

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

**Financial Statements at December 31,
2014, and accompanying Audit Report**

AUDIT REPORT

(Amounts in thousand 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, 2014, totaling 54.382292 billion CVE and 3.767519 billion CVE in equity, including a net income of 230.132 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 entity's preparation and fair presentation of the financial statements, 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.

Bases for qualified opinion

6. Caixa's loan portfolio on December 31, 2014 includes a number of loans granted which show evidence of impairment as defined in Note 2.2, including overdue installments of principal and interest, for which the estimated collectability reflected in the individual impairment is essentially based on recovery of property/land received as mortgage and in anticipation of favorable developments in some borrowers' financial situation. However, for a relevant number of these properties/land, including a hotel received as settlement in late 2013 amounting to 244.46 million CVE (Note 13), Caixa did not get assessment reports prepared by independent experts and, for other loans, there currently is no evidence to confirm Caixa's expectations regarding favorable developments in borrowers' financial situation.

Moreover, although Caixa has been perfecting its model for determining collective impairment, there are still some inconsistencies in terms of the historical information used, the classification of transactions and the procedures for identifying and calculating impairment losses of restructured loans. 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 2015.

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, 2014, which would result from solving the above-mentioned situations.

Opinion

7. In our opinion, except for the effects of the matter described in paragraphs 6 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, 2014, 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.

Emphasis

8. As described in Note 13, on December 31, 2014 Caixa has subsidies receivable totaling 733.006 million CVE (765.311 million CVE on December 31, 2013). Based on an external audit on the implementation of the subsidized loan system, the Directorate General for Treasury (DGT) questioned the eligibility of a number of operations. On March 24, 2015, the DGT informed Caixa that it will take over the debt relating to housing loan subsidies claimed between 2004 and 2008, amounting to 169.883 million CVE, and the total amount claimed between 2009 and 2012, amounting to 359.59 million CVE, although a payment plan has not yet been set up. Additionally, it considered the subsidies claimed between 2004 and 2008, amounting to 127.977 million CVE, to be ineligible, with Caixa setting aside this amount in the financial statements

for 2014 against retained earnings and restated the financial statements for FY 2013 accordingly (Note 2.3). According to the same notification, the subsidies for 2013 and 2014, whose amount claimed totals 192.473 million CVE, will be confirmed and validated by being entered into the computer system for subsidized loans control and monitoring, with the Board of Directors believing that they will also be fully confirmed.

9. In the General Meeting held on April 11, 2014, a distribution of dividends amounting to 174 million CVE was approved, subject to the opinion of Banco de Cabo Verde. In a letter dated May 23, 2014, Cape Verde's Central Bank asked the Board of Directors to submit a proposal for appropriation of profits that did not include distribution of dividends. In an Extraordinary General Meeting held on July 28, 2014, the Board of Directors informed the Shareholders of Banco de Cabo Verde's position, but they confirmed their April 11, 2014 ruling regarding the dividend payment in that amount. Nevertheless, taking into account the notification received from Banco de Cabo Verde, by December 31, 2014, the Board of Directors had not made such distribution, nor had it made an accounting entry of the appropriation of profits decided upon by the General Meeting (Note 19).
10. As mentioned in Note 13, on December 31, 2014, the item "Non-current assets held for sale" includes a number of plots of land received by Caixa to satisfy overdue loans, whose total amounts to 606.406 million CVE. No impairment losses were recorded for these plots of land compared to the value of their valuations by independent appraisers. Nevertheless, given the nature of the property and the real estate market situation in Cape Verde, the realization of these assets' book value will depend on the success of efforts made by the Bank to market them, as well as on developments in the housing market.
11. The financial statements for December 31, 2013 are presented by Caixa for comparative purposes and in order to comply with accounting disclosure requirements. Our audit report on these financial statements, dated February 24, 2014, contained reservations concerning the matters described in paragraphs 6 and 8 above

Lisbon, April 17, 2015

CAIXA ECONÓMICA DE CABO VERDE, S.A.

BALANCE SHEETS ON DECEMBER 31, 2014 AND 2013 (PRO FORMA) AND JANUARY 1, 2013 (PRO FORMA)

(Amounts in thousand Cape Verde Escudos)

| | | 2014 | | | (Pro forma) 31-12-2013 | (Pro forma) 01-01-2013 | | | | | |
|--|-------|-----------------|--------------------------------|---------------|---------------------------|---------------------------|--|-------|------------|---------------------------|---------------------------|
| | | Provisions | | | | | | | | | |
| ASSETS | Notes | Gross assets | impairment and depreciation | Net assets | Net assets | Net assets | LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 2014 | (Pro forma) 31-12-2013 | (Pro forma) 01-01-2013 |
| Cash and cash equivalents at central banks | 3 | 11.337.246 | - | 11.337.246 | 5.691.712 | 2.846.489 | Funds from other credit institutions | 14 | 929.065 | 943.406 | 1.232.508 |
| Cash equivalents at Other Credit Institutions | 4 | 1.071.043 | - | 1.071.043 | 661.616 | 894.667 | Customer funds and other loans | 15 | 49.322.386 | 45.628.646 | 39.930.010 |
| Available for sale financial assets | 5 | 4.023 | (200) | 3.823 | 3.823 | 3.823 | Provisions | 16 | 55.081 | 55.081 | 48.148 |
| Investments in credit institutions | 6 | 3.140.246 | - | 3.140.246 | 6.834.487 | 5.336.365 | Deferred tax liabilities | | - | - | 1.539 |
| Loans to customers | 7 | 37.282.043 | (2.626.674) | 34.655.369 | 33.707.352 | 32.350.070 | Other liabilities | 17 | 308.241 | 367.099 | 309.075 |
| Investment properties | 8 | 8.664 | (3.410) | 5.254 | 5.284 | 5.314 | Total liabilities | | 50.614.773 | 46.994.232 | 41.521.280 |
| Other tangible assets | 9 | 3.508.482 | (1.320.102) | 2.188.380 | 2.317.576 | 2.476.057 | | | | | |
| Intangible assets | 10 | 294.171 | (264.061) | 30.110 | 45.954 | 3.988 | Capital | 18 | 1.392.000 | 1.392.000 | 1.392.000 |
| Investments in subsidiaries, associates and joint ventures | 11 | 104.376 | - | 104.376 | 125.638 | 150.490 | Other reserves and retained earnings | 19 | 2.145.387 | 1.939.545 | 1.820.881 |
| Current tax assets | 12 | 56.407 | - | 56.407 | 45.514 | 10.481 | Income for the year | 19 | 230.132 | 205.842 | 118.664 |
| Deferred tax assets | 12 | 20.172 | - | 20.172 | 43.677 | 57.136 | Total shareholders' equity | | 3.767.519 | 3.537.387 | 3.331.545 |
| Other assets | 13 | 1.810.933 | (41.067) | 1.769.866 | 1.048.986 | 717.945 | | | | | |
| Total assets | | 58.637.806 | (4.255.514) | 54.382.292 | 50.531.619 | 44.852.825 | Total liabilities and shareholders' equity | | 54.382.292 | 50.531.619 | 44.852.825 |

The Accompanying notes are an integral part of these balance sheets on December 31, 2014.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in thousand Cape Verde Escudos)

| | Notes | 2014 | (Pro forma) 2013 |
|---|-----------|------------------|---------------------|
| Interest and similar income | 20 | 3.101.520 | 3.132.397 |
| Interest and similar expenses | 21 | (1.479.744) | (1.372.725) |
| NET INTEREST INCOME | | 1.621.776 | 1.759.672 |
| Income from services and fees | 22 | 167.992 | 181.864 |
| Costs of services and fees | 22 | (62.334) | (69.449) |
| Income from foreign currency revaluations | 23 | 82.002 | 73.672 |
| Income from the sale of other assets | 24 | 11.172 | 5.042 |
| Other operating income | 25 | 30.314 | 21.647 |
| OPERATING INCOME | | 1.850.922 | 1.972.448 |
| Staff costs | 26 | (622.146) | (590.854) |
| General administrative expenses | 27 | (574.772) | (534.168) |
| Depreciation for the year | 8, 9 e 10 | (232.654) | (233.009) |
| Provisions net of recoveries and cancellations | 16 | (3.769) | (9.996) |
| Loan impairment net of reversals and recoveries | 16 | (153.099) | (351.814) |
| Income from associates | 11 | (10.845) | (34.846) |
| INCOME BEFORE TAXES | | 253.637 | 217.761 |
| Deferred tax | 12 | (23.505) | (11.919) |
| | | (23.505) | (11.919) |
| Income and comprehensive income for the year | | 230.132 | 205.842 |
| Average number of ordinary shares issued | | 1.392.000 | 1.392.000 |
| Earnings per share | | 0,17 | 0,15 |

The accompanying notes are an integral part of the statement of income and other comprehensive income
for the year ended December 31, 2014.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (PRO FORMA)

(Amounts in thousand Cape Verde Escudos)

| | | Other reserves and retained earnings | | | | | | |
|--|------|--------------------------------------|----------------|----------------|-------------------|-----------|---------------------|-----------|
| | Note | Capital | Legal reserves | Other reserves | Retained earnings | Total | Income for the year | Total |
| Balances on December 31, 2012 | | 1.392.000 | 410.132 | 1.715.788 | (177.062) | 1.948.858 | 118.664 | 3.459.522 |
| Subsidies not recognized by the Directorate General for Treasury | 2.3 | - | - | - | (127.977) | (127.977) | - | (127.977) |
| Balances on January 1, 2013 (Pro forma) | | 1.392.000 | 410.132 | 1.715.788 | (305.039) | 1.820.881 | 118.664 | 3.331.545 |
| Distribution of income for the year 2012: | | | | | | | | |
| Incorporation of reserves | | - | 11.866 | 106.798 | - | 118.664 | (118.664) | - |
| Comprehensive income for the year | | - | - | - | - | - | 205.842 | 205.842 |
| Balances on December 31, 2013 (Pro forma) | | 1.392.000 | 421.998 | 1.822.586 | (305.039) | 1.939.545 | 205.842 | 3.537.387 |
| Distribution of income for the year 2013: | | | | | | | | |
| Incorporation of reserves | | - | - | - | 205.842 | 205.842 | (205.842) | - |
| Comprehensive income for the year | | - | - | - | - | - | 230.132 | 230.132 |
| Balances on December 31, 2014 | | 1.392.000 | 421.998 | 1.822.586 | (99.197) | 2.145.387 | 230.132 | 3.767.519 |

The accompanying notes are an integral part of the statement of changes in shareholders' equity for the year ended December 31, 2014.

CAIXA ECONÓMICA DE CABO VERDE, S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

(Amounts in thousand Cape Verde Escudos)

| | 2014 | (Pro forma) 2013 |
|--|------------------|---------------------|
| <u>Cash flows from operating activities</u> | | |
| Receipt of interest and fees | 3.269.511 | 3.214.661 |
| Payment of interest and fees | (1.542.077) | (1.442.174) |
| Other receipts / (payments) relating to operating activities | 112.317 | 95.320 |
| Payments to employees and suppliers | (1.196.918) | (1.124.873) |
| Payments of income taxes | (10.893) | (35.033) |
| Operating income before changes in operating assets | <u>631.940</u> | <u>707.901</u> |
| (Increase) decrease in operating assets: | | |
| Investments in credit institutions | 3.694.241 | (1.499.019) |
| Loans and advances to customers | (1.781.016) | (1.952.643) |
| Other assets | (47.546) | (23.929) |
| | <u>1.865.679</u> | <u>(3.475.591)</u> |
| Increase (decrease) in operating liabilities: | | |
| Funds from Central Banks and other credit institutions | (14.341) | (288.220) |
| Customer funds | 3.693.740 | 5.695.078 |
| Other liabilities | (70.057) | 60.981 |
| | <u>3.609.342</u> | <u>5.467.839</u> |
| C& Net cash from operating activities | <u>5.475.021</u> | <u>1.992.248</u> |
| <u>Cash flows from investing activities</u> | | |
| (Increases) decreases in investment assets: | | |
| Investments in subsidiaries, associates and joint ventures | (1.500) | (15.000) |
| Dividends from associates and joint ventures | 11.919 | 5.006 |
| Intangible assets | (2.128) | (4.524) |
| Other tangible assets | (71.463) | (79.064) |
| Revenue from sale of tangible assets | 11.172 | 5.605 |
| Net cash from investing activities | <u>(52.000)</u> | <u>(87.977)</u> |
| A1 Increase (decrease) in cash and cash equivalents | 6.054.961 | 2.612.172 |
| Cash and cash equivalents at beginning of year | 6.353.328 | 3.741.156 |
| Cash and cash equivalents at end of year | 12.408.289 | 6.353.328 |

The accompanying notes are an integral part of the statement of cash flows
for the year ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(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 31 branches to carry out its operations.

Caixa's financial statements on December 31, 2014 were approved by the Board of Directors on March 19, 2015, 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 19 November, issued by Banco de Cabo Verde.

2.2. Accounting policies

a) Accrual basis

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

b) Translation of foreign currency balances and transactions

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

In fiscal years 2014 and 2013, the exchange rate of the Cape Verde Escudo against the Euro was fixed at 1 Euro/110.265 Cape Verde Escudos. On December 31, 2014 and 2013, the exchange rate against the U.S. dollar (USD) was as follows:

| | <u>2014</u> | <u>2013</u> |
|-------|-------------|-------------|
| 1 USD | 90.678 | 80.048 |

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.

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."

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

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, 2014 and 2013, 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.

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;

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

- 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 businesses
- Mortgage loans
- Individual producers
- Other loans to individuals
- Guarantees
- Public Sector

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

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

No impairment is recorded for loans granted to the State of 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.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

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. Up to 2013, for properties acquired in determining impairment, Caixa also considered the age of the properties in the portfolio.

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

g) Investment properties

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

Investment properties are recorded at the acquisition cost, net of accumulated 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 accumulated 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:

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| | <u>Years of 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.

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

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, 2014 and 2013, 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%.

Current taxes

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

Deferred taxes

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

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

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

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.

In 2014, the main situations originating temporary differences at Caixa correspond to 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.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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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.

l) Provisions and contingent liabilities

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

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

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, who are covered by the general Social Security system.

n) Fees

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

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

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

o) 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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

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 applying accounting policies

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

Determining impairment losses on loans

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

Determination of impairment through collective assessment is based on 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.

Impairment of assets received through credit recovery

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

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, 2014.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| Standard / Interpretation | Applicable in fiscal years beginning on or after | |
|--|---|--|
| 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. |
| IFRIC 21 - Payments to the Government | 01-Jan-14 | This interpretation establishes the conditions regarding the timing for recognition of a liability related to a payment of a contribution made to the Government by an entity as a result of a particular event (e.g. participation in a given market), without the payment having specified goods or services as compensation. |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

Adoption of the above-mentioned standards, interpretations, amendments and revisions had no effects on Caixa's financial statements for the year ended December 31, 2014.

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 | |
|---|---|---|
| Improvements to International Financial Reporting Standards (2011-2013 cycle) | 01-Jan-15 | These improvements involve clarifying some aspects of IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 3 - Business Combinations, IFRS 13 - Fair Value Measurement and IAS 40 - Investment Property. |
| IFRS 9 - Financial Instruments (2009) as amended | 01-Jan-18 | This standard is part of the project to revise IAS 39 and establishes the requirements for classifying and measuring financial assets and liabilities and for applying hedge accounting rules. |
| IFRS 14 — Regulatory Assets | 01-Jan-16 | This standard establishes the reporting requirements for first-time adopters of IFRS/IAS regarding regulatory assets. |
| IFRS 15 - Revenue from contracts with customers | 01-Jan-17 | This standard introduces a structure for recognizing revenue based on principles and based on a model to apply to all contracts entered into with customers. |
| Amendment to IFRS 11 - Joint Arrangements | 01-Jan-16 | This standard is part of the project to revise IAS 39 and establishes the requirements for classifying and measuring financial assets and liabilities and for applying hedge accounting rules. |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| Standard / Interpretation | Applicable in fiscal years beginning on or after | |
|--|---|--|
| Amendments to IAS 16 - Tangible Fixed Assets and IAS 38 - Intangible Assets | 01-Jan-16 | This standard establishes the reporting requirements for first-time adopters of IFRS/IAS regarding regulatory assets. |
| Amendments to IAS 16 - Tangible Fixed Assets and IAS 41 - Agriculture | 01-Jan-16 | This standard introduces a structure for recognizing revenue based on principles and based on a model to apply to all contracts entered into with customers. |
| Amendment to IAS 19 - Employee benefits | 01-Jan-16 | This amendment clarifies IFRS 3 being applied when an investor acquires an interest in a joint venture when it is a business, as defined by this standard. The application of IFRS 3 is required in the acquisition of the initial interest and subsequent acquisition of interests. |
| Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures (2011) | 01-Jan-16 | These amendments clarify which depreciation methods are allowed for tangible fixed assets and intangible assets. |
| Amendment to IAS 27 - Separate Financial Statements (2011) | 01-Jan-16 | These amendments provide that biological assets that meet the definition of bearer plants should be accounted for as tangible fixed assets. |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| Standard / Interpretation | Applicable in fiscal years beginning on or after | |
|---|---|---|
| Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures (2011) | 01-Jan-16 | This amendment clarifies the circumstances under which employee contribution to post-employment benefit plans are a reduction in the cost of short-term benefits. |
| "Amendment to IAS 1 - Presentation of Financial Statements (Disclosures) " | 01-Jan-16 | These amendments eliminate an existing conflict between those standards, related to the sale or contribution of assets between the investor and the associate or joint venture. |
| Improvements to International Financial Reporting Standards (2010-2012 and 2012-2014 cycles) | 01-Jan-16 | This amendment introduces the possibility of applying the equity method in the valuation of investments in subsidiaries, associates and joint ventures, in the separate financial statements of an entity that presents consolidated financial statements |
| | | These amendments include clarification of various aspects related to the application of the consolidation exception by investment entities. |
| | | This amendment introduces a number of instructions and guidelines to improve and simplify disclosures in the context of current IFRS reporting requirements. |
| | | These improvements involve reviewing various standards. |

Although approved by the IASB, these standards were not adopted by Caixa for the year ending on December 31, 2014, because their application is not yet mandatory. Caixa will, in the future, estimate the impact of their adoption, particularly with regard to IFRS 9.

2.3. Restatement of financial statements

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

As described in Note 13, on March 24, 2015, the Directorate General for Treasury notified Caixa that it considers the mortgage loan subsidies claimed between 2004 and 2008, amounting to 127.977 million CVE, to be ineligible. Caixa set aside this amount in the financial statements for 2014 against retained earnings and restated its financial statements in the comparative periods presented, with an emphasis on the following effects:

| | 12-31-2013 | | 01-01-2013 |
|--|---------------------------------------|-------------------------------|-----------------|
| | Equity without net for the year | Net profit for the year | Total equity |
| Balances before restatement | 3.459.522 | 205.842 | 3.665.364 |
| Impact of restatement on January 1, 2013 | | | |
| Impact of the recognition of non-accepted subsidies by the Directorate General for Treasury | (127.977) | - | (127.977) |
| | (127.977) | - | (127.977) |
| Balances after restatement | 3.331.545 | 205.842 | 3.537.387 |

The restatement had no impact on net profit for FY 2013.

3. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This item breaks down as follows:

| | 2014 | 2013 |
|--|------------|-------------|
| | | (Pro forma) |
| Caixa | 2.748.160 | 3.502.499 |
| Demand deposits at Banco de Cabo Verde | 8.589.086 | 2.189.213 |
| | 11.337.246 | 5.691.712 |

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.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014
(Amounts in thousand Cape Verde Escudos - tCVE)

4. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

| | 2014 | 2013 |
|--|------------------|----------------|
| | | (Pro forma) |
| Demand deposits | | |
| At credit institutions in the country | | |
| . BCA | 2.664 | 2.449 |
| . Ecobank | 22 | 22 |
| At credit institutions abroad | | |
| . Montepio Geral | 312.007 | 27.855 |
| . Banque et Caisse D'Epargne de L'Etat | 210.703 | 270.060 |
| . Commerzbank | 172.438 | 52.165 |
| . Credit Suisse | 83.016 | 64.949 |
| . Caixa Geral de Depósitos | 51.534 | 37.098 |
| . Banco Espírito Santo | 34.707 | 737 |
| . Natexis Banques Populaires | 32.942 | 4.874 |
| . Banco Central Hispano | 26.305 | 4.790 |
| . ABN AMRO Bank | 25.559 | 11.128 |
| . Bank of China | 25.185 | - |
| . Banco Português de Investimento | 23.425 | 8.320 |
| . Den Danske Bank | 18.518 | 12.650 |
| . Cassa Risparmio D.P.Lombarde | 17.503 | 8.867 |
| . Banque Nationale de Paris | - | 24.277 |
| . Other credit institutions | 10.032 | 9.632 |
| | <u>1.046.560</u> | <u>539.873</u> |
| Checks pending collection: | | |
| In the country | 21.438 | 105.722 |
| Abroad | 3.045 | 16.021 |
| | <u>24.483</u> | <u>121.743</u> |
| | <u>1.071.043</u> | <u>661.616</u> |

During FY 2014, Caixa closed the demand deposit account it had with its correspondent Banque Nationale de Paris.

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

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

5. AVAILABLE FOR SALE FINANCIAL ASSETS

On December 31, 2014 and 2013, equity and debt instruments classified as available for sale financial assets were broken down 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 were recorded at historical cost.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This item breaks down as follows:

| | 2014 | 2013 (Pro forma) |
|--|------------------|---------------------|
| Investments in credit institutions in the country: | | |
| At Banco de Cabo Verde | | |
| Overnight deposits | 2.400.000 | 6.000.000 |
| Monetary Intervention Bills | 506.000 | 550.000 |
| Monetary Regularization Bills | 125.000 | 177.000 |
| Investments in credit institutions abroad | | |
| Collateral deposits | 109.389 | 108.225 |
| Interest receivable | 33 | 207 |
| Deferred income | (176) | (945) |
| | <u>3.140.246</u> | <u>6.834.487</u> |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

On December 31, 2014 and 2013, 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, 2014 and 2013, time deposits and collateral deposits were broken down as follows, by credit institution:

| | 2014 | 2013 |
|---------------------------------------|----------------|----------------|
| | | (Pro forma) |
| Banque et Caisse D'Espargne de L'Etat | 108.225 | 108.225 |
| Commerzbank | 1.164 | - |
| | <u>109.389</u> | <u>108.225</u> |

7. LOANS TO CUSTOMERS

This item breaks down as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | | (Pro forma) |
| Short-term domestic loans: | | |
| Loans | 697.690 | 457.415 |
| Trade discounts | 288.941 | 365.295 |
| Overdrafts in demand deposits | 184.550 | 184.488 |
| Medium- and long-term domestic loans: | | |
| Loans | 19.839.877 | 20.185.573 |
| Other credit | 968.695 | 999.785 |
| | <u>21.979.753</u> | <u>22.192.556</u> |
| Other loans and receivables (securitized) | | |
| Government debt securities | 7.657.501 | 6.938.548 |
| Other fixed income securities | 1.617.653 | 1.379.849 |
| Loans to staff | 1.009.044 | 901.288 |
| | <u>32.263.951</u> | <u>31.412.241</u> |
| Overdue loans and interest | 5.082.912 | 4.876.100 |
| Interest receivable | 186.595 | 188.448 |
| Deferred costs | 2.081 | 2.327 |
| Deferred income | (253.496) | (243.595) |
| | <u>37.282.043</u> | <u>36.235.521</u> |
| Impairment of loans to customers (Note 16) | (2.626.674) | (2.528.169) |
| | <u>34.655.369</u> | <u>33.707.352</u> |

On December 31, 2014 and 2013, “Other loans and receivables (securitized) - Government debt securities” included 6.861581 billion CVE and 6.142628 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 Bond, 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, 2014 and 2013, the coupon rate in effect was 1.81% and 1.89%, respectively.

On December 31, 2014 and 2013, Treasury bonds sold under repurchase agreements amounted to 4.37273 billion CVE and 4.44573 billion CVE, respectively (Note 15).

On December 31, 2014 and 2013, “Other loans and receivables (securitized) - Other fixed income securities” included the value of domestic companies’ bonds, categorized as “Loans and accounts receivables.” These bonds break down as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| Security | 2014 | 2013 (Pro forma) | Maturity |
|--|------------------|---------------------|------------|
| IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company) - Tranc | 473.195 | - | 06-01-2019 |
| IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company) - Tranc | 283.845 | 283.845 | 14-09-2015 |
| Electra - (electricity and water company), S.A.R.L. - Tranche C | 630.227 | 630.227 | 14-06-2027 |
| Electra - (electricity and water company), S.A.R.L. - Tranche B | 147.088 | 147.088 | 14-06-2017 |
| CVFF - Cabo Verde Fast Ferry, S.A. | 50.157 | 50.336 | 14-10-2019 |
| Inpharma laboratories - Pharmaceutical Industry, S.A. | 19.798 | 23.758 | 24-12-2019 |
| Sociedade de Gestão de Investimentos, Lda. (investment management co | 13.343 | 13.343 | 18-02-2017 |
| Tecnicil - (real estate & construction company), S.A. | - | 200.000 | n.a |
| IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company) - Tranc | - | 31.252 | n.a |
| | <u>1.617.653</u> | <u>1.379.849</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 2014, the repayment of capital amounted to 3.96 million CVE, settled on the date of coupon payment.

On December 31, 2013, the bonds of Tecnicil, S.A. (real estate & construction company) were secured by a first mortgage on a piece of land. On that date, the interest due in February and August 2013, totaling 19.553 million CVE, was overdue, with the total interest due amounting to 27.429 million CVE. Through a settlement agreement entered into by and between Caixa and Tecnicil on December 31, 2014, the latter gave Caixa three pieces of land as settlement to extinguish the entire bonded debt and loans granted by Caixa. As a result of this transaction, Caixa reversed all impairment losses it had recorded for bonds, totaling 56 million CVE, and received all past due and arrears interest which, at the settlement date, amounted to 47.097 million CVE.

On December 31, 2013, interest payable in February 2012 and August 2013 on Cabo Verde Fast Ferry, S.A.'s (CVFF) bonds totaled 2.188 million CVE, having been settled on February 3, 2014. On December 31, 2014, the interest due in August 2014, totaling 1.875 million CVE, was past due, and the total interest receivable amounted to 3.438 million CVE, with the next interest coupon being due on February 1, 2015.

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, 2014, the interest due in February and August 2014, amounting to 853,000 CVE, is past due.

In FY 2014, the bonds of IFH – *Imobiliária, Fundiária e Habitat*, S.A. (real estate company - Tranche A) were reimbursed, with new bonds, totaling 473.195 million CVE and maturing in January 2019, being issued.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

On December 31, 2014 and 2013, Loans to customers, excluding “Other loans and receivables (securitized)” and accrued interest, were as follows, by business sector:

| | 2014 | | | 2013 (Pro forma) | | |
|-------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Performing loans | Overdue loans | Total | Performing loans | Overdue loans | Total |
| Companies: | | | | | | |
| Trade | 383.015 | 571.863 | 954.878 | 708.200 | 383.046 | 1.091.246 |
| Construction and Public Works | 666.148 | 159.606 | 825.754 | 897.638 | 206.533 | 1.104.171 |
| Transportation | 1.432.481 | 305.671 | 1.738.152 | 1.969.892 | 360.670 | 2.330.562 |
| Industry | 429.842 | 413.149 | 842.991 | 503.477 | 434.613 | 938.090 |
| Hospitality Industry | 769.477 | 568.460 | 1.337.937 | 935.051 | 324.585 | 1.259.636 |
| Energy | 856.639 | - | 856.639 | 706.553 | - | 706.553 |
| Other | 3.020.606 | 348.249 | 3.368.855 | 2.576.131 | 242.266 | 2.818.397 |
| | <u>7.558.209</u> | <u>2.366.998</u> | <u>9.925.207</u> | <u>8.296.942</u> | <u>1.951.713</u> | <u>10.248.655</u> |
| Individuals: | | | | | | |
| Mortgage | 10.260.545 | 1.649.848 | 11.910.393 | 9.718.641 | 1.748.339 | 11.466.980 |
| Other | 5.170.042 | 1.066.066 | 6.236.108 | 5.078.261 | 1.176.048 | 6.254.309 |
| | <u>15.430.587</u> | <u>2.715.914</u> | <u>18.146.501</u> | <u>14.796.902</u> | <u>2.924.387</u> | <u>17.721.289</u> |
| | <u>22.988.797</u> | <u>5.082.912</u> | <u>28.071.709</u> | <u>23.093.844</u> | <u>4.876.100</u> | <u>27.969.944</u> |

Loans to employees on December 31, 2014 and 2013 were remunerated at reduced interest rates.

8. INVESTMENT PROPERTIES

The changes in this items in the years ended December 31, 2014 and 2013 is are as follows:

| | 2014 | | | | |
|----------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|
| | Balance as at 12/31/2013 | | | Balance as at 12/31/2014 | |
| | Gross value | Accumulated depreciation | Depreciation for the year | Gross value | Accumulated depreciation |
| Land | 3.684 | - | - | 3.684 | - |
| Property | 4.980 | (3.380) | (30) | 4.980 | (3.410) |
| | <u>8.664</u> | <u>(3.380)</u> | <u>(30)</u> | <u>8.664</u> | <u>(3.410)</u> |

| | 2013 (Pro forma) | | | | |
|----------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|
| | Balance as at 12/31/2012 | | | Balance as at 12/31/2013 | |
| | Gross value | Accumulated depreciation | Depreciation for the year | 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>8.664</u> | <u>(3.380)</u> |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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On December 31, 2014 and 2013, the fair value of investment properties was determined based on assessments made in 2014 and 2013 by Caixa's Office of Facilities and Property Valuation, and it was:

| | Net Value | | Assessment |
|-----------|--------------|--------------|---------------|
| | 2014 | 2013 | Value |
| | (Pro forma) | | |
| Land | 3.684 | 3.684 | 18.640 |
| Buildings | 1.570 | 1.600 | 14.079 |
| | <u>5.254</u> | <u>5.284</u> | <u>32.719</u> |

In FY 2014 and 2013, income from the rental of these properties amounted to 140,000 CVE and 110,000 CVE, respectively (Note 25).

9. OTHER TANGIBLE ASSETS

In FY 2014 and 2013, the item "Other tangible assets" was as follows:

| | 2014 | | | | | | | | | | |
|---------------------------|--------------------------|--------------|-----------|--------------------|--------------|------------------------------|-----------|------------------|--------------------------|--------------|-----------|
| | Balance as at 12/31/2013 | | | Sales / Write-offs | | Depreciation for the year | Transfers | Adjust- ments | Balance as at 12/31/2014 | | |
| | Gross | Accumulated | Additions | Gross | Depreciation | | | | Gross | Accumulated | Net |
| | value | depreciation | | value | | | | | value | depreciation | value |
| Property | 1.576.653 | (91.764) | 14.498 | - | - | (24.978) | 35.807 | - | 1.626.958 | (116.742) | 1.510.216 |
| Works in rented buildings | 45.297 | (31.262) | - | - | - | (2.645) | - | - | 45.297 | (33.907) | 11.390 |
| Artistic heritage | 3.950 | - | 209 | - | - | - | - | - | 4.159 | - | 4.159 |
| Equipment: | | | | | | | | | | | |
| Furniture and equipment | 208.265 | (124.389) | 4.502 | (514) | 443 | (16.924) | 593 | - | 212.846 | (140.870) | 71.976 |
| Machinery and tools | 253.440 | (208.478) | 5.784 | - | - | (16.707) | 1.779 | - | 261.003 | (225.185) | 35.818 |
| Computer equipment | 335.041 | (289.869) | 19.768 | - | - | (16.845) | 3.306 | - | 358.115 | (306.714) | 51.401 |
| Interior installations | 423.221 | (225.857) | 1.181 | - | - | (97.689) | - | - | 424.402 | (323.546) | 100.856 |
| Transportation equipment | 155.353 | (85.633) | 3.491 | (13.486) | 13.486 | (22.659) | 3.490 | - | 148.848 | (94.806) | 54.042 |
| Security equipment | 258.620 | (58.144) | 2.747 | - | - | (15.536) | 3.032 | - | 264.399 | (73.680) | 190.719 |
| Other equipment | 6.387 | (4.047) | 221 | (64) | 64 | (669) | 71 | - | 6.615 | (4.652) | 1.963 |
| | 3.266.227 | (1.119.443) | 52.401 | (14.064) | 13.993 | (214.652) | 48.078 | - | 3.352.642 | (1.320.102) | 2.032.540 |
| Fixed assets in progress | 170.792 | - | 39.338 | - | - | - | (48.078) | (6.212) | 155.840 | - | 155.840 |
| | 3.437.019 | (1.119.443) | 91.739 | (14.064) | 13.993 | (214.652) | - | (6.212) | 3.508.482 | (1.320.102) | 2.188.380 |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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| | 2013 (Pro forma) | | | | | | | | | |
|---------------------------|--------------------------|-----------------------------|-----------|--------------------|--------------|------------------------------|-----------|--------------------------|-----------------------------|--------------|
| | Balance as at 12-31-2012 | | | Sales / Write-offs | | Depreciation for the year | Transfers | Balance as at 12-31-2013 | | |
| | Gross value | Accumulated depreciation | Additions | Gross value | Depreciation | | | Gross value | Accumulated depreciation | Net value |
| Property | 1.505.753 | (67.692) | 70.900 | - | - | (24.072) | - | 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 |
| Interior installations | 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 |
| | 3.208.552 | (927.726) | 88.203 | (33.440) | 32.875 | (224.592) | 2.912 | 3.266.227 | (1.119.443) | 2.146.784 |
| Fixed assets in progress | 195.232 | - | 24.301 | - | - | - | (48.741) | 170.792 | - | 170.792 |
| | 3.403.784 | (927.726) | 112.504 | (33.440) | 32.875 | (224.592) | (45.829) | 3.437.019 | (1.119.443) | 2.317.576 |

On December 31, 2014 and 2013, “Construction in progress” included costs of setting up new branches, totaling 141.927 million CVE and 155.913 million CVE, respectively.

In the year ended December 31, 2014, property transfer amounting to 35.807 million CVE corresponds to two branches and a piece of land that were transferred from the item "Construction in progress."

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

10. INTANGIBLE ASSETS

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

| | 2014 | | | | | | | |
|----------|--------------------------|-----------------------------|-----------|------------------------------|--------------------------|----------------|-----------------------------|--------------|
| | Balance as at 12/31/2013 | | | | Balance as at 12/31/2014 | | | |
| | Gross value | Accumulated depreciation | Additions | Depreciation for the year | Transfers | Gross value | Accumulated depreciation | Net value |
| Software | 292.043 | (246.089) | 2.128 | (17.972) | - | 294.171 | (264.061) | 30.110 |

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

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11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2014 and 2013, the balance of this item breaks down as follows:

| Entity | % of share | Acquisition cost | 2014 | | | | | 2013 (Pro forma) | | | | |
|---|------------|------------------|----------------|---------------------------|------------|-------------|---------|------------------|---------------------------|------------|-------------|---------|
| | | | Book value | Date | Net assets | Profit/Loss | Equity | Book value | Date | Net assets | Profit/Loss | Equity |
| Novo Banco, S.A. | 20,00% | 120.000 | 23.898 | 31-12-2014 ⁽¹⁾ | 2.421.509 | (122.590) | 119.492 | 49.167 | 30-09-2013 ⁽¹⁾ | 1.130.591 | (92.470) | 245.835 |
| SISP - Interbanking Company and Payment Systems, SARL | 10,00% | 10.000 | 58.361 | 31-12-2014 ⁽¹⁾ | 830.740 | 160.368 | 583.607 | 54.244 | 31-12-2013 ⁽¹⁾ | 765.040 | 148.997 | 542.438 |
| CV Garante - Mutual Guarantee Company, S.A. | 15,00% | 15.000 | 13.292 | 31-12-2014 ⁽¹⁾ | 89.337 | (7.352) | 88.615 | 14.395 | 31-12-2013 ⁽¹⁾ | 97.167 | (4.033) | 95.967 |
| IMOTUR - Imobiliária e | | | | | | | | | | | | |
| Turística de Cabo Verde, S.A. (real estate & tourism) | 17,86% | 12.500 | 7.067 | 31-12-2012 | 411.072 | 1.249 | 39.571 | 7.067 | 31-12-2012 | 411.072 | 1.249 | 39.575 |
| Sophis Gere, S.A. | 10,00% | 3.500 | 1.757 | 31-12-2014 ⁽¹⁾ | 23.646 | (4.933) | 17.560 | 765 | 31-12-2013 ⁽¹⁾ | 8.559 | (12.347) | 7.653 |
| | | | <u>161.000</u> | | | | | <u>125.638</u> | | | | |

n.a. - Not applicable

⁽¹⁾ Interim Financial Statements

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, CV Garante, Imotur, and Sophis Gere, thus fitting in with the provisions of IAS 28 - Investments in Associates.

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

Sophis Gere, S.A. was created on October 26, 2012 with the corporate purpose of managing real estate investment funds and managing cash assets and funds of other savers, namely public and private entities. In FY 2014, its capital was increased by 15 million CVE, with Caixa's contribution being 1.5 million CVE.

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

The changes in the book value of these holdings in FY 2014 and 2013 and their impact on Caixa's financial statements can be shown as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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| | Novo Banco | SISP | CV Garante | Imotur | Sofhis Gere | Total |
|--|------------|----------|------------|--------|-------------|----------|
| 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 (Pro forma) | 49.167 | 54.244 | 14.395 | 7.067 | 765 | 125.638 |
| Increase in capital by Sofhis Gere | - | - | - | - | 1.500 | 1.500 |
| Dividends | - | (11.919) | - | - | - | (11.919) |
| Income from associates | (25.269) | 16.036 | (1.104) | - | (508) | (10.845) |
| Adjustments | - | - | 1 | - | - | 1 |
| Balances as at December 31, 2014 | 23.898 | 58.361 | 13.292 | 7.067 | 1.757 | 104.376 |

On December 31, 2013, the balance of “Income from associates – SISP” included 672,000 CVE relating to adjustments to income incorporated 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%.

The balances of income tax assets and liabilities on December 31, 2014 and 2013 were as follows:

| | 2014 | 2013 (Pro forma) |
|------------------------------|--------|---------------------|
| Current tax assets | | |
| . IUR recoverable | 26.464 | 26.464 |
| . Withholdings for the year | 29.943 | 19.050 |
| | 56.407 | 45.514 |
| Deferred tax assets | | |
| . Tax losses carried forward | 20.172 | 43.677 |
| | 20.172 | 43.677 |

On December 31, 2014 and 2013, “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 2014 and 2013 were as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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| | 2014 | | |
|------------------------------------|-----------------------------|---------------------|-----------------------------|
| | Balance as at 12-31-2013 | Change in income | Balance as at 12-31-2014 |
| Tax losses carried forward | 43.677 | (23.505) | 20.172 |
| | <u>43.677</u> | <u>(23.505)</u> | <u>20.172</u> |
| 2013 (Pro forma) | | | |
| | 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> |

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 2014, Caixa used deferred taxes relating to tax losses totaling 23.505 million CVE.

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 2015.

Under Decree-Law No. 14/2010, of 26 April, the impacts of transitioning to IFRS as at January 1, 2008, with effects on equity, which are considered fiscally relevant under IUR regulation, contributed 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 2014 and 2013 is summarized as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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| | 2014 | | 2013 (Pro forma) | |
|---|--------------|----------------|------------------|----------------|
| | Rate | Tax | Rate | Tax |
| Income before taxes | | <u>253.637</u> | | <u>217.761</u> |
| Tax calculated based on nominal rate | 25,5% | 64.677 | 25,5% | 55.529 |
| Tax benefits: | | | | |
| . Income from Public Debt securities placed on the secondary market | (21,47%) | (54.453) | (24,80%) | (54.010) |
| . Income from other bonds | (7,35%) | (18.651) | (3,13%) | (6.824) |
| . Other | 0,07% | 170 | (0,57%) | (1.252) |
| Non-tax-deductible expenses | 5,40% | 13.691 | 8,48% | 18.476 |
| Cancellation of unrecoverable deferred taxes | 7,12% | 18.071 | 0,00% | - |
| Tax on profit for the year | <u>9,27%</u> | <u>23.505</u> | <u>5,47%</u> | <u>11.919</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 submitted 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 submitted 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 submitted 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 submitted a complaint for the remainder. In July 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 submitted a complaint regarding the rest. On December 31, 2013 and 2012, Caixa was waiting for the Directorate General of Taxation to complete the process.

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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 submitted a complaint about the rest. In December 2014, Caixa was notified about confirmation of the tax base relating to 2009, with the additional tax being set at 26.519 million CVE, with Caixa having submitted a complaint for 24.768 million CVE. In March 2015, Caixa received a reply from the DGCI accepting the arguments presented for tax due in the amount of 22.694 million CVE, but rejecting the arguments for the remainder. Caixa settled part of the tax due, in the amount of 3.825 million CVE, plus arrears interest and legal fees, totaling 5.962 million CVE.

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 submitted 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 submitted 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 submitted 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 January 2014, the Tax Administration made a number of adjustments to the 2012 tax base, which resulted in the tax losses for that year decreasing from 175.368 million CVE to 131.465 million CVE. Caixa disputed part of the adjustments made, accepting adjustments totaling 18.143 million CVE. If Caixa's arguments are accepted by the Tax Administration, the reportable tax losses for 2012 will amount to 157.225 million CVE.

In December 2014, Caixa received a notification from the DGCI setting the 2013 tax base at 178.571 million CVE against a tax base calculated at 657,000 CVE. Caixa accepted adjustments made to the tax base totaling 55.862 million CVE, and submitted a complaint regarding adjustments totaling 122.013 million CVE, primarily related to impairment not accepted for tax purposes as a cost associated with loans written off from assets. If Caixa's arguments are accepted by the Tax Administration, the reportable tax losses for 2013 will amount to 56.558 million CVE.

On December 31, 2013 and 2012, Caixa had a provision for tax contingencies amounting to 49.568 million CVE (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, 2014.

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13. OTHER ASSETS

This item breaks down as follows:

| | 2014 | 2013 |
|---|------------------|------------------|
| | | (Pro forma) |
| <u>Other assets:</u> | | |
| Auctioned goods | 931.014 | 258.696 |
| Numismatic items and medals | 126 | 176 |
| | <u>931.140</u> | <u>258.872</u> |
| <u>Debtors:</u> | | |
| Amounts receivable from the State of Cape Verde | | |
| . Subsidies | 733.006 | 637.334 |
| . Other | 37.713 | 32.416 |
| Micro-Credit Fund (Note 17) | 52.467 | 54.240 |
| Debtors for foreign currency remittances | 23.225 | 12.160 |
| Sundry debtors | 6.603 | 2.279 |
| | <u>853.014</u> | <u>738.429</u> |
| <u>Deferred expenses:</u> | | |
| Insurance | 746 | 745 |
| Other | 7.148 | 7.033 |
| | <u>7.894</u> | <u>7.778</u> |
| Lending operations pending settlement | 18.885 | 82.178 |
| | <u>1.810.933</u> | <u>1.087.257</u> |
| <u>Impairment of other assets (Note 16)</u> | | |
| Assets received via credit recovery | (13.264) | (12.798) |
| Other assets | (27.803) | (25.473) |
| | <u>(41.067)</u> | <u>(38.271)</u> |
| | <u>1.769.866</u> | <u>1.048.986</u> |

On December 31, 2014, Caixa had subsidies receivable amounting to 733.006 million CVE (765.311 million CVE on December 31, 2013). Based on an external audit on the implementation of the subsidized loan system, the Directorate General for Treasury (DGT) questioned the eligibility of a number of operations. On March 24, 2015, the DGT informed Caixa that it will assume the debt relating to part of mortgage loan subsidies claimed between 2004 and 2008, amounting to 169.883 million CVE, and the total amount claimed between 2009 and 2012, amounting to 359.590 million CVE, although a payment plan has not yet been set up. In addition, the DGT considered the subsidies claimed between 2004 and 2008, amounting to 127.977 million CVE, to be ineligible, with Caixa setting aside this amount in the financial statements for FY 2014 against retained earnings and restating the financial statements for FY 2013 accordingly (Note 2.3). According to the same notification, the subsidies for 2013 and 2014, whose amount claimed totals 192.473 million CVE, will be confirmed and validated by being entered into the computer system for subsidized loans control and monitoring, with the Board of Directors believing that they will also be fully confirmed.

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On December 31, 2014 and 2013, auctioned goods correspond to property received as settlement and were as follows, according to the date of acquisition by Caixa:

| Acquisition year | 2014 | | | 2013 (Pro forma) | | |
|---------------------|----------------|-----------------|----------------|------------------|-----------------|----------------|
| | Gross value | Impairment | Net value | Gross value | Impairment | Net value |
| 2004 | 1.973 | (1.973) | - | 1.973 | (1.973) | - |
| 2007 | 958 | (958) | - | 3.189 | (3.189) | - |
| 2008 | 3.324 | (3.324) | - | 3.324 | (3.324) | - |
| 2009 | 400 | (400) | - | 5.750 | (4.312) | 1.438 |
| 2013 | 244.460 | - | 244.460 | 244.460 | - | 244.460 |
| 2014 | 679.899 | (6.609) | 673.290 | - | - | - |
| | <u>931.014</u> | <u>(13.264)</u> | <u>917.750</u> | <u>258.696</u> | <u>(12.798)</u> | <u>245.898</u> |

Through a settlement agreement entered into by and between Caixa and Tecnil on December 31, 2014, the latter gave Caixa three pieces of land, located in Achada Grande Trás, Santiago Island, as settlement to extinguish the entire bonded debt and loans granted by Caixa. On December 31, 2014, the book value and appraised value determined by independent appraisers amounted to 606.406 million CVE and 794.527 million CVE, respectively. As a result of this transaction, Caixa reversed impairment losses amounting to 138.5 million CVE, recognized approximately 69.6 million CVE as income for FY 2014 under "Interest on loans to customers," related to past due and arrears interest, and settled an unauthorized overdraft amounting to approximately 57.33 million CVE, which was used to charge interest on credit operations up to the settlement date.

In FY 2013, Caixa received the property called "Sabura Hotel," located in Santa Maria, Sal Island, as settlement, whose book value as at 31 December 2014 was 244.460 million CVE. The net amount of impairment losses on loans on the date of the settlement amounted to 199.731 million CVE. Following this transaction, Caixa recognized 42.268 million CVE, relating to recovery of interest written off from assets, as income for FY 2013, under "Interest on loans to customers - Recovery of canceled interest" (Note 20).

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 Directorate General 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 115.930 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.

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On December 31, 2014 and 2013, “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 loans are granted, addressing topics such as access conditions, procedures and responsibilities, importance of reimbursement, joint liability, and business management, etc... Loans are awarded only to joint-liability groups consisting of 3-5 people.

On December 31, 2014 and 2013, “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 breaks down as follows:

| | 2014 | 2013 |
|---------------------------------------|---------|-------------|
| | | (Pro forma) |
| Demand deposits: | | |
| By credit institutions in the country | 162.320 | 114.006 |
| Time deposits | | |
| By credit institutions in the country | 250.000 | 250.000 |
| Loans: | | |
| FMO Line of Credit | 496.193 | 551.325 |
| Other | - | 3.727 |
| | 496.193 | 555.052 |
| Interest: | | |
| On deposits | 12.855 | 12.875 |
| On loans | 7.697 | 11.473 |
| | 20.552 | 24.348 |
| | 929.065 | 943.406 |

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, Caixa had only used the first tranche, amounting to 551.325 million CVE. In July 2014, it settled the first tranche as set out in the repayment plan, amounting to 55.132 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.

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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 to rectify the situation.

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, 2014 and 2013, "Other administrative costs - FMO" referred to the amount of the penalty payable to the FMO for breaches of covenants, totaling 1.103 million CVE, and the amount of the penalty payable to the FMO for not fully using the loan obtained (Note 17), respectively.

On December 31, 2014, Caixa was in breach of "Open Assets Exposure Ratio" and "Cost to income ratio," and it is in negotiations with the FMO to review the funding's contractual covenants.

15. CUSTOMER FUNDS AND OTHER LOANS

This item breaks down as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014
(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | 2013 |
|--|------------|-------------|
| | | (Pro forma) |
| Savings deposits: | | |
| Individuals - passbooks | 5.399.094 | 5.026.522 |
| Sight deposits: | | |
| By residents | 14.054.183 | 12.593.987 |
| By emigrants | 652.187 | 663.753 |
| | 14.706.370 | 13.257.740 |
| Time deposits: | | |
| By residents | 12.386.409 | 11.445.129 |
| By emigrants | 11.574.689 | 10.598.358 |
| | 23.961.098 | 22.043.487 |
| Other funds: | | |
| Securities sold under repurchase agreements (Note 7) | 4.372.730 | 4.445.730 |
| Loans obtained by residents | 265.833 | 295.000 |
| Checks and money orders payable | 21.728 | (4.375) |
| | 4.660.291 | 4.736.355 |
| Interest: | | |
| On deposits | 548.137 | 518.139 |
| On securities sold under repurchase agreements | 53.767 | 54.990 |
| On loans obtained by residents | 4.448 | 4.832 |
| | 606.352 | 577.961 |
| Deferred expenses: | | |
| With loans obtained by non-residents | (10.819) | (13.419) |
| | 49.322.386 | 45.628.646 |

On December 31, 2014 and 2013, “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 loans to INPS workers for home ownership.

On December 31, 2014 and 2013, the balance of “Checks and money orders payable” included 21.805 million CVE and 13.085 million CVE, respectively, relating to transfers received via Western Union whose financial compensation only occurred in early 2015 and 2014.

16. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa’s provisions and impairment for the years ended December 31, 2014 and 2013 were as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | | | | Balances on 31-12-2014 | Loan recoveries |
|---|---------------------------|--------------------|----------|-------------|---------------------------|--------------------|
| | Balances on 31-12-2013 | Net allocations | Uses | Adjustments | | |
| <u>Impairment</u> | | | | | | |
| Impairment of loans to customers (Note 7) | 2.528.169 | 207.631 | (55.684) | (53.442) | 2.626.674 | (63.470) |
| Impairment of available for sale financial assets (Note 5) | 200 | - | - | - | 200 | - |
| Impairment of other assets (Note 13) | 38.271 | 9.038 | (6.242) | - | 41.067 | - |
| Provisions for tax contingencies (Note 12) | 49.568 | - | - | - | 49.568 | - |
| Other provisions | 5.513 | 3.769 | - | (3.769) | 9.282 | - |
| | 55.081 | 3.769 | - | (3.769) | 58.850 | - |
| | 2.621.721 | 220.438 | (61.926) | (57.211) | 2.723.022 | (63.470) |

| | 2013 (Pro forma) | | | | Balances on 31-12-2013 | Loan recoveries |
|---|---------------------------|--------------------|-----------|--|---------------------------|--------------------|
| | Balances on 31-12-2012 | Net allocations | Uses | | | |
| <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) |

In June 2014, a declarative judgment action was brought against Caixa and against the State of Cape Verde, under which the claimants claim property damage and personal injury totaling approximately 216 million CVE (161 million CVE in the form of loss of profits, 40 million CVE in the form of property damage, and 15 million CVE in the form of actual damages). Caixa and the State of Cape Verde presented their challenges, in July 2014, and the case is currently awaiting trial. Caixa did not record any provision for this contingency in its financial statements. The Board of Directors is convinced that the arguments will be accepted by the Court and that this situation will not have significant impacts on the financial statements.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014
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17. OTHER LIABILITIES

This item breaks down as follows:

| | 2014 | 2013 |
|---|----------------|----------------|
| | | (Pro forma) |
| <u>Funds</u> | | |
| Consigned funds - Micro-Credit Fund (Note 13) | 52.467 | 54.240 |
| General government sector – tax withholding at source | 30.396 | 28.213 |
| Other | 5.276 | 4.220 |
| <u>Staff costs:</u> | | |
| Vacation and vacation pay | 55.161 | 58.049 |
| Productivity award (Note 26) | 35.449 | 33.785 |
| Allowance for faults | 11.296 | 11.133 |
| <u>Other administrative costs:</u> | | |
| ATM charges | 11.604 | 9.442 |
| Water, gas and electricity | 7.075 | 7.975 |
| Communications | 3.800 | 2.312 |
| Fees payable - Western Union | 3.166 | 1.106 |
| FMO (Note 14) | 1.489 | 11.412 |
| Other | 54.037 | 51.447 |
| <u>Deferred income:</u> | | |
| Off-balance sheet transactions | 658 | 1.180 |
| Other adjustment accounts | 36.367 | 92.585 |
| | <u>308.241</u> | <u>367.099</u> |

On December 31, 2014 and 2013, “Other administrative expenses – Other” included 15.75 million CVE and 15.715 million CVE, respectively, relating to amounts payable to INPS as social security contributions for December, as well as and 8.448 million CVE and 8.266 million CVE, respectively, referring to employees’ income tax for December.

On December 31, 2014 and 2013, item “Other adjustment accounts” included 9.813 million CVE and 8.241 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.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

18. CAPITAL

On December 31, 2014 and 2013, 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, 2014 and 2013, Caixa's shareholder structure was as follows:

| Entity | 2014 | | 2013 (Pro forma) | |
|--|------------------|----------------|------------------|----------------|
| | Number of shares | % | Number of shares | % |
| National Social Security Institute | 448.932 | 32,2% | 447.958 | 32,2% |
| Geocapital, S.A. (shareholding management company) | 381.904 | 27,4% | 381.904 | 27,4% |
| Cape Verde's Postal Services | 210.749 | 15,1% | 210.749 | 15,1% |
| Impar - Insurance Company | 168.032 | 12,1% | 168.032 | 12,1% |
| Other subscribers and workers | 182.383 | 13,2% | 183.357 | 13,2% |
| | <u>1.392.000</u> | <u>100,00%</u> | <u>1.392.000</u> | <u>100,00%</u> |

19. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

On December 31, 2014 and 2013, the item Reserves and retained earnings was as follows:

| | 2014 | 2013 (Pro forma) |
|--------------------------------------|------------------|---------------------|
| Other reserves and retained earnings | | |
| . Legal reserves | 421.998 | 421.998 |
| . Other reserves | 1.822.586 | 1.822.586 |
| . Retained earnings | (99.197) | (305.039) |
| | <u>2.145.387</u> | <u>1.939.545</u> |
| Profit for the year | 230.132 | 205.842 |
| | <u>2.375.519</u> | <u>2.145.387</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 April 11, 2014, it was decided that dividends totaling 174 million CVE would be distributed, while 20.585 million CVE and 11.257 million CVE, respectively, would be incorporated into legal reserve and other reserves, subject to the opinion of Banco de Cabo Verde. In a letter dated May 23, 2014, Cape Verde's Central Bank asked the Board of Directors to submit a proposal for appropriation of profits that did not include distribution of dividends. In an Extraordinary General Meeting held on July 28, 2014, the Board of Directors informed the Shareholders of Banco de Cabo Verde's position, but they confirmed their April 11, 2014 ruling regarding the dividend payment in that amount. Nevertheless, taking into account the notification received from Banco de Cabo Verde, by

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

December 31, 2014, the Board of Directors had not made such distribution, nor had it made an accounting entry of the appropriation of profits decided upon by the General Meeting.

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.

20. INTEREST AND SIMILAR INCOME

This item breaks down as follows:

| | 2014 | 2013 |
|---|------------------|------------------|
| | | (Pro forma) |
| Interest on loans to customers | | |
| Domestic loans | 2.226.466 | 2.246.013 |
| Recovery of canceled interest | 246.839 | 336.251 |
| Interest on other loans and receivables (securitized) | | |
| Treasury Bonds | 380.383 | 325.061 |
| Other fixed income securities | 116.063 | 95.055 |
| Interest on investments at Banco de Cabo Verde | | |
| Time deposits | 13.468 | 23.734 |
| Monetary Intervention Bills | 2.217 | 9.392 |
| Monetary Regularization Bills | 955 | 3.345 |
| Interest on investments in credit institutions abroad | 1.515 | 744 |
| Other interest and similar income | 165 | 143 |
| Fees received relating to amortized cost | 113.449 | 92.659 |
| | <u>3.101.520</u> | <u>3.132.397</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 2014 and 2013, interest on Treasury Bonds placed on the secondary market amounted to 259.863 million CVE and 263.648 million CVE, respectively (Note 21).

21. INTEREST AND SIMILAR EXPENSES

This item breaks down as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | 2013 |
|---|------------------|------------------|
| | | (Pro forma) |
| Savings deposits | | |
| Passbooks | 82.512 | 42.011 |
| Demand deposits | | |
| Emigrants | 12.444 | 10.991 |
| Residents | 88 | 52 |
| Time deposits | | |
| Residents | 563.347 | 539.798 |
| Emigrants | 492.394 | 464.087 |
| Loans | | |
| Non-residents | 17.816 | 19.734 |
| Residents | 6.919 | 7.688 |
| Repurchase agreements | | |
| Treasury Bonds (Note 20) | 259.863 | 263.648 |
| Canceled Interest on loans to customers | | |
| Domestic loans | 41.254 | 21.624 |
| Other | 3.107 | 3.092 |
| | <u>1.479.744</u> | <u>1.372.725</u> |

22. INCOME AND COSTS WITH SERVICES AND FEES

This item breaks down as follows:

| | 2014 | 2013 |
|--|-----------------|-----------------|
| | | (Pro forma) |
| <u>Income from services and fees</u> | | |
| Fees on foreign currency transactions | 72.878 | 78.840 |
| Western Union fees | 42.850 | 49.300 |
| Account maintenance fees | 15.004 | 15.447 |
| VISA fees | 10.127 | 9.029 |
| Other banking services | 9.017 | 10.032 |
| Guarantees and sureties | 8.268 | 10.554 |
| Documentary credits | 637 | 313 |
| Other fees | 9.211 | 8.349 |
| | <u>167.992</u> | <u>181.864</u> |
| <u>Expenses with services and fees</u> | | |
| VISA fees | (12.434) | (12.226) |
| Fees on foreign currency transactions | (14.346) | (12.272) |
| Other fees and charges | (35.554) | (44.951) |
| | <u>(62.334)</u> | <u>(69.449)</u> |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

23. INCOME FROM FOREIGN CURRENCY REVALUATION

This item breaks down as follows:

| | 2014 | | | 2013 (Pro forma) | | |
|-------------------------------|----------------|------------------|---------------|------------------|------------------|---------------|
| | Profit | Loss | Net | Profit | Loss | Net |
| Income in foreign currency | 121.167 | (99.670) | 21.497 | 162.268 | (103.252) | 59.016 |
| Income in banknotes and coins | 127.129 | (66.624) | 60.505 | 138.220 | (123.564) | 14.656 |
| | <u>248.296</u> | <u>(166.294)</u> | <u>82.002</u> | <u>300.488</u> | <u>(226.816)</u> | <u>73.672</u> |

24. INCOME FROM SALE OF OTHER ASSETS

For the years ended December 31, 2014 and 2013, the balance of this item corresponded to gains on disposal of property received as settlement.

25. OTHER OPERATING INCOME

This item breaks down as follows:

| | 2014 | 2013 (Pro forma) |
|--------------------------------|-----------------|---------------------|
| <u>Other operating income:</u> | | |
| Provision of services: | | |
| Service charges | 25.675 | 24.067 |
| Credit Cards | 7.886 | 7.729 |
| Sale of checks and passbooks | 7.526 | 7.547 |
| Property lease (Note 8) | 140 | 110 |
| Other operating income | 6.600 | 4.557 |
| | <u>47.827</u> | <u>44.010</u> |
| <u>Other operating costs:</u> | | |
| Other taxes | (14.694) | (18.075) |
| Grants | (1.021) | (909) |
| Contributions | (1.798) | (627) |
| Other | - | (2.752) |
| | <u>(17.513)</u> | <u>(22.363)</u> |
| | <u>30.314</u> | <u>21.647</u> |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

26. STAFF COSTS

This item breaks down as follows:

| | 2014 | 2013 (Pro forma) |
|---|----------------|---------------------|
| Compensation of employees | 473.944 | 475.565 |
| Compensation of management and supervisory bodies | 23.990 | 24.768 |
| Social charges | | |
| Social security | 71.970 | 70.764 |
| Medical expenses | 5.258 | 5.189 |
| Other | 6.051 | 5.660 |
| Productivity bonuses | 35.449 | 2.798 |
| Other | 5.484 | 6.110 |
| | <u>622.146</u> | <u>590.854</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, 2014 and 2013, Caixa's workforce was as follows:

| | 2014 | 2013 |
|-------------------------------------|------------|------------|
| Executive directors | 3 | 3 |
| General Management and Coordination | 17 | 17 |
| Management and leadership | 40 | 40 |
| Workers | 125 | 108 |
| Administrative staff | 87 | 103 |
| Auxiliary staff | 49 | 50 |
| | <u>321</u> | <u>321</u> |

On December 31, 2014 and 2013, the figures above included 29 and 50 employees, respectively, with a fixed-term employment contract.

27. GENERAL ADMINISTRATIVE EXPENSES

This item breaks down as follows:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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| | 2014 | 2013 (Pro forma) |
|---|----------------|---------------------|
| Specialized services | 168.872 | 154.834 |
| ATM charges | 114.149 | 107.934 |
| Water, gas and electricity | 64.289 | 72.020 |
| Communications | 39.901 | 45.556 |
| Advertising | 51.233 | 37.143 |
| Maintenance and repairs | 25.174 | 25.172 |
| Travels, accommodation and representation | 31.258 | 20.737 |
| Consumables | 20.827 | 18.666 |
| Rents and leases | 16.816 | 16.235 |
| Insurance | 20.087 | 15.767 |
| Fuels | 9.583 | 10.170 |
| Transportation | 4.035 | 2.508 |
| Staff training costs | 2.473 | 2.405 |
| Computer equipment | 687 | 1.425 |
| Other | 5.388 | 3.596 |
| | <u>574.772</u> | <u>534.168</u> |

28. CONTINGENT LIABILITIES AND COMMITMENTS

On December 31, 2014 and 2013, the contingent liabilities associated with banking activities were recorded in off-balance sheet items and were as follows:

| | 2014 | 2013 (Pro forma) |
|-----------------------------------|-------------------|---------------------|
| Contingent liabilities | | |
| Guarantees and sureties | 289.322 | 403.130 |
| Documentary credits opened | 15.202 | - |
| | <u>304.524</u> | <u>403.130</u> |
| Deposit and custody of securities | 29.932.946 | 29.261.894 |
| | <u>30.237.470</u> | <u>29.665.024</u> |

On December 31, 2014 and 2013, “Deposit and custody of securities” included 18.328394 billion CVE and 18.909171 billion CVE, respectively, relating to securities deposited at Caixa by INPS.

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

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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 customers and others.

On December 31, 2014 and 2013, the information relating to Caixa’s operating segments can be summarized as follows:

| | 2014 | | |
|---|----------------------|---------------------|------------------|
| | Trading and Sales | Commercial Banks | Total |
| Interest and similar income | 490.016 | 2.611.504 | 3.101.520 |
| Interest and similar expenses | | (1.479.744) | (1.479.744) |
| NET INTEREST INCOME | 490.016 | 1.131.760 | 1.621.776 |
| Income from services and fees | - | 167.992 | 167.992 |
| Cost with services and fees | - | (62.334) | (62.334) |
| Income from foreign currency revaluation | - | 82.002 | 82.002 |
| Income from the sale of other assets | 11.172 | - | 11.172 |
| Other operating income | 30.314 | - | 30.314 |
| OPERATING INCOME | 531.502 | 1.319.420 | 1.850.922 |
| Provisions and impairment net of reversals and recoveries | - | - | (156.868) |
| | 531.502 | 1.319.420 | 1.694.054 |
| Other expenses and income | | | (1.440.417) |
| Net profit for year | | | 230.132 |
| Cash and Cash Equivalents at central banks | - | 11.337.246 | 11.337.246 |
| Cash equivalents at other credit institutions | - | 1.071.043 | 1.071.043 |
| Available for sale financial assets | 3.823 | - | 3.823 |
| Investments in Credit Institutions | 3.030.857 | 109.389 | 3.140.246 |
| Loans to Customers (gross balances) | 9.275.154 | 28.006.889 | 37.282.043 |
| Funds from other credit institutions | - | (929.065) | (929.065) |
| Customer funds and other loans | (265.833) | (49.056.553) | (49.322.386) |

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

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

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, 2014 and 2013, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | | | |
|---|------------------------|--------------|---------|------------|
| | State of Cape Verde | Shareholders | | Associates |
| | | INPS | IMPAR | |
| Assets: | | | | |
| Investments in credit institutions | 3.031.000 | - | - | - |
| Loans to customers | 7.657.501 | - | - | 174.753 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | 104.376 |
| Impairment | - | - | - | (43.742) |
| Other assets | 898.697 | - | - | - |
| Liabilities: | | | | |
| Funds from other credit institutions | - | - | 307.382 | 50.913 |
| Customer funds and other loans | - | 13.363.361 | - | - |
| Income: | | | | |
| Interest and similar income | 390.593 | - | - | - |
| Costs | | | | |
| Interest and similar expenses | - | 6.919 | 15.000 | - |

| | 2013 (Pro forma) | | | |
|---|------------------------|--------------|---------|------------|
| | State of Cape Verde | Shareholders | | Associates |
| | | INPS | IMPAR | |
| 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 | - |

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Management bodies

In 2014, the costs incurred relating to remuneration and other benefits granted to members of Caixa's Board of Directors totaled 23.99 million CVE (24.768 million CVE in FY 2013) (Note 26).

On December 31, 2014 and 2013, loans granted to the Board of Director members amounted to 14.75 million CVE and 14.364 million CVE, respectively.

31. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Policies 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-established parameters.

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

Foreign exchange risk

Foreign exchange risk is calculated on the institution's overall foreign-exchange position, which is determined as established in Banco de Cabo Verde's Notice No. 3/2000 and its technical instructions. Considering the legally binding agreement that establishes the parity between the 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, 2014 and 2013 the contractual residual maturities of financial instruments were as follows:

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| | 2014 | | | | | | 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 | 11.337.246 | - | - | - | - | - | 11.337.246 |
| Cash equivalents at other credit institutions | 1.071.043 | - | - | - | - | - | 1.071.043 |
| Investments in credit institutions | 2.918.000 | 114.164 | - | 108.225 | - | (143) | 3.140.246 |
| Loans to customers (gross balances) | 2.066.429 | 393.172 | 1.816.059 | 11.107.913 | 16.880.378 | 5.018.092 | 37.282.043 |
| | 17.392.718 | 507.336 | 1.816.059 | 11.216.138 | 16.880.378 | 5.017.949 | 52.830.578 |
| Liabilities: | | | | | | | |
| Funds from other credit institutions | (362.320) | - | (50.000) | (496.193) | - | (20.553) | (929.066) |
| Customer funds and other loans | (22.232.262) | (4.140.324) | (14.155.933) | (6.765.605) | (1.432.730) | (595.532) | (49.322.386) |
| | (22.594.582) | (4.140.324) | (14.205.933) | (7.261.798) | (1.432.730) | (616.085) | (50.251.452) |
| Differential | (5.201.864) | (3.632.988) | (12.389.874) | 3.954.340 | 15.447.648 | 4.401.864 | 2.579.126 |

| | 2013 (Pro forma) | | | | | | 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 other 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 |
| | 13.579.930 | 1.656.282 | 1.685.552 | 9.462.386 | 18.216.644 | 4.822.542 | 49.423.336 |
| 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) |
| | (20.613.669) | (2.743.090) | (15.323.358) | (3.107.742) | (4.204.055) | (580.138) | (46.572.052) |
| Differential | (7.033.739) | (1.086.808) | (13.637.806) | 6.354.644 | 14.012.589 | 4.242.404 | 2.851.284 |

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.

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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.

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

Maximum exposure to credit risk

On December 31, 2014 and 2013, Caixa's maximum exposure to credit risk was as follows:

| | 2014 | 2013 (Pro forma) |
|------------------------------------|--------------------------|--------------------------|
| Investments in credit institutions | 3.140.246 | 6.834.487 |
| Loans to customers | 34.655.369 | 33.707.352 |
| | <u>37.795.615</u> | <u>40.541.839</u> |
| Guarantees and sureties | 289.322 | 403.130 |
| Documentary credits open | 15.202 | - |
| | <u>304.524</u> | <u>403.130</u> |
| Maximum exposure | <u><u>38.100.139</u></u> | <u><u>40.944.969</u></u> |

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Quality of loans to customers

On December 31, 2014 and 2013, the gross book value of loans to customers, excluding "Other loans and receivables (securitized)," accrued interest or guarantees and documentary credit to companies, was as follows:

| | 2014 | | | |
|--|---------------------|-------------------------|-----------------------|------------|
| | Performing loans | Non-performing loans | Loans in "Default" | Total |
| Companies | | | | |
| Loans to companies | | | | |
| Falling Due | 6.581.558 | 55.321 | 2.084.854 | 8.721.733 |
| Overdue | 1.699 | 6.451 | 1.163.192 | 1.171.342 |
| | 6.583.257 | 61.772 | 3.248.046 | 9.893.075 |
| Guarantees and documentary credits to companies | | | | |
| Falling Due | 302.024 | - | - | 302.024 |
| Retail | | | | |
| Mortgage loans | | | | |
| Falling Due | 9.868.810 | 308.839 | 1.427.967 | 11.605.616 |
| Overdue | - | 2.483 | 199.542 | 202.025 |
| | 9.868.810 | 311.322 | 1.627.509 | 11.807.641 |
| Consumer loans | | | | |
| Falling Due | 3.984.555 | 78.256 | 239.857 | 4.302.668 |
| Overdue | 25 | 6.255 | 230.389 | 236.669 |
| | 3.984.580 | 84.511 | 470.246 | 4.539.337 |
| Other loans | | | | |
| Falling Due | 360.882 | 32.082 | 269.123 | 662.087 |
| Overdue | 8.996 | 2.611 | 63.518 | 75.125 |
| | 369.878 | 34.693 | 332.641 | 737.212 |
| Guarantees | | | | |
| Falling Due | 2.500 | - | - | 2.500 |
| Financial institutions | | | | |
| Falling Due | 170 | - | - | 170 |
| Public sector | | | | |
| Falling Due | 1.094.259 | - | - | 1.094.259 |
| Overdue | - | - | 15 | 15 |
| | 1.094.259 | - | 15 | 1.094.274 |
| Total loans falling due | 22.194.758 | 474.498 | 4.021.801 | 26.691.057 |
| Total overdue loans | 10.720 | 17.800 | 1.656.656 | 1.685.176 |
| Total loans | 22.205.478 | 492.298 | 5.678.457 | 28.376.233 |

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| | 2013 (Pro forma) | | | |
|--|---------------------|-------------------------|-----------------------|------------|
| | Performing loans | Non-performing loans | Loans in "Default" | Total |
| Companies | | | | |
| Loans to companies | | | | |
| Falling Due | 7.219.557 | 410.891 | 1.847.094 | 9.477.542 |
| Overdue | 4.863 | 10.114 | 917.337 | 932.314 |
| | 7.224.420 | 421.005 | 2.764.431 | 10.409.856 |
| Guarantees and documentary credits to companies | | | | |
| Falling Due | 394.295 | - | - | 394.295 |
| Retail | | | | |
| Mortgage loans | | | | |
| Falling Due | 9.542.670 | 470.454 | 1.212.414 | 11.225.538 |
| Overdue | 80 | 4.077 | 159.486 | 163.643 |
| | 9.542.750 | 474.531 | 1.371.900 | 11.389.181 |
| Consumer loans | | | | |
| Falling Due | 3.842.400 | 112.030 | 173.454 | 4.127.884 |
| Overdue | 1 | 10.642 | 188.326 | 198.969 |
| | 3.842.401 | 122.672 | 361.780 | 4.326.853 |
| Other loans | | | | |
| Falling Due | 385.728 | 11.727 | 379.469 | 776.924 |
| Overdue | 6.783 | 1.554 | 55.384 | 63.721 |
| | 392.511 | 13.281 | 434.853 | 840.645 |
| Guarantees | | | | |
| Falling Due | 8.835 | - | - | 8.835 |
| Financial institutions | | | | |
| Falling Due | 117 | - | - | 117 |
| Public sector | | | | |
| Falling Due | 1.003.277 | - | - | 1.003.277 |
| Overdue | - | - | 15 | 15 |
| | 1.003.277 | - | 15 | 1.003.292 |
| Total loans falling due | 22.396.879 | 1.005.102 | 3.612.431 | 27.014.412 |
| Total overdue loans | 11.727 | 26.387 | 1.320.548 | 1.358.662 |
| Total loans | 22.408.606 | 1.031.489 | 4.932.979 | 28.373.074 |

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

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

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

On December 31, 2014 and 2013, loans that were assigned specific impairment through individual assessment totaled 5.604719 billion CVE and 3.953318 billion CVE, respectively, with impairment amounting to 1.148468 billion CVE and 1.247607 billion CVE, respectively. As described in Note 2.2. d), loans subject to individual assessment for which no specific impairment was assigned were included in a collective assessment.

In order to comply with Circular No. 150, Series A, of December 28, 2009, issued by Cape Verde’s Central Bank, on December 31, 2014 and 2013, credit quality indicators were presented as follows:

| | 2014 | 2013 |
|--|-------|-------------|
| | | (Pro forma) |
| Loans in default / total loans | 7,63% | 7,21% |
| Net loans in default / net total loans | 0,60% | 0,24% |

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, 2014 and 2013.

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(Amounts in thousand Cape Verde Escudos - tCVE)

| | 2014 | | | | |
|---|-------------------|-------------------|--------------------|------------------|-------------------|
| | Analyzed balances | | | Non-analyzed | Total |
| | | | | balances | |
| | Book value | Fair value | Difference | Book value | |
| Assets: | | | | | |
| Cash and cash equivalents at Central Banks | 11.337.246 | 11.337.246 | - | - | 11.337.246 |
| Cash equivalents at other credit institutions | 1.071.043 | 1.071.043 | - | - | 1.071.043 |
| Available for sale financial assets | 3.823 | 3.823 | - | - | 3.823 |
| Investments in credit institutions | 3.140.246 | 3.140.246 | - | - | 3.140.246 |
| Loans to customers | 32.247.291 | 29.865.298 | (2.381.993) | 5.034.752 | 37.282.043 |
| | <u>47.799.649</u> | <u>45.417.656</u> | <u>(2.381.993)</u> | <u>5.034.752</u> | <u>52.834.401</u> |
| Liabilities: | | | | | |
| Funds from other credit institutions | 929.065 | 572.351 | (356.714) | - | 929.065 |
| Customer funds and other loans | 49.322.386 | 49.658.223 | 335.837 | - | 49.322.386 |
| | <u>50.251.451</u> | <u>50.230.574</u> | <u>(20.877)</u> | <u>-</u> | <u>50.251.451</u> |

| | 2013 (Pro forma) | | | | |
|---|-------------------|-------------------|--------------------|------------------|-------------------|
| | Analyzed balances | | | Non-analyzed | Total |
| | | | | balances | |
| | Book value | Fair value | Difference | 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> |

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:

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- 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 balances” includes mainly overdue loans net of impairment.

Sensitivity analysis - Interest rate

On December 31, 2014 and 2013, 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:

| | 2014 | | | | | |
|--------------------------------------|---------|---------|--------|-----------|-----------|-----------|
| | -200 bp | -100 bp | -50 bp | +50 bp | +100 bp | +200 bp |
| Loans to customers (gross balance) | 690.456 | 338.068 | 47.506 | (135.600) | (280.480) | (552.852) |
| Total sensitive assets | 690.456 | 338.068 | 47.506 | (135.600) | (280.480) | (552.852) |
| Funds from other credit institutions | 22.049 | 19.033 | 17.612 | 14.939 | 13.684 | 11.329 |
| Total sensitive liabilities | 22.049 | 19.033 | 17.612 | 14.939 | 13.684 | 11.329 |
| Total Gains / (Losses) | 668.407 | 319.035 | 29.894 | (150.539) | (294.164) | (564.181) |

| | 2013 (Pro forma) | | | | | |
|--|------------------|---------|--------|-----------|-----------|-----------|
| | -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 | 333.578 | 161.466 | 74.774 | (108.074) | (204.546) | (408.457) |
| Fur Funds from other credit institutions | 58.090 | 50.822 | 47.341 | 40.674 | 37.481 | 31.366 |
| Tot Total sensitive liabilities | 58.090 | 50.822 | 47.341 | 40.674 | 37.481 | 31.366 |
| Tot Total Gains / (Losses) | 275.488 | 110.644 | 27.433 | (148.748) | (242.027) | (439.823) |

The following table presents the effect, on the projected net interest income for FY 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 2014 | (34.200) | (17.100) | (8.550) | 8.550 | 17.100 | 34.200 |
| FY 2013 | (38.825) | (19.412) | (9.706) | 9.706 | 19.412 | 38.825 |

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In calculating the impacts presented in the table above, it was considered that the assets and liabilities that were sensitive to interest rate on the date of the calculation would remain stable over FY 2014 and 2013, respectively, being renewed where applicable, taking into consideration the market conditions on those renewal dates and the average spread of outstanding operations on December 31, 2014 and 2013. Such impacts correspond exclusively to corporate bonds held by Caixa.

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

On December 31, 2014 and 2013, loans to customers, totaling 27.690373 billion CVE and 28.288584 billion CVE, respectively, were mainly granted at a fixed rate

Foreign exchange riskBreakdown of financial instruments by currency

On December 31, 2014 and 2013, financial instruments were broken down as follows, by currency:

| | 2014 | | | | |
|--|----------------------|--------------------|------------------|------------------|---------------------|
| | Currency | | | | Total |
| | Cape Verde Escudo | Euro | US Dollar | Other | |
| Assets: | | | | | |
| Cash and cash equivalents at Central Banks | 9.339.691 | 1.687.463 | 205.873 | 104.219 | 11.337.246 |
| Cash equivalents at other credit institutions | 24.125 | 463.751 | 409.724 | 173.443 | 1.071.043 |
| Available for sale financial assets (net balance) | - | 3.823 | - | - | 3.823 |
| Investments in credit institutions | 3.030.857 | 109.389 | - | - | 3.140.246 |
| Loans to customers (gross) | 37.282.040 | 2 | 1 | - | 37.282.043 |
| Investments in subsidiaries, associates and joint ventures | 104.376 | - | - | - | 104.376 |
| Other assets (net balance) | 1.215.902 | 374.780 | 179.136 | 48 | 1.769.866 |
| | <u>50.996.991</u> | <u>2.639.208</u> | <u>794.734</u> | <u>277.710</u> | <u>54.708.643</u> |
| Liabilities: | | | | | |
| Funds from other credit institutions | (415.137) | (501.458) | (12.470) | - | (929.065) |
| Customer funds and other loans | (48.826.195) | (496.191) | - | - | (49.322.386) |
| Other liabilities | 1.885.835 | (1.703.897) | (213.184) | (276.993) | (308.239) |
| | <u>(47.355.497)</u> | <u>(2.701.546)</u> | <u>(225.654)</u> | <u>(276.993)</u> | <u>(50.559.690)</u> |
| Net exposure | <u>3.641.494</u> | <u>(62.338)</u> | <u>569.080</u> | <u>717</u> | <u>4.148.953</u> |

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| | 2013 (Pro forma) | | | | |
|--|----------------------|--------------------|--------------------|------------------|---------------------|
| | Currency | | | | Total |
| | Cape Verde Escudo | Euro | US Dollar | Other | |
| 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) | 598.337 | 71.619 | 378.968 | 62 | 1.048.986 |
| | <u>46.667.124</u> | <u>2.579.556</u> | <u>1.028.021</u> | <u>327.082</u> | <u>50.601.783</u> |
| 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) |
| | <u>(42.353.620)</u> | <u>(3.230.431)</u> | <u>(1.028.020)</u> | <u>(327.080)</u> | <u>(46.939.151)</u> |
| Net exposure | <u>4.313.504</u> | <u>(650.875)</u> | <u>1</u> | <u>2</u> | <u>3.662.632</u> |

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 is divided into two categories:

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

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

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

On December 31, 2014 and 2013, Caixa Económica de Cabo Verde complied with the regulatory requirements, as follows:

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| | <u>Equity</u> | <u>Solvency Ratio</u> | <u>Fixed Asset Limit</u> |
|------|---------------|---------------------------|------------------------------|
| 2014 | 3.700.219 | 15,19% | 161,12% |
| 2013 | 3.538.158 | 14,21% | 144,27% |