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CAIXA ECONÓMICA DE CABO VERDE, S.A.

Financial Statements at December 31, 2016, and accompanying Audit Report

Audit Report

REPORT ON FINANCIAL STATEMENT AUDIT

Qualified opinion

We have audited the accompanying financial statements of Caixa Económica de Cabo Verde ("Caixa"), which comprise the balance sheet as at December 31, 2016, totaling 62.240792 billion Cape Verde escudos (CVE), and 3.714607 billion CVE in total shareholder's equity, including a net profit of 202.73 million CVE, profit and loss accounts, income statement and statement of other comprehensive income, statement of changes in equity and cash flow statement for the year ended at that date, and the corresponding notes, which include a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters referred to in the "Basis for qualified opinion" section, the accompanying financial statements present fairly and appropriately, in all material respects, the financial position of Caixa Económica de Cabo Verde as at December 31, 2016, its financial performance and cash flows for the year then ended, in accordance with the accounting principles generally accepted for the banking sector in Cape Verde.

Basis for qualified opinion

1. As described in Note 13, as at December 31, 2016, Caixa has an amount of 904.385 million CVE (December 31, 2015: 820.346 million CVE) receivable from the Directorate General for the Treasury (DGT), under the subsidized loan system, for the years 2004 to 2016.

   During fiscal year (FY) 2016, the DGT recognized payments from 2004 to 2012, totaling 520.931 million CVE. With regard to payments between 2013 and 2016, they will have to be confirmed and validated by the DGT after their inclusion in the computerized system for controlling and monitoring subsidized loans.

   According to information from the Board of Directors, the negotiations with the DGT will continue, with a view to establishing a form of payment for these balances, which may imply the recognition of a loss due to the financial effect. Therefore, it is not possible to conclude on the value of subsidy balances receivable as at December 31, 2016.

2. In the context of overdue loans recovery, Caixa receives as payment in kind properties at different stages of construction and/or state of repair, as well as land for construction or with potential for that purpose. The assessment value of such properties is determined by appraisers certified by Banco de Cabo Verde, based on the construction cost, or their potential for construction, although there is no approved study or plan that demonstrates this or evidence of their current state.

   Therefore, considering the above with respect to the nature and state of the properties, the assumptions considered in their valuation and the lack of concrete prospects regarding their sale, we are not able to express an opinion on the net impairment value of the assets

   received as payment in kind and recorded in Caixa's accounts, which, as at 31 December 2016, amounted to 1.188714 billion CVE.

3. Caixa's loan portfolio as at December 31, 2016 includes a number of loans granted which show evidence of impairment as defined in Note 2.2 (d), 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, Caixa did not get assessment reports prepared by independent appraisers and, for other loans, there currently is no evidence to confirm Caixa's expectations regarding favorable developments in borrowers' financial situation.

The customer loan portfolio includes 6.304877 billion CVE from customers analyzed on an individual basis whose impairment as at December 31, 2016 totaled 1.617064 billion CVE, in which, in view of the foregoing, we are not able to express an opinion on the amount of impairment losses recognized.

4. In previous years, Caixa, in conjunction with an external consultant, developed a model for determining collective impairment, which has undergone improvements, namely in terms of methodology, governance model and procedures for calculating risk factors. Nevertheless, there are still some inconsistencies regarding the classification of transactions, identification and calculation of impairment losses on restructured loans, including capitalization of interest written off assets and debt consolidation. Caixa's Board of Directors intends to continue to implement a number of measures to improve the collective impairment model, with a view to resolving these issues during FY 2017.

   The customer loan portfolio includes 25.228885 billion CVE from customers analyzed on a collective basis whose impairment as at December 31, 2016 amounted to 1.21889 billion CVE, on which, in view of the foregoing, we are not able to express an opinion on the amount of impairment losses recognized.

5. Under certain conditions, Caixa offers its customers a microcredit product. Considering its particular characteristics, Caixa recognized 59.789 million CVE (December 31, 2015: 52.044 million CVE) in its financial statements, under "Other Assets" and "Other liabilities." However, the Board believes that most of the risks and benefits inherent in this type of credit belong to Caixa, so it should recognize the assets, liabilities, retained earnings, costs and income in accordance with the International Financial Reporting Standards. At the time of our opinion, Caixa does not have information to change the accounting classification of such contracts, so we are not able to conclude on the impact of this change on the financial statements for the year ended December 31, 2016.

Our audit was conducted in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are described in the "Auditor's Responsibilities for the Financial Statement Audit" section below.

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

Key audit matters

Key audit matters are those that, in our professional judgment, played a greater role in auditing the financial statements of the current year. These matters were considered in the context of the financial statement audit as a whole and in forming our opinion, and we do not express a separate opinion on these matters.

Apart from the matters referred to in the "Basis for qualified opinion" section, no other key matters were considered within the scope of our audit.

Responsibilities of the management body and supervisory body for the financial statements

The management body is responsible for:

- preparing financial statements that present a true and fair view of Caixa's financial position, financial performance and cash flows, in accordance with generally accepted accounting principles for the banking sector in Cape Verde;
- drawing up the Management Report, under the legal and regulatory terms;
- establishing and maintaining an appropriate internal control system to enable the preparation of financial statements free of material misstatement due to fraud or error;
- adopting accounting policies and criteria that are appropriate to the circumstances; and
- evaluating Caixa's ability to remain in business, disclosing, when applicable, matters that may give rise to significant doubts about the ability to remain in business.

The supervisory body is responsible for overseeing the preparation and disclosure of Caixa's financial information.

Auditor's responsibilities for the financial statement audit

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion. Reasonable assurance is a high level of assurance but it is no guarantee that an audit conducted under ISA will always detect material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, alone or together, they can reasonably be expected to influence user's economic decisions made on the basis of those financial statements.

As part of an ISA audit, we make professional judgments and maintain professional skepticism during the audit, and also:

- we identify and evaluate the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures that address such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping with internal control;
- we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of Caixa's internal control;
- we evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management body;
- we draw conclusions on the appropriation of the management body's use of the continuity assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubts about Caixa's ability to remain in business. If we conclude that there is material uncertainty, we must draw attention, in our report, to the related disclosures included in the financial statements or, if these disclosures are not appropriate, modify our opinion. Our conclusions are based on audit evidence obtained as at the date of our report. However, future events or conditions may cause Caixa to discontinue its activities;
- we evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether these financial statements represent the underlying transactions and events, in order to achieve an appropriate presentation;
- we communicate with those in charge of governance, among other matters, about the scope and planned timetable of the audit, and the significant conclusions of the audit, including any significant deficiencies in internal control identified during the audit; and
- of the matters that we communicate to those in charge of governance, we determine the most important ones in the financial statement audit for the current year, which are the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure.

Lisbon, April 13, 2017

Ernst & Young Audit & Associates – SROC, S.A.
Society of Chartered Accountants no. 178
Represented by:

António Filipe Dias da Fonseca Brás (ROC no. 16610)

(Amounts in thousand Cape Verde Escudos – tCVE.)

Balance Sheet on December 31, 2016 and 2015

	Notes	12.31.2016	12.31.2015
Assets			
Cash and cash equivalents at Central Banks	5	9.588.790	9.966.863
Cash equivalents at other credit institutions	6	1.299.522	1.492.077
Available for sale financial assets	7	3.823	3.823
Investments in credit institutions	8	6.140.458	1.957.863
Loans to customers	9	40.733.963	38.999.011
Investment properties	10	5.188	5.225
Other tangible assets	11	2.044.471	2.090.104
Intangible assets	12	12.717	12.137
Investments in subsidiaries, associates and joint ventures	13	79.078	74.203
Current tax assets	14	22.921	60.631
Deferred tax assets	14	14.848	-
Other assets	15	2.295.014	2.261.901
		62.240.792	**56.923.838**
Liabilities			
Funds from other credit institutions	16	486.736	454.494
Customer funds and other loans	17	57.615.507	51.770.084
Provisions	18	66.351	79.331
Current tax liabilities	14	12.106	59.612
Other liabilities	19	345.485	534.473
		58.526.185	**52.897.994**
Shareholders' Equity			
Capital	20	1.392.000	1.392.000
Other reserves and retained earnings	21	2.119.876	2.208.479
Income for the year	21	202.730	425.365
Total Shareholders' Equity		**3.714.607**	**4.025.844**
Total Liabilities and Shareholders' Equity		**62.240.792**	**56.923.838**

The accompanying Notes are an integral part of these Balance Sheets

(Amounts in thousand Cape Verde Escudos – tCVE.)

Income Statement for the years ended December 31, 2016 and 2015

	Notes	12.31.2016	12.31.2015
Interest and similar income	22	3.381.235	3.354.537
Interest and similar expenses	23	(1.693.421)	(1.589.125)
Net Interest Income		**1.687.615**	**1.765.411**
Income from services and fees	24	184.728	173.691
Costs of services and fees	24	(65.510)	(80.883)
Income from foreign currency revaluations	25	68.934	101.175
Income from the sale of other assets		3.043	2.275
Other operating income	27	141.487	34.223
Operating income		**2.020.497**	**1.995.892**
Staff costs	28	(736.330)	(650.981)
General and administrative expenses	29	(542.982)	(534.850)
Depreciation for the year	11	(223.560)	(226.528)
Provisions net of recoveries and cancellations		(13.904)	(30.212)
Impairment of other financial assets net of reversals and recoveries		(286.554)	14.153
Impairment of other assets net of reversals and recoveries		(17.198)	(11.558)
Income from associates		7.450	(11.977)
Income before taxes		**207.418**	**543.939**
Current taxes	14	(19.535)	(98.402)
Deferred taxes	14	14.848	(20.172)
Net income for the year		**202.730**	**425.365**
Earnings per share		*0,15*	*0, 31*

The accompanying Notes are an integral part of these Balance Sheets

(Amounts in thousand Cape Verde Escudos – tCVE.)

Cash Flow Statement
for the years ended December 31, 2016 and 2015

	Note	12.31.2016	12.31.2015
Cash flows from operating activities			
Receipt of interest and fees		3.565.963	3.528.228
Payment of interest and fees		(1.758.931)	(1.670.008)
Other receipts / (payments) relating to operating activities		210.421	135.398
Payments to employees and suppliers		(1.279.312)	(1.185.831)
Payments of income taxes		(31.179)	(38.835)
Operating income before changes in operating assets		706.962	768.952
(Increases) decreases in operating assets:			
Investments in credit institutions		(4.182.595)	1.182.383
Loans and advances to customers		(1.752.149)	(4.679.602)
Other assets		(460.330)	(67.753)
		(6.395.073)	(3.564.972)
Increases (decreases) in operating liabilities:			
Funds from Central Banks and other credit institutions		32.242	(474.571)
Customer funds		5.845.423	2.447.698
Other liabilities		(581.330)	131.440
		5.296.334	2.104.567
Net cash from operating activities		(391.777)	(691.453)
Cash flows from investing activities			
(Increases) decreases in investment assets:			
Investments in subsidiaries, associates and joint ventures		(4.875)	-
Dividends from associates and joint ventures		7.450	-
Intangible assets		(12.693)	(93.131)
Other tangible assets		(32.572)	-
Revenue from sale of tangible assets		3.043	2.275
Net cash from investing activities		(39.647)	(90.856)
Cash flows from financing activities			
Capital increase		-	-
Distributed Dividends		(139.205)	(167.040)
Net cash from financing activities		(139.205)	(167.040)
Net increase (decrease) in cash and cash equivalents		(570.629)	(949.349)
Cash and cash equivalents at beginning of year		11.458.940	12.408.289
Cash and cash equivalents at end of year		10.888.311	11.458.940

The accompanying Notes are an integral part of these Balance Sheets

(Amounts in thousand Cape Verde Escudos – tCVE.)

Statement of Changes in Shareholders' Equity
for the years ended December 31, 2016 and 2015

	Capital	Legal Reserves	Other Reserves	Retained Earnings	Income for the Year	Total Shareholders' Equity
Balances on January 1, 2015	**1.392.000**	**421.998**	**1.822.586**	**(99.197)**	**230.132**	**3.767.519**
Investment of income from 2013		20.585	185.257	(205.842)	-	-
Investment of income from 2014: Transfer to reserves and retained earnings		23.013	40.079	-	(63.092)	-
Dividend distribution		-	-	-	(167.040)	(167.040)
Comprehensive income		-	-	-	425.365	425.365
Balances on December 31, 2015	**1.392.000**	**465.596**	**2.047.922**	**(305.039)**	**425.365**	**4.025.844**
Distribution of profit for 2015 Transfer to reserves and retained earnings		42.537	243.628	-	(286.165)	-
Dividend distribution		-	-	-	(139.200)	(139.200)
Impairment Assets Acquired in Credit Recovery (note 15)				(374.768)		(374.768)
Comprehensive income		-	-	-	202.730	202.730
Balances on December 31, 2016	**1.392.000**	**508.133**	**2.291.551**	**(679.808)**	**202.730**	**3.714.607**

The accompanying Notes are an integral part of these Balance Sheets

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, dated 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, dated 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 businesspeople 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, 2016 were approved by the Board of Directors on March 6, 2017, 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, dated 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.

In fiscal years 2016 and 2015, the exchange rate of the Cape Verde Escudo against the Euro was fixed at 1 Euro/110.265 Cape Verde Escudos. On December 31, 2016 and 2015, the exchange rate against the U.S. dollar (USD) was 105.633 and 101.067, respectively.

c) 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 upon initial recognition financial assets were classified under the following categories defined in IAS 39:

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 helps to calculate the amortized cost and allocate 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, helps to match its present value to the financial instrument's value on the date of initial recognition.

Overdue loans and cancellations of principal and interest

Interest on loans are canceled on the operation's due date or the date of the first installment in arrears. Unrecorded interest on the loans referred to above is only recognized in the fiscal year it is charged, except in exceptional circumstances if there is concrete evidence of its receipt, being recorded under "Interest and similar income."

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

Caixa periodically writes off loans considered uncollectible 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 written off are recognized in the income statement under "Other operating income," and in 2015 they were recorded under "Loan impairment net of reversals and recoveries."

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, 2016 and 2015, available for sale assets represent non-listed assets whose fair value could not be reliably measured, so Caixa kept these assets at historical cost, net of impairment.

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

Loans and accounts receivables

Caixa periodically conducts impairment tests on its financial assets 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 available assets 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;
- 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 established the following segments for its loan portfolio:

- Corporate loans
- 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.

Repurchases

Securities sold with a repurchase agreement for a fixed price or at a price that equals the sale price plus interest inherent to the term of the transaction are not derecognized from the Balance Sheet.

The corresponding liability is recorded in amounts payable.

The difference between the value of the income and the repurchase amount is treated as interest and is deferred over the life of the agreement, using the effective interest method.

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."

(Amounts in thousand Cape Verde Escudos – tCVE.)

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 and 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:

	Purchased by 2015	Purchased after 2015
Property for own use	50	33-60
Equipment:		
Office furniture and equipment	8	8
Machinery and Tools	5-6	5
Computer equipment	5	3-5
Indoor installations	4-5	5-8
Transportation equipment	5-6	7
Security equipment	5-12	5-10
Other equipment	6	8

Land is not depreciated.

Expenditure on construction 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

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.

These assets are subject to periodic impairment tests. Impairment losses are recorded in the income statement under "Impairment of other assets net of reversals and recoveries."

k) Profit tax

Caixa was subject to Corporate Income Tax 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.

Notwithstanding, 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.

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.

Income taxes (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.

Provisions for other risks are intended to cover tax contingencies and others resulting from Caixa's activities.

m) Employee benefits

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

Short-term benefits, including productivity bonuses paid to employees for their performance, are reflected in "Staff costs" in the period to which they relate, in accordance with 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. They are recorded under "Interest and similar income – Fees received in connection with amortized cost".

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

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.”

3. 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 done 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 helps to adequately reflect the risk associated with its loan portfolio, taking into account the rules established by IAS 39.

Determining profit taxes

Profit taxes (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.

As mentioned in Note 14, on December 31, 2016 there are unprovisioned contingencies related to corrections made by the Tax Authorities to previous years' taxable profits, given that Caixa believes that the procedures it adopted are in accordance with the legal and fiscal framework in force in Cape Verde.

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.

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

4.1 Voluntary changes in accounting policies

With the exception of that mentioned in Note 1, there were no voluntary changes in accounting policies during the year, in the light of those considered when preparing the financial information related to the previous year that was presented in the comparisons.

4.2 New standards and interpretations applicable to the year

There was no significant effect on the accounting policies and disclosures adopted by Caixa as a result of the European Union's endorsement of various issues, revisions, changes and improvements in standards and interpretations effective as of January 1, 2016.

4.3 New standards and interpretations already issued, but not yet mandatory

The standards and interpretations recently issued by the IASB whose application is mandatory only in periods beginning after January 1, 2017 or later, and which Caixa did not adopt in advance, are analyzed below.

The application of these standards and interpretations are not expected to have material impacts on Caixa's financial statements.

4.3.1. Already endorsed by the EU

a) IFRS 9 Financial instruments (issued on July 24, 2014): This standard was finally completed on July 24, 2014, and it is summarized, by topic, as follows:

(i) Classification and measurement of financial assets

- All financial assets are measured at fair value on the date of initial recognition, adjusted for transaction costs if the instruments are not accounted for at fair value through profit or loss (FVTPL).
- Debt instruments are subsequently measured based on their contractual cash flows and the business model in which such instruments are held. If a debt instrument has contractual cash flows that are only principal and interest payments on the outstanding principal and it is held within a business model with the aim of holding assets to collect contractual cash flows, then the instrument is recorded at amortized cost. If a debt instrument has contractual cash flows that are exclusively the payments of principal and interest on the capital owed and it is held in a business model whose purpose is to collect contractual cash flows and sell financial assets, then the instrument is measured at fair value through profit or loss (FVTPL) and subsequently reclassified to profit.
- All other debt instruments are subsequently accounted for at FVTPL. In addition, there is an option that allows financial assets to be designated as FVTPL at the initial recognition, if this eliminates or significantly reduces significant accounting derecognition in profit for the year.
- Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option, on an instrument to instrument basis, to present the changes in fair value of non-commercial instruments in the statement of comprehensive income (without subsequent reclassification to profit for the year).

(ii) Classification and measurement of financial liabilities

- For financial liabilities designated as FVTPL using the fair value option, the amount of the change in the fair value of these financial liabilities that is attributable to changes in credit risk must be presented in the statement of comprehensive income. The remainder of the change in fair value shall be presented in profit, unless the presentation of the change in fair value relating to the liability's credit risk in the statement of comprehensive income will create or increase an accounting derecognition in profit for the year.
- All other IAS 39 requirements for classifying and measuring financial liabilities were carried forward to IFRS 9, including rules for separating embedded derivatives and the criteria for using the fair value option.

(iii) Impairment

- Impairment requirements are based on an expected credit loss (ECL) model, which replaces the IAS 39 incurred-loss model.
- The ECL model applies to: (i) debt instruments accounted for at amortized cost or at fair value through comprehensive income, (ii) the majority of loan commitments, (iii) financial guarantee contracts, (iv) contractual assets under IFRS 15, and (v) accounts receivable from leases under IAS 17 - Leases.
- Entities are generally required to recognize 12-month or lifetime ECLs, depending on whether there was a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For accounts receivable from customers without a significant financing component, and depending on an entity's accounting policy choice for other customer loans and accounts receivables from leases, a simplified approach may be applied in which the lifetime ECLs are always recognized.
- The measurement of ECLs should reflect the weighted probability of the profit, the effect of the time value of money, and be based on reasonable and supportable information that is available without undue cost or effort.

(iv) Hedge accounting

- Hedge effectiveness tests should be sequential and may be qualitative, depending on the complexity of the hedge.
- A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.
- The time value of an option, the forward element of a forward contract and any foreign currency base spread may be excluded from the designation as hedging instruments and be accounted for as hedging costs.
- Larger sets of items may be designated as hedged items, including tier designations and some net positions.

The standard is applicable for years beginning on or after January 1, 2018. Early application is permitted provided it is properly disclosed. The application varies according to the requirements of the standard, being partially retrospective and partially prospective.

b) IFRS 15 Revenue from contracts with customers (issued on May 28, 2014):

This standard applies to all revenue from contracts with customers, replacing the following existing standards and interpretations: IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenues - Barter Transactions Involving Advertising Services). It also provides a model for recognizing and measuring sales of some non-financial assets, including disposals of property, equipment and intangible assets. The principles of this standard should be applied in five steps: (i) identify the contract with the customer, (ii) identify the performance obligations of the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance of the contract, and (iv) recognize the income when the entity meets a performance obligation. This standard also specifies how to account for incremental costs in obtaining a contract and costs directly related to the performance of a contract. The interpretation is applicable for years beginning on or after January 1, 2017. Early application is permitted provided it is properly disclosed. The application is retrospective.

4.3.2. Not yet endorsed by the EU

a) IFRS 14 Regulatory Deferral Accounts (issued on January 30, 2014): This standard allows an entity, whose activities are subject to regulated rates, to continue to apply most of its accounting policies of the previous accounting standards relating to regulatory deferral accounts when adopting IFRSs for the first time. The interpretation is applicable for years beginning on or after January 1, 2016. Early application is permitted provided it is properly disclosed. The application is retrospective. The European

Union (EU) decided not to endorse this intermediate standard and wait for the final standard.

b) IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with some exceptions. A lease is defined as a contract, or part of a contract, that transfers the right to use a good (the underlying asset) for a period of time in exchange for a value.

IFRS 16 requires lessees to account for all leases based on a single model of recognition in the balance sheet (on-balance model), similarly to the way IAS 17 treats finance leases. The standard recognizes two exceptions to this model: (1) low-value leases (e.g. personal computers) and short-term leases (i.e., with a less than 12 month lease term). At the start date of the lease, the lessee will recognize the liability related to the lease payments (i.e. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e. Right-of-use or ROU).

The lessees will have to separately recognize the cost of interest on the lease liability and the depreciation of the ROU.

The lessees should also remeasure the lease liability on the occurrence of certain events (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). The lessee will recognize the amount of remeasurement of the lease liability as an adjustment in the ROU.

The lessee's accounting remains substantially unchanged from the current treatment under IAS 17. The lessor still classifies all leases using the same IAS 17 principles and distinguishing between two types of leases: operating and finance leases.

The standard should be applied for years beginning on or after January 1, 2019. Early application is permitted provided that IFRS 15 is also applied. The application is retrospective and entities may choose whether to apply the “full retrospective approach" or "modified retrospective approach."

c) IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments issued on September 11, 2014):

The amendments seek to resolve the conflict between IFRS 10 and IAS 28 when there is loss of control of a subsidiary that is sold or transferred to an associate or joint venture. The amendments to IAS 28 introduce different recognition criteria for the effects of the sale or contribution of assets by between an investor (including its consolidated subsidiaries) and its associate or joint venture, depending on whether or not the transactions involve assets that constitute a business as set out in IFRS 3 - Business Combinations. When transactions constitute a business combination as required, the gain or loss must be recognized, in full, in the investor's income statement for the year. However, if the transferred asset is not a business, the gain or loss shall continue to be recognized only to the extent that it relates to other (unrelated) investors. The amendments are applicable for years beginning on or after January 1, 2016. Early application is permitted provided it is properly disclosed. The application is prospective.

d) IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – amendments to IAS 12

The IASB issued amendments to IAS 12 to clarify the accounting of deferred tax assets on unrealized losses on debt instruments measured at fair value.

The amendments clarify that an entity should consider whether the country's tax rules restrict the sources of taxable income against which deductions can be made upon the reversal of a deductible temporary difference. In addition, the amendments provide guidance on how an entity should determine its future taxable income and explain the circumstances in which such taxable income may include the recovery of certain assets for a value greater than its book value.

The amendments are applicable for annual periods beginning on or after January 1, 2017. However, in the initial application of these amendments, the change in initial equity for the earliest comparative period presented can be recognized in the initial retained earnings for the comparative period (or in another equity component, as appropriate), without allocating this change between the initial retained earnings and other equity components. Entities applying this option shall disclose it. Early application is permitted provided it is properly disclosed.

e) IAS 7 Disclosure Initiative: amendments to IAS 7
The amendments to IAS 7 are part of IASB's Disclosure Initiative project and assist the users of financial statements to better understand the entity's debt changes. The amendments require an entity to disclose changes in its liabilities related to financing activities, including changes in cash flows and non-cash flows (such as unrealized exchange gains and losses).
The amendments are applicable for annual periods beginning on or after January 1, 2017. Early application is permitted. Entities do not need to disclose comparative information.

f) Clarifications to IFRS 15:
In April 2016, the IASB issued amendments to IFRS 15 to address various matters related to the implementation of the standard.
Clarifications should be applied simultaneously with the application of IFRS 15 for years beginning on or after January 1, 2018. Early application is permitted provided that it is properly disclosed. The application is retrospective, and the entities can choose whether to apply the “full retrospective approach" or a "modified retrospective approach."

g) IFRS 2 Classification and measurement of share-based payment transactions – Amendments to IFRS 2
The IASB issued amendments to IFRS 2 as regards the classification and measurement of share-based payment transactions. These amendments deal with three key areas: (i) Vesting conditions, (ii) Classification of share-based payment transactions with the option to settle by net value, to comply with withholding tax obligations, and (iii) Accounting for a change in the terms and conditions of an equity-based payment transaction that changes its classification from cash settled to settlement with equity instruments.
The amendments shall apply for annual periods beginning on or after January 1, 2018. At the adoption date, companies shall apply the amendments without changing the comparatives. But retrospective application is allowed if it is applied to the three amendments and another criterion is met. Early application is permitted.

h) Application of IFRS 9 with IFRS 4 - Amendments to IFRS 4
The amendments address some of the issues raised by the implementation of IFRS 9 prior to the implementation of the new insurance contract standard that the IASB will issue to replace IFRS 4.
Temporary exemption is applicable for the first time for annual periods beginning on or after January 1, 2018. An entity may opt for the overlap approach when applying IFRS 9 for the first time and apply this approach retroactively to financial assets designated at the date of transition to IFRS 9. An entity shall amend comparatives to reflect the overlap approach if, and only if, it changes the comparative when applying IFRS 9.

i) IFRIC 22 Foreign Currency Transactions and Advance Consideration
This interpretation clarifies that in determining the spot exchange rate to be used in the initial recognition of an asset, expense or income (or part) associated with the derecognition of non-monetary assets or liabilities related to an advance consideration, the transaction date is the date on which the entity initially recognizes the non-monetary asset or liability related to an advance consideration.
If there are multiple payments or receipts of an advance consideration, the entity shall determine the transaction date for each payment or receipt.
A company may apply this interpretation on a full retrospective application basis. Alternatively, it may apply this interpretation prospectively to all assets, expenses and income within its scope that are initially recognized on or after:
(i). The beginning of the reporting period in which the entity applies the interpretation for the first time; or
(ii). The beginning of the reporting period presented as the comparative period in the financial statements for the year in which the entity applies the interpretation for the first time.
Early adoption is allowed provided it is properly disclosed.

j) Transfers of investment property (amendments to IAS 40)
The amendments clarify when an entity should transfer a property, including properties under construction or development, to, or out of, investment properties.
The amendments determine that a change in use occurs when the property meets, or fails to meet, the definition of investment property, and there is evidence of change in use.
A mere change in the management body's intention to use the property is not evidence of change in use.
The amendments are applicable for annual periods beginning on or after January 1, 2018.
An entity shall apply the amendments prospectively to changes in use occurring on or after the beginning of the annual period in which the entity applies these amendments for the first time. Entities shall re-evaluate the classification of the properties held at that date and, if applicable, reclassify the property to reflect the conditions that existed at that date.
Retrospective application is only permitted if it is possible to apply it without it being affected by events that occurred after the date of its application.
Early application is permitted provided it is properly disclosed.

k) Annual improvements for the 2014-2016 cycle
In the annual improvements for the 2014-2016 cycle, the IASB introduced five improvements to the following three standards: (i) IFRS 1 First-time adoption of IFRS (ii) IAS 28 Clarification that the measurement of fair value through profit and loss is a choice that is made on an investment by investment basis, and (iii) IFRS 12 Disclosures of interests in other entities.

As mentioned in Note 2.1, in 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 the periods beginning as of January 1, 2015.

The impacts of the application of these standards, particularly with respect to IFRS 9, will be subject to future evaluation by Caixa.

(Amounts in thousand Cape Verde Escudos – tCVE.)

5. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This item breaks down as follows:

	31.12.2016	31.12.2015
Cash	3.627.391	3.085.177
Demand Deposits with Banco de Cabo Verde	5.961.398	6.881.686
	9.588.790	9.966.863

Demand deposits with Banco de Cabo Verde are intended to meet the minimum reserve requirements. In accordance with Banco de Cabo Verde provisions, these assets correspond to 15% of the average actual liabilities in domestic and foreign currency to residents and emigrants. In 2014, we set a minimum daily percentage of 20% of the amount of minimum reserves that financial institutions are required to keep in demand deposit accounts.

Demand deposits with Banco de Cabo Verde are not remunerated.

(Amounts in thousand Cape Verde Escudos – tCVE.)

6. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	31.12.2016	31.12.2015
Demand deposits:		
At credit institutions in the country:		
BCA	2.664	2.664
Ecobank	-	21
At credit institutions abroad:		
Banque et Caisse D'Espargne de L'Etat	337.592	426.923
Novo Banco SA	176.637	194.099
Montepio Geral	324.846	207.538
Commerzbank	-	308.505
Caixa Geral de Depósitos	90.889	171.473
Natexis Banques Populaires	202.464	30.127
Banco Central Hispano	-	22.138
Den Danske Bank	-	1.112
Bank Of China	44.242	27.394
BPI	60.588	27.483
Other credit institutions	22.966	20.259
	1.262.889	1.439.736
Checks pending collection:		
In the country	33.595	47.203
Abroad	2.152	4.747
	35.747	51.950
Other assets	886	391
	1.299.522	1.492.077

During FY 2016, Caixa closed the demand deposit accounts it had with its correspondents Banco Santander Totta, Den Danske Bank and Commerzbank.

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.

(Amounts in thousand Cape Verde Escudos – tCVE.)

7. AVAILABLE FOR SALE FINANCIAL ASSETS

On December 31, 2016 and 2015, equity and debt instruments classified as available for sale financial assets were broken down as follows:

Security	Acquisition cost	Impairment (Note 18)	Net balance sheet value
Equity instruments valued at historical cost			
Guarantee Fund for Private Investment in West Africa (GARI fund)	3.823	-	3.823
Debt instruments valued at historical cost			
Portuguese government bonds	200	(200)	-
	4.023	(200)	3.823

Due to the difficulty in determining their fair value, shares in the G.A.R.I. Fund were recorded at historical cost

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

(Amounts in thousand Cape Verde Escudos – tCVE.)

8. INVESTMENTS IN CREDIT INSTITUTIONS

This item breaks downs as follows:

	31.12.2016	31.12.2015
Investments in credit institutions in the country:		
In Banco de Cabo Verde:		
Overnight deposits	5.000.000	1.000.000
Monetary Regularization Bills	267.000	219.000
Monetary Intervention Bills	738.000	600.000
Investments in credit institutions abroad:		
Collateral deposits	135.479	139.097
Interest receivable	231	-
Deferred income	(252)	(234)
	6.140.458	1.957.863

On December 31, 2016 Caixa has investments (overnight deposits) in Banco de Cabo Verde totaling 5 million escudos, and Monetary Regularization Bills (TRM) and Monetary Intervention Bills (TIM) totaling 267,000 and 738,000 escudos, respectively.

On December 31, 2016 and 2015, 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 associated bank guarantee.

On December 31, 2016 and 2015, investments in credit institutions abroad break down as follows, by credit institution:

	31.12.2016	31.12.2015
Banque et Caisse D'Espargne de L'Etat	135.479	108.225
Caixa Geral de Depósitos	-	30.872
	135.479	139.097

(Amounts in thousand Cape Verde Escudos – tCVE.)

9. LOANS TO CUSTOMERS

This item breaks down as follows:

	31.12.2016	31.12.2015
Short-term domestic loans:		
Trade discounts	119.958	65.764
Loans	652.319	459.679
Overdrafts in demand deposits	200.136	192.712
Medium- and long-term domestic loans:		
Loans	23.119.613	22.961.776
Other loans	208.211	703.720
Loans to staff	1.095.852	1.073.233
	25.396.089	25.456.884
Other loans and receivables (securitized):		
Government bonds	10.559.541	9.440.459
Other fixed income securities	2.010.779	2.014.739
	12.570.320	11.455.198
Overdue loans and interest	5.563.829	4.608.842
Interest receivable	250.615	241.245
Deferred costs	1.622	1.842
Deferred income	(260.981)	(264.021)
	43.521.495	41.499.990
Impairment of loans to customers (Note 18)	(2.787.533)	(2.500.979)
	40.733.963	38.999.011

The item "Other loans and receivables (securitized) - Government bonds" refers to Cape Verde Treasury bonds remunerated at a fixed interest rate.

On December 31, 2016 and 2015, Treasury bonds sold under repurchase agreements amounted to 3.67273 billion CVE and 4.37273 billion CVE, respectively (Note 17.)

On December 31, 2016 and 2015, “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:

(Amounts in thousand Cape Verde Escudos – tCVE.)

Security	2016	2015	Maturity
Other fixed income securities:			
Electra - (electricity and water company), S.A.R.L. - Tranche B	147.088	147.088	14-06-2017
Electra - (electricity and water company), S.A.R.L. - Tranche C	630.227	630.227	14-06-2027
Sociedade de Gestão de Investimentos, Lda. (investment management company)	13.343	13.343	18-02-2017
IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company)	473.195	473.195	06-01-2019
IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company) Tranche I	406.616	406.616	14-09-2022
IFH - Imobiliária, Fundiária e Habitat, S.A. (real estate company) Tranche II	278.384	278.384	14-10-2022
CVFF - Cabo Verde Fast Ferry, S.A.	50.047	50.047	14-10-2019
Inpharma laboratories - Pharmaceutical Industry, S.A.	11.879	15.839	24-12-2019
	2.010.779	2.014.739	

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.

The bonds of Cabo Verde fast ferry (CVFF) and Sociedade Gestão de Investimentos, Lda. (investment management company) have been in default since August 2014. On December 31, 2016, accrued and unpaid interest on Cabo Verde Fast Ferry (CVFF) and Sociedade Gestão de Investimentos, Lda. bonds amounted to 8.958 and 1.987 million CVE, respectively. The next interest coupons will expire in February 2017.

The bonds subscribed by Inpharma laboratories - Pharmaceutical Industry, S.A. mature in December 2019. In FY 2016 and 2015, the repayment of capital amounted to 3.96 million CVE, settled on the date of coupon payment.

In FY 2015, the bonds of IFH – *Imobiliária, Fundiária e Habitat*, S.A. (real estate company) - Tranche B were reimbursed, with new bonds, totaling 406.616 million CVE and maturing in September 2022, being issued.

On December 31, 2016 and 2015, Loans to customers, excluding "Other loans and receivables (securitized)," accrued interest and deferred income, were as follows, by business sector:

	2016			**2015**		
	Performing loans	Overdue loans	Total	Performing loans	Overdue loans	Total
Companies:						
Trade	330.495	462.435	792.931	319.117	469.117	788.234
Construction and public works	1.031.417	328.848	1.360.266	1.132.189	145.204	1.277.393
Transportation	1.937.571	298.028	2.235.600	2.241.169	339.341	2.580.510
Industry	360.517	398.149	758.666	403.838	406.951	810.789
Hospitality Industry	490.167	859.068	1.349.235	909.273	559.079	1.468.352
Energy	790.558	-	790.558	663.431	10.464	673.895
Other	3.561.653	576.900	4.138.553	3.398.078	324.692	3.722.770
	8.502.378	2.923.431	11.425.809	9.067.095	2.254.848	11.321.943
Individuals:						

Mortgage	11.033.812	1.638.160	12.671.972	10.736.730	1.584.854	12.321.584
Other	5.859.901	1.002.238	6.862.139	5.653.059	769.140	6.422.199
	16.893.713	2.640.398	19.534.111	16.389.789	2.353.994	18.743.783
	25.396.091	5.563.829	30.959.920	25.456.884	4.608.843	30.065.727

The “Loans to Employees” item refers to loans to employees on December 31, 2016 and 2015, which are remunerated at low interest rates, in accordance with Caixa's loans to employees policy.

(Amounts in thousand Cape Verde Escudos – tCVE.)

10. INVESTMENT PROPERTIES

The changes in this item in the years ended December 31, 2016 and 2015 are as follows:

Movement of Gross Assets

	12.31.2015	Additions	Sale/Discounts	Transfers	12.31.2016
Land	3.684	-	-	-	3.684
Property	4.980	-	-	-	4.980
	8.664	-	-	-	8.664

Movement of Accumulated Depreciation

	12.31.2015	Increases	Sale/Discounts	Transfers	12.31.2016
Land	-	-	-	-	-
Property	3.439	37	-	-	3.476
	3.439	37	-	-	3.476

On December 31, 2016 and 2015, the fair value of investment properties was determined based on assessments made by Caixa's Office of Facilities and Property Valuation, and it was:

	2016		2015	
	Net value	Assessment value	Net value	Assessment value
Land	3.684	18.640	3.684	18.640
Buildings	1.505	14.664	1.541	14.664
	5.189	33.304	5.225	33.304

In FY 2016 and 2015, income from the rental of these properties amounted to 104,000 CVE and 120,000 CVE, respectively.

(Amounts in thousand Cape Verde Escudos – tCVE.)

11. OTHER TANGIBLE ASSETS

In FY 2016 and 2015, the item “Other tangible assets” was as follows:

	2016									
	Balances on 12-31-2015			Sales / Write-offs				Balances on 12-31-2016		
	Gross value	Accumulated depreciation	Additions	Gross value	Depreciation	Depreciation for the year	Transfers	Gross value	Accumulated depreciation	Net value
Property	1 633 536	(142 387)	3 709	(1 298)	178	(31 825)	-	1 635 946	(174 035)	1 461 912
Works in rented buildings	46 816	(36 552)	1 427	-		(2 655)	-	48 242	(39 207)	9 035
Artistic heritage	4 237	-	86	-	-	-	-	4 323	-	4 323
Equipment:										
Furniture and equipment	214 865	(153 978)	5 394	(142)	-	(14 120)	-	220 117	(168 098)	52 019
Machinery and tools	273 211	(238 527)	18 666	(1 208)		(14 030)	-	290 669	(252 557)	38 112
Computer equipment	357 215	(320 335)	42 000	(7 205)	-	(11 621)	-	392 010	(331 956)	60 054
Indoor facilities	564 489	(419 811)	1 725	-	-	(92 965)	-	566 214	(512 776)	53 438
Transportation equipment	169 405	(105 276)	29 900	(26 291)	23 906	(20 736)	-	173 014	(102 106)	70 908
Security equipment	132 642	(89 483)	7 005	-	-	(15 138)		139 647	(104 621)	35 026
Other equipment	6 654	(5 160)	70	-	-	(491)	-	6 724	(5 651)	1 073
	3 403 070	(1 511 509)	109 981	(36 144)	24 084	(203 581)	-	3 476 907	(1 691 007)	1 785 900
Construction in progress	198 543	-	85 751	(25 723)	-	-	-	258 571	-	258 571
	3 601 613	(1 511 509)	195 732	(61 867)	24 084	(203 581)	-	3 735 478	(1 691 007)	2 044 471

	2015									
	Balances on 12-31-2014			Sales / Write-offs				Balances on 12-31-2015		
	Gross value	Accumulated depreciation	Additions	Gross value	Depreciation	Depreciation for the year	Transfers	Gross value	Accumulated depreciation	Net value
Property	1 626 958	(116 742)	6 578	-	-	(25 645)	-	1 633 536	(142 387)	1 491 149
Works in rented buildings	45 297	(33 907)	-			(2 645)	1 519	46 816	(36 552)	10 264
Artistic heritage	4 159	-	-	-	-	-	78	4 237	-	4 237
Equipment:										
Furniture and equipment	212 846	(140 870)	3 372	(3 475)	3 195	(16 303)	2 122	214 865	(153 978)	60 887
Machinery and tools	261 003	(225 185)	9 195	(1 803)	1 803	(15 145)	4 816	273 211	(238 527)	34 684
Computer equipment	358 115	(306 714)	1 137	(3 543)	3 475	(17 096)	1 506	357 215	(320 335)	36 880
Indoor facilities	563 688	(323 546)	740	-	-	(96 265)	61	564 489	(419 811)	144 678
Transportation equipment	148 848	(94 806)	29 880	(9 323)	8 577	(19 047)	-	169 405	(105 276)	64 129
Security equipment	125 113	(73 680)	3 608	-	-	(15 803)	3 921	132 642	(89 483)	43 159
Other equipment	6 615	(4 652)	100	(76)	69	(577)	15	6 654	(5 160)	1 494
	3 352 642	(1 320 102)	54 610	(18 220)	17 119	(208 526)	14 038	3 403 070	(1 511 509)	1 891 561
Construction in progress	155 840	-	56 741	-	-	-	(14 038)	198 543	-	198 543
	3 508 482	(1 320 102)	111 351	(18 220)	17 119	(208 526)	-	3 601 613	(1 511 509)	2 090 104

On December 31, 2016 and 2015, “Construction in progress” included costs of setting up new branches, totaling 258.571 million CVE and 198.543 million CVE, respectively.

(Amounts in thousand Cape Verde Escudos – tCVE.)

12. INTANGIBLE ASSETS

On December 31, 2016 and 2015, the item "intangible assets" records Caixa's software. In FY 2016 and 2015, the item “Intangible assets” was as follows:

2016

Balances on 12.31.2015			Adjustments			Balances on 12.31.2016		
Gross value	Accumulated depreciation	Additions	Gross value	Depreciation	Depreciation for the year	Gross value	Accumulated depreciation	Net value
294.172	(282.035)	12.692	-	-	(12.112)	306.864	(294.147)	12.717

2015

Balances on 12-31-2014			Adjustments			Balances on 12-31-2015		
Gross value	Accumulated depreciation	Additions	Gross value	Depreciation	Depreciation for the year	Gross value	Accumulated depreciation	Net value
294.171	(264.061)	-	1	(1)	(17.973)	294.172	(282.035)	12.137

(Amounts in thousand Cape Verde Escudos – tCVE.)

13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2016 and 2015, the balance of this item breaks down as follow:

2016

Entity	% of share	Acquisition cost	Book value	Date	Net Assets	Profit / Loss	Equity
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A. (real estate and tourism)	17,86%	12.500	-	Dez-13	387.194	(33.755)	5.820
SISP – Interbank Company and Payment Systems, SARL	10,00%	10.000	67.270	Dez-16	1.183.632	164.895	672.702
Novo Banco, SA	11,76%	120.000	-	Jun-13	3.003	(86.747)	31.536
Sofhis Gere	10,00%	3.500	268	Set-16	3.426	(3.180)	2.680
CV Garante	15,00%	15.000	11.540	Dez-16	77.516	(6.029)	76.926
		161.000	79.078				

2015

Entity	% of share	Acquisition cost	Book value	Date	Net Assets	Profit / Loss	Equity
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A. (real estate and tourism)	17,86%	12.500	-	Dez-12	411.072	1.249	39.571
SISP - Interbank Company and Payment Systems, SARL	10,00%	10.000	60.843	Dez-15	918.665	137.489	608.425
Novo Banco, SA	11,76%	120.000	-	Dez-15	3.213.375	(207.831)	136.314
Sofhis Gere	10,00%	3.500	916	Set-15	10.690	(7.431)	9.150
CV Garante	15,00%	15.000	12.444	Dez-15	83.839	(5.999)	82.957
		161.000	74.203				

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.

In May 2015, Novo Banco’s capital was again increased (+249.5 million CVE), subscribed in cash by the State of Cape Verde (100 million CVE) and INPS (149.5 million CVE), with Caixa and the remaining shareholders waiving their respective legal right of first refusal and assigned to the subscribers of the capital increase a portion of their shares. As a result, Caixa's shares in Novo Banco's capital was reduced to 11.76%.

(Amounts in thousand Cape Verde Escudos – tCVE.)

On March 8, 2017 Banco de Cabo Verde applied a resolution measure to Novo Banco, with Caixa acquiring part of its assets against the deposits assumed.

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 2016 and 2015 and their impact on Caixa's financial statements can be shown as follows:

	IMOTUR	**SISP**	**Novo Banco**	**Sofhis Gere**	**CV Garante**	**TOTAL**
Balance as at December 31, 2014	7.067	58.361	23.898	1.757	13.293	104.376
Dividends	-	(11.129)	-	-	-	(11.129)
Income from associates	-	13.611	(23.898)	(841)	(849)	(11.977)
Impairment (-) / Reversal (+)	(7.067)	-				(7.067)
Balance as at December 31, 2015	-	60.843	-	916	12.444	74.203
Dividends received	-	(8.603)	-	-	-	(8.603)
Income from associates	(6.028)	15.030	-	(648)	(904)	7.450
Impairment (-) / Reversal (+)	6.028	-	-	-	-	6.028
Balance as at December 31, 2016	-	67.270	-	268	11.540	79.078

(Amounts in thousand Cape Verde Escudos – tCVE.)

14. INCOME TAX

On December 31, 2016, Caixa was subject to the Corporate Income Tax (IRPC), 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, 2016 and 2015 were as follows:

	31.12.2016	**31.12.2015**
Current tax assets:		
IRPC recoverable	15.543	26.508
Withholdings for the year	7.378	34.123
	22.921	60.631
Current tax liabilities:		
Estimated taxes for the year	-	49.909
Autonomous taxation	12.106	9.703
	12.106	59.612
Deferred tax assets:		
By reportable tax losses	14.848	-
	14.848	-

The item "Current tax assets - IRPC recoverable" corresponds to the provisional settlement of tax related to the immediately previous year made by Caixa at the beginning of the current year.

The detail and changes in deferred taxes in FY 2016 and 2015 were as follow:

	Balance on 12.31.2015	Change in income	Balance on 12.31.2016
Reportable tax losses	-	14.848	14.848

	Balance on 12.31.2014	Change in income	Balance on 12.31.2015
Reportable tax losses	20.172	(20.172)	-
	20.172	(20.172)	-

Under the IRPC Code, approved by Law No. 82/VIII/2015, dated January 7, tax losses are deducted from taxable profits, if any, for one or more of the following seven taxation periods. In FY 2015, Caixa used deferred taxes related to reportable tax losses totaling 20.172 million CVE. The amount of reportable tax losses that was actually used in 2015 was 131.465 million CVE.

In FY 2016, a deferred tax asset was recognized due to a tax loss amounting to 58.227 million CVE.

The reconciliation between the nominal rate and the effective tax rate in fiscal years 2016 and 2015 can be shown as follows:

(Amounts in thousand Cape Verde Escudos – tCVE.)

	2016		2015	
	Rate	Tax	Rate	Tax
Income before taxes		207 418		543 939
Tax calculated based on nominal rate	25,5%	52 892	25,5%	138 704
Tax benefits:				
. Income from Government bonds placed on the secondary market	-23,9%	(49 512)	-10,58%	(57 569)
. Income from other bonds	-13,2%	(27 384)	-4,44%	(24 146)
. Other	-0,5%	(1 124)	-0,25%	(1 354)
Impairment and provisions not accepted as tax cost	4,6%	9 468	3,53%	19 196
Reversal of taxed provisions	-2,0%	(4 087)	-0,26%	(1 406)
Application of the equity method	-0,9%	(1 900)	0,56%	3 054
Non-tax-deductible expenses	0,3%	626	1,33%	7 222
Autonomous taxation	5,8%	12 106	1,78%	9 703
Correction in the amount of deferred taxes				
Relating to reportable tax losses	0,0%	-	-2,33%	(12 694)
Corrections relating to previous years	3,6%	7 429	7,13%	38 791
Other	3,0%	6 174	-0,17%	(927)
Tax on profit for the year	2,26%	4 687	21,80%	118 574

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 October 2009, Caixa received notification from the Directorate General of Taxation (DCI) about an additional settlement, 21.124 million CVE, relating to adjustments made to income tax for FY 2004. In January 2010, Caixa accepted adjustments to the tax totaling 4.22 million CVE and filed a complaint relating to the remaining amount. DCI partially accepted this complaint in August 2016, with the additional settlement of 4.901 million CVE having been confirmed. Caixa settled the amount confirmed by the DGCI and the case was closed.

In December 2010, Caixa received notification from DCI 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 DCI to complete the process.

In September 2009, Caixa was notified by DCI about an additional settlement of the taxable amount for FY 2007 totaling 628.429 million CVE, corresponding to IUR (74.854 million CVE) and fire brigade tax (3.043 million CVE). Caixa filed a complaint, which was partially accepted, changing the taxable amount to 626.88 million CVE. However, in Caixa's opinion, the taxable amount should be 535.828 million CVE and Caixa submitted a complaint to the Regional Review Committee, which was approved by DCI in March 2017.

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 DCI to complete the process.

In December 2013, Caixa was notified by DCI of tax losses in the amount of 131.465 million CVE relating to fiscal year 2012. Once tax loss was determined, there was no additional tax payment. In January 2014, Caixa filed a complaint, which was denied in February 2014. There were no grounds for further challenge and the case was closed. The tax loss arising from the correction made by DCI was used in fiscal year 2015.

On December 31, 2016, a provision for tax contingencies totaling 26.758 million CVE was recognized. It was allocated to the cases awaiting completion by DCI.

Under the terms of the General Tax Code, approved by Law No. 47/VIII/2013, dated December 20, 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, 2016.

(Amounts in thousand Cape Verde Escudos – tCVE.)

15. OTHER ASSETS

This item breaks down as follows:

	12.31.2016	12.31.2015
Other assets:		
Assets received through credit recovery	1.610.528	1.250.659
Coins and medals	86	86
	1.610.615	1.250.745
Debtors:		
Amounts receivable from the State of Cape Verde:		
Bonuses	904.385	820.346
Other amounts receivable	52.451	45.990
Micro-Credit Fund	59.790	52.044
Debtors for exchange remittances	5.378	15.545
Sundry debtors	53.603	11.137
	1.075.607	945.062
Deferred expenses	13.619	11.137
Lending operations pending settlement	47.436	93.907
Gross Assets	2.747.276	2.300.851
Impairment of other assets (Note 18):		
Assets received through credit recovery	(421.815)	(8.503)
Other assets	(30.447)	(30.447)
Accumulated Impairment	(452.262)	(38.950)
Net Assets	2.295.014	2.261.901

On December 31, 2016 and 2015, the assets received through credit recovery correspond to property and other assets received as payment in kind, and they break down as follows, according to the date they were acquired by Caixa:

	2016			2015		
Acquisition year	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Property						
2004	2.100	(1.973)	127	1.973	(1.973)	-
2007	958	(958)	-	958	(958)	-
2008	3.337	(3.324)	13	3.324	(3.324)	-
2013	255.434	-	255.434	253.656	-	253.656
2014	637.497	(138.500)	498.997	630.591	-	630.591
2015	305.075	(109.990)	195.085	302.162	(1.353)	300.809
2016	344.911	(151.004)	193.203	-	-	-
	1.549.312	(405.749)	1.143.563	1.192.664	(7.608)	1.185.056
Other capitalized expenses						
2009	400	(400)	-	400	(400)	-
2014	7.128	(28)	7.100	7.100	-	7.100
2015	53.689	(15.638)	38.051	50.495	(495)	50.000

(Amounts in thousand Cape Verde Escudos – tCVE.)

61.217	(16.066)	45.151	57.995	(895)	57.100
1.610.528	(421.815)	1.188.714	1.250.659	(8.503)	1.242.156

During 2016, Caixa received three real estate properties as payment in kind, whose balance sheet value on December 31, 2016 totaled 343.207 million CVE.

Caixa is capitalizing the value of the assets received as payment in kind amounts associated with the Wealth Tax, notary and transmission costs.

At the end of FY 2015, Caixa received as payment in kind four properties, whose book value on December 31, 2015 was 300.81 million CVE. Part of them was incomplete or showed signs of degradation. Following these transactions, Caixa reversed impairment losses totaling 107.598 million CVE and recognized 43.176 million CVE in income for FY 2015 under "Interest from loans to customers - Recovery of canceled interest," relating to the recovery of interest written off from assets.

On November 30, 2015, Caixa entered into a payment in kind agreement, having received a vessel whose book value on December 31, 2015 was 50 million CVE. The net amount of impairment losses on credit granted at the date of the settlement was 37.672 million CVE. As a result of this transaction, Caixa reversed impairment losses in totaling 11.949 million CVE.

Through a payment in kind agreement dated December 31, 2014 entered into by and between Caixa and Tecnicil, the latter gave Caixa three plots of land located in Achada Grande Trás, Santiago Island, extinguishing the total amount of debenture loans and credit that Caixa granted this entity. On December 31, 2015, the book value and valuation of independent appraisers in 2014 was 602.879 and 794.527 million CVE, respectively. As a result of this transaction, Caixa reversed impairment losses totaling 138.5 million CVE, recorded approximately 69.6 million CVE in income for FY 2014 under "Interest on loans to customers," related to overdue interest and arrears interest, and settled an unauthorized overdraft in the amount of approximately 57.33 million CVE, which was used to charge interest on credit operations up to the date of the settlement. The value of these plots of land was determined taking into account their constructive potential. As at December 31, 2015 and 2014, no project had been approved or developed for these plots of land.

In FY 2013, Caixa received a property called "Sabura Hotel," located in Santa Maria, Sal Island, as payment in kind. Its book value on December 31, 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." The value of this hotel was determined based on the property's building cost.

In FY 2016, Caixa canceled the reversal of the impairment losses made as a result of the aforementioned settlements, generating an increase of 413.312 million CVE in impairment, with 374.768 million CVE being recorded through retained earnings and 38.544 million CVE through profit or loss.

As at December 31, 2016 Caixa had subsidies receivable amounting to 904.385 million CVE (820.346 million CVE as at December 31, 2015). 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. On April 7, 2016, DGT informed Caixa that the amount of the subsidies for the 2004-2008 period was adjusted to 161.341 million CVE and that the mortgage loans subsidies for the 2013-2015 period, totaling 279.812 million CVE will be confirmed and validated by being entered into the computer system for subsidized loans control and monitoring. There are also subsidies claimed for other lines which have not yet been confirmed and validated by the DGT and that amount to 11.061 million CVE.

Additionally, on April 6, 2016, the DGT sent Caixa a proposal to pay the debt relating to mortgage loans subsidies granted between 2004 and 2012, totaling 520.931 million CVE, in 18 annual installments of 28.941 million CVE. Although the proposal does not include any remuneration, which would imply recognizing a loss due to the financial effect, the negotiations with the DGT will continue with a view to establishing a more favorable form of payment for Caixa.

As of March 15, 2017, the DGT had not yet made any payment, having recognized the debt again.

As at December 31, 2016 and 2015, the balance of "Debtors - Microcredit Fund" referred to loans granted under the Microenterprise Training and Loan Program. The program has an autonomous management structure and includes training sessions for customers, before and after the granting of loans, addressing topics on access conditions, inherent procedures and responsibilities, the importance of reimbursement, joint responsibility, business management, among others. Loans are granted only to joint groups of 3 to 5 people.

As at December 31, 2016 and 2015, the balance of "Debtors through foreign currency remittances" referred to remittances of checks abroad, which were settled at the beginning of the subsequent fiscal year.

The item "Lending operations pending settlement" includes 31.094 million CVE relating to cash shortages to be settled.

(Amounts in thousand Cape Verde Escudos – tCVE.)

16. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	12.31.2016	**12.31.2015**
Demand deposits by credit institutions in the country	195.781	191.633
Term deposits by credit institutions in the country	280.000	250.000
Interest:		
On deposits	10.928	12.856
On other funds	27	5
	10.955	12.861
	486.736	454.494

As at December 31, 2016 and 2015, the item “Funds from other credit institutions" presented the deposits of credit institutions with Caixa Económica.

Outstanding term deposits outstanding on December 31, 2016 are almost all from IMPAR, SARL (insurance company), maturating in January 2017.

(Amounts in thousand Cape Verde Escudos – tCVE.)

17. CUSTOMER FUNDS AND OTHER LOANS

This item breaks down as follows:

	12.31.2016	12.31.2015
Savings deposits:		
Individuals - passbook	6.799.548	5.981.693
Sight deposits:		
By residents	16.619.988	13.204.937
By emigrants	729.350	728.259
	17.349.338	13.933.196
Term deposits:		
By residents	15.140.720	14.016.183
By emigrants	13.570.311	12.607.583
	28.711.031	26.623.766
Other funds:		
Securities sold under repurchase agreements (Note 9)	3.672.730	4.372.730
Loans obtained from residents	420.000	241.667
Checks and money orders payable	(23.152)	(25.310)
	4.069.578	4.589.087
Interest:		
On deposits	633.154	584.492
On securities sold under repurchase agreements	46.049	53.768
On loans obtained from residents	6.808	4.082
	686.011	642.342
	57.615.507	51.770.084

The item "Securities sold under repurchase agreements" refers to the amount payable for securities granted and recorded under “Loans to customers – Government bonds,” according to the accounting policy referred to in paragraph 2.2.c).

As at December 31, 2016 and 2015, “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.

As at December 31, 2016 and 2015, the balance of "Checks and money orders payable" included 66.473 million CVE and 38.279 million CVE, respectively, relating to transfers received via Western Union whose financial compensation only occurred in early 2017 and 2016.

(Amounts in thousand Cape Verde Escudos – tCVE.)

18. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa's provisions and impairment for the years ended December 31, 2016 were as follows:

	Balances on 12.31.2015	Net allocations in income	Uses	Balances on 12.31.2016	Credit recovery
Impairment					
Impairment of loans to customers	2.500.979	286.554		2.787.533	(100.703)
Impairment of available for sale financial assets	200	-	-	200	-
Impairment of Associates	7.067	-	(6.029)	1.038	-
Impairment of other assets					
Impairment of assets bought by auction	8.503	413.312		421.815	-
Debtors, Other Investments	30.447	-	-	30.447	-
	2.547.196	699.866	(6.029)	3.241.033	-
Other provisions	54.531	1.820	(17.000)	39.351	-
Tax contingencies	24.800	2.200	-	27.000	-
	2.626.528	703.886	(23.029)	3.307.385	-

Changes in Caixa's provisions and impairment for the years ended December 31, 2015 were as follows:

	2015				
	Balances on 12.31.2014	Net allocations	Uses	Balances on 12.31.2015	Credit recovery
Impairment					
Impairment of loans to customers (Note 7)	2 626 674	39 384	(133 152)	2 500 979	(53 537)
Impairment of available for sale financial assets (Note 5)	200	-	-	200	-
Impairment of investments in subsidiaries, associates and joint ventures (Note 11)	-	7 067	-	7 067	-
Impairment of other assets (Note 13)	41 067	4 491	(6 609)	38 950	-
	41 067	11 558	(6 609)	46 017	-
Provisions for tax contingencies (Note 12)	49 568	(18 806)	(5 962)	24 800	-
				-	
Tax contingencies (Note 13)				-	
Other provisions	5 513	49 018	-	54 531	-
	55 081	30 212	(5 962)	79 331	-
	2 723 022	81 154	(145 723)	2 626 527	(53 537)

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.

(Amounts in thousand Cape Verde Escudos – tCVE.)

19. OTHER LIABILITIES

This item breaks down as follows:

	12.31.2016	12.31.2015
Funds:		
Consigned funds - Micro-Credit Fund (Note 15)	59.790	52.044
General government sector – tax withholding at source	53.380	40.928
Other	6.792	5.565
	119.962	98.537
Staff costs:		
Vacation and vacation pay	60.725	52.368
Productivity award	35.426	35.693
Allowance for faults	12.546	9.341
	108.698	97.402
Other administrative expenses:		
ATM charges	10.154	10.960
Water, gas and electricity	7.935	6.998
Communications	7.977	2.491
Other	20.337	44.032
	46.403	64.481
Deferred income		
Off-balance sheet transactions	873	858
Other settlement accounts	69.549	273.195
	345.485	534.473

As at December 31, 2016 and 2015, "Other administrative expenses – Other" included 19.477 million CVE and 17.67million CVE, respectively, relating to amounts payable to INPS as social security contributions for December, as well as and 9.817 million CVE and 9.773 million CVE, respectively, referring to employees' income tax for December.

As at December 31, 2016 and 2015, item "Other settlement accounts" included 10.914 million CVE and 10.352 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.

(Amounts in thousand Cape Verde Escudos – tCVE.)

20. CAPITAL

As at December 31, 2016 and 2015, 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 up.

As at December 31, 2016 and 2015, Caixa's shareholder structure was as follows:

	2016		2015	
Entity	Number of shares	%	Number of shares	%
National Social Security Institute	455.164	32,7%	453.532	32,6%
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	176.151	12,7%	177.783	12,8%
	1.392.000	100,00%	1.392.000	100,00%

(Amounts in thousand Cape Verde Escudos – tCVE.)

21. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

As at December 31, 2016 and 2015, the reserves and retained earnings items were as follows:

	12.31.2016	12.31.2015
Other reserves and retained earnings:		
Legal reserves	508.133	465.596
Other reserves	2.291.551	2.047.922
Retained earnings	(679.808)	(305.039)
	2.119.876	2.208.479
Profit for the year	202.730	425.365
	2.322.606	2.633.844

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

At the General Meeting held on May 20, 2016, it was decided that dividends totaling 139.2 million CVE would be distributed, while 42.537 million CVE and 243.628 million CVE, respectively, would be incorporated into legal reserve and other reserves.

As mentioned in Note 15. Other assets, the value of property received as payment in kind that had been recorded by the gross amount of credit at the date of the settlement was restated by the net amount of the credit at the date of the settlement, with a negative impact of 374.768 million CVE on retained earnings.

(Amounts in thousand Cape Verde Escudos – tCVE.)

22. INTEREST AND SIMILAR INCOME

This item is as follows:

	12.31.2016	12.31.2015
Interest on loans to customers:		
Domestic loans	2.369.600	2.187.899
Recovery of canceled interest	216.337	411.813
Interest on other loans and receivables (securitized):		
Treasury Bonds	536.926	506.268
Other fixed income securities	107.389	94.691
Interest on investments in Banco de Cabo Verde:		
Term	8.874	8.473
Monetary Regularization Bills	666	951
Monetary Intervention Bills	1.657	1.953
Interest on investments in credit institutions abroad	1.502	955
Interest on investments in credit institutions in the country:		
Interest on Financial Assets - Securities	2.443	352
Other interest and similar income:		-
Fees received relating to amortized cost	135.840	141.181
	3.381.235	3.354.537

(Amounts in thousand Cape Verde Escudos – tCVE.)

23. INTEREST AND SIMILAR EXPENSES

This item is as follows:

	12.31.2016	12.31.2015
Savings deposits:		
Passbooks	172.662	141.954
Demand deposits:		
By emigrants	14.433	13.463
By residents	122	95
Term deposits:		
By emigrants	561.341	532.333
By residents	652.728	596.010
Loans:		
To non-residents	22	7.704
To residents	8.763	6.270
Repurchase agreements:		
Treasury Bonds	243.701	259.740
Canceled Interest on loans to customers:		
Domestic loans	39.429	20.330
Other	219	11.226
	1.693.421	1.589.125

(Amounts in thousand Cape Verde Escudos – tCVE.)

24. INCOME AND COSTS WITH SERVICES AND FEES

This item is as follows:

	12.31.2016	12.31.2015
Income from services and fees:		
Western Union fees	43.783	45.190
Fees on foreign exchange transactions	76.576	71.862
Guarantees and sureties	8.206	7.373
VISA fees	15.612	13.313
Documentary credits	6.028	2.808
Account maintenance fees	15.126	14.820
Other banking services	10.067	9.192
Other fees	9.330	9.133
	184.728	173.691
Expenses with services and fees:		
Fees on foreign exchange transactions	(15.032)	(14.534)
VISA fees	(15.219)	(23.432)
Other fees and charges	(35.259)	(42.916)
	(65.510)	(80.883)

25. INCOME FROM FOREIGN CURRENCY REVALUATION

This item is as follows:

	2016			2015		
	Profit	Loss	Net	Profit	Loss	Net
Income in foreign currencies	176.543	(137.896)	38.647	193.269	(165.191)	28.078
Income in banknotes and coins	166.948	(136.661)	30.287	219.848	(146.751)	73.097
	343.491	(274.557)	68.934	413.117	(311.942)	101.175

26. INCOME FROM DISPOSAL OF OTHER ASSETS

In the years ended December 31, 2016 and 2015, the balance of this item corresponded to gains on disposal of tangible fixed assets.

(Amounts in thousand Cape Verde Escudos – tCVE.)

27. OTHER OPERATING INCOME

This item is as follows:

	12.31.2016	12.31.2015
Other operating income:		
Provision of services:		
Service charges	25.784	31.093
Credit Cards	6.848	8.911
Sale of checks and passbooks	19.617	9.094
Property lease (Not a 10)	104	120
Recovery of bad debts	100.703	-
Other operating income	3.436	2.179
	156.493	51.397
Other operating costs:		
Other taxes	(8.003)	(8.545)
Grants	(1.411)	(2.330)
Contributions	(1.735)	(1.663)
Other	(3.856)	(4.636)
	(15.006)	(17.174)
	141.487	34.223

The item Recovery of bad debts includes 100.703 million CVE derived from amounts recovered from credits that had already been written off from assets. This item in 2015 was recorded in the income statement under "Loan impairment net of reversals and recoveries."

28. STAFF COSTS

This item is as follows:

	12.31.2016	12.31.2015
Compensation of employees	561.766	489.523
Compensation of management and supervisory bodies	37.531	28.908
Social charges:		
Social security	83.443	74.800
Medical expenses	5.503	5.470
Other	8.359	7.716
Productivity bonuses (Note 18)	35.426	35.693
Other	4.301	8.871
	736.330	650.981

As at December 31, 2016 and 2015, Caixa's workforce was as follows:

	2016	2015
Executive directors	3	3
General Management and Coordination	36	35
Management and leadership	32	32
Workers	140	117
Administrative staff	84	109
Auxiliary staff	53	49

(Amounts in thousand Cape Verde Escudos – tCVE.)

348	345

As at December 31, 2016 and 2015, the figures above included 34 and 29 employees, respectively, with a fixed-term employment contract.

29. GENERAL AND ADMINISTRATIVE EXPENSES

This item is as follows:

	12.31.2016	**12.31.2015**
Specialized services	170.920	159.732
Advertising	30.091	47.082
ATM charges	106.798	106.259
Communications	32.653	33.623
Travels, accommodation and representation	29.210	27.795
Water, gas and electricity	56.441	59.513
Fuels	7.358	8.319
Rents and leases	17.808	17.729
Insurance	23.499	20.361
Maintenance and repairs	25.862	19.692
Staff training costs	443	1.297
Computer equipment	2.553	584
Litigation and notary services	3.050	1.629
Other	36.295	31.234
	542.982	534.850

30. CONTINGENT LIABILITIES AND COMMITMENTS

As at December 31, 2016 and 2015, the contingent liabilities associated with banking activities were recorded in off-balance sheet items and were as follows:

	12.31.2016	**12.31.2015**
Contingent liabilities:		
Guarantees and sureties	350.525	367.721
Documentary credits opened	223.269	61.360
	573.795	429.082
Deposits and custody of securities	38.440.627	35.070.811
	39.014.422	35.499.892

As at December 31, 2016 and 2015, "Deposits and custody of securities" included 21.785253 billion CVE and 18.328394 billion CVE, respectively, related to securities deposited with Caixa by INPS.

(Amounts in thousand Cape Verde Escudos – tCVE.)

31. 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, 2016, the information relating to Caixa's operating segments can be summarized as follows:

	2016		
	Trading and Sales	Commercial Banking	Total
Interest and similar income	792.855	2.588.380	3.381.235
Interest and similar expenses	-	(1.693.421)	(1.693.421)
NET INTEREST INCOME	792.855	894.959	1.687.815
Income from services and fees	-	184.728	184.728
Cost with services and fees	-	(65.510)	(65.510)
Income from foreign exchange revaluation	-	68.934	68.934
Income from the sale of other assets	3.043	-	3.043
Other operating income	141.487	-	141.487
OPERATING INCOME	937.385	1.083.111	2.020.497
Provisions and impairment net of reversals and recoveries	-	-	(317.656)
	937.385	1.083.111	1.702.841
Other expenses and income	-	-	(1.500.111)
Income after taxes	-	-	**202.730**
Cash and Cash Equivalents at central banks	-	9.588.790	9.588.790
Cash equivalents at other credit institutions	-	1.299.522	1.299.522
Available for sale financial assets	3.823	-	3.823
Investments in Credit Institutions	1.004.748	5.135.710	6.140.458
Loans to Customers	12.570.320	28.163.642	40.733.963
Funds from other credit institutions	-	486.736	486.736
Customer funds and other loans	420.000	57.195.507	57.615.507

On December 31, 2015, the information relating to Caixa's operating segments can be summarized as follows:

	2015		
	Trading and Sales	Commercial Banking	Total
Interest and similar income	600.484	2.754.052	3.354.536
Interest and similar expenses		(1.589.125)	(1.589.125)
NET INTEREST INCOME	600.484	1.164.927	1.765.411
Income from services and fees	-	173.691	173.691
Cost with services and fees		(80.883)	(80.883)
Income from foreign exchange revaluation	2.275	101.175	103.450

(Amounts in thousand Cape Verde Escudos – tCVE.)

Other operating income	34.223		34.223
OPERATING INCOME	636.982	1.358.910	1.995.892
Provisions and impairment net of reversals and recoveries			(27.617)
	636.982	1.358.910	1.968.275
Other expenses and income		-	(1.542.910)
Net profit for year			**425.365**
Cash and Cash Equivalents at central banks		9.966.863	9.966.863
Cash equivalents at other credit institutions		1.492.077	1.492.077
Available for sale financial assets	3.823		3.823
Investments in Credit Institutions	1.818.766	139.097	1.957.863
Loans to Customers	11.455.198	30.044.792	41.499.990
Funds from other credit institutions		(454.494)	(454.494)
Customer funds and other loans	(241.667)	(51.528.417)	(51.770.084)

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

(Amounts in thousand Cape Verde Escudos – tCVE.)

32. RELATED ENTITIES

Related entities of Caixa are its shareholders, associates and management bodies. As at December 31, 2016 and 2015, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

	2016			
		Shareholders		
	State of Cape Verde	National Social Security Institute	IMPAR	Associates
Assets:				
Cash equivalents at other credit institutions	-	-	-	-
Investments in credit institutions	1.005.000	-	-	-
Loans to customers	10.559.541	-	-	174.753
Investments in subsidiaries, associates and joint ventures	-	-	-	80.116
Impairment	-	-	-	(66.406)
Other assets	956.836	-	-	-
Liabilities:				
Funds from other credit institutions	-	-	316.818	188.174
Customer funds and other loans	-	14.313.695	-	-
Off balance sheet**:**				
Guarantees	-	-	-	-
Income:				
Interest and similar income	655.513	-	-	-
Costs:				
Interest and similar expenses	-	8.763	14.786	-

	dec-15			
		Shareholders		
	State of Cape Verde	National Social Security Institute	IMPAR	Associates
Assets:				
Cash equivalents at other credit institutions	-	-	-	-
Investments in credit institutions	1.819.000	-	-	-
Loans to customers	9.440.459	-	-	174.753
Investments in subsidiaries, associates and joint ventures		-	-	100.199
Impairment		-	-	(65.532)
Other assets	866.336	-	-	-
Liabilities:				
Funds from other credit institutions	-	-	298.311	84.723
Customer funds and other loans	-	12.150.153	-	-
Off balance sheet**:**				
Guarantees	-	-	-	-
Income:				
Interest and similar income	514.266	-	-	-

(Amounts in thousand Cape Verde Escudos – tCVE.)

Costs:				
Interest and similar expenses	-	6.270	12.856	15.000

Management bodies

In 2016, the costs incurred relating to remuneration and other benefits granted to members of Caixa's Board of Directors totaled 37.531 million CVE (28.908 million CVE in FY 2015) (Note 28).

As at December 31, 2016 and 2015, loans granted to the Board of Director members amounted to 5.728 million CVE and 644,000 CVE, respectively

33. 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.

As at December 31, 2016 and 2015, the contractual residual maturities of the financial instruments were as follows:

(Amounts in thousand Cape Verde Escudos – tCVE.)

	2016						
	Up to 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Indefinite**	**Total**
Assets:							
Cash and cash equivalents at central banks	9 588 789,61						9 588 789,61
Cash equivalents at other credit institutions	1 299 521,86						1 299 521,86
Investments in credit institutions	5 684 000,00	348 253,43		108 225,10		-20,61	6 140 457,92
Loans to customers	1 134 637,04	264 788,79	2 129 419,85	12 185 329,46	22 252 234,62	5 555 085,62	43 521 495,39
	17 706 948,51	**613 042,22**	**2 129 419,85**	**12 293 554,56**	**22 252 234,62**	**5 555 065,01**	**60 550 264,78**
Liabilities:							
Funds from central banks	0						0,00
Funds from other credit institutions	-375 780,91	0,00	-100 000,00	0,00	0,00	-10 955,01	-486 735,93
Customer funds and other loans	-26 802 226,45	-3 901 201,12	-19 247 973,08	-6 558 094,88	-420 000,00	-686 011,01	-57 615 506,54
	-27 178 007,37	**-3 901 201,12**	**-19 347 973,08**	**-6 558 094,88**	**-420 000,00**	**-696 966,02**	**-58 102 242,46**
Liquidity Gap	**-9 471 058,85**	**-3 288 158,90**	**-17 218 553,23**	**5 735 459,68**	**21 832 234,62**	**4 858 098,99**	**2 448 022,32**

	2015						
	Up to 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Indefinite**	**Total**
Assets:							
Cash and cash equivalents at central banks	9 966 863	-	-	-	-	-	9 966 863
Cash equivalents at other credit institution	1 492 077	-	-	-	-	-	1 492 077
Investments in credit institutions	1 849 872	-	-	108 225	-	(234)	1 957 863
Loans to customers	363 909	711 381	3 195 426	10 804 883	21 836 060	4 588 331	41 499 990
	13 672 721	711 381	3 195 426	10 913 108	21 836 060	4 588 097	54 916 793
Liabilities:							
Funds from other credit institutions	(391 633)	-	(50 000)	-	-	(12 861)	(454 494)
Customer funds and other loans	(22 508 378)	(3 520 263)	(16 540 704)	(7 445 666)	(1 112 730)	(642 343)	(51 770 084)
	(22 900 011)	(3 520 263)	(16 590 704)	(7 445 666)	(1 112 730)	(655 204)	(52 224 578)
Gap	(9 227 290)	(2 808 882)	(13 395 278)	3 467 442	20 723 330	3 932 893	2 692 215

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

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

Interest rate risk

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

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

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

Market risk

Market risk is defined as the risk of loss in off balance sheet accounts due to a change in market prices, such as 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, dated 7 February.

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

(Amounts in thousand Cape Verde Escudos – tCVE.)

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

As at December 31, 2016 and 2015, Caixa's maximum exposure to credit risk breaks down as follows:

	2016	**2015**
Investments in credit institutions	6.140.479	1.957.863
Loans to Customers (Net of Impairment and Provisions)	40.733.355	38.999.011
	46.873.833	40.956.874
Other Commitments:		
Guarantees and sureties (net of provisions)	350.525	367.721
Documentary credits open	223.269	61.360
	573.795	429.081
Maximum Exposure to Credit Risk	47.447.628	41.385.955

(Amounts in thousand Cape Verde Escudos – tCVE.)

Quality of loans to customers

As at December 31, 2016 and 2015, 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:

	Performing loans	Non-performing loans	Loans in "default"	Total Loans
Retail				
Housing				
Falling due	10 663 394	174 349	1 402 739	12 240 482
Past due	0	2 637	280 218	282 855
	10 663 394	176 986	1 682 957	12 523 337
Consumption				
Falling due	4 686 975	86 107	307 062	5 080 144
Past due	0	5 353	204 645	209 998
	4 686 975	91 459	511 707	5 290 141
Other loans				
Falling due	312 966	738	195 081	508 785
Past due	11 885	2 923	70 782	85 590
	324 851	3 662	265 863	594 375
Personal guarantees				
Falling due	2 500	0	0	2 500
Past due	0	0	0	0
	2 500	0	0	2 500
Companies				
Falling due	5 219 941	1 592 138	1 698 328	8 510 407
Past due	4 942	10 640	1 824 596	1 840 178
	5 224 882	1 602 779	3 522 924	10 350 585
Individual producers				
Falling due	745 983	21 648	148 850	916 481
Past due	91	1 340	236 216	237 647
	746 074	22 989	385 066	1 154 128
Corporate guarantees				
Falling due	348 025	220 806	2 463	571 295
Past due	0	0	0	0
	348 025	220 806	2 463	571 295
Financial institutions				
Falling due	327	0	0	327
Past due	0	0	87	87
	327	0	87	415
Public sector				
Falling due	1 046 541	0	0	1 046 541
Past due	442	0	3	444
	1 046 983	0	3	1 046 986
Total loans falling due	23 026 653	2 095 786	3 754 524	28 876 963
Total past due loans	17 359	22 894	2 616 546	2 656 799
Total loans	23 044 012	2 118 680	6 371 070	31 533 762

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

(Amounts in thousand Cape Verde Escudos – tCVE.)

- “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.

As at December 31, 2016 and 2015, loans that were assigned specific impairment through individual assessment totaled 6.879726 billion CVE and 5.589621 billion CVE, respectively, with impairment amounting to 1.617064 billion CVE and 1.210567 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.

The credit quality indicators as at December 31, 2016 and 2015, calculated in accordance with the criteria set out in Circular No. 150, Series A, dated December 28, 2009, issued by the Central Bank of Cape Verde, are presented as follows:

	2016	2015
Loans in default / total loans	11,66%	10,13%
Net loans in default / total net loans	5,25%	4,10%

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 as at December 31, 2016 and 2015.

	2016				
	Balances Analyzed			Not Analyzed Balances	
	Book Value	Fair Value	Difference	Book Value	Total Balance Value
Assets:					
Cash and cash equivalents at central banks	9 588 789,61	9 588 789,61	0,00	0,00	9 588 789,61
Cash equivalents at other credit institutions	1 299 521,86	1 299 521,86	0,00	0,00	1 299 521,86
Available for Sale Financial Assets	3 822,50	3 822,50	0,00	0,00	3 822,50
Investments in credit institutions	6 140 457,92	6 140 457,92	0,00	0,00	6 140 457,92
Loans to customers	37 966 409,77	35 041 223,66	-2 925 186,11	5 555 085,62	43 521 495,39
	54 999 001,66	**52 073 815,55**	**2 925 186,11**	**5 555 085,62**	**60 554 087,28**
Liabilities:					
Funds from central banks	0,00		0,00	0,00	0,00
Funds from other credit institutions	486 735,93	289 847,11	-196 888,82	0,00	486 735,93
Customer funds and other loans	57 615 506,54	58 014 971,97	399 465,43	0,00	57 615 506,54
	58 102 242,46	**58 304 819,07**	**-202 576,61**		**58 102 242,46**

(Amounts in thousand Cape Verde Escudos – tCVE.)

	2015				
	Balances Analyzed			**Not Analyzed Balances**	
	Book Value	Fair Value	Difference	Book Value	Total Balance Value
Assets:					
Cash and cash equivalents at central banks	9 966 863,01	9 966 863,01	0,00	0,00	9 966 863,01
Cash equivalents at other credit institutions	1 492 077,32	1 492 077,32	0,00	0,00	1 492 077,32
Available for Sale Financial Assets	3 822,50	3 822,50	0,00	0,00	3 822,50
Investments in credit institutions	1 957 863,37	1 957 863,37	0,00	0,00	1 957 863,37
Loans to customers	36 912 081,34	33 820 927,02	- 3 091 154,32	4 587 908,27	41 499 989,61
	50 332 707,55	**47 241 553,22**	**- 3 091 154,33**	**4 587 908,27**	**54 920 615,82**
Liabilities:					
Funds from central banks			0,00	0,00	0,00
Funds from other credit institutions	454 494,26	262 393,13	-192 101,14	0,00	454 494,26
Customer funds and other loans	51 770 083,58	52 396 315,09	626 231,51	0,00	51 770 083,58
	52 224 577,84	**52 658 708,22**	**434 130,38**		**52 224 577,84**

The following assumptions were used to determine fair value:

- For balances in cash and short-term investments in credit institutions, the book value corresponds to the fair value;

- For available for sale financial assets:

- Portuguese government bonds were recorded at historical cost, with a recorded impairment of 200,000 CVE, to reduce the carrying value to its estimated realizable value.
- Due to its low book value, shares in the GARI Fund were recorded at historical cost.

- The fair value of other instruments was determined by Caixa based on discounted cash flow models, taking into consideration the contractual terms of operations and using interest rates that are suitable to the type of instrument and the rates for similar instruments issued or contracted near the end of the year.

- The column “Non-analyzed balances” includes mainly overdue loans.

Sensitivity analysis - Interest rate

On December 31, 2016, 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:

	-200bp	-100bp	-50bp	+50bp	+100bp	+200bp
Assets	-517.213	-256.676	-134.450	95.493	203.770	408.183
Total	-517.213	-256.676	-134.450	95.493	203.770	408.183
Liabilities	-15.179	-20.711	-23.477	-29.009	-31.775	-37.307
Total	-15.179	-20.711	-23.477	-29.009	-31.775	-37.307
Total Gains/Losses	-502.034	-235.965	-110.973	124.502	235.545	445.490

The following table presents the effect, on the projected net interest income for FY 2016 and 2015, 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:

(Amounts in thousand Cape Verde Escudos – tCVE.)

NET INTEREST INCOME PROJECTION

	2016					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
FY 2016	-12 604,54	-6 302,27	-3 151,14	3 151,14	6 302,27	12 604,54
FY 2015	-12 604,54	-6 302,27	-3 151,14	3 151,14	6 302,27	12 604,54

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 2016 and 2015, 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, 2016 and 2015. 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.

As at December 31, 2016 and 2015, loans to customers, totaling 29.146357 billion CVE and 28.447364 billion CVE, respectively, were mainly granted at a fixed rate.

Foreign exchange risk

Breakdown of financial instruments by currency

As at December 31, 2016 and 2015, financial instruments were broken down as follows, by currency:

	2016				
	Currency				
	CVE	Euros	USD	Other	Total
Assets:					
Cash and cash equivalents at central banks	6 821 474,73	2 444 530,72	250 445,29	72 338,86	9 588 789,61
Cash equivalents at other credit institutions	36 258,24	1 000 888,39	232 847,75	29 527,48	1 299 521,86
Available for Sale Financial Assets	0,00	3 822,50	0,00	0,00	3 822,50
Investments in credit institutions	6 004 979,39	108 225,10	27 253,43	0,00	6 140 457,92
Loans to customers (Gross balance)	43 521 490,68	3,80	0,91	0,00	43 521 495,39
Investments in Subsidiaries, associates and joint ventures	79 077,62	0,00	0,00	0,00	79 077,62
Other Assets (Net Value)	2 252 921,89	41 803,15	149,86	139,34	2 295 014,23
	58 716 202,55	**3 599 273,66**	**510 697,24**	**102 005,68**	**62 928 179,13**
Liabilities					
Funds from other credit institutions	-428 549,55	-8 377,13	-49 809,25	0,00	-486 735,93
Customer funds and other loans	-55 994 196,70	-1 171 064,02	-446 853,23	-3 392,59	-57 615 506,53
Other Liabilities	-344 998,66	-185,39	-191,82	-108,62	-345 484,49
Other Reserves and Retained Earnings	-2 116 053,77	-3 822,50	0,00	0,00	-2 119 876,27
	-58 883 798,68	**-1 183 449,04**	**-496 854,30**	**-3 501,21**	**-60 567 603,22**
Net Exposure	**-167 596,13**	**2 415 824,62**	**13 842,94**	**98 504,48**	**2 360 575,91**

	2015				
	Currency				
	CVE	Euros	USD	Other	Total
Assets:					
Cash and cash equivalents at central banks	7 615 234	1 969 140	227 984	154 505	9 966 863
Cash equivalents at other credit institutions	49 888	893 535	509 336	39 318	1 492 077
Available for Sale Financial Assets	0	3 823	0	0	3 823
Investments in credit institutions	1 818 766	139 097	0	0	1 957 863
Loans to customers (Gross balance)	41 499 986	3	1	0	41 499 990
Investments in Subsidiaries, associates and joint ventures	100 199	0	0	0	100 199
Other Assets (Net Value)	2 151 532	45 372	3 140	3 602	2 203 645
	53 235 605	**3 050 970**	**740 461**	**197 425**	**57 224 461**
Liabilities					
Funds from other credit institutions	-410 003	-14 769	-29 150	-572	-454 494
Customer funds and other loans	-50 582 313	-481 385	-703 613	-2 773	-51 770 084
Other Liabilities	2 217 204	-2 550 994	-7 697	-194 080	-535 567
	-48 775 112	**-3 047 147**	**-740 460**	**-197 425**	**-52 760 145**
Net Exposure	**4 460 493**	**3 822**	**1**	**0**	**4 464 316**

(Amounts in thousand Cape Verde Escudos – tCVE.)

34. 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, dated 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.

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

	Equity	Solvency	Fixed assets limit
2016	3.690.349	15,26%	173,39%
2015	4.001.265	16,44%	183,95%

35. SUBSEQUENT EVENTS

On March 8, 2017, Banco de Cabo Verde applied a resolution measure to Novo Banco, with Caixa Económica acquiring part of its assets against the assumed deposits.