Bayport Financial Services Moçambique (MCB), SA

Financial statements
for the year ended 31 December 2020

Index

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General Information

Country of incorporation and domicile	Mozambique	
Nature of business and principal activities	Provision of retail financial services	
Directors	Nuno Pedro Silveira Quelhas	
	Alison Blanchard	Newly appointed
	Bene Machatine	Newly appointed
	Edgar Baloi	Newly appointed
	Grant Colin Kurland	
	Hon. Prof José Mateus Muaria Katupha	Resigned
	Michael John Mocke	
	Nazir Bhikka	Newly appointed
	Suzette José Dalsuco	
Business address	Avenida 25 de Setembro No 1147, 3º Andar Maputo Mozambique	
Holding company	Bayport Management Ltd incorporated in the Republic of Mauritius	
Main Bankers	Absa Bank Moçambique SA African Banking Corporation (Moçambique), S.A. Banco Commercial e de Investimentos, S.A. Banco de Investimento Global, S.A. Banco Nacional de Investimento, S.A. Banco Société Générale MoçambiqueFirst National Bank Moçambique, S.A. Millenium BIM Banco Internancional de Moçambique, S.A. Standard Bank Moçambique, S.A	
Auditors	Deloitte & Touche Rua dos Desportistas, 833 Prédio JAT V-1, 3 Andar Maputo, Mozambique	
Company Lawyer	CGA Advogados Av. 24 de Julho No 7, 7 Andar Maputo Mozambique	
Bank registration number	100312530	

Directors' Responsibilities and Approval

The directors are required in terms of the Mozambique Commercial Code to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Bank as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, as issued by IASB. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, as issued by IASB and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Bank's cash flow forecast for the year to 31 December 2021, in light of this review and the current financial position, they are satisfied that the Bank has or had access to adequate resources to continue in operational existence for the foreseeable future. The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The external auditors are responsible for independently auditing and reporting on the Bank's financial statements. The financial statements have been examined by the Bank's external auditors and their report is presented on pages 13 to 16.

The financial statements set out on pages 17 to 59, which have been prepared on the going concern basis, were approved by the board of directors on 18 March 2021 and were signed on their behalf by:

By Order of the Board

Director

Director

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Bayport Financial Services Moçambique (MCB), SA (the "Bank" or "Bayport") for the year ended 31 December 2020.

1. Incorporation

The Bank was incorporated on 19 July 2012 in the Republic of Mozambique.

2. Nature of business

The Bank is engaged in the provision of retail financial services and deposit taking activities. The Bank operates in the Republic of Mozambique.

There have been no material changes to the nature of the Bank's business from the prior year.

Why we exist: Our vision

Our vision is to be the most valued financial solutions brand in our chosen markets by providing a broad range of unique and relevant financial solutions tailored to the needs of our customers.

To achieve this, Bayport will engineer a new reality in financial services provision; and will be recognised for consistently demonstrating the highest standard of care, responsibility and innovation.

Bayport will be the first choice for the fulfilment of the economically active population's financial needs – bringing hope, upliftment and financial liberation to the communities we serve.

What we aspire to: Our mission

Bayport's mission is to provide financial solutions suited to the needs of an inclusive and broad customer base; embracing technology, product leadership and innovation and so becoming the leading developing market financial solutions provider.

What we believe in: Our core values

Empowerment

We believe in the capacity and will of all people to empower themselves and shape their own destinies, given the right economic and self-empowerment opportunities and access to life-changing financial solutions.

We believe in an empowered corporate culture where the Bayport family is encouraged to be proactive, and has the right tools and approach to fulfil our brand promise.

Responsibility

We believe in our duty of care for each and every customer to provide responsible access to credit, risk products and other financial solutions.

We believe in our role as a responsible member of the societies in which we live and provide services; as well as our responsibility to each other. We uphold the highest standard of integrity, corporate citizenship and ethical behaviour.

Innovation

We believe in innovation that matters and makes things better; in technology and product innovations that enable meaningful relationships with our customers.

We believe in the spirit of creative entrepreneurship, challenging conventions and embracing the lessons we have learned.

Simplicity

We are committed to doing and creating things that are simple. Simple to understand and resonate with. Simple to promote without the cost of confusion. A brand promise expressed in the simplest, most single-minded way.

Simplicity must rule how we talk to our customers, design our solutions and innovate; how we work together, meet and make decisions.

Directors' Report (continued)

2. Nature of business (continued)

Partnership

We believe in the power to build lasting relationships with members of the Bayport family, customers, communities and stakeholders, based on trust and a deep understanding of what matters to them.

We recognise that our local partners and local management are the true champions of our brand, and that their local wisdom is critical to success.

Relevance

We believe in continuously putting ourselves to a simple series of tests by asking "Is what I am doing consistent with The Bayport Way and...

- good for our customer?
- adding value to or assisting the Bayport family?
- time and cost efficient?
- sustainable?

By answering "Yes!" we ensure that what we are doing is relevant.

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Mozambique Commercial Code. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Bank are set out in these financial statements.

Economy

On a global scale, as of January 2021, the International Monetary Fund (IMF), stated that, although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the world economic outlook. All the same, amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The 2021 forecast is revised up 0.3% relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. The projected growth recovery this year follows a severe collapse in 2020 that has had acute adverse impacts on women, youth, the poor, the informally employed, and those who work in contact-intensive sectors. The global growth contraction for 2020 is estimated at -3.5%, 0.9% higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020).

Strong multilateral cooperation is required to bring the pandemic under control everywhere. Such efforts include bolstering funding for the COVAX facility to accelerate access to vaccines for all countries, ensuring universal distribution of vaccines, and facilitating access to therapeutics at affordable prices for all. Many countries, particularly low-income developing economies, entered the crisis with high debt that is set to rise further during the pandemic. The global community will need to continue working closely to ensure adequate access to international liquidity for these countries. Where sovereign debt is unsustainable, eligible countries should work with creditors to restructure their debt under the Common Framework agreed by the G20.

As at October 2020, the International Monetary Fund (IMF), projected that the Real GDP growth in Mozambique would be 2.1% and Average Consumer Price change to be 5.6%.

In a note published in February 2021, the National Statistics Institute (INE) stated that the Gross Domestic Product at market prices presented a decrease of 1.28% in 2020 compared to 2019. The negative performance of economic activity in the fourth quarter of 2020, compared to the same period in 2019, is attributed primarily to the tertiary sector, which decreased by 4.06%, with greater emphasis on the Hotel and Restaurant business with an average decrease of 22.54%, followed by Transport and Communications which reduced by 7.45% and the Financial Services branch with a decrease of 2.07%.

Annual inflation accelerated for the third month in a row to 3.27% in November, from 3.20% in October 2020. In 2021 Inflation is expected to accelerate in the short to medium term. Domestic prices are expected to increase, reflecting, essentially, the end of part of the government's administrative measures to contain prices in context of the COVID19, the upward trend of food prices on the international market, and the gradual recovery of demand for goods and services. However, the extension of exemption on the Value Added Tax (VAT) on essential goods until 2023 may dampen inflation.

Banco de Moçambique Monetary Policy Committee (CPMO) held a meeting in December 2020 and decided to keep the monetary policy interest rate, MIMO rate, at 10.25%. The decision was sustained by the continuous prospects of prices increase in the medium term, associated with the high risks and uncertainties, in a context of an expected slow recovery of economic activity in 2021. The Committee reaffirmed that the mitigation of the prevailing risks and promotion of sustainable and inclusive growth requires deepening structural reforms. The CPMO also decided to keep the Standing Deposit Facility (SDF) and the Standing Lending Facility (SLF) interest rates at 7.25% and 13.25%, respectively, as well as the Reserve Requirement ratio for liabilities in domestic and foreign currency at 11.50% and 34.50%, respectively.

Directors' Report (continued)

3. Review of financial results and activities (continued)

Year on year, the Metical depreciated continually, it opened the year at MZN/USD 61.46 and closed USD 74.90. However, the Government of Mozambique's State Budget proposal, which was discussed in parliament on the 2nd of December 2020, forecasted that the Mozambican currency will register an average annual exchange rate of 69 meticais per US dollar in 2021. At the level of the foreign exchange market, interventions by the monetary authority will take into account the need to ensure an adequate level of gross international reserves to cover at least six months' worth of imports of goods and services, as stated in the 2021 State Budget. Measures will aim to limit excessive exchange rate volatility in relation to the main currencies with which the country transacts goods and services.

Financial performance

Bayport has a long term strategy and as such sees numerous opportunities in Mozambique, despite the economic and social challenges arising from the Covid-19 pandemic. Interest income grew by 31% from MZN 2.85 billion to MZN 3.51 billion, supported by commensurate growth in the Loan book of 28%. On the other hand, operating expenses went up by 8% only as the Bank implemented cost containment efforts to mitigate the potential negative impact of Covid-19 and yet still support loan book growth. Such impact included the already mentioned metical depreciation, which caused foreign currency losses of MZN 229 million, nineteen (19) times the losses recorded in 2019. The impairment expense movement and the profit after tax dropping from the MZN 434 million recorded in 2019 to MZN 393 million. Otherwise, profit before impairment, foreign currency losses and tax increased from MZN 611 million in 2019 to MZN 1.03 billion in 2020, a desirable 69% upswing.

Impairment expense increased from income recorded in 2019 of MZN 36 million to an expense in 2020 of MZN 219 million. This reflected a return to normalcy, 2019 being the outlier year, as supported by an acceptable cost of risk of 2.44%.

Financial highlights

	2020 (MZN)	2019 (MZN)
Profitability		
Interest income	3,643,466,246	2,884,853,156
Net interest income	2,123,601,714	1,610,197,172
Net fees and commission income	(20,094,266)	(10,436,201)
Operating income	1,874,623,422	1,588,600,899
Operating expenses	1,071,993,711	989,984,296
Impairment expense	218,791,314	(35,983,706)
Profit after tax	392,618,271	434,376,840
Financial Position		
Net advances	10,901,957,205	9,060,622,459
Deposits due to customers	2,767,710,888	2,129,337,925
Equity	2,608,801,606	2,216,183,335
Ratios		
Net profit margin (Net profit/interest and other similar income and fees and commission income)	10.84%	15.11%
Return on equity (net profit/average equity)	16.27%	22.62%
Non-performing loans/Gross advances	1.55%	2.81%

Net profit margin decreased from 15.11% to 10.84% mainly due to the increase in impairment expense as well as the increase in foreign currency losses. The return on equity also decreased from 22.62% to 16.27% in the same period due to the decrease in profitability and the share capital increase of MZN 157 million received in December 2019. Non-performing loans ratio decreased from 2.81% to 1.55% in line with the Bank of Mozambique guidelines. This improvement arose from the write offs of non-performing loans in 2020.

To continue on its growth path, Bayport embraces challenges in a strong position in terms of liquidity, strengthened by the solid funding capacity of shareholders and the favourable performance of our assets. The increase in turnover was strategically aligned with corresponding investments in administrative systems, human capital and information technologies in prior years to provide maximum efficiency throughout the value chain.

The market has also continued to be quite receptive to the deposit taking product, resulting in the balance increasing from MZN 2.09 billion at the beginning of the year to MZN 2.73 billion at the end of the year. As such, deposits continue to play an important role in our funding.

The effect of COVID19 has resulted in decreased walk-in clients due to government imposed restrictions on activities. However, this has not had any impact on our profitability and ability to continue as a going concern.

Directors' Report (continued)

3. Review of financial results and activities (continued)

Human resources capital

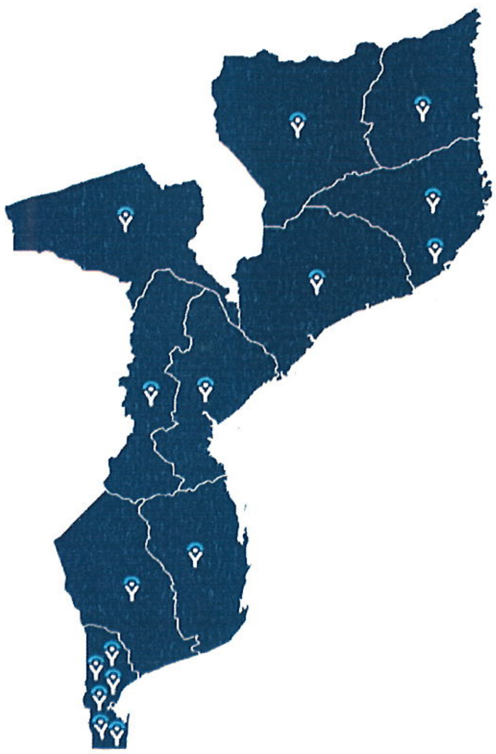
The Bank embarked on a staff rationalisation exercise to remove redundant positions at the centre as well as at the branches, coupled with branch network reduction as explained in the next section. All the same, there were additions to areas that were seen to be in need of strengthening, the aim is to reduce presence at branch level by digitisation of the loan origination process. As of December 2020, the staff complement, including management, stood at 201, split as follows in terms of gender.

	2020	2019
Female	88	103
Male	113	137
Total	**201**	**240**

As part of the entity wide cost containment strategy a freeze was implemented on external training courses. Bayport made use of internal eLearning training on Moodle platform where employees received in-house training on topics such as Covid-19 Awareness, Money Laundering, Fraud, Customer Service and Risk Awareness.

Branch network

The total number of branches held were 18 as of yearend, unchanged from 2019. However, in January 2021, two branches were closed, that is, Inhambane and Tete Mathundo. These branches were closed as it was seen that they were too close to other branches (Maxixe and Tete Cidade, respectively) for their local markets. Branches, widely distributed, remain even after these branch closures, with at least one branch in each province, enhancing financial inclusion. The remaining 16 branches are located as follows:



Directors' Report (continued)

3. Review of financial results and activities (continued)

Risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of the audit, risk and compliance committee ("ARC"). The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The ARC committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Bank's management of risk including credit and compliance. The Bank also has an Assets and Liabilities Management Committee (ALCO), which has frontline responsibility for managing Assets and Liabilities. The ALCO, which is made of management members, reports to the ARC committee.

Taking risk is core to the financial business, and hence risk is an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the bank's financial performance.

Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank's liquidity risk. It is unusual for financial institutions ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturity of assets and liabilities to replace, at an acceptance cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the entity and its exposure to changes in interest rates and exchange rates.

Interest rate risk

The objective of the entity's interest rate risk management process is to manage and control interest rate exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Interest rate risk is the risk that movements in interest rates will reduce the entity's income or capital.

A principal part of the entity's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The entity aims, through its management of interest rate risk, to mitigate the impact of prospective interest rate movements which could reduce future earnings and capital.

Capital risk management

The capital structure of the Bank consists of equity, debt, and, cash and cash equivalents. The Bank reviews the capital structure on a regular basis. The central bank has regulations in place that relate to amount of capital every bank should hold, chiefly, a minimum capital adequacy ratio (CAR) of 8% to cover risk weighted assets. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Consistent with others in the industry, the Bank also monitors capital on the basis of the gearing ratio.

As of year-end, the Bank's CAR stood at 11.97%, higher than the minimum limit. However, cognisant of the expected growth of the bank and the impact this growth would have on the CAR, the General Assembly approved the issue of MZN 527 million in December 2019. Request for the approval of the conversion was sought from the central bank in the same month as well but had not yet been granted by end of 2020. We are hopeful, though, that such approval will be obtained in the first half of 2021.

Foreign exchange risk

The Bank is exposed to foreign exchange risk arising from various currency exposures, through, chiefly, loans and payables and, foreign currency bank balances in United States dollars and South African Rands. Consequently the bank is exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

A principal part of the entity's management of foreign exchange risk is to monitor the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims, through its management of foreign exchange risk, to mitigate the impact of foreign exchange fluctuations which could reduce future earnings and capital.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Directors' Report (continued)

3. Review of financial results and activities (continued)

Anti-fraud

The Bank has a whistleblowing system called Navex in place. This system assists in strengthening the Bank's drive at greater transparency and preventing and/or detecting fraudulent activities throughout the business.

4. Share capital

Issued	Share capital (MZN)	Percentage of Share Capital (%)
Bayport Management Ltd	2,458,683,031	99.00
Whatana Investments	12,418,807	0.50
Other private individuals	12,418,807	0.50
	2,483,520,645	**100**

Refer to note 24 of the financial statements for detail of the movement in authorised and issued share capital.

5. Dividends

No dividends were declared or paid to shareholders during the year ended 31 December 2020 (2019: nil).

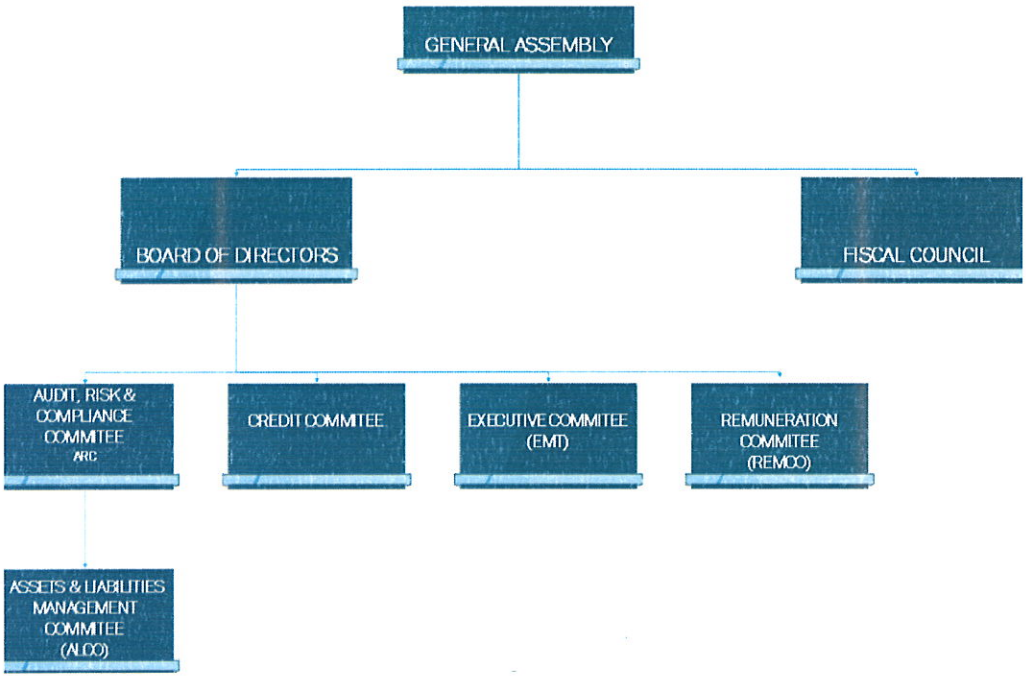
The board of directors does not recommend the declaration of a dividend for the year.

Directors' Report (continued)

6. Governance

The governance of the Bank is comprised of a Single Fiscal Council, a Board of Directors and its committees. As of year-end, there were three board committees in place, namely, the Audit, Risk and Compliance Committee (ARC), Credit Committee and the Remuneration Committee (REMCO). The Audit, Risk and Compliance Committee (ARC) established a sub-committee, namely, the Assets and Liabilities Management Committee (ALCO) that deals with assets and liabilities management .

For day to day management of the Bank, the Board has delegated some of its functions to the Executive Committee which is headed by the Chief Executive Officer.



6.1 Single Fiscal Council

The Bank's Single Supervisor during the year was CW Ducker.

6.2 General Assembly Table

Hon. Prof Jose Mateus Katupha	President	Appointed
Malenga Machel		Resigned
Melba Mutimucuio	Company Secretary	Resigned
Rita Donato (CGA)	Company Secretary	Appointed

6.3 Directors

The directors of the Bank during the year and up to the date of this report are as follows:

Nuno Pedro Silveira Quelhas	Chairman	
Grant Colin Kurland	Non-Executive	
Michael John Mocke	Non-Executive	
Alison Blanchard	Non-Executive	Appointed
Bene Machatine	Executive	Appointed
Edgar Baloi	Non-Executive	Appointed
Hon. Prof José Mateus Muaria Katupha Katupha	Non-Executive	Resigned
Nazir Bhikka	Non-Executive	Appointed
Suzette José Dalsuco	Non-Executive	

Directors' Report (continued)

6. Governance (continued)

6.4 Board and Management Committees Composition

As of 31 December 2020 the Board and Management Committees were as follows;

Audit, Risk and Compliance Committee

Edgar Baloi	Chairman	
Alison Blanchard		Appointed
Hon. Prof José Mateus Muaria Katupha Katupha		Resigned
Lan Anh Nguyen		Resigned
Osvaldo Nampossa		Appointed

Credit Committee

Chris Lubbe	Chairman	
Michael John Mocke		Resigned
Bene Machatine		
Cesar Bia		Appointed
Marek Van Wyk		Resigned
Ranganai Mubaiwa		

Assets and Liabilities Management Committee

Bene Machatine	Chairman	
Michael John Mocke		Resigned
Jarryd Lobley		
Ranganai Mubaiwa		

Remuneration Committee

Nazir Bhikka	Chairman	
Edma Cumbane		
Hayley van Heerden		

Executive Committee

Michael John Mocke		Resigned
Bene Machatine	Chief Executive Officer	
Cesar Bia	Chief Risk and Compliance Officer	
Edma Cumbame	Chief of Human Capital	
Ranganai Mubaiwa	Chief Financial Officer	

7. Event after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Holding company

The Bank's holding company and ultimate holding company is Bayport Management Ltd which is incorporated in the Republic of Mauritius.

9. Auditors

Deloitte & Touche were appointed on 6 July 2016 in accordance with the Mozambique Commercial Code.

10. Proposed application of profit

It is proposed that MZN 58,892,741 representing 15% of the profit made in 2020, be transferred to a legal reserve in compliance with statutory requirements (Law 15/99 in particular). It is further proposed that the remainder of the profit, amounting to MZN 333,725,530 be retained in retained earnings and be applied in full towards increasing the equity of the business ("Fundos Proprios").

Directors' Report (continued)

The financial statements set out on page s 17 to 59 , which have been prepared on the going concern basis, were approved by the board of directors on 18 March 2021 , and were signed on its behalf by:

Nuno Pedro Silveira Quelhas (President)	Alison Blanchard (Director)
Bene Machatine (Chief executive officer)	Edgar Baloi (Director)
Grant Colin Kurland (Director)	Michael John Mocke (Director)
Nazir Bhikka (Director)	Suzzette Jose Dalsuco (Director)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Bayport Financial Services Moçambique (MCB), S.A.

Opinion

We have audited the financial statements of **Bayport Financial Services Moçambique (MCB), S.A.** ("the Bank") set out on pages 17 to 59, which comprise the statement of financial position as at 31 December 2020, the statements comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Bayport Financial Services Moçambique (MCB), S.A.** as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance in terms of the code of ethics issued by the Order of Accountants and Auditors of Mozambique ("OCAM"), which comply with the Code of Ethics issued by the Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment of loans and advances to customers Refer to Note 31.1 of the financial statements for selected disclosures applicable to this matter.	Our response to the key audit matter included performing the following audit procedures: • Identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and in some cases the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance

Loans and advances amounting to 10.901.957.205 Meticais which represent 80.2% of total assets, and the associated impairment provisions, are significant in the context of the financial statements. The Bank adopted IFRS 9 from 1 January 2017 which requires impairment losses to be evaluated on an expected credit loss (ECL) basis. The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of ECL Impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Banks's implementation of IFRS 9 are: Accuracy of ECL models The ECL model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), lease receivables and certain loan commitments, as well as financial guarantee contracts. Under IFRS 9 loss allowances are measured on either of the following bases: • 12 month ECLs that result from possible default events within the 12 months after the reporting date. • Lifetime ECLs that result from all possible default events over the expected life of a financial instrument. The Bank is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of SICR in the retail portfolio may include short-term forbearance, direct debit cancellation, extension to the terms granted and previous arrears within the past months. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Banks's best available forward-looking information. The abovementioned probability weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the bank expects to receive). ECLs are discounted at the original effective interest rate of the financial asset. The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The Bank measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset. The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Banks has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument. Significant judgement and estimates are applied in this process of incorporating forward looking information into the SICR assessment and ECL calculation.	processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and governance processes over allowances for loan impairments and other credit risk allowances. • To challenge the accuracy of models we: o performed an assessment of changes to definitions and methodologies (at a parameter and ECL calculation level); o re-performed the IFRS 9 model build at a parameter level as well as the assessment of its components, eg probability of default, loss given default, exposure at default, significant increase in credit risk; and o re-performed the ECL, SICR and stage migration calculations. • We evaluated the forward looking models and focused on reviewing the suitability of the macroeconomic scenario forecasts generated as well as any changes made to processes or governance. We tested how scenarios have performed against actuals and how they compare based on our knowledge of the industry. • We challenged the completeness, accuracy and validity of qualitative adjustments made to model results. In-model adjustments are typically audited through our independent assessment of models as we compare our model output to the final provision incorporating adjustments. • With regard to portfolio exposures: o We selected a sample of performing loans and advances and performed a detailed independent assessment of the expected credit losses, this included benchmarking internal ratings of loans and advances against external ratings and the ratings produced by a challenger model; o When performing work on the valuation of allowances, considered any collateral held. Where management used specialists to perform the valuations, evaluated their competence, capabilities and objectivity in performing these valuations. • Analysed the disclosures include in the notes to the financial statements, based on the international financial reporting standards requirements.

Other information

The Board of Directors is responsible for other information. The other information includes the annual directors' reports and the statement of directors' responsibilities as required by the Commercial Code. The other information does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based of the work performed, we conclude that there is a material misstatement of this other information, we are requested to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for the supervision of the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche (Moçambique), Lda
Registered Audit Firm nº. 09/SCA/OCAM/2014, represented by:
Zacaria Fakir
Partner
Certified Auditor nº. 16/CA/OCAM/2012
Maputo, 16 April 2021

Statement of Comprehensive Income

Figures in Metical	Note(s)	2020	2019 Restated
Interest and other similar income	3	3,643,466,246	2,884,853,156
Interest and other similar charges	4	(1,519,864,532)	(1,274,655,984)
Net interest income		**2,123,601,714**	**1,610,197,172**
Fees and commission income	5	76,320,578	59,215,970
Fees and commission expense	5	(96,414,844)	(69,652,171)
Net fees and commission income	5	**(20,094,266)**	**(10,436,201)**
Net losses from trading	6	(228,837,526)	(12,160,644)
(Loss)/income from available for sale of movable assets		(46,500)	1,000,572
Operating income		**1,874,623,422**	**1,588,600,899**
Impairment of loans and advances and trade receivables	12&13	(218,791,314)	35,983,706
Net operating income		**1,655,832,108**	**1,624,584,605**
Staff costs	7	(474,664,122)	(438,055,170)
Depreciation and amortisation	15&16&17	(90,423,461)	(84,308,853)
Other operating expenses	8	(506,906,128)	(467,620,273)
Profit before taxation		**583,838,397**	**634,600,309**
Current tax	9.1	(157,162,215)	-
Deferred tax	9.1	(34,057,911)	(200,223,469)
Profit for the year		**392,618,271**	**434,376,840**
Total comprehensive income for the year		**392,618,271**	**434,376,840**

Certified Accountant **Board of Directors**

The financial statements should be read together with the notes to the financial statements.

Statement of Financial Position as at 31 December 2020

Figures in Metical	Note	2020	2019 Restated	2018 Restated
Assets				
Cash and deposits with Central bank	10	282,769,581	230,703,736	204,472,926
Deposits with other financial institutions	11	152,441,778	310,674,721	387,960,473
Loans and advances to customers	12	10,901,957,205	9,060,622,459	6,433,034,163
Other assets	13	61,763,143	173,296,350	47,975,385
Investment securities	14	1,271,286,876	634,293,283	6,960,302
Property and equipment	15	77,362,009	108,272,553	107,792,701
Right-of-use asset	16	191,783,183	226,364,222	-
Intangible assets	17	562,282,904	81,472,777	68,617,358
Current tax assets	9.2	400,000	300,000	200,000
Deferred tax assets	9.3	83,360,569	117,418,482	317,641,950
Total Assets		**13,585,407,248**	**10,943,418,583**	**7,574,655,258**
Liabilities and Equity				
Liabilities				
Deposit from customers	18	2,767,710,888	2,129,337,925	1,032,188,688
Due to banks	19	369,553	5,639	1,540,345
Other liabilities	20	335,007,644	295,315,991	138,641,128
Lease liabilities	21	225,726,248	243,243,016	2,386,157
Borrowed funds	22	4,717,270,300	3,622,671,111	2,503,309,136
Amount payable to shareholder	23	2,789,994,726	2,436,661,566	2,272,032,365
Current tax liabilities	9.2	140,526,283	-	-
Total Liabilities		**10,976,605,642**	**8,727,235,248**	**5,950,097,819**
Equity				
Share capital	24	2,483,520,645	2,395,968,000	1,905,808,000
Deposit for shares	24	157,250,976	244,803,621	577,714,565
Legal reserves	25	128,472,369	63,315,843	21,622,296
Accumulated loss		(160,442,384)	(487,904,129)	(880,587,422)
Total Equity		**2,608,801,606**	**2,216,183,335**	**1,624,557,439**
Total Liabilities and Equity		**13,585,407,248**	**10,943,418,583**	**7,574,655,258**

Certified Accountant

Board of Directors

The financial statements should be read together with the notes to the financial statements.

Statement of Changes in Equity

Figures in Metical	Share capital	Deposit for shares	Total stated capital	Legal reserves	Accumulated loss	Total equity
Balance at 1 January 2019	**1,905,808,000**	**577,714,565**	**2,483,522,565**	**21,622,296**	**(880,587,422)**	**1,624,557,439**
Increase in share capital	490,160,000	(490,160,000)	-	-	-	-
Increase in deposit for shares	-	157,249,056	157,249,056	-	-	157,249,056
Total comprehensive income for the year	-	-	-	-	434,376,840	434,376,840
Transfer to legal reserves	-	-	-	41,693,547	(41,693,547)	-
Total changes	**490,160,000**	**(332,910,944)**	**157,249,056**	**41,693,547**	**392,683,293**	**591,625,896**
Balance at 01 January 2020	**2,395,968,000**	**244,803,621**	**2,640,771,621**	**63,315,843**	**(487,904,129)**	**2,216,183,335**
Increase in share capital	87,552,645	(87,552,645)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	392,618,271	392,618,271
Transfer to legal reserves	-	-	-	65,156,526	(65,156,526)	-
Total changes	**87,552,645**	**(87,552,645)**	**-**	**65,156,526**	**327,461,745**	**392,618,271**
Balance at 31 December 2020	**2,483,520,645**	**157,250,976**	**2,640,771,621**	**128,472,369**	**(160,442,384)**	**2,608,801,606**
Note	24	24	24	25		

Certified Accountant

Board of Directors

The financial statements should be read together with the notes to the financial statements.

Statement of Cash Flows

Figures in Metical	Note(s)	2020	2019 Restated
Cash flows from operating activities			
Cash used in operations	26	(22,144,046)	(705,303,229)
Tax paid		(16,735,931)	(100,000)
Net cash used in operating activities		**(38,879,977)**	**(705,403,229)**
Cash flows from investing activities			
Purchase of property and equipment	15	(11,467,531)	(37,352,688)
Investment in securities	14	(636,993,593)	(627,332,981)
Purchase of intangible assets	17	(487,408,543)	(17,778,326)
Proceeds from sale of property and equipment		-	1,561,462
Net cash used in investing activities		**(1,135,869,667)**	**(680,902,533)**
Cash flows from financing activities			
Net proceeds from bond issuance		361,000,000	520,000,000
Proceeds from borrowings		1,657,000,000	707,667,206
Repayment of borrowings		(934,013,604)	(131,770,340)
Net increase in amount payable to shareholder		8,614,936	269,484,513
Net decrease in lease liabilities		(24,382,700)	(28,595,853)
Net cash flows generated from financing activities		**1,068,218,632**	**1,336,785,526**
Net decrease in cash and cash equivalents		**(106,531,012)**	**(49,520,236)**
Cash and cash equivalents at the beginning of the year		541,372,818	590,893,054
Total cash and cash equivalents at the end of the year	28	**434,841,806**	**541,372,818**

Significant Accounting Policies

Corporate information

Bayport Financial Services Moçambique (MCB), SA, (hereafter referred as "Bayport" or the "Bank") is a private financial institution incorporated on the 19th of July 2012, with its head office in Maputo, Mozambique. The holding company is Bayport Management Ltd, a company incorporated in Mauritius, and also engaged in the granting of loans to individuals, particularly individuals employed in the public sector.

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by IASB, and by the provisions of the notice 4/GBM/2007.of 30 March 2007. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Meticals.

For supervisory purposes, Bayport qualifies as a Bank that is subject to Law 15/99 of 11 November 1999, partially amended by Law 9/2004 of 21 July 2004 and is supervised by the Bank of Mozambique.

The statement of financial position is presented in descending order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the statement of financial position and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where specifically stated otherwise.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These form the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The actual results could, by definition therefore, often differ from the related accounting estimates. The most significant use of judgements and estimates is detailed as follows:

Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the forseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Assets useful lives and residual values

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial year-end and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account.

Taxes

Income taxes (current and deferred) are determined by the Bank based on fiscal rules. However, in some situations, tax legislation is not sufficiently clear and objective and may result in different interpretations. In these cases, book values result from better understanding of the Bank about the adequate framework for its operations, which may be questioned by the tax authorities.

The tax authorities have the right to review the tax situation of the Bank for a period of up to five (5) years, which may result in eventual adjustments due to a different interpretation and/or non-compliance with the applicable legislation, namely, Industrial Contribution, IRT, Corporate Taxation (IRPC), Employee Taxation (IRPS) and Value Added Tax (IVA).

Management believes it has fulfilled all tax obligations that the Bank is subject to. Any corrections to the tax base declared as a result of these reviews are not expected to have an effect on the financial statements.

Significant Accounting Policies (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in the future against which they can be utilised. Future taxable profits are estimated based on budget plans which include estimates and assumptions regarding economic growth, interest, inflation, tax rates and competitive forces.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of financial assets

Financial assets are impaired using the approach prescribed in IFRS 9, unless the asset is considered to be credit impaired on initial recognition, in which case those specific requirements as contained in IFRS 9 will be applied. This approach requires for the provision of expected credit losses rather than incurred credit loss as IAS 39 required. The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions (current and forward looking), structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Upon origination of financial assets, impairments measured at 12 month expected credit losses will be provided. Impairments measured at lifetime expected credit losses will be provided on financial assets whose credit risk has increased significantly since initial recognition. Impairments measured at lifetime expected credit losses will also be provided on financial assets that are credit impaired.

Leases under IFRS 16

Critical judgements made on application of IFRS 16 include identification of lease contracts and reasonableness in determining whether an extension or termination option will be exercised.

1.2 Property and equipment

Property and equipment are tangible assets which the Bank holds for its own use or for rental to others and which is expected to be used for more than one year.

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Bank; and
- the cost of the item can be measured reliably.

Property and equipment are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvements	Over the expected term of the lease (5 years)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Significant Accounting Policies (continued)

1.2 Property and equipment (continued)

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Derecognition of property and equipment

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profits and loss when the item is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is recognised on a straight line basis over the estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	3 - 7 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Significant Accounting Policies (continued)

1.4 Financial instruments

Classification

The Bank classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial liabilities measured at amortised cost

The Bank may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit and loss to present subsequent changes in the fair value through other comprehensive income. This investment is neither held for trading nor a contingent consideration.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, matching the duration of financial assets to the liabilities that are funding those assets or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

Financial assets which have been classified as measured at amortised cost include cash and deposits with the Central Bank, Deposits with other financial institutions, other assets, and loans and advances.

If the business model/SPPI test are not met, the financial asset would be classified as fair value through profit or loss.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Initial recognition and measurement

The Bank initially recognises financial assets and liabilities on the date the Bank becomes a party to the contractual provisions of the instruments. This is on the date that these financial instruments are originated.

Financial instruments are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition.

The Bank generally does not reclassify financial instruments between different categories subsequent to initial recognition. Financial assets are reclassified only if the Bank changes its business model for managing financial assets. In accordance with IFRS 9:

- Financial liabilities can never be reclassified; and
- Financial assets can only be reclassified if there is a change in business model.

Subsequent measurement

Equity Instruments designated as fair value through other comprehensive income (FVTOCI)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves.

Amounts recognised in other comprehensive income are not reclassified to profit or loss under any circumstances, instead, they will be transferred to retained earnings in case of disposal.

Amortised cost

Financial assets which are classified at amortised cost, are measured using the effective interest method, less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired assets, a credit-adjusted effective interest rate is calculated using estimated cash flows including expected credit losses. The calculation of effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial assets or financial liability.

Origination fees are regarded as integral part of the effective interest rate and are accounted for as interest and other similar income.

Expected credit losses are calculated through the use of an appropriate impairment methodology.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets (or a portion thereof) are derecognised when the Bank realises the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the Bank surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable (including any new asset obtained) are included in the statement of comprehensive income.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in the statement of comprehensive income.

Impairment of financial assets

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue costs and effort. The Bank has utilised the 30-days past due rebuttable presumption to identify a significant increase in credit risk since initial recognition.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Credit risk

The Bank monitors the borrowers credit risk using both qualitative and quantitative information such as number of days in arrears and recency. Days in arrears represent the number of days that the contractual installment has past due and recency is calculated by referencing the most recent payment history of loans. The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. The policy of management is to use recency to assess the default status of a loan as opposed to days in arrears due to high levels of administration and concomitant delays associated with payroll deductions. The internal definition of default is used instead of the IFRS 9 90 days presumption.

Definition of Default

The Bank considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Bank, in full (without taking into account any collateral held by the Bank).

Irrespective of the above analysis, the Bank considers that default has occurred when a financial asset is more than 90 days past due.

Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future on the estimated future cash flows of the financial asset have occured.

Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties.

Write off policy

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The Bank recognises loss allowances for expected credit losses on the following financial assets:
- Loans and advances; and
- Trade and other receivables.

Impairments are measured as 12-month expected credit losses upon origination. Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events on a financial instrument, that are possible within the 12 month period after the reporting date.

Expected credit losses are a probability weighted estimate of credit losses. They are measured as follows:
- Financial assets that are not credit impaired at the reporting date – as the present value of all cash flow shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expect to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

The Bank classifies loan into the 3 different stages based on recency and days in arrears as follows:

IFRS 9 Stage allocation	Recency	Recency definition
12-month-ECL - Credit risk has not increased significantly since initial recognition is low	Standard Performing	No missed instalments (IFRS 9 Stage 1)
Lifetime-ECL- not credit-impaired - Credit risk has increased significantly since initial recognition and credit risk is not low	Performing Active (1-2)	Loans that are performing, on payroll, and have made payment on either one or both of their most recent 2 instalments expected. Loans in this category relate mainly to loans in technical arears which are generally still on payroll and as a consequence evidence high payment propensity. (IFRS 9 Stage 2)
	Performing Active (3-4)	Partial performing loans that have over the last four consecutive periods reviewed, missed their most recent two instalments expected but have paid either one or both of the preceding two instalments due. This is a transitional bucket with the majority of these loans likely to be indicative of separation from payroll and likely to move into NPL but more time and analysis is required to confirm that assessment. (IFRS 9 Stage 2)
Lifetime-ECL- credit-impaired - Credit risk has increased significantly since initial recognition and loans are credit impaired	Non-performing	Loans that have over the last four consecutive periods reviewed, missed all four instalments expected. (IFRS 9 Stage 3)
	Doubtful & Bad	Delinquent loans where the probability of recovery is uncertain and the separation from payroll has been confirmed, as well as credit impaired loans, which have been identified for write offs subject to board approval. (IFRS 9 Stage 3)

Refer to note 31 on credit risk management and measurement.

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

Trade and other receivables are classified as financial assets at amortised cost.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and bank balances

Cash and bank balances comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Value added tax

The value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense as applicable.

Significant Accounting Policies (continued)

1.6 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  -the Bank has the right to operate the asset; or
  -the Bank designed the asset in a way that predetermines how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in lease and liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant Accounting Policies (continued)

1.7 Impairment of assets other than financial assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

Irrespective of whether there is any indication of impairment, the Bank also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The Bank makes statutory contributions to the defined contribution plans that are managed by Instituto Nacional de Suguranca Social de Mocambique (INSS).

Significant Accounting Policies (continued)

1.10 Provisions and contingencies

Provisions are recognised when:

- the Bank has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

Significant Accounting Policies (continued)

1.11 Revenue

General policy

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised net of allowances for returns and any taxes collected from customers.

Revenue comprises fees for rendering of services to customers, collection of owned book debts and finance charges on loans.

Interest income

Interest is recognised, in profit or loss, using the effective interest rate method.

This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- purchased or originated credit impaired financial assets. For those financial assets, the Bank applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets. For those financial assets, the Bank applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The credit adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit impaired financial asset. When calculating the credit adjusted effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial asset and expected credit losses.

Fees and commission income

The Bank earns fee and commission income from services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the services provided over a period of time are accrued over that period. These fees include commission income charged in the provision of services such as insurance of Bank Guarantees and Letters of Credit.

Fee income from providing transaction services

The fees are recognised as revenue when a significant act has been completed.

1.12 Deferred costs

Deferred costs are loan originated costs. These are recognised over the term of the loan using effective interest rate method.

Significant Accounting Policies (continued)

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Meticals, which is the functional and presentation currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Meticals by applying to the foreign currency amount, the exchange rate between the Meticals and the foreign currency at the date of the cash flow.

1.15 Related parties

Related parties are individuals and companies, where the individual and Bank have the ability, directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

Significant Accounting Policies (continued)

1.16 Comparatives

During the year ended 31 December 2020, the Board of Directors identified the need to correct the following:

(i) the misclassification of initiations fee commissions (previously classified under fee and commission income instead of interest and similar income as it is part of effective interest rate)
(ii) The misclassification of transaction cost on borrowed funds
(iii) The misclassification of interest payable on deposits from customers and borrowings

As a result of correction of these errors, the following adjustments were made to 2019 and 2018 financial information:

Description	**2019 as previously reported**	**Restatement**	**2019 as restated**
Income			
Interest and similar income	2,848,423,884	36,429,272	2,884,853,156
Fee and commission income	95,645,242	(36,429,272)	59,215,970
	2,944,069,126	**-**	**2,944,069,126**
Assets			
Other assets	216,344,881	(43,048,531)	173,296,350
	216,344,881	**(43,048,531)**	**173,296,350**
Liabilities			
Deposits from customers	2,093,273,744	36,064,181	2,129,337,925
Borrowed funds	3,509,364,789	113,306,322	3,622,671,111
Other liabilities	487,735,025	(192,419,034)	295,315,991
	6,090,373,558	**(43,048,531)**	**6,047,325,027**

Description	**2018 as previously reported**	**Restatement**	**2018 as restated**
Income			
Interest and similar income	2,121,424,422	-	2,121,424,422
Fee and commission income	41,657,472	-	41,657,472
	2,163,081,894	**-**	**2,163,081,894**
Assets			
Other assets	89,250,261	(41,274,876)	47,975,385
	89,250,261	**(41,274,876)**	**47,975,385**
Liabilities			
Deposits from customers	988,423,360	43,765,328	1,032,188,688
Borrowed funds	2,413,467,923	89,841,213	2,503,309,136
Other liabilities	313,522,545	(174,881,417)	138,641,128
	3,715,413,828	**(41,274,876)**	**3,674,138,952**

Significant Accounting Policies (continued)

1.16 Comparatives (continued)

Restated cashflow	**2019 as previously reported**	**Restatement**	**2019 as restated**
Profit before taxation	634,600,309	-	634,600,309
Adjustments for:			
Depreciation and amortisation	84,308,853	-	84,308,853
Loss/(profit) on disposal of property and equipment and intangibles	(986,082)	-	(986,082)
Unrealised loss on foreign exchange	10,140,949	-	10,140,949
Increase/(decrease) in provision for credit impairment	(36,039,395)	-	(36,039,395)
Interest payable on customer deposits	-	185,400,620	185,400,620
Interest payable on borrowings	-	674,499,127	674,499,127
Interest paid on borrowings	-	(649,260,362)	(649,260,362)
Interest paid on customer deposits	-	(193,101,768)	(193,101,768)
Tax paid	(100,000	-	(100,000
Changes in working capital:			
Increase/(decrease) in other assets	(127,094,621)	-	(127,094,621)
Increase in gross advances	(2,591,548,900)	-	(2,591,548,900)
Increase in other liabilities	216,465,275	(17,537,617)	198,927,658
Increase in deposit from customers	1,104,850,383	-	1,104,850,383
Cash used in operations	**(705,403,229)**	**-**	**(705,403,229)**

Notes to the Financial Statements

2. New Standards and Interpretations

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 01 January 2020.

2.1 New and revised Standards and Interpretations that are effective and adopted in the current year

The following relevant Standards and Interpretations have been applied in these financial statements. However, they did not have any impact on the Company's financial statements but may impact the accounts through fututre transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of what is material

IAS 1 Classification of liabilities as Current or Non-current

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material

IFRS 7 Financial Instruments: Disclosure - Amendments regarding prereplacement issues in the context of the inter-bank offered rates (IBOR) reform

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

2.2 Standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual period on or after the respective dates as indicated:

IFRS 1 First-time Adoption of International Financial Reporting Standards Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) (effective 1 January 2022)

IFRS 4 Insurance contracts - Amendments regarding the expiry date of the deferred approach (effective 1 January 2023)

IFRS 4 Insurance contracts - Amendments regarding replacement issues in the context of inter-bank offered rates (IBOR) reform (effective 1 January 2021)

IFRS 7 Financial Instruments: Disclosures Amendments regarding replacement issues in the context of the inter-bank offered rates (IBOR) reform (effective 1 January 2021)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the inter-bank offered rates (IBOR) reform (effective 1 January 2021)

IFRS 16 Leases - Amendments to illustrates example 13 (effective 1 January 2021)

IAS 1 Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments (effective 1 January 2023)

IAS 1 Presentation of Financial Statements: Amendments regarding the classification of liabilities (effective 1 January 2023)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)

IFRS 17 Insurance Contracts - original issue (effective 1 January 2023)

IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (effective 1 January 2023)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)

The directors anticipate that these amendments will be applied in the Bank annual financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet assessed the potential impact of the application of these amendments.

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

3. Interest and other similar income

Interest from loans and advances	3,553,316,681	2,845,390,766
Interest from employees loans	497,634	618,362
Interest from banks and investment securities	89,651,931	38,844,028
Total interest and other similar income	**3,643,466,246**	**2,884,853,156**

4. Interest and other similar charges

Interest on bonds	464,763,161	403,946,310
Interest on bank overdrafts and loans	411,426,963	304,795,763
Interest on amount payable to shareholder	215,591,027	199,539,260
Interest on lease liabilities	45,049,881	53,215,828
Interest on deposits from customers	383,033,500	313,158,823
Total interest and other similar changes	**1,519,864,532**	**1,274,655,984**

5. Net fees and commission income

Fees and commission income		
Credit life commission received	76,320,578	59,215,970
Fees and commission expense		
Fees and commission expense	96,414,844	69,652,171
Net fees and commission income	**(20,094,266)**	**(10,436,201)**

6. Net losses from trading

Foreign exchange losses		
Net foreign exchange loss	(228,837,526)	(12,160,644)
Trading income		
Foreign exchange gain	-	4,164,235
Trading loss		
Foreign exchange loss	(228,837,526)	(16,324,879)

7. Staff costs

Personnel expenses present as follows:

Wages and salaries	464,870,867	427,699,716
Taxes	9,793,255	10,355,454
Total staff costs	**474,664,122**	**438,055,170**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

8. Other operating expenses

Levies and duties paid - stamp duties	3,955,538	5,396,691
Professional fees	257,515,557	206,801,978
Travelling and representation expenses	32,004,691	27,963,534
Communications	6,972,536	6,883,048
Operating lease rentals	1,154,720	10,397,357
Marketing and promotions	4,387,861	17,181,061
Fuel	3,017,657	3,885,728
Entertainment	42,090	77,599
Insurance	5,890,086	4,465,681
Fines, penalties and operational losses	1,405,249	516,323
Security services	8,525,061	9,828,044
Printing and stationery	10,971,993	11,440,537
Maintenance and repairs	4,563,040	6,851,551
Other expenses	166,500,049	155,931,141
Total other operating expenses	**506,906,128**	**467,620,273**

9. Income taxes

9.1 Income tax recognised in profit or loss

Current tax		
In respect of current year	140,526,284	-
Withholding tax	16,635,931	-
Total current tax	**157,162,215**	**-**
Deferred tax		
In respect of the current year	34,057,911	200,223,469
Total deferred tax	**34,057,911**	**200,223,469**
Total income tax expense recognised in the current year	**191,220,126**	**200,223,469**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2020		2019	
	Tax rate	**Value**	**Tax rate**	**Value**
Profit before taxation		583,838,397	-	634,600,309
Tax at the applicable rate	32.00%	186,828,286	32.00%	203,072,099
Tax effect of adjustments on taxable income				
Non-deductible expense	2.5%	91,473,780	2.5%	15,900,446
Deductible income	-2.12%	(26,802,973)	-2.12	(13,495,801)
Set-off against prior year tax losses		(110,972,810)	-	(205,688,063)
Taxation	**-**	**140,526,283**	**-**	**-**

9.2 Current tax assets and liabilities

Current tax assets (advance corporate tax paid)	400,000	300,000
Current tax liabilities	(140,526,283)	-
	(140,126,283)	**300,000**
At 1 January	300,000	200,000
Tax paid	100,000	100,000
Current tax for the year recognised in profit or loss	(140,526,283)	-
At 31 December	**(140,126,283)**	**300,000**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

9. Income taxes (continued)

9.3 Deferred tax assets

The following is the analysis of deferred tax assets presented in the statement of financial position.

	2020	2019
Deferred tax assets	**83,360,569**	**117,418,482**
Deferred tax breakdown		
Accelerated capital allowances for tax purposes	10,820,228	7,051,973
Unrealised foreign exchange gains/(losses)	72,540,341	(606,301)
Tax losses available for set off against future taxable income	-	110,972,810
Total deferred tax assets	**83,360,569**	**117,418,482**
Reconciliation of deferred tax assets		
At 1 January	117,418,482	317,641,950
Accelerated capital allowances	3,768,255	1,662,361
Unrealised foreign exchange losses	73,146,642	3,802,234
Tax losses available for set off against future taxable income	(110,972,810)	(205,688,063)
At 31 December	**83,360,569**	**117,418,482**

The deferred tax assets relating to unrealised taxation losses were fully utilised to offset chargeable income during the year.

	2020	2019
Reconciliation of fiscal losses		
At 1 January	346,790,031	989,565,230
Tax losses utilised	(346,790,031)	(642,775,199)
At 31 December	**-**	**346,790,031**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

10. Cash and deposits with Central bank

Current assets

Cash and deposits with Central Bank is as follows:

Local currency	282,769,581	230,703,736
	282,769,581	**230,703,736**

The balances held with the Central Bank of Mozambique satisfy their requirements to maintain sufficient cash reserves. The minimum cash reserve requirement was MZN 238,178,988 in 2020 (31 December 2019: MZN 235,475,875). The rules in place as at 31 December 2020, as specified in Circular number 01/EMO/2020 of Notice 08/GBM/2019 of the Central Bank, establishes that financial institutions have to deposit an average balance of 11.50% of local currency and 34.50% of foreign currency of its client deposits at the end of each calculation period (2019:13% and 36% respectively). No interest is earned on these minimum reserve balances with the Central Bank of Mozambique. Cash reserves are restricted and not for day to day use by the Bank and must be revised on a monthly basis.

11. Deposits with other financial institutions

Current assets

Cash and due from banks consist of:

Cash balance		
Mobile money on hand	7,209,794	5,021,882
Due from banks		
Local currency	144,237,933	303,849,415
Foreign currency	994,051	1,803,424
Total due from banks	**145,231,984**	**305,652,839**
Total deposits with other financial institutions	**152,441,778**	**310,674,721**

12. Loans and advances to customers

Gross advances	11,162,676,317	9,305,273,270
Impairment provision	(260,719,112)	(244,650,811)
Loans and advances to customers	**10,901,957,205**	**9,060,622,459**
Impairment provision		
At 1 January	244,650,811	281,161,009
Net impairment recognised in profit or loss	218,886,356	(36,039,395)
Utilisation of allowance for impairment	(202,818,055)	(470,803)
At 31 December	**260,719,112**	**244,650,811**
Non-current assets	9,434,419,153	7,815,960,674
Current assets	1,467,538,052	1,244,661,785
Loans and advances to customers	**10,901,957,205**	**9,060,622,459**

Please refer to note 31.1 for disclosures on credit risks.

As at the reporting date, there were no loans and receivables due from directors.

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

13. Other assets

Currents assets

	2020	2019
Prepayments	19,235,777	148,569,137
Other receivables	42,576,421	24,871,308
Impairment provision	(49,055)	(144,095)
Total other assets	**61,763,143**	**173,296,350**

Impairment provision	2020	2019
At 1 January	144,095	88,406
Impairment provision recognised in profit or loss	(95,040)	55,689
At 31 December	**49,055**	**144,095**

The other receivables are made up of the following:

	2020	2019
Advances to employees	4,374,080	8,576,784
Deposits for rentals	4,623,375	4,801,375
Consumables	50,000	60,000
Sundry debtors	33,528,966	11,433,149
Total other receivables	**42,576,421**	**24,871,308**

Sundry debtors include:

	2020	2019
Credit life commission	27,282,041	7,921,988
Other	6,246,925	3,511,161
Total sundry debtors	**33,528,966**	**11,433,149**

14. Investment securities

As of 31 December 2020 and 31 December 2019, the Bank had the following investments:

Investment type		2020	2019
Financial assets at fair value through other comprehensive income	14.1	6,960,302	6,960,302
Financial assets at amortised cost	14.2	1,264,326,574	627,332,981
		1,271,286,876	**634,293,283**

	2020	2019
Opening balance	634,293,283	6,960,302
Additions	3,556,299,074	627,332,981
Matured	(2,919,305,481)	-
At 31 December 2020	**1,271,286,876**	**634,293,283**

14.1 Financial assets at fair value through other comprehensive income

Company	**Type**	**Participation (%)**	**Number of shares**	**Value (MZN)**
Sociedade Interbancaria de Mocambique	Participation	0.50	63,275	6,327,548
Registration fee	-	-	-	632,754
	-	**0.50**	**63,275**	**6,960,302**

In September 2018, the Bank acquired a 0.5% stake in SIMO (Sociedade Interbancaria de Mocambique).

The investment is not held for trading. Accordingly, the directors of the Company have elected to designate it in equity instruments as FVTOCI.

The investment represents 0.5% in Sociedade Interbancaria de Mocambique (SIMO) with regards to the licensing of SIMO which provides payment services to the bank and other credit institutions. The investment is carried at cost as fair value cannot be reliably measured.

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

14. Investment securities (continued)

14.2 Financial assets at amortised cost

Treasury Bills	1,264,326,574	627,332,981

The treasury bills amounting to MZN 1.26 billion (2019: 627.3 million) have maturities ranging from the 13th of January 2021 to the 16th of June 2021 and they form part of the bank's liquid asset portfolio in terms of the Banco de Mocambique regulations on Liquidity Ratio (Notice 14/GBM/2017). Interest earned during the year ranged from 7.50% to 11.76% per annum. The Bank's strategy is to invest in securities that have, from the date of investment, maturities of not more than six months.

Notes to the Financial Statements (continued)

Figures in Metical

15. Property and equipment

Non current assets

Cost	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Leasehold improvements	Asset under construction	Total
At 01 January 2019	26,088,188	31,611,182	27,494,141	41,462,470	47,896,290	12,490,008	187,042,279
Additions	3,674,054	11,546,550	4,411,064	8,787,265	8,933,755	-	37,352,688
Disposal	(115,505)	(5,744,573)	(21,716)	(201,950)	-	-	(6,083,744)
Transfer	225,448	-	3,812,681	346,555	6,315,609	(10,353,738)	346,555
At 01 January 2020	29,872,185	37,413,159	35,696,170	50,394,340	63,145,654	2,136,270	218,657,778
Additions	203,306	4,880,000	657,139	4,461,675	1,265,411	-	11,467,531
Disposal	(41,820)	-	-	-	-	-	(41,820)
At 31 December 2020	**30,033,671**	**42,293,159**	**36,353,309**	**54,856,015**	**64,411,065**	**2,136,270**	**230,083,489**
Accumulated depreciation							
At 01 January 2019	9,918,276	18,188,861	11,187,371	25,168,503	14,786,567	-	79,249,578
Charge for the year	4,498,090	3,255,150	7,626,909	10,482,199	10,781,663	-	36,644,011
Disposal	(107,461)	(5,182,629)	(16,324)	(201,950)	-	-	(5,508,364)
At 01 January 2020	14,308,905	16,261,382	18,797,956	35,448,752	25,568,230	-	110,385,225
Charge for the year	6,524,717	5,999,583	7,626,859	10,217,307	12,009,609	-	42,378,075
Disposal	(41,820)	-	-	-	-	-	(41,820)
At 31 December 2020	**20,791,802**	**22,260,965**	**26,424,815**	**45,666,059**	**37,577,839**	**-**	**152,721,480**
Carrying value							
At 31 December 2020	**9,241,869**	**20,032,194**	**9,928,494**	**9,189,956**	**26,833,226**	**2,136,270**	**77,362,009**
At 31 December 2019	**15,563,280**	**21,151,777**	**16,898,214**	**14,945,588**	**37,577,424**	**2,136,270**	**108,272,553**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

16. Right-of-use asset

The Bank adopted IFRS 16 as from January 1, 2019 which changes the Bank's Financial Statements. Under IFRS 16 the majority of these leases became on-balance sheet liabilities with underlying right-of-use assets. The Bank applied the modified retrospective approach, which requires the recognition of the cumulative effect of the initial applying IFRS 16, as of January 1, 2019, to the retained earnings and not restate prior years, however the adjustment was not recorded in the retained earnings. When doing so, the Bank also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

Since the Bank recognised the right-of-use assets at the amount equal to the lease liabilities, there was no impact to the retained earnings.

The Bank leases land and buildings. Information about leases for which the Bank is a lessee is presented below.

Cost	**Rental space**	**Total**
At 01 January 2019	-	-
Additions	269,452,712	269,452,712
Modifications	-	-
Termination of lease	-	-
At 1 January 2019	**269,452,712**	**269,452,712**
Additions	13,164,380	13,164,380
Modifications	(6,298,449)	(6,298,449)
At 31 December 2020	**276,318,643**	**276,318,643**

Accumulated depreciation		
At 01 January 2019	-	-
Charge for the year	43,088,490	43,088,490
Termination of lease	-	-
At 31 December 2019	**43,088,490**	**43,088,490**
Charge for the year	41,446,970	41,446,970
Termination of lease	-	-
At 31 December 2020	**84,535,460**	**84,535,460**

Carrying value		
At 31 December 2020	**191,783,183**	**191,783,183**
At 31 December 2019	**226,364,222**	**226,364,222**

16.1 Amount recognised in profit or loss

Interest on lease liabilities	45,049,881	53,215,828
Depreciation of right of use asset	41,446,970	43,088,490
Expenses relating to short term leases	777,620	10,341,532
	87,274,471	**106,645,850**

16.2 Amount recognised in the statement of cash flows

Total cash outflow for leases	24,382,700	28,595,853

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

17. Intangible assets

Non current assets

Cost	Computer software	Asset under development	Total
At 01 January 2019	13,364,634	60,107,093	73,471,727
Additions	16,944,501	833,825	17,778,326
Transfer	462,150	(808,705)	(346,555)
At 01 January 2020	30,771,285	60,132,213	90,903,498
Additions	1,612,220	485,796,323	487,408,543
At 31 December 2020	**32,383,505**	**545,928,536**	**578,312,041**

Accumulated depreciation			
At 01 January 2019	4,854,369	-	4,854,369
Charge for the year	4,576,352	-	4,576,352
At 01 January 2020	9,430,721	-	9,430,721
Charge for the year	6,598,416	-	6,598,416
At 31 December 2020	**16,029,137**	**-**	**16,029,137**

Carrying value			
31 December 2020	**16,354,368**	**545,928,536**	**562,282,904**
31 December 2019	**21,340,564**	**60,132,213**	**81,472,777**

18. Deposit from customers

Customer deposits are mainly comprised of fixed term deposits.

	2020	2019
Corporate clients		
Fixed term deposits	1,176,167,251	914,509,933
Current accounts	67,034,791	5,875,529
Individual clients		
Fixed term deposits	1,507,854,199	1,182,550,456
Current accounts	16,654,647	26,402,007
Total deposit from customers	**2,767,710,888**	**2,129,337,925**

	2020	2019
Maturity analysis		
Current liabilities		
Fixed deposits	2,652,870,484	2,060,236,102
Current accounts	83,689,438	32,277,537
Non current liabilities		
Fixed deposits	31,150,966	36,824,286
Current accounts	-	-
	2,767,710,888	**2,129,337,925**

19. Due to banks

Current liabilities

	2020	2019
Bank overdraft	369,553	5,639

Bank overdraft balances refers to facilities with other financial institutions, and have a maturity of 1 year, and interest currently ranges from 14.90% to 15.90% rate per annum (31 December 2019: 17% to 18% per annum).

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

20. Other liabilities

Current liabilities		
Accounts payable	148,506,018	155,234,850
Withholding tax payable	120,033,794	98,612,237
Sundry creditors and accruals	66,467,832	41,468,904
Total other liabilities	**335,007,644**	**295,315,991**

21. Lease liabilities

Maturity analysis		
Not later than 1 year	67,290,078	992,281
Later than 1 year and not later than 5 years	224,125,617	-
Later than 5 years	80,870,400	-
	372,286,095	992,281
less: future finance charges	(146,559,847)	(61,076)
New leases	-	242,311,811
Total undiscounted lease liabilities at 31 December	**225,726,248**	**243,243,016**
Present value of minimum lease payments due		
Within one year	36,886,206	931,205
In second to fifth year inclusive	188,840,042	242,311,811
Present value of minimum lease payments	**225,726,248**	**243,243,016**
Non-current liabilities	188,840,042	206,999,590
Current liabilities	36,886,206	36,243,426
	225,726,248	**243,243,016**

22. Borrowed funds

Held at amortised cost		
Senior bonds	2,534,860,741	2,174,054,606
Term Loans	2,227,156,229	1,491,665,036
Transaction costs	(44,746,670)	(43,048,531)
	4,717,270,300	**3,622,671,111**

(i) Interest on senior bonds ranges from 14.01% to 22.50% per annum (2019: 19% to 25% per annum), with maturity dates ranging from April 2021 to September 2025.

(ii) Interest on the term loans ranges from 14.90% to 18.40% per annum (2019: 17% to 21% per annum), with maturity dates ranging from July 2021 to November 2024.

Non-current liabilities		
At amortised cost	2,436,413,575	3,015,869,695
Current liabilities		
At amortised cost	2,280,856,725	606,801,416
Total borrowed funds	**4,717,270,300**	**3,622,671,111**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

23. Amount payable to shareholder

Loan from shareholder	2,423,760,900	2,253,746,647
Professional fees	366,233,826	182,914,919
Total amount payable to shareholder	**2,789,994,726**	**2,436,661,566**

Maturity analysis		
Non-current liabilities	2,423,760,900	2,253,746,647
Current liabilities	366,233,826	182,914,919
	2,789,994,726	**2,436,661,566**

(i) Loans from Bayport Management Ltd are denominated in USD and MZN. The USD loan covered a 10 year term loan facility of USD 22,500,000 granted in January 2015 bearing interest at a fixed rate of 4% per annum, which was subsequently converted to equity and the remaining balances of USD 19.5M (including professional fees of USD 8.6 million) was converted to MZN with the approval of shareholders. In January 2017, an additional term loan facility of USD 45 million was granted at a fixed rate 4% per annum. USD 6 million of the said facility is repayable in August 2022 and the remaining balance by December 2026.

(ii) Professional fees are charged at 1.5% of gross advances as from November 2016.

24. Share capital

	Share capital	Deposit for shares	Total
At 01 January 2019	1,905,808,000	577,714,565	2,483,522,565
Issue of shares	490,160,000	(490,160,000)	-
Deposit for shares	-	157,249,056	157,249,056
At 01 January 2020	2,395,968,000	244,803,621	2,640,771,621
Issue of shares	87,552,645	(87,552,645)	-
31 December 2020	**2,483,520,645**	**157,250,976**	**2,640,771,621**

	No of shares	Total
At 01 January 2019	1,905,808	1,905,808
Issue of shares	490,160	490,160
At 01 January 2020	2,395,968	2,395,968
Issue of shares	87,553	87,553
31 December 2020	**2,483,521**	**2,483,521**

During the year, 87,552 ordinary shares were issued (2019: 490,160).

25. Legal reserves

In compliance with Mozambican legislation, the Bank must allocate each year, to a legal reserve, not less than 15% of its audited prior year profit after tax, until this reserve is equal to the amount of share capital. As a result a legal reserve amounting to MZN 65,156,526 has been transferred based on profits made in 2020.

At 1 January	63,315,843	21,622,296
Transfer from income surplus account	65,156,526	41,693,547
At 31 December	**128,472,369**	**63,315,843**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

26. Cash used in operations

	2020	2019
Profit before taxation	583,838,397	634,600,309
Adjustments for:		
Depreciation and amortisation	90,423,461	84,308,853
Loss/(profit) on disposal of property and equipment and intangibles	46,500	(986,082)
Unrealised loss on foreign exchange	227,588,754	10,140,949
Increase/(decrease) in provision for credit impairment	255,347,178	(36,039,395)
Interest payable on customer deposits	226,511,608	185,400,620
Interest payable on borrowings	811,465,193	674,499,127
Interest paid on borrowings	(799,154,262)	(649,260,362)
Interest paid on customer deposits	(226,950,618)	(193,101,768)
Changes in working capital:		
Increase/(decrease) in other assets	109,884,885	(127,094,621)
Increase in gross advances	(2,096,776,965)	(2,591,548,900)
Increase in other liabilities	156,819,849	198,927,658
Increase in deposit from customers	638,811,974	1,104,850,383
Cash used in operations	**(22,144,046)**	**(705,303,229)**

27. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Currency movements	Other non-cash movements	Cash flows	Closing balance
Lease liabilities	243,243,016	-	6,865,932	(24,382,700)	225,726,248
Borrowed funds	3,622,671,111	-	10,612,793	1,083,986,396	4,717,270,300
Amount payable to shareholder (i)	2,253,746,647	161,399,334	77,420,409	(68,805,490)	2,423,760,900
Total liabilities from financing activities	**6,119,660,774**	**161,399,334**	**94,899,134**	**990,798,206**	**7,366,757,448**

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	Currency movements	Other non-cash movements	Cash flows	Closing balance
Lease liabilities	2,386,157	-	269,452,712	(28,595,853)	243,243,016
Borrowed funds	2,413,467,923	-	113,306,322	1,095,896,866	3,622,671,111
Amount payable to shareholder (i)	2,132,178,289	9,335,093	63,026,979	49,206,286	2,253,746,647
Total liabilities from financing activities	**4,548,032,369**	**9,335,093**	**445,786,013**	**1,116,507,299**	**6,119,660,774**

(i) Amount payable to shareholder excludes professional fees as it does not qualify as cashflows from financing activities.

28. Cash and cash equivalents

The following is a summary of total cash and cash equivalents, made up as follows:

		2020	2019
Cash and deposits with Central Bank	10	282,769,581	230,703,736
Deposits with other financial institutions	11	152,441,778	310,674,721
Due to banks	19	(369,553)	(5,639)
Total cash and cash equivalents		**434,841,806**	**541,372,818**

29. Contingent liabilities

There were no known material contingent liabilities as at the reporting date.

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

30. Related parties

Holding company	Bayport Management Ltd
Company under common shareholding	Actvest (Proprietary) Limited
Shareholder	Whatana Investments, S.A
Directors	Hon. Prof José Mateus Muaria Katupha
	Mrs Suzzete Jose Dalsuco
	Nazir Bhikka
	Edgar Baloi
Fiscal Council	CW Drucker

30.1 Related party balances

	2020	2019
Amount due to related parties		
Bayport Management Ltd (Loan)	2,423,760,900	2,253,746,647
Bayport Management Ltd (Professional fees)	366,233,826	182,914,919
Actvest (Proprietary) Limited (Cost recoveries)	408,762	413,458
Actvest (Proprietary) Limited (Professional fees)	110,894,794	125,071,100

Amounts payable to shareholder are disclosed in note 23.

30.2 Related party transactions

	2020	2019
Bayport Management Ltd		
Interest paid	215,591,027	199,539,260
Professional fees paid	150,560,421	112,375,010
Actvest (Proprietary) Ltd		
Professional fees paid	119,789,850	92,708,051
Whatana Investments, S.A		
Management fees	22,553,852	18,434,283
Directors fees		
Directors fees	4,430,454	3,419,443

30.3 Compensation to directors and other key management

	2020	2019
Short term employee benefits	29,192,438	23,078,955

Notes to the Financial Statements (continued)

31. Risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of the audit, risk and compliance committee ("ARC"). The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The audit, risk and compliance committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Bank's management of risk including credit and compliance.

31.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Bank. The primary credit risks that the Bank is exposed to arise from retail loans. It is not the Bank's strategy to avoid credit risk, but rather to manage credit risk within the Bank's risk appetite and to earn an appropriate risk adjusted return.

Credit risk management and measurement

The Bank is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customer's risk profile, employment status and stability. Terms of the loan provided range from 3 to 60 months. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are developed internally.

Collections of instalments are made through payroll deductions or debit order collections. The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") segmented using contractual delinquency states (aging, recency and reason for default) as well as remaining term. The segmentation ensures homogenous risk buckets. The LGD is calculated on an explicit basis per account, taking into consideration the settlement balance, discount rates and discount periods.

The Bank utilised the 30-days past due definition to determine a significant increase in credit risk as per paragraph 5.5.11 of IFRS 9.

Since collections are mainly through payroll deductions, the Bank has defined credit impaired financial assets as assets which have missed 4 or more consecutive instalments or when there is qualitative information of the borrower being in significant financial difficulty. We have therefore rebutted the 90-days presumption based on historical quantitative analysis of the PDs and alignment to operational collection processes.

Financial asset subject to risk

The maximum exposure to credit risk of financial assets at the financial year end is analysed as follows:

31 December 2020	Loans and advances	Other assets	Investment in other financial assets	Total
Neither past due nor credit impaired	9,842,323,755	42,526,421	1,271,286,876	11,156,137,052
Past due but not credit impaired	1,110,445,685	-	-	1,110,445,685
Credit impaired	99,533,035	-	-	99,533,035
Impairment allowance	(260,719,112)	(49,055)	-	(260,768,167)
	10,791,583,363	**42,477,366**	**1,271,286,876**	**12,105,347,605**

31 December 2019	Loans and advances	Other assets	Investment in other financial assets	Total
Neither past due nor credit impaired	7,720,169,377	24,811,310	634,293,283	8,379,273,970
Past due but not credit impaired	940,430,645	-	-	940,430,645
Credit impaired	214,539,245	-	-	214,539,245
Impairment allowance	(244,650,811)	(144,095)	-	(244,794,906)
	8,630,488,456	**24,667,215**	**634,293,283**	**9,289,448,954**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

31. Risk management (continued)

31.1 Credit risk (continued)

Financial assets that are past due but not credit impaired

The age of loans and advances that are past due but not credit impaired are as follows:

	2020	2019
Past due up to		
1 month	437,841,937	210,069,645
1-2 months	172,684,280	155,375,044
2-3 months	111,185,680	104,856,622
3-4 months	74,848,520	91,250,412
Older than 4 months	313,885,268	378,878,922
Loans past due but not credit impaired	**1,110,445,685**	**940,430,645**

Valuation of collateral

Advances are unsecured and collateral held by the Bank is immaterial.

Impairment provision reconciliation

	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
At 1 January 2019	65,044,659	141,690,880	74,513,876	281,249,415
Originations	34,824,170	13,788,518	(41,770,555)	6,842,133
Existing book movements	24,661,880	38,245,723	176,214,119	239,121,722
Derecognition (settlements in the ordinary course of business)	(64,956,253)	(141,690,879)	(75,300,429)	(281,947,561)
Write-offs	-	-	(470,803)	(470,803)
At 01 January 2020	59,574,456	52,034,242	133,186,208	244,794,906
Originations	33,776,603	34,189,887	8,306,231	76,272,721
Existing book movements	(14,447,646)	91,517,057	95,450,429	172,519,840
Derecognition (settlements in the ordinary course of business)	(13,416,731)	(8,202,613)	(8,381,901)	(30,001,245)
Write-offs	-	-	(202,818,055)	(202,818,055)
At 31 December 2020	**65,486,682**	**169,538,573**	**25,742,912**	**260,768,167**

Notes to the Financial Statements (continued)

Figures in Metical		2020	2019

31. Risk management (continued)

31.2 Categories of financial instruments

	Note	2020	2019
Financial assets			
At amortised cost			
Cash and deposits with Central Bank	10	282,769,581	230,703,736
Deposits with other financial institutions	11	152,441,778	310,674,721
Loans and advances to customers		10,791,534,310	8,630,488,456
Other assets		42,525,146	24,667,215
Investment securities	14.2	1,264,326,574	627,332,981
Fair value through other comprehensive income			
Investment securities	14.1	6,960,302	6,960,302
Total financial assets		**12,540,557,691**	**9,830,827,411**
Financial liabilities			
At amortised cost			
Deposit from customers	18	2,767,710,888	2,129,337,925
Due to banks	19	369,553	5,639
Other liabilities		208,162,887	383,013,757
Lease liabilities	21	225,726,248	243,243,016
Borrowed funds*	22	4,762,016,970	3,665,719,642
Amount payable to shareholder	23	2,789,994,726	2,436,661,566
Total financial liabilities		**10,753,981,272**	**8,857,981,545**

* Borrowed funds exclude deferred transaction costs which are not financial instruments.

31.3 Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the bank's financial performance.

Notes to the Financial Statements (continued)

Figures in Metical

31. Risk management (continued)

31.4 Liquidity risk

The table below analyses liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the entity. It is unusual for financial institutions ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturity of assets and liabilities to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the entity and its exposure to changes in interest rates and exchange rates.

31 December 2020

Cash flows from financial assets	0-3 months	4-12 months	1-5 years	Total
Cash and deposits with Central Bank	282,769,581	-	-	282,769,581
Deposits with other financial institutions	152,441,778	-	-	152,441,778
Loans and advances to customers	996,789,705	3,856,588,405	16,291,427,940	21,144,806,050
Other assets	42,525,146	-	-	42,525,146
Investment securities	567,104,166	700,446,688	-	1,267,550,854
Cash flows from financial assets	**2,041,630,376**	**4,557,035,093**	**16,291,427,940**	**22,890,093,409**

Cash flows from financial liabilities	0-3 months	4-12 months	1-5 years	Total
Deposit from customers	891,925,210	2,000,137,864	34,843,260	2,926,906,334
Due to banks	369,554	-	-	369,554
Other liabilities	208,162,887	-	-	208,162,887
Lease liabilities	16,585,222	48,654,256	278,889,066	344,128,544
Borrowed funds	485,270,625	2,588,445,743	4,068,786,473	7,142,502,841
Amount payable to shareholder	424,593,682	175,079,568	3,315,911,269	3,915,584,519
Cash flows from financial liabilities	**2,026,907,180**	**4,812,317,431**	**7,698,430,068**	**14,537,654,679**
Net financial position	**14,723,196**	**(255,282,338)**	**8,592,997,872**	**8,352,438,730**

31 December 2019

Cash flows from financial assets	0-3 months	4-12 months	1-5 years	Total
Cash and deposits with Central Bank	230,703,736	-	-	230,703,736
Deposits with other financial institutions	310,674,721	-	-	310,674,721
Loans and advances to customers	837,519,927	3,268,460,100	13,498,856,346	17,604,836,373
Other assets	24,667,215	-	-	24,667,215
Investment securities	634,293,283	-	-	634,293,283
Cash flows from financial assets	**2,037,858,882**	**3,268,460,100**	**13,498,856,346**	**18,805,175,328**

Cash flows from financial liabilities	0-3 months	4-12 months	1-5 years	Total
Deposit from customers	673,331,020	1,545,843,355	40,134,993	2,259,309,368
Due to banks	5,639	-	-	5,639
Other liabilities	383,013,757	-	-	383,013,757
Lease liabilities	19,454,248	64,918,042	383,519,092	467,891,382
Borrowed funds	432,170,164	747,699,778	4,037,912,588	5,217,782,530
Amount payable to shareholder	235,736,323	158,464,215	3,282,568,101	3,676,768,639
Cash flows from financial liabilities	**1,743,711,151**	**2,516,925,390**	**7,744,134,774**	**12,004,771,315**
Net financial position	**294,147,731**	**751,534,710**	**5,754,721,572**	**6,800,404,013**

Notes to the Financial Statements (continued)

31. Risk management (continued)

31.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The equity prices risk does not apply to the Bank.

31.6 Interest rate risk

The objective of the entity's interest rate risk management process is to manage and control interest rate exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Interest rate risk is the risk that movements in interest rates will reduce the entity's income or capital.

A principal part of the entity's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The entity aims, through its management of interest rate risk, to mitigate the impact of prospective interest rate movements which could reduce future earnings and capital.

Sensitivity analysis - Increase/decrease of 10% in net interest margin

The interest rate risks sensitivity analysis is based on the following assumptions:
- Changes in the market interest rates affect the interest income or expenses of variable financial instruments,
- Changes in the market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair values,
- The interest rate changes will have an effect on interest sensitive assets and liabilities and hence simulation modelling is applied to financial instruments which are quoted at variable interest rates,
- The projections make other assumptions including that all positions run to maturity.

The table below sets out the impact on current profit and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the financial years beginning on 01 January 2020 and 01 January 2019 respectively.

31 December 2020	Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after tax	392,618,271	370,733,402	414,503,140
Equity	2,608,801,606	2,586,916,737	2,630,686,475

31 December 2019	Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after tax	434,376,840	418,237,895	450,515,785
Equity	2,216,183,335	2,200,044,390	2,232,322,280

Assuming no management actions, a rise would decrease the Bank's profit after tax for the year and equity by MZN 21,884,869 (31 December 2019: MZN 16,138,945) while a fall would increase profit after tax and equity by the same amounts.

31.7 Capital risk management

The capital structure of the bank consists of equity attributable to shareholders comprising stated capital and retained income. The Bank reviews the capital structure on a regular basis. The Bank is not subject to any externally imposed capital requirements.

The capital structure of the Bank consists of debt, which includes the borrowings disclosed in notes 18 and 22, amount payable to shareholders disclosed in note 23, cash and bank balances disclosed in note 10,11 and 19 and equity as disclosed in the statement of financial position. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares to reduce debt. Consistent with others in the industry, the Bank monitors capital on the basis of the gearing ratio.

Notes to the Financial Statements (continued)

Figures in Metical

31.8 Foreign exchange risk

The Bank has certain loans in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures. Consequently the bank is exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

The Bank's currency position is as follows:

31 December 2020	**MZN**	**USD**	**ZAR**	**Total**
Assets				
Cash and deposits with Central Bank and deposits with other financial institutions	434,172,891	1,035,779	2,688	435,211,358
Loans and advances to customers	10,791,534,310	-	-	10,791,534,310
Other assets	42,525,146	-	-	42,525,146
Investment securities	1,271,286,876	-	-	1,271,286,876
Total financial assets	**12,539,519,223**	**1,035,779**	**2,688**	**12,540,557,690**
Liabilities				
Deposit from customers	2,767,710,888	-	-	2,767,710,888
Due to banks	369,553	-	-	369,553
Other liabilities	96,859,331	110,894,794	408,762	208,162,887
Lease liabilities	225,726,248	-	-	225,726,248
Borrowed funds	4,762,016,970	-	-	4,762,016,970
Amount payable to shareholder	1,516,544,328	1,273,450,398	-	2,789,994,726
Total financial liabilities	**9,369,227,318**	**1,384,345,192**	**408,762**	**10,753,981,272**
Net financial position	**3,170,291,905**	**(1,383,309,413)**	**(406,074)**	**1,786,576,418**

31 December 2019	**MZN**	**USD**	**ZAR**	**Total**
Total financial assets	9,828,987,570	1,839,195	646	9,830,827,411
Total financial liabilities	(7,449,331,680)	(1,215,779,837)	(450,994)	(8,665,562,511)
Net financial position	**2,379,655,890**	**(1,213,940,642)**	**(450,348)**	**1,165,264,900**

The objective of the entity's foreign exchange risk management is to manage and control foreign exchange exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Foreign exchange risk is the risk that movements in foreign exchange rates will reduce the entity's income or capital.

Notes to the Financial Statements (continued)

31. Risk management (continued)

31.8 Foreign exchange risk (continued)

A principal part of the entity's management of foreign exchange risk is to monitor the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims, through its management of foreign exchange risk, to mitigate the impact of foreign exchange fluctuations which could reduce future earnings and capital.

Foreign exchange risks - appreciation/depreciation of MZN against other currencies by 10%

The foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than MZN,
- The currency sensitivity analysis is based on the assumption that all net currency positions are highly effective,
- The base currencies which the entity's business are transacted is MZN.

The table below sets out the impact on current earnings of and incremental 10% parallel fall or rise in all foreign currencies at the beginning of the financial years from 01 January 2020 and 01 January 2019 respectively.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2020	Amount	Scenario 1 Effect after 10% appreciation in MZN	Scenario 2 Effect after 10% depreciation in MZN
Profit after tax	392,618,271	486,781,540	298,455,002
Equity	2,608,801,606	2,702,964,875	2,514,638,337

31 December 2019	Amount	Scenario 1 Effect after 10% appreciation in MZN	Scenario 2 Effect after 10% depreciation in MZN
Profit after tax	434,376,840	516,955,427	351,798,253
Equity	2,216,183,335	2,133,595,748	2,298,770,922

Assuming no management actions, an appreciation in MZN would increase profit after tax for the year by MZN 94,163,269 (31 December 2019 by MZN 82,578,587), increase equity by MZN 94,163,269 (31 December 2019 by MZN 82,578,587), and a depreciation in MZN would decrease profit after tax and equity by same.

32. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Notes to the Financial Statements (continued)

33. Fair value measurements

The information set out below provides information about how the Bank determines fair values of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Mozambique Stock Exchange).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Except where disclosed elsewhere, the Directors consider that the carrying value of the other financial assets approximate their fair values.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Bank values by the net present value model in order to obtain the fair value of the Government Bonds in available for sale financial assets. The rates used to discount for the discount factor are market observable, using the Treasury Bills rates, depending on the maturity dates.

The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following table shows an analysis of financial instruments recorded at amortised cost by level of the fair value hierarchy:

	31 December 2020		31 December 2019	
	Carrying amount MZN	Fair value MZN	Carrying amount MZN	Fair value MZN
Financial assets				
At amortised cost				
- Investment securities	1,264,326,574	1,264,326,574	627,332,981	627,332,981
- Loans and advances to customers	10,791,485,256	10,791,485,256	8,630,488,456	8,630,488,456
Fair value through other comprehensive income				
- Investment securities	6,960,302	6,960,302	6,960,302	6,960,302
	12,062,772,132	**12,062,772,132**	**9,264,781,739**	**9,264,781,739**
Financial liabilities				
Financial liabilities held at amortised cost				
- Deposit from customers	2,767,710,888	2,767,710,888	2,129,337,925	2,129,337,925
- Lease liabilities	225,726,248	225,726,248	243,243,016	243,243,016
- Borrowed funds	4,762,016,970	4,762,016,970	3,622,671,111	3,622,671,111
- Amount payable to shareholder	2,789,994,726	2,789,994,726	2,436,661,566	2,436,661,566
	10,545,448,832	**10,545,448,832**	**8,431,913,618**	**8,431,913,618**

Notes to the Financial Statements (continued)

Figures in Metical

33. Fair value measurements (continued)

Fair value hierarchy as at 31 December 2020

	Level 1	Level 2	Level 3	Total
	MZN	MZN	MZN	MZN
Financial assets				
At amortised cost				
- Loans and advances to customers	-	-	10,791,485,256	10,791,485,256
- Investment securities	-	-	1,264,326,574	1,264,326,574
Fair value through other comprehensive income				
- Investment securities	-	-	6,960,302	6,960,302
Total	**-**	**-**	**12,062,772,132**	**12,062,772,132**

	Level 1	Level 2	Level 3	Total
	MZN	MZN	MZN	MZN
Financial liabilities				
At amortised cost				
- Deposit from customers	-	-	2,767,710,888	2,767,710,888
- Lease liabilities	-	-	225,726,248	225,726,248
- Borrowed funds	-	-	4,762,016,970	4,762,016,970
- Amount payable to shareholder	-	-	2,789,994,726	2,789,994,726
Total	**-**	**-**	**10,545,448,832**	**10,545,448,832**

Fair value hierarchy as at 31 December 2019

	Level 1	Level 2	Level 3	Total
	MZN	MZN	MZN	MZN
Financial assets				
At amortised cost				
- Loans and advances to customers	-	-	8,630,488,456	8,630,488,456
- Investment securities			627,332,981	627,332,981
Fair value through other comprehensive income				
- Investment securities	-	-	6,960,302	6,960,302
Total	**-**	**-**	**9,264,781,739**	**9,264,781,739**

	Level 1	Level 2	Level 3	Total
	MZN	MZN	MZN	MZN
Financial liabilities				
At amortised cost				
- Deposits from customers	-	-	2,129,337,925	2,129,337,925
- Lease liabilities	-	-	243,243,016	243,243,016
- Borrowed funds	-	-	3,622,671,111	3,622,671,111
- Amount payable to shareholder	-	-	2,436,661,566	2,436,661,566
Total	**-**	**-**	**8,431,913,618**	**8,431,913,618**

Notes to the Financial Statements (continued)

Figures in Metical	2020	2019

34. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Bank of Mozambique. The primary objectives of capital management are to ensure that the Bank:

- complies with the externally imposed capital requirements set by the Bank of Mozambique;
- maintains strong credit ratings and healthy capital ratios in order to support its business; and
- has the ability to continue as a going concern so that it can continue to provide returns and maximize shareholders' value.

The Bank is complying with the Bank of Mozambique regulatory framework and is subject to a daily ongoing monitoring of the foreign exchange position and on a monthly basis with regards to Capital Adequacy Ratio, Solvency Ratio and Credit Concentration. The Bank of Mozambique requires each bank to hold the minimum level of the regulatory capital of 8% of the risk-weighted assets. By this fact, the Bank will not be allowed to increase assets patrimony, according to Aviso 6/GBM/2007 and ability to continue as a going concern may be triggered.

The following table summarises the calculation of the capital adequacy ratio of the Bank for the year ended 31 December 2020 and 31 December 2019 as per the requirements of the Bank of Mozambique:

Core Capital (Tier I)		
Share Capital Realised	2,483,520,645	2,395,968,000
Legal reserves	128,472,368	63,315,843
Reserves and Retained Earnings Losses	(553,060,653)	(922,281,240)
Intangible Assets	(562,282,901)	(81,472,777)
Impairment Provision Gap	(328,265,867)	(506,483,225)
Core Capital (Tier I)	**1,168,383,592**	**949,046,601**
Complimentary Capital (Tier II)		
Other	1,195,743	1,068,496
Complimentary Capital (Tier II)	**1,195,743**	**1,068,496**
Eligible Capital (Tier I and Tier II)	**1,169,579,335**	**950,115,097**
Risk Weighted Assets (RWA)		
Balance Sheet	9,565,941,461	8,547,969,838
Off Balance Sheet	-	-
Operational and Market Risk	197,682,596	173,323,143
	9,763,624,057	**8,721,292,981**
Capital Adequacy Ratios		
Core Tier I	11.97 %	10.88 %
Core Tier II	0.01 %	0.01 %
Solvency Ratio	11.98 %	10.89 %
Solvency Ratio (Minimum Required)	8.00%	8.00 %

35. Events after the reporting period

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2020.