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CAIXA ECONÓMICA DE CABO VERDE, S.A.

Financial Statements at December 31, 2021, and accompanying Audit Report

Independent Auditor 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 on December 31, 2021 (totaling 78,085,322 thousand of caboverdean escudos (CVE) and a total of shareholders' equity of 6,760,934 thousand CVE, including a net profit of 967,854 thousand CVE), Income Statement and Comprehensive Income, Statement of Changes in Equity and Cash Flow statement for the year ended at that date, and the notes attached to the financial statements which include a summary of significant accounting policies.

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 2021, 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.

Bases for qualified opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are described in the "Auditor's Responsibilities for the Financial Statement Audit" section of this report. We are independent from Caixa in accordance with the requirements of the Code of Ethics of the Professional Association of Certified Auditors and Accountants, which was prepared in compliance with the principles and standards of the Code of Ethics for Accountants and Auditors, edited by the International Ethics Standard Board for Accountants (IESBA), and we fulfilled the remaining ethical responsibilities set out in these requirements.

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 customers' loans

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>As of 31 December 2021, Caixa recorded accumulated impairment losses on the loan portfolio in the amount of CVE 4,283,418 thousand, representing 8% of the loan Value.</p> <p>The detail of impairment for loans to customers and the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the financial statements (Notes 2.2, 9 and 18).</p> <p>The impairment represents the best estimate of Caixa's management body on the expected loss on loan exposures granted to customers with reference to 31 December 2021. To calculate this estimate, the management body established assumptions, used mathematical models to calculate parameters, interpreted concepts and historical data and designed a model for calculating the expected loss. For relevant exposures on an individual basis, impairment is determined based on the judgments of Caixa's specialists in credit risk assessment and knowledge of the reality and financial situation of customers and the guarantees associated with the operations in question.</p> <p>In addition to the complexity of the loan portfolio impairment loss quantification models, their use requires the processing of a significant volume of data, of which the availability and quality may be conditioned.</p> <p>Additionally, the effects of the COVID-19 pandemic may not be fully overcome, nor fully materialized, and its full extent is still uncertain. The pandemic has reduced the predictability of the evolution of the economy, so the determination of the scenarios and weights used to calculate the expected loss of the customer loan portfolio is more uncertain, increasing the judgment inherent in the identification of debtors with a significant increase in credit risk. In this context, recording credit impairment should consider potential impacts on asset quality.</p> <p>In view of the degree of subjectivity and complexity that the impairment estimate involves, the use of alternative approaches, models or assumptions may have a material impact on the estimated impairment value, which, together with the materiality of its value, makes us consider this topic as a relevant audit matter.</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; ▶ 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; ▶ 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 the information on the economic and financial situation of the debtors and of the collateral evaluation reports, as well as inquiries to Caixa specialists to understand the defined recovery strategy and the assumptions used. We appreciated the judgments considered to reflect the impacts of the COVID-19 pandemic on debtors' individual sectors; ▶ through the involvement of our internal risk specialists, we tested the reasonableness of the parameters used in the collective impairment calculation, in particular: <ul style="list-style-type: none"> 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 the year to the risk parameters (PD, LGD and EAD); iv) follow-up of corrective measures of the deficiencies previously identified in the collective impairment model; and v) the sampling test of the classification of operations in stages 1, 2 and 3; and vi) assessment of the reasonableness of the adjustments undertaken, in particular those to respond to additional judgement areas resulting from the moratoriums and appreciation of the management process associated with those adjustments ▶ analysis of the disclosures included in the notes to the financial statements, based on the requirements of international financial reporting standards and accounting records.

2. Impairment of properties received as payment for loan recovery

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
<p>On 31 December 2021, the accumulated impairment recorded for properties received as a result of loan recovery, recorded under Other Assets, amounts to CVE 804,640 thousand, representing 53% of the value of those assets (Note 15). These impairment losses are determined in accordance with the methodology described in Note 2.2.).</p> <p>Periodically, Caixa requests external appraisers, registered with Banco Central de Cabo Verde ("BCV"), to appraise properties received for loan recovery. If the appraisal 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>The appraisal of properties takes into account a set of judgmental assumptions that depend on the specific characteristics of each asset and Caixa's commercial strategy. Assumptions about future events may not occur or, even if they do, actual results may differ. As an example, there may be changes in real estate market expectations, relevant macroeconomic variables or in terms of intrinsic characteristics of the property itself and the surrounding physical environment.</p> <p>Due to the Covid-19 pandemic, uncertainty about the estimate of fair value has increased due to (i) benchmark transactions of similar and comparable assets, (ii) deadlines to conclude 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 premium risk demanded by potential investors.</p> <p>The consideration of this matter as relevant for the audit was based on its materiality in the financial statements and the fact that the use of different valuation techniques and assumptions may give rise to different estimates of fair value.</p>	<p>Our audit approach on the impairment of properties received for loan recovery included a specific response that resulted into the draft, and the subsequent implementation, of procedures including:</p> <ul style="list-style-type: none"> ▶ understanding of the internal control procedures existing in the process of measurement of properties received thru recovery of granted loan; ▶ analytical review tests on the value of properties included in "Other assets", comparing it with the same period of the previous year and with formed expectations, of which the understanding of the variations occurred and changes in the assumptions and methodologies should be highlighted; ▶ for a sample of properties, appraisal of the reasonableness of the methodology and assumptions used by external appraisers and confirmation of their registration with BCV. For these properties, we analyzed, when applicable, promissory purchase and sale contracts or binding offers received and certificates of content from the land registry office; and ▶ analysis of the disclosures included in the financial statements, based on the requirements of 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 principles generally accepted in Cabo Verde for the insurance sector and an internal control which has deemed necessary to enable the preparation of financial statements free of material misstatement due to fraud or error.

When preparing financial statements, the management body is responsible for assessing Caixa's ability to continue in business, disclosing, when applicable, matters relating to business continuity and using the business continuity assumption unless the management body intends to liquidate Caixa or cease operations or has no realistic alternative but to do so.

The supervisory body is responsible for overseeing Caixa's financial reporting process.

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; and
- ▶ 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 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, what measures have been taken to eliminate the threats or what safeguards applied.

OTHER INFORMATION

About the management report

Management body is responsible for preparing other information. This other information comprises the Management Report, which does not include the financial statements and our report thereon, which we obtained prior to the date of our report.

Our opinion on the financial statements does not cover the information contained in the Management Report and we do not express any kind of assurance of reliability on this other information.

Within the scope of the audit of the financial statements, our responsibility is to read the Management Report and, consequently, consider whether the information contained therein is materially inconsistent with the financial statements, with the information we obtained during the audit, or if it appears be materially misstated.

If, based on work performed on other information that we obtained prior to the date of our report, we conclude that there is a material misstatement in the Management Report, we are required to report on that fact. We have nothing to report in this regard.

June 7, 2022

Ernst & Young Audit & Associados – SROC,
S.A. Branch in Cabo Verde Represented by:

Signed by: Ana Rosa Ribeiro Salcedas
Montes Pinto
Identification No.: BIO8539023
Date: 2022.06.07 20:09:01 GMT Daylight
Time

Ana Salcedas
General Director

Filipe Brás
Partner

NOTES TO FINANCIAL STATEMENTS
On December 31, 2021



BALANCE SHEET ON DECEMBER 31, 2021 AND 2020

ASSET	Notes	dec/2021	dec/2020
Cash and cash equivalents at central banks	5	9 749 912	6 000 826
Cash equivalents at other credit institutions	6	2 296 144	1 711 940
FV Financial Assets through other comprehensive income	7	3 823	3 823
Investments in credit institutions	8	9 800 223	18 577 737
Loans to customers	9	52 228 102	49 525 789
Investment properties	10	4 692	4 811
Other tangible assets	11	1 991 790	2 040 452
Intangible Assets	12	715	3 294
Investments in subsidiaries, associates and joint ventures	13	119 767	99 807
Current tax assets	14	93 697	35 119
Deferred tax assets	14	70 412	70 412
Other assets	15	1 726 046	1 849 320
Total assets		78 085 322	79 923 329
LIABILITIES AND SHAREHOLDER'S EQUITY			
Funds from other credit institutions	16	252 539	90 077
Customer funds and other loans	17	70 369 243	73 412 965
Provisions	18	66 335	66 000
Current tax liabilities	14	128 206	84 097
Other liabilities	19	508 064	477 109
Total liabilities		71 324 388	74 130 249
Shareholder's equity	20	1 392 000	1 392 000
Other reserves and retained earnings	21	4 401 080	3 698 768
Income for the year	21	967 854	702 311
Total shareholder's equity		6 760 934	5 793 080
Total liabilities and shareholder's equity		78 085 322	79 923 329



STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED
ON DECEMBER 31, 2021 AND 2020

	Notes	dec/2021	dec/2020
Interest and similar income	22	3 919 028	4 109 044
Interest and similar expenses	23	(1 129 265)	(1 194 991)
NET INTEREST INCOME		2 789 763	2 914 053
Income from services and fees	24	205 718	206 357
Expenses from services and fees	24	(110 267)	(105 605)
Income from currency revaluation	25	87 983	37 830
Income from the sale of other assets	26	3 975	11 124
Other operating income	27	64 951	63 149
OPERATING INCOME		3 042 124	3 126 908
Personnel costs	28	(858 168)	(838 157)
Administrative overhead	29	(520 544)	(517 876)
Amortizations of the year	11/10/12	(121 322)	(114 000)
Provisions net of readjustments and cancellations	18	(335)	(34 123)
Loan impairment net of reversals and recoveries	18	(423 655)	(870 111)
Impairment of other financial assets net of reversals and recoveries	18	(42 000)	
Earnings from associated companies	13	19 961	8 292
EARNINGS BEFORE TAXES		1 096 061	760 932
Taxes			
Current	14	(128 206)	(84,097)
Deferred	14	-	25 476
		(128 206)	(58 621)
Earnings and comprehensive income for the year		967 854	702 311
Average number of common shares issued		1 392 000	1 392 000
Earnings per share		0.70	0.50



CASH FLOW STATEMENTS FOR FINANCIAL YEARS ENDED ON DECEMBER 31, 2021 AND 2020

	dec/21	dec/20
Income from interests and fees	4 124 746	4 315 401
Payment of interest and fees	(1 239 532)	(1 300 596)
Other income / (payments) related to operating activity	152 934	100 978
Payments to personnel and suppliers	(1 378 712)	(1 356 033)
Income Tax Payments	(189 806)	(148 063)
Lease payments	(15 029)	(15 029)
Operating income before changes in operating assets	1 454 601	1 596 659
Investments in credit institutions	8 777 514	(761 245)
Customer loans	(2 744 313)	(2 436 733)
Other assets	80 939	(175 626)
Total	6 114 140	(3 373 604)
Funds from Central Banks and other credit institutions	162 462	(64,058)
Customer Funds	(3 043 722)	1 362 772
Other liabilities	(311 512)	(844 446)
	(3,192,773)	454 268
Total	4 375 968	(1 322 677)
Investments in subsidiaries, associates and joint ventures	(19,961)	4 120
Dividends from associates and joint ventures	19 961	8 292
Intangible Assets	-	(1 119)
Other tangible assets	(46 653)	(40 714)
Revenues from sale of tangible assets	3 975	11 124
Total	(42 678)	(18,297)
	4 333 290	(1 340 974)
Cash and cash equivalents at the beginning of the year	7 712 765	9 053 739
Cash and cash equivalents at the end of the year	12 046 055	7 712 765



**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED ON DECEMBER 31, 2021 AND 2020**

	Shareholder's Equity	Legal Reserves	Other Reserves	Retained earnings	Earnings of the year	Total
Balances on 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
Balance on December 31, 2020	1 392 000	715 128	2 983 640	-	702 311	5 793 079
Investment of earnings for the Year 2020:						
Transfer to reserves		70 231	632 080		(702 311)	(702 311)
Dividend distribution	-					
Comprehensive income for the year	-				967 854	967 854
Balances on December 31, 2021	1 392 000	785 359	3 615 720	-	967 854	6 760 933



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, 2021 were approved by the Board of Directors on March 14, 2022, and are pending approval by 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 2021 and 2020, 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 97.554 and 89.785, 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.

Financial assets at amortized cost 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. 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, 2021 and 2020, assets at fair value through other comprehensive income correspond to unquoted assets whose fair value could not be reliably measured, and Caixa maintained the existing value.

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 receivable

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.

Financial assets subject to impairment are classified in 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 lifetime PD.

The PD 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*).

The LGD 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 PD and LGD 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 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.

Leases

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

As a lessee, Caixa 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 Caixa 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 Lessor

As the lessor, the lease operations are classified as 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 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.

Financial assets subject to impairment are classified in 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 Standards already issued

Standards, interpretations, amendments and revisions that came into force in the fiscal year

The following standards, interpretations, amendments and revisions endorsed by the European Union are mandatory for the first time in the fiscal year beginning on January 1, 2021:

Standard / Interpretation	Description
Amendments to IFRS 16 - Leases - Concessions related to COVID-19 in terms of rents beyond 30 June 2021	<p>On May 28, 2020, the amendment to IFRS 16 entitled 'Covid-19-Related Concessions' was issued, which introduced the following practical expedient: a lessee may choose not to assess whether a Covid-19-related rent concession is a lease modification.</p> <p>Lessees that choose to apply this expedient, account for the change to rent payments resulting from a COVID-19-related concession in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.</p> <p>Initially, the practical expedient applied to payments originally due by June 30, 2021, however, due to the prolongation of the impact of the pandemic, on March 31, 2021, it has been extended to payments originally due by June 30, 2022. The change applies to annual reporting periods beginning on or after April 1, 2021.</p> <p>In short, the practical expedient can be applied as long as the following criteria are met:</p> <ul style="list-style-type: none"> the change in lease payments results in revised lease consideration that is substantially equal to, or less than, the consideration immediately preceding the change; any reduction in lease payments only affects payments due on or until June 30, 2022; and there are no substantive changes to other terms and conditions of the lease.
Amendments to IFRS 4 - Insurance Contracts Deferral of the application of IFRS 9	<p>This amendment refers to the temporary accounting consequences that result from the difference between the date of implementation of IFRS 9 – Financial Instruments and the future IFRS 17 – Insurance Contracts. Specifically, the amendment made to IFRS 4 postpones until January 1, 2023 the expiry date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.</p> <p>The referred temporary exemption is optional and only available to entities whose activities are predominantly related to insurance.</p>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of interest rate benchmark - phase 2	<p>These changes are part of the second phase of the IASB's "IBOR reform" project and allow exemptions related to the <i>benchmark reform</i> for interest rates benchmarks, for an alternative interest rate (<i>Risk Free Rate</i> (RFR)). The changes include the following practical expedients:</p> <ul style="list-style-type: none"> A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, are treated in the



	<p>same way as a floating interest rate change, equivalent to a movement in the market interest rate;</p> <ul style="list-style-type: none"> Allow changes required by the reform to be made to hedging designations and hedging documentation without discontinuing the hedging relationship; Provide temporary operational relief to entities that have to comply with the separately identifiable requirement when an RFR instrument is designated as hedging of a risk component.
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These standards and amendments had no material impact on Caixa's financial statements.

Standards, interpretations, amendments and revisions that come into effect in future years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, until the date of approval of these financial statements, endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for years beginning on or after	Description
Amendments to IFRS 3 - References to the Conceptual Framework for Financial Reporting	1-Jan-2022	<p>This amendment updates the references to the Conceptual Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations.</p> <p>The accounting treatment to be adopted in relation to liabilities and contingent liabilities within the scope of IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.</p> <p>The amendment is prospectively applicable.</p>
Amendments to IAS 16 – Proceeds obtained before intended use	1-Jan-2022	<p>Clarifies the accounting treatment given to the proceeds obtained with the sale of products that result from the production in the test phase of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognizes the income obtained from the sale of such products and the costs of their production in profit or loss.</p>
Amendments to IAS 37 – Onerous contracts – costs of fulfilling a contract	1-Jan-2022	<p>This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the fulfillment of the contract can be considered, such as incremental costs related to direct labor and materials and the allocation of other costs directly related as the allocation of depreciation charge for tangible assets used to fulfill the contract.</p> <p>General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract.</p> <p>This amendment shall be applied to contracts which, at the</p>



		beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without the need to restate the comparative.
Amendments to IFRS 1 – Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle)	1-Jan-2022	This improvement clarifies that, when the subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements (assuming that no adjustment has taken place in the consolidation process), the measurement of the accumulated translation differences of all Foreign operations can be carried out at the amounts that would be reported in the consolidated financial statements, based on the date of transition of the parent company to IFRS.
Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 percent' test (included in the annual improvements for the 2018-2020 cycle)	1-Jan-2022	This improvement clarifies which fees an entity should include when assessing whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that in the scope of the derecognition tests carried out on renegotiated liabilities, only fees paid or received between the borrower and the lender should be included, including fees paid or received by the borrower or lender on behalf of the other.
Amendments to IAS 41 – Taxation in fair value measurement (included in the annual improvements for the 2018-2020 cycle)	1-Jan-2022	This improvement eliminates the requirement to exclude taxation cash flows when measuring the fair value of biological assets, ensuring consistency with the requirement in IFRS 13 – Fair value.
IFRS 17 - Insurance Contracts	1-Jan-2023	IFRS 17 applies to all insurance contracts (ie life, non-life, direct insurance and reinsurance), regardless of the type of entities issuing them, as well as to some guarantees and some financial instruments with discretionary participation characteristics. Broadly speaking, IFRS 17 provides an accounting model for insurance contracts that is most useful and most consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Caixa did not apply any of these standards in advance in the financial statements in the twelve-month period ended December 31, 2021. No significant impacts on the financial statements resulting from their endorsement are estimated.

Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were not, until the date of approval of these financial statements endorsed by the European Union:



Standard / Interpretation	Description
Amendments to IAS 1 – Presentation of financial statements – Classification of current and non-current liabilities	<p>This amendment seeks to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment at the end of each reporting period.</p> <p>The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise such a right), or by events occurring after the reporting date, such as a default of a covenant.</p> <p>However, if the right to defer settlement for at least twelve months is subject to the fulfillment of certain conditions after the statement of financial position, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current.</p> <p>This amendment also includes a new definition of “settlement” of a liability and is applicable retrospectively.</p>
Amendments to IAS 8 - Definition of accounting estimates	<p>The amendment clarifies the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.</p>
Amendments to IAS 1 – Disclosure of Accounting Policies	<p>These amendments are intended to assist the entity in disclosing 'material' accounting policies, formerly known as 'significant' policies. However, due to the inexistence of this concept in the IFRS standards, it was decided to substitute by the concept of “materiality”, a concept already known by the users of the financial statements.</p> <p>When assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and their nature.</p>
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	<p>The amendments clarify that payments that settle a liability are tax deductible, however it is a matter of professional judgment whether such deductions are attributable to the liability that is recognized in the financial statements or to the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability.</p> <p>Pursuant to these amendments, the initial recognition exception is not applicable to transactions that give rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of an a lease asset and a liability lease give rise to taxable and deductible temporary differences that are not equal.</p>
Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information	<p>This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.</p> <p>The amendment adds a transition option that permits an entity to apply a classification overlay to financial asset in the comparative period(s) presented on initial application of IFRS 17. The overlay permits that all financial assets, including those held in connection with non-contract activities within the scope of IFRS 17 to be classified, instrument by instrument, in the comparative period(s) in line with how the entity expects these assets to be classified on initial application of IFRS 9.</p>

These standards have not yet been endorsed by the European Union and, as such, have not been applied by



Caixa in the twelve-month period ended December 31, 2021. No significant impacts on the financial statements resulting from its endorsement are estimated.



5. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

On December 31 2021 and 2020, this item was as follows:

	<u>2021</u>	<u>2020</u>
Cashier	3 905 043	3 065 517
Demand deposits at Banco de Cabo Verde	<u>5 844 869</u>	<u>2 935 309</u>
	<u>9 749 912</u>	<u>6 000 826</u>

Regarding cash values, it is important to highlight the values in foreign currency that have reached high level stocks in 2021 and 2020, in the amounts of tCVE 3,073,814 and tCVE 2,306,963, 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.

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

On 31 December 2021 and 2020, this item breaks down as follows:

	<u>2021</u>	<u>2020</u>
Demand deposits:		
At credit institutions in the country		
. BCA	2 635	2 641
At credit institutions abroad		
. Novo Banco SA	117 128	256 913
. Montepio Geral	1 556 992	356 149
. Caixa Geral de Depósitos	168 335	50 176
. Natexis Banques Populaires	46 068	182 102
. Bank of China, Macau Branch	6 748	5 387
. BPI	338 574	786 264
. Others	8 981	33 687
	<u>2 245 461</u>	<u>1 673 319</u>
In the country	40 714	31 713
Abroad	9 367	6 373
Amounts to be collected:	<u>50 081</u>	<u>38 087</u>
Other assets	601	534
	<u>2 296 144</u>	<u>1 711 940</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.



On 31 December 2021 and 2020, cash and cash equivalents at credit institutions, by currency, are broken down as follows:

Demand deposits:

US Dollars	404 675	19 797
Sterling pounds	11 585	2 862
Cape Verdean Escudos	2 635	2 641
Swedish krona	5 856	6 281
Canadian Dollar	4 649	3 020
Swiss franc	16 447	34 649
Euros	1 793 111	1 597 197
Other currencies	6 504	6 873
	2 245 461	1 673 319
Cape Verdean Escudos	40 714	31 713
Euros	8 109	2 115
US Dollars	1 756	4 695
Amounts to be collected and other assets:	104	97
	50 683	38 620
	2 296 144	1 711 940

EUR cash assets in credit institutions abroad, which on December 31 2021 amounted to tCve 1,793 and on 31 December 2020 amounted to tCve 1,597, are highly conditioned 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 COMPREHENSIVE INCOME

On December 31, 2021 and 2020, 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
	3 823	-	3 823

Participation in the G.A.R.I. Fund, due to the difficulty in determining the fair value, was maintained at initial revaluation as the best approximation to fair value.

8. INVESTMENTS IN CREDIT INSTITUTIONS

On 31 December 2021 and 2020, this item breaks down as follows:

	2021	2020
Investments in credit institutions in the country:		
At Banco de Cabo Verde		
Term	7 100 000	16 800 000
Monetary Intervention Securities	2 652 000	1 733 000
Investments in credit institutions abroad:		
Collateral deposits	49 557	45 611
Accrued interest	55	165
Deferred income	(1 389)	(1 039)
	9 800 223	18 577 737

On December 31, 2021 and 2020, 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 only interest-bearing (USD) collateral deposits and guarantees, which are reimbursed upon settlement of the associated bank guarantee.

On December 31, 2021 and 2020, investments in credit institutions abroad have the following breakdown by credit institution:

	2021	2020
BPI Bank	49 557	45 611
	49 557	45 611



9. LOANS TO CUSTOMERS

On 31 December 2021 and 2020, this item breaks down as follows:

	2021	2020
Short-term domestic loans		
Trade discounts	564 000	1 983 287
Loans	669 075	292 823
Overdraft loan on demand deposits	173 212	241 042
Medium and long-term domestic loans:		
loans	33 291 717	29 795 749
Other loans	1 605 437	1 404 180
Employee loans	1 359 057	1 335 790
	37 662 497	35 052 871
Non-Resident loan	410 633	381 830
Other loans and receivables (securitized):		
Government bonds	12 696 794	12 212 355
Other fixed income securities	2 082 304	2 011 501
	52 852 228	49 658 557
Interest receivable	426 031	464 402
Deferred costs	874	1 014
Deferred income	(291 430)	(296 834)
Non/performing Loans	3 444 013	5 314 901
Overdue Interest	79 804	84 798
	56 511 520	55 226 838
Impairment		
Customer loans	(4,020,957)	(5 443 262)
Other Receivable loans	(262 461)	(257 787)
	52 228 102	49 525 789

The item Employee Loan refers to loans to employees on December 31, 2021 and 2020, 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.

In December 2021 and 2020, the total loan amounted to tCvE. 41,517,144 and tCvE. 40,749,623, with emphasis on business loans, which grew by 4.61% and 17.14% in 2021 and 2020, respectively, whose absolute totals were tCvE. 19,830,413 and tCvE. 18,956,540, respectively.



Business and Individual Loans (thousands)

Loans	dec-21		dec-20		Variation 2021		
	Value	%	Value	%	Absolute	Relative	
Individual	21 686 732	52.24%	21 793 062	53.48%	-106 331	-0.49%	-13.85%
Mortgage	14 930 130	35.96%	14 658 595	35.97%	271 535	1.85%	35.38%
Other Purposes	6 756 602	16.27%	7 134 468	17.51%	-377 866	-5.30%	-49.23%
Businesses	19 830 412	47.76%	18 956 540	46.52%	873 872	4.61%	113.85%
Investment	15 222 646	36.67%	15 514 709	38.07%	-292 063	-1.88%	-38.05%
Cash Management	4 607 766	11.10%	3 441 831	8.45%	1 165 935	33.88%	151.91%
Total Loans	41 517 143	100.00%	40 749 602	100.00%	767 541	1.88%	100.00%

The table loan by segment is divided into: Individuals- Residents, Non-Residents, Emigrants and other Individuals, and Business- Residents, Non-Residents and Other Businesses.

Loans by Segment (thousands)

Loans by Segment	2020	2021	Var 2020/2021	%
Individuals				
Residents				
Mortgage	11 680 562	11 763 686	83 124	0.71%
Other purposes	6 545 322	6 335 543	-209 779	-3.21%
Total Residents	18 225 884	18 099 229	-126 655	-0.69%
Non-Residents				
Mortgage	163 980	141 331	-22 649	-13.81%
Other purposes	46 853	36 231	-10 622	-22.67%
Total Non-Residents	210 832	177 562	-33 271	-15.79%
Emigrants				
Mortgage	2 813 569	3 025 113	211 545	7.52%
Other purposes	542 777	384 828	-157 950	-29.10%
Total Emigrants	3 356 346	3 409 941	53 595	1.60%
Other Individuals				
Mortgage	14 658 110	14 930 130	272 020	1.86%
Other purposes	7 134 952	6 756 602	-378 350	-5.30%
Total Individuals	21 793 062	21 686 732	-106 331	-0.49%
Businesses				
Resident Businesses				
Investment	15 017 253	14 699 017	-318 236	-2.12%
Cash Management	3 059 275	4 197 133	1 137 857	37.19%
Total Resident Businesses	18 076 528	18 896 149	819 621	4.53%
Non-Resident Businesses				
Investment	497 297	523 629	26 332	5.30%
Cash Management	382 715	410 633	27 918	7.29%
Total Non-Resident Businesses	880 011	934 262	54 251	6.16%
Other Businesses				
Investment	15 514 550	15 222 646	-291 904	-1.88%
Cash Management	3 441 990	4 607 766	1 165 776	33.87%
Total Businesses	18 956 540	19 830 412	873 872	4.61%
Total Loans	40 749 602	41 517 143	767 541	1.88%

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It should be noted that the table above represents Caixa's total loan portfolio, where individuals account for 52.24% and Businesses 47.76% of total loans. Loans to individuals had a negative variation in relation to 2020 by tCVE 106,311 (0.49%) and business loans had a positive change by tCVE 873,872 (4.61%). The total loan variation for the year 2021 is positive in the amount of tCVE 767,541 (1.88%).

On December 31, 2021 and 2020, 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 2021, these bonds presented the following information:

Security	2021				Maturity
<u>Other fixed income securities</u>					
	Gross Value (Principal+Interest)	impairment	%	Net value	
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	640 655	9 075	1.42%	631 580	06/14/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche E	379 548	5 303	1.40%	374 245	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	209 485	2 959	1.41%	206 526	09/14/2022
CVFF - Cabo Verde Fast Ferry, S.A.	46 717	35 038	75.00%	11 679	10/14/2017
IFH - Imobiliária, Fundiária e Habitat, SA Series G	365 859	5 133	1.40%	360 725	12/24/2019
ASA - Agência de Segurança Aeronáutica - Tranche D	189 814	2 687	1.42%	187 127	08/25/2027
ANMCV	233 186	3 339	1.43%	229 847	11/02/2026
RTC - Radiotelevisão de Cabo Verde	55 060	792	1.44%	54 268	12/23/2029
	2 135 654	79 627		2 056 027	

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 Econômica 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, 2021, the accrued and unpaid interest on Cabo Verde Fast Ferry (CVFF) and Sociedade Gestão de Investimentos, Lda., bonds amounted to tCVE 11,525 and tCVE 2,982, respectively. The next interest coupons expire in January and February 2022.

At the end of 2021, Caixa increased its corporate securities portfolio, with the subscription of bonds from RTC-Radiotelevisão Cabo-verdiana, SA and from ANMCV – Associação nacional dos Municípios Cabo-verdianos, in the amount of tCve 55,000 (5% rate, maturity: 12/23/2029) and tCve 231,863 (3.5%, rate, maturity: 11/02/2026), respectively. The first coupons will be paid in May 2022 for ANMCV bonds and June 2022 for RTC bonds.

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On December 31, 2021 and 2020, loans to customers, excluding "Other loans and receivables (securitized) ", and accrued interests and deferred income, were as follows by business sector:

	2021			2020		
	Performing loans	Non-performing loans	Total	Performing loans	Non-performing loans	Total
Companies:						
Trade	805 966	214 330	1 020 296	614 625	357 625	972 250
Construction and public works	1 868 859	74 079	1 942 938	1 682 613	161 605	1 844 218
Transportation	5 473 169	52 766	5 525 935	5 237 092	293 297	5 530 389
Industry	748 407	83 276	831 683	635 445	468 327	1 103 772
Hospitality	1 016 373	251 775	1 268 148	716 469	292 524	1 008 993
Energy	2 746 946	17	2 746 963	2 073 912	1 081	2 074 993
Others	6 195 698	298 751	6 494 449	5 647 515	774 409	6 421 924
	18 855 418	974 994	19 830 412	16 607 671	2 348 868	18 956 539
Individuals:						
Mortgage	13 239 663	1 693 251	14 932 914	12 881 411	1 780 157	14 661 568
Others	5 978 050	775 768	6 753 818	5 945 643	1 185 873	7 131 516
	19 217 713	2 469 019	21 686 732	18 827 054	2 966 030	21 793 084
	38 073 131	3 444 013	41 517 144	35 434 725	5 314 898	40 749 623

As for Loan by Sector or Purpose, in general terms, we highlight Mortgage (Individuals) and Loan to the Transport Sector, with values in 2021 of tCve. 14,932,914 and tCve. 5,525,935, respectively, and with the sum of the balances of these two items representing around 49.28% and 49.55% of Total Loan in 2021 and 2020, respectively.

As for Non-performing Loans by Sector, we highlight Loans for the sectors of Commerce, Transport, Industry and Individuals for Other Purposes, with reductions in absolute terms, compared to the previous year, in tCve. 143,295 (-40.07%), tCve. 240,531 (-54.16%), tCve. 475,658 (-61.42%) and tCve. 410,105 (-34.58%), respectively.



10. INVESTMENT PROPERTIES

The changes in this item for the years ended December 31 2021 and 2020, are as follows:

Acquisition Cost	land	Real Estate	Total
Balance on 12-31-2019	3 683	3 923	7 606
Balance on 12-31-2020	3 683	3 923	7 606
Write-offs/Sales	-	(334)	(334)
Balance on 12-31-2021	3 683	3 589	7 272
Amortizations	land	Real Estate	Total
Balance on 12-31-2019	-	2 764	2 764
Amortizations for the year	-	31	31
Balance on 12-31-2020	-	2 795	2 795
Amortizations for the year	-	29	29
Write-offs/Regularizations	-	(244)	(244)
Balance on 12-31-2021	-	2 580	2 580
Net Balance on 12-31-2020	3 683	1 128	4 811
Net Balance on 12-31-2021	3 683	1 009	4 692

On December 31, 2021 and 2020, 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:

	2021		2020	
	Net Value	Appraised Value	Net Value	Appraised Value
Land	3 683	18 640	3 683	18 640
Buildings	1 008	8 299	1 128	8 891
	4 691	26 939	4 811	27 531

In fiscal year 2021 and 2020, the income from the lease of these properties amounted to tCVE 54 and tCVE 66, respectively.

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11. OTHER TANGIBLE ASSETS

In FY 2021 and 2020, the item “Other tangible assets” was as follows:

	Balance on 12-31-2020			Addition	Sales/Write-offs		Amortization for the Year	Balance on 12-31-2021		
	Gross Value	Accumulated Amortization	Net value		Gross Value	Amortization		Gross Value	Accumulated Amortization	Net Value
Real Estate	1,827,734	(204,802)	1,622,932	4,669	-	-	(36,802)	1,832,403	(241,604)	1,590,799
Works in rented buildings	52,748	(43,340)	9,408	12	-	-	(293)	52,760	(43,633)	9,127
Artistic heritage	5,127	-	5,127	-	-	-	-	5,127	-	5,127
Equipment:										
Furniture and material	253,953	(221,664)	32,289	1,301	(681)	671	(6,984)	254,573	(227,977)	26,596
Machinery and tools	291,104	(266,119)	24,985	12,474	(3,826)	3,826	(10,474)	299,752	(272,767)	26,985
Computer Equipment	397,015	(355,603)	41,412	4,530	(1,676)	1,676	(18,611)	399,869	(372,538)	27,331
Indoor facilities	592,894	(566,555)	26,339	1,026	(2,726)	2,726	(4,274)	591,194	(568,103)	23,091
Transportation equipment	184,056	(115,866)	68,190	49,270	(14,303)	14,054	(20,848)	219,023	(122,660)	96,363
Security equipment	161,336	(137,961)	23,375	250	(413)	411	(6,922)	161,173	(144,472)	16,701
Other equipment	7,243	(6,062)	1,181	144	(33)	33	(184)	7,354	(6,213)	1,141
Right-to-use assets										
Real Estate	105,116	(26,640)	78,476	-	-	-	(13,320)	105,116	(39,960)	65,156
	3,878,326	(1,944,612)	1,933,714	73,676	(23,658)	23,397	(118,712)	3,928,344	(2,039,927)	1,888,417
Construction in progress	106,739	-	106,739	6,464	(9,830)	-	-	103,373	-	103,373
	3,985,065	(1,944,612)	2,040,453	80,140	(33,488)	23,397	(118,712)	4,031,717	-	1,991,790

On 31 December 2021, there was a positive variation of tCve 28,173 (41%) compared to 2020, essentially justified by the renewal of the vehicle fleet.

	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
	3 591 702	(1 875 257)	1 716 444	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

The item Right-of-use asset is basically composed of real estate (leased buildings), being depreciated according to the lease term of each contract resulting from the application of IFRS 16.

On December 31, 2021 and 2020 the item “Real Estate in progress” includes costs with the installation of new branches and works in existing branches and the acquisition of new equipment, in the amounts of tCVE 103,373 - and tCVE 106,739, respectively.



12. INTANGIBLE ASSETS

On December 31, 2021 and 2020, the item intangible assets records Caixa's software. In FY 2021 and 2020, the item "Intangible assets" was as follows:

<u>Acquisition Cost</u>	<u>Software</u>	<u>Total</u>
Balance on 12-31-2019	318 938	318 938
Additions	1 119	1 119
Balance on 12-31-2020	320 057	320 057
Additions	-	-
Balance on 12-31-2021	320 057	320 057

<u>Amortizations</u>	<u>Software</u>	<u>Total</u>
Balance on 12-31-2019	313 526	313 526
Amortization for the year	3 237	3 237
Balance on 12-31-2020	316 763	316 763
Amortization for the year	2 579	2 579
Balance on 12-31-2021	319 342	319 342
Net Balance on 12-31-2020	3 294	3 294
Net Balance on 12-31-2021	715	715



13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2021 and 2020, the balance of this item was as follows:

2021					
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	199 608	1 183 967	118 728
		22 500			119 767

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
		22 500			99 807

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 2021 and 2020 and their impact on Caixa's financial statements can be demonstrated as follows:

<u>Associates' transactions</u>	2021		
	IMOTUR	SISP	TOTAL
Balance on 31 December 2019	102 888	103 927	103 927
Dividends		(12 412)	(12 412)
Earnings from associates		7 960	7 960
Balance on 31 December 2020	1 039	98 768	99 807
Dividends			
Earnings from associates		19 961	19 961
Balance on 31 December 2021	1 039	118 729	119 767



14. INCOME TAX

On December 31, 2021, 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax assets		
. IRPC recoverable	93 697	35 119
	<u>93 697</u>	<u>35 119</u>
Current tax liabilities		
. Estimated Taxes for the Year	122 936	83 678
. Autonomous taxation	1 077	419
	<u>124 013</u>	<u>84 097</u>
Deferred tax assets		
. Loan impairment	70 412	70 412
	<u>70 412</u>	<u>70 412</u>

The item “Current tax assets - IRPC recoverable” corresponds to fractioned payments made in 2021.

The changes in deferred taxes assets in FY 2021 and 2020 are as follows:

	<u>2021</u>		
	<u>Balance on 12-31-2020</u>	<u>Change in Profit/Loss</u>	<u>Balance on 12-31-2021</u>
Loan Impairment	70 412	-	70 412
	<u>70 412</u>	<u>-</u>	<u>70 412</u>

	<u>2020</u>		
	<u>Balance on 12-31-2019</u>	<u>Change in Profit/Loss</u>	<u>Balance on 12-31-2020</u>
Loan Impairment	44 936	25 476	70 412
	<u>44 936</u>	<u>25 476</u>	<u>70 412</u>

In 2021, the change in the impairment of mortgage loans or the corresponding tax was not recorded.



The reconciliation between the nominal rate and the effective tax rate for the years 2021 and 2020 can be shown as follows:

	2021		2020	
	Rate	Tax	Rate	Tax
<u>Earnings before tax</u>		<u>1 096 061</u>		<u>760 932</u>
Tax calculated at nominal rate	22.44%	245 956	22.44%	170 753
Tax benefits:				
. Income from Government bonds	-8%	-20 120	-12.9%	-22 077
placed on secondary market	-1.5%	-3 665	-7.8%	-13 333
. Income from bonds	-42.3%	-104 020	-49.92%	-85 240
. Others	-0.5%	-1 151	-1.7%	-2 843
Impairment and provisions not accepted as a tax cost	3.9%	9 500	4.5%	7 657
Application of the equity method	-1.8%	-4 448	-1.1%	-1 861
Non-tax-deductible expenses	2.3%	5 692	3.1%	5 266
Autonomous Taxation	0.1%	242	0.1%	94
Accounting capital losses	0.0%	two	0.0%	3
Accounting capital gains	-0.4%	-894	-1.5%	-2 499
Correction related to previous years	0.1%	308	1.4%	2 374
Impairment losses for insurance companies or banking entities	0.0%	0	15.0%	25 594
<u>Income tax for the year</u>	<u>11.7%</u>	<u>128 206</u>	<u>11.05%</u>	<u>84 097</u>

Income from bonds or products of a similar nature, including public debt securities, listed on Bolsa de Valores de Cabo Verde, is subject to income tax rate of 5% and 10%, respectively. The rate only applies to income earned until December 31, 2025.

In July 2011, Caixa received a notice from DGCI 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 DGCI 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 262/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 34,123.

On June 24, 2021, through note No. 110/DGCI-REGC/2021 of June 23, 2021, Caixa was notified to exercise its right to hearing about the conclusions of the draft report for the 2015 financial year, in which the Tax Administration disagrees with Caixa's claim, rejecting the claim about the correction of the deduction of the yield on primary securities placed on the secondary market.



On 9 July 2021, through note N/ref.CE.015.2021, Caixa exercised its right to hearing where it continues to defend deductions from the yield of securities placed on the secondary market.

On September 6, 2021, through note No. nº206/DGDC/REGC/2021, FA dismissed the claim made by Caixa.

On October 6, 2021, Caixa through note n/Ref.CE.027.2021, filed the hierarchical appeal of the rejection of the claim to the inspection procedure for the 2015 financial year.

Caixa is waiting for the dispatch of this process.

On 13 December 2021, Caixa was notified through note Nº REF. No. 396/DCI-REG/2021 – Hearing Law - Internal Analysis for 2016. For this year under analysis, Caixa agreed with the correction.

On December 29, 2021, Caixa was notified, through note no. 420/DCI-REGC/2021, dated December 29, 2021, of the confirmation of the taxable material and the consequent additional settlement of IRPC for the year 2016, in the amount of tCve7,378. Caixa agreed to the settlement and paid the corrected amount at the beginning of January 2022, thus concluding the process.

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, 2021.



15. OTHER ASSETS

On 31 December 2021 and 2020, This heading has the following composition:

	<u>2021</u>	<u>2020</u>
<u>Other assets:</u>		
Assets received through credit recovery	1 515 346	1 515 346
Coins and medals	86	86
	<u>1 515 432</u>	<u>1 515 432</u>
<u>Debtors:</u>		1 515 432
Amounts receivable from the State of Cabo Verde		
. Bonuses	775 696	851 909
. Others	48	48
Foreign currency remittance debtors	16 405	5 255
Sundry debtors	49 066	38 563
	<u>841 215</u>	<u>895 775</u>
<u>Deferred charge expenses:</u>		895 775
Insurance		
Others	900	821
	<u>36 137</u>	<u>30 982</u>
	<u>37 037</u>	<u>31 803</u>
<u>Lending operations pending settlement</u>		
	<u>139 409</u>	<u>171 439</u>
<u>Gross Asset</u>		
	<u>2 533 175</u>	<u>2 614 448</u>
<u>Impairment of other assets (Note 18):</u>		
Assets Received on Credit Recovery		
Other assets	(804 640)	(762 640)
	(2 489)	(2 489)
<u>Accumulated Impairment</u>		
	<u>(807 129)</u>	<u>(765 129)</u>
<u>Net Assets</u>		
<u>Other assets:</u>	<u>1 726 046</u>	<u>1 849 320</u>

The item "Assets received through credit recovery" corresponds to the values of the assets received for credit recovery, held for sale, and in 2021 and 2020 the total portfolio amounts to tCVE. 1,515,346. The associated impairment in the year 2021 amounts to tCVE. 804,640 and in 2020 to tCVE 762,640.

The item "amount receivable from the State of Cabo Verde" in the years 2021 and 2020 include the amounts of tCVE 775,696 and tCVE 851,909, respectively. These are amounts referring to home loans and other loans in accordance with the legal provisions applicable to subsidized loans.



On December 31, 2021, 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	2021				2020			
	Gross Value	Impairment	Net value	%	Gross Value	impairment	Net value	%
Prior to 2012	4 682	(4 682)	-	100%	4 682	(4 682)	-	100%
2013	251 348	(134 638)	116 710	54%	251 348	(134 638)	116 710	54%
2014	628 771	(316 580)	312 191	50%	628 771	(274 580)	354 191	44%
2015	147 219	(113 477)	33 742	77%	147 219	(113 477)	33 742	77%
2016	342 350	(184 472)	157 878	54%	342 350	(184 472)	157 878	54%
2017	76 246	(23 087)	53 159	30%	76 246	(23 087)	53 159	30%
2018	30 076	(22 073)	8 003	73%	30 076	(22 073)	8 003	73%
2019	19 071	(5 631)	13 440	30%	19 071	(5 631)	13 440	0
2020	15 583	-	15 583	0%	15 583	-	15 583	-
Total	1 515 346	(804 640)	710 706	53%	1 515 346	(762 640)	752 706	50%

Caixa did not register any property in lieu of settlement in 2021.

16. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item has the following composition:

	2021	2020
Demand deposits:		
From Credit Institutions in the Country	94 724	88 393
	<u>94 724</u>	<u>88 393</u>
Term deposits:		
From Credit Institutions in the Country	155 000	-
	<u>155 000</u>	<u>-</u>
Interests:		
From deposits	2 815	1 684
	<u>2 815</u>	<u>1 684</u>
	<u>252 539</u>	<u>90 077</u>

The Term Deposit, amounting to tCve 155,000, belongs to Sociedade Gestora do Fundo de Pensões of Banco de Cabo Verde.



17. CUSTOMER FUNDS AND OTHER LOANS

This item has the following composition:

	2021	2020
Savings deposits:		
Individuals - passbooks	12 050 224	10 579 354
Demand deposits:		
By residents	21 706 961	26 193 734
By emigrants	1 369 794	1 218 499
	23 076 754	27 412 233
Term deposits:		
By residents	17 923 133	17 771 017
By emigrants	16 677 118	16 304 623
	34 600 251	34 075 640
Other Funds:		
Securities sold under repurchase agreement (Notes 2.3 e) and 7))	-	600 000
Loans obtained from residents	280 301	313 634
Checks and money orders payable	(2 472)	(38,950)
	277 829	874 684
Interests:		
On deposits	359 954	455 640
On Securities sold under repurchase agreements	-	10 643
On loans obtained from residents	4 231	4 770
	364 185	471 054
	70 369 243	73 412 965

On December 31, 2021 and 2020 the item “Other funds - Loans obtained from residents” corresponds to a line of credit obtained from Instituto Nacional de Previdência Social (INPS), which bears interest at a fixed rate, of 2.5% per year, to be repaid in 15 annual installments. The last installment is due in May 2032. This line of credit aims to grant Mortgage loans to INPS employees for own housing.

On December 31, 2021 and 2020, the balance of “Checks and money orders payable” included tCVE 52.065 and tCVE 38.950, respectively, for transfers received via Western Union whose financial compensation only occurred in the early days of 2021 and 2022.



18. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa's provisions and impairment for the year ended 31 December 2021, were as follows:

	2021					
	Balances on 12/31/2020	Appropriations	Uses	Cancellations and Readjustments	Transfers	Balances on 12/31/2021
<u>Impairment</u>						
Impairment of loans to customers	5 701 048	1 779 681	(1 841 285)	(1 356 026)	-	4 283 418
Impairment of recovered assets	762 639	42 000	-	-	-	804 640
Debtors, Other Applications	2 489	-	-	-	-	2 489
	6 466 376	1 821 681	(1 841 285)	(1 356 026)	-	5 090 746
Other provisions	-	335	-	-	-	335
Tax contingencies	66 000	-	-	-	-	66 000
	6 532 376	1 822 016	(1 841 285)	(1 356 026)	-	5 157 081

On December 31, 2021, the amount of tCvE 66,000 is recognized in provision account for tax contingencies, which for the most part of its value, allocated to the process for the year 2010 and 2015, which awaits completion of the processes by the REGC.

	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

Net Provisions and Impairments for the Year totaled in 2021 tCvE 465,990, compared to 2020, which totaled tCvE 904,234, reflecting a decrease of tCvE 438,244 (48%). This decrease is mainly explained by the net loan impairments (net appropriations in income statement) which totaled tCvE 446,456 (51%).



19. OTHER LIABILITIES

On 31 December 2021 and 2020, this item breaks down as follows:

	2021	2020
Funds:		
SPA - withholding taxes	49 965	42 520
Liability Lease (IFRS16)	67 675	80 494
Others	20 338	15 570
	<u>137 978</u>	<u>138 584</u>
Personnel cost:		
Vacation and vacation allowance	83 101	83 024
Productivity bonus (Note 28)	47 302	40 603
Allowance for faults	13 259	15 063
Others	1 400	2 373
	<u>145 062</u>	<u>141 063</u>
Other administrative costs:		
ATM charges	2 582	12 945
Water, gas and electricity	10 844	7 742
Communications	35 646	31 923
SPA - withholding taxes	26 626	6 700
Others	34 614	48 434
	<u>110 313</u>	<u>107 744</u>
<u>Deferred income:</u>		
Off-balance sheet operations	2 072	2 228
<u>Other settlement accounts</u>	112 639	87 490
	<u>508 064</u>	<u>477 109</u>
<u>Other Liabilities</u>	<u>508 064</u>	<u>477 109</u>

The item "Funds - SPA Tax withholding" is essentially composed of taxes withheld on income of workers (tCve. 13,285), service providers (tCve. 3,168), and capital income (tCVE 26,505) and value added taxes (tCVE 6,857) of December 2021, to be settled in January 2022.

The item "Liability Lease" corresponds, on 31 December 2021 and 2020, to the value of liabilities lease recognized under IFRS 16, and considers lease contracts for real estate (branches and central buildings).

On 31 December 2021, the heading "Other administrative costs – Others" mainly includes the values of tCve. 9,193 of expenses payable for Specialized External Audit Services, tCve. 5,773 from Specialized Police Security Services and tCve. 11,186 of Expenses with SISP Services - RV4 Interbank Fees.



20. EQUITY

As of December 31, 2021, and 2020, 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, 2021, and 2020, Caixa's shareholder structure was as follows:

Entity	2021		2020	
	Number of shares	%	Number of shares	%
Instituto Nacional de Previdência Social	657 200	47.21%	657 200	47.2%
State of Cabo Verde	381 904	27.44%	381 904	27.4%
Cabo Verde Post Office	210 749	15.14%	210 749	15.14%
Other subscribers and workers	142 147	10.21%	142 147	10.21%
	1 392 000	100.00%	1 392 000	100.00%

21. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

At December 31, 2021 and 2020, the reserves and retained earnings items were as follows:

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.

	2020	Incorporation into reserves	Net Income	2021
Other reserves and retained earnings				
. Legal reserve	715 128	70 231		785 359
. other reserves	2 983 640	632 080		3 615 720
Total	3 698 768	702 311		4 401 079
Profit for the year	702 311		967 854	967 854
	4 401 079	702 311	967 854	5 368 933

At the General Meeting held on July 2, 2021, 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 70,231 and tCVE 632,080, respectively.



22. INTEREST AND SIMILAR INCOME

On 31 December 2021 and 2020, this item is broken down as follows:

	2021	2020
Interest on loans to customers		
Internal loan	2 914 934	3 042 662
Recovery of canceled interest	115 923	107 156
Interest on other loans and receivables (securitized)		
Treasury bonds	555 076	572 610
Other fixed income securities	89 661	98 384
Interest on investments in Banco de Cabo Verde		
Monetary regularization securities	35	55
Monetary intervention securities	5 781	17 693
Interest on investments in credit institutions abroad	341	1 184
Interest on investments in credit institutions in the country	3 929	7 847
Interest on Financial assets - securities	39 711	72 278
Other interest and similar income	18	-
Fees received associated with amortized cost	193 619	189 175
	3 919 028	4 109 044

Interest and Similar Income decreased by the amount of tCvE 190,015 (5%) compared to 2020, essentially explained by the decrease in interest on investments in BCV (Overnight, TIM and TRM), reflecting the decrease in BCV Lending Rates to (0.25%), and reduction of interest on Treasury and Corporate bonds.

It should also be noted that the reason for the decrease in Interest on Financial Assets is the interest income from the debt plan negotiated between Caixa and the State and the interest on Treasury bills in the amount of tCvE 32,567 (45%).

23. INTEREST AND SIMILAR EXPENSES

On December 2021 and 2020, This item is as follows:

	2021	2020
Savings deposits		
Passbooks	182 199	233 576
Demand deposits		
From emigrants	23 068	19 524
From residents	209	-
Term deposits		
From emigrants	264 613	371 103
From residents	384 054	493 451
Loans		
From residents	6 961	7 810
Sales transactions with repurchase agreement		
Treasury bonds	16 332	59 414
Canceled interest on Customer loans		
Internal loan	249 479	7 391
Interest on lease commitments (application of IFRS 16)	2 209	2 583
Others	140	140
	1 129 265	1 194 991



The Interest and Similar Expenses decreased by tCve 65,725 (6%), explained on one hand by the increase in canceled interest on customer loans by tCve 242,088 and by the decrease in interest paid on deposits, caused by the reduction in the interest rate on liability operations.

24. INCOME AND EXPENSES WITH SERVICES AND FEES

On 31 December 2021 and 2020, this item has the following composition:

	2021	2020
<u>Income from services and fees:</u>		
Western Union Fees	55 293	55 432
Foreign Exchange Fees	66 159	60 053
Guarantees and sureties	17 322	14 161
Advance Fees		
VISA Fees	31 165	28 879
Documentary Credits	0	393
Account Maintenance Fees	3 802	19 843
Other banking services provided	10 581	10 159
Other fees	21 396	17 438
	205 718	206 357
<u>Expenses from service and fees:</u>		
Foreign Exchange Fees	(24 188)	(22 634)
VISA Fees	(44 718)	(45 020)
Other fees and expenses	(41 361)	(37 951)
	(110 267)	(105 605)

The item Income from Services and Fees decreased tCve 639 (0.3%) compared to the year 2020, while the item Expenses with Services and Fees had an opposite variation, a slight increase by (4%) tCve 4,662 compared to the year 2020.



25. INCOME FROM FOREIGN CURRENCY REVALUATION

As at 31 December 2021 and 2020, this item is as follows:

	2021			2020		
	Profits	Losses	Net	Profits	Losses	Net
Income in foreign currencies	105 434	(82 613)	22 821	205 076	(138 235)	66 841
Income in banknotes and coins	157 282	(92 121)	65 161	174 038	(203 050)	(29 011)
	<u>262 716</u>	<u>(174 733)</u>	<u>87 983</u>	<u>379 115</u>	<u>(341 285)</u>	<u>37 830</u>

There was an increase in the foreign exchange revaluation income of 133%, that is, a total of tCvE 50,153, compared to 2020, mainly due to the appreciation of the exchange rate of the main currencies, namely USD, CHF and GBP. The USD, for example, started the year with an exchange rate of 89.785 CVE and on 12/31/2021 it was 97.554 CVE, representing an increase of 9%, or 7.73 percentage points. In turn, the GBP and CHF appreciated by 7% and 5%, respectively, from the beginning to the end of the year.

26. INCOME FROM SALE OF OTHER ASSETS

On 31 December 2021 and 2020, this item can be analyzed as follows:

Income from sale of other assets	2021
Profit and losses on sale of other tangible assets	<u>3 975</u>
	<u>3 975</u>

In 2021, the proceeds from the sale of other tangible fixed assets correspond mainly to the capital gains generated by the sale of Caixa vehicles and properties registered as investment property – Green and Pink Apartment Buildings located in Bairro Craveiro Lopes, amount to tCvE 3,986.



27. OTHER OPERATING INCOME

On 31 December 2021 and 2020, this item is as follows:

	<u>2021</u>	<u>2020</u>
<u>Other operating income:</u>		
Services provision		
Service fees	24 284	25 596
Credit cards	11 382	8 641
Sale of checks and passbooks	5 732	5 415
Property leasing (Note 8)	54	66
Recovery of bad debts	47 928	60 991
Other operating income	29 557	22 953
	<u>118 936</u>	<u>123 662</u>
<u>Other operating costs:</u>		
Other taxes	(42 934)	(42 907)
Donations	(672)	(180)
Dues	(1,591)	(1,583)
Guarantee Fund Deposits	(5 256)	(5 263)
Others	(3 532)	(10 580)
	<u>(53,985)</u>	<u>(60 514)</u>
<u>Other Operating Income</u>	<u>64 951</u>	<u>63 149</u>

In 2021, the item "Other operating income" recorded a positive variation of tCve 1,803 compared to the previous year, despite the decrease recorded in "Other operating income" by tCve 4,725, essentially caused by the drop in income with the "Recovery of bad debts " in tCve 13,063 (-21.42%) compared to the 2020 record.

The positive variation in the item "Other operating income" was mainly due to the decrease in "Other operating costs", by tCve 6,529, more specifically in the item "Other" operating expenses, which had a significant decrease by tCve 7,048.



28. PERSONNEL EXPENSES

On 31 December 2021 and 2020, this item was as follows:

	2021	2020
Employee Compensation	657 613	641 646
Remuneration of management and supervisory bodies	27 784	29 409
Social expenses		
Social Security	103 220	101 865
Medical expenses	7 164	6 311
Others	10 390	10 555
Productivity bonuses (Note 19)	47 302	40 603
Others	4 694	7 768
	858 168	838 157

The increase in Personnel Expenses is essentially due to the increase in Monthly Remunerations, Salary Update (promotion and progression), the increase in the number of effective employees, as well as the increase in the Social Security Contribution.

On 31 December 2021 and 2020, Caixa had the following workforce:

	2021	2020
Executive Directors	3	3
General Management and Coordination	33	33
Branch Managers and Head of services	34	33
Technical Associates	150	144
Administrative	109	103
General and auxiliary services	55	55
	385	370

As of 31 December 2021 and 2020, the figures presented above include 29 and 27 employees, with a fixed-term employment contract, respectively, and 1 board director on assignment.



29. GENERAL AND ADMINISTRATIVE EXPENSES

As of 31 December 2021, and 2020, this item is as follows:

	2021	2020
Specialized services	196 622	200 860
ATM expenses	120 842	110 746
Water, gas and electricity	41 692	46 691
Advertising	20 052	33 084
Communications	40 898	38 230
Travel, accommodation and representation	10 830	9 710
Current consumables	28 819	22 600
Insurance	16 184	8 190
Maintenance and repair	23 088	25 787
Rents and Leases	32	204
Fuels	9 254	7 339
Transport	678	1 267
Staff training expenses	2 328	1 812
Computer equipment	2 039	826
Litigation and Notary	612	359
Others	6 575	10 171
	520 544	517 876

General Administrative Expenses in December 2021 increased by tCvE 2,668 (0.5%) in relation to the same period in 2020, essentially justified by the increase in the item ATM Expenses in tCvE 10,096 (9%), Insurance tCvE 7,995 (98%), Current Consumables tCvE 6,216 (28%).

However, it is worth highlighting some items with a reduction, namely Advertising tCvE 13,032 (39%), Water, gas and electricity tCvE 4,999 (11%) and Specialized Services tCvE 4,238 (2%).



30. CONTINGENT LIABILITIES AND COMMITMENTS

As of 31 December 2021 and 2020, contingent liabilities associated with banking activities were recorded in off-balance sheet items and presented the following detail:

	<u>2021</u>	<u>2020</u>
Contingent liabilities		
Guarantees and sureties	718 579	750 021
	<u>718 579</u>	<u>750 021</u>
Deposits and custody of securities	49 108 523	44 850 412
Third-party loan management	769 194	204 446
	<u>49 877 716</u>	<u>45 054 858</u>

As of December 31, 2021, and 2020 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 12/31/21 of tCVE 469,672.

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 12/31/2021 of tCVE 29,811.

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, 2021, the information regarding Caixa's operating segments used can be summarized as follows:

	2021		
	Trading and sales	Commercial Banking	Total Negotiation
Interest and similar income	694 211	3 224 818	3 919 028
Interest and similar expenses		(1 129 265)	(1 129 265)
NET INTEREST INCOME	694 211	2 095 553	2 789 763
Income from services and fees		205 718	205 718
Expenses from services and fees		(110 267)	(110 267)
Income from foreign exchange revaluation		87 983	87 983
Income from the sale of other assets	3 975		3 975
Other operating results	64 951		64 951
OPERATING INCOME	763 137	2 278 986	3 042 124
Provisions and impairment net of reversals and recoveries			(465 990)
	763 137	2 278 986	2 576 134
Other expenses and revenue			(1 608 279)
Income after tax			967 854
Cash and Cash Equivalents at central banks		9 749 912	9 749 912
Cash equivalents at other credit institutions		2 296 144	2 296 144
Available-for-Sale Financial Assets	3 823		3 823
Investments in Credit Institutions	49 557	9 750 666	9 800 223
Customer loans	14 778 258	41 733 262	56 511 520
Funds from Other Credit Institutions		252 539	252 539
Customer funds and Other Loans	284 532	70 084 711	70 369 243

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As of 31 December 2020, the information relating to Caixa's operating segments 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

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, 2021, and 2020, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

	dez-21			
	State of Cabo Verde	Shareholders		Associates
		Instituto Nacional de Previdência Social	CORREIOS CV	
Assets:				
Investments in credit institutions	9 752 000			
Loans to customers	12 696 794			68 735
Investments in subsidiaries, associates and joint ventures				119 627
Impairment				36 594
Other asset	775 744			
Liabilities:				
Funds from other credit institutions				106 067
Customer funds and other loans		15 109 243	60 855	
Off the balance sheet:				
Guarantees received				
Income:				
Interest and similar income	571 211			
Costs:				
Interest and similar expenses	17 676	6 961		



	dez-20			
	State of Cabo Verde	Shareholders		Associates
		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		

Governing Bodies

In the years 2021 and 2020, no loans were granted to the 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.

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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 31 December 2021, and 2020, the contractual residual terms of financial instruments are as follows:

	2021						Total
	Up to 1 month	1 to 3 months	3 months to 1 Year	1 year to 5 years	More than 5 years	Undetermined	
Assets:							
Cash and cash equivalents at Central Bank	9,749,912						9,749,912
Cash equivalents at other credit institutions	2,296,144						2,296,144
Investments in credit institutions	7,700,000	794,680	1,306,878	0	0	-1,334	9,800,223
Loan to customer	1,436,972	912,489	4,082,383	16,799,077	29,621,307	3,659,293	56,511,520
	21,183,027	1,707,169	5,389,261	16,799,077	29,621,307	3,657,958	78,357,799
Liability:							
Funds from Central Banks							0
Funds from other credit institutions	-249,724	0	0	0	0	-2,815	-252,539
Recursos de Customer funds and other loans Clientes e c	-38,510,284	-4,639,065	-20,411,671	-6,163,738	-266,667	-377,818	-70,369,243
	-38,760,008	-4,639,065	-20,411,671	-6,163,738	-266,667	-380,633	-70,621,782
Liquidity Gap	-17,576,981	-2,931,896	-15,022,410	10,635,339	29,354,640	3,277,325	7,736,017

	2020						Total
	Up to 1 month	1 to 3 months	3 months to 1 Year	1 Year to 5 Years	More than 5 Years	Undetermined	
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



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.

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At December 31, 2021 and 2020, the gross balance of loans to customers, excluding “Other loans and receivables (securitized)”, accrued interest or guarantees provided and documentary loans to companies, was as follows:

	2021	2020
Investments in Credit Institutions	9 800 223	18 660 148
Loans to customers (net of impairment and provisions)	52 228 102	49 575 545
	62 028 325	68 235 693
Other commitments:		
Guarantees and sureties (net of provisions)	718 579	750 021
Open documentary loans	0	6 579
Third-party Loan Management	769 194	204 446
	1 487 773	961 047

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On December 31 2021 and 2020, the per stage customer loan was as follows:

	12/31/2021			
	Loans Staging 1	Loans Staging 2	Loans Staging 3	Total Loans
Individual- Mortgage				
Due	11 173 092 205	1 231 793 540	2 101 410 610	14 506 296 355
Overdue *	2 523 494	5 000 510	470 338 631	477 862 636
	<u>11 175 615 699</u>	<u>1 236 794 050</u>	<u>2 571 749 242</u>	<u>14 984 158 991</u>
Individual - Consumption				
Due	4 494 890 042	768 494 734	691 563 923	5 954 948 699
Overdue *	2 342 568	7 968 231	118 882 616	129 193 415
	<u>4 497 232 610</u>	<u>776 462 965</u>	<u>810 446 539</u>	<u>6 084 142 114</u>
Individual - Revolving				
Due	146 845 891	35 869 813	47 161 984	229 877 688
Overdue *	860 687	3 821 330	115 634 842	120 316 859
	<u>147 706 579</u>	<u>39 691 143</u>	<u>162 796 826</u>	<u>350 194 547</u>
Businesses				
Due	3 808 794 962	2 198 326 822	6 663 431 779	12 670 553 563
Overdue *	389 793	7 027 897	505 091 942	512 509 632
	<u>3 809 184 755</u>	<u>2 205 354 718</u>	<u>7 168 523 722</u>	<u>13 183 063 195</u>
Individual Producers				
Due	157 710 407	220 321 735	335 693 560	713 725 701
Overdue *	56 927	448 542	47 435 838	47 941 307
	<u>157 767 334</u>	<u>220 770 276</u>	<u>383 129 398</u>	<u>761 667 008</u>
Financial Institutions				
Due	241 091	0	0	241 091
Overdue *	0	0	0	0
	<u>241 091</u>	<u>0</u>	<u>0</u>	<u>241 091</u>
Public_Sector				
Due	2 381 422 290	3 730 745 699	306 331 541	6 418 499 530
Overdue *	188 952	1 044	2 550	192 546
	<u>2 381 611 242</u>	<u>3 730 746 743</u>	<u>306 334 091</u>	<u>6 418 692 075</u>
Others				
Due	0	0	0	0
Overdue *	0	0	49 598 280	49 598 280
	<u>0</u>	<u>0</u>	<u>49 598 280</u>	<u>49 598 280</u>
Total loan due	22 162 996 890	8 185 552 342	10 145 593 397	40 494 142 629
Total non-performing loan	6 362 421	24 267 553	1 306 984 701	1 337 614 674
Total loan	<u>22 169 359 310</u>	<u>8 209 819 895</u>	<u>11 452 578 097</u>	<u>41 831 757 302</u>

* - Principal and interest late equal to or greater than 1 day

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	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
		1 755 740		
	10 772 578 584	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
		5 705 992		
	7 483 555 496	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
Others				
Due	0	0	0	0
Overdue *	0	0	49 209 391	49 209 391
	0	0	49 209 391	49 209 391
		9 066 265		
Total loan due	24 460 534 333	080	4 731 710 261	38 258 509 675
Total non-performing loan	7 994 408	32 854 106	2 816 802 571	2 857 651 085
		9 099 119		
Total Loan	24 468 528 741	187	7 548 512 832	41 116 160 760

*- Late Principal and interest equal to or greater than 1 day

By adopting IFRS 9 Caixa defines that financial asset 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 that 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 asset.

The loan quality indicators as of December 31, 2021 and 2020 calculated in accordance with the criteria defined in Notices Series A, paragraph 199 of 01 of January of 2019, with reference to 12.31.2019, issued by Banco Central de Cabo Verde, are presented as follows:

	2021	2020
Non-performing loan / Total loan	5.69%	9.36%
Net Non-performing loan / Total Net loan	-1.90%	-1.00%

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, 2021 and 2020:

	2021				
	Verified Balances			Unverified Balances	
	Book Value	Fair Value	Difference	Book Value	Total Book value
Assets:					
Cash and Cash equivalents and Central Banks	9 749 912	9 749 912	0	0	9 749 912
Cash equivalents at other credit institutions	2 296 144	2 296 144	0	0	2 296 144
Financial Assets Available for Sale	3 823	3 823	0	0	3 823
Investments in Credit Institutions	9 800 223	9 800 223	0	0	9 800 223
Loans to customers	52 228 102	50 761 366	-1 466 736	4 283 418	56 511 520
	74 078 204	72 611 467	-1 466 736	4 283 418	78 361 621
Liabilities:					
Funds from other credit institutions	-252 539	-252 567	28	0	-252 539
Customer funds and other loans	-70 369 243	-70 741 243	-372 000	0	-70 369 243
	-70 621 782	-70 993 811	-372 029		-70 621 782

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	2020				
	Audited Balances			Unaudited Balances	
	Book	Fair		Book	Total Book value
	<u>Value</u>	<u>Value</u>	<u>Difference</u>	<u>Value</u>	<u>value</u>
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 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

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 and securities.



Sensitivity analysis - Interest rate

On December 31, 2021, 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:

	2021					
	-200bp	-100bp	-50bp	+50bp	+100bp	+200bp
Asset	-1 605 056	-1 754 804	-1 829 470	-1 978 400	-2 052 668	-2 200 824
Total	-1 605 056	-1 754 804	-1 829 470	-1 978 400	-2 052 668	-2 200 824
Liability	552	-206	-585	-1 343	-1 722	-2 479
Total	552	-206	-585	-1 343	-1 722	-2 479
Total Gain/Loss	-1 605 608	-1 754 598	-1 828 886	-1 977 058	-2 050 947	-2 198 344

	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

The following table shows the effect on the projected net interest income for the years 2021 and 2020, 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					
	2021					
	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
Fiscal Year 2020	-12 604.54	-6 302.27	-3 151.14	3 151.14	6 302.27	12 604.54
Fiscal Year 2021	-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 2021 and 2020, 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, 2021 and 2020. 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.

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As of December 31, 2021, and 2020, loans to customers, totaling tCVE 42,228,096 and tCVE. 35,978,628, respectively, were mainly granted at a fixed rate.

Breakdown of financial instruments by currency

As 31 December 2021 and 2020, the financial instruments were broken down by currency as follows:

	2021				
	Currency				Total
	<u>CVE</u>	<u>Euros</u>	<u>Dollar USD</u>	<u>Others</u>	
Asset:					
Cash and cash equivalents at central banks	6 675 725	2 828 740	192 541	52 906	9 749 912
Cash equivalents at other credit institutions	43 349	1 801 220	406 431	45 144	2 296 144
Financial Assets Available for Sale	0	3 823	0	0	3 823
Investments in credit institutions	9 750 666	0	49 557	0	9 800 223
Loans to Customers (Gross Balance)	52 186 100	two	0	0	52 186 102
Other Assets (Net value)	1 709 465	2 947	6 020	7 615	1 726 046
	70 365 305	4 636 731	654 549	105 664	75 762 250
Liability					
Funds from other credit institutions	-239 303	-10 478	-2 758	0	-252 539
Customer Funds and other loans	-69 007 618	-783 816	-565 190	-12 619	-70 369 243
Other Liabilities	3 511 543	-3 838 615	-86 602	-93 045	-506 719
Other reserves and retained earnings	-4 397 257	-3 823	0	0	-4 401 080
	-69 893 332	-4 626 253	-654 549	-105 664	-75 529 580
Net exposure	471 973	10 478	0	0	482 451
	2020				
	Currency				Total
	<u>CVE</u>	<u>Euros</u>	<u>USD dollar</u>	<u>Others</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
Net exposure	-73 581 046	-3 314 788	-561 623	-139 330	-77 682 351
Net exposure	13 507	24 071	0	0	37 578



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 31 December 2021, and 2020, Caixa Económica de Cabo Verde complied with the regulatory requirements, as follows:

	Own funds	Solvability	Fixed assets limit
2021	6 491 871	21.33%	306.89%
2020	5 511 496	18.89%	257.06%



On 31 December 2021 and 2020, the breakdown of regulatory capital from Equity:

	12/31/2021	12/31/2020	Variation
Core Capital	6 760 934	5 793 080	967 854
Share capital	1 392 000	1 392 000	0
Reserves and Bonuses	4 401 080	3 698 768	702 311
Net income	967 854	702 311	265 543
Retained Earnings and others	0	0	0
Additional provisions	0	0	0
Tier 2 Capital	715	3 294	-2 579
Subordinated bonds	0	0	0
Deductions from Tier 2 Capital	715	3 294	-2 579
Deductions from Total Own Funds	268 348	278 289	-9 942
Participations in Credit Institutions	0	0	0
Fixed assets received in reimbursement of own loan	268 348	278 289	-9 942
Excessive concentration of risk	0	0	0
Total Eligible Own Funds	6 491 871	5 511 496	980 375
Ratios	12/31/2021	12/31/2020	
Core Capital Ratio	6 760 934	5 793 080	
Tier 2 Capital Ratio	6 760 219	5 789 785	
Deductions to Own Funds Ratio	4%	5%	
Solvency Ratio	21.33%	18.89%	

35. Subsequent Events

The consequences of the Russian invasion of Ukraine are slowly reaching Cabo Verde, impacting the lives of Cabo Verdeans, namely through the increase in the price of necessity goods and fuel. The Government of Cabo Verde intends to implement some extenuation measures to mitigate the effects of this crisis, namely through the stabilization of fuel prices and necessity goods. To this end, supervision will be strengthened to avoid price speculation on necessity goods. In addition, within the scope of the Recovery Program, extensive lines of credit were created under very favorable conditions, also covering agriculture and fisheries. In the employment sector, the resumption of infrastructure works at a national level, with a view to boosting the civil construction sector, with an impact on employment, namely for the low-income population. With regard to tourism, the sector most affected by the pandemic crisis, it has already deserved a positive differentiation in terms of the additional extension of moratoriums until September 30, 2022 and easier conditions for the restructuring of loans and debts with the Bank.