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CAIXA ECONÓMICA DE CABO VERDE, S.A.

Financial Statements at December 31, 2018, and accompanying Audit Report

AUDIT REPORT

REPORT ON FINANCIAL STATEMENT AUDIT

Qualified Opinion

We have audited the accompanying financial statements of Caixa Económica de Cabo Verde ("Caixa"), which comprise the balance sheet as at December 31, 2018 (totaling 72.659.840 million Cabo Verdean escudos (CVE), and 4.244.874 billion CVE in total shareholder's equity, including a net profit of 473.861 million CVE), income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year ended at that date, and the notes 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 2018, its financial performance and its cash flows for the year then ended, in accordance with the accounting principles described in note 1.

Basis for qualified opinion

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

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

Key audit matters

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

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

1. Impairment to customers' Loans

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
► Details of the impairment and accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the financial statements (note 2.2 and note 32). ► Impairment to customer loans represents Caixa's management's body best estimate of the expected loss on its customer loan portfolio as at December 31, 2018. To calculate this estimate, Caixa's management body established assumptions, it used mathematical models to calculate parameters, interpreted concepts and devised a model for calculating expected loss. For relevant exposures, it resorted to expert judgment in Caixa's credit risk assessment. ► Additionally, since January 1, 2018, through the application for the first time of International Reporting Standard 9 - Financial Instruments, impairment now reflects the expected loss (loss incurred in 2017). This standard introduces two new concepts: "significant increase in credit risk" and "forecasts of future economic conditions". The impacts of the transition are disclosed in the notes to the financial statements (note 21). ► In addition to the complexity of the models described, its use requires the processing of a significant amount of data that is not always available in Caixa's central systems, such as credit risk information at the time of grant, the date and value of first default, the amount of historical recoveries of defaulted loans. To overcome limitations that may exist in some data, sometimes the management body uses practical expedients that increase the judgments applied. ► The use of alternative approaches, models or assumptions may have a material impact on the estimated impairment value ► Given the degree of subjectivity and complexity that the impairment estimate involves and the materiality of its value, we consider this topic as a relevant audit subject.	We have identified and assessed the audit risk that led to the definition of the audit approach to respond to the risk of material misstatement. This approach included (i) an overall response with effect on the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent implementation, of additional procedures including testing of controls and substantive procedures, namely: ► We carried out analytical review tests on the evolution of the balance of impairment for customer loans, comparing it with the first available parallel run period under IFRS 9 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; ► With the support of internal risk specialists, we evaluated the reasonableness of the parameters used in the impairment calculation, highlighting the following procedures: i) understanding of the methodology formalized and approved by the management body and comparison with the one actually used; ii) evaluation of model changes to determine parameters to reflect expected loss; iii) analysis of the changes made during 2018 to the risk parameters (PD, LGD and EAD); iv) inquiries to Caixa's modeling specialists, and inspection of regulators' reports. ► We gained understanding and evaluated the design of the expected loss calculation model, tested the calculation, evaluated the assumptions used to fill data gaps, compared the parameters used with the results of the estimation models, compared the results with the values in the financial statements.

2. Valuation of real estate received thru loan recovery

Description of the most significant material misstatement risks	Summary of our response to the most significant material misstatement risks
► The item Other assets, as described in Note 15, of the Annex to the Financial Statements, on December 31, 2018 and December 31, 2017, amounts to 1.037.058 mCVE and 1.233.439 mCVE, respectively. ► Periodically, Caixa requests independent entities and registered with Banco Central de Cabo Verde evaluations of real estate received by recovery of loan. If the valuation value, less estimated costs to be incurred with the sale of the property, is lower than the balance sheet value, impairment losses are recorded. ► We considered the process of calculating impairment losses of assets acquired thru loan recovery as a relevant audit matter since it is based on methodologies that require the use of assumptions and judgments, which may not materialize in the future and consequently cause losses that are different from those estimated.	Our approach to the risk of material misstatement included the following procedures: ► Implementation of specific detail procedures to identify real estate property with signs of impairment and to determine the corresponding amounts; ► Carrying out detailed tests with the objective of assessing the ownership of assets acquired in loan recovery; ► Analysis of the assumptions and judgments underlying the evaluations prepared by independent evaluators of the assets acquired in loan recovery; ► Inspection of the amounts presented in the financial statements to test their agreement with accounting records and disclosures, to test their fullness against existing regulations.

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

The management body is responsible for:

- ► preparing financial statements that present a true and fair view of Caixa's financial position, financial performance and cash flows, in accordance with the accounting principles described in note 1;
- ► drawing up the Management Report, under the legal and regulatory terms;
- ► establishing and maintaining an appropriate internal control system to enable the preparation of financial statements free of material misstatement due to fraud or error;
- ► adopting accounting policies and criteria that are appropriate to the circumstances; and
- ► evaluating Caixa's ability to continue in business, disclosing, when applicable, matters that may give rise to significant doubts about the ability to continue in business.

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

Auditor’s responsibilities for the financial statement audit

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

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

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

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

Lisbon, June 18 2019

Ernst & Young Audit & Associates – SROC, S.A.

Sociedade de Revisores Oficiais de Contas No. 178

Represented by:

António Filipe Dias da Fonseca Brás - ROC No. 1661

Registered in CMVM under No. 20161480

(Amount in thousand Cabo Verde Escudos – mCve.)

BALANCE SHEET ON DECEMBER 31, 2018 AND DECEMBER 2017

ASSET	Notes	12/31/2018	12/31/2017
Cash and cash equivalents at central banks	5	9 459 301	10 190 370
Cash equivalents at other credit institutions	6	1 217 059	2,129,308
Available-for-sale financial assets	7	3,823	3,823
Investments in credit institutions	8	9 985 960	8 528 240
Loans to customers	9	47,592 161	46 907 492
Investment properties	10	5,018	5,052
Other tangible assets	11	1 994 916	1 986 167
Intangible assets	12	13 042	11 228
Investments in subsidiaries, associates and joint ventures	13	89 938	78 339
Current tax assets	14	43 273	45 488
Deferred Tax Assets	14	63 825	0
Other assets	15	2 191 525	2,384,610
Total Assets		**72 659 840**	**72 270 116**

LIABILITIES AND SHAREHOLDER'S EQUITY	Notes	12/31/2018	12/31/2017
Funds from other credit institutions	16	200 076	634 647
Customer funds and Other Loans	17	67 844 700	67 019 735
Provisions	18	34 620	71 228
Current tax liabilities	14th	8 257	74 577
Other liabilities	19	327 314	322 456
Total liabilities		**68 414 967**	**68 122 643**
Shareholder's equity	20	1 392 000	1 392 000
Other reserves and retained earnings	21	2,379,012	2,302,954
Income for the year	21	473,861	452 519
Total shareholder's equity		**4,244,874**	**4,147,473**
Total liabilities and shareholder's equity		**72 659 840**	**72 270 116**

caixa

(Amount in thousand Cabo Verde Escudos – mCve.)

INCOME STATEMENT FOR THE YEARS ENDED

DECEMBER 31 2018 and DECEMBER 2017

	Notes	Dec / 18	Dec / 17
Interest and similar income	22	3,970,886	3,869,195
Interest and similar expenses	23	(1,460,082)	(1,637,773)
NET INTEREST INCOME		2,510,804	2,231,421
Income from capital instruments		0	170
Income from services and fees	24	244,973	204 264
Expenses from services and fees	24	(101,304)	(87,195)
Income from available-for-sale assets		0	-
Income from currency revaluation	25	112 398	83 697
Income from the sale of other assets	26	110	3 116
Other operating income	27	65 950	105 412
OPERATING INCOME		2,832,932	2,540,885
Personnel costs	28	(805 529)	(749,064)
Administrative overhead	29	(538,993)	(540 174)
Amortization of the year	11/10/12	(109 327)	(180 269)
Provisions net of recoveries and cancellations	18	-	(4,877)
Impairment of other financial assets net of reversals and recoveries	18	(715,309)	(510,322)
Loan impairment net of reversals and recoveries	18	(151 784)	(45,822)
Income from associated companies	13	21 565	19 740
INCOME BEFORE TAXES		533 555	530 097
Taxes			
Current	14	(123 519)	(62 730)
Deferred	14	63 825	(14 848)
		(59,694)	(77,577)
Profit and comprehensive income for the year		473,861	452 519
Average number of common shares issued		1 392 000	1 392 000
Earnings per share		0.34	0.33

(Amount in thousand Cabo Verde Escudos – mCve.)

CASH FLOW STATEMENT FOR FINANCIAL YEARS ENDED ON DECEMBER 31, 2018 AND DECEMBER 2017

	Dec / 18	Dec / 17
Cash flows from operating activities		
Income from Interests and fees	4 215 859	4,073,459
Payments of Interest and fees	(1,561,386)	(1,724,969)
Other income / (payments) related to operating activity	178 348	189 110
Payments to personnel and suppliers	(1,344,522)	(1,289,239)
Income Tax Payments	(69 190)	(47,932)
Operating income before changes in operating assets	1,419,110	1,200,429
(Increases) decreases in operating assets:		
Investments in credit institutions	(1,457 720)	(2,387,782)
Customer loans	(836 453)	(6 219 351)
Other assets	41 301	(141,333)
	(2,252,872)	(8,748,465)
Increases (decreases) in operating liabilities:		
Funds from central banks and other credit institutions	(434 571)	147 911
Customer funds	824 965	9 404 228
Other liabilities	(1,062,755)	(348 310)
	(672 362)	9 203 829
Net cash from operating activities	(1,506,125)	1 655 793
Cash From Investing Activities		
(Increases) decreases in investment assets:		
Investments in subsidiaries, associates and joint ventures	(11,599)	739
Dividends from associates and joint ventures	21 565	19 740
Intangible assets	(7,863)	(4 211)
Other tangible assets	(26,654)	(104,606)
Revenue from sale of tangible assets	110	3 116
Net cash from investing activities	(24,442)	(85 222)
Cash flows From Financing Activities		
Capital increase	-	-
Dividends distributed	(112 752)	(139,205)
Net cash from financing activities	(112 752)	(139,205)
Net increase (decrease) in cash and cash equivalents	(1 643 318)	1,431,367
Cash and cash equivalents at beginning of year	12 319 678	10 888 311
Cash and cash equivalents at end of year	10 676 360	12 319 678

(Amount in thousand Cabo Verde Escudos – mCve.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31 2018 AND 2017

	capital	Legal Reserves	Others Reserves	Retained earnings	Income for the Year	Total
Balances on December 31, 2016	**1 392 000**	**508 133**	**2,291,550**	**(679 807)**	**202 730**	**3,714,606**
Investment of income from 2015:	-					
Transfer to reserves	-	20 273	101 722	-	(121,995)	(121,995)
Dividend Distribution	-	-	-	-	(80 736)	(80 736)
Microcredit	-	-	73,962	-	-	73,962
Current Tax-Microcredit			(12,879)	-	-	(12,879)
Comprehensive income for the year	-	-		-	452 519	452 519
Balances at December 31, 2017	**1 392 000**	**528,406**	**2,454,355**	**(679 807)**	**452 519**	**4,147,473**
Investment of income from 2017:						
Transfer to reserves		45 252	294 515	-	(339 767)	(339 767)
Dividend Distribution	-	-	-	-	(112 752)	(112 752)
Microcredit	-	-	201	-	-	201
Impact of IFRS9	-	-	-	(379,172)	-	(379,172)
Current Taxes – Impact of IFRS 9				115 262		115 262
Comprehensive income for the year	-	-	-	-	473,861	473,861
Balances as of December 31, 2018	**1 392 000**	**573 658**	**2,749,071**	**(943 717)**	**473,861**	**4,244,873**

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, Sociedade de Gestão e Participação, S.A., acquired the shares of Caixa Económica Montepio Geral, S.A. and Montepio Geral - Associação Mutualista. In December 2017, IMPAR - Companhia cabo-verdiana de Seguros, S.A.R.L., sold all of its shares to INPS-Instituto nacional da Previdência Social (Note 20).

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.

The Bank's financial statements were prepared on the assumption of the continuity of its operations, based on the accounting books and records kept pursuant to Notice 2/2007 of 19 November issued by Banco de Cabo Verde, based on International Financial Reporting Standards (IFRS). With regard to the calculation of impairment of loans to customers, the financial statements should also respect the provisions of Notice 4/2006 of January 2, 2007, republished by Notice 6/2007 of February 25, 2008.

Caixa's financial statements on December 31 2018 were approved by the Board of Directors on 15 March 2019, 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. Bases of presentation

The Bank's financial statements were prepared assuming the continuity of operations, based on the accounting books and records kept in accordance with the principles set forth in the International Financial Reporting Standards (IFRS), pursuant to Notice 2/2007 of 19 November, issued by Banco de Cabo Verde.

2.2. Accounting Policies

a) Accrual basis

Expenses and income are recognized in accordance with the principle of accruals basis and are recorded as they are generated, regardless of when they are paid or received.

b) Translation of foreign currency balances and transactions

Assets and liabilities denominated in foreign currencies are translated into 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 income 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 2018 and 2017, the exchange rate of the Cabo Verde Escudo against the Euro remained fixed at 1 Euro / 110,265 Cabo Verde Escudos. On December 31, 2018 and 2017, the exchange (fixing) rate against the US Dollar was 96.268 and 92.543, respectively. It should be noted that from March 2018 Caixa started to adopt BCV's fixing as the new foreign currency translation method Cabo Verdean escudos, by recommendation of BCV, in order to avoid disparities among financial institutions resulting from currency translation.

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 capital and interest.

Loans and accounts receivables

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

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

Recognition of Interest

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

Non-performing Loans and cancellations of principal and interest

Interest on loans are 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 Caixa's policies, all principal owed on operations with past due installments is classified as overdue 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 credits and approval of the Board of Directors. Any recoveries of credits written off on assets are reflected in the income statement under the caption "Other Operating Results".

Fair value assets through other comprehensive income

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

On December 31, 2018 and 2017, assets at fair value through other comprehensive income correspond to unquoted assets whose fair value could not be reliably measured, and Caixa kept these assets at historical cost, net of impairment.

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

d) Impairment of financial assets

Loans and accounts receivables

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

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

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

Key drivers in calculating expected losses

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

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

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

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

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

Significant increase in credit risk and default definition

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

IFRS 9 assumes as a rebuttable assumption that financial assets at least 30 days past due must be classified in stage 2, ie, evidence 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 capital;
- 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).

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 credit 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.

(Amount in thousand Cabo Verde Escudos – mCve.)

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.

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

j) Investments in subsidiaries, associates and joint ventures

This item includes shareholdings in companies in which Caixa has significant influence, but over whose management it 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 25% and a fire tax of 2% on the assessed tax, which corresponds to an aggregate tax rate of 25.5%.

Current 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.

Income taxes (current or deferred) are reflected in income statement for the year, except where the underlying transactions have been reflected in other equity items (for example, in the case of revaluation of available-for-sale financial assets). In these situations, the corresponding tax is also reflected against equity, not affecting the income for the year.

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, including 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). Accordingly, the determination of impairment in individually analyzed assets results from a specific assessment made by Caixa based on its knowledge of the customers' reality and the guarantees associated with the operations in question.

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

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

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

Determination of Profit Taxes

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

Impairment of assets received on credit recovery

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

4. Adoption of New Standards (IAS / IFRS) or Revision of Standards Already Issued

4 .1 Voluntary changes in accounting policies

During the year there were no voluntary changes in accounting policies in relation to those considered in the preparation of financial information for the previous year presented in the comparisons.

4 .2 New Standards and Interpretations Applicable to the Financial Year

There was no significant effect on the accounting policies and disclosures adopted by Caixa as a result of the European Union's (EU) endorsement of various issues, revisions, changes and improvements in standards and interpretations effective as of 1 January 2018 , except for those disclosed on the transition to IFRS 9 .

• IFRS 2 (amendment), "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018). These changes incorporate into the standard guidance on the accounting treatment of cash settled share-based payments, which follow the same approach as share-based and settled payments.

• IFRS 4 (amendment), "Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018). These changes complement the existing options in the standard that can be used to address concerns about temporary volatility of profit or loss.

• IFRS 9 (new), "Financial Instruments - Classification and Measurement" (effective for annual periods beginning on or after 1 January 2018). This is the first phase of IFRS 9, which provides for the existence of two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortized cost only when Caixa holds it to receive contractual cash flows and cash flows represent nominal and interest. Otherwise, financial instruments are valued at fair value through profit or loss.

• IFRS 15 (new), "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). The standard establishes a single and comprehensive revenue recognition framework, which is applied consistently across transactions, industries and capital markets, improving the comparability of financial statements globally. This standard supersedes the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC - 31 Revenue – Barter transactions involving advertising services.

• IFRS 15 (clarification), "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). Clarifications on the transition and some clarifications to the underlying principles of the standard are provided.

• IFRIC 22 (interpretation), "Foreign Currency Transactions and Advance of Consideration" (effective for annual periods beginning on or after 1 January 2018). Interpretations clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

• IAS 40 (amendment), "Transfer of Investment Property" (effective for annual periods beginning on or after 1 January 2018). The changes clarify whether a property under construction or development, which was previously classified as inventory, can be transferred to investment property when there is a evident change in use.

• Improvements to international financial reporting standards (2014-2016 cycle to apply for annual periods beginning on or after 1 January 2018). These improvements involve the revision of several standards.

4 .3 New standards and interpretations already issued but not yet mandatory

The standards and interpretations recently issued by the IASB whose application is mandatory only in periods beginning after 1 January 2019 or later, and which Caixa did not adopt in advance are discussed below.

At the date of approval of these financial statements, the standards and interpretations endorsed by the European Union but which are required to be applied in future financial years are as follows:

• IFRS 9 (amendment), “Prepayment features with negative compensation” (effective for annual periods beginning on or after 1 January 2019). The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion, regardless of the event or circumstances that caused the early termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.

• IFRS 16 (new), “Leases” (effective for annual periods beginning on or after 1 January 2019, with early application option). The standard establishes the form of recognition, presentation and disclosure of leasing contracts, defining a single accounting model. Except for contracts of less than 12 months and low value, leases should be accounted for as an asset and a liability.

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

• IFRS 17 (new), “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021). The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue them globally.

• IAS 19 (amendment), “Plan amendments, curtailments, and settlements” (effective for annual periods beginning on or after 1 January 2019, with early adoption permitted). The amendment aims to harmonize accounting practices and provide more relevant information for decision making.

• IFRIC 23 (interpretation), “Uncertainty over income tax treatments” (effective for annual periods beginning on or after 1 January 2019). Interpretation addresses the accounting of income taxes when tax treatments involve uncertainties affecting the application of IAS 12. The interpretation does not apply to taxes or fees outside the scope of IAS 12, nor does it include specific interest and penalty requirements associated with uncertainties over tax treatment.

• IAS 28 (amendment), “Clarification that the measurement of subsidiaries at fair value through profit or loss is an investment-by-investment choice” (effective for annual periods beginning on or after 1 January 2019). The improvement has clarified that i) a venture capital firm or other qualifying entity, may choose, at initial recognition and investment by investment, to measure its investments in associates and / or *joint ventures* at fair value through profit or *loss.* (ii) an enterprise that is not itself an investment entity has a holding in an associate or *joint venture* that is an investment entity, the enterprise may, when applying the equity method, choose to maintain the fair value that such subsidiaries apply to the measurement of its subsidiaries. This option is taken separately for each investment at a later date between (a) the initial recognition of the investment in that subsidiary; (b) that subsidiary becomes an investment entity; and (c) this subsidiary becomes a parent company.

• Improvements to international financial reporting standards (2015-2017 cycle to apply for annual periods beginning on or after 1 January 2019). These improvements involve the review of IFRS 3 Business combinations - previously held interest in a joint operation, IFRS 11 Joint arrangements - previously held interest in a joint operation, IAS 12 Income Tax - income tax consequences of payments on financial instruments classified as equity instruments and IAS 23 Borrowing costs - borrowing costs eligible for capitalization.

• Improvements to international financial reporting standards (issued March 29, 2018, effective for annual periods beginning on or after January 1, 2020). These improvements involve the revision of several standards.

From the application of these standards and interpretations, no material impacts on Caixa's financial statements are expected.

(Amount in thousand Cabo Verde Escudos – mCve.)

5. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

	2018	2017
Caixa	2.250.518	3.345.513
Demand Deposits with Banco de Cabo Verde	7.208.783	6.844.857
	9.459.301	**10.190.370**

Demand deposits with Banco de Cabo Verde are intended to meet the minimum reserve requirements. According to the provisions of Banco de Cabo Verde, these cash equivalents correspond to 15% of the average actual liabilities in domestic and foreign currency to residents and emigrants. In 2018, was set a minimum daily percentage of 13% of the minimum reserves that financial institutions are required to keep in demand deposit accounts.

Demand deposits with Banco de Cabo Verde are not remunerated.

(Amount in thousand Cabo Verde Escudos – mCve.)

6. CASH ASSETS AT OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

		2018	2017
Demand deposits:			
	At credit institutions in the country		
	. BCA	2,654	2,661
	At credit institutions abroad		
	. Banque et Caisse D'Espargne de L'Etat	214 413	302 554
	. NovoBanco SA	113 711	82 953
	. Montepio Geral	144 554	801 600
	. Caixa Geral de Depósitos	37 379	62 328
	. Natexis Banques Populaires	469 455	676 403
	. Bank of China, Macau Branch	8 124	4 266
	. BPI	120 814	100 157
	. Others	53 713	8 739
		1,164,818	2,041,659
		1,164,818	2,041,659
	In the country	48 613	78 799
	Abroad	2,817	8 268
Checks pending collection:		51 430	87 067
Other assets		811	581
		1 217 059	**2,129,308**

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.

Euro cash assets in credit institutions abroad are strongly constrained by the measures taken by correspondents in recent years, resulting in the need to optimize them due to the permanent reduction of the threshold from which negative interest is charged.
Given the comfortable liquidity environment in the Eurozone, banks adopt measures that penalize depositors with fixed assets within certain limits, which tend to fall. Negative interest applies to both demand and time deposits.
In addition to negative interest the correspondents also introduced the so-called Management Fee to EUR balances which is an additional fee charged to EURO cash assets.
As a result, it has been a practice to permanently sell surpluses in euros to the domestic market, mainly to BCV

7. ASSETS AT FAIR VALUE THROUGH OTHER COMPHRENSIVE INCOME

On December 31, 2018 and 2017, equity and debt instruments classified as assets at fair value through other comprehensive income are as follows:

Security	Acquisition cost	Impairment	Balance Sheet (Net)
Equity instruments valued at historical cost			
Guarantee Fund for Private Investment in 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 recorded at historical cost.

(Amount in thousand Cabo Verde Escudos – mCve.)

8. INVESTMENT IN CREDIT INSTITUTIONS

This item breaks down as follows:

	2018	2017
Investments in credit institutions in the country:		
At Banco de Cabo Verde		
Term deposit	7.400.000	6.600.000
Monetary Intervention Securities	1.496.000	1.800.000
Interbank Money Market	771.855	-
Investments in credit institutions abroad:		
Collateral deposits	287.091	132.101
Term deposits		
Interest receivable	37.227	586
Deferred income	(6.214)	(4.448)
	9.985.960	**8.528.239**

On December 31, 2018 Caixa had investments in Banco de Cabo Verde (Overnight deposits) in the amount of 7.400.000 mCVE and Monetary Intervention Securities the amount of mCVE 1.496.000.

On December 31, 2018 and 2017, the item “Investments in credit institutions abroad- Collateral Deposits” corresponds to guarantees, in the form of deposits, made by Caixa with other credit institutions, as collateral for bank guarantees provided by Caixa to these entities. There are interest-bearing collateral deposits and others that are remunerated at a negative interest rate, being reimbursed upon settlement of the associated bank guarantee.

On December 31, 2018 and 2017, investments in credit institutions abroad have the following breakdown by credit institution:

	2018	2017
Banque et Caisse D'Espargne de L'Etat	287.091	108.225
Others		23.876
	287.091	**132.101**

(Amount in thousand Cabo Verde Escudos – mCve.)

9. LOANS TO CUSTOMERS

This item breaks down as follows:

	2018	2017
Short Term Domestic Loans:		
Trade Discounts	180 549	1 926 783
Loans	629 722	686 641
Overdraft loan on demand deposits	1,391,088	741 936
Medium and long term domestic loans:		
Loans	25 706 866	25 155 539
Other loans	2,387,829	325 042
Employee loans	1 204 984	1,157,696
	31 501 038	29 993 637
Non Resident Loan	200 290	-
Other loans and receivables (securitized):		
Government bonds	12 315 282	12 005 770
Other fixed income securities	2,273,614	2,414,574
	46 290 224	44 413 981
Interest receivable	289 384	300 766
Deferred Costs	1 299	1,443
Deferred Income	(296,026)	(295,693)
Non-performing Loans	5 806 314	
Overdue Interest	56 649	6,044,997
	52 147 844	50 465 494
Impairment (Note 18)		
Customer Loans	(4 280 648)	(3,558,001)
Other loans and receivables (securities)	(275,034)	-
	47,592 161	46 907 493

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

On December 31, 2018 and 2017, Treasury bonds sold under repurchase agreements amount to mCve 2 772 730 and 3 372 730.

(Amount in thousand Cabo Verde Escudos – mCve.)

On December 31, 2018 and 2017, the item “Other loans and receivables (securitized) - Other fixed income securities” included the value of domestic companies bonds, classified as “Loans and receivables”. These bonds break down as follows:

Security	2018 Gross Value (Principal and Interest)	Impairment	%	Net Value	Maturity
Other fixed income securities					
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	1.344.193	7.799	0,58%	1.336.394	6/14/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L - Tranche E	369.123	4.557	1,23%	364.566	6/14/2025
Sociedade de Gestão de Investimentos, Lda.	15.330	15.301	99,81%	29	02/18/2014
IFH - Imobiliária, Fundiária e Habitat, SA	487.331	5.856	1,20%	481.475	01/06/2019
IFH - Imobiliária, Fundiária e Habitat, SA Tranche I	335.920	4.025	1,20%	331.894	09/14/2022
IFH - Imobiliária, Fundiária e Habitat, SA Tranche II	222.707	2.756	1,24%	219.951	10/14/2022
CVFF - Cabo Verde Fast Ferry, S.A.	61.005	45.719	74,94%	15.287	10/14/2017
INPHARMA, SA	3.965	-	0,00%	3.965	12/24/2019
ASA - Agência de Segurança Aeronautica - Tranche D	189.814	2.309	1,22%	187.505	08/25/2027
	3.029.387	**88.322**	**0**	**2.941.066**	

Bonds issued by Electra - Empresa de Electricidade e Águas, S.A.R.L. and IFH - Imobiliária, Fundiária e Habitat, S.A., are endorsed by the State of Cabo Verde. Caixa Económica de Cabo Verde subscribed in June 2017 to Electra´s Series E Bond in the amount of 368 273 mCVE with a maturity date of June 2025.

The bonds of Cabo Verde fast ferry (CVFF) and Sociedade Gestão de Investimentos, Lda., have been in default since August 2014. On December 31, 2018, the accrued and unpaid interest on Cabo Verde Fast Ferry (CVFF) and Sociedade Gestão de Investimentos, Lda., bonds amounted to mCVE 9 125 and mCve 1 987, respectively. The next interest coupons expire in February 2018.

The bonds subscribed from Laboratórios Inpharma - Indústria Farmacêutica, S.A. mature in December 2019. In FY 2018 and 2017 the repayment of principal amounted to mCVE 3 960, settled on the date of coupon payment.

In 2017, ASA - Agência Segurança Aérea issued bonds in which Caixa subscribed the amount of mCve 186 569, with maturity date of August 2027.

(Amount in thousand Cabo Verde Escudos – mCve.)

On December 31, 2018 and 2017, loans to customers, excluding "Other loans and receivables (securitized) ", and accrued interests and deferred income, were as follows by business sector:

	2018			2017		
	Performing loans	**Non-performing loans**	**Total**	**Performing loans**	**Non-performing loans**	**Total**
Companies:						
Trade	549 726	414 149	963,675	438 372	482 772	921 144
Construction and public works	560 832	146 364	707 196	1,547,306	149 130	1,696,435
Transportation	5,342,017	317 329	5,659,347	3,331,840	297 401	3 611 240
Industry	568 130	535 900	1,104,030	545 206	531 800	1,077,005
Hospitality	753 304	321 490	1,074,794	557 945	358 178	916 122
Energy	1,661 197	1,080	1,662,277	1 403 366	1,080	1,404,446
Others	3 905 520	1,049,451	4,954,971	4,521,535	1,026,491	5,548,026
	13 340 726	2,785,764	16 126 490	12 327 568	2,846,850	15 174 418
Individuals:						
Mortgage	11,994,941	1 864 290	13 859 231	11 487 504	1 955 382	13 442 885
Others	6 365 661	1,156,261	7,521,922	6 178 565	1,187,677	7,366,242
	18 360 602	3,020,551	21 381 153	17 666 068	3 143 059	20 809 127
	31 701 328	**5 806 314**	**37 507 642**	**29 993 636**	**5,989,909**	**35 983 545**

The Loans to Employees item refers to loans to employees on December 31, 2018 and 2017, which are subject to reduced interest rates, in accordance with Caixa's loans to employees' policy.

(Amount in thousand Cabo Verde Escudos – mCve.)

10. INVESTMENT PROPERTIES

The changes in this item for the years ended December 31, 2018 and 2017 are as follows:

Aquisition Cost	Lands	Real Estate	Total
Balance on 12-31-2016	**3 684**	**4 752**	**8 436**
Write-offs/Sales	**-**	**(334)**	**(334)**
Balance on 12-31-2017	**3 684**	**4 418**	**8 102**
Balance on 12-31-2018	**3 684**	**4 418**	**8 102**

Amortizations	Lands	Real Estate	Total
Balance on 12-31-2016	**-**	**3 247**	**3 247**
Amortizations of the Year	**-**	**(197)**	**-**
Balance on 12-31-2017	**-**	**3 050**	**3 050**
Amortizations of the Year	**-**	**35**	**35**
Balance on 12-31-2018	**-**	**3 084**	**3 084**
Net Balance on 21-31-2017	**3 684**	**1 369**	**5 052**
Net Balance on 21-31-2018	**3 684**	**1 334**	**5 018**

On December 31, 2018 and 2017, 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:

	2018		2017	
	Net amount	Appraised value	Net amount	Appraised value
Land	3.684	18.640	3.684	18.640
Buildings	1.334	14.664	1.368	14.664
	5.018	33.304	5.052	33.304

In Fy 2018 and 2017, the income from the lease of these properties amounted to mCVE. 68 and mCve. 96, respectively.

(Amount in thousand Cabo Verde Escudos – mCve.)

11. OTHER TANGIBLE ASSETS

In FY 2018 and 2017, the item “Other tangible assets” was as follows:

	Balance on 12-31-2017			Sales / Write-offs					Balance on 12-31-2018		
	Gross value	Accumulated Amortizations	Additions	Gross value	Amortizations	Amortization for the year	Transfers	Regularization	Gross value	Accumulated Amortizations	Net value
Real estate	1.675.900	(206.372)	40.385	(100.986)	100.986	(32.676)	-	-	1.615.299	(138.062)	1.477.237
Works in rented buildings	48.242	(41.640)	-	-	-	(1.097)	(305)	307	47.937	(42.430)	5.507
Artistic heritage	4.411	-	705	-	-	-	-	-	5.116	-	5.116
Equipment:											
Furtniture and materials	230.340	(183.064)	14.325		3.293	(15.339)	(1.519)	931	243.146	(194.179)	48.967
Machinery and tools	303.904	(267.590)	366	(23.603)	37.339	(13.810)	(395)	362	280.272	(243.699)	36.573
Computer equipment	390.952	(351.616)	2.239	(33.040)	36.301	(16.619)	(775)	750	359.376	(331.184)	28.192
Indoor facilities	576.525	(565.046)		(2.512)	3.832	(1.900)	(77)	75	573.936	(563.039)	10.897
Transportation equipment	163.330	(112.791)		(2.120)	858	(15.848)			161.210	(127.781)	33.429
Security equipment	141.377	(119.575)	1.955	(28)	912	(5.512)			143.304	(124.175)	19.129
Other equipment	6.982	(6.231)	210	(566)	566	(444)	(126)	116	6.500	(5.993)	507
	3.541.963	(1.853.925)	60.185	(162.855)	83.101	(103.245)	(3.197)	2.541	3.436.096	(1.770.542)	1.665.554
Construction in progress	298.129	-	31.233						329.362	-	329.362
	3.840.092	(1.853.925)	91.418	(162.855)	83.101	(103.245)	(3.197)	2.541	3.765.445	(1.770.529)	1.994.916

	Balance on 12-31-2016			Sales / Write-offs					Balance on 12-31-2017		
	Gross value	Accumulated Amortizations	Additions	Gross value	Amortizations	Amortization for the year	Transfers	Regularization	Gross value	Accumulated Amortizations	Net value
Real estate	1.635.946	(174.035)	39.954	-	-	(32.337)	-	-	1.675.900	(206.372)	1.469.528
Works in rented buildings	48.242	(39.207)	-	-	-	(2.433)	-	-	48.242	(41.640)	6.602
Artistic heritage	4.323	-	89	-	-	-	-	-	4.411	-	4.411
Equipment:											
Furtniture and materials	220.117	(168.098)	9.015	(518)	518	(14.035)	1.726	(931)	230.340	(183.064)	47.276
Machinery and tools	290.669	(252.557)	13.500	(660)	660	(14.670)	395	(440)	303.904	(267.590)	36.314
Computer equipment	392.010	(331.956)	14.697	(16.569)	3.001	(18.903)	815	(757)	390.952	(351.616)	39.336
Indoor facilities	566.214	(512.776)	10.233	-		(52.193)	77	(77)	576.525	(565.046)	11.477
Transportation equipment	173.014	(102.106)	-	(9.683)	9.683	(10.686)	-	-	163.330	(112.791)	50.539
Security equipment	139.647	(104.621)	1.969	-	-	(14.954)	(248)	9	141.377	(119.575)	21.802
Other equipment	6.724	(5.651)	130	-	-	(464)	128	(116)	6.982	(6.231)	751
	3.476.906	(1.691.007)	89.585	(27.430)	13.862	(160.673)	2.893	(2.312)	3.541.962	(1.853.923)	1.688.037
Construction in progress	258.571	-	105.131	(65.572)	-	-	-		298.129	-	298.129
	3.735.477	(1.691.007)	194.716	(93.002)	13.862	(160.673)	2.893	(2.312)	3.840.091	(1.853.923)	1.986.166

On December 31, 2018 and 2017 the item “Real Estate in progress” includes costs with the installation of new branches and works in existing branches, in the amounts of mCve. 281 094 - and mCve. 298 219, respectively.

(Amount in thousand Cabo Verde Escudos – mCve.)

12. INTANGIBLE ASSETS

On December 31, 2018 and 2017, the item intangible assets records Caixa's software. In FY 2018 and 2017, the item “Intangible assets” was as follows:

Aquisition Cost	Software	Total
Balance on 12-31-2016	**306 8864**	**306 864**
Additions	**4 211**	**4 211**
Balance on 12-31-2017	**311 075**	**311 075**
Additions	**7 863**	**7 863**
Balance on 12-31-2018	**318 938**	**318 938**

Amortizations	Software	Total
Balance on 12-31-2016	**294 147**	**294 147**
Amortizations of the Year	**5 700**	**5 700**
Balance on 12-31-2017	**299 847**	**299 847**
Amortizations of the Year	**6 049**	**6 049**
Balance on 12-31-2018	**305 896**	**305 896**
Net Balance on 21-31-2017	**11 228**	**11 228**

(Amount in thousand Cabo Verde Escudos – mCve.)

13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On December 31, 2018 and 2017, the balance of this item was as follows:

2018					
Entity	% of shares	Acquisition costs	profit / loss	Equity	Balance sheet
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	(33.755)	5.820	1.039
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10,00%	10.000	216.796	888.989	88.899
		22.500			89.938

2017					
Entity	% of shares	Acquisition costs	profit / loss	Equity	Balance sheet
IMOTUR - Imobiliária e Turística de Cabo Verde, S.A.	17,86%	12.500	(33.755)	5.820	1.039
SISP - Sociedade Interbancária e Sistemas de Pagamentos, SARL	10,00%	10.000	200.472	773.009	77.300
		22.500			78.339

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 2018 and 2017 and their impact on Caixa's financial statements can be demonstrated as follows:

	IMOTUR	SISP	TOTAL
Balance on 31 December 2016	1.039	66.963	68.002
Dividends		(9.710)	(9.710)
Income from associates		20.047	20.047
			-
Balance on 31 December 2017	1.039	77.300	78.339
Dividends		(9.966)	(9.966)
Income from associates		21.565	21.565
Balance on 31 December 2018	**1.039**	**88.899**	**89.938**

(Amount in thousand Cabo Verde Escudos – mCve.)

14. INCOME TAX

On December 31, 2018, Caixa was subject to Corporate Income Tax (IRPC), at the rate of 25% and a fire tax of 2% of the assessed tax, which corresponds to an aggregate tax rate of 25.5%.

The balances of income tax assets and liabilities on December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax assets		
. IRPC recoverable	43 273	45 488
. Withholdings for the year	-	-
	43 273	45 488
Current tax liabilities		
. Estimated taxes for the year	-	56 358
. Autonomous Taxation	8 257	6,371
	8 257	62 729
Deferred Tax Assets		
. By reportable tax losses	63 825	14 848
	63 825	**14 848**

The item "Current tax assets - IRPC recoverable" corresponds to fractioned payments made in 2017 and 2018.

The detail and changes in deferred taxes in FY 2018 and 2017 are as follows:

	Balance on 12-31-2017	Change in Profit/Loss	Balance on 12-31-2018
Reportable tax losses	-	63 825	63 825
	-	63 825	63 825

Pursuant to the IRPC Code, approved by Law No. 82/VIII/2015, dated January 7, tax losses are deducted from taxable profits, if any, for one or more of the following seven taxation periods. In FY 2017, Caixa used deferred taxes related to reportable tax losses totaling mCVE 14 848. The amount of reportable tax losses that was actually used in 2017 was mCVE 58 22.

(Amount in thousand Cabo Verde Escudos – mCve.)

The reconciliation between the nominal rate and the effective tax rate for the years 2018 and 2017 can be shown as follows:

	2018		2017	
	Rate	Tax	Rate	Tax
Earnings before tax		533 555		530 097
Tax calculated at nominal rate	25.5%	136 057	25.5%	135 175
Tax benefits:				
.Income from Government bonds	-29%	-39 487	-9.0%	-49 509
placed on secondary market	-18.4%	-25,001		
.Income from bonds	-63.0%	-85 757	-19.50%	-103 384
.Other	-0.6%	-862	-0.2%	-1 216
Impairment and provisions not accepted as tax cost	13.7%	18,574	18.1%	95 994
Reversal of taxed provisions	-9.0%	-12 179	0%	-902
Application of the equity method	-4.0%	-5 499	-14.6%	-5 034
Non-tax-deductible expenses	0.2%	331	0.2%	1,078
Autonomous Taxation	1.5%	2 106	1.2%	6 372
Deferred taxes amount correction	0.0%	0	0.0%	0
Relating to reportable tax losses	0.0%	0	-2.8%	-14 848
Correction relating to previous years	57.2%	77 829	0.0%	0
Others	3.5%	4 729	1.9%	11,882
Income tax	2.0%	8 257	14.30%	75 948

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

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

On December 31, 2018, a provision for tax contingencies totaling mCve. 31.877, was recognized and which, the majority of that amount, is allocated to the 2010 case waiting completion by DCI.

Pursuant to the General Tax Code, approved by Law 47/VIII/2013 of December 20, tax authorities have the right to review Caixa's tax position for a period of five years which may result in possible adjustments to taxable income, due to different interpretations of the legislation. In the opinion of the Board of Directors, it is not foreseeable that any adjustment will be significant to Caixa's financial statements as of December 31, 2018.

(Amount in thousand Cabo Verde Escudos – mCve.)

15. OTHER ASSETS

This heading has the following composition:

	2018	2017
Other assets:		
Assets received through credit recovery	1,657,517	1 702 114
Coins and medals	86	86
	1,657,603	1 702 200
Debtors:		
Amounts receivable from the State of Cabo Verde		
. Bonuses	961 468	979 243
. Others	48	55 259
Foreign currency remittance debtors	22 289	9 508
Sundry debtors	54 450	49 173
	1,038,255	1 093 183
Deferred charge expenses:		
Insurance	10 452	-
Others	17 82 3	13 430
	28 274	13 430
Lending operations pending settlement:	118 298	74 919
Gross Asset	2,842,431	2,883,732
Impairment of other assets (Note 18):		
Assets Received on Credit Recovery	(6 20 459)	(468 675)
Other assets	(30,447)	(30,447)
Accumulated Impairment	(650 906)	(499 122)
Net Assets	**2 191 525**	**2,384,610**

On December 31, 2018, 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:

(Amount in thousand Cabo Verde Escudos – mCve.)

	2018			
Year of acquisition	Gross value	Impairment	Net value	%
2004	2 015	(1,974)	41	98%
2007	1,131	(958)	172	85%
2008	3 365	(3,324)	42	99%
2013	264 375	(72,000)	192 375	27%
2014	644 536	(156,500)	488 036	24%
2015	290 238	(159 368)	130 871	55%
2016	346 355	(184,871)	161 484	53%
2017	76 607	(22,600)	54 007	30%
2018	23 209	(18,864)	4 345	81%
	1,651,831	(620,459)	1,031,372	38%

During 2018 Caixa received in settlement of one real estate Property, whose balance sheet value on December 31 2018 totaled mCVE. 20 545.

(Amount in thousand Cabo Verde Escudos – mCve.)

16. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item breaks down as follows:

		2018	2017
Demand deposits:			
	Credit institutions in the country	198 320	581 687
		198 320	581 687
Term Deposits:			
	Credit institutions in the country	-	50,000
		-	50,000
Interest:			
	Deposits	1 756	2,960
		1 756	2,960
		200 076	634 647

On December 31, 2018 and 2017, the item “Funds from other credit institutions” presented the deposits of credit institutions with Caixa Económica.

(Amount in thousand Cabo Verde Escudos – mCve.)

17. CUSTOMER FUNDS AND OTHER LOANS

This item breaks down as follows:

	2018	**2017**
Savings Deposits:		
Individuals - Passbooks	8 265 753	7,531,294
Demand deposits:		
By residents	22 660 916	22 651 985
By emigrants	957 011	1,017 482
	23 617 92 7	23 669 467
Term Deposits:		
By residents	16 775 103	16 953 326
By emigrants	15 433 838	14 526 722
	32 208 941	31 480 048
Other funds:		
Securities sold under repurchase agreement (Notes 2.3 and) and 9))	2,772,730	3,372,730
Loans obtained from residents	380 301	413 634
Checks and money orders payable	15 943	(48,983)
	3,168,974	3,737,381
Interest:		
On Deposits	540 091	549 753
On Securities sold under repurchase agreements	37 179	45 422
On loans obtained from residents	5 835	6,370
	583 105	601 545
	67 844 700	**67 019 735**

The item securities sold under repurchase agreements refers to the amount payable for securities granted and recorded under loans to customers – Government bonds according to the accounting policy referred to in paragraph 2.2. e).

On December 31, 2018 and 2017 , the item “Other funds - Loans obtained from residents” corresponds to a loan obtained from Instituto Nacional de Previdência Social (INPS), which bears interest at a fixed rate, to be repaid in 15 annual installments. This loan aims to grant Mortgage loans to INPS employees.

On December 31, 2018 and 2017, the balance of “Checks and money orders payable” included mCve. 61 185 and mCve. 63 792, respectively, for transfers received via Western Union whose financial compensation only occurred in the early days of 2018 and 2017.

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(Amount in thousand Cabo Verde Escudos – mCve.)

18. PROVISIONS, IMPAIRMENT AND CONTINGENCIES

Changes in Caixa's provisions and impairment for the year ended 31 December 2018, were as follows:

	2018					
	Balances on 12/31/2017	Appropriations	Uses	Cancellations and Readjustments	Transfers	Balances on 12/31/2018
Impairment						
Impairment of loans to customers	3,558,001	3,616,081	(96 798)	(2 900 773)	379 171	4,555,683
Impairment of Associates	-		-			-
Impairment of other assets						-
Impairment recovered assets	468 675	155 178		(3 395)		620 459
Debtors, Other Applications	30 447				-	30 447
	4,057,123	3,771,259	(96 798)	(2 904 168)	379 171	5 206 588
Other provisions	39 351		(36,608)		-	2 743
Tax Contingencies	31 877	-	-		-	31 877
	4,128,352	3,771,259	(133,406)	(2 904 168)	379 171	5,241,209

Changes in Caixa's provisions and impairment for the year ended December 31, 2017, were as follows:

	2017					
	Balances on 12/31/2016	Appropriations	Uses	Cancellations and Readjustments	Transfers	Balances on 12/31/2017
Impairment						
Impairment of loans to customers	2,787,533	2,054,989	-	(1,544,667)	260,146	3,558,001
Impairment of Associates	1,038		(1,038)			-
Impairment of others to assets						
Impairment recovered assets	421,815	46,860			-	468,675
Debtors, Other Applications	30,447				-	30,447
	3,240,833	2,101,849	(1,038)	(1,544,667)	260,146	4,057,123
Other provisions	39,351				-	39,351
Tax Contingencies	27,000	7,378	(2,501)		-	31,877
	3,307,185	2,109,227	(3,539)	(1,544,667)	260,146	4,128,352

(Amount in thousand Cabo Verde Escudos – mCve.)

The Provisions and Net Impairments for the Year, which in 2017 totaled mCVE 561,021, reached mCVE 367,092 in 2018, reflecting a decrease of 34.57% (mCVE 193,929). Note that the net loan impairments decreased by 295.014 (mCVE - 57, 81).

OTHER LIABILITIES

This item breaks down as follows:

	2018	2017
Funds:		
Administrative Public Sector - Tax Withholding	3,490	63 684
Others	4 245	6 723
	7 735	70 407
Personnel cost:		
Vacations and vacation allowance	70 847	66 859
Productivity bonus	43 423	35 323
Allowance for faults	13 365	13 215
	127 635	115 397
Other administrative costs:		
ATM Charges	9,580	9 770
Water, gas and electricity	7 988	7,661
Communications	12 350	11 432
SPA - Taxes Withholding	42 407	-
Others	49 361	17,663
	121 686	46 525
Deferred income:		
Off-balance-sheet transactions	1 43 4	2 592
Other settlement accounts	68 824	87 535
Other liabilities	327 314	322 456

On December 31, 2018 and 2017, the item “Other administrative expenses - Other” included mCve. 20 498 and mCve. 19 876, respectively, referring to the amounts payable to INPS as December social security contributions, and mCve. 10 733 and MCVE. 10. 541, respectively, referring to employees’ income tax for December.

Additionally, the remaining balance of this item is essentially composed of amounts to be settled with banks and customers that correspond essentially to interbank electronic transfers that are cleared in the first days of the subsequent year.

(Amount in thousand Cabo Verde Escudos – mCve.)

19. CAPITAL

As of December 31, 2018 and 2017, Caixa's capital 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, 2018 and 2017, Caixa's shareholder structure was as follows:

	2018		2017	
Entity	of shares	%	Number of shares	%
Instituto Nacional de Previdência Social	657 200	47.21%	657 200	47.2%
Geocapital, Sociedade de Gestão e Participação, S.A.	381 904	27.44%	381 904	27.4%
Correios de Cabo Verde	210 749	15.14%	210 749	15.1%
Outros subscribers and employees	142 147	10.21%	142 147	10.2%
	1 392 000	100.00%	1 392 000	100.00%

Instituto Nacional de Previdência Social puchased Impar´s and a group of private shareholders holdings totaling 200,211 shares, and now holds 47.21% of Capital

20. RESERVES, RETAINED EARNINGS AND PROFIT FOR THE YEAR

At December 31, 2018 and 2019, the reserves and retained earnings items were as follows:

		IFRS Impact				
	2018	Impairment	Current taxes	Incorporation of reserves	Microcredit	2017
Other reserves and retained earnings						
. Legal reserves	573.658	-	-	45.252		528.406
. Other reserves	2.749.071	-	-	294.515	201	2.454.356
. Retained earnings	(943.716)	(379.172)	115.262			(679.808)
	2.379.013	(379.172)	115.262	339.767	201	2.302.954
Profit for the year	473.861	-	-	-		452.519
	2.852.874	**(379.172)**	**115.262**	**339.767**	**201**	**2.755.473**

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

At the General Meeting held on April 27, 2018, it was decided dividends totaling mCve. 113.130 would be distributed, while mCve. 45,252 and mCve. 294,515, respectively, would incorporated into legal reserve and other reserves. Due to rounding, an adjustment was made of -378 to the amount of dividends.

(Amount in thousand Cabo Verde Escudos – mCve.)

With the implementation of the new IFRS9 impairment model, the amounts of -379,172 and +115,262, related to impairment and current tax, respectively, were charged to Retained Earnings and, therefore, with an overall negative impact on them.

21. INTEREST AND SIMILAR INCOME

This heading is broken downs as follows:

	2018	2017
Interest on loans to customers		
Internal loans	2,663,948	2,730,032
Recovery of canceled interest	256 729	226 518
Interest on other loans and receivables (securitized)		
Treasury Bonds	626,454	609,918
Other fixed income securities	118 554	113 992
Interest on investments in Banco de Cabo Verde		
Term	-	4 615
Monetary regularization securities	325	30 6
Monetary intervention securities	20 977	5 775
Interest on investments in credit institutions abroad	2,804	1,178
Interest on investments in credit institutions in the country	6 227	-
Interest on Financial Assets - Securities	49 797	3,006
Interbank money market interest	36 372	1,541
Other interest and similar income	-	1 936
Fees received associated with amortized cost	188 699	170 378
	3,970,886	3,869,196

Interest and Similar Income increased overall by mCVE 101,691 (2.63%), mainly due to the issuance of new treasury securities in the primary market during 2018 and due to Caixa's results of participation in open market operations, namely, in investments in the Monetary Regularization Securities (TRM) and in the Monetary Intervention Securities (TIM), as well as in the settlement of the benefits of the State Interest Bonus repayment plan.

(Amount in thousand Cabo Verde Escudos – mCve.)

22. INTEREST AND SIMILAR EXPENSES

This item is as follows:

	2018	2017
Savings Deposits		
Passbooks	222 214	237 668
Demand deposits		
From emigrants	17 318	15 664
Term Deposits		
From emigrants	478 558	523 600
From residents	542 560	612 949
Loans		
Non-residents	297	286
Residents	9 465	10 165
Sale transactions with repurchase agreement		
Treasury bonds	184 206	209 672
Canceled Interest on loans to customers		
Domestic loans	339	22 610
Others	5,124	5 160
	1,460,082	**1,637,774**

The interest and similar expenses decreased mCVE 177 691 (10.85%) , explained mainly by the decreasing of interest rate of interest bearing deposits, by the decreasing of interest rate on the secondary market securities and by the reduction of Canceled Interest on loans to customers.

(Amount in thousand Cabo Verde Escudos – mCve.)

23. INCOME AND EXPENSES WITH SERVICES AND FEES

This heading has the following composition:

	2018	2017
Income from services and fees:		
Western Union Fees	54 076	45 652
Foreign Exchange Fees	93 079	85 431
Guarantees and sureties	13 214	13 002
Advance Fees		
VISA Fees	12 215	17 882
Documentary Credits	4 70	35 7
Account Maintenance Fees	21 886	7 232
Other banking services provided	21 477	19 540
Other fees	28 556	15 168
	244,973	204 264
Service and commission charges:		
Foreign Exchange Fees	(20 535)	(17,504)
VISA Fees	(38,587)	(31,359)
Other fees and charges	(42 182)	(38,332)
	(101,304)	(87,195)

The item Income from services and net commissions had an increase mCVE 26,601 (22,72%), compared to 2017, explained by the increase of commissions received, in the amount of mCVE 40,709 (19,9%), but also by the charges with services and commissions that showed an increase of mCVE 14,109 (16%) .

23. INCOME FROM FOREIGN CURRENCY REVALUATION

This item is as follows:

	2018			2017		
	Profits	Losses	Net	Profits	Losses	Net
Income in foreign currencies	180 504	(100 288)	80 216	204 637	(101,140)	103 497
Income in banknotes and coins	123 025	(90 84 3)	32 182	121 430	(141,230)	(19,800)
	303,529	(191 131)	112 398	326 067	(242,370)	83 697

The result of foreign currency revaluation had an increase of mCVE 28,700 (34.29%), compared to 2017, explained particularly due to the exchange revaluation of USD that decreased mCVE 21,266.

24. INCOME FROM DISPOSAL OF OTHER ASSETS

For the year ended December 31, 2018, the balance of this item corresponded to gains on the disposal of non - current assets held for sale and other tangible assets.

Profit and losses on disposal of non – current assets held for sale (Note 15)	85
Profit and losses on disposal of others tangible assets (Note 11)	25
	110

This item adds value resulting from the disposal of other tangible assets. For the year 2018, Caixa only sold a car to a Caixa employee.

(Amount in thousand Cabo Verde Escudos – mCve.)

25. OTHER OPERATING INCOME

This item is as follows:

	2018	2017
Other operating income:		
Services provision:		
Service Fees	28 383	25 638
Credit cards	5,589	5,576
Sale of checks and passbooks	6 757	7,561
Property leasing (Note 8)	68	96
Recovery of bad debts	37,881	77 946
Other operating income	40 11 2	20 982
	118 790	137 799
Other operating costs:		
Other taxes	(34 728)	(29,407)
Donations	(420)	(255)
Quota Contributions	(2,143)	(2 053)
Guarantee Fund Deposits	(7 543)	-
Others	(8,006)	(672)
	(52,840)	(32,387)
Other Operating Income	**65 950**	**105 412**

The item other operating income decreased mCVE 39,462 (-37.44%) mainly due to the decrease in recovery of written-off loans to the asset, which recorded a decrease of 40,065 escudos (- 51.40%)

26. PERSONNEL EXPENSES

This item is as follows:

	2018	2017
Employee Compensation	614 185	579 075
Remuneration of management and supervisory bodies	32 710	26 093
Social charges		
Social Security	95 896	88 865
Medical expenses	5,975	5,439
Others	9 060	8 896
Productivity bonus (Note 19)	43 423	35 323
Others	4 280	5,374
	805 529	**749 064**

The increase in Personnel Expenses is mainly due to the increase in Monthly Salary, following the salary increase, the increase in Social Security Contribution, as well as the increase in the Productivity Bonus item.

(Amount in thousand Cabo Verde Escudos – mCve.)

On December 31 2018 and 2017, Caixa had the following workforce:

	2018	2017
Executive Directors	3	3
General Management and Coordination	32	33
Branch Managers and head of Services	33	33
Superior associates	142	143
Administrative	96	88
General and auxiliary	52	54
	358 *	**354**

* Includes an Executive Director who is not part of Caixa effective staff

There are 358 employees including Eng. º Antão Chantre, who is not an effective employee but is one of the Board Directors.

As of December 31, 2018 and 2017, the figures presented above include 20 and 36 employees, respectively, with fixed-term employment contracts.

27. GENERAL AND ADMINISTRATIVE EXPENSES

This item is as follows:

	2018	2017
Specialized services	167 782	182 828
ATM Charges	105 196	106 928
Water, gas and electricity	54 205	54 179
Advertising	47 492	23 931
Communications	35 120	29 089
Travel, stays and representation	27 676	29 133
Current Consumables	26 319	26 212
Insurance	15 297	18 933
Maintenance and repair	23 032	18 420
Rents and leases	16 972	16 863
Fuels	8 382	7,446
Transports	1 388	1 186
Staff training expenses	1,024	17 716
Computer equipment	614	734
Litigation and notary	1 820	1,067
Others	6,673	5,510
	538,993	**540 174**

(Amount in thousand Cabo Verde Escudos – mCve.)

The increase in General and Administrative Expenses is justified mostly due to the increase of the Publications heading in over mCVE 1.169 (132.03 %), Institution Promotion in mCVE 22 835 (99.50%), Equipment Maintenance and repair in mCVE 4693 (25.61%) and Communication and Shipping in MCVE 6032 (20.73%) .

28. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2018 and 2017, contingent liabilities associated with banking activities were recorded in off-balance sheet items and were as follows:

	2018	2017
Contingent liabilities		
Guarantees and sureties	509 029	750 930
Documentary credits opened	15 249	14 759
	524 278	765 689
Deposits and custody of securities	41 741 849	41 105 516
Third-party loan management	744 751	701 090
	43 010 879	42 572 296

As of December 31, 2018 and 2017 the item “Deposits and custody of securities” included mCve. 41. 741.849 and mCve. 41.105.516, respectively, relating 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 31/12/18 of mCVE 566,039.

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 12/31/2018 of mCVE 45,658.

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.

(Amount in thousand Cabo Verde Escudos – mCve.)

29. SEGMENT REPORTING

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

The Trading and Sales segment is related to cash management, securities portfolio management and other market operations. In the Commercial Banking segment, is to be highlighted loans and deposits, services to customers and others.

As of December 31, 2018, the information regarding Caixa's operating segments used can be summarized as follows:

	2018		
	Trading and sales	Commercial Banking	Total Negotiation
Interest and similar income	1,050,209	2,920,677	3,970,886
Interest and similar expenses		(1,460,082)	(1,460,082)
NET INTEREST INCOME	1,050,209	1,460,596	2 510 805
Income from Equity Instruments		-	-
Income from services and fees		244,973	244,973
Expenses from services and fees		(101,304)	(101,304)
Income from foreign exchange revaluation		112 398	112 398
Income from the sale of other assets	110		110
Other operating results	65 950		65 950
OPERATING INCOME	1,116,270	1,716,663	2,832,932
Provisions and impairment net of reversals and recoveries			(867 092)
	1,116,270	1,716,663	1 965 840
Other expenses and income		-	(1,432,284)
Current Tax			(59,694)
Income after tax			**473,862**
Cash and Cash Equivalents at central banks		9 459 301	9 459 301
Cash equivalents at other credit institutions		1 217 059	1 217 059
Available-for-Sale Financial Assets	3,823		3,823
Investments in Credit Institutions	1,489,786	8 496 173	9 985 960
Customer loans	14 783 024	37,364,819	52 147 844
Funds from Other Credit Institutions		200 076	200 076
Customer funds and Other Loans	380 301	67 464 399	67 844 700

(Amount in thousand Cabo Verde Escudos – mCve.)

As of December 31, 2017, the information regarding Caixa's operating segments used can be summarized as follows:

	2017		
	Trade and sales	Commercial Banking	Total Negotiation
Interest and similar income	912 645	2 956 550	3,869,195
Interest and similar expenses		(77 1637 4)	(77 1637 4)
NET INTEREST INCOME	912 645	1 318 77 6	2 231 42 1
Income from Equity Instruments		170	170
Income from services and fees		204 264	204 264
Service and commission charges		(87,195)	(87,195)
Income from Foreign Currency revaluation		83 697	83 697
Income from the sale of other assets	3 116		3 116
Other operating income	105 412		105 412
OPERATING INCOME	1,021 173	1,519,712	2,540 88 5
Provisions and impairment net of reversals and recoveries		(561,021)	(561,021)
	1,021 173	958,691	1 979 86 4
Other expenses and income		-	(1,527,345)
Income after tax			**452 5 19**
Cash and Cash Equivalents at central banks		10 190 370	10 190 370
Cash equivalents at other credit institutions		2,129,308	2,129,308
Available-for-Sale Financial Assets	3,823		3,823
Investments in Credit Institutions	1 795 552	6,730,599	8 528 240
Customer loans	14 420 344	32 489 222	46 90 7 492
Funds from Other Credit Institutions		634 647	634 647
Customer Funds and Other Loans	413 634	66 606 101	67 019 735

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

(Amount in thousand Cabo Verde Escudos – mCve.)

30. RELATED ENTITIES

Caixa's related entities include its shareholders, associated companies and management bodies. As of December 31, 2018 and 2017, Caixa's financial statements included the following balances and transactions with related entities, excluding the management bodies:

	dez/18			
		Shareholders		
	State of Cabo Verde	INPS	IMPAR	Associates
Assets:				
Investments in credit institutions	8.896.000			
Loans to customers				174.753
Investments in subsidiaries, associates and joint ventures				89.938
Other asset	961.516			0
	9.857.516			**264.691**
Liabilities:				
Funds from other credit institutions				56.107
Customer funds and other loans		19.041.703		
		19.041.703		56.107
Income:				
Interest and similar income	653.983			
	653.983			
Costs:				
Interest and similar expenses	186.027	424.700		
	186.027	**424.700**		

	dez/17			
		Shareholders		
	State of Cabo Verde	INPS	IMPAR	Associates
Assets:				
Investments in credit institutions	8.400.000			
Loans to customers				174.753
Investments in subsidiaries, associates and joint ventures				78.339
Other asset	1.034.550			
	9.434.550			**253.092**
Liabilities:				
Funds from other credit institutions			-	116.687
Customer funds and other loans		17.025.405		
		17.025.405		**116.687**
Income:				
Interest and similar income	620.615			
	620.615			
Costs:				
Interest and similar expenses	209.700	10.165	-	
	209.700	**10.165**		

Management Bodies

In 2018, the costs incurred related to the remuneration and other benefits granted to the members of Caixa's Board of Directors amounted to mCve. 25.523 (mCVE. 25.523, for the year 2017) (Note 28).

As of December 31, 2018 and 2017, the amount of loans granted to members of the Board of Directors amounted to mCve. 3.700 and mCve. 4.593, respectively.

31. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Financial risk management policies inherent to Caixa Económica de Cabo Verde's operations

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

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

Foreign exchange risk

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

Liquidity risk

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

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

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

(Amount in thousand Cabo Verde Escudos – mCve.)

As of December 31, 2018 and 2017, the contractual residual terms of the financial instruments are as follows:

	2018						
Residual Maturities Map	**Up to 1 month**	**1 - 3 months**	**3 months - 1 Year**	**1 - 5 Years**	**More than 5 Years**	**Indefinite**	**Total**
Assets:							
Cash and cash equivalents at Central Banks	9 459 301						9 459 301
Cash equivalents at other credit institutions	1 217 059						1 217 059
Investments in credit institutions	8 438 855	402 464	1 113 627	0	0	31 014	9 985 960
Loan to customer	2 242 680	846 896	5 087 550	14 307 225	23 805 872	5 857 620	52 147 844
	21 357 895	**1 249 360**	**6 201 178**	**14 307 225**	**23 805 872**	**5 888 634**	**72 810 164**
Liabilities:							
Cash and cash equivalents at Central Banks	0	0	0	0	0	0	0
Cash equivalents at other credit institutions	-198 320	0	0	0	0	-1756	- 200 076
Customer funds and other loans	- 35 943 438	- 4 512 780	- 19 346 405	- 7 092 304	- 366 667	- 583 105	- 67 844 700
	- 36 141 758	- 4 512 780	- 19 346 405	- 7 092 304	- 366 667	- 584 861	- 68 044 775
Liquidity Gap	**- 14 783 864**	**- 3 263 420**	**- 13 145 227**	**7 214 921**	**23 439 206**	**5 303 773**	**4 765 388**

	2017						
Residual Maturities Map	**Up to 1 month**	**1 - 3 months**	**3 months - 1 Year**	**1 - 5 Years**	**More than 5 Years**	**Indefinite**	**Total**
Assets:							
Cash and cash equivalents at Central Banks	10 190 370						9 459 301
Cash equivalents at other credit institutions	2 129 308						2 129 308
Investments in credit institutions	6 900 000	23 876	1 608 225	0	0	- 3 862	8 528 239
Loan to customer	1 818 797	587 229	4 726 266	13 534 553	23 747 143	6 051 513	50 465 492
	21 038 475	**611 105**	**6 334 491**	**13 534 553**	**23 747 143**	**6 047 651**	**71 313 411**
Liabilities:							
Cash and cash equivalents at Central Banks	0	0	0	0	0	0	0
Cash equivalents at other credit institutions	-581 687	0	- 50 000	0	0	- 2 960	- 634 647
Customer funds and other loans	- 35 368 920	- 5 010 438	- 18 470 759	- 7 154 439	- 400 000	- 615 179	- 67 019 735
	- 35 950 607	- 5 010 438	- 18 520 759	- 7 154 439	- 400 000	- 618 139	- 67 654 382
Liquidity Gap	**- 14 912 132**	**- 4 399 333**	**- 12 186 268**	**6 380 114**	**23 439 206**	**5 429 512**	**3 659 029**

The maturities presented 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 credit overdue.

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.

(Amount in thousand Cabo Verde Escudos – mCve.)

Maximum exposure to credit risk

As of December 31, 2018 and 2017, Caixa's maximum credit risk exposure was as follows:

Maximum Credit Risk Exposure Map

	2018	**2017**
Investments in Credit Institutions	9 985 960	8 528 240
Loans to customers (net of impairment and provisions)	47,592 161	46 907 492
	57 578 121	**55 435 732**
Other commitments:		
Guarantees and sureties (net of provisions)	478 374	750 930
Open Documentary Credits	15 249	14 759
Third-party Loan Management	744 751	701 090
	1,238,374	**1,466,779**
Maximum Credit Risk Exposure	**58 816 495**	**56 902 511**

At December 31, 2018 and 2017, the gross balance of loans to customers, excluding "Other loans and receivables (securitized)", accrued interest or guarantees provided and documentary credits to companies, was as follows:

(Amount in thousand Cabo Verde Escudos – mCve.)

In accordance with IFRS 9 principles, total credit includes accrued interest. Does not include credit, interest receivable, deferred income and costs.

	12/31/2018 Staging Credits 1	Staging Credits 2	Staging Credits 3	Total Credit
Retail				
Mortgage				
Due	10 750 047 500	1,101,943,904	1,691,079 137	13 543 070 541
Overdue	55 267	4,765,952	338 682 790	343 504 010
	10 750 102 768	1,106,709,856	2,029,761,927	13 886 574 551
Comsumption				
Due	4,274,375,831	848 336 615	666 003 108	5 788 715 555
Overdue	9 758	5,414,334	215 354 086	220 778 179
	4,274,385,589	853 750 950	881 357 195	6,009 493 733
Revolving				
Due	278 008 959	99 507 603	7,948,451	385 465 014
Overdue	236 380	2 204 151	58 331 794	60 772 325
	278 245 339	101 711 754	66 280 245	446 237 338
Businesses				
Due	6 784 973 288	354 981 613	1 749 280 699	8 889 235 600
Overdue	0	3 183 151	1,846,485,878	1,849,669,029
	6 784 973 288	358 164 764	3,595,766,577	10 738 904 629
Individual Producers				
Due	398 766 656	302 265 903	247 444 873	948 477 433
Overdue	0	930 857	134 187 041	135 117 897
	398 766 656	303 196 760	381 631 913	1,083,595 330
Financial Institution				
Due	838 089	0	0	838 089
Overdue	0	0	0	0
	838 089	0	0	838 089
Public Sector				
Due	5 202 539 030	225 439 193	96 507	5,428,074,731
Overdue	0	7,362,722	1,067,784	8,430,506
	5 202 539 030	232 801 915	1,164,291	5,436 505 237
Disregard (Outdated_Cr_)				
Due	0	0	0	0
Overdue	0	0	56 615 615	56 615 615
	0	0	56 615 615	56 615 615
Total Credit Due	27 689 549 355	2 932 474 832	4,361,852,775	34 983 876 962
Total overdue credit	301 405	23 861 167	2,650,724,988	2,674,887,561
Total credit	27 689 850 760	2 956 335 999	7,012,577,763	37 658 764 522

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

(Amount in thousand Cabo Verde Escudos – mCve.)

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

Credit quality indicators as of December 31, 2018 and 2017 calculated in accordance with the criteria defined in Notices Series A, paragraph 199 of 01 of January of 20 19, with reference to 12.31.2018, issued by Banco Central de Cabo Verde, are presented as follows:

	201 8	2017
Non-performing loan / Total laon	1 1 , 00 %	10.48%
Net Non-performing loan / Total Net loan	3, 51 %	3.43%

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, 2018 and 2017:

2018

	Audited Balances			Unaudited Balances	
	Book Value	Fair Value	Difference	Book Value	Total Book value
Assets:					
Cash and Cash equivalents and Central Banks	9 459 301	9 459 301	0	0	9 459 301
Cash equivalents at other credit institutions	1 217 059	1 217 059	0	0	1 217 059
Available for Sale Financial Assets	3,823	3,823	0	0	3,823
Investments in Credit Institutions	9 985 960	9 985 960	0	0	9 985 960
Loans to customers	48 150 161	46 317 148	-1 833 012	3,997,683	52 147 844
	68 816 303	**66 983 291**	**-1 833 012**	**3,997,683**	**72 813 986**
Liabilities:					
Funds from central banks			0	0	0
Funds from other credit institutions	-200 076	-200 076	0	0	-200 076
Customer funds and other loans	-67 844 700	-68 387 072	-542 372	0	-67 844 700
	-68 044 775	**-68 587 147**	**-542 372**		**-68 044 775**

(Amount in thousand Cabo Verde Escudos – mCve.)

	2017				
	Audited Balances			Unaudited Balances	
	Book Value	Fair Value	Difference	Book Value	Total Book value
Assets:					
Cash and Cash equivalents and Central Banks	10 190 370	10 190 370	0	0	10 190 370
Cash equivalents at other credit institutions	2,129,308	2,129,308	0	0	2,129,308
Available for Sale Financial Assets	3,823	3,823	0	0	3,823
Investments in Credit Institutions	8 528 240	8 528 240	0	0	8 528 240
Loans to customers	44 475 584	45 291 188	815 604	5,989,909	50 465 493
	65 327 325	**66 142 929**	**815 604**	**5,989,909**	**71 317 234**
Liabilities:					
Funds from central banks				0	0
Funds from other credit institutions	-634 647	-635 298	-651	0	-634 647
Customer funds and other loans	-67 019 735	-68 266 451	-1 246 716	0	-67 019 735
	-67 654 382	**-68 901 749**	**-1 247 367**		**-67 654 382**

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.

(Amount in thousand Cabo Verde Escudos – mCve.)

Sensitivity Analysis - Interest Rate

On December 31, 2018, 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:

2018

Fair value	**-200bp**	**-100bp**	**-50bp**	**+ 50bp**	**+ 100bp**	**+ 200bp**
Asset	-652 358.02	-322 041.53	-167 515.69	122 396.97	258 539.74	514,883.48
Total	-652 358.02	-322 041.53	-167 515.69	122 396.97	258 539.74	514,883.48
Liabilities	-1 861.83	-3 634.72	-4 521.16	-6 294.05	-7 180.50	-8,953.38
Total	-1 861.83	-3 634.72	-4 521.16	-6 294.05	-7 180.50	-8,953.38
Total Gain / Loss	**-650 496.19**	**-318 406.81**	**-162 994.53**	**128 691.02**	**265 720.23**	**523 836.86**

2017

	-200bp	**-100bp**	**-50bp**	**+ 50bp**	**+ 100bp**	**+ 200bp**
Asset	-298 280.17	-283 119.50	-147 308.05	107 535.56	227 219.98	452 570.67
Total	-298 280.17	-283 119.50	-147 308.05	107 535.56	227 219.98	452 570.67
Liabilities	-333.78	-5 448.40	-6 555.70	-8 770.32	-9 877.63	-12 092.25
Total	-333.78	-5 448.40	-6 555.70	-8 770.32	-9 877.63	-12 092.25
Total Gain / Loss	**-295 046.39**	**-277 671.10**	**-140 752.35**	**116 305.88**	**237 097.61**	**464 662.92**

The following table shows the effect on the projected net interest income for the years 2018 and 2017, 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 PROJECTION

2018

	-200 bp	-100 bp	-50 bp	+50 bp	+100 bp	+200 bp
FY 2017	-12 604.54	-6 302.27	-3 151.14	3 151.14	6 302.27	12 604.54
FY 2018	-12 604.54	-6 302.27	-3 151.14	3 151.14	6 302.27	12 604.54

(Amount in thousand Cabo Verde Escudos – mCve.)

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 2018 and 2017, 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, 2018 and 2017. Such impacts correspond exclusively to corporate bonds held by Caixa.

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

As of December 31, 2018 and 2017, loans to customers, totaling mCve 26,271,857 and mCve. 27,165,795, respectively, were mainly granted at a fixed rate.

Breakdown of financial instruments by currency

At December 31, 2018 and 20 7, the financial instruments were broken down as follows, by currency:

Foreign exchange Risk Map	**2018**				
	Currency				
	CVE	Euros	USD	Others	Total
Assets:					
Cash and cash equivalents at central banks	8,055,749	1,127,338	229 967	46 247	9 459 301
Cash equivalents at other credit institutions	51 268	631 244	432 392	102 156	1 217 059
Available for Sale Financial Assets	0	3,823	0	0	3,823
Investments in credit institutions	9,698,869	108 225	178 866	0	9 985 960
Loans to customers (Gross balance)	52 147 839	5th	0	0	52 147 844
Other assets (net value) Remove Account 3584 + 3580	2,152,932	48 715	43 345	6 361	2,251,353
	72 106 656	**1 919 348**	**884 571**	**154 764**	**75 065 339**
Liability					
Funds from other credit institutions	-176 840	-16 848	-6,387	0	-200 076
Customer funds and other loans	-66 163 735	-791 842	-877 422	-11 701	-67 844 700
Other liabilities	939 538	-1 106 836	-762	-143 063	-311 122
Other reserves and retained earnings	-2 639 099	-3 823	0	0	-2 642 921
	-68 040 136	**-1 919 348**	**-884 571**	**-154 764**	**-70 998 819**
Net Exposure	**4,066 520**	**0**	**0**	**0**	**4,066 520**

(Amount in thousand Cabo Verde Escudos – mCve.)

	2017				
	Currency				
	CVE	Euros	US $	Others	Total
Assets:					
Cash and cash equivalents at central banks	7,731,031	2,212,301	196,507	50,533	10,190,370
Cash equivalents at other credit institutions	81,460	1,472,211	543,792	31,845	2,129,308
Available for Sale Financial Assets	0	3,823	0	0	3,823
Investments in credit institutions	8,396,138	108,225	23,876	0	8,528,240
Loans to customers (Gross balance)	50,465,485	2	6th	0	50,465,493
Other assets (net value) Remove Account	2,338,664	44,915	1,030	0	2,384,610
	69,012,777	**3,841,476**	**765,212**	**82,378**	**73,701,842**
Liability					
Funds from other credit institutions	-625,770	-3,378	-5,500	0	-634,647
Customer funds and other loans	-64,627,845	-1,640,953	-745,653	-5,284	-67,019,735
Other liabilities	1,962,019	-2,193,323	-14,059	-77,094	-322,456
Other reserves and retained earnings	-2,299,131	-3,823	0	0	-2,302,954
	-65,590,727	**-3,841,476**	**-765,212**	**-82,378**	**-70,279,792**
Net Exposure	**3,422,051**	**0**	**0**	**0**	**3,422,051**

32. CAPITAL MANAGEMENT

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

(Amount in thousand Cabo Verde Escudos – mCve.)

- Tier 2 capital, which are limited to 100% of the core capital amount and are made up primarily of subordinated loans

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

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

As of December 31, 2018 and 2017, Caixa Económica de Cabo Verde complied with regulatory requirements as follows:

	Own funds	Solvability	Fixed assets limit
2018	4,145,008	15.70%	198.40%
2017	4,136,245	15.78%	199.98%

33. Subsequent Events

The shareholder Geocapital has informed Caixa and the market of its intention to dispose all of its shares in Caixa's share capital.

On April 24, 2019, Banco de Cabo Verde informed IHCV - International Holding Cabo Verde, SGPS Sociedade Unipessoal, Lda., represented by Mr. Enrique Bañuelos de Castro, that it had no objection to the acquisition of a qualifying holding, corresponding to 27,44%, in the share capital of Caixa Económica de Cabo Verde.