



2021 Management Report and Accounts

Banco Interatlântico

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1. Key Indicators

Indicators as at 31 December	Thousands CVE			
	31-12-2021	31-12-2020	Amount	%

BALANCE SHEET AND OPERATING INDICATORS

Net Assets	25,920,698	24,274,644	1,646,054	6.8%	
Cash and cash equivalents at Central Banks	3,011,392	2,599,028	412,364	15.9%	
Investments in Credit Institutions	31,119	28,626	2,493	8.7%	
Loans and advances to customers (Net)	20,154,043	19,161,948	992,095	5.2%	
Gross Securitised Loans	4,996,797	5,119,204	-122,407	-2.4%	
Gross Unsecuritised Loans	15,840,584	14,826,869	1,013,715	6.8%	
of which: Overdue loans	843,481	1,325,472	-481,990	-36.4%	
Impairment	683,338	784,125	-100,787	-12.9%	
Customer deposits	22,256,116	21,111,750	1,144,366	5.4%	(8)
Equity	3,033,318	2,746,004	287,314	10.5%	
Overall Banking Income	1,166,970	1,060,165	106,806	10.1%	
Net Interest Income	920,604	921,357	-754	-0.1%	
Complementary Margin	246,367	138,807	107,560	77.5%	
Structural Costs	648,625	604,959	43,666	7.2%	
Impairment and Provisions	224,057	153,773	70,284	45.7%	
Operating Income	518,346	455,206	63,140	13.9%	
Net Income	282,781	283,795	-1,013	-0.4%	

PROFITABILITY AND EFFICIENCY RATIOS

Net Return on Assets (ROA)	1.14%	1.15%	0.0 pp	(1)
Return on Equity (ROE)	9.77%	10.94%	-1.2 pp	(1)
Overall Banking Income / Average Net Assets	4.72%	4.31%	0.4 pp	(1)
Staff Costs / Overall Banking Income	26.35%	27.43%	-1.1 pp	
<i>Cost to Income</i>	55.58%	57.06%	-1.5 pp	
Net Commissions / Turnover	0.25%	0.25%	0.01 pp	(2)
Net Commissions / Staff Costs	30.18%	30.68%	-0.5 pp	

CREDIT QUALITY AND COVERAGE

NPL (<i>Non-performing loans</i>) ratio)	4.51%	9.12%	-4.6 pp	
Net NPL Ratio	2.39%	5.62%	-3.2 pp	
NPE (Non-performing exposure) ratio)	3.30%	6.44%	-3.1 pp	
Net NPE Ratio	1.73%	3.93%	-2.2 pp	
NPL Coverage	48.89%	41.17%	7.7 pp	
NPE Coverage	48.86%	41.05%	7.8 pp	
Credit Risk Cost	0.88%	0.88%	0.0 pp	(4)
Overdue Credit and Interest/Gross Credit	5.32%	8.94%	-3.6 pp	(3)
BCV Credit Quality (Circular Series 'A' No. 150/DSE/2009)	3.33%	5.73%	-2.4 pp	(3)
Credit Impairment / Overdue Credit and Interest	75.03%	58.33%	16.7 pp	(3)

STRUCTURE RATIOS

Loans and Advances to Customers (Net) / Net Assets	58.67%	57.89%	0.8 pp	(3)
Transformation (Net Loans / Deposits) Ratio	69.49%	67.69%	1.8 pp	(5)

SOLVENCY AND LIQUIDITY RATIOS

Solvency Ratio	16.37%	16.00%	0.4 pp	(6)
<i>Liquidity Coverage Ratio</i> (LCR)	136.50%	140.01%	-3.5 pp	

OTHER INDICATORS

No. of Employees	159	159	0	0.0%	(7)
No. of Branches	9	9	0	0.0%	
Employees by Branch	17.7	17.7	0	0.0%	
(Loans+Deposits)/no. Employees	239,602	226,029	13,573	6.0%	(3)
(Loans+Deposits)/no. Branches	4,232,967	3,993,180	239,787	6.0%	(3)

(1) Equity at Average Net Assets (13 observations)

(2) Turnover = Average Gross Credit + Average Customer Deposits (13 observations)

- (3) Unsecuritised loans
- (4) Net Credit Risk Cost (includes corporate bonds) from recoveries of write-offs and interest from previous years
- (5) Net Loans (including Corporate Bonds) / Customer Deposits
- (6) With the impact of dividend distribution authorised by the BCV
- (7) Includes 2 Executive Directors
- (8) Does not include interest payable

2. Message from the Chairman of the Board of Directors

The recovery that began in 2021 made it possible to deepen and continue to significantly improve the Bank's activity in Cape Verde, serving better and more customers, following the course charted a few years ago of always asserting ourselves as the reference Bank in Cape Verde, and contributing to improve the international image of the domestic financial system indicators.

After the unprecedented challenges of 2020, which we overcame collectively, smoothly, providing security, uninterrupted continuity and service to our customers and other stakeholders, we aimed at a stronger and better recovery, but reality showed that the storm of 2020 wasn't over yet and that 2021 still presented many challenges.

The Bank's main indicators demonstrate its capacity for continuous and solid improvement, and I should highlight two, due to their extremely relevant structural significance:

- for the first time in several years, Banco Interatlântico increased its shares in the loans and deposits market, even considering the effect of NPL reductions, which remained at significant levels;
- for the first time ever, we lowered the NPL ratio to below 5%, with a strong reduction in stock; this level is internationally significant, as it finally places us outside the concept of high NPL institutions, thus making a very positive contribution to the soundness of the Bank and the system;

We learned a lot from 2020, deepened our experience in 2021, bringing innovation and flexibility into the organisation and into customer service whenever we found that emergency solutions were also good solutions under normal conditions.

We continued to transform the Bank, the effort to improve is permanent and innovation in the service we provide to our customers encompasses more and better solutions, in a movement that we have already internalised as being perpetual, in a reality as dynamic as the times we live in.

Nothing is achieved without effort, commitment or dedication, and the consistency that the Bank has shown for several years has been maintained and deepened, and we should congratulate ourselves on how far we've come.

I would like to express my recognition of our employees for the results achieved, for their commitment and dedication, and my gratitude to all of them for their service and the example they set.

I could not finish without a word of appreciation to the former Chairman of the Board of Directors, who helped lead this Institution in recent years, to whom I succeed with pride and with total commitment to helping improve the good path that the Bank has been following.

The Chairman of the Board of Directors

Nuno Alexandre de Carvalho Martins

3. Framework of the Executive Committee

Estimates for developments in Cape Verde's GDP in 2021 point towards a positive change of approx. 7%, after a drop of approx. 14.8% in 2020. It is a country that is very dependent on foreign countries for basic needs, with an insufficient production of essential goods for the domestic market, for which Portugal is the main source of imports, and it is also dependent on foreign countries for economic development, as the tourism sector represent, directly and indirectly, more than 25% of the annual GDP. There was a slight upturn in tourism, with values equivalent to less than 50% of the number of visitors and overnight stays in the country, when compared to 2019.

Banco Interatlântico has market shares of approx. 12% in loans and 10% in customer deposits, which represent a slight growth when compared to 2020, and favourable developments in its main indicators:

- **Significant improvement in credit risk indicators:**

Rácios	2021	2020
Crédito vencido (BCV)	5,32%	8,94%
NPE	3,30%	6,44%
NPL	4,51%	9,12%
NPE Líquido	1,73%	3,93%
NPL Líquido	2,39%	5,62%

- **Growth in gross loans and advances to customers**, despite the reduction effects resulting from the settlement of a number of large NPLs, by 6.8% (without the effect of the NPL reductions, the loans and advances to customers portfolio would have grown by 8.3%), with positive developments in production;
- **Growth in Customer Deposits** of approx. 5.4%;

	2021 vs 2020
Produção Crédito ao consumo	+18%
Produção Crédito à Habitação	+22%
Produção Crédito às Empresas	+25%
Depósitos de clientes	5,4%
Comissões Líquidas	4,0%

- Overall Banking Income grew by 10.1% and Gross Operating Income by 13.9%, with Net Profit standing slightly below that of 2020, at EUR 2.6 million, after a strong reinforcement of impairments made at the end of the year encompassing a group of customers with long-standing defaults (on average, more than 7 years old).
- *Cost to Income* stood at 55.6%, 1.5 pp below 2020;
- Solvency Ratio grew to approx. 16.4% (approx. 16% in 2020).

	2021 vs 2020
Produto Global de Actividade	10,07%
Resultado Bruto de Exploração	13,87%
Resultado Líquido com aplicação de backstops	EUR 2,6 Mio (-0,4%)

With a structure supported by 157 employees, 11 points of sale open to the public (9 branches and 2 segmentation offices for retail and corporate customers), on 4 islands, the Bank was always able to maintain its service capacity without disrupting critical activities and without closing customer service points, as had already been possible in 2020..

The Bank has initiated structuring projects to improve its customer service capacity, that have already made it possible to review and simplify its processes and structure, improving time-to-cash and cost-to-serve, starting production in the first half of 2022: a work-flow to support the entire loan granting process, a new website and a new internet banking service..

In October, the EIB - European Investment Bank, approved the allocation of an EUR 5 million credit line to co-finance corporate operations. The final version of the agreement was signed in January 2022 and its disclosure to the market is expected to occur in April, as a result of the work to prepare the offer and the operationalisations required by the agreement, leveraging the growth objectives of the corporate portfolio.

In the second half of 2021, the Bank also started to move into its new premises, following corporate decisions and those of its General Meeting, and all central services are expected to be operating in the new premises by the end of the first half of 2022, resolving a years-long difficulty in terms of working conditions and the Bank's image in the market.

In 2021, Banco Interatlântico received also several awards, of which we highlight:

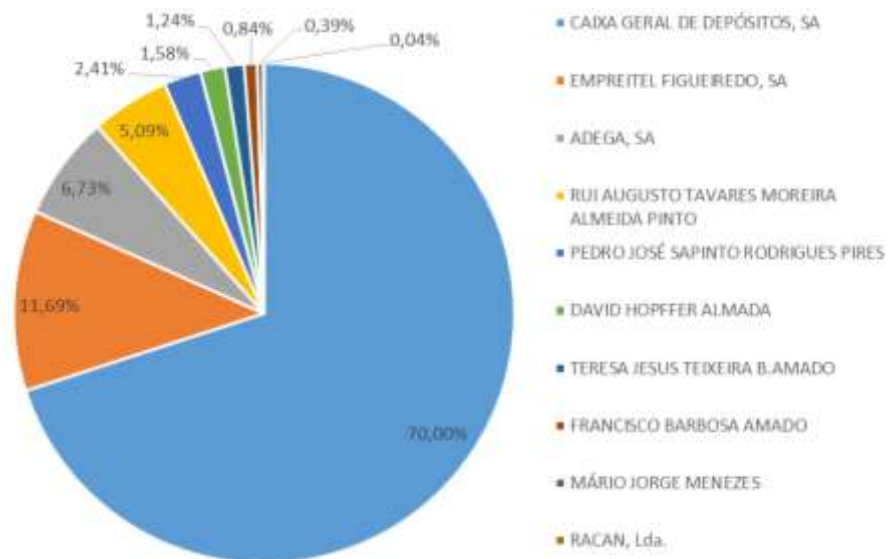
- Best Bank of the year in Cape Verde in 2021, awarded by *The Banker* magazine, for the fourth consecutive year;
- Two prizes awarded by *World Economic Magazine*:
 - Best Corporate Bank 2021 - Cape Verde
 - Best Retail Bank 2021 - Cape Verde

As in previous years, the Bank continued to follow a careful social and cultural responsibility policy, supporting a number of non-profit and cultural projects and institutions that are important for the country.

The Executive Committee

4. Main References

4.1. Shareholding structure



4.2. Governing bodies

Board of the General Meeting

Chairman

Mário Jorge Alfama Menezes

Secretaries

Francisco Fortunato Paulino Barbosa Amado

Alexandre José Matias Nunes Mendes

CA – Board of Directors

Chairman

José João Guilherme¹

Nuno Alexandre de Carvalho Martins²

Deputy Chairman

José António da Silva Brito³

Members

Maria João Fonseca Pacheco de Novais

Maria Zenaida da Rocha Costa Neves Leite

Paulo Jorge Carneiro de Figueiredo Silva

Neusa Margarida Lima Ferreira Delgado⁴

¹ Resigned in March 2022

² Appointed by the Shareholders on 31 March 2022

³ Resigned in March 2022, with effect as from 23 April 2022

⁴ Resigned in August 2021

Leonilda Rocha Semedo⁵

Pedro Bruno Cardoso Braga Gomes Soares

Manuel Fernando Monteiro Pinto

Fernando Manuel Domingos Maximiano⁶

José Manuel dos Santos Afonso Serra⁷

Eurisanda Venulda Cardoso Tavares Rodrigues

Dirceu César Lopes do Rosário

CE – Executive Committee

Chairman

Pedro Bruno Cardoso Braga Gomes Soares

Members

Manuel Fernando Monteiro Pinto

Fernando Manuel Domingos Maximiano

José Manuel dos Santos Afonso Serra

⁵ Elected in December 2021 by shareholders resolution

⁶ Resigned in January 2021

⁷ Elected at the General Meeting held on 31 May 2021

Eurisanda Venulda Cardoso Tavares Rodrigues

Dirceu César Lopes do Rosário

CF - Supervisory Board

Chairman

José Manuel Nunes Liberato

Permanent Members

José Mário de Sousa

Carlos Alberto Rodrigues

Erro! Marcador não definido.

Alternate Member

Maria Madalena Duarte Almeida

Erro! Marcador não definido.

External Auditor

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

4.3. Activity milestones

→ January



Sponsorship of the conference 'Digital transformation challenges for the financial sector: Multisectoral outlook'

→ March



Sponsorship of the Night of Tribute to Cape Verdean Women.

→ April



Banco Interatlântico was distinguished with the awards for Best Bank in Customer Service and Satisfaction, Best Retail Bank, Best Bank in Corporate Governance and Decade of Excellence for Banking Group, awarded by the Global Banking & Finance Review.

→ **July**



Banco Interatlântico celebrated its 22nd anniversary on 1 July 2021.

→ **August**



Banco Interatlântico supported the construction of a turtle nursery in Ribeira da Prata, Tarrafal.

→ **October**



Sponsorship of the book 'A Vénus Crioula', by Vera Duarte.

→ **October**



The National Culture and Communities Day was celebrated by the Ministry of Culture and Creative Industries, which promoted various activities, and Banco Interatlântico supported this initiative with live music at the Achada de Santo António Branch.

→ November



Sponsorship of the 1st Edition of the 'Praia Food Fest' gastronomy festival, with the participation of 22 restaurants of the Island of Santiago and an innovative admission and payment bracelets solution in association with Banco Interatlântico.

→ December



Banco Interatlântico was distinguished with the following Awards: Best Bank of the Year 2021 - Cape Verde, awarded by The Banker for the fourth consecutive year, and Best Corporate Bank Cape Verde 2021 and Best Retail Bank Cape Verde 2021, awarded by World Economic Magazine.

4.4. Business model and strategy

STRATEGIC GOALS

In 2021, the Bank's activity was guided by the following strategic objectives:

- ensuring the **sustainability and stability of current income**, in a context of banking activity impacted by the COVID-19 pandemic
- **completing the recovery of historical NPLs** and minimising the risks of new NPLs associated with the COVID-19 pandemic
- **preparing the Bank** for the gradual recovery of the economy
- **consolidating the progress** made in improving its capacity to respond to Customers, Stakeholders, Corporate and Supervisory Entities

and

- transforming the Organisation into a new business and customer service model:
 - **Efficient** – lower unit costs
 - **Scalable** – more operations and services / less effort and less risks
 - **Innovative** – modern and flexible solutions

- **Comprehensive** – better geographic coverage, even without the traditional physical presence, better coverage of customer needs

The Bank is currently implementing an ambitious and challenging strategic plan for the 2021/2024 period, with the execution of structuring projects guided by the following strategic vectors:

- **Grow** – profitability, market and customer share, international business
- **Innovate** – offer, channels and customer service
- **Consolidate** – risk mitigation and resources qualification (human and technological)

COMMERCIAL INTERVENTION

Despite the effects of the pandemic, the Bank's commercial activity performed well compared to the previous year, and was developed based on the following guidelines:

- Attracting new customers/businesses, focusing on generating complementary margin and increasing market share;
- Improving the loan management process, particularly in the prevention and fight against non-performing loans, having achieved very expressive results in 2021 with a 36% reduction in the balance of overdue loans compared to 2020;
- Supporting business financing, in particular through protocolized lines;
- Consolidating the institution as the support Bank for Portuguese companies and companies with international business in Cape Verde.

INFORMATION TECHNOLOGIES

2021 was marked by the implementation of structuring projects at the Bank, previously postponed by the pandemic, whose production is expected to start in 2022 and which aim to leverage the growth of the business by expanding its offer and improving its response capacity, as well as by automating internal/external processes, thus freeing up human resources to attract new businesses and mitigate operational risk.

In terms of security, there was a reinforcement of good practices among employees, with the communication of security conditions aimed at avoiding less correct attitudes, such as opening unknown emails, phishing attacks, etc.

Servers, firewalls, , websecurity and mailsecurity were also updated with the latest security patches, according to good practices.

INTERNAL CONTROL

In 2021, BI consolidated the adaptation of its structure in the context of the Covid19 pandemic, using telework in a more flexible way, according to changes in terms of numbers of cases and the country's situation.

It's activities were carried out continuously, service levels were ensured, and the level of trust of its customers remained unchanged, as did its healthy relationship with the Supervisor and various Stakeholders..

The Bank's Control Functions were strengthened both in terms of resources and methodologies, thus making it possible to reinforce the risk follow-up and monitoring model.

It should be noted that the Self-Assessment Report on the Adequacy and Effectiveness of the Organisational Culture and the Governance and Internal Control Systems for the previous year was completed in a new format in early 2021, and a second report was prepared with the cut-off date of November 2021, both based on Bank of Portugal Notice no. 3/2020.

ORGANISATION AND STANDARDS

Banco Interatlântico continued to develop its internal control functions, particularly in terms of risk management, internal audit and compliance; we should highlight the reinforcement of its skills in terms of resources, as well as of its methodologies in line with international standards and best practices.

In view of a greater integration of Caixa Geral de Depósitos (CGD) Group's corporate policies into BI's practices, several corporate regulations were approved and updated, of which we highlight the following:

- SECURITY IN REMOTE ACCESS TO INFORMATION SYSTEMS
- HANDBOOK ON PREVENTING MONEY LAUNDERING AND COMBATING TERRORIST FINANCING
- INTERNATIONAL SANCTIONS - EXPERT OPINION ON COMPLIANCE RISK
- GOVERNANCE MODEL FOR OPERATIONAL RISK
- CONTROL AND SECURITY IN WIFI NETWORKS
- CORPORATE NON-FINANCIAL RISK MANAGEMENT POLICY
- LENDING TO ENTITIES BASED IN OFFSHORE JURISDICTIONS
- PREVENTION OF MONEY LAUNDERING - MONITORING CUSTOMERS WITH HIGH MONEY LAUNDERING RISK PROFILE

- BUSINESS CONTINUITY MANAGEMENT SYSTEM
- PREVENTION OF MONEY LAUNDERING - COUNTRY RISK/JURISDICTION (V5)
- GOVERNANCE MODEL AND DATA QUALITY
- COMPLIANCE RISK IN THE FINANCING OF MILITARY EQUIPMENT/ARMS
- GUIDE TO THE PREVENTION OF MONEY LAUNDERING AND COMBATING OF TERRORIST FINANCING
- DATA PROTECTION POLICY
- ADVERTISING FOR PRODUCTS AND SERVICES MARKETED BY BI
- CORPORATE CREDIT RISK MANAGEMENT POLICY
- PRODUCT GOVERNANCE, APPROVAL AND OVERSIGHT POLICY
- INFORMATION SECURITY INCIDENT RESPONSE POLICY
- BANCO INTERATLÂNTICO CODE OF CONDUCT
- PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING
- PAYMENT SERVICE SECURITY POLICY
- MANAGING THE COVID-19 PANDEMIC

MANAGING THE COVID-19 PANDEMIC

In 2021, the impacts of the pandemic that struck the country in 2020 continued to be felt, and the Bank ensured that the institution remained operational, in addition to ensuring compliance with its main legal and regulatory duties and the protection of its employees and customers, in a management effort that encompasses the Board of Directors, the Supervisory and Control Bodies, Senior Management and all employees.

We should highlight the management of the BI Back-to-office Plan, which was adapted according to the evolution of the pandemic.

At the end of 2021, given the high number of positive cases detected in the Bank, including several employees belonging to the Branch Network, the Crisis Committee - COVID19 was convened. Given the contingency situation, the following priorities were set for the Commercial Network:

- Keeping the commercial network operational;
- Recovering overdue loans and taking deposits

In addition, the Crisis Committee outlined other measures, namely:

- Phase II of the Back-to-office Plan was activated and each Division started to operate with at least 50% of its employees teleworking;
- The Mindelo and Boavista branches started implementing 2 shifts with a one hour break at lunch time (12 noon-1 pm), during which the branches are disinfected;
- The Human Resources Office started sending a nominative list, by Division, of employees working in person, teleworking and absent/sick to the Executive Committee;
- Ensuring that critical core services continued to operate to ensure customer service.

4.5. Geographic presence and channels

At the end of 2021, BI's commercial network included 9 branches on the main islands of the archipelago, 1 corporate office, 1 retail office, and 1 special customers unit.

In addition to branches with face-to-face service, BI has remote service channels, *Internet Banking (BI@net)* and an ATM network, as well as a customer support service.



Figure 1 – Geographical presence of BI in Cape Verde

With regard to payment methods, we should note that there were positive developments in 2021. Such growth was expected not only due to the upward trend witnessed in those channels but also, in part, due to the influence of the pandemic.

The number of ATMs remained stable, with 43 machines in operation and a market share of 21% in 2021.

The Bank recorded a 6% increase in POS compared to 2020 (1,232), with 1,314 POS in operation, remaining in the same position in terms of market share (14%) and ranking 3rd in the domestic market.

There was also an upward trend with regard to the number of active contracts on the Internet Banking channel, with an increase of 8% compared to 2020. In 2021, there were a total of 19,976 active contracts, of which 17,036 were Retail contracts and 2,940 were Corporate contracts.

The increase in the no. of active Bln@net contracts was in line with the increase in active customers (32,826 in 2021) with a coverage rate of approx. 60%.

It should be noted that, in 2021, the average number of daily internet banking accesses stood at 3,445, representing approx. 17.2% of active contracts, a 7.2% growth compared to 2020, when the daily average of accesses was 3,215.

There was a 12.64% increase in active cards in 2021, totalling 26,626 cards - 23,021 'rede 24' cards and 3,605 VISA cards, representing an active customer coverage of 81%.

With regard to the use of digital channels (Bln@net and BI Mobile) and cards, there was an increase in the number of operations carried out in 2021 compared to 2020, with an emphasis on operations such as transfers and payment of services, showing a stronger growth in the use of digital channels for some operations.

	Bln@net			Vinti4 Network			Mobile		
Type of Transaction	dec-20	dec-21	Δ	dec-20	dec-21	Δ	dec-20	dec-21	Δ
Query Operations	944,214	994,019	5.0%	119,580	126,531	5%	257	1,062	76%
View Current Accounts	99,690	121,688	18.1%	393,730	386,005	-2%	3,608	7,482	52%
Cheque Requests	34	63	46.0%	82	78	-5%	5	9	44%
Internal Transfer	115,766	138,466	16.4%	0	0	0%	0	0	0%
*Transfer to CIUs	45,490	67,436	32.5%	15,302	18,952	19%	229	528	57%
Payment of Services	18,278	26,100	30.0%	6,071	7,491	19%	44	140	69%
Mobile phone top-ups	48,094	52,610	8.6%	34,253	30,952	-11%	4,833	4,786	-1%
Total	1,271,566	1,400,382	9.2%	569,018	570,009	0%	8,976	14,007	36%

* with regard to ATM (Vinti4 network) and Mobile, all transfers are classified as Transfers to CIUs

Figure 2 - Use of Bln@net compared to the Vinti4 network and the Mobile network, according to the type of transaction

5. Macroeconomic and financial framework⁸

5.1. International context

The external framework of the domestic economy was marked by the progress of vaccination programmes worldwide and, in particular, in the country's main partners, allowing the restrictions imposed on economic activity and the measures to contain the spread of the covid-19 pandemic to be eased and some economic activities to reopen, albeit

⁸ Key economic data taken from the BCV Monetary Policy Report, of October 2021, and the *IMF World Economic Outlook Database*, of January 2022.

gradually. This, together with the effects of the continued support provided by accommodative fiscal and monetary policy measures, led to a recovery of the global economy and of the country's main partners in the first half of the year.

The Euro Area, the country's main economic partner, recorded a year-on-year contraction in gross domestic product by volume of 1.2% in the first quarter (lower than the 4.4% contraction witnessed in the fourth quarter of 2020) and a 14.3% growth in the second quarter.

The United Kingdom, with the largest tourist market in Cape Verde, also recorded a year-on-year contraction of 6.1% in GDP by volume in the first quarter (lower than the 7.3% contraction witnessed in the fourth quarter of 2020) and a 22.2% growth in the second quarter.

The US economy, another important economic partner of the country, recorded a 0.5 and 12.2% GDP growth in volume in the first and second quarters, respectively.

On the demand side, the positive performances of private consumption in particular and, to a lesser extent, of net exports, generally justify the growth in aggregate demand in the country's main partners. Private consumption was the main driver of economic recovery in recent months, supported by the easing of containment measures as vaccination progressed, by the gradual decrease in uncertainty surrounding the course of the pandemic, by the stimulus measures adopted to support economies, plus the increase in consumer confidence and the recovery of disposable income. On the supply side, the services sector (especially trade, accommodation and restaurants) is the component of aggregate supply that has benefited most from the easing of restrictions and containment measures.

In the US, the unemployment rate decreased from 6.7 % in December 2020 to 5.2 % in August 2021, the lowest level since March 2020. In the Euro Area and the UK, unemployment rates have dropped from 8.2% and 4.9% in December 2020 to 7.6% and 4.6% in July and June 2021, respectively.

On the monetary and exchange markets, the policy measures, particularly the monetary measures adopted in the Euro Area, allowed the Euribor interest rates to remain at historic lows and resulted in the appreciation of the EUR, from January to August, by 1.6% in nominal effective terms and by 7.3% against the USD. The average annual rates of change in the consumer price indices of the Euro Area, the US and the UK increased, in August 2021, by 0.4 pp, 1.5 pp, and 0.1 pp compared to August 2020, standing at 1.1%, 3.0%, and 1.3%, respectively.

The year-on-year inflation rates for the consumer price indices of the Euro Area, the US and the UK also increased in August 2021, standing at 3.0, 5.3 and 3.2%, respectively (compared to -0.2%, 1.3%, and 0.2%, in August 2020). The country's interest rate differential against the Euro Area favoured monetary accommodation, reducing financing costs in the domestic private sector and making investments in the country potentially more attractive. However, the appreciation of the EUR, as it led to an increase in the exchange

rate of the Escudo against the currency of Cape Verde's other main trading partners, had a negative impact on price-competitiveness and on the profitability of the country's net international reserves.

INTERNATIONAL INDICATORS

WORLD ECONOMIC OUTLOOK

	Real GDP growth in %			
	2020 ^E	2021 ^E	2022 ^P	2023 ^P
World Product	-3.1	5.9	4.4	3.8
Advanced Economies	-4.5	5.0	3.9	2.6
USA	-3.4	5.6	4.0	2.6
Euro Area	-6.4	5.2	3.9	2.5
Germany	-4.6	2.7	3.8	2.5
France	-8.0	6.7	3.5	1.8
Italy	-8.9	6.2	3.8	2.2
Spain	-10.8	4.9	5.8	3.8
Japan	-4.5	1.6	3.3	1.8
United Kingdom	-9.4	7.2	4.7	2.3
Emerging/Developing Economies	-2.0	6.5	4.8	4.7
Brazil	-3.9	4.7	0.3	1.6
Russia	-2.7	4.7	2.8	2.1
India	-7.3	9.0	9.0	7.1
China	2.3	8.1	4.8	5.2
Sub-Saharan Africa	-1.7	4.0	3.7	4.0
International Trade in volume (Goods and Services)	-8.2	9.3	6.0	4.9
Raw Material Prices (USD)				
Energy	-32.7	67.3	11.9	-7.8
Non-Energy	6.7	26.7	3.1	-1.7

Source: International Monetary Fund World Economic Outlook Database (Jan./2022)

P - Projections

E - Estimates

OVERVIEW⁹

Internally, the available indicators also point to less favourable developments in the domestic economy in the third quarter. It should be noted that, according to the National Statistics Institute (INE), gross domestic product (GDP) in volume grew 30.8% year-on-year in the second quarter of the year, after an 11.0% contraction in the first quarter. On the supply side, the increase in gross value added, mainly in the construction, transport, trade, public administration and manufacturing sectors, by 67.3%, 142.1%, 40.4%, 15.0% and 40.6%, respectively, as well as the positive development in taxes net of subsidies (23.2%), explains the performance of the domestic economy between April and June. On the demand side, the growth in product essentially reflected an increase in domestic demand, particularly investment and consumption, by 47.9 and 15.4% year-on-year, respectively.

Inflationary pressures in the country increased in October, with the year-on-year and average annual inflation rates continuing their upward trajectories, standing at 3.8 % and 1.0 % respectively, according to the INE. In June, these rates stood at 1.5% and 0.2%, respectively.

In October, the prices of 'Clothing and Footwear' and 'Transport' rose significantly, with year-on-year inflation rates of 10.9% and 8.0%, respectively. This was mainly due to the increase in the prices of 'Clothing', 'Fuel and lubricants for personal transport equipment', and 'Bicycles', by 14.7%, 37.5% and 18.3%, respectively. Underlying year-on-year inflation, which excludes the energy and unprocessed food components from the consumer price index stood at 2.8% in October, one percentage point below the year-on-year rate of change of the aggregate index, indicating that the more volatile components of the domestic consumption basket (mainly energy) determined the developments in consumer prices. External accounts registered less unfavourable developments in the third quarter.

The current account deficit improved to CVE 5,725.6 million (compared to a deficit of CVE 8,420.6 million in the third quarter of 2020), mainly explained by the increase in remittances from emigrants (by 57.5%), in exports of tourism travel and air transport services (by 269.3% and 144.0% year-on-year, respectively), in exports of goods and, in particular, in re-exports of fuel and food at ports and airports (by 174.3%), as well as by the reduction in interest payments on external debt (public and private) by 14.7%.

⁹ Data taken from BCV's economic and financial indicators in December 2021.

Meanwhile, the increase in imports of goods and services (by 20.5% year-on-year) and the reduction in current official transfers (by 67.1%) contributed to mitigate the improvement in the current account deficit.

The capital account surplus increased by 2.1% year-on-year, standing at CVE 500.9 million, essentially as a result of the increase in private capital transfers (by 28.1%), since official capital transfers fell by 17.8%. However, the financial account deficit stood at CVE 4,887.2 million in the third quarter, down from CVE 1,654.3 million year-on-year. The reduction in net financing inflows into the economy mainly reflected the decrease in net external public debt disbursements of CVE 5,665.7 million, largely associated with the exceptional inflow, year-on-year, of disbursements from the BAD and World Bank to support the country in mitigating the effects of the pandemic, as well as the increase in net foreign assets of commercial banks by CVE 2,514.5 million. However, we should note the year-on-year increase in foreign direct investment of 71.7%, which contribute to mitigate the reduction in net financing inflows into the country.

NATIONAL INDICATORS

	2019a	2020a	2021b	2022b	2023b
Gross domestic product, (Change %)	5.668	-14.783	3.995	6.504	6.096
GDP at market prices (billion CVE)	195.202	164.911	174.084	188.380	203.462
GDP (billion USD)	1.982	1.707	1.886	2.063	2.261
Consumer price inflation (Average; in %)	1.106	0.605	1.500	1.600	1.700
Population (millions)	0.550	0.557	0.563	0.570	0.577
Goods Exports (percentage change)	-1.098	-10.527	15.359	9.868	12.871
Goods Imports (percentage change)	-3.272	4.571	-9.052	6.142	3.707
Current Account Balance (in millions of USD)	-0.008	-0.271	-0.250	-0.180	-0.117
National Reserves (In % GDP)	37.151	20.209	24.358	30.222	34.909

Source: International Monetary Fund World Economic Outlook Database

a. Current b. Estimate

5.2. Cape Verde's monetary and financial situation

The money supply, expressed by the M2 aggregate, contracted by 1.2% in October 2021 compared to December 2020 (down 3.8 percentage points year-on-year) determined by the 7.0% drop in net foreign assets and, in particular, in the country's net international reserves stock. Despite the inflow, in August this year, of CVE 3,022.8 million relating to the allocation of the Special Drawing Rights (SDR) by the International Monetary Fund (IMF), the country's net international reserves stock dropped by 10.7% compared to December (18.6% year-on-year). Meanwhile, the country's net international reserves stock guaranteed, as at 31 October 2021, 6.9 months of imports of goods and services projected for 2021.

Net domestic loans, in turn, increased by 3.0% compared to December 2020, driven essentially by the 6.0% increase in loans to the economy (7.5% year-on-year), as net loans to the public administrative sector decreased by 9.6%.

The suspension of debt servicing in contracts under the moratorium scheme, the use of the covid-19 credit lines guaranteed by the State, as well as, the granting of new loans, explain the performance of loans to the economy, while the liquidation of the Consolidated Financial Mobilisation Securities (TCMF) held by the Bank of Cape Verde in a negotiation with the National Social Security Institute largely justifies the developments in net loans to the public administrative sector.

In terms of components, the reduction in the money supply reflected the developments in monetary liabilities, namely, demand deposits in domestic currency and currency in circulation that dropped by 6.3 and 5.0%, respectively. Quasi-money liabilities, in turn, grew by 3.0% compared to December 2020, mainly driven by the increase in term deposits in domestic currency and savings deposits by 5.5 and 9.2%, respectively.

Public accounts deteriorated, with the deficit increasing to CVE 13,117.7 million in the third quarter of 2021, corresponding to 7.4% of GDP (compared with a year-on-year quarterly deficit of CVE 8,586.3 million, equivalent to 4.7% of GDP).

Current operating expenses increased by 16.9% year-on-year (against a reduction of 0.5% year-on-year), largely driven by costs related to the acquisition of goods and services, social benefits, current transfers to municipalities, staff and subsidies to compensate for the loss of occupancy rate in inter-island maritime transport.

Expenses with non-financial assets grew by 124.9% year-on-year. Taking into account, above all, the non-disbursement of the budgetary aid from the country's multilateral partners until September and the decrease in direct donations to finance projects, transfers in donations dropped by 64.5% year-on-year.

Tax revenue, in turn, contracted by 0.3% largely due to the drop in the collection of income tax (natural and legal persons), the tourist tax and the special unified tax by 10.5%, 81.2% and 19.1%, respectively.

The State's need for financing led to an increase in public debt, both with banks and other national creditors, by CVE 6,722.7 million and CVE 4,804.3 million, respectively, and with external creditors by CVE 1,463.4 million. In this context, the government debt stock, including and excluding Consolidated Financial Mobilisation Securities (TCMF) increased to, respectively, CVE 283.7 and 272.3 billion, representing 158.8 and 152.5% of the GDP projected for 2021.

6. Main Business Areas

6.1. Competitive positioning

As at 31 December 2021, Banco Interatlântico's market share in terms of turnover stood at 10.36%, up 0.26 pp year-on-year.

Amounts in millions of Cape Verde Escudos

Turnover	dec-20	dec-21	dec. 21 - dec. 20	
			Amount	%
System	356,462	368,629	12,167	3.41%
BI	36,016	38,186	2,170	6.03%
Market Share	10.10%	10.36%	0.26 pp	

Source: Bank of Cape Verde December 2021 - Excluding Securities (Public Debt Securities and Corporate Bonds)

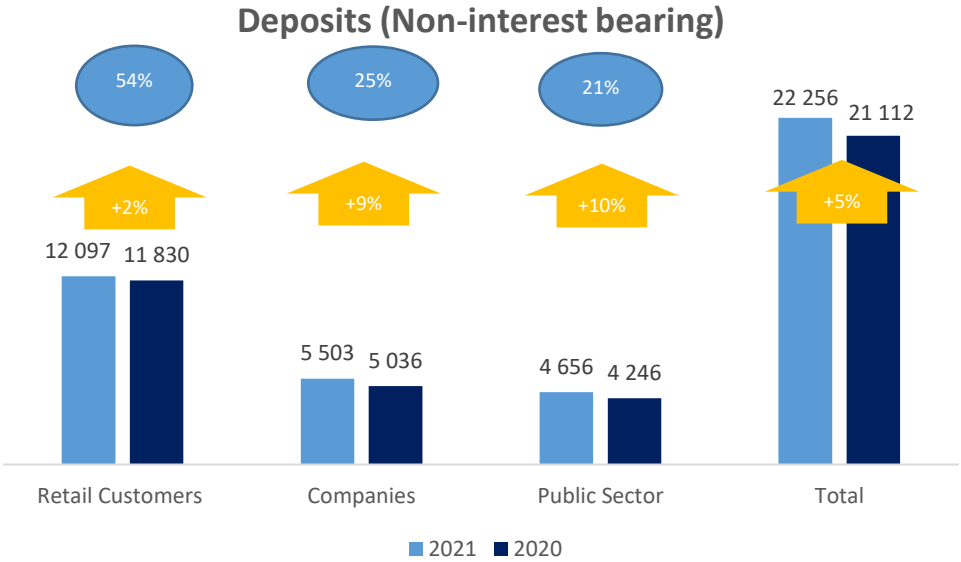
Total customer funds increased by CVE 1,157 thousand (5.46%) compared to December 2020, reaching the amount of CVE 22,346 thousand, a substantial growth compared to market developments.

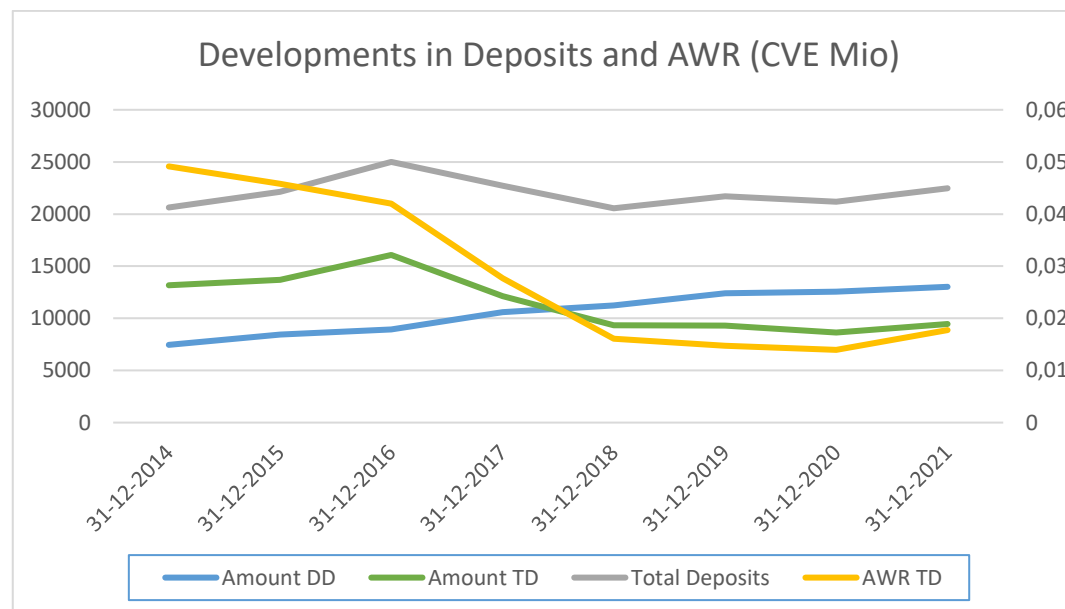
Amounts in millions of Cape Verde Escudos

Customer Funds	dec-20	dec-21	dec. 21 - dec. 20	
			Amount	%
System	230,439	234,943	4,504	1.95%
BI	21,189	22,346	1,157	5.46%
Market Share	9.20%	9.51%	0.32 pp	

Source: Bank of Cape Verde December 2021 - Excluding Securities (Public Debt Securities and Corporate Bonds)

The rate of return on non-demand deposits rose from 1.40% in December 2020 to 1.77% in December 2021, thus driving the total portfolio from 0.57% in December 2020 to 0.75% in December 2021, as a result of the strategy of increasing the deposit portfolio.



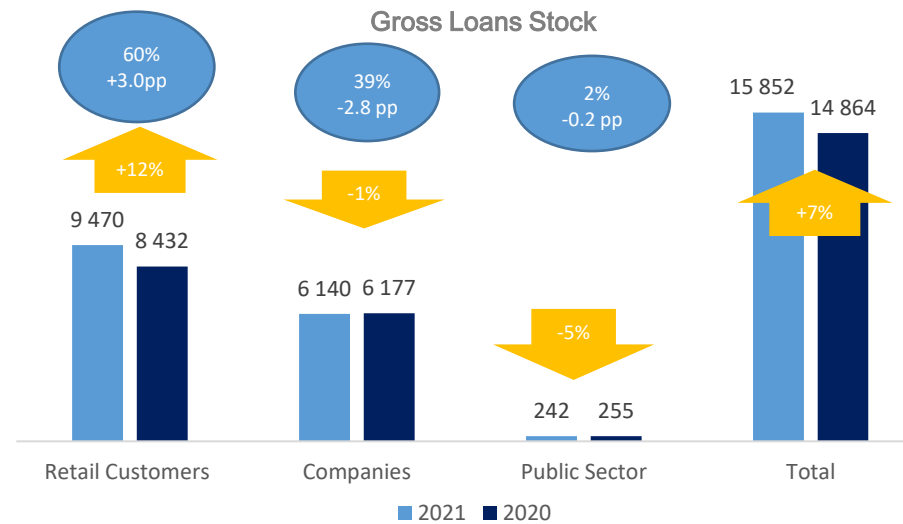


With regard to gross loans, the Bank reached a market share of 11.85%, up 0.08 pp year-on-year, also growing above the market.

Amounts in millions of Cape Verde Escudos

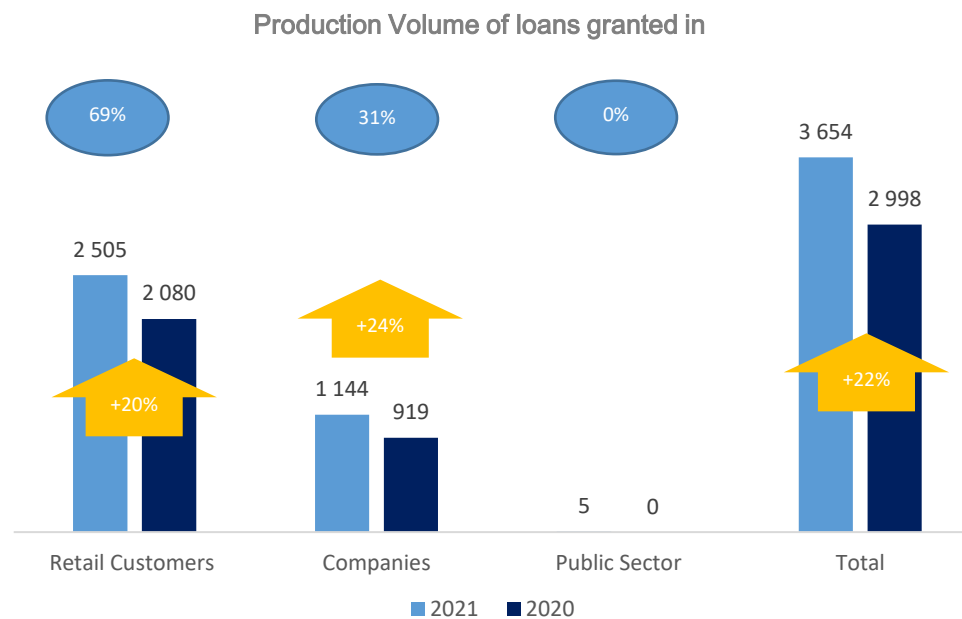
Gross Loans	dec-20	dec-21	dec. 21 - dec. 20	
			Amount	%
System	126,023	133,686	7,663	6.08%
BI	14,827	15,841	1,014	6.84%
Market Share	11.77%	11.85%	0,08 pp	

Source: Bank of Cape Verde December 2021 - Excluding Securities (Public Debt Securities and Corporate Bonds)



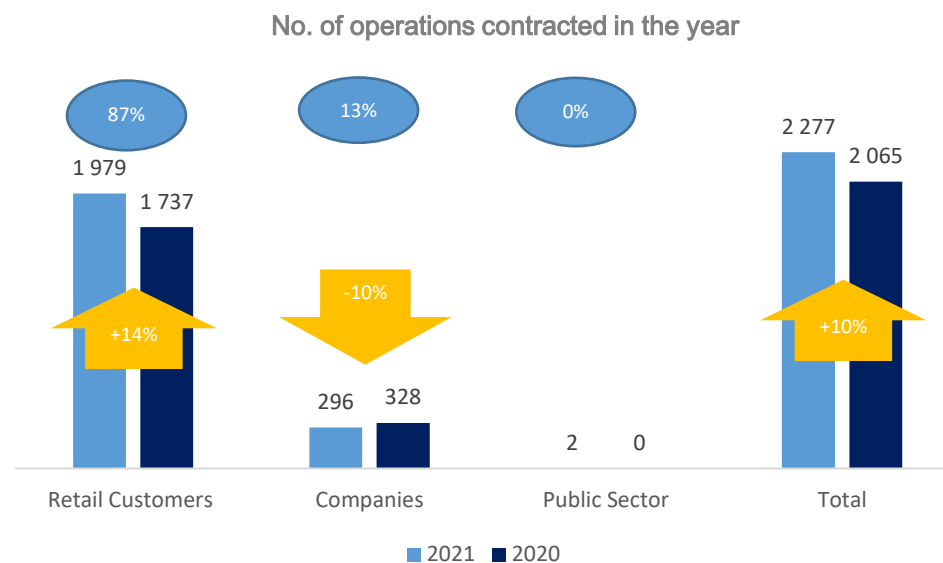
The volume of new loans granted¹⁰ in 2021 stood at CVE 3,654 million, representing an increase of 22% year-on-year, with a greater impact on the Corporate segment, which grew by 24% year-on-year.

¹⁰ Includes amounts disbursed each year (does not include increases in accounts in use; includes disbursements of tranches of loans contracted in previous years)

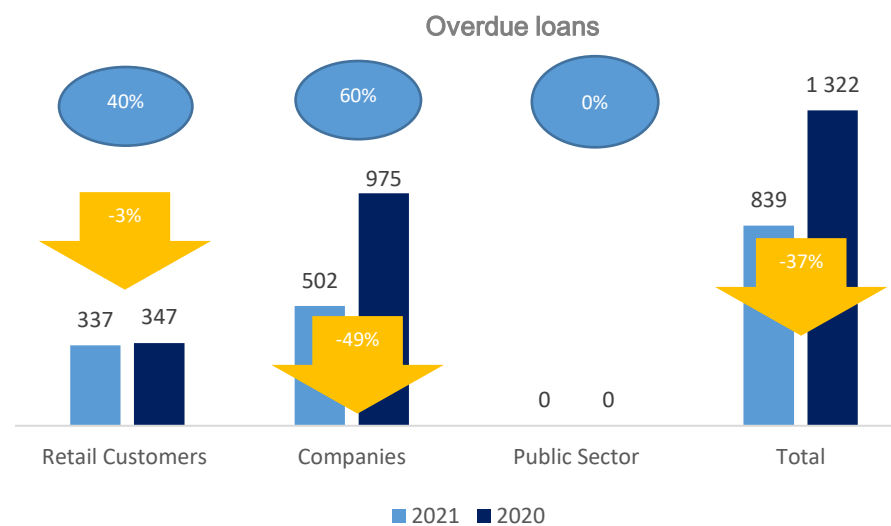


Regarding the operations contracted ¹¹in 2021, there was a 10% increase year-on-year, with particular emphasis on the Retail segment, which grew by 14% compared to 2020.

¹¹ Does not include renewals of accounts in use



In 2021, the Bank continued pursuing the effort made over the last few years to recover overdue loans, as well as to reduce new defaulting loans, representing a decrease of -37% compared to 2020, with an emphasis on the 49% decrease in Corporate overdue loans (year-on-year).



6.2. Retail banking

Turnover in retail banking stood at CVE 21,230 million in December 2021, an increase of 6.60% year-on-year, with a 12.97% growth in loans.

Amounts in millions of Cape Verde Escudos

Individuals and Small Businesses	dec-20	dec-21	dec 21 - dec 20	
			Amount	%
Loans	8,085	9,133	1,048	12.97%
Deposits	11,830	12,097	267	2.25%
Turnover	19,915	21,230		6.60%

6.3. Corporate banking

Turnover in corporate banking reached CVE 16,543 million in 2021, representing a slight year-on-year decrease of 0.77% in stock, resulting from major NPL settlements in 2021.

Amounts in millions of Cape Verde Escudos

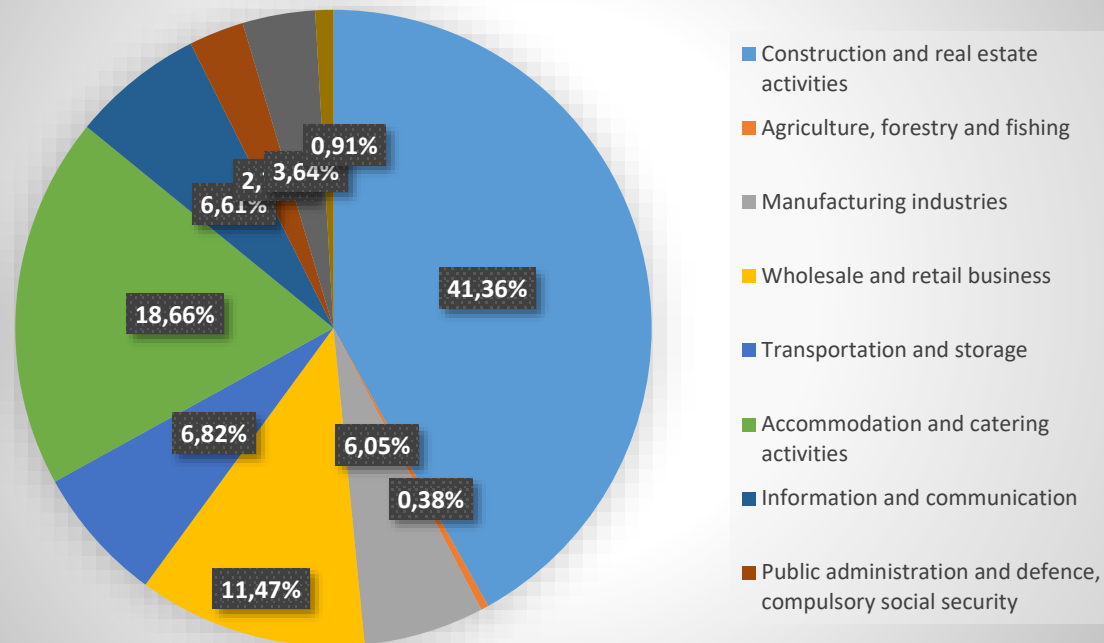
Corporate Banking	dec-20	dec-21	dec 21 - dec 20	
			Amount	%
Loans	6,433	6,383	-50	-0.77%
Deposits	9,282	10,159	878	9.46%
Turnover	15,714	16,543		5.27%

6.4. Loans by sector of activity

The construction and real estate activities sector continue to represent the largest volume of concentration in the corporate segment loans portfolio with 41.4%, registering an increase of 14.1 pp year-on-year, after the drop witnessed in the previous year (-20.3 pp year-on-year in 2019) justified by the stagnation of large hotel investments, as a result of the global Covid-19 pandemic. The accommodation and catering sector also recorded an increase in the weight of exposure in the BI portfolio, by 3.8 pp, standing at 18.7%.

With the exception of the Information and Communication sector, all the other sectors of activity decreased the weight of their exposure in the Bank's portfolio, as a result of the economic recovery of the sectors associated with tourism.

Loans by sector of activity



7. Human Resources

The Bank ended 2021 with a staff of 159, the same number of people as in 2020. Of those, 2 hold positions in the Bank itself (Executive Committee) and one is on unpaid leave due to holding an elected political office (Member of Parliament).

7.1. Distribution by legal obligation

Of the total staff, 158 are employees with an employment contract and one benefits from a professional internship agreement. Of the total of 158 employees, 113 are permanent (14 more than in 2020) and the remaining 45 have fixed-term contracts (14 less than in the previous year).

7.2. Functional distribution

In 2021 there was a change in functional distribution, as central services reached functional predominance, with 83 employees (53%). Of those, 20 hold Management positions.

COMMERCIAL AREA	47%	CENTRAL SERVICES	53%
Leadership Bodies	24%	Bank Clerk	69%
Bank Clerk	76%	Leadership Bodies	24%
		Support Service	5%

7.3. Distribution by gender

The Bank has 65% women on its staff. Of the 38 senior managers, 25 are also women (66%).

WOMEN	65%	MEN	35%
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7.4. Distribution by age group

The average age of the Bank's employees is 39, with a predominance in the 31-40 age bracket.

7.5. Distribution by seniority

A total of 86 employees (54% of the staff) have more than six years of service, and of those, 73 employees have more than 10 years of service.



7.6. Distribution by schooling

In terms of academic qualifications, there was a slight increase in the number of Employees with higher education to 106. It is also noted that the percentage of Employees with Basic Education and Undergraduate Degree remains at 2% and 4%, respectively. In the opposite direction, there was a small reduction of Employees with Secondary Education to 43.

	2020		2021	
	Qty.	%	Qty.	%
Basic Education	3	2%	3	2%
Secondary Education	45	28%	43	27%
Undergraduate Degree	6	4%	6	4%
Bachelor Degree	96	61%	97	61%
Postgraduate/Master's Degree	8	5%	9	6%
Total	158	100%	158	100%

7.7. Training

There were 77 training courses, 72 held remotely and 5 in person. The total workload was 3,660 hours, covering 140 participants (corresponding to 89% of the total number of employees). We should note that of the 140 trainees, 10 participated in three or more training courses.

Compared to 2020, 2,874 more training hours were provided (+366%). The average number of hours of training per employee increased from 4.97 in 2020 to 23.17 in 2021, a 366% increase.

2020			2021		
No. of Courses	No. Part.	Hours Train.	No. of Courses	No. Part.	Hours Train.
32	100	786H	77	140	3.660H

The training courses were provided by various entities - 12 by Caixa Geral de Depósitos (CGD), 9 by the Bank of Cape Verde (BCV), 6 by *Wolters Kluwer*, 16 by *The Institute of Internal Auditors* (IIA) and 8 internally.

These training courses addressed issues relevant to the Bank's activity, including the following:

- Bank Accounting
- Deferred Taxes
- Year-End Closing - Accounting and Tax Issues
- Accounting and Auditing Challenges in Pandemic and Post-Pandemic Times
- Knowledge of Escudo Bills
- *Governance Overview*
- Digital Transformation Process
- PML / CTF
- *Prevention of Money Laundering & Counter Terrorist Financing*
- *Risk Management in Banking*
- *Business Oriented Methods For Exploring Big Data*
- *Cyber and Information Security Management*
- Microsoft Excel
- English
- *Financial Development and Financial Inclusion*
- Commercial Effectiveness

- *Future of IT Audit: Assurance Beyond General IT Controls*
- *A Road Map for Effective Risk Management*
- *Auditing Resilience and Business Continuity*
- DEEP - Digital Executive Education Programme

It should be noted that 2 Employees participated in the Digital Executive Education Programme (DEEP) provided by AESE Business School/ISEG, with a 60 hour workload.

8. Social Responsibility

In 2021, BI continued to pursue its social support policy, supporting social activities and activities that benefit the community.

In this context, BI had the opportunity to support the following initiatives:

<u>DONATIONS</u>
→ Aldeias Infantis SOS
→ Paróquia Santíssimo Nome de Jesus
→ Jardim Mini Black Panthers
→ Jardim Brincar e Crescer
→ Boavista City Council

Sponsorships

<i>Sal da Música</i>	→ Tribute to Cape Verdean Women
<i>Cape Verdean Athletics Federation</i>	→ Saint Silvester Run
<i>Lantuna Association</i>	→ Construction of Banco Interatlântico's sea turtles nursery
<i>Infoplus</i>	→ Turimagazine Awards Gala
<i>Cuca Roseta</i>	→ Musical performance at Praia.
<i>Editora Rosa Porcelana</i>	→ Book 'Esplendor Escravocrata - Madrugada Camponesa em Cabo Verde (séc. XV-XVIII)' by António Correia e Silva
<i>ONON</i>	→ Gastronomic Festival Praia <i>Food Fest</i>
<i>Editora Rosa Porcelana</i>	→ Book 'A Vénus Crioula' by Vera Duarte

9. Financial Analysis

9.1. Balance sheet

The Bank's net assets stood at CVE 25,920,698 thousand as at 31 December 2021, representing an increase of CVE 1,646,054 thousand (+6.8%) compared to December 2020, essentially justified by the following changes:

- i) Increase in the net loans portfolio (CVE +992,095 thousand, +5.2% YOY), with unsecuritised loans increasing by CVE 1,013,715 thousand (+6.8%);
- ii) Increase in cash equivalents (CVE +317,527 thousand, +10.2% YOY);
- iii) Increase in Other Assets (CVE +262,318 thousand, +24.4% YOY), justified mostly by values associated with real estate received within the scope of loan recoveries.

Net loans and advances to customers, including Public Debt Securities and Corporate Securities, amounted to CVE 20,154,043 thousand, representing a net growth of 5.2% compared to December 2020, driven by a growth of CVE +1,013,715 thousand in unsecuritised loans and a decrease of CVE -122,407 thousand in securitised loans.

Public debt securities, represented exclusively by Treasury Bonds, reached the amount of CVE 4,633,950 thousand, registering a negative change of -3.2% (CVE -151,445 thousand) compared to December 2020.

Bonds issued by companies amounted to CVE 303,606 thousand, recording a positive change of +12.4% (CVE +33,545 thousand) compared to December 2020.

Gross loans not represented by securities recorded an increase of CVE +1,013,715 thousand (+6.8%) compared to December 2020, standing at CVE 15,840,584 thousand:

- i) Outstanding loans in the Retail segment grew by CVE +1,048,245 thousand (+13.0%), with a greater incidence on home loans (approx. 79% of the change), resulting from the increase in the contracting of new loans;
- ii) Outstanding loans in the Corporate segment increased by CVE +423,018 thousand (+7.8%), essentially due to the increase in the granting of new loans and the settlement of large exposures;
- iii) Decrease in overdue loans and interest of CVE -481,990 thousand (-36.4%), resulting from the large defaulters resolution process.

Excluding the effect of extraordinary settlements of overdue loans, gross loans would have grown by approx. 8.3%. The positive developments in loans were also explained by the effect of the moratoria, as the overdue loans portfolio did not deteriorate and there was a lower amortisation of the portfolio.

Overdue loans and interest amounted to CVE 843,481 thousand, recording a decrease of -36.4% (CVE -481,990 thousand) compared to December 2020, as a result of the Bank's efforts to resolve the largest defaults. The extension of the moratoria until the end of March 2022 also made it possible to contain the unfavourable developments in overdue loans due to the current market situation.

Impairments of loans not represented by securities stood at CVE 632,870 thousand, recording a negative change of -18.1% (CVE -140,235 thousand) compared to December 2020, mostly explained by the settlements that occurred in the loans portfolio, despite the increase in impairments recorded at the end of the year in a group of customers with long-standing defaults (over 7 years, on average). The coverage of impairments by overdue loans stood at 75.0%, a 16.7 pp increase compared to December 2020.

In net terms, loans not represented by securities increased by 8.2%, standing at CVE 15,207,714 thousand.

The 50 largest loan customers represented 28.3% of the total portfolio, reflecting a decrease in concentration of 2.65 pp year-on-year. The 50 largest NPL customers accounted for 96.7% of the total NPL portfolio.

The NPE and NPL ratios stood at 3.3% and 4.5%, with negative changes of 3.1 pp and 4.6 pp, respectively.

On the liabilities side, total customer deposits increased by CVE +1,144,366 thousand (+5.4%) compared to December 2020, reaching the amount of CVE 22,256,116 thousand. This change is essentially related to an increase in term deposits by +8.9% (CVE 767,421 thousand) and demand deposits by +3.0% (CVE 376,945 thousand), resulting from initiatives to attract and retain deposits.

As at 31 December 2021, the 10 and 50 largest customers accounted for 30.3% and 41.4% of the Bank's total deposits, respectively.

The Bank's liquidity management was basically carried out through investments in the BCV and State treasury bonds, and the Bank managed its exposure limit seeking to maximise profitability without compromising its availability for granting new operations.

The transformation ratio, calculated based on unsecuritised loans, stood at 69.5%, up 1.8 pp from December 2020.

In terms of financial soundness, the Bank complied with all the prudential indicators required by the Bank of Cape Verde, presenting figures above the legally required minimum for all ratios. As at 31 December, the solvency ratio was 16.4%, representing an increase of 0.4 pp.

9.2. Income statement

In December 2021, net interest income decreased slightly by CVE -754 thousand (-0.1%) year-on-year, standing at CVE 920,604 thousand, justified by:

- 1- The decrease in interest and similar income of CVE -2,552 thousand (-0.2%) year-on-year, justified by:
 - a) The decrease in interest on debt securities of CVE -2,968 thousand (-1.36%), justified by the amortisation of treasury bonds recorded throughout the year, in the amount of CVE -351,554 thousand, with a weighted average rate of 5.076%, higher than new acquisitions;

- b) The decrease in interest on investments of 97.8% (CVE -2,316 thousand), explained essentially by the decrease in interest on monetary intervention securities in the amount of CVE -1,584 thousand (-100.0%), and by the decrease in interest on very short-term investments with the Central Bank, in the amount of CVE -583 thousand, due to lower contracting in these types of investments;
- c) The increase in interest on loans of 0.54% (CVE 4,338 thousand), due to the 26% increase in production of new loans, with greater impact on the retail segment, and by the effect of the decrease in the price of the loans portfolio (the annual average remuneration in 2021 was 5.61%, 0.38 pp less than in 2020).

2- The decrease in financial costs of CVE -1,799 thousand (-1.2%) year-on-year, justified by:

- a) The decrease in other interest costs of CVE -12,335 (-70.5%), explained by the decrease of CVE -7,900 thousand in costs related to properties under the financial lease scheme and other charges in the amount of CVE -4,836 thousand, resulting from the readjustment of records arising from the implementation of IFRS16 in December 2020;
- b) The increase in costs with non-demand deposits amounting to CVE +10,792 thousand (+8.5%), justified by the effect of the increase in deposits and the effect of the slight price increase (the annual average remuneration in 2020 was 1.45%, 0.10 pp less than in 2021);

In terms of complementary margin, there was an increase of 77.5% (CVE +107,560 thousand) compared to 2020, reaching the amount of CVE 246,367 thousand, justified mostly by extraordinary income associated with loan recoveries.

Net commissions stood at CVE 92,790 thousand, an increase of +4.0% year-on-year (CVE +3,562 thousand), essentially justified by the reduction in charges for services and commissions in the amount of CVE -4,328 thousand (-13.4%), explained by the reduction in charges associated with VISA services by 14.5% (CVE -3,217 thousand).

The overall banking income increased by 10.1% (CVE +106,806 thousand), reaching the amount of CVE 1,166,970 thousand, driven by the effect of the increase in complementary margin.

Structural costs totalled CVE 648,625 thousand, registering an increase of CVE +43,666 thousand (+7.2%) year-on-year, justified essentially by the following changes:

- The increase in staff costs amounting to CVE 16,643 thousand (+5.7%), justified by the recomposition of the staff establishment plan initiated at the end of 2020 and by career progressions/promotions;

- The increase in the amount of CVE 29,758 thousand (+12.6%) in general administrative expenses, justified by the: a) Increase in costs with IT services in the amount of CVE +12,628 thousand, resulting from the implementation of new strategic projects; b) Increase in costs with consultancy services in the amount of CVE +4,741 thousand, to comply with regulatory requirements; c) Increase in costs with audit services in the amount of CVE +3,942 thousand (+52.5%) due to the new contract entered into; d) Increase in leasing costs in the amount of CVE +2,858 thousand (+24.3%), associated with the registration of properties under the financial lease scheme (IFRS16) with the change in the conditions of a contract; e) Increase in the costs of transporting valuables and cash insurance, totaling CVE +3,851 thousand (+39.6%), justified by the resumption of exports of valuables abroad, with the increase in activity in 2021 and the easing of restrictions associated with the pandemic; f) Increases in other costs associated with the easing of restrictions associated with the pandemic and the gradual return of employees to the office (water, printing and current consumption materials, training and travel, sponsorships, etc.).
- The decrease in depreciation and amortisation in the amount of CVE -2,735 thousand (-3.5%) justified essentially by the readjustment of the registration of properties under the financial lease scheme, within the scope of the implementation of IFRS16 (CVE -7,924) and increase in costs associated with IT and regulatory projects (CVE +5,248).

Gross operating income stood at CVE 518,346 thousand, representing an increase of 13.9% (CVE 63,140 thousand) year-on-year.

Net impairments and provisions reached the amount of CVE 224,057 thousand, representing an increase compared to December 2020 (+45.7%). At the end of the year, there was an additional reinforcement of impairments aimed at a group of customers with long-standing defaults, as a result of the time they have remained in this classification and the guarantees associated with the loan operations.

Net profit in December 2021 reached CVE 282,781 thousand, representing a slight decrease of CVE 1,013 thousand (-0.4 %) year-on-year.

Cost-to-income rose from 57.1% in December 2020 to 55.6% in December 2021, representing a decrease of 1.5 pp, justified by the effect of the increase in the net operating income.

Profitability levels decreased year-on-year, ROE from 10.9% to 9.8% and ROA from 1.2% to 1.1%, from December 2020 to December 2021, respectively.

9.3. Subsequent events

This Report is being published at a time when, after an unprecedented battle against the instability and uncertainty associated with the COVID-19 Pandemic that has ravaged the world since late 2019, Cape Verde and the world are now facing the impacts of the war in Ukraine, particularly related to the import of inflationary phenomena derived from increases in energy costs and the cost of agrifood goods.

Although, to date, it is not possible to make forecasts about the impacts on the financial statements, the Board of Directors of BI estimates that those may result from an increase in credit risk and an increase in the volatility of financial and non-financial assets, negatively affecting the main variables of BI's accounts, namely with uncertain effects on income, impairments, overdue loans and capital requirements.

For this reason, on the date of publication of this Report, the Government of Cape Verde decided to extend legal moratoria for companies operating in tourism-related sectors until September 2022, seeking to minimise the effects of the slower recovery in this sector.

10. Proposed Appropriation of Profit

In 2021, Banco Interatlântico had a net income of CVE 282,781,493.

The Board of Directors intends to recommend to the Shareholders the following proposal for the appropriation of profits:

- 10% to legal reserves, in the amount of CVE 28,278,149;
- 9% to dividend distribution, amounting to CVE 25,450,334 (equivalent to 10% of the net income determined after the constitution of the legal reserve);
- 81% to free reserves, in the amount of CVE 229,053,010.

The Board of Directors intends to present the proposal for the appropriation of profits considering the positive developments in the Bank's equity situation, the sustainability of net income, the significant improvement in asset quality, and the strengthening of the solvency ratio in recent years.

26 April, 2022

Presidente do Conselho de Administração



Nuno Alexandre de Carvalho Martins

Vogal do Conselho de Administração



Maria João Fonseca Pacheco de Novais

Vogal do Conselho de Administração



Maria Zenaída da Rocha Costa Neves Leite

Vogal do Conselho de Administração



Paulo Jorge Carneiro de Figueiredo Silva

Vogal do Conselho de Administração



Vogal do Conselho de Administração



Manuel Fernando Monteiro Pinto

Vogal do Conselho de Administração e PCE




Vogal do Conselho de Administração



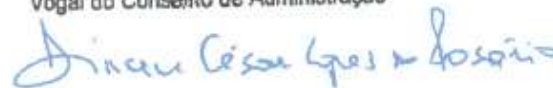
José Manuel dos Santos Afonso Serra

Vogal do Conselho de Administração



Eurisanda Venúlida Cardoso Tavares Rodrigues

Vogal do Conselho de Administração



Dirceu César Lopes do Rosário

Independent Auditor Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Banco Interatlântico, S.A.R.L. (the Bank), which comprise the balance sheet as at 31 December 2021 (showing a total of 25,920,698 thousand Cape Verde escudos (CVE) and a total equity of CVE 3,033,318 thousand, including a net profit of CVE 282,781 thousand), the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year ended on that date, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements truthfully and fairly present, in all material respects, the financial position of Banco Interatlântico, S.A.R.L. as at 31 December 2021, and its financial performance and cash flows for the year then on that date, in accordance with the accounting principles generally accepted in Cape Verde for the banking sector.

Bases for the opinion

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

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

Relevant audit matters

Relevant audit matters are those that, in our professional judgement, were more important in our audit of the financial statements for the current year. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion, and we do not provide a separate opinion on these matters.

The relevant audit matters for the current year are as follows:

1. Impairment for loans and advances to customers

Description of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
<p>As at 31 December 2021, the Bank has recorded accumulated impairment losses on the loans portfolio in the amount of CVE 683,338 thousand, representing 3.3% of the credit value.</p> <p>The details of impairment for loans and advances to customers and the accounting policies, methodologies, concepts and assumptions that were used are disclosed in the notes to the financial statements (Notes 2.2.4 c), 7 and 17).</p>	<p>Our audit approach to impairment for loans and advances to customers included (i) a comprehensive response with an impact on the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent execution, of audit procedures that included, namely:</p> <ul style="list-style-type: none"> ▶ understanding, evaluating the design, and testing the operational effectiveness of internal control procedures

Description of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
<p>Impairment represents the Bank's management body's best estimate of the expected loss on exposures in loans and advances to customers with reference to 31 December 2021. To calculate this estimate, the management body established assumptions, used mathematical models to calculate parameters, interpreted concepts and historical data, and designed a model to calculate the expected loss. For individually relevant exposures, impairment is determined based on the judgement of the bank's specialists in assessing credit risk and knowledge of the reality and financial situation of the customers and the guarantees associated with the operations in question.</p> <p>In addition to the complexity of the models for quantifying impairment losses in the loans portfolio, their use entails processing a significant volume of data, whose availability and quality may be limited.</p> <p>Additionally, the effects of the Covid-19 pandemic may not be fully overcome, nor fully materialised, and their full extent is still unclear. The pandemic decreased the predictability of developments in the economy, so the determination of the scenarios and weightings used to calculate the expected loss in the loans and advances to customers portfolio is more uncertain, increasing the inherent judgement in identifying debtors with a significant increase in credit risk. In this context, its potential impacts on asset quality should be weighted when recognising the loan impairment. Note 35 presents the impacts of Covid-19 and the mitigation measures adopted by the Bank.</p> <p>In view of the degree of subjectivity and complexity involved in estimating impairment, using alternative approaches, models or assumptions can have a material impact on the value of the estimated impairment, which, together with the materiality of its value, leads us to consider this issue as a relevant audit matter.</p>	<p>existing in the process of quantification of impairment losses for loans and advances to customers;</p> <ul style="list-style-type: none"> ▶ analytical review tests on the developments in the impairment balance for loans and advances to customers, comparing it with the same period of the previous year and with the expectations formed, of which we highlight the understanding of changes in the loans portfolio and changes in impairment assumptions and methodologies; ▶ selection of a sample of customers subject to individual impairment analysis to assess the assumptions used by the management body in quantifying impairment. This analysis included information on the economic and financial situation of the debtors and collateral valuation reports, as well as enquiries to the Bank's specialists in order to understand the recovery strategy that was defined and the assumptions that were used. We assessed the judgements considered to reflect the impacts of the Covid-19 pandemic on individual debtors or sectors; ▶ with the support of our risk management experts, we tested the reasonableness of the parameters used in the calculation of collective impairment, namely: <ul style="list-style-type: none"> i) understanding the methodology formalised and approved by the management body and comparing it with the one that was actually used; ii) examining changes to the models to determine parameters to reflect expected loss; iii) analysing changes made to risk parameters (DP, LGD and EAD) during the year; iv) following up on corrective measures for deficiencies previously identified in the collective impairment model; v) testing by sampling the classification of operations in stages 1, 2 and 3; and vi) assessing the reasonableness of the adjustments made, in particular those aimed at addressing additional areas of judgement resulting from the moratoria and examining the management process associated with those adjustments. ▶ analysing the disclosures included in the notes to the financial statements, based on the requirements of the international financial reporting standards and accounting records.

2. Impairment for properties received through loan recoveries

Description of the most significant risks of material misstatement	Summary of our response to the most significant risks of material misstatement
<p>As at 31 December 2021, the accumulated impairment recorded for properties received through loan recoveries, recorded under Other Assets, amounts to CVE 158,643 thousand, representing 11% of the value of those assets (Notes 13 and 17). These impairment losses are determined according to the methodology described in Note 2.2.4 e).</p> <p>The Bank periodically asks external appraisers registered with the Bank of Cape Verde ('BCV') to appraise the properties received through loan recoveries. Impairment losses are recorded if the appraisal value, minus the estimated costs to be incurred with the sale of the property, is lower than the balance sheet value.</p> <p>The appraisal of properties takes into account a number of judgemental assumptions that depend on the specific characteristics of each asset and the Bank's strategy for its commercialisation. Assumptions about future events may not occur or, even if they do, actual results may differ. For example, there may be changes in real estate market expectations, relevant macroeconomic variables or the intrinsic characteristics of the property itself and its surrounding physical environment.</p> <p>Due to the Covid-19 pandemic, the uncertainty about the fair value estimate increased due to potential effects on (i) the volume and value of reference transactions involving similar and comparable assets, (ii) the extension of deadlines for the completion of real estate assets under construction, (iii) the cash flows arising from leased assets, (iv) the discount rates considered, (v) the ability to lease vacant assets, and (vi) the premium risk required by potential investors.</p> <p>We considered this matter to be relevant to the audit based on its materiality in the financial statements and on the fact that using different valuation techniques and assumptions can result in different fair value estimates.</p>	<p>Our audit approach to the impairment of properties received through loan recoveries included a specific response that resulted in the design, and subsequent execution, of audit procedures that included, namely:</p> <ul style="list-style-type: none"> ▶ understanding the internal control procedures associated with the process of measuring properties received through loan recoveries; ▶ analytical review tests on the value of the properties included in 'Other assets', comparing it with the same period of the previous year and with the expectations formed, of which we highlight the understanding of the changes that occurred and changes in assumptions and methodologies; ▶ for a sample of properties, assessing the reasonableness of the methodology and assumptions used by the external valuation experts and confirming their registration with the BCV. For these properties, we analysed, where applicable, promissory purchase and sale agreements or binding offers received, and title certificates from the land registry office; and ▶ analysing the disclosures included in the financial statements, based on the requirements of the international financial reporting standards and accounting records.

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

The management body is responsible for preparing financial statements that present a true and fair view of the Bank's financial position, financial performance and cash flows in accordance with the principles generally accepted in Cape Verde for the banking sector, and for such internal control as it deems is necessary to enable the preparation of financial statements that are free from material misstatement due to fraud or error.

When preparing financial statements, the management body is responsible for assessing the Bank's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern assumption unless the management body intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement where it exists. Misstatements may arise from fraud or error and are considered material if, individually or collectively, they can reasonably be expected to influence the economic decisions made by users based on these financial statements.

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

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- ▶ evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management body;
- ▶ conclude on the appropriateness of management body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we must 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 evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to discontinue its activities;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in order to achieve a fair presentation; and
- ▶ communicate with those in charge of governance, including the supervisory body, regarding, among other matters, the planned scope and schedule of the audit, and relevant audit matters including any significant deficiencies in internal control identified during the audit.

OTHER INFORMATION

On the management report

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

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

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

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

4 May 2022

Ernst & Young Audit & Associados - SROC, S.A. Cape Verde Branch
Represented by:

Signed by : Ana Rosa Ribeiro Salcedas Montes Pinto
Identification Number: BI08539023
Date: 2022.05.04 09:55:49 GMT Daylight Time



Ana Salcedas
General
Manager/Partner



REPORT AND OPINION OF THE SUPERVISORY BOARD

FY 2021

Dear Shareholders of Banco Interatlântico, SA

Report

Pursuant to the Commercial Companies Code and the Articles of Association of Banco Interatlântico, SA (Bank), the Supervisory Board presents the Report on the activity carried out in 2021, as well as the Opinion on the Report and Accounts for the year ended on 31 December 2021, both presented by the Board of Directors.

The composition of the Supervisory Board has not changed since the General Meeting held on 23 July 2020.

On 28 January 2021, the Supervisory Board met and discussed the following issues: i) Opinion of the Supervisory Board on the Report on the Internal Control System; ii) Activity Report for the 2nd half of 2020 to be sent to CGD; iii) Annual Report of the Compliance Function; iv) Review of the FAI Regulations.

The Supervisory Board met with the Officers in Charge of the Bank's Control Functions, the independent members of the Board of Directors and the External Auditor, in order to gather information to prepare the Opinion on the Self-Assessment Report under Notice 3/2020 of the Bank of Portugal.

On 22 March 2021, the Supervisory Board attended the meeting of the Board of Directors, taking note of the matters discussed therein, namely the 2020 accounts, from February 2021, and the Corporate Governance Report.

On 21 April 2021, the Supervisory Board met with CGD's Supervisory Board, and the Chairman provided the information requested.

On 29 April 2021, the Supervisory Board met and discussed the following matters: i) Participation of the Supervisory Board in the Meeting of the Board of Directors held on 22 March 2021; ii) Activity plan of the Supervisory Board for 2021; iii) Opinion of the Supervisory Board on the Management Report and Opinion of the Supervisory Board on the Corporate Governance Report approved on 30 March by telematic means; iv) Annual Reports of the Internal Audit Functions and Risk Management Function; v) Internal Audit Reports issued to date; vi) Annual Evaluation Report on the Global Policy for Preventing and Managing Conflicts of Interest; vii) Analysis of the Meeting with CGD's Supervisory Board; viii) Acknowledgement of the final version of the 2021 Self-Assessment Report, under Notice no. 3/2020 of the Bank of Portugal and the Opinion of the Supervisory Board, approved on 24 February 2021 by telematic means.

On 22 June 2021, the Supervisory Board met and discussed the following matters: i) Proposal for submission to the General Meeting on the appointment of the External Auditor for the 2021/2024 four-year period; ii) Opinion of the Supervisory Board on the Activity Plan and Budget of the Internal Audit Function; iii) Audit Reports Issued to date; iv) Review of SO no. 42/2018 - Internal Irregular Practice Reporting System (V2); v) Annual Report on the Implementation of the Risk Management Plan for Corruption and Related Infringements 2020; vi) Opinion on the Report and Accounts for FY 2020 and Proposed Appropriation of Profits.

On 23 September 2021, the Supervisory Board met and discussed the following matters: i) Semi-annual report on the first half of 2021 for CGD's Supervisory Board; ii) Review of the Supervisory Board Regulations; iii) Accounts for the First Semester;

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iv) Internal Audit Reports issued; v) Contributions to FAI's 2022 Activity Plan; vi) Review of the Internal Audit Function Regulations; vii) BCV inspection of the Head Office (2020); viii) Opinion of the Supervisory Board on the 2020 Performance Assessment of the Officer in Charge of BI's Internal Audit Function, issued by telematic means on 8 July 2021; ix) Opinion of the Supervisory Board on the Support of the External Auditor to the Supervisory Board within the scope of Notice 3/2020 of the Bank of Portugal, issued by telematic means on 17 August 2021; x) Opinion of the Supervisory Board on the issuance of a Bank Guarantee/Banking Guarantee Ceiling in favour of Alfândega-Adega, SA, issued on 18 August 2021 by telematic means.

On 09 November 2021, the Supervisory Board attended the meeting of the Board of Directors that approved the accounts for September 2021 and, on the same date, met and discussed the following matters: i) Participation of the Supervisory Board in the meeting of the Board of Directors held on 09 November; ii) Accounts for September and year-end estimate; iii) Internal Audit reports issued; iv) Analysis and acknowledgement of the BI-ICAAP Risk Profile; v) Timeline and responsibilities on the RAA for 2021.

On 29 November 2021, the Supervisory Board met and discussed the following matters: i) Self-Assessment Report on the Adequacy and Effectiveness of the Organisational Culture and the Governance and Internal Control Systems; ii) Preliminary audit on the closure of accounts for 2021; iii) Acknowledgement of the Recovery and Resolution Plan. The External Auditor participated in item (i) of this meeting.

The Supervisory Board participated in several meetings with the Officers in Charge of the Bank's Control Functions, the Non-Executive and Independent Directors and the External Auditor, which allowed it to issue its opinion on the Self-Assessment Report on the Adequacy and Effectiveness of the Organisational Culture and Governance and Internal Control Systems (RAA) in December 2021.

Also in December 2021, the Supervisory Board issued, by telematic order, the Annual Reports on the Internal Reporting of Irregular Practices for 2020 and 2021.

In the second half of the year, the Supervisory Board participated in an executive training programme on the main and most relevant issues related to the Bank's Governance and Control Functions. The sessions were held via Zoom tool and conducted by the Officers in Charge of the Bank's Control Functions.

Additionally, the Supervisory Board monitored the Bank's activity on a regular basis, verifying, to the extent deemed necessary, changes in its assets and their financial status, having analysed the accounting information that was provided.

Meetings considered appropriate were also held, namely with the External Auditor, to ensure the necessary comfort for the Opinion issued.

OPINION

The Supervisory Board analysed the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of Changes in Equity, the Statement of Comprehensive Income and the respective Annex, referring to FY 2021, which appropriately reflect the Bank's economic and financial situation, as stated in the External Auditor Report, which addresses relevant audit matters, namely impairment losses on loans and advances to customers and the valuation of properties received through loan recoveries.

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The Supervisory Board highlights the following as the most relevant indicators of the Bank's activity in 2021:

- Net assets amounted to CVE 25,920,698 thousand, representing an increase of approx. 6.8% (CVE +1,646,054 thousand), justified essentially by the following changes:
 - Increase in the net loans portfolio (CVE +992,095 thousand, +5.2% YOY), with unsecured loans increasing by CVE 1,013,715 thousand (+6.8%);
 - Increase in cash equivalents (CVE +317,527 thousand, +10.2% YOY);
 - Increase in Other Assets (CVE +262,318 thousand, +24.4% YOY), justified mostly by values associated with real estate received within the scope of loan recoveries.
- In terms of liabilities, customer deposits increased approx. 5.4%, with demand deposits increasing by 3.0% and term deposits increasing by 8.9%, driven by the economic recovery and initiatives implemented by the Bank to grow the portfolio;
- The transformation ratio stood at 69.5%, an increase of 1.8 p.p compared to the previous year;
- Net operating income increased by 10.1% (CVE +106,806 thousand), justified by a slight decrease in net interest income by 0.1% (CVE -754 thousand) and an increase in the complementary margin by 77.5% (CVE +107,560 thousand);
- Structural costs increased by 7.2%, to CVE 648,625 thousand, justified by the stronger recovery of activity in 2021 and by the execution of strategic projects previously postponed due to the pandemic.
- Cost-to-income dropped from 57.1% in December 2020 to 55.6% in December 2021, essentially due to the increase in net operating income;
- Net income stood at CVE 282,781 thousand, representing a slight decrease of CVE 1,013 thousand (-0.4%) compared to December 2020.
- The Bank's solvency ratio stood at 16.4%, representing an increase of 0.4 p.p compared to 2020.

The Supervisory Board has been monitoring, in permanent contact with the Executive Committee and the Bank's Structures, the developments in its activity, and therefore congratulates the Executive Committee and all the employees for the considerable recovery of default, in a pandemic context, as well as for the business recovery in 2021.

In accordance with the foregoing and bearing in mind that the Financial Statements allow an adequate understanding of the Bank's financial situation, that the accounting policies and valuation criteria comply with the International Financial Reporting Standards, that the Report of the Board of Directors is sufficiently clear about the activity carried out in 2021, and that the proposed appropriation of profits does not conflict with the applicable legal and statutory provisions, the Supervisory Board is of the opinion that the General Shareholders Meeting should:

- a) Approve the Report of the Board of Directors and the Financial Statements for FY 2021, presented by the Board of Directors, and
- b) Approve the proposed appropriation of profits attached to this Opinion, underlining that priority is given to strengthening the Bank's solidity, preventing unknown risks arising from the post-moratorium period.

Lastly, the Supervisory Board would like to express its gratitude to the Executive Committee, the Bank's Services and External Audit for all the collaboration provided and the results achieved in 2021.

Cidade da Praia, 26 April 2022

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CHAIRMAN OF THE SUPERVISORY BOARD

(José Liberato)

MEMBER OF THE SUPERVISORY BOARD

(José Mário de Sousa)

MEMBER OF THE SUPERVISORY BOARD

(Carlos Alberto Rodrigues)

'Because Sustainability concerns us, this is Banco Interatlântico's new role.'



1. Annexes to the Accounts

Financial statements

BANCO INTERATLÂNTICO, S.A.R.L.

BALANCE SHEET AS AT 31 DECEMBER 2021 AND DECEMBER 2020

(Amounts expressed in thousands of Cape Verde Escudos)

ASSETS	Notes	dez/21		dez/20		LIABILITIES AND EQUITY	Notes	dez/21	dez/20
		Assets	Impairment and amortisation	Assets	Assets				
Cash and cash equivalents at Central Banks	3	3 011 392	30 114	3 041 506	1 599 028	Funds from other credit institutions	14	236 990	83 580
Cash equivalents at other credit institutions	4	432 037	-	432 037	526 874	Customer funds and other loans	15	22 345 862	21 189 156
Financial assets at fair value through other comprehensive income	5	389 593	-	389 593	383 749	Provisions	16	13 642	13 356
Investments in credit institutions	6	31 119	-	31 119	28 626	Current tax liabilities	12	28 057	28 903
Loans and advances to customers	7	20 837 381	(683 338)	20 154 043	19 161 948	Deferred tax liabilities	12	30 099	28 788
Non-current assets held for sale	8	-	-	-	-	Other liabilities	18	232 730	184 858
Other tangible assets	9	1 227 033	(909 675)	317 357	305 360			22 887 380	21 528 640
Intangible assets	10	269 613	(147 861)	121 752	83 482	Capital	19	1 000 000	1 000 000
Investments in subsidiaries, associates and joint ventures	11	118 588	-	118 588	96 948	Share issue premiums	20	388	388
Current tax assets	12	6 252	-	6 252	7 292	Fair value reserves	20	104 034	99 501
Deferred tax assets	12	-	-	-	5 091	Other reserves	20	1 646 115	1 362 320
Other assets	13	1 508 921	(170 356)	1 338 565	1 076 247	Retained earnings	20	-	-
						Income for the year	20	282 781	283 795
						Total Equity		3 033 318	2 746 004
Total Assets		27 831 928	(1 881 116)	25 950 812	23 274 644	Total Liabilities and Equity		25 920 698	24 274 644

The Notes form an integral part of these financial statements

(30 114) 1 000 000

30 114
(1 000 000)

ENDED ON 31 DECEMBER 2021 AND DECEMBER 2020

(Amounts expressed in thousands of Cape Verde Escudos)

	<u>Notes</u>	<u>dez/21</u>	<u>dez/20</u>
Interest and similar income	21	1 064 121	1 066 673
Interest and similar costs	22	<u>(143 517)</u>	<u>(145 316)</u>
NET INTEREST INCOME		920 604	921 357
Income from equity instruments	23	21 402	1 406
Income from services and commissions	24	120 763	121 528
Costs of services and commissions	24	(27 973)	(32 300)
Income from foreign exchange revaluation	25	34 731	28 916
Income from the disposal of other assets	26	923	2 814
Other operating income	27	<u>96 521</u>	<u>16 443</u>
NET OPERATING INCOME		1 166 971	1 060 165
Staff costs	28	(307 498)	(290 855)
General administrative expenditure	29	(265 172)	(235 414)
Depreciation and amortisation in the year	9 and 10	(75 955)	(78 690)
Provisions net of write-backs and cancellations	16	(286)	24 642
Impairment of other financial assets net of reversals and recoveries	17	(219 513)	(152 646)
Impairment of other assets net of reversals and recoveries	17	(4 258)	(25 769)
Income from associates and joint ventures	11	<u>21 640</u>	<u>11 265</u>
INCOME BEFORE TAXES		<u>315 929</u>	<u>312 698</u>
Taxes			
Current	12	(28 057)	(28 903)
Deferred	12	(5 091)	
		<u>(33 147)</u>	<u>(28 903)</u>
INCOME AFTER TAXES		<u>282 782</u>	<u>283 795</u>
Average number of ordinary shares issued		100 000	100 000
Earnings per share (CVE)	30	2 828	2 838

The Notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in thousands of Cape Verde Escudos)

	Capital	Share issue premiums	Revaluation reserve	Other reserves and retained earnings			Profit for the year	Total
				Legal reserve	Other reserves	Retained earnings		
Balance as at 31 December 2019	1 000 000	388	46 081	167 676	730 172	(12 900)	1 931 417	2 408 790
Income distribution for FY 2020:								
Incorporation into reserves and retained earnings				47 737	429 636	-	477 373	
Use of reserves					(12 900)	12 900	-	-
Comprehensive income for the year	-	-	53 419	-	-	-	53 419	337 214
Balance as at 31 December 2020	1 000 000	388	99 501	215 413	1 146 907	(0)	2 462 209	2 746 004
	-	-	-					
Income distribution for FY 2020:								
Incorporation into reserves and retained earnings				28 379	255 415	-	283 795	
Use of reserves					-	-	-	
Comprehensive income for the year	-	-	4 533	-	-	-	4 533	287 315
Balance as at 31 December 2021	1 000 000	388	104 034	243 792	1 402 323	(0)	2 750 536	3 033 319

BANCO INTERATLÂNTICO, S.A.R.L.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED

ON 31 DECEMBER 2021 AND DECEMBER 2020

(Amounts expressed in thousands of Cape Verde Escudos)

	Notes	dez/21	dez/20
Changes in fair value of Financial Assets at FV through OCI			
Change in the period	19	5 844	67 361
Fiscal effect	19	<u>(1 311)</u>	<u>(13 941)</u>
Other comprehensive income		4 533	53 419
Net income for the year		282 782	283 795
Total comprehensive income for the year		287 315	337 214

The Notes form an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.R.L.

CASH FLOW STATEMENT FOR THE YEARS ENDED

ON 31 DECEMBER 2021 AND DECEMBER 2020

(Amounts expressed in thousands of Cape Verde Escudos)

	dez/21	dez/20
<u>Cash flows from operating activities</u>		
Receipt of interest and commissions	1 184 884	1 188 201
Payment of interest and commissions	(171 490)	(177 616)
Foreign exchange income	34 731	28 916
Payments to staff and suppliers	(572 670)	(526 269)
Other receipts / (payments) relating to operating activities	97 444	36 144
Income tax payments	(27 862)	(0)
Operating income before changes in operating assets	545 036	549 375
(Increases) decreases in operating assets:		
Financial assets at fair value through other comprehensive income		
Investments in credit institutions	(2 493)	3 037 405
Loans and advances to customers Including Treasury Bonds	(1 216 105)	(897 926)
Other assets	(271 576)	(506 982)
	(1 490 174)	1 632 497
Increases (decreases) in operating liabilities:		
Funds from Central Banks and other credit institutions	153 410	(45 373)
Customer funds	1 156 706	(512 897)
Other liabilities	47 872	57 062
	1 357 987	(501 208)
Net cash from operating activities	412 850	1 680 664
<u>Cash flows from investing activities</u>		
(Increases) decreases in investment assets:		
Intangible assets	(59 294)	(57 768)
Other tangible assets	(57 430)	(102 619)
Dividends received	21 402	13 818
Net cash from investing activities	(95 323)	(146 569)
<u>Cash flows from financing activities</u>		
Dividends paid	-	-
Net cash from financing activities	-	-
Net increase (decrease) of cash and cash equivalents	317 527	1 534 094
Cash and cash equivalents at the beginning of the year	3 125 902	1 591 808
Cash and cash equivalents at the end of the year	3 443 429	3 125 902

The Notes form an integral part of these financial statements

3 473 543 3 125 902
30 114

1. INTRODUCTORY NOTE

Banco Interatlântico, S.A.R.L. (hereinafter BI or Bank) is a commercial bank, incorporated in July 1999, which resulted from the integration of the net assets of the Caixa Geral de Depósitos, S.A. (CGD or CGD Group) branch in Cape Verde, through which all rights and obligations held by the branch on 30 June 1999 were transferred to it.

The Bank's corporate object is to exercise banking activities and credit functions in general, as well as to carry out any financial or investment operations involving securities or shareholdings, provided that they are duly authorised.

The Bank's head office is located in Praia, Republic of Cape Verde, and is supported by a network of nine branches, five of which are located on the island of Santiago, two on the island of Sal, one on the island of São Vicente and another on the island of Boavista.

All amounts shown herein are rounded off to thousands of Escudos.

The financial statements as at 31 December 2021 were approved by the Board of Directors on 26 April 2022 and shall be submitted for approval by the General Shareholders Meeting, which has the power to amend them. The Board of Directors is confident that these will be approved without significant changes.

Covid-19 Pandemic

As a result of the SARS-CoV-2 virus (Coronavirus) outbreak declared a 'Pandemic' by the World Health Organization on 11 March 2020, and with a view to implementing and monitoring the 'Contingency Plan' adapted to the pandemic scenario, a Crisis Management Office was specifically created in 2020 for this purpose.

In 2021, said Office continued to monitor and track the impacts of the pandemic on BI, reinforcing the application of measures to ensure the protection of people and the continuity of its activity, including, among other more specific ones described below, the recommendations of the health authorities and shareholders, such as teleworking (remote work) and the segregation of teams, seeking to maximise the safety of employees and customers and the resilience of the Institution.

Following the adoption by the Central Bank and the Government of Cape Verde, in 2020, of policy measures aimed at mitigating the adverse effects caused by the Covid-19 pandemic, namely the process of granting moratoria on debt service to customers whose financial difficulties in paying instalments were directly attributable to Covid-19 effects, in 2021 the Bank continued to monitor its *Operational plan to deal with distressed debtors in the context of the coronavirus (COVID-19) pandemic*, implemented in 2020, whose objectives are:

- Providing appropriate and timely solutions for customers considered viable but who may be in financial crisis;
- Structuring proactive measures to minimise any potential negative effects associated with the end of the moratorium;
- Having a clear understanding of the risks it faces and developing an appropriate strategy, ensuring effective and timely handling of early warnings.

The granting of moratoria made it possible to control the deterioration of the loans and advances to customers portfolio resulting from the impacts of Covid-19, in a context of significant reinforcement of support to families and companies, without prejudice, however, to the fact that in cases whose analysis so determined, the preventive setting up of impairment for loans and advances to customers was reinforced in order to minimise the impacts of possible future defaults.

Given the context of the pandemic, and based on the information available at the time, the Bank calculated and reflected in its financial statements its best estimate of the financial effects of the pandemic, including the valuation of its assets and the measurement of expected losses in the loans portfolio.

2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

2.1. Bases for Presentation

The Bank's financial statements were prepared on a going concern basis, based on the accounting books and records kept in accordance with the principles enshrined in the International Financial Reporting Standards (IFRS), pursuant to Notice no. 2/2007, of 19 November, issued by the Bank of Cape Verde.

In the context of this financial report, the accounting policies described in this note have been applied consistently in all periods presented in the financial statements, with the exceptions that have been identified.

2.2 Accounting Policies

2.2.1 - Changes in accounting policies.

In FY 2021 there were no voluntary changes to the accounting policies compared to those considered in preparing the financial information for the previous financial year included in comparisons. Furthermore, there were no changes in judgements or estimates relating to previous financial years, nor were there any corrections of material errors.

2.2.2 - New standards and interpretations applicable to the financial year

The following standards, interpretations, amendments or modifications, issued by the IASB and endorsed by the European Union, were adopted by Banco Interatlântico with effect from 1 January 2021:

- Reform of interest rate benchmarks - Amendments to IAS 39, IFRS 7 and IFRS 9 - In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which stemmed from the first phase of the work undertaken to respond to the effects of the reform of interest rate benchmarks (IBOR - Interbank Offered Rates) on financial reporting.).
- Amendments to IFRS 9 on hedging

The adoption of the aforementioned standards, interpretations, amendments and revisions did not result in equity impacts in the preparation of BI's financial statements for FY 2021.

2.2.3. New standards and interpretations applicable to future financial years

The following standards, interpretations, amendments and revisions, already endorsed by the European Union, must be applied by Banco Interatlântico in future financial years:

- IFRS 16 (amendments) - COVID-19-related rent concessions beyond 30 June 2021 - The amendments made to the text of the standard clarify that a lessee may choose not to assess whether a COVID-19-related rent concession is a lease modification. If they choose to apply this expedient they account for the change in lease payments arising from a COVID-19-related concession in the same way as they account for a change other than a lease modification, in accordance with IFRS 16, for payments originally due up to 30 June 2022.

These amendments are mandatory for financial years beginning on or after 1 April 2021.

- IAS 16 (Amendments) - 'Property, plant and equipment' - The amendments made to the text of the standard clarify that any income obtained from the use of an asset cannot be deducted from the acquisition cost until its definitive installation in the place where it will operate in accordance with the conditions set by management for its intended use. The entity recognises the income obtained from the sale of such products and the costs of their production directly in profit or loss.

These amendments are mandatory for financial years beginning on or after 1 January 2022, with mandatory retrospective application only for eligible assets that have been installed in their intended location after the date of the first comparative period presented.

- IAS 37 (Amendments) - 'Provisions, contingent liabilities and contingent assets' - The amendments made to the text of the standard specify the framework of eligible costs for classifying a contract as onerous. All costs that may be directly allocated to the fulfilment of contractual obligations shall be considered for this purpose, and may have an incremental nature or involve other types of allocation as long as they are clearly identifiable.

These amendments are mandatory for financial years beginning on or after 1 January 2022, taking effect prospectively.

- *Annual Improvements to IFRS Standards 2018-2020* - The draft introduction of annual improvements considered non-urgent but necessary by the IASB relating to the period 2018-2020 was published on 14 May 2020 and introduces amendments to the text of the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. We highlight the following points which may be relevant to Banco Interatlântico's activity:

- (i) IFRS 9 - The amendment clarifies the eligibility criteria for commissions to be considered by the entity when performing the liability derecognition test as per paragraph B3.3.6 of the standard (10% test). Only commissions paid or received by the institution (the issuer of the financial liability) and the investor (or investors), including those paid or received on behalf of or representing the other party, should be recognised.
- (ii) IFRS 16 - The amendment removes Illustrative Example 13 (text that accompanies IFRS 16), the example relating to the reimbursement of costs incurred by the lessor with improvements made to

the leased asset, given the understanding that its wording did not promote a correct and clear interpretation of the treatment of incentives in lease agreements.

The amendments are mandatory for financial years beginning on or after 1 January 2022.

The adoption of the aforementioned standards, interpretations, amendments and revisions did not result in equity impacts in the preparation of BI'S financial statements for FY 2021.

2.2.4. New standards and interpretation already issued but not yet mandatory

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

- IAS 1 (Amendments) and IFRS *Practice Statement 2* - The amendments to the text of the standard and the *Practice Statement* aim to clarify the requirements that must be considered in the assessment of accounting policies that must be disclosed, replacing the expression 'significant accounting policies' with 'material accounting policies', in addition to introducing illustrative examples in order to demonstrate the application of the concept of materiality.

These amendments are mandatory for financial years beginning on or after 1 January 2023 and must be applied prospectively.

- IAS 8 (Amendments) - The amendments to the text of the standard introduce distinctions regarding the presentation and disclosure of different types of changes made to the financial statements, introducing clarifications as to the treatment of accounting estimates, namely: measurement in concept of uncertainty, difference between changes to accounting estimates and errors correction, accounting for the effects of changes to accounting estimates.

These amendments are mandatory for financial years beginning on or after 1 January 2023 and apply to changes in accounting estimates or policies occurring after that date.

The Board of Directors does not anticipate that the adoption of the aforementioned standards and interpretations will result in significant equity impacts in the preparation of BI's financial statements.

2.2.4. Most significant accounting policies used in the preparation of the financial statements

The most significant accounting policies used in the preparation of the financial statements were as follows:

a) Accrual basis

Expenses and income are recognised on an accrual basis and are recorded as they are generated, regardless of when they are paid or received.

b) Conversion of balances and transactions in foreign currency

The items included in the Bank's financial statements are measured using the currency of the economic environment in which it operates (functional currency). The Bank's financial statements and the notes to this

Annex are presented in thousands of Cape Verde Escudos ('mCve'), unless explicitly stated otherwise, as the Bank's functional and presentation currency.

Assets and liabilities denominated in foreign currency are converted into Cape Verde Escudos at the Bank's average exchange rate on the last business day of each month. Exchange differences arising from currency conversion are shown in the income statement, except for those arising from non-monetary financial instruments, such as shares, recorded as financial assets at fair value through other comprehensive income, which are recognised in equity until they are sold.

As at 31 December 2021 and 31 December 2020, the exchange rate of the Cape Verde Escudo against the Euro stood at 1 Euro/110.265 Cape Verde Escudos. On those same dates, the exchange rate against the US dollar (USD) was as follows:

	Dec./2021	Dec./2020
1 USD	97,554	89,785

c) Financial assets and liabilities

Initial recognition of financial assets

The classification of financial assets depends on the entity's business model and the characteristics of the contractual cash flows of the financial instrument, except when the option to measure the financial instrument at its fair value through profit or loss is applied.

BI classifies and measures a financial asset at amortised cost when it is included in a portfolio managed based on a business model whose objective is achieved through the collection of all contractual cash flows and these can be considered as payments of principal and interest on the outstanding principal, as is the case of loans and advances to customers and investments in credit institutions.

On the other hand, BI classifies and measures a financial asset at fair value through other comprehensive income ('FVTOCI') when it is included in a portfolio managed based on a business model whose objective is achieved both through the collection of contractual cash flows that are considered payments of principal and interest on the outstanding principal or through sale. A financial asset is classified and measured at fair value through profit or loss ('FVTPL') when it is not classified and measured at amortised cost or at FVTOCI. However, at the time of initial recognition, BI may irrevocably choose to classify and measure at FVTOCI an investment in an equity instrument (that is neither held for trading nor a contingent consideration recognised by the buyer in a business combination to which IFRS 3 'Business Combinations' applies) that would otherwise be classified and measured at FVTPL.

To determine the business model used for managing a given financial asset, BI outlines how it expects to obtain cash flows from that financial asset. The business model is determined at a level that reflects how a

group of financial assets is managed as a whole to achieve the specific objective of that business model, not depending on plans for any particular financial asset. As the allocation to a business model is a fact and not an assertion, BI considers all the relevant information that allows concluding on the business model considered for managing its financial assets. In this context, BI takes into consideration:

- How the performance of the business model and the financial assets held under that business model are evaluated and reported to BI's management;
- The risks that affect the performance of the business model (and of the financial assets held under this business model) and, in particular, how these risks are managed; and,
- How managers are remunerated (for example, whether the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected).

Therefore, as mentioned above, in determining the classification and measurement of financial assets within the scope of IFRS 9 - 'Financial Instruments', two criteria are considered:

- The entity's business model for managing the financial asset;
- The characteristics of the contractual cash flows of the financial asset: solely payments of principal and interest (SPPI).

Derecognition of financial assets

A financial asset is derecognised when, and only when, the contractual right to receive cash flows expires or when the financial asset is transferred and the transfer qualifies for derecognition. A financial asset is deemed transferred if, and only if, the contractual rights to receive the cash flows of that financial asset are transferred, or if the contractual rights to collect the cash flows of that financial asset are retained but BI has undertaken a contractual obligation to deliver those cash flows to one or more beneficiaries. When the contractual rights to collect cash flows are retained, BI handles the operation as a transfer only if all the following conditions are met: (i) BI has no obligation to pay any amounts to the beneficiary except those that are collected from the original asset; (ii) BI is prevented by the terms of the transfer agreement from selling the original asset; and, (iii) BI has the obligation to pay the cash flows collected without material delays and is not allowed to reinvest those cash flows until they are paid.

When the contractual cash flows of a given financial asset are renegotiated or otherwise modified, and such renegotiation or modification does not result in the derecognition of the financial asset, BI recalculates the gross balance sheet value of the financial asset and recognises a gain or loss on the difference relative to the previous gross balance sheet value. The asset's new gross balance sheet value is determined as the current value of the renegotiated or modified cash flows discounted at the original effective asset rate (or at the adjusted interest rate in the case of credits acquired or originated with impairment) or, where applicable,

the revised effective interest rate. Any costs or fees incurred are included in the new gross balance sheet value and amortised over the remaining life of the asset.

A scenario in which the change in contractual flows results in the derecognition of the financial asset has the following implications:

- a) The need to carry out a new SPPI analysis in order to determine if the contractual conditions of the modified financial assets fall within the scope of SPPI;
- b) The need to record the new financial assets at fair value at the time of initial recognition, recording any difference relative to the net book value of the previous assets in the income statement;
- c) If the contractual changes were the result of the restructuring of an asset due to financial difficulties of the debtor, the new asset is considered POCI (Purchased or Originated Credit-Impaired Financial Assets) and impairment losses are always recognised based on PD lifetime, i.e., the new asset can never be classified as stage 1;
- d) The amortised cost of the new asset shall be determined based on the expected cash flows;
- e) The new recognised financial asset that results from a contractual modification of a financial asset previously marked as forbearance (in accordance with Commission Implementing Regulation (EU) 2015/227, of 9 January 2015, and in accordance with the internal policy defined by BI) will continue to maintain this marking, and the curing period will resume from the date of the last restructuring; and,
- f) In the case of a financial asset originally classified as stage 3 for the purposes of the impairment model whose contractual modification leads to its derecognition, the new financial asset to be recognised shall continue to be classified as stage 3, and may, according to the triggers defined by BI for the purpose of the definition of default, be subsequently classified as stage 2.

Reclassification of financial assets

If BI changes its business model for financial assets management, which is expected to occur rarely and exceptionally, it reclassifies all affected financial assets in accordance with the requirements set forth under IFRS 9 - 'Financial Instruments'. The reclassification is prospectively applied from the date when it becomes effective. According to IFRS 9 – 'Financial instruments', it is forbidden to reclassify equity instruments for which the fair value option has been included against other comprehensive income or for financial assets and liabilities classified at fair value as part of the fair value option.

Fair value

As mentioned, financial assets recorded as 'Financial assets at fair value through profit or loss' and 'Financial assets at fair value through other comprehensive income' are recognised at fair value.

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

The fair value of financial assets is determined by a BI body independent from the trading function, based on the following criteria:

- Closing price at the reporting date, for instruments traded on active markets;
- The following valuation methods are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity levels):
 - (i) Bid prices published by financial information services, namely *Bloomberg* and *Reuters*, including market prices available for recent transactions;
 - ii) Reference bid prices obtained from financial institutions operating as market-makers; and,
 - iii) Internal valuation models based on market data used to define a price for the financial instrument, reflecting market interest rates and volatility, in addition to liquidity and the credit risk associated with the instrument.

Amortised cost

Financial instruments held at amortised cost are initially recorded at fair value plus or minus any income or costs directly attributable to the transaction. Interest is recognised using the effective interest rate method.

In the case of impaired financial assets (Stage 3), interest is recognised based on the rate used to discount future cash flows inherent to the determination of the impairment loss.

Financial liabilities

Financial liabilities are recorded at the agreement date at their fair value, minus costs directly attributable to the transaction. Financial liabilities are recorded under the items funds from other credit institutions, customer funds and liabilities incurred to pay for services rendered or purchasing assets, recorded under 'Other liabilities'.

These financial liabilities are valued at amortised cost and, where applicable, interest is recognised in accordance with the effective rate method.

Recognition of income and expenses

Interest is recognised based on the effective rate method, which enables the calculation of the amortised cost and distribution of the interest over the period of the operations. The effective rate is the rate that, being

used to discount the estimated future cash flows associated with the financial instrument, enables its present value to be matched with the value of the financial instrument at the date of initial recognition.

Overdue loans and cancellations of principal and interest

Interest on overdue loans is cancelled one day after the due date of the operation or of the first overdue instalment. Interest not recorded on the aforementioned loans is only recognised in the financial year in which it is collected, under 'Interest and similar income'.

In accordance with the policies in force at the Bank, the entire outstanding principal of operations with overdue instalments is classified as overdue credit 30 days after maturity. Periodically, the Bank writes off loans considered irrecoverable by using the impairment that was set up, following a specific analysis by the structural bodies in charge of monitoring and recovering loans and approval by the Board of Directors. Any recoveries of loans written off from assets are reflected in the Income Statement under Other Operating Income.

Impairment of financial assets

The impairment model in IFRS 9 - 'Financial Instruments' standard is applicable to the following financial assets:

- All financial assets measured at amortised cost;
- Debt instruments measured at fair value through other comprehensive income (FVTOCI);
- Rights and obligations as referenced in IFRS 15 - 'Revenue from Contracts with Customers', where this standard refers the accounting to IFRS 9 - 'Financial Instruments';
- Assets that reflect the right to reimbursement of payments made by the entity in the settlement of liabilities recognised under IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'; and,
- Credit commitments granted (except those measured at fair value through profit or loss).

These financial assets are divided into 3 risk groups, depending on the significant degradation in credit risk:

- *Stage 1* - Assets with no significant degradation in credit risk since initial recognition;
- *Stage 2* - Assets with a significant degradation in credit risk since initial recognition; and,
- *Stage 3* - Impaired assets (assets in default).

Depending on the operation's Stage classification, credit losses are estimated in accordance with the following criteria:

- Expected Losses at 12 Months: expected loss resulting from a loss event occurring within 12 months after the calculation date, applicable to Stage 1 transactions; and,
- Expected Losses Lifetime: expected loss corresponding to the difference between the contractual cash flows and the cash flows that the entity expects to receive until the maturity of the contract. That is, the expected loss results from all potential loss events up to maturity, and is applied to Stage 2 and Stage 3 transactions.

The IFRS 9 - 'Financial Instruments' standard does not define a concept of default. However, BI, similarly to CGD, applies the same definition of default used for internal credit risk management purposes, which incorporates EBA's recommendations defined in the '*Final Report on Guidelines on default definition* (EBA-GL-2016-07)', issued on 28 September 2016.

Classification as Stage 2 is based on the observation of a significant increase in credit risk (SICR) since initial recognition.

The quantitative metric for determining when an asset is transferred to Stage 2 is obtained by comparing the degradation of the Lifetime forward-looking probability of default from initial recognition to the reporting date.

Qualitative criteria were also considered for transferring a financial asset to Stage 2, namely loans overdue for more than 30 days, loans restructured due to financial difficulties and objective credit risk criteria obtained in the customer monitoring process.

Specifically, the following events may comprise signs of impairment:

- Failure to comply with contractual clauses, namely arrears of interest or capital;
- Registration of defaults in the financial system;
- Existence of current operations resulting from loans restructuring or ongoing negotiations for loans restructuring;
- Difficulties in terms of shareholders and management capacity, particularly in relation to the exit of key shareholders or key management staff and differences of opinion between shareholders;
- Significant financial difficulties of the debtor or debt issuing entity;
- Existence of a strong probability of a declaration of bankruptcy by the debtor or debt issuing entity;
- Decreased competitive position of the debtor;
- Historical records of collections suggesting that the nominal value will not be fully recovered.

The calculation of the expected loss is based on historical and current information, but should also incorporate future projection scenarios that are reliable, reasonable, bearable and available without excessive cost or effort (forward-looking).

Signs of impairment are assessed for individually significant exposures, and individually or collectively for exposures that are not individually significant. If it is determined that there is no objective evidence of impairment for a given exposure, whether significant or not, it shall be assessed collectively.

The Bank conducts an individual analysis of all customers with liabilities greater than mCve 40,000.

Whenever signs of impairment on individually analysed assets are identified, the possible impairment loss comprises the difference between the current value of the future cash flows expected to be received (recoverable value), discounted based on the original effective interest rate of the asset, and the value entered on the balance sheet at the time of analysis.

Assets that were not subject to specific analysis are included in a collective impairment analysis; for this purpose, they were classified into homogeneous groups with similar risk characteristics (namely based on the characteristics of the counterparties and the type of loan). Future cash-flows were estimated based on

historical information regarding defaults and recoveries in assets with similar characteristics. For this purpose, the Bank has defined the following segments for its loans portfolio:

- Corporate Loans
- Home loans
- Guarantees provided
- Other loans to retail customers
- Public Sector

Furthermore, assets assessed individually and for which no objective signs of impairment were identified, were also subject to a collective impairment assessment, as described above.

The impairment losses calculated in the collective analysis incorporate the time effect of discounting the estimated cash flows receivable in each operation as at the balance sheet date.

As part of the implementation of IFRS 9, a methodological approach was defined for calculating impairment for CGD Group's sovereign debt portfolio (securitised and unsecuritised loans). In summary, the assumptions of the Sovereign Debt Impairment Model are as follows:

- Apply external risk parameters (source: *Moody's* - probability of *default* (PD);
- In the case of direct exposures to sovereign risk (treasury bonds and loans) and in Stage 1, apply the PD corresponding to the upgrade of one rating level, provided that external information with a positive economic outlook is observable and that the rating Outlook is not negative;
- In the case of indirect exposures to sovereign risk in Stage 1 (State-guaranteed exposures), apply the 12-months PD of the country's rating;
- Operations classified as Stage 2 and 3, apply Lifetime PD adjusted to the residual maturity of the external rating assigned to the State based on the accumulated default rates of a rating agency.
- Use 45% LGD (regulatory)

The amount of impairment calculated is recognised in costs, under 'Impairment of other financial assets net of reversals and recoveries', and is shown in the balance sheet separately as a deduction from the amount of the loan to which it relates.

Financial assets at fair value through other comprehensive income are recorded at fair value, and changes in fair value are reflected directly in equity, under 'Fair value reserves'. On each objective impairment reference date, the accumulated capital losses that have been recognised in reserves are transferred to costs for the year as impairment losses, under 'Impairment of other financial assets, net of reversals and recoveries'.

Impairment losses in equity instruments cannot be reversed, so any potential gains originated after the recognition of impairment losses are recognised under 'Fair value reserves'. Impairment is always considered to exist if additional capital losses are assessed at a later stage and recognised in income for the year. Impairment losses in debt instruments are reversible through profit or loss for the year, whenever

the fair value of these instruments increases in the future, provided that this increase is due to events that occur after the events that led to the recognition of impairment losses.

d) Non-current assets held for sale and groups of assets and liabilities for disposal

IFRS 5 - 'Non-current assets held for sale and discontinued operations' is applicable to isolated assets as well as to groups of assets to be disposed of, through the sale or otherwise, in an aggregate manner in a single transaction, as well as all liabilities directly associated with those assets that may be transferred in the transaction (known as 'groups of assets and liabilities to be disposed of').

The sale is very likely to occur;

- The asset is available for immediate sale in its current condition; and,
- The sale should be expected to take place within one year from the asset's classification under this item.

e) Assets received through loan recoveries

IFRS 5 - 'Non-current assets held for sale and discontinued operations' is applicable to isolated assets as well as to groups of assets to be disposed of, through the sale or otherwise, in an aggregate manner in a single transaction, as well as all liabilities directly associated with those assets that may be transferred in the transaction (known as 'groups of assets and liabilities to be disposed of').

They are classified as held for sale whenever it is expected that their balance sheet value will be recovered through sale and not through continued use, and the following requirements must be fulfilled:

- The sale is very likely to occur;
- The asset is available for immediate sale in its current condition; and,
- The sale should be expected to take place within one year from the asset's classification under this item.

At BI, real estate properties and other assets acquired through the recovery of overdue loans are recorded under Other Assets, considering that the sale is expected to take place within a period exceeding 12 months.

These assets are not amortised. Properties received through loan recoveries are periodically appraised. Impairment losses are recorded if the appraisal value, minus the estimated costs to be incurred with the sale of the property, is lower than the balance sheet value.

Accounting Policy for the Initial Recognition of Properties Received as Loan Repayment

Real estate properties and other assets obtained through the recovery of overdue loans are valued, upon initial recognition, at the lower of the bid price and the balance sheet value, net of impairment, of the recovered loan(s) that is (are) directly associated with them. The adoption of this procedure is intended to

ensure that there will be no reversals of impairments originally allocated to the loan, which, under the impairment model developed by the DGR in accordance with the requirements of IFRS 9 - 'Financial Instruments', took into account the existence of this collateral.

Impairment Model

The impairment model for real estate properties obtained through loan recoveries is divided into properties analysed individually and those analysed with a collective model.

The impairment of real estate assets is calculated individually for all properties with a gross book value equal to or greater than 2% of the Bank's Own Funds (calculated quarterly) and for properties with a lower gross book value but whose specific characteristics justify an individual analysis.

Individual impairment is determined based on an individual analysis that values each property according to the commercial strategy of disinvestment pursued for that property, incorporating all available information about demand, supply and specific risks, namely in terms of licensing, investment needs, occupation situations, lease agreements or others that may influence the value of that property.

The impairment of the other real estate assets is determined based on a collective impairment model applied to the property:

- The collective model for determining the impairment of real estate assets is based on the determination of the recoverable value of each property, which corresponds to the acquisition value to which an adjustment factor is applied and discounted by an estimated average time for sale; both parameters are calculated according to the type of property and how long it has been in the portfolio. The impairment amount is the difference between the acquisition price and the recoverable amount.
- This collective impairment model applies to all properties not covered by an individual analysis, with the exception of properties with a promissory purchase and sale agreement (CPCV) or in the process of immediate sale (VIME), whose recoverable amount corresponds to the amount negotiated for its sale.

The reversal of impairment losses recognised in previous periods is recorded whenever the sale occurs or when there is evidence that the impairment losses previously recognised no longer exist or have decreased. An impairment loss for an asset, recognised in previous periods, should be reversed if there is a change in the estimates used to determine the recoverable amount of the asset, since the last impairment loss was recognised.

Once assets are sold, they are written off from assets, and the respective income is determined on that date as the difference between the sale value and the respective balance sheet value adjusted for impairment.

For this purpose, whenever the net book value of a loan recovered through transfer in lieu of payment or judicial execution is lower than the respective transfer value of the property, the initial record of this asset will be reduced by the difference thus calculated.

Once assets are sold, they are written off from assets, and the gains or losses are recorded against a reversal of impairments.

Fair Value Hierarchy

The Bank's assets and liabilities at fair value are valued in accordance with the following fair value hierarchy provided for in IFRS 13 - Fair Value Measurement:

Quoted market prices (level 1)

This category includes financial instruments with prices available in official markets and those for which there are entities that usually disclose prices of transactions for these instruments traded in liquid markets.

Priority is given to the prices recorded in official markets; in cases where there is more than one official market, priority is given to the main market where these financial instruments are traded.

The Bank considers as market prices those disclosed by independent entities, assuming that they act in their own economic interest and that such prices are representative of the active market, using, whenever possible, prices provided by more than one entity (for a given asset and/or liability).

Valuation methods with parameters/prices observable in the market (level 2)

This category includes financial instruments valued using internal models, namely discounted cash flow and option pricing models, which imply the use of estimates and require judgements that vary according to the complexity of the products being valued. Nevertheless, the Bank uses variables provided by the market as inputs in its models, such as interest rate curves, loan spreads, volatility and price indexes. It also includes instruments whose appreciation is obtained through quotations disclosed by independent entities but whose markets have a more reduced liquidity. Additionally, the Bank also uses as observable market variables those that result from transactions on similar instruments and that are observed with a certain recurrence in the market.

Valuation methods with parameters not observable in the market (level 3)

This level includes valuations determined using internal valuation models or prices provided by third parties, but whose parameters are not observable in the market.

f) Other tangible assets

These are recorded at acquisition cost, minus accumulated depreciation and impairment losses. Costs with repairs, maintenance and other expenses associated with their use are recognised as a cost for the year, under 'General administrative expenditure'.

As at 31 December 2021, depreciation is calculated on a systematic basis over the estimated useful life of the asset, which corresponds to the period during which the asset is expected to be available for use, which is:

	Anos de vida útil	
	Adquiridos até 2014	Adquiridos a partir de 2015
Imóveis de serviço próprio	50	50
obras em edifícios arrendados	10	10
Equipamento:		
Mobiliário e material de escritório	12	8
Máquinas e ferramentas	5 - 6	5
Equipamento informático	4	3 - 5
Instalações interiores	8	5
Material de transporte	4 - 5	4 - 5
Equipamento de segurança	5	10
Outro equipamento	6	8

Land is not depreciated.

Expenses with construction and improvement works in properties occupied by the Bank as a lessee under operating leases are capitalised under this item and depreciated, on average, over a period of 10 years.

Depreciation is recorded under costs for the year.

Analyses are carried out periodically to identify evidence of impairment in tangible assets, in accordance with IAS 36 - 'Impairment of Assets'. Whenever the net book value of tangible assets exceeds their recoverable value, an impairment loss is recognised with an impact on income for the year, under 'Impairment of other assets net of reversals and recoveries'. Impairment losses can be reversed and also have an impact on income for the year, if there is an increase in the asset's recoverable value in the following periods.

The calculation of depreciation takes into account an estimate of the residual value of equipment, namely in the case of vehicles.

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

g) Intangible assets

This item essentially comprises expenses related to the acquisition, development or preparation for use of *software* used for performing the Bank's activities.

Intangible assets are recorded at acquisition cost, minus amortisation and accumulated impairment losses.

Depreciation is recorded as costs for the year on a systematic basis over the estimated useful life of the assets, which corresponds to a period of 3 years.

Software maintenance expenses are accounted for in the financial year in which they are incurred.

h) Investments in subsidiaries, associates and joint ventures

This item includes holdings in companies in which the Bank has significant influence, but over whose management it does not exercise effective control ('associates'). Significant influence is deemed to exist whenever the Bank's holding is between 20% and 50% of the capital or voting rights, or if less than 20%, the Bank is part of the management body and has direct influence on the definition of relevant company policies.

These assets are recorded using the equity method. According to this method, holdings are initially valued at acquisition cost, which is subsequently adjusted based on the Bank's effective percentage of changes in equity (including income) of the associates.

Dividends are recorded in the year in which their distribution is decided.

i) Income tax

As at 31 December 2021, the Bank is subject to Corporate Income Tax (IRPC Code), at the rate of 22%, and to a fire fee of 2% on the calculated tax, corresponding to an aggregate tax rate of 22.44% according to Article 84 of Law 82/VIII/2015, of 8 January, which approves the Corporate Income Tax Code, as amended by Article 17 of the 2019 State Budget published on 31 December 2018.

Current tax

Current tax is calculated based on the taxable profit for the year, which differs from the accounting result due to adjustments to the taxable income resulting from expenses or income that are not relevant for tax purposes, or that will only be considered in other accounting periods.

Deferred taxes

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

Deferred tax liabilities are usually recorded for all temporary taxable differences, whereas deferred tax assets are only recognised up to the amount by which it is probable that future taxable profits will allow using the corresponding deductible tax differences or tax loss carryforwards. Additionally, deferred tax assets are not recorded if their recoverability may be questionable due to other circumstances, including issues regarding the interpretation of the tax legislation in force.

Despite this, deferred taxes related to temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect the accounting result or the taxable profit are not recorded.

The main circumstances that give rise to temporary differences in the Bank correspond to the impact of the adoption of the IFRS and the valuation of financial assets at fair value through other comprehensive income.

Deferred taxes are calculated based on the tax rates which are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates that are approved or substantially approved on the reporting date.

Income taxes (current or deferred) are reflected in the profit and loss for the year, except in cases where the transactions that give rise to them have been recognised in other equity items (for example, in the case of the revaluation of financial assets at fair value through other comprehensive income). In these situations, the corresponding tax is also translated against shareholder equity, not affecting the income for the year.

j) Provisions and contingent liabilities

A provision is set up when there is a current (legal or constructive) obligation resulting from past events for which the future expenditure of resources is probable, and this can be reliably determined. The amount of the provision corresponds to the best estimate of the amount to be paid to liquidate the liability on the reporting date.

When the future expenditure of resources is not probable, it is considered a contingent liability. Contingent liabilities are disclosed, unless the possibility of their payment is remote.

Provisions for other risks are intended to meet:

- Liabilities with guarantees provided and other off-balance sheet commitments, determined based on an analysis of the risk of the operations and of the respective customers; and,
- Judicial, tax and other contingencies resulting from the Bank's activity.

In 2021, the Bank continued to use the methodology for treating and recognising Judicial Provisions amended in 2020, calculating and reviewing, annually, according to the criterion of probability of payment/assumption of loss by the Bank. Thus, the following has been established: processes whose probability is: (1) Remote: 10%; (2) Intermediate: 25%; (3) Probable: 50%, and (4) High: 75%.

k) Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles established by IAS 19 - 'Employee Benefits'.

Short-term benefits, including productivity bonuses paid to employees for their performance, are recognised in 'Staff costs' for the respective period, on an accrual basis.

l) Commissions

Commissions relating to loan operations, which essentially correspond to commissions for opening and managing loans, are recognised by applying the effective rate method over the lifetime of the operations, regardless of when they are charged or paid.

Commissions associated with guarantees provided, documentary credits and card annuities are subject to linear deferral over the corresponding period.

Commissions for services rendered are recognised as income for the period the service is rendered or on a one-off basis if they correspond to compensation arising from single acts.

m) Securities and other items held under custody

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

n) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise amounts recorded in the balance sheet with a maturity of less than three months from the date of acquisition/contracting and whose risk of change in value is immaterial, including cash, cash equivalents with Central Banks and other credit institutions.

o) Critical accounting estimates and most relevant judgemental aspects in the application of accounting policies

When applying the accounting policies described above, the Bank's Board of Directors is required to produce estimates. The estimates with the greatest impact on the Bank's financial statements include those presented below.

i) Determination of impairment losses on loans and advances

Impairment losses on loans and advances are determined in accordance with the methodology described in Note 2.2.4. c) - Impairment of financial assets. Accordingly, the determination of impairment in individually analysed assets derives from a specific valuation carried out by the Bank based on its knowledge of the customers' circumstances and the guarantees associated with the operations in question.

The determination of impairment by means of a collective analysis is based on historical parameters determined for comparable types of operations, taking into account default and recovery estimates.

The Bank considers that the assessment of impairment based on this methodology allows for the adequate recognition of the risk associated with its loans portfolio, based on the rules defined in IFRS 9.

The Bank's loans portfolio includes relevant amounts of loans to companies in the real estate and construction sectors, including the financing of a number of projects related to the development of tourist resorts whose construction is currently suspended. For the purposes of determining individual impairment, the Bank considers its expectations for recovery taking into account the recovery measures in place and the valuations obtained for the collateral underlying the loan operations in question. Nonetheless, achieving the

recovery expectations reflected in the impairment assigned by the Bank to the loans depends on how the circumstances of the real estate market in Cape Verde will evolve and on the results of the concrete recovery measures that are in place.

ii) Determination of impairment losses on financial assets at fair value through other comprehensive income

In the case of equity instruments, the determination of the existence of impairment losses may be somewhat subjective. The Bank determines whether or not impairment on these assets exists through specific analysis on each balance sheet date taking into account the signs indicated in Note 2.2.4 c) - Impairment of financial assets.

iii) Valuation of financial instruments not traded on active markets

In accordance with IFRS 9, the Bank values at fair value some instruments recorded as financial assets at fair value through other comprehensive income. Valuation models and techniques are used to value financial instruments not traded on liquid markets. The valuations obtained correspond to the best estimate of the fair value of those instruments as at the balance sheet date (see note 5).

iv) Property Valuation

The valuation of properties recorded under '*Assets received through loan recoveries*' takes into account a number of judgemental assumptions that depend on the specific characteristics of each asset and the Bank's strategy for its commercialisation. Assumptions about future events may not occur or, even if they do, actual results may differ. For example, there may be changes in real estate market expectations, relevant macroeconomic variables or the intrinsic characteristics of the property itself and its surrounding physical environment.

v) Determining tax on profits

Tax on profit (current and deferred income tax) is determined by the Bank based on the rules defined by the tax system in force. In several cases, however, fiscal legislation may not be sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recorded result from a better understanding of the Bank's responsible bodies regarding the correct framework for its operations, which may, however, be questioned by the Tax Authorities.

With the entry into force on 1 January 2015 of the Corporate Income Tax Code (IRPC Code), the Bank considered its interpretation of the changes imposed by the IRPC Code, namely regarding the deductibility of impairment costs for loans, considering that, for tax purposes, impairments calculated under IFRS 9 would be accepted, as well as the impact of the transition to the new Code. The Board of Directors considers that the criteria and assumptions adopted are in accordance with the legislation in force, and that any differences

in interpretation would only give rise to reclassifications between current and deferred taxes, with no impact on the Bank's income and equity as at 31 December 2021 (see note 33).

p) Basic earnings per share

Basic earnings per share are estimated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of own shares held by the Bank.

q) Operating Segments

The Bank prepares information by segments on an annual basis for the report on the consolidated activity accounts of Caixa Geral de Depósitos, S.A. The operating segments defined for this report are as follows:

- Trading and sales – Comprises banking activity related to the management of the Bank's own securities portfolio, the management of debt instruments issued, money and foreign exchange market operations, 'repo' and brokerage operations. Investments and cash equivalents at other credit institutions are also included in this segment.
- Commercial banking – Includes lending and borrowing activities involving large companies and small and medium-sized enterprises. This segment includes loans, current accounts, the financing of investment projects, the discounting of bills, factoring, securities and real estate financial leasing and syndicated loans, as well as loans to the Public Sector.
- Retail banking - Comprises banking activities aimed at individuals, sole proprietorships and micro-enterprises. This segment includes consumer loans, mortgage loans, credit cards and also deposits from individuals, as well as international money transfers.

r) Equity

Ordinary shares are classified as equity when they are paid up.

The unpaid portion of the capital is not recorded. Where applicable, costs inherent to the issue of new shares are shown in equity, as a deduction from capital inflows.

In the case of a capital increase, the issue premium corresponds to the difference between the subscription value and the nominal value.

Supplementary capital contributions are recognised as Equity, when no repayment period is set, when they are not subject to interest and comply with the other conditions for recognition under Equity items.

s) Dividend distribution

The distribution of dividends is recognised as a liability in the Company's financial statements in the period in which the dividends are approved at the General Meeting by the shareholder.

3. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This item is broken down as follows:

	dez/21	dez/20
Cash		
. Domestic currency	266 728	214 477
. Foreign currency	402 203	266 286
Demand deposits with the Bank of Cape Verde		
. Domestic currency	2 342 461	2 118 264
	<u>3 011 392</u>	<u>2 599 028</u>

Demand deposits with the Bank of Cape Verde are intended to meet the Minimum Cash Requirements (MCR). According to the provisions of the Bank of Cape Verde, these requirements correspond to 10% of the average effective liabilities in domestic and foreign currency relating to residents and emigrants.

As at 31 December 2021 and 31 December 2020, the minimum reserves amounted to mCve 1,623,242 and mCve 1,622,439, respectively. In December 2021 and 2020 these deposits were not remunerated.

In 2021, one of the measures to mitigate the impact of the coronavirus - Covid-19 on the domestic economy was to reduce the coefficient of Minimum Cash Requirements by 300 basis points, from 13% to 10%, strongly encouraging banks to channel the liquidity released into loans to the economy, increasing loans to the economy by the same proportion, in terms of new credit flows until the end of the year. This measure was in place throughout financial year 2021.

4. CASH EQUIVALENTS AT OTHER CREDIT INSTITUTIONS

This item is broken down as follows:

	dez/21	dez/20
Demand deposits:		
. Caixa Geral de Depósitos, S.A.	177 321	393 882
. In other institutions abroad	140 593	64 240
. In national institutions	315	3 094
	<u>318 230</u>	<u>461 215</u>
Cheques pending collection:		
. Abroad	7 872	3 139
. National	105 936	62 520
	<u>113 808</u>	<u>65 659</u>
	<u>432 037</u>	<u>526 874</u>

Cashier's cheques are cheques drawn on customers of other banks sent for clearing. These amounts are collected in the first days of the following month.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021 and 31 December 2020, the financial instruments classified under Financial assets at fair value through other comprehensive income were broken down as follows:

Security	2021					
	Acquisition value	holding %	Balance sheet value (Net)	Fair value reserve	Deferred taxes	Reserves minus taxes (Note 20)
Equity instruments measured at fair value						
Banco Comercial do Atlântico, S.A.	238 746	5,40%	300 021	71 285	(15 996)	55 289
Visa International Service Association	1 323	n.d.	57 509	56 185	(12 608)	43 577
A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L.	15 307	3,79%	15 393	86	(1 476)	(1 390)
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	16 671	6 577	(19)	6 558
	<u>265 471</u>		<u>389 593</u>	<u>134 133</u>	<u>(30 099)</u>	<u>104 034</u>

Título	2020					
	Valor de aquisição	% de participação	Valor de balanço (Líquido)	Reserva de Justo Valor	Impostos Diferido	Reservas Deduzido Impostos (Nota 20)
Instrumentos de capital valorizados ao justo valor						
Banco Comercial do Atlântico, S.A.	238 746	5,40%	300 021	71 285	(15 996)	55 289
Visa International Service Association	1 323	n.d.	53 080	51 757	(11 614)	40 143
A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L.	15 307	3,79%	15 393	86	(1 158)	(1 073)
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	15 256	5 161	(19)	5 142
	<u>265 471</u>		<u>383 749</u>	<u>128 289</u>	<u>(28 788)</u>	<u>99 501</u>

Equity instruments valued at fair value through other comprehensive income

The valuations for the shares of Banco Comercial do Atlântico, S.A. and A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L. in the accounts for 2020 remained unchanged in the accounts for 2021.

In turn, the value of the *Visa International Service Association* shares was updated in accordance with their price as at 31 December 2020 and 2021.

The holding in Sociedade Cabo-verdiana de Tabacos was valued based on an assessment carried out by an independent external entity updated in 2021.

As the value of the holdings in A Promotora and Banco Comercial do Atlântico recognised in the accounts for 2020 remained unchanged, there are no impacts on the accounts for 2021.

6. INVESTMENTS IN CREDIT INSTITUTIONS

This item is broken down as follows:

	dez/21	dez/20
Investments in credit institutions abroad		
Other credit institutions	31 119	28 626
	<u>31 119</u>	<u>28 626</u>

As at 31 December 2021 and 31 December 2020, the balances in investments in other credit institutions, mCve 31,119 and mCve 28,626, respectively, refer to the Visa guarantee and the change in 2021 compared to 2020 corresponds to the capitalisation of interest

7. LOANS AND ADVANCES TO CUSTOMERS

This item is broken down as follows:

Loans and advances to customers

		dez/21	dez/20
Short-term domestic loans:			
. Overdrafts in demand deposits		34 673	50 228
. Loans		21 515	113 403
. Commercial discounts		15 839	3 211
. Other loans		71 900	66 802
Medium and long-term domestic loans:			
. Loans		12 564 191	11 112 344
. Current account loans		1 091 770	1 033 043
. Loans under auction		-	-
Short-term foreign loans:			
. Housing		-	-
. Overdrafts in demand deposits		1 200	4 136
. Other loans		60	100
Medium and long-term foreign loans:			
. Loans		742 307	685 998
. Current account loans		7 783	5 355
Loans to staff		461 472	466 827
Interest receivable		63 132	32 109
Commissions and other deferred income		(78 740)	(72 159)
Overdue loans		843 481	1 325 472
Total unsecuritised loans Gross	(A)	15 840 584	14 826 869
Impairment of non-securitised loans	(B)	(632 870)	(773 106)
Total unsecuritised loans Net	D= (A-B)	15 207 713	14 053 763
Public Debt Securities		4 633 214	4 784 659
Bonds issues by companies		303 606	270 061
Overdue bonds issued by companies		-	-
Interest receivable		59 977	64 472
Deferred costs		-	12
Total securitised loans Gross	(E)	4 996 797	5 119 204
Impairment of loans and advances to customers (Note 17)	(F)	(50 467)	(11 019)
Total securitised loans Net	G= (E-F)	4 946 330	5 108 185
Total loans and advances to customers Net (H) = (D) + (G)		20 154 043	19 161 948

As at 31 December 2020, total net loans amounted to mCve 19,161,948; on the same date, overdue loans amounted to mCve 1,325,472.

In 2021, and following the efforts made over the last few years to recover loans, the Bank managed to settle operations with a relevant default history, closing the year with overdue loans in the amount of mCve 843,481.

Part of these loans was settled by taking ownership of the associated guarantees, resulting in the registration of three properties received through loan recoveries and various pieces of equipment, recognised under 'other assets' (Note 13).

As at 31 December 2021 and 31 December 2020, loans to employees were remunerated at reduced interest rates.

As at 31 December 2021 and 31 December 2020, Public Debt Securities include treasury bonds of the State of Cape Verde remunerated at a fixed interest rate. In December 2021, the average yield on these bonds was 4.54% (2020: 4.65%).

As at 31 December 2021 and 31 December 2020, the balance under 'bonds issued by companies' reflects the value of bonds issued by domestic companies.

The year-on-year change in impairment as at 31 December 2021 is justified by the recovery of loans (3 properties), which implies the transfer of the net value of that loan to Other Assets (Properties received in lieu of payment/adjudication - Note 13).

These bonds are detailed as follows:

Security	dez/21	dez/20
Public Debt Securities		
<u>Treasury Bonds</u>		
Nominal Value	4 633 214	4 784 659
Interest receivable	56 878	61 385
Impairment	(47 142)	(10 404)
a)	<u>4 642 950</u>	<u>4 835 640</u>
<u>Corporate Bonds</u>		
	dez/21	dez/20
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	32 199	32 199
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche F	68 049	68 049
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche I	9 000	15 000
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche II	7 500	12 500
City Council of Sal	4 000	5 000
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
ANMCV – Associação Nacional dos Municípios Cabo-Verdianos - Series A	45 545	-
Gross total	<u>303 606</u>	<u>270 061</u>
Impairment	<u>3 325</u>	<u>615</u>
Interest receivable	<u>3 099</u>	<u>3 099</u>
Gross total	<u>303 380</u>	<u>272 544</u>
b)		
Other loans and receivables - securitised a) + b)	<u>4 946 330</u>	<u>5 108 185</u>

Bonds issued by Electra - Empresa de Electricidade e Águas, S.A.R.L., IFH - Imobiliária, Fundiária e *Habitat*, S.A. and Câmara Municipal do Sal are guaranteed by the State of Cape Verde.

The changes in the IFH - Imobiliária, Fundiária e *Habitat*, S.A. Bonds Series F Tranche I; IFH - Imobiliária, Fundiária e *Habitat*, S.A. Series F Tranche II and Câmara Municipal do Sal, are related to a partial amortisation of Capital.

The Electra - Empresa de Electricidade e Águas, S.A.R.L. Bonds - Tranche F resulted from the renewal of the Electra - Empresa de Electricidade e Águas, S.A.R.L. Bonds - Tranche D, for the same amount, at the TAB rate plus a fixed spread of 3.75%.

The ANMCV - Associação Nacional dos Municípios Cabo-Verdianos Bonds - Series A were acquired in 2021, in the amount of mCVE 26,216, for a period of 5 years, with a fixed rate of 3.5%. The bonds will be guaranteed exclusively by the consignment of State/DGT (Directorate-General for the Treasury) receivables.

The bonds issued by Cabo Verde Fast Ferry, S.A. and Sociedade de Gestão e Investimentos, Lda. are written off from assets.

	2021		
	Outstanding loans	Overdue loans	Total
Public Administrative Sector	238 748	-	238 748
	238 748	-	238 748
Companies			
Agriculture, livestock, hunting, and forestry	20 295	-	20 295
Fishing	4 251	78	4 329
Extractive industries	-	-	-
Extractive industries excl. energy products	-	-	-
Manufacturing industries	376 209	9 743	385 952
Food, beverage and tobacco industries	253 714	434	254 148
Textile industry	15 357	114	15 470
Wood, cork and derivative industries	-	-	-
Pulp, cardboard, publishing and printing industries	-	-	-
Manufacture of chemicals and synthetic or artificial fibres	26 567	-	26 567
Base metallurgical and metal product industries	13 868	-	13 868
Manufacture of machinery and equipment	-	-	-
Manufacture of furniture and mattresses	51 129	9 195	60 323
Other manufacturing industries	15 575	-	15 575
Electricity, water and gas generation and distribution	66 001	19	66 019
Construction	574 248	195 797	770 045
Wholesale/retail trade, car, motorbikes and personal and household goods	723 016	9 286	732 302
Transport, warehousing and communications	398 817	36 643	435 460
Accommodation and catering (restaurants and others)	1 152 093	39 121	1 191 214
Information and communication activities	421 052	928	421 980
Real estate activities, rentals and services provided to companies	1 657 830	211 923	1 869 753
Real estate activities	666 812	189 933	856 745
Other activities	991 018	21 989	1 013 007
Public administration and defence, compulsory social security	-	-	-
Education	169 963	3	169 966
Health and social security	57 938	-	57 938
Other activities and collective, social and personal services	19 089	207	19 296
	5 640 800	503 748	6 144 548
Retail Customers			
Housing	6 096 294	49 563	6 145 857
Other purposes	3 036 869	290 171	3 327 039
	9 133 163	339 733	9 472 896
	15 012 711	843 481	15 856 192
Capital - Loans not represented by securities			
	15 012 711	843 481	

	2 020		
	Crédito vincendo	Crédito vencido (incluindo juros vencidos)	Total
Sector Público Administrativo	254 866	-	254 866
	254 866	-	254 866
Empresas			
Agricultura, produção animal, caça e silvicultura	50 018	-	50 018
Pesca	6 308	-	6 308
Indústrias extractivas	268	-	268
Indústrias extractivas c/ excepção de prod. energéticos	268	-	268
Indústrias transformadoras	439 987	21 174	461 161
Indústrias alimentares, de bebidas e do tabaco	-	-	-
Indústria têxtil	226 905	4 810	231 715
Indústrias da madeira, da cortiça e suas obras	39 003	4 624	43 627
Ind. de pasta de papel, cartão e art. edição e impressão	68 345	11 733	80 078
Fabrico de prod. quim. e de fibras sintéticas ou artificiais	29 177	-	29 177
Indúst. metalúrgicas de base e de prod. metálicos	-	-	-
Fabrico de máquinas e de equipamentos	-	-	-
Outras indústrias transformadoras	76 556	7	76 564
Produção e distribuição de electricidade, de água e gás	73 832	-	73 832
Construção	461 562	192 188	653 750
Com. grosso / retalho, rep. de autom., motoc. e bens pess. e domest.	726 895	62 691	789 587
Transportes, armazenagem e comunicações	363 941	285 736	649 677
Alojamento e restauração (restaurantes e similares)	920 213	37 631	957 844
Actividades de informação e de comunicação	289 719	877	290 596
Actividades imobiliárias, alugueres e serv. prest. empresas	861 218	238 023	1 099 241
Actividades imobiliárias	860 509	238 022	1 098 531
Outras actividades	709	1	710
Administração pública, defesa e segurança social obrigatória	-	-	-
Educação	245 284	2 420	247 703
Saúde e segurança social	152 845	846	153 691
Outras actividades e serv. colectivos, sociais e pessoais	609 572	134 778	744 350
	5 201 663	976 364	6 178 028
Particulares			
Habitação	5 264 960	48 691	5 313 651
Outros fins	2 779 728	300 416	3 080 144
	8 044 688	349 107	8 393 795
	13 501 217	1 325 472	14 826 689

Capital - Credito não representados por valores mobiliarios

As at 31 December 2021 and 31 December 2020, loans and advances to customers, excluding 'Other loans and receivables - securitised', associated accrued interest and commissions and other deferred income, was broken down by sectors of activity as follows:

Details of exposures and impairment by segment

Segmento	Exposição total	Exp. Com baixo risco de crédito	do qual curado	do qual reestruturado	Exposição com aumento significativo do risco de crédito	do qual reestruturado	Exposição em situação de imparidade	do qual reestruturado	Imparidade total	Exposições com baixo risco de crédito	Exposição com aumento significativo de risco	Exposição em situação de imparidade
Empresas (exc. Const e CRE)	9 576 264	8 598 955	0	19 432	854 518	49 282	122 791	4 889	179 099	74 426	50 851	53 822
Construção e CRE	1 712 942	1 025 983	0	263	299 935	11 053	387 024	14 823	303 363	9 379	18 474	275 511
Habitação	6 528 307	6 172 690	0	14 286	294 872	56 553	60 745	15 826	23 647	12 748	5 117	5 782
Consumo e outros part.	3 020 116	2 476 582	0	8 268	283 924	46 899	259 610	43 681	177 283	28 966	33 475	114 843
Total	20 837 381	18 274 211	0	42 249	1 733 248	163 787	830 169	79 220	683 392	125 518	107 917	449 958

The value of the total exposure of the 'Corporate (excl. Const. and CRE)' segment includes mCve 4,979,975 of securitised loans, considered as low risk and corresponding to an impairment of mCve 50,337.

The value of the total exposure of the 'Construction and CRE' segment includes mCve 16,821 of secured loans from a company in this sector, considered as low risk and corresponding to an impairment of mCve 130.

Details of exposures and impairment by segment (continued)

Segment	Total Exposure 31.12.2021	Days overdue < 90			Subtotal	Days overdue <= 90*	Days overdue > 90 days	Total Impairment 31.12.2018	Days overdue < 30	Days overdue between 30-90	Days overdue <= 90*	Days overdue > 90 days
		Low credit risk	Significant Increase in credit risk									
Companies (excl. Const and CRE)	4 596 288	3 618 980	854 227		111 907	1 468	110 440	171 804	125 873	0	492	45 439
Construction and CRE	1 696 120	1 009 161	299 935		386 911	54	386 857	260 137	27 943	0	52	232 141
Housing	6 528 307	6 172 690	294 872		47 790	7 061	40 729	23 647	18 500	0	180	4 966
Consumption and other inc	3 020 116	2 476 582	282 078		285 696	37 309	248 387	177 283	64 760	0	2 129	110 395
Securitised loans	4 996 797	4 996 797	0		0	0	0	50 467	50 467	0	0	0
Total	20 837 381	18 274 211	1 731 112		832 305	45 892	786 413	683 338	287 543	0	2 853	392 941

Details of the loans portfolio by segment and by year of production

Year of production	Companies (excl. Const and CRE)			Construction and CRE			Housing			Consumption and other ind.			Total	
	Number of transactions	Amount	Recognised Impairment	Number of transactions	Amount	Recognised Impairment	Number of transactions	Amount	Recognised Impairment	Number of transactions	Amount	Recognised Impairment	Amount	Recognised Impairment
2009 and earlier	97	35 692	405	20	80 273	12 862	89	341 040	325	485	94 567	9 554	551 571	23 146
2010	16	30 187	3 677	5	1	0	28	149 729	930	95	4 764	165	184 680	4 773
2011	15	197 991	6 827	1	83 242	108	37	137 452	640	74	42 458	996	461 143	8 571
2012	9	19 093	207	1	1	0	33	134 549	1 086	70	1 520	366	155 163	1 658
2013	17	52 468	404	3	0	0	26	126 864	731	116	9 356	579	188 688	1 714
2014	24	779 729	4 756	7	11 127	529	36	193 438	351	70	19 430	308	1 003 723	5 945
2015	36	301 449	6 942	10	100 091	48 052	33	176 123	224	156	170 746	49 901	748 410	105 119
2016	80	1 578 299	28 859	23	285 259	41 329	38	205 831	176	205	132 153	10 477	2 201 295	80 840
2017	101	1 181 637	34 261	21	109 243	39 067	100	497 147	3 070	519	179 318	34 147	1 967 345	110 545
2018	126	1 440 123	36 602	15	233 847	26 750	145	860 529	1 977	674	308 447	9 226	2 842 947	74 555
2019	209	1 300 299	42 297	30	122 868	4 974	217	1 456 916	4 346	1 525	553 677	21 572	3 433 760	73 189
2020	189	1 424 337	27 068	33	352 471	13 056	145	941 939	1 207	936	578 521	16 752	3 297 268	58 082
2021	418	1 234 961	29 837	86	334 519	73 540	214	1 306 749	8 584	3 153	925 157	23 240	3 801 386	135 201
Total	1 337	9 576 264	222 141	255	1 712 942	260 266	1 141	6 528 307	23 647	8 078	3 020 116	177 283	20 837 381	683 338

Details of gross credit exposure and impairment assessed individually and collectively by segment and sector (continued)

31/12/2021	Empresas (exc. Const e CRE)		Construção e CRE		Habitação		Consumo e outros part.		Total	
	Exposição	Imparidade	Exposição	Imparidade	Exposição	Imparidade	Exposição	Imparidade	Exposição	Imparidade
Avaliação										
Individual	44 476	16 104	347 963	212 665	6 400	6 421	174 790	86 391	573 630	321 582
Colectiva	9 531 788	206 037	1 364 979	47 601	6 521 906	17 225	2 845 325	90 893	20 263 998	361 756
Total	9 576 264	222 141	1 712 942	260 266	6 528 307	23 647	3 020 116	177 283	20 837 381	683 338

The value of the exposure regarding the collective assessment of the 'Corporate (excl. Const. and CRE)' segment includes mCve 4,979,975 of securitised loans, corresponding to an impairment of mCve 50,337

The value of the exposure regarding the collective assessment of the 'Construction and CRE' segment includes mCve 16,821 of securitised loans from a company in that sector, corresponding to an impairment of mCve 130.

Details of the restructured loans portfolio by restructuring measure applied

Measure	31.12.2021											
	Exposure with low credit risk			Exposure with a significant increase in credit risk			Impaired exposures			Total		
	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment
Term extension	18	42 642	362	99	201 991	14 881	21	79 220	19 970	138	323 852	35 213
Grace period	0	0	0	0	0	0	0	0	0	0	0	0
Interest rate reduction	0	0	0	0	0	0	0	0	0	0	0	0
Total	18	42 642	362	99	201 991	14 881	21	79 220	19 970	138	323 852	35 213

Inflows and outflows in the restructured loans portfolio

	31.12.2021	31.12.2020
Opening balance of the restructured loan portfolio (gross of impairment)	251 750	192 155
Loans restructured in the period	241 491	71 130
Accrued interest on the restructured loan portfolio	397	0
Liquidation of restructured loans (partial or total)	-123 332	-3 480
Loans reclassified from restructured to 'normal'	-46 056	-8 055
Other	0	0
Closing balance of the restructured loan portfolio (gross of impairment)	323 852	251 750

Details of the fair value of the collaterals underlying the loans portfolio, in the *Corporate*, Construction, and Housing segments

Fair value	Companies (excl. Const and CRE)				Construction and CRE				Housing			
	Properties		Other Real Collateral		Properties		Other Real Collateral		Properties		Other Real Collateral	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1 0.5 MCVE	0	0	205	987 034	0	0	31	434 228	0	0	211	1 362 881
2 >= 0.5 MCVE and < 1 MCVE	0	0	135	56 459	0	0	17	4 919	1	838	1	3 280
3 >= 1 MCVE and < 5 MCVE	21	47 353	321	465 602	10	13 288	34	41 831	266	798 252	5	4 128
4 >= 5 MCVE and < 10 MCVE	37	133 596	50	167 088	8	28 175	6	22 909	432	2 213 317	3	11 630
5 >= 10 MCVE and < 20 MCVE	39	264 073	25	181 058	10	93 831	5	60 875	175	1 519 175	1	4 804
6 >= 20 MCVE and < 50 MCVE	46	609 174	10	57 064	9	99 171	2	19 759	42	585 541	0	0
7 >= 50 MCVE	18	1 080 832	6	347 561	21	683 554	4	190 511	0	0	0	0
Total	161	2 135 027	752	2 261 865	58	918 019	99	775 031	916	5 117 124	221	1 386 723

Coverage Ratio for the guarantee of operations in the Corporate (excl. Const. and CRE), construction, CRE and OAR, and Housing segments (excluding consumer loans)

31.12.2021							
Segment / Ratio	Number of properties	Exposures with low credit risk	Exposures with a significant increase in credit risk	Impaired exposures	Impairment	Exposure	Impairment
Companies (excl. Const and CRE)							
No associated collateral	332	195 810	2 254	486	4 424	198 550	4 424
>= 150%	352	1 175 897	240 141	71 315	52 251	1 487 354	52 251
<= 150% and > 125%	79	498 607	103 183	6 088	16 921	607 878	16 921
<= 125% and > 100%	211	742 917	128 551	30 558	39 756	902 027	39 756
< 100%	318	1 005 749	380 388	14 343	58 453	1 400 480	58 453
Construction and CRE							
No associated collateral	83	512	2	2 555	1 134	3 070	1 134
>= 150%	54	619 482	12 394	22 019	20 282	653 895	20 282
<= 150% and > 125%	5	23 855	0	79 811	12 851	103 666	12 851
<= 125% and > 100%	37	281 213	164 914	174 464	143 982	620 591	143 982
< 100%	74	84 100	122 625	108 174	81 888	314 899	81 888
Housing							
No associated collateral	4	24 460	0	0	122	24 460	122
>= 150%	342	1 126 525	76 281	15 183	2 868	1 217 989	2 868
<= 150% and > 125%	122	699 864	33 488	4 190	1 033	737 542	1 033
<= 125% and > 100%	615	3 935 725	158 036	41 372	18 205	4 135 134	18 205
< 100%	58	386 116	27 066	0	1 419	413 183	1 419
TOTAL	2686	10 800 831	1 449 325	570 559	455 587	12 820 715	455 587

8. NON-CURRENT ASSETS HELD FOR SALE

Assets received through loan recoveries are presented in note 13. Other assets

9. OTHER TANGIBLE ASSETS

Operations in 'Other tangible assets' as at 31 December 2021 and 2020 were as follows:

Descrição	2021													
	Saldo inicial			Regula- riza- ção Bruto	Regula- riza- ção Amort.	Abates		Transferência Entre os activo	Reversões de imparidade e Depreciação no exercício	Saldo no Final do Exercício			Valor líquido em 31/12/2021	
	Saldo bruto	Imparidade e Depreciação acumuladas	Imparidade			Adições	Valor Bruto			Depreciação	Saldo bruto	Imparidade e Depreciação acumuladas		Imparidade
Imóveis de serviço próprio														
• Terrenos	14 357	-				-	-		-	-	14 357	-	14 357	
• Edifícios	243 630	(57 935)	-			-	-		(5 471)	243 630	(63 405)	-	180 225	
• Outros	11 456	(3 102)				-	-		(1 146)	11 456	(4 247)		7 209	
Obras em imóveis arrendados	237 675	(230 174)				-	-		(1 999)	237 675	(232 172)		5 503	
	507 119	(291 210)	-	-		-	-		(8 615)	507 119	(299 825)	-	207 294	
Equipamento														
• Mobiliário e material	58 281	(48 504)				311	-	-	(2 203)	58 593	(50 707)		7 886	
• Máquinas e ferramentas	32 856	(27 960)				1 034	-	-	(1 855)	33 890	(29 815)		4 075	
• Equipamento informático	345 920	(318 915)				2 555	-	1 285	(13 700)	349 760	(332 615)		17 145	
• Instalações interiores	15 751	(14 281)				129	-	-	(371)	15 880	(14 651)		1 229	
• Material de transporte	75 993	(50 172)				16 818	(5 265)	5 188	(6 166)	87 546	(51 151)		36 396	
• Equipamento de segurança	25 290	(21 411)				-	-	-	(1 545)	25 290	(22 956)		2 334	
• Outro equipamento	62 590	(53 692)				1 240	-	-	(2 135)	63 831	(55 828)		8 003	
Outros ativos tangíveis	157	(157)				-	-	-	-	157	(157)		-	
	616 838	(535 092)	-	-		22 088	(5 265)	5 188	1 285	(27 975)	634 946	(557 879)	-	77 068
Imoveis	76 204	(52 529)		2 194	11 445	6 813	(27 625)	27 625		(18 341)	57 586	(31 800)		25 785
Activos em Locação Financeira*	76 204	(52 529)	-	2 194	11 445	8 525	(27 625)	27 625		(18 341)	57 586	(31 800)	-	25 785
Ativos tangíveis em curso		(20 172)									-	(20 172)		(20 172)
• De serviço próprio	-	-				-	-	-	-	-	-	-		-
• Despesas em edifícios arrendados	908	-				23 486	-	-	-	24 394	-	-		24 394
• Equipamento	3 294	-				979	-	(1 285)	-	2 988	-	-		2 988
	4 202	(20 172)		-		24 465	-	(1 285)	-	27 382	(20 172)			7 210
	1 204 363	(899 003)	-	2 194	11 445	55 078	(32 890)	5 188	-	(54 930)	1 227 033	(909 675)	-	317 357

Changes in financial leases are justified by the change in the lease agreement for the Head Office, whose renewal went from annual to monthly, which implied its exclusion from the agreements in this item. We should also note the renewal of the agreements for the Mindelo and Assomada branches and of the second-floor office in the Head

Office Building, which implied an update of the respective values compared to the amounts that were initially recognised. Additionally, the values for amortisations in previous years and interest were corrected.

Descrição	2020												
	Saldo Inicial		Imparidade	Regula- rização	Adições	Abates		Transferência Entre os activo	Reversões de imparidade		Saldo no Final do Exercícios		
	Saldo bruto	Depreciação acumuladas				Valor Bruto	Imparidade e Depreciação		Depreciação no exercício	Saldo bruto	Depreciação acumuladas	Imparidade	Valor líquido em 31/12/2020
Imóveis de serviço próprio													
· Terrenos	14 357	-			-	-		-			14 357	-	14 357
· Edifícios	239 642	(52 510)	(20 172)		3 989	-		-	(5 425)		243 630	(57 935)	(20 172) 165 524
· Outros	10 669	(2 000)			787	-		-	(1 102)		11 456	(3 102)	8 354
Obras em imóveis arrendados	237 675	(226 811)			-	-		-	(3 362)		237 675	(230 174)	7 501
	502 343	(281 321)	(20 172)	-	4 776	-		-	(9 889)		507 119	(291 210)	(20 172) 195 737
Equipamento													
· Mobiliário e material	53 235	(46 215)			3 250	-	1 797	(2 289)		58 281	(48 504)		9 778
· Máquinas e ferramentas	30 207	(26 064)			2 649	-	-	(1 896)		32 856	(27 960)		4 896
· Equipamento informático	325 960	(305 290)			7 793	-	12 167	(13 625)		345 920	(318 915)		27 005
· Instalações interiores	15 733	(13 802)			17	-	-	(479)		15 751	(14 281)		1 470
· Material de transporte	75 284	(58 930)			13 189	(14 548)	12 862	2 067	(4 103)	75 993	(50 172)		25 821
· Equipamento de segurança	24 346	(19 405)			944	-	-	(2 006)		25 290	(21 411)		3 879
· Outro equipamento	60 327	(51 331)			2 263	-	-	(2 361)		62 590	(53 692)		8 898
Outros ativos tangíveis	157	(157)			-	-	-	-		157	(157)		-
	585 248	(521 195)	-	-	30 106	(14 548)	12 862	16 031	(26 759)	616 838	(535 092)	-	81 746
Imoveis	-	-		(26 265)	76 204				(26 265)	76 204	(52 529)		23 675
Activos em Locação Financeira	-	(26 265)	(26 265)	(26 265)	76 204				(26 265)	76 204	(52 529)	-	23 675
Ativos tangíveis em curso													
· De serviço próprio	-	-			-	-	-	-	-	-	-		-
· Despesas em edifícios arrendados	157	-			751	-				908	-		908
· Equipamento	5 165	-			14 160	-	-	(16 031)	-	3 294	-		3 294
	5 322	-			14 911	-	-	(16 031)	-	4 202	-		4 202
	1 092 913	(828 780)	(46 436)	(26 265)	125 997	(14 548)	12 862	-	(62 913)	1 204 363	(878 831)	(20 172)	305 362

10. INTANGIBLE ASSETS

Operations in 'Intangible assets' as at 31 December 2021 and 2020 were as follows:

Descrição	Saldos em 31-12-2020		Adições	Amortizações do exercício	Saldos em 31-12-2021		
	Valor bruto	Amortizações acumuladas			Valor bruto	Amortizações acumuladas	Valor Líquido
Software	210.318	(126.836)	59.294	(21.024)	269.613	(147.861)	121.752

Descrição	Saldos em 31-12-2019		Adições	Amortizações do exercício	Saldos em 31-12-2020		
	Valor bruto	Amortizações acumuladas			Valor bruto	Amortizações acumuladas	Valor Líquido
Software	152.550	(111.060)	57.768	(15.777)	210.318	(126.837)	83.482

Of the total under intangible assets, mCve 93,496 in 2021 (and mCve 52,992 in 2020) were in progress on the balance sheet date.

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2021 and 31 December 2020, the balance under this item was broken down as follows:

2021

Entidade	% de participação	Custo de aquisição	Valor de balanço	Data	Ativo líquido	Lucro / (Prejuízo)	Capitais Próprios
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10 000	118 588	31-12-2021 (*)	1 721 010	201 521	1 185 880
			118 588				

(*) Demonstrações Financeiras provisórias Dezembro 2021

2020

Entidade	% de participação	Custo de aquisição	Valor de balanço	Data	Ativo líquido	Lucro / (Prejuízo)	Capitais Próprios
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10 000	96 948	30-10-2020 (*)	1 809 139	200 408	980 956
			96 948				

(*) Demonstrações Financeiras provisórias

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

The Bank classified its holding in SISP as an investment in associates, despite it being only 10%, given that the Bank is part of the Management body, which according to the Board of Directors grants it significant influence over SISP's activity, thus complying with the provisions of IAS 28 - Investments in Associates.

	SISP
Saldo em 31 de dezembro de 2019	98 096
Resultados em Associadas	11 265
Dividendos recebidos	(12 412)
Saldo em 31 de Dezembro de 2020	96 948
Resultados em Associadas	21 640
Dividendos recebidos	-
Saldo em 31 de Dezembro de 2021	118 588

12. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2021, the Bank is subject to the Corporate Income Tax Code (IRPC Code), at the rate of 22%, and to a fire fee of 2% on the calculated tax, corresponding to an aggregate tax rate of 22.44%. We should note that tax rates changed in 2019, and dropped from 25% to 22%, according to the State Budget Law.

The balances of income tax assets and liabilities as at 31 December 2021 and 31 December 2020 were as follows:

	dez-21	dez-20
<u>Ativos por impostos correntes</u>		
. Pagamentos por conta e retenções na fonte	6.252	7.292
<u>Ativos por impostos diferidos</u>		
. Por diferenças temporárias	-	5.091
<u>Passivos por impostos correntes</u>		
. Imposto Corrente	28.057	28.903
<u>Passivos por impostos diferidos</u>		
. Por diferenças temporárias	30.099	28.788

The change in current tax assets corresponds to the payment of taxes and the settlement of autonomous taxation taxes for 2020, paid in 2021.


The change in deferred taxes was the result of the cancellation, with rectification, of impairment losses related to insurance or banking institutions not accepted or beyond the legal limits (Article 29(1)(d), 39 and of the CIRPC)

The amount referring to current tax liabilities relates to tax for financial year 2021.

Operations in deferred taxes in FYs 2021 and 2020 correspond to the calculation of the fair value of Financial Assets at Fair Value through other comprehensive income, using the aggregate tax rate of 22.44% in each of those years, respectively.

Taxable income is determined based on the income for the year before tax, adjusted according to any costs and revenues that should not be considered for tax purposes, to which a rate of 22.44% is applied.

According to Article 59 of the IRPC Code, tax losses may be carried forward for a period of 7 years after their occurrence and may be deducted from taxable profits generated during that period, although subject to a maximum deduction of 50% of the income for the respective financial year.

	dez/21	dez/20
Resultado antes de impostos	315 929	312 698
A adicionar	57 748	17 426
As depreciações e amortizações efetuadas fora dos termos previstos no CIRPC		554
Perdas por imparidade seguradoras ou instituições bancárias não aceites ou para além dos limites legais	42 486	462
Prémios de seguros de doença e de acidentes pessoais, gastos com seguros	739	732
Imposto único sobre o património, exceto imóveis cuja compra e venda façam parte do ramo imobiliário	572	1 869
Acréscimo de 30% do total dos gastos com viaturas ligeiras de passageiros	4 182	4 537
50% dos gastos com despesas de representação	129	53
Correções nos casos de créditos de imposto e retenção na fonte (art.º 69º, 91º e 93º CIRPC)	9 641	9 218
A deduzir	250 776	220 437
Anulação dos efeitos do método da equivalência patrimonial	21 640	9 600
Reversão de perdas por imparidade tributadas em períodos anteriores (art.º 29º, n.º 1, al.ª d), 39º, 40º, 41º e 42º	25 242	
Mais-valias contabilísticas	781	2 175
Depreciações e amortizações tributadas em períodos anteriores	0	165
Benefícios fiscais	2 440	7 236
Dividendos	21 402	1 406
Juros das Obrigações Emitidas pelas Empresas de Bolsa de Valores	179 271	199 854
Lucro/Prejuízo fiscal	122 901	109 686
Utilização de Prejuízo Fiscal	0	0
Taxa aplicável	22,0%	22,0%
Taxa Efetiva	8,88% 	9,02%
Imposto do exercício	27 038	24 131
Tributação autónoma	478	341
Taxa de Incêndio	541	483
Correcção dos Imposto 2019	0	3 948
	<u>28 057</u>	<u>28 220</u>
Imposto Diferido	5 091	

Pursuant to the General Tax Code, tax authorities are entitled to review the Bank's tax status during a five years period and this may result, due to different interpretations of tax legislation, in corrections to taxable income. The Bank's Board of Directors considers it unlikely that any correction will have a significant impact on the Bank's financial statements as at 31 December 2021.

13. OTHER ASSETS

This item is broken down as follows:

Outros activos

	dez/21	dez/20
Devedores e outras aplicações		
. Bonificações a receber do Estado de Cabo Verde	5 315	4 654
. Valores a receber do Grupo	-	-
. Outros	38 995	11 815
Outros ativos		
. Património artístico	2 086	2 086
Rendimentos a receber		
. Outros	21 068	1 359
Despesas com encargo diferido		
. Outros gastos administrativos	22 049	13 780
Outras contas de regularização	21 657	30 795
	111 170	64 490
Imparidade de outros activos (Nota 17)	(11 713)	(11 713)
	99 457	52 777
Ativos adquiridos em recuperação de crédito próprio	1 397 751	1 182 352
Imparidade de Ativos adquiridos em recuperação de crédito próprio (17)	(158 643)	(158 883)
	1 239 108	1 023 469
	<u>1 338 565</u>	<u>1 076 247</u>

Changes in 'Other debtors and other investments' refers, partly, to the amount receivable from the BCA relating to the co-payment of expenses associated with the acquisition of real estate properties in lieu of payment under syndicated loans.

The increase of the balance under 'Other income receivable' is justified by the recording of dividends receivable from the BCA, currently in the amount of mCve 18,487.

Change under 'Assets acquired as own loans recovery' is justified, among others, by the regularisation of properties that entered the portfolio during the completion of the recovery processes. In 2021, the Bank recorded the following, with relevant impacts on the balances under 'Assets acquired as own loans recovery', as detailed in the table below:

- Entry into the balance sheet, in lieu of payment, on 30 March, of a tourist building located in Praia de Chaves, on the island of Boavista, measured at the net balance sheet value of the original loan (mCve 179,355); accordingly, no impairments were recorded for the property in 2021;
- Entry into the balance sheet, by judicial adjudication, on 31 December, of two properties in Praia, resulting from the recovery of loans already written off from a customer's assets and valued at mCve 16,447 and mCve 2,534.

The item Assets acquired as own loans recovery is broken down as follows:

	2021										
	Saldo em 31-12-2020			Recuperações	Alienações	Outros	Utilização Imparidade	Perdas por imparidade (Nota 17)	Saldo em 31-12-2021		
	Valor bruto	Imparidade	Liquido						Valor bruto	Imparidade	Liquido
Terreno Palha Sé	113 257	(4 016)	109 240	-	-	588		(223)	113 845	(4 240)	109 605
Habitação em Santa Maria Sal	23 671	(8 244)	15 427	-	-	1 249		(1 210)	24 920	(9 454)	15 466
Terreno Palha Sé	22 578	(9 528)	13 050	-	-	93		(408)	22 671	(9 935)	12 736
Habitação na Praia	15 744	(13 861)	1 883	-	-	64		(82)	15 808	(13 943)	1 865
Habitação em Chã de Monte Sossego	9 449	(4 649)	4 800	-	9 449	-	4 497	151	0	-	0
Terreno Palmarejo	256 001	(55 501)	200 500	-	-	1 187		-	257 188	(55 501)	201 687
Habitação -São Vicente	19 408	(10 482)	8 926	-	-	79		-	19 487	(10 482)	9 005
Prédio Urbano - Praia-Terra Branca	10 819	(30)	10 789	-	-	57		(545)	10 876	(575)	10 301
Terreno - Praia-Tira Chapéu Industrial	3 071	(1 384)	1 688	-	-	21		(109)	3 092	(1 493)	1 599
Terreno - Praia-Cidadela	108 194	(47 445)	60 749	-	-	1 833		(916)	110 027	(48 361)	61 665
Imovel Semi Acabado - Santa Maria	201 343	(3 743)	197 600	-	-	-		(916)	201 343	(4 659)	196 684
Prédio Urbano - Praia	32 211	-	32 211	-	-	-		-	32 211	-	32 211
Edifício Achada Grande Frente - Praia	90 553	-	90 553	-	-	361		-	90 914	-	90 914
Terreno em Boa vista Lacacamo	254 401	-	254 401	-	-	97		-	254 498	-	254 498
Prédio Urbano em Maio - Morro	21 651	-	21 651	-	-	23		-	21 674	-	21 674
Edifício Turístico - Praia de Chaves - Boavista	-	-	-	179 355	-	-		-	179 355	-	179 355
Espaço Comercial (no rés do chão esquerdo de um prédio de 4	-	-	-	16 447	-	-		-	16 447	-	16 447
Estacionamento no rés do chão esquerdo de um prédio de 4	-	-	-	2 534	-	-		-	2 534	-	2 534
Diversos Equipamentos Oficina	-	-	-	20 860	-	-		-	20 860	-	20 860
	1 182 352	(158 883)	1 023 469	219 196	9 449	5 652	4 497	(4 258)	1 397 751	(158 644)	1 239 107

	Saldo em 31-12-2019			Recuperações	Outros	(Nota 17)	Saldo em 31-12-2020		
	Valor bruto	Imparidade	Liquido				Valor bruto	Imparidade	Liquido
Terreno Palha Sé	112 793	(854)	111 939	-	464	(3 162)	113 257	(4 016)	109 240
Habitação em Santa Maria Sal	23 523	(4 667)	18 856	-	148	(3 577)	23 671	(8 244)	15 427
Terreno Palha Sé	22 512	(6 110)	16 402	-	66	(3 418)	22 578	(9 528)	13 050
Habitação na Praia	15 694	(11 301)	4 394	-	50	(2 561)	15 744	(13 861)	1 883
Habitação em Chã de Monte Sossego	9 421	(3 409)	6 012	-	28	(1 240)	9 449	(4 649)	4 800
Terreno Palmarejo	254 765	(34 979)	219 787	-	1 236	(20 523)	256 001	(55 501)	200 500
Habitação -São Vicente	19 346	(9 895)	9 451	-	62	(587)	19 408	(10 482)	8 926
Prédio Urbano - Praia-Terra Branca	10 741	(30)	10 712	-	77	-	10 819	(30)	10 789
Terreno - Praia-Tira Chapéu Industrial	3 062	-	3 062	-	10	(1 384)	3 071	(1 384)	1 688
Terreno - Praia-Cidadela	105 733	(44 984)	60 750	-	2 461	(2 461)	108 194	(47 445)	60 749
Imovel Semi Acabado - Santa Maria	-	-	-	201 343	-	(3 743)	201 343	(3 743)	197 600
Prédio Urbano - Praia	-	-	-	32 211	-	-	32 211	-	32 211
Edifício Achada Grande Frente - Praia	-	-	-	90 553	-	-	90 553	-	90 553
Terreno em Boa vista Lacacamo	-	-	-	254 401	-	-	254 401	-	254 401
Prédio Urbano em Maio - Morro	-	-	-	21 651	-	-	21 651	-	21 651
	<u>577 590</u>	<u>(116 228)</u>	<u>461 362</u>	<u>600 160</u>	<u>4 602</u>	<u>(42 655)</u>	<u>1 182 352</u>	<u>(158 883)</u>	<u>1 023 469</u>

In 2021, three properties worth a total of mCve 198,336 were recovered in lieu of payment. There was also an adjudication of several pieces of equipment totalling mCve 20,860.

It is worth mentioning the internal application by BI, since 2020, of CGD's Accounting Policy for the Initial Recognition of Properties Received under Loan Repayments, which came into force in October 2019, requiring the initial recognition of properties received under loan repayments to be measured by the lower of the bid value and the balance sheet value, net of impairment, of the loan(s) subject to recovery that is(are) directly associated with them.

Due to this regulation, the characteristics of the properties, and taking into account the valuation used for the annual calculation of impairment losses as at 31 December 2021, no impairments were recorded for the properties in the portfolio. On that date, of the total of mCvE 159,643 of impairments for assets acquired as own loans recovery, mCve 26,494 resulted from the collective assessment and mCve 132,150 were associated with the individual assessment.

In financial year 2021, a property that had been previously recovered through adjudication/in lieu of payment was sold. On the date of sale, the balance sheet value including acquisition expenses was mCve 9,497 and recognised impairments stood at mCve 5,113; the property was sold for mCve 5,000.

This operation involved an impairment in the amount of mCve 4,498 and a reversal in the amount of mCve 616.

Details of the net book value of properties received in lieu of payment or foreclosure, by type of asset and by age.

31/12/2021				
Ativo	Número de imóveis	Valor Bruto	Imparidade	Valor contabilístico Líquido
Terreno	9	782 995	119 530	663 466
Urbano	9	782 995	119 530	663 466
Edifícios em desenvolvimento	2	212 219	5 234	206 985
Habitação	2	212 219	5 234	206 985
Edifícios construídos	8	381 676	33 880	347 797
Habitação/Comercial	8	381 676	33 880	347 797
Total	19	1 376 891	158 643	1 218 247

Ativo	Nº de Equipamentos	Valor Bruto	Imparidade	Valor contabilístico Líquido
Outros Equipamentos		20 860	0	20 860

31-12-2020				
Ativo	Número de imóveis	Valor Bruto	Imparidade	Valor contabilístico Líquido
Terreno	9	779.153	117.873	661.280
Urbano	9	779.153	117.873	661.280
Edifícios em desenvolvimento		10.819	30	10.789
Habitação		10.819	30	10.789
Edifícios construídos	8	392.380	40.980	351.400
Habitação	8	392.380	40.980	351.400
Total	17	1.182.352	158.883	1.023.469

Details of the net book value of properties received in lieu of payment or foreclosure, by type of asset and by age in the balance sheet.

31/12/2021					
Tempo decorrido desde a Dação/Execução	< 1 Ano	=> 1 Ano e <= 2,5 Anos	=> 2,5 Anos e <= 5 Anos	>= 5 anos	Total
Terreno	0	389 291	0	393 704	782 995
Urbano		389 291		393 704	782 995
Edifícios em desenvolvimento	0	201 343	10 876	0	212 219
Habitação	0	0	10 876	0	10 876
Comerciais		201 343			201 343
Edifícios construídos	195 802	123 125	19 487	40 728	379 142
Comerciais	195 802	90 914	0	0	286 716
Habitação	0	32 211	19 487	40 728	92 426
Outros	23 394	0	0	0	23 394
Total	219 196	713 759	30 364	434 432	1 397 751

31/12/2020

Tempo decorrido desde a Dação/Execução	=> 1 Ano e		=> 2,5 Anos e <=		Total
	< 1 Ano	<= 2,5 Anos	5 Anos	>= 5 anos	
Terreno	276 052	62 438	0	322 791	661 280
Urbano	276 052	62 438	0	322 791	661 280
Edifícios em desenvolvimento	0	10 789	0	0	10 789
Habitação	0	10 789	0	0	10 789
Edifícios construídos	320 365	8 925	0	22 110	351 400
Comerciais	90 553	0	0	15 427	105 981
Habitação	229 811	8 925	0	6 683	245 419
Total	596 417	82 152	0	344 901	1 023 469

14. FUNDS FROM OTHER CREDIT INSTITUTIONS

This item is broken down as follows:

	Valor	
	dez/21	dez/20
Recursos de instituições de crédito nacionais		
Empresas seguradoras		
Garantia Companhia Seg Cabo Verde, S.A.	69 503	22 685
Impar - Comp. Caboverdiana de Seguros SARL	160	413
Ecobank Cabo Verde Soc. Unip. SA	157 405	50 994
Outros		160
	<u>227 068</u>	<u>74 252</u>
Recursos de instituições no estrangeiro		
Agência Francesa de Desenvolvimento (AFD)	-	-
Caixa Geral de Depósitos Paris	9 910	9 315
	<u>9 910</u>	<u>9 315</u>
Juros a pagar	11	13
	<u>236 990</u>	<u>83 580</u>

The balances with the Paris branch of Caixa Geral de Depósitos correspond to the use of a credit line originating from the Cape Verde branch of Caixa Geral de Depósitos, later Banco Interatlântico. In 2021, trade finance operations will be carried out with CGD Portugal.

The average rate of the trade finance portfolio is 2.1%.

15. CUSTOMER FUNDS AND OTHER LOANS

This item is broken down as follows:

As at 31 December 2021 and 31 December 2020, demand deposits are not remunerated.

As at 31 December 2021, the balance amounted to mCve 13,642.

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The balance as at 31 December 2021 under Provisions for risks and costs amounts to mCve 13,642, and, during the year, there were no changes with respect to ongoing processes, which determine the provisions that are set up

For registration purposes, the criterion used to review the amount of the provision that is set up results from the probability of payment/assumption of loss by the Bank, and for the processes whose probability is: (1) Remote: 10%; (2) Intermediate: 25%; (3) Probable: 50%, and (4) High: 75%.

17. IMPAIRMENT

Operations in the Bank's impairment/provisions for financial years 2021 and 2020 were as follows:

	2021				
	Saldos em 31/12/2020	Dotações resultados	Recuperações Anulação de imparidade	Imparidade Líquida	Regularização Utilizações
					31/12/2021
<u>Imparidade</u>					
Imparidade de crédito a clientes (Nota 7)	784 125	548 504	(328 991)	219 513	(320 300)
	796 016	548 504	(328 991)	219 513	(320 300)
Imparidade ativos não correte detido para a venda (Nota 8)				-	-
Imparidade de outros ativos tangíveis (Nota 9)	20 172	-	-	-	20 172
Imparidade de outros ativos (Nota 13)	11 713	-	-	-	11 713
Imparidade de Ativo recebido em recuperação de crédito próprio (Nota 13)	158 883	4 874	(616)	4 258	(4 497)
	196 806	4 874	(616)	4 258	(4 497)
	992 821	553 377	(329 607)	223 770	(324 797)

The reversal of the impairment of non-current assets held for sale was corrected in the annexes (Note 8).

18. OTHER LIABILITIES

This item is broken down as follows:

	dez/21	dez/20
Credores diversos		
Credores diversos - Por valores a liquidar	3 172	737
Sector Público Administrativo		
. Retenção de impostos na fonte	8 540	10 382
. Previdência social	3 956	3 849
. Imposto sobre o valor acrescentado	476	968
Recursos diversos		
. Conta caução	10 454	15 568
Cobrança por conta de terceiros	117	114
	<u>26 715</u>	<u>31 619</u>
Encargos a pagar		
Custos administrativos	43 591	31 566
Férias por gozar	15 840	17 448
Subsídio de férias	9 924	9 015
Assistencia Médica - Consultas	50	50
Contribuição para Fundo de Garantia	-	-
Locações Financeira		
Regularização Locações Financeira	24 675	12 431
Juros Locações Financeira	3 806	31 401
	<u>97 886</u>	<u>101 912</u>
Receitas com rendimento diferido		
De operações extrapatrimoniais	1 504	1 590
Anuidades de cartões	7 423	6 556
	<u>8 927</u>	<u>8 145</u>
Outras contas de regularização		
Cartões VISA	2 109	881
ATM - Multibanco	11 750	4 704
Compensação - Transferências Interbancárias	85 344	37 597
	<u>99 203</u>	<u>43 182</u>
	<u>232 730</u>	<u>184 858</u>

In 2021, there is an increase in liabilities due to the recording of lease liabilities and respective subsequent payments, whose impact on other liabilities amounted to mCve 28,481.

19. CAPITAL

As at 31 December 2021 and 2020, the shareholding structure was as follows:

Entidade	Número de ações	%	Valor
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
Outros	6.492	6,49%	64.920
	<u>100.000</u>	<u>100,00%</u>	<u>1.000.000</u>

Capital em 31-12-2020

Entidade	Número de ações	%	Valor
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
Outros	6 492	6,49%	64 920
	<u>100 000</u>	<u>100,00%</u>	<u>1 000 000</u>

20. RESERVES, RETAINED EARNINGS AND INCOME FOR THE YEAR

As at 31 December 2021 and 31 December 2020, the items for reserves and retained earnings were broken down as follows:

Reservas, Resultados Transitados e Lucro do Exercício

	dez-21	dez-20
Prémios de emissão	388	388
Reservas de justo valor		
. De ativos financeiros Ao justo valor através de outros Rendimento Integral (Nota 5)	134.133	128.289
. De impostos diferidos (Nota 12)	(30.099)	(28.788)
Outros	104.034	99.501
Outras reservas e resultados transitados		
. Reserva legal	243.792	215.413
. Outras reservas	1.402.322	1.146.906
. Resultados transitados	-	-
	1.646.114	1.362.319
Resultado do exercício	282.781	283.795
	2.033.318	1.746.004

Changes in Legal Reserves, Other Reserves and Retained Earnings are justified by the incorporation of the income for financial year 2020: 10% for the Legal reserve; 90% for Other Reserves.

Fair value reserves reflect the potential capital gains and losses on financial assets at fair value through other comprehensive income, net of the corresponding tax effect. As at 31 December 2021, the change in balances compared to December 2020 is justified with potential capital gains from Visa, in the amount of mCve 4,428 and the holding in Sociedade Cabo Verdiana de Tabacos, in the amount of mCve 1,416. There were no changes in the holdings in Banco Comercial do Atlântico and A Promotora compared to financial year 2020.

Regarding the legal reserve, pursuant to the legislation in force in Cape Verde (Law no. 62/VIII), a minimum of 10% of the annual net income must be used to reinforce this type of reserve. This reserve cannot be distributed unless the Bank is liquidated, but it may be used to increase its capital or to cover losses, once the other reserves have been used up.

21. INTEREST AND SIMILAR INCOME

This item is broken down as follows:

	dez/21	dez/20
Juros de crédito a clientes		
. Crédito interno	681 048	712 496
. Crédito vencido	2 414	2 794
. Crédito ao exterior	111 644	84 698
. Crédito ao pessoal	9 220	-
Títulos de dívida		
De emissores públicos nacionais		
. Obrigações do Tesouro	215 469	218 436
De outros residentes	13 660	14 614
Juros de aplicações em instituições de crédito		
. No país	37	2 217
. No estrangeiro	15	152
Comissões recebidas associadas ao custo amortizado	30 613	31 266
	<u>1 064 121</u>	<u>1 066 673</u>

22. INTEREST AND SIMILAR COSTS

This item is broken down as follows:

Juros e encargos similares

	dez-21	dez-20
Juros de depósitos		
. Depósitos de poupança		
Poupança Jovem	1.696	2.253
. Depósitos a prazo		
De residentes	95.161	74.478
De emigrantes	27.654	33.484
De não residentes	13.731	17.236
Juros Locações Financeira	2.964	15.700
Juros de passivos subordinados	-	-
Juros de empréstimos		
. De residentes	74	26
. De não residentes	48	351
Outros juros e encargos similares	2.177	1.789
Comissões pagas associadas ao custo amortizado	12	-
	<u>143.517</u>	<u>145.316</u>

23. INCOME FROM EQUITY INSTRUMENTS

This item corresponds entirely to dividends received, and is broken down as follows:

	dez/21	dez/20
Rendimentos de activos disponíveis para venda:		
. Banco Comercial do Atlântico, S.A.	19 997	-
. Sociedade Caboverdiana de Tabacos, S.A.	1 294	1 294
. VISA International Service Association	111	113
	<u>21 402</u>	<u>1 406</u>

In 2021, Banco Comercial do Atlântico distributed extraordinary dividends, and BI received mCve 19,997

24. INCOME AND COSTS FROM SERVICES AND COMMISSIONS

This item is broken down as follows:

Rendimentos e encargos de serviços e comissões

	dez/21	dez/20
<u>Rendimentos de serviços e comissões</u>		
Por operações sobre instrumentos financeiros	51 838	50 549
Por serviços prestados		
. Comissões de anuidades de cartões	46 534	44 780
. Outras comissões	10 110	10 531
	<u>56 644</u>	<u>55 311</u>
Por garantias prestadas		
. Garantias e avales	6 977	11 048
. Créditos documentários	226	-
	<u>7 203</u>	<u>11 048</u>
Outras comissões	5 078	4 619
	<u>120 763</u>	<u>121 528</u>
<u>Encargos com serviços e comissões</u>		
Por garantias recebidas		
. Créditos documentários abertos	-	353
Por serviços bancários prestados por terceiros		
. Comissões VISA	17 040	20 257
. Outras comissões	10 933	11 690
	<u>27 973</u>	<u>31 947</u>
	<u>27 973</u>	<u>32 300</u>

25. INCOME FROM FOREIGN EXCHANGE REVALUATION

This item is broken down as follows:

	dez-21			dez-20		
	Lucros	Prejuízos	Líquido	Lucros	Prejuízos	Líquido
Resultados em divisas	33.148	(9.702)	23.446	30.122	(6.682)	23.440
Resultados em notas e moedas	14.714	(3.429)	11.285	13.869	(8.393)	5.475
	<u>47.862</u>	<u>(13.131)</u>	<u>34.731</u>	<u>43.991</u>	<u>(15.075)</u>	<u>28.916</u>

Income from Financial Operations stood at CVE 34.7 million, registering an increase in the amount of CVE 5.8 million (+20%), justified by the effect of the increase in foreign exchange revaluation gains by CVE 3.8 million and the decrease in foreign exchange revaluation losses by CVE 2 million, resulting from increased circulation of currencies (Foreign banknotes and coins) in the market, due to the gradual elimination of the restrictive measures (COVID-19 effect) decreed in 2020.

26. INCOME FROM THE DISPOSAL OF OTHER ASSETS

As at 31 December 2021 and 2020, the balance under this item corresponds to gains and losses on the sale of real estate properties recorded under other assets

	dez-21	dez-20
Outros Ativos	-	-
Activos Tangíveis	923	2.814
	<u>923</u>	<u>2.814</u>

27. OTHER OPERATING INCOME

These items are broken down as follows:

Outros resultados de exploração

	dez-21	dez-20
<u>Outros proveitos de exploração</u>		
Prestação de serviços diversos:		
. Taxa de serviço	21.425	21.872
. Cartões de crédito	5.164	5.540
. Gastos as Despesas OURS	16.964	17.901
. Outros	-	-
Reembolso de despesas	27	64
Recuperação de crédito	82.751	20.317
IFRS 16	17.387	-
Outros	2.523	1.858
	<u>146.241</u>	<u>67.551</u>
 <u>Outros custos de exploração</u>		
Outros impostos	(12.471)	(13.030)
Donativos e quotizações	(2.243)	(2.463)
Contrib. Fundo de Garantia	(1.042)	-
Ganhos com as Despesas OURS	(26.085)	(25.908)
Outros	(7.878)	(9.707)
	<u>(49.719)</u>	<u>(51.108)</u>
	<u>96.521</u>	<u>16.443</u>

The change in the recovery of loans written off from assets is mainly justified by the registration of assets received through judicial adjudication, namely (1) equipment from Moura Company and (2) real estate properties from Atlântico Comercial Industria, SA, plus the recovery of the loan granted to Ana Maria Fernandes.

As at 31 December 2021, of the total of written-off bonds issued by Cabo Verde Fast Ferry, mCve 17,167 were recovered, of which mCve 13,997 were Capital and mCve 3,169 were Interest.

28. EMPLOYEE COSTS

This item is broken down as follows:

	dez-21	dez-20
Remunerações dos empregados	226.924	218.639
Remunerações dos órgãos de gestão e fiscalização	41.028	40.399
Encargos sociais obrigatórios	32.051	29.765
Indemnizações contratuais	848	132
Outros	6.647	1.920
	<u>307.498</u>	<u>290.855</u>

As at 31 December 2021 and 31 December 2020, the number of employees working for the Bank, distributed by professional category, was as follows:

	dez/21	dez/20
Administração	2	2
Direção	2	1
Coordenadores	11	12
Responsáveis / Gerentes	23	22
Administrativos	116	117
Auxiliares	4	4
Estagiários	1	1
	<u>159</u>	<u>159</u>

As at 31 December 2021 and 31 December 2020, the figures presented above included 59 and 48 employees with fixed-term contracts, respectively.

29. GENERAL ADMINISTRATIVE EXPENDITURE

This item is broken down as follows:

	dez-21	dez-20
Serviços especializados		
. Serviços de informática	55.996	43.367
. Serviços especializados - SISP	31.576	32.244
. Segurança e vigilância	18.209	17.324
. Honorários	3.570	3.826
. Serviços de limpeza	11.237	10.466
. Assessoria	-	-
. Consultoria	7.346	2.606
. Serviços de auditoria	13.113	9.170
. Outros serviços especializados	17.778	18.765
Rendas e alugueres	14.636	11.778
Água, energia e combustíveis	18.966	18.914
Publicidade e edição de publicações	8.212	7.164
Comunicações e despesas de expedição	17.788	16.322
Impressos e material de consumo corrente	12.785	11.975
Transportes	8.434	6.205
Seguros	11.289	9.729
Deslocações, estadas e representação	1.763	1.242
Conservação e reparação	5.714	6.817
Formação de pessoal	3.351	2.413
Outros	3.410	5.086
	<u>265.172</u>	<u>235.414</u>

30. EARNINGS PER SHARE

	dez/21	dez/20
Resultado após imposto	282 781	283 795
Número de acções	100 000	100 000
Resultado por acção (CVE)	<u>2 828</u>	<u>2 838</u>

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments associated with banking are recorded under off-balance sheet items and broken down as follows:

Passivos contingentes e compromissos

	dez-21	dez-20
<u>Passivos eventuais</u>		
. Garantias e avales prestados	540.763	637.660
. Créditos documentários abertos	-	-
	<u>540.763</u>	<u>637.660</u>
 Depósito e guarda de valores		
	6.206.642	6.099.283
	<u>6.747.406</u>	<u>6.736.944</u>

In 2021, the Bank entered into a commitment with BCA and A Promotora to purchase the areas occupied by their services in Edifício Chã de Areia (Garantia Head Office), as soon as the legal status of the property is fully settled.

32. OPERATING SEGMENTS

The Bank prepares information by segments on an annual basis for the report on the consolidated activity accounts of Caixa Geral de Depósitos, S.A. The operating segments defined for this report are as follows:

- **Trading and sales** - Comprises banking activity related to the management of the Bank's own securities portfolio, the management of debt instruments issued, money and foreign exchange market operations, 'repo' and brokerage operations. Investments and cash equivalents at other credit institutions are also included in this segment;
- **Commercial banking** - Includes lending and borrowing activities involving large companies and small and medium-sized enterprises. This segment includes loans, current accounts, the financing of investment projects, the discounting of bills, factoring, securities and real estate financial leasing, and syndicated loans, as well as loans to the Public Sector.
- **Retail banking** - Comprises banking activities aimed at individuals, sole proprietorships, and micro-enterprises. This segment includes consumer loans, mortgage loans, credit cards and also deposits from individuals, as well as international money transfers.

The following tables provide information on operating segments used by the Bank as at 31 December 2021 and 31 December 2020:

	2021			
	Negociação e vendas	Banca comercial	Banca de retalho	Total
Juros e rendimentos similares	240.238	446.445	377.438	1.064.121
Juros e encargos similares	(5.275)	(63.115)	(75.126)	(143.517)
MARGEM FINANCEIRA	234.962	383.329	302.312	920.604
Rendimentos de instrumentos de capital	21.402	-	-	21.402
Rendimentos com serviços e comissões	46.927	39.518	34.317	120.763
Encargos com serviços e comissões	(27.973)	-	-	(27.973)
Resultados de ativos financeiros disponíveis para venda	-	-	-	-
Resultados de reavaliação cambial	-	18.820	15.911	34.731
Resultados de alienação de outros ativos	923	-	-	923
Outros resultados de exploração	-	44.068	52.454	96.521
PRODUTO BANCÁRIO	276.241	485.735	404.994	1.166.970
Outros custos e proveitos				(884.189)
Resultado líquido do exercício				282.781
Caixa e disponibilidades em bancos centrais	3.011.392	-	-	3.011.392
Disponibilidades em outras instituições de crédito	432.037	-	-	432.037
Ativos financeiros ao justo valor através de outro rendimento Integral	389.593	-	-	389.593
Aplicações em instituições de crédito	31.119	-	-	31.119
Crédito a clientes	-	10.921.054	9.232.989	20.154.043
Recursos de outras instituições de crédito	236.990	-	-	236.990
Recursos de clientes e outros empréstimos	-	10.202.206	12.143.656	22.345.862

	2020			
	Negociação e vendas	Banca comercial	Banca de retalho	Total
Juros e rendimentos similares	246 350	469 341	350 982	1 066 673
Juros e encargos similares	(17 866)	(56 000)	(71 450)	(145 316)
MARGEM FINANCEIRA	228 484	413 341	279 532	921 357
Rendimentos de instrumentos de capital	1 406	-	-	1 406
Rendimentos com serviços e comissões	55 311	36 419	29 798	121 528
Encargos com serviços e comissões	(31 297)	(441)	(562)	(32 300)
Resultados de reavaliação cambial	-	16 544	12 372	28 916
Resultados de alienação de outros ativos	19 700	-	-	19 700
Outros resultados de exploração	-	7 225	9 218	16 443
PRODUTO BANCÁRIO	273 605	473 088	330 358	1 077 051
Outros custos e proveitos				(793 256)
Resultado líquido do exercício				283 795
Caixa e disponibilidades em bancos centrais	2 599 028	-	-	2 599 028
Disponibilidades em outras instituições de crédito	526 874	-	-	526 874
Ativos financeiros ao justo valor através de outro rendimento Integral	383 749	-	-	383 749
Aplicações em instituições de crédito	28 626	-	-	28 626
Crédito a clientes	-	10 963 351	8 198 597	19 161 948
Recursos de outras instituições de crédito	83 580	-	-	83 580
Recursos de clientes e outros empréstimos	-	9 310 256	11 878 900	21 189 156

33. RELATED ENTITIES

All entities controlled by the Caixa Geral de Depósitos, S.A. Group and associated companies, as well as local shareholders and members of management bodies or related entities, and relatives, are considered to be related entities of the Bank.

As at 31 December 2021 and 31 December 2020, the Bank's financial statements include the following balances and transactions with related entities, excluding governing bodies.

	2021				
	Grupo Caixa Geral de Depósitos				
	CGD	Sucursal de França	Banco Comercial do Atlântico	Promotora	SISP
Ativos:					
Disponibilidades em outras instituições de crédito	177 321	850	315	-	-
Aplicações em instituições de crédito	-	-	-	-	-
Ativos financeiros ao justo valor através de outro rendimento Integral	-	-	300 021	15 393	-
Crédito a clientes	-	-	-	-	-
Imparidade	-	-	-	-	-
Investimentos em filiais, associadas e empreendimentos conjuntos	-	-	-	-	118 588
Outros ativos	-	-	15 254	-	1 359
Passivos:					
Recursos de outras instituições de crédito	-	-	-	-	-
Recursos de clientes e outros empréstimos	(9 912)	-	-	(72)	(120 090)
Outros passivos subordinados	-	-	-	-	-
Outros Passivos	-	-	-	-	-
Extrapatrimoniais:					
Garantias prestadas	-	-	-	-	-
Rendimentos:					
Juros e rendimentos similares	-	-	-	-	-
Rendimentos de instrumentos de capital	-	-	-	-	-
Rendimentos de serviços e comissões	-	-	-	-	46 534
Resultados Ativos financeiros ao justo valor através de outro rendimento In	-	-	19 997	66	21 640
Gastos:					
Juros e encargos similares	-	(47)	-	-	-
Encargos com serviços e comissões	(1 059)	(120)	-	-	(1 956)
Gastos gerais administrativos	-	-	-	-	(31 576)
Imparidade de outros activos líquida de reversões e recuperações	-	-	-	-	-

	2020					
	Grupo Caixa Geral de Depósitos					
	CGD	Sucursal de França	Banco Comercial do Atlântico	Promotora	Associadas	Acionistas
Activos:						
Disponibilidades em outras instituições de crédito	393.882	12.872	3.094	-	-	-
Aplicações em instituições de crédito	-	-	-	-	-	-
Ativos financeiros ao justo valor através de outro rendimento integral	-	-	300.021	15.393	-	-
Crédito a clientes	-	-	-	-	-	-
Imparidade	-	-	-	-	-	-
Investimentos em filiais, associadas e empreendimentos conjuntos	-	-	-	-	96.948	-
Outros activos	-	-	-	-	1.359	-
Passivos:						
Recursos de outras instituições de crédito	-	(9.328)	-	-	-	-
Recursos de clientes e outros empréstimos	-	-	-	(74)	(62.550)	-
Rendimentos:						
Rendimentos de serviços e comissões	-	-	-	-	44.780	-
Ativos financeiros ao justo valor através de outro rendimento integral	-	-	-	66	11.265	-
Outros Resultados de Exploração	1.059	-	-	-	-	-
Gastos:						
Juros e encargos similares	-	(148)	-	-	-	-
Encargos com serviços e comissões	-	-	-	-	(1.956)	-
Gastos gerais administrativos	-	-	-	-	(32.244)	-
Imparidade de outros activos líquida de reversões e recuperações	-	-	-	-	-	-

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

Management bodies

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

In 2021, costs with remuneration (mCve 40,279 and other benefits attributed to the members of the Bank's Board of Directors (mCve 13,536) amounted to mCve 53,814 (2020: mCve 54,083).

As at 31 December 2021 and 2020, the value of loans granted to members of the Board of Directors amounted to mCve 1,366 and mCve 1,739, respectively.

As at 31 December 2021, the value of investments made by members of the Board of Directors amounted to mCve 18,215.

Shareholders

As at 31 December 2021, the value of loans granted to shareholders amounted to mCve 63,647 and the amount of investments made stood at mCve 93,616.

34. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Foreign exchange risk

The existence of a fixed parity between the Cape Verde Escudo and the Euro (110.265/1 Euro), resulting from the convertibility agreement between Cape Verde and Portugal, explains the fact that the Euro is not considered for the purposes of the exchange rate position in the regulations of the Bank of Cape Verde, in force and under preparation.

The Bank maintains a neutral exchange position in US Dollars and has virtually no position in other currencies, which only appears occasionally in small tourism-related transactions.

Liquidity risk

The Bank's liquidity management is monitored and measured based on the daily cash flow, whose policies and standards emanate from the Assets and Liabilities Committee, and is updated systematically throughout the day, for the shorter period, but also covering longer periods. The cash flow takes into account the unused balance of approved loans.

Given the nature of the Cape Verdean market, which has a structural excess of liquidity, where BI is no exception, liquidity management does not present significant risks.

The public debt securities portfolio is an alternative to investing the Bank's liquidity, either in Bank of Cape Verde securities or in Cape Verde government securities. Public debt securities, in turn, can be transferred to the secondary market. Due to the ease of buying and selling foreign currency at the Bank of Cape Verde, we are also able to invest our surplus liquidity abroad.

As at 31 December 2021 and 2020, the contractual residual maturities of financial instruments are broken down as follows:

	2021								
	Prazos residuais contratuais								
	Até 1 mês	Até 3 meses	Até 6 meses	Até 1 ano	Até 3 anos	Até 5 anos	Até 10 anos	Mais de 10 anos	Total
<u>Ativo</u>									
Caixa e disponibilidades em Bancos Centrais	3.011.392	-	-	-	-	-	-	-	3.011.392
Disponibilidades em outras instituições de crédito	432.037	-	-	-	-	-	-	-	432.037
Aplicações em instituições de crédito	-	-	-	-	-	-	31.119	-	31.119
Crédito a clientes (saldos brutos)	720.541	414.474	282.726	638.955	4.115.967	2.687.335	4.303.053	7.674.330	20.837.381
	4.163.970	414.474	282.726	638.955	4.115.967	2.687.335	4.334.172	7.674.330	24.311.929
<u>Passivos</u>									
Recursos de outras instituições de crédito	(227.078)	(9.912)	-	-	-	-	-	-	(236.990)
Recursos de clientes e outros empréstimos	(6.967.034)	(1.105.080)	(1.153.459)	(9.211.201)	(2.190.901)	(1.718.188)	-	-	(22.345.862)
	(7.194.112)	(1.114.992)	(1.153.459)	(9.211.201)	(2.190.901)	(1.718.188)	-	-	(22.582.852)
GAP (Ativos - Passivos)	(3.030.141)	(700.518)	(870.733)	(8.572.246)	1.925.066	969.147	4.334.172	7.674.330	1.729.077

	2020							
	Prazos residuais contratuais							
	Até 1 mês	Até 3 meses	Até 6 meses	Até 1 ano	Até 3 anos	Até 5 anos	Até 10 anos	Mais de 10 anos
								Total
<u>Ativo</u>								
Caixa e disponibilidades em Bancos Centrais	2 599 028	-	-	-	-	-	-	-
Disponibilidades em outras instituições de crédito	526 874	-	-	-	-	-	-	-
Aplicações em instituições de crédito	0	-	-	-	-	-	28 626	-
Crédito a clientes (saldos brutos)	872 518	492 664	567 012	519 410	2 656 728	4 053 414	4 166 152	6 618 175
	3 998 420	492 664	567 012	519 410	2 656 728	4 053 414	4 194 778	23 100 601
<u>Passivos</u>								
Recursos de outras instituições de crédito	(74 252)	(9 328)	-	(0)	-	-	-	-
Recursos de clientes e outros empréstimos	(6 826 887)	(1 358 351)	(1 226 808)	(9 588 777)	(1 901 911)	(286 422)	-	-
	(6 901 139)	(1 367 679)	(1 226 808)	(9 588 777)	(1 901 911)	(286 422)	-	-
<u>GAP (Ativos - Passivos)</u>	<u>(2 902 719)</u>	<u>(875 014)</u>	<u>(659 796)</u>	<u>(9 069 366)</u>	<u>754 817</u>	<u>3 766 991</u>	<u>4 194 778</u>	<u>6 618 175</u>
								1 827 865

Interest rate risk

Most of the loan operations have fixed rates, which implies the existence of interest rate risk, albeit minimised by natural hedging through borrowing operations and by the progressive implementation, in new operations with maturities of more than 5 years, of rates indexed to the Central Bank's Marginal Lending Rate.

Thus, regarding the hedging procedures for this risk, we should highlight some measures being implemented by the Bank:

Issuing bonds indexed to Euribor, which will allow for a mitigation of interest rate risk in active operations and others that are in our pipeline which, being indexed to Euribor, are naturally hedged by bond issues.

- Increasing credit lines in Euro, to achieve our objectives mentioned in the line above.
- The basis for active hedging at a fixed rate is performed through deposits and there is no domestic index that can be used as a 'reference' for assets or liabilities;
- Loan agreements provide for the possibility of changing interest rates under certain circumstances, which is legally accepted; in all other respects, it relies on consistent management of assets and liabilities, based on systematic information instruments created by the Financial Markets Office;
- Issuing bonds indexed to Euribor, which will allow for a mitigation of interest rate risk in active operations and others that are in our pipeline which, being indexed to Euribor, are naturally hedged by bond issues.
- Increasing credit lines in Euro, to achieve our objectives mentioned in the line above.

Credit risk

Credit risk monitoring is the responsibility of the Risk Management Division (DGR), which is also responsible for assessing credit risk and reporting directly to the Chief Risk Officer (CRO) and to the Bank's Executive Committee.

Its objectives are to manage credit risk and credit concentration, and to inform management about the quality of the corporate loans portfolio. On the other hand, it centralises relations/information with the Risk Centre of the Bank of Cape Verde. In addition, it is responsible for monitoring the developments in the Bank's provisions and informing the Executive Committee about both individual loans and the Bank's global portfolio.

The Credit Risk Office (GRC) issues risk opinions on proposals drawn up and/or put together by the commercial area, thus implementing the separation of the two functions. It also monitors the corporate portfolio, in order to identify and warn of potential risk situations.

Also with regard to the monitoring of the loans portfolio, the Loan Recovery Unit (UCR) presents the status of overdue loans or loans in litigation, in order to allow the Executive Committee to make quick decisions.

Market Risk

The Cape Verde Stock Exchange is small. The Bank has investments in shares and fixed-income securities.

Credit Risk

Maximum exposure to credit risk

As at 31 December 2021 and 31 December 2020, the Bank's maximum exposure to credit risk (including balances contracted but yet to be used) is broken down as follows:

	2021			
	Exposição Ativo	Imparidade	Colaterais	Exposição Efetiva
Disponibilidades	432 037	-	-	432 037
Aplicações em instituições de crédito	31 119	-	-	31 119
Crédito a clientes	20 837 381	683 338	12 431 193	7 722 849
Outros Activos	3 135 496	171 356	-	2 964 140
	<u>24 436 033</u>	<u>854 694</u>	<u>12 431 193</u>	<u>11 150 146</u>
Garantias e avals	541	-	541	0
Créditos documentários abertos	-	-	-	-
Exposição máxima	<u>24 436 574</u>	<u>854 694</u>	<u>12 431 734</u>	<u>11 150 146</u>

	2020			
	Exposição Bruta	Imparidade	Colaterais	Exposição Efetiva
Disponibilidades	526.874	-	-	526.874
Aplicações em instituições de crédito	28.626	-	-	28.626
Crédito a clientes	19.946.073	784.193	9.999.093	9.162.787
Outros Activos	1.246.842	170.595	-	1.076.247
	<u>21.748.415</u>	<u>954.788</u>	<u>9.999.093</u>	<u>10.794.534</u>
Garantias e avals	637.660	-	637.660	-
Créditos documentários abertos	-	-	-	-
	<u>637.660</u>	<u>-</u>	<u>637.660</u>	<u>-</u>
Exposição máxima	<u>22.386.075</u>	<u>954.788</u>	<u>10.636.753</u>	<u>10.794.534</u>

Quality of loans and advances to customers

As at 31 December 2021 and 31 December 2020, the gross balance sheet value of loans and advances to customers, guarantees provided and documentary credits, excluding other loans and receivables - securitised and accrued interest, was broken down as follows:

2 021				
	Stage 1	Stage 2	Stage 3	Total
Crédito a empresas				
Vincendo	4 386 336	1 152 257	10 771	5 549 364
Vencido	2 505	2 197	499 043	503 745
	4 388 841	1 154 453	509 814	6 053 109
Crédito à habitação	0	0	0	0
Vincendo	6 171 279	287 651	19 801	6 478 731
Vencido	1 412	7 221	40 943	49 576
	6 172 690	294 872	60 745	6 528 307
Outros créditos	0	0	0	0
Vincendo	2 473 808	246 356	9 544	2 729 708
Vencido	2 774	37 568	250 066	290 407
	2 476 582	283 924	259 610	3 020 116
Crédito ao Setor Público	0	0	0	0
Vincendo	239 300	-	-	239 300
Vencido	-	-	-	-
	239 300	-	-	239 300
	0	0	0	0
Total crédito vincendo	13 270 722	1 686 264	40 117	14 997 103
Total crédito vencido	6 691	46 985	790 052	843 728
Total de crédito	13 277 414	1 733 248	830 169	15 840 584
Extrapatrimoniais	540 763			540 763
Garantias e créditos documentários a empresas				
Vincendo	540 763	-	-	540 763
2 020				
	Stage 1	Stage 2	Stage 3	Total
Crédito a empresas				
Vincendo	4 812 806	215 882	36 515	5 065 203
Vencido	2 622	2 382	971 359	976 363
	4 815 428	218 263	1 007 874	6 041 566
Crédito à habitação	0	0	0	0
Vincendo	5 369 136	247 636	35 684	5 652 456
Vencido	330	18	47 677	48 025
	5 369 466	247 654	83 362	5 700 482
Outros créditos	0	0	0	0
Vincendo	2 338 454	168 733	21 423	2 528 610
Vencido	1 814	11 809	287 194	300 817
	2 340 267	180 542	308 617	2 829 426
Crédito ao Setor Público	0	0	0	0
Vincendo	255 395	-	-	255 395
Vencido	-	-	-	-
	255 395	-	-	255 395
	0	0	0	0
Total crédito vincendo	12 775 791	632 251	93 623	13 501 664
Total crédito vencido	4 766	14 209	1 305 963	1 325 205
Total de crédito	12 780 557	646 459	1 399 586	14 826 869
Extrapatrimoniais				
Garantias e créditos documentários a empresas				
Vincendo	632 928	2 160	2 573	637 660

2021					
	Empresas	Particulares - Habitação	Particulares - Outros	Sector Público	Total
Sem vencido nem imparidade individual	5 426 885	6 202 427	2 562 361	5 236 097	19 427 770
Sem vencido com imparidade individual	0	0	3 297	0	3 297
Com vencido mas sem imparidade individual	253 404	325 633	283 826	0	862 862
Inferior a 30 dias	126 039	277 842	190 743	0	594 624
30 a 90 dias	2 236	7 061	13 340	0	22 637
91 a 180 dias	21 124	8 817	2 092	0	32 033
181 a 360 dias	6 172	11 417	5 490	0	23 078
superior a 360 dias	97 834	20 495	72 161	0	190 490
Créditos com imparidade individual	372 820	0	170 631	0	543 451
Inferior a 30 dias	18	0	1 175	0	1 193
30 a 90 dias	56	0	151	0	207
91 a 180 dias	64	0	31 615	0	31 679
181 a 360 dias	28	0	8	0	36
superior a 360 dias	372 654	0	137 682	0	510 336
Total	6 053 109	6 528 060	3 020 116	5 236 097	20 837 381

The following classifications were used in preparing the tables above:

- 'Performing Loans'
 - Loans with no overdue instalments or with balances overdue for up to 30 days;
 - *Stage 1* - Assets with no significant degradation in credit risk since initial recognition;
 - *Stage 2* - Assets with a significant degradation in credit risk since initial recognition; and,
 - *Stage 3* - Impaired assets (assets in default).).
 - Loans with balances overdue for more than 90 days. With regard to loans to companies, if the customer has at least one operation with instalments overdue for more than 90 days, the total exposure before the Bank is reclassified to this category. In addition, it includes restructured loans that were classified under Loans defaulting on the restructuring date and that have not yet completed the quarantine period.

In addition, overdue loans include only the amounts of operations or instalments that are overdue and unpaid on the reference date. In Note 7, the item 'Overdue loans' includes the total amount receivable relating to operations with overdue amounts.

As at 31 December 2021, the balance of loans to which a specific impairment was assigned through individual analysis totalled mCve 3,700,466 (mCve 2,006,408 as at 31 December 2020), with impairment amounting to mCve 496,775 (negative change in impairment in the amount of mCve 218,849, with impairment in Dec19 standing at mCve 715,624.

We should note that the loans subject to individual analysis to which no specific impairment was assigned were included in a collective analysis.

As at 31 December 2021 and 31 December 2020, the balance sheet value of loans and advances to customers identified by the Bank whose terms have been subject to restructuring can be broken down as follows:

	2021			2020		
	Crédito vivo	Crédito vencido	Total	Crédito vivo	Crédito vencido	Total
Empresas	82.987	18.245	119.477	33.590	114.458	148.048
Particulares	182.010	40.611	263.231	91.788	11.676	103.464
	<u>264.997</u>	<u>58.856</u>	<u>382.708</u>	<u>125.378</u>	<u>126.134</u>	<u>251.512</u>

Fair value

The fair value of the Bank's financial assets measured at fair value is as follows:

	2021			
	Valorizados ao Justo Valor			
	Cotações de mercado	Modelos de valorização com parâmetros/ preços observáveis no mercado	Modelos de valorização com parâmetros não observáveis no mercado	Total Justo Valor
	(Nível 1)	(Nível 2)	(Nível 3)	
Ativos financeiros ao justo valor através de outro rendimento integral				
Acções	57 509	-	332 085	389 593
				-
Ativos financeiros	57 509	-	332 085	389 593

	2020			
	Valorizados ao Justo Valor			
	Cotações de mercado	Modelos de valorização com parâmetros/ preços observáveis no mercado	Modelos de valorização com parâmetros não observáveis no mercado	Total Justo Valor
	(Nível 1)	(Nível 2)	(Nível 3)	
Ativos financeiros ao justo valor através de outro rendimento integral				
Acções	53 080	-	330 669	383 749
				-
Ativos financeiros	53 080	-	330 669	383 749

In 2020, there were no inflows or outflows in the financial assets portfolio, only changes in the fair value of financial assets measured at level 3 of the fair value hierarchy of IFRS 13.

VISA shares were valued based on their stock exchange price, thus falling within valuation level 1 under IFRS 13.

The shares of Banco Comercial do Atlântico, S.A., A Promotora and Sociedade Cabo-verdiana de Tabacos were valued based on an assessment carried out by an independent external entity using cash flow models, thus falling within valuation level 3 under IFRS 13.

**Análise Sensibilidade
2021**

Ativos classificados no Nível 3	Modelo de valorização	Variável analisada	Valor de balanço	Cenário Desfavorável		Cenário Favorável	
				Variação	Impacto	Variação	Impacto
Ativos financeiros disponíveis para venda							
Ações							
Banco Comercial do Atlântico	Modelo de desconto de cash flows	Taxa de desconto*	300 020,6	-50%	182 713	+50%	482 733
Sociedade Caboverdiana de Tabacos	Modelo de desconto de cash flows	Taxa de desconto	16 671,4	-50%	-100 637	+50%	199 384
A Promotora, Sociedade de Capital de F	Modelo de desconto de cash flows	Taxa de desconto	15 392,7	-50%	-101 915	+50%	198 105
Total			332 085	0	-19 839		880 222

The main methodologies and assumptions used in estimating the fair value of the financial assets and liabilities recorded in the balance sheet at amortised cost are analysed as follows:

2021

	Justo Valor				Justo valor total
	Ativos/ passivos registados ao custo amortizado	Cotações de mercado (Nível 1)	Modelos de valorização com parâmetros/ preços observáveis no mercado (Nível 2)	Modelos de valorização com parâmetros não observáveis no mercado (Nível 3)	
<u>Ativo</u>					
Caixa e disponibilidades em Bancos Centrais	3 011 392	-	3 011 392	-	3 011 392
Disponibilidades em outras instituições de crédito	432 037	-	432 037	-	432 037
Ativos financeiros ao justo valor através de outro rendimento Integral (a)	389 593	-	-	389 593	389 593
Aplicações em instituições de crédito	31 119	-	31 119	-	31 119
Crédito a clientes	20 837 381	-	-	15 224 594	15 224 594
Outros ativos (imóveis)	1 239 108	-	1 239 108	-	1 239 108
	<u>25 940 630</u>	<u>-</u>	<u>4 713 656</u>	<u>15 614 187</u>	<u>20 327 843</u>
<u>Passivo</u>					
Recursos de outras instituições de crédito	236 990	-	-	22 768	22 768
Recursos de clientes e outros empréstimos	22 345 862	-	-	21 900 115	21 900 115
Outros passivos subordinados	-	-	-	-	-
	<u>22 582 852</u>	<u>-</u>	<u>-</u>	<u>21 922 883</u>	<u>21 922 883</u>

a) Ativos ao custo de aquisição líquidos de imparidade. Estes ativos referem-se a instrumentos de capital emitidos por entidades não cotadas e relativamente às quais não foram identificadas transações recentes no mercado nem é possível estimar com fiabilidade o seu justo valor.

2020

		Justo Valor			Justo valor total
		Cotações de mercado (Nível 1)	Modelos de valorização com parâmetros/ preços observáveis no mercado (Nível 2)	Modelos de valorização com parâmetros não observáveis no mercado (Nível 3)	
Ativos/ passivos registados ao custo amortizado					
<i>Ativo</i>					
Caixa e disponibilidades em Bancos Centrais	2 599 028	-	2 599 028	-	2 599 028
Disponibilidades em outras instituições de crédito	526 874	-	526 874	-	526 874
Ativos financeiros ao justo valor através de outro rendimento Integral (a)	383 749	-	-	383 749	383 749
Aplicações em instituições de crédito	28 626	-	28 626	-	28 626
Crédito a clientes	19 946 073	-	-	13 512 223	13 512 223
Outros ativos (imóveis)	1 023 469	-	1 023 469	-	1 023 469
	<u>24 507 819</u>	<u>-</u>	<u>4 177 997</u>	<u>13 895 972</u>	<u>18 073 969</u>
<i>Passivo</i>					
Recursos de outras instituições de crédito	83 580	-	-	25 364	25 364
Recursos de clientes e outros empréstimos	21 189 156	-	-	15 549 053	15 549 053
Outros passivos subordinados	-	-	-	-	-
	<u>21 272 736</u>	<u>-</u>	<u>-</u>	<u>15 574 416</u>	<u>15 574 416</u>

a) Ativos ao custo de aquisição líquidos de imparidade. Estes ativos referem-se a instrumentos de capital emitidos por entidades não cotadas e relativamente às quais não foram identificadas transações recentes no mercado nem é possível estimar com fiabilidade o seu justo valor.

The following assumptions were used in determining fair value:

- In the case of demand balances and short-term investments in credit institutions, the balance sheet value corresponds to the fair value;

- The fair value of the other instruments was determined by the Bank based on discounted cash flow models, taking into account the contractual terms of the operations and using interest rates appropriate to the type of instrument, bearing in mind the rates applied to similar instruments issued or contracted near the end of the financial year.

Sensitivity analysis - Interest rate

As at 31 December 2021 and 31 December 2020, the impact on the fair value of the financial instruments sensitive to interest rate risk of parallel shifts in the reference interest rate curve of 50, 100 and 200 basis points (bps), respectively, can be demonstrated by the following tables:

	2021					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Crédito a clientes (saldos brutos)	24.042.696	4.598.884	1.721.462	(1.176.079)	(2.059.476)	(3.356.272)
<i>Total ativo sensível</i>	24.042.696	4.598.884	1.721.462	(1.176.079)	(2.059.476)	(3.356.272)

	2020					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Crédito a clientes (saldos brutos)	13 105 023	3 553 221	1 441 085	(1 061 188)	(1 889 653)	(3 132 162)
<i>Total ativo sensível</i>	13 105 023	3 553 221	1 441 085	(1 061 188)	(1 889 653)	(3 132 162)

The impact of a 50, 100 and 200 bps shift on the reference interest rate curves of sensitive assets and liabilities corresponds to the scenarios used internally by the management bodies to track and monitor exposure to interest rate risk.

The following table shows the impact on the projected net interest income for 2021 and 2020, respectively, of a parallel shift of 50, 100 and 200 bps in the reference interest rate curves of financial instruments sensitive to changes in interest rates:

	2021					
	Projeção margem financeira					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Exercício de 2021	(271.733)	(135.867)	(67.933)	67.933	135.867	271.733
Exercício de 2020	(242.133)	(121.067)	(60.533)	60.533	121.067	242.133

	2020					
	Projeção margem financeira					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Exercício de 2020	(242 133)	(121 067)	(60 533)	60 533	121 067	242 133
Exercício de 2019	(143 582)	(71 791)	(35 896)	35 896	71 791	143 582

In calculating the impacts presented in the table above, it was considered that interest-rate sensitive assets and liabilities in the balance sheet on the reference dates for the calculation would remain stable throughout financial years 2021 and 2020, respectively, renewing them, where applicable, considering the market conditions in force on the referred renewal dates and the average spread of outstanding operations as at 31 December 2021 and 31 December 2020.

We should note that the information contained in the tables above refers to a static scenario and does not take into account changes in the interest rate management strategy and policies that the Bank may adopt as a result of changes in reference interest rates.

Foreign exchange risk

Breakdown of financial instruments by currency

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

	2021				
	Escudos de Cabo Verde	Euros	Dólares Norte Americanos	Outras	Total
<u>Activo</u>					
Caixa e disponibilidades em Bancos Centrais	2.609.189	374.426	11.858	15.919	3.011.392
Disponibilidades em outras instituições de crédito	106.251	120.608	166.034	39.145	432.037
Ativos financeiros ao justo valor através de outro rendimento Integral	389.593	-	-	-	389.593
Aplicações em instituições de crédito	-	-	31.119	-	31.119
Crédito a clientes (líquido)	19.680.659	473.384	-	-	20.154.043
Investimentos em filiais, associadas e empreendimentos conjuntos	118.588	-	-	-	118.588
Outros activos	1.783.926	-	-	-	1.783.926
	<u>24.688.205</u>	<u>968.418</u>	<u>209.011</u>	<u>55.064</u>	<u>25.920.698</u>
<u>Passivo</u>					
Recursos de Bancos Centrais e outras instituições de crédito	(105.110)	(66.445)	(65.434)	-	(236.990)
Recursos de clientes e outros empréstimos	(21.919.119)	(260.148)	(143.062)	(23.533)	(22.345.862)
Outros passivos subordinados	-	-	-	-	-
Outros passivos	(304.528)	-	-	-	(304.528)
	<u>(22.328.757)</u>	<u>(326.593)</u>	<u>(208.496)</u>	<u>(23.533)</u>	<u>(22.887.380)</u>
Exposição líquida	2.359.448	641.824	515	31.531	3.033.318

	2020				
	Escudos de Cabo Verde	Euros	Dólares Norte Americanos	Outras	Total
Activo					
Caixa e disponibilidades em Bancos Centrais	2 332 742	255 841	6 231	4 215	2 599 028
Disponibilidades em outras instituições de crédito	65 613	312 482	117 604	31 175	526 874
Ativos financeiros ao justo valor através de outro rendimento Integral	383 749	-	-	-	383 749
Aplicações em instituições de crédito	-	-	28 626	-	28 626
Crédito a clientes (líquido)	18 715 140	446 808	-	-	19 161 948
Investimentos em filiais, associadas e empreendimentos conjuntos	96 948	-	-	-	96 948
Outros activo	52 777	-	-	-	52 777
	21 646 969	1 015 131	152 461	35 389	22 849 950
Passivo					
Recursos de Bancos Centrais e outras instituições de crédito	(38 947)	(10 932)	(33 701)	-	(83 580)
Recursos de clientes e outros empréstimos	(20 596 558)	(454 909)	(115 556)	(22 134)	(21 189 156)
Outros passivos subordinados	-	-	-	-	-
Outros passivos	(184 858)	-	-	-	(184 858)
	(20 820 363)	(465 841)	(149 257)	(22 134)	(21 457 594)
Exposição líquida	826 606	549 290	3 204	13 256	1 392 357

Given the fixed parity between the Cape Verde Escudo and the Euro, the exchange rate risk is mainly associated with balances recorded in US Dollars (USD).

The following table shows the impact on assets and liabilities expressed in USD for financial years 2021 and 2020, respectively, of a change in exchange rates of 15%, 10%, and 2%:

Análise Sensibilidade 2021									
	Valor Em Milhares USD	Câmbio 31-12-2021	Contravalor em Milhares CVE	-15%	-10%	-2%	2%	10%	15%
Activo									
Caixa e disponibilidades em Bancos Centrais	11.858	97,554	1.156.832	(173.525)	(115.683)	(23.137)	23.137	115.683	173.525
Disponibilidades em outras instituições de crédito	166.034	97,554	16.197.264	(2.429.590)	(1.619.726)	(323.945)	323.945	1.619.726	2.429.590
Aplicações em instituições de crédito	31.119	97,554	3.035.779	(455.367)	(303.578)	(60.716)	60.716	303.578	455.367
			20.389.875	(3.058.481)	(2.038.987)	(407.797)	407.797	2.038.987	3.058.481
Passivos									
Recursos de Bancos Centrais e outras instituições de crédito	65.434	97,554	6.383.368	(957.505)	(638.337)	(127.667)	127.667	638.337	957.505
Recursos de clientes e outros empréstimos	143.062	97,554	13.956.281	(2.093.442)	(1.395.628)	(279.126)	279.126	1.395.628	2.093.442
			20.339.649	(3.050.947)	(2.033.965)	(406.793)	406.793	2.033.965	3.050.947

Analise Sensibilidade 2020

	Valor Em Milhares USD	Câmbio 31-12-2020	Contravalor em Milhares CVE	-15%	-10%	-2%	2%	10%	15%
Activo									
Caixa e disponibilidades em Bancos Centrais	6 231	89,785	559 441	(83 916)	(55 944)	(11 189)	11 189	55 944	83 916
Disponibilidades em outras instituições de crédito	117 604	89,785	10 559 089	(1 583 863)	(1 055 909)	(211 182)	211 182	1 055 909	1 583 863
Aplicações em instituições de crédito	28 626	89,785	2 570 216	(385 532)	(257 022)	(51 404)	51 404	257 022	385 532
			<u>13 688 746</u>	<u>(2 053 312)</u>	<u>(1 368 875)</u>	<u>(273 775)</u>	<u>273 775</u>	<u>1 368 875</u>	<u>2 053 312</u>
Passivos									
Recursos de Bancos Centrais e outras instituições de crédito	33 701	89,785	3 025 806	(453 871)	(302 581)	(60 516)	60 516	302 581	453 871
Recursos de clientes e outros empréstimos	115 556	89,785	10 375 227	(1 556 284)	(1 037 523)	(207 505)	207 505	1 037 523	1 556 284
			<u>13 401 033</u>	<u>(2 010 155)</u>	<u>(1 340 103)</u>	<u>(268 021)</u>	<u>268 021</u>	<u>1 340 103</u>	<u>2 010 155</u>

35. CAPITAL MANAGEMENT

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

- Meeting the regulatory requirements established by the Bank of Cape Verde;
- Generating an adequate level of profit for the company, creating value for shareholders, providing them with applicable capital payments;
- Sustaining the development of the operations that the Bank is legally authorised to carry out, maintaining a solid capital structure, capable of responding to the growth of the Bank's activity and that proves to be appropriate to the Institution's risk profile;
- Ensuring the Institution's reputation, by preserving the integrity of the operations carried out in the course of its activity.

To achieve the objectives described above, the Bank carefully plans its short and medium-term capital needs with a view to financing its activity, mainly by resorting to self-financing and attracting external funds. Said planning is based on internal estimates of growth in balance sheet transactions and financing through other external funds, predominantly, through issuing subordinate debt, into which Ancillary Own Funds, within certain limits, are integrated.

The activity of credit institutions in Cape Verde is regulated by Law No. 62/VIII/2014 and Law No. 61/VIII/2014, of 23 April, which sets out the guiding principles and regulatory framework of reference for the financial system. The aforementioned Law and complementary legal instruments cover several regulatory domains that influence the management of Capital, of which we highlight the following:

- The determination that Own Funds can never be less than the minimum Share Capital and that at least 10% of the net profits calculated each year must be allocated to the Legal Reserves, up to the limit of the Share Capital;

- Notice No. 3/2015, of 12 May 2015, OG No. 25, sets a mandatory minimum Share Capital of 800 million Cape Verde Escudos, for general authorisation Banks;
- Notice No. 1/2017, of 09 February, determines that, with regard to own funds, financial institutions must ensure a total capital adequacy ratio, as one of the solvency indicators, at the level of not less than 12% that, in practice, corresponds to the need for Credit Institutions to allocate certain volumes of Capital to face unexpected losses that may occur;
- The imposition of limits on risk concentration vis-à-vis a customer or group of customers, through the introduction of percentages indexed to the Own Funds value, which, in individual terms, are 20% for the Group itself and 25% for others. This measure favours portfolio diversification, given the risk of contamination that may exist in a given group in the event of default by one or more entities belonging to that group;
- Limits to holdings in other companies - other than other credit institutions, parabanking institutions, ancillary services companies, pension funds management companies, holding companies that only hold shares in the aforementioned companies and companies in the insurance sector, which must not exceed, if considered individually, 15% of the participating institution's Own Funds and 60% of those Funds, if the qualified holdings are taken as a whole ($\geq 10\%$ of the capital or voting rights of the participated entity).

Most prudential requirements and limits are based on the concept of Own Funds, which correspond to the minimum regulatory capital imposed by the regulator. Its regular and compulsory calculation is regulated in domestic legislation by the publication of Notice No. 3/2007, of 19 December, of the Bank of Cape Verde. By dividing its value by the amount corresponding to the so-called weighted risk positions we obtain the solvency ratio, regulated by Notice No. 4/2007, of 25 February 2008, Notice No. 1/2017, of February 2017, of the Bank of Cape Verde, whose value must be at least equal to 12%.

In order to analyse and comply with the legal requirements imposed by Banking Supervision, the Bank has mechanisms to ensure coordination between its various internal departments, particularly with the Accounting, Financial and Risk Management areas.

The following table summarises the composition of the Bank's Regulatory Capital as at 31 December 2021 and at the end of 2020 [assuming a possible 9% dividends distribution, amounting to CVE 25,450,334 (equivalent to 10% of the net income determined after the legal reserve has been set up);

Gestão do Capital	Dezembro de 2021	Dezembro de 2020	Varição
Fundos Próprios de Base	2 782 082	2 563 021	219 061
Capital Social	1 000 000	1 000 000	-
Reservas e Prémios	1 646 503	1 362 708	283 795
Resultado Líquido	257 331	283 795	(26 464)
Resultados Transitados e outros (Impacto transição para NIRF)	(121 752)	(83 482)	(38 270)
Provisões adicionais	-	-	-
Fundos Próprios Complementares	52 017	49 750	2 266
Obrigações subordinadas	-	-	-
Deduções aos Fundos Próprios Complementares	52 017	49 750	2 266
Deduções aos Fundos Próprios totais	89 512	107 216	(17 704)
Participações em Instituições de Crédito	89 512	107 216	(17 704)
Excesso na concentração de risco	-	-	-
Imobilizado recebido em reembolso de crédito próprio	-	-	-
Total dos Fundos Próprios Elegíveis	2 744 587	2 505 555	239 032
Total do Activo Ponderado	16 763 681	15 656 196	1 107 485
Rátios	Dezembro de 2021	Dezembro de 2020	Varição (P.P)
Fundos Próprios de Base	16,60%	16,37%	0,23
Fundos Próprios Complementares	0,31%	0,32%	-0,01
Deduções aos Fundos Próprios totais	-0,53%	-0,68%	0,15
Rácio de Solvabilidade	16,37%	16,00%	0,37

In 2021 (2020), the Bank complied with all the capital requirements imposed by the Bank of Cape Verde (BCV).

As shown in the table above, the final Own Funds value results from the sum of three major aggregates; the amounts considered present several differences compared to the values shown in the balance sheet, reflecting the application of prudential filters by the regulator. Hence:

(i) Basic Own Funds: These correspond to the Bank's most stable Capitals. The main components and amounts considered under Own Funds are as follows:

- The Share Capital, Reserves (except for Revaluation Reserves) and Retained Earnings correspond, in full, to book values;
- The Income for the Year, which is included in Own Funds net of taxes and dividends to be paid to shareholders and only if it has been certified by an External Auditor;
- Deductions to the Basic Own Funds, which correspond to several items whose introduction was considered necessary by the regulator, from a prudential perspective, as a correction fact.

(ii) Ancillary Own Funds: These consist of Subordinated Liabilities subject to approval by the Bank of Cape Verde. The value of these Ancillary Own Funds may not exceed that of the Basic Own Funds and is broken down as follows:

- Subordinated Debt, with a maturity of more than 5 years, up to the limit of 50% of Basic Own Funds;
- Positive Revaluation Reserves, if set up in accordance with the Law and authorised by the Bank of Cape Verde.

(iii) Deductions to Own Funds: This is a series of deductions resulting from impositions by the regulator, namely:

- a) In cases where the Bank holds more than 10% of the share capital of a credit institution, the total amount of that holding will be deducted; if the holding is below that percentage, only the portion exceeding 10% of the own funds of the credit institution that owns them will be deducted.
- b) Any exceedances of the limits established for the purpose of Large Risks, which, in the case of individual prudential elements, correspond to 20% of Own Funds for exposures to the Group itself, and 25% for exposures to other Groups;
- c) The net balance sheet value of non-financial assets received as own loan repayments, calculated at the annual rate of 20% from the moment when two years have elapsed since the date on which the non-financial assets in question were received; in the meantime, in the transition phase, the Bank of Cape Verde, with regard to properties acquired as own loan repayments in the period between 2013 and 2016, extended the sale period to five years, establishing that the net balance sheet value of these properties must be deducted from own funds, starting in 2018, 45% in that year and 55% in 2019, and so on until 2022
- d) Any surpluses in qualified holdings (equal to or greater than 10%) in companies other than Financial or Insurance companies, and whose amount individually exceeds 15% of Own Funds, or 60% of Own Funds in the case of the aggregate amount of this type of holdings.

In terms of Capital Requirements, weighted assets are ranked according to 4 risk factors (0%, 20%, 50% and 100%), depending on the nature of each asset and each counterparty, as well as on any guarantees that may exist.

An identical treatment is adopted for off-balance sheet positions associated with guarantees provided and other commitments that may have been entered into.

Operational risk was also introduced in 2008, giving rise to the need for Institutions to calculate additional capital requirements to hedge it, based on 15% of the average Net Operating Income (when positive) for the previous three years.

Regarding the reporting frequency, institutions must calculate their own funds at least at the end of each month and inform the Bank of Cape Verde, by the tenth day of the following month, of the composition of their own funds and respective solvency ratio.

Exceptional measures in the context of the Covid-19 pandemic in 2021

In 2021, the Central Bank and the Government of Cape Verde maintained the exceptional measures implemented in 2020 to mitigate the impact of the coronavirus - Covid-19 on domestic economy, of which we highlight:

- A reduction of 125 basis points in the reference rate, from the current 1.5% to 0.25%. This reduction aims to trigger a faster and stronger response reaction from the banking sector, without compromising or causing insecurity in key segments of the credit institutions' funding;

- A reduction of the marginal lending facility rate by 250 basis points, i.e. from 3% to 0.5%, aimed, on the one hand, at maintaining the 'confidence' factor in the markets, by indicating to the banks the Central Bank's total willingness to provide funds in cases of stress or liquidity shortage. On the other hand, it aims at reducing the active rates in the banking market, making the cost of credit cheaper and contributing to the release of funds by companies and families, by determining lower instalments and, therefore, an increase in their disposable income;
- A reduction of the marginal lending facility rate by 5 basis points, from 0.1% to 0.05%, with a view to redirecting bank funds towards loans to the economy. In other words, the aim is to discourage banks from investing in overnight deposits with the BCV, channelling liquidity into loans to the economy, where returns will be more attractive;
- A reduction of the Minimum Cash Requirements (MCR) coefficient by 300 basis points, from 13% to 10%, strongly encouraging banks to channel the liquidity released into loans to the economy, increasing loans to the economy by the same proportion, in terms of new credit flows, until the end of 2020;
- A reduction of the rediscount rate by 450 basis points, from the current 5.5% to 1%;
- During the aforementioned moratorium or grace period, payment defaults by customers affected by default situations will not be considered as non-performing loans (NPL), having no effect on impairments, provisions, and activity ratios;
- A reduction of the solvency ratio by 2 percentage points until 31 December 2021, from the current 12% to 10%;
- A suspension, in 2020 and 2021, of the deduction from own funds of the value of assets received in lieu of payment.

Operational Plan to deal with Distressed Debtors

As at 31 December 2021, BI had a portfolio of legal moratoria and credit lines from the Government of Cape Verde with 502 customers, 208 of which were companies and 294 retail customers (a total of 619 operations), valid until that date or until 31 March 2022, depending on the cases stipulated in the law and characterised as follows:

Tipo de Entidade	Entidades		Operações		Total Moratórias				Total Linhas de Crédito				Total Moratórias e Linhas de Crédito			
	Nº	%	Nº	%	Valor		Imparidade		Valor		Imparidade		Valor		Imparidade	
					CVE	Mio EUR	CVE	Mio EUR	CVE	Mio EUR	CVE	Mio EUR	CVE	Mio EUR	CVE	Mio EUR
Empresas	208	41%	268	43%	3 017 362 476	27,36	92 501 084	0,84	405 874 803	3,68	7 210 601	0,07	3 423 237 280	31,05	99 711 685	0,90
Particulares	294	59%	351	57%	973 044 077	8,82	11 319 989	0,10					973 044 077	8,82	11 319 989	0,10
Total	502	100%	619	100%	3 990 406 553	36,19	103 821 073	0,94	405 874 803	3,68	7 210 601	0,07	4 396 281 356	39,87	111 031 674	1,01

In 2021, the Bank continued to monitor its 'Operational plan to deal with distressed debtors in the context of the coronavirus (COVID-19) pandemic', implemented in 2020, and whose main objective is to control the level of default, maintaining an NPL ratio in line with BI's RAS, by preparing BI with a proactive, structured and effective response against possible NPL and restructured loan flows, aiming at:

- Providing appropriate and timely solutions for customers considered viable, but who may be in financial crisis;

- Structuring proactive measures to minimise any potential negative effects associated with the end of the moratorium;
- Having a clear understanding of the risks it faces and developing an appropriate strategy, ensuring effective and timely handling of early warnings.

As a result of the application of the methodology implemented by the Bank for the periodic assessment of the risk level of customers with legal moratoria and credit lines, namely through the regular application of questionnaires or by direct assessment by the Executive Committee, BI has been reinforcing the levels of prudence regarding those with evidence of increased risk of default.

Hence, as a reflection of this prudence, there was a net reinforcement of impairments for the group of debtors under moratoria and/or with credit lines (included in the Distressed Debtors Plan) totalling mCve 54,971 between 31 December 2020 and 31 December 2021.

36. Subsequent Events

This Annex is being published at a time when, after an unprecedented battle against the instability and uncertainty associated with the COVID-19 Pandemic that has ravaged the world since late 2019, Cape Verde and the world are now facing the impacts of the war in Ukraine, particularly related to the import of inflationary phenomena derived from increases in energy costs and the cost of agrifood goods.

Although, to date, it is not possible to make forecasts about the impacts on the financial statements, the Board of Directors of BI estimates that those may result from an increase in credit risk and an increase in the volatility of financial and non-financial assets, negatively affecting the main variables of BI's accounts, namely with uncertain effects on income, impairments, overdue loans and capital requirements.

For this reason, on the date of publication of this Annex to the Accounts, the Government of Cape Verde decided to extend legal moratoria for companies operating in tourism-related sectors until September 2022, seeking to minimise the effects of the slower recovery in this sector.

