

ANNUAL REPORT

2021

BANCO CABOVERDIANO DE NEGÓCIOS, S.A. CREDIT INSTITUTION

Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde NIF: 200216589 Matriculado sob o nº 533/971119







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Financial Indicators

	Dec 2021	Dec 2020	Cha (abs)	Cha (%	
ncome Statement					
let interest income	1.089.707	838.371	251.336	30,0%	
Complementary Margin	191.715	125.718	65.997	52,50%	
Of which Commissions	136.752	117.481	19.271		
Operating Income	1.281.422	964.089	317.333	,	
Administrative Costs	487.438	474.219	13.219	•	
Operational Cash Flow	793.985	489.871	304.115		
Operational Cash How	748.060	438.229	309.831	70,70%	
otal Impairment	(205.329)	(60.719)	(144.610)		
Of which: impairment losses on loans and advances	(147.014)	(58.131)	(88.883)		
Profit before taxes	527.374	377.511	149.863	39,70%	
	444.179	294.533	149.603		
let profit for the period	444.179	294.555	149.040	50,8%	
Assets and Own Funds					
otal Assets	28.925.838	26.176.201	2.749.637	10,5%	
quity	3.214.350	2.744.376	469.973	17,1%	
oans and advances to customers (gross)	21.264.988	16.301.126	4.963.862	30,5%	
Debt Securities (net)	2.754.063	2.811.919	(57.857)	(2,1%	
oans and advances to customers (free from impairment (net))	19.645.013	14.828.572	4.816.441	32,5%	
oans and advances to customers (outstading amount)	19.581.900	14.468.076	5.113.824	35,3%	
ustomer Resources	23.573.216	21.807.500	1.765.716	8,1%	
Of which Emigrants' Deposits	4.638.671	4.264.453	374.218	8,8%	
esources from credit institutions	377.631	313.046	64.585	20,6%	
esources from Central Bank	1.362.343	1.053.722	308.621	100,09	
Quality of Credit (circular nº 195 from BCV)	5,54%	8,28%	(2,745)		
otal Loans and advances to customers/Total Resources	94,9%	82,5%	12,412		
oans excluding Securitized / Customer Deposits	90,2%	74,8%	15,458		
oans and advances to customers net / Net Assets	67,9%	56,6%	11,266		
cost of Deposits	1,4%	1,8%	(0,413)		
Cost of Risk	(0,6%)	(0,3%)	(0,308)		
rofitability					
	4.50/	4.40/	0.440		
OA OF	1,5%	1,1%	0,410		
OE	13,8%	10,7%	3,086		
Operating income/ Net Assets	4,4%	3,7%	0,747		
olvency					
olvency Ratio	16,3%	17,6%	(1,281)		
ier I Ratio	15,9%	17,3%	(1,441)		
fficiency					
ost -to-income	41,6%	54,5%	(12,922)		
taff Costs/ Operanting income	21,7%	27,4%	(5,633)		
Complementary Margin/ Operating Income	15,0%	13,0%	1,921		
Other Information					
the mornation					
lumber of Employees	170	162	8	4,	



I. BOARD OF DIRECTORS REPORT

BANCO CABOVERDIANO DE NEGÓCIOS, S.A.

Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde NIF: 200216589 Matriculado sob o nº 533/971119



1. JOINT MESSAGE FROM THE CHAIRMAN
OF THE BOARD OF DIRECTORS AND
THE CHIEF EXECUTIVE OFFICER



Annual Report 2021



Although we still lived in the middle of the Covid-19 pandemic, including a strong wave at the end of the year, the year 2021 is marked by the beginning of global economic recovery and as a result of Cabo Verdean economy.

We achieved a 6% recovery in GDP, not enough to mitigate the 12% drop in the previous year. This recovery was marked by the gradual reopening of economic activity following the progress of the vaccination and the consequent easing of restrictions imposed and containment measures, as well as the implementation of accommodative fiscal and monetary policies. The expansion of domestic demand, reflecting the increase in investment and public consumption, and the increase in credit to the economy sustained, in part, by lines of credit with a State guarantee and at low interest rates, explain the registered growth.

It was in this challenging and still uncertain macroeconomic context, notwithstanding the recovery, that BCN continued to develop its activity, having achieved a net income of 444,179 thousand CVE, 51% more than the result achieved in 2020, notwithstanding the substantial volume of credit impairments, in line with the remarkable growth in turnover.

In fact, BCN had a strong commercial performance in 2021 with a 31% year-on-year growth in the non-securitized loan portfolio and 8% in the resource portfolio.

The performance of BCN can be seen by its financial strength, with the Bank continuing to show prudential ratios above regulatory requirements, having closed the year with (1) a capital ratio of 16.3% (17.6% in 2020), (2) a low NPL ratio of 5.5% (8.3% in 2020), (3) liquidity ratios above regulatory minimums, despite the increase in the transformation ratio, and (4) a high degree of operational efficiency with a ratio of 41.6% (54.5% in 2020).

In 2021, following the adopted business model, focused on companies, we will continue to support the Cabo Verdean business sector by playing an active role in the government's solutions to support the business fabric, namely in terms of making lines of credit available under special conditions, with companies having increased their weight in the Bank's credit portfolio from 73% to 77%, which represents a growth of 39% (+4,642 million CVE).

It was with companies in mind that the Bank innovated once again in 2021 by offering BCN Confirming, an invoice management and discounting platform that allows companies, in a simple and unbureaucratic manner, to access bank financing to support their treasury.





At the national level, in order to ensure the efficiency of its business model, the Bank continued to invest in the introduction of improvements and simplification of processes and also in strengthening the risk management framework. With regard to risk management, the credit risk was given particular attention, in view of the uncertainties brought about by the pandemic and the risk associated with loans in moratorium, with the performance of periodic stress tests and reinforcement of the level of impairments.

BCN's performance would not have been what it was in 2021 without our Customers and Shareholders, to whom we dedicate a word of appreciation for their trust, and our Employees who, with commitment and dedication and above all with professionalism, remain stong in defending our values and, in a true spirit of *Djunta Mon*, have rooted our commitment to improving the lives of the people who interact with us.

In 2022, the Bank will complete 25 years of service, still under the uncertainties brought by the pandemic and at a time when the world is witnessing unprecedented political tension, thus anticipating a challenging and uncertain future. Nevertheless, the main profitability, solidity and efficiency indicators, indicate that BCN has the conditions to face the most challenging years ahead and to continue, as a 100% Cabo Verdean Bank, its purpose of being close to the companies and families, who throughout these 25 years have believed and placed their trust in us.

Luís Vasconcelos Lopes

Paulo Jorge de Oliveira Lima

Chief Executive Officer

Chairman of the Board of Directors



2. GOVERNING BODIES AS OF DECEMBER 31, 2021

BANCO CABOVERDIANO DE NEGÓCIOS, S.A. Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde



General Meeting Board

- Chairman of the General Meeting Board Carlos Andrade Miranda
- First Secretary
 Solange Correia Rodrigues
- Second Secretary
 Adénis Carvalho Silva

Board of Directors

Chairman:

Paulo Jorge Ferro Ribeiro de Oliveira Lima

Vice-President

Luís de Matos Monteiro da Fonseca

Board Members:

Luís Miguel Andrade Vasconcelos Lopes Carlitos Marcos Lima Fortes Marco António Rodrigues de Almeida Pereira António Olavo de Oliveira Rocha Raimundo Sousa Duarte Monteiro

Executive Committee

- Chief Executive Officer
 Luís Miguel Andrade Vasconcelos Lopes
- Deputy Chief Executive Officer Carlitos Marcos Lima Fortes
- Executive Director
 Marco António Rodrigues de Almeida Pereira

Supervisory Board

- President
 José Maria Ramos Cunha
- Vice-President Rui Oliveira Silva
- Member Jorge Paulo Monteiro



3. SHAREHOLDERS' STRUCTURE



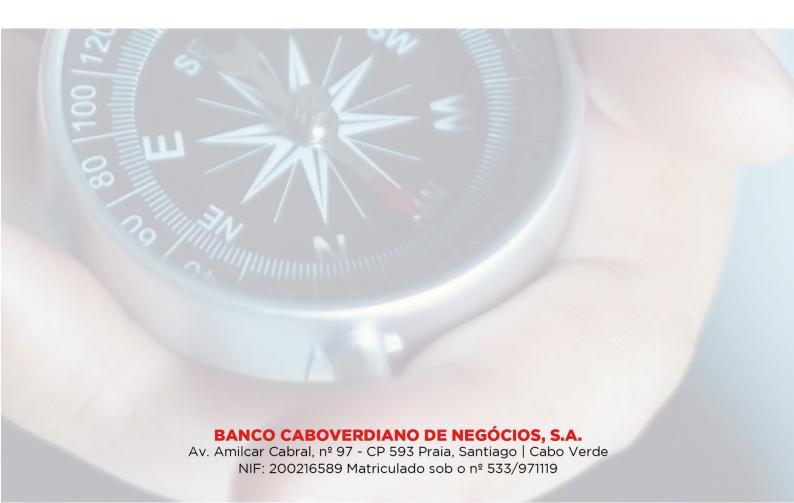


The Bank's capital, amounting to 900 million escudos, at December 31, 2021, was distributed according to the shareholder structure shown in the table below:

Shareholders	No. of Shares	Amount (CVE)	Percentage
IMPAR, SEGUROS	780.800	780.800.000	86,76%
Cruz Vermelha de Cabo Verde	40.000	40.000.000	4,44%
Private Investors	79.200	79.200.000	8,80%
	900.000	900.000.000	100,00%



4. OUR MISSION, OUR VISION AND OUR VALUES



IMPLICIDADE



MISSION

Our mission is to IMPROVE the lives of the people who interact with the BCN, by making available Banking Products and Services, integrated with Insurance, idealized for the reality of the Country and the Diaspora, to CREATE growth opportunities for the Employees, to GENERATE consistent returns for the Shareholders, observing, in the whole line of performance, high standards of conduct and corporate responsibility, contributing to the economic and social development of Cabo Verde.

VISION

Behind our **VISION** is the Bank's ambition to be recognized as the **BEST BANK** in the Cabo Verdean financial system, **reliable and a leader in the quality of services** provided to clients, through excellence and innovation in the distribution of financial products and services.

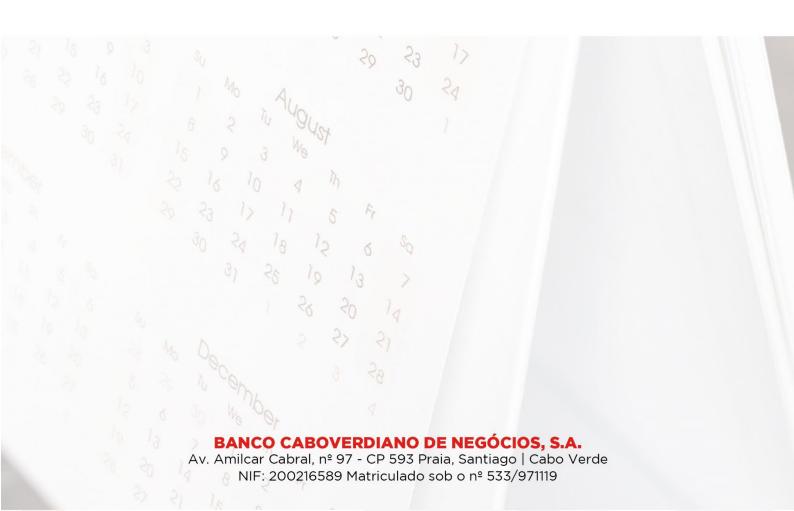
VALUES

Our **VALUES**, the expression of our identity and uniqueness as an Institution, the ones that guide our actions and drive the fulfillment of our mission, highlight one of the aspects that most characterizes the Cabo Verdean people, which is their spirit of mutual help, the commonly called "DJUNTA MOM", **the** "**Umbrella" Value" of BCN.**

In fact, based on this spirit of "DJUNTA-MOM", the values of BCN are: *MORABEZA* (HOSPITALITY), COMMITMENT, SIMPLICITY and SUSTAINABILITY, essential elements for building strong and lasting relationships and commitments for life, which can be summarized as follows: to welcome with *MORABEZA* (HOSPITALITY), to honor the COMMITMENT to improve the lives of the people who interact with the Bank, to be close to our people with SIMPLICITY and to act in the present with an eye on future SUSTAINABILITY.



5. RELEVANT FACTS IN 2021





In 2021, the Bank continued the implementation of its Strategic Plan in force since 2018 (for the 2018-2022 horizon), in a macroeconomic context of some economic recovery, after a particularly difficult year in 2020.

Among the relevant facts of 2021 for the BCN's activity, the following stand out:

- The Bank held its General Meeting of Shareholders on April 6, 2021, and shareholders holding 100% of the share capital were present. It should be noted that, under the Bank's Contingency Plan and given the health emergency situation, the shareholders met remotely. The following resolutions emerged from the meeting:
- The management report, the financial statements, and the proposed appropriation of earnings for the year 2020 were approved;
- ✓ The annual corporate governance report was approved, pursuant to Banco de Cabo Verde Notice no. 7/2017.
- ❖ Launching new products and services adapted to customer needs, namely:
- 1) the BCN Confirming service, a service provided via a web platform and aimed at the business segment whose main objective is to facilitate and simplify the business between the client and its suppliers as well as to improve companies' cash management, thus contributing to the improvement of the Cabo Verdean business ecosystem by financing the value chain;
- 2) The EasyCard, an international debit card with a credit limit defined according to the customer's income.
- Completion of the process of simplifying and automating the procedures for generating contracts, which aims to ensure the existence of an automated system for managing and producing the various contractual models used at the Bank;
- Completion of the new Performance Evaluation and Management System;
- Reinforcement of the risk management framework by carrying out a risk assessment of the entire system with the support of an external consulting firm;
- ❖ Strengthening of the security system in card management with the introduction of the ON/OFF functionality and the SMS-Token alert system functionality for the confirmation of online transactions made with commercial cards (Mastercard; Visa and Vinti4).



6. MACROECONOMIC CONTEXT





International Context

Evolution of world economy

The year 2021 was the second year of the Covid-19 pandemic whose first case was known in China in late 2019.

During this second year of the pandemic, the global economic environment was characterized by a climate of great uncertainty aggravated by the emergence of new variants of the disease.

However, the increase in the level of vaccination, especially in advanced economy and middle-income countries, allowed the gradual resumption of economic activity so that, for 2021, a growth in the world economy of 5.5% is estimated, (while in 2020 there was a contraction of 3.4%), although the path to this recovery has been characterized by numerous and major challenges (especially for developing economies), including macroeconomic imbalances of unprecedented proportions; growing income inequality between and within countries and an environment of exceptional uncertainty exacerbated by the emergence of new variants of the virus that put countries with high vaccination rates under pressure and threaten to wreak havoc in the poorest and most vulnerable countries with low vaccination rates.

Since the beginning of the pandemic, among the efforts made to control the spread of the disease, the development of vaccines has proven to be crucial and the most effective way to restore mobility. The first covid-19 vaccine was approved in late 2020 and distribution began immediately in Europe. For most of 2021, however, it ran into a major hurdle of limited access to vaccine doses, with low-income countries (LICs) suffering the most.

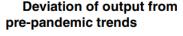
As the level of vaccination progressed in the advanced economies and in an increasing number of EMDE's (Emerging Market and Developing Economies), there was continued improvement in the labor market, reflecting both the reopening of the economy and temporary employment protection measures (particularly in Europe) with the implementation of simplified layoff schemes and the Coronavirus Job Retention Scheme and Self Employment Income Support Scheme in the UK.

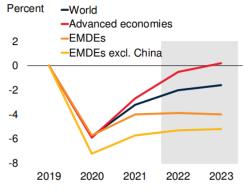
In addition, the exceptionally accommodative monetary and fiscal policy measures adopted by monetary authorities, together with the maintenance of reference rates at historic lows (since March 2020) and some easing, in general, of prudential measures, were fundamental to mitigate the effects of the health crisis on the income and confidence of economic agents and, consequently, on global economic activity.



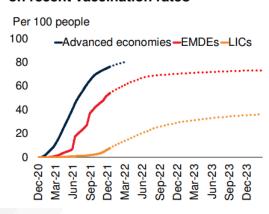
The pace of recovery in EMDE's was, however, notably weaker and more fragile compared to advanced economies, as a result not only of limited policy responses and the scars left by the pandemic, but also of slower progress in vaccination. Indeed, the distribution of vaccines across countries appeared to be a major constraint in the global recovery process, as access to vaccines remained highly uneven around the world from the start, and stubbornly limited in low-income countries (it is predicted that only about one-third of the population in LICs will have received just one dose of vaccine by the end of 2023).

The 5.5% growth rate expected for the global economy in 2021 (the strongest post-recession pace in 80 years) breaks down to a 5% growth rate for Advanced Economies, 6.3% for EMDE's and 3.3% for LIC's.





Projected vaccine coverage based on recent vaccination rates



Source: World Bank Group Flagship Report, Global Economic Prospects, January 2022

For the year 2021, the US economy is forecast to grow at 5.7%, the fastest pace since the 1980s (year 1984). However, throughout the year, the pace of growth was not uniform in light of the covid-19 pandemic and the emergence of new variants (the third quarter was dominated by the Delta variant and the Omicron variant arrived in late November).

In the second half of the year, the economy suffered several setbacks in addition to outbreaks of covid-19 and significant slowdowns in private consumption and manufacturing production, including growing supply shortages, rising energy prices, as well as weak revenue growth derived from the support policies adopted in the pandemic.

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The outbreak of coronavirus infections has also impacted the labor market, although this is expected to be a temporary effect. Employers desperate for workers, with 10.6 million job openings in the United States at the end of November.

In the last quarter of 2021, following a strong surge in demand for goods, companies replenished depleted inventories, helping the nation's activity record its best performance in nearly four decades. For 2021, the price index for personal consumption expenditures (PCE) is expected to rise by 3.9 percent (the largest increase since 1990). It should be noted that in the fourth quarter, that rate was 6.5 percent, the biggest jump since the third quarter of 1981. The chaos in supply chains, the shortage of workers and the increase in demand have thus contributed to the rise in prices.

It should be noted that the pandemic stimulus measures that had been supporting economic activity are coming to an end. The Federal Reserve announced in late January that it plans to reverse its monthly asset purchases in early March and signaled that it would raise interest rates soon after to contain inflation.

After falling by 6.4% in 2020, the **Eurozone** economy will grow by 5.2% in 2021, partially recovering from the contraction it suffered following the Covid-19 pandemic crisis.

The recovery process of the European economy started from the second quarter of 2020, but the uncertainties brought by the pandemic as well as the appearance of new variants of the virus have brought doubts about its ability to maintain the pace of growth.

In fact, growth slowed down in the fourth quarter of 2021, which did not compromise the remarkable annual growth since the good performance of France and Italy offset a much weaker quarter in Germany.

The recovery of the Eurozone economy was mainly driven by domestic demand, especially for consumer services, as a result of high vaccination rates, the associated reduction in fear of infection and the easing of pandemic-related restrictions. It was also driven by an increase in real disposable income and a substantial decline in the saving ratio. Household disposable income continued to be mainly driven by labor compensation, which as a rule involves a relatively high marginal propensity to consume.

In the third quarter, services-driven growth more than offset the growing importance of supply bottlenecks as a factor constraining industrial activity.

Disruptions in international transport and input shortages prevented euro area firms from increasing their production in line with rapidly growing demand for manufactured goods, thereby intensifying the imbalance between strong demand and supply shortages.



Supply bottlenecks in the manufacturing industry remained severe until November, with a steady lengthening of suppliers' delivery times thus causing, along with the tighter pandemic-related constraints due to the spread of new variants, the slowdown in real GDP growth.

Price pressures have increased considerably in recent months and inflation will have peaked in the fourth quarter of 2021. However, these pressures are thought to be mainly temporary, reflecting a sharp rise in energy prices (transport fuels, electricity and gas), depreciation of the euro exchange rate and external and internal mismatches between supply and demand as economies reopen.

In the labor market, the unemployment rate showed a downward trend as the pace of recovery increased, accompanied by an increase in unfilled jobs and strong employment growth, especially in the third quarter of the year. By the end of 2021, the unemployment rate is projected to fall to its prepandemic level.

China's economy rebounded in 2021, posting the highest growth rate in a decade, notwithstanding the fact that the result for the last quarter of the year indicated a slowdown from the previous quarter. Recurrent pandemic-related mobility restrictions and restraint in the real estate and financial sectors restricted consumer spending and residential investment.

In contrast, and despite supply disruptions and electricity shortages, manufacturing activity was generally solid and export growth accelerated. Macroeconomic policy actions helped prevent a sharper economic slowdown and mitigate financial stress. The People's Bank of China provided short-term liquidity injections and lifted compulsories, and the government accelerated infrastructure investment and stepped up efforts to support credit owners and promoters.

GDP growth is expected to be 8.1%, the largest expansion since 2011, a performance well above that achieved in 2020 at 2.2% (the weakest growth rate for this economy in 44 years), a performance that was given a special boost by the robust exports recorded in 2021, with China achieving a record trade surplus this year.

In the **UK** the economy will have grown by 7.5% in 2021 (fastest pace of growth since World War II), indicating that economic activity has recovered to pre-pandemic levels earlier than expected. Economic growth was due to services, especially in the food and hospitality sectors, following a higher rate of reopening earlier in the year.

The recovery, however, was undermined by labor shortages, difficulties in supply chains, rising energy prices, and outbreaks of covid-19 and new variants that emerged throughout the year. In December 2021, GDP declined due solely to a 0.5% contraction in the services sector, where accommodation



venues were hit by mass cancellations in the run-up to Christmas after the Government imposed restrictions to curb the spread of the Omicron variant.

As for inflation, data show that prices saw the fastest growth in ten years driven by higher energy and transport costs, following the rise in prices worldwide following rapid recovery in demand after the loosening of Covid-19 restrictions, shortages of goods and workers, and rising energy costs. On the other hand, for the UK economy also weighed the consequences of Brexit, which increases the cost of doing business with the European Union, its largest trading partner.

Thus, in 2021, inflation in the UK reached 5.4%, the highest seen in the last 30 years and, as was to be expected, the increase in reference interest rates by the British central bank was inevitable.

As for the labor market, the outlook indicates that the unemployment rate should peak well below forecasts.

Public debt is expected to reach 85.2% of GDP.

In Japan, activity remained moderate throughout 2021, despite the prospects of greater dynamism at the end of the year, as high vaccination rates allowed for the relaxation of pandemic control measures.

Japan's industrial production (a performance indicator for the Japanese economy, highly dependent on the manufacturing sector) increased by 5.8% in 2021 compared to the previous year, still below the prepandemic level, due to the global shortage of semiconductors and the suspension of component production in Southeast Asia due to increased cases of COVID-19 in factories, a setback that particularly affected the automotive industry.

The estimated growth for the Japanese economy in 2021 is 1.7%.

Output in **EMDEs** - **Emerging Market and Developing Economies is estimated to have grown** by 6.3% in 2021 as a result of many countries in Europe and Central Asia (ECA) and Latin America and the Caribbean (LAC) benefiting from a recovery in domestic demand driven by a rebound in labor markets, as well as strong external demand and resilient shipping. In turn, high commodity prices have helped stabilize manufacturing activity in major commodity exporters in both ECA and LAC, as well as in the Middle East and North Africa (MENA) and SSA (Sub-Saharan Africa).

Despite this improvement, the resumption of growth in 2021 was not enough to bring production to 2019 levels in many EMDEs. Resurgence of new cases of COVID-19 and related mobility restrictions restricted economic recovery in many countries. This was most evident in some large East Asian and Pacific (EAP) economies, where several indicators of real activity contracted, as well as in the economies of tourism-dependent EMDEs - including a number of small island states - amid weakness in international tourist arrivals.



On the other hand, manufacturing output in the EMDEs has slowed and new orders for manufacturing exports remain subdued, reflecting moderation in external demand and persistent supply bottlenecks. Private consumption has been constrained by a sharp acceleration in inflation in many economies.

The pandemic and rapid spread of the Omicron variant may further weigh on the near-term growth of EMDEs.

In the so-called **LIC Economies - Low Income Countries**, growth is estimated to have risen to 3.3% in 2021, as stronger external demand and high commodity prices have helped boost activity.

However, domestic demand remained moderate, given the continued loss of income and employment caused by the pandemic that worsened poverty and food insecurity. Limited progress with vaccination amid supply constraints and distribution challenges also weighed heavily on the recovery. In some LICs, activity also regressed due to high levels of violence and armed conflict (the case of Burkina Faso, and Ethiopia) or increasing political instability (the case of Chad and Mali).

The **Portuguese** economy grew 4.9% in 2021, the highest growth rate since 1990, despite being lower than the European average.

Explaining this evolution is a significant contribution of domestic demand, after having been significantly negative in 2020, with a recovery in private consumption and investment. This evolution is sustained by the growth of real disposable income, favorable financial conditions and the accumulation of wealth throughout the crisis. As for investment, there is an acceleration of 4.9% in 2021, taking into account European funds, the economic recovery and favorable financing conditions.

Public consumption, which translates the level of services provided by the State, should grow 4.8% in 2021, more than in 2020.

The contribution of net external demand was much less negative in 2021 than in 2020, with significant growths in imports and exports of goods and services.

In the labor market, the forecast is for improvement with the unemployment rate projected to be 6.6% in 2021.

The average inflation rate should be fixed at 1.3%, with the energy component being decisive for the increase in prices.

International organizations forecast a more modest recovery for the **African economy** in 2021 than in the rest of the world, partly explained by the low rate of covid-19 vaccination on the continent.

Sub-Saharan Africa's growth is expected to be around 3.5% in 2021, one of the slowest in the world. However, this recovery has been fueled by high commodity prices, a relaxation of the strict measures

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adopted during the pandemic, and a rebound in global trade, but it remains vulnerable given the continent's low vaccination rates, lingering economic damage, and slow pace of recovery. The vaccination rate of the population was around 10% on the continent, so without vaccines, containment appears to be the only option to contain the virus.

Even though Africa was the region of the world least affected by the covid-19 pandemic, it also experienced several waves of the disease. Some countries have paid a high price, such as South Africa, which has the most industrialized economy and whose growth is expected to be at 5% in 2021. The Nigerian economy is expected to grow by 2.6%, thanks to high oil prices, even if production remains below pre-pandemic levels.

In Angola, another economy that relies heavily on oil, growth of 0.4% is forecast for 2021. Among countries heavily dependent on tourism, such as Cabo Verde, Mauritius, Gambia, or the Seychelles, growth should return to pre-pandemic levels, but still far from erasing losses recorded in 2020.

Finally, in the most fragile economies, the security situation (particularly in the Sahel), or political situation (in Chad and Guinea) is likely to undermine the expected recovery in consumption and investor confidence.

Global Trade

Global trade has recovered in 2021 alongside the recovery in global economic activity. Forecasts indicate that international trade has returned to pre-pandemic levels with World Trade Organization projections indicating growth of 10.8%.

Of note, however, is the uneven evolution of global trade in goods and services. Trade in goods recovered significantly thanks to strong demand for motor vehicles, electronics and outdoor items. Despite supply chain constraints during the second half of the year, global trade in goods remained firmly above the pre-pandemic level.

Trade in services, on the other hand, shows a slower recovery under the weight of the restrictions still in place due to the pandemic.

At the regional level, the same picture of different developments can be seen. China's trade growth has slowed due to the impact of the unusual level of trade recorded in 2020. The rest of emerging Asia shows above world average growth linked to its prominent role in goods manufacturing. In the advanced economies, trade grew strongly in the United States driven by the huge stimulus packages. Eurozone developments are more in line with the world average. The loss of trade momentum in the second and third quarters of 2021 is widespread and especially visible in China, the US and Latin America.



Financial Markets

The year 2021 was characterized by the continuation of the negative effects that had been coming since 2020, originating from the covid-19 pandemic, namely the restrictions on mobility and therefore on economic activity, as well as the need to give a credible trajectory to the fiscal situation, as a reaction to the large spending expansion of 2020. A feature of the global economy brought on by the pandemic will have been the worldwide increase in public and private debt levels.

Lower tax revenues and higher social and health spending reflected the choice to try to avoid the widespread destruction of productive capacity and ensure the subsistence of part of the populations during the pandemic. On the private sector side, debt was the way for many companies to survive the sudden stop, when the result was not bankruptcy or closure. According to IMF data, the largest increase in global debt in one year since World War II occurred in 2020 (annual increase of 28 percentage points).

The year 2021 is also marked by inflation levels that have become a central concern. With the existing pressure on supply chains and logistics, due to the disruptive effects of pandemic and confinements, the cost of raw materials rose significantly in 2021, such as Natural Gas (+40.25%), oil (Brent + 53.09%), Soybeans, Corn (+22.99%), Coffee (+78.44%), Sugar (+75.99%) and Copper (+23.58%).

At the foreign exchange level, the US dollar (USD) marked its position, appreciating consistently against the main competing currencies, highlighting the greater economic robustness of the USA, which even allowed the Federal Reserve to announce the fastest withdrawal of support to financial markets while forecasting a rise in key interest rates as early as 2022, to combat persistent inflation.

National Context

The evolution of the Cabo Verdean economy in 2021 was characterized by the gradual reopening of economic activity following the progress of the vaccination rate and the consequent easing of imposed restrictions and containment measures, as well as, by the support of accommodative fiscal and monetary policy measures.

Better expectations of a recovery in tourism in the last quarter of the year, given a situation of greater control of the pandemic, increased the outlook for a phase of growth in economic activity. The projections for national GDP growth in 2021 are thus approximately 6.6%.



The expansion of domestic demand, reflecting the increase in investment and public consumption, determined the performance of the national economy at least during the first half of the year. The increase in investment is explained, on the one hand, by the executions, in their conclusion phase, of external investment projects mainly in the tourism and real estate sectors, as well as, public investments and, on the other hand, by the increase in credit to the economy sustained, in part, by the lines of credit with a State guarantee and at low interest rates, created exceptionally in the context of measures to mitigate the effects of the pandemic.

The increase in public spending to reinforce health structures and response conditions to the health crisis and to mitigate its social impact justifies, on the other hand, the evolution of public consumption.

Net external demand, however, showed a strong deterioration, with exports (of services) falling at a much faster pace than imports.

On the supply side, the dynamism in terms of investment with an impact on construction, public policies to support companies and the most vulnerable families to mitigate the effects of the pandemic on the economy, the recovery of domestic demand with implications for improved turnover in the sectors of trade, manufacturing and land and maritime transport, explain the performance of the national economy.

With a negative influence on the performance of the national economy in 2021, it is worth noting the fall in gross value added of the accommodation and catering sector related to demand, especially tourism, relatively weak, with implications for turnover in this sector, as well as the reduction in taxes net of subsidies justified by exceptional budgetary measures to mitigate the effects of the pandemic on business liquidity and household income, among which, the payment in instalments of taxes, the decrease in the value added tax rate for companies in the accommodation and catering industry, as well as the restrictions that remained in some activities considered non-essential in the scope of the covid-19 containment measures.

Consequently, in this context of recovering domestic demand and rising prices of energy and nonenergy raw materials in the international market, inflationary pressures were felt, despite the maintenance of the trend of stability and moderation in recent years of the inflation profile.

The average annual **inflation** rate is expected to reach 1.6% in 2021.

At the origin of inflationary pressures that began in the first half of 2021, reversing the downward trend that had been seen since May 2020, is the increase in prices of "Transport", "Food and non-alcoholic beverages", "Housing, water, electricity, gas and other fuels" and "Home accessories, household equipment and routine maintenance of the home", reflecting, in some cases, the transmission of



international prices of energy commodities to domestic prices, with the upward update of administered fuel prices (oil, diesel, gasoline and gas). Particularly noteworthy in the "Transport" class is the contribution of the increase in prices of "Passenger air transport" and "Fuel and lubricants for personal transport equipment".

The increase in domestic demand, as well as imported inflation, particularly of foodstuffs, will also explain the evolution of consumer prices, as suggested by the rise in prices of "Food and non-alcoholic beverages", as well as "Clothing and footwear" and "Alcoholic beverages, tobacco and narcotics".

With regard to **external accounts**, they continued to be affected by the economic impacts of the global health crisis, particularly at the level of revenues from tourism and air transport services.

The balance deficit improved in late 2021, mainly as a result of increased remittances from emigrants, exports of tourism travel and air transport services, exports of goods and, in particular, re-exports of fuel and food products at ports and airports, as well as a reduction in interest payments on foreign debt (public and private). Meanwhile, the increase in imports of goods and services and the reduction in current official transfers contributed to attenuate the improvement in the current account deficit.

Foreign direct investment registered a favorable performance associated with the resumption of investment projects in their conclusion phase, especially in the tourism and tourism real estate sectors on the islands of Santiago, São Vicente and Boa Vista.

Regarding the **monetary and financial situation**, the monetary mass is expected to contract, expressed by the M2 aggregate taking into account the fall in net foreign assets, in particular the stock of the country's net international reserves, although the balance sheet of Banco de Cabo Verde has benefited from the entry of about 3 billion escudos relating to the allocation of SDRs - Special Drawing Rights by the IMF - International Monetary Fund.

Net domestic credit, in turn, increased compared to 2020, driven mainly by increased credit to the economy. The suspension of debt service of contracts under the moratorium regime, the use of covid-19 lines of credit guaranteed by the State, as well as the granting of new credit explains the performance of credit to the economy, while the settlement of Consolidated Financial Mobilization Securities (TCMF) held by Banco de Cabo Verde in a negotiation with the National Institute of Social Security largely justifies the evolution of net credit to the general government sector.

It should be noted, however, an increase in credit to the Central Government, explained by the growth of the stock of treasury bills and bonds issued with the national banking and other entities.

In terms of components, the reduction in money supply reflected the evolution of monetary liabilities, namely demand deposits in national currency and currency in circulation. Quasi monetary liabilities, in



turn, grew, determined mainly by the increase in time deposits in national currency and savings deposits. The constitution of precautionary savings in the current environment, supported in part by the decrease in resident spending on travel, leisure and entertainment may be at the origin of the evolution of these deposits.

In order to mitigate the impact of the crisis caused by the Covid-19 pandemic on the national economy, restore and strengthen the confidence of economic agents, as well as stimulate the recovery of economic activity, Banco de Cabo Verde (BCV), at the end of 2020, decided to renew, to be in force in 2021, a set of measures consistent with the orientation of national and international monetary policy and which were adopted in the first quarter of 2020, after the outbreak of the covid-19 health crisis.

The **public accounts** recorded a worsening deficit due to an increase in current operating expenses and expenses with non-financial assets, as well as a reduction in donations and tax revenues, also reflecting the effects of the pandemic on national economic activity and exceptional measures to mitigate its impact on the income of companies and households.

Current operating expenses were driven, to a large extent, by the execution of spending on the acquisition of goods and services (especially the purchase of materials to combat covid-19), on social benefits with the increase, especially, in retirement pensions, on current transfers to municipalities and on subsidies to compensate for the deficient occupancy rate in inter-island maritime transport.

Expenditure on non-financial assets grew given the increase in spending on the public investment program, and in particular, with the implementation of projects linked to programs such as "Guaranteed access to income, education, and health care", "General management and administration", "Education for excellence", "Integrated health development", "Valuing the islands and endogenous resources" and "Flexible and inclusive labor market".

Tax revenue, in turn, contracted largely due to the drop in collection of income tax, the tourist contribution and the special unified tax. This evolution also reflects the impact of the covid-19 crisis on the reduction of economic activity, particularly in the tourism sector, and measures such as (1) payment in instalments of taxes, (2) extension and postponement of tax payment deadlines by taxpayers of the special regime for micro and small enterprises (REMPE), and (3) the effects of the temporary suspension of employment contracts in the collection of personal income taxes, as well as the system of enforced collection.

The State's need for financing has determined the increase of public indebtedness, both with banks and other national creditors, and with external creditors, thus increasing the stock of the State's debt (including or not the Consolidated Financial Mobilization Bonds).



7. OVERVIEW OF THE BANKING ACTIVITY





Customer Resources and Other Loans

At 31 December 2021, Customer resources, which constitute the Bank's main source of funding, stood at 23,573 million CVE, reflecting an increase of 8.1% over the previous year (21,808 million CVE). Of the evolution of Customers' resources, the highlights are (i) the increase of 1,152 million CVE in Demand Deposits; (ii) the increase of 957 million CVE in Term Deposits, contrary to the decrease which occurred in 2020; and the (iii) decrease of securities sold with a repurchase agreement by 235 million CVE, reflecting, for the most part, the channelling of savings into Term Deposits.

(in thousand CVE)

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Designation	2021		2020	Change		
Designation —	Amount	Mix	Amount	Mix	Abs	%
Demand Deposits	10.963.752	46,51%	9.812.213	44,99%	1.151.539	11,7%
Emigrants	985.687	4,18%	814.611	3,74%	171.077	21,0%
Others	9.978.065	42,33%	8.997.602	41,26%	980.463	10,9%
Term deposits and savings accounts	11.354.322	48,17%	10.397.257	47,68%	957.065	9%
Emigrants	3.590.984	15,23%	3.357.922	15,40%	233.063	7%
Others	7.763.338	32,93%	7.039.335	32,28%	724.003	10%
Other payables	16.748	0,07%	27.132	0,12%	(10.383)	(38,27%)
Charges payable	183.112	0,78%	285.267	1,31%	(102.155)	(35,81%)
Securities sold under repurchase agreements	1.038.150	4,40%	1.272.658	5,84%	(234.508)	(18,43%)
Charges payable	17.132	0,07%	12.973	0,06%	4.159	32%
Total	23.573.216	100,00%	21.807.499	100,00%	1.765.717	8,1%

The growth in deposits at the BCN (8.1%) was much higher than the growth in the market portfolio (0.7%), with an impact on the Bank's market share, which went from around 10.5% to 11.2%.

	2020	% Mix	2021	% Mix	Δ abs.	Δ %
BCN	21.807	10,5%	23.573	11,2%	1.766	8,1%
National Banking System*	208.344	100%	209.848	100%	1.504	0,7%

^{*}Estimate for Dec 21 based on data published by BCV (Consolidated Balance Sheet of Deposit Banks)

Regarding emigrants' resources, the BCN recorded an increase of 9.7%, rising from 4,173 million CVE in 2020 to 4,577 million CVE in 2021, a growth above the market (growth of 2.6%) with the consequent increase in market share, in this segment, to 6.6% (6.2% in 2020).



In the structure of customer resources, the emigrant segment has a weight of around 19%, which it has maintained in recent years.

Credit Portfolio

Non-securitized loans to customers (loans and advances to customers) as at December 31, 2021 amounted to a gross amount of 21,265 million CVE, an increase of 30.5%, (+4,964 million CVE) compared to the same period in 2020 (16,301 million CVE).

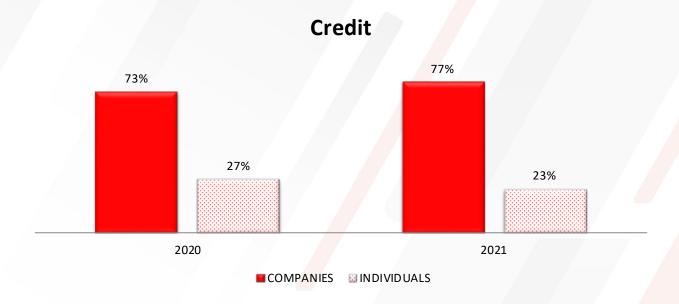
Considering total loans to the Economy (including securitized loans), in 2021 the portfolio was 24,026 million CVE (19,120 million CVE in 2020), an increase of 25.7% from the same period in 2020. Taking into account a growth of the BCN's loan portfolio much higher than the market average (6.0%), the BCN's loan market share increased by 2.2 p.p., from 11.5% in 2020 to 13.7% in 2021.

	2020	% Mix	2021	% Mix	Δ abs.	Δ %
BCN	19.120	11,5%	24.026	13,7%	4.906	25,7%
System*	165.916	100%	175.871	100%	9.955	6,0%

^{*}Estimate for Dec 21 based on data published by BCV (Consolidated Balance Sheet of Deposit Banks)

With regard to the composition of the unsecured loan portfolio by segment, Companies and Individuals, one notes, as has occurred in recent years, an increase in the weight of the Companies segment, which now represents 77% of the portfolio (73% in 2020). Conversely, the weight of Individuals fell to 23% (27% in 2020), which reflects not only the business segmentation policy initiated in 2018 with a focus on the Small and Medium Enterprises (SMEs) segment, but also the availability of credit lines to companies, as part of the mitigation measures of the effects of COVID-19.





In terms of concentration, the Bank's 20 largest exposures, spread across various sectors of economic activity such as energy, water, telecommunications, tourism, electricity, transport, public sector, among others, represented, in 2021, a weight of around 40.3%, an increase over the previous year (34.7%), which accompanied the increase in the total loan portfolio, notwithstanding the strategy of diversifying the portfolio across the various sectors of economic activity, following the approval of large loans to certain sectors of activity. It should be noted that a large part of this concentration is in the state corporate sector (21%).

As regards the maturity of the portfolio, around 74.9% of the loans granted are for more than one year, while at the end of 2020 this percentage was 79.2%.

With regard to sector distribution, in comparison to the previous year, as already mentioned, there was an increase in the weight of the volume of credit granted to companies, with emphasis on (1) the 10% reduction in the volume of credit granted to companies operating in the manufacturing sector; (2) the increase in the volume of credit granted to companies operating in the services sector by 90.2%; (3) the increase in the volume of credit granted to companies operating in the tourism sector by 38.7% and (4) the increase in the volume of credit granted to companies operating in the construction and public works sector by 35.9%.



Amounts in thousand CVE

				Chang	ge	
	2021	%	2020	%	Abs	%
Commerce	1.783.314	8,39%	1.759.049	10,79%	24.265	1,38%
Construction and Public Works	686.985	3,23%	505.623	3,10%	181.362	35,87%
Consumption	354.061	1,66%	316.258	1,94%	37.803	11,95%
Housing	3.146.016	14,79%	2.787.111	17,10%	358.905	12,88%
Industries	373.264	1,76%	414.794	2,54%	(41.530)	(10,01%)
Real Estate Operations	562.127	2,64%	577.487	3,54%	(15.360)	(2,66%)
Services	2.472.832	11,63%	1.700.118	10,43%	772.714	45,5%
Tourism	4.057.689	19,08%	3.083.275	18,91%	974.414	31,60%
Other Individuals	1.292.956	6,08%	1.368.266	8,39%	(75.310)	(5,50%)
Other Sectors	393.659	1,85%	261.580	1,60%	132.079	50,49%
SPE - State Business Sector	4.808.916	22,61%	2.385.521	14,63%	2.423.395	101,59%
SPA - Municipalities	1.333.169	6,27%	1.142.044	7,01%	191.125	16,74%
Total	21.264.988	100,00%	16.301.126	100,00%	4.963.862	30,45%

Qualty of Credit Portfolio 1

Under the terms of Circular Series "A" no. 195/DSF/2018 of December 21, 2018 of Banco de Cabo Verde, as at December 31, 2021, non-performing loans fell from 8.3% to 5.5%, a decrease of 2.8 p.p. to which the two customer segments, Companies and Individuals, contributed. Reference should, however, be made to the fact that in the Companies segment, in the industrial and tourism sectors, there was an increase in the volume of overdue credit.

Amounts in thousand CVE

	2021		2020		Change		
Designation	Amount	%	Amount	%	Abs.	%	
COMPANIES	727.040	63,14%	815.842	62,25%	(88.802)	(10,88%)	
INDIVIDUALS	424.399	36,86%	494.717	37,75%	(70.318)	(14,21%)	
TOTAL	1.151.440	100,00%	1.310.559	100,00%	(159.119)	(12,14%)	

It should be noted that if we include the credit operations, which, under the terms of the regulator's guidelines, article no. 11 of Notice no. 4/2006, should already have been written off from assets, since they have been 100% provisioned for more than 6 (six) months, the ratio of non-performing loans, calculated in accordance with the provisions of Circular Series "A" no. 195/DSF/2018 of December 21, 2018, would be 7.6% (10.9% in 2020).

¹The total amount of Credit in Default is ascertained pursuant to Series "A" Circular No. 195/DSF/2018 of December 21, 2018, according to which "a customer is in default when he presents credit overdue for a period greater than or equal to 90 days, considering the overdue exposure of this customer to be the **sum of the overdue installments and those falling due**", whereby all the customer's exposures must be considered overdue "whenever the exposures overdue for a period greater than or equal to 90 days exceed 20% of the debtor's total exposure".

It should be noted that the portfolio of non-performing loans, for the purposes of this report does not consider a set of operations already identified and 100% provisioned which are waiting to be written off from assets as soon as the necessary clarifications are obtained from the Tax Authority in respect of the issue of the tax relevance of the write-offs as regards competition for the tax base. The amount in question for 2021 is 471.3 million CVE (472.9 million CVE in 2020).



With regard to the distribution of overdue loans ² according to the delay verified, it can be seen that the largest volume, around 95%, corresponding to 1,088 million CVE (78% in 2020, corresponding to 1,019 million CVE), is in operations with a delay of more than 1 (one) year and which are in the phase of judicial execution of guarantees.

		- /	Amounts in thousana C		
			Change		
	2021	2020	Abs.	%	
Overdue Loans and interest - 90 to 180 days	18.805	37.467	(18.662)	(49,81%)	
Overdue Loans and interest -180 days to 1 year	44.723	254.510	(209.787)	(82,43%)	
Overdue Loans and interest -1 year to 3 years	358.826	341.194	17.632	5,2%	
Overdue Loans and interest > 3 years	729.103	677.388	51.715	7,63%	
Total	1.151.457	1.310.559	(159.102)	(12,14%)	

In terms of distribution of overdue loans and interest by sector of activity, we highlight (1) the weight of overdue loans in the "Real Estate Operations" sector, with the highest weight among the various sectors, 25.1% (24.8% in 2020); (2) followed by the weight of overdue loans in the "Housing" sector whose weight decreased from 22.5% in 2020 to 19.3% in 2021; (3) the decrease by 2.2 p. p of the weight in the "Construction and Public Works" sector and (4) the increase in 2.0 p.p. of the weight of overdue of other loans to individuals.

					Amounts in thousand CVE	
					Cha	nge
	2021	%	2020	%	Abs	%
Commerce	82.994	7,21%	100.489	7,67%	(17.495)	(17,41%)
Construction and Public Works	17.051	1,48%	48.460	3,70%	(31.409)	(64,81%)
Consumption	24.164	2,10%	23.952	1,83%	212	0,88%
Housing	221.632	19,25%	294.304	22,46%	(72.672)	(24,69%)
Industries	72.786	6,32%	70.889	5,41%	1.897	2,68%
Real Estate Operations	288.603	25,06%	325.001	24,80%	(36.398)	(11,20%)
Services	139.165	12,09%	145.002	11,06%	(5.837)	(4,03%)
Tourism	126.165	10,96%	125.740	9,59%	425	0,3%
Other Individuals	178.603	15,51%	176.461	13,46%	2.142	1,2%
Other Sectors	276	0,02%	247	0,02%	29	11,8%
SPE-State Business Sector	17	0,00%	14	0,00%	3	21,4%
SPA - Municipalities	0	0,00%	0	0,00%	0	0,00%
Total	1.151.457	100,00%	1.310.559	100,00%	(159.102)	(12,14%)

² The amounts shown do not include overdue credits with a term of less than 90 days in the amount of CVE 60,3 million (CVE 49,6 million in 2020) and also the 100% provisioned credits waiting to be written off from assets in the amount of CVE 471,3 million (CVE 472,9 million in 2020).

Annual Report 2021

Amounts in thousand CVE



At the end of 2021, impairments/provisions covered 99.8% of the volume of non-performing loans (76.3% in the previous year), an increase explained both by the increase in the volume of loan impairments and by the decrease in the overdue loans portfolio.

The Credit Quality indicator calculated as at December 31, 2021 showed a favorable performance relative to 2020 (a decrease of 2.8 p.p.), falling from 8.3% in 2020 to 5.5% in 2021. This more favorable behavior in terms of the quality of the loan portfolio is justified both by the decrease in the portfolio of non-performing loans and, above all, by the increase in the overall loan portfolio.

The total amount of renegotiated loans (stock values) at the end of 2021 was 1,834 million CVE, 127 million CVE more than in 2020, an increase of 7.4%.

7 WHO						7 (1110011131111	1003ana CYL	/
	2021		2020		Change			
Designation					Balance		Impairment	
	Balance	Impairment	Balance	Impairment	Abs.	%	Abs.	%
Postructured Loans	1 022 440	374015	1 707 344	104 000	104314	7 107	177 115	00 NØ

Distribution Channels and Payment Methods

Banco Caboverdiano de Negócios, SA, maintained its distribution network, with a strong presence on the island of Santiago (8 Business Units) and extended coverage of the entire national territory, with a presence on all the other inhabited islands in the country. The distribution network is made up of a total of 17 (seventeen) Branches, 1 (one) Private Banking unit and 3 (three) BCN Business units, which represents about 17% of the national banking system (the same as the previous year) in terms of the physical distribution network.

With regard to the **ATM** network, the BCN has national geographical coverage with 30 ATMs distributed throughout the inhabited islands of the country (two ATMs less than in the previous year, following the inactivation of 3 machines and the installation of a new machine). The BCN's market share in relation to the number of active ATMs in the system in 2021 is therefore 14%, down 2 p.p. from 2020, bearing in mind that the total number of machines in the system increased by 9 units (+4.5%).

At the **POS** level, at the end of 2021, the BCN had 1,475 automatic payment terminals, which represents an increase of about 17.8% (+223) over the previous year (1,252 in 2020). The weight of the BCN's total POS at system level rose from 14.4% to 15.4% (at system level there was an increase of 876 POS, rising from 8,688 POS in 2020 to 9,564 in 2021).



The BCN was responsible, as a Support Bank (i.e. a Bank whose ATMs and POSs served as the basis for conducting transactions), for 14.9% of the number of transactions (14.5% in 2020) thus maintaining its position as the fourth Support Bank in the Vinti4 Network.

Of the total 266,216 **active cards** at the system level in 2021 (266,512 in 2020), the BCN accounts for 21,878 cards (18,686 in 2020) which represents 8% of the total active cards at the national banking system level (7% in the previous year).

Overview of the Economic and Financial Situation

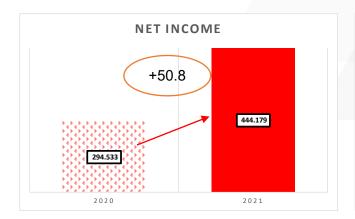
The year 2021 is the year that follows a particularly difficult crisis year, which was the year 2020.

There has been a gradual recovery in the level of economic activity around the world, despite disruptions in production chains, mismatches between supply and demand and high *commodity* prices. Such recovery has been uneven for the different economic blocks and has been aggravated by a slower reaction in the supply chain.

In Cabo Verde, thanks mainly to the recovery of Tourism, an economic growth of 6.6% is estimated after the historical recession of 14.8% in 2020.

It was in this context that BCN developed its activity with an increase in its business volume, with a 30.5% growth in the credit portfolio and an 8.1% growth in the resources portfolio.

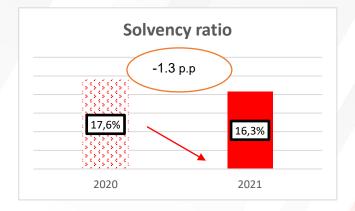
Thus, the results achieved show an increase of 56.1% in profits which amounted to 444.2 million CVE; the growth in Banking Income of 32.9%; the variation in Net Imparities of Credit of 88.9 million CVE and the improvement in the Bank's operational efficiency of 12.9 p.p., with the *cost-to-income ratio* standing at 41.6%.

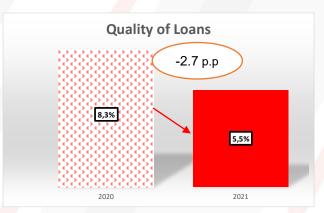




³ According to data from SISP - Interbank Payment Systems Company in its Performance Assessment Report, December 2021.







The BCN's financial statements for the year 2021, produced in accordance with the International Financial Reporting Standards (IFRS), with the exception foreseen in Notice no. 4/2006 of Banco de Cabo Verde, and the changes introduced by Notice no. 6/2007 regarding regulatory provisions, show a Net Income for the year of 444.2 million CVE (294.5 million CVE in the previous year), an increase of 50.8% over the previous year, taking into account the results of banking operations carried out following the performance of commercial activity during the year.

The Balance sheet registered an increase of 10.5% to 28,926 million CVE (2,750 million CVE more than the previous year) with the item Net Loans to Customers (excluding securitized credits) and Customer Deposits continuing to have a significant weight in its composition 67.9% (56.7% in 2020) and 81.5% (83.3% in 2020), respectively.

An analysis of the Financial Statements and the main indicators also highlights the following:

- The Net Interest Income reached 1,089.7 million CVE, 29.98% more than in the same period of the previous year (838.4 million CVE), in line with the increase in lending activity.
- Operating Income went from 964.1 million CVE to 1,281.4 million CVE influenced by the positive contribution of its two components, Net Interest Income (NI) and Complementary Margin (CM).
- Operating costs increased by about 1.4% to 533.4 million CVE (525.9 million CVE in 2020) thanks
 to the increase in Personnel Expenses (+5.56%), taking into account the decrease in both General
 Administrative Expenses (-0.69%) and in Depreciation (-11.07%).



- The Operational Income reached the amount of 748.1 million CVE, an increase of 70.7% when compared to the same period of the previous year (438.2 million CVE), taking into account the evolution of both the Banking Product and the operational costs.
- The structural cost as a percentage of operating income (cost-to-income ratio) decreased in relation to the same period of 2020 from 54.5% to 41.6%, thus improving the Bank's operational efficiency.
- Net credit impairments were 147 million CVE (58.1 million CVE in 2020).
- Impairments of other assets were CVE 58.3 million (CVE 2.6 million in 2020).
- The Net Income of 444.2 million CVE represents a positive variation of 50.8% in relation to the value achieved in 2020 (294.5 million CVE) and is explained by the expansion of activity which was reflected in a growth in Banking Income of 32.9%, notwithstanding the increase in the volume of impairments and the moderate increase in operating costs by 1.4%.
- In terms of liquidity, in line with the evolution of business, the transformation ratio of loans and advances to customers (excluding securities) increased by 15.5 p.p. relative to 2020. The coverage ratios of liabilities, for all maturities, determined on December 31, 2021, were higher than the regulatory limit.
- The solvency ratio stood at 16.3%, 1.3 p.p. less than in the previous year (17.6%) and 4.3 p.p. more than the regulatory minimum of 12%⁴. This evolution is explained, fundamentally, by the evolution in Weighted Assets (variation of 28.1%) with the substantial increase in the volume of credit granted. Eligible Own Funds grew by 19.2% thanks to the variation which occurred in reserves and results, with an impact on Core Own Funds. The Tier I ratio was 15.8% (17.3% in 2020).

 $^{^4}$ In March 2020, BCV, as one of the monetary and prudential policy measures, decided to temporarily lower the regulatory limit of the Solvency Ratio to 10% so that, considering this limit, the deviation becomes 6.4 p.p. This measure has been reviewed and will be maintained throughout 2021.



Evolution of the Balance Sheet

Assets

At the end of 2021, the BCN's Net Assets amounted to 28,926 million CVE, representing an increase of about 10.5% over 2020, with emphasis on the weight of the Net Unsecured Loan Portfolio in Total Assets which increased from 56.7% to 67.9%, following its increase of 30.5%.

The balances in Cash at the Central Bank and Other Credit Institutions registered an increase of 25.9%, rising from 3,051 million CVE to 3,841 million CVE in 2021. On the other hand, there was a decrease of 95.5% in the item Loans and advances to credit institutions, in line with the increase in the volume of credit.

Liabilities

Total Liabilities saw an increase, in relation to 2020, of 9.6%, rising from 23,432 million CVE to 25,711 million CVE in 2021, with Customer Resources representing 91.7% of total Liabilities (93.1% in 2020).

Client Assets (including interest payable) registered an overall increase of 8.1% (+1,766 million CVE) with Demand Deposits increasing by about 11.7% (+1,152 million CVE) and Term Deposits by 8% (+855 million CVE). The Securities portfolio sold with repurchase agreement, on the other hand, decreased by 17.9% (-230 million escudos).

(in thousand CVE)

				Cna	ige	
2021	% Mix	2020	% Mix	Amount	%	
1.055.281	4,5%	1.285.631	5,9%	(230.350)	(17,9%)	
10.963.752	46,5%	9.812.213	45,0%	1.151.539	11,7%	
11.537.434	48,9%	10.682.524	49,0%	854.910	8,0%	
16.749	0,1%	27.132	0,1%	(10.383)	(38,3%)	
23.573.216	100,0%	21.807.500	100,0%	1.765.716	8,1%	
	1.055.281 10.963.752 11.537.434 16.749	1.055.281 4,5% 10.963.752 46,5% 11.537.434 48,9% 16.749 0,1%	1.055.281 4,5% 1.285.631 10.963.752 46,5% 9.812.213 11.537.434 48,9% 10.682.524 16.749 0,1% 27.132	1.055.281 4,5% 1.285.631 5,9% 10.963.752 46,5% 9.812.213 45,0% 11.537.434 48,9% 10.682.524 49,0% 16.749 0,1% 27.132 0,1%	2021 % Mix 2020 % Mix Amount 1.055.281 4,5% 1.285.631 5,9% (230.350) 10.963.752 46,5% 9.812.213 45,0% 1.151.539 11.537.434 48,9% 10.682.524 49,0% 854.910 16.749 0,1% 27.132 0,1% (10.383)	

The Bank's total funding increased 9.2% over the previous year, from 23,174 million CVE to 25,313 million CVE. Resources from Other Credit Institutions (OIC) increased, in total, by 20.6% (+64.6 million CVE) taking into account the increase in the portfolio of demand and term deposits of National Financial Institutions, accompanied by a reduction in the exposure with the IFC, taking into account the repayments in 2021, in line with the payment plan agreed under the credit contracted in 2018 for the financing of SMEs - Small and Medium Enterprises.



The item "Central banks' resources" saw an increase of 29.3% compared to 2020, + 309 million CVE, taking into account the recourse to the financing line with BCV, through the Monetary Operation for Long Term Financing, available under the monetary policy implemented as a measure to mitigate the effects of COVID-19 on the national economy.

(in thousand CVE)

				Chi	ange
2021	% Mix	2020	% Mix	Amount	%
1.362.343	5,4%	1.053.722	4,5%	308.621	29,3%
377.631	1,5%	313.046	1,4%	64.585	20,6%
23.573.216	93,1%	21.807.500	94,1%	1.765.716	8,1%
25.313.190	100,0%	23.174.268	100,0%	2.138.922	9,2%
	1.362.343 377.631 23.573.216	1.362.343 5,4% 377.631 1,5% 23.573.216 93,1%	1.362.343 5,4% 1.053.722 377.631 1,5% 313.046 23.573.216 93,1% 21.807.500	1.362.343 5,4% 1.053.722 4,5% 377.631 1,5% 313.046 1,4% 23.573.216 93,1% 21.807.500 94,1%	2021 % Mix 2020 % Mix Amount 1.362.343 5,4% 1.053.722 4,5% 308.621 377.631 1,5% 313.046 1,4% 64.585 23.573.216 93,1% 21.807.500 94,1% 1.765.716

Bank's Equity

The Bank's Equity as of December 31, 2021 totaled 3,214 million CVE which represents a variation of 17.1% when compared to the same period last year (2,744 million CVE), with this variation being explained by the net results for the year and by the non-distribution of dividends relative to the previous year.

Evolution of the Income Statement

Net Interest Income

In 2021 the Net Interest Income stood at 1,090 million CVE which represents an increase of 29.98% (+251.3 million CVE), motivated by the increase in interest income and similar income by about 15.1% (+185.4 million CVE), with emphasis on the increase in credit interest. In terms of interest charges, there was a decrease of 17% (-66 million CVE) taking into account, above all, the decrease in charges on Customers' resources, following the decrease in charges with customer deposits, in line with the downward revision of interest rates in passive operations which took place in the first quarter of 2020.

Complementary Margin

In comparison with the previous year, the Complementary Margin increased 52.5%, rising from 125.7 million CVE in 2020 to 191.7 CVE million in 2021.



Analyzing in more detail the main components of the Complementary Margin, we note (1) an increase in "Income from Services and Commissions", +12.4% (+21.3 million CVE), reflecting the increase in its three components: credit commission, +9%; means of payment commission, +12%; transactional commissions, +15%; (2) an increase in "Charges with Services and Commissions" by about 4% (+2.1 million CVE); (3) a reduction in "Income from Equity Instruments", -15 million CVE, mainly due to SISP's decision not to distribute a 2020 dividend contrary to the previous year; (4) an increase of "Foreign exchange revaluation results" by 51.6 million CVE, mainly explained by the exchange rate oscillations, mainly of the USD and by the introduction, in 2021, of improvements in the policy and procedures of foreign exchange risk management; and (5) a positive variation of "Other operating income" in the amount of 16.7 million CVE.

Operating Income

Operating Income was 1,281.4 million CVE (964.1 million CVE in 2020) which corresponds to an increase of 32.9% year-on-year, influenced by the positive performance of its two components, Net Interest Income and Complementary Margin.

Operating Costs

Operating costs (staff costs, general administrative costs and depreciation) saw an overall increase of 1.4% in 2021, (+7.5 million escudos) from 525.9 million escudos in 2020 to 533.4 million escudos in 2021.

<u>Staff costs</u> were 278.6 million CVE which represents an increase of 5.6% when compared with the previous year (263.9 million CVE). This increase is related to both the increase in the number of employees which went from 162 in 2020 to 170 in 2021, with the consequent increase in the basic salary and obligatory social charges, and the salary adjustment carried out in 2021. It is also worth mentioning the variation occurred in other personnel costs, namely those related to contractual indemnities.

<u>General Administrative Costs</u> show a decrease of 0.7% in comparison with the same period of the previous year, standing at 208.8 million escudos (-1.5 million escudos). This variation is mainly explained by the decrease in costs with the Supply of Third-Party Services, more specifically, with printing and materials for current consumption, with hygiene and cleaning materials and with energy.

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Amortizations for the year were 45.9 million CVE, a decrease of 11.1% (-5.7 million CVE) when compared to the previous year.

Operating cash flow stood at 794 million CVE, up 62.1% over the previous year (489.9 million CVE) as a result of the increase of approximately one third in operating income and a slight increase in operating costs.

The <u>cost-to-income ratio</u>, measured by the ratio between operating costs, including depreciation, and operating income, stood at 41.6%, a decrease of approximately 12.9 p.p. over the previous year, explained by the good performance of operating income and the slight increase in operating costs.

Impairment of credit net of reversals and recoveries stood at 147 million escudos, resulting essentially from the reinforcement of the minimum regulatory provisions, reflecting the application of Notice no. 4/2006 of Banco de Cabo Verde, relating to Credit Classification and Provisions, combined with compliance with the provisions set out in Circular Letter Series "A", no. 179/DSE/2013 of Banco de Cabo Verde relating to the recording of minimum regulatory provisions.

Impairment of Other Assets net of reversals and recoveries, which includes the impairment constituted for properties recorded in the Balance Sheet and received in loan repayment, stood at 58 million CVE in 2021, taking into account the change in the fair value of some properties held in the portfolio, compared to the net book value at which they were previously recorded.

Net Income for the Period

The Net Income for 2021, calculated according to the International Financial Reporting Standards, under the provisions of Notice 2/2007, of the Banco de Cabo Verde, of February 25, with the exception provided for in Notice 4/2006 and the changes introduced by Notice 7/2007, reached 444.2 million CVE, higher than the result achieved in 2020 (294.5 million CVE), taking into account the evolution of the Bank's activity.



Major Indicators and Prudential Ratios

The BCN ended the year 2021 complying with all the prudential limits imposed by the local regulator, Banco de Cabo Verde, with emphasis on the solvency ratio of 16.3% (17.6% in 2020), 4.3 p.p. above the prudential limit of 12% ⁵. As already mentioned, the decrease in the Solvency Ratio is mainly explained by the evolution occurred in Weighted Assets following the substantial increase in the Credit Portfolio.

The return on assets and on equity stood at 1.5% (1.1% in 2020) and 13.8% (10.7% in 2020), increases of, respectively, 0.4 p.p. and 3.1 p.p., explained by the increase in net income.

In terms of the cost-to-income ratio, there was an improvement in performance, taking into account its decrease by 12.9 p.p. from 54.5% in 2020 to 41.6% in 2021, with the Bank continuing to maintain a high degree of operating efficiency.

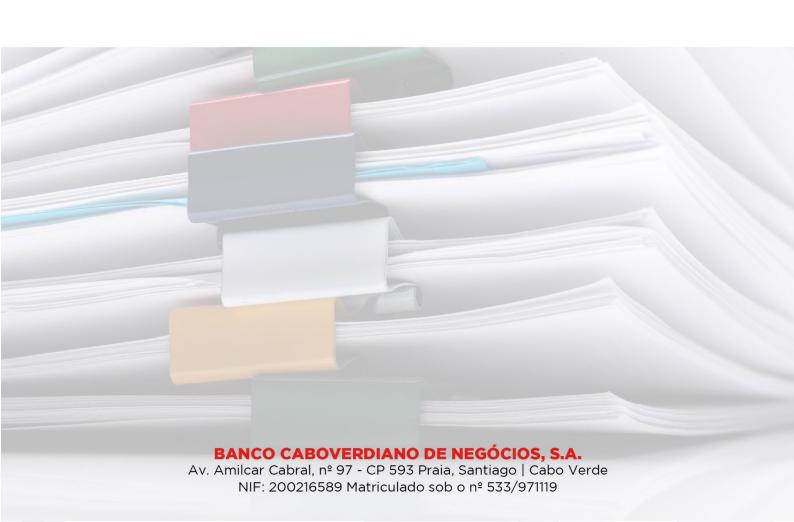
The degree of commercial transformation increased by 15.5 p.p. in 2021 as a result of greater growth in the loan portfolio compared to the customer resources portfolio.

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⁵ In March 2020, BCV, as one of the monetary and prudential policy measures, decided to temporarily lower the regulatory limit of the Solvency Ratio to 10% so that, considering this limit, the deviation becomes 6.4 p.p. This measure has been reviewed and will be maintained throughout 2021.



8. OVERVIEW OF MAIN INITIATIVES CARRIED OUT IN 2021





Comercial Activity

The Commercial Department's mission is to develop and manage the customer portfolio, through the execution and implementation of the strategic plan, aiming at the growth and sustainability of the Bank's business.

The organizational and functional structure of the Commercial Department is composed of a network of 21 Business Units present in all inhabited islands in the country, three regional centers and four commercial centers, namely, Corporate, Individuals, Small and Medium Enterprises and Marketing and Sales Support.

During 2021, the Commercial Department remained focused on carrying out activities that made it possible to meet the annual objectives established, developing a set of commercial and marketing initiatives, with emphasis on the following:

Communication & Image

During the year, several commercial campaigns were carried out with the objective of attracting new business and boosting the growth of the loan portfolio. Thus, campaigns were conducted for **Home**, **Auto and Consumer Credit products**, aimed at individual customers, with differentiated conditions during the promotional period: speed of response and formalization of credit and special interest rate.

For the corporate segment, more specifically for Micro, Small and Medium Enterprises, the PME Credit Lines campaign was launched, running from July to October, granting quick access to credit for investment or treasury support on preferential terms.

Notwithstanding the pandemic framework that was experienced during the year, some activities were resumed including the holding of some events, namely:

- The participation in the Auto Fair, promoted by one of the Bank's partner dealerships, during
 which the BCN Auto product was promoted, with a special rate for loans raised within the scope
 of the event;
- The participation in FIC Cabo Verde International Fair, during which there was the official launch
 of BCN Confirming and the presentation of the general lines and operation of the product to a
 diverse set of businessmen.



Products, Services & Pricing

New services, products, and functionalities were made available throughout 2021, with two products aimed at the business and private segments standing out:

- <u>BCN Confirming</u> is a platform that allows registered suppliers of goods and services to request
 advance payment of invoices confirmed by their customers. It is a product that responds to the
 growing market demand for solutions that allow fast and unbureaucratic financing of companies'
 treasury, especially in what concerns MSMEs Micro, Small and Medium Enterprises.
- <u>The Easycard</u> is an international debit card with a credit limit defined according to the customer's income.

With the increase in transactions carried out in digital environments, driven by the movement restrictions and distancing rules imposed as a consequence of the covid-19 pandemic, in 2021 great importance was given to the security of transactions carried out with cards in digital environments. Thus, security mechanisms were strengthened, and the following solutions were implemented:

- SMS Token for online transaction confirmation mandatory insertion of the confirmation code sent via message to the contact indicated by the customer when making any online payment with cards issued by BCN (Mastercard, Visa or Vinti4);
- Activation of the On/Off functionality in BCN Online which allows customers holding a card
 issued by the BCN and with access to the BCN Online service to block and unblock their card or
 some features of the card according to their needs.

Also, with regard to security, throughout the year, a communication on the subject was carried out, alerting customers to the good practices to be carried out in order to protect card data and ensure the security of their transactions, including the notification sent by email to the customer about the activation of their card.



Commercial Protocols, Social Responsibility & Sponsorships

Regarding sponsorships and support granted in 2021, the Bank continued to implement its social responsibility policy, sponsoring initiatives to promote Culture, Entrepreneurship and Sports, and supporting social causes that encourage education and social inclusion, as follows:

- Mindelact Festival, promoted by Mindelact Cultural Association;
- Startup Challenge 2021;
- URDI National Art and Design Fair, promoted by the National Center of Art and Design;
- Team Cabo Verde Tokyo 2020, in partnership with the Cabo Verdean Olympic Committee;
- São Silvestre Races, promoted by the Associação Atletismo de São Vicente (São Silvestre races);
- Campaign to raise support for the purchase of school kits, promoted by Ficase.

Management and Control of Activity Risks

The Bank is subject to various types of risk in the course of its business. The Bank's risk management, an integral part of the institution's internal control system, is based on identifying, assessing, monitoring and controlling all material risks to which the Bank is exposed in order to ensure appropriate risk levels in line with what has been previously defined by the Board of Directors, the body responsible for defining policies for the main risks of the activity, with such policies being subject to occasional review whenever justified.

The Bank's risk management policy aims at maintaining, at all times, an adequate relationship between its equity and the activity developed, in a prudent logic and with the ultimate purpose of safeguarding the sustainability and solvency of the institution.

In terms of internal organization and in line with the provisions of Notice no. 4/2017 of the Banco de Cabo Verde on the Internal Control System, the Bank has a Risk Management Function that cuts across the entire organizational structure of the Bank. Nevertheless, the function is performed independently and centralized in the Risk Management Office (GGR), a body within the Bank's organizational structure, reporting directly to the Board of Directors, through the Director in charge, who has no direct responsibilities over the Commercial Department, thus ensuring its independence from this body.



Main activities carried out in 2021

The year 2021 continued to be marked by the challenges brought about by the SARS-CoV-2 pandemic. As such, several actions were developed throughout the year in order to ensure an adequate risk management *framework* for the implementation of the Bank's business strategy:

- Conclusion of the assessment risk project carried out with recourse to an external services contract, from a diagnosis of the Bank's risk management system to training sessions involving the Bank's main management bodies and the supervisory body;
- Formalization of proposals to review some risk management instruments, namely (1) mitigation policies for the main risks to which the Bank is exposed, (2) some RAS (*Risk Appetite Statement*) metrics and (3) implementation of a methodology for the identification, assessment and control of the risks to which the Bank is exposed;
- Completion, on a quarterly basis, of a specific report on the potential impacts of the Bank's loan
 portfolio covered by the legal moratorium regime, in terms of the Bank's main performance indicators
 (stress test exercise specific to the loan portfolio in moratorium);

Furthermore, some already consolidated practices were maintained, namely:

- Quarterly report to the Management Bodies, relative to the Bank's situation regarding the main risks
 of the activity;
- Quarterly reporting to Management regarding the evolution of impairment;
- Analysis of performance indicators;
- Stress testing, using a sensitivity analysis methodology for the main activity risks considering different scenarios and magnitudes of shocks;
- Consolidation of the centralized management model in loan concession, ensuring that all the main loan proposals from the various business units have the intervention of either the Credit Division or the Risk Management Office;



- Consolidation of the requirements of compliance with IFRS 9, in terms of the impairment model with the calibration of the calculation tool in use which is based on the following models:
- Segmentation model: Taking into consideration the characteristics of the loan portfolio, the Bank defined segments that group operations with similar characteristics and risks;
- Staging Model: According to IFRS 9, the classification of operations and financial assets should reflect the credit risk associated with each of them, depending on the deterioration of credit quality since initial recognition. Thus, three risk states or stages were considered, namely:
 - i. Stage 3: Exposures for which there is objective evidence of impaired credit, according to the definition of default in force at the Bank;
 - ii. Stage 2: Exposures for which a significant degradation in the level of credit risk is observed since initial recognition. For these cases, an expected loss is recognized on a lifetime perspective (over the life of the operation);
 - iii. Stage 1: The exhibits, typically in regular status, that do not fall into Stage 2 and Stage 3.
- Probability of Default (PD) Model According to the methodology developed for calculating the *estimated credit loss*, the probability of default associated to a transaction must be estimated following two distinct approaches: estimation of the PD *Lifetime* considering the useful life of the transaction, and estimation of the PD at 12 months. Both PD estimates represent the probability that the operation will default, conditioned by its term to maturity and the time considered for the calculation. However, the estimated PD *Lifetime* to maturity is applicable only to operations associated with a certain level of credit risk (and considered in *Stage2*), while the PD at 12 months should be applied to operations identified as regular credit (and considered in *Stage 1*).
- Loss Given Default (LGD) Model -The Loss Given Default represents an estimate of the loss of a given operation after entry into default. It is used in the calculation of expected losses (ECL) of Stage1, 2 or 3 operations. In the model developed, for the segments in which there are real and mortgage collaterals associated with the credit operations, the recovery value of these collaterals was incorporated in the definition of the LGD. Also, the estimated LGDs are represented by LGD curves by time since default.



- o **Behavioral Maturity Model -** For operations whose maturity dates are not precisely defined (typically revolving operations), a behavioral maturity was determined with the objective of identifying the time during which the Bank is exposed to the credit risk of these operations.
- Expected Credit Loss (ECL) Model The calculation of the Expected Credit Loss (ECL) intends to estimate the expected losses considering the risk states of each operation subject to credit risk. That is, a distinction is made between expected losses at 12 months (*stage* 1) and expected losses throughout the life of each operation (*lifetime* losses). The ECL calculation through collective impairment analysis is applied to the Bank's entire portfolio and is based on risk parameters such as *Credit Conversion Factors* (CCF), Probabilities of *Default* (PD), *Loss Given Defaults* (LGD), Behavioral Maturities.

Credit Risk

Credit risk continued to be the most relevant risk in the Bank's activity and is associated with losses and the degree of uncertainty about the ability of a customer/counterparty to meet its obligations and, as such, is essentially present in loans and guarantees provided. Given the nature of banking activity, credit risk has a special importance, given its materiality, notwithstanding its interconnection with the other risks.

During the year 2021, in view of the pandemic context that ravaged the entire context of operation, the Bank continued with a posture of prudence regarding the criteria underlying the granting of new credit operations, giving priority to financing entities belonging to the public sector or the state corporate sector, while also remaining alert in relation to the monitoring of the loan portfolio with a view to the timely detection of signs of its deterioration. Special attention was given to credit operations in moratorium and an internal team was set up to monitor such operations with the participation of the GGR.

Still with regard to the policy of granting credit, formalized in specific regulations, the Bank continued the process of consolidation of analysis procedures requiring that all credit processes, whether to legal entities or individuals, are subject to analysis by organic units independent of the commercial structure, with this role falling to the Credit Division in general and the Risk Management Office for certain levels of materiality (aggregate exposure exceeding 1% of the Bank's Own Funds), as a way of ensuring the adequacy of the criteria for granting credit to its risk profile.



The decision process continued to be assured by different levels, clearly defined and hierarchized by the Credit Regulations in function of the type, amount and nature of the operations.

The loan portfolio monitoring/follow-up process continued to be carried out on a continuous and comprehensive basis in order to preserve its quality and ensure its diversification, whether by sector of activity, credit segment or currency.

Ultimately and assuming that in the limit the credit risk materializes in impairment losses - which are the best estimates of losses at a given reference date - the Bank developed under IFRS 9, a model that allows estimating these losses (impairment) according to the credit quality of the borrowers, namely:

- Stage 1 Credit in default, with no evidence of significant increase in credit risk;
- Stage 2 Non-performing loans, but with a significant increase in credit risk. This segment
 includes, among other characteristics, credit operations restructured due to financial difficulties of
 the client; and
- Stage 3 Credit in default.

The risk factors used in the loan impairment model (12-month PD, lifetime PD, LGD, etc.) are updated annually to ensure that they adequately reflect current market conditions.

The loan impairment model maintains the principles of determining collective impairment and individual impairment, as described below:

- Collective Impairment Analysis for the exposures considered individually non-significant, the expected loss is determined by risk sub-segments, which comprise assets with similar risk characteristics (credit segment, type of collateral, payment behavior history, among others);
- Individual Impairment Analysis in customers with exposures considered individually significant, an individual assessment is performed, according to the thresholds:
 - Liabilities above 25,000,000\$ (twenty-five million CVE) for defaulting customers or with significant increase in risk (stage 2 or 3 clients);
 - Liabilities above \$100,000,000\$ (one hundred million CVE) for regular customers (stage 1);



Furthermore, the Bank, from a conservative standpoint, has the principle of recognizing a minimum amount of impairment for all credit operations, even if the individual analysis results in a null impairment.

Credit Recovery Areas

The mission of the Credit Recovery Areas is to contribute to a faster and more efficient recovery of overdue credit whose commercial negotiation is already unsuccessful, either through extrajudicial negotiations/agreements or through judicial collection.

Thus, depending on the associated collection phase, credit recovery is attributed to the **Credit Monitoring Unit (NSC)**, which is dedicated to credit management in the pre-litigation phase or to the **Legal Advisory Office (GAJ)**, responsible for credit management in the litigation phase. However, the Bank has been guided, whenever possible, by the negotiation of credit through its restructuring, adjusted to the customer's financial capacity. For cases in which restructuring is not possible, extrajudicial negotiation is recommended, aiming at making payment in kind operations rather than judicial execution of guarantees, given their length and associated costs.

Furthermore, the Bank's action has been mainly on prevention, identifying operations with signs of default, in order to find solutions for a more efficient and timely resolution of the processes monitored by the recovery areas.

As regards the portfolio under the management of the NSC, there was a contraction in the order of 8%, taking into account that 18.8% of the volume of the overdue credit portfolio allocated to this nucleus was recovered, which was mainly due to extrajudicial negotiations that culminated in operations for the donation and sale of property to third parties for the payment of the debt.

It should also be noted that the impact of the credit recovery that occurred in 2021 was partially reduced with the allocation of new credit operations transferred from the Business Units and which increased, by more than 8%, the number of operations allocated to the NSC.

As regards loans under judicial collection and under the management of the GAJ, there was a positive variation of around 5%, associated with the allocation of a single operation of significant value.

It should be noted that operations managed by the NSC represented 38% of the portfolio allocated to the Credit Recovery Areas, while processes under judicial collection represented 62%.



Market Risks

Market risk is defined as the probability of the occurrence of negative impacts on results or capital, due to adverse movements in the market price of instruments in the trading portfolio, caused in particular by fluctuations in interest rates, exchange rates, share prices or commodity prices. As of December 2021, the Bank had no portfolio of assets or securities held for trading, so the Bank's approach to this type of risk has been almost exclusively to monitor the exchange rate revaluation on a daily basis.

Interest Rate Risks

Interest rate risk is defined as the possibility of financial losses arising from adverse movements in interest rates. In this case, interest rate risk is assessed from a medium/long term perspective, at the level of the banking portfolio, which enables the Bank's exposure to this risk to be assessed and its capacity to absorb adverse variations in the rates to which it is exposed to.

Interest rate risk is calculated by classifying all asset, liability and off-balance sheet items that belong to the banking portfolio and are sensitive to interest rate fluctuations, by interest rate reset intervals. The analysis considers the assets, liabilities and off-balance sheet items that are sensitive to interest rate changes, that is, that have some remunerative interest rate associated with them. Exposure to fixed interest rates is considered by residual maturity.

The analysis is based on the scenario of a parallel positive and negative shock to the yield curve of 200 basis points and the respective impact on the net worth and financial margin based on the assumptions made in accordance with Circular Series "A" 164/DSE/2011 of Banco de Cabo Verde.

On December 31, 2021, based on the Map of Exposure of Assets and Liabilities and Off-Balance Sheet Items that make up the banking portfolio, by remaining maturity and rate resetting term, the impacts on Equity and interest margin resulting from the 200 basis points shift of the yield curve would be 52% (45% in the previous year) and 2% (-3 percentage points than 2020), respectively.

Every six months the Bank's situation regarding this risk is reported to the regulator.

Exchange rate risk

Foreign exchange risk is the probability of the occurrence of negative impacts on results or capital due to adverse movements in exchange rates, i.e., the risk that the value of positions expressed in foreign currency will fluctuate due to changes in exchange rates.

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The monitoring and management of this risk is carried out jointly with the Financial Area and the Bank monitors its exposure to foreign exchange risk through daily control and revaluation of the exposure of the overall open positions assumed in the various currencies and adopts global hedging strategies to ensure that these positions remain within the previously defined limits.

With regard to foreign exchange risk, it should be noted that a review of management procedures was carried out in 2021, which brought major performance improvements in the treatment of this risk.

Liquidity Risk

Liquidity risk arises from the probability of the Bank incurring difficulties both in funding assets over maturity and at appropriate rates, and in liquidating portfolio positions on a timely basis and at reasonable prices.

Liquidity management, carried out jointly with the Finance and International Division, is done on a short-term and long-term basis. In both approaches, the main goal is to maintain a minimum mandatory balance with Banco de Cabo Verde, making any surplus in relation to this balance profitable by using for this purpose the different existing instruments such as deposit facilities with BCV, short-term investments with correspondents, investment in government bonds, etc.

The Bank, in view of the financing opportunities arising from the growth of its credit activity, circumstantially changed its profile in relation to the ratio of transformation of resources into credit, tolerating in some circumstances ratios above the defined alert limit, however, without ever compromising the necessary balance in relation to its needs guaranteed through the methodologies described below. Notwithstanding, there was growth in the customer funds portfolio of around 8.10% in comparison to the previous year.

The monitoring of the adequacy of liquidity levels is also carried out through the identification of liquidity gaps, for different maturity periods, particularly in the very short term. The assessment of this type of risk is also based on the calculation and analysis of regulatory indicators defined by the supervisory authority, which translates into the analysis of the maturity profile of assets and liabilities in order to identify possible mismatches. Asset and liability positions are ordered according to the corresponding residual maturities by time intervals.

Also, in terms of liquidity management, on a fortnightly basis, the Bank determines the existence of potential gaps, taking into account the potential commitments assumed.



Operational Risk

Operational risk should be understood as the probability of direct or indirect losses resulting from the inadequacy or breakdown of internal processes or systems, people's conduct or external events (natural disasters, for example), and is present in any and all activities, routine or otherwise, developed by the institution.

Operational risk is intrinsic to all banking activity and as such is generated both by the Business Units and by the support areas. Given its nature, all employees are responsible for managing and controlling operational risks by identifying, assessing and mitigating them. In this sense, the response to risk comprises avoiding, accepting, mitigating, sharing or transferring the risk, within the established parameters and cost/benefit assessment.

In relation to this type of risk, in a logic of continuous improvement, the Bank continued in 2021, within the scope of specific forums, to identify opportunities to improve the measures of intrinsic controls to the processes instituted, always bearing in mind the principles of segregation of functions, access control, definition of responsibilities and respective levels of authorization, definitions of processes, centralization of the processing of the main operations, etc.

Compliance and Reputational Risk

Compliance risk is defined as the probability of the occurrence of negative impacts on results or capital resulting from the violation of legal and regulatory rules, contractual obligations, code of conduct, likely to materialize in administrative offences, fines, sanctions or requirement of compliance by third parties.

Reputational risk is defined as the probability of the occurrence of negative impacts, both in capital and in results, resulting from a negative perception by customers, suppliers and the general public.

In accordance with legal and regulatory provisions, a compliance function is part of the Bank's organizational structure, carried out by the Compliance Office, a front-line area in the Bank's hierarchical structure that is specifically responsible for looking after these two types of risk.

The Bank's policy with regard to the management of these two types of risks covers the following instruments:

- Compliance Policy
- Prevention of money laundering and terrorist financing policy
- Codes of Conduct
- Conflicts of interest

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- Treatment and protection of personal data
- Monitoring and follow-up of legal and regulatory provisions
- Policy for financing sensitive sectors.

These actions are complemented by the risk and financial areas, which are responsible for articulation with the supervisory authority and for compliance with reporting obligations and the prudential limits to which the Bank is subject.

Real Estate Risk

Real estate risk is defined as the probability of the occurrence of negative impacts on results or capital, arising from a variation in the market prices of real estate. For the Bank, this risk is associated both with real estate held for credit recovery, intended for sale, and with real estate held for own use.

Given its intrinsic risk and its weight in the balance sheet, the Bank has dedicated special attention to the portfolio of properties received as credit recoveries, particularly with regard to the marketing strategy, for which the following guiding policies are defined:

- All real estate owned by the Bank, except for self-service real estate, is subject to sale, either through internal channels or external channels, with the allocation of real estate brokerage commissions;
- These properties have been managed and marketed by IMOPAR, an IMPAR Group entity dedicated to real estate management. The Bank has therefore ceased to dedicate itself to this management, focusing instead on its core activity;
- IMOPAR also ensures the maintenance and optimization of the commercial value of these assets, taking responsibility for periodic interventions, whenever necessary, both in real estate held for sale and in own service real estate;
- The Bank created a specific credit product to finance the sale of its properties, with attractive conditions in relation to the rate, commissions and term.

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On the other hand, the Bank has been guided by a conservative approach, with the timely recognition of potential losses arising from these assets, with the practice of obtaining annual assessments made by independent appraisers certified by the Cabo Verdean Association of Engineers and/or the General Audit of the Securities Market of Cabo Verde, to support these losses.

Similarly, real estate received as credit reimbursement is mandatorily evaluated on the date of its initial recognition. The accounting record of these properties is made at the lowest value that results between the appraised value and the value of the assignment/adjudication, including all costs incurred up to the process of formal registration of the property in the name of the Bank. These assets are not depreciable, and as already mentioned, it is the Bank's policy to update their value, on an annual basis, for the purpose of determining any additional impairments (after registration).

The annual appraisals of these properties are carried out in accordance with the criteria and methodologies accepted for this purpose, the fair value being defined by the amount that can reasonably be expected from the transaction between an interested buyer and an interested seller, with fairness between them, neither being obliged to sell or buy and both being aware of all the relevant factors on a given date.

All properties held in the portfolio have been subject to valuation by independent experts/valuators less than one year ago, as shown in the table below.

Time elapsed since the last evaluation	< 1 year	< 2 Years	>= 2 Years	Total
Quantity	64	-	-	64
%	100%	0%	0%	100%



However, it is worth pointing out that in terms of the Bank's internal policy, whenever it is not possible to update the property appraisals, the Bank applies haircuts to the value of the last existing ⁶ appraisal in function of the time elapsed since the last appraisal and the percentage of completion of the work:

												Ti	me elap	sed (M	onths)													
		<12	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	>36
Unional	>=50% Work	0%	10%	10%	11%	11%	12%	12%	13%	13%	13%	14%	14%	15%	15%	16%	17%	18%	18%	19%	20%	21%	22%	23%	23%	24%	25%	50%
Haircut	<50% Work	0%	10%	11%	12%	13%	13%	14%	15%	16%	17%	18%	18%	19%	20%	21%	23%	24%	25%	26%	28%	29%	30%	31%	33%	34%	35%	60%

All valuation reports are subject to internal analysis, mainly with regard to their comparison with the values of previous years, as well as the state of conservation of the property and its location, with the application of haircuts to the valuation values attributed by the expert appraisers and consequently the recognition of impairment whenever the current valuation value is lower than the average historical values of a given property.

Whenever the valuation method used is the cost method, the Bank compares the average construction values per m2 considered by the valuators with the reference values provided by the Cabo Verdean Association of Engineers, insofar as there is not yet a real estate market observatory in the country that publishes the reference values relating to the construction cost per m2.

The flows of real estate assets are monitored on a daily basis, both entries (donations/adjudications) and exits (sales) with their respective impacts on the income statement. This monitoring is done through the Credit Division, with the support of other organic units of the Bank.

During the year 2021, 10 (ten) properties were received in credit⁷ reimbursement, one of which is composed of 13 autonomous fractions. The properties received totaled 386,586 thousand escudos, which represents an exponential increase in relation to the amount received in the previous year, when there was the donation of only 1 property, in the amount of 29,216 thousand escudos. It should also be noted that during 2021, infrastructure works were carried out on a plot of land held in the portfolio to a total value of 9,410 thousand escudos, also conditioning the increase in the portfolio.

⁶ As defined in the criteria of Annex III to Series "A" Circular No. 201/DSF/2018 of December 26, 2018, of the Banco de Cabo Verde.

⁷ Refers only to properties received whose property registration process in favor of the Bank on the respective reference date had already been completed. On 12/31/2021, the net value of impairment was CVE 1,309 million (CVE 1,008 million in 2020).



Looking at the distribution of properties received as repayment of credit, according to the time elapsed since their registration, it can be seen that about 26.8% (corresponding to 386,586 thousand CVE) of the properties registered in the Balance Sheet were received less than a year ago and 19.9% of the properties in the portfolio (corresponding to 287,635 thousand CVE) were received more than a year and less than 5 years ago.

Note, however, that 53.3% of the properties in the portfolio (corresponding to 769,323 thousand CVE) have been in the portfolio for more than 5 years, and their value will now be deducted from Own Funds, calculated at 20% per year, under the terms of article 4, paragraph b) of Notice no. 07/2015 of BCV 60/VIII/2014, with the exceptions provided for in Notice 4/2021.

Amounts in thousand CVE
Gross amounts before impairment

	>1 year	< 2,5 years	< 5 years	> = 5 years	Total
Land	0	0	11.945	277.223	289.168
Urban	0	0	11.945	277.223	289.168
Rural	0	0	0	0	0
Buildings under construction	0	0	0	22.785	22.785
Commercial	0	0	0	22.785	22.785
Housing	0	0	0	0	0
Others	0	0	0	0	0
Constructed Buildings	386.586	51.862	223.828	392.575	1.054.851
Commercial	56.546	37.564	26.297	0	120.408
Housing	151.660	14.298	70.422	98.387	334.767
Others	178.380	0	127.109	294.188	599.677
Others	0	0	0	76.740	76.740
Total	386.586	51.862	235.773	769.323	1.443.545



As of December 31, 2021, the Bank had about 64 properties in its portfolio, including land, residential, commercial and other buildings, and their fair value is shown in the table below.

Amounts in thousand CVE
Gross amounts before impairment

	Number of properties	Fair value	Book value
Land	11	350.391	289.168
Urban	11	350.391	289.168
Rural	0	0	0
Buildings under construction	1	25.500	22.785
Commercial	1	25.500	22.785
Housing	0	0	0
Others	0	0	0
Constructed buildings	51	1.059.648	1.054.851
Commercial	5	131.237	120.408
Housing	40	352.337	334.767
Others	6	576.074	599.677
Others	1	70.200	76.400
Total	64	1.505.739	1.443.545

It should be noted that, at the financial market level, there has been a generalized increase of real estate in the balance sheet of all Credit Institutions operating in the country, which led Banco de Cabo Verde to introduce, through the aforementioned notice, BCV Notice no. 07/2015, a transitory provision, complemented by the annex to Circular Series, no. 188 of 2017. 01.31, according to which "the net balance sheet value of the properties received, from 2013 and until December 31, 2016, in repayment of own credit, must be deducted from own funds, starting in the year 2018 being 45% in this same year and 55% in 2019 and so on until 2022".

Also, due to the emergence and spread of the new Coronavirus and with the aim of mitigating its impact on the national economy and the financial system, BCV, through Notices 2/2020 and 4/2021, decided to temporarily suspend the deduction from own funds of the value of assets received as repayment of loans.

Nevertheless, the Bank has been adopting strategies to sell these assets, having, during 2021, sold 4 (four) residential properties and 20 (twenty) plots of land, detached from a tract of land in Cidadela, for a total value of 72,724 thousand escudos, which is higher than the respective net value. However, for the sales carried out, intermediation costs of 2.4 thousand escudos were recognized, which led to the



consequent recognition of a negative margin of -439 thousand escudos in "Income from the sale of other assets" (Note 29).

It should be noted that the value of the properties sold was much higher than that recorded in the same period of the previous year, as shown in the map below, which demonstrates the importance given by the Bank to the reduction of its property portfolio.

Amounts in thousand CVE

Years	Gross Amount	Accumulated Impairment	Net Amount	Sale amount	Intermediation Cost	Profit from sale of Property	
2.021	77.446	6.737	70.709	72.724	2.448	(433)	
2.020	7.075	-	7.075	7.228	328	(175)	

Compliance Function

The Bank has an independent, permanent and effective Compliance function responsible for monitoring compliance with the obligations and duties to which it is subject under applicable national laws and regulations, the Bank's by-laws and the rules of ethics and conduct approved by the Board of Directors, in order to minimize the risks of the Bank incurring legal or regulatory sanctions, financial losses or reputational penalties resulting from non-compliance.

Among the various responsibilities, of particular note is that of monitoring and evaluating the internal control procedures for the prevention of money laundering and the financing of terrorism (PLC/FT).

Compliance is carried out by the Compliance Office (GC), a 2nd level body within the Bank's structure, which reports administratively to the Executive Committee, through the Director in charge of this area, and permanently to the Board of Directors. The Compliance Office has its own statute, a staff allocated on an exclusive basis and an appropriate framework in the Bank's organizational structure.

Within the scope of the internal control system, Compliance is the Bank's second line of defense, responsible for the effective safeguarding and control of default and reputational risks, managed through processes of identification, assessment, monitoring and control. In this domain, in line with best practices in internal governance, the Bank has implemented a number of committees covering the main business, internal control and business support areas, including the Internal Control Committee (ICC), which includes the Compliance Office, other control areas (Audit and Risk), among others, as well as members of the Executive Committee.

Furthermore, an **Internal Control Monitoring Committee (CACI)** has been set up, which is responsible for providing the Board of Directors and the Supervisory Board with all relevant and necessary information for them to exercise their legal and regulatory obligations/competencies with



regard to the Internal Control System, namely with regard to its monitoring and assessment of adequacy and effectiveness, among other matters within their competence. In addition to the members of the Board of Directors and the Supervisory Board, this Committee includes the functions of the internal control system, Risk, Compliance and Internal Audit, as well as the Bank's financial area.

In 2021, the Office formalized a mechanism that reinforces the non-compliance risk management process, which allows monitoring compliance with the various legal and regulatory requirements governing the Bank's activity, as well as the rules defined internally. Also, in view of the importance of the control system in maintaining sound and prudent management of the Institution and in order to foster a culture of control, in which all employees recognize its importance and understand their role, the Office was involved, together with the other areas that make up the internal control system, in a training session on the subject, aimed at all Bank employees.

Prevention of Money Laundering and Financing of Terrorism (PLC/FT)

The Bank conducts its banking activity in accordance with the highest ethical standards and puts in place methods of action and behavior to ensure that its services are not used as a platform for money laundering operations, financing of terrorism or other types of criminal activity.

The Compliance Office is the unit of the Bank's structure that is dedicated to the topic, with a staff especially trained to detect atypical situations that must be reported to the competent authorities in this area.

During 2021, the Office was involved in the process of aligning policies, procedures and controls with legal and regulatory duties, the operating reality, as well as best international practices in PLC/CFT and Sanctions, namely through (o): (i) risk assessment; (ii) updating PLC/CFT policies and procedures; (iii) strengthening existing controls and implementing new ones, appropriate to the risks identified and assessed; (iv) implementing a computer tool to support the process of monitoring customers and transactions; (v) implementing the Office's annual training plan on these topics, among other activities.

Operations and Banking Services

The year 2021 was a year still in the context of the health crisis, continuing to directly influence the way banking operations and services are processed. Despite its adversity, during this period, opportunities were created for improvements and efficiencies in the processing of activities performed in the Operations Department (OD), in order to reduce the operational risk associated with the processes.



The DO, a top-level body in the Bank's structure, was thus obliged to continue to adjust in order to meet the challenges brought about by the new context.

Processes and their internal processing became fully digital, contributing to an organizational improvement and speed of response, ensuring the same rigor and compliance with internal rules and procedures.

The activities and initiatives defined by the guidelines for the period continued, with a focus on mitigating operational risks. Continuous improvement measures were also implemented in order to guarantee expected service levels, even in adverse situations or in a scenario of unexpected absence of a *task* force group.

In line with previous years, the DO continued to monitor the development and implementation of projects of various kinds, most notably:

- Continued review of the Bank's operational processes;
- Implementation of the processing of loan contracts in a simplified manner;
- Adaptation of the structure for the formalization and operationalization of the BCN Confirming product;
- Operational implementation of the EASYCARD Card.

Information Systems

The management of the Bank's information system is the responsibility of the Department of Information Technology and Technologies (DIT), whose main mission is to ensure the proper operation of computer systems and the proper functioning of communications networks, as well as data security and integrity, also ensuring the design and development of computer systems according to the Bank's needs in order to enhance banking activity and the quality of services provided, in line with its Strategic Plan.

In 2021, after an atypical year full of challenges, which was the year 2020, the focus of the Directorate returned to the key projects to strengthen the BCN in the area of information technologies (IT's).

One of the projects resumed was the Group's Data Center, which includes a secondary site for disaster recovery. The construction and installation work are expected to be completed by March 2022, and the complete migration of services to the new Data Center is scheduled for the beginning of the second half of 2022.

Annual Report 2021



In 2021, the migration project to the Group's new domain was completed smoothly.

With regard to software management, the highlight was the successful launch of the *BCN Confirming* platform, a platform developed internally by the Bank's Software team.

In addition to the daily support activity for the Bank's other organic units, a number of activities were also carried out to improve the existing service conditions and activities requiring a change of environment, among which the following should be highlighted:

DEVELOPMENT:

- Confirming
- Development
- o Going into Production
- Credit Agreement Simplification
- Platform development
- Going into Production
- CPSI
- API integration with PAML –Dow Jones base
- BCN Online
- Support for testing and implementation of Cards On/Off functionality
- Centric INPS
- FOS Implementation
- SGDL (Deposits and Settlement Management System)
- Development
- Pre-production testing
- RED (Fast and Direct) v1.5
- Analysis
- o Going into Production
- Gestcard
- New functionalities/integration Web Services SISP
- SISP Notifications (card reception, card expiration)
- Notifications (active card, SMS PIN)
- Going into production
- ADC New functionality Emigrant proof document



CORE BANKING

- BANKA
- Query production
- Registration of new products/components

SYSTEMS

- Central Infrastructure
- o Elaboration of the Domain Migration Plan
- Server domain migration
- Desktops Domain Migration
- Migration of Application domains
- Migration of VPN access
- Server upgrade from older versions of Windows Server to Windows server 2012 R2
- Server migration to new network infrastructure
- Migration of network AS400 (Banka)
- GPOs Implementation
- Service Desk
- Preparation and implementation of Service Desk Project (In progress)

COMMUNICATIONS AND SECURITY

- Communications
- 3rdParty network design and configuration
- o Switch configuration for the Business Units
- o Settings access Lab Colvir environment
- Colvir environment access settings on SISP's DC
- Security
- Firewall firmware upgrades Configurações de regras de Firewall
- Configuration of VPN access (remote access and Site-to-Site)
- Installation of Patches
- Antivirus Installation (Opensource)



Internal Audit Function

The internal audit function is the responsibility of the Internal Audit Office (GAI), whose main mission is to assist the Bank in the pursuit of its objectives, verifying through a systematic and disciplined approach, with rigour and competence, that the controls established are adequate for compliance with ethical principles and standards of conduct defined in the Bank's internal regulations.

The internal audit function, as an integral part of the internal control system monitoring process, seeks to ensure compliance with internal rules and with the legal provisions governing banking activity, particularly the requirements defined in Notice 04/2017 of Banco de Cabo Verde.

In this sense, it periodically assesses whether policies, methods and procedures are adequate, ensuring that they are effectively implemented, reporting the facts and situations that constitute deviations from what is determined and not in accordance with the standards and procedures established for internal control.

It carries out its activity with scrupulous observance of the principles of independence, legality, objectivity, impartiality, professionalism and confidentiality. It also seeks to develop its activity in accordance with the principles of internal auditing recognized and accepted internationally.

All processes and organic units of the Bank, including the risk management function and the compliance function, are subject to its evaluation.

The audit plan for the year 2021 took into account the standards of Notice 4/2017 and international best practices in auditing matters. It was based on the assessment of the risks of the institution's activities, systems and processes, in order to allow a focus on assessing the adequacy and effectiveness of the internal control system in the areas of greatest risk (Credit, Operational and Compliance risk). For this purpose, in preparing the audit plan, contributions were sought from the board of directors and senior management, and the recommendations of the external auditors were also taken into consideration.

In the audits of the Business Units, the main areas to be audited in 2021 were those considered to be of higher risk, namely: treasury, internal security resources, verification of cash documents, filing, transfers, debit cards, payment of checks, time deposits, account opening processes, verification of credit processes, compliance with pricing, chargebacks, check incidents, and also compliance with internal and regulatory provisions on money laundering and terrorist financing.



The GAI, through its on-site and remote work actions, followed up on the activities plan approved by the Board of Directors, which covered the Bank's various functional areas, with the deficiencies identified deserving the attention of the bodies involved, thereby contributing to the strengthening of internal control.

In total, audit work was carried out covering all the Bank's Business Units, some Central Services and various processes, as shown in the table below:

Type of Audit	Held in 2021
Continued - Organic Units	16
Remote -Business Units	3
Verification - Business Units	5
Continued - Central Units	2
Remote - Processes	1
Total Audits	27



The Audit actions performed to the various functional areas of the Bank were structured as follows:

Designation	
Retail Banking	
Mortgage credit	
Commercial Banking	
Lending	
Own Portfolio	
Securities portfolio	
Other	
Deposits, transfers, debit ca	ards, checks, account opening, remote banking service
General Functions	
Operations Direction	
Credit Management	

Reports were prepared for each audit and investigation, which were analyzed by the Internal Control Committee (ICC), consisting of members of the Executive Committee, the head of the Internal Audit Office, the head of the Compliance Office and the Director of the audited area. All recommendations were subsequently monitored, in order to follow up on the implementation of the corrective measures approved by the Internal Control Committee.



The GAI also carried out the following activities:

- ✓ Reporting to the BCN's Board of Directors and Supervisory Board on audit matters, with a summary of the main weaknesses detected in the control actions;
- ✓ Preparation of a summary of the most critical aspects of each Business Unit;
- ✓ Elaboration of follow-up actions for the occurrences identified in the scope of the work carried out;
- Reporting on remote audits performed at the Business Units (chargeback and demand deposit accounts);
- ✓ Preparation of reporting information to the board of directors.

Considering the size and nature of the activities carried out by the BCN, its internal audit function is equipped with a solid, coherent and consistent organizational model that incorporates the regulatory requirements, guidelines and best practices for internal audit, recognized and accepted nationally and internationally for the pursuit of its vision, mission, strategic objectives and tasks.

Customer Ombudsman Office

Created with the mission of contributing to the improvement in the quality of services provided by the BCN to its customers and the general public, the Customer Ombudsman Office (CPO) reflects an integrated concept in the internal management of issues that give rise to complaints, claims and suggestions from customers, aiming for a comprehensive response to the issues raised and the adoption of corrective measures that prove necessary.

The GPC acts with total and full impartiality and functional autonomy.

Customer confidence and satisfaction levels can be increased if requests are promptly and efficiently handled, helping to maintain and enhance the BCN's reputation.

The Customer Ombudsman is responsible for handling complaints, which must be responded to within a maximum of 10 working days from receipt of the complaint, translating into a greater demand for quicker response, which also implies greater speed by other departments of the Bank in cooperating and responding to the Customer Ombudsman's requests.

Complaints were handled through the Extranet platform of Banco de Cabo Verde (BCV) until April, when the platform became unavailable for improvements, and by email since then.

During 2021, 16 complaints were forwarded and resolved by the GPC, having been submitted either directly to the BCN, by letter and Complaints Book, or through the BCV. The complaints were originated for a variety of reasons, with the following distribution:



- Various 3
- Credit 2
- Card 1
- Attendance 8
- Visa 1
- Mastercard- 1

The means used for filing complaints were as follows:

- Complaint Book 10
- Direct BCV 3
- Email 3

The complaints were all analyzed and resolved, within the legal timeframe set for response and resolution, i.e., 10 working days, with the exception of the complaints regarding undue debit on Mastercard and Visa cards. This was due to the need for intervention by the Interbank Society and Payment Systems (SISP) and the deadlines set for Chargeback requests (repayment).

The efficient handling of the complaints received allowed internal procedures to be corrected, adjusting the Bank's activities to the expectations of its customers and the general public and ensuring the provision of a quality service.

Quality, Security and Innovation

The mission of the Quality, Safety and Innovation Office (GQSI) is to promote and manage the Bank's Quality and Innovation Management System by monitoring, designing and implementing solutions aimed at obtaining, improving and simplifying processes, circuits and procedures, always seeking to meet the needs of customers (internal and external) in a timely manner, with quality and optimizing resources.

The Office also has the mission of coordinating and monitoring integrated security, implemented at the level of transport of valuables, people, buildings, cybersecurity and other assets of the bank.

Therefore, as part of its statutory duties, the GQSI developed a set of initiatives, with emphasis on the following:

BANCO CABOVERDIANO
DE NEGÓCIOS

Covid-19 Contigency Plan

The BCN, through the GQSI, continued to monitor the evolution of the health crisis, with the adoption

of a wide range of measures to adapt to the situation and also by responding to the spread of the virus

within the institution, by defining concrete measures to protect employees, customers and all those who

interact with the Bank and by complying with the measures imposed by the competent national

authorities.

The GQSI also updated, implemented and monitored the Bank's Contingency Plan, according to the

evolution of the Covid-19 epidemiological framework and systematized a set of actions and procedures

to be implemented in the context of the pandemic, in order to guide and recommend the adoption of

measures to prevent and control the disease.

Project Management

As part of its duties, GQSI was focused on pursuing the Bank's strategic objectives and its policy of

providing the Cabo Verde market with innovative products and services that have a positive impact on

people's lives.

In line with the previous year, GQSI coordinated a number of projects developed by the Bank, namely,

Information Security Management System, Data Center, BCN Confirming, Easycard and Contract

Generator Application.

Policy of review and updating of internal procedures

In the 2021 fiscal year, the GQSI was involved in creating and adapting internal policies and procedures

with a view to simplifying and standardizing them, with emphasis on debit card processes, automatic

notifications on card issuing and renewal, Supply of Checks, Term Deposits, BCN Online, BCN

Confirming and Account Opening.

Security

In this context, the focus of activities developed in 2021 was directed to the current management in

terms of security and investment in infrastructure to improve systems, including CCTV and intrusion

detection in all Bank premises.

Likewise, the process of creating internal policies, norms, and procedures was initiated with a view to

establishing guidelines and guiding the actions of employees in matters of safety.



Social Balance and Human Resources

The Human Resources Department (HRD) is the body within the organic structure of the BCN whose mission is to develop the necessary conditions for the implementation of an appropriate working environment that is conducive to the growth and satisfaction of Employees, promoting sustainable relations with all the Bank's Stakeholders, incorporating the BCN's Values in all circumstances.

Focusing on this mission, a set of activities were carried out in 2021, with emphasis on the following:

Training

The training process aims to develop and provide employees with the knowledge required to develop new professional skills, with a view to empowering and updating them in line with the BCN's strategic guidelines.

In accordance with the 2018-2022 strategic plan, the BCN continued to invest in the training and development of its employees.

In 2021, from the main training needs detected, the Training Plan was implemented based on four categories: Regulatory (Compliance and Audit); Operational Techniques; Behavioral and Foreign Language (English). Thus, 38 training actions were given (16 actions in 2020), totaling 139 participations (105 participations in 2020), corresponding to a total of 449 hours and 45 minutes of training (241 hours and 30 minutes in 2020).

Due to the pandemic situation, training was mostly delivered through e-learning methodology using platforms such as Teams, Zoom, among others.

EVALUATION SYSTEM AND PERFORMANCE MANAGEMENT (SAGD)

The year 2021 was marked by the promotion and implementation of the new SAGD through concrete actions contemplating appraisers and appraisees:

- Training/capacity-building of all employees (Evaluators and Evaluated) about SAGD, its objectives, advantages and what is expected from each one. The actions were carried out in person and via Teams:
- Definition by the Organic Units and approval by the Executive Committee of the year's objectives;



• Creation and socialization of evaluation sheets with employees, letting them know what is expected of each one in terms of objectives and competencies, thus concluding the first moment of SAGD and creating the basis for the second (monitoring the level of achievement of defined objectives and the level of development of competencies) and third (final binding evaluation) moments of the evaluation process.

The HRD has promoted the creation of a computer application for performance evaluation, thus ensuring that all operational conditions are in place for the 2021 Final Evaluation to take place in January 2022.

Characterization of the staff members

At the end of 2021, the staff was composed of a total of 170 employees (162 in 2020), of whom 167 were active (155 in 2020) and 3 (7 in 2020) were inactive due to public office and unpaid leave.

Nineteen (19) new employees were hired and eleven (11) left the company, leading to a 4.9% increase in the number of employees in 2021 (5.2% in 2020).

2020	Admissions in 2021	Departures in 2021	Total 2021
162	19	11	170

Of the 170 permanent employees, 55% had a permanent contract with the Bank and the rest had fixed-term contracts.

Distribution by Gender

Analyzing the headcount by gender, 74% are female and 26% are male. Compared to the previous year, there were no changes in the distribution of employees by gender.

Distribution by age

The average age of BCN Employees in 2021 was 37 (the same average as in 2020), with the majority of Employees concentrated in the 31 to 37 age group.



Distribution by Academic Qualifications

With regard to the distribution of staff by academic qualifications, most employees hold a university degree.

Distribution by Organic Unit

In 2021 the predominance of distribution, per Organic Unit, continued in the commercial area, with 62% of the employees (63% in 2020), while 38% (37% in 2020) of the employees were in the Central Services.

Distribution by Geographic Areas

There is a higher concentration of employees on the island of Santiago with a total of 62% of employees (61% in 2020), followed by the island of São Vicente with 15% of employees (13% in 2020).



9. PROPOSED APPROPRIATION OF EARNINGS





Whereas:

- i. In the fiscal year 2021, Banco Caboverdiano de Negócios, SA, calculated in its accounts a profit of CVE 444,179,148 (four hundred and forty-four million, one hundred and seventy-nine thousand, one hundred and forty-eight Cabo Verdean escudos);
- The Bank's shareholders, adopting a prudent position and with a view to strengthening the Bank's equity to enhance its activity, have decided not to distribute dividends for the 2018-2022 period;
- iii. The Bank intends to benefit from the exemption provided for in the Tax Benefits Code, which in its article no. 29 establishes the possibility of deducting profits retained to reinforce Own Funds;

The Board of Directors, pursuant to and for the purposes of paragraph b) of paragraph 1 and paragraph 2 of Article 407 of the Commercial Companies Code and paragraph 1 of Article 42 of Law No. 62/VIII/2014 of April 23, proposes that the Net Income obtained in the fiscal year 2021, be distributed as follows:

(Amounts in CVE)

	Percentage (%)	Amount
Legal Reserves	10,0%	44.417.915
Other reserves - Retained earnings (Tax benefits Code)	50,0%	222.089.574
Retained Earnings	38,7%	171.761.659
Profit Sharing	1,3%	5.910.000
Total	100,0%	444.179.148



II. FINANCIAL STATEMENTS

BANCO CABOVERDIANO DE NEGÓCIOS, S.A. Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde

NIF: 200216589 Matriculado sob o nº 533/971119



Balance Sheet as of December 31, 2021 and 2020

(in thousand CVE)					
		2021			
Description	Notes	Amount before provisions, impairment and amortization	Provisions, impairment and amortization	Net Amount	2020 Net Amount
ASSET					
Cash and cash equivalents at central banks	4	3.228.550	-	3.228.550	2.348.897
Deposits in other credit institutions	5	612.184	-	612.184	702.144
Financial assets at fair value through profit or loss	6	58.873	-	58.873	54.742
Financial assets at fair value through other comprehensive income	7	214.955	-	214.955	179.855
Financial assets at amortized cost					
Debt securities	10 e 33	2.761.062	6.999	2.754.063	2.811.919
Investments in Credit Institutions	8	162.155		162.155	3.565.752
Loans to Customers	9, 33 e 37	21.264.988	1.619.975	19.645.013	14.828.572
Other tangible assets	11, 33	911.286	584.509	326.777	272.273
Other intangible assets	12	173.297	145.267	28.030	27.257
Tax assets					
Current tax assets	14	-	-	_	-
Deferred tax assets	13	86.117	/-	86.117	49.751
Other Assets	15 , 33	1.976.789	167.668	1.809.121	1.335.039
Total Assets		31.450.256	2.524.418	28.925.838	26.176.201
			7	/	
Description	Notes			2021	2020
LIABILITIES					
Central Bank resources	16			1.362.343	1.053.722
		4	7		
Financial liabilities measured at amortized cost					
Resources from Credit Institutions	17			377.631	313.046
Customers resources and other loans	18			23.573.216	21.807.500
Provisions	35			22.935	7.675
Current tax liabilities	14			55.267	32.996
Deferred tax liabilities	13			2.384	3.707
Other Liabilities	20				
Total Liabilities	20			317.712	213.179
EQUITY				25.711.488	23.431.825
Share Capital	21	100		900.000	900.000
Revaluation Reserves	22		1	212.953	180.474
Legal Reserve	23			181.995	152.541
Other reserves and retained earnings	23			1.475.223	1.216.828
Net profit for the period				444.179	294.533
"		A			
Total Equity				3.214.350	2.744.376

Financial and International Department



Income Statement as of December 31, 2021 and 2020

(in thousand CVE)

		(in thousar		
Description		Notes	2021	2020
Interest and similar income		24	1.411.010	1.225.649
Interest and similar expenses		24	(321.303)	(387.278)
	Net interest income		1.089.707	838.371
Income from equity instruments		25	1.362	16.323
Income from services and commissions		26	193.276	171.951
Charges for services and commissions		27	(56.524)	(54.470)
Results of assets and liabilities valued at fair value through profit or loss		6	852	7.015
Results of currency revaluation		28	53.850	2.288
Results from the disposal of other assets		29	(439)	-
Other operating income		30	(662)	(17.389)
	Operating income		1.281.422	964.089
Staff costs		31	278.590	263.910
General administrative costs		32	208.847	210.309
Depreciation		11 e 12	45.925	51.641
Provisions net of reversals and write-offs		35	15.356	-
Credit impairment net of reversals and recoveries		33	147.014	58.131
Impairment of other assets net of reversals and recoveries		33	58.315	2.588
	Profit before taxes		527.375	377.511
Taxes		١,	83.196	82.978
Current tax Deferred tax		14 e 19 13	119.562 (36.366)	94.637 (11.659)
	Profit after taxes		444.179	294.533
	Earnings per share Basic(CVE) Diluted (CVE)	34	494 494	327 327

Financial and International Department



Statement of comprehensive income for the years ended December 31, 2021 and 2020

(in thousand CVE)		
	2021	2020
Profit after taxes	444.179	294.533
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED INTO PROFIT OR LOSS		
Change in fair value of equity instruments measured at fair value through other comprehensive income	35.100	-
Tax associated with elements that will not subsequently be reclassifed	-	- /
ITEMS THAT MAY BE RECLASSIFIED INTO PROFIT OR LOSS		
Debt instruments at fair value through other comprehensive income		
Profits or losses (-) from evaluation attributed to equity	(3.944)	(890)
Transferred to profit or loss		
Income tax related to items that can be reclassified as profit or loss (-)	1.323	200
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	476.658	293.843

Financial and International Department



Statement of changes in equity as of December 31, 2021 and 2020

(in thousand CVE)

Items	Notes	Share Capital	Legal reserve	Other reserves and retained earnings	Net income for the period	Total
Balances as of December 31, 2018		900.000	103.974	970.766	207.193	2.181.933
Incorporation into reserves of the net income for 2018		-	20.719	181.794	(207.193)	(4.680)
Use of revaluation reserve		-		890	/ /-	890
Comprehensive income 2019		,		(690)	278.480	277.790
Balances as of December 31, 2019		900.000	124.693	1.152.760	278.480	2.455.933
ncorporation into reserves of the net income for 2019		-	27.848	244.342	(278.480)	(6.290
Use of revaluation reserve		-	/ / -	890	_	890
Comprehensive income 2020		/ /		(690)	294.533	293.843
Balances as of December 31, 2020		900.000	152.541	1.397.302	294.533	2.744.376
ncorporation into reserves of the net income for 2020		/ -	29.453	259.170	(294.533)	(5.910
Jse of revaluation reserve		-	-	(775)	-	(775
Comprehensive income 2021		-	-	32.479	444.179	476.658
Balances as of December 31, 2021		900.000	181.995	1.688.176	444.179	3.214.350

Financial and International Department



Cash Flows Statement as of December 31, 2021 and 2020

(in thousand CVE)

			(in thousand CVE)
Items	Notes	2021	2020
Operational Activities			
Operating Income			
Net Income for the period		444.179	294.533
Impairment for the period	33	205.329	60.719
Depreciation and amortization for the period	11 e 12	45.925	51.641
Allocation for income Taxes for the period	19	119.562	94.637
Deferred Taxes	13	(36.366)	(11.658)
Provisions	35	15.356	(11.050)
Dividends	33		(6 200)
Dividends		(5.910)	(6.290)
Change in Operating Assets and Liabilities:			
Decrease/Increase in Financial Assets at Fair Value Through Profit or Loss	6	(4.131)	(3.938)
Decrease/Increase in Financial Assets at Fair Value Through Other Comprehensive Income	7	-	-
Decrease/Increase of Investments in Credit Institutions	8	3.403.597	(1.433.745)
·			
Decrease/Increase in Debt Securities	10, 33	58.262	(1.279.106)
Decrease / Increase in Loans to Customers	9, 33 e 37	(5.022.177)	(714.526)
Increase in Other Assets	15 , 33	(446.187)	(40.796)
Decrease /Increase in resources from other credit institutions	17	64.585	4.817
Decrease/Increase in Customer resources and Other Loans	18	1.765.717	628.615
Decrease/Increase in resources from central banks	16	308.621	1.053.722
Increase/Decrease Other Liabilities		(20.747)	(176.754)
Cash Flow from operational activities (1)		895.615	(1.478.129)
Investment Activities			
Purchase of Other Tangible Assets	11, 33	(106.220)	(20.057)
Disposal of Other Tangible Assets	11, 33	(======================================	(592)
•	12	(2.260)	(4.048)
Purchase of Other Intangible Assets	12	(3.369)	(4.046)
Disposal of Other Intangible Assets	12	2.667	-
Others		3.667	-
Cash flows from investing activities (2)		(105.922)	(24.698)
Plane day Authority		, ,	, ,
Financing Activities			
Increase in share Capital		-	-
Change in Reserves and Retained Earnings	22,23	-	-
Cash flows from financing activities (3)		-	-
Change in cash and cash equivalents $(4)=(1)+(2)+(3)$		789.693	(1.502.827)
Effect of exchange rate differences			-
		789.693	(1.502.827)
		789.093	(1.302.827)
Changes in cash and cash equivalents			
		2.05: 2:2	
Cash and cash equivalents at the beginning of the period		3.051.040	4.553.867
Cash and cash equivalents at the end of the period		3.840.734	3.051.040
Palance sheet amount of each and each equivalent		789.694	(1.502.827)
Balance sheet amount of cash and cash equivalents			
Cash and deposits at central banks	4	3.228.550	2.348.897
Deposits at other credit institutions	5	612.184	702.144
Separation of Care moneumons	3	012.104	,02.177
		3.840.734	3.051.040
		3.040.734	3.031.040

Financial and International Department

The Board of Directors

BANCO CABOVERDIANO DE NEGÓCIOS, S.A.



III. NOTES TO THE FINANCIAL **STATEMENTS**

BANCO CABOVERDIANO DE NEGÓCIOS, S.A. Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde

NIF: 200216589 Matriculado sob o nº 533/971119



1. General Information

BCN - Banco Caboverdiano de Negócios, SA (hereinafter called BCN or Bank), created in 2003, is based in Cidade da Praia, in the Republic of Cabo Verde, with the purpose of exercising banking activities, and may practice all banking and financial operations permitted by Cabo Verdean Law.

2. IFRS Disclosure – New standards on December 31 2021

- 1. Impact of adoption of new standards, amendments to standards that became effective for annual periods beginning January 1, 2021:
- a) IFRS 16 (amendment), 'Leases COVID-19 rent subsidies'. This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether subsidies granted by lessors under COVID-19 qualify as 'modifications' when three criteria are met cumulatively: i) the change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change; ii) any reduction in lease payments only affects payments due on or before June 30, 2021; and iii) there are no significant changes to other terms and conditions of the lease. Lessees electing to apply this exemption account for the change in rental payments as variable rental payments in the period(s) in which the event or condition that triggers the payment reduction occurs. This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the change.
- b) **IFRS 4** (amendment), 'Insurance contracts Deferral of application of IFRS 9'. This amendment refers to the temporary accounting consequences that result from the difference between the effective date of IFRS 9 Financial Instruments and the future IFRS 17 Insurance Contracts. In particular, the amendment made to IFRS 4 postpones until 2023 the expiry date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.
- c) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) 'Reform of reference interest rates phase 2. These amendments address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with an alternative interest rate, allowing the adoption of exemptions such as: (i) changes in hedge designation and documentation; (ii) cumulative amounts in the cash flow hedge reserve; (iii) retrospective assessment of the effectiveness of a hedging



relationship under IAS 39; (iv) changes in hedging relationships for groups of items; v) assumption that an alternative reference interest rate, designated as a risk component not contractually specified, is separately identifiable and qualifies as a hedged risk; and vi) update the effective interest rate, without recognizing gain or loss, for financial instruments measured at amortized cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

- 2. Published (new and amended) standards, whose application is mandatory for annual periods beginning on or after January 1, 2022, and which the European Union has already endorsed:
- a) IAS 16 (amendment) 'Revenue earned before start-up' (effective for annual periods beginning on or after 1 January 2022). Amendment to the accounting treatment given to the consideration obtained from the sale of products resulting from the production in test phase of tangible fixed assets, prohibiting its deduction from the acquisition cost of the assets. This change is of retrospective application, without restatement of comparatives.
- b) IAS 37 (amendment) 'Onerous contracts costs of fulfilling a contract' (effective for annual periods beginning on or after January 1, 2022). This amendment specifies that in assessing whether a contract is onerous, only expenses directly related to the performance of the contract may be considered, such as incremental costs related to direct labor and materials and the allocation of other directly related expenses such as the allocation of depreciation costs of tangible assets used to perform the contract. This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restating the comparative.
- c) IFRS 3 (amendment) 'References to the Framework' (effective for annual periods beginning on or after January 1, 2022). This amendment updates the references to the Framework in the text of IFRS 3, with no changes being made to the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be adopted for contingent liabilities and liabilities under IAS 37 and IFRIC 21 and prohibits the recording of contingent assets of the acquiree in a business combination. This amendment is of prospective application.
- d) IFRS 16 (amendment), 'Leases Rental subsidies related to COVID-19 after June 30, 2021' (effective for annual periods beginning on or after April 1, 2021). The amendment extends the application date of the amendment to IFRS 16 'Leases COVID-19 related rent subsidies' from June 30, 2021 to June 30, 2022. The conditions of application of the practical expedient are maintained,



being that: i) if the lessee is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and under comparable conditions; and ii) if the lessee has not applied the practical expedient to the eligible 2020 rent subsidies, it cannot apply this extension to the 2020 amendment. This amendment is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings for the annual reporting period in which the lessee first applies this amendment. These amendments do not apply to the BCN - see related texts.

- e) IFRS 17 (new), 'Insurance Contracts' (effective for annual periods beginning on or after January 1, 2023). This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical liabilities, which are reassessed at each reporting date. The current measurement can be performed by applying the full model ("building block approach") or the simplified model ("premium allocation approach"). The full model is based on probability-weighted, risk-adjusted discounted cash flow scenarios and a contractual service margin, which represents the estimated future contract profit. Subsequent changes to the estimated cash flows are adjusted against the contractual service margin unless it becomes negative. IFRS 17 is retrospective with some exemptions at the transition date.
- f) IFRS 17 (amendment), 'Insurance Contracts' (effective for annual periods beginning on or after January 1, 2023. This amendment includes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the statement of financial position; vii) recognition and measurement of the income statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and streamline its implementation.
- g) Improvements to the standards 2018 2020 (to be applied in fiscal years beginning on or after January 1, 2022). This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.
- IFRS 1, 'Subsidiary as a first-time adopter of IFRS'. This improvement clarifies that, when the subsidiary opts to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements, the measurement of the cumulative translation differences of all foreign operations can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's date of transition to IFRS.

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IFRS 9, 'Derecognition of liabilities - costs incurred to be included in the 10% variance test'. This improvement clarifies that under the derecognition tests performed on renegotiated liabilities, the borrower should determine the net amount between fees paid and fees received by considering only the fees paid or received between the borrower and the lender, including fees paid or received, by either entity on behalf of the other.

IFRS 16, 'Lease Incentives'. This improvement relates to the amendment to Illustrative Example 13 accompanying IFRS 16 to remove inconsistency in the accounting treatment of lease incentives provided by the lessor.

IAS 41, 'Taxation and Fair Value Measurement'. This improvement eliminates the requirement to exclude tax cash flows in the fair value measurement of biological assets, ensuring consistency with the principles of IFRS 13 - 'Fair Value'.

3. Published (new and amended) standards whose application is mandatory for annual periods beginning on or after January 1, 2022, and which the European Union has not yet endorsed:

a) IAS 1 (amendment), 'Presentation of financial statements - classification of liabilities' (effective for annual periods beginning on or after January 1, 2023). This amendment is still subject to endorsement by the European Union. This amendment aims to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will or will not exercise that right), or by events occurring after the reporting date, such as the breach of a covenant. This amendment also includes a new definition of "settlement" of a liability. This amendment has retrospective application.

b) IAS 1 (amendment), 'Disclosure of accounting policies' (effective for annual periods beginning on or after January 1, 2023). This amendment is still subject to endorsement by the European Union. Amendment to accounting policy disclosure requirements based on the definition of 'material' rather than 'significant'. Information relating to an accounting policy is considered material if, in its absence, users of financial statements would not be able to understand other financial information included in those financial statements. Immaterial information about accounting policies need not be disclosed.

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IFRS Practice Statement 2, was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

- c) IAS 8 (amendment), 'Disclosure of accounting estimates' (effective for annual periods beginning on or after January 1, 2023). This amendment is still subject to endorsement by the European Union. Introduction of the definition of accounting estimate and how it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary amounts subject to measurement uncertainty that are used to achieve the objective(s) of an accounting policy.
- d) IAS 12 (amendment), 'Deferred tax related to assets and liabilities associated with a single transaction' (effective for annual periods beginning on or after January 1, 2023). This amendment is still subject to endorsement by the European Union. IAS 12 now requires entities to recognize deferred tax on certain specific transactions when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. The subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when at the date of initial recognition, they are not relevant for tax purposes. These taxable differences are no longer subject to the exemption of initial recognition of deferred taxes. The cumulative effect of the initial application of this amendment is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented.
- e) IFRS 17 (amendment), 'Initial application of IFRS 17 and IFRS 9 Comparative Information' (effective for annual periods beginning on or after January 1, 2023). This amendment is still subject to endorsement by the European Union. This amendment applies only to insurance companies in the transition to IFRS 17 and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not apply retrospectively, under IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, in the comparative information presented in the initial application of IFRS 17, providing: (i) the application financial asset to financial asset; (ii) the presentation of the comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.



Summary table of new standards:

Description	Change	Value D	ate
1. New standards, amendments to star	ndards effective January 1, 2021		
IFRS 16 - COVID-19 related rent subsidies	Application of exemption in the accounting of subsidies granted by lessors related to COVID-19, as modifications	June 2020	1st,
• - IFRS 4 - Deferral of application of IFRS 9	End of the deferral of the start of application of IFRS 9 for entities with insurance activity, postponed to January 1, 2023	January 2021	1s
• - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of benchmark interest rates - phase 2	Additional exemptions related to the impacts of benchmark interest rate reform ("IBOR"), and especially the replacement of a benchmark interest rate with an alternative in traded financial instruments. Disclosure requirement about exposure to changes in benchmark interest rates	January 2021	1st
2. Standards (new and amendments) the endorsed by the EU	nat become effective on or after January '	1, 2022, alre	eady
• - IAS 16 - Income earned before start- up	Prohibiting the deduction of income obtained from the sale of items produced during the testing phase from the acquisition cost of tangible assets	January 2022	1
- IAS 37 - Onerous contracts - costs of fulfilling a contract	Clarification on the nature of the expenditures to be considered in determining whether a contract has become onerous	January 2022	1



Description	Change	Value Date
• - IFRS 3 - References to the Framework	Update to the references to the Framework and clarification on the recording of provisions and contingent liabilities within a business combination	January 1, 2022
- IFRS 16 - COVID-19 related rent subsidies after June 30, 2021	Extension of the period of application of the exemption in accounting for COVID-19 related lessors' bonuses as modifications until June 30, 2022	April 1, 2021
- IFRS 17 - Insurance Contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features	January 1, 2023
• - IFRS 17 - Insurance Contracts (amendments)	Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures	January 1, 2023
- Improvement Cycle 2018 - 2020	Specific and occasional changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41	January 1, 2022
Standards (new and amendments) the endorsed by the EU	nat become effective on or after January	1, 2022, not yet
- IAS 1 - Presentation of financial statements - Classification of liabilities	Classification of a liability as current or non-current, depending on the right an entity has to defer its payment. New definition of "settlement" of a liability	January 1, 2023



Description	Change	Value Da	ite
- IAS 1 - Disclosure of accounting policies	Requirement to disclose material accounting policies, rather than significant accounting policies	January 2023	1,
- IAS 8 - Disclosure of Accounting Estimates	Definition of accounting estimate. Clarification on the distinction between changes in accounting policies and changes in accounting estimates	January 2023	1,
- IAS 12 - Deferred tax related to assets and liabilities associated with a single transaction	Requirement of deferred tax recognition on the recording of assets under right of use/lease liabilities and provisions for dismantling/related assets, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, as they are not relevant for tax purposes	January 2023	1,
- IFRS 17 - Initial application of IFRS 17 and IFRS 9 - Comparative Information	This amendment allows the avoidance of temporary accounting mismatches between financial assets and insurance liabilities in the comparative information presented, when applying IFRS 17 for the first time. This amendment allows the application of an "overlay" in the classification of a financial asset for which the entity does not update the comparative information of IFRS 9.	January 2023	1,

Given the changes in the standards/interpretations mentioned above, the Bank is analyzing the main impacts on the Financial Statements presented, but no significant impacts are expected as a result of their adoption.



3. Basis for Presentation and Accounting Policies

3.1. Basis for the Presentation of Accounts

The BCN's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) issued and adopted by the International Accounting Standards Board (IASB), under the provisions of Notice no. 2/2007, of Banco de Cabo Verde, of 25 February, with the exception provided for in Notice no. 4/2006 and the amendments introduced by Notice no. 6/2007.

The Financial Statements, approved by the Board of Directors on March 11, 2022, were prepared on a historical cost basis, with the exception of the revaluation of real estate and financial instruments valued at fair value. The principal accounting policies used by the BCN are set out in the following notes.

3.2. Comparative Information

The Bank has not made any changes to its accounting policies, and therefore, in general, the figures presented are comparable in all relevant aspects with those of the previous year.

3.3. Use of estimates in the preparation of financial statements

The preparation of financial statements requires the preparation of estimates and assumptions by Management that affect the reported amounts of assets and liabilities, revenues and expenses, as well as contingent liabilities. In making these estimates, Management used its judgment, as well as the information available at the date of the financial statements. Consequently, actual future values may differ from the estimates made.

Management's use of the most significant estimates and assumptions are as follows:

Continuity of operations

The financial statements were prepared on a going concern basis, since Management believes that the Bank has the means and capacity to continue as a going concern for the foreseeable future. In making this judgment, the Bank has considered the various information available to it regarding current conditions and future projections of profitability, cash flows and capital.

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Estimates of assets' fair value

The fair value of financial instruments is estimated, whenever possible, using quoted prices in active

markets, and fair value is considered to be the amount for which an asset held in the portfolio can be

traded. Financial assets are initially recognized at fair value plus transaction costs, except in the case

of financial assets and liabilities at fair value through profit or loss, in which case these transaction costs

are directly recognized in profit or loss.

After initial recognition, the fair value of financial assets is determined based on (i) prices in an active

market; (ii) valuation techniques including discounted cash flow models, as appropriate; or (iii) valuation

performed by an independent entity.

Note 39 describes the criteria for the classification of financial assets by levels and the methodology

used to obtain their fair value, in accordance with IFRS13 - Fair Value Measurement. It should be noted

that in 2021 there were no significant changes in the valuation methodologies compared to the previous

year.

Impairment losses in loans to customers

Customer loans with impaired exposures (Stage 3) and whose total liabilities are considered to be of a

significant amount are subject to individual analysis to assess the need to record impairment losses. In

this analysis the amounts and timing of future flows are estimated. These estimates are based on

assumptions about a set of factors that may change in the future and, as such, are likely to alter the

amounts of impairment. Additionally, a collective impairment analysis is also performed by credit

segments with similar characteristics and risks and certain associated impairment losses.

Property in own use

The fair value of property for own use, classified under Other Tangible Assets, is determined based on

valuations performed by independent experts. These appraisals are based on estimates of yield and

maintenance or replacement costs and also on comparable market values.

Deferred taxes

The recognition of deferred tax assets assumes the existence of future results and taxable income.

Deferred tax assets and liabilities were determined based on the tax legislation currently in force or on

legislation already published for future application. Changes in the interpretation of tax legislation may

influence the value of deferred taxes.

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Appraisal of real state assets

The real estate appraisal service is provided by external, independent appraisers, registered with the

AGMVM - General Audit of the Securities Market or members of the Cabo Verde Association of

Engineers, with qualifications and recognized competence and professional experience, appropriate to

the performance of their duties.

The valuation procedures presuppose a collection of rigorous information, either from updated

documentation, or an inspection of the property and surrounding area, either with the municipal councils

and other bodies, or in the analysis of the market, transactions, supply/demand ratio and development

prospects. The treatment of this information, areas and uses, and market values, allows the adoption

of base values for the calculation, by application of the methods and their comparison. The comparative

market method is always used either directly or as a basis for development cash flows, updated at the

date of the evaluation at rates that incorporate the risk of the projects.

The replacement cost method is also used directly in the valuation of properties in continued use and

an indispensable contribution in the referred development scenarios.

The realization value of these assets is dependent on the future evolution of the real estate market

conditions.

Real estate assets are recorded under Other Assets (Note 15) and Other Tangible Assets when they

are properties for own use (Note 11).

Provisions

The description of the nature of these obligations is described in Note 35.

3.4. Transaction in Foreign Currency

Transactions in foreign currency are converted at the exchange rate in force on the transaction date.

Monetary assets and liabilities expressed in foreign currency are converted into Cabo Verdean escudos

at the exchange rate in force on the date of the balance sheet. Exchange differences resulting from this

conversion are recognized in results. Non-monetary assets and liabilities recorded at historical cost,

expressed in foreign currency, are converted at the exchange rate on the date of the transaction. Non-

monetary assets and liabilities denominated in foreign currency that are stated at fair value are

translated at the exchange rate ruling at the date the fair value was determined.



3.5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include domestic and foreign currency, cash on hand, demand deposits with central banks, demand deposits with other banks in the country and abroad, checks payable on other banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.6. Financial Instruments

3.6.1. Financial instruments (IFRS 9)

Financial assets

Since January 1, 2018, the Bank adopted IFRS 9 - Financial Instruments, replacing IAS 39 - Financial Instruments: recognition and measurement. IFRS 9 has introduced a new approach to the recognition of financial instruments, based on the characteristics of the cash flows and the business model inherent in the asset in question.

3.6.1.1. Classification, Recognition and initial measurement and subsequent measurement of financial assets

At the time of their initial recognition, the Bank classifies its financial instruments in one of the following categories:

I.Financial assets at amortized cost, consisting of debt securities, loans and advances to clients, and investments in credit institutions;

- II. Financial assets at fair value through other comprehensive income;
- III. Financial assets at fair value through profit and loss.

The subsequent classification and valuation of these instruments is carried out taking the following aspects into consideration:

- The Bank's business model for managing the financial asset;
- The contractual cash flow characteristics of the financial asset; and
- The type of financial instrument.



Assessment of the business model

The Bank carried out an assessment of the business model in which the financial instrument is held as well as the policies and objectives established for the portfolio held, including the way in which management focuses on receiving contractual interest or on realizing cash flows through the sale of the instruments. It should be noted that for the identification of the business model, the Bank takes into consideration a set of indicators, among which:

- The history, with respect to how the cash flows are received;
- How is asset performance evaluated and reported to management;
- How risks are assessed and managed; and
- How are the administrators compensated

Financial assets held for trading and financial assets at fair value are measured at fair value through profit or loss because they are held neither for the purpose of collecting contractual cash flows nor for sale.

Assessment of whether the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest)

In the evaluation of financial instruments in which the contractual cash flows refer exclusively to the receipt of capital and interest⁸, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms may change the frequency and amount of cash flows so that they do not comply with the SPPI condition. In the evaluation process, the Bank took into consideration a set of potential events that could modify the periodicity and amount of cash flows and also

- Contractual provisions regarding prepayment;
- Extension of maturity; and
- All other contractual clauses that may limit the Bank's right to claim cash flows in relation to specific assets, etc.

⁸ For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at its initial recognition. "Interest" is defined as the counterpart for the time value of money, for the credit risk associated with the amount outstanding over a given period of time and for other risks and costs associated with the business (e.g., liquidity risk and administrative costs), as well as a profit margin.



I. Financial assets at amortized cost

Classification

Financial instruments are classified in this category whenever the following conditions are cumulatively met (i) the main purpose of the business model is to hold these assets to receive the contractual cash flows; and (ii) the contractual conditions give rise to specific cash flows (payments of principal and interest on the amount due) and on specific dates. This category includes Loans and advances to credit institutions, Loans and advances to customers and Debt securities managed under a business model whose objective is to receive their contractual cash flows.

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognized on the date the funds are made available to the counterparty and debt securities on the date they are physically settled through the organized market.

These financial assets are initially recognized at fair value plus any transaction costs and are subsequently measured at amortized cost. Since their initial recognition they are subject to the calculation of impairment losses for expected losses which are recorded against the income statement account "Impairment of financial assets at amortized cost". Interest is recognized in the item "Interest and similar income" and the gains or losses generated at the time of their recognition are recorded in the item "Profits/losses with the derecognition of financial assets and liabilities at amortized cost".

II. Financial assets at fair value through other comprehensice income

Classification

A financial asset is recognized in this category whenever the following conditions are cumulatively met: the asset is held in a business model in which the objective is to collect contractual cash flows and sell these assets; and (ii) the contractual conditions give rise to cash flows on specific dates and correspond only to payments of principal and interest on the amount outstanding (SPPI).

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. Changes in fair value are recorded against other comprehensive income and, on disposal, the respective accumulated gain or loss in other

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comprehensive income is reclassified to a specific income statement item "Accumulated profits/losses on derecognition of financial assets at fair value through other comprehensive income".

Since their recognition, debt instruments are subject to impairment losses for expected losses, which are recognized in the income statement under "Impairment of financial assets at fair value through other comprehensive income" against other comprehensive income and do not reduce the carrying amount of the financial instrument in the balance sheet. Interest and premiums are recognized in the income statement under "Interest and similar income".

Equity instruments at fair value through other comprehensive income are also initially recognized at fair value plus transaction costs and subsequently measured at fair value. The changes are recorded against other comprehensive income and dividends, when received, are recognized in the income statement.

III. Financial assets at fair value through other income

Classification

Financial instruments are classified in this category whenever, due to the business model or due to contractual characteristics related to cash flow, it is not possible to classify the financial instruments in any of the previous categories.

Also classified under this heading are all financial instruments for which any of the following characteristics are met: (1) they are acquired for the purpose of trading in the short term; (2) recent actions are evident for the purpose of obtaining short-term gains; and (3) they are derivative instruments which do not meet the definition of a financial guarantee contract or have been designated as hedging instruments.

Initial recognition and subsequent measurement

Initially they are recognized at fair value, with the costs or income associated with the transactions recognized in the income statement at the initial moment. Subsequent changes in fair value will also be recognized in the income statement.

The accrual of interest and premium is recognized in the "interest and similar income" account and dividends, when received, in the income statement.



3.6.1.2. Reclassification between types of financial assets

The reclassification of financial assets into other categories is permitted only when there is a change in the business model used, and this reclassification is applied prospectively from the date of reclassification, with no restatement of any previously recognised gains, losses or interest.

The reclassification of investments in equity instruments measured at fair value through other comprehensive income and financial instruments designated at fair value through profit or loss is not permitted.

3.6.1.3. Change and derecognition of financial assets

The Bank derecognizes a financial asset when:

- The Bank's contractual rights to receive the cash flows expire;
- The Bank has transferred all risks and rewards of ownership;
- The Bank has transferred control over these assets, but retains the risks and rewards associated with holding them.

The Bank also considers that a modification in the terms and conditions of a given loan operation will result in the derecognition of that operation and the recognition of a new operation whenever such modification causes a substantially different change in the initial conditions of the operation. In this case, it recognizes a new asset at fair value, with the date of renegotiation/modification being the date of initial recognition.

3.6.1.4. Classification, recognition and initial measurement and subsequent measurement of financial liabilities

With regard to the measurement of financial liabilities, IFRS 9 did not introduce any significant changes in relation to the requirements of the previous standard, except for the recognition of variations in fair value, which must be recognized in equity. Subsequent reclassifications of these variations to profit or loss are not permitted.

Other financial liabilities, comprising resources of central banks, resources of other credit institutions, customer deposits, are initially valued at fair value, net of directly associated transaction costs and subsequently valued at amortized cost, using the effective rate method. Amortization is recognized in the income statement under "Interest and similar charges".



Securities sold under repurchase agreements ("repos") for a fixed price or for a price which equals the sale price plus a term-related interest are not derecognized from the balance sheet. The corresponding liability is accounted for in customer funds and other loans. The difference between the sale price and the repurchase price is treated as interest and is deferred over the life of the agreement using the effective rate method.

Securities transferred through loan agreements are not derecognized from the balance sheet, but are classified and valued in accordance with the accounting policy referred to in Note 3.6.1.1. Securities received through loan agreements are not recognized in the balance sheet.

Securities received or pledged as collateral in repurchase agreements ("repos") are recognized in offbalance sheet items.

3.6.1.5. Impairment losses of financial instruments

3.6.1.5.1. Financial instruments subject to recognition of impairment losses

IFRS 9 introduces the concept of expected credit losses and replaces IAS 39, whose concept of impairment is based on incurred losses. Thus, with IFRS 9, institutions anticipate the recognition of credit losses in their financial statements.

According to IFRS 9, the concept of impairment must be applied to all financial assets, except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through equity.

The Bank applies the expected loss concept of IFRS 9 to financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, finance leases, other receivables, financial guarantees and credit commitments not valued at fair value.

The Bank recognizes impairment losses for expected credit losses on financial instruments recorded in the following accounting accounts:

3.6.1.5.2. Financial assets at amortized cost

The Bank recognises the existence of impairment losses on financial assets carried at amortised cost, with these losses reducing the Balance Sheet value of these financial assets against the income statement item "Impairment of financial assets at amortised cost".



In accordance with IFRS 9, exposures must be assessed taking into account changes in credit risk since initial recognition, i.e., entities that hold financial instruments must recognize an expected loss associated with these financial instruments upon initial recognition.

Expected credit losses shall be measured at the present value of the difference between the contractual cash flows and the cash flows the entity expects to receive, including cash flows from the sale of collateral and from the sale of impaired loans.

The measurement of expected credit losses should reflect:

- ✓ An objective amount determined by evaluating a set of possible outcomes weighted by their probabilities;
- ✓ the time value of money;
- Reasonable supportable information that is available at the reporting date, without undue cost or effort, about past events, current conditions, and forecasts of future economic conditions.

Specifically, with regard to the recognition/calculation of impairment losses on financial instruments and more specifically on the loan portfolio, the new IRFS 9 Standard is based on the following fundamental principles:

- ✓ Expected Credit Loss (ECL) model;
- ✓ Early identification of situations of significant increase in credit risk (Stage 2);
- ✓ Calculation of expected loss over the lifetime of assets with significant increase in credit risk (Stage 2) or in default (Stage 3);
- ✓ Incorporation of a forward-looking approach, based on macroeconomic data, in the calculation of the expected loss; and
- ✓ Use of scenarios in the calculation of expected loss.

The Bank recognizes expected losses on a financial asset measured at amortized cost as a cost. Such loss shall be measured at an amount equal to lifetime expected losses if the credit risk associated with this financial asset has increased significantly since initial recognition (Stage 2).

The credit risk assessment shall be performed both on an individual and a collective basis, based on reasonable and supportable information, including forward-looking approaches.

Whenever in a subsequent period, there is a decrease in the amount of the estimated impairment loss, the previously recognized amount is reversed by adjusting the impairment loss account. The amount of the reversal is recognized directly in the income statement under the same item.



3.6.1.5.3. Debt instruments at fair value through other comprehensive income

Impairment losses on debt instruments at fair value through other comprehensive income are recognized in the income statement under "impairment of financial assets at fair value through other comprehensive income". Note that the Balance Sheet value of these assets is not reduced.

3.7. Non-current assets held for sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale transaction must take place within a maximum period of one year after classification in this item. An extension of the period during which the sale is required to be completed does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and the commitment to sell the asset is maintained.

The assets recorded in this category are subject to periodic valuations carried out by independent valuators which give rise to the recording of impairment losses, whenever the value resulting from these valuations, net of costs to be incurred with the sale, is lower than the value at which they are recorded.

3.8. Other Tangible Assets

Other tangible assets include property, plant and equipment, vehicles and other equipment. Premises are classified as "own use" if they are used by the BCN in the conduct of its business. Premises are valued at fair value, based on expert appraisals, less subsequent depreciation and impairment losses.

The Bank's own properties are valued with the necessary regularity so that the book values do not differ significantly from their fair value at the balance sheet date, using as a reference a three-year period between revaluations.

Positive variations in fair value are credited to revaluation reserves, included in equity, except and to the extent that this variation constitutes a reversal of losses of the same asset recognized in results, in which case this positive variation must be recognized in results.

Negative variations in fair value are recognized in the income statement, except and to the extent that they can be offset against positive revaluation reserves existing for the same asset.



The remaining tangible fixed assets are stated at cost, less subsequent depreciation and impairment losses since the date of their acquisition. Repair and maintenance costs and other expenses associated with their use are recognized as costs when they occur. Tangible assets are depreciated on a straight-line basis in accordance with their expected useful life, as follows (in years):

Property 10 - 33

Vehicles 5 - 8

Other tangible assets 3 – 25

On the transition date, the Bank used the option allowed by IAS to consider as "estimated cost" of tangible assets the respective fair value.

A tangible asset is derecognised when sold or when no future economic benefits can be expected from its use or sale. On the date of derecognition, the gain or loss calculated by the difference between the net sales value and the net book value is recognized in the income statement under "Other operating income".

3.9. Other Intangible Assets

Other intangible assets, which correspond essentially to software, are recorded at acquisition cost, less accumulated amortization and impairment losses. Amortizations are recorded on a straight-line basis, over the estimated useful life of the assets, which currently stands at 3 years.

3.10. Leases (IFRS 16)

The BCN adopted IFRS 16 - Leases on January 1, 2019 replacing IAS 17 - Leases, which was effective until December 31, 2018. The BCN did not early adopt any of the requirements of IFRS 16.

This standard has established new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- From the lessee's perspective, the standard defines a single model for accounting for leases which results in the recognition of a right-of-use asset and a lease liability for all leases except for leases with a term of less than 12 months or for leases of assets of reduced value where the lessee may opt for

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the exemption from recognition under IFRS 16, in which case it must recognize the lease payments associated with these contracts as expenses.

The Bank applied this standard to lease contracts, with renewal for periods equal to or less than twelve (12) months, whose economic loss arising from the non-renewal of the contract is significant.

Lease-out definition

The new lease definition entails a focus on control of the identified asset, i.e., a contract constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., obtaining substantially all of the economic benefits from its use and the right to direct the use of that identified asset, for a certain period of time in exchange for consideration.

Impacts from the tenant's point of view

The BCN recognises for all leases other than leases with a period of less than 12 months or leases of low unit value assets

- an asset under a right-of-use, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) less lease incentives received, penalties for termination (if reasonably certain), any estimated costs to be incurred by the lessee in dismantling and removing the underlying asset and/or restoring the site on which it is located, as well as, other economic losses arising from non-renewal of the contract. It is subsequently measured according to the cost model (subject to depreciation/amortization according to the lease term of each contract and to impairment tests);
- a lease liability, initially recorded at the present value of future lease cash flows (NPV), which includes:
- fixed payments, less lease incentives receivable;
- variable lease payments that depend on an index or rate, measured initially and using the index or rate at the inception date of the contract;
- the amounts to be paid by the lessee as residual value guarantees;
- the price of exercising a purchase option, if the lessee is reasonably certain to exercise that option;
- payments of penalties for termination of the lease, if the lease term reflects the exercise of an option to terminate the lease by the lessee.

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Because the interest rate implicit in the lease cannot be readily determined (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental borrowing rate. For fixed-term contracts, this date is considered as the end date of the lease; for other open-ended contracts, the period in which the lease will be enforceable is evaluated. In evaluating the enforceability, the particular clauses of the contracts are considered, as well as the legislation in force regarding Urban Leasing.

It is subsequently measured as follows:

- by increasing its carrying amount to reflect interest thereon;
- by decreasing its carrying amount to reflect lease payments;
- the carrying amount is remeasured to reflect any revaluations or changes in the lease as well as to incorporate the revision of fixed lease payments in substance and the revision of the lease term.

The Bank revalues a lease liability, and calculates the respective adjustment related to the asset under right-of-use whenever:

- there is a change in the lease term or in the valuation of a purchase option for the underlying asset, the lease liability is remeasured by discounting the revised lease payments and using a discount rate also revised;
- there is a change in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine those payments, the lease liability is remeasured, discounting the revised lease payments using an unchanged discount rate (unless the change in the lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a lease is changed, but that change to the lease is not accounted for as a separate lease, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets are depreciated/amortized from the effective date to the end of the useful life of the underlying asset, or to the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Bank will exercise a purchase option, the right-of-use asset must be depreciated/amortized from the effective date to the end of the useful life of the underlying asset. Depreciation/amortization commences on the effective date of the lease.



With the adoption of the standard, there were changes in the Bank's financial statements, namely:

- in the income statement:

i. recording in Net interest income the interest expense related to lease liabilities;

ii. recording in Other administrative expenses the amounts related to short-term lease contracts and

lease contracts of low value assets; and

iii. register in Depreciation the depreciation cost of assets under right of use.

- on the balance sheet:

i. recording in Other tangible assets, by the recognition of assets under right of use; and

ii. recording in Other Liabilities the value of the recognized lease liabilities.

Impact from the lessor's point of view

Under IFRS 16, lessors will continue to classify leases as finance or operating leases, implying no

significant changes from what is defined in IAS 17.

The Bank presents right-of-use assets under "Other Tangible Assets" (Note 11), i.e., in the same line

of items in which it presents the underlying assets of the same nature that it owns.

3.11. Income Tax

The Bank is subject to taxes on profits under the tax legislation in force. The tax rate is 22%, to which

a fire tax of 2% is added to the tax assessed, which corresponds to an aggregate tax rate of 22.44%.

In estimating the tax, the Bank takes into account the provisions of the IRPC Code, and the Board of

Directors believes that the criteria and assumptions adopted are in accordance with current legislation.

The current tax is calculated based on the taxable profit for the year, which differs from the accounting

result due to adjustments to the taxable income resulting from costs or income that are not relevant for

tax purposes, or that will only be considered in other accounting periods. Additionally, the IRPC Code

introduced a set of expenses that are subject to autonomous taxation and that are taken into

consideration for purposes of determining the amount of tax on profit.

The Bank records as deferred tax assets and liabilities the amounts relating to the recognition of taxes

to be recovered and paid in the future, arising from deductible and taxable temporary differences,

respectively.

Deferred tax assets and liabilities are calculated and assessed on an annual basis using the tax rates

expected to be in force when the temporary differences reverse, which correspond to the rates approved

or substantially approved on the balance sheet date. Deferred tax liabilities are always registered.

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Deferred tax assets are only recorded to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Taxes on income are recorded against the results for the year, except in situations in which the events which gave rise to them have been reflected in a specific item of equity, namely, with regard to the valuation of assets available for sale and buildings in own use. In this case, the tax effect associated to the valuations is also reflected against equity, not affecting the result for the year.

3.12. Provisions and Contingent Liabilities

A provision is set up when there is a present obligation (legal or constructive) resulting from past events where future outflow of resources is probable and can be reliably determined. The provision corresponds to the Bank's best estimate of any amounts that would need to be disbursed to settle the liability at the balance sheet date.

If the future outflow of resources is not probable, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the possibility of their materialization is remote.

3.13. Dividends

Dividends are recognized as liabilities and deducted from the Capital item when they are approved by the shareholders. Dividends for the year approved by the Board of Directors after the reference date of the financial statements are disclosed in the Notes to the Financial Statements.

3.14. Recognition of Income and Costs

In general, income and costs are recognized over the period of the operations in accordance with the accrual accounting principle, i.e., they are recorded as they are generated, regardless of when they are collected or paid. Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured.

For financial instruments measured at amortized cost, interest is recognized using the effective rate method, which is the rate that exactly discounts all future cash receipts or payments through maturity, or until the next repricing date, to the currently recorded net amount of the financial asset or liability.



When calculating the effective interest rate, future cash flows are estimated considering the contractual terms and considering all the other income or charges directly attributable to the contracts.

3.15. Income and Expenses per Services and Commissions

The Bank charges fees to its clients for providing a wide range of services. These include commissions for the provision of continuous services, for which clients are usually debited periodically, or commissions charged for performing a certain significant act.

Commissions charged for services provided over a specified period are recognized over the duration of the service. Commissions related to the performance of a significant act are recognized when the significant act occurs.

Dividends are recognized when the right to receive payment is established.

3.16. Financial Guarantees

In the normal course of its banking activities, the Bank provides financial guarantees such as letters of credit, bank guarantees, and documentary credits.

Financial guarantees are initially recognized as a liability, at fair value. Subsequently, the liability is carried at the amount of the estimated future expenses to settle the obligation at the balance sheet date. Commissions obtained for the provision of financial guarantees are recognized on a straight-line basis in results, under "Service and commission income", during the lifetime of the guarantees.



4. Cash and cash equivalents at central banks

(in thousand	CVE)			
		Change		
2021	2020	Amount	%	
217.162	196.785	20.376	10,35%	
1.563	1.865	(302)	(16,19%)	
144.785	162.392	(17.607)	(10,84%)	
749.506	398.998	350.508	87,85%	
2.115.534	1.588.856	526.678	33,15%	
3.228.550	2.348.897	879.653	37%	
	2021 217.162 1.563 144.785 749.506	217.162 196.785 1.563 1.865 144.785 162.392 749.506 398.998 2.115.534 1.588.856	2021 2020 Amount 217.162 196.785 20.376 1.563 1.865 (302) 144.785 162.392 (17.607) 749.506 398.998 350.508 2.115.534 1.588.856 526.678	

The item "National banknotes and coins" refers to stocks in the treasury departments of the Business Units and the General Treasury.

The item "Automatic teller machines" shows the existing balance in the automatic teller machines of the Vinti4 Network managed by the BCN.

The amounts expressed in foreign currency are valued at the average exchange rate in force at the end of the year.

The item Banco de Cabo Verde - MN, includes the demand deposits made at Banco de Cabo Verde, which aim to meet the minimum cash availability requirements. According to the provisions of Banco de Cabo Verde, these deposits should correspond to 10% of the average of the effective liabilities in national and foreign currency, and the Bank is obliged to maintain daily with BCV the equivalent of 20% of this average. In fiscal years 2020 and 2021, these deposits were not remunerated.

⁹In March 2020, as a monetary policy stimulus measure to address the adverse effects of the COVID 19 pandemic, the BCV temporarily changed the rate from 13% to 10%. This measure was reviewed and maintained throughout 2021.



5. Cash equivalents in other credit institutions

This item breaks down as follows:

	in thousand CVE)			
			Change	
	2021	2020	Amount	%
Deposits Abroad	506.849	640.289	(133.440)	(20,84%)
Deposits in the country	22.817	22.817	-	0,00%
Checks to collect - in the country	82.212	32.898	49.315	149,90%
Checks to collet - abroad	306	6.140	(5.834)	(95,02%)
	612.184	702.144	(89.959)	(12,81%)

The item Foreign Deposits reflects the counter value of deposits in foreign currency made with foreign correspondents, which represent the following composition:

	(in thous	sand CVE)
	2021	2020
Banco de Investimento Global, SA	20.780	96.205
Banco Santander	278.080	467.670
Post finance-frança	58.276	2.631
Banco Privado Atlântico Europa	149.713	73.783
	506.849	640.289

These deposits are valued at the average exchange rate of the currencies on the last working day of the year.

The item Cheques to collect reflect the amount of checks on other institutions as at December 31, 2021. Checks to collect correspond to checks on other banks' customers sent for clearing. In the case of Checks to collect - in country, financial settlement occurs on the first business day of the following year.



6. Other financial assets at fair value through income

The item has the following breakdown, consisting of listed securities:

(in thousands CVE)						
		2021		2020	Chang	ge
Security	Quantity	Balance Sheet Amount	Quotation	Balance Sheet Amount	Amount	%
Equity Instruments						
Enacol	2.381	10.714	4.500	10.976	(262)	(2,39%)
Sociedade Caboverdiana Tabacos	1.498	8.988	6.000	7.490	1.498	20,00%
VISA	1.848	39.171	216,71	36.276	2.895	7,98%
		58.873		54.742	4.130	7,55%

As of December 31, 2021, these assets were valued based on active market quotations on that date. For Enacol and Sociedade Caboverdiana de Tabacos shares, the reference is the value of the respective quotes in the Cabo Verde Stock Exchange, and for VISA is the quote of this company in the NYSE - New York Stock Exchange.

Changes in the fair value of these instruments were recorded in the item "Results of assets and liabilities valued at fair value through profit or loss". At December 31, 2021, the amount of Income from assets and liabilities valued at fair value through profit or loss was 852 thousand CVE (7,015 thousand CVE in 2020), relating to fluctuations in the price of these assets during the year.

The amount of 4,131 thousand CVE refers to the difference in the fair value of these instruments between December 31, 2020 and December 31, 2021.

7. Financial assets at fair value through other comprehensive income

(in thousand CVE)						
		Fair Value	<u> </u>	Change		
Security	Quantity	2021	2020	Amount	%	
Equity Instruments SISP	10.000	214.955	179.855	35.100	19,52%	
3131	10.000	214.933	179.833	33.100	19,32/0	
		214.955	179.855	35.100	19,52%	

The item comprises the 10% stake that the Bank holds in the share capital of SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A. The stake in SISP is recognized at fair value through other comprehensive income, and is supported by an independent valuation performed in February



2022. It should be noted that the Bank has neither control nor significant influence over the management of SISP.

For the determination of the fair value of the Bank's participation in SISP, the methodology of discounted cash flows was used, namely Free Cash Flow to the Firm ("FCFF"), later complemented by the methodology of discounted dividends. The valuation was based on (i) the assumption of continuity of operation and activity, (ii) the potential for recovery in a post-pandemic context of COVID-19, (iii) the forecasted financial statements for December 2021, (iv) the SISP Reports and Accounts for the years 2015 to 2020, (v) the financial statements of October 2021; and (vi) the SISP business plan for the year 2022.

The appraisal value considered by the Bank resulted from the average of the two methods used.

For further details see Note 22 - Revaluation reserves.

8. Investments in credit institutions

This item breaks down as follows:

	(in thousand C	:VE)		
			Change	
	2021	2020	Amount	%
Financial Institutions in the Country	-	3.519.078	(3.519.078)	(100,00%)
Financial Institutions Abroad	162.155	47.599	114.557	241%
Interest deferral	-	(924)	924	(100,00%)
	162.155	3.565.752	(3.403.597)	(95,45%)

As at December 31, 2021 the Bank did not have any application with financial institutions in the country, with the amount for 2020 relating to applications with Banco de Cabo Verde (BCV) namely overnight deposit and securities issued by BCV.

Of the amount of 162,155 thousand escudos, recorded under "Financial institutions abroad" on December 31, 2021, 110,265 thousand escudos, corresponds to a term deposit in EUR with Banco Santander Totta which serves as guarantee for the Trade Finance operations that the Bank has with this Correspondent; 32,320 thousand escudos, corresponds to a guarantee deposit in US dollars, to guarantee the VISA company and 19,562 thousand escudos to a term deposit application in USD with Banco Atlântico Europa.



9. Financial assets at amortized cost – Loans to customers

This item breaks down as follows:

	(in thousand CVE)			
			Change	
	2021	2020	Amount	%
	9.119.073	7.426.309	1.692.765	23%
	9.914.323	6.653.365	3.260.958	49,01%
	96.436	113.347	(16.912)	(14,92%)
	24.740	35.695	(10.955)	(30,69%)
Sub-total	19.154.572	14.228.716	4.925.857	34,62%
	1.665.292	1.814.706	(149.413)	(8,23%)
	17.796	18.344	(549)	(2,99%)
Sub-total	1.683.088	1.833.050	(149.962)	(8,18%)
	459.642	272.062	187.580	68,95%
	(32.314)	(32.702)	388	(1,19%)
	(1.619.975)	(1.472.554)	(147.420)	10,01%
	19.645.013	14.828.572	4.816.443	32,48%
		2021 9.119.073 9.914.323 96.436 24.740 Sub-total 1.665.292 17.796 Sub-total 459.642 (32.314) (1.619.975)	2021 2020 9.119.073 7.426.309 9.914.323 6.653.365 96.436 113.347 24.740 35.695 Sub-total 19.154.572 14.228.716 1.665.292 1.814.706 17.796 18.344 Sub-total 1.683.088 1.833.050 459.642 272.062 (32.314) (32.702) (1.619.975) (1.472.554)	Change 2021 2020 Amount 9.119.073 7.426.309 1.692.765 9.914.323 6.653.365 3.260.958 96.436 113.347 (16.912) 24.740 35.695 (10.955) Sub-total 19.154.572 14.228.716 4.925.857 1.665.292 1.814.706 (149.413) (549) Sub-total 1.683.088 1.833.050 (149.962) 459.642 272.062 187.580 (32.314) (32.702) 388 (1.619.975) (1.472.554) (147.420)

The credit risk management policies and the impairment assessment methodologies are described in Notes 37.1 and 37.2.

At December 31, 2021, the amount of impairment recognized in the balance sheet totals CVE 1,619,975 thousand (CVE 1,472,554 thousand in 2020), and reflects the impairment calculated in accordance with the impairment model in force, plus adjustments to provisions calculated in accordance with Notice no. 4/2006 of Banco de Cabo Verde, and which include additional provisions determined by the regulator, as the said Notice is the minimum reference for provisions to be recognized by credit institutions.



10. Financial assets at amortized value – Debt securities

This item breaks down as follows:

	(in thousand CVE)			
			Change	
	2021	2020	Amount	%
Public Debt Securities	2.426.687	2.446.734	(20.047)	(0,82%)
Other debt securities	315.175	352.559	(37.385)	(10,60%)
Accrued Interest	19.200	20.031	(831)	(4,15%)
Accumulated Impairment	(6.999)	(7.405)	406	(5,48%)
	2.754.063	2.811.919	(57.857)	(2,06%)

The public debt securities correspond to Cabo Verde Treasury Bonds.

Reference should be made to the fact that the Bank assumes a low credit risk for the counterparty State of Cabo Verde and therefore does not recognize expected losses on debt securities issued by that counterparty, based on the following assumptions:

- i. the history of full compliance by the State of Cabo Verde with the responsibilities with the financial securities issued:
- ii. there is no deterioration in the level of risk of the securities issued;
- iii. no deterioration of the sovereign rating;
- iv. the Treasury's ability to renew/refinance the securities issued;
- v. the issue is denominated in national currency;
- vi. the entire normative framework in effect points to a null risk of the State;
- vii. that there is an obligation for Banks to hold public debt securities in a percentage equal to or greater than 5% of total deposits; and
- viii. the non-tax deductibility of provisions set up on debt securities issued by the state.

In terms of the accounting policy in force, regarding impairment for financial assets, the Bank validated the maintenance of these assumptions for the year 2021 by observing a set of objective criteria and the respective materiality, having concluded for the maintenance of the principle of ECL - Expected Credit Loss null.



It should be noted that, of the securities in portfolio on December 31, 2021:

- the amount of 8,264 thousand CVE (6,000 thousand CVE in 2020) was pledged in favor of the Deposit Guarantee Fund under paragraph 4 of Article 14 of Law No. 07/IX/2017, of January 27, and paragraphs 1 and 2 of Article 6 of Notice No. No. 09/2017, republished on August 13, 2019, according to which credit institutions may replace the payment of the annual contribution due to the Deposit Guarantee Fund (FGD) by an irrevocable commitment to make the payment at any time the FGD so requests;
- the amount of 1,038,150 thousand CVE was assigned to clients with a repurchase agreement (1,272,658 thousand CVE in 2020). More details in Note 18;
- the amount of 1,350,000 was assigned as collateral in the access to medium- and long-term financing in the Financing Market Operations in the scope of the monetary stimulus measures for the mitigation of the COVID-19 impact, carried out by the Central Bank.

The other debt securities correspond to bonds issued by Sogei - Sociedade Gestora de Investimentos, IFH - Imobiliária Fundiária e Habitat, SA, ASA - Aeroportos e Segurança Aérea and NewCo ¹⁰:

(in thousand CVE)

	Gross A	mount	Change		
	2021	2020	Amount	%	
Sogei	3.329	3.329	-	0,00%	
IFH Imobiliária	33.000	55.000	(22.000)	(40,00%)	
ASA	125.000	125.000	-	0,00%	
NewCo	153.846	169.231	(15.385)	(9,09%)	
	315.175	352.559	(37.385)	(10,60%)	
Impairment	(6.999)	(7.405)	406	(5,48%)	
Total	308.176	345.155	(36.979)	(10,71%)	

In 2021, the settlement of 15,385 thousand escudos of NewCo bonds took place.

¹⁰ The previous issuer was TACV, however, on October 22, 2020, the Cape Verde Stock Exchange, after compliance with of all legal procedures, including the agreement with the bondholders, issued a statement regarding the change of entity issuer to NewCo.

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With regard to the IFH bonds, this involves the subscription in 2015 of 110,000 bonds issued by that entity with a maturity of 7 years, guaranteed by the State of Cabo Verde. In 2021, IFH amortized the equivalent to 20% of the capital (22,000 thousand escudos).

The Bank also has in its portfolio 125,000 ASA bonds and 3,329 Sogei bonds. At December 31, 2021 and 2020, an impairment amount of 6,999 thousand CVE and 7,405 thousand CVE, respectively, is recorded to cover expected losses with these exposures. It should be noted that, in the case of securities issued by public companies and/or operations with express and binding guarantees from the State of Cabo Verde, applicable to the entities IFH, ASA and NewCo, these companies classified as Stage 1, the impairment calculated results from the recognition of an expected loss associated with a possible default by the State of Cabo Verde. To determine the ECL of these entities, the Bank used the country rating, according to the Moddy's rating agency classification and respective risk factors. The Sogei entity is in Stage 3, having applied an impairment rate of 100%.



11. Other tangible assets

The other tangible assets had the following evolution:

(Amounts in thousand CVE)

Movement	Properties	Vehicles	IT Equipment	Furniture and Supplies	Other Equipment	Total
December 31, 2019	188.043	14.053	22.362	22.309	52.705	299.471
Gross amount	318.786	25.672	134.599	72.077	197.505	748.638
Accumulated depreciation	(145.782)	(11.619)	(115.640)	(60.698)	(151.381)	(485.120)
Impairments	(7.364)	-	_			(7.364)
In progress (gross amount)	22.403	/ / -	3.403	10.930	6.581	43.317
Evolution:						
Purchases - In progress	3.795	-	-	534	3.474	7.803
Purchases - In use	22.702	-	3.194	13.268	(14.011)	25.153
Revaluations	-	-	-	-	0	
Transfers + (in progress to use)	(984)	-	-	-	(46)	(1.030)
Transfers - (in progress to use)	(21.419)	-	(745)	(10.930)	(6.535)	(39.630)
Regularizations	. ,	-	` -	8	(5)	4
Depreciation	(15.886)	(3.592)	(9.034)	(4.211)	(15.123)	(47.847)
Disposals/Write-offs-Gross amount	-	-	(249)	, ,	(320)	(589)
Disposals/ Write-Offs - Accum.	-	-	249	20	320	589
December 31, 2020	176.250	10.461	15.776	20.978	48.808	272.273
Gross amount	341.487	25.672	137.544	85.333	211.515	801.552
Accumulated depreciation	(161.668)	(15.211)	(124.426)	(64.889)	(166.181)	(532.375)
Impairments	(7.364)			/ · · · · · · · · · · · · · · · · · · ·	· · ·	(7.364)
In progress (gross amount)	3.795	/-	2.657	534	3.474	10.460
Evolution:						
Purchases - In progress	9.332	-	42.335	2.375	414	54.456
Purchases - In Use	48.650	1.000	4.638	2.080	2.888	59.255
Revaluations	(4.719)	-	-	-	-	(4.719)
Transfers + (in progress to use)	-	-	-	-		-
Transfers - (in progress to use)	(3.795)	-	-	(534)	(3.163)	(7.491)
Regularizations	(6.946)	-	-		3.285	(3.661)
Depreciation	(11.627)	(3.652)	(9.503)	(3.631)	(14.917)	(43.329)
Disposals/Write-offs-Gross amount	. ,	-	(1.171)	, ,	(951)	(2.122)
Disposals/ Write-Offs - Accum.	-	-	1.171		945	2.116
December 31, 2021	207.145	7.809	53.246	21.268	37.309	326.777
Gross Amount	385.418	26.672	141.011	87.310	213.451	853.862
Accumulated depreciation	(173.295)	(18.863)	(132.757)	(68.417)	(176.868)	(570.199)
Impairments	(14.310)	-	-		-	(14.310)
In progress (gross amount)	9.332	-	44.993	2.375	726	57.424

Depreciation is calculated on a straight-line basis in accordance with the estimated useful lives shown in Note 3.8.

As referred to in Note 3.8, the buildings for the Bank's own use are recorded at fair value, updated every 3 years, and in 2021 the Bank revalued them, with the positive differences recorded under the heading "revaluation reserves" and the negative differences in results under the heading "impairment of other assets".



Other intangible assets **12**.

The Other intangible assets, which refer exclusively to Software, had the following evolution:

(Amounts in thousands CVE)

Movement	Software
December 31, 2019	27.003
Gross amount	165.880
Accumulated depreciation	(138.877)
<u>Evolution:</u>	
Purchases	4.048
Depreciation	(3.794)
Regularizations	-
December 31, 2020	27.257
Gross amount	169.928
Accumulated depreciation	(142.671)
<u>Evolution:</u>	
Purchases	3.369
Depreciation	(2.596)
Regularizations	-
December 31, 2021	28.030
Gross amount	173.297
Accumulated depreciation	(145.267)

Depreciation of software is calculated on a straight-line basis according to an estimated useful life of three years, as shown in Note 3.9.



13. Deferred tax assets and liabilities

2021

(in thousand CVE)	_ /				
	2020	Increase during 2021	Use during 2021	Write-offs during 2021	2021
Deferred tax assets	49.751	36.366	-	-	86.117
Deferred tax liability	3.707	2.332	350	3.306	2.384
Revaluation of other tangible assets (note 22)	3.707	2.332	350	3.306	2.384

2020

(in thousand CVE)					
	2019	Increase during 2020	Use during 2020	Write-offs during 2020	2020
Deferred tax assets	38.092	11.659	-	-	49.751
Deferred tax liability	3.907	-	200	-	3.707
Revaluation of other tangible assets (note 22)	3.907	-	200	-	3.707

The amount of 86,117 thousand escudos relative to deferred tax assets is related to the temporary non-acceptance, of impairments on credit operations with express and binding guarantees from the State and also credit operations covered by real rights on real estate and is supported by article no. 42 of the IRPC Code.

2020

(57.729)



14. Current Tax assets and liabilities

2021

Current tax liability

(in thousand CVE)	2020	Increase during 2021	Use during 2021	Settlement during 2021	2021
Current tax liability	32.996	119.562	(67.189)	(30.102)	55.267
2020					
(in thousand CVE)		Increase during	Use during	Settlement	

2020

94.637

The use during 2021, in the amount of 67,189 thousand escudos, refers to payments on account on interest received from IFH, ASA and NewCo bonds in the amount of 1,856 thousand escudos and to fractional payments made during 2021 in the amount of 65,333 thousand escudos.

2019

The settlement, during 2021, in the amount of 30,102 thousand escudos, refers to the difference between the amount of tax on profits for 2020 and the amount of payments on account made during this year.

2020

32.996

during 2020

(3.912)



15. Other Assets

This item breaks down as follows:

	(in thousand CVE)					
				Change		
	2021	2020	Amount	%		
Office Supplies	5,690	6.136	(446)	(7,2 <mark>7%</mark>)		
Other debtors	17.036	8.747	8.290	95%		
Active Operations to be Regularized:						
Compensation from Western Union and Redevint4	2.220	459	1.761	384%		
Accrued income	-	-	-	0,00%		
Others	1.914.356	1.395.688	518.668	37%		
Expenses with deferred charges	37.487	47.046	(9.559)	(20,32 <mark>%)</mark>		
Sub-total	1.976.789	1.458.076	518.713	36%		
Accumulated Impairment	(167.668)	(123.037)	(44.631)	36%		
	1.809.121	1.335.039	474.082	36%		

The item "Other Assets" consists mainly of properties received as repayment of loans and which since 2016 have been recorded under Other Assets, as they do not meet the requirements of IFRS 5. In terms of properties received, the movement occurred, for the year 2021 and the year 2020 was as shown in the tables below:

2021

(in thousand CVE)		Movement of the period							
	Dec 2020		Entries	Reversal of	Impairment Losses		Use of	f Dec 2021	
	Gross Amount	Impairment	Entries	Impairment	(Note 32)	Sales	Impairment	Gross Amount	Impairment
Properties and Land	1.124.994	(116.739)	395.996	7.180	58.549	77.446	6.737	1.443.545	(161.371)

2020

(in thousand CVE)		_		Movement of the period						
	Dec	2019	Entries	Reversal of	Impairment	t Losses	Sales	Use of	Dec 20	020
	Gross Amount	Impairment	Entries	Impairment	(Note 3	32)	Sales	Impairment	Gross Amount	Impairment
Properties and Land	1.064.207	(114.151)	67.687	2.360		4.948	6.900	-	1.124.994	(116.739)



The distribution of the properties received as credit reimbursement, by age, is shown in the tables below:

2021

Amounts in thousand CVE

Asset	<1 year	<2,5 years	< 5 years	> = 5 years	Total
Land	0	0	11.945	277.223	289.168
Urban	0	0	11.945	277.223	289.168
Rural	0	0	0	0	0
Buildings under constrution	0	0	0	22.785	22.785
Commercial	0	0	0	22.785	22.785
Housing	0	0	0	0	0
Others	0	0	0	0	0
Constructed buildings	386.586	22.646	96.720	158.679	664.631
Commercial	56.546	0	26.297	60.292	143.136
Housing	151.660	22.646	70.422	98.387	343.115
Others	178.380	0	0	0	178.380
Others	0	29.216	127.109	310.637	466.961
 Total	386.586	51.862	235.773	769.323	1.443.545

2020

Amounts in thousand CVE

		>= 1 year and	>= 2 Events and		
	<1 year	>= 1 year and	>= 2,5 years and	> = 5 years	Total
Asset	_	< 2,5 years	< 5 years		
Land	0	1.952	51.523	277.059	330.534
Urban	0	1.952	51.523	277.059	330.534
Rural	0	0	0	0	0
Buildings under constrution	0	0	10.326	22.785	33.111
Commercial	0	0	0	22.785	22.785
Housing	0	0	10.326	0	10.326
Others	0	0	0	0	0
Buildings constructed	0	104.311	61.690	128.387	294.388
Commercial	0	26.297	0	60.292	86.590
Housing	0	78.014	61.690	68.095	207.799
Others	0	0	0	0	0
Others	29.216	0	197.232	240.513	466.961
Total	29.216	106.264	320.771	668.744	1.124.994



For more details see also note on Property Risk in the Chapter "Overview of the main initiatives developed in 2021" of the Board of Directors Report.

Regarding impairment, in the total amount of 167,668 thousand escudos, the amount of 161,371 thousand escudos refers to impairment constituted for properties held in portfolio and 6,298 thousand escudos, aims to face values registered in "Other debtors".

Also in this item, the increase in the item "Others" is, in large part, explained by an operation, in progress, to purchase a set of credits, from a foreign entity, relating to the position this entity holds in banking syndicates, jointly with the BCN. The amount of this operation is 330,791 thousand escudos (EUR 3,000,000).

16. Resources from central banks

As at December 31, 2021, the Bank had in its balance sheet BCV resources in the amount of 1,362,343 thousand CVE. This is the balance referring to the use of OMF - Long Term Financing Monetary Operation lines made available to commercial banks under special conditions to finance companies directly affected by the Covid-19 pandemic. These resources are 100% covered by Cabo Verde public debt securities (Treasury Bonds).

Medium - long term loans Banco de Cabo Verde
Charges payable

		Change		
2021	2020	Amount	%	
1.350.000	1.050.000	300.000	29%	
12.343	3.722	8.621	232%	
1.362.343	1.053.722	308.621	29%	



17. Resources from other credit institutions

The table below shows the composition of this item on December 31, 2021 and 2020

	(in thousand CVE)			
			Chang	ge
	2021	2020	Amount	%
Credit Institutions: foreign banks				
Medium - long term loans				
IFC	73.510	147.020	(73.510)	(50,00%)
Credit institutions: national banks				
Demand Deposits	43.319	59.127	(15.808)	(26,74%)
Term Deposits	6.025	6.314	(289)	(4,58%)
Insurance Companies				
Demand Deposits	184.263	85.115	99.149	116%
Term Deposits	70.000	15.000	55.000	366,67%
Others	-	-	-	0,00%
Charges payable	513	470	43	9%
	377.631	313.046	64.585	21%

18. Customer resources and other loans

This item breaks down as follows:

	(in thousand CVE)		
			Change
	2021	2020	Amount %
Securities sold with repurchase agreements:			
Treasury Bonds	1.038.150	1.272.658	(234.508) (18,43%)
Charges payable	17.132	12.973	4.159 32%
Sub-total	1.055.282	1.285.631	(230.349) (17,92%)
Demand Deposits	10.963.752	9.812.213	1.151.539 11,74%
Term Deposits	11.354.322	10.397.257	957.065 9%
Other payables	16.748	27.132	(10.383) (38,27%)
Charges payable	183.112	285.267	(102.155) (35,81%)
Sub-total	22.517.934	20.521.869	1.996.066 9,73%
Total	23.573.216	21.807.500	1.765.717 8,10%



It should be noted that securities repurchased under repurchase agreements are assigned at nominal value.

19. Income Tax

The Bank is subject to taxes on profits under the tax legislation in force, the applicable legislation being the IRPC Code (Law 82/VIII/2015 of January 7).

As of December 31, 2021 the applicable tax rate is 22%, plus a fire rate of 2% on the tax assessed, which corresponds to an aggregate tax rate of 22.44%.

For the tax estimate, the Bank has taken into account the provisions of the IRPC Code, being the Board of Directors' understanding that the criteria and assumptions adopted are in accordance with the legislation in force.

The reconciliation between the nominal and effective tax rate for the year 2021 can be shown as follows:





Profit before taxes 527.374 Dividends received (1.362) 30% of costs related to vehicles 1.789 50% of costs related to representation 37 Amortization revaluation of tangible assets 1.561 Depreciation not accepted for tax purposes 175 Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 4.599 Total collection 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) (28.992) Income tax for the year 119.562 Fractionated payment 65.333 Withholding tax 1.856		31/12/2021
30% of costs related to vehicles 1.789 50% of costs related to representation Amortization revaluation of tangible assets 1.561 Depreciation not accepted for tax purposes 175 Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 517.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) Tax at another rate (5% rate) Total collection 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) 128.992) Income tax for the year Fractionated payment 65.333 Withholding tax 1.856	Profit before taxes	527.374
Amortization revaluation of tangible assets 1.561 Depreciation not accepted for tax purposes 175 Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 1.856	Dividends received	(1.362)
Amortization revaluation of tangible assets 1.561 Depreciation not accepted for tax purposes 175 Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 1.856	30% of costs related to vehicles	1.789
Depreciation not accepted for tax purposes 175 Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 1.856	50% of costs related to representation	37
Provisions not accepted for tax purposes 177.417 Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 1.856	Amortization revaluation of tangible assets	1.561
Insurance not accepted for tax purposes 9.778 Single Property Tax 2.643 Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) Tax at another rate (5% rate) Total collection Local tax 2.899 Autonomous Taxation Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 2.896	Depreciation not accepted for tax purposes	175
Single Property Tax Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) Tax at another rate (5% rate) Total collection Local tax 2.899 Autonomous Taxation Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 2.643 2.643 2.643 10.579	Provisions not accepted for tax purposes	177.417
Extraordinary losses 10.579 Tax base 729.993 Tax at normal rate (22% rate) 140.363 Tax at another rate (5% rate) 4.599 Total collection 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) (28.992) Income tax for the year 119.562 Fractionated payment 65.333 Withholding tax 1.856	Insurance not accepted for tax purposes	9.778
Tax base729.993Tax at normal rate (22% rate)140.363Tax at another rate (5% rate)4.599Total collection144.962Local tax2.899Autonomous Taxation693Exemption for retained earnings (20% Total collection)(28.992)Income tax for the year119.562Fractionated payment65.333Withholding tax1.856	Single Property Tax	2.643
Tax at normal rate (22% rate) Tax at another rate (5% rate) Total collection Local tax Autonomous Taxation Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment Withholding tax 140.363 4.599 4.599 144.962 12.899 12.899 13.562	Extraordinary losses	10.579
Tax at another rate (5% rate) Total collection Local tax 2.899 Autonomous Taxation Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 4.599 (28.992) 19.562	Tax base	729.993
Tax at another rate (5% rate) Total collection Local tax 2.899 Autonomous Taxation Exemption for retained earnings (20% Total collection) Income tax for the year Fractionated payment 65.333 Withholding tax 4.599 (28.992) 19.562		
Total collection 144.962 Local tax 2.899 Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) (28.992) Income tax for the year 119.562 Fractionated payment 65.333 Withholding tax 1.856	•	
Local tax2.899Autonomous Taxation693Exemption for retained earnings (20% Total collection)(28.992)Income tax for the year119.562Fractionated payment65.333Withholding tax1.856	·	
Autonomous Taxation 693 Exemption for retained earnings (20% Total collection) (28.992) Income tax for the year 119.562 Fractionated payment 65.333 Withholding tax 1.856		
Exemption for retained earnings (20% Total collection)(28.992)Income tax for the year119.562Fractionated payment65.333Withholding tax1.856		
Income tax for the year119.562Fractionated payment65.333Withholding tax1.856		
Fractionated payment 65.333 Withholding tax 1.856		•
Withholding tax 1.856	-	
Intal tay navahid	Total tax payable	52.373

As at December 31, 2021 the balance relating to income tax was 52,373 thousand CVE.

Under the terms of the General Tax Code approved by Law no. 47/VIII/2013 of December 20, the tax authorities have the possibility to review the Bank's tax situation during a period of five years, which may result, due to different interpretations of the tax legislation, in possible corrections to the taxable income.



Under the terms of article no. 42 of the IRPC Code, impairment losses associated with credit operations with express and binding guarantees from the State and also credit operations covered by real rights on real estate are not accepted for tax purposes. Under the terms of no. 29 j) of the IRPC code, health and personal accident insurance premiums, as well as life insurance costs which are not required by law or taxed under IRPS, are not accepted for tax purposes.

In the opinion of the Bank's Board of Directors, no significant correction is to be expected in the context of the financial statements.

20. Other Liabilities

This item breaks down as follows:

(in thousand CVE)

			Change	
	2021	2020	Amount	%
Amounts payable to the public sector	25.917	27.991	(2.074)	(7,41%)
Liability operations to be regularized	17.883	20.148	(2.266)	(11,25%)
Others	273.912	165.040	108.872	66%
	317.712	213.179	104.533	49%

Regarding Other Liabilities, the item Others includes, among others, the (i) existence of amounts to be cleared on the 1st following working day 56,451 thousand escudos (5,734 thousand escudos in 2020); (ii) existence of checks to be cleared 50. 061 thousand escudos (5,000 thousand escudos in 2020); (iii) other charges payable 57,326 thousand escudos (72,390 thousand escudos in 2020); (iv) deposit for open documentary credits in the amount of 25,069 thousand escudos (7,824 thousand escudos in 2020).



21. Capital

As of December 31, 2021, the holders of the Bank's capital are as follows:

(in thousand CVE)

	202	1	2020	
Entities	Amount	%	Amount	%
Impar - Companhia Caboverdiana de Seguros, SARL	780.800	86,8%	780.800	86,8%
Cruz Vermelha de Cabo Verde	40.000	4,4%	40.000	4,4%
Private Investors	79.200	8,8%	79.200	8,8%
	900.000	100,0%	900.000	100,0%

The capital is fully subscribed and paid up, and is represented by 900,000 ordinary shares with a nominal value of 1,000 Escudos each.

22. Revaluation reserves

This item breaks down as follows:

2021

	Balance as of Dec 31, 2020	Increases	Deductions	Use of tax	Balance as of Dec 31, 2021
Revaluation of financial assets at fair value through other	150 955	35 100			204.055
comprehensive income Deferred tax on revaluation of financial assets measured at fair	169.855	35.100	-	-	204.955
value through other comprehensive income	-	-	-	-	-
Revaluation of property in own use	14.326	10.394	(14.338)	-	10.382
Deferred Tax on Revaluation of property for own use	(3.707)	(2.332)	3.305	350	(2.384)
Balance	180.474	43.162	(11.033)	350	212.953

2020

(in thousand CVE)

	Balance as of Dec 31, 2019	Increases	Deductions	Use of tax	Balance as of Dec 31, 2020
Revaluation of financial assets at fair value through other comprehensive income	169.855				169.855
Deferred tax on revaluation of financial assets measured at fair			-		
value through other comprehensive income Revaluation property in own use	15.216	4 1	(890)	-	14.326
Deferred Tax on Revaluation of property for own use	(3.907)		-	200	(3.707)
Balance	181.164	0	(890)	200	180.474



As a result of the 2018 State budget, which extends the application of article 27 of the Tax Benefits Code to all resident and non-resident entities with a permanent establishment in Cabo Verde, capital gains and losses on financial assets at fair value through other comprehensive income are no longer taxed, so a future capital gain obtained on the sale of the stake in SISP is not subject to IRPC, which is why deferred taxes are not recognized on recognized capital gains and losses.

23. Other reserves and retained earnings

This item breaks down as follows:

(in thousand CVE)				
		Cha	nge	
	2021	2020	Amount	%
Legal reserve	181.995	152.541	29.453	19,31%
Other Reserves and Retained Earnings	1.475.223	1.216.828	258.395	21,24%
	1.657.218	1.369.369	287.848	21,02%

Under the legislation in force in Cabo Verde (Law No. 62/VIII/2014 of April 23), a minimum of 10% of annual net income must be allocated to strengthening the legal reserve. This reserve is not distributable except in the event of liquidation of the Bank, and may be used to increase capital or to cover losses, after other reserves have been exhausted. Of the amount of 1,475,222 thousand CVE recorded under Other Reserves and Retained Earnings, the amount of 492,028 thousand CVE, refers to Retained Earnings, under the scope of article no. 30 of the Tax Benefits Code.



24. Net Interest Income

The net interest income presents the following breakdown:

(in thousand CVE)			Chan	ge
_	2021	2020	Amount	%
Interest and similar income				
Interest from deposits with banks	-	-	-	-
Interest from Other Credit Institution investments	12.423	29.798	(17.375)	(58,31%)
Interest from loans and advances to customers	1.328.433	1.145.199	183.234	16,00%
Commissions at amortized cost	70.154	50.652	19.502	39%
- -	1.411.010	1.225.649	185.361	15,12%
Interest and similar expenses				
Interest from Central Bank resources	(8.621)	(3.722)	(4.899)	0%
Interest from resources from other FIs - in the country	(291)	(584)	292	(50,09%)
Interest from resources of other FIs - abroad	(6.552)	(10.437)	3.885	(37,22%)
Interest from customer resources	(274.204)	(340.622)	66.417	(19,50%)
Interest from securities sold - treasury bonds	(30.229)	(30.983)	754	(2,43%)
Interest from other resources	(1.405)	(930)	(475)	51,06%
- -	(321.303)	(387.278)	65.975	(17,04%)
Net interest income	1.089.707	838.371	251.336	29,98%

The increase in interest on loans and advances to customers in the total amount of 183,234 thousand escudos is directly linked to the increase in the loan portfolio. As regards interest on customer resources, the total decrease of 66,417 thousand CVE is explained by the decrease in average borrowing rates following the price revision carried out in March 2020.

25. Income from equity instruments

This item totals 1,362 thousand CVE (16,323 thousand CVE in 2020) and corresponds to the recognition of dividends received from national issuers. It should be noted that the variation relative to 2020 is explained by the non-distribution of SISP dividends for 2020.



26. Income from services and commissions

(in thousand CVE)

(III tilousaliu CVL)	_		Cha	nge
	2021	2020	Amount	%
Commissions				
Other services	46.002	39.278	6.724	17%
Commission from WU	39.151	36.503	2.648	7,25%
ATM Services	24.196	21.957	2.238	10%
Guarantees and sureties	18.394	14.782	3.612	24,43%
Card Management	20.279	16.590	3.689	22%
Annual charges	15.323	13.323	2.000	15,01%
Fund Transfer	3.074	3.414	(340)	(9,96%)
Purchase of bank checks	7.577	6.308	1.268	20%
Commissions on current account loan commitments	3.405	786	2.619	333%
Prepayment	2.342	3.193	(850)	(26,64%)
Documentary credits opened	1.174	2.349	(1.175)	(50,03%)
Collecting and paying of taxes	6.552	5.832	721	12,36%
Stock exchange operations	827	904	(77)	(8,51%)
Sureties and indemnities	1.161	1.048	113	11%
Acceptances and Endorsements	3.778	5.590	(1.812)	(32,41%)
Standby letters of credit	42	96	(54)	(56,06%)
	193.276	171.951	21.324	12%

The amount of 46,002 thousand CVE in "Other services" refers to commissions received for the provision of services related to foreign operations and Insurance which, together, account for 74.6% of this item.

The overall increase in commissions received in 2021 by 12% (+21,324 thousand CVE) should be noted, especially the increase in the three components of commissions received: credit commissions (+2,453 thousand CVE); transaction commissions (+8,296 thousand CVE) and commissions from means of payment (+10,575 thousand CVE).

It should also be noted that, compared to 2020, this increase is explained by the reduction, in that year, of transactional commissions as a result of the reduced banking activity, particularly during the period in which the state of emergency caused by the covid-19 pandemic was in force.



27. Expenses from services and commissions

This item breaks down as follows:

(in thousand CVE)				
			Cha	nge
	2021	2020	Amount	%
Commissions				
Payment Operations	(8.213)	(6.592)	(1.621)	24,59%
Card issuance	(36.179)	(32.584)	(3.595)	11%
Commission from WU	(9.189)	(11.894)	2.705	(22,74%)
Other services	(2.943)	(3.400)	458	(13,46%)
	(56.524)	(54.470)	(2.054)	4%

The amount of 2,943 thousand CVE, under the item "Other services" refers to commissions paid to third parties, namely, in the scope of the relationship with correspondent banks; services related to means of payment (cards and ATMs) and participation in the capital market as a stock exchange operator.

28. Income from exchange rate revaluation

This item breaks down as follows:

(in thousand CVE)				
			Char	nge
	2021	2020	Amount	%
Profit from foreign exchange revaluation				
In foreign currency	106.536	153.735	(47.199)	(30,70%)
Foreign notes and coins	26.916	23.313	3.603	15,45%
	133.452	177.049	(43.597)	(24,62%)
Losses from foreign exchange revaluation				
In foreign currency	(62.445)	(148.712)	86.267	(58,01%)
Foreign notes and coins	(17.157)	(26.048)	8.892	(34,14%)
	(79.602)	(174.760)	95.159	(54,45%)
Net income from foreign exchange revaluation	53.850	2.288	51.562	2253%



The increase in the result of currency revaluation of 51,562 thousand escudos is directly related to the exchange rate oscillations, particularly of the USD currency, and to the revision of the exchange rate risk management policy with the adoption of new procedures for managing this risk.

29. Income from disposal of other assets

In 2021, contrary to the previous year, there was a disposal of assets with associated net losses of 439 thousand CVE.

30. Other operating income

The gains and losses presented in this item are the following:

(in thousand CVE)				
			Cha	nge
	2021	2020	Amount	%
Other operating income				
Reimbursement of Expenses	4.819	4.070	749	18%
Credit recovery, interest and expenses	6	75	(69)	(91,73%)
Oher profits related to previous years	2.835	413	2.422	586%
Sale of checks	1.672	1.557	115	7%
Others	6.820	6.184	636	10%
	16.152	12.299	3.853	31%
Other operating losses				
Losses related to previous years	(4.700)	(4.110)	(590)	14%
Contributions and donations	(267)	(1.831)	1.564	(85,41%)
Other operating costs	(8.907)	(21.114)	12.207	(57,81%)
Other taxes and rates	(2.940)	(2.633)	(307)	12%
	(16.814)	(29.688)	12.873	(43,36%)
Other net operating gains /losses	(662)	(17.389)	16.727	(96,19%)



31. Staff costs

This item breaks down as follows:

(in thousand CVE)			Char	nge
	2021	2020	Amount	%
Remuneration of management and supervisory bodies	28.865	28.720	145	0,50%
Remuneration of staff	219.575	208.052	11.524	5,54%
	248.440	236.772	11.669	4,93%
Mandatory social charges	28.462	26.986	1.476	5,47%
Contract indemnities	1.453	-	1.453	#DIV/0!
Other staff costs	234	152_	82	100%
	30.149	27.138	3.011	11,09%
	278.589	263.910	14.680	5,56%

The variation in this item is closely linked to the increase in the number of employees, which went from 162 to 170.

32. General administrative costs

This item breaks down as follows:

(in thousand CVE)

(III tilousulla eve)			Chan	ge
	2021	2020	Amount	%
Specialized Services	102.782	95.992	6.789	7%
Communication	18.598	18.054	543	3,01%
Rents and leases	21.023	23.058	(2.035)	-
Travel and accommodation	21.023		(2.033) 192	(8,83%) 9%
		2.085	_	
Consumables	3.589	6.251	(2.663)	(42,59%)
Advertising and publications	6.872	14.589	(7.717)	(52,89%)
Water, gas and electricity	13.504	14.031	(527)	(3,75%)
Maintenance and repair	5.296	4.006	1.291	32%
Insurance	14.422	14.779	(357)	(2,42%)
Fuel	1.519	1.287	233	18%
Transport	4.800	4.608	192	4,16%
Training	2.026	645	1.381	214%
Others	12.140	10.922	1.217	11,14%
	208.848	210.309	(1.461)	(0,69%)



Specialized services in the amount of 102,782 thousand CVE refer mainly to services provided by various consultants (14,037 thousand CVE), for the use of the SISP vinti4 network (28,652 thousand CVE), technical assistance for computer services (33,237 thousand CVE) and surveillance and security services (12,745 thousand CVE).

33. Credit impairment and other assets

Regarding the movement of the Impairment accounts, on December 31, 2021 and December 31, 2020, they had the following movement:

2021

(in thousand CVE)						
		Balance as of				Balance as of
	Notes	Dec 31, 2020	Top-ups	Reversals	Transfers	Dec 31, 2021
Impairment of:						
Loans and advances to Customers	9	1.472.555	768.413	(620.993)	-	1.619.975
Debt securities	10	7.405	121	(527)	-	6.998
Other Assets	15	123.037	58.549	(7.180)	(6.738)	167.667
Other tangible assets	11	7.364	10.263	(3.317)		14.310
		1.610.361	837.346	(632.018)	(6.738)	1.808.952

2020

(in thousand CVE)

		Balance as of				Balance as of
	Notes	Dec 31, 2019	Top-ups	Reversals	Transfers	Dec 31, 2020
Impairment of:					_	
Loans and advances to Customers	9	1.414.014	430.663	(372.122)	-	1.472.555
Debt securities	10	7.814	100	(510)	-	7.405
Other Assets	15	120.449	4.948	(2.360)	-	123.037
Other tangible assets	11	7.364	-	-	-	7.364

The criteria and methodologies used in determining the impairment on loans and advances to customers are described in Note 37.2. The accumulated impairment on real estate for credit recovery was 161,371 thousand escudos, which corresponds to about 11.2% of its gross balance sheet value (10.4% in 2020).



Earning per share 34.

	2021	2020
Basic		
Net income for the period	444.179	294.533
Number of ordinary shares	900.000	900.000
Basic (CVE)	494	327
Diluted (CVE)	494	327

The diluted earnings per share are equal to the basic earnings per share, and there is no dilution resulting from convertible instruments, options or warrants or common shares that are only issued upon satisfaction of specified conditions.

Provisions and Contingent Liabilities 35.

The movement in provisions on December 31, 2021 and December 31, 2020 was as shown in the tables below:

2021

(in thousand CVE) Balance as of Uses and Reversals and Balance as of Top-ups Dec 31, 2020 regularizations recoveries Dec 31, 2021 Other provisions 7.675 15.356 22.935 (96) 7.675 15.356 22.935

(96)

2020

(in thousand CVE)					
	Balance as of Dec 31, 2019	Top-ups	Uses and regularizations	Reversals and recoveries	Balance as of Dec 31, 2020
Other provisions	7.675	-	_	-	7.675
	7.675	- /	-	-	7.675



The item "Other provisions" represents present obligations arising from past events where future expenditure of resources is likely (lawsuits and other banking risks), and in relation to lawsuits the provision was made based on the process and assessment of the probability of conviction based on the information provided by the Bank's legal counsel and that accompany the respective lawsuits. It should be noted that for 2021 the Bank made an analysis of ongoing lawsuits and concluded that the provisions currently recorded should be maintained. In 2021 the Bank recorded provisions in the amount of 15,356 thousand CVE to cover possible tax contingencies.

Contingent liabilities associated with banking activity are recorded in off-balance sheet items (off balance sheet) and are broken down as follows:

(in thousand CVE)				
			Cha	ange
	2021	2020	Amount	%
Guarantees provided (of which):				
Guarantees and Sureties	976.769	945.780	30.989	3%
	976.769	945.780	30.989	3%
Commitments to third parties:				
Revocable Commitments	1.421.546	695.480	726.066	104,40%
	2.398.315	1.641.259	757.055	46,13%
Deposits and custody of securities:				
Dematerialized securities	(1.375.217)	(1.586.700)	211.483	(13,33%)
Collection of amounts	35.419	28.196	7.223	25,62%
	(1.339.798)	(1.558.504)	218.706	(14,03%)

Under dematerialized securities, the amount of 1,038,150 thousand CVE refers to securities sold to customers with a repurchase agreement (1,272,658 thousand CVE in 2020).

It should be noted that the balance of guarantees provided and revocable commitments is considered for the purposes of determining impairment under the terms of the impairment model in force.



36. Operational Segments

The Bank's business is organized by the Trading and Sales, Commercial Banking, Retail Banking and Central Services areas.

In this context, and as required by IFRS 8, the Bank's disclosures by operating segments, as at 31 December 2021, correspond to the way the information is analyzed:

- Trading and sales comprises banking activity related to the management of the Bank's own portfolio of securities, management of debt instruments issued, money and foreign exchange market operations, Repo operations and brokerage. Included in this segment are the investments and availabilities over other Credit Institutions;
- Commercial banking Includes credit and funding activities with large companies and small and medium-sized companies. This segment includes loans, current accounts, financing of investment projects, discounting of bills of exchange, factoring, leasing of furniture and real estate and taking out syndicated loans, as well as credit to the Public Sector;
- Retail banking comprises the banking activity with individuals, sole proprietorships and microcompanies. Included in this segment are consumer credit, mortgage loans and also deposits taken from individuals;
- Central Business Support Services back-office units associated with the execution of operations, risk analysis and administrative services.

The reports used by the Management are based essentially on accounting information, with no differences between the measurements of income, losses, assets and liabilities of the reportable segments.

Management does not prepare any management information by geographical areas, given that all its activity is carried out in Cabo Verde.

With reference to December 31, 2021 and 2020, the information regarding the operating segments used by the Bank may be summarized as follows:





(in thousand CVE)					I
Description	Trading and Sales	Commercial Banking	Retail Banking	Central Services	Balance as of Dec 31, 2021
Interest and similar income	200.821	313.377	896.812	-	1.411.010
Interest and similar expenses	(64.852)	(93.421)	(163.030)	-	(321.303)
Net interest income	135.969	219.956	733.782	-	1.089.707
Income from equity instruments	1.362		-	_	1.362
Income from services and commissions	29.358	43.473	120.444	-	193.276
Charges from services and commissions	(25.248)	(222)	(31.054)	-	(56.524)
Net gain/losses from assets and liabilities valued at fair value through profit or loss	852	-	-	-	852
Net gain/losses from foreign exchange revaluation	53.850	-	-	-	53.850
Net gain/losses from the disposal of other assets	-	-	-	(439)	(439)
Other operating income	(802)	15	125	-	(662)
Operating income	195.342	263.222	823.296	(439)	1.281.422
Staff costs	7.330	19.130	125.059	127.071	278.590
General administrative costs	7.599	6.683	62.849	131.716	208.847
Depreciation	1.472	1.690	17.262	25.501	45.925
Provisions net of refunds and write-offs	-	-	-	15.356	15.356
Credit impairment net of reversals and recoveries	-	-	147.014	-	147.014
Impairment of other assets net of reversals and recoveries	-	-	-	58.315	58.315
Profits or losses with the derecognition of non-financial assets, fair value	-	-	-	-	-
Earnings before taxes	178.941	235.719	471.113	(358.398)	527.375
Taxes					
Current tax	40.155	52.895	105.718	(79.207)	
Deferred Tax	-	-	-	(36.366)	(36.366)
Net income after taxes	138.786	182.824	365.395	(242.826)	444.179



(in thousand CVE) Description	Trading and Sales	Commercial Banking	Retail Banking	Central Services	Balance as of Dec 31, 2020
Interest and similar income	174.440	272.209	779.000	_	1.225.649
Interest and similar expenses	(78.169)	(112.603)	(196.506)	-	(387.278)
Net interest inc	ome 96.271	159.606	582.494	-	838.371
Income from equity instruments	16.323	-	-	_	16.323
Income from services and commissions	26.119	38.677	107.156	-	171.951
Charges from services and commissions	(24.330)	(214)	(29.926)	-	(54.470)
Net gain/losses from assets and liabilities valued at fair value through profit or loss	7.015	-	-	-	7.015
Net gain/losses from foreign exchange revaluation	2.288	-	-	-	2.288
Net gain/losses from the disposal of other assets	-	-	-	-	-
Other operating income	(21.064)	398	3.277	-	(17.389)
Operating inc	ome 102.622	198.467	663.000	-	964.089
Staff costs	6.944	18.122	118.469	120.375	263.910
General administrative costs	7.653	6.730	63.288	132.637	210.309
Depreciation	1.655	1.901	19.410	28.675	51.641
Provisions net of refunds and write-offs	-	-	-	-	-
Credit impairment net of reversals and recoveries	-	-	58.131	-	58.131
Impairment of other assets net of reversals and recoveries		-	-	2.588	2.588
Impairment of other assets	-	-	-	-	-
Earnings before t	axes 86.370	171.714	403.702	(284.275)	377.511
Taxes					
Current tax	19.381	38.533	90.591	(53.867)	
Deferred Tax	-	-	-	(11.659)	(11.659)
Net income after taxes	66.989	133.181	313.111	(218.748)	294.533

In terms of the distribution of the Balance Sheet across the various operating segments, the situation in 2021 and 2020 is as follows:



(in thousand CVE)

Description	Trading and Sales	Commercial Banking	Retail Banking	Central Services	Balance as of Dec 31, 2021
ASSETS					
Cash and deposits at central banks	3.228.550	-	-	-	3.228.550
Deposits in other credit institutions	612.184	-	-	-	612.184
Financial assets at fair value through profit or loss Financial assets measured at fair value through other comprehensive income	58.873 214.955	-	-	-	58.873 214.955
Financial assets measured at amortized cost Debt securities Investments in Credit Institutions	-	-	-	2.754.063 162.155	2.754.063 162.155
Loans and advance to Customers	-	-	-	19.645.013	19.645.013
Other tangible assets Other intangible assets Tax assets	9.804 -	3.269	225.474	88.230 28.030	326.777 28.030
Current tax assets Deferred tax assets	-	-	-	- 86.117	- 86.117
Other Assets	633.180	271.367	452.287	452.287	1.809.121
Total Assets	4.757.546	274.636	677.761	23.215.895	28.925.838

Description						
LIABILITIES						
Financial liabilities measured at amortized cost						
Central Bank Resources		-	-	-	1.362.343	1.362.343
Resources from Credit Institutions		377.631	-	-	-	377.631
Customer resources and other loans		-	6.138.497	17.434.719	-	23.573.216
Provisions		-	-	-	22.935	22.935
Current tax liabilities Deferred tax liabilities		7.021 2.384	17.104 -	31.142 -	-	55.267 2.384
Other Liabilities		63.541	127.086	95.313	31.773	317.712
	Total Liabilities	450.577	6.282.687	17.561.174	1.417.050	25.711.488
EQUITY						
Share Capital		179.385	165.012	546.882	8.721	900.000
Legal Reserve		-	-	-	181.995	181.995
Revaluation Reserves		-	-	-	212.953	212.953
Other reserves and retained earnings		708.571	1.726.245	3.142.979	(4.102.572)	1.475.223
Net income for the period		138.786	182.824	365.395	(242.826)	444.179
	Total Equity	1.026.742	2.074.081	4.055.256	(3.941.729)	3.214.350
	Total Liabilities + Equity	1.477.319	8.356.768	21.616.430	(2.524.679)	28.925.838



(in thousand CVE)

Description	Trading and Sales	Commercial Banking	Retail Banking	Central Services	Balance as of Dec 31, 2020
ASSETS					
Cash and deposits at central banks	2.348.897	-	-	-	2.348.897
Deposits in other credit institutions	702.144	-	-	-	702.144
Financial assets at fair value through profit or loss	54.742	-	-	-	54.742
Financial assets measured at fair value through other comprehensive income Financial assets measured at amortized cost	179.855	-	-	-	179.855
Debt securities	-	-	-	2.811.919	2.811.919
Investments in Credit Institutions	-	-	-	3.565.752	3.565.752
Loans and advance to Customers	-	-	-	14.828.572	14.828.572
Other tangible assets	8.169	2.723	187.867	73.514	272.273
Other intangible assets	-	-	-	27.257	27.257
Tax assets					
Current tax assets	-	-	-	40.754	40.754
Deferred tax assets	467.255	200.255	- 222.765	49.751	49.751
Other Assets	467.255	200.255	333.765	333.765	1.335.039
Total Assets	3.761.061	202.977	521.632	21.690.530	26.176.201

Description						
LIABILITIES						
Financial liabilities measured at amortized cost						
Central Bank Resources		-	-	-	1.053.722	1.053.722
Resources from Credit Institutions		313.046	-	-	-	313.046
Customer resources and other loans		-	5.678.702	16.128.798	-	21.807.500
Provisions		-	-	-	7.675	7.675
Current tax liabilities Deferred tax liabilities		4.191 3.707	10.212	18.593 -	-	32.996 3.707
Other Liabilities		42.635	85.272	63.953	21.319	213.179
	Total Liabilities	363.579	5.774.185	16.211.344	1.082.716	23.431.825
EQUITY						
Share Capital		179.385	165.012	546.882	8.721	900.000
Legal Reserve		-	-	-	152.541	152.541
Revaluation Reserves		-	-	-	180.474	180.474
Other reserves and retained earnings		584.460	1.423.882	2.592.465	(3.383.980)	1.216.828
Net income for the period		66.989	133.181	313.111	(218.748)	294.533
	Total Equity	830.834	1.722.075	3.452.458	(3.260.992)	2.744.375
	Total Liabilities + Equity	1.194.413	7.496.260	19.663.802	(2.178.276)	26.176.201



37. Financial instruments risks

37.1. Risk management policies

The strategies and policies guiding Global Risk Management, and for each of the main risks identified, are defined by the Board of Directors. The management of activity risks is carried out independently and with adequate segregation of functions.

Risk management and control, essential for compliance with these policies, are developed by the various bodies, based on the identification and analysis of the Bank's exposure to the various risks (credit, market, liquidity, operational, real estate and foreign exchange risks). The monitoring of these risks is developed on an ongoing basis, allowing the adoption of preventive and corrective measures, whenever necessary.

The Bank promotes collective awareness of the nature and dimension of the inherent risks, seeking, however, the adoption of strategies to maximize results in view of the risks and the consolidated exposure limits established.

Over the past few years, the Bank has been developing a set of actions aimed at obtaining a complete and timely risk information system, supported by specific information technologies to manage the various risks of the activities developed.

37.2. Credit Risk

Credit risk is the probability of the occurrence of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the Bank.

As in previous years, the Bank adopted a selective credit policy, continuing to use strict criteria and to improve its internal risk analysis models, both in the retail and corporate segments.

Credit risk management and monitoring were carried out in accordance with the principles and rules for granting credit defined in the Bank's General Credit Regulation, specific credit regulations, regulation on overdue credit and by the rules established by the regulator.

Credit risk management was based primarily on the monitoring and follow-up of the loan portfolio, mainly in terms of quality and concentration (in terms of sectors and large risks). In this context, the Bank continued to use the SIC (Commercial Information System) computer tool, which benefited from updates during the year. The SIC tool provides, on a daily basis, the position of all customers and/or credit operations, which allows the commercial network, in particular, to recognize, in a timely manner, warning signs and thereby take the necessary preventive measures to mitigate the risk of default.



Due to their material impact, the large exposures are subject to special vigilance in order to anticipate possible default situations and to take measures concerning the minimization of an eventual impact, either by reducing liabilities or by reinforcing guarantees.

In addition to daily control, exposures are monitored on a monthly basis through the preparation of a monthly credit report with the main quality indicators.

Credit risk is the most relevant risk in the Bank's activity and is associated with losses and the degree of uncertainty about the ability of a customer / counterparty to meet its obligations and, as such, is essentially present in loans and guarantees provided. Given the nature of banking activity, credit risk is of special importance, given its materiality, notwithstanding its interconnection with the other risks.

During the year 2021, despite the loan portfolio growth objective, the Bank maintained prudent and conservative criteria in relation to the granting and monitoring of the loan portfolio, having privileged the financing of new operations with risk levels it considered adequate in view of its risk appetite, in a particularly adverse context, arising from the COVID-19 pandemic.

Also in relation to the policy of granting credit, formalized in specific regulations, the Bank continued the process of consolidation of analysis procedures requiring that all credit processes, whether to legal entities or individuals, be subject to analysis by organic units independent of the commercial structure, with this role falling to the Credit Division in general, and the Risk Management Office, for certain levels of materiality (aggregate exposure exceeding 1% of the Bank's Own Funds), as a way of complementing the identification of possible situations that could endanger the repayment of the amounts requested.

The decision process continued to be assured by different levels, clearly defined and hierarchized by the Credit Regulations in function of the type, amount and nature of the operations.

The loan portfolio monitoring/monitoring process continued to be performed on a continuous and comprehensive basis in order to preserve its quality and ensure its diversification, either by sector of activity, credit segment or currency.

Ultimately, credit risk is materialized in impairment losses, which are the best estimates of losses at a given reference date. In this aspect the model developed by the Bank under IFRS 9, allows estimating the expected losses (impairment) according to the credit quality of the borrowers.

On the other hand, and at the level of credit control, the focus continued to be on:

• A continuous and permanent monitoring of the credit portfolio, in order to maintain strict control of its risk, through the production of a monthly report, aimed at ensuring timely measures are taken both with regard to potential defaults and to the resolution of default situations focusing on materially relevant operations;

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Strengthening the rigor of the criteria for credit analysis and approval for the various segments, aiming at the guality of the partfelio:

aiming at the quality of the portfolio;

• Preserving the quality of the portfolio, acting on the delays in overdue credit by providing debt restructuring solutions that adapt customer charges according to the binomial repayment

capacity/available current and future income; and

The identification of credit operations at risk, in the terms defined by the Central Bank regulations

on this matter.

In 2021, particular attention was given to the monitoring of credit operations under public moratoria,

with the creation of an internal task force for this purpose.

Appraisal of credit risk

In the analysis of credit operations, the Bank continued to make widespread use of auxiliary rating

models for companies and scoring models for individuals, thereby conferring greater objectivity, speed

and security in credit decisions, in addition to reducing the costs associated with the decision-making

process.

Also, within the scope of credit risk assessment, several tools were developed to support risk analysis,

thus enabling the various participants in the credit decision processes to have clear and precise

information with a view to correct and safe decision making.

Credit Collateral Management Policies

The value and nature of the collateral and the degree of coverage required depend on the outcome of

the counterparty's credit risk assessment.

The Bank has internal procedures for the acceptance of certain types of collateral with specific

assessment criteria. However, there are certain types of collateral which, by nature, are associated with

a certain type of credit granted, namely:

• In medium/long term credit to Individuals, such as mortgages, the collateral normally has the

nature of a real guarantee, namely a mortgage on the property. In short term credit to individuals, only

personal guarantees are normally required.

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• In the case of credit to companies, namely revolving credit, personal guarantees from the partners are requested, and in some cases real guarantees are required, such as the mortgage of property or the pledge of deposits or securities. These situations vary according to the risk attributed to the client and the maturity of the credit granted to companies. Whenever there is any worsening of the credit risk, customers are requested to provide additional collateral.

• In the case of loans granted to companies belonging to economic groups, it is common practice for the Bank to mitigate credit risk with collateral provided by the Group's parent company.

When granted, all real mortgage guarantees and/or pledge of assets must be evaluated by an independent entity, at the Bank's request. The appraisals may also be carried out by technicians belonging to a structural unit of the Bank or the financial group to which it belongs, as long as they are independent from the credit analysis, decision and recovery process.

The management of collateral is developed on an ongoing basis, thus promoting the maintenance of the collateral coverage to the credit granted.

The real guarantees must, obligatorily, be reassessed in the following situations:

1. For mortgages: three months after the first default, if more than one year has elapsed since the last valuation:

2. Non-mortgage: three months after the first default, if more than six months have elapsed since the last assessment; and

3. The collateral associated with the processes that enter the Credit Recovery Center (NRC), regardless of the credit situation (past due, signs of default, situations of claims by third parties, etc.) should be immediately evaluated, provided that for mortgage guarantees no more than one year has elapsed since the last evaluation and for non-mortgage guarantees no more than six months have elapsed.

In the case of guarantees associated with real estate assets, and for operations worth not less than ten million escudos, the Bank may resort to market indices to attribute a certain value to the asset, using the comparison method.

Annually, the Bank carries out an individual and case-by-case analysis of all credit operations with Significant Customers based on the following criteria:

1. Customers with liabilities greater than 100,000,000 CVE;

2. Customers with significant increase in impairment or in default, with liabilities greater than 25,000,000 CVE.

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The collateral that, due to default by clients, is foreclosed and comes into the possession of the Bank is generally sold for the full or partial satisfaction of the debt. In the event of commercial interest in a given asset, the Bank retains it in its ownership for its use.

The Bank considers the collateral foreclosure method as the standard reference method for assessing the future recoverability of loans subject to case-by-case analysis. Only in exceptional and duly substantiated cases, the Bank uses the project cash flow or business cash flow methods.

The application of the project cash flow method is subject to the following parameters:

- Value to consider is the PVT ("Probable Transaction Value"), in the asset's current state;
- In case of evaluation of the same property in successive years, the values obtained in the evaluations are compared. If the most recent evaluation corresponds to an increase in value over the previous one, this is mitigated by using the average value of the two evaluations, while on the contrary, in case of devaluation, only the value of the most recent evaluation is used, the devaluation being immediately and fully incorporated in the calculation;
- If the asset was valued based on the comparative or cost method, the following minimum recovery time intervals (cash in) must be applied: 4 years for land or projects under development (50% degree of completion);
 - If the valuation is based on the income method, the above does not apply;
- The interest rate to be applied will be the TAEG (Global Effective Annual Rate) and, only when this is not available, the initial nominal fixed rate of the credit agreement (TAN) will be applied; and
- Whenever the evaluations are considered inadequate, haircut factors are applied to them as mentioned in the real estate risk note in the chapter "Summary of the main initiatives developed in 2021" of the Management Report.

The application of the judicial settlement / execution method is subject to the following parameters:

- Value to consider is the PVT ("Probable Transaction Value"), in the asset's current state;
- In case of evaluation of the same property in successive years, the values obtained in the evaluations are compared. If the most recent evaluation corresponds to an increase in value over the previous one, this is mitigated by using the average value of the two evaluations, while on the contrary, in case of devaluation, only the value of the most recent evaluation is used, the devaluation being immediately and fully incorporated in the calculation.

The number of years to apply in the discount of the resulting cash flows obeys to the following table, which takes into account the judicial terms in Cape Verde and over which are added 1 to 2 years for sale.



TYPE	OF	
SITU	NOITA	
Α	1	in case of donation (immediate agreement) and subsequent sale of completed property: 1 year
В	2	in case of donation (immediate agreement) and subsequent sale of real estate under completion (<50%) and land: 2 years
С	4	in case of normal judicial execution (3 years) with sale of completed property: 4 years
D	5	in case of complex judicial execution (4 years) with sale of completed property: 5 years
Е	5	in case of normal judicial execution (3 years) and subsequent sale of real estate under completion (<50%) and land: 5 years.
F	6	in case of complex judicial execution (4 years) and subsequent sale of real estate under completion (<50%) and land: 6 years.

- The interest rate to be applied will be the TAEG and, only when this is not available, the initial nominal fixed rate of the credit agreement (TAN) will be applied;
- Whenever the ratings are considered inadequate, haircut factors are applied to them as mentioned on the previous page;
- If the recovery costs have not been considered in the evaluation, you should consider 3% for real estate intermediation cost (applied on the PVT, with disbursement at the time of sale) and 2% for building maintenance (applied on the PVT, in the period between the delivery of the asset to the Bank and its sale 1 to 2 years, according to the time methodology defined in the table above).

NOTE: For collateral other than real estate, namely securities, the recoverable amount is the PVT discounted by the expected period until the sale date. For listed securities, the PVT is the current market value. For unlisted securities, a financial assessment will be made based on the circumstances of the asset and the market. For other assets, namely equipment, machinery, vehicles, etc., the PVT should reflect a valuation made by an external expert, taking care to ensure that the Bank is safeguarded the possibility of obtaining ownership and possession.



At December 31, 2021 and 2020, the fair value of real guarantees received presents the following breakdown by each type of customer (individuals, companies, public sector and institutional):

		(in thousand CV	′E)		(in thousand CVE)						
		2021		7 7	7	2020						
So amount	Evenesure (4)	Fair valu	ie real guarante	ees (2)	Evenesume (4)	Fair valu	e real guarante	ees (2)				
Segment	Exposure (1)	Mortgage	Pledge	Total	Exposure (1)	Mortgage	Pledge	Total				
Companies				/ /								
Loans (asset)												
Due	14.072.614	5.399.932	124.520	5.524.452	9.541.346	5.408.704	83.927	5.492.631				
Overdue	1.065.989	516.867	0	516.867	1.146.101	615.266	0	615.266				
Loans (off-balance sheet)												
Due	2.514.038	526.245	27.515	553.760	1.727.849	307.790	18.973	326.763				
Individuals												
Loans (asset)												
Due	4.187.974	3.277.211	166.039	3.443.250	3.785.941	3.098.683	141.432	3.240.115				
Overdue	605.242	329.147	150	329.297	685.694	351.946	0	351.946				
Loans (off-balance sheet)												
Due	65.365	0	5.000	5.000	48.443	0	5.000	5.000				
Public Sector and Institutional												
Loans (asset)												
Due	1.333.165	5.668	0	5.668	1.142.041	0	0	0				
Overdue	3	0	0	0	3	0	0	0				
Loans (off-balance sheet)												
Due	898	0	0	0	8.773	0	0	0				
Total	23.845.290	10.055.069	323.224	10.378.293	18.086.191	9.782.390	249.332	10.031.722				

Note:

The amount of the guarantees must be limited to 100% of the amount exposure

Considering the fair value per segment the situation is summarized in the table below:

in thousand $\ensuremath{\mathsf{CVE}}$

		Companies	with GRH			Companies v	vithout GRH			Individuals	Housing	
	Prope	rties	Other Real (Collateral*	Prope	rties	Other Real	Collateral*	Prope	rties	Other Real	Collateral*
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
0,5 M CVE	0	0	0	0	0	0	10	2	2	0	0	(
>=0,5 M CVE and <1 M CVE	2	2	0	0	0	0	11	7	4	3	2	:
>=1 M CVE and <5 M CVE	21	63	0	0	0	0	152	375	146	504	4	1:
>=5 M CVE and < 10 M CVE	30	210	0	0	0	0	23	149	218	1.583	1	-
>=10 M CVE and <20 M CVE	38	522	0	0	0	0	7	89	117	1.510	0	
>=20 M CVE and <50 M CVE	48	1.461	0	0	0	0	6	134	28	804	0	(
>= 50 M CVE	51	9.513	0	0	0	0	2	122	8	546	0	
Total	190	11.771	0	0	0	0	211	878	523	4.951	7	20

Impairment Assessment

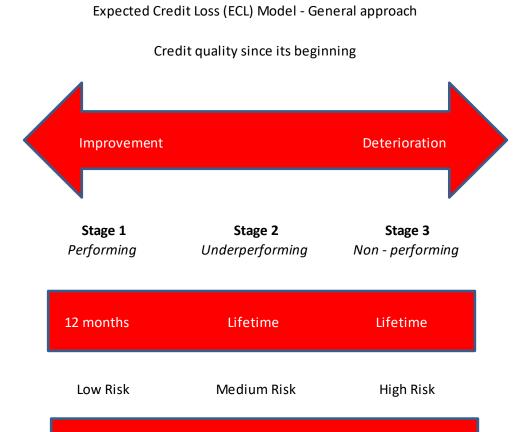
Since 2018, the Bank's impairment model is based on IFRS 9, Expected Credit Loss (ECL). This new approach, ECL, aims to facilitate the timely recognition of losses associated with loans granted by the Institutions, which for this purpose began to incorporate a broader set of credit information.

⁽¹⁾ Includes principal, accrued and past due interest and income receivable

⁽²⁾ Guarantees received: Fair value of real guarantees received limited to the amount of the associated operations



Gross Income



Gross Income

The Bank recognizes as cost, expected losses on a financial asset measured at amortized cost or fair value through other comprehensive income. Such loss is measured at an amount equal to the lifetime expected losses if the credit risk associated with this financial asset has increased significantly since initial recognition.

Net Income

Credit risk assessment is performed both on an individual and a collective basis, based on reasonable and supportable information, including forward-looking approaches.

Expected credit losses are measured at the present value of the difference between the contractual cash flows and the cash flows the entity expects to receive, including cash flows from the sale of collateral, for the Private_Housing and Corporate segments.



Colective Analysis

The Bank determines the expected credit losses for each operation based on the deterioration of the credit risk since its initial recognition. For this purpose, it established as a principle the segmentation of the portfolio in three stages, defining as a principle of calculations the aspects represented in the chart below.

Impairment Stages

Stage 1

12-month expected losses

Lifetime Expected Losses

Portfolio in normal situation (performing);
Interest calculation basis: gross amount

Stage 2

Lifetime Expected Losses

Lifetime Expected Losses

Default portfolio (non performing - default)
Interest calculation basis: net amount

The impairment to be recognized varies according to the credit risk (which will determine the migration between the different stages), which should take into consideration the origination date of the financial asset/credit.

In relation to the definition of transition criteria between stages, these are based essentially on qualitative indicators and, in order to guarantee consistency and stability in transitions between stages, minimum permanence periods were introduced in stages 2 and 3 (quarantine status), before the respective returns to stages 1 and 2, respectively.

Stage 1 – normal situation

From the moment that the Bank recognizes a given financial instrument, it must also recognize, in profit or loss, a 12-month expected loss. Stage 1 covers all credit operations in the normal situation, that is, those that do not present a significant increase in credit risk since they were taken out, and the expected losses of operations in this stage are those resulting from a default event that could occur within a period of 12 months after the reporting date.

Stage 2 – High increase of credit risk

IFRS 9 introduced the concept of a significant increase in credit risk, from origination, which allows the identification and calculation of impairment for transactions that present an intermediate state between Non-Default and Default. That is, if the credit risk increases significantly and this risk is not considered

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low, an expected credit loss is recognized for this asset on a lifetime perspective (over the life of the operation).

The allocation of a given transaction/customer in Stage 2 requires determining whether that transaction/credit has experienced a significant increase in credit risk since its initial recognition. Thus, under paragraph 5.5.9 of the Standard, a significant increase in credit risk is defined as a "significant change in the risk of default over the expected life of the financial instrument". Nevertheless, there is little guidance on what quantifies this significant change.

The Bank has adopted several criteria to classify a given operation/client in Stage 2, considering as stage 2 all the operations/clients that have presented stage 2 or stage 3 criteria in the 3 months prior to the date of assignment of the staging.

Once in stage 2, the operation will have a minimum stay period (quarantine) of 3 months. If during the quarantine period the operation becomes aware of any stage 2 marking characteristics, the quarantine period will restart from the date on which this evidence is found.

Stage 3 - Default

Since IFRS 9 does not provide an objective definition of default, but makes a rebuttable assumption that default occurs when an exposure is more than 90 days past due, the Bank has not rebutted this assumption, which is consistent with the definition used in the Bank's current credit risk management policies.

The definition of default used is based on best market practices, namely regarding the introduction of additional criteria for stage 3 classification, such as the existence of multiple restructurings and amounts of capital written off, and the definition of different quarantine periods taking into consideration the different entry criteria.

Additionally, in the classification of stages 3 and for the segments indicated in the table below, the Bank took into consideration materiality criteria as indicated therein. For situations where an entity has multiple operations, the most severe stage prevails as long as it meets the materiality criteria. In a first approach, for private entities the analysis is carried out from an operation perspective while for companies the analysis is carried out from a client exposure perspective.



Individual Analysis

Regarding the definition of criteria for the selection of exposures whose impairment is analyzed on an individual basis, Customers with Significant Exposure, the Bank considers the following criteria:

- 1. Customers with liabilities greater than 100,000,000 CVE and in normal situation (stage 1);
- 2. Customers with a significant increase in credit risk or in default with liabilities greater than 25,000,000 CVE (stage 2 or 3).

For customers subject to case-by-case analysis, the Bank analyzes the ECL with a view to assigning a final value that best reflects the expected loss. The methodology used consists of assigning a floor whenever the individual analysis results in a null ECL. For these cases, the final ECL to be considered will be the one that would result if the operation were on Stage 1 and if it were analyzed collectively.

For the ECL calculation of these operations, the Bank considers the collateral foreclosure/execution method as the standard reference method for assessing the future recoverability of the credit subject to individual analysis. Additionally, the Bank adopts a set of reference criteria that allows it to quantify impairment losses associated with significant credit operations that do not have real collateral attached.

For both individual and corporate customers, the Bank has identified a number of operations that it considers to have a low or zero probability of recovery. These operations are identified in the Core system with a specific nature - nature 48 - and for the purposes of calculating ECL, they are grouped in the segments Companies Pre-Full and Individuals Pre-Full, assigning an ECL of 100% of total exposure.

The same treatment is given to legal expenses, that is, these cases are also associated with an impairment rate of 100%.

ECL Public Sector Operations

For the public sector and regarding credit operations associated with Cabo Verde Government securities (direct responsibilities represented by Treasury Bonds, etc.), the assumption of low credit risk is made, associating them with a null ECL. This is justified by the following reasons:



- Record of full compliance by the State of Cabo Verde with the responsibilities concerning the financial securities issued;
 - No deterioration in the level of risk of the securities issued;
 - No deterioration of the sovereign rating;
 - Treasury's ability to renew/refinance the securities issued;
 - Issue be denominated in national currency;
 - The entire regulatory framework in force points to a zero risk of the State;
- Requirement for banks to hold public debt securities in a percentage equal to or greater than 5% of total deposits; and
 - Non-tax deductibility of provisions set up on government securities.

For the purpose of validating these assumptions, a test consisting in answering a questionnaire related to the above-mentioned aspects is performed on an annual basis.

For other public sector entities, namely municipalities and for operations guaranteed by an express Cabo Verde state guarantee, the ECL is given by:

ECLt = EADt x PDt x LGDt

The value of PD and LGD considered is the one assigned to the country risk by Moody's rating company.

Reversal and write-offs

The write-off is regulated by BCV's Notice no. 4/2006, more specifically in its article 11, according to which "the operation classified as Class E risk must be written off from assets, with the corresponding debit in a provision, and reported in an off-balance sheet account, after six months from its classification in said class, with registration in a shorter period not being allowed".

An operation in conditions to be written off from assets must meet a set of requirements, namely, if:

- a) It is past due, fully provisioned and fully impaired. If the operation does not have provisions and impairment at 100%, it will be necessary to reinforce it, up to the concurrent amount to be written off from assets (which constitutes a loss in the income statement):
 - b) Necessary and adequate collection efforts have been made;



c) Recovery expectations are low or null.

Meanwhile, in recent years the Bank has not carried out write-offs (write-off of assets), despite having a number of operations on the balance sheet in a position to be written off, under the terms of Notice No. 4/2006 of BCV, to the extent that fiscally they are not accepted, and the Bank is awaiting clarification from the Tax Administration on this matter. It should be noted that the write-off policy has direct implications on the calculation of the credit quality ratio. When written-off, the recovered amount is recorded in a specific account - Recovery of credit, interest and expenses - being a positive component in the calculation of net operating income.

In terms of reversals, the Bank stipulates that the impairment of a customer analyzed on a case-bycase basis can only be subject to reversal if it is related to an event that occurred after the initial recognition of this loss, such as reinforcement of guarantees, regularization of debt servicing, etc. Within the scope of the collective analysis, the reversal arises from the application of the model developed, and may arise from the improvement of the portfolio's risk parameters or the reduction of exposure, among other factors.

Maximum exposure to credit risk

As of December 31, 2021 and December 31, 2020, the maximum exposure to credit risk by type of financial instrument was as shown in the table below.

	<u> </u>		(in thousand CV	'E)			(in thousand C	VE)
		20	021			202	:0	
		Real				Real	Provisions	,
Description	Gross	guarantees	Provisions and	Effective	Gross	guarantees	and	Effective
	exposure (1)	(2)	impairment	exposure (3)	exposure (1)	(2)	impairment	exposure
Assets			9					
Financial assets at fair value through profit or loss	58.873	-	- /	58.873	54.742	-	-	54.742
Financial assets at fair value through other comprehensive income	214.955	- /	-	214.955	179.855	-	-	179.855
Financial assets at amortized cost								
Insvestments in credit institutions	162.155			162.155	3.565.752			3.565.752
Loans and advances to customers	21.264.988	9.819.533	1.614.939	9.830.516	16.301.126	9.699.959	1.468.036	5.133.131
Debt securities	2.761.062	/ -	6.999	2.754.063	2.819.410	-	7.405	2.812.005
Off-Balance Sheet								
Guarantees and Sureties	1.158.755	558.760	5.035	594.961	968.780	331.763	4.518	632.499
Revocable commitments*	1.421.546	-	-	1.421.546	816.285	-	-	816.285
Total	27.042.335	10.378.293	1.626.974	15.037.068	24.705.950	10.031.722	1.479.959	13.194.270

Notes:

The amount of the guarantees must be limited to 100% of the exposure amount

As at December 31, 2021, the total amount of provisions for credit risk recognized in the Bank's financial statements, and calculated in accordance with the requirements of BCV Notice no. 4/2006, amounts to 1,619,975 thousand CVE (1,472,554 thousand CVE as at December 31, 2020). Below we present the detail of the impairment and provisions recorded in the financial statements at the Balance Sheet date.

Gross exposure: Book value before provisions and impairment.

⁽²⁾ Guarantees received: Fair value of real guarantees received limited to the amount of the associated operations

⁽³⁾ Effective exposure: Gross exposure deducted from real guarantees and provisions and impairment.

* For presentation purposes, only impairments associated with guarantees and sureties were considered off-balance sheet



Analysis of provisions vs impairment	Dec 31, 2021	Dec, 31 2020
Internal impairment model	1.500.033	1.208.432
Minimum regulatory provisions (Notice no. 4/2006)	1.619.975	1.472.554
Differential between impairment and regulatory provisions	(119.942)	(264.122)
Analysis of provisions vs impairment	Dec, 31 2020	Dec, 31 2019
Internal impairment model	1.208.432	1.052.493
Minimum regulatory provisions (Notice no. 4/2006)	1.472.554	1.414.014
Differentially and a second and	(264.422)	(264 524)
Differential between impairment and regulatory provisions	(264.122)	(361.521)

Residual Maturity

At December 31, 2021 and December 31, 2020, the credit risk by type of financial instrument presents the following breakdown by residual maturity:

				2021				
	Up to	Up to	Up to	Up to	Up to	Up to	More than	Total
n	3 months	6 months	1 year	3 years	5 years	10 years	10 years	iolai
	1							
0	0	0	0	0	0	0	58.873	58.873
0	0	0	0	0	0	0	214.955	214.955
335	32.320	0	0	0	0	0	0	162.155
348	1.812.660	1.703.369	1.930.216	2.508.292	1.372.457	5.804.476	3.399.171	21.264.988
329	0	5.052	67.099	444.269	866.414	1.374.900	0	2.761.062
								0
994	53.724	291.084	282.040	388.200	68.591	49.122	0	1.158.755
158	428.520	284.640	613.610	63.618	0	0	0	1.421.546
363	2.327.224	2.284.145	2.892.964	3.404.380	2.307.461	7.228.497	3.673.000	27.042.335
		1 3 months 0 0 0 0 835 32.320 348 1.812.660 329 0 994 53.724 158 428.520	h 3 months 6 months 0 0 0 0 835 32.320 0 348 1.812.660 1.703.369 329 0 5.052 994 53.724 291.084 158 428.520 284.640	h 3 months 6 months 1 year 0 0 0 0 0 0 0 0 835 32.320 0 0 348 1.812.660 1.703.369 1.930.216 329 0 5.052 67.099 994 53.724 291.084 282.040 158 428.520 284.640 613.610	h 3 months 6 months 1 year 3 years 0 0 0 0 0 0 0 0 0 0 835 32.320 0 0 0 348 1.812.660 1.703.369 1.930.216 2.508.292 329 0 5.052 67.099 444.269 994 53.724 291.084 282.040 388.200 158 428.520 284.640 613.610 63.618	h 3 months 6 months 1 year 3 years 5 years 0 0 0 0 0 0 0 0 0 0 0 0 835 32.320 0 0 0 0 348 1.812.660 1.703.369 1.930.216 2.508.292 1.372.457 329 0 5.052 67.099 444.269 866.414 994 53.724 291.084 282.040 388.200 68.591 158 428.520 284.640 613.610 63.618 0	h 3 months 6 months 1 year 3 years 5 years 10 years 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 835 32.320 0 0 0 0 0 0 0 0 348 1.812.660 1.703.369 1.930.216 2.508.292 1.372.457 5.804.476 329 0 5.052 67.099 444.269 866.414 1.374.900 49.122 49.122 49.122 424.640 613.610 63.618 0 </td <td>h 3 months 6 months 1 year 3 years 5 years 10 years 10 years 0 0 0 0 0 0 0 58.873 0 0 0 0 0 0 0 214.955 835 32.320 0 0 0 0 0 0 0 0 0 3348 1.812.660 1.703.369 1.930.216 2.508.292 1.372.457 5.804.476 3.399.171 329 0 5.052 67.099 444.269 866.414 1.374.900 0 994 53.724 291.084 282.040 388.200 68.591 49.122 0 158 428.520 284.640 613.610 63.618 0 0 0</td>	h 3 months 6 months 1 year 3 years 5 years 10 years 10 years 0 0 0 0 0 0 0 58.873 0 0 0 0 0 0 0 214.955 835 32.320 0 0 0 0 0 0 0 0 0 3348 1.812.660 1.703.369 1.930.216 2.508.292 1.372.457 5.804.476 3.399.171 329 0 5.052 67.099 444.269 866.414 1.374.900 0 994 53.724 291.084 282.040 388.200 68.591 49.122 0 158 428.520 284.640 613.610 63.618 0 0 0

							(in thousand C	VE)	
					2020				
Description	Up to	More than	Total						
	1 month	3 months	6 months	1 year	3 years	5 years	10 years	10 years	Total
Assets									
Financial assets at fair value through profit or loss	0	0	0	0	0	0	0	54.742	54.742
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0	0	179.855	179.855
Financial assets at amortized cost									
Investments in credit institutions	1.718.039	1.223.713	624.000	0	0	0	0	0	3.565.752
Loans and advances to customers	3.636.659	820.395	516.423	3.709.532	1.037.806	1.829.928	2.212.096	2.538.286	16.301.126
Debt securities	3.329	0	0	62.546	331.664	468.658	1.782.038	171.089	2.819.324
Other assets (if applicable)									
Off-Balance Sheet									
Guarantees and Sureties	44.209	227.401	114.528	118.599	155.959	284.190	23.893	0	968.780
Commitments to third parties	291.121	67.007	46.776	358.558	52.823	0	0	0	816.285
Total	5.693.356	2.338.517	1.301.727	4.249.235	1.578.252	2.582.777	4.018.027	2.943.973	24.705.864



Quality of credit granted to customers

The following maps aim to show the quality of the Bank's credit portfolio, as of December 31, 2021, compared to the same period of the previous year, based on Circular No. 197 of 2018.12.21 of the Banco de Cabo Verde.

Exposure and impairment by segment

As of December 31, 2021, the exposure and impairment (individual or collective analysis) by segment is shown in the table below.



in thousand CVE

				Exposure as o	f Dec 31, 2021					Impairment a	at Dec 31, 2021	/
Segment	Total Exposure*	Low credit risk exposure (Stage 1)	Of which healed	Of which restructured	Exposure with significant increase in credit risk (Stage 2)	Of which restructured	Exposure at default (stage 3)	Of which restructured	Total Impairment	Low credit risk exposure (Stage 1)	Exposure with significant increase in credit risk (Stage 2)	Exposure at default (stage 3)
Judicial costs	17.065	0	0	0	0	0	17.065	1.436	17.065	0	0	17.065
Companies with GHR	7.041.782		0	0		572.291		765.128	428.463		76.691	
Companies without GHR	4.770.298		0	0		171.176		30.695	132.424		20.937	
Companies before Write-down	329.670	0	0	0	0	0	329.670	2.083	329.670	0	0	329.670
Individuals Rent Consumption	1.093.341	906.368	0	0	41.480	4.821	145.493	45.785	95.340	3.217	1.907	90.216
Individuals Housing	3.196.101	2.574.256	0	0	252.368	53.159	369.476	114.861	137.363	2.360	6.223	128.781
Individuals before Write-down	141.657	0	0	0	0	0	141.657	0	141.657	0	0	141.657
Individuals Revolving	418.516	243.853	0	0	35.468	9.552	139.195	62.870	124.844	2.736	8.772	113.336
Public Sector	6.836.860	6.254.257	0	0	532.527	0	50.076	0	93.205	71.234	6.191	15.781
Impairment adjustments (1)									119.942			119.942
Total	23.845.290	18.987.318	0	0	2.338.756	810.999	2.519.215	1.022.859	1.619.975	159.234	120.720	1.340.021

^{*} Includes off-balance sheet amounts

⁽¹⁾ Resulting from BCV Circular Series "A", No. 179/DSE/2013, according to which the minimum impairments to be recorded should correspond to the full application of the notice on provisions



Detail of Exposures and impairment by segment based on delay

in thousand CVF

				Exposure as of	Dec 31, 2021				lm	pairment as of 12/31/2021	
				7 /_	Exposure at defau	ılt (Stage 3)			_	Stage 3	}
Segment	Exposure as of Dec 31, 2021*	Low credit risk exposure (Stage 1)	Exposure with significant increase in credit risk (Stage 2)	Sub-total	Delay <=90 days	Delay >90 days	Impairment as of Dec 31, 2021	Stage 1	Stage 2	Delay <=90 days	Delay >90 days
Judicial costs	17.065	0	0	0	0	17.065	17.065	0	0	0	17.065
Companies with GRH	7.041.782	5.017.289	785.393	5.802.683	636.978	602.121	428.463	40.586	76.691	121.227	189.960
Companies without GRH	4.770.298	3.991.295	691.519	4.682.813	20.769	66.715	132.424	39.101	20.937	9.038	63.348
Companies before Write-down	329.670	0	0	0	0	329.670	329.670	0	0	0	329.670
Individuals Rent Consumption	1.093.341	906.368	41.480	947.848	28.272	117.221	95.340	3.217	1.907	13.555	76.661
Individuals Housing	3.196.101	2.574.256	252.368	2.826.625	148.224	221.252	137.363	2.360	6.223	43.529	85.252
Individuals before Write-down	141.657	0	0	0	0	141.657	141.657	0	0	0	141.657
Individuals Revolving	418.516	243.853	35.468	279.321	62.659	76.536	124.844	2.736	8.772	57.498	55.838
Public Sector	6.836.860	6.254.257	532.527	6.786.784	0	50.076	93.205	71.234	6.191	0	15.781
Impairment adjustments (1)							119.942	0	0		119.942
Total	23.845.290	18.987.318	2.338.756	21.326.074	896.902	1.622.313	1.619.975	159.234	120.720	244.846	1.095.175

^{*} Includes off-balance sheet amounts

⁽¹⁾ Resulting from BCV Circular Series "A", No. 179/DSE/2013, according to which the minimum impairments to be recorded should correspond to the full application of the notice on provisions



Credit portfolio per segment and per production year

The map below shows the Bank's loan portfolio by segment and by year of production

in thousand CVE

Dec 31, 2021

																											_	-		
		Judicial cost	:S	Со	mpanies with G	irh	Comp	anies without	GRH	Compani	es before Wri	te-down	Individu	uals Rent Consu	mption	ln	dividuals Housi	ng	Individu	als before W	rite-down	Indi	viduals Revol	ving		Public Sector		<i>f</i>	Total	
Production Year	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment
										1	/											A				1	11			
2009 and previous year	0	0	0	7	312.256	63.504	258	115.161	8.626	0	0	0	15	23.983	4.981	84	334.910	17.558	0	(0	3.124	24.670	15.774	3	17	8	3.491	810.997	110.452
2010	0	0	0	6	84.189	13.649	43	157	67	0	0	0	15	48.221	9.278	28	131.947	6.594	0	(0	691	699	610	1	61	19	784	265.274	30.217
2011	0	0	0	4	50.378	213	30	3.084	420	0	0	0	10	5.328	2.300	25	160.597	2.262	0	(0	850	638	533	0	0	0	919	220.024	5.728
2012	68	11.858	11.858	4	60.798	294	20	256	232	0	0	0	40	11.017	3.863	18	74.245	71	0	(0	430	407	294	0	0	0	580	158.582	16.612
2013	16	1.682	1.682	3	190.024	68.702	22	22.287	12.023	0	0	0	37	67.571	2.635	34	235.918	38.213	0	(0	425	6.134	1.230	0	0	0	537	523.616	124.486
2014	10	853	853	3	31.335	4.897	34	4.580	4.067	19	23.508	23.508	33	24.652	5.333	19	88.505	4.826	198	42.612	42.612	584	773	758	1	1.762	20	901	218.579	86.875
2015	9	1.066	1.066	4	87.655	3.122	17	24.163	428	52	12.484	12.484	29	34.822	21.047	27	151.036	14.073	340	10.123	10.123	498	3.573	1.043	3	45.969	14.479	979	370.893	77.865
2016	9	571	571	. 4	87.977	2.218	30	69.597	991	13	270.385	270.385	32	27.549	10.493	31	153.816	10.813	45	78.361	78.361	551	1.476	1.375	3	15.052	184	718	704.785	375.390
2017	4	284	284	4	38.634	2.765	38	33.276	23.572	2	1.337	1.337	54	42.294	6.033	27	146.497	1.744	3	5.230	5.230	692	49.486	31.766	5	456.661	6.530	829	773.700	79.262
2018	2	15	15	19	921.319	139.495	86	83.179	6.186	0	0	0	111	69.759	4.353	46	208.311	2.067	0	(0	764	5.356	1.659	8	721.072	8.382	1.036	2.009.011	162.157
2019	2	107	107	38	1.241.533	12.476	162	676.714	11.786	7	21.955	21.955	231	124.427	12.901	43	243.677	730	32	5.331	5.331	985	32.299	2.589	4	380.292	3.533	1.504	2.726.335	71.410
2020	4	328	328	74	2.414.176	86.224	176	1.034.685	19.223	0	0	0	347	256.221	4.641	64	446.911	2.476	0	(0	691	114.531	28.069	15	1.408.355	16.114	1.371	5.675.206	157.076
2021	4	299	299	79	1.521.509	30.904	318	2.703.159	44.802	0	0	0	515	357.498	7.481	126	819.729	35.935	0	0	0	258	178.476	39.146	29	3.807.619	43.935	1.329	9.388.289	202.502
Total	128	17.065	17.065	249	7.041.782	428,463	1.234	4.770.298	132.424	93	329.670	329.670	1.469	1.093.341	95.340	572	3.196.101	137.363	618	141.657	141.657	10.543	418.516	124.844	72	6.836.860	93,205	14.978	23.845.290	1.500.033
IUIdi	128	17.005	17.065	249	7.041.782	428,463	1.234	4.//0.298	132,424	95	329.6/0	329.6/0	1.469	1.095.541	95.340	5/2	2,136,101	157.303	918	141.05/	141.05/	10.543	418.516	124.844	12	0.630.860	93.205	14.9/8	23.645.290	1.300.033

Note: Amounts considered do not include the amount of the adjustments resulting from BCV Circular Series "A", No. 179/DSE/2013, according to which the minimum impairments to be recorded should correspond to the full application of the notice on provisions



Credit portfolio and impairment assessed individually and collectively per segment and sector

The maps below show the Bank's loan portfolio and the impairment determined (individual and collective) as of December 31, 2021, by segment and by business sector

in thousand CVE

Dec 31, 2021	Judicia	l costs	Companies v	with GRH	Companies wi	ithout GRH	Companies b		Individua Consun		Individuals Housing			ndividuals before Write down		s Revolving	Public !	Sector
Analysis	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	16.566	16.566	2.163.310	64.264	1.639.484	96.471	61.789	61.789	1.054.507	90.437	3.140.755	137.314	107.279	107.279	351.795	83.352	215.840	2.592
Collective	499	499	4.878.472	364.200	3.130.814	35.953	267.882	267.882	38.834	4.903	55.345	50	34.378	34.378	66.721	41.492	6.621.020	90.613
Total	17.065	17.065	7.041.782	428.463	4.770.298	132.424	329.670	329.670	1.093.341	95.340	3.196.101	137.363	141.657	141.657	418.516	124.844	6.836.860	93.205

Note: Amounts considered do not include the amount of the adjustments resulting from BCV Circular Series "A", No. 179/DSE/2013, according to which the minimum of impairments to be registered shall correspond to the full application of the notice on provisions



Type of impairment

As of December 31, 2021 and December 31, 2020, the type of impairment (individual or collective analysis) for each type of client (individuals, companies, public sector and institutional) can be summarized as follows:

Impairment type

пправтент туре							(in thousand CV	′E)
		2021			/	202	20	
Sagment	Evposure (1)		Impairment		Evposure (1)		Impairment	
Segment	Exposure (1)	Individual	Collective	Total	Exposure (1)	Individual	Collective	Total
Companies								
Loans (asset)								
Due	14.072.614	310.153	53.772	363.924	9.541.346	187.177	38.269	225.446
Overdue	1.065.989	432.077	175.405	607.481	1.146.101	372.063	168.775	540.838
Loans (off-balance sheet)								
Due	2.514.038	3.496	1.502	4.998	1.727.849	2.776	1.372	4.148
Individuals								
Loans (asset)								
Due	4.187.974	49	130.570	130.619	3.785.941	0	85.597	85.597
Overdue	605.242	80.923	296.591	377.514	685.694	48.208	290.618	338.826
Loans (off-balance sheet)								
Due	65.365	0	37	37	48.443	0	370	370
Public Sector and Institutional								
Loans (asset)								
Due	1.333.165	13.273	2.182	15.455	1.142.041	11.319	1.884	13.203
Overdue	3	0	3	3	3	0	3	3
Loans (off-balance sheet)								
Due	898	0	0	0	8.773	0	0	0
Impairment adjustments (2)		119.942		119.942		264.122		264.122
Total	23.845.290	959.912	660.063	1.619.975	18.086.191	885.666	586.889	1.472.554

The fair value of collateral associated with credit operations, by stage of impairment, as of December 31, 2021, is shown in the table below:

⁽¹ Includes principal, accrued interest, overdue and income receivable
(2) Resulting from BCV Series "A" Circular, No. 179/DSE/2013, according to which the minimum of impairments to be recorded shall correspond to the full application of the notice on provisions



in thousand CVE

Segment / Ratio	Number	Low credit risk exposure (Stage 1)	Exposure with significant increase in credit risk (Stage 2)	Exposure at default (Stage 3)	Impairment
Companies with GRH	247	3.937.333	761.525	1.136.022	428.333
No collateral associated					
>150%	61 33	49.607 1.606 <mark>.01</mark> 6	21.974 628.382	180.525 86.498	65.863 132. <mark>265</mark>
<=150% and >125%					
<=150% and >125%	45	721.893	24.356	491.158	136.503
<=125% and >100% <=100%	20	582.560	0	7.424	5.382
	88	977.257	86.813	370.418	88.320
Companies without GRH	1.242	3.422.507	596.145	87.486	132.373
No collateral associated	1.033	2.904.886	514.857	56.215	87.208
>150%	36	185.472	23.306	25.081	29.942
<=150% and >125%	57	146.397	25.439	4.796	7.795
<=125% and >100%	37	79.366	20.039	1.394	4.719
<=100%	79	106.386	12.503	0	2.709
Individuals Housing	590	2.524.268	252.368	369.476	137.363
No collateral associated	64	83.414	62.672	131.757	35.535
>150%	41	245.671	43.992	29.196	9.271
<=150% and >125%	165	907.609	48.154	68.180	27.148
<=125% and >100%	90	466.026	48.025	24.418	12.631
<=100%	230	821.548	49.525	115.925	52.779
Total	2.079	9.884.108	1.610.038	1.592.984	698.070

Restructured Credit

The Bank continuously monitors its credit portfolio in order to preventively detect situations of possible customer default. When justified and appropriate, loans are restructured and new conditions more in line with customers' financial capacities are negotiated.

The Risk Management Office (GGR) is responsible for the monthly identification of operations that are candidates for being marked as restructured credit due to financial difficulties. This identification is based on the digital platform, Risk Management System (SGR), which, after importing all relevant information, triggers an automatic process that consists of identifying all operations with changes in the respective credit agreements, as a way of translating what is stipulated in paragraph 3 of the Annex to BCV Circular Series "A", No. 196 of 21-12-2018 (all operations opened in the reference month are considered candidates, as well as operations with rate reduction or maturity extension).



To the operations identified as having some modification in the respective credit agreements, financial difficulty criteria are applied to the customers holding these operations or to any group to which these customers belong, listed in No. 2 of the Annex to BCV Circular Series "A", No. 196 of 21-12-2018, namely:

- Customers with 4 (four) defaults registered in the Credit Risk Center of Banco de Cabo Verde in the last 12 months;
 - Customers on the list of risky check users;
- Use of revolving credit operations, namely current accounts and overdrafts, at least 95% of the limit initially authorized by the institution over a minimum consecutive period of 12 months;
 - Has delivered any asset as payment in kind; and
 - With some identified qualitative incidence.

Additionally, other criteria are applied as per no. 4 of the Annex to BCV Circular Series "A", no. 196 of 21-12-2018, which allow the classification of an operation/client as restructured due to financial difficulties, namely:

- The operation with contract modification was classified as credit at risk before the change;
- The customer has any credit operation classified as credit at risk;
- The credit operation has been fully or partially past due for more than 30 days at least once during the three months prior to the modification to the terms and conditions of the credit agreement.

The Bank, at least, keeps the restructured credit operation in the same risk class, and an eventual reclassification in a lower class only occurs when one (1) year has passed after the restructuring without any default having occurred and there is a partial amortization or reinforcement of guarantees.

At December 31, 2021 and December 31, 2020, restructured credit presents the following breakdown by type of client:



Restructured

_					(in thousand CVE)				
		202	1			202	20		
Seament	Tota	Total		structured (1)	Tot	al	Of which restructured (1)		
Segment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	
Companies							/		
Loans (asset)									
Due	14.072.614	363.924	1.272.457	212.063	9.541.346	225.446	1.287.102	121.808	
Overdue	1.065.989	607.481	270.249	115.573	1.146.101	540.838	272.834	75.503	
Loans (off-balance sheet)									
Due	2.514.038	4.998	0	0	1.727.849	4.148	0	(
Individuals									
Loans (asset)									
Due	4.187.974	130.619	254.335	96.496	3.785.941	85.597	123.520	33.167	
Overdue	605.242	377.514	36.817	31.586	685.694	338.826	23.887	22.938	
Loans (off-balance sheet)									
Due	65.365	37	0	0	48.443	370	0	(
Public Sector and Institutional									
Loans (asset)									
Due	1.333.165	15.455	0	0	1.142.041	13.203	0	(
Overdue	3	3	0	0	3	3	0	(
Loans (off-balance sheet)									
Due	898	0	0	0	8.773	0	0	(
Impairment adjustments (3)		119.942			/	264.122			
Total	23.845.290	1.619.975	1.833.858	455.718	18.086.191	1.472.554	1.707.344	253.415	

In terms of the flow of restructured credit, it had the following movements in 2021 and 2020:

Restructured Movements

(in thousand CVE)	2021	2020
Balance at the beginning of the period	1.707.344	1.232.237
Loans restructured in the period	360.662	581.749
Accrued interest of the restructured portfolio		
Settlement of restructured loans (partial or total)	(57.077)	(1.946)
Deselected Loans	(177.072)	(104.696)
Loans written off from assets		
Others		
Balance at the end of the period	1.833.857	1.707.344

⁽¹⁾ Restructured: Restructured operations in accordance with Circular Letter no. 196 of Dec 21, 2018 of the Bank of Cabo Verde (2) Includes principal, accrued interest, past due and income receivable

⁽³⁾ Resulting from BCV Series "A" Circular, No. 179/DSE/2013, according to which the minimum impairments to be recorded shall correspond to the full application of the notice on provisions



As far as the reason for restructuring is concerned, the situation is shown in the table below:

in thousand CVE

2021

2021									
Perfor	Performing loans (stage 2)			Non-performing loans (stage 3)			Total		
Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	Number of Operations	Amount	Impairment	
26	688.375	79.622	19	481.520	143.683	45	1.169.895	223.305	
24	94.492	5.527	64	260.790	103.903	88	355.282	109.429	
3	20.457	41	0	0	0	3	20.457	41	
6	7.675	199	89	278.103	122.273	95	285.778	122.472	
0	0	0	4	2.446	470	4	2.446	470	
59	810.999	85.389	176	1.022.859	370.328	235	1.833.858	455.718	
	Perfor Number of Operations 26 24 3 6	Performing loans (stage Number of Operations 26 688.375 24 94.492 3 20.457 6 7.675 0 0	Performing loans (stage 2) Number of Operations Amount Impairment 26 688.375 79.622 24 94.492 5.527 3 20.457 41 6 7.675 199 0 0 0	Performing loans (stage 2) Non-performing loans (stage 2) Number of Operations Amount Impairment Number of Operations 26 688.375 79.622 19 24 94.492 5.527 64 3 20.457 41 0 6 7.675 199 89 0 0 0 4	Performing loans (stage 2) Non-performing loans (stage 2) Number of Operations Amount Impairment Number of Operations Amount 26 688.375 79.622 19 481.520 24 94.492 5.527 64 260.790 3 20.457 41 0 0 6 7.675 199 89 278.103 0 0 0 4 2.446	Number of Operations Amount Impairment Impairment Number of Operations Amount Impairment Impairment Number of Operations Amount Impairment Impairment	Number of Operations Amount Impairment Impairment Number of Operations Amount Impairment Impairment Number of Operations Amount Impairment Impair	Number of Operations Amount Impairment Number of Operations Amount Impairment Number of Operations Amount Number of Operations Amount Number of Operations Amount Number of Operations Operations Amount Number of Operations Amount Number of Operations Operations Amount Number of Operations Operations Amount Operations Operat	



37.3. Liquidity Risk

Liquidity risk, defined as the probability of the occurrence of negative impacts on results or capital, arising from the inability of the institution to have liquid funds to meet its financial obligations, as they fall due, is managed centrally.

The monitoring of the levels of liquidity required in accordance with the amounts and terms of the commitments assumed and the resources in portfolio is carried out through the identification of liquidity gaps.

The policies for obtaining funding, either from customers or in the financial market, have ensured the stability of resources, keeping both the liquidity gap and the cumulative gap within the limits defined for the various periods analyzed.

Considering the increased volatility of the financial markets, the current liquidity situation has been the object of closer monitoring not only by indicators present in the provisions issued by Banco de Cabo Verde, but also by internal indicators oriented towards an efficient and dynamic management.

The public debt securities portfolio is an alternative to the application of the Bank's liquidity, either in Banco de Cabo Verde securities or in securities of the State of Cabo Verde. The public debt securities, in turn, can be passed on to the secondary market.

The amounts by contractual residual maturities of the main financial instruments are broken down as shown in the table below, which was prepared according to the following assumptions:

- The resources from Other Credit Institutions and from clients related to Demand Deposits were considered with undetermined term:
- The demand balances recorded under the headings Cash and Deposits at Central Banks and Deposits in other Credit Institutions were considered to have an indefinite term;
- In the item Loans and advances to Customers, the legal expenses and operations with settled contracts (in judicial execution) were considered to have an indefinite term;
- For the remaining items, the distribution over the different maturities was considered according to the respective residual maturities; and
- For the purposes of this analysis, we considered the accrued interest associated with the Bank's main financial instruments.



				2021						
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years	Undetermined	Total
<u>Assets</u>										
Cash, cash balances at central banks	-	/ -	/ /	-	/ =	-	-	- /	3.228.550	3.228.550
Deposits in other credit institutions	/-	/-	- /	/ -	-	-	/- /	-/-	612.184	612.184
Financial assets at amortized cost										
Investments in credit institutions	129.835	32.320	-/	-	-	-	-/-	/-	-	162.155
Debt securities (gross balance)	- /	- /	5.052	67.099	444.270	866.414	1.374.899	/ -	3.329	2.761.062
Loans and advances to customers (gross balance)	1.051.260	1.812.660	1.703.369	1.930.216	2.508.292	1.372.457	5.804.476	3.399.171	1.683.088	21.264.988
	1.181.095	1.844.980	1.708.421	1.997.315	2.952.562	2.238.870	7.179.375	3.399.171	5.527.152	28.028.941
<u>Liabilities</u>			/			7			7	
Financial liabilities measured at amortized cost										
Resources from other credit institutions	-	/ /- /	6.025	70.334	-	73.720	y - /	-	227.552	377.631
Central bank resources	- / -	/ / - /	-	-	1.362.343	/ -/	- /	-	/-	1.362.343
Customer Resources and Other Loans Subordinated Liabilities	758.965	1.478.263	2.029.804	3.832.000	4.474.326	8.032	1.110	-	10.990.717	23.573.216
	758.965	1.478.263	2.035.829	3.902.333	5.836.669	81.751	1.110	-	11.218.269	25.313.190
Differential 2021	422.130	366.717	(327.408)	(1.905.019)	(2.884.106)	2.157.119	7.178.264	3.399.171	(5.691.117)	2.715.751
Differential 2021 - Accumulated reprincig gap	422.130	788.847	461.439	(1.443.580)	(4.327.687)	(2.170.568)	5.007.697	8.406.868		-

				2020						
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	More than 10 years	Undetermined	Total
<u>Assets</u>										
Cash, cash balances at central banks	- /	-	- /	-	-	-	-	-	2.348.897	2.348.897
Deposits in other credit institutions	- /	-	- /	-	-	-	-	· -	702.144	702.144
Financial assets at amortized cost										
Investments in credit institutions	1.718.039	1.223.713	624.000	-	-	-	- /	-	-	3.565.752
Debt securities (gross balance)	/ -	-	-	62.546	331.664	468.658	1.782.038	171.089	3.329	2.819.324
Loans and advances to customers (gross balance)	1.803.609	820.395	516.423	3.709.532	1.037.806	1.829.928	2.211.999	2.538.383	1.833.050	16.301.126
	3.521.648	2.044.108	1.140.423	3.772.078	1.369.470	2.298.586	3.994.037	2.709.473	4.887.419	25.737.242
<u>Liabilities</u>										
Financial liabilities measured at amortized cost										
Resources from other credit institutions	-	15.022	-	-	6.404	147.378	-	-	144.242	313.046
Central bank resources	-	- /	-	-	1.053.722	-	-	-	-	1.053.722
Customer Resources and Other Loans	1.548.696	1.294.222	2.751.081	3.778.270	2.585.116	7.750	2.981	-	9.839.384	21.807.500
Subordinated Liabilities										
	1.548.696	1.309.244	2.751.081	3.778.270	3.645.242	155.128	2.981	-	9.983.626	23.174.268
Differential 2020	1.972.952	734.865	(1.610.658)	(6.192)	(2.275.772)	2.143.458	3.991.056	2.709.473	(5.096.207)	2.562.974
Differential 2020 - Accumulated reprincig gap	1.972.952	2.707.816	1.097.159	1.090.967	(1.184.805)	958.653	4.949.709	7.659.181		



37.4. Market Risk

Market, or price, risk is defined as the probability of the occurrence of negative impacts on results or capital, due to unfavourable movements in the market price of instruments in the trading portfolio, caused, in particular, by fluctuations in interest rates, exchange rates, share prices or commodity prices.

The Bank's policy in this area is characterized by prudence and systematization, through the review and adjustment of the limits of action in the respective markets by the management bodies, guided by operating and control rules duly regulated by internal regulations and by supervisory standards, following good international practices.

37.5. Interest rate risk

Interest rate risk consists of the probability of the occurrence of negative impacts on results or on capital due to adverse movements in interest rates.

Most of the credit operations contracted are fixed rate, which implies the existence of interest rate risk, but which is minimized by natural hedging through liability operations.

Thus, regarding the procedures for hedging this risk, we should highlight some aspects that the Bank has implemented:

- the basis for active hedging of the fixed rate is through deposits and there is no national index that can be used as a "reference" for assets or liabilities;
- credit agreements provide for the possibility of changing interest rates under certain circumstances, which is legally accepted;
 - the Bank maintains a fixed-rate loan portfolio over the life of the loan;
- increase in the credit lines in Euro, namely by contracting with international institutions with the possibility of obtaining long-term liabilities (above 5 years).

Interest rate sensitivity analyses are carried out periodically, measuring their impact for various scenarios, both in terms of interest margin and own funds, in accordance with the supervisory entity's rules. The Bank does not present a significant level of concentration in terms of market risks.

At December 31, 2021 and 2020, the impact on the fair value of financial instruments sensitive to interest rate risk (corresponding only to the effect on net interest income), of parallel shifts in the reference interest rate curve of 50, 100 and 200 basis points (bps), respectively, may be demonstrated by the following table When calculating the impacts presented in the table below, it was considered that the assets and liabilities sensitive to interest rates in the balance sheet on the reference dates of the



calculation would remain stable throughout the years 2021 and 2020, respectively, with their renewal, whenever applicable, considering the market conditions on the renewal dates and the average spread of the operations in force on December 31, 2021 and 2020.

(in thousand CVE)						
	-200pb	-100pb	-50pb	50pb	100pb	200pb
Impact in 2021	39.191	19.596	9.798	(9.798)	(19.596)	(39.191)
Impact in 2020	27.353	13.676	6.838	(6.838)	(13.676)	(27.353)

The impact (corresponding only to the effect on net interest income) of a shift of 50, 100 and 200 bps in the reference interest rate curves of sensitive assets and liabilities corresponds to the scenarios used internally by the management bodies in the follow-up and monitoring of exposure to interest rate risk.

The Bank has no financial instruments with indexed interest rates of significant value.

It should be noted that (1) the information in the table above refers to a static scenario, not taking into consideration changes in strategy and policies for managing interest rate risk that the Bank may adopt as a result of changes in reference interest rates; and (2) most of the sensitive assets considered are loans granted at fixed interest rates, i.e., not susceptible to change over the life of the loan.

The repricing gap by residual maturity is shown in the table below

•		2021									
•	Up to	Up to	Up to	Up to	Up to	Up to	Up to	More than			
	1 month	3 months	6 months	1 year	3 years	5 years	10 years	10 years			
Accumulated Gap (1)	422.130	788.847	461.439	(1.443.580)	(4.327.687)	(2.170.537)	5.007.739	8.406.910			
_											
•	•		•	•	2020						

		2020									
•	Up to	Up to	Up to	More than							
	1 month	3 months	6 months	1 year	3 years	5 years	10 years	10 years			
Accumulated Gap (1)	1.972.952	2.707.816	1.097.159	1.090.967	(1.184.805)	958.653	4.949.709	7.659.181			
Note:					(1)						

⁽¹⁾ Accumulated Gap: Amount of assets minus amount of liabilities



37.6. Exchange rate risk

Exchange rate risk is the probability of the occurrence of negative impacts on results or capital due to adverse movements in exchange rates.

The Bank continuously controls and assesses the risk of its operations. The monitoring of currency exposure limits and open positions are monitored on a regular basis.

The existence of a fixed parity between the Cabo Verde Escudo and the Euro (110.265 Euro), resulting from the existing convertibility agreement between Cabo Verde and Portugal, explains the fact that the Euro is not considered for exchange rate positioning purposes in the current regulations of Banco de Cabo Verde.

The Bank maintains a neutral exchange position in United States Dollars (matching), and has practically no position in other currencies, which can only occur on a case-by-case basis, in small retail transactions.

On December 31, 2021 and 2020, the Bank's Balance Sheet had the following breakdown by currency.



	2021				
_	CVE	EUR	USD	Others	<u>Total</u>
<u>Assets</u>					
Cash and deposits at central banks	2.479.044	652.062	93.158	4.286	3.228.550
Deposits in other credit institutions	82.275	340.787	180.009	9.113	612.184
Financial assets at fair value through profit or loss	19.703	-	39.170	-	58.873
Financial assets at fair value through other comprehensive income	214.955	-	-	-	214.955
Financial assets at amortized cost					
Debt securities	2.754.063	-	-	-	2.754.063
Investments in Credit Institutions	-	110.265	51.890	-	162.155
Loans and advances to Customers	19.411.780	233.233	-	-	19.645.013
Tangible Assets	326.777	-	-	-	326.777
Intangible Assets	28.030	-	-	-	28.030
Current tax assets	-	-	-	-	-
Deferred tax assets	86.117	-	-	-	86.117
Other Assets	1.809.121	-	-	-	1.809.121
	27.211.865	1.336.347	364.227	13.399	28.925.838
Liabilities					
Central bank resources	1.362.343	-	-	-	1.362.343
Financial liabilities measured at amortized cost					
Resources from Credit Institutions	295.584	73.941	8.106	-	377.631
Customer Resources and Other Loans	22.933.563	445.876	192.860	917	23.573.216
Provisions	22.935	-	-	-	22.935
Legal issues and pending tax litigation					
Commitments and guarantees provided	-	-	-	-	-
Other provisions	-	-	-	-	-
Current tax liabilities	55.267	-	-	-	55.267
Deferred tax liabilities	2.384	-	-	-	2.384
Other Liabilities	317.502	210	-	-	317.712
<u> </u>	24.989.578	520.027	200.966	917	25.711.488
Capital	2.222.288	816.318	163,262	12.482	3.214.350

(in thousand CVE)

	2020				
	CVE	EUR	USD	Others	<u>Total</u>
<u>Assets</u>					
Cash, cash balances at central banks	1.949.899	344.589	50.339	4.070	2.348.897
Deposits in other credit institutions	32.961	563.947	91.704	13.532	702.144
Financial assets at fair value through profit or loss	18.466	-	36.276	-	54.742
Financial assets at fair value through other comprehensive income	179.855	-	-	-	179.855
Financial assets at amortized cost					
Debt securities	2.811.919	-	-	-	2.811.919
Investments in Credit Institutions	3.518.154	-	47.599	-	3.565.752
Loans and advances to Customers	14.595.915	232.657	-	-	14.828.571
Tangible Assets	272.273	-	-	-	272.273
ntangible Assets	27.257	-	-	-	27.257
Current tax assets	-	-	-	-	-
Deferred tax assets	49.751	-	-	-	49.751
Other Assets	1.335.039		-		1.335.039
	24.791.489	1.141.192	225.917	17.603	26.176.200
<u>iabilities</u>					
Central bank resources	1.053.722	-	-	-	1.053.722
inancial liabilities measured at amortized cost					
Resources from Credit Institutions	158.727	147.631	6.688	-	313.046
Customer Resources and Other Loans	21.048.117	667.825	90.703	855	21.807.500
Provisions	7.675	-	-	-	7.675
Current tax liabilities	32.996	-	-	-	32.996
Deferred tax liabilities	3.707	-	-	-	3.707
Other Liabilities	212.962	217	-	-	213.179
_	22.517.906	815.673	97.391	855	23.431.825
Capital	2.273.583	325.519	128.526	16.748	2.744.376



37.7. Operational Risk

Operational risk is the risk of losses incurred due to inadequacy or deficiency of procedures, personnel or internal systems or external events, including legal risks. The Bank has a strategy, team, relationship model and working tools that are adequate to manage operational risk and comply with the best management practices in this area.

The Bank has been working to build its database containing detailed records of events that could cause losses. To this end, training/awareness-raising sessions on Operational Risk are being promoted and will be reinforced in the Bank, in order to provide knowledge on the subject to the entire structure.

In addition, the Bank continued to seek to minimize operational risk through the development and implementation of automation, thus strengthening its ability to control intrinsic risk in key processes, namely credit and opening accounts.

38. Capital Management

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

- Comply with the regulatory requirements established by Banco de Cabo Verde;
- To generate an adequate return for the Bank, with the creation of value for shareholders, providing them with a return on their invested capital;
- To sustain the development of the operations that the Bank is legally authorized to perform, maintaining a solid capital structure, capable of responding to the growth of the activity and that is appropriate to the Bank's risk profile; and
- Ensure the reputation of the Bank, by preserving the integrity of the operations carried out in the course of its activity.

To achieve the objectives described above, the Bank plans its short and medium-term capital needs with a view to financing its activity, mainly through self-financing and borrowing. This planning is carried out based on internal estimates of growth in balance sheet operations.

The activity of credit institutions in Cabo Verde is regulated by Law No. 62/VIII/2014 of April 23, which plays a key role in prudential regulation. This law and complementary legal instruments cover several regulatory areas with influence on capital management, including:

• Obligation of a minimum capital of 800 million Cabo Verde Escudos for banks with generic authorization;



- Determination that Own Funds can never be less than the minimum Share Capital and that at least 10% of net profits in each year must be allocated to Legal Reserves, up to the limit of the Share Capital or the sum of free reserves established and retained earnings, if higher;
- Financial Institutions must also constitute special reserves intended to strengthen the net worth or to cover losses that the profit and loss account cannot support;
- The application of preventive instruments, such as the requirement that the Solvency Ratio cannot fall below 12% ¹¹, which in practice corresponds to the need for Credit Institutions to allocate certain volumes of capital to deal with unexpected losses that may occur;
- The imposition of limits on risk concentration in relation to a customer or group of customers, through the introduction of percentages indexed to the value of Own Funds, which, in individual terms, amount to 20% for the Group itself and 25% for others. This measure favors portfolio diversification, given the contamination risk that can exist in a given group in the event of default by one or more entities belonging to that group;
- Limits on holdings in companies other than credit institutions, para-banking institutions, ancillary services companies, pension fund management companies, holding companies that only hold equity interests in the aforementioned companies, and insurance sector companies, which, if considered individually, must not exceed 15% of the participating institution's Own Funds, and 60% of such Funds, if all qualifying holdings are taken together (≥ 10% of the capital or of the voting rights of the investee entity).

Most prudential requirements and limits are based on the concept of Own Funds, which correspond to the minimum regulatory capital imposed by the regulator. Their regular and mandatory calculation is regulated in national legislation by the publication of Notice no. 3/2007, of December 19, of Banco de Cabo Verde. The quotient of its value by the amount corresponding to the so-called weighted risk positions constitutes the solvency ratio, regulated by Notice no. 4/2007, of February 25, 2008, of Banco de Cabo Verde, whose value must be at least equal to 12%.

To analyze and respond to compliance with the legal requirements imposed by Banking Supervision, the Bank has mechanisms for articulation between the various internal departments, especially with the Financial and Risk Management area.

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¹¹ In March 2020, as a monetary policy stimulus measure to address the adverse effects of the COVID 19 pandemic, the BCV temporarily changed the rate from 13% to 10%. This measure was reviewed and maintained throughout 2021.

-1%

17,3%



The following table summarizes the composition of the Bank's Regulatory Capital at the end of 2021 and 2020:

(in thousand CVE)

	dec 2021	dec 2020	Change Abs	Change %
Core Capital	2.973.365	2.536.645	436.720	17,2%
Share Capital	900.000	900.000	0	0,0%
Legal Reserve	181.995	152.541	29.453	19,3%
Net income	444.179	294.533	149.645	50,8%
Other Reserves and Retained Earnings	1.475.222	1.216.828	258.394	21,2%
Intangible Assets	28.030	27.257	774	2,8%
Insufficiency of provisions	-	-	-	0,0%
Complementary Own Funds	204.955	169.855	35.100	20,7%
Revaluation Reserves	204.955	169.855	35.100	20,7%
Subordinated Loan	-	-	-	0,0%
Total Own Funds before deductions	3.178.320	2.706.500	471.820	17,4%
Excessive concentration of risk	0	42.971	(42.971)	
Fixed asset received on repayment of own credit	123.166	86.398	36.767	
Total Eligible Own Funds	3.055.154	2.577.131	478.023	18,5%
Total Weighted Assets	18.749.965	14.663.165	4.086.800	27,9%
Solvency Ratio	16,3%	17,6%	-1,3%	

As can be seen in the previous table, the final value of Own Funds results from the sum of three major aggregates, with the amounts considered presenting some differences in relation to the values shown in the balance sheet, reflecting the application of prudential filters by the regulator.

15,9%

Thus:

Tier I Ratio

- (i) Core Capital: This corresponds to the Bank's most stable capital. The main components and amounts considered in the Own Funds are:
- the Share Capital, Reserves (except for Revaluation) and Retained Earnings, correspond, in full, to the accounting values;
- the Result of the Fiscal Year, which is included in Own Funds net of taxes and dividends to be delivered to shareholders and only if it has been subject to certification by an External Auditor; and



- deductions from Core Own Funds, which correspond to several items that the regulator considered necessary to be introduced, from a perspective of prudence, as a correction factor.
- (ii) Complementary Own Funds: Composed by Subordinated Liabilities subject to approval by Banco de Cabo Verde.

The value of these Supplementary Own Funds cannot exceed that referring to the Basic Own Funds and its breakdown is as follows:

- Subordinated Debt, with maturity over 5 years, considered up to 50% of Basic Own Funds, whose conditions are approved by BCV; and
- Positive revaluation reserves if realized in accordance with the law and authorized by Banco de Cabo Verde.
- (iii) Deductions to Own Funds: This is a set of deductions that result from impositions by the regulator, namely:
- In cases where the Bank has a holding of more than 10% of a credit institution's share capital, the total amount of that holding will be deducted; in the case of a holding of less than that percentage, only the part exceeding 10% of the credit institution's own funds will be deducted;
- Possible exceeding of the limits established for the purpose of Large Risks, which, in the case of individual prudential elements, correspond to 20% of the Own Funds for exposures to the Group itself and 25% for exposures to other Groups;
- The net book value of non-financial assets received as repayment of own credit, calculated at the annual rate of 20% as from the moment when two years have elapsed since the date on which the non-financial assets in question were received. However, the BCV through Notice No. 7/2015 established a transitional provision for properties received between 2013 and 2016, and for these cases the deduction to Own Funds should start in 2018, being 45% in this year and 55% in 2019, and so on ¹²;
- Surpluses that may occur in qualified participations (equal to or greater than 10%) in companies that are not financial or Insurance companies, and whose amount individually exceeds 15% of Own Funds or 60% of the same, in the case of the aggregate amount of this type of participation.

In terms of Capital Requirements, weighted assets are hierarchized into 4 risk factors (0%, 20%, 50% and 100%), in accordance with the nature of each asset and each counterparty, as well as any guarantees that may exist.

¹² In 2020, in the wake of the health crisis and its adverse effects on the economy with potential impacts on banks, the BCV, through Notice no. 2/2020, adopted as one of the temporary measures, the extension, for more than 2 years, of the period for deduction from Own Funds of real estate received as credit repayment from 2013 to 2016.

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An identical treatment is adopted for off-balance sheet positions associated with guarantees provided and other potential commitments assumed.

Operational risk was also introduced in 2008, giving rise to the need for institutions to calculate additional own funds requirements for its coverage, based on 15% of average Banking Product (when positive) over the last three years.

With regard to reporting frequency, institutions must calculate their own funds at least at the end of each month and inform Banco de Cabo Verde, by the tenth day of the following month, of the composition of their own funds and respective solvency ratio.

As in the previous year, the Bank had a very comfortable position regarding the capital ratio, 16.4% (17.6% in 2020). The Tier I ratio stood at 15.9% (17.2% in 2020).

39. Fair value of financial instruments

The fair value of financial instruments is estimated whenever possible by using quoted prices in active markets. A market is considered active and liquid when counterparties that are equally knowledgeable are acting and where transactions are carried out on a regular basis. For financial instruments in which there is no active market, due to lack of liquidity or absence of regular transactions, evaluation methods and techniques are used to estimate fair value. Financial instruments were classified by level in accordance with the hierarchy established in IFRS 13 - Fair Value Measurement.

Financial instruments recorded in the balance sheet at fair value

The following tables present an analysis of the categories of financial instruments recognized at fair value in the financial statements as of December 31, 2021 and 2020 and their valuation methods:



								(in t	housand CVE)	
	,				Valuation Tec	hniques	7			
Description		Market value or quotation		Market	analysis	0	thers	Total		
Безеприон		Le	vel I	Lev	el II	Level III				
		Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	
Assets										
Financial assets held for trading		-	-	-	-	-	-	-	-	
	Debit instruments	-	-	-	-	-	-	-	-	
	Equity instruments	-	-	-	-	-	-	-	-	
	Derivatives	-	-	-	-	-	-	-	-	
Financial assets at fair value through profit or loss		58.873	54.742	-	-	-	-	58.873	54.742	
	Debit instruments	-	-	-	-	-	-	-	-	
	Equity instruments	58.873	54.742	-	-	-	-	58.873	54.742	
	Derivatives	-	-	-	-	-	-	-	-	
Financial assets at fair value through other comprehe	ensive income	-	-	-	-	214.955	179.855	214.955	179.855	
	Debit instruments	-	-	-	-	-	-	-	-	
	Equity instruments	-	-	-	-	214.955	179.855	214.955	179.855	
	Derivatives	-	-	-	-	-	-	-	-	
Liabilities										
Financial liabilities held for trading		-	-	-	-	-	-	-	-	
·	Derivatives	-	-	-	-	-	-	-	-	
	Overdraft positions	-	-	-	-	-	-	-	-	
Others financial liabilities at fair value through profit	orloss	-	-	-	-	-	-	-	-	

In the construction of the above tables, the following assumptions were used:

- Market values or quotations (Level 1): in this column were included the financial instruments valued based on active market quotations which, it is understood, provides the most reliable indication of the fair value;
- Market analysis (Level 2): This column includes financial instruments that are not ascertained by quoted prices in an active market but are directly or indirectly observable. These data include quoted prices of similar items in an active market, quoted prices of identical or similar items in a market that is not active, or other data corroborated by the market.
- Other (Level 3): this column includes financial instruments that are valued using variables that are not observable in the market. In this level valuation techniques are used based on available information, including the discounted cash flow approach.

The reconciliation between opening balances and closing balances of level 3 is as follows:

(in thousand CVE)												
Description	Dec, 31 2020	Total (Losses/Profits)	Change in Revaluation Reserves	Purchases	Disposa	ls R	eclassification	Others	Impairn	nent	Transfer of levels	Dec, 31 2021
Financial assets at fair value through other comprehensive income	179.855	-	35.10	00	_	_	-		-	_		- 214.955



Financial instruments at amortized cost

The following table presents a comparative analysis between the balance sheet value and the fair value of the categories of financial instruments that are recognized at cost or amortized cost.

Book Value	l, 2021	Dec 31	l. 2020			
Book Value			-,	Difference		
DOOK TUILUE	Fair Value	Book Value	Fair Value	Dec 31, 2021	Dec 31, 2020	
774.339	774.339	4.267.896	4.267.896	-	-	
19.645.013	19.645.013	14.828.571	14.828.571	-	-	
2.754.063	2.754.063	2.811.919	2.811.919	-	-	
377.631	377.631	313.046	313.046	-	-	
23.573.216	23.573.216	21.807.499	21.807.499	-	-	
	774.339 19.645.013 2.754.063	774.339 774.339 19.645.013 19.645.013 2.754.063 2.754.063	774.339 774.339 4.267.896 19.645.013 19.645.013 14.828.571 2.754.063 2.754.063 2.811.919 377.631 377.631 313.046	774.339 774.339 4.267.896 4.267.896 19.645.013 19.645.013 14.828.571 14.828.571 2.754.063 2.754.063 2.811.919 2.811.919 377.631 377.631 313.046 313.046	774.339 774.339 4.267.896 4.267.896 - 19.645.013 19.645.013 14.828.571 14.828.571 - 2.754.063 2.754.063 2.811.919 2.811.919 - 377.631 377.631 313.046 313.046 -	

The Bank does not yet have mechanisms to estimate the fair value at amortized cost, and therefore assumes that the best estimate of fair value of these instruments is the Balance Sheet value. However, in the future, the Bank will develop valuation mechanisms or techniques that will be based on market conditions applicable to similar operations, namely the value of the respective discounted cash flows based on interest rates deemed appropriate.

40. Impact from COVID-19 pandemic

During 2021, the year following the year marked by the health crisis caused by the COVID-19 pandemic, the emergence of vaccines associated with the measures implemented in 2020 to mitigate the effects of the crisis, allowed for the resumption of economic activity, despite the continued climate of uncertainty and challenges, as new waves of contagion and new variants of the virus emerged throughout the year.

Among the various measures taken to mitigate the impact of the pandemic on economic activity, we highlight the monetary stimulus measures, whose effects were essential for the survival of a substantial part of the national business fabric. Given the nature of the pandemic crisis and its transversal effects on the economy, particularly in sectors which depend to a large extent on virus containment (notably tourism), measures to support the financial sector continued to be essential both nationally and internationally.

Banco de Cabo Verde maintained its policy of stimulating the economy, by adopting a set of monetary and prudential policy measures that guided the activity of the financial sector during this year and allowed it to stimulate the economy, namely:



- 1. Maintaining the reference rates at the levels approved in 2020 at the time of the pandemic outbreak, namely:
 - i. Reference Rate 0.25%
 - ii. Permanent Marginal lending facility rate 0.5%
 - iii. Rate of the Permanent Liquidity Absorption Facility 0.05%
 - iv. Long-term Financing Monetary Intervention Bond rate 0.75%
 - v. Minimum Cash Availabilities 10%
 - vi. Rediscount Rate 1%
- 2. The extension of the term of the long-term financing program, through the Monetary Financing Operation (OMF), for another 12 months until December 2021.
- 3. The adjustment of the program, considering the experience of the first package implemented, increasing the monthly placement amount to 3 billion CVE, which may reach the annual amount of 36 billion CVE.
- 4. The broadening of the list of assets eligible for OMF, by including credits or portfolios of credits held by financial institutions guaranteed or backed by the State of Cabo Verde.
- 5. The maintenance of the solvency ratio at 2 percentage points below the legal rate, from 12% to 10%.
- 6. Maintenance of the suspension of the deduction from Own Funds of the value of assets received as payment in kind, in the period from 2013 to 2016, within the scope of credit recovery processes.

Alongside the monetary policy measures, the Cabo Verde Government created several other measures to protect economic agents, with emphasis on the following:

Credit moratoria

The Government of Cabo Verde through Decree Law No. 38/2020 of March 31 (and its subsequent amendments), established a moratorium on credits with Banks in order to support families and businesses in a context of sharp drop in income caused by the pandemic. This public moratorium



established exceptional measures to protect the credits of beneficiary entities in the scope of the COVID-19 pandemic, allowing the deferment of the fulfillment of responsibilities, which are not in default (less than 90 days past due) on the date of receipt of the declaration of adherence to the moratorium. The moratorium period, initially of 6 months starting in March 2020, was extended throughout 2021, and the current deadline is December 31, 2022.

It should be noted that the extension of the deadline was accompanied by some executions according to the activity sector in which the companies are inserted.

Up to December 31, 2021, the Bank granted a total of 253 moratoria worth a total of 4,799,641 thousand escudos, spread over several sectors of economic activity. It should be noted that around 49% of the applications for public moratorium were made by companies operating in the Tourism sector.

Amounts in thousand CVE

Economic Activity Sector	Portfolio (thousand CVE)	%	Number of Operations
Commerce	303.962	6%	21
Construction and Public Works	55.168	1%	3
Consumption	1.228	0%	3
Housing	383.690	8%	51
Industries	22.961	0%	3
Real Estate Operations	35.870	1%	3
Services	533.279	11%	33
Tourism	2.332.265	49%	30
Individuals Others	136.562	3%	92
Other Sectors	54.116	1%	5
SPE - State Business Sector	598.209	12%	3
SPA - Municipalities	342.331	7%	6
Total	4.799.641	100%	253

Analyzing the distribution by segment, Companies and Individuals, we have that 89% of the moratorium requests were made by companies and 11% by Individuals.

	Amount	%	Quantity	%
Companies/SPA	4.278.162	89%	107	42%
Individuals	521.479	11%	146	58%
Total	4.799.641	100%	253	100%



Financing lines

The Government of Cabo Verde, in partnership with commercial banks and the BCV, created lines of credit to support the economy in order to protect jobs and support businesses. These lines are guaranteed by the Cape Verdean state, through Pro Garante, in up to 100% of the outstanding capital and are aimed at the entire business universe, regardless of the size of the companies.

Under these lines, loans were granted to 39 companies, operating in various sectors of economic activity, totaling 485,898 thousand escudos.

Amounts in thousand CVE

Economic Activity Sector	Number of Operations	Gross Portfolio	%	% Public guarantee received	
Commerce	1	10.171	2%	0%	
	5	103.698		50%	
	10	36.943	8%	80%	
Construction and Public Works	2	35.182	7%	50%	
Industries	3	12.458	3%	80%	
Other Sectors	1	9.952	2%	50%	
	1	456	0%	80%	
Services	6	40.022	8%	80%	
Tourism	4	105.486	22%	50%	
	2	82.595	17%	60%	
	4	48.934	10%	80%	
	39	485.898	100%		

The distribution by maturity is as shown in the table below, with 43.2% having a maturity of less than 3.5 years.

Amounts in thousand CVE

Maturity Range	Gross Portfolio	% Mix	Number of debtors		
<=3,5 years	209.882	43,2%	20		
<=5 years	99.380	20,5%	7		
<=7 years	176.636	36,4%	12		
Total	485.898	100%	39		

BANCO CABOVERDIANO DE NEGÓCIOS

Adoption of new accounting estimation procedures and criteria in the context of the COVID-19 pandemic

In the context of the pandemic crisis, Banco de Cabo Verde issued specific guidance on IFRS 9 - Financial Instruments, particularly with regard to the treatment of restructured loans. Accordingly, during the moratorium period, customer default situations are not considered as non-performing loans (NPLs), having no effect on impairments, provisions and activity ratios.

IFRS 9 – Impacts from COVID 19 pandemic

With the economic impacts of the pandemic, the credit risks faced by banks around the world have increased significantly, forcing banks to report additional impairments associated with their loan portfolio by calibrating their impairment models to capture with reasonable certainty the expected effects of the pandemic on their loan portfolio.

As it was no exception, the BCN was also obliged to reflect in its accounts the effects of the deterioration in economic activity in its impairment model in order to capture this effect in its loan portfolio.

The calculation of the impact was based on information contained in a study published in April 2020 by Moody's on the impact of the pandemic, entitled IFRS 9 Challenges in View of COVID-19: Impact on Provisions and Associated Regulatory Guidance in which, among other things and based on market information up to March 2020, Moody's quantified, in terms of ECL growth, the impact of COVID-19 on the sectors most affected by the crisis.

The calculation of the impact for the BCN was carried out as follows for Companies and Households, respectively.

Companies

Based on the table of impacts by economic activity sector included in the referred study, the Bank increased the ECLs of its loan portfolio for Companies as follows: after calculating the ECL of the loan portfolio using its current calculation model and depending on the economic activity sector of each customer/entity in its portfolio, from a "forward looking" perspective, it used the loss factors estimated by Moody's to increase the ECL associated with its loan portfolio.

The correspondence between the economic activity sector in use at the Bank and that given by Moody's was made by approximation. For cases where such correspondence was not guaranteed with reasonable certainty, the simple average of the sector loss rates given by Moody's was applied as a loss factor.



Individuals

Regarding individuals, a top-down approach was made, using as single loss factor the rate resulting from the weighted average of the loss factors applied to the corporate segment by the respective Exposure at default (EAD), with some exceptions.

With this methodological approach, it is the Bank's understanding that it has captured, with reasonable certainty, the possible negative impacts of COVID-19 on its credit portfolio.

Depending on the evolution of the market and in particular of its portfolio, the Bank will assess additional consideration of other criteria in due course.

In terms of the impact on ECL calculated for December 2021, the results are as shown in the table below:

(in thousand CVE)

Segments	EAD	ECL Final Model	ECL Final COVID19 Impact	COVID19 Impact	% COVID19 Impact
Judicial costs	17.065	17.065	17.065	0	0,0%
Companies with GRH	6.600.856	342.206	428.463	86.258	20,1%
Companies without GRH	4.715.486	111.520	132.424	20.905	15,8%
Companies before Write-down	329.670	329.670	329.670	0	0,0%
Individuals Consumption Rents	1.100.852	89.064	95.340	6.276	6,6%
Individuals Housing	3.206.020	101.610	137.363	35.754	26,0%
Individuals before Write-down	141.657	141.657	141.657	0	0,0%
Individuals Revolving	412.188	117.813	124.844	7.031	5,6%
Public Sector	6.770.099	93.205	93.205	0	0,0%
Total	23.293.894	1.343.810	1.500.033	156.223	10,4%



41. Balances and transactions with related parties

In the normal course of its financial activity, the Bank enters into transactions with related parties. These include loans and bank applications, deposits, guarantees and other banking operations and services.

The BCN's related parties are as follows:

Key Management Personnel

Paulo Jorge Ferro Ribeiro Oliveira Lima Luís Matos Monteiro Fonseca Luís Miguel Andrade Vasconcelos Lopes Carlitos Marcos Lima Fortes Marco António Rodrigues Almeida Pereira António Olavo de Oliveira Rocha Raimundo Sousa Duarte Monteiro

Close family members of the Key Management Personnel

Adriano Oliveira Lima

Augusto Vasconcelos Lopes

Carlota Monteiro Vasconcelos Lopes

Elisete Ligia Goncalves M Oliveira Lima

Frederico Omar Evora Fortes

Henrique Maximiano Evora Fortes

Maria Fernanda Benroz Lima Fonseca

Rosalia Grola Andrade Vasconcelos Lopes

Sandra Monteiro Neves Vasconcelos Lopes

Vanda Sofia Pires Evora

Major shareholders:

IMPAR – Companhia Caboverdiana de Seguros, SARL Cruz Vermelha de Cabo Verde



Other entities

IMOPAR Imobiliária e Participações, S.A.

The balance of transactions with related parties recorded in the balance sheet and the respective costs and income for the year ended are as follows:

(in thousand CVE)

	Key Management Personnel		Shareholders		Relatives of key management personne	
	2021	2020	2021	2020	2021	2020
Assets	2021	2020	2021	2020	2021	2020
Deposits in Other Credit Institutions	_	_	_	_	_	_
Loans and advances to customers (*)	2.419	3.217	_	_	_	-
Other Assets	- -	- -	-	_	_	-
	2.419	3.217		-	-	
Liabilities						
Resources from Other Credit Institutions	_	-	(792.939)	(557.521)	_	-
Customer resources and other loans	(32.621)	(27.177)	(99.842)	(103.924)	(41.934)	(32.498)
Other Liabilities	-	-	-	-	-	-
Subordinated Debt				<u> </u>	_	
	(32.621)	(27.177)	(892.781)	(661.445)	(41.934)	(32.498)
Income Statement						
Costs						
Interest and similar charges and commissions	-	-		-	-	-
Commissions paid	-	-		-		
	-	-	-	-		-
Income						
Interest and similar income and commissions	_	_		_	_	_
meerest and similar meetine und commissions						
					-	

^{*} The item Loans and advances to customer includes the amount of loans net of impairments

In order to eliminate or minimise the risk of situations potentially giving rise to conflicts of interest, the BCN fully complies with the rules and guidelines issued by the Regulator in this respect. Transactions, other than credit, with related entities are analysed in accordance with the criteria applicable to similar operations and are carried out under normal market conditions. These transactions are subject to approval by the Board of Directors. The granting of credit to members of the Bank's governing bodies or to relatives or entities close to them is prohibited by the provision of paragraph 16 of Notice no. 3/2014 of Banco de Cabo Verde, except for certain operations provided for in paragraph 4 of the same article.



42. Events after date of Balance

Although it is not yet possible to foresee, at this date, the effective impact of the armed conflict that began in Ukrainian territory on 24 February 2022, between Russia and Ukraine, there has been a worsening of the macroeconomic context, namely through a strong increase in the price of a set of raw materials, at a global level, which may impact global economic growth. The Board of Directors is actively monitoring this situation and, despite its unpredictability at this date, considers that it does not impact the Bank's financial statements for the year ending December 31, 2021.

At the date of approval of these financial statements by the Bank's Board of Directors, there were no other events subsequent to 31 December 2021, the reference date of these financial statements, that would require adjustments or changes to the values of assets and liabilities, under IAS 10 - Events After the Balance Sheet Date.



IV. INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

Opinion

We have audited the financial statements of Banco Caboverdiano de Negócios, S.A. ("the Bank"), which comprise the balance sheet as at 31 December 2021 (which shows total assets of 28,925,838 thousand CVE and a total shareholders' equity of 3,214,350 thousand CVE, including a net profit of CVE 444,179 thousand CVE), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material aspects, the financial position of Banco Caboverdiano de Negócios, S.A. as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) in force, with the exception foreseen in Notice no. 4/2006 of the Banco de Cabo Verde and the changes introduced by its Notice no. 6/2007, related to the creation of regulatory provisions for credit risk coverage.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section.

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

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Institute of Statutory Auditors and Certified Accountants ("Ordem Profissional de Auditores e Contabilistas Certificados") that are relevant to the audit of the financial statements in Cabo Verde, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit issues

Key audit issues are those issues that, in our professional judgement, were more important in our audit of the financial statements of this year. These issues were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these issues.



Key Audit Issues

Summary of the Audit Approach

Impairment losses of financial assets at amortized cost - loans and advances to customers

Measurement and disclosures related to impairment losses of loans and advances to customers presented in notes 3.3, 3.6, 9, 33, and 37.2 of the Bank's financial statements

The significant expression of the loans and advances to customers' captions, classified as financial assets at amortized cost, as well as of the associated impairment losses, which calculation requires the application of a set of complex assumptions and judgments by the Board of Directors of the Bank regarding both the identification of clients with significant increase in credit risk or in default, as well as the corresponding amount of impairment losses, justify that this constituted a key audit matter for the purposes of our audit.

As at 31 December 2021, the gross amount of loans and advances to customers ascends to 21,264,988 thousand CVE and the respective impairment losses as at that date amount to 1,619,975 thousand CVE. The amount of these impairment losses includes the adjustment to the minimum amount of credit regulatory provisions determined in accordance with Notice no. 4/2006 of the Banco de Cabo Verde and the changes introduced by its Notice no. 6/2007, and the amount of additional provisions determined by the regulator.

Impairment losses on loans and advances to customers are determined by the Board of Directors on an individual basis, through a case-by-case analysis of a significant component of the total loans and advances portfolio, and for the remaining portfolio, the impairment is calculated on a collective basis. This calculation is carried out as follows:

• For the most significant exposures, evaluated in terms of the total amount of liabilities to the Bank and the possible existence of indications of default, the Bank undertakes a process of individual analysis

The audit procedures undertaken included the identification, understanding and the assessment of the policies and procedures established by the Bank for the purpose of valuating the impairment losses for the loan portfolio granted to customers, as well as key controls regarding the approval, recording and monitoring of credit risk, the granting of moratoria and State guarantees in the specific context of the COVID-19 pandemic, and the timely identification, measurement and recording of impairment losses.

For a representative sample, we have analyzed a set of Bank customers who are relevant due to the high exposure or selected through professional judgment of the auditor pertaining to the individual analysis perimeter of the Bank, based on the criteria defined in internal regulations, the procedures carried out consisted of: (i) reviewing the conclusions and results obtained by the Bank in the individual analysis of the stage and the amount of impairment; (ii) obtaining our own judgment on the existence of situations of significant increase in credit risk and default; and (iii) assessing how the impairment losses were timely identified, measured and recognized by the Board of Directors of the Bank. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that complied with the criteria defined by the Bank in its methodology.

Therefore, for a sample of exposures classified in stages 2 and 3, representative of the credit population subject to individual analysis by the Bank on December 31, 2021, the procedures undertaken consisted of: (i) reviewing documentation associated with the loans and advances granting process; (ii) verifying the adequacy of the cash flows (financial plans) used to determine impairment with those reflected in the



that includes an individual staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an individual analysis of impairment quantification. In this last case, the analysis is performed only for the exposures classified in stage 3, where the impairment amount is determined through a detailed analysis of the economic and financial position of each individual customer, with reference to (i) the estimation of the cash flows that may be generated in the future to fulfil its liabilities going approach; or (ii) the valuation of the collaterals received in connection with the granting of the loan, whenever its recovery is as being through anticipated foreclosure/execution and/or sale of those collaterals, less the costs inherent to its recovery and sale - gone approach.

· For the exposures not covered by the individual analysis, the Bank applies a collective analysis model to calculate the expected impairment losses, in light of the requirements of IFRS 9, namely the classification of exposures by different stages according to the evolution of its credit risk since the date of its concession, and not in credit risk at the reporting date (stages 1, 2 or 3). This internal model is based on the internal historical information of defaults and recoveries and in order to be representative of the current economic context and simultaneously incorporate a perspective of future economic evolution, they also use available prospective information about a set of macroeconomic variables.

The specific context caused by the COVID-19 pandemic originated an increase of complexity in the identification of significant increases in credit risk and default indicators, taking into account the various support measures granted to households and companies, namely the balance of support lines to the economy and the availability to households and companies of the possibility of adhering to the temporary suspension of loan repayments (moratoria). In these circumstances, the internal impairment analysis models developed by the Bank were adapted in order to incorporate new criteria

contractual support; (iii) Analyze the contractual support and the most relevant collaterals and confirm their registration in favor of the Bank; (iv) Analyze the most recent evaluations of these collaterals; (v) Examine the criteria for determining significant increase in credit risk (stage 2) and impairment (stage 3) on an individual basis; (vi) analyzing the discounted cash flows underlying the impairment calculation; (vii) assessing the evolution of exposures; and (viii) understanding the Bank's vision regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits.

Whenever we find the need to revise some of the assumptions used by the Board of Directors of the Bank, we recomputed the estimated amount of impairment and compare the results obtained with those calculated by the Bank, in order to assess the existence of any materially relevant discrepancies.

For the portfolio whose impairment is calculated using the collective analysis model, we undertook a specific set of procedures with the objective of evaluating how the assumptions considered by Board of Directors, for impairment model purposes contemplate all the risk variables by comparison with the historical performance and recovery of the loans and advances to customer's portfolio of the Bank, namely: (i) review of the methodology documentation for the development and validation of the models; (ii) analysis of the risk parameters and their results; (iii) review and testing of portfolio segmentation; (iv) analysis of the Bank's definition of default and the criteria applied in staging classification, on a sample basis; (v) review and testing of the main risk parameters; as well as the available prospective information and its updating through the estimated economic effects of the COVID-19 pandemic (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default),



and other judgements such as (i) the consideration of temporary flexibility measures of not aggravating the stage and/or marking as restructured the operations with moratoria approved in line with the supervisor's guidelines on this matter, and (ii) the updating of the macroeconomic scenarios for the purpose of determining the estimated loss, taking into account the potential economic effects of the COVID-19 pandemic.

In this context, changes in the assumptions or methodologies used by the Bank in the analysis and quantification of impairment losses on loans and advances to customers, as well as different recovery strategies, may condition the estimate of the recovery flows and the timing of their receipt and may have relevant impacts on the amount of impairment losses at each time.

including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of the Expected Credit Loss (ECL) for the loans and advances to customers portfolio as at 31 December 2021.

Additionally, the audit procedures applied to the amount of the regulatory provisions required by the Banco of Cabo Verde, and registered in the financial statements as of 31 December 2021, included (i) the verification of the provisions recorded for a number of loans operations granted by the Bank, with reference to 31 December 2021, following the guidelines contained in Notice no. 4/2006 of the Banco de Cabo Verde, with the changes introduced by its Notice no. 6/2007 and (ii) the validation of the adequacy of the provision quantification process of the loans and advances to customers portfolio as at 31 December 2021.

Our auditing procedures also included a review of the disclosures related to the loans and advances to customers, as well as impairment losses and regulatory provisions contained in the explanatory notes, considering the applicable accounting standards.

Valuation of real estate properties received as recovery of loans and advances

Measurement and disclosures related to the valuation of real estate properties received in recovery of loans and advances presented in notes 3.3, 15 and 33 of the Bank's financial statements

As at 31 December 2021, the net amount of real estate properties received in recovery of loans and advances, presented in the Other asset's account, is 1,282,174 thousand CVE.

According to the policies in force at the Bank, the real estate properties are subject to periodic valuations, carried out by expert appraisers registered in the Auditor-General

The audit procedures undertaken included the identification and understanding of the key controls established by the Bank to identify real estate properties indicating impairment, to determine the corresponding amounts of impairment losses and to ensure the appropriate accounting balance in an appropriate and timely manner.

For a sample of real estate properties in the Bank's portfolio we analyzed the correspondent valuation and, if applicable, the impairment losses recorded based on the valuations made by the independent expert appraisers. This analysis also included an assessment of the reasonableness of the methodology applied and the assumptions used by the expert appraisers in determining the appraised value of the selected properties.



of the Securities Market ("AGMVM") of the Banco de Cabo Verde, which incorporate a set of assumptions and which give rise to the recording of impairment losses whenever the value resulting from these evaluations, net of sales costs, is lower than its book value.

Given the significant expression of these assets in the Bank's balance sheet and taking into account that their valuation requires the application of a set of assumptions and judgments by the Board of Directors, for purposes of determining the amount and timing of recognition of the corresponding impairment losses, this constitutes a relevant matter for the purposes of our audit.

Whenever necessary, we hold meetings with the Bank to understand and challenge the judgments and assumptions adopted in the preparation of the valuations in order to assess the existence of any materially relevant differences

We evaluated the competence, capacity and objectivity of the expert appraisers hired by the Bank, including confirming their registration in the AGMVM.

For a sample of real estate properties sold during the year of 2021, we compared the sale value with the last valuation obtained, in order to assess the reasonableness of the valuations previously obtained by the Bank.

Our auditing procedures also included a review of the disclosures related to the real estate properties received as recovery of loans and advances contained in the explanatory notes, considering the applicable accounting standards.



Other information - management report

Management is responsible for the preparation of the management report. The other information comprises the management report but does not include the financial statements and the auditor's report thereon. Our opinion on the financial statements does not cover the information included in the management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) in force, with the exception foreseen in Notice no. 4/2006 of the Banco de Cabo Verde and the changes introduced by its Notice no. 6/2007, related to the constitution of credit regulatory provisions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- b) obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- c) evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- f) communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

25 March 2022

PricewaterhouseCoopers Cabo Verde
- Sociedade de Auditores Certificados, Lda.
represented by:

Armando José Carvalho Ferreira Rodrigues, Certified Auditor



V. REPORT AND OPINION OF THE SUPERVISORY BOARD

BANCO CABOVERDIANO DE NEGÓCIOS, S.A.

Av. Amilcar Cabral, nº 97 - CP 593 Praia, Santiago | Cabo Verde NIF: 200216589 Matriculado sob o nº 533/971119



FOR THE YEAR ENDED DECEMBER 31, 2021

Dear Shareholders,

In accordance with the Commercial Companies Code, the Regulations of Banco de Cabo Verde, the Statutes, in compliance with the mandate you have conferred upon us and in the performance of our legal and statutory functions, as Supervisory Board, we present the report on our supervisory activity and our opinion on the Management Report and the Financial Statements presented by the Board of Directors of BCN - Banco Caboverdiano de Negócios, S.A. ("Bank") for the year ended December 31, 2021.

1. On the activities carried out by the Supervisory Board

During the fiscal year, the Supervisory Board met on several occasions in 2021, having followed, with the periodicity and extent that we consider appropriate to the circumstances, the activity of the Bank and, developed several activities in compliance with the powers that are legally attributed to it, namely:

- Accompanied the management of the Bank, through periodic meetings by call conference with some
 of the executive members of the Board of Directors, as well as the accounting documentation and
 reports and quantitative data provided by the Services, and also with some of the executives closest
 to the performance of the functions of the Supervisory Board;
- Verified the regularity of book-keeping and the respective documentation relevant for the control of Bank's activity and the presentation of the financial statements, and also supervised compliance with the Law and the Statutes;
- Held meetings with the members of the Board of Directors and with the heads of the units in charge of implementing and managing the Bank's internal control mechanisms, namely with the risk and compliance units, with a view to verifying the effectiveness of the internal control system, to the extent that the controls are relevant to the control of the banking activity and presentation of the financial statements, the risk management system, internal audit, and we also ensured the compliance with the law and the by-laws;



FOR THE YEAR ENDED DECEMBER 31, 2021

- Appraised the Report on the Internal Control System 2021 analyzed and issued an opinion on the adequacy and effectiveness of the Internal Control System in accordance with the provisions of Article 24(3)(a) of Notice No. 4/2017 of the Banco de Cabo Verde.
 It also monitored the progress of the Internal Control System and followed up on the maps of deficiencies of the Internal Control System and the evolution of plans for the mitigation of risks and appreciated the memorandum of the Independent Auditor's opinion on the review of the internal control system underlying the process of preparation and disclosure of financial information of the Bank;
- Also, aware of the primary internal audit function of overseeing the risk management of controls and governance processes the Supervisory Board took note, appreciated and issued its opinion on the Internal Audit Plan of Banco Caboverdiano de Negócios thus duly complying with the provisions of BCV Notice 4/2017 of September 7;
- Also, the Board took note of the Corporate Governance Report of Banco Caboverdiano de Negócios, analyzed and issued the opinion it deems necessary under the terms of the provisions of Article 2 paragraph 2 of Notice n. 7/2017 of the Banco de Cabo Verde;
- Both the Board of Directors and its Executive members and Services provided the Supervisory Board with all the clarifications requested.

Finally, the Supervisory Board monitored and evaluated the process of preparation and disclosure of financial information developed by PricewaterhouseCoopers Cabo Verde -Sociedade de Auditores Certificados, Lda to assess the status of the audit work and appreciated the Audit report, issued by PricewaterhouseCoopers Cabo Verde.

2. Opinion of the Supervisory Board

As part of our duties the Supervisory Board reviewed the Bank's Financial Statements for the year ended December 31, 2021, which include the balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement as well as the notes to the financial statements, the Supervisory Board deemed it relevant to mention the following facts:



FOR THE YEAR ENDED DECEMBER 31, 2021

- i. The audit of accounts for the year ended December 31, 2021, by PricewaterhouseCoopers Cabo Verde - Sociedade de Auditores Certificados, Lda, concluded that the financial statements (Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the statement of cash flows) and the corresponding notes, present in a real and appropriate manner the Bank's financial position in all materially relevant aspects, allowing for an adequate understanding of the Bank's financial position, results, comprehensive income, changes in equity and cash flows equity and cash flows;
- ii. The above mentioned Financial Statements include the Balance Sheet as of December 31, 2021, which shows total Assets of 28,925,838 thousand CVE, total Liabilities of 25,711,488 thousand CVE and Equity of 3,214,350 thousand CVE, the Income Statement by Nature for the period 01/01/2021 to 31/12/2021 which shows a positive net result of 444,179,148 CVE;
- iii. In compliance with Article 16 of Notice no. 4/2006 of the Banco de Cabo Verde, as amended by Notice No. 6/2007, the Bank has implemented the system of classifying credit operations in increasing order of risk and resulting from the agreement with the external auditor PricewaterhouseCoopers Cabo Verde Sociedade de Auditores Certificados, Lda work during the year, on the review of the criteria adopted by the Bank regarding the classification of credit operations in risk classes and the calculation of the minimum regulatory provisions with reference to December 31, 2021, having concluded that "The process of quantification of the minimum regulatory provisions of the credit portfolio of Banco Caboverdiano de Negócios, S.A. allows, in a reasonable manner, for all the aspects materially relevant, the quantification of the minimum regulatory provisions with reference to December 31, 2021 in conformity with the notice no. 4/2006 issued by Banco de Cabo Verde for the classification of credit operations the classification of credit operations in risk classes and validation of the calculation of the minimum regulatory provisions".
- iv. The accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards and are appropriate to ensure that they lead to a fair presentation of the Bank's assets and results;



FOR THE YEAR ENDED DECEMBER 31, 2021

- v. The Board also proceeded to the appreciation of the Management Report presented by the Bank's Board of Directors, which explains the evolution of the business and the Bank's situation, highlighting the most significant aspects;
- vi. The proposed application of the net income obtained in the financial year 2021 does not contravenes the applicable legal and statutory provisions;
- vii. Notwithstanding the constraints and restrictions imposed by the Covid-19 crisis, the Bank was able to adopt measures adjusted to the situation of the pandemic and reacted to the challenges of the crisis, and the effort that the Board of Directors continues to make in the exercise of its functions is to be recognized, particularly in complying with the accounting, administrative, financial and internal control procedures.

Accordingly, taking into consideration the information received from the Board of Directors and Services and the conclusions stated in the Audit Report, we are of the opinion that:

- 1) the management report be approved
- 2) the financial statements be approved;
- 3) the proposed appropriation of Profits be approved.

Finally, we would like to express our thanks to the Board of Directors and all the Bank's employees with whom we had contact, for their valuable collaboration.

Praia, 25 March 2022

The Supervisory Board

Chairman Vice-Chairman Member
Dr. José Maria R. Cunha Dr. Rui Oliveira Silva Dr. Jorge Paulo G. Monteiro











Plateau - Avenida Amílcar Cabral, nº. 97, C.P. 593 Praia - Santiago