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CAIXA ECONÓMICA DE CABO VERDE, S.A.

Financial Statements at December 31, 2020, and accompanying Audit Report

Audit Report

REPORT ON FINANCIAL STATEMENT AUDIT

Qualified Opinion

We have audited the attached financial statements of Caixa Económica de Cabo Verde ("Caixa"), which comprise the balance as at December 31, 2020 (totaling 79,923,329 thousand caboverdean escudos ("tCVE"), and tCVE 5,793,080 in total shareholder's equity, including a net profit of tCVE 702,311), Income Statement, Statement of Changes in Equity and Cash Flow statement for the year ended at that date, and the notes attached to the financial statements.

In our opinion, the accompanying financial statements present fairly and appropriately, in all material aspects, the financial position of Caixa Económica de Cabo Verde, S.A. as at December 31 2020, its financial performance and its cash flows for the year then ended, in accordance with the accounting principles generally accepted in Cabo Verde for the banking sector.

Basis for qualified opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA) as well as other standards and technical guidance of the Institute of Statutory Auditor. Our responsibilities under these standards are described in the "Auditor's Responsibilities for the Financial Statement Audit" section below. We are independent of the Entity under the law and comply with all other ethical requirements under the Code of Ethics of the Institute of Statutory Auditor.

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.

We describe below the audit key matters of the current year:

1. Impairment to customer's loans

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>The customer loan balance account includes accumulated impairment amounting to 5,701,049 thousand Cabo Verdean escudos ("tCVE"), recognizing an impact of 870,111 tCVE on the year's net income recorded in the credit impairment line net of reversals and recoveries. The gross amount of loan to customers is 55,226,838 tCVE, so the accumulated impairment represents 10% of the loan amount. The details of the impairment and the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the financial statements (note 2.2, note 9 and note 33).</p>	<p>Our impairment to customer's loans audit approach includes (i) an overall response with effect on the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent implementation, of audit procedures which included, namely:</p> <ul style="list-style-type: none"> ▶ Understanding, evaluation of the design and operational effectiveness test of the internal control procedures existing in the process of quantifying impairment losses for loan to customers; ▶ Carrying out analytical review tests on the evolution of the balance of impairment for customer loans, comparing it with the same period last year and the expectations formed, of which we highlight the understanding of the variations that occurred in the loan portfolio and changes in assumptions and methodologies of impairment;

Description of the most significant material misstatement risks

Impairment to customer loans represents Caixa's management's body best estimate of the expected loss on its customer loan portfolio as at December 31, 2020. To calculate this estimate, Caixa's management body established assumptions, it used mathematical models to calculate parameters, interpreted concepts and devised a model for calculating expected loss. For relevant exposures, it resorted to expert judgment in Caixa's credit risk assessment.

In addition to the complexity of the models described, its use requires the processing of a significant amount of data that is not always directly available in Caixa's central systems, such as credit risk information at the time of grant, the date and value of first default, the amount of historical recoveries of defaulted loans. To overcome limitations that may exist in some data, sometimes the management body uses practical expedients that increase the judgments applied.

The use of alternative approaches, models or assumptions may have a material impact on the estimated impairment value.

In response to the COVID-19 pandemic, it was established by Decree-Law No. 38/2020, of March 31, amended and republished by Decree-Law No. 45/2020, of April 21, and later by Decree-Law nº 4/2021 of January 15, 2021, the moratoriums regime on mortgage and business loans, which allowed debtors to postpone the payment of capital and interest without being considered defaults. The moratorium suspends the counting of days overdue, which increases the judgment inherent in identifying loans with a significant increase in credit risk.

Additionally, the pandemic reduced the predictability of economic evolution. Consequently, the determination of scenarios and weightings used to calculate the expected loss of the customer loan portfolio is more uncertain.

Given the degree of subjectivity and complexity that the impairment estimate involves and the materiality of its value, we consider this topic as a relevant audit subject.

Summary of our response to the most significant material misstatement risks

- ▶ Selection of a sample of customers subject to individual impairment analysis, to assess the assumptions used by the management body to quantify the impairment. This analysis included: inspection of the information with the business models and the economic and financial situation of the debtors and of the collateral evaluation reports; and, inquiry of Caixa services to understand the defined recovery strategy and the assumptions used;
- ▶ Analysis of impacts estimated by Caixa to reflect the COVID-19 pandemic at the level of individual debtors and homogeneous portfolios;
- ▶ With the support of internal risk specialists, evaluation of the reasonableness of the parameters used in the impairment calculation, highlighting the following procedures: i) understanding of the methodology formalized and approved by the management body and comparison with the one actually used; ii) evaluation of model changes to determine parameters to reflect expected loss; iii) analysis of the changes made during 2020 to the risk parameters (PD, LGD and EAD); iv) inquiries to Caixa's modeling specialists, and inspection of regulators' reports.
- ▶ Understanding and evaluation of the design of the expected loss calculation model, tested the calculation, evaluated the assumptions used to fill data gaps, compared the parameters used with the results of the estimation models, compared the results with the values in the financial statements. And,
- ▶ Analysis of the disclosures included in the Notes to the financial statements, based on the requirements of accounting principles generally accepted in Cabo Verde for the banking sector, which are based on international financial reporting standards and accounting records.

2. Appreciation of properties received as payment for credit recovery

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>The item Other assets, as described in Note 15 of the Annex to the Financial Statements, on December 31 2020 amounts to a net value of 1,849,320 tCVE related to real estate received thru loan recovery.</p> <p>Periodically, Caixa requests independent entities and registered with Banco Central de Cabo Verde evaluations of real estate received by recovery of loan. The appraisal value results from an estimation process by the management body that is based on judgments and assumptions and is based on an appraisal carried out by a contracted expert. The assumptions considered include the best use that can be made of the asset, which constitutes a comparable transaction, or the potential amount of income that can be earned by the property.</p> <p>If the valuation value, less estimated costs to be incurred with the sale of the property, is lower than the balance sheet value, impairment losses are recorded.</p> <p>Due to the Covid-19 pandemic, valuation uncertainty has increased due to variables such as (i) benchmark transactions for similar and comparable assets, (ii) timeframes for completing real estate assets under construction, (iii) cash flows arising from leased assets, (iv) the discount rates considered, (v) the ability to lease unoccupied assets and (vi) the risk premium required by potential investors.</p> <p>We considered the process of calculating impairment losses of assets acquired thru loan recovery as a relevant audit matter since it is based on methodologies that require the use of assumptions and judgments, which may not materialize in the future and consequently cause losses that are different from those estimated.</p>	<p>Our audit approach to the measurement of properties received thru recovery of granted loan included (i) an overall response with effect on the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent execution, of procedures including:</p> <ul style="list-style-type: none"> ▶ Obtaining an understanding of the internal control procedures existing in the process of valuation of properties received thru recovery of granted loan; ▶ Carrying out analytical review tests on the value of properties received thru of loan recovery, comparing it with the corresponding period, of which the understanding of the variations in the balance sheet value and associated impairment should be highlighted; ▶ Carrying out detailed tests of the movements that took place during the year, including the analysis of the deeds of payment in fulfillment entered into; ▶ For a sample of properties, verification of the ownership of assets acquired in credit recovery and the existence of liens, through the analysis of the property identification certificate; ▶ For a sample of properties, analysis of assumptions and judgments underlying valuations prepared by independent appraisers of assets acquired in loan recovery; ▶ Inspection of the amounts presented in the financial statements to test their agreement with accounting records and disclosures, to test their fullness against existing regulations; and, ▶ Analysis of the disclosures included in notes to the financial statements, based on the requirements of accounting principles generally accepted in Cabo Verde for the banking sector, which are based on international financial reporting standards and accounting records.

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 the accounting principles generally accepted in Cabo Verde for the banking sector;
- ▶ 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 continue in business, disclosing, when applicable, matters that may give rise to significant doubts about the ability to continue 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 continue 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, including supervisory body, 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;
- ▶ of the matters that we communicate to those in charge of governance, including supervisory body, 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; and

- we declare to the Supervisory Body that we have complied with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, their safeguards.

Our responsibility also includes verifying the compliance of the information in the Management Report with the financial statements.

Lisbon, June 16 2021

Ernst & Young Audit & Associates – SROC,
S.A. Sociedade de Revisores Oficiais de
Contas Represented by:

António Filipe Dias da Fonseca Brás – ROC nº 1661
Registered in CMVM under No. 20161271

**ANNEX TO FINANCIAL STATEMENTS ON
DECEMBER 31,2020**

BALANCE SHEET ON DECEMBER 31, 2020 AND 2019

ASSET	Notes	dec/2020	dec/2019
Cash and cash equivalents at central banks	5	6 000 826	6 115 152
Cash equivalents at other credit institutions	6	1 711 940	2 938 587
FV Financial Assets through other comprehensive income	7	3 823	3 823
Investments in credit institutions	8	18 577 737	17 816 492
Loan to customers	9	49 525 789	47 089 056
Investment properties	10	4 811	4 842
Other tangible assets	11	2 040 452	2 069 093
Intangible assets	12	3 294	5 412
Investments in subsidiaries, associates and joint ventures	13	99 807	103 927
Current tax assets	14	35 119	69 236
Deferred tax Assets	14	70 412	44 936
Other assets	15	1 849 320	1 707 817
Total Assets		79 923 329	77 968 374
LIABILITIES AND SHAREHOLDER'S EQUITY			
Funds from other credit institutions	16	90 077	154 135
Customer funds and other loans	17	73 412 965	72 050 194
Provisions	18	66 000	31 877
Current tax liabilities	14	84 097	184 932
Other liabilities	19	477 109	456 467
Total liabilities		74 130 249	72 877 605
Shareholder's equity	20	1 392 000	1 392 000
Other reserves and retained earnings	21	3 698 768	2 757 928
Income for the year	21	702 311	940 840
Total shareholder's equity		5 793 080	5 090 768
Total liabilities and shareholder's equity		79 923 329	77 968 374

INCOME STATEMENT FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

	Notes	dec-20	dec-19
Interest and similar income	22	4 109 044	4 084 479
Interest and similar expenses	23	(1 194 991)	(1 337 973)
NET INTEREST INCOME		2 914 053	2 746 505
Income from services and fees	24	206 357	282 025
Expenses from services and fees	24	(105 605)	(117 041)
Income from financial assets available for sale		0	0
Income from currency revaluation	25	37 830	99 525
Income from the sale of other assets	26	11 124	29 326
Other operating income	27	63 149	7 468
OPERATING INCOME		3 126 908	3 047 809
Personnel costs	28	(838 157)	(830 606)
Administrative overhead	29	(517 876)	(544 072)
Amortization of the year	10/11/12	(114 000)	(115 284)
Impairment of other financial assets net of reversals and recoveries	18	(34 123)	(286 321)
Loan impairment net of reversals and recoveries	18	(870 111)	(151 688)
Earnings from associated companies	13	8 292	24 824
EARNINGS BEFORE TAXES		760 932	1 144 662
Taxes			
Current	14	(84 097)	(184 932)
Deferred	14	25 476	(18 890)
		(58 621)	(203 821)
Earnings and comprehensive income for the year		702 311	940 840
Average number of common shares issued		1 392 000	1 392 000
Earnings per share		0.50	0.68

**CASH FLOW STATEMENT FOR FINANCIAL YEARS ENDED
ON DECEMBER 31, 2020 AND 2019**

	dec/20	dec/19
Cash flows from operating activities		
Income from Interests and fees	4 315 401	4 366 504
Payments of Interest and fees	(1 300 596)	(1 455 015)
Other income / (payments) related to operating activity	100 978	106 993
Payments to personnel and suppliers	(1 356 033)	(1 374 678)
Income Tax Payments	(148 063)	(53 664)
Lease Payments	(15 029)	(15 029)
Operating income before changes in operating assets	1 596 659	1 575 113
 (Increases) decreases in operating assets:		
Investments in credit institutions	(761 245)	(7 830 533)
Customer loans	(2 436 733)	351 416
Other assets	(175 626)	369 485
	(3 373 604)	(7 109 631)
 Increases (decreases) in operating liabilities:		
Funds from central banks and other credit institutions	(64 058)	(45 940)
Customer funds	1 362 772	4 205 494
Other liabilities	(844 446)	(14 257)
	454 268	4 145 296
Net cash from operating activities	(1 322 677)	(1 389 221)
 Cash flows From Investment Activities		
(Increases) decreases in investment assets:		
Investments in subsidiaries, associates and joint ventures	4 120	(13 988)
Dividends from associates and joint ventures	8 292	24 824
Intangible assets	(1 119)	-
Other tangible assets	(40 714)	(178 905)
Revenue from sale of tangible assets	11 124	29 326
Net cash from investment activities	(18 297)	(138 743)
 Cash flows From Financing Activities		
Dividends distributed	-	(94 656)
Net cash from investment activities	-	(94 656)
 Net increase (decrease) in cash and cash equivalents	(1 340 974)	(1 622 620)
 Cash and cash equivalents at beginning of year	9 053 739	10 676 360
Cash and cash equivalents at end of year	7 712 765	9 053 739

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31 2020 AND 2019**

	Shareholder's Equity	Legal Reserves	Others Reserves	Retained earnings	Earnings for the year	Total
Balances at December 31 2018	1 392 000	573 658	2 749 071	(943 717)	473 861	4 244 873
Investment of earnings for the Year 2018:						
Transfer to reserves		47 386	(611 897)	-	(564 511)	(564 511)
Dividend Distribution	-	-	-	-	(94 656)	(94 656)
Microcredit	-	-	(290)	-	-	(290)
Comprehensive income for the year	-	-	-	-	940 840	940 840
Balances at December 31 2019	1 392 000	621 044	2 136 884	(943 717)	940 840	4 147 051
Investment of earnings for the Year 2019:						
Transfer to reserves		94 084	846 756	-	940 840	940 840
Dividend Distribution	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	-	702 311	702 311
Balances at December 31 2020	1 392 000	715 128	2 983 640	-	702 311	5 793 079

1. INTRODUCTORY NOTE

Caixa Económica de Cabo Verde, SA (Caixa) is a banking and credit institution transformed into a public limited company by Decree-Law No. 54/93 of 31 August. As part of the privatization process of financial institutions and publicly-owned financial companies, pursuant to the Council of Ministers' Resolution No. 46/99 of September 27, a Grouping composed by Caixa Económica Montepio Geral SA, by IMPAR - Companhia Cabo Verde de Seguros, S.A.R.L., and a Local Group, composed of 51 national businesspeople and professionals, held the majority of Caixa's share capital until September 2009. From this date, Geocapital, Gestão de Participações, S.A., acquired the shares of Caixa Económica Montepio Geral, S.A. and Montepio Geral - Associação Mutualista. In 2017, Instituto Nacional da Previdência Social acquired the shares of IMPAR - Companhia cabo-verdiana de Seguros, S.A.R.L., and of a group of private shareholders, for a total of 200,211 shares, now holding 47.21% of Caixa's capital (Note 20).

In December 2019, the State of Cabo Verde acquired, through the Ministry of Finance, the totality of shares of Geocapital, Gestão de Participações, S.A., thus allowing the State to assume, directly, or indirectly, the shareholding control of the institution.

Caixa is headquartered in the city of Praia, Republic of Cabo Verde, with a 35 branch network to carry out its operations. Caixa's share capital is represented by 1,392,000 shares, 100% of which are listed on Bolsa de Valores de Cabo Verde.

Caixa's purpose is to carry out all banking activities and operations legally authorized to banks, and may also acquire shares in companies with a different purpose from the above, in companies governed by special laws and in complementary groupings of companies.

Caixa's financial statements on December 31 2020 were approved by the Board of Directors on 12 March 2021, and are pending approval of the General Assembly. However, Caixa's Board of Directors admits that they will be approved without significant changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation

- Caixa's financial statements were prepared on the assumption of continuity of operations, based on the books and accounting records maintained under the terms of Notice No. 2/2007, of 19 November, issued by Banco de Cabo Verde, based on the principles set forth in the International Financial Reporting Standards (IFRS), except with regard to the calculation of impairment for loan to customers, which may not be less than that established by specific notice or instruction from Banco de Cabo Verde, at each moment, as a minimum framework for the constitution of specific and generic provisions.

2.2. Accounting Policies

a) Accrual basis

Expenses and income are recognized in accordance with the principle of accruals basis, being 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 Cabo Verde Escudos at BCV's fixing on the last business day of each month. Exchange rate differences determined in currency translation are reflected in the earnings for the year, except for those arising from non-monetary financial instruments, such as shares, classified at fair value through other comprehensive income, which are recognized in equity until they are sold.

In fiscal years 2020 and 2019, the exchange rate of the Cabo Verde Escudo against the Euro remained fixed at 1 Euro / 110.265 Cabo Verde Escudos. On December 31, 2020 and 2019, the exchange (fixing) rate against the US Dollar was 89.785 and 98.548, respectively.

c) Financial Assets

IFRS 9 provides for the classification of financial assets according to three criteria:

- (1) The business model under which financial assets are managed;
- (2) The type of financial instruments i.e. (i) derivative financial instruments, (ii) equity instruments or (iii) debt financial instruments; and
- (3) The contractual cash flow characteristics of debt financial instruments (representing solely principal and interest payments).

In this context, the main categories of financial assets provided for in IFRS 9 are summarized as follows:

- A debt financial instrument that (i) is managed under a business model aimed at keeping financial assets in the portfolio and receiving all their contractual cash flows and (2) having contractual cash flows on specific dates corresponding to exclusively to the payment of principal and interest on principal owed - shall be measured at amortized cost, unless designated at fair value through profit or loss under the fair value option – “Hold to Collect”.
- A debt financial instrument that (i) is managed under a business model whose objective is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (2) include contractual clauses that give rise to cash flows which correspond exclusively to the payment of principal and interest on outstanding principal - shall be measured at fair value through other comprehensive income (“FVTOCI”), unless it is designated at fair value in profit or loss under the fair value option – “Hold to Collect & Sale”.
- All other debt financial instruments should be measured at fair value in profit or loss (“FVTPL”).

For other financial instruments, namely equity instruments and derivatives, these by definition, are classified at fair value in profit or loss. For equity instruments, there is an irrevocable option to designate that all changes in fair value are recognized in other comprehensive income, in which case, only dividends are recognized in profit or loss, as gains and losses are not recycled to profit or loss even upon its derecognition / sale.

Debt instruments held by Caixa are measured at amortized cost given they are managed under a “Hold to Collect” business model and present cash flows that represent only principal and interest.

Loans and account receivables

These are financial assets with fixed or determinable payments, not quoted in an active market. This category includes customer loans (including securitized loan granted to companies), amounts receivable

from other credit institutions and other receivables recorded under “Other assets”. It also includes debt securities issued by the State of Cabo Verde since they were acquired on the primary market by Caixa essentially for holding to maturity, and there is no active secondary market.

Upon initial recognition, these assets are recorded at cost, less 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 rate method, which allows to calculate the amortized cost and allocates interest over the period of operations. The effective interest rate is that which, being used to discount the estimated future cash flows associated with the financial instrument, allows to match its present value to the financial instrument’s value on the date of initial recognition.

Loans and non-performing Loans and write-offs of principal and interest

Interest on loans is written off on the day of the operation's due date or the first past due installment. Unrecorded interest on the aforementioned loans is only recognized in the fiscal year in which they are charged, except in exceptional circumstances if there is concrete evidence as to its receipt, and are recorded under the item “Interest and similar income”.

In accordance with policies in force at Caixa, all principal owed on operations with past due installments is classified as non-performing loans 30 days after its due date, except for operations in which the overdue installments are interest only.

Caixa periodically writes off assets that are considered uncollectible due to the use of the impairment, after specific analysis by the structure bodies responsible for monitoring and recovering the loans and approval of the Board of Directors. Any recoveries of loans written off on assets are reflected in the income statement under the caption “Other Operating Income”.

Fair value assets through other comprehensive income

Fair value assets through other comprehensive income, which correspond to shares of companies, should be measured at fair value, except for equity instruments not quoted in an active market and whose fair value cannot be reliably measured, which remain recorded at historical cost. Profits or losses arising from revaluation are recorded directly in equity under “Revaluation reserves”. At the time of sale, or if impairment is determined, the accumulated changes in fair value are transferred to income or expense for the year and are recorded under the caption “Profit and loss from *fair value assets through other comprehensive income*” or “Impairment of other financial assets” net of reversals and recoveries”, respectively.

On December 31, 2020 and 2019, assets at fair value through other comprehensive income correspond to unquoted assets whose fair value could not be reliably measured, and Caixa kept these assets at historical cost, net of impairment.

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

d) Impairment of financial assets

Loans and accounts receivables

IFRS 9 introduces the concept of expected credit losses which differs significantly from the concept of incurred losses provided for in IAS 39, thereby anticipating the recognition of credit losses in the financial statements of institutions. IFRS 9 provides that the concept of impairment based on expected loss, is applied to all financial assets except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income. The IFRS 9 concept of expected losses also includes financial assets at amortized cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, finance leases, other receivables, financial guarantees and credit commitments not valued at fair value.

This conceptual change is introduced in conjunction with new classification criteria and measurement of expected credit impairment losses, being required that impaired financial assets be classified at different stages according to the evolution of their credit risk since the initial recognition date and not on the basis of credit risk at the reporting date:

- *Stage 1:* Financial assets are classified as stage 1 whenever there is no significant increase in credit risk from the date of initial recognition. For these assets are recognized the expected loss of credit impairment resulting from default events occurring during the 12 months following the reporting date;
- *Stage 2:* incorporates financial assets in which there has been a significant increase in credit risk since the date of initial recognition. For these financial assets are recognized expected losses of credit impairment over the life of assets ("*lifetime*");
- *Stage 3:* Assets classified in this stage 3 present on the reporting date objective evidence of impairment as a result of one or more events that have already occurred that result in a loss. In this case, the expected loss of credit impairment is recognized in profit or loss over the expected residual life of the financial assets.

Key drivers in calculating expected losses

For financial assets classified in stages 1 and 2, the measurement of expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure at default (EAD), discounted at the effective interest rate of the contract until the reporting date. For stage 3 financial assets, the expected loss measurement is the result of the product between (i) the LGD of the financial instrument and (ii) the EAD.

As mentioned before, the main difference between the impairment losses measured for financial assets classified in stages 1 and 2 is the respective timeframe in the PD calculation. Expected losses for stage 1 financial assets are calculated using a 12-month PD whereas expected losses on stage 2 use a PD lifetime.

The PDs used in the measurement of expected losses in the loan portfolio are estimated using historical information on the occurrence of defaults (through-the-cycle) and are adjusted to reflect the current point in the economic cycle (*point-in-time*).

LGDs used to measure expected loan portfolio losses are estimated using losses historical information on default events.

In measuring the expected losses of the securities portfolio measured at amortized cost, market PDs and LGDs made available by international credit rating agencies are used.

Significant increase in credit risk and default definition

The assessment of the significant increase in credit risk is a new concept introduced by IFRS 9, which requires the application of a strong judgment component. The transition of financial assets from stage 1 to stage 2 occurs when their credit risk increases significantly when compared to the credit risk on the date of their initial recognition. The significant increase in credit risk is determined through the analysis of internal quantitative and qualitative indicators used by Caixa in its credit risk management, thus verifying the alignment of accounting requirements with Caixa's credit risk management policies.

IFRS 9 assumes as a rebuttable assumption that financial assets at least 30 days past due must be classified in stage 2, i.e., evidencing of a significant increase in credit risk from the date of their initial recognition. Caixa does not refute this assumption.

Caixa identifies the significant increase in credit risk through the following criteria:

- More than 30 days past due;
- Restructuring due to financial difficulties;
- Irregular balances at Banco de Cabo Verde's Credit Risk Bureau;
- Contagion of operations;
- Off of Stage 3.

In the securities portfolio measured at amortized cost, Caixa identifies the significant increase in credit risk through significant counterparty rating degradations between the origination date and the reporting date of the securities.

The transitions of financial assets from stage 2 to stage 3 occur when they are at default.

IFRS 9 does not provide an objective definition of default, however, it assumes a rebuttable assumption that default occurs when an exposure is more than 90 days past due. Caixa does not refute this assumption, and Caixa's default definition includes the following criteria:

- More than 90 days past due;
- Written-off principal;
- Multiple restructurings;
- Contagion of operations.

Forward-looking Information

The measurement of expected credit losses for each stage and the assessment of the significant increase in credit risk should consider not only information on past events, but also current conditions and reasoned and reasonable forecasts of future events and economic conditions (i.e., forward-looking information).

There is no study due to the fact that Cabo Verdean macroeconomic variables have been identified with annual information only, therefore there is no information with a frequency that allows a robust analysis (e.g., monthly or quarterly) to be carried out.

Hedge accounting

The new hedge accounting model of IFRS 9 aims not only to simplify the process of creating and maintaining hedge relationships, but also to align the accounting of these relationships with the

risk management activities of each institution, to extend the eligibility of a larger number of hedged instruments and hedge instruments, but also types of risk.

The new standard does not yet include rules for accounting hedges called macro-hedging, which are being defined by the IASB. Because of this limitation of IFRS 9, and as regards hedge accounting, institutions are allowed to choose to maintain the accounting principles of IAS 39 (for hedge accounting only) until the conclusion of the macro-hedging project by the IASB.

Caixa does not apply hedge accounting, so in this component the new requirements of IFRS 9 will not have any impact on Caixa's financial statements.

Governance

In FY 2018 a project was carried out to implement the standard in order to meet the requirements of IFRS 9 and the requirements of Banco Cabo Verde.

During the project periodic meetings were held between the teams responsible for ensuring the development and implementation of the new models, namely the Risk, Financial, Technology and Operations departments. Meetings were also held with Caixa's Board of Directors to define and / or approve the main assumptions of the new models.

Repurchase Transactions

Securities sold on repurchase agreements at a fixed price or at a price that equals the sale price plus interest inherent in the term of the transaction are not derecognized from the balance sheet.

The corresponding liability is recorded in amounts payable.

The difference between the sale price the repurchase price is treated as interest and is deferred over the life of the agreement using the effective interest rate method.

e) Financial liabilities

As regards the measurement of financial liabilities, IFRS 9 does not make major changes compared to the requirements already provided for in IAS 39, except for the requirement to recognize changes in the fair value of financial liabilities resulting from changes in the entity's own credit risk, to be recognized in equity rather than in profit and loss as required by IAS 39, except in cases where this accounting procedure generates accounting mismatch. Subsequent reclassifications of these changes to profit or loss are not allowed, even at the time of repurchase of these liabilities.

According to an analysis carried out by Caixa with reference to January 1, 2018, no impacts of the adoption of IFRS 9 were identified, since Caixa's financial liabilities are measured at amortized cost.

f) Assets received through loan recovery

Real estate and other acquired assets obtained through the recovery of non-performing loans, and which are not available for immediate sale, are recorded at the acquisition value when the legal proceedings have been concluded, under "Other assets".

These assets are not amortized. Properties received thru loan recovery are periodically appraised. If the appraised value, less the estimated costs to be incurred with the sale of the property, is less than the book value, impairment losses are recorded. Up to 2013, for properties acquired in determining impairment, Caixa also considered the age of properties in the portfolio.

For the sale of the acquired assets, the assets are written-off and the gains or losses are recorded under the caption "Other operating income and costs".

g) Investment properties

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

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

Amortizations are calculated and recorded as a cost in "Amortization for the year" over an estimated useful life of 60 years.

h) Other tangible assets

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

Amortization 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, which is:

	Purchased by 2015	Purchased after 2015
Real Estate for own use	50	33-60
Equipment		
Office Furniture and Supplies	8	8
Machinery and tools	5-6	5
Computer equipment	5	3-5

Interior installations	4-5	5-8
Transportation equipment	5-6	7
Security equipment	5-12	5-10
Other equipment	6	8

Lands are not subject to amortization.

Expenditures on constructions and improvements in building occupied by Caixa as lessee under operating leases are capitalized under this heading and generally amortized over a period of 10 years.

Amortization is recorded in costs for the year.

Tests are periodically carried out to identify evidence of impairment in tangible assets, in accordance with Standard IAS 36 - "Impairment of assets". In situations where there is evidence, whenever the net book value of tangible assets exceeds their recoverable value (greater value between the value in use and fair value), an impairment loss is recognized in profit or loss for the year under "Impairment of other assets". Impairment losses may be reversed, also impacting profit or loss for the period, if there is a subsequent increase in the recoverable amount of the asset.

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

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

i) Intangible assets

This item essentially comprises costs 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 amortization and impairment losses.

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

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

IFRS 16 standard (January 1 2019)

This new standard replaces IAS 17 - 'Leases', with an impact on accounting by the lessees who are now required to recognize a lease liability and a 'right-of- use' asset for all lease agreements. IFRS 16 allows entities to adopt the new standard following a full retrospective approach or through the modified retrospective approach, the second of which does not imply the disclosure of impacts at the date of the previous reporting period (2018), recognizing the cumulative effect of the initial application of the standard as adjustment on the balance sheet at the transition date (2019).

a. Lease agreements - asset identification

At the beginning of the contract, it will be assessed whether a contract is or contains a lease. In order for a contract to be considered as a lease, it must verify cumulatively with three fundamental conditions:

1. the contract identifies one or more leased assets;
2. the entity obtains the majority of the economic benefits arising from the use of the leased asset; and
3. the entity holds the right to control the underlying asset, during the term of the contract, against payment.

b. As a Lessee

The IFRS 16 standard defines a set of new requirements for the application of this standard, namely regarding the classification and measurement of lease operations from the perspective of the lessee. As a lessee, the Group recognizes a right-of-use asset and a lease liability on the initial date of the respective operation:

The lease liability - is measured at the present value of the future rents to be incurred with the contract, reducing payments at the discount rate implicit in the contract, if it is determinable. When the implied rate is not available or can be measured, an incremental interest rate should be used.

The payments considered in calculating the lease liability are: (i) fixed payments, (ii) variable payments dependent on an index or rate (if the payments considered variable do not depend on an index or rate, they must be recognized in the statement of income at the time they are incurred), and (iii) the amount related to the exercise of the call option, if it is reasonably certain that the Group will exercise it.

The liability is remeasured whenever there is a change in one of the following variables: (i) change in the value of variable payments dependent on an index or rate (only for the period in question), (ii) change in the assessment regarding the decision to exercise, or not, the call option on the underlying asset, (iii) change in

the residual value of the asset, or (iv) change in the term of the contract. If there is a change in the term of the contract or a change in the assessment of the exercise of the purchase option (lines (ii) and (iv)), a new discount rate must be calculated for the remeasurement of the liability.

When the lease liability is revalued, the respective difference arising from the revaluation is made against the right-of-use asset, or is recognized in the income statement if the book value of the right-of-use asset has been reduced to zero.

Right-of-use asset - The asset related to the right-of-use is initially measured at cost, corresponding to the initial value of the lease liability, adjusted by any payments made up to the initial date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the location in which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method, from the initial date to the end of the useful life of the right-of-use asset or the end of the lease term. Additionally, the right to use asset is periodically reduced by impairment losses, if applicable, and adjusted if remeasurements are made to the lease liability.

c. Practical expedients – Short-term, low-value leases and component separation

The standard provides a set of practical expedients, namely for low-value or short-term leases, which do not imply the recognition of the respective lease liability and right of use.

d. As a lessor

As the lessor, the changes were not substantial compared to the previous IAS 17, the lessor continues to classify the lease operations between financial and operational based on the assessment of the transfer, or not, of the risks and benefits inherent to the ownership of the underlying asset.

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 does not exercise effective control ("associates"). Significant influence is assumed whenever Caixa's stake is between 20% and 50% of the capital or voting rights or, if less than 20%, Caixa is part of the management body and has direct influence on development of relevant company policies.

These assets are recorded by the equity method. Under this method, shareholdings are initially valued at acquisition cost, which is subsequently adjusted based on Caixa's actual percentage in the changes in equity (including income) of the associates.

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) Income taxes

Caixa is subject to the Corporate Income Tax (IRPC) at a rate of 22% and a fire tax of 2% on the assessed tax, which corresponds to an aggregate tax rate of 22.44%.

Currents taxes

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

Deferred taxes

Total income taxes recorded in profit or loss 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 base, used in determining taxable profit.

Deferred tax liabilities are normally recorded for all taxable temporary differences, while deferred tax assets are only recognized up to the amount that it is probable that future taxable profits will allow the use of the corresponding deductible tax differences or tax losses reporting. In addition, deferred tax assets are not recorded when their recoverability may be questionable due to other situations, including issues of interpretation of the tax legislation in force.

Notwithstanding this, no deferred taxes are recorded for temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect the accounting income or taxable profit.

Deferred taxes are calculated based on the tax rates anticipated to be effective at the date of reversal of temporary differences, which correspond to rates approved or substantially approved at the balance sheet date.

Deferred taxes are calculated based on the tax rates anticipated to be effective at the date of reversal of temporary differences, which correspond to rates approved or substantially approved at the balance sheet date.

l) Provisions and contingent liabilities

A provision is recorded when there is a present obligation (legal or constructive) arising from past events for which future outflow of resources is probable and can be reliably determined. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability at the balance sheet date.

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

Provisions for other risks are intended to cover tax and other contingencies arising from Caixa's activity.

m) Employee benefits

Employee benefit liabilities are recognized in accordance with the principles set forth in IAS 19 - "Employee Benefits".

Short-term benefits, including productivity bonuses paid to employees for their performance, are reflected in "Personnel costs" in the period to which they relate, in accordance with the accrual principle.

In addition, Caixa has not assumed any liability for the payment of retirement pensions or other post-employment benefits to its employees, which are covered by the general social security system.

n) Fees

Fees relating to credit operations, which correspond essentially to opening and credit management fees, are recognized by applying the effective interest rate method over the life of the operations, regardless of the time when they are charged or paid and are recorded under "Interest and similar income – Fees received associated with amortized cost".

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

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

o) Amounts received on deposit

The amounts received on deposit, namely customers' securities, are recorded in off-balance sheet items at nominal value.

p) Cash and cash equivalents

For the purpose 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, estimates are required by Caixa's Board of Directors. Estimates with the greatest impact on Caixa's financial statements include the following.

Determination of impairment losses on granted loans

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

IFRS 9 introduces the concept of expected credit losses which differs significantly from the concept of incurred losses provided for in IAS 39, thereby anticipating the recognition of credit losses in the financial statements of institutions. IFRS 9 provides that the concept of impairment based on expected loss, is applied to all financial assets except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income. The IFRS 9 concept of expected losses also includes financial assets at amortized cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, finance leases, other receivables, financial guarantees and credit commitments not valued at fair value.

This conceptual change is introduced in conjunction with new classification criteria and measurement of expected credit impairment losses, being required that impaired financial assets be classified at different stages according to the evolution of their credit risk since the initial recognition date and not on the basis of credit risk at the reporting date:

- *Stage 1*: Financial assets are classified as stage 1 whenever there is no significant increase in credit risk from the date of initial recognition. For these assets are recognized the expected loss of credit impairment resulting from default events occurring during the 12 months following the reporting date;
- *Stage 2*: incorporates financial assets in which there has been a significant increase in credit risk since the date of initial recognition. For these financial assets are recognized expected losses of credit impairment over the life of assets ("lifetime");
- *Stage 3*: Assets classified in this stage 3 present on the reporting date objective evidence of impairment as a result of one or more events that have already occurred that result in a loss. In this case, the expected loss of credit impairment is recognized in profit or loss over the expected residual life of the financial assets.

Determination of Profit Taxes

Taxes on profits (current and deferred) are determined by Caixa based on the rules defined by the tax regime in force. However, in some situations tax legislation may not be sufficiently clear and objective and lead to different interpretations. In these cases, the values recorded result from the best understanding of Caixa's Board regarding the correct framework of its operations, which is, however, likely to be questioned by the Tax Authorities.

Impairment of assets received on credit recovery

Impairment losses on assets received in credit recovery are determined in accordance with the methodology described in Note 2.2. f). Accordingly, the determination of impairment in these assets results from an assessment made by Caixa based on the knowledge of the real estate market and the information provided by internal and external appraisals.

4. Adoption of New Standards (IAS/IFRS) or Revision of already issued Standards

IFRS 17– Insurance Contracts

In May 2017, IASB issued the IFRS 17 Insurance Contracts, a new comprehensive accounting standard for insurance contracts that covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.

IFRS 17 applies to all insurance contracts, regardless of the type of entities that issue them, as well as certain guarantees and financial instruments with discretionary participation characteristics. Some exceptions will apply.

The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and more consistent for the insurance companies. In contrast to the requirements of IFRS 4, which are largely based on protected the vested rights of previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, complemented by:

- A specific adaptation for contracts with direct participation characteristics (the variable rate approach).
- A simplified approach (the awarding approach) mainly for short-term contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, which incorporates an explicit risk adjustment, remeasured in each reporting period (realized cash flows).
- A Contractual Service Margin (CSM) that is equal to and opposite to any gain in complying with the cash flows of a group of contracts, representing the unearned profit from the insurance contracts that will be recognized in profit or loss during the service period (i.e., coverage period)
- The effect of changes in discount rates will be reported in profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance services expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that are paid to a policyholder in all circumstances, notwithstanding of the occurrence of an insured event (non-distinct investment components) are not presented in the income statement, but are recognized directly in the balance sheet.
- Income from insurance services (revenue earned less claims incurred) is presented separately from financial income or expenses for insurance.
- Extensive disclosures to provide information about the recognized amounts of insurance contracts and the nature and extent of the risk that such contracts give rise to.

Both the modified retrospective approach and the fair value approach provide temporary expedients to determine how to best group contracts. If an entity cannot reasonably and sustainably obtain the information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

In June 2020, IASB issued amendments to IFRS 17. These amendments stem from the Exposure Draft on proposed amendments to IFRS 17 Insurance Contracts.

As a result of its re-deliberations, IASB introduced changes in the following main areas of IFRS 17:

- Postponement of the effective date of IFRS 17 and IFRS 9 for qualifying insurance entities by two years for annual reporting periods beginning on or after 1 January 2023;
- Scope of Standard
- Expected recovery of insurance purchase cash flows from insurance contract renewals
- CSM related to investment activities
- Applicability of the risk mitigation action for contracts with direct participation characteristics.
- Reinsurance contracts held - expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position

- **Additional transition relief**

In addition to the aforementioned changes, the amendment also includes other minor and editorial amendments to IFRS 17.

No material impacts on the Bank's financial statements are estimated.

Definition of business activity – amendments to IFRS 3

IASB issued amendments to the definition of business activity in IFRS 3 - Concentration of Business Activities to help entities determine whether a set of acquired activities and assets is a business activity or not. This change clarifies the minimum requirements for it to be considered a business activity, removes the assessment of whether market participants are able to replace the missing elements, adds guidance to assess whether an acquired process is substantive, restricts the definitions of business activity and output and introduces an optional test of fair value of business activity.

Minimum requirements for considering a business activity

The amendment clarifies that to be considered a business, an integrated set of activities and assets should include, at least, an input and a substantive process that, together, contribute significantly to the capacity to create outputs. They also clarify that a business can exist without including all the inputs and processes necessary to create outputs. That is, the inputs and processes applied to those inputs must have "the capacity to contribute to the creation of outputs" rather than "the capacity to create outputs".

Ability of market participants to replace missing elements

Prior to the amendment, IFRS 3 stated that a business did not have to include all of the inputs or processes that the seller used to conduct its activity, "if market participants are able to acquire the business and continue to produce outputs, for example, when integrating the business with its own inputs and processes". The reference to this integration is now removed from IFRS 3 and the assessment must be based on what has been acquired in its current state and conditions.

Assess whether and acquired process is substantive

The amendment specifies that if a set of activities and assets has no output on the acquisition date, an acquired process is only considered to be substantive if: a) it is critical to the ability to develop or convert acquired inputs into outputs; and b) the inputs acquired include both an organized workforce with the skills, knowledge, or experience necessary in carrying out this process, and other inputs that the organized workforce can develop or convert into outputs. In contrast, if a set of acquired activities and assets includes outputs on that date, an acquired process must be considered substantive if: a) it is critical to the ability to continue producing outputs and the inputs acquired include an organized workforce with the skills, knowledge, or experience necessary in carrying out that process; or b) it significantly contributes to the ability to continue producing results and is considered to be unique or scarce, or cannot be replaced without costs, effort or significant delays in the ability to continue producing outputs.

Restricted definition of Outputs

The change restricts the definition of the outputs to focus on goods or services provided to customers, return on investments (such as dividends or interests) or other income from ordinary activities.

Optional concentration test

The amendments introduced an optional concentration test at the fair value of the concentration to allow a simplified assessment of if a set of acquired activities and assets is not a business activity. Entities can choose to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair values of the gross assets acquired are concentrated in a single identifiable asset or a similar group of identifiable assets. If the test is fulfilled, the set of activities and assets are determined not to be a business and further assessment is not necessary. If the opposite occurs, or if the entity chooses not to apply the test, a detailed assessment will have to be carried out applying the normal requirements of IFRS 3.

This amendment is effective for transactions that are considered business activities concentrations or asset purchases for which the acquisition date occurred on or after the beginning of the first period beginning on or after January 1, 2020.

These amendments apply prospectively. Consequently, entities do not have to evaluate acquisitions that took place before that date. Early adoption is permitted and must be disclosed.

This change will also have an impact on other standards (for example, when the parent company loses control of the subsidiary and applied in advance the amendment to IFRS 10 and IAS 28 regarding the sale or delivery of assets by an investor to its associate or joint venture).

Material impacts on the bank's financial statements are not expected.

Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which include the first phase of the work developed to respond to the effects on the financial reporting of the IBOR (Interbank Offered Rates) reform.

These amendments provide temporary expedients that allow hedge accounting to be maintained during the period of uncertainty that precedes the replacement of the currently existing benchmark interest rate with an alternative benchmark interest rate.

Amendments to IFRS 9

The amendments include several expedients, applicable to all hedging relationships that are directly affected by the interest rate benchmark. A hedge relationship is affected if the ongoing reform generates uncertainties about the periodicity and / or reference amount of the cash flows generated by the hedged object or the hedging instrument.

The application of the expedients is mandatory. The first three expedients provide for the treatment of:

- Assessment of whether a future transaction is highly likely;
- Assessment of when to reclassify the amount of cash flow recorded in reserves for profit or loss;
- Evaluation of the economic relationship between the hedged object and the hedging instrument.

For each of these expedients it is assumed that the benchmark for calculating the hedged cash flows (whether or not it is contractually specified) and / or, for the third expedient, the cash flow calculation benchmark for the hedged instrument will not be modified as a result of the IBOR reform.

A fourth expedient requires that, at the beginning of the hedging relationship, the risk component of the benchmark interest rate affected by IBOR be separately identified.

When the hedging strategy involves continuously including and removing hedged and hedged instruments from the portfolio, the mentioned requirement need only be ensured in the initial recognition of the hedged elements in the hedging relationship.

Insofar as a hedging instrument is changed so that its cash flows are based on an RFR but the hedged item is still based on IBOR (or vice versa), there is no expedient to determine the measurement and recognition of potential ineffectiveness resulting from changes in the fair value of the elements.

The expedients continue indefinitely in the absence of any of the events described in the amendments. When the entity designates a set of elements as a hedged element, the requirements on when the expedients end are applied separately to each of the elements individually.

The amendments also introduce specific disclosure requirements for the hedging relationships to which these expedients apply.

Amendments to IAS 39

The changes to the standard are consistent with the changes made to IFRS 9, but with the following differences:

- For the purposes of prospective assessment of the hedging relationship, it is assumed that the benchmark for calculating the hedged cash flows (whether or not it is contractually specified) and / or, for the third expedient, the benchmark for determining the cash flows of the hedged instrument will not be modified as a result of the IBOR reform.
- For the purpose of retrospective assessment of the effectiveness of the hedge relationship, the hedge is allowed to pass the effectiveness tests even if the hedge results are temporarily out of the 80% -125% range, during the period of uncertainty arising from the reform of the IBOR.
- In the case of a hedging of part of the benchmark interest rate risk (other than the risk component under IFRS 9) that is affected by the IBOR reform, the requirement for separate identification of this part should only be guaranteed at the beginning of the recognition of the hedging relationship.

These amendments must be applied retrospectively. However, any hedging relationships that have ceased to be previously designated cannot be reassigned, nor can they be reinstated, nor should new hedge relationships be designated in the context of retrospectivity. Early application is permitted but must be disclosed.

No material impacts on the Bank's financial statements are estimated.

Reform of interest rate benchmarks – Phase 2– amendments to IFRS 9, IAS 39 and IFRS 7

On August 27, 2020, IASB published the Reform of the interest rate benchmarks - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With the publication of the amendments of phase 2, IASB concluded its work in response to the IBOR reform.

The amendments provide temporary expedients that address the effects of financial reporting when an interbank offer rate (IBOR) is replaced by an alternative near risk-free interest rate (RFR).

Practical expedient for changes in the basis for determining contractual cash flows as a result of the IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows directly required by the reform, to be viewed as changes to a variable interest rate, equivalent to a movement in a market interest rate. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR reference rate to an RFR take place on an economically equivalent basis, without any transfer of value having taken place.

Any other changes made at the same time, such as a change in credit spread or due date, are evaluated. If they are material, the instrument is derecognized. If they are not material, the updated effective interest rate is used to recalculate the book value of the financial instrument, with any modification gain or loss being recognized in net income.

The practical expedient is necessary for entities that apply IFRS 4 and that are using the exception of IFRS 9 (and therefore apply IAS 39) and for IFRS 16 Leases, for modifications to leases required by the IBOR reform.

Relief of the discontinuity of hedging relationships

The amendments allow that the introduction of the amendments required by the IBOR reform be made to the hedging designations and hedging documentation without the hedging relationship being discontinued. Permitted amendments include redefining the hedged risk to reference an RFR and redefining the description of hedging instruments and/or hedged items to reflect the RFR. Entities are authorized, until the end of the reporting period, during which a change required by the IBOR reform is made to complete the amendments.

Any gains or losses that may arise on transition are handled through the normal requirements of IFRS 9 and IAS 39 to measure and recognize hedge ineffectiveness.

The amounts accumulated in the cash flow hedge reserve are considered to be based on the RFR. The cash flow hedge reserve is recorded in profit or loss in the same period or periods in which the cash flows hedged based on the RFR affect profit or loss.

For the assessment of the effectiveness of retrospective hedge under IAS 39, on transition to an RFR, entities may elect a hedge-by-hedge basis to reset the cumulative changes in fair value to zero. This relief applies when the exception to the retrospective assessment ends.

The amendments provide relief for items within a designated group of items (such as those that are part of a macro cash flow hedging strategy) that change due to modifications directly required by the IBOR reform. The amendments allow the hedging strategy to remain and not be discontinued. Items within a hedged group that transition at different times from IBOR to RFR will be transferred to instrument subgroups that reference RFRs as the hedged risk.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. Phase two reliefs apply whenever a hedging relationship is modified as a direct result of the IBOR reform. Phase two reliefs cease to apply once all changes have been made to the financial instruments and hedging relationships as required by the IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities in having to comply with the requirement to be separately identifiable when an RFR instrument is designated as a risk component hedge. The relief allows entities, when designating hedging, to assume that the separate identification requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Changes are mandatory for annual periods beginning on or after January 1, 2021, and earlier application is permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued only due to changes required by the IBOR reform and would not have been discontinued if the phase two changes had been applied at that time. Although application is retrospective, an entity is not required to restate prior periods.

Definition of material - Amendments to IAS 1 and IAS 8

In October 2018, IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" among standards and to clarify certain aspects of the definition. The new definition provides that "information is material if its omission, error or concealment can reasonably be expected to influence the decisions that primary users of financial statements make based on those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality depends on the nature and magnitude of the information, or both. An entity has to assess whether certain information, either individually or in combination with other information, is material in the context of the financial statements.

Hidden information

The changes explain that information is hidden if it is communicated in a way that it would have a similar effect as if hidden or if the information was stated incorrectly. Material information may, for example, be hidden if that information, relating to a material item, transaction or other event is dispersed throughout the financial statements, or if it is disclosed using language that is vague or unclear. Material information may also be hidden if different items, transactions or other events are aggregated inappropriately, or conversely, if similar items are disaggregated inappropriately.

New criterion

The amendments replaced the criterion "could influence", which suggests that any potential influence from users must be considered, for "could reasonably be expected to influence" in the definition of "materiality". In the amended definition, it is thus clarified that the materiality assessment has to take into account only the reasonably expected influence on the economic decisions of the primary users.

Primary users of financial statements

The current definition refers to "users", but does not specify their characteristics, which may imply that the entity is obligated to take into account all possible users of the financial statements when making the decision on the information to be disclosed. Consequently, IASB decided to make reference of primary users in the new definition to address concerns that the term "users" may be interpreted in a broader way.

This amendment is effective for periods beginning on or after 1 January 2020 and is applied prospectively. Early adoption is permitted and must be disclosed.

No material impacts on the Bank's financial statements are estimated.

Concessions on leases related to Covid-19 – Amendments to IFRS 16

In May 2020, IASB amended IFRS 16 to allow lessees to be exempt from applying the provisions of IFRS 16 regarding lease contract modifications that result directly from the Covid-19 pandemic. This amendment does not apply to lessors.

As a practical expedient, the lessee may choose not to assess whether a lease concession by the lessor related to Covid-19 is a modification to the lease. A lessee who chooses this option accounts for changes in rent payments resulting from Covid-19 in the same way as it would account for a change other than a modification of the lease under IFRS 16.

The practical expedient only applies to concessions on rents that occur as a direct consequence of the Covid-19 pandemic and only if specific conditions are met.

A lessor applies the amendments for annual reporting periods beginning on or after June 1, 2020 and earlier adoption is permitted, including for financial statements not yet authorized for public release on May 28, 2020.

No material impacts on the Bank's financial statements are estimated.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, IASB issued Amendments to IFRS 3 - Reference to the Conceptual Framework. The amendments are intended to replace a reference of an earlier version of the IASB's Conceptual Framework (the 1989 Framework) for a reference of the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the IFRS 3 recognition principle to avoid the issuance of potential "day 2" gains or losses resulting from contingent liabilities and liabilities that would be within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, rather than the Conceptual Framework, to determine whether there is a present obligation at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These changes are effective for periods beginning on or after January 1, 2022 and are to be applied prospectively.

No material impacts on the Bank's financial statements are estimated.

Tangible fixed assets: receipts before intended use – Amendments to IAS 16

This amendment prohibits entities from deducting from the cost of a tangible fixed asset any receipt arising from the sale of items produced during the placement of the asset in the location and condition necessary

for it to be able to function as intended by management. Alternatively, the entity recognizes the receipt of the sale of those assets, and the cost of producing them, in the income statement.

These changes are effective for periods beginning on or after January 1, 2022 and are to be applied prospectively.

No material impacts on the Bank's financial statements are estimated.

Onerous contracts: costs of fulfilling the contract – Amendments to IAS 37

In May 2020, IASB issued amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to specify what costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". Costs directly related to a contract for the supply of goods or services include both incremental costs (for example, direct labor and materials costs) and an allocation of directly related costs to contract activities (for example, equipment depreciation used to fulfill the contract, as well as the costs of managing and supervising the contract). General and administrative costs are not directly related to a contract and are excluded unless they are explicitly attributable to the counterparty under the contract.

These amendments are effective for periods beginning on or after January 1, 2022 and are to be applied prospectively to contracts for which the entity has not yet fulfilled all obligations at the date of initial application. Earlier application is allowed and must be disclosed.

No material impacts on the Bank's financial statements are estimated.

IFRS 10 e IAS 28: Sale or delivery of assets by an investor to its associate or joint ventures

The improvements seek to resolve the conflict between IFRS 10 and IAS 28 when faced with the loss of control of a subsidiary that is sold or transferred to an associate or a joint venture.

The amendments clarify that a gain or loss is fully recognized when a transfer to an associate or joint venture involves a business activity as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that do not constitute an enterprise, is only recognized to the extent of the interests of investors not listed in the associate or joint venture.

No material impacts on the Bank's financial statements are estimated.

The Conceptual Framework for Financial Reporting

IASB issued a Conceptual Framework in March 2018. This establishes a comprehensive set of concepts for financial reporting, standards, guidelines for preparers in developing consistent accounting principles and supporting others on their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, revised definitions and criteria for the recognition of assets and liabilities, and clarify some important concepts. It is organized in eight chapters as follows:

- Chapter 1 - The purpose of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of the financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and dissemination
- Chapter 8 - Equity and equity maintenance concepts

The conceptual framework for the revised financial reporting is not a standard and none of its concepts prevails over the concepts present in standards or other requirements of any of the standards. It is applicable to entities that develop their accounting principles based on the conceptual framework for years beginning on or after 1 January 2020.

No material impacts on the Bank's financial statements are estimated.

Classification of Liabilities as current and non-current – Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by the right to postpone a settlement
- That it must constitute a right of deferment at the end of the reporting period
- This classification is not affected by the probability of an entity exercising its deferral right
- That a derivative embedded in a convertible liability is itself an equity instrument, if the terms of a liability have no impact on its classification

Right to defer a settlement

IASB has ruled that if an entity's right to defer settlement of a liability is subject to compliance with specified conditions, the entity has the right to defer settlement of the liability at the end of the reporting period, if it meets those conditions on that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the creditor tests compliance on that date or a later date.

Management expectations

IAS 1.75A was added to clarify that "the classification of a liability is not affected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period". That is, the management's intention to settle in the short term has no impact on the rating. This applies even if settlement has taken place when the financial statements are authorized for issue.

Meaning of the term "settlement"

IASB added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by "settlement" of a liability. IASB concluded that it was important to link the settlement of liabilities with the outflow of resources.

Settlement through an entity's equity instruments is considered settlement for the purpose of classifying liabilities as current or non-current, with one exception. In cases where a convertible option is classified as a liability or part of a liability, the transfer of equity instruments would constitute a settlement of the liability for the purpose of its classification as current or non-current. Only if the convertible option itself is classified as an equity instrument would settlement through equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, the extension of a loan is considered an extension of an existing liability and therefore is not considered a "settlement".

This change is effective for annual periods beginning on or after January 1, 2023.

Improvement cycle to IFRS 2018-2020 (issued in May 2020)

IFRS 1 - First-time Adoption of International Financial Reporting Standards - First-time Adoption in a Subsidiary

The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1, to measure the accumulated transition differences using the parent-company reported amounts, based on the parent-company IFRS transition date. This change is also applicable to Associates or Joint Ventures.

This amendment is effective for periods beginning on or after January 1, 2022. Earlier adoption is permitted.

IFRS 9 – Financial Instruments – Expenditures included in the 10% test for derecognition of financial liabilities

The amendment clarifies the expenses that an entity includes in the 10% test when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These expenses include only those paid or received between the creditor and the debtor, including those received by the debtor or creditor on behalf of the other. There is no similar change for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged at or after the beginning of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for periods beginning on or after January 1, 2022. Earlier adoption is permitted.

IFRS 16 – Leases

The illustrative example relating to lessor payments related to lease asset improvements has been removed from illustrative example 13 accompanying IFRS 16.

IAS 41 – Agriculture

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude tax-related cash flows when measuring the fair value of assets under IAS 41.

This amendment is effective for periods beginning on or after January 1, 2022. Earlier adoption is permitted.

5. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

On December 31 2020 and 2019, this item was as follows:

	2020	2019
Cash	3 065 517	2 060 982
Demand Deposits at Banco de Cabo Verde	2 935 309	4 054 170
	6 000 826	6 115 152

Regarding cash values, it is important to highlight the values in foreign currency that have reached high level stocks in 2020 and 2019, in the amounts of tCVE 2,306,963 and tCVE 1,139,995, respectively, due to weak demand. In turn, deposits at the Central Bank have also been at high levels due to the precariousness of profitable financial instruments.

Regarding foreign currency, it should be noted that the solution adopted to attenuate the stock level has been the export of currency to the correspondents, a solution that, by the way, with considerable costs for the institution. On the other hand, this solution suffered a major break throughout the year 2020, due to the consequences of the Covid-19 pandemic.

Demand deposits with Banco de Cabo Verde are intended to meet the minimum reserve requirements, as well as commitments with interbank clearing. According to the provisions of Banco de Cabo Verde, these cash equivalents correspond to 10% (pandemic effects mitigation measures) of the average actual liabilities in domestic and foreign currency to residents, non-residents and emigrants.

Demand deposits at Banco de Cabo Verde are non-interest-bearing.

6. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	<u>2020</u>	<u>2019</u>
Demand deposits:		
At credit institutions in the country		
. BCA	2 641	2 648
At credit institutions abroad		
. Novo Banco SA	256 913	136 793
. Montepio Geral	356 149	831 076
. Caixa Geral de Depósitos	50 176	67 306
. Natixis Banques Populaires	182 102	59 150
. Bank of China, Macau Branch	5 387	3 345
. BPI	786 264	1 762 145
. Others	33 687	11 687
	<u>1 673 319</u>	<u>2 874 150</u>
Amounts to be collected:		
In the country	31 713	61 940
Abroad	6 373	1 725
	<u>38 087</u>	<u>63 665</u>
Other assets	534	772
	<u>1 711 940</u>	<u>2 938 587</u>

Checks pending collection correspond to checks on customers of other banks sent for clearing. These amounts are collected on the first days of the subsequent financial year.

EUR cash assets in credit institutions abroad, which on December 31 2020 total to 1,597 CVE and on 31 December 2019 total to 2,036 CVE, are strongly constrained by the measures taken by correspondents in recent years, resulting in the need to optimize them due to the permanent reduction of the threshold from which negative interest is charged.

Given the comfortable liquidity environment in the Eurozone, banks adopt measures that penalize depositors with fixed assets within certain limits, which tend to fall. Negative interest applies to both demand and time deposits.

In addition to negative interest the correspondents also introduced the so-called Liquidity Management Fee applicable on EUR balances.

As a result, it has been a practice to permanently sell surpluses in euros to the domestic market, mainly to BCV.

7. ASSETS AT FAIR VALUE THROUGH OTHER COMPHRENSIVE INCOME

On December 31, 2020 and 2019, equity and debt instruments classified as assets at fair value through other comprehensive income are as follows:

Security	Acquisition cost	Impairment	Balance Sheet (Net)
<u>Equity instruments valued at historical cost</u>			
African Guarantee Fund West Africa (G.A.R.I Fund.)	3 823	-	3 823
	<u>3 823</u>	<u>-</u>	<u>3 823</u>

Participation in the G.A.R.I. Fund, due to the difficulty in determining the fair value was recorded at historical cost.

8. INVESTMENTS IN CREDIT INSTITUTIONS

This item breaks down as follows:

	2020	2019
Investments in credit institutions in the country:		
At Banco de Cabo Verde		
Term deposit	16 800 000	15 000 000
Monetary Intervention Securities	1 733 000	1 923 000
Interbank Money Market	-	771 855
Investments in credit institutions abroad:		
Collateral deposits	45 611	45 135
Interest receivable	165	83 102
Deferred income	(1 039)	(6 600)
	<u>18 577 737</u>	<u>17 816 492</u>

On December 31 2020 Caixa has Overnight investments at Banco de Cabo Verde in the amount of 16,800,000 tCVE, and Monetary Intervention Securities in the amount tCVE. 1,733,000.

On December 31, 2020 and 2019, the item “Investments in credit institutions abroad- Collateral Deposits” corresponds to collaterals, in the form of deposits, made by Caixa with other credit institutions, as collateral for the issuance of guarantees or documentary import credits by these entities. In practice, these deposits are made in the form of investments (term deposit contracts) in the dealing rooms. There are interest-

bearing (USD) collateral deposits and others that are remunerated at a negative interest rate (EUR), being reimbursed upon settlement of the associated bank guarantee.

In 2020 the investment on IMM in the amount of tCVE 771,855, was transformed into secured loan in favor of customer Decamaron and the respective interests.

On December 31, 2020 and 2019, investments in credit institutions abroad have the following breakdown by credit institution:

	2020	2019
BPI Bank	45 611	45 135
	<u>45 611</u>	<u>45 135</u>

9. LOANS TO CUSTOMERS

This item breaks down as follows:

	2020	2019
Short Term Domestic Loans:		
Loans	1 983 287	538 087
Trade Discounts	292 823	343 934
Overdraft loan on demand deposits	241 042	158 884
Medium- and long-term domestic loans:		
Loans	29 795 749	29 616 158
Other loans	1 404 180	709 813
Employee loans	1 335 790	1 266 591
	<u>35 052 871</u>	<u>32 633 467</u>
Non-Residents Loan	381 830	166 074
Other loans and receivables (securitized):		
Government bonds	12 212 355	11 824 915
Other fixed income securities	2 011 501	2 112 031
	<u>49 658 557</u>	<u>46 736 487</u>
Interest receivable	464 402	271 247
Deferred Costs	1 014	1 154
Deferred Income	<u>(296 834)</u>	<u>(298 156)</u>
Overdue Loan and interest:		
Non-performing Loans	5 314 901	5 151 938
Overdue Interest	84 798	68 393
	<u>5 399 698</u>	<u>5 220 331</u>
	<u>55 226 838</u>	<u>51 931 063</u>
Impairment		
Customer Loans	(5 443 262)	(4 584 497)
Other receivable loans	<u>(257 787)</u>	<u>(257 507)</u>
	<u>49 525 789</u>	<u>47 089 059</u>

The item Employee Loan refers to loans to employees on December 31, 2020 and 2019, which are remunerated at reduced interest rates, in accordance with Caixa's policy on loans to employees.

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

On December 31, 2020 and 2019, Treasury bonds sold under repurchase agreements amount to tCVE. 600,000 and 1,172,730, respectively.

On December 31, 2020 and 2019, the item "Other loans and receivables (securitized) - Other fixed income securities" included the value of domestic companies bonds, classified as "Loans and receivables". On December 31 2020, these bonds presented the following information:

Security	2020			Maturity	
<u>Other fixed income securities</u>					
	Gross Value	Impairment	%	Net Value	
	(Principal+Interest)				
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	631 170	9 075	1.44%	622 095	06/14/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L - Tranche E	369 293	5 822	1.58%	363 471	06/14/2025
Sociedade de Gestão de Investimentos, Lda.	15 330	15 301	99.81%	29	02/18/2014
IFH - Imobiliária, Fundiária e Habitat, SA Tranche I e II	349 142	4 932	1.41%	344 210	09/14/2022
CVFF - Cabo Verde Fast Ferry, S.A.	63 001	47 215	74.94%	15 786	10/14/2017
IFH - Imobiliária, Fundiária e Habitat, SA Series G	431 604	6 056	1.40%	425 548	12/24/2019
ASA - Agência de Segurança Aeronautica - Tranche D	189 814	2 687	1.42%	187 127	25/08/2027
	2 049 353	91 088		1 958 265	

Bonds issued by Electra - Empresa de Electricidade e Águas, S.A.R.L. and IFH - Imobiliária, Fundiária e Habitat, S.A., are endorsed by the State of Cabo Verde. Caixa Económica de Cabo Verde subscribed in June 2017 to Electra's Series E Bond in the amount of 369,293 tCVE with a maturity date of June 2025, and, since June 2007, has in its portfolio a total of 630,227 tCVE of Electra C, with a maturity date of June 2027.

The bonds of Cabo Verde fast ferry (CVFF) and Sociedade Gestão de Investimentos, Lda., have been in default since August 2014. On December 31, 2020, the accrued and unpaid interest on Cabo Verde Fast Ferry (CVFF) and Sociedade Gestão de Investimentos, Lda., bonds amounted to tCVE 12,125 and tCVE 5,116, respectively. The next interest coupons expire in February 2021.

On December 31, 2020 and 2019, loans to customers, excluding "Other loans and receivables (securitized) ", and accrued interests and deferred income, were as follows by business sector:

	2020			2019		
	Performin g loans	Non- performin g loans	Total	Performin g loans	Non- performin g loans	Total
Companies:						
Trade	614 625	357 625	972 250	537 490	384 233	921 723
Construction and public works	1 682 613	161 605	1 844 218	626 696	161 727	788 423
Transportation	5 237 092	293 297	5 530 389	5 116 356	290 265	5 406 621
Industry	635 445	468 327	1 103 772	625 068	497 226	1 122 294
Hospitality	716 469	292 524	1 008 993	882 425	86 535	968 960
Energy	2 073 912	1 081	2 074 993	1 622 661	1 080	1 623 741
Others	5 647 515	774 409	6 421 924	4 604 864	746 395	5 351 260
	16 607 671	2 348 868	18 956 539	14 015 561	2 167 462	16 183 024
Individuals:						
	12 881 411	1 780 157	14 661 568	12 612 742	1 793 056	14 405 798
Mortgage						
Others	5 945 643	1 185 873	7 131 516	6 171 236	1 191 419	7 362 655
	18 827 054	2 966 030	21 793 084	18 783 978	2 984 475	21 768 453
	35 434 725	5 314 898	40 749 623	32 799 539	5 151 938	37 951 477

10. INVESTMENT PROPERTIES

The changes in this item for the years ended December 31 2020 and 2019, are as follows:

Acquisition Cost	Lands	Real Estate	Total
Balance on 12-31-2018	3 683	4 418	8 101
Balance on 12-31-2019	3 683	3 923	7 607
Write-offs/Sales	-	-	-
Balance on 12-31-2020	3 683	3 923	7 607
Amortization	Lands	Real Estate	Total
Balance on 12-31-2018	-	3 084	3 084
Amortization of the year	-	(320)	(320)
Balance on 12-31-2019	-	2 764	2 764
Amortization of the year	-	31	31
Balance on 12-31-2020	-	2 795	2 795
Net Balance on 12-31-2019	3 683	1 159	4 842
Net Balance on 12-31-2020	3 683	1 128	4 811

On December 31, 2020 and 2019, the fair value of the investment properties was determined based on appraisals prepared by Caixa's Gabinete de Instalações e Avaliação Imobiliária, and it was:

	2020		2019	
	Net Value	Appraised Value	Net Value	Appraised Value
Lands	3 683	18 640	3 683	18 640
Buildings	1 128	8 891	1 159	11 463
	4 811	27 531	4 842	30 103

In fiscal year 2020 and 2019, the income from the lease of these properties amounted to tCVE 66 and tCVE 90, respectively.

11. OTHER TANGIBLE ASSETS

In FY 2020 and 2019, the item “Other tangible assets” was as follows:

	Balance on 12-31-2019			Addition	Sales/ Write-offs		Amortization for the Year	Balance on 12-31-2020		
	Gross Value	Accumulated Amortization	Net Value		Gross Value	Amortization		Gross Value	Accumulated Amortization	Net Value
Real estate	1 621 301	(171 267)	1 450 034	209 688	(3 255)	63	(33 598)	1 827 734	(204 802)	1 622 932
Works in rented buildings	49 237	(43 021)	6 216	3 511	-	-	(319)	52 748	(43 340)	9 408
Artistic heritage	5 127	-	5 127	-	-	-	-	5 127	-	5 127
Equipment:										
Furniture and materials	247 981	(208 567)	39 414	5 972	-	-	(13 097)	253 953	(221 664)	32 289
Machinery and tools	282 448	(255 271)	27 177	9 721	(1 066)	1 066	(11 913)	291 104	(266 119)	24 985
Computer equipment	362 600	(342 267)	20 332	34 416	-	-	(13 336)	397 015	(355 603)	41 412
Indoor facilities	577 297	(564 290)	13 007	15 938	(341)	270	(2 535)	592 894	(566 555)	26 339
Transportation equipment	178 487	(139 911)	38 576	46 610	(41 041)	39 809	(15 763)	184 056	(115 866)	68 191
Security equipment	155 532	(131 223)	24 309	5 804	-	-	(6 738)	161 336	(137 961)	23 374
Other equipment	6 575	(6 118)	457	837	(169)	169	(113)	7 243	(6 062)	1 181
Right-of-use assets										
Real estate	105 116	(13 320)	91 795	-	-	-	(13 320)	105 116	(26 640)	78 475
			1 716							
	3 591 702	(1 875 257)	444	332 497	(45 872)	41 377	(110 732)	3 878 326	(1 944 613)	1 933 713
Construction in progress	352 649	-	352 649	18 038	(263 948)	-	-	106 739	-	106 739
	3 944 350	(1 875 257)	2 069 093	350 534	(309 820)	41 377	(110 732)	3 985 064	(1 944 613)	2 040 452

	Balance on 12-31-2018			01/01/2019	Additions	Sales/ Write-offs		Amortization for the Year	Transfers	Regularizations	Balance on 12-31-2019		
	Gross Value	Accumulated Amortization	Net Value			Gross Value	Amortization				Gross Value	Accumulated Amortization	Net Value
Real estate	1.615.299	(138.060)	1.477.239	-	6.002	-	-	(33.206)	-	-	1.621.301	(171.266)	1.450.035
Works in rented buildings	47.937	(42.430)	5.507	-	1.300	-	-	(591)	-	-	49.237	(43.021)	6.216
Artistic heritage	5.116	-	5.116	-	11	-	-	-	-	-	5.127	-	5.127
Equipment:													
Furniture and materials	243.144	(194.177)	48.967	-	5.058	(221)	221	(14.611)	-	-	247.981	(208.567)	39.414
Machinery and tools	280.270	(243.697)	36.573	-	3.363	(1.185)	1.185	(12.760)	-	-	282.448	(255.272)	27.176
Computer equipment	359.376	(331.184)	28.192	-	3.945	(721)	721	(11.805)	-	-	362.599	(342.268)	20.332
Indoor facilities	573.936	(563.039)	10.897	-	4.115	(754)	754	(2.005)	-	-	577.297	(564.290)	13.007
Transportation equipment	161.210	(127.781)	33.429	-	17.278	-	-	(12.130)	-	-	178.488	(139.911)	38.576
Security equipment	143.294	(124.167)	19.127	-	12.238	-	-	(7.056)	-	-	155.532	(131.223)	24.308
Other equipment	6.501	(5.994)	507	-	88	(14)	14	(139)	-	-	6.575	(6.119)	456
Right-of-use assets													
Real estate	-	-	-	105.116	-	-	-	(13.320)	-	-	105.116	(13.320)	91.795
	3.436.083	(1.770.529)	1.665.554	105.116	53.397	(2.895)	2.895	(107.623)	-	-	3.591.701	(1.875.257)	1.716.444
Construction in progress	329.362	-	329.362	-	27.656	(4.369)	-	-	-	-	352.649	-	352.649
	3.765.445	(1.770.529)	1.994.916	105.116	81.053	(7.264)	2.895	(107.623)	-	-	3.944.350	(1.875.257)	2.069.093

The item Right-of-use asset is basically composed of real estate (branches and central buildings), being depreciated according to the lease term of each contract. The opening balance in 2019 corresponds to the adjustment resulting from the application of IFRS 16.

On December 31, 2020 and 2019 the item “Real Estate in progress” includes costs with the installation of new branches and works in existing branches, in the amounts of tCVE 106,739 - and tCVE 352,649, respectively.

12. INTANGIBLE ASSETS

On December 31, 2020 and 2019, the item intangible assets records Caixa's software. In FY 2020 and 2019, the item "Intangible assets" was as follows:

<u>Acquisition Cost</u>	<u>Software</u>	<u>Total</u>
Balance on 12- 31--2018	318 938	318 938
Additions		-
Balance on 12- 31-2019	318 938	318 938
Additions	1 119	1 119
Balance on 12- 31-2020	320 057	320 057
 <u>Amortizations</u>	 <u>Software</u>	 <u>Total</u>
Balance on 12- 31-2018	305 896	305 896
Amortizations of the Year	7 630	7 630
Balance on 12- 31-2019	313 526	313 526
Amortizations of the Year	3 237	3 237
Balance on 12- 31-2020	316 763	316 763
 Net Balance on 12- 31-2019	 5 412	 5 412
 Net Balance on 12- 31-2020	 3 294	 3 294

13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2020 and 2019, the balance of this item was as follows:

2020					
Entity	% of shares	Acquisition cost	Profit / Loss	Equity	Balance Sheet
IMOTUR - Imobiliária e Turística de Cabo Verde, SA	17.86%	12 500	(33 755)	5 820	1 039
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10.00%	10 000	83 008	987 676	98 768
		<u>22 500</u>			<u>99 807</u>
2019					
Entity	% of shares	Acquisition costs	profit / loss	Equity	Balance sheet
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17.86%	12 500	(33 755)	5 820	1 039
SISP - Sociedade Interbancária e Sistemas de Pagamentos	10.00%	10 000	248 239	1 028 787	102 888
		<u>22 500</u>			<u>103 927</u>

Caixa classified its holdings in SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL (SISP) and Imotur – Imobiliária e Turística de Cabo Verde, S.A. (Imotur) as Investments in associates, although its participation is less than 20%, given that Caixa is part of the management body, which, according to the Board of Directors, gives it a significant influence over the operations of these entities, thus complying with the provisions of IAS 28 - Investments in Associates.

The changes in the book value of these holdings in FY 2020 and 2019 and their impact on Caixa's financial statements can be demonstrated as follows:

	2020		
	IMOTUR	SISP	TOTAL
Balance on 31 December 2018	1 039	88 899	89 938
Dividends		(10 836)	(10 836)
Earnings from associates		24 824	24 824
Balance on 31 December 2019	1 039	102 888	103 927
Dividends		(12 412)	(12 412)
Earnings from associates		8 292	8 292
Balance on 31 December 2020	1 039	98 768	99 807

14. INCOME TAX

On December 31, 2020, Caixa was subject to Corporate Income Tax (IRPC), at the rate of 22% and a fire tax of 2% of the assessed tax, which corresponds to an aggregate tax rate of 22.44%.

The balances of income tax assets and liabilities on December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax assets		
. IRPC recoverable	35 119	69 236
	<u>35 119</u>	<u>69 236</u>
Current tax liabilities		
. Estimated taxes for the year	83 678	179 105
. Autonomous taxation	419	5 827
	<u>84 097</u>	<u>184 932</u>
Deferred taxes		
. Loan Impairment	70 412	44 936
	<u>70 412</u>	<u>44 936</u>

The item “Current tax assets - IRPC recoverable” corresponds to fractioned payments made in 2020.

The changes in deferred taxes assets in FY 2020 and 2019 are as follows:

	<u>2020</u>		
	Balance on 12-31-2019	Change in Profit/Loss	Balance on 12-31-2020
Loan Impairment	44 936	25 476	70 412
	<u>44 936</u>	<u>25 476</u>	<u>70 412</u>
	<u>2019</u>		
	Balance on 12-31-2018	Change in Profit/Loss	Balance on 12-31-2019
Reportable tax losses	63 825	(63 825)	-
Loan Impairment	-	44 936	44 936
	<u>63 825</u>	<u>(18 889)</u>	<u>44 936</u>

In 2020, Caixa did not record deferred tax assets, referring to impairment losses from bank institutions not accepted or beyond the legal limit (Article 29, paragraph 1, line d), 39 and 42 CIRPC), even though it had a positive variation of the impairment tCVE 113,531, which was equivalent to an IDA of tCVE25,476. The non-

recognition is due to Caixa not having future projection scenarios where it can prove the recoverability and generation of taxable income sufficient to cover these future deductions.

The reconciliation between the nominal rate and the effective tax rate for the years 2020 and 2019 can be shown as follows:

	2020		2019	
	Rate	Tax	Rate	Tax
<u>Earnings before tax</u>		<u>760 932</u>		<u>1 144 662</u>
Tax calculated at nominal rate	22.44%	170 753	22.4%	256 862
Tax benefits:				
. Income from Government bonds	-13%	-22 077	-9%	-24 115
placed on secondary market	-7.8%	-13 333	-5.0%	-12 923
. Income from bonds	-49.9%	-85 240	-30.14%	-77 425
. Others	-1.7%	-2 843	-0.5%	-1 185
Impairment and provisions not accepted as tax cost	4.5%	7 657	15.7%	40 313
Reversal of taxed provisions	0.0%	0	-3.3%	-8 407
Application of the equity method	-1.1%	-1 861	-2.2%	-5 570
Non-tax-deductible expenses	3.1%	5 266	0.1%	291
Autonomous Taxation	0.1%	94	0.5%	1 308
Deferred taxes amount correction	0.0%	3	0.0%	0
Relating to reportable tax losses	-1.5%	-2 499	22.3%	-57 289
Correction relating to previous years	1.4%	2 374	5.5%	14 158
Impairment losses insurance or banking entities	15.0%	25 594	17.6%	45 144
Others	0.0%	0	3.7%	9 460
Income tax for the year	11.1%	84 097	15.65%	179 105

Income from bonds or products of a similar nature, including public debt securities, listed on Bolsa de Valores de Cabo Verde, is taxed on income tax at a flat rate of 5%. The rate only applies to income earned until December 31, 2025.

In July 2011, Caixa received a notice from DCI setting the 2010 income tax at tCVE 74,640. 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 calculating a tax amount of tCVE 40,644. Caixa settled the amount of tCVE 16,145 and submitted a complaint regarding the remaining amount. It is currently waiting for DCI to complete the process.

On December 31, 2020, Caixa was notified, through note 263/DGCI-REGC/2020, dated December 30, 2020, of the confirmation of the taxable amount for the year 2015 and the consequent additional payment of IRPC for the year 2020.

On the same date, Caixa was also notified of the Inspection Procedure report – Year 2015, through note 263/DGCI-REGC/2020, dated 30 December 2020.

Caixa disagrees with the corrections made by REGC in determining the taxable amount and corrective settlement, for the items: (i) Corrections of deductions from the income of securities placed on the secondary market and (ii) Withholding tax on Interest on Paid Bonds, in which it sent a complaint note n/ref.DFI.030.2021 dated February 18, 2021, where it agrees to pay only the amount of tCVE 24,578.

On December 31, 2020, a provision for tax contingencies totaling tCVE 66,000, was recognized and which, the majority of that amount, is allocated to the 2010 and 2020 cases waiting completion by REGC.

Pursuant to the General Tax Code, approved by Law 47 / VIII / 2013, of December 20, tax authorities have the possibility to review Caixa's tax situation for a period of five years, which may result, due to different interpretations of the legislation, any corrections to taxable income. In the opinion of the Board of Directors, any correction is not expected to be significant for Caixa's financial statements as of December 31, 2020.

15. OTHER ASSETS

This heading has the following composition:

	2020	2019
<u>Other assets:</u>		
Assets received through credit recovery	1 515 346	1 499 785
Coins and medals	86	86
	<u>1 515 432</u>	<u>1 499 870</u>
<u>Debtors:</u>		
Amounts receivable from the State of Cabo Verde		
. Bonuses	851 909	853 482
. Others	48	48
Foreign currency remittance debtors	5 255	16 787
Sundry debtors	38 563	37 572
	<u>895 775</u>	<u>907 889</u>
<u>Deferred charge expenses:</u>		
Insurance	821	18 203
Others	30 982	25 983
	<u>31 803</u>	<u>44 186</u>
<u>Lending operations pending settlement</u>	<u>171 439</u>	<u>21 001</u>
<u>Gross Asset</u>	<u>2 614 448</u>	<u>2 472 946</u>
<u>Impairment of other assets (Note 18):</u>		
Assets Received on Credit Recovery	(762 640)	(762 640)
Other assets	(2 489)	(2 489)
<u>Accumulated Impairment</u>	<u>(765 129)</u>	<u>(765 129)</u>
<u>Net Assets</u>	<u>1 849 320</u>	<u>1 707 817</u>

The item " Assets received through credit recovery " corresponds to the values of the assets received for credit recovery, held for sale, and in 2020 and 2019 the total portfolio was tCVE. 1,515,346 and tCVE 1,499,785, with associated impairment of tCVE. 762,640 for both years.

The item Bonuses receivable from the State of Cabo Verde includes the amounts of tCVE 175,773 and tCVE 676,137 referring to home loans and other loans, respectively, in accordance with the legal provisions applicable to subsidized loans.

On December 31, 2020, the assets received through loan-recovery correspond to the real estate and other assets received as payment in kind, and they break down as follows, according to the date of acquisition by Caixa:

Year of acquisition	2020				2019			
	Gross Value	Impairment	Net value	%	Gross Value	Impairment	Net value	%
2004	-	-	-	0%	-	-	-	0%
				100				100
2007	958	(958)	-	%	958	(958)	-	%
				100				100
2008	3 324	(3 324)	-	%	3 324	(3 324)	-	%
				100				100
2009	400	(400)	-	%	400	(400)	-	%
			116				116	
2013	251 348	(134 638)	710	54%	251 348	(134 638)	710	54%
			354				359	
2014	628 771	(274 580)	191	44%	628 771	(269 705)	066	43%
2015	147 219	(113 477)	33 742	77%	147 220	(123 876)	23 344	84%
			157				157	
2016	342 350	(184 472)	878	54%	342 350	(184 472)	878	54%
2017	76 246	(23 087)	53 159	30%	76 246	(22 600)	53 646	30%
2018	30 076	(22 073)	8 003	73%	30 076	(22 667)	7 409	75%
2019	19 071	(5 631)	13 440	30%	19 071	-	19 071	-
2020	15 583	-	15 583	0%				
	1 515		752		1 499		737	
	346	(762 640)	706	50%	764	(762 640)	124	51%

During 2020 Caixa received in settlement one real estate Property, in which the balance sheet value on December 31 2020 totaled tCVE 15,583.

16. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

	2020	2019
Demand deposits:		
Credit institutions in the country	88 393	152 452
	<u>88 393</u>	<u>152 452</u>
Term deposits:		
Interests:		
From deposits	1 684	1 684
	<u>1 684</u>	<u>1 684</u>
	<u>90 077</u>	<u>154 136</u>

17. CUSTOMER FUNDS AND OTHER LOANS

This item breaks down as follows:

	2020	2019
Savings deposits:		
Individuals - Passbooks	10 579	
	<u>354</u>	<u>9 299 987</u>
Demand deposits:		
By residents	26 193	
By emigrants	734	27 385 552
	<u>1 218 499</u>	<u>1 063 606</u>
	27 412	
	<u>233</u>	<u>28 449 158</u>
Term deposits:		
By residents	17 771	
By emigrants	017	16 338 526
	<u>16 304</u>	
	623	15 919 026
	<u>34 075</u>	
	<u>640</u>	<u>32 257 552</u>
Other funds:		
Securities sold under repurchase agreement (Notes 2.2 d) and 9)	600 000	1 172 730
Loans obtained from residents	313 634	346 967
Checks and money orders payable	<u>(38 950)</u>	<u>11 181</u>
	<u>874 684</u>	<u>1 530 878</u>
Interests:		
On Deposits	455 640	494 597
On Securities sold under repurchase agreements	10 643	12 729
On loans obtained from residents	<u>4 770</u>	<u>5 293</u>
	<u>471 054</u>	<u>512 619</u>
	<u>73 412</u>	<u>72 050</u>
	<u>965</u>	<u>194</u>

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. d).

On December 31, 2020 and 2019, the item “Other funds - Loans obtained from residents” corresponds to a loan obtained from Instituto Nacional de Previdência Social (INPS), which bears interest at a fixed rate, to be repaid in 15 annual installments. This loan aims to grant Mortgage loans to INPS employees for own housing.

On December 31, 2020 and 2019, the balance of “Checks and money orders payable” included tCVE 37,467 and tCVE 69,358, respectively, for transfers received via Western Union whose financial compensation only occurred in the early days of 2020 and 2019.

18. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa’s provisions and impairment for the year ended 31 December 2020, were as follows:

	2020					
	Balances on 12/31/2019	Appropriations	Uses	Cancellations and Readjustments	Transfers	Balances on 12/31/2020
<u>Impairment</u>						
Impairment of loans to customers	4 842 004	6 372 743		(5 502 632)	(11 067)	5 701 048
Impairment of recovered assets	762 639		-			762 639
Debtors, Other Applications	2 489	-	-	-	-	2 489
	5 607 332	6 372 743	-	(5 502 632)	(11 067)	6 466 376
Tax Contingencies	31 877	34 123			-	66 000
	5 639 209	6 406 866	-	(5 502 632)	(11 067)	6 532 376

Changes in Caixa’s provisions and impairment for the year ended 31 December 2019, were as follows:

	2019					
	Balances on 12/31/2018	Appropriations	Uses	Cancellations and Readjustments	Transfers	Balances on 12/31/2019
<u>Impairment</u>						
Impairment of loans to customers	4 555 683	2 215 339		(1 929 018)		4 842 004
Impairment of recovered assets	620 459	179 646	(37 465)			762 640
Debtors, Other Applications	30 447	-	-	(27 958)	-	2 489
	5 206 588	2 394 985	(37 466)	(1 956 976)	-	5 607 133
Other provisions	2 743		(2 743)		-	-
Tax Contingencies	31 877	-	-		-	31 877
	5 241 209	2 394 985	(40 208)	(1 956 976)	-	5 639 010

The Provisions and Net Impairments for the Year, which in 2019 totaled tCVE 438,010, reached tCVE 904,234 in 2020, reflecting an increase of tCVE 466,225 (106%). Note that the net loan impairments (net appropriations in income statement) increased by tCVE 583,790.

19. OTHER LIABILITIES

This item breaks down as follows:

	2020	2019
<u>Funds:</u>		
SPA - Tax Withholding	42 520	-
Liability Lease (IFRS16)	80 494	92 940
Others	15 570	6 597
	<u>138 584</u>	<u>99 537</u>
<u>Personnel cost:</u>		
Vacations and vacation allowance	83 024	72 230
Productivity bonus	40 603	43 843
Allowance for faults	15 063	15 130
Others	2 373	-
	<u>141 063</u>	<u>131 203</u>
<u>Other administrative costs:</u>		
ATM Charges	12 945	10 187
Water, gas and electricity	7 742	11 927
Communications	31 923	27 002
SPA - Taxes Withholding	6 700	45 997
Others	48 434	55 957
	<u>107 744</u>	<u>151 070</u>
<u>Deferred income:</u>		
Off-balance-sheet transactions	2 228	1 555
<u>Other settlement accounts</u>	87 490	73 104
	<u>477 109</u>	<u>456 467</u>
<u>Other liabilities</u>		

The item "Funds - SPA Tax withholding" is essentially composed of taxes withheld on income of workers, service providers, and capital income (tCVE 41,318) and value added taxes (tCVE 1,171) of December 2020, to be settled in January 2021.

The item "Liability Lease" corresponds, on December 31, 2019, to the value of liabilities lease recognized under IFRS 16, and considers lease contracts for real estate (branches and central buildings). Until December 31, 2018, and in accordance with IAS 17, all real estate leases were recognized directly in profit or loss, under the heading "General Administrative Expenses".

On December 31, 2020 and 2019, the item “Other administrative expenses - Other” included tCVE 20,884 and tCVE 23,623, respectively, referring to the amounts payable to INPS as December social security contributions. The remaining balance of this item in 2020 is essentially composed of amounts to be settled with External Audit Specialized Services (tCVE 11,665), Private Security Specialized Services (tCVE 6,497) and expenses with SISP services – Tarifários Interbancários RV4 – (tCVE 12,945).

20. EQUITY

As of December 31, 2020, and 2019, Caixa's equity was represented by 1,392,000 shares with a par value of one thousand Cabo Verde Escudos each, fully subscribed and paid up.

As of December 31, 2020, and 2019, Caixa's shareholder structure was as follows:

Entity	2020		2019	
	Number of shares	%	Number of shares	%
Instituto Nacional de Previdência Social	657 200	47,21%	657 200	47,2%
Estado de Cabo Verde	381 904	27,44%	381 904	27,4%
Correios de Cabo Verde	210 749	15,14%	210 749	15,14%
Outros subscritores e trabalhadores	142 147	10,21%	142 147	10,21%
	1 392 000	100,00%	1 392 000	100,00%

In December 2019 the State of Cabo Verde acquired, through the Ministry of Finance, the totality of shares of Geocapital- Gestão de Participações SA.

21. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

At December 31, 2020 and 2019, the reserves and retained earnings items were as follows:

	2019	Incorporation into reserves	Net Income	2020
Other reserves and retained earnings				
. Legal reserves	621 044	94 084		715 128
. Other reserves	2 136 884	846 756		2 983 640
. Retained earnings	(943 717)			
. Dividends				
	1 814 211	940 840		3 698 768
Profit for the year	940 840		702 311	702 311
	2 755 051	940 840	702 311	4 401 079

Pursuant to the legislation in force in Cabo Verde (Law No. 3 / V / 96), a minimum of 10% of annual net income must be allocated to the legal reserve. This reserve is not distributable except in the event of liquidation of the entity and may be used to increase capital or to cover losses after the other reserves have been exhausted.

At the General Meeting held on July 1, 2020, was decided for the non-distribution of dividends, taking into account the need to maintain an adequate level of Own Equity, the expected impact of the unprecedented economic crisis caused by the Covid-19 pandemic, on the Bank's economic and financial indicators and taking into account the recommendations of the supervisory authority regarding the distribution of dividends. The 2019 net income was distributed as follows: incorporation into legal reserve and other reserves in the amounts of tCVE 94,084 and tCVE 846,756, respectively.

22. INTEREST AND SIMILAR INCOME

This item is broken downs as follows:

	2020	2019
Interest on loans to customers		
Internal loan	3 042 662	2 847 414
Recovery of canceled interest	107 156	189 545
Interest on other loans and receivables (securitized)		
Treasury bonds	572 610	614 676
Other fixed income securities	98 384	107 464
Interest on investments in Banco de Cabo Verde		
Monetary regularization securities	55	168
Monetary intervention securities	17 693	28 630
Interest on investments in credit institutions abroad	1 184	7 084
Interest on investments in credit institutions in the country	7 847	6 398
Interest on Financial assets - securities	72 278	43 148
Interbank Money market interest	-	46 015
Fees received associated with amortized cost	189 175	193 936
	<u>4 109 044</u>	<u>4 084 478</u>

There was an increase in Interest and Similar Income in the amount of tCVE 24,566 (0.60%), explained mainly by the interest received from internal loans during 2020. There was also a decrease in interest recovery, which due to the atypical moment experienced since last year, and which was reflected in the defaults granted (annulment of interest and low recovery in overdue loans) and by the results of Caixa's participation in open market operations, namely, investment in Monetary Intervention Securities and Monetary Regulator Securities, in addition to interests on Treasury Bills, reflecting the decrease in BCV's lending rates.

23. INTEREST AND SIMILAR EXPENSES

This item is as follows:

	<u>2020</u>	<u>2019</u>
Savings Deposits		
Passbooks	233 576	207 862
Demand deposits		
From emigrants	19 524	19 355
Term Deposits		
From emigrants	371 103	439 797
From residents	493 451	535 247
Loans		
From non-residents	-	205
From residents	7 810	8 625
Sale transactions with repurchase agreement		
Treasury bonds	59 414	123 628
Canceled Interest on loans to customers		
Internal loan	7 391	166
Interest on Lease Commitments (application of IFRS 16)	2 583	2 945
Others	140	144
	<u>1 194 991</u>	<u>1 337 974</u>

The interest and similar expenses decreased tCVE 142,983 (10.7%), explained mainly by the decreasing of interest rate of interest-bearing deposits, by the decreasing of interest rate on the secondary market triggered by maturity of the bonds.

In 2020, Caixa implemented IFRS 16-Leases, having recognized in the cost of interest for lease commitments the value of 2,583 tCVE.

24. INCOME AND EXPENSES WITH SERVICES AND FEES

This item has the following composition:

	2020	2019
<u>Income from services and fees:</u>		
Western Union Fees	55 432	56 652
Foreign Exchange Fees	60 053	93 532
Guarantees and sureties	14 161	12 458
Advance Fees		
VISA Fees	28 879	37 203
Documentary Credits	393	0
Account Maintenance Fees	19 843	15 946
Other banking services provided	10 159	18 390
Other fees	17 438	47 844
	<u>206 357</u>	<u>282 025</u>
<u>Expenses from service and fees:</u>		
Foreign Exchange Fees	(22 634)	(20 751)
VISA Fees	(45 020)	(54 116)
Other fees and expenses	(37 951)	(42 173)
	<u>(105 605)</u>	<u>(117 041)</u>

The item Income from services and net commissions had a decrease of tCVE 75,668 (26.8%), compared to 2019, explained by the decrease of Foreign exchange fees (44%), other fees (40%) and Visa fees (11%). The Expenses in reference to services and fees showed a decrease of tCVE 11,436 (9.77%) compared to the same period in 2019, explained by the decrease in Visa fees (79.5%) and other fees and expenses (36.9%).

25. INCOME FROM FOREIGN CURRENCY REVALUATION

This item is as follows:

	2020			2019		
	Profits	Losses	Net	Profits	Losses	Net
Income in foreign currencies	205 076	(138 235)	66 841	145 016	(83 509)	61 507
Income in bank notes and coins	174 038	(203 050)	(29 011)	116 702	(78 684)	38 018
				261		
	<u>379 115</u>	<u>(341 285)</u>	<u>37 830</u>	<u>718</u>	<u>(162 193)</u>	<u>99 525</u>

The income from foreign currency revaluation had an increase of tCVE 61,695 (62%), compared to 2019, explained particularly due to the devaluation of foreign exchange rate of the main currencies given the “paralysis” of the world with the COVID 19 pandemic.

26. INCOME FROM SALE OF OTHER ASSETS

For the year ended December 31, 2019, the income from sale of other assets corresponded to gains on the disposal of non - current assets held for sale and other tangible assets.

Income from sale of other assets	2020
Profit and losses on sales of non – current assets held for sale (Note 13)	12
Profit and losses on sales of others tangible assets	<u>11 136</u>
	<u><u>11 124</u></u>

In 2020, the income from other tangible fixed assets correspond to the capital gains generated by the sale of Caixa's vehicles in the amount of tCVE 11,136.

27. OTHER OPERATING INCOME

This item is as follows:

	2020	2019
<u>Other operating income:</u>		
Services provision:		
Service Fees	25 596	29 310
Credit cards	8 641	7 035
Sale of checks and passbooks	5 415	6 173
Property leasing (Note 8)	66	90
Recovery of bad debts	60 991	62 761
Other operating income	22 953	27 212
	<u>123 662</u>	<u>132 580</u>
<u>Other operating costs:</u>		
Other taxes	(42 907)	(60 118)
Donations	(180)	(360)
Quota Contributions	(1 583)	(1 539)
Guarantee Fund Deposits	(5 263)	-
Others	(10 580)	(63 095)
	<u>(60 513)</u>	<u>(125 112)</u>
 <u>Other Operating Income</u>	 <u>63 149</u>	 <u>7 468</u>

Contrary to what happened in 2019, in 2020 the "Other operating income" item had a positive variation, of tCVE 55,680, in spite of the decrease recorded in "Other operating income" in the amount of tCVE 8,918 essentially due to a decrease in revenue of "Service fees" in the amount of tCVE 3,714 and with the Issuance of statements with greater contribution under the item "Other operating income in the amount of tCVE 10,744.

The increase in the balance of "Other operating income item", is essentially due to the decrease of "Other operating costs" in the amount of tCVE 64,599 (-51.63%), justified by the decrease of "Other Taxes" in the amount of tCVE 17,211 and "Other operational costs and expenses" in the amount of tCVE 52,515.

28. PERSONNEL EXPENSES

This item is as follows:

	2020	2019
Employee Compensation	641 646	634 798
Remuneration of management and supervisory bodies	29 409	31 610
Social expenses		
Social Security	101 865	99 640
Medical expenses	6 311	6 170
Others	10 555	9 683
Productivity bonus (Note 18)	40 603	43 843
Others	7 768	4 862
	838 157	830 606

The increase in Personnel Expenses is essentially due to the increase in Monthly Remunerations, salary updates (promotion and progressions), the increase in the number of employees, as well as the increase in Social Security Contribution.

On December 31 2020 and 2019, Caixa had the following workforce:

	2020	2019
Executive Directors	3	3
General Management and Coordination	33	32
Branch Managers and head of Services	33	33
Superior associates	144	143
Administrative	103	104
General and auxiliary services	55	53
	370	368

As of December 31, 2020, and 2019, the figures presented above include 27 and 20 employees, with fixed-term employment contracts, respectively, and one board director on assignment.

29. GENERAL AND ADMINISTRATIVE EXPENSES

This item is as follows:

	2020	2019
Specialized services	200 860	181 753
ATM Charges	110 746	111 344
Water, gas and electricity	46 691	54 262
Advertising	33 084	34 876
Communications	38 230	45 093
Travel, accommodation and representation	9 710	26 810
Current Consumables	22 600	22 559
Insurance	8 190	14 749
Maintenance and repair	25 787	27 711
Rents and leases	204	87
Fuels	7 339	8 568
Transports	1 267	1 006
Staff training expenses	1 812	4 699
Computer equipment	826	1 055
Litigation and notary	359	600
Others	10 171	8 898
	517 876	544 072

The General Administrative Expenses in December 2020 had a decrease of around 26,196 tCVE (4.81%) compared to the same period in 2019. This is essentially justified by the decrease in Travel and Accommodation and representation costs (65%), that, due to COVID_19 there were no trips abroad, Water, gas and electricity (14%), Communications (15.2%), Insurance (44.5%). There was an increase in the Specialized Services items by 19,107 tCVE (10.5%).

30. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2020, and 2019, contingent liabilities associated with banking activities were recorded in off-balance sheet items and were as follows:

	2020	2019
Contingent liabilities		
Guarantees and sureties	750 021	594 930
	750 021	594 930
Deposits and custody of securities	44 850 412	41 406 400
Third-party loan management	204 446	705 813
	45 054 858	42 707 143

As of December 31, 2020, and 2019 the item “Deposits and custody of securities” corresponded to securities deposited at Caixa by customers.

Following the Novo Banco Resolution and the transfer of its financial assets to INPS and BCV, Caixa signed agreements with these two institutions to assign and manage their loan portfolios, namely:

With INPS – Assignment agreement dated 07/06/17 among Novo Banco, INPS and Caixa, aiming to manage Novo Banco’s loan portfolio, with a balance as of 12/31/20 of tCVE 486,427.

With BCV - Assignment agreement dated 9/26/17 between BCV and Caixa, where this latter takes a loan portfolio for management purposes with a balance as of 12/31/2020 of tCVE 32,014.

In the context of these agreements, Caixa's responsibilities consist in the recovery of the portfolios, that is, in the management and collection of the installments. To this end, it must develop all due diligence that characterizes the monitoring, collection and recovery, typical bank activities, in the scope of its credit activity.

For the services provided by Caixa, in return, both contracts provide for a monthly success fee of 20% on the interest charged, as well as an annual management fee of 2% of the outstanding principal amount as of 12/31 of the previous year and that the total amounts received by Caixa (monthly interest + annual management fee) shall not exceed 50% of the total interest actually charged in the year in question.

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 operations. In the Commercial Banking segment, is to be highlighted loans and deposits, services to customers and others.

As of December 31, 2020, the information regarding Caixa's operating segments used can be summarized as follows:

	2020		
	Trading and sales	Commercial Banking	Total Negotiation
Interest and similar income	743 273	3 365 771	4 109 044
Interest and similar expenses		(1 194 991)	(1 194 991)
NET INTEREST INCOME	743 273	2 170 781	2 914 053
Income from services and fees		206 357	206 357
Expenses from services and fees		(105 605)	(105 605)
Income from foreign exchange revaluation		37 830	37 830
Income from the sale of other assets	11 124		11 124
Other operating results	63 149		63 149
OPERATING INCOME	817 546	2 309 362	3 126 908
Provisions and impairment net of reversals and recoveries			(904 234)
	817 546	2 309 362	2 222 673
Other expenses and revenue		-	(1 520 362)
Income after tax			702 311
Cash and Cash Equivalents at central banks		6 000 826	6 000 826
Cash equivalents at other credit institutions		1 711 940	1 711 940
Available-for-Sale Financial Assets	3 823		3 823
Investments in Credit Institutions	1 777 737	16 800 000	18 577 737
Customer loans	14 148 282	35 377 507	49 525 789
Funds from Other Credit Institutions		90 077	90 077
Customer funds and Other Loans	318 404	73 094 561	73 412 965

As of December 31, 2019, the information regarding Caixa's operating segments used can be summarized as follows:

	2019		
	Trading and sales	Commercial Banking	Total Negotiation
Interest and similar income	1 040 436	3 044 043	4 084 479
Interest and similar expenses		(1 337 973)	(1 337 973)
NET INTEREST INCOME	1 040 436	1 706 070	2 746 505
Revenue from services and fees		282 025	282 025
Expenses from services and fees		(117 041)	(117 041)
Income from foreign exchange revaluation		99 525	99 525
Income from the sale of other assets	29 326		29 326
Other operating results	7 468		7 468
OPERATING INCOME	1 077 230	1 970 579	3 047 809
Provisions and impairment net of reversals and recoveries			(438 010)
	1 077 230	1 970 579	2 609 800
Other expenses and income		-	(1 668 959)
Income after tax			940 840
Cash and Cash Equivalents at central banks		6 115 152	6 115 152
Cash equivalents at other credit institutions		2 938 587	2 938 587
Available-for-Sale Financial Assets	3 823		3 823
Investments in Credit Institutions	2 816 492	15 000 000	17 816 492
Customer loans	13 861 020	33 228 036	47 089 056
Funds from Other Credit Institutions		154 135	154 135
Customer funds and Other Loans	352 260	71 697 933	72 050 194

Caixa's entire activity is carried out in the Republic of Cabo Verde.

32. RELATED ENTITIES

Caixa's related entities include its shareholders, associated companies and management bodies. As of December 31, 2020, and 2019, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

	20-Dec			
	Shareholders			Associates
	State of Cabo Verde	Instituto Nacional de Previdência Social	CORREIOS CV	
Assets:				
Investments in credit institutions	18 533 000			
Loans to customers	12 212 355			65 469
Investments in subsidiaries, associates and joint ventures				99 807
Impairment				34 254
Other asset	851 958			
Liabilities:				
Funds from other credit institutions				70 212
Customer funds and other loans		23 197 475	143 632	
Off the balance sheet:				
Guarantees received				
Income:				
Interest and similar income	696 588			
Costs:				
Interest and similar expenses	369	7 844		

	Dec/2019			
	Shareholders			
	State of Cabo Verde	Instituto Nacional de Previdência Social Correios CV		Associates
Assets:				
Investments in credit institutions	16 923 000	-	-	-
Loans to customers	11 824 915	-	-	86 560
Investments in subsidiaries, associates and joint ventures	-	-	-	103 927
Impairment	-	-	-	44 577
Other asset	853.530	-	-	-
Liabilities:				
Funds from other credit institutions	-	-	-	65 997
Customer funds and other loans	-	21 798 868	119 173	37
Off the balance sheet:				
Guarantees received	-	-	-	-
Income:				
Interest and similar income	695 887	-	-	-
Costs:				
Interest and similar expenses	123 628	406 910	-	-

Management Bodies

On December 31, 2019, the amount of loans granted to members of the Board of Directors amounted to tCVE. 216,000. In reference to the year 2020, loans were not granted to members of the Board of Directors.

33. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Financial risk management policies inherent to 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 the adoption of the control strategy, within the previously defined parameters.

Management is complemented by *a posteriori* assessment of performance indicators.

Foreign exchange risk

Foreign exchange risk is calculated on the institution's global currency position, as determined by Banco de Cabo Verde's Notice 3/2000 and its technical instructions. Considering the legally binding agreement establishing the parity of the Cabo Verdean escudo with the euro, the euro position is not computed for the purpose of calculating total long and short open positions.

Liquidity risk

Liquidity risk is the possibility of failure to meet financial obligations and commitments, as well as to raise funds and make investments at appropriate rates and maturities.

Caixa's risk assessment is made taking into account the indicators established by the supervisory entity and the Board of Directors and consists of the permanent respect of the liability coverage ratio.

Follow-up on different timeframes is based on projections of inflows and outflows, allowing efficient management of needs.

As of December 31, 2020, and 2019, the contractual residual terms of the financial instruments are as follows:

	2020					Undetermined	Total
	Up to 1 month	1 to 3 months	3 months to 1 Year	1 Year to 5 Years	More than 5 Years		
Assets:							
Cash and cash equivalents at Central Banks	6 000 826						6 000 826
Cash equivalents at other credit institutions	1 711 940						1 711 940
Investments in credit institutions	17 001 000	849 122	728,489			-874	18 577 737
Loan to customer	1 064 188	1 705 582	4 475 810	15 316 188	27 096 788	5 568 280	55 226 838
	25 777 954	2 554 704	5 204 300	15 316 188	27 096 788	5 567 407	81 517 341
Liability:							
Funds from Central Banks							0
Funds from other credit institutions	-88 393	0	0	0	0	-1 684	-90 077
Customer funds and other loans	-41 148 603	-5 649 060	-19 455 459	-6 375 155	-313 634	-471 054	-73 412 965
	-41 236 997	-5 649 060	-19 455 459	-6 375 155	-313 634	-472 738	-73 503 043
Liquidity Gap	-15 459 042	-3 094 357	-14 251 159	8 941 033	26 783 154	5 094 669	8 014 298

	2019						
	Up to 1 month	1 to 3 months	3 months to 1 Year	1 Year to 5 Years	More than 5 Years	Indefinite	Total
Assets:							
Cash and cash equivalents at Central Banks	6 115 152						6 115 152
Cash equivalents at other credit institutions	2 938 587						2 938 587
Investments in credit institutions	15 972 855	600 000	1 167 135	0	0	76 502	17 816 492
Loan to customer	1 139 371	425 456	2 372 769	15 551 866	27 247 023	5 194 575	51 931 061
	26 165 965	1 025 456	3 539 904	15 551 866	27 247 023	5 271 078	78 801 292
Liability:							
Funds from Central Banks	0	0	0	0	0	0	0
Funds from other credit institutions	- 152 452	0	0	0	0	- 1 684	- 154 135
Customer funds and other loans	- 40 951 096	- 4 236 468	- 22 913 094	- 3 103 584	- 333 333	- 512 618	- 72 050 194
	- 41 103 548	- 4 236 468	- 22 913 094	- 3 103 584	- 333 333	- 514 302	- 72 204 329
Liquidity Gap	- 14 937 583	- 3 211 013	- 19 373 189	12 448 283	26 913 690	4 756 775	6 596 963

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

The “Indefinite” column includes interest receivable and payable and amounts already received or paid that are being deferred and non-performing loan.

Interest rate risk

Interest rate risk management aims at protecting equity value as well as optimizing Caixa's net interest income.

Caixa assumes interest rate risk whenever contracted operations have future financial flows that are sensitive to changes in interest rates.

The methodology adopted for measuring this risk consists of grouping the sensitive assets and liabilities into time intervals according to the respective interest rate revision dates. At each interval, the asset and liability cash flows as well as the corresponding interest rate risk gap are calculated.

Market risk

Market risk is defined as the risk of loss on off-balance sheet accounts as a result of changes in market prices, such as exchange rate risk instruments on all balance sheet and off-balance sheet items and interest rate risk instruments that make up the trading portfolio.

Exchange rate risk is calculated on the global currency position in accordance with Law No. 3 / V / 96 of July 1 and Decree Law No. 12/2005 of February 7.

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

Credit risk

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

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

At December 31, 2020 and 2019, the gross balance of loans to customers, excluding "Other loans and receivables (securitized)", accrued interest or guarantees provided and documentary credits to companies, was as follows:

	2020	2019
	18 577	17 816
Investments in Credit Institutions	737	492
	49 525	47 089
Loans to customers (net of impairment and provisions)	789	056
	68 103	64 905
	526	549
Other commitments:		
Guarantees and sureties (net of provisions)	750 021	594 931
Third-party Loan Management	722 887	705 813
	1 472 909	1 300 744
	69 576	66 206
Maximum Credit Risk Exposure	435	293

On December 31 2020 and 2019, the per stage customer loan was as follows:

Quality of loans to customers				
Prepared by DGR				
12/31/2020				
	Loans Staging 1	Loans Staging 2	Loans Staging 3	Total Loans
Individual- Mortgage				
Due	10 769 690 780	1 751 480 481	1 749 827 539	14 270 998 799
Overdue	2 887 804	4 260 206	424 169 374	431 317 385
	10 772 578 584	1 755 740 687	2 173 996 913	14 702 316 184
Individual - Consumption				
Due	3 995 099 416	937 829 242	598 784 644	5 531 713 302
Overdue	2 522 766	6 704 848	278 544 009	287 771 623
	3 997 622 182	944 534 090	877 328 653	5 819 484 925
Individual - Revolving				
Due	197 469 353	44 264 455	45 655 249	287 389 057
Overdue	1 711 866	4 462 746	132 743 310	138 917 921
	199 181 219	48 727 200	178 398 558	426 306 978
Businesses				
Due	7 483 145 343	5 689 771 494	2 084 874 012	15 257 790 848
Overdue	410 153	16 220 841	1 780 921 657	1 797 552 651
	7 483 555 496	5 705 992 334	3 865 795 669	17 055 343 499
Individual producers				
Due	135 564 274	382 231 362	242 368 819	760 164 455
Overdue	29 797	1 204 422	151 100 568	152 334 786
	135 594 071	383 435 784	393 469 386	912 499 241
Financial Institutions				
Due	246 854	0	0	246 854
Overdue	0	0	0	0
	246 854	0	0	246 854
Public Sector				
Due	1 879 318 312	260 688 048	10 200 000	2 150 206 360
Overdue	432 021	1 044	114 262	547 327
	1 879 750 334	260 689 092	10 314 262	2 150 753 687
Novo_Banco				
Due	38 100 944	31 840 133	261 796 133	331 737 211
Overdue	84 595	221 934	186 790 335	187 096 864
	38 185 538	32 062 067	448 586 469	518 834 074
Disregard				
Due	0	0	0	0
Overdue	0	0	49 209 391	49 209 391
	0	0	49 209 391	49 209 391
Total loan due	24 498 635 277	9 098 105 214	4 993 506 395	38 590 246 885
Total non-performing loan	8 079 002	33 076 040	3 003 592 906	3 044 747 949
Total loan	24 506 714 279	9 131 181 254	7 997 099 301	41 634 994 834

By adopting IFRS 9 Caixa defines that financial assets subject to impairment are classified by different stages according to the evolution of their credit risk since the initial recognition date and not according to the credit risk at the reporting date. Therefore,

- Stage 1, aggregates financial assets classified as stage 1 whenever there is no significant increase in credit risk from the date of initial recognition. For these assets are recognized the expected loss of credit impairment resulting from default events occurring during the 12 months following the reporting date;
- Stage 2: incorporates financial assets in which there has been a significant increase in credit risk since the date of initial recognition. For these financial assets are recognized expected losses of credit impairment over the life of assets ("lifetime");
- Stage 3: Assets classified in this stage 3 present on the reporting date objective evidence of impairment as a result of one or more events that have already occurred that result in a loss. In this case, the expected loss of credit impairment is recognized in profit or loss over the expected residual life of the financial assets.

Credit quality indicators as of December 31, 2020 and 2019 calculated in accordance with the criteria defined in Notices Series A, paragraph 199 of 01 of January of 2019, with reference to 12.31.2018, issued by Banco Central de Cabo Verde, are presented as follows:

	2020	2019
Non-performing loan / Total loan	9.36%	9.41%
Net Non-performing loan / Total Net loan	-0.91%	0.09%

Fair value

The following table shows the comparison between the fair value and the book value of the main financial assets and liabilities held at amortized cost at December 31, 2020 and 2019:

	2020				
	Audited Balances		Difference	Unaudited Balances	
	Book Value	Fair Value		Book Value	Total Book value
Assets:					
Cash and Cash equivalents and Central Banks	6 000 826	6 000 826	0	0	6 000 826
Cash equivalents at other credit institutions	1 711 940	1 711 940	0	0	1 711 940
Fair value financial assets thru Other Comprehensive Income	3 823	3 823	0	0	3 823
Investments in Credit Institutions	18 577 737	18 577 737	0	0	18 577 737
Loans to customers	49 525 789	52 369 570	2 843 781	5 701 049	55 226 838
	75 820 115	78 663 896	2 843 781	5 701 049	81 521 163
Liabilities:					
Funds from central banks					
Funds from other credit institutions	-90 077	-90 077	0		-90 077
Customer funds and other loans	-73 412 965	-73 839 205	-426 239		-73 412 965
	-73 503 043	-73 929 282	-426 239		-73 503 043

	2019				
	Audited Balances			Unaudited Balances	
	Book Value	Fair Value	Difference	Book Value	Total Book value
Assets:					
Cash and Cash equivalents and Central Banks	6 115 152	6 115 152	-	-	6 115 152
Cash equivalents at other credit institutions	2 938 587	2 938 587	-	-	2 938 587
Available for Sale Financial Assets	3 823	3 823	-	-	3 823
Investments in Credit Institutions	17 816 492	17 816 492	-	-	17 816 492
Loans to customers	47 089 056	48 857 637	1 768 581	4 842 004	51 931 061
	73 963 112	75 731 693	1 768 581	4 842 004	78 805 117
Liabilities:					
Funds from central banks			-	-	-
Funds from other credit institutions	-154 135	-154 135	-	-	-154 135
Customer funds and other loans	-72 050 194	-72 745 953	-695 759	-	-72 050 194
	-72 204 329	-72 900 088	-695 759		-72 204 329

The following assumptions were used to determine fair value:

- For cash balances and short-term investments with credit institutions, the book value is 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 book 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 remaining 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 “Unaudited balances” includes essentially non-performing loans.

Sensitivity Analysis - Interest Rate

On December 31, 2020, the impact on fair value of financial instruments sensitive to interest risk rate, excluding derivative financial instruments, of parallel shifts in the benchmark interest rate curve of 50, 100 and 200 "basis points" (bps), respectively, can be shown by the following tables:

2020						
Fair value	-200bp	-100bp	-50bp	+50bp	+100bp	+200bp
Asset	-4 383 599	-4 501 365	-4 544 597	-4 722 789	-4 796 250	-4 942 673
Total	-4 383 599	-4 501 365	-4 544 597	-4 722 789	-4 796 250	-4 942 673
Liability	589	-347	-814	-1 749	-2 217	-3 152
Total	589	-347	-814	-1 749	-2 217	-3 152
Total Gain/Loss	-4 384 188	-4 501 019	-4 543 783	-4 721 039	-4 794 033	-4 939 521

2019						
Fair Value	-200bp	-100bp	-50bp	+50bp	+100bp	+200bp
Asset	-2 300 914	-1 033 210	-501 842	409 249	803 517	1 495 775
Total	-2 300 914	-1 033 210	-501 842	409 249	803 517	1 495 775
Liability	-1 107	-2 976	-3 910	-5 778	-6 713	-8 581
Total	-1 107	-2 976	-3 910	-5 778	-6 713	-8 581
Total Gain/Loss	-2 299 807	-1 030 234	-497 933	415 027	810 230	1 504 356

The following table shows the effect on the projected net interest income for the years 2020 and 2019, respectively, of a parallel shift in the 50, 100 and 200 bps in the interest rate curves that index financial instruments sensitive to changes in interest rate:

NET INTEREST INCOME FORECAST						
2020						
	<u>-200 bp</u>	<u>-100 bp</u>	<u>-50 bp</u>	<u>+50 bp</u>	<u>+100 bp</u>	<u>+200 bp</u>
FY 2019	-12 604.54	-6 302.27	-3 151.14	3 151.14	6 302.27	12 604.54
FY 2020	-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 2020 and 2019, 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, 2020 and 2019. 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 of December 31, 2020, and 2019, loans to customers, totaling tCVE 35,978,628 and tCVE. 26,271,857, respectively, were mainly granted at a fixed rate.

Breakdown of financial instruments by currency

At December 31, 2020 and 2019, the financial instruments were broken down as follows, by currency:

	2020				
	Currency				
	<u>CVE</u>	<u>Euros</u>	<u>Dollar USD</u>	<u>Others</u>	<u>Total</u>
Asset:					
Cash and cash equivalents at central banks	3 693 484	1 732 618	489 184	85 540	6 000 826
Cash equivalents at other credit institutions	34 354	1 599 312	24 492	53 781	1 711 940
Fair value financial assets thru Other comprehensive income	0	3 823	0	0	3 823
Investments in credit institutions	18 614 537	0	45 611	0	18 660 148
Loans to customers (Gross balance)	49 575 449	5	0	0	49 575 454
Other assets (net value)	1 676 728	3 102	2 336	9	1 682 174
	73 594 553	3 338 859	561 623	139 330	77 634 365
Liability:					
Funds from other credit institutions	-61 494	-24 071	-2 832	0	-88 397
Customer funds and other loans	-72 267 040	-685 534	-433 837	-12 835	-73 399 246
Other liabilities	2 380 940	-2 625 431	-124 953	-126 495	-495 940
Other reserves and retained earnings	-3 694 946	-3 823	0	0	-3 698 768
	-73 581 046	-3 314 788	-561 623	-139 330	-77 682 351
Net Exposure	13 507	24 071	0	0	37 578

	2019				
	Currency				
	<u>CVE</u>	<u>Euros</u>	<u>Dollar USD</u>	<u>Others</u>	<u>Total</u>
Asset:					
Cash and cash equivalents at central banks	4 974 786	913 847	175 350	51 169	6 115 152
Cash equivalents at other credit institutions	64 588	2 037 657	743 825	92 516	2 938 587
Fair value financial assets thru Other comprehensive income	-	3 823	-	-	3 823
Investments in credit institutions	17 771 357	0	45 135	-	17 816 492
Loans to customers (Gross balance)	47 089 051	5	-	-	47 089 056
Other assets (net value)	1 690 854	6 114	1 796	9 052	1 707 817
	71 590 637	2 961 446	966 106	152 737	75 670 927
Liability:					
Funds from other credit institutions	-135 624	-10 918	-7 593	-	-154 135
Customer funds and other loans	-70 108 434	-1 008 183	-926 601	-6 975	-72 050 194
Other liabilities	1 659 729	-1 938 522	-31 912	-145 763	-456 467
Other reserves and retained earnings	-2 754 105	-3 823	-	-	-2 757 928
	-71 338 434	-2 961 446	-966 107	-152 737	-75 418 724
Net Exposure	252 203	-	-	-	252 203

34. EQUITY 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 sheet.

Caixa's own funds is managed so as to comply with prudential own funds levels in accordance with Notice no. 3/2007 of 19 November of Banco de Cabo Verde: "Own Funds of Credit Institutions, non-banking Institutions and International Financial Institutions", in order to provide coverage for weighted credit risks, operational risks and market risks.

Banco de Cabo Verde Notice No. 3/2007 establishes the Own Funds Requirements applicable to Credit Institutions and the methods for calculating the solvency ratio.

Own funds are 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 core capital amount and are made up primarily of subordinated loans

Deductions from holdings in other credit institutions decrease total own funds.

In accordance with the regulations, Caixa must always comply with a solvency ratio of 10%.

As of December 31, 2020, and 2019, Caixa Económica de Cabo Verde complied with regulatory requirements as follows:

	Own funds	Solvability	Fixed assets limit
2020	5 511 496	18.89%	257.06%
2019	4 807 066	17.37%	220.83%