



# Annual Report 2019

*Sociedade Interbancária e Sistemas de Pagamentos, SA*

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## List of Acronyms

ATM	- Automatic Teller Machine
DNRE	– National Directorate of State Revenues
DPC	– Data Processing Center
DSS	- Data Security Standard
EMV	- Europay, MasterCard and Visa
ESS	– External Supplies and Services
FRS	– Financial Reporting Standards
H2H	- Host to Host
IASB	– International Accounting Standard Board
ICP-CV	- Public Key Infrastructure of Cabo Verde
IFRS	- International Financial Reporting Standards
INE	- National Institute of Statistics
IRPC	– Corporate Income Tax
ISO	- International Standards Organization
IUR	– Single Income Tax
MPLS	- Multi Protocol Label Switching
mPOS	- mobile POS
PC	– Personal Computer
PCI	- Payment Card Industry
PIN	- Personal Identification Number
POS	- Point of Sales (Terminals)
SGGS	– SISP Comprehensive Management System
SSL	- Secure Sockets Layer
Swift	- Society for Worldwide Interbank Financial Telecommunication
TEF	– Electronic Fund Transfer

## Message from the Board of Directors,

Dear Shareholders,

In 2019, the pace of world economic growth is expected to have stood at 2.9 percent, the weakest since 2001, when the world economy grew by 2.5 percent, against a background of underperformance for the USA and the Euro Zone.

The less successful performance of the Euro Area, Cabo Verde's main economic partner, reflects the effects of the United Kingdom's exit from the European Union and the commercial and technological tensions between the United States and China, as well as the continued contraction of industrial production and manufacturing exports.

The moderation of economic activity in the US is related to the effects of its trade policy on the evolution of exports and private consumption in a context of continued implementation of fiscal and monetary stimulus.

The external environment has benefitted domestic economic activity despite the slowdown in the pace of growth of the country's main partners. Available indicators suggest a favorable performance of the national economy in 2019, with GDP growth around 5 percent, with the best performance of activity being related to the important recovery in gross value added of transport, the increase in exports and private consumption, particularly in the last half of the year.

At the institutional level, in a year in which SISP celebrated 20 years of operation, the company pursued its objective of providing the country with a modern and efficient payment system integrated in the major international systems by developing its operations according to the strictest standards of reliability, high availability, accessibility, and security of services. In this context, important investments have been made in order to strengthen the security of people, both physical and logical, systems, and networks.

The continued commitment to aligning the processes with the best international practices and ensuring a safe and qualitative delivery of services to all customers and partners has enabled SISP to renew several important certifications, which currently make it the first African entity to conquer a rigorous certification at service level.

As part of the strategy to create the conditions to make the country an important regional and international tourist destination, SISP engaged in negotiations with AMEX with a view to launch the acquiring in the vinti4 network, thus guaranteeing the acceptance of Amex cards in the national market.

As regards risk management and internal control, SISP followed up on the system for integrating the approach to risk into critical processes and the consolidation of the activities of the Internal Control teams, with which the new Legal and Compliance, Internal Audit and Quality and Risk teams are associated. Aiming at the adoption of measures to minimize risk and increase efficiency in the management of processes, external services were hired to audit

the activities related to operational risk management, as well as to support the company's Internal Audit team in the proper performance of its functions.

In terms of Human Resources, SISP has strongly invested in the technical training of its employees in various areas of knowledge by organizing several training actions in the country and abroad, which allowed the company to implement the set of activities and projects defined for the year.

In global terms, the performance of SISP during the year 2019 translated into an improvement in the company's results.

Net assets increased by 11 percent as compared to December 2018, reaching CVE 1,539 million, justified by the increase in non-current assets of around CVE 131 million, which includes the company's financial stake of CVE 112 million.

SISP maintained its strategy of massification of electronic instruments and the number of cards issued confirmed the upward trend of recent years, with more than 270,000 active cards in the network, a change of 12 percent compared with the same period of the previous year.

With regard to the operations processed by SISP, there was considerable growth in all aspects, having been processed a total of 35.8 million transactions (32 million in 2018), 96 percent of which were recorded in the Vinti4 network and the remaining 4 percent in the Electronic Fund Transfer System – TEF and the Cheque Clearing services.

In 2019, purchases with international cards continued to gain ground in relation to withdrawals made at ATMs as a result of the massification strategy of this service implemented in recent years with a view to providing the country with a network for accepting international cards in all sectors of activity.

The International Acquiring service maintained its growth trend, with an increase of 29 percent in the number of transactions and 19 percent in the amounts traded, compared with the same period of the previous year.

The company's turnover totalled CVE 957 million and net profit amounted to CVE 248 million, representing a year-on-year growth of 10 and 14.5 percent, respectively. The evolution of Net Income reflects the increase in income from services rendered, namely Automatic Payment Service and Access fee, as well as the fair value of VISA shares, which registered a very favourable evolution during 2019.

Investments made in 2019 amounted to CVE 143 million (CVE 171.5 million in 2018), representing 15 percent of the operating revenues.

Income totaled CVE 1,073 million, an increase of around CVE 154 million in relation to 2018, strongly influenced by the increase in income from services and the significant appreciation of VISA shares, with a positive impact on the company's financial holding.

Total SISP expenditure amounted to CVE 754 million (CVE 630 million in 2018), an increase of around 20 percent in comparison to the previous year, and reflects, above all, the evolution of direct company expenditure.

In December, Equity grew by 15.7 percent compared to the same period last year, reaching CVE 1,028.8 million, explained by the increase in Net Income.

The Board of Directors would like to thank all SISP Employees for their commitment throughout 2019, as well as all Customers, Suppliers, Auditors and Financial Institutions for their trust and collaboration.

We would also like to express our gratitude and appreciation to the Supervisory Board for the assistance and support rendered in 2019.

The Board of Directors,

António Carlos Semedo

João de Deus Pires Asseiro

Hernâni Lopes Trigueiros

João Domingos Correia,

Maria Teresa Henriques

Paulo Jorge Lima

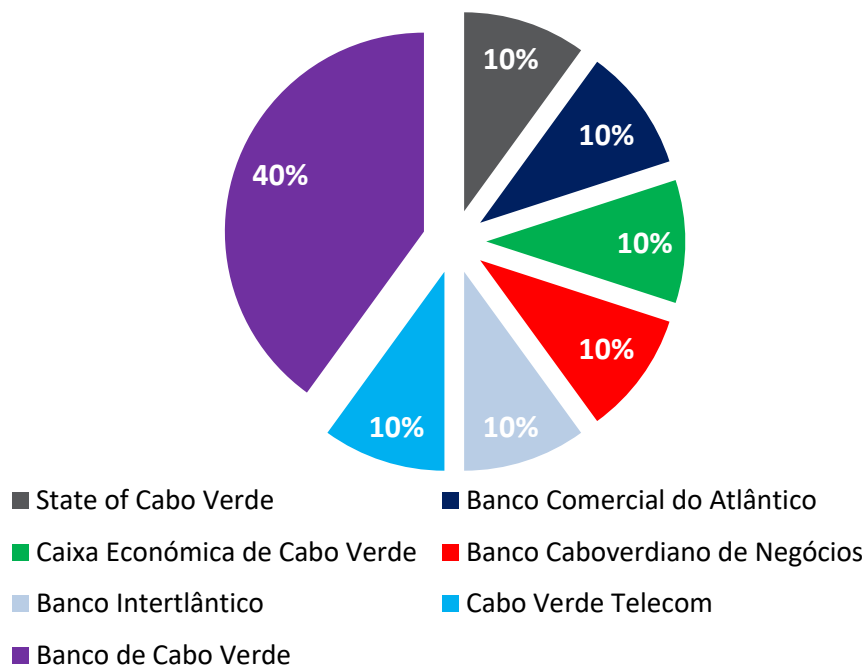
Manuel Fernando Monteiro Pinto

## 1. MAIN REFERENCES

### Shareholder Structure

The Sociedade Interbancária e Sistema de Pagamentos, hereinafter referred to as SISP, is a joint-stock company headquartered on the island of Santiago, with a capital stock of CVE 100,000,000 (one hundred million Escudos) fully subscribed and paid up, represented by 100,000 shares with the nominal value of CVE 1000 each, held and distributed as per the chart below:

Chart 1: Ownership Structure





## Corporate Bodies

### General Meeting of Shareholders

#### Chairman

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

#### Secretaries

*Gilda Maria Medina  
Gomes*, representative of Banco de Cabo Verde

*Américo Miranda Andrade*, representative  
of Banco Comercial do Atlântico

### Board of Directors

#### Chairman

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

#### Executive Directors

*Francisco Pinto Machado Costa*,  
representative of Banco Comercial do  
Atlântico up to October 28, 2019

*João de Deus Pires Asseiro*, representative  
of Banco Comercial do Atlântico as from  
October 28, 2019

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

*João Domingos de Barros Correia*,  
representative of Cabo Verde Telecom

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

*Pedro Bruno Cardoso Braga Gomes Soares*,  
representative of Banco Interatlântico up  
to November 29, 2019

*Manuel Fernando Monteiro Pinto*,  
representative of Banco Interatlântico as  
from November 29, 2019

*Hernâni Lopes Trigueiros*, representative  
of the Government of Cabo Verde

### Supervisory Board

#### Chairman

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

#### Members

*Mónica Vitoria do Espírito Santo Correia  
Garcia*, representative of Banco  
Interatlântico

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

## **2. EXECUTIVE SUMMARY**

SISP's vision is to be a leading company in the area of payment systems, providing a first-class provision of services recognized by customers and society, sustained by a policy based on the following principles:

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

The company's activity includes the fulfillment of objectives aimed at operational efficiency, first-class services, and human capital development.

SISP continued a set of projects launched in previous years, namely in the technological, organizational and capacity building areas, which added greater effectiveness to internal processes, improved business support, and adjusted the service rendered to the market and to customer expectations.

The year 2019 marked the celebration of the 20th anniversary of the creation of SISP and the Vinti4 Network, an important milestone in the life of the Company which portrays the significant advances made in the modernization of the national payment system.

In fact, twenty years after its creation, SISP and the Vinti4 Network stand today as unquestionable references in the national market, contributing in an undeniable way to the improvement of services in several sectors by strongly committing to the innovation and diversification of services and the creation of value for its clients and users, thus collaborating for the economic and social development of the country.

Recognizing their importance in the company's development path and the affirmation of the brand, the 20th anniversary commemorative activities were fully shared with customers, partners and users.

In parallel with the commemorative activities, SISP carried on its strategy of strengthening security and high availability and improving the quality of services, and proceeded with the

international certifications, including the certification of the SISP Support Centre as the first African centre recognized by the largest international reference in the domain of support - the HelpDesk Institute.

The Company's portfolio of services was diversified, with emphasis on negotiations and launching of certification with other international payment networks, namely AMEX, the operation of the new SWIFT service with improvements in efficiency, and national and regional market prospecting.

It is important to note the effective launch of the digital certificates service in production, with more than 140,000 documents digitally signed by the State, using the PKI of SISP and the certification of the PKI infrastructure for digitally certified timestamps, new solutions and new models and brands of equipment for banks and merchants, as well as the beginning of technical certifications for the implementation of DCC services, 3DSecure and contactless cards with Visa and MasterCard. The studies and architecture project for the new Headquarters were continued with a view to their Tier IV certification with The Uptime Institute.

The organizational restructuring initiated in the last few years has also been completed, providing the Company with an organizational model capable of better responding to the legal and operational challenges faced by the Company.

In terms of results, the financial year of 2019 can be considered the best ever at the operating level, with net income amounting to CVE 248 million, an increase of 14.5 percent over the previous year, as a result of the increase in revenues and the fair value of VISA shares.

Alongside those projects, several other relevant activities were incorporated in the company's agenda for the year at stake:

### 1.1. New projects

- Virtual Card in ATMs
- Customer Loyalty Management
- Big Data Analytics
- Deposit of Values at ATMs
- Certification of new ATMs
- PIN via SMS
- Printing paper on transactions by customer choice
- Tokenization of vinti4, Visa and MasterCard
- Acceptance of new international cards
- Apportionment of payments for services
- Internationalization

## 1.2 Consolidation

- SWIFT
- New headquarters project
- Risk Management
- On-the-spot card
- Vinti4 EMV card
- DCC- Dynamic Currency Conversion
- mPOS
- Certification Renewal
- Skills management
- SISP Training Academy
- Contactless POS transactions
- Central Purchasing
- PKI – Certification Entity
- Update of SISP Global Model
- Reinforcement of high availability
- Security Enhancing
- Credit card and prepaid card management system
- Improvements in the SGGs platform and website (new internal and external modules)
- Contracts, SLAs and Legal Opinions
- Fraud prevention
- PIN reprinting

In 2019, in line with the developments observed in previous years, as well as the continuous achievements and improvements made, the growth trend of payment means and instruments continued due to the increasing use of electronic instruments, particularly the use of cards in ATMs and Automatic Payment Terminals.

The efficiency gains attained by the company in recent years have enabled a gradual reduction in SISP tariffs, thereby facilitating network expansion to new customers and increase in the number of transactions in all their components.

As for performance, the company's turnover rose to CVE 957 million and net profit to CVE 248 million, representing a growth of 10 percent as compared to 2018.

Investments in 2019 stood around CVE 143 million, of which CVE 130.6 million were allocated to software and various fixed assets, and CVE 12.3 million related to the SISP Headquarters project.

### **3. NATIONAL AND INTERNATIONAL ENVIRONMENT**

GDP growth data for the fourth quarter suggest that overall economic growth stood at around 2.9 percent year-on-year, compared to 3.6 percent in 2018. This evolution resulted from a confluence of factors, namely the weakening of global trade after the trade tensions between the US and China, the uncertainty surrounding Brexit and the general deceleration of the industrial sector, as well as specific difficulties in some emerging countries such as India, Brazil and Russia.

According to the latest data released by the IMF, excluding 2009, the pace of economic growth in 2019, which stood at 2.9 percent, is the weakest since 2001.

The US economy grew 2.3 percent in 2019. This is seen as a considerable development, although lower than in 2018 (2.9 percent, with an economy strongly driven by the fiscal stimulus approved at the end of 2017), despite the protectionist measures and trade tensions that the country maintained with China.

The Euro Zone economy grew by 1.2 percent in 2019, significantly below the 1.9 percent of 2018, following the worsening of the global context, in part due to its high trade openness and integration into the global economy. This growth also reflects the continued contraction of the industrial sector due to global uncertainty and a shock in the automotive industry, as well as the effects of the long process of exit of the United Kingdom from the European Union and the commercial and technological tensions between the US and China.

For emerging and developing economies, growth in 2019 is estimated at 3.5 percent, compared with 4.3 percent in 2018.

According to World Bank estimates, economic activity in most regions is expected to accelerate in the coming years, but recovery will largely depend on the evolution of economic activity in the main emerging and developing economies.

The IMF has revised world growth projections for 2020 and 2021 downwards from 3.4 to 3.3 percent and from 3.6 to 3.4 percent, respectively. The setback in 2019 in the geopolitical risks stemming from the US-China trade war and the outcome of Brexit lead the IMF to consider that for 2020 and 2021 there are "tentative signs that world growth may be stabilizing, albeit at moderate levels".

Negative risks prevail, including the possibility of a further escalation of global trade tensions, a sharp downturn in major economies and financial disturbances.

At national level, the available indicators and statistics point towards a favorable performance of the economy in 2019.

The central scenario of the projections disclosed by the Banco de Cabo Verde (Central Bank) points to the maintenance of the pace of economic growth around five percent in 2019, sustained by the dynamics of private and public consumption, as well as net exports.

Reference should also be made to the important fiscal impulse for the projected growth for 2019, resulting namely from the increase in current expenditure and the acquisition of non-financial assets. The performance of private consumption in 2019 is mainly supported by the positive impact on households' disposable income, the update of wages in public administration and the social pension (plus the increase in the number of beneficiaries), as well as the increase in operating income and remittances from emigrants, the reduction in inflation and employment growth.

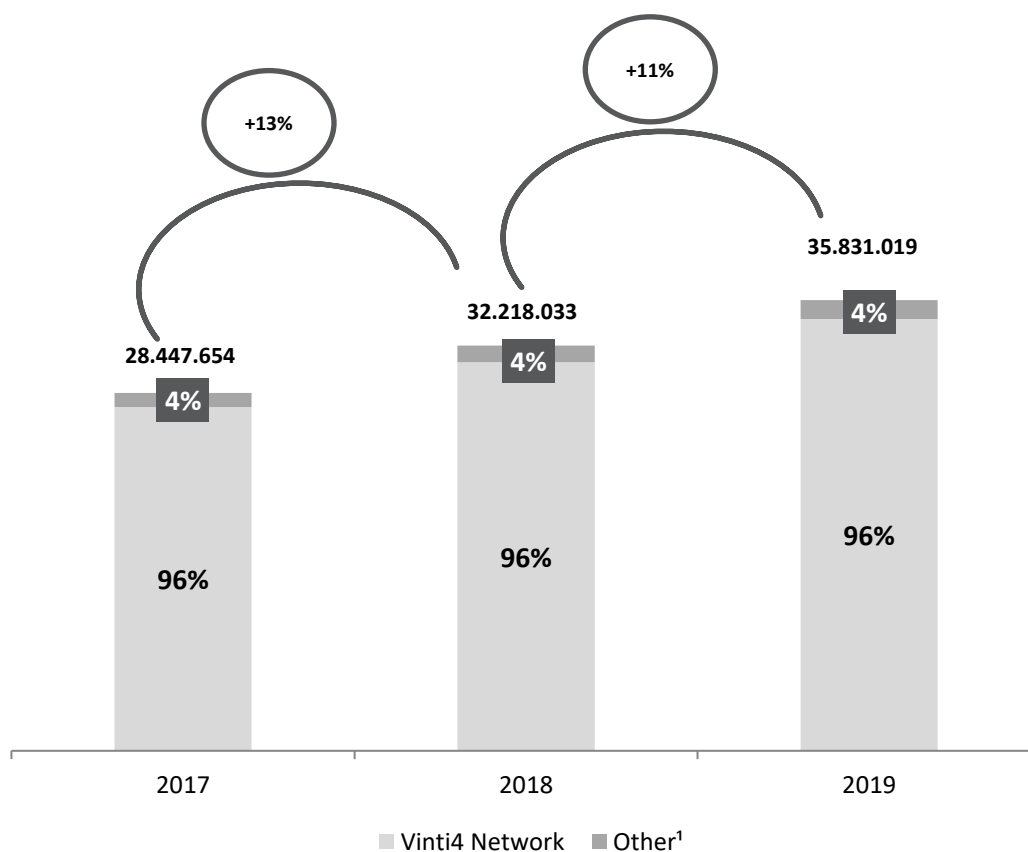
Average annual inflation stood at 1.1 percent in December, lower than in December 2018, by 0.2 percentage points. Year-on-year inflation reached 1.9 percent in December, the highest figure in 2019.

## 4. BUSINESS HIGHLIGHTS

### 4.1 Transaction processing and network management

In 2019, SISP reached once again a record level in the number of transactions: approximately 35.8 million transactions were processed, a growth of 11% against 2018, with 96% of the transactions made in the vinti4 Network, and 4% in other systems, namely TEF – Electronic Fund Transfer, Cheque Image Teleclearing system, and “Not on Us” operations.

Chart 2: Transactions processed by SISP



<sup>1</sup>Transactions via Not On Us, TEF and Cheque Clearing

## **4.2 Profile of the vinti4 Network**

SISP has been consolidating its growth and, therefore, presented an increase of 11.7 percent in the amount processed within the Network as compared to 2018.

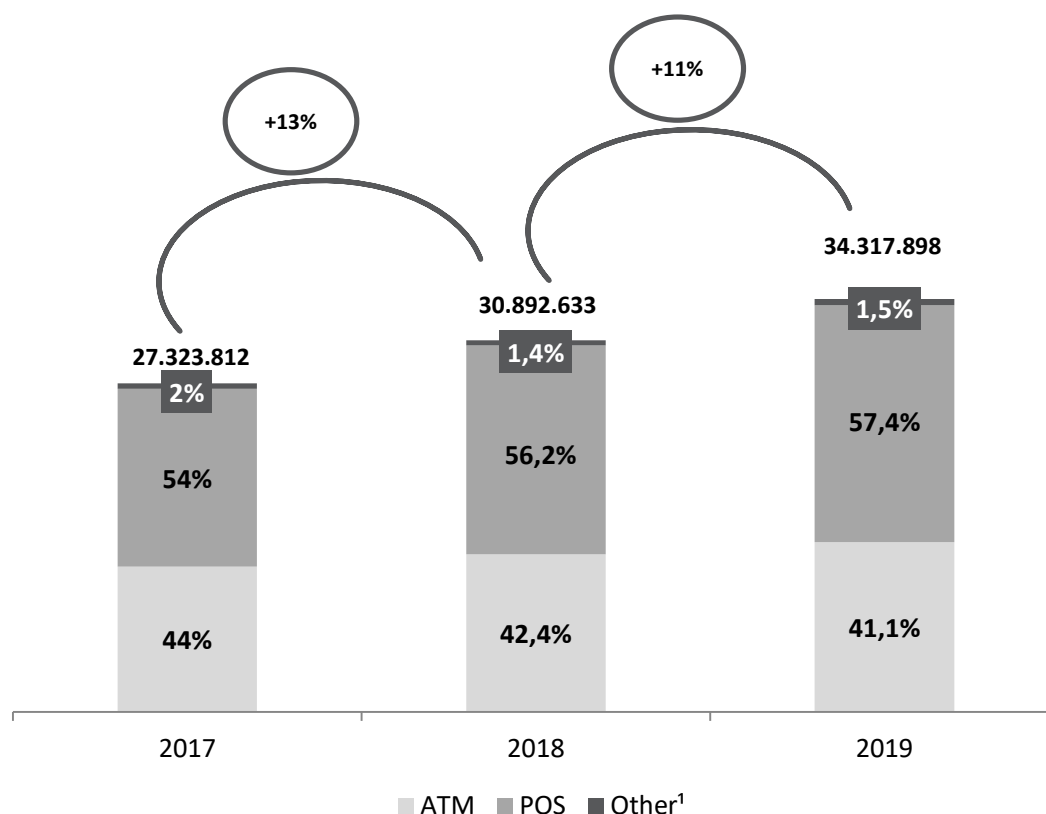
All channels indicated a positive growth in the operations and volumes traded.

It is worth noting the increase recorded in the POS transactions, which now represent 57.4 percent of total transactions in the Network, against 56.2% in 2018. As regards the number of transactions, the increase was of 13.4% in 2019 when compared to same period of the previous year.

Transactions on automatic payment terminals (POS) grew moderately again in 2019, by around 7.7 percent over the same period of the previous year. The Automated Teller Machine – ATM, as it is internationally known – appears second, with 41.1 percent of the transactions processed, followed by transactions on the mobile channel, H2H and PC, which represent 1.5% of the total.



Chart 3: Transactions processed in the vinti4 Network



<sup>1</sup>Mobile Phone, PC and H2H

In what concerns the value traded, in 2019 the volume traded at the POS continued to be higher than the ATM's, reaching CVE 54,795 million, leading to a positive variation of 15.3 percent in relation to the same period of the previous year.

The ATM comes in the second position with CVE 48,327 million, followed by the PC, Mobile Phone, and H2H with CVE 1,272 million, for which the transactions connected with payments to the State and service payment mostly contribute.

Table 1: Amount of transactions processed in the vinti4 Network in 2019

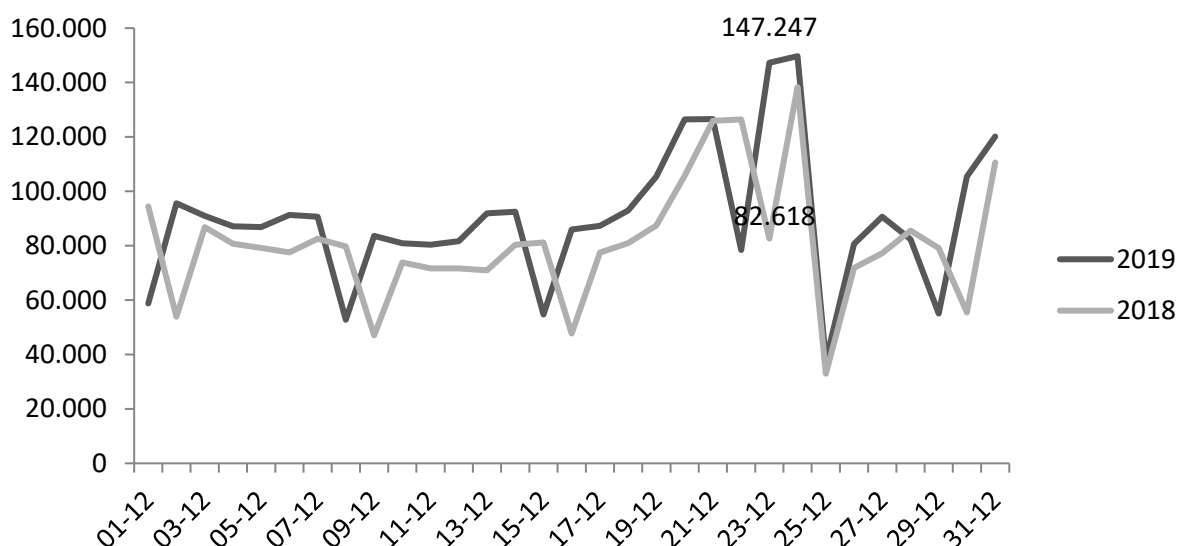
	(in million CVE)					
	2017	2018	2019	Change		Weight
				2017/2018	2018/2019	2019
<b>POS</b>	40.432	47.514	54.795	17,52%	15,32%	52,49%
<b>ATM</b>	41.120	45.014	48.327	9,47%	7,36%	46,29%
<b>Other<sup>1</sup></b>	861	930	1.272	8,03%	36,80%	1,22%
<b>NETWORK</b>	82.412	93.458	104.394	13,40%	11,70%	100,00%

<sup>1</sup>Mobile phones, PC and H2H

As in previous years, December was the month with the highest number of transactions processed in the Vinti4 Network, registering 2,791.4 thousand transactions from Withdrawals, Purchases, Payment of Services, Web payment, and Recharges.

The peak occurred on December 24, date on which a total of 149 thousand transactions were processed. The POS segment processed a total of 1,932 thousand transactions, representing 69% of the transactions processed in that month, against 28% on the ATMs.

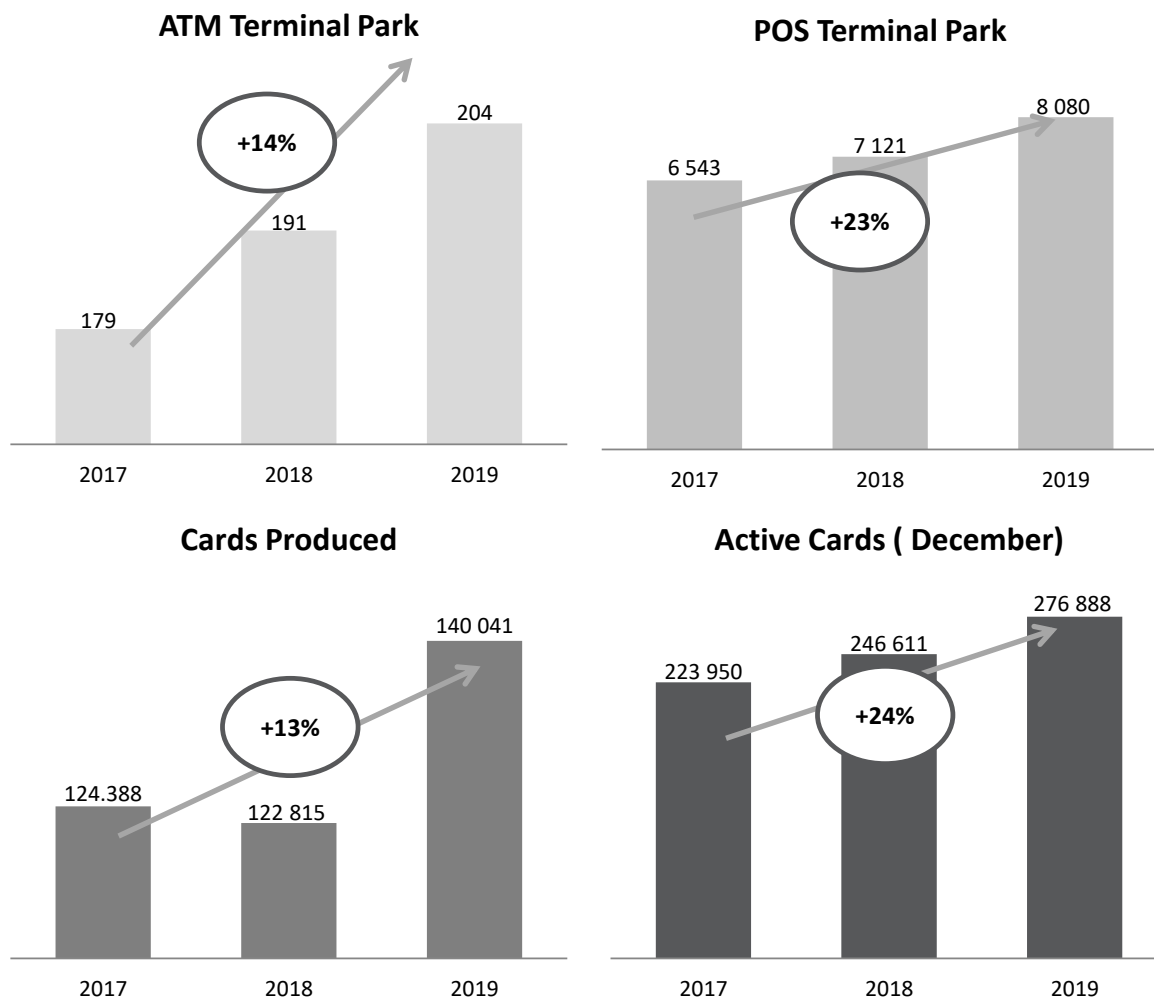
**Chart 4: Number of transactions made in December 2019**



With regard to the number of terminals connected to the Network, moderate developments have been witnessed in the number of active POSs in the last 3 years, standing at 8,080 POS in end-2019, with a growth of 13.4% (959 additional terminals) when compared with same period of the preceding year. In turn, the number of ATMs also presented a positive evolution of 6.8%, with 13 more terminals than the previous year.

The number of Cards produced stood at 140,041, with a positive change of 14 percent (17,226 more), while the number of active cards in the network reached 276,888, a positive change of 12 percent (30,277 more) year-on-year.

Chart 5: Terminals and Cards



### 4.3 Geographical Coverage

The penetration rate of the Automated Teller Machines across the country continues to be positive. Thirteen new terminals were installed as compared to the previous year, jumping from one ATM per 2,849 inhabitants in 2018 to one ATM per 2,698 inhabitants, according to the demographic projections for 2019 made by the INE – National Institute of Statistics.

The POSs are mostly installed on the island of Santiago, especially in the city of Praia, an island that accounts for 46.4% of total installed terminals, followed by the islands of São Vicente and Sal, with respectively 18.4% and 16.3%.

The total number of POS terminals installed in end-2019 was 8,080.

Chart 6: Geographical Coverage of Terminals



#### 4.4 Automated Teller Machines

The ATMs recorded 14.1 million transactions, which represents 41% of network transactions and an increase of about 7.7% year-on-year.

Withdrawals tend to be sought more often than the other transactions, accounting for 55.4% of all transactions made, followed by account balance enquiries and transaction viewing with 30.9 and 9.5 percent, respectively.

Table 2: Transactions at Automated Teller Machines

	2017	2018	2019	Change		Weight
				2017/2018	2018/2019	
<b>Withdrawals</b>	6.795.516	6.876.071	7.829.231	1,19%	13,86%	55,47%
<b>Account Balance Enquiries</b>	3.608.732	3.997.455	4.366.471	10,77%	9,23%	30,93%
<b>Mobile Phone Recharges</b>	436.376	352.931	349.278	-19,12%	-1,04%	2,47%
<b>Transaction Viewing</b>	1.099.289	1.252.784	1.345.136	13,96%	7,37%	9,53%
<b>Other</b>	126.559	625.572	224.872	394,29%	-64,05%	1,59%
<b>Total</b>	<b>12.066.472</b>	<b>13.104.813</b>	<b>14.114.988</b>	<b>8,61%</b>	<b>7,71%</b>	<b>100,00%</b>

In 2019, the average amount withdrawn on the ATMs was CVE 5,667, slightly higher than the average recorded in 2018 of CVE 5,658.

## 4.5 Automatic Payment

The POS network supported the rising trend indicated in recent years with an increase of 959 terminals when compared to 2018. There are 8,080 terminals installed across the country, covering a wide range of economic segments.

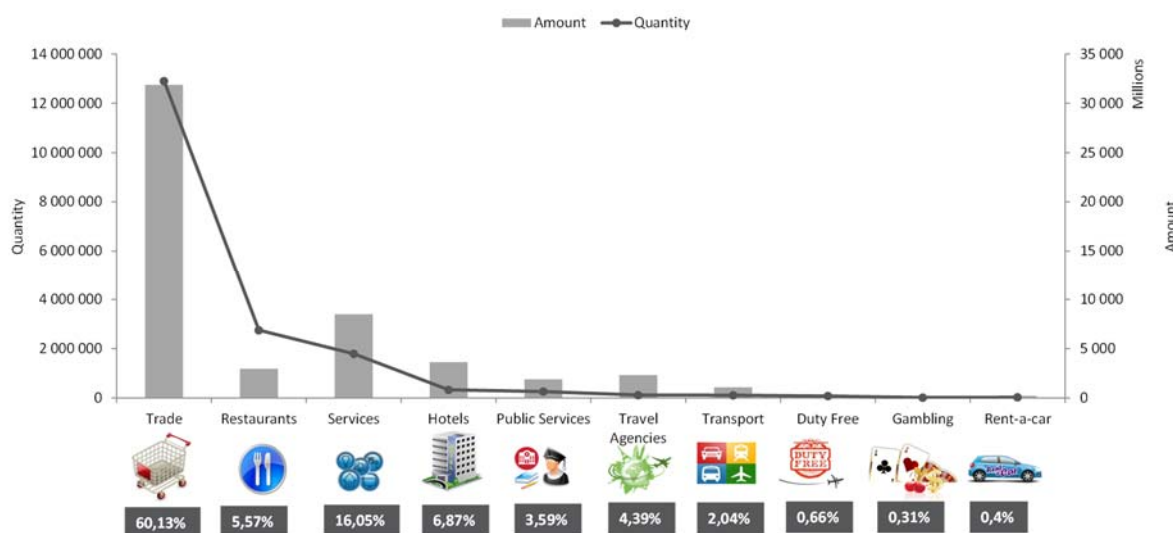
Purchases are the most frequently used transactions, representing 93.4% of the POS transactions in 2019, against 90% in 2018.

Table 3: Transactions at Automatic Payment Terminals

	2017	2018	2019	Change		Weight
				2017/2018	2018/2019	
<b>Purchases</b>	13.496.655	16.043.035	18.385.581	18,87 %	14,60%	93,41%
<b>Mobile Phone Recharges</b>	66.299	56.826	104.715	-14,29%	84,27%	0,53%
<b>Balance Enquiries</b>	1.183.688	1.182.135	1.100.589	-0,13%	-6,90%	5,59%
<b>Other Transactions</b>	42.873	70.271	91.583	63,91%	30,33%	0,47%
<b>Total</b>	<b>14.789.515</b>	<b>17.352.267</b>	<b>19.682.468</b>	<b>17,33%</b>	<b>13,43%</b>	<b>100,00%</b>

The Trade sector maintained its leading position in 2019 when it comes to payments made, accounting for 60%, followed by Services with 16%.

Chart 7: Purchases by Branch of Activity



Card payment continues to be preferred by network customers, with the Purchase/Withdrawal ratio increasing from 233 percent in 2018 to 235 percent in 2019.

In 2019, the average amount of Purchases on the POS was CVE 2.883, which is less than the figure recorded in the previous year (CVE 2.915).

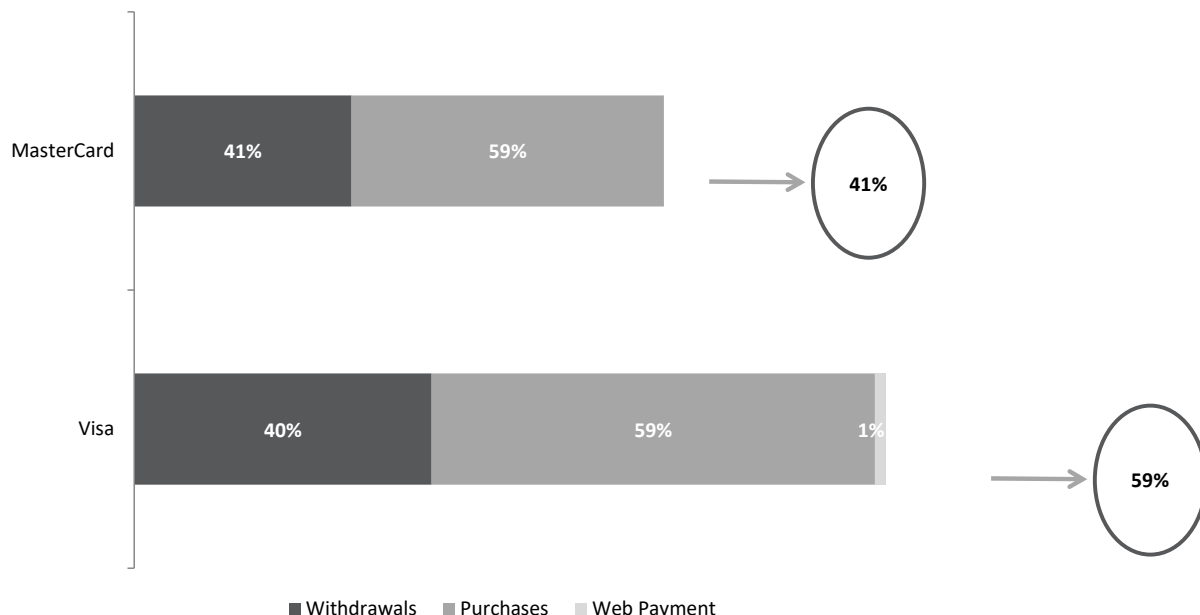
#### **4.6 International Acquiring**

The International Acquiring service recorded a total of 1,206,506 transactions, representing an increase of 271,914 transactions, and corresponding to a growth of 29 percent when compared with the same period of the previous year. With regard to the amount, growth was 19 percent.

Visa card transactions represent 59% of all international card transactions, against 41% of those made with MasterCard.

Purchases with international cards are increasingly gaining weight in relation to ATM cash withdrawals as a result of the massification strategy adopted for that service in the last two years so as to endow the country - an increasingly tourist destination – with an international card acceptance network in all business segments.

**Chart 8: Transactions with “not-on-us” card in 2018**



#### **4.7 Service Payment**

The Service Payment functionality increased by over 48% in the number of transactions and 40% in volume, when compared with same period of last year, following the service's campaign to share revenue with the trader.

**Table 4: Service Payment Transactions**

Service Payment	In million CVE				
	2017	2018	2019	Change 2017/2018	Change 2018/2019
<b>Quantity</b>	101.961	123.360	188.453	20,99%	52,77%
<b>Amount</b>	1.824	2.034	2.902	11,55%	42,64%

#### **4.8 Sale of Mobile Recharges**

The sale of Mobile Recharges upheld its upward trend in terms of the number of transactions, recording an increase of 29% and 14.9% in the amount, compared to 2018.

**Table 5: Mobile Phone Recharges**

	2017	2018	2019	Change	
				2017/2018	2018/2019
<b>No. of Transactions</b>	860.614	631.447	815.730	-16,76%	29,18%
<b>Amount</b>	381.343.212	396.439.105	455.533.726	3,96%	14,91%

#### **4.9 Web Payment**

Web Payment increased by 32.9% in the number of transactions and 58.5% in volume in comparison with the same period of last year.

**Table 6: Web Payment Transactions**

	2017	2018	2019	Change	
				2017/2018	2018/2019
<b>Quantity</b>	30.160	51.139	67.996	69,56%	32,96%
<b>Amount</b>	222.821.871	313.653.584	497.231.035	40,76%	58,53%

#### **4.10 Electronic Fund Transfer (TEF)**

The TEF system grew by 10% in the number of transactions and 13% in the volume traded.

**Table 7: Electronic Fund Transfer Transactions**

In million CVE					
	2017	2018	2019	Change	
				2017/2018	2018/2019
<b>Quantity</b>	598.677	671.876	739.958	12,23%	10,13%
<b>Amount</b>	128.319	140.252	158.687	9,30%	13,14%

#### **4.11 Cheque Clearing**

The cheque clearing service recorded a negative change of 2.38 percent in the number of transactions, offset by a positive change of 3.68 percent in the volume traded, when compared with 2018.

**Table 8: Cheque Clearing Transactions**

In million CVE					
	2017	2018	2019	Change	
				2017/2018	2018/2019
<b>Quantity</b>	307.176	308.402	301.060	0,40%	-2,38%
<b>Amount</b>	69.598	70.220	72.806	0,89%	3,68%

#### **4.12 Infrastructure and Technology**

In terms of infrastructure and technology, particular emphasis must be put on the consolidation of the Service Bureau of SWIFT - Society for Worldwide Interbank Financial Telecommunication and the extension of digital trust services through the accreditation of SISP PKI as a Timestamp Authority under ICP-CV – Public Key Infrastructure of Cabo Verde.

Other relevant activities marked the year 2019, most noticeably:

##### **1.1. New projects**

- Virtual Cards at ATMs



This service concerns the possibility for banks to offer their customers a new product for online purchases, which consists of a prepaid rechargeable virtual card to be purchased at ATMs or internet banking to ensure greater security in online payments.

- Customer Loyalty Management

The service allows banks to explore and boost card byproducts by establishing loyalty partnerships with merchants in order to offer points to cardholders whenever they make purchases with the bank's card at that merchant, with the possibility of returning a cash amount after accumulating a certain number of points per card.

- Big Data Analytics

Implementation of internal competences and infrastructure for Big Data analysis, in order to deepen the knowledge of the business internally and for business partners.

- Cash Deposits at ATMs

The service should bring about a reduction in the service load at bank branches when it comes to deposit operations, extending its availability to a 24/7 mode and bringing greater comfort to users, in addition to a significant reduction in the need to load banknotes at ATMs in cases of recycling of deposited notes.

- Certification of new ATMs

Following negotiations with ATM manufacturers, SISP started the certification process of the GRG and NCR brands in its network in order to meet the needs of new services such as deposits and smart agencies, and to offer banks other alternatives for the purchase of ATMs.

- PIN via SMS

This service will allow banks to offer cardholders the possibility of receiving the PIN via SMS instead of printed on a PIN letter. The PIN received under these conditions should be changed upon the first use and for security reasons the SMS will not contain any information linking the card to the PIN. The option will bring ecological improvements and reduce the bank's operational costs.

- Printing paper on transactions by customer choice

The service already exists at the new POSs and consists of the possibility for the cardholder to choose whether or not to print certain receipts at the ATMs, as in most cases customers do not keep such receipts. The option will bring ecological improvements and reduction of operational costs for the ATM.

- Tokenization of vinti4, Visa and MasterCard

The service will allow merchants to store card data in a secure format that is unique to each merchant, enabling recurring payments (push payments) commonly used in subscription services.

- Acceptance of new international cards

Launching of the Acquiring in the vinti4 network has been negotiated with AMEX so as to endow the national market with the acceptance of this important brand of cards linked to tourism and entertainment, within the strategy of creating the conditions for the country to become an important regional and international tourist destination. The certification tests have been initiated with AMEX and are expected to be concluded in the first quarter of 2020.

- Transaction apportionment

The service concerns the division of the credit intended for service payment by different accounts and banks, according to a fixed amount and / or percentage. The apportionment will be made at the moment in which the credit is generated, that is, at the closing for the merchant and at the clearing moment for the service entity.

- Internationalization

Contacts have been made with international and national partners, including the State through the Ministry of Finance and the Ministry of Foreign Affairs, as well as visits to countries in the region in order to understand the local business logic and identify opportunities for internationalizing the services provided by SISP.

## 1.2 Consolidation

- SWIFT

SISP continued further with the processes of certification of the Service Bureau infrastructure, individual certification of the technicians involved, negotiation with international communication operators in order to reduce costs, and market prospecting to attract more national and international customers.

- New Headquarters Project

The technical studies for the construction of a stable, secure, credible and Tier IV certified Data Center infrastructure continued to be developed by The Uptime Institute, so assuring the country total tranquility and continuity in relation to the critical payment and identification services offered by SISP.

- **On-the-spot Card**

This service offers the convenience of creating a card produced and delivered to the bank without being associated to a bank account, which allows the bank to instantly deliver a card to a customer at the counter, by indexing, also promptly, the customer's account to the card delivered. The customization of the name is done when the bearer affixes his/her signature on the signature panel, according to the identity document presented to the bank.

- **vinti4 EMV Card**

Follow-up was given to the process of certification, now in its Contactless aspect, of the vinti4 card for the usual manufacturer and the new card manufacturer recently certified by SISP, with a view to offering banks alternatives and negotiating capacity. In this regard, banks have been formally informed that the next vinti4 card orders will be EMV form to allow for a phased migration to this international card security standard.

- ***DCC- Dynamic Currency Conversion***

Certifications with Visa and MasterCard have been initiated and are expected to go into production in the first quarter of 2020. The service will allow Visa and MasterCard cardholders to opt for payment in Caboverdean Escudos (as has been the case) or in their home currency (upon payment of an additional conversion fee). This service, along with the comfort in recognizing the amount to be paid/withdrawn, and the consequent reduction of chargebacks for non-recognition of transactions by the international customer, will help reduce the net costs of card acceptance both for SISP and the merchant.

- ***mPOS – mobile POS***

A pilot phase with banks and merchants was started for the mPOS service followed by entry into production effective from July. The service allows low frequency acceptance merchants to have a low cost but secure pocket terminal (PCI certified), with magnetic reader and chip (contact and contactless), PINpad, but no printer (receipts are sent by SMS). About a hundred and fifty mPOS have been installed throughout the year in various merchants, such as street vendors, market vendors, taxi drivers, beauty salons and barbershops.

- **Certifications Renewal**

Nowadays, SISP is one of the companies with the highest number of certifications in the country, as a result of its commitment to align processes with the best international practices. At this moment, PCI-DSS (for the processing of international Visa and MasterCard), PCI-CP (for the production center of Visa and MasterCard certified cards), PKI (public key infrastructure for the issuance of digital certificates), SWIFT (for international transfers through SWIFT) certifications, ISO 9001 (quality), ISO 27001 (security) and HDI (Help Desk Institute, for the best practices of safe and high availability service, being SISP the first African entity to achieve this rigorous certification), acquired in 2019, guarantee to all customers and partners a safe and qualitative delivery of services.

- **SISP Training Academy**

SISP continues to invest in the continuous capacity-building of its technicians and partners through training activities and, accordingly, 22 courses have been held at home and abroad for the different teams.

- **POS Contactless Transactions**

Certifications with Visa and MasterCard have begun, both in terms of issuing and accepting contactless cards, and production is expected to start in the first quarter of 2020. The functionality will allow for faster low-value transactions at the point of sale, leading to greater use of cards in payments.

- **Central Purchasing**

The ongoing negotiations with ATM, cards, and PIN cards manufacturers have enabled SISP to negotiate and reduce unit costs whenever purchases enter several banks in bulk or on a massive scale.

- **PKI – Certification Entity**

SISP remains the only certification entity under Cabo Verde's root entity in charge of issuing digital certificates in a national infrastructure. The digital trust services offered at the present time are Qualified Certificates for signature, representing a legal person, individual or quality, Authentication Certificates for email signatures and secure authentication in online portals, Electronic Seal (equivalent to the mechanical white seal) and Timestamps.

Besides the renewal of the previous certifications, two new certifications were initiated in 2019, namely for the Timestamp Certification Entity, which allows to issue Timestamps (SISP TimeStamp Authority), and the Web Authentication Certification Entity enabling the issuance of SSL certificates, which is the first step before SSL certification with international entities such as Microsoft, Apple, Mozilla, etc.

The certification for timestamps has been completed and SSL certification will be concluded in the first quarter of 2020. In 2019, DNRE started the process of digital signatures by the managers and heads of division using the PKI of SISP, with more than 140,000 documents signed in the period and a number of products and services under development for 2020.

- **Reinforcement of High Availability**

Investments in the infrastructure were continued in order to strengthen the high availability capacity of the SISP, and the communication infrastructure was changed to MPLS (ring fiber), which guarantees capacity, resilience and bandwidth reinforcement, and communication redundancy tests with all banks (copper, fiber and beam), tests of new routers with communication redundancy in ATM, feasibility studies for solar energy supply in remote ATMs with poor quality of power service, tests of Wi-Fi redundant communication mode for POS,

tests and simulations of data center change without service interruption, and reformulation of the entire Business Continuity Plan document.

- Security Enhancement

Several investments were made to enhance the security of people (physical, logical), systems and networks.

- Credit and prepaid card management system

Various improvements were made to the credit card and prepaid card management service, with emphasis on the availability of almost 40 APIs (Application Programming Interfaces) to the participating banks for full integration with the respective platforms, envisaging almost total autonomy.

- Improvements on the SGGs platform and *website*

Several improvements have been made and new functionalities have been implemented in the SGGs platform and in the different portals of clients and partners, oriented towards the automation of services, access to invoices and statistics, evaluation of services, etc. Additionally, developments have been made in order to facilitate the integration of clients with online payment services and payment services.

- Contracts, SLAs and Legal Opinions

Contracts have been created for the new services of SWIFT, PKI, Merchants and Service Entities. A new contract has been submitted to the banks joining the vinti4 network, which should be followed by a service level agreement, once the regulation for the service levels of the vinti4 network is implemented as a critical infrastructure for payment systems.

- Fraud Prevention

Fraud prevention is ensured through a number of fronts, including infrastructure, communications, people, processes and systems. To this end, several investments were made in the security, training and team awareness areas, and 3D Secure certifications were initiated for online purchases in terms of issuance and acceptance. Moreover, the conclusion of MasterCard and Visa certification is scheduled for the first quarter of 2020 and the beginning of the second quarter of 2020, respectively.

Certifications were also arranged for payment tokenization intended to store non-sensitive data at merchants to ensure recurring payments, virtual cards to allow customers to use a non-critical card for online purchases, mandatory change of the card PIN at the time of its first use to prevent fraud due to storage of the envelope containing the PIN, possibility of blocking/unblocking cards via API, negotiation with the operators so as to enable banks to send card usage notifications via SMS, and migration of the vinti4 magnetic card to EMV card.

- PIN reprinting

The functionality allows a customer who has forgotten the PIN to keep the card and request a new PIN. The request can be made through the Internet Banking, being the PIN delivered via SMS if the bank so decides and if such channel has already been provided by SISP.

- Automation of service fees

All services to be provided through partnerships with banks, online merchants and service entities will now include, in advance, easily configurable fees for debits/credits during the processing of transactions.

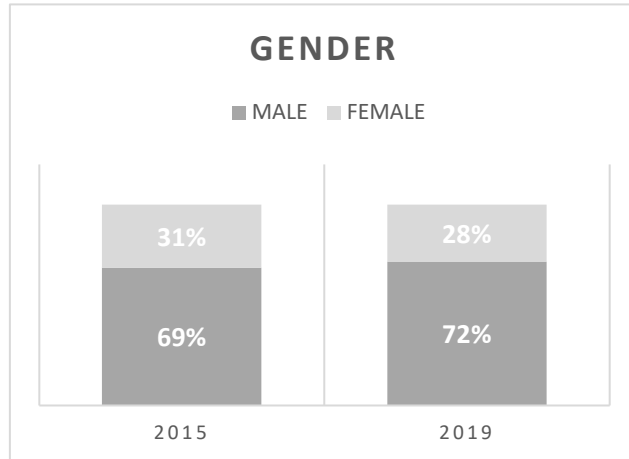
As for Business Management and Development, the various initiatives undertaken jointly with customers of the vinti4 Network are particularly noteworthy, namely the release, in production form, of the Banks' Portal, Merchants' Portal and Service Entities' Portal. Likewise, the "On-the-spot POS" and "On-the-spot Cards" services were made available to banks as a means to ensure "just in time" delivery of these services to their customers in a horizontal basis, across the national territory.

#### **4.13 Human Resources**

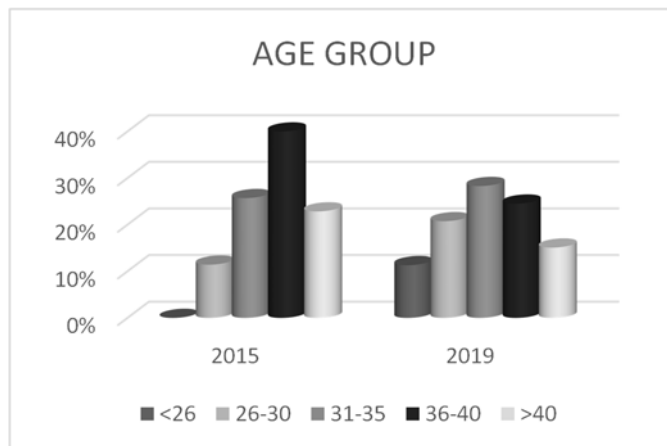
At December 31, 2019, the number of employees totaled 51, plus two interns. Five employees and one more intern were hired following the six voluntary departures recorded during the year.

Compared with 2015, the growth of the company with 16 additional employees is confirmed, derived from regulatory and strategic imperatives through the creation (Fogo/Brava, Santiago Norte) or reinforcement (Sal) of maintenance centers, the creation of internal control teams (Security, Compliance, Audit and Risk), and the reinforcement of the development, systems and operations components. The workforce is mainly comprised by male individuals representing 72 percent of the company's staff.

Chart 9: Gender Distribution



The average age of employees has also been decreasing due to new staff recruiting, as well as the length of service. If in 2015 the average age of employees was 37 years, on December 31, 2019 such average dropped to 33 years. The same trend can be seen for the average length of service from 2015 to 2019, which decreased from 11 to 7 years.



#### 4.13.1 Development and Training

In line with its human capital development policy, SISP has strongly invested in the training of its employees in several areas. Twenty-two (22) training programs and several online sessions were carried out, involving about 128 trainees who eventually participated in more than one training initiative. All employees had access to continuous online training courses in the most varied areas of knowledge made available by international platforms such as Visa, MasterCard, Coursera, and Udemy, in a strategy to encourage continuous self-learning of the new human capital.

**Table 9: List of training activities organized in 2019**

Training Courses	No. of Participants	Area
NSE4 - FortiGate Security	2	Information System
FortiADC 5.2 Self-Paced	1	Information System
Implementing Cisco Edge Network Security Solutions (SENS)	1	Information System
Oracle Database 12c: Data Guard Administration	2	Information System
Microsoft SDL Core - Microsoft Secure Development Lifecycle	6	Information System
CEH – Ethical Hacking and Countermeasures v10	1	Information System
Understanding Visa Claims Resolution (VCR) Dispute Rules	9	Support Center / Operation Management
Fraud Prevention	7	Support Center / Operation Management
IRCA - Lead Auditor ISO 9001	3	Legal and Compliance/Quality/Security
Closure of Accounts	2	Administrative and Financial
EMV for acquirers, issuers, and processors	11	Development/ Operation Management
English Language	9	Information System/ Operation Management/ Support Center
Online Training Courses	14	Development/ Information System/Human Resources
Workshop Big Data	7	Development
Risk Management in Banking	1	Quality and Risk
Cyber and Information Security Management	1	Information System
Measuring and Managing Operational Risk Banking	2	Operation Management /DG
SWIFT - African Regional Conference 2019	2	Management of Products, Services, and Clients/DG
SWIFT - Operating Alliance Access and Customer Applications on Swift.com	3	Information System / Operation Management/ Support Center
Configuration of EMV profile	4	Operation Management
H68NL Hardware Engineer Level 1	3	Terminal Management
13 Live Events of MasterCard	37	Operation Management / Development
<b>Total Participants</b>	<b>128</b>	



#### **4.14 Risk Management and Internal Control**

The process of integrating the risk approach with critical processes and consolidation of the activities of the new SISP Internal Control team, formed by the new Legal and Compliance, Internal Audit and Quality and Risk teams, was continued. New Risk reports were prepared and an external consultancy service was hired to carry out operational risk audits. A company was hired to support and add a multidisciplinary competence to the SISP Internal Audit team. Additionally, all Payment Card Industry - Data Security Standard (PCI-DSS), Payment Card Industry - Card Production (PCI-CP), PKI, ISO 9001, ISO 27001, SWIFT, and HDI certifications require rigorous annual international audits, with a strong focus on risk and security to all SISP service areas.

#### **4.15 Investment**

Investments in 2019 totalled CVE 143 million, representing 15 percent of the operating revenues, while in 2018 they amounted to CVE 171.5 million, representing 19.7 percent of operating revenues.

Investments include mainly the acquisition of payment terminals, equipment and software for the reinforcement of high availability, hardware (servers, processors and PC), investments in the SISP Headquarters project, and acquisition of vehicles.

Table 10: Investment

<b>Software (new functionalities)</b>	<b>53.999.822</b>
<b>Tangible Fixed Assets</b>	<b>76.646.705</b>
POS	41.477.858
Basic Equipment	27.503.464
ATM Machines	2.739.621
Other Equipment	1.386.936
Vehicles	3.538.826
Headquarters' Project	7.967.006
Land	4.408.956
<b>Total</b>	<b>143.022.489</b>

Financing was entirely covered by SISP resources and own funds.

## 5. FINANCIAL REVIEW

In 2019, in line with the forecasts, income from services increased by 10% when compared to 2018, chiefly supported by the growth of transactions in the network in all aspects.

The economic and financial analysis of the Company based on the financial statements summarizes the results achieved by SISP as at December 31, 2019, as well as its equity position and financial situation for the year then ended.

Table 11: Income Statement

STATEMENT OF COMPREHENSIVE INCOME						
Items	Notes	12/31/2019	12/31/2018	Change CVE	Change %	
Provision of services and sales	14	957.561.571	869.079.303	88.482.268	10,18%	
Cost of goods sold and materials consumed	7	-15.953.818	-37.079.867	21.126.049	-56,97%	
<b>Gross operating income</b>		<b>941.607.753</b>	<b>831.999.436</b>	<b>109.608.317</b>	<b>13,17%</b>	
External supplies and services	15	467.763.798	368.132.721	99.631.077	27,06%	
<b>Gross value added</b>		<b>473.843.955</b>	<b>463.866.715</b>	<b>9.977.240</b>	<b>2,15%</b>	
Staff costs	16	119.346.218	96.698.421	22.647.797	23,42%	
Provisions - increases/ (reductions)	10	-	2.246.273	-2.246.273	-100,00%	
Fair value increase/reduction	6	112.093.437	41.755.054	70.338.383	168,45%	
Impairment of assets	10	-6.176.067	-4.338.858	-1.837.209	42,34%	
Other costs	17	12.500.903	12.445.509	55.394	0,45%	
Other income and gains	17	1.305.473	2.798.416	-1.492.943	-53,35%	
<b>Income before amortization, financing losses and gains and tax - EBITDA</b>		<b>449.219.677</b>	<b>397.183.670</b>	<b>52.036.007</b>	<b>13,10%</b>	
Depreciation and amortization costs	5	123.063.270	102.772.192	20.291.078	19,74%	
<b>Operating Income (before financing losses/gains and tax) – EBIT</b>		<b>326.156.407</b>	<b>294.411.478</b>	<b>31.744.929</b>	<b>10,78%</b>	
Interest and gains received	18	3.007.289	4.400.950	-1.393.661	-31,67%	
Interest and loss paid	18	-9.055.973	-8.733.023	-322.950	3,70%	
<b>Income Before Tax</b>		<b>320.107.723</b>	<b>290.079.405</b>	<b>30.028.318</b>	<b>10,35%</b>	
Income Tax for the Year	19	-71.868.435	-73.368.457	1.500.022	-2,04%	
<b>Net Earnings for the Year</b>		<b>248.239.288</b>	<b>216.710.948</b>	<b>31.528.340</b>	<b>14,55%</b>	

## **5.1 Gross Value Added**

Gross value-added reached CVE 473.8 million, which compared with CVE 463.8 million in 2018, represents an increase of two percent. This evolution was the result of a good performance registered by the Network.

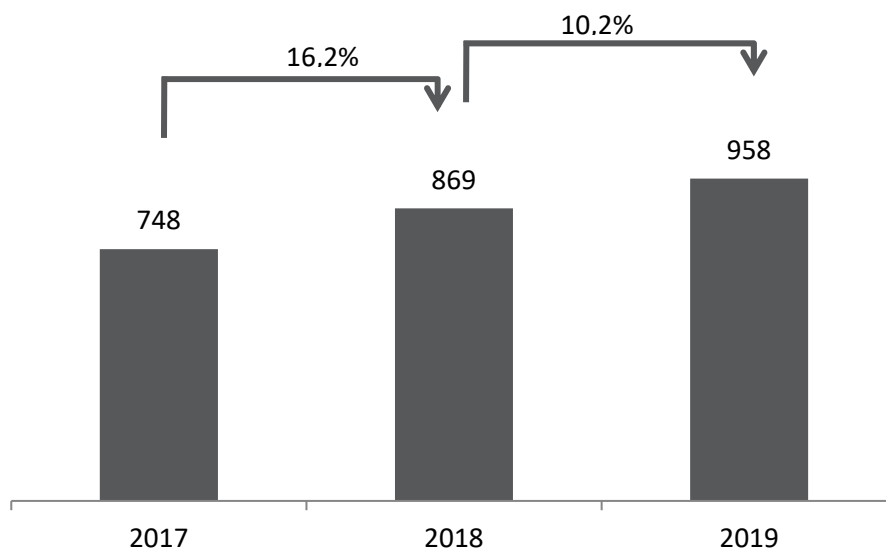
The operating revenues stood at CVE 957.5 million in 2019, a positive variation of 10 percent compared with the same period of the previous year.

## **5.2 Income**

Total Income exceeded for the first time CVE 1 billion, rising to CVE 1,073 million, an increase of CVE 153,6 million compared to 2018. The increase in service income and in the fair value of VISA shares contributed to this result.

Income from services rendered amounted to CVE 957.5 million, up by CVE 88.4 million in comparison with 2018, benefiting from the positive contribution of the "automatic payment" service income by 84 percent.

Chart 10: Provision of Services



### **5.3 Other income and gains**

The gain from fair value increases in the equity participation of SISP in the capital of Visa was CVE 112 million (market value as of December 31, 2019), while in the year 2018 that gain corresponded to CVE 41.7 million.

Reversal of the provision in 2018 totaled CVE 2.2 million and refers to the cancellation of provisions for tax contingencies related with corporate tax (IRPC) for the year 2013.

Interest earned from time deposits and deposit-like instruments totaled CVE 3 million, a decrease of 31.6 percent year-on-year.

### **5.4 Expenditures**

Total expenditure amounted to CVE 753.8 million, representing an additional figure of CVE 123.6 million, plus 19.6 percent when compared to the previous year.

Table 12: Expenditures

	2019	2018	Absolute Variation	% of Change
<b>Total</b>	<b>753.860.047</b>	<b>630.200.591</b>	<b>123.659.456</b>	<b>19,62%</b>
Cost of goods sold and materials consumed	15.953.818	37.079.867	-21.126.049	-56,97%
Third-party supplies and services	467.763.798	368.132.721	99.631.077	27,06%
Staff costs	119.346.218	96.698.421	22.647.797	23,42%
Impairment of assets	6.176.067	4.338.858	1.837.209	42,34%
Other costs	12.500.903	12.445.509	55.394	0,45%
Depreciation and amortization costs	123.063.270	102.772.192	20.291.078	19,74%
Interest and loss paid	9.055.973	8.733.023	322.950	3,70%

The increase in operating expenses is substantially determined by the evolution of direct expenses, namely costs with international acquiring fees (Visa and MasterCard) and other operating expenses where third-party services are included.

Staff Costs amounted to CVE 119 million, an increase of 23.4 percent, that is, CVE 22.6 million more than in 2018. This increase is related to the greater investment in staff training and development, social charges, the retraining of technicians and salary progression, as well as the fact that the hiring planned for 2018 took place only at the end of that year, with the impact carried over to 2019.

The ratio Staff Costs/Provision of Services set at 12 percent and 11 percent in 2019 and 2018, respectively, and approximately 15.8 and 15.3 percent of the company's total costs in 2019 and the previous year, respectively.

Depreciation expenses stood at CVE 123 million, an increase of 19.7 percent in line with an increase in non-current assets in the period.

The CAPEX/operating income ratio settled at 14.9 percent (19.7 percent in 2018) and depreciation and amortization costs represented 11.7 percent of the operating revenues in 2019 and 11.1 percent in 2018.

The item Impairment includes provisions for doubtful debts to customers and assets in progress, amounting to CVE 6.1 million in 2019, while in 2018 this figure was CVE 4.3 million.

### **Other Costs and Losses**

Other Expenses" in the amount of CVE 12.5 million (CVE 12.4 million in 2018) includes essentially stamp duty, contributions, donations and the regularization of the final VAT pro-rata rate.

Financing Interest and Losses mostly include expenses related to bank guarantees, financial expenses with processing and unfavourable exchange rate differences, adding up to a total of CVE 9 million in 2019.

### **5.5 Net Income for the Year**

The Net Income of SISP registered a positive change of 14.5 percent in comparison with the previous year, reaching the amount of CVE 248 million. This growth was basically due to the increase in income from services and in the Fair Value of VISA shares.

Costs of external supplies and services and personnel costs increased by 27 and 23.4 percent respectively.

As a result of the increase in operating income above that recorded in costs, which is the result of the effort to improve efficiency that permanently characterizes the company's activity, EBITDA grew by 13 percent between 2018 and 2019, settling at CVE 449.2 million.

## **6. FINANCIAL SITUATION**

### **6.1 Balance Sheet Position**

As of December 31, 2019, net assets amounted to CVE 1,539 million, an increase of 11 percent (CVE 153.6 million) over the amount recorded in December 2018, in a total of CVE 1,385.5 million.

Table 13: Balance Sheet Position

<b>Assets</b>	<b>12/31/2019</b>	<b>12/31/2018</b>	<b>Change</b>	<b>% of Change</b>
<b>Non-Current Assets</b>	<b>642.546.536</b>	<b>511.770.203</b>	<b>130.776.333</b>	<b>25,55%</b>
Tangible Fixed Assets	165.826.485	167.862.112	-2.035.627	-1,21%
Intangible Assets	119.788.002	99.069.479	20.718.523	20,91%
Financial Investment	356.932.049	244.838.612	112.093.437	45,78%
<b>Current Assets</b>	<b>896.647.294</b>	<b>873.820.812</b>	<b>22.826.482</b>	<b>2,61%</b>
Inventories	64.040.785	63.551.044	489.741	0,77%
Short-Term Debt	459.689.446	396.909.281	62.780.165	15,82%
Bank Deposits	372.917.064	413.360.488	-40.443.424	-9,78%
<b>Total Assets</b>	<b>1.539.193.831</b>	<b>1.385.591.016</b>	<b>153.602.815</b>	<b>11,09%</b>
<b>Owner Equity</b>	<b>1.028.787.387</b>	<b>888.903.573</b>	<b>139.883.814</b>	<b>15,74%</b>
Share Capital and Reserves	780.548.099	672.192.625	108.355.474	16,12%
Net Earnings for the Year	248.239.288	216.710.948	31.528.340	14,55%
<b>Liabilities</b>	<b>510.406.444</b>	<b>496.687.442</b>	<b>13.719.001</b>	<b>2,76%</b>
Non-Current Liabilities	690.938	690.938	0	0,00%
Current Liabilities	509.715.506	495.996.504	13.719.001	2,77%
<b>Owner Equity + Liabilities</b>	<b>1.539.193.831</b>	<b>1.385.591.016</b>	<b>153.602.815</b>	<b>11,09%</b>

The said increase was chiefly due to the following factors:

- Increase in current assets by CVE 22.8 million, despite a decrease in cash and cash equivalents by CVE 40.4 million, and an increase in short-term debts (customers);
- Increase in non-current assets by CVE 130.7 million, generated by the increase in financial participation in more than 112 million and investments made in various projects of the company in 2019;

In 2019, Owner Equity increased by 15.7 percent, equivalent to CVE 139.8 million, as a result of the combined effect of the incorporation into reserves of 50 percent of the 2018 net profit, and the impact of the increase in Net Profit for the Year of CVE 31.5 million.

Total Liabilities reached CVE 510.4 million, an increase of CVE 13.7 million compared to the previous year, justified by the increase in the clearing debt associated with the acquiring business.

## **6.2 Management Indicators**

The EBITDA Profitability Indicator (excluding the impact of fair value, impairments and provisions) decreased by 3.98 percent.

In prudential terms, SISP shows a good performance and financial soundness, with own funds exceeding CVE 919 million, around 30 percent higher than in 2018.

With the increase witnessed in Owner Equity, the ratio Coverage of Fixed Assets remains quite high, at 638 percent in 2019, higher than in 2018 (488.94 percent).

The Solvency Ratio, in accordance with regulations set by the Banco de Cabo Verde (Central Bank), reached 57.8 percent, well above the minimum of 12 percent legally required.

**Table 14: Management Indicators**

<b>Ratios</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Profitability (millions of CVE)</b>				
EBITDA	343,3 m	357,5 m	320,5 m	-3,98%
Return on Equity	24,13%	24,38%	25,82%	-1,03%
Return on Assets (ROA)	21,19%	21,25%	18,69%	-0,28%
Net Return on Sales	25,92%	24,94%	26,65%	3,95%
<b>Operational Efficiency</b>				
Average Period of Receivables	55	48	47	14,96%
Overall Liquidity	1,76	1,76	1,56	-0,05%
Reduced Liquidity	1,63	1,63	1,46	0,21%
Immediate Cash Flow	0,73	0,83	0,89	-11,85%
<b>Prudential Indicators (millions of CVE)</b>				
Equity	919,5 m	823,1 m	735,8 m	24,97%
Solvency	57,86%	59,20%	59,09%	-2,26%
Coverage of Fixed Assets	638,26%	488,94%	591,91%	30,54%

### **6.3 Proposal for the Appropriation of Net Income**

Taking into consideration the dividend distribution policy and exercising the prerogatives conferred by Law and by the Company's Articles of Association, the Board of Directors hereby proposes to the General Meeting of Shareholders that, under the terms set forth in the applicable legal and statutory provisions, the Net Earnings in the amount of CVE 248,239,288 in respect of the financial year 2019 be distributed as follows:

**Table 15: Proposal for the Appropriation of Net Income**

	<b>%</b>	<b>Amount (in CVE)</b>
<b>Dividends</b>	<b>50%</b>	<b>124.119.644</b>
<b>Legal Reserve</b>	<b>10%</b>	<b>24.823.929</b>
<b>Other Reserves</b>	<b>40%</b>	<b>99.295.715</b>
<b>Total</b>		<b>248.239.288</b>

The Board of Directors decided to propose the distribution of dividends in an amount equivalent to 50 percent of the net profit of 2019.

The Board of Directors believes it pertinent to refer to the considerable impact of the evolution of the price of VISA shares (fair value) on the result of SISP, which in 2019 totaled CVE 112,093,437 (related to financial participation), leaving it to the discretion of the shareholders to decide on the possibility of dividends being distributed in the same proportion of 50 percent (Shareholders), 40 percent (Company) and 10 percent (reserves), on the result purged from the fair value of Visa shares.



## 6.4 Income Statements

<b>Statements of Comprehensive Income as at December 31, 2019 and December 31, 2018</b>					
(Amounts expressed in Cabo Verdean Escudos)					
<b>Items</b>	<b>Notes</b>	<b>12/31/2019</b>	<b>12/31/2018</b>	<b>Change</b>	<b>% of Change</b>
Provision of services and sales	14	957.561.571	869.079.303	88.482.268	10,18%
Cost of goods sold and materials consumed	7	(15.953.818)	(37.079.867)	21.126.049	-56,97%
<b>Gross operating income</b>		<b>941.607.753</b>	<b>831.999.436</b>	<b>109.608.317</b>	<b>13,17%</b>
External supplies and services	15	467.763.798	368.132.721	99.631.077	27,06%
<b>Gross value added</b>		<b>473.843.955</b>	<b>463.866.715</b>	<b>9.977.240</b>	<b>2,15%</b>
Staff costs	16	119.346.218	96.698.421	22.647.797	23,42%
Provisions - Reversals	10	-	2.246.273	-2.246.273	-100,00%
Adjustment of inventories - Increases	7 e 10	-	(1.057.235)	1.057.235	-100,00%
Fair value increase/reduction	6	112.093.437	41.755.054	70.338.383	168,45%
Adjustment in Impairment of Fixed Assets - Increases	10	(1.401.628)	(161.495)	(1.240.133)	767,91%
Adjustment in customer impairment / Other Debtors	10	(4.774.439)	(3.120.128)	-1.654.311	53,02%
Other costs	17	12.500.903	12.445.509	55.394	0,45%
Other income and gains	17	1.305.473	2.798.416	-1.492.943	-53,35%
<b>Income before amortization, financing losses and gains and tax</b>		<b>449.219.677</b>	<b>397.183.670</b>	<b>52.036.007</b>	<b>13,10%</b>
<b>Depreciation and amortization costs</b>	<b>5</b>	<b>123.063.270</b>	<b>102.772.192</b>	<b>20.291.078</b>	<b>19,74%</b>
Intangible assets	5	34.151.883	15.175.457	18.976.426	125,05%
Tangible fixed assets	5	88.911.387	87.596.735	1.314.652	1,50%
<b>Operating Income (before financing losses/gains and tax)</b>		<b>326.156.407</b>	<b>294.411.478</b>	<b>31.744.929</b>	<b>10,78%</b>
Interest and gains received	18	3.007.289	4.400.950	(1.393.661)	-31,67%
Interest and loss paid	18	(9.055.973)	(8.733.023)	(322.950)	3,70%
<b>Income Before Tax</b>		<b>320.107.723</b>	<b>290.079.405</b>	<b>30.028.318</b>	<b>10,35%</b>
Income Tax for the Year	19	(71.868.435)	(73.368.457)	1.500.022	-2,04%
<b>Net Earnings for the Year</b>		<b>248.239.288</b>	<b>216.710.948</b>	<b>31.528.340</b>	<b>14,55%</b>

Balance Sheets on December 31, 2019 and December 31, 2018

(Amounts expressed in Cabo Verdean Escudos)

Items	Notes	12/31/2019	12/31/2018	Change	%
<b>ASSETS</b>					
<b>Non-current assets</b>					
Tangible fixed assets	5	165 826 485	167 862 112	(2 035 627)	-1,21%
Intangible assets	5	119 788 002	99 069 479	20 718 523	20,91%
Financial investment - other methods	6	356 932 049	244 838 612	112 093 437	45,78%
<b>Total non-current assets</b>		<b>642 546 536</b>	<b>511 770 203</b>	<b>130 776 333</b>	<b>25,55%</b>
<b>Current assets</b>					
Inventories	7	64 040 785	63 551 044	489 741	0,77%
Customers	11	377 144 642	342 908 723	34 235 919	9,98%
Other accounts receivable	11	60 919 094	36 125 171	24 793 923	68,63%
Deferrals	8	21 625 710	17 875 387	3 750 323	20,98%
Bank deposits	4	372 917 064	413 360 488	-40 443 424	-9,78%
Cash		-	0	0	
<b>Total current assets</b>		<b>896 647 294</b>	<b>873 820 812</b>	<b>22 826 482</b>	<b>2,61%</b>
<b>Total Assets</b>		<b>1 539 193 831</b>	<b>1 385 591 016</b>	<b>153 602 815</b>	<b>11,1%</b>
<b>NET POSITION and LIABILITIES</b>					
<b>OWNER EQUITY</b>					
Capital	9	100 000 000	100 000 000	-	0,00%
Legal reserve	9	72 934 833	51 263 738	21 671 095	42,27%
Free reserves	9	14 401 872	14 401 872	-	0,00%
Other reserves	9	538 445 070	451 760 691	86 684 379	19,19%
Retained earnings		54 766 324	54 766 324	-	0,00%
Net profit for the year		248 239 288	216 710 948	31 528 340	14,55%
<b>Total Owner Equity</b>		<b>1 028 787 387</b>	<b>888 903 573</b>	<b>139 883 814</b>	<b>15,7%</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Provisions	10	690 938	690 938	-	0,00%
<b>Total non-current liabilities</b>		<b>690 938</b>	<b>690 938</b>	<b>-</b>	<b>0,0%</b>
<b>Current liabilities</b>					
Suppliers - investment	11	16 335 449	5 649 356	10 686 093	189,16%
Suppliers, current account	11	28 729 914	29 719 499	-989 585	-3,33%
Visa/MasterCard clearing	12	342 168 359	345 110 727	-2 942 368	-0,85%
State and other public bodies	13	30 119 607	37 191 783	-7 072 177	-19,02%
Other accounts payable	11	73 380 219	61 780 870	11 599 349	18,77%
Accrued costs	8	18 981 958	16 544 269	2 437 689	14,73%
<b>Total current liabilities</b>		<b>509 715 506</b>	<b>495 996 504</b>	<b>13 719 001</b>	<b>2,8%</b>
<b>Total Liabilities</b>		<b>510 406 444</b>	<b>496 687 442</b>	<b>13 719 001</b>	<b>2,76%</b>
<b>Total owner equity and liabilities</b>		<b>1 539 193 831</b>	<b>1 385 591 016</b>	<b>153 602 815</b>	<b>11,1%</b>

**Statement of cash flows as at December 31, 2019 and 2018**

(Amounts expressed in Cabo Verdean Escudos)

Indirect Method	Notes	12/31/2019		12/31/2018	
<b>Cash flows of operating activities:</b>					
<b>Net earnings for the year</b>			248 239 288		216 710 948
<b>Adjustments:</b>					
Amortization and depreciation	(+)	5	123 063 270		102 772 192
Provisions	(+/-)	10	-		(2 074 583)
Interest and similar income received	(-)	18	(3 007 289)		(4 400 950)
Interest and similar cost paid	(+)	18	9 055 973		8 733 023
Gains from the sale of tangible fixed assets	(-)	17	(76 489)		(1 820 381)
Gains from Fair Value increases -VISA	(-)	6	(112 093 437)		(41 755 054)
Decreases in inventories	(+)	7	-		4 162 686
Increases in inventories	(+)	7	(489 741)		-
Increases in accounts receivable		11	(59 029 842)		(38 592 246)
Decreases in accounts receivable	(-)	11	-		34 760 657
Increase in deferred costs	(-)	8	(3 750 323)		(4 564 234)
Increase in accounts payable	(+)	11	22 285 442		1 247 534
Decrease in accounts payable	(-)	11	(11 004 130)		(187 729 045)
Increase in accrued costs	(+)	8	2 437 689		3 873 669
<i>Cash flows of operating activities (1)</i>				215 630 411	91 324 216
<b>Cash flows of investment activities:</b>					
<b>Payments related to:</b>					
Tangible fixed assets		5	(86 875 760)		(105 522 839)
Intangible assets		5	(54 870 406)		(74 120 263)
<b>Receivables from:</b>					
Tangible fixed assets		17	76 489		1 820 381
Intangible assets					
Investment subsidies					
Interest and similar income		18	1 618 753		3 304 050
Dividends		17	1 388 536		1 096 900
<i>Cash flows of investment activities (2)</i>				(138 662 388)	(173 421 771)
<b>Financing activities:</b>					
<b>Receivables from:</b>					
Financing received			-		-
<b>Payables from:</b>					
Depreciation on leasing contracts					
Interest and similar cost		18	(9 055 973)		(8 733 023)
Dividends		9	(108 355 474)		(99 655 460)
Capital reduction and supplementary payment					
<i>Cash flows of financing activities (3)</i>				(117 411 447)	(108 388 483)
<b>Changes in cash and cash equivalents (4) = (1) + (2) + (3)</b>					
				(40 443 424)	(190 486 038)
<b>Cash and cash equivalents in the beginning of the year</b>					
		4		413 360 488	603 846 526
<b>Cash and cash equivalents at the end of the year</b>					
		4		372 917 064	413 360 488

**Statement of Changes in Owner Equity as at December 31, 2019**

(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
<b>POSITION IN THE BEGINNING OF THE YEAR 2018</b>		<b>100 000 000</b>	<b>31 332 646</b>	<b>14 401 872</b>	<b>372 036 324</b>	<b>54 766 324</b>	<b>199 310 919</b>	<b>771 848 085</b>
<b>CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD</b>								
<b>Net Earnings for the Year</b>		-	-	-	-	-	216 710 948	216 710 948
Appropriation of Net Income	9	-	19 931 092	-	79 724 367	-	(99 655 459)	-
<b>Extensive Result</b>		<b>100 000 000</b>	<b>51 263 738</b>	<b>14 401 872</b>	<b>451 760 691</b>	<b>54 766 324</b>	<b>316 366 408</b>	<b>988 559 033</b>
<b>TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD</b>								
Dividend Distribution		-	-	-	-	-	(99 655 460)	(99 655 460)
<b>POSITION IN THE BEGINNING OF THE YEAR 2019</b>		<b>100 000 000</b>	<b>51 263 738</b>	<b>14 401 872</b>	<b>451 760 691</b>	<b>54 766 324</b>	<b>216 710 948</b>	<b>888 903 573</b>
<b>CHANGES RELATED TO INCOME AND COST RECOGNIZED IN THE PERIOD</b>								
<b>Net Earnings for the Year</b>		-	-	-	-	-	248 239 288	248 239 288
Appropriation of Net Income	9	-	21 671 095	-	86 684 379	-	(108 355 474)	-
<b>Extensive Result</b>		<b>100 000 000</b>	<b>72 934 833</b>	<b>14 401 872</b>	<b>538 445 070</b>	<b>54 766 324</b>	<b>356 594 762</b>	<b>1 137 142 861</b>
<b>TRANSACTIONS WITH SHAREHOLDERS IN THE PERIOD</b>								
Dividend Distribution		-	-	-	-	-	(108 355 474)	(108 355 474)
<b>POSITION AT YEAR-END</b>		<b>100 000 000</b>	<b>72 934 833</b>	<b>14 401 872</b>	<b>538 445 070</b>	<b>54 766 324</b>	<b>248 239 288</b>	<b>1 028 787 387</b>

# NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

Notes to the financial statements as at 31 December 2019  
(Amounts expressed in Cabo Verdean Escudos - CVE)

## 1. FOREWORD

The SISP, Sociedade Interbancária e Sistemas de Pagamentos (“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 promoter of the smooth operation of the Clearing and Payment Systems, the commercial banks legally authorized to operate in Cabo Verde, namely Banco Comercial do Atlântico, S.A., Banco Interatlântico, SARL, Banco Caboverdiano de Negócios, S.A. and Caixa Económica de Cabo Verde, S.A., and also Cabo Verde Telecom whose role as a provider of telecommunications services is of particular relevance and interest for Payment Systems development. The Company was established in 1999 and has its head office at Achada Santo António - Praia, Cabo Verde.

The financial statements as at December 31, 2019 were approved by the Board of Directors at its meeting held on February 21, 2020.

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

## 2. ACCOUNTING STANDARDS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

the International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”).

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

### 3. BASES OF PRESENTATION AND KEY ACCOUNTING POLICIES

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

#### 3.1 Bases of presentation

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

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 a 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 condition necessary for operating as intended, minus depreciation and losses for accumulated impairment.

Depreciation is calculated on a monthly basis following the time at which the asset is ready to be used, according to the straight-line 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:

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

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

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

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

### 3.3 Intangible assets

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

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

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

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

<b>Item of Intangible Assets</b>	<b>Years</b>
Computer programs	3 to 5
Industrial property - Trademark and Patents	3 to 10
Other Intangible Assets	3 to 10



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

#### 3.4 Impairment of tangible and intangible fixed assets

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

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

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

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

#### 3.5 Inventories

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

The inventory costing method adopted by the Company consists of the 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 estimated through the expected life of the financial instrument in the net amount of the financial asset or liability (effective interest rate).

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

#### **i. Customers and other receivables**

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

#### **ii. Cash and bank deposits**

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

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

**iii. Suppliers and other payables**

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

**iv. Financing received**

Financing received are recorded in liabilities at amortized cost.

Any expenses incurred in obtaining such financing, including bank charges and stamp duty, as well as interest and similar expenses, are recognized in the income statement over the lifetime of such funding. While they are not recognized, these expenses 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 the income under "Losses from fair value reductions" and "Gains from fair value increases."

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

**(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, its estimated future cash flows are affected.

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

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

Impairment losses are recorded in the income statement under "Impairment of receivables" or "Impairment of non-depreciable assets" in the period they are determined. Subsequently, if the amount of the impairment loss decreases and such decrease can be objectively related to an event that took place after recognition of the loss, this should be reversed against results. The reversal should be done up to the limit of the amount that would be recognized (amortized cost) in case the loss had not been initially recorded. Reversal of impairment losses is recorded in the income statement under "Reversals of impairment." Reversal of impairment losses recorded 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 probable that future economic benefits associated with the transaction will flow to the Company;
- Costs incurred or to be incurred with the transaction can be measured reliably;
- The stage of completion of the transaction/service can be reliably measured.

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

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

### 3.8 Income Tax

Tax on income for the year recorded in the income statement is the sum of current taxes to deferred tax. Current tax and deferred taxes are recorded as income, except when 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 fair value. The book values of non-monetary items recorded at historical cost and denominated in foreign currencies are not updated.

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

### 3.10 Provisions and contingent liabilities

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

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

Contingent liabilities are not recognized in the financial statements but are disclosed when the possibility of an outflow of resources encompassing economic benefits is not remote. Contingent assets are not recognized in the financial statements but are disclosed when it is likely the existence of a future economic inflow of resources.

### 3.11 Accrual

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

### 3.12 Subsequent events

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

### 3.13 Critical judgments and key sources of uncertainties associated with estimates

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

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

The main judgments and estimates made in preparing the 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 2019, 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 2019, 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, 2019 and 2018, the items "Cash and cash equivalents" and "Bank Deposits" are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Immediately available bank deposits		
· at national banks	76.696.431	64.741.271
· at foreign banks	<u>259.118.633</u>	<u>313.619.217</u>
Cash and cash equivalents	<u>335.815.064</u>	<u>378.360.488</u>
Term deposits	<u>37.102.000</u>	<u>35.000.000</u>
Bank deposits	<u><u>372.917.064</u></u>	<u><u>413.360.488</u></u>

On December 31, 2019, the item "Term deposits" relates to one term deposit, which earns interest at the gross annual rate of three percent and will mature in October of the subsequent year.

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



On December 31, 2019 and 2018, the item "Immediately available bank deposits - at foreign banks" basically includes the balances related with international settlement transactions with VISA and MasterCard (Note 12).

## 5. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

During the years 2019 and 2018, changes in the items of tangible fixed assets and intangible assets were as follows:

	12/31/2018					12/31/2019			
	Net Value	Purchases	Transfers, write-offs and divestitures	Impairment increase (Note 10)	Depreciation for the year	Gross Value	Accumulated depreciation	Impairment	Net Value
<b>Tangible fixed assets</b>									
Land	5 915 292	-	-	-	-	5 915 292	-	-	5 915 292
Buildings and other construction	14 032 075	-	-	-	(2 223 735)	57 728 376	(45 920 036)	-	11 808 340
Basic equipment	87 203 126	1 008 458	86 411 592	-	(80 179 875)	596 406 208	(501 962 907)	-	94 443 301
Transport equipment	13 114 986	3 538 826	-	-	(5 647 417)	33 136 784	(22 130 389)	-	11 006 395
Office equipment	3 633 728	20 683	-	-	(857 463)	13 525 538	(10 728 590)	-	2 796 948
Tools and utensils	2 897	-	-	-	(2 897)	1 583 308	(1 583 308)	-	-
Advances for tangible fixed assets	38 720 850	75 742 415	(86 411 592)	(1 401 628)	-	26 650 045	-	-	26 650 045
Advances for tangible fixed assets (Head Office)	5 239 158	7 967 006	-	-	-	13 206 164	-	-	13 206 164
	<u>167 862 112</u>	<u>88 277 388</u>	<u>-</u>	<u>(1 401 628)</u>	<u>(88 911 387)</u>	<u>748 151 715</u>	<u>(582 325 230)</u>	<u>-</u>	<u>165 826 485</u>
<b>Intangible assets</b>									
Computer programs (Software)	44 428 848	1 967 573	75 918 788	-	(31 203 044)	357 312 070	(266 199 905)	-	91 112 165
Industrial property - Trademark and patent	-	-	-	-	-	479 238	(479 238)	-	-
Other Intangible Assets	6 725 305	-	-	-	(2 948 839)	22 572 493	(18 796 027)	-	3 776 466
Advances for intangible assets	47 915 326	52 902 833	(75 918 788)	-	-	24 899 371	-	-	24 899 371
	<u>99 069 479</u>	<u>54 870 406</u>	<u>-</u>	<u>-</u>	<u>(34 151 883)</u>	<u>405 263 172</u>	<u>(285 475 170)</u>	<u>-</u>	<u>119 788 002</u>
	<u>266 931 591</u>	<u>143 147 794</u>	<u>-</u>	<u>(1 401 628)</u>	<u>(123 063 270)</u>	<u>1 153 414 887</u>	<u>(867 800 400)</u>	<u>-</u>	<u>285 614 487</u>

	Initial Balance				12/31/2018			
	Net Value	Purchases	Transfers, write-offs and divestitures	Depreciation for the Year	Gross Value	Accumulated depreciation	Impairment	Net Value
<b>Tangible fixed assets</b>								
Land	5 915 292	-	-	-	5 915 292	-	-	5 915 292
Buildings and other construction	16 255 810	-	-	(2 223 735)	57 728 376	(43 696 301)	-	14 032 075
Basic equipment	81 105 428	4 401 274	81 337 232	(80 065 015)	558 802 882	(471 599 755)	-	87 203 126
Transport equipment	6 414 197	11 157 959	-	(4 457 170)	33 877 394	(20 762 408)	-	13 114 986
Office equipment	3 905 007	483 946	92 158	(847 383)	13 504 855	(9 871 127)	-	3 633 728
Tools and utensils	6 329	-	-	(3 432)	1 583 308	(1 580 411)	-	2 897
Advances for tangible fixed assets	36 333 945	84 481 224	(82 094 319)	-	40 536 321	-	(1 815 471)	38 720 850
Advances for tangible fixed assets (Head Office)	-	5 239 158	-	-	5 239 158	-	-	5 239 158
	<u>149 936 008</u>	<u>105 763 561</u>	<u>(664 929)</u>	<u>(87 596 735)</u>	<u>717 187 586</u>	<u>(547 510 002)</u>	<u>(1 815 471)</u>	<u>167 862 112</u>
<b>Intangible assets</b>								
Computer programs (Software)	11 910 953	8 327 248	36 336 464	(12 145 817)	279 425 709	(234 996 861)	-	44 428 848
Industrial property - Trademark and patent	-	-	-	-	479 238	(479 238)	-	-
Other Intangible Assets	9 754 945	-	-	(3 029 640)	22 572 493	(15 847 188)	-	6 725 305
Advances for intangible assets	18 458 775	65 793 015	(36 336 464)	-	48 785 910	-	(870 584)	47 915 326
	<u>40 124 673</u>	<u>74 120 263</u>	<u>-</u>	<u>(15 175 457)</u>	<u>351 263 350</u>	<u>(251 323 287)</u>	<u>(870 584)</u>	<u>99 069 479</u>
	<u>190 060 681</u>	<u>179 883 824</u>	<u>(664 929)</u>	<u>(102 772 192)</u>	<u>1 068 450 936</u>	<u>(798 833 289)</u>	<u>(2 686 055)</u>	<u>266 931 591</u>

The movements included in the captions "Advances for tangible fixed assets", in the amount of CVE 26.650.045, and "Advances for intangible assets", in the amount of CVE 24.899.371, refer essentially to Purchases of Equipment and development of various operative applications which were not brought into use up to December 31, 2019. The amount of CVE 13.206.164, 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 progress.

In 2016, SISP set up the following impairment for assets under construction: (i) CVE 870.584 regarding the software for the vehicle fleet management project and warehouse control system project, which has been stopped since April 2012; and (ii) CVE 1.653.976 for costs associated with the development of a new business interface, which has been discontinued since April 2015. In 2019, impairments were reinforced in the amount of CVE 1,401,628 for the remaining assets related to the fleet management project and warehouse control system, which have been stopped since April 2012.

The impairments of tangible fixed assets in progress and intangible assets in progress recognized in 2019 and prior years were fully utilized taking into account that there is no expectation of recovering the amounts paid (Note 10).

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

In 2019, SISP removed 1.371 POS terminals purchased between 2010 and 2014 in the total gross value of CVE 50.998.006, which were fully amortized.

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

In the financial years of 2019 and 2018, SISP sold 2 vehicles and 4 vehicles, respectively, for a gross value of CVE 4,279,436 and CVE 8,439,467, respectively, which were fully depreciated.

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, 2019 and 2018, the Company's financial investments comprised the following:

	Number of Shares	Unit Value	Purchase Value	12/31/2019 Balance Sheet Value	12/31/2018 Balance Sheet Value
Visa Inc. - Class C	19.256	18.536	14.401.872	356.932.049	244.838.612

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

Balance as at December 31, 2017	203.083.558
Gains from fair value increases	41.755.054
Balance as at December 31, 2018	244.838.612
Gains from fair value increases	112.093.437
Balance as at December 31, 2019	356.932.049

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, 2019 and 2018, the price quotation of Class A shares amounted to USD 187,9 (18.536) and USD 131,94 (CVE 12.715), respectively.

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

## 7. INVENTORIES

On December 31, 2019 and 2018, this caption presented the following situation:

	12/31/2019			12/31/2018		
	Gross Amount	Impairment Losses (Note 10)	Net Amount	Gross Amount	Impairment Losses (Note 10)	Net Amount
Goods						
Pin Letters	2.765.175	-	2.765.175	2.364.718	-	2.364.718
White PVC Cards	235.399	-	235.399	422.711	-	422.711
White RFID plastic cards	82.296	-	82.296	82.296	-	82.296
	3.082.870	-	3.082.870	2.869.725	-	2.869.725
Subtotal Goods	3.082.870	-	3.082.870	2.869.725	-	2.869.725
Raw materials, secondary and consumables						
Advances for purchases						
External market	1.032.189	-	1.032.189	8.695.842	-	8.695.842
	1.032.189	-	1.032.189	8.695.842	-	8.695.842
POS parts	3.588.883	-	3.588.883	3.797.936	-	3.797.936
ATM parts	55.140.938	-	55.140.938	50.394.459	(2.572.062)	47.822.397
Card consumables	891.447	-	891.447	162.764	-	162.764
PKI card consumables	304.458	-	304.458	202.380	-	202.380
	59.925.726	-	59.925.726	54.557.539	(2.572.062)	51.985.477
Subtotal Raw materials, secondary and consumables	60.957.915	-	60.957.915	63.253.381	(2.572.062)	60.681.319
Total Inventories	64.040.785	-	64.040.785	66.123.106	(2.572.062)	63.551.044

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, 2019 and 2018, 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, 2019 and 2018 are detailed as follows:

	12/31/2019			12/31/2018		
	Goods	Raw materials, secondary & consumables	Total	Goods	Raw materials, secondary & consumables	Total
Start-up balance	2.869.725	51.985.477	54.855.202	1.846.332	34.345.841	36.192.173
Transfers	-	8.695.842	8.695.842	20.329.632	5.520.230	25.849.862
Purchases	2.610.642	12.800.728	15.411.370	4.962.222	24.930.812	29.893.034
Ending balance*	3.082.870	59.925.726	63.008.596	2.869.725	51.985.477	54.855.202
<b>Cost of goods sold and materials consumed</b>	<b>2.397.497</b>	<b>13.556.321</b>	<b>15.953.818</b>	<b>24.268.461</b>	<b>12.811.406</b>	<b>37.079.867</b>

- Excluding Advances for purchases.

## 8. DEFERRED ASSETS AND ACCRUED LIABILITY EXPENSES

On December 31, 2019 and 2018, these headings are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Current Assets</u>		
Maintenance contracts:		
Trustwave	2.596.486	-
Oracle	2.509.295	2.402.376
Help System	1.643.424	-
Bizfirst	1.602.853	1.360.858
RIS2048	1.396.861	983.030
Hardsecure	1.069.040	-
Primekey	323.131	2.747.436
HP	130.861	445.009
Logzilla	-	746.210
Other	1.156.495	2.164.789
	<u>12.428.446</u>	<u>10.849.708</u>
Agreement with VISA International	3.452.715	3.377.010
Insurance	3.445.455	2.220.289
Other	2.299.094	1.428.380
	<u>21.625.710</u>	<u>17.875.387</u>

On December 31, 2019 and 2018, the item “Deferrals” included amounts regarding several maintenance contracts totaling CVE 12.428.446 and CVE 10.849.708, respectively, which are deferred in accordance with the period covered by those services.

On December 31, 2019 and 2018, the item “Agreement with Visa International” refers to a maintenance agreement renewed on an annual basis as agreed upon with Visa International.

	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>Current Liabilities</u>		
Accrued expenses		
. Visa	5.535.893	5.711.981
. MasterCard	4.772.197	3.530.538
. Performance bonus	4.590.792	3.757.488
Other	<u>4.083.076</u>	<u>3.544.262</u>
	<u>18.981.958</u>	<u>16.544.269</u>

On December 31, 2019 and 2018, 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, 2019, the item “Accrued expenses – Other” includes the amount of CVE 3.693.048 related with POS fees payable to banks.

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

## 9. EQUITY INSTRUMENTS

### Share Capital

On December 31, 2019 and 2018, 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, 2019 and 2018, the Company's reserves comprised the following:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Legal Reserve	72.934.833	51.263.738
Free Reserves	14.401.872	14.401.872
Other Reserves	538.445.070	451.760.691
	<u>625.781.775</u>	<u>517.426.301</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

In accordance with the deliberation taken by the General Meeting of Shareholders in May 2019, dividends for the year ended December 31, 2018 attributed to the shareholders amounted to CVE 108.355.474 (equivalent to CVE 1.083,55 per share).

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

## 10. PROVISIONS, IMPAIRMENT AND CONTINGENT LIABILITIES

In the years 2019 and 2018, the movement in provisions and impairment are those below indicated:

	<u>12/31/2018</u>	<u>Reinforcement</u>	<u>Uses</u>	<u>Reversals</u>	<u>12/31/2019</u>
Provisions					
- Tax Contingencies	<u>690.938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690.938</u>
Impairment					
- Amounts in transit/Customers (Note 11)	22.539.842	4.682.368	-	-	27.222.210
- Other accounts receivable (Note 11):					
. International settlement of VISA/MasterCard	4.719.970	-	-	-	4.719.970
. Chargeback	9.290.327	-	-	-	9.290.327
- Assets under construction (Note 5)	2.686.055	1.401.628	(4.087.683)	-	-
- Sundry debtors (Note 11)	1.556.984	92.071	(1.556.984)	-	92.071
- Stock (Note 7)	<u>2.572.062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>43.365.240</u>	<u>6.176.067</u>	<u>(8.216.729)</u>	<u>-</u>	<u>41.324.578</u>
	<u>44.056.178</u>	<u>6.176.067</u>	<u>(8.216.729)</u>	<u>-</u>	<u>42.015.516</u>

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

As at December 31, 2017, the Company made provisions for tax contingencies 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 2013



by non-resident suppliers who do not hold a residence permit in a country that signed a double taxation agreement with Cabo Verde.

In 2018, the provisions for income tax contingencies for the year 2013 in the amount of CVE 2.074.583 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, 2019 and 2018, these items were as follows:

	12/31/2019			12/31/2018		
	Gross value	Accumulated impairment losses (Note 10)	Net value	Gross value	Accumulated impairment losses (Note 10)	Net value
Customers						
Customers, current account	404.366.852	(27.222.210)	377.144.642	365.448.565	(22.539.842)	342.908.723
Other accounts receivable	75.021.462	(14.102.368)	60.919.094	50.135.468	(14.010.297)	36.125.171
	479.388.314	(41.324.578)	438.063.736	415.584.033	(36.550.139)	379.033.894

On December 31, 2019 and 2018, the item "Other receivables" includes the amounts of CVE 54.771.853 and CVE 35.659.346, respectively, which mainly refer to values traded with international cards that await confirmation by VISA and MasterCard, for which an impairment of CVE 4.719.970 has been recorded (Note 10). Additionally, on December 31, 2019 and 2018, this caption includes chargeback amounts of CVE 12.520.287 and CVE 10.810.813, respectively, for which an impairment of CVE 9.290.327 has been recorded (Note 10).

On 31 December 2019 and 2018, the above-mentioned caption also includes amounts receivable from other debtors of CVE 4.121.608 and CVE 1.384.462, respectively, net of

impairment, for which impairment of CVE 92.071 and CVE 1.556.984, respectively, has been recorded (Note 10).

**b. Suppliers and other financial liabilities**

On December 31, 2019 and 2018, these headings are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Suppliers		
Suppliers - Investments	<u>16.335.449</u>	<u>5.649.356</u>
Suppliers, current account		
In national currency	7.033.532	9.158.405
In foreign currency	15.579.651	17.679.669
Suppliers for accrued costs		
In foreign currency	<u>6.116.731</u>	<u>2.881.425</u>
	<u>28.729.914</u>	<u>29.719.499</u>
Other accounts payable	73.380.219	61.780.870
	<u>118.445.582</u>	<u>97.149.725</u>

On December 31, 2019 and 2018, the heading "Other accounts payable" encompasses the amounts of CVE 73.371.606 and CVE 61.780.870, 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.

**12. VISA/MASTERCARD CLEARING**

On December 31, 2019 and 2018, the balance of this caption corresponds to the amount pending settlement on these dates at the Banco de Cabo Verde as a result of the advance of funds made by that Central Bank within the scope of the international settlement process. SISP is responsible for processing settlement of the transactions made in Cabo Verde with VISA and MasterCard, while maintaining in its financial statements various balances associated with these operations (Notes 4 and 11).

On December 31, 2019 and 2018, the amount outstanding is, respectively, CVE 342.168.359 and CVE 345.110.727.

### 13. STATE AND OTHER PUBLIC BODIES

On December 31, 2019 and 2018, these captions were as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Corporate Income Tax (Note 19)	71.868.435	73.368.457
Payment on Account	(57.180.741)	(50.483.373)
Value Added Tax	10.030.799	9.316.438
Social Security Contributions	2.731.761	2.555.235
Deductions to Third-Parties	1.447.619	1.330.956
Separate Taxation	44.589	23.123
Other tax - Stamp Duties	1.177.144	1.080.947
	<u>30.119.607</u>	<u>37.191.783</u>

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

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

#### 14. SALES AND PROVISION OF SERVICES

Sales and Provision of Services recognized by the Company in 2019 and 2018 are detailed below:

	<u>2019</u>	<u>2018</u>
<u>Sales</u>		
ATM machines	-	22.651.689
<u>Banking services</u>		
Processing		
Vinti4	145.362.560	138.020.750
Visa	15.054.046	20.194.380
MasterCard	16.747.353	14.548.530
TEF	12.721.531	11.976.247
Cheque Clearing	1.677.375	1.685.815
Other cards	6.467.254	5.081.989
Terminal management	43.148.700	39.561.100
Card management	36.312.372	32.036.062
Connection to Network		
CPD	7.200.000	7.200.000
SWIFT	21.000.000	-
Card production	9.221.160	8.462.229
<u>Non-banking services</u>		
Automatic Payment	533.453.557	459.131.144
Access Fee	92.543.200	80.105.790
Service payment	15.117.039	27.283.120
Non-banking cards	57.330	107.730
Other services	1.527.816	1.069.797
<u>Discounts and rebates</u>	(49.722)	(37.069)
	<u>957.561.571</u>	<u>869.079.303</u>

In 2018, the item “sales”, in the amount of CVE 22.651.689, concerns the sale of 46 ATMs to banks. This sale involved an associated cost of CVE 22.746.060.

In November 2018, SISP implemented the SWIFT Network Management service in a trial phase, a service previously provided by the Banco de Cabo Verde. The test phase ended in

December 2018 and billing started in January 2019. The provision of this service generated total revenues for the year of CVE 21,000,000.

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

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

The change found in the item "Non-Banking Services – Automatic Payment" is mostly justified by the increase in the number of transactions made within the Vinti4 network during the financial year of 2019.

## 15. EXTERNAL SUPPLIES AND SERVICES

In 2019 and 2018, this caption was as follows:

	<u>2019</u>	<u>2018</u>
Visa Acquiring Fees	132.641.976	113.482.318
MasterCard Acquiring Fees	123.364.518	103.329.893
Maintenance and repair	63.541.431	48.791.744
Communications	53.052.901	34.809.612
Vinti4 related fees	35.335.852	15.527.167
Monthly advances	26.488.885	22.518.049
Electricity	8.872.819	7.647.780
Business trips	6.089.118	6.101.221
Rents and rental	4.919.669	4.404.667
Insurance	2.606.710	1.500.428
Fuel	1.726.438	2.020.867
Security and surveillance	1.232.969	1.297.960
Consumables	880.859	1.429.665
Outsourcing	246.474	481.930
Other external supplies and services	6.763.179	4.789.420
	<u>467.763.798</u>	<u>368.132.721</u>

## 16. PERSONNEL COSTS

In the years 2019 and 2018, this caption is as follows:

	<u>2019</u>	<u>2018</u>
Payroll		
Corporate bodies	3.391.752	3.314.359
Staff	85.422.288	72.581.573
Social security contributions	13.262.041	11.273.821
Training	10.440.214	3.113.882
Performance bonus	4.243.037	3.921.242
Insurance	1.089.711	1.097.926
Other personnel costs	1.497.175	1.395.618
	<u>119.346.218</u>	<u>96.698.421</u>

The increase in Personnel Costs in 2019 is justified by the company's increased commitment and investment in staff training, career ladder and wage progression.

On December 31, 2019 and 2018, the number of employees remaining on the Company's staff was 53, including two interns.

## 17. OTHER INCOME AND GAINS AND OTHER EXPENSES AND LOSSES

In the years 2019 and 2018, these headings display the following balances:

	<u>2019</u>	<u>2018</u>
Other income and gains		
Other	<u>1.305.473</u>	<u>2.798.416</u>
Other costs and losses		
Tax		
Stamp duties	10.606.969	8.820.888
Final pro-rata annual adjustment	951.132	1.270.079
Capital tax (Note 19)	525.719	583.633
Property tax	127.996	68.509
Separate taxation	44.589	23.123
Road tax	41.475	26.355
Rates (Note 19)	-	52.000
	<u>12.297.880</u>	<u>10.844.587</u>
Contributions	88.200	43.200
Donations (Note 8)	-	1.500.000
Fines and other penalties	-	6.295
Other costs and losses	<u>114.823</u>	<u>51.427</u>
	<u>203.023</u>	<u>1.600.922</u>
	<u>12.500.903</u>	<u>12.445.509</u>

On December 31, 2019 and 2018, the item "Other income and gains" includes the amounts of CVE 892.854 and CVE 2.345.764, respectively, as added-value from the sale of tangible fixed assets.

On December 31, 2019 and 2018, the item "Stamp Duties" includes the amounts of CVE 10.606.969 and CVE 8.820.888, respectively, that have to do with stamp duty on VISA and MasterCard revenues.

On December 31, 2019 and 2018, the caption "Capital tax" includes the amounts of CVE 525,719 and CVE 583,633 related to the withholding of the interest on term deposits due during 2019 and 2018, respectively.



## 18. INTEREST AND GAINS RECEIVED AND INTEREST AND LOSS PAID

In the financial years 2019 and 2018, these headings comprise the following:

	<u>2019</u>	<u>2018</u>
Interest and gains received		
Income from capital shares in Visa Inc.	1.388.536	1.096.900
Interest earned on short-term investment	1.599.884	3.256.528
Other financing gains	<u>18.869</u>	<u>47.522</u>
	<u>3.007.289</u>	<u>4.400.950</u>
Interest and losses paid		
Interest paid	(8.135.637)	(7.274.176)
Other financing losses	<u>(920.336)</u>	<u>(1.458.847)</u>
	<u>(9.055.973)</u>	<u>(8.733.023)</u>
	<u>(6.048.684)</u>	<u>(4.332.073)</u>

On December 31, 2019 and 2018, the item “Interest paid” corresponds to the fees from bank guarantees provided to VISA and MasterCard.

## 19. INCOME TAX

Under the legislation in force, tax returns are subject to review and correction by the tax authorities over a period of five years unless when there have been tax losses, tax benefits were granted, or inspections, claims or oppositions are underway, in which cases, depending on the circumstances, the deadlines are extended or suspended. Thus, the tax returns of the Company from 2015 to 2019 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, 2019.

According to Law no. 44/IX/2018 which approves the State Budget for the economic year 2019, Article 84 of Law no. 82/VIII/2015, of 8 January, approving the Corporate Income Tax Code (IRPC) was amended by Law no. 5/IX/2016, of December 31, as published 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 IRPC is 22 percent for taxpayers under the organized accounting system".

As at December 31, 2019 and 2018, the Company is subject to the Corporate Income Tax (IPRC Code) at the rate of 22% and 25%, respectively, and a fire rate of 2% of the assessed tax, which corresponds to an aggregated tax rate of 22.44% and 25.5%, respectively.

Spending on income taxes as at December 31, 2019 and 2018 is detailed below:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Current Tax for the Year	71.868.435	73.368.457

Reconciliation between the nominal tax rate and the effective tax rate observed in the years 2019 and 2018 can be evidenced as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Rate</u>	<u>Tax</u>	<u>Rate</u>	<u>Tax</u>
Income before tax		<u>320.107.723</u>		<u>290.078.405</u>
Tax based on the nominal rate	22,44%	71.832.173	25,50%	73.970.248
Tax provisions/reversals	-	-	-0,20%	(572.800)
Impairment losses beyond the limits	-0,07%	(233.135)	-0,03%	(94.805)
Separate taxation	0,00%	10.033	0,00%	5.896
Withholding Tax - Flat Rate for Term Deposits	-0,04%	(118.287)	-0,05%	(148.826)
Depreciation outside the legal limit - Vehicles	0,20%	635.334	0,20%	568.289
30% for costs with passenger and mixed vehicles	0,17%	553.783	0,16%	457.740
50% for representation costs	0,02%	50.163	0,01%	29.481
Depreciations from passenger vehicles not accepted in previous year	-0,23%	(729.648)	-0,22%	(645.984)
Tax Benefits (Training, Internships, and Scholarships - CBF art. 33)	-0,02%	(60.480)	-0,04%	(115.668)
Tax Benefits (Job Creation - CBF art. 32)	-0,02%	(71.500)	-0,03%	(99.833)
Other Costs	-	-	0,01%	14.719
	<u>22,45%</u>	<u>71.868.435</u>	<u>25,29%</u>	<u>73.368.457</u>

## 20. RELATED ENTITIES

### a) Identification of related entities

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

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

### b) Details of balances with related entities:

	12/31/2019				
	Bank Deposits (Note 4)	Customers (Note 11)	Other Accounts Receivable (Note 11)	Suppliers (Note 11)	VISA/MasterCard Clearing (Note 12)
Banco de Cabo Verde	10.065.150	1.564.601	-	-	342.168.359
Banco Comercial do Atlântico	12.432.066	9.155.837	1.013.888	-	-
Caixa Económica de Cabo Verde	12.533.599	10.474.226	-	-	-
Banco Caboverdeano de Negócios	52.075.866	2.493.672	2.084.681	-	-
Banco Interatlântico	11.662.384	3.527.207	2.956	-	-
Cabo Verde Telecom	-	410.038	-	(240.340)	-
State of Cabo Verde- Treasury	-	4.503.442	-	-	-
	<u>98.769.065</u>	<u>32.129.023</u>	<u>3.101.525</u>	<u>(240.340)</u>	<u>342.168.359</u>

	12/31/2018				
	Bank Deposits	Customers	Other Accounts Receivable	Suppliers	VISA/MasterCard Clearing
	(Note 4)	(Note 11)	(Note 11)	(Note 11)	(Note 12)
Banco de Cabo Verde	2.324.666	384.213	-	-	345.110.727
Banco Comercial do Atlântico	6.231.874	8.787.574	-	-	-
Caixa Económica de Cabo Verde	18.407.901	9.589.878	-	-	-
Banco Caboverdeano de Negócios	44.000.195	1.847.774	511.356	-	-
Banco Interatlântico	18.169.554	2.988.157	-	-	-
Cabo Verde Telecom	-	420.200	-	(273.274)	-
State of Cabo Verde - Treasury	-	14.347.777	-	-	-
	<u>89.134.190</u>	<u>38.365.573</u>	<u>511.356</u>	<u>(273.274)</u>	<u>345.110.727</u>

c) Details of transactions with related entities

	2019				
	External supplies and services	Interest and similar loss paid	Other costs and losses	Interest and similar gains received	Sales and services provided
	(Note 15)	(Note 18)	(Note 17)	(Note 18)	(Note 14)
Banco de Cabo Verde	(3.168)	-	-	-	4.587.796
Banco Comercial do Atlântico	(15.228.843)	(5.491.651)	(34.288)	-	88.222.387
Caixa Económica de Cabo Verde	(12.351.000)	-	(4.658)	-	98.709.282
Banco Caboverdeano de Negócios	(3.910.383)	-	(525.719)	1.599.884	23.609.866
Banco Interatlântico	(6.631.037)	(2.746.423)	(15.501)	-	33.027.611
State of Cabo Verde - Treasury	-	-	-	-	8.385.306
Cabo Verde Telecom	(1.082.170)	-	-	-	3.586.433
	<u>(39.206.601)</u>	<u>(8.238.074)</u>	<u>(580.166)</u>	<u>1.599.884</u>	<u>260.128.681</u>

2018

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

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

THE BOARD OF DIRECTORS,

THE CERTIFIED ACCOUNTANT,

\_\_\_\_\_  
SISP

\_\_\_\_\_  
Ana Lina Gomes Teixeira

## **Report and Opinion of the Supervisory Board**

Dear Members of the General Meeting of Shareholders,

### **1. Introduction**

In fulfilling our mandate and while performing the legal and statutory duties as set out in article 22<sup>nd</sup> of the Articles of Association of the Sociedade Interbancária e Sistemas de Pagamentos, S.A., hereinafter called SISP, the Supervisory Board hereby submits its Report and Opinion on the Annual Report and Financial Statements prepared by the Board of Directors for the year ended December 31, 2019.

### **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 the activities and management of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. and verified the financial information produced during the year under review by examining the books, accounting records and other relevant documentation on a regular basis and acknowledged compliance with the law and the statutes in accordance with the contents of the respective minutes.
- While performing its work, 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 requested to that end.

### **3. Statement of compliance and conformity**

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

the Opinion issued by Deloitte & Associados, SROC S.A., it is the understanding of the Supervisory Board that:

- a) The Balance Sheet, the Statement of Comprehensive Income, the changes in Owner Equity, and the accompanying notes allow a suitable understanding of the Company's financial position and results. The accounting policies and the valuation criteria adopted are adequate. On the whole, the financial statements, as well as the underlying accounting system, conform with the accounting standards, and express, in an adequate and substantiated form, the financial position of the SISP as at 31 December 2019, as well as the results of its operations, the changes in its owner equity and its cash flows for the year then ended;
- b) The Management Report is sufficiently clear as to the evolution of the business and the position of the company, and highlights the most significant aspects thereof;
- c) The company evidences sustained growth, supported by its main economic indicators, notably Profitability, Financial Soundness, and Sustainability, and has fully complied with the Prudential rules established by the Banco de Cabo Verde. In this regard, it is worth noting the robustness of the Ratios related with Own Funds, which evidenced a growth of 24.97%, a solvency level of 57.86% despite a slight decline of 2.26% year-on-year, and Coverage of Fixed Assets which grew by 30.54%, settling at 638.26%;
- d) The proposal for the Appropriation of Net Income is duly substantiated; and
- e) The documents produced were submitted without any reservations or emphasis by the External Auditors and benefit from our full consent.

#### **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, the Supervisory Board hereby issues a favorable opinion and proposes that the General Meeting of Shareholders approve:

- a) The Annual Report and Accounts of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. for the year ended on December 31, 2019;

b) The proposal for the Appropriation of Net Income submitted by the Board of Directors, in the amount of CVE 248.239.288, which also complies with the legal, statutory, and accounting provisions, as specified below:

Dividends (50%) .....	CVE 124.119.644
Legal Reserves (10%) .....	CVE 24.823.929
Other Reserves (40%) .....	CVE 99.295.715
Total .....	CVE 248.239.288

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

Praia, March 06, 2020

The SUPERVISORY BOARD,

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Filinto Elísio Alves dos Santos

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Mónica Vitória do Espírito Santo Correia Garcia

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Ana Elizabeth Pires Carvalho Vicente



## **Independent Auditors' Report and Opinion**

## AUDIT REPORT

(Amounts expressed in Cabo Verdean Escudos – CVE)

### REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of the Sociedade Interbancária e Sistemas de Pagamentos, S.A. (“Company”), which comprise the Balance Sheet as at December 31, 2019, evidencing a total of CVE 1.539.193.831 and owner equity of CVE 1.028.787.387, including net earnings of CVE 248.239.288, the Statement of Comprehensive Income, the Statement of changes in equity and cash flows for the year then ended, as well as the corresponding Annexes which include a summary of the relevant accounting policies.

In our opinion, the attached financial statements give a true and fair view, in all aspects materially relevant, of the financial position of the SISP - Sociedade Interbancária e Sistemas de Pagamentos, S.A. as of 31 December 2019, 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 conducted our audit in accordance with the International Auditing Standards (IAS). Our responsibility under these standards is described in the section “Responsibility of the Auditor for auditing these financial statements” of this report. We are independent from the Company as required by the IESBA Code of Ethics and comply with the remaining ethical responsibilities anticipated in that code.

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

#### Other Relevant Issues

On March 11, 2020, subsequent to the approval of the Company's financial statements as of December 31, 2019, the World Health Organization declared the spread of the new

Coronavirus (Covid-19) as a pandemic. This situation and its evolution may have significant impact on the global economic environment, and consequently on the Company's activity and the valuation of its assets. On the basis of currently available information, the extent and severity of these impacts are not yet determinable, and the Board of Directors considers that the going concern assumption used in the preparation of the Company's financial statements as of December 31, 2019 remains adequate.

### **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 financial position of the Company, as well as its financial performance and cash flows in accordance with the Financial Accounting and Reporting Standards for Cabo Verde, and for the creation and maintenance of the internal controls deemed necessary to ensure the preparation of financial statements that are free from material misstatement due to fraud or error.

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

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

### **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 of assurance but is not a guarantee that an audit performed in accordance with the IAS will definitely detect a material misstatement, should it exist. Distortions may be rooted at fraud or error and are considered material if, individually or jointly, they are reasonably deemed to influence economic decisions based on those financial statements.

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

- Identify and assess the risks of material distortion of the financial statements, due to fraud or error, design and execute audit procedures to meet those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk

of not detecting a material distortion due to fraud is even greater than the risk of not detecting a material distortion due to error, whereas fraud can involve conspiracy, falsification, deliberate omissions, misstatements, or overlap of internal control;

- Obtain an understanding of the internal control relevant to the audit with the purpose of creating audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the Company's internal control;
- Assess the adequacy of the accounting policies used and the reasonability of the accounting estimates and respective disclosures made by the managing body;
- Conclude whether the use of the going concern basis by the managing body was appropriate and, based on the audit evidence obtained, if there is any material uncertainty as regards events or conditions that may raise doubts on the Company's ability to continue its activities. If we conclude that there is material uncertainty, we must draw attention in our report to the related disclosures included in the financial statements or otherwise modify our opinion if such disclosures are not adequate. Our conclusions are based on the audit evidence received up to the date of our report. However, future events or conditions may lead the Company to discontinue its activities;
- Evaluate the presentation, structure, and overall content of the financial statements, including the disclosures, and also if those financial statements represent the relevant transactions and events so as to reach an appropriate presentation;
- Exchange views with the governing bodies, among other matters, about the planned scope and timeframe of the audit, as well as significant conclusions of the audit, including any significant internal control failures or deficiencies detected during the audit works.

Lisbon, March 18, 2020

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Deloitte e Associados, SROC S.A.

Represented by Luis Eduardo Marques dos Santos, ROC

