ANNUAL REPORT

2019

The Banker
Bank of the Year 2019
CAPE VERDE

Banco Interatlântico
BEST COMMERCIAL BANK
CAPE VERDE 2019
GLOBAL BANKING & FINANCE AWARDS
GLOBAL BANKING & FINANCE REVIEW

Banco Interatlântico

Grupo Caixa Geral de Depósitos

Distinga-se!

INDEX

1

KEY INDICATORS

Indicators at 31 December					kCVe.
	31/12/19	2018	Amount	%	
BALANCE SHEET INDICATORS					
Net assets	24 454 041	22 789 157	1 664 884	7,31%	
Cash and claims at central banks	1 087 661	1 488 467	-400 806	-26,93%	
Loans and advances to credit institutions	3 066 031	2 096 593	969 438	46,24%	
Loans and advances to customers (net)	18 416 668	17 518 413	898 256	5,13%	
Loans and advances to customers - gross (excluding interest and commissions and public debt securities	15 132 962	14 708 578	424 384	2,89%	
Overdue credit and interest	1 705 666	2 322 407	-616 740	-26,56%	
Impairment on loans and advances to customers	963 643	1 309 810	-346 167	-26,43%	
Customer resources (excluding interest and other debits)	21 589 122	20 402 441	1 186 681	5,82%	
Customer deposits	21 589 122	20 402 441	1 186 681	5,82%	
Shareholders' equity	2 408 790	1 926 826	481 964	25,01%	
OPERATING INDICATORS					
Total operating income	1 234 568	1 088 901	145 666	13,38%	
Income before tax	509 038	167 132	341 906	204,57%	
Net income	477 373	165 826	311 547	187,88%	
OTHER INDICATORS					
Profitability					
Net income / net assets	2,02%	0,68%		1,34%	pp
Net income / average shareholders' equity	22,02%	8,88%		13,14%	pp
Solvency and loans-to-deposits					
Shareholders' equity/assets	9,85%	8,46%		1,40%	pp
Loans -to-deposits ratio (gross credit/customer resources)	70,10%	72,09%		-2,00%	pp
Solvency ratio (BCV criterion)	14,83%	12,94%		1,89%	pp
Asset quality					
Overdue credit and interest/gross credit	11,27%	15,79%		-4,52%	pp
Quality of BCV credit (Circular Series "A " no. 150/DSE/2009)	7,55%	10,69%		-3,13%	pp
Impaired credit / net credit	5,23%	7,48%		-2,24%	pp
Impaired credit / overdue credit and interest	56,50%	56,40%		0,10%	pp
Productivity and efficiency					
Non-interest income / total operating income	18,48%	19,61%		-1,13%	pp
Structural costs / total operating income	49,85%	52,84%		-2,98%	pp
(Credit + deposits) / number of employees	263 196	267 048	-3 852	-1,44%	
Number of employees	152	142	10	7,04%	
Number of branches	9	9	0	0,00%	
Employees per branch office	16,9	15,8	1,1	7,042%	
(Credit + deposits / number of branch offices	4 445 088	4 213 428	231 660	5,50%	

(1) Equity to Average Net Assets (13 notes).

(2) Turnover = Average Gross Loans + Average Customer Deposits (13 notes)

(3) Non-securitised loans

2

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The evolution of Banco Interatlântico's key activity indicators at the end of 2019 was highly positive, with the bank having consolidated and strengthened its position as Caixa Geral de Depósitos's benchmark operator in Cape Verde.

The strategic decision communicated at the end of 2018 by Caixa Geral de Depósitos as the bank's leading shareholder, to concentrate its operations in Banco Interatlântico will be an increasingly important lever for the development of the bank's activity and its role in the economy of Cape Verde.

The bank's development and improvement trajectory, particularly since 2017, further increases our confidence at the time this message is being written and when the world is facing an unparalleled crisis, that the bank is in a better position to face the approaching challenges, while also improving its performance as the benchmark banking institution in Cape Verde, operating on behalf of the country's sustainable development, whose insular status always entails specific solutions.

While our accomplishments give us much to be proud about, we also wish to express our gratitude for the commitment, dedication and support of our customers, employees, supervisors and other stakeholders in their contribution to the ongoing improvement achieved in our organisation.

A demanding, rigorous approach has been increasingly adopted by all and the bank has been eminently successful in responding and rising to the challenge as shown by the evolution of its key activity indicators published in this report.

Particular reference should be made to the expressive recovery of credit, increased solvency or ongoing reduction of cost-to-income and our level of profit which is bank's highest ever.

The current international context forces all institutions and each and every one of us to face an enormous challenge. This crisis, that has changed our perceptions as never before, will give rise to the solutions and institutions of the next generation.

Although nobody knows what the world will look like in a year or two, we do know, now that several months have elapsed since the outbreak of this pandemic, that we have won the battles fought up to the present and we are confident that we will overcome the ensuing challenges, always conscious of our duty, rigour and the permanent pursuit of excellence, motivating our people and all of our stakeholders, by our example, determination and resilience.

In more than in any other context, it is clear that my closing words should be addressed to our customers, who have expressed their preference for us and who we continue to serve in our provision of a service of increasingly higher quality and to our people who make up this institution and who have succeeded in rising to the challenges, both in 2019 and in the most difficult recent times.

I am extremely grateful to you all and together I am confident that we shall continue to improve and overcome all obstacles.

Chairman of the Board of Directors

José João Guilherme

3

EXECUTIVE COMMITTEE REPORT

The significant improvement in Banco Interatlântico's key economic and financial indicators, in 2019, enabled it to make a net profit of around CVe. 477 million, deriving from the organisation's continued collective endeavours in terms of its principal strategic vectors.

Reference should be made to the following evolution in comparison to 2018:

- A reduction of overdue credit of around 26% (BCV-Bank of Cape Verde) to an end of year ratio of around 11.5% (against 16.2% in 2018);
- A reduction of NPE and NPL ratios to 10% and 13.2%, respectively (13.2% and 18.1% in 2018);
- An increase of around 3.6% in gross credit, notwithstanding the effect of the reduction deriving from the settlement of several larges NPLs, without which credit would have grown 6%;
- An increase of around 5.8% in customer resources;
- An increase of 15% in net interest income and around 34% in net commissions;
- Solvency ratio of 14.8%;
- A 3 pp reduction of cost-to-income to 49.9%.

Major improvements were recorded in first quarter 2020, particularly in the bank's default ratio, based on an agreement for the resolution of the bank's largest NPL, which, unfortunately cannot, as yet be recognised owing to the fact that the international Covid-19 pandemic crisis has prevented it from being recorded in the accounts, although this will take place at the first opportunity afforded by the market.

The bank remains committed to improving its performance, perfecting its operating and commercial efficiency, strengthening its internal control mechanisms, training its human resources and making continuous improvements to its technological resources.

2019 was an outstanding year for BI whose achievements were, once again, distinguished by two international prizes:

- Best Commercial Bank in Cape Verde 2019 prize from the Global Banking & Finance Review;
- Best Bank of the Year in Cape Verde 2019 prize from The Banker, which is the most prestigious specialised international magazine at its The Banker - Bank of the Year Awards, prize-giving ceremony which took place in London on 28 November 2019.

As in past years, we remain committed to our social and cultural responsibility, assisting not-for-profit projects and institutions of importance to Cape Verde, as well as providing support to young national talents in the different arts.

A word of appreciation to all of the bank's workers who operate under high level pressure and responsibility without whose dedication and commitment, achieving these results would not have been possible.

We also wish to express our gratitude for the professionalism and demanding approach of the supervisory authorities and the backing of our shareholders, which have greatly helped the bank to achieve improvement.

A final word of appreciation goes to our customers, as the bank's raison d'être, for their preference and suggestions on how to improve, which we constantly endeavour to implement with the aim of maintaining and improving this bank as Cape Verde's benchmark banking institution.

This report is being finalised at a time of unprecedented instability and uncertainty caused by the Covid-19 pandemic whose effects, both worldwide and on Cape Verde, will be severe, but still unquantifiable and a source of apprehension over the coming future, particularly owing to the interruption of the consolidation of the growth and recovery trend in the market in 2019 and the first few months of 2020.

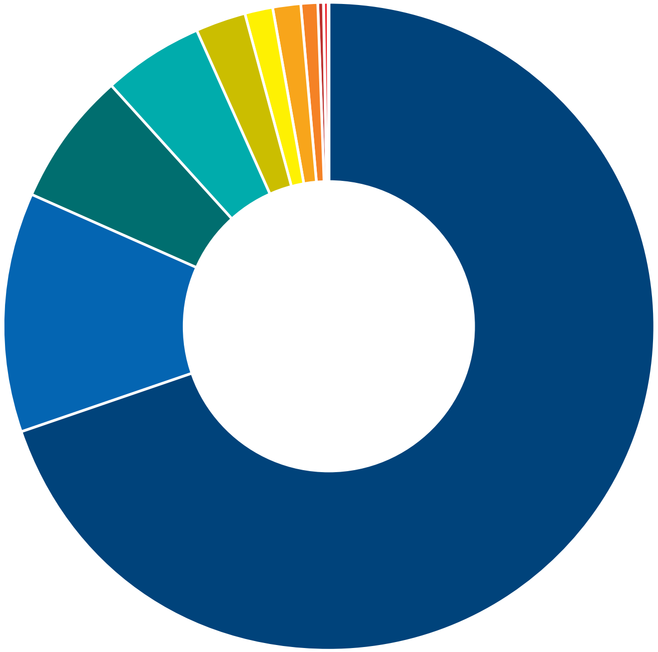
In conjunction with the authorities and supervisor, the bank is fully committed to minimising the social and environmental impacts that will undoubtedly be caused by the crisis. We remain steadfast in our determination to assisting our customers to combat the immediate effects of the crisis, preparing the bases for the following recovery which is highly contingent upon organisations' capacity of resilience and determination.

Executive Committee

4

PRINCIPAL SHAREHOLDERS

4.1. EQUITY STRUCTURE



SHAREHOLDER NAME	%
CAIXA GERAL DE DEPÓSITOS, SA	70,00%
EMPREITEL FIGUEIREDO, SA	11,69%
ADEGA, SA	6,73%
RUI AUGUSTO TAVARES MOREIRA ALMEIDA PINTO	5,09%
PEDRO JOSÉ SAPINTO RODRIGUES PIRES	2,41%
DAVID HOPFFER ALMADA	1,58%
TEREZA JESUS TEIXEIRA B. AMADO	1,24%
FRANCISCO BARBOSA AMADO	0,84%
MÁRIO JORGE MENEZES	0,39%
RACAN, Lda.	0,04%

4.2. STATUTORY BODIES

BOARD OF THE GENERAL MEETING

Chairman
David Hopffer Cordeiro Almada[1]
Mário Jorge Alfama Menezes[2]

Secretaries
Francisco Fortunato Paulino Barbosa Amado
Fernando Manuel Simões Nunes Lourenço[1]
Alexandre José Matias Nunes Mendes[2]

BOARD OF DIRECTORS

Chairman
Alfredo Manuel Antas Teles[3]
José João Guilherme[2]

Vice-chairman
Teófilo Figueiredo Almeida Silva[3]
José António da Silva Brito[2]

Members
Jorge Fernando Gonçalves Alves[3]
Elsa Helena Lopes Tavares[3]
Ana Maria Machado Fernandes[2 4]
Maria João Fonseca Pacheco de Novais[2]
Maria Zenaida da Rocha Costa Neves Leite[2]
Paulo Jorge Carneiro de Figueiredo Silva[2]
Pedro Bruno Cardoso Braga Gomes Soares
Manuel Fernando Monteiro Pinto
João Carlos Aguiar Cristóvão[3]
Fernando Manuel Domingos Maximiano[2]
Eurisanda Venulda Cardoso Tavares Rodrigues[2]
Dirceu César Lopes do Rosário[2]

EXECUTIVE COMMITTEE

Chairman
Pedro Bruno Cardoso Braga Gomes Soares

Members
Manuel Fernando Monteiro Pinto
João Carlos Aguiar Cristóvão[3]
Fernando Manuel Domingos Maximiano
Eurisanda Venulda Cardoso Tavares Rodrigues
Dirceu César Lopes do Rosário

SUPERVISORY BOARD

Chairman
José Manuel Nunes Liberato

Permanent Members
José Mário de Sousa
Jaqueline Vieira Ramos Canuto[5]

Deputy Member
Carlos Alberto Rodrigues

EXTERNAL AUDITOR

Ernst & Young Audit & Associados - SROC, S.A. - Sociedade de Revisores Oficiais de Contas

1 Up to 30 December 2019.
2 Elected at the general meeting of 30 December 2019.
3 Up to 17 September 2019.
4 Resigned in April 2020
5 Resigned in February 2020

4.3. MILESTONES

February

Sponsorship of "Financial Literacy and Banking Supervision" conference.

March

Creation of Banco Interatlântico's recruitment pool.

April

BI's indoor football team wins the 15th 1º de Maio, indoor football tournament organised by STIF.

May

Best Commercial Bank in Cape Verde 2019 prize from Global Banking and Finance Review.

June

Sponsorship of Tabacaria painting exhibition – Omar Camilo.

July

Banco Interatlântico's 20th birthday celebrations.

October

Best Bank of the Year 2029 prize from The Banker.

Banco Interatlântico's launch of its BI Mobile app.

November

Sponsorship of the *Morna: Rainha de nôs terra*, collection mentored by the *Expresso das Ilhas* and *Público* newspapers, as part of the *Morna's* candidacy for inclusion on Unesco's Intangible Cultural Heritage list.

Appraisal process on Banco Interatlântico's employees.

December

External competition under the aegis of BI's recruitment pool.

4.4. STRATEGY AND BUSINESS MODEL

STRATEGIC OBJECTIVES

Banco Interatlântico (BI) continued to pursue its strategic objectives, having once again successfully achieved improved levels of profitability in which the bank made its highest ever level of net profit of around CVe. 477 million.

In addition to this achievement reference should be made to the evolution of the following items:

- An improved level of asset quality, with a default ratio of 11.5% (down 4.7 pp year-on-year), over the national market average;[6]
- A 13.4% increase of CVe. 146 million in total operating income fuelled by the 15% increase of CVe. 131 million and 34% increase of CVe. 31 million in net commissions;
- The cost-to-income ratio of 49.9%, was down 3pp over 2018 and, for the first time, less than 50%;
- Credit risk impairment was down 89.5% by CVe. 348 million over 2018 owing to improvements in the credit quality portfolio and the effect of the increased impairment in 2018. This reduction enabled a cost of risk ratio of 0.6% to be achieved, down by a year-on-year 2.1 pp.
- Residential mortgage lending was up 53% owing to the bank's improved response capacity and the agreements entered into with several institutions;
- Increased financial strength with a 1.9 pp increase of 14.8% in the solvency ratio over December 2018;
- An increase of market share, as opposed to the trend of the last 2 years.

COMMERCIAL INTERVENTION

The bank's commercial activity was based on the following guidelines:

- To attract new customers and increase its market share;
- To provide backing for business finance, particularly via its recent lines of credit;
- To improve credit management, particularly in the prevention and avoidance of credit defaults;
- To consolidate its operations as a bank supporting companies of Portuguese origin.

The following events also deserve special mention:

- Implementation of parcelling criteria, scheduled for completion by year end. The process will allow improvements to customer segmentation, based on a more adequate oversight of each customer's profile and needs;
- Optimised processing of credit operations with improved templates for the terms of standard contracts helping to reduce response times for customers and improving operational efficiency;
- Implementation of an agreement to commercialise *Garantia* insurance through branch office network training actions. This agreement is, in turn, more user-friendly as the contracts are filled in by the branch office network, avoiding the need for a personal visit to the insurance company.
- Ongoing database improvement process with the continuation of a specialised team and a significant record of the respective corrections made.

INFORMATION TECHNOLOGIES

Special reference should be made to the following events in terms of the bank's core applications:

- Migration of bank tellers' platform to *PFS Caixas portal*;
- Definitive launch of the bank's *BI Mobile app*.

An upgrade to the physical servers translated into in a better operation of the virtual servers housing the compliance, impairment and internet banking programmes.

The connecting of BI/CGD intragroup telephones also enabled significant cost reductions on communications between Banco Interatlântico and CGD.

6 According to data for September 2019 published by BCV

ORGANISATION AND STANDARDS

Banco Interatlântico continued to focus on its internal control functions, particularly its risk management function and internal audit.

Human resources across the year witnessed a fresh intake of employees and skill improvements in the form of internal and external training in the compliance, internal audit and risks area, as well as the appointment of the director of the bank's internal audit office.

As regards compliance and in light of the maintenance of international sanctions and embargos as significant issues for governments and regulators and, ipso facto, an area of concern for BI's management, reference should be made, in 2019, to the AML/CFT and sanctions support project, with the objective of enabling the bank to provide a structured, coherent response to the need to comply with regulatory enforcements in alignment with best international practice.

Based on a higher level of integration with Caixa Geral de Depósitos (CGD) group's corporate policies in terms of BI practice, the following corporate standards were approved or updated:

- Correspondent banking;
- Identities and information system access policy;
- Rules on the identification and attribution of variable remuneration to BI's relevant function holders;
- Policy for the prevention of corruption and associated infractions;
- Anti-money laundering operations – monitoring of customers with a high money-laundering risk profile;
- Lending to entities headquartered in offshore jurisdictions;
- IFRS 9 – governance model for the classification and measurement of financial assets;
- Governance model for the protection of personal data;
- Anti-money laundering – country/jurisdiction risk;
- Anti-money laundering – monitoring of customers with a high money-laundering risk profile;
- Anti-money laundering and combating the financing of terrorism;
- Attribution of responsibility and rules on the measurement of financial instruments and derivatives held by CGD group;
- Anti-money laundering – entities filtering system;
- International sanctions – compliance risk opinion;
- Corporate standard on the prevention of market abuse;
- Reporting rules and action on breaches of market risk limits;
- Governance policy, approval and monitoring of products;
- Appraisal position on the bank's positions in securities and derivatives recognised at fair value;
- Risk-adjusted price policy;
- Operational risk appetite;
- Operational risk − risk events.

4.5. GEOGRAPHICAL FOOTPRINT AND CHANNELS

At the end of 2019, BI's branch office network on the main islands of the archipelago comprised 9 branches, 1 corporate office, 1 personal customers office and 1 special customers unit.

In addition to its branches with face-to-face facilities, BI has distance channels, internet banking (BIn@net) and an ATM network in addition to its customer support service.

Figure 1 – BI's geographical footprint in Cape Verde

	BIn@net			*Rede Vinti4*			*Mobile*		
Type of transaction	**Dec/18**	**Dec/19**	**Δ**	**Dec/18**	**Dec/19**	**Δ**	**Dec/18**	**Dec/19**	**Δ**
Movements – views	945.377	1.006.502	6%	125.891	114.401	-9%	116	71	-39%
Current account – views	81.082	91.942	13%	399.646	355.999	-11%	2.639	2.497	-5%
Cheque applications	47	40	-15%	105	154	47%	2	0	-100%
Internal transfers	96.501	108.644	13%	0	0	0%	0	0	0%
*Transfers to other credit institutions	29.889	28.533	-5%	8.239	11.185	36%	181	140	-23%
Payments of services	6.187	8.671	40%	2.936	5.949	103%	11	39	255%
Mobile phone crediting operations	29.368	32.147	9%	32.527	35.959	11%	5.904	4.483	-24%
Total	**1.188.451**	**1.276.479**	**7%**	**569.344**	**523.647**	**-8%**	**8.853**	**7.230**	**-18%**

* all ATM transfers are classified as transfers to other credit institutions

Figure 2 – Use of BIn@net in comparison to Rede Vinti4 and Mobile network, by type of transaction

There was an 8% growth in the number of the bank's POS terminals over the preceding year, in which the bank retained third position with a market share of 16%. BI has a 21% market share of the domestic ATM total with 43 ATMs spread out across the islands on which it has branches.

BIn@net continued its growth trend (up 15%), with a total number of 16,752 customers with active contracts, of which 14,100 personal and 2,652 corporate customers and the like, representing a coverage rate of 52% of the total number of active customers.

The 13% increase in cards over the preceding year was commensurate with the growth of active BIn@net customers.

Reference should be made, in the case of distance channels, to increases in transfers, payments of services and mobile phone crediting operations on *BIn@net* and *Rede Vinti4* channels.

5

MACROECONOMIC AND FINANCIAL[7]

7 Key economic data taken from the BCV's Economic and Financial Indicators report and the IMF's World Economic Outlook Database, both published in October 2019.

5.1. INTERNATIONAL

The external environment continued to favour domestic economic activity in Cape Verde, notwithstanding the continuous slowdown affecting the growth of its main partners.

Gross domestic product by volume in the euro area grew 1.2% in second quarter 2019, according to the estimates published by Eurostat, as opposed to growth of 2.2% in the same quarter of the preceding year. This performance was particularly noticeable in the reduction of net exports and private consumption.

Economic activity in the US also moderated in the second quarter, decelerating from 3.2% in second quarter 2018 to 2.3 %, according to US Department of Commerce estimates. Its performance was largely based on the growing contribution of public expenditure although this was insufficient to offset lower levels of consumption and private investment and contraction of exports.

Gross domestic product in the UK in the second quarter was up 1.3 %, in real terms, as in the same period of the preceding year. Slowing private consumption was offset by a more expressive growth of public expenditure and exports.

The labour market conditions of Cape Verde's principal trading partners over the last three months continued to show improvement. Unemployment rates of 7.4% and 3.7% in the euro area and US respectively in August, were down by a year-on-year 0.6 and 0.1 percentage points. The United Kingdom's unemployment rate of 3.8% in July was down 0.2 percentage points over July 2018. There was an across-the-board deterioration in the business and consumer confidence of Cape Verde's trading partners between the start of the year and August owing to less optimistic expectations over the performance of the global economy, heightened by commercial tensions between the US and China and uncertainties over the terms of the United Kingdom's exit from the European Union. The more accommodative guidelines of Federal Reserve monetary policies (culminating in a reduction of the fed funds rate in August and September to a range of between 1.75% and 2%) and those of the European Central Bank (occurring in September, with the reduction of the deposit facility rate to a negative 0.5% accompanied by a resumption of the assets purchasing programme) did not, up to the date in question, strengthen the sentiment of economic actors.

In the money market of greatest relevance to Cape Verde, Euribor rates, with the exception of the overnight rate, were down in August, influenced by expectations of the European Central Bank's issuance of more expansionary policy guidelines. Three, six and twelve month Euribor rates in August stood at all time lows of -0.41, - 0.41 and -0.36 per cent respectively (-0.31, -0.24 and -0.13 per cent in December 2018).

In the currency markets, in August 2019, in comparison to December 2018, the euro, as the currency to which the Cape Verde escudo is pegged, depreciated 0.3% in nominal effective terms and 2.3% against the US dollar. Year-on-year, the euro depreciated 0.9% in nominal effective terms and 3.7% against the US dollar. Available indicators and statistics suggest a favourable level of performance of the national economy over the last few months.

INTERNATIONAL INDICATORS

WORLD ECONOMIC OUTLOOK

	Real GDP growth as a %			
	2017^E	2018^E	2019^P	2020^P
World GDP	**3,8**	**3,6**	**3,2**	**3,5**
Advanced Economies	**2,4**	**2,2**	**1,9**	**1,7**
US	2,2	2,9	2,6	1,9
Euro area	2,4	1,9	1,3	1,6
Germany	2,2	1,4	0,7	1,7
France	2,3	1,7	1,3	1,4
Italy	1,7	0,9	0,1	0,8
Spain	3,0	2,6	2,3	1,9
Japan	1,9	0,8	0,9	0,4
United Kingdom	1,8	1,4	1,3	1,4
Emerging / Developing Economies	**4,8**	**4,5**	**4,1**	**4,7**
Brazil	1,1	1,1	0,8	2,4
Russia	1,6	2,3	1,2	1,9
India	7,2	6,8	7,0	7,2
China	6,8	6,6	6,2	6,0
Sub-Saharan Africa	2,9	3,1	3,4	3,6
International Trade by volume (Goods and Services)	**5,5**	**3,7**	**2,5**	**3,7**
Commodity Prices				
Energy	23,3	29,4	-0,4	-2,5
Non-energy	6,4	1,6	-0,6	0,5

Source: Bank of Cape Verde, supplied by the International Monetary Fund (IMF).

P - Projections July 2019.

E - Estimates July 2019.

GLOBAL EVOLUTION

According to the preliminary estimates of the National Statistics Institute (INE), GDP growth by volume was up one percentage point over the first quarter to 6.2%, largely fuelled by the recovery of the gross added value of transport, a sustained dynamic of trade and general government as well as the strengthening contribution of construction. There was also an increase in the contribution made by tax, net of subsidies to economic growth in the second quarter. On the demand side, improved economic performance essentially reflected the dynamics of exports in an environment of lower levels of imports and private consumption.

Average annual inflation of 1.2% in August was the same as in the preceding month and down 0.1 percentage points over December 2018. Year-on-year inflation stood at 1.5% (1% in August and December 2018).

The year-on-year increase of inflation in August particularly derived from the pressure on the foodstuffs and non-alcoholic beverages category whose price increases of 2.5% were mainly fuelled by the growth of the prices of horticultural products as well as fish and seafood, respectively, of 9.8% and 6%. The year-on-year increase of electricity prices (following adjustments of around 13% in March) and restaurants, cafés and similar establishments, up 7.5% and 7.7%, respectively, also contributed to the behaviour of consumer prices in August.

The year-on-year rate of change in underlying inflation, that eliminates the price trend on energy products and unprocessed foodstuffs, stood at 1.3% in August (at its highest since July 2017 and 0.1 percentage point up over global inflation), suggests a certain intensification of internal pressure on consumer prices.

The current account deficit in the second quarter of the year was down by a year-on-year 54.7%. The improved current account performance derived from lower levels of imports and services (11.1%) and goods (1.1%), in a context of a continuing albeit decelerating increase of exports of services (11%, against growth of 23% for the same period last year) and goods (6% against 51% for second quarter 2018).

The evolution of the capital account albeit with a surplus of CVe. 287.1 million (down CVe. 770.8 million year-on-year) was less favourable owing to a 79.5% decrease in capital donations to the State of Cape Verde.

The financial account had a deficit of CVe. 2,667.7 million in comparison to a deficit of CVe. 1,921.6 million in the same period last year. The increase of financing inflows particularly translated a reduction of banks' net external assets and net increase of disbursements of public debt, respectively, of CVe. 1,701 million and CVe. 1,261 million in comparison to the same period last year.

The improvement of the current account and increase of financing inflows to the economy resulted in an accumulation of CVe. 1,721 million (€15.6 million) in net international reserves in the second quarter. The stock of external reserves at 30 June, was sufficient to cover 5.85 import months projected for the year.

NATIONAL INDICATORS

	2016a	2017a	2018b	2019b	2020b
GDP at market prices (CVe. bn)	165,8	173,1	184,7	196,8	209,7
GDP (billion US dollars)	1,664	1,773	1,979	2,013	2,156
Real GDP growth (%)	4,706	3,702	5,078	4,973	4,953
Consumer price inflation (average %)	-0,250	0,269	1,003	1,01	1,6
Population (million)	0,540	0,546	0,553	0,559	0,566
Goods exports (% variation)	10,441	-5,931	26,330	11,864	11,767
Goods imports (% variation)	20,134	21,839	8,896	5,016	10,569
Current account balance (million US dollars)	-0,065	-0,117	-0,089	-0,088	-0,090
National reserves (GDP %)	33,075	31,527	32,069	33,091	33,33
USD/CVe. exchange rate (average)	99,4	99,70	97,90	89,20	89,20

Source: International Monetary Fund - World Economic Outlook Database

a. Real b. Estimate

5.2. MONETARY AND FINANCIAL SITUATION IN CAPE VERDE

The M2 monetary aggregate (money supply) was up by a year-on-year 3.5% in August and 3.2% over December 2018. The increase in the net international reserves stock, owing to the improved balance of trade and increase of net disbursements of external debt, resulted in the expansion of money supply, as there was a fresh deterioration of the banks' external position in July and August and a contraction of domestic credit (net) with an expressive 53% increase of central government deposits and a restrained 2.6% growth of the credit stock to the economy.

An analysis of components shows that year-on-year growth in the money supply reflected the 3.7% increase of quasi-monetary liabilities mainly owing to the recovery of emigrants' term deposits which were up 5.6%, following a 1.5% reduction in August 2018. Reference should be made, in the case of monetary liabilities, to the 3.4% increase of sight deposits (19% in August 2018), notwithstanding a significant deceleration in growth in comparison to past years.

In August, the effective average interest rate on bank loans stood at 9.72%. This was lower than the August and December 2018 rates by 0.77 and 0.53 percentage points, respectively. Borrowing rates continued to trend downwards, by 0.52 percentage points in August, in comparison to the same period last year and 0.38 percentage points over December last.

There was a global negative balance of CVe. 701 million in the public accounts in the second half year in comparison to a negative balance of CVe. 657 million for the same period of the preceding year. The deterioration of the public accounts particularly derived from higher costs of the acquisition of financial assets, in an environment of a slowing rate of growth of fiscal revenue.

Public revenue was up 6.2% (5.7% in second quarter 2018), fuelled both by the continuous increase of fiscal revenue, notwithstanding the lower growth of personal income tax, conditioned by the ongoing reduction of donations and moderation in terms of other revenue.

Current expenditure was up 5.1%, or 8.6 percentage points down over the growth recorded in comparison to the same period 2018. This was particularly driven by higher employee costs (fixed and permanent remuneration and social security contributions), social benefits, payment of interest on debt and the acquisition of goods and services which were up 5.6%, 15.7%, 7.9% and 18.5% respectively. The higher level of current expenditure was, however, contained by the moderation of other costs and reduction of transfers to general government.

In turn, the acquisition of non-financial assets increased by 26.6% in the second quarter, having recovered from a fall of 16% in the same period of the preceding year, fuelled by the implementation of safe, modern infrastructure programmes, general government management, conservation of biodiversity, transformation of agriculture, the tourism platform and the sustainable development plan.

Owing to the increase in its borrowing requirements, the state's gross debt stock, excluding consolidated financial investment certificates, stood at CVe. 232.8 billion at 30 June 2019 (CVe. 228.9 billion escudos in December 2018).

	%
Reference rate	1,50
Marginal lending rate facility	3,00
Permanent liquidity absorption rate facility	0,10
Rediscount rate	5,50

Source: Bank of Cape Verde

6

MAIN BUSINESS AREAS

6.1. COMPETITIVE POSITION

Banco Interatlântico's market share of business revenue at 31 December 2019 stood at 10.8%. This slight increase of 0.03 pp over the same period of the preceding year is essentially explained by an increase of around 5.8% in deposits and an increase of around 3.5% in gross credit, incorporating the effect of the decrease in the size of the credit portfolio on account of the 26.4% reduction of overdue credit (without which effect growth would have been 7.8%).

Amounts in CVe. million

Business Revenue	Dec-18	Dec-19	Dec. 19 - Dec. 18	
			Amount	%
System	323.476	338.137	14.661	4,5%
BI	34.821	36.514	1.694	4,9%
Market share	10,76%	10,80%		0,03 pp

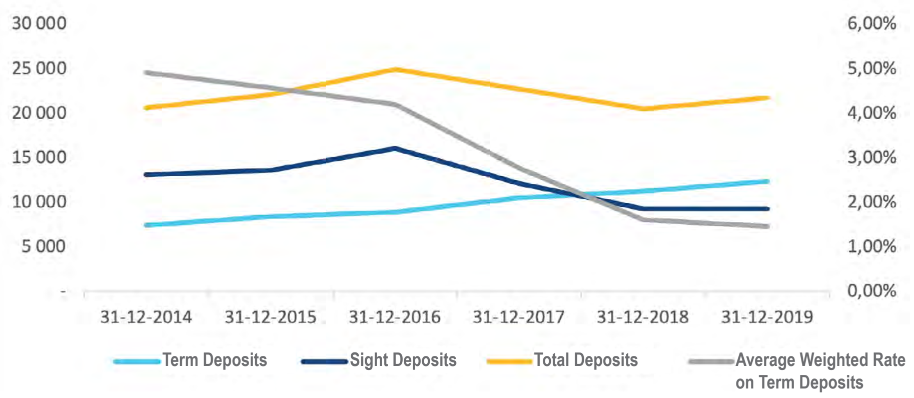
Source: Bank of Cape Verde September 2019 – does not include securities lending operations (public debt securities and bonds issued by corporate entities)

BI's position in December 2019 / BCV's position in September 2019

In 2019, following two years of negative annual variations of the deposits portfolio owing to the decrease of non-sight deposits as a consequence of the bank's reduction of borrowing rates, deposits were up by around 6%, accompanied by a stabilisation of non-sight deposits.

The interest on non-sight deposits was reduced from 4.92% in December 2014 to 1.69% in December 2018 and in December 2019 stood at 1.47%, accordingly fuelling a fall in the total portfolio interest rate from 3.23% to 0.73% in December 2018 and 0.63% in December 2019.

EVOLUTION OF DEPOSITS AND AVERAGE WEIGHTED RATE BETWEEN 2014 AND 2019



The bank's loans-to-deposits ratio was up 0.44 pp over 2018 to 63.8%[8] in 2019.

CVe. million

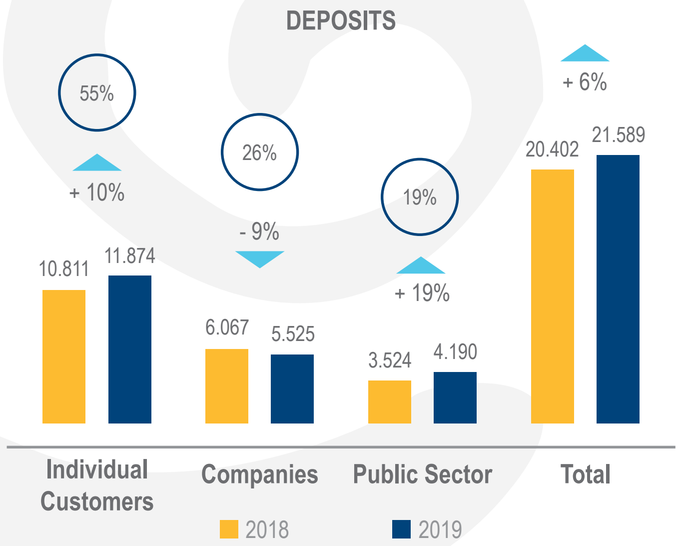
Customer resources	Dec-18	Dec-19	Dec. 19 - Dec. 18	
			Amount	%
System	208.432	221.307	12.875	6,2%
BI	20.514	21.702	1.188	5,8%
Market share	9,84%	9,81%	-1,26%	-0,04 pp

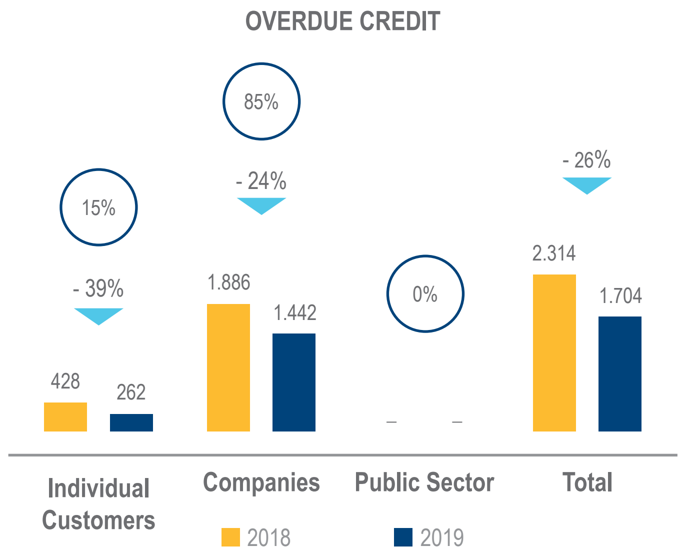
Source: Bank of Cape Verde September 2019 -

BI's position in December 2019 / BCV's position in September 2019

Owing to pricing reviews, since 2018, there has been an alteration of BI's deposits structure, with sight deposits accounting for the largest proportion of the bank's deposits. In December 2019, they represented 57% of total deposits, up by around 3 pp over December 2018.

8 Net credit / deposits, without securities.





The bank's 12.62% market share of gross credit was up 0.24 pp over the same period of the preceding year, essentially fuelled by mortgage lending and surpassing the effect of the decrease of overdue credit.

CVe. million

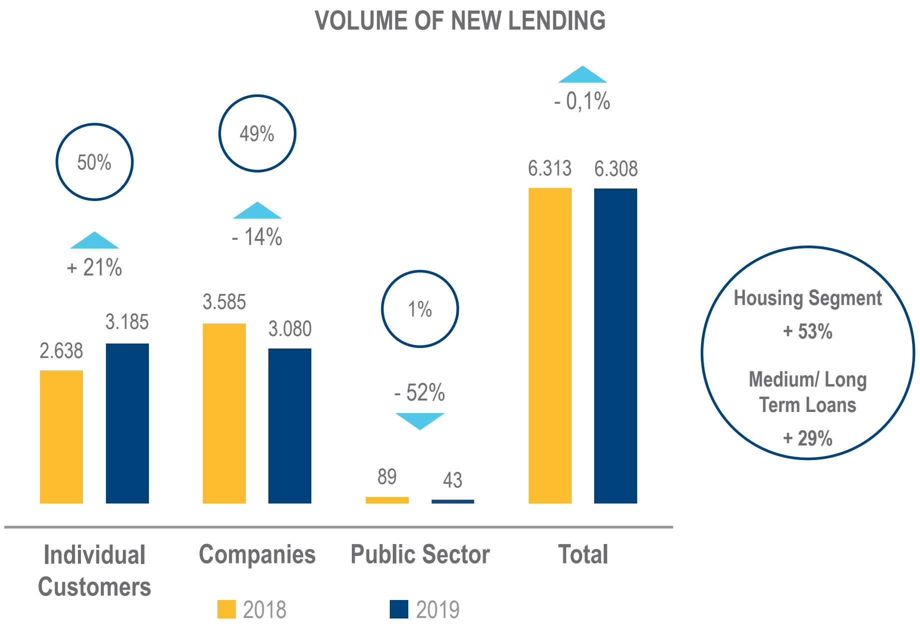
Gross credit	Dec-18	Dec-19	Dec. 19 - Dec. 18	
			Amount	%
System	115.043	116.830	1.787	1,5%
BI	14.307	14.812	505	3,5%
Market share	12,44%	12,68%		0,24 pp

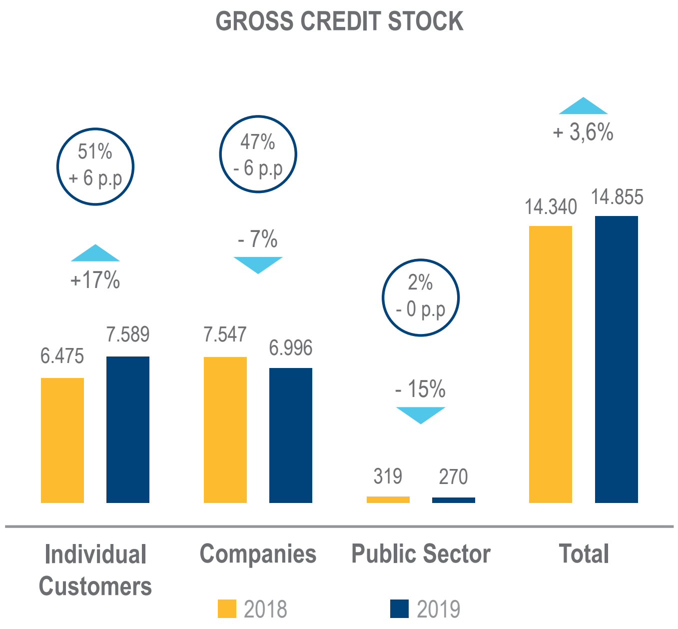
Source: Bank of Cape Verde September 2019 – does not include securities lending operations (public debt securities and bonds issued by corporate entities)

BI's position in December 2019/BCV's position in September 2019

Fresh lending of CVe. 6,308 million, in 2019, was slightly down by 0.1% over the preceding year and is explained by lending to corporates. Short term credit mainly comprising credit in use, was down by around 32% and medium and long term credit up by around 29%. The personal customers segment that, for the first time, accounted for a higher annual volume of new credit than the corporate segment, was up by around 21% over the preceding year, essentially owing to the 53% increase in mortgage lending as in preceding years. Consumer credit was also up by 32%.

Reference should be made to an increase in lending to the economy for investment.





For the first time, lending to personal customers, both in terms of volume of new credit as in existing credit stock, accounted for the largest proportion of the portfolio, mainly on account of the evolution of mortgage lending and buy-to-let and also owing to the improvement of cross-selling operations, customer loyalty and agreements with several major customers and institutions. It also explains the alteration of the of structure of the credit portfolio stock and major decrease in overdue corporate credit, owing to repayments and processes in progress (resulting in credit transfers, property repossessions, the temporary transfer of overdue credit to provisional credit recovery entries and write-offs of non-productive credit.

6.2. RETAIL BANKING

Business revenue from retail banking was up 12.6% over the same period of the preceding year to CVe. 19,463 million in December 2019, both on account of the growth of credit and deposits.

Personal and Small Business Customers	Dec-18	Dec-19	Dec. 19 - Dec. 18	
			Amount	%
Credit	6.475	7.589	1.114	17,2%
Deposits	10.811	11.874	1.063	9,8%
Business Revenue	17.286	19.463	2.177	12,6%

CVe. million

6.3. CORPORATE BANKING

Business revenue of CVe. 12,521 million in December 2019 with corporates and the like was down 8% over the stock existing in the same period of the preceding year, owing to a reduction of deposits, a 26% reduction of exposures in default, a decrease in the performing credit portfolio with a short term maturity (mainly credit in use), surpassing the effect of the increase of medium and long term credit.

Corporate Banking	Dec-18	Dec-19	Dec. 19 - Dec. 18	
			Amount	%
Credit	7.547	6.996	(551)	- 7,3%
Deposits	6.067	5.525	(542)	- 8,9%
Business revenue	13.614	12.521	(1.093)	- 8,0%

CVe. million

6.4. CREDIT BY SECTOR OF ACTIVITY

In December 2019, the construction and real estate activities sector continued to represent the largest proportion of concentration in the corporate segment credit portfolio (at 47.52%) up 6.77 pp over the same period of the preceding year.

The electricity generation, gas, steam and air conditioning sector recorded the largest decrease of around 2.06 pp, representing less than 1% of the total corporate credit stock.

Conversely, the general government and defence and social security sector posted the largest increase of around 2.65 pp in 2019.

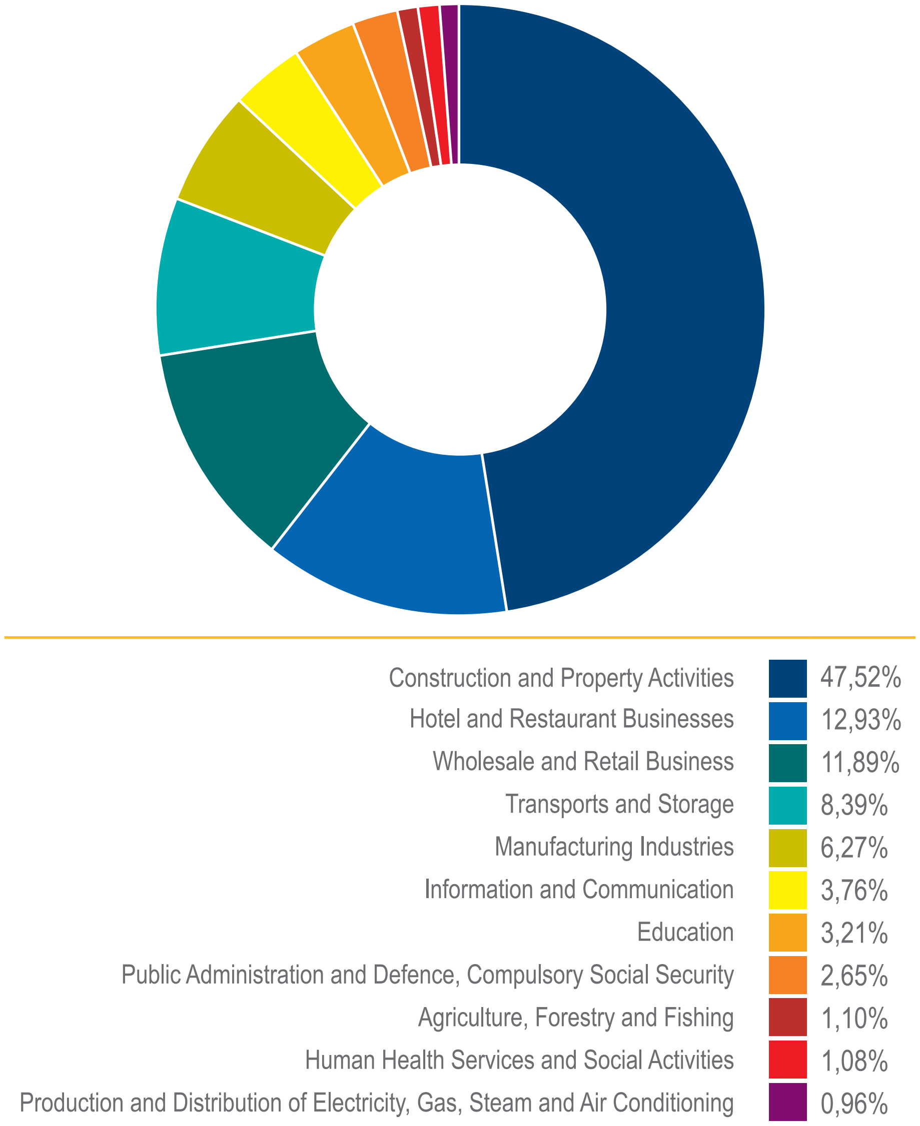


Figura 3 – Percentage of loans by activity sector

7

HUMAN RESOURCES

The bank ended 2019 with a staff complement of 152, up by 10 employees over 2018. Two staff members on secondment have managerial functions in Cape Verde.

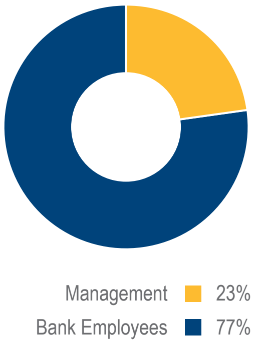
7.1. DISTRIBUTION BY TYPE OF EMPLOYMENT CONTRACT

The bank has a staff complement of 143 employees and 9 professional trainees. Ninety five of its total number of 143 employees have open-ended employment contracts (2 fewer than in 2018) and 48 have fixed-term employment contracts (up 12 over the preceding year).

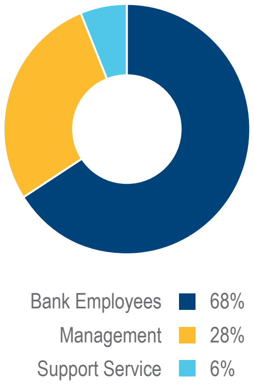
7.2. FUNCTIONAL DISTRIBUTION

The predominance of functional distribution in the commercial area continued across 2019, with 73 employees (51%). Seventeen of these employees had managerial positions.

COMMERCIAL AREA 51%



CENTRAL SERVICES 49%



7.3. DISTRIBUTION BY GENDER

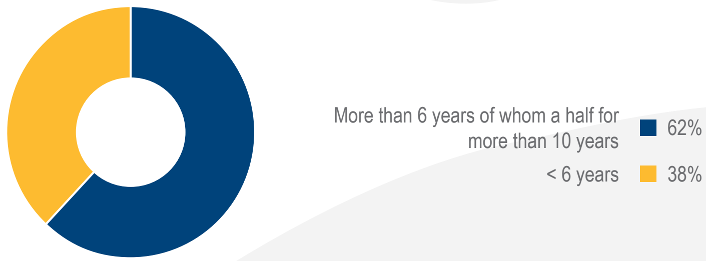
The bank's employee component comprises 66% women.Twenty four of the 36 management staff are also women (67%).

7.4. DISTRIBUTION BY AGE BANDS

Average employee age is 38, with most employees in the 31 to 40 years old bracket.

7.5. DISTRIBUTION BY SENIORITY

62% of the staff complement, totalling 89 employees, have been with the bank for more than 6 years and half of them for more than 10 years.



7.6. DISTRIBUTION BY ACADEMIC QUALIFICATIONS

61% of employees have higher level academic qualifications, 4% have first degrees, 33% have secondary and 2% have primary educational qualifications.

7.7. TRAINING

Thirty nine training actions, 6 of which given by Caixa Geral de Depósitos (CGD), 7 by the Bank of Cape Verde (BCV), 3 by the Cape Verde Stock Exchange (BVC), 4 by the Institute of Internal Auditors and 3 in-house courses were organised. An overall total of 136 employees, comprising 96% of the total employee complement was involved. Sixty four of the 136 trainees took part in three or more training activities.

8

SOCIAL RESPONSIBILITY

BI continued to implement its social support policy in 2019, in its support for social activities and on behalf of the community.

BI was accordingly able to back the following initiatives:

DONATIONS

- Aldeias Infantis SOS (SOS Children's Villages)
- Padre Campos Foundation (Father Campos Foundation)
- Jardim Mini Black Panthers (Mini Black Panthers Garden)
- Jardim Brincar e Crescer
- Donana Foundation
- FICASE
- Local Municipality of Ribeira Grande de Santiago[9]
- BI's indoor football team
- Seeds of Revolution Association
- Cape Verde Handball Federation
- National Veterans' Basketball Tournament

SPONSORSHIPS

- ***PSO Knowledge & Communication*** - "Financial Literacy and Banking Supervision" conference
- **BI's Indoor Football Team** - Participation in the *1º de Maio* indoor football tournament organised by STIF
- ***Casa das Bandeiras*** - *Nho San Filipe* Festival 2019
- ***5al da Música*** - Tribute to the Women of Cape Verde
- **CELUSA** - 10th edition of *PORfesta*
- **ARTiKUL CJ** - 7th edition of *Grito Rock* festival 2019
- **José Perdigão** - Production of *EnCanto* CD
- ***Arte Institute*** - Rita Redshoes concert
  Exhibition of *Portuguese no Soho documentary*
  Animation cinema at *MOTIM 2019*
  CPLP Short Films Festival CPLP
- **"Traficante de Palavras" theatre group** - Play – "Lensu Maradu"
- **Africa Youth Cup** - Young people's international football tournament
- **Pedro Cardoso bookshop** - *Burro Carga D'Água* – a book by João Fonsecaa
- **Mário Lúcio** - Concert in the Assembly of the Republic to celebrate 40 years of activity
- **Omar Camilo** - *Tabacaria* painting exhibition
- **Os Tubarões** - 2 events
- **Expresso das Ilhas/Público** - *Morna* collection as part of its candidacy for Unesco's Intangible Cultural Heritage list

9 To mark the occasion of the 10th anniversary of the classification of Cidade Velha as a Unesco World Heritage site..

9

FINANCIAL ANALYSIS

9.1. BALANCE SHEET

The bank's net assets were up 7.3% by kCVe. 1,664,884 over December 2018 to kCVe. 24,454,041 at 31 December 2019, essentially owing to:

i) A 46.8% increase of kCVe. 968,049 in short term loans and advances to the Central Bank of Cape Verde;

ii) The 5.1% year-on-year increase of kCVe. 898,256 in the credit portfolio (net), with unsecuritised credit accounting for around 95% of the variation;

iii) An 8.9% increase of kCVe. 148,792 in other assets around 50% of which comprising amounts associated with property repossessions;

iv) A 15.6% decrease of kCVe. 294,835 in liabilities;

Loans and advances to customers (net), including public debt securities and securities issued by corporate entities totalled kCVe. 18,416,668 , comprising a net growth rate of 5.1% over December 2018, fuelled by the growth of kCVe. 849,748 in unsecuritised credit and a kCVe. 48,507 increase in securitised credit.

Public debt securities exclusively comprising treasury bonds were up 3.4% by kCVe. 140,574 over December 2018 to kCVe. 4,287,912.

Bonds issued by corporate entities were down 25.4% by kCVe. 92,067 over December 2018 to a net amount of kCVe. 270,313, owing to portfolio redemptions.

Gross credit not represented by securities was up 3.6% by kCVe. 512,104 over December 2018 to kCVe. 14,856,400:

i) Outstanding credit in the personal customers segment was up 21.2% by kCVe. 1,280,260 mainly in the form of mortgage lending;

ii) Outstanding credit in the corporate segment was down 7.9%, essentially owing to the accounting of an overdue loan of a major customer which had already been classified as an NPL. Without this effect, outstanding corporate credit would have been up 3.9%;

iii) A 26.4% decrease of kCVe. 612,376 in overdue credit resulting from the resolution process on major defaulters.

Overdue credit of kCVe. 1,705,666, accounting for 11.3% of the gross credit total not represented by securities (down 4.7 pp over the same period of the preceding year), was down 26.4% by kCVe. 612,376 over December 2018.

Credit impairment not represented by securities was down 26.5% by kCVe. 344,522 over December 2018 to kCVe. 953,614 , mainly owing to credit portfolio adjustments. Impairment coverage of overdue credit was down 0.09 pp over December 2018 to 55.91%.

In net terms, credit not represented by securities was up 6.5%, to kCVe. 13,858,443.

The 50 largest borrowers accounted for 32.4% of the portfolio total, reflecting a 8.6 pp decrease of concentration over the same period of the preceding year. The 50 largest NPL customers represented 97.4% of total portfolio NPLs.

The NPE and NPL ratios of 10% and 13.2%, were down 3.2 pp and 4.7 pp respectively.

On the liabilities side, total customer resources were up 5.8% by kCVe. 1,188,308 over December 2018 to kCVe. 21,702,053. This variation is essentially related both to the 10.8% increase of kCVe. 1,201,512 in sight deposits and 0.2% decrease of kCVe. 16,354 in term deposits.

At 31 December 2019, the 10th and 50th largest customers accounted for 30.9% and 43.1% of the bank's total deposits respectively.

The bank's liquidity basically comprised loans and advances to the Bank of Cape Verde and state-issued treasury bills, in which the bank's management of its exposure limit endeavoured to maximise profitability without compromising its cash reserves for new operations.

The loans-to-deposits ratio, calculated on the basis of non-securitised credit (net) was 64.2%, slightly up by 0.4 pp over December 2018.

In terms of its financial strength, the bank complied with all of the prudential indicators required by the Bank of Cape Verde, with all of its ratios being higher than the lawfully required minimums. The bank's solvency ratio at 31 December was 14.8%.

9.2. PROFIT AND LOSS

In December 2019, net interest income was up 15% by kCVe. 131,047 over the same period of the preceding year to kCVe. 1,006,459 essentially owing to:

1 - A 42.9% decrease of kCVe. 106,107 in financial costs over the same period of the preceding year, owing to:

a) a 37.3% decrease of kCVe. 82,097 in the costs of non-sight deposits owing to the effect of the volume decrease (annual average in 2018 was kCVe. 10,437,049 , down kCVe. 1,107,809 over the annual average for 2019) and by the price effect (an average interest rate of 2.1% in 2018 down 0.60 pp over 2019);

b) the decreased costs of credit institutions' resources which were down kCVe. 5,940;

c) the maturity of BI's subordinated bonds in July 2018, as an explanation for the negative variation of kCVe. 16,630 in costs.

2 - A 2.2% increase of kCVe. 24,940 in interest and similar income over the same period of the preceding year, essentially owing to higher levels of income from the mortgage lending segment.

Non-interest income was up 6.8% by kCVe. 14,620 over December 2018 to kCVe. 228,109. Net commissions were up 33.9% over the same period of the preceding year (kCVe. 31,158) to kCVe. 122,983, comprising 0.34% of business revenue, up 0.09 pp over the same period of the preceding year.

Total operating income, up 13.4% by kCVe. 145,666 to kCVe. 1,234,568 was essentially fuelled by growth of net interest income.

Structural costs were up 7% by kCVe. 40,147 to kCVe. 615,471 in comparison to the same period of the preceding year, owing to the 2% increase of kCVe. 5,297 in employee costs, 12% increase of kCVe. 31,698 in general administrative costs and 6.3% increase of kCVe. 3,152 in depreciation and amortisation.

Net operating income before impairment was up 20.5% by kCVe. 105,520 over the same period of the preceding year to kCVe. 619,097.

Impairment and provisions (net) totalled kCVe. 131,683, accounting for around 21% of operating income and representing a lower proportion in comparison to December 2018 (down 64.7%). There was an increase of kCVe. 150,000 in 2018 owing to a decision of the supervisor.

Net income in December 2019 was up 187.9% by kCVe. 311,547 to kCVe. 477,373 in comparison to the same period of the preceding year, giving the bank its best ever result.

Cost-to-income was down 3 pp from 52.8% in December 2018 to 49.9% in December 2019.

Profitability levels were up over the same period of the preceding year, with ROE up from 8.7% to 21.6% and ROA from 0.7% to 2.0% between December 2018 and December 2019, respectively.

The evolution of credit in default was subject to dedicated oversight whose recovery mechanisms and procedures were strengthened by the bank. A significant improvement was recorded at 31 December 2019, resulting in a 26.4% decrease over the same period of the preceding year.

In a market still in stagnation and notwithstanding a certain improvement having been noted in the business environment, particularly in the public announcements of greater foreign investment in Cape Verde, the bank has pursued its strategy of mitigating risk, improving its profitability and improving the qualification of its human and technological resources.

This report is being finalised at a time of unprecedented instability and uncertainty caused by the Covid-19 pandemic whose effects, both worldwide and on Cape Verde, will be severe, but still unquantifiable and as a source of apprehension over the coming future, particularly owing to the interruption of the consolidation of the growth and recovery trend in the market in 2019 and the first few months of 2020.

10

PROPOSAL FOR THE APPROPRIATION OF NET INCOME

In a context of the still highly uncertain but undoubtedly violent effects of the Covid-19 pandemic the board of directors considers that it should recommend to its shareholders that the proposal for the appropriation of net income should make the best possible contribution to increasing the bank's financial strength, in line with the already known recommendations of the supervisors, based on the following appropriation of net income:

- Legal reserves – 10%
- Remainder for the coverage of negative retained earnings and to set up free reserves, strengthening the bank's own funds.

Based on the measures already approved by the supervisor and appropriating the full amount of profit for 2019 to own funds, the bank will in a better position to withstand the adverse effects of the present crisis.

23 June 2020

Chairman of the Board of Directors	Vice-chairman of the Board of Directors
José João Guilherme	José António da Silva de Brito
Board Member	**Board Member**
Maria João Fonseca Pacheco de Novais	Maria Zenalda da Rocha Costa Neves Leite
Board Member	**Board Member**
Paulo Jorge Carneiro de Figueiredo Silva	Pedro Gomes Soares
Board Member	**Board Member**
Manuel Fernando Monteiro Pinto	Fernando Manuel Domingos Maximiano
Board Member	**Board Member**
Eurisanda Venulda Cardoso Tavares Rodrigues	Dirceu César Lopes do Rosário

11

FINANCIAL STATEMENTS

BANCO INTERATLÂNTICO, S.A.

BALANCE SHEET AT 31 DECEMBER 2019 AND 2018

(Amounts in thousand Cape Verde escudos)

ASSETS	Notes	2019 Gross assets	2019 Impairment and depreciation	2019 Net assets	2018 Net assets	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2018	2017
Cash and cash balances at central banks	3	1 087 661	-	1 087 661	1 488 467	Other credit institutions' resources	14	128 953	189 012
Claims on other credit institutions	4	504 147	-	504 147	398 176	Customer resources and other loans	15	21 702 053	20 513 745
Financial assets at fair value through other comprehensive income	5	316 388	-	316 388	291 957	Provisions	16	39 723	15 024
Loans and advances to credit institutions	6	3 066 031	-	3 066 031	2 096 593	Current tax liabilities	12	33 605	1 306
Loans and advances to customers	7	19 380 311	(963 643)	18 416 668	17 518 413	Deferred tax liabilities	12	14 847	9 786
Non-current assets held-for-sale	8	37 800	(28 686)	9 114	-				
Other tangible assets	9	1 092 913	(822 687)	270 226	364 792	Other liabilities	18	126 071	133 459
Intangible assets	10	152 550	(111 060)	41 490	33 880	Total liabilities		22 045 252	20 862 332
Investments in subsidiaries, associates and jointly controlled enterprises	11	98 096	-	98 096	87 306				
Current tax assets	12	36 325	-	36 325	37 630	Capital	19	1 000 000	1 000 000
Deferred tax assets	12	5 091	-	5 091	17 931	Share issue premiums	20	388	388
Other assets	13	730 746	(127 941)	602 805	454 013	Fair value reserves	20	46 081	28 591
						Other reserves	20	897 846	784 405
						Retained earnings	20	(12 900)	(52 385)
						Profit for period	20	477 373	165 826
						Total shareholders' equity		2 408 790	1 926 826
Total assets		26 508 058	(2 054 016)	24 454 041	22 789 157	Total liabilities and shareholders' equity		24 454 041	22 789 157

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

PROFIT AND LOSS STATEMENT FOR THE PERIODS ENDED 31 DECEMBER 2019 AND DECEMBER 2018

(Amounts in thousand Cape Verde escudos)

	Notes	Dec-19	Dec-18
Interest and similar income	21	1 147 735	1 122 795
Interest and similar costs	22	(141 276)	(247 383)
NET INTEREST INCOME		1 006 459	875 412
Income from equity instruments	23	1 479	4 610
Income from services and commissions	24	162 241	160 120
Costs of services and commissions	24	(39 258)	(68 295)
Income from foreign exchange revaluations	25	47 896	42 727
Income from the disposal of other assets	26	370	4 988
Other operating income	27	55 380	69 339
TOTAL OPERATING INCOME		1 234 568	1 088 901
Employee costs	28	(266 350)	(261 053)
General administrative costs	29	(295 955)	(264 257)
Depreciation and amortisation for period	8 e 9	(53 166)	(50 014)
Provisions net of recoveries and cancellations	16	(24 699)	33 053
Impairment of other financial assets net of reversals and recoveries	17	(40 763)	(389 236)
Impairment of other assets net of reversals and recoveries	17	(66 221)	(16 766)
Income from associates and subsidiaries measured by the equity accounting method	10	21 625	26 504
INCOME BEFORE TAX		509 038	167 132
Tax			
Current	11	(33 605)	(1 306)
Deferred	11	1 940	-
		(31 665)	(1 306)
NET INCOME		477 373	165 826
Average number of ordinary shares issued		100 000	100 000
Earnings per share (CVe.)	30	4 774	1 658

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 30 DECEMBER 2019 AND DECEMBER 2018

(Amounts in thousand Cape Verde escudos)

				Other reserves and retained earnings					
	Capital	Issue premiums	Revaluation reserves	Legal reserve	Other reserves	Retained earnings	Total	Profit for period	Total
Balances at 31 December 2017	1 000 000	388	24 244	145 665	730 854	(146 396)	730 123	78 180	1 809 037
Distribution of profit for 2017:									
Incorporation in reserves and retained earnings	-	-	-	5 428	48 855		54 284		-
Payment of dividends					(146 396)	146 396	-		-
Adjustment for IFRS 9						(52 385)	52 385		(52 385)
Comprehensive income for period	-	-	4 347	-	-	-	-	165 826	170 173
Balances at 31 December 2018	1 000 000	388	28 591	151 093	633 313	(52 385)	836 792	244 006	1 926 825
Distribution of profit for 2019:									-
Use of reserves					(52 385)	52 385	-		-
Adjustment for IFRS 9						(14 780)	-		(14 780)
Cancellation of impairment - A Promotora						1 880			1 880
Comprehensive income for period	-	-	17 491	-	-	-	-	477 373	494 864
Balances at 31 December 2019	1 000 000	388	46 081	151 093	580 928	(12 900)	836 792	721 379	2 408 790

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2019 AND DECEMBER 2018

(Amounts in thousand Cape Verde escudos)

	Notes	dec-19	dec-18
Changes in the fair value of financial assets at fair value through other comprehensive income			
Change in period	19	22 551	5 835
Fiscal effect	19	(5 061)	(1 488)
Other comprehensive income		17 491	4 347
Net profit for period		477 373	165 826
Total comprehensive income for period		494 864	170 173

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND DECEMBER 2018

(Amounts in thousand Cape Verde escudos)

	dec-19	dec-18
Cash flows from operating activities		
Income from interest and commissions	1 309 976	1 282 915
Payment of interest and commissions	(180 534)	(315 677)
Foreign exchange income	47 896	42 727
Payments to employees and suppliers	(562 305)	(525 311)
Other receipts / (payments) for operating activity	55 750	74 327
Payments of income taxes	1 329	(16 663)
Operating income prior to changes in operating assets	672 113	542 318
(Increases) decreases in operating assets		
Available-for-sale financial assets		-
Loans and advances to credit institutions	(969 438)	712 223
Loans and advances to customers including Treasury Bills	(1 020 071)	(474 409)
Other assets	(186 326)	(208 310)
	(2 175 835)	29 504
Increases (decreases) in operating liabilities		
Central Banks' and other credit institutions' resources	(60 060)	(200 059)
Customer resources	1 188 308	(2 015 289)
Other liabilities	(7 388)	(374 541)
	1 120 861	(2 589 890)
Net cash from operating liabilities	(382 862)	(2 018 068)
Cash flows from investing activities		
(Increases) decreases in investment assets:		
Intangible assets	(20 995)	(8 230)
Other tangible assets	107 543	(12 585)
Dividends received	1 479	14 576
Net cash from investing activities	88 027	(6 239)
Cash flows from financing activities		
Dividends paid	-	-
Net cash from financing activities	-	-
Increase (decrease) net of cash and cash equivalents	(294 835)	(2 024 307)
Cash and cash equivalents at start of period	1 886 642	3 910 950
Cash and cash equivalents at end of period	1 591 808	1 886 642
	1 591 808	1 886 642

The annex is an integral part of these financial statements

12

NOTES TO THE FINANCIAL STATEMENTS

1. INTRODUCTORY NOTE

Banco Interatlântico, S.A.R.L (hereinafter BI or bank) is a commercial bank, founded in July 1999, as a result of the integration of the net assets of Caixa Geral de Depósitos, S.A.'s branch in Cape Verde, pursuant to which all of the branch's rights and obligations at 30 June 1999, were transferred to it.

The bank's objective consists of the performance of a banking activity and credit functions in general, as well as any financial or investment operations on securities or equity investments provided that they have been lawfully authorised.

The bank's headquarters are in Praia, in the Republic of Cape Verde. It has a network of nine branch offices five of which are located on Santiago, two on Sal, one on São Vicente and another on Boavista islands.

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 *notice* 2/2007 of 19 November issued by the Bank of Cape Verde.

These notes are, however, being published at a time when Cape Verde is engaged on an unprecedented struggle to combat the instability and uncertainty associated with the Covid-19 pandemic which has been sweeping across the world since the end of 2019.

Its effects on growth and the market recovery consolidation process in 2019 and first two months of 2020 will undoubtedly be marked but impossible to quantify, causing apprehension over the near future and particularly as regards the immediate continuity of several of the bank's customers.

2.2. Accounting policies

Information on the most significant accounting policies used for the preparation of the financial statements is set out below:

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*

The items included in the bank's financial statements are measured in the currency of the economic environment in which it operates (functional currency). The bank's financial statements and respective explanatory notes in this appendix are stated in thousand Cape Verde escudos (kCVe.) as the bank's functional currency unless otherwise explicitly stated.

Assets and liabilities denominated in a foreign currency are translated into Cape Verde escudos at the bank's average exchange rate on the last working day of each month. Exchange rate profit and loss is recognised in profit and loss for the period, unless originated by non-monetary financial instruments, such as shares, which are classified as financial assets at fair value through other comprehensive income and recognised in shareholders' equity up to the time of their disposal.

The Cape Verde escudo to euro exchange rate at 31 December 2019 and 31 December 2018 remained pegged at 1 euro to 110.265 Cape Verde escudos. The exchange rate against the US dollar (USD), at the same dates was as follows:

	Dec./2019	Dec./2018
1 USD	98,548	96,268

c) *Financial assets*

i) Financial assets

Financial assets are recognised at their respective 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 IFRS 9 categories at their time of initial recognition:

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 owing to their acquisition in a primary market by the bank, essentially to be held-to-maturity and with no active secondary market.

These assets are initially recognised at fair value, net of any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at their amortised cost net of any 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 financial instrument, enabling its present value to be matched to the value of the financial instrument on the initial recognition date.

Overdue credit and write-offs of capital and interest

Interest on overdue credit is written-off one day 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 with instalments in arrears is classified as being 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 loans written-off from assets are recognised in "Other operating income" in profit and loss.

ii) Impairment of financial assets

The bank periodically analyses impairment on its financial assets recognised at amortised cost, namely 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 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;
- Records of incidents of default in the financial system;
- Any existing operations deriving from credit restructuring operations or 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 there are 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 deterioration of the debtor's competitive position;
- A track record of collections suggesting that the nominal value will never be fully recovered.

The bank performs an individual analysis on all customers with liabilities of more than kCVe. 40,000.

Whenever any signs of impairment on individually assessed assets are identified, any impairment loss comprises the difference between the present value of the expectable receipt of future cash flows (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 are estimated on the basis of the track record of defaults and recoveries of assets with similar characteristics.

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

- Corporate loans
- Mortgage lending
- Issue of guarantees
- Other loans and advances to personal customers
- Public sector

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

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

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

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recognised at fair value, with any variations of fair value being directly recognised in "Revaluation reserves" in shareholders' equity.

The bank performs an analysis of any impairment losses on financial assets at fair value through other comprehensive income at each of the financial statement's reference dates.

d) *Financial liabilities*

Financial liabilities are recognised at their respective fair value at the agreement date, including the costs or income directly attributable to the transaction. Financial liabilities include credit institutions' and customer resources, debt issuances and liabilities incurred on the payment of services or purchase of assets, recognised in "Other liabilities".

Sales operations with repurchase agreements, i.e. treasury bonds and bills are recognised in "Customer resources and other loans". The corresponding securities continue to be recognised in the bank's portfolio.

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

e) *Assets received on credit recoveries*

Property and other auctioned goods obtained on the recovery of overdue credit are recognised in Other assets, in due expectation of their disposal in a period of more than 12 months.

These assets are not depreciated. The value of property received in kind for credit recovery purposes is periodically assessed. Impairment losses are recognised if the amount of the valuation, net of the estimated costs incurred on the sale of the property, is less than its book value.

Sales of auctioned property are written off from assets and any profit or loss recognised in "Income from the disposal of other assets".

f) *Reclassifications*

The bank reclassifies non-derivative financial assets with fixed or determinable payments and defined maturities from financial assets at fair value through other comprehensive income to financial assets held-to-maturity, provided it intends and is able to hold such financial assets to maturity.

These reclassifications are made on the basis of the fair value of the reclassified assets, measured on the transfer date. The difference between such fair value and the respective nominal value is recognised in profit and loss up to the time of the assets' maturity, based on the effective rate method. The fair value reserve at the transfer date is also recognised in profit and loss by the effective rate method.

A financial asset which is no longer held-for-sale or repurchase over the short term (in spite of the fact that it might have been acquired with this objective) may, in exceptional circumstances, be reclassified from financial assets to fair value through profit or loss. The asset's fair value at the date of reclassification will be its new or amortised cost, as applicable.

Transfers of financial assets at fair value through other comprehensive income to loans and advances to customers − securitised loans – are permitted if the bank has the intention and capacity to maintain them in the foreseeable future or up to maturity.

g) *Fair Value Ranking*

The bank's assets and liabilities at fair value are measured in accordance with the following fair value ranking of IFRS 13 – Fair value measurement:

Market prices (level 1)

This category includes financial instruments whose prices are available in official markets and those with entities that usually disclose transaction prices for these instruments traded in liquid markets.

The priority in respect of the prices used is given to those observed in official markets. In cases in which there is more than one official market the option falls to the principal market in which such financial instruments are traded.

The bank considers market prices to be those disclosed by independent entities based on the assumption that they are operating in their own economic interest and that such prices are representative of the active market and always, whenever possible, uses prices supplied by more than one entity (for a specific asset and/or liability).

Measurement methods based on observable market parameters/prices (level 2)

This category considers financial instruments measured by the use of internal models, namely discounted cash flow and options measurement models which entail the use of estimates and judgments that vary in conformity with the complexity of the products being measured. The bank, however, uses market-supplied variables such as interest rate curves, credit spreads, volatility and price indices as input for its models. It also includes instruments whose measurements are obtained on the basis of the prices disclosed by independent entities but in markets with less liquidity. The bank also uses observable market variables resulting from transactions on similar instruments which are observed with a certain level of recurrence in the market.

Measurement methods using non-observable market parameters (level 3)

This level includes measurements assessed by the use of internal measurement models or prices supplied by third parties but whose parameters are not observable in the market.

h) *Other tangible assets*

Other tangible assets are recognised at their acquisition cost, net of depreciation and accumulated 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 costs".

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

	Years of useful life	
	Acquired up to 2014	Acquired after 2015
Property for own use	50	50
Works on rented buildings	10	10
Equipment:		
Furniture and office material	12	8
Machines and tools	5 - 6	5
IT equipment	4	3 - 5
interior installations	8	5
Transport material	4 - 5	4 - 5
Security equipment	5	10
Other equipment	6	8

Land is not depreciated.

The costs of works on and improvements to property occupied by the bank as a lessee under operating leases is capitalised in this account and depreciated over an average period of 10 years.

Depreciation 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. Impairment losses can be reversed and also have an impact on profit and loss for the period if there is an increase in the asset's recoverable value in the following periods.

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

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

i) *Intangible assets*

This account essentially comprises the costs of acquisition, development or preparation for use of software used by the bank in performing its operations.

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

Software maintenance costs are recognised as a cost for the period in which they are incurred.

j) Investments in subsidiaries, associates and jointly controlled enterprises

This account includes investments in companies over which the bank wields significant influence but whose management it does not effectively control ("associates"). Significant influence is presumed to exist whenever the bank has a direct or indirect investment of between 20% and 50% of 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 measured at their acquisition cost and latterly adjusted on the basis of the bank's effective percentage of variations of its associates' shareholders' equity (including profit and loss).

k) *Income tax*

The bank, at 31 December 2019, was an "IRPC ("corporate income tax") taxpayer at a rate of 22% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 22.44% in accordance with the state budget law for 2019 published at 31 December 2019.

Current tax

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

Deferred tax

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 up to the amount of the probable existence of future taxable profit, permitting the use of the corresponding deductible tax differences or carry-back of fiscal losses. Neither are deferred tax assets recognised in cases in which their recoverability may be questionable owing to other situations, including issues regarding the interpretation of current tax legislation.

Notwithstanding the above, deferred tax relating to temporary differences arising 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 for the bank, comprise the impact of the adoption of IFRS and measurement of fair value through other comprehensive income.

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 their originating transactions have been recognised in other shareholders' equity accounts (such as revaluations of financial assets at fair value through other comprehensive income). 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 there is a current (legal or constructive) obligation resulting from past events which involve the probable future expenditure of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be disbursed to settle the liability at the balance sheet date.

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.

m) *Employee benefits*

Liabilities for employee benefits are recognised under the principles of IAS 19 – "Employee benefits".

Merit-based productivity bonuses paid to employees, are recognised in "Employee costs" for the respective period, on an accrual basis.

n) *Commissions*

Commissions on credit operations, essentially comprising commissions charged on opening and managing accounts, are recognised by the application of the effective interest rate method over the lifetime of the operations, notwithstanding the time when they are charged or paid.

Commissions associated with the issue of guarantees, documentary credit operations and card annuities are deferred on a straight line basis over the corresponding period.

Commissions for services provided are recognised as income across the period of provision of the service or as a lump sum if corresponding to payment for the performance of 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 accounts at their nominal value.

p) *Cash and cash equivalents*

For cash flow statements purposes, cash and cash equivalents include balance sheet amounts with a maturity of less than three months starting from the acquisition/ agreement date and in which the risk of a variation of value is immaterial, including cash and claims at central banks and other credit institutions.

q) *Critical accounting estimates and more relevant judgmental aspects for the application of accounting policies*

The bank's board of directors must produce estimates on 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.

Measurement of impairment losses on loans

Impairment losses on loans are measured by the methodology defined in note 2.2. g) ii. The measurement of impairment on individually analysed assets accordingly derives from the bank's specific valuation based on knowledge of its customers' status and guarantees associated with the operations in question.

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

The bank considers that impairment measured on the basis of this methodology permits the adequate recognition of the risk associated with its credit portfolio, based on IFRS 9 rules.

The bank's credit portfolio includes relevant amounts of credit to companies in the real estate and construction sector, including the financing of several projects related with the development of tourist resorts whose construction has currently been suspended. For the purposes of measuring individual impairment the bank's expectations of recovery are based on the recovery measures in progress and the measurements obtained for the guarantees underpinning the credit operations. However, achieving the expected recovery levels reflected in the credit impairment declared by the bank is contingent upon the evolution of the real estate property market in Cape Verde and the results of the concrete recovery measures in progress.

Measurement of impairment losses on financial assets at fair value through other comprehensive income

Capital losses on the measurement of such assets are recognised as a charge to "Revaluation reserves". Whenever there is objective evidence of impairment the accumulated capital losses recognised in revaluation reserves are transferred to costs for the period.

Measurement of financial instruments not traded in active markets

The bank, under IFRS 9, measures several instruments recognised as financial assets at fair value through other comprehensive income at their fair value. Measurement models and techniques are used to measure the value of financial instruments not traded in liquid markets. The measurements obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet (see note 33).

Impairment:

IFRS 9 – "Financial instruments" introduces a new loss model on the reduction of the recoverable value of financial assets in the form of the ECL (expected credit losses) model, that replaces the use of the incurred loss model of IAS 39 – "Financial instruments: recognition and measurement" in which it is no longer necessary for the event loss to occur for impairment losses to be recognised.

The impairment model of IFRS 9 – "Financial instruments" applies to the following financial assets:

- All financial assets measured at amortised cost (including lease agreements - IAS 17);
- Debt instruments measured at FVTOCI;
- Rights and obligations as referred to in IFRS 15 − "Revenue from contracts with customers" – in cases in which this standard refers to IFRS 9 − "Financial instruments";
- Assets which translate the right to the reimbursement of payments made by the entity when liquidating liabilities recognised under IAS 37 – "Provisions, contingent liabilities and contingent assets; and
- Loan liabilities (except when measured at fair value through profit or loss).

Income tax assessment

The bank assesses the amount of tax on profit (current and deferred) 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 are based on the bank's responsible bodies' best understanding of the correct classification of its operations although this may be queried by the fiscal authorities.

With the coming into force of the code on the tax of collective persons (IRPC code) on 1 January 2015, the bank considered its interpretation of the alterations enforced by the IRPC code, namely as regards the deductibility of impairment costs on credit, considering that, for fiscal purposes, impairment calculated under the terms of IFRS 9 and the impact of the transition to the new code would be accepted. The board of directors considers that the criteria and assumptions employed are in conformity with the legislation in force and that any differences in interpretation will only originate reclassifications between current and deferred taxes, without having an impact on profit and loss and the bank's shareholders' equity at 31 December 2019 (see note 33).

r) *Basic earnings per share*

Basic earnings per share are calculated by dividing the net profit attributable to the bank's shareholders by the weighted average number of ordinary shares in circulation, excluding the average number of treasury shares held by the bank.

s) *Operating segments*

The bank prepares annual information on segments for reporting purposes for the consolidated activities of Caixa Geral de Depósitos. The operating segments defined in this report are set out below:

- **Trading and sales –** Trading and sales include banking activity related to the management of the bank's own securities portfolio, management of issuances of debt instruments, money and foreign exchange market, repo type and brokerage operations. This segment includes loans and advances to and claims on other credit institutions.
- **Commercial banking –** Commercial banking includes lending activities and resource-taking from large, small and medium sized enterprises. This segment includes loans, current accounts, investment project finance, discounted bills, factoring, equipment and property leasing and the underwriting of syndicated loans as well as loans and advances to the public sector.
- **Retail banking –** Retail banking includes banking operations with personal customers, the self-employed and micro-enterprises. This segment includes consumer credit, mortgage lending, credit cards and deposits taken from personal customers, as well as international money transfers.

t) *Shareholders' equity*

Ordinary shares, when realised, are classified in shareholders' equity.

The unrealised part of the capital is not recognised. Any costs involved in the issuance of new shares are recognised in shareholders' equity as a deduction from additional equity funding.

In the case of capital increases, the share issue premium comprises the difference between the subscription price and nominal value.

Supplementary capital payments are recognised in shareholders' equity, when no repayment period has been defined, when no interest is payable and when they meet the other conditions for recognition in shareholders' equity accounts.

u) Payment of dividends

The payment of dividends is recognised as a liability in the company's financial statements, in the period in which the dividends have been approved by the shareholder at a general meeting.

IFRS disclosures – new standards at 31 December 2019

1 - New standards and interpretations applicable in the period

The following issuances, revisions, alterations and improvements to standards and interpretations, effective 1 January 2019, have been introduced, following their endorsement by the European Union (EU):

a) Revisions, alterations and improvements to standards and interpretations endorsed by the EU without any effects on the bank's financial statements:

IAS 7 – Disclosure initiative

The alterations to IAS 7 are part of the IASB's disclosure initiatives project and help users of financial statements to improve their understanding of alterations to an entity's debt. The alterations require an entity to disclose the alterations to its liabilities related to financing activities, including alterations to its cash and non-cash flows (such as unrealised profit and loss on foreign exchange operations).

The alterations are applicable to the annual periods beginning on or after 1 January 2017. Entities are not obliged to disclose comparative information.

IAS 12 − Recognition of deferred tax assets on unrealised losses – alterations to IAS 12

The IASB has made alterations to IAS 12 to clarify the accounting of deferred tax assets on unrealised losses on debt instruments measured at fair value.

The alterations clarify that an entity should consider whether a country's fiscal rules restrict sources of taxable income against which deductions can be made at the time of reversal of a temporary deductible difference. The alterations also issue guidelines on how an entity should measure its future taxable income and explain the circumstances in which such taxable income may include the recovery of certain assets for an amount of more than their book value.

The alterations are applicable to the annual periods beginning on or after 1 January 2017. However, at the time of the initial application of these alterations the alteration to the initial shareholders' equity of the oldest comparative period presented may be recognised in the initial retained earnings of the most recent comparative period presented (or in another shareholders' equity component, as appropriate), without allocating this alteration between the initial retained earnings and other initial shareholders' equity components. Entities applying this option must disclose this fact.

Annual improvements to the 2014-2016 cycle

In its annual improvements to the 2014-2016 cycle, the IASB made the following improvement, effective from 1 January 2017:

- IFRS 12 − Disclosures of interests in other entities

  This improvement clarifies that the disclosure requirements of IFRS 12, in addition to the dispositions of paragraphs B10 to B16, are applicable to an entity's interests in subsidiaries, joint ventures or associates (or part of its interest in joint ventures or associates) which are classified (or included in a classified disposal group) as being held-for-sale. This improvement is effective from the periods beginning on or after 1 January 2017 and should be applied retrospectively.

2 - New standards and interpretations implemented in 2018

IFRS 15 – Revenue from contracts with customers

This standard applies to all revenue from contracts with customers and replaces the following existing standards and interpretations: IAS 11 – Construction contracts, IAS 18 - Revenue, 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). The standard applies to all revenue from contracts with customers unless the contract falls within the sphere of IAS 17 (or IFRS 16 - Leases when applied).

It also provides a model for the recognition and measurement of disposals of several non-financial assets, including disposals of goods, equipment and intangible assets.

This standard underlines the principles to be applied by an entity when measuring and recognising revenue. The basic principle is that an entity should recognise the amount of revenue that reflects the consideration to which it considers it is entitled in exchange for the goods and services promised under the contract.

The principles of this standard should be applied in five steps: (1) identification of the contract with the customer (2) identification of the contract's performance obligations (3) assessment of transaction price (4) allocation of transaction price to the contract's performance obligations and (5) recognition of revenue when the entity meets a performance obligation.

The standard requires an entity to exercise professional judgment in its application of each of the model's steps, taking all of the relevant facts and circumstances into consideration.

This standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to the fulfilment of a contract.

The standard should be applied in all periods beginning on or after 1 January 2018. Application is retrospective, with entities able to choose whether to apply a full or a modified retrospective approach. The early adoption of application is permitted.

Clarification of IFRS 15

The IASB issued amendments to IFRS 15 in April 2016, to address various issues related to the standard's implementation.

The following amendments were made:

i) Clarification of when a product or promised service is different under the terms of the contract;
ii) Clarification of when the principal vs. agent guide should be applied, including the measurement unit for assessment purposes, how to apply the principle of control in a service transaction and how to restructure the indicators;
iii) Clarification of when an entity's activities significantly affect the intellectual property (IP) to which the customer is entitled as one of the factors for deciding if an entity recognises revenue from a licence over time or at a specific point in time;
iv) Clarification of the sphere of the exceptions for sales and usage-based royalties related to IP licences (royalty constraint) when no other goods or services have been promised under the contract. Addition of two practical opportunities in the transition requirements of IFRS 15: (a) contract completions based on the full retrospective approach; and (b) contract modifications on transition.

These clarifications should be simultaneously applied with IFRS 15, to the periods beginning on or after 1 January 2018. Early application is permitted provided adequate disclosures have been made. Application is retrospective, with entities able to choose whether to apply a full or a modified retrospective approach.

Impact: This standard is more demanding than the current standard and there are more guides for its application. The disclosures are also more extensive.

IFRS 9 – Financial Instruments

This standard may be summarised by the following themes:

Classification and measurement of financial assets

I. All financial assets are measured at fair value on the date of initial recognition, adjusted for the transaction costs if the instruments are not accounted for at fair value through profit or loss (FVTPL). However, customer accounts without a significant financing component are initially measured at their transaction price, as defined in IFRS 15 – "Revenue from contracts with customers".
II. Debt instruments are latterly measured on the basis of their contractual cash flows and the business model under which such instruments are held. If a debt instrument's contractual cash flows comprise only payments of principal and interest on the amount of outstanding principal and is held as part of a business model with the objective of holding the assets for the purpose of receiving contractual cash flows, the instrument is accounted for at amortised cost. If a debt instrument's contractual cash flows are exclusively made up of payments of principal and interest on the outstanding principal and held as part of a business model with the objective of receiving contractual cash flows and from the sale of financial assets, then the instrument is measured at fair value through other comprehensive income (FVTOCI) and subsequently reclassified to profit and loss.
III. All other debt instruments are subsequently accounted for at FVTPL. There is also an option allowing financial assets at the time of initial recognition to be designated at FVTPL if this eliminates or significantly reduces a significant accounting mismatch in profit and loss for the period.
IV. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option, on an instrument by instrument basis, to recognise the alterations in the fair value of non-commercial instruments in the comprehensive income statement (without subsequent reclassification to profit and loss for the period).

Classification and measurement of financial liabilities

I. For financial liabilities at FVTPL using the fair value option, the amount of the alteration of the fair value of these financial liabilities attributable to alterations of credit risk should be set out in the comprehensive income statement. The rest of the alteration of the fair value should be recognised in profit and loss unless the presentation of the alteration of the fair value relative to the credit risk of the liability in the comprehensive income statement creates or expands an accounting mismatch in profit and loss for the period.

II. All of the other classification and measurement requirements for the financial liabilities of IAS 39 have been transposed to IFRS 9, including the rules for separating out embedded derivatives and the criteria for the use of the fair value option.

Impairment

I. Impairment requirements are based on an expected credit loss (ECL) model, which replaces the incurred loss model of IAS 39.

II. The ECL model applies to: (i) the accounting of debt instruments at amortised cost or fair value through comprehensive income (ii) most loan commitments (iii) financial guarantee contracts (iv) contractual assets in the sphere of IFRS 15 and (v) accounts receivable from leases in the sphere of IAS 17 − Leases.

III. Entities must generally recognise ECL on a 12 months or lifetime basis, depending upon whether there has been a significant increase in credit risk since the time of initial recognition (or time when the commitment has been made or guarantee issued). For accounts receivable from customers without a significant financing component and depending upon an entity's choice of accounting policy for other customer loans and accounts receivable on leases, a simplified approach may be made in which lifetime ECLs are always recognised.

IV. The measurement of the ECL should reflect the weighted probability of the result, effect of the value of money over time and be based on reasonable and suitably justified information which is available at no cost or without the need to expend excessive effort.

Hedge accounting

I. Hedge effectiveness tests should be prospective and may be qualitative, depending upon the complexity of the hedge, without the 80%-125% test.

II. The risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

III. The value of an option over time, the forward element of a forward contract and any foreign currency base spread may be excluded from the designation as hedge instruments and be accounted as hedge costs.

IV. Broader collections of items may be designated as hedged items, including designations by layers and several net positions.

The standard is applicable for the years beginning on or after 1 January 2018. Early application is permitted provided that it is adequately disclosed. The application varies in line with the standard's requirements and is partly retrospective and partly prospective.

Impact: The application of the IFRS may alter the measurement and presentation of financial instruments, depending upon the respective underlying cash flows and business model under which they are held.

Impairment is generally the result of the early recognition of impairment losses.

The new hedge accounting model may also lead to more instruments being accounted as hedges.

3 - IFRS disclosures – new standards at 31 December 2019

Alterations to accounting policies

Voluntary alterations to accounting policies

There were no voluntary modifications to accounting policies in 2019, in comparison to those considered in the preparation of the financial information for the preceding year, set out for comparison purposes.

4 - New standards and interpretations applicable in the period

The following standards were applicable from 1 January 2019:

IFRS 16 - Leases

IFRS 16 includes leases on all assets, with several exceptions. A lease is described as being a contract, or part of a contract that transfers the right to use an asset (the underlying asset) for a period of time in exchange for a consideration.

IFRS 16 requires lessees to account all leases on the basis of a single on-balance recognition sheet model in the same way as the treatment afforded to financial leases under IAS 17. The standard recognises two exceptions to this model: 1) low value leases (e.g. personal computers) and short term leases (i.e. a lease period of less than 12 months). When the lease becomes effective, the lessee will recognise the liability for the lease payments (i.e. the lease liability) and the asset comprising the right to use the underlying asset during the lease period (i.e. ROU − right of use).

Lessees must recognise the interest expense attached to the lease liability and the depreciation of the ROU, separately. Lessees must also re-measure the lease liability on the basis of the occurrence of certain events (such as a change in the lease period, an alteration to future payments resulting from an alteration of the reference index or rate used to assess such payments). The lessee recognises the amount of the re-measurement of the lease liability as an adjustment to the ROU.

A lessee's accounting process remains substantially unchanged in comparison to its current treatment under IAS 17. The lessor continues to classify all leases using the same principles as in IAS 17, differentiating between two types of leases: operating and finance leases.

Lessees may apply this standard on the basis of the retrospective or modified retrospective approach, based on the use of specific practical transition expedients. Early adoption is permitted but only after the entity's application of IFRS 15 − revenues from contracts with customers.

There will be an acceleration of the recognition pattern on instalment costs in comparison to the current situation. This may, accordingly, have an impact on an entity's key balance sheet indicators such as leverage and financial ratios, debt covenants and profit as in ***earnings before interest, taxes, depreciation, and amortisation*** (EBIDTA).

A lessee's cash flow statement may also be affected as the payments of principal associated with the lease agreement are now recognised in cash flows from financing activities. The lessee's accounting process remained substantially unaltered in comparison to their current treatment under IAS 17.

The standard requires lessees and lessors to provide more extensive disclosures than required by IAS 17.

Given the referred to accounting implications, lessees should carefully assess whenever they enter into an agreement whether it is or contains a lease agreement. Such an assessment is equally relevant to enable lessors to decide which contracts (or part of contracts) are subject to the new standard applying to revenue.

IFRIC 23 (interpretation) Uncertainty over income tax treatments

In June 2017 the IASB issued IFRIC 23 – Uncertainty over different income tax treatments (interpretation) which clarifies the requirements for the application and measurement of IAS 12 − Income taxes in the event of any uncertainty over the treatment of income tax.

The interpretation addresses the accounting of income tax when the fiscal treatments involve uncertainty and affect the application of IAS 12. The interpretation does not apply to charges or taxes other than in the sphere of IAS 12, nor does it specifically include requirements relating to interest or fines associated with tax treatment uncertainties.

The interpretation specifically addresses the following:

- Whether the entity considers fiscal treatments separately;
- The entity's assumptions over the examination of tax treatments by the fiscal authorities;
- How the entity measures fiscal profit (loss), calculation bases, unused fiscal losses, unused fiscal credit and fiscal charges;
- How the entity considers changes in facts and circumstances.

The entity decides if each uncertain tax treatment is considered separately or jointly with one or more fiscal treatments and considers the best approach to resolve the uncertainty.

The application of this interpretation may represent a challenge for entities, particularly those that operate in multinational environments with more complex fiscal environments.

Entities may also have to assess whether they have established adequate processes and procedures to promptly obtain all of the information necessary for the application of the interpretation requirements to enable the provision of all of the disclosures required by the standard.

Prepayment features with negative compensation – alterations to IFRS 9

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or fair value through other comprehensive income provided that the implied cash flows comprise "solely payments of principal and interest on the outstanding principal " (SPPI criterion) and the instrument is held as part of a business model permitting this classification. The alterations to IFRS 9 clarify that a financial asset passes the SPPI criterion, notwithstanding the event or circumstances causing the early termination of the contract and notwithstanding the party paying or receiving reasonable compensation for the early termination of the contract.

The bases for the conclusion of this alteration clarify that early termination may be the consequence of a contractual clause or an event beyond the control of the parties to the contract, such as alterations of laws or regulations leading to the early termination.

The alterations must be applied whenever the amount of the early payment is similar to the unpaid amounts of principal and interest net of an amount that reflects the alteration of the benchmark interest rate. This implies that the early payment recognised at its present fair value or a value that includes the fair value of the termination cost of an associated hedge instrument should normally meet the SPPI criterion only if other elements of the variation of fair value, such as the effect of credit or liquidity risk, are reduced. Most probably, the cost of rescinding a plain vanilla interest rate swap contract guaranteed for the purpose of minimising the credit risk of the parties to the contract should meet this requirement.

These alterations should be applied retrospectively. The alteration entails specific requirements to be adopted in the transition but only if the entities adopt them in 2019 and not in 2018 in conjunction with IFRS 9.

Modification or substitution of a financial liability which does not originate the derecognition of this liability

In the bases for its conclusion, the IASB also clarifies that IFRS 9 requirements for the adjustment of the amortised cost of a financial liability, when a modification (or substitution) does not result in its derecognition, are consistent with the requirements applied to the modification of a financial asset which does not result in its derecognition. This means that profit or loss resulting from the modification of this financial liability which does not result in its derecognition, calculated by discounting the alteration of the cash flows associated with this liability at its original effective interest rate, is immediately recognised in profit and loss.

The IASB made this comment in the bases for its conclusions relative to this alteration in its belief that current IFRS 9 requirements supply a good basis for entities to account for the modifications or substitutions of financial liabilities and that no formal alteration to IFRS 9 is necessary on this matter.

The IASB declared that this clarification on the modification or substitution of financial liabilities specifically refers to the application of IFRS 9. As such it could be understood that this clarification does not need to be applied to the accounting of the modification of financial liabilities in accordance with IAS 39 − Financial instruments: recognition and measurement. The occurrence of a change in the accounting transition is therefore probable for entities that did not apply this accounting process under IAS 39. As there are no specific expedients, this alteration should be applied retrospectively.

IAS 19 (alteration). Alterations, curtailments or settlement of the plan

This alteration clarifies the accounting treatment to be used in the event of an alteration to the plan, or its curtailment or settlement.

Determining the current servicing and net interest cost:

When a defined benefits plan is accounted for under IAS 19, the standard requires current servicing costs to be measured on the basis of actuarial premises determined on the date of the beginning of the reporting period. Similarly the net interest is measured by multiplying the plan's net liability (asset) by the discount rate, both of which determined on the date of the beginning of the reporting period. This alteration clarifies that the following is required in the event of an alteration, curtailment or settlement of the plan during the period:

- That the current servicing cost for the remaining period should be measured on the basis of the actuarial premises used to re-measure the plan's net liability (asset) which reflects the benefits offered by the plan and the plan's assets after this event;
- That the net interest for the remaining period after this event should be determined by using:
  - The plan's net liability (asset) which reflects the benefits offered by the plan and the plan's assets after this event; and
  - The discount rate used to re-measure the plan's net liability (asset). Effect on the requirements for determining the maximum limit on the recognition of the asset.

An alteration, curtailment or settlement of the plan may reduce or eliminate the surplus existing in the defined benefits plan which could lead to an alteration to the maximum limit on the asset's recognition.

This alteration clarifies that any past servicing cost or profit or loss on the settlement should firstly be determined, without considering the maximum limit for the asset's recognition. This amount is recognised in profit and loss for the period. The effect of the maximum limit on the recognition of the asset after the alteration, curtailment or settlement of the plan should latterly be determined. Any alteration of this effect, not considering the amounts included in the net interest, is recognised in comprehensive income.

This clarification could lead an entity to recognise past servicing costs or profit or loss on the settlement, which reduces the surplus which had not been recognised in the past. Alterations of the effect of the maximum limit on the asset's recognition cannot offset these amounts.

This alteration is applicable to alterations, curtailments or settlements of plans occurring on or after the start of the first annual reporting period beginning on or after 1 January 2019. Early adoption is permitted but must be disclosed.

Long term interests in associates or joint ventures – alterations to IAS 28

The alterations clarify that an entity should apply IFRS on its long term interests in associates or joint ventures to which the equity accounting method is not applied but which, in substance, are part of the net investment in this associate or joint venture (long term interests). This clarification is relevant as it implies that the expected loss model of IFRS 9 should not be applied to such investments.

The IASB also clarified that, in applying IFRS 9, an entity should not take into account any of the associate's or joint venture's losses or impairment losses on the net amount of the investment, which are recognised as an adjustment to the net investment deriving from the application of IAS 28.

The IASB published several examples when it issued the alteration to illustrate how entities should apply IAS 28 and IFRS 9 requirements on long term interests. The alterations will enable several ambiguities in the standard's text to be eliminated.

This alteration is effective for the periods beginning on or after 1 January 2019. The alteration must be applied retrospectively, with several exceptions. Early adoption is permitted but must be disclosed.

Annual improvements to the 2015-2017 cycle

In its annual improvements to the 2015-2017 cycle, the IASB has made improvements to four standards as summarised below:

IFRS 3 – Business combinations – previously held interest in a joint operation:

- The alterations clarify that an entity achieving control over a joint operation should apply the business combination requirements in stages, including the re-measurement of the interest previously held in the sphere of the joint operations' assets and liabilities for fair value purposes.
- When doing so, the acquirer re-measures the interest previously held in the joint operation.
- The alteration applies to business combinations whose acquisition date is either on or after the start of the first reporting period beginning on or after 1 January 2019. Its early adoption is permitted.

IFRS 11 Joint arrangements – interest held prior to a joint operation

- A party participating in, but which does not wield joint control, over a joint operation, may achieve joint control of a joint operation whose activity comprises a business as defined in IFRS 3. This alteration clarifies that the previously held interest should not be re-measured.
- The alteration is applicable to transactions in which an entity achieves joint control on or after the start of the first reporting period beginning on or after 1 January 2019. Its early adoption is permitted.

IAS 12 – Income taxes – consequences in terms of income tax deriving from payments relative to financial instruments classified as equity instruments

- These alterations clarify that the consequences in terms of income tax on dividends are directly associated with the transaction or event that has generated distributable profit to shareholders. An entity, accordingly, recognises the tax impacts in profit and loss, comprehensive income or other equity instrument in accordance with the way in which the entity has recognised such transactions or events in the past.
- These alterations are applicable for the annual periods beginning on or after 1 January 2019. Early adoption is permitted. When an entity applies these alterations for the first time it should apply them to the tax consequences on dividends recognised on or after the start of the oldest comparison period.

IAS 23 – Borrowing costs – costs of loans eligible for capitalisation

- The alteration clarifies that an entity processes any loan originally obtained for the development of an eligible asset as part of its global loans, when all of the activities required to prepare the said asset for its intended use or for sale have been substantially completed.
- The alterations are applicable to the costs of loans incurred on or after the beginning of the reporting period in which the company adopts these alterations.
- These alterations are applicable to annual periods beginning on or after 1 January 2019. Their early adoption is permitted.

IFRS 10 and IAS 28: Sale or delivery of assets by an investor to its associate or jointly owned enterprise

- The improvements endeavour to resolve the conflict between IFRS 10 and IAS 28 in the event of the loss of control over a subsidiary which is sold or transferred to an associate or jointly owned enterprise.
- The alterations to IAS 28 introduce different recognition criteria on the effects of sales transactions or deliveries of assets by an investor (including its consolidated subsidiaries) to an associate or jointly owned enterprise depending on whether or not the transactions involve assets comprising a business as defined in IFRS 3 – Business combinations. When the transactions comprise a business combination, under the required terms, the profit or loss should be fully recognised in an investor's profit and loss statement for the period. If, however, the transferred asset is not a business, the profit or loss shall continue to be recognised only to the extent that it refers to the other investors (not related).
- In December 2015, the IASB decided to defer the date of application of this amendment up until the finalisation of any amendments resulting from the investigation regarding the equity accounting method. The early application of this amendment continues to be permitted and must be disclosed. The alterations should be applied prospectively.

Upon the date of the approval of these financial statements, the standards and interpretations endorsed by the European Union, but whose application is mandatory in future years, are as follows:

Definition of materiality – alterations to IAS 1 and IAS 8

The objective of this alteration was to improve the consistency of the definition of "material" across all standards in force and to clarify several aspects related to its definition. According to the new definition, "information is material if it is reasonable to expect that any omission, error or occultation thereof could influence the decisions made by primary users on the basis of such financial statements, which supply financial information on a specific entity on which it reports". The alterations clarify that materiality is contingent upon the nature and magnitude of the information, or both. An entity must assess if a certain item of information, either individually or combined with other information, is material in the context of the financial statements.

Concealing information

The alterations explain that any information has been concealed if it is communicated in a form which has the same effects it would have had if it were omissive or contained errors. By way of example, material information could also be concealed if the information on a material item, material transaction or other material event is dispersed across the financial statements or if it is disclosed in vague and unclear language. Material information may also be concealed if dissimilar items, dissimilar transactions or dissimilar events are inappropriately aggregated, or inversely, if similar items have been disaggregated.

New materiality level (“threshold”)

The alterations replace the reference to a level of materiality to “may influence”, which suggests that any potential influence on users must be considered as being “reasonably expected to influence” contained in the definition of materiality. The altered definition therefore clarifies that the assessment of materiality must only take into account the reasonably expected influence on the economic decisions of primary users of the financial statements.

Primary users of financial statements

The current definition refers to “users”, but does not specify their characteristics Its interpretation could imply that the entity must take into consideration all possible users of the financial statements when making the decision on the information to be disclosed. The IASB consequently decided to only make reference to primary users in the new definition to provide for the concerns that the use of the term “users” could be interpreted in a broader context.

This alteration is effective for the periods beginning on or after 1 January 2020. It must be applied prospectively. Early adoption is permitted but must be disclosed.

Note: This alteration also impacts IFRS Practice Statement 2: making judgements on materiality, as disclosed in the IFRS Update issued with regard to 31 December 2017.

Conceptual structure for financial reporting

The conceptual structure establishes a broad range of concepts for:

- Financial reporting;
- The definition of standards;
- The development of consistent accounting principles; and
- Support for the understanding and interpretation of standards.

The revised conceptual structure includes:

- Several new concepts;
- Revised definitions and criteria on the recognition of assets and liabilities; and
- Clarifications on important concepts.

This structure is organised as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 − Financial statements and reporting entity
- Chapter 4 − Elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 − Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Equity and equity maintenance concepts.

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

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

The IASB issued alterations to IFRS 9, IAS 39 and IFRS 7 − Financial instruments: disclosures in September 2019 which include the first stage of the work performed to provide for the effects on financial reporting of the reform of IBOR (Interbank Offered Rates).

These alterations supply temporary expedients which permit the maintenance of hedge accounting during the period of uncertainty prior to the substitution of the benchmark interest rate currently in force by an alternative benchmark interest rate.

Alterations to IFRS 9

The alterations include various expedients, applicable to all hedge relationships which are directly affected by the reform of the benchmark interest rate. A hedge relationship is affected if the reform in question creates uncertainty over the periodicity and/or reference amount of cash flows generated by the hedged item or hedge instrument.

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

- Assessment on whether a future transaction is highly probable
- Assessment on when to reclassify the amount of cash recognised in reserves to profit
- Assessment of the economic relationship between the hedged item and hedge instrument.

For each of these solutions, it is assumed that the benchmark for the assessment of the cash flow hedges (whether or not contractually specified) and/or for the third expedient, the benchmark for measuring the cash flows on the hedged instrument will not be modified by the IBOR reform.

A fourth solution requires that, at the start of a hedge relationship, the benchmark interest rate risk affected by IBOR should be separately identified.

When the hedge strategy involves continual portfolio inclusions and exclusions of hedged and hedge instruments, the referred to requirement needs only to be fulfilled at the time of the initial recognition of the hedged items in the hedge relationship.

Insofar as a hedge instrument is altered in such a way as for its cash flows to be based on an RFR but the hedged item is still based on IBOR (or vice-versa), there is no solution for assessing the measurement and recognition of the potential ineffectiveness resulting from the alterations to the fair value of the items.

The expedients continue to exist indefinitely in the absence of any of the events described in the alterations. When an entity designates a collection of items as a hedged item the requirements on when the expedients finish are applied separately to each of the items individually.

The alterations also introduce specific disclosure requirements for hedge relationships to which these expedients apply.

Alterations to IAS 39

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

- For the purposes of the prospective appraisal of the hedge relationship, it is presumed that the benchmark for the calculation of cash flow hedges (whether or not specified by contract) and/or for the third expedient, the benchmark for the calculation of the cash flows of the hedged instrument will not be modified as a result of the reform of IBOR.
- For the purposes of the retrospective appraisal of the effectiveness of the hedge relationship the hedge is allowed to pass the effectiveness tests even if the results of the hedge are temporarily outside the 80%-125% range during the period of uncertainty deriving from the reform of IBOR.
- In the case of a hedge on a part of the benchmark interest rate risk (other than the risk component under IFRS) which is affected by the reform of IBOR, the requirement for the separate identification of this part should only be fulfilled at the time of the initial recognition of the hedge relationship.

These alterations should be applied retrospectively. However, any hedge relationships which have previously ceased to be designated cannot be redesignated, nor re-established, nor should new hedge relationships be retrospectively designated. Early application is permitted but should be disclosed.

Standards and interpretations issued by the IASB, but still not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future economic years, had not, up to the date of the approval of these financial statements been endorsed by the European Union:

Definition of a business activity – alterations to IFRS 3

This alteration clarified the minimum requirements for consideration as a business activity, removes the assessment as to whether market actors have the capacity to substitute the missing elements, adds a guideline for assessing whether an acquired process is substantive, restricts the definitions of a business activity and output and introduces an optional fair value test on business activity.

Minimum requirements for consideration as a business activity

The alteration clarifies that to be considered as a business activity, an integrated set of activities must, at the minimum, include an input and a substantive process that, jointly make a significant contribution to the creation of an output. It also clarifies that a business activity may exist without the inclusion of all inputs and all of the processes needed to create outputs, i.e. inputs and the processes applied thereto "must have the capacity to contribute to the creation of outputs" instead of "must have the capacity to create outputs".

Capacity of market actors to substitute missing elements

Prior to the alteration, IFRS 3 provided for a situation in which a business activity did not have to include all of the inputs or processes used by the vendor to operationalise the business activity, "if the market actors are able to acquire the business activity and continue to operate the productive process e.g. integrating the business activity with its own inputs and processes". The reference to such integration was eliminated in the standard and the assessment is based on the acquisition in its current state and conditions.

Assessing whether an acquired process is substantive

The alterations clarify that if a set of activities and assets does not have outputs on the date of acquisition, an acquired process is considered to be substantive:

(a) If critical to the capacity to develop and convert acquired inputs into outputs; and

(b) If the acquired inputs include either an organised workforce with the necessary skills, knowledge, or experience in operating this process, or other inputs that such an organised workforce may develop or convert into outputs.

In contrast, if a set of activities and acquired assets include output on the date of acquisition, an acquired process must be considered substantive:

(a) If critical to the capacity to continue to produce outputs and the acquired inputs include an organised workforce with the necessary skills, knowledge, or experience in operating this process; or

(b) If it makes a significant contribution to the capacity to continue to produce outputs and/or considered unique or scarce, or cannot be substituted without significant costs, without a significant effort or without significant delays in the capacity to produce outputs.

Narrowing the definition of outputs

The alterations narrow the definition of outputs, focusing on goods or services supplied to customers, return on investment (such as dividends or interest) or other income obtained from ordinary activities. The definition of a business activity set out in Appendix A of IFRS 3 was altered in conformity.

Optional test to concentration

The alterations introduce an optional test on the fair value of the concentration to permit a simplified appraisal of whether or not a specific set of activities is a business activity. Entities may opt to apply this test on a transaction by transaction basis. The test is passed if, substantially, all of the fair values of the gross assets acquired have been concentrated into a single identifiable asset or a similar group of identifiable assets. If the test is not passed or if the entity opts not to apply the test on a specific transaction, a detailed appraisal must be realised by applying normal IFRS 3 requirements.

This alteration is effective for transactions which are considered to be business combinations or purchases of assets whose date of acquisition occurred on or after the start of the first period beginning on or after 1 January 2020.

These alterations are applied prospectively. Consequently entities do not have to assess acquisitions which have been made before this date. Early adoption is permitted but must be disclosed.

This alteration will also have an impact on other standards (such as when a parent company loses control over a subsidiary and applied, in advance, the alteration to IFRS 10 and IAS 28 which refers to the sale or delivery of assets by an investor to its associate or jointly owned enterprise).

The board of directors does not consider that the adoption of the above referred to standards and interpretations will have significant equity impacts on the preparation of the bank's financial statements.

3. CASH AND CLAIMS AT CENTRAL BANKS

This account comprises the following:

	dec-19	dec-18
Cash		
. Domestic currency	209 414	224 034
. Foreign currency	334 503	479 099
Sight deposits with the Bank of Cape Verde		
. Domestic currency	543 744	785 334
	1 087 661	1 488 467

The objective of sight deposits with the Bank of Cape Verde is to satisfy minimum cash requirements. Under Bank of Cape Verde dispositions, these claims comprise 13% of average effective domestic and foreign currency liabilities to residents and emigrants. The minimum reserves at 31 December 2019 and 31 December 2018, amounted to kCVe. 2,162,696 and kCVe. 2,011,666, respectively. 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, starting from 2014. No interest was paid on these deposits, in December 2019 and 2018.

4. CLAIMS ON OTHER CREDIT INSTITUTIONS

This account comprises the following:

	dec-19	dec-18
Sight deposits:		
. Caixa Geral de Depósitos, S.A.	365 688	311 452
. Other credit institutions abroad	88 653	31 273
. Institutions in Cape Verde	7 317	1 259
	461 658	343 984
Cheques pending collection:		
. Drawn on foreign banks	3 151	5 876
. Drawn on banks in Cape Verde	39 338	48 315
	42 489	54 191
	504 147	398 176

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 month.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The composition of the financial instruments classified in this financial assets at fair value through other comprehensive income account at 31 December 2019 and 31 de December 2018 was as follows:

Security	2019						
	Acquisition price	% equity stake	Book value (gross)	Impairment adjustment*	Fair value reserve	Deferred tax	Reserves net of tax
							(Note 20)
Equity instruments at fair value							
Banco Comercial do Atlântico, S.A.	238 746	5,40%	233 945	(10 011)	5 209	(1 328)	3 881
Visa International Service Association	1 323	n.a.	50 064		48 741	(11 952)	36 788
A Promotora, Sociedade de Capital de Risco de cabo Verde, S.A.R.L.	15 307	3,79%	17 124	(1 880)	1 817	(1 158)	659
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	15 256		5 161	(408)	4 753
	265 471		316 388	(11 891)	60 928	(14 847)	46 081

n.a. - not available

Cancellation 1880 as a charge to retained earnings. Transfer of 10,011 to capital account according to IFRS 9

Security	2018						
	Acquisition price	% equity stake	Book value (gross)	Fair value reserve	Impairment	Deferred tax	Net reserves
				(Note 20)	(Note 17)	(Note 20)	(Note 20)
Financial assets at fair value through other comprehensive income							
Banco Comercial do Atlântico, S.A.	238 746	5,40%	243 955	5 209	(10 011)	(1 328)	3 881
Visa International Service Association	1 323	n.a.	34 491	33 168	-	8 458	41 625
A Promotora, Sociedade de Capital de Risco de cabo Verde, S.A.R.L.	15 307	3,79%	15 307	-	(1 880)		0
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	10 095	-	-		-
	265 471		303 848	38 377	(11 891)	7 129	45 506

n.a. - not available

Equity instruments at fair value

The value of the shares of Banco Comercial do Atlântico, S.A. was measured by an independent external entity and those of the *Visa International Service Association* and *Sociedade Cabo-verdiana de Tabacos* based on their market price at 31 December 2019 as supplied by Caixa Geral de Depósitos.

As the external valuation of the shares of Banco Comercial do Atlântico in 2019, was not significantly different from that of the period ended 31 December 2018, there were no alterations to the recognition of their fair value.

An external valuation of the equity investment in Promotora indicated capital gains of kCVe. 1,817 over December 2018, based on its last valuation.

There were no transactions of financial assets at fair value through other comprehensive income in 2019.

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	dec-19	dec-18
Loans and advances in Cape Verde:		
Bank of Cape Verde:		
- Certificates of monetary intervention	35 000	67 000
- Very short term loans	3 000 000	2 000 000
	3 035 000	2 067 000
Loans and advances to credit institutions abroad		
Other credit institutions	31 269	29 880
	31 269	29 880
Deferred income	(238)	(287)
	3 066 031	2 096 593

7. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

		dec-19	dec-18
Short term domestic loans:			
. Sight deposit overdrafts		32 731	56 817
. Loans		369 743	258 041
. Commercial discounts		21 528	25 104
. Other loans		93 143	87 757
Medium and long term domestic loans:			
. Loans		9 740 244	8 834 131
. Current account loans		1 310 774	1 663 335
. Auction loans		339 332	
Short term foreign loans:			
. Housing		1 400	31 160
. Sight deposit overdrafts		41 764	1 383
. Other loans		4 011	74 364
Medium and long term foreign loans:			
. Loans		772 005	498 613
. Current account loans		5 398	80 808
Loans to employees		418 660	414 743
Interest receivable		31 517	28 642
Commissions and other deferred income		(75 860)	(66 107)
Overdue loans		1 705 666	2 318 042
Total unsecuritised loans	(A)	**14 812 058**	**14 310 381**
Other loans and amounts receivable - securitised			
Public debt securities		4 230 153	4 088 713
Corporate bonds		276 562	363 616
Corporate bonds (overdue)		-	666
Interest receivable		61 526	64 651
Overdue interest			3 698
Deferred costs		12	47
Impairment on loans and advances to customers - securitised (Note 17)		(10 028)	(11 673)
Total securitised credit	(B)	**4 558 225**	**4 509 718**
Total loans and advances to customers (gross)	(C) = (A) + (B)	**19 370 282**	**18 828 223**
Impairment on loans and advances to customers (Note 17)	(D)	(953 614)	(1 298 136)
Total loans and advances to customers (net)	(E) = (C) + (D)	**18 416 668**	**17 518 413**

Interest rates on loans to employees, at 31 December 2019 and 31 December 2018, were subsidised.

Public debt securities, at 31 December 2019 and 31 December 2018, include fixed-interest rate Cape Verde treasury bonds. The average yield on these bonds in December 2019, was 4.72% (4.96% in 2018).

The balance on the "Bonds issued by corporate entities", at 31 December 2019 and 31 December 2018, reflects the value of the bonds of domestic companies classified as "Loans and accounts receivable" (note 2.2. c)).

Information on these bonds is as follows:

Bond		dec-19	dec-18
Public Debt Securities			
Treasury Bonds			
Nominal Value		4 230 153	4 088 713
Interest receivable		57 759	58 625
	a)	4 287 912	4 147 338

Corporate bonds	dec-19	dec-18
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche D	68 050	68 050
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	32 199	32 199
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche I	18 000	24 000
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche II	15 000	20 000
IFH - Imobiliária, Fundiária e Habitat, S.A. Series C	-	55 058
Cabo Verde Fast Ferry, S.A.	-	19 996
Sal Municipality	6 000	7 000
Sociedade de Gestão de Investimentos, Lda.	-	666
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	100 000	100 000
ASA - Empresa Nacional de Aeroportos e Segurança Aérea, S.A. Series D	37 313	37 313
Gross total	276 562	364 282
Impairment	10 028	11 673
Interest receivable and deferred costs	3 779	9 772
Gross total	270 313	362 380
Other loans and amounts receivable - securitised a) + b)	4 558 225	4 509 718

The bonds issued by Electra – Empresa de Electricidade e Águas, SARL, IFH – Imobiliária, Fundiária e Habitat, S.A. and the Sal Municipality are backed by the State of Cape Verde.

The variations recorded in IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche; IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche II and Municipality of Sal bonds are related to the part repayment of principal.

The bonds issued by Cabo Verde Fast Ferry, S.A. and Sociedade de Gestão e Investimentos, Lda were written-off from assets at 31 December 2019.

At 31 December 2019 and 31 December 2018, loans and advances to customers, excluding "Other loans and amounts receivable – securitised", accrued associated interest and commissions and other deferred income had the following structure by sectors of activity:

	2019		
	Outstanding credit	Overdue credit	Total
General Government	270 275	-	270 275
	270 275	-	270 275
Companies			
Agriculture, animal husbandry, hunting and silviculture	73 887	-	73 887
Fisheries	5 803	-	5 803
Extractive industries	3 316	-	3 316
Extractive industries excluding energy products	3 316	-	3 316
Manufacturing industries	413 839	41 588	455 427
Food, beverages and tobacco industries	254 801	4 807	259 607
Textiles industry	42 519	25 082	67 601
Wood, cork and cork product industries	706	1	707
Paper pulp, board and articles thereof, publishing and printing industries	14 493	11 559	26 052
Base metallurgical industries and metallic products	31 420	-	31 420
Manufacture of machinery and equipment	191	-	191
Other manufacturing industries	69 709	139	69 848
Generation and distribution of electricity, water and gas	69 904	-	69 904
Construction	629 662	567 739	1 197 401
Wholesale, retail, repairs of motor vehicles and cycles and personal and domestic goods	799 317	65 015	864 332
Transport, warehousing and communications	316 279	293 135	609 414
Hotels and catering (restaurants and the like)	905 111	34 142	939 253
Information and communication activities	272 677	854	273 530
Property services, corporate hires and services	1 816 076	439 516	2 255 592
Property activities	1 075 819	279 730	1 355 549
Other activities	740 257	159 786	900 043
General government, defence and mandatory social security	(77 714)	-	(77 714)
Education	232 946	-	232 946
Health and social security	77 922	640	78 562
Other social and personal collective activities and services	14 918	18	14 937
	5 553 945	1 442 647	6 996 591
Personal customers			
Housing	4 537 332	434 844	4 972 176
Other	2 789 182	(171 824)	2 617 357
	7 326 514	263 020	7 589 533
	13 150 734	1 705 666	14 856 400

* Capital - Credit not represented by securities

	Total 2018		
	Outstanding credit	Overdue credit	Total
General Government	318 705	-	318 705
	318 705	-	318 705
Companies			
Agriculture, animal husbandry, hunting and silviculture	21 661	-	21 661
Fisheries	1 455	-	1 455
Extractive industries	328 936	41 847	370 783
Food, beverages and tobacco industries	237 302	4 815	242 117
Textiles industry	1 273	-	1 273
Wood, cork and cork product industries	6 172	25 027	31 199
Paper pulp, board and articles thereof, publishing and printing industries	12 783	12 005	24 788
Production of coke, oil products, refined products and nuclear combustion products	35 914	-	35 914
Manufacture of base pharmaceutical products and pharmaceutical preparations	55	-	55
Manufacture of other non-metallic mineral products	32 335	-	32 335
Base metallurgical industries and metallic products	300	-	300
Other manufacturing industries	2 801	-	2 801
Generation and distribution of electricity, water and gas	81 649	-	81 649
Construction	1 082 600	449 090	1 531 691
Wholesale, retail, repairs of motor vehicles and cycles and personal and domestic goods	753 232	81 319	834 551
Transport, warehousing and communications	251 805	264 199	516 005
Hotels and catering (restaurants and the like)	811 654	235 805	1 047 459
Information and communication activities	120 939	4 563	125 501
Property services, corporate hires and services	993 344	680 829	1 674 173
Property activities	993 344	680 829	1 674 173
Education	244 143	264	244 407
Health and social security	96 981	-	96 981
Other social and personal collective activities and services	872 898	129 153	1 002 051
International bodies and other extraterritorial institutes	-	-	-
	5 661 296	1 887 069	7 548 365
Personal customers			
Housing	3 774 281	114 847	3 889 128
Other	2 271 973	316 126	2 588 098
	6 046 253	430 973	6 477 226
	12 026 255	2 318 042	14 344 297

Details of exposures and impairment by segment:

Segment	Total exposure	Exposure with low credit risk	of which: cured	of which: restructured	Exposure with a significant increase in credit risk	of which: restructured	Exposure with impairment	of which: restructured	Total impairment	Exposures with a low credit risk	Exposure with a significant increase in risk	Exposure with impairment
Companies (exc. Const and CRE)	5 619 673 806	4 798 178 923 0	0 0	0 0	211 355 101 0	6 922 400 0	610 139 782 0	144 410 653 0	280 963 965 0	55 377 351 0	21 178 955 0	204 407 660
Construction and CRE	3 293 807 972	1 785 179 051 0	0 0	0 0	200 241 938 0	0 0	1 308 386 983 0	87 385 562 0	518 360 761 0	24 830 258 0	63 940 196 0	429 590 307
Housing	5 216 473 650	4 998 343 471 0	0 0	0 0	135 514 972 0	31 759 734 0	82 615 207 0	0 0	20 411 866 0	7 316 036 0	3 042 352 0	10 053 477
Consumption and other - personal	2 947 638 677	2 492 087 011 0	0 0	0 0	211 411 135 0	23 422 370 0	243 852 426 0	3 252 943 0	147 026 387 0	28 825 937 0	21 433 642 0	96 766 808
Total	17 077 594 105	14 073 788 456 0	0 0	0 0	758 523 146 0	62 104 504 0	2 244 994 398 0	235 049 158 0	966 762 979 0	116 349 582 0	109 595 145 0	740 818 252

Details of exposures and impairment by segment (continued):

Segment	Total Exposure 31.12.2019	Arrears (days) <90		Sub-total	Arrears (days) <=90*	Arrears (days) >90	Total Impairment 31.12.2018	Arrears (days)<30	Arrears (days) between 30-90	Arrears (days) <= 90*	Arrears (days) > 90
		Low credit risk	Significant increase in credit risk								
Companies (exc. Const and CRE)	5 619 673 806	4 798 178 923	209 400 695	5 056 092 662	5 056 092 662	563 581 144	280 963 965	106 562 534	147 436	106 709 970	174 253 995
Construction and CRE	3 293 807 972	1 785 179 051	200 241 526	2 450 272 270	2 450 272 270	843 535 702	518 360 761	199 889 159	715	199 889 874	318 470 887
Housing	5 216 473 650	4 998 343 471	135 514 972	5 185 184 874	5 185 184 874	31 288 776	20 411 866	18 025 227	139 028	18 164 255	2 247 611
Consumption and other - personal	2 947 638 677	2 491 712 339	208 907 656	2 741 907 632	2 741 984 477	205 654 200	147 026 387	56 811 568	2 449 319	59 260 886	87 765 501
Total	**17 077 594 105**	**14 073 413 784**	**754 064 849**	**15 433 457 438**	**15 433 534 283**	**1 644 059 822**	**966 762 979**	**381 288 489**	**2 736 498**	**384 024 986**	**582 737 993**

Details of credit portfolio by segment and year of production:

Year of production	Companies (exc. Const and CRE)			Construction and CRE			Housing			Consumption and other - personal		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2009 and preceding years	303	247 340 231	11 850 756	90	228 588 593	112 719 690	111	427 650 077	623 720	3 016	130 680 601	8 794 652
2010	59	106 140 099	50 132 337	19	688 688 561	242 203 716	36	191 110 676	315 010	404	8 348 104	113 774
2011	43	222 389 077	4 753 576	8	84 352 536	113 594	53	209 690 915	651 614	339	50 710 602	1 069 841
2012	33	18 626 518	130 274	16	145 770 989	23 031 345	35	165 850 406	1 380 922	261	5 200 538	43 291
2013	51	102 495 122	5 447 867	15	244 189 502	3 674 231	29	135 493 546	332 137	329	16 566 016	1 009 317
2014	44	143 236 022	65 435 185	12	68 987 972	1 521 388	37	215 115 725	312 743	298	29 380 900	347 523
2015	65	85 612 812	7 645 421	20	143 655 837	34 324 464	38	218 164 621	290 910	550	200 418 231	38 667 490
2016	142	234 524 161	18 225 827	41	300 951 345	27 221 742	46	270 999 184	408 750	865	255 193 448	8 135 724
2017	162	497 388 055	38 603 232	40	137 819 978	22 635 387	110	584 725 106	1 678 021	1 584	384 764 483	46 110 743
2018	230	1 360 432 852	14 010 968	39	674 165 954	46 006 494	160	1 025 565 907	11 466 710	2 289	672 131 353	15 967 226
2019	593	2 601 488 857	64 728 523	119	576 636 705	4 908 709	237	1 772 107 487	2 951 330	3 335	1 194 244 401	26 766 806
Total	**1 725**	**5 619 673 806**	**280 963 965**	**419**	**3 293 807 972**	**518 360 761**	**892**	**5 216 473 650**	**20 411 866**	**13 270**	**2 947 638 677**	**147 026 387**

Details of gross amount of credit exposure and individually and collectively measured impairment by segment and sector (continued):

Segment	Companies (exc. Const and CRE)		Construction and CRE		Housing		Consumption and other - personal		Total	
31.12.2019	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	228 631 000	143 850 689	1 363 099 799	486 917 489	7 672 882	7 688 482	136 201 562	76 624 975	1 735 605 243	715 081 635
Collective	5 391 042 806	137 113 276	1 930 708 173	31 443 272	5 208 800 768	12 723 384	2 811 149 010	70 401 412	15 341 700 757	251 681 344
Total	**5 619 673 806**	**280 963 965**	**3 293 807 972**	**518 360 761**	**5 216 473 650**	**20 411 866**	**2 947 350 572**	**147 026 387**	**17 077 306 000**	**966 762 979**

Details of gross amount of credit exposure and individually and collectively measured impairment by segment and sector (continued):

	F-Construction		C-Manufacturing industries		G-Wholesale and retail		Other		Total	
31.12.2019	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	628 186 877	217 883 590	0	0	84 689 030	55 704 909	5 716 065 339	367 750 167	6 428 941 247	641 338 666
Collective	1 134 493 304	17 420 594	509 034 647	48 018 308	1 292 385 750	15 331 294	4 578 195 524	88 811 149	7 514 109 225	169 581 345
Total	**1 762 680 181**	**235 304 184**	**509 034 647**	**48 018 308**	**1 377 074 780**	**71 036 203**	**10 294 260 863**	**456 561 316**	**13 943 050 472**	**810 920 011**

Details of restructured credit portfolio by restructuring measure applied:

	31.12.2019											
	Exposure with low credit risk			Exposure with a significant increase in credit risk			Exposures with impairment			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Extension of period	0	0	0	29	62 104 504	2 712 477	8	130 102 363	68 784 235	37	192 206 867	71 496 712
Grace period												
Reduction of interest rate												
Total	**0**	**0**	0	29	62 104 504	2 712 477	8	130 102 363	68 784 235	37	192 206 867	71 496 712

Restructured credit portfolio - entries and exits

	31.12.2019	31.12.2018
Opening balance of restructured portfolio (gross of impairment)	383 759 523	391 512 242
Credit restructured in period	239 470	57 583 588
Accrued interest on restructured portfolio	0	
Settlement of restructured credit (part or full)	-61 489 876	-54 777 843
Credit reclassified from restructured to "performing"	-130 353 685	-159 170 818
Other		
Closing balance of restructured portfolio (gross of impairment)	**192 155 430,98**	**235 147 169,00**

Details of the fair value of underlying collateral to the credit portfolio in the corporate, construction and housing segments:

		31/12/19											
		Companies (exc. Const and CRE)				**Construction and CRE**				**Housing**			
		Property		Other Real Collateral		Property		Other Real collateral		Property		Other Real Collateral	
	Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	0,5 kCVE	0	0	176	1365842307	0	0	41	0	0	0	189	1162762644
2	>= 0,5 kCVE and < 1 kCVE	2	462049	109	55111964	0	0	17	0	0	0	1	4451215
3	>= 1 kCVE and < 5 kCVE	19	33669621	297	480807171	5	6201033	32	0	201	582952869	9	23032627
4	>= 5 kCVE and < 10 kCVE	23	121551840	50	207926003	6	23567264	9	0	322	1731830511	6	17106563
5	>= 10 kCVE and < 20 kCVE	24	187708429	23	241949605	10	111158095	7	0	114	1121658922	1	7569236
6	>= 20 kCVE and < 50 kCVE	25	413684269	10	190051203	10	147710650	5	0	29	482470113	0	0
7	>= 50 kCVE	15	1036848742	10	829607088	14	863161024	4	0	0	0	0	0
	Total	**108**	**1 793 924 950**	675	3 371 295 341	45	1 151 798 066	115	0	666	3 918 912 415	206	1 214 922 285

Guarantee coverage ratio on operations in the corporate segment (exc. construction and CRE), CRE and OAR construction and housing

			31.12.2019				
		Segment / Ratio	Number de properties	Exposures with a low credit risk	Exposures with a significant increase in credit risk	Exposures with impairment	Impairment
		Companies (exc. Const and CRE)					
Without associated collateral		Without associated collateral	846	348 987 283	1 677 570	5 808 579	11 199 831
	1	>= 150%	248	1 301 168 972	13 270 768	82 192 551	36 206 531
	2	<= 150% e > 125%	80	294 680 421	31 048 884	31 829 502	29 943 959
	3	<= 125% e > 100%	266	1 283 852 492	155 718 671	453 105 766	169 890 537
	4	< 100%	241	1 569 489 755	9 639 208	37 203 384	33 723 107
		Construction and CRE	0	0	0	0	0
With associated collateral		Without associated collateral	228	214 865 345	41 161 114	9 857 991	50 395 168
	1	>= 150%	43	319 739 117	14 352 335	97 508 951	43 110 842
	2	<= 150% e > 125%	12	97 225 769	0	79 811 001	36 045 916
	3	<= 125% e > 100%	37	479 821 409	141 554 689	927 076 454	340 489 780
	4	< 100%	96	673 527 411	3 173 800	194 132 586	48 319 055
Acquisition of housing		**Housing**	0	0	0	0	0
Without associate collateral		Without associated collateral	3	15 441 822	0	0	77 620
	1	>= 150%	257	1 127 327 797	26 368 101	19 278 850	687 582
	2	<= 150% e > 125%	96	521 861 694	43 757 138	20 204 598	2 450 494
	3	<= 125% e > 100%	468	3 066 097 214	55 578 144	34 632 379	14 865 273
	4	< 100%	68	267 614 944	9 811 589	8 499 380	2 330 898
				11 581 701 445	547 112 011	2 001 141 972	819 736 592

8. NON-CURRENT ASSETS HELD-FOR-SALE

	Balance at 31-12-2019		
	Gross	Impairment	Net
Land - Mindelo	37 800	(28 686)	9 114

At 31 December 2019 land located in Mindelo, following the possibility of its sale in less than one year, was transferred from other tangible assets to non-current assets held-for-sale. Impairment of kCVe. 28,686 was declared on this real estate, based on the last appraisal made in 2019.

9. OTHER TANGIBLE ASSETS

Movements in “Other tangible assets” accounts at 31 December 2019 and 2018 were as follows:

	2019									
	Opening Balance			Write-offs				Balance at End of Period		
Description	Gross balance	Accumulated Impairment and Depreciation	Increases	Gross balance	Impairment and Depreciation	Transfer between assets	Reversals of impairment and depreciation for period	Gross balance	Accumulated impairment and depreciation	Net amount at 31/12/19
Property for own use										
. Land	42 946	-	-	(37 800)		9 212		14 357	-	14 357
. Buildings	148 954	(49 426)	3 863	-		86 824	(3 084)	239 642	(52 510)	187 132
Other	5 489	(1 115)	1 526	-		3 653	(886)	10 669	(2 000)	8 669
Works on rented property	237 675	(217 949)	-	-		-	(8 862)	237 675	(226 811)	10 864
	435 064	(268 490)	5 390	(37 800)		99 690	(12 831)	502 343	(281 321)	221 022
Equipment										
. Furniture and material	51 342	(43 980)	1 918	(25)	25	-	(2 260)	53 235	(46 215)	7 020
. Machines and tools	33 908	(29 101)	1 229	(4 930)	4 930	-	(1 894)	30 207	(26 064)	4 143
. IT equipment	332 364	(303 324)	5 766	(12 170)	12 170	-	(14 136)	325 960	(305 290)	20 669
. Interior installations	17 725	(15 298)	69	(2 061)	2 061	-	(565)	15 733	(13 802)	1 932
. Transport material	67 112	(58 967)	11 672	(3 500)	3 500	-	(3 464)	75 284	(58 930)	16 354
. Security equipment	25 454	(18 916)	282	(1 390)	1 390	-	(1 879)	24 346	(19 405)	4 940
. Other equipment	57 161	(49 245)	596	(665)	665	3 236	(2 751)	60 327	(51 331)	8 996
Other tangible assets	157	(157)	-	-		-	-	157	(157)	-
	585 222	(518 986)	21 532	(24 741)	24 741	3 236	(26 949)	585 248	(521 195)	64 054
Tangible assets in progress								-	-	-
. For own use	199 545	(71 091)		(96 620)	50 920	(102 925)		0	(20 172)	(20 172)
. Expenditure incurred on rented buildings	-	-	157	-		-		157	-	157
. Equipment	4 447	(918)	1 636	(918)	918	-		5 165	-	5 165
	203 993	(72 010)	1 793	(97 538)	51 838	(102 925)	-	5 322	(20 172)	(14 850)
	1 224 278	(859 486)	28 714	(160 079)	76 579	-	(39 780)	1 092 913	(822 687)	270 226

Description	2018									
	Opening Balance			Write-offs				Balance at End of Period		
	Gross balance	Accumulated impairment and depreciation	Increases	Gross amount	Impairment and depreciation	Transfer between assets	Reversals of impairment and depreciation for period	Gross balance	Accumulated impairment and depreciation	Net amount at 31/12/18
Property for own use										
. Land	42 946	-	-	-	-	-	-	42 946	-	42 946
. Buildings	148 954	(46 795)	-	-	-	-	(2 630)	148 954	(49 426)	99 528
Other	3 913	(600)	1 576	-	-	-	(514)	5 489	(1 115)	4 375
Woks on rented property	237 675	(207 669)	-	-	-	-	(10 280)	237 675	(217 949)	19 726
	433 488	(255 065)	1 576	-	-	-	(13 425)	435 064	(268 490)	166 574
Equipment										
. Furniture and material	50 592	(41 694)	750	-	-	-	(2 286)	51 342	(43 980)	7 362
. Machines and tools	32 244	(27 256)	1 664	-	-	-	(1 844)	33 908	(29 101)	4 807
. IT equipment	329 456	(290 219)	1 281	-	-	1 627	(13 105)	332 364	(303 324)	29 040
. interior installations	17 705	(14 670)	20	-	-	-	(628)	17 725	(15 298)	2 428
. Transport material	72 674	(60 601)	2 597	(8 159)	5 918	-	(4 283)	67 112	(58 967)	8 145
. Security equipment	25 454	(16 972)	-	-	-	-	(1 944)	25 454	(18 916)	6 538
. Other equipment	56 888	(45 557)	273	-	-	-	(3 688)	57 161	(49 245)	7 916
Other tangible assets	157	(157)	-	-	-	-	-	157	(157)	-
	585 169	(497 125)	6 585	(8 159)	5 918	1 627	(27 779)	585 222	(518 986)	66 235
								-	-	-
Tangible assets in progress								-	-	-
. For own use	195 691	(71 091)	3 854	-	-	-	-	199 545	(71 091)	128 454
. Expenditure incurred on rented buildings	-	-	-	-	-	-	-	-	-	-
. Equipment	5 643	(918)	431	-	-	(1 627)	-	4 447	(918)	3 529
	201 335	(72 010)	4 285	-	-	(1 627)	-	203 993	(72 010)	131 983
	1 219 992	(824 199)	12 446	(8 159)	5 918	-	(41 204)	1 224 278	(859 486)	364 792

The property used for the bank's own services (warehouse in Achada S. Filipe) was split up into ten units, five of which were transferred to fixed assets (properties for own use) and five sold.

10. INTANGIBLE ASSETS

"Intangible assets" movements at 31 December 2019 and 2018 were as follows:

	Balances at 31-12-2018				Balances at 31-12-2019		
Description	Gross amount	Accumulated depreciation	Increases	Depreciation for period	Gross amount	Accumulated depreciation	Net amount
Software	131 555	(97 675)	20 995	(13 385)	152 550	(111 060)	41 490

	Balances at 31-12-2017				Balances at 31-12-2018		
Description	Gross amount	Accumulated depreciation	Increases	Depreciation for period	Gross amount	Accumulated depreciation	Net amount
Software	123 325	(88 865)	8 230	(8 810)	131 555	(97 675)	33 880

An amount of kCVe. 15,976 (kCVe. 19,714 in 2018) of total intangible assets was in progress at the date of the balance sheet.

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTERPRISES

The composition of the balance on this account, at 31 December 2019 and 31 December 2018, was as follows:

Entity	% equity stake	Acquisition cost	Balance sheet amount	Date	Net assets	Profit / (Loss)	Shareholders' Equity
			2019				
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10 000	98 096	30-11-2019 (*)	1 809 139	200 408	980 956
			98 096				

(*) Provisional financial statements

Entity	% equity stake	Acquisition cost	Balance sheet amount	Date	Net assets	Profit / (Loss)	Shareholders' Equity
			2018				
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10 000	87 306	31-10-2018 (*)	899 085	135 143	873 063
			87 306				

(*) Provisional financial statements

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

The bank classified its equity investment in SISP as an investment in associates, notwithstanding the fact that it was only 10%, as, in the opinion of the board of directors, the fact that the bank has a seat on the board gives it significant influence over SISP's activity and is therefore in conformity with the dispositions of IAS 28 – Investments in associates.

	SISP
Balance at 31 December 2017	70 768
Profit made by associates	26 504
Dividends received	(9 966)
Balance at 31 December 2018	87 306
Profit made by associates	21 625
Dividends received	(10 836)
Balance at 31 December 2019	98 096

12. INCOME TAX

The bank, at 31 December 2019, was an IRPC (corporate income tax) taxpayer at a rate of 22% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 22.44%. The tax rate was altered from 25% to 22% in 2019 in accordance with the state budget law.

Tax assets and liabilities balances on income, at 31 December 2019 and 31 December 2018, were as follows:

	dec-19	dec-18
Current tax assets		
. Payments on account and retentions at source	36 325	37 630
Deferred tax assets		
. Temporary differences	5 091	17 931
Current tax liabilities		
. Current tax	33 605	1 306
Deferred tax liabilities		
. Temporary differences	14 847	(9 786)

The variation of current tax assets comprises tax payments and settlements of taxation on individually assessed items in 2019.

Deferred tax assets were calculated on the amount of the adjustments with the implementation of IFRS, with a taxable basis of kCVe. 14,066. The amount of taxable impairment on movements in 2019 was CVe. 8,644 upon which tax of CVe. 1,940 was calculated as a charge to profit and loss.

The amount of current tax liabilities comprises the calculation of taxes for 2019.

Deferred tax movements for 2019 and 2018 comprise the calculation of the fair value of financial assets at fair value through other comprehensive income, using an aggregate tax rate of 22.44% and 25.5% for each of the years, respectively.

Taxable income is assessed on the basis of profit for the period before tax, with eventual adjustments for costs and income that should not be considered for fiscal purposes upon which a rate of 22.44% is levied.

Under article 59 of the IRPC code, fiscal losses may be carried back for a period of 7 years from their occurrence and may be deducted from the fiscal profit made during this period, albeit subject to a maximum deduction of 50% of the profit for the respective period.

Information on the calculation of tax for the year is set out below:

	dec-19	dec-18
Income before tax	509 038	167 132
To be added	**41 844**	**15 579**
Depreciation and amortisation not included under the terms of the IRPC (corporate income tax code)	1 024	1 983
Insurance companies' or banking institutions' impairment losses not accepted or in excess of legal limits	27 238	0
Health insurance and personal accidents premiums, insurance costs	643	694
Single tax on property, except for property whose purchase and sale are part of a property activity	1 125	1 131
30% surcharge on total expenses incurred on light passenger vehicles	3 462	3 609
50% of expense account items	405	634
Corrections in cases of tax credit and retention at source (articles 69, 91 and 93 of IRPC code)	7 947	7 528
To be deducted	**179 184**	**(184 255)**
Cancellation of the effects of the equity accounting method	21 625	(26 504)
Depreciation and amortisation taxed in past periods	1 694	(3 413)
Fiscal benefits	7 430	(2 936)
Dividends	1 479	(146 792)
Interest in secondary markets	146 957	(4 610)
Fiscal Profit / Loss	**371 698**	**(1 544)**
Use of Carry-back of Tax Losses	**185 849**	**-**
Applicable rate	22,0%	25,0%
Effective rate	73%	-1%
Tax for period	40 887	-
Retained profit	8 177	-
Separate (source-based) taxation	241	1 306
Fire tax	654	-
Deferred tax	(1 940)	-
	31 665	1 306

At 31 December 2019, the bank used kCVe. 160,999 of its carry-back of fiscal losses for preceding years.

Period	Fiscal Losses	Use	Year of Expiry
2015	54 653	54 653	
2016	50 624	50 624	2023
2017	54 261	54 261	2024
2018	1 461	1 461	2025
	160 999	160 999	

Under the terms of the general tax code 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 bank's board of directors does not consider that any correction to the bank's financial statements at 31 December 2019 will be significant.

13. OTHER ASSETS

This account comprises the following:

	dec-19	dec-18
Debtors and other assets		
. Subsidies receivable from the State of Cape Verde	14 478	14 195
. Amounts receivable from group	-	267
. Other	11 676	53 404
Other assets		
. Works of art	2 086	2 086
Income receivable		
. Other	1 420	1 764
Deferred costs		
. Other administrative costs	10 004	9 699
Other prepayment and accrued income accounts	113 491	9 166
. Cheques in transit		
. Other	-	-
	153 156	90 581
Impairment of other assets (Note 17)	(11 713)	(11 714)
	141 443	78 868
Assets acquired on credit recovery operations	577 590	453 839
Impairment of assets acquired on credit recovery operations (17)	(116 228)	(78 693)
	461 362	375 145
	602 805	454 013

The increase in the "Other prepayment and accrued income accounts" is explained by the registration of the repossession of four items of property which awaits the completion of the respective court procedures.

The following is a breakdown of the assets acquired on the recovery of own credit:

	Balance at 31-12-2018						Balance at 31-12-2019		
	Gross amount	Impairment	Net	Recoveries	Other	(Note 17)	Gross amount	Impairment	Net
Land - Palha Sé (40,737 sqm)	111 585	(19 543)	92 042	-	1 208	18 689	112 793	(854)	111 939
Housing - Santa Maria - Sal	22 934	-	22 934	-	589	(4 667)	23 523	(4 667)	18 856
Land - Palha Sé (5,780 sqm)	22 113	(3 882)	18 231	-	399	(2 228)	22 512	(6 110)	16 402
Housing - Praia	15 633	(12 888)	2 745	-	62	1 587	15 694	(11 301)	4 394
Housing - Chã de Monte Sossego	9 381	(3 138)	6 243	-	40	(271)	9 421	(3 409)	6 012
Land - Palmarejo	252 926	(26 725)	226 201	-	1 839	(8 254)	254 765	(34 979)	219 787
Housing - São Vicente	19 268	(12 518)	6 750	-	78	2 623	19 346	(9 895)	9 451
Urban property - Praia-Terra Branca	-	-	-	10 741	-	(30)	10 741	(30)	10 712
Land - Praia-Tira Chapeu Industrial			-	3 062		-	3 062	-	3 062
Land - Praia-Cidadela			-	105 733		(44 984)	105 733	(44 984)	60 750
	453 839	(78 693)	375 145	119 536	4 215	(37 535)	577 590	(116 228)	461 362

Two items of property for a total amount of kCVe. 13,803 were recovered in 2019, based on judicial rulings (urban property in Terra Branca and industrial property in Tira Chapéu, and an item of property for the amount of kCVe. 105,733 in the form of payment in kind (land in Cidadela).

Appropriations for impairment were also recognised on portfolio property for the amount of kCVe. 16,766 (note 17), taking into consideration the valuation upon the date of acquisition.

There were no sales of any repossessed property either via a court ruling or payment in kind in 2019.

	2018									
	Balance at 31-12-2017							Balance at 31-12-2018		
	Gross amount	Impairment	Recoveries	Disposals	Transfers	Other	Impairment losses (net) (Note 18)	Gross amount	Impairment	Net
Land - Palha Sé (40,737 sqm)	111 121	(19 543)	-	-		464	-	111 585	(19 543)	92 042
Housing - Santa Maria - Sal	22 773	-	-	-		160	-	22 934	-	22 934
Land - Palha Sé (5,780 sqm)	22 047	(3 882)	-	-		66	-	22 113	(3 882)	18 231
Housing - Praia	15 583	(12 888)	-	-		50	-	15 633	(12 888)	2 745
Housing - Chã de Monte Sossego	9 347	(3 138)	-	-		33	-	9 381	(3 138)	6 243
Land - Palmarejo	252 146	(26 725)	-	-		780	-	252 926	(26 725)	226 201
Land - Ponta Preta - Sal	286 198	(103 367)	-	(286 198)			-	-	-	-
Building - Hortelã de Cima - Espargos	21 992	(6 511)	-	(21 992)			-	-	-	-
Apartment Unit G - Pretória, Espargos	4 474	(1 324)	-	(4 474)			-	-	-	-
Commercial space - Unit B Pretória, Espargos	4 575	(1 354)	-	(4 575)			-	-	-	-
Garage - Unit C - Pretória, Espargos	3 711	(1 099)	-	(3 711)			-	-	-	-
Housing - São Vicente	-	-	19 268	-			(12 518)	19 268	(12 518)	6 750
	753 968	(179 831)	19 268	(320 950)		1 553	(12 518)	453 839	(78 693)	375 145

Details of the fair value and net accounting value of property received in kind or repossessed by type of asset and seniority.

	31/12/19		
Assets	Number of properties	Fair value of asset	Net book amount
Land	7	680 496	411 940
Urban	7	680 496	411 940
Buildings under development	1	16 124	10 712
Housing	1	16 124	10 712
Finished buildings	4	59 060	38 711
Housing	4	59 060	38 711
Total	12	755 680	461 362

	31/12/18		
Assets	Number of properties	Fair value of asset	Net book amount
Land	5	386 166	336 474
Urban	5	386 166	336 474
Finished buildings	4	63 582	38 672
Housing	4	63 582	38 672
Total	9	449 748	375 145

Details of the fair value and net accounting value of property received in kind or repossessed by type of asset and seniority.

	31/12/19				
Time elapsed since Payment in kind/Repossession	**< 1 year**	**=> 1 year and <= 2.5 years**	**=> 2.5 years and <= 5 years**	**>= 5 years**	**Total**
Land	63 812	0	219 787	128 341	411 940
Urban	63 812	0	219 787	128 341	411 940
Buildings under development	10 712	0	0	0	10 712
Housing	10 712	0	0	0	10 712
Finished buildings	0	9 450	0	29 261	38 711
Commercial	0	0	0	18 856	18 856
Housing	0	9 450	0	10 405	19 855
Total	74 524	9 450	219 787	157 602	461 362

	31/12/18				
Time elapsed since payment in kind/Repossession	**< 1 year**	**=> 1 year and <= 2.5 years**	**=> 2.5 years and <= 5 years**	**>= 5 years**	**Total**
Land	0	0	336 474		336 474
Urban			336 474		336 474
Finished buildings	6 750		31 922		38 672
Housing	6 750		31 922		38 672
Total	6 750	0	368 395	0	375 145

14. OTHER CREDIT INSTITUTIONS' RESOURCES

This account comprises the following:

	Amount	
	dec-19	**dec-18**
Domestic credit institutions' resources		
. Loans from insurance companies		
Garantia Companhia Seg Cabo Verde, S.A.	10 126	10 768
Impar - Comp. Caboverdiana de Seguros SARL	1 040	500
. Ecobank Cabo Verde Soc. Unip. SA	97 237	139 991
	108 403	151 259
French Development Agency (AFD)	10 909	21 818
Caixa Geral de Depósitos	9 561	15 788
	20 470	37 606
Interest payable	80	147
	128 953	189 012

BI, Banco Comercial do Atlântico, Caixa Económica de Cabo Verde and Banco Cabo-verdiano de Negócios took out a line of credit with the French Development Agency for a maximum amount of €5,000,000 (kCVe. 551,325) on 14 October 2005, to finance 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 3.36% is payable on the loan. At 31 December 2019 and 31 December 2018 the bank's outstanding balance was kCVe.10,909 and kCVe. 21,818 respectively.

In 2005, the bank took out a line of credit with Caixa Geral de Depósitos for a maximum amount of €5,000,000 (kCVe. 551,325), with a maturity of one year and renewable for equal periods. Interest at a rate indexed to the 6 month Euribor rate is payable on the loan. Amounts of kCVe. 9,561 and kCVe. 15,788 of this line of credit had been used at 31 December 2019 and 31 December 2018, respectively.

15. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	dec-19	dec-18
Savings accounts:		
. Young peoples' savings accounts	174 612	173 090
Sight deposits		
. Residents	8 557 985	7 781 370
. Non-residents	2 673 652	2 416 989
. Emigrants	1 052 619	884 385
	12 284 256	11 082 744
Term deposits		
. Residents	5 370 903	5 054 260
. Non-residents	2 419 912	2 729 159
. Emigrants	1 339 439	1 363 188
	9 130 254	9 146 607
Other debits		
. Cheques and orders payable	56 164	47 172
Interest payable	56 767	64 131
	21 702 053	20 513 745

Except for specific situations defined in board of directors' guidelines, no interest was paid on sight deposits, at 31 December 2019 and 31 December 2018.

16. PROVISIONS

The provisions balance, at 31 December 2019, stood at kCVe. 39,723.

	2019		
Assets	Balances at 31/12/18	Net appropriations in profit and loss	Balances at 31/12/19
Provisions - Guarantees and Undertakings	9 291	4 503	13 794
Provisões - Legal Procedures	5 733	18 046	23 779
Other Provisions		2 150	2 150
		24 699	39 723

At 31 December 2019, the balance of provisions for legal processes totalled kCVe. 23,799 of which amount kCVe.5,733 brought forward from past years, comprising a provision set up at 31 December 2014 for a process related to an item of property referred to as "Housing – Praia" insofar as judicial proceedings in which an application was submitted for a declaration of the nullity of an agreement for payment in kind are currently in progress. Owing to the non-existence of jurisprudence on identical situations the board of directors considered that a provision should be set up for eventual future monetary outflows and other contingencies for the amount of 50% of the property's worth net of impairment. Impairment of kCVe. 18,046 to cover 50% of other judicial contingencies in progress was declared in 2019 .

Provisions of kCVe. 2,150 for lawyers' fees for a judicial process in progress were set up in 2019.

17. IMPAIRMENT

The bank's impairment/provisions movements, in 2019 and 2018, were as follows:

	2019					
	Balances at 31/12/18	Appropriations profit and loss	Impairment Reversals/ Cancellations	Net Impairment	Adjustments Use	31/12/19
Impairment						
Impairment on loans and advances to customers (Note 7)	1 309 810	2 769 806	(2 729 043)	40 763	(386 930)	963 643
Impairment of financial assets						-
available-for-sale (Note 5)*	11 891				(11 891)	-
	1 321 700	2 769 806	(2 729 043)	40 763	(386 930)	975 533
Impairment on non-current assets held-for-sale (Note 8)		28 686		28 686		28 686
Impairment of other tangible assets (Note 9)	72 010	-	-	-	(50 920)	21 090
Impairment of other assets (Note 13)	11 713	-	-	-		11 713
Impairment of assets received in kind for recovery of own credit (Note 13)	78 693	76 194	(38 659)	37 535		116 228
	162 416	104 880	(38 659)	66 221	(50 920)	177 717
	1 484 116	2 874 686	(2 767 702)	106 984	(437 850)	1 153 251

* Cancellation 1880 as a charge to retained earnings. Transfer of 10,011 to capital account according to IFRS 9

	2018							
	Balances at 31/12/17	Adjustment IFRS 9	Appropriations profit and loss	Impairment reversals	Net impairment	Adjustments Use	Transfers	31/12/2018
Impairment								
Impairment on loans and advances to customers (Note 7)	1 288 520	42 569	1 542 963	(1 153 727)	389 236	(394 052)	(16 464)	1 309 810
Impairment of financial assets					-			-
available-for-sale (Note 5)*	11 891		-		-	-		11 891
	1 300 411	42 569	1 542 963	(1 153 727)	389 236	(394 052)	(16 464)	1 321 700
Impairment of other tangible assets(Note 8)	72 010	-	-	-	-	-	-	72 010
Impairment de other assets (Note 12)	13 666	-	-	-	-	(1 953)	-	11 714
Impairment on assets received in kind for recovery of own credit (Note 12)	179 831	-	16 766	-	16 766	(117 903)	-	78 693
Provisions for guarantees and undertakings	-	27 758	30 779	(63 831)	(33 053)	(1 878)	16 464	9 291
Provisions for legal processes	5 733	-	-	-	-		-	5 733
	271 240	27 758	47 544	(63 831)	(16 287)	(121 734)	16 464	177 441
	1 571 651	70 326	1 590 508	(1 217 559)	372 949	(515 785)	-	1 499 141

18. OTHER LIABILITIES

This account comprises the following:

	dec-19	dec-18
Miscellaneous creditors		
Miscellaneous creditors - Amounts payable	958	1 034
General Government		
. Retention of tax at source	10 885	13 607
. Social welfare	3 513	3 184
. Value added tax	494	136
Miscellaneous resources		
. Mandatory deposit accounts	7 608	7 808
Collections on behalf of third parties	106	121
	23 564	25 890
Costs payable		
Administrative costs	21 546	20 524
Untaken holidays	16 706	12 728
Holiday subsidies	6 608	6 642
Medical care - consultations	50	50
Contribution to guarantee fund	1 402	1 160
	46 313	41 104
Deferred revenue		
Off-balance sheet operations	2 844	3 295
Card annuities	6 729	6 283
Other	-	338
	9 574	9 917
Other prepayments and accrued income accounts		
VISA cards	2 798	1 189
Returned cheques	-	2 242
ATM - Multibanco	4 092	9 066
Clearing - Interbank transfers	39 731	44 051
	46 621	56 547
	126 071	133 459

The decrease in the "Clearing – interbank transfers" account is explained by the volume of interbank transfers made on the last day of 2019, in comparison to the last day of 2018.

19. CAPITAL

Information on the equity structure, at 31 December 2019 and 2018, is set out below:

Capital at 31-12-2019

Entity	Number of shares	%	Amount
Caixa Geral de Depósitos, S.A.	70 000	70,00%	700 000
Empreitel Figueiredo, S.A.R.L.	11 687	11,69%	116 870
Adega, S.A.R.L.	6 732	6,73%	67 320
Rui Augusto Tavares Moreira Almeida Pinto	5 089	5,09%	50 890
Other	6 492	6,49%	64 920
	100 000	100,00%	1 000 000

Capital at 31-12-2018

Entity	Number of shares	%	Amount
Caixa Geral de Depósitos, S.A.	70 000	70,00%	700 000
Empreitel Figueiredo, S.A.R.L.	11 687	11,69%	116 870
Adega, S.A.R.L.	6 732	6,73%	67 320
Rui Augusto Tavares Moreira Almeida Pinto	5 089	5,09%	50 890
Other	6 492	6,49%	64 920
	100 000	100,00%	1 000 000

20. RESERVES, RETAINED EARNINGS AND PROFIT FOR PERIOD

The composition of the reserves and retained earnings accounts, at December 31, 2019 and 31 December 2018, was as follows:

	dec-19	dec-18
Share issue premiums	388	388
Fair value reserves		
. Financial assets at fair value through other comprehensive income (Note 5)	60 928	38 377
. Deferred tax (Note 12)	(14 847)	(9 786)
Other		-
	46 081	28 591
Other reserves and retained earnings		
. Legal reserve	167 676	151 093
. Other reserve	730 170	633 312
. Retained earnings	(12 900)	(52 385)
	884 946	732 020
Profit for period	477 373	165 826
	1 408 789	926 826

Variation in other reserves accounts are explained by the coverage of a part of the results of the IFRS 9 transition, for the amount of kCVe. 52,385.

Fair value reserves reflect unrealised capital gains and losses on financial assets at fair value through other comprehensive income, net of the corresponding fiscal effect.

Under the terms of the legislation in force in Cape Verde (law 62/VIII), a minimum of 10% of net profit for the period is paid into the legal reserve. The reserve is not distributable unless the bank is liquidated but may be used to increase capital or cover losses after all of the other reserves have been used up.

In retained earnings, other reserves for the amount of kCVe. 52,385 were used to cover IFRS 9 transition results. An additional adjustment of kCVe. 14,780 was also recognised in this account together with the cancellation of kCVe. 1,880 in impairment on A Promotora.

21. INTEREST AND SIMILAR INCOME

This account comprises the following:

	dec-19	dec-18
Interest on loans and advances to customers		
. Domestic credit	797 696	757 727
. Overdue credit	35 029	47 039
. Foreign loans	51 267	47 213
. Loans to employees	9 791	9 703
Debt securities		
Issued by domestic public entities		
. Treasury bonds	201 012	202 729
Other residents	16 324	20 838
Interest on loans and advances to credit institutions		
. In Cape Verde	3 204	2 137
. Abroad	682	711
Commissions received associated with amortised cost	32 730	34 700
	1 147 735	1 122 795

22. INTEREST AND SIMILAR COSTS

This account comprises the following:

	dec-19	dec-18
Interest on deposits		
. Savings accounts		
Young peoples' savings accounts	4 398	4 347
. Term deposits		
Residents	71 887	104 963
Emigrants	38 487	75 113
Non-residents	23 322	35 768
Interest on subordinated liabilities	-	16 630
Interest on loans		
. Residents	-	5 193
. Non-residents	719	1 467
Other interest and similar costs	2 427	3 845
Commissions paid associated with amortised cost	35	57
	141 276	247 383

23. INCOME FROM EQUITY INSTRUMENTS

This composition of this account is exclusively made up of dividends received:

	dec-19	dec-18
Income from available-for-sale assets:		
. Banco Comercial do Atlântico, S.A.	-	3 175
. Sociedade Caboverdiana de Tabacos, S.A.	1 294	1 294
. VISA International Service Association	185	142
	1 479	4 610

24. INCOME AND COSTS OF SERVICES AND COMMISSIONS

This account comprises the following:

	dec-19	dec-18
Income from services and commissions		
Operations on financial instruments	63 050	60 499
Services provided		
. Commissions on card annuities	58 977	51 334
. Commissions on cheque issuances	14 741	15 749
	73 718	67 082
Issue of guarantees		
. Guarantees and sureties	19 694	25 280
. Documentary credit operations	392	2 573
	20 087	27 853
Other commissions	5 387	4 685
	162 241	160 120
Costs of services and commissions		
Guarantees received		
. Documentary credit operations	1 008	33 412
Banking services provided by third parties		
. VISA commissions	24 471	21 462
. Other commissions	13 779	13 421
	38 250	34 883
	39 258	68 295

25. INCOME FROM FOREIGN EXCHANGE REVALUATIONS

This account comprises the following:

	dec-19			dec-18		
	Profit	Loss	Net	Profit	Loss	Net
Income from currency operations	61 343	(31 124)	30 219	30 697	(2 611)	28 086
Income from notes and coins	22 341	(4 664)	17 677	18 357	(3 716)	14 641
	83 683	(35 788)	47 896	49 055	(6 328)	42 727

26. INCOME FROM THE DISPOSAL OF OTHER ASSETS

The balance on this account, at 31 December 2019 and 2018 comprises profit and loss on the disposal of property recognised in other tangible assets:

	dec-19	dec-18
Other assets	370	4 431
Tangible assets	-	556
	370	4 988

27. OTHER OPERATING INCOME

These accounts are made up as follows:

	dec-19	dec-18
Other operating income		
Provision of miscellaneous services:		
. Service charge	27 620	24 699
. Credit cards	8 657	13 865
. OUR expenses	20 411	16 749
. Other	197	-
Profit on the disposal of property as payment in kind		
Reimbursement of expenses	21	34
Credit recovery	44 451	54 361
Other	4 533	4 273
	105 889	113 981
Other operating costs		
Other taxes	(11 011)	(11 909)
Donations and subscriptions	(2 734)	(2 085)
Contribution to guarantee fund	(1 280)	(2 152)
OUR expenses	(27 236)	(23 438)
Other	(8 249)	(5 057)
	(50 509)	(44 642)
	55 380	69 339

At 31 December 2019 and 2018, the amounts of the recovery of loan write-offs and interest recovery for past years were reclassified from net interest income to non-interest income (other operating income).

28. EMPLOYEE COSTS

This account comprises the following:

	dec-19	dec-18
Remuneration paid to employees	202 705	198 184
Remuneration paid to management and supervisory boards	25 459	28 915
Mandatory social costs	27 237	27 000
Contractual indemnities	2 923	2 554
Other	8 025	4 400
	266 350	261 053

The number of employees currently working for the bank, distributed among the respective professional categories, at 31 December 2019 and 31 December 2018, was as follows:

	dec-19	dec-18
Senior management	-	1
Coordinators	11	11
Line managers / managers	24	25
Administrative staff	104	92
Ancillary staff	4	4
Trainees	9	9
	152	142

The above referred to numbers, at 31 December 2019 and 31 December 2018, respectively, included 48 and 36 employees on fixed-term contracts.

29. GENERAL ADMINISTRATIVE COSTS

This account comprises the following:

	dec-19	dec-18
Specialised services		
. IT services	41 788	48 068
. Specialised services - SISP	34 542	33 553
. Security and surveillance	18 114	19 012
. Fees	3 191	3 348
. Cleaning services	7 754	7 574
. Advisory	1 572	3 432
. Consultancy	9 086	2 850
. Audit services	13 179	2 722
. Other specialised services	24 323	13 629
Rents and hires	32 978	32 078
Water, energy and fuel	21 236	20 541
Advertising and publications	11 159	7 353
Communications and postal charges	14 021	14 531
Stationery and consumables	15 815	11 750
Transport	14 788	13 433
Insurance	14 191	14 050
Travel, accommodation and expense account items	5 521	7 327
Conservation and repair	7 619	4 516
Employee training	3 872	3 317
Other	1 205	1 174
	295 955	264 257

30. EARNINGS PER SHARE

	dec-19	dec-18
Income after tax	477 373	165 826
Number of shares	100 000	100 000
Earnings per share (CVe.)	4 774	1 658

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments associated with banking activity are recognised in off-balance sheet accounts, as follows:

	dec-19	dec-18
Contingent liabilities		
. Guarantees and sureties provided	1 272 088	1 174 707
. Documentary credit operations	-	2 537
	1 272 088	1 177 244
Deposit and custody of securities	5 574 742	4 685 411
	6 846 831	5 862 655

32. OPERATING SEGMENTS

The bank prepares annual information on segments for reporting purposes for the consolidated accounts of Caixa Geral de Depósitos, S.A.. The operating segments defined in this report are set out below:

- **Trading and sales** – Trading and sales include banking activity related to the management of the bank's own securities portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type and brokerage operations. This segment includes loans and advances to and claims on other credit institutions;
- **Commercial banking** – Commercial banking includes all lending activities and resource-taking from large, small and medium sized enterprises. This segment includes loans, current accounts, investment project finance, discounted bills, factoring, equipment and property leasing and the underwriting of syndicated loans as well as loans and advances to the public sector.
- **Retail banking** – Retail banking includes banking operations with personal customers, the self-employed and micro-enterprises. This segment includes consumer credit, mortgage lending, credit cards and deposits taken from personal customers, as well as international money transfers.

The following tables summarise the information on the operating segments used by the bank, at 31 December 2019 and 31 December 2018:

	2019			
	Trading and sales	Commercial banking	Retail banking	Total
Interest and similar income	233 364	547 589	366 783	1 147 735
Interest and similar costs	(3 182)	(62 109)	(75 985)	(141 276)
NET INTEREST INCOME	230 182	485 479	290 798	1 006 459
Income from equity instruments	1 479	-	-	1 479
Income from services and commissions	59 232	58 910	44 099	162 241
Costs of services and commissions	(38 250)	(453)	(555)	(39 258)
Income from foreign currency revaluations	-	28 683	19 213	47 896
Income from the disposal of other assets	370	-	-	370
Other operating income	-	24 908	30 473	55 380
TOTAL OPERATING INCOME	253 013	597 527	384 027	1 234 568
Other costs and income				(757 195)
Net income for period				**477 373**
Cash and claims at central banks	1 087 661	-	-	1 087 661
Claims on other credit institutions	504 147	-	-	504 147
Available-for-sale financial assets	316 388	-	-	316 388
Loans and advances to credit institutions	3 066 031	-	-	3 066 031
Loans and advances to customers	-	11 029 169	7 387 499	18 416 668
Other credit institutions' resources	128 953	-	-	128 953
Customer resources and other loans	-	9 760 694	11 941 359	21 702 053

	2018			
	Trading and sales	Commercial banking	Retail banking	Total
Interest and similar income	239 692	554 649	328 454	1 122 795
Interest and similar costs	(27 191)	(103 406)	(116 786)	(247 383)
NET INTEREST INCOME	212 501	451 243	211 668	875 412
Income from equity instruments	4 610	-	-	4 610
Income from services and commissions	51 641	66 822	41 657	160 120
Costs of services and commissions	(34 876)	(15 694)	(17 725)	(68 295)
Income from foreign currency revaluations	-	27 757	14 970	42 727
Income from the disposal of other assets	4 988	-	-	4 988
Other operating income	-	61 395	7 944	69 339
TOTAL OPERATING INCOME	238 863	591 524	258 514	1 088 901
Other costs and income				(923 075)
Net income for period				**165 826**
Cash and claims at central banks	1 488 467	-	-	1 488 467
Claims on other credit institutions	398 176	-	-	398 176
Available-for-sale financial assets	291 957	-	-	291 957
Loans and advances to credit institutions	2 096 593	-	-	2 096 593
Loans and advances to customers	-	11 328 028	6 190 384	17 518 413
Other credit institutions' resources	189 012	-	-	189 012
Customer resources and other loans	-	9 633 588	10 880 157	20 513 745

33. RELATED ENTITIES

All entities controlled by Caixa Geral de Depósitos group and its associates are considered to be related entities.

The bank's financial statements, at 31 December 2019 and 31 December 2018, include the following balances and transactions with related entities, excluding statutory bodies:

	2019				
	Caixa Geral de Depósitos Group				
	CGD	France branch	Banco Comercial do Atlântico	Promotora	SISP
Assets:					
Claims on other credit institutions	365 688	7 730	7 317	-	-
Loans and advances to credit institutions	-	-	-	-	-
Available-for-sale financial assets	-	-	234	17 124	-
Loans and advances to customers	-	-	-	-	-
Impairment	-	-	-	-	-
Investments in subsidiaries, associates and jointly owned enterprises	-	-	-	-	98 096
Other assets	-	-	-	-	1 420
Liabilities:					
Other credit institutions' resources	-	(9 579)	-	-	-
Customer resources and other loans	-	-	-	(75)	(85 922)
Other subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Off-balance sheet:					
Issue of guarantees	-	-	-	-	-
Income:					
Interest and similar income	-	-	-	-	-
Income from equity instruments	-	-	-	-	-
Income from services and commissions	-	-	-	-	58 977
Income from available-for-sale financial assets	-	-	-	(1 409)	(21 625)
Costs:					
Interest and similar costs	(0)	(132)	-	-	-
Costs of services and commissions	(1 891)	-	-	-	2 057
General administrative costs	-	-	-	-	(34 542)
Impairment of other assets net of reversals and recoveries	-	-	-	-	-

	2018				
	Caixa Geral de Depósitos Group				
	CGD	France branch	Banco Comercial do Atlântico	Promotora	SISP
Assets:					
Claims on other credit institutions	311 452	6 892	1 259	-	-
Loans and advances to credit institutions	-	-	-	-	-
Available-for-sale financial assets	-	-	243 955	15 307	-
Loans and advances to customers	-	-	-	-	-
Impairment	-	-	(10 011)	(1 880)	-
Investments in subsidiaries, associates and jointly owned enterprises	-	-	-	-	87 306
Other assets	267	-	-	-	1 764
Liabilities:					
Other credit institutions' resources	(10)	(20 716)	-		-
Customer resources and other loans	-	-	-	(7 421)	(76 245)
Other subordinated liabilities	-	-	-	(31 890)	-
Other liabilities	-	-	-	-	(2 841)
Off-balance sheet:					
Issue of guarantees	-	-	-	-	-
Income:					
Interest and similar income	33	-	-	-	-
Income from equity instruments	-	-	3 175	-	-
Income from services and commissions	-	-	-	-	51 334
Income from available-for-sale financial assets	-	-	-	-	(26 504)
Costs:					
Interest and similar costs	(0)	(507)	-	(1 007)	-
Costs of services and commissions	(34 470)	-	-	-	2 220
General administrative costs	-	-	-	-	(33 553)
Impairment of other assets net of reversals and recoveries	-	-	-	-	-

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, in 2019, totalled kCVe. 21,834 (kCVe. 26,112 in 2018).

Loans to board members at 31 December 2019 and 31 December 2018 totalled kCVe. 1,669 and kCVe. 10,574 respectively.

34. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

IFRS 15 – Revenue from contracts with customers

IFRS 15 replaced IAS 11 − Construction contracts, IAS 18 − Revenue and the interpretations related to these standards and, with few exceptions, applies to all revenue from contracts with customers.

IFRS 15 provides for a five step model to account for revenue from contracts with customers and requires the revenue to be recognised for an amount that reflects the compensation to which an entity expects to be entitled in exchange for the goods and/ or services to be transferred to the customer.

IFRS 15 requires the management board to make judgments, considering all relevant facts and circumstances when it applies each of the model's five steps to contracts with its customers. The standard also specifies how the incremental costs of obtaining a contract and the costs directly incurred on the fulfilment of a contract should be accounted. The standard also requires more extensive disclosures.

In accordance with this method, the standard may be applied, on its initial date of application to all contracts or only those contracts which have not been completed at the said date. The group opted to apply the standard to all contracts,l including those which had not been completed at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was, on the date of its initial application, recognised as an adjustment to retained earnings on the opening financial statement. Consequently the comparative information was not re-expressed and continues to be reported in accordance with IAS 11, IAS 18 and other related interpretations.

IFRS 9 – Financial instruments

IFRS 9 − Financial instruments replaced IAS 39 − Financial instruments: recognition and measurement for the annual periods beginning on or after 1 January 2018 and joined up three aspects of the accounting of financial instruments: classification and measurement, impairment and hedge accounting.

BI applied IFRS 9 prospectively with 1 January 2018 as the initial date of application. BI did not re-express the comparative information which continues to be reported in accordance with IAS 39. The differences deriving from the adoption of IFRS 9 were directly recognised in retained earnings and other shareholders' equity components.

(a) Classification and measurement

Under IFRS 9, debt instruments may be subsequently measured at fair value through profit or loss, amortised cost or at fair value through other comprehensive income. The classification is made on the basis of the business model used by the group to manage its financial assets whether or not the contractual cash flows on the debt instrument represent only repayments of principal and payments of interest on outstanding principal.

BI's business model was evaluated on 1 January 2018 as the date of initial application. The appraisal of whether or not the contractual cash flows represent only repayments of principal and payments of interest on outstanding principal was made on the basis of the facts and circumstances existing at the date of recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have any impact on BI which continues to measure all financial assets previously recognised as such under IAS 39 at fair value and not registering any alterations on an asset classification level.

BI did not designate any financial liability at fair value through profit or loss. There was no alteration to the classification and measurement of BI's financial liabilities.

(b) Impairment

The adoption of IFRS 9 led to a substantial alteration of the way in which the group accounts for its impairment losses on financial assets, substituting the “incurred loss” approach of IAS 39 by a prospective expected credit loss approach or “ECL”. IFRS 9 requires BI to recognise an impairment loss on expected credit losses on all debt instruments that are not measured at fair value through profit or loss and for all assets in contracts with customers (deriving from the application of IFRS 15).

(c) Hedge accounting

On the date of initial application, all of the group’s hedge relationships were eligible to be treated as such. Prior to the adoption of IFRS 9, BI designated the alteration of fair value of forward contracts in their cash flows hedge relationship. With the adoption of IFRS 9 hedge accounting requirements, the group solely designated the spot element of forward agreements as hedge instruments. The spot element is recognised in comprehensive income and accumulated with a separate capital component in the “Hedge costs reserve”.

Under IAS 39, all profit and loss made by BI on cash flow hedges were eligible for subsequent reclassification to profit and loss. However, under IFRS 9, profit and loss resulting from cash flow hedges on future purchases of non-financial assets must be included in the amount of the initial recognition of this non-financial asset. This alteration is only applied prospectively from the date of the initial application of IFRS 9 and does not have an impact on BI’s statement of its financial position at 1 January 2018.

(d) Other adjustments

In addition to the previously described adjustments, other financial statements accounts were adjusted when necessary, namely deferred tax, investments in associates and jointly controlled enterprises (deriving from the financial instruments held by these entities) and non-controlling interests as a charge to retained earnings at 1 January 2018.

Management policies on the financial risks attached to the bank’s activity

Authorised risk limits and exposure levels are defined and approved by the board of directors, on the basis of the bank’s overall strategy and market position. The risk management committee was created in 2016 together with the implementation of a quarterly scorecard for oversight purposes chaired by a non-executive director who reports regularly to the board of directors. Monthly publication of this report started in 2018. A collection of risk policies and guidelines was also approved.

Foreign exchange risk

The existence of a fixed parity between the Cape Verde escudo and the euro (CVe. 110.265 = 1 euro), resulting from the existing convertibility agreement between Cape Verde and Portugal, explains why the euro is not considered for the purpose of the foreign exchange position in the Bank of Cape Verde’s current regulations and those currently being produced.

The bank maintains a neutral foreign exchange position in US dollars and in practical terms does not have a position in other currencies, with only an occasional appearance in low value tourism-related transactions.

Liquidity risk

The bank’s liquidity risk management is overseen and measured by its daily cash flow whose policy and standards have been published by the ALCO committee and systematically updated during the day, for the shortest period while also covering the longer periods. The approved but unused loans balance is taken into consideration in the case of cash flow.

Taking into account the nature of Cape Verde’s market and its surplus liquidity structure and the fact that BI is no exception, there are no significant risks attached to liquidity management.

The public debt securities portfolio is an alternative for the bank’s liquidity investments, either in Bank of Cape Verde or State of Cape Verde securities. Public debt securities, in turn, may be passed through to the secondary market. Owing to the ease of purchase and sale of foreign currency through the Bank of Cape Verde, liquidity surpluses may also be invested abroad.

Information on the contractual periods to maturity of financial instruments, at 31 December 2019 and 2018, is set out below:

	2019								
	Contractual periods to maturity								
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years	Total
Assets									
Cash and claims at central banks	1 087 661	-	-	-	-	-	-	-	1 087 661
Claims on other credit institutions	504 147	-	-	-	-	-	-	-	504 147
Loans and advances to credit institutions	3 000 000	-	34 762	-	-	-	31 269	-	3 066 031
Loans and advances to customers (gross balances)	1 768 931	619 292	421 143	354 349	2 010 444	3 876 835	4 448 745	5 880 572	19 380 311
	6 360 739	619 292	455 905	354 349	2 010 444	3 876 835	4 480 014	5 880 572	24 038 150
Liabilities									
Other credit institutions' resources	(108 403)	(9 579)	(5 517)	(5 455)	-	-	-	-	(128 953)
Customer resources and other loans	(6 739 763)	(1 269 612)	(1 158 040)	(9 322 255)	(2 863 973)	(348 411)	-	-	(21 702 053)
	(6 848 166)	(1 279 190)	(1 163 556)	(9 327 710)	(2 863 973)	(348 411)	-	-	(21 831 006)
GAP (Assets - Liabilities)	(487 427)	(659 899)	(707 651)	(8 973 361)	(853 529)	3 528 425	4 480 014	5 880 572	2 207 144

	2018								
	Contractual periods to maturity								
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years	Total
Assets									
Cash and claims at central banks	1 488 467	-	-	-	-	-	-	-	1 488 467
Claims on other credit institutions	398 176	-	-	-	-	-	-	-	398 176
Loans and advances to credit institutions	2 000 000	-	-	-	66 713	-	29 880	-	2 096 593
Loans and advances to customers (gross balances)	2 712 591	412 534	674 000	483 557	1 581 188	3 048 198	5 154 750	4 761 406	18 828 222
	6 599 233	412 534	674 000	483 557	1 647 901	3 048 198	5 184 629	4 761 406	22 811 457
Liabilities									
Other credit institutions' resources	(167 070)	-	(5 455)	(5 455)	(10 909)	(124)	-	-	(189 012)
Customer resources and other loans	(6 399 019)	(1 294 899)	(1 273 459)	(9 108 095)	(2 438 273)	-	-	-	(20 513 745)
Other subordinated liabilities	-	-	-	-	-	-	-	-	-
	(6 566 089)	(1 294 899)	(1 278 913)	(9 113 550)	(2 449 182)	(124)	-	-	(20 702 757)
Off-balance sheet (issue of guarantees)	-	-	-	-	-	-	-	-	-
GAP (Assets - Liabilities)	33 144	(882 366)	(604 913)	(8 629 993)	(801 281)	3 048 074	5 184 629	4 761 406	2 108 700

Interest rate risk

The fact that most credit operations are at fixed rates entails the existence of interest rate risk. This is minimised by natural hedges based on borrowing operations and the progressive implementation of rates indexed to the central bank's marginal lending facility rate, in new operations with maturities of more than 5 years.

In terms of risk-hedging procedures reference should, therefore, be made to several aspects implemented by the bank:

- The issuance of Euribor-indexed bonds, which make it possible to mitigate interest rate risk on lending and other operations in the bank's pipeline which, being indexed to Euribor, are naturally hedged by bond issuances.
- An increase in euro lines of credit in order to achieve our objectives referred to in the preceding line;
- The base for active fixed rate hedges is based on deposits and there is no national indexer that can be used as a benchmark for assets or liabilities;
- Loan contracts provide for the possibility of alterations in interest rates in certain circumstances. This is legally acceptable in addition to functioning with coherent assets and liabilities management, through the systematic information instruments issued by the financial markets office.

Credit risk (GGR)

GGR (Risk Management Office) was set up to monitor credit risk and is also responsible for assessing the said credit risk. It reports directly to the chairman of the executive committee.

Its objectives are to manage credit and concentration risk based on its management of the quality of the corporate credit portfolio. It also centralises relations/information with the Bank of Cape Verde's risk database and is responsible for overseeing the evolution of the bank's provisions and informing the executive committee, on individual loans and the bank's global portfolio.

GGR issues risk opinions on proposals produced and/or structured by the commercial area and thus separates the two functions. It also oversees the corporate portfolio with the aim of identifying and giving notice of potential risk situations.

In the sphere of credit portfolio oversight, the credit recovery office (URC) provides status reports on overdue credit or loans in which pre-legal/legal actions are being taken, to enable the executive committee to make prompt decisions.

Market risk

Cape Verde has a small stock exchange. The bank has investments in fixed-income shares and securities.

Credit Risk

Maximum exposure to credit risk

Information on the bank's maximum exposure to credit risk, at 31 December 2019 and 31 December 2018, is set out below:

	2019			
	Active Exposure	Impairment	Collateral	Effective Exposure
Claims	3 138 218	-	-	3 138 218
Loans and advances to credit institutions	1 851 171	-	-	1 851 171
Loans and advances to customers	18 986 250	1 057 915	16 517 983	1 410 352
Other assets	1 991 712	1 062 430	-	929 282
	25 967 351	2 120 344	16 517 983	7 329 024
Guarantees and sureties	1 172 292	10 939	1 172 292	(10 939)
Documentary credit operations	2 018	56	2 018	(56)
	1 174 309	10 995	1 174 309	(10 995)
Maximum exposure	27 141 660	2 131 340	17 692 292	7 318 028

	2018			
	Active Exposure	Impairment	Collateral	Effective Exposure
Claims	398 176	-	-	398 176
Loans and advances to credit institutions	2 029 762	-	-	2 029 762
Loans and advances to customers	18 894 962	1 309 810	14 182 565	3 402 587
Other assets	2 042 569	162 417	-	1 880 153
	23 365 468	1 472 226	14 182 565	7 710 677
Guarantees and sureties	1 174 707	-	1 174 707	-
Documentary credit operations	2 537	2	2 537	(2)
	1 177 244	2	1 177 244	(2)
Maximum exposure	24 542 713	1 472 229	15 359 809	7 710 675

Quality of loans and advances to customers

At 31 December 2019 and 31 December 2018 the gross book value of loans and advances to customers, issue of guarantees and documentary credit operations, excluding other loans and amounts receivable – securitised and accrued interest, was broken down as follows:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Outstanding	5 194 533	201 059	428 628	5 824 220
Overdue	787	126 983	1 314 876	1 442 647
	5 195 320	328 043	1 743 504	7 266 867
Mortgage lending				
Outstanding	4 378 055	135 636	23 641	4 537 332
Overdue	122	6 645	31 573	38 339
	4 378 177	142 281	55 214	4 575 671
Other loans				
Outstanding	2 564 166	169 581	55 435	2 789 182
Overdue	2 738	15 398	206 545	224 681
	2 566 904	184 979	261 979	3 013 862
Loans to the public sector				
Outstanding	270 275	-	-	270 275
Overdue	-	-	-	-
	270 275	-	-	270 275
Total outstanding credit	12 407 030	506 276	507 704	13 421 009
Total overdue credit	3 647	149 026	1 552 993	1 705 666
Total credit	12 410 676	655 303	2 060 697	15 126 676
Off-balance sheet				
Guarantees and documentary credit to companies				
Outstanding	1 119 171	38 370	114 548	1 272 088

	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Outstanding	4 778 831	376 338	506 126	5 661 296
Overdue	1 283	9 700	1 876 087	1 887 069
	4 780 114	386 038	2 382 213	7 548 365
Mortgage lending				
Outstanding	3 636 786	125 581	11 914	3 774 281
Overdue	1 004	20 752	93 091	114 847
	3 637 790	146 333	105 005	3 889 128
Other loans				
Outstanding	2 080 183	159 539	32 250	2 271 973
Overdue	576	11 197	304 091	315 865
	2 080 759	170 737	336 342	2 587 837
Loans to the Public Sector				
Outstanding	318 705	-	-	318 705
Overdue	-	-	-	-
	318 705	-	-	318 705
Total outstanding credit	10 814 506	661 459	550 290	12 026 255
Total overdue credit	2 863	41 649	2 273 269	2 317 781
Total credit	10 817 369	703 108	2 823 560	14 344 036
Off-balance sheet				
Guarantees and				
documentary credit to companies				
Outstanding	1 177 244	7 987	464	1 804 685

	Credit Quality				
	2019				
	Companies	Personal - Mortgages	Personal - Other	Public Sector	Total
Not overdue or individually impaired	**6 983 947**	**5 130 264**	**2 692 397**	**0**	**14 806 608**
Not overdue but individually impaired	**560 964**	**7 673**	**3 608**	**270 803**	**843 049**
Overdue but without individual impairment	**424 682**	**78 537**	**119 040**	**0**	**622 258**
Less than 30 days	47 019	40 716	35 202	0	122 937
30 to 90 days	1 312	6 532	9 771	0	17 615
91 to 180 days	18 803	0	21 199	0	40 002
181 to 360 days	41 280	9 634	10 978	0	61 893
More than 360 days	316 268	21 654	41 890	0	379 812
Credit with individual impairment	**1 030 766**	**0**	**132 593**	**0**	**1 163 359**
Less than 30 days	0	0	9	0	9
30 to 90 days	1	0	997	0	997
91 to 180 days	156	0	0	0	156
181 to 360 days	328 459	0	1 381	0	329 840
More than 360 days	702 151	0	130 206	0	832 357
Total	**9 000 360**	**5 216 474**	**2 947 639**	**270 803**	**17 435 275**

	Credit Quality				
	2018				
	Companies	Personal - Mortgages	Personal - Other	Public Sector	Total
Not overdue or individually impaired	**5 171 404**	**3 721 360**	**2 356 064**	**296 712**	**11 545 539**
Not overdue but individually impaired	**491 547**	**0**	**0**	**0**	**491 547**
Overdue but without individual impairment	**623 877**	**116 833**	**99 781**	**0**	**840 491**
Less than 30 days	33 739	0	4 354	0	38 093
30 to 90 days	38 140	21 680	13 151	0	72 971
91 to 180 days	47 366	19 002	8 222	0	74 589
181 to 360 days	15 738	11 167	23 916	0	50 821
More than 360 days	488 892	64 985	50 139	0	604 016
Credit with individual impairment	**1 313 117**	**0**	**221 481**	**0**	**1 534 598**
Less than 30 days	0	0	0	0	0
30 to 90 days	0	0	0	0	0
91 to 180 days	302	0	0	0	302
181 to 360 days	168 476	0	0	0	168 476
More than 360 days	1 144 339	0	221 481	0	1 365 821
Total	**7 599 944**	**3 838 193**	**2 677 327**	**296 712**	**14 412 175**

The following classifications were used to prepare the above tables:

- "Performing loans"
  - Loans without any overdue payments or with balances overdue for up to 30 days;
  - Stage 1 - Assets without a significant deterioration in credit risk since the time of their initial recognition;
  - Stage 2 - Assets with a significant deterioration in credit risk since the time of their initial recognition; and
  - Stage 3 - Impaired assets (assets in default).
  - Loans with balances overdue for more than 90 days. In the case of corporate loans, if a customer has at least one operation with payments overdue 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.

Overdue credit also only includes the amounts of the operations or payments due and unpaid on the reference date. The "Overdue credit" account, in note 7, includes the full amount receivable on operations with overdue amounts.

At 31 December 2019, the credit balance upon which specific impairment had been declared on the basis of an individual analysis totalled kCVe. 2,006,408 (kCVe. 2,045,153 at 31 December 2018), with a total amount of impairment of kCVe. 637,180 (kCVe. 603,427 at 31 de December 2018). It should be noted that individually analysed loans on which no specific impairment has been declared were included in a collective analysis.

At 31 December 2019 and 31 December 2018 information on the book value of loans and advances to customers identified by the bank and whose maturities had been restructured is detailed below:

	2019			2018		
	Live credit	Overdue credit	Total	Live credit	Overdue credit	Total
Companies	22 933	112 580	135 513	12 506	134 165	146 671
Personal customers	51 404	5 473	56 877	69 268	19 477	88 744
	74 337	118 053	192 390	81 773	153 642	235 415

Fair value

Information on the bank's financial assets, measured at fair value, is set out below:

	2019			
	Measured at Fair Value			
	Market prices	**Measurement models with observable market prices/parameters**	**Measurement models with non-observable market prices/ parameters**	**Total Fair Value**
	(Level 1)	**(Level 2)**	**(Level 3)**	
Available-for-sale financial assets				
Shares	45 297		271 092	316 388
		-		-
Financial assets	**45 297**	**-**	**271 092**	**316 388**

	2018			
	Measured at Fair Value			
	Market prices	**Measurement models with observable market prices/parameters**	**Measurement models with non-observable market prices/ parameters**	**Total Fair Value**
	(Level 1)	**(Level 2)**	**(Level 3)**	
Available-for-sale financial assets				
Shares	34 491		233 944	268 435
		-		-
Financial assets	**34 491**	**-**	**233 944**	**268 435**

There were no entries, exits or variations in the fair value of the financial assets portfolio measured at level 3 of the IFRS 13 fair value ranking in 2019.

The value of VISA shares was measured on the basis of the stock exchange price and therefore classified at level 1 of the measurement provided for in IFRS 13;

The value of the shares of Banco Comercial do Atlântico, S.A., A Promotora and Sociedade Cabo Verdiana de Tabacos was measured by an independent external entity, using cash flow models and therefore classified at level 3 of the measurement provided for in IFRS 13.

Sensitivity Analysis

2019

Assets classified at level 3	**Measurement model**	**Variable analysed**	**Book value**	**Unfavourable Scenario**		**Favourable Scenario**	
				Variation	**Impact**	**Variation**	**Impact**
Available-for-sale financial assets							
Shares							
Banco Comercial do Atlântico	Discounted cash flow model	Discount rate*	243 955,0	-50%	148 569	+50%	392 524
Sociedade Caboverdiana de Tabacos	Discounted cash flow model	Discount rate	15 255,6	-50%	-80 131	+50%	163 824
A Promotora, Sociedade de Capital de Risco de cabo Verde, S.A.R.L.	Discounted cash flow model	Discount rate	17 124,2	-50%	-78 262	+50%	165 693
Total			276 335	0	-9 824		722 041

* rate of 10.9%, according to BCA's valuation

The following is an analysis of the principal methodologies and assumptions upon which the fair value of financial assets and liabilities recognised in the balance sheet at amortised cost were estimated:

	2019				
		Fair Value			
	Assets/liabilities at amortised cost	Market prices (Level 1)	Measurement models with observable market prices/ parameters (Level 2)	Measurement models with non-observable market prices/parameters (Level 3)	Total fair value
Assets					
Cash and claims at central banks	1 087 661	-	1 087 661	-	1 087 661
Claims on other credit institutions	504 147	-	504 147	-	504 147
Financial assets at fair value through other comprehensive income **(a)**	316 388	-	-	316 388	316 388
Loans and advances to credit institutions	3 066 031	-	3 066 031	-	3 066 031
Loans and advances to customers	17 518 413	-	-	12 473 687	12 473 687
Other assets (property)	461 362	-	461 362	-	461 362
	22 954 002	-	5 119 201	12 790 075	17 909 276
Liabilities					
Other credit institutions' resources	128 953	-	-	31 127	31 127
Customer resources and other loans	21 702 053	-	-	12 284 256	12 284 256
Other subordinated liabilities	-	-	-	-	-
	21 831 006	-	-	12 315 382	12 315 382

a) Assets at acquisition cost net of impairment. These assets refer to equity instruments issued by unlisted entities and in respect of which no recent market transactions have been identified nor can their fair value be reliably estimated.

	2018				
		Fair Value			
	Assets/liabilities at amortised cost	Market prices (Level 1)	Measurement models with observable market prices/ parameters (Level 2)	Measurement models with non-observable market prices/parameters (Level 3)	Total fair value
Assets					
Cash and claims at central banks	1 488 467	-	1 488 467	-	1 488 467
Claims on other credit institutions	398 176	-	398 176	-	398 176
Available-for-sale financial assets **(a)**	291 957	-	-	291 957	291 957
Loans and advances to credit institutions	2 096 593	-	2 096 593	-	2 096 593
Loans and advances to customers	17 518 413	-	-	17 009 729	17 009 729
Other assets (property)	375 145	-	375 145	-	375 145
	22 168 750	-	4 358 380	17 301 686	21 660 066
Liabilities					
Other credit institutions' resources	189 012	-	-	188 826	188 826
Customer resources and other loans	20 513 745	-	-	20 280 373	20 280 373
Other subordinated liabilities	-	-	-	-	-
	20 702 757	-	-	20 469 199	20 469 199

a) Assets at acquisition cost net of impairment. These assets refer to equity instruments issued by unlisted entities and in respect of which no recent market transactions have been identified nor can their fair value be reliably estimated.

The following assumptions were used for fair value measurement purposes:

- The book value in the case of balances payable on demand and short term loans and advances to credit institutions comprises fair value;
- The fair value of the other instruments was measured by the bank on the basis of discounted cash flow models, taking the operations' contractual conditions into consideration and using appropriate interest rates for the type of instrument, based on the interest rates used for similar instruments issued or contracted for close to the end of the period.

Sensitivity analysis – Interest rate

The impact of parallel shifts on the benchmark interest rates yield curve for 50, 100 and 200 basis points (bps), on the fair value of financial instruments sensitive to interest rate risk, at 31 December 2019 and 31 December 2018, respectively, is set out in the following tables:

	2019					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross balances)	2 556 938	965 309	436 138	(368 848)	(686 411)	(1 207 898)
Total sensitive assets	2 556 938	965 309	436 138	(368 848)	(686 411)	(1 207 898)

	2018					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross balances)	1 347 630	559 933	258 465	(224 311)	(420 974)	(749 874)
Total sensitive assets	1 347 630	559 933	258 465	(224 311)	(420 974)	(749 874)

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

The following table demonstrates the effect of a parallel shift on interest rate yield curves of 50, 100 and 200 bps, which index financial instruments sensitive to variations of interest rates, on net interest income projections for 2019 and 2018, respectively:

2019						
	Net interest income projection					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2019	(143 582)	(71 791)	(35 896)	35 896	71 791	143 582
2018	(96 116)	(48 058)	(24 029)	24 029	48 058	96 116

2018						
	Net interest income projection					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
2018	(96 116)	(48 058)	(24 029)	24 029	48 058	96 116
2017	(53 475)	(26 738)	(13 369)	13 369	26 738	53 475

The assessment of the impacts set out in the above table takes into consideration the fact that assets and liabilities sensitive to interest rate in the balance sheet on the calculation's reference date would remain stable over the years 2019 and 2018, respectively, with the renewal thereof, whenever applicable, considering the market conditions in force on the referred to renewal dates and average spread on live operations, at 31 December 2019 and 31 December 2018.

The information set out in the above tables refers to a static scenario and does not take into consideration alterations of strategy and interest rate risk management polices which the bank may adopt as a consequence of alterations of in benchmark interest rates.

Foreign exchange risk

Breakdown of financial instruments by currency

Financial instruments were broken down into the following currencies, at 31 December 2019 and 31 December 2018:

	2019				
	Cape Verde escudos	Euros	US dollars	Other	Total
Assets					
Cash and claims at Central Banks	753 158	309 066	8 057	17 380	1 087 661
Claims on other credit institutions	46 654	305 832	129 086	22 574	504 147
Financial assets at fair value through other comprehensive income	316 388	-	-	-	316 388
Loans and advances to credit institutions	3 034 762	-	31 269	-	3 066 031
Loans and advances to customers (net)	17 632 594	784 074	-	-	18 416 668
Investments in subsidiaries, associates and jointly owned enterprises	98 096	-	-	-	98 096
Other assets	418 851	-	-	-	418 851
	22 300 502	1 398 973	168 413	39 954	23 907 842
Liabilities					
Central Banks' and other credit institutions' resources	(65 930)	(33 865)	(29 157)	-	(128 953)
Customer resources and other loans	(21 346 366)	(198 206)	(134 128)	(23 353)	(21 702 053)
Other subordinated liabilities	-	-	-	-	-
Other liabilities	88 175	-	-	-	88 175
	(21 324 122)	(232 071)	(163 285)	(23 353)	(21 742 831)
Net exposure	976 380	1 166 901	5 128	16 601	2 165 010

	2018				
	Cape Verde escudos	Euros	US dollars	Other	Total
Assets					
Cash and claims at central banks	1 009 368	447 977	12 064	19 058	1 488 467
Claims on other credit institutions	49 584	293 308	34 220	21 063	398 175
Financial assets at fair value through other comprehensive income	291 957	-	-	-	291 957
Loans and advances to credit institutions	2 066 713	-	29 880	-	2 096 593
Loans and advances to customers (net)	16 571 997	946 415	-	-	17 518 413
Investments in subsidiaries, associates and jointly owned enterprises	87 306	-	-	-	87 306
Other assets	908 246	-	-	-	908 246
	20 985 172	1 687 701	76 163	40 121	22 789 157
Liabilities					
Central banks' and other credit institutions' resources	(61 411)	(115 586)	(12 016)	-	(189 012)
Customer resources and other loans	(20 001 935)	(406 042)	(82 840)	(22 929)	(20 513 745)
Other subordinated liabilities	-	-	-	-	-
Other liabilities	(174 940)	-	-	-	(174 940)
	(20 238 286)	(521 627)	(94 856)	(22 929)	(20 877 697)
Net exposure	746 887	1 166 073	(18 692)	17 192	1 911 460

Taking into account the fixed parity between the Cape Verde escudo and the euro, foreign exchange risk is essentially associated with the balances recognised in US dollars (USD).

The following table sets out the effect of variations of exchange rates of 15%, 10% and 2% on assets and liabilities denominated in USD for 2019 and 2018, respectively:

	Amount in thousand US dollars	Exchange rate 31-12-2019	Countervalue in kCVe.	Sensitivity Analysis 2019					
				-15%	-10%	-2%	2%	10%	15%
Assets									
Cash and claims at Central Banks	8 057	98,548	794 020	(119 103)	(79 402)	(15 880)	15 880	79 402	119 103
Claims on other credit institutions	129 086	98,548	12 721 210	(1 908 182)	(1 272 121)	(254 424)	254 424	1 272 121	1 908 182
Loans and advances to credit institutions	31 269	98,548	3 081 538	(462 231)	(308 154)	(61 631)	61 631	308 154	462 231
			16 596 767	(2 489 515)	(1 659 677)	(331 935)	331 935	1 659 677	2 489 515
Liabilities									
Central Banks' and other credit institutions' resources	29 157	98,548	2 873 359	(431 004)	(287 336)	(57 467)	57 467	287 336	431 004
Customer resources and other loans	134 128	98,548	13 218 008	(1 982 701)	(1 321 801)	(264 360)	264 360	1 321 801	1 982 701
			16 091 368	(2 413 705)	(1 609 137)	(321 827)	321 827	1 609 137	2 413 705

	Amount in thousand US dollars	Exchange rate 31-12-2018	Countervalue in kCVe.	Sensitivity Analysis 2018					
				-15%	-10%	-2%	2%	10%	15%
Assets									
Cash and claims at Central Banks	125 318	96,268	12 064 113	(1 809 617)	(1 206 411)	(241 282)	241 282	1 206 411	1 809 617
Claims on other credit institutions	355 461	96,268	34 219 523	(5 132 929)	(3 421 952)	(684 390)	684 390	3 421 952	5 132 929
Loans and advances to credit institutions	310 378	96,268	29 879 515	(4 481 927)	(2 987 951)	(597 590)	597 590	2 987 951	4 481 927
			76 163 151	(11 424 473)	(7 616 315)	(1 523 263)	1 523 263	7 616 315	11 424 473
Liabilities									
Central Banks' and other credit institutions' resources	124 817	96,268	12 015 835	(1 802 375)	(1 201 583)	(240 317)	240 317	1 201 583	1 802 375
Customer resources and other loans	860 512	96,268	82 839 788	(12 425 968)	(8 283 979)	(1 656 796)	1 656 796	8 283 979	12 425 968
			94 855 623	(14 228 343)	(9 485 562)	(1 897 112)	1 897 112	9 485 562	14 228 343

35. CAPITAL MANAGEMENT

The bank's capital management objectives are guided by the following general principles:

- To comply with the regulatory requirements of the Bank of Cape Verde;
- To generate an adequate level of return for the company, creating value for its shareholder and return on capital employed;
- To sustain the development of operations that the bank is lawfully authorised to perform, maintaining a solid capital structure, capable of providing for the growth in activity and commensurate with its risk profile;
- To ensure the bank's reputation, maintaining the integrity of the operations performed during the course of its activity.

To achieve the above referred to objectives, the bank plans its short and medium term capital requirements to fund its activity, particularly based on its self-financing capacity and other resource-taking operations. This planning is based on internal estimates of the growth of balance sheet operations and funding from borrowings primarily raised from subordinated debt issuances, including complementary own funds within certain limits.

The activity of credit institutions in Cape Verde is regulated by law 62/VIII/2014 and law 61/VII/2014 of 23 April which define the main guidelines and reference framework for the financial system. The referred to laws and complementary legal instruments involve several regulatory domains with an influence on capital management of which reference should be made to:

– The requirement for own funds never to be less than the minimum share capital and for at least 10% of each year's net profit up to the amount of the share capital to be appropriated to legal reserves;

– *Notice* 3/2015 of 12 May 2015, official bulletin 25, which defines a minimum share capital requirement of CVe. 800 million for general banks;

– *Notice* 1/2017 of 9 February which requires that, in matters relating to own funds, financial institutions should ensure a total own funds adequacy ratio of not less than 12%, as one of its solvency indicators which, in practice, requires credit institutions to allocate certain amounts of capital to provide for any unexpected losses;

– The imposition of risk concentration limits on a customer or group of customers, based on the introduction of percentages indexed to the amount of own funds, which, in consolidated terms, are around 20% for the group itself and 25% for others. This measure was designed to promote portfolio diversification, owing to the risk of contamination which may exist in a specific group, in the event of a default by one or more entities belonging to the said group;

– Limits on equity stakes in companies other than credit institutions, parabanking institutions, ancillary services companies, pension fund managers, holding companies which only have equity investments in the above referred to companies and companies in the insurance sector which, when considered individually, should not exceed 15% of the own funds of the investing institution and 60% of these funds in the case of qualified investments as a whole (≥ 10% of the capital or voting rights in the entity in which the investment has been made).

Most of the requirements and prudential limits are based on the own funds concept, which corresponds to the minimum amount of regulatory capital imposed by the regulator. The regular calculation thereof is mandatory and is governed by national legislation published in Bank of Cape Verde *notice* 3/2007 of 19 December. The quotient of its value by the amount corresponding to the weighted risk positions comprises the solvency ratio, regulated by Bank of Cape Verde *notice* 4/2007 of 25 February 2008 and Bank of Cape Verde *notice* 1/2017 of February 2017 subject to a minimum 12%.

To analyse and comply with the legal requirements imposed by banking supervision, the bank has mechanisms linking its various internal departments, especially its accounting, financial and risk management areas.

The following table summarises the composition of the bank's regulatory capital at 31 December 2019 and 31 December 2018:

Capital Management	Dec-19	Dec-18	Variation
Basis Own Funds	**2 321 218**	**1 864 355**	**456 863**
Share Capital	1 000 000	1 000 000	-
Reserves and Premiums	898 235	784 794	113 441
Net Income	477 373	165 826	311 547
Retained and Other Earnings	(54 390)	(86 266)	31 876
Additional provisions	-	-	-
Complementary Own Funds	**23 041**	**14 295**	**8 745**
Subordinated bonds	-	-	-
Deductions from Complementary Own Funds	23 041	14 295	8 745
Deductions from Total Own Funds	**137 628**	**93 958**	**43 669**
Investments in Credit Institutions	66 707	93 958	(27 252)
Concentration risk excess	-	-	-
Fixed assets received as repayment of own credit	70 921	-	70 921
Total Eligible Own Funds	**2 206 631**	**1 784 691**	**421 940**
Total Weighted Assets	**14 880 425**	**13 793 305**	**1 087 120**

Ratios	Dec-19	Dec-19	Variation (pp)
Basis Own Funds	15,60%	13,52%	2,08
Complementary Own Funds	0,15%	0,10%	0,05
Deductions from Total Own Funds	-0,92%	-0,68%	-0,24
Solvency Ratio	**14,83%**	**12,94%**	**1,89**

The bank was fully compliant with all of the capital requirements imposed by the Bank of Cape Verde (BCV) in 2019 (2018).

The above table shows that the final amount of "Own funds" is based on the sum of three major aggregates, whose respective amounts differ in several aspects from those recognised in the balance sheet and which translate the regulator's application of prudential filters, accordingly:

(i). Basis Own Funds: Basis own funds comprise the bank's most stable capital. The key components and amounts considered in own funds are:

- Share capital, reserves (excluding revaluation reserves) and retained earnings, which correspond, in full, to the accounting values;
- Profit for the period, which is included in own funds net of tax and dividends payable to shareholders and only if certified by the external auditor;
- Deductions from basis own funds, comprising various accounts, such as correction factors, whose recognition was considered necessary by the regulator, based on a prudential approach.

(ii). Complementary Own Funds: Complementary own funds are subordinated liabilities subject to the approval of the Bank of Cape Verde. The amount of these complementary own funds cannot exceed the amount of basis own funds and is broken down, as follows:

- Subordinated debt with a maturity of more than 5 years, subject to a limit of 50% of basis own funds;
- Positive revaluation reserves if lawfully realised and authorised by the Bank of Cape Verde.

(iii). Deductions from Own Funds: A series of deductions from own funds resulting from the regulator's impositions, namely:

a) In cases in which the bank has an equity stake of more than 10% in a credit institution, the total amount of the said equity stake will be deducted. If the equity stake is less than the said percentage, only the part exceeding 10% of the own funds of the holding credit institution will be deducted;

b) Any amounts exceeding the limits established for the purposes of major risks which, in the case of separate prudential elements, comprise 20% of own funds for exposure to the group itself and 25% for exposure to other groups;

c) The net balance sheet carrying amount of non-financial assets received on the repayment of own credit, calculated at an annual rate of 20% from the time two years have elapsed since the date upon which the non-financial assets in question have been received. In the meantime, in the transitional stage, the Bank of Cape Verde, as regards property acquired for the repayment of the bank's loans, across the period 2013 to 2016, extended the disposal period to five years, ruling that the net balance sheet carrying amount should be deducted from own funds, beginning 2018, with 45% in the same year and 55% in 2019 and so on up to 2022;

d) Any qualified investment surpluses (of 10% or more) in non-financial or non-insurance companies, whose individual amount is more than 15% of own funds or 60% for the aggregate amount of such investments.

In 2019, following the application of the dispositions of the preceding item (iii) c) , in the sphere of the transitional standards, an amount of kCVe. 70,921 was written off from own funds.

In terms of capital requirements, weighted assets are ranked by 4 risk factors (0%, 20%, 50% and 100%), in accordance with each asset type and each counterparty, as well as any existing guarantees.

The same treatment is used for off-balance sheet positions associated with the issue of guarantees and acceptance of other potential commitments.

Operational risk was also introduced in 2008, giving rise to the need for institutions to calculate additional own funds requirements for the coverage thereof based on 15% of their average total operating income (when positive) of the last three years.

As regards the periodicity of the reporting, institutions should calculate their own funds at least at the end of each month and inform the Bank of Cape Verde of the composition of own funds and respective solvency ratio, up to the tenth day of the following month.

36. SUBSEQUENT EVENTS

Notwithstanding the fact that it is not, at the present time, possible to make any forecasts over the impacts on the financial statements, BI's board of directors estimates that the main financial impacts on BI's financial statements will derive from the result of an increase of credit risk and an increase in the volatility of financial and non-financial assets having a negative effect on the key variables of BI's accounts, namely the uncertain effects on income, impairment, overdue credit and capital requirements.

13

AUDIT REPORT AND REPORT AND OPINION OF THE SUPERVISORY BOARD

Ernst & Young
Audit & Associados - SROC, S.A.
Avenida da República, 90-6º
1600-206 Lisbon
Portugal

Tel: +351 217 912 000
Fax: +351 217 957 586
www.ey.com

AUDIT REPORT

AUDIT REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the attached financial statements of Banco Interatlântico, S.A.R.L. ("bank") which include its balance sheet at 31 December 2019 (comprising a total amount of kCVe. 24,454,041 and total shareholders' equity of kCVe. 2,408,790, including net profit of kCVe. 477,373), statement of profit and loss by type, statement of comprehensive income, statement of changes to shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies.

In our opinion, the attached financial statements provide a true and appropriate description, in all material aspects, of the financial position of Banco Interatlântico, S.A.R.L. at 31 December 2019, its financial performance and cash flows for the year then ended, in accordance with the accounting principles generally accepted in Cape Verde for the banking sector, as established by the Bank of Cape Verde.

Bases for opinion

Our audit was performed in conformity with ISA (International Audit Standards) and other standards and the technical and ethical guidelines of the Order of Statutory Auditors. Our responsibilities pursuant to these standards are described in the section: "Auditor's responsibilities for auditing the financial statements" below. We are independent from the entity under the terms of the law and comply with the other ethical requirements as set out in the code of ethics of the Order of Statutory Auditors.

It is our conviction that the audit proof we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters on COVID-19

The recent developments resulting from the Covid-19 (coronavirus) pandemic have a significant impact on people's health and that of society as a whole, increasing uncertainty regarding organisations' operational and financial performance. Information is provided on the developments resulting from the pandemic as identified by the board of directors for Banco Interatlântico, S.A.R.L. in note 36 to the financial statements. Based on the information available to-date, the management board considers that the impacts deriving from this situation are uncertain and that it is not possible to quantify their financial effect on the fair value of financial and non-financial assets, measurement of expected credit portfolio losses and capital requirements.

Our opinion on this issue remains unchanged.

Relevant audit matters

Relevant audit matters are those that, in our professional judgment, were the most important in auditing this year's financial statements. These matters were considered in the context of the auditing of the financial statements as a whole and in forming our opinion and we have not issued a separate opinion on these matters.

The following are matters of relevance to this year's audit:

1. **Impairment on loans and advances to customers**

Description of the most significant risks of material distortion	Summary of our response to the most significant risks of material distortion
The loans and advances to customers balance sheet account includes accumulated impairment of kCVe. 963,643 with the recognition of an impact of kCVe. 40,763 in credit impairment net of reversals in profit and loss for the period. As the gross amount of loans and advances to customers was kCVe. 19,380,311, accumulated impairment represented 4.97% of the amount of credit. Details of impairment and the accounting policies, methodologies, concepts and assumptions employed are disclosed in the explanatory notes to the financial statements (note 2.2, note 7, note 17 and note 34). Impairment on loans and advances to customers represents the bank's management board's best estimate of the expected loss on the loans and advances to customers portfolio with reference to 31 December 2019. To calculate this estimate, the bank's management board defined assumptions, used mathematical models to calculate parameters, interpreted concepts and designed an expected loss calculation model. For relevant exposures it consulted the judgments of specialists to assess the bank's credit risk. Since 1 January 2018, owing to the first time application of International Financial Reporting Standard 9 – Financial instruments, impairment also reflected the expected loss (incurred in 2017). This standard introduces two new concepts: the "significant increase of credit risk" and "forecasts of future economic conditions". In addition to the complexity of the models described, their use requires the processing of a significant volume of data, such as credit risk information when a loan is made, the date and amount of the first default and the amount of past recoveries of loans in default, which is not always available in the bank's central systems. To surpass the limitations that may exist in respect of certain data, the management board occasionally uses practical expediencies to increase the application of judgments.	We identified and assessed the audit risk leading to the definition of the audit approach for responding to the risk of material distortion. This approach included (i) a global response with an effect on how the audit was carried out and (ii) a specific response translating into the design and subsequent implementation of additional procedures that included substantive tests and controls on the procedures, namely: ► We carried out analytic review tests of the evolution of the impairment balance on loans and advances to customers, comparing it with the same period of the preceding year and expectations in respect of which reference should be made to the understanding of the variations occurring in the credit portfolio and alterations to the impairment assumptions and methodologies; ► We selected a customer sample for individual impairment assessment, to evaluate the assumptions employed by the management board in quantifying impairment. This analysis included: the inspection of the information with the business models and the economic-financial situation of debtors and collateral valuation reports; enquiries of the bank's specialists in order to understand the defined recovery strategy and the assumptions employed; ► With the support of internal risk specialists, we assessed the reasonableness of the parameters used to calculate impairment, with specific reference to the use of the following procedures: i) an understanding of the methodology formalised and approved by the management board and a comparison with the one effectively used; ii) an assessment of alterations to the models for determining the parameters to reflect the expected loss; iii) an analysis of the alterations to the risk parameters in 2019 (PD, LGD and EAD); iv) on a sample basis, a comparison between the data used to assess the risk parameters and the information at source; v) enquiries of the bank's specialists responsible for the models and inspection of the internal audit and regulatory reports;

Description of the most significant risks of material distortion	Summary of our response to the most significant risks of material distortion
The use of alternative approaches, models or assumptions may have a material impact on the amount of impairment estimated. Owing to the level of subjectivity and complexity involved in estimating impairment and the materiality of its amount, we consider this to be a relevant audit matter.	► We achieved an understanding of the expected loss calculation model and assessed its design, tested the calculation, compared the information used in the model, based on the reconciliations prepared by the bank, with the information at source, assessed the assumptions employed to provide for incomplete data, compared the parameters used to the results of the estimation models and compared the results to the amounts set out in the financial statements; ► An analysis of the disclosures included in the explanatory notes to the financial statements, based on IFRS requirements and accounting records.

2. Valuation of property received as payment in kind for credit recovery purposes

Description of the most significant risks of material distortion	Summary of our response to the most significant risks of material distortion
The "Other assets" account, as described in note 13, of the appendix to the financial statements at 31 December 2019 amounted to kCVe. 461,362 and comprised the net amount of impairment on assets received as payment in kind for credit recovery purposes. The bank periodically requests independent entities registered with the Central Bank of Cape Verde to produce valuations on property received on credit recoveries. Impairment losses are recognised if the amount of the valuation, net of the estimated costs incurred on the sale of the property, is less than its book value. We consider the process for measuring impairment losses on assets acquired on credit recoveries, to be a relevant audit matter, as it is based on methodologies that require assumptions and judgments, which may not materialise in the future and which may consequently originate losses which are different from those estimated.	Our approach to material risk distortion included the following procedures: ► The performance of specific, detailed procedures to identify property with signs of impairment and to assess the corresponding amounts; ► The performance of detailed tests with the objective of examining ownership of the assets acquired as part of credit recovery procedures; ► An analysis of assumptions and judgments underlying the valuations prepared by independent appraisers of the assets acquired by way of credit recovery; ► An inspection of the amounts set out in the financial statements to test their concordance with the accounting records and disclosures, for testing the plenitude thereof vis-à-vis existing standards.

Responsibilities of the management and supervisory boards for the financial statements

The management board is responsible for:

- preparing the financial statements in order to provide a true and appropriate description of the bank's financial position, financial performance and cash flows in accordance with the accounting principles generally accepted in the banking system in Cape Verde;
- producing the annual report as required by the law and regulations;
- creating and maintaining an appropriate internal control system to permit the preparation of financial statements free from material distortions owing to fraud or error;
- adopting accounting policies and criteria appropriate to the circumstances, and
- assessing the bank's capacity to continue to operate as a going concern, disclosing, when applicable, information on matters which may give rise to significant doubts on the continuation of its activities.

The supervisory body is responsible for supervising the process for the preparation and disclosure of the bank's financial information.

Auditor's responsibilities for auditing the financial statements

Our responsibility consists of obtaining a reasonable level of assurance as to whether the financial statements as a whole are free from material distortions owing to fraud or error and to issue a report containing our opinion. A reasonable level of assurance is a high level of assurance but is not a guarantee that an audit performed according to the ISA will always detect any material distortion. Distortions may derive from fraud or error and are considered to be material if, either in isolation or as a whole, it can be reasonably expected that they may influence the economic decisions of users made on the basis of the said financial statements.

As part of an audit in accordance with the ISA, we make professional judgments and maintain professional scepticism during the audit and also:

- identify and assess the risks of material distortion in the financial statements, deriving from fraud or error, design and implement audit procedures to provide for such risks and obtain sufficient and appropriate audit proof to provide a basis for our opinion. The risk of failing to detect a material distortion deriving from fraud is greater than the risk of failing to detect a material distortion caused by error given that fraud may involve collusion, falsification, intentional omissions, false declarations or superimposition over internal control;
- achieve an understanding of the relevant internal control for the audit with the objective of designing audit procedures which are appropriate to the circumstances but not to express an opinion on the effectiveness of the bank's internal control;
- assess the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management board;
- reach a conclusion on the management board's appropriation of use of the going concern basis and, based on the audit proof obtained, whether there is any material uncertainty related to events or conditions which may give rise to significant doubts over the bank's capacity to operate as a going concern. If we conclude that a material uncertainty exists, we draw attention in our report to the related disclosures included in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit proof obtained up to the date of our report. Events or future conditions may, however, lead the bank to discontinue its activities;
- assess the presentation, structure and global contents of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in such a way as to achieve appropriate presentation;
- communicate to the officers responsible for governance, *inter alia*, the scope and schedule planned for the audit and its significant conclusions, including the identification of any significant internal control deficiency during the audit; and
- on the subject matters communicated to the governance officers we assess those with the greatest importance to the audit of the financial statements for the current year and which comprise relevant audit matters. We describe such matters in our report unless the public disclosure thereof is

prohibited by law of regulation;

- declare to the management board that we have complied with all of the relevant ethical requirements for independence and inform it of all relationships and other matters that may be perceived as threats to our independence and, when applicable, the respective safeguards.

Lisbon, 24 June 2020

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

António Filipe Dias da Fonseca Brás – statutory auditor no. 1661
Registered with the CMVM under no. 20161271

REPORT AND OPINION OF THE SUPERVISORY BOARD

FOR 2019

To the shareholders of Banco Interatlântico, SA

Report

Under the terms of the commercial companies code and the articles of association of Banco Interatlântico, S.A. (bank), the supervisory board hereby submits its report on the activity performed in 2019, in addition to its opinion on the annual report and accounts for the period ended 31 December 2019, as presented by the board of directors.

The current supervisory board was elected at the general meeting held in December 2019, at which the recomposition of the statutory bodies for the 2020/2022 three year term of office was approved. The composition was approved by the Central Bank of Cape Verde in April 2020.

The supervisory board met with the external auditors, on 11 February 2019, prior to the issue of its opinion on the accounts for 2018, at which the principal audit matters were discussed and clarified.

The supervisory board was present at the board of director's meeting of 3 May 2019 at which the resolutions of the central bank on the submission of the accounts for 2018 were considered and discussed. On the same day, the supervisory board met with the bank's senior officers for a review of the activities performed. It also met with the external auditor for the preparation of the opinion (subsequently issued) on the internal control system.

The supervisory board was present at the board of directors' meeting of 28 May 2019, when it took note of and discussed the following: i) the submission of the accounts for 2018 and the accounts for first quarter 2019; ii) risks and internal control management; iii) human resources; iv) performance review and v) requests made by the supervisor.

On 31 October 2019, the supervisory board met and discussed the following: i) review and approval of the supervisory board regulation; ii) analysis of the accounts for the 3rd quarter; iii) analysis of the budget for 2020; iii) BCV inspections and iv) oversight of audit reports.

A permanent member of the supervisory board resigned in February 2020 and was replaced by the deputising board member as from the meeting of 5 May.

The chairman of BI's supervisory board met with CGD's supervisory board on 22 April 2020 for an analysis of the evolution of the bank's activity and to share information on the main concerns, issues, worries and measures taken by the bank owing to the impact of the Covid-19 pandemic.

The supervisory board also issued a favourable opinion on the budget for 2020.

The supervisory board also regularly oversaw the bank's activity, examining, to the extent considered necessary, the evolution of its equity and respective financial situation, having analysed the accounting information provided.

Suitable meetings were also held with the external auditor, to ensure the necessary level of comfort regarding the opinion to be issued.

Opinion

The supervisory board analysed the balance sheet, profit and loss account, statement of cash flows, statement of changes in shareholders' equity, statement of comprehensive income and their respective notes for 2019, which provide an appropriate description of the bank's economic-financial situation, as described in the external auditor's report which deals with the relevant audit matters and focuses on the impairment losses on loans and advances to customers and valuation of property received on credit recovery operations. The auditors, in their report, have issued an emphasis of matters over the uncertainty regarding the impacts of the Covid-19 pandemic, transversal to the international financial systems and have emphasised the current impossibility in terms of quantification.

The supervisory board has highlighted the following indicators as being the most relevant to the bank's activity in 2019:

- An increase of net assets by around 7% (Cve. 1,664,884 thousand) to Cve. 24,454 million, essentially deriving from:
  - A 5.1% increase of Cve. 898 million in loans and advances to customers, with an approximate 26% decrease of Cve. 612 million in overdue credit over the preceding period;
  - A 46% increase of Cve. 969 million in loans and advances to credit institutions, essentially comprising short term loans and advances to the central bank.
- An increase of around 6% in customer deposits, with sight deposits up 10.8% and term deposits down 0.2%.
- The loans-to-deposit ratio of 64.2% which was up 0.4 pp over the preceding period.
- Total operating income which was up by around 13% (Cve. 146 million), owing to the significant 42.9% decrease of Cve. 106 million in financial costs, a slight 2.2% increase of Cve. 25 million in financial income and a 6.8% increase of Cve. 14 million in non-interest income).
- A 7% increase in structural costs to Cve. 615.5 million.
- The increase in total operating income which helped to improve the cost-to-income ratio from 54.8% in December 2018 to 49.9% in December 2019.
- A 187.9% increase of CVe. 311.5 million in net profit to CVe. 477.3 million.
- The bank's solvency ratio which was up 1.9pp over 2018 to 14.8%.

As regards the emphasis of matters in the external auditor's report on the possible impacts of Covid-19, which are still uncertain but considered significant, the supervisory board considers that they will be partly mitigated in 2020 by the support measures announced by the national authorities.

The supervisory board, in its permanent contact with the executive committee, has overseen the measures taken by the bank to adapt to the new circumstances and remain operational. The supervisory board congratulates the executive committee and all bank staff on the way they have reacted to this very severe and unexpected impact.

Considering the date on which this opinion has been issued, the supervisory board also wishes to state that management oversight of the bank's main overdue operations, mainly comprising old legacy, has been painstaking and permanent and that the outlook thereon is highly positive, with the largest NPL transaction awaiting the possibility of recognition as a payment in kind and with several others being solely contingent upon final court orders. The occurrence thereof will finally eliminate the weight that this legacy still has on the bank's balance sheet, which continues its expressive recovery already recorded in 2019.

In addition to the extraordinary and comprehensive measures announced by the central bank, the supervisory board considers it important that the financial statements already certified by the external auditor, in accordance with the rules in force, should not be amended by the supervisor, thereby enabling the bank to increase equity, reduce the risks associated with its capital ratio and improve its ability to provide support to the economy which is considered essential to enable the country to improve its preparations for recovery and protect businesses, households and jobs.

In conformity with the above and as the financial statements permit an adequate comprehension of the bank's financial situation and that the accounting policies and measurement criteria are in conformity with the International Financial Reporting Standards, that the board of directors' report on the bank's activity in 2019 is sufficiently explanatory and that the proposal for the appropriation of net income does not contravene the applicable legal, regulatory or statutory dispositions, the supervisory board considers that the general meeting of shareholders:

a) Should approve the board of directors' report and financial statements for 2019 as submitted by the board of directors; and

b) Should approve the proposed appropriation of net income.

The supervisory board, lastly, wishes to express its gratitude for all of the collaboration provided by the executive committee, the bank's services and the external auditors and the results achieved in 2019.

Praia, 26th June 2020

CHAIRMAN OF THE SUPERVISORY BOARD

(José Liberato)

SUPERVISORY BOARD MEMBER

(José Mário de Sousa)

SUPERVISORY BOARD MEMBER

(Carlos Alberto Rodrigues)

Banco Interatlântico, S.A.

Av. Cidade de Lisboa | CP 131 - A
Praia - Santiago - Cabo verde
Telefone: + (238) 260 3684 / 261 4008 | Fax: + (238) 261 4253
E-mail: bi@bi.cv | Site: www.bi.cv