

Annual Report | 2014



NÓS BANCO NA NÓS TERA
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1 – STATUTORY BODIES

The general meeting of Banco Comercial do Atlântico (BCA), held on 4 September 2012, under the terms of article 13 of its articles of association, elected the members of its statutory bodies whose composition was changed to the following on 4 June 2013:

General meeting

Chairman: Amaro Alexandre da Luz (representing the state of Cape Verde)

Vice-Chairman: David Hopffer Almada

Secretary: Salomão Jorge Barbosa Ribeiro

Board of directors

The board of directors, comprising a chairman and four board members, two of whom non-executive, is appointed by the general meeting:

Chairman: António José de Castro Guerra (representing Caixa Geral de Depósitos)

Board member: Fernando Jorge do Livramento Santos da Moeda

Board member: Maria Eduarda Simões Lopes Branco Vicente (up to 30 September 2014)

Board member: Francisco Pinto Machado Costa (from 17 November 2014)

Board member: Ana Isabel Pais Vinagre Tomázio

Board member: Avelino Bonifácio Fernandes Lopes

Auditors

Acting: Deloitte & Associados, SROC S.A., represented by João Carlos Henriques Gomes Ferreira

Deputising: Carlos Luis Oliveira de Melo Loureiro

The executive committee, comprising three members, is appointed by the board of directors:

António José de Castro Guerra – Chairman

Fernando Jorge do Livramento Santos da Moeda

Maria Eduarda Simões Lopes Branco Vicente (up to 30 September 2014)

Francisco Pinto Machado Costa (from 17 November 2014)

2 – SHARE CAPITAL

BCA has a share capital of CVE 1,324,765,000 (one billion, three hundred and twenty four million, seven hundred and sixty five thousand Cape Verde escudos) which, at 31 December 2014, was held by the shareholders set out in the following table. The equity stakes held by Caixa Geral de Depósitos Group, SA, Banco InterAtlântico, SA, Garantia – Companhia de Seguros de Cabo-Verde, SA and the state of Cape Verde were qualified

Share capital at 31/12/2014

Shareholder	Amount	CVE
		Percentage
CGD/INTERATLÂNTICO	697.446.000	52,65%
CGD	89.504.000	6,76%
GARANTIA	76.322.000	5,76%
STATE	132.476.000	10,00%
ASA - AEROPORTO E SEGURANÇA AÉREA, SA	28.780.000	2,17%
WORKERS	31.875.000	2,41%
OTHER SHAREHOLDERS	268.362.000	20,26%
TOTAL	1.324.765.000	100,00%

3 – KEY INDICATORS

Main amounts and indicators - activity and net income

Variables	Unit	2013	2014	Change
BALANCE SHEET				
Total assets	CVE million	70,327	74,801	6.4%
Total credit (net)	CVE million	39,168	37,805	-3.5%
Total liabilities	CVE million	65,837	69,941	6.2%
Customer resources	CVE million	58,968	62,866	6.6%
Shareholders' equity	CVE million	4,490	4,860	8.2%
OPERATING INCOME				
Net interest income	CVE million	1,913	1,831	-4.3%
+Non-interest income	CVE million	719	759	5.6%
=Net operating income	CVE million	2,632	2,590	-1.6%
-Administrative costs	CVE million	2,113	1,998	-5.5%
=Operating cash flow	CVE million	518	593	14.3%
+Income from subsidiaries excluded from the consolidation	CVE million	40	78	96.1%
-Depreciation for period	CVE million	192	187	-2.4%
-Impairment/provisions (net) for period	CVE million	69	187	170.8%
-Income tax	CVE million	78	-	-100.0%
=Net income for period	CVE million	220	297	35.4%
RATIOS				
Overdue credit/loans and advances to customers	%	14.8%	17.1%	
Credit overdue > 90 days/loans and advances to customers	%	13.9%	16.3%	
Impaired credit/overdue credit	%	64.1%	62.6%	
Impaired credit and bonds/overdue credit	%	67.1%	64.2%	
Loans and advances to customers/customer deposits	%	68.2%	61.4%	
Net income/shareholders' equity (ROE)	%	5.3%	6.4%	
Net income/assets (ROA)	%	0.3%	0.4%	
Solvency ratio	%	13.27%	14.89%	
OPERATING				
Cost-to-income, including pension fund	%	87.6%	84.3%	
Cost-to-income, excluding pension fund	%	72.8%	73.1%	
Total assets /total active employees	CVE million	162	167	3.5%
Credit and total deposits/number of active employees	CVE million	223	224	0.6%
Credit and total deposits/number of branches	CVE million	2,934	3,034	3.4%
Total number of active employees	Unit	435	447	2.8%
Number of permanent active employees	Unit	388	393	1.3%
Number of branches	Unit	33	33	0.0%

4 – CHAIRMAN'S STATEMENT

Dear Shareholders, Customers and Employees

In 2014, as in 2012 and 2013, the context in which BCA operated was highly adverse. Whereas credit across the national financial system as a whole grew 9% in 2011, in 2012 it was up by no more than 0.3% and, in 2013, by 2% and is estimated have declined 0.1% in 2014. Weak credit growth/stagnation is associated with significant levels of default.

Cape Verde's credit market continues to reflect the relatively unfavourable conditions in the international economy and domestic surrounds whose impacts have been continuously and cumulatively felt in terms of the expectations of all economic agents and have affected the performance of GDP and employment. Following growth of 4% in 2011, GDP trended to lower, less expressive rates between 2012 and 2014.

World GDP with a growth rate of 5.2%, in 2010, has, since then trended downwards to 3.3% in 2013 and 2014. The growth rate of countries in the most prosperous economies, in said period, underperformed average world economic growth and even that of the emerging and developing economies, including the Sub-Saharan economies have experienced decelerating growth rates since 2010.

The eurozone has continued to contend with an environment marked by deficit adjustment programmes and sovereign debt levels in several countries which have had a highly negative impact on the operation of its financial system, lending to companies and households in a large number of its member states and their respective GDP and employment levels.

All the signs are that 2014 marked a turning point, as the eurozone, during the year in question grew by around 1% and with projections pointing to growth of 1.5% in 2015 and 2.1% in 2017. In the eurozone, in a context of continued low inflation, growth is leveraged, by order of importance, by exports, gross fixed capital formation and private consumption. World economic growth projections are heading in the same direction.

In such an environment, the performance of the Portuguese and Spanish economies – with which Cape Verde's economy is particularly integrated – translated into negative growth rates for three and two consecutive years, respectively and consequently very high levels of unemployment.

The good news is that the growth rates of these two economies, in 2014, was slightly higher than the eurozone rate. Over the 2015-2016 timeframe, they are expected to grow at increasing rates in line with the growth estimates of the zone in which they are both integrated. Three factors indicate the sustainability of such growth: the euro's depreciation against the dollar, increasing Europe's competitiveness *vis-à-vis* non-Community markets and the ECB's and EC's recent resolutions to combat deflation and promote investment; together with the substantial fall in oil prices.

The US economy, after contending with negative growth, in 2009, in line with the recession faced by all of the advanced economies in the same year, grew at rates of between 1.8% and 2.4% up to 2013 and is expected to continue to grow at rates of more than 3.6% in 2015 and 3.3% in 2016, respectively.

With its main trading partners in recession or with very low growth rates up to the end of 2014, Cape Verde's economy was particularly penalised in both economic terms and its borrowing conditions – a trend towards lower levels of FDI (foreign direct investment) and the growth rates of its emigrants' remittances, reduction of unilateral transfers, less favourable terms on international loans having a negative impact on GDP growth. Cape Verde's economy effectively grew by no more than an annual average of around 1.0% between 2012 and 2014, notwithstanding its anti-cyclical budget policy.

Budget policy, as expressed in an ambitious public investment programme to reduce the country's infrastructural deficit, failed to sufficiently offset the negative effects of the international environment on GDP growth, particularly in the case of private investment and household consumption and fiscal and other income and, consequently, public debt levels.

Monetary policy, primarily geared to maintaining the parity between the Cape Verde escudo and euro, at the end of 2011 and across part of 2012, translated into a reduction of liquidity in the financial system, leading the banks to take measures to protect their deposits base, through significantly higher interest on longer term borrowing rates.

In 2012 and 2013, customer resources in the financial system were up 5.6% and 20%, respectively and the data available for 2014 continue to point towards growth. However, owing to the contraction of economic activity and particularly the more negative expectations of economic operators – with significant leveraging levels – demand for credit was down. While easing the banks' liquidity restrictions starting second half 2012 and across the whole of 2013, it also had negative effects on net interest income, which was also worsened by credit portfolio default levels.

Starting 2nd half 2012 and across the whole of 2013 and 2014, demand for liquidity available from the banks failed to materialise in terms of quantity or the desired quality and alternative investments for resources, namely central bank and Treasury bonds, with their falling interest rates upon the close of their successive issuances were also contributory factors in the contraction of net interest income.

The monetary policy measures to incentivise the banks to increase their lending to the economy, taken in March and October 2014, failed to produce the desired effect. This is because of the high level of leveraging in the economy, the diminishing confidence levels of economic agents and still high growth of the average funding cost which had an inhibiting effect on monetary policy transmission mechanisms which were intended to be expansionary. BCA, however, in its desire to comply with the guidelines issued by the central bank, set up a CVE 1 billion line of credit for SMEs (small and medium size enterprises) at lower interest rates for new investments, at the end of the 3rd quarter.

Contraction in demand for credit together with a liquidity surplus in the financial system increased the negotiating capacity of major customers and led to greater warring among all market competitors, reducing the difference between lending and borrowing rates. As a consequence, BCA's net interest income fell from 10.6% in 2013 and 4.3% in 2014, to CVE 1.91 billion and CVE 1.83 billion, respectively.

Although non-interest income was also down 3.5% in 2013, it was up 5.6% in 2014. The combination effect of both margins generated a slightly lower level of net operating income of CVE 2.63 billion in 2013 and CVE 2.59 billion in 2014.

The board of directors' advance perception of market dynamics led to a focus on four strategic objectives:

- Tighter control over the quality of the credit portfolio, bringing forward restructuring operations and issues of more loans, with very careful scrutiny of the specific risk attached to each operation;
- Greater attention to operational risks and internal control mechanisms;
- Better quality of service and performance from employees, based on their qualification and motivation;
- Protection of the bank's profitability, based on initiatives designed to improve net operating income, net interest income and non-interest income, control costs and improve efficiency ratios.

With this strategic focus and an improved domestic and international situation, we consider a sustained trend reversal in net income and an improvement in the bank's shareholder's equity to be probable.

In spite of the continued increase of impairment levels, net income for 2014 was up 35.4% over 2013, to CVE 297 million. The bank's solvency ratio continues to be much higher than required by the central bank, up from 11.78% in 2012 to 13.27% in 2013 and 14.94% in 2014. This evolution is necessary to enable BCA to continue to contend with an adverse economic environment whose evolution is beyond its control owing to the fact that it is critically dependent upon factors involved in the international and domestic environment in which it operates.

If international economic signals are positive, with the eurozone finally being expected to achieve sustained growth, in domestic terms, monetary and fiscal policy are divergent as regards the signals being conveyed to the economy. In light of the recent resolutions passed by the Bank of Cape Verde (BCV), although monetary policy has been designed to boost lending, the fiscal component of budget policy may put a brake on the desired growth of the domestic economy. We expect, nevertheless, that Cape Verde's economy will be able to achieve higher growth rates than over the last three year period.

Following three years of a highly adverse economic environment, BCA's improved performance in various areas was only possible owing to the professionalism and dedication of the Bank's senior staff and their teams which therefore deserve the Bank's recognition and gratitude. We have no doubt that we will be able to continue to rely upon the dedication and professionalism of our staff in surmounting the challenges facing us in the future.

On behalf of BCA's board of directors we also wish to take advantage of this opportunity to express our gratitude and appreciation to all shareholders, board of the general meeting, auditors, Bank of Cape Verde, and the General Securities Market Audit Authority, Stock Exchange and external auditors for all of their collaboration and competence in overseeing the bank's current management.

We are grateful for the confidence of our customers who are our *raison d'être* and wish to reiterate our full commitment to meeting their expectations, by strengthening our proximity approach and providing them with

products and services compatible with their interests and needs, strengthening their loyalty to the Bank, based on trust, reciprocal respect and interests.

5 – INTERNATIONAL AND DOMESTIC ENVIRONMENT

5.1 – INTERNATIONAL

The statistics show a moderate recovery of global economic activity in 2014 and a certain improvement of conditions in the financial markets. According to the Bank of Cape Verde in its November monetary policy report, the performance of the advanced economies continues to be highly constrained by the legacies of the cycle of economic boom predating the financial crisis, with the emerging and developing economies, in turn, continuing to drive global growth, in spite of the adjustment of their performance and more contained growth potential, geared more to domestic demand.

The following table provides information on the evolution of the main macroeconomic indicators.

	Indicators					
	GDP		Inflation		Unemployment	
	2013	2014p	2013	2014p	2013	2014p
USA	2.2%	2.2%	1.5%	2.0%	6.7%	5.6%
Eurozone	-0.4%	0.8%	1.3%	0.5%	11.9%	11.6%
Portugal	-1.4%	0.9%	0.4%	-0.2%	16.2%	13.9%
Germany	0.5%	1.4%	1.6%	0.9%	5.3%	5.3%
Japan	1.5%	0.9%	0.4%	2.7%	4.0%	3.7%
Emerging economies	2.2%	0.8%	6.4%	7.9%	n.a.	
Brazil	2.5%	0.3%	6.2%	6.3%	5.4%	5.5%
Russia	1.3%	0.2%	6.8%	7.4%	5.5%	5.6%
Emerging Asia	6.6%	6.5%	4.7%	4.1%	n.a.	
India	5.0%	5.6%	9.5%	7.8%	n.a.	
China	7.7%	7.4%	2.6%	2.3%	4.1%	4.1%
Sub-Saharan Africa	5.1%	5.1%	6.6%	6.7%	n.a.	
Global economy	3.0%	3.3%			n.a.	

Sources: IMF, Proj Oct14

In the **US**, following deceleration in first quarter 2014, growth in the 2nd quarter was stronger and accompanied by a gradual but consistently lower unemployment (from 6.7% in December 2013 to 5.6% in December 2014). The IMF, however, considers that owing to the existence of negative risks, for the purpose of sustaining domestic recovery, the normalisation of monetary policy should be gradual. IMF estimates for the US, in 2014, are for GDP growth of 2.2%, the same as in 2013.

The **eurozone** posted slight recovery across 2014, notwithstanding a certain stagnation in the second quarter of the year. The more favourable economic performance is backed by an improvement of economic sentiment and a certain easing of the fiscal consolidation policy. Several factors, however, such as lower domestic demand, high levels of debt and unemployment, continue to represent challenges to robust, sustained economic growth. According to the IMF's latest projections, eurozone GDP is likely to have grown 0.8% in 2014.

The **Portuguese economy** continued to stabilise across the first three quarters of 2014. However the Bank of Portugal's most recent projections for the fourth quarter discontinue the trajectory of the gradual recovery of activity, starting 2013, as a reflection of the continuation of the gradual macroeconomic imbalances adjustment policy,

translating into an estimated average annual GDP rate of 0.9% in 2014. Growth of economic activity, in 2014, was accompanied by higher employment in a reversal of the downwards trend in evidence since 2009, albeit still remaining at a high level of 13.9% according to data published by the Bank of Portugal. The referred to Bank of Portugal report, in turn, states that the Harmonised Index of Consumer Prices was down 0.2% in 2014, following an increase of 0.4% in 2013.

As regards **China**, whose property market weighs increasingly ever heavily on industry and investment, GDP growth decelerated in the third quarter, to 7.4% on an annual comparison basis, according to information from the National Bureau of Statistics. Following growth of 7.7% in 2012 and 2013, the IMF is forecasting growth of 7.4% for 2014. This will be the country's worst result in a quarter of a century.

GDP, in **Japan**, is expected to post growth of 0.9% in 2014.

The growth forecast for the **Sub-Saharan Africa** region, in 2014, is 5.1%, as a reflection of the improved prospects for a large number of countries (more specifically oil exporting and low income countries). These prospects were gainsaid by the fall in oil prices and are subject to other risks of deterioration, resulting both from external factors (possible deceleration of the emerging economies and adverse global financial conditions) and internal factors (fiscal imbalances, socio-political conditions and the Ebola virus in several countries).

5.2 – DOMESTIC

5.2.1– General

The slight improvement of Cape Verde's external economic environment has favoured demand for exports of domestically manufactured tradable goods, emigrants' remittances and recovery of foreign direct investment in Cape Verde. The evolution of the economic indicators published by the National Institute of Statistics suggests, however, that economic activity will continue to be constrained by low external demand, persistent financial difficulties and excess bureaucracy, having a conditioning effect on the business environment. According to the Bank of Cape Verde and the latest projections, economic growth in 2014 was between 1% and 2%.

Inflationary pressures in an environment of a reduction of imported inflation and moderate economic growth, were largely contained across the year, resulting in the appearance of a deflationary scenario in September with the Consumer Price Index recording a change of -0.2% in December 2014.

The following table provides information on the evolution of several domestic economic indicators:

Domestic macroeconomic indicators

Indicators	Units	Forecast	
		2013	2014
Real GDP	%	0.5	1 a 2
Public debt ratio	% of GDP	99.9	107.2
Average annual exchange rate	USD/CVE	80.5	89.4
Inflation	Average annual change	1.5%	-0.2%
Unemployment	%	16.4	15.8
Foreign direct investment	CVE million	1,949	2,391
Money supply	Annual % change	10.9	7.3
Foreign currency reserves	Import months	4.9	4.8
Emigrants' remittances	CVE million	13,779	14,576
Lending to the economy	Change	2.0%	-0.1%

Source: State Budget 2015, BCV and INE

According to the data published in the central bank's monetary policy report, the performance of the external accounts up to the third quarter was less favourable. Notwithstanding a positive evolution of emigrants' remittances (up by 6% year-on-year to September 2014) and the slight increase of exports up to the third quarter, data in the meantime suggest a worsening of the current account balance. Accelerating domestic demand, in a context of a slowdown in tourism, explains the worsening current account situation in the first nine months of the year.

The economy's higher borrowing requirements were accompanied by an increase of inflows of foreign direct investment and a decline in banks' investments of financial assets abroad. In such a context, net foreign reserves were up to €359 million at the end of September, covering 4.8 goods and services import months projected for 2014.

The monetary and financial situation also continue to be driven by the development of the external accounts and the state's greater recourse to domestic debt.

Following growth of around 2% recorded at the end of 2013, lending to the economy started to trend downwards, having, since June, recorded negative growth rates in spite of the strengthening of accommodative monetary policy measures. The statistics suggest that the evolution of lending to the economy is highly related to credit risks, greater uncertainty and risks constraining the dynamics of economic activity in addition to the persistence of structural constraints influencing the business environment. According to the Bank of Cape Verde, 2015 is likely to witness the maintenance of restrictions on lending to the economy with the continuation of risk aversion from the banks and deficit in demand for finance for profitable projects.

The evolution of bank funding ran contrary to the evolution of credit, strengthening the liquidity position felt across the year. Deposits continued to accelerate along a growth path in the first nine months of the year, fuelled by the continuous increase in residents' sight and terms deposits (8.6% and 14.4%, respectively) and an increase of around 9% in emigrants' deposits.

In spite of the less favourable macroeconomic environment, Cape Verde continued to merit the consideration of the main international institutions, having risen eight places, from 122nd to 114th in the world competitiveness ranking, as published by the World Economic Forum and, in terms of CPLP (Portuguese Language Community) comes

ahead of Angola, East Timor and Mozambique. As published in the Freedom House report, in May, Cape Verde came 24th, with 27 points, in the ranking of countries which are considered to have free presses and is, once again, the best placed CPLP and ECOWAS (Economic Community of West African States) country in a year in which there has been an across-the-board decline in rights, freedoms and guarantees.

Cape Verde slipped two places, to 123rd in 2014 in the Human Development Index published by UNDP. There was an improvement in its assessment by the Ibrahim African Governance Index (IIGA) in 2014 and it regained 2nd place from Botswana, coming only after the Mauritius Islands in the assessment on 52 African countries and continues to be the best of all Lusophone countries, ahead of São Tomé e Príncipe (12th), Mozambique (22nd), Angola (44th) and Guinea Bissau (48th).

5.2.2 – Financial system

In a framework of low economic growth, low inflationary pressure and absence of imminent, significant pressure on its balance of payments, the Bank of Cape Verde, furthering its policy of easing the money supply, reduced its key reference lending rate by 150 bp in March 2014 and by more than 50 bp on 1 August from 5.75% to 3.75%. Its aim was to improve monetary policy efficacy and, at the same time provide the market with a boost, protecting foreign exchange and price stability.

The following official notices and regulations were published in 2014:

- Financial System Base Law – Law 61/VIII/2014 of 23 April, setting out the guidelines and nominative reference framework for the financial system, establishing the regulatory and supervisory rules for financial markets, public intervention in the sphere of the prevention, management and resolution of banking crises, guarantee system, resolution of conflicts, relationships with international financial organisations and the supervisory authorities of other states and self-regulation, in addition to the respective sanctions regime.
- Law Governing the Activities of Financial Institutions: Law 62/VIII of 23 April, which regulates the process for the establishment of financial institutions and auxiliaries in the financial system, their authorisation and special registration procedures with the Bank of Cape Verde, in addition to their provision of services, performance of activities and financial operations, establishing the rules governing financial activity, supervisory authority and dissolution and liquidation, state intervention for the management of banking crises, markets and activities, financial services and instruments and establishing the respective supervision and sanctions regime.
- Official notice 2/2014 of 17 October, developing the rules governing the Bank of Cape Verde's performance of a supervisory function, as regards methods, processes and criteria for the analysis and assessment applicable to the regular supervisory process on financial institutions, *inter alia*.
- Official notice 3/2014 of 17 October which establishes and develops the rules and procedures to be complied with by institutions in their relationship with customers.
- Official notice 4/2014 of 17 October which applies to members of the board of directors and audit boards of financial institutions.

- Official notice 5/2014 of 17 October which establishes the rules to be complied with in on the communication of qualified investments in financial institutions.
- Decree law 2/2014 of 16 January, as a consequence of the need felt, following the publication of the new Securities Code, establishing the requirements to be complied with by centralised securities management systems.
- Decree law 3/2014 of 16 January, changing the Legal Regime on Collective Investment Bodies, approved by Decree Law 15/2005 of 14 February.
- Decree law 38/2014 of 1 August approving the articles of association of the Cape Verde Stock Exchange.
- Resolution 77/2014 of 7 October, Resolution 78/2014 and Resolution 95/2014 of 12 November, authorising the Minister of Finance and Planning, on behalf of the state of Cape Verde, to dispose of the state's equity investments in Banco Comercial do Atlântico - BCA, Garantia - Companhia de Seguros de Cabo Verde, S.A., and ENACOL - Empresa Nacional de Combustíveis, S.A., pursuant to the terms and conditions set out at law.
- Decree law 64/2014 of 17 November which approves the issue of a new series of 200\$00 (two hundred escudos), 500\$00 (five hundred escudos), 1,000\$00 (one thousand escudos), 2,000\$00 (two thousand escudos) and 5,000\$00 (five thousand escudos) banknotes, as described in the annex to the referred to statute.
- AGMVM regulation 1/2014 of 27 November, changing article 5 - "Format and Requirability" of AGMVM regulation 7/2013 of 3 May which establishes the rules on the dispensation, registration or approval, structure and disclosure of prospectuses on public offerings whose wording has been changed.

5.2.3 – BCA in the Financial System

Cape Verde's financial sector, comprising eight commercial and seven offshore banks operating in the market in 2014, continues to be highly competitive.

Notwithstanding the adverse context, BCA continues to occupy a leading position in Cape Verde's banking sector and retains its status as a benchmark bank trusted by Cape Verde's citizens. Reference should be made to its market share, both as regards credit and customer resources of 38.7% (for credit in December 2014) and 39.8% (for deposits in September 2014). Its domestic footprint continues to include a network of 33 branch offices and particularly four "corporate offices".

BCA remained strongly committed to electronic means of payment, in 2014, having issued an additional 36,458 Vinti4 cards during the course of the year. The production of BCA's Vinti4 card represented 42% of the whole of the branch office network's production, up 8% by 6,531 units over the preceding year.

BCA had 62,266 active cards in circulation at 31 December 2014, representing a market share of 35%.

BCA also produced 850 VISA credit cards, 650 of which renewals or replacement cards and 200 new issuances. At 31 December 2014 the Bank had a total number of 1,610 active Visa credit cards. The BCA Visa Flex prepaid card continues to be the BCA Visa card with the highest number of issuances in 2014, with 3,053 cards of which 1,735 (57%) were renewals and 1,318 (43%) new issuances, totalling 4,918 cards.

6 – STRATEGIC VISION 2014

Set against the framework of the major guidelines for 2013 and 2014, drawn up by the board of directors and embodying BCA's sense of mission in its goal of continuing to be the biggest and best bank in Cape Verde's financial system, maintaining its market shares without any deterioration of its credit portfolio and improving its efficiency levels, special emphasis has been placed on strengthening and developing the following strategic objectives

Protection of BCA's profitability by means of:

1. *Cost control and improved efficiency ratios*

Given market conditions, results can only be improved and sustained on the basis of very careful management of the cost structure in which rationalisation, higher productivity and efficiency are day-to-day concerns. This originates an attitude permanently geared to eliminating unnecessary expense and waste. Rigour in the preparation of the budget and systematic control of budget performance are also decisive factors for achieving the desired objective.

2. *Higher levels of net operating income: net interest income and non-interest income in BCA*

Given its dimension, BCA will always be a bank with a highly marked universal vocation as a credit institution for customers from all strata and segments. This explains the need to emphasise concern over improving the quality of service and customer helpdesks, strengthening its segmentation principles and maintaining a special focus on the emigrants' segment. Reference should also be made to its proactive approach to securing new business areas and finding new customers, in a framework of new spaces and relationship models. In the current context of a contracting/stagnating credit market, these are the operational thrusts designed to improve/contain the lower level of net operating income currently being witnessed, in line with market evolution.

Improvement of credit portfolio quality

In an economic environment, whose evolution is still unclear, prudence as regards commercial, foreign exchange, market and other risks, having a direct impact in the balance sheet is of paramount concern. The strengthening of exacting, rigorous levels with the introduction of new mechanisms, control and oversight instruments will, at the very least, prevent a deterioration of default levels. All resources and structures available to manage and endeavour to constantly achieve settlements of non-performing loans will be cumulatively perfected and continue to be one of the bank's main priorities.

Operational risk and internal control (ROCI)

The reduction of operational risk continues to be a transversal project across all Divisions with the objective of helping to significantly improve efficiency, the Bank's *modus operandi* and administrative routines, resulting in effective gains in structural terms and consequently the Bank's results. The corporate management of Operational Risk and Internal Control was replaced by *DOI – Direcção de Organização e Inovação*, in 2014, in a change of status within the Bank's organisational framework.

Better performance based on the promotion and motivation of our employees

A leading bank in the financial system must have the ambition to hire the best employees in the sector and succeed in keeping them motivated on the basis of transparent performance policies designed to promote professional careers in which the sustained recognition of merit and talent are prevalent factors. Teamwork, motivation to improve and a target-led approach are the essential drivers behind BCA's improved market performance.

7. – COMMERCIAL ACTIVITY

7.1. – RESOURCES

An approach geared to the quality of customer service, product innovation, the recognition afforded by Cape Verde's citizens, both in-country and its diaspora, and its selection for the fifth consecutive year as the **Brand of Confidence** make BCA a benchmark operator in the domestic banking market.

In line with the proposed objective for the current year, the total resources taken balance was up 6.6% to CVE 62 billion. This evolution was based on the combination of a 7.8% increase in customer deposits and an almost 100% decline in sales of securities with repurchase agreements (repo operations) in the secondary market. The 10.4% increase over December 2013 in term deposits, including savings accounts was very positive. Sight deposits were also up 3.2% in 2014, in comparison to the same period of the preceding year.

Information on the evolution of customer resources over the last two years is set out in the following table:

Customer resources				
Type	2013	2014	(CVE million)	
			Change	
			Total	Percent
Deposits	57,556	62,036	4,479	7.8%
Sight deposits	20,768	21,438	670	3.2%
Term deposits	33,473	37,262	3,789	11.3%
Savings accounts	3,316	3,335	19	0.6%
Secondary market securities - repos	652	-	-652	-100.0%
Total customer resources	58,208	62,036	3,827	6.6%

By customer segment, most deposits with BCA were held by individual customers, up 5.3%, to 81.3% (against 83.3% in December 2013). Corporate deposits, driven by term deposits with an increase of 122.9% were up 20.1% over the preceding year. Total emigrants' deposits account for 51.3% of BCA's total deposits portfolio and were up 5% over December 2013.

Customer deposits by type					Customer deposits by segment				
Type	2013	2014	(CVE million)		Segments	2013	2014	(CVE million)	
			Change					Change	
			Total	Percent				Total	Percent
Sight deposits					Corporate				
Residents	14,559	14,937	378	2.6%	Sight deposits	8,166	8,312	146	1.8%
Emigrants	4,134	4,384	250	6.0%	Term deposits	1,452	3,238	1,786	123.0%
Non-residents	2,075	2,117	43	2.1%	Total	9,618	11,550	1,932	20.1%
Total	20,768	21,438	670	3.2%	Individual customers				
Term deposits					Sight deposits	12,602	13,127	524	4.2%
Residents	9,798	11,890	2,092	21.4%	Term deposits	32,020	34,024	2,004	6.3%
Emigrants	26,151	27,429	1,278	4.9%	Savings accounts	3,316	3,335	19	0.6%
Non-residents	839	1,278	439	52.3%	Total	47,938	50,486	2,547	5.3%
Total	36,788	40,597	3,809	10.4%	Total deposits	57,556	62,036	4,479	7.8%
Total deposits	57,556	62,036	4,479	7.8%					

The inception of the new Treasury Securities Platform in the stock exchange, on 28 May 2013, gave customers direct access to the primary market, with the Bank no longer able to provide repo operations.

7.2. – CREDIT

7.2.1 – Constraints on lending activity

The slowdown in the rate of domestic economic growth, across 2014, marked by the uncertainty of economic agents, with its impact on investment, had a constraining effect on activity in the banking sector in general and was a contributory factor to the ongoing deterioration of the quality of banks' credit portfolios. This was accompanied by growing competition, with new business models and new supervisory and regulatory requirements imposed by the Central Bank of Cape Verde, in a paradigm shift requiring an increasingly proactive and challenging level of performance by the Bank during the course of the year.

The Central Bank of Cape Verde, in its adoption of a risk-based supervisory approach, took several steps, including its issue of official notice 2/2014 of 17 October, in respect of the rules governing the performance of the supervisory function, namely as regards issues such as, *inter alia*: methods, processes and analysis and assessment criteria applicable in the sphere of the regular supervision process on financial institutions.

In light of the economic situation in the country and financial sector, BCA adopted a prudent approach to the issue of new loans, both on account of the limited number of viable commercial projects and restrictive criteria on lending to individual customers, owing to the reduction of household disposable income and consequently impaired loan repayment and self-financing capacity, with the aim of minimising risk and always endeavouring to protect the Bank's profitability, in line with its strategic guidelines. The gradual recovery of international economic partners and an across-the-board improvement of the growth of the domestic economy are, however, expected in 2015.

7.2.2 – Lending analysis

Total new loans, in 2014, including restructured credit were down 22.6% by CVE 1,949 million over 2013 to around CVE 6.6 billion, conditioned by negative business sector evolution, accounting for 55.6% of this year's total lending. Lending to corporates, during the year, was accordingly, down 30% over 2013, owing to fewer private initiatives, deriving from their lack of financial capacity, fewer business opportunities and higher default levels. The decline, in

the case of individual customers, was 10.7% (15% on own home and buy-to-let mortgages) particularly explained by lower household income levels. Such values are indicative of the deterioration of domestic economic activity, unfavourable conditions affecting market evolution and their effect on banking activity.

To remedy this drop in financing, BCA issued a CVE 1 billion line of credit for small and medium sized enterprises, in September 2014 with the aim of backing and strengthening lending to such companies.

The following table shows the evolution of credit by customer segment over the last two years.

Credit by customer segment					(CVE million)	
Segments	2013	2014	Change		Structural	
			Total	Percent	2013	2014
Corporate	5,303	3,710	-1,593	-30.0%	61.5%	55.6%
Short term	2,837	2,484	-353	-12.4%	32.9%	37.3%
Medium/long term	2,466	1,225	-1,241	-50.3%	28.6%	18.4%
Individual customers	3,313	2,957	-356	-10.7%	38.5%	44.4%
Housing loans	1,358	1,154	-204	-15.0%	15.8%	17.3%
Consumer credit	1,955	1,804	-152	-7.8%	22.7%	27.1%
Total credit	8,616	6,667	-1,949	-22.6%	100.0%	100.0%

Lending was down over December 2013, particularly owing to medium and long term loans which were down 27.9%. This evolution largely derived from the decline in loans to corporates and individual customers for home ownership and buy-to-let mortgages of 50.3% and 15% respectively. The reduction of credit to individual customers particularly derives from the suspension of subsidies and the continuation of an unfavourable business environment across the year. Short term credit was down 14.3% of which 12.4% in the case of companies, comprising credit to the Treasury function, in addition to the Bank's greater prudence in making new loans.

Credit by maturity				
Maturities	2013	2014	(CVE million)	
			Change	
			Total	Percent
Short term	3,362	2,880	-482	-14.3%
Medium/long term	5,254	3,787	-1,467	-27.9%
Total credit	8,616	6,667	-1,949	-22.6%

7.2.3 – Credit portfolio analysis

The performing credit portfolio, not including securitised loans to companies, was down 5.6% by CVE 1.8 billion over the preceding year to CVE 31.5 billion. This unfavourable evolution reflects both higher default rates on loans and fewer new operations. The decline was more marked in the corporate segment (10.7%) as in the case of individual customers it was 1.6%. The following table also shows that around 45.6% (43.8% in December 2013) of customers' performing loans comprise mortgages:

Performing credit portfolio by segment

Segments	2013	2014	(CVE million)			
			Change		Structural	
			Total	Percent	2013	2014
Corporate	14,753	13,177	-1,577	-10.7%	44.1%	41.7%
Short term	1,976	2,001	25	1.2%	5.9%	6.3%
Medium/long term	12,777	11,176	-1,601	-12.5%	38.2%	35.4%
Individual customers	18,696	18,400	-296	-1.6%	55.9%	58.3%
Housing loans	14,638	14,387	-251	-1.7%	43.8%	45.6%
Consumer credit	4,057	4,013	-45	-1.1%	12.1%	12.7%
Total performing credit	33,449	31,577	-1,872	-5.6%	100.0%	100.0%

Including overdue credit and interest, income receivable and bonds issued by public and private entities, the total loans and advances to customers portfolio was down 2.5% year-on-year.

Notwithstanding greater endeavours in terms of prudent risk management, the adoption of preventative measures, more restructuring operations and permanent oversight of customers with the highest exposure levels, with the aim of optimising credit portfolio quality, defaults were up 12% to CVE 6.5 billion, owing to the still unfavourable environment in 2014.

The following table shows the evolution of the total loans and advances to customer portfolio over the last two years:

Loans and advances to customers portfolio

Credit	2013	2014	(CVE million)	
			Change	
			Total	Percent
Performing credit	33,449	31,577	-1,872	-5.6%
Short term	2,482	2,524	42	1.7%
Medium and long term	30,967	29,053	-1,914	-6.2%
Overdue credit and interest	5,812	6,507	696	12.0%
Public/private bond issuances	3,852	3,926	74	1.9%
Income receivable	191	194	3	1.5%
Deferred revenue	-234	-222	12	-5.3%
Total credit portfolio	43,069	41,982	-1,087	-2.5%

The following table reflects the evolution of the gross loans and advances to customers portfolio (performing and overdue credit and interest, without securitised corporate loans, only principal), by entity:

Gross credit portfolio by segment

Segments	2013	2014	(CVE million)			
			Change		Structural	
			Total	Percent	2013	2014
Corporate	18,587	17,761	-826	-4.4%	47.3%	46.6%
Short term	2,957	3,153	197	6.7%	7.5%	8.3%
Medium/long term	15,631	14,608	-1,023	-6.5%	39.8%	38.4%
Individual customers	20,673	20,323	-350	-1.7%	52.7%	53.4%
Housing loans	15,950	15,682	-268	-1.7%	40.6%	41.2%
Consumer credit	4,723	4,641	-82	-1.7%	12.0%	12.2%
Gross credit portfolio	39,260	38,084	-1,177	-3.0%	100.0%	100.0%

8 – OTHER ACTIVITIES

8.1 – HUMAN RESOURCES

BCA had a staff complement of 444 active employees at 31 December 2014 of whom 393 were permanent staff and 51 on fixed-term work contracts. There were also seven employees on unpaid leave and two employees with employment contracts in abeyance on account of illness.

There were 26 new hirings in 2014 and three employees left the Bank (two at the Bank's and one at the employee's initiative). Fourteen employees took retirement (totalling 145), as shown in the following table.

Employee complement

	ACTIVE			INACTIVE	
	2013	2014		2013	2014
Permanent	388	395	Retired	131	145
Fixed-term contracts	47	52	Rescissions/indemnified	2	3
			On secondment	0	0
			Leave	6	7
			Sick leave	6	2
			Absence - other reasons	1	0
TOTAL	435	447	TOTAL	146	157

64% of total active employees are women. In terms of distribution by functional groups, 42% of employees were engaged on technical functions, 21% in line management, 18% in auxiliary and support roles, 11% multifunctional and 8% in administrative functions.

As regards academic qualifications, there was an increase in the percentage of graduate employees who represent 42.3% of the employee complement. 29.7% of employees have secondary educational qualifications, with 18.5% having primary, 2.9% higher educational (polytechnic) and 6.5% vocational qualifications.

Academic qualifications

	2013		2014	
	Number	%	Number	%
Primary	86	19.8%	82	18.3%
Secondary	139	32.0%	132	29.5%
Vocational	30	6.9%	29	6.5%
Polytechnic	13	3.0%	13	2.9%
University	167	38.4%	191	42.7%
TOTAL	435	100%	447	100%

Professional training

BCA invested CVE 5.8 million in 62 training actions, involving a total number of 386 employees comprising 6,177.3 hours, in 2014, geared to the continuous advancement of its human capital.

Training activities, allied with the Bank's strategic objectives, particularly included: financial auditing and IAS standards; advanced financial accounting, the financial analysis of a bank; leadership and team management; strategic human resources management; brokerage in the sphere of the capital markets, anti-money laundering and countering terrorism; introduction to the property investment fund; practical course on strategy, planning and oversight, internal governance and control, financing of micro and small enterprises, special legal regime governing micro and small enterprises, conference on ethics - correct behavioural principles; tax procedures and processes.

55 training actions involving 378 employees, totalling 5,247 hours were organised inside Cape Verde (inside and outside the company). 8 employees were involved in 7 training activities abroad, in IFB, Caixa Geral de Depósitos, ATTF – Luxembourg in relevant areas such as the certified private banker seminar, Africa risk management banking forum, workshops for compliance officers, conference on cards etc., totalling 650.3 hours.

The Bank also contributed to the academic training of its employees, by paying a part share of the fees for first degree and masters courses.

18 placements were organised during the year, 2 of which curricular and 16 professional. Trainees took part in activities in the Financial and International, Logistical Support, Human Resources, IT, Marketing and Public Relations Office Divisions and at the Avenida and Maio branches. Eight of the professional placements were converted into fixed-term work contracts.

Social support for employees

Employees enrolled with the Bank's private social security system and retirees in Cape Verde, in addition to their family members, benefit from medical diagnoses, general and specialised medical consultations, eye, ear and stomatological prostheses, out-patient treatment and hospital in-patient surgeries in 2014.

Under the protocol between BCA and SAMS - *Serviços de Apoio Médico e Social dos Sindicatos dos Bancários do Sul e Ilhas de Portugal* – employees benefited from consultations, medical and clinical tests surgical interventions and hospital confinements

Healthcare services and medicine costs totalled CVE 56.2 million, split up into medical services overseas (CVE 15.6 million) and in Cape Verde (CVE 40.6 million).

The Bank continued to provide its employees and retirees with loans for the acquisition or construction of permanent residential properties for their own use and fiscal subsidies. It also continued to advance wages for education, healthcare, extraordinary costs, home repairs and improvements and acquisitions of vehicles for personal use.

Reference should also be made to other actions, such as:

- The promotion of the Human Resources Office to Divisional level with the extinguishing of two sections and the creation of two Divisions: DPD (Management, Planning and Development Division); DBS (Social Benefits Management Division) and SPA (Remunerations and Administrative Support Division);
- Changes to the regulations on loans for the acquisitions of vehicles for personal use, mortgage loans for permanent own housing and other loans for BCA employees;
- Monitoring of time-clock and preparation of conditions for the permanent interface with human resources software

8.2 – FINANCIAL AND INTERNATIONAL AREA

Planning and management and accounting control

DPG (Planning and Management Control Division) continued to endeavour to perfect the quality of its supply of management information to the Bank's executive committee, with the implementation of management and budget software, in the last quarter of the year and which is expected to create positive impacts in 2015. In endeavouring to comply with all requests both from the financial system supervisor and its main shareholder, additional efforts were made to promptly supply statistical, prudential and accounting information to be sent to the Bank of Cape Verde every month, for supervision purposes and to Caixa Geral de Depósitos, as the Bank's main shareholder for consolidation and oversight purposes.

Efforts were also made to clarify various aspects associated with the assessment of the bank's taxable income, in contacts with the fiscal authorities.

Various questions associated with a better understanding of the financial legislation published during the course of the year and the timing of their coming into effect were raised with the officers of the central bank responsible for supervisory issues.

International

One of BCA's major concerns comprises the need for vast coverage in countries of Cape Verdean emigration pursuant to which it has chosen selective internationalisation, as an international area strategy.

Preferential agreements with other financial institutions have been developed and revised with the objective of improving the quality and efficiency of services. Preference has been given to the growing use of Caixa Geral de Depósitos's vast international network for operations on behalf of customers in the most varied markets.

In the case of the relationship with Caixa Geral de Depósitos Group, preference has been given to the exchange of experiences on various operations and products and attempts have been made to improve relations with the other correspondent banks with the aim of improving quality of service at attractive prices.

Relations with correspondent banks

A vast network of correspondent banks has enabled BCA to constantly improve the conditions governing its international business operations, guaranteeing timely coverage in the main markets at reduced costs.

In 2014, BCA had a vast network of 28 correspondent banks in 17 countries and a variety of operations in currencies such as EUR, USD, CHF, GBP, CAD, DKK, SEK, NOK, JPY and ZAR. BCA closed two accounts, in 2014, one with BNP Paribas Fortis Bank and another with JP Morgan Chase with the objective of rationalising its accounts with correspondent banks, without, however, compromising quality of service.

BCA also had a network of 230 SWIFT correspondent banks enabling it to meet its customers' needs without difficulty.

BCA received the following visits from representatives and delegations from several of the following international banking organisations during the course of the year:

- Agence Française de Développement (AFD) – in the sphere of the 2nd line of credit and implementation of the social responsibility project.
- G.A.R.I. – an entity with which BCA has a partnership arrangement, for the analysis of common projects.
- International Monetary Fund (IMF) – In the sphere of technical assistance geared to the liquidity and sovereign bonds areas and an analysis of the situation of Cape Verde's economy and financial system.
- Société Générale – for the analysis of an eventual correspondent banking relationship.
- Fitchrating – for the analysis and revision of the ratings on Cape Verde.

Liquidity management

Liquidity management involved rigorous compliance with basic principles, such as:

- The definition and approval of liquidity management strategies
- Measurement and monitoring of net borrowing requirements
- Control and management of liquidity in various currencies
- Definition of contingency plans

Surplus liquidity management has concentrated on the maximum exploitation of cash funds, using the domestic and international financial markets. The aim was to always minimise liquidity, market and exchange risks in the management of such operations.

BCA has continued to correctly identify various business opportunities, control liquid assets and accelerate the translation process of foreign banknotes spent in the country into currency reserves.

Currency inflows and outflows were both down in 2014, by CVE 3.2 billion and CVE 1.4 billion respectively. The change on the inflows side is explained by the reduction of CVE 2 billion in payment orders received and purchases of CVE 1 billion from the central bank. The change of outflows is explained by the reduction of CVE 827 million in foreign currency sales.

Operations with the central bank (currency purchases and sales), were, however, down both in the case of currency purchases and sales. However, owing to surplus liquidity, sales were 2.7 times higher than purchases as opposed to 1.9 times in 2013.

Currency inflows/outflows

Account headings	2013	2014	(CVE million)	
			Change	
			Total	Percent
Currency inflows	34,772	32,558	-2,214	-6.4%
Purchases from BCV	2,294	1,268	-1,026	-44.7%
Total inflows	37,066	33,826	-3,240	-8.7%
Currency outflows	31,110	30,530	-580	-1.9%
Sales to BCV	4,355	3,525	-830	100.0%
Total outflows	35,465	34,055	-1,410	-4.0%

The availability of liquidity, in 2014, led the Bank to invest surpluses in the domestic and international markets. The quest for better returns and preference for the short term led to short term investments, particularly in the domestic money market. Reference should be made to overnight investments with the Bank of Cape Verde and investments in Treasury bills which were up 159.3% over 2013 (CVE 235.5 billion) and 292.6% (CVE 1.4 billion), respectively.

The amounts of the investments of surplus liquidity upon the term of the periods for constituting minimum cash requirements with the Bank of Cape Verde totalled a global amount of CVE 383.4 billion, up 159.3% over 2013, in accordance with the following table.

Accrued investments in period

	2013	2014	(CVE million)	
			Change	
			Total	Percent
Domestic money market	151,942	388,896	236,954	156.0%
Treasury bills	499	1,959	1,460	292.6%
Investments in BCV	147,850	383,400	235,550	159.3%
Other BCV investments (TIM)	2,174	2,109	-65	-3.0%
Other BCV investments (TRM)	1,419	1,428	9	0.6%
Capital market	2,253	1,887	-366	-16.2%
Investments in correspondent banks	13,394	26,731	13,337	99.6%
TOTAL	167,589	417,514	249,925	149.1%

Investments in foreign currency, based on a surplus of inflows to outflows, were double the 2013 amount.

Interest on investments was up by around 10.9% (CVE 56 million) owing to investments in Treasury bills.

Interest on investments in period

	2013	2014	(CVE thousand)	
			Change	
			Total	Percent
Domestic money market	39,179	35,603	-3,576	-9.1%
Treasury bills	2,668	15,152	12,484	468.0%
Investments in BCV	17,938	15,759	-2,179	-12.1%
Other BCV investments (TIM)	16,810	4,294	-12,516	-74.5%
Other BCV investments (TRM)	1,764	399	-1,365	-77.4%
Capital market	470,112	534,049	63,937	13.6%
Investments in correspondent banks	7,139	3,169	-3,971	-55.6%
TOTAL	516,430	572,821	56,391	10.9%

Overnight investments with the BCV and in TRMs (certificates of monetary regulation) were up by 159.3% and 0.6% in volume, respectively, although total interest earned was down 74.5% and 77.4%, over 2013 respectively. This is explained by the fact that the central bank reduced its reference rate on two occasions from 5.75% to 4.25% in March and to 3.75% in July 2014, an accumulated change of 200 bps. Reference should also be made to the reduction of the liquidity absorption rate from 1% to 0.5% in August 2014.

There were also marked percentage reductions in interest rates on central bank securities – TRMs (certificates of monetary regulation) and TIMs (certificates of monetary intervention). The rates on TRMs posted several fluctuations across the year to a maximum of 1%, having stabilised at 0.5625% starting August. In turn, the rates on TIMs (certificates of monetary intervention) posted higher fluctuations, constantly oscillating across the year, with a maximum rate on BCA investments of 0.9375% and a minimum of 0.5%.

Interest on foreign currency investments was down 58.8%, with a high level of volatility in euro and dollar rates across the year.

USD rates, fuelled by the amounts of investments and maturities across different months were also the most volatile. The general trend was downwards, with a peak in June deriving from a large investment made during the month and then trending to negative to close the year at 0.18%, 13 basis points down over the rate at the start of the year. Euro rates were very low across most of the year, bottoming at 0.02% in November and closing the year at 0.04%, two basis points below the January 2014 rate.

Foreign exchange management continued to be governed by criteria of rigour and risk elimination. Net gains in 2014 amounted to CVE 128.7 million, a slight 0.2% down over 2013.

Capital market

BCA – financial intermediary

BCA has played an active role as a broker in the developing capital market, particularly in the case of sovereign bonds. According to BVC (Cape Verde Stock Exchange) market data, the primary public debt market was more dynamic in 2014 and was responsible for 92% of the global volume of issuances.

Auctions totalling CVE 13.5 billion were organised in the primary securities market, with sales of CVE 11.7 billion or around 89% of the total. CVE 11.4 billion of this amount comprised competing bids with CVE 303 million comprising non-competitive bids.

BCA was one of the most active banks in accounting for 32% of total sales of sovereign debt.

There was a considerable increase of around 284% in transactions in the secondary market over 2013, which, according to the Stock Exchange may derive from the large volume of OTC transactions and slight increase in secondary market dynamics.

With a global transaction volume of CVE 406.4 million, BCA was the most active bank having contributed 79.84% by volume, particularly deriving from OTC operations of CVE 313.6 million on BCA shares. Particular reference should, herein, be made to the OTC sales operation of 89,504 ordinary book shares listed on the Stock Exchange for 6.76% of BCA's share capital held by Garantia in its portfolio.

In a global scenario of falling share prices, BCA shares closed at CVE 2,990, down 0.3% over the CVE 3,000 of the end of 2013. The maximum and minimum prices were CVE 4,000 and CVE 2,990, respectively.

Business revenues from BCA shares hit CVE 318.3 million. This was an expressive change over 2013 and it was the most traded security in the share segment. BCA bonds, issued in December 2010, made their 9th coupon payment of interest in December 2014 to a total of CVE 10.2 million. The issuance's objective was to strengthen the Bank's own funds to help sustain its growth and provide financing either individually or as a member of a banking syndicate for major public and private investments. The security which started to repay principal in 2013, has already paid out a total amount of CVE 200 million in four coupons, at a rate of 5.85% in 2014 (2nd scale of the rates provided for by the issuance).

8.3 – RISK MANAGEMENT

Credit risk

The economic environment remained unfavourable in 2014, negatively influencing banking activity and reflected in its results and asset quality with an increase in credit risk and restructured credit, leading to an across-the-board deterioration of credit risk in the financial system.

At the time of the review of risk factors underpinning the impairment loss model in September 2014, there was an increase of PIs (Probability Indices) and PDs (Probability of Default) associated with the BCA portfolio i.e. a certain propensity to default, corroborating the position of the System.

To improve protection or mitigate inherent risks, the Bank endeavoured to expand its comfort zone by strengthening its real guarantees on credit operations, particularly those resulting from renegotiations, in addition to increasing provisions/impairment levels on complex and/or difficult recovery situations.

Although compliance with the BCV's official notice 2/2013 – implementation of a credit risk system – will undoubtedly require greater rigour and responsibility from credit risk units, it has, in parallel, helped to improve the approach to the issue, in providing a clear definition of the processes and procedures inherent to credit risk management, i.e. the definition of limits on operations, periodic assessment of the level of sufficiency of guarantees and definition of policies and strategies for credit risk management all of which is properly documented and shared with all employees.

The production of a credit risk handbook covering and summarising the processes and procedures inherent to credit risk management is at its final stage.

New challenges have, in the meantime, been issued by the supervisor, in the form of new official notices comprising official notice 2/2014 – Performance of supervision of 17 October, establishing methods and rules governing the performance of supervision by BCV and financial institutions' obligations to establish stress and sensitivity tests and perform self-assessments, to be documented and integrated with the risk management policies and procedures in force at the start of 2015.

Market and liquidity risk

Last year continued to show signs of stability in terms of liquidity risk, strengthening the trend noted in the preceding year. The growth of customer deposits helped to consolidate the Bank's funding basis, projecting a comfortable Treasury function capable of providing for an eventual increase in demand for credit, in the event of an improvement in the economic environment in 2015.

The central bank's operations, in 2014, consisted of laying the groundwork to stimulate banking credit, adopting a series of measures to loosen the money supply. Monetary transmission mechanisms did not, however, operate as expected, resulting in a timid evolution of credit and favouring banks' liquidity.

The Market and Liquidity Risk Office monitored BCA's exposure to liquidity risk based on its monthly oversight of the evolution of customer resources and quarterly analysis of the evolution of the liquidity gap. In this last financial year, reference should be made to the proposal for the formalisation of liquidity risk management processes in GRM, on the basis of a procedures manual.

Interest rate risk was monitored by monthly analyses of the evolution of the credit portfolio with an indexed interest rate and the evolution of internal and external indexers as well as the quarterly analysis of the repricing gap. There was a major improvement in the quality of the information published in this schedule, with the introduction of simple and weighted average rates on the main assets and liabilities.

Traditionally the banks have balance sheet structures which favour interest rate risk, mainly owing to the funding of medium term assets and liabilities with fixed-rates by liabilities with shorter maturities. Adequate monitoring of the main interest rate risk factors has accordingly enabled the management of this risk to be perfected, as knowledge of the Bank's situation at diverse times, has been substantially improved by the provision of information to sustain decisions which minimise the impacts of the materialisation of such risks on net interest income.

Exchange rate risk was monitored from the monthly analysis of the evolution of the foreign exchange position, exchange rates and results of the revaluation of the USD as the main international currency subject to foreign exchange risk. Exposure to foreign exchange risk in the foreign currency portfolio continued to be monitored by the value-at-risk analysis report, with several changes to the procedures for sending the information on foreign exchange risk.

The consolidation of the functioning of the ALCO (assets/liability committee) – with the presence of the board of directors and several of the bank's divisions, expanded the scope of risk management within BCA. In addition to the availability of the analysis report and monitoring of several risks, this committee operated as a suitable forum for a joint discussion of the reports, helping to improve the Bank's knowledge and facilitating the decisions to be made in a more collegiate manner.

Reference should be made to GRM's participation in the Africa Risk Management Banking Forum, in Cape Town organised by the IFC (International Finance Corporation) and "This is Africa" magazine, permitting a highly positive interchange between but not limited to the main risk management players in Africa. This forum confirmed that the paths being trodden by BCA in terms of risk management are in line with best international practice, with special reference having been made to the importance of global models' capacity to adapt to each country's individual circumstances and the fundamental role of "know your customer" in terms of bank management.

8.4 – COMPLIANCE

A compliance function has been established in BCA and attributed to all structural bodies, under the coordination of GFC (Compliance Office) which, as an autonomous structural body reporting to the board of directors, is responsible for identifying, analysing, assessing and reporting compliance risks.

This unit is also responsible for safeguarding the good performance of anti-money laundering and countering the financing of terrorism procedures as well as preventing crimes of market abuse.

2014 saw the publication of new legislation and supervisory regulations on the financial system which have raised other challenges for financial institutions, forcing them to adapt their processes and internal governance.

Statutes and regulations particularly include Laws 61/VIII/2014 – Base Law Governing the Financial System and 62/VIII/2014 – Law Governing the Activities of Financial Institutions, published on 23 April and Bank of Cape Verde official notices 2/2014 – Exercising of Supervision, 3/2014 – Behavioural Supervision and 4/2014 – Members of Boards of Directors and Audit Boards of Financial Institutions, published on 17 October.

With the objective of guaranteeing conformity with legislation and regulations and in parallel with the internal disclosure of such statutes, the necessary measures to be implemented to prevent the risk of non-compliance with their respective legal and regulatory duties were identified.

The appropriation of new tools, methods and techniques required by the statutes and regulations raised several challenges involving the need to train staff to acquire the necessary skills to enable them to comply in full with the new regulations.

8.5 – ORGANISATION AND INNOVATION

BCA continued to adjust internal procedures to its operation and BVC requirements for the creation of the necessary and appropriate environment to achieve market competitiveness and continue to merit its customers' confidence across 2014. Reference should also be made to the careful management of the risks inherent to banking activities to ensure security, stability, sustainability and planning of business continuity in crisis situations.

149 standards were produced and disclosed and particularly include:

(i) the regulation dealing with policies and procedures designed to enable BCA to function or promptly recover in the event of a disaster type situation leading to the temporary or across-the-board inoperationability of the Bank's infrastructures (workplaces and/or technological support structure).

In any event it is assumed that employees will be available to perform a minimum level of activities. BCA considers that its fundamental duty is to primarily safeguard human lives and its employees' personal safety and that of other persons present on its premises, to guarantee the continuity of its operation in respect of business processes considered to be critical and minimise any negative effects for customers, endeavouring to re-establish the Bank's normal operations within the shortest possible space of time;

(ii) the regulation establishing the Budget Control Committee for the oversight of the Bank's performance and analysis of the deviations affecting activity and the business *vis-à-vis* predefined objectives and consequently for decisions to correct deviations or redefine strategies to be promptly taken;

(iii) the regulation enabling the effective management and processing of customers' (or non-customers') complaints and suggestions;

(iv) the organic statute of the Human Resources Division as a consequence of the promotion of the Human Resources Office to a Division.

The Bank also furthered the strategic actions related with the implementation of new IT application procedures, in 2014, with the aim of automating several of the central bank's requirements and the search for a technical solution for modernising its services, ensuring that it is adequately processed by the IT system. Special reference should also be made to training and refresher courses designed to improve the performance of users of the Bank's IT system in the form of on-the-job training sessions, management of the requests submitted by the Bank's employees, monitoring the resolution of problems and the time needed to perform tasks.

Operational risk and internal control (ROCI)

The reduction of operational risk and guarantee of an efficient and adequate internal control environment continue to be one of the Bank's concerns, with effective gains for structures and consequently its results.

Internal training actions, covering all of the Bank's structures, were given as a means of raising employees' awareness on the need to prevent operational risks.

8.6 – IT SUPPORT

As regards business use of IT, 2014 was essentially marked by endeavours to complete several unfinished projects or projects in progress in addition to establishing the departure point for other challenges vital to the confirmation of BCA as the market's leading bank.

As regards the upgrading of means of payment and electronic channels, reference should be made to the implementation of several functionalities geared to managing credit card defaults, in addition to their interaction with the Bank of Cape Verde's risk exchange.

The Bank is unreservedly committed to strengthening the architecture and technology upon which internet banking is based, ensuring a scenario of greater security and a highly comfortable transactional environment for customers.

Complying with one of the guidelines of the coordination committee on the development of the payments system in Cape Verde, work began on the process of implementing the "circulation of the images of cheques/tele-clearing" project which made its a successful debut in June 2014. The advantages deriving from the implementation of this project are evident and not only translate into the mitigation of operational risk and repeat work with tele-clearing processes but also the prompt supply of receipts/copies of customers' cheques anywhere in the country.

2014 was a decisive year as regards the security area in terms of hardware/technical infrastructure with the replacement of centrally located machines, both for production and back-up purposes. These are responsible for the operation of the whole of the business, based on a full redundancy concept, in full compliance with audit requirements and disaster recovery plans. The back-up centre was also remodelled at the same time to optimise working conditions and accommodate systems.

An IT platform with a high level of control of mandatory periods and automation was established as a means of providing the best possible response to customers' complaints and compliance with periods and procedures stipulated by the central bank.

8.7 – MARKETING AND PUBLIC RELATIONS

Several institutional communication actions were performed during the course of 2014 as a sponsoring brand for *Atlantic Music Expo*; the campaigns in commemoration of the Bank's 21st anniversary; the inauguration of its new headquarters offices in Praia's historical centre; the partnership agreements entered into with the Pedro Pires Foundation, *ISCEE - Instituto Superior de Ciências Económicas Empresariais* and *ADEI – Agência para o Desenvolvimento Empresarial e Inovação*; participation in the International Fair of Cape Verde and the Christmas

campaign held on the islands of Sal, São Vicente and Santiago, with the objective of promoting the Christmas spirit in specific squares and streets of the cities in question, in addition to raising awareness on the alternative channels for customers' relationships with BCA.

Positive results were reflected in the comments and messages received from the public both from within and outside the Bank, via social networks from customers, suppliers and various other parties and the public in general.

BCA, in partnership with the organisers of the International Photography Exhibition of Cape Verde, as part of its strategy for the promotion and enhancement of art in Cape Verde, sponsored the BCA Photography prize as an initiative designed to promote the excellence of photographic art created by Cape Verdeans.

The period for candidatures for the BCA Photography prize, launched in December, is up to the end of January 2015 and it will culminate in a gala prize-giving ceremony for the best photograph.

As regards business promotion and commercial activity, comprising a strategy of promoting the Bank's non-interest and financial income, based on the quest for innovation as a differentiating factor, BCA launched a CVE 1 billion subsidised line of credit for micro, small and medium-sized enterprises and for self-employed businesspeople in different sectors.

The *Soluções BCA Poupança Jovem* which, since last year has been the base of the Bank's offer for young people as regards its savings solutions, was another of the campaigns launched this year.

For the 5th consecutive year, BCA was considered the *Bank of Confidence of Cape-Verdeans*. This distinction which is awarded annually by the Afrosondagem company (specialising in the studies and qualitative and quantitative surveys area), aims to reward brands, personalities and professions in which Cape Verdeans most trust.

Marketing contacts in each of BCA's branch offices were identified to ensure greater coordination between marketing and branch office network actions.

BCA's telephone line for emigrants resident in the United States was decentralised and made available to all branch offices, enabling emigrants to make direct contact with their respective account managers, ensuring a faster, more efficient service.

Social responsibility

BCA won an honourable mention at the "Green Project Awards" gala, in the Natural Resources – Management and Conservation category with its "BCA Garden", created in the Serra Malagueta Natural Park, on the Island of Santiago, at the gala event held at the National Assembly.

Sponsorship for FICASE for the acquisition of school kits for primary school children, assistance to Cape Verde's Red Cross, support for the *Infância Feliz* Foundation, "BCA Solidariedade Fogo" campaign on behalf of the victims of November's volcanic eruption, in Chã das Caldeiras - Fogo, support for the blood donating campaign promoted by

BCA employees and for the *Porto Novo* old people's home were several BCA actions in the social responsibility domain, in 2014.

8.8 – MEANS AND CHANNELS

Means of payment

The bills payment by bank transfer service continued to grow as has been the case over the course of the last few years, with the creation of 2,336 new automatic debit authorisations in 2014, up 138% over the preceding year. Such growth was particularly driven by new corporate subscriptions to this automatic payments system which has greatly helped to simplify and improve the flexibility of the payments service for Cape Verdean companies and the payment process for customers' bills.

BCA Directo (Internet Banking)

BCA Directo is BCA's internet banking service. It enables customers to view their accounts, credit and cards as well as to perform a series of transactions such as domestic and international transfers, payments, order cheques, direct debits and subscribe for cards. This service uses an intuitive, user-friendly information system to facilitate customers' day-to-day affairs and is available 24/7 every day of the year.

The *BCADirecto* service maintained its sustained growth trend of the last few years, in 2014, with an evolution of its number of users to an accumulated total of around 35 thousand, up 14% and of whom more than 32 thousand are active users. 4 thousand new users subscribed for the services during the year.

Operations involving fund movements on this channel also continued to evolve to more than 260 thousand, up 33% over the preceding year with a 27% increase of CVE 7 billion.

Automatic teller machines (ATMs)

As in past years, BCA continued to invest in upgrading its ATM network with the installation of three machines in 2014, in addition to an ATM which was uninstalled owing to an act of vandalism.

BCA provided assistance to 54 ATMs at the end the year, up 4% over the preceding year, comprising a market share of 32%. This positive change essentially derived from the installation of machines in non-banking installations with major traffic throughput. BCA currently has 22 ATMs in non-banking locations, up 10% and representing 41% of the total number of machines installed by the Bank.

BCA ATMs processed more than 3.5 million transactions (up 10%) during the course of the year, for an amount of CVE 11.4 billion (up 12% over the preceding year).

Point of sales terminals (POS)

The evolution of BCA's assistance to point of sales terminals over the years has been positive, with growth of 11% in 2014 to 1,277 installations.

There were 2.1 million operations on this channel across the year, accounting for an amount of CVE €6.2 billion, up 39% and 24%, respectively.

BCA has retained its market share of the last few years, both as regards installations and the number and value of its operations, at 30%, 31% and 28%, respectively

8.9 – OPERATIONAL SUPPORT

36 leasing agreements were approved in 2014 (46 in 2012) for an amount of CVE 97.6 million. Only three new factoring agreements for the amount of CVE 29.4 million were authorised in 2013.

323 loans were restructured in 2014, with, in the case of 41 such loans, only the periods of use or repayments having been extended and 282 rescheduled, for a global amount of CVE 2.4 billion of which 113 in the Northern and 323 in the Southern zones. 78 of the 323 renegotiated loans are corporate and 245 individual customers.

Foreign operations

Albeit not particularly expressive there was a positive level of evolution in payment orders issued, bank guarantees in foreign currency and remittances received via Western Union, both in terms of quantity and amount. The 0.81% growth in the number of payment orders received was not matched by the amounts involved (-0.28%).

By way of contrast, there was a significant negative level of evolution of documentary credit of 11.4% in terms of quantity and 63.2% by amount, cheques drawn on foreign banks – 21.8% in quantity and 18.0% by amount and remittances from Western Union – 13.1% in quantity and 16.8% by amount.

	2013		2014		(CVE million) Change	
	No.	Amount	No.	Amount	No.	Amount
Payment orders (received)	90,968	28,044	91,709	27,965	0.81%	-0.28%
Payment orders (issued)	24,552	29,057	25,034	29,286	1.96%	0.79%
Documentary credit						
Imports	35	1,222	31	450	-11.43%	-63.18%
Exports	0	0	0	0	0.00%	0.00%
Bank guarantees (issued)	28	438	28	456	0.00%	4.11%
Western Union - sent	13,589	456	11,799	379	-13.17%	-16.89%
- received	42,712	1,219	47,517	1,310	11.25%	7.47%
Foreign cheques (purchased)*	13,982	1,533	10,927	1,257	-21.85%	-18.00%

Source BCA

* Includes cash advances

Swift

There was an increase in *Swift* messages, both received and sent, over 2013. Received messages were up 9.6% and sent messages by 5.1%.

Swift messages

Years	2012	2013	2014
Messages received	124,446	124,683	136,707
Messages sent	30,634	30,969	32,570

8.10 – INVESTMENTS

Continuing its policy of requalifying and remodelling its spaces with the objective of increasingly improving its level of service and providing customers and employees, with better levels of comfort, security and speed in the performance of their operations, the works on the remodelling of BCA's emblematic Plateau building, which are now the bank's headquarters, were successfully completed. The contract for the remodelling of the branch office and residence in São Nicolau was also awarded. Repairs and improvements to the Praça Nova branches in São Vicente, including the replacement of the obsolete security systems of Palmarejo in Praia and Tarrafal and Santa Cruz in the interior of Santiago were also completed.

With the aim of reducing electricity costs, actions were taken in the area of energy efficiency by fitting low consumption light bulbs in the Praça Nova branch and São Domingos extension. The electrical installations in the BCA Plateau building, involved the fitting of motion detectors for lighting purposes. Energy efficiency studies were also carried out in the BCA building in Rua Lisboa and the 2000 building in Monte Sossego, in Mindelo, São Vicente and the Avenida branch and Achada de São Filipe extension, both in Praia.

BCA invested CVE 188.1 million in 2014 of which CVE 175.9 million in tangible and CVE 12.2 million in intangible assets. An amount of CVE 68.9 million is still in progress.

9 – ANALYSIS OF ECONOMIC-FINANCIAL SITUATION

9.1 – BALANCE SHEET

BCA's net assets of CVE 74.8 billion, in December 2014, were up 6.4% by CVE 4.47 billion over December 2013. Contributory factors were fundamentally the 120.2% increase in cash and claims on the central bank and 42.0% increase in public debt securities.

Consolidated balance sheet

	2013	2014	(CVE million)	
			Change	
			Total	Percent
Assets				
Cash and claims on central bank	2,705	5,957	3,252	120.2%
Claims on other credit institutions	503	859	356	70.7%
Available for sale financial assets (net)	7,255	7,247	-8	-0.1%
Investments in credit institutions	11,810	11,960	150	1.3%
Loans and advances to customers (net)	39,168	37,805	-1,362	-3.5%
Public debt securities	4,527	6,426	1,899	42.0%
Investment properties	1	1	0	0.0%
Other tangible assets (net)	2,082	2,082	0	0.0%
Intangible assets	23	19	-3	-14.9%
Investments in subsidiaries/associates/jointly controlled entities	268	282	13	4.9%
Current tax assets	808	846	38	4.7%
Deferred tax assets	2	2	0	0.0%
Other assets	1,175	1,314	139	11.9%
Total	70,327	74,801	4,474	6.4%
Liabilities				
Other credit institutions' resources	730	976	245	33.6%
Customer resources and other loans	58,968	62,866	3,899	6.6%
Liabilities provisions	5,112	5,243	132	2.6%
Deferred tax liabilities	142	132	-10	-7.3%
Other subordinated liabilities	399	297	-102	-25.6%
Other liabilities	486	427	-59	-12.1%
Total liabilities	65,837	69,941	4,104	6.2%
Shareholders' equity	4,490	4,860	370	8.2%
Of which: net income	220	297	78	35.4%
TOTAL	70,327	74,801	4,474	6.4%

Cash and claims

This account heading was up 120.2% by CVE 3.2 billion over 2013 owing to the increase in the balance of sight deposits with the central bank.

Investments in credit institutions

Investments in credit institutions, including investments in Cape Verde and abroad were up 1.3% by CVE 150 million year-on-year to CVE 11.9 billion. The change particularly derives from the CVE 620 million increase in domestic investments in TIMs ("Certificates of Monetary Intervention") which were up CVE 1.4 billion as opposed to the CVE 410 million decline of TRMs ("Certificates of Monetary Regulation").

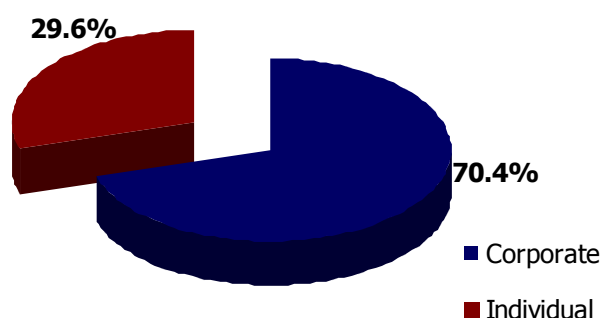
Loans and advances to customers

The global loans and advances to customers portfolio was down 2.5% over the December 2013 balance to CVE 41.9 billion as a reflection of the continuation of the context governing the development of banking activity in 2014. The new loans and advances portfolio was down 22.6% over December 2013 to CVE 6.6 billion. This decline particularly derives from the 30% drop in the corporate segment, down 50.3% in the case of medium and long term and 25.2% in short term loans showing that the situation of companies is constrained by economic sluggishness. Loans and advances to the individual customers segment were down 10.7% with mortgage loans for own accommodation and buy-to-let down 15% against 7.8% in loans for other purposes.

The balance on the overdue loans portfolio was up 12% to CVE 6.5 billion, i.e. around CVE 696 million year-on-year as a reflection of the continuing deterioration of the business environment. This amount gave an overdue credit and interest to total credit ratio of 17.1% against 14.8% in 2013 and a credit more than 90 days overdue ratio of 16.3% in December 2014 against 13.9% in December 2013.

The growth of overdue credit derives from the corporate segment, at a rate of 19.6%, against a decline of 2.8% for individual customers, increasing its proportion from 66% in December 2013 to 70.4% in December 2014.

Overdue credit and interest by segment - 2014



The accrued credit impairment balance which includes impairment on bonds issued by private entities totalled CVE 4.9 billion, with the cost of credit risk for the year having risen to CVE 209.8 million against CVE 979.7 million in 2013, translating into an overdue credit coverage ratio of 62.4%.

Loans and advances to customers portfolio (net)

ACCOUNT HEADINGS	2013	2014	(CVE million)	
			Change Total	Percent
Total credit	37,317	36,125	-1,191	-3.2%
Performing credit	31,505	29,618	-1,887	-6.0%
Overdue credit and interest	5,812	6,507	696	12.0%
Loans to employees	1,944	1,958	14	0.7%
Income receivable on credit	191	194	3	1.6%
Deferred revenue	-234	-222	12	-5.3%
Public and private bonds	3,852	3,926	74	1.9%
Impaired credit and bonds	-3,902	-4,177	-275	7.1%
Credit net of impairment	39,167	37,805	-1,362	-3.5%
GROSS CREDIT	43,069	41,982	-1,087	-2.5%

Securities portfolio

The balance on the securities investments portfolio, which includes available for sale securities and Cape Verde public debt securities was up 16.3% by CVE 1.8 billion year-on-year, as a consequence of the 42.1% increase of CVE 1.8 billion in the Treasury bonds portfolio.

Customer resources

In translating the preference of its broad, stable customer base, the customer resources portfolio was up 6.6% year-on-year, by CVE 3.8 billion to an accrued balance of CVE 62.8 billion. This evolution is explained by the 3.6% increase in customer deposits. The proportion of customer resources to net assets in December 2014 was 84%.

Information on the evolution of the customer resources balance between 2013 and 2014, by segment, is given in the following table:

Customer resources				
Type of customer	2013	2014	(CVE million)	
			Total	Percent
Individual customers	47,939	50,486	2,546	5.3%
Sight deposits	12,603	13,127	523	4.2%
Term deposits	32,020	34,024	2,004	6.3%
Savings accounts	3,316	3,335	19	0.6%
Corporate	7,988	8,266	278	3.5%
Sight deposits	6,565	6,362	-202	-3.1%
Term deposits	1,423	1,903	480	33.7%
General government	1,630	3,284	1,655	101.5%
Sight deposits	1,601	1,949	349	21.8%
Term deposits	29	1,335	1,306	4501.0%
Total customer deposits	57,557	62,036	4,479	7.8%
Other customer resources	702	22	-681	-96.9%
Interest payable on deposits	709	809	100	14.1%
TOTAL CUSTOMER RESOURCES	58,968	62,866	3,899	6.6%

Emigrants' deposits were up 5.0% by CVE 1.5 billion over 2013, from CVE 30.2 billion to CVE 31.8 billion. This growth reflects the loyalty of diaspora customers to the BCA brand and strengthens the existing level of confidence. The 5.5% increase of CVE 1.3 billion in term deposits was a decisive factor behind such growth. It should be noted that the proportion of emigrants' to the Bank's total deposits was slightly down from 52.6% in 2013 to 51.3% in 2014, as shown in the following table.

Emigrants' deposits				
Type	2013	2014	(CVE million)	
			Total	Percent
Sight deposits	4,134	4,384	250	6.0%
Savings accounts	2,453	2,426	-27	-1.1%
Term deposits	23,698	25,003	1,305	5.5%
Total emigrants	30,285	31,813	1,528	5.0%
TOTAL DEPOSITS	57,557	62,036	4,479	7.8%
Emigrant/total percent	52.6%	51.3%		

Provisions for risks and liabilities

The provision for retirement and survivors' pensions, totalling CVE 4.9 billion, was up 2.8% by around CVE 135 million in 2014, in comparison to December 2013.

BCA employees' standard contribution to the costs of their retirement and survivors' pensions totalled CVE 52.5 million of which an amount of CVE 19.2 million was paid by employees and CVE 33.3 million by the Bank. Payments of CVE 177.2 million have been made to retired staff and pre-retirees. It should also be noted that the costs borne by the Bank on interest and its current servicing costs on the pension and survivors' fund totalled CVE 290.3 million, amounting to a total cost of CVE 323.3 million in 2014 with a direct impact on employee costs in the said year.

The Bank changed several of the presuppositions and benefits attached to the retirement pensions of its private system employees in December 2013. The retirement age was changed to 62 or 39 years of service, the fund's rediscount rate was changed to 5.5% and the wage and pension growth rates to 3% and 1%, respectively. The pensionable wage was also changed to the basic wage plus seniority payments with the amount of the retirement being 90% of the amount assessed on the basis of the pensionable wage of the last 5 years.

The following table provides information on the pension fund's net worth over the last two years:

Net worth of retirement and survivors' pension fund

Period	Opening balance	Movments in period				(CVE million)
		Bank's costs	Use of provisions	Cancellation of provisions	Other	Value of Fund
2013	5,379	424	(164)	(914)	40	4,765
2014	4,765	324	(177)	-	(12)	4,900

Shareholders' equity

The Bank's shareholders' equity was up 8.2% by CVE 369.9 million as a consequence of the incorporation of 100% of its net income for 2013, the positive valuation together with the capital gains on the disposal of BCA's part equity investment of CVE 95.3 million in Garantia and the negative revaluation reserve on TCMFs for the amount of CVE 31.5 million, obtained in 2014, into reserves.

9.2. INCOME STATEMENTS

INCOME STATEMENT

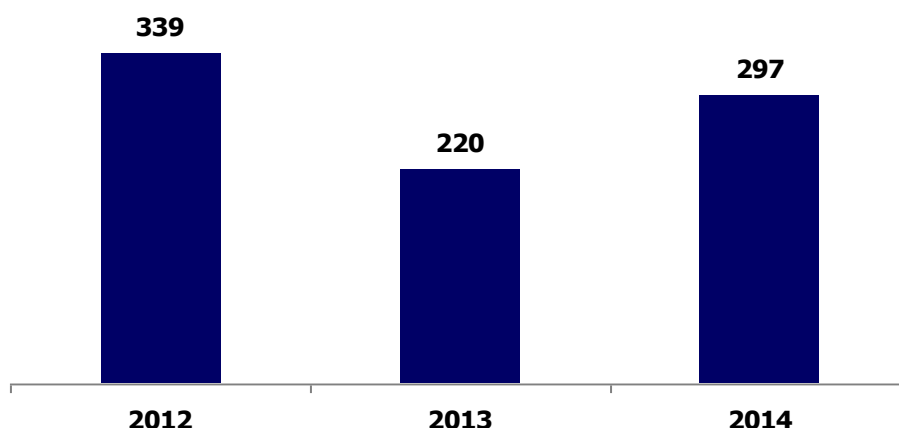
	2013	2014	(CVE million) Change	
			Total	Percent
Interest and similar income	3,612	3,578	(34)	-0.9%
Interest and similar costs	1,699	1,746	48	2.8%
Net interest income	1,913	1,831	(82)	-4.3%
Income from equity instruments	188	209	22	11.6%
Income from services and commissions	378	387	8	2.2%
Costs of services and commissions	45	42	(3)	-6.8%
Income from foreign exchange operations	129	129	(0)	-0.2%
Income from disposals of other assets	(2)	(11)	(9)	420.7%
Other operating income	70	86	16	22.4%
Non-interest income	719	759	40	5.6%
Net operating income	2,632	2,590	(42)	-1.6%
Employee costs	1,354	1,277	(77)	-5.7%
General administrative expenditure	759	720	(39)	-5.1%
Depreciation for period	192	187	(5)	-2.4%
Operating costs	2,305	2,185	(120)	-5.2%
Provisions net of recoveries and cancellations	(914)	(29)	886	-96.9%
Impairment of other financial assets (net)	983	215	(768)	-78.1%
Income from subsidiaries excluded from the consolidation	40	78	38	96.1%
Income before tax	298	297	(0)	-0.1%
Current tax	-	-	-	
Deferred tax	78	-	(78)	0.0%
Net income	220	297	78	35.4%

Net income

BCA's net income posted a positive 35.4% change of around CVE 77.7 million to CVE 297.3 million, as a result of the 5.2% decline of operating costs which more than made up for the 1.6% decline in net operating income. The negative change in net operating income particularly derives from the 4.3% decline in net interest income as non-interest income was up 5.6% as a result of the increase in income from equity instruments as the yield on TCMFs increased from 2.9% to 3.22% together with the 22.4% increase in other operating income. In 2014, net impairment on loans and advances to customers, including bonds issued by private entities, amounted to CVE 215 million. This is CVE 786 million down over 2013 as BCA, in 2013, had made a major effort to increase impairment for the amount of CVE 983 million, to cover loans with a more relevant level of risk. It should also be noted that 2014 witnessed the resolution of loans in the form of payments in kind, leading to the cancellation of the respective impairment.

By way of contrast income from subsidiaries excluded from the consolidation was up CVE 38 million, owing to the capital gains on the disposal of BCA's part equity investment in Garantia - Companhia de Seguros. It should also be noted that the period for the registration of deferred tax, which was being depreciated over a five year period ended in 2014, owing to the introduction of the New International Accounting Rules, ended in 2009.

Net income



Net interest income

Net income was down 4.3% by CVE 82 million, year-on-year to CVE 1,831 million. Notwithstanding increases of 39.6% in income from Treasury bonds, a 28.4% increase in interest on overdue credit and 67.2% increase on interest recovery on overdue credit, the decline in interest received from loans and advances to customers and securitised loans were contributory factors to net interest income's unfavourable performance. Other contributory factors to the less favourable evolution of this margin were the decline in very short term investments with the central bank owing to the fall in interest rates on central bank securities which closed the year at less than 0.5%.

Borrowing operations saw a 2.8% increase of CVE 47.6 million in interest on customer resources, as a consequence of the 6.5% increase of CVE 103.4 million in interest paid on customer deposits. Higher interest on customer deposits derives from the volume effect, with the 10.3% increase in term deposits, including savings accounts, as the price effect was favourable, with an average weighted rate on term deposits and savings accounts down 0.09 pp to 4.41% against 4.5% in December 2013. Term deposits and savings accounts in the emigrants' segment were up 4.9% by around CVE 1.2 billion.

Non-interest income

Non-interest income was up 5.6% by CVE 40 million over December 2013 to CVE 758.6 million. This favourable evolution is the result of the yields on TCMFs which were up from 2.92% in 2013 to 3.22% in 2014. The 22.4% increase in other operating income was also a contributory factor in the favourable evolution of non-interest income, as net commissions were up 3.4%.

The combination of the negative evolution of net interest income which was higher than the positive increase in non-interest income translated into net operating income of CVE 2,590 million in 2014, down 1.6% by around CVE 41 million over the preceding year.

Operating costs

As a result of the furtherance of the operational rationalisation policy and the increase in efficiency defined in BCA's strategy, operating costs, as in the preceding year, continued to trend downwards by 5.2% to CVE 2,184 million. The decline was across-the-board to all components, particularly employee costs which were down 5.7% to CVE 1,277.1 million owing to the fact that there were no wage increases in 2014 and the retirement of fourteen employees. The cost of interest and current servicing requirements for the pension fund was also down in 2014 to CVE 290 million against CVE 390 million in December 2013 with healthcare services and medicine costs down 15.5% by CVE 6.7 million.

General administrative expenditure was down 5.1% by around CVE 38.8 million, with significant declines across several account headings, particularly including communications and postage costs, down 6.9% by CVE 4.4 million, advertising and publications, down 49% by CVE 41.6 million, travel, accommodation and expense account items down 6.7% by CVE 1.3 million, technical assistance down 25.7% by CVE 2 million, employee training down 50.6% by CVE 6.3 million, legal and notarial costs down 88.5% by CVE 3.3 million. These declines resulted from several factors such as the creation of a taskforce to identify cost reduction areas/domains and the creation of the CCO – *Comité de Controle Orçamental*. Cost control software was also acquired and implemented in each of the Bank's organic units, enabling each branch's results to be calculated.

Depreciation for the year was down 2.4% by CVE 4.6 million over December 2013 to CVE 187.1 million, as a consequence of the write-off of several assets.

The following table shows the composition of operating costs and their respective evolution:

Operating costs				
ACCOUNT HEADINGS	2013	2014	(CVE million)	
			Change	
			Total	Percent
Employee costs	1,354	1,277	-77	-5.7%
Remunerations	799	816	17	2.1%
Mandatory social costs	529	438	-91	-17.2%
Additional costs - pension fund	390	290	-100	-25.6%
Optional social costs and other	27	23	-3	-12.0%
General administrative expenditure	759	720	-39	-5.1%
Depreciation	192	187	-5	-2.4%
TOTAL OPERATING COSTS	2,305	2,185	-120	-5.2%

9.3 – RATIO ANALYSES

Return on assets (ROA) and return on equity (ROE) trended unfavourably to 0.4% and 6.4%, respectively, in comparison to 0.3% and 5.1% in 2013, as a direct consequence of the increase of net income for the period.

Cost-to-income, which links operating costs with net operating income, was down to 84.3% in 2014 in comparison to 87.6% in 2013, reflecting the higher decline of operating costs as opposed to the decline of net operating income.

With the elimination of the pension fund effect, cost-to-income would have been 73.1% in 2014 in comparison to 72.8% in 2013.

There was an improvement in the employee costs/net operating income ratio from 51.5% to 49.3%.

In the case of risk indicators reference should be made to the non-performing to total credit ratio of 17.1%, in 2014, in comparison to 14.8% in 2013 as a consequence of the increase in the default portfolio and the overdue credit impairment coverage ratio of 62.4% in 2014 in comparison to 64.1% in 2012.

The loans to deposits ratio measured by loans and advance to customers over customer resources was down to 61.4% in comparison to 68.2% in 2013 owing both to the decline of the credit portfolio and increase in deposits.

9.4 – PRUDENTIAL RATIOS

In prudential terms, BCA produced a highly solid level of performance with own funds of CVE 4.5 billion, up CVE 250.8 million over 2013. BCA's own funds had been progressively penalised by the impact of the transition adjustments to the new IFRS accounting standards in 2009, which in December 2012 totalled a final amount of CVE 1,174 million.

With the increase in own funds, the fixed assets coverage ratio in 2014 remained very high at 214.9% (203% in 2013).

The solvency ratio, according to Bank of Cape Verde regulations totalled 14.89%, in comparison to the 10% minimum legally required of Cape Verde's commercial banks.

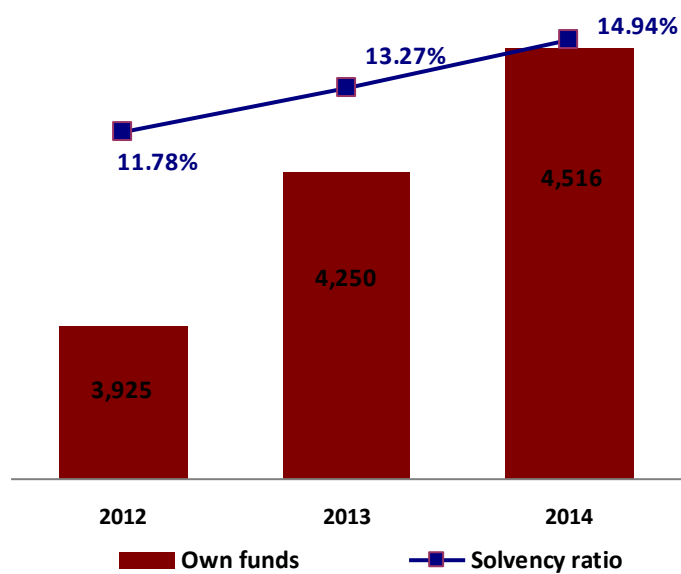
The ratio linking public debt securities to deposits, at 10.19%, was higher than the ratio required by BCV, which determines that financial institutions investments in public debt securities may not be less than 5% of their total deposits liabilities.

BCA had a global amount of CVE 5 billion in credit whose risks are subject to concentration limits, in absolute terms. This amount was also less than the definition of a maximum aggregate limit of 8 times own funds i.e. CVE 35.5 billion, required by the Bank of Cape Verde. The maximum concentration limit to an entity in December was CVE 1.125 million, less than 25% of the own funds required by the central bank.

The following table provides information on the evolution of prudential ratios over the last two years:

Prudential ratios

Ratios	2012	2013	2014
Own funds	3,924,795	4,250,241	4,515,998
Fixed assets coverage	208.40%	203.0%	215.68%
Solvency ratio	11.78%	13.27%	14.94%



10 – APPROPRIATION OF NET INCOME

The board of directors hereby proposes the following appropriation of BCA's net income of CVE 297,314,716 (two hundred and ninety seven million three hundred and fourteen thousand seven hundred and sixteen) escudos for the period:

Net income	297,314,713
Legal reserve (10%)	29,731,471
Other reserves (60%)	193,254,563
<u>Dividends (30%)</u>	<u>74,328,678</u>

11 – LIST OF CORRESPONDENT BANKS

Portugal

Caixa Geral de Depósitos SA – Lisbon
Banco Espírito Santo SA – Lisbon
Banco Português de Investimento SA – Porto
Banco Santander Totta SA – Lisbon
Banco do Brasil SA – Lisbon

Holland

Royal Bank of Scotland NV - Amsterdam
ING Bank NV – Amsterdam
ABN AMRO BANK NV – Amsterdam

Luxembourg

Déxia Bank Internacional à Luxembourg –
Luxembourg
Bank et Caisse d'Epargne d'Etat – Luxembourg

United Kingdom

Lloyds Bank PLC – London
Citibank NA – London
HSBC Bank PLC – London

Germany

Deutsche Bank AG – Frankfurt
Commerzbank AG – Frankfurt

Austria

Bank of Austria Creditanstalt – Vienna

Sweden

Nordea Bank AB (publ) – Stockholm

Norway

DnB NOR Bank ASA – Oslo

United States of America

Citibank NA – New York

France

Caixa Geral de Depósitos SA – Paris
Banque Nationale de Paris – BNP- Paribas

Italy

Intesa Sanpaolo SPI – Milan
UniCrédito Italiano SPA – Milan

Belgium

IngBelgium SA/NV – Brussels

Senegal

Citibank Senegal NA – Dakar

Switzerland

UBS Swiss Bank Corporation AG – Zurich

Spain

Banco Sabadell SA TSB – Sabadell

Denmark

JyskeBank A/S – Copenhagen

Japan

Bank of Tokyo Mitsubishi UFJ Ltd – Tokyo

12 – DIVISIONS AND BRANCH OFFICE NETWORK

Northern Commercial Division – DCN

Gilda Monteiro
Director

Financial and International Division–DFI

Amélia Figueiredo
Director

Means and Channels Division – DMC

Américo Andrade
Director

IT Systems Division - DSI

Luís Barbosa
Director

Operational Support Division - DSO

Anibal Moreira
Director

Human Resources Division – GRH

Euridice Mascarenhas
Director

Audit Office – GAI

Francisco Ramos
Coordinator

Marketing and Public Relations Office – GMR

Paula Martins
Coordinator

Compliance Office – GFC

Vanda Centeio
Coordinator

Southern Commercial Division - DCS

Herminalda Rodrigues
Director

Risk Management Division - DGR

Filomena Figueiredo
Director

Organisation and Innovation Division - DOI

Águeda Monteiro
Director

Security and Logistics Division – DSL

Adalberto Melo
Director

Legal and Credit Recovery Office - GJR

Carlos Lopes
Coordinator

CORPORATE OFFICES

Northern Companies Office – GEN

Lenise Almeida
Coordinator

Southern Companies Office – GES

Sofia Alexandra Barbosa
Coordinator

Sal Companies Office - GESA

Zara Barbosa Vicente
Coordinator

Southern Companies Office 2 – GES2

Nelson Moreira
Coordinator

NORTHERN ZONE BRANCHES

Elisa Santos
Coordinator

SOUTHERN ZONE BRANCHES

Guilherme Araújo
Coordinator

Type I Branches

São Vicente Branch – ASV
Joana Helena Carvalho
Manager

Type II Branches

Boa Vista Branch – ABV
Cláudio Mendonça
Manager

Praça Nova Branch - PNA
Maísa Sancha Crisóstomo
Manager

Porto Novo Branch – APN
António Évora
Manager

Ribeira Grande Branch – ARG
Osvaldina Espírito Santo G. Brito
Manager

Sal Branch – ASA
Counter at Amílcar Cabral International Airport
Agildo Cabral
Manager

São Nicolau Branch – ASN
Augusta Benilde Cruz
Manager

Type III Branches

Fonte Filipe Branch – AFF
Lídia Pereira
Manager

Monte Sossego Branch – MAS
Nelson Gomes
Manager

Ponta do Sol Branch – APS
Paúl – APL Branch (Prolong. ARG)
Osvaldina Espírito Santo G. Brito
Manager

Santa Maria – ASM
Elizabeth Alexandre
Manager

Tarrafal de São Nicolau Branch – ATS
Manuel Freitas
Manager

Type I Branches

Praia Branch – APA
São Domingos Extension - PSD
Janira Barbosa Andrade
Manager

Santa Catarina Branch – ASC
Assomada Extension – ADA
Luis Ramos
Manager

Type II Branches

Achada Santo António I Branch – ASTI
Dulce Santos
Manager

Avenida Branch – AVE
Achada São Filipe Extension – ASF
Celmira Mendes
Manager

São Filipe - FOGO Branch – AFG
Luis dos Reis
Manager

Tarrafal Branch – ATA
Isabel Costa
Manager

Achada Santo António II Branch – ASTII
Maria Teresa Borges
Manager

Brava Branch – ABR
Ângela Rosa
Manager

Maio Branch – AMA
Alexandrino Eanes
Manager

Mosteiros Branch – AMO
Luis dos Reis
Manager

Palmarejo Grande Branch – APG
Joaquina Lopes Tavares
Manager

Santa Cruz Branch – STC
José Moniz
Manager

Annexes



NÓS BANCO NA NÓS TERA
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13 – ANNEXES

Banco Comercial do Atlântico, S.A**Balance sheet at 31/12/2014**

	Amount before provisions, impairment and depreciation	Provisions, impairment and depreciation	Net amount
Assets			
Cash and claims on central banks	5,957,130,244		5,957,130,244
Claims on other credit institutions	859,313,040		859,313,040
Available for sale financial assets	7,257,876,424	10,841,439	7,247,034,985
Investments in credit institutions	11,960,058,280		11,960,058,280
Loans and advances to customers	41,981,825,264	4,176,716,174	37,805,109,090
Public debt securities	6,425,708,933		6,425,708,933
Investment properties	1,529,000	103,600	1,425,400
Other tangible assets	4,023,347,771	1,941,843,971	2,081,503,801
Intangible assets	284,359,108	264,988,848	19,370,260
Investments in subsidiaries excluded from the consolidation and jointly controlled entities	281,544,944		281,544,944
Current tax assets	846,225,830		846,225,830
Deferred tax assets	2,448,376		2,448,376
Other assets	1,440,253,039	126,129,331	1,314,123,708
Total assets	81,321,620,254	6,520,623,363	74,800,996,891
Dec / 14			
Liabilities			
Other credit institutions' resources			975,622,822
Customer resources and other loans			62,866,451,296
Provisions			5,243,401,378
Current tax liabilities			0
Deferred tax liabilities			131,854,173
Other subordinated liabilities			296,975,590
Other liabilities			426,782,746
Total liabilities			69,941,088,006
Capital			
Capital			1,318,647,814
Revaluation reserves			360,714,032
Other reserves and retained earnings			2,883,232,326
Net income for period			297,314,713
Total capital			4,859,908,885
Total liabilities and capital			74,800,996,891

Board chairman

.....
António de Castro Guerra

Head accountant

.....
Maria de Fátima N. Evora

Financial and international director

.....
Amélia Figueiredo

Banco Comercial do Atlântico, S.A**Income statement at 31/12/2014**

Description	Amount
Interest and similar income	3,577,658,215
Interest and similar costs	1,746,304,455
Net interest income	1,831,353,760
Income from equity instruments	209,481,488
Income from services and commissions	386,587,672
Costs of services and commissions	41,654,966
Income from available for sale financial assets	0
Income from foreign exchange revaluations	128,705,939
Income from disposals of other assets	-10,574,613
Other operating income	86,112,068
Net operating income	2,590,011,349
Employee costs	1,277,134,749
General administrative expenditure	720,365,636
Depreciation for period	187,131,200
Provisions net of recoveries and cancellations	-28,513,277
Impairment of other financial assets net of reversals and recoveries	221,721,097
Impairment of other assets net of reversals and recoveries	-6,671,299
Income from subsidiaries excluded from the consolidation, associates and jointly controlled entities	78,471,469
Income before tax	297,314,713
Income tax	0
Current	0
Deferred	0
Net income	297,314,713

Board chairman

Head accountant

Financial and international director

António de Castro Guerra

Maria de Fátima N. Evora

Amélia Figueiredo

Banco Comercial do Atlântico, S.A

Cost-to-income - Operating costs /Net operating income

Net operating income

Account headings	2013	2014	Change	
			Percent	Total
Net interest income	1,912,995,399	1,831,353,760	-4.3%	-81,641,639
+ Non-interest income	718,607,046	758,657,589	5.6%	40,050,543
= Net operating income	2,631,602,445	2,590,011,349	-1.6%	-41,591,096

Operating costs

Account headings	2013	2014	Change	
			Percent	Total
Administrative costs	2,113,297,832	1,997,500,385	-5.5%	-115,797,447
Depreciation	191,809,086	187,131,200	-2.4%	-4,677,886
= Operating cost	2,305,106,918	2,184,631,585	-5.2%	-120,475,333

Cost-to-income

Account headings	2013	2014
Cost-to-income - inc. pension fund	87.6%	84.3%
Cost-to-Income - exc. pension fund	72.8%	73.1%

Banco Comercial do Atlântico, S.A

Structural ratios

Account headings	2013		2014	
	Amounts	%	Amounts	%
1-Short term credit/loans and advances to customers	<u>3.704.553.951</u> 39.260.492.595	9,4%	<u>3.935.635.256</u> 38.083.848.789	10,3%
2-Medium/long term credit/loans and advances to customers	<u>35.555.938.644</u> 39.260.492.595	90,6%	<u>34.148.213.533</u> 38.083.848.789	89,7%
3-Overdue credit/loans and advances to customers	<u>5.811.623.397</u> 39.260.492.595	14,8%	<u>6.507.259.248</u> 38.083.848.789	17,1%
4-Impairment on overdue credit/overdue credit	<u>3.726.543.333</u> 5.811.623.397	64,1%	<u>4.061.529.801</u> 6.507.259.248	62,4%
5-Loans and advances to customers/deposits	<u>39.260.492.595</u> 57.556.499.473	68,2%	<u>38.083.848.789</u> 62.035.520.906	61,4%
6-Loans and advances to customers/term deposits	<u>39.260.492.595</u> 36.788.346.497	106,7%	<u>38.083.848.789</u> 40.597.228.498	93,8%
7-Performing credit/term deposits	<u>33.448.869.198</u> 36.788.346.497	90,9%	<u>31.576.589.541</u> 40.597.228.498	77,8%
8-Short term credit/term deposits	<u>3.704.553.951</u> 36.788.346.497	10,1%	<u>3.935.635.256</u> 40.597.228.498	9,7%
9-Medium/long term credit/term deposits	<u>35.555.938.644</u> 36.788.346.497	96,7%	<u>34.148.213.533</u> 40.597.228.498	84,1%
10-Sight deposits/total deposits	<u>20.768.152.976</u> 57.556.499.473	36,1%	<u>21.438.292.408</u> 62.035.520.906	34,6%
11-Term deposits/total deposits	<u>36.788.346.497</u> 57.556.499.473	63,9%	<u>40.597.228.498</u> 62.035.520.906	65,4%

Performance ratios

Account headings	2013		2014	
	Amounts	%	Amounts	%
1-RCP=Net income/shareholders' equity	<u>219.544.419</u> 4.311.326.934	5,1%	<u>297.314.716</u> 4.666.620.872	6,4%
2-RDA=Net income/average assets	<u>219.544.419</u> 70.065.052.906	0,3%	<u>297.314.716</u> 72.565.499.847	0,4%
3-ML = Net income/income	<u>219.544.419</u> 8.034.845.417	2,7%	<u>297.314.716</u> 6.305.577.400	4,7%
4-RA = Income/assets	<u>8.034.845.417</u> 70.326.631.361	11,4%	<u>6.305.577.400</u> 74.800.996.891	8,4%
6-MF=(Interest income-interest costs)/assets	<u>1.912.995.399</u> 70.326.631.361	2,7%	<u>1.831.353.760</u> 74.800.996.891	2,4%
ROA	0,3%		0,4%	
ROE	5,1%		6,4%	

RCP = Return on equity
RDA = Return on assets
ML = Profit margin
RA = Assets turnover
MF = Net interest income

Banco Comercial do Atlântico, S.A

Liquidity ratios

Account headings	2013		2014	
	Amounts	%	Amounts	%
1-Total deposits/assets	<u>57,556,499,473</u> 70,065,052,906	82.1%	<u>62,035,520,906</u> 72,565,499,847	85.5%
2-Loans and advances to customers/assets	<u>39,260,492,595</u> 70,065,052,906	56.0%	<u>38,083,848,789</u> 72,565,499,847	52.5%
3-Short term credit/assets	<u>3,704,553,951</u> 70,065,052,906	5.3%	<u>3,935,635,256</u> 72,565,499,847	5.4%
4-Medium-long term credit/assets	<u>35,555,938,644</u> 70,065,052,906	50.7%	<u>34,148,213,533</u> 72,565,499,847	47.1%
5-Loans and advances to customers/total deposits	<u>39,260,492,595</u> 57,556,499,473	68.2%	<u>38,083,848,789</u> 62,035,520,906	61.4%
6-Short term investments/assets	<u>15,896,843,032</u> 70,065,052,906	22.7%	<u>3,935,635,256</u> 72,565,499,847	5.4%

Productivity indicators

Account headings	2013		2014	
	Amounts	CVE thousand	Amounts	Contos
1-Credit and deposits/no. active employees	<u>96,816,992</u> 436	222,057	<u>100,119,370</u> 444	225,494
2-Net operating income/no. active employees	<u>2,631,602</u> 436	6,036	<u>2,590,011</u> 444	5,833
3-Credit and deposits/no. branches	<u>96,816,992</u> 33	2,933,848	<u>100,119,370</u> 33	3,033,920

Key indicators	2013	2014
1. ROE	5.1%	6.4%
2. ROA	0.3%	0.4%
3. Cost/income without pension fund	72.8%	73.1%
4. Volume of overdue credit	5,811,623	6,507,259
5. Solvency ratio	13.27%	14.94%
6. TIER 1 (basis own funds/weighted assets)	14.43%	16.80%
7. Loans-to-deposits ratio	68.21%	61.39%
8. Productivity per employee	504	670
8.1. Business revenue (credit+deposits)/no. employees	222,057	225,494
8.2. Net operating income/no. employees	6,036	5,833
9. Fixed assets coverage	202.95%	215.68%
10. Own funds	4,250,241	4,515,998

BOARD OF DIRECTORS

2014

Chairman: **António José de Castro Guerra** (representing Caixa Geral de Depósitos)

Board member: **Fernando Jorge do Livramento Santos da Moeda**

Board member: **Maria Eduarda Simões Lopes Branco Vicente** (up to 30 September 2014)

Board member: **Francisco Pinto Machado Costa** (from 17 November 2014)

Board member: **Ana Isabel Pais Vinagre Tomázio**

Board member: **Avelino Bonifácio Fernandes Lopes**



Deloitte & Associados, SROC S.A

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Registo na CMVM nº 231

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AUDITORS' REPORT AND OPINION

To the shareholders of
Banco Comercial do Atlântico, S.A.

In conformity with current legislation and our instructions, we hereby submit, for your consideration, the report and opinion on our activities and the accounting documents of Banco Comercial do Atlântico, S.A. (Bank) for the period ended 31 December 2014, which are the responsibility of the board of directors.

We have, with the frequency and to the extent considered adequate, monitored the evolution of the Bank's activity, the accuracy of its accounting records and compliance with its current articles of association, having been provided with all information and clarifications regarding our inquiries by the board of directors and the bank's various services.

In performing our functions, we examined the balance sheet, at 31 December 2014, the income statement, statement of comprehensive income, statement of cash flows and the statement of changes to shareholders' equity for the year then ended and corresponding notes. We also examined the board of directors' report for 2014 and the proposal therein included. As a consequence of our work, we have, on this date, issued the audit report which includes a reservation and four emphases of matters.

In light of the above, except for the effects of the matter described in paragraph 6 of the audit report and after considering the matters described in paragraphs 8 to 11 thereof, it is our opinion that the above referred to financial statements and board of directors' report, in addition to the proposal for the appropriation of net income therein expressed, are in conformity with the applicable accounting and statutory dispositions for the purposes of the approval of the general meeting of shareholders.

We also wish to express our gratitude for the assistance of the Bank's board of directors and its services.

Lisbon, 31 March 2015

Deloitte & Associados, SROC S.A.

Represented by João Carlos Henriques Gomes Ferreira

Deloitte

Deloitte & Associados, SROC S.A

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AUDIT REPORT

(amounts expressed in thousand Cape Verde escudos)

To the Board of Directors
Banco Comercial do Atlântico, S.A.

Introduction

1. We have audited the attached financial statements of Banco Comercial do Atlântico, S.A. ("Bank" or "BCA"), comprising its balance sheet at 31 December 2014 with a total balance sheet value of CVE 74,800,996 thousand and shareholders' equity of CVE 4,859,908 thousand, including net income of CVE 297,315 thousand, the income statement, net income and other comprehensive income, changes to shareholder's equity and cash flow statements for the year then ended and corresponding notes (Notes 1 to 36).

Board of directors' responsibilities for the financial statements

2. The Bank's board of directors is responsible for the preparation and adequate presentation of these financial statements in accordance with the International Financial Reporting Standards and for the internal control considered necessary for ensuring the preparation of financial statements free from material distortion owing to fraud or error.

Auditors' responsibility

3. It is our responsibility to express an independent opinion on the financial statements, based on our audit, which was performed in accordance with the International Audit Standards. These standards require us comply with ethical considerations and to plan and perform our audit in order to obtain a reasonable guarantee as to whether the financial statements are free from any material distortion.
4. An audit involves the performance of procedures to obtain audit proof regarding the quantities and disclosures set out in the financial statements. The selected procedures are dependent upon the auditor's judgement, including an assessment of the risks of material distortion in the financial statements owing to fraud or error. On making his/her risk assessments an auditor considers the internal control relevant for the preparation and appropriate presentation of the financial statements by the entity for the purpose of designing audit procedures which are appropriate to the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an assessment of the adequacy of the accounting policies used and the reasonableness of the board of directors' accounting estimates, in addition to an assessment of the global presentation of the financial statements.
5. We consider that the audit sample we have obtained is sufficient and appropriate as a basis upon which to issue our audit opinion, with reservations.

Bases for opinion with reservations

6. As described in Note 14, at 31 December 2014, the bank recognised subsidies to be received for the amount of CVE 838,503 thousand (CVE 814,432 thousand at 31 December 2013). Based on an external audit on the application of the subsidised credit regime, DGT (Directorate General for the Treasury) queried the eligibility of a series of operations. In November 2012, DGT informed the bank that it would agree to the payment of CVE 168,133 thousand for mortgage loan subsidies claims between 2000 and 2007, having considered claims for subsidies of CVE 102,098 thousand to be ineligible. DGT also confirmed the amount of CVE 208,564 thousand relative to housing subsidies for the period between 2008 and 2011 against total claims of CVE 277,728 thousand. The bank decided to recognise the cost of the operations identified as being ineligible over a period of 5 years, starting 2012, having recognised expenditure of CVE 34,252 thousand in each of the years between 2012 and 2014 and maintaining its recognition of CVE 68,506 thousand, in respect of which, at 31 December 2014, its assets and retained earnings were overestimated by CVE 68,506 thousand and CVE 102,758 thousand, respectively and income for the period underestimated by CVE 34,252 thousand. As regards the subsidies for housing credit operations between 2012 and 2013, for which claims and impairment totalled CVE 183,783 thousand and CVE 33,409 thousand, respectively, other subsidies totalling CVE 209,519, and other amounts to be received from the state of CVE 27,966 thousand, negotiations are still being held between the parties for the purposes of quantifying the eligible operations. In light of the above, we are not able to quantify the additional impairment needed to provide for the part of the balance of the subsidies to be received recognised at 31 December 2014 and which will not be received by the Bank.

Opinion

7. In our opinion, except for the effects of the matter described in paragraph 6 above, the financial statements, referred to in paragraph 1 above, provide an appropriate description, in all materially relevant aspects, of the financial position of Banco Comercial do Atlântico, S.A. at 31 December 2014, in addition to the net income and comprehensive income generated by its operations, changes to shareholders' equity and cash flows for the year then ended in conformity with the International Financial Reporting Standards.

Emphases of matters

8. The bank's credit portfolio, at 31 December 2014, includes relevant amounts of credit to companies in the property and construction sector, including loans for several projects related with the development of tourism resorts whose construction works are currently suspended. The Bank is currently implementing a series of measures to recover the referred to loans and, in most situations, the valuations of the respective property/land are higher than the amount of the loans are mortgaged to the Bank. The fulfilment of the expectations over collectability as reflected by the impairment attributed by the Bank to these customers, which normally reflects discounts to the amount of the valuations, is naturally dependent upon the evolution of the property market situation in Cape Verde and the results of the referred to measures currently in progress.

9. At 31 December 2014 the Bank recognised amounts of CVE 572,981 thousand receivable from the state of Cape Verde in "Other assets", several of which with a significant level of seniority. Notwithstanding the state's confirmation of these balances, including those relative to subsidies dating back to 2011, mentioned in paragraph 6 above, their settlement terms have still to be defined. According to the board of directors, negotiations are currently in progress with the state to establish a repayment plan, with the board of directors being of the conviction that the conclusion of the negotiations will not have any materially relevant impacts on the Bank's net worth.
10. As described in Note 13, the Fiscal Authorities of Cape Verde made a series of corrections to the Bank's taxable income for the years 2005 to 2013, including the non-acceptance of the costs of pensions and healthcare liabilities for the period and the corresponding asset changes from 2009 to 2013 deriving from the transition adjustments to the International Financial Reporting Standards. The Bank did not recognise any costs for such corrections, as it is the understanding of the board of directors and its tax consultants that the procedures adopted are in accordance with the legal and fiscal framework in force in Cape Verde, having therefore filed an appeal over the said corrections. The appeal relative to the first additional settlement received in respect of 2008, was rejected by the Fiscal Authorities which decision was contested by the Bank. In December 2013, the Sotavento Fiscal and Customs Court accepted the appeal in full, having annulled the act of defining taxable income for 2008 and its corresponding settlement. In February 2014, the Tax Authorities filed an appeal against the decision with the Supreme Court of Justice and the process is currently in progress. At 31 December 2014, the full impact of the non-provisioned contingency associated with these corrections totalled CVE 1,058,388 thousand, as explained in more detail in Note 13, including an amount of CVE 846,226 thousand already paid by the Bank and recognised in "Current tax assets". It is the conviction of the board of directors that the final decision on this process will find for the Bank. This explains why no costs related with this contingency have been recognised in the Bank's financial statements at 31 December 2014.
11. As described in Note 32, in November 2013, the board of directors decided to change its workers' current pension plan, for sustainability purposes, introducing new rules to assess retirement benefits. These changes originated a reduction of CVE 914,405 thousand in liabilities. In 2014, two judicial actions were brought against the Bank for the purpose of declaring the nullity of the referred to changes made by the Bank. The Bank contested these actions in July 2014 and currently awaits the ruling of the Praia court. The Bank's board of directors, based on the information provided by its lawyers and the arguments and bases for its contestation, considers that it will win the referred to actions.

Lisbon, 31 March 2015



Deloitte & Associados, SROC S.A.

BANCO COMERCIAL DO ATLÂNTICO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013

(Amounts expressed in thousand Cape Verde escudos)

ASSETS	Notes	2014			2013	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2014	2013
		Gross assets	Impairment and depreciation	Net assets	Net assets				
Cash and claims at central banks	3	5,957,130	-	5,957,130	2,704,800	Other credit institutions' resources	15	975,623	730,371
Claims on other credit institutions	4	859,313	-	859,313	503,495	Customer resources and other loans	16	62,866,451	58,967,699
Available for sale financial assets	5	7,257,876	(10,841)	7,247,035	7,254,566	Provisions	17	5,243,401	5,111,726
Investments in credit institutions	6	11,960,058	-	11,960,058	11,809,656	Deferred tax liabilities	13	131,854	142,207
Public debt securities	7	6,425,709	-	6,425,709	4,526,583	Other subordinated liabilities	18	296,976	399,040
Loans and advances to customers	8	41,981,826	(4,176,717)	37,805,109	39,167,549	Other liabilities	19	426,783	485,633
Investment properties	9	1,529	(104)	1,425	1,425	Total liabilities		69,941,088	65,836,676
Other tangible assets	10	4,023,348	(1,941,844)	2,081,504	2,081,929	Capital	20	1,318,648	1,318,648
Intangible assets	11	284,359	(264,989)	19,370	22,773	Revaluation reserves	21	360,713	390,267
Investments in subsidiaries, associates and jointly controlled en	12	281,545	-	281,545	268,320	Other reserves and retained earnings	21	2,883,232	2,561,496
Current tax assets	13	846,226	-	846,226	808,221	Net income for period	21	297,315	219,544
Deferred tax assets	13	2,448	-	2,448	2,448	Total shareholders' equity		4,859,908	4,489,955
Other assets	14	1,440,253	(126,129)	1,314,124	1,174,866	Total liabilities and shareholders' equity		74,800,996	70,326,631
Total assets		81,321,620	(6,520,624)	74,800,996	70,326,631				

The annex is an integral part of these balance sheets

BANCO COMERCIAL DO ATLÂNTICO, S.A.
INCOME STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2014 AND 2013

(Amounts expressed in thousand Cape Verde escudos)

	Notes	2014	2013
Interest and similar income	22	3,577,658	3,611,699
Interest and similar costs	23	(1,746,304)	(1,698,704)
NET INTEREST INCOME		1,831,354	1,912,995
Income from equity instruments	24	209,481	187,667
Income from services and commissions	25	386,588	378,333
Costs of services and commissions	25	(41,655)	(44,716)
Income from foreign exchange revaluations	26	128,706	128,977
Income from disposals of other assets	27	(10,575)	(2,031)
Other operating income	28	86,112	70,377
NET OPERATING INCOME		2,590,011	2,631,602
Employee costs	29	(1,277,134)	(1,354,098)
General administrative expenditure	31	(720,366)	(759,200)
Depreciation for period	10 and 11	(187,131)	(191,808)
Provisions net of recoveries and cancellations	17	28,513	914,405
Impairment of other financial assets net of reversals and recoveries	17	(221,721)	(979,708)
Impairment of other assets net of reversals and recoveries	17	6,671	(3,579)
Income from associates	12	78,473	40,011
INCOME BEFORE TAX		297,315	297,625
Income tax			
<i>Current</i>	13	-	-
<i>Deferred</i>	13	-	(78,081)
		-	(78,081)
Net income for period		297,315	219,544
Average number of ordinary shares issued		1,324,765	1,324,765
Earnings per share		0.22443	0.16572

The annex is an integral part of these statements

BANCO COMERCIAL DO ATLÂNTICO, S.A.STATEMENTS OF NET AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED31 DECEMBER 2014 AND 2013

(Amounts expressed in thousand Cape Verde escudos)

	<u>2014</u>	<u>2013</u>
Income not recognised in income statement		
Headings which will not be reclassified to the income statement:		
Actuarial and financial deviations relative to pension costs (Note 2.3)		
Change in year	9,047	(56,015)
Fiscal effect	11,977	-
Headings which may be reclassified to the income statement:	82,113	-
Changes to the fair value of available for sale financial assets	(945)	-
Change in period		
Fiscal effect		
Changes to investments in associates		
Change in period	(28,875)	194,300
Fiscal effect	(679)	(571)
Income not recognised in income statement	<u>72,638</u>	<u>137,714</u>
Net income for period	297,315	219,544
Total comprehensive income for period	<u>369,953</u>	<u>357,258</u>

The annex is an integral part of these statements.

BANCO COMERCIAL DO ATLÂNTICO, S.A.
STATEMENTS OF CHANGES TO SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Amounts expressed in thousand Cape Verde escudos)

	Capital	Revaluation reserves	Other reserves and retained earnings			Net income for period	Total shareholders' equity
			Legal reserve	Other reserves	Retained earnings		
					Total		
Balances at 31 December 2012 (pro forma)	1,318,648	196,537	692,599	2,747,828	(1,174,876)	351,960	4,132,696
Appropriation of net income for 2012:							
Incorporation into reserves	-	-	33,909	318,051	-	351,960	(351,960)
Comprehensive income for period	-	193,730	-	(56,015)	-	219,544	357,259
Balances at 31 December 2013	1,318,648	390,267	726,508	3,009,864	(1,174,876)	219,544	4,489,955
Appropriation of net income for 2013:							
Incorporation into reserves	-	-	21,955	197,589	-	219,544	(219,544)
Comprehensive income for period	-	(29,554)	-	102,192	-	297,315	369,953
Balances at 31 December 2014	1,318,648	360,713	748,463	3,309,645	(1,174,876)	297,315	4,859,908

The annex is an integral part of these statements.

BANCO COMERCIAL DO ATLÂNTICO, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED

31 DECEMBER 2014 AND 2013

(Amounts expressed in thousand Cape Verde escudos)

	2014	2013
<u>Cash flows from operating activities</u>		
Income from interest and commissions	3,798,660	3,899,824
Payment of interest and commissions	(1,677,208)	(1,719,183)
Recovery of overdue credit and interest	176,998	106,342
Foreign exchange income	128,705	128,977
Payments to employees and suppliers	(1,653,024)	(1,609,911)
Pensions and healthcare payments	(197,359)	(182,413)
Other receipts / (payments) for operating activity	(9,306)	(49,198)
Payments of income tax	(38,005)	(85,215)
Operating income before changes in operating assets	529,461	489,223
(Increases) decreases in operating assets:		
Investments in credit institutions	(150,434)	(295,066)
Loans and advances to customers	1,102,746	262,228
Public debt securities	(1,836,813)	(1,153,225)
Other assets	(27,332)	23,057
	(911,833)	(1,163,006)
Increases (decreases) in operating liabilities		
Central banks' and other credit institutions' resources	235,021	189,023
Customer resources	3,798,434	766,927
Other subordinated liabilities	(102,041)	(99,699)
Other liabilities	(84,932)	(26,731)
	3,846,482	829,520
Net cash from operating activities	3,464,110	155,737
<u>Cash flows from investing activities</u>		
(Increases) decreases in investment assets		
Investments in subsidiaries, associates and jointly controlled entities	123,497	(15,000)
Investment properties	(17,776)	(738)
Intangible assets	(170,340)	(297,865)
Other tangible assets	208,657	206,995
	144,038	(106,608)
Net cash from investing activities		
<u>Cash flows from financing activities</u>		
	-	-
Net cash from financing activities		
	3,608,148	49,129
Increase (decrease) net of cash and equivalents		
	3,208,295	3,159,166
Cash and equivalents at start of year	6,816,443	3,208,295
Cash and equivalents at end of year		

INTRODUCTORY NOTE

Banco Comercial do Atlântico, S.A. (Bank) is a commercial bank, formed as a spin-off from the Bank of Cape Verde, under Decree Law 43/93 of 16 July. Under the terms of the privatisation process of credit institutions and financial companies with a state equity investment and Council of Ministers' resolution 46/99 of 27 September, the Group, comprising Caixa Geral de Depósitos, S.A. and Banco Interatlântico, S.A.R.L. held the majority of the Bank's share capital. The Bank's shares have been listed on the Cape Verde Stock Exchange since December 2005.

The Bank's corporate object of performing banking operations, includes all accessory, connected or similar operations compatible with such operations and permitted by law.

The Bank is headquartered in Praia in the Republic of Cape Verde and its operations are performed by 33 branch offices.

The Bank's financial statements, at 31 December 2014, were approved by the board of directors at 31 March 2015 but still require the approval of its general shareholders' meeting. The Bank's board of directors, however, considers that they will be approved without any significant alterations.

2. PRESENTATION BASES AND ACCOUNTING POLICIES

2.1. Presentation bases

The Bank's financial statements have been prepared on the going concern principle, based on books and accounting records, kept in conformity with the accounting principles set out in the International Financial Reporting Standards (IFRS) under the terms of official notice 2/2005 of 19 November issued by the Bank of Cape Verde.

2.2. Accounting policies

a) Accrual basis

Costs and income are recognised on an accrual basis, as and when generated, notwithstanding the date of payment or receipt.

b) Translation of balances and transactions in foreign currency

Assets and liabilities denominated in foreign currency are translated into Cape Verde escudos at the Bank's average exchange rate on the last working day of each month. The assessment of exchange rate differences upon translation is recognised in income for the period, except for differences originated by non-monetary financial instruments, such as shares, classified as being available for sale which are recognised in shareholders' equity until disposal.

The Cape Verde escudo's exchange rate at 2014 and 2013 remained unchanged at 110.265 Cape Verde escudos to the euro. The exchange rate against the US dollar, at 31 December 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
1 USD	90.825	80.148

c) Financial assets

i) Financial assets

Financial assets are recognised at fair value at the agreement date, plus the costs directly attributable to the transaction. As the Bank does not have any trading or other assets recognised at fair value through profit or loss, the financial assets were classified in one of the following IAS 39 categories at their time of initial recognition:

a) Loans and accounts receivable

These are financial assets with fixed or determinable payments, not listed on an active market. This category includes loans and advances to customers, (including corporate loans), amounts receivable from other credit institutions and other balances receivable, recognised in "Other assets". It also includes debt securities issued by the state of Cape Verde as they were acquired in the primary market by the Bank, essentially to be held to maturity and with no active secondary market.

These assets are initially recognised at fair value, net of any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at their amortised cost, net of impairment losses.

Interest recognition

Interest is recognised on the basis of the effective interest rate method which enables the amortised cost to be calculated and the interest split over the period of the operations. The effective rate is the rate that, being used to discount the estimated future cash flows associated with the financial instrument, enables present value to be matched to the value of the financial instrument at the date of initial recognition.

Overdue credit and cancellations of capital and interest

Interest on overdue credit not backed by real guarantees is cancelled three months after the operation's maturity date or first overdue payment. Unrecognised interest on the above referred to credit is only recognised in the period in which it is collected in "Interest and similar income".

According to the policies in force in the Bank, the full amount of outstanding principal on operations in arrears is classified as overdue credit 30 days from its due date. The Bank periodically writes off its non-recoverable credit from assets by declaring impairment following a specific analysis by its structural bodies responsible for the oversight and recovery of loans and the board of director's approval. Eventual recoveries of credit written-off from assets are recognised in the income statement, in "Impairment of other financial assets, net of reversals and recoveries".

b) Available for sale financial assets

This category includes the following financial instruments not classified in "Loans and accounts receivable":

- Corporate equities;
- Consolidated financial investment certificates.

Available for sale financial assets are measured at fair value, except for equity instruments not listed in an active market whose fair value cannot be reliably measured which continue to be recognised at cost. Revaluation gains or losses are recognised directly in "Revaluation reserves" in shareholders' equity. At the time of sale or if impairment is determined, accrued fair value changes are transferred to income or costs for the year and recognised in "Income from available for sale financial assets" or "Impairment of other financial assets, net of reversals and recoveries" respectively.

Dividends and income from equity instruments classified in this category are recognised as income in "Income from equity instruments", when the Bank's right to receive them has been established.

Income receivable from consolidated financial investment certificates is recognised in the balance sheet in "Available for sale financial assets".

Fair value

As referred to above, financial assets recognised in "Available for sale financial assets" are measured at their fair value.

The fair value of a financial instrument comprises the amount at which an asset or financial liability can be sold or liquidated between independent, knowledgeable parties, interested in realising the transaction under normal market conditions.

The fair value of financial instruments is assessed on the basis of the following criteria:

- Closing price at the balance sheet date, for instruments traded on active markets;
- Internal valuation models and techniques are used for variable-income securities not traded in active markets (including unlisted securities or securities with low liquidity levels), taking into account the market data which would be used to define a price for the financial instrument, reflecting market interest rates and volatility, in addition to the liquidity and credit risk associated with the instrument.

d) Impairment of financial assets

Financial assets at amortised cost

The Bank periodically analyses impairment on its financial assets recognised at amortised cost, notably loans and accounts receivable.

Signs of impairment on financial assets with an individually significant level of exposure are identified individually and collectively in the case of available assets whose debtor balances are not individually relevant.

The following events may comprise signs of impairment:

- Breaches of contractual clauses, i.e. arrears of interest or principal;
- Incidents of defaults in the financial system;
- Any existing operations deriving from credit restructuring operations or from credit restructuring negotiations in progress;
- Difficulties in terms of the capacity of partners and management, i.e. when leading partners or key senior staff leave the company and in the event of disagreements between partners;
- A debtor's or debt issuing entity's significant financial difficulties;
- Existence of a strong probability of a declaration of bankruptcy by the debtor or debt issuing entity;
- A decrease in the debtor's competitiveness;
- Historical records of collections suggesting that the nominal value will never be fully recovered.

The Bank performs an individual analysis on customers with liabilities of more than CVE 20,000 thousand or when companies are in default for more than 180 days.

Whenever signs of impairment are identified on individually analysed assets, the eventual impairment loss comprises the difference between the present book value of the expected future cash flows receivable (recoverable value), discounted on the basis of the asset's effective original interest rate and its book value at the time of the analysis.

Assets which have not been specifically analysed are included in a collective impairment analysis, having, for the said purpose, been classified in like-for-like groups with similar risk characteristics (based on counterparty and credit type). Future cash flows were estimated on the basis of historical information on defaults and recoveries of assets with similar characteristics.

The Bank has defined the following credit sector portfolio segments for this purpose:

- Lending to companies
- Mortgage loans
- Consumer credit
- Loans to small businesses
- Loans and advances to the public sector
- Loans to group companies
- Guarantees provided
- Other loans and advances to individual customers

Assets evaluated individually and on which no objective signs of impairment have been identified were also subject to a collective impairment analysis, as described above.

Impairment losses calculated in the collective analysis incorporate the time effect of estimated discounted cash flows receivable on each operation, at the balance sheet date.

The amount of impairment assessed is recognised in costs, in "Impairment of other financial assets net of reversals and recoveries" and separately in the balance sheet as a deduction from the amount of the respective credit.

Available for sale financial assets

As referred to in Note 2.2. available for sale financial assets are recognised at their fair value, with changes thereto being posted directly to “Revaluation reserves” in shareholders’ equity.

The Bank performs an analysis of any impairment losses on available for sale financial assets at each of the financial statement’s reference dates.

Whenever there is any objective evidence of impairment, accrued capital losses, recognised in reserves are transferred to costs for the year as impairment losses, in “Impairment of other financial assets net of reversals and recoveries”.

In addition to the above referred to signs of impairment on assets recognised at amortised cost, IAS 39 also provides for the following specific signs of impairment on equity instruments:

- Information on significant changes having an adverse impact on the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be recovered;
- A significant or prolonged decline in market value at below cost.

Impairment losses on equity instruments cannot be reversed and any unrealised capital gains originated after the recognition of impairment losses are recognised in “Revaluation reserves”. Impairment is always considered to exist if additional capital losses are assessed at a later stage and is recognised in income for the period.

The Bank also periodically performs impairment analyses on financial assets recognised at cost, namely unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value, in this case, is the best estimate of the future cash flows receivable on the asset, discounted at a rate adequately reflecting the risk attached to holding the asset.

The amount of the impairment loss is directly recognised in income for the period. Impairment losses on such assets cannot be reversed.

e) Financial liabilities

Financial liabilities are recognised at their respective fair value at the agreement date, net of the costs directly attributable to the transaction. Financial liabilities include credit institutions’ and customer resources, subordinated liabilities and liabilities incurred for the payment of services or purchase of assets, recognised in “Other liabilities”.

Sales operations with repo agreements, i.e. Treasury bonds and bills are recognised in “Customer resources and other loans”. The corresponding securities continue to be recognised in the Bank’s portfolio.

The financial liabilities are measured at amortised cost, upon which any applicable interest is recognised in accordance with the effective interest rate method.

f) Assets received on credit recoveries

Proceeds from property and other auctioned assets relating to the recovery of overdue loans which are not available for immediate sale, are recognised at the bid price, upon completion of the respective legal procedures, in "Other assets".

Such assets are not depreciated. The value of repossessed property is periodically assessed. Impairment losses are recognised if the property's value is less than its balance sheet value. To assess impairment, the Bank also considers the length of time the property has been held in the portfolio.

The sale of auctioned property is written off from assets and the respective gains or losses recognised in "Other operating income and costs".

g) Investment properties

Investment properties are properties held with the objective of obtaining income from rentals and/or their appreciation.

Investment properties are not depreciated and are recognised at fair value, annually assessed on the basis of experts' appraisals. Fair value changes are recognised in "Other operating income" in the income statement.

This account heading, at 31 December 2014 and 2013 was entirely made up of land.

h) Other tangible assets

Other tangible assets are recognised at their acquisition cost, net of depreciation and accrued impairment losses. The costs of repair, maintenance and other expenses associated with their use are recognised as a cost for the year, in "General administrative expenditure".

Depreciation is systematically calculated on an asset's estimated useful life, i.e. the period for which the asset is expected to be available for use, which is:

	Years of useful life
Property for own use	50
Equipment:	
Office furniture and equipment	8
Machines and tools	5 - 6
IT Equipment	4
Interior installations	8
Transport material	3 - 5
Security equipment	8
Other equipment	5

Land is not depreciated.

Expenditure incurred on works and improvements to property occupied by the Bank as a lessee under operating leases is capitalised in this heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the year.

Analyses designed to identify signs of impairment on tangible assets are periodically performed in accordance with IAS 36 – "Assets impairment". An impairment loss is recognised in the income statement for the period in "Impairment of other assets, net of reversals and recoveries" whenever the net balance sheet value of tangible assets exceeds their recoverable value (value in use or fair value - whichever the higher). Impairment losses may be reversed and also have an impact on income for the period if an asset's recoverable value subsequently increases.

Depreciation, notably in the case of vehicles, is calculated on an item of equipment's estimated

residual value.

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

i) Intangible assets

This account heading essentially comprises the costs of the acquisition, development or preparation for use of software used for the development of the Bank's activity.

Intangible assets are recognised at their acquisition cost, net of depreciation and accrued impairment losses.

Depreciation is recognised as a cost for the year, on a systematic basis, over the assets' estimated useful lives for a period of 3 years.

Expenses on software maintenance are recognised as a cost for the year in which they are incurred.

j) Investments in subsidiaries, associates and jointly controlled entities

This account heading includes investments in companies over which the Bank wields significant influence but whose management it does not effectively control ("associates"). Significant influence is presumed to exist whenever the Bank has a direct or indirect investment of 20%-50% in a company's equity capital or voting rights or, when less than 20%, if the Bank has a seat on the board of directors and a direct influence in defining the company's relevant policies.

These assets are recognised by the equity accounting method. Under this method, investments are initially valued at their acquisition cost and latterly adjusted on the basis of the Bank's effective percentage of changes in its associated companies' shareholders' equity (including income).

k) Income tax

The Bank, at 31 December 2014 and 2013, was subject to the payment of "IUR" ("Income Tax") at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.5%.

Total income tax recognised in the income statement includes current and deferred taxes.

Current tax

Current tax is calculated on the basis of taxable profit for the period, which is different from accounting income owing to adjustments to taxable income resulting from costs or income, which are not relevant for fiscal purposes or only for consideration in other accounting periods.

Deferred tax

Total income tax recognised in the income statement includes current and deferred taxes.

Deferred tax comprises the impact of temporary deductible or taxable differences between the balance sheet value of assets and liabilities and their fiscal basis, used to assess taxable profit on tax recoverable or payable in future periods.

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised up to the amount of the probable existence of future taxable profit, permitting the use of the corresponding deductible tax differences or carry-back of fiscal losses.

Neither are deferred tax assets recognised in cases in which their recoverability may be questioned owing to other situations, including issues related to the interpretation of current fiscal legislation.

Notwithstanding the above, deferred tax relating to temporary differences originating from the initial recognition of assets and liabilities in transactions which do not affect accounting income or taxable profit is not recognised.

The principal situations originating temporary differences, in Bank terms, comprise the impact of the adoption of IFRS and measurement of available for sale financial assets.

Deferred taxes are calculated on the basis of the tax rates expected to be in force upon the temporary differences' reversal dates, comprising the approved or substantially approved rates, at the balance sheet date.

Income tax (current or deferred) is recognised in the income statement for the period, except for cases in which their originating transactions have been recognised in other shareholders' equity account headings (such as in the case of revaluations of available for sale financial assets). The corresponding tax, in such cases, is also recognised as a charge to shareholders' equity and does not affect the annual income statement.

l) Provisions and contingent liabilities

A provision is set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be paid to liquidate the liability at the date of the balance sheet.

When not probable, the future expenditure of resources is considered to be a contingent liability. Contingent liabilities require no more than a simple disclosure procedure, unless the possibility of their payment is remote.

Provisions for other risks are for legal, fiscal and other contingencies resulting from the Bank's activity.

m) Employee benefits

Liabilities for employee benefits are recognised under the principles of IAS 19 – "Employee benefits". The principal benefits granted by the Bank include retirement and survivors' pensions and healthcare costs.

i) Pensions and healthcare liabilities

The Bank's retirement pension liabilities continue to be regulated by the transitory regime set out in the Bank of Cape Verde's Employees Statute of 1 December 1990. Under the terms of this statute, the Bank assumes liability for the payment of retirement pensions to employees who meet the requirements set out in the document.

In accordance with the applicable regime, the Bank and its employees contribute 11% and 6% of the wages bill, respectively (excluding holiday and Christmas subsidies). The Bank is also liable for the appropriation of any additional amounts required to meet its liabilities in full.

The Bank does not have any liabilities to its permanent employees taken on after 2001, who are covered by the general social security regime, under the terms of their employment contracts.

The Bank has also agreed to pay a part of its employees' healthcare costs. The Bank and its employees make monthly payments of 4% and 2% of the wage bill for this purpose, respectively.

Balance sheet liabilities for defined benefit plans comprise the current value of liabilities. Total liabilities are assessed annually by specialised actuaries using the projected unit credit method and other adequate actuarial premises (Note 30). The discount rate used to revalue liabilities incorporates market interest rates on investment grade corporate bonds (or, in the absence thereof, public debt securities), denominated in the currency in which the liabilities are paid and with similar periods to maturity to the liabilities' average settlement periods.

In 2013, following the entry into force of the revision of IAS 19 – Employee benefits, the Bank started to recognise gains and losses directly in shareholders' equity.

To provide for these pension liabilities, the Bank has a pension and similar costs provision, in "Provisions for the costs of employee benefits – retirement pensions" in liabilities.

The liabilities defined on the basis of the actuarial assessment of estimated healthcare costs are recognised in "Provisions for the costs of employee benefits - medical services" (Note 17).

The net amount of the cost of retirement pensions and healthcare costs for the period, including current servicing and interest costs, is recognised in "Employee costs".

The Bank recognises the effect of curtailments to defined benefit plans, which incorporates any change resulting from the present value of the defined benefits liability, on an income and costs basis.

The Bank considers the existence of curtailment whenever:

- a) it is demonstrably committed to materially reducing the number of employees covered by a plan; or
- b) it changes the terms of a defined benefits plan in such a way as for a material element of the future service of present employees to cease to qualify for benefits, or only qualify for reduced benefits.

The impact of employees' retirement prior to the standard retirement age, defined in the actuarial study is directly recognised in costs.

ii) Short term benefits

Short term benefits, including productivity bonuses paid to employees, are recognised in "Employee costs" for the respective period, on an accrual basis.

The Bank has not set up any provision for its employees' holiday subsidies owing to the fact that the right to such benefits is acquired in the year in which they are enjoyed/received by employees.

n) Commissions

Commissions relating to credit operations which essentially comprise commissions charged on the issue and management of credit, are recognised by the application of the effective interest rate method over the lifetime of the operations, notwithstanding the time when they are charged and are recognised in "Interest and similar income – commissions received associated with amortised cost".

Commissions associated with guarantees provided, documentary credit and card annuities, are deferred on a linear basis over the corresponding period, with other commissions being recognised in income when received.

Commissions for services provided are usually recognised as income over the period of provision of the service or as a lump sum if resulting from single acts.

o) Securities and other items held under custody

Securities and other items held under custody, i.e. customers' securities, are recognised in off-balance sheet accounts, at their nominal value.

p) Cash and cash equivalents

For the purposes of the preparation of cash flow statements, the Bank considers "Cash and cash equivalents" to be the total amount of the "Cash and claims at central banks" and "Claims on other credit institutions" accounts.

q) Critical accounting estimates and most relevant judgemental aspects for the application of accounting policies

For the application of the above referred to accounting policies, the Bank's board of directors must produce estimates. The estimates with the greatest impact in the Bank's separate financial statements include those set out below.

Assessment of impairment losses on loans and other amounts receivable

Impairment losses on loans are assessed in accordance with the methodology defined in Note 2.2. d). The assessment of impairment on individually analysed assets accordingly derives from the Bank's specific valuation based on knowledge of its customers' status and guarantees associated with the operations in question.

The assessment of impairment based on a collective analysis is made on the basis of specific historical parameters on types of comparable operations, taking default and recovery estimates into consideration.

The Bank considers that the assessment of impairment on the basis of this methodology permits the adequate recognition of the risk associated with its loans portfolio, based on the rules defined in IAS 39.

Assessment of impairment losses on available for sale financial assets

As described in Note 2.2. c) i) b), capital losses deriving from the valuation of such assets are recognised as a charge to "Revaluation reserves". Whenever objective evidence of impairment exists, accrued capital losses recognised in the revaluation reserve should be transferred to costs for the year.

In the case of equity instruments, the assessment of the existence of impairment losses may be subjective. The Bank decides whether or not impairment exists on such assets through a specific analysis at each balance sheet date, based on the definitions of IAS 39 (see Note 2.2. d)).

Measurement of financial instruments not traded in active markets

The Bank, under IAS 39, measures the value of several instruments recognised as available for sale financial assets at their fair value. Valuation models and techniques, as described in Note 2.2.c) are used to measure the value of financial instruments not traded on liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet.

Employee benefits

As referred to in Note 2.2.m), the Bank's liabilities for post employment and other employee benefits are assessed actuarially. These actuarial assessments incorporate, *inter alia*, financial and actuarial assumptions relating to mortality, disability, wage and pensions growth and the discount rate. The premises comprise the Bank's and its actuaries' best estimates of the future performance of the respective variables.

Income tax assessment

Tax on profit (current and deferred) is assessed by the Bank on the basis of the rules defined by the current fiscal environment. In several cases, however, fiscal legislation may not be sufficiently clear and objective and may give rise to different interpretations. The amounts recognised in such cases represent the responsible Bank bodies' best understanding of the correctness of the Bank's operations although this may be queried by the fiscal authorities.

As stated in Note 13, at 31 December 2014 no provision was made for contingencies relating to adjustments made to taxable profit for past years by the fiscal authorities, given that the Bank considers that its procedures are in accordance with the legal and fiscal regulations in force in Cape Verde.

r) Adoption of new standards (IAS/IFRS) or revision of already issued standards

As referred to in Note 2.1, the Bank, in preparing its financial statements, used the standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of relevance to its operations, coming into force starting 1 January 2014.

Standards, interpretations, amendments and revisions coming into force in the year

The applications of the following standards, interpretations, amendments and revisions is only mandatory for the first time for the year ended 31 December 2014:

The adoption of these standards did not have a materially relevant impact on the Bank's financial statements at 31 December 2014.

Standards, interpretations, amendments and revisions to come into force in future years

The following standards, interpretations, amendments and revisions have already been approved and their application is mandatory in future financial years.

Standard / Interpretation	Applicable in the years starting on or after	Changes
Amendment to standards: <ul style="list-style-type: none"> IFRS 10 – Consolidated financial statements IFRS 12 – Disclosures of interests in other entities (Investment bodies) 	01-Jan-14	This amendment introduces a consolidation dispensation for certain entities falling within the definition of an investment body. It also establishes the rules for measuring the investments held by such investment bodies
Amendment to standard IAS 32 – Financial asset and liabilities offsetting	01-Jan-14	This amendment clarifies certain aspects of the standard related with the application of financial asset and liabilities offsetting requirements
Amendment to standard IAS 36 – Impairment (Disclosures on the recoverable amount of non-financial assets)	01-Jan-14	This amendment eliminates the disclosure requirements for the recoverable amount of a cash flow generating unit with goodwill or intangibles with an undetermined working life allocated in the periods in which no impairment loss or reversal was recognised. It introduces additional disclosure requirements for assets on which an impairment loss or reversal was recognised and when the recoverable amount has been assessed on the fair value net of sales costs.
Amendment to standard IAS 39 Financial Instruments Recognition and Measurement (Reformulation of derivatives and continuation of hedge accounting)	01-Jan-14	This amendment permits, in certain circumstances the continuation of hedge accounting when a derivative denominated as a hedge derivative is reformulated.
IFRIC 21 – Payments to the state	01-Jan-14	This interpretation establishes the conditions regarding the timeliness of the recognition of a liability related with the payment to the state of a contribution by an entity owing to a certain event (such as participation in a certain market), without the payment having specific goods or services as a counterpart.

Standard / Interpretation	Applicable in the years starting on or after	
Improvements to international financial reporting standards (2011-2013 cycle)	01-Jan-15	These improvements involve the clarification of several aspects related with the IFRS 1 – First Time Adoption of the International Financial Reporting Standards, IFRS 3 – Business Combinations, IFRS 13 – Fair Value Measurement and IAS 40 – Investment Properties standards.
IFRS 9 – Financial instruments (2009) and latter amendments	01-Jan-18	This standard is part of the project for the revision of IAS 39 and establishes the requirements for the classification and measurement of financial assets and liabilities and for the application of hedge accounting rules.
IFRS 14 – Regulatory deferral accounts	01-Jan-16	This standard establishes the reporting requirements for entities adopting IFRS/IAS, applicable to regulated assets for the first time.
IFRS 15 – Revenue from contracts with customers	01-Jan-17	This standard introduces a structure for the recognition of revenue based on principles and a model to be applied to all contracts entered into with customers
Amendment to standard IFRS 11 – Joint Arrangements	01-Jan-16	This amendment clarifies that IFRS 3 is applied when an investor acquires an interest in a jointly controlled entity even when this consists of a business as defined by the referred to standard. The application of IFRS 3 is required on the acquisition of the initial interest and subsequent acquisition of interests
Amendments to standards IAS 16 – Tangible Fixed Assets and IAS 38 – Intangible Assets	01-Jan-16	These amendments clarify the permitted methods for the depreciation of tangible fixed assets and intangible assets.
Amendments to standards IAS 16 – Tangible Fixed Assets and IAS 40 – Agriculture	01-Jan-16	These amendments establish that the biological assets falling within the definition of bearer plants should be accounted as tangible fixed assets
Amendment to standard IAS 19 – Employee Benefits	01-Jan-16	This amendment clarifies the circumstances in which employee contributions to post employment benefit plans comprise a reduction of the cost of short term benefits
Amendments to standards 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures (2011)	01-Jan-16	These amendments eliminate a conflict between the referred to standards, related with the sale or contribution of assets between an investor and associate or joint venture
Amendment to standard IAS 27 – Separate Financial Statements (2011)	01-Jan-16	This amendment introduces the possibility of the application of the equity accounting method for the valuation of investments in subsidiaries, associates and joint ventures in the separate financial statements of an entity submitting consolidated financial statements

Standard / Interpretation	Applicable in the years starting on or after	
Amendments to standards IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosures of Interests in Other Entities and IAS 28 – Investments in Associates and Joint Ventures (2011)	01-Jan-16	These amendments involve the clarification of several aspects related with the application of the consolidation exception by investment bodies.
Amendment to standard IAS 1 – Presentation of Financial Statements (Disclosures)	01-Jan-16	This amendment introduces a series of indications and guidelines designed to improve and simplify disclosures in the context of current IFRS reporting requirements.
Improvement of international financial reporting standards (2010-2012 and 2012-2014) cycles	01-Jan-16	These amendments involve the revision of several standards.

The Bank will assess the impacts of the application of these standards as regards IFRS 9, in the future.

3. CASH AND CLAIMS ON CENTRAL BANKS

This account heading comprises the following:

	2014	2013
Cash		
· Domestic currency	528,458	542,680
· Foreign currency	603,129	652,435
Sight deposits with Bank of Cape Verde		
· Domestic currency	4,824,560	1,508,729
· Foreign currency	983	956
	<u>5,957,130</u>	<u>2,704,800</u>

The objective of sight deposits with the Bank of Cape Verde is to satisfy minimum cash reserve requirements. Under Bank of Cape Verde dispositions, such claims comprise 18% of average effective domestic and foreign currency liabilities to residents and emigrants. A minimum daily percentage of 20% of the amount of the minimum reserves to be maintained by financial institutions in their sight deposit accounts was fixed in 2014.

No interest was paid on these deposits, in 2014 and 2013.

4. CLAIMS ON OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

	2014	2013
Sight deposits		
In credit institutions in Cape Verde		
. Caixa Económica de Cabo Verde	996	996
in credit institutions abroad		
. Novo Banco, S.A.	91,998	37,382
. Caixa Geral de Depósitos, S.A.	74,252	41,624
. Unicredito Italiano SpA	65,657	10,508
. Citibank	32,438	42,832
. Other	218,058	166,018
	<u>483,399</u>	<u>299,360</u>
Cheques pending settlement:		
Domestic cheques	271,530	84,609
Foreign cheques	100,598	115,772
	<u>372,128</u>	<u>200,381</u>
Other claims	3,786	3,754
	<u>859,313</u>	<u>503,495</u>

Cheques pending settlement comprise cheques drawn by customers of other banks and sent for clearing. These amounts are collected in the first few days of the following year.

5. AVAILABLE FOR SALE FINANCIAL ASSETS

This account heading comprises the following:

	2014	2013
Consolidated financial investment certificates		
. Fair value	6,786,988	6,818,523
. Income receivable	394,233	372,892
	<u>7,181,221</u>	<u>7,191,415</u>
Equity instruments	76,655	73,992
Impairment (Note 17)	(10,841)	(10,841)
	<u>7,247,035</u>	<u>7,254,566</u>

Information on financial instruments classified in available for sale financial assets, at 31 December 2014 and 2013, is set out below:

Share	% equity stake	Acquisition cost	2014			2013		
			Balance sheet			Balance sheet		
			value (Net)	Revaluation reserve (Note 21)	Impairment (Note 17)	value (Net)	Revaluation reserve (Note 21)	Impairment (Note 17)
<u>Equity instruments measured at fair value</u>								
Consolidated financial investment certificates	56.49%	6,433,170	7,181,221	353,818	-	7,191,415	385,353	-
Visa International Service Association	n.d.	1,314	10,569	9,255	-	7,906	6,593	-
		<u>6,434,484</u>	<u>7,191,790</u>	<u>363,073</u>	<u>-</u>	<u>7,199,321</u>	<u>391,946</u>	<u>-</u>
<u>Equity instruments measured at historical cost</u>								
A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L.	11.11%	50,000	39,159	-	(10,841)	39,159	-	(10,841)
Sociedade Cabo Verdiana de Tabacos, S.A.	0.65%	10,133	10,133	-	-	10,133	-	-
Fundo G.A.R.I.	0.19%	4,203	4,203	-	-	4,203	-	-
SITA - Sociedade Industrial de Tintas, S.A.R.L.	0.63%	1,750	1,750	-	-	1,750	-	-
		<u>66,086</u>	<u>55,245</u>	<u>-</u>	<u>(10,841)</u>	<u>55,245</u>	<u>-</u>	<u>(10,841)</u>
		<u>6,500,570</u>	<u>7,247,035</u>	<u>363,073</u>	<u>(10,841)</u>	<u>7,254,566</u>	<u>391,946</u>	<u>(10,841)</u>

n.a. - not available

TCMFs (Consolidated Financial Investment Certificates) were issued under the terms of Law 64/V/98 approving the creation of the “International Support for Cabo Verde Stabilization Trust Fund” (Fund). Under the terms of this statute, the Fund is managed by the Bank of Portugal, which, owing to the autonomy of the Fund’s assets, is, exclusively liable for the debts, costs and liabilities resulting from its existence, operation and organisation.

The Fund’s investment policy is defined by a Cape Verde government representative, in conjunction with the management body with the objective of increasing asset value based on criteria of security and profitability.

TCMFs are the result of the conversion of matured Cape Verde Treasury bonds recognised at the nominal value of the securities delivered.

In accordance with Law 70/V/98 of 17 August, these securities’ principal characteristics are listed below:

- TCMFs are perpetual securities issued by the Treasury Department of the state of Cape Verde, entitling holders to receive 90% of the Fund’s annual net income. The Bank recognises the proceeds from the income received on TCMFs each year, in “Income from equity instruments” (Note 24);
- The state undertakes to acquire the TCMFs within a maximum period of twenty years from the law’s date of approval, pursuant to the government’s definition of the terms and conditions;
- TCMFs during their first three years of existence, could only be traded between credit institutions lawfully authorised to operate in Cape Verde. Between the fourth and seventh years, each credit institution could annually transfer 25% of the total TCMFs held by it at the end of the third year. There are no restrictions on the trading of TCMFs after the eighth year.

Income from TCMFs for 2012 was received in February 2014. At 31 December 2014 income receivable refers to 2013 and 2014.

The Bank retained its equity investment in Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L. recognised at historical cost. Impairment of CVE 10,841, thousand has been recognised to reduce the balance sheet carrying amount of its estimated realisation price.

The market value of Sociedade Caboverdiana de Tabacos. S.A.’s shares at 31 December 2014 and 2013, assessed on the basis of their respective prices in the Cape Verde stock exchange at the said date was CVE 5,456 thousand and CVE 5,386 thousand less than their balance sheet carrying amount respectively. The Bank retained the shares at historical cost, in due consideration of the fact that the company has remained stable and has even paid out dividends in addition to the security’s reduced liquidity in Cape Verde’s Stock Exchange.

The investments in the G.A.R.I, Fund and SITA – Sociedade Industrial de Tintas, S.A.R.L. were recognised at their historical cost owing to their reduced balance sheet value.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This account heading comprises the following:

	2014	2013
Investments in Cape Verde		
· In Bank of Cape Verde:		
- Certificates of monetary regulation	125,000	535,000
- Certificates of monetary intervention	1,520,000	90,000
- Very short term investments	9,400,000	9,800,000
	<u>11,045,000</u>	<u>10,425,000</u>
Investments in credit institutions abroad		
· Very short term investments		
- Caixa Geral de Depósitos, S.A.	366,488	263,567
- Novo Banco, S.A.	201,090	230,487
· Term deposits		
- Caixa Geral de Depósitos	337,328	881,628
· Mandatory deposit accounts		
- Other credit institutions abroad	10,292	9,082
	<u>915,198</u>	<u>1,384,764</u>
Interest receivable	217	1
Deferred income	(357)	(109)
	<u>11,960,058</u>	<u>11,809,656</u>

7.7.7.

7. PUBLIC DEBT SECURITIES

This account heading comprises the following:

	2014	2013
<u>Treasury bonds</u>		
Nominal value	6,169,285	4,450,855
Interest receivable	101,573	75,728
	<u>6,270,858</u>	<u>4,526,583</u>
<u>Treasury bills</u>		
Nominal value	155,000	-
Deferred income	(149)	-
	<u>154,851</u>	<u>-</u>
	<u>6,425,709</u>	<u>4,526,583</u>

The nominal value of Treasury bonds sold under repurchase agreements totalled CVE 100 thousand and CVE 651,780 thousand, respectively, at 31 December 2014 and 2013 (Note 16).

8. LOANS AND ADVANCES TO CUSTOMERS

This account heading comprises the following:

	2014	2013
Short term domestic credit:		
. Commercial discounts	46,977	53,290
. Current account loans	2,088,740	2,500,095
. Sight deposit overdrafts	101,178	173,209
. Credit cards	105,576	114,988
Medium and long term domestic credit:		
. Loans	26,941,652	28,277,328
Short term foreign credit:		
. Commercial discounts	3,600	6,600
. Current account loans	16,273	16,871
. Sight deposit overdrafts	2,705	1,001
. Credit cards	4,702	10,829
Medium and long term foreign credit:		
. Loans	306,840	260,627
. Current account loans	-	90,137
Other credit and income receivable (securitised)	3,925,922	3,852,024
Employee loans	1,958,348	1,943,893
	<u>35,502,513</u>	<u>37,300,892</u>
Interest receivable	191,578	188,392
Commissions and other deferred income	(222,006)	(234,475)
Deferred costs	2,482	2,711
Overdue credit and interest	6,507,259	5,811,623
	<u>41,981,826</u>	<u>43,069,143</u>
Impairment on loans and advances to customers (Note 17)	(4,176,717)	(3,901,594)
	<u>37,805,109</u>	<u>39,167,549</u>

“Other credit and amounts receivable (securitised)” at 31 December 2014 and 2013 reflect the value of domestic corporate bonds recognised in “Loans and accounts receivable” (Note 2.2.c) i) a)). Information on these bonds is set out below:

Shares	2014	2013	Maturity
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche B	663,751	663,751	14/06/2017
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	1,458,220	1,458,220	14/06/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche D	637,951	637,951	27/07/2020
Municipality of Praia	342,771	364,194	23/07/2030
Tecnici - Sociedade Imobiliária de Construções, S.A. - Série E	350,000	350,000	06/08/2015
IFH - Imobiliária, Fundiária e Habitat, S.A. - Tranche C	178,731	-	07/01/2019
Municipality of Sal	128,095	139,740	15/07/2025
Sociedade de Gestão de Investimentos, Lda.	66,569	66,569	18/02/2014
Cabo Verde Fast Ferry, S.A.	59,687	59,687	31/07/2019
ASA - Empresa Nacional de Aeroportos e Segurança Aérea, S.A.	40,147	40,147	11/10/2017
IFH - Imobiliária, Fundiária e Habitat, S.A. - Tranche A	-	65,547	06/01/2014
Tecnici Indústria, S.A.	-	6,218	23/04/2014
	<u>3,925,922</u>	<u>3,852,024</u>	

Bonds issued by Electra – Empresa de Electricidade e Águas, S.A.R.L. and IFH – Imobiliária, Fundiária e Habitat, S.A. are backed by the state of Cape Verde. Bonds issued by ASA – Empresa Nacional de Aeroportos e Segurança Aérea, S.A. are guaranteed by a comfort letter issued by the state of Cape Verde.

At 31 December 2014, the bonds issued by Tecnici - Sociedade Imobiliária de Construções, S.A., Sociedade de

Gestão de Investimentos, Lda. and Cabo Verde Fast Ferry, S.A. were in default on their coupon payments since February 2013, August 2013 and August 2014, respectively. At the start of 2015 payment in kind was agreed for the securitised loan issued by Tecnici – Sociedade Imobiliária de Construções, S.A. in the form of the surrender of three parcels of land comprising 6,210 square metres, 90,000 square metres and 8,300 square metres located in Praia Negra, Achada Grande Trás and Orla da Praia Negra, Praia, Santiago island, respectively, with a valuation price of CVE 503,430 thousand, assessed in November 2014 by a specialised entity .

Interest rates on employee loans, at 31 December 2014 and 2013, were subsidised.

Performing loans backed by a guarantee of the state of Cape Verde, at 31 December 2014 and 2013, totalled CVE 3,435,657 thousand and CVE 3,897,467 thousand, respectively.

The structure of loans and advances to customers, at 31 December 2014 and 2013, excluding “Other credit and receivables - securitised” and associated accrued interest, comprised the following by sectors of activity:

31.12.2014								
	General government and state-owned companies			Private companies and individuals			Total	
	Outstanding credit	Overdue credit	Total	Outstanding credit	Overdue credit	Total	Outstanding credit	Overdue credit
Companies								
Agriculture, animal husbandry, hunting and forestry	-	-	-	7,051	6,646	13,697	7,051	6,646
Fisheries	-	-	-	183	8,072	8,255	183	8,072
Extractive industries	-	-	-	28,554	27,094	55,648	28,554	27,094
Extractive industries excluding energy goods	-	-	-	28,554	27,094	55,648	28,554	27,094
Manufacturing	-	-	-	634,588	152,538	787,126	634,588	152,538
Food, beverages and tobacco industries	-	-	-	234,908	87,416	322,324	234,908	87,416
Textiles industry	-	-	-	18,959	2,329	21,288	18,959	2,329
Leather and leather goods industry	-	-	-	200	-	200	200	-
Manufacture of chemicals and synthetic or artificial fibres	-	-	-	60,442	-	60,442	60,442	-
Manufacture of basic pharmaceutical products and preparations	-	-	-	662	-	662	662	-
Manufacturing of other non-metallic minerals	-	-	-	-	830	830	-	830
Basic metallurgical and metallic products industries	-	-	-	43,632	5,842	49,474	43,632	5,842
Manufacture of machines and equipment	-	-	-	256,865	41,928	298,793	256,865	41,928
Manufacture of furniture and mattresses	-	-	-	18,920	14,193	33,113	18,920	14,193
Production and distribution of electricity, gas and water	-	-	-	564,132	19	564,151	564,132	19
Construction	37,027	-	37,027	1,271,915	234,140	1,506,055	1,308,942	234,140
Wholesale/retail repairs of motor vehicles/bikes and personal and domestic goods	-	-	-	2,431,986	675,401	3,107,387	2,431,986	675,401
Hotels, restaurants and the like	-	-	-	684,056	168,453	852,509	684,056	168,453
Transport, warehousing and communications	-	-	-	1,363,952	400,027	1,763,979	1,363,952	400,027
Information and communication activities	-	-	-	743,202	41,086	784,288	743,202	41,086
Financial activities	-	-	-	365,944	196	366,140	365,944	196
Financial brokerage excluding insurance and pension funds	-	-	-	365,941	196	366,137	365,941	196
Insurance, pension funds and complementary social security activities	-	-	-	3	-	3	3	-
Property activities, rentals and services provided to companies	-	-	-	1,550,822	2,180,843	3,731,665	1,550,822	2,180,843
Property activities	-	-	-	1,550,822	2,180,843	3,731,665	1,550,822	2,180,843
Consultancy, scientific technical and similar activities	-	-	-	366,335	203,990	570,325	366,335	203,990
Administrative and support services	-	-	-	22,166	1,353	23,519	22,166	1,353
Public administration, defence and mandatory social security	1,381,179	1	1,381,180	7,039	-	7,039	1,388,218	1
Education	-	15	15	3,618	3,158	6,776	3,618	3,173
Health and social security	-	-	-	275,489	12,056	287,545	275,489	12,056
Other activities and collective, social and personal services	709,099	188	709,287	726,380	465,840	1,192,220	1,435,479	466,028
Households with domestic servants	-	-	-	1,751	116	1,867	1,751	116
International organisations and other extraterritorial institutions	275	-	275	-	3,103	3,103	275	3,103
	2,127,580	204	2,127,784	11,049,163	4,584,131	15,633,294	13,176,743	4,584,335
Individual customers								
Housing	-	-	-	14,387,260	1,294,531	15,681,791	14,387,260	1,294,531
Other	-	-	-	4,012,586	628,395	4,640,981	4,012,586	628,395
	-	-	-	18,399,846	1,922,926	20,322,772	18,399,846	1,922,926
	2,127,580	204	2,127,784	29,449,009	6,507,057	35,956,066	31,576,589	6,507,261

31.12.2013								
	General government and state-owned companies			Private companies and individuals			Total	
	Outstanding credit	Overdue credit	Total	Outstanding credit	Overdue credit	Total	Outstanding credit	Overdue credit
Companies								
Agriculture, animal husbandry, hunting and forestry	-	-	-	8,244	7,029	15,274	8,244	7,029
Fisheries	-	-	-	16,130	34,837	50,967	16,130	34,837
Extractive industries	-	-	-	7,898	34,048	41,947	7,898	34,048
Extractive industries excluding energy goods	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	7,898	34,048	41,947	7,898	34,048
Food, beverages and tobacco industries	-	-	-	1,464,908	114,019	1,578,927	1,464,908	114,019
Textiles industry	-	-	-	197,783	94,603	292,386	197,783	94,603
Paper, board, publishing and printing industries	-	-	-	23,357	417	23,773	23,357	417
Manufacture of chemicals and synthetic or artificial fibres	-	-	-	-	-	-	-	-
Manufacture of basic pharmaceutical products and preparations	-	-	-	73,743	-	73,743	73,743	-
Manufacturing of other non-metallic minerals	-	-	-	115,515	563	116,078	115,515	563
Basic metallurgical and metallic products industries	-	-	-	-	830	830	-	830
Manufacture of machines and equipment	-	-	-	71,601	4,204	75,806	71,601	4,204
Manufacture of furniture and mattresses	-	-	-	783,589	3,285	786,873	783,589	3,285
Production and distribution of electricity, water and gas	-	-	-	13,494	4,097	17,591	13,494	4,097
Construction	2	-	2	610,026	19	610,045	610,026	19
Wholesale/retail repairs of motor vehicles/bikes and personal and domestic goods	-	-	-	1,938,535	708,704	2,647,239	1,938,537	708,704
Hotels, restaurants and the like	-	-	-	2,326,161	484,167	2,810,328	2,326,161	484,167
Transport, warehousing and communications	-	-	-	778,204	318,044	1,096,248	778,204	318,044
Information and communication activities	-	-	-	1,538,083	477,917	2,016,000	1,538,083	477,917
Financial activities	-	-	-	926,371	36,142	962,513	926,371	36,142
Financial brokerage excluding insurance and pension funds	-	-	-	934	-	934	934	-
Property activities, rentals and services provided to companies	-	-	-	934	-	934	934	-
Property activities	-	-	-	870,843	162,030	1,032,872	870,843	162,030
Consultancy, scientific technical and similar activities	-	-	-	870,843	162,030	1,032,872	870,843	162,030
Administrative and support services	-	-	-	412,423	608,613	1,021,036	412,423	608,613
Public administration, defence and mandatory social security	1,359,375	1	1,359,376	20,023	375	20,397	20,023	375
Education	-	15	15	16,949	11	16,960	1,376,324	12
Health and social security	1,600	-	1,600	3,738	2	3,740	3,738	7
Other activities and collective, social and personal services	647,166	4	647,170	292,182	15,768	307,951	293,783	15,768
Households with domestic servants	-	-	-	1,484,216	828,407	2,312,623	2,131,383	828,411
International organisations and other extraterritorial institutions	-	-	-	1,930	116	2,046	1,930	116
	2,008,143	20	2,008,163	12,745,210	3,834,096	16,579,306	14,753,353	3,834,116
Individual customers								
Housing	-	-	-	14,638,227	1,311,805	15,950,032	14,638,227	1,311,805
Other	-	-	-	4,057,290	665,702	4,722,992	4,057,290	665,702
	-	-	-	18,695,516	1,977,507	20,673,024	18,695,516	1,977,507
	2,008,143	20	2,008,163	31,440,726	5,811,603	37,252,330	33,448,869	5,811,623

9. INVESTMENT PROPERTIES

This account heading, at 31 December 2014 and 2013, comprised land owned by the Bank, reclassified from "Other tangible assets" in the transition to IFRS.

10. OTHER TANGIBLE ASSETS

Information on "Other tangible assets" movements for 2014 and 2013 is set out below:

2014								
	Balance at 31.12.2013							
	Gross amount	Depreciation and accumulated impairment losses	Increases	Transfers	Reclassifications	Depreciation - for period	Sales and write-offs net	Net amount in 2014
Property for own use								
Land	75,034	-	-	-	-	-	-	75,034
Buildings	1,940,253	(593,696)	-	141,268	-	(32,583)	-	1,455,242
Works on rented buildings	408,632	(208,900)	100	-	-	(31,456)	-	168,376
Equipment								
Furniture and office material	237,648	(168,575)	36,500	-	-	(18,605)	(7)	86,961
Machines and tools	56,005	(46,828)	3,266	-	-	(3,935)	-	8,508
IT equipment	449,932	(410,287)	25,282	8,576	-	(23,226)	(1,175)	49,102
Interior installations	156,093	(127,292)	2,903	32,959	-	(11,285)	(221)	53,157
Transport material	197,526	(110,761)	16,117	-	-	(31,580)	(3,410)	67,892
Security equipment	72,777	(40,188)	22,060	13,222	-	(7,101)	-	60,770
Other equipment	118,692	(99,195)	687	7,411	-	(6,181)	-	21,414
Tangible assets in progress	175,059	-	68,986	(203,436)	(5,561)	-	-	35,048
	3,887,651	(1,805,722)	175,901	-	(5,561)	(165,952)	(4,813)	2,081,504

2013								
Balance at 31.12.2012								
	Gross amount	Depreciation and accumulated impairment losses	Increases	Transfers	Reclassifications	Depreciation for period	Sales and write-offs net	Net amount in 2013
Property for own use								
Land	75,034	-	-	-	-	-	-	75,034
Buildings	1,787,681	(561,937)	32,547	120,025	-	(31,759)	-	1,346,557
Works on rented buildings	401,882	(179,435)	42,486	535	-	(29,465)	(36,271)	199,732
Equipment								
Furniture and office material	239,601	(158,102)	4,530	720	-	(10,473)	(7,203)	69,073
Machines and tools	54,308	(42,417)	2,178	-	-	(4,412)	(480)	9,177
IT equipment	431,971	(386,162)	14,368	3,906	61	(24,124)	(374)	39,646
Interior installations	151,806	(116,158)	4,287	-	-	(11,134)	-	28,801
Transport material	194,280	(93,326)	24,445	-	-	(17,436)	(21,199)	86,764
Security equipment	65,499	(35,233)	7,278	-	-	(4,956)	-	32,588
Other equipment	101,819	(92,463)	952	7,079	8,914	(6,731)	(72)	19,498
Tangible assets in progress	153,753	-	162,545	(132,265)	(8,974)	-	-	175,059
	3,657,634	(1,665,233)	295,616	-	1	(140,490)	(65,599)	2,081,929

Fixed assets in progress, at 31 December 2014 and 2013, essentially refer to works in progress on the Bank's branches and acquisition of IT equipment, which had not yet come into service at the end of the year.

The Bank, had recognised CVE 37,671 thousand (Note 17) in impairment on property for own use at 31 December 2014 and 2013.

11. INTANGIBLE ASSETS

“Intangible assets” movements in 2014 and 2013, comprised the following:

	2014					
	Balance at 31.12.2013					Net amount in 2014
	Gross amount	Accumulated depreciation	Increases	Transfers	Reclassifications	Depreciation for period
Automatic data						
processing equipment (software)	266,570	(243,797)	11,671	414	-	(21,179)
Other intangible assets	13	(13)	-	-	-	-
Intangible assets in progress	-	-	544	(414)	5,561	-
	<u>266,583</u>	<u>(243,810)</u>	<u>12,215</u>	<u>-</u>	<u>5,561</u>	<u>(21,179)</u>
						<u>19,370</u>

	2013					
	Balance at 31.12.2012					Net amount in 2013
	Gross amount	Accumulated depreciation	Increases	Sales and write-offs	Depreciation for period	
Automatic data						
processing equipment (software)	265,832	(219,882)	2,989	(2,251)	(23,915)	22,773
Other intangible assets in progress	13	(12)	-	-	(1)	-
	<u>265,845</u>	<u>(219,894)</u>	<u>2,989</u>	<u>(2,251)</u>	<u>(23,916)</u>	<u>22,773</u>

12. INVESTMENTS IN ASSOCIATES

The balance of this account heading, at 31 December 2014 and 2013, comprised the following:

Entity	% equity stake	Acquisition cost	Book value	Date	Net assets	Profit / (loss)	Equity	% equity stake	Acquisition cost	Book value	Date	Net assets
Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.	25%	100,000	193,999	31-12-2014 ⁽¹⁾	2,964,336	168,144	1,022,883	35%	140,000	192,861	31-12-2013 ⁽¹⁾	2,854,894
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10,000	58,361	31-12-2014 ⁽¹⁾	830,740	160,368	583,607	10%	10,000	54,275	31-12-2013 ⁽¹⁾	765,040
CVGARANTE - Sociedade de Garantia Mútua, S.A.	15%	15,000	13,314	31-12-2014 ⁽¹⁾	89,337	(7,209)	88,758	15%	15,000	15,000	31-12-2013 ⁽¹⁾	97,167
Promoleasing, Sociedade de Locação Financeira, Sociedade Unipessoal Anónima, S.A.	49%	14,700	15,671	31-12-2014 ⁽¹⁾	318,244	1,081	32,390	49%	14,700	6,184	31-12-2013 ⁽¹⁾	348,578
		<u>139,700</u>	<u>281,545</u>						<u>179,700</u>	<u>268,320</u>		

(1) Provisional financial statements

Entity	% equity stake	Acquisition cost	Book value	Date	Net assets	Profit / (Loss)	Equity
Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.	25%	100,000	192,861	31-12-2013 ⁽¹⁾	2,854,894	75,114	1,041,690
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10,000	54,275	31-12-2013 ⁽¹⁾	765,040	149,301	542,438
CVGARANTE - Sociedade de Garantia Mútua, S.A.	15%	15,000	15,000	31-12-2013 ⁽¹⁾	97,167	(4,033)	95,967
Promoleasing, Sociedade de Locação Financeira, Sociedade Unipessoal Anónima, S.A.	49%	14,700	6,184	31-12-2013 ⁽¹⁾	348,578	13,217	31,308
		<u>179,700</u>	<u>268,320</u>				

(1) Provisional financial statements

Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.

On 30 April 2014, the Bank disposed of 20,000 shares comprising 10% of the share capital of Garantia – Companhia de Seguros de Cabo Verde, S.A.R.L. (Garantia), for the amount of CVE 123,497 thousand giving it an equity stake of 25%. The operation generated recognition of capital gains of CVE 66,884 thousand, in the “Income from associates” account heading in the income statement.

On 8 May 2014, Garantia sold 89,504 of the Bank’s shares comprising 6.576% of its share capital to Caixa Geral de Depósitos, S.A. (CGD) for the amount of CVE 313,635 thousand, reducing its equity stake in the Bank from 12.5% to 5.76%. The operation reduced the value of the balance sheet by CVE 22,376 thousand, recognised as a charge to shareholder’s equity. The sale of the equity investment also originated capital gains in Garantia’s accounts, recognised by the Bank as a charge to shareholders’ equity in proportion to its equity stake in Garantia amounting to around CVE 56,000 thousand.

This cross investment is taken into consideration for the assessment of the value of the Bank’s investment in Garantia.

SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.

The Bank classified its SISP investment as an Investment in associates, notwithstanding the fact that the equity stake was only 10%, as the Bank sits on the board. The board of directors considers that this gives it significant influence over SISP's activity and is therefore in conformity with the dispositions of IAS 28 – Investments in associates.

Promoleasing – Sociedade de Locação Financeira, Sociedade Unipessoal Anónima, S.A.

The Bank subscribed for 14,700 Promoleasing – Sociedade de Locação Financeira Unipessoal Anónima, S.A. (Sociedade) shares, representing 49% of its share capital in 2010, for a nominal amount of CVE 1 thousand per share. This company started its operations in 2010.

CVGARANTE - Sociedade de Garantia Mútua, S.A.

The formation of CVGARANTE – Sociedade de Garantia Mútua, S.A. (Sociedade) with a share capital of CVE 100,000 thousand was authorised under the terms of the dispositions of article 1 of Ministerial Order 28/2013 of 15 May. This is a mutual guarantee company with the corporate object of performing financial operations for micro, small and medium-sized enterprises, with the aim of facilitating their access to funding both from the financial system and the capital market. The Bank subscribed for 15,000 shares for the amount of CVE 15,000 thousand, comprising 15% of the company's share capital. Under the terms of the shareholders' agreement, the company's credit institution shareholders have given SPMG – Sociedade de Investimento, S.A. a sales option on the company's shares at their nominal value, to be exercised annually with reference to 31 December. On 23 December 2013, an application for a permit for the company to begin its operations, dated 18 December 2014, was submitted to the Bank of Cape Verde

The mutual guarantee system is also based on the existence of a Public Counterguarantee Fund, fully comprising state capital with a start-up capital of CVE 100,000 thousand. On 26 November 2014 a 3 member committee to form the Counterguarantee Fund Management Entity was appointed by a joint ministerial order issued by the Public Ministry of the Ministry of Tourism, Investment and Business Development and the Ministry of Finance and Planning. An appropriation of 50% of the Fund's scheduled capital for the amount of CVE 50,000 thousand was also made in December 2014.

Information on movements in the balance sheet value of these investments in 2014 and 2013 and respective impact in the Bank's financial statements is set out below:

	Garantia	SISP	CVGARANTE	Promoleasing	Total
Balance at 31 December 2012 (pro forma)	180,613	45,559	-	6,184	232,356
Acquisition cost	-	-	15,000	-	15,000
Income generated by associates	26,290	13,721	-	-	40,011
Dividends received	(14,042)	(5,005)	-	-	(19,047)
Balance at 31 December 2013	192,861	54,275	15,000	6,184	268,320
Movements recognised directly as a charge to shareholders' equity	21,796	-	-	-	21,796
Income generated by associates	(12,419)	16,005	(1,686)	9,687	11,587
Dividends received	(8,239)	(11,919)	-	-	(20,158)
Balance at 31 December 2014	193,999	58,361	13,314	15,871	281,545

13. INCOME TAX

The Bank is subject to the payment of "IUR" ("Income Tax") at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.50%.

Tax assets and liabilities balances, at 31 December 2014 and 2013, were as follows:

	2014	2013
<u>Current tax assets</u>		
. IUR reimbursement for 2013	16,519	-
. IUR reimbursement for 2012	60,534	60,534
. IUR reimbursement for 2011	60,522	60,522
. IUR reimbursement for 2010	146,894	146,894
. IUR reimbursement for 2009	172,845	172,845
. IUR reimbursement for 2008	114,517	114,517
. IUR reimbursement for 2006	120,912	120,912
. IUR reimbursement for 2005	54,646	54,646
	<u>747,389</u>	<u>730,870</u>
. Deductions at source for period		
. 2014	21,485	-
. 2013	24,682	24,681
. 2012	20,044	20,044
. 2011	32,626	32,626
	<u>846,226</u>	<u>808,221</u>
<u>Deferred tax assets</u>		
. Temporary differences	2,448	2,448
<u>Deferred tax liabilities</u>		
. Temporary differences	(131,854)	(142,207)
	<u>(129,406)</u>	<u>(139,759)</u>

The following table provides details and information on deferred tax movements in 2014 and 2013:

	Balance at 31.12.2013	Change in		Balance at 31.12.2014
		Shareholders' equity	Income	
<u>Conversion adjustments to IFRS</u>	137	-	-	137
<u>Movements charged to reserves</u>				
Actuarial deviations for healthcare and medical services	(134,175)	11,977	-	(122,198)
Valuation of investments in associates	(4,040)	(945)	-	(4,985)
Valuation of available for sale financial assets	(1,681)	(679)	-	(2,360)
	<u>(139,759)</u>	<u>10,353</u>	<u>-</u>	<u>(129,406)</u>

	Balance at 31.12.2012 (Pro-forma)	Change in			Balance at 31.12.2013
		Shareholders' equity	Income	Other	
<u>Conversion adjustments to IFRS</u>	78,221	-	(78,081)	(3)	137
<u>Movements charged to reserves</u>					
Actuarial deviations for healthcare and medical services	(134,175)	-	-	-	(134,175)
Valuation of investments in associates	(4,040)	-	-	-	(4,040)
Valuation of available for sale financial assets	(1,112)	(571)	-	2	(1,681)
	<u>(61,106)</u>	<u>(571)</u>	<u>(78,081)</u>	<u>(1)</u>	<u>(139,759)</u>

Under Decree Law 14/2010 of 26 April, the impacts of the transition to IFRS assessed with reference to 1 January 2008 with an effect on equity and considered to be fiscally relevant under IUR regulations, comprise taxable income in equal parts over a five year period.

Information on the reconciliation between the nominal and effective tax rates in 2014 and 2013 is set out below:

	2014		2013	
		297,315		297,625
Income before tax				
Income tax assessed at nominal rate	25.50%	75,815	25.50%	75,894
Fiscal benefits:				
. Income from consolidated financial investment certificates	-17.87%	(53,130)	-15.99%	(47,583)
. Capital gains on disposals of equity stakes	-5.74%	(17,055)	0.00%	-
. Income from bonds admitted to listing	-11.11%	(33,028)	-11.62%	(34,598)
. Donations	-0.26%	(773)	-0.55%	(1,623)
. Dividends	-0.02%	(56)	-0.09%	(266)
. Other	-0.08%	(239)	-0.53%	(1,569)
. Income from secondary market public debt placements	0.00%	-	-6.19%	(18,409)
Costs disallowed for fiscal purposes	2.59%	7,706	1.86%	5,545
Fiscal losses	6.98%	20,760	34.81%	103,603
Other	0.00%	-	-0.98%	(2,913)
Income tax for period	0.00%	-	26.23%	78,081

No tax is payable on the capital gains on the part disposal of the Bank's equity investment in Garantia – Companhia de Seguros de Cabo Verde, S.A.R.L. under no. 3 of article 27 of the Income Tax Code ("RIUR"), pursuant to the wording of Law 59/VI of 18 April 2005.

Under the terms of current legislation, the Bank benefits from exemptions on the following income:

- income on consolidated financial investment certificates;
- income received on securities issued by the Cape Verde Treasury and which have been placed in the secondary market;
- dividends received; and
- income from bonds other than public debt bonds, admitted to Cape Verde's stock exchange's official list for three years beginning from their effective operational date. This income, depending on the year of issue, also benefited from reduced tax rates.

On account of the above and excluding the impact of the fiscal effects of the transition to IFRS which is being recognised over a five year period, the Bank's tax burden in 2014 and 2013 is lower than the standard tax rate.

Under the terms of the General Tax Code approved by Law 37/IV/ 92 any losses are deductible from the taxable profit of one or more of the following three years. Accrued tax losses at 31 December 2014, amounted to CVE 156,978 thousand. The Bank did not recognise any deferred tax assets for this situation.

Cape Verde's tax authorities (DGCI) corrected several items of the Bank's taxable income for the years 2005 to 2013, summarised as follows:

- Between 2009 and 2012 the Bank received several notifications from the DGCI, regarding settlements in respect of corrections to income tax for the years 2005 to 2012. A large part of such corrections is related with the non-acceptance of pension costs and healthcare liabilities for fiscal purposes. The Bank, however, considers that the procedures adopted are in accordance with the legal and fiscal framework in Cape Verde and therefore contested the corrections made. Notwithstanding, for several of the years, it made payment of the additional settlements having recognised such amounts as a current tax asset to be recovered.
- In 2012 the Bank received two notifications from the DGCI regarding settlements in respect of corrections to income tax for the years 2007 and 2011, for the amounts of CVE 180,560 thousand and CVE 48,775 thousand, respectively, essentially related with pension costs and healthcare liabilities, in respect of which it took out Bank guarantees to cover the amount defined by DGCI.

In December 2012, the Bank judicially contested the additional settlement for 2008, in respect of which BCA had already submitted an appeal which had been rejected. In December 2013 the Fiscal and Customs Court of Sotavento ruled the full acceptance of the contestation, cancelling the act involving the definition of taxable income for 2008 and corresponding settlement. In February 2014, the fiscal authorities appealed against the ruling to the Supreme Court of Justice. The case is still pending.

- In August 2013, the Bank received a notification from the DGCI, concerning settlements in respect of tax corrections for 2012. The Bank contested the corrections, including those in respect of pension costs and healthcare liabilities. In December 2013, the DGCI accepted several of the appeals filed by the Bank, with, in essence, the costs related with pensions and healthcare continuing not to be accepted, originating a tax credit of CVE 18,869 thousand. It should be noted that DGCI's notification implies the acceptance of around CVE 144,000 thousand related with pension payments made during the year as a cost. This understanding was not consistent with that of previous notifications in which no amount was accepted.
- In August 2014 the Bank received a notification from DGCI, in respect of settlements relating to tax corrections for 2013, essentially related with pension and healthcare liabilities. The Bank, on 22 September 2014 exercised its right to a hearing in which it contested most of the corrections proposed by the fiscal authorities. DGCI accepted several of the complaints made by the Bank, with the costs of pensions and healthcare liabilities essentially continuing not to be accepted. Reference should, however, be made to the fact that around CVE 115,154 thousand in costs related with pension payments during the year were accepted.

On 14 October 2014, DGCI assessed taxable income of CVE 138,776 thousand for 2013 with the amount of income tax payable on the associated income of CVE 35,388 thousand. BCA used the tax credit of CVE 18,869 thousand, having settled the difference on 24 October 2014.

- On 5 December 2014, the Bank received a notification from DGCI in respect of the confirmation of taxable income of CVE 757,016 thousand for 2009, resulting in an additional tax payment of CVE 27,019 thousand. At 30 December 2014, following the Bank's exercising of its right to a hearing, DGCI assessed the taxable income for 2009 at CVE 742,428 thousand, resulting in an additional tax payment of CVE 23,300 thousand. On 27 January 2015, the Bank received a notification from the DGCI in respect of the reconsideration of the appeal against the taxable amount for 2009, resulting in a tax credit of CVE 3,104. In its notifications confirming taxable income for 2009, an amount of around CVE 78,829 related with pension payments made during the year was accepted.

At 31 December 2014, the impact of the above referred to corrections on pensions and healthcare costs may be summarised as follows:

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Pension and healthcare adjustments	54,646	120,912	184,270	114,517	165,755	171,711	169,677	77,870	141,359	50,609	1,251,326
Other adjustments	-	-	(3,770)	-	7,090	(24,817)	878	8,481	22,414	-	10,276
Fiscal losses	-	-	-	-	-	-	(28,633)	(24,742)	(129,079)	(20,760)	(203,214)
	<u>54,646</u>	<u>120,912</u>	<u>180,500</u>	<u>114,517</u>	<u>172,845</u>	<u>146,894</u>	<u>141,922</u>	<u>61,609</u>	<u>34,694</u>	<u>29,849</u>	<u>1,058,388</u>
Current tax assets											
- IUR reimbursement	54,646	120,912	-	114,517	172,845	146,894	60,522	60,534	16,519	-	747,389
- Deductions at source for period	-	-	-	-	-	-	32,626	20,044	24,682	21,485	98,837
	<u>54,646</u>	<u>120,912</u>	<u>-</u>	<u>114,517</u>	<u>172,845</u>	<u>146,894</u>	<u>93,148</u>	<u>80,578</u>	<u>41,201</u>	<u>21,485</u>	<u>846,226</u>
Guarantees provided	-	-	180,500	-	-	-	48,774	-	-	-	229,274
Tax credit	-	-	-	-	-	-	-	(18,869)	18,869	-	-
	<u>54,646</u>	<u>120,912</u>	<u>180,500</u>	<u>114,517</u>	<u>172,845</u>	<u>146,894</u>	<u>141,922</u>	<u>61,709</u>	<u>60,070</u>	<u>21,485</u>	<u>1,075,500</u>

At 31 December 2014 the total impact of the eventual risk associated with the referred to situations amounted to around CVE 1,058,388 thousand, which includes (i) corrections made to the years 2005 to 2013 including around CVE 180,500 thousand and CVE 48,774 thousand in additional settlements for 2007 and 2011, respectively, in respect of which the Bank took out a bank guarantee; and (ii) the estimate for 2014 of the impact of the corrections made by the fiscal authorities based on the understanding of past years. The amount of CVE 846,226 thousand paid by the Bank, is recognised in "Current tax assets" as tax recoverable from past years.

Under the terms of the General Tax Code approved by Law 37/IV/92, the fiscal authorities are entitled to review the Bank's fiscal situation for a period of five years. Different interpretations of fiscal legislation may result in eventual corrections to taxable income. For this reason, 2010 is still subject to revision and correction as regards the above referred to situation. The board of directors does not expect other corrections to the Bank's financial statements, at 31 December 2014, to be significant.

14. OTHER ASSETS

This account heading comprises the following:

	2014	2013
<u>Other assets</u>		
Auctioned goods	190,949	163,716
Works of art	10,873	10,828
Gold, precious metals, coins and medallions	641	588
<u>Debtors and other loans and advances</u>		
Miscellaneous debtors		
. State	210,387	209,027
. Other entities	92,847	67,030
Subsidies receivable		
. State	838,503	814,432
. Other entities	4,595	4,460
Advances to suppliers of fixed assets	32,958	10,780
<u>Deferred expenses</u>		
. Insurance	33,406	10,800
. Other	25,095	16,006
	<u>1,440,254</u>	<u>1,307,667</u>
<u>Impairment of other assets (Note 17):</u>		
. Property received in kind	(58,775)	(48,436)
. Other assets	(67,355)	(84,365)
	<u>(126,130)</u>	<u>(132,801)</u>
	<u>1,314,124</u>	<u>1,174,866</u>

Subsidies to be received from the state of Cape Verde are for credit and deposits and calculated in accordance with the legislation in force in Cape Verde. The balances recognised comprise the amounts claimed by the Bank since early 2000. The reimbursement of these amounts is being negotiated with DGT (Directorate General for the Treasury), as, pursuant to the scope of an external audit on the application of a subsidised credit regime, DGT had queried the eligibility of a series of operations. In November 2012, DGT informed the Bank that it would accept payment of CVE 168,133 thousand on mortgage subsidies applied for between 2000 and 2007, having considered claims for subsidies for the amount of CVE 102,098 thousand to be ineligible. DGT also confirmed the amount of CVE 208,504 thousand in mortgage subsidies for the period between 2008 and 2011 against claims of CVE 277,728 thousand. The Bank opted to recognise the cost relative to the operations identified as being ineligible for a period of 5 years starting 2012, having recognised a total amount of CVE 68,505 thousand in "Interest and similar income – Interest on loans and advances to customers" as expenditure for 2014 and 2013 and maintaining recognition of CVE 68,506 thousand.

As regards mortgage lending operations subsidies for 2012 to 2014, whose application and impairment totalled CVE 183,783 thousand and CVE 33,409 thousand, respectively, and other subsidies, totalling CVE 209,553 thousand, negotiations are still being held between the parties with the aim of quantifying the eligible operations.

An amount of around CVE 28,000 thousand, in respect of the "Miscellaneous debtors – state" account heading has still not been confirmed.

The following table provides information on property received as payment in kind at 31 December 2014 and 2013 in accordance with its date of acquisition by the Bank:

Year of acquisition	2014			2013		
	Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
prior to 2011	41,705	(36,340)	5,365	50,307	(36,170)	14,137
2011	28,788	(14,394)	14,394	30,778	(7,172)	23,606
2012	21,522	(5,380)	16,142	50,943	(5,094)	45,849
2013	26,624	(2,662)	23,962	31,688	-	31,688
2014	72,310	-	72,310	-	-	-
	<u>190,949</u>	<u>(58,776)</u>	<u>132,173</u>	<u>163,716</u>	<u>(48,436)</u>	<u>115,280</u>

Net capital losses on disposals of repossessed property in 2014, totalled CVE 9,553 thousand (CVE 230 thousand in 2013 thousand – Note 27).

15. OTHER CREDIT INSTITUTIONS' RESOURCES

This heading comprises the following:

	2014	2013
Sight deposits		
· Credit institutions in Cape Verde	98,974	142,871
· Credit institutions abroad	3,966	303,470
Term deposits		
· Credit institutions in Cape Verde	355,000	64,000
Loans		
· From international financial organisations	506,411	218,988
Interest payable	11,272	1,042
	<u>975,623</u>	<u>730,371</u>

The Bank, Banco Interatlântico, Caixa Económica de Cabo Verde and Banco Caboverdiano de Negócios took out a line of credit with the French Development Agency for a maximum amount of €5,000,000 on 14 October 2005, for municipal economic and social development projects, repayable over a 10 year period starting 30 April 2010, in half yearly payments of principal and interest. Interest at a fixed rate of 1.83% is payable on the loan. At 31 December 2014 and 2013, the Bank had used €970,040 and €1,131,713 (CVE 106,962 thousand and CVE 124,788 thousand respectively) of this line, recognised in the “Loans from international financial organisations” account heading.

The Bank, Banco Interatlântico and Banco Caboverdiano de Negócios took out a line of credit with the French Development Agency for a maximum amount of €10,000,000 on 9 December 2009, for municipal economic and social development projects, repayable over a 10 year period starting 30 June 2014, in half yearly payments of principal and interest. Interest indexed to the 6 month Euribor rate plus a spread of 0.68% is payable on the loan. The Bank, at 31 December 2014, had used an amount of €3,622,631 (CVE 399,449 thousand), recognised in “Loans from international financial organisations”.

16. CUSTOMER RESOURCES AND OTHER LOANS

This heading comprises the following:

	2014	2013
<u>Savings accounts</u>		
. Emigrants	2,425,791	2,452,857
. Residents	909,386	862,928
	<u>3,335,177</u>	<u>3,315,785</u>
<u>Other deposits repayable on demand</u>		
Sight deposits		
. Residents	14,788,524	14,369,406
. Emigrants	4,383,784	4,134,031
. Non-residents	2,117,490	2,074,624
	<u>21,289,798</u>	<u>20,578,061</u>
Mandatory deposits	148,511	190,092
	<u>21,438,309</u>	<u>20,768,153</u>
<u>Other term deposits</u>		
Term deposits		
. Emigrants	25,003,091	23,698,242
. Residents	10,980,801	8,934,844
. Non-residents	1,278,159	839,477
	<u>37,262,051</u>	<u>33,472,563</u>
<u>Other resources</u>		
Securities lending operations with repo agreements		
. Treasury bonds (Note 7)	100	651,780
Cheques and orders payable	21,463	50,385
	<u>62,057,100</u>	<u>58,258,666</u>
Interest payable	809,351	709,033
	<u>62,866,451</u>	<u>58,967,699</u>

Except for specific situations defined under the Bank's board of directors' guidelines, no interest was paid on sight deposits at 31 December 2014 and 2013.

17. PROVISIONS AND IMPAIRMENT

Information on movements in the Bank's provisions and impairment accounts for the years 2014 and 2013 is set out below:

	2014					Recoveries of credit write-offs
	Balances at 31.12.2013	Net appropriations in income statements	Employee costs (Nota 29)	Use	Other (Nota 30)	Balances at 31.12.2014
Impairment						
Impairment of loans and advances to customers (Note 8)	3,901,594	275,123	-	-	-	4,176,717
						(53,402)
Impairment of available for sale financial assets (Note 5)	10,841	-	-	-	-	10,841
Impairment of other tangible assets (Note 10)	37,671	-	-	-	-	37,671
Impairment of other assets (Note 14)	132,801	(6,671)	-	-	-	126,130
	<u>4,082,907</u>	<u>268,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,351,359</u>
Provisions						
Provisions for the costs of employee benefits (Note 30)						
Retirement pensions	4,765,219	-	323,671	(177,175)	(11,977)	4,899,738
Medical services	296,784	(28,513)	9,293	(20,184)	36,561	293,941
	<u>5,062,003</u>	<u>(28,513)</u>	<u>332,964</u>	<u>(197,359)</u>	<u>24,584</u>	<u>5,193,679</u>
Fiscal contingencies	49,723	-	-	-	-	49,723
	<u>5,111,726</u>	<u>(28,513)</u>	<u>332,964</u>	<u>(197,359)</u>	<u>24,584</u>	<u>5,243,402</u>
	<u>9,194,633</u>	<u>239,939</u>	<u>332,964</u>	<u>(197,359)</u>	<u>24,584</u>	<u>9,594,761</u>
	2013					Recoveries of credit write-offs
	Balances at 31.12.2012	Net appropriations in income statements	Employee costs (Nota 29)	Use	Other (Nota 30)	Balances at 31.12.2013
Impairment						
Impairment of loans and advances to customers (Note 8)	3,057,309	1,012,140	-	(167,855)	-	3,901,594
						(32,432)
Impairment of available for sale financial assets (Note 5)	10,841	-	-	-	-	10,841
Impairment of other tangible assets (Note 10)	37,671	-	-	-	-	37,671
Impairment of other assets (Note 14)	131,053	3,579	-	(1,831)	-	132,801
	<u>3,236,874</u>	<u>1,015,719</u>	<u>-</u>	<u>(169,686)</u>	<u>-</u>	<u>4,082,907</u>
Provisions						
Provisions for the costs of employee benefits (Note 30)						
Retirement pensions	5,379,186	(914,405)	424,457	(163,886)	39,867	4,765,219
Medical services	264,360	-	(1,077)	(14,275)	47,776	296,784
	<u>5,643,546</u>	<u>(914,405)</u>	<u>423,380</u>	<u>(178,161)</u>	<u>87,643</u>	<u>5,062,003</u>
Fiscal contingencies	49,723	-	-	-	-	49,723
	<u>5,693,269</u>	<u>(914,405)</u>	<u>423,380</u>	<u>(178,161)</u>	<u>87,643</u>	<u>5,111,726</u>
	<u>8,930,143</u>	<u>101,314</u>	<u>423,380</u>	<u>(347,847)</u>	<u>87,643</u>	<u>9,194,633</u>

18. OTHER SUBORDINATED LIABILITIES

The Bank issued 500,000 subordinated bonds with a nominal value of CVE 1 thousand each in 2010. Under the terms and conditions defined in the issuance, the loan has a maturity of 7 years and bears interest at a nominal interest rate starting at 5.75% for the 1st and 2nd coupon and rising to 6.25% for the 7th coupon. The principal is reimbursed in half yearly payments of CVE 50,000 thousand from the 5th half year (inclusive). However, there is an early repayment option two years after the date of issuance and every six months following the said date, with the payment of a premium of 0.5% on the nominal value of the bonds to be redeemed.

An amount of around CVE 100,000 thousand in subordinated bonds was redeemed in 2014 (in 2013 the amount was also CVE 100,000 thousand).

Interest payable at 31 December 2014 and 2013 totalled CVE 544 thousand and CVE 787 thousand respectively. Commissions for the amounts of CVE 318 thousand and CVE 537 thousand, were also being deferred on the said dates, respectively.

19. OTHER LIABILITIES

This account heading comprises the following:

	2014	2013
<u>Creditors</u>		
Resources - active account	134,885	138,963
Resources - mandatory deposit account	20,890	44,897
<u>Other liabilities</u>		
Deduction of tax at source	53,868	56,608
Social welfare	12,330	11,827
Other	7,407	8,579
<u>Costs payable</u>		
Employee costs		
. Productivity bonuses	30,442	27,183
. Untaken holidays	5,148	2,790
General administrative expenditure	8,148	7,424
Other	77,555	57,149
<u>Deferred income</u>		
Card annuities	18,066	18,271
Commissions on the issue of current account loans	11,968	12,943
Guarantees provided	8,193	7,749
Other	482	416
<u>Lending operations pending settlement</u>	3,072	2,976
<u>Other accruals and deferred income accounts</u>	34,329	87,858
	<u>426,783</u>	<u>485,633</u>

20. CAPITAL

The Bank's share capital, at 31 December 2014 and 2013, comprised 1,324,765 shares with a nominal value of 1 thousand Cape Verde escudos each, fully subscribed for and paid up as follows:

- i) 525,000 class A nominative shares
- ii) 799,765 class B bearer shares, which may be held by domestic or foreign singular and/or collective persons whether or not domiciled on national territory. Class A shares may only be transferred with government authorisation. Any resolutions on the following matters, whatever the number of shares involved, shall not be considered, when in opposition to the express vote of state-owned shares:
 - a) Changes to the company's articles of association when entailing the state shareholder's loss of prerogatives attached to its "golden share";
 - b) Merger, demerger, transformation and dissolution of the Bank;
 - c) Approval of the strategic plan.

A resolution was passed to increase the Bank's capital by CVE 324,765 thousand, at its general meeting of 25 March 2009, through the issuance of 324,765 type B shares with a nominal value of 1 thousand Cape Verde escudos each, fully paid up in cash. The Bank incurred expenses of CVE 6,117 thousand, which, under IAS 32 were directly recognised in shareholders' equity, to be deducted from the "Capital" account heading.

Information on the Bank's shareholding structure, at 31 December 2014 and 2013, is set out below:

Entity	2014		2013	
	Number of shares	%	Number of shares	%
Caixa Geral de Depósitos, S.A. and Banco Interatlântico, S.A.R.L.	697,446	52.65%	697,446	52.65%
Garantia, Companhia de Seguros de Cabo Verde, S.A.R.L.	76,322	5.76%	165,826	12.52%
State of Cape Verde ("Golden Share")	132,476	10.00%	132,476	10.00%
Other shareholders	418,521	31.59%	329,017	24.83%
	<u>1,324,765</u>	<u>100.00%</u>	<u>1,324,765</u>	<u>100.00%</u>

21. RESERVES, RETAINED EARNINGS AND NET INCOME FOR YEAR

The composition of the reserves, retained earnings and net income accounts for the year, at 31 December 2014 and 2013, was as follows

	2014	2013
Revaluation reserves		
· Fair value reserves		
- Available for sale financial assets (Note 5)	363,074	391,946
- Other	(1)	2
	<u>363,073</u>	<u>391,948</u>
· Deferred tax reserves		
- Temporary differences resulting from fair value recognition (Note 13)	(2,360)	(1,681)
	<u>360,713</u>	<u>390,267</u>
Other reserves and retained earnings		
· Legal reserve	748,463	726,508
· Other reserves:		
- Actuarial deviations for pension and healthcare liabilities (Note 30)	479,209	470,162
- Deferred tax reserves - actuarial deviations (Note 13)	(122,198)	(134,175)
- Other reserves	2,932,641	2,673,877
	<u>3,289,652</u>	<u>3,009,864</u>
· Retained earnings	(1,174,877)	(1,174,876)
	<u>2,863,238</u>	<u>2,561,496</u>
Net income for period	297,315	219,544
	<u>3,521,266</u>	<u>3,171,307</u>

Legal reserve

Under current Cape Verde legislation (Law no. 3/V/96), a minimum amount of 10% of annual net income must be paid into the legal reserve. This reserve may not be distributed unless the Bank is liquidated but may be used to increase share capital or to offset losses, after other reserves have been used up.

22. INTEREST AND SIMILAR INCOME

This account heading comprises the following:

	2014	2013
Interest on loans and advances to customers		
. Domestic credit	2,668,568	2,792,143
. Foreign loans	34,257	37,898
. Employee loans	54,176	51,718
. Overdue loans	28,348	22,072
Interest on other loans and receivables (securitised)	549,074	472,610
Recovery of interest and expenses on overdue loans	123,597	73,909
Interest on investments with the Bank of Cape Verde		
. Certificates of monetary intervention	4,294	16,810
. Certificates of monetary regulation	399	1,764
. Treasury bills	127	169
. Very short term investments	15,759	17,938
Interest on investments in credit institutions abroad	3,002	6,801
Other interest and similar income	166	338
Commissions received associated with amortised cost	95,891	117,529
	<u>3,577,658</u>	<u>3,611,699</u>

23. INTEREST AND SIMILAR COSTS

This account heading comprises the following:

	2014	2013
Interest on sales operations with repo agreements		
. Treasury bonds	7,706	72,194
Interest on savings accounts		
. Emigrants	100,401	104,241
. Residents -Young People's Savings Accounts	46,782	45,313
Interest on term deposits		
. Emigrants	1,075,607	1,034,439
. Residents	428,761	366,405
. Non-residents	37,956	32,293
. Other credit institutions in Cape Verde	14,128	1,582
Other interest and similar costs	34,558	41,753
Commissions paid associated with amortised cost	405	484
	<u>1,746,304</u>	<u>1,698,704</u>

24.

INCOME FROM EQUITY INSTRUMENTS

This account heading comprises the following:

	<u>2014</u>	<u>2013</u>
Income from consolidated financial investment certificates	208,351	186,600
Dividends:		
· Sociedade Caboverdiana de Tabacos, S.A.	974	974
· SITA - Sociedade Industrial de Tintas, S.A.R.L.	116	69
· Visa International Service Association	39	24
	<u>209,480</u>	<u>187,667</u>

Income from consolidated financial investment certificates, in 2014 and 2013, included adjustments relating to estimates posted in preceding years for the amounts of CVE 922 thousand and CVE 2,268 thousand, respectively.

25. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	<u>2014</u>	<u>2013</u>
<u>Income from services and commissions</u>		
Payment orders received	80,900	87,054
Guarantees and sureties	79,439	74,722
Commissions on payment orders issued	54,180	56,837
Annuities on ATM network (Vinti4 and Visa)	39,446	37,939
Western Union commissions	21,801	22,898
Collections	18,832	15,119
Documentary credit	6,279	12,380
Other	85,711	71,384
	<u>386,588</u>	<u>378,333</u>
<u>Costs of services and commissions</u>		
SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A.R.L.	(15,696)	(19,374)
Visa International Service Association	(14,787)	(16,618)
Correspondent banks' commissions	(11,110)	(8,687)
Other	(62)	(37)
	<u>(41,655)</u>	<u>(44,716)</u>

26. INCOME FROM FOREIGN EXCHANGE REVALUATIONS

This account heading comprises the following:

	2014			2013		
	Profit	Loss	Net	Profit	Loss	Net
Foreign exchange income	92,260	(11,031)	81,229	106,675	(9,466)	97,209
Income from banknotes and coins	59,082	(11,605)	47,477	51,385	(19,617)	31,768
	<u>151,342</u>	<u>(22,636)</u>	<u>128,706</u>	<u>158,060</u>	<u>(29,083)</u>	<u>128,977</u>

27. INCOME FROM DISPOSALS OF OTHER ASSETS

This account heading comprises the following:

	2014	2013
Profit and loss on disposals of property received in kind (Note 14)	(9,553)	(230)
Profit and loss on disposals of other tangible assets	<u>(1,022)</u>	<u>(1,801)</u>
	<u>(10,575)</u>	<u>(2,031)</u>

28. OTHER OPERATING INCOME

These accounts are made up as follows:

	2014	2013
<u>Other operating income</u>		
Miscellaneous services		
. Service charge	151	1,441
. Other	12,089	12,243
Reimbursement of expenses		
. Postal	5,253	26,896
. Other	47,786	25,015
Other	<u>35,803</u>	<u>45,404</u>
	<u>101,082</u>	<u>110,999</u>
<u>Other operating costs</u>		
Other taxes	(8,803)	(9,835)
Subscriptions and donations	(623)	(691)
Losses on misplacements, thefts or falsifications	(205)	(589)
Fines and other legal penalties	(6)	(10,341)
Other	<u>(5,333)</u>	<u>(19,166)</u>
	<u>(14,970)</u>	<u>(40,622)</u>
	<u>86,112</u>	<u>70,377</u>

29. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account heading comprises the following:

	2014	2013
Remunerations paid to employees	773,216	755,652
Remunerations paid to board of directors and audit bodies	18,501	18,960
Productivity bonuses	24,000	24,000
Social costs		
. Retirement pensions (Notes 17 and 30)	323,671	424,457
. Medical services	54,786	42,732
. Social welfare	55,341	51,727
. Other	4,209	10,044
Other employee costs	23,410	26,526
	<u>1,277,134</u>	<u>1,354,098</u>

The "Social costs – medical services" account heading includes healthcare expenses incurred by the Bank on its active employees and the cost related with healthcare liabilities for employees at retirement age (Note 30).

Information on the Bank's employees and directors complement, in 2014 and 2013, is set out below:

Board members	5	5
Directors	13	9
Line management	86	88
Technical staff	187	171
Administrative staff	83	83
Auxiliary staff	78	84
	<u>452</u>	<u>440</u>
Permanent employees	395	388
Term contracts	52	47
	<u>447</u>	<u>435</u>

The above numbers, at 31 December 2014 and 2013, included 52 and 47 employees on fixed-term work contracts, respectively.

30. RETIREMENT PENSIONS AND OTHER EMPLOYEE BENEFITS

30.1 Retirement pensions

The Bank has agreed to pay retirement pensions to its employees, assessed on the basis of their salary on retirement (Note 2.2m). Actuarial studies, in respect of 31 December 2014 and 2013, were carried out by Fidelidade Companhia de Seguros, S.A. to assess retirement pension liabilities currently being paid out and for the past services of active employees. Information on the premises and technical bases used in these studies is set out below.

Actuarial method	Project United Credit
Mortality table	TV 73/77
Disability table	EVK 80
Discount rate	5.5%
Wages growth rate	3.0%
Pensions growth rate	1.0%
Retirement age	62 years of age or 39 years of service

A comparison between the actuarial and financial premises used to assess the Bank's pensions costs, for 2014 and 2013, and the effective amounts is set out in the following table:

	2014		2013	
	Premises	Real	Premises	Real
Wages growth rate	3.0%	2.72%	3.0%	2.06%
Pensions growth rate	1.0%	-0.46%	1.0%	-0.09%

In November 2013, the Bank's board of directors decided to change the pension plan for the Bank's employees, currently in force in the Bank, for sustainability purposes, introducing new rules to assess retirement benefits:

- Change in the retirement age from 58 or 35 years of service to 62 or 39 years of service, considering a transition period for members having reached the age of 58 by 2017;
- Pensionable wage of basic wage plus seniority payments;
- Amount of retirement pension calculated on the basis of the average pensionable wage of the last 5 years;
- Amount of pension equal to 90% of the average pensionable wage of the last 5 years.

The pension plan changes resulted in a reduction of CVE 914,405 thousand in liabilities with reference to 31 December 2013, recognised in income for the period.

The Bank's liabilities for past services, at 31 December 2014 and 2013, in accordance with the actuarial studies totalled:

	2014		2013	
	Number of persons	Liabilities	Number of persons	Liabilities
Active and former employees	196	2,230,448	213	2,267,744
Retirees and pre-retirees	152	2,528,112	136	2,288,724
Pensioners	18	133,502	16	199,681
Restructuring fund	3	7,676	4	9,070
Total	369	4,899,738	369	4,765,219

The actuarial studies do not consider employees on fixed-term employment contracts and employees enrolled in the National Social Welfare Institute, as the Bank does not have any retirement liabilities for such employees' retirement pensions.

Information on movements in the amount of liabilities for retirement pensions for 2014 and 2013 is set out below:

Balance at 31 December 2012	5,379,187
Employee contributions	19,383
Cost recognised by Bank (Note 29)	424,457
Impact of change of benefits on pension plan (Note 17)	(914,405)
Pensions paid	(163,886)
Actuarial deviations (Note 21)	20,483
Balance at 31 December 2013	4,765,219
Employee contributions	21,453
Cost recognised by Bank (Note 29)	323,671
Pensions paid	(177,175)
Actuarial deviations (Note 21)	(33,430)
Balance at 31 December 2014	4,899,738

30.2 Medical services

To assess its post-employment healthcare liabilities, the Bank commissioned an actuarial report from a specialised entity in respect of 31 December 2014 and 2013. Information on the premises and technical bases used in the study is set out below

Mortality table	TV 73/77
Technical rate	5.5%
Wages growth rate	3.0%
Healthcare costs inflation rate	3.0%

The impact of the changes in the healthcare plan deriving from the change in the retirement age from 58 or 35 years service to 62 or 39 years service (Note 30.1) resulted in a reduction of CVE 28,513 thousand in liabilities in respect of 31 December 2014, recognised in net income for the year.

Based on this study, healthcare liabilities relating to medical services for the Bank's employees and respective family members after retirement age, at 31 December 2014 and 2013, totalled CVE 293,941 thousand and CVE 296,784 thousand respectively (Note 17).

The following table provides information on healthcare liability movements in 2014 and 2013:

Balance at 31 December 2012	259,766
Employee contributions	12,244
Cost recognised by Bank	8,996
Medical expenses paid	(19,754)
Actuarial deviations	35,532
Balance at 31 December 2013	296,784
Employee contributions	12,176
Cost recognised by Bank	9,293
Impact of change of medical services plan (Note 17)	(28,513)
Medical expenses paid	(20,184)
Actuarial deviations	24,385
Balance at 31 December 2014	293,941

30.3 Actuarial deviations

Information on deferred actuarial deviations movements for 2014 and 2013 is set out below:

	Pensions	Healthcare	Total
Balances at 31 December 2012 - <i>pro forma</i> (Note 21)	(664,440)	138,263	(526,177)
Actuarial deviations in period	20,483	35,532	56,015
Balances at 31 December 2013	(643,957)	173,795	(470,162)
Actuarial deviations in period	(33,430)	24,385	(9,045)
Balances at 31 December 2014	(677,387)	198,180	(479,207)

With the change in the accounting policy referred to in Note 2.2.m), accrued actuarial deviations, at 31 December 2012 have been deducted in the "Revaluation reserves" account heading.

31. GENERAL ADMINISTRATIVE EXPENDITURE

This account heading comprises the following

	2014	2013
SISP costs	112,586	111,856
Conservation and repair	104,251	102,054
Water, gas and electricity	98,074	91,577
Communications and postage costs	59,313	63,738
Advertising and publishing	43,415	85,056
Security and surveillance	43,386	29,234
Valuables transport	40,530	37,134
Consultants and external auditors	39,408	23,029
Rents and leases	32,682	31,831
Stationery and consumables	27,496	26,240
Fuel	12,644	11,926
Insurance	11,279	11,827
Transport	6,605	7,550
Employee training	6,238	12,630
Technical assistance	5,836	7,860
Allowances	5,525	5,883
Accommodation expenses	4,147	3,643
Expense account items	3,056	3,475
Other	63,895	92,657
	<u>720,366</u>	<u>759,200</u>

32. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities associated with banking activity are recognised in off-balance sheet account headings as follows:

	2014	2013
<u>Contingent liabilities</u>		
. Guarantees and sureties	4,552,044	3,976,560
. Documentary credit	82,766	600,899
	4,634,810	4,577,459
Securities custodial services	27,048,032	11,728,555
	<u>31,682,842</u>	<u>16,306,014</u>

Several legal actions involving the Bank, corresponding to contingent liabilities, were pending at 31 December 2014. Reference should be made to the action resulting from the change, made in November 2013, to the employees' pension plan in force in the Bank, with the aim of ensuring its sustainability, with the introduction of the new rules on the assessment of retirement benefits. These changes originated a reduction of CVE 914,405 thousand in liabilities with reference to 31 December 2013 (Note 30). In 2014 two legal actions were brought against the Bank by one of its employees and the Union of Financial Institution Employees of Cape Verde, for the purpose of declaring the nullity of the changes made to its Employee Statute as regards post-retirement benefits. The Bank contested these actions in July 2014 and currently awaits the ruling of the Praia Labour Court. The Bank's board of directors, based on information provided by its lawyers and the arguments and reasoning set out in the contestation, considers it will win the referred to actions.

33. OPERATING SEGMENTS

The board of directors prepares annual information on segments for reporting purposes in relation to the accounts on the consolidated activities of Caixa Geral de Depósitos. The operating segments defined for the said report are set out below:

- Corporate finance - includes activities related with the management of public debt securities, domestic corporate bonds, equity instruments and consolidated financial investment certificates.
- Trading and sales – comprises activities related with the management of investments and claims on other credit institutions.
- Payments and settlements – includes activity related with credit and debit operations.
- Commercial banking – includes corporate deposit-taking operations. This segment includes loans, current accounts, discounted bills and loans and advances to the public sector.
- Retail banking – comprises banking activities for individual customers. This segment includes consumer credit, mortgage loans and deposits taken from individual customers.
- Other – Other activities outside the scope of any of the above referred to categories.

The following tables provide information on the operating segments used by the Bank at 31 December 2014 and 2013:

	2014					
	Corporate Finance	Trading and sales	Payments and settlements	Commercial banking	Retail banking	Other
Interest and similar income	549,074	23,747	-	1,324,608	1,680,229	-
Interest and similar costs	(8,331)	(19,753)	-	(318,390)	(1,399,830)	-
NET INTEREST INCOME	540,743	3,994	-	1,006,218	280,399	-
Income from equity instruments	209,480	-	-	-	-	-
Income from services and commissions	-	100,369	58,938	42,116	185,165	-
Costs of services and commissions	-	(26,805)	(14,787)	-	(63)	-
Income from foreign exchange revaluations	-	128,706	-	-	-	-
Income from disposals of other assets	-	-	-	-	-	(10,575)
Other operating income	-	-	-	-	-	86,112
NET OPERATING INCOME	750,223	206,264	44,151	1,048,334	465,501	75,537
Provisions and impairment net of reversals and recoveries	71,783	-	-	(135,376)	(158,128)	35,184
	822,006	206,264	44,151	912,958	307,373	110,721
Other expenditure and income						(2,106,158)
Net income for period						297,315
Cash and claims on central banks	-	5,957,130	-	-	-	-
Claims on other credit institutions	-	859,313	-	-	-	-
Available for sale financial assets	-	7,247,035	-	-	-	-
Investments in credit institutions	-	11,960,058	-	-	-	-
Loans and advances to customers	3,868,232	-	-	14,884,452	19,064,344	-
Other credit institutions' resources	-	975,623	-	-	-	-
Customer resources and other loans	-	-	-	11,649,286	51,217,165	-

	2013					
	Corporate Finance	Trading and sales	Payments and settlements	Commercial banking	Retail banking	Other
Interest and similar income	472,610	43,820	-	1,417,431	1,677,838	-
Interest and similar costs	(72,950)	(4,628)	-	(278,308)	(1,342,818)	-
NET INTEREST INCOME	399,660	39,192	-	1,139,123	335,020	-
Income from equity instruments	187,667	-	-	-	-	-
Income from services and commissions	-	101,238	56,371	37,893	182,831	-
Costs of services and commissions	-	(28,061)	(16,618)	-	(37)	-
Income from foreign exchange revaluations	-	128,977	-	-	-	-
Income from disposals of other assets	-	-	-	-	-	(2,031)
Other operating income	-	-	-	-	-	70,377
NET OPERATING INCOME	587,327	241,346	39,753	1,177,016	517,814	68,346
Provisions and impairment net of reversals and recoveries	(106,837)	-	-	(392,165)	(480,707)	910,827
	480,490	241,346	39,753	784,851	37,107	979,173
Other expenditure and income						(2,343,176)
Net income for period						219,544
Cash and claims on central banks	-	2,704,800	-	-	-	-
Claims on other credit institutions	-	503,495	-	-	-	-
Available for sale financial assets	-	7,254,566	-	-	-	-
Investments in credit institutions	-	11,809,656	-	-	-	-
Loans and advances to customers	3,725,823	-	-	15,923,334	19,518,392	-
Other credit institutions' resources	-	730,371	-	-	-	-
Customer resources and other loans	-	-	-	10,123,313	48,844,386	-

All of the Bank's activity is performed in Cape Verde.

34. RELATED ENTITIES

CGD Group companies, the state of Cape Verde, its associated companies and management bodies are considered to be entities related with the Bank.

The Bank's financial statements, at 31 December 2014 and 2013, include the following balances and transactions with related entities, excluding management bodies:

	2014				
	Caixa Geral de Depósitos Group				
	State of Cape Verde	CGD	Interatlântico	Promotora	Associates
Assets:					
Claims on central banks and other credit institutions	5,957,130	79,594	-	-	-
Investments in credit institutions	11,044,643	704,033	-	-	-
Public debt securities	6,425,709	-	-	-	-
Available for sale financial assets	7,181,221	-	-	50,000	-
Loans and advances to customers	-	-	-	97,180	270,286
Other assets	1,062,723	19,197	26,234	501	5,774
Impairment	(48,044)	(1,978)	-	(10,841)	(11,119)
Liabilities:					
Other credit institutions' resources	-	(13)	(1,013)	-	(441,155)
Customer resources and other loans	(399,108)	-	-	(60)	(101,277)
Other liabilities	(67,015)	-	-	(3,745)	(15,562)
Off-balance sheet:					
Guarantees received	1,446,747	31,048	-	150,000	-
Guarantees provided	-	-	-	-	(90,825)
Income:					
Interest and similar income	355,874	2,743	-	-	-
Income from equity instruments	208,351	-	-	-	-
Expenditure:					
Interest and other costs	-	-	-	-	(13,118)
Costs of services and commissions	-	(4,550)	-	-	(15,696)
General administrative expenditure	-	-	-	(41,638)	(115,092)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	(935)

	2013				
	Caixa Geral de Depósitos Group				
	State of Cape Verde	CGD	Interatlântico	Promotora	Associates
Assets:					
Claims on central banks and other credit institutions	1,509,685	48,795			
Investments in credit institutions	10,424,891	1,145,195			
Public debt securities	4,526,583				
Available for sale financial assets	7,191,415			50,000	
Loans and advances to customers				97,136	308,101
Other assets	(48,044)	(19,267)		(10,841)	(11,459)
Impairment	1,023,459	19,318	12,732	536	3,933
Liabilities:					
Other credit institutions' resources			(21,735)		(135,207)
Customer resources and other loans	(339,514)			(35,064)	(61,743)
Other liabilities	(114,840)			-	(11,989)
Off-balance sheet					
Guarantees received	1,763,130			150,000	-
Income:					
Interest and similar income	36,681	6,513	-	-	-
Income from equity instruments	186,600				
Expenditure:					
Interest and similar costs					(2,205)
Costs of services and commissions		(3,011)			(19,374)
General administrative expenditure				(41,815)	(111,856)
Impairment of other financial assets net of reversals and recoveries		961			1,308

Transactions with related entities are generally made on the basis of market values on the respective dates.

Management bodies

Costs relating to remuneration and other benefits attributed to the Bank's board of directors, incurred in 2014, totalled CVE 24,501 thousand in comparison to CVE 24,960 thousand in 2013.

At 31 December 2014 and 2013, loans to the board of directors amounted to CVE 80,391 thousand and CVE 88,419 thousand, respectively.

35. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies on financial risks pertaining to the Bank's activity

Authorised risk limits and exposure levels are defined and approved by the board of directors, based on the Bank's overall strategy and market position.

Foreign exchange risk

The Financial and International Division monitors the Bank's foreign exchange position on a daily basis, always pursuant to the objective of eliminating losses.

The Cape Verde escudo to euro exchange rate was fixed at €1 = 110.265 Cape Verde escudos, resulting from a convertibility agreement between Cape Verde and Portugal and is therefore not considered by the Bank of Cape Verde for foreign exchange purposes.

The following disclosures on the main types of risks pertaining to the Bank's activity are required under IFRS 7.

Market, liquidity and interest rate risk

The Market Risk and Liquidity Office is responsible for the implementation of methods and techniques for improving the quality of the risk management involved in the Bank's balance sheet.

Market risk

As the financial sector in Cape Verde does not, as yet, have a developed capital market and there is no over the counter market, investment alternatives to financial instruments essentially comprise bonds and shares.

The Bank has a portfolio of financial assets with a certain level of representativeness in asset terms, set up more from an investment rather than from a trading objective.

Liquidity and interest rate risk

Liquidity control is the responsibility of DFI (Financial and International Division) which monitors the balances with correspondent bank branches and with the Bank of Cape Verde.

DFI is responsible for performing operations in financial markets, selling foreign currency assets and the operations necessary to refinance the Bank or for the investment of liquidity surpluses. Careful management is required to avoid situations of default with the Bank of Cape Verde.

As the minimum cash requirements ratio in Cape Verde's banking sector is 18%, banks, in the event of difficulties, have a greater capacity to meet their commitments to customers.

In accordance with official notice 8/2007 of 19 November, issued by the Bank of Cape Verde, DFI also calculates the liquidity ratios required to hedge its liabilities over periods of seven, thirty, ninety days and one year.

The Risk Management Division also produces one-off analyses on interest rates and the assets and liabilities structure, in the form of the loans and advances to customers portfolio with indexed interest rates.

Information on the contractual periods to maturity of financial instruments, at 31 December 2014 and 2013, is set out below:

	2014							
	Contractual periods to maturity							
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years
Assets								
Cash and claims on central banks	5,957,130	-	-	-	-	-	-	-
Claims on other credit institutions	859,313	-	-	-	-	-	-	-
Investments in credit institutions	11,960,058	-	-	-	-	-	-	-
Public debt securities	350,385	-	203,207	172,726	1,593,878	817,150	3,288,214	-
Loans and advances to customers (gross)	8,235,289	2,054,555	844,186	900,386	3,958,466	4,077,308	6,718,069	15,193,567
	<u>27,362,175</u>	<u>2,054,555</u>	<u>1,047,393</u>	<u>1,073,112</u>	<u>5,552,344</u>	<u>4,894,458</u>	<u>10,006,283</u>	<u>15,193,567</u>
								<u>67,183,887</u>
Liabilities								
Central banks' and other credit institutions' resources	(116,685)	(32,954)	(216,262)	-	(102,982)	(506,740)	-	-
Customer resources and other loans	(25,051,820)	(5,112,989)	(6,583,735)	(17,876,513)	(8,241,293)	(101)	-	-
	<u>(25,168,505)</u>	<u>(5,145,943)</u>	<u>(6,799,997)</u>	<u>(17,876,513)</u>	<u>(8,344,275)</u>	<u>(506,841)</u>	<u>-</u>	<u>(63,642,074)</u>
Difference	<u>2,193,670</u>	<u>(3,091,388)</u>	<u>(5,752,604)</u>	<u>(16,803,401)</u>	<u>(2,791,931)</u>	<u>4,387,617</u>	<u>10,006,283</u>	<u>15,193,567</u>
								<u>3,341,813</u>

	2013							
	Contractual periods to maturity							
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years
Assets								
Cash and claims on central banks	2,342,558							
Claims on other credit institutions	816,608							
Investments in credit institutions	11,513,360							
Public debt securities	509,040	-	-	610,848	741,253	931,542	564,566	-
Loans and advances to customers (gross)	6,285,586	1,788,399	2,142,428	2,040,082	3,241,743	3,397,742	7,792,723	16,806,259
	<u>21,467,151</u>	<u>1,788,399</u>	<u>2,142,428</u>	<u>2,650,940</u>	<u>3,982,996</u>	<u>4,329,284</u>	<u>8,357,289</u>	<u>16,806,259</u>
Liabilities								
Central banks' and other credit institutions' resources	(362,690)	(35,000)				(144,029)		
Customer resources and other loans	(24,484,091)	(5,179,696)	(6,017,278)	(17,295,302)	(5,199,277)	(101)		
	<u>(24,846,781)</u>	<u>(5,214,696)</u>	<u>(6,017,278)</u>	<u>(17,295,302)</u>	<u>(5,199,277)</u>	<u>(144,130)</u>	<u>-</u>	<u>-</u>
Difference	<u>(3,379,630)</u>	<u>(3,426,297)</u>	<u>(3,874,850)</u>	<u>(14,644,362)</u>	<u>(1,216,281)</u>	<u>4,185,154</u>	<u>8,357,289</u>	<u>16,806,259</u>

Credit risk

Credit risk is one of the most relevant risks for the Bank's activity and is closely linked with the possibility of the occurrence of financial losses deriving from counterparty defaults, notably large enterprises, small and medium sized enterprises, small business developers, individual customers and financial institutions.

DGR (Risk Management Division) analyses the credit risk attached to companies and individual customers with accrued liabilities of more than CVE 20,000 thousand.

DGR is responsible for issuing risk opinions on proposals produced by the commercial area, which are sent for the appraisal of the executive committee. DGR also performs a six monthly analysis of the Bank's credit portfolio, with a view to comprehending the behaviour of risk categories, mortgage loans and customer deposits.

Credit riskMaximum exposure to credit risk

Information on the Bank's maximum exposure to credit risk, at 31 December 2014 and 2013, is set out below:

	2014	2013
Public debt securities	6,425,560	4,256,583
Investments in credit institutions	11,960,058	11,809,656
Available for sale financial assets	7,257,876	7,254,566
Loans and advances to customers	37,805,109	39,167,549
	<u>57,023,043</u>	<u>58,231,771</u>
Guarantees and sureties	4,552,044	3,976,560
Documentary credit	82,766	600,899
	<u>4,634,810</u>	<u>4,577,459</u>
Maximum exposure	<u>68,083,413</u>	<u>67,065,813</u>

Quality of loans and advances to customers

Information on the gross balance sheet value of loans and advances to customers, guarantees provided and documentary credit, excluding other credit and amounts receivable - securitised and accrued interest, at 31 December 2014 and 2013, is set out below:

2014					
	Classification by impairment model			Other balances	Total
	Performing credit	Non-performing credit	Credit in default		
Companies					
Lending to companies					
Outstanding	7,366,731	2,500,361	2,102,652	95,682	12,065,426
Overdue	5,407	10,390	3,552,308	196	3,568,301
	<u>7,372,138</u>	<u>2,510,751</u>	<u>5,654,960</u>	<u>95,878</u>	<u>15,633,727</u>
Guarantees and documentary credit to companies					
Outstanding	4,572,255	28,537	2,870	-	4,603,662
	<u>4,572,255</u>	<u>28,537</u>	<u>2,870</u>	<u>-</u>	<u>4,603,662</u>
Retail					
Housing credit					
Outstanding	13,452,442	616,328	1,291,455	-	15,360,225
Overdue	4,044	6,555	273,583	-	284,182
	<u>13,456,486</u>	<u>622,883</u>	<u>1,565,038</u>	<u>-</u>	<u>15,644,407</u>
Consumer credit					
Outstanding	1,236,824	15,624	43,442	-	1,295,890
Overdue	426	759	37,175	-	38,360
	<u>1,237,250</u>	<u>16,383</u>	<u>80,617</u>	<u>-</u>	<u>1,334,250</u>
Small businesses					
Outstanding	570,688	24,451	168,295	-	763,434
Overdue	476	659	140,261	-	141,396
	<u>571,164</u>	<u>25,110</u>	<u>308,556</u>	<u>-</u>	<u>904,830</u>
Other credit					
Outstanding	1,644,380	197,675	389,591	-	2,231,646
Overdue	20,731	6,182	180,568	-	207,481
	<u>1,665,111</u>	<u>203,857</u>	<u>570,159</u>	<u>-</u>	<u>2,439,127</u>
Guarantees provided					
Outstanding	31,148	-	-	-	31,148
	<u>31,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,148</u>
Public sector					
Outstanding	2,127,213	92	-	-	2,127,305
Overdue	186	-	18	-	204
	<u>2,127,399</u>	<u>92</u>	<u>18</u>	<u>-</u>	<u>2,127,509</u>
Total outstanding credit	<u>31,001,681</u>	<u>3,383,068</u>	<u>3,998,305</u>	<u>95,682</u>	<u>38,478,736</u>
Total overdue credit	<u>31,270</u>	<u>24,545</u>	<u>4,183,913</u>	<u>196</u>	<u>4,239,924</u>
Total credit	<u>31,032,951</u>	<u>3,407,613</u>	<u>8,182,218</u>	<u>95,878</u>	<u>42,718,660</u>

2013					
Classification by impairment model					
	Performing credit	Non-performing credit	Credit in default	Other balances	Total
Companies					
Lending to companies					
Outstanding	8,867,162	2,372,339	2,393,734	97,521	13,730,756
Overdue	5,116	8,572	2,835,169		2,848,857
	<u>8,872,278</u>	<u>2,380,911</u>	<u>5,228,903</u>	<u>97,521</u>	<u>16,579,613</u>
Guarantees and documentary credit to companies					
Outstanding	4,362,835	182,161	1,092		4,546,088
	<u>4,362,835</u>	<u>182,161</u>	<u>1,092</u>	<u>-</u>	<u>4,546,088</u>
Retail					
Housing credit					
Outstanding	14,100,843	241,747	1,314,751		15,657,341
Overdue	5,894	7,546	222,988		236,428
	<u>14,106,737</u>	<u>249,293</u>	<u>1,537,739</u>	<u>-</u>	<u>15,893,769</u>
Consumer credit					
Outstanding	1,138,918	8,284	45,169		1,192,371
Overdue	618	920	34,947		36,485
	<u>1,139,536</u>	<u>9,204</u>	<u>80,116</u>	<u>-</u>	<u>1,228,856</u>
Small businesses					
Outstanding	870,643	45,130	200,074		1,115,847
Overdue	490	3,661	129,104		133,255
	<u>871,133</u>	<u>48,791</u>	<u>329,178</u>	<u>-</u>	<u>1,249,102</u>
Other credit					
Outstanding	1,586,497	210,624	328,551		2,125,672
Overdue	20,234	6,100	148,984		175,318
	<u>1,606,731</u>	<u>216,724</u>	<u>477,535</u>	<u>-</u>	<u>2,300,990</u>
Guarantees provided					
Outstanding	31,371				31,371
Public sector					
Outstanding	2,007,850	291	-		2,008,141
Overdue	-	-	20		20
	<u>2,007,850</u>	<u>291</u>	<u>20</u>	<u>-</u>	<u>2,008,161</u>
Total outstanding credit	<u>32,966,119</u>	<u>3,060,576</u>	<u>4,283,371</u>	<u>97,521</u>	<u>40,407,587</u>
Total overdue credit	<u>32,352</u>	<u>26,799</u>	<u>3,371,212</u>	<u>-</u>	<u>3,430,363</u>
Total credit	<u>32,998,471</u>	<u>3,087,375</u>	<u>7,654,583</u>	<u>97,521</u>	<u>43,837,950</u>

The following classifications were used for the preparation of the above tables:

“Performing loans”

- Companies: loans without any overdue payments or with balances overdue up to 30 days
- Individual customers: loans without any overdue payments or with balances overdue up to 7 days

“Non-performing loans”

- Companies: loan balances overdue between 30-90 days;
- Individual customers: loan balances overdue between 7-90 days;

“Loans in default” – loans with balances overdue more than 90 days. In the case of corporate loans, if a customer has at least one operation with overdue payments for more than 90 days, the full amount of the customer’s exposure to the Bank is reclassified to this category. Also included are restructured loans classified as “Credit in default” on the restructuring date and which have still not gone through the quarantine period.

In addition, overdue credit only includes the amounts of the operations or payments due and unpaid on the reference date. The "Overdue credit" account heading, in Note 8, includes the full amount receivable on operations with overdue amounts.

At 31 December 2014, the credit balance upon which specific impairment has been declared on the basis of an individual analysis totalled CVE 14,920,364 thousand, with impairment of CVE. 2,904,772 thousand. As described in Note 2.2.d) individually analysed credit upon which specific impairment has not been declared was included in a collective analysis.

The gross balance sheet value of lending to group entities which was not included in the sphere of the impairment model analysis developed by the Bank was considered in the "Other balances" account heading.

Fair value

The following table sets out a comparison between the fair and book value of the main financial assets and liabilities, at amortised cost at 31 December 2014 and 2013.

	2014				
	Analysed balances			Unanalysed balances	Total book value
	Book value	Fair value	Difference	Book value	
<u>Assets</u>					
Cash and claims on central banks	5,957,130				5,957,130
Claims on other credit institutions	859,313				859,313
Available for sale financial assets	7,247,035			55,245	7,302,280
Investments in credit institutions	11,960,058				11,960,058
Public debt securities	6,425,709				6,425,709
Loans and advances to customers	39,167,549	38,257,712	(909,837)		39,167,549
	<u>71,616,794</u>	<u>38,257,712</u>	<u>(909,837)</u>	<u>55,245</u>	<u>71,672,039</u>
<u>Liabilities</u>					
Central banks' and other credit institutions' resources	975,623				975,623
Customer resources and other loans	58,967,699	59,798,573	830,874		58,967,699
Other subordinated liabilities	296,976			318	297,293
	<u>60,240,297</u>	<u>59,798,573</u>	<u>830,874</u>	<u>318</u>	<u>60,240,615</u>
	2013				
	Analysed balances			Unanalysed balances	Total book value
	Book value	Fair value	Difference	Book value	
<u>Assets</u>					
Cash and claims on central banks	2,704,800				2,704,800
Claims on other credit institutions	503,495				503,495
Available for sale financial assets	7,199,321			55,245	7,254,566
Investments in credit institutions	11,809,656				11,809,656
Public debt securities	4,526,583	4,467,829	(58,754)		4,526,583
Loans and advances to customers	39,167,549	38,042,124	(1,125,425)		39,167,549
	<u>65,911,404</u>	<u>42,509,953</u>	<u>(1,184,179)</u>	<u>55,245</u>	<u>65,966,649</u>
<u>Liabilities</u>					
Central banks' and other credit institutions' resources	730,371	726,642	(3,729)		730,371
Customer resources and other loans	58,967,699	58,981,787	14,088		58,967,699
Other subordinated liabilities	399,577	368,163	(31,414)	(537)	399,040
	<u>60,097,647</u>	<u>60,076,592</u>	<u>(21,055)</u>	<u>(537)</u>	<u>60,097,110</u>

Fair value was assessed on the following premises:

The book value in the case of balances payable on demand and short term investments with credit institutions comprise fair value;

In the case of available for sale financial assets:

The Bank assessed the fair value of consolidated financial investment certificates on the basis of the amount of shareholders' equity disclosed in the annual report of the "International Support for Cabo Verde Stabilization Trust Fund" adjusted for the difference between the market value of bonds held by the Fund;

VISA shares were valued at their stock market price;

The equity investment in Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L. was recognised at historical cost. Impairment of CVE 10,841, thousand has been recognised to reduce the balance sheet carrying amount of its estimated realisation price.

The value of Sociedade Caboverdiana de Tabacos shares, assessed on the basis of their respective price in the Cape Verde stock exchange at the said date was CVE 5,456 thousand and CVE 5,387 thousand less than their book value, at 31 December 2014 and 2013, respectively. The Bank retained the shares at historical cost, in due consideration of the fact that the company has remained stable and has even paid out dividends in addition to the security's reduced liquidity in Cape Verde's stock exchange.

The investments in the G.A.R.I, Fund and SITA – Sociedade Industrial de Tintas, S.A.R.L. were recognised at their historical cost owing to their reduced balance sheet value;

The "Unanalysed balances" column essentially includes overdue credit, net of provisions.

Sensitivity analysis – interest rate

Sensitivity analysis – interest rate

The impact of parallel movements of the reference interest rates yield curve for 50, 100 and 200 basis points (bps), respectively, on the fair value of financial instruments sensitive to interest rate risk, excluding derivatives, at 31 December 2014 and 2013, is set out in the following tables:

	2014					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross)	1,395,731	664,308	324,316	(309,633)	(605,502)	(1,159,268)
Total sensitive assets	1,395,731	664,308	324,316	(309,633)	(605,502)	(1,159,268)

	2013					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross)	1,453,534	691,751	337,702	(322,401)	(630,464)	(1,207,066)
Total sensitive assets	1,453,534	691,751	337,702	(322,401)	(630,464)	(1,207,066)

The impact of a movement of 50, 100 and 200 bps on the reference interest rate yield curves for sensitive assets and liabilities corresponds to the internal scenarios used by management bodies in monitoring exposure to interest rate risk.

The following table demonstrates the effect of a parallel movement of interest rate yield curves of 50, 100 and 200 bps, which index financial instruments sensitive to changes in interest rates, on the projection of net interest income for 2013 and 2014, respectively:

	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2014	(328,571)	(164,286)	(82,143)	82,143	164,286	328,571
2013	(343,953)	(171,977)	(85,988)	85,988	171,977	343,953

The assessment of the impacts set out in the above table takes into consideration that assets and liabilities sensitive to interest rate in the balance sheet on the calculation's reference date would remain stable over the years 2014 and 2013, respectively, with the renewal thereof, whenever applicable, considering the market conditions in force on the referred to renewal dates and average spread on performing operations, at 31 December 2014 and 2013.

The information set out in the above tables refers to a static scenario, not taking into consideration changes in strategy and interest rate risk management policies which the Bank may adopt as a consequence of changes in reference interest rates.

Foreign exchange risk

Breakdown of financial instruments by currency

Financial instruments were broken down into the following currencies, at 31 December 2014 and 2013:

	2014			
	Cape Verde escudos	Euros	US dollars	Other
Assets				
Cash and claims on central banks	5,387,051	442,010	96,426	31,643
Claims on other credit institutions	272,526	409,675	160,015	17,097
Available for sale financial assets (gross)	7,247,035	-	-	-
Investments in credit institutions	11,044,643	496,410	419,005	-
Public debt securities	6,425,560	-	-	-
Loans and advances to customers (gross)	40,140,889	1,840,937	-	-
Investments in subsidiaries, associates and jointly controlled entities	281,545	-	-	-
Other assets	1,195,513	91	118,520	-
Accumulated impairment	(4,339,440)	-	-	-
	<u>67,655,322</u>	<u>3,189,123</u>	<u>793,966</u>	<u>48,740</u>
				<u>71,687,151</u>
Liabilities				
Other credit institutions' resources	(463,057)	(506,411)	(6,155)	-
Customer resources and other loans	(61,202,774)	(993,758)	(665,772)	(4,147)
Other subordinated liabilities	(296,976)	-	-	-
Other liabilities	(173,676)	(224,064)	(21,267)	(7,776)
	<u>(62,136,483)</u>	<u>(1,724,233)</u>	<u>(693,194)</u>	<u>(11,923)</u>
Net exposure	<u>5,518,839</u>	<u>1,464,890</u>	<u>100,772</u>	<u>36,817</u>
				<u>7,121,318</u>

	Cape Verde escudos	Euros	US dollars	Other	Total	DF's
Assets						
Cash and claims on central banks	2,080,438	506,686	70,692	46,985	2,704,800	2,704,800
Claims on other credit institutions	85,605	238,224	167,033	12,634	503,495	503,495
Available for sale financial assets (gross)	7,254,566	-	-	-	7,254,566	7,254,566
Investments in credit institutions	10,424,891	253,610	1,131,155	-	11,809,656	11,809,656
Public debt securities	4,526,583	-	-	-	4,526,583	4,526,583
Loans and advances to customers (gross)	41,202,274	1,866,870	(0)	-	43,069,143	43,069,143
Investments in subsidiaries, associates and jointly controlled entities	268,320	-	-	-	268,320	268,320
Other assets	1,122,612	6	52,248	-	1,174,866	1,174,866
Accumulated impairment	(4,082,907)	-	-	-	(4,082,907)	(3,560,837)
	62,882,380	2,865,395	1,421,128	59,619	67,228,522	67,750,592
Liabilities						
Other credit institutions' resources	(509,590)	(218,988)	(1,793)	-	(730,371)	(730,371)
Customer resources and other loans	(56,416,464)	(1,177,058)	(1,365,777)	(8,401)	(58,967,699)	(58,967,699)
Other subordinated liabilities	(399,040)	-	-	-	(399,040)	(399,040)
Other liabilities	(197,604)	(254,935)	(24,197)	(8,896)	(485,632)	(485,632)
	(57,522,698)	(1,650,981)	(1,391,767)	(17,297)	(60,582,742)	(60,582,742)
Net exposure	5,359,683	1,214,413	29,362	42,322	6,645,779	7,167,849

36. CAPITAL MANAGEMENT

Capital management, in BCA, is based on the following general principles:

Compliance with the regulatory requirements of the Bank of Cape Verde, as the supervisory body for banking activities in Cape Verde;

To generate an adequate level of return, creating shareholder value and return on capital employed;

To sustain the development of activity, maintaining a solid capital structure, capable of providing for the Bank's strategy;

To ensure the Bank's reputation, maintaining the integrity of the operations performed during the course of its activity.

Capital adequacy *vis-à-vis* the Bank's risk profile is monitored and controlled by the application of laws which regulate Cape Verde's financial system, particularly official notice 4/2007 issued by the Bank of Cape Verde, defining the calculation bases for the solvency ratio and which incorporates market and operational risk, in addition to its reformulation of the procedures for assessing the contribution made by credit risk.

Under official notice 4/2007, the solvency ratio is calculated on the basis of the application of the following formula:

$$[FP/(VAPRC+VAPRTC+VEAPRO)] \times 100$$

In which:

FP – Value of own funds, assessed under official notice 3/2007.

VAPRC – Value of assets weighted by credit risk.

VAPRTC – Value of assets weighted by foreign exchange risk.

VEAPRO – Equivalent value in assets weighted by operational risk.

The solvency ratio is calculated by DFI (Financial and International Division) and more specifically by DPG (Planning and Management Control Division), with the contribution of DIL (International and Liquidity Division) for the assessment of the value of assets weighted by foreign exchange risk.

Information on the procedures used to define this ratio's variables has been published in official notice 3/2007 (own funds) and annexes 1, 2 and 3 of official notice 4/2007 (assets weighted by credit, market and operational risk).

Official notice 3/2007 defines the negative and positive components for the calculation of own funds, obtained from the sum of basis own funds and complementary own funds and respective adjustments, in the form of deductions defined by the Bank of Cape Verde.

Information on the Bank's regulatory capital, at 31 December 2014, is set out in the following table:

Annex to Instruction 4/2007

TABLE II - OWN FUNDS

Official notice 3/2007, published in the Official Bulletin - 1st Series, no. 42 of 19 November 2007

Financial year	2014	
Start date:	01/12/2014	
End date:	31/12/2014	
Institution	0000002	

(amounts in escudos)

Paid up capital	1,318,647,814		
Share issue premiums and other securities			
Legal, statutory and other reserves comprising non-appropriated income	3,701,098,028		
Retained earnings from past years			
Retained earnings from last year			
Provisional positive income from current year	222,986,035		
Positive actuarial deviations (corridor method) - not recognised in income statement or reserves	357,010,888		
Minority interests (1)			
SUB-TOTAL		5,599,742,764	
Intangible assets	19,370,260		
Retained negative income from past years	1,174,876,590		
Retained negative income from last year			
Provisional negative income for this year			
Provisions deficit	124,142,644		
Negative revaluation reserves			
Negative actuarial deviations (corridor method) and costs of past services not recognised in the income statement or reserves			
Treasury shares			
Positive differences from the first consolidation (1)			
Positive revaluation differences in first application - equity accounting method (1)			
SUB-TOTAL		1,318,389,494	
BASIS OWN FUNDS PRIOR TO THE PUBLICATION OF THE TRANSITIONAL REGIME			4,281,353,271
Transitional regime of item 4 of no. 5 of official notice 3/2007 - impact on transition to basis own funds still to be recognised			
ELIGIBLE BASIS OWN FUNDS			4,281,353,271
Legal revaluation reserves for tangible fixed assets			
Foreign exchange translation reserves and net investment hedges on investments in operating units abroad			
Subordinated loans and redeemable preference shares	296,749,307	296,749,307	
Other revaluation reserves	3,447,805		
Other elements			
COMPLEMENTARY OWN FUNDS		300,197,112	300,197,112
OWN FUNDS PRIOR TO DEDUCTIONS			4,581,550,382
Investments to be deducted:			
More than 10% of capital		55,029,473	
Less than or equal to 10% of capital	68,929,657	0	55,029,473
Fixed assets received in payment for own credit	10,522,905		10,522,905
Own funds to be used as specific hedges (sub-paragraph 12 of no. 11 of official notice 9/99)			
Liquidity deficit (item 2 no. 15 of official notice 8/2007)			
OWN FUNDS FOR THE CALCULATION OF CONCENTRATION RISK			4,515,998,004
Part exceeding the risk concentration limits (sub-paragraph d) no.12 of official notice 3/2007)			
OWN FUNDS			4,515,998,004

(1) Only for the assessment of own funds on a consolidated and an adjusted consolidation basis.

We declare that the information contained in this table is in accordance with the accounting records and other information media housed in this institution.

Date

Information provider

Board member

The above table shows that the final value of own funds derives from the sum of the two major aggregates referred to, i.e. basis own funds and complementary own funds, excluding several deductions provided for by the Bank of Cape Verde.

Basis own funds comprise the Bank's most stable capital. Their main components are share capital, reserves, retained earnings, net income for the period and the transition's impacts comprising the costs of employees' benefits, resulting from the adoption of the International Financial Reporting Standards (IFRS), or more precisely *IAS 19 - Employee benefits*;

The assimilation of the referred to standards required the adoption of a transitional regime for the assessment of basis own funds, in the quest for a harmonious change from the former to the current accounting rules, without major interference to prudential rules.

Complementary own funds are essentially made up of positive or negative revaluation reserves on several assets and subordinated liabilities subject to the Bank of Cape Verde's advance approval.

One of the positive components of the value of own funds is share capital whose minimum amount fixed by the government at the proposal of the Bank of Cape Verde in the form of Ministerial Order 19/2005 of 14 March, is CVE 300 million. Total own funds cannot, under any circumstances, be less than the minimum amount of capital.

In addition to stipulating that the value of own funds should be higher than the minimum share capital required by law, official notice 4/2007 also rules that an adequate ratio between own funds and assets and off-balance sheet elements, weighted by their respective risks should be permanently observed. This relationship is defined by the solvency ratio, whose minimum value is 10%.

As the above table shows, the Bank had total own funds of CVE 4,515,998 million at 31 December 2014, which amount was higher than the legally required minimum share capital and sufficient to maintain an adequate ratio between assets and off-balance sheet elements weighted by risk translating into a solvency ratio of 14.94%.

As the Bank of Cape Verde's regulations on capital adequacy are based on the Basel I Accord, several practices brought in under Basel II are not, as yet, required. These include the implementation of a self-assessment system and the assessment of an internal capital level in line with the risk profile or even the use of external ratings for an assessment of credit risk weighting factors.

However, taking into consideration that the supervisory authority has decided to adopt international best practice, the main Basel II recommendations applicable to the situation in Cape Verde, are likely to be assimilated in the near future.