

Annual Report 2015



NÔS BANCO NA NÔS TERA

www.bca.cv

Index

1 – STATUTORY BODIES	4
2 – SHARE CAPITAL.....	6
3 – KEY INDICATORS.....	7
4 – CHAIRMAN'S STATEMENT	8
5 – INTERNATIONAL AND DOMESTIC ENVIRONMENT	13
5.1 – INTERNATIONAL	13
5.2 – DOMESTIC.....	15
5.2.1 – General.....	15
5.2.2 – Financial system	17
5.2.3 – BCA in the financial system.....	19
6 – STRATEGIC VISION 2015	20
7. – COMMERCIAL ACTIVITY.....	22
7.1. – RESOURCES	23
7.2.1 – CONSTRAINTS ON LENDING ACTIVITY	23
7.2. – CREDIT	23
7.2.2 – Lending analysis	24
7.2.3 – Credit portfolio analysis.....	24
8 – OTHER ACTIVITIES.....	27
8.1 – HUMAN RESOURCES.....	27
8.2 – FINANCIAL AND INTERNATIONAL AREA.....	29
8.3 – RISK MANAGEMENT	36
8.4 – COMPLIANCE	39
8.5 – ORGANISATION AND INNOVATION	40
8.6 – AUDIT AND INSPECTION	41
8.7 – IT SUPPORT	41
8.8 – MARKETING AND PUBLIC RELATIONS	42
8.9 – MEANS AND CHANNELS	44
8.10 – OPERATIONAL SUPPORT	46
8.11 – INVESTMENTS	47

9 – ANALYSIS OF ECONOMIC-FINANCIAL SITUATION	49
9.1. – BALANCE SHEET	49
9.2. – PROFIT AND LOSS	55
9.3. – RATIO ANALYSES	59
9.4. – PRUDENTIAL RATIOS	59
10 – APPROPRIATION OF NET INCOME	61
11 – LIST OF CORRESPONDENT BANKS	62
12 – DIVISIONS AND BRANCH OFFICE NETWORK	64
13 – NOTES	68

1 – STATUTORY BODIES

The ordinary general meeting of Banco Comercial do Atlântico (BCA), held on 29. October 2015, under the terms of article 13 of its articles of association, elected the following members of its statutory bodies:

General meeting

Chairman	Miguel António Ramos
Vice-chairman	Salomão Jorge Barbosa Ribeiro
Secretary	Dulce Patricia Dias Lopes Chantre

Board of directors

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

Chairman	António José de Castro Guerra
Board member	Fernando Jorge do Livramento Santos da Moeda
Board member	Francisco Pinto Machado Costa
Board member	David Hopffer Cordeiro Almada
Board member	Carla Maria Moniz Brigham Gomes
Board member	José Rui Cruz Lopes Gomes
Board member	Manuel José Dias Esteves

Fiscal board

Chairman	António José Nascimento Ribeiro
Member	Maria de Fátima Oliveira de Melo Fernandes Sanchas
Member	José Ricardo Vaz Fernandes Benoliel
Deputising	Francisco Sebastião Correia Teixeira

Deputising Adelino Vital Fonseca

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

Francisco Pinto Machado Costa

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 2015, was held by the shareholders set out in the following table, which shows that the equity stakes of Caixa Geral de Depósitos Group, SA, Banco InterAtlântico, SA, INPS – Instituto Nacional de Previdência Social, Garantia – Companhia de Seguros de Cabo-Verde, SA and the state of Cape Verde were qualified:

Share capital at 31/12/2015

		CVE
Shareholder	Amount	Percentage
CGD/INTERÂTLANTICO	697,446,000	52.65%
INPS	132,492,000	10.00%
CAIXA GERAL DE DEPÓSITOS	89,504,000	6.76%
GARANTIA	76,322,000	5.76%
ASA - AEROPORTOS E SEGURANÇA AÉREA, SA	28,780,000	2.17%
WORKERS	37,146,000	2.80%
OTHER SHAREHOLDERS	263,075,000	19.86%
TOTAL	1,324,765,000	100.00%

3 – KEY INDICATORS

Main amounts and indicators – activity and net income

Variables	Unit	2014	2015	Change
BALANCE SHEET				
Total assets	CVE million	74,801	80,825	8.1%
Total credit (net)	CVE million	37,805	37,512	-0.8%
Total liabilities	CVE million	69,941	75,954	8.6%
Customer resources	CVE million	62,866	69,097	9.9%
Shareholders' equity	CVE million	4,860	4,871	0.2%
OPERATING INCOME				
Net interest income	CVE million	1,831	1,938	5.8%
+Non-interest income	CVE million	759	710	-6.5%
=Total operating income	CVE million	2,590	2,647	2.2%
-Administrative costs	CVE million	1,998	1,941	-2.8%
=Operating cash flow	CVE million	593	707	19.3%
+ Income from subsidiaries excl. from consolidation	CVE million	78	40	-49.1%
-Depreciation for period	CVE million	187	190	1.5%
-Impairment/provisions (net) for period	CVE million	187	188	0.8%
-Income tax	CVE million		-	
=Net income for period	CVE million	297	369	24.0%
RATIOS				
Overdue credit/loans and advances to customers	%	17.1%	15.9%	
Credit overdue >90 days/loans and advances to customers	%	16.3%	14.9%	
Impaired credit/overdue credit	%	62.6%	65.6%	
Impaired credit and bonds/overdue credit	%	64.2%	66.5%	
Loans and advances to customers/customer deposits	%	61.4%	55.8%	
Net income/shareholders' equity (ROE)	%	6.4%	7.6%	
Net income/assets (ROA)	%	0.4%	0.5%	
Solvency ratio	%	14.94%	15.70%	
OPERATING				
(Cost-to-income) including pension fund	%	84.3%	80.5%	
(Cost-to-income) excluding pension fund	%	73.1%	69.4%	
Total assets/total active employees	CVE million	168	187	11.4%
Credit and total deposits/active employees	CVE million	225	244	8.6%
Credit and total deposits/branches	CVE million	3,034	3,126	3.0%
Total number of active employees	Unit	444	432	-2.7%
Number of permanent active employees	Unit	393	382	-2.8%
Number of branches	Unit	33	34	3.0%

4 – CHAIRMAN'S STATEMENT



Dear Shareholders, Customers and Employees

The domestic banking system has been forced to contend with a highly adverse context since the end of 2011. If, in the said year, credit across the domestic financial system, as a whole, was up 9%, the banks, between 2012 and 2015, have been working in an environment of low growth and a virtual stagnation of credit, associated with significant levels of default. The credit market over the last 4 years has grown by no more than an average annual 1.2%, with the level of default within the banking system having risen from 11.8% in 2011 to 19.3%, in September 2015.

Cape Verde's credit market continues to reflect the relatively unfavourable performance of the international economy and domestic surrounds, which, together, have been affecting the expectations of all economic agents, GDP performance and employment.

World GDP, following growth of 4.2% in 2011, has trended to an average annual growth rate of around 3.3%. Countries in the more prosperous economies underperformed the average level of world growth (*per annum* average of 1.5%) in the said period and even the growth rates of the emerging and developing economies, including Sub-Saharan economies, have been decelerating since 2011 (at an average annual rate of 4.7% for the period against 6.3% in 2011).

The eurozone continued to contend with an environment marked by programmes to adjust deficits and sovereign debt levels in several countries, which had a highly negative effect on the operation of its financial system, lending to companies and households in a large number of member states, in addition to the respective GDP and employment levels. However, if the eurozone was in recession across 2012 and 2013, everything suggests that 2014 was a turning point when the zone grew by around 0.9%, 1.5% in 2015 and with estimated growth rates of 1.7% in 2016 and 1.9% in 2017. This growth, in euro countries, in a context of continued low inflation, has been leveraged, by order of importance by exports, gross fixed capital formation and private consumption. Unemployment, following growth to levels of around 12% in 2013, has been trending to improvement although it is still higher than 10%. Growth projections of 3.4% for the world economy in 2016 and 3.7% in 2017 are also moving in the same direction.

In this environment, the performance of the Portuguese, Spanish and Dutch economies, with which Cape Verde's economy is more integrated, has translated into negative growth levels, respectively for three consecutive years (2011-2013) in the case of Portugal and two years (2012-2013) in the case of Spain and the Netherlands and, consequently, very high levels of unemployment in the mature economies. The good news is that the growth rates of these 3 economies, in 2014 and 2015, were equal to or higher than the eurozone rate and are expected to grow at higher rates than the referred to European sub-region, in 2016. Three factors point to the sustainability of this growth: the euro's depreciation against the dollar, making Europe more competitive in comparison to non-EU markets, ECB and EC resolutions to combat deflation and promote public and private investment and falling oil prices. The UK economy, as one of Cape Verde's main feeder markets for tourism has been growing since 2014 and is expected to continue to outperform the eurozone economy.

The US economy, following negative growth in 2009, in line with the recession affecting all of the advanced economies, in the said year, has, since grown at a faster pace than the eurozone (and is expected to continue to grow) at a faster rate: 2.8% in 2016, against 1.6%. However China and other emerging economies, as one of the driving forces behind world economic growth, is showing signs of a slowing GDP rate.

With its main trading partners in recession or with lower growth rates, Cape Verde's post 2011 economy was particularly penalised in two aspects of its external funding – a reduction of the level of FDI and a decline in official current and capital transfers, which, in spite of being counterbalanced by the favourable evolution of emigrants' remittances and revenues from tourism, had a negative effect on GDP growth. Between 2012 and 2015, Cape Verde's GDP grew by an annual average of just over 1.25% and its unemployment rate rose from 10.7% in 2010 to 15.8% in 2014. The level and evolution of youth unemployment (15 - 24 year olds) were even more unfavourable.

Although budget policy over the last few years has taken the form of an ambitious public investment programme geared to reducing the country's infrastructures deficit, its effects, being more visible, only over the longer term, were not sufficient to make up for the negative effects of the international surrounds and their effect on the expectations of private economic agents, which negatively affected GDP growth and particularly the private investment and household consumption components and, on the other hand, state revenues and, consequently, public debt levels.

At the end of 2011 and across a part of 2012, monetary policy, which was primarily geared to maintaining parity between the Cape Verde escudo and the euro, translated into a reduction of liquidity in the financial system, leading the banks to adopt measures to protect their deposits base, by gradually increasing borrowing rates across all maturities.

Customer resources in the domestic banking system, between 2011 and 2015, grew by an annual average 10.5%. However, in light of the contraction of economic activity and particularly the lower expectations of economic agents – already with highly expressive leverage levels – the fact that demand for credit, in growing by no more than an annual average 1.2%, failed to keep pace with such growth, while on the one hand, easing banks' liquidity restrictions and, on the other, starting second half 2012 and across the whole of 2013, had negative effects on net interest income, which was also affected by the growing evolution of levels of default on credit portfolios.

Starting 2nd half 2012 and across the whole of 2013 and 2014, demand for available bank liquidity was insufficient in terms of the desired quantity and quality and alternative investment resources, i.e. central bank and treasury securities, with ever lower closing rates on successive issuances, had an inhibiting effect on the referred to total operating income component.

Monetary policy measures in March and October 2014 and February 2015, to incentivise the banks to increase their lending to the economy, have still not produced the significantly desired effect. This is because economic leveraging, decline in the confidence levels of economic agents and still high level of average funding costs, have had an inhibiting effect on monetary policy transmission mechanisms, which are intended to be expansionary.

Notwithstanding, at the end of 3rd quarter 2014, BCA set up a CVE 1 billion line of credit for SMEs, with lower interest rates and for new investments. It was increased to CVE 2 billion, in 2015, and complemented by other initiatives geared to households in the mortgage lending area in the form of the CVE 1 billion *Nu Pinta Nós Tera* line of credit for the purchase of vehicles, wage accounts, etc. BCA revised its interest rates on lending and borrowing downwards, in mid 2015, to achieve greater consistency in monetary policy guidelines.

Poor credit portfolio growth together with surplus liquidity in the system, increased the negotiating power of the best customers, leading to competition between all market operators, reducing the spread between lending and borrowing rates. As a consequence, BCA's net income was down 10.6% in 2013 and 4.3% in 2014, to CVE 1.91 billion and CVE 1.83 billion, respectively. Non-interest income was also down 3.5% in 2013, albeit up 5.6% in 2014. The combination effect of both margins led to a slightly lower level of total operating income of CVE 2.63 billion, in 2013 and CVE 2.59 billion, in 2014. In 2015, however, total operating income, fuelled by a 6.3% growth of net interest income, was up 2.2%.

The board of directors' advance perception of the evolution of the structural constraints of the credit market has, since 2013, led to the definition and application of a consistent, engaged strategy anchored by five key complementary objectives: an increase of total operating income, improvement of credit quality, greater operational efficiency, growth of the bank's profitability, qualification of its human resources, change of attitude and better quality of customer service.

Focusing on these objectives and a high level of participation of management staff in terms of the bank's strategic decisions, a trend reversal in three of the bank's areas of activity is already evident: greater efficiency, greater profitability and greater financial strength/solvency. This evolution is necessary to enable BCA to contend with an adverse environment, whose evolution is beyond its control, as it is critically dependent on the international and domestic environment in which it operates.

Whereas international economic indicators are positive, with the eurozone finally expected to embark upon sustained growth, reference should be made to the fact that monetary and budget policy continue to diverge from each other, as regards the signs they transmit to the economy. In light of the BCV's most recent decisions, monetary policy is to incentivise credit, although the fiscal component of budget policy points towards the penalisation of household disposable income and corporate liquidity levels, while, at the same time, being restricted by public debt levels, it has decelerated the public investment policy. There are, however, signs which point towards an evolution of Cape Verde's GDP, at rates higher than the average of the last few years.

Following 4 consecutive years of a highly adverse economic environment, it has only been possible to achieve these results on the basis of the mobilisation, professionalism and dedication of the bank's management and its teams which deserve our recognition and gratitude. We are certain that we will be able to continue to rely on the dedication and professionalism of our staff in meeting the challenges to be faced in the future.

On behalf of BCA's board of directors, we also wish to express our gratitude and appreciation to all of our shareholders, board of the general meeting, fiscal board, external auditor, Bank of Cape Verde, General Securities Market Audit Authority and stock exchange for all of the 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 of the relationship with BCA by strengthening our proximity approach with products and services compatible with their preferences, interests and needs, strengthening their loyalty to the bank, based on trust, reciprocal respect and interests.

5 – INTERNATIONAL AND DOMESTIC ENVIRONMENT

5.1 – INTERNATIONAL

According to the IMF (International Monetary Fund) report, the global economy grew 2.9% in first half 2015. The slowdown of global growth particularly derived from weakening economic activity in emerging and developing economies.

Global activity is expected to progress in 2016, particularly in the **advanced economies**, owing to lower commodity prices, maintenance of accommodative funding terms, a certain easing of the budget consolidation process as well as an improvement in labour markets, which have sustained worldwide economic growth and contributed towards a slight improvement in the domestic economy's external surrounds.

Also according to the IMF, the performance of the **emerging and developing markets** has been less favourable as a result of the worsening external funding situation, with decelerating capital inflows owing to the following factors: impact of the reduction of commodity prices (energy, food and precious metals), foreign exchange depreciation in commodity exporting countries, a greater than anticipated effect on neighbouring economies and the African economy, as well as the transition from China's economic growth model, persistence of geopolitical and domestic conflict in Eastern Europe and the Middle East and in several African economies, as well as greater instability owing to acts of terrorism.

In the case of **countries in economic recession** (including Brazil, Russia and several Latin American and Middle Eastern countries) notwithstanding the fact that economic growth remains weak or even negative, projections for the coming year indicate an improvement.

GDP in the **US**, one of Cape Verde's important economic partners, was up 2.6% in the third quarter. The growth of the biggest world economy has been based on consistently higher private consumption, moderation of budget restrictions and a strengthening property sector. The performance of private consumption which represents two thirds of GDP in the US, reflects an improvement in real income, following the reduction of inflation, a smaller degree of adjustment of household balance sheets and a reduction of unemployment to close to structural unemployment levels.

Notwithstanding better performance, the US economy has been conditioned by the effects of an appreciating dollar and reduction of oil prices, respectively, in terms of net exports and investment in the energy sector as well as slowing global demand.

Across 2015, the **euro area**, as Cape Verde's main trading partner, continued to trend to recovery from the longest recession of its recent history, in spite of the social and political instability which particularly affected the consolidation of Greece's balance sheet at the start of summer, with a certain impact on investor confidence. Inflation was down over 2014, to no more than 0.2%.

Euro area GDP was up by a year-on-year 1.5% in the third quarter of the year. The region's better economic performance derived from the positive contributions of private consumption and net exports, which were mainly driven by lower commodity prices and the euro's depreciation in a context of a certain level of improvement in the confidence of economic agents and the implementation of exceptionally accommodative monetary policies.

In **Japan**, strong recovery in the first quarter was followed by lower levels of activity in the second quarter. Across the first half year, consumption and net exports underperformed expectations. Although exports were substantially down in the second quarter, the GDP forecast for 2015 is positive, albeit no more than 0.6%.

In **Latin America** according to the IMF's report, the crisis in Brazil was deeper than expected and, with lower commodity prices, the situation continues to worsen in other countries in the region. In Mexico, growth was also lower than expected.

Growth in **Sub-Saharan Africa** slowed in 2015 to 3.8%, against 5% in 2014. The deceleration in 2015 was mainly fuelled by the repercussions of falling commodity prices, especially oil, in addition to lower demand from China as Sub-Saharan Africa's main trading partner and more restrictive global funding for the frontiers of the region's economic market.

The following table provides information on several macroeconomic indicators:

Indicators

	GDP		Inflation		Unemployment	
	2014	2015p	2014	2015p	2014	2015p
US	2.4%	2.6%	1.6%	0.1%	6.2%	5.3%
Eurozone	0.9%	1.5%	0.4%	0.2%	11.6%	11.0%
Portugal	0.9%	1.5%	0.4%	0.2%	11.6%	11.0%
Germany	1.6%	1.5%	0.8%	0.2%	5.0%	4.7%
Japan	-0.1%	0.6%	2.7%	0.7%	6.2%	5.6%
Emerging economies	1.8%	2.0%	0.6%	0.2%	10.2%	9.6%
Brazil	0.1%	-3.0%	6.3%	8.9%	4.8%	6.6%
Russia	0.6%	-3.8%	7.8%	15.8%	5.2%	6.0%
Emerging Asia	6.8%	6.5%	3.4%	2.8%		
India	7.3%	7.3%	5.9%	5.4%		
China	7.3%	6.8%	2.0%	1.5%	4.1%	4.1%
Sub-Saharan Africa	5.0%	3.8%	6.4%	6.9%		
Global economy	3.4%	3.1%				

Sources: IMF

5.2 – DOMESTIC

5.2.1– General

According to the National Statistics Institute, GDP is expected to grow between 1.0% and 2.0% in 2015 (1.8% in 2014). Contributory factors to the lower level of economic activity were, on the supply side, the unfavourable performance of the commercial, agricultural, property and other services and public administration sectors, with a slight improvement, in the meantime, owing to the strong recovery of taxes, net of subsidies, activity in the hotel and restaurant sectors and manufacturing, as well as the growth, albeit decelerating of gross value added in construction. Average inflation was 0.2% in December 2015.

Economic activity trend indicators point towards lower levels of domestic demand in the third quarter, mainly deriving from the continued retraction of investments. The investments of other sectors continued to be conditioned by financial restrictions, resulting both from administrative constraints and the execution of the *Homes for All Programme*, as well as domestic banking's continued sentiment of aversion to macroeconomic and credit risks.

Private sector funding continues, however, to be constrained by a certain shortage of eligible demand, in the eyes of the banks, on the one hand and, on the other, by the significant leverage of several companies with access to the credit market, in the context of a continued deterioration of their balance sheets.

In such a development framework and context of an almost across-the-board maintenance of surplus liquidity in the domestic banks, the transmission of expansionary monetary policy measures to the real economy continues to be less than desirable, albeit effective up to September, in a certain reduction of funding costs and an easing in lending, as evidenced by the results of the quarterly credit policy survey on six domestic banks and the increase of lending to individual customers and several private non-financial corporations.

As regards consumption, the increases of emigrants' remittances (19.9% year-on-year to September), public expenditure on social benefits and other current public expenditure (8.7% and 35.8%, respectively, year-on-year to September), in offsetting the 0.5 pp VAT hike, provide the basis for a certain increase in household disposable income and, consequently, private consumption. In turn, the growth of public consumption, up to September was less pronounced, owing to the reduction of employee costs and slowdown in the rate of acquisition of goods and services.

Net external demand has trended to recovery over the last few months, as a reflection of the reduction of goods imports (down 6.5% and 1.5% year-on-year to September) and the strong recovery of revenues from tourism (up 9.7% year-on-year to September).

Reference should be made to the favourable performance of revenues from tourism, particularly based on demand dynamics. Notwithstanding the increase in the tourist price index (an average of 2.7% since the start of the year, according to the INE), demand, as measured by the number of bed nights, was up by around 7.2% year-on-year to September.

The country's net international reserves between the start of the year and this September were down by around €36 million. Notwithstanding, its accumulated net international reserves continued to be comfortable, ensuring 5.2 import months of the goods and services projected for 2015.

Lending to the economy was up 2.0% against a drop of 0.2% in 2014. Contributory factors to the more favourable performance of bank credit were a doubling of loans made to state-owned companies (property and aviation) and growth of around 0.7% in lending to private companies and individual customers.

The reduction of funding costs, with interest rates on lending down 0.85 pp between October 2014 and October 2015 had a positive effect on the demand for credit. In the meantime, on the credit supply side, the banks' performance is aligned with a certain increase in demand and a reduction of around 7% in impaired credit up to September, particularly on account of payments in kind, comprising property.

Deposits, which are still the commercial banks' principal sources of funding, continued to post significant, albeit decelerating growth (year-on-year October, total and emigrants' deposits were up 5.5% and 8.9%, respectively), contributing towards a continued increase of liquidity in the banking system, in spite of the average reduction of 0.22 pp on borrowing rates.

The following table provides information on several domestic economic indicators over the last two years.

Domestic macroeconomic indicators

Indicators	Units	Forecast	
		2014	2015
Real GDP	%	1.8	1 - 2
Public debt ratio	% of GDP	107.2	n.a.
Average annual exchange rate	USD/CVE	89.4	98.1
Inflation	Average annual change	-0.2%	0.2%
Unemployment	%	15.8	n.a.
Foreign direct investment	CVE million	9.468	9.822
Money supply	Annual change %	7.3	4.0
Foreign currency reserves	Import months	5.5	5.0
Lending to the economy	Change	-0.2%	0.2%

Source: State budget 2015, BCV and INE

5.2.2 – Financial system

In a framework of weak economic growth, low inflationary pressure and the absence of significant, imminent pressure on the balance of payments, the Bank of Cape Verde, in furthering its monetary easing policy, reduced its key reference rate by 0.25 pp in February 2015 from 3.75% to 3.50%, lowered its minimum cash reserves ratio requirement from 18% to 15%, its rediscount rate from 7.75% to 7.5%, its liquidity absorption rate from 0.50% to 0.25% and its liquidity injection rate from 6.75% to 6.5%. These reductions aimed to increase the efficacy of monetary policy and, at the same time, galvanise the market, favouring economic growth, safeguarding foreign exchange and price stability.

The following official notices and legislative regulations were issued and published in 2015:

- Official notice 1/2015 – approving the standard waiver for “restricted authorisation” credit institutions.
- Official notice 2/2015 – regulating the oversight and performance of administrative and financial tasks performed in the sphere of the functions attributed to the Motor Insurance Guarantee Fund.
- Official notice 3/2015 – sets the minimum capital level for financial institutions, defining a minimum capital of CVE 800 million for banks with a “general authorisation” (to operate).
- Official notice 4/2015 – on recovery plans, establishing the informational items and measures to be implemented by the banks for the purpose of re-establishing financial equilibrium, defining the informational items to be published in recovery plans, in addition to defining the procedures for submitting such plans to the BCV.
- Official notice 5/2015 – on resolution plans, defining the contents and other rules to be published in resolution plans as well as the procedures for the submission, revision and provision of complementary information to the BCV. Recovery and resolution plans should be submitted annually by 30 November. In 2015, the period was extended up to 28 February 2016.
- Official notice 7/2015 – regulating the fixed assets and property acquisition ratio, setting limits on the amount of credit institutions’ fixed assets, as well as promoting the optimisation of the relationship between such institutions’ fixed assets and their own funds.
- Official notice 8/2015 – regulating securities underwriting limits and setting the limit on financial institutions’ subscriptions for acquisitions of shares or participation bonds not sold to an offer’s intended purchasers as well on subscriptions for shares which must be sold to shareholders and third parties

- Official notice 9/2015 – on the periods and methods for the depreciation of installations and equipment as well as start-up, goodwill and other similar expenses.
- Official notice 10/2015 – requiring banks to send their annual management reports, annual accounts and other accounting documents and the minimum regulatory provisions report for the advance consideration of the BCV, 10 days prior to the publication of the notice calling the general meeting. The date of the notice calling the meeting should not be later than 15 March and institutions' accounts should be approved by 31 March of the following year.

5.2.3 – BCA in the financial system

Cape Verde's financial sector, comprising eight commercial and seven off-shore banks operating in the market in 2015, continues to be increasingly more competitive.

Notwithstanding the adverse context, BCA continues to occupy its leading position in Cape Verde's banking sector, retaining its status as the benchmark bank trusted by Cape Verde's citizens. Reference should be made to its market share, both as regards credit of 37.4% in December 2015 and deposits of 40.2% in September 2015. Its domestic footprint includes an increase in the size of its network to 34 branch offices. Particular reference should be made to its four "corporate offices".

BCA remained strongly committed to electronic means of payment, in 2015, having issued an additional 40,568 Vinti4 cards, during the course of the year, up 11%. The production of BCA's Vinti4 card represented 43% of the whole of the branch office network's production, up 8% by 7,133 units over the preceding year.

BCA had 67,280 active cards in circulation at, 31 December 2015, representing a market share of 35.7%.

BCA also produced 913 VISA credit cards, 648 of which were renewals or replacement cards and 265 new issuances. At 31 December 2015 the bank had a total number of 1,728 active Visa credit cards. The BCA Visa Flex prepaid product continues to be the BCA Visa card with the highest number of issuances in 2015, with 3,462 cards, to a total of 6,267 cards.

6 – STRATEGIC VISION 2015

Set against the backdrop of the major guidelines for 2015, as drawn up by the board of directors and embodying BCA's sense of mission in its goal of continuing to be the best and biggest bank in Cape Verde's financial system, maintaining its market shares without any deterioration of its credit portfolio and improving its levels of profitability and efficiency, special emphasis was placed on strengthening and developing the following strategic objectives:

Protection of BCA's profitability based on:

1. *Cost control and improved efficiency ratios*

Given market conditions, the improvement and sustainability of results can only be achieved 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 expenses and waste. Rigour in the production of the budget and systematic control of its performance are decisive factors in achieving the desired objective.

2. *Improvement of BCA's total operating income: net interest income and non-interest income*

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 its 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 prospecting for new business areas and finding new customers, with new spaces and relationship models. In the current context of a contracting/stagnating credit market, these operational thrusts have been designed to improve/contain the lower level of total operating income.

Improvement of credit portfolio quality

In this economic environment, whose respective evolution is still unclear, prudence as regards commercial, foreign exchange, market and other risks, having a direct impact in the balance sheet is in the order of the day. The strengthening of exacting, rigorous levels with the introduction of new mechanisms, control and oversight instruments will,

at the very least, prevent default levels from worsening. All available resources and structures to manage and endeavour to constantly achieve settlements of non-performing loans will be cumulatively perfected and will continue to be one of the bank's major priority objectives.

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 make significant improvements to efficiency, *modus operandi* and administrative routines, resulting in effective structural gains and consequently the bank's results. The corporate management of operational risk and internal control was given to DOI – *Direcção de Organização e Inovação* (Organisation and Innovation Division), 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 aim to employ the best workers 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, the 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** of Cape Verdeans make BCA a benchmark operator in the domestic banking market.

In line with its proposed objective for the current year, the customer resources taken balance, up 10.0% over 2014 to CVE 68.2 billion, shows the trust placed in BCA. This evolution was based on an 18.4% increase of sight deposits and a 5.4% increase in term deposits. Savings accounts were up by a positive 7.6% over December 2014.

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

Customer Deposits

Type	2014	2015	(CVE million)	
			Change	
			Total	Percent
Deposits	62,036	68,238	6,202	10.0%
Sight deposits	21,438	25,382	3,944	18.4%
Term deposits	37,262	39,266	2,004	5.4%
Savings accounts	3,335	3,590	255	7.6%

By customer segment, most deposits with BCA were held by individual customers, up 8.7%, to 80.4% (against 81.3% in December 2014). Corporate deposits, driven by a 23.6% increase in sight deposits, were up 15.7% over the preceding year. Total emigrants' deposits, up 6.8% over December 2014, account for 49.8% of BCA's deposits portfolio.

Customer deposits by type

Type	2014	2015	(CVE million) Change	
			Total	Percent
Sight deposits				
Residents	14,937	17,559	2,622	17.6%
Emigrants	4,384	5,506	1,122	25.6%
Non-residents	2,117	2,316	199	9.4%
Total	21,438	25,382	3,944	18.4%
Term deposits				
Residents	11,890	11,927	37	0.3%
Emigrants	27,429	28,457	1,028	3.7%
Non-residents	1,278	2,472	1,194	93.4%
Total	40,597	42,856	2,258	5.6%
Total deposits	62,036	68,238	6,202	10.0%

Customer deposits by segment

			(CVE million)	
Segments	2014	2015	Change	
			Total	Percent
Corporate				
Sight deposits	8,312	10,276	1,965	23.6%
Term deposits	3,238	3,085	-153	-4.7%
Total	11,550	13,361	1,812	15.7%
Individual customers				
Sight deposits	13,127	15.105	1.979	15,1%
Term deposits	34,024	36,181	2,157	6.3%
Savings accounts	3,335	3,590	255	7.6%
Total	50,486	54,876	4,391	8.7%
Total deposits	62,036	68,238	6,202	10.0%

7.2. – CREDIT

7.2.1 – Constraints on lending activity

The continuing slowdown in the rate of domestic economic growth across 2015, to a large extent marked by the uncertainty of economic agents with its impact on private investment, had a constraining effect on banking activity. However, to stimulate lending to the economy and favour the country's growth, the central bank imposed several monetary policy measures in February 2015, namely a 3 pp reduction from 18% to 15% in the minimum cash reserves rate, a reduction of the key reference rate from 3.75% to 3.5%, the rediscount rate from 7.75% to 7.5% and the liquidity injection rate from 6.75% to 6.50%.

The fact that the market achieved slight growth, in terms of banking activity, entailed extremely tight competition in the lending business in light of such restricted opportunities for profitable, low risk operations. BCA's new loans, albeit up 39.4% over the preceding year, were conditioned by the dearth of projects eligible for finance owing to high corporate and household leverage levels.

In light of the situation in the country and financial sector and in line with monetary policy, BCA reduced its lending and borrowing rates in the second half of the year. It also decided to increase its line of credit for SMEs from CVE 1 billion in September 2014 to CVE 2 billion at even more attractive rates whose effects were felt in new operations in 2015. It remained concerned, however,

to minimise existing risks, always endeavouring, in line with its strategic interests, to protect the bank's returns. 2016 is, however, expected to see a gradual recovery of international economic partners and an improved level of overall domestic economic growth.

7.2.2 – Lending analysis

Total new loans in 2015, including restructured credit, amounted to approximately CVE 8.7 billion, up 31.3% by CVE 2 billion over 2014, with a 48.3% increase in corporate loans over 2014. The increase, in the case of individual customers was 10.1% (18.2% for loans for other purposes). Loans for owner occupancy and buy-to-let were down 2.6%, as a reflection of declining demand for bank loans, given the retraction in the construction sector and the effect of the *Homes for All* programme.

Information on the evolution of new loans by customer segments over the last two years is provided in the following table.

Loans, including restructured loans by customer segments

Segments	2014	2015	(CVE million)			
			Change		Change	
			Total	Percent	2014	2015
Corporate	3,710	5,501	1,791	48.3%	55.6%	62.8%
Short term	2,484	2,104	-380	-15.3%	37.3%	24.0%
Medium/long term	1,225	3,396	2,171	177.2%	18.4%	38.8%
Individual customers	2,957	3,256	299	10.1%	44.4%	37.2%
Mortgage loans	1,154	1,124	-30	-2.6%	17.3%	12.8%
Consumer credit	1,804	2,132	329	18.2%	27.1%	24.3%
Total credit	6,667	8,757	2,090	31.3%	100.0%	100.0%

7.2.3 – Credit portfolio analysis

The performing credit portfolio, not including securitised loans to companies, was up 1.4% by CVE 435 million over the preceding year to CVE 32 billion. This favourable 5% evolution in the stock of credit to companies is a reflection of the higher number of new operations, mainly comprising medium and long term loans. In the case of individual customers and notwithstanding the 5.6% increase in credit for other purposes, the 3.1% decrease of lending for owner-occupied housing and buy-to-let was a contributory factor in the 1.2% decline in the individual customers' balance. The following table also shows that around 44% (45.6% in December 2014) of performing credit to customers comprises mortgage loans.

Performing credit portfolio by segments

(CVE million)

Segments	2014	2015	Change		Structure	
			Total	Percent	2014	2015
Corporate	13,177	13,836	659	5.0%	41.7%	43.2%
Short term	2,001	1,280	-721	-36.0%	6.3%	4.0%
Medium/long term	11,176	12,556	1,380	12.3%	35.4%	39.2%
Individual customers	18,400	18,176	-224	-1.2%	58.3%	56.8%
Mortgage loans	14,387	13,939	-448	-3.1%	45.6%	43.5%
Consumer credit	4,013	4,236	224	5.6%	12.7%	13.2%
Total performing credit	31,577	32,011	435	1.4%	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 1.1% year-on-year.

Owing to 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 down 7% year-on-year to CVE 6 billion, in line with the budget projection for 2015. On the other hand, there was a retraction of CVE 378 million in the balance on bonds issued by public and private entities, owing to the payment in kind of a bond for CVE 350 million.

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

Loans and advances to customers portfolio

(CVE million)

Credit	2014	2015	Change	
			Total	Percent
Performing credit	31,577	32,011	435	1.4%
Short term	2,524	1,712	-812	-32.2%
Medium and long term	29,053	30,300	1,247	4.3%
Overdue credit and interest	6,507	6,050	-457	-7.0%
Bonds issued by public and private entities	3,926	3,548	-378	-9.6%
Income receivable	194	169	-25	-12.9%
Deferred revenues	-222	-244	-22	9.9%
Total credit portfolio	41,982	41,535	-447	-1.1%

The following table reflects the evolution of the gross loans and advances to customers portfolio (performing and overdue credit and interest, excluding bonds and income, only capital), by entity:

Gross credit portfolio by segment

(CVE million)

SEGMENTS	2014	2015	Change		Structure	
			Total	Percent	2014	2015
Corporate	17,761	17,971	210	1.2%	46.6%	47.2%
Short term	3,153	1,667	-1,487	-47.1%	8.3%	4.4%
Medium/long term	14,608	16,304	1,697	11.6%	38.4%	42.8%
Individual customers	20,323	20,091	-232	-1.1%	53.4%	52.8%
Mortgage loans	15,682	15,254	-428	-2.7%	41.2%	40.1%
Consumer credit	4,641	4,837	196	4.2%	12.2%	12.7%
Gross credit portfolio	38,084	38,062	-22	-0.1%	100.0%	100.0%

8 –OTHER ACTIVITIES

8.1 –HUMAN RESOURCES

BCA had a staff complement of 432 active workers at 31 December 2015 of whom 382 were permanent staff and 50 on fixed-term work contracts. It also had 13 inactive employees (11 on unpaid leave one on unlimited leave and one public service secondment).

There were 9 (nine) new hirings in 2015. Two employees left the bank (one at the bank's initiative and the other by mutual agreement). Fourteen of the bank's active employees took retirement and 4 inactive employees retired on reaching the age limit.

The total number of 162 retirees, is explained by 18 new retirees and 2 deaths across the year as shown in the following table.

	ACTIVE			INACTIVE	
	2014	2015		2014	2015
Permanent	395	382	Retirees	145	162
Fixed-term	52	50	Rescissions/indemnified	3	2
			On secondment	0	0
			On leave	7	13
			Sick leave	2	0
			Absence – other reasons	0	0
TOTAL	447	432	TOTAL	157	177

Women comprised 64% and men 36% of the total number of active workers.

In terms of distribution by functional groups, 42.1% of employees were engaged on technical functions, 23.2% in line management, 16.9% in auxiliary and support roles, 10.4% multifunctional staff and 7.4% in administrative functions.

The level of academic qualifications witnessed an increase in the percentage of graduate employees who currently represent 44% of the employee complement. 29.2% of employees have secondary educational qualifications, with 17.8% having primary, 3% higher educational (polytechnic) and 6.5% vocational qualifications.

	2014		2015	
	No.	%	No.	%
Primary	82	18.3%	77	17.8%
Secondary	132	29.5%	126	29.2%
Vocational	29	6.5%	26	6.0%
Polytechnic	13	2.9%	13	3.0%
University	191	42.7%	190	44.0%
TOTAL	447	100%	432	100%

Training and professional advancement

BCA invested in 51 training actions totalling 6,375 hours for a total number of 867 employees across 2015. Training was given in several areas, particularly: Credit Analysis, *Thinking and Intervening as an Inspirational Leader* workshop, *More Positive Teams* workshop, a *Service of Excellence in Contact Centres*, *Fiscality – the Impact of Taxation on Financial Products*, *Cost of Capital*, *Financing, Leverage and Capital Structures*, *Human Resources Management Tools*, *Fiscal Reform in Cape Verde*, *Fundamentals of Risk Management* seminar, *Basel I, II and III*, *Regulatory Reform of the Financial System and the Securities Market*, *Environmental and Social Risks*, *Central Balance Sheet Strengthening Action – Economic-financial Analysis of Companies and Project Assessments*, *Compliance – Code of Conduct – Money Laundering*, *Leadership and Management Course for Executives*.

As part of the strategy to raise employees' awareness of the importance of risk management, the Market and Liquidity Risk Office, developed and gave a training course on *General Banking and Risk Management Principles*,, aiming not only to refresh several basic banking management notions, establishing links with risk management, but also to encourage a more integrated vision of BCA.

Reference should be made to major investment in Team Leadership and Management organised in two workshops (*Thinking and Intervening as a Leader* and *More Positive Teams*) to include practically all employees with the aim of strengthening leadership and interpersonal relationship skills

Eleven of the training actions totalling 3,316.5 hours for 407 employees were given in Cape Verde (in-company) with 34 training actions for 453 employees totalling 2,947.5 hours given in Cape Verde

(out-company). Seven employees were involved in six training actions abroad in the *IFB - Instituto de Formação Bancária* (Bank Training Institute) and Caixa Geral de Depósitos, in Portugal, in the Financial Technology Transfer Agency (ATTF) in Luxembourg and in Macau.

39 placements were organised in 2015, 17 of which curricular and 10 of which were converted into work contracts after the initial three months, representing more opportunities for learning and the company's social responsibility and 22 professional placements.

Social support for workers

Workers enrolled in the bank's private social security system and retirees in Cape Verde, in addition to their family members, benefited from medical diagnoses, general and specialised medical consultations, eye, and stomatological prostheses, out-patient treatment and hospital in-patient surgeries, in 2015.

Under the agreement between BCA and *SAMS - Serviços de Apoio Médico e Social dos Sindicatos dos Bancários do Sul e Ilhas de Portugal* – 138 declarations of liability and 10 prior authorisations totalling 681 treatments for employees (consultations, medical and clinical tests operations and hospital confinements) were issued.

There were six private system beneficiary evacuations (one of which accompanied), with the bank having paid for the costs of seven evacuees and two companions across the year. One of the beneficiaries had been evacuated in 2007.

Medical and medicinal products assistance costs totalled CVE 36.5 million, in 2015.

The bank continued to assist its workers and retirees on the basis of its lending policy, notably for the acquisition or construction of owner-occupied houses and fiscal subsidies. It also advanced wages for education, healthcare, extraordinary costs, home repairs and improvements and acquisitions of vehicles for own use

8.2 – FINANCIAL AND INTERNATIONAL AREA

Management and accounting planning and control

DPG (Management Planning and Control Division) continued to endeavour to perfect the quality of the management information supplied 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 have highly positive impacts in 2016. In aiming to meet all requests, both from the financial system supervisor and its principal shareholder, additional efforts were made to ensure the prompt supply of statistical, prudential and accounting information to be sent monthly to the Bank of Cape Verde, for supervision purposes and to Caixa Geral de Depósitos, as the bank's principal shareholder for consolidation and oversight purposes.

Endeavours were also made with the fiscal authorities to clarify various aspects associated with the definition of the bank's taxable income.

International

The international area has been one of the bank's major concerns, particularly in countries with a highly significant Cape Verde community. The bank has, therefore, adopted a selective internationalisation strategy to provide for the needs of Cape Verde's diaspora and commercial operators.

With the aim of improving services, preferential agreements with other financial institutions have been periodically revised, taking advantage of Caixa Geral de Depósitos's vast international network for customers' operations in the most varied markets.

Relations with correspondent banks

The correspondent banks' network has permitted the maintenance of and, in several cases, improvement to the conditions governing the performance of business on an international level, in endeavouring to ensure the coverage of the main markets in good time and at a lower cost.

Several top echelon correspondents exceptionally requested the termination of the correspondent relationship with BCA, this year, fundamentally claiming that the maintenance costs of such accounts are not compensated by the volume of operations and in several cases, owing to compliance issues.

BCA had a network of 25 correspondent banks, in 16 countries and multiple operations in currencies such as USD, EUR CHF, GBP, CAD, DKK, SEK, NOK, JPY and ZAR In 2015. Owing to the announcement of the closure of accounts by several correspondent banks and without compromising quality of service, several operations were switched in 2015 to correspondent banks considered to be more solid, with the aim of fortifying the respective relationship.

The bank ended 2015 with a network of 231 SWIFT correspondents, enabling it to provide for its customers' international business requirements with relative ease.

The international area was contacted by the following international bodies this year:

- *Société Générale*, in the expectation of establishing a correspondent banking relationship;
- Commerzbank, for its annual visit to its commercial partners;
- IMF, with the objective of analysing the country's economic evolution;
- Banco Atlântico Europa, with the objective of establishing partnerships with BCA;
- INTL FCStone. A visit by its vice-chairman, with the aim of getting to know the bank and strengthening commercial relationships;
- Reception of information on the closure of the account with HSBC and prospection with CGD for a new provider for the cash letter for cheques in USD;

The following contacts were also made:

- Bank of China – Macau branch: visit to the bank, in Macau, by the Head of the International and Liquidity Division, in the sphere of an invitation to attend the RMB Cross-Border seminar, taking place in the said country on 12 and 13 May;
- MoneyGram, following a request for a meeting for the presentation of its services and strengthening its intention to establish commercial relationships with the bank;
- World Bank, a conference call, to understand the eventual impacts of a worldwide change in correspondent bank policies;
- Revision of due diligence process documents and consequent opening of an account with the Bank of America (BOFA) as a correspondent bank;
- Confirmation of closure of account with RBS-Royal Bank of Scotland on 31/12/2015;
- Announcement of the closure of the account with BNP- Paribas, scheduled for 31/03/2016;
- Contacts with the Bank of China (BOC), for the purpose of opening a correspondent banking account. Currently at the signing of the agreement stage;
- SWIFT – Telephone contacts with the objective of obtaining information on the new SWIFT KYC Registry service and understanding the need for BCA to subscribe. Following the test period, at the date of this report, it was concluded that BCA should not subscribe for this service as it would be very difficult to take advantage of the proposed benefits, taking the bank's real needs into account.

Liquidity management

The bank's liquidity management was drawn up in rigorous compliance with the following basic principles:

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

Surplus funds management has always concentrated on the maximum exploitation of cash funds, always endeavouring to minimise liquidity, market and foreign exchange risks.

BCA has continued to correctly identify various business opportunities, control liquid assets and accelerate the translation process of foreign banknotes spent in the country owing to the low domestic market rates.

Currency inflows and outflows recorded positive changes of CVE 1.8 billion and CVE 0.56 billion, respectively, in 2015. The change on the inflows side is explained by the increase of purchases from the Bank of Cape Verde as inflows from abroad were down. The increase of outflows is explained by the settlement of customers' invoices as sales to the BCV were down.

Currency inflows/outflows

Account headings	2014	2015	(CVE million) Change	
			Total	Percent
Currency inflows	32,558	31,200	-1,358	-4.2%
Purchases from BCV	1,268	4,466	3,198	252.2%
Total inflows	33,826	35,666	1,840	5.4%
Currency outflows	30,530	33,233	2,703	8.9%
Sales to BCV	3,525	882	2,643	100.0%
Total outflows	34,055	34,115	60	0.2%

Investments in foreign currency amounted to CVE 27.9 billion, against the preceding year's CVE 26.7 billion, mirroring a 4.5% increase of around CVE 1.2 billion.

The bank endeavoured to exploit surplus liquidity in the domestic and international markets, in 2015. The constant quest for better returns and preference for short term maturities led to short term investments, particularly in the domestic money market. Reference should, therefore, be made to

overnight investments with the Bank of Cape Verde and investments in TRMs (“certificates of monetary regulation”) and TIMs (“certificates of monetary intervention”) with changes of 255.6%, 262.3% and 92%, respectively, over 2014.

Accrued investments in period

	2014	2015	(CVE million) Change	
			Total	Percent
Domestic money market	388,896	1,374,175	985,279	253.4%
Treasury bills	1,959	481	-1,478	-75.4%
Investments in BCV	383,400	1,363,550	980,150	255.6%
Other BCV investments (TIMs)	2,109	4,050	1,941	92.0%
Other BCV investments (TRMs)	1,428	5,174	3,746	262.3%
Investments in other domestic banks		920		
Capital market	1,887	1,057	-830	-44.0%
Investments in correspondent banks	26,731	27,947	1,216	4.5%
TOTAL	417,514	1,403,179	985,665	236.1%

BCA's loan of CVE 920 million to other banks reflected a certain dynamism of the interbank money market.

Information on the composition of the investments portfolio, at 31 December, is provided in the following table, which shows a positive 52.1% change of CVE 8.3 billion over 2014.

Investment portfolio

	2014	2015	(CVE million) Change	
			Total	Percent
Domestic money market	11,200	16,632	5,432	48.5%
Treasury bills	155		-155	-100.0%
Investments in BCV	9,400	15,350	5,950	63.3%
Other BCV investments (TIMs)	1,520	1,000	-520	-34.2%
Other BCV investments (TRMs)	125	282	157	125.6%
Capital market	3,918	3,918	0	0.0%
Investments in correspondent banks	915	3,842	2,927	319.9%
TOTAL	16,033	24,392	8,359	52.1%

Information on the composition of long term investments in treasury bonds by period to maturity is set out below:

Treasury bonds portfolio – period to maturity

(CVE million)		
Maturity	No.	AWR
Up to 1 year	745	5.6%
1 to 2 years	824	5.7%
2 to 3 years	1,094	5.3%
3 to 5 years	1,386	5.3%
5 to 8 years	2,760	5.7%
Total	6,809	5.6%

An analysis of the table shows that the portfolio, at 31 December 2015, contained CVE 745 million in securities with a maturity of up to 1 year, with an average weighted rate of 5.6%.

The 19.3% increase of CVE 110.4 million in interest on investments derives from the performance of the capital market, as there was a 12.3% decrease in the money market, fundamentally owing to the large decrease in interest on treasury bills.

Interest on investments in period

	2014	2015	(CVE thousand)	
			Change	
			Total	Percent
Domestic money market	35,603	31,211	-4,392	-12.3%
Treasury bills	15,152	3,420	-11,732	-77.4%
Investments in BCV	15,759	20,152	4,393	27.9%
Other BCV investments (TIMs)	4,294	5,489	1,195	27.8%
Other BCV investments (TRMs)	399	1,334	935	234.6%
Investments in other domestic banks		816		
Capital market	534,049	635,401	101,352	19.0%
Investments in correspondent banks	3,169	16,609	13,440	424.1%
TOTAL	572,821	683,221	110,400	19.3%

Interest on “overnight” investments in the BCV and in TRMs posted positive changes of CVE 4.4 million and CVE 1.2 million, respectively, owing to the exponential increase of the investments in these accounts, as the rate effect was negative.

There were also marked reductions of interest on TRMs and TIMs, in 2015, to 0.3125%, only 1/16 higher than the Bank of Cape Verde’s liquidity absorption rate which, since February 2015 has been 0.25%. Interest on treasury bills posted a negative reversal to 0.75% and treasury bonds were traded at rates of less than 5%, substantially down over past years.

Interest on foreign currency investments posted positive changes of 424.1%, with a certain volatility in EUR and USD rates across the year. The performance of USD rates, in 2015, was somewhat subdued, with several fluctuations, deriving from the amounts of the investments and maturities in the different periods. The general trend was upwards, peaking in December owing to various longer term investments. The increase of EUR rates in 1st quarter 2015, was followed by a substantial decrease to close to 0% at year end, in line with eurozone rates.

Management of the foreign exchange position was based on rigour and risk anticipation. Gains in 2015 amounted to CVE 143.4 million, a positive 12.2% change of around CVE 15.5 million over 2014.

Capital market

BCA as a financial broker

BCA continued to play an active role as a financial broker, in 2015, particularly in the public debt market.

Auctions totalling CVE 11.86 billion were organised in the primary public debt securities market, with sales of CVE 11.45 billion or around 97% of the total. CVE 11.3 billion of this amount comprised competitive bids, i.e. with institutions having access to the primary market and CVE 114.6 million comprised non-competitive bids. BCA subscribed for CVE 1.7 billion, comprising around 15% of total subscriptions.

144 transactions were performed in Cape Verde's stock exchange across the year of which 36.8% comprising 53 operations on securities deposited with the BCA and the remaining 91 on securities deposited with other credit institutions.

The most traded securities were those of BCA, comprising 51.3% and 74 transactions, 70 of which on shares and four on bonds, totalling CVE 1,150.8 million, around 69.02% of the total traded.

A certain level of oscillation was recorded in BCA's share prices which varied between CVE 2,450 and CVE 3,500 and an average of CVE 3,458. In a global scenario of falling prices in the share segment, the closing price of BCA shares, in 2015, was CVE 3,000, up 0.3% over the close of 2014.

Trading in BCA shares was CVE 1,148.9 million, an atypical 261.3% change of around CVE 831 million over 2014, with BCA's shares being the most traded in the share segment. This anomalous change particularly derives from the disposal of the full amount of the equity stakes of the state of Cape Verde which held 10% of BCA's equity. These shares forfeited their "golden share" status as specified in decree law 67/2014 of 16 December 2014.

The disposal of 10% of the state's equity stakes led to a change in BCA's share structure in which *INPS - Instituto Nacional de Previdência Social*, with 10.001% is now the bank's biggest shareholder.

8.3 – RISK MANAGEMENT

Credit risk

Notwithstanding the environment of surplus liquidity, in 2015, which could lead to an eventual easing of the essential requirements associated with lending as a means of leveraging the credit portfolio, the bank remained faithful to its principles and best practice in respect of lending operations, in its endeavours to finance projects/operations of unquestionable quality and guaranteed returns.

Fresh lending, in comparison to 2014, albeit more dynamic, was still insufficient to fuel sustained portfolio growth, in which reference should be made to the corporate segment. In this particular segment, a major contributory factor was the measures taken to combat the anaemic credit environment in the form of the creation of specific lines of credit for micro, small and medium-sized enterprises, which were warmly welcomed by the market.

Measures were also taken to provide a fresh boost to the individual customers' segment, with the launch of lines of credit for consumption and special customers, as a segment in which the credit risk is normally lower than in the corporate segment, as shown by the respective default levels.

As regards non-performing loans, BCA continued to focus on the renegotiation and restructuring of financial plans, in order to adjust them to the real capacity of borrowers in financial distress. The quest for the normalisation of default should be an ongoing exercise, based on consistent, timely, restructuring proposals, as time is an extremely important factor in the recovery process. Reference should also be made to the fact that the aim is to speed up the legal proceedings and loan write-off process, meeting all of the conditions defined for the purpose from assets.

Another measure worthy of note is payments in kind which have enabled several chronic default situations to be resolved, taking advantage of the change brought in by the BCV to extend the period for the disposal of property received in kind from 2 to 5 years. In parallel, the bank is making an effort to promote the sale of the property received in kind and/or auctioned off, as the only way to recover loans, with beneficial effects on LGDs (loss given defaults).

As customary the risk factors associated with the impairment losses assessment model were annually revised with reference to September 2015, with the performance of the default probability indices translating into improved portfolio quality from 2014 to 2015, based on globally lower default rates. Similarly the improvement of LGDs suggests a less marked level of credit portfolio losses.

Reference should be made to the bank's concern to keep up-to-date records of the value of its property, for collateralising credit operations, with positive effects on estimated impairment losses.

The credit risk management manual, as an important risk management instrument dealing with and summarising BCA's risk management processes and procedures was approved in 2015. Reference should also be made to another document increasing the rigour and assertiveness of the assessment of individually analysed impairment, namely operating instructions 22/2015 – Separate Reports on the Recognition of Impairment and Provisions Losses, of 24 November 2015.

In the sphere of its attributions, the Central Bank of Cape Verde carried out an inspection in September 2015, especially focusing on the regulatory provisioning levels on previously identified borrowers, but without forgetting already existing impairment, culminating in a report in which BCA promptly registered its comments and/or necessary clarifications.

Reference should also be made to the change in the frequency of the external audit process on the impairment model from annually to half yearly, to improve the level of integrity of the impairment losses assessment tool.

Market and liquidity risk

The surplus liquidity environment which continued to characterise the 2015 financial year, as a consequence of the adverse economic environment whose improvements were not sufficient to stimulate the marked growth of the credit portfolio, favoured customers' preferences to save, leading to the growth of deposits.

In this scenario, which transited from the preceding year, the Bank of Cape Verde started the preceding year by adopting economic growth stimulus measures, in which reference should be made to the reduction of the minimum cash reserves ratio from 16% to 15%.

BCA reacted by revising its price list, reducing its lending and borrowing rates, involving the Market and Liquidity Risk Office, taking into account the implications on a liquidity risk level but mainly as regards interest rate risk which is directly reflected in the time-lag of its impacts on net interest income.

In terms of liquidity risk, BCA's position continues to be highly favourable with its balance sheet structure evidencing a growth of more as opposed to less liquid assets. In spite of the decrease in borrowing rates, the fact that customer deposits continued to grow, indicates greater confidence in BCA.

As regards the timespan of the interest rates on assets and liabilities, as evidenced by the evolution of repricing gaps, there was, in general, a certain stability in comparison to past years owing to the maintenance of the balance sheet structure, with business developing within the normal pattern, albeit at a slower rate on the credit side (main assets) and a faster rate on the deposits side (main liabilities).

The surplus liquidity environment has favoured an increase of pressure towards lower interest rates, posing major challenges to business profitability, in a financial system in which profitable investment alternatives, excluding credit, are practically non-existent. Faced with such a scenario the importance of market risk and liquidity management, mainly in the interest rates and liquidity areas, was enhanced in 2015. Special mention should be made of the highly relevant role of the already consolidated ALCO committee, as an excellent forum for swapping ideas and defining management strategies for the balance sheet structure.

As regards foreign exchange risk management, which, given the nature of the bank's activity, is less prominent, last year was marked by a certain increase in the value of the US dollar (as the principal currency subject to foreign exchange risk used in the transactions) in the first few months of the year, followed by a nondescript performance level. The foreign exchange position has always showed signs of good control, with none of the limits having been defined for this currency having been exceeded. In turn, VaR on the total portfolio across the year was free from any significant oscillations. The limits defined for each of the foreign currencies was only sporadically exceeded and only in the case of the less significant currencies.

Recovery of credit in default

BCA has been engaged on credit oversight and recovery operations since 2011 via its two – north and south – credit recovery units (CRUs), operating within the structures of each of the commercial divisions. Although each CRU oversaw the customers in its region, customers domiciled in corporate offices were directly accompanied by the respective offices.

Starting October 2015, BCA centralised its overdue credit in a single office which was created for the purpose, in the form of the Credit Recovery office (GRE), reporting directly to the board of directors. GRE was charged with credit oversight and recovery in the form of negotiations, in respect of all operations involving customers with overdue credit, including corporate offices, provided that at least one operation was in default for more than 60 days. This Office is also responsible for proposing legal proceedings when negotiated recoveries are not possible.

GRE is structured in two Divisions, one for the recovery of major customers (DRG) and another for the recovery of individual and corporate customers (DRP).

2015 marked another important gain which was the “marking” of credit by the unit responsible for customer oversight at any point of time. This will improve BCA’s overview of its portfolio to enable it to achieve an objective understanding of each process’s recovery phase (branch, GRE or legal). This marking exercise also enables the timing of each unit’s intervention in the recovery process to be analysed.

With the improvements being made, such as the creation of a autonomous nationwide structural body to oversee and manage the recovery of overdue credit, the computer developments enabling the structural body responsible for the oversight of the operations in each of the phases of the recovery process to register all contacts and negotiation endeavours, the creation of a platform permitting the extraction and filtering of the overdue portfolio at any time, BCA is increasingly committed and better prepared to prevent and combat overdue credit, having laid the groundwork for an ever faster, structured recovery.

8.4 – COMPLIANCE

Deriving from legal dispositions, a compliance function has been established within BCA. The management of this important aspect of banking activity is the responsibility of all structural bodies, under the coordination of the Compliance Office (GFC), which is an autonomous structural body

reporting directly to the board of directors and which is responsible for identifying, analysing and assessing compliance risks and reporting thereon.

This unit is also responsible for ensuring the good performance of AML/CFT procedures as well as preventing crimes of market abuse.

In 2015, several of the legal and regulatory statutes published particularly included AGMVM (“Securities Watchdog”) Regulations 01 and 02/2015 which respectively establish the lawful definition of a “qualified investor” and a “non-qualified investor” and the legal regime governing collective securities investment bodies. Reference should also be made to the BCV’s official notices 04/2015 on recovery plans and 05/2015, on resolution plans, published on 10 July.

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

One of the major challenges of 2015 was the appropriation of new tools. This is being dealt with by a new tool permitting an improvement in the Office’s technical competencies and revisions to those currently in existence.

8.5 – ORGANISATION AND INNOVATION

Various organisational solutions for the management of processes, routines and procedures were implemented in BCA in 2015. Assistance was also provided on the development, implementation and activation of the operational risk and internal control strategy and management policies, in addition to arranging for the disclosure of information and automation of the implementation of the standards deriving from legal requirements.

Reference should be made to (i) the rules to be complied with internally, on the organisation of documents in archives based on documentary management instruments, namely the Detailed Classification Plan of the Branch Office Network and Selection Table, which are part of the new policies, processes and procedures, with the main objectives of conservation and particularly speed of access to information; (ii) standards permitting the implementation of solutions to ensure uninterrupted performance or with a minimum possible level of disturbance to the bank’s normal activity, in terms of processes and persons in the case of the occurrence of events leading to a one-off or the across-the-board non-operational status of the bank’s infrastructures; (iii) standards which facilitate the general principles to be adopted for the management of operational risk, as regards risk tolerance, defining the quantitative limits of acceptable risk levels, to guarantee that the

objectives will be achieved; (iv) standards making it possible to regularly and proactively monitor the main operational risks and anticipate or react to changes in risk exposure.

Operational risk and internal control (ROCI)

The furtherance of the operational risk and internal control governance and management methodology, particularly actions for the (i) self-assessment of the risks and controls encompassing relevant macro processes; (ii) creation of the first risk indicators; and (iii) awareness designed to minimise operational risk.

8.6 – AUDIT AND INSPECTION

Various actions were performed in 2015 of which special reference should be made to *in situ* and distance branch office audits.

Other activities such as the analysis of lending operations and the analysis and oversight of certain operations in branch offices, with suggestions considered appropriate to each specific situation, were carried out. The survey of the most critical situations and suggestions for their resolution were set out in a report and analysed on a ROCI level, with the objective of taking definitive corrective measures.

Almost all ROCI macro process controls were validated for the first time.

8.7 – IT SUPPORT

In 2015 the Bank of Cape Verde started work on the implementation of new data collection reporting models to compile monetary and financial statistics. They were drawn up on the basis of a more comprehensive approach to provide for macroeconomic and prudential analysis requirements, with the rationalisation of financial, human and time resources. This modernisation process was overseen by BCA.

Several improvements were also made to the creation of automation processes with the central bank in the credit risk centralisation area, in which files received and sent were checked and validated.

Technical hardware/infrastructure in the form of a new Hardware Central iSeries (AS/400), enabling an increase in processing capacity and a higher level of security and redundancy in the security

sphere, came into operation in 2015. Around 500 computers were also acquired to replace the whole of the IT processing system.

Another noteworthy aspect involved the connection between production and back-up systems, based on the acquisition of wireless systems. This connection supports the online replication of the central system, providing for business continuity plan requirements, in the information technology sphere.

Phishing is a form of electronic fraud characterised by attempts to acquire various types of personal data; passwords, financial data such as credit card numbers and other personal data. This situation has inundated the banking system in Cape Verde, leading BCA to invest more to improve its customers' protection.

8.8 – MARKETING AND PUBLIC RELATIONS

The objective of increasing total operating income across the year was the main guideline governing the activities of the Marketing and Public Relations (GMR) area, being developed in respect of product, distribution channels and advertising.

In terms of pricing, interest rates were revised downwards and on a product level the line of credit for SMEs, created in September 2014 was increased by CVE 1 billion. The “Loans for the Acquisition of Second Hand Vehicles”, “Advance of Wages”, “Mortgage Loans for Higher Income Customers”, the “Home Painting and Rehabilitation” line of credit were also created. The latter is for customers who wish to improve the attractiveness of their cities, towns and villages, with the referred to lines of credit being associated with a series of partnerships established by BCA with municipalities and the main paint manufacturers, respectively, for exemption from the payment of municipal charges and discounts on purchases of paint materials.

Reference should be made to the involvement of the whole of the branch office network for the launch of new products and services, enabling the bank to achieve highly satisfactory results. Specific actions were taken by commercial operatives, namely meetings with all branch offices organised by the marketing area, on issues such as new products and campaigns and internet fraud.

This year BCA was, for the first time, involved in the *Agronegócios* Fair, to promote the renewal of its line of credit for SMEs, in addition to its usual involvement in the International Fair of Cape Verde.

As innovation is one of the bank's intrinsic commitments, special attention was paid to this aspect on its distribution channels, with the launch of its new institutional site, hosting foreign exchange and credit simulators and the launch of the express deposit service using self-service machines installed in various branch offices.

One of BCA's oldest branch offices – São Nicolau – was completely refurbished with the objective of improving the level of customer service and preserving the bank's property.

BCA's 22nd anniversary was marked by the relaunch of the online "Nôs Banco" magazine to improve communication with employees and customers.

BCA won the *Selo Morabeza* prize, in the *Bank of Confidence of Cape-Verdeans* category for the sixth consecutive time, this year.

Social responsibility

In the sphere of its social and environmental responsibility policy and with the backing of Caixa Geral de Depósitos, BCA began work on the Environmental and Social Training and General Sustainability Training Programme which was designed to strengthen and perfect employees' capacities and skills as agents of change, focusing on environmental and social protection and the sustainability of the BCA brand.

Bank employees' involvement in social issues particularly comprised, among other one-off actions, the blood donating campaign, with the highly expressive participation of its employees.

Sponsorship took a variety of different forms ranging from support for the "Blue Sharks" national football team, to municipalities for their local festivities; the Regional Mathematics Olympiads; Ministry of Culture as the sponsor of *Atlantic Music Expo*; the Business Development Agency (ADEI), in the area of entrepreneurship; the Pedro Pires Institute (IPP), in respect of the "Strategic Dialogues" event, an annual meeting held in Cape Verde which operates as a forum for specialists from various countries to discuss issues of critical importance to Cape Verde, Africa and the world; FICASE, for the acquisition of school kits for primary school children from needy families; various "carnival" groups on the different islands and the Kavala Fresk festival, whose symbol is the mackerel and which aims to contribute towards more tourist and cultural amenities in Cape Verde.

In addition to these initiatives, in July 2015, in partnership with the Cape Verdean Academy of Letters (ACL), BCA awarded the “40 Years of Cape Verde’s Independence” literature prize to Dr. Corsino Fortes, the first chairman of the Cape Verdean Academy of Letters. The biennial BCA Literature Prize was also launched.

8.9 – MEANS AND CHANNELS

Means of payment

The payment of invoices by bank transfer continued to trend to the growth in evidence over the last few years. Around three thousand debit authorisations were created across 2015, up 35% over the preceding year.

Such growth shows the ever increasing number of customers who prefer the direct debit service as opposed to paying their bills at the counters of service providers.

2015 was the year of the reaffirmation of the strong electronic channels development process which began several years ago in the form of the ongoing improvement of service to customers and diversification of the supply of channels available to them, always geared to meeting customers’ needs and the provision of a user-friendly service. This has resulted in an increase in the volumes and amounts of transaction on the diverse channels.

BCA also introduced its new deposit machine channel providing customers with a faster, safer and more user-friendly service for depositing national banknotes.

BCA Direto (internet banking)

BCA Direto is BCA’s internet banking channel which allows customers to view their accounts, credit and cards and perform a series of transactions such as domestic and international transfers, make payments, order cheques, schedule payments and apply for cards. This 24/7 service has a user-friendly information system to facilitate customers’ day-to-day affairs.

The number of BCA Direto customers continued to trend in line with past years, across 2015, with a stable, continuous year-on-year growth of 13%, closing the year with around 35 thousand active users. An additional four thousand users subscribed for the service in 2015. More than 312 thousand funds movements were performed, up 20% year-on-year, with transactions of more than CVE 8.2 billion, up 17% over the preceding year.

Automatic teller machines (ATMs)

BCA continued to invest in the modernisation of its ATM installations, having ended 2015 with 55 ATMs (up 2%), evidencing its ongoing commitment to expanding its cash machines network, mainly in non-banking locations in order to make them more accessible to customers.

To continuously improve the level of customer service, two ATMs were also moved to locations with a higher level of footfall.

The bank had 25 ATMs in non-banking locations at the end of 2015, up 14% over the preceding year and currently representing 45% of its total machine installations.

The policy of installing temporary machines at events with a high impact in terms of image was also retained with the installation of an ATM at the *Agronegócios* International Fair, in Praia, and the International Fair of Cape Verde, in São Vicente.

Such actions particularly resulted in the high volume of transactions processed by BCA's ATMs across the year, up 8% by more than CVE 3.7 million operations amounting to CVE 12.7 billion, comprising year-on-year growth of 12%.

POS terminals

The total number of BCA serviced POS terminals continued to grow in 2015. There were 1,599 active terminals at year end, up by a year-on-year 25%.

The 2.8 million operations amounting to CVE 7.4 billion in value on this channel, were up 34% and 20%, respectively.

In terms of market shares, BCA improved its position in relation to equipment installations on the Vinti4 network, with a 1% increase over 2014 to 31%. However, transactions made with BCA cards using the POS terminals serviced by other banks, as well as transactions made with the cards of other financial institutions on equipment serviced by BCA retained their proportions of 40% and 55%, respectively.

Deposit machines

Reference should be made, in 2015, to the deposit machine channel which was launched in August, with installations in several BCA branches on the islands of São Vicente, Sal and Santiago, enabling customers to easily and quickly make deposits.

The machines accept banknotes in different denominations, with the amounts deposited being credited to accounts within a few minutes.

This channel enjoyed a positive level of customer reception, taking into account that approximately 19 thousand deposits, totalling CVE 430 million, were made between its launch date and the end of 2015 (around four months).

8.10 – OPERATIONAL SUPPORT

45 leasing agreements for the amount of CVE 171 million were approved in 2015 of which 35 totalling, CVE 121 million proceeded. Two new factoring agreements for the amount of CVE 54 million were authorised.

194 loans were either renegotiated or restructured in 2015, with, in the case of 27 of them, only the periods for the use or repayment thereof having been extended and 167 rescheduled, for an overall amount of CVE 2.542 billion of which CVE 174 million in the northern and CVE 2.368 billion in the southern zones. In the case of renegotiated/restructured loans, reference should be made to the fact that 74 are corporate customers, comprising an amount of CVE 2.292 billion and 120 individual customers for an amount of CVE 249 million.

Foreign operations

The evolution, both in the number and amount of payment orders issued, bank guarantees in foreign currency and remittances received via Western Union was positive. Amounts sent by Western Union, were down 6.78% in number and 1.9% by amount.

Import documentary credit was down 32.2% in number, offset by an 80.2% increase in amount, in over 2014.

	2014		2015		(CVE million) Change	
	No.	Amount	No.	Amount	No.	Amount
Payment orders (received)	91,709	27,965	94,170	23,234	2.68%	-16.92%
Payment orders (issued)	25,034	29,286	27,408	30,492	9.48%	4.12%
Documentary credit						
Imports	31	450	21	811	-32.26%	80.22%
Exports	-	-			0.00%	0.00%
Bank guarantees (issued)	28	456	35	457	25.00%	0.22%
Western Union - sent	11,799	379	10,999	372	-6.78%	-1.85%
- received	47,517	1,310	59,811	1,648	25.87%	25.80%
Foreign cheques (purchased)*	10,927	1,257	9,010	1,322	-17.54%	5.17%

Source: BCA

* Including cash advances

Swift

There was an increase in *Swift* messages, received and sent, over 2014. Received messages were up 1.4% and sent messages by 10.8%

Swift messages

Years	2013	2014	2015
Messages received	124,683	136,707	138,580
Messages sent	30,969	32,570	36,076

8.11 - 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, remodelling works were completed on the São Nicolau branch and manager's residence, the pharmacy building in Praia, the Palmarejo corporate office, Chã d'Areia, Tarrafal and Santa Catarina branches on Santiago island, extension of the BCA Mosteiros branch on Fogo island, Fonte Filipe branch on S. Vicente and the Amílcar Cabral airport extension on Sal island.

The works on the operationalisation of the Plateau security centre were completed in 2015 in the sphere of the enhancements policy for the bank's electronic security. The works involved the installation of a video wall and the monitoring of branch security systems, in addition to the implementation of a secure network for the bank's security systems which were reinforced by the completion of the works for the installation of the access control solution (turnstiles), in the Plateau and Chã d'Areia branches in Praia.

BCA invested CVE 259.1 million in 2015 of which CVE 242.1 million in tangible and CVE 16.9 million in intangible assets. An amount of CVE 108.3 million is still in progress.

9–ANALYSIS OF ECONOMIC-FINANCIAL SITUATION

9.1 –BALANCE SHEET

BCA's net assets of CVE 80.8 billion, in December 2013, were up 8.1% by CVE 6 billion over December 2014. Fundamental contributory factors were the 71.3% increase of CVE 8.5 billion in investment in credit institutions which more than made up for the decreases in the cash and claims on the central banks and available-for-sale financial assets account headings and loans and advances to customers (net).

Consolidated balance sheet

				(CVE million)
	2014	2015	Change	
			Total	Percent
Assets				
Cash and claims on central bank	5,957	2,754	-3,203	-53.8%
Claims on other credit institutions	859	830	-29	-3.4%
Available-for-sale financial assets (net)	7,247	6,852	-395	-5.5%
Investments in credit institutions	11,960	20,487	8,527	71.3%
Loans and advances to customers (net)	37,805	37,512	-294	-0.8%
Public debt securities	6,426	6,916	490	7.6%
Investment properties	1	1	0	0.0%
Other tangible assets (net)	2,082	2,129	48	2.3%
Intangible assets	19	23	4	20.7%
Investments in subsidiaries/associates/ jointly controlled entities	282	309	27	9.6%
Current tax assets	846	895	49	5.7%
Deferred tax liabilities	2	3	0	2.3%
Other assets	1,314	2,114	800	60.9%
Total	74,801	80,825	6,024	8.1%
Liabilities				
Other credit institutions' resources	976	776	-200	-20.5%
Customer resources and other loans	62,866	69,097	6,231	9.9%
Provisions for liabilities	5,243	5,300	56	1.1%
Current tax liabilities		0		
Deferred tax liabilities	132	156	24	18.3%
Other subordinated liabilities	297	198	- 99	-33.4%
Other liabilities	427	428	1	0.3%
Total liabilities	69,941	75,954	6,013	8.6%
Shareholders' equity	4,860	4,871	11	0.2%
Of which: net income	297	369	72	24.1%
TOTAL	74,801	80,825	6,024	8.1%

(CVE million)

Cash and claims

This account heading was down 53.8% by CVE 3.3 million over 2014 owing to the decrease in the balance of investments with the central bank.

Investments in credit institutions

Investments in credit institutions, including investments in Cape Verde and abroad were up 71.3% by CVE 8.5 billion year-on-year to CVE 20.5 billion as a reflection of BCA's surplus liquidity.

Loans and advances to customers

The global loans and advances to customers portfolio was down 1.1% over the December 2014 balance to CVE 41.5 billion as a reflection of the continuation of the context governing the development of banking activity in 2015. The performing credit portfolio, excluding loans to employees, was up 1.5% against a 7% decrease in overdue credit and interest. Bonds issued by private entities were also down owing to payments in kind.

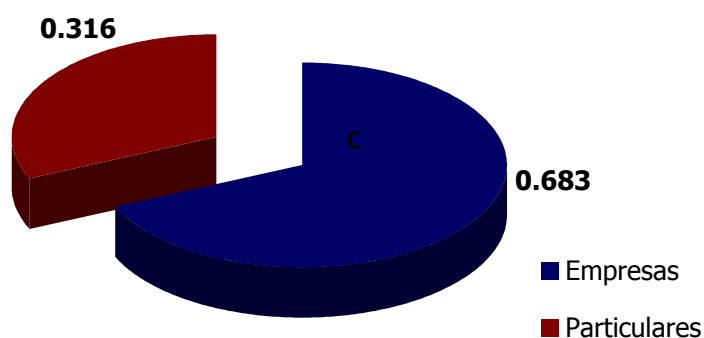
Loans and advances to customers portfolio (net)

ACCOUNT HEADINGS	2014	2015	(CVE million) Change	
			Total	Percent
Total credit	36,125	36,109	-16	0.0%
Performing credit	29,618	30,059	441	1.5%
Overdue credit and interest	6,507	6,050	-457	-7.0%
Loans to employees	1,958	1,953	6	-0.3%
Income receivable	194	169	-25	-12.9%
Deferred revenue	-222	-244	-22	9.9%
Bonds issued by public and private entities	3,926	3,548	-378	-9.6%
Impaired credit and bonds	-4,177	-4,023	154	96.3%
Credit, net of impairment	37,805	37,512	-293	-0.8%
GROSS CREDIT	41,982	41,535	-447	-1.1%

The balance on the overdue loans portfolio was down 7% to CVE 6.5 billion, i.e. around CVE 457 million year-on-year. This amount gave an overdue credit and interest to total credit ratio of 15.9% against 17.1% in 2014 and a credit more than 90 days overdue ratio of 14.9% in December 2015 against 16.3% in December 2014.

The decrease of overdue credit particularly derives from the corporate segment (down 9.8%) against a decline of 0.4% for individual customers, decreasing its proportion from 70.4% in December 2014 to 68.3% in December 2015.

**Overdue credit and interest by segment
in 2015**



The accrued credit impairment balance which includes impairment on bonds issued by private entities totalled CVE 4 billion, with the cost of credit risk for the year having risen to CVE 188 million against CVE 215 million in 2014, translating into an overdue credit coverage ratio of 66.5%.

Securities portfolio

The balance on the securities investments portfolio, which includes available-for-sale securities and Cape Verde public debt securities was up 1.1% by CVE 143 million year-on-year, as a consequence of the 7.7% increase in the treasury bills portfolio and the CVE 342 million decrease in available-for-sale financial assets.

Customer resources

In translating the preference of its broad, stable customer base, the customer resources portfolio was up 9.9% year-on-year by CVE 6.2 billion to an accrued balance of CVE 6.9 billion. This evolution is explained by the 10% increase of CVE 6.2 billion in customer deposits. The proportion of customer resources to net assets in December 2015 was 85% against 84% in 2014.

Information on the evolution of the customer resources balance between 2014 and 2015, by segment, is given in the following table.

Customer resources

(CVE million)

Type of customer	2014	2015	Change	
			Total	Percent
Individual customers	50,486	54,876	4,390	8.7%
Sight deposits	13,127	15,105	1,979	15.1%
Term deposits	34,024	36,181	2,157	6.3%
Savings accounts	3,335	3,590	255	7.6%
Corporate	8,266	10,209	1,943	23.5%
Sight deposits	6,362	8,454	2,091	32.9%
Term deposits	1,903	1,755	-148	-7.8%
General government	3,284	3,153	-131	-4.0%
Sight deposits	1,949	1,823	-127	-6.5%
Term deposits	1,335	1,330	-5	-0.4%
Total customer deposits	62,036	68,238	6,202	10.0%
Other customer resources	22	25	3	16.2%
Interest payable on deposits	809	834	25	3.1%
TOTAL CUSTOMER RESOURCES	62,866	69,097	6,231	9.9%

Emigrants' deposits were up 6.8% by CVE 2.1 billion over 2014, from CVE 31.8 billion to CVE 33.9 billion. This growth reflects the loyalty of diaspora customers to the BCA brand and strengthens the existing level of confidence. The 25.6% increase of CVE 1.1 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 continues to drop (from 51.3% in 2014 to 49.8% in 2015) owing to the more marked 10% growth of total deposits.

Emigrants' deposits

Account headings	2014	2015	(CVE million) Change	
			Total	Percent
Sight deposits	4,384	5,506	1,122	25.6%
Savings accounts	2,426	2,600	174	7.2%
Term deposits	25,003	25,857	854	3.4%
Total emigrants	31,813	33,963	2,150	6.8%
TOTAL DEPOSITS	62,036	68,238	6,202	10.0%
Emigrants/total	1	0		

Provision for risks and liabilities

The provision for retirement and survivors' pensions, totalling CVE 4.9 billion, was up 1.3% by around CVE 63 million in 2015, over December 2014.

BCA's and its employees' standard contribution to the costs of retirement and survivors' pensions totalled CVE 48.67 million of which an amount of CVE 18 million was paid by employees and CVE 30.67 million by the bank. Payments of CVE 204.1 million were 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 293.9 million, amounting to a total cost of CVE 325 million in 2015 with a direct impact on employee costs in the said year.

In December 2015, the bank changed its premises on the fund's discount rate which rose to 5.25% (5.5% in 2014).

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

Year	Opening balance	Movements 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
2015	4,900	325	-204		-58	4,963

Shareholders' equity

The bank's shareholders' equity was up 0.2% by no more than CVE 10.9 million as a consequence of the combination effect of the incorporation of 75% of net income for 2014 in reserves, the depreciation of TCMFs maturing up to 2018 for the amount of CVE 345 million and the CVE 71.5 million increase of net income.

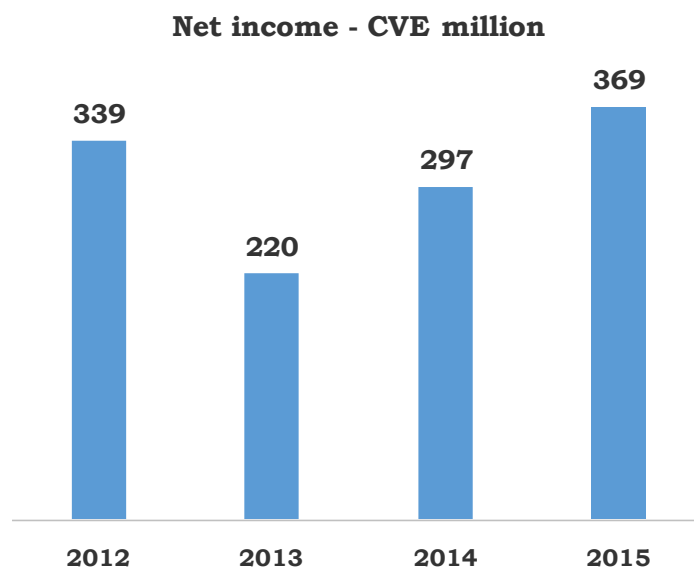
9.2. – PROFIT AND LOSS

Income statement

	2014	2015	(CVE million)	
			Change	
			Total	Percent
Interest and similar income	3,578	3,771	193	5.4%
Interest and similar costs	1,746	1,833	86	4.9%
Net interest income	1,831	1,938	107	5.8%
Income from equity instruments	209	135	(75)	-35.6%
Income from services and commissions	387	401	14	3.7%
Costs of services and commissions	42	40	(2)	-4.5%
Income from foreign exchange revaluations	129	141	12	9.3%
Income from disposals of other assets	(11)	5	16	48.5%
Other operating income	86	68	(18)	-21.2%
Non-interest income	759	710	(49)	-6.5%
Total operating income	2,590	2,647	57	2.2%
Employee costs	1,277	1,271	(6)	-0.5%
General administrative expenditure	720	670	(51)	-7.0%
Depreciation for period	187	190	3	1.5%
Operating costs	2,185	2,131	(54)	-2.5%
Provisions net of recoveries and cancellations	(29)		29	-100.0%
Impairment of other financial assets (net)	215	188	(27)	-12.6%
Income from subsidiaries excluded from the consolidation	78	40	(39)	-49.1%
Income before tax	297	369	71	24.0%
Current tax	-		-	
Net income	297	369	71	24.0%

Net income

BCA's net income posted a positive 24% change of around CVE 71 million to CVE 369 million, as a result of the 2.2% increase of CVE 57 million in total operating income and the 2.5% decrease of CVE 54 million in operating costs together with the positive change of net impairment (down CVE 27 million). The negative change in net income particularly derives from the 49.1% negative change of CVE 39 million in income from subsidiaries. The positive change in total operating income particularly derives from the 5.8% increase of CVE 107 million in net interest income as non-interest income was 6.5% down by CVE 49 million, owing to the decrease in income from equity instruments, as returns on TCMFs were down from 3.22% in 2014 to 2.08% in 2015. In 2015, net impairment on loans and advances to customers, including bonds issued by private entities, was CVE 188 million. This amount is CVE 27 million down over 2014, as 2015 continued to witness the resolution of loans in the form of payments in kind, leading to the cancellation of the respective impairment.



Net interest income

Net income was up 5.8% by CVE 107 million, year-on-year to CVE 1,938 million, owing to the more favourable evolution of interest and similar income than in the case of interest and similar costs. In spite of the decreases in interest received on loans and advances to customers and overdue credit (down 2.1% by CVE 58.9 million) and 31.6% (down by CVE 8.9 million) respectively, the increases in the income from treasury bills of 10.9%, interest from securitised loans of 24.9% and the recovery of interest and overdue credit expenses of 119.7%, helped to fuel the favourable performance of net interest income. Other contributory factors were the favourable evolution of this margin and increases in interest on very short term investments in the central bank, owing to the volume effect of 31.3%.

Borrowing operations saw a 4.9% increase of around CVE 86 million in interest on customer resources, as a consequence of the 5.8% increase of CVE 99.2 million in interest paid on customer deposits. Higher interest on customer deposits derives from the volume effect, with the 5.6% 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 0.37 pp to 4.04% against 4.41% in December 2014. Term deposits and savings accounts in the emigrants' segment were up 3.7% by around CVE 1 billion.

Non-interest income

Non-interest income was down 6.5% by CVE 49 million over December 2014 to CVE 710 million. This unfavourable evolution is the result of the decrease in returns from TCMSs which were down

from 3.22% in 2014 to 2.08% in 2015 in spite of the increases of 4.6% and 9.3% in income from net commissions and foreign exchange revaluations income respectively.

The combination of the positive evolution of net interest income which was higher than the negative change in non-interest income translated into total operating income of CVE 2,647 million in 2015, up 2.2% by CVE 57 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 two years, continued to trend downwards – by 2.5% to CVE 2,131 million. The decline was across-the-board to almost all components. Employee costs were down 0.5% to CVE 1,271 million in spite of the wage increase of 1% for active employees in 2015 and 0.5% for retirees starting 2014 as well as the fact that fourteen employees were officially retired.

General administrative expenditure was down 7% by CVE 51 million, as a result of the control of expenditure implemented since 2014.

Depreciation for the period amounted to CVE 190 million, a slight 1.5% increase of CVE 3 million over December 2014.

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

Operating costs

ACCOUNT HEADINGS	2014	2015	(CVE million)	
			Change	
			Total	Percent
Employee costs	1,277	1,271	-6	-0.5%
Remuneration	816	831	15	1.9%
Mandatory social costs	438	416	-22	-5.0%
Retirement and survivors' pensions	290	294	4	1.2%
Optional and other social costs	23	24	1	2.5%
General administrative expenditure	720	670	-51	-7.0%
Depreciation	187	190	3	1.5%
TOTAL OPERATING COSTS	2,185	2,131	-54	-2.5%

9.3 – RATIO ANALYSES

Return on assets (ROA) and return on equity (ROE) trended favourably to 0.5% and 7.6%, respectively, in comparison to 0.4% and 6.4% in 2014, as a direct consequence of the increase of net income for the period.

The cost-to-income efficiency ratio, which links operating costs with total operating income, was down to 80.5% in 2015 in comparison to 84.3% in 2014, reflecting the decline of operating costs in comparison to the increase of total operating income. With the elimination of the pension fund effect, cost-to-income would have been 69.4% in 2015 in comparison to 73.1% in **2014?)**

The employee costs/total net operating income ratio improved from 49.3% to 48%.

In the case of risk indicators reference should be made to the non-performing to total credit ratio of 15.9%, in 2015, against 17.1% in 2014 as a consequence of the decrease in the default portfolio and the overdue credit impairment coverage ratio of 65.6% in 2015, in comparison to 62.4% in 2014.

The loans-to-deposits ratio, measured by loans and advance to customers over customer resources was down to 55.68% in comparison to 61.4% in 2014 on account of the decrease in the size 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 4.8 billion, up CVE 350 million over 2014. BCA's own funds had been progressively penalised by the impact of 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 2015 remained very high at 227.24% (214.9% in 2014).

The solvency ratio according to Bank of Cape Verde regulations totalled 15.70%, against the 10% minimum legally required of Cape Verde's commercial banks.

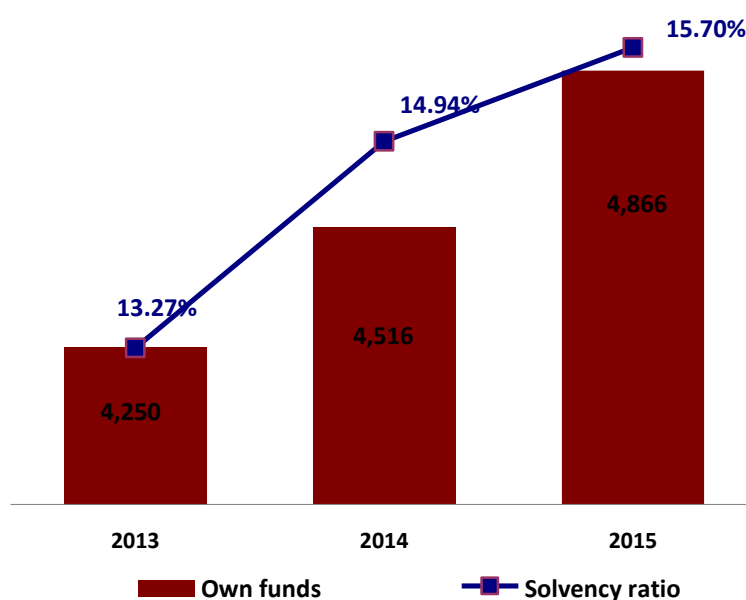
The ratio relating public debt securities to deposits, at CVE 9.98 billion, was higher than the amount requested by BCV which requires that investments in the public debt securities of financial institutions should not be less than 5% of their total deposits liabilities.

BCA had a global amount of CVE 3.5 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 eight times own funds provided by the Bank of Cape Verde, i.e. CVE 38 million. The maximum concentration limit for an entity in December was CVE 897.8 thousand, less than the 25% (CVE 1,216.4 million) in own funds required by the central bank.

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

Prudential ratios

Ratios	Unit	2013	2014	2015
Own funds	CVE thousand	4,250,241	4,515,998	4,865,904
Fixed assets coverage	%	202.95%	215.7%	227.24%
Solvency ratio	%	13.27%	14.94%	15.70%



10 – APPROPRIATION OF NET INCOME

The board of directors hereby proposes the following appropriation of BCA's net income of CVE 368,829,514 (three hundred and sixty eight million eight hundred and twenty nine thousand five hundred and fourteen) Cape Verde escudos for the period:

Net income	368,829,514
Legal reserve (10%)	36,882,951
Other reserves (65%)	239,739,184
Dividends (25%)	92,207,379

11 - LIST OF CORRESPONDENT BANKS

Portugal

Caixa Geral de Depósitos SA – Lisbon
NOVO BANCO – Lisbon
Banco Português de Investimento SA –
Porto
Banco Santander Totta SA – Lisbon
Banco do Brasil SA – Lisbon

Holland

ING 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

Germany

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
Bank of America— 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

Monica Sanches

Coordinator

CORPORATE OFFICES

Northern Corporate Office – GEN

Lenise Almeida

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

Credit Recovery Office - GRE

Nuno Cabral

Coordinator

Legal and Pre-Legal Office - GJC

Dulce Lopes

Coordinator

Sal Corporate Office - GESA

Zara Barbosa Vicente

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 I branches

Praia branch– APA

Janira Barbosa Andrade

Manager

Santa Catarina branch – ASC

Assomada extension – ADA

Miguel Landin

Manager

Type II branches

Boa Vista – ABV

Cláudio Mendonça

Manager

Type II branches

Achada Santo António I branch – ASTI

Dulce Santos

Manager

Praça Nova branch - PNA

Maísa Sancha Crisóstomo

Manager

Avenida branch – AVE

Luis Ramos

Manager

Porto Novo branch – APN

António Évora

Manager

São Filipe - FOGO branch– AFG

Luis dos Reis

Manager

Ribeira Grande branch – ARG

Osvaldina Espírito Santo G. Brito

Manager

Tarrafal branch– ATA

Isabel Costa

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

Type III branches

Achada Santo António II branch – ASTII

Celmira Cardoso

Manager

Monte Sossego branch – MAS

Nelson Gomes

Manager

Brava branch – ABR

Ângela Rosa

Manager

Ponta do Sol branch – APS

Paúl branch – APL (ARG ext.)

Osvaldina Espírito Santo Brito

Manager

Maio branch – AMA

Alexandrino Eanes

Manager

Santa Maria branch – ASM

Elizabeth Alexandre

Mosteiros branch – AMO

Luis dos Reis

Manager

Manager

Tarrafal de São Nicolau branch – ATS

Manuel Freitas

Manager

Achada S. Filipe branch

Agências de São Domingos

Maria Borges

Manager

Palmarejo Grande branch – APG

Joaquina Lopes Tavares

Manager

Santa Cruz branch – STC

José Moniz

Manager

Chã de Areia branch – ACA

Neusa Melo

Manager

Annexes



NÔS BANCO NA NÔS TERA

www.bca.cv

13 – ANNEXES

Banco Comercial do Atlântico, S.A

Balance sheet at 31/12/2015

	Amounts before provisions, impairment and depreciation	Provisions, impairment and depreciation	Net amount
Assets			
Cash and claims at central banks	2,754,230,955		2,754,230,955
Claims on other credit institutions	830,451,144		830,451,144
Available-for-sale financial assets	6,862,732,530	10,841,439	6,851,891,091
Investments in credit institutions	20,487,142,512		20,487,142,512
Loans and advances to customers	41,534,626,045	4,023,046,966	37,511,579,079
Public debt securities	6,915,769,015		6,915,769,015
Investment properties	1,529,000	103,600	1,425,400
Other tangible assets	4,188,421,227	2,059,416,830	2,129,004,398
Intangible assets	295,740,271	272,365,669	23,374,602
Investments in subsidiaries excluded from the consolidation, associates and jointly controlled entities	308,575,900		308,575,900
Current tax assets	894,856,985		894,856,985
Deferred tax assets	2,504,276		2,504,276
Other assets	2,354,005,806	239,784,532	2,114,221,274
Total assets	87,430,585,667	6,605,559,036	80,825,026,631
Dez-15			
Liabilities			
Other credit institutions' resources			775,677,190
Customer resources and other loans			69,097,136,077
Provisions			5,299,541,963
Current tax liabilities			0
Deferred tax liabilities			155,962,918
Other subordinated liabilities			197,703,671
Other liabilities			428,141,476
Total liabilities			75,954,163,297
Capital			
Capital			1,318,647,814
Revaluation reserves			15,619,760
Other reserves and retained earnings			3,167,766,246
Profit and loss for period			368,829,514
Total capital			4,870,863,334
Total liabilities and capital			80,825,026,631

Head Accountant

.....
Maria de Fátima N.Évora

Financial and International Director

.....
Amélia Figueiredo

Board Chairman

.....
António de Castro Guerra

Banco Comercial do Atlântico, S.A**Profit and loss at 31/12/2015**

Description	Amount
Interest and similar income	3,770,606,942
Interest and similar costs	1,832,740,920
Net interest income	1,937,866,021
Income from equity instruments	134,859,158
Income from services and commissions	400,748,551
Costs of services and commissions	39,783,699
Income from available-for-sale financial assets	57,546
Income from foreign exchange revaluations	140,720,154
Income from disposals of other assets	5,132,877
Other operating income	67,850,435
Total operating income	2,647,451,043
Employee costs	1,271,035,068
General administrative expenditure	669,617,218
Depreciation for period	189,911,977
Provisions net of recoveries and cancellations	
Impairment of other financial assets net of reversals/recoveries	116,970,563
Impairment of other assets net of reversals/recoveries	71,036,718
Income from subsidiaries exc. from consolidation, associates and jointly controlled entities	39,950,015
Income before tax	368,829,514
Income tax	0
Current	
Deferred	
Profit and loss for period	368,829,514

Head Accountant

.....

Maria de Fátima N.Évora

Financial and International Director

.....

Amélia Figueiredo

Board Chairman

.....

António de Castro Guerra

Banco Comercial do Atlântico, S.A
Cost-to-income – operating costs / total operating income
Total operating income

Account headings	2014	2015	Change	
			Percent	Total
Net interest income	1,831,353,760	1,937,866,021	5.8%	106.512.261
+ Non-interest income	758,657,589	709,585,022	-6.5%	-49.072.567
= Total operating income	2,590,011,349	2,647,451,043	2.2%	57.439.694

Operating costs				
Account headings	2014	2015	Change	
			Percent	Total
Administrative costs	1,997,500,385	1,940,652,286	-2.8%	-56.848.099
Depreciation	187,131,200	189,911,977	1.5%	2.780.777
= Operating cost	2,184,631,585	2,130,564,263	-2.5%	-54.067.322

Cost-to-income		
Account headings	2014	2015
Cost to Income – inc. pension fund	84.3%	80.5%
Cost-to-income – exc. pension fund	73.1%	69.4%

Banco Comercial do Atlântico, S.A

Structural ratios

Account headings	2014		2015	
	Amounts	%	Amounts	%
1-Short term credit/loans and advances to customers	<u>3,935,635,256</u>	10.3%	<u>2,311,091,447</u>	6.1%
	38,083,848,789		38,061,814,487	
2-Medium/long term credit/loans and advances to customers	<u>34,148,213,533</u>	89.7%	<u>35,750,723,040</u>	93.9%
	38,083,848,789		38,061,814,487	
3-Overdue credit/loans and advances to customers	<u>6,507,259,248</u>	17.1%	<u>6,050,325,702</u>	15.9%
	38,083,848,789		38,061,814,487	
4-Impairment on overdue credit/overdue credit	<u>4,061,529,801</u>	62.4%	<u>3,851,460,165</u>	63.7%
	6,507,259,248		6,050,325,702	
5-Loans and advances to customers/deposits	<u>38,083,848,789</u>	61.4%	<u>38,061,814,487</u>	55.8%
	62,035,520,906		68,237,589,303	
6-Loans and advances to customers/term deposits	<u>38,083,848,789</u>	93.8%	<u>38,061,814,487</u>	88.8%
	40,597,228,498		42,855,696,148	
7-Performing credit/term deposits	<u>31,576,589,541</u>	77.8%	<u>32,011,488,785</u>	74.7%
	40,597,228,498		42,855,696,148	
8-Short term credit/term deposits	<u>3,935,635,256</u>	9.7%	<u>2,311,091,447</u>	5.4%
	40,597,228,498		42,855,696,148	
9-Medium-long term credit/term deposits	<u>34,148,213,533</u>	84.1%	<u>35,750,723,040</u>	83.4%
	40,597,228,498		42,855,696,148	
10-Sight deposits/total deposits	<u>21,438,292,408</u>	34.6%	<u>25,381,893,155</u>	37.2%
	62,035,520,906		68,237,589,303	
11-Term deposits/total deposits	<u>40,597,228,498</u>	65.4%	<u>42,855,696,148</u>	62.8%
	62,035,520,906		68,237,589,303	

Performance ratios

Account headings	2014		2015	
	Amounts	%	Amounts	%
1-RCP=Net income/shareholder's equity	<u>297,314,716</u>	6.4%	<u>368,829,514</u>	11.9%
	4,666,620,872		3,089,278,350	
2-RDA=Net income/average assets	<u>297,314,716</u>	0.4%	<u>368,829,514</u>	0.5%
	72,565,499,847		77,813,011,761	
3-ML = Net income/income	<u>297,314,716</u>	4.7%	<u>368,829,514</u>	5.5%
	6,305,577,400		6,717,809,467	
4-RA = Income/assets	<u>6,305,577,400</u>	8.4%	<u>6,717,809,467</u>	8.3%
	74,800,996,891		80,825,026,631	
6-MF= (Interest income-interest costs) / assets	<u>1,831,353,760</u>	2.4%	<u>1,973,878,158</u>	2.4%
	74,800,996,891		80,825,026,631	
ROA	0.4%		0.5%	
ROE	6.4%		11.9%	

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	2014		2015	
	Amounts	%	Amounts	%
1-Total deposits/assets	<u>62,035,520,906</u>	85.5%	<u>68,237,589,303</u>	84.4%
	72,565,499,847		80,825,026,631	
2-Loans and advances to customers / assets	<u>38,083,848,789</u>	52.5%	<u>38,061,814,487</u>	47.1%
	72,565,499,847		80,825,026,631	
3-Short term credit/assets	<u>3,935,635,256</u>	5.4%	<u>2,311,091,447</u>	2.9%
	72,565,499,847		80,825,026,631	
4-Medium-long term credit/assets	<u>34,148,213,533</u>	47.1%	<u>35,750,723,040</u>	44.2%
	72,565,499,847		80,825,026,631	
5-Loans and advances to customers/ total deposits	<u>38,083,848,789</u>	61.4%	<u>38,061,814,487</u>	55.8%
	62,035,520,906		68,237,589,303	
6-Short term investments/assets	<u>3,935,635,256</u>	5.4%	<u>2,311,091,447</u>	2.9%
	72,565,499,847		80,825,026,631	

Productivity indicators

Account headings	2014		2015	
	Amounts	CVE thousand	Amounts	CVE thousand
1-Credit and deposits/active employees	<u>100,119,370</u>	225,494	<u>106,299,404</u>	246,063
	444		432	
2-Total operating income/active employees	<u>2,590,011</u>	5,833	<u>2,647,451</u>	6,128
	444		432	
3-Credit and deposits/no. branches	<u>100,119,370</u>	3,033,920	<u>106,299,404</u>	3,126,453
	33		34	

Banco Comercial do Atlântico, S.A

Key indicators

Key indicators	2014	2015
1. ROE	6.4%	7.6%
2. ROA	0.4%	0.5%
3. Cost/income exc. pension fund	73.1%	69.4%
4. Volume of overdue credit	6,507,259	6,050,326
5. Solvency ratio	14.9%	15.7%
6. TIER 1 (basis own funds/weighted assets)	16.8%	18.0%
7. Loans-to-deposits ratio	61.4%	55.8%
8. Productivity per employee	670	854
8.1. Business revenue (credit and deposits)/no. employees	225,494	246,063
8.2. Total operating income/no. employees	5.833	6.128
9. Fixed assets coverage	215.7%	227.2%
10. Own funds	4,515,998	4,865,904

BOARD OF DIRECTORS

2015

Chairman	António José de Castro Guerra
Board member	Fernando Jorge do Livramento Santos da Moeda
Board member	Francisco Pinto Machado Costa
Board member	David Hopffer Cordeiro Almada
Board member	Carla Maria Moniz Brigham Gomes
Board member	José Rui Cruz Lopes Gomes
Board member	Manuel José Dias Esteves

REPORT AND OPINION OF THE FISCAL BOARD FOR 2015

DEAR SHAREHOLDERS

BANCO COMERCIAL DO ATLÂNTICO, S.A.

Report

Under the terms of current legislation, BCV regulations and our mandate, the fiscal board hereby submits the report on its inspection for the year ended 31 December 2015, in addition to its opinion on the management report, accounts and proposal for the appropriation of net income, as submitted by the board of directors of Banco Comercial do Atlântico, S.A.

A resolution was passed at the general meeting of shareholders of 24 April 2015, in which responsibility for the inspection of the company was given to a fiscal board instead of the use of the sole inspector model.

Across 2015 and following its election at the referred to general meeting of 24 April, the board regularly oversaw the bank's activity, examining, to the extent considered necessary, its assets, accounting records and supporting documents which comply with the legal dispositions and the company's articles of association.

The board met formally on three occasions across the period.

The board took note of the report on the internal control system, produced under the terms of official notices 2/1995 and 5/1999 of the Bank of Cape Verde and 5/2008 of the Bank of Portugal as the majority shareholder's supervisory body and oversaw the progress of BCA's internal control system.

The board met with various BCA structural bodies, BCA, GFC and GAI Offices and DFI, DOI, DSI and DGR Divisions, having considered the sufficiency of the policies and processes in force as regards corporate governance and internal control.

It also inspected the following areas:

- Correspondents' bank accounts, examining the reconciliation of balances;
- Compliance function management, i.e. AML;
- Central treasury function.

The fiscal board analysed the working area dealing with the reconciliation of BCA's correspondents' bank accounts, which is part of the Financial Division, for which it:

- obtained a list of all BCA accounts opened with the correspondent banks, mentioning 25 open accounts in which movements were registered, at 31 December 2015;
- obtained the financial statements pertaining to the referred to accounts, evidencing the amounts of the movements and balances at the said date;
- maintained a dialogue with the two people working in this area, in addition to their respective line management, responsible for the accounts.

The fiscal board met with the Compliance Office, with the objective of obtaining information on its activity and inspecting, on a sampling basis, the control of AML and CFT activities in addition to the relationship with the authorities dealing with this matter, i.e. Bank of Cape Verde.

Pursuant to its remit, the fiscal board inspected the Central Treasury's vaults, which, with the assistance of GAI, consisted of verifying and counting the amounts therein according to the computer records extracted at the said time. It also witnessed the physical transfer of cash from the bank's head offices to the Sta. Catarina branch and the respective procedures.

The bank's services clarified all of our requests for information.

In addition to the already referred to meetings, the fiscal board was invited by the board of directors to be present at a board meeting.

The fiscal board also met on several occasions with the external auditor.

Opinion

The board analysed the balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows and their respective annexes which, in complying with the respective legal and statutory precepts, reflect the position of the end-of-year accounting records, confirming the correctness of the presentation of the bank's financial situation, as contained in the report and opinion of the external auditor, with reservations regarding the processes for housing subsidies (2012 to 2015) and emphases of matters related with (1) the property market in Cape Verde, (2) balances with a significant level of seniority, to be received from the Directorate General for the Treasury, (3) corrections to taxable income (2005 to 2014) made by the fiscal authorities, (4) the bringing of two legal actions and (5) application of the new IRPC code.

The measurement criteria adopted to prepare the accounts comprise a correct evaluation of the company's equity.

The board also considered the management report submitted by the bank's board of directors in addition to the proposal for the appropriation of net income.

The bank's positive year-on-year evolution, in terms of profit and loss took the form of a 24% increase in its net income, denominated in CVE.

Pursuant to the above, reference should be made to the good performance of the following accounts:

- Net interest income – up 5.8%
- Total operating income – up 2.2%

Reference should be made to the negative evolution of non-interest income – down 6.5%.

The indicators characterising BCA's profitability and solvency are as follows:

- ROAE (return on average equity) – 7.6%,
- ROAA (return on average assets) – 0.5%
- Regulatory solvency rate – 15.7%.

This resulted in an improvement in the bank's net worth, as shown by the growth rates of the following accounts:

- Total assets – up 8.1%
- Customer deposits – up 9.9%.

This was offset by portfolio credit, net of impairment – down 0.8%.

As regards credit portfolio management, the board took note of an inspection carried out by the Bank of Cape Verde, in September 2015, particularly geared to regulatory provisions on previously identified borrowers, but

without forgetting the declaration of impairment, culminating in a report in which BCA made the necessary comments and/or provided the necessary clarifications.

Reference should also be made to the fact that the change in the frequency of the external audit process from annual to six monthly will undoubtedly improve the level of integrity of the tool used to calculate impairment losses.

In October 2015, BCA started to centralise its overdue credit operations in a single office which was created for the purpose, in the form of GRE (Credit Recovery Office) which reports directly to BCA's board of directors.

In terms of the publication of statutes and regulations, in 2015, special reference should be made to BCV official notices 04/2015 (recovery plans) and 05/2015 (resolution plans).

With the objective of ensuring conformity with the referred to legislation, the measures required for the implementation thereof were identified, with the aim of preventing the risk of non-compliance with the legal and regulatory duties published in the official notices. The resolution and recovery plans were respectively approved by the board of directors on 29 February 2016.

As regards compliance risk, it was noted that GFC, in spite of having made significant improvements to its working methods and processes, has still not put in place a filtering and profiling tool permitting the analysis and detection of online risk events. An order has been placed for such a tool which is expected to be implemented in 2016.

As regards operational risk, the definition of the implementation of ROCI (operational and internal control management system), upon which work began in 2010, is aligned with the corporate governance model of Caixa Geral de Depósitos (CGD) which has been providing the necessary technical support for the effective completion thereof. Up to 2014, in order to mitigate operational risks, BCA had only used the compilation, losses and recoveries, events technique for its reports.

BCA will ensure the completion of the implementation of the operational management system by the end of 2016, to comply with its regulatory reporting obligations to the European Central Bank via CGD.

In the technical infrastructure sphere, new Central iSeries (AS/400) hardware, improving processing capacity and providing a higher level of security and redundancy than previously, came into operation in 2015.

There was an increase in the size of the nationwide branch office network to 34 branches, in 2015, including 4 corporate offices.

The formalities for the bank's submission of accounts and inspection as required by law and the bank's articles of association were complied with.

Pursuant to the above, and based on the information provided by BCA's management body, the fiscal board considers that the above referred to financial statements and board of directors' report, in addition to the appropriation of net income, are in conformity with the applicable accounting and statutory dispositions for the purposes of their approval at the general meeting of shareholders.

In conformity with the above, the fiscal board considers that the general meeting of shareholders should:

- a) approve the management report for 2015, as submitted by the board of directors;
- b) approve the proposal for the appropriation of net income;
- c) undertake a general appraisal of the company's management and inspection, drawing therefrom the necessary conclusions.

The board also wishes to express its appreciation to the board of directors, the bank's various services and external auditor for their most highly valued collaboration.

Praia, 01 March 2016

FISCAL BOARD

António José do Nascimento Ribeiro
Chairman

Maria de Fátima Oliveira de Melo Fernandes Sanchas
Member

José Ricardo Vaz Fernandes Benoliel
Member

DELOITTE

AUDITORS' REPORT AND OPINION

(amounts expressed in thousand of Cape Verde escudos – CVE thousand)

To the Board of Directors of

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 2015 with a total balance sheet value of CVE 80,825,027 thousand and shareholders' equity of CVE 4,870,864 thousand, including net income of CVE 368,830 thousand, its profit and loss, 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' responsibility 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 auditors' judgement, including an assessment of the risks of material distortion in the financial statements owing to fraud or error. On making their risk assessments, auditors consider the internal control relevant to 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 from the state for the amount of CVE 823,725 thousand (CVE 838,503 thousand at 31 December 2014). 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 on a staged basis, starting 2012, having recognised expenditure of CVE 34,252 thousand in each of the years between 2012 and 2014 and CVE 68,506 thousand for 2015 (note 22), in respect of which, at 31 December 2015, its retained earnings were overestimated and net income for the period underestimated by CVE

68,506 thousand. As regards the subsidies for housing credit operations between 2012 and 2015, for which claims and impairment amounted to CVE 243,099 thousand and CVE 33,409 thousand, respectively, other subsidies totalling CVE 203,929 thousand and other amounts to be received from the state of CVE 29,561 thousand, negotiations are still being held between the parties for the purposes of quantifying the eligible operations. The amounts presented above are based on information provided by the bank and the information obtained from last year's audit as, up to the date of the completion of our work, we have not received a reply from DGT to the request to confirm the balances at 31 December 2015. 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 2015 and which may 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 2015, 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 2015, 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, has mortgages over the respective property/land. Pursuant to the above, the bank has been receiving overdue credit either by way of payment in kind or repossessions, recognised in the "Other assets – auctioned goods" account heading with net impairment of CVE 998,465 thousand (note 14) at 31 December 2015. The fulfilment of the expectations over collectability as reflected in the impairment declared by the bank on credit and property, which normally reflects discounts to the amount of the valuations, is dependent upon the evolution of the property market situation in Cape Verde and the results of the referred to measures currently in progress and the success of the bank's endeavours to sell the repossessed property.
9. At 31 December 2014 the bank recognised amounts of CVE 559,149 thousand (CVE 572,981 thousand at 31 December 2014) receivable from the state of Cape Verde in "Other assets", several of which with a significant level of seniority. Notwithstanding the Directorate General of the Treasury's confirmation of these balances, in respect of 31 December 2014 and 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 2014, including the non-acceptance of the costs of pensions and healthcare liabilities for the period and the corresponding equity 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 fiscal authorities filed an appeal against the decision with the Supreme Court of Justice and the process is currently in progress. At 31 December 2015, the full impact of the non-provisioned contingency associated with these corrections totalled CVE 1,177,585 thousand, as explained in more detail in note 13, including an amount of CVE 894,857 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 2015.

11. As described in note 30, 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 legal actions were brought against the bank for the purpose of declaring the nullity of the referred to changes made by it. The bank contested these actions in 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.
12. The IRPC (Income Tax on Collective Persons) code came into force on 01 January 2015. It incorporates a series of changes to the former IUR, including matters regarding the deductibility of impairment costs on credit and employee benefits. In its preparation of the tax estimate on income for the year ended 31 December 2015, the bank considered its interpretation of the changes imposed by the IRPC code and the opinion of its legal consultants, namely as regards the above referred to matters and impact of the transition to the new code. The board of directors considers that the criteria and assumptions adopted are in conformity with the legislation in force and that any interpretational differences would only originate reclassifications between current and deferred tax without having an impact on profit and loss and shareholders' equity at 31 December 2015.

Lisbon, 15 March 2016



Deloitte & Associados, SROC S.A.

BANCO COMERCIAL DO ATLÂNTICO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousand Cape Verde escudos)

ASSETS	Notes	2015		2014		LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2015	2014
		Gross assets	Impairment and depreciation	Net assets	Net assets				
Cash and claims at central banks	3	2,754,231	-	2,754,231	5,957,130	Other credit institutions' resources	15	775,677	975,623
Claims on other credit institutions	4	830,451	-	830,451	859,313	Customer resources and other loans	16	69,097,136	62,866,451
Available-for-sale financial assets	5	6,862,732	(10,841)	6,851,891	7,247,035	Provisions	17	5,299,542	5,243,401
Investments in credit institutions	6	20,487,143	-	20,487,143	11,960,058	Deferred tax liabilities	13	155,963	131,854
Public debt securities	7	6,915,769	-	6,915,769	6,425,709	Other subordinated liabilities	18	197,704	296,976
Loans and advances to customers	8	41,534,626	(4,023,047)	37,511,579	37,805,109	Other liabilities	19	428,141	426,783
Investment properties	9	1,529	(104)	1,425	1,425	Total liabilities		75,954,163	69,941,088
Other tangible assets	10	4,188,421	(2,059,417)	2,129,004	2,081,504	Capital	20	1,318,648	1,318,648
Intangible assets	11	295,741	(272,366)	23,375	19,370	Revaluation reserves	21	15,620	360,713
Investments in subsidiaries, associates and jointly controlled entities	12	308,576	-	308,576	281,545	Other reserves and retained earnings	21	3,167,766	2,883,232
Current tax assets	13	894,857	-	894,857	846,226	Net income for period	21	368,830	297,315
Deferred tax assets	13	2,504	-	2,504	2,448	Total shareholders' equity		4,870,864	4,859,908
Other assets	14	2,354,007	(239,785)	2,114,222	1,314,124	Total liabilities and shareholders' equity		80,825,027	74,800,996
Total assets		87,430,587	(6,605,560)	80,825,027	74,800,996				

The annex is an integral part of these balance sheets

BANCO COMERCIAL DO ATLÂNTICO, S.A.
PROFIT AND LOSS STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014

(Amounts expressed in thousand Cape Verde escudos)

	Notes	2015	2014
Interest and similar income	22	3,770,607	3,577,658
Interest and similar costs	23	(1,832,741)	(1,746,304)
NET INTEREST INCOME		1,937,866	1,831,354
Income from equity instruments	24	134,859	209,481
Income from services and commissions	25	400,749	386,588
Costs of services and commissions	25	(39,784)	(41,655)
Income from available-for-sale financial assets		58	-
Income from foreign exchange revaluations	26	140,720	128,706
Income from disposals of other assets	27	5,133	(10,575)
Other operating income	28	67,850	86,112
TOTAL OPERATING INCOME		2,647,451	2,590,011
Employee costs	29	(1,271,035)	(1,277,134)
General administrative expenditure	31	(669,617)	(720,366)
Depreciation for period	10 and 11	(189,912)	(187,131)
Provisions net of recoveries and cancellations	17	-	28,513
Impairment of other financial assets net of reversals and recoveries	17	(116,971)	(221,721)
Impairment of other assets net of reversals and recoveries	17	(71,036)	6,671
Income from associates	12	39,950	78,473
INCOME BEFORE TAX		368,830	297,315
Income tax			
<i>Current</i>	13	-	-
<i>Deferred</i>	13	-	-
		-	-
Net income for period		368,830	297,315
Average number of ordinary shares issued		1,324,765	1,324,765
Earnings per share		0.27841	0.22443

The annex is an integral part of these statements.

BANCO COMERCIAL DO ATLÂNTICO, S.A.PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED31 DECEMBER 2015 AND 2014

(Amounts expressed in thousand Cape Verde escudos)

	<u>2015</u>	<u>2014</u>
Income not recognised in profit and loss		
Account headings which will not be reclassified to profit and loss:		
Actuarial and financial deviations relative to pension costs (Note 2.3)		
Change in period	82,615	9,047
Fiscal effect	(21,067)	11,977
Account headings which may be reclassified to profit and loss:	-	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	(342,108)	(28,875)
Fiscal effect	(2,985)	(679)
Income not recognised in profit and loss	<u>(283,545)</u>	<u>72,638</u>
Net income for period	368,830	297,315
Total comprehensive income for period	<u><u>85,285</u></u>	<u><u>369,953</u></u>

The annex is an integral part of these statements.

BANCO COMERCIAL DO ATLÂNTICO, S.A.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousand Cape Verde escudos)

	Capital	Revaluation reserves	Other reserves and retained earnings			Net income for period	Total shareholders' equi
			Legal reserve	Other reserves	Retained earnings		
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	-	102,192	297,315
Balances at 31 December 2014	1,318,648	360,713	748,463	3,309,645	(1,174,876)	297,315	4,859,908
Appropriation of net income for 2014:							
Incorporation into reserves	-	-	29,732	193,254	-	222,986	(222,986)
Distribution of dividends	-	-	-	-	-	(74,329)	(74,329)
Comprehensive income for period	-	(345,093)	-	61,548	-	368,830	85,285
Balances at 31 December 2015	1,318,648	15,620	778,195	3,564,447	(1,174,876)	368,830	4,870,864

The annex is an integral part of these statements.

BANCO COMERCIAL DO ATLÂNTICO, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014

(Amounts expressed in thousand Cape Verde escudos)

	2015	2014
<u>Cash flows from operating activities</u>		
Income from interest and commissions	3,927,145	3,798,660
Payment of interest and commissions	(1,851,304)	(1,677,208)
Recovery of overdue credit and interest	294,829	176,998
Foreign exchange income	140,720	128,705
Payments to employees and suppliers	(1,541,123)	(1,653,024)
Pensions and medical assistance payments	(218,571)	(197,359)
Other receipts / (payments) for operating activity	124,720	(9,306)
Payments of income tax	(48,631)	(38,005)
Operating income before changes in operating assets	827,785	529,461
(Increases) decreases in operating assets:		
Investments in credit institutions	(8,513,995)	(150,434)
Loans and advances to customers	156,242	1,102,746
Public debt securities	(508,993)	(1,836,813)
Other assets	(979,888)	(27,332)
	(9,846,634)	(911,833)
Increases (decreases) in operating liabilities		
Central banks' and other credit institutions' resources	(196,158)	235,021
Customer resources	6,205,539	3,798,434
Other subordinated liabilities	(98,893)	(102,041)
Other liabilities	9,172	(84,932)
	5,919,660	3,846,482
Net cash from operating activities	(3,099,189)	3,464,110
<u>Cash flows from investing activities</u>		
(Increases) decreases in investment assets		
Investments in subsidiaries, associates and jointly controlled entities	(15,300)	123,497
Intangible assets	(11,381)	(17,776)
Other tangible assets	(247,732)	(170,340)
Dividends received	216,170	208,657
Net cash from investing activities	(58,243)	144,038
<u>Cash flows from financing activities</u>		
Dividends distributed	(74,329)	-
Net cash from financing activities	(74,329)	-
Increase (decrease) net of cash and equivalents	(3,231,761)	3,608,148
Cash and equivalents at start of period	6,816,443	3,208,295
Cash and equivalents at end of period	3,584,682	6,816,443

The annex is an integral part of these statements.

1. 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. gained control of 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 across a network of 34 branch offices.

The bank's financial statements, at 31 December 2015, were approved by the board of directors on 29 February 2016 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 2/2007 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 is recognised in profit and loss 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 2015 and 2014 remained unchanged at 110.265 Cape Verde escudos to the euro. The exchange rate against the US dollar, at 31 December 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
1 USD	101,067	90,825

c) Financial assets

i) Financial assets

Financial assets are recognised at their 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 which are not listed in an active market. This category includes loans and advances to customers (including securitised 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 a primary market by the bank, essentially to be held to maturity and the fact that there is no active secondary market.

These assets are initially recognised at fair value, net of any commissions included in the effective interest 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 by the effective interest rate method, which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the estimated future cash flows associated with the amount of the financial instrument, enabling its present value to be matched to the value of the financial instrument on the initial recognition date.

Overdue credit and cancellations of capital and interest

Interest on overdue credit not backed by a real guarantee is cancelled three months after an 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 after a specific analysis has been performed by the structural bodies responsible for the oversight and recovery of loans and the board of directors' approval. Any recoveries of credit written-off from assets are recognised in profit and loss 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 on 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 declared, 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, informed parties, interested in realising the transaction in arm’s length transactions.

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

- The closing price at the balance sheet date, for instruments traded in active markets;
- Internal measurement 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 key partners or principal 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 on individually assessed assets are identified, any impairment loss comprises the difference between the present value of the expected future cash flows receivable (recoverable value) discounted at the asset's effective original interest rate and 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 have been estimated on historical information on defaults and recoveries on assets with similar characteristics.

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

- Corporate loans
- 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 measured 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, include the time effect of the discounting of estimated cash flow receipts 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.c), available-for-sale financial assets are recognised at their fair value, with changes thereto being reflected in “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 which have been 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.

As impairment losses on equity instruments cannot be reversed, 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 recognised in profit and loss for the period.

The group also performs periodic impairment analyses on financial assets recognised at cost, i.e. 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 that adequately reflects the risk attached to holding the asset.

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

e) Financial liabilities

Financial liabilities are recognised on their agreement date, at their respective fair value net of the costs directly attributable to the transaction. Financial liabilities include credit institutions' and customers' resources, subordinated liabilities and liabilities incurred on 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", with the corresponding securities continuing to be recognised in the bank's portfolio.

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 when 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 property received in kind for credit recovery purposes 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.

Auctioned property is written off from assets on sale and its respective gains or losses recognised in "Other operating income and costs".

g) Investment properties

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

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

This account heading, at 31 December 2015 and 2014 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 period, in “General administrative expenditure”.

Depreciation is recognised on a straight line basis across the assets’ estimated useful lives, comprising the periods in which the assets are expected to be available for use, i.e.

	<u>Years of useful life</u>
Property for own use	50
Equipment:	
Office furniture and equipment	8
Machinery 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 generally amortised over an average period of 10 years.

Amortisation is recognised as a cost for the period.

Analyses designed to identify signs of impairment on tangible assets are periodically performed in accordance with IAS 36 – “Assets impairment”. Impairment losses are recognised in profit and loss for the period in “Impairment of other assets net of reversals and recoveries” whenever the net book value of tangible assets is higher than their recoverable value (value in use or fair value whichever the higher). Impairment losses may be reversed and also have an impact on profit and loss for the period if an asset’s recoverable value subsequently increases.

Depreciation, notably in the case of vehicles, takes an item of equipment’s estimated residual value into consideration.

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 performance of the bank’s activity.

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

Depreciation is recognised as a cost for the period, on a straight line basis, over the assets’ estimated useful lives for a period of 3 years.

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

j) Investments in subsidiaries, associates and jointly controlled entities

This account heading includes investments in controlled companies ("subsidiaries") and 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 associates' shareholders' equity (including profit and loss).

k) Income tax

The bank, at 31 December 2015, was an "IUR" ("Income Tax") taxpayer at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.5%.

The bank, at 31 December 2014, was an "IUR" ("Income Tax") taxpayer at an aggregate rate of 25.5%

Total income tax recognised in profit and loss 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 profit and loss includes current and deferred taxes.

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

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit allowing the use of the corresponding deductible tax differences or carry-back of tax losses is generated. Neither are deferred tax assets recognised in cases in which their recoverability may be questionable owing to other situations, including issues regarding the interpretation of current tax legislation.

Notwithstanding the above, deferred tax relating to temporary differences originating on 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 terms of the bank comprise the recognition of liabilities for employee benefits and valuation 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 profit and loss for the period, except for cases in which the originating transactions have been recognised in other shareholders' equity account headings (such as 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 profit and loss for the period.

l) Provisions and contingent liabilities

A provision is set up whenever a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources exists 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 disclosure procedure, unless the probability of their occurrence 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 transitional regime set out in the Bank of Cape Verde's employees statute of 1 December 1990, with the changes made in 2013 (note 30). Under the terms of this statute, the bank undertakes to pay retirement pensions to employees who meet the requirements set out in the referred to 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 appropriating any additional amounts required to meet its liabilities in full.

The bank does not have any liabilities to its permanent employees who joined the bank after 1998, 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 for employees joining the staff complement up to June 1998. The bank and its employees make monthly payments of 4% and 2% of the wage bill for this purpose, respectively.

Balance sheet liabilities on defined benefit plans comprise the current value of liabilities. The total amount of liabilities is assessed annually by specialised actuaries using the unit credit projected method and actuarial assumptions considered adequate (note 30). The discount rate used to revalue liabilities reflects 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 recognised gains and losses directly in shareholders' equity.

To cover 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 assistance" (note 17).

The net amount of the cost of retirement pensions and healthcare costs for the period, including current service 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 employees' productivity bonuses, are recognised on an accrual basis in "Employee costs" for the respective period.

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 straight line basis over the corresponding period, with other commissions being recognised in income when received.

Commissions for services performed are usually recognised as income across the period of performance 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, notably customers' securities, are recognised in off-balance sheet account headings 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 more relevant judgmental aspects for the application of accounting policies

The bank's board of directors must produce estimates for the application of the above referred to accounting policies. 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). Accordingly, the assessment of impairment on individually analysed assets derives from the bank's specific valuation based on its knowledge of a customer's status and the guarantees associated with the operations in question.

The assessment of impairment on a collective basis is based on historical parameters for comparable types of operations, considering default and recovery estimates.

The bank considers that the assessment of impairment on the basis of this methodology permits the adequate recognition of the risk associated with its credit 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 revaluation reserves should be transferred to costs for the year.

Assessments of impairment losses on equity instruments measured at historical cost may be subjective. The bank decides whether or not impairment exists on such assets based on a specific analysis at each balance sheet date, pursuant to 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. Measurement models and techniques, as described in note 2.2.c) are used to assess the value of financial instruments not traded in 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. Such assumptions are based on the group'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.

The IRPC code came into force on 01 January 2015. It incorporates a series of changes to the former IUR, including matters regarding the deductibility of impairment costs on credit and employee benefits. In its preparation of the tax estimate on income for the year ended 31 December 2015, the bank considered its interpretation of the changes imposed under the IRPC code and the opinion of its legal consultants, namely as regards the above referred to matters and impact of the transition to the new code. The board of directors considers that the criteria and assumptions adopted are in conformity with the legislation in force and that any interpretational differences would only originate reclassifications between current and deferred tax without having an impact on profit and loss and shareholders' equity at 31 December 2015.

As stated in note 13, there were, at 31 December 2015, contingencies (not provisioned) 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, in its preparation of the financial statements, the bank 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, in force at 31 December 2015.

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

The following standards, interpretations, amendments and revisions must be applied for the first time in the year ended 31 December 2015:

Standard / Interpretation	Applicable in the year starting on or after	
IFRIC 21 – Levies	17-Jun-14	This amendment establishes the conditions regarding the opportunity of the recognition of a liability related with the payment to the state of a contribution by an entity as a result of a certain event (e.g. participation in a certain market), without the payment being offset by specified goods or services.
Amendment to IFRS 3 – Business combinations (included in the improvements to the international financial reporting standards cycle 2011-2013)	1-Jan-15	Clarifies that the scope of application of IFRS 3 excludes the formation of a joint arrangement in the financial statements of the actual business combination.
Amendment to IFRS 13 – Fair value measurement (included in the improvements to the international financial reporting standards cycle 2011-2013)	1-Jan-15	Clarifies that the exception of the application of the standard to financial assets and liabilities with netted positions includes all agreements in the sphere of IAS 39, notwithstanding their compliance with the definition of an asset or liability under IAS 32.
Amendment to IAS 40 – Investment properties (included in the improvements to the international financial reporting standards cycle 2011 -2013)	1-Jan-15	Clarifies the need to apply value judgements to assess whether an investment property constitutes the acquisition of an asset or a business combination covered by IFRS 3.

The adoption of these standards did not have a materially relevant impact on the bank's financial statements at 31 December 2015.

Standards, interpretations, amendments and revisions coming 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 year starting on or after	
Amendment to IAS 19 – Employee benefits – Contributions	01-Feb-15	Clarifies the circumstances in which employee contributions to post-employment benefit plans constitute a reduction of the cost of short term benefits
Improvements to the international financial reporting standards cycle 2010-2011)	01-Feb-15	These improvements involve the clarification of several aspects related with: IFRS 2 - Share based payments: definition of vesting condition; IFRS 3 – Business combinations; accounting of contingent payments; IFRS 8 – Operating segments: disclosures related with the judgement applied in respect of the aggregation of segments and clarification of the need to reconcile total assets per segment with the value of assets recognised in the financial statements; IAS 16 Tangible fixed assets and IAS 38 – Intangible assets: revaluation needs in proportion to accrued depreciation in the case of revaluations of fixed assets and IAS 24 – Related party disclosures: defining that an entity providing management services to a company or parent company is considered to be a related party and IFRS 13 – Fair value: clarifications on the measurement of short term accounts receivable or payable.
Improvements to the international financial reporting standards cycle 2012-2014)	01-Jan-16	These improvements involve the clarification of several aspects related with: IFRS 5 - Non-current assets held for sale and discontinued operations: introducing guidelines on how to proceed in the case of changes to the expectable realisation method (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impacts of contracts for accompanying assets in the sphere of disclosures associated with the continued involvement of derecognised assets and exempts the interim financial statements from the disclosures required in respect of the netting of financial assets and liabilities; IAS 19 - Employee benefits: defines that the rate to be used for the purpose of discounting defined benefits should be assessed with reference to premium grade corporate bonds which have been issued in the currency in which the benefits will be paid and IAS 34 – Interim financial reporting: clarification on the procedures to be adopted when the information is available in other documents issued in conjunction with the interim financial statements.
Amendment to IFRS 11 – Joint arrangements – accounting of acquisitions of interest in joint arrangements	01-Jan-16	This amendment is related with the acquisition of interests in joint arrangements. It establishes the obligation to apply IFRS 3 when the joint arrangement acquired comprises a business activity according to IFRS 3. When the joint arrangement in question is not a business activity, the transaction should be recognised as an acquisition of assets. This amendment is prospectively applied on new acquisitions of interests.

Standard / Interpretation	Applicable in the years starting on or after	
Amendment to IAS 1 – Presentation of financial statements – “Disclosure initiative”	01-Jan-16	<p>This amendment clarified several aspects related with disclosure initiatives. namely: (i) the entity should not make the intelligibility of the financial statements more difficult by aggregating material with immaterial items or by aggregating different types of materials (ii) the disclosures specifically required by the IFRS must be made if the information in question is material; (iii) the financial statements specified by IAS 1 may be aggregated or disaggregated depending on what is more relevant for the objectives of the financial report; (iv) the part of the other comprehensive income resulting from the application of the equity accounting method in associates and joint arrangements should be presented separately from the other items of the other comprehensive income while also segregating the items which may be reclassified to profit and loss from those which will not be reclassified; (v) the structure of the notes should be flexible and should comply with the following order:</p> <ul style="list-style-type: none"> • a declaration of compliance with the IFRS in the first section of the notes; • a description of the relevant accounting policies in the second section; • supporting information for the items of the financial statements in the third section; and • other information in the fourth section.
Amendment to IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets – acceptable depreciation methods	01-Jan-16	<p>This amendment establishes the presumption (which may be refuted) that revenue is not an appropriate basis to depreciate an intangible asset and prohibits the use of revenue as a base for the depreciation of tangible fixed assets. The presumption established for the depreciation of intangible assets may only be refuted when the intangible asset is expressed in terms of the income generated or when the use of the economic benefits is closely correlated with the income generated.</p>
Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – production plants	01-Jan-16	<p>This amendment excludes plants which produce fruit or other components to be harvested and/or removed in the sphere of the application of IAS 41 which are now included in IAS 16.</p>
Amendment to IAS 27 – Application of the equity accounting method to separate financial statements	01-Jan-16	<p>This amendment introduces the possibility of measuring interests in subsidiaries, joint arrangements and associates in separate financial statements using the equity accounting method in addition to currently existing measurement techniques. This amendment applies retrospectively.</p>
IFRS 9 Financial instruments (2009) and latter amendments	01-Jan-18	<p>This standard is part of the revision project of IAS 39 and establishes the new requirements on the classification and measurement of financial assets and liabilities, impairment calculation methodology and application of hedge accounting rules.</p>
IFRS 15 – Revenue from contracts with customers	01-Jan-18	<p>This standard introduces a revenue recognition structure based on principles and a model to be applied to all contracts entered into with customers, replacing standards IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Customer loyalty programmes; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of assets from customers and SIC 31 - Revenue-barter transactions involving advertising services</p>

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:

	2015	2014
Cash		
· Domestic currency	510,295	528,458
· Foreign currency	524,501	603,129
Sight deposits with Bank of Cape Verde		
· Domestic currency	1,718,419	4,824,560
· Foreign currency	1,016	983
	<u>2,754,231</u>	<u>5,957,130</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 15% of average effective domestic and foreign currency liabilities to residents and emigrants. The minimum cash reserves requirement, at 31 December 2014, was 18%. 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 defined in 2014

No interest was paid on these deposits, in 2015 and 2014.

4. CLAIMS ON OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

	2015	2014
Sight deposits		
In credit institutions in Cape Verde		
· Caixa Económica de Cabo Verde	996	996
in credit institutions abroad		
· Novo Banco, S.A.	177,837	74,252
· Caixa Geral de Depósitos, S.A.	84,396	91,998
· Unicredito Italiano SpA	66,851	32,438
· Citibank	20,550	65,657
· Other	295,394	218,058
	<u>646,024</u>	<u>483,399</u>
Cheques pending settlement:		
Domestic cheques	71,053	271,530
Foreign cheques	109,557	100,598
	<u>180,610</u>	<u>372,128</u>
Other claims	3,817	3,786
	<u>830,451</u>	<u>859,313</u>

Cheques pending collection 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:

	2015	2014
Consolidated financial investment certificates		
. Fair value	6,441,341	6,786,988
. Income receivable	341,197	394,233
	<u>6,782,538</u>	<u>7,181,221</u>
Equity instruments	80,194	76,655
Impairment (Note 17)	(10,841)	(10,841)
	<u>6,851,891</u>	<u>7,247,035</u>

Information on financial instruments classified in available-for-sale financial assets, at 31 December 2015 and 2014, is set out below:

Security	% equity stake	Acquisition cost	2015			2014		
			Balance sheet value (net)	Revaluation reserve (Note 21)	Impairment (Note 17)	Balance sheet 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	6,782,538	8,171	-	7,181,221	353,818	-
Visa International Service Association	n.a.	1,314	14,108	12,794	-	10,569	9,255	-
		<u>6,434,484</u>	<u>6,796,646</u>	<u>20,965</u>	<u>-</u>	<u>7,191,790</u>	<u>363,073</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>6,851,891</u>	<u>20,965</u>	<u>(10,841)</u>	<u>7,247,035</u>	<u>363,073</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 from 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 terms and conditions to be defined by the government;
- 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 number of 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 2013 was received in December 2015. Income receivable, at 31 December 2013, refers to 2014 and 2015.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This account heading comprises the following:

	2015	2014
Investments in Cape Verde		
· In the Bank of Cape Verde:		
- Certificates of monetary regulation	282,000	125,000
- Certificates of monetary intervention	1,000,000	1,520,000
- Very short term investments	15,350,000	9,400,000
	<u>16,632,000</u>	<u>11,045,000</u>
Investments in credit institutions abroad		
· Very short term investments		
- Caixa Geral de Depósitos, S.A.	202,134	366,488
- Novo Banco, S.A.	463,113	201,090
· Term deposits		
- Caixa Geral de Depósitos, S.A.	2,889,830	337,328
- Novo Banco, S.A.	275,663	-
· Mandatory deposit accounts		
- Other credit institutions abroad	11,452	10,292
	<u>3,842,192</u>	<u>915,198</u>
Interest receivable	13,231	217
Deferred income	(280)	(357)
	<u>20,487,143</u>	<u>11,960,058</u>

7. PUBLIC DEBT SECURITIES

This account heading comprises the following:

	2015	2014
<u>Treasury bonds</u>		
Nominal value	6,808,937	6,169,285
Interest receivable	106,832	101,573
	<u>6,915,769</u>	<u>6,270,858</u>
<u>Treasury bills</u>		
Nominal value	-	155,000
Deferred income	-	(149)
	<u>-</u>	<u>154,851</u>
	<u>6,915,769</u>	<u>6,425,709</u>

The nominal value of treasury bonds sold under repurchase agreements totalled CVE 100 thousand (note 16) at 31 December 2015 and 2014.

8. LOANS AND ADVANCES TO CUSTOMERS

This account heading comprises the following:

	2015	2014
Short term domestic credit:		
. Commercial discounts	17,020	46,977
. Current account credit	1,518,999	2,088,740
. Sight deposit overdrafts	141,776	101,178
. Credit cards	126,874	105,576
Medium and long term domestic credit:		
. Loans	27,931,585	26,941,652
Short term foreign credit:		
. Commercial discounts	-	3,600
. Current account credit	700	16,273
. Sight deposit overdrafts	2,078	2,705
. Credit cards	6,341	4,702
Medium and long term foreign credit:		
. Loans	263,477	306,840
. Current account credit	49,992	-
Other credit amounts receivable (securitised)	3,547,854	3,925,922
Employee loans	1,952,646	1,958,348
	<u>35,559,342</u>	<u>35,502,513</u>
Interest receivable	166,729	191,578
Commissions and other deferred income	(244,012)	(222,006)
Deferred costs	2,241	2,482
Overdue credit and interest	<u>6,050,326</u>	<u>6,507,259</u>
	41,534,626	41,981,826
Impairment on loans and advances to customers (Note 17)	(4,023,047)	(4,176,717)
	<u>37,511,579</u>	<u>37,805,109</u>

“Other credit and amounts receivable (securitised)” at 31 December 2015 and 2014 reflect the value of domestic corporate bonds recognised in “Loans and accounts receivable” (note 2.2.c) i) a)). Information on these bonds is given below:

Share	2015	2014	Maturity
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche B	663,751	663,751	6/14/2017
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	1,458,220	1,458,220	6/14/2027
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche D	637,951	637,951	7/27/2020
Municipality of Praia	321,348	342,771	7/23/2030
IFH - Imobiliária, Fundiária e Habitat, S.A. - Tranche C	178,731	178,731	1/7/2019
Câmara Municipal do Sal	116,450	128,095	7/15/2025
Sociedade de Gestão de Investimentos, Lda.	66,569	66,569	2/18/2014
Cabo Verde Fast Ferry, S.A.	59,687	59,687	7/31/2019
ASA - Empresa Nacional de Aeroportos e Segurança Aérea, S.A.	45,147	40,147	10/11/2017
Tecnivil - Sociedade Imobiliária de Construções, S.A. - Series E	-	350,000	8/6/2015
	<u>3,547,854</u>	<u>3,925,922</u>	

The 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 2015, the bonds issued by Sociedade de Gestão de Investimentos, Lda. and Cabo Verde Fast Ferry, S.A. were in default on their coupon payments since August 2013 and August 2011, respectively.

At the start of 2015 payment in kind was agreed for the securitised loan issued by Tecnical – 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, with a respective valuation price of CVE 503,430 thousand, assessed in November 2014 by a specialised entity.

Interest rates on employee loans, at 31 December 2015 and 2014, were subsidised.

Performing loans backed by a state of Cape Verde guarantee, at 31 December 2015 and 2014, totalled CVE 3,373,593 thousand and CVE 3,435,657 thousand respectively.

The structure of loans and advances to customers, at 31 December 2015 and 2014, excluding “Other credit and securitised receivables” and associated accrued interest, comprised the following sectors of activity:

31.12.2015								
	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	-	-	-	6,039	5,411	11,450	6,039	5,411
Fisheries	-	-	-	9,500	8,027	17,527	9,500	8,027
Extractive industries	-	-	-	44,334	27,006	71,340	44,334	27,006
Extractive industries exc. energy goods	-	-	-	44,334	27,006	71,340	44,334	27,006
Manufacturing	-	-	-	734,029	403,250	1,137,279	734,029	403,250
Food, beverages and tobacco industries	-	-	-	176,737	126,255	302,992	176,737	126,255
Textile industry	-	-	-	21,436	473	21,909	21,436	473
Leather and leather goods	-	-	-	1,332	92	1,424	1,332	92
Production of chemicals and synthetic or artificial fibres	-	-	-	57,534	-	57,534	57,534	-
Manufacture of basic pharmaceutical products and preparations	-	-	-	90,894	830	91,724	90,894	830
Manufacture of other non-metallic minerals	-	-	-	6,989	8,565	15,554	6,989	8,565
Basic metallurgical and metallic products industries	-	-	-	78,753	34,757	113,510	78,753	34,757
Manufacture of machines and tools	-	-	-	285,537	218,185	503,722	285,537	218,185
Manufacture of furniture and mattresses	-	-	-	14,817	14,093	28,910	14,817	14,093
Production and distribution of electricity, water and gas	-	-	-	453,211	241,655	694,866	453,211	241,655
Construction	81,844	-	81,844	1,021,629	548,851	1,570,480	1,103,473	548,851
Wholesale, retail, repairs of motor vehicles/bikes and personal and domestic goods	-	-	-	2,410,670	249,110	2,659,780	2,410,670	249,110
Hotels, restaurants and the like	-	-	-	1,217,353	75,604	1,292,957	1,217,353	75,604
Transport, warehousing and communications	329	-	329	1,289,621	2,355,837	3,645,458	1,289,950	2,355,837
Information and communication activities	-	-	-	392,329	83,955	476,284	392,329	83,955
Financial activities	-	-	-	347,864	-	347,864	347,864	-
Financial brokerage excluding insurance and pension funds	-	-	-	345,864	-	345,864	345,864	-
Insurance, pension funds and complementary social security activities	-	-	-	2,000	-	2,000	2,000	-
Property, corporate hires and services	-	-	-	1,881,675	5,051	1,886,726	1,881,675	5,051
Property activities	-	-	-	1,881,675	5,051	1,886,726	1,881,675	5,051
Consultancy, scientific, technical activities and the like	-	-	-	418,998	3,228	422,226	418,998	3,228
Administrative activities and support services	-	-	-	15,073	32,410	47,483	15,073	32,410
Public administration, defence and mandatory social security	1,628,645	233	1,628,878	5,638	10	5,648	1,634,283	243
Education	-	15	15	2,887	82,043	84,930	2,887	82,058
Health and social security	-	-	-	265,165	4,188	269,353	265,165	4,188
Other activities and collective, social and personal services	766,077	2	766,079	840,467	9,649	850,116	1,606,544	9,651
Households with domestic employees	-	-	-	2,278	-	2,278	2,278	-
International organisations and other extraterritorial institutions	-	-	-	23	-	23	23	-
	2,476,895	250	2,477,145	11,358,783	4,135,285	15,494,068	13,835,678	4,135,535
Individuals								
Housing	-	-	-	13,884,735	1,314,131	15,198,866	13,884,735	1,314,131
Other	-	-	-	4,291,075	600,660	4,891,735	4,291,075	600,660
	-	-	-	18,175,810	1,914,791	20,090,601	18,175,810	1,914,791
	2,476,895	250	2,477,145	29,534,593	6,050,076	35,584,669	32,011,488	6,050,326

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	8,255
Extractive industries	-	-	-	28,554	27,094	55,648	28,554	27,094
Extractive industries exc. 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
Textile industry	-	-	-	18,959	2,329	21,288	18,959	2,329
Leather and leather goods	-	-	-	200	-	200	200	-
Production of chemicals and synthetic or artificial fibres	-	-	-	60,442	-	60,442	60,442	-
Manufacture of basic pharmaceutical products and preparations	-	-	-	662	-	662	662	-
Manufacture 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 tools	-	-	-	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, water and gas	-	-	-	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, corporate hires and services	-	-	-	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 activities and the like	-	-	-	366,335	203,990	570,325	366,335	203,990
Administrative activities 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 employees	-	-	-	1,751	116	1,867	1,751	116
International organisations and other extraterritorial institutions	275	-	275	3,103	3,103	6,206	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
Individuals								
Housing	-	-	-	14,387,262	1,294,531	15,681,793	14,387,262	1,294,531
Other	-	-	-	4,012,586	628,393	4,640,979	4,012,586	628,393
	-	-	-	18,399,848	1,922,924	20,322,772	18,399,848	1,922,924
	2,127,580	204	2,127,784	29,449,011	6,507,055	35,956,066	31,576,591	6,507,259

9. INVESTMENT PROPERTIES

This account heading, at 31 December 2015 and 2014, 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, in 2015 and 2014, is set out below:

2015							
	Balance at 31.12.2014				Depreciation for period	Sales and write-offs (net)	Net amount in 2015
	Gross amount	Depreciation and accumulated impairment losses	Increases	Transfers			
Property for own use							
Land	75,034	-	-	-	-	-	75,034
Buildings	2,081,521	(626,280)	13,434	-	(35,394)	(3,936)	1,429,345
Works on rented buildings	408,732	(240,356)	-	-	(31,202)	-	137,174
Equipment							
Office furniture and material	267,365	(180,403)	256	4,553	(20,345)	(1,391)	70,035
Machines and tools	57,332	(48,825)	2,315	-	(3,494)	(445)	6,883
IT equipment	482,560	(433,458)	67,219	13,709	(31,585)	84	98,529
Interior installations	183,213	(130,055)	1,892	33	(16,105)	(1)	38,977
Transport material	197,843	(129,951)	21,930	-	(24,876)	(4,487)	60,459
Security equipment	108,059	(47,289)	16,267	4,025	(11,700)	(5)	69,357
Other equipment	126,641	(105,227)	8,490	1,804	(7,834)	(150)	23,724
Tangible assets in progress	35,048	-	108,563	(24,124)	-	-	119,487
	4,023,348	(1,941,844)	240,366	-	(182,535)	(10,331)	2,129,004

	2014							
	Balance at 31.12.2013		Increases	Transfers	Reclassi- fications	Depreciation for period	Sales and write-offs (net)	Net amount in 2014
	Gross amount	Depreciation and accumulated impairment losses						
Property for own use								
Land	75,034	-	-	-	-	-	-	75,034
Buildings	1,940,253	(593,697)	-	141,268	-	(32,584)	-	1,455,240
Works on rented buildings	408,632	(208,899)	100	-	-	(31,456)	-	168,377
Equipment								
Office furniture and 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)	(1,174)	49,103
Interior installations	156,093	(127,292)	2,902	32,959	-	(11,285)	(221)	53,156
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)	175,900	-	(5,561)	(165,953)	(4,812)	2,081,503

Fixed assets in progress, at 31 December 2015 and 2014, essentially refer to works in progress on the bank's branches and the acquisition of IT equipment, which had not yet come into service at the end of the year.

The bank recognised CVE 37,671 thousand (note 17) in impairment on property for own use at 31 December 2015 and 2014, respectively

11. INTANGIBLE ASSETS

"Intangible assets" movements, in 2015 and 2014, comprised the following:

	2015				
	Balance at 31.12.2014		Increases	Transfers	Net amount in 2015
	Gross amount	Accumulated depreciation			
Automatic data processing equipment (software)	278,655	(264,976)	2,415	5,561	14,278
Other intangible assets	13	(13)	-	-	-
Intangible assets in progress	5,691	-	8,967	(5,561)	9,097
	<u>284,359</u>	<u>(264,989)</u>	<u>11,382</u>	<u>-</u>	<u>23,375</u>

	2014				
	Balance at 31.12.2013		Increases	Transfers	Net amount in 2014
	Gross amount	Accumulated depreciation			
Automatic data processing equipment (software)	266,570	(243,797)	11,671	414	13,679
Other intangible assets	13	(13)	-	-	-
Intangible assets in progress	-	-	544	(414)	5,691
	<u>266,583</u>	<u>(243,810)</u>	<u>12,215</u>	<u>-</u>	<u>19,370</u>

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The balance of this account heading, at 31 December 2015 and 2014, comprised the following:

Entity	2015						
	% 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	203,180	31-12-2015 ⁽¹⁾	2,929,318	106,612	1,079,461
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10,000	61,118	31-12-2015 ⁽¹⁾	874,956	139,921	610,856
CVGARANTE - Sociedade de Garantia Mútua, S.A.	15%	15,000	12,382	31-12-2015 ⁽¹⁾	84,435	(6,402)	82,551
Promoleasing, Sociedade de Locação Financeira, Sociedade Unipessoal Anónima, S.A.	100%	30,000	31,896	31-12-2015 ⁽¹⁾	302,762	725	32,839
		<u>155,000</u>	<u>308,576</u>				

(1) Provisional financial statements

Entity	% equity stake	Acquisition cost	Book value	2014			
				Date	Net assets	Profit / (loss)	Equity
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
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
CVGARANTE - Sociedade de Garantia Mútua, S.A.	15%	15,000	13,314	31-12-2014 ⁽¹⁾	89,337	(7,209)	88,758
Promoleasing, Sociedade de Locação Financeira, Sociedade Unipessoal Anónima, S.A.	49%	14,700	15,871	31-12-2014 ⁽¹⁾	318,244	1,081	32,390
			<u>139,700</u>				<u>281,545</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%. Capital gains of CVE 66,884 thousand were made on this operation, recognised in the “Income from associates” account heading in the financial statements.

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 disposal 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 Sistemas de Pagamentos, S.A.R.L.

The bank classified its SISIP investment as an investment in associates, notwithstanding the fact that it was only 10%, as the board of directors considers that the fact that the bank sits on the board gives it significant influence over SISIP’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. (company) shares, representing 49% of its share capital in 2010, for a nominal amount of CVE 1 thousand per share. This company began to operate in 2010.

The bank’s acquisition of 15,300 Promoleasing shares for CVE 15,200 thousand gave it the full amount of the share capital.

CVGARANTE - Sociedade de Garantia Mútua, S.A.

The formation of CVGARANTE – Sociedade de Garantia Mútua, S.A. (company) 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 on behalf of 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 an 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 provide SPMG – Sociedade de Investimento, S.A. with a put 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

Information on the balance sheet value of these investments in 2015 and 2014 and respective impact in the bank's financial statements is set out below:

	Garantia	SISP	CVGARANTE	Promoleasing	Total
Balance at 31 December 2013	192,861	54,275	15,000	6,184	268,320
Part disposal of equity stake	(34,237)	-	-	-	(34,237)
Movements recognised directly as a charge to shareholders' equity	56,033	-	-	-	56,033
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
Acquisition cost	-	-	-	15,300	15,300
Income generated by associates	26,271	13,886	(932)	725	39,950
Dividends received	(17,090)	(11,129)	-	-	(28,219)
Balance at 31 December 2015	203,180	61,118	12,382	31,896	308,576

13. INCOME TAX

The bank, at 31 December 2015, was an "IRPC ("corporate income tax") taxpayer at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.5%.

The bank was an "IUR" ("income tax") taxpayer at an aggregate rate of 25.50% at 31 December 2014.

Tax assets and liabilities balances, at 31 December 2015 and 2014, were as follows:

The following table provides details and information on deferred tax movements, in 2015 and 2014:

	2015		
	Change in		
	Balance at 31.12.2014	Shareholders' equity	Balance at 31.12.2015
<u>Conversion adjustments to IFRS</u>	137	-	137
<u>Movements recognised in reserves</u>			
Actuarial deviations for healthcare and medical assistance	(122,198)	(21,067)	(143,265)
Valuation of investments in associates	(4,985)	-	(4,985)
Valuation of available-for-sale financial assets	(2,360)	(2,986)	(5,346)
	<u>(129,406)</u>	<u>(24,053)</u>	<u>(153,459)</u>

	2014		
	Balance at	Change in	Balance at
	31.12.2013	Shareholders' equity	31.12.2014
		P&L	
Conversion adjustments to IFRS	137	-	137
Movements recognised in reserves			
Actuarial deviations for healthcare and medical assistance	(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)
	(139,759)	10,353	(129,406)

Under decree law 14/2010 of 26 April, the transition impacts to IFRS assessed with reference to 01 January 2008 with an effect on equity and considered fiscally relevant under IUR regulations, were component parts of taxable material in equal parts over a five year period.

Information on the reconciliation between the nominal and effective tax rates, in 2015 and 2014, is given below:

	2015		2014	
		368,830		297,315
Income before tax				
Income tax assessed at nominal rate	25.50%	94,052	25.50%	75,815
Fiscal benefits				
· Income from bonds admitted to listing	-8.25%	(30,444)	-11.11%	(33,028)
· Donations	-0.26%	(962)	-0.26%	(773)
· Income from consolidated financial investment certificates	0.00%	-	-17.87%	(53,130)
· Capital gains on disposals of equity stakes	0.00%	-	-5.74%	(17,055)
· Dividends	0.00%	-	-0.02%	(56)
· Other	-0.13%	(496)	-0.08%	(239)
Costs disallowed for fiscal purposes	2.98%	10,978	2.59%	7,706
Separate source-based taxation	0.25%	928	0.00%	-
Fiscal losses (carry-back of fiscal losses)	-20.08%	(74,056)	6.98%	20,760
Income tax for period	0.00%	-	0.00%	-

The IRPC code came into force on 01 January 2015. It incorporates a series of changes to the former IUR code, including matters regarding the deductibility of impairment costs on credit and employee benefits. In the preparation of the tax estimate on income for the year ended 31 December 2015, the bank considered its interpretation of the changes imposed under the IRPC code and the opinion of its legal consultants, namely as regards the above referred to matters and impact of the transition to the new code. The board of directors considers that the criteria and assumptions adopted are in conformity with the legislation in force and that any interpretational differences would only originate reclassifications between current and deferred tax, without having an impact on the bank's profit and loss and its shareholders' equity at 31 December 2015.

Under the terms of the legislation in force up to 31 December 2014, the bank benefited from exemptions on the following income:

- consolidated financial investment certificates
- 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 issuance, also benefited from reduced tax rates.

This explains why the bank's tax burden for the year ended 31 December 2014 was lower than the standard tax rate.

With the coming into force of the IRPC code in 2015, the bank no longer benefited from exemptions on certain income, namely consolidated financial investment certificates.

The IRPC code allows the carry-back of tax losses for the year assessed in the sphere of IUR to be deducted in the following 3 years, under the terms of the regime previously in force. Accordingly, in the tax estimate for the year ended 31 December 2015 the bank deducted a part of its losses assessed in past years. At 31 December 2015, the bank continued to have unused tax losses for the amount of CVE 468,000 thousand, in respect of which it did not recognise deferred tax assets for the amount of CVE 119,537 thousand.

DGCI (Cape Verdean tax authorities) made a series of corrections to 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 these 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 180,500 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 of tax 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 Sotavento fiscal and customs court accepted the contestation in full, 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 appeals 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 an 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 25 February 2015, the bank appealed against the ruling rejecting its claims on the corrections in respect of pensions and medical assistance for 2013. The appeal was rejected on 20 August 2015.

- On 05 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 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 over the taxable amount for 2009, resulting in a tax credit of CVE 3,104 thousand. 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.

- In November 2015 the bank received a notification from DGCI on its right to a hearing in respect of the proposal defining taxable material for 2014 of CVE 174,234 thousand, with an associated amount of single tax of CVE 33,813 thousand. At 30 December 2015, following the bank's exercising of its right to a hearing, DGCI set the amount of taxable material for 2014 at CVE 32,291 thousand, resulting in a tax credit of CVE 2,383 thousand. On 22 January 2016, the bank contested the corrections in respect of pension costs.

The following is a summary of the impact of the above described correction for pension and medical assistance at 31 December 2015:

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Pension and healthcare adjustments	54,646	120,912	184,270	114,517	157,132	171,711	169,677	150,627	141,359	36,821	22,900	1,324,572
Other adjustments	-	-	(3,770)	-	12,609	(24,817)	879	(18,532)	22,314	12,500	-	1,183
Fiscal losses	-	-	-	-	-	-	(28,633)	(70,387)	(103,603)	(19,603)	74,056	(148,170)
	<u>54,646</u>	<u>120,912</u>	<u>180,500</u>	<u>114,517</u>	<u>169,741</u>	<u>146,894</u>	<u>141,923</u>	<u>61,708</u>	<u>60,070</u>	<u>29,718</u>	<u>96,956</u>	<u>1,177,585</u>
Current tax assets	-	-	-	-	-	-	-	-	-	-	28,310	28,310
- Payments on account	-	-	-	-	-	-	-	-	-	-	-	-
- IUR reimbursement	54,646	120,912	-	114,517	172,845	146,894	60,522	60,534	16,519	10,616	-	758,005
- Deductions at source for period	-	-	-	-	-	-	32,626	20,044	24,682	21,485	9,705	108,542
	<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>32,101</u>	<u>38,015</u>	<u>894,857</u>
Guarantees provided	-	-	180,500	-	-	-	48,775	-	-	-	-	229,275
Tax credit	-	-	-	-	(3,104)	-	-	(18,869)	18,869	(2,383)	-	(5,487)
	<u>54,646</u>	<u>120,912</u>	<u>180,500</u>	<u>114,517</u>	<u>169,741</u>	<u>146,894</u>	<u>141,923</u>	<u>61,709</u>	<u>60,070</u>	<u>29,718</u>	<u>38,015</u>	<u>1,118,645</u>

At 31 December 2015 the full impact of the eventual risk associated with the above referred to situations amounted to CVE 1,177,585 thousand, including (i) corrections for 2005 to 2014 including around CVE 180,500 thousand and CVE 48,775 thousand for additional settlements for 2007 and 2011, respectively, for which the bank set up a bank guarantee; (ii) the estimate for 2015 of the impact of the corrections made by the tax authorities based on the understanding of past years; and (iii) the carry-back of tax losses for past years used in 2015. An amount of CVE 894,857 thousand was paid by the bank and is recognised in "Current tax assets" as tax to be recovered.

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. The years 2011 to 2015 are, therefore, still subject to revision and correction. The board of directors does not foresee any other significant correction to the bank's financial statements, at 31 December 2015.

14. OTHER ASSETS

This account heading comprises the following:

	2015	2014
<u>Other assets</u>		
Auctioned goods	1,170,596	190,949
Works of art	10,923	10,873
Gold, precious metals, coins and medallions	833	641
<u>Debtors and other loans and advances</u>		
Miscellaneous debtors		
. State	212,013	210,387
. Other entities	69,791	92,847
Subsidies receivable		
. State	823,725	838,503
. Other entities	4,652	4,595
Advances to suppliers of fixed assets	6,027	32,958
<u>Deferred expenses</u>		
. Insurance	37,104	33,406
. Other	18,343	25,095
	<u>2,354,007</u>	<u>1,440,254</u>
<u>Impairment of other assets (Note 17):</u>		
. Property received in kind	(172,131)	(58,775)
. Other assets	(67,654)	(67,355)
	<u>(239,785)</u>	<u>(126,130)</u>
	<u>2,114,222</u>	<u>1,314,124</u>

Subsidies to be received from the state of Cape Verde are for credit and deposits and have been 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 the subsidised credit regime, DGT had queried the eligibility of a series of operations. In November 2012, DGT informed the bank that it would agree to payments 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 on a staged basis for a period of 5 years starting 2012, having recognised a total amount of CVE 34,252 thousand for each of the years between 2012 and 2014 and CVE 68,506 thousand for 2015 to be deducted from "Interest and similar income (note 22).

As regards mortgage lending operations subsidies for 2012 to 2015, whose application and recognition of impairment totalled CVE 243,099 thousand and CVE 33,409 thousand, respectively and other subsidies, totalling CVE 203,929 thousand and CVE 29,561 thousand in other amounts to be received from the state, negotiations are still being held between the parties with the aim of quantifying the eligible operations.

In addition, at 31 December 2015 the bank recognised amounts of CVE 559,149 thousand (CVE 572,981 thousand at 31 December 2014) to be received from the state of Cape Verde, several of which with a significant level of seniority in "Other assets – debtors and other investments". Notwithstanding the fact that the balances, including those in respect of subsidies up to 2011, have been confirmed by DGT, the terms of the settlement thereof have still not been defined. Negotiations with the state for establishing a repayment plan are still in progress. The board of directors considers that the completion of these negotiations will not have materially relevant impacts on the bank's net worth

The following table provides information on property received as payment in kind, at 31 December 2015 and 2014, in accordance with its date of acquisition by the bank:

Year of acquisition	2015			2014		
	Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
prior to 2012	62,491	(55,297)	7,194	70,493	(50,733)	19,760
2012	5,034	(2,517)	2,517	21,522	(5,380)	16,142
2013	26,737	(6,684)	20,053	26,624	(2,662)	23,962
2014	61,414	(6,141)	55,273	72,310	-	72,310
2015	1,014,920	(101,492)	913,428	-	-	-
	<u>1,170,596</u>	<u>(172,131)</u>	<u>998,465</u>	<u>190,949</u>	<u>(58,775)</u>	<u>132,174</u>

The following table sets out Information on movements in recovered properties in 2015:

	Balance at 31.12.2014		Recoveries	Disposals	Impairment losses (net)	Balance at 31.12.2015	
	Gross amount	Impairment				Gross amount	Impairment
Land	29,594	(7,124)	839,683	(1,000)	(88,702)	866,593	(94,142)
Residential buildings	109,522	(26,372)	13,416	(12,025)	(13,158)	105,260	(33,877)
Other buildings	35,345	(21,158)	163,398	-	(22,954)	198,743	(44,112)
Vehicles	16,488	(4,121)	-	(12,366)	-	-	-
	<u>190,949</u>	<u>(58,775)</u>	<u>1,016,497</u>	<u>(25,391)</u>	<u>(124,814)</u>	<u>1,170,596</u>	<u>(172,131)</u>

In 2015 the bank recovered an amount of CVE 957,846 thousand in property located in Praia and São Vicente, in the form of payment in kind, for its loans and advances to customers and securitised credit to Tecnical – Sociedade Imobiliária de Construções, S.A. For most such buildings the bank has valuations performed in 2015, having, at 31 December 2015 declared impairment of CVE 95,785 thousand on such property

Net capital losses on disposals of repossessed property, in 2015, totalled CVE 743 thousand (capital losses of CVE 9,553 thousand in 2014 – note 27).

15. OTHER CREDIT INSTITUTIONS' RESOURCES

This heading comprises the following:

	2015	2014
Sight deposits		
. Credit institutions in Cape Verde	137,133	98,974
. Credit institutions abroad	47,366	3,966
Term deposits		
. Credit institutions in Cape Verde	175,000	355,000
Loans		
. From international financial organisations	408,694	506,411
Interest payable	7,484	11,272
	<u>775,677</u>	<u>975,623</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 2014, to back municipal economic and social development projects, repayable over a ten 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 2015 and 2014, the bank had used €808,371 and €970,040 (CVE 89,135 thousand and CVE 106,962 thousand) respectively, of this line, recognised in "Loans from international financial organisations".

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 09 December 2009, to back municipal economic and social development projects, repayable over a ten 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 2015, had used an amount of €2,898,109 (CVE 319,560 thousand), recognised in "Loans from international financial organisations".

16. OTHER CREDIT INSTITUTIONS' RESOURCES

This heading comprises the following:

	2015	2014
<u>Savings accounts</u>		
. Emigrants	2,600,185	2,425,791
. Residents	989,535	909,386
	<u>3,589,720</u>	<u>3,335,177</u>
<u>Other deposits repayable on demand</u>		
Sight deposits		
. Residents	17,396,430	14,788,524
. Emigrants	5,506,038	4,383,784
. Non-residents	2,316,363	2,117,490
	<u>25,218,831</u>	<u>21,289,798</u>
Mandatory deposits	163,062	148,511
	<u>25,381,893</u>	<u>21,438,309</u>
<u>Other term deposits</u>		
Term deposits		
. Emigrants	25,856,694	25,003,091
. Residents	10,937,545	10,980,801
. Non-residents	2,471,737	1,278,159
	<u>39,265,976</u>	<u>37,262,051</u>
<u>Other resources:</u>		
Securities lending operations with repo agreements:		
. Treasury bonds (Note 7)	100	100
Cheques and orders payable	24,950	21,463
	<u>68,262,639</u>	<u>62,057,100</u>
Interest payable	834,497	809,351
	<u>69,097,136</u>	<u>62,866,451</u>

Except for specific situations defined under board of directors' guidelines, no interest was paid on sight deposits, at 31 December 2015 and 2014.

17. PROVISIONS AND IMPAIRMENT

Information on movements in the bank's provisions and impairment accounts, for the years 2015 and 2014, is set out below:

	2015					Recoveries of credit write-offs
	Balances at 31.12.2014	Net appropriations in P&L	Employee costs (Note 29)	Use	Transfer (Note 30)	Balances at 31.12.2015
Impairment						
Impairment of loans and advances to customers (Note 8)	4,176,717	140,292	-	(243,861)	(50,101)	4,023,047
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)	126,130	71,036	-	(7,482)	50,101	239,785
	<u>4,351,359</u>	<u>211,328</u>	<u>-</u>	<u>(251,343)</u>	<u>-</u>	<u>4,311,344</u>
Provisions						
Provisions for the costs of employee benefits: (Note 30)						
Retirement pensions	4,899,738	-	324,653	(204,153)	(57,618)	4,962,620
Medical assistance	293,941	-	10,496	(20,123)	2,885	287,199
	<u>5,193,679</u>	<u>-</u>	<u>335,149</u>	<u>(224,276)</u>	<u>(54,733)</u>	<u>5,249,819</u>
Fiscal contingencies	49,723	-	-	-	-	49,723
	<u>5,243,402</u>	<u>-</u>	<u>335,149</u>	<u>(224,276)</u>	<u>(54,733)</u>	<u>5,299,542</u>
	<u>9,594,761</u>	<u>211,328</u>	<u>335,149</u>	<u>(475,619)</u>	<u>(54,733)</u>	<u>9,610,886</u>

	2014					Recoveries of credit write-offs
	Balances at 31.12.2013	Net appropriations in P&L	Employee costs (Note 29)	Use	Other (Note 30)	Balances at 31.12.2014
Impairment						
Impairment of loans and advances to customers (Note 8)	3,901,594	275,123	-	-	-	4,176,717
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)	-	-	-	126,129
	<u>4,082,906</u>	<u>268,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,351,358</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 assistance	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>9,194,632</u>	<u>239,939</u>	<u>332,964</u>	<u>(197,359)</u>	<u>24,584</u>	<u>9,594,760</u>

As described in note 14, in 2015, the bank recovered an amount of CVE 957,846 thousand in property in the form of payment in kind, for its loans and advances to customers and securitised credit to Tecnici – Sociedade Imobiliária de Construções, S.A. The bank herein reclassified the impairment declared at 31 December 2014, for the amount of CVE 50,101 thousand, recognised in the “Impairment on loans and advances to customers” to the “Impairment of other assets” account heading.

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 CVE 100,000 thousand in subordinated bonds was redeemed in 2015 (in 2014 the amount was also CVE 100,000 thousand).

Interest payable at 31 December 2014 totalled CVE 545 thousand. At 31 December 2015 and 31 December 2014, commissions for the amounts of CVE 152 thousand and CVE 318 thousand, respectively, were being deferred on the said dates.

19. OTHER LIABILITIES

This account heading comprises the following:

	2015	2014
<u>Creditors</u>		
Resources - active account	150,537	134,885
Resources - mandatory deposit account	9,033	20,890
<u>Other liabilities</u>		
Deduction of tax at source	54,586	53,868
Social welfare	13,566	12,330
Other	2,700	7,407
<u>Costs payable</u>		
Employee costs		
Productivity bonuses	36,442	30,442
Untaken holidays	4,148	5,148
General administrative expenditure	14,058	8,148
Other	59,895	77,555
<u>Deferred income</u>		
Card annuities	19,936	18,066
Commissions on issue of current account loans	8,837	11,968
Guarantees provided	8,684	8,193
Other	191	482
<u>Lending operations pending settlement</u>	2,777	3,072
<u>Other accruals and deferred income accounts</u>	42,751	34,329
	<u>428,141</u>	<u>426,783</u>

20. CAPITAL

The bank's share capital, at 31 December 2015 and 2014, comprised 1,324,765 shares with a nominal value of CVE 1 thousand each, fully subscribed for and paid up.

Information on the bank's equity structure, at 31 December 2015 and 2014, is set out below:

Entity	2015		2014	
	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%
INPS - Instituto Nacional de Previdência Social	132,492	10.00%	-	0.00%
Caixa Geral de Depósitos, S.A.	89,504	6.76%	89,504	6.76%
Garantia, Companhia de Seguros de Cabo Verde, S.A.R.L.	76,322	5.76%	76,322	5.76%
State of Cape Verde ("Golden Share")	-	0.00%	132,476	10.00%
Other shareholders	329,001	24.83%	329,017	24.83%
	<u>1,324,765</u>	<u>100.00%</u>	<u>1,324,765</u>	<u>100.00%</u>

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

Shareholders with special rights

Up to 16 December 2014, the 132,476 state of Cape Verde shares constituted a "golden share" that (whatever the number thereof) entitled their holders to veto resolutions on the company's affairs relative to changes of its articles of association when implying a loss of the state shareholder's prerogatives under its "golden share", merger, demerger, transformation and dissolution of the company and the approval of its strategic plan.

The special rights attributed to these shares of the state of Cape Verde were eliminated with the approval of decree law 67/2014, with the shares being classified as ordinary and freely tradable.

Transferability of shares

Up to 16 December 2014, 525,000 of the 1,324,765 shares comprising the share capital were nominative, i.e. they could only be held by the purchasers of the indivisible block (Caixa Geral de Depósitos/Banco Interatlântico group). These shares could not be assigned, disposed of or encumbered by CGD/BI, in any way, with also any legal agreement to transfer or tending to transfer the ownership thereof without the permission of the government also being prohibited. Under resolution 077/2014 of 07 October, the status of these shares was changed and also culminated with a change of BCA's articles of association. Accordingly, BCA's share capital then comprised 1,324,765 (one million three hundred and twenty four thousand seven hundred and sixty five) nominative and bearer shares, with a nominal value of CVE 1,000 (1 thousand) each, distributed as follows: a) 525,000 (five hundred and twenty five thousand) nominative shares; b) 799,765 (seven hundred and ninety nine thousand seven hundred and sixty five) bearer shares.

Both bearer and nominative shares can now be owned by national or international singular or collective persons whether or not domiciled on national territory.

At 20 February 2015 the state ceased to have any qualified investment following the disposal of its shareholding in the Cape Verde stock exchange

21. RESERVES, RETAINED EARNINGS AND PROFIT FOR PERIOD

The composition of the reserves, retained earnings and profit and loss accounts for the period, at 31 December 2015 and 2014, was as follows

	2015	2014
Revaluation reserves		
· Reserves resulting from fair value measurement of		
- Available-for-sale financial assets (Note 5)	20,966	363,074
- Other	-	(1)
	<u>20,966</u>	<u>363,073</u>
· Deferred tax reserves		
- Temporary differences resulting from fair value measurement (Note 13)	(5,346)	(2,360)
	<u>15,620</u>	<u>360,713</u>
Other reserves and retained earnings		
· Legal reserve	778,195	748,463
· Other reserves		
- Actuarial deviations for pension fund and medical assistance liabilities (Note 30)	561,824	479,209
- Deferred tax reserves for actuarial deviations (Note 13)	(143,265)	(122,198)
- Other reserves	3,145,888	2,952,634
	<u>3,564,447</u>	<u>3,309,645</u>
· Retained earnings	(1,174,876)	(1,174,876)
	<u>3,167,766</u>	<u>2,883,232</u>
Net income for period	<u>368,830</u>	<u>297,315</u>
	<u>3,552,216</u>	<u>3,541,260</u>

Legal reserve

Under current Cape Verde legislation (law 62/VIII/23), 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:

	2015	2014
Interest on loans and advances to customers		
. Domestic credit	2,608,125	2,668,568
. Foreign loans	33,896	34,257
. Employee loans	56,065	54,176
. Overdue credit	19,396	28,348
Interest on other loans and receivables (securitised)	638,821	549,074
Recovery of interest and expenses on overdue loans	271,507	123,597
Interest on investments with the Bank of Cape Verde		
. Certificates of monetary intervention	5,489	4,294
. Certificates of monetary regulation	1,334	399
. Treasury bills	48	127
. Very short terms investments	20,152	15,759
Interest on investments in other credit institutions abroad	16,609	3,002
Other interest and similar income	997	166
Commissions received associated with amortised cost	98,168	95,891
	<u>3,770,607</u>	<u>3,577,658</u>

In 2015 and 2014, the “Interest on loans and advances to customers – domestic credit” account heading was net of CVE 68,506 thousand and CVE 34,252 thousand, respectively, in respect of the recognition of the cost of past year subsidies, considered to be ineligible by the Directorate General for the Treasury (note 14).

23. INTEREST AND SIMILAR COSTS

This account heading comprises the following:

	2015	2014
Interest on loans and advances to customers		
. Domestic credit	2,608,125	2,668,568
. Foreign loans	33,896	34,257
. Employee loans	56,065	54,176
. Overdue credit	19,396	28,348
Interest on other loans and receivables (securitised)	638,821	549,074
Recovery of interest and expenses on overdue loans	271,507	123,597
Interest on investments with the Bank of Cape Verde		
. Certificates of monetary intervention	5,489	4,294
. Certificates of monetary regulation	1,334	399
. Treasury bills	48	127
. Very short term investments	20,152	15,759
Interest on investments in other credit institutions abroad	16,609	3,002
Other interest and similar income	997	166
Commissions received associated with amortised cost	98,168	95,891
	<u>3,770,607</u>	<u>3,577,658</u>

24. INCOME FROM EQUITY INSTRUMENTS

This account heading comprises the following:

	2015	2014
Income from consolidated financial investment certificates	133,768	208,352
Dividends:		
. Sociedade Caboverdiana de Tabacos, S.A.	974	974
. SITA - Sociedade Industrial de Tintas, S.A.R.L.	117	116
. Visa International Service Association	-	39
	<u>134,859</u>	<u>209,481</u>

Income from consolidated financial investment certificates, in 2014, included an adjustment for CVE 922 thousand in estimates recognised in the preceding year.

25. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These accounts are made up as follows:

	2015	2014
<u>Income from services and commissions</u>		
Payment orders received	83,894	80,900
Guarantees and sureties provided	68,804	79,439
Commissions on payment orders issued	54,291	54,180
Annuities on ATM network (Vinti4 and Visa)	42,146	39,446
Western Union commissions	24,028	21,801
Collections	19,363	18,832
Documentary credit	8,952	6,279
Other	99,271	85,711
	<u>400,749</u>	<u>386,588</u>
<u>Costs of services and commissions</u>		
SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A.R.L.	(11,944)	(15,696)
Visa International Service Association	(16,938)	(14,787)
Correspondent banks' commissions	(10,852)	(11,110)
Other	(50)	(62)
	<u>(39,784)</u>	<u>(41,655)</u>

26. INCOME FROM FOREIGN EXCHANGE REVALUATIONS

This account heading comprises the following:

	2015			2014		
	Profit	Loss	Net	Profit	Loss	Net
Foreign exchange income	120,082	(28,692)	91,390	92,260	(11,031)	81,229
Income from banknotes and coins	85,533	(36,203)	49,330	59,082	(11,605)	47,477
	<u>205,615</u>	<u>(64,895)</u>	<u>140,720</u>	<u>151,342</u>	<u>(22,636)</u>	<u>128,706</u>

27. INCOME FROM DISPOSALS OF OTHER ASSETS

This account heading comprises the following:

	2015	2014
Profit and loss on disposals of property received as payment in kind (Note 14)	743	(9,553)
Profit and loss on disposals of other tangible assets	4,390	(1,022)
	<u>5,133</u>	<u>(10,575)</u>

28. OTHER OPERATING INCOME

These accounts are made up as follows:

	2015	2014
<u>Other operating income</u>		
Miscellaneous services		
· Service charge	20	151
· Other	12,056	12,089
Reimbursement of expenses		
· Postage	1,730	5,253
· Other	31,223	47,786
Other	45,162	35,803
	<u>90,191</u>	<u>101,082</u>
<u>Other operating expenses</u>		
Other taxes	(11,081)	(8,803)
Subscriptions and donations	(385)	(623)
Losses on misplacements, robbery or falsifications	(969)	(205)
Fines and other legal penalties	(10)	(6)
Other	(9,896)	(5,333)
	<u>(22,341)</u>	<u>(14,970)</u>
	<u>67,850</u>	<u>86,112</u>

29. EMPLOYEE COSTS AND AVERAGE NUMBER OF EMPLOYEES

This account heading comprises the following:

	2015	2014
Remuneration of employees	779,708	773,216
Remuneration of management and inspection bodies	25,123	18,501
Productivity bonuses	25,911	24,000
Social costs/charges		
. Retirement pensions (Notes 17 and 30)	324,653	323,671
. Medical assistance	27,195	54,786
. Social welfare	60,734	55,341
. Other	3,771	4,209
Other employee costs	23,940	23,410
	<u>1,271,035</u>	<u>1,277,134</u>

The “Social costs – medical assistance” 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 2015 and 2014, is set out below:

Board members	7	5
Directors	13	13
Line management	90	86
Technical staff	182	187
Administrative staff	77	83
Auxiliary staff	73	78
	<u>442</u>	<u>452</u>
Permanent employees	384	395
Term contracts	51	52
	<u>435</u>	<u>447</u>

The above numbers, at 31 December 2015 and 2014, included 51 and 52 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 2015 and 2014, were carried out by Fidelidade - Companhia de Seguros, S.A. to assess retirement pension liabilities on current employment and the past services of active employees. Information on the premises and technical bases used in these studies is set out below.

	2015	2014
Actuarial method	Projected unit credit	Projected unit credit
Mortality table	TV 73/77	TV 73/77
Disability table	EVK 80	EVK 80
Discount rate	5.25%	5.5%
Wages discount rate	3.0%	3.0%
Pensions growth rate	0.5%	1.0%
Retirement age	62 years of age or 39 years' service	62 years of age or 39 years' service

In 2015 the bank changed the discount rate used in the actuarial study to 5.25%, to reflect the consistent drop in treasury bond rates in 2015.

A comparison between the actuarial and financial assumptions used to assess the bank's pensions costs, for 2015 and 2014, and the effective amounts is set out in the following table:

	2015		2014	
	Assumptions	Real	Assumptions	Real
Wage growth rate	3.0%	1.42%	3.0%	2.72%
Pensions growth rate	0.5%	0.04%	1.0%	-0.46%

In November 2013, the bank's board of directors decided to change the bank's workers' current pension plan, 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 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 profit and loss for the period.

Liabilities for past services to the bank, at 31 December 2015 and 2014, in accordance with the actuarial studies, amounted to:

	2015		2014	
	Number of persons	Liabilities	Number of persons	Liabilities
Active and ex-employees	182	2,128,865	196	2,230,448
Retirees and pre-retirees	167	2,696,482	152	2,528,112
Pensioners	19	130,856	18	133,502
Restructuring fund	2	6,417	3	7,676
Total	370	4,962,620	369	4,899,738

The actuarial studies do not consider workers with fixed-term employment contracts as the bank does not have any retirement liabilities for such employees who are covered by the National Social Welfare Institute.

Information on pension funds liabilities, in 2015 and 2014, is set out below:

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
Employee contributions	18,060
Cost recognised by bank (Note 29)	324,653
Pensions paid	(204,153)
Actuarial deviations (Note 21)	(75,678)
Balance at 31 December 2015	4,962,620

The following is a breakdown of actuarial deviations in 2015:

Change of actuarial assumptions:	
· Change in discount rate	154,207
· Change in pensions growth rate	(197,940)
Difference between assumptions and amounts realised:	
· Growth of pensions/wages	(23,544)
· Other	(8,401)
	<u>(75,678)</u>

30.2 Medical assistance

To assess its post-employment healthcare liabilities, the bank commissioned actuarial assessments from a specialised entity in respect of 31 December 2015 and 2014. Information on the premises and technical bases used in the study is set out below:

	2015	2014
	TV 73/77	TV 73/77
Mortality table		
Technical rate	5.25%	5.5%
Wages growth rate	3.0%	3.0%
Medical expenses inflation rate	3.0%	3.0%

In November 2013, the bank's board of directors decided to change the bank's workers' current pension plan, 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 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 impact of the changes in the medical plan deriving from the change in the retirement age from 58 or 35 years service to 62 or 39 years service resulted in a reduction of CVE 28,513 thousand in liabilities in respect of 31 December 2014, recognised in profit and loss for the year.

Based on these studies, healthcare liabilities relating to medical assistance for the bank's employees and respective family members after retirement age, at 31 December 2015 and 2014, totalled CVE 287,199 thousand and CVE 293,941 thousand respectively (note 17).

The following table provides information on healthcare liability movements in 2015 and 2014:

Balance at 31 December 2013	296,784
Employee contributions	12,176
Cost recognised by bank	9,293
Impact of change of medical assistance plan (Note 17)	(28,513)
Medical expenses paid	(20,184)
Actuarial deviations	24,385
Balance at 31 December 2014	293,941
Employee contributions	9,821
Cost recognised by bank	10,496
Medical expenses paid	(20,123)
Actuarial deviations	(6,936)
Balance at 31 December 2015	287,199

30.3 Actuarial deviations

Information on deferred actuarial deviations movements for 2015 and 2014 is set out below:

	<u>Pensions</u>	<u>Healthcare</u>	<u>Total</u>
Balances at 31 December 2013	<u>(643,957)</u>	<u>173,795</u>	<u>(470,162)</u>
Actuarial deviations in period	(33,430)	24,385	(9,045)
Balances at 31 December 2014	<u>(677,387)</u>	<u>198,180</u>	<u>(479,209)</u>
Actuarial deviations in period	(75,678)	(6,936)	(82,614)
Balances at 31 December 2015	<u>(753,065)</u>	<u>191,244</u>	<u>(561,824)</u>

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:

	2015	2014
SISP costs	100,655	112,586
Conservation and repair	100,129	104,251
Water, gas and electricity	89,205	98,074
Communications and postage costs	56,010	59,313
Advertising and publishing	41,587	43,415
Valuables transport	38,666	40,530
Security and surveillance	34,263	43,386
Rents and leases	29,912	32,682
Stationery and consumables	21,202	27,496
Consultants and external auditors	21,194	39,408
Employee training	14,037	6,238
Technical assistance	13,480	5,836
Insurance	11,155	11,279
Fuel	9,635	12,644
Transport	6,784	6,605
Allowances	4,614	5,525
Expense account items	2,319	3,056
Accommodation expenses	2,182	4,147
Other	72,588	63,895
	<u>669,617</u>	<u>720,366</u>

32. CONTINGENT LIABILITIES AND COMMITMENTS

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

	2015	2014
<u>Contingent liabilities</u>		
. Guarantees and sureties	4,652,330	4,552,044
. Documentary credit	<u>509,098</u>	<u>82,766</u>
	5,161,428	4,634,810
Securities custodial services	<u>25,776,546</u>	<u>27,048,032</u>
	<u>30,937,974</u>	<u>31,682,842</u>

Contingent liabilities

Several legal actions involving the bank, for contingent liabilities, were pending at 31 December 2015. Reference should be made to the action resulting from the November 2013 change 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 for the accounts in respect of the consolidated activities of Caixa Geral de Depósitos. The operating segments defined for the said report are set out below:

- Corporate finance - includes activity related with the management of public debt securities, domestic corporate bonds, equity instruments and consolidated financial investment certificates.
- Trading and sales – comprises activity 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 the activity of 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 the above referred to categories.

The following tables provide information on the bank's operating segments at 31 December 2015 and 2014:

	2015					
	Corporate Finance	Trading and sales	Payments and settlements	Commercial banking	Retail banking	Other
Interest and similar income	638,821	44,628	-	1,356,042	1,731,116	-
Interest and similar costs	(417)	(20,554)	-	(352,484)	(1,459,286)	-
NET INTEREST INCOME	638,404	24,074	-	1,003,558	271,830	-
Income from equity instruments	134,859	-	-	-	-	-
Income from services and commissions	-	104,241	63,552	45,322	187,634	-
Costs of services and commissions	-	(22,796)	(16,938)	-	(50)	-
Income from available-for-sale financial assets	58	-	-	-	-	-
Income from foreign exchange revaluations	-	140,720	-	-	-	-
Income from disposals of other assets	-	-	-	-	-	5,133
Other operating income	-	-	-	-	-	67,850
TOTAL OPERATING INCOME	773,321	246,239	46,614	1,048,880	459,414	59,651
Provisions and impairment net of reversals and recoveries	(3,138)	-	-	(51,549)	(62,283)	(71,037)
	770,183	246,239	46,614	997,331	397,131	(11,386)
Other expenditure and income						(2,090,614)
Profit and loss for period						368,830
Cash and claims on central banks	-	2,754,231	-	-	-	-
Claims on other credit institutions	-	830,451	-	-	-	-
Available-for-sale financial assets	-	6,851,891	-	-	-	-
Investments in credit institutions	-	20,487,143	-	-	-	-
Loans and advances to customers	3,535,222	-	-	14,910,342	19,066,015	-
Other credit institutions' resources	-	775,677	-	-	-	-
Customer resources and other loans	-	-	-	13,442,995	55,654,141	-

	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	86,112
TOTAL 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)
Profit and loss for period						297,315
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	-	-	-	7,247,035
Investments in credit institutions	-	11,960,058	-	-	-	11,960,058
Loans and advances to customers	3,868,232	-	-	14,884,452	19,052,425	37,805,109
Other credit institutions' resources	-	975,623	-	-	-	975,623
Customer resources and other loans	-	-	-	11,649,286	51,217,165	62,866,451

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

34. RELATED ENTITIES

CGD group companies and their associates and the bank's management bodies are considered to be entities related with the bank.

The bank's financial statements, at 31 December 2015 and 2014, include the following balances and transactions with related entities, excluding management bodies:

	2015				
	Caixa Geral de Depósitos Group				Subsidiaries and associates
	INPS	CGD	Banco Interatlântico	Promotora	
Assets:					
Claims on central banks and other credit institutions	-	194,641	-	-	-
Investments in credit institutions	-	3,380,849	-	-	-
Public debt securities	-	-	-	-	-
Available-for-sale financial assets	-	-	-	50,000	-
Loans and advances to customers	-	-	-	78,623	266,337
Other assets	-	-	1,918	682	6,931
Impairment	-	-	-	(10,841)	(9,034)
Liabilities:					
Other credit institutions' resources	-	(40,457)	(3,521)	-	(259,495)
Customer resources and other loans	(1,881,033)	-	-	(2,667)	(72,458)
Other liabilities	-	-	-	(49,744)	(60,139)
Off-balance sheet:					
Guarantees received	-	55,347	-	150,000	-
Guarantees provided	(1,640)	-	-	-	(101,067)
Income:					
Interest and similar income	-	16,390	-	-	-
Interest and similar costs	(54,100)	-	-	-	-
Expenditure:					
Interest and similar costs	-	-	-	-	(12,688)
Costs of services and commissions	-	(3,414)	-	-	(11,944)
General administrative expenditure	-	-	-	(1,646)	(103,862)
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	2,020

	2014				
	State of Cape Verde	Grupo Caixa Geral de Depósitos			
		CGD	Associates	Banco 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			270,283		270,283
Other assets	1,062,723	19,197	(12,394)		501
Impairment	(48,044)	(1,978)	5,444	26,234	(10,841)
					(11,119)
Liabilities:					
Other credit institutions' resources		(13)	(461,241)	(1,013)	(441,155)
Customer resources and other loans	(399,108)		(101,123)		(60)
Other liabilities	(67,015)		(13,056)		(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	2,742	-	-	-
Income from equity instruments	208,351				
Expenditure:					
Interest and similar costs		(4,550)	13,118		(13,118)
Costs of services and commissions			(15,696)		(15,696)
General administrative expenditure			(112,586)	(41,638)	(115,092)
Impairment of other financial assets net of reversals and recoveries			(935)		(935)

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 2015, totalled CVE 31,123 thousand (CVE 24,501 thousand in 2014).

At 31 December 2015 and 2014, loans to the board of directors amounted to CVE 74,969 thousand and CVE 80,391 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 oversees 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 management quality of the risks 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 a trading objective.

Liquidity and interest rate risk

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

DFI is responsible for performing operations in financial markets, selling assets denominated in foreign currency 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 15%, banks, in the event of difficulties, are more able 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 2015 and 2014, is set out below:

	2015							
	Residual 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	2,754,231	-	-	-	-	-	-	-
Claims on other credit institutions	830,451	-	-	-	-	-	-	-
Investments in credit institutions	17,266,654	2,955,496	-	253,540	11,453	-	-	-
Public debt securities	172,474	-	345,335	238,687	1,948,258	1,407,686	2,803,329	-
Loans and advances to customers (gross)	6,649,678	1,080,985	1,974,796	1,329,114	4,637,494	4,882,434	6,716,686	14,263,439
	27,673,488	4,036,481	2,320,131	1,821,341	6,597,205	6,290,120	9,520,015	14,263,439
Liabilities								
Central banks' and other credit institutions' resources	(180,498)	(103,749)	(130,913)	(48,951)	(195,803)	(115,763)	-	-
Customer resources and other loans	(29,831,324)	(5,785,192)	(7,937,422)	(18,318,110)	(7,224,987)	(101)	-	-
Other subordinated liabilities	152	-	(48,309)	(49,849)	(99,698)	-	-	-
	(30,011,670)	(5,888,941)	(8,116,644)	(18,416,910)	(7,520,488)	(115,864)	-	-
Difference	(2,338,182)	(1,852,460)	(5,796,513)	(16,595,569)	(923,283)	6,174,256	9,520,015	14,263,439

	2014							
	Residual 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
	27,362,175	2,054,555	1,047,393	1,073,112	5,552,344	4,894,458	10,006,283	15,193,567
								67,183,887
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)	-	-
Other subordinated liabilities	(227)	-	(47,504)	(49,849)	(199,396)	-	-	-
	(25,168,732)	(5,145,943)	(6,847,501)	(17,926,362)	(8,543,671)	(506,841)	-	-
								(64,139,050)
Difference	2,193,443	(3,091,388)	(5,800,108)	(16,853,250)	(2,991,327)	4,387,617	10,006,283	15,193,567
								3,044,837

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 promoters, 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 risk

Maximum exposure to credit risk

Information on the bank's maximum exposure to credit risk, at 31 December 2015 and 2014, is set out below:

	2015	2014
Public debt securities	6,915,769	6,425,709
Investments in credit institutions	20,487,143	11,960,058
Loans and advances to customers	37,511,579	37,805,109
	57,998,722	49,765,167
Guarantees and sureties	4,652,330	4,552,044
Documentary credit	509,098	82,766
	5,161,428	4,634,810
Maximum exposure	70,075,919	60,825,686

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 2015 and 2014, is set out below:

2015					
	Classification by impairment model			Other balances	Total
	Performing credit	Non-performing credit	Credit in default		
Companies					
Lending to companies					
Outstanding	8,597,142	1,240,297	2,568,643	79,550	12,485,632
Overdue	5,149	1,760	3,001,722	-	3,008,631
	<u>8,602,291</u>	<u>1,242,057</u>	<u>5,570,365</u>	<u>79,550</u>	<u>15,494,263</u>
Guarantees and documentary credit to companies					
Outstanding	4,806,306	-	11,310	229,275	5,046,891
	<u>4,806,306</u>	<u>-</u>	<u>11,310</u>	<u>229,275</u>	<u>5,046,891</u>
Retail					
Mortgage lending					
Outstanding	13,384,689	414,853	1,085,086	-	14,884,628
Overdue	4,302	8,837	319,654	-	332,793
	<u>13,388,991</u>	<u>423,690</u>	<u>1,404,740</u>	<u>-</u>	<u>15,217,421</u>
Consumer credit					
Outstanding	1,439,938	21,606	36,898	-	1,498,442
Overdue	561	1,227	25,425	-	27,213
	<u>1,440,499</u>	<u>22,833</u>	<u>62,323</u>	<u>-</u>	<u>1,525,655</u>
Small businesses					
Outstanding	472,720	7,625	148,954	-	629,299
Overdue	512	359	127,745	-	128,616
	<u>473,232</u>	<u>7,984</u>	<u>276,699</u>	<u>-</u>	<u>757,915</u>
Other credit					
Outstanding	1,886,216	214,705	285,590	-	2,386,511
Overdue	24,708	5,593	172,603	-	202,904
	<u>1,910,924</u>	<u>220,298</u>	<u>458,193</u>	<u>-</u>	<u>2,589,415</u>
Guarantees provided					
Outstanding	112,897	-	-	-	112,897
	<u>112,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,897</u>
Public sector					
Outstanding	2,476,724	170	-	-	2,476,894
Overdue	72	161	18	-	251
	<u>2,476,796</u>	<u>331</u>	<u>18</u>	<u>-</u>	<u>2,477,145</u>
Guarantees provided					
Outstanding	1,640	-	-	-	1,640
	<u>1,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>
Total outstanding credit	<u>28,257,429</u>	<u>1,899,256</u>	<u>4,125,171</u>	<u>79,550</u>	<u>34,361,406</u>
Total overdue credit	<u>35,304</u>	<u>17,937</u>	<u>3,647,167</u>	<u>-</u>	<u>3,700,408</u>
Total off-balance sheet	<u>4,920,843</u>	<u>-</u>	<u>11,310</u>	<u>229,275</u>	<u>5,161,428</u>
Total exposure	<u>33,213,576</u>	<u>1,917,193</u>	<u>7,783,648</u>	<u>308,825</u>	<u>43,223,242</u>

2014					
	Classification in accordance with 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					
Mortgage lending					
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	24,461	168,295		763,444
Overdue	476	659	140,261		141,396
	<u>571,164</u>	<u>25,120</u>	<u>308,556</u>	<u>-</u>	<u>904,840</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
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>26,398,278</u>	<u>3,354,531</u>	<u>3,995,435</u>	<u>95,682</u>	<u>33,843,926</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 off-balance sheet	<u>4,603,403</u>	<u>28,537</u>	<u>2870</u>		<u>4,634,810</u>
Total exposure	<u>31,032,951</u>	<u>3,407,613</u>	<u>8,182,218</u>	<u>95,878</u>	<u>42,718,660</u>

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

- “Performing loans”
 - Corporate: 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”
 - Corporate: 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 2015, the credit balance upon which specific impairment has been declared on the basis of an individual analysis totalled CVE 13,738,086 thousand, with impairment of CVE 2,557,340 thousand (CVE 14,920,364 thousand and CVE 2,904,772 thousand, respectively, at 31 December 2014). As described in note 2.2.d) individually analysed credit upon which specific impairment has not been declared was included in a collective analysis.

Fair value

The following table sets out a comparison between the fair and balance sheet value of the main financial assets and liabilities, at amortised cost at 31 December 2015 and 2014.

	2015				
	Analysed balances			Unanalysed balances	Total balance sheet amount
	Balance sheet amount	Fair value	Difference	Balance sheet amount	
<u>Assets</u>					
Cash and claims on central banks	2,754,231	-	-	-	2,754,231
Claims on other credit institutions	830,451	-	-	-	830,451
Available-for-sale financial assets	6,796,646	-	-	55,245	6,851,891
Investments in credit institutions	20,487,143	-	-	-	20,487,143
Public debt securities	6,425,709	6,410,929	(14,780)	-	6,425,709
Loans and advances to customers (gross)	35,559,342	35,061,890	(497,452)	5,975,284	41,534,626
	<u>72,853,522</u>	<u>41,472,819</u>	<u>(512,232)</u>	<u>6,030,529</u>	<u>78,884,051</u>
<u>Liabilities</u>					
Other credit institutions' resources	775,677	780,267	4,590	-	775,677
Customer resources and other loans	69,097,136	69,913,095	815,959	-	69,097,136
Other subordinated liabilities	197,857	191,000	(6,857)	(153)	197,704
	<u>70,070,670</u>	<u>70,884,362</u>	<u>813,692</u>	<u>(153)</u>	<u>70,070,517</u>
	2014				
	Analysed balances			Unanalysed balances	Total balance sheet amount
	Balance sheet amount	Fair value	Difference	Balance sheet amount	
<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	7,191,790	-	-	55,245	7,247,035
Investments in credit institutions	11,960,058	-	-	-	11,960,058
Public debt securities	6,425,709	6,442,185	16,476	-	6,425,709
Loans and advances to customers (gross)	35,502,513	34,326,618	(1,175,895)	6,479,313	41,981,826
	<u>67,896,513</u>	<u>40,768,803</u>	<u>(1,159,419)</u>	<u>6,534,558</u>	<u>74,431,071</u>
<u>Liabilities</u>					
Other credit institutions' resources	975,623	982,025	6,402	-	975,623
Customer resources and other loans	62,866,451	63,690,923	824,472	-	62,866,451
Other subordinated liabilities	297,294	212,272	(85,022)	(318)	296,976
	<u>64,139,368</u>	<u>64,885,220</u>	<u>745,852</u>	<u>(318)</u>	<u>64,139,050</u>

Fair value was assessed on the following:

- Balance sheet 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 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 to 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 less than their balance sheet value, at 31 December 2015 and 2014. 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 Fundo G.A.R.I and SITA – Sociedade Industrial de Tintas, S.A.R.L., was recognised at historical cost owing to their reduced balance sheet value.
- The fair value of the other instruments was measured by the bank on the basis of discounted cash flows, taking the operations' contractual conditions into consideration and using appropriate interest rates for the type of instruments, based on the interest rates used for similar instruments issued or contracted for close to the end of the year.
- The "unanalysed balances" column essentially includes overdue credit.

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 2015 and 2014, is set out in the following tables:

		2015					
		- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross balances)		1,370,634	652,720	318,744	(304,475)	(595,569)	(1,140,833)
<u>Total sensitive assets</u>		<u>1,370,634</u>	<u>652,720</u>	<u>318,744</u>	<u>(304,475)</u>	<u>(595,569)</u>	<u>(1,140,833)</u>
		2014					
		- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross balances)		1,395,731	664,308	324,316	(309,633)	(605,502)	(1,159,268)
<u>Total sensitive assets</u>		<u>1,395,731</u>	<u>664,308</u>	<u>324,316</u>	<u>(309,633)</u>	<u>(605,502)</u>	<u>(1,159,268)</u>

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 their oversight of 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 2015 and 2014, respectively:

Net interest income projection						
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2015	(587,173)	(293,586)	(146,793)	146,793	293,586	587,173
2014	(328,571)	(164,286)	(82,143)	82,143	164,286	328,571

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 2015 and 2014, 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 2015 and 2014.

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 2015 and 2014:

	2015				
	Cape Verde escudos	Euros	US dollars	Other	Total
<u>Assets</u>					
Cash and claims on central banks	2,239,017	399,662	83,177	32,375	2,754,231
Claims on other credit institutions	72,049	463,057	280,791	14,554	830,451
Available-for-sale financial assets (gross)	6,862,732	-	-	-	6,862,732
Investments in credit institutions	16,644,951	3,274,871	567,321	-	20,487,143
Public debt securities	6,915,769	-	-	-	6,915,769
Loans and advances to customers (gross)	39,458,385	2,076,241	-	-	41,534,626
Investments in subsidiaries, associates and joint enterprises	308,576	-	-	-	308,576
Other assets (gross)	1,183,411	-	-	-	1,183,411
Accumulated impairment	(4,101,542)	-	-	-	(4,101,542)
	<u>69,583,348</u>	<u>6,213,831</u>	<u>931,289</u>	<u>46,929</u>	<u>76,775,397</u>
<u>Liabilities</u>					
Other credit institutions' resources	(361,506)	(412,382)	(1,789)	-	(775,677)
Customer resources and other loans	(67,199,120)	(963,403)	(928,921)	(5,692)	(69,097,136)
Other subordinated liabilities	(197,704)	-	-	-	(197,704)
Other liabilities	(428,141)	-	-	-	(428,141)
	<u>(68,186,471)</u>	<u>(1,375,785)</u>	<u>(930,710)</u>	<u>(5,692)</u>	<u>(70,498,658)</u>
Net exposure	<u>1,396,877</u>	<u>4,838,046</u>	<u>579</u>	<u>41,237</u>	<u>6,276,739</u>

	2014				
	Cape Verde escudos	Euros	US dollars	Other	Total
<u>Assets</u>					
Cash and claims on central banks	5,387,051	442,010	96,426	31,643	5,957,130
Claims on other credit institutions	272,526	409,675	160,015	17,097	859,313
Available-for-sale financial assets (gross)	7,257,876	-	-	-	7,257,876
Investments in credit institutions	11,044,643	496,410	419,005	-	11,960,058
Public debt securities	6,425,560	-	-	-	6,425,560
Loans and advances to customers (gross)	40,140,889	1,840,937	-	-	41,981,826
Investments in subsidiaries, associates and joint enterprises	281,545	-	-	-	281,545
Other assets (gross)	1,130,694	91	118,520	-	1,249,305
Accumulated impairment	(4,254,913)	-	-	-	(4,254,913)
	<u>67,685,871</u>	<u>3,189,123</u>	<u>793,966</u>	<u>48,740</u>	<u>71,717,700</u>
<u>Liabilities</u>					
Other credit institutions' resources	(463,057)	(506,411)	(6,155)	-	(975,623)
Customer resources and other loans	(61,202,774)	(993,758)	(665,772)	(4,147)	(62,866,451)
Other subordinated liabilities	(296,976)	-	-	-	(296,976)
Other liabilities	(173,676)	(224,064)	(21,267)	(7,776)	(426,783)
	<u>(62,136,483)</u>	<u>(1,724,233)</u>	<u>(693,194)</u>	<u>(11,923)</u>	<u>(64,565,833)</u>
Net exposure	5,549,388	1,464,890	100,772	36,817	7,151,867

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 value for its shareholder and return on capital employed;
- To sustain the development of activity, maintaining a solid capital structure, capable of meeting the requirements of the bank's growth strategy;
- To ensure the bank's reputation, maintaining the integrity of the operations performed during the course of its activity.

The adequacy of capital for the bank's risk profile is overseen and controlled by the application of laws regulating 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 incorporating market and operational risk in the ratio's calculation, in addition to its reformulation of the procedures for assessing the contribution made by credit risk.

Under official notice 4/2007, the calculation of the solvency ratio is based on 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) as regards 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 2015, is set out in the following table:

Paid up capital	1,318,648		
Share issue premiums and other securities	-		
Legal, statutory and other reserves comprising non-appropriated income	4,342,643		
Retained positive earnings from past years	-		
Retained positive earnings from last year	-		
Provisional positive income for current year	276,622		
Positive actuarial deviations (corridor method) - not recognised in profit and loss or reserves	-		
Minority shareholders' interests ⁽¹⁾	-		
SUB-TOTAL		5,937,913	
Intangible assets	23,375		
Negative retained earnings from past years	1,174,876		
Negative earnings from last year	-		
Provisional negative earnings for current year	-		
Additional provisions	-		
Negative revaluation reserves	-		
Negative actuarial deviations (corridor method) and costs of past services not recognised in profit and loss or reserves	-		
Treasury shares	-		
Positive differences from the first consolidation (1)	-		
Positive revaluation differences in first application - equity accounting method (1)	-		
SUB-TOTAL		1,198,251	
BASIS OWN FUNDS PRIOR TO THE APPLICATION OF THE TRANSITIONAL REGIME			4,739,662
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			4,739,662
Legal revaluation reserves for tangible fixed assets	-		
Foreign exchange translation reserves and investment hedges on operating units abroad	-		
Subordinated loans and preference shares	197,856	197,856	
Other revaluation reserves	-	4,766	
Other items	-		
COMPLEMENTARY OWN FUNDS		202,622	202,622
OWN FUNDS PRIOR TO DEDUCTIONS			4,942,284
Investments to be deducted:			
More than 10% of capital	-	71,054	
Less than or equal to 10% of capital	75,225	-	71,054
Fixed assets received in payment for own credit	5,325	-	5,325
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			4,865,905
Part exceeding the risk concentration limits (sub-paragraph d) no.12 official notice 3/2007)	-		
OWN FUNDS			4,865,905

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

The above table shows that the final value of own funds derives from the sum of the two major referred to aggregates, 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. Its main components are share capital, reserves, retained earnings, net income for the year and the transition's impacts comprising the costs of employee 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 transitory 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 more than the minimum share capital required by law, official notice 4/2007 also rules that an adequate ratio between shareholders' equity and assets and off-balance sheet items, 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's total own funds of CVE 4,865,905 thousand at 31 December 2015, were 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 15.7%.

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.