



Annual Report 2021

Sociedade Interbancária e Sistemas de Pagamentos, SA

Table Index	4
List of Acronyms.....	5
1. KEY REFERENCES	9
Shareholder Structure	9
Corporate Bodies	10
2. EXECUTIVE SUMMARY	11
3. NATIONAL AND INTERNATIONAL ENVIRONMENT	16
4. PREVENTION AND CONTINGENCY PLAN FOR COVID-19	18
5. BUSINESS HIGHLIGHTS.....	19
5.1 Transaction processing and network management.....	19
5.2 Profile of the vinti4 network.....	19
5.3 Geographical Coverage	23
5.4 Automated Teller Machines.....	23
5.5 Automatic Payment	24
5.6 International Acquiring.....	25
5.7 Service Payment	26
5.8 Sale of Mobile Recharges.....	26
5.9 Web Payment	27
5.10 Electronic Fund Transfer (TEF).....	27
5.11 Cheque Clearing.....	27
5.12 SWIFT Service	28
5.13 Digital Certificate Service	28
5.14 Infrastructure and Technology	29
5.15 Human Capital	30
5.15 Risk Management and Internal Control	32
5.16 Investment	32
6. FINANCIAL REVIEW.....	33

6.1 Gross Value Added	34
6.2 Income	34
6.3 Other Income and Gains	35
6.4 Expenditures.....	35
6.5 Net Income for the Year.....	36
7. FINANCIAL SITUATION	38
7.1 Balance Sheet Position	38
7.2 Ratio Assessment	39
7.3 Management Indicators.....	39
7.4 Proposal for the Appropriation of Net Income.....	40
7.5 Income Statements.....	41
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2021	45
Notes to the financial statements as at 31 December, 2021	46
Report and Opinion of the Supervisory Board.....	77
Independent Auditor’s Report and Opinion	81

Chart Index

Chart 1: Ownership Structure	9
Chart 2: Transactions processed by SISP.....	19
Chart 3: Transactions processed in the vinti4 network	20
Chart 4: Number of transactions made in December 2021	21
Chart 5: Terminals and Cards	22
Chart 6: Geographic Coverage of Terminals	23
Chart 7: Purchases by Branch of Activity	25
Chart 8: Transactions with not-on-us cards in 2021	26
Chart 9: Age Range and Gender Distribution	31
Chart 11: Provision of Services in millions of CVE.....	34

Table Index

Table 1: Amount of transactions processed in the vinti4 network 2021	21
Table 2: Transactions at Automated Teller Machines.....	24
Table 3: Transactions at Automatic Payment Terminals	24
Table 4: Service Payment Transactions.....	26
Table 5: Mobile Phone Recharges.....	27
Table 6: Web Payment Transactions.....	27
Table 7: Electronic Fund Transfer Transactions	27
Table 8: Cheque Clearing Transactions	28
Table 9: SWIFT Transactions	28
Table 10: List of Training Activities carried out in 2021	31
Table 11: Investment.....	32
Table 12: Income Statement	33
Table 13: Expenditures.....	35
Table 14: Balance Sheet Position	38
Table 15: Management Indicators	40
Table 16: Proposal for the Appropriation of Net Income	40

List of Acronyms

ATM - Automatic Teller Machine

DSS - Data Security Standard

EMV - Europay, MasterCard and Visa

FRS – Financial Reporting Standards

FSE – Third-Party Supplies and Services

H2H - Host to Host

IASB – International Accounting Standard Board

IFRS - International Financial Reporting Standards

INE - National Institute of Statistics

IRPC – Corporate Income Tax

ISO - International Standards Organization

IUR – Single Income Tax

mPOS - mobile POS

PC – Personal Computer

PCI - Payment Card Industry

PIN – Personal Identification Number

POS - Point of Sales

SGGS – SISP Comprehensive Management System

SWIFT - Society for Worldwide Interbank Financial telecommunication

TEF – Electronic Fund Transfer

Message from the Board of Directors,

Dear Shareholders,

According to the World Bank, the global economy showed signs of recovery in 2021, and growth should reach 5.5 percent in 2021, reversing the negative evolution recorded in 2020 of 3.4 percent. However, the prevalence of potential disturbances in economic activity justify the deceleration projections advanced by the same source.

The possible emergence of new variants of Sars-Cov-2 despite the prospects of some control of the pandemic through increased vaccination rates and gradual group immunities, rising energy prices, and supply disruptions in the face of growing demand, could negatively impact the global economic recovery and, in particular, in the most vulnerable and least resilient developing economies.

Economic recovery was also evident in the economies of the country's main partners, the Euro Area, the US and the UK, sustained on the supply side by the services sector and on the demand side by consumption (particularly of services). The service sector has benefited from the easing of restrictions and the consequent reopening of economies, while the manufacturing sector has faced labor and material shortages, high commodity prices, and logistical challenges.

The positive evolution of the external environment has contributed to a more favorable performance of the national economy in 2021. The growth forecasts made by the Banco de Cabo Verde (Central Bank) point to a Gross Domestic Product growth of 6.6 percent, after a 14.8 percent contraction in 2020, and are based on the progress of the country's vaccination program, which allowed the entry of tourists, investors, and emigrants, but also on some base effect.

The optimism over the national economic recovery is tempered by the prevalence of a scenario of uncertainty, arising from the possibility of the emergence of new variants of Sars-CoV-2, inflationary pressures, constraints and shortages on the supply side at the international level, and therefore the national authorities have shown continued attention to the evolution of macro-financial risks and are reinforcing their mechanisms to monitor and mitigate their effects on the national economy as required for the sustained resumption of the country's economic and social progress.

In this scenario, still strongly marked by uncertainties, SISP's activities in 2021 were oriented towards the continuity of projects and continuous improvement of the quality of its services. The activities were gradually resumed throughout the year, after the confinement and paralysis of activities in 2020 to stem the spread of the pandemic.

In terms of infrastructure and technology, SISP continued to invest significant efforts in the relentless pursuit of alignment with the international best practices in the areas of security, continuity, and quality of service. The company took over a number of projects launched in previous years, particularly in the areas of technology, organization, and resource capacity building, which have made it possible to achieve greater efficiency in internal processes, improve business support, and achieve a customer service that is better suited to the market and its expectations.

In the scope of risk management and internal control, the works of the Internal Audit, Risk & Quality and Legal & Compliance areas were resumed in cross-cutting control activities and the company's processes requiring adjustments for their best performance, having complied with the annual plans

for internal and external audits. Additionally, it continuously monitored the integrated management system and the renewal of ISO certifications for Quality (9001), Information Security (27001), and Business Continuity (22301), conducted business continuity testing and legal and regulatory updates impacting its activities, and provided legal support to the various internal processes.

As part of its policy to develop its human capital, SISP invested heavily in training its employees, giving preference to online training due to the restrictions still imposed by the pandemic.

The company's performance in terms of results is positive, mainly reflecting the increase in income from services, in contrast to the less favorable development recorded in 2020, when the result for the year was affected by the considerable decrease in transactions due to the pandemic crisis.

In 2021, the net assets registered an increase of 46.5 percent over December 2020, totaling CVE 1,673.8 million due to the increase in current assets and non-current assets by CVE 512 and 19.2 million, respectively.

The number of cards produced increased by 3 percent year-on-year, but the negative change of 2 percent in the number of active cards continued to reflect the effects of the extension of card expiration dates applied by banks from the second quarter of 2020, owing to the pandemic and restrictions on the number of clients accessing bank branches.

The number of transactions processed resumed the upward trajectory it had been recording prior to 2020, increasing by 15 percent over the previous year, corresponding to 40 million transactions, with a growth of 14 percent in the vinti4 network and 28 percent in the other systems, namely, TEF, Check Teleclearing and "Not On Us" transactions (carried out in foreign networks). It should be noted that the total value of transactions exceeded the total recorded in 2019.

As a result of the strategy of massification of the service of purchases with international cards initiated in recent years with the aim of providing the country, increasingly touristic, with a network of acceptance of international cards in all sectors of activity, the latter showed an interesting dynamic, gaining weight in relation to withdrawals with the same cards at ATMs.

The International Acquiring service recorded some recovery with the "new normal" following the COVID-19 pandemic, with the number of transactions increasing by 32.9 percent when compared to the same period a year ago, still falling short of the 2019 figure of 42 percent.

Investments totaled CVE 115.9 million, representing 12 percent of the operating revenues. The completion rate for investments was 84.6 percent.

The company's turnover totaled CVE 937.7 million and Net Profit was CVE 199.6 million, representing an increase of 25.2 and 168.7 percent, respectively, indicating the effects of the resumption of activities in 2021.

Total revenues reached CVE 971.3 million, up 23.5 percent from 2020, reflecting the increase in the main revenues from SISP services, namely Vinti4, Visa and MasterCard services.

Total expenses amounted to CVE 714.2 million, a variation of 4.6 percent in relation to the 2020 figures, mainly as a result of the increase in expenses with Third-Party Supplies and Services, arising from direct and proportional expenses associated with commissions per Visa, MasterCard and vinti4 transaction.

At the end of 2021, Equity increased by 20 percent, up by CVE 199.6 million in 2021, justified by the non-distribution of dividends in 2020 and the impact of the increase of the net result for 2021 by CVE 119.9 million.

The Board of Directors would like to thank SISP's employees for their commitment throughout 2021, as well as Customers, Suppliers, Auditors, Financial Institutions for their trust and cooperation.

To the Supervisory Board we address a word of appreciation for their support throughout the 2021 fiscal year.

The Board of Directors,

António Carlos Semedo

João de Deus Pires Asseiro

João Domingos Correia,

Manuel Fernando Monteiro Pinto

Paulo Jorge Lima

Soeli Santos

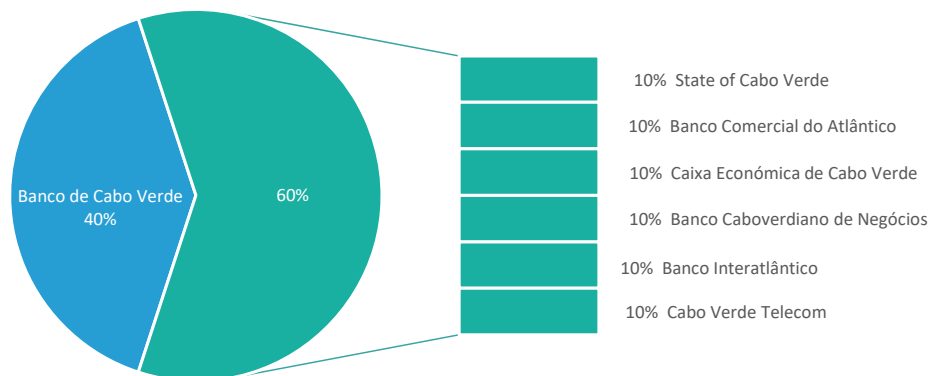
Teresa Lima Vicente

1. KEY REFERENCES

Shareholder Structure

The Sociedade Interbancária e Sistema de Pagamentos, hereinafter abbreviated as SISP, is a public limited company headquartered in the city of Praia, Island of Santiago, with a fully subscribed and paid-up capital of CVE 100,000,000 (one-hundred million Escudos) represented by 100,000 shares with a nominal value of one thousand Escudos each, held and distributed as per the following chart:

Chart 1: Ownership Structure



Corporate Bodies

General Meeting of Shareholders

Chairman

Cláudia Marisa Gomes Barros Mendes, on behalf of the State of Cabo Verde up to May 11, 2021

José Henrique Alves Freire De Andrade, on behalf of the State of Cabo Verde as from May 11, 2021

Secretaries

Gilda Maria Medina Gomes, on behalf of the Banco de Cabo Verde

Américo Miranda Andrade, on behalf of the Banco Comercial do Atlântico

Board of Directors

Chairman

Teresa Cristina Brito Lima Barbosa Vicente, on behalf of the Banco de Cabo Verde

Executive Directors

António Carlos Moreira Semedo, on behalf of the Caixa Económica de Cabo Verde

Soeli Cristina Dias Santos, on behalf of the State of Cabo Verde

João de Deus Pires Asseiro, on behalf of the Banco Comercial do Atlântico

João Domingos de Barros Correia, on behalf of the Cabo Verde Telecom

Paulo Jorge Ferro R. de Oliveira Lima, on behalf of the Banco Caboverdeano de Negócios

Manuel Fernando Monteiro Pinto, on behalf of the Banco Interatlântico

Supervisory Board

Chairman

Manuel Sanches Tavares Junior, on behalf of the Caixa Económica de Cabo Verde

Members

Mónica Vitoria do Espírito Santo Correia Garcia, on behalf of the Banco Interatlântico

Ana Elisabeth Pires Carvalho Vicente, on behalf of the Banco Caboverdiano de Negócios

2. EXECUTIVE SUMMARY

SISP's vision and mission is to be a reference company in the area of payment systems, with a provision of excellence recognized by clients and society, through a policy based on the following principles:

- Ensure the organization, efficiency, and continuous improvement of services and processes;
- Ensure the training, appreciation, and continuous satisfaction of employees;
- Ensure strategic partnerships with suppliers, entities, and critical partners;
- Always serve the customer with professionalism, courtesy and focus on the solution, delivering the services according to the deadline and quality agreed upon with the customer;
- Ensure high availability, accessibility, security, efficiency and compliance of the services;
- Promote modern, innovative, secure and relevant payment and identification systems for the society as a whole.

The company's activity encompasses the fulfillment of objectives aimed at operational efficiency, reference services, and human capital qualification.

The company continued a number of projects started in previous years, namely in the areas of technology, organization, and resource capacity building, which allowed it to achieve greater efficiency in internal processes, improve business support, and achieve a customer service that is better suited to the market and customer expectations.

The year 2021 was marked by the gradual resumption of activities after a 2020 of confinement and paralysis of activities. Still within a framework of uncertainty, the activities in 2021 were oriented towards the continuity of projects and the continuous improvement of the quality of services.

The project of the new headquarter building, which, due to its complexity, requires a high level of specialization and investment, underwent structural changes in order to facilitate the ambition of ensuring Tier IV certification for the infrastructure that will be critical to the country's economy. Additionally, the planned stages of the specialty projects and the first phase certification with the Uptime Institute have been completed, as well as the first stages of pre-selection of candidates for the supervision and construction tenders.

At the level of the vinti4 network, several key projects for the modernization of the national payment services were completed, such as:

- ✓ Dynamic Currency Conversion (DCC) with the effective entry into production of the service at ATMs and the preparation for the entry into a second phase of the service at the POSs;
- ✓ Certification of the ACS EMV 3DS Server by Visa;
- ✓ Activation of Visa Secure (replacing the previous Verified By Visa) by issuing banks, allowing for enhanced security in online purchases with Visa cards, similar to the mechanisms implemented for MasterCard and vinti4 cards as from 2020;
- ✓ Availability of the vinti4 tokenization service that allows the secure storage of replacement numbers derived from vinti4 cards and generated by SISP after secure authorization from the client for exclusive use on a given website for recurring payments typically used in subscription services;
- ✓ Account Funding Transfer (AFT) certification with Visa, providing banks with the infrastructure to certify the receipt of transfers via Visa Direct to their customers' accounts and use Original Credit Transfer (OCT) operations to initiate transfers to other accounts or Visa cards;
- ✓ Massification of the acceptance of contactless cards at POS terminals;
- ✓ Provide the issuing banks with the installment purchase service at POS terminals so as to boost the use of credit cards and simplify access to products and services for users and merchants;
- ✓ Provide banks with the loyalty service program, through the accumulation of points after purchases that allow later cashback or purchases with vouchers using the accumulated points for their cards through partnerships with merchants of the program;
- ✓ Provide new versions of the Televinti4 apps enabling biometric authentication;
- ✓ Availability of API for the integration of Televinti4 with banking applications for POS purchases from Mobile Banking and third party payment apps with integrated payment using Televinti4 instead of traditional card data (PAN, Expiration Date and CVV2).

Card personalization services maintained the high levels of rigor and security demanded by the renewed annual certifications required by Visa and MasterCard, with more than 98% of cards produced within 24h.

The terminal maintenance and management services provided by technicians at the Praia, São Vicente, Boa Vista, Fogo, Sal and Santiago Norte centers sustained high levels of availability of the vinti4 equipment, with around 96% of the approximately 1,800 ATM intervention requests responded to within the agreed 24-hour period. At the POS level, of the more than 1400 new POS installed in 2021, in spite of the almost 700 often uninstalled, around 93% were responded to within the agreed timeframe, and of the more than 3,200 intervention requests made by retailers, around 97% were responded to within the agreed timeframe, confirming the importance of the strategy adopted to extend the presence of technical teams throughout the country.

The 24-hour support center renewed its HDI-Support Center Certification at the Help Desk Institute and is still the only African center to attain such a noteworthy achievement. The front-office team, assisting over 9,400 POS, 209 ATM and 260,000 cards, received more than 28,000 phone calls, 4,500 more than the previous year, with an average waiting time of 13 seconds and an average service time of about 2 minutes and 53 seconds. The same team made around 20,000 contacts to restore ATM services. In terms of complaints and chargebacks, the back office team analyzed more than 10,000 cases in the most diverse areas (ATM and POS Closures, Payments and Recharges of Service Entities, national cards of the vinti4, Visa, and MasterCard brands, and international cards used in the vinti4 network, clearing).

SISP's new Public Key Infrastructure (PKI) service has undergone important developments, with the electronic invoicing program launched by the National Directorate of State Revenue (DNRE) using digital certificates generated by the SISP public key infrastructure (about 1.3M of various certificates issued) and the launch of the SISP digital signature application for use of SISP certificates, with the possibility of integration with third-party systems and compatible with the National Identification Card. The integration processes with various entities, including the banking and public sector for the secure and certified dematerialization of their processes are underway.

The SWIFT services maintained their development pace with the certification by SWIFT of specialized IT technicians, as well as several improvements at the process level, namely with the compliance with the security update schedule, the transfer of the access certificate management to the banks with reinforced autonomy or the availability of the first version of the statistical information system of each participant and of the national ecosystem for a better perception of the market positioning.

At the level of information systems and security, several security improvements were implemented, such as:

- ✓ Migration of the file transfer system to a more robust solution in terms of security, stability and integration;
- ✓ Reinforcement of the communication capacity between SISP's data centers, aiming at a new approach to high availability of services;
- ✓ Extending server virtualization to various levels;
- ✓ Reinforcement of monitoring processes and automated detection of incidents in the technological infrastructure;
- ✓ Certification of new ATM redundant communication equipment;
- ✓ Migration of cryptographic security modules;
- ✓ Continuous improvement of backup processes;
- ✓ Reinforcement of physical and logical security systems;
- ✓ Installation of the entire new testing infrastructure for the implementation of the new Core Banking as a Service;

- ✓ Follow-up of the business continuity plans;
- ✓ Renewal of critical security certifications, namely PCI-DSS, PCI-CP and 3DS.

As for internal control, the works of the Internal Audit, Risk & Quality and Legal & Compliance areas were resumed in control activities transversal to the company's processes by making the adjustments required for their best performance. Accordingly, the annual plans for internal and external audits have been complied with. On the other hand, SISP continuously monitored the integrated management system and the renewal of ISO certifications for Quality (9001), Information Security (27001), and Business Continuity (22301), conducted business continuity testing and legal and regulatory updates impacting its activities, and provided legal support to the various internal processes.

With regard to the modernization of the management infrastructure, several internal developments were carried out in order to ensure significant improvements in the automation of business processes, including the robotization of financial processes such as invoice posting, stock management or reconciliation, and the adaptation of the entire invoicing system to the new DNRE e-Invoice model, while several new modules were also developed in the different customer interaction platforms to order new services and ensure their monitoring, statistical control, invoicing, reconciliation and systems integration, being in this last case, the recharges of pre-paid energy meters a prominent example. The internal process workflow system was significantly improved to allow greater team autonomy in creating automatic self-documented processes, including the creation of critical resources per activity and automatic performance monitoring indicators and real-time integration with the risk management system.

The new claims management system has made great progress and should be completed in the first half of 2022, enabling the automation of analysis and responses based on a system of rules comprising the configuration of maximum response times monitored in real time with automatic notifications to comply with the new SISP and BCV claims rules. A new module for the clearing of Large Amounts in the Electronic Funds Transfer system was developed, including management of the integration of banks with the BCV's SGDL (Deposit and Withdrawal Management System) platform through the web services.

Customers were heard, both through meetings and direct contacts as well as through permanent and periodic satisfaction surveys, with the company continuing to receive positive evaluations notwithstanding the suggestions for improvements that were identified and promptly absorbed for the necessary implementations. Presentations of services were made to banks as well as dissemination of new services to customers through technical information bulletins, SISP portals and the media.

The employees were trained, evaluated, progressed and rewarded in accordance with the policies in force for strategic management of human capital, and were also, as usual, surveyed through work environment surveys, with very satisfactory results that reveal the engagement of the dynamic SISP team to meet the challenges of modernization and transformation of the national payment system, while allowing us to understand their main concerns and suggestions for continuous improvement of the working and productive conditions.

3. NATIONAL AND INTERNATIONAL ENVIRONMENT

According to the World Bank, global growth in 2021 is expected to be 5.5 percent, compared to a negative 3.4 percent in 2020. The same source predicts a slowdown in the global economy over the next few years, with a particularly undesirable impact on developing economies given their greater vulnerability and lower economic resilience.

With increased vaccination rates and gradual group immunities, the pandemic of COVID-19 is moving towards controlled endemics, although the new variants of Sars-Cov-2 remain globally disruptive, with significant economic impacts from reduced productive activity and movement of people and goods.

The increase in public spending and significant indebtedness that developing countries have gone through since 2020 to support families and companies in an environment of accentuated loss of tax revenues, foreshadows a post-pandemic framework full of uncertainties at the level of public policies considering the over-indebtedness and its possible inability to renegotiate with the main international creditors, with high risks in the effective and timely implementation capacity of counter-cyclical policies to strengthen the private sector and recover the economy and inflation control.

As for tourism, according to the World Tourism Organization, global growth reached 4% but overnight visitors remained 72% below the pre-pandemic period. The European market, as a privileged partner in trade relations and the major source of tourists to Cabo Verde, had a more significant growth than the global average, with 19% growth compared to 2020, despite the values far below those existing before the pandemic, but sufficient to allow the gradual start of activities in the main tourist islands of the country, with direct impact on the acquiring activity.

In a context of political and economic multilateralism, trade wars and political uncertainties arising mainly from friction between key G20 countries had a significant impact on the production chain and on the supply constraint, dictating profound changes in prices and business strategies, with direct impact, at SISP level, on the acquisition and import of technological equipment essential to the various activities.

The scars left by COVID-19 prove even more persistent than the pandemic itself due to their medium and long-term impact. Ensuring universal access to vaccines and providing initial economic support to the most vulnerable realities are key determinants for reducing disparities for a balanced recovery of the global economy. With the easing of restrictions in 2021, demand has accelerated but supply has reacted more slowly. On the other hand, the forced acceleration of the digitalization of the economy has permitted a change in mindsets

and processes paving the way for a new era for mankind, which should bring several business opportunities, increased efficiency and reduction of economic and ecological costs.

Nationwide, the available indicators and statistics suggest a favorable performance of the economy for 2021.

According to data presented by the Banco de Cabo Verde, the forecasts point to a GDP growth of 6.6 percent in 2021 and an inflation rate around 1.6.

The improvement in economic growth, according to that institution, comes not only from the base effect, but also from the external environment that allowed the gradual reopening of the economies of the main partners, due to the progress of the vaccination program, both internal and external. The internal vaccination, one of the largest in all of Africa, has boosted the confidence of tourists, investors and emigrants.

According to the same source, although the most recent outlook seems encouraging, with the most favorable recent developments and some recovery in tourism over the fourth quarter of the year, the uncertainties still surrounding the economic recovery process, exacerbated by the new Sars-CoV-2 variants, inflationary pressures and international supply-side constraints and shortages, justify the continued attention of the monetary authority to the evolution of macro-financial risks and the reinforcement of the monitoring and mitigation mechanisms of its effects on the national economy, which are conditions deemed necessary for the sustained resumption of the country's economic and social progress.

The annual inflation rate in Cabo Verde in 2021 stood at 1.9 percent, 1.3 percentage points higher than the rate in 2020, which was 0.6 percent, according to the National Institute of Statistics (INE). The accumulated rate of change in the Consumer Price Index (CPI) was 5.4 percent, up 6.3 percentage points from the same month last year.

4. PREVENTION AND CONTINGENCY PLAN FOR COVID-19

In compliance with the rules defined by the Government of Cabo Verde, SISP implemented a set of measures to ensure the continuation of its activities, including teleworking (for all employees simultaneously or on a rotating basis) and the adaptation of its facilities to guarantee the safe execution of tasks that require the physical presence of employees. In this context, the company's activities continued to be ensured without any constraints that might prevent it from carrying out the activities needed for its normal operation.

A set of measures was implemented throughout the year to prevent and mitigate the risks of the pandemic, based on three fundamental axes:

1. Protect employees and ensure operational continuity:
 - a. Rotating shifts
 - b. Teleworking
 - c. Transportation of employees
 - d. Recovery plan
2. Support customers and partners with tax exemptions
 - a. Banks – maintaining the exemption from charges for interbank transfers via *Internet Banking*
3. Solutions to support security measures
 - a. Extension of card expiration dates
 - b. Card on the spot
 - c. Virtual card
 - d. Payment platform shopvinti4 and *easylink* for online shopping
 - e. Contactless cards
 - f. Televinti4 to associate bank cards to an app allowing cash withdrawals and cardless payments.

The investments and incentives within the scope of direct response to COVID-19 significantly reduced the impact on activities, bearing always in mind the preservation of SISP's most important asset, which is the health of employees, partners, and customers.

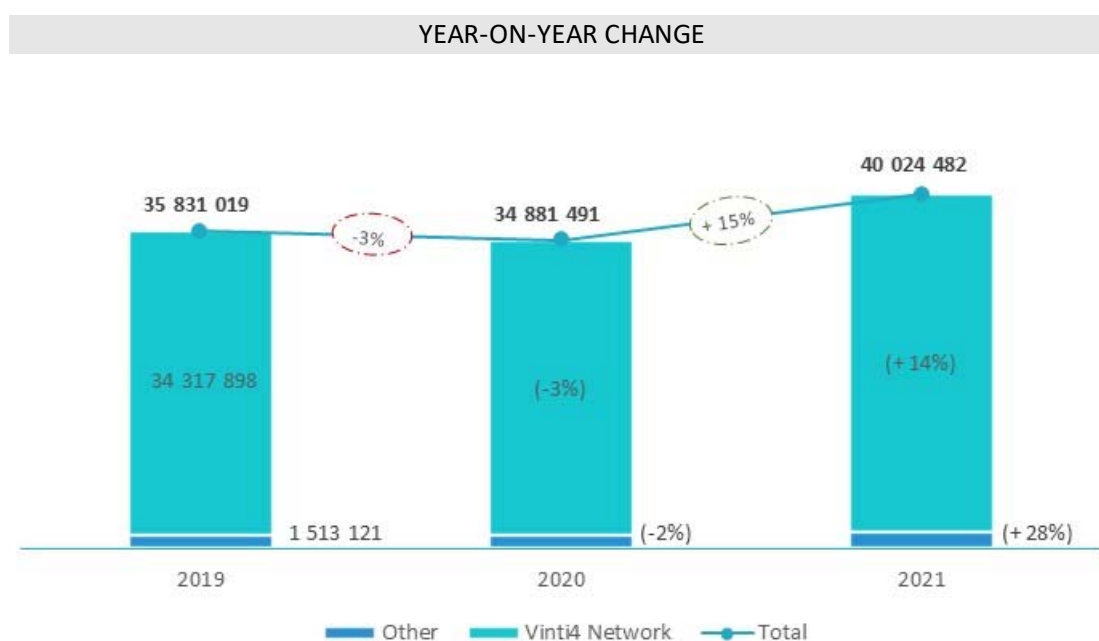
5. BUSINESS HIGHLIGHTS

5.1 Transaction processing and network management

In 2021, the COVID-19 pandemic continued to affect some sectors of activity. However, SISP's activities, namely transactions in general, improved quite significantly, as shown in the various tables and charts below.

Around 40 million transactions were processed in 2021, a 15 percent increase over 2020, with a growth of 14 percent in the vinti4 network and 28 percent in the other systems, namely, TEF, Check Teleclearing and "Not On Us" transactions (carried out in foreign networks). The total value of transactions exceeded the total recorded in 2019.

Chart 2: Transactions processed by SISP



5.2 Profile of the vinti4 network

Transactions on the vinti4 network increased by 14 percent, standing at 38.1 million transactions compared to 33.3 million in 2020, a total exceeding the value recorded in 2019, which was 34.3 million transactions.

The ATM and POS channels resumed their growth trend, with the usual pace of pre COVID-19, an increase of 10 percent and 17 percent, respectively.

The POS channel continues to be the most used with a weight of 58 percent, while the ATM channel represents 39 percent.

Transactions in “other channels”, namely PC, Host to Host (Internet Banking) and Mobile Phone registered a considerable increase of 25 percent, now representing 3 percent of the transactions in the network due to the confinement period when people started to use these channels more.

Chart 3: Transactions processed in the vinti4 network



In 2021, the value transacted at the POS continues to be greater than that of the ATM, reaching 58.155 million escudos, with a positive variation of 21.5 percent year-on-year.

The ATM comes second with 49.311 million escudos, followed by the PC, Mobile and H2H services accounting for 2.663 million escudos, to which mostly contribute the payments to the State and service payment operations.

The volume transacted in ATMs recorded an increase of 14.4 percent and, in turn, transactions in other channels registered a very positive increase of 66.3 percent.

Table 1: Amount of transactions processed in the vinti4 network 2021

	(in millions of CVE)					
	2019	2020	2021	Change		Weight 2021
				2019/2020	2020/2021	
POS	54 795	47 874	58 155	-12,6%	21,5%	52,8%
ATM	48 327	43 092	49 311	-10,8%	14,4%	44,8%
Other ¹	1 272	1 602	2 663	26,0%	66,3%	2,4%
NETWORK	104 394	92 568	110 129	-11,3%	19,0%	100,0%

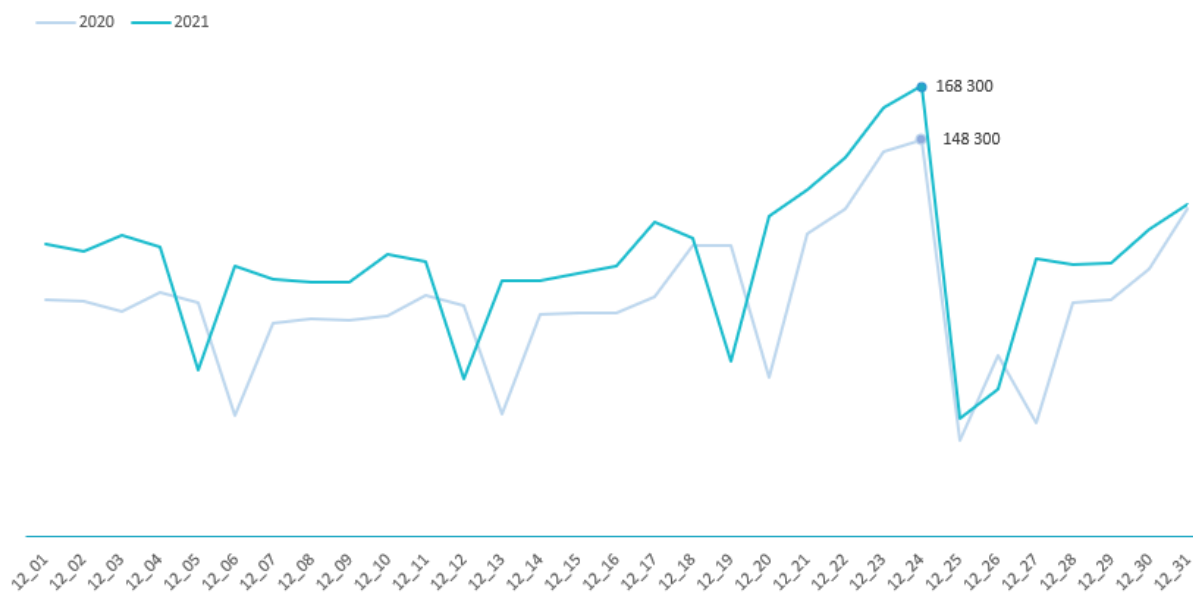
¹Mobile phone, PC and H2H

Data for December reinforce the positive evolution achieved by the use of payment instruments since the end of the confinement period, though facing all the constraints of the “new normal”. That month, 3,203.4 thousand transactions were processed in the vinti4 network, deriving from Withdrawals, Purchases, Payment of Services, Web Payment, Recharges, Transfers, and Deposits, even so representing an increase of 18 percent over the previous year.

As is already customary, the peak occurred on December 24, date on which a total of 148 thousand transactions were processed, equivalent to that of the previous year.

In December, the POS and ATM channels processed more transactions than in 2020, about 18.3 percent and 8.2 percent, respectively.

Chart 4: Number of transactions made in December 2021

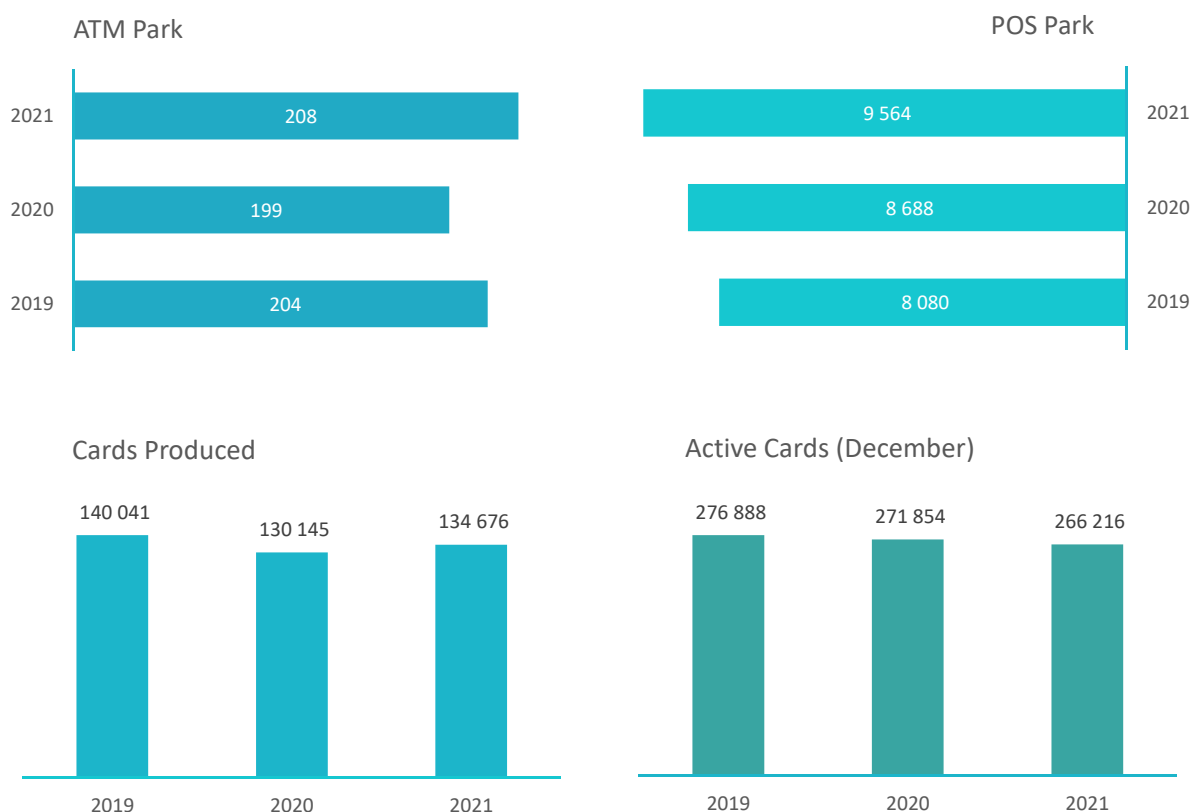


With respect to the number of terminals connected to the network, a moderate evolution in the number of active POS took place over the last three years, reaching 9,564 POS by the end of 2021, with a growth of 10 percent (879 more terminals) when compared to the same period last year. In turn, the number of ATMs recorded a positive evolution of 4.5 percent, with 9 more terminals than the previous year, justified by the resumption of activities in some hotel units where they are housed.

The number of cards produced was 134.676, with a positive change of 3 percent (4,531 more cards), while the number of active cards in the network registered a negative variation of 2%, less 5,638 cards, when compared with the same period of the previous year.

The negative variation in active cards is related with the extension of the card expiration dates applied by banks as from the second quarter of 2020 due to the pandemic and restrictions to accessing bank branches.

Chart 5: Terminals and Cards



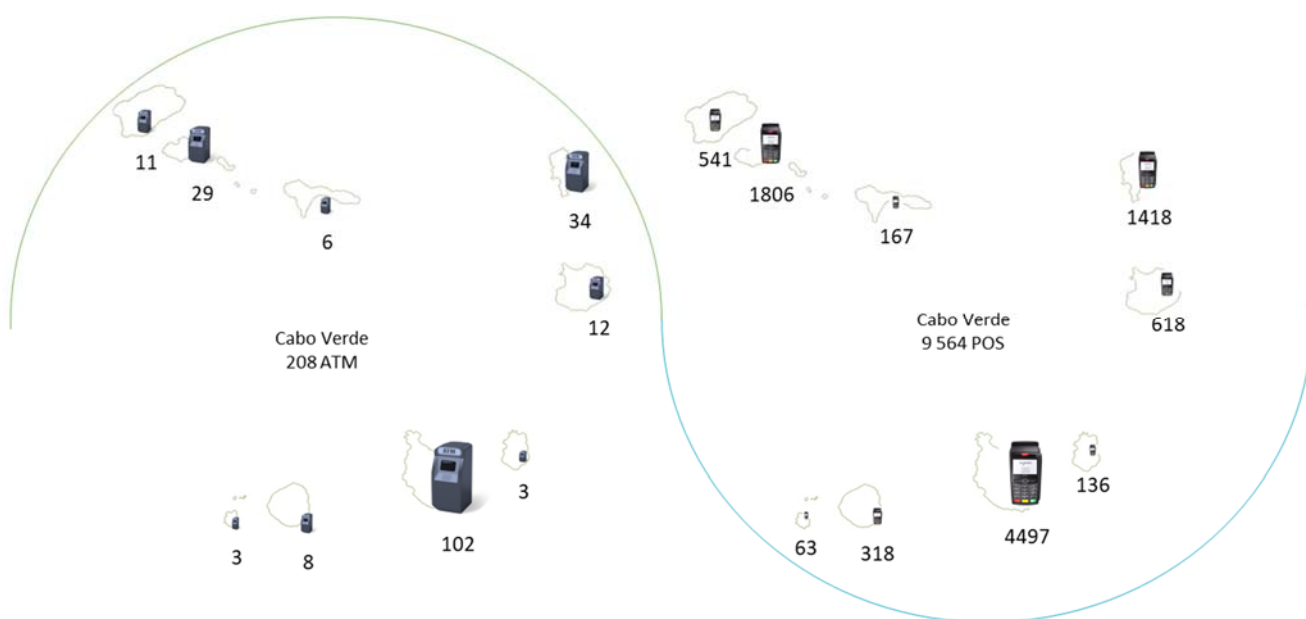
5.3 Geographical Coverage

The penetration of ATMs in various locations around the country continues to be positive, with 9 more active terminals in relation to the previous year as a result of the resumption of activities in hotel establishments. The island of Santiago represents 49 percent of the total number of ATMs nationwide.

The POSs are mostly installed on the Island of Santiago, with 47 percent of the total terminals installed, followed by the islands of São Vicente and Sal, with 18.8 percent and 14.8 percent, respectively.

The total number of POS terminals installed by the end of 2021 was 9.564.

Chart 6: Geographic Coverage of Terminals



5.4 Automated Teller Machines

The ATMs recorded 14.8 million transactions, with 44.8 percent of network transactions, an increase of 10 percent as compared to the previous year.

The withdrawal transactions continue to be the most performed in this channel, with 50.6 percent of its weight, followed by account balance and transaction viewing which account for 34.5 and 10 percent, respectively.

Table 2: Transactions at Automated Teller Machines

	2019	2020	2021	Change		Weight 2021
				2019/2020	2020/2021	
Withdrawals	7 829 231	6 795 409	7 520 880	-13,2%	10,7%	50,6%
Deposits	0	425	3 392		698,1%	0,0%
Account Balance Enquiries	4 366 471	4 675 826	5 137 056	7,1%	9,9%	34,5%
Mobile Phone Recharges	349 278	338 305	318 300	-3,1%	-5,9%	2,1%
Transaction Viewing	1 345 136	1 373 988	1 471 022	2,1%	7,1%	9,9%
Other	224 872	348 968	422 791	55,2%	21,2%	2,8%
Total	14 114 988	13 532 921	14 873 441	-4,1%	9,9%	100,0%

In 2021, the average amount of each ATM withdrawal was 5.623 escudos, equivalent to that recorded in 2020, of 5.618 escudos.

5.5 Automatic Payment

The POS network sustained the growth trend shown in recent years, with an increase of 879 terminals compared to 2020, ending the year with 9.564 terminals installed in the country, covering the most diverse areas of business.

The total number of POS operations reached 22.2 million, 16.7 percent higher than in 2020, totaling 19 million.

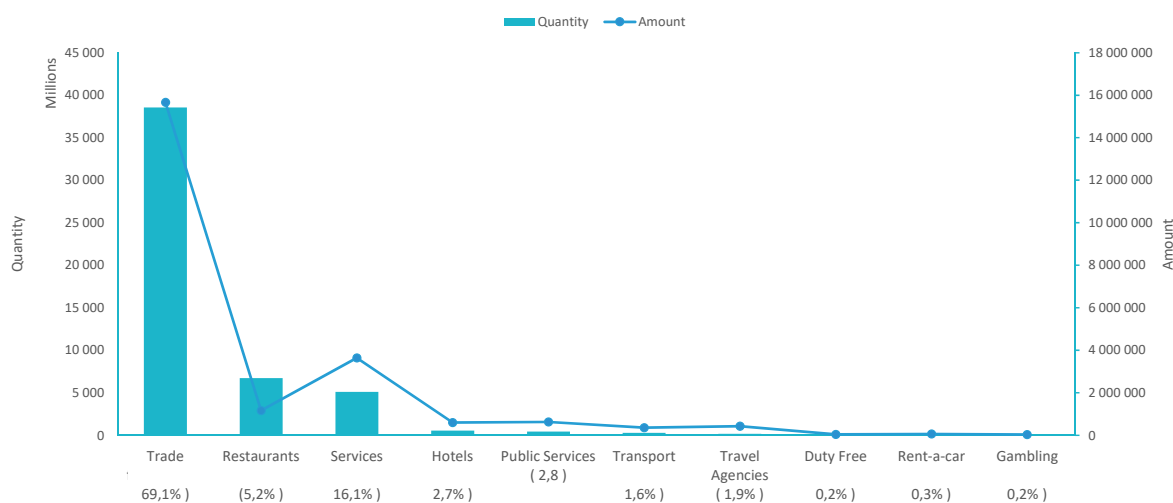
Purchase transactions are the most frequent in this channel, representing 93.5 percent of POS transactions in 2021, with a growth of 17.2 year-on-year.

Table 3: Transactions at Automatic Payment Terminals

	2019	2020	2021	Change		Weight 2021
				2019/2020	2020/2021	
Purchases	18 385 581	17 783 335	20 833 712	-3,3%	17,2%	93,5%
Mobile Phone Recharges	104 715	211 365	153 077	101,8%	-27,6%	0,7%
Balance Viewing	1 100 589	997 532	1 087 412	-9,4%	9,0%	4,9%
Other Transactions	91 583	93 765	201 056	2,4%	114,4%	0,9%
Total	19 682 468	19 085 997	22 275 257	-3,0%	16,7%	100,0%

Trade continued to be the dominant sector in 2021 in terms of payments made, with 69 percent, followed by Services with 16 percent.

Chart 7: Purchases by Branch of Activity



Card payment continues to be preferred by network customers, with the Purchase/Withdrawal ratio increasing from 262 percent in 2020 to an average of 277 percent in 2021.

In 2021, the average purchase on the POS amounted to 2,719 escudos, higher than the previous year's figure of 2,633 escudos, which suggests that Cabo Verdeans are increasingly using the card for low-value purchases instead of cash.

5.6 International Acquiring

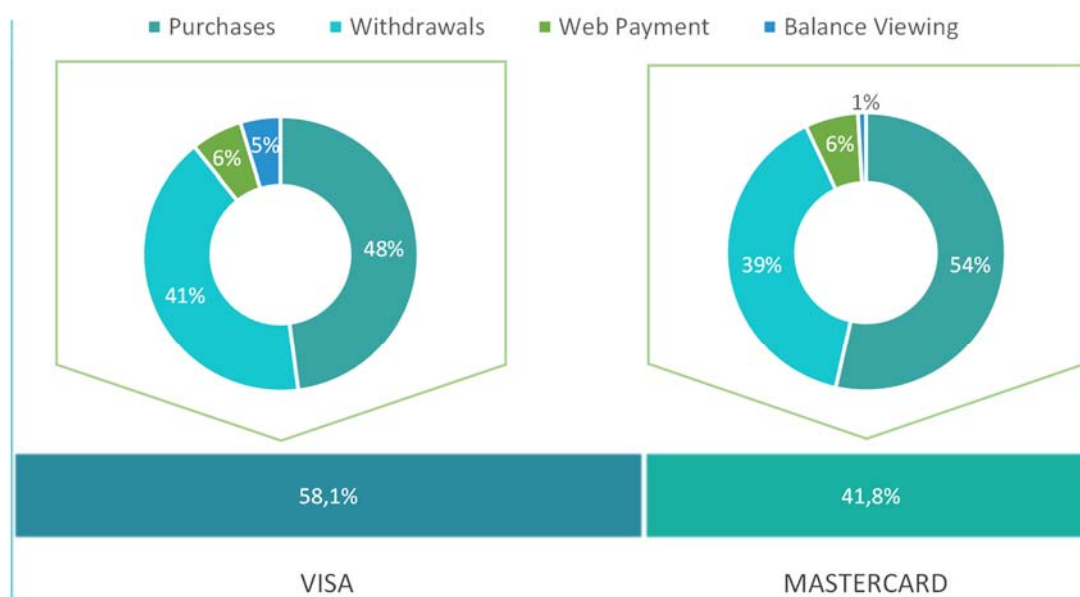
The International Acquiring service has seen some recovery with the "new normal" after the COVID-19 pandemic, a slight increase in the number of transactions of 32.9 percent when compared to the same period last year, although still much lower than 2019 by 42 percent.

The number of transactions recorded in 2021 was 727,814, while in 2020 this number was 547,690 transactions. The recovery was more expressive in the summer and in the last two months of 2021. The total number of transactions recorded in 2019 was 1,250,555. With respect to the transacted volume, there was an increase of 20 percent in relation to 2020.

Visa card transactions represent 58 percent of international card transactions, compared to 41.8 percent of those recorded with MasterCard. In 2021, 1,337 AMEX card transactions were recorded, compared to 203 transactions in 2020. AMEX transactions represent 0.2 percent of total international card transactions.

Purchases with international cards are gradually gaining weight when compared to withdrawals with the same cards at ATMs, as a result of the strategy of massification of this service initiated in the last few years with a view to provide the country, increasingly touristic, with a network of acceptance of international cards in all sectors of activity.

Chart 8: Transactions with not-on-us cards in 2021



5.7 Service Payment

Service Payment continues to be the fastest growing service in terms of the number of transactions, with an increase of over 69.8 percent in the number of transactions and 56.9 percent in volume compared to the same period last year. This service was heavily used during the pandemic, for increasingly lower unit values.

The average per payment was CVE 8,342 in 2021 and CVE 9,028 in 2020.

Table 4: Service Payment Transactions

	2019	2020	2021	Change	
				2019/2020	2020/2021
Quantity	188 453	266 490	452 374	41,4%	69,8%
Amount (millions of CVE)	2 902	2 406	3 774	-17,1%	56,9%

5.8 Sale of Mobile Recharges

After a very significant growth with the pandemic in 2020, the sale of recharges stabilized in 2021 with a moderate decrease in the order of one percent, both in the number of operations and in volume, however, with transactions in proportions that are still quite significant.

Table 5: Mobile Phone Recharges

	2019	2020	2021	Change	
				2019/2020	2020/2021
Quantity	815 730	1 095 038	1 080 820	34,2%	-1,3%
Amount	455 533 726	587 356 061	580 113 581	28,9%	-1,2%

5.9 Web Payment

Web payments saw an 18 percent increase in the number of transactions and 91.5 percent increase in value in 2021 when compared to the same period last year. The increase is mainly due to the recovery of international card transactions, with the upturn in tourism and airport activity.

Table 6: Web Payment Transactions

	2019	2020	2021	Change	
				2019/2020	2020/2021
Quantity	67 996	69 407	82 273	2,1%	18,5%
Amount	497 231 035	217 553 281	416 658 735	-56,3%	91,5%

5.10 Electronic Fund Transfer (TEF)

The TEF Service continues the growth trend recorded in the previous year with an increase of 39.9 percent in the number of operations and 13 percent in the volume transacted. The increase may be related to SISP exempting banks from transactions made via Internet Banking as of the second quarter of 2020 and throughout 2021.

Table 7: Electronic Fund Transfer Transactions

	2019	2020	2021	Change	
				2019/2020	2020/2021
Quantity	739 958	891 997	1 248 060	20,6%	39,9%
Amount (millions CVE)	158 687	129 511	146 723	-18,4%	13,3%

5.11 Cheque Clearing

The check clearing service recorded a moderate positive change in the number of operations by 3.8 percent and a downward trend in transaction volume of 1.3 percent when compared to 2020.

Table 8: Cheque Clearing Transactions

	2019	2020	2021	Change	
				2019/2020	2020/2021
Quantity	301 060	254 959	264 679	-15,3%	3,8%
Amount (millions of CVE)	72 806	64 330	63 500	-11,6%	-1,3%

5.12 SWIFT Service

SISP completed SWIFT certification with official listing on SWIFT's international list of service bureaux in 2020 (one of seven on the African continent).

In 2021 the service registered a significant increase both in the number of messages sent and in the messages received, by 222 percent and 8.6 percent when compared to the previous year.

Table 9: SWIFT Transactions

	2019	2020	2021	Change	Weight
				2019/2020	2020/2021
Messages Sent	89 666	80 895	279 046	-9,8%	244,9%
Messages Received	258 433	249 625	269 185	-3,4%	7,8%
	348 099	330 520	548 231	-5,1%	65,9%

5.13 Digital Certificate Service

The PKI (Public Key Infrastructure) service, with the issuing of digital certificates, had in 2021, with the partnership between SISP and the State in the implementation of the *efatura* service, a very positive growth in the number of issues, as follows:

	2021	2020
Web Authentication	31	3
Individual Qualified Signature	11	0
Qualified Signature Representing Legal Entity	1	4
Electronic Stamp	713	1
Individual Authentication	1	4
Timestamp	1 299 836	0
Total	1 300 593	12

5.14 Infrastructure and Technology

In terms of infrastructure and technology, SISP continued to invest significant efforts in the relentless pursuit of alignment with the international best practices in the areas of security, continuity and quality of service.

In the field of information systems and security, several security improvements were implemented:

- Capacity and process management, with the migration of the file transfer system to a more robust solution in terms of security, stability and integration;
- Reinforcement of the communication capacity between SISP's data centers aiming at a new approach of high availability of services;
- Extending the server virtualization approach to multiple levels;
- Reinforcement of monitoring processes and automated detection of incidents in the technological infrastructure;
- Certification of new ATM redundant communication equipment;
- Migration of cryptographic security modules;
- Continuous improvement of backup processes;
- Reinforcement of physical and logical security systems;
- Installation of the entire new testing infrastructure for the implementation of the new Core Banking as a Service;
- Follow-up on business continuity plans, renewal of critical security certifications, namely PCI-DSS, PCI-CP and 3DS.

The project of the new headquarter building, which, due to its complexity, requires a high level of expertise and investment, underwent structural changes in order to facilitate the Tier IV certification for the infrastructure that will be critical to the country's economy. Accordingly, the planned stages of specialty projects, certification of the first phase with the Uptime Institute and also the first stages of pre-selection of candidates for the supervision and construction tenders have been completed.

The new SISP Public Key Infrastructure (PKI) service underwent important developments with the electronic invoicing program launched by the National Directorate of State Revenue (DNRE), using digital certificates generated by the SISP public key infrastructure (about 1.3M various certificates issued), and the launch of the SISP digital signature application for use of SISP certificates, with the possibility of integration with third-party systems compatible with the National Identification Card. Integration processes are underway with various entities, including the banking and public sector, for the secure and certified dematerialization of their processes.

The SWIFT services maintained the development process, with the certification by SWIFT of IT technical experts, as well as several improvements in terms of processes, including compliance with the schedule for security updates, the transfer of the management of access certificates to banks with increased autonomy or the availability of the first version of the statistical information system of each participant and the national ecosystem for better perception of market positioning.

5.15 Human Capital

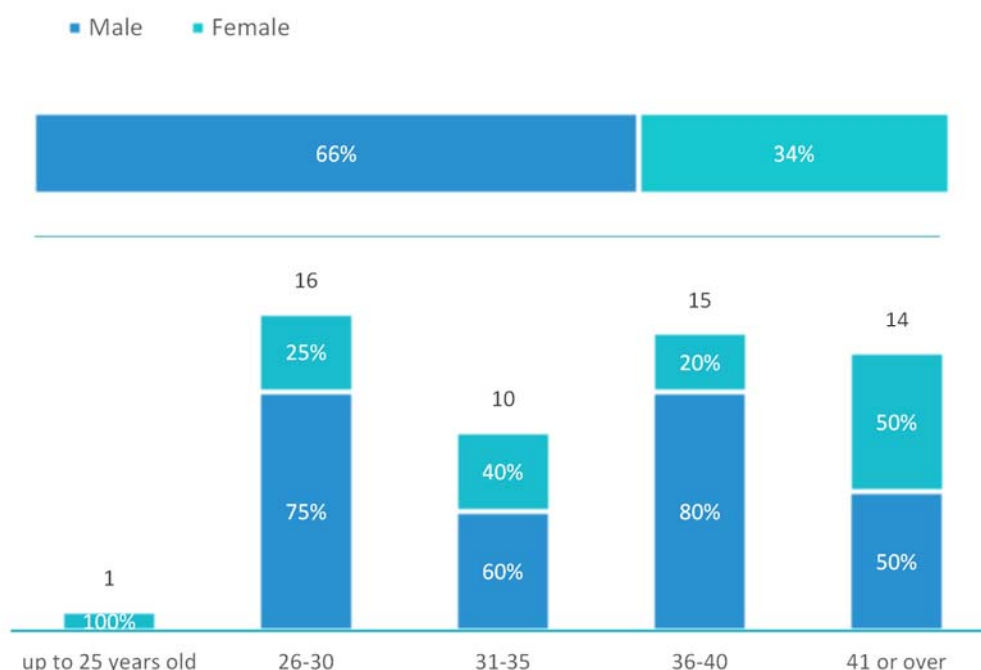
On December 31, 2021, the staff totaled 56 employees, five more than in 2020. A trainee was promoted to the category of employee and five new people were hired, including one to replace a technician who left the Company in the same year.

The staff structure is still distributed throughout most of the country, more precisely in Praia and the delegations of São Vicente and Santo Antão, Sal, Boa Vista, Fogo and Santiago Norte. The headquarter facilities in Praia shelter 88 percent of the employees.

The predominance of male technicians in the company remains at about 66 percent.

As for age range and gender, the employees are distributed as follows:

Chart 9: Age Range and Gender Distribution



5.15.1 Development and Training

In light of its human capital development policy, SISP invested heavily in training its employees, giving preference to online training due to the restrictions imposed by the pandemic. Nine training activities and several online sessions were held that covered about 74 participants. Additionally, five internal training sessions were given with a total of 56 participants, with some employees taking part in more than one training session.

Table 10: List of Training Activities carried out in 2021

Courses	Participants	Area
Master degree in Systems Engineering and Computer Systems 1st Year	2	Operation Management
Master degree in Management of Financial Institutions 1st Year	1	Administrative-Financial
EDB Training Services	2	Information Systems
Oracle Database 12c: Backup and Recovery Workshop	1	Information Systems
Understanding Transaction Processing: Authorization, Clearing, and Settlement	1	Information Systems
The Implementation of COBIT and How Internal Audit will use the Framework	1	Internal Audit
Academy On Web – MasterCard (miscellaneous/continuous)	62	Administrative-Financial/Operation Management and Management of Products and Services & Clients
Certifications from Project Management PRINCE2® Foundation Certificate/ Agile	2	Direction and Management of Products and Services & Clients
Certifications from IT Service Bureau of SWIFT	2	Information Systems

5.15 Risk Management and Internal Control

In what concerns internal control activities, the Internal Audit, Risk & Quality and Legal & Compliance areas continued their work in control activities transversal to the company's processes, adjusted as required for their best performance. Hence, the Company complied with the annual plans for internal and external audits and guaranteed continuous monitoring of the integrated management system and renewal of ISO certifications for Quality (9001), Information Security (27001) and Business Continuity (22301), business continuity tests, legal and regulatory updates with an impact on SISP's activities and legal support for the various internal processes.

5.16 Investment

Investments in 2021 totaled CVE 115.9 million, representing 12 percent of the operating revenues, equivalent to 2020, which amounted to CVE 91 million.

Investments include, essentially, the acquisition of payment terminals, equipment and software for the reinforcement of high availability, hardware (servers, processors) and the acquisition of two vehicles, one for administrative matters with the transfer of the previous one to the 24-hour standby IT team and the other to replace the vehicle of the Fogo delegation.

Table 11: Investment

Description	Planned	Executed	Delivery Rate
Software	28 765 070	18 838 473	65,5%
Equipment	88 400 000	79 906 745	90,4%
Vehicles	2 500 000	2 473 965	99,0%
Sub-Total	119 665 070	101 219 183	84,6%
Construction project and start-up (40%)	152 012 918	14 694 700	
Total	271 677 988	115 913 883	

Financing was entirely ensured with SISP's own resources and funds.

6. FINANCIAL REVIEW

The year 2021 was marked by the gradual resumption of activities after a 2020 of confinement and paralysis due to the covid-19 pandemic. Similarly to what was recorded in transactions, there was an increase in income that translated into better results for the year, though still lower than those recorded in 2019, the year before COVID-19.

The economic and financial analysis of the company based on the financial statements summarizes the results achieved by SISP in the year of the recovery within the new normality, as well as its equity and financial situation on December 31, 2021.

Table 12: Income Statement

Statements of Comprehensive Income as at December 31, 2020 and 2021						
(Amounts expressed in Cabo Verdean Escudos)						
Items	Notes	12/31/2021	12/31/2020	Change	% of Change	
Provisions of services and sales	14	937 781 894	749 027 602	188 754 292	25,20%	
Cost of goods sold and materials consumed	7	-24 010 730	-21 352 892	-2 657 838	12,45%	
Gross operating income		913 771 164	727 674 710	186 096 454	25,57%	
External supplies and services	15	411 383 059	357 903 226	53 479 833	14,94%	
Gross value added		502 388 105	369 771 484	132 616 621	35,86%	
Staff costs	16	121 591 847	115 995 740	5 596 107	4,82%	
Provisions for the Year - (reductions)	10	-	5 410 908	-5 410 908	-100,00%	
Fair value increases / reductions	6	28 923 354	21 655 764	7 267 590	33,56%	
Impairment of assets	10	-7 448 880	-46 876 311	39 427 431	-84,11%	
Other costs	17	10 149 141	4 879 942	5 269 199	107,98%	
Other income and gains	17	1 742 853	7 099 427	-5 356 574	-75,45%	
Income before amortization, financing losses and gains and tax - EBITDA		393 864 444	236 185 590	157 678 854	66,76%	
Depreciation and amortization costs	5	129 941 042	125 076 383	4 864 659	3,89%	
Operating income (before financing losses/gains and tax) - EBIT		263 923 402	111 109 207	152 814 195	137,54%	
Interest and gains received	18	2 862 702	2 977 404	-114 702	-3,85%	
Interest and losses paid	18	-9 758 451	-10 607 132	848 681	-8,00%	
Income Before Tax		257 027 653	103 479 479	153 548 174	148,39%	
Income Tax for the Year	19	-57 419 576	-23 788 573	-33 631 004	141,37%	
Net Earnings for the Year		199 608 077	79 690 906	119 917 170	150,48%	

6.1 Gross Value Added

Gross value added in 2021 was CVE 502.3 million, which, compared with CVE 369.7 million in 2020, represents an increase of CVE 132.6 million. This positive evolution in relation to the previous year is justified by the resumption of transactions in the network in all aspects, with predominance in services with international cards and vinti4, whereas the effect of the increase in revenues is greater than the increase in expenses for the year.

Operating revenues settled at CVE 937.7 million in 2021, up CVE 188 million year-on-year, representing an increase of 25.2 percent.

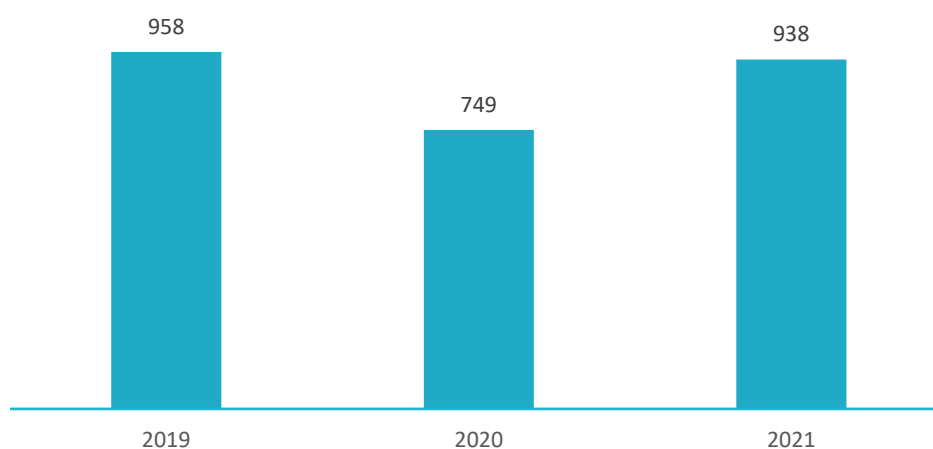
6.2 Income

Total income in 2021 was CVE 971.3 million, up 23.5 percent, an increase of 185 million in relation to the previous year. Contributing to this result was the increase in the main revenues from SISP services, namely Vinti4, Visa and MasterCard, when compared to the same period last year.

Income from services reached CVE 937.7 million, up CVE 185.7 million compared to 2020, with Vinti4, Visa and MasterCard services accounting for about CVE 172 million of that increase.

The value of the 2021 service provision represents 98 percent of that recorded in the period before COVID-19, i.e., approximately CVE 20 million less than 2019.

Chart 10: Provision of Services in millions of CVE



6.3 Other Income and Gains

The gain by increase in fair value of SISP stake in Visa's share capital was CVE 28.9 million (market value update as of December 31, 2021), while in the year 2020 that gain stood at CVE 21.6 millions.

Other income amounted to CVE 1.7 million, derived mainly from the sale of tangible fixed assets.

The interest earned resulted from time deposits and similar and totaled 2.8 million escudos, equivalent to the previous year (2.9 million escudos).

6.4 Expenditures

Total expenses amounted to 714.2 million escudos, a change of 4.6 percent, *id est*, another 31,5 million escudos as compared to 2020.

The following table shows the composition of Costs, as well as their respective evolution in both years:

Table 13: Expenditures

	2 021	2020	Absolute Variation	% of Change
Total	714 283 150	682 691 626	31 591 524	4,63%
Cost of goods sold and materials consumed	24 010 730	21 352 892	2 657 838	12,45%
Third-party supplies and services	411 383 059	357 903 226	53 479 833	14,94%
Staff costs	121 591 847	115 995 740	5 596 107	4,82%
Impairment of assets	7 448 880	46 876 311	-39 427 431	-84,11%
Other costs	10 149 141	4 879 942	5 269 199	107,98%
Depreciation and amortization costs	129 941 042	125 076 383	4 864 659	3,89%
Interest and losses paid	9 758 451	10 607 132	-848 681	-8,00%

The increase in expenses with Third-Party Supplies and Services (FSE) is the main reason for the increase in general expenses, essentially due to direct and proportional expenses associated with Visa, MasterCard and vinti4 transaction fees.

Staff costs totaled CVE 121.5 million, an increase of CVE 5.5 million compared to 2020. This variation is related to the increase in personnel (5 more than the previous year) and career progress granted to 19 employees in 2021.

The ratio of Personnel or Staff Costs to Service Provision was set at 13 percent and 15 percent in 2021 and 2020 (a decrease of 2 p.p.), respectively, with personnel expenses representing

about 17 percent of the company's total costs in 2021, equivalent to the weight recorded in 2020.

Depreciation expenses set at CVE 129 million, an increase of 3.8 percent, in line with an increase in non-current assets registered in recent years.

The CAPEX to operating income ratio stood at 12.3 percent (12.1 percent in 2020), while depreciation and amortization expenses represented 13.3 percent of total income in 2021 and 15.9 percent in 2020.

The heading "impairment in 2021" includes doubtful debt provisions for clients in the amount of CVE 7.4 million. In 2020, the caption includes doubtful debt provisions for clients and other debtors, namely transactions associated with the international settlement process (chargebacks) in the total amount of CVE 43.4 million. The increase recorded in impairment for chargebacks as of December 31, 2020 results in essence from alleged unauthorized use (fraud) of international cards at domestic merchants. The recovery of this amount is in progress through legal action.

Additionally, in 2020 inventory impairments of CVE 3.4 million were recorded for old and obsolete terminal parts in stock, associated with a POS manufacturer in the final process of replacement by another manufacturer with a better cost-benefit ratio.

Other Costs and Losses

The item "Other Costs" in the amount of CVE 10.1 million (CVE 4.8 million in 2019) includes, essentially, stamp duty, contributions, and donations. The increase is associated with the increase in revenue from international acquiring services where stamp duty is levied.

Interest and Losses Paid include essentially expenses related to bank guarantees, financial expenses with processing and unfavorable exchange differences, adding up to a total of CVE 9.7 million in 2021.

6.5 Net Income for the Year

SISP presented a good performance with a Net Result reaching 199 million escudos, a positive variation of around 150 percent, 119.9 million escudos more than in the same period of the previous year. On the basis of this increase was the increase in income from services.

Following the increase in operating income, higher than the increase in costs, EBITDA increased by 66.7 percent between 2020 and 2021, standing at CVE 393.8 million (CVE 236.1 million in the previous year).

7. FINANCIAL SITUATION

7.1 Balance Sheet Position

As of December 31, 2021, the net assets reached CVE 1,673.8 million, which corresponds to an increase of 46.5 percent (CVE 531.9 million) over the net assets recorded in December 2020, which had been CVE 1,141.8 million.

Table 14: Balance Sheet Position

Assets	12/31/2021	12/31/2020	Absolute Variation	% of Change
Non-Current Assets	649 235 091	630 020 146	19 214 945	3,05%
Tangible Fixed Assets	180 179 107	148 499 035	31 680 072	21,33%
Intangible Assets	61 544 817	102 933 298	-41 388 481	-40,21%
Financial Investment	407 511 167	378 587 813	28 923 354	7,64%
Current Assets	1 024 572 217	511 794 093	512 778 124	100,19%
Inventories	48 254 556	61 375 824	-13 121 268	-21,38%
Short-Term Debts	294 188 123	172 037 227	122 150 896	71,00%
State and other Public Bodies	0	26 221 415	-26 221 415	
Bank Deposits	682 129 539	252 159 628	429 969 911	170,51%
Total Assets	1 673 807 309	1 141 814 240	531 993 069	46,59%
Owner Equity	1 183 966 726	984 358 649	199 608 076	20,28%
Share Capital and Reserves	984 358 649	904 667 743	79 690 906	8,81%
Net Earnings for the Year	199 608 077	79 690 906	119 917 170	150,48%
Liabilities	489 840 583	157 455 590	332 384 992	211,10%
Current Liabilities	489 840 583	157 455 590	332 384 992	211,10%
Owner Equity + Liabilities	1 673 807 309	1 141 814 240	531 993 069	46,59%

The following factors contributed primarily to this increase:

- The increase in current assets by CVE 512 million, chiefly due to the increase in cash and cash equivalents and short term debts by CVE 429.9 million and CVE 122 million, respectively;
- Increase in non-current assets by CVE 19.2 million, resulting from new investments recorded in 2021;

Equity increased by 20 percent, up by CVE 199.6 million in 2021, with this increase being the result of not distributing dividends in 2020 and the impact of the increase in net income in 2021 by CVE 119.9 million.

Total liabilities were CVE 489.8 million, up CVE 332 million from the previous year, due to the increase in the clearing debt associated with the acquiring business.

7.2 Ratio Assessment

The year 2021 confirms the improvement in SISP's profitability indicators, with Return on Assets (ROA) and Return on Equity (ROE) reaching 12.5 percent and 16.8 percent, respectively, compared to 7.9 percent and 8.1 percent in 2020, a direct consequence of the increase in Net Income.

The efficiency ratio Cost-to-Income, which relates Operating Costs to Income, continued to decline and reached 74.3 percent in 2021, better than in 2020 which was 83.5 percent, reflecting the increase in income in greater proportion than costs.

The Staff Costs to Income ratio also improved, jumping from 15.5 percent in 2020 to 13 percent in 2021.

7.3 Management Indicators

The EBITDA Profitability Indicator (excluding the impact of fair value, impairments and provisions) increased by more than 44 percent.

In prudential terms, SISP continues to show good performance and soundness, with equity above CVE 1,111 million, an increase of 20 percent compared to 2020.

The Fixed Asset Coverage ratio remains high, at 815 percent in 2021 (818 percent in 2020).

The Solvency ratio, according to the regulations of the Banco de Cabo Verde, reached 66.2 percent, well above the minimum 10 percent legally required. It should be noted that the Central Bank decreased the minimum value of the capital ratio in 2020 in order to minimize the impact of the COVID pandemic on the capital of financial institutions.

Table 15: Management Indicators

Ratios	2021	2020	2019	Change
Profitability (millions of CVE)				
EBITDA	372 mCVE	257 mCVE	343,3 mCVE	44,73%
Return on Equity	16,86%	8,10%	24,13%	108,14%
Return on Assets (ROA)	11,93%	9,73%	21,19%	22,56%
Net Return on Sales	21,29%	10,64%	25,92%	100,05%
Operational Efficiency				
Average Period of Receivables	61	62	55	-2,39%
Overall Liquidity	2,09	3,25	1,76	-35,64%
Reduced Liquidity	1,99	2,86	1,63	-30,31%
Immediate Cash Flow	1,39	1,6	0,73	-12,97%
Prudential Indicators				
Equity	1.111,9mCVE	871,6mCVE	919,5mCVE	20,93%
Solvency	66,2%	55,5%	57,9%	19,4%
Coverage of Fixed Assets	815,3%	818,8%	638,3%	-0,4%

7.4 Proposal for the Appropriation of Net Income

Taking into consideration the dividend distribution policy and using the prerogative granted by Law and by the Company's Articles of Association, the Board of Directors proposes to the General Meeting of Shareholders that, under the terms set forth in the applicable legal and statutory provisions:

The Net Earnings in the amount of CVE 199,608,077, in respect of the financial year 2021, be distributed as follows:

Table 16: Proposal for the Appropriation of Net Income

	%	Amount in CVE
Dividends	50%	99 804 038
Legal Reserves	10%	19 960 808
Other Reserves	40%	79 843 231
Total		199 608 077

The Board of Directors believes it pertinent to mention the considerable impact on the company's results of the evolution of the price of VISA type C shares (fair value) held by SISP, which in 2021 totaled CVE 28,923,354 (CVE 21,655,764 in 2020).

Considering the compliance with the legal and prudential reserves, as well as the satisfactory degree of capitalization of the company, the Board of Directors decided to propose the distribution of dividends starting at 50%, minimum distribution amount on distributable profits.

7.5 Income Statements

Statements of Comprehensive Income as at December 31, 2020 and 2021						
(Amounts expressed in Cabo Verdean Escudos)						
Items	Notes	12/31/2021	12/31/2020	Change	% of Change	
Provisions of services and sales	14	937 781 894	749 027 602	188 754 292	25,20%	
Cost of goods sold and materials consumed	7	-24 010 730	-21 352 892	-2 657 838	12,45%	
Gross operating income		913 771 164	727 674 710	186 096 454	25,57%	
External supplies and services	15	411 383 059	357 903 226	53 479 833	14,94%	
Gross value added		502 388 105	369 771 484	132 616 621	35,86%	
Staff costs	16	121 591 847	115 995 740	5 596 107	4,82%	
Provisions for the Year - (reductions)	10	-	5 410 908	-5 410 908	-100,00%	
Fair value increases / reductions	6	28 923 354	21 655 764	7 267 590	33,56%	
Impairment of assets	10	-7 448 880	-46 876 311	39 427 431	-84,11%	
Other costs	17	10 149 141	4 879 942	5 269 199	107,98%	
Other income and gains	17	1 742 853	7 099 427	-5 356 574	-75,45%	
Income before amortization, financing losses and gains and tax - EBITDA		393 864 444	236 185 590	157 678 854	66,76%	
Depreciation and amortization costs	5	129 941 042	125 076 383	4 864 659	3,89%	
Operating income (before financing losses/gains and tax) - EBIT		263 923 402	111 109 207	152 814 195	137,54%	
Interest and gains received	18	2 862 702	2 977 404	-114 702	-3,85%	
Interest and losses paid	18	-9 758 451	-10 607 132	848 681	-8,00%	
Income Before Tax		257 027 653	103 479 479	153 548 174	148,39%	
Income Tax for the Year	19	-57 419 576	-23 788 573	-33 631 004	141,37%	
Net Earnings for the Year		199 608 077	79 690 906	119 917 170	150,48%	

Balance Sheets as at December 31, 2021 and December 31, 2020

(Amounts expressed in Cabo Verdean Escudos)

Items	Notes	12/31/2021	12/31/2020	Change	%
ASSETS					
Non-current assets					
Tangible fixed assets	5	180 179 107	148 499 035	31 680 072	21,33%
Land	5	10 324 248	10 324 248	-	0%
Buildings and other construction	5	7 360 870	9 584 605	(2 223 735)	-23%
Basic equipment	5	120 226 626	106 637 627	13 588 999	13%
Transport equipment	5	5 529 985	6 207 163	(677 178)	-11%
Office equipment	5	2 551 287	2 064 206	487 081	24%
Tools and utensils	5	-	-	-	-
Advances for tangible fixed assets	5	34 186 091	13 681 186	20 504 905	150%
Intangible assets	5	61 544 817	102 933 298	(41 388 481)	-40,21%
Computer programs (Software)	5	57 598 523	96 599 453	(39 000 930)	-40%
Other intangible assets	5	-	1 716 570	(1 716 570)	-100%
Advances for intangible assets	5	3 946 294	4 617 275	(670 981)	-15%
Financial Investment - other methods	5	407 511 167	378 587 813	28 923 354	7,64%
Equity holdings	5	407 511 167	378 587 813	28 923 354	8%
	5				
Total non-current assets		649 235 091	630 020 146	19 214 945	3,05%
Current assets					
Inventories	7	48 254 556	61 375 824	(13 121 268)	-21,38%
Goods	7	3 707 656	6 238 084	(2 530 428)	-40,56%
Raw materials, subsidiary and consumables	7	44 546 900	55 137 740	(10 590 840)	-19,21%
Customers	11	207 687 502	126 658 773	81 028 729	63,97%
Other accounts receivable	11	59 409 553	20 411 685	38 997 868	191,06%
State and other public bodies	13	-	26 221 415	(26 221 415)	-100,00%
Deferrals	8	27 091 068	24 966 769	2 124 299	8,51%
Bank deposits	4	682 129 539	252 159 628	429 969 911	170,51%
Total current assets		1 024 572 217	511 794 093	512 778 124	100,19%
Total assets		1 673 807 309	1 141 814 240	531 993 069	46,6%
NET POSITION and LIABILITIES					
OWNER EQUITY					
Capital	9	100 000 000	100 000 000	-	0,00%
Legal reserves	9	105 727 853	97 758 762	7 969 091	8,15%
Free reserves	9	14 401 872	14 401 872	-	0,00%
Other reserves	9	709 462 600	637 740 785	71 721 815	11,25%
Retained earnings		54 766 324	54 766 324	-	0,00%
Net profit for the Year		199 608 077	79 690 906	119 917 170	150,48%
Total Owner Equity		1 183 966 726	984 358 649	199 608 076	20,3%
LIABILITIES					
Non-current liabilities					
Total non-current liabilities		-	-	-	
Current liabilities					
Suppliers - investments	11	2 497 281	3 793 842	(1 296 561)	-34,18%
Suppliers, current account	11	20 767 357	18 453 637	2 313 720	12,54%
Visa/MasterCard Clearing	12	284 038 015	89 704 475	194 333 540	216,64%
State and other public bodies	13	27 729 193	8 591 773	19 137 419	222,74%
Other accounts payable	11	135 297 686	22 646 554	112 651 132	497,43%
Accrued costs	8	19 511 051	14 265 309	5 245 742	36,77%
Total current liabilities		489 840 583	157 455 590	332 384 992	211,1%
Total Liabilities		489 840 583	157 455 590	332 384 992	211,10%
Total Owner Equity and Liabilities		1 673 807 309	1 141 814 240	531 993 069	46,6%

Statements of Cash Flows as at December 31, 2021 and 2020

(Amounts expressed in Cabo Verdean Escudos)

Indirect Method	Notes	12/31/2021		12/31/2020	
Cash flows of operating activities:					
Net Earnings for the Year					
		199 608 077		79 690 906	
Adjustments:					
Amortization and depreciation	(+)	5	129 941 042	125 076 383	
Provisions	(+/-)	10	-	(690 938)	
Interest and similar income received	(-)	18	(2 862 702)	(2 977 404)	
Interest and similar costs paid	(+)	18	9 758 451	10 607 132	
Gains from the sale of tangible fixed assets	(-)	17	(1 516 059)	(157 494)	
Gains from fair value increases - VISA	(-)	6	(28 923 354)	(21 655 764)	
Decreases in inventories	(+)	7	13 121 268	2 664 961	
Increases in accounts receivable		11	(120 026 597)	-	
Decreases in accounts receivable	(-)	11	-	290 993 278	
Increases in deferred costs	(-)	8	(2 124 299)	(29 562 474)	
Decreases in deferred costs	(+)	8	26 221 415	-	
Increases in accounts payable	(+)	11	328 435 811	0	
Decreases in accounts payable	(-)	11	(1 296 561)	(347 543 266)	
Increases in accrued costs	(+)	8	5 245 742	(4 716 649)	
Decreases in accrued costs	(-)		-	-	
<i>Cash flows of operating activities (1)</i>			555 582 234		101 728 671
Cash flows of investment activities:					
Tangible fixed assets		5	(102 800 230)	(54 513 246)	
Intangible assets		5	(17 432 403)	(36 380 983)	
			(120 232 633)		
Tangible fixed assets		17	1 516 059	157 494	
Interest and similar income	79	18	1 575 026	1 065 488	
Dividends	794	17	1 287 676	1 911 916	
<i>Cash flows of investment activities (2)</i>			(115 853 872)		(87 759 331)
Financing activities:					
Receivables from:					
Payables from:					
Interest and similar cost		18	(9 758 451)	(10 607 132)	
Dividends		9	-	(124 119 644)	
<i>Cash flows of financing activities (3)</i>			(9 758 451)		(134 726 776)
Changes in cash and cash equivalents (4) = (1) + (2) + (3)					
			429 969 911		(120 757 436)
Cash and cash equivalents in the beginning of the year					
		4	252 159 628		372 917 064
Cash and cash equivalents at the end of the year					
		4	682 129 539		252 159 628

Statement of Changes in Owner Equity as at December 31, 2021

(Amounts expressed in Cabo Verdean 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 2020		100 000 000	72 934 833	14 401 872	538 445 070	54 766 324	248 239 288	1 028 787 387
CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD								
Net Earnings for the Year	9 Extensive Result	-	-	-	-	-	79 690 906	79 690 906
Appropriation of Net Income		-	24 823 929	-	99 295 715	-	(124 119 644)	-
		100 000 000	97 758 762	14 401 872	637 740 785	54 766 324	203 810 550	1 108 478 293
TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD								
Dividend Distribution		-	-	-	-	-	(124 119 644)	(124 119 644)
POSITION IN THE BEGINNING OF THE YEAR 2021		100 000 000	97 758 762	14 401 872	637 740 785	54 766 324	79 690 907	984 358 649
CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD								
Net Earnings for the Year	9	-	-	-	-	-	199 608 077	199 608 077
Appropriation of Net Income		-	7 969 091	-	71 721 815	-	(79 690 906)	-
		100 000 000	105 727 852	14 401 872	709 462 600	54 766 324	199 608 078	1 183 966 726
TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD								
Dividend Distribution		-	-	-	-	-	-	-
POSITION AT YEAR-END		100 000 000	105 727 852	14 401 872	709 462 600	54 766 324	199 608 078	1 183 966 726

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2021

Notes to the financial statements as at 31 December, 2021
(Amounts expressed in Cabo Verdean Escudos - CVE)

1. INTRODUCTORY NOTE

The SISP – Sociedade Interbancária e Sistemas de Pagamentos, S.A. (“SISP” or “Company”) is a joint-stock company whose shareholders are the State, as the country’s primary payer, the Banco de Cabo Verde, as the promoter of the smooth operation of the Clearing and Payment systems, the commercial banks legally authorized to operate in Cabo Verde, namely the Banco Comercial do Atlântico, S.A., the Banco Interatlântico, S.A.R.L., the Banco Caboverdiano de Negócios, S.A. and the Caixa Económica de Cabo Verde, S.A., and also the Cabo Verde Telecom, S.A. whose role as provider of telecommunication services is of particular 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, 2021 were approved by the Board of Directors at its meeting held on February 28, 2022.

The Board of Directors believes that these financial statements give a true and fair view of the Company’s operations, 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 December 29, of the Ministry of Finance, which orders the adoption of the System of Accounting Standards and Financial Reporting for Cabo Verde (“SNC”), replacing the National Chart of Accounts (POC) approved by the Decree no. 4/84, of 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, 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 period 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 but no specific date has yet been 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 System.

The Board of Directors has assessed the Company’s ability to operate on a going concern basis, based on all relevant information, facts and circumstances of financial, commercial or other nature, including events subsequent to the reference date of the financial statements, available on the future. As a result of this assessment, the Board of Directors concluded that the Company has adequate resources to maintain its activities, and there is no intention to cease activities in the short-term, and therefore considered appropriate the use of the going concern assumption in the preparation of the financial statements.

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 conditions 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 method, 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 period of estimated useful life:

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 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 (impairment loss) is recorded for the related difference. Variations of the year in impairment losses of inventories are recorded in the items of results “Inventory adjustments – Losses/Reversals”.

The inventory costing method adopted by the Company consists of the weighed 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 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, which may be deducted from 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. Until they are not recognized, these expenses are deducted from the caption “Financing received”.

(ii) 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 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. Derivate 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.

(iii) 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, their 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 in investments in equity instruments measured at 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, discounts and other rebates 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 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;
- 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 taxes and deferred taxes are recorded as income, except when they 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 the 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 Exchange 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 liabilities

Provisions are recorded when the Company has a present (legal or constructive) obligation resulting from a past event and it is likely that, in order to settle the 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 liabilities 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 led 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 attached financial statements were the following:

- 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 2021, 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 2021, 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, 2021 and 2020, the items "Cash and cash equivalents" and "Bank Deposits" are as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Immediately available bank deposits		
. at national banks	342 623 206	156 074 411
. at foreign banks	300 621 333	58 983 217
Cash and cash equivalents	<u>643 244 539</u>	<u>215 057 628</u>
Term deposits	<u>38 885 000</u>	<u>37 102 000</u>
Bank deposits and cash	<u>682 129 539</u>	<u>252 159 628</u>

On December 31, 2021 and 2020, the item "Term deposits" relates to a one term deposit, which earns interest at the gross annual rate of 2.25% and 3% respectively and will mature in October 2023.

On December 31, 2021 and 2020, the item "Immediately available bank deposits – at foreign banks" basically includes the balances of the bank accounts held with correspondent banks through which the international settlement transactions with VISA and MasterCard (Note 12) are carried out.

On December 31, 2021, the amount of CVE 28,040,489, related to costs incurred with the construction of the new headquarters building, namely building structure requirements, architectural design and building safety, is stated as an advance for tangible fixed assets (Head Office).

In the financial year of 2021, SISP sold 1 vehicle for a gross value of CVE 1,979,000, which was fully amortized.

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

6. FINANCIAL INVESTMENT

On December 31, 2021 and 2020, the Company's financial investments comprised the following:

	Number of Shares	Unit Value	Purchase Value	12/31/2021 Balance Sheet Value	12/31/2020 Balance Sheet Value
Visa Inc. - Class C	19 256	21 163	14 401 872	407 511 167	378 587 813

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

Balance as at December 31, 2019	356 932 049
Gains from fair value increases	21 655 764
Balance as at December 31, 2020	378 587 813
Gains from fair value increases	28 923 354
Balance as at December 31, 2021	407 511 167

Given that Class C shares can be converted into Class A shares, the 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, 2021 and 2020, the price quotation of Class A shares amounted to USD 218.73 (CVE 21,163) and USD 218.73 (CVE 19,661) respectively.

7. INVENTORIES

On December 31, 2021 and 2020, this caption presented the following situation:

	12/31/2021			12/31/2020		
	Gross Amount	Impairment Losses (Note 10)	Net Amount	Gross Amount	Impairment Losses (Note 10)	Net Amount
Goods						
Advances for purchases						
External market	620	-	620	3 310 666	-	3 310 666
	620	-	620	3 310 666	-	3 310 666
Pin letters	3 517 207	-	3 517 207	2 650 147	-	2 650 147
White PVC Cards	107 615	-	107 615	195 057	-	195 057
White RFID plastic cards	82 214	-	82 214	82 214	-	82 214
	3 707 036	-	3 707 036	2 927 418	-	2 927 418
Subtotal Goods	3 707 656	-	3 707 656	6 238 084	-	6 238 084
Raw materials, secondary and consumables						
Advances for purchases						
External market	2 542 813	-	2 542 813	1 865 325	-	1 865 325
	2 542 813	-	2 542 813	1 865 325	-	1 865 325
POS parts	5 080 961	(3 412 842)	1 668 119	3 510 641	(3 412 842)	97 799
ATM parts	39 425 625	-	39 425 625	52 227 438	-	52 227 438
Card consumables	258 763	-	258 763	713 633	-	713 633
PKI card consumables	651 580	-	651 580	233 545	-	233 545
	45 416 929	(3 412 842)	42 004 087	56 685 257	(3 412 842)	53 272 415
Subtotal Raw materials, sec. & consumables	47 959 742	(3 412 842)	44 546 900	58 550 582	(3 412 842)	55 137 740
Total Inventories	51 667 398	(3 412 842)	48 254 556	64 788 666	(3 412 842)	61 375 824

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, 2021 and 2020, 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.

Spending on goods sold and materials consumed recognized in the years ended at December 31, 2021 and 2020 are detailed as follows:

	12/31/2021			12/31/2020		
	Goods	Raw materials, secondary & consumables	Total	Goods	Raw materials, secondary & consumables	Total
Start-up balance	2 927 418	56 685 257	59 612 675	3 082 870	59 925 726	63 008 596
Transfer	3 310 666	1 865 325	5 175 991	-	1 032 189	1 032 189
Purchases	2 885 113	5 460 916	8 346 029	4 604 014	12 320 768	16 924 782
Ending balance*	3 707 036	45 416 929	49 123 965	2 927 418	56 685 257	59 612 675
Cost with goods sold and materials consumed	5 416 161	18 594 569	24 010 730	4 759 466	16 593 426	21 352 892

* Excluding advances for purchases

8. DEFERRED ASSETS AND ACCRUED LIABILITY EXPENSES

On December 31, 2021 and 2020, the asset deferral items are as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
<u>Current Assets</u>		
Maintenance contracts:		
Oracle	2 667 237	2 617 171
EDB	-	2 134 620
Bizfrist	1 685 592	1 671 690
Hardsecure	1 441 013	1 591 358
RIS2048	1 542 221	1 283 530
Utimaco	-	638 955
Helpsystem	196 673	250 025
Trustwave	446 008	-
Other	1 852 221	1 076 382
	<u>9 830 965</u>	<u>11 263 731</u>
Agreement with VISA International	13 005 178	9 468 828
Insurance	3 711 600	3 419 660
Other	543 325	814 550
	<u>27 091 068</u>	<u>24 966 769</u>

On December 31, 2021 and 2020, the item “Deferrals” included amounts regarding several maintenance contracts totaling CVE 9,830,965 and CVE 11,263,731, respectively, which are deferred in accordance with the period covered by those services.

On December 31, 2021 and 2020, the item “Agreement with Visa International” refers to a maintenance agreement renewed on an annual basis with Visa International.

On December 31, 2021 and 2020, the items of accrued liability expenses presented the following balances:

	<u>12/31/2021</u>	<u>12/31/2020</u>
<u>Current Liabilities</u>		
Accrued expenses		
. Performance bonus	4 535 520	4 686 264
. Visa	4 723 165	2 422 019
. MasterCard	2 392 933	478 006
Other	<u>7 859 433</u>	<u>6 679 020</u>
	<u>19 511 051</u>	<u>14 265 309</u>

On December 31, 2021 and 2020, 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.

On December 31, 2021, the item “Accrued expenses – Other” includes the amount of CVE 6,448,714 related with POS fees payable to banks.

On December 31, 2020, the item “Accrued expenses – Other” includes the amount of CVE 5,639,471 related with POS fees payable to banks and CVE 200,000 concerning donations estimated for 2020 (Note 17).

9. EQUITY INSTRUMENTS

Share Capital

On December 31, 2021 and 2020, 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, 2021 and 2020, the Company's reserves comprised the following:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Legal Reserve	105 727 853	97 758 762
Free Reserves	14 401 872	14 401 872
Other Reserves	709 462 600	637 740 785
	<u>829 592 325</u>	<u>749 901 419</u>

According to the law governing the operation 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

As per the decision taken by the General Meeting of Shareholders in May 2021, the dividends for the year ended December 31, 2020 were invested one hundred percent in legal reserves and other.

In accordance with the deliberation taken by the General Meeting of Shareholders in June 2020, dividends for the year ended December 31, 2019 attributed to the shareholders amounted to CVE 124,119,644 (equivalent to 1.241,19 per share).

10. PROVISIONS, IMPAIRMENT AND CONTINGENT LIABILITIES

In the years 2021 and 2020, the movement in provisions and impairment are those below indicated:

	<u>12/31/2020</u>	<u>Reinforcement</u>	<u>Uses</u>	<u>Reversals</u>	<u>12/31/2021</u>
Provisions					
- Tax contingencies	-	-	-	-	-
Impairment					
- Customers - Amounts in transit/Customers (Note 11)	33 815 000	7 411 318	-	-	41 226 318
- Other accounts receivable (Note 11):					
. International settlement of VISA/MasterCard	-	-	-	-	-
. Chargeback	43 927 491	-	-	-	43 927 491
- Assets under construction (Note 5)	-	-	-	-	-
- Sundry debtors (Note 11)	92 071	37 562	-	-	129 633
- Stock (Note 7)	3 412 842	-	-	-	3 412 842
	<u>81 247 404</u>	<u>7 448 880</u>	<u>-</u>	<u>-</u>	<u>88 696 284</u>
	<u>81 247 404</u>	<u>7 448 880</u>	<u>-</u>	<u>-</u>	<u>88 696 284</u>
	<u>12/31/2019</u>	<u>Reinforcement</u>	<u>Uses</u>	<u>Reversals</u>	<u>12/31/2020</u>
Provisions					
- Tax contingencies	690 938	-	-	(690 938)	-
Impairment					
- Customers - Amounts in transit/Customers (Note 11)	27 222 210	6 592 790	-	-	33 815 000
- Other accounts receivable (Note 11):					
. International settlement of VISA/MasterCard	4 719 970	-	-	(4 719 970)	-
. Chargeback	9 290 327	34 637 164	-	-	43 927 491
- Assets under construction (Note 5)	-	-	-	-	-
- Sundry debtors (Note 11)	92 071	2 233 515	(2 233 515)	-	92 071
- Stock (Note 7)	-	3 412 842	-	-	3 412 842
	<u>41 324 578</u>	<u>46 876 311</u>	<u>(2 233 515)</u>	<u>(4 719 970)</u>	<u>81 247 404</u>
	<u>42 015 516</u>	<u>46 876 311</u>	<u>(2 233 515)</u>	<u>(5 410 908)</u>	<u>81 247 404</u>

As at December 31, 2019, the Company made provisions for tax contingencies in the amount of CVE 690,938 basically 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 in 2014 by non-resident suppliers who do not hold a residence permit in a country that signed a double taxation agreement with Cabo Verde. In 2020, the said provisions for income tax contingencies 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.

11. FINANCIAL ASSETS / LIABILITIES

a. Customers and other receivables

On December 31, 2021 and 2020, these items were as follows:

	12/31/2021			12/31/2020		
	Gross Value	Accumulated impairment losses (Note 10)	Net Value	Gross Value	Accumulated impairment losses (Note 10)	Net Value
Customers						
Customers current account	248 913 949	(41 226 318)	207 687 631	160 473 773	(33 815 000)	126 658 773
Other accounts receivable	103 466 677	(44 057 124)	59 409 553	66 572 691	(46 161 006)	20 411 685
	352 380 626	(85 283 442)	267 097 184	227 046 464	(79 976 006)	147 070 458

On December 31, 2021 and 2020 the item “Other receivables” includes the amounts of CVE 54,477,695 and CVE 10,301,705, respectively, which refer to values traded with international cards that await confirmation by VISA and MasterCard. On December 31, 2019, an accumulated impairment loss associated with these balances was recorded in the amount of CVE 4,719,970 (Note 10), which was reversed during the year ended December 31, 2020. The increase in the amounts pending confirmation can mainly be explained by the recovery experienced in 2021, following new normality caused by the Covid-19 pandemic.

Additionally, on December 31, 2021 and 2020, this caption includes chargeback amounts of CVE 42,980,605 and CVE 44,599,787, respectively, for which an accumulated impairment of CVE 43,927,491 has been recorded (Note 20). The chargeback essentially derives from a number of improper operations performed in 2020 due to alleged unauthorized use of international cards at national merchants as a result of which SISP was called upon to return the amounts involved. The process of recovery of these amounts is in progress in the courts.

On December 31, 2021 and 2020, the above-mentioned caption also includes amounts receivable from other debtors, of CVE 4,708,483 and CVE 6,585,323, respectively, for which impairment of CVE 129,635 has been recorded (Note 10).

b. Suppliers and other financial liabilities

On December 31, 2021 and 2020, these headings are as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Suppliers		
Suppliers - Investment	<u>2 497 281</u>	<u>3 793 842</u>
Suppliers, current account		
in national currency	7 661 374	5 942 460
in foreign currency	10 323 728	6 226 735
Suppliers for accrued costs		
in national currency	44 957	183 309
in foreign currency	<u>2 737 298</u>	<u>6 101 133</u>
	<u>20 767 357</u>	<u>18 453 637</u>
Other accounts payable	135 297 686	22 646 554
	<u>158 562 324</u>	<u>44 894 033</u>

On December 31, 2021 and 2020, the heading "Other accounts payable" encompasses the amounts of CVE 130,415,919 and CVE 18,511,372, 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 respective year. The increase in the outstanding amounts can be explained primarily by the economic recovery after the impact of the Covid-19 pandemic.

12. VISA/MASTERCARD CLEARING

On December 31, 2021 and 2020, 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 the 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).

On December 31, 2021 and 2020, the outstanding amount is, respectively, CVE 284,038,015 and CVE 89,704,475. Then again, the increase in the amounts outstanding can be explained mostly by the recovery experienced following the impact of the Covid-19 pandemic.

13. STATE AND OTHER PUBLIC BODIES

On December 31, 2021 and 2020, these captions were as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Corporate Income Tax (Note 19)	57 419 576	23 788 573
Payment on account	(21 213 658)	(50 009 988)
Prior period tax credit	(26 684 195)	-
Value added tax	12 109 143	3 874 792
Social security contributions	3 084 856	2 863 804
Deductions to third-parties	1 603 319	1 573 348
Separate taxation	3 114	38 587
Other tax - Stamp duties	1 407 037	241 242
	<u>27 729 193</u>	<u>(17 629 642)</u>

On December 31, 2021, the balance of the item "Payment on Account" corresponds to the fractional payments on account settled during the year to which the tax relates, equivalent to 20% of the collection ascertained in relation to the year. The non settlement of the other installments (second and third) is associated with the credit of the assessed tax.

On December 31, 2020, the balance of the item "Payment on Account" corresponds to the fractional payments on account settled during the year to which the tax relates, equivalent to 80% of the collection ascertained in relation to the year.

As at December 31, 2021, the balance of the item "Tax Credit" corresponds to overpayments made for the year 2020, assessed after the closing of the year, with settlement made through advance fractional payments during the year to which the tax relates. The tax credit has to do with the significant decrease in the 2020 result due to the impact of the Covid-19 pandemic.

14. SALES AND PROVISION OF SERVICES

Sales and provision of services recognized by the Company in 2021 and 2020 are detailed below:

	<u>2021</u>	<u>2020</u>
<u>Sales</u>		
PIN letters	1 095 000	-
ATM machines	<u>4 810 000</u>	<u>3 130 000</u>
<u>Services to banking customers</u>		
Processing		
Vinti4	154 324 205	140 961 430
Visa	6 256 675	6 762 623
MasterCard	5 321 553	8 102 700
TEF	13 609 194	12 651 366
Teleclearing	1 483 080	1 449 760
Other cards	5 125 866	4 522 322
Terminal management	42 062 500	38 143 500
Card management	37 433 658	38 939 054
Connection to network		
CPD	7 200 000	7 200 000
SWIFT	24 000 000	22 250 000
Card production	9 058 095	8 618 755
Other services	5 883 858	4 352 231
<u>Services to non-banking clients</u>		
Automatic payment	478 741 842	384 928 747
Access Fee	67 717 950	45 955 000
Dynamic Correny Conversion	42 816 470	-
Service payment	21 922 155	17 851 773
Non-banking cards	64 890	95 490
Electronic certificates	6 614 526	105 600
Other services	2 388 700	3 112 334
<u>Discounts and rebates</u>	<u>(148 323)</u>	<u>(105 083)</u>
	<u>937 781 894</u>	<u>749 027 602</u>

In 2021 and 2020, the balance of the item "Sales – ATM Machines" concerns the sale of 1 (one) ATM equipment to the banks (different machine models). These sales involved an associated cost of CVE 3,851,849 and CVE 2,817,778 respectively.

The item "Sales - PIN letters" is associated with the change in the criteria for applying the tariff in 2021, where the invoicing is now done with the bank placing an order for PIN letters instead of the card production date.

15. EXTERNAL SUPPLIES AND SERVICES

In 2021 and 2020, this caption was as follows:

	<u>2021</u>	<u>2020</u>
Visa Acquiring fees	82 702 470	62 548 452
MasterCard Acquiring fees	83 750 303	69 362 491
Maintenance and repair	71 241 402	64 047 719
Communications	60 264 929	56 309 945
Vinti4 related fees	61 402 116	52 534 554
Monthly advances	20 266 770	26 140 312
Electricity	7 978 491	8 021 957
Business trips	1 575 045	3 438 155
Rents and rentals	4 896 168	4 822 668
Insurance	2 557 087	2 540 436
Fuel	1 952 035	1 581 470
Security and surveillance	1 194 711	1 208 807
Consumables	3 002 205	1 257 281
Outsourcing	61 706	281 070
Other external supplies and services	8 537 621	3 807 909
	<u>411 383 059</u>	<u>357 903 226</u>

In 2021, a significant increase was seen in the items “Visa Acquiring Fees” and “MasterCard Acquiring Fees”, mostly explained by the economic recovery after the Covid-19 pandemic, which led to a sharp increase in transactions made with international cards upon which these commissions are charged.

In 2021, the increase in the caption “Vinti4 Related Fees” has to do with the increase in the purchase transactions, where the commission paid to the issuing and supporting banks for each transaction made with cards in 2021, according to the tariff approved at the beginning of the period, is included.

16. PERSONNEL COSTS

In the years 2021 and 2020, this caption is as follows:

	<u>2021</u>	<u>2020</u>
Payroll		
Corporate bodies	2 979 696	2 997 932
Staff	93 147 275	87 514 386
Social security contributions	14 714 183	13 756 324
Training	4 530 145	5 573 679
Performance bonus	4 143 293	3 995 908
Insurance	1 288 639	1 328 969
Other personnel costs	788 616	828 542
	<u>121 591 847</u>	<u>115 995 740</u>

On December 31, 2021, the number of employees totaled 56, five more than the previous year. An intern was reclassified to the employee category and five new employees were hired, one of them to replace a technician who withdrew from the Company in the same year.

17. OTHER INCOME AND GAINS AND OTHER EXPENSES AND LOSSES

These headings display the following balances in the financial years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Other income and gains		
Other	<u>1 742 853</u>	<u>7 099 427</u>
Other costs and losses		
Tax		
Stamp duty	6 989 828	4 352 009
Motor vehicle circulation tax	25 285	31 625
Separate taxation	3 114	4 031
Final pro-rata annual adjustment	1 563 503	-
Capital tax (Note 19)	445 799	-
Property tax		
	<u>9 027 529</u>	<u>4 387 665</u>
Donations (Note 8)	999 086	400 000
Contributions	78 651	88 200
Other costs and losses	43 875	4 077
	<u>1 121 612</u>	<u>492 277</u>
	<u>10 149 141</u>	<u>4 879 942</u>

In 2021, the balance of the caption “Other income and gains – Other” includes the amount of CVE 1,043,478 regarding the sale of a vehicle.

In 2020, the balance of the caption “Other income and gains – Other” includes the amount of CVE 2,137,344, related to gains from corrections to the definitive pro-rata rate for 2020 and CVE 4.451.123 associated with corrections made to the Visa and MasterCard clearing accounts.

On December 31, 2021 and 2020, the item “Stamp Duties” includes the amounts of CVE 6,989,828 and CVE 4,352,009 respectively, relating essentially to stamp tax on VISA and MasterCard revenues.

At December 31, 2021, the caption “Capital tax” includes the amount of CVE 445,799 related to the withholding tax on interest earned on term deposits due during the financial year of 2021.

18. INTEREST AND GAINS RECEIVED AND INTEREST AND LOSS PAID

In the financial years 2021 and 2020, these headings comprise the following:

	<u>2021</u>	<u>2020</u>
Interest and gains received		
Income from capital shares in Visa Inc.	1 287 676	1 911 916
Interest earned on short-term investment	1 408 868	890 448
Other financing gains	166 158	175 040
	<u>2 862 702</u>	<u>2 977 404</u>
Interest and losses paid		
Interest paid	(8 797 332)	(10 135 307)
Other financing losses	(961 119)	(471 825)
	<u>(9 758 451)</u>	<u>(10 607 132)</u>
	<u>(6 895 749)</u>	<u>(7 629 728)</u>

On December 31, 2021 and 2020, the item “Interest paid” corresponds to the fees from bank guarantees provided to VISA, MasterCard, and AMEX.

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 case, depending on the circumstances, the deadlines are extended or suspended. Thus, the tax returns of the Company from 2017 to 2021 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, 2021.

According to the Law No. 44/IX/2018, which approves the State Budget for the economic year 2019, article 84 of the Law No. 82/VIII/2015, of January 8, approving the corporate income tax code (IRPC) was amended by Law No. 5/IX/2016, of December 31, as rectified in the Official Gazette of March 23, 2017 and by Law No. 20/IX/2017, of December 31. Therefore, the said article now reads as follows: "The rate of the IRPC is 22% for taxpayers under the organized accounting system."

As at December 31, 2021 and 2020, the Company is subject to the Corporate Income Tax (IPRC Code) at the rate of 22% and a fire rate of 2% of the assessed tax, which corresponds to an aggregated tax rate of 22.44%.

Spending on income taxes as at December 31, 2021 and 2020 is detailed below:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Current Tax for the Year	57 419 576	23 788 573

Reconciliation between the nominal tax rate and the effective tax rate observed in the years 2021 and 2020 can be evidenced as follows:

	2021		2020	
	Rate	Tax	Rate	Tax
Income before tax		257 027 653		103 479 479
Nominal rate-based tax	22,44%	57 677 005	22,44%	23 220 795
Tax provisions / reversals	0,00%	-	-0,15%	(155 046)
Impairment losses beyond the limits	0,04%	111 797	1,00%	1 037 347
Tax shortfall (IUR and VAT)	0,00%	(7 754)	-0,07%	(76 120)
Separate taxation	0,00%	699	0,00%	905
Withholding tax - Flat Rate for Term Deposits	-0,04%	(100 037)	0,00%	-
Depreciation outside the legal limit - Vehicles	0,19%	488 198	0,52%	538 474
30% for costs with passenger and mixed vehicles	0,07%	185 318	0,20%	211 332
50% for representation expenses	0,00%	3 494	0,00%	4 523
Depreciations from passenger vehicles not accepted in previous year	-0,36%	(929 489)	-0,90%	(929 489)
Tax Benefits (Training, Internships and Scholarships - CBF art. 33)	0,00%	-	-0,04%	(45 562)
Tax Benefits (Job Creation - CBF art. 32)	-0,01%	(19 500)	-0,02%	(19 500)
Other Costs	0,00%	9 846	0,00%	915
	<u>22,34%</u>	<u>57 419 576</u>	<u>22,99%</u>	<u>23 788 573</u>

20. RELATED ENTITIES

- Identification of the related entities

Pursuant to FRS 4, related entities are those parties in which 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 are to 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

- Details of the balances with related entities:

	12/31/2021				
	Bank deposits	Customers	Other accounts receivable	Suppliers	VISA/MasterCard Clearing
	(Note 4)	(Note 11)	(Note 11)	(Note 11)	(Note 12)
Banco de Cabo Verde	76 956 604	994 755	-	-	284 038 015
Banco Comercial do Atlântico	25 117 014	9 262 533	2 822 595	-	-
Caixa Económica de Cabo Verde	56 455 465	11 432 139	616 919	-	-
Banco Caboverdeano de Negócios	88 281 442	2 972 911	461 384	-	-
Banco Interatlântico	45 013 721	3 420 552	-	-	-
Cabo Verde Telecom	-	576 580	-	(273 386)	-
State - Treasury	-	2 463 237	-	-	-
	<u>291 824 246</u>	<u>31 122 707</u>	<u>3 900 898</u>	<u>(273 386)</u>	<u>284 038 015</u>
	12/31/2020				
	Bank deposits	Customers	Other accounts receivable	Suppliers	VISA/MasterCard clearing
	(Note 4)	(Note 11)	(Note 11)	(Note 11)	(Note 12)
Banco de Cabo Verde	94 188 296	1 130 563	250 147	-	89 704 475
Banco Comercial do Atlântico	22 291 939	8 995 689	2 806 529	-	-
Caixa Económica de Cabo Verde	6 980 448	10 611 591	-	-	-
Banco Caboverdeano de Negócios	46 457 565	6 132 685	2 970 414	-	-
Banco Interatlântico	11 030 563	3 099 415	-	-	-
Cabo Verde Telecom	-	457 321	-	(255 520)	-
State - Treasury	-	2 899 069	-	-	-
	<u>180 948 811</u>	<u>33 326 333</u>	<u>6 027 090</u>	<u>(255 520)</u>	<u>89 704 475</u>

- Details of the transactions with related entities

	12/31/2021				
	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	(984)	-	-	-	4 865 955
Banco Comercial do Atlântico	(22 643 399)	(4 775 039)	(38 390)	-	92 959 254
Caixa Económica de Cabo Verde	(18 652 104)	(171 969)	(31 998)	-	106 514 683
Banco Caboverdeano de Negócios	(7 027 004)	-	(6 527)	1 408 868	28 134 487
Banco Interatlântico	(8 252 238)	(3 921 712)	(16 262)	-	31 194 471
State - Treasury	-	-	-	-	12 332 028
Cabo Verde Telecom	(2 930 773)	-	-	-	4 586 677
	<u>(59 506 502)</u>	<u>(8 868 720)</u>	<u>(93 177)</u>	<u>1 408 868</u>	<u>280 587 555</u>
	12/31/2020				
	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	(1 440)	-	-	-	4 863 949
Banco Comercial do Atlântico	(19 543 253)	(5 419 359)	(25 566)	-	82 800 981
Caixa Económica de Cabo Verde	(16 214 356)	(196 319)	(5 149)	-	101 221 878
Banco Caboverdeano de Negócios	(5 504 053)	-	(7 725)	890 448	26 086 719
Banco Interatlântico	(7 510 357)	(4 519 629)	(2 070)	-	30 293 082
State - Treasury	-	-	-	-	8 583 383
Cabo Verde Telecom	(2 647 930)	-	-	-	3 726 851
	<u>(51 421 389)</u>	<u>(10 135 307)</u>	<u>(40 510)</u>	<u>890 448</u>	<u>257 576 843</u>

Transactions with related entities are performed, by rule, under normal market conditions.

21. SUBSEQUENT EVENTS

On February 24, 2022, the Russian Federation launched a military operation on the Ukrainian territory, triggering a war that also involves Belarus. In response, several sanctions were approved by a number of countries, including NATO countries, the European Union and others, with the aim of impacting the economies of the Russian Federation and Belarus. It is quite possible that SISP may be impacted by losses in its assets with indirect exposure to these economies resulting from the said sanctions, as well as from the destruction that is taking place in Ukraine with this conflict. However, such future impacts are not yet determinable.

22. OTHER ISSUES

The outbreak of the new coronavirus (COVID-19) that started in China in December 2019 and was declared a pandemic by the World Health Organization on March 11, 2020, has driven the global economy to high levels of risk and uncertainty. Containment measures involving travel restrictions and quarantines have directly affected production and tourism worldwide, and, consequently, triggered disruptions in global supply chains. As a result, the world economies have been facing major challenges caused by simultaneous supply and demand shocks. Tourism, as the pivotal sector of the Cabo Verdean economy, is severely affected, as are other sectors of the national economy.

The negative impact on SISP's business in 2021 was largely affected by the shortage in the tourism sector, leading to a considerable decrease in the result as compared to the period before covid-19, basically due to the decrease in transactions with international cards and delays in the execution of some projects.

In conformity with the rules defined by the Government of Cabo Verde, SISP implemented a series of measures to ensure the continuation of its activities, including teleworking (for all employees simultaneously or on a rotating basis) and the adaptation of its facilities to enable the safe execution of tasks that require the physical presence of employees. In this context, the Company continued to operate without any constraints that could impede the performance of the activities required for its normal functioning.

Apart from the variations in the balances of the main items arising from some recovery of activity seen in 2021, as explained in the previous Notes, there were no significant quantifiable

impacts on the financial statements of SISP caused by the pandemic situation. As of December 31, 2021, in preparing the Company's financial statements, the Board of Directors used the assumptions, judgments and estimates deemed appropriate in view of the current circumstances of high uncertainty.

The extent and severity of future impacts generated by the pandemic are not yet determinable, and, therefore, the Company's business and profitability, including the realization of its assets, may be affected to a greater or lesser extent. Nevertheless, based on all information available at the date, the Company's Board of Directors considers that the going concern assumption used in the preparation of SISP's financial statements as of December 31, 2021 remains appropriate.

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

Dear Members of the General Meeting of Shareholders,

1. Introduction

In fulfilling the mandate we were entrusted with and while performing our legal and statutory duties, the Supervisory Board hereby presents its Report and Opinion on the Annual Report and Financial Statements submitted by the Board of Directors of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. – SISP for the year ended December 31, 2021.

2. Monitoring Activities

The Supervisory Board, through contacts established with the Board of Directors, as well as clarifications and information gathered from the competent services, monitored SISP's activities and management, namely by:

- Following up the main decisions of the Board of Directors reflected in the minutes taken of all meetings of the said body;
- Performing a compliance analysis of the accounting records and financial statements on a regular basis;
- Analyzing the reasonability and effectiveness of the relevant internal control system;
- Reviewing the reports issued by the Internal Audit Unit;
- Monitoring the impact of the COVID-19 pandemic on the organization's financial performance and operational management, among other aspects.

In developing its works, the Supervisory Board has always relied on the assistance and support of the Board of Directors and SISP's different departments and services, which promptly provided all the information and documents required to that end.

3. Statement of Compliance and Conformity

The Supervisory Board reviewed the Report of the Board of Directors, including the Proposal for the Appropriation of Net Income and the Financial Statements with the accuracy, exemption and depth found appropriate to the organization, as well as the Opinion of the Auditor whose independence was also subject to analysis.

The Management Report is sufficiently clear and objective as to the business progress and the Company's performance. The Supervisory Board noted that 2021 was a year of recovery, albeit timid. There was an increase of over 25% in operating revenues (services rendered) and a stabilization of expenses (4% variation) with positive reflections on the main management indicators, prudential, operating and profitability ratios, including the net income for the year.

The Balance Sheet, the Income Statement, the changes in Owner Equity, and the accompanying notes and cash flows allow a suitable understanding of SISP's financial position and results. On the whole, the financial statements and the underlying accounting system conform with the Accounting Standards System and express, in an adequate and substantiated manner, the financial situation of the SISP as at 31 December 2021, the results of its operations, the changes in owner equity and its cash flows for the year then ended.

The Proposal for the Appropriation of Net Income is duly substantiated and legally compliant.

The financial statements and the documents prepared were submitted without any reservations or emphasis by the External Auditors and thus benefit from the full consent of the Supervisory Board.

4. 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, we consider that the examination carried out provides an acceptable basis for us to express an opinion and, therefore, propose that the General Meeting of Shareholders approve:

- a) The Annual Report and the Financial Statements of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. for the year ended on December 31, 2021;
- b) The proposal for the Appropriation of Net Income submitted by the Board of Directors in the amount of **CVE 199,608,077**, which also complies with the legal, statutory, and accounting provisions, as detailed below:

Legal Reserves (10%).....	CVE 19,960,808
Other Reserves (40%).....	CVE 79,843,231
Dividends (50%).....	CVE 99,804,038

Lastly, the Supervisory Board extends its appreciation to the Board of Directors, the Director-General of the SISP and the different departments of the institution for the excellent cooperation offered in the performance of its duties.

Praia, March 11, 2022.

THE SUPERVISORY BOARD,

Manuel Sanches Tavares Júnior

Mónica Vitória do Espírito Santo Correia Garcia

Ana Elizabeth Pires Carvalho Vicente

Independent Auditor's Report and Opinion



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working world

AUDIT REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. (“the Company”), which comprise the Balance Sheet as at December 31, 2021, (evidencing a total of CVE 1,673,807,309 and owner equity of CVE 1,183,966,726, including net earnings of CVE 199,608,077), the Statement of Comprehensive Income, the Statement of changes in equity and the Statement of 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 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the Accounting Standards and Financial Reporting System in force in Cabo Verde.

Bases for the Opinion

We have 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 Code of Ethics of the Professional Bar of Certified Auditors and Accountants, which complies with the principles and standards of the Code of Ethics for Accountants and Auditors issued by the International Ethics Standards Board for Accountants (IESBA). We also comply with the remaining ethical responsibilities anticipated in those provisions.

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

Other matters

We were appointed Auditors of the SISP – Sociedade Interbancária e Sistemas de Pagamentos, S.A. on January 19, 2021. The financial statements for the year ended December 31, 2020, presented for comparison purposes, were audited by another Firm of Chartered Accountants whose Audit Report, dated April 30, 2021, contained an emphasis.

As this is a first audit year, we carried out a series of transition procedures together with the previous auditor under the terms of IAS 510 - Initial Auditing Works - Opening balances.

Responsibilities of the Managing Body and the Supervisory Body for the financial statements

The managing body is responsible for the preparation of financial statements that present, in a true and fair way, the Company's financial position, financial performance and cash flows in accordance with the principles generally accepted in Cabo Verde and for the 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 Company's financial reporting process.

Responsibilities 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 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; and
- 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.

ADDITIONAL INFORMATION

On the management report

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

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

In auditing the financial statements, our responsibility is to read the Management Report and, consequently, consider whether the information it contains is materially inconsistent with the financial statements, based on the knowledge gained during the audit, or if it appears to be materially misstated.

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

March 23, 2022

Ernst & Young Audit & Associados – SROC, S.A.
Branch in Cabo Verde
Represented by:

Ana Rosa Ribeiro Salcedas Montes Pinto
Director-General

António Filipe Brás
Partner

