

CAIXA ECONÓMICA DE CABO VERDE, S.A.

**Financial Statements at December 31,
2009, and accompanying Audit Report**

INDEPENDENT AUDITORS' REPORT

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

Introduction

1. We have audited the accompanying financial statements of the Caixa Económica de Cabo Verde, S.A. ("Caixa"), which comprise the Balance Sheet as at December 31, 2009, evidencing a total of tCVE 32.854.512 and owner equity of tCVE 3.222.454, including net earnings of tCVE 307.653, and the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, and the Statement of changes in equity for the year then ended, as well as the corresponding Annexes (Notes 1 through 34).

Responsibilities

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

Scope

3. Except for the limitation described in paragraph 4 below, we conducted our audit in accordance with the Technical Standards and Reviewing/Auditing Guidelines of the Portuguese Institute of Chartered Accounts, which require that the audit works be planned and performed with the aim of obtaining reasonable assurance about whether the financial statements are free from material misstatement. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures of financial statements, and assessment of the estimates based on judgments and criteria used in their preparation and defined by the Executive Board. This examination also included an assessment of the adequacy of the accounting policies adopted and their disclosure, taking into account individual circumstances, verifying the applicability of the principle of continuity of operations and assessment of the adequacy of the overall presentation of the financial statements. Our audit also included verification of the financial information contained in the Management Report with the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Reserve

4. Until the date of this report, we have not obtained a response to our request for confirmation of balances of the Directorate General of the Treasury and thus we can not conclude as to the recoverability of accounts receivable from this entity, including the amount for subsidies receivable claimed since 2004, of tCVE 387.849. On the other hand, we did not get a response from a lawyer of the Caixa to the request for confirmation of any disputes and other relevant situations prevailing on December 31, 2009. Such conditions inhibit or hinder the identification of possible transactions, balances or contingencies that are not adequately reflected in the accompanying financial statements.

Opinion

5. In our opinion, except for the effect of the adjustments that might become necessary should the limitation described in the preceding paragraph 4 not exist, the financial statements referred to in paragraph 1 above give a true and fair view, in all aspects materially relevant, of the financial position of the Caixa Económica de Cabo Verde, S.A. as of 31 December 2009, as well as the results and the comprehensive income of its operations, the changes in its owner equity and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Emphases

6. As disclosed in Note 2 of the Notes to the financial statements, in 2009 the Caixa first applied the International Financial Reporting Standards (IFRS) in the preparation of its financial statements under the terms set forth in Notice No. 2/2007, of November 19, issued by the Banco de Cabo Verde (Central Bank). During the transition process of the accounting standards previously in force (Plan of Accounts for the Banking System – PCSB) to the IFRS, the Caixa followed the requirements anticipated in the International Financial Reporting Standard 1 – First-time Adoption of the International Financial Reporting Standards (IFRS 1), and the transition date was postponed to January 1, 2008. Consequently, the financial information relating to December 31, 2008 and the year then ended, previously presented in accordance with the PCSB, was restated to the IFRS for comparison purposes. Note 34 of the Notes to the financial statements includes disclosures regarding the impact of transition to the International Financial Reporting Standards.

Lisbon, ____ of May, 2010

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira

CAIXA ECONÓMICA DE CABO VERDE, S.A.

BALANCE SHEETS ON DECEMBER 31, 2009 AND 2008

(Amounts expressed in thousands Cape Verdean Escudos)

ASSETS	Notes	2009			2008		LIABILITIES & OWNER EQUITY	Notes	2009	2008 (Proforma)
		Gross Assets	Provisions, impairment & depreciation	Net Assets	Net Assets	(Proforma)				
Cash and deposits at central banks	3	5.219.191	-	5.219.191	5.723.856		Resources from central banks	14	250.000	-
Deposits with other credit institutions	4	694.123	-	694.123	746.982		Resources from other credit institutions	15	866.371	597.130
Financial assets available for sale	5	4.023	(200)	3.823	3.823		Customer funds and other loans	16	28.113.610	27.441.369
Investment with credit institutions	6	329.531	-	329.531	440.704		Provisions	17	59.904	70.276
Loans to customers	7	26.255.183	(1.485.102)	24.770.081	22.213.207		Current tax liabilities	12	85.457	53.520
Investment properties	8	17.730	(3.377)	14.353	13.834		Deferred tax liabilities	12	6.155	7.693
Other tangible assets	9	1.727.864	(614.993)	1.112.871	604.630		Other liabilities	18	250.561	194.427
Intangible assets	10	231.761	(185.035)	46.726	82.596		Total liabilities		29.632.058	28.364.415
Investment in subsidiaries, associated comp.& joint ventures	11	43.476	-	43.476	37.231		Capital	19	1.392.000	348.000
Current tax assets	12	10.107	-	10.107	-		Other reserves and retained earnings	20	1.522.801	1.430.469
Deferred tax assets	12	53.174	-	53.174	66.467		Income for the year	20	307.653	231.532
Other assets	13	559.788	(2.732)	557.056	441.086		Total owner equity		3.222.454	2.010.001
Total assets		<u>35.145.951</u>	<u>(2.291.439)</u>	<u>32.854.512</u>	<u>30.374.416</u>		Total liabilities and owner equity		<u>32.854.512</u>	<u>30.374.416</u>

The Annex is an integral part of the balance sheet on December 31, 2009

CAIXA ECONÓMICA DE CABO VERDE, S.A.
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED
ON DECEMBER 31, 2009 AND 2008

(Amounts expressed in thousands of Cape Verdean Escudos)

	<u>Notes</u>	<u>2009</u>	<u>2008</u> <i>(Proforma)</i>
Interest and similar income	21	2.245.126	1.991.924
Interest and similar charges	22	<u>(777.155)</u>	<u>(638.811)</u>
NET INTEREST INCOME		1.467.971	1.353.113
Income from services and commissions	23	198.822	211.370
Charges and commissions	23	(26.230)	(19.433)
Results from foreign exchange revaluation	24	104.126	134.345
Results from other assets	25	905	3.941
Other operating income	26	<u>186.607</u>	<u>257.489</u>
BANKING PRODUCT		1.932.201	1.940.825
Personnel costs	27	(483.474)	(418.025)
General administrative expenses	28	(506.234)	(423.902)
Depreciation	8, 9 e 10	(156.497)	(141.168)
Provisions net of reversals	17	(18.199)	(34.252)
Impairment of other financial assets net of reversals	17	(369.177)	(638.046)
Income from associated companies	11	<u>6.245</u>	<u>10.184</u>
INCOME BEFORE TAX		404.865	295.616
Tax			
Current	12	(85.457)	(62.882)
Deferred	12	<u>(11.755)</u>	<u>(1.202)</u>
		(97.212)	(64.084)
Income and comprehensive income for the year		<u>307.653</u>	<u>231.532</u>
Average number of ordinary shares issued		725.556	348.000
Earnings per share		0,42402	0,66532

The Annex is an integral part of the statement of comprehensive income
for the year ended on December 31,

2009

CAIXA ECONÓMICA DE CABO VERDE, S.A.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
ON DECEMBER 31, 2009 AND 2008
(Amounts expressed in thousands of Cape Verdean Escudos)

	<u>2009</u>	<u>2008</u> <i>(Proforma)</i>
<u>OPERATIONAL ACTIVITIES</u>		
Net profit for the year	307.653	231.532
Adjustments		
Depreciation	156.497	141.168
Provisions and impairment	387.376	672.298
Deferred tax	11.755	1.202
Investment in subsidiaries, associated comp., and joint ventures	(6.245)	(10.184)
Changes in assets and liabilities:		
(Increase) / decrease of investment with credit institutions	111.173	(179.688)
(Increase) / decrease of loans to customers	(2.925.086)	(3.685.955)
(Increase) / decrease of other assets	(131.356)	(27.543)
Increase / (decrease) of resources from central banks	250.000	-
Increase / (decrease) of resources from other credit institutions	269.241	159.895
Increase / (decrease) of customer funds and other loans	672.241	3.287.107
Increase / (decrease) of other liabilities	63.842	(47.787)
<i>Flow of operational activities</i>	<u>(832.909)</u>	<u>542.045</u>
<u>INVESTMENT ACTIVITIES</u>		
Receivables from:		
Investments in subsidiaries, associated comp., and joint ventures	-	5.357
Payables regarding:		
Investment properties	(547)	(6.763)
Other tangible assets	(613.850)	(125.062)
Intangible assets	(15.018)	(44.539)
<i>Flow of investment activities</i>	<u>(629.415)</u>	<u>(171.007)</u>
<u>FINANCING ACTIVITIES</u>		
Receivables from:		
Capital increases, net of expenses	1.044.000	-
Payables regarding:		
Dividends	(139.200)	(139.200)
<i>Flow of financing activities</i>	<u>904.800</u>	<u>(139.200)</u>
Net increase / (decrease) of cash and cash equivalents	(557.524)	231.838
Cash and cash equivalents at beginning of the period	6.470.838	6.239.000
Cash and cash equivalents at the end of the period	5.913.314	6.470.838

The Annex is an integral part of the statement of cash flows
for the year ended on December 31, 2009

CAIXA ECONÓMICA DE CABO VERDE, S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED ON DECEMBER 31, 2008 AND 2009
(Amounts expressed in thousands of Cape Verdean Escudos)

		Other reserves and retained earnings					
	Capital	Legal Reserve	Other reserves	Retained earnings	Total	Profit for the year	Total
Balances on December 31, 2007 - PCSB	348.000	223.781	1.010.243	-	1.234.024	471.670	2.053.694
Impact of the adoption of the International Financial Reporting Standards on January 1, 2008 (Note 34)	-	-	-	(136.025)	(136.025)	-	(136.025)
	<u>348.000</u>	<u>223.781</u>	<u>1.010.243</u>	<u>(136.025)</u>	<u>1.097.999</u>	<u>471.670</u>	<u>1.917.669</u>
Distribution of income for the year 2007:							
Incorporation on reserves	-	47.167	285.303	-	332.470	(332.470)	-
Distribution of dividends	-	-	-	-	-	(139.200)	(139.200)
Profit for the year	-	-	-	-	-	231.532	231.532
Balances on December 31, 2008 - proforma	<u>348.000</u>	<u>270.948</u>	<u>1.295.546</u>	<u>(136.025)</u>	<u>1.430.469</u>	<u>231.532</u>	<u>2.010.001</u>
Capital increase	1.044.000	-	-	-	-	-	1.044.000
Distribution of income for the year 2008:							
Incorporation on reserves	-	27.257	106.112	-	133.369	(133.369)	-
Distribution of dividends	-	-	-	-	-	(139.200)	(139.200)
Retained earnings	-	-	-	(41.037)	(41.037)	41.037	-
Profit for the year	-	-	-	-	-	307.653	307.653
Balances on December 31, 2009	<u>1.392.000</u>	<u>298.205</u>	<u>1.401.658</u>	<u>(177.062)</u>	<u>1.522.801</u>	<u>307.653</u>	<u>3.222.454</u>

The Annex is an integral part of the statement of changes in equity
for the year ended on December 31, 2009

1. INTRODUCTORY NOTE

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

As from December 2005, 60% of Caixa's shares began to be listed on the Stock Exchange of Cape Verde.

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

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

The financial statements of the Caixa on December 31, 2009 were approved by the Executive Board on May 31, 2010, and are pending approval by the General Assembly. However, the Executive Board expects them to be approved without any significant changes.

2. SUMMARY OF MAJOR ACCOUNTING POLICIES

2.1. Basis of presentation

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

2.2. First-time adoption of the International Financial Reporting Standards

The financial statements for the year 2009 are the first presented by the Caixa in conformity with the IFRS. Thus, as defined in Standard IFRS 1 – "First-time adoption of the International Financial Reporting Standards", the rules and interpretations in force on December 31, 2009 were used.

Up to December 31, 2008, the financial statements of the Caixa were prepared in accordance with the principles of the Chart of Accounts for the Banking System approved by Notice No. 6/94, of July 19, with the amendments introduced by the Decree-Law No. 39/2003, of October 20, and Notice No. 4/2004, of December 27, issued by the Banco de Cabo Verde. In the year ended December 31, 2009, the Caixa presents for the first time its financial statements according to the IFRS, and the impact on the transition date is explained in Note 33.

As for Standard IFRS 1, the financial statements at December 31, 2008 and for the year then ended presented for comparative purposes (pro-forma financial statements), were developed and restated under the rules in force on December 31, 2009.

2.3. Accounting Policies

a) Accruals

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

b) Conversion of balances and transactions in foreign currency

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

In the years 2009 and 2008, the exchange rate of the Cape Verdean Escudo against the Euro continued fixed at 1 Euro/110,265 Cape Verdean Escudos. On December 31, 2009 and 2008, the exchange rate against the U.S. dollar (USD) was as follows:

	<u>2009</u>	<u>2008</u>
1 USD	75,936	78,182

c) Financial Instruments

i) Financial Assets

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

a) Loans and receivables

These are financial assets with fixed or determinable payments not listed in an active market. This category includes loans to customers (including credit securitized to companies), receivables from other credit institutions and other accounts receivable recorded in “Other assets”. It also includes debt securities issued by the State of Cape Verde since they were acquired in the primary market by the Caixa chiefly for holding to maturity and there is no 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 allows calculating the amortized cost and allocate the interest over the period of operations. 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

Pursuant to the policies in force at the Caixa, interest on overdue loans are written off on the 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.

Periodically, the Caixa writes off from the assets its cash loans deemed irrecoverable by using the impairment constituted after specific analysis by the structural bodies responsible for monitoring and recovery of claims and approval by the Executive Board. Any recovery of loans written off is reflected in the income statement under "Other operating income".

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, 2009 and 2008, the assets available for sale represent unlisted assets whose fair value could not be reliably measured, and the Caixa kept these assets at historical cost.

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

d) Impairment of financial assets

Financial assets at amortized cost

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

The identification of signs of impairment is done on an individual basis for financial assets in which the 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 behavioral of the collections that leads to the conclusion that the nominal value will not be fully recovered.

The Caixa performs an individual analysis of the customers presenting responsibilities over tCve 50.000 or default events for more than 180 days.

Where indications of impairment are identified in individually analyzed assets, any impairment loss is the difference between the present value of future cash flows expected to be received (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 counterparty and the type of credit). The future cash-flows were estimated based on historical information on defaults and recoveries on assets with similar characteristics.

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

- Loans to companies
- Mortgage loans
- Other loans to individuals
- Guarantees
- In addition, assets individually assessed and for which no objective evidence of impairment was identified were also subject to collective evaluation of impairment, as 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 recorded.

The amount of impairment found is recognized in costs under the caption "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.

Financial assets available for sale

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

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

e) Financial liabilities

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

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

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

f) Assets received through credit recovery

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

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

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

g) Investment properties

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

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

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

h) Other tangible assets

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

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

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

Land is not depreciated.

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

Depreciation is recorded in operating costs.

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

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

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

i) Intangible assets

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

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

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

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

j) Investments in subsidiaries, associated companies and joint ventures

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

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

k) Income tax

On December 31, 2009, the Caixa is subject to the Single Income Tax (IUR) at the rate of 25%, and a fire rate of 2% on the tax calculated, which corresponds to an aggregated tax rate of 25.5%. In January 2009, the rate of the IUR was changed from 30% to 25% retroactively to January 1, 2008.

Current tax

Current tax is calculated based on taxable profit for the year, which differs from the book income due to adjustments to the tax base resulting from costs or income not relevant for tax purposes, or which will not 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 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 reporting tax losses is likely. Additionally, deferred tax are not recorded where their recoverability may be questionable due to other situations, such as issues of construal and interpretation of the tax legislation in force.

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

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

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

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

l) Provisions and contingent liabilities

A provision is made when there is a present obligation (legal or constructive) 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 it is not likely the future expenditure of resources, then it concerns a contingent liability. Contingent liabilities are only disclosed when the possibility of their execution is remote.

m) Employee benefits

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

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

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

n) Commissions

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

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

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

o) Securities held in escrow

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

p) Cash and cash equivalents

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

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

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

Determination of impairment losses on loans granted

Impairment losses on loans granted are determined according to the methodology described in Note 2.3. d). Thus, the determination of impairment of assets individually analyzed results from a specific assessment carried out by the Caixa based on knowledge of customers' reality and guarantees associated with the operations at stake.

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

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

Determination of income taxes

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

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

As mentioned in Note 2.1, in preparing the financial statements the Caixa used the Standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations, in force on 31 December 2009.

On the date of approval of these financial statements by the Executive Board, the relevant Standards and Interpretations available for early application are:

Standard/Interpretation	Date of effectiveness (financial years beginning on or after)	
NEW STANDARDS AND INTERPRETATIONS:		
IFRIC 12 – Service Concession Arrangements	1-Jan-10	This interpretation, applicable to awards of the type public-private, fits the operator as a service provider and introduces rules for recognition by the operator of the revenue from construction and operation of infrastructure and its management.
IFRIC 15 – Agreements for the construction of buildings	1-Jan-10	This interpretation clarifies the conditions required to accommodate the recognition of revenues from the construction of buildings under IAS 11- Construction contracts or under IAS 18 – Revenue.
IFRIC 16 – Hedges for a net investment in a foreign unit	1-Jul-09	This interpretation provides guidance on accounting for hedging a net investment in a foreign unit.
IFRIC 18 – Transfer of assets from customers	Transfers made on or after 1-Jul-09	This interpretation provides guidance on accounting by operators of tangible assets from customers.

Standard/Interpretation	Date of effectiveness (financial years beginning on or after)	
IFRS 9 – “Financial instruments”	1-Jan-13	<p data-bbox="847 528 1359 763">This legislation represents the first phase of the ongoing changes to IAS 39 – “Financial Instruments. Classification and measurement” and IFRS 7 – “Financial instruments: Disclosures”. The text of the new standard introduces changes to the current criteria for classifying and measuring financial assets, most notably:</p> <ul style="list-style-type: none"> <li data-bbox="847 790 1359 1055">a) Debt instruments not held for trading which are held for the purpose of receiving the contractual flows of principal and interest on the initial investment amount should be recorded at amortized cost. Debt instruments not fitting these characteristics should be recorded at fair value through profit or loss for the year; <li data-bbox="847 1081 1359 1456">b) Equity instruments should be recorded at fair value through profit or loss and there is an option available for the irrevocable designation of these instruments not held for trading at the time of their initial recognition, to record at fair value through capital. The use of this option determines that the subsequent valuation of the instrument (including realized gains on sales but excluding dividends received) be fully recognized against the caption Reserves;

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Standard/Interpretation	Date of effectiveness (financial years beginning on or after)	
		c) The framework for the classification and measurement of financial assets with embedded derivatives should be carried out by considering the totality of characteristics of the instrument, being no longer possible to separate the derivate and the host contract.
REVIEWS:		
IFRS 1 – First-time adoption of the International financial reporting standards (Review of 2008)	1-Jan-10	This review reflects the various changes made since the first version of the rule.
IFRS 2 (Amended) – “Payments based on shares”	1-Jan-10	This review clarifies the procedure to be adopted by a subsidiary in its separate financial statements for transactions based on shares where payment is made by the parent company or any other entity of the group.
IFRS 3 – Combination of business activities / IAS 27 – Financial statements consolidated and separated (Review of 2008)	1-Jul-09	This review introduces changes in: (a) the measurement of non-controlling interests (previously called minority interests); (b) the recognition and subsequent measurement of contingent payments; (c) the handling of direct costs related to merging, and (d) the recording of transactions for the purchase of interests in already controlled entities and sale of interests that would not result in loss of control over the entity.
IAS 24 (Amended) – “Related entities”	1-Jan-11	Introduces an exemption from some disclosure requirements related with entities in which the state exercises control, joint control or significant influence.

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Standard/Interpretation	Date of effectiveness (financial years beginning on or after)	
IFRIC 14 – “The limit on a defined benefit asset, minimum funding requirements and their interaction” (Amendment)	1-Jan-11	Clarifies the composition and accounting handling of minimum funding requirements of employee benefit liabilities associated with future services.
IFRIC 19 – “Settlement of liabilities by issuing equity instruments”	1-Jul-10	Clarifies the accounting treatment of for the settlement of liabilities by issuing equity instruments.
AMENDMENTS:		
IAS 39 – Financial Instruments: recognition and measurement (Amendments)	1-Jul-09	These amendments clarify a few aspects of hedge accounting, including: (i) the identification of inflation as a hedged risk, and (ii) hedge with options.
IFRIC 9 – Revaluation of embedded derivatives/ IAS 39 – Financial Instruments: recognition and measurement (Amendments)	Financial years ended on or beginning after 30-Jun-09	These amendments clarify the circumstances in which the subsequent review of the requirement for the separation of an embedded derivate is permitted.

Though approved by the IASB, these standards have not been adopted by the Caixa in the year ended December 31, 2009, because their application is not yet binding. No significant impacts are anticipated on the financial statements resulting from its adoption.

3. CASH AND DEPOSITS AT CENTRAL BANKS

This item has the following composition:

	<u>2009</u>	<u>2008</u>
Cash	1.406.037	1.550.878
Deposits with the Banco de Cabo Verde	3.813.154	4.172.978
	<u>5.219.191</u>	<u>5.723.856</u>

Demand deposits opened at the Banco de Cabo Verde are intended to meet the requirements of minimum cash reserves. In accordance with the provisions of the Banco de Cabo Verde, these liquid assets should correspond to 16% (14% up to February 19, 2009) of the average effective liquid assets in national and foreign currency for residents and emigrants.

These deposits are not paid.

4. CASH AT OTHER CREDIT INSTITUTIONS

This item has the following composition:

	<u>2009</u>	<u>2008</u>
Demand deposits:		
With credit institutions in the country		
. BCA	14.304	14.183
With credit institutions abroad		
. Banque et Caisse D'Epargne de L'Etat	278.330	118.982
. Marine Midland Bank	137.366	76.537
. Montepio Geral	45.582	141.098
. Commerzbank	9.397	-
. Banco Espírito Santo	6.614	45.055
. Caixa Geral de Depósitos	5.738	36.050
. Banco Português de Investimento	3.467	59.900
. ABN AMRO Bank	3.319	30.916
. Other	74.155	68.667
	<u>578.272</u>	<u>591.388</u>
Values to recover:		
On the country	92.742	143.659
Abroad	22.760	10.031
	<u>115.502</u>	<u>153.690</u>
Other liquid assets	349	1.904
	<u>694.123</u>	<u>746.982</u>

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

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5. FINANCIAL ASSETS AVAILABLE FOR SALE

On December 31, 2009 and 2008, equity instruments and debt securities classified as financial assets available for sale are composed as follows:

Security	Balance Sheet		
	Acquisition cost	value (net)	Impairment (Note 17)
<u>Equity Instruments valued at historical cost</u>			
West African Regional Guarantee Fund (GARI Fund)	3.823	3.823	-
<u>Debt securities valued at historical value</u>			
Portuguese Government Bonds	200	-	(200)
	<u>4.023</u>	<u>3.823</u>	<u>(200)</u>

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

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

6. INVESTMENTS IN CREDIT INSTITUTIONS

This item presents the following composition:

	2009	2008
Investment with credit institutions in the country:		
At Banco de Cabo Verde		
TRM – Short term open market security – 14 days	150.000	-
TIM – Short term open market security – 30, 60 or 90 days	-	250.000
Investment with credit institutions abroad:		
Security deposits	145.812	190.475
Time deposits	33.805	3.910
Deferred income	(86)	(3.681)
	<u>329.531</u>	<u>440.704</u>

On December 31, 2009 and 2008, the heading “Investment with credit institutions abroad – guarantee deposits” refers to guarantees in the form of deposits provided by the Caixa at other credit institutions as collateral for documentary credits issued by these entities to Caixa’s customers. These deposits are not remunerated, being refunded upon settlement of the related documentary credit.

On December 2009 and 2008, term deposits and security deposits indicate the following composition per credit institution:

	2009	2008
Banque et Caisse D'Espargne de L'Etat	142.030	108.225
Montepio Geral	33.105	73.896
Other	4.482	12.264
	<u>179.617</u>	<u>194.385</u>

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7. CREDIT TO CUSTOMERS

This item presents the following composition:

	2009	2008
Short term domestic credit:		
Trade discounts	778.126	726.987
Loans	1.465.474	791.179
Overdrafts in demand deposits	519.701	328.732
Mid and long term domestic credit:		
Loans	15.234.277	13.142.887
Other credit	1.092.115	1.217.517
	<u>19.089.693</u>	<u>16.207.302</u>
Other loans and receivables (securitized):		
State bonds	1.979.250	2.090.370
Other fixed income securities	1.205.364	1.154.081
Credit to employees	594.993	589.788
	<u>22.869.300</u>	<u>20.041.541</u>
Interest receivable	114.509	107.837
Deferred costs	6.077	5.882
Deferred Income	(208.922)	(205.202)
Overdue credit and interest	3.474.219	3.490.803
	<u>26.255.183</u>	<u>23.440.861</u>
Impairment of loans to customers (Note 17)	(1.485.102)	(1.227.654)
	<u>24.770.081</u>	<u>22.213.207</u>

On December 31, 2009 and 2008, the item “Other loans and receivables – State Bonds” is entirely composed of government bonds paid at a fixed interest rate, except for tCVE 795.920 relating to a variable yield Treasury Bond to be repaid within 15 years, 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, 2009 and 2008, the coupon rate in force is of 2,49% and 6,63%, respectively.

On December 31, 2009 and 2008, the treasury bonds sold with a repurchase agreement amount to tCVE 259.934 and tCVE 390.000, respectively (Note 16).

On December 31, 2009 and 2008, the item “Other loans and receivables” includes the value of bonds of national companies categorized as “Loans and receivables”. These bonds are detailed as follows:

Security	2009	2008	Maturity
<u>Other fixed yield securities</u>			
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Instalment A	176.766	176.766	14-06-2012
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Instalment B	147.088	147.088	14-06-2017
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Instalment C	630.287	630.227	14-06-2027
Tecnicil - Sociedade Imobiliária de Construções, S.A.	200.000	200.000	06-08-2012
IFH - Imobiliária, Fundiária e Habitat, S.A.	31.252	-	05-01-2014
Sociedade de Gestão de Investimentos, Lda.	19.971	-	18-02-2014
	<u>1.205.364</u>	<u>1.154.081</u>	

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

On December 31, 2009 and 2008, loans granted to customers, excluding “Other loans and receivables – securitized” and related accrued interest had the following structure by sector of activity:

	2009			2008		
	Live loans	Overdue loans	Total	Live loans	Overdue loans	Total
Companies:						
Trade	1.176.696	215.529	1.392.225	1.415.474	210.977	1.626.451
Construction and public works	748.211	108.703	856.914	871.890	83.036	954.926
Transport	775.916	99.441	875.357	693.668	36.194	729.862
Industry	1.298.524	77.537	1.376.061	651.051	51.297	702.348
Hotels	721.313	25.836	747.149	556.182	187.525	743.707
Energy	302.418	-	302.418	301.586	-	301.586
Other	1.505.781	312.241	1.818.022	1.123.556	312.743	1.436.299
	<u>6.528.859</u>	<u>839.287</u>	<u>7.368.146</u>	<u>5.613.407</u>	<u>881.772</u>	<u>6.495.179</u>
Private:						
Housing	7.232.652	1.357.313	8.589.965	6.876.923	1.648.341	8.525.264
Other	5.923.176	1.277.619	7.200.795	4.306.264	960.690	5.266.954
	<u>13.155.828</u>	<u>2.634.932</u>	<u>15.790.760</u>	<u>11.183.187</u>	<u>2.609.031</u>	<u>13.792.218</u>
	<u>19.684.687</u>	<u>3.474.219</u>	<u>23.158.906</u>	<u>16.796.594</u>	<u>3.490.803</u>	<u>20.287.397</u>

Loans to employees on December 31, 2009 and 2008 are repaid at low interest rates.

8. INVESTMENT PROPERTIES

During the financial years ended December 31, 2009 and 2008, this item presented the situation below indicated:

	2009					
	Balance on 31-12-2008			Reductions		Balance on 31-12-2009
	Gross value	Depreciation of Fixed assets	Additions	Gross value	Depreciation	Gross value
Land	12.203	-	547	-	-	12.750
Buildings	6.292	(4.661)	-	(1.312)	1.256	4.980
	<u>18.495</u>	<u>(4.661)</u>	<u>547</u>	<u>(1.312)</u>	<u>1.256</u>	<u>17.730</u>

	2008					
	Balance on 31-12-2007		Adoption of IFRS	Amortization	Balance on 31-12-2008	
	Gross value	Depreciation of Fixed assets	Reclassifications (Note 9)		Gross value	Depreciation of Fixed assets
Land	-	-	12.203	-	12.203	-
Buildings	-	-	1.669	(38)	6.292	(4.661)
	<u>-</u>	<u>-</u>	<u>13.872</u>	<u>(38)</u>	<u>18.495</u>	<u>(4.661)</u>

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On December 31, 2009 and 2008, the investment properties had the following fair value:

	Net Value		Assessed value
	2009	2008	
Land	12.750	12.203	20.700
Buildings	1.603	1.631	30.400
	<u>14.353</u>	<u>13.834</u>	<u>51.100</u>

In the financial years ended December 2009 and 2008, the income resulting from the lease of these properties amounted to tCVE 149 and tCVE 145, respectively (Note 26).

9. OTHER TANGIBLE ASSETS

The items included in “Other Tangibles Assets” indicate the following position in the financial years of 2009 and 2008:

	2009					
	Balance on 31-12-2008					Net value in 2009
	Gross value	Accumulated Depreciation	Additions	Adjustments	Amortization	
Buildings	204.551	(43.723)	53.444	97	(3.362)	211.007
Works in rented buildings	35.341	(18.445)	9.889	-	(2.257)	24.528
Equipment:						
Office Equipment	109.846	(67.311)	9.450	-	(9.203)	42.782
Tools and Equipment	167.688	(94.152)	28.736	-	(22.494)	79.778
Computer equipment	252.007	(154.645)	21.669	-	(39.234)	79.797
Indoor facilities	102.015	(73.300)	12.037	-	(10.934)	29.818
Transport equipment	79.131	(39.204)	39.912	-	(13.499)	66.340
Safety equipment	38.134	(20.666)	8.620	-	(3.966)	22.122
Other equipment	3.941	(1.699)	42	-	(632)	1.652
	<u>992.654</u>	<u>(513.145)</u>	<u>183.799</u>	<u>97</u>	<u>(105.581)</u>	<u>557.824</u>
Current assets	125.999	-	429.048	-	-	555.047
	<u>1.118.653</u>	<u>(513.145)</u>	<u>612.847</u>	<u>97</u>	<u>(105.581)</u>	<u>1.112.871</u>

	2008								
	Balances on 31-12-2007		Adoption of the IFRS				Sales & net		Net
	Gross value	Accumulated depreciation	Adjustments	Reclassifications	Additions	Transfers	Adjusts.	Depreciation	value in 2008
			(Note 33)	(Note 8)					
Buildings for own use	201.311	(47.188)	(1.943)	(13.872)	1.234	22.565	1.554	(2.833)	- 160.828
Works in rented buildings	23.906	(16.797)	-	-	299	11.136	-	(1.648)	- 16.896
Equipment:									
Office equipment	102.173	(58.252)	-	-	5.261	2.412	-	(9.059)	- 42.535
Tools and equipment	151.718	(76.019)	-	-	8.754	10.559	-	(21.476)	- 73.536
Computer equipment	233.567	(114.600)	-	-	13.538	4.853	49	(40.045)	- 97.362
Indoor facilities	85.289	(63.267)	-	-	9.761	8.088	(1.123)	(10.033)	- 28.715
Transport equipment	63.132	(44.759)	-	-	31.542	27	-	(7.245)	(2.770) 39.927
Safety equipment	34.141	(17.299)	-	-	3.676	317	-	(3.367)	- 17.468
Other equipment	2.499	(1.740)	(511)	-	508	-	934	(326)	- 1.364
	897.736	(439.921)	(2.454)	(13.872)	74.573	59.957	1.414	(96.032)	(2.770) 478.631
Current assets	115.759	-	-	-	70.197	(59.957)	-	-	- 125.999
	1.013.495	(439.921)	(2.454)	(13.872)	144.770	-	1.414	(96.032)	(2.770) 604.630

In the financial year of 2008, the column “Adoption of the IFRS – Reclassifications” includes the gross value of tCVE 18.495, net of accumulated depreciation of tCVE 4.623, concerning the reclassification of “Land and Buildings” to “Investment Properties” (Note 8).

On December 31, 2009 and 2008, the heading “Current Assets” includes expenses with the construction projects of the new headquarters in the city of Praia and the new regional headquarter on the island of São Vicente. It also includes figures related to works in progress in agencies that the Caixa expects to conclude by the end of 2010.

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10. INTANGIBLE ASSETS

In the years 2009 and 2008, "Intangible Assets" indicated the following picture:

	2009				
	Balance on 31-12-2008				Net value in 2009
	Gross value	Depreciation of Fixed assets	Additions	Amortization	
Software	216.743	(134.147)	15.018	(50.888)	46.726

	2008				
	Balance on 31-12-2007				Net value in 2008
	Valor bruto	Depreciation of Fixed assets	Additions	Amortization	Transfers
Software	164.379	(89.049)	44.539	(45.098)	7.825
Current assets	7.825	-	-	-	(7.825)
	172.204	(89.049)	44.539	(45.098)	-
					82.596

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

On December 31, 2009 and 2008, the balance of this item indicated the following composition:

Entity	% of shares	Acquisition cost	2009					2008				
			Bal. Sheet value	Date	Net Assets	Profit/ Loss	Owner equity	Bal. Sheet value	Date	Net Assets	Profit/ Loss	Owner Equity
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	8.660	n.d.	n.d.	n.d.	n.d.	8.660	31-12-2008	233.423	17.537	78.493
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10,00%	10.000	34.816	31-12-2009	610.455	60.450	348.160	28.571	31-12-2009	475.706	73.625	285.711
			22.500		43.476			37.231				

n.a. - not available

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

The movements in the balance sheet value of these shares in the years 2009 and 2008 and their impact on the financial statements of the Caixa can be demonstrated as follows:

	Imotur	SISP	Total
Acquisition cost	12.500	10.000	22.500
Impact of transition on January 1, 2008 (Note 33)	966	8.938	9.904
Balance on January 1, 2008	13.466	18.938	32.404
Results in associated companies	551	9.633	10.184
Dividends received	(5.357)	-	(5.357)
Balance on December 31, 2008	8.660	28.571	37.231
Results in associated companies	-	6.245	6.245
Balance on December 31, 2009	8.660	34.816	43.476

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12. INCOME TAX

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

The balances of assets and liabilities by income tax on December 31, 2009 and 2008 were the following:

	2009	2008
Deferred tax assets		
· By temporary differences	53.174	66.467
Deferred tax liabilities		
· By temporary differences	(6.155)	(7.693)
	<u>47.019</u>	<u>58.774</u>
Current tax assets		
· Payments on account	10.107	-
Current tax liabilities		
· Tax allocated	(85.457)	(53.520)
	<u>(75.350)</u>	<u>(53.520)</u>

The details of deferred tax in the years of 2009 and 2008 were the following:

	2009		
	Balance on 31.12.2008	Variation in results	Balance on 31.12.2009
Adjustments of conversion to the IFRS	<u>58.774</u>	<u>(11.755)</u>	<u>47.019</u>

	2008			
	Balance on 31.12.2007	Adoption of The IFRS (Note 33)	Variation in results (Note 33)	Balance on 31.12.2008
<u>Adjustments of conversion to the IFRS</u>				
Impairment and adjustments in buildings and tangible assets	-	751	(2.688)	(1.937)
Provisions and impairment temporarily				
· Not accepted fiscally	-	16.204	(2.701)	13.503
Valuation of investments in associated companies	-	(3.031)	(1.136)	(4.167)
Commissions	-	47.263	5.063	52.326
Other	-	(1.211)	260	(951)
	<u>-</u>	<u>59.976</u>	<u>(1.202)</u>	<u>58.774</u>

Under 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 IUR regulations, contribute to the formation of taxable income in equal parts for a period of five years.

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The reconciliation between the nominal and effective tax rate found in the years 2009 and 2008 can be demonstrated as follows:

	2009		2008	
	Rate	Tax	Rate	Tax
Income Before Tax		<u>404.865</u>		<u>295.616</u>
Tax calculated based on the nominal rate	25,5%	103.241	25,5%	75.382
Fiscal benefits :				
· Yields of Government Bonds placed in the secondary market	(0,77%)	(3.122)	(2,00%)	(5.900)
· Yield from shares listed in the Stock Exchange	-	-	(1,37%)	(4.054)
· Yield from companies listed in the Stock Exchange (15%)	-	-	(3,75%)	(11.097)
· Other	(0,72%)	(2.907)	(0,13%)	(385)
Non tax deductible expenses	-	-	0,05%	142
Effect of change in the tax rate	-	-	3,38%	9.996
Tax on profit for the year	<u>24,01%</u>	<u>97.212</u>	<u>15,83%</u>	<u>64.084</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. Additionally, up to 2008 the Caixa received the following tax benefits:

- Exemption from taxation for a period of three years for the profits earned through financial intermediation in the Stock Exchange of Cape Verde;
- Deduction from the taxable value of acquisitions, less any sales, for securities in trading companies listed, for a period of three years from commencement of the actual functioning of the Stock Exchange of Cape Verde;
- Due to the fact that it is listed on the stock market, the Caixa enjoys a 15% reduction in the income for tax (IUR) purposes for three years as from the date of listing.

For these reasons, the tax burden presented by the Caixa in the years 2009 and 2008 is lower than the ordinary rate levied.

In December 2006, the Caixa was informed by the Directorate General of Taxes (DGCI), on an additional payment in the amount of tCVE 3.981 relating to corrections to the income tax for the year 2005. The Caixa challenged this decision in January 2007 and appealed to the Tax Court of Customs (TFAS) following a negative response from the DGCI in April 2008. In June 2009, the TFAS fixed the additional payment at tCVE 4.605, following which the Caixa settled the payment by using the provisions made (Note 17).

Again in August 2007 and September 2008, the Caixa was notified by the DGCI of payments related with adjustments to the income tax for the financial years 2006 and 2007, respectively, which were referred to the Court of Tax and Customs (TFAS). The Bank awaits the conclusion of the proceedings for the year 2007. In June 2009, the TFAS fixed the additional assessment at tCVE 10 950, and the Caixa settled such payment by using the provisions made (Note 17).

In August 2009, the Caixa received a letter from the Directorate General of Taxes regarding adjustments to the income tax for 2008 which it immediately challenged and now awaits completion of the process.

In October 2009, the Caixa was notified by the Directorate General of Taxes of an additional assessment in the amount of TCVE 10 950 relating to corrections to the income tax for the year 2004 which it immediately challenged and is now pending a decision from the Directorate General of Taxes.

On December 31, 2009 and 2008, the Caixa has a provision for tax contingencies in the amount of tCVE 59.904 and tCVE 70.276, respectively (Note 17).

Under the General Tax Code approved by Law No. 37/IV/92, tax authorities are entitled to review the tax status of the Caixa during a period of five years which are likely to result in corrections to the profit taxable due to different interpretations of tax laws. In the opinion of the Executive Board, any

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correction or adjustment made is not expected to be significant to the financial statements of the Caixa on December 31, 2009.

13. OTHER ASSETS

This item has the following composition:

	<u>2009</u>	<u>2008</u>
<u>Other assets:</u>		
Assets auctioned	5.154	9.054
Coins and medals	430	430
<u>Debtors:</u>		
Subsidies receivable from the State of Cape Verde	387.849	309.411
Micro-Credit Fund (Note 18)	55.445	56.392
Sundry debtors	31.984	27.585
Debtors for foreign exchange remittances	26.818	20.678
Credit line for Micro -Companies	-	5.234
Other	26.124	2.178
<u>Deferred costs:</u>		
Insurance	2.769	2.157
Other	2	88
Loans to settle	19.815	1.824
Other operations to adjust	<u>3.398</u>	<u>8.211</u>
	559.788	443.242
Impairment of assets auctioned (Note 17)	(2.732)	(2.156)
	<u><u>557.056</u></u>	<u><u>441.086</u></u>

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

On December 31, 2009 and 2008, the balance of “Debtors – Micro Credit Fund” refers to loans granted under the Program of Training and Loans to Micro-Companies. The said program is an independently managed structure and comprises training activities for customers, before and after credit granting, covering topics on the related conditions, procedures and responsibilities, the importance of repayment, joint responsibility, business management, among others. Credits are granted only to solidarity groups consisting of 3 to 5 people.

On December 31, 2009 and 2008, the caption “Sundry Debtors” refers to amounts to be settled by the transactions performed by the Caixa through the Western Union service, which were settled in the beginning of the subsequent financial year.

On December 31, 2009 and 2008, the balance of “Debtors for foreign exchange remittances” refers to checks drawn on foreign countries, which were settled early in the period ahead.

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On December 31, 2009 and 2008, the auctioned assets correspond to properties received within the scope of credit recovery and have the following composition according to the date of its acquisition by the Caixa:

Year of acquisition	2009			2008		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Prior to 2007	1.924	(1.924)	-	1.924	(1.443)	481
2007	3.230	(808)	2.422	7.130	(713)	6.417
	<u>5.154</u>	<u>(2.732)</u>	<u>2.422</u>	<u>9.054</u>	<u>(2.156)</u>	<u>6.898</u>

In the years 2009 and 2008, the net capital gains obtained with the sale of properties received through credit recovery amounted to tCVE 500 and tCVE 1000, respectively.

14. RESOURCES FROM CENTRAL BANKS

On December 31, 2009, this item is related to an overnight loan from the Central Bank of Cape Verde in the amount of tCVE 250.000, to be repaid on January 4, 2010. This loan bears interest at an interest rate of 8,25%.

15. RESOURCES FROM OTHER CREDIT INSTITUTIONS

This caption presents the following composition:

	2009	2008
Demand deposits:		
IMPAR - Companhia Caboverdeana de Seguros, S.A.R.L.	32.969	119.422
Other institutions	37.325	20.623
	<u>70.294</u>	<u>140.045</u>
Time deposits:		
IMPAR - Companhia Caboverdeana de Seguros, S.A.R.L.	200.000	-
Loans received:		
Banque et Caisse D'Espargne de L'Etat	242.583	-
Agence Francaise de Developpement	230.090	230.090
International Finance Corporation	110.265	220.530
	<u>582.938</u>	<u>450.620</u>
Interest:		
On deposits	9.976	88
On loans received	3.163	6.377
	<u>13.139</u>	<u>6.465</u>
	<u>866.371</u>	<u>597.130</u>

On January 5, 2009, the Caixa received a loan in the amount of EUR 2.200.000 (tCVE 242.583) from the Banque et Caisse D'Espargne de L'Etat. This loan bears interest at the rate of 0,9% and has a maturity date of January 5, 2010.

During the financial year of 2005, the Caixa contracted a credit line with the International Finance Corporation in the amount of EUR 5.000.000 (tCVE 551.325), to be repaid in five years as from March 15, 2006. This loan bears interest at a rate indexed to Euribor 6 months. On December 31, 2009 and 2008, the Caixa had used this line of credit in tCVE 110.265 and tCVE 220.530, respectively.

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On October 14, 2005, the Caixa Económica de Cabo Verde, the Banco Comercial do Atlântico, the Banco Interatlântico and the Banco Caboverdiano de Negócios obtained a line of credit with the French Development Agency in the maximum amount of EUR 5.000.000 to support development projects in the municipalities of economic and social nature, to be reimbursed in 10 years as from January 31, 2010 in semiannual installments of principal and interest. This loan bears interest at a rate indexed to Euribor 6 months. On December 31, 2009 and 2008, the Caixa had used this line of credit in EUR 2.086.700 (tCVE 230.090).

The time deposits of the insurance company “IMPAR” bear interest at 6%, being repaid between January and August 2010.

16. CUSTOMER FUNDS AND OTHER LOANS

This item has the composition below indicated:

	2009	2008
Savings deposits:		
Individuals – cheque books	3.966.296	2.835.869
Demand deposits:		
Residents	7.880.733	8.825.075
Emigrants	535.725	1.223.162
	8.416.458	10.048.237
Time deposits:		
Residents	7.679.691	6.813.364
Emigrants	7.355.304	6.978.959
	15.034.995	13.792.323
Other resources:		
Securities sold on repurchase agreement (Notes 2.3 e) and 7))	259.934	390.000
Loans obtained from residents	61.667	73.333
Cheques and orders payable	16.692	18.367
Other	-	6.918
	338.293	488.618
Interest:		
On deposits	352.571	272.048
On securities sold on repurchase agreement	4.210	2.778
On loans obtained from residents	787	1.496
	357.568	276.322
	28.113.610	27.441.369

On December 31, 2009 and 2008, demand deposits are not remunerated, except in specific circumstances defined in accordance with the guidelines of the Executive Board of the Caixa.

On December 31, 2009 and 2008, the item “Other assets – Borrowings from residents” refers to a loan obtained from the National Social Security Institute (INPS), which bears interest at an annual rate of 2.5% (4% up to December 31, 2008), to be repaid in 15 annual installments starting from August 21, 1998. This loan is aimed at granting the INPS employees mortgage loans for the purchase of private housing at the interest rate of 6% (8% by December 31, 2008) and a repayment period of 25 years following a year of grace.

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17. PROVISIONS AND IMPAIRMENT

Movements in provisions and impairment of the Caixa in the years ended December 31, 2009 and 2008 are as follows:

		2009				
		Balances on 31.12.2008	Net allocations on results	Utilization	Transfers	Balances on 31.12.2009
<u>Impairment</u>						
Impairment of loans to customers (Note 7)		1.227.654	368.211	(123.779)	13.016	1.485.102
Impairment of financial assets						
Available for sale (Note 5)		200	-	-	-	200
Impairment of other assets (Note 13)		2.156	966	(390)	-	2.732
		1.230.010	369.177	(124.169)	13.016	1.488.034
Provisions for tax contingencies (Note 12)		70.276	18.199	(15.555)	(13.016)	59.904
		1.300.286	387.376	(139.724)	-	1.547.938

		2008					
		Balances on 31.12.2007	Adoption of The IFRS (Note 33)	Net allocations On results	Utilization	Transfers -rências	Balances on 31.12.2008
<u>Impairment</u>							
Impairment of loans to customers	(Note 7)	612.886	52.953	638.046	(78.179)	1.948	1.227.654
Impairment of financial assets							
Available for sale	(Note 5)	200	-	-	-	-	200
Impairment of other assets (Note 13)							
		-	2.156	-	-	-	2.156
		613.086	55.109	638.046	(78.179)	1.948	1.230.010
Provisions for tax contingencies (Note 12)							
		40.128	-	34.252	(2.156)	(1.948)	70.276
		653.214	55.109	672.298	(80.335)	-	1.300.286

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18. OTHER LIABILITIES

This item has the following composition:

	2009	2008
<u>Resources</u>		
Resources allocated - Micro Credit-Fund (Note 13)	55.445	70.692
Public Administrative Sector- Withholding tax	34.877	15.733
Other	2.977	2.964
<u>Employee costs:</u>		
Vacation allowance	46.902	20.631
Productivity award (Note 27)	25.602	19.971
<u>Other administrative costs:</u>		
Water, Gas and electricity	17.882	5.284
Commissions payable Western Union	11.137	-
ATM charges	9.774	6.952
Communications	3.498	10.818
Advertising	499	1.373
Other	24.794	13.201
<u>Revenues with deferred income:</u>		
Off balance sheet operations	2.086	2.799
Other accrual accounts	15.088	24.009
	<u>250.561</u>	<u>194.427</u>

On December 31, 2009 and 2008, the item "Other accrual accounts – Other" includes tCVE 4.110 and tCVE 5.305, respectively, regarding amounts of subsidized loans pending settlement.

19. CAPITAL

On December 31, 2009, the capital of the Caixa is represented by 1.392.000 shares with a nominal value of CVE 1000,00 each, fully subscribed and paid.

During its meeting held on August 21, 2009, the General Assembly of the Caixa authorized a capital increase in the amount of tCVE 1.044.000, through the issuance of 1.044.000 shares with a nominal value of CVE 1.000,00 each, fully paid in cash.

On December 31, 2009 and 2008, the shareholder structure of the Caixa is the following:

Entity	2009		2008	
	Number Of shares	%	Number Of shares	%
Instituto Nacional de Previdência Social	447.958	32,2%	109.390	31,4%
Geocapital , Sociedade de Gestão e Participação , S.A.	381.904	27,4%	-	-
Correios de Cabo Verde	210.749	15,1%	52.160	15,0%
Impar - Companhia Caboverdeana de Seguros	157.682	11,3%	39.247	11,3%
Employees and other subscribers	193.707	13,9%	51.727	14,9%
Caixa Económica Montepio Geral	-	-	34.204	9,8%
Montepio Geral - Associação Mutualista	-	-	61.272	17,6%
	<u>1.392.000</u>	<u>100,00%</u>	<u>348.000</u>	<u>100,00%</u>

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20. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

On December 31, 2009 and 2008, the items “Reserves and retained earnings” present the following composition:

	<u>2009</u>	<u>2008</u>
Other reserves and retained earnings		
· Legal reserve	298.205	270.948
· Other reserves	1.401.658	1.295.546
· Retained earnings	<u>(177.062)</u>	<u>(136.025)</u>
	<u>1.522.801</u>	<u>1.430.469</u>
Profit for the year	<u>307.653</u>	<u>231.532</u>
	<u><u>1.830.454</u></u>	<u><u>1.662.001</u></u>

Legal reserve

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 payment by the entity and may be used to increase capital or cover losses after having exhausted all other reserves.

21. INTEREST AND SIMILAR INCOME

This item has the following composition:

	<u>2009</u>	<u>2008</u>
Interest on loans to customers		
Domestic credit	1.902.834	1.654.739
Interest on other loans and receivables (Securitized)		
Treasury Bonds	93.231	121.782
Other fixed yield securities	66.414	79.490
Interest on investment with the Banco de Cabo Verde		
TRM (short term open market security)	24.735	-
TIM (short term open market security)	-	20.464
Interest on investment with credit institutions abroad	6.572	19.249
Interest on investment with credit institutions in the country	159	2.905
Other interest and similar income	14.309	3.605
Commissions received relating to amortized cost	136.872	89.690
	<u><u>2.245.126</u></u>	<u><u>1.991.924</u></u>

In the years 2009 and 2008, interest on Treasury Bonds placed in the secondary market amounted to tCve17.714 and tCve 23.139, respectively (Note 2.3 c)).

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22. INTEREST AND SIMILAR INCOME

This item indicates the following composition:

	2009	2008
Savings deposits		
Cheque books	104.070	88.641
Demand deposits		
Emigrants	6.659	5.100
Residents	1.539	94
Time deposits		
Emigrants	309.229	288.584
Residents	311.195	217.517
Loans		
Non residents	17.804	22.784
Residents	6.136	3.164
Sale transactions on repurchase agreement		
Treasury Bonds	20.187	12.608
Other	336	319
	<u>777.155</u>	<u>638.811</u>

23. INCOME AND CHARGES FROM SERVICES AND COMMISSIONS

This caption has the following composition:

	2009	2008
<u>Income from services and commissions</u>		
Commissions from Western Union	79.629	75.754
Commissions on foreign exchange transactions	45.939	50.810
Guarantees and sureties	22.257	25.654
Commissions VISA	3.404	3.732
Documentary Credits	1.490	14.122
Fees for account maintenance	12.729	12.218
Other banking services provided	14.508	2.673
Other commissions	18.866	26.407
	<u>198.822</u>	<u>211.370</u>
<u>Charges with services and commissions</u>		
Fees on foreign exchange transactions	(10.679)	(12.725)
Commissions VISA	(4.930)	(3.490)
Other commissions and charges	(10.621)	(3.218)
	<u>(26.230)</u>	<u>(19.433)</u>

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24. RESULTS OF FOREIGN EXCHANGE REVALUATION

This item has the following composition:

	2009			2008		
	Profit	Losses	Net	Profit	Losses	Net
Foreign currency results	155.122	(77.379)	77.743	176.380	(67.125)	109.255
Results in banknotes and coins	99.461	(73.078)	26.383	89.048	(63.958)	25.090
	<u>254.583</u>	<u>(150.457)</u>	<u>104.126</u>	<u>265.428</u>	<u>(131.083)</u>	<u>134.345</u>

25. RESULTS FROM THE SALE OF OTHER ASSETS

In the years 2009 and 2008, the balance of this item refers to gains in the sale of other tangible assets in the amount of tCVE 905 and tCVE 3.941, respectively.

26. OTHER OPERATING INCOME

This caption presents the following composition:

	2009	2008
<u>Other operating income</u> :		
Gains from previous years :		
Recovery of interest on overdue loans	100.590	169.753
Income from credit recovery	32.969	29.458
Provision of services :		
Service fees	40.796	41.609
Credit cards	11.115	9.780
Sale of cheques and books	7.545	6.980
Rental of properties (Note 8)	149	145
Other operating income	10.608	4.686
	<u>203.772</u>	<u>262.411</u>
<u>Other operating costs</u> :		
Other tax	(1.818)	(1.031)
Donations	(1.922)	(2.869)
Contributions	(334)	(610)
Other	(13.091)	(412)
	<u>(17.165)</u>	<u>(4.922)</u>
	<u>186.607</u>	<u>257.489</u>

In the years 2009 and 2008, the item "Recovery of interest on overdue loans" includes tCVE 50.593 and tCVE 15.646, respectively, relating to the cancellation of accrued interest.

27. EMPLOYEE COSTS

This item has the following composition:

	2009	2008
Payroll	356.400	313.182
Remuneration of the managing and supervisory bodies	28.060	30.449
Social liabilities		
Social Security	53.134	43.149
Medical expenses	3.950	3.620
Other	4.330	5.748
Productivity awards (Note 18)	25.602	19.971
Other	11.998	1.906
	<u>483.474</u>	<u>418.025</u>

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On December 31, 2009 and 2008, the Caixa had the following staff:

	2009	2008
Executive Directors	3	3
Directorate General and Coordination	15	11
Managers and heads of service	29	24
Technical staff	61	34
Administrative staff	121	128
General support staff	22	22
	<u>251</u>	<u>222</u>

On December 31, 2009 and 2008, the figures above indicated include 49 and 35 employees, respectively, with fixed term employment contracts.

28. GENERAL ADMINISTRATIVE EXPENSES

This item has the following composition:

	2009	2008
Specialized labor	127.533	104.585
Advertising	88.135	56.475
ATM charges	81.324	71.915
Communications	45.634	49.320
Travel, accommodation and representation	39.652	25.839
Water, Gas and electricity	39.470	26.655
Fuel	24.915	30.059
Rents and leases	18.686	17.753
Insurance	13.648	9.448
Maintenance and repair	8.277	9.258
Staff training	6.238	6.297
Computer equipment	2.818	4.291
Legal expenses	390	2.874
Other	9.514	9.133
	<u>506.234</u>	<u>423.902</u>

29. CONTINGENT LIABILITIES AND COMMITMENTS

On December 31, 2009 and 2008, contingent liabilities associated with banking activities are recorded in off balance sheet items and present the following details:

	2009	2008
Liabilities		
Guarantees and sureties	623.807	841.539
Documentary credits	<u>413.050</u>	<u>494.952</u>
	<u>1.036.857</u>	<u>1.336.491</u>
Deposit and custody of securities	4.266.957	2.544.189
	<u>5.303.814</u>	<u>3.880.680</u>

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30. SEGMENT REPORTING

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

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

On December 31, 2009 and 2008, the information regarding the operating segments used by the Caixa may be summarized as follows:

	2009		
	Trading And Sales	Commercial Banking	Total
Interest and similar income	152.118	2.093.008	2.245.126
Interest and similar charges	-	(777.155)	(777.155)
NET INTEREST INCOME	152.118	1.315.853	1.467.971
Income on service and commissions	-	198.822	198.822
Charges for service and commissions	-	(26.230)	(26.230)
Results from foreign exchange revaluation	-	104.126	104.126
Results from the sale of other assets	905	-	905
Other operating income	186.607	-	186.607
BANKING PRODUCT	339.630	1.592.571	1.932.201
Provisions and impairment net of reversals and recoveries	-	(387.377)	(387.377)
	339.630	1.205.194	1.544.824
Other costs and income			(1.237.171)
Net Profit for the Year			307.653
Cash and deposits at central banks	-	5.219.191	5.219.191
Deposits in other credit institutions	-	694.123	694.123
Financial assets available for sale	3.823	-	3.823
Investment with credit institutions	149.914	179.617	329.531
Loans to Customers	3.184.614	23.070.569	26.255.183
Resources from other credit institutions	-	866.371	866.371
Customer funds and other loans	61.667	28.051.943	28.113.610

	2008		
	Trading And Sales	Commercial Banking	Total
Interest and similar income	42.618	1.949.306	1.991.924
Interest and similar charges	-	(638.811)	(638.811)
NET INTEREST INCOME	42.618	1.310.495	1.353.113
Income on service and commissions	-	211.370	211.370
Charges for services and commissions	-	(19.433)	(19.433)
Results from foreign exchange revaluation	-	134.345	134.345
Results from the sale of other assets	3.941	-	3.941
Other operating income	257.489	-	257.489
BANKING PRODUCT	304.048	1.636.777	1.940.825
Provisions and impairment net of reversals and recoveries	-	(672.298)	(672.298)
	304.048	964.479	1.268.527
Other costs and income			(1.036.995)
Net profit for the year			231.532
Cash and deposits at central banks	-	5.723.856	5.723.856
Deposits in other credit institutions	-	746.982	746.982
Financial assets available for sale	3.823	-	3.823
Investment with credit institutions	246.320	194.384	440.704
Loans to Customers	3.244.451	18.968.756	22.213.207
Resources from other credit institutions	-	597.130	597.130
Customer funds and other loans	73.333	27.368.036	27.441.369

All the Bank's activity is developed in the Republic of Cape Verde.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

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31. RELATED ENTITIES

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

On December 31, 2009 and 2008, the financial statements of the Caixa include the following balances and transactions with related entities, excluding the managing bodies:

	2009			
	Shareholders			
	Gov. of Cape Verde	Instituto Nacional de Previdência Social	IMPAR	Assoc. companies
Assets:				
Deposits in other credit institutions	-	-	-	-
Investment with credit institutions	150.000	-	-	-
Loans to customers	1.979.250	-	-	60.500
Investments in subsidiaries, associated companies & joint ventures	-	-	-	43.476
Other assets	387.849	-	-	-
Liabilities:				
Resources from other credit institutions	-	-	232.969	-
Customer funds and other loans	-	61.667	-	-
Off balance sheet				
Guarantees	-	-	-	47.387
Income:				
Interest and similar income	117.966	-	-	303
Costs:				
Interest and similar charges	-	6.136	9.937	-

	2008				
	Shareholders				
	Gov. of Cape Verde	Instituto Nacional de Previdência Social	IMPAR	Caixa Económica Montepio Geral	Assoc. comps
Assets:					
Deposits in other credit institutions	-	-	-	141.098	-
Investment with credit institutions	250.000	-	-	73.896	-
Loans to Customers	2.090.370	-	-	-	-
Investments in subsidiaries, associated companies & joint ventures	-	-	-	-	37.231
Other assets	309.411	-	-	-	-
Liabilities:					
Resources from other credit institutions	-	-	119.422	-	-
Customer funds and other loans	-	73.333	-	-	-
Income:					
Interest and similar income	142.246	-	-	-	-
Costs:					
Interest and similar charges	-	3.164	-	-	-

Managing bodies

In 2009, the costs incurred with remuneration and other benefits granted to the members of the Executive Board of the Caixa amounted to tCVE 28.060 (tCVE 30.449 in the year 2008).

On December 31, 2009 and 2008, the amount of credit granted to members of the Executive Board stood at tCVE 1.942 and tCVE 862, respectively.

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32. DISCLOSURES FOR FINANCIAL INSTRUMENTSPolicies for managing the financial risks inherent to the business of the Caixa Económica de Cabo Verde

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

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 Euro is not computed for the calculation of the total open long and short positions.

Liquidity risk

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

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

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

On December 31, 2009 and 2008, the residual contractual terms of the financial instruments indicated the following composition:

		2009					
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets:							
Cash and deposits at Central Banks		5.219.191	-	-	-	-	5.219.191
Deposits in other credit institutions		694.123	-	-	-	-	694.123
Investment with credit institutions		180.651	4.299	36.259	-	108.225	329.531
Loans to customers (gross balances)		1.229.383	894.972	3.167.774	6.946.529	10.642.660	26.255.183
		<u>7.323.348</u>	<u>899.271</u>	<u>3.204.033</u>	<u>6.946.529</u>	<u>10.750.885</u>	<u>32.498.028</u>
Liabilities:							
Resources from Central Banks		(250.000)	-	-	-	-	(250.000)
Resources from other Credit Institutions		(412.877)	-	(100.000)	(110.265)	(230.090)	(866.371)
Customer funds and other loans		(11.806.275)	(2.359.891)	(13.506.903)	(66.281)	-	(28.113.610)
		<u>(12.469.152)</u>	<u>(2.359.891)</u>	<u>(13.606.903)</u>	<u>(176.546)</u>	<u>(230.090)</u>	<u>(29.229.981)</u>
Differential		<u>(5.145.804)</u>	<u>(1.460.620)</u>	<u>(10.402.870)</u>	<u>6.769.983</u>	<u>10.520.795</u>	<u>3.268.047</u>
		2008					
		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets:							
Cash and deposits at Central Banks		5.723.856	-	-	-	-	5.723.856
Deposits in other credit institutions		746.982	-	-	-	-	746.982
Investment with credit institutions		7.603	99.480	219.181	6.215	108.225	440.704
Loans to customers (gross balances)		682.589	653.034	2.640.998	6.276.967	9.800.328	23.440.861
		<u>7.161.030</u>	<u>752.514</u>	<u>2.860.179</u>	<u>6.283.182</u>	<u>9.908.553</u>	<u>30.352.403</u>
Liabilities:							
Resources from other credit institutions		(140.045)	-	-	(220.530)	(230.090)	(597.130)
Customer funds and other loans		(11.545.571)	(2.484.645)	(10.898.219)	(2.211.327)	-	(27.441.369)
		<u>(11.685.616)</u>	<u>(2.484.645)</u>	<u>(10.898.219)</u>	<u>(2.431.857)</u>	<u>(230.090)</u>	<u>(28.038.499)</u>
Differential		<u>(4.524.586)</u>	<u>(1.732.131)</u>	<u>(8.038.040)</u>	<u>3.851.325</u>	<u>9.678.463</u>	<u>2.313.904</u>

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

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

Interest rate risk

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

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

The methodology 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 a change in market prices, namely the instruments related to exchange rate risks in any of the balance sheet and off balance sheet items, and the instruments associated with the interest rate risks that comprise the trading portfolio.

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

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

Credit risk

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

The Caixa applies a risk management strategy that relies on rules and procedures and a provisioning policy based on the analysis of individual and collective claims. To that end, concepts, principles and rules to be observed during the life 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, 2009 and 2008, the maximum exposure to credit risk at the Caixa presented the following composition:

	2009	2008
Investment with credit institutions	329.531	440.704
Loans to customers	24.770.081	22.213.207
	<u>25.099.612</u>	<u>22.653.911</u>
Guarantees and sureties	623.807	841.539
Documentary credit	413.050	494.952
	<u>1.036.857</u>	<u>1.336.491</u>
Maximum exposure	<u>26.136.469</u>	<u>23.990.402</u>

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Quality of credit granted to customers

On December 31, 2009 and 2008, the gross balance sheet value of credit granted to customers indicated the following composition:

		2009			
		Performing loans	Non-performing loans	Default loans	Total
Companies					
Loans to companies					
Outstanding		5.887.452	128.597	509.071	6.525.120
Overdue		13.465	5.958	259.715	279.138
		<u>5.900.917</u>	<u>134.555</u>	<u>768.786</u>	<u>6.804.258</u>
Guarantees & documentary credit to companies					
Outstanding		<u>588.777</u>	<u>20.268</u>	<u>366.504</u>	<u>975.549</u>
Retail					
House Mortgages					
Outstanding		7.080.583	524.107	879.924	8.484.614
Overdue		-	3.322	102.028	105.350
		<u>7.080.583</u>	<u>527.429</u>	<u>981.952</u>	<u>8.589.964</u>
Consumer loans					
Outstanding		4.140.553	273.197	265.570	4.679.320
Overdue		425	16.814	155.880	173.119
		<u>4.140.978</u>	<u>290.011</u>	<u>421.450</u>	<u>4.852.439</u>
Small business					
Outstanding		1.007.164	80.571	132.268	1.220.003
Overdue		9.892	8.251	66.895	85.038
		<u>1.017.056</u>	<u>88.822</u>	<u>199.163</u>	<u>1.305.041</u>
Other credit					
Outstanding		747.912	11.760	214.670	974.342
Overdue		1.464	6.054	50.358	57.876
		<u>749.376</u>	<u>17.814</u>	<u>265.028</u>	<u>1.032.218</u>
Personal guarantees					
Outstanding		<u>61.308</u>	-	-	<u>61.308</u>
Public Sector					
Outstanding		519.909	-	7.533	527.442
Overdue		-	831	47.335	48.166
		<u>519.909</u>	<u>831</u>	<u>54.868</u>	<u>575.608</u>
Total outstanding credit		<u>20.033.658</u>	<u>1.038.500</u>	<u>2.375.540</u>	<u>23.447.698</u>
Total overdue credit		<u>25.246</u>	<u>41.230</u>	<u>682.211</u>	<u>748.687</u>
Total credit		<u>20.058.904</u>	<u>1.079.730</u>	<u>3.057.751</u>	<u>24.196.385</u>

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		2008			
		Performing loans	Non-performing loans	Default Loans	Total
Companies					
Loans to companies					
Outstanding		5.157.885	180.682	511.444	5.850.011
Overdue		5.347	11.243	229.724	246.314
		<u>5.163.232</u>	<u>191.925</u>	<u>741.168</u>	<u>6.096.325</u>
Guarantees & documentary credit to companies					
Outstanding		1.207.817	18.533	34.431	1.260.781
Retail					
House mortgages					
Outstanding		6.822.109	432.431	712.143	7.966.683
Overdue		868	3.528	74.003	78.399
		<u>6.822.977</u>	<u>435.959</u>	<u>786.146</u>	<u>8.045.082</u>
Consumer loans					
Outstanding		3.551.418	231.566	209.480	3.992.464
Overdue		11.354	13.067	100.344	124.765
		<u>3.562.772</u>	<u>244.633</u>	<u>309.824</u>	<u>4.117.229</u>
Small business					
Outstanding		816.369	34.931	63.456	914.756
Overdue		1.762	3.587	50.794	56.143
		<u>818.131</u>	<u>38.518</u>	<u>114.250</u>	<u>970.899</u>
Other credit					
Outstanding		405.874	46.653	151.272	603.799
Overdue		1.609	5.554	49.840	57.003
		<u>407.483</u>	<u>52.207</u>	<u>201.112</u>	<u>660.802</u>
Personal guarantees					
Outstanding		71.623	-	-	71.623
Public Sector					
Outstanding		346.283	-	10.735	357.018
Overdue		-	2	44.132	44.134
		<u>346.283</u>	<u>2</u>	<u>54.867</u>	<u>401.152</u>
Total outstanding credit		<u>18.379.378</u>	<u>944.796</u>	<u>1.692.961</u>	<u>21.017.135</u>
Total overdue credit		<u>20.940</u>	<u>36.981</u>	<u>548.837</u>	<u>606.758</u>
Total credit		<u>18.400.318</u>	<u>981.777</u>	<u>2.241.798</u>	<u>21.623.893</u>

The following classifications have been considered in the preparation of the above tables:

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

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

On December 31, 2009, the balance of credits assigned with specific impairment through individual analysis totaled tCve 5.493.453, with impairment reaching tCve 498.752. As described in Note 2.3.

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d), the loans subject to individual analysis which were not assigned with specific impairment have been merged in a collective analysis.

On December 31, 2009 and 2008, the balance sheet value of credit granted to customers whose terms have been restructured can be detailed as follows:

	2009	2008
Companies	20.888	62.504
Individuals	52.273	19.804
	<u>73.161</u>	<u>82.308</u>

Fair value

The table below presents the comparison between the fair value and the balance sheet value of the main financial assets and liabilities kept at amortized cost on December 31, 2009 and 2008.

2009					
	Balances analyzed			Balances not analyzed	Total balance
	Balance sheet value	Fair value	Difference	Balance sheet value	
Assets:					
Cash and deposits at central banks	5.219.191	5.219.191	-	-	5.219.191
Deposits in other credit institutions	694.123	694.123	-	-	694.123
Financial assets available for sale	3.823	3.823	-	-	3.823
Investment with credit institutions	329.531	329.531	-	-	329.531
Loans to customers	20.042.564	19.328.827	(713.737)	4.727.517	24.770.081
	<u>26.289.232</u>	<u>25.575.495</u>	<u>(713.737)</u>	<u>4.727.517</u>	<u>31.016.749</u>
Liabilities:					
Resources from Central Banks	250.000	250.000	-	-	250.000
Resources from other credit institutions	866.371	796.668	(69.703)	-	866.371
Customer funds and other loans	28.081.625	27.913.446	(168.179)	31.985	28.113.610
	<u>29.197.996</u>	<u>28.960.114</u>	<u>(237.882)</u>	<u>31.985</u>	<u>29.229.981</u>
2008					
	Balances analyzed			Balances not analyzed	Total balance
	Balance sheet value	Justo valor	Difference	Balance sheet value	
Assets:					
Cash and deposits at central banks	5.723.856	5.723.856	-	-	5.723.856
Deposits in other credit institutions	746.982	746.982	-	-	746.982
Financial assets available for sale	3.823	3.823	-	-	3.823
Investment with credit institutions	440.704	440.704	-	-	440.704
Loans to customers	17.542.567	17.293.183	(249.384)	4.670.640	22.213.207
	<u>24.457.932</u>	<u>24.208.548</u>	<u>(249.384)</u>	<u>4.670.640</u>	<u>29.128.572</u>
Liabilities:					
Resources from other credit institutions	597.130	672.438	75.308	-	597.130
Customer funds and other loans	27.411.596	27.233.353	(178.243)	29.773	27.441.369
	<u>28.008.726</u>	<u>27.905.791</u>	<u>(102.935)</u>	<u>29.773</u>	<u>28.038.499</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 corresponds to the fair value;
- For the financial assets available for sale:
 - The Portuguese Government bonds were recorded at historical cost with impairment in the total amount of investment, tCVE 200, in order to reduce the book value to its estimated realizable value.
 - Due to its reduced balance sheet value, the participation in the GARI Fund was recorded at historical cost.
- The fair value of the remaining instruments was determined by the Caixa based on models of discounted cash flows, taking into account the contractual terms of operations and using

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appropriate interest rates due to the type of instrument and the 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, 2009 and 2008, the impact on the fair value of financial instruments sensitive to the interest rate risk, excluding derivative financial instruments of parallel movement in the curve of reference interest rates of 50, 100, and 200 bps (basis points), respectively, can be demonstrated in the following tables:

	2009					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	294.820	139.918	68.757	(62.451)	(123.046)	(235.534)
Total sensitive assets	294.820	139.918	68.757	(62.451)	(123.046)	(235.534)
Resources from other credit institutions	(200.361)	(195.415)	(193.075)	188.639	186.536	182.542
Total sensitive liabilities	(200.361)	(195.415)	(193.075)	188.639	186.536	182.542
Total Gains / (Losses)	495.181	335.333	261.832	(251.090)	(309.582)	(418.076)

	2008					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	320.690	153.540	77.335	(160.619)	(126.084)	(145.225)
Total sensitive assets	320.690	153.540	77.335	(160.619)	(126.084)	(145.225)
Resources from other credit institutions	(41.810)	(20.057)	(9.827)	9.445	18.527	35.674
Total sensitive liabilities	(41.810)	(20.057)	(9.827)	9.445	18.527	35.674
Total Gains / (Losses)	278.880	133.483	67.508	(151.174)	(107.557)	(109.551)

The impact of a shift of 50, 100 and 200 bps in the curves of benchmark interest rates of sensitive assets and liabilities corresponds to scenarios used internally by the managing bodies in the control and monitoring of exposure to interest rate risk.

The table below presents the effect on the net interest income projected for the years 2009 and 2008, respectively, of a parallel shift of 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 2009	(38.822)	(19.411)	(9.705)	9.705	19.411	38.822
Financial year 2008	(59.809)	(29.905)	(14.952)	14.952	29.905	59.809

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 2009 and 2008, respectively, being renewed where applicable considering the market conditions prevailing in those renewal dates and the average spread of operations live on December 31, 2009 and 2008.

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

On December 31, 2009, loans to customers were mostly granted at a fixed rate which amounted to tCve 16.715.148.

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Exchange riskBreakdown of financial instruments by currency

On December 31, 2009 and 2008, the financial instruments presented the following breakdown by currency:

	2009				
	Currency				
	Cape Verdean Escudos	Euros	US Dollars	Other	Total
Assets:					
Cash and desposits at Central Banks	4.341.891	698.519	94.261	84.520	5.219.191
Deposits with other credit institutions	107.045	301.261	227.778	58.039	694.123
Financial assets available for sale (gross values)	-	3.823	-	-	3.823
Investment with credit institutions	149.914	179.617	-	-	329.531
Loans to customers (net balance)	24.290.781	479.295	5	-	24.770.081
Investment in subsidiaries, associated comp. & joint ventures	43.476	-	-	-	43.476
Other assets	530.207	24.010	2.620	219	557.056
	<u>29.463.314</u>	<u>1.686.525</u>	<u>324.664</u>	<u>142.778</u>	<u>31.617.281</u>
Liabilities:					
Resources from Central Banks	(250.000)	-	-	-	(250.000)
Resources from other credit institutions	(279.584)	(582.938)	(3.849)	-	(866.371)
Customer funds and other loans	(27.330.739)	(460.466)	(317.745)	(4.660)	(28.113.610)
Other liabilities	(249.576)	(973)	(12)	-	(250.561)
	<u>(28.109.899)</u>	<u>(1.044.377)</u>	<u>(321.606)</u>	<u>(4.660)</u>	<u>(29.480.542)</u>
Net Exposure	<u>1.353.415</u>	<u>642.148</u>	<u>3.058</u>	<u>138.118</u>	<u>2.136.739</u>
	2008				
	Currency				
	Cape Verdean Escudos	Euros	US Dollars	Other	Total
Assets:					
Cash and deposit at Central Banks	4.844.547	758.267	63.505	57.537	5.723.856
Deposits with other credit institutions	158.073	421.930	131.327	35.652	746.982
Financial assets available for sale (net values)	-	3.823	-	-	3.823
Investment with credit institutions	246.325	190.475	3.904	-	440.704
Loans to customers (net balance)	21.710.901	502.306	-	-	22.213.207
Investment in subsidiaries, associated comp. & joint ventures	37.231	-	-	-	37.231
Other assets	420.407	17.269	3.185	225	441.086
	<u>27.417.484</u>	<u>1.894.070</u>	<u>201.921</u>	<u>93.414</u>	<u>29.606.889</u>
Liabilities:					
Resources from other credit institutions	(142.609)	(450.620)	(3.901)	-	(597.130)
Customer funds and other loans	(26.619.140)	(600.970)	(219.139)	(2.120)	(27.441.369)
Other liabilities	(193.478)	(946)	(3)	-	(194.427)
	<u>(26.955.227)</u>	<u>(1.052.536)</u>	<u>(223.043)</u>	<u>(2.120)</u>	<u>(28.232.926)</u>
Net Exposure	<u>462.257</u>	<u>841.534</u>	<u>(21.122)</u>	<u>91.294</u>	<u>1.373.963</u>

33. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The impact of the adoption of the International Financial Reporting Standards can be summarized as follows:

Note	Owner Equity		Results
	31.12.2008	01.01.2008	2008
Balances according to the PCSB	<u>2.187.063</u>	<u>2.053.694</u>	<u>272.569</u>
Impact of the rules adopted with reference to 1 January 2008			
Buildings and other tangible assets	(a) 7.597	(2.454)	10.051
Deferral of fees associated with credit operations	(b) (205.199)	(154.455)	(50.744)
Deferred tax	(c) 58.774	59.976	(1.202)
Investment in associated companies	(d) 10.981	9.904	1.077
Impairment of loans to customers	(e) (52.953)	(52.953)	-
Other	3.738	3.957	(219)
	<u>(177.062)</u>	<u>(136.025)</u>	<u>(41.037)</u>
Balances according to IFRS- Pro forma accounts	<u>2.010.001</u>	<u>1.917.669</u>	<u>231.532</u>

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The transition adjustments related to property and other tangible assets can be decomposed as follows:

	<u>31-12-2008</u>	<u>01-01-2008</u>
Tangible assets		
Changes in useful life	7.597	-
Other	41	(2.454)
	<u>7.638</u>	<u>(2.454)</u>
Investment property		
Changes in useful life	101	-
	<u>7.739</u>	<u>(2.454)</u>

- a) In accordance with IAS 16, depreciation of tangible assets should be based on their estimated useful life (subject to periodical review), reflecting the standard by which the economic benefits generated by the use of the asset are consumed by the entity. The Caixa undertook a review of the useful life assigned to tangible assets, namely buildings for own use and rented buildings, which began to be capitalized at 60 years instead of 25 years and 10 years instead of 3 years, respectively, with changes being made with prospective effect from January 1, 2008 and thus amortization for the financial year 2008 was less in tCVE 10 092.
- b) As mentioned in Note 2.3 n), in light of the IFRS the Caixa began to defer the fees charged in the beginning of loans over the period of their operations. Thus, a survey was carried out on the charges related to credit operations live on January 1, 2008 and the corresponding deferred income of tCVE 154.455 was calculated and recorded, resulting in a negative impact of equal amount on earnings.
- c) Under the previous standards and practices in the banking sector of Cape Verde, the Caixa has not evidenced deferred taxes. The value indicated corresponds to the calculation of deferred taxes within the scope of Standard IAS 12 regarding adjustments of the conversion to the IFRS (Note 12).
- d) This impact derives from the valuation of Caixa's shares in IMOTUR (Real Estate and Tourism in Cape Verde) and SISP (Interbank Payments System), which are classified as investments in associated companies under Standard IAS 28.
- e) With the introduction of the IFRS, the Caixa failed to set aside provisions for credit risks according to Notice No. 4/2006, of November 13, as amended by Notice No. 6/2007, and impairment started to be recorded in conformity with the guidelines deferred by Standard IAS 39, which include, among other aspects, impairment by collective analysis and the obligation to consider the time effect in determining the expectations of recovery. The amount of impairment established in accordance with the methodology adopted by the Caixa with reference to the date of transition exceeded the provisions previously recorded of tCVE 52.953.

34. CAPITAL MANAGEMENT

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

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

Owner Equity is divided into two categories:

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

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

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

On December 31, 2009 and 2008, the Caixa Económica de Cabo Verde fulfilled its regulatory requirements, as evidenced below:

	<u>Dividends</u>	<u>Div./RL</u>	<u>Equity</u>	<u>Solvency</u>	<u>Limit of Fixed assets</u>
2009	275.616	89,6%	3.077.174	14,11%	266,11%
2008	139.200		1.924.230	10,1%	299,79%