

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

**Financial Statements at December 31,
2013, and accompanying Audit Report**

AUDIT REPORT

(Amounts in thousands Cape Verde Escudos – tCVE)

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

Introduction

1. We have audited the accompanying financial statements of Caixa Económica de Cabo Verde, S.A.R.L. ("Caixa"), which comprise the Balance Sheet as at December 31, 2013, totaling 50.659596 billion CVE and 3.665364 billion CVE in equity, including a net income of 205.842 million CVE, the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and the corresponding Notes (Notes 1 and 32).

Board of Directors' Responsibility for Financial Statements

2. Caixa's Board of Directors is responsible for preparing and properly presenting these financial statements, in accordance with International Financial Reporting Standards, and for the internal control that it deems necessary to prepare financial statements that are free from material misstatement due to fraud or error

Auditor's responsibility

3. Our responsibility is to express an independent opinion on these financial statements, based on our audit, which was conducted in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves implementing procedures to obtain audit evidence about the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of risks related to material misstatement due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements by the entity, in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation

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

Basis for qualified opinion

6. As described in Note 13, on December 31, 2013 Caixa has subsidies receivable totaling 765.311 million CVE (668.510 million CVE on December 31, 2012), claimed since 2004. In FY 2010 Caixa received, from the General Directorate for Treasury (DGT), the preliminary report of an external audit that was conducted on the subsidized loan system to determine the State's debt to Caixa relating to interest subsidies on housing loans, which questioned the eligibility of a number of operations. Caixa disputed the findings of this report in 2010. In FY 2012, it received an answer to the dispute presented, in which the DGT states that, out of the 297.860 million CVE in housing loan subsidies claimed by Caixa up to 2008, only 115.938 million CVE are due. Negotiations are still ongoing between the parties, with a view to quantifying the final amount to be recognized by DGT for the years up to 2008, as well as the amounts claimed between 2009 and 2013 and other subsidies, totaling 467.451 million CVE, which have also not been confirmed by DGT. Given the above, we are unable to quantify the necessary provision for the part of the balance of subsidies receivable recorded on December 31, 2013 which Caixa will not receive.
7. As described in Note 2.2 d), the impairment of loans granted is determined based on a specific impairment analysis, for individually significant loans, and based on an impairment model that incorporates historical behavioral information on the loan portfolio, as well as the specific situation of each operation, for loans that are not individually significant and individually significant loans for which no specific impairment was determined.

Caixa's loan portfolio on December 31, 2013 includes substantial amounts of loans to companies with mortgage guarantees whose impairment is individually determined which, in some instances, have faced difficulties to service the debt and for which the expected collectability reflected in the impairment assigned by Caixa is based essentially on recovering the property/land received as mortgage, with the impairment

usually being determined based on assessment values corrected by a discount factor. However, for a substantial number of property/land, including a hotel, which Caixa received as settlement in late 2013 (note 13), Caixa did not get updated assessment reports carried out by independent experts, so we do not have updated information regarding the value of these assets.

Moreover, although Caixa has been perfecting its model for determining collective impairment, the model currently does not include a specific treatment for restructured loans (including situations in which there was capitalization of accrued interest) and there are some inconsistencies in terms of the historical information used and in the process to determine risk factors. Caixa's Board of Directors intends to implement a number of measures to improve the impairment model, with a view to resolving these situations during FY 2014.

Given the above, it is not possible to quantify the increase in impairment losses for loans granted and properties acquired as settlement recorded by Caixa on December 31, 2013, which would result from solving the above-mentioned situations.

Opinion

8. In our opinion, except for the effects of the matter described in paragraphs 6 and 7 above, the financial statements referred to in paragraph 1 above present fairly, in all material respects, the financial position of Caixa Económica de Cabo Verde, S.A.R.L. on December 31, 2013, as well as the income and comprehensive income from its transactions, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Lisbon, February 24, 2014

CAIXA ECONÓMICA DE CABO VERDE, S.A.

BALANCE SHEET ON DECEMBER 31, 2013 AND 2012

(Amounts in thousand Cape Verde Escudos)

ASSETS	Not es	2013			2012	LIABILITIES AND SHAREHOLDERS' EQUITY	Not es	2013	2012
		Gross assets	Provisions impairment and depreciation	Net assets	Net assets				
Cash and cash equivalents at central banks	3	5.691.712	-	5.691.712	2.846.489	Funds from other credit institutions	14	943.406	1.232.508
Cash equivalents at Other Credit Institutions	4	661.616	-	661.616	894.667	Customer funds and other loans	15	45.628.646	39.930.010
Available for sale financial assets	5	4.023	(200)	3.823	3.823	Provisions	16	55.081	48.148
Investments in credit institutions	6	6.834.487	-	6.834.487	5.336.365	Deferred tax liabilities	12	-	1.539
Loans to customers	7	36.235.52	(2.528.169)	33.707.35	32.350.07	Other liabilities	17	367.099	309.075
		1		2	0				
Investment properties	8	8.664	(3.380)	5.284	5.314	Total liabilities		<u>46.994.232</u>	<u>41.521.280</u>
Other tangible assets	9	3.437.019	(1.119.443)	2.317.576	2.476.057				
Intangible assets	10	292.043	(246.089)	45.954	3.988	Capital	18	1.392.000	1.392.000
Investments in subsidiaries, associates and joint ventures	11	125.638	-	125.638	150.490	Other reserves and retained earnings	19	2.067.522	1.948.858
Current tax assets	12	45.514	-	45.514	10.481	Income for the year	19	<u>205.842</u>	<u>118.664</u>
Deferred tax assets	12	43.677	-	43.677	57.136	Total shareholders' equity		<u>3.665.364</u>	<u>3.459.522</u>
Other assets	13	1.215.234	(38.271)	1.176.963	845.922				
Total assets		<u>54.595.14</u>	<u>(3.935.552)</u>	<u>50.659.59</u>	<u>44.980.80</u>	Total liabilities and shareholders' equity		<u>50.659.596</u>	<u>44.980.802</u>
		8		6	2				

The Annex is an integral part of these balance sheets.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts in thousand Cape Verde Escudos)

	Notes	2013	2012
Interest and similar income	20	3.132.397	3.011.268
Interest and similar expenses	21	(1.372.725)	(1.352.127)
NET INTEREST INCOME		<u>1.759.672</u>	<u>1.659.141</u>
Income from Services and fees	22	181.864	193.975
Expenses with Services and fees	22	(69.449)	(57.120)
Income from foreign exchange revaluations	23	73.672	83.839
Income from the sale of other assets	24	5.042	-
Other operating income	25	21.647	33.851
OPERATING INCOME		<u>1.972.448</u>	<u>1.913.686</u>
Staff costs	26	(590.854)	(616.861)
General administrative expenses	27	(534.168)	(536.295)
Depreciation for the year	8, 9 e 10	(233.009)	(121.850)
Provisions net of recoveries and cancellations	16	(9.996)	(8.941)
Loan impairment net of reversals and recoveries	16	(351.814)	(531.260)
Income from associates	11	(34.846)	(11.901)
INCOME BEFORE TAXES		<u>217.761</u>	<u>86.578</u>
Deferred tax	12	(11.919)	32.086
		<u>(11.919)</u>	<u>32.086</u>
Income and comprehensive income for the year		<u>205.842</u>	<u>118.664</u>
Average number of ordinary shares issued		1.392.000	1.392.000
Earnings per share		0,15	0,09

The Annex is an integral part of these statements.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Other reserves and retained earnings				Income for the year	Total
	Capital	Legal reserves	Other reserves	Retained earnings		
Balances on December 31, 2011	1.392.000	366.864	1.535.178	(177.062)	432.678	3.549.658
Distribution of income for the year 2011:						
Incorporation of reserves	-	43.268	180.610	-	(223.878)	-
Distribution of dividends	-	-	-	-	(208.800)	(208.800)
Comprehensive income for the year	-	-	-	-	118.664	118.664
Balances on December 31, 2012	1.392.000	410.132	1.715.788	(177.062)	118.664	3.459.522
Distribution of income for the year 2012:						
Incorporation of reserves	-	11.866	106.798	-	(118.664)	-
Comprehensive income for the year	-	-	-	-	205.842	205.842
Balances on December 31, 2013	1.392.000	421.998	1.822.586	(177.062)	205.842	3.665.364

The Annex is an integral part of these statements.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

(Amounts in thousand Cape Verde Escudos)

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities</u>		
Receipt of interest and fees	3.214.661	3.205.243
Payment of interest and fees	(1.442.174)	(1.409.247)
Other receipts / (payments) relating to operating activities	95.320	117.690
Payments to employees and suppliers	(1.124.873)	(1.153.156)
Payments of income taxes	(35.033)	(98.533)
Operating income before changes in operating assets	<u>707.901</u>	<u>661.997</u>
(Increase) decrease in operating assets:		
Investments in credit institutions	(1.499.019)	(4.613.888)
Loans and advances to customers	(1.952.643)	1.865.638
Other assets	(23.929)	(75.967)
	<u>(3.475.591)</u>	<u>(2.824.217)</u>
Increase (decrease) in operating liabilities:		
Funds from central banks and other credit institutions	(288.220)	(867.341)
Customer funds	5.695.078	3.972.018
Other liabilities	60.981	(20.515)
	<u>5.467.839</u>	<u>3.084.162</u>
Net cash from operating activities	<u>1.992.248</u>	<u>259.945</u>
<u>Cash flows from investing activities</u>		
(Increases) decreases in investment assets:		
Investments in subsidiaries, associates and joint ventures	(15.000)	(57.479)
Dividends from associates and joint ventures	5.006	-
Intangible assets	(4.524)	(2.156)
Other tangible assets	(79.064)	(865.956)
Investment properties	-	(637)
Revenue from sale of tangible assets	5.605	-
Net cash from investing activities	<u>(87.977)</u>	<u>(926.228)</u>
<u>Cash flows from financing activities</u>		
Distributed dividends	-	(208.800)
Net cash from financing activities	<u>-</u>	<u>(208.800)</u>
Increase (decrease) in cash and cash equivalents	2.612.172	(213.086)
Cash and cash equivalents at beginning of year	3.741.156	3.954.242
Cash and cash equivalents at end of year	6.353.328	3.741.156

The Annex is an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

1. INTRODUCTORY NOTE

Caixa Económica de Cabo Verde, S.A. (Caixa) is a banking and credit institution that was turned into a public limited liability company by Decree-Law No. 54/93, of 31 August. As part of the process to privatize financial institutions and publicly owned financial companies, in accordance with the Council of Ministers' resolution No. 46/99, of 27 September, a Group made up of Caixa Económica Montepio Geral, S.A., IMPAR (Cape Verdean insurance company), S.A.R.L., and a Local Group consisting of 51 national businessmen and professionals held the majority of Caixa's share capital until September 2009. From this date, Geocapital (shareholding management company), S.A. acquired the shares of Caixa Económica Montepio Geral, S.A. and Montepio Geral - Mutual Benefit Association (Note 18).

Caixa's capital is represented by 1,392,000 shares, 90% of which are listed on the Cape Verde Stock Exchange.

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

Caixa is headquartered in Praia, Republic of Cape Verde, with a network of 30 branches to carry out its operations.

Caixa's financial statements at 31 December 2013 were approved by the Board of Directors on March 10, 2014 and are subject to approval by the General Assembly. However, Caixa's Board of Directors believes that they will be approved without significant changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Bases of presentation

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

2.2. Accounting policies

a) Accrual basis

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

b) Conversion of foreign currency balances and transactions

Assets and liabilities denominated in foreign currencies are converted to Cape Verde Escudos at Caixa's average exchange rate on the last business day of each month. Exchange rate differences determined in currency conversion are reflected in the income statement, except those arising from

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

non-monetary financial instruments, such as shares classified as available-for-sale, which are recognized in equity until they are sold.

In fiscal years 2013 and 2012, the exchange rate of the Cape Verde Escudo against the Euro was fixed at 1 Euro/110.265 Cape Verde Escudos. On December 31, 2013 and 2012, the exchange rate against the U.S. dollar (USD) was as follows:

	2013	2012
1 USD	80.048	83.165

c) Financial Instrumentsi) Financial assets

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

a) Loans and accounts receivables

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

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

Recognition of interest

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

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Cancellations of principal and interest

Interest on overdue loans are canceled on the operation's due date or the date of the first installment in arrears. Interest not recorded on the loans referred to above are only recognized in the fiscal year they will be charged and are recorded under "Interest and similar income."

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

Caixa periodically writes off uncollectible loans by use of impairment, after specific assessment by the departments responsible for credit monitoring and recovery and after approval by the Board of Directors. Any recoveries of loans previously written off are recognized in the income statement under "Loan impairment."

b) Available for sale financial assets

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

On December 31, 2013 and 2012, available for sale assets represent non-listed assets whose fair value could not be reliably measured, so Caixa kept these assets at historic cost.

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

d) Impairment of financial assets

Financial assets at amortized cost

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

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

The following events may be evidence of impairment:

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

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

Whenever evidence of impairment is identified on individually 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 original effective interest rate of the asset, and the value in the balance sheet at the time of assessment

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

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

- Loans to companies
- Mortgage loans
- Individual producers
- Other loans to individuals
- Guarantees
- Public Sector

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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

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

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

Available for sale financial assets

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

The amount of impairment loss determined is recognized directly in the 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 costs directly attributable to the transaction. Financial liabilities include funds from credit institutions and customers and liabilities incurred for payment of services or purchase of assets, recorded under "Other liabilities."

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

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

f) Assets received through credit recovery

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

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

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

g) Investment properties

They're properties held for the purpose of obtaining income through lease and/or revaluation.

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

Depreciation is calculated and recorded as an expense under "Depreciation for the year" over an estimated useful life of 60 years.

h) Other tangible assets

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

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

	Years of <u>useful life</u>
Property for own use	60
Equipment:	
Office furniture and equipment	8
Machinery and Tools	5 - 6
Computer equipment	5
Indoor installations	4 - 5
Transportation equipment	5 - 6
Security Equipment	5 - 12
Other equipment	6

Land is not depreciated.

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

Depreciation is recorded under costs for the year.

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

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

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

i) Intangible assets

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

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

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

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

j) Investments in subsidiaries, associates and joint ventures

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

These assets are accounted for under the equity method. According to this method, shareholdings are initially valued at acquisition cost, which is subsequently adjusted based on Caixa’s actual percentage in the changes in associates’ equity (including income).

k) Profit taxes

On December 31, 2013 and 2012, Caixa was subject to the Income Tax (IUR) at the rate of 25%, and a fire brigade tax of 2% of the calculated tax, which corresponds to an aggregate tax rate of 25.5%.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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Current taxes

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

Deferred taxes

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

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

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

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

The main situations originating temporary differences at Caixa correspond to the impacts of IFRS adoption and the tax losses.

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

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

I) Provisions and contingent liabilities

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

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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m) Employee benefits

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

Productivity bonuses paid to employees for their performance are reflected under “Staff costs” in the respective period, according to the principle of accruals.

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

n) Fees

Fees relating to loans, which are essentially opening and credit management fees, are recognized by applying the effective interest method over the period of life of the operations, regardless of when they are charged or paid.

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

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

o) Securities and other items held under custody

Securities and other items held under custody, including customers’ securities, are recorded under off-balance sheet items at nominal value.

p) Cash and cash equivalents

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

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

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

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(Amounts in thousand Cape Verde Escudos -. tCVE)

Determining impairment losses on loans granted

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

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

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

Determining profit taxes

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

r) Adoption of new Standards (IAS/IFRS) or revision of already issued Standards

As mentioned in Note 2.1, when preparing its financial statements, Caixa used the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for periods beginning from January 1, 2013.

The following standards, interpretations, amendments and revisions, whose application is mandatory for financial years beginning on or after January 1, 2013, were first adopted in the fiscal year ending on December 31, 2013:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

Standard / Interpretation	Applicable in fiscal years beginning on or after	
Amendment to IFRS 1 - First-time Adoption of International Financial Reporting Standards (Government loans)	01-Jan-13	This amendment exempts entities adopting IFRS for the first time from applying the provisions of IAS 39 and paragraph 10A of IAS 20 relating to government loans retrospectively.
Amendment to IFRS 7 - Financial Instruments: Disclosures (offsetting financial assets and financial liabilities)	01-Jan-13	This amendment requires additional disclosures regarding financial instruments, in particular those related to offsetting financial assets and liabilities.
Amendment to IAS 1 - Presentation of Financial Statements (Other comprehensive income)	01-Jul-12	This amendment is embodied in the following changes: (i) the items that comprise Other Comprehensive Income and that will, in the future, be recognized in the income statement shall be presented separately; and (ii) the Statement of Comprehensive Income will start to be called Statement of Income and Other Comprehensive Income
IAS 19 (Revised) - Employee Benefits	01-Jan-13	Revising this standard included several changes, namely: (i) recognizing actuarial and financial gains and losses arising from differences between the assumptions used in determining liability and the expected asset performance and actual values, as well as those resulting from changes in actuarial and financial assumptions during the year, against reserves (other comprehensive income); (ii) a single interest rate shall be applied in determining the present value of liabilities and the expected return on plan assets; (iii) the expenses recorded in income correspond only to the current service cost and net interest expense; (iv) introduction of new requirements in terms of disclosure.
IFRS 13 - Fair value measurement (new standard)	01-Jan-13	This standard replaces existing guidelines in the various IFRS standards regarding fair value measurements. This standard applies when another IFRS standard requires or permits fair value measurements or disclosures.
IFRIC 20 - Stripping costs in the production phase of a surface mine	01-Jan-13	This interpretation clarifies stripping costs incurred during the production phase of a surface mine.
Improvements to International Financial Reporting Standards (2009-2011 cycle)	01-Jan-13	These improvements involve revising various standards, including IFRS 1 (repeated application of this standard), IAS 1 (comparative information), IAS 16 (service equipment), IAS 32 (tax effect of distributions of equity instruments) and IAS 34 (segment reporting).

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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Adoption of the above-mentioned standards, interpretations, amendments and revisions had no effects on Caixa's financial statements for the year ended December 31, 2013.

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

Standard / Interpretation	Applicable in fiscal years beginning on or after	
IAS 27 - Separate Financial Statements (2011)	01-Jan-14	This amendment restricts the application of IAS 27 to separate financial statements.
IAS 28 - Investments in Associates and Joint Ventures (2011)	01-Jan-14	This amendment ensures consistency between IAS 28 - Investments in Associates and new standards adopted, in particular IFRS 11 - Joint Arrangements.
"Amendment to: • IFRS 10 - Consolidated Financial Statements; • IFRS 12 - Disclosure of Interests in other entities (Investment Entities)"	01-Jan-14	This amendment introduces an exemption from consolidation for certain entities that meet the definition of investment entity. It also establishes rules for measuring investments held by these investment entities.
Amendment to IAS 32 - Offsetting financial assets and financial liabilities	01-Jan-14	This amendment clarifies certain aspects of the standard relating to the application of requirements for offsetting financial assets and liabilities.
Amendment to IAS 36 - Impairment (Recoverable Amount Disclosures for Non-Financial Assets)	01-Jan-14	This amendment eliminates the requirement to disclose the recoverable amount of a cash-generating unit with goodwill or intangible assets with indefinite useful lives allocated to periods where no impairment loss or reversal of impairment was recorded. It introduces additional disclosure requirements for assets for which an impairment loss or reversal of impairment was recorded and whose recoverable amount was determined based on fair value less costs to sell.
Amendment to IAS 39 Financial Instruments: Recognition and Measurement (Novation of derivatives and continuation of hedge accounting)	01-Jan-14	This amendment permits, in certain circumstances, the continuation of hedge accounting when a derivative designated as a hedging instrument is overhauled.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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Although approved by the IASB, these standards were not adopted by Caixa for the year ending on December 31, 2013, because their application is not yet mandatory. No significant impacts on financial statements are estimated as a result of their adoption.

3. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This item is as follows:

	<u>2013</u>	<u>2012</u>
Cash	3.502.499	1.222.610
Demand deposits at Banco de Cabo Verde	2.189.213	1.623.879
	<u>5.691.712</u>	<u>2.846.489</u>

Demand deposits at Banco de Cabo Verde are intended to meet the minimum reserve requirements. In accordance with Banco de Cabo Verde provisions, these assets correspond to 18% of the average actual liabilities in domestic and foreign currency to residents and emigrants.

These deposits are not remunerated.

4. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item is as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

	2013	2012
Demand deposits		
At credit institutions in the country		
. BCA	2.449	9.031
. Ecobank	22	2.858
At credit institutions abroad		
. Banque et Caisse D'Epargne de L'Etat	270.060	359.009
. Credit Suisse	64.949	18.406
. Commerzbank	52.165	70.535
. Caixa Geral de Depósitos	37.098	49.736
. Montepio Geral	27.855	47.824
. Banque Nationale de Paris	24.277	24.835
. Den Danske Bank	12.650	10.549
. ABN AMRO Bank	11.128	30.139
. Cassa Risparmio D.P.Lombarde	8.867	6.317
. Banco Português de Investimento	8.320	20.515
. Natexis Banques Populaires	4.874	15.862
. Banco Central Hispano	4.790	5.240
. Banco Espírito Santo	737	13.300
. JP Morgan Chase Bank, N.A. NY	-	145.355
. Bank of China	-	14.789
. Other credit institutions	9.632	6.840
	<u>539.873</u>	<u>851.140</u>
Checks pending collection:		
In the country	105.722	31.015
Abroad	16.021	10.564
	<u>121.743</u>	<u>41.579</u>
Other assets	-	1.948
	<u>661.616</u>	<u>894.667</u>

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

During FY 2013, Caixa closed the demand deposit account it had with its correspondent JP Morgan Chase Bank, N.A. NY.

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

5. AVAILABLE FOR SALE FINANCIAL ASSETS

On December 31, 2013 and 2012, equity and debt instruments classified as available for sale financial assets were as follows:

Security	Acquisition cost	Impairment (Note 16)	Balance sheet value (Net)
<u>Equity instruments valued at historical cost</u>			
Guarantee Fund for Private Investment in West Africa (GARI fund)	3.823	-	3.823
<u>Equity instruments valued at historical cost</u>			
Portuguese government bonds	200	(200)	-
	<u>4.023</u>	<u>(200)</u>	<u>3.823</u>

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

Given its reduced book value, shares in the G.A.R.I. Fund was recorded at historical cost.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This item is as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

	2013	2012
Investments in credit institutions in the country:		
At Banco de Cabo Verde		
Overnight deposits	6.000.000	5.000.000
Monetary Intervention Bills	550.000	-
Monetary Regularization Bills	177.000	227.000
Investments in credit institutions abroad		
Collateral deposits	108.225	108.942
Interest receivable	207	494
Deferred income	(945)	(71)
	<u>6.834.487</u>	<u>5.336.365</u>

On December 31, 2013 and 2012, the item "Investments in credit institutions abroad – Collateral Deposits" corresponds to guarantees in the form of deposits, provided by Caixa to other credit institutions as collateral for bank guarantees given to these entities by Caixa. These deposits are not remunerated, being reimbursed upon settlement of the respective bank guarantee.

On December 31, 2013 and 2012, time deposits and collateral deposits were as follows, by credit institution:

	2013	2012
Banque et Caisse D'Esparagne de L'Etat	108.225	108.225
Montepio Geral	-	717
	<u>108.225</u>	<u>108.942</u>

7. LOANS TO CUSTOMERS

This item is as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

	2013	2012
Short-term domestic loans:		
Loans	457.415	642.436
Trade discounts	365.295	479.715
Overdrafts in demand deposits	184.488	209.132
Medium- and long-term domestic loans:		
Loans	20.185.573	19.782.137
Other credit	999.785	971.505
	<u>22.192.556</u>	<u>22.084.925</u>
Other loans and receivables (securitized)		
Government debt securities	6.938.548	5.868.650
Other fixed income securities	1.379.849	1.362.912
Loans to staff	901.288	769.968
	<u>31.412.241</u>	<u>30.086.455</u>
Overdue loans and interest	4.876.100	4.734.177
Interest receivable	188.448	162.255
Deferred costs	2.327	2.553
Deferred income	(243.595)	(237.916)
	<u>36.235.521</u>	<u>34.747.524</u>
Impairment of loans to customers (Note 16)	<u>(2.528.169)</u>	<u>(2.397.454)</u>
	<u>33.707.352</u>	<u>32.350.070</u>

On December 31, 2013 and 2012, the item "Other loans and receivables (securitized) - Government debt securities" included 6.142628 billion CVE and 5.07273 billion CVE, respectively, relating to Cape Verdean treasury bonds and bills remunerated at a fixed interest rate. This item also includes a variable yield Treasury bill, with a subscription amount of 795.920 million CVE, to be repaid within 15 years from January 1, 2000. This security bears interest at the 6-month Euribor rate plus a spread of 1.5%. On December 31, 2013 and 2012, the coupon rate in effect was 1.89% and 1.82%, respectively.

On December 31, 2013 and 2012, Treasury bonds sold under repurchase agreements amounted to 4.44573 billion CVE and 4.46573 billion CVE, respectively (Note 15).

On December 31, 2013 and 2012, the item "Other loans and receivables (securitized) - Other fixed income securities" included the value of domestic companies' bonds, categorized as "Loans and accounts receivables." These bonds are as follows:

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Security	2013	2012	Maturity
<i><u>Other fixed income securities</u></i>			
Electra - (electricity and water company), S.A.R.L. - Tranche B	147.088	147.088	14-06-2017
Electra - (electricity and water company), S.A.R.L. - Tranche C	630.227	630.227	14-06-2027
TecniciL - (real estate & construction company), S.A.	200.000	200.000	06-08-2015
IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company)	283.845	283.845	14-09-2015
IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company)	31.252	31.252	05-01-2014
CVFF - Cabo Verde Fast Ferry, S.A.	50.336	50.500	14-10-2019
Sociedade de Gestão de Investimentos, Lda. (investment management company)	13.343	20.000	18-02-2014
Inpharma laboratories - Pharmaceutical Industry, S.A.	23.758	-	24-12-2019
	<u>1.379.849</u>	<u>1.362.912</u>	

Bonds issued by Electra – *Empresa de Electricidade e Águas*, S.A.R.L. (electricity and water company) and IFH – *Imobiliária, Fundiária e Habitat*, S.A. (real estate company) are endorsed by the State of Cape Verde.

In December 2013, Caixa subscribed 23,758,000 bonds of Inpharma Laboratories - Pharmaceutical Industry, S.A., at the nominal value of 1 CVE each. The subscribed bonds mature in December 2019.

In FY 2012, the bonds of TecniciL, S.A. (real estate & construction company) were reimbursed, with new bonds of equal amounts being issued. The latter mature in August 2015. On December 31, 2013 and 2012, the bonds of TecniciL, S.A. (real estate & construction company) were secured by a first mortgage on a piece of land. On December 31, 2013 the interest due in February and August 2013, totaling 19.553 million CVE, was overdue. In December 2013 the total interest owed by TecniciL, S.A. (real estate & construction company) amounted to 27.429 million CVE, with the next interest coupon being due on February 6, 2014.

On December 31, 2013, interest payable in February 2012 and August 2013 on Cabo Verde Fast Ferry, S.A.'s (CVFF) bonds, totaling 2.188 million CVE, was overdue. On December 31 2013 the total interest owed by CVFF totaled 5.625 million CVE, with the next interest coupon being due on February 1, 2014. On 3 February 2014, CVFF settled the interest owed on the 7th and 8th coupons.

On May 31, 2013, Sociedade de Gestão de Investimentos, Lda. (investment management company) repaid part of the bonds issued, totaling 6.657 million CVE, in advance.

On December 31, 2013 and 2012, Loans to customers, excluding "Other loans and receivables (securitized)" and accrued interest, were as follows, by business sector:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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	2013			2012		
	Performing loans	Overdue loans	Total	Performing loans	Overdue loans	Total
Companies :						
Trade	708.200	383.046	1.091.246	531.367	522.851	1.054.218
Construction and Public Works	897.638	206.533	1.104.171	1.053.931	82.408	1.136.339
Transportation	1.969.892	360.670	2.330.562	1.319.538	430.025	1.749.563
Industry	503.477	434.613	938.090	913.205	104.775	1.017.980
Hospitality Industry	935.051	324.585	1.259.636	950.198	500.880	1.451.078
Energy	706.553	-	706.553	858.079	-	858.079
Other	2.576.131	242.266	2.818.397	2.466.422	323.382	2.789.804
	<u>8.296.942</u>	<u>1.951.713</u>	<u>10.248.655</u>	<u>8.092.740</u>	<u>1.964.321</u>	<u>10.057.061</u>
Individuals :						
Mortgage	9.718.641	1.748.339	11.466.980	10.057.646	1.685.083	11.742.729
Other	5.078.261	1.176.048	6.254.309	4.704.507	1.084.773	5.789.280
	<u>14.796.902</u>	<u>2.924.387</u>	<u>17.721.289</u>	<u>14.762.153</u>	<u>2.769.856</u>	<u>17.532.009</u>
	<u>23.093.844</u>	<u>4.876.100</u>	<u>27.969.944</u>	<u>22.854.893</u>	<u>4.734.177</u>	<u>27.589.070</u>

Loans to employees on December 31, 2013 and 2012 were remunerated at reduced interest rates.

8. INVESTMENT PROPERTIES

The change in this item in the years ended December 31, 2013 and 2012 is as follows:

	2013				Balance as at 12/31/2013	
	Balance as at 12/31/2012				Gross value	Accumulated depreciation
	Gross value	Accumulated depreciation	Depreciation for the year	Trans fers	Gross value	Accumulated depreciation
Land	3.684	-	-	-	3.684	-
Property	4.980	(3.350)	(30)	-	4.980	(3.380)
	<u>8.664</u>	<u>(3.350)</u>	<u>(30)</u>	<u>-</u>	<u>8.664</u>	<u>(3.380)</u>

	2012				Balance as at 12/31/2012	
	Balance as at 12/31/2011				Gross amount	Accumulated depreciation
	Gross amount	Accumulated depreciation	Depreciation for the year	Trans fers	Gross amount	Accumulated depreciation
Land	3.048	-	-	636	3.684	-
Property	4.980	(3.321)	(29)	-	4.980	(3.350)
	<u>8.028</u>	<u>(3.321)</u>	<u>(29)</u>	<u>636</u>	<u>8.664</u>	<u>(3.350)</u>

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On December 31, 2013 and 2012, the fair value of investment properties was determined based on assessments made in 2013 and 2012 by Caixa's Office of Facilities and Property Valuation, and it was:

	Net Value		Assessment Value
	2013	2012	
Land	3.684	3.684	18.640
Buildings	1.600	1.630	14.079
	<u>5.284</u>	<u>5.314</u>	<u>32.719</u>

In 2012, transfers correspond to a land that was transferred from the item "Construction in progress" (Note 9).

In FY 2013 and 2012, income from the rental of these properties amounted to 110,000 CVE and 126,000 CVE, respectively (Note 25).

9. OTHER TANGIBLE ASSETS

In FY 2013 and 2012, the item "Other tangible assets" was as follows:

	2013									
	Balance as at 12/31/2012			Sales / Write-offs			Trans fers	Balance as at 12/31/2013		
	Gross value	Accumulated depreciation	Additions	Gross value	Depreciation	for the year		Gross value	Accumulated depreciation	Net value
Property	1.505.753	(67.692)	70.900	-	-	(24.072)	(Note 10)	1.576.653	(91.764)	1.484.889
Works in rented buildings	45.297	(28.616)	-	-	-	(2.646)	-	45.297	(31.262)	14.035
Artistic heritage	3.900	-	50	-	-	-	-	3.950	-	3.950
Equipment:										
Furniture and equipment	205.080	(107.306)	2.560	-	-	(17.083)	625	208.265	(124.389)	83.876
Machinery and tools	250.298	(186.685)	2.190	-	-	(21.793)	952	253.440	(208.478)	44.962
Computer equipment	323.618	(272.404)	10.398	-	-	(17.465)	1.025	335.041	(289.869)	45.172
Indoor facilities	422.246	(126.181)	1.482	(507)	507	(100.183)	-	423.221	(225.857)	197.364
Transportation equipment	188.286	(93.248)	-	(32.933)	32.368	(24.753)	-	155.353	(85.633)	69.720
Security equipment	257.941	(42.233)	369	-	-	(15.911)	310	258.620	(58.144)	200.476
Other equipment	6.133	(3.361)	254	-	-	(686)	-	6.387	(4.047)	2.340
	<u>3.208.552</u>	<u>(927.726)</u>	<u>88.203</u>	<u>(33.440)</u>	<u>32.875</u>	<u>(224.592)</u>	<u>2.912</u>	<u>3.266.227</u>	<u>(1.119.443)</u>	<u>2.146.784</u>
Fixed assets in progress	195.232	-	24.301	-	-	-	(48.741)	170.792	-	170.792
	<u>3.403.784</u>	<u>(927.726)</u>	<u>112.504</u>	<u>(33.440)</u>	<u>32.875</u>	<u>(224.592)</u>	<u>(45.829)</u>	<u>3.437.019</u>	<u>(1.119.443)</u>	<u>2.317.576</u>

	2012								
	Balance as at 12/31/2011			Depreciation for the year	Trans fers	Adjus tmen	Balance as at 12/31/2012		
	Gross value	Accumulated depreciation	Additions				Gross value	Accumulated depreciation	Net value
Property	542.515	(57.306)	69.767	(10.436)	893.471	50	1.505.753	(67.692)	1.438.061
Works in rented buildings	45.297	(25.959)	-	(2.657)	-	-	45.297	(28.616)	16.681
Artistic heritage	2.892	-	1.008	-	-	-	3.900	-	3.900
Equipment:									
Furniture and equipment	147.497	(96.017)	56.591	(11.289)	992	-	205.080	(107.306)	97.774
Machinery and tools	221.225	(163.937)	7.742	(22.748)	21.331	-	250.298	(186.685)	63.613
Computer equipment	293.447	(249.937)	14.327	(22.467)	15.844	-	323.618	(272.404)	51.214
Indoor facilities	122.550	(105.360)	16.836	(20.821)	282.860	-	422.246	(126.181)	296.065
Transportation equipment	115.177	(74.147)	52.359	(19.101)	20.750	-	188.286	(93.248)	95.038
Security equipment	58.601	(35.126)	10.480	(7.107)	188.860	-	257.941	(42.233)	215.708
Other equipment	4.119	(2.973)	2.014	(390)	-	2	6.133	(3.361)	2.772
	1.553.320	(810.762)	231.124	(117.016)	1.424.108	52	3.208.552	(927.726)	2.280.826
Fixed assets in progress	984.508	-	636.842	-	(1.424.744)	(1.374)	195.232	-	195.232
	2.537.828	(810.762)	867.966	(117.016)	(636)	(1.322)	3.403.784	(927.726)	2.476.057

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On December 31, 2013 and 2012 the item “Construction in progress” included costs of setting up new branches, totaling 155.913 million CVE and 132.783 million CVE, respectively.

In 2012, transfers to fixed assets correspond primarily to the construction of Caixa’s new headquarters in the city of Praia, whose completion took place in late 2012.

In fiscal years ended December 31, 2013 and 2012, transfers correspond to two software that were transferred to the item “Intangible assets” (Note 10) and to a piece of land that was transferred to the item “Investment Property” (Note 8), respectively.

10. INTANGIBLE ASSETS

In fiscal years 2013 and 2012, the item “Intangible assets” was as follows:

	2013							
	Balance as at 12/31/2012				Balance as at 12/31/2013			
	Gross value	Accumulated depreciation	Additions	Depreciation for the year	Transfers (Note 9)	Gross value	Accumulated depreciation	Net value
Software	241.690	(237.702)	4.524	(8.387)	45.829	292.043	(246.089)	45.954

	2012							
	Balance as at 12/31/2011				Balance as at 12/31/2012			
	Gross value	Accumulated depreciation	Additions	Depreciation for the year	Transfers	Gross value	Accumulated depreciation	Net value
Software	239.533	(232.897)	2.157	(4.805)	-	241.690	(237.702)	3.988

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2013 and 2012, this item was as follows:

Entity	% of share	Acquisition cost	2013					2012				
			Book value	Date	Net assets	Profit/Loss	Equity	Book value	Date	Net assets	Profit/Loss	Equity
Novo Banco, S.A.	20,00%	10.000	49.167	30-09-2013 ⁽¹⁾	1.130.591	(92.470)	245.835	96.624	31-12-2011	390.472	(96.439)	183.119
SISP - Interbanking Company and Payment Systems, SARL	10,00%	12.500	54.244	31-12-2013 ⁽¹⁾	765.040	148.997	542.438	45.022	31-12-2012 ⁽¹⁾	620.992	90.154	450.221
CV Garante - Mutual Guarantee Company, S.	15,00%	15.000	14.395	31-12-2013 ⁽¹⁾	97.167	(4.033)	95.967	n.a	n.a	n.a	n.a	n.a
IMOTUR - Imobiliária e												
Turística de Cabo Verde, S.A. (real estate & t	17,86%	60.000	7.067	31-12-2012	411.072	1.249	39.575	6.844	31-12-2011	266.013	(2.795)	38.326
Sofhis Gere, S.A.	10,00%	2.000	765	31-12-2013 ⁽¹⁾	8.559	(12.347)	7.653	2.000	n.a	n.a	n.a	n.a
			<u>99.500</u>					<u>150.490</u>				

n.a. - Not applicable

⁽¹⁾ Interim Financial Statements

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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Caixa classified its holdings in SISP, SARL (Interbank Company and Payment Systems), CV Garante S.A. (mutual guarantee company), Imotur, S.A. (real estate and tourism), and Sophis Gere, S.A. as Investments in associates, despite its share being less than 20%, since Caixa is part of the management body, which, in the opinion of its Board of Directors, gives it significant influence over the operations of SISP, VC Garante, Imotur, and Sophis Gere, thus fitting in with the provisions of IAS 28 - Investments in Associates.

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

Sophis Gere, S.A. was created on October 26, 2012 with the corporate purpose of managing real estate investment funds and managing cash assets and funds of other savers, namely public and private entities.

In July 2013, CV Garante S.A. (mutual guarantee company) was created. It is a mutual guarantee company whose corporate purpose is to carry out financial transactions for the benefit of micro, small and medium enterprises, with a view to promoting and facilitating their access to finance, be it in the financial system or in the capital market. Caixa subscribed 15,000 shares, worth 15 million CVE, corresponding to 15% of CV Garante's capital. Under the Shareholders Agreement, CV Garante's shareholders grant SPMG - Sociedade de Investimento, S.A. (investment company) an option to sell CV Garante's shares at the nominal value to be exercised each year with reference to December 31.

The changes in the book value of these holdings in FY 2013 and 2012 and their impact on Caixa's financial statements can be shown as follows:

	Novo Banco	SISP	CV Garante	Imotur	Sophis Gere	Total
Balances as at December 31, 2011	55.912	41.605	-	7.395	-	104.912
Increase in capital by Novo Banco	60.000	-	-	-	-	60.000
Capital subscription by Sophis Gere	-	-	-	-	2.000	2.000
Dividends	-	(4.521)	-	-	-	(4.521)
Income from associates	(19.288)	7.938	-	(551)	-	(11.901)
Balances as at December 31, 2012	96.624	45.022	-	6.844	2.000	150.490
Capital subscription by CV Garante	-	-	15.000	-	-	15.000
Dividends	-	(5.006)	-	-	-	(5.006)
Income from associates	(47.457)	14.228	(605)	223	(1.235)	(34.846)
Balances as at December 31, 2013	49.167	54.244	14.395	7.067	765	125.638

On December 31, 2013 and 2012, the balance of "Income from associates – SISP" included 672,000 CVE and 1.077 million CVE, respectively, relating to adjustments to income embedded in the previous year.

12. INCOME TAX

Caixa is subject to the Income Tax (IUR), at the rate of 25%, and a fire brigade tax of 2% of the assessed tax, corresponding to an aggregate tax rate of 25.5%.

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The balances of income tax assets and liabilities on December 31, 2013 and 2012 were as follows:

	2013	2012
Current tax assets		
. IUR recoverable	26.464	-
. Withholdings for the year	19.050	10.481
	<u>45.514</u>	<u>10.481</u>
Deferred tax assets		
. Tax losses carried forward	43.677	43.843
. Temporary differences	-	13.293
	<u>43.677</u>	<u>57.136</u>
Deferred tax liabilities		
. Temporary differences	-	(1.539)
	<u>43.677</u>	<u>55.597</u>

On December 31, 2013, the item "Current tax assets - IUR recoverable" corresponded to the provisional tax settlement relating to 2012, carried out by Caixa in early 2013. The recoverable amount will be deducted from IUR settlements in future years.

The detail and changes in deferred taxes in FY 2013 and 2012 were as follows:

	2013		
	Balance as at 12-31-2012	Change in income	Balance as at 12-31-2013
Tax losses carried forward	43.843	(165)	43.677
Adjustments for converting to IFRS	11.754	(11.754)	-
	<u>55.597</u>	<u>(11.919)</u>	<u>43.677</u>

	2012		
	Balance as at 12-31-2011	Change in income	Balance as at 12-31-2012
Tax losses carried forward	-	43.843	43.843
Adjustments for converting to IFRS	23.510	(11.757)	11.754
	<u>23.510</u>	<u>32.086</u>	<u>55.597</u>

In FY 2012, Caixa recorded a tax loss totaling 175.368 million CVE and recognized the corresponding deferred tax assets. Pursuant to the General Tax Code approved by Law No. 37/IV / 92, tax losses are deductible from taxable income, if any, of one or more of the following three years. In FY 2013, Caixa used deferred taxes relating to tax losses totaling 165,000 CVE.

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The Board of Directors believes that Caixa will generate sufficient taxable profits to enable the use of tax losses carried forward and consequent recovery of deferred tax assets during FY 2014 and 2015.

Under Decree-Law No. 14/2010, of 26 April, the impacts of transitioning to IFRS with reference to January 1, 2008, with effects on equity, that are considered fiscally relevant under IUR regulation, contribute to the formation of the taxable income equally over five years. In FY 2013, Caixa recognized the entire remaining amount of deferred taxes arising from adjustments related to conversion to IFRS.

The reconciliation between the nominal rate and effective tax rate observed in fiscal years 2013 and 2012 is summarized as follows:

	2013		2012	
	Rate	Tax	Rate	Tax
Income before taxes		<u>217.761</u>		<u>86.578</u>
Tax calculated based on nominal rate	25,5%	55.529	25,5%	22.077
Tax benefits:				
. Income from Public Debt securities placed on the secondary market	(24,80%)	(54.010)	(71,43%)	(61.839)
. Income from other bonds	(3,13%)	(6.824)	-	-
. Other	(0,57%)	(1.252)	(0,92%)	(799)
Non-tax-deductible expenses	8,48%	18.476	9,79%	8.475
Tax on profit for the year	<u>5,47%</u>	<u>11.919</u>	<u>(37,06%)</u>	<u>(32.086)</u>

Under the legislation in force, the income earned on securities that were issued by Cape Verde's Treasury and were placed on the secondary market, is exempt from taxation. Income from bonds issued by entities other than Cape Verde's Treasury that were placed on the market and listed on the Cape Verde Stock Exchange is taxed at a flat rate of 5%.

In September 2008, Caixa received notification from the Directorate General of Taxation (DGCI) about settlements relating to adjustments made to income tax for FY 2007 totaling 77.897 million CVE. Still in 2008, Caixa settled 46.896 million CVE, having filed a complaint regarding the rest. In November 2012, the additional settlement for FY 2007 was again set by the DGCI at 2.570 million CVE, this time around taking into consideration Caixa's complaint. Still in 2012, Caixa settled 1.503 million CVE, having filed a complaint regarding the rest. In April 2013, Caixa received a reply from DGCI accepting the arguments presented for tax due in the amount of 696,000 CVE, but rejecting the arguments regarding the remaining amount. The tax due on this date was set at 371,000 CVE. In June 2013 Caixa settled part of the tax due, in the amount of 337,000 CVE, plus arrears interest, legal fees and relax fees, totaling 409,000 CVE.

In August 2009, Caixa received notification from the DGCI about an additional settlement amounting to 32.469 million CVE relating to adjustments made to income tax for FY 2008. During 2010, Caixa settled 8.224 million CVE (plus arrears interest, legal fees and relax fees), having filed a complaint regarding the rest. In November 2012, the additional settlement for FY 2008 was set by the DGCI at 2.96 million CVE, of which 1.15 million CVE were accepted by Caixa, with the remaining amount being settled. In November 2012, Caixa settled part of the tax whose adjustments were accepted, totaling 958,000 CVE, and filed a complaint for the remainder. In July

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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2013, Caixa received a reply from the DGCI accepting the arguments presented for tax due in the amount of 1.196 million CVE, but rejecting the arguments for the remainder. In August 2013, Caixa settled part of the tax due, in the amount of 514,000 CVE, plus arrears interest, legal fees and relax fees, totaling 605,000 CVE.

In October 2009, Caixa received notification from the DGCI about an additional settlement, 21.124 million CVE, relating to adjustments made to income tax for FY 2004. Caixa accepted adjustments totaling 4.220 million CVE and filed a complaint regarding the rest. On December 31, 2013 and 2012, Caixa was waiting for the Directorate General of Taxation to complete the process.

In September 2010, Caixa received notification from the Directorate General of Taxation (DGCI) about an additional settlement, 49.842 million CVE, relating to adjustments made to income tax for FY 2009. In FY 2010, Caixa settled 25.074 million CVE, having filed a complaint about the rest.

In December 2010, Caixa received notification from the DGCI about an additional settlement, 5.749 million CVE, relating to adjustments made to income tax for FY 2005. Caixa accepted adjustments totaling 177,000 CVE and filed a complaint regarding the remaining adjustments. Caixa settled tax relating to adjustments accepted in December 2012 and is currently waiting for the Directorate General of Taxation to complete the process.

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

In November 2011, Caixa received a notification from the DGCI about an additional settlement, 6.696 million CVE, relating to adjustments made to income tax for FY 2006, which it disputed. In March 2013, the additional settlement for FY 2006 was set by the DGCI at 1.369 million CVE, taking into consideration the complaint filed by Caixa. In June 2013, Caixa settled 1.771 million CVE, corresponding to the tax due, plus arrears interest, legal fees and relax fees.

In July 2012, Caixa received a notification from the DGCI about the taxable amount for FY 2011, which showed adjustments to income tax totaling 4.521 million CVE, with Caixa settling all of the tax due.

In January 2014, Caixa was notified that the taxable amount for 2012 was set at a loss of 131.465 million CVE. Caixa had calculated tax losses amounting to 175.368 million CVE. Caixa filed a complaint regarding adjustments concerning depreciation for the year, staff costs and non-tax-deductible expenses, totaling 25.759 million CVE, while accepting adjustments totaling 18.143 million CVE and a tax loss of 157.223 million CVE.

On December 31, 2013 and 2012, Caixa had a provision for tax contingencies amounting to 49.568 million CVE and 48.148 million CVE, respectively (Note 16).

Under the General Tax Code approved by Law No. 37/IV/92, the tax authorities have the right to review Caixa's tax position for a period of five years, which may result in possible adjustments to taxable income, due to different interpretations of the tax law. In the opinion of the Board of Directors, it is not expected that any adjustment will be significant to Caixa's financial statements on December 31, 2013.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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13. OTHER ASSETS

This item is as follows:

	2013	2012
<u>Other assets:</u>		
Auctioned goods	258.696	14.208
Coins and medals	176	176
	<u>258.872</u>	<u>14.384</u>
<u>Debtors:</u>		
Amounts receivable from the State of Cape Verde		
. Subsidies	765.311	668.510
. Other	32.416	29.616
Micro-Credit Fund (Note 17)	54.240	53.487
Sundry debtors	2.279	25.425
Debtors for foreign exchange remittances	12.160	22.839
	<u>866.406</u>	<u>799.877</u>
<u>Deferred expenses:</u>		
Insurance	745	1.177
Other	7.033	6.025
	<u>7.778</u>	<u>7.202</u>
Lending operations pending settlement	82.178	60.076
	<u>1.215.234</u>	<u>881.539</u>
Impairment of other assets (Note 16)	(38.271)	(35.617)
	<u>1.176.963</u>	<u>845.922</u>

On December 31, 2013 and 2012, auctioned goods correspond to property received as settlement and were as follows, according to the date of acquisition by Caixa:

Acquisition year	2013			2012		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
2004	1.973	(1.973)	-	1.973	(1.973)	-
2007	3.189	(3.189)	-	3.161	(3.161)	-
2008	3.324	(3.324)	-	3.324	(2.493)	831
2009	5.750	(4.312)	1.438	5.750	(2.875)	2.875
2013	244.460	-	244.460	-	-	-
	<u>258.696</u>	<u>(12.798)</u>	<u>245.898</u>	<u>14.208</u>	<u>(10.502)</u>	<u>3.706</u>

In FY 2013, Caixa received the property called "Sabura Hotel," located in Santa Maria, Sal Island, as settlement. The net amount of impairment losses on loans on the date of the settlement amounted to 199.731 million CVE. Following this transaction, Caixa recognized as income for the year under the item "Interest on loans to customers - Recovery of canceled interest" (Note 20) 42.268 million CVE relating to recovery of interest written off from assets.

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The subsidies receivable from the State of Cape Verde are related to mortgage loans and are calculated in accordance with the legislation in force in Cape Verde. Recorded balances correspond to amounts claimed by Caixa since early 2004.

In FY 2010 Caixa received, from the General Directorate for Treasury (DGT), the preliminary report of an external audit that was conducted on the subsidized loan system to determine the State's debt to Caixa relating to interest subsidies, which questioned the eligibility of a number of operations. Caixa disputed the findings of this report in 2010. In FY 2012, Caixa received an answer to the dispute presented, in which the DGT states that, out of the 297.860 million CVE claimed by Caixa up to 2008, only 115.938 million CVE are due. Negotiations are still ongoing with the DGT, with a view to quantifying the final amount to be recognized by the DGT for the above-mentioned years, as well as the amounts claimed between 2009 and 2013, totaling 432.674 million CVE.

On December 31, 2013 and 2012, the item "Debtors - Microcredit Fund" referred to loans granted as part of the Training and Loans to Micro-Enterprises Program. The program has a self-management structure and includes training sessions for customers, before and after the granting of loans, addressing topics such as access conditions, procedures and responsibilities, importance of reimbursement, joint liability, and business management, among others. Loans are awarded only to solidarity groups consisting of 3-5 people.

On December 31, 2013 and 2012, the item "Sundry debtors" referred to amounts of advances made to suppliers of fixed assets.

On December 31, 2013 and 2012, the item "Receivables from foreign currency remittances" referred to remittances of foreign checks, which were settled in the beginning of the following year.

14. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item is as follows:

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	2013	2012
Demand deposits:		
By credit institutions in the country	114.006	108.238
Time deposits		
By credit institutions in the country	250.000	250.000
Loans:		
I.F.C. Line of Credit	551.325	551.325
From International Financial Organizations	-	297.716
Other	3.727	-
	555.052	849.041
Interest:		
On deposits	12.875	12.834
On loans	11.473	12.395
	24.348	25.229
	943.406	1.232.508

On December 21, 2011 Caixa contracted a credit line totaling €10 million (1.10265 billion CVE) from the Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden n.v. ("FMO"). The total amount of the loan would be made available on an initial tranche of 5,000,000 Euros (551.325 million CVE) and two tranches of 2,500,000 Euros (275.663 million CVE) each, with semi-annual repayment during the period between July 2014 and January 2019. This line of credit bears interest at a variable rate. On December 31, 2013 and 2012, Caixa had only used the first tranche, amounting to 551.325 million CVE.

The agreement also states that, in case of breach of the covenants, Caixa should submit to the FMO reasons for such breach ("waiver request"), as well as the steps to be taken aiming at its resolution, subject to a monetary penalty. The agreement also states that, in case of breach, the FMO may request early repayment of the loan.

Caixa has been in breach of the covenant "Open assets exposure ratio" since September 30, 2012. Thus, on February 25, 2013 it sent a request waiver to the FMO where it justified the reasons for the breach and presented concrete measures for its regularization.

On December 31, 2013, Caixa was in breach of covenants "Open assets exposure ratio" and "Single Group Exposure Ratio." On December 19, 2013, Caixa formally expressed to the FMO its intention not to use the remaining tranches of the loan, totaling 5,000,000 Euros, paying the penalty for non-utilization of funds (cancellation fee) provided for in the contract, and requested a waiver for breaches. If this waiver is not accepted by the FMO, Caixa expressed its intention to settle the funding in advance. On December 31, 2013, the item "Other administrative costs – FMO" referred to the amount of the penalty payable to the FMO for not fully using the loan obtained (Note 17).

On December 12, 2012, Caixa contracted a loan totaling 2,700,000 Euros (297.716 million CVE) from Banque et Caisse D'Epargne de L'Etat. This loan bore interest at a fixed rate and was settled on its due date (March 12, 2013).

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15. CUSTOMER FUNDS AND OTHER LOANS

This item is as follows:

	2013	2012
Savings deposits:		
Individuals - passbooks	5.026.522	4.777.464
Sight deposits:		
By residents	12.593.987	8.797.208
By emigrants	663.753	683.248
	<u>13.257.740</u>	<u>9.480.456</u>
Time deposits:		
By residents	11.445.129	10.695.821
By emigrants	10.598.358	9.654.254
	<u>22.043.487</u>	<u>20.350.075</u>
Other funds:		
Securities sold under repurchase agreements (Note 7)	4.445.730	4.465.730
Loans obtained by residents	295.000	326.667
Checks and money orders payable	(4.375)	9.390
	<u>4.736.355</u>	<u>4.801.787</u>
Interest:		
On deposits	518.139	476.481
On securities sold under repurchase agreements	54.990	54.532
On loans obtained by residents	4.832	5.310
	<u>577.961</u>	<u>536.323</u>
Deferred expenses:		
With loans obtained from non-residents	(13.419)	(16.095)
	<u>45.628.646</u>	<u>39.930.010</u>

On December 31, 2013 and 2012, demand deposits were not remunerated, except for specific situations established in accordance with guidelines from Caixa's Board of Directors

On December 31, 2013 and 2012, the item "Other Funds - Loans obtained from residents" referred to a loan obtained from the National Social Security Institute (INPS), which bears interest at a fixed rate, to be repaid in 15 annual installments. This loan is aimed at granting credit to INPS workers for home ownership.

On December 31, 2013 the balance of "Checks and money orders payable" included 13.085 million CVE relating to transfers received via Western Union whose financial compensation only occurred in early 2014.

16. PROVISIONS AND IMPAIRMENT

Changes in Caixa's provisions and impairment for the years ended December 31, 2013 and 2012 were as follows:

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	2013				
	Balances on 12-31-2012	Net allocations	Uses	Balances on 12-31-2013	Loan recoveries
<u>Impairment</u>					
Impairment of loans to customers (Note 7)	2.397.454	390.039	(259.324)	2.528.169	(38.225)
Impairment of available for sale financial assets (Note 5)	200	-	-	200	-
Impairment of other assets (Note 13)	35.617	2.654	-	38.271	-
Provisions for tax contingencies (Note 12)	48.148	1.829	(409)	49.568	-
Other provisions	-	5.513	-	5.513	-
	48.148	7.342	(409)	55.081	-
	2.481.419	400.035	(259.733)	2.621.721	(38.225)

	2012				
	Balances on 12-31-2011	Net allocations	Uses	Balances on 12-31-2012	Loan recoveries
<u>Impairment</u>					
Impairment of loans to customers (Note 7)	2.046.777	549.620	(198.943)	2.397.454	(18.360)
Impairment of available for sale financial assets (Note 5)	200	-	-	200	-
Impairment of other assets (Note 13)	32.509	8.108	(5.000)	35.617	-
Provisions for tax contingencies (Note 12)	48.817	833	(1.502)	48.148	-
	2.128.303	558.561	(205.445)	2.481.419	(18.360)

17. OTHER LIABILITIES

This item is as follows:

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	2013	2012
<u>Funds</u>		
Consigned funds - Micro-Credit Fund (Note 13)	54.240	53.487
General government sector – tax withholding at source	28.213	28.124
Other	4.220	2.956
<u>Staff costs:</u>		
Vacation and vacation pay	58.049	54.621
Productivity award (Note 26)	33.785	30.987
Allowance for faults	11.133	12.530
<u>Other administrative costs:</u>		
FMO (Note 14)	11.412	-
ATM charges	9.442	11.486
Water, gas and electricity	7.975	12.396
Communications	2.312	3.267
Fees payable - Western Union	1.106	1.771
Annual share maintenance fee	-	3.000
Other	51.447	53.549
<u>Deferred income:</u>		
Off-balance sheet transactions	1.180	1.083
Other adjustment accounts	92.585	39.818
	<u>367.099</u>	<u>309.075</u>

On December 31, 2013 and 2012, the item “Other administrative expenses – Other” included 15.715 million CVE and 14.830 million CVE, respectively, relating to amounts payable to INPS as social security contributions for December, as well as 8.266 million CVE and 8.228 million CVE, respectively, referring to employees’ income tax for December.

On December 31, 2013 and 2012, the item “Other adjustment accounts” included 8.241 million CVE and 6.891 million CVE, respectively, relating to amounts of subsidized loans pending settlement. Additionally, the remaining balance of this item is comprised primarily of amounts to settle with banks and customers which correspond essentially to interbank electronic transfers that are cleared in the first days of the following year.

18. CAPITAL

On December 31, 2013 and 2012, Caixa’s capital was represented by 1,392,000 shares, with a nominal value of one thousand Cape Verde Escudos each, fully subscribed and paid.

On December 31, 2013 and 2012, Caixa’s shareholder structure was as follows:

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Entity	Number of shares	%
National Social Security Institute	447.958	32,2%
Geocapital, S.A. (shareholding management company)	381.904	27,4%
Cape Verde's Postal Services	210.749	15,1%
Impar - Insurance Company	168.032	12,1%
Other subscribers and workers	183.357	13,2%
	<u>1.392.000</u>	<u>100,00%</u>

19. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

On December 31, 2013 and 2012, the item Reserves and retained earnings was as follows:

	2013	2012
Other reserves and retained earnings		
. Legal reserves	421.998	410.132
. Other reserves	1.822.586	1.715.788
. Retained earnings	(177.062)	(177.062)
	<u>2.067.522</u>	<u>1.948.858</u>
Profit for the year	205.842	118.664
	<u>2.273.364</u>	<u>2.067.522</u>

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

At the General Meeting held on May 23, 2013, it was decided that the net income for FY 2012, totaling 11.866 million CVE and 106.798 million CVE, would be transferred to the item "Legal reserve and other reserves," respectively.

At the General Meeting held on April 26, 2012, it was decided that dividends totaling 208.800 million CVE would be distributed, while 43.268 million CVE and 180.610 million CVE would be incorporated into legal reserve and other reserves, respectively.

20. INTEREST AND SIMILAR INCOME

This item is as follows:

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	2013	2012
Interest on loans to customers		
Domestic loans	2.246.013	2.310.564
Recovery of canceled interest	336.251	172.731
Interest on other loans and receivables (securitized)		
Treasury Bonds	325.061	319.640
Other fixed income securities	95.055	94.731
Interest on investments at Banco de Cabo Verde		
Time deposits	23.734	1.656
Monetary Intervention Bills	9.392	-
Monetary Regularization Bills	3.345	623
Interest on investments in credit institutions abroad	744	3.039
Other interest and similar income	143	357
Fees received relating to amortized cost	92.659	107.927
	<u>3.132.397</u>	<u>3.011.268</u>

In FY 2013, recoveries of canceled interest included 42.268 million CVE relating to income recognized as part of settlement from Hotel Sabura Lda. (Note 13) and 30 million CVE relating to an actual receipt from the State of Cape Verde. The remaining recoveries of interest, amounting to 263.983 million CVE, relate primarily to loan restructuring.

In FY 2013 and 2012, interest on Treasury Bonds placed on the secondary market amounted to 263.648 million CVE and 265.638 million CVE, respectively (Note 21).

21. INTEREST AND SIMILAR EXPENSES

This item is as follows:

	2013	2012
Savings deposits		
Passbooks	42.011	45.506
Demand deposits		
Emigrants	10.991	9.758
Residents	52	12
Time deposits		
Residents	539.798	492.760
Emigrants	464.087	425.755
Loans		
Non-residents	19.734	22.639
Residents	7.688	66.722
Repurchase agreements		
Treasury Bonds	263.648	265.638
Canceled Interest on loans to customers		
Domestic loans	21.624	20.462
Other	3.092	2.875
	<u>1.372.725</u>	<u>1.352.127</u>

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22. INCOME AND COSTS WITH SERVICES AND FEES

This item is as follows:

	2013	2012
<u>Income from services and fees</u>		
Fees on foreign exchange transactions	78.840	80.938
Western Union fees	49.300	55.609
Account maintenance fees	15.447	14.513
Guarantees and sureties	10.554	8.637
VISA fees	9.029	7.835
Documentary credits	313	1.404
Other banking services	10.032	11.611
Other fees	8.349	13.428
	<u>181.864</u>	<u>193.975</u>
<u>Expenses with services and fees</u>		
Fees on foreign exchange transactions	(12.272)	(11.994)
VISA fees	(12.226)	(10.098)
Other fees and charges	(44.951)	(35.028)
	<u>(69.449)</u>	<u>(57.120)</u>

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23. INCOME FROM FOREIGN EXCHANGE REVALUATION

This item is as follows:

	2013			2012		
	Profit	Loss	Net	Profit	Loss	Net
Income in foreign currencies	162.268	(103.252)	59.016	181.356	(133.037)	48.319
Income in banknotes and coins	138.220	(123.564)	14.656	165.690	(130.170)	35.520
	<u>300.488</u>	<u>(226.816)</u>	<u>73.672</u>	<u>347.046</u>	<u>(263.207)</u>	<u>83.839</u>

24. INCOME FROM SALE OF OTHER ASSETS

In the year ended December 31, 2013, this item corresponded to gains on disposal of other tangible assets.

25. OTHER OPERATING INCOME

This item is as follows:

	2013	2012
<u>Other operating income:</u>		
Provision of services:		
Service charges	24.067	31.905
Credit Cards	7.729	4.534
Sale of checks and passbooks	7.547	7.648
Property lease (Note 8)	110	126
Other operating income	4.557	8.729
	<u>44.010</u>	<u>52.942</u>
<u>Other operating costs:</u>		
Other taxes	(18.075)	(7.620)
Grants	(909)	(1.043)
Contributions	(627)	(871)
Other	(2.752)	(9.557)
	<u>(22.363)</u>	<u>(19.091)</u>
	<u>21.647</u>	<u>33.851</u>

26. STAFF COSTS

This item is as follows:

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	2013	2012
Compensation of employees	475.565	471.591
Compensation of management and supervisory bodies	24.768	31.133
Social charges		
Social security	70.764	67.234
Medical expenses	5.189	3.816
Other	5.660	5.579
Productivity bonuses (Note 17)	2.798	30.987
Other	6.110	6.521
	<u>590.854</u>	<u>616.861</u>

In FY 2013, Caixa cancelled the increase in costs related to productivity bonuses that it had recognized in 2012, amounting to 30.987 million CVE, since their distribution was not approved.

On December 31, 2013 and 2012, Caixa's workforce was as follows:

	2013	2012
Executive directors	3	3
General Management and Coordination	17	17
Management and leadership	40	38
Workers	108	100
Administrative staff	103	106
Auxiliary staff	50	39
	<u>321</u>	<u>303</u>

On December 31, 2013 and 2012, the figures above included 50 and 62 employees, respectively, with a fixed-term employment contract.

27. GENERAL ADMINISTRATIVE EXPENSES

This item is as follows:

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	2013	2012
Specialized services	154.834	139.312
ATM charges	107.934	104.149
Water, gas and electricity	72.020	47.484
Communications	45.556	35.058
Advertising	37.143	52.759
Maintenance and repairs	25.172	22.312
Travels, accommodation and representation	20.737	35.936
Consumables	18.666	18.879
Rents and leases	16.235	21.271
Insurance	15.767	18.254
Fuels	10.170	11.426
Transportation	2.508	3.641
Staff training costs	2.405	14.730
Computer equipment	1.425	1.153
Other	3.596	9.932
	<u>534.168</u>	<u>536.295</u>

28. CONTINGENT LIABILITIES AND COMMITMENTS

On December 31, 2013 and 2012, the contingent liabilities associated with banking activities were recorded in off-balance sheet item and were as follows:

	2013	2012
Contingent liabilities		
Guarantees and sureties	403.130	326.256
Documentary credits opened	-	31.456
	<u>403.130</u>	<u>357.712</u>
Deposit and custody of securities	29.261.894	5.853.650
	<u>29.665.024</u>	<u>6.211.362</u>

On December 31, 2013 the item "Deposit and custody of securities" included 18.909171 billion CVE relating to securities deposited at Caixa by INPS.

29. SEGMENT REPORTING

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

The Trading and Sales segment is related to cash management, securities portfolio management and other market transactions. The Commercial Banking segment includes loans and deposits and provision of services to clients and others.

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On December 31, 2013 and 2012, the information relating to Caixa's operating segments can be summarized as follows:

	2013			DF's
	Trading and Sales	Commercial Banks	Total	
Interest and similar income	429.305	2.703.092	3.132.397	3.132.397
Interest and similar expenses	-	(1.372.725)	(1.372.725)	(1.372.725)
NET INTEREST INCOME	<u>429.305</u>	<u>1.330.367</u>	<u>1.759.672</u>	
Income from services and fees	-	181.864	181.864	181.864
Cost with services and fees	-	(69.449)	(69.449)	(69.449)
Income from foreign exchange revaluation	-	73.672	73.672	73.672
Income from the sale of other assets	5.042	-	5.042	5.042
Other operating income	21.647	-	21.647	21.647
OPERATING INCOME	<u>455.994</u>	<u>1.516.454</u>	<u>1.972.448</u>	
Provisions and impairment net of reversals and recoveries	-	-	(361.810)	(361.810)
	<u>455.994</u>	<u>1.516.454</u>	<u>1.610.638</u>	
Other expenses and income	-	-	(1.392.877)	(1.392.877)
Net profit for year			<u>205.842</u>	
Cash and Cash Equivalents at central banks	-	5.691.712	5.691.712	5.691.712
Cash equivalents at other credit institutions	-	661.616	661.616	661.616
Available for sale financial assets	3.823	-	3.823	3.823
Investments in Credit Institutions	6.726.054	108.433	6.834.487	6.834.487
Loans to Customers	8.318.397	27.917.124	36.235.521	36.235.521
Funds from other credit institutions	-	(943.406)	(943.406)	943.406
Customer funds and other loans	(295.000)	(45.333.646)	(45.628.646)	45.628.646

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	2012		
	Trading and Sales	Commercial Banks	Total
Interest and similar income	414.035	2.597.233	3.011.268
Interest and similar expenses	-	(1.352.127)	(1.352.127)
NET INTEREST INCOME	414.035	1.245.106	1.659.141
Income from services and fees	-	193.975	193.975
Cost with services and fees	-	(57.120)	(57.120)
Income from foreign exchange revaluation	-	83.839	83.839
Other operating income	33.851	-	33.851
OPERATING INCOME	447.886	1.465.800	1.913.686
Provisions and impairment net of reversals and recoveries	-	-	(540.201)
	447.886	1.465.800	1.373.485
Other expenses and income	-	-	(1.254.821)
Net profit for year			118.664
Cash and Cash Equivalents at central banks	-	2.846.489	2.846.489
Cash equivalents at other credit institutions	-	894.667	894.667
Available for sale financial assets	3.823	-	3.823
Investments in Credit Institutions	226.929	5.109.437	5.336.366
Loans to Customers	7.231.562	27.423.801	34.655.363
Funds from other credit institutions	-	(1.232.508)	(1.232.508)
Customer funds and other loans	(326.667)	(39.603.343)	(39.930.010)

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

30. RELATED ENTITIES

Its shareholders, associates and management bodies are considered related entities of Caixa.

On December 31, 2013 and 2012, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

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	2013			
	State of Cape Verde	Shareholders		Associates
		INP S	IMP AR	
Assets:				
Investments in credit institutions	727.000	-	-	-
Loans to customers	6.938.548	-	-	174.753
Investments in subsidiaries, associates and joint ventures	-	-	-	125.638
Impairment	-	-	-	(43.742)
Other assets	797.726	-	-	-
Liabilities:				
Funds from other credit institutions	-	-	299.042	928
Customer funds and other loans	-	11.791.106	-	-
Income:				
Interest and similar income	357.984	-	-	-
Costs				
Interest and similar expenses	-	7.688	15.000	-

	2012			
	State of Cape Verde	Shareholders		Associates
		INP S	IMP AR	
Assets:				
Investments in credit institutions	227.000	-	-	-
Loans to customers	5.868.650	-	-	177.219
Investments in subsidiaries, associates and joint ventures	-	-	-	150.490
Impairment	-	-	-	(61.164)
Other assets	698.126	-	-	-
Liabilities:				
Funds from other credit institutions	-	-	273.566	28.717
Customer funds and other loans	-	7.790.611	-	-
Income:				
Interest and similar income	320.960	-	-	-
Costs				
Interest and similar expenses	-	8.304	12.822	-

Management bodies

In 2013, the costs incurred relating to remuneration and other benefits granted to members of Caixa's Board of Directors totaled 24.768 million CVE (31.133 million CVE in FY 2012) (Note 26).

On December 31, 2013 and 2012, loans granted to the Board of Director members amounted to 14.364 million CVE and 1.700 million CVE, respectively.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

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31. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTSPolicies for managing financial risks inherent in Caixa Económica de Cabo Verde's operations

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

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

Foreign Exchange risk

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

Liquidity risk

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

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

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

On December 31, 2013 and 2012, the contractual residual maturities of financial instruments were as follows:

	2013						Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate	
Assets:							
Cash and cash equivalents at central banks	5.691.712	-	-	-	-	-	5.691.712
Cash equivalents at credit institutions	661.616	-	-	-	-	-	661.616
Investments in credit institutions	6.427.000	300.000	-	-	108.225	(738)	6.834.487
Loans to customers (gross balances)	799.602	1.356.282	1.685.552	9.462.386	18.108.419	4.823.280	36.235.521
	<u>13.579.930</u>	<u>1.656.282</u>	<u>1.685.552</u>	<u>9.462.386</u>	<u>18.216.644</u>	<u>4.822.542</u>	<u>49.423.336</u>
Liabilities:							
Funds from other credit institutions	(317.734)	-	(50.000)	-	(551.325)	(24.347)	(943.406)
Customer funds and other loans	(20.295.935)	(2.743.090)	(15.273.358)	(3.107.742)	(3.652.730)	(555.791)	(45.628.646)
	<u>(20.613.669)</u>	<u>(2.743.090)</u>	<u>(15.323.358)</u>	<u>(3.107.742)</u>	<u>(4.204.055)</u>	<u>(580.138)</u>	<u>(46.572.052)</u>
Differential	<u>(7.033.739)</u>	<u>(1.086.808)</u>	<u>(13.637.806)</u>	<u>6.354.644</u>	<u>14.012.589</u>	<u>4.242.404</u>	<u>2.851.284</u>

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	2012					
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate
Assets:						
Cash and cash equivalents at central banks	2.846.489	-	-	-	-	-
Cash equivalents at credit institutions	894.667	-	-	-	-	-
Investments in credit institutions	5.227.000	717	-	-	108.225	423
Loans to customers (gross balances)	1.250.669	1.006.521	1.307.227	9.290.422	17.184.819	4.707.866
	<u>10.218.825</u>	<u>1.007.238</u>	<u>1.307.227</u>	<u>9.290.422</u>	<u>17.293.044</u>	<u>4.708.289</u>
						<u>43.825.045</u>
Liabilities:						
Funds from other credit institutions	(108.238)	(547.716)	-	-	(551.325)	(25.229)
Customer funds and other loans	(15.949.598)	(2.543.763)	(10.750.972)	(6.492.718)	(3.672.730)	(520.229)
	<u>(16.057.836)</u>	<u>(3.091.479)</u>	<u>(10.750.972)</u>	<u>(6.492.718)</u>	<u>(4.224.055)</u>	<u>(545.458)</u>
						<u>(41.162.518)</u>
Differential	<u>(5.839.011)</u>	<u>(2.084.241)</u>	<u>(9.443.745)</u>	<u>2.797.704</u>	<u>13.068.989</u>	<u>4.162.831</u>
						<u>2.662.527</u>

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

The “indeterminate” column includes interest receivable and payable and amounts already received or paid that are being deferred and overdue loans.

Interest rate risk

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

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

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

Market risk

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

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

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

Credit risk

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

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

Maximum exposure to credit risk

On December 31, 2013 and 2012, Caixa's maximum exposure to credit risk was as follows:

	2013	2012
Investments in credit institutions	6.834.487	5.336.365
Loans to customers	33.707.352	32.350.070
	<u>40.541.839</u>	<u>37.686.435</u>
Guarantees and sureties	403.130	326.256
Documentary credits open	-	31.456
	<u>403.130</u>	<u>357.712</u>
Maximum exposure	<u><u>40.944.969</u></u>	<u><u>38.044.147</u></u>

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Quality of loans to customers

On December 31, 2013 and 2012, the gross book value of loans granted to customers was as follows:

		2013		
		Performing loans	Non-performing loans	Loans in "Default"
				Total
Companies				
Loans to companies				
	Falling Due	7.219.557	410.891	1.847.094
	Overdue	4.863	10.114	917.337
		7.224.420	421.005	2.764.431
Guarantees and documentary credits to companies				
	Falling Due	394.295	-	-
Retail				
Mortgage loans				
	Falling Due	9.542.670	470.454	1.212.414
	Overdue	80	4.077	159.486
		9.542.750	474.531	1.371.900
Consumer loans				
	Falling Due	3.842.400	112.030	173.454
	Overdue	1	10.642	188.326
		3.842.401	122.672	361.780
Other loans				
	Falling Due	385.728	11.727	379.469
	Overdue	6.783	1.554	55.384
		392.511	13.281	434.853
Guarantees				
	Falling Due	8.835	-	-
Financial institutions				
	Falling Due	117	-	-
Public sector				
	Falling Due	1.003.277	-	-
	Overdue	-	-	15
		1.003.277	-	15
Total loans falling due				
		22.396.879	1.005.102	3.612.431
Total overdue loans				
		11.727	26.387	1.320.548
Total loans				
		22.408.606	1.031.489	4.932.979
				28.373.074

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		2012			
		Performing loans	Non-performing loans	Loans in "Default"	Total
Companies					
Loans to companies					
Falling Due	7.558.878	156.758	1.923.755	9.639.391	
Overdue	13.951	21.056	793.509	828.516	
	7.572.829	177.814	2.717.264	10.467.907	
Guarantees and documentary credits to companies					
Falling Due	330.555	13.518	6.955	351.028	
Retail					
Mortgage loans					
Falling Due	9.218.353	452.530	1.138.556	10.809.439	
Overdue	3.743	4.768	151.192	159.703	
	9.222.096	457.298	1.289.748	10.969.142	
Consumer loans					
Falling Due	3.899.133	146.669	217.761	4.263.563	
Overdue	1	20.504	194.372	214.877	
	3.899.134	167.173	412.133	4.478.440	
Other loans					
Falling Due	432.550	105.067	156.591	694.208	
Overdue	4.232	1.636	39.065	44.933	
	436.782	106.703	195.656	739.141	
Guarantees					
Falling Due	2.500	-	-	2.500	
Financial institutions					
Falling Due	76	-	-	76	
Public sector					
Falling Due	938.548	-	-	938.548	
	938.548	-	-	938.548	
Total loans falling due					
	22.380.593	874.542	3.443.618	26.698.753	
Total overdue loans					
	21.927	47.964	1.178.138	1.248.029	
Total loans					
	22.402.520	922.506	4.621.756	27.946.782	

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

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

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Additionally, overdue loans include only the amounts of operations or installments overdue and unpaid on the reference date. In Note 7, the item "Overdue loans" includes the full amount of receivables related to operations with past due amounts.

On December 31, 2013 and 2012, loans that were assigned specific impairment through individual assessment totaled 3.953318 billion CVE and 2.446703 billion CVE, respectively, with impairment amounting to 1.247607 billion CVE and 977.133 million CVE, respectively. As described in Note 2.2. d), loans subject to individual assessment for which no specific impairment was assigned were included in a collective assessment.

In order to comply with Circular Series A No. 150, of December 28, 2009, issued by Cape Verde's Central Bank, on December 31, 2013 and 2012 loan quality indicators were presented as follows:

	2013	2012
Loans in default / total loans	7,21%	6,35%
Net loans in default / total loans, net	0,24%	-0,53%

Fair value

The table below shows a comparison between the fair value and book value of the main financial assets and liabilities held at amortized cost on December 31, 2013 and 2012.

	2013			2012	
	Analyzed balances			Non-analyzed balances	
	Book value	Fair value	Difference	Book value	Total book value
Assets:					
Cash and cash equivalents at Central Banks	5.691.712	5.691.712	-	-	5.691.712
Cash equivalents at other credit institutions	661.616	661.616	-	-	661.616
Available for sale financial assets	3.823	3.823	-	-	3.823
Investments in credit institutions	6.834.487	6.834.487	-	-	6.834.487
Loans to customers	31.403.247	29.579.016	(1.824.231)	4.832.274	36.235.521
	<u>44.594.885</u>	<u>42.770.654</u>	<u>(1.824.231)</u>	<u>4.832.274</u>	<u>49.427.159</u>
Liabilities:					
Funds from other credit institutions	943.406	606.721	(336.685)	-	943.406
Customer funds and other loans	45.628.646	46.429.714	801.068	-	45.628.646
	<u>46.572.052</u>	<u>47.036.435</u>	<u>464.383</u>	<u>-</u>	<u>46.572.052</u>

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	2012				
	Analyzed balances			Non-analyzed balances	Total book value
	Book value	Fair value	Difference	Book value	
Assets:					
Cash and cash equivalents at Central Banks	2.846.489	2.846.489	-	-	2.846.489
Cash equivalents at other credit institutions	894.667	894.667	-	-	894.667
Available for sale financial assets	3.823	3.823	-	-	3.823
Investments in credit institutions	5.336.365	5.336.365	-	-	5.336.365
Loans to customers	29.947.497	27.789.951	(2.157.546)	4.800.027	34.747.524
	<u>39.028.841</u>	<u>36.871.295</u>	<u>(2.157.546)</u>	<u>4.800.027</u>	<u>43.828.868</u>
Liabilities:					
Funds from other credit institutions	(1.232.508)	(1.054.744)	177.764	-	(1.232.508)
Customer funds and other loans	(39.930.010)	(40.093.830)	(163.820)	-	(39.930.010)
	<u>(41.162.518)</u>	<u>(41.148.574)</u>	<u>13.944</u>	<u>-</u>	<u>(41.162.518)</u>

The following assumptions were used to determine fair value:

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

Sensitivity analysis - Interest Rate

On December 31, 2013 and 2012, the impact of parallel shifts of 50, 100 and 200 basis points (bps) in the yield curve on the fair value of financial instruments sensitive to interest rate risk, excluding financial derivatives, can be demonstrated by the following tables

	2013					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Loans to customers (gross balance)	333.578	161.466	74.774	(108.074)	(204.546)	(408.457)
Total sensitive assets	<u>333.578</u>	<u>161.466</u>	<u>74.774</u>	<u>(108.074)</u>	<u>(204.546)</u>	<u>(408.457)</u>
Funds from other credit institutions	58.090	50.822	47.341	40.674	37.481	31.366
Total sensitive liabilities	<u>58.090</u>	<u>50.822</u>	<u>47.341</u>	<u>40.674</u>	<u>37.481</u>	<u>31.366</u>
Total Gain / (Loss)	<u>275.488</u>	<u>110.644</u>	<u>27.433</u>	<u>(148.748)</u>	<u>(242.027)</u>	<u>(439.823)</u>

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

The following table presents the effect on net interest income projected for fiscal years 2013 and 2012, respectively, of a parallel shift of 50, 100 and 1200 bps in the yield curves that index financial instruments that are sensitive to changes in interest rate:

	Projected net interest income					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
FY 2013	(38.825)	(19.412)	(9.706)	9.706	19.412	38.825
FY 2012	(38.825)	(19.412)	(9.706)	9.706	19.412	38.825

In calculating the impacts presented in the table above, it was considered that the assets and liabilities that were sensitive to interest rate on the date of the calculation would remain stable over fiscal years 2013 and 2012, respectively, being renewed where applicable, taking into consideration the market conditions on those renewal dates and the average spread of active operations on December 31, 2013 and 2012. Such impacts correspond exclusively to corporate bonds held by Caixa.

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

On December 31, 2013 and 2012, loans to customers, totaling 28.288584 billion CVE and 23.153450 billion CVE, respectively, were mainly granted at a fixed rate.

Foreign exchange riskBreakdown of financial instruments by currency

On December 31, 2013 and 2012, financial instruments were broken down as follows, by currency:

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		2013			
		Currency			
Cape Verde		US			
Escudo	Euro	Dollar	Other	Total	
Assets:					
Cash and cash equivalents at Central Banks	2.873.180	2.211.857	383.125	223.550	5.691.712
Cash equivalents at other credit institutions	108.193	184.025	265.928	103.470	661.616
Available for sale financial assets (net balance)	-	3.823	-	-	3.823
Investments in credit institutions	6.726.263	108.224	-	-	6.834.487
Loans to customers (gross)	36.235.513	8	-	-	36.235.521
Investments in subsidiaries, associates and joint ventures	125.638	-	-	-	125.638
Other assets (net balance)	71.618	726.315	378.968	62	1.176.963
	46.140.405	3.234.252	1.028.021	327.082	50.729.760
Liabilities:					
Funds from other credit institutions	(381.143)	(558.255)	(4.008)	-	(943.406)
Customer funds and other loans	(44.542.981)	(447.131)	(635.261)	(3.273)	(45.628.646)
Other liabilities	2.570.504	(2.225.045)	(388.751)	(323.807)	(367.099)
	(42.353.620)	(3.230.431)	(1.028.020)	(327.080)	(46.939.151)
Net exposure	3.786.785	3.821	1	2	3.790.609

	2012				
	Currency				
	Cape Verde Escudo	Euro	US Dollar	Other	Total
Assets:					
Cash and cash equivalents at Central Banks	2.168.270	393.553	133.091	151.575	2.846.489
Cash equivalents at other credit institutions	42.904	335.351	433.791	82.621	894.667
Available for sale financial assets (net balance)	-	3.823	-	-	3.823
Investments in credit institutions	5.227.424	108.941	-	-	5.336.365
Loans to customers (gross)	34.747.515	9	-	-	34.747.524
Investments in subsidiaries, associates and joint ventures	150.490	-	-	-	150.490
Other assets (net balance)	183.960	654.979	6.983	-	845.922
	<u>42.520.563</u>	<u>1.496.656</u>	<u>573.865</u>	<u>234.196</u>	<u>44.825.280</u>
Liabilities:					
Funds from other credit institutions	(366.252)	(862.067)	(4.166)	(23)	(1.232.508)
Customer funds and other loans	(38.797.031)	(614.758)	(517.496)	(725)	(39.930.010)
Other liabilities	(9.796)	(15.210)	(50.623)	(233.446)	(309.075)
	<u>(39.173.079)</u>	<u>(1.492.035)</u>	<u>(572.285)</u>	<u>(234.194)</u>	<u>(41.471.593)</u>
Net exposure	3.347.484	4.621	1.580	2	3.353.687

32. CAPITAL MANAGEMENT

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

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

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

Equity divided into two categories:

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2013

(Amounts in thousand Cape Verde Escudos -. tCVE)

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

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

On December 31, 2013 and 2012, Caixa Económica de Cabo Verde complied with the regulatory requirements, as follow:

	Equity	Solvency Ratio	Fixed Asset Limit
2013	3.538.158	14,21%	144,27%
2012	3.358.911	13,58%	127,70%