

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

**Financial Statements at December 31,  
2012, and accompanying Audit Report**

## INDEPENDENT AUDITORS' REPORT

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

To the Board of Directors of the  
Caixa Económica de Cabo Verde, S.A.R.L.

### **Introduction**

6. We have audited the accompanying financial statements of Caixa Económica de Cabo Verde, S.A.R.L. ("Caixa"), which comprise the Balance Sheet as of December 31, 2012, evidencing a total of tCVE 44.980.802 and owner equity of tCVE 3.459.522, including net earnings of tCVE 118.664, 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 of the Board of Directors for the Financial Statements**

7. The Board of Directors of Caixa is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, as well as for the internal controls deemed necessary to ensure the preparation of financial statements that are free from material misstatement due to fraud or error.

### **Responsibility of the Auditor**

8. Our responsibility is to express a professional and independent opinion on those financial statements based on our audit works which were conducted in conformity with International Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.
9. An audit involves the execution of procedures to obtain audit evidence about the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an assessment of the adequacy of the accounting policies used and the reasonability of the accounting estimates made by the Board of Directors, as well as an assessment of the adequacy of the overall presentation of the financial statements.

10. We believe that the audit evidence we have obtained provides an acceptable basis for our qualified audit opinion.

## **Basis for the Qualified Opinion**

11. As described in Note 13, on 31 December 2012, Caixa has subsidies receivable and claimed since 2004, in the amount of tCVE 668.510 (tCVE 570.825 on December 31, 2011). In 2010, Caixa received from the Directorate-General of the Treasury (DGT) the preliminary report of an external audit to the scheme for low-interest (at subsidized interest rates) loans envisaging to calculate the value of the State debt to Caixa in terms of interest rate subsidies, which questioned the eligibility of a set of operations. Caixa contested the conclusions of that report later in 2010. In 2012, Caixa received the reply to the arguments presented in which the DGT stipulates that, from an amount of house mortgage subsidies of tCVE 297.860 claimed by Caixa up to 2008, only tCVE 115.938 are due. Negotiations are still ongoing between the parties in order to quantify the final value to be recognized by the DGT as regards the above-mentioned financial years, as well as the amounts claimed between 2009 and 2012 and other subsidies totaling tCVE 370.650. In light of this, it is not possible to quantify the provision required for interest rate subsidies receivable and recorded on December 31, 2012 that will not be received by Caixa.

## **Opinion**

12. In our opinion, except for the effect of the situation referred to in paragraph 6 above, the financial statements mentioned to in paragraph 1 above give a true and fair view, in all aspects materially relevant, of the financial position of Caixa Económica de Cabo Verde, S.A.R.L. as at 31 December 2012, 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 conformity with the International Financial Reporting Standards.

## **Emphasis**

13. On 31 December 2012, the credit portfolio of Caixa includes relevant amounts of loans to real estate and construction companies that have, in some situations, evidenced difficulties in meeting their debt service obligations. Caixa is preparing a set of measures oriented towards the recovery of these loans and holds, in most cases, mortgages on the respective property/land whose assessed value is higher than the value of the loans granted. Fulfillment of the collectability expectations reflected in the impairment assigned by Caixa to those customers, which normally includes rebates on the assessed values, will naturally depend on the evolution of the real estate sector in Cape Verde and the impact of the concrete measures that are being implemented.

Lisbon, May 13, 2013

CAIXA ECONÓMICA DE CABO VERDE, S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2012 AND 2011

(Amounts expressed in thousands of Cape Verdean Escudos)

ASSETS	Notes	2012			2011		LIABILITIES AND EQUITY CAPITAL	Notes	2012	2011
		Gross Assets	Provisions, impairment & amortization	Net Assets	Net Assets	Assets				
Cash and deposit at central banks	3	2.846.489	-	2.846.489	3.306.285	Resources from central banks	14	-	-	6.942
Deposit in other credit institutions	4	894.667	-	894.667	647.957	Resources from other credit institutions	15	1.232.508	2.092.907	
Financial assets available for sale	5	4.023	(200)	3.823	3.823	Customer funds and other loans	16	39.930.010	35.957.992	
Investment in credit institutions	6	5.336.365	-	5.336.365	722.477	Provisions	17	48.148	48.817	
Loans to customers	7	34.747.524	(2.397.454)	32.350.070	34.746.969	Current tax liabilities	12	-	99.047	
Investment properties	8	8.664	(3.350)	5.314	4.707	Deferred tax liabilities	12	1.539	3.077	
Other tangible assets	9	3.403.784	(927.727)	2.476.057	1.727.066	Other liabilities	18	309.075	332.112	
Intangible assets	10	241.690	(237.702)	3.988	6.636	Total liabilities		41.521.280	38.540.894	
Investment in subsidiaries, assoc. companies & joint ventures	11	150.490	-	150.490	104.912	Capital	19	1.392.000	1.392.000	
Current tax assets	12	10.481	-	10.481	11.127	Other reserves and retained earnings	20	1.948.858	1.724.980	
Deferred tax assets	12	57.136	-	57.136	26.587	Resultado do exercício	20	118.664	432.678	
Other assets	13	881.539	(35.617)	845.922	782.006	Total equity capital		3.459.522	3.549.658	
Total Assets		48.582.852	(3.602.050)	44.980.802	42.090.552	Total liabilities and equity capital		44.980.802	42.090.552	

The accompanying notes form an integral part of these statements.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED

ON 31 DECEMBER, 2012 AND 2011

(Amounts expressed in thousands of Cape Verdean Escudos)

	Notes	2012	2011
Interest and similar income	21	3.011.268	2.999.724
Interest and similar charges	22	(1.352.127)	(1.122.607)
<b>NET INTEREST INCOME</b>		<u>1.659.141</u>	<u>1.877.117</u>
Income from services and commissions	23	193.975	176.638
Charges with services and commissions	23	(57.120)	(50.836)
Income from foreign exchange revaluation	24	83.839	88.766
Income from the sale of other assets	25	-	2.387
Other operating income	26	33.851	63.192
<b>NET OPERATING INCOME</b>		<u>1.913.686</u>	<u>2.157.264</u>
Personnel costs	27	(616.861)	(554.407)
General administrative costs	28	(536.295)	(547.838)
Depreciations for the Year	8, 9 e 10	(121.850)	(112.995)
Provisions net of refunds and write-offs	17	(8.941)	(6.050)
Loan impairment net of reversals and recoveries	17	(531.260)	(414.554)
Income from associated companies	11	(11.901)	6.705
<b>INCOME BEFORE TAX</b>		<u>86.578</u>	<u>528.125</u>
Tax			
Current	12	-	(83.693)
Deferred	12	32.086	(11.754)
		<u>32.086</u>	<u>(95.447)</u>
<b>Earnings and comprehensive income for the year</b>		<u><u>118.664</u></u>	<u><u>432.678</u></u>
Weighted average number of ordinary shares		1.392.000	1.392.000
Earnings per share		0,09	0,31

The accompanying notes form an integral part of these statements.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED ON 31 DECEMBER, 2012 AND 2011

(Amounts expressed in thousands of Cape Verdean Escudos)

	Other reserves and retained earnings				Income for	
	Capital	Legal reserve	Other reserves	Retained earnings	Total	Total
Balances on 31 December 2010	1.392.000	328.970	1.402.930	(177.062)	1.554.838	378.942
Appropriation of the net profit for the year 2010:						
Incorporation of reserves	-	37.894	132.248	-	170.142	(170.142)
Distribution of dividends	-	-	-	-	-	(208.800)
Comprehensive income	-	-	-	-	-	432.678
Balances on 31 December 2011	1.392.000	366.864	1.535.178	(177.062)	1.724.980	432.678
Appropriation of the net profit for the year 2011:						
Incorporation of reserves	-	43.268	180.610	-	223.878	(223.878)
Distribution of dividends	-	-	-	-	-	(208.800)
Comprehensive income	-	-	-	-	-	118.664
Balances on 31 December 2012	1.392.000	410.132	1.715.788	(177.062)	1.948.858	118.664

The accompanying notes form an integral part of these statements.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

ON 31 DECEMBER, 2012 AND 2011

(Amounts expressed in thousands of Cape Verdean Escudos)

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities</u>		
Receipt from interest and commissions	3.205.243	3.176.362
Payment of interest and commissions	(1.409.247)	(1.173.443)
Other receipts / (payments) related with the operating activities	117.690	151.958
Payments to employees and suppliers	(1.153.156)	(1.106.883)
Income tax paid	(98.533)	(86.930)
Operational profit before changes in operating assets	<u>661.997</u>	<u>961.064</u>
(Increases) decreases in operating assets:		
Investment in credit institutions	(4.613.888)	447.481
Loans to customers	1.865.638	(6.852.682)
Other assets	(75.967)	(156.744)
	<u>(2.824.217)</u>	<u>(6.561.945)</u>
Increases (decreases) in operating liabilities:		
Funds from Central Banks and other credit institutions	(867.341)	1.032.456
Customer funds	3.972.018	4.046.590
Other liabilities	(20.515)	74.513
	<u>3.084.162</u>	<u>5.153.559</u>
Net cash from operating activities	<u>259.945</u>	<u>(1.408.386)</u>
<u>Cash flows from investment activities</u>		
(Increases) decreases in investment assets:		
Investment in subsidiaries, assoc. companies / joint ventures	(57.479)	3.743
Intangible assets	(2.156)	(1.901)
Other tangible assets	(865.956)	(500.321)
Investment properties	(637)	-
Proceeds from the sale of tangible assets	-	2.387
Net cash from investment activities	<u>(926.228)</u>	<u>(496.092)</u>
<u>Cash flows from financing activities</u>		
Dividend distributed	(208.800)	(208.800)
Net cash from financing activities	<u>(208.800)</u>	<u>(208.800)</u>
Net Increase (decrease) of cash and cash equivalents	(213.086)	(1.152.214)
Cash and cash equivalents at the beginning of the period	3.954.242	5.106.456
Cash and cash equivalents at the end of the period	3.741.156	3.954.242

The accompanying notes form an integral part of these statements.

## **1. INTRODUCTORY NOTE**

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 Caixa Económica Montepio Geral S.A., IMPAR (Capeverdean Insurance Company), and a Local Group including a set of 51 national entrepreneurs and officials held the majority of Caixa's capital shares up to September 2009. Henceforth, Geocapital, Sociedade de Gestão e Participação, SA, purchased the shares of Caixa Económica Montepio Geral S.A. and Montepio Geral – Associação Mutualista (Note 19).

The capital of 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).

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.

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 Caixa as of December 31, 2012 have been approved by the Board of Directors on May 10, 2013, and are pending approval by the General Meeting of Shareholders. However, the Board of Directors of 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 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 (Central Bank).

### **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 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.

In the years 2012 and 2011, the exchange rate of the Cape Verdean Escudo against the Euro stood still at 1 Euro/110,265 Cape Verdean Escudos. On December 31, 2012 and 2011, the exchange rate against the U.S. dollar (USD) was as follows:

	<u>2012</u>	<u>2011</u>
1 USD	83,165	85,697

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. 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 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 Caixa, the entire outstanding capital of operations with arrears is classified as overdue loan 30 days after becoming due, with the exception of transactions in which installments due refer only to interest.

Periodically, 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 Board of Directors. 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, 2012 and 2011 the assets available for sale represent unlisted assets whose fair value could not be reliably measured, and therefore 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 Caixa is entitled to these receivables.

d) Impairment of Financial Assets

Financial Assets at Amortized Cost

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.

Caixa performs an individual analysis of the customers evidencing responsibilities over tCVE 50.000 or companies with 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, Caixa has defined the following segments in its loan portfolio:

- Loans to companies
- House mortgage loans
- Individual producers
- Other loans to individuals
- Guarantees
- Public sector

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, 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 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 once the respective court proceedings have been 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, 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”.

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
Security equipment	5 - 12
Other equipment	6

Land is not depreciated.

Expenditure on works and improvement in buildings occupied by 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.

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 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 with 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 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 Caixa stands between 20% and 50% of the capital or voting rights, or, if less than 20%, 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 Caixa on changes in equity (including results) of the associated companies.

k) Tax on Profit

On December 31, 2012 and 2011, 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 assets 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 Caixa are the impacts of adopting the IFRS and tax losses carried forward.

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 “Personnel costs” in the period concerned, in accordance with the principle of accruals.

Additionally, Caixa has not assumed any responsibilities regarding payment of retirement 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 during the service provision period 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, 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 Board of Directors of Caixa is bound to perform estimates. The estimates of major impact in the financial statements of 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 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.

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 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 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 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, 2012.

The following standards, interpretations, amendments and reviews compulsorily applicable in the financial years starting on or after January 1, 2012 were adopted for the first time in the year ended on December 31, 2012:

Standard/Interpretation	Date of effectiveness (financial years beginning on or after)	
<b>AMENDMENTS:</b>		
IFRS 7 – Amendment (Transfer of financial assets)	1-Jul-11	This amendment shall require a greater number of disclosures with regard to the transfer of financial assets.

Applying these standards had no material effect on the financial statements of Caixa as of 31 December 2012.

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:

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012  
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<b>Standard/Interpretation</b>	<b>Date of effectiveness (financial years beginning on or after)</b>	
<b>NEW OR REVIEWED STANDARDS OR INTERPRETATIONS:</b>		
IFRS 10 – Consolidated financial statements	01-Jan-14	This standard establishes the requirements regarding the presentation of consolidated financial statements by the parent company, thus replacing the standard IAS 27 – Separate and Consolidated Financial Statements and SIC 12 – Consolidation – Entities with Special Purpose in this domain. It also introduces new rules in what concerns the definition of control and determination of the consolidation perimeter.
IFRS 11 – Joint Agreements	01-Jan-14	This standard replaces IAS 31 – Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and extinguishes the possibility of using the proportional consolidation method in accounting for interests in joint ventures.
IFRS 12 – Disclosures of interests in other entities	01-Jan-14	This standard establishes a new set of disclosures as for participation in subsidiaries, joint agreements, associates and non consolidated entities.
IFRS 13 – Fair value measurement	01-Jan-13	This standard replaces the guidelines prevailing in the different IFRS rules as to fair value measurement. This standard is applicable whenever another IFRS standard requires or enables fair value measurements or disclosures.
IFRIC 20 – Registration of certain costs in the production phase of an open-cast mine (2011)	01-Jan-13	This interpretation clarifies the registration of certain costs during the production phase in an open-cast mine.
IFRS 9 – Financial Instruments (2010)	01-Jan-15	This standard establishes the requirements for financial asset classification and measurement.
Improvements in the International Financial Reporting Standards (May 2012)	Various (usually 1-Jan-13)	Such improvements imply the review of several standards, namely IAS 16 and IAS 32.

**AMENDMENTS:**

IAS 27 – Separate Financial Statements (2011)	01-Jan-14	This amendment restricts the scope of application of IAS 27 to separate financial statements
IAS 28 – Investments in jointly controlled Associates and Entities (2011)	01-Jan-14	This amendment ensures consistency between IAS 28 – Investments in Associates and the newly adopted standards, in particular IFRS 11 – Joint Agreements.
<b>Standard/Interpretation</b>	<b>Date of Effectiveness (financial years beginning on or after)</b>	
IAS 12 – Amendment (recovery of deferred tax assets)	01-Jan-13	This amendment generates the presumption that recovery of investment properties measured at fair value as per IAS 40 will be accomplished through sale.
IAS 19 – Amendment (defined benefit pension plans) (2011)	01-Jan-13	This amendment introduces a few alterations related with reporting on defined benefit plans, namely: (i) the actuarial gains/losses are now recognized in full on reserves (the corridor method can no longer be applied); (ii) a single interest rate on liabilities and plan assets becomes applicable. The difference between the expected return on plan assets and the single interest rate is registered as actuarial gains/losses; (iii) the gains recorded in the profit and loss account relate only to the current service cost and net interest expense.
IFRS 1 – Amendment (Hyperinflation)	01-Jan-13	This amendment provides guidelines on the way entities must submit their financial statements pursuant to the IFRS following a period in which they were unable to present them due to the fact that their functional currency was subject to severe hyperinflation.
IAS 1 – Amendment (Other Comprehensive Income)	01-Jul-12	This amendment concerns the following alterations: (i) the items comprised in Other Comprehensive Income, which will be recognized in the future in the income statement are now submitted separately; (ii) the Statement of Comprehensive Income is now named as Income Statement and Other Comprehensive Income.
IFRS 7 – Amendment (2011)	01-Jan-13	This amendment requires additional disclosure at the level of financial instruments, namely information regarding those subject to a master netting arrangement and other similar agreements.
IAS 32 – Amendment (2011)	01-Jan-14	This amendment clarifies certain aspects of the standard due to the diversity in the application of offsetting requirements.
IFRS 1 – Amendment (government grants)	01-Jan-13	Creates an exception to the retrospective application of the requirements defined in IAS 20 to be applied on government subsidies granted at subsidized interest rates.
IFRS 10, IFRS 11 and IFRS 12 – Amendments (transition rules)	01-Jan-13	Amendments to IFRS 10, IFRS 11 and IFRS 12 in order to clarify the rules of the transition period towards the said standards.
IFRS 10, IFRS 12 and IAS 27 – Amendments (Investment entities)	01-Jan-14	Create an exception for the preparation of consolidated financial statements by investment entities.

In spite of being approved by the IASB, these standards have not been adopted by Caixa in the year ending 31 December 2012 since their application is not yet mandatory. Significant impact on the financial statements arising from their adoption is not expected.

### 3. CASH AND DEPOSITS AT CENTRAL BANKS

This item presents the following composition:

	2012	2011
Cash	1.222.610	1.462.588
Demand deposits at Banco de Cabo Verde	1.623.879	1.843.697
	<u>2.846.489</u>	<u>3.306.285</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 set by the Banco de Cabo Verde, these liquid assets should correspond to 18% of the average effective liquid assets in national and foreign currency for residents and emigrants. Up to December 31, 2011, the minimum cash reserves coefficient was 16%.

These deposits are not remunerated.

### 4. DEPOSITS AT OTHER CREDIT INSTITUTIONS

This item evidences the following composition:

	2012	2011
Demand deposits:		
With credit institutions in the country:		
. BCA	9.031	7.666
. Ecobank	2.858	1.644
With credit institutions abroad		
. Banque et Caisse D'Espargne de L'Etat	359.009	254.676
. JP Morgan Chase Bank, N.A. NY	145.355	156.227
. Commerzbank	70.535	-
. Caixa Geral de Depósitos	49.736	6.611
. Montepio Geral	47.824	67.301
. ABN AMRO Bank	30.139	3.883
. Banque Nationale de Paris	24.835	7.438
. Banco Português de Investimento	20.515	1.114
. Credit Suisse	18.406	23.933
. Natexis Banques Populaires	15.862	3.017
. Midland Bank Plc	14.789	428
. Banco Espírito Santo	13.300	7.859
. Den Danske Bank	10.549	9.280
. Other	6.840	3.998
. Cassa Risparmio D.P. Lombarde	6.317	259
. Banco Central Hispano	5.240	1.498
	<u>851.140</u>	<u>556.832</u>
Values to recover:		
On the country	31.015	74.851
Abroad	10.564	15.270
	<u>41.579</u>	<u>90.121</u>
Other liquid assets	1.948	1.004
	<u>894.667</u>	<u>647.957</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, 2012 and 2011, 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>
	-	-	-

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 has been recorded at historical cost.

**6. INVESTMENTS IN CREDIT INSTITUTIONS**

This item reveals the composition presented below:

	2012	2011
Investment with credit institutions in the country:		
At Banco de Cabo Verde		
Time deposits	5.000.000	-
TRM - Short term open market security	227.000	540.000
Investment with credit institutions abroad:		
Security deposits	108.942	110.678
Time deposits	-	72.573
Interest receivable	494	366
Deferred income	(71)	(1.140)
	<u>5.336.365</u>	<u>722.477</u>

On December 31, 2012 and 2011, the heading “Investment with credit institutions abroad – security deposits” refers to guarantees in the form of deposits provided by Caixa at other credit institutions as collateral for documentary credits granted by these entities to Caixa’s customers. These deposits are not remunerated, being refunded upon settlement of the related documentary credit.

On December 2012 and 2011, term deposits and security deposits indicate the following composition per credit institution:

	2012	2011
Banque et Caisse D'Epargne de L'Etat	108.225	168.871
Montepio Geral	717	2.453
Other	-	11.927
	<u>108.942</u>	<u>183.251</u>

## 7. LOANS TO CUSTOMERS

This item has the following composition:

	2012	2011
Short term domestic credit:		
Trade discounts	479.715	233.437
Loans	642.436	611.925
Overdrafts on demand deposits	209.132	346.637
Mid and long term domestic credit:		
Loans	19.782.137	21.290.751
Other credit	971.505	1.881.794
	<u>22.084.925</u>	<u>24.364.544</u>
Other loans and receivables (securitized):		
State bonds	5.868.650	6.451.980
Other fixed income securities	1.362.912	1.539.829
Loans to employees	769.968	728.486
	<u>30.086.455</u>	<u>33.084.839</u>
Interest receivable	162.255	155.342
Deferred costs	2.553	2.873
Deferred income	(237.916)	(267.334)
Overdue credit and interest	4.734.177	3.818.026
	<u>34.747.524</u>	<u>36.793.746</u>
Impairment of loans to customers (Note 17)	(2.397.454)	(2.046.777)
	<u>32.350.070</u>	<u>34.746.969</u>

On December 31, 2012 and 2011, the item “Other loans and receivables – (securitized) – State Bonds” includes tCVE 5.072.730 and tCVE 5.656.060, 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 subscription 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, 2012 and 2011, the coupon rate in force is 1,82% and 3,14%, respectively.

On December 31, 2012 and 2011, the Treasury bonds sold through a repurchase agreement amount to tCVE 4.465.730 and tCVE 4.859.230, respectively (Note 16).

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012  
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On December 31, 2012 and 2011, 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	2012	2011	Maturity
<i>Other fixed yield securities</i>			
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Instalment A	-	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	630.227	14-06-2027
Tecnici - Sociedade Imobiliária de Construções, S.A.	200.000	-	06-08-2015
IFH - Imobiliária, Fundiária e Habitat, S.A. - Instalment B	283.845	283.845	14-09-2015
IFH - Imobiliária, Fundiária e Habitat, S.A. - Instalment A	31.252	31.252	05-01-2014
CVFF - Cabo Verde Fast Ferry, S.A.	50.500	50.651	14-10-2015
Sociedade de Gestão de Investimentos, Lda.	20.000	20.000	18-02-2014
Tecnici - Sociedade Imobiliária de Construções, S.A.	-	200.000	06-08-2012
	<u>1.362.912</u>	<u>1.539.829</u>	

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

On December 31, 2012 and 2011, loans granted to customers, excluding “Other loans and receivables – securitized” and related accrued interest had the following structure by sector of activity:

	2012			2011		
	Live Loans	Overdue Loans	Total	Live Loans	Overdue Loans	Total
Companies:						
Trade	531.367	522.851	1.054.218	1.079.362	280.178	1.359.540
Construction and public works	1.053.931	82.408	1.136.339	1.182.122	105.994	1.288.116
Transport	1.319.538	430.025	1.749.563	1.377.420	351.333	1.728.753
Industry	913.205	104.775	1.017.980	606.549	105.597	712.146
Hotels	950.198	500.880	1.451.078	882.991	233.425	1.116.416
Energy	858.079	-	858.079	964.781	-	964.781
Other	2.466.422	323.382	2.789.804	2.799.121	183.286	2.982.407
	<u>8.092.740</u>	<u>1.964.321</u>	<u>10.057.061</u>	<u>8.892.346</u>	<u>1.259.813</u>	<u>10.152.159</u>
Private:						
Housing	10.057.646	1.685.083	11.742.729	10.174.567	1.409.018	11.583.585
Other	4.704.507	1.084.773	5.789.280	6.026.117	1.149.195	7.175.312
	<u>14.762.153</u>	<u>2.769.856</u>	<u>17.532.009</u>	<u>16.200.684</u>	<u>2.558.213</u>	<u>18.758.897</u>
	<u>22.854.893</u>	<u>4.734.177</u>	<u>27.589.070</u>	<u>25.093.030</u>	<u>3.818.026</u>	<u>28.911.056</u>
	-		0			0

Loans to employees on December 31, 2012 and 2011 are repaid at low interest rates.

**8. INVESTMENT PROPERTIES**

The evolution seen in this item in the financial years ending December 31, 2012 and 2011 is presented as below indicated:

	2012					
	Balance on 12-31-2011		Depreciation	Transfers	Balance on 12-31-2012	
	Gross value	Accumulated depreciation			Gross value	Accumulated depreciation
Land	3.048	-	-	636	3.684	-
Buildings	4.980	(3.321)	(29)	-	4.980	(3.350)
	<u>8.028</u>	<u>(3.321)</u>	<u>(29)</u>	<u>636</u>	<u>8.664</u>	<u>(3.350)</u>

	2011					
	Balance on 12-31-2010		Depreciation	Transfers	Balance on 12-31-2011	
	Gross Value	Accumulated depreciation			Gross value	Accumulated depreciation
Land	12.750	-	-	(9.702)	3.048	-
Buildings	4.980	(3.291)	(30)	-	4.980	(3.321)
	<u>17.730</u>	<u>(3.291)</u>	<u>(30)</u>	<u>(9.702)</u>	<u>8.028</u>	<u>(3.321)</u>

On December 31, 2012 and 2011, the investment properties had the following fair value:

	Net Value		Assessed Value
	2012	2011	
Land	3.684	3.048	18.640
Buildings	1.630	1.659	14.079
	<u>5.314</u>	<u>4.707</u>	<u>32.719</u>

The assessments were carried out by Caixa during the financial year of 2012.

In 2012, transfers refer to one land plot that was transferred from the item “Fixed assets in construction”.

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

In the financial years ended December 2012 and 2011, the income resulting from the lease of these properties amounted to tCVE 126 and tCVE 131, respectively (Note 26).

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012  
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The items included in “Other Tangible Assets” indicate the following position in the financial years of 2012 and 2011:

	2012								
	Balances on 12-31-2011			Depreciation	Transfers	Adjustments	Balances on 12-31-2012		
	Gross value	Accumulated depreciation	Additions				Gross value	Accumulated depreciation	Net value
Buildings	542.515	(57.306)	69.767	(10.436)	893.471	50	1.505.753	(67.692)	1.438.061
Works in rented buildings	45.297	(25.959)	-	(2.657)	-	-	45.297	(28.616)	16.681
Artistic heritage	2.892	-	1.008	-	-	-	3.900	-	3.900
Equipment:									
Office equipment	147.497	(96.017)	56.591	(11.289)	992	-	205.080	(107.306)	97.774
Tools and utensils	221.225	(163.937)	7.742	(22.748)	21.331	-	250.298	(186.685)	63.613
Computer equipment	293.447	(249.937)	14.327	(22.467)	15.844	-	323.618	(272.404)	51.214
Indoor facilities	122.550	(105.360)	16.836	(20.821)	282.860	-	422.246	(126.181)	296.065
Transport equipment	115.177	(74.147)	52.359	(19.101)	20.750	-	188.286	(93.248)	95.038
Security equipment	58.601	(35.126)	10.480	(7.107)	188.860	-	257.941	(42.233)	215.708
Other equipment	4.119	(2.973)	2.014	(390)	-	1	6.133	(3.362)	2.771
	<u>1.553.320</u>	<u>(810.762)</u>	<u>231.124</u>	<u>(117.016)</u>	<u>1.424.108</u>	<u>51</u>	<u>3.208.552</u>	<u>(927.727)</u>	<u>2.280.825</u>
Fixed assets in construction	984.508	-	636.842	-	(1.424.744)	(1.374)	195.232	-	195.232
	<u>2.537.828</u>	<u>(810.762)</u>	<u>867.966</u>	<u>(117.016)</u>	<u>(636)</u>	<u>(1.323)</u>	<u>3.403.784</u>	<u>(927.727)</u>	<u>2.476.056</u>
	2011								
	Balances on 12-31-2010			Depreciation	Transfers	Adjustments	Balances on 12-31-2011		
	Gross value	Accumulated depreciation	Additions				Gross value	Accumulated depreciation	Net value
Buildings	256.837	(51.105)	35.917	(6.201)	249.710	51	542.515	(57.306)	485.209
Works in rented buildings	45.349	(23.303)	-	(2.656)	-	(52)	45.297	(25.959)	19.338
Artistic heritage	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 utensils	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	(13.043)	-	-	115.177	(74.147)	41.030
Security equipment	54.323	(29.166)	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
	<u>1.196.008</u>	<u>(715.796)</u>	<u>64.591</u>	<u>(96.447)</u>	<u>295.828</u>	<u>27</u>	<u>1.553.320</u>	<u>(810.762)</u>	<u>742.558</u>
Fixed assets in construction	841.499	-	430.085	-	(287.002)	(39)	984.508	-	984.508
	<u>2.037.507</u>	<u>(715.796)</u>	<u>494.676</u>	<u>(96.447)</u>	<u>8.826</u>	<u>(12)</u>	<u>2.537.828</u>	<u>(810.762)</u>	<u>1.727.066</u>

On December 31, 2011, the heading “Fixed Assets In Construction” includes tCVE 913.982 related with expenses with the construction of the new headquarters in the city of Praia. It also comprises figures related to works in progress in a few agencies. At end-2012, construction of the new headquarters had been concluded and the amounts were transferred to Fixed Assets.

**10. INTANGIBLE ASSETS**

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The table below displays the movement observed in the caption “Intangible Assets” in the years 2012 and 2011:

	2012						
	Balances on 12-31-2011			Depreciation	Balances on 12-31-2012		
	Gross value	Accumulated depreciation	Additions		Valor bruto	Accumulated depreciation	Net value
Software	239.533	(232.897)	2.157	(4.805)	241.690	(237.702)	3.988

  

	2011						
	Balances on 12-31-2010			Depreciation	Transfers	Balances on 12-31-2011	
	Gross value	Accumulated depreciation	Additions			Gross value	Accumulated depreciation
Software	237.633	(216.379)	1.024	(16.518)	876	239.533	(232.897)

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

On December 31, 2012 and 2011, the balance of this item indicated the following composition:

Entity	% of shares	Cost of acquisition	2012				2011			
			Bal Sheet Value	Date	Net Assets	Profit/Loss	Owner Equity	Bal Sheet Value	Date	Net Assets
Novo Banco, S.A	20,00%	120.000	96.624	31-12-2011	390.472	(96.439)	183.119	55.912	31-12-2010	305.191
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10,00%	10.000	45.022	31-12-2012 <sup>(1)</sup>	620.992	90.154	450.221	41.605	31-12-2011 <sup>(1)</sup>	569.004
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	6.844	31-12-2011	266.013	(2.795)	38.326	7.395	31-12-2010	188.445
Sophis Gere, S.A.	10,00%	2.000	2.000	n.a	n.a	n.a	n.a	n.a	n.a	n.a
			<u>144.500</u>		<u>150.490</u>			<u>104.912</u>		

n.a. - not applicable

<sup>(1)</sup> Provisional Financial Statements

Caixa classified the shares in Imotur (Real Estate & Tourism of Cape Verde), SISP – Sociedade Interbancária e Sistemas de Pagamentos, SARL and Sophis Gere, S.A. as investments in associated companies despite the fact that its share in those companies is less than 20%, whereas Caixa is a member of the governing body which, in the opinion of the Board of Directors, confers significant influence on the activities of Imotur, SISP and Sophis Gere, and this way fits in the provisions of Standard IAS 28 – Investments in Associated Companies.

In October 2010, 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. In 2012, a capital increase in the amount of tCVE 300.000 was promoted, in which Caixa participated with tCVE 60.000.

The transactions in the balance sheet value of these shares in the years of 2012 and 2011 and their impact on the financial statements of Caixa can be evidenced as follows:

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	Imotur	SISP	Novo Banco	Sofhis Gere	Total
Balances on 31 December 2010	8.361	33.589	60.000	-	101.950
Dividends	-	(3.743)	-	-	(3.743)
Income from associated companies	(966)	11.759	(4.088)	-	6.705
Balances on 31 December 2011	7.395	41.605	55.912	-	104.912
Increase in the capital of Novo Banco	-	-	60.000	-	60.000
Subscription of Sofhis Gere's capital	-	-	-	2.000	2.000
Dividends	-	(4.521)	-	-	(4.521)
Income from associated companies	(551)	7.938	(19.288)	-	(11.901)
Balances on 31 December 2012	6.844	45.022	96.624	2.000	150.490

On December 31, 2012 and 2011, the balance of “Results in associated companies – SISP” includes tCVE 1.077 and tCVE 3.148, respectively, which refer to adjustments to the result achieved in the previous year.

## 12. INCOME TAX

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, 2012 and 2011 were the following:

	2012	2011
Current tax assets		
. Withholding tax	10.481	11.127
Current tax liabilities		
. Tax allocated in 2010	-	(111.866)
. Tax allocated in 2011	-	(83.693)
. Payment on account of tax allocated in 2010	-	86.930
. Withholding tax in 2011	-	9.582
	-	(99.047)
	10.481	(87.920)
Deferred tax assets		
. For tax losses carried forward	43.843	-
. For temporary differences	13.293	26.587
Deferred tax liabilities		
. For temporary differences	(1.539)	(3.077)
	55.597	23.510

The details of deferred tax in the financial years of 2012 and 2011 were as follows:

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

	2012		
	Balance on 12.31.2011	Variation in results	Balance on 12.31.2012
Tax losses carried forward	-	43.843	43.843
Adjustments of conversion to the IFRS	23.510	(11.757)	11.754
	<u>23.510</u>	<u>32.086</u>	<u>55.597</u>

  

	2011		
	Balance on 12.31.2010	Variation in results	Balance on 12.31.2011
Adjustments of conversion to the IFRS	35.264	(11.754)	23.510

In 2012, Caixa established the existence of losses for tax purposes. In light of the General Tax Code approved by Law no. 37/IV/92, tax losses are deductible from taxable profit, should the latter occur, of one or more of the following three financial years.

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. The Board of Directors believes that in 2013 Caixa will generate sufficient taxable profit to take the maximum advantage of the tax losses carried forward and consequent recovery of deferred tax.

The reconciliation between the nominal and the effective tax rate found in the years 2012 and 2011 can be highlighted as follows:

	2012		2011	
	Rate	Tax	Rate	Tax
Income Before Tax		<u>86.578</u>		<u>528.125</u>
Tax calculated based on the nominal rate	25,5%	22.077	25,5%	134.672
Tax Benefits:				
. Yield of Government Bonds placed on the secondary market	(71,43%)	(61.839)	(7,64%)	(40.349)
. Other	0,92%	799	(0,36%)	(1.889)
Charges not fiscally accepted	7,94%	6.877	0,57%	3.013
Tax on Profit for the Year	<u>(37,06%)</u>	<u>(32.086)</u>	<u>18,07%</u>	<u>95.447</u>

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 September 2008, Caixa received a notification from the Directorate-General of Taxes (DGCI) concerning payment of income tax corrections for the year 2007 in the amount of tCVE 77.897. Also during the financial year of 2008, Caixa settled tCVE 46.986 and claimed the remaining value. In 2012, the DGCI fixed additional payment related with the year 2007 at tCVE 2.570 and agreed with the remainder. In 2012 as well, the Caixa settled tCVE 1.503 and claimed the remaining value. Caixa registered a provision in the amount of tCVE 1.502 (Note 17).

In September 2010, Caixa was notified by the Directorate General of Tax of an additional payment in the amount of tCVE. 49.842 concerning corrections to the income tax for the year 2009. Also in 2010 Caixa settled the amount of tCVE 25.073,

claiming the remainder. In 2012, Caixa registered a provision in the amount of tCVE 833 (Note 17).

Moreover, in December 2010, 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. Caixa made a provision of tCVE 119 intended only for the IUR – Real estate income (Note 17).

In September 2011, 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. During 2012, additional payment was stipulated at 40.644 thousand Euros. In this regard, Caixa immediately settled EUR 16.145 and claimed the remaining value.

In November 2011, 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.

On July 2012, the DGCI notified Caixa on an additional payment in the amount of tCVE 4.521 for corrections to income tax for the year 2011 which Caixa settled in full.

On December 31, 2012 and 2011, the Caixa has a provision for tax contingencies in the amounts of tCVE 48.148 and tCVE 48.817, 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 Caixa during a period of five years which is likely to result in corrections to the profit taxable due to different interpretations of tax laws. In the opinion of the Board of Directors, any correction or adjustment made is not expected to be significant for the financial statements of Caixa on December 31, 2012.

### **13. OTHER ASSETS**

This item has the following composition:

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012  
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	2012	2011
<u>Other assets:</u>		
Assets auctioned	14.208	14.159
Coins and medals	176	126
<u>Debtors:</u>		
Receivables from the State of Cape Verde		
. Interest rate subsidies	668.510	570.825
. Other	29.616	27.887
Micro-Credit Fund (Note 18)	53.487	53.725
Sundry debtors	25.425	109.327
Debtors for foreign exchange remittances	22.839	22.009
<u>Deferred costs:</u>		
Insurance	1.177	1.178
Other	6.025	-
Loans to settle	60.076	15.279
	881.539	814.515
Impairment of Other Assets (Note 17)	(35.617)	(32.509)
	<u>845.922</u>	<u>782.006</u>

On December 31, 2012 and 2011, 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 Caixa:

Year of acquisition	2012			2011		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
2004	1.973	(1.973)	-	1.924	(1.924)	-
2007	3.161	(3.161)	-	3.161	(2.371)	790
2008	3.324	(2.493)	831	3.324	(1.662)	1.662
2009	5.750	(2.875)	2.875	5.750	(1.438)	4.312
	<u>14.208</u>	<u>(10.502)</u>	<u>3.706</u>	<u>14.159</u>	<u>(7.395)</u>	<u>6.764</u>

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

Interest rate 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 Caixa since early 2004.

In 2010, Caixa received the preliminary report of the Directorate-General of the Treasury (DGT) of an external audit to the subsidized loan scheme intended to calculate the debt obligation of the State to Caixa as regards interest rate subsidies, in which the eligibility of a set of operations was questioned. Caixa contested the findings of this report in 2010. In 2012, Caixa received the related reply in which the DGT stipulates that, of a value claimed by Caixa up to 2008 of tCVE 297.860, only tCVE 115.930 are due. Negotiations with the DGT are still ongoing with the aim of quantifying the final value to be recognized by the DGT for the above-mentioned financial years, as well as for the amounts claimed between 2009 and 2012 which total tCVE 410.496. The Board of Directors of Caixa should strive to conclude such negotiations as early as possible and, in case the final agreement results in a negative balance for Caixa, that value should be deferred for a period of 6 (six) years since it derives from the accumulation of recovery proceedings forwarded to the Ministry of Finance between 2002 and 2008.

On December 31, 2012 and 2011, the balance of “Debtors – Micro Credit Fund” refers to loans granted under the Micro-Enterprise Training and Loan Program. 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, 2012 and 2011, the caption “Sundry Debtors” refers to amounts of advance payments made to fixed asset suppliers.

On December 31, 2012 and 2011, the balance of “Debtors for foreign exchange remittances” refers to checks drawn on foreign countries, which were settled in the beginning of the period ahead.

#### **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 FROM OTHER CREDIT INSTITUTIONS**

This caption presents the following composition:

	2012	2011
<b>Demand deposits:</b>		
With credit institutions in the country	108.238	110.191
	<u>108.238</u>	<u>110.191</u>
<b>Time deposits:</b>		
With credit institutions in the country	250.000	250.000
	<u>250.000</u>	<u>250.000</u>
<b>Loans received:</b>		
Through IFC Credit Line	551.325	-
From international financial organizations	297.716	286.689
From credit institutions in the country	-	1.388.047
	-	38.669
	<u>849.041</u>	<u>1.713.405</u>
<b>Interest:</b>		
From deposits	12.834	12.821
From loans received	12.395	6.490
	<u>25.229</u>	<u>19.311</u>
	<u>1.232.508</u>	<u>2.092.907</u>

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

On December 21, 2011 Caixa received a credit line in the total amount of EUR 10.000.000 (tCVE 1.102.650) from the Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden n.v. (“FMO”). The total amount of the credit will become available through an initial tranche of EUR 5.000.000 (tCVE 551.325) and two additional tranches

of EUR 2.500.000 each (tCVE 275.663). Repayment has been agreed on a six-monthly basis in the period between July 2014 and January 2019. This credit line bears interest at a variable rate. On December 31, 2012, Caixa has already used the initial tranche in the value of tCVE 551.325. Delivery of the remaining tranches shall depend on compliance by Caixa of a set of covenants.

The agreement also anticipates that, in case of non-compliance of the provisions set forth in the covenants, Caixa is bound to state the reasons for such non-compliance (“waiver request”) and indicate the steps to be taken so as to overcome it, subject to a monetary penalty. Additionally, the agreement anticipates that, in case of non-compliance, the FMO shall be entitled to request advance reimbursement of the loan.

As from September 30, 2012, Caixa is already in breach of covenant “Open assets exposure ratio”. Therefore, on February 25, 2013 Caixa submitted a “waiver request” to the FMO, justifying the non-compliance event and presenting concrete measures for due settlement of the contractual conditions.

The Board of Directors of Caixa is confident that the FMO will accept the waiver.

## 16. CUSTOMER FUNDS AND OTHER LOANS

This item has the composition below indicated:

	2012	2011
Savings deposits:		
Individuals - cheque books	4.777.464	4.733.710
Demand deposits:		
Residents	8.797.208	6.673.953
Emigrants	683.248	639.992
	9.480.456	7.313.945
Time deposits:		
Residents	10.695.821	9.191.582
Emigrants	9.654.254	9.098.062
	20.350.075	18.289.644
Other resources:		
Loans obtained from residents	326.667	338.333
Cheques and orders payable	9.390	(18.796)
Securities sold by repurchase agreement (Note 7)	4.465.730	4.859.230
	4.801.787	5.178.767
Interest:		
On deposits	476.481	383.413
On loans to residents	5.310	5.449
On securities sold by repurchase agreement	54.532	52.980
On private companies	-	84
	536.323	441.926
Deferred costs:		
Financing from non-resident	(16.095)	-
	39.930.010	35.957.992

On December 31, 2012 and 2011, demand deposits are not remunerated, except in specific circumstances defined in accordance with the guidelines of the Board of Directors of Caixa.

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On December 31, 2012 and 2011, the item “Other assets – Loans obtained 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.

**17. PROVISIONS AND IMPAIRMENT**

Movements in provisions and impairment of Caixa in the years ended December 31, 2012 and 2011 are as follows:

	2012				
	Balance on 12.31.2011	Net allocations on results	Utilization	Balance on 12.31.2012	Impairment recoveries
<u>Impairment</u>					
Impairment of loans to customers (Note 7)	2.046.777	549.620	(198.943)	2.397.454	(18.360)
Impairment of financial assets available for sale (Note 5)	200	-	-	200	
Impairment of other assets (Note 13)	32.509	8.108	(5.000)	35.617	
	2.079.486	557.728	(203.943)	2.433.271	(18.360)
Provisions for tax contingencies (Note 12)	48.817	833	(1.502)	48.148	
	2.128.303	558.561	(205.445)	2.481.419	(18.360)

  

	2011					
	Balance on 12.31.2010	Net allocations on results	Utilization	Transfers	Balance on 12.31.2011	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)

**18. OTHER LIABILITIES**

This item has the following composition:

	2012	2011
<b><u>Resources</u></b>		
Resources allocated - Micro-Credit Fund (Note 13)	53.487	53.725
Public administrative sector - withholding tax	28.124	36.151
Other	2.956	3.088
<b><u>Personnel costs:</u></b>		
Vacation and vacation allowance	54.621	50.949
Productivity bonus (Note 27)	30.987	29.729
Cashier's allowance	12.530	11.785
<b><u>Other administrative costs:</u></b>		
ATM charges	11.486	20.241
Water, gas and electricity	12.396	8.314
Communications	3.267	6.679
Annual rate of share maintenance	3.000	3.250
Fees payable - Western Union	1.771	9.383
Other	53.549	52.477
<b><u>Deferred income:</u></b>		
Off-balance sheet operations	1.083	1.022
Other accrual accounts	39.818	45.319
	<u>309.075</u>	<u>332.112</u>

On December 31, 2012 and 2011, the item “Other accrual accounts” includes tCVE 6.891 and tCVE 5.907, 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, 2012 and 2011, the capital of 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, 2012 and 2011, the shareholder structure of Caixa is the following:

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

**20. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR**

On December 31, 2012 and 2011, the items “Reserves and retained earnings” present the following composition:

	<u>2012</u>	<u>2011</u>
Other reserves and retained earnings		
. Legal Reserve	410.132	366.865
. Other reserves	1.715.788	1.535.177
. Retained earnings	(177.062)	(177.062)
	<u>1.948.858</u>	<u>1.724.980</u>
Profit for the Year	118.664	432.678
	<u><u>2.067.522</u></u>	<u><u>2.157.658</u></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 the capital or cover losses after having exhausted all other reserves.

In its meeting held on April 26, 2012, the General Meeting of Shareholders deliberated the distribution of dividends amounting to tCVE 208.800 and incorporation into legal reserve and other reserves in the amounts of tCVE 43.268 and tCVE 180.610, respectively.

In its meeting held on March 26, 2011, the General Meeting of Shareholders 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:

	<u>2012</u>	<u>2011</u>
Interest on loans to customers		
Domestic credit	2.310.564	2.343.051
Recovery of cancelled interest	172.731	188.119
Interest on other loans and receivables (securitized)		
Treasury bonds	319.640	234.574
Other fixed yield securities	94.731	93.053
Interest on investment at the Banco de Cabo Verde		
TRM - Short-term open market security	2.279	4.645
Interest on investment with credit institutions abroad	3.039	2.843
Other interest and similar income	357	484
Commissions received and related to amortized cost	107.927	132.955
	<u><u>3.011.268</u></u>	<u><u>2.999.724</u></u>

In the years 2012 and 2011, interest on Treasury Bonds placed in the secondary market amounted to tCVE 265.638 and tCVE 158.233, respectively (Note 22).

**22. INTEREST AND SIMILAR CHARGES**

This item evidences the following composition:

	2012	2011
Savings deposits		
Cheque books	45.506	50.987
Demand deposits		
Emigrants	9.758	9.202
Residents	12	10
Time deposits		
Residents	492.760	411.424
Emigrants	425.755	372.796
Loans		
Residents	66.722	90.313
Non-residents	22.639	11.618
Sale transactions with repurchase agreement		
Treasury Bonds (Note 21)	265.638	158.233
Interest cancelled on loans to customers		
Domestic credit	20.462	17.485
Other	2.875	539
	<u>1.352.127</u>	<u>1.122.607</u>

**23. INCOME AND CHARGES FOR SERVICES AND COMMISSIONS**

This caption has the following composition:

	2012	2011
<u>Income for services and commissions:</u>		
Western Union fees	55.609	61.759
Fees on foreign exchange transactions	80.938	47.398
Guarantees and sureties	8.637	16.393
Account maintenance fees	14.513	14.001
VISA fees	7.835	5.930
Documentary credits	1.404	5.557
Other bank services provided	11.611	12.987
Other fees	13.428	12.613
	<u>193.975</u>	<u>176.638</u>
<u>Charges for services and commissions:</u>		
Fees on foreign exchange transactions	(11.994)	(14.069)
VISA fees	(10.098)	(9.001)
Other fees and charges	(35.028)	(27.766)
	<u>(57.120)</u>	<u>(50.836)</u>

**24. RESULTS OF FOREIGN EXCHANGE REVALUATION**

This item has the following composition:

	2012			2011		
	Profit	Loss	Net	Profit	Loss	Net
Foreign currency results	181.356	(133.037)	48.319	176.700	(124.262)	52.438
Results in banknotes and coins	165.690	(130.170)	35.520	146.734	(110.406)	36.328
	<u>347.046</u>	<u>(263.207)</u>	<u>83.839</u>	<u>323.434</u>	<u>(234.668)</u>	<u>88.766</u>

**25. RESULTS FROM THE SALE OF OTHER ASSETS**

On December 31, 2011, this heading indicated the following composition:

Gains and losses in the sale of non-current assets held for sale (Note 13)	1.685
Gains and losses in the sale of other tangible assets	702
	<u>2.387</u>

**26. OTHER OPERATING INCOME**

This caption presents the following composition:

	2012	2011
<u>Other operating income:</u>		
Provision of services:		
Service fees	31.905	52.751
Credit cards	4.534	3.508
Sale of cheques and cheque books	7.648	8.363
Rental of property (Note 8)	126	131
Other operating income	8.729	15.791
	<u>52.942</u>	<u>80.544</u>
<u>Other operating costs:</u>		
Other taxes	(7.620)	(6.420)
Grants	(1.043)	(5.626)
Contributions	(871)	(389)
Other taxes	(9.557)	(4.917)
	<u>(19.091)</u>	<u>(17.352)</u>
	<u>33.851</u>	<u>63.192</u>

**27. PERSONNEL COSTS**

This item has the following composition:

	2012	2011
Payroll	471.591	420.808
Remuneration of the managing and supervisory bodies	31.133	27.162
Social liabilities		
Social securities	67.234	61.508
Medical expenses	3.816	4.240
Other	5.579	5.357
Productivity bonus (Note 18)	30.987	29.729
Other	6.521	5.603
	<u>616.861</u>	<u>554.407</u>

On December 31, 2012 and 2011, Caixa had the following staff:

	2012	2011
Executive Directors	3	3
Directorate-General and Coordination	17	16
Managers and heads of departments and services	38	37
Technical staff	100	110
Administrative personnel	106	94
General support staff	39	21
	<u>303</u>	<u>281</u>

On December 31, 2012 and 2011, the figures above indicated include 62 and 47 employees, respectively, with fixed term employment contracts.

**28. GENERAL ADMINISTRATIVE COSTS**

This item has the following composition:

	2012	2011
Specialized labor	139.312	146.889
ATM charges	104.149	112.865
Advertising	52.759	67.537
Water, gas and electricity	47.484	43.507
Travel, accommodation and representation	35.936	44.018
Communications	35.058	37.497
Maintenance and repair	22.312	15.975
Rents and leases	21.271	20.426
Insurance	18.254	20.291
Staff training	14.730	7.569
Fuel	11.426	10.662
Computer equipment	1.153	535
Legal expenses	343	571
Other	32.108	19.496
	<u>536.295</u>	<u>547.838</u>

**29. CONTINGENT LIABILITIES AND COMMITMENTS**

On December 31, 2012 and 2011, contingent liabilities associated with banking activities are recorded in off balance sheet items and present the following details:

	2012	2011
Contingent liabilities		
Guarantees and sureties	326.256	333.072
Documentary credit opened	31.456	146.149
	<u>357.712</u>	<u>479.221</u>
Deposit and custody of securities	5.853.650	5.365.689
	<u>6.211.362</u>	<u>5.844.910</u>

**30. SEGMENT REPORTING**

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

The Trading and Sales segment is related to cash management, 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, 2012 and 2011, the information regarding the operational segments used by Caixa may be summarized as follows:

	2012		
	Trading and Sales	Commercial Banking	Total
Interest and similar income	414.035	2.597.233	3.011.268
Interest and similar charges	-	(1.352.127)	(1.352.127)
<b>NET INTEREST INCOME</b>	<u>414.035</u>	<u>1.245.106</u>	<u>1.659.141</u>
Income from services and commissions	-	193.975	193.975
Charges on services and commissions	-	(57.120)	(57.120)
Results in foreign exchange revaluation	-	83.839	83.839
Other operating income	33.851	-	33.851
<b>NET OPERATING INCOME</b>	<u>447.886</u>	<u>1.465.800</u>	<u>1.913.686</u>
Provisions and impairment net of reservs and recoveries	-	-	(540.201)
	<u>447.886</u>	<u>1.465.800</u>	<u>1.373.485</u>
Other costs and income	-	-	(1.254.821)
<b>Net Profit for the Year</b>			<u><b>118.664</b></u>
Cash and deposits at central banks	-	2.846.489	2.846.489
Deposits in other credit institutions	-	894.667	894.667
Financial assets available for sale	3.823	-	3.823
Investment in credit institutions	226.929	5.109.436	5.336.365
Loans to customers	7.231.562	27.515.962	34.747.524
Resources from other credit institutions	-	(1.232.508)	(1.232.508)
Customer funds and other loans	(326.667)	(39.603.343)	(39.930.010)

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012  
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	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>	<b>301.800</b>	<b>1.575.317</b>	<b>1.877.117</b>
Income from services and commissions	-	176.638	176.638
Charges on services and commissions	-	(50.836)	(50.836)
Results in 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>NET OPERATING INCOME</b>	<b>365.694</b>	<b>1.791.570</b>	<b>2.157.264</b>
Provisions and impairment net of reversals and recoveries	-	-	(420.604)
	<b>365.694</b>	<b>1.791.570</b>	<b>1.736.660</b>
Other cost and income	-	-	(1.303.982)
<b>Net Profit for the Year</b>			<b>432.678</b>
Cash and deposits at central banks	-	3.306.285	3.306.285
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	-	(2.092.907)	(2.092.907)
Customer funds and other loans	(338.333)	(35.619.659)	(35.957.992)

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

### 31. RELATED ENTITIES

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

On December 31, 2012 and 2011, the financial statements of Caixa include the following balances and transactions with related entities, excluding the managing bodies:

	2012			
	State of Cabo Verde	Shareholders		
		Instituto Nacional de Previdência Social	IMPAR	Assoc. Comp
<b>Assets:</b>				
Investment in credit institutions	227.000	-	-	-
Loans to customers	5.868.650	-	-	177.219
Investment in subsidiaries, associated companies and joint ventures	-	-	-	150.490
Impairment	-	-	-	(61.164)
Other assets	698.126	-	-	-
<b>Liabilities:</b>				
Resources from other credit institutions	-	-	273.566	28.717
Customer funds and other loans	-	7.790.611	-	-
Borrowing	-	-	-	-
<b>Income:</b>				
Interest and similar income	320.960	-	-	-
<b>Costs:</b>				
Interest and similar charges	-	8.304	12.822	-

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	2011			
	State of Cape Verde	Shareholders Instituto Nacional de Previdência Social	IMPAR	Assoc Comp
<b>Assets:</b>				
Investment in other 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
Customer 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	-

Managing Bodies

In 2012, the costs incurred with remuneration and other benefits granted to the members of the Board of Directors of Caixa amounted to tCVE 31.133 (tCVE 27.162 in the year 2011) (Note 27).

On December 31, 2012 and 2011, the amount of credit granted to members of the Board of Directors stood at tCVE 1.700 and tCVE 1.973, respectively.

**32. DISCLOSURES RELATED WITH FINANCIAL INSTRUMENTS**Policies for managing the financial risks associated with the business of Caixa Económica de Cabo Verde

In developing its activities, 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, as well as 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.

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Risk assessment at Caixa is made by taking into account the indicators established by the supervisory authority and the Board of Directors, 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, 2012 and 2011, the residual contractual terms of the financial instruments indicated the following composition:

	2012						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 deposits at central banks	2.846.489	-	-	-	-	-	2.846.489
Deposit in other credit institutions	894.667	-	-	-	-	-	894.667
Investment in credit institutions	5.227.000	717	-	-	108.225	423	5.336.365
Loans to customers (gross balance)	1.250.669	1.006.521	1.307.227	9.290.422	17.184.819	4.707.866	34.747.524
	<u>10.218.825</u>	<u>1.007.238</u>	<u>1.307.227</u>	<u>9.290.422</u>	<u>17.293.044</u>	<u>4.708.289</u>	<u>43.825.045</u>
<b>Liabilities:</b>							
Resources from central banks	-	-	-	-	-	-	-
Resources from other credit institutions	(108.238)	(547.716)	-	-	(551.325)	(25.229)	(1.232.508)
Customer funds and other loans	(15.949.598)	(2.543.763)	(10.750.972)	(6.492.718)	(3.672.730)	(520.229)	(39.930.010)
	<u>(16.057.836)</u>	<u>(3.091.479)</u>	<u>(10.750.972)</u>	<u>(6.492.718)</u>	<u>(4.224.055)</u>	<u>(545.458)</u>	<u>(41.162.518)</u>
Differential	<u>(5.839.011)</u>	<u>(2.084.241)</u>	<u>(9.443.745)</u>	<u>2.797.704</u>	<u>13.068.989</u>	<u>4.162.831</u>	<u>2.662.527</u>

  

	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
Deposits 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	-	-	-	-	-	6.942	6.942
Resources from other credit institutions	(1.754.612)	(287.235)	(51.060)	-	-	-	(2.092.907)
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>(16.334.633)</u>	<u>(4.931.323)</u>	<u>(12.349.494)</u>	<u>(4.149.201)</u>	<u>(304.959)</u>	<u>25.653</u>	<u>(38.043.957)</u>
Differential	<u>(10.437.967)</u>	<u>(2.653.076)</u>	<u>(9.387.908)</u>	<u>6.216.255</u>	<u>15.457.829</u>	<u>4.231.375</u>	<u>3.426.508</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 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 Caixa.

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 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.

Caixa applies a risk management strategy that relies on rules and procedures and a provisioning policy based on the individual and collective analysis of the 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.

Maximum exposure to credit risk

On December 31, 2012 and 2011, maximum exposure to credit risk at Caixa presented the following composition:

	2012	2011
Investment in credit institutions	5.336.365	722.477
Loans to customers	32.350.070	34.746.969
	<u>37.686.435</u>	<u>35.469.446</u>
Guarantees and sureties	326.256	333.072
Documentary credits opened	31.456	146.149
	<u>357.712</u>	<u>479.221</u>
Maximum exposure	<u>38.044.147</u>	<u>35.948.667</u>

*Quality of credit granted to customers*

On December 31, 2012 and 2011, the gross balance sheet value of credit granted to customers indicated the following composition:

	2012			
	Performing Loans	Non-Performing Loans	Default Loans	Total
<b>Companies</b>				
Loans to companies				
Outstanding	7.558.878	156.758	1.923.755	9.639.391
Overdue	13.951	21.056	793.509	828.516
	<u>7.572.829</u>	<u>177.814</u>	<u>2.717.264</u>	<u>10.467.907</u>
Guarantees & documentary credit to companies				
Outstanding	<u>330.555</u>	<u>13.518</u>	<u>6.955</u>	<u>351.028</u>
<b>Retail</b>				
House mortgages				
Outstanding	9.218.353	452.530	1.138.556	10.809.439
Overdue	3.743	4.768	151.192	159.703
	<u>9.222.096</u>	<u>457.298</u>	<u>1.289.748</u>	<u>10.969.142</u>
Consumer loans				
Outstanding	3.899.133	146.669	217.761	4.263.563
Overdue	1	20.504	194.372	214.877
	<u>3.899.134</u>	<u>167.173</u>	<u>412.133</u>	<u>4.478.440</u>
Other loans				
Outstanding	432.550	105.067	156.591	694.208
Overdue	4.232	1.636	39.065	44.933
	<u>436.782</u>	<u>106.703</u>	<u>195.656</u>	<u>739.141</u>
Guarantees				
Outstanding	<u>2.500</u>	<u>-</u>	<u>-</u>	<u>2.500</u>
<b>Financial Institutions</b>				
Outstanding	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>
<b>Public Sector</b>				
Outstanding	<u>938.548</u>	<u>-</u>	<u>-</u>	<u>938.548</u>
	<u>938.548</u>	<u>-</u>	<u>-</u>	<u>938.548</u>
Total outstanding credit	<u>22.380.593</u>	<u>874.542</u>	<u>3.443.618</u>	<u>26.698.753</u>
Total overdue credit	<u>21.927</u>	<u>47.964</u>	<u>1.178.138</u>	<u>1.248.029</u>
Total credit	<u>22.402.520</u>	<u>922.506</u>	<u>4.621.756</u>	<u>27.946.782</u>

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	2011			
	Performing Loans	Non-Performing Loans	Default Loans	Total
<b>Companies</b>				
Loans to companies				
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 & documentary credit to companies				
Outstanding	450.607	23.007	728	474.342
<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	4.880	-	-	4.880
<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>25.188.603</u>	<u>770.403</u>	<u>3.431.271</u>	<u>29.390.277</u>

The following distinctions have been considered in preparing the tables above:

- “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 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, 2012 and 2011, the balance of credits assigned with specific impairment through individual analysis totaled tCVE 2.446.703 and tCVE 2.642.019 respectively, with impairment reaching tCVE 977.133 and tCVE 623.297, 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.

In order to comply with the Technical Instructions (Series A, no. 150, dated December 28, 2009) issued by the Central Bank of Cape Verde, the credit quality indicators on December 31, 2012 are so presented:

- . Outstanding credit/total credit: 6,1%
- . Net outstanding credit / total credit, net: 0,12%

Fair Value

The table below establishes 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, 2012 and 2011.

2012					
	Analyzed Balances			Balances not analyzed	Total Balance Sheet Value
	Balance Sheet Value	Fair Value	Difference	Balance Sheet Value	
<b>Assets:</b>					
Cash and deposit at Central Banks	2.846.489	2.846.489	-	-	2.846.489
Deposit in other credit institutions	894.667	894.667	-	-	894.667
Financial assets available for sale	3.823	3.823	-	-	3.823
Investment in credit institutions	5.336.365	5.336.365	-	-	5.336.365
Loans to customers	29.947.497	27.789.951	(2.157.546)	4.800.027	34.747.524
	<u>39.028.841</u>	<u>36.871.295</u>	<u>(2.157.546)</u>	<u>4.800.027</u>	<u>43.828.868</u>
<b>Liabilities:</b>					
Resources from other credit institutions	(1.232.508)	(1.054.744)	177.764	-	(1.232.508)
Customer funds and other loans	(39.930.010)	(40.093.830)	(163.820)	-	(39.930.010)
	<u>(41.162.518)</u>	<u>(41.148.574)</u>	<u>13.944</u>	<u>-</u>	<u>(41.162.518)</u>
2011					
	Analyzed Balances			Balances not analyzed	Total Balance Sheet Value
	Balance Sheet Value	Fair Value	Difference	Balance Sheet Value	
<b>Assets:</b>					
Cash and deposit at central banks	3.306.285	3.306.285	-	-	3.306.285
Deposits 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)	6.198.500	36.739.746
	<u>35.221.788</u>	<u>33.965.557</u>	<u>(1.256.231)</u>	<u>6.198.500</u>	<u>41.420.288</u>
<b>Liabilities</b>					
Resources from Central Banks	(6.942)	(6.942)	-	-	(6.942)
Resources from other credit institutions	(2.092.907)	(2.112.223)	(19.316)	-	(2.092.907)
Customer funds and other loans	(35.957.992)	(35.759.761)	198.231	-	(35.957.992)
	<u>(38.057.841)</u>	<u>(37.878.926)</u>	<u>178.915</u>	<u>-</u>	<u>(38.057.841)</u>

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;
- With regard to the financial assets available for sale:

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- 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 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, 2012 and 2011, 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 displayed in the following tables:

**Interest Rate Risk**

	2012					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	666.993	325.623	166.049	(133.045)	(273.340)	(530.061)
Total sensitive assets	666.993	325.623	166.049	(133.045)	(273.340)	(530.061)
Resources from other credit institutions	114.692	103.747	98.389	88.404	83.637	74.527
Total sensitive liabilities	114.692	103.747	98.389	88.404	83.637	74.527
Total Gains / (Losses)	552.301	221.876	67.660	(221.449)	(356.977)	(604.588)

**Interest Rate Risk**

	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)

The table below presents the effect on the net interest income projected for the years 2012 and 2011, 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 2012	(38.825)	(19.412)	(9.706)	9.706	19.412	38.825
Financial year of 2011	(38.825)	(19.412)	(9.706)	9.706	19.412	38.825

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 2012 and 2011, 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. The said impacts refer exclusively to corporate bonds held by Caixa.

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

On December 31, 2012 and 2011, loans to customers were mostly granted at a fixed rate which amounted to tCVE 23.153.450 and tCVE 18.794.767, respectively.

### Exchange risk

#### Breakdown of financial instruments by currency

On December 31, 2012 and 2011, the financial instruments presented the following breakdown by currency:

	2012				
	Currency				
	Cape Verdean		U.S.		
	Escudos	Euros	Dollars	Other	Total
Assets:					
Cash and deposit at Central Banks	2.168.270	393.553	133.091	151.575	2.846.489
Deposits in other credit institutions	42.904	335.351	433.791	82.621	894.667
Financial assets available for sale (net balance)	-	3.823	-	-	3.823
Investment in credit institutions	5.227.424	108.941	-	-	5.336.365
Loans to customers (gross value)	34.747.515	9	-	-	34.747.524
Investment in subsidiaries, associated companies & joint ventures	150.490	-	-	-	150.490
Other assets (net balance)	183.960	654.979	6.983	-	845.922
	42.520.563	1.496.656	573.865	234.196	44.825.280
Liabilities:					
Resources from Central Banks	-	-	-	-	-
Resources from other credit institutions	(366.252)	(862.067)	(4.166)	(23)	(1.232.508)
Customer funds and other loans	(38.797.031)	(614.758)	(517.496)	(725)	(39.930.010)
Other liabilities	(9.796)	(15.210)	(50.623)	(233.446)	(309.075)
	(39.173.079)	(1.492.035)	(572.285)	(234.194)	(41.471.593)
Net Exposure	3.347.484	4.621	1.580	2	3.353.687

	2011				
	Currency				
	Cape Verdean		U.S.		
	Escudos	Euros	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 (net balance)	-	3.823	-	-	3.823
Investment in credit institutions	539.226	183.251	-	-	722.477
Loans to customers (gross value)	34.305.899	441.069	1	-	34.746.969
Investment in subsidiaries, associated companies & joint ventures	104.912	-	-	-	104.912
Other assets (net balance)	759.988	20.349	886	783	782.006
	38.082.589	1.372.838	662.415	196.587	40.314.429
Liabilities:					
Resources from Central Banks	(6.942)	-	-	-	(6.942)
Resources from other credit institutions	(2.081.013)	(7.605)	(4.289)	-	(2.092.907)
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)
	(37.357.899)	(433.917)	(596.329)	(1.808)	(38.389.953)
Net Exposure	724.690	938.921	66.086	194.779	1.924.476

### **3. CAPITAL MANAGEMENT**

In line with the prudential rules, 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 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's 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, Caixa must continuously observe a solvency ratio of 10%.

On December 31, 2012 and 2011, 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>
2012	-	0,0%	3.358.911	13,58%	127,70%
2011	208.800	48,3%	3.487.109	13,51%	189,95%