GLOBAL BANKING & FINANCE REVIEW AWARDS
BEST COMMERCIAL BANK CABO VERDE 2018

Bank of the Year
Cape Verde 2018
Bank of the Year Awards
The Banker

ANNUAL REPORT

Banco Interatlântico

Grupo Caixa Geral de Depósitos

Distinga-se!

INDEX

1 KEY INDICATORS

Indicators at 31 December					CVE thousand
	2018	2017	Amount	%	
BALANCE SHEET INDICATORS					
Net assets	22 789 157	25 766 353	-2 977 196	-11,55%	
Cash and cash balances at central banks	1 488 467	2 663 292	-1 174 825	-44,11%	
Loans and advances to credit institutions	2 096 593	2 808 816	-712 223	-25,36%	
Loans and advances to customers (net)	17 518 413	17 544 940	-26 528	-0,15%	
Loans and advances to customers (gross) (excluding interest and commissions and public debt securities)	14 708 578	15 073 070	-364 492	-2,42%	
Overdue credit and interest	2 322 407	2 609 519	-287 113	-11,00%	
Impairment on loans and advances to customers	1 309 810	1 288 520	21 290	1,65%	
Customer resources (excluding interest and other debits)	20 402 441	22 399 503	-1 997 062	-8,92%	
Customer deposits	20 402 441	22 399 503	-1 997 062	-8,92%	
Shareholders' equity	1 926 826	1 809 037	117 788	6,51%	
OPERATING INDICATORS					
Total operating income	1 088 901	936 939	151 962	16,22%	
Income before tax	167 172	56 247	110 925	197,21%	
Net income	165 826	54 284	111 543	205,48%	
OTHER INDICATORS					
Profitability					
Net income / net assets	0,68%	0,20%		0,48%	p.p
Net income / average shareholders' equity	8,88%	3,05%		5,83%	p.p
Solvency and loans-to-deposits					
Shareholders' equity / assets	8,46%	7,02%		1,43%	p.p
Loans-to-deposits ratio (gross credit / customer resources)	72,09%	67,29%		4,80%	p.p
Solvency ratio (BCV criterion)	12,94%	15,76%		-2,82%	p.p
Asset quality					
Overdue credit and interest / gross credit	15,79%	17,31%		-1,52%	p.p
Quality of BCV credit (Circular Series "A " no. 150/DSE/2009)	10,69%	12,05%		-1,36%	p.p
Credit impairment / net credit	7,48%	7,34%		0,13%	p.p
Credit impairment / overdue credit and interest	56,40%	49,38%		7,02%	p.p
Productivity and efficiency					
Non-interest income / total operating income	19,61%	22,59%		-2,98%	p.p
Structural costs / total operating income	52,84%	66,96%		-14,13%	p.p
(Credit + deposits) / number of employees	267 048	275 479	-8 431	-3,06%	
Number of employees	142	145	-3	-2,07%	
Number of branch offices	9	9	0	0,00%	
Employees per branch office	15,8	16,1	-0,3	-2,069%	
(Credit + deposits / number of branch offices	4 213 428	4 438 272	-224 843	-5,07%	

2 MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The bank completed its twentieth year of activity in 2018 and will celebrate the 20th year of its foundation in 2019. It has consistently succeeded in making a profit across its twenty years of existence. The bank therefore has good reason to be proud of its achievements while, at the same time, enjoying the satisfaction of having benefited from the contributions of many who merit a special and sincere word of appreciation, particularly:

- our customers whose number and intensity of whose relationship with the bank has been growing and whose loyalty has been remarkable (several of whom have been with the bank since its foundation) and upon whom the bank's existence and sustainability depend;
- the bank's workers (some of whom have been identified as high-fliers) for their dedication and commitment and particularly those who, when called upon to face challenges, have succeeded in responding with enthusiasm and professionalism, even in adverse circumstances;
- our shareholders (all founders), for their support and encouragement to the bank and to the bank's management for its reiterated confidence which in the case of Caixa Geral de Depósitos as our main shareholder has been publicly expressed in having chosen us from the two banks operating in this market and of which it is a shareholder, to continue its presence in Cabo Verde;
- the other statutory bodies for the existence of a good relationship, namely the supervisory board that, following the appointment of José Nunes Liberato as its new chairman and José Mário Sousa as its new statutory auditor have been more actively engaged in monitoring the works of the board of directors;
- the audit and regulatory boards for their excellent level of interaction and suggestions.

In this most auspicious year for the term of office of this board of directors which was expanded, in 2018, by another two members, I cannot but express a word of gratitude to all of my colleagues, especially those who have been with me since the beginning and who with determination and persistence have made a decisive contribution to enable us never to deviate from our objectives and with whom I maintain a healthy friendship and an excellent level of professional companionship.

Other diverse factors also contributed to the bank's operation in 2018, particularly:

- The domestic and international economic situation that, notwithstanding a high level of uncertainty and level of risk, evolved favourably, particularly in a positive dynamic of foreign investors' intentions to invest in the tourism and property sectors, whose completion is always invariably difficult and slow to achieve.
- The situation in the financial system, in an increasingly demanding and interventionist regulatory and supervisory framework which kept pace with economic growth, albeit moderate, in business volume (customers) and quality (margins) and the rate of assets requalification (NPLs).

In such a context, the bank's management endeavoured to continue to consolidate its results in the operating areas that, since 2014, it has defined as being crucial: to recover profitability (operating and equity), improve asset quality (increasing fund-generating assets and decreasing others) and qualifying resources (particularly human resources).

The activity performed and results achieved, on which detailed information is set out in the annual report, particularly the increase of net interest income and return on equity and reduction of overdue credit and increase of its respective coverage, bear witness not only to the consolidation of a more robust situation but also an increasingly more efficient and effective level of performance, as well as a situation enabling the bank to adopt new future strategies, with fewer constraints and vulnerabilities.

Based on the above I shall end my message by inviting and incentivising everyone who has contributed to the bank's success to continue to do so.

Alfredo Antas Teles

Chairman of the Board of Directors

3 EXECUTIVE COMMITTEE REPORT

The significant improvement of its key economic and financial indicators, in 2018, enabled Banco Interatlântico, S. A. to achieve net income of around kCVE 166, deriving from its collective endeavours which reflect the strengthening of the strategic initiatives arising from the three operating areas defined by the bank in 2014: 1) improved profitability; 2) risk mitigation and 3) qualification of its (human and technological) resources. Reference should be made to the following evolution in comparison to 2017:

- An 11% reduction of non-performing loans;
- A 4.8 pp increase of the loans-to-deposits ratio;
- A 20.70% improvement of net interest income;
- A 14 pp reduction of cost-to-income;
- A 5.83 pp improvement of return on equity;
- A 7.02 pp increase of impairment on overdue credit to 56.4%.

The bank remains committed to improving its performance, by adjusting its returns on products and services to the risks assumed, increasing the robustness of its risk management model, strengthening mechanisms to reduce non-performing loans, empowering its human resources and improving its technological resources with the aim of improving its operational and commercial efficiency and, consequently, its range of products and services for its customers.

Banco Interatlântico won two international awards, in 2018, in recognition of its achievements:

- “Best Commercial Bank in Cabo Verde 2018” prize from Global Banking & Finance Review magazine;
- “Best Bank of the Year in Cabo Verde 2018” prize from The Banker magazine which is the most highly regarded specialised international magazine at its The Banker “Bank of the Year Awards” prize-giving ceremony on 30 November 2018.

As in past years, we have remained committed to fulfilling our social and cultural responsibilities, in our support for important not-for-profit projects and institutions in Cabo Verde as well as for talented young people in different artistic areas in Cabo Verde.

A word of appreciation to the bank’s workers who operate under high level pressure and responsibility and without whom achieving these results would not have been possible.

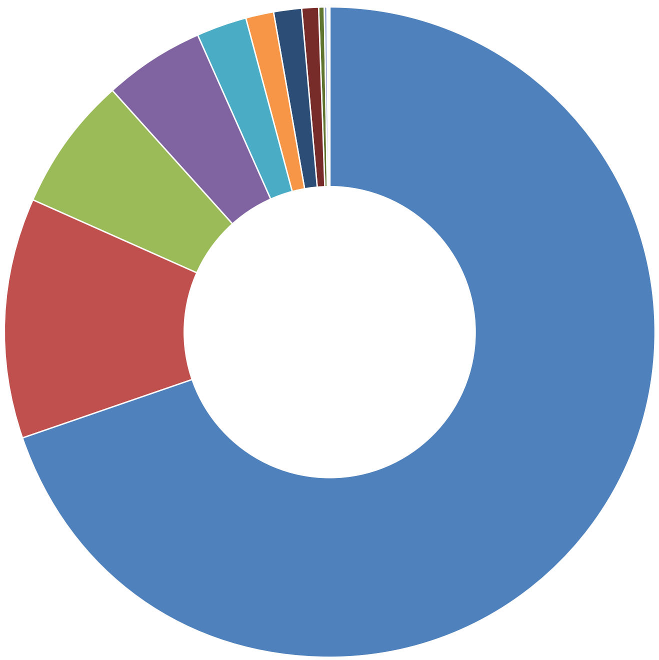
We also wish to acknowledge the professionalism and demands of the supervisory authorities and the backing of our shareholders, which have greatly helped the bank to improve.

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

Executive Committee

4 PRINCIPAL SHAREHOLDERS

4.1. EQUITY STRUCTURE



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

4.2. STATUTORY BODIES

BOARD OF THE GENERAL MEETING

Chairman
David Hopffer Cordeiro Almada

Secretaries
Francisco Fortunato Paulino Barbosa Amado
Fernando Manuel Simões Nunes Lourenço

BOARD OF DIRECTORS

Chairman
Alfredo Manuel Antas Teles

Vice-chairman
Teófilo Figueiredo Almeida Silva

Members
Pedro Bruno Cardoso Braga Gomes Soares
Manuel Fernando Monteiro Pinto
João Carlos Aguiar Cristóvão
Jorge Fernando Gonçalves Alves
Elsa Helena Lopes Tavares

EXECUTIVE COMMITTEE

Chairman
Pedro Bruno Cardoso Braga Gomes Soares

Members
Manuel Fernando Monteiro Pinto
João Carlos Aguiar Cristóvão

SUPERVISORY BOARD

Chairman
José Manuel Nunes Liberato

Permanent members
José Mário de Sousa
Jaqueline Vieira Ramos Canuto

Deputy member
Carlos Alberto Rodrigues

EXTERNAL AUDITOR

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

4.3. MILESTONES

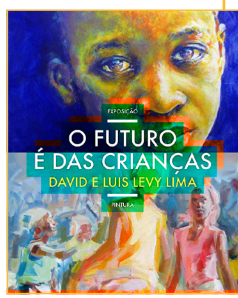
March

Sponsorship of "Tufas, a Princesa Crioula", a dual language children's book by Odair Varela.

April

Donation to FICASE, for its distribution of school kits for the academic year 2018/2019.

June



Sponsorship of "The future is for the children" exhibition by artists David and Luís Levy Lima at the National Assembly.

August

Disclosure of information on the "Data protection and privacy" policy.

September

"Best Commercial Bank in Cabo Verde 2018" prize from Global Banking & Finance Review magazine.

Outubro

Meeting of BI employees and their families at the National Stadium.

Novembro

Sponsorship of "ELAS - Uma Viagem no feminino" musical theatre production by Vera Cruz.

Dezembro

"Best Bank of the Year in Cabo Verde 2018" prize from The Banker.

4.4. STRATEGY AND BUSINESS MODEL

STRATEGIC OBJECTIVES

Banco Interatlântico (BI) succeeded in achieving one of its principal strategic objectives of improving its profitability levels in achieving net income of around kCVE 166.

Reference should be made to the evolution of the following:

- The positive 20.7% evolution of 150 million escudos of net interest income;
- The 14% growth of income from services and commissions over 2017;
- The significant 16% growth of 147 million escudos in total operating income;
- The 8.3% reduction of 52 million escudos in structural costs.

COMMERCIAL INTERVENTION

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

- To secure new customers, retain the loyalty of its existing customers and increase business with its most valued customers;
- To improve customer response times and satisfaction levels;
- To improve credit management, focusing on portfolio quality and the avoidance of non-performing loans.

The following events deserve special mention:

- More user-friendly consumer credit processes with simplified procedures and contractual support facilities to drive the dynamics of personal loans;
- Greater support from business support services for credit portfolio management, particularly overdue credit and personnel management;
- Improvement of credit workflow to reduce the time involved in responding to customers' requests;
- Improvements in resource-taking from personal customers, based on cross-business approaches with corporate customers, fuelling the domiciliation of employees' wages;
- Review of pricing approaches to target segments;
- Improvements to the quality of the customer database by setting up a specialised taskforce.

INFORMATION TECHNOLOGY

The bank implemented a series of information technology initiatives with the aim of cutting costs, improving its level of customer service and the reliability and efficiency of its responses to corporate and regulatory requirements.

The main initiatives were as follows:

- A major reduction of the costs of consumables through the use of the same multifunction printers in all central units and services;
- The completion of the BI app, with early 2019 as its expected launch date;
- A working installation of the FATCA framework and KYC's Dixtior DCS/AML profiling solution;
- Firmware upgrades to physical servers and increased disk space with the installation of a new disk pooling system;
- Implementation of *RIIG* ("Integrated Management Information Repository") project, phase I;
- Implementation of the IFRS 9 project, in addition to the LIVE ("Loan Impairment Valuation Engine") impairment solution, with the creation of new servers for the purpose;
- Start-up of project for automating external reporting schedules;
- Start-up of the development of an internal communication platform with the technology office.

ORGANISATION AND STANDARDS

Significant restructuring works have been carried out on internal control functions, particularly the risk management function and internal audit, with a wide-ranging impact on the organisation, in order to improve the level of alignment with best market and corporate practice. Compliance-related changes were less in evidence as the compliance function has been geared to corporate guidelines since its constitution.

Reference should be made to the following main events:

- Implementation of the risk appetite and management model to accommodate the corporate model, focusing on the following activities:
    – The internal restructuring of the office in which risk management and credit risk functions have been split up into two different offices;
    – Completion of the implementation of IFRS 9;
    – Implementation of RIIG project;
    – Production of management support reports adapted to the definition of NPEs and default criteria;
    – Development of action plans related to *RSCI* ("Internal Control System Report") deficiencies;
    – Development of action plans related to gap assessments in risk management policies;
    – Monitoring and oversight of risk management.
- Approval of a set of standards designed to update procedures and define concepts focusing on improvements to internal control and risk mitigation;
- Human resources qualification based on in-house and external training in the risk management, internal control and compliance areas;
- Work began on the QA&IP (Quality Assurance & Improvement Programme) in the sphere of the harmonisation of the internal audit function within CGD Group, with the introduction of several measures such as the operationalisation of the *CACI* ("audit, compliance and conflicts of interest committee").

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

– Internal reporting systems on irregular practice;
– Internal regulation of the audit function;
– Risk indicators;
– Risk appetite;
– CGD's global prevention and management of conflicts of interest policy;
– Corporate prevention and physical and environmental safety policy;
– IFRS 9 – policy on the recognition and measurement of financial assets;
– *PARC* ("credit oversight and recovery") policy;
– Governance policy and model – impairment;
– Market risk management handbook;
– Operational risk governance model;
– Credit risk – corporate and institutional;
– Recovery plan;
– Prevention of money laundering − country/jurisdiction risk.

4.5. GEOGRAPHICAL FOOTPRINT AND CHANNELS

At the end of 2018, BI's branch office network on the main islands of the archipelago comprised 9 branches, 1 corporate office, 1 personal customers office and one special customers office.

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

Figure 1 – BI's geographical footprint in Cabo Verde

There was an 8% growth in the number of the bank's POS terminals over the preceding year, in which the bank continued to come third with a market share of 16%. BI's total number of 40 ATMs across the islands on which it has branches, accounts for 21% of the domestic network.

BIn@net continued to trend to growth (up 10%), with a total number of 18,230 customers with active contracts, of which 15,274 personal and 2,956 corporate customers and the like, representing a coverage rate of 54% of the total number of active customers.

The 7% increase in cards over the preceding year was in alignment with the growth of active *BIn@net* customers.

The number of transactions on distance channels was up 17% by 3 pp over the preceding year. Reference should be made to the increases of internal transfers and transfers to other credit institutions, in addition to the payment of services and mobile phone crediting operations using *BIn@net*.

	BIn@net			Rede Vinti4			Mobile		
Type of transaction	**Dez/17**	**Dez/18**	**Δ**	**Dez/17**	**Dez/18**	**Δ**	**Dez/17**	**Dez/18**	**Δ**
Movements – views	864.989	945.377	9%	83.125	125.891	51%	102	116	14%
Current account – views	109.624	81.082	-26%	263.814	399.646	51%	4.147	2.639	-36%
Chequebook applications	63	47	-25%	86	105	22%	5	2	-60%
*Transfers – internal	70.199	96.501	37%	0	0	0%	0	0	0%
*Transfers – other credit institutions	28.843	29.889	4%	5506	8.239	50%	175	181	3%
Payment of services	3.354	6.187	84%	8.041	2.936	-63%	3	11	267%
Mobile phone credit	24.355	29.368	21%	39.975	32.527	-19%	8.808	5.904	-33%
Total	**1.101.427**	**1.188.451**	**8%**	**400.547**	**569.344**	**42%**	**13.240**	**8.853**	**-33%**

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

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

5 MACROECONOMIC AND FINANCIAL

5.1. INTERNATIONAL

The performance of Cabo Verde's partner economies across the first half year suggests that the domestic economy's external terms of reference remain favourable, notwithstanding the significant hike of oil prices in international markets.

The Euro Area economy, as the country's main trading partner, posted year-on-year growths of 2.4% and 2.1% in the first and second quarters of the year, largely determined by the positive contributions made by exports, investments (residential and corporate) and private consumption.

In turn, the US, as the largest world economy, continued to post strong recovery, following volume growths of 2.6% and 2.9%, in the first and second quarters of the year, respectively, fuelled by the positive performance of exports and private consumption.

The United Kingdom, as one of Cabo Verde's main trading partners, produced the weakest performance level of the half year. This was essentially a reflection of Brexit (and the standstill in the negotiations with the European Commission).

INTERNATIONAL INDICATORS

WORLD ECONOMIC OUTLOOK

	Real GDP Growth as a %				
	2015	**2016**	**2017**	**2018P**	**2019P**
World GDP	**3,5**	**3,3**	**3,7**	**3,7**	**3,7**
Advanced Economies	**2,3**	**1,7**	**2,3**	**2,4**	**2,1**
US	2,9	1,6	2,2	2,9	2,5
Euro Area	2,1	1,9	2,4	2,0	1,9
Germany	1,5	2,2	2,5	1,9	1,9
France	1,0	1,1	2,3	1,6	1,6
Italy	1,0	0,9	1,5	1,2	1,0
Spain	3,5	3,2	3,0	2,7	2,2
Japan	1,4	1,0	1,7	1,1	0,9
United Kingdom	2,3	1,8	1,7	1,4	1,5
Canada	1,0	1,4	3,0	2,1	2,0
Emerging / Developing Economies	**4,3**	**4,4**	**4,7**	**4,7**	**4,7**
Brasil	-3,5	-3,5	1,0	1,4	2,4
Russia	-2,5	-0,2	1,5	1,7	1,8
Índia	8,2	7,1	6,7	7,3	7,4
China	6,9	6,7	6,9	6,6	6,2
Sub-Saharan Africa	3,3	1,4	2,7	3,1	3,8

P - Projections

Source: *International Monetary Fund*

GLOBAL EVOLUTION

Cabo Verde's economy continued to trend to improvement across 2018, with GDP growth of 4% in 2017 and growth projection of 4.3% for 2018, fuelled by a recovery of the tourism sector, higher levels of investment and emigrants' remittances. Economic diversification remains a priority with the aim of ensuring sustainable long term growth. In terms of GDP composition, services account for 70% of which 20% from the tourism sector.

The economy benefited from containment of the growth of inflationary pressure, particularly imported inflation, as well as the increasing confidence of economic agents, which favoured demand and its respective (internal) funding conditions.

The accumulated inflation rate of 1.7%, in 2018, is projected to be around 2% in 2019.

Notwithstanding weak growth in Europe, remittances (which accounted for 10% of GDP in 2017) are expected to continue to increase and contribute towards economic growth.

The positive contributions of net exports, as a result of the strong recovery of goods exports and solid growth of travel exports, as well as investments, had an influence on the improved performance of the economy. In nominal terms exports of fish, fuel and foodstuffs in international ports and airports were up by around 45% in the first half year, following an 8% increase in the same period of the preceding year and, together with exports of services (up by around 13%), continued to offset the 9.3% growth of goods and services imports.

The improvement of the external accounts was reflected in the accumulated amount of external reserves that, at 30 June 2018, provided an import coverage rate on goods and services of around 5.8 months.

The government has invested in fiscal consolidation with the aim of containing the growth of public debt, based on its mobilisation of internal resources, increased efficiency of public service and an increase in participation in the economy and that of its agents and the reduction of the debt of state-owned enterprises. The budget deficit of 4.1% in 2017 is projected to increase to 4.4% in 2018.

Information on the key national indicators taken from the report of the International Monetary Fund is set out in the following table.

NATIONAL INDICATORS

	2015a	2016b	2017b	2018b
GDP at market prices (CVE bn)	158,7	163,4	171,8	181,6
GDP (million US $)	1,597	1,640	1,728	1,869
Real GDP growth (%)	1,0	4,7	4,0	4,3
Consumer price inflation (average %)	- 0,5	-0,2	1	1,7
Population (thousand)	525	531	538	545
Goods exports (%)	-17,1	5,7	-4,7	4,1
Goods imports (%)	-21,9	19,2	-0,3	7,1
Current account balance (million US $)	-0,079	-0,061	-0,105	-0,113
Foreign exchange reserves excluding gold (GDP %)	33,7	33,3	33,8	35,6
USD/CVE exchange rate (average)	99,4	99,7	97,9	89,20

a. Real b. Estimate

Source: *International Monetary Fund – World Economic Outlook Database, October/2018*

5.2. MONETARY AND FINANCIAL SITUATION IN CABO VERDE

The M2 monetary aggregate (money supply) was up by a year-on-year 7.2% in August 2018 (1.3% over December 2017). This largely translated the 6.6% increase of lending to the economy and recovery of Cabo Verde's net international reserves (up 4%, after having fallen 4.3% in 2017).

Domestic credit (net), in turn, was up by a year-on-year 6.3% (2.3% over December), mainly driven by the dynamics of lending to the economy.

In terms of component parts, monetary expansion mainly translated into an increase of sight deposits in domestic currency (growth of 18% up to August, following growth of 20.8% in 2017). This is associated with the continuous strengthening of aggregate demand and growing use of electronic payment media.

Over the first eight months of the year, borrowing rates (interest on deposits, including emigrants' deposits) trended consistently downwards, as opposed to lending rates (interest on loans). The average rate on loans, at 31 August, stood at 10.49% (9.68%

in December 2017), as opposed to the effective average rate on deposits of 2.02 % (2.17 % in December).

The solid increase of deposits as the domestic banks' main source of funding, continued to ensure the existence of appropriate conditions for lending to the economy.

The Bank of Cabo Verde pursued its policy of safeguarding the credibility of the escudo's unilateral peg to the euro, in a context of the full liberalisation of the capital and financial operations accounts and containment of inflationary pressure.

The monetary authority will remain alert to the eventual materialisation of risk, albeit remote, on the evolution of Cabo Verde's international reserves, in line with the publication of legislative decree 3/2018 of 22 June which liberalises foreign exchange operations within the country and all of Cabo Verde's economic and financial transactions abroad, in addition to the evolutionary trend of remittances and emigrants' deposits which respectively comprise a major source for the accumulation of foreign reserves and the funding of national banks, pursuant to a scenario in which the extraordinarily accommodative monetary policy of the European Central Bank and the normalising of US interests rates is being phased out.

Information on the principal reference rates, in 2018, is set out below.

	%
Reference rate	1,50%
Permanent lending rate facility	4,50%
Permanent liquidity absorption facility	0,10%
Rediscount rate	5,50%

Source: Bank of Cabo Verde – Monetary Policy Report, Oct/2018

6 MAIN BUSINESS AREAS

6.1. COMPETITIVE POSITION

Banco Interatlântico had a 10.95% market share of business revenue at 31 December 2018. This drop of 0.99 pp over the same period last year is essentially explained by the 9% reduction of customer resources, as a consequence of the strategy adopted in 2014 of reducing borrowing rates and the reduction of around 2% in total gross credit, resulting from the high rate of portfolio repayments in 2018 and 11% reduction of overdue credit, notwithstanding the considerable increase of lending across the year.

Amounts in million Cabo Verde escudos

Business Revenue	Dec-17	Dec-18	Dec. 18 - Dec. 17	
			Amount	%
System	311.471	318.058	6.587	2,11%
BI	37.194	34.821	-2.374	-6,38%
Market share	11,94%	10,95%	-0,99%	-0,99 pp

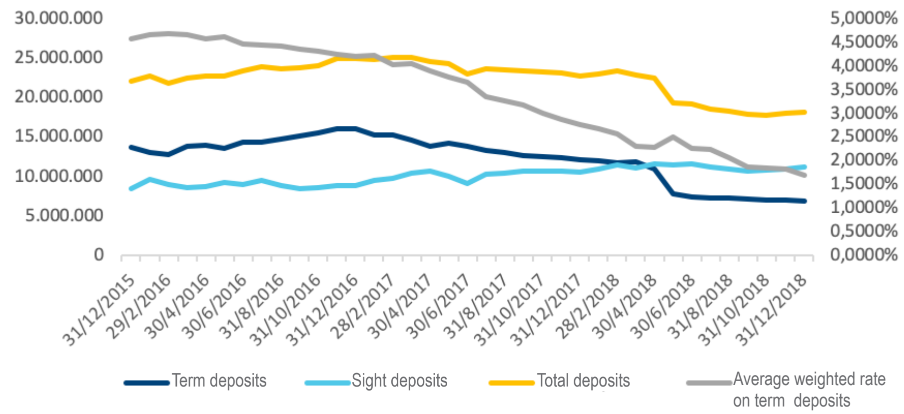
Source: Bank of Cabo Verde September 2018 – Does not include securities loans (public debt securities and bonds issued by corporate entitles)

BI's position in December 2018/ BCV's position in September 2018

Total deposits across the last two years posted annual negative changes, in contrast to the market trend. This is explained by the bank's reduction of its borrowing rates, which had a greater impact on term deposits and whose application to term deposits was completed in 2018. No significant additional changes deriving from the price effect were estimated in 2019.

The interest rate on non-sight deposits was reduced from 4.92% in December 2014 to 2.77% in December 2017 and 1.69% in December 2018. This explains why the total portfolio was down from 3.23% in December 2014 to 1.48% in December 2017 and 0.73% in December 2018.

EVOLUTION OF DEPOSITS AND AVERAGE WEIGHTED RATE BETWEEN 2015 AND 2018



The bank's loans-to-deposits ratio of 64.15%[1] in 2018, was up 4.72 pp over 2017.

Amounts in million Cabo Verde escudos

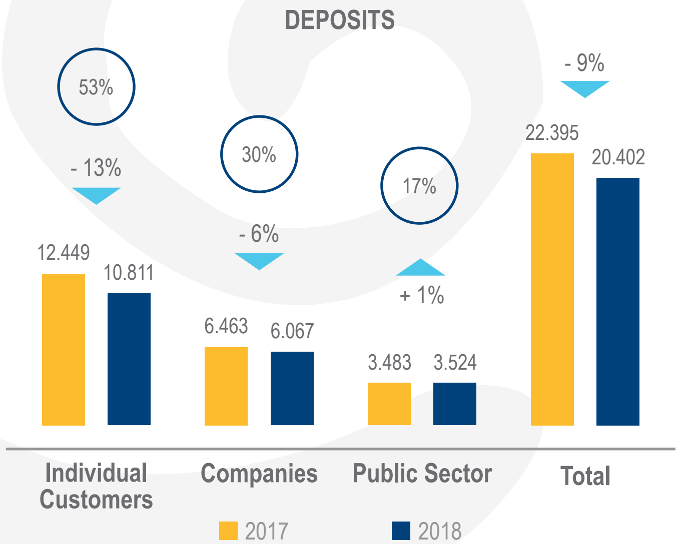
Customer Resources	Dec-17	Dec-18	Dec. 18 - Dec. 17	
			Amount	%
System	199.886	204.836	4.950	2,48%
BI	22.529	20.514	-2.015	-8,95%
Market share	11,27%	10,01%	-1,26%	-1,26 pp

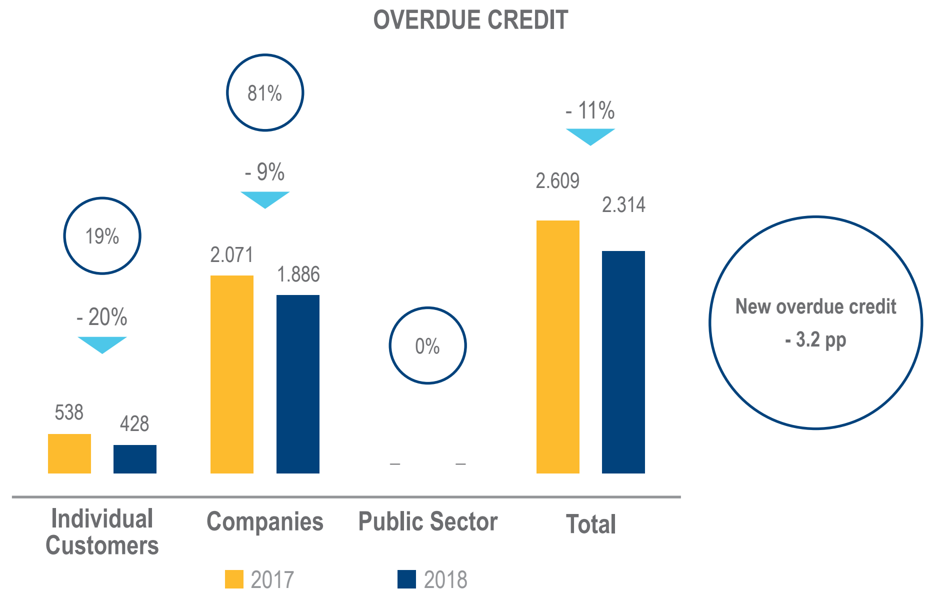
Source: Bank of Cabo Verde September 2018

BI's position in December 2018/ BCV's position in September 2018

The price review triggered a change in the bank's deposits structure. In 2018, for the first time, sight deposits accounted for a larger proportion than term deposits at 47% in December 2017 and 55% in December 2018..

[1] Net credit / deposits, excluding securities.





The bank achieved a 12.64% market share of gross credit. This was down by a year-on-year 0.5 pp and is explained by a rate of portfolio repayments 40% higher than in the preceding year and an 11% increase in the payment of overdue credit, surpassing the effect of the 16.5% increase in lending across the year.

Amounts in million Cabo Verde escudos

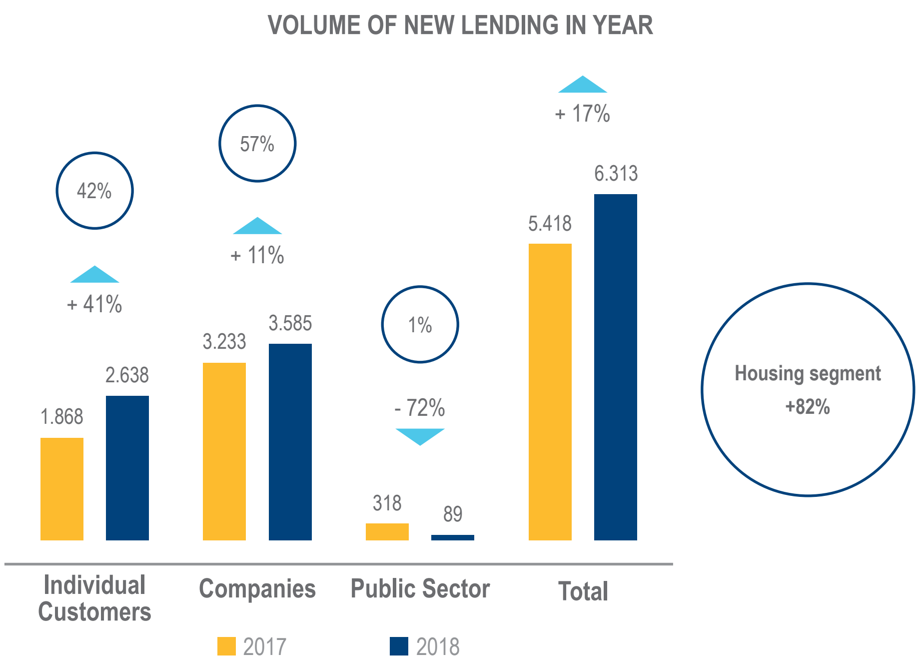
Gross Credit	Dec-17	Dec-18	Dec. 18 - Dec. 17	
			Amount	%
System	111.584	113.222	1.638	1,47%
BI	14.697	14.340	-325	-2,43%
Market share	13,17%	12,66%	-0,51%	-0,51 pp

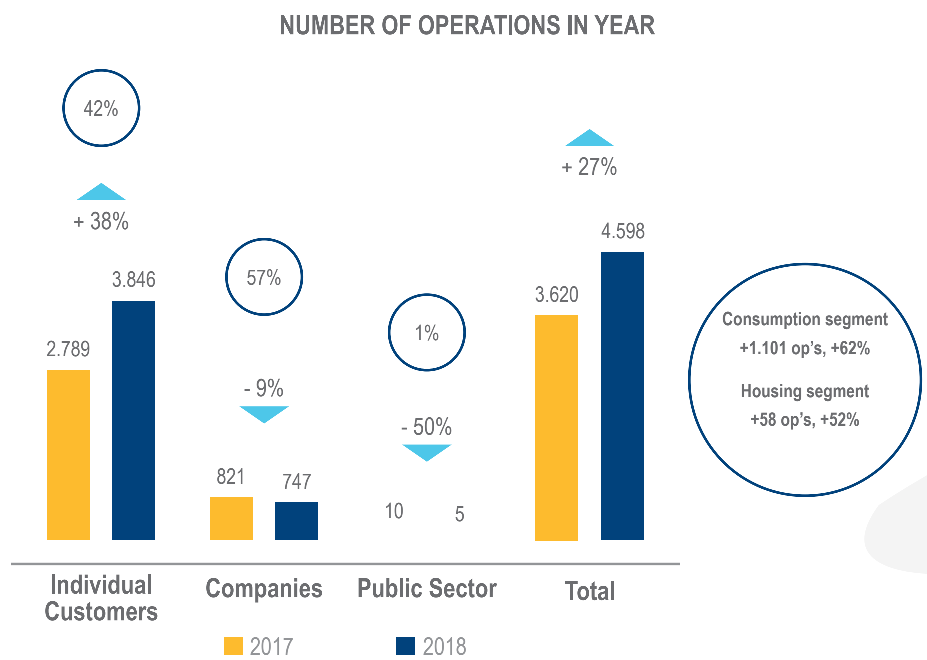
Source: Bank of Cabo Verde September 2018 – does not include securities loans (public debt securities and bonds issued by corporate entities)

BI's position in December 2018 / BCV's position in September 2018

The volume of new lending in 2018 was up 16.5% over the preceding year to CVE 6,313 million. The largest increases were in the housing and buy-to-segment in comparison to the volume of new credit in 2017: up 82%.

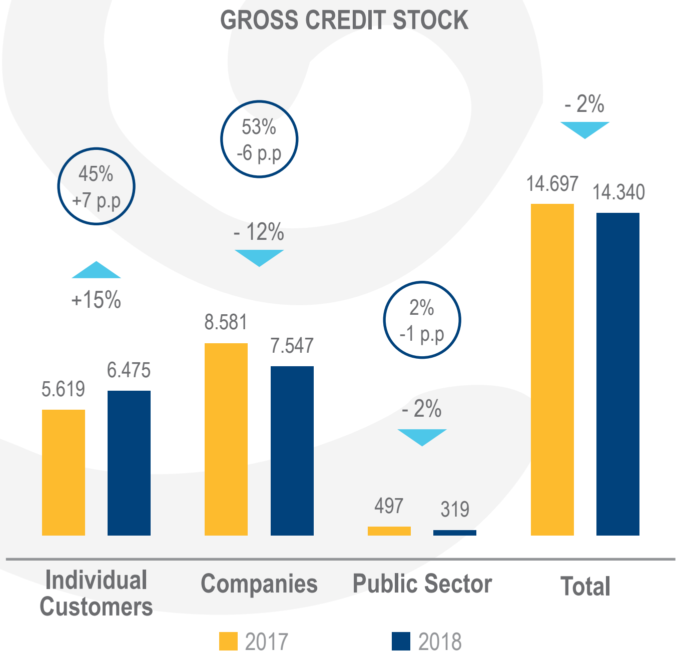
The corporate segment continues to account for the largest volume of lending with 57% of total new credit and an 11% increase in volume over 2017.





4,598 new operations (excluding renewals of accounts in use) were entered into across the year. This 27% increase over the same period of the preceding year was fuelled by the personal customers and small business segment.

Reference should be made to the significant increase in lending to the economy, both in volume and number of new operations. The corporate segment continues to represent the lion's share of the portfolio, in volume terms, both as regards new credit as in existing credit stock. In terms of evolution, the personal and small businesses segment posted a higher percentage evolution, mostly comprising mortgage lending and buy-to-let operations but also benefiting from an a higher level of cross-selling operations, greater customer loyalty and agreements with several major customers and institutions.



6.2. RETAIL BANKING

Business revenue of kCVE 12,288 from retail banking in December 2018 was down 4% over the same period last year owing to the kCVE 1,642 decrease of deposits, as opposed to the 15% increase of kCVE 856 in credit. The growth of loans and advances to personal customers was mainly leveraged by the 21% growth of mortgage and buy-to-let loans.

Personal and Small Business Customers	Dec-17	Dec-18	Dec. 18 - Dec. 17	
			Amount	%
Credit	5.619	6.475	856	15,27%
Deposits	12.453	10.811	-1.642	-13,19%
Business revenue	18.072	17.288	-784	-4,34%

Valores em CVE MIO

6.3. CORPORATE BANKING

Business revenue of kCVE 13,614 from corporates and the like in December 2018 was down 9.5% over the same period last year owing to the 11% reduction of non-performing exposures, decrease of the performing loans portfolio originated by an exceptional level of credit repayments (part and early repayments from 3 customers accounted for 81% of the recorded net change) which surpassed the effect of the increase of new credit.

Corporate Banking	Dec-17	Dec-18	Dec. 18 - Dec. 17	
			Amount	%
Credit	8.581	7.547	(1.034)	-12,05%
Deposits	6.463	6.067	(396)	-6,13%
Business revenue	15.044	13.614	(1.430)	-9,5%

Valores em CVE MIO

6.4. CREDIT BY SECTOR OF ACTIVITY

The construction sector in conjunction with property-related activities and the like continued to account for the largest concentration in the credit portfolio in the corporate segment at 42.5% in December 2018, up by a year-on-year 0.7 pp.

The electricity generating and distribution, water and gas sector, represented the largest decrease at 4.9 pp, representing 6% of the total credit stock.

With the exception of the “Other activities” segment with an 8.2 pp increase of the total credit proportion, the largest increase was posted by the property activity area with 3.7 pp.

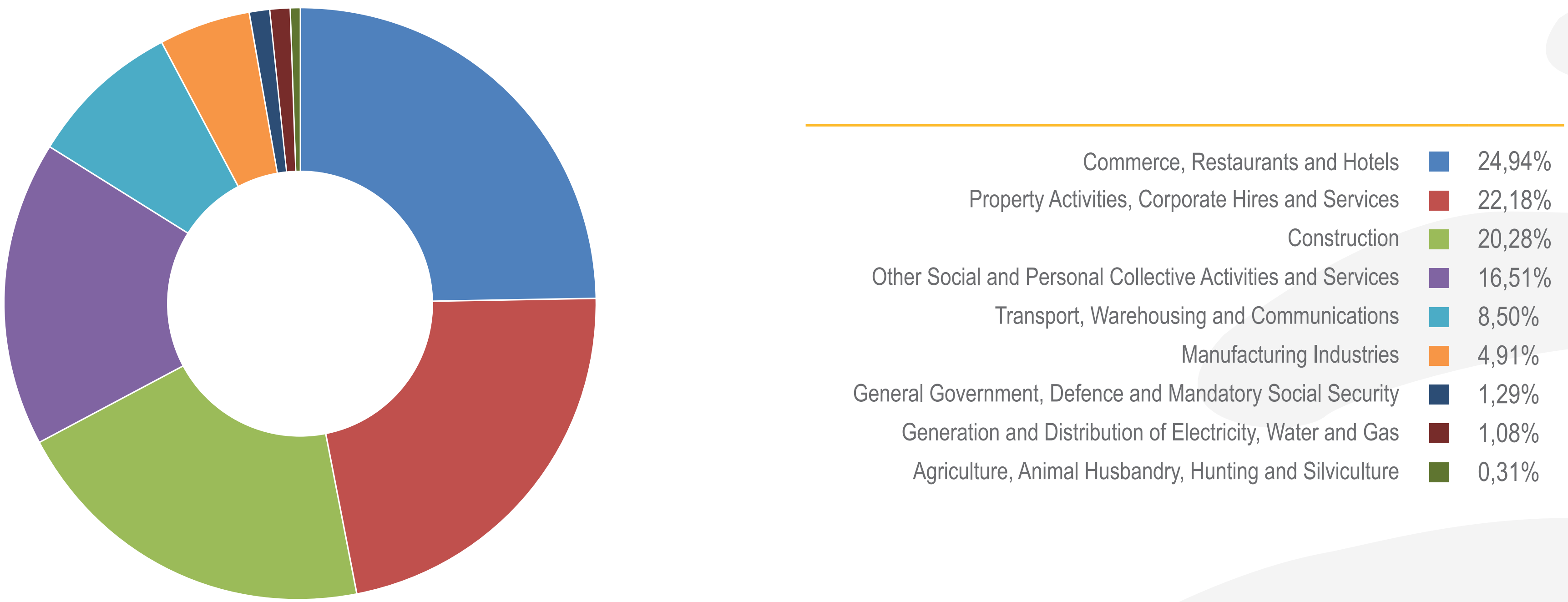


Figure 3 – Percentage credit by sector of activity

7 HUMAN RESOURCES

The bank ended 2018 with a staff complement of 142, down 3 over 2017. Three staff members on secondment have managerial functions in Cabo Verde.

7.1. DISTRIBUTION BY TYPE OF EMPLOYMENT CONTRACT

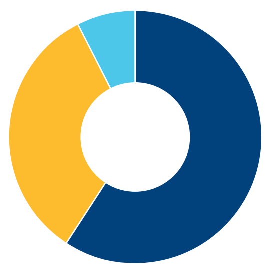
The bank's staff complement comprises 133 employees and 9 professional trainees. 97 of the total number of 133 employees have open-ended employment contracts (4 fewer than in 2017) and 36 have fixed-term employment contracts (5 fewer than last year).

7.2. FUNCTIONAL DISTRIBUTION

The predominance of functional distribution in the commercial area continued across 2018, with 76 employees (57%). 18 of these employees had managerial positions.

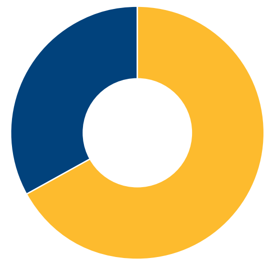
COMMERCIAL AREA 57%

CENTRAL SERVICES 43%



7.3. DISTRIBUTION BY GENDER

The bank's employee component comprises 67% women. Sixteen of the 37 management staff are also women (70%).

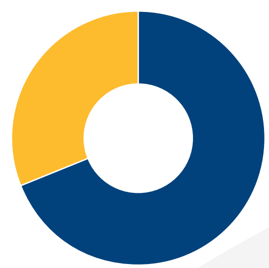


7.4. DISTRIBUTION BY AGE BANDS

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

7.5. DISTRIBUTION BY SENIORITY

69% of the staff complement, totalling 92 employees, have been with the bank for more than 6 years and half of them for more than 10 years.



7.6. DISTRIBUTION BY ACADEMIC QUALIFICATIONS

56% of employees have higher level academic qualifications, 5% have first degrees, 37% have secondary and 2% have primary educational qualifications.

7.7. TRAINING

Twenty nine training actions, 6 of which given by Caixa Geral de Depósitos (CGD), 3 by the Bank of Cabo Verde (BCV), 4 by the Bank Training Institute (IFB) and 3 in-house courses were organised. An overall total of 129 employees, comprising 97% of the total employee complement was involved. Sixty of the 129 trainees were involved in three or more training activities.

8 SOCIAL RESPONSIBILITY

BI continued to implement its social assistance policy in 2018, in its support for social activities on behalf of the community, pursuant to which it was able to sponsor the following initiatives:

DONATIONS
- *Aldeias Infantis SOS*
- Padre Campos Foundation
- *Jardim Mini Black Panthers*
- *Jardim Brincar e Crescer*
- FICASE
- APIMUD
- BI's Sporting and Recreational Association (donation in kind)

SPONSORSHIPS
- ***EPIF Foundation (Football Preparation College)*** - Travel to Barcelona (Spain) to take part in the "Mediterranean International Cup '18" Tournament
- ***Editora Jovem Tudo*** - Publication of "Princesa Crioula – A Caixa das Desculpas" as a dual language children's book
- ***5al da Música*** - Tribute to the Women of Cabo Verde
- ***Exhibition "The future is for the children"*** - Organisation of the painting exhibition of artists David and Luís Levy Lima, at the National Assembly
- ***Casa das Bandeiras*** - Organisation of Nhô San Filipe festival, 2017
- ***Vera Duarte*** - Publication and launch of book "A Reinvenção do Mar: Antologia Poética"
- ***Praia Academic Association*** - Organisation of National Championship
- ***Portuguese Embassy*** - Organisation of 9th edition of PORfesta
- ***AEFCV (Association of Football Academies of Cabo Verde)*** - Organisation of "Play League" 2018/2019
- ***Centro Português das Fundações*** - Organisation of 12th meeting of CPLP ("Portuguese Commonwealth") Foundations
- ***Nicole Dance School*** - Travel to Macau (China) to take part in the "Young People's International Dance festival 2018"
- ***Musical theatre production "ELAS – Uma viagem no feminino"*** - Organisation of event at Praia's National Auditorium

9 FINANCIAL ANALYSIS

9.1. BALANCE SHEET

The bank's net assets of kCVE 22,789,157 at 31 December 2018, were down 11.55% by kCVE 2,977,196 over the same period last year, essentially on account of:

i) The decrease of short term cash balances and loans and advances at Cabo Verde's central bank (down by a 35% year-on-year kCVE1,553,111), as a consequence of the 8.8% year-on-year decrease of kCVE 1,991,232 in total deposits, was owing to the reduction of borrowing rates in anticipation of the market;

ii) The 2.42% decrease of kCVE 364,492 in the unsecuritised credit portfolio as a consequence of the combination effect of settlements of non-performing loans and portfolio repayments; and

iii) The 8% increase of kCVE 352,227 in the securitised credit portfolio.

Net loans to customers, including public debt and corporate securities amounted to kCVE 17,518,413, representing a year-on-year net growth of 0.15% owing to the combination effect of the short average portfolio maturity, early repayments by several larger operations and settlements of around 11% in non-performing portfolio loans.

Public debt securities, exclusively comprising treasury bonds of kCVE 4,147,338 at 31 December 2018, posted a 9.7% increase of kCVE 365,366 at an average interest rate of 4.96%. Bonds issued by corporate entities were down 3.5% to a net kCVE 362,380.

Gross credit not represented by securities was down 2.4% by a net kCVE 358,542 in comparison to 2017 to kCVE 13,398,769:

– Performing loans in the personal customers segment grew 19.0%, particularly mortgage lending with a growth of 23.5%;

– Performing loans in the corporate segment were down 13.0%, notwithstanding the 9.8% increase in annual lending, owing to the short maturity of the portfolio and early repayments of several of the larger operations;

– Settlements of around 11% of overdue credit at kCVE 2,318,042, accounting for 15.79% of total credit, down 1.52 pp.

Unsecuritised credit impairment, calculated in 2018 in accordance with IFRS 9, stood at kCVE 1,298,136 with a transaction impact of kCVE 52,385 (an increase in impairment owing to a decrease of shareholders' equity). Impairment cover on overdue credit was up 7.02 pp over December 2017 at 56.40%.

In net terms, credit not represented by securities was down 2.8%, to kCVE 13,398,769.

Notwithstanding the sharp decrease of the corporate credit portfolio as opposed to acceleration of growth in terms of personal customers, as in past years, the credit portfolio continued to be concentrated in the corporate segment with a share of 53%, down 5 pp over the preceding year.

The 50 largest customers for credit accounted for 41.0% of the portfolio total, representing a year-on-year concentration decrease of 7.88 pp. The 50 largest customers with NPEs (non-performing exposures) accounted for 96.3% of the total NPE portfolio.

On the liabilities side, total customer resources were down 8.9% by kCVE 2,015,289 over December 2017, to kCVE 20,513,745. This change is essentially related, on the one hand, to the 5.4% increase of kCVE 566,874 in sight deposits and, on the other, to the 21.9% decrease of kCVE 2,571,284 in term deposits. This evolution is explained by the ongoing review process on the bank's tariff as a consequence of the strategy geared to reducing borrowing rates, in anticipation of the movements of the other market players, which had a greater impact on term deposits. The variation of the average weighted rate of total deposits from 1.48% in December 2017 to 0.73% in December 2018, enabled a 56.3% decrease in financial costs to be achieved over the same period last year. There was also a change in the bank's deposits structure with sight deposits, in 2018, for the first time, accounting for a larger proportion than term deposits at 47% in December 2017 and 55% in December 2018.

The 10th and 50th largest customers accounted for 30.0% and 42.2% of the bank's total deposits, respectively, at 31 December 2018.

The bank's liquidity was basically managed via its investments with the Bank of Cabo Verde and in state-issued treasury bills, in which the bank's management of its exposure limit endeavoured to maximise profitability without compromising its cash reserves for new operations.

The loans-to-deposits ratio was up 4.8 pp to 72.09% in December 2018, essentially explained by lower deposits levels.

In terms of its financial strength, the bank complied with all of the prudential indicators required by the Bank of Cabo Verde, having submitted higher than lawfully requested minimums for all ratios. Reference should be made to the solvency ratio of 12.94% with an appropriation of 100% of net profit for 2018 in reserves.

9.2. PROFIT AND LOSS

Net interest income was up 20.7% by kCVE 150,124 at 31 December 2018, essentially on account of the following:

i) A 56.3% year-on-year decrease of kCVE 318,698 in financial costs, essentially as a result of the decrease of costs on term deposits which accounted for 84.5% of the change, the non-payment of interest on sight deposits which accounted for 6% of the change and the maturity of subordinated bonds which accounted for 5%.

ii) A 13.05% decrease of kCVE 168,575 in interest and other income owing to the 72% reduction of the recovery of overdue interest in comparison to the preceding year, the slight reduction of lending rates combined with the effect of the decrease in the unsecuritised credit portfolio (40.4% change) and lower level of income from loans and advances to credit institutions (8% change), essentially owing to the lesser frequency of short term investments with the central bank allied to interest rate decreases (a change in the overnight rate in June 2017 from 0.25% to 0.1%).

Non-interest income was slightly up by 0.87% (kCVE 1,832) to kCVE 312 over December 2017:

i) Net commissions were down 15.6% by kCVE 16,985 owing to the extraordinary costs related to measures required for prompt compliance with prudential capital ratios, which had a penalising effect on the evolution of net commissions. Excluding this extraordinary effect, net commissions would have been up 15% over 2017.

ii) Other costs and income were up 20.95% by kCVE 20,275 owing to the reclassification of the recovery of written-off credit; higher level of income from the disposal of other assets and decreased custodianship of subordinated bonds maturing in July 2018.

iii) Total operating income, up 16.2% by kCVE 151,962 to kCVE 1,088,901, was essentially driven by the growth of net interest income.

Structural costs were down 8.3% by kCVE 52,082 over 2017, essentially on account of the 17.2% reduction of kCVE 54,819 in general administrative costs and the 1.8% increase of kCVE 4,708 in employee costs.

Net operating income before impairment was up 65.9% by kCVE 204,045 over 2017 to kCVE 513,577. Net impairment and provisions calculated under IFRS 9 and implemented across the year totalled kCVE 372,949 and consumed around 73% of operating income as opposed to the preceding year’s 40%.

Net income in December 2018 was up 205.48% by kCVE 111,543 to kCVE 165,826 in comparison to the same period last year.

Cost-to-income, in 2018, fuelled by the reduction of structural costs and higher level of total operating income, was down 14.1 pp to 52.8%.

Year-on-year profitability levels were up, with an increase of ROE from 3.05% to 8.88% and ROA up from 0.2% to 0.68% from December 2017 to December 2018, respectively.

Special attention has been paid to the evolution of performing loans (down 11% over 2017) with a strengthening of the bank’s operating mechanisms and procedures for recovery purposes. A sharp decrease is expected over the short term.

In a context in which the market remains stagnant and notwithstanding a certain level of improvement having been noted in the business environment, particularly on account of the public announcements of greater foreign investment in Cabo Verde, the bank continues to further its risk mitigation strategy and improve profitability, having achieved a higher level of qualification of its human and technological resources.

10 PROPOSAL FOR THE APPROPRIATION OF NET INCOME

The board of directors hereby submits the following proposal to the general meeting of shareholders for the appropriation of net income for 2018:

- Legal reserve 10%;
- Coverage of retained earnings of kCVE 52,385,287 resulting from the application of IFRS 9;
- Remainder to other reserves.

Praia, 28 May 2019

(Signed)
Alfredo Manuel Antas Teles
Chairman of the board of directors

(Signed)
Jorge Fernando Gonçalves Alves
Board member

(Signed)
Teófilo Figueiredo Almeida Silva
Vice-chairman of the board of directors

(Signed)
Elsa Helena Lopes Tavares
Board member

(Signed)
Pedro Bruno Cardoso Braga Gomes Soares
Board member

(Signed)
Manuel Fernando Monteiro Pinto
Board member

(Signed)
João Carlos Aguiar Cristóvão
Board member

11 FINANCIAL STATEMENTS

BANCO INTERATLÂNTICO, S.A.

BALANCE SHEET AT 31 DECEMBER 2018 AND 2017

(Amounts in thousand Cape Verde escudos)

ASSETS	Notes	2018 Gross assets	2018 Impairment and depreciation	2018 Net assets	2017 Net assets
Cash and cash balances at central banks	3	1 488 467	-	1 488 467	2 663 292
Cash balances at other credit institutions	4	398 176	-	398 176	1 247 658
Available-for-sale financial assets	5	303 848	(11 891)	291 957	286 122
Loans and advances to credit institutions	6	2 096 593	-	2 096 593	2 808 816
Loans and advances to customers	7	18 828 222	(1 309 810)	17 518 413	17 544 940
Other tangible assets	8	1 224 278	(859 486)	364 792	395 792
Intangible assets	9	131 555	(97 674)	33 880	34 460
Investments in subsidiaries, associates and jointly controlled entities	10	87 306	-	87 306	70 768
Current tax assets	11	37 630	-	37 630	37 638
Deferred tax assets	11	17 931	-	17 931	-
Other assets	12	544 420	(90 407)	454 013	676 866
Total Assets		25 158 425	(2 369 268)	22 789 157	25 766 353

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2018	2017
Other credit institutions' resources	13	189 012	389 072
Customer resources and other loans	14	20 513 745	22 529 034
Other subordinated liabilities	15	-	515 214
Provisions	16	15 024	5 733
Current tax liabilities	11	1 306	1 964
Deferred tax liabilities	11	9 786	8 298
Other liabilities	18	133 459	508 000
Total liabilities		20 862 332	23 957 316
Capital	19	1 000 000	1 000 000
Share issue premiums	20	388	388
Fair value reserves	20	28 591	24 244
Other reserves	20	784 405	876 518
Retained earnings	20	(52 385)	(146 396)
Profit for period	20	165 826	54 284
Total shareholders' equity		1 926 826	1 809 037
Total liabilities and shareholders' equity		22 789 157	25 766 353

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

BALANCE SHEET AT 31 DECEMBER 2017 AND 2016

(Amounts in thousand Cape Verde escudos)

		2017			2016				
ASSETS	Notes	Gross assets	Impairment and depreciation	Net assets	Net assets	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
Cash and cash balances at central banks	3	2 663 292	-	2 663 292	1 425 917	Other credit institutions' resources	13	389 072	404 003
Cash balances at other credit institutions	4	1 247 658	-	1 247 658	960 363	Customer resources and other loans	14	22 529 034	25 011 175
Available-for-sale financial assets	5	298 013	(11 891)	286 122	280 258	Other subordinated liabilities	15	515 214	514 914
Loans and advances to credit institutions	6	2 808 816	-	2 808 816	7 297 536	Provisions	16	5 733	5 733
Loans and advances to customers	7	18 833 460	(1 288 520)	17 544 940	16 705 315	Current tax liabilities	11	1 964	5 983
Other tangible assets	8	1 219 992	(824 199)	395 792	422 000	Deferred tax liabilities	11	8 298	6 691
Intangible assets	9	123 325	(88 865)	34 460	27 146	Other liabilities	18	508 000	174 209
Investments in subsidiaries, associates and jointly controlled entities	10	70 768	-	70 768	80 055	Total liabilities		23 957 316	26 122 707
Current tax assets	11	37 638	-	37 638	43 679				
Other assets	12	870 363	(193 497)	676 866	630 497	Capital	19	1 000 000	1 000 000
						Share issue premiums	20	388	388
						Fair value reserves	20	24 244	19 548
						Other reserves	20	876 518	864 570
						Retained earnings	20	(146 396)	(146 396)
						Profit for period	20	54 284	11 948
						Total shareholders' equity		1 809 037	1 750 058
Total Assets		28 173 325	(2 406 972)	25 766 353	27 872 765	Total liabilities and shareholders' equity		25 766 353	27 872 765

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

PROFIT AND LOSS STATEMENT FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Amounts in thousand Cape Verde escudos)

	Notes	2018	2017
Interest and similar income	21	1 122 795	1 291 370
Interest and similar costs	22	(247 383)	(566 081)
NET INTEREST INCOME		875 412	725 289
Income from equity instruments	23	4 610	6 062
Interest from services and commissions	24	160 120	139 916
Costs of services and commissions	24	(68 295)	(31 106)
Income from available-for-sale financial assets	5	-	(77)
Income from foreign exchange revaluations	25	42 727	53 595
Income from the disposal of other assets	26	4 988	(92)
Other operating income	27	69 339	43 352
TOTAL OPERATING INCOME		1 088 901	936 939
Employee costs	28	(261 053)	(256 345)
General administrative costs	29	(264 257)	(319 076)
Depreciation and amortisation for period	8 and 9	(50 014)	(51 986)
Provisions net of recoveries and cancellations		33 053	-
Impairment of other financial assets net of reversals and recoveries	17	(389 236)	(211 397)
Impairment of other assets net of reversals and recoveries	17	(16 766)	(54 754)
Income from associates and subsidiaries measured by the equity accounting method	10	26 504	12 866
INCOME BEFORE TAX		167 132	56 247
Tax			
Current	11	(1 306)	(1 964)
Deferred	11	-	-
		(1 306)	(1 964)
NET INCOME		165 826	54 284
Average number of ordinary shares issued		100 000	100 000
Earnings per share (CVE)	30	1 658	543

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Amounts in thousand Cape Verde escudos)

				Other reserves and retained earnings					
	Capital	Issue premiums	Revaluation reserves	Legal reserve	Other reserves	Retained earnings	Total	Profit for period	Total
Balances at 31 December 2016	1 000 000	388	19 548	144 470	720 101	(146 396)	718 175	23 896	1 762 006
Distribution of profit for 2016:									
Incorporation in reserves and retained earnings	-	-	-	1 195	10 753	-	11 948		(11 948)
Comprehensive income for period	-	-	4 696	-	-	-		54 284	58 980
Balances at 31 December 2017	1 000 000	388	24 244	145 665	730 854	(146 396)	730 123	78 180	1 809 037
Distribution of profit for 2017:									
Incorporation in reserves and retained earnings	-	-	-	5 428	48 855		54 284		-
Use of reserves					(146 396)	146 396	-		-
Adjustment for IFRS 9						(52 385)	52 385		(52 385)
Comprehensive income for period	-	-	4 347	-	-	-	-	165 826	170 173
Balances at 31 December 2018	1 000 000	388	28 591	151 093	633 313	(52 385)	836 792	244 006	1 926 825

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Amounts in thousand Cape Verde escudos)

	Notes	2018	2017
Changes in the fair value of available-for-sale financial assets			
Change in period	20	5 835	6 303
Fiscal effect	20	(1 488)	(1 607)
Other comprehensive income		4 347	4 696
Net profit for period		165 826	54 284
Total comprehensive income for period		170 173	58 980

The annex is an integral part of these financial statements

BANCO INTERATLÂNTICO, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Amounts in thousand Cape Verde escudos)

	2018	2017
Cash flows from operating activities		
Income from interest and commissions	1 282 915	1 431 285
Payment of interest and commissions	(315 677)	(597 186)
Foreign exchange income	42 727	53 595
Payments to employees and suppliers	(525 311)	(575 421)
Other receipts / (payments) for operating activity	74 327	43 183
Payments of income tax	(16 663)	1 751
Operating income prior to changes in operating assets	542 317	357 207
Increases (decreases) of operating assets:		
Available-for-sale financial assets	-	(5 864)
Loans and advances to credit institutions	712 223	4 488 720
Loans and advances to customers including treasury bills	(474 409)	(1 165 345)
Other assets	(208 310)	31 041
	29 504	3 348 552
Increases (decreases) of operating liabilities:		
Central banks' and other credit institutions' resources	(200 059)	(14 931)
Customer resources	(2 015 289)	(2 482 140)
Other liabilities	(374 541)	333 792
	(2 589 890)	(2 163 279)
Net cash from operating liabilities	(2 018 069)	1 542 480
Cash flows from investing activities		
(Increases) decrease of investment assets		
Intangible assets	(8 230)	(7 315)
Other tangible assets	(12 585)	(29 421)
Dividends received	14 576	18 927
Net cash from investing activities	(6 239)	(17 809)
Cash flows from financing activities		
Dividends paid	-	-
Net cash from financing activities	-	-
Increase (decrease) net of cash and cash equivalents	(2 024 308)	1 524 671
Cash and cash equivalents at start of period	3 910 950	2 386 279
Cash and cash equivalents at end of period	1 886 642	3 910 950

The annex is an integral part of these financial statements

12 NOTES TO THE FINANCIAL STATEMENTS

1. INTRODUCTORY NOTE

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

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

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

The bank's financial statements, at 31 December 2018, were approved by the board of directors on 28 May 2019 but still require the approval of its general shareholders' meeting. The bank's board of directors, however, considers that they will be approved without any significant alterations. The board of directors wishes to emphasise that this is the second set of accounts approved for 2018, owing to the Bank of Cabo Verde's resolution of 22 May 2019, pursuant to which the bank made an extraordinary credit impairment adjustment of CVE 150,000 (increase), in addition to the adjustment resulting from the application of the impairment model of IFRS 9 and that a plan to strengthen regulatory provisions will also be submitted by 20 July 2019, considering that, as explained in the external auditors' report on provisions, without the application of the provisions requested by the Bank of Cabo Verde in March 2015 on a series of operations and consistently applied since then, there would be a provisions deficit of CVE 838,983 based on the integral application of the Bank of Cabo Verde's *notice* 4/2006.

2. PRESENTATION BASES AND ACCOUNTING POLICIES

2.1. Presentation bases

The bank's financial statements have been prepared on the going concern principle, based on books and accounting records, kept in conformity with the accounting principles set out in the International Financial Reporting Standards (IFRS) under the terms of *notice* 2/2007 of 19 November, as issued by the Bank of Cabo Verde, except for the calculation of impairment on loans to several customers with a high level of exposure and seniority which shall be adjusted under the terms of note 1.

2.2. Accounting policies

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

a) *Accrual basis*

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

b) *Translation of balances and transactions in foreign currency*

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

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

The Cabo Verde escudo to euro exchange rate in 2018 and 2017 continued to be fixed at 1 euro to 110.265 Cabo Verde escudos. The exchange rate against the US dollar (USD), at 31 December 2018 and 2017 was as follows:

	2018	2017
1 USD	96,268	92,398

c) ***Financial assets***

The bank performs an individual analysis on all customers with liabilities of more than kCVE 40,000 and companies with an exposure of more than kCVE 25,000 when in default for more than 180 days.

Whenever there are any signs of impairment on individually assessed assets, any impairment loss comprises the difference between the present value of expected future cash flow receivable (recoverable value) discounted at the asset's effective original interest rate and book value at the time of the analysis.

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

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

- Corporate lending;
- Mortgage loans;
- Issue of guarantees;
- Other loans and advances to individual customers;
- Public sector.

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

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

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

Available-for-sale financial assets

As referred to in note 2.2. c), i) available-for-sale financial assets are recognised at their fair value, with changes in their fair value being directly reflected in "Revaluation reserves" in shareholders' equity.

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

Whenever there is any objective evidence of impairment, accrued capital losses which have been recognised in reserves are transferred to costs for the period as impairment losses, in "Impairment of other financial assets, net of reversals and recoveries".

In addition to the above referred to signs of impairment on assets recognised at amortised cost, IFRS 9 also provides for the following specific signs of impairment on equity instruments:

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

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

The bank also performs periodic impairment analyses on financial assets recognised at cost, notably unlisted shareholders' equity instruments whose fair value cannot be reliably measured. The recoverable value, in this case, is the best estimate of the cash flows receivable on the asset, discounted at a rate that adequately reflects the risk attached to holding the asset.

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

d) *Financial liabilities*

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

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

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

e) *Assets received on credit recoveries*

Property and other auctioned goods obtained on the recovery of overdue credit are recognised in "Other assets".

These assets are not depreciated. The value of property received in kind for credit recovery purposes is periodically assessed. Impairment losses are recognised if a property's value, net of its estimated sales costs, is less than its balance sheet carrying amount.

Auctioned property is written-off from assets and its respective profit or loss recognised in "Income from the disposal of other assets".

f) *Reclassifications*

The bank reclassifies non-derivative financial assets with fixed or determinable payments and defined maturities from available-for-sale financial assets to financial assets held-to-maturity, provided it intends and is able to hold such financial assets to maturity.

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

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

Transfers of available-for-sale financial assets to loans and advances to customers − securitised loans – are permitted if the bank intends and is able to maintain them in the foreseeable future or up to maturity.

g) *Fair value ranking*

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

Market prices (level 1)

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

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

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

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

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

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

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

h) *Other tangible assets*

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

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

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

Land is not depreciated.

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

Depreciation is recognised as a cost for the period.

Analyses designed to identify signs of impairment on tangible assets are periodically performed, in accordance with IAS 36 – "Assets impairment". Impairment losses are recognised in "Impairment of other assets, net of reversals and recoveries" in profit and loss for the period whenever the net book value of tangible assets exceeds their recoverable value. Impairment losses can be reversed and also have an impact on profit and loss for the period if there is an increase in the asset's recoverable value in the following periods.

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

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

i) *Intangible assets*

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

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

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

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

j) Investments in subsidiaries, associates and jointly controlled entities

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

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

k) *Income tax*

The bank, at 31 December 2018 and 2017, was an "IRPC" (corporate income tax) taxpayer at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.5%.

Current tax

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

Deferred tax

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

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

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

The principal situations originating temporary differences, as regards the bank, comprise the impact of the adoption of IFRS and measurement of available-for-sale financial assets.

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

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

l) *Provisions and contingent liabilities*

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

When not probable, the future expenditure of resources is considered to be a contingent liability. Contingent liabilities only require a disclosure procedure, unless the probability of their occurrence is remote.

m) *Employee benefits*

Liabilities for employee benefits are recognised in accordance with the principles of IAS 19 – "Employee benefits".

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

n) *Commissions*

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

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

Commissions for services performed are usually recognised as income across the period of performance of the service or as a lump sum if resulting from single acts.

o) *Securities and other items held under custody*

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

p) *Cash and cash equivalents*

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

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

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

Measurement of impairment losses on loans

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

The measurement of impairment on a collective basis is based on historical parameters for comparable types of operations, considering default and recovery estimates (see note 34).

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

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

Measurement of impairment losses on available-for-sale financial assets

As described in note 2.2. c) i) b), capital losses on the measurement of such assets are recognised as a charge to "Revaluation reserves". Whenever there is objective evidence of impairment the accumulated capital losses recognised in revaluation reserves are transferred to costs for the period.

Measurements of impairment losses on equity instruments may be subjective. The bank assesses whether or not impairment exists on such assets on the basis of a specific analysis at each balance sheet date, taking into consideration the signs defined in IFRS 9 (see note 2.2. c) ii) and note 34).

Measurement of financial instruments not traded in active markets

The bank, under IFRS 9, measures several instruments recognised as available-for-sale financial assets at their fair value. Measurement models and techniques, as described in note 2.2.c) are used to assess the value of financial instruments not traded in liquid markets. The measurements obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the balance sheet (see note 34).

Impairment:

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

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

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

Income tax assessment

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

With the coming into force of the IRPC code ("Code on the Tax of Collective Persons") on 1 January 2015, the bank considered its interpretation of the changes enforced by the said code, namely as regards the deductibility of impairment costs on credit, considering that, for fiscal purposes, impairment calculated under the terms of IFRS 9 and the impact of the transition to the new code would be accepted. The board of directors considers that the criteria and assumptions employed are in conformity with the legislation in force and that any differences in interpretation will only originate reclassifications between current and deferred taxes, without having an impact on profit and loss and the bank's shareholders' equity at 31 December 2015 (see note 34).

r) *Basic earnings per share*

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

s) *Operating segments*

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

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

customers, as well as international money transfers.

t) ***Shareholders' equity***

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

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

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

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

u) Payment of dividends

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

IFRS disclosures – new standards at 31 December 2017:

1 - New standards and interpretations applicable in the period

The following issuances, revisions, amendments and improvements to standards and interpretations, effective from 1 January 2017, have been introduced, following their endorsement by the European Union (EU).

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

IAS 7 − Disclosure initiative

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

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

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

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

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

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

Annual improvements to the 2014-2016 cycle

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

IFRS 12 − Disclosures of interests in other entities

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

2 - New standards and interpretations already issued but still not mandatory

The standards and interpretations recently issued by the IASB, whose application is only mandatory for the periods after 1 July 2017 or latter periods and that the bank has not adopted in advance, are as follows:

a) Already endorsed by the EU:

IFRS 15 – Revenue from contracts with customers

This standard applies to all revenue from contracts with customers and replaces the following existing standards and interpretations: IAS 11 – Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 – Transfers of assets from customers and SIC 31 - Revenue-barter transactions involving advertising services. The standard applies to all revenue from contracts with customers unless the contract falls within the sphere of IAS 17 (or IFRS 16 - Leases when applied).

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

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

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

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

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

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

Clarification of IFRS 15

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

The following amendments were made:

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

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

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

Standards issued but not yet in force

Introductory note

IAS 8.30 requires an entity to disclose the standards which have already been issued (and endorsed by the European Union) but which are still not in force and to supply known and reasonable information to enable users to assess the possible impacts of the adoption of a certain standard in the entity's financial statements. Certain authorities such as ESMA (European Securities and Market Authority) have issued recommendations on the disclosures of the expected impacts of the adoption of the principal standards such as IFRS 16 for inclusion in entities' interim and annual financial statements.

The disclosure herein presented is based on the assumption that the entity has performed a detailed assessment of the expected impacts of IFRS 16 and, as such, sets out details on such impacts as balance sheet and profit and loss statement entries. IAS 8.30 however, does not require this level of detail. There may also be situations of entities which are still in the process of finalising their analyses of the impacts on their financial statements for 2018 and which may be interested in disclosing such impacts in a more aggregate form. These entities should disclose known and reasonable information enabling the impact of the adoption of IFRS 16 at the date of initial application, but may do so on a more aggregate level by making reference to an estimated impact gap on a level of total assets, liabilities, profit and loss for the period and shareholders' equity. Entities, in such cases, should, in their financial statements, declare that the quantitative information disclosed in this note may be subject to future changes.

IFRS 16 Leases

IFRS 16 was issued in January 2016 in replacement of IAS 17 (Leases), IFRIC 4 (Determining whether an arrangement contains a lease), SIC 15 (Operating leases – incentives) and SIC 27 (Evaluating the substance of transactions involving the legal form of a lease). IFRS 16 establishes the principles applicable to the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in their respective balance sheets in accordance with a unique model which is similar to the model currently provided for in IAS 17 for financial leases.

The standard provides for two recognition exemptions for lessees – lease agreements in which the assets are of limited value (e.g. personal computers) and short term lease agreements (i.e. agreements with a maturity of 12 months or less).

On the lease's start date, lessees must now recognise the liability related to future lease payments (i.e. lease liabilities) and the asset representing the right to use the asset for the lease period (i.e. the right-of-use asset). The lessees must separately recognise the financial cost of the leased liability and the amortisation or depreciation cost of the right-of-use asset.

Under this standard, lessees must measure the liabilities attached to the lease when certain events occur (such as a change of lease period, change of lease payments as a consequence of a change of an indexer or a rate used to assess such payments). Lessees recognise the amount of this measurement in the liabilities attached to the lease as an adjustment to the right-of-use asset.

The lessor's accounting procedure, in accordance with IFRS 16 remains substantially unchanged from the current accounting procedure of IAS 17. The lessor continues to classify all leases using the same classification principle of IAS 17 and differentiating between the two types of lease: operating and financial leases.

IFRS 16, which comes into force in the periods starting on or after 1 January 2019, requires lessors and lessees to issue more extensive disclosures than those requested by IAS 17.

Transition to IFRS 16

The group will adopt IFRS 16 retrospectively for each reporting period set out in the financial statements. The group will apply the standard to all agreements which have previously been identified as leases under IAS 17 and IFRIC 4. Consequently, the group will not apply the standard to agreements which have not previously been identified as containing a lease.

The group decided to apply the exemptions provided for in the standard for lease agreements terminating in the next 12 months since the date of initial application, and, for lease agreements in which the underlying asset is of limited value. The group has lease agreements for certain types of administrative equipment (e.g. personal computers, printers and photocopiers) that the group considers to be of limited value.

3. CASH AND CASH BALANCES AT CENTRAL BANKS

This account comprises the following:

	2018	2017
Cash		
. Domestic currency	224 034	310 580
. Foreign currency	479 099	726 490
Sight deposits with the Bank of Cape Verde		
. Domestic currency	785 334	1 626 221
	1 488 467	2 663 292

The objective of sight deposits with the Bank of Cabo Verde is to satisfy minimum cash reserve requirements. Under Bank of Cabo Verde dispositions, these cash balances comprise 13% of average effective domestic and foreign currency liabilities to residents and emigrants. The minimum reserves at 31 December 2018 and 2017, amounted to kCVE 2,211,666 and kCVE 2,274,639, respectively. A minimum daily percentage of 20% of the amount of the minimum reserves to be maintained by financial institutions in their sight deposit accounts was defined, starting 2014.

No interest was paid on these deposits, in 2018 and 2017

4. CASH BALANCES AT OTHER CREDIT INSTITUTIONS

This account comprises the following:

	2018	2017
Sight deposits:		
. Caixa Geral de Depósitos, S.A.	311 452	876 461
. Other credit institutions abroad	31 273	117 421
. Institutions in Cape Verde	1 259	2 290
	343 984	996 171
Cheques pending collection:		
. Drawn on foreign banks	5 876	5 355
. Drawn on banks in Cape Verde	48 315	246 132
	54 191	251 487
	398 176	1 247 658

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

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Information on the composition of financial instruments classified as available-for-sale financial assets, at 31 December 2018 and 2017, is set out below:

Security	2018 Acquisition price	% equity stake	Book value (gross)	Fair value reserve	Impairment	Book value (net)
				(Nota 20)	(Nota 17)	
Equity instruments at fair value						
Banco Comercial do Atlântico, S.A.	238 746	5,40%	243 955	5 209	(10 011)	233 944
Visa International Service Association	1 323	n.d.	34 491	33 168	-	34 491
	240 069		278 446	38 377	(10 011)	268 435
Equity instruments at historical cost						
A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L.	15 307	3,79%	15 307	-	(1 880)	13 427
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	10 095	-	-	10 095
	25 402		25 402	-	(1 880)	23 522
	265 471		303 848	38 377	(11 891)	291 957

n.a. - not available

Security	2017 Acquisition price	% equity stake	Book value (gross)	Fair value reserve	Impairment	Book value (net)
				(Nota 20)	(Nota 17)	
Equity instruments at fair value						
Banco Comercial do Atlântico, S.A.	238 746	5,40%	243 955	5 209	(10 011)	233 944
Visa International Service Association	1 323	n.d.	28 656	27 333	-	28 656
	240 069		272 611	32 542	(10 011)	262 600
Equity instruments at historical cost						
A Promotora, Sociedade de Capital de Risco de Cabo Verde, S.A.R.L.	15 307	3,79%	15 307	-	(1 880)	13 427
Sociedade Cabo Verdiana de Tabacos, S.A.	10 095	0,65%	10 095	-	-	10 095
	25 402		25 402	-	(1 880)	23 522
	265 471		298 013	32 542	(11 891)	286 122

n.a. - not available

Equity instruments at fair value

The shares of Banco Comercial do Atlântico, S.A. were measured on the basis of an assessment made by an independent external entity and those of the Visa International Service Association in accordance with their market price at 31 December 2018 as supplied by Caixa Geral de Depósitos.

As the external valuation of the shares of Banco Comercial do Atlântico in 2018, was not significantly different from that of the period ended 31 December 2017, there was no change to the recognition of their fair value.

Equity instruments at historical cost

The bank retained its equity investment in Promotora, Sociedade de Capital de Risco de Cabo Verde, SARL and Sociedade Cabo-verdiana de Tabacos, at historical cost. In the case of the former investment, impairment of kCVE 1,880 was recognised, for the purpose of reducing the book value to its estimated realisation price.

There were no transactions of available-for-sale financial assets in 2018..

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account comprises the following:

	Amount of loan/advance	
	2018	2017
Loans and advances in Cape Verde:		
Bank of Cape Verde:		
- "Certificates of monetary intervention"	67 000	-
- "Certificates of monetary regulation"	-	-
- Very short term loans and advances	2 000 000	2 700 000
	2 067 000	2 700 000
Loans and advances to credit institutions abroad		
Caixa Geral de Depósitos:		
- Deposits	-	90 031
Ecobank:		
- Deposits	-	-
Other credit institutions	29 880	18 772
	29 880	108 804
Interest receivable	-	12
Deferred income	(287)	-
	2 096 593	2 808 816

7. LOANS AND ADVANCES TO CUSTOMERS

This account comprises the following:

		2018	2017
Short term domestic loans:			
. Sight deposit overdrafts		56 817	55 893
. Loans		258 041	34 247
. Commercial discounts		25 104	62 620
. Other loans		87 757	90 510
Medium and long term domestic loans:			
. Loans		8 834 131	8 399 502
. Current account loans		1 663 335	2 464 357
Short term foreign loans:			
. Housing		31 160	20 500
. Sight deposit overdrafts		1 383	1 609
. Other loans		74 364	62 010
Medium and long term foreign loans:			
. Loans		498 613	389 281
. Current account loans		80 808	132 977
Loans to employees		414 743	374 579
Interest receivable		28 642	35 265
Commissions and other deferred income		(66 107)	(66 681)
Overdue loans		2 321 591	2 608 704
Total unsecuritised credit	(A)	**14 310 381**	**14 665 373**
Other loans and amounts receivable - securitised			
Public debt securities		4 088 713	3 728 803
Corporate bonds		363 616	375 616
Overdue corporate bonds		666	666
Interest receivable		64 800	62 930
Deferred costs		47	73
Total securitised credit	(B)	**4 517 842**	**4 168 088**
Total loans and advances to customers (gross)	(C) = (A) + (B)	**18 828 223**	**18 833 461**
Impairment on loans and advances to customers (Note 18)	(D)	(1 309 810)	(1 288 520)
Total loans and advances to customers (net)	(E) = (C) + (D)	**17 518 413**	**17 544 941**

Interest rates on loans to employees, at 31 December 2018 and 2017, were subsidised.

Public debt securities, at 31 December 2018 and 2017, include fixed-interest rate Cabo Verde treasury bonds.

The average interest rate on treasury bonds in 2018 was 4.96% (5.18% in 2017).

The balance on the “Bonds issued by corporate entities” account, at 31 December 2018 and 2017, reflects the value of the bonds of domestic companies classified as “Loans and accounts receivable” (note 2.2. c)). Information on these bonds is as follows:

Type of security	2018	2017
Public debt securities		
Treasury bonds		
Nominal amount	4 088 713	3 728 803
Interest receivable	58 625	53 200
	4 147 338	3 782 003

Bond	2018	2017
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche B	-	-
Issue premium - Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche B		-
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche D	68 050	68 050
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	32 199	32 199
IFH - Imobiliária, Fundiária e Habitat, S.A. Series C	55 058	55 058
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche I	24 000	30 000
IFH - Imobiliária, Fundiária e Habitat, S.A. Series F Tranche II	20 000	25 000
Cabo Verde Fast Ferry, S.A.	19 996	19 996
Sal Municipality	7 000	8 000
Banco Comercial do Atlântico, S.A.	-	-
Sociedade de Gestão de Investimentos, Lda.	666	666
Electra - Empresa de Electricidade e Águas, S.A.R.L. - Tranche C	100 000	100 000
ASA - Empresa Nacional de Aeroportos e Segurança Aérea, S.A. Series D	37 313	37 313
Total (gross)	364 282	376 282
Impairment	11 673	10 597
Interest receivable and deferred costs	9 772	9 803
Total (gross)	362 380	375 488

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

At 31 December 2018, the bonds issued by Cabo Verde Fast Ferry, S.A. were in default on the payment of interest on coupons 11 to 13 and 15 to 18 for a global amount of kCVE 3,549. Total impairment amounted to kCVE 10,858.

In 2016, Cabo Verde Fast Ferry restructured the contract, as follows:

- Change of redemption period from 2019 to 2024;
- Change of interest rate to 4%.

At 31 December 2018, the bonds issued by Sociedade de Gestão de Investimentos, Lda. were in default on the payment of coupon interest between February 2014 and 18 February 2017.

At 31 December 2018, the principal and interest owed by Sociedade de Gestão de Investimentos, Lda. had been overdue since 18 February 2017. Overdue interest amounted to kCVE 149, with overdue principal of kCVE 666. Total impairment amounted to kCVE 815.

At 31 December 2018 and 2017, loans and advances to customers, excluding “Other loans and amounts receivable – securitised”, associated accrued interest and commissions and other deferred income had the following structure by sectors of activity:

	Total 2018		
	Outstanding credit	Overdue credit	Total
General government	318 705	-	318 705
	318 705	-	318 705
Companies			
Agriculture, animal husbandry, hunting and silviculture	21 661	-	21 661
Fisheries	1 455	-	1 455
Extractive industries	-	-	-
Extraction of energy products	-	-	-
Extractive industries excluding energy products	-	-	-
Manufacturing industries	328 936	41 847	370 783
Food, beverages and tobacco industries	237 302	4 815	242 117
Textiles industry	1 273	-	1 273
Leather and leather goods industry	-	-	-
Wood industries, cork and articles thereof	6 172	25 027	31 199
Paper pulp, board and articles thereof, printing and publishing	12 783	12 005	24 788
Production of coke, oil products, refined products, combustion and nuclear products	35 914	-	35 914
Manufacture of chemical products and synthetic or artifical fibres	-	-	-
Manufacture of basic pharmaceutical products and phramaceutical preparations	55	-	55
Manufacture of articles of rubber and plastic materials	-	-	-
Manufacture of other non-metallic products	32 335	-	32 335
Basic metalurgical and metallic products industries	300	-	300
Manufacture of machinery and equipment	-	-	-
Manufacture of furniture and mattresses	-	-	-
Manufacture of electrical and optical equipment	-	-	-
Manufacture of transport material	-	-	-
Unspecified manufacturing industries	-	-	-
Other manufacturing industries	2 801	-	2 801
Generation and distribution of electricity, water and gas	81 649	-	81 649
Construction	1 082 600	449 090	1 531 691
Wholesale, retail, repairs of motor vehicles and cycles and personal and domestic goods	753 232	81 319	834 551
Transport, warehousing and communications	251 805	264 199	516 005
Hotels and catering (restaurants and the like)	811 654	235 805	1 047 459
Information and communication activities	120 939	4 563	125 501
Financial activities	-	-	-
Financial brokerage excluding insurance and pension funds	-	-	-
Insurance, pension funds and complementary social security activities	-	-	-
Ancillary financial brokerage services	-	-	-
Property activities, corporate hires and services	993 344	680 829	1 674 173
Property activities	993 344	680 829	1 674 173
Other activities	-	-	-
Consultancy, scientific, technical and similar services	-	-	-
Administrative and support services activities	-	-	-
General government, defence and mandatory social security	-	-	-
Education	244 143	264	244 407
Health and social security	96 981	-	96 981
Other activtities and collective, social and personal, services	872 898	129 153	1 002 051
Families with domestic employees	-	-	-
International bodies and other extraterritorial institutes	-	-	-
	5 661 296	1 887 069	7 548 365
Personal customers			
Housing	3 774 281	114 847	3 889 128
Other	2 271 973	316 126	2 588 098
	6 046 253	430 973	6 477 226
	12 026 255	2 318 042	14 344 297

	Total 2017		
	Outstanding credit	Overdue credit	Total
General government	496 848	-	496 848
	496 848	-	496 848
Companies			
Agriculture, animal husbandry, hunting and silviculture	23 772	-	23 772
Fisheries		-	-
Extractive industries	30 368	-	30 368
Extraction of energy products		-	-
Extractive industries excluding energy products	30 368	-	30 368
Indústrias transformadoras	260 357	160 014	420 371
Food, beverages and tobacco industries	134 215	4 834	139 049
Textiles industry	2 497	-	2 497
Leather and leather goods industry	5 855	-	5 855
Wood industries, cork and articles thereof			-
Paper pulp, board and articles thereof, printing and publishing	7 029	131 323	138 352
Production of coke, oil products, refined products, combustion and nuclear products			-
Manufacture of chemical products and synthetic or artifical fibres	44 562	-	44 562
Manufacture of basic pharmaceutical products and phramaceutical preparations			-
Manufacture of articles of rubber and plastic materials			-
Manufacture of other non-metallic products			-
Basic metalurgical and metallic products industries	35 392	-	35 392
Manufacture of machinery and equipment	447	-	447
Manufacture of furniture and mattresses	11 830	23 857	35 686
Manufacture of electrical and optical equipment			-
Manufacture of transport material			-
Unspecified manufacturing industries			-
Other manufacturing industries	18 530	-	18 530
Generation and distribution of electricity, water and gas	511 336	-	511 336
Construction	1 713 273	282 405	1 995 678
Wholesale, retail, repairs of motor vehicles and cycles and personal and domestic goods	661 595	111 483	773 078
Transport, warehousing and communications	382 673	436 243	818 916
Hotels and catering (restaurants and the like)	1 029 923	211 717	1 241 640
Information and communication activities	4 622	-	4 622
Financial activities			-
Financial brokerage excluding insurance and pension funds			-
Insurance, pension funds and complementary social security activities			-
Ancillary financial brokerage services			-
Property activities, corporate hires and services	762 230	712 532	1 474 762
Property activities	757 296	712 393	1 469 689
Other activities	4 934	140	5 074
Consultancy, scientific, technical and similar services	129 822	339	130 160
Administrative and support services activities	-	-	-
General government, defence and mandatory social security	192 750	-	192 750
Education	257 544	6	257 549
Health and social security	157 603	-	157 603
Other activtities and collective, social and personal, services	392 396	155 952	548 348
Families with domestic employees	-	-	-
International bodies and other extraterritorial institutes	-	-	-
	6 510 264	2 070 690	8 580 954
Personal customers			
Housing	3 057 254	153 175	3 210 429
Other	2 023 719	384 839	2 408 558
	5 080 973	538 015	5 618 987
	12 088 085	2 608 704	14 696 789

Details of exposures and impairment by segment

Segment	Total exposure	Exposure with low credit risk	of which cured	of which restructured	Exposure with a significant increase in credit risk	of which restructured	Exposure with impairment	of which restructured	Total impairment	Exposures with low credit risk	Exposure with a significant increase in credit risk	Exposure with impairment
Companies (exc.const and CRE)	6 486 113 767	5 160 790 673	0	3 495 826	319 738 569	4 606 853	1 005 584 526	138 406 420	293 989 919 0	50 775 469 0	23 431 120 0	219 783 330
Construction and CRE	4 333 302 608	2 439 177 994	0	0	125 344 325	0	1 768 780 288	0	767 303 929 0	28 905 666 0	3 158 650 0	735 239 613
Housing	2 870 870 074	2 347 925 788	0	357 631	175 480 118	35 721 502	347 464 168	8 616 785	156 507 036	23 805 519	18 894 606 0	113 806 911
Consumption and other personal loans	4 010 406 471	3 760 298 937	0	996 293	145 704 812	33 350 948	104 402 722	9 600 457	101 299 352	8 275 817	16 145 985 0	76 877 550
Total	17 700 692 920	13 708 193 392 0	0 0	4 849 750 0	766 267 824 0	73 679 303 0	3 226 231 704 0	156 623 662 0	1 319 100 236 0	111 762 471 0	61 630 361 0	1 145 707 404

Details of exposures and impairment by segment (continued)

Segment	Total exposure 31.12.2018	Number of days overdue <90										
		Low credit risk	Significant increase in credit risk	Sub-total	Overdue <=90 days*	Overdue >90 days	Total impairment 31.12.2018	Overdue<30 days	Overdue between 30-90 days	Overdue <= 90 days*	Overdue > 90 days
Companies (exc.const and CRE)	6 539 497 399	5 160 790 673	318 796 994	5 479 587 667	311 683 258	748 226 474	286 846 687	52 063 088	852 076	242 394 928	-8 463 405
Construction and CRE	4 279 918 976	2 414 810 192	121 107 850	2 535 918 043	602 791 674	1 141 209 260	774 447 161	36 687 148	0	0	737 760 013
Housing	4 010 406 471	3 760 298 937	145 704 812	3 906 003 749	20 635 391	83 767 331	101 299 352	12 361 286	560 400	14 694 797	73 682 869
Consumption and other personal loans	2 870 870 074	2 347 925 788	171 594 734	2 519 520 522	50 229 265	301 120 287	156 507 036	31 443 675	588 860	18 657 626	105 816 875
Total	**17 700 692 920**	**13 683 825 590**	**757 204 391**	**14 441 029 981**	**985 339 587**	**2 274 323 352**	**1 319 100 236**	**132 555 197**	**2 001 336**	**275 747 351**	**908 796 352**

Details of credit portfolio by segment and year of production

Year of production	Companies (exc. const and CRE)			Construction and CRE			Housing			Consumption and other personal loans		
	Number of operations	Amount	Declared impairment	Number of operations	Amount	Declared impairment	Number of operations	Amount	Declared impairment	Number of operations	Amount	Declared impairment
2009 and preceding years	101	651 766 251	83 215 720	44	546 505 311	188 762 565	129	508 843 633	15 835 275	430	94 218 797	12 618 495
2010	27	117 117 317	46 045 701	12	720 740 857	341 995 105	44	254 757 457	44 800 899	68	24 870 112	2 502 682
2011	31	327 107 024	4 234 268	7	180 078 545	14 926 561	57	249 272 792	7 635 529	59	60 022 585	7 750 647
2012	27	604 067 336	36 296 905	12	150 616 178	15 450 233	42	221 358 781	9 477 599	59	34 053 441	1 359 214
2013	27	103 334 486	8 420 754	11	322 789 068	26 901 431	30	152 456 533	1 643 011	75	35 607 283	3 362 814
2014	36	130 959 362	5 414 302	8	76 962 175	5 888 759	41	243 741 317	806 191	122	47 068 234	1 420 286
2015	48	276 729 609	9 167 859	21	226 246 130	20 697 085	42	235 263 636	2 668 256	262	254 989 913	21 984 728
2016	85	305 148 408	17 933 338	24	498 137 465	29 625 717	51	303 201 291	7 521 856	604	474 159 285	47 198 112
2017	181	1 194 409 662	45 412 475	35	298 366 383	19 573 154	120	703 095 587	4 393 038	1380	698 422 858	39 160 435
2018	375	2 750 118 753	37 848 597	74	1 338 216 056	103 483 319	168	1 138 415 444	6 517 698	1339	1 147 457 566	19 149 623
Total	**938**	**6 460 758 207**	**293 989 919**	**248**	**4 358 658 168**	**767 303 929**	**724**	**4 010 406 471**	**101 299 352**	**4 398**	**2 870 870 074**	**156 507 036**

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

	Companies (exc. const and CRE)		Construction and CRE		Housing		Consumption and other personal loans		Total	
31.12.2018	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	532 382 450	125 960 633	1 546 787 488	573 144 989	0	0	225 418 586	65 994 245	2 304 588 524	765 099 867
Collective	5 928 376 481	168 029 286	2 811 869 956	194 158 940	4 010 406 471	101 299 352	2 645 451 488	90 512 791	15 396 104 396	554 000 369
Total	**6 460 758 931**	**293 989 919**	**4 358 657 444**	**767 303 929**	**4 010 406 471**	**101 299 352**	**2 870 870 074**	**156 507 036**	**17 700 692 920**	**1 319 100 236**

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

	F-Construction		C-Manufacturing industries		G-Wholesale and retail		Other		Total	
31.12.2018	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	623 727 435	273 757 417	0	0	52 941 473	29 259 368	1 377 800 624	384 415 632	2 054 469 532	687 432 417
Collective	1 632 727 543	164 832 909	436 717 743	31 527 411	1 175 290 298	41 492 961	5 017 739 417	124 334 945	8 262 475 002	362 188 226
Total	**2 256 454 978**	**438 590 326**	**436 717 743**	**31 527 411**	**1 228 231 771**	**70 752 329**	**6 395 540 041**	**508 750 577**	**10 316 944 533**	**1 049 620 643**

Details of restructured credit portfolio by restructuring measure applied

	31.12.2018											
	Exposure with low credit risk			Exposure with a significant increase in credit risk			Exposures with impairment			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Extension of maturity	5	4 849 750	31 117	26	73 679 303	18 170 747	17	156 623 662	76 142 554	48	235 152 715	94 344 418
Grace period												
Reduction of interest rate												
Total	**5**	**4 849 750**	31 117	26	73 679 303	18 170 747	17	156 623 662	76 142 554	48	235 152 715	94 344 418

Restructured credit portfolio - entries and exits

	31.12.2018
Opening balance of restructured credit portfolio (gross of impairment)	391 512 242
Credit restructured in period	57 583 588
Accrued interest on restructured portfolio	
Restructured credit settlements (part or full)	-54 777 843
Credit reclassified from restructured to "normal"	-159170818
Other	
Closing balance of restructured credit portfolio (gross of impairment)	**235 147 169,00**

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

	31.12.2018											
	Companies (exc. const and CRE)				**Construction and CRE**				**Housing**			
	Properties		Other real collateral		Properties		Other real collateral		Properties		Other real collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
0,5 MCVE	8	1 179 928	11	2 533 062	2	254 534	2	476 481	13	5 254 670	0	0
>= 0,5 MCVE e < 1 MCVE	6	4 225 681	18	11 826 055	1	761 432	1	799 456	23	17 904 021	0	0
>= 1 MCVE e < 5 MCVE	47	121 487 448	58	137 341 209	15	39 213 078	10	20 676 593	304	959 924 483	1	3 388 908
>= 5 MCVE e < 10 MCVE	25	182 051 291	6	40 924 775	10	74 568 827	1	6 634 977	211	1 450 476 817	2	10 367 954
>= 10 MCVE e < 20 MCVE	22	298 468 275	7	106 672 859	11	144 296 723	0	0	57	768 752 446	0	0
>= 20 MCVE e < 50 MCVE	15	452 474 391	2	72 017 543	11	339 562 619	0	0	7	182 166 807	0	0
>= 50 MCVE	10	1 282 446 693	1	135 917 227	12	1 413 693 986	0	0	0	0	0	0
Total	**133**	**2 342 333 707**	103	507 232 730	62	2 012 351 199	14	28 587 507	615	3 384 479 244	3	13 756 862

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

		31.12.2018				
	Segment / Ratio	Number of properties	Exposures with low credit risk	Exposures with a significant increase in credit risk	Exposure with impairment	Impairment
	Companies (exc. const and CRE)					
Without associated collateral	Without associated collateral	0	218 264 357	1 508 201	15 493 555	11 921 221
1	>= 150%	120	1 387 768 645	87 257 599	352 658 832	74 133 152
2	<= 150% e > 125%	18	260 603 271	4 293 153	38 097 434	26 680 926
3	<= 125% e > 100%	45	755 183 970	77 417 257	447 001 787	128 636 608
4	< 100%	8	1 420 086 505	143 012 358	46 177 676	38 797 396
	Construction and CRE					
Without associated collateral	Sem colateral associado	74	243 225 234	9 697 682	157 122 989	130 580 855
1	>= 150%	51	605 595 697	19 528 206	208 298 244	92 002 854
2	<= 150% e > 125%	9	8 778 932	22 064 054	110 265 000	30 054 605
3	<= 125% e > 100%	34	476 118 007	49 072 884	956 426 355	246 025 273
4	< 100%	31	766 323 463	613 697	285 524 081	114 577 607
Home loan purchases	**Housing**					
Without associated collateral	Without associated collateral	0	7 035 940	0	0	38 226
1	>= 150%	226	805 711 372	39 586 242	19 943 613	8 957 634
2	<= 150% e > 125%	89	503 219 556	15 719 274	16 180 870	3 181 412
3	<= 125% e > 100%	293	1 848 559 200	73 746 054	59 658 131	76 705 601
4	< 100%	3	592 072 869	16 653 242	8 620 108	12 416 479

8. OTHER TANGIBLE ASSETS

Information on movements in the “Other tangible assets” accounts for the years 2018 and 2017 is set out below:

	2018							
	Balances at 31-12-2017							
Description	Gross Amount	Accumulated impairment and depreciation	Increases	Write-offs (net)	Transfers between assets	Other adjustments	Impairment and depreciation for period	Net amount at 31/12/2018
Property for own use								
. Land	42 946	-	-	-	-	-	-	42 946
. Buildings	148 954	(46 795)	-	-	-	-	(2 630)	99 528
Other	3 913	(600)	1 576	-	-	-	(514)	4 375
Works on rented buildings	237 675	(207 669)	-	-	-	-	(10 280)	19 726
	433 488	(255 065)	1 576	-	-	-	(13 425)	166 574
Equipment								
. Furniture and material	50 592	(41 694)	750	-	-	-	(2 286)	7 362
. Machines and tools	32 244	(27 256)	1 664	-	-	-	(1 844)	4 807
. IT equipment	329 456	(290 219)	1 281	-	1 627	-	(13 105)	29 040
. Interior installations	17 705	(14 670)	20	-	-	-	(628)	2 428
. Transport material	72 674	(60 601)	2 597	(2 242)	-	-	(4 283)	8 145
. Security equipment	25 454	(16 972)	-	-	-	-	(1 944)	6 538
. Other equipment	56 888	(45 557)	273	-	-	-	(3 688)	7 916
Other tangible assets	157	(157)	-	-	-	-	-	-
	585 169	(497 125)	6 585	(2 242)	1 627	-	(27 779)	66 235
Tangible assets in progress								
. For own use	195 691	(72 010)	3 854	-	-	-	-	127 535
. Expenditure on rented buildings	-	-	-	-	-	-	-	-
. Equipment	5 643	-	431	-	(1 627)	-	-	4 447
	201 335	(72 010)	4 285	-	(1 627)		-	131 983
	1 219 992	(824 199)	12 446	(2 242)	-		(41 204)	364 792

Description	Balances at 31-12-2016 Gross amount	Balances at 31-12-2016 Accumulated Impairment and depreciation	Increases	Write-offs (net)	Transfers between assets	Other adjustments	Impairment and depreciation for period	Net amount at 31/12/2017
	2017							
Property for own use								
. Land	41 594	-	-	-	1 351	-	-	42 946
. Buildings	148 954	(44 165)	-	-	-	-	(2 630)	102 159
Other	3 623	(211)	291	-	-	-	(389)	3 313
Works on rented buildings	237 675	(196 753)	-	-	-	-	(10 916)	30 006
	431 846	(241 129)	291	-	1 351	-	(13 936)	178 423
Equipment								
. Furniture and material	49 944	(39 095)	734	-	-	88	(2 775)	8 898
. Machines and tools	29 489	(25 614)	2 755	-	-	(15)	(1 628)	4 988
. IT equipment	317 413	(274 295)	13 460	-	-	-	(17 342)	39 237
. Interior installations	17 645	(14 152)	60	-	-	2	(520)	3 036
. Transport material	69 974	(58 154)	4 500	-	-	0	(4 247)	12 073
. Security equipment	24 088	(14 715)	1 366	-	-	-	(2 257)	8 482
. Other equipment	55 670	(40 799)	1 218	-	-	-	(4 758)	11 330
Other tangible assets	157	(157)	-	-	-	-	-	0
	564 381	(466 980)	24 094	-	-	75	(33 526)	88 044
Tangible assets in progress								
. For own use	194 766	(62 588)	3 070	(794)	(1 351)	-	(9 422)	123 682
. Expenditure on rented buildings	400	-	-	(400)	-	-	-	-
. Equipment	1 304	-	4 340	-	-	-	-	5 643
	196 470	(62 588)	7 410	(1 194)	(1 351)		(9 422)	129 325
	1 192 696	(770 697)	31 794	(1 194)	-		(56 883)	395 792

9. INTANGIBLE ASSETS

“Intangible assets” movements, in 2018 and 2017, were as follows:

Description	Balances at 31-12-2017		Increases	Depreciation for period	Balances at 31-12-2018		
	Gross amount	Accumulated depreciation			Gross amount	Accumulated depreciation	Net amount
Software	111 487	(84 341)	11 839	(4 524)	123 325	(88 865)	34 460

Description	Balances at 31-12-2016		Increases	Depreciation for period	Balances at 31-12-2017		
	Gross amount	Accumulated depreciation			Gross amount	Accumulated depreciation	Net amount
Software	111 487	(84 341)	11 839	(4 524)	123 325	(88 865)	34 460

An amount of kCVE 19,714 (kCVE 13,378 in 2017) was in progress at the date of the balance sheet.

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The composition of the balance on this account, at 31 December 2018 and 2017, was as follows:

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

Entity	% equity stake	Acquisition cost	2017				
			Book value	Date	Net assets	Profit / (loss)	Shareholders equity
SISP - Sociedade Interbancária e Sistema de Pagamentos, S.A.R.L.	10%	10 000	70 768	31-09-2017 (*)	899 085	135 143	707 680
			70 768				

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

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

Information on movements in the book value of these investments in 2018 and 2017 and respective impact in the bank's financial statements is set out below:

	SISP	Total
Balance at 31 December 2016	67 612	67 612
Income from associate companies	12 866	12 866
Dividends received	(9 710)	(9 710)
Balance at 31 December 2017	70 768	70 768
Income from associate companies	26 504	26 504
Dividends received	(9 966)	(9 966)
Disposal	-	-
Capital loss on disposal	-	-
Balance at 31 December 2018	87 306	87 306

11. INCOME TAX

The bank, at 31 December 2018, was an "IRPC ("corporate income tax") taxpayer at a rate of 25% plus a 2% fire tax on its tax bill, comprising an aggregate rate of 25.5%

Its tax assets and liabilities balances, at 31 December 2018 and 2017, were as follows:

	2018	2017
Current tax assets		
. Payments on account and retentions at source	37 630	37 638
Deferred tax assets		
. Temporary differences	17 931	-
Current tax liabilities		
. Current tax	1 306	1 964
Deferred tax liabilities		
. Temporary differences	(9 786)	(8 298)

The change in current tax assets comprises tax settlements and the regularising of separately assessed taxation for 2017.

Deferred tax assets were calculated on the amount of the adjustments with the implementation of IFRS, in which the taxable basis was kCVE 70,316.

The amount of current tax liabilities comprises the calculation of taxes for 2018.

Deferred tax movements, in 2018 and 2017, correspond to the calculation of the fair value of available-for-sale financial assets using an aggregate tax rate of 25.5%.

Taxable income is assessed on the basis of profit for the period before tax, eventually adjusted for costs and income that should not be considered for fiscal purposes upon which a rate of 25.5% is levied. Under article 59 of the IRPC code, fiscal losses may be carried back for a period of 7 years following their occurrence and may be deducted from the fiscal profit made during this period, albeit subject to a maximum deduction of 50% of the respective profit for the period.

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

	2018	2017
Income before tax	167 132	56 247
to be added	**15 579**	**24 134**
Depreciation and amortisation not included in the terms of the IRPC (corporate income tax code)	1 983	836
Insurance companies' or banking institutions' impairment losses not accepted or in excess of legal limits	0	400
Other impairment losses not accepted	0	11 113
Health insurance and personal accidents premiums, insurance costs	694	651
Single tax on property, except for property whose purchase and sale are part of a property activity	1 131	1 130
30% surcharge on total expenses incurred on light passenger vehicles	3 609	4 110
50% of expense account items	634	512
Corrections in cases of tax credit and retention at source (articles 69, 91 and 93 of IRPC code)	7 528	5 383
to be deducted	**(184 255)**	**(134 642)**
Cancellation of the effects of the equity accounting method	(26 504)	(12 866)
Accounting capital gains	0	(450)
Negative difference between fiscal capital gains and losses (articles 54 and 55 of IRPC code)	0	(51)
Depreciation and amortisation taxed in past periods	(3 413)	(3 475)
Fiscal benefits	(2 936)	(4 770)
Income from capital at a flat discharge rate	(146 792)	(101 880)
Dividends	(4 610)	(6 062)
Interest in secondary markets	0	(5 089)
Fiscal profit/loss	**(1 544)**	**(54 261)**
Use of fiscal loss	**0**	**-**
Applicable rate	25,5%	25,5%
Effective rate	-1%	-96%
Retained profit	0	0
Tax for period	0	
Separate (source-based) taxation	1 306	1 964
	1 306	1 964

The IRPC code came into force at 1 January 2015. It incorporates a series of changes to the former IUR code, including matters regarding the deductibility of impairment costs on credit. In the preparation of its tax estimate on income for the periods ended 31 December 2018 and 2017, the bank considered its interpretation of the changes imposed under the IRPC code, namely as regards the above referred to subject matter and impact of the transition to the new code. The board of directors considers that the criteria and assumptions adopted are in conformity with the legislation in force and that any differences in interpretation will only originate reclassifications between current and deferred tax, without having an impact on the bank's profit and loss and its shareholders' equity at 31 December 2018 and 2017.

The bank, at 31 December 2018, had still not used up its fiscal losses of around kCVE 161,083.

Periods	Fiscal losses	Year of expiry
2015	54 653	2022
2016	50 624	2023
2017	54 261	2024
2018	1 544	2025
	161 083	

Under the terms of the general tax code the fiscal authorities are entitled to review the bank's fiscal situation for a period of five years. Different interpretations of fiscal legislation may result in eventual corrections to taxable income. The bank's board of directors does not consider that any correction to the bank's financial statements at 31 December 2018 will be significant.

12. OTHER ASSETS

This account comprises the following:

	2018	2017
Debtors and other assets		
. Subsidies receivable from the State of Cape Verde	14 195	18 967
. Amounts receivable from the group	267	133
. Other	53 404	8 970
Other assets		
. Works of art	2 086	2 086
Income receivable		
. Other	1 764	3 032
Deferred costs		
. Other administrative costs	9 699	18 235
Other prepayments and accrued income accounts	9 166	64 972
	90 581	116 396
Impairment of other assets (Note 17)	(11 714)	(13 666)
	78 868	102 730
Assets acquired on the recovery of own credit	453 839	753 968
Impairment of assets acquired on the recovery of own credit	(78 693)	(179 831)
	375 145	574 137
	454 013	676 866

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

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

An amount of kCVE 19,268 was recovered from repossessed property in 2018. Impairment of kCVE 12,518 (note 17) has been recognised on this building on the basis of the valuation on its acquisition date.

The following properties was disposed of in 2018: land in Ponta Preta Sal, Hortelã de Cima building, building and apartment G / apartment B, C in and G in Pretória – Espargos.

	2017								
	Balance at 31-12-2016						Impairment losses (net) (Note 18)	Balance at 31-12-2017	
	Gross amount	Impairment	Recoveries	Disposals	Transfers	Others		Gross amount	Impairment
Land - Palha Sé (40,737 sqm)	110 658	(19 543)	-	-		464	-	111 121	(19 543)
Housing - Santa Maria - Sal	22 625	-	-	-		149	-	22 773	-
Land - Palha Sé (5,780 sqm)	21 981	(3 882)	-	-		66	-	22 047	(3 882)
Housing - Praia	15 532	(7 063)	-	-		50	(5 825)	15 583	(12 888)
Housing - Chã de Monte Sossego	9 319	(2 334)	-	-		28	(804)	9 347	(3 138)
Land - Palmarejo	251 363	-	-	-		783	(26 725)	252 146	(26 725)
Land - Ponta Preta - Sal	279 531	(103 367)				6 667	-	286 198	(103 367)
Building - Hortelã de Cima - Espargos			21 992				(6 511)	21 992	(6 511)
Apartment - Fraction G - Pretória, Espargos			4 474				(1 324)	4 474	(1 324)
Commercial space - Fraction B - Pretória, Espargos			4 575				(1 354)	4 575	(1 354)
Garage - Fraction C - Pretória, Espargos			3 711				(1 099)	3 711	(1 099)
	711 010	(136 189)	34 752	-		8 206	(43 641)	753 968	(179 831)

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

Asset	Number of properties	Fair value of asset	Net book value
		31/12/18	
Land	5	336 474	386 624
Urban	5	336 474	386 624
Rural			
Buildings under development	0	0	0
Commercial			
Housing			
Other			
Finished buildings	4	38 672	67 215
Commercial			
Housing	4	38 672	67 215
Other			
Other			
Total	9	375 145	453 839

Asset	Number of properties	Fair value of asset	Net book value
		31/12/17	
Land	6	517 995	671 512
Urban	6	517 995	671 512
Rural			
Buildings under development	0	0	0
Commercial			
Housing			
Other			
Finished buildings	7	56 141	82 455
Commercial	1	3 221	4 575
Housing	5	50 308	74 169
Other	1	2 612	3 711
Other			
Total	13	574 137	753 968

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

Time elapsed since payment in kind/repossession	< 1 year	=> 1 year e <= 2,5 years	=> 2,5 years e <= 5 years	>= 5 years	Total
			31/12/18		
Land	0	0	386 624		386 624
Urban			386 624		386 624
Rural					
Buildings under development	0	0	0		0
Commercial					
Housing					
Other					
Finished buildings	19 268		47 947		67 215
Commercial					
Housing	19 268		47 947		67 215
Other					
Other					
Total	19 268	0	434 571	0	453 839

13. OTHER CREDIT INSTITUTIONS' RESOURCES

This account comprises the following:

	Amount	
	2018	2017
Domestic credit institutions' resources		
. Insurance companies' loans		
Garantia Companhia Seg Cabo Verde, S.A.	10 768	239 764
Impar - Comp. Caboverdiana de Seguros SARL	500	3 660
. Ecobank Cabo Verde Soc. Unip. SA	139 991	88 212
. Caixa Geral de Depósitos	-	10
	151 259	331 646
French Development Agency (AFD)	21 818	32 727
Caixa Geral de Depósitos	15 788	20 716
	37 606	53 443
Interest payable	147	3 982
	189 012	389 072

BI, Banco Comercial do Atlântico, Caixa Económica de Cabo Verde and Banco Cabo-verdiano de Negócios took out a line of credit with the French Development Agency for a maximum amount of €5,000,000 on 14 October 2005, to back municipal economic and social development projects, repayable over a ten year period starting 30 April 2010, in half yearly payments of principal and interest. Interest at a fixed rate of 3.36% is payable on the loan. At 31 December 2018 and 2017 the balance used up by the bank was €197,871 and €296,803 euros (kCVE 21,818 and kCVE 32,727 respectively.

In 2005, the bank took out a line of credit with Caixa Geral de Depósitos for a maximum amount of €5,000,000 (kCVE 551,325), with a maturity of one year and renewable for equal periods. Interest at a rate indexed to the 6 month Euribor rate is payable on the loan. Amounts of kCVE 15,789 and kCVE 20,716 had been used at 31 December 2018 and 2017, respectively.

14. CUSTOMER RESOURCES AND OTHER LOANS

This account comprises the following:

	2018	2017
Savings accounts:		
. Young people's savings accounts	173 090	165 742
Sight deposits		
. Residents	7 781 370	8 083 586
. Non-residents	2 416 989	1 620 066
. Emigrants	884 385	812 217
	11 082 744	10 515 869
Term deposits		
. Residents	5 054 260	5 787 388
. Emigrants	2 729 159	3 936 723
. Non-residents	1 363 188	1 993 781
	9 146 607	11 717 892
Sales operations with repurchase agreements (Note 7)		
. Treasury bonds	-	-
Other debits		
. Cheques and orders payable	47 172	8 461
	20 449 614	22 407 964
Interest payable	64 131	121 070
	20 513 745	22 529 034

Except for specific situations defined under board of directors' guidelines, no interest was paid on sight deposits, at 31 December 2018 and 2017.

15. OTHER SUBORDINATED LIABILITIES

In 2008, the bank issued a bond loan comprising 100,000 bonds with a nominal value of 5,000 Cabo Verde escudos each. Under the terms of the issuance conditions, the maturity on the loan was 6 years with interest thereon at the 6 month Euribor rate plus a spread of 0.9%. The loan would be repaid in a lump sum on its maturity date of 8 July 2014. There is, however, an early repayment option one year from the date of issuance and every six months following the said date, with the payment of a premium of 0.5% on the nominal value of the bonds to be redeemed.

At 30 July 2009, the bank informed the Cabo Verde Stock Exchange of the following changes to the bond loan:

- A change in the interest rate starting from the 3rd coupon (inclusive):
  - an interest rate of 6% for 4 years, starting 8 July 2009;
  - an interest rate equal to the interest rate on the last issuance of 5 year treasury bonds prior to the interest rate repricing date of 8 July 2013, plus 0.5%, for the last 5 years, between 8 July 2013 and 8 July 2018.
- Change of maturity to 10 years starting July 2008, retaining the early redemption option under the referred to terms.

An amount of kCVE 500,000 of the bonds was redeemed on 8 July 2018, in conformity with the dispositions in July 2009.

	2018	2017
Subordinated liabilities		
. Capital	-	500 000
. Interest	-	15 245
. Deferred commissions	-	(30)
	-	515 214

16. PROVISIONS

Impairment for guarantees and commitments assumed was reclassified in 2018 to provisions for guarantees and commitments assumed. The balance, at 31 December 2018, amounted to kCVE 9,291 as guarantees amounting to kCVE 9,288 and provisions for documentary credit amounting to kCVE 2.

The balance of provisions for legal processes which was carried forward from past years comprises a provision set up at 31 December 2014 in respect of a process on property referred to as “Housing – Praia” insofar as legal proceedings in which a request was made to nullify the payment in kind are in progress. Owing to the non-existence of any jurisprudence covering these kinds of situation the bank’s board of directors decided to set up a provision on 50% of the amount of the property, net of impairment, for the amount of kCVE 5,733.

	2018				
	Balances at 31/12/17	**Net appropriations in profit and loss**	**Transfers**	**Balances at 31/12/18**	**Recoveries of impairment**
Provisions - guarantees and commitments	-	28 900	44 221	9 291	(63 831)
Provisions - legal procedures	5 733	0	-	5 733	

17. IMPAIRMENT/PROVISIONS

The bank's impairment movements, in 2018 and 2017, were as follows:

	2018						
	Balances at 31/12/17	Adjustment IFRS 9	Net appropriations in profit and loss	Impairment recoveries	Use	Tranfers	31/12/18
Impairment							
Impairment of loans and advances to customers (Note 7)	1 288 520	70 326	1 542 963	(1 153 727)	(394 052)	(44 221)	1 309 810
Impairment of available-for-sale							
financial assets (Note 5)	11 891		-		-		11 891
	1 300 411	70 326	1 542 963	(1 153 727)	(394 052)	(44 221)	1 321 700
Impairment of other tangible assets (Note 8)	72 010	-	-	-	-	-	72 010
Impairment of other assets (Note 12)	13 666	-	-	-	(1 953)	-	11 714
Impairment on assets received on the recovery of own credit (Note 12)	179 831	-	16 766	-	(117 903)	-	78 693
Provisions for guarantees and commitments	-	-	28 900	(63 831)		44 221	9 291
Provisions for legal procedures	5 733	-	-	-		-	5 733
	271 240		45 666	(63 831)	(119 856)	44 221	177 441
	1 571 651	70 326	1 588 629	(1 217 559)	(513 907)	-	1 499 141

	2017				
	Balances at 31/12/16	Net appropriations in profit and loss	Use	Transfers	Balances at 31/12/17
Impairment					
Impairment of loans and advances to customers (Note 7)		211 397	(211 786)		1 288 520
Impairment of available-for-sale					
financial assets (Note 5)	11 891	-	-		11 891
	1 300 800	211 397	(211 786)		1 300 411
Impairment of other tangible assets (Note 8)	62 588	9 422	-		72 010
Impairment of other assets (Note 12)	11 975	1 691	-		13 666
Impairment on assets received on the recovery of own credit (Note 12)	136 189	43 641	-		179 831
	210 753	54 754	-	-	265 507
	1 511 553	266 151	(211 786)	-	1 565 917

18. OTHER LIABILITIES

This account comprises the following:

	2018	2017
Miscellaneous creditors		
Miscellaneous creditors - amounts payable	1 034	1 015
General government		
. Retention of tax at source	13 607	12 667
. Social welfare	3 184	3 491
. Value added tax	136	553
Miscellaneous resources		
. Mandatory deposit accounts	7 808	8 511
Collections on behalf of third parties	121	119
	25 890	26 356
Costs payable		
Administrative costs	20 524	24 279
Untaken holiday entitlements	12 728	11 171
Holiday subsidies	6 642	7 009
Other payments	-	-
Medical care - consultations	50	50
Contributions to Guarantee Fund	1 160	
	41 104	42 509
Deferred revenue		
Off-balance sheet operations	3 295	6 409
Card annuities	6 283	7 779
Documentary credit	-	1 899
Other	338	338
	9 917	16 425
Other prepayments and accrued income accounts		
VISA cards	1 189	2 340
Returned cheques	2 242	2 242
ATM - Multibanco	9 066	52 772
Clearing - interbank transfers	44 051	216 914
Other	-	148 443
	56 547	422 710
	133 459	508 000

The decrease in the “Clearing – interbank transfers” account is explained by the reduction of the volume of interbank transfers on the last day of 2018, in comparison to 2017. In other cases, in 2017, it includes movements pending at 31 December 2018 which were settled in the first few days of January 2019.

19. CAPITAL

The bank’s capital, at 31 December 2018 and 2017, comprised 100,000 shares with a nominal amount of kCVE 10 each, for a global amount of kCVE 1,000,000 fully subscribed for and paid up by the following shareholders:

Capital at 31-12-2018

Entity	Number of shares	%
Caixa Geral de Depósitos, S.A.	70 000	70,00%
Empreitel Figueiredo, S.A.R.L.	11 687	11,69%
Adega, S.A.R.L.	6 732	6,73%
Rui Augusto Tavares Moreira Almeida Pinto	5 089	5,09%
Other	6 492	6,49%
	100 000	100,00%

Capital at 31-12-2017

Entity	Number of shares	%
Caixa Geral de Depósitos, S.A.	70 000	70,00%
Empreitel Figueiredo, S.A.R.L.	11 687	11,69%
Adega, S.A.R.L.	6 732	6,73%
Rui Augusto Tavares Moreira Almeida Pinto	5 089	5,09%
Other	6 492	6,49%
	100 000	100,00%

20. RESERVES, RETAINED EARNINGS AND PROFIT FOR PERIOD

The composition of the reserves and retained earnings accounts, at December 31, 2018 and 2017, was as follows:

	2018	2017
Share issue premiums	388	388
Fair value reserves		
. Available-for-sale financial assets (Note 5)	38 377	32 542
. Deferred tax (Note 12)	(9 786)	(8 298)
Other		-
	28 591	24 244
Other reserves and retained earnings		
. Legal reserve	151 093	145 665
. Other reserves	633 312	730 854
. Retained earnings	(52 385)	(146 396)
	732 020	730 122
Profit for period	165 826	54 284
	926 826	809 037

Legal reserve and other reserves

The changes in the legal reserve and other reserves include the appropriation of net profit for 2018.

Fair value reserves

Fair value reserves recognise unrealised capital gains and losses on available-for-sale financial assets, net of the corresponding fiscal effect.

Legal reserve

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

Retained earnings

Other reserves of kCVE 146,396 as coverage for the results of the accounting transition were used in 2018. The adjustment of kCVE 52,385 with the implementation of IFRS 9 was also recognised in this account.

21. INTEREST AND SIMILAR INCOME

This account comprises the following:

	2018	2017
Interest on loans and advances to customers		
. Domestic credit	757 727	790 218
. Overdue credit	47 039	169 434
. Foreign loans	47 213	51 216
. Loans to employees	9 703	9 355
. Other loans and amounts receivable - securitised		
Debt securities		
Issued by domestic public entities		
. Treasury bonds	202 729	198 311
. Treasury bills	-	-
Other residents	20 838	24 239
Interest on loans and advances to credit institutions		
. In Cape Verde	2 137	7 320
. Abroad	711	4 915
Interest on cash and cash equivalents	-	-
Commissions received associated with amortised cost	34 700	36 362
	1 122 795	1 291 370

22. INTEREST AND SIMILAR COSTS

This account comprises the following:

	2018	2017
Interest on deposits		
. Savings accounts		
Young people's savings accounts	4 347	4 842
Residents	-	19 154
Non-residents	-	-
. Term deposits		
Residents	104 963	231 187
Emigrants	75 113	172 603
Non-residents	35 768	75 579
Interest on subordinated liabilities	16 630	31 875
Interest on loans		
. Bank of Cape Verde		
. Residents	5 193	10 390
. Non-residents	1 467	1 857
Interest on creditors and other resources		
. Sales operations with repurchase agreements (Note 22)		
Treasury bonds	-	5 089
Treasury bills	-	-
Other interest and similar costs	3 845	13 132
Commissions paid associated with amortised cost	57	373
	247 383	566 081

23. INCOME FROM EQUITY INSTRUMENTS

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

	2018	2017
Income from available-for-sale assets		
. Banco Comercial do Atlântico, S.A.	3 175	4 645
. Sociedade Caboverdiana de Tabacos, S.A.	1 294	1 294
. VISA International Service Association	142	123
. Enacol - Empresa Nacional de Combustíveis S.A.	-	-
	4 610	6 062

24. INCOME AND COSTS OF SERVICES AND COMMISSIONS

This account comprises the following:

	2018	2017
Income from services and commissions		
Operations on financial services	60 499	44 527
Services provided		
. Commissions on card annuities	51 334	37 518
. Commissions on cheque issuances	15 749	15 742
	67 082	53 259
Issue of guarantees		
. Guarantees and sureties	25 280	33 287
. Documentary credit	2 573	67
	27 853	33 354
Other commissions	4 685	8 776
	160 120	139 916
Costs of services and commissions		
Guarantees received		
. Documentary credit operations	33 412	205
Banking services provided by third parties		
. VISA commissions	21 462	18 505
. Other commissions	13 421	12 396
	34 883	30 901
	68 295	31 106

25. INCOME FROM FOREIGN EXCHANGE REVALUATIONS

This account comprises the following:

	2018			2017		
	Profit	Loss	Net	Profit	Loss	Net
Income from foreign currency	30 697	(2 611)	28 086	43 233	(3 926)	39 307
Income from notes and coins	18 357	(3 716)	14 641	18 803	(4 515)	14 288
	49 055	(6 328)	42 727	62 036	(8 441)	53 595

26. INCOME FROM THE DISPOSAL OF OTHER ASSETS

The balance on this account, in 2018 and 2017, comprises profit and loss on the disposal of property recognised in Other assets and Other tangible assets:

	2018	2017
Other assets	4 431	(953)
Tangible assets	556	861
	4 988	(92)

27. OTHER OPERATING INCOME

These accounts are made up as follows:

	2018	2017
Other operating income		
Provision of miscellaneous services:		
. Service charge	24 699	38 410
. Credit cards	13 865	16 999
. Other	16 749	9 444
Gain on the disposal of property received in kind		
Reimbursement of expenses	34	72
Credit recovery	54 361	-
Other	4 273	4 202
	113 981	69 128
Other operating costs		
Other taxes	(11 909)	(10 626)
Donations and subscriptions	(2 085)	(1 171)
Contribution to Guarantee Fund	(2 152)	-
Other	(28 495)	(13 978)
	(44 642)	(25 776)
	69 339	43 352

In 2018 and 2017, "Other operating costs – other" included amounts of kCVE 23,438 and kCVE 12,344, respectively, for commissions charged by CGD on each foreign transfer made by the bank's customers. The commission is debited to the bank when the transfer is made by CGD and latterly charged by the bank to its respective customers. The commissions charged to customers are recognised in "Other operating income – provision of miscellaneous services – other".

The amount of the recovery of credit write-offs, in 2018, was reclassified to "Other operating income".

28. EMPLOYEE COSTS

This account comprises the following:

	2018	2017
Remuneration paid to employees	198 184	198 329
Remuneration paid to boards of directors and supervisory bodies	28 915	29 040
Mandatory social costs	27 000	26 585
Contractual indemnities	2 554	
Other	4 400	2 391
	261 053	256 345

The number of bank employees, distributed among the respective professional categories, at 31 December 2018 and 2017 was as follows:

	2018	2017
Senior management	1	2
Coordinators	11	10
Line managers / managers	25	27
Administrative staff	92	99
Ancillary staff	4	4
Trainees	9	3
	142	145

The above numbers included 36 and 41 workers with fixed-term employment contracts at 31 December 2018 and 2017, respectively.

29. GENERAL ADMINISTRATIVE COSTS

This account comprises the following:

	2018	2017
Specialised services		
. IT services	48 068	64 825
. Specialised services - SISP	33 553	33 498
. Security and surveillance	19 012	22 730
. Fees	3 348	2 658
. Cleaning services	7 574	7 510
. Advisory	3 432	2 998
. Consultancy	2 850	15 349
. Audit services	2 722	6 401
. Maintenance services	-	-
. Other specialised services	13 629	18 557
Rents and hires	32 078	29 465
Water, energy and fuel	20 541	20 895
Advertising and publications	7 353	11 586
Communications and postage	14 531	17 248
Stationery and consumables	11 750	13 817
Transport	13 433	13 367
Insurance	14 050	14 575
Travel, accommodation and expense account items	7 327	6 685
Conservation and repair	4 516	11 740
Employee training	3 317	4 200
Other	1 175	970
	264 257	319 076

30. EARNINGS PER SHARE

	2018	2017
Income after tax	165 826	54 284
Number of shares	100 000	100 000
Earnings per share (CVE)	1 658	543

31. CONTINGENT LIABILITIES AND COMMITMENTS

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

	2018	2017
Contingent liabilities		
. Issue of guarantees and sureties	1 174 707	1 784 749
. Documentary credit operations	2 537	19 936
	1 177 244	1 804 685
Deposit and custody of securities	4 685 411	4 656 392
	5 862 655	6 461 077

32. OPERATING SEGMENTS

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

- **Trading and sales.** Trading and sales include banking activity related to the management of the bank's own securities portfolio, management of issuances of debt instruments, money and foreign exchange market operations, repo type and brokerage operations. This segment includes loans and advances to and cash balances at other credit institutions;
- **Commercial banking**. Commercial banking includes lending activities and re-

source-taking from major and small and medium sized enterprises. This segment includes loans, current accounts, investment project finance, discounted bills, factoring, equipment and property leasing and the underwriting of syndicated loans as well as loans and advances to the public sector;

- **Retail banking**. Retail banking includes banking operations with personal customers, self-employed and micro-enterprises. This segment also includes consumer credit, mortgage lending, credit cards and deposits taken from personal customers, as well as international money transfers.

The following tables summarise the information on the bank's operating segments, at 31 December 2018 and 2017:

	2018			
	Trading and sales	**Commercial banking**	**Retail banking**	**Total**
Interest and similar income	239 692	609 010	328 454	1 177 156
Interest and similar costs	(27 191)	(103 406)	(116 786)	(247 383)
NET INTEREST INCOME	212 501	505 604	211 668	929 773
Income from equity instruments	4 610	-	-	4 610
Income from services and commissions	51 641	66 822	41 657	160 120
Costs of services and commissions	(34 876)	(15 694)	(17 725)	(68 295)
Income from available-for-sale financial assets	-	-	-	-
Income from foreign exchange revaluations	-	27 757	14 970	42 727
Income from the disposal of other assets	4 988	-	-	4 988
Other operating income	-	7 034	7 944	14 978
TOTAL OPERATING INCOME	238 863	591 524	258 514	1 088 901
Other costs and income				(923 075)
Net profit for period				**165 826**
Cash and cash balances at central banks	1 488 467	-	-	1 488 467
Cash balances at other credit institutions	398 176	-	-	398 176
Available-for-sale financial assets	291 957	-	-	291 957
Loans and advances to credit institutions	2 096 593	-	-	2 096 593
Public debt securities	-	-	-	-
Loans and advances to customers	-	11 328 028	6 190 384	17 518 413
Other credit institutions' resources	189 012	-	-	189 012
Customer resources and other loans	-	9 633 588	10 880 157	20 513 745
Other subordinated liabilities	-	-	-	-

	2017			
	Trading and sales	Commercial banking	Retail banking	Total
Interest and similar income	247 347	726 568	317 454	1 291 370
Interest and similar costs	(57 627)	(225 387)	(283 067)	(566 081)
NET INTEREST INCOME	189 721	501 181	34 387	725 289
Income from equity instruments	6 062			6 062
Income com services and commissions	38 112	62 459	39 345	139 916
Costs of services and commissions	(30 809)	(132)	(165)	(31 106)
Income from available-for-sale financial assets	(77)			(77)
Income from foreign exchange revaluations		37 299	16 297	53 595
Income from the disposal of other assets	(92)			(92)
Other operating income		19 217	24 135	43 352
TOTAL OPERATING INCOME	202 917	620 024	113 999	936 939
Other costs and income				(882 656)
Net profit for period				**54 284**
Cash and cash balances at central banks	2 663 292			2 663 292
Cash balances at other credit institutions	1 247 658			1 247 658
Available-for-sale financial assets	286 122			286 122
Loans and advances to credit institutions	2 808 816			2 808 816
Loans and advances to customers		12 210 077	5 334 864	17 544 940
Other credit institutions' resources	389 072			389 072
Customer resources and other loans		9 984 698	12 544 337	22 529 034
Other subordinated liabilities	515 214			515 214

33. RELATED ENTITIES

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

The bank's financial statements, at 31 December 2018 and 2017, include the following balances and transactions with related entities, excluding statutory bodies:

	2018				
	Caixa Geral de Depósitos Group				
	CGD	France branch	Banco Comercial do Atlântico	Promotora	SISP
Assets:					
Cash balances at other credit institutions	311 452	6 892	1 259	-	-
Loans and advances to credit institutions	-	-	-	-	-
Available-for-sale financial assets	-	-	243 955	15 307	-
Loans and advances to customers	-	-	-	-	-
Impairment	-	-	(10 011)	(1 880)	-
Investments in subsidiaries, associates and jointly owned enterprises	-	-	-	-	87 306
Other assets	267	-	-	-	1 764
Liabilities:					
Other credit institutions' resources	-	(15 810)	-	-	-
Customer resources and other loans	-	-	-	(77)	(89 916)
Other subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Off-balance sheet:					
Issue of guarantees	-	-	-	-	-
Income:					
Interest and similar income	33	-	-	-	-
Income from equity instruments	-	-	3 175	-	-
Income from services and commissions	-	-	-	-	51 334
Income from available-for-sale financial assets	-	-	-	-	(26 504)
Costs:					
Interest and similar costs	(0)	(507)	-	(1 007)	-
Costs of services and commissions	(34 470)	-	-	-	2 220
General administrative costs	-	-	-	-	(33 553)
Impairment of other assets net of reversals and recoveries	-	-	-	-	-

	2017				
	Caixa Geral de Depósitos Group				
	CGD	France branch	Banco Comercial do Atlântico	Promotora	SISP
Assets:					
Cash balances at other credit institutions	753 768	55 278	2 290	-	-
Loans and advances to credit institutions	90 031	-	-	-	
Available-for-sale financial assets	-	-	243 955	15 307	
Loans and advances to customers	-	-	-	-	
Impairment	-	-	(10 011)	(1 880)	-
Investments in subsidiaries, associates and jointly owned enterprises					70 768
Other assets	133	-	-		1 733
Liabilities:					
Other credit institutions' resources	(10)	(20 716)	-		-
Customer resources and other loans	-	-	-	(7 421)	(76 245)
Other subordinated liabilities	-	-	-	(31 890)	-
Other liabilities	-	-	-	-	(2 841)
Off-balance sheet:					
Issue of guarantees	-	-	-	-	-
Income:					
Interest and similar income	12	-	60	-	-
Income from equity instruments	-	-	4 645	-	
Income from services and commissions	-	-	-	-	4 238
Income from available-for-sale financial assets	-	-	-	-	12 866
Costs:					
Interest and similar costs	(0)	(526)	-	(2 095)	-
Costs of services and commissions	(1 072)	-	-	-	
General administrative costs	-	-	-	-	(33 498)
Impairment of other assets net of reversals and recoveries	-	-	-	-	-

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

Management bodies

The payment of costs relating to remuneration and other benefits attributed to the bank's board of directors, in 2018, totalled kCVE 26,112 (kCVE 29,780, in 2017).

Loans to board members totalled kCVE 10,574 and kCVE 9,999, at 31 December 2018 and 2017, respectively.

34. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

IFRS 15 – Revenue from contracts with customers

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

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

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

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

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

IFRS 9 – Financial Instruments

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

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

The effects of the adoption of IFRS 9 with reference to 1 January 2018 were as follows:

	Note	Increase / (decrease)
Assets		
Accounts receivable - impairment	(a)	70 326
Deferred tax	(b)	-17 933
Total assets		52 393
Total adjustment in shareholders' equity		
Retained earnings	(a), (b)	52 393
		52 393

The adjustments are characterised below:

(a) Classification and measurement

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

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

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

As a result of BI's changes to the classification of investments in the own equity instruments of listed companies, the reserve relative to the fair value of assets held-for-sale for the amount of €11,000, included in "Comprehensive income", was reclassified to "Retained earnings" at 1 January 2018. The remaining €2,000 of this reserve was reclassified to the "Financial assets at fair value through profit or loss through other comprehensive income".

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

(b) Impairment

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

At 1 January 2018 as the date of adoption of IFRS 9, BI recognised additional impairment losses of kCVE 70,329 on "Accounts receivable", resulting in a decrease of kCVE 52,328 in retained earnings. Impairment losses do not decrease the value of debt instruments at fair value through other comprehensive income in BI's statement of its financial position which continues to be at fair value. The impairment adjustment of kCVE 52,382 (net of tax) was included in retained earnings.

The following table reconciles the final impairment losses balance under IAS 39 and the opening impairment losses balance under IFRS 9:

	Impairment in accordance with IAS 39 at 31/12/17	Remeasurement	ECL in accordance with IFRS 9 at 01-01-2018
Loans and accounts receivable in accordance with IAS 39 / Financial assets at amortised cost in accordance with IFRS 9 and assets on contracts	1 277 923	70 316	1 348 239
	1 277 923	**70 316**	**1 348 239**

(c) Hedge accounting

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

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

(d) Other adjustments

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

Under a Bank of Cabo Verde resolution of 22 May 2018, the bank made an extraordinary adjustment of CVE 150,000 to its credit impairment (increase) and will submit a plan to strengthen its regulatory provisions by 20 July 2018, considering that, as shown in the external auditors' report on provisions, the failure to consistently apply the provisions on a series of operations as required by the Bank of Cabo Verde in March 2015 would result in a provisions deficit of CVE 838,983 in light of the integral application of the Bank of Cabo Verde's *notice* 4/2006.

Management policies for financial risks attached to the bank's activity

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

Foreign exchange risk

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

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

Liquidity risk

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

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

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

Information on the contractual periods to maturity of financial instruments, at 31 December 2018 and 2017, is set out below:

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

	2017								
	Contractual periods to maturity								
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 1 year	Up to 3 year	Up to 5 year	Up to 10 year	More than 10 years	Total
Assets									
Cash and cash balances at central banks	2 663 292	-	-	-	-	-	-	-	2 663 292
Cash balances at other credit institutions	1 247 658	-	-	-	-	-	-	-	1 247 658
Loans and advances to credit institutions	2 700 000	-	0	90 043	-	-	18 772	-	2 808 816
Loans and advances to customers (gross balances)	2 138 877	1 590 160	533 054	1 216 204	1 695 494	2 302 999	5 576 103	3 780 569	18 833 460
	8 749 827	1 590 160	533 054	1 306 247	1 695 494	2 302 999	5 594 876	3 780 569	25 553 226
Liabilities									
Other credit institutions' resources	(125 054)	(9 707)	(166 852)	(65 455)	(21 818)	(186)	-	-	(389 072)
Customer resources and other loans	(5 999 290)	(2 200 849)	(1 767 672)	(9 132 950)	(3 101 281)	(326 992)	-	-	(22 529 034)
Other subordinated liabilities	-	-	(515 214)	-	-	-	-	-	(515 214)
	(6 124 343)	(2 210 557)	(2 449 738)	(9 198 405)	(3 123 100)	(327 178)	-	-	(23 433 320)
Off-balance sheet (Issue of guarantees)	1 784 749	-	-	-	-	-	-	-	1 784 749
GAP (Assets - Liabilities)	4 410 233	(620 397)	(1 916 684)	(7 892 158)	(1 427 606)	1 975 821	5 594 876	3 780 569	3 904 655

Interest rate risk

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

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

- The issuance of Euribor-indexed bonds, enabling the mitigation of interest rate risk on lending and other operations in the bank's pipeline and which, being indexed to Euribor, are naturally hedged by bond issuances.
- Increase in euro lines of credit to achieve the above referred to objectives;
- Loan hedges at fixed rates are based on deposits and there is no national indexer that can be used as a "benchmark" for assets or liabilities;
- Loan contracts provide for the possibility of changes in interest rates in certain circumstances. This is legally acceptable in addition to functioning with coherent assets and liabilities management, through the systematic information instruments provided by the financial markets office.

Credit risk

GGR (risk management office) was set up to monitor credit risk and is also responsible for assessing the said credit risk, reporting directly to the chairman of the executive committee.

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

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

In the sphere of credit portfolio oversight, the URC (credit support unit) office also issues status reports on overdue credit or loans in which pre-legal/legal actions are being taken, to enable the executive committee to make a quick decision.

Market risk

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

Credit risk

Maximum exposure to credit risk

nformation on the bank's maximum exposure to credit risk, at 31 December 2018 and 2017, is set out below:

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

	2017			
	Target exposure	Impairment	Collateral	Effective exposure
Cash and cash equivalents	3 823 306	-	-	3 823 306
Loans and advances to credit institutions	2 808 816	-	-	2 808 816
Loans and advances to customers	18 833 460	1 186 368	15 486 692	2 160 401
Other assets	814 061	193 497	-	620 564
	26 279 644	1 379 865	15 486 692	9 413 087
Guarantees and sureties	1 784 749	-	1 784 749	-
Documentary credit operations	19 936	102 152	19 936	(102 152)
	1 804 685	102 152	1 804 685	(102 152)
Maximum exposure	28 084 329	1 482 017	17 291 376	9 310 935

Quality of loans and advances to customers

At 31 December 2018 and 2017, the gross book value of loans and advances to customers, issue of guarantees and documentary credit operations, excluding other loans and amounts receivable – securitised and accrued interest, was broken down as follows:

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

	Credit quality				
	2018				
	Corporate	Personal - mortgages	Personal - other	Public sector	Total
Not overdue nor individually impaired	**5 171 404**	**3 721 360**	**2 356 064**	**296 712**	**11 545 539**
Not overdue but individually impaired	**491 547**	**0**	**0**	**0**	**491 547**
Overdue but not individually impaired	**623 877**	**116 833**	**99 781**	**0**	**840 491**
Less than 30 days	33 739	0	4 354	0	38 093
30 to 90 days	38 140	21 680	13 151	0	72 971
91 to 180 days	47 366	19 002	8 222	0	74 589
181 to 360 days	15 738	11 167	23 916	0	50 821
more than 360 days	488 892	64 985	50 139	0	604 016
Loans with individual impairment	**1 313 117**	**0**	**221 481**	**0**	**1 534 598**
Less than 30 days	0	0	0	0	0
30 to 90 days	0	0	0	0	0
91 to 180 days	302	0	0	0	302
181 to 360 days	168 476	0	0	0	168 476
more than 360 days	1 144 339	0	221 481	0	1 365 821
Total	**7 599 944**	**3 838 193**	**2 677 327**	**296 712**	**14 412 175**

	2017		
	Non-performing loans	Loans in default	Total
Corporate loans			
Outstanding	-	392 096	6 510 284
Overdue	3 241	2 067 435	2 070 684
	3 241	2 459 531	8 580 968
Mortgage loans			
Outstanding	-	1 629	3 068 871
Overdue	16 323	146 852	163 175
	16 323	148 481	3 232 046
Other loans			
Outstanding	1 300	54 767	2 012 102
Overdue	5 177	365 016	374 845
	6 478	419 783	2 386 947
Loans to the public sector			
Outstanding	-	-	496 827
Overdue	-	-	-
	-	-	496 827
Total outstanding credit	1 300	448 493	12 088 085
Total overdue credit	24 742	2 579 302	2 608 704
Total credit	26 042	3 027 795	14 696 789
Off-balance sheet			
Guarantees and documentary credit to companies			
Outstanding	1 804 685	-	1 804 685

	2017				
	Corporate	Personal - Mortgages	Personal - Other	Public Sector	Total
Not overdue nor individually impaired	**6 121 474**	**3 063 121**	**1 907 940**	**496 848**	**11 589 384**
Not overdue but individually impaired	**388 790**	**5 750**	**104 162**	**0**	**498 701**
Overdue but not individually impaired	**227 244**	**163 175**	**200 860**	**0**	**591 279**
Less than 30 days	3 771	0	8 622	0	12 393
30 to 90 days	3 249	16 323	5 195	0	24 768
91 to 180 days	44 746	7 616	6 646	0	59 009
181 to 360 days	33 640	15 135	46 450	0	95 225
more than 360 days	141 838	124 100	133 946	0	399 885
Loans with individual impairment	**1 843 440**	**0**	**173 985**	**0**	**2 017 425**
Less than 30 days	6 504	0	2 024	0	8 528
30 to 90 days	29	0	42 057	0	42 086
91 to 180 days	0	0	51 585	0	51 585
181 to 360 days	0	0	151	0	151
more than 360 days	1 836 907	0	78 169	0	1 915 076
Total	**8 580 948**	**3 232 046**	**2 386 947**	**496 848**	**14 696 789**

The following classifications were used to prepare the above tables:

- "Performing loans"
  - Corporates: loans without any overdue payments or with balances overdue for up to 30 days;
  - Personal customers: loans without any overdue payments or with balances overdue for up to 7 days.

  Stage 1 - Assets without a significant deterioration in credit risk since the time of their initial recognition;

  Stage 2 - Assets with a significant deterioration in credit risk since the time of their initial recognition; and

  Stage 3 – Impaired assets (assets in default).
- Loans with balances overdue for more than 90 days. In the case of corporate loans, if a customer has at least one operation with payments overdue for more than 90 days, the full amount of the customer's exposure to the bank is reclassified to this category. Also included are restructured loans classified as "Credit in default" on the restructuring date and which have still not gone through the quarantine period.

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

At 31 December 2018, the credit balance upon which specific impairment has been declared on the basis of individual analyses totalled kCVE 2,045,153 (kCVE 3,457,659 at 31 December 2017) with impairment of kCVE 603,427 (kCVE 879,100 at 31 December 2017). As described in note 2.2. c) ii) individually analysed loans on which no specific impairment has been declared were included in a collective analysis.

At 31 December 2018 and 2017, information on the book value of loans and advances to customers identified by the bank and whose maturities had been restructured is detailed below:

	2018			2017		
	Outstanding credit	Overdue credit	Total	Outstanding credit	Overdue credit	Total
Corporate	12 506	134 165	146 671	85 378	167 296	204 786
Personal	69 268	19 477	88 744	47 165	91 889	187 585
	81 773	153 642	235 415	132 543	259 185	392 371

Fair value

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

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

	2017			
	Measured at fair value			
	Market prices (Level 1)	Measurement models with observable market parameters/prices (Level 2)	Measurement models with non-observable market parameters (Level 3)	Total fair value
Available-for-sale financial assets				
Shares	28 656		233 944	262 600
Other		-		-
Financial assets	**28 656**	**-**	**233 944**	**262 600**

There were no entries, exits or changes in the fair value of the financial assets portfolio measured at level 3 of the IFRS 9 fair value ranking in 2018.

VISA shares were measured on the basis of the stock exchange price and are therefore classified at level 1 of the measurement provided for in IFRS 9.

The value of Banco Comercial do Atlântico, S.A.'s shares was measured on the basis of the assessment of an independent external entity, using cash flow models and therefore classified at level 3 of the measurement provided for in IFRS 9.

Sensitivity Analysis
2018

(kCVE)

Assets measured at Level 3	Measurement model	Variable analysed	Book value	Unfavourable scenariio		Favourable scenario	
				Change	Impact	Change	Impact
Available-for-sale financial assets							
Shares							
Banco Comercial do Atlântico	Discounted cash flow model	Discount rate	243 955,0	-50%	148 569	+50%	392 524
Total			243 955,0	-	148 569		392 524

* rate of 10.9% according to valuation

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

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

a) Assets at acquisition price net of impairment. These assets refer to equity instruments issued by unlisted entities on which no recent market transactions have been identified nor is it possible to provide a reliable estimate of their fair value.

	2017				
	Fair Value				
	Assets / liabilities recognised at amortised cost	Market prices (Level 1)	Measurement models with observable market parameters/prices (Level 2)	Measurement models with non-observable market parameters/prices (Level 3)	Total fair value
Assets					
Cash and cash balances at central banks	2 663 292	-	2 663 292	-	2 663 292
Cash balances at other credit institutions	1 247 658	-	1 247 658	-	1 247 658
Available-for-sale financial assets (a)	23 522	-	-	23 522	23 522
Loans and advances to credit institutions	2 808 816	-	2 808 816	-	2 808 816
Loans and advances to customers	17 544 940	-	-	17 195 338	17 195 338
Other assets (property)	574 137	-	574 137	-	574 137
	24 862 365	-	7 293 903	17 218 860	24 512 763
Liabilities					
Other credit institutions' resources	389 072	-	-	387 310	387 310
Customer resources and other loans	22 529 034	-	-	26 375 573	26 375 573
Other subordinated liabilities	515 214	-	-	515 214	515 214
	23 433 320	-	-	27 278 098	27 278 098

a) Assets at acquisition price net of impairment. These assets refer to equity instruments issued by unlisted entities on which no recent market transactions have been identified nor is it possible to provide a reliable estimate of their fair value.

The following assumptions were used for fair value measurement purposes:

- The book value in the case of balances payable on demand and short term loans and advances to credit institutions comprises fair value;
- In the case of available-for-sale financial assets:
  - The bank's equity investment in Promotora, Sociedade de Capital de Risco de Cabo Verde, SARL was recognised at historical cost. Impairment of kCVE 1,880 has been declared to reduce the balance sheet carrying amount to its estimated realisation price..
- The fair value of the other instruments was measured by the bank on the basis of discounted cash flow models, taking the operations' contractual conditions into consideration and using appropriate interest rates for the type of instrument, based on the interest rates used for similar instruments issued or contracted for close to the end of the period.

Sensitivity analysis – interest rate

Information on the impact of parallel shifts of 50, 100 and 200 basis points (bps), respectively on the reference interest rates yield curve, on the fair value of financial instruments sensitive to interest rate risk, at 31 December 2018 and 2017, is set out in the following tables:

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

	2017					
	- 200 bp	- 100 bp	- 50 bp	+ 50 bp	+ 100 bp	+ 200 bp
Loans and advances to customers (gross balances)	754 885	312 867	144 264	(124 986)	(234 407)	(417 092)
Total sensitive assets	754 885	312 867	144 264	(124 986)	(234 407)	(417 092)

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

The following table demonstrates the effect of a parallel movement of interest rate yield curves of 50, 100 and 200 bps, which index financial instruments sensitive to changes in interest rates, on the projection of net interest income for 2018 and 2017, respectively:

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

The assessment of the impacts set out in the above table takes into consideration the fact that assets and liabilities sensitive to interest rate in the balance sheet on the calculation's reference date would remain stable over the years 2018 and 2017, respectively, with the renewal thereof, whenever applicable, considering the market conditions in force on the referred to renewal dates and average spread on live operations, at 31 December 2018 and 2017.

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

Foreign exchange risk

<u>Breakdown of financial instruments by currency</u>

Financial instruments were broken down into the following currencies, at 31 December 2018 and 2017:

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

	2017				
	Cape Verde escudos	Euros	US dollars	Other	Total
Assets					
Cash and cash balances at central banks	1 936 802	687 954	9 655	28 881	2 663 292
Cash balances at other credit institutions	389 230	809 781	34 742	13 905	1 247 658
Available-for-sale financial assets	286 122	-	-	-	286 122
Loans and advances to credit institutions	2 700 000	90 043	18 772	-	2 808 816
Loans and advances to customers (net)	16 270 528	1 274 413	-	-	17 544 940
Investments in subsidiaries, associates and jointly owned enterprises	70 768	-	-	-	70 768
Other assets	1 144 757	-	-	-	1 144 757
	22 798 206	2 862 192	63 170	42 786	25 766 353
Liabilities					
Central banks' and other credit institutions' resources	(267 343)	(113 281)	(8 448)	-	(389 072)
Customer resources and other loans	(22 003 673)	(450 446)	(52 028)	(22 887)	(22 529 034)
Other subordinated liabilities	(515 214)	-	-	-	(515 214)
Other liabilities	(523 995)		-	-	(523 995)
	(23 310 225)	(563 727)	(60 476)	(22 887)	(23 957 316)
Net exposure	(512 019)	2 298 465	2 693	19 898	1 809 038

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

The following table sets out the effect of changes in exchange rates of 15%, 10% and 2% on assets and liabilities denominated in USD for 2018 and 2017, respectively:

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

	Amount in US dollars	Exchange rate at 31-12-2018	Countervalue in kCVE	Sensitivity Analysis 2017					
				-15%	-10%	-2%	2%	10%	15%
Assets									
Cash and cash balances at central banks	104	92,398	9 655	(1 448)	(966)	(193)	193	966	1 448
Cash balances at other credit institutions	376	92,398	34 742	(5 211)	(3 474)	(695)	695	3 474	5 211
Loans and advances to credit institutions	203	92,398	18 772	(2 816)	(1 877)	(375)	375	1 877	2 816
			63 170	(9 475)	(6 317)	(1 263)	1 263	6 317	9 475
Liabilities									
Central banks' and other credit institutions' resources	91	92,398	8 448	(1 267)	(845)	(169)	169	845	1 267
Customer resources and other loans	563	92,398	52 028	(7 804)	(5 203)	(1 041)	1 041	5 203	7 804
			60 476	(9 071)	(6 048)	(1 210)	1 210	6 048	9 071

35. CAPITAL MANAGEMENT

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

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

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

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

- The requirement for own funds never to be less than the minimum share capital and for at least 10% of each year's net profit to be appropriated to legal reserves up to the amount of share capital;
- *Notice* 3/ 2015 of 12 May 2015, *official bulletin* 25, which defines a minimum share capital requirement of 800 million Cabo Verde escudos for general banks;
- *Notice* 1/2017 of 9 February which requires that, in matters relating to own funds, financial institutions should ensure a total own funds adequacy ratio of not less than 12%, as one of their solvency indicators which, in practice, corresponds to the needs of credit institutions to allocate certain amounts of capital to provide for any unexpected losses;
- The imposition of risk concentration limits on a single customer or group of customers, based on the introduction of percentages indexed to the amount of own funds, which, in separate terms, are around 20% for the group proper and 25% for others. This measure was designed to favour portfolio diversification, owing to the risk of contamination which may exist in a specific group, in the event of any default by one or more entities belonging to the said group;
- Limits on equity stakes in companies other than credit institutions, parabanking institutions, ancillary services companies, pension fund managers, holding companies which only hold equity investments in the above referred to companies and companies in the insurance sector which, when individually considered, should not exceed 15% of the own funds of the investing institution and 60% of these funds in the case of qualified investments as a whole (≥ 10% of the capital or voting rights in the entity in which the investment has been made).

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

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

The following table summarises the composition of the bank's regulatory capital at the end of 2018 and 2017:

Capital Management	Dec - 2018	Dec - 2017	Change
Basis own funds	**1 864 355**	**1 701 478**	**162 876**
Share capital	1 000 000	1 000 000	-
Reserves and premiums	784 794	876 907	(92 113)
Net income	165 826	5 428	160 398
Retained and other earnings	(86 266)	(180 857)	94 591
Additional provisions	-	-	-
Complementary own funds	**14 295**	**512 122**	**(497 826)**
Subordinated bonds	-	500 000	(500 000)
Deductions from complementary own funds	14 295	12 122	2 174
Deductions from total own funds	**93 958**	**54 629**	**39 330**
Equity investments in credit institutions	93 958	54 629	39 330
Concentration risk excess	-	-	-
Fixed assets received as repayment of own credit	-	-	-
Total eligible own funds	**1 784 691**	**2 158 972**	**(374 280)**
Total weighted assets	**13 793 305**	**14 039 659**	**(246 354)**

Ratios	Dec - 2018	Dec - 2017	Change (pp)
Basis own funds	13,52%	12,12%	1,40
Complementary own funds	0,10%	3,65%	-3,54
Deductions from total own funds	-0,68%	-0,39%	-0,29
Solvency ratio	**12,94%**	**15,38%**	**-2,44**

The bank was fully compliant with all of the capital requirements imposed by the Bank of Cabo Verde (BCV) in 2018 (2017).

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

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

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

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

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

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

- In cases in which the bank has an equity stake of more than 10% in a credit institution, the total amount of the said equity stake will be deducted. If the equity stake is less than the said percentage, only the part exceeding 10% of the own funds of the holding credit institution will be deducted.
- Any amounts exceeding the limits established for the purposes of major risks which, in the case of individual prudential elements, comprise 20% of own funds for exposure to the group proper and 25% for exposure to other groups;
- The net balance sheet value of non-financial assets received for the repayment of own credit, calculated at an annual rate of 20% from the time

two years have elapsed since the date on which the non-financial assets in question have been received;

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

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

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

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

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

36. SUBSEQUENT EVENTS

There are no subsequent events worthy of note.

13 AUDIT REPORT AND REPORT AND REPORT AND OPINION OF THE SUPERVISORY BOARD

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Audit Report

AUDIT REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the attached financial statements of Banco Interatlântico, S.A.R.L. ("bank") which include its balance sheet at 31 December 2018 (comprising a total amount of kCVE 22,789 and total shareholders' equity of kCVE 1,926,826, including net profit of kCVE 165,826, statement of profit and loss by type, statement of comprehensive income, statement of changes to shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies.

In our opinion, the attached financial statements provide a true and appropriate description, in all material aspects, of the financial position of Banco Interatlântico, S.A.R.L. at 31 December 2018, its financial performance and cash flows for the year then ended, in accordance with the accounting principles described in note 1.

Bases for opinion

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

It is our conviction that the audit proof we have obtained is sufficient and appropriate as a basis upon which to base our opinion.

Relevant audit matters

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

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

1. Impairment on loans and advances to customers

Description of the most significant risks of material distortion	Summary of our response to the most significant risks of material distortion distortion
The loans and advances to customers balance sheet account includes accumulated impairment of kCVE 1,309,810 with the recognition of an impact of kCVE 389,236 in credit impairment net of reversals in profit and loss for the period. As the gross amount of loans and advances to customers was kCVE 14,310,381 accumulated impairment represented 9.15% of the amount of credit (notes 7 and 17). Details of impairment and the accounting policies, methodologies, concepts and assumptions employed are disclosed in the explanatory notes to the financial statements - note 2.2, sub-paragraph c). Impairment on loans and advances to customers represents the bank's management board's best estimate of the expected loss on the loans and advances to customers portfolio with reference to 31 December 2018. To calculate this estimate, the bank's management board defined assumptions, used mathematical models to calculate parameters, interpreted concepts and designed an expected loss calculation model. For relevant exposures it consulted the judgments of specialists to assess the bank's credit risk. Since 1 January 2018, owing to the first time application of International Financial Reporting Standard 9 – Financial instruments, impairment also reflected the expected loss (incurred in 2017). This standard introduces two new concepts: "significant increase of credit risk" and "forecasts of future economic conditions". Information on the impacts of the transition has been disclosed in the explanatory notes to the financial statements (note 34). In addition to the complexity of the models described, their use requires the processing of a significant volume of data, such as credit risk information when a	We identified and assessed the audit risk leading to the definition of the audit approach for responding to the risk of material distortion. This approach included (i) a global response with an effect on how the audit was performed and (ii) a specific response leading to the design and subsequent implementation of additional procedures that included substantive tests and controls on the procedures, namely: • We achieved an understanding, assessed the design and tested the operational efficacy of the internal control procedures existing in the impairment loss quantification process on loans and advances to customers; • Our tests included an analytic review of the evolution of the impairment balance on loans and advances to customers, comparing it with the same period last year and resulting expectations in respect of which reference should be made to the understanding of the changes occurring in the credit portfolio and the changes to the impairment assumptions and methodologies; • We selected a customer sample for individual impairment assessment, for the consideration of the assumptions employed by the management board in quantifying impairment. This analysis included the inspection of the information with the business models and the economic-financial situation of debtors and collateral valuation reports; enquiries of the bank's specialists in order to understand the defined recovery strategy and the assumptions employed; • With the support of internal risk specialists, we assessed the reasonableness of the parameters used to calculate impairment, with specific reference to the use of the following procedures: i) an understanding of the methodology used and approved by the management board and comparison with the one effectively used; ii) an assessment of changes to the models for determining the parameters reflecting the expected loss; iii) an analysis of changes to the risk parameters in 2018 (PD, LGD and EAD); iv) on a sample basis, a comparison between the data used for the risk parameters and the information at source; v) an assessment of the consistency of the calculation of the risk parameters across the historical period analysed; vi) enquiries of the bank's specialists responsible for the models and inspection of the internal audit and regulatory reports; and vii) an inspection of the reports with the results of the backtesting model;

loan is made, the date and amount of the first default and the amount of past recoveries of loans in default to be processed, which is not always available in the bank's central systems. To surpass the limitations that may exist in respect of certain data, the management board occasionally uses practical expediencies to increase the application of judgments. The use of alternative approaches, models or assumptions may have a material impact on the amount of impairment estimated. Owing to the level of subjectivity and complexity involved in estimating impairment and the materiality of its amount, we consider this to be a relevant audit matter.	• We achieved an understanding of and designed the expected loss calculation model, tested the calculation, compared the information used in the model, based on the reconciliations prepared by the bank, with the information at source, assessed the assumptions employed to provide for missing data, compared the parameters used with results of the estimation models and compared the results with the amounts set out in the financial statements; • An analysis of the disclosures included in the explanatory notes to the financial statements, based on IFRS requirements and accounting records.

2. Valuation of property received on credit recovery operations

Description of the most significant risks of material distortion	Summary of our response to the most significant risks of material distortion
The "Other assets" account, as described in note 12, of the appendix to the financial statements at 31 December 2018 amounted to kCVE 375,145, comprising the net amount of impairment on assets acquired on credit recovery by payment in kind. The bank periodically requests independent entities registered with the Central Bank of Cape Verde to produce valuations on property received on credit recoveries. Impairment losses are recognised if the amount of the valuation, net of the costs incurred on the sale of the property, is less than its book value. We consider the process for measuring impairment losses on assets acquired on credit recoveries, to be a relevant audit matter, as it is based on internal methodologies that require assumptions and judgments, which may not materialise in the future and consequently originate losses which are different from those estimated.	Our approach to material risk distortion included the following procedures: • The performance of specific, detailed procedures to indentify property with signs of impairment and to assess the corresponding amounts; • The performance of detailed tests with the objective of examining ownership of the assets acquired as part of credit recovery procedures; • An analysis of assumptions and judgments underlying the valuations prepared by independent appraisers of the assets acquired by way of credit recovery; • Inspection of the amounts set out in the financial statements to test the concordance thereof with the accounting records and disclosures, to test the plenitude thereof vis-à-vis existing standards.

Responsibilities of the board of directors and supervisory body for the financial statements

The board of management is responsible for:

- preparing financial statements with the aim of providing a true and appropriate description of the bank's financial position, financial performance and cash flows in accordance with the accounting principles described in note 1;
- producing the annual report as required by the law and regulations;
- creating and maintaining an appropriate internal control system to permit the preparation of financial statements free from material distortions owing to fraud or error;
- adopting accounting policies and criteria appropriate to the circumstances, and
- assessing the bank's capacity to continue to operate as a going concern, disclosing, when applicable, information on matters which may give rise to significant doubts on the continuation of its activities.

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

Auditor's responsibilities for auditing the financial statements

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

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

- identify and assess the risks of material distortion in the financial statements, deriving from fraud or error, design and implement audit procedures to provide for such risks and obtain sufficient and appropriate audit proof to provide a basis for our opinion. The risk of failing to detect a material distortion deriving from fraud is greater than the risk of failing to detect a material distortion caused by error given that fraud may involve collusion, falsification, intentional omissions, false declarations or superimposition over internal control;

- we achieve an understanding of the relevant internal control for the audit with the objective of designing audit procedures which are appropriate to the circumstances but not to express an opinion on the effectiveness of the bank's internal control;
- we assess the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management board;
- we reach a conclusion on the management board's appropriation of use of the going concern basis and, based on the audit proof obtained, whether there is any material uncertainty related with events of conditions which may give rise to significant doubts over the bank's capacity to operate as a going concern. If we conclude that a material uncertainty exists, we draw attention in our report to the related disclosures included in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit proof obtained up to the date of our report. Events or future conditions may, however, lead the bank to discontinue its activities;
- we assess the presentation, structure and global contents of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in such a way as to achieve appropriate presentation;
- we obtain sufficient and appropriate audit proof on the financial information of the entities or activities within the bank in order to express an opinion on the financial statements. We are responsible for the guidelines, supervision and performance of the audit on the bank and for our final audit opinion;
- we communicate with the officers responsible for governance in order to include, inter alia, the scope and schedule planned for the audit and the significant conclusions of the audit, including the identification of any significant internal control deficiency during the audit;
- on the subject matters communicated to the governance officers we assess those with the greatest importance in the audit of the financial statements for the current year and which comprise relevant audit matters. We describe such matters in our report unless the public disclosure thereof is prohibited by law of regulation;
- we declare to the management body that we have complied with all of the relevant ethical requirements for independence and communicate all relationships and other matters that may be perceived as threats to our independence and, when applicable, the respective safeguards.

Lisbon, 18 June 2019

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

(Signed)
António Filipe Dias da Fonseca Brás
(Statutory Auditor no. 1661)
Registered with the CMVM under no. 20161271

REPORT AND OPINION OF THE SUPERVISORY BOARD FOR 2018

To the shareholders of Banco Interatlântico, S.A.

Report

Under the terms of the commercial companies' code and the articles of association of Banco Interatlântico, S.A. (bank), the supervisory board hereby submits its report on the activity performed in 2018, in addition to its opinion on the annual report and accounts for the year ended 31 December 2018, as presented by the board of directors.

The supervisory board, in its current composition, was elected at the general meeting held in May 2018, at which the recomposition of the statutory bodies for the 2017/2019 three year term of office was also approved. The composition of the supervisory board has been approved by the Central Bank of Cape Verde.

The supervisory board met with the external auditors, on 9 March 2018, prior to the issue of the opinion on the accounts for 2017, at which the principal audit matters were discussed and clarified.

The supervisory board took part in the board of directors´ meeting of 27 September 2018 at which it took note of and discussed the following matters: i) Discussion and approval of the regulation of the supervisory board; ii) Budget schedule for 2019; iii) Internal control; iv) Audit reports and v) Schedule of board meetings.

The supervisory board was present at the board of directors' meeting of 26 October 2018, at which it took note of and discussed the following matters: i) Analysis and approval of the proposed budget and strategic plan; ii) Analysis of the evolution of the solvency ratio; iii) Risk management – current situation on corporate standards and iii) Plan and documentation on employees' meetings.

The supervisory board met with the external auditors on 14 December 2018 and took part in the board of directors' meeting at which it took note of and discussed the following matters: i) Analysis of the estimate of the filing of the accounts for 2018 and budget for 2019; and ii) Preparation of the supervisory board's opinion on the budget.

The supervisory board issued a favourable opinion on the budget for 2019 which was submitted and discussed at the meetings of the board of directors and supervisory board.

The chairman of BI's supervisory board met with CGD's supervisory board on 19 December 2018, when the chairman of BI's supervisory board provided information on its work and at which the principle of regular meetings in the future was established.

The supervisory board met with the external auditors on 11 February 2019 and discussed and clarified the main audit matters and the filing of the accounts for 2018. The supervisory board also took part, on the same day, in the board of directors' meeting at which it took note of and discussed the following matters: i) CGD's strategic decision; ii) Filing of the accounts for 2018; iii) Risk management and internal control and iv) Management KPIs.

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

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

Opinion

The supervisory board analysed the balance sheet, profit and loss account, statement of cash flows, statement of changes to shareholders' equity, statement of comprehensive income and their respective notes for 2018, which provide an appropriate description of the bank's economic-financial situation, as described in the external auditor's report which deals with the relevant audit matters focusing on the impairment losses on loans and advances to customers and valuation of property received on credit recovery operations.

As the most relevant indicators of the bank's activity, in 2018, the supervisory board highlights the main changes over 2017:

- Net assets were down by around 11.6% to CVE 22,789 million, essentially owing to:

- The decrease in short term investments with the Bank of Cape Verde, driven by the drop in deposits;
- The decrease of around 11% in overdue credit, permitting an improvement in the overdue credit ratio from 17.31% to 15.79%.

- A decrease of around 9% in customer deposits, with sight deposits up by around 5% and term deposits down by around 22%. The change essentially derives from the downwards review of interest on deposits to rates lower than those of other market players.
- The loans-to-deposits ratio was up 4.8 pp to 72%, over the preceding year, essentially owing to the drop in deposits.
- Total operating income was up CVE 152 million by around 16%, owing to the significant 56.3% decrease of CVE 318 million in financial costs which surpassed the effect of the decrease of financial income owing to the lower level of recovery of overdue interest and decrease of non-interest income, deriving from the extraordinary costs occurring in 2018 to achieve prompt compliance with the solvency ratio.
- Structural costs were up 8.3% to CVE 575.3 million.
- The increase in total operating income helped to improve the cost-to-income ratio from 66.96% in December 2017 to 52.84% in December 2018.
- Impairment and provisions (net) set up across the year totalled CVE 372.9 million. This was up by around 40% over the preceding year and consumed around 73% of operating income for 2018.
- Net profit was up CVE 115.5 million to CVE 165.8 million.

The supervisory board notes that these financial statements include BCV's (Central Bank of Cape Verde) inclusion of an additional adjustment of CVE 150 million, after the first issue of the opinion of this board dated 3 May 2019 and after the first issue of the external auditor's issue of its statutory audit certificate, the latter of which without any reservations or emphases of matters and that, lastly, the external auditor issued a new opinion as a result of the BCV's decision

The supervisory board, in due consideration of the explanation provided in the preceding paragraph, considers that the financial statements permit an adequate comprehension of the bank's financial situation, that the accounting policies and measurement criteria are in conformity with the International Financial Reporting Standards, that the board of directors' report on the activity performed in 2018 is sufficiently explanatory and that the proposal for the appropriation of net income does not contravene the applicable legal and statutory dispositions and is therefore of the opinion that the general meeting of shareholders:

a) should approve the board of directors' report and financial statements for 2018 as submitted by the board of directors; and

b) should approve the proposed appropriation of net income.

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

The supervisory board also wishes to express its appreciation for the strategic decision made by CGD and congratulates the executive committee for the way in which it made this possible, enabling the bank to achieve a notable level of recovery over the last few years.

Praia, 17 June 2019

CHAIRMAN OF THE SUPERVISORY BOARD
(Signed)
(José Liberato)

SUPERVISORY BOARD MEMBER
(Signed)
(José Mário de Sousa)

SUPERVISORY BOARD MEMBER
(Signed)
(Jaqueline Canuto)

Banco Interatlântico

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