Annual Report 2018

Sociedade Interbancária e Sistemas de Pagamentos, SA

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Abbreviations

ATM - Automatic Teller Machine

DPC – Data Processing Center

FRS – Financial Reporting Standards

FSE – External Supplies and Services

H2H - Host to Host

IASB – International Accounting Standard Board

ICP-CV – Public Key Infrastructure of Cabo Verde

IFRS - International Financial Reporting Standards

INE- National Institute of Statistics

IRPC – Corporate Income Tax

ISO - International Standards Organization

IUR – Income Tax

mPOS - mobile POS

PCI - Payment Card Industry

PIN - Personal Identification Number

Swift - Society for Worldwide Interbank Financial Telecommunication

TEF – Electronic Fund Transfer

Message from the Board of Directors

Dear Shareholders,

Pursuant to the provisions laid out in article 407 of the Business Registration Code, the Board of Directors hereby submits the Annual Report and Financial Statements of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. covering the financial year of 2018, for your appraisal.

2018 was a year of solid progress for SISP as the company reaffirmed its innovative and technological development capability by focusing on its growth and the provision of innovative services.

SISP's purpose was pursued at all times with the objective of endowing the country with a modern and efficient payment system, integrated in large international systems and supported by reliability, safety, and consolidation of the services rendered, the main guidelines that underpin the activities developed. Overall, payment systems in Cabo Verde operated in a stable and secure fashion.

In line with the progress seen in previous years, as well as the continuous improvements and achievements made, the rising trend in payment instruments and means persevered on account of the increased usage of electronic payment instruments, notably cards, at the Automated Teller Machines (ATM) and Automatic Payment Terminals (POS).

All segments achieved a positive outcome in the volumes traded, except for payments via the internet and mobile phones.

Compared with 2017, the amount processed in the Network indicated an increase of 13%, thus strengthening the growth consolidated over the years.

With respect to automatic payment, the POS network sustained the upward trend of the past years, revealing an increase of 578 terminals in year-on-year terms. The total number of POS and ATM terminals installed throughout the country in end-2018 was 7.121 and 191, respectively.

For the first time ever, the volume traded on the POS was higher than the one achived on the ATMs, representing a historic milestone within the context of national payment systems. The total amount traded reached CVE (Cabo Verdean Escudos) 47.514 million, against CVE 45.014 million on the ATMs.

Transactions processed by SISP experienced considerable increase in all their components, with a total of 32,2 million transactions processed, of which 96% were recorded on the vinti4

Network and the remaining 4% in the Electronic Fund Transfer System – TEF, Cheque Clearing, and "Not on Us" transactions.

The International Acquiring service kept a growth trend, with an increase of 21,7% in the number of transactions and 21% in the values traded, on year-on-year terms. For the first time, purchases made with international cards exceeded the number of withdrawals on Automated Teller Machines due to the service expansion strategy adopted in the last two years with a view to endow the country with a network of international card acceptance in all fields of activity.

In 2018, card production recorded a total of 122.815 units issued. The number of active cards in the network reached 246.611, indicating a change of -1.3 percent and 10 percent, respectively, as compared to similar period.

Investments made in 2018 amounted to about CVE 171,5 million, which represents 19,7% of the operating revenues.

Revenues totaled CVE 920,28 million, an increase of CVE 119,76 million as compared to 2017 (CVE 800,5 million), following the increase recorded in service income, which reached CVE 869 million.

Total expenditures of SISP amounted to CVE 630 million in 2018, representing an increase of 18,2% on year-on-year terms.

In terms of performance, turnover rose to CVE 869 million, showing an increase of approximately 16.2 percent (+CVE 121,2 million) compared to 2017.

As at December 31, 2018, Net Income hit CVE 216,7 million, a positive variation of 8,7% versus equal period of 2017, mainly justified by the increase in revenues from Automatic Payment and Access Fee services.

Net assets evidenced a decrease of 4.65% as compared to December 2017, reaching CVE 1.385,5 million (-67,6 million), chiefly explained by: 1) the decrease of CVE 186,25 million in current assets; 2) the increase of CVE 118 million in non-current assets, generated by the investment made in several projects, and 3) the increase of 20.56% (an additional amount of CVE 41,75 million) in financial contribution.

As at December 31, 2018, Owner Equity reached CVE 888,9 million, an increase of 15.1% (an additional amount of CVE 116,8 million) compared to similar period, as a result of the combined effect of the incorporation of reserves of 40% of the net income of 2017, and the impact of such increase on the Net Income for the Year of CVE 17,1 million.

Other developments observed in 2018 include the transfer of the SWIFT Shared Network from the Banco de Cabo Verde (Central Bank) to SISP, which entailed licensing the latter as a SWIFT Service Bureau and is expected to facilitate financial transactions between banks both at national level and abroad. SISP became the Certification Authority through the ICP-CV – Public Key Infrastructure of Cabo Verde, a system that uses security mechanisms based on public key cryptography to promote, *inter alia*, the authentication and confidentiality of the information transmitted. SISP was duly certified according to ISO 27001, the international standard for Information Technology Security Management Systems, thus aligning its processes with the best international practices in that field. It should be stressed that the transfer of the SWIFT service from the Central Bank to SISP was a major landmark for the company, paving the way for the achievement of one of the original goals behind its creation.

In terms of Human Resources, 11 new employees were recruited to ensure adequacy of the staff to the new organizational structure and the specific nature of the challenges advocated and, therefore, SISP accounted for a total of 53 workers as at December 31, 2008.

SISP has continuously committed itself to the capacity building and development of its workforce in different areas, by holding a number of training programs. All employees have benefitted from online training courses in a wide range of fields of knowledge made available by international platforms like Visa, MasterCard, Coursera, and Udemy, as a strategy for encouraging continuous learning. It should be noted that the permanent commitment and engagement of its employees has undoubtedly favored the accomplishment of a number of activities and projects defined for the financial year of 2018.

It only remains for the Board of Directors to thank SISP's stakeholders for the support they continue to give us, and all our Customers, Suppliers, Auditors, and Financial Institutions for their tremendous engagement and efforts over the past year. Similarly, we would like to express our appreciation for the assistance received from the Supervisory Board throughout the year of 2018.

Praia, April 2019

The Board of Directors,

António Carlos Semedo

Francisco Pinto Costa

Hernâni Lopes Trigueiros

João Domingos Correia,

Maria Teresa Henriques

Paulo Jorge Lima

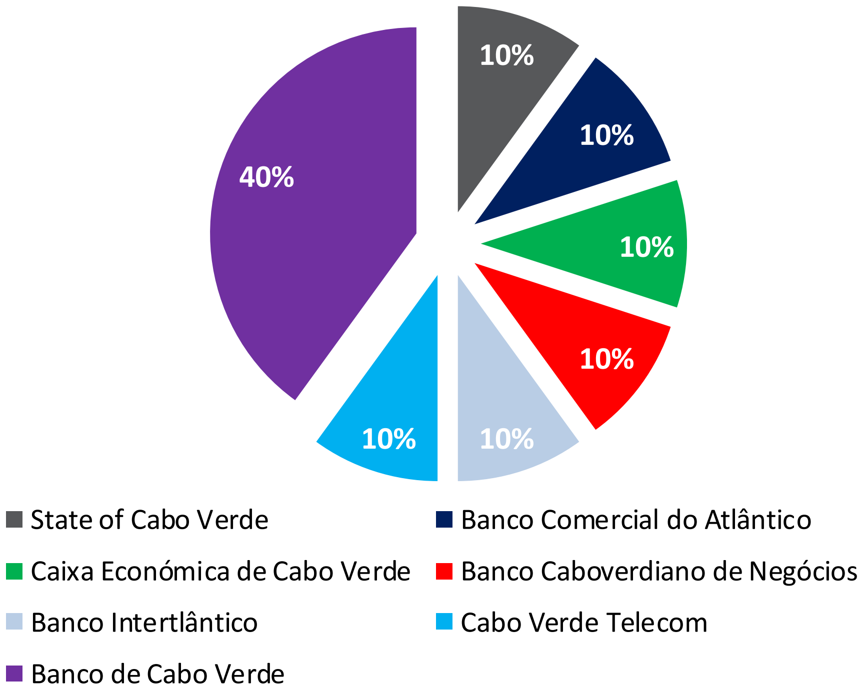
Pedro Bruno Soares

Main References

Shareholder Structure

The Sociedade Interbancária e Sistema de Pagamentos, hereinafter referred to as SISP, is a nonbank institution headquartered on the island of Santiago, with a capital stock of CVE 100.000.000 (one hundred million Escudos) fully subscribed and paid up, represented by 100.000 shares with the nominal value of CVE 1000 each, held and distributed as per the chart below:

Chart 1: Ownership Structure



Corporate Bodies

General Meeting of Shareholders

Chairman
Maria Da Luz De Pina Gomes Brito, representative of the Government of Cabo Verde

Secretaries
Antónia Bernarda Lopes, representative of Banco de Cabo Verde

Américo Miranda Andrade, representative of Banco Comercial do Atlântico

Board of Directors

Chairman
Maria Teresa Lopes Da Luz Henriques, representative of Banco de Cabo Verde

Executive Directors
Francisco Pinto Machado Costa, representative of Banco Comercial do Atlântico

António Carlos Moreira Semedo, representative of Caixa Económica de Cabo Verde

João Domingos de Barros Correia, representative of Cabo Verde Telecom

Paulo Jorge Ferro R. de Oliveira Lima, representative of Banco Caboverdeano de Negócios

Pedro Bruno Cardoso Braga Gomes Soares, representative of Banco Interatlântico

Hernâni Lopes Trigueiros, representative of the Government of Cabo Verde

Supervisory Board

Chairman
Filinto Elísio Alves dos Santos, representative of Caixa Económica de Cabo Verde

Members
Mónica Vitoria do Espirito Santo Correia Garcia, representative of Banco Interatlântico

Ana Elisabeth Pires Carvalho Vicente, em representative of Banco Caboverdeano de Negócios

1. Economic Environment

According to the World Bank, global economic growth is expected to grind to a stand-still at 3% in 2018. International trade and investment activities have softened, trade tensions remain elevated and financing conditions have become tighter. Amid recent outbreaks of financial turbulence, growth in emerging markets and developing economies has lost speed and is projected to stagnate, while activity in commodity exporters is decelerating, coupled with a slowdown in commodity importers. Negative risks seem more acute and financial market pressures and trade tensions may increase, ending up affecting global activity.

Economic recovery in emerging markets and developing economies is anticipated to hold steady at a weaker-than-expected 4.2% this year. In all regions, rising downside risks to the outlook prevail.

Data published by the Banco de Cabo Verde (Central Bank) point to a further weakening of economic activity in the fourth quarter, as compared to the previous year. As a matter of fact, the demand trend indicator produced by the Banco de Cabo Verde indicate a downturn in gross fixed capital formation, largely determined by a sharp reduction in imports of transport materials, modest growth in final consumption expenditure, and, meanwhile, a positive development of net exports boosted by a robust growth in exports together with a decline in imports.

The evolution of the economic performance indicator confirms a slowing growth trend, on year-on-year terms, in the fourth quarter when recording a value lower than the one of same period in 2017. Steady deterioration of the confidence of construction operators, as well as a less optimistic feeling of tourism and industry entrepreneurs justify the low performance of that indicator.

In 2018, the external environment favored both demand for the Cabo Verdean economy and investments in the country, albeit the growth pace of the Euro area economy. **Projections made by the INE – National Institute of Statistics** point to a strengthening in economic activity, with real GDP growth estimated at 5.5 percent (4 percent in 2017). The annual average inflation settled at 1.3 percent in December 2018, *id est*, 0.5 percentage points above the level recorded in December 2017. Year-on-year inflation remained at 0.9 percent, suggesting a certain degree of restraint of the inflationary pressure in the last month of the year.

2. Overview

SISP's strategic vision is to become a leading company in the provision of payment system services, by fostering excellence recognized by its customers and the society as well, through a policy based on the following principles:

- Guarantee continuous organization, efficiency, and enhancement of services and processes;
- Guarantee continuous training, capacity building, and satisfaction to its employees;
- Guarantee strategic partnerships with suppliers, entities, and critical partners;
- Serve customers with professionalism, courtesy, and a solution-focused approach, delivering services within predefined deadlines, and with the quality agreed upon;
- Ensure high availability, accessibility, security, effectiveness, and compliance of the services;
- Promote modern, innovative, and secure payment and identification systems, as deemed relevant for the society.

The company's activities comprise the compliance with objectives oriented towards operational efficiency, first-class services, and human capital development. SISP continued a set of projects launched in previous years, namely in the technological and organizational areas, and capacity building, with the aim of reaching greater effectiveness in internal processes, improving business support, and customizing the service rendered in accordance with the market and customer expectations.

The year 2018 was marked by 3 (three) extremely important events: the certification and licensing of SISP as a Service Bureau for SWIFT - *Society for Worldwide Interbank Financial Telecommunication*, the accreditation of SISP as a Certification Authority through the ICP-CV – Public Key Infrastructure of Cabo Verde, and its certification pursuant to the ISO 27001 standard.

In so doing, SISP takes another step forward for the fulfilment of its mission with the granting of the license as a Service Bureau, therefore becoming one of the seven representatives of SWIFT in the African continent. This license will smooth financial transactions between banks both at national level and abroad, so ensuring increased safety standards in electronic transfers and processing by a regulated entity at national level.

The fact that the company became a Certification Authority through the ICP-CV – Public Key Infrastructure of Cabo Verde represented another significant milestone achieved in 2018. This system uses security mechanisms based on public key cryptography to promote the authentication, confidentiality, integrity, and non-repudiation of the information transmitted and stored. Acting as such, the company now provides the financial sector and the general public with a set of digital signature and authentication services, with particular reference to Certificates of Qualified Digital Signature, Authentication, and Electronic Seal.

Certification in accordance with the ISO 27001, the international standard for Information Technology Security Management Systems, made it possible to align the ongoing processes with the best international practices in that field and also represented an issue of major importance for the company, taking into consideration the type of services rendered which are essentially based on information security. Combined with the renewal of specific security certificates for payment systems, PCI-DSS and PCI-Card Production (required by international entities like Visa and MasterCard for the processing and customization of highly secured cards), as well as the security certificates associated to the PKI and SWIFT, the said certification provides the society with an integrated technological infrastructure that will be continuously reinforced in terms of security features.

In parallel with those projects, several other relevant activities were encompassed in the financial year at stake, specificaly:

- mPOS Certification of the NEXGO brand;
- Renewal of the PCI Card Production, PCI-DSS, and ISO 9001 standard (Quality Management System) certificates;
- Implementation of a High Availability Architecture for the vinti4 network;
- Security enhancement on the Automated Teller Machines;
- Comprehensive update of the central processing platform;
- Physical and security improvements to the Data Center and Card Center;
- Implementation of a new risk management centralized tool;
- Update of SISP’s organizational structure;
- Accession of two new banks to the SISP management system of credit card and prepaid card;

- On-the-spot POS;
- On-the-spot Cards;
- Implementation of the maintenance center of Santiago Norte;
- Tender launching for consultancy services for the construction of the new headquarter building;
- Launch of the new *websites* for SISP (www.sisp.cv) and the vinti4 (www.vinti4.cv) network;
- Launch of the new service management portals for banks, merchants (comerciante.vinti4.cv), and service entities (entidadeservico.vinti4.cv).

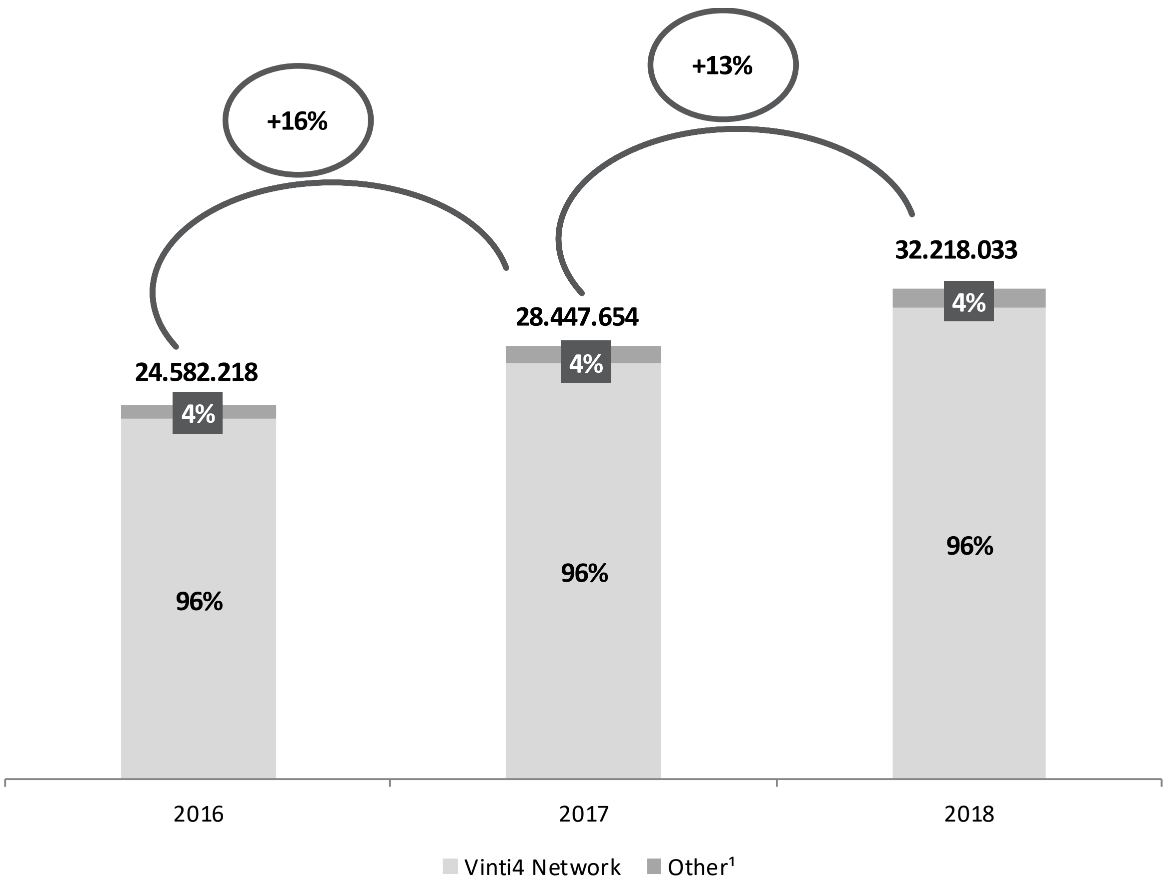
The efficiency gains obtained by the company in the last few years have enabled a gradual reduction in SISP tariffs, thereby facilitating network expansion to new customers and increase in the number of transactions in all their components. In 2018, reductions were introduced in tariffs for withdrawals and other transactions at all levels, the GPRS tariff, management of credit cards and prepaid cards, and (pre) personalization of non-banking cards.

3. BUSINESS HIGHLIGHTS

3.1 Transaction processing and network management

In 2018, SISP reached once again a record level in the number of transactions: approximately 32.2 million transactions were processed, a growth of 13% against 2017, with 96% of the transactions made in the vinti4 Network, and 4% in other systems, namely TEF – Electronic Fund Transfer, Cheque Image Teleclearing system, and "*Not on Us*".

Chart 2: Transactions processed by SISP



[1]Transactions via Not On Us, TEF, and Cheque Clearing

3.2 Profile of the vinti4 Network

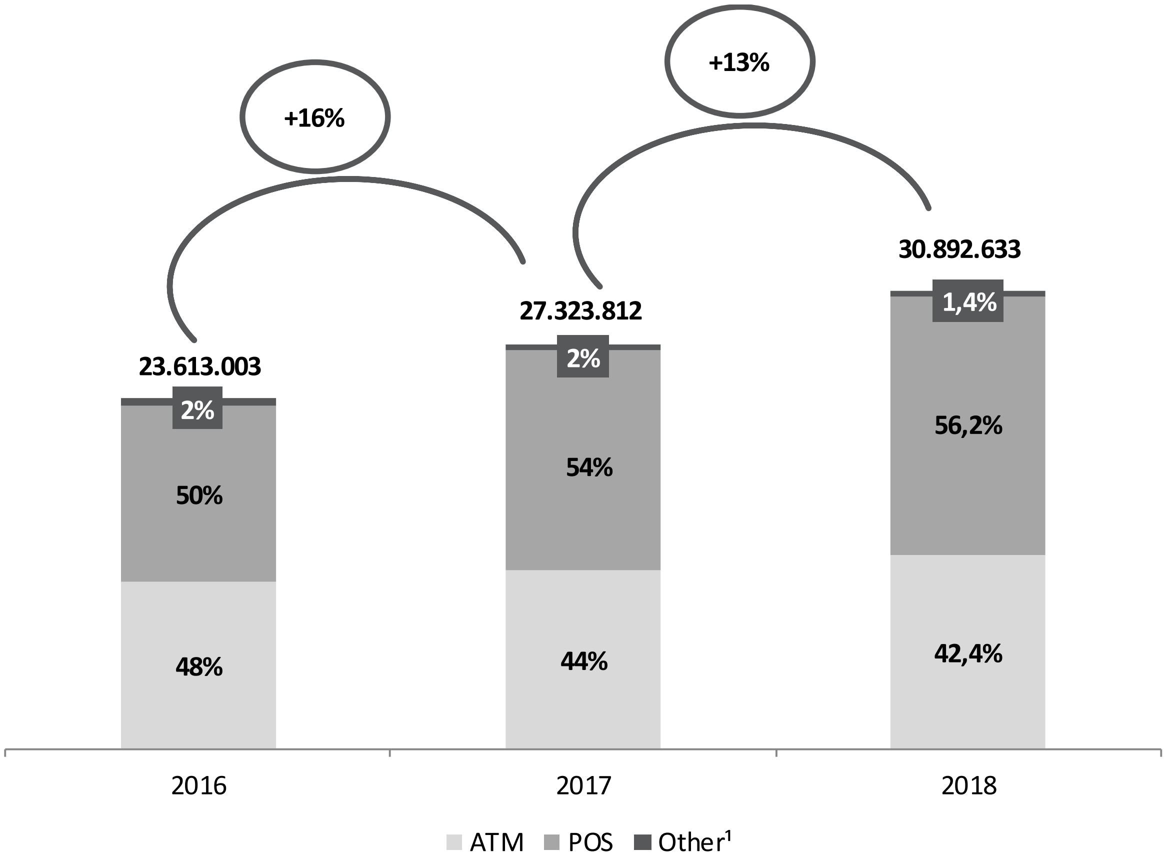
SISP has been consolidating its growth and, therefore, presented an increase of 13% in the amount processed within the Network as compared to 2017.

All channels displayed a positive growth in the volumes traded, with the exception of payments on the Internet and mobile phones.

It is worth noting the increase recorded in POS transactions, which now represent 56.2% of total transactions in the Network, against 54% in 2017. As regards the number of transactions, the increase was of 17.3% in 2018 when compared to same period.

Once again, transactions on automatic payment terminals (POSs) indicated a moderate growth of 8.6% in 2018, year-on-year. The Automated Teller Machine – ATM, as it is internationally known – appears second, with 42.4% of processed transactions, followed by the transactions via mobile phones, H2H and PC, which represent 2% of the total.

Chart 3: Transactions processed within the vinti4 Network



¹Mobile phone, PC, and H2H

In what concerns the value traded, a historical mark took place in 2018 when the volume traded on the POS exceeded for the first time ever the ATM's, hitting CVE 47.514 million and causing a positive variation of 17.52%, compared to the previous year.

The ATM comes in the second position with CVE 45.014 million, followed by the PC, Mobile Phone, and H2H with CVE 930 million, for which the transactions connected with payments to the State and service payment mostly contribute.

Table 1: Amount of transactions processed in the vinti4 Network in 2018

(in million CVE)

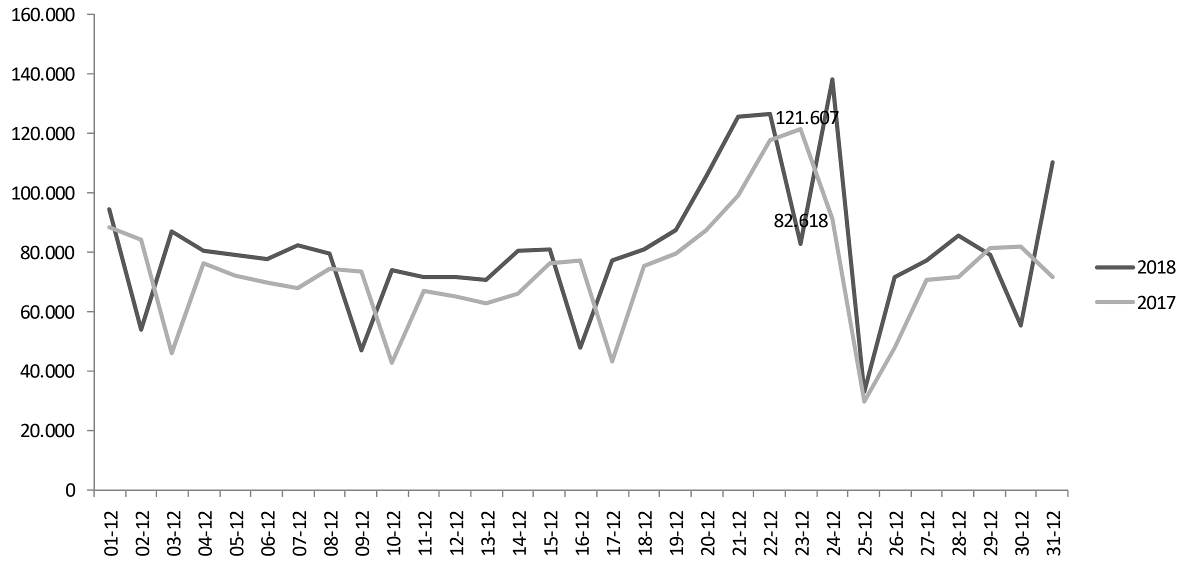
				Change		Weight
	2016	2017	2018	2016/2017	2017/2018	2018
POS	33 685	40 432	47 514	20,03%	17,52%	50,84%
ATM	37 673	41 120	45 014	9,15%	9,47%	48,16%
Other[1]	925	861	930	-6,91%	8,03%	0,99%
NETWORK	72 283	82 412	93 458	14,01%	13,40%	100,00%

[1]Mobile Phones, PC, and H2H

As in previous years, the month of December was the one with the largest number of transactions processed on the vinti4 Network, accounting for 2.516 thousand transactions from Withdrawals, Purchases, Service Payment, and Recharges.

The peak occurred on December 24, date on which a total of 138 thousand transactions were processed. The POS segment processed a total of 1.714 thousand transactions, representing 68% of the transactions processed in that month, against 29% on the ATMs.

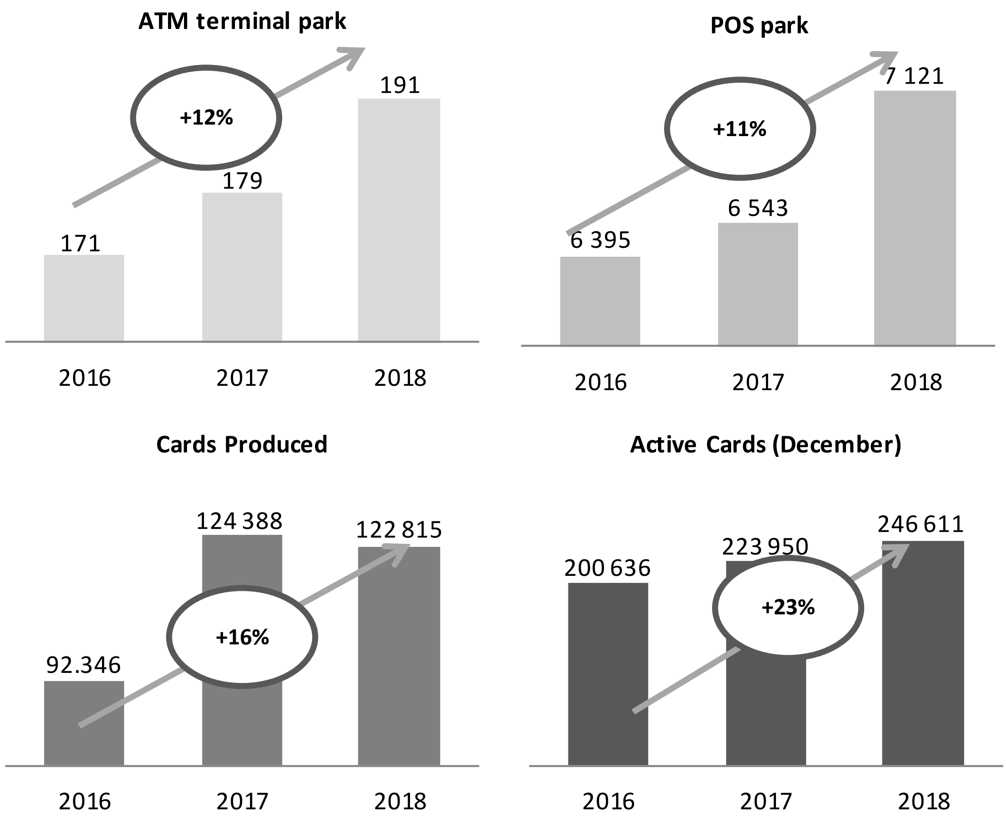
Chart 4: Number of transactions made in December 2018



With regard to the number of terminals connected to the Network, moderate developments have been perceived in the number of active POSs in the last 3 years, standing at 7.121 POS in end-2018, with a growth of 8.8% when compared with same period. In turn, the number of ATMs in 2018 also presented a positive evolution with 12 additional terminals.

Card production in 2018 settled at 122.815 cards while the number of active cards on the network reached 246.611 cards, with a change of -1.3% and 10% respectively, year-on-year.

Chart 5: Terminals and Cards



3.3 Geographical Coverage

The penetration rate of the Automated Teller Machines across the country continues to be positive. Twelve new terminals were installed as compared to the previous year, jumping from one ATM per 3004 inhabitants in 2017 to one ATM per 2849 inhabitants, according to the demographic projections for 2018 made by the INE – National Institute of Statistics.

The POSs are mostly installed on the island of Santiago, especially in the city of Praia, an island that accounts for 47% of total installed terminals, followed by the islands of São Vicente and Sal, with respectively 18.1% and 17.7%. The total number of POS terminals installed in end-2018 was 7.121.

Chart 6: Geographical Coverage of Terminals

3.4 Automated Teller Machine

The ATMs recorded 13.1 million transactions, which represents 42% of network transactions and an increase of about 8.6% year-on-year.

Withdrawals tend to be sought more often than the other transactions, accounting for 52%, followed by account balance enquiries and transaction viewing with 40% of all transactions made.

Table 2: Transactions at Automated Teller Machines

				Change	
	2016	**2017**	**2018**	**2016/2017**	**2017/2018**
Withdrawals	6 308 495	6 795 516	6 876 071	7,72%	1,19%
Account balance enquiries	3 368 306	3 608 732	3 997 455	7,14%	10,77%
Mobile phone recharges	476 619	436 376	352 931	-8,44%	-19,12%
Transaction viewing	1 039 935	1 099 289	1 252 784	5,71%	13,96%
Other	106 987	126 559	625 572	18,29%	394,29%
Total	**11 300 342**	**12 066 472**	**13 104 813**	**6,78%**	**8,61%**

In 2018, the average amount of cash withdrawn was CVE 5.658, which is greater than the average registered in similar period of 2017 (CVE 5.615).

3.5 Automatic Payment

The POS network supported the rising trend indicated in recent years with an increase in the number of terminals of 578 compared to 2017. There are 7.121 terminals installed, covering a wide range of economic segments.

Purchases are the most frequently used transactions, representing 90% of the POS transactions in 2018, against 91% in 2017.

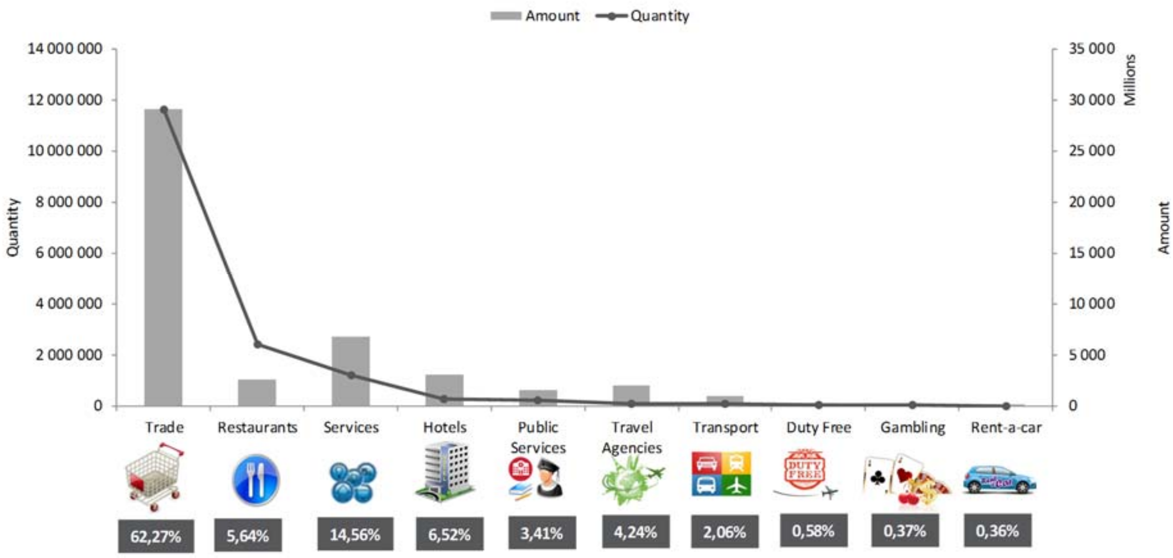
Table 3: Transactions at Automatic Payment Terminals

	2016	2017	2018	Change 2016/2017	Change 2017/2018
Purchases	10 780 923	13 496 655	15 550 714	25,19%	15,22%
Mobile Phone Recharges	51 598	66 299	56 826	28,49%	-14,29%
Balance Enquiries	992 318	1 183 688	1 182 135	19,29%	-0,13%
Other Transactions	32 350	42 873	562 592	32,53%	1212,23%
Total	**11 857 189**	**14 789 515**	**17 352 267**	**24,73%**	**17,33%**

The Trade sector maintains its leading position in 2018 when it comes to payments, 62.2%, followed by Services with 14.5%.

In 2017, the Trade sector represented 63.1% of all payments recorded, followed by the catering/restaurant service with 14.7%.

Chart 7: Purchases by Branch of Activity



Card payment remains the preferred option of network customers. Accordingly, the Purchase/Withdrawal ratio has seen a substantial increase, jumping from 198% in 2017 to 226% in 2018.

In 2018, the average amount of Purchases on the POS was CVE 2.915, which is less than the figure recorded in the previous year (CVE 2.966).

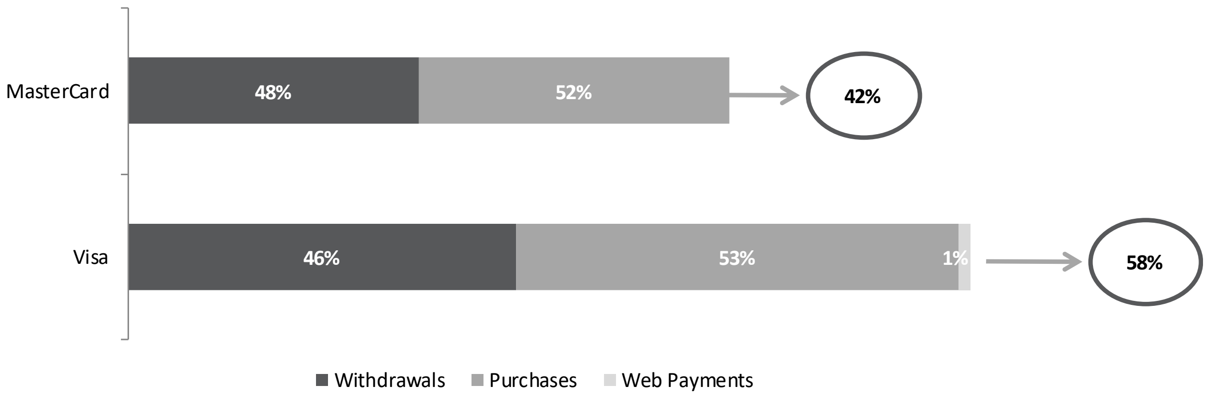
3.6 International Acquiring

The International Acquiring Service kept its upward trend with an increase of 21.7% in the number of transactions and 21% in the values traded, year-on-year.

Visa card transactions represent 58% of all international card transactions, against 42% of those made with MasterCard.

It should be pointed out that, for the first time ever, purchases with international cards exceeded the number of withdrawals on the ATMs as a result of the massification strategy adopted for that service in the last two years so as to endow the country - an increasingly tourist destination – with an international card acceptance network in all business segments. Additionally, it becomes clear that international cards are more frequently used for purchase transactions in lieu of withdrawals, as indicated in Chart 8.

Chart 8: Transactions with "not-on-us" card in 2018



3.7 Service Payment

In 2018, the Service Payment functionality increased by over 21% in the number of transactions and 11.5% in volume, when compared with same period of last year.

Table 4: Service Payment Transactions

	2017	2018	Change 2017/2018
Quantity	101 961	123 360	20,99%
Amount	1 824	2 034	11,55%

3.8 Sale of Mobile Recharges

The sale of Mobile Recharges upheld its downward trend in terms of the number of transactions, settling at a negative 16.7% and a positive change of 3.9% in the amount, compared to 2017.

Table 5: Mobile Phone Recharges

	2017	2018	Change 2017/2018
No. of Transactions	860 614	631 447	-16,76%
Amount	381 343 212	396 439 105	3,96%

3.9 Web Payment

Web Payment increased by 69.5% in the number of transactions and 40.7% in volume in comparison with the same period of last year.

Table 6: WEB Payment Transactions

	2017	2018	Change 2017/2018
Quantity	30 160	51 139	69,56%
Amount	222 821 871	313 653 584	40,76%

3.10 Electronic Fund Transfer (TEF)

The TEF system grew by 12.2% in the number of transactions and 9.3% in the volume traded.

Table 7: Electronic Fund Transfer Transactions

in million CVE

	2016	2017	2018	Change 2016/2017	Change 2017/2018
Quantity	541 544	598 677	671 876	10,55%	12,23%
Amount	204 413	128 319	140 252	-37,23%	9,30%

3.11 Cheque Clearing

The Cheque Clearing system was subject to a close to zero change, 0.4%, in the number of transactions and 0.89% in the volume traded when compared to 2017. In 2017, the rate of change was negative.

Table 8: Cheque Clearing Transactions

in million CVE

	2016	2017	2018	Change 2016/2017	Change 2017/2018
Quantity	310 545	307 176	308 402	-1,08%	0,40%
Amount	72 721	69 598	70 220	-4,29%	0,89%

3.12 Infrastructure and Technology

In terms of infrastructure and technology, particular emphasis must be put on the certification and licensing of SISP as a Service Bureau for SWIFT - Society for Worldwide Interbank Financial Telecommunication and its accreditation as a Certification Authority through ICP-CV – Public Key Infrastructure of Cabo Verde.

Other important activities marked the year 2018, most noticeably:

- SISP Certification pursuant to ISO 27001 standard;
- mPOS certification of the brand NEXGO;
- Renewal of the PCI Card Production, PCI-DSS, and ISO 9001 standard (Quality Management System) certificates;

- Implementation of a High Availability Architecture for the vinti4 network;
- Security enhancement on the Automated Teller Machines;
- Comprehensive update of the card processing platform;
- Physical and security improvements to the Data Center and Card Center;
- Implementation of a new risk management centralized tool;
- Update of SISP's organizational structure;
- Accession of two new banks to the SISP management system of credit card and prepaid card;
- On-the-spot POS;
- On-the-spot Cards;
- Implementation of the maintenance center of Santiago Norte;
- Tender launching for consultancy services for the construction of the new headquarter building;
- Launch of the new *websites* for SISP (www.sisp.cv) and the vinti4 (www.vinti4.cv) network;
- Launch of the new service management portals for banks, merchants (comerciante.vinti4.cv), and service entities (entidadeservico.vinti4.cv).

As for Business Management and Development, the various initiaves undertaken jointly with customers of the vinti4 Network are particularly noteworthy, namely the release, in production form, of the portals for banks, merchants, and service entities. Likewise, the "On-the-spot POS" and "On-the-spot Cards" services were made available to banks as a means to ensure "just in time" delivery of these services to its customers in a horizontal manner, across the national territory.

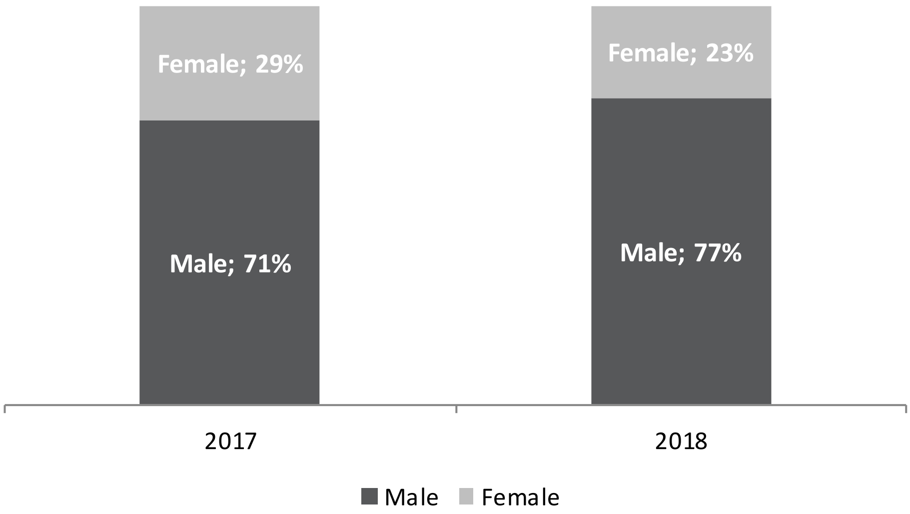
3.13 Human Resources

As at December 31, 2018, the total workforce at SISP comprised 53 employees, of which 26 are permanent staff, 25 fixed-term employees, and two interns.

Eleven (11) additional employees were employed in 2018 following the implementation of the new organizational structure, with the aim of meeting regulatory requirements, customer demands, and the new challenges faced by the company.

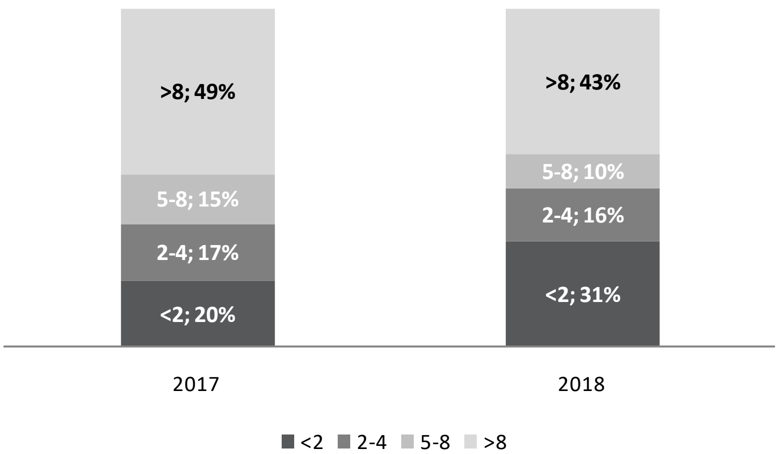
Staff distribution by gender is as follows:

Chart 9: Gender Distribution



As far as seniority is concerned, 53% of the workers have been with the company for over 5 years, which attests a certain degree of stability in the human resources.

Chart 10: Seniority



The average age of SISP employees in 2018 is 33,8 years.

3.13.1 Training

Throughout 2018, SISP continuously committed itself to the capacity building and development of its workforce in different areas. Accordingly, 11 training programs were held, which involved 46 participants, and a number of online training activities also benefitted 31 workers. A few staff members were granted the privilege of participating in more than one training event. All employees have benefitted from online training courses in a wide range of fields of knowledge made available by international platforms like Visa, MasterCard, Coursera, and Udemy, as a strategy for encouraging continuous learning.

Table 9: List of Training Activities organized in 2018

Training in 2018	No. of Participants
Oracle Database Administration - RAC module	2
Fortinet Firewall Administration	2
Risk Management with ERAMBA	6
Document Management & Digital Archive Systems	1
International Accounting Standards	4
EXPORH2018	1
Huawei Firewall Administration	1
Config & Adm. of VMware vSphere® 6.7	2
ISO 27001 Standard – Interpretation and implementation	10
Secure Information Risk Management	11
Sound Practices in Datacenter Management	6
Online Training	31
Total	**77**

3.14 Investment

Investment in 2018 absorbed around CVE 171,49 million, representing 19.7% of the operating income, while in 2017 that budget item totaled CVE 103,7 million, representing 13.8% of the operating income.

Investments include essentially the acquisition of payment terminals, equipment and software meant to reinforce high availability, hardware (servers, processors, and PCs), and other software and equipment destined for communication networks.

Table 10: Investment

Software	**73 235 570**
Tangible Fixed Assets	**98 256 485**
POS	44 034 538
Basic Equipment	41 243 931
Vehicles	11 157 959
Other Equipment	1 820 057
Total	**171 492 055**

Financing was entirely covered by own resources and funds.

4. FINANCIAL REVIEW

In 2018, in line with expectations, income from services increased by 16.21% when compared to 2017, chiefly supported by the rise in network transactions in virtually all segments.

The economic and financial analysis of the Company based on the financial statements summarizes the results achieved by SISP as at December 31, 2018, as well as its equity position and financial situation for the year then ended.

Table 11: Income Statement

Statement of Comprehensive Income as at December 31, 2018 and 2017
(Amounts expressed in Cabo Verdean Escudos)

Items	Notes	12/31/2018	12/31/2017	Change	% of Change
Provision of services and sales	14	869 079 303	747 873 020	121 206 283	16,21%
Cost of goods sold and materials consumed	7	(37 079 867)	(9 861 173)	(27 218 694)	276,02%
Gross Operating Income		**831 999 436**	**738 011 847**	**93 987 589**	**12,74%**
External supplies and services	15	**368 132 721**	**326 148 220**	**41 984 501**	**12,87%**
Gross Value Added		**463 866 715**	**411 863 627**	**52 003 088**	**12,63%**
Staff costs	16	**96 698 421**	**82 794 719**	**13 903 702**	**16,79%**
Provisions - Reversals	10	2 246 273	2 835 436	-589 163	-20,78%
Adjustment of inventories - Increases	7 & 10	(1 057 235)	(14 796)	-1 042 439	7045,41%
Fair value increase/reduction	6	41 755 054	44 454 598	-2 699 544	-6,07%
Adjustment in Impairment of Fixed Assets - Increases	10	(161 495)	0	(161 495)	
Adjustments in customer impairment/other Debtors	10	(3 120 128)	(6 049 900)	2 929 772	-48,43%
Other costs	17	**12 445 509**	**9 349 287**	**3 096 222**	**33,12%**
Tax	17	10 844 587	8 920 039	1 924 548	21,58%
Contributions	17	43 200	43 200	0	0,00%
Other costs and losses	17	1 557 722	386 048	1 171 674	303,50%
Other income and gains	17	2 798 416	868 807	1 929 609	222,10%
Income before amortization, financing losses/gains and tax		**397 183 670**	**361 813 766**	**35 369 904**	**9,78%**
Depreciation and amortization costs	5	**102 772 192**	**90 195 187**	**12 577 005**	**13,94%**
Intangible assets	5	15 175 457	10 977 398	4 198 059	38,24%
Tangible fixed assets	5	87 596 735	79 217 789	8 378 946	10,58%
Operating Income (before financing losses/gains and tax)		**294 411 478**	**271 618 579**	**22 792 899**	**8,39%**
Interest and gains received	18	4 400 950	4 489 198	(88 248)	-1,97%
Interest and losses paid	18	(8 733 023)	(8 597 480)	(135 543)	1,58%
Income Before Tax		**290 079 405**	**267 510 297**	**22 569 108**	**8,44%**
Income Tax for the Year	19	**(73 368 457)**	**(68 199 378)**	**(5 169 079)**	**7,58%**
Net Earnings for the Year		**216 710 948**	**199 310 919**	**17 400 029**	**8,73%**

4.1 Gross Value Added

Gross value added as at December 31, 2018 stood at CVE 463,86 million, an increase of approximately 12.63% in comparison with 2017, which represents CVE 52 million in absolute value. These results show the excellent network performance, as evidenced in the table above.

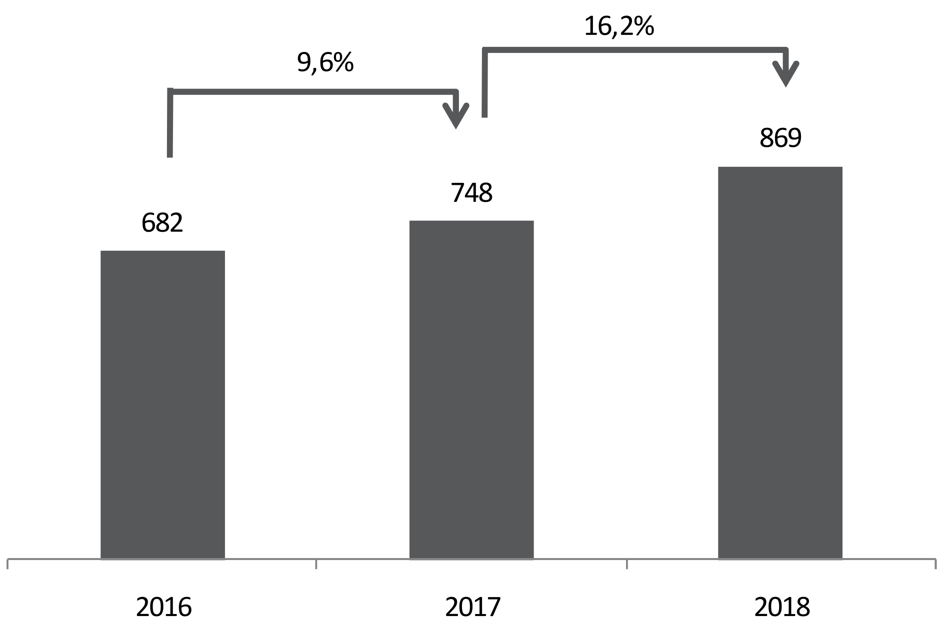
Operating income fixed at CVE 869 million in 2018, indicating a positive change of CVE 121,2 million as compared to 2017 (CVE 747,87 million).

4.2 Income

Income amounted to CVE 920,28 million, an increase of CVE 119,76 million when compared to 2017 (CVE 800,5 million). This increment was due to the increase seen in income from services.

Income from services rendered reached CVE 869 million, an additional CVE 121,2 million in year-on-year terms, benefitting from the positive contribution of income from services, automatic payment, and card holder access fee by 71.5%.

Chart 11: Provision of Services



4.3 Other Income and Gains

Gains deriving from fair value increases in the equity participation in Visa reached CVE 41.7 million when compared to its market value as at December 31, 2018, a decrease of 6% compared with the income from 2017.

Reversal of provisions in 2018 amounted to CVE 2,2 million and referrred to the cancellation of provisions for tax contingencies related to corporate tax (IRPC) for the year 2013. This figure stood at CVE 2,8 million for 2017.

Interest received from term deposits and similar investment totaled CVE 4.4 million, a decrease of 1.9% year-on-year.

4.4 Expenditures

Total Expenditures in 2018 reached CVE 630 million, representing an extra amount of CVE 97 million, plus 18.2% in year-on-year terms, as detailed below:

Table 12: Expenditures

	2018	2017	Absolute variation	% of Change
Total	**630.200.591**	**533.010.762**	**97.189.829**	18,23%
Costs of goods sold and materials consumed	37.079.867	9.861.173	27.218.694	276,02%
Third-party supplies and services	368.132.721	326.148.220	41.984.501	12,87%
Staff costs	96.698.421	82.794.719	13.903.702	16,79%
Impairment of assets	4.338.858	6.064.696	-1.725.838	-28,46%
Other costs	12.445.509	9.349.287	3.096.222	33,12%
Depreciation and amortization costs	102.772.192	90.195.187	12.577.005	13,94%
Interest and loss paid	8.733.023	8.597.480	135.543	1,58%

Operating costs, excluding depreciation, amortization, and impairment, evidenced an increase of 20% year-on-year, totaling CVE 514,3 million. This change is substantially determined by the performance of direct operating expenses, namely costs with Visa and MasterCard International Acquiring services and other operating expenses that include third-party services.

Staff Costs amounted to CVE 96.6 million in 2018, a rise of 16.7%, which means plus CVE 13.9 million in terms of absolute value as compared to 2017. The increase results essentially from the recruitment of new technicians and greater commitment to specialization and Human Capital development.

The ratio Staff Costs / Provision of Services stood at 11% in 2018 and 2017, representing approximately 15% of the total costs incurred by the Company.

Amortization costs fixed at CVE 102,7 million, an increase of 13.9% in line with the rise in non-current assets recorded in the period.

The ratio CAPEX/operating income settled at 19.7% (13.8% in 2017) while depreciation and amortization costs represented 11.8% of the operating income and 12% in 2017.

The item “Impairment” includes the provisions for doubtful claims, in the total amount of CVE 4,3 million.

Other Costs and Losses

The item “Other Costs” in the amount of CVE 12,4 million (CVE 9,3 million in 2017) includes mostly stamp duties, donations, contributions and settlement of the final rate of VAT’s *pro-rata*.

Financing Interest and Losses basically comprises expenses related with bank guarantees, processing costs, and foreign exchange losses in the amount of CVE 8.7 million.

4.5 Net Profit for the Year

Net Profit for the Year presented a positive change of 8.7% and CVE 17,4 million in absolute value as compared to the previous year, reaching the amount of CVE 216,7 million. The main contribution to this growth came from the increase in income from Automatic Payment and Access Fee.

The change in costs with external supplies and services and personnel costs stand out unfavorably with 12.8% and 16.8%, respectively.

As a result of the increase in operating income, higher than costs, which reflects the continuous efficiency efforts that characterize the Company’s performance at all times, EBITDA grew by 9.78% between 2017 and 2018, standing at CVE 397,1 million.

5. FINANCIAL SITUATION

5.1 Balance Sheet Position

On December 31, 2018, net assets amounted to CVE 1.385,5 million, which corresponds to a decrease of 4.65% (67,6 million less) as compared to the value recorded in December 2017.

On December 31, 2017, net assets reached CVE 1.453,2 million.

Table 13: Balance Sheet Position

Assets	12/31/2018	12/31/2017	Change	% of Change
Non-current assets	**511.770.203**	**393.144.239**	**118.625.964**	**30,17%**
Tangible fixed assets	167.862.112	149.936.008	17.926.104	11,96%
Intangible assets	99.069.479	40.124.673	58.944.806	146,90%
Financial investment	244.838.612	203.083.558	41.755.054	20,56%
Current assets	**873.820.812**	**1.060.073.713**	**-186.252.901**	**-17,57%**
Inventories	63.551.044	67.713.730	-4.162.686	-6,15%
Short-term debt	396.909.281	388.513.458	8.395.823	2,16%
Bank deposits and cash	413.360.488	603.846.526	-190.486.038	-31,55%
Total Assets	**1.385.591.016**	**1.453.217.953**	**-67.626.937**	**-4,65%**
Owner Equity	**888.903.573**	**771.848.085**	**117.055.488**	**15,17%**
Share Capital and Reserves	672.192.625	572.537.166	99.655.459	17,41%
Net Earnings for the Year	216.710.948	199.310.919	17.400.029	8,73%
Liabilities	**496.687.442**	**681.369.868**	**-184.682.425**	**-27,10%**
Non-current liabilities	690.938	2.765.521	-2.074.583	-75,02%
Current liabilities	495.996.504	678.604.347	-182.607.842	-26,91%
Owner Equity + Liabilities	**1.385.591.016**	**1.453.217.953**	**-67.626.937**	**-4,65%**

Such decrease derives essentially from the following factors:

- Decrease in current assets of CVE 186,25 million. In this regard, emphasis should be put on the decrease in cash and cash equivalents of CVE 190,48 million, caused by a reduction in the outstanding balances pending clearance and related with the acquiring business (Visa and MasterCard);
- Increase in non-current assets of CVE 118 million, generated by the investments made for different projects developed by the company in 2018;
- Decrease in Inventories by CVE 4,16 million;
- Increase in equity participation by 20.56%, i.e., an additional CVE 41,75 million.

In 2018, Owner Equity settled at CVE 116,8 million, an increase of 15.1%, due to the combined effect of incorporating 40% of the net profit for 2017 in reserves, as well as the impact of the increase on the Net Profit for the Year of CVE 17,1 million.

Total Liabilities reached CVE 496,6 million, a decrease of CVE 184,6 million in comparison to the previous year, justified by the drop in the clearing debt connected with the acquiring business. Moreover, provisions (non-current liabilities) dropped by CVE 2,07 million.

5.2 Management Indicators

The Profitability Ratios suggest that the company has been profitable, with the EBITDA (excluding the impact of fair value, impairment, and provisions) increasing by 11.52%.

In conformity with the prudential rules, SISP presents a good performance and financial soundness, with owner equity exceeding CVE 800 million, 11.87% higher than in 2017.

With the increase seen in Owner Equity, the ratio "Coverage of Fixed Assets" stands very high at 488,81% in 2018, albeit below the value recorded in 2017 (591.91%).

Pursuant to the provisions set in the rules and regulations approved by the Central Bank (Banco de Cabo Verde), the Solvency Ratio reached 59.19%, well above the minimum of 12% legally required.

Table 14: Management Indicators

Ratios	2018	2017	2016	Change
Profitability (millions of CVE)				
EBITDA	357,5 mCVE	320,5 mCVE	307,4 mCVE	11,52%
Return on Equity	24,38%	25,82%	24,17%	-5,58%
Return on Assets (ROA)	21,25%	18,69%	19,00%	13,69%
Net Return on Sales	24,94%	26,65%	23,72%	-6,43%
Operational Efficiency				
Average Period of Receivables	48	47	40	2,62%
Overall Liquidity	1,76	1,56	1,72	12,93%
Reduced Liquidity	1,63	1,46	1,66	11,89%
Immediate Cash Flow	0,83	0,89	1,14	-6,36%
Prudential Indicators (millions of CVE)				
Equity	823.1mCVE	735.8mCVE	627.9mCVE	11,90%
Solvency	59,20%	59,09%	57,86%	0,19%
Coverage of Fixed Assets	488,94%	591,91%	612,02%	-17,40%

5.3 Proposal for the Appropriation of Net Income

Taking into consideration the dividend distribution policy and exercising the prerogatives conferred by Law and the Company's Articles of Association, the Board of Directors hereby proposes to the General Meeting of Shareholders that, under the terms set forth in the applicable legal and statutory provisions, the Net Earnings of CVE 216.710.948 in respect of the financial year 2018 be appropriated as follows:

Table 15: Proposal for the appropriation of Net Income

	%	Amount (in CVE)
Dividends	**50%**	**108.355.474**
Legal Reserve	**10%**	**21.671.095**
Other Reserves	**40%**	**86.684.379**
Total		**216.710.948**

The present proposal for the appropriation of net income is justified by the fact that the Company is currently undergoing major investments related with the modernization of its infrastructure, security and high service availability enhancement, start-up of activities connected with new business opportunities, namely SWIFT, PKI, and other relevant projects, construction of the new headquarter building, as well as possible initiation of an international expansion process. Moreover, the need for investments should be considered in conjunction with the ongoing demand from banks so as to promote a more significant tariff reduction in the course of 2019 combined with greater sharing of the operating revenues.

5.4 Income Statements

Statement of Comprehensive Income as at December 31, 2018 and 2017					
(Amounts expressed in Cabo Verdean Escudos)					
Items	**Notes**	**12/31/2018**	**12/31/2017**	**Change**	**% of Change**
Provision of services and sales	14	869 079 303	747 873 020	121 206 283	16,21%
Cost of goods sold and materials consumed	7	(37 079 867)	(9 861 173)	(27 218 694)	276,02%
Gross Operating Income		**831 999 436**	**738 011 847**	**93 987 589**	**12,74%**
External supplies and services	15	**368 132 721**	**326 148 220**	**41 984 501**	**12,87%**
Gross Value Added		**463 866 715**	**411 863 627**	**52 003 088**	**12,63%**
Staff costs	16	**96 698 421**	**82 794 719**	**13 903 702**	**16,79%**
Provisions - Reversals	10	2 246 273	2 835 436	-589 163	-20,78%
Adjustment of inventories - Increases	7 & 10	(1 057 235)	(14 796)	-1 042 439	7045,41%
Fair value increase/reduction	6	41 755 054	44 454 598	-2 699 544	-6,07%
Adjustment in Impairment of Fixed Assets - Increases	10	(161 495)	0	(161 495)	
Adjustments in customer impairment/other Debtors	10	(3 120 128)	(6 049 900)	2 929 772	-48,43%
Other costs	17	**12 445 509**	**9 349 287**	**3 096 222**	**33,12%**
Tax	17	10 844 587	8 920 039	1 924 548	21,58%
Contributions	17	43 200	43 200	0	0,00%
Other costs and losses	17	1 557 722	386 048	1 171 674	303,50%
Other income and gains	17	2 798 416	868 807	1 929 609	222,10%
Income before amortization, financing losses/gains and tax		**397 183 670**	**361 813 766**	**35 369 904**	**9,78%**
Depreciation and amortization costs	5	**102 772 192**	**90 195 187**	**12 577 005**	**13,94%**
Intangible assets	5	15 175 457	10 977 398	4 198 059	38,24%
Tangible fixed assets	5	87 596 735	79 217 789	8 378 946	10,58%
Operating Income (before financing losses/gains and tax)		**294 411 478**	**271 618 579**	**22 792 899**	**8,39%**
Interest and gains received	18	4 400 950	4 489 198	(88 248)	-1,97%
Interest and losses paid	18	(8 733 023)	(8 597 480)	(135 543)	1,58%
Income Before Tax		**290 079 405**	**267 510 297**	**22 569 108**	**8,44%**
Income Tax for the Year	19	**(73 368 457)**	**(68 199 378)**	**(5 169 079)**	**7,58%**
Net Earnings for the Year		**216 710 948**	**199 310 919**	**17 400 029**	**8,73%**

Balance Sheet as at December 31, 2018 and 2017

(Amounts expressed in Cabo Verdean Escudos)

Items	Notes	12/31/2018	12/31/2017	Change	%
ASSETS					
Non-current assets					
Tangible fixed assets	5	**167 862 112**	**149 936 008**	**17 926 104**	**11,96%**
Land	5	5 915 292	5 915 292	0	0,00%
Buildings and other construction	5	14 032 075	16 255 810	-2 223 735	-13,68%
Basic equipment	5	87 203 126	81 105 428	6 097 698	7,52%
Transport equipment	5	13 114 986	6 414 197	6 700 789	104,47%
Office equipment	5	3 633 728	3 905 007	-271 279	-6,95%
Tools and utensils	5	2 897	6 329	-3 432	-54,23%
Advances for tangible fixed assets	5	43 960 008	36 333 945	7 626 063	20,99%
Intangible assets	5	**99 069 479**	**40 124 673**	**58 944 806**	146,90%
Computer programs (Software)	5	44 428 848	11 910 953	32 517 895	273,01%
Other intangible assets	5	6 725 305	9 754 945	-3 029 640	-31,06%
Advances for intangible assets	5	47 915 326	18 458 775	29 456 551	159,58%
Financial investment- other methods	6	**244 838 612**	**203 083 558**	**41 755 054**	20,56%
Shares	6	244 838 612	203 083 558	41 755 054	20,56%
Total non-current assets		**511 770 203**	**393 144 239**	**118 625 964**	**30,17%**
Current assets					
Inventories	7	**63 551 044**	**67 713 730**	**-4 162 686**	**-6,15%**
Goods	7	2 869 725	22 175 964	-19 306 239	-87,06%
Raw materials, secondary and consumables	7	60 681 319	45 537 766	15 143 553	33,25%
Customers	11	342 908 723	304 316 477	38 592 246	12,68%
Other accounts receivable	11	36 125 171	70 885 828	-34 760 657	-49,04%
Deferrals	8	17 875 387	13 311 153	4 564 234	34,29%
Bank deposits	4	413 360 488	603 846 526	-190 486 038	-31,55%
Total current assets		**873 820 812**	**1 060 073 713**	-186 252 901	**-17,57%**
Total Assets		**1 385 591 016**	**1 453 217 953**	**-67 626 937**	**-4,7%**
NET POSITION AND LIABILITIES					
OWNER EQUITY					
Capital	9	100 000 000	100 000 000	0	0,00%
Legal reserves	9	51 263 738	31 332 646	19 931 092	63,61%
Free reserves	9	14 401 872	14 401 872	0	0,00%
Other reserves	9	451 760 691	372 036 324	79 724 367	21,43%
Retained earnings		54 766 324	54 766 324	0	0,00%
Net profit for the year		216 710 948	199 310 919	17 400 029	8,73%
Total Owner Equity		**888 903 573**	**771 848 085**	**117 055 488**	**15,2%**
LIABILITIES					
Non-current liabilities					
Provisions	10	690 938	2 765 521	-2 074 583	-75,02%
Total non-current liabilities		**690 938**	**2 765 521**	**-2 074 583**	**-75,0%**
Current liabilities					
Suppliers - investments	11	5 649 356	16 429 227	-10 779 871	-65,61%
Suppliers, current account	11	29 719 499	28 471 965	1 247 534	4,38%
Customer advances	11	-	21 373 896	-21 373 896	100,00%
Visa/MasterCard Clearing	12	345 110 727	404 568 638	-59 457 911	-14,70%
State and other public bodies	13	37 191 783	51 365 907	-14 174 123	-27,59%
Other accounts payable	11	61 780 870	143 724 114	-81 943 244	-57,01%
Accrued costs	8	16 544 269	12 670 600	3 873 669	30,57%
Total current liabilities		**495 996 504**	**678 604 347**	**-182 607 842**	**-26,9%**
Total Liabilities		**496 687 442**	**681 369 868**	**-184 682 425**	**-27,10%**
Total Owner Equity and Liabilities		**1 385 591 016**	**1 453 217 953**	**-67 626 937**	**-4,7%**

Statement of Cash Flows as at December 31, 2018 and 2017

(Amounts expressed in Cabo Verdean Escudos)

Indirect Method		Notes	12/31/2018		12/31/2017	
Cash flows of operating activities:						
Net earnings for the year			216 710 948		199 310 919	
Adjustments:						
Amortization and depreciation	(+)	5	102 772 192		90 195 187	
Provisions	(+/-)	10	(2 074 583)		(2 835 436)	
Interest and similar income received	(-)	18	(4 400 950)		(4 489 198)	
Interest and similar cost paid	(+)	18	8 733 023		8 597 480	
Gains from the sale of tangible fixed assets	(-)	17	(1 820 381)		(164 731)	
Gains from Fair Value increases -VISA	(-)	6	(41 755 054)		(44 454 598)	
Reductions from Fair Value decreases -VISA			-		-	
Decreases in Inventories	(+)	7	4 162 686		-	
Increases in Inventories	(+)	7	-		(37 169 092)	
Increases in accounts receivable		11	(38 592 246)		(141 039 716)	
Decreases in accounts receivable	(-)	11	34 760 657		-	
Increase in deferred costs	(-)	8	(4 564 234)		-	
Decrease in deferred costs	(+)	8	-		2 081 421	
Decrease in deferred tax assets	(+)					
Increase in accounts payable	(+)	11	1 247 534		191 223 899	
Decrease in accounts payable	(-)	11	(187 729 045)		-	
Dcrease in deferred tax liabilities						
Shareholder increase	(-)		-		-	
Decrease in deferred income	(-)		-		-	
Increase in deferred income	(+)		-		0	
Increase in accrued costs	(+)	8	3 873 669		5 477 334	
Decrease in accrued costs	(-)		-			
Losses on the sale of Tangible Fixed Assets	(+)		0		0	
Rounded-off figures						
Cash flows of operating activities (1)				91 324 216		266 733 469
Cash flows of investment activities:						
Payments related to:						
Other financial assets			-		-	
Tangible fixed assets		5	(105 522 839)		(89 490 985)	
Intangible assets		5	(74 120 263)		(21 339 182)	
....				(179 643 102)		(110 830 167)
Receivables from:						
Tangible fixed assets		17	1 820 381		164 731	
Interest and similar income		18	3 304 050		3 618 006	
Dividends		17	1 096 900		871 192	
....				6 221 331		4 653 929
Cash flows of investment activities (2)				(173 421 771)		(106 176 238)
Financing activities:						
Receivables from:						
Financing received			-		-	
Capital increases, additional paid-in capital and share premiums						
Subsidies and grants						
Sale of own shares						
Coverage of losses						
....				-		-
Payables from:						
Loans received			-		-	
Depreciation on leasing contracts						
Interest and similar cost		18	(8 733 023)		(8 597 480)	
Dividends			(99 655 460)		(97 095 577)	
Cash flows of financing activities (3)				(108 388 483)		(105 693 057)
				31 dez 18		**31 dez 17**
Changes in cash and cash equialents (4) = (1) + (2) + (3)				(190 486 038)		54 864 174
Effects from foreign exchange differences				-		-
Cash and cash equivalents in the beginning of the year		4		603 846 526		548 982 352
Cash and cash equivalents at the end of the year		4		413 360 488		603 846 526

Statement of Changes in Owner Equity as at December 31, 2018

(Amounts expressed in Cabo Verde Escudos)

Description	Notes	Paid-in Capital	Legal Reserves	Free Reserves	Other Reserves	Retained Earnings	Net Profit for the Year	Total
POSITION IN THE BEGINNING OF THE YEAR 2017 (1)		**100 000 000**	**31 332 646**	**14 401 872**	**307 305 939**	**54 766 324**	**161 825 962**	**669 632 743**
CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD								
Net Earnings for the Year		-	-	-	-	-	199 310 919	199 310 919
Appropriation of Net Income	9	-	-	-	64 730 385	-	(64 730 385)	-
Extensive Result (2)		**100 000 000**	**31 332 646**	**14 401 872**	**372 036 324**	**54 766 324**	**296 406 496**	**868 943 662**
TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD								
Capital Increases								
Share Premiums								
Dividend Distribution		-	-	-	-	-	(97 095 577)	(97 095 577)
(3)								
POSITION IN THE BEGINNING OF THE YEAR 2018 (4)=(1+2+3)		**100 000 000**	**31 332 646**	**14 401 872**	**372 036 324**	**54 766 324**	**199 310 919**	**771 848 085**
CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD								
Net Earnings for the Year		-	-	-	-	-	216 710 948	216 710 948
Appropriation of Net Income	9	-	19 931 092	-	79 724 367	-	(99 655 459)	0
		100 000 000	**51 263 738**	**14 401 872**	**451 760 691**	**54 766 324**	**316 366 408**	**988 559 033**
TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD								
Dividend Distribution		-	-	-	-	-	(99 655 460)	(99 655 460)
(6)								
POSITION AT YEAR-END (4+5+6)		**100 000 000**	**51 263 738**	**14 401 872**	**451 760 691**	**54 766 324**	**216 710 948**	**888 903 573**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Notes to the financial statements as at 31 December 2018
(Amounts expressed in Cabo Verdean Escudos - CVE)

1. FOREWORD

The SISP, Sociedade Interbancária e Sistemas de Pagamentos ("SISP" or "Company") is a nonbank institution whose shareholders are the State, as the country's primary payer, the Banco de Cabo Verde, as the regulatory and supervisory entity and promoter of solid Clearing and Payment Systems, the commercial banks legally authorized to operate in Cabo Verde, namely Banco Comercial do Atlântico, S.A., Banco Interatlântico, SARL, Banco Caboverdiano de Negócios, S.A. and Caixa Económica de Cabo Verde, S.A., and also Cabo Verde Telecom whose role as a provider of telecommunications services is of particular relevance and interest for Payment Systems development. The Company was established in 1999 and has its head office at Achada Santo António - Praia, Cabo Verde.

The financial statements as at December 31, 2018 were approved by the Board of Directors at its meeting held on April 25, 2019.

In the opinion of the Board of Directors, these financial statements give a true and fair view of the Company's operations, as well as its financial position and performance and cash flows.

2. ACCOUNTING STANDARDS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared under the provisions in force in Cabo Verde, namely the Ordinance No. 49/2008, of 29 December, of the Ministry of Finance, which orders the adoption of the System of Accounting Standards for Cabo Verde ("SNC"), replacing the National Chart of Accounts (POC) approved by Decree No. 4/84, dated January 30, which includes a set of Financial Reporting Standards ("FRS"). Even though, as provided for in Notice No. 2/2007 of the Banco de Cabo Verde, non-bank entities such as SISP, should adopt the International Financial Reporting Standards, in August 2008 SISP was authorized by the Banco de Cabo Verde to use the POC, and thus moved forward to the FRS.

The FRSs have been adopted for the periods starting on or after January 1, 2009. This Financial Reporting and Accounting System is intended to transpose into the national law the Financial Reporting Standards which are an adaptation of the International Accounting Standards and the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

The International Financial Reporting Standards (IFRS) are currently on the agenda of the Banco de Cabo Verde and, therefore, no date has been so far defined for its implementation.

3. BASES OF PRESENTATION AND KEY ACCOUNTING POLICIES

The key accounting criteria used in preparing the financial statements are the following:

3.1 Bases of presentation

The attached financial statements have been prepared under the assumption of business continuity, from the books and accounting records of the Company, in accordance with the Financial Reporting Standards.

3.2 Tangible fixed assets

Tangible fixed assets are stated at acquisition or production cost, which includes the purchase cost and any costs directly attributable to the activities required to place the assets in the location and condition necessary for operating as intended, minus depreciation and losses for accumulated impairment.

Depreciation is calculated on a monthly basis following the time at which the asset is ready to be used, according to the straight-line basis, in conformity with the period of useful life estimated for each group of assets.

The depreciation rates used correspond to the following periods of estimated useful life:

Item of Tangible Fixed Assets	Years
Buildings and other construction	5 to 25
Basic equipment - POS	2
Basic equipment - other	3 to 12
Transport equipment	4
Tools and utensils	5 to 12
Office equipment	4 to 12

The useful lives and the depreciation method of the various assets are reviewed on an annual basis. The effect of any changes on these estimates is recognized prospectively in the income statement.

The costs of maintenance and repair (subsequent expenditure) that are unlikely to generate future, additional economic benefits are recorded as expenses in the period they are incurred.

The gain (or loss) deriving from the sale or cancellation of a tangible fixed asset is determined as the difference between the fair value of the amount received or receivable in the transaction and the amount of the asset net of accumulated depreciation, and is recognized in results in the period in which the sale or cancellation occurs.

3.3 Intangible assets

Intangible assets are recorded at cost, less depreciation and losses due to accumulated impairment.

Expenditures on research activities are recorded as expenses in the period they are incurred.

Depreciation of intangible assets is recognized on a straight-line basis over the estimated useful lives of the intangible assets.

The depreciation rates used correspond to the following periods of estimated useful lives:

Item of Intangible Assets	Years
Computer Programs	3 to 5
Industrial Property - Trademark and Patents	3 to 10
Other Intangible Assets	3 to 10

The useful lives and depreciation method of the various intangible assets are reviewed annually. The effect of any changes on these estimates is recognized prospectively in the income statement.

3.4 Impairment of tangible and intangible fixed assets

At each reporting date, the Company reviews the book value of its tangible and intangible fixed assets to determine if there is any indication that they may be impaired. If any such indicator exists, then the recoverable amount of the respective assets (or the cash-generating unit) is estimated in order to determine the extent of the impairment loss.

Where the book value of the asset (or the cash-generating unit) exceeds its recoverable amount, an impairment loss is recognized. The impairment loss is immediately recorded in the income statement under "Impairment losses".

The reversal of impairment losses recognized in prior years is recorded when there is evidence that the previously recognized impairment losses no longer exist or have decreased.

The reversal of impairment loss is recognized in the income statement under "Reversals of impairment."

3.5 Inventories

Inventories are stated at their historical cost. Cost includes all purchase costs and other costs incurred to place the goods on their site and in their present condition. In situations where the cost value is higher than the net realizable value, an adjustment is recorded (impairment loss) for the related difference. Variations of the year in impairment losses of inventories are recorded in items of results "Inventory adjustments - Losses/Reversals."

The inventory costing method adopted by the Company consists of the weighted average cost.

3.6 Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet when the Company becomes part of the relevant contractual provisions, being recorded in accordance with the provisions of FRS 16 - Financial Instruments.

Financial assets and liabilities are so measured based upon the following criteria: (i) at cost or amortized cost and (ii) at fair value with changes recognized in the income statement.

(i) At cost or amortized cost

The financial assets and liabilities that have the following characteristics are measured "at cost or amortized cost”:

- Those in cash or with a defined maturity;
- Those associated with a fixed or determinable return, and
- Those that are not a derivative financial instrument or do not incorporate a derivative financial instrument.

The amortized cost is determined by using the effective interest method. The effective interest rate is calculated by the rate that exactly discounts future cash payments or receipts estimated through the expected life of the financial instrument in the net amount of the financial asset or liability (effective interest rate).

This category includes, therefore, the following financial assets and liabilities:

i. Customers and other receivables

The balances of customers and other debtors are recorded at amortized cost less any impairment losses. Usually, the amortized cost of these financial assets does not differ from their nominal value.

ii. Cash and bank deposits

The amounts included under "Cash and bank deposits" correspond to cash, bank deposits and other cash investments that will mature in less than three months and for which the risk of value change is insignificant.

These assets are measured at amortized cost. As a rule, the amortized cost of these financial assets does not differ from their nominal value.

iii. Suppliers and other payables

The balances of suppliers and other payables are stated at amortized cost. Usually, the amortized cost of these liabilities does not differ from their nominal value.

iv. Financing received

Financing received are recorded in liabilities at amortized cost.

Any expenses incurred in obtaining such financing, including bank charges and stamp duty, as well as interest and similar expenses, are recognized in the income statement over the lifetime of such funding. While they are not recognized, these expenses incurred are deducted from the caption "Financing received".

v. At fair value with changes recognized in the income statement

All financial assets and liabilities not included in the category "at cost or amortized cost", are incorporated in the category "at fair value with changes recognized in the income statement".

Such financial assets and liabilities are measured at fair value, being any changes in the respective fair value recorded in the income under "Losses from fair value reductions" and "Gains from fair value increases."

In the particular case of SISP, this category includes financial contributions to entities other than subsidiaries, jointly controlled and associated companies. These investments are measured at fair value, being any changes in the respective fair value recorded in the income statement, except where they relate to entities whose equity instruments are not publicly traded (shares not listed on the Stock Exchange) and whose fair value cannot be determined reliably, in which case they are measured at cost less accumulated impairment losses. Derivative financial instruments related to such equity instruments are also included in the category "at cost or amortized cost", being measured at cost less accumulated impairment losses.

vi. Impairment of financial assets

Financial assets included in the category "at cost or amortized cost" are subject to impairment testing at each reporting date. These financial assets are impaired when there is objective evidence that as a result of one or more events after their initial recognition, its estimated future cash flows are affected.

For financial assets measured at amortized cost, the impairment loss to be recognized is the difference between the book value of the asset and the present value at the reporting date of the new estimated future cash flows discounted at their original effective interest rate.

For financial assets measured at cost, the impairment loss to be recognized is the difference between the book value of the asset and the best estimate of the asset's fair value at the reporting date.

Impairment losses are recorded in the income statement under "Impairment of receivables" or "Impairment of non-depreciable assets" in the period they are determined.

Subsequently, if the amount of the impairment loss decreases and such decrease can be objectively related to an event that took place after recognition of the loss, this should be reversed against results. The reversal should be done up to the limit of the amount that would be recognized (amortized cost) in case the loss had not been initially recorded. Reversal of impairment losses is recorded in the income statement under "Reversals of impairment." Reversal of impairment losses recorded on investments in equity instruments measured at weighted cost will not be allowed.

3.7 Revenues

Revenue is measured through the fair value of the amount received or receivable. Recognized Revenue is deducted from the amount of returns, rebates and other discounts and does not include Value Added Tax (VAT) and other taxes related with the sale.

The proceeds obtained from the sale of goods are recognized once all the following conditions are met:

- All risks and advantages associated with property ownership have been transferred to the buyer;
- The Company does not keep any control over the goods sold;
- The amount of revenue can be measured reliably;
- It is likely that future economic benefits associated with the transaction will flow to the Company;
- Costs incurred or to be incurred with the transaction can be measured reliably.

Revenue from the provision of services is recognized based on the percentage of completion of the transaction/service provided that all the following conditions are met:

- The amount of revenue can be measured reliably;
- It is probable that future economic benefits associated with the transaction will flow to the Company;
- Costs incurred or to be incurred with the transaction can be measured reliably;
- The stage of completion of the transaction/service can be reliably measured.

Revenue from interest is recognized by using the effective interest method, provided that it is likely that economic benefits will flow to the Company and its amount can be reliably measured.

Revenue from dividends is recognized once the right of the Company to receive the corresponding amount has been established.

3.8 Income Tax

Tax on income for the year recorded in the income statement is the sum of current taxes to deferred tax. Current tax and deferred taxes are recorded as income, except when deferred taxes relate to items recognized directly in equity, in which case they are recorded in owner equity.

Current tax payable is calculated based on the Company's taxable income. Taxable income differs from accounting income since it excludes various income and expenses that will only be taxable or deductible in other years, as well as expenses and revenues that are never taxable or deductible.

Deferred taxes relate to temporary differences between the amounts of assets and liabilities for accounting reporting purposes and the respective amounts for tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be in force at the date of reversal of the corresponding temporary differences, based on tax rates (and tax laws) that are formally issued at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences for which there is reasonable expectation of sufficient future taxable income to utilize these deferred tax assets, or taxable temporary differences that revert in the same reversal period of the deductible temporary differences. At each reporting date the Company reviews its deferred tax assets and they are adjusted according to the expectations regarding their future use.

3.9 Foreign currency transactions and balances

Transactions in foreign currencies (a currency other than the Company's functional currency) are recorded at the exchange rates in force at the dates of the transactions. At each reporting date, the book value of the monetary items denominated in foreign currencies is updated at the exchange rates in force on that date. Non-monetary items recorded at fair value denominated in foreign currencies are updated at the exchange rates of the date of determination of fair value. The book values of non-monetary items recorded at historical cost and denominated in foreign currencies are not updated.

Exchange differences calculated on the date of receipt or payment of foreign currency transactions and those resulting from the above updates are recorded in the income statement for the period in which they are generated.

3.10 Provisions and contingent liabiities

Provisions are recorded when the Company has a present obligation (legal or constructive) resulting from a past event and it is likely that, in order to settle that obligation, an outflow of resources occurs and the amount of the obligation can be reasonably estimated.

The amount of provisions recorded is the best estimate, at the reporting date, of the resources required to settle the obligation. This estimate, as revised at each reporting date, is determined taking into account the risks and uncertainties associated with each obligation.

Contingent liabilities are not recognized in the financial statements but are disclosed when the possibility of an outflow of resources encompassing economic benefits is not remote.

Contingent assets are not recognized in the financial statements but are disclosed when it is likely the existence of a future economic inflow of resources.

3.11 Accrual

The Company records its income and expenses in accordance with the principle of accruals by which income and expenses are recognized as they are generated, regardless of the time of the respective receipt or payment. The differences between the amounts received and paid and the corresponding income and expenses are recorded as assets or liabilities.

3.12 Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (“adjusting events" or events after the balance sheet date that give rise to adjustments) are reflected in the financial statements. Events after the balance sheet date that provide information on conditions occurring after the balance sheet date (“non-adjusting events" or events after the balance sheet date that lead to no adjustments) are disclosed in the financial statements if considered constructive.

3.13 Critical judgments and key sources of uncertainties associated with estimates

In preparing the attached financial statements, judgments and estimates have been made and various assumptions used that affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and expenses for the period.

The estimates and underlying assumptions were determined by reference to the reporting date based on the best knowledge available at the date of approval of the financial statements of the events and transactions in progress, as well as the experience of past and/or current events. However, situations could occur in subsequent periods which were not considered in these estimates whereas they were not foreseeable at the date of approval of the financial statements. Changes to the estimates that occur after the date of the financial statements are corrected prospectively. For this reason and given the related degree of uncertainty, actual results of the transactions in question may differ from the corresponding estimates.

The main judgments and estimates made in preparing the financial statements were as follows:

a) Useful life of the equipment called "POS" - In 2010, the Company conducted a study on the use and replacement of the POS equipment in order to determine the useful life of such equipment. Accordingly, a useful life of two years was assigned, which will be periodically reviewed. In 2018, the Company still applies the conclusions drawn in the study carried out in 2010 whereas it is considered up-to-date.

b) Taxes on income (current and deferred) are determined by the Company based on the rules defined by the tax regime in force. Nevertheless, in some situations, tax laws may not be sufficiently clear and objective and lead to the existence of different interpretations. The recorded values result from the best understanding of the Company's governing bodies on the proper framework of its operations, which is, however, likely to be questioned by tax authorities. In preparing the estimates for the year 2018, the Company considered the provisions anticipated in the Corporate Income Tax Code (IRPC Code).

4. CASH FLOWS

For the purposes of the statement of cash flows, cash and cash equivalents comprise immediately available bank deposits (with a maturity of three months or less) and money-market investments net of bank overdrafts and other equivalent short-term debt.

On December 31, 2018 and 2017, the item Cash and cash equivalents is as follows:

	12/31/2018	12/31/2017
Immediately available bank deposits		
. At national banks	64.741.271	58.698.136
. At foreign banks	313.619.217	400.961.193
Cash and cash equivalents	378.360.488	459.659.329
Term deposits	35.000.000	144.187.197
Bank deposits and cash	413.360.488	603.846.526

On December 31, 2018, the item "Term deposits" relates to one term deposit, which earns interest at the gross annual average rate of 3.75% and will mature in October of the subsequent year.

On December 31, 2017, the item "Term deposits" relates to 5 term deposits, which earn interest at the gross annual average rate of 2.56% and will mature in July and October of the subsequent year.

On December 31, 2018 and 2017, the item "Immediately available bank deposits - at foreign banks" basically includes the balances related with international settlement transactions with VISA and MasterCard (Note 12) and totaled CVE 345.110.727 in 2018.

5. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

During the years 2018 and 2017, changes in the items of tangible fixed assets and intangible assets were as follows:

	12/31/2017				12/31/2018			
	Net Value	Purchases	Disposal/Write off Transfers	Depreciation for the Year	Gross Value	Accumulated Depreciation	Impairment	Net Value
Tangible fixed assets								
Land	5 915 292	-	-	-	5 915 292	-	-	5 915 292
Buildings and other construction	16 255 810	-	-	(2 223 735)	57 728 376	(43 696 301)	-	14 032 075
Basic equipment	81 105 428	4 401 274	81 761 439	(80 065 015)	558 802 882	(471 599 755)	-	87 203 126
Transport equipment	6 414 197	11 157 959	-	(4 457 170)	33 877 394	(20 762 408)	-	13 114 986
Office equipment	3 905 007	483 946	92 158	(847 383)	13 504 855	(9 871 127)	-	3 633 728
Tools and utensils	6 329	-	-	(3 432)	1 583 308	(1 580 411)	-	2 897
Advances for tangible fixed assets	36 333 945	84 240 502	(81 853 597)	-	40 536 321	-	(1 815 471)	38 720 850
Advances for tangible fixed assets (Head Office)	-	5 239 158	-	-	5 239 158	-		5 239 158
	149 936 008	105 522 839	-	(87 596 735)	717 187 586	(547 510 002)	(1 815 471)	167 862 112
Intangible assets								
Computer programs (Software)	11 910 953	8 327 248	36 336 464	(12 145 817)	279 425 709	(234 996 861)	-	44 428 848
Industrial property - trademark and patents	0	-	-	-	479 238	(479 238)	-	0
Other intangible assets	9 754 945	-	-	(3 029 640)	22 572 493	(15 847 188)	-	6 725 305
Advances for intangible assets	18 458 775	65 793 015	(36 336 464)	-	48 785 910	-	(870 584)	47 915 326
	40 124 673	74 120 263	-	(15 175 457)	351 263 350	(251 323 287)	(870 584)	99 069 479
	190 060 681	179 643 102	-	(102 772 192)	1 068 450 936	(798 833 289)	(2 686 055)	266 931 591

	Initial Balance	12/31/2017						
	Net Value	Purchases	Transfers and disposals	Depreciation for the Year	Gross Value	Accumulated depreciation	Impairment	Net Value
Tangible fixed assets								
Land	5 915 292	-	-	-	5 915 292		-	5 915 292
Buildings and other construction	18 479 545	-	-	(2 223 735)	57 728 376	(41 472 566)	-	16 255 810
Basic equipment	102 350 693	1 208 092	49 222 659	(71 676 016)	521 245 415	(440 139 986)	-	81 105 428
Transport equipment	6 430 439	-	4 500 000	(4 516 242)	31 158 902	(24 744 705)	-	6 414 197
Office equipment	4 583 346	454 202	(350 285)	(782 256)	12 928 751	(9 023 744)	-	3 905 007
Tools and utensils	25 869	-	-	(19 540)	1 583 308	(1 576 979)	-	6 329
Advances for tangible fixed assets	1 877 628	87 828 691	(53 372 374)	-	37 987 921		(1 653 976)	36 333 945
	139 662 812	89 490 985	-	(79 217 789)	668 547 965	(516 957 980)	(1 653 976)	149 936 008
Intangible assets								
Computer programs (Software)	14 324 775	-	5 533 936	(7 947 758)	234 761 997	(222 851 044)	-	11 910 953
Industrial property - trademark and patents				-	479 238	(479 238)	-	0
Other intangible assets	12 784 585	-	-	(3 029 640)	22 572 493	(12 817 548)	-	9 754 945
Advances for intangible assets	2 653 529	21 339 182	(5 533 936)	-	19 329 359	-	(870 584)	18 458 775
	29 762 889	21 339 182	-	(10 977 398)	277 143 087	(236 147 830)	(870 584)	40 124 673
	169 425 701	110 830 167	-	(90 195 187)	945 691 052	(753 105 810)	(2 524 560)	190 060 681

The movements included in the captions "Advances for tangible fixed assets", in the amount of CVE 40.536.321, and “Advances for intangible assets”, in the amount of CVE 48.785.910, refer essentially to Purchases of Equipment and development of various operative applications which were not brought into use up to December 31, 2018. The amount of CVE 5.239.158, related to costs incurred with the construction of the new headquarter building, namely building structure and safety requirements, is stated as an advance for assets in progress (Head Office).

In 2016, SISP set up the following impairment for assets under construction: (i) CVE 870.584 regarding the software for the vehicle fleet management and warehouse control system project, which has been stopped since April 2012; and (ii) CVE 1.653.976 for costs associated with the development of a new business interface, which has been discontinued since April 2015.

In 2017, SISP removed 637 POS units purchased between 2009 and 2012 in the total gross value of CVE 25.515.211, which were fully amortized.

In 2018, SISP set up impairment in the amount of CVE 161.495, related with 5 POS terminals paid to supplier “Ingenico” in 2016, which are yet to be delivered.

In 2018, SISP removed 1.251 POS terminals purchased between 2009 and 2013 in the total gross value of CVE 48.181.039, which were fully amortized.

In 2018, SISP sold 4 vehicles in the total gross value of CVE 8.439.467, which were fully amortized.

In 2010, the company forwarded a document to the Tax Authorities requesting acceptance of changes in estimated useful lives of POS equipment from five to two years and is awaiting a reply. The Board of Directors looks forward to a favorable feedback.

6. FINANCIAL INVESTMENT

On December 31, 2018 and 2017, the Company’s financial investments comprised the following:

				12/31/2018	12/31/2017
	Number of shares	Unit Value	Purchase value	Balance Sheet Value	Balance Sheet Value
Visa Inc. - Classe C	19.256	12.715	14.401.872	244.838.612	203.083.558

Changes in the book value of the investment in VISA Inc. were as follows:

Balance as at December 31, 2016	158.628.960
Gains from fair value increases	44.454.598
Balance as at December 31, 2017	203.083.558
Gains from fair value increases	41.755.054
Balance as at December 31, 2018	244.838.612

Given that Class C shares can be converted into Class A shares, participation in Visa Inc. is valued based on the quotation of the corresponding Class A shares of Visa Inc., which are listed on the New York Stock Exchange.

On December 31, 2018, the share price of Class A shares amounted to USD 131,94 (CVE 12.715).

In March 2015, a stock split took place, with each Class C share becoming equivalent to 4 Class A shares, and from that date onwards the number of Class C shares totaled 19.256.

7. INVENTORIES

On December 31, 2018 and 2017, this caption indicated the following situation:

	12/31/2018			12/31/2017		
	Gross Amount	Impairment Losses (Note 10)	Net Amount	Gross Amount	Impairment Losses (Note 10)	Net Amount
Goods						
Advances for purchases						
Domestic market	-	-	-	-	-	-
External market	-	-	-	20.329.632	-	20.329.632
	-	-	-	20.329.632	-	20.329.632
Pin Letters	2.364.718	-	2.364.718	1.567.247	-	1.567.247
White PVC Cards	422.711	-	422.711	279.085	-	279.085
White RFID Plastic Cards	82.296	-	82.296	-	-	-
	2.869.725	-	2.869.725	1.846.332	-	1.846.332
Subtotal Goods	2.869.725	-	2.869.725	22.175.964	-	22.175.964
Raw materials, secondary and consumables						
Advances for purchases						
Domestic market						
External market	8.695.842	-	8.695.842	11.191.925		11.191.925
	8.695.842	-	8.695.842	11.191.925	-	11.191.925
POS parts	3.797.936	-	3.797.936	3.813.828	-	3.813.828
ATM parts	50.394.459	(2.572.062)	47.822.397	32.055.766	(1.686.517)	30.369.249
Card consumables	162.764	-	162.764	162.764	-	162.764
PKI Card Consumables	202.380	-	202.380	-	-	-
	54.557.539	(2.572.062)	51.985.477	36.032.358	(1.686.517)	34.345.841
Subtotal Raw mat, secondary & consumabl	63.253.381	(2.572.062)	60.681.319	47.224.283	(2.572.062)	45.537.766
Total inventories	66.123.106	(2.572.062)	63.551.044	69.400.247	(1.686.517)	67.713.730

Impairment losses for inventories derive from a periodic review of the lower value between the purchase cost and the net realizable amount, being the adjustments recorded under "Inventory Adjustments" (Note 10).

On December 31, 2018 and 2017, the item "Raw Materials, Secondary, and Consumables", "Advances for purchases – external market" refers to advances to suppliers made by the Company for the acquisition of ATM parts.

On December 31, 2017, the item "Advances for purchases – external market" refers to advances to suppliers made by the Company for the acquisition of ATM terminals.

Spending on goods sold and materials consumed recognized in the years ended at December 31, 2018 and 2017 are detailed as follows:

	12/31/2018			12/31/2017		
	Goods	Raw materials, secondary & Consumables	Total	Goods	Raw materials, secondary & Consumables	Total
Start-up balance	1.846.332	34.345.841	36.192.173	1.739.951	26.461.449	28.201.400
Transfers	20.329.632	5.520.230	25.849.862		2.343.238	2.343.238
Purchases	4.962.222	24.930.812	29.893.034	1.599.545	13.909.163	15.508.708
Settlements - adjustments						
Ending balance*	2.869.725	51.985.477	54.855.202	1.846.332	34.345.841	36.192.173
Costs with goods sold and materials consumed	**24.268.461**	**12.811.406**	**37.079.867**	**1.493.164**	**8.368.009**	**9.861.173**

- Excluding advances for purchases.

8. DEFERRED ASSETS / LIABILITIES

On December 31, 2018 and 2017, these headings are as follows:

	12/31/2018	12/31/2017
Current Assets		
Maintenance Contracts:		
. Primekey	2.747.436	-
. Oracle	2.402.376	2.320.869
. Bizfirst	1.360.858	1.275.436
. RIS2048	983.030	-
. Logzilla	746.210	-
. HP	445.009	3.067.638
. Other	2.164.789	1.416.013
	10.849.708	8.079.956

Agreement with VISA International	3.377.010	2.774.910
Insurance	2.220.289	1.103.818
Other	1.428.380	1.352.469
	7.025.679	5.231.197
	17.875.387	13.311.153

On December 31, 2018 and 2017, the item “Deferrals” included amounts regarding several maintenance contracts totaling CVE 10.849.708 and CVE 8.079.956, respectively, which are deferred in accordance with the period covered by those services.

On December 31, 2018 and 2017, the item “Agreement with Visa International” refers to a maintenance agreement renewed on an annual basis as agreed upon with Visa International.

	12/31/2018	12/31/2017
Current Liabilities		
Accrued expenses		
. Visa	5.711.981	4.942.399
. Performance bonus	3.757.488	2.649.673
. MasterCard	3.530.538	3.442.155
Other	3.544.262	1.636.373
	16.544.269	12.670.600

On December 31, 2018 and 2017, the items “Accrued expenses – MasterCard” and “Accrued expenses – VISA” include the estimated amount of the expenses incurred by the Company, yet to be invoiced by MasterCard and VISA respectively, within the scope of the MasterCard and VISA services in Cabo Verde. The change in the item “Accrued expenses – VISA” is due to the increase in turnover.

On December 31, 2018, the item “Increased expenses – Other” includes the amount of CVE 1.654.234, related with POS fees payable to banks and the amount of CVE 1.500.000 concerning donations estimated for 2018 (Note 17).

On December 31, 2017, the item “Increased expenses – Other” includes the amount of CVE 1.472.902, related with POS fees payable to banks (Note 8).

9. EQUITY INSTRUMENTS

Share Capital

On December 31, 2018 and 2017, the Company's share capital was fully underwritten and paid up, being composed of 100,000 book-entry shares with a unitary face value of one thousand Cabo Verdean Escudos.

Reserves

On December 31, 2018 and 2017, the Company's reserves comprise the following:

	12/31/2018	12/31/2017
Legal Reserves	51.263.738	31.332.646
Free Reserves	14.401.872	14.401.872
Other Reserves	451.760.691	372.036.324
	517.426.301	417.770.842

According to the law governing the activities of financial institutions, in force in Cabo Verde (Law no. 62/VIII/2014), no less than 10% of the annual net income must be allocated to reinforce the legal reserves up to an amount equal to the share capital or the sum of the free reserves and retained earnings, if higher.

Distributions

In accordance with the deliberation taken by the General Meeting of Shareholders in April 2018, dividends for the year ended December 31, 2017 attributed to the shareholders amounted to CVE 99.655.459 (equivalent to CVE 996,55 per share).

In compliance with the decision made by the General Meeting of Shareholders in May 2017, dividends for the year ended December 31, 2016 attributed to the shareholders totaled CVE 97.095.577 (equivalent to CVE 970,95 per share).

10. PROVISIONS, IMPAIRMENT, AND CONTINGENT LIABILITIES

In the years 2018 and 2017, the movement in provisions and impairment are those below indicated:

	12/31/2017	Reinforcements	Uses	Reversals	12/31/2018
Provisions					
- Tax Contingencies	2.765.521	-	-	(2.074.583)	690.938
Impairment					
- Amounts in transit/Customers (Note 11)	19.419.714	3.120.128	-	-	22.539.842
- Other accounts receivable (Note 11):					
. International settlement of VISA/MasterCard	4.719.970	-	-	-	4.719.970
. Chargeback	9.290.327	-	-	-	9.290.327
- Assets under construction (Note 5)	2.524.560	161.495	-	-	2.686.055
- Sundry debtors (Note 11)	1.556.984	-	-	-	1.556.984
- Stock (Note 7)	1.686.517	1.057.235	-	(171.690)	2.572.062
	39.198.072	4.338.858	-	(171.690)	43.365.240
	41.963.593	4.338.858	-	(2.246.273)	44.056.178

	12/31/2016	Reinforcements	Uses	Reversals	12/31/2017
Provisions					
- Tax contingencies	5.600.957	-	-	(2.835.436)	2.765.521
Impairment					
- Amounts in transit/Customers (Note 11)	16.954.812	2.666.534	(201.632)	-	19.419.714
- Other accounts receivable (Note 11):					
. International settlement of VISA/MasterCard	4.719.970	651.629	(651.629)	-	4.719.970
. Chargeback	6.633.942	2.656.385	-	-	9.290.327
- Assets under construction (Note 5)	2.524.560	-	-	-	2.524.560
- Sundry debtors (Note 11)	1.481.632	75.352	-	-	1.556.984
- Stock (Note 7)	1.686.517	-	-	-	1.686.517
	34.001.433	6.049.900	(853.261)	-	39.198.072
	39.602.390	6.049.900	(853.261)	(2.835.436)	41.963.593

Provisions for tax contingencies were made to cope with income tax contingencies - Withholding – that may result from different interpretations of the legislation applicable to the Company, namely in what concerns the services provided up to 2015 by non-resident suppliers who do not hold a residence permit in a country that signed a double taxation agreement with Cabo Verde. In this regard and following a claim forwarded to the DGCI (Directorate General of Tax and Contributions) in 2016, the company was requested to pay additional income taxes of CVE 3.436.967, related with non-resident taxes of CVE 2.864.139 withheld in 2014, plus interest in the amount of CVE 572.828. The remainder was written off.

In 2016, the provisions for VAT and income tax contingencies for the years 2007 through 2011 in the amounts of respectively CVE 6.686.310 and CVE 2.280.668, were reverted under the terms set forth in article 89 of the Tax Procedure Code which anticipates that the levies payable shall expire whenever the taxpayer is not validly notified within a period of 5 years.

In 2018 and 2017, the provisions for income tax contingencies for the years 2013 and 2012 in the amounts of respectively CVE 2.074.583 and CVE 2.835.436, were reverted under the terms set forth in article 89 of the Tax Procedure Code which anticipates that the levies payable shall expire when the taxpayer is not validly notified within a period of 5 years.

In the financial year of 2017, impairment for international settlements in the amount of CVE 2.656.385 was made to face MasterCard *chargebacks* with reduced probability of recovery.

11. FINANCIAL ASSETS / LIABILITIES

a. Customers and other receivables

On December 31, 2018 and 2017, these items were as follows:

	12/31/2018			12/31/2017		
	Gross Value	Accumulated Impairment Losses (Note 10)	Net Value	Gross Value	Accumulated Impairment Losses (Note 10)	Net Value
Customers						
Customers, current account	365.448.565	(22.539.842)	342.908.723	323.736.191	(19.419.714)	304.316.477
Other accounts receivable	50.135.468	(14.010.297)	36.125.171	84.896.125	(14.010.297)	70.885.828
	415.584.033	(36.550.139)	379.033.894	408.689.910	(33.430.011)	375.202.305

On December 31, 2018 and 2017, the item "Other receivables" includes mainly values traded with international cards that await confirmation by VISA and MasterCard in the amounts of CVE 35.659.346 and CVE 67.646.444, respectively, for which an impairment of CVE 4.719.970 has been recorded. Additionally, on December 31, 2018 and 2017, this caption includes chargeback amounts of CVE 10.810.813 and CVE 10.184.627, respectively, for which an impairment of CVE 9.290.327 has been recorded.

On 31 December 2018 and 2017, the said caption includes amounts receivable from other debtors of CVE 1.384.462 and CVE 5.411.209, respectively, net of impairment, for which an impairment of CVE 1.556.984 has been recorded.

b. Customer advances

On December 31, 2017, the item “Customer advances” concerns advance from banks for the purchase of ATM terminals totaling CVE 21.373.896. This balance was settled during the course of 2018.

c. Suppliers and other financial liabilities

On December 31, 2018 and 2017, these headings are as follows:

	12/31/2018	12/31/2017
Suppliers		
Suppliers - Investments	5.649.356	16.429.227
Suppliers, current account		
In national currency	9.158.405	5.403.755
In foreign currency	17.679.669	19.175.993
Suppliers for accrued costs		
In foreign currency	2.881.425	3.892.217
	29.719.499	28.471.965
Other accounts payable	61.780.870	143.724.114
	97.149.725	188.625.306

On December 31, 2018 and 2017, the heading "Other accounts payable" encompasses the amounts of CVE 61.780.870 and CVE 143.675.311, respectively, related to the outstanding balance to be paid by the Company to the Banco de Cabo Verde for interbank clearing among the various participating Banks and the same at the end of the related year.

12. VISA/MASTERCARD CLEARING

On December 31, 2018 and 2017, the balance of this caption corresponds to the amount pending settlement on these dates at the Banco de Cabo Verde as a result of the advance of funds made by that Central Bank within the scope of the international settlement process. SISP is responsible for processing settlement of the transactions made in Cabo Verde with VISA and MasterCard, while maintaining in its financial statements various balances associated with these operations (Notes 4 and 11).

In 2018, the outstanding amount was CVE 345.110.727, against CVE 404.568.638 in 2017.

13. STATE AND OTHER PUBLIC BODIES

On December 31, 2018 and 2017, these captions were as follows:

	12/31/2018	12/31/2017
Corporate Income Tax		
Financial Year of 2014	-	12.729.053
Financial Year of 2017	-	68.199.378
Financial Year of 2018	73.368.457	
Payment on Account	(50.483.373)	(40.530.051)
Value Added Tax	9.316.438	6.969.134
Social Security Contributions	2.555.235	1.977.529
Deductions to third-parties	1.330.956	1.171.896
Separate Taxation	23.123	35.174
Other Tax – Stamp Duties	1.080.947	813.793
	37.191.783	51.365.907

The Corporate Income Tax Code (IRPC) entered into force on January 1, 2015. This code incorporates a set of changes to the Single Income Tax previously in force, namely in what concerns tax payment. In this regard, payment of the reverse-charge and corrective settlement regarding the income tax for 2014 may be made in three equal installments, becoming due in September 2016, September 2017, and September 2018. As referred to above, in September 2018 and 2017, SISP settled payment of the amounts of CVE 12.729.053 and CVE 12.729.054 regarding reverse-charge and corrective settlement due to the income tax for 2014.

In addition, the IRPC must be now settled in three fractioned payments, with maturity in March, July, and November of the tax-related year, equivalent to 30%, 30% and 20% of the tax collection related to the previous year income.

14. SALES AND PROVISION OF SERVICES

Sales and Provision of Services recognized by the Company in 2018 and 2017 are detailed below:

	2018	2017
Sales		
ATM Machines	22.651.689	-
Banking Services		
Processing		
Vinti4	138.020.750	138.604.994
Visa	20.194.380	20.327.782
MasterCard	14.548.530	13.087.007
TEF	11.976.247	10.765.273
Cheque Clearing	1.685.815	1.718.540
Other Cards	5.081.989	5.059.685
Terminal Management	39.561.100	37.436.300
Card Management	32.036.062	29.640.833
Connection to Network		
ATM Terminals		
CPD	7.200.000	7.500.000
Card Production	8.462.229	8.527.535
Non-Banking Services		
Automatic Payment	459.131.144	391.117.248
Access Fee	80.105.790	61.413.387
Service Payment	27.283.120	21.240.500
Non-Banking Cards	107.730	202.250
Other Services	1.069.797	1.262.695
Discounts and rebates	(37.069)	(31.009)
	869.079.303	747.873.020

The item "sales", in the amount of CVE 22.651.689, concerns the sale of 46 ATMs to banks. This sale implied a cost of CVE 22.746.060.

In January 2014, the Company started charging a fee of CVE 110 for each withdrawal transaction made with an international card (Visa/MasterCard), which is recorded under the heading "Access fee". This fee was suspended in end-July 2015 and resumed in August 2016 with the amount of CVE 165 for each withdrawal transaction with international card (Visa/MasterCard). As from March 1, 2018, the fee to be charged for each withdrawal with an international card (Visa/MasterCard) increased to CVE 200.

During the course of 2012, moving forward with the automation process of the clearing service, the Banco de Cabo Verde (BCV) implemented a system enabling customer fund transfer in a more efficient way. Aiming at continuously improving the provision of this service to the system's participants and rationalizing the information transmission process, BCV delegated the management of this service to the SISP. The related processing tariffs are included under the item “Banking Services – TEF”.

The change found in the item “Non-Banking Services – Automatic Payment” is mostly justified by the increase in the number of transactions made within the Vinti4 network during the financial year of 2018.

15. EXTERNAL SUPPLIES AND SERVICES

In 2018 and 2017, this caption was as follows:

	2018	2017
VISA Acquiring Fees	113.482.318	100.162.789
MasterCard Acquiring Fees	103.329.893	83.469.472
Maintenance and Repair	48.791.744	42.510.296
Communications	34.809.612	40.895.243
Monthly Advances	22.518.049	19.193.838
Vinti4-related fees	15.527.167	12.237.616
Electricity	7.647.780	7.919.361
Business trips	6.101.221	4.356.952
Rents and rentals	4.404.667	4.173.852
Fuel	2.020.867	1.196.500
Insurance	1.500.428	1.183.052
Consumables	1.429.665	1.113.485
Security and surveillance	1.297.960	1.216.940
Outsourcing	481.930	1.428.656
Other external supplies and services	4.789.420	5.090.168
	368.132.721	326.148.220

16. PERSONNEL COSTS

In the years 2018 and 2017, this caption is as follows:

	2018	2017
Payroll		
Corporate Bodies	3.314.359	3.245.132
Staff	72.581.573	58.670.489
Social security contributions	11.273.821	8.721.617
Training	3.113.882	8.615.591
Performance bonus	3.921.242	1.833.902
Insurance	1.097.926	1.020.018
Other personnel costs	1.395.618	687.970
	96.698.421	82.794.719

The increase in Personnel Costs in 2018 has to do with the recruitment of new employees in the second half of 2017 and throughout 2018.

On December 31, 2018 and 2017, the Company employed, respectively, 53 and 41 workers.

17. OTHER INCOME AND GAINS AND OTHER EXPENSES AND LOSSES

In the years 2018 and 2017, these headings display the following balances:

	2018	2017
Other income and gains		
Other	2.798.416	868.807
Other costs and losses		
Tax		
Stamp duties	8.820.888	6.954.484
Final pro rata annual adjustment	1.270.079	865.584
Separate taxation	23.123	35.174
Capital tax (Note 19)	583.633	1.018.397
Rates (Note 19)	52.000	45.000
Property tax	68.509	-
Road tax	26.355	1.400
	10.844.587	8.920.039
Donations (Note 8)	1.500.000	-
Contributions	43.200	43.200
Fines and other penalties	6.295	10.000
Other costs and losses	51.427	376.048
	1.600.922	429.248
	12.445.509	9.349.287

On December 31, 2018 and 2017, the item “Other income and gains” includes the amounts of CVE 2.345.764 and CVE 842.170, respectively, as added-value from the sale of tangible fixed assets.

On December 31, 2018 and 2017, the item “Capital tax” concerns withholding tax on time deposit interests matured in 2018 and 2017, including, respectively, the amounts of CVE 583.633 and CVE 1.018.397.

18. INTEREST AND GAINS RECEIVED AND INTEREST AND LOSS PAID

In the years 2018 and 2017, these headings are as follows:

	2018	2017
Interest and gains received		
Income from capital shares in Visa Inc.	1.096.900	871.192
Interest earned on short-term investment	3.256.528	3.556.760
Other financing gains	47.522	61.246
	4.400.950	4.489.198
Interest and losses paid		
Interest paid	(7.274.176)	(7.106.849)
Other financing losses	(1.458.847)	(1.490.631)
	(8.733.023)	(8.597.480)
	(4.332.073)	(4.108.282)

On December 31, 2018 and 2017, the item “Interest paid” corresponds to the fees from bank guarantees provided to VISA and MasterCard.

19. INCOME TAX

Under the legislation in force, tax returns are subject to review and correction by the tax authorities over a period of five years unless when there have been tax losses, tax benefits were granted, or inspections, claims or oppositions are underway, in which cases, depending on the circumstances, the deadlines are extended or suspended. Thus, the tax returns of the Company from 2014 to 2018 may still be subject to review. The Board of Directors believes that any adjustments resulting from any reviews/inspections by the tax authorities to those tax returns will not have a significant effect on the financial statements at December 31, 2018.

As at December 31, 2018 and 2017, the Company is subject to the Corporate Income Tax (IPRC Code) at the rate of 25%, and a fire rate of 2% of the assessed tax, which corresponds to an aggregated tax rate of 25.5%.

Spending on income taxes as at December 31, 2018 and 2017 is detailed below:

	12/31/2018	12/31/2017
Current Tax for the Year	73.368.457	68.199.378

Reconciliation between the nominal tax rate and the effective tax rate observed in the years 2018 and 2017 can be evidenced as follows:

	2018		2017	
	Rate	Tax	Rate	Tax
Income Before Tax		290.079.405		267.510.297
Tax based on the nominal rate	25,50%	73.970.248	25,50%	68.215.126
Tax provisions/reversals	-0,20%	(572.800)	-0,27%	(723.036)
Impairment losses beyond the limits	-0,03%	(94.805)	0,08%	425.409
Separate taxation	0,00%	5.896	0,00%	8.969
Withholding tax - Flat rate for term deposits	-0,05%	(148.826)	-0,10%	(259.691)
Depreciation outside the legal limit - Vehicles	0,20%	568.289	0,22%	575.821
30% for costs with passenger and mixed vehicles	0,16%	457.740	0,15%	404.848
50% for representation costs	0,01%	29.481	0,02%	44.846
Depreciations from passenger vehicles not accepted in previous year	-0,22%	(645.984)	-0,21%	(548.275)
Tax Benefits (Job Creation - CBF art. 32)	-0,03%	(99.833)	0,00%	-
Tax Benefits (Training, Internships & Scholarchips - CBF art. 33)	-0,04%	(115.668)	0,00%	-
Other Costs	0,005%	14.719	0,02%	55.362
	25,29%	73.368.457	25,49%	68.199.378

20. RELATED ENTITIES

a) Identification of the related entities

According to the FRS 4, related entities are those parties in which the SISP exercises, directly or indirectly, significant influence over their financial and operational management and policies and the entities that have significant influence on the Company's management. In this context, the entities that will be considered for the purposes of these disclosures are the shareholders of the SISP, which are listed below:

- Banco de Cabo Verde
- Banco Comercial do Atlântico
- Caixa Económica de Cabo Verde
- Banco Caboverdeano de Negócios
- Banco Interatlântico
- Cabo Verde Telecom
- State of Cabo Verde - Treasury

b) Details of transactions with related entities

	12/31/2018				
	Bank Deposits	Customers	Other Accounts Receivable	Suppliers	VISA/MasterCard Clearing
	(Note 4)	(Note 11)	(Note 11)	(Note 11)	(Note 12)
Banco de Cabo Verde	2.324.666	384.213	-	-	(345.127.828)
Banco Comercial do Atlântico	6.231.874	8.787.574	-	-	-
Caixa Económica de Cabo Verde	18.407.901	9.589.878	-	-	-
Banco Caboverdeano de Negócios	44.000.195	1.847.774	511.356	-	-
Banco Interatlântico	18.169.554	2.988.157	-	-	-
Cabo Verde Telecom	-	420.200	-	(273.274)	-
State of Cabo Verde - Treasury	-	14.347.777	-	-	-
	89.134.190	38.365.573	511.356	(273.274)	(345.127.828)

	12/31/2017				
	Bank Deposits	Customers	Other Accounts Receivable	Suppliers	VISA/MasterCard Clearing
	(Note 4)	(Note 11)	(Note 11)	(Note 11)	(Note 12)
Banco de Cabo Verde	8.213.350	383.638	268.000	-	(404.568.638)
Banco Comercial do Atlântico	15.014.106	16.889.881	-	-	-
Caixa Económica de Cabo Verde	5.599.837	9.769.598	1.170.329	-	-
Banco Caboverdeano de Negócios	7.104.594	1.870.436	-	-	-
Banco Interatlântico	11.384.025	3.036.814	-	-	-
Cabo Verde Telecom	-	372.691	-	(111.014)	-
State of Cabo Verde - Treasury	-	7.045.136	-	-	-
	47.315.912	39.368.194	1.438.329	(111.014)	(404.568.638)

c) Details of balances with related entities

	12/31/2018				
	External supplies and services	Interest and similar loss paid	Other costs and losses	Interest and similar gains received	Sales and services provided
	(Note 15)	(Note 18)	(Note 17)	(Note 18)	(Note 14)
Banco de Cabo Verde	(3.008)	-	-	-	1.553.644
Banco Comercial do Atlântico	(9.097.883)	(5.094.574)	(33.333)	166.666	81.956.163
Caixa Económica de Cabo Verde	(7.605.050)	-	(95.724)	478.621	89.725.184
Banco Caboverdeano de Negócios	(1.232.857)	-	(345.833)	1.729.163	18.543.037
Banco Interatlântico	(3.267.636)	(2.179.602)	(8.333)	31.666	28.722.938
State of Cabo Verde - Treasury	-	-	-	-	22.515.974
Cabo Verde Telecom	(1.345.746)	-	-	-	3.789.866
	(22.552.180)	(7.274.176)	(483.223)	2.406.116	246.806.806

	12/31/2017				
	External supplies and services	Interest and similar loss paid	Other costs and losses	Interest and similar gains received	Sales and services provided
	(Note 15)	(Note 18)	(Note 17)	(Note 18)	(Note 14)
Banco de Cabo Verde	(3.104)	-	-	-	1.561.872
Banco Comercial do Atlântico	(13.193.036)	(5.370.418)	(56.641)	35.556	80.784.611
Caixa Económica de Cabo Verde	(6.489.275)	-	(275.086)	1.156.888	87.245.671
Banco Caboverdeano de Negócios	(1.080.334)	-	(589.187)	1.517.799	16.530.438
Banco Interatlântico	(4.532.243)	(1.625.339)	(229.805)	672.295	28.285.057
State of Cabo Verde - Treasury	-	-	-	-	15.765.642
Cabo Verde Telecom	(1.297.383)	-	-	-	3.552.714
	(26.595.375)	(6.995.757)	(1.150.719)	3.382.537	233.726.006

Transactions with related parties are performed, by rule, in normal market conditions.

THE BOARD OF DIRECTORS, THE CERTIFIED ACCOUNTANT,

SISP Ana Lina Gomes Teixeira

REPORT AND OPINION OF THE SUPERVISORY BOARD

REPORT AND OPINION OF THE SUPERVISORY BOARD

To the members of the General Meeting of Shareholders,

In fulfilling our mandate and while performing the legal and statutory duties as set out in article 22nd of the Articles of Association of the Sociedade Interbancária e Sistemas de Pagamentos, S.A., hereinafter called SISP, the Supervisory Board hereby submits its Report and Opinion on the Annual Report and Financial Statements prepared by the Board of Directors for the year ended December 31, 2018.

REPORT

1. In 2018, the Supervisory Board monitored the activities of the Sociedade Interbancária e Sistemas de Pagamentos, examined the books, accounting records and other relevant documentation on a regular basis, and acknowledged compliance with the law and the Statutes.

2. While performing our work, we have always counted on the assistance and support of the Board of Directors and SISP's different departments and services, which promptly made available all the information and documents requested.

3. The undersigned hereby declare that, to the best of our knowledge, the financial statements have been prepared in conformity with the applicable accounting standards, giving a true and fair view of the Company's financial position, and the Management Report is sufficiently clear as to the evolution of the business and its performance, highlighting the most significant risks, uncertainties, and challenges faced by the company. With regard to the Annual Report and Accounts, the Balance Sheet, the Statement of Comprehensive Income, and the accompanying notes for the year 2018, read jointly with the Opinion issued by Deloitte & Associados, SROC S.A., it is our understanding that:

    a) The Balance Sheet, the Statement of Comprehensive Income, the changes in Owner Equity, and the accompanying notes allow a suitable understanding of the Company's financial position and results. The accounting policies and the valuation criteria adopted are adequate. On the whole, the financial statements, as well as the underlying accounting system, conform with the accounting standards, and express, in an adequate and substantiated form, the financial position of the SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A. as at 31 December 2018, as well as the results of its operations, the changes in its owner equity and its cash flows for the year then ended;

b) The Management Report is sufficiently clear as to the evolution of the business and the position of the company, and highlights the most significant aspects thereof;

c) The company evidences sustained growth, supported by its main economic indicators, notably Profitability, Financial Soundness, and Sustainability, and has fully complied with the Prudential rules established by the Banco de Cabo Verde. In this regard, it is worth noting the robustness of the Ratios related with Own Funds, which evidenced a growth of 11.9%, a Solvency level of 59.2%, and Coverage of Fixed Assets with 488,94%;

d) The proposal for the Appropriation of Net Income is duly substantiated; and

e) The documents produced were submitted without any reservations or emphasis by the External Auditors and benefit from our total and unrestricted agreement.

4. The Supervisory Board attaches the utmost importance to the report on the investments made in 2018, envisaging operational efficiency, first-class services, and human capital development, as well as the invitation to tender for the construction of its new head office and the focus on the internationalization of its services.

5. The Supervisory Board supports the Board of Directors as to the appreciation expressed in its report to various entities, members of the remaining governing bodies and the Company's staff as a whole.

OPINION

In light of the foregoing and given the information provided by the accounting expert team and the Board of Directors, as well as the conclusions drawn up in the Independent Auditor's Report, the Supervisory Board hereby issues a favorable opinion and proposes that the General Meeting of Shareholders approve:

a) The Annual Report and Accounts of the Sociedade lnterbancária e Sistemas de Pagamentos, S.A. for the year ended on December 31, 2018;

b) The proposal for the Appropriation of Net Income submitted by the Board of Directors, in the amount of CVE 216.710.948, as specified below:

Dividends (50%) .... CVE 108.355.474

Legal Reserves (10%) …………………. CVE 21.671.095

Other Reserves (40%) ………………… CVE 86.684.379

Total .... CVE 216.710.948

Lastly, we express our gratitude to the Board of Directors and the Director-General of SISP for their continued support.

Praia, May 03, 2019

The SUPERVISORY BOARD,

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Filinto Elísio Alves dos Santos

On behalf of Caixa Económica de Cabo Verde - Chairman

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Mónica Garcia Barreto

On behalf of Banco Interatlântico

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Ana Carvalho Vicente

On behalf of Banco Caboverdiano de Negócios, S.A.

INDEPENDENT AUDITORS' REPORT AND OPINION

DELOITTE - INDEPENDENT AUDITORS’ REPORT

(Amounts expressed in Cabo Verdean Escudos – CVE)

Opinion

We have audited the accompanying financial statements of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. (“Company”), which comprise the Balance Sheet as at December 31, 2018, evidencing a total of CVE 1.385.591.016 and owner equity of CVE 888.903.573, including net earnings of CVE 216.710.948, the Statement of Comprehensive Income, the Statement of changes in equity and cash flows for the year then ended, as well as the corresponding Annexes which include a summary of the relevant accounting policies.

In our opinion, the attached financial statements give a true and fair view, in all aspects materially relevant, of the financial position of the SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A. as of 31 December 2018, as well as its financial performance and cash flows for the year then ended in accordance with the accounting standards generally accepted in Cabo Verde.

Basis for the Opinion

We conducted our audit in accordance with the International Auditing Standards (IAS). Our responsibility under these standards is described in the section “Responsibility of the Auditor for auditing these financial statements” of this report. We are independent from the Company as required by the IESBA Code of Ethics and comply with the remaining ethical responsibilities anticipated in that code.

We believe that the audit evidence we have obtained provides an acceptable basis for our audit opinion.

Responsibility of the Managing and Supervisory Bodies for the Financial Statements

The Managing Body is responsible for the preparation of financial statements that present, in a true and fair way, the financial position of the Company, as well as its financial performance and cash flows in accordance with the Financial Accounting and Reporting Standards for Cabo Verde, and for the creation and maintenance of the internal controls deemed necessary to ensure the preparation of financial statements that are free from material misstatement due to fraud or error.

While preparing the financial statements, the managing body is responsible for assessing the Company's capacity to continue its operations, disclosing, where applicable, the designed provisions for continuity, and using the assumption of business continuity, unless it plans to liquidate the company or cease its operations, or otherwise has no other realistic alternative but doing so.

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

Responsibility of the Auditor for Auditing the Financial Statements

Our responsibility is to perform the audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error and prepare a report expressing our opinion. A reasonable degree of assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with the IAS will definitely detect a material misstatement, should it exist. Distortions may be rooted at fraud or error and are considered material if, individually or jointly, they are reasonably deemed to influence economic decisions based on those financial statements.

As part of the audit in accordance with the IAS, we make professional judgments and maintain professional skepticism throughout the audit and also:

- Identify and assess the risks of material distortion of the financial statements, due to fraud or error, design and execute audit procedures to meet those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material distortion due to fraud is even greater than the risk of not detecting a material distortion due to error, whereas fraud can involve conspiracy, falsification, deliberate omissions, misstatements, or overlap of internal control;

- Obtain an understanding of the internal control relevant to the audit with the purpose of creating audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the Company's internal control;

- Assess the adequacy of the accounting policies used and the reasonability of the accounting estimates and respective disclosures made by the managing body;

- Conclude whether the use of the going concern basis by the managing body was appropriate and, based on the audit evidence obtained, if there is any material uncertainty as regards events or conditions that may raise doubts on the Company's ability to continue its activities. If we conclude that there is material uncertainty, we must draw attention in our report to the related disclosures included in the financial statements or otherwise modify our opinion if such disclosures are not adequate. Our conclusions are based on the audit evidence received up to the date of our report. However, future events or conditions may lead the Company to discontinue its activities;

- Evaluate the presentation, structure, and overall content of the financial statements, including the disclosures, and also if those financial statements represent the relevant transactions and events so as to reach an appropriate presentation;

- Exchange views with the governing bodies, among other matters, about the planned scope and timeframe of the audit, as well as significant conclusions of the audit, including any significant internal control failures or deficiencies detected during the audit works.

Lisbon, May 3, 2019

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Deloitte & Associados, SROC S.A.

Represented by Luis Eduardo Marques dos Santos, ROC