	50.002	-	-	(1.185)	48.817	
	1.843.985	465.043	(180.725)	-	2.128.303	(44.439)
2010						
	Balances on 31.12.2009	Net allocations On results	Utilization	Transfers	Balances on 31.12.2010	Impairment recoveries
<u>Impairment</u>						
Impairment of loans to customers (Note 7)	1.485.102	507.118	(211.880)	(13.016)	1.767.324	(73.052)
Impairment of financial assets Available for sale (Note 5)	200	-	-	-	200	-
Impairment of other assets (Note 13)	2.732	11.361	(650)	13.016	26.459	-
	1.488.034	518.479	(212.530)	-	1.793.983	(73.052)
Provisions for tax contingencies (Note 12)	59.904	2.891	(12.793)	-	50.002	-
	1.547.938	521.370	(225.323)	-	1.843.985	(73.052)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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This item has the following composition:

	2011	2010
<u>Resources</u>		
Resources allocated - - Micro-Credit Fund (Note 13)	53.725	54.127
Public administrative Sector - Withholding tax	36.151	48.260
Other	3.088	3.097
<u>Employee costs:</u>		
Vacation allowance	50.949	51.083
Productivity award (Note 27)	29.729	27.225
Cashier's allowances	11.785	-
<u>Other administrative costs:</u>		
Water gas and electricity	8.314	11.464
Commissions payable Western Union	9.383	5.486
Communications	6.679	4.432
ATM Charges	20.241	-
Annual rate of share maintenance	3.250	-
Other	52.477	28.383
<u>Revenues with deferred income:</u>		
Off balance sheet operations	1.022	2.451
Other accrual accounts	45.319	22.138
	<u>332.112</u>	<u>258.146</u>

On December 31, 2011 and 2010, the item "Other accrual accounts" includes tCVE 5.907 and tCVE 5.252, respectively, regarding amounts of subsidized loans pending settlement. Additionally, the remaining balance under this heading is composed primarily of amounts to be settled with banks and customers which correspond essentially to interbank electronic transfers that are cleared in the early days of the subsequent year.

19. CAPITAL

On December 31, 2011 and 2010, the capital of the Caixa is represented by 1.392.000 shares with a nominal value of CVE 1000,00 each, fully subscribed and paid up.

On December 31, 2011 and 2010, the shareholder structure of the Caixa is the following:

Entity	2011		2010	
	Number of shares	%	Number of shares	%
Instituto Nacional de Previdência Social	447.958	32,2%	447.958	32,2%
Geocapital, Sociedade de Gestão e Participação, S.A.	381.904	27,4%	381.904	27,4%
Correios de Cabo Verde	210.749	15,1%	210.749	15,1%
Impar - Companhia Caboverdeana de Seguros	168.032	12,1%	168.032	12,1%
Other subscribers and workers	183.357	13,2%	183.357	13,2%
	<u>1.392.000</u>	<u>100,00%</u>	<u>1.392.000</u>	<u>100,00%</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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20. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

On December 31, 2011 and 2010, the items “Reserves and retained earnings” present the following composition:

	2011	2010
Other reserves and retained earnings		
· Legal Reserves	366.865	328.970
· Other Reserves	1.535.177	1.402.930
· Retained Earnings	(177.062)	(177.062)
	<u>1.724.980</u>	<u>1.554.838</u>
Profit for the year	432.678	378.942
	<u>2.157.658</u>	<u>1.933.780</u>

Under the terms set forth in the legislation in force in Cape Verde (Law No. 3/V/96), a minimum of 10% of the annual net profit must be allocated to the legal reserve. This reserve is not distributable except upon winding up and liquidation of the entity and may be used to increase capital or cover losses after having exhausted all other reserves.

In its meeting held in March 26, 2011, the General Assembly deliberated the distribution of dividends amounting to tCVE 208.800 and incorporation into legal reserve and other reserves in the amounts of tCVE 37.894 and tCVE 132.248, respectively..

21. INTEREST AND SIMILAR INCOME

This item has the following composition:

	2011	2010
Interest on loans to customers		
Domestic credit	2.343.051	2.114.908
Recovery of cancelled interest	188.119	215.112
Interest on other loans and receivables (securitized)		
Treasury Bonds	234.574	80.478
Other fixed yield securities	93.053	73.485
Interest on investment with the Banco de Cabo Verde		
TRM (short-term open market security	4.645	5.152
Interest on investment with credit institutions abroad	2.843	2.230
Other interest and similar income	484	655
Commissions received, relating to amortized cost	132.955	131.328
	<u>2.999.724</u>	<u>2.623.347</u>

In the years 2011 and 2010, interest on Treasury Bonds placed in the secondary market amounted to tCVE 158.233 and tCVE 5.606, respectively (Note 22).

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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This item evidences the following composition:

	2011	2010
Savings deposits		
Cheque books	50.987	64.852
Demand deposits		
Emigrants	9.202	7.727
Residents	10	29
Time deposits		
Residents	411.424	364.412
Emigrants	372.796	330.256
Loans		
Residents	90.313	43.367
Non residents	11.618	10.323
Sale transactions with repurchase agreement		
Treasury Bonds (Note 21)	158.233	5.606
Interest cancelled on loans to customers		
Domestic credit	17.485	23.248
Other	539	1.171
	<u>1.122.607</u>	<u>850.990</u>

23. FEES AND CHARGES FROM SERVICES AND COMMISSIONS

This caption has the following composition:

	2011	2010
<u>Fees from services and commissions:</u>		
Fees from Western Union	61.759	57.097
Fees on foreign exchange transactions	47.398	49.595
Guarantees and sureties	16.393	19.233
Account maintenance fees	14.001	13.204
Commissions VISA	5.930	4.315
Documentary credits	5.557	5.838
Other bank services provided	12.987	11.789
Other fees	12.613	19.760
	<u>176.638</u>	<u>180.831</u>
<u>Charges from services and commissions:</u>		
Commissions on foreign exchange transactions	(14.069)	(11.963)
Commissions VISA	(9.001)	(6.175)
Other commissions and charges	(27.766)	(21.710)
	<u>(50.836)</u>	<u>(39.848)</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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24. RESULTS OF FOREIGN EXCHANGE REVALUATION

This item has the following composition:

	2011			2010		
	Profit	Loss	Net	Profit	Loss	Net
Foreign currency results	176.700	(124.262)	52.438	168.618	(78.488)	90.130
Results from banknotes and coins	146.734	(110.406)	36.328	115.282	(76.717)	38.565
	<u>323.434</u>	<u>(234.668)</u>	<u>88.766</u>	<u>283.900</u>	<u>(155.205)</u>	<u>128.695</u>

25. RESULTS FROM THE SALE OF OTHER ASSETS

This heading indicates the following composition:

	2011	2010
Gains and losses in the sale of other tangible assets	702	(2.056)
Gains and losses in the sale of non-current assets held for sale	1.685	4.813
	<u>2.387</u>	<u>2.757</u>

26. OTHER OPERATING INCOME

This caption presents the following composition:

	2011	2010
<u>Other operating income</u> :		
Provision of services :		
Service fees	52.751	44.085
Credit cards	3.508	3.301
Sale of cheques and cheque books	8.363	8.106
Rental of property (Note 8)	131	128
Other operating income	15.791	13.365
	<u>80.544</u>	<u>68.985</u>
<u>Other operating costs</u> :		
Other taxes	(6.420)	(4.930)
Grants	(5.626)	(4.911)
Contributions	(389)	(77)
Other	(4.917)	(3.775)
	<u>(17.352)</u>	<u>(13.693)</u>
	<u>63.192</u>	<u>55.292</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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This item has the following composition:

	2011	2010
Payroll	420.808	387.247
Remuneration of the managing and supervisory bodies	27.162	25.570
Social Liabilities		
Social Security	61.508	56.050
Medical expenses	4.240	4.136
Other	5.357	4.667
Productivity allowances (Note 18)	29.729	27.225
Other	5.603	14.809
	<u>554.407</u>	<u>519.704</u>

On December 31, 2011 and 2010, the Caixa had the following staff:

	2011	2010
Executive Directors	3	1
Directorate General and Coordination	16	15
Managers and heads of departments and services	37	34
Technical staff	110	71
Administrative personnel	94	124
General support staff	21	18
	<u>281</u>	<u>263</u>

On December 31, 2011 and 2010, the figures above indicated include 47 and 49 employees, respectively, with fixed term employment contracts.

28. GENERAL ADMINISTRATIVE EXPENSES

This item has the following composition:

	2011	2010
Specialized labor	146.889	140.126
ATM charges	112.865	96.977
Advertising	67.537	55.937
Water, gas and electricity	43.507	42.870
Travel, accommodation and representation	44.018	38.484
Communications	37.497	31.910
Rents and leases	20.426	18.319
Insurance	20.291	14.890
Maintenance and repair	15.975	11.968
Fuel	10.662	10.144
Staff training	7.569	8.216
Legal expenses	571	470
Computer equipment	535	129
Other	19.496	26.044
	<u>547.838</u>	<u>496.484</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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## 29. CONTINGENT LIABILITIES AND COMMITMENTS

On December 31, 2011 and 2010, contingent liabilities associated with banking activities are recorded in off balance sheet items and present the following details:

	2011	2010
Liabilities		
Guarantees and sureties	333.072	602.051
Documentary credits	146.149	96.060
	<u>479.221</u>	<u>698.111</u>
Deposit and custody of securities	5.365.689	5.281.796
	<u>5.844.910</u>	<u>5.979.906</u>

## 30. SEGMENT REPORTING

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

The Trading and Sales segment is related to cash management, management of the security portfolio and other market transactions. In the Commercial Banking segment emphasis should be laid upon the business of credit and deposits, provision of services to customers and other.

On December 31, 2011 and 2010, the information regarding the operational segments used by the Caixa may be summarized as follows:

	2011		
	Trading and Sales	Commercial Banking	Total
Interest and similar income	301.800	2.697.924	2.999.724
Interest and similar charges	-	(1.122.607)	(1.122.607)
<b>NET INTEREST INCOME</b>	<u>301.800</u>	<u>1.575.317</u>	<u>1.877.117</u>
Income from services and commissions	-	176.638	176.638
Charges on services and commissions	-	(50.836)	(50.836)
Results from foreign exchange revaluation	-	88.766	88.766
Results from the sale of other assets	702	1.685	2.387
Other operating income	63.192	-	63.192
<b>BANKING PRODUCT</b>	<u>365.694</u>	<u>1.791.570</u>	<u>2.157.264</u>
Provisions and impairment net of reversals and recoveries	-	-	(413.899)
	<u>365.694</u>	<u>1.791.570</u>	<u>1.743.365</u>
Other costs and income	-	-	(1.310.687)
<b>Net profit for the year</b>			<u><b>432.678</b></u>
Cash and deposits at central banks	-	3.306.311	3.306.311
Deposits in other credit institutions	-	647.957	647.957
Financial assets available for sale	3.823	-	3.823
Investment in credit institutions	538.860	183.617	722.477
Loans to customers	7.991.810	28.801.936	36.793.746
Resources from other credit institutions	-	(2.086.963)	(2.086.963)
Customer funds and other loans	(338.333)	(35.619.659)	(35.957.992)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011  
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	2010		
	Trading and Sales	Commercial Banking	Total
Interest and similar income	158.246	2.465.101	2.623.347
Interest and similar charges	-	(850.990)	(850.990)
<b>NET INTEREST INCOME</b>	<b>158.246</b>	<b>1.614.111</b>	<b>1.772.357</b>
Income on services and commissions	-	180.831	180.831
Charges from services and commissions	-	(39.848)	(39.848)
Results from foreign exchange revaluation	-	128.695	128.695
Results from the sale of other assets	2.757	-	2.757
Other operating income	55.292	-	55.292
<b>BANKING PRODUCT</b>	<b>216.295</b>	<b>1.883.789</b>	<b>2.100.084</b>
Provisions and impairment net of reversals and recoveries	-	(448.318)	(448.318)
	<b>216.295</b>	<b>1.435.471</b>	<b>1.651.766</b>
Other cost and income			(1.272.824)
<b>Net profit for the year</b>			<b>378.942</b>
Cash and deposits at central banks	-	4.791.318	4.791.318
Deposits in other credit institutions	-	315.138	315.138
Financial assets available for sale	3.823	-	3.823
Investment in credit institutions	998.372	171.586	1.169.958
Loans to customers	3.791.949	26.284.215	30.076.164
Resources from other credit institutions	-	1.067.393	1.067.393
Customer funds and other loans	50.000	31.861.402	31.911.402

All activities of the Bank are developed in the Republic of Cape Verde.

### 31. RELATED ENTITIES

The related parties of the Caixa are its shareholders, associated companies and the governing bodies.

On December 31, 2011 and 2010, the financial statements of the Caixa include the following balances and transactions with related entities, excluding the managing bodies:

	2011			
	GOV of Cape Verde	Shareholders		Assoc. Comps
		Instituto Nacional de Previdência Social	IMPAR	
<b>Assets:</b>				
Investment in credit institutions	540.000	-	-	
Loans to customers	6.451.980	-	-	181.881
Investment in subsidiaries, associated companies and joint ventures	-	-	-	104.912
Impairment	-	-	-	(26.471)
Other assets	598.712	-	-	
<b>Liabilities:</b>				
Resources from other credit institutions	-	338.333	300.545	1.470
Customers funds and other loans	-	8.847.923	-	-
Borrowing	-	-	-	60.000
<b>Income:</b>				
Interest and similar income	300.987	-	-	-
<b>Costs:</b>				
Interest and similar charges	-	173.529	12.781	-



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	2010			
	GOV. of Cape Verde	Shareholders		
		Instituto Nacional de Previdência Social	IMPAR	Assoc. Comps
<b>Assets:</b>				
Investment in credit institutions	1.000.000	-	-	-
Loans to customers	2.251.980	-	-	186.249
Investments in subsidiaries, associated companies and joint ventures	-	-	-	103.323
Other assets	485.142	-	-	-
<b>Liabilities:</b>				
Resources from other credit institutions	-	-	255.819	252.795
Customer funds and other loans	-	6.908.114	-	-
<b>Income:</b>				
Interest and similar income	85.629	-	-	-
<b>Costs:</b>				
Interest and similar charges	-	127.060	9.937	493

Managing bodies

In 2011, the costs incurred with remuneration and other benefits granted to the members of the Executive Board of the Caixa amounted to tCVE 27.162 (tCVE 25.570 in the year 2010) (Note 27).

On December 31, 2011 and 2010, the amount of credit granted to members of the Executive Board stood at tCVE 1.973 and tCVE 1.616, respectively

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### 32. DISCLOSURES RELATED WITH FINANCIAL INSTRUMENTS

Policies for managing the financial risks associated with the business of the Caixa Económica de Cabo Verde

In developing its activities, the Caixa Económica de Cabo Verde is subject to various risks. Risk management relies on constant identification and assessment of the exposure to the different risks, such as, market risk, liquidity risk, credit risk, operational risk, and on the adoption of a control strategy within previously defined parameters.

This management is complemented with the analysis *a posteriori* of the performance indicators.

Exchange risk

The exchange risk is calculated on the overall position in currencies of the institution, determined as set out in Notice No. 3/2000, of the Banco de Cabo Verde, and the respective technical instructions. Considering the legally binding agreement that establishes the parity of the Cape Verdean Escudo to the Euro, the position in Euros is not computed for the calculation of the total open long and short positions.

Liquidity risk

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

Risk assessment at the Caixa is made by taking into account the indicators established by the supervisory authority and the Executive Board, and consists of the continuous compliance with the ratio of coverage of the liabilities.

Monitoring is ensured at different times based on projections of inflows and outflows of funds, and allowing efficient management of the needs.

On December 31, 2011 and 2010, the residual contractual terms of the financial instruments indicated the following composition:

	2011						Total
	Up to 1 month	From 1 To 3 months	From 3 months To 1 year	From 1 to 5 years	Over 5 years	Undetermined	
<b>Assets:</b>							
Cash and deposit at Central Banks	3.306.285	-	-	-	-	-	3.306.285
Deposit in other credit institutions	647.957	-	-	-	-	-	647.957
Investment in credit institutions	551.153	717	62.382	-	108.225	-	722.477
Loans to customers (gross balance)	1.391.271	2.277.530	2.899.204	10.365.456	15.654.563	4.205.722	36.793.746
	<u>5.896.666</u>	<u>2.278.247</u>	<u>2.961.586</u>	<u>10.365.456</u>	<u>15.762.788</u>	<u>4.205.722</u>	<u>41.470.465</u>
<b>Liabilities:</b>							
Resources from central banks	-	-	-	-	-	(12.886)	(12.886)
Resources from other credit institutions	(1.748.668)	(287.235)	(51.060)	-	-	-	(2.086.963)
Customer funds and other loans	(14.580.021)	(4.644.088)	(12.298.434)	(4.149.201)	(304.959)	18.711	(35.957.992)
	<u>(16.328.689)</u>	<u>(4.931.323)</u>	<u>(12.349.494)</u>	<u>(4.149.201)</u>	<u>(304.959)</u>	<u>5.825</u>	<u>(38.057.841)</u>
Differential	<u>(10.432.023)</u>	<u>(2.653.076)</u>	<u>(9.387.908)</u>	<u>6.216.255</u>	<u>15.457.829</u>	<u>4.211.547</u>	<u>3.412.624</u>
	2010						Total
	Up to 1 month	From 1 to 3 months	From 3 months To 1 year	From 1 to 5 years	Over 5 years	Undetermined	
<b>Assets:</b>							
Cash and deposit at Central Banks	4.791.318	-	-	-	-	-	4.791.318
Deposit in other credit institutions	315.138	-	-	-	-	-	315.138
Investment in credit institutions	998.373	718	62.584	-	108.283	-	1.169.958
Loans to customers (gross balance)	1.253.676	872.308	3.569.386	9.134.961	11.898.369	3.347.464	30.076.164
	<u>7.358.505</u>	<u>873.026</u>	<u>3.631.970</u>	<u>9.134.961</u>	<u>12.006.652</u>	<u>3.347.464</u>	<u>36.352.578</u>
<b>Liabilities:</b>							
Resources from other credit institutions	(796.411)	-	(50.000)	-	(209.173)	(11.809)	(1.067.393)
Customer funds and other loans	(17.698.370)	(2.575.524)	(10.368.510)	(848.789)	(10.000)	(410.209)	(31.911.402)
	<u>(18.494.781)</u>	<u>(2.575.524)</u>	<u>(10.418.510)</u>	<u>(848.789)</u>	<u>(219.173)</u>	<u>(422.018)</u>	<u>(32.978.795)</u>
Differential	<u>(11.136.276)</u>	<u>(1.702.498)</u>	<u>(6.786.540)</u>	<u>8.286.172</u>	<u>11.787.479</u>	<u>2.925.446</u>	<u>3.373.783</u>

The periods shown are contractual but in reality demand deposits included in the item “Customer Funds and other loans” indicate stability and longer periods, thus enabling the Caixa to meet the liquidity ratios required by the Banco de Cabo Verde.

The column “Undetermined” includes interest receivable and payable and amounts received or paid which are being deferred and overdue loans.

#### Interest rate risk

Management of the interest rate risk envisages to protect the asset value and to optimize the net interest income of the Caixa.

The Caixa assumes the interest rate risk whenever the contracted operations include future financial flows sensitive to changes in interest rates.

The methodology adopted for measuring this risk is the pooling of assets and liabilities sensitive to time intervals, according to the respective dates of review of interest rates. In each interval, the cash flows of assets and liabilities are calculated, as well as the corresponding gap of interest rate risk.

#### Market risk

Market risk is defined as the risk of loss in the off-balance sheet accounts due to a change in market prices, namely the instruments related to exchange rate risks in any of the balance sheet and off balance sheet items, and the instruments associated with the interest rate risks that comprise the trading portfolio.

The exchange rate risk is calculated on the overall position in foreign currencies in conformity with the Law No. 3/V/96, of July 1, and the Decree-Law No. 12/2005, dated February 7.

The value of minimum equity allocated to hedge the market risk related to the exchange rates is of 10% of the overall foreign currency position.

#### Credit risk

Credit risk reflects the possibility of occurrence of loss if the counterparty or its guarantor is unable to meet its financial obligations, namely loan repayment.

The Caixa applies a risk management strategy that relies on rules and procedures and a provisioning policy based on the analysis of individual and collective claims. To that end, concepts, principles and rules to be observed during the lifetime of the loan are defined, including in the recovery phase. Risk assessment of off-balance sheet lending is supported by the analysis of the quality of the proposed transaction, namely its purpose, duration, security, among others. The specific assessment of the risk to the concentration of exposure also considers the limits to large exposure under the prudential perspective.

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Maximum exposure to credit risk

On December 31, 2011 and 2010, maximum exposure to credit risk at the Caixa presented the following composition:

	2011	2010
Investments in credit institutions	722.477	1.169.958
Loans to customers	34.746.969	28.308.840
	<u>35.469.446</u>	<u>29.478.798</u>
Guarantees and sureties	333.072	602.051
Documentary credits opened	146.149	96.060
	<u>479.221</u>	<u>698.111</u>
Maximum exposure	<u>35.948.667</u>	<u>30.176.909</u>

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Quality of credit granted to customers

On December 31, 2011 and 2010, the gross balance sheet value of credit granted to customers indicated the following composition:

	2011			
	Performing Loans	Non-performing Loans	Default Loans	Total
<b>Companies</b>				
Loans to customers				
Outstanding	8.837.364	180.025	1.185.484	10.202.873
Overdue	4.305	16.356	497.207	517.868
	<u>8.841.669</u>	<u>196.381</u>	<u>1.682.691</u>	<u>10.720.741</u>
Guarantees and documentary				
Credit to companies				
Outstanding	<u>450.607</u>	<u>23.007</u>	<u>728</u>	<u>474.342</u>
<b>Retail</b>				
House mortgages				
Outstanding	8.994.257	378.447	960.559	10.333.263
Overdue	668	3.295	129.813	133.776
	<u>8.994.925</u>	<u>381.742</u>	<u>1.090.372</u>	<u>10.467.039</u>
Consumer loans				
Outstanding	4.972.328	145.505	209.833	5.327.666
Overdue	-	13.428	172.963	186.391
	<u>4.972.328</u>	<u>158.933</u>	<u>382.796</u>	<u>5.514.057</u>
Other loans				
Outstanding	930.583	8.192	219.706	1.158.481
Overdue	3.644	2.148	54.147	59.939
	<u>934.227</u>	<u>10.340</u>	<u>273.853</u>	<u>1.218.420</u>
Guarantees				
Outstanding	<u>4.880</u>	<u>-</u>	<u>-</u>	<u>4.880</u>
<b>Public Sector</b>				
Outstanding	989.967	-	-	989.967
Overdue	-	-	831	831
	<u>989.967</u>	<u>-</u>	<u>831</u>	<u>990.798</u>
Total outstanding credit	<u>25.179.986</u>	<u>735.176</u>	<u>2.576.310</u>	<u>28.491.472</u>
Total overdue credit	<u>8.617</u>	<u>35.227</u>	<u>854.961</u>	<u>898.805</u>
Total credit	<u><u>25.188.603</u></u>	<u><u>770.403</u></u>	<u><u>3.431.271</u></u>	<u><u>29.390.277</u></u>

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		2010			
		Performing Loans	Non-Performing Loans	Default Loans	Total
<b>Companies</b>					
Loans to companies					
Outstanding		7.072.498	47.703	746.319	7.866.520
Overdue		10.227	21.009	287.129	318.365
		7.082.725	68.712	1.033.448	8.184.885
Guarantees and documentary					
Credit to companies					
Outstanding		593.899	19.006	2.714	615.619
<b>Retail</b>					
House mortgages					
Outstanding		8.027.763	312.301	1.007.311	9.347.375
Overdue		53	3.135	118.536	121.724
		8.027.816	315.436	1.125.847	9.469.099
Consumer loans					
Outstanding		4.770.528	131.416	287.092	5.189.036
Overdue		-	12.334	176.615	188.949
		4.770.528	143.750	463.707	5.377.985
Small business					
Outstanding		1.072.319	79.472	193.369	1.345.160
Overdue		12.620	4.727	111.858	129.205
		1.084.939	84.199	305.227	1.474.365
Other loans					
Outstanding		910.319	14.259	153.993	1.078.571
Overdue		640	3.159	51.870	55.669
		910.959	17.418	205.863	1.134.240
Guarantees					
Outstanding		82.492	-	-	82.492
<b>Public Sector</b>					
Outstanding		783.862	-	-	783.862
Overdue		-	20	831	851
		783.862	20	831	784.713
Total outstanding credit					
		23.313.680	604.157	2.390.798	26.308.635
Total overdue credit					
		23.540	44.384	746.839	814.763
Total credit					
		23.337.220	648.541	3.137.637	27.123.398

- “Performing loans”
  - Companies: loans without any installment due or with overdue balances up to 30 days;
  - Individuals: loans without any installment due or with overdue balances up to 7 days;
- “Non-performing loans”
  - Companies: loans with overdue balances between 30 days and 90 days;
  - Individuals: loans with overdue balances between 7 days and 90 days;
- “Default loans” – loans with overdue balances exceeding 90 days. In what concerns credit granted to companies, in case the customer presents at least one transaction with installments due for more than 90 days, the entire exposure before the Caixa has been reclassified to this category.

Additionally, overdue credit includes only the amounts of transactions or installments due and unpaid on the date of reference. In Note 7, the heading “Overdue loans” includes the entire amount receivable for transactions with overdue values.

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On December 31, 2011 and 2010, the balance of credits assigned with specific impairment through individual analysis totaled tCVE 2.642.019 and tCVE 2.250.303 respectively, with impairment reaching tCVE 623.297 and tCVE 602.566 respectively. As described in Note 2.2. d), the loans subject to individual analysis which were not assigned with specific impairment have been merged in a collective analysis.

Fair value

The table below presents the comparison between the fair value and the balance sheet value of the main financial assets and liabilities kept at amortized cost on December 31, 2011 and 2010.

	2011				
	Evaluated Balance			Unevaluated balance	Total Balance
	Bal. Sheet Value	Fair Value	Difference	Bal. Sheet Value	
Assets:					
Cash and deposit at Central Banks	3.306.285	3.306.285	-	-	3.306.285
Deposit in other credit institutions	647.957	647.957	-	-	647.957
Financial assets available for sale	3.823	3.823	-	-	3.823
Investment in credit institutions	722.477	722.477	-	-	722.477
Loans to customers	30.541.246	29.285.015	(1.256.231)	4.205.723	34.746.969
	35.221.788	33.965.557	(1.256.231)	4.205.723	39.427.511
Liabilities:					
Resources from Central Banks	(12.886)	(12.886)	-	-	(12.886)
Resources from other credit institutions	(2.086.963)	(2.112.223)	(25.260)	-	(2.086.963)
Customer funds and other loans	(35.957.992)	(35.759.761)	198.231	-	(35.957.992)
	(38.057.841)	(37.884.870)	172.971	-	(38.057.841)

  

	2010				
	Evaluated Balance			Unevaluated Balance	Total Balance
	Bal. Sheet Value	Fair Value	Difference	Bal. Sheet Value	
Assets:					
Cash and deposit at Central Banks	4.791.318	4.791.318	-	-	4.791.318
Deposit in other credit institutions	315.138	315.138	-	-	315.138
Financial assets available for sale	3.823	3.823	-	-	3.823
Investment in credit institutions	1.169.958	1.169.958	-	-	1.169.958
Loans to customers	23.520.897	22.507.361	(1.013.536)	4.787.943	28.308.840
	29.801.134	28.787.598	(1.013.536)	4.787.943	34.589.077
Liabilities:					
Resources from other credit institutions	(1.067.393)	(1.089.253)	(21.860)	-	(1.067.393)
Customer funds and other loans	(31.911.402)	(31.725.478)	185.924	-	(31.911.402)
	(32.978.795)	(32.814.731)	164.064	-	(32.978.795)

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The following assumptions have been used in calculating the fair value:

- For demand balances and short term investment with credit institutions, the balance sheet value equals the fair value;
- For the financial assets available for sale:
  - The Portuguese Government bonds were recorded at historical cost with impairment in the total amount of investment, tCVE 200, in order to reduce the book value to its estimated realizable value.
  - Due to its reduced balance sheet value, the participation in the GARI Fund was recorded at historical cost.
- The fair value of the remaining instruments was determined by the Caixa based on models of discounted cash flows, taking into account the contractual terms of operations and using interest rates appropriate to the type of instrument and rates charged on similar instruments issued or contracted by year-end.
- The column “Balances not analyzed” includes essentially overdue loans, net of any impairment made.

Sensitivity analysis – Interest Rate

On December 31, 2011 and 2010, the impact on the fair value of financial instruments sensitive to the interest rate risk, excluding derivative financial instruments of parallel movement in the curve of reference interest rates of 50, 100, and 200 bps (basis points), respectively, can be demonstrated in the following tables

	2011					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	560.949	267.186	130.071	(126.588)	(246.867)	(446.809)
Total sensitive assets	560.949	267.186	130.071	(126.588)	(246.867)	(446.809)
Resources from other credit institutions	3.739	4.905	5.489	6.655	7.239	8.405
Total sensitive liabilities	3.739	4.905	5.489	6.655	7.239	8.405
Total Gains / (Losses)	557.210	262.281	124.582	(133.243)	(254.106)	(455.214)

  

	2010					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	506.406	246.675	125.430	(101.549)	(207.899)	(397.134)
Total sensitive assets	506.406	246.675	125.430	(101.549)	(207.899)	(397.134)
Resources from other credit institutions	(21.361)	(11.148)	(6.311)	2.865	7.218	15.485
Total sensitive liabilities	(21.361)	(11.148)	(6.311)	2.865	7.218	15.485
Total Gains / (Losses)	527.767	257.823	131.741	(104.414)	(215.117)	(412.619)



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The table below presents the effect on the net interest income projected for the years 2011 and 2010, respectively, of a parallel shift in the curves of interest rates of 50, 100 and 200 bps indexing financial instruments sensitive to changes in interest rates:

	Projection of net interest income					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Financial Year of 2011	(38.825)	(19.412)	(9.706)	9.706	19.412	38.825
Financial Year of 2010	(42.490)	(21.245)	(10.623)	10.623	21.245	42.490

In calculating the impacts presented in the above table, it was assumed that the assets and liabilities sensitive to interest rate on the reference dates of the calculation would remain stable over the years 2011 and 2010, respectively, being renewed where applicable considering the market conditions prevailing in those renewal dates and the average spread of live operations on December 31, 2012 and 2011.

It should be noted that the information contained in the previous tables refers to a static scenario, not taking into account any changes in the strategy and policies required to manage the interest rate risks that the Caixa can adopt as a result of changes in benchmark interest rates.

On December 31, 2011 and 2010, loans to customers were mostly granted at a fixed rate which amounted to tCVE 18.794.767 and tCVE 16.715.148, respectively.

### Exchange risk

#### Breakdown of financial instruments by currency

On December 31, 2011 and 2010, the financial instruments presented the following breakdown by currency:

	2011				
	Currency				
	Cape Verdean Escudos	Euros	U.S. Dollars	Other	Total
Assets:					
Cash and deposit at Central Banks	2.288.403	677.376	203.466	137.040	3.306.285
Deposit in other credit institutions	84.161	46.970	458.062	58.764	647.957
Financial assets available for sale (gross amounts)	-	3.823	-	-	3.823
Investment in credit institutions	539.226	183.251	-	-	722.477
Loans to customers (net balance)	34.305.899	441.069	1	-	34.746.969
Investment in subsidiaries, associated companies and joint ventures	104.912	-	-	-	104.912
Other assets	759.988	20.349	886	783	782.006
	<u>38.082.589</u>	<u>1.372.838</u>	<u>662.415</u>	<u>196.587</u>	<u>40.314.429</u>
Liabilities:					
Resources at Central Banks	(12.886)	-	-	-	(12.886)
Resources from other credit institutions	(2.075.069)	(7.605)	(4.289)	-	(2.086.963)
Customer funds and other loans	(34.938.148)	(426.002)	(592.036)	(1.806)	(35.957.992)
Other liabilities	(331.796)	(310)	(4)	(2)	(332.112)
	<u>(37.357.899)</u>	<u>(433.917)</u>	<u>(596.329)</u>	<u>(1.808)</u>	<u>(38.389.953)</u>
Net Exposure	<u>724.690</u>	<u>938.921</u>	<u>66.086</u>	<u>194.779</u>	<u>1.924.476</u>

	2010				
	Currency				
	Cape Verdean Escudos	Euros	U.S. Dollars	Other	Total
Assets:					
Cash and deposit at Central Banks	3.634.391	921.344	173.388	62.195	4.791.318
Deposit in other credit institutions	41.029	33.965	194.175	45.969	315.138
Financial assets available for sale (gross amounts)	-	3.823	-	-	3.823
Investment in credit institutions	998.634	171.324	-	-	1.169.958
Loans to customers (net balance)	27.867.771	441.068	1	-	28.308.840
Investment in subsidiaries, associated companies and joint ventures	101.950	-	-	-	101.950
Other assets	605.552	20.899	3.790	1.071	631.312
	<u>33.249.327</u>	<u>1.592.423</u>	<u>371.354</u>	<u>109.235</u>	<u>35.322.339</u>
Liabilities:					
Resources from other credit institutions	(570.817)	(492.421)	(4.155)	-	(1.067.393)
Customer funds and other loans	(31.098.656)	(394.587)	(415.253)	(2.906)	(31.911.402)
Other liabilities	(257.923)	(219)	(4)	-	(258.146)
	<u>(31.927.396)</u>	<u>(887.227)</u>	<u>(419.412)</u>	<u>(2.906)</u>	<u>(33.236.941)</u>
Net Exposure	<u>1.321.931</u>	<u>705.196</u>	<u>(48.058)</u>	<u>106.329</u>	<u>2.085.398</u>

**33. CAPITAL MANAGEMENT**

In line with the prudential rules, the Caixa Económica is subject to compliance with the solvency ratio, liquidity ratio, division of the risks and a balanced balance sheet.

Management of owner's equity of the Caixa is conducted so as to meet the level of prudential owner equity set forth in Notice No. 3/2007 of the Banco de Cabo Verde, dated November 19, on "Owner Equity of credit institutions, non-banking institutions and international financial institutions", in order to cover risk weighted credit, operational risks and market risks.

The Notice No. 3/2007 of the Banco de Cabo Verde defines the requirements of Owner Equity applicable to the Credit Institutions as well as the methods of calculating the solvency ratio.

Owner Equity is divided into two categories:

- the base Owner Equity determined through capital deducted from unrealized gains and losses;
- the additional Owner Equity which is limited to 100% of the amount of base capital and primarily comprised by subordinated loans.

The deductions related to shares in other credit institutions reduce the value of total owner equity.

Under the rules in force, the Caixa must continuously observe a solvency ratio of 10%.

On December 31, 2011 and 2010, the Caixa Económica de Cabo Verde fulfilled its regulatory requirements, as evidenced below:

	<u>Dividends</u>	<u>Div./RL</u>	<u>Owner Equity</u>	<u>Solvency</u>	<u>Limit of Fixed Assets</u>
2011	208.800	48,3%	3.487.109	13,51%	189,95%
2010	208.800	55,0%	3.224.527	13,56%	227,10%