Bayport Financial Services Moçambique (MCB), SA

Financial statements
for the year ended 31 December 2021

Index

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	Deceased
	Bene Machatine	
	Edgar Baloi	
	Grant Colin Kurland	
	Michael John Mocke	
	Nazir Bhikka	Resigned
	Suzette José Dalsuco	Resigned
	Nothando Ndebele	Newly Appointed
	Ranganai Mubaiwa	Newly Appointed
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, S.A. Access Bank Mozambique, S.A. Banco Commercial e de Investimentos, S.A. Banco de Investimento Global, S.A. Banco Nacional de Investimento, S.A. Banco Société Générale Moçambique, S.A. First National Bank Moçambique, S.A. Millenium BIM Banco Internancional de Moçambique, S.A. Moza Banco, S.A. Nedbank Moçambique, S.A. Standard Bank Moçambique, S.A	
Auditors	BDO Limitada Avenida 25 de Setembro 1230 3º Andar Edifício 33 Andares 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 2022, 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 17.

The financial statements set out on pages 18 to 57, which have been prepared on the going concern basis, were approved by the board of directors on 23 March 2022 and were signed on their behalf by:

By Order of the Board

Chief Financial Officer

Chief Executive Officer

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 2021.

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.

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, the World Bank through their global economic prospectus published in January 2022, stated that after rebounding to an estimated 5.5% in 2021, global growth is expected to decelerate to 4.1% in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. The near-term outlook for global growth is somewhat weaker, and for global inflation notably higher, than previously envisioned, owing to pandemic resurgence, higher food and energy prices, and more pernicious supply disruptions. Global growth is projected to soften further to 3.2% in 2023, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound. Although output and investment in advanced economies are projected to return to pre-pandemic trends, in emerging market and developing economies (EMDEs), particularly in small states and fragile and conflict afflicted countries, they will remain markedly below, owing to lower vaccination rates, tighter fiscal and monetary policies, and more persistent scarring from the pandemic.

At the local level, the National Institution of Statistics (INE) in their National Accounts report for the fourth quarter of 2021 published in February 2022, stated that the Gross Domestic Product (GDP) growth was 2.16% for the year. This growth was not always even as most of the growth came in the last two quarters (3.36% in the third quarter and 3.32% in the fourth quarter) with the second quarter having registered a 1.97% growth which would have been unimpressive had it not been for the 0.12% registered in the first quarter. This impressive growth in the last two quarters arose from the primary sector, particularly the mining industry, as well as the agriculture, livestock, hunting, forestry and logging industry.

The annual inflation rate for 2021 stood at 6.74%, which was higher than in 2020 when inflation was only 3.52%. Food and non-alcoholic beverages, restaurants, hotels and cafes categories contributed most to the rise in prices in 2021.

The International Monetary Fund (IMF) stated that growth in Mozambique is expected to rise further in 2022, reflecting a broader recovery of the non-LNG economy. In the longer term, non-LNG growth is projected at 4% (conservative relative to historical rates, potential linkages with the LNG sector and scope for diversification). Overall growth will rise sharply as LNG projects begin production, currently expected in 2023 and 2026. While agricultural performance may be stronger than envisaged in 2022 considering expected favourable meteorological conditions, new waves of Covid-19 infection could prompt confinement measures, while firms, including state-owned enterprises, balance sheets have been weakened by the Covid-19 crisis. This, as a result, reducing scope for investment, and potentially weakening of the banking sector asset quality over time. Vulnerability to natural disasters and the effects of climate change are a recurrent vulnerability, as is renewed deterioration of the security situation that could further delay or stop the LNG projects.

According to IMF again, while the authorities have managed the crisis prudently so far, high debt and limited financing constrain fiscal policy. Government revenues have held up well since the start of the pandemic, but expenditure pressures have intensified due to the security and humanitarian situation in the north of the country, Covid-19 related spending (including the vaccine rollout) and a reform of public sector remuneration. The economic difficulties of SOEs and contingent liabilities (of about 10% of GDP) from the disputed debts associated with Proindicus and MAM represent risks, while exchange rate depreciation could increase public and publicly guaranteed debt.

3. Review of financial results and activities (continued)

Having reduced one of the main reference rates, the Overnight Interbank Rate (MIMO) in 2020 twice by accumulative 250bps, the Banco de Moçambique Monetary Policy Committee (CPMO) decided to increase this rate by 300bps to 13.25%. This was somehow surprising given the 2020 movements, but on deeper analysis, it made sense in view of the economic fragilities brought by the Covid-19 pandemic and the war in the northern parts of the country. The rest of the reference rates, the Standing Deposit Facility (SDF), the Standing Lending Facility (SLF), and the Prime Lending (PLR) interest rates also largely followed suit taking the rates to 10.25%, 16.25% and 18.60% respectively. On the other hand, in September 2021 the Central Bank reduced the Reserve Requirement ratio for liabilities in domestic and foreign currency from 11.50% and 34.50% to 10.50% and 11.50%, respectively. This was probably a quest to increase liquidity in the market.

Financial performance

The Mozambique economy continues to go through very delicate and uncertain times, although a slight return of growth in the economy is expected. Hence, the Covid-19 pandemic drove new business dynamics and Bayport, being part of the ecosystem, had to adapt to this new paradigm in order to reduce the impact on operational capacity and business generation.

Interest income grew by 19.96% from MZN 3.64 billion to MZN 4.37 billion, supported by commensurate growth in the Loan book of 28.57%. Operating expenses went up by 22.64% in line with increase in operations as well as management relaxation of strict restrictions on spending to only business essentials. However, the Bank continues to implement cost containment efforts to mitigate the potential negative impact of the continued Covid-19 pandemic and yet still support loan book growth.

The metical appreciated by 15.15% in 2021, from MZN 75.04 to MZN 63.83, following an extraordinary appreciation of 23.47% to MZN 57.59 in the first semester of 2021. The metical has been flat since September 2021. With this overall appreciation, total foreign currency exchange gain registered during the year being MZN 134.97 million which is a significant improvement from the foreign currency loss of MZN 228.84 million registered in 2020.

Impairment expense decreased by 41.20% from MZN 218.79 million in 2020 to MZN 128.66 million. This resulting in cost of risk of decreasing from 2.44% in 2020 to 1.31%. Profit after tax increased substantially from MZN 392.62 million registered in 2020 to MZN 849.93 million.

Financial highlights

Profitability	**2021 (MZN)**	**2020 (MZN)**
Interest and other similar income	4,370,589,119	3,643,466,246
Net interest income	2,583,463,851	2,123,601,714
Net fees and commission income	(2,144,246)	(20,094,266)
Operating income	2,723,996,075	1,874,623,422
Operating expenses	1,314,744,782	1,071,993,711
Impairment expense	128,659,278	218,791,314
Profit after tax	866,047,298	392,618,271
Financial Position		
Net advances	14,016,548,534	10,901,957,205
Deposit from customers	3,581,595,678	2,767,710,888
Equity	3,844,597,861	2,608,801,606
Ratio		
Net profit margin (Net profit/interest and other similar income and fees and commission income)	19.83%	10.84%
Return on equity (net profit/average equity)	26.91%	16.27%
Non-performing loans/Gross advances	2.19%	1.55%

Net profit margin increased from 10.84% to 19.83% mainly due to the overall favourable financial performance as noted in the increase in interest and other similar income, foreign currency exchange gain as well as decrease in impairment expense. The return on equity also increased from 16.27% to 26.41% in the same period due to the increase in profitability, despite the share capital increase of MZN 371.43 million received in 2021. Non-performing loans ratio, however, increased from 1.55% to 2.19% owing to significant write offs made in the previous year 2020 that resulted in an exceptionally lower rate in that year.

To continue on its growth path, Bayport embraces challenges ensuring adequacy in 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.

3. Review of financial results and activities (continued)

The market has also continued to be quite receptive to the deposit taking product, resulting in the balance increasing from MZN 2.73 billion at the beginning of the year to MZN 3.58 billion at the end of the year. As such, deposits continue to play an important role in our funding.

The continued effect of the COVID-19 pandemic resulted in low number of 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, due to our go-to-client business model.

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 2021, the staff complement, including management, stood at 150, split as follows in terms of gender.

	2021	2020
Female	56	88
Male	94	113
Total	**150**	**201**

Due to the Covid-19 pandemic, there was a continued freeze on external training courses, first implemented in 2020. 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 11 as of yearend, reduced from 18 from 2020, as the business embarked on digitisation which left a number of branches redundant. Nevertheless, branches remain widely distributed even after these branch closures, with least one branch in each province, enhancing financial inclusion. The remaining 11 branches are located as follows:

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 15.35%, higher than the minimum limit. However, cognisant of the expected growth of the bank and the impact this growth would have on the CAR.

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.

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	2,748,238,031	99.00
Whatana Investments	13,880,807	0.50
Other private individuals	13,880,807	0.50
Total	**2,775,999,645**	**100.00**

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

5. Dividends

No dividends were declared or paid to shareholders during the year ended 31 December 2021 (2020: nil).

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

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	Resigned
Rita Donato (CGA)	Company Secretary	

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	Chairperson	
Alison Blanchard	Non-Executive	Deceased
Bene Machatine	Executive	
Edgar Baloi	Non-Executive	
Grant Colin Kurland	Non-Executive	
Michael John Mocke	Non-Executive	
Nazir Bhikka	Non-Executive	Resigned
Nothando Ndebele	Non-Executive	Appointed
Ranganai Mubaiwa	Executive	Appointed
Suzette José Dalsuco	Non-Executive	Resigned

6. Governance (continued)

6.4 Board and Management Committees Composition

As of 31 December 2021 the Board and Management Committees were as follows;

Audit, Risk and Compliance Committee

Edgar Baloi	Chairperson	
Alison Blanchard		
Osvaldo Nhampossa		

Credit Committee

Chris Lubbe	Chairperson	
Bene Machatine		Resigned
Nothando Ndebele		Appointed
Osvaldo Nhampossa		Appointed
Ranganai Mubaiwa		Resigned

Assets and Liabilities Management Committee

Bene Machatine	Chairperson	
Beatriz Dias		Appointed
Francisco Orlando		Appointed
Jarryd Lobley		
Ranganai Mubaiwa		

Remuneration Committee

Nothando Ndebele	Chairperson (Interim)	Appointed
Edma Cumbane		Resigned
Hayley van Heerden		
Nazir Bhikha		Resigned

Executive Committee

Bene Machatine	Chief Executive Officer	
Ranganai Mubaiwa	Chief Financial Officer	
Francisco Orlando	Chief Commercial and Operations Officer	Appointed

7. Events 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

In line with mandatory rotation rules, Deloitte resigned as auditors after the approval of the 2020 financial statements and were replaced by BDO Limitada in March 2021 in accordance with Decree number 65/2011 of 21 December 2011.

10. Proposed application of profit

It is proposed that MZN 259,814,190 representing 30% of the profit made in 2021, be transferred to a legal reserve in compliance with statutory requirements (Law 20/2020 of 31 December 2020 in particular). It is further proposed that the remainder of the profit, amounting to MZN 606,233,108, be retained in retained earnings and be applied in full towards increasing the equity of the business ("Fundos Proprios").

The financial statements set out on page 18 - 57, which have been prepared on the going concern basis, were approved by the board of directors on 23 March 2022, and were signed on its behalf by:

Nuno Pedro Silveira Quelhas **(Chairperson)**		**Bene Machatine** **(Chief executive officer)**
Edgar Baloi **(Director)**		**Grant Colin Kurland** **(Director)**
Michael John Mocke **(Director)**		**Nothando Ndebele** **(Director)**
Ranganai Mubaiwa **(Chief Financial Officer)**		

BDO

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CP 4200

TO SHAREHOLDERS OF
BAYPORT FINANCIAL SERVICES MOÇAMBIQUE (MCB), S.A.
MAPUTO

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of **BAYPORT FINANCIAL SERVICES MOÇAMBIQUE (MCB), S.A**, which comprise the statement of financial position as at 31 December 2021 (which shows a total assets of MZN 16 928 915 710 and total equity of MZN 3 844 597 861 including a net profit of MZN 866 047 298), the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of **BAYPORT FINANCIAL SERVICES MOÇAMBIQUE (MCB), S.A**, as at 31 December, 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical recommendation from Board of Accountants and Auditors of Mozambique (OCAM). We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the entity for the year ended 31 December 2020, were audit by another auditing firm who expressed an unmodified opinion of those statements, on 16 April 2021.

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 of 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.

1	*Expected credit losses on loans and advances to customers in amount of MZN 414 847 077*

Key audit matter

The Bank adopted IFRS 9 from 1 January 2017 which requires impairment losses to be evaluated on an expected credit losses (ECL) basis. The determination of impairment provision for expected losses requires significant judgement, and we have identified the audit of ECL impairment provision to be a key audit matter.

Accuracy of ECL models

The ECL models applies to financial assets measured at amortised cost, debt instruments measure at fair value through other comprehensive income, lease receivables and certain loan commitments, as well as financial guarantee contracts.

Under de 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 financial instrument.

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 corrections between counterparties. The entity 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 assets.

Refer to the following notes to the financial statements:

- Note 1.4: Financial instruments impairment of financial assets;
- Note 12: Expected credit loss allowance (impairment losses) on loan advances;
- Note 12: Loans and advances to customers and
- Note 31.1: Credit risk.

At 31 December 2021, gross unsecured loans and advances to customers amounted to MZN 14 431 395 611, against which an expected credit loss ("ECL") of MZN 414 847 077 was recognized.

The ECL was calculated by applying the requirements of International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9"), as described in note 31.1 to the financial statements.

The ECL recognized on loans and advances to customers represents management´s best estimate of the ECL on the customer loan portfolio as at 31 December 2021. The estimation of ECLs on loans and advances ins complex and requires the use of models,

How our audit addressed the key audit matter

Our audit addressed the key audit matter as follows:

We obtained an understanding of, and tested the relevant controls in place for quantifying the impairment losses on loans and advances to customers, which included:

- The process over credit approval for loans and advances;
- The calculation of interest income; and
- The calculation of the ECL.

We validated the ECL model´s mathematical integrity and model output, including the completeness and accuracy of the model´s data by agreeing it to relevant source data. We did not note any material exceptions.

To address the key areas of significant judgement and estimation in determining the ECL, on loans and advances to customers, we performed the following audit procedures:

Evaluation of significant increase in credit risk ("SICR")

- Making use of our internal valuation expertise, we evaluated, on a sample basis, the application of the SICR criteria to determine whether a SICR has occurred and whether the IFRS 9 impairment staging correctly reflects the results.
- The evaluation involved verifying whether the system correctly calculated the number of days in arrears for the customers in the sample. We found no exceptions.

Inclusion of forward-looking information and macroeconomic variables in the ECL

- Marking use of our internal valuation expertise, we compared the assumptions used in the forward-looking economic model to independent market data, specifically the forward-looking scenarios used, the macroeconomic outlook. We found management´s assumptions to be in line with the market data.
- Making use of our internal valuation expertise, we tested the accuracy and sensitivity of the forward-looking model in order to evaluate whether the chosen macroeconomic factors and model fit provide a reasonable representation of the impact of macroeconomic changes on the ECL results. This was performed by applying our internal valuations expertise and our knowledge of the economic environment in which the bank operates. Based on our work performed, we accepted the model used by management.

Calibrating od ECL statistical model components (PD, EAD, LGD)

as the exposure varies with changes in market conditions, expected cash flows and the passage of time. Significant areas of judgement in determining the ECL are disclosed in note 1.4 and 31.1 to the financial statements. We determined the ECL on loans and advances to customers to be a matter of most significance to our current year audit due to the level of judgement applied by management in determining the ECL on loans and advances and the ECL being material to the financial statements.	▪ Through discussions with management, we obtained an understanding of the methodologies used by management to determine and calibrate the various ECL model components to use historical information to estimate future cash flows and assessed the methodology against the requirements of IFRS 9. ▪ On a sample basis, we evaluated the inputs used in the ECL model by agreeing the inputs used in the model to relevant customer information.

Information other than the financial statement and auditor's report thereon

Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our 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 on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of board of directors and those charged with governance for the financial statements

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

In preparing the financial statements, Board of Directors is responsible for assessing the Entity´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 Board of Directors either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity 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 judgment 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 Entity internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors.
- Conclude on the appropriateness of Board of Directors'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 entity'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 entity to cease to continue as going concern.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirement regarding independence, and to communicate with them all relationship and other matter that mat reasonably by thought to bear on our independence, and where applicable, related safeguards.

From the matter communicated with those charged with governance, we determine those matters that were of most significance in the auditor of financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO (MOZAMBIQUE), LDA

Registered Audit Firm nr 02/SAC/OCAM/2012, represented by:

Engagement Partner: Abdul Satar A. Hamid

Registered Auditor: 01/CA/OCAM/2012

Maputo, 23 March 2022

Statement of Profit and Loss and Other Comprehensive Income

Figures in Metical	Note(s)	2021	2020
Interest and other similar income	3	4,370,589,119	3,643,466,246
Interest and other similar charges	4	(1,787,125,268)	(1,519,864,532)
Net interest income		**2,583,463,851**	**2,123,601,714**
Fees and commission income	5	86,764,762	76,320,578
Fees and commission expense	5	(88,909,008)	(96,414,844)
Net fees and commission income	5	**(2,144,246)**	**(20,094,266)**
Net profit/(losses) from trading	6	134,971,929	(228,837,526)
Other income		8,523,145	-
(Loss)/income from available for sale of movable assets		(818,604)	(46,500)
Operating income		**2,723,996,075**	**1,874,623,422**
Impairment of loans and advances and trade receivables	12&13&31.1	(128,659,278)	(218,791,314)
Net operating income		**2,595,336,798**	**1,655,832,108**
Staff costs	7	(513,585,274)	(474,664,122)
Depreciation and amortisation	15&16&17	(199,985,227)	(90,423,461)
Other operating expenses	8	(601,174,281)	(506,906,128)
Profit before taxation		**1,280,592,015**	**583,838,397**
Current tax	9.1	(338,042,495)	(157,162,215)
Deferred tax	9.1	(76,502,222)	(34,057,911)
Profit for the year		**866,047,298**	**392,618,271**
Other comprehensive income		-	-
Total comprehensive income for the year		**866,047,298**	**392,618,271**

Certified Accountant

Board of Directors

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

Statement of Financial Position

Figures in Metical	Note	2021	2020
Assets			
Cash and deposits with Central bank	10	491,106,145	282,769,581
Deposits with other financial institutions	11	299,443,630	152,441,778
Loans and advances to customers	12	14,016,548,534	10,901,957,205
Other assets	13	50,344,853	61,763,143
Investment securities	14	1,439,954,479	1,271,286,876
Property and equipment	15	83,888,201	77,362,009
Right-of-use asset	16	103,176,635	191,783,183
Intangible assets	17	434,726,220	562,282,904
Current tax assets	9.2	201,686	400,000
Deferred tax assets	9.3	9,525,327	83,360,569
Total Assets		**16,928,915,710**	**13,585,407,248**
Liabilities and Equity			
Liabilities			
Deposit from customers	18	3,581,595,678	2,767,710,888
Due to banks	19	60,525,669	369,553
Other liabilities	20	521,066,157	335,007,644
Lease liabilities	21	127,472,363	225,726,248
Borrowed funds	22	6,582,949,799	4,717,270,300
Amount payable to shareholder	23	2,006,406,781	2,789,994,726
Current tax liabilities	9.2	201,432,736	140,526,283
Deferred tax liabilities	9.3	2,666,980	-
Total Liabilities		**13,084,317,849**	**10,976,605,642**
Equity			
Share capital	24	2,775,999,645	2,483,520,645
Deposit for shares	24	234,520,933	157,250,976
Legal reserves	25	246,257,848	128,472,369
Retained income/(Accumulated loss)		587,819,435	(160,442,384)
Total Equity		**3,844,597,861**	**2,608,801,606**
Total Liabilities and Equity		**16,928,915,710**	**13,585,407,248**

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	Retained income/ Accumulated loss	Total equity
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 01 January 2021	**2,483,520,645**	**157,250,976**	**2,640,771,621**	**128,472,369**	**(160,442,384)**	**2,608,801,606**
Increase in deposit for shares	-	369,748,957	369,748,957	-	-	369,748,957
Increase in share capital	292,479,000	(292,479,000)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	866,047,298	866,047,298
Transfer to legal reserves	-	-	-	117,785,479	(117,785,479)	-
Total changes	**292,479,000**	**77,269,957**	**369,748,957**	**117,785,479**	**748,261,819**	**1,235,796,255**
Balance at 31 December 2021	**2,775,999,645**	**234,520,933**	**3,010,520,578**	**246,257,848**	**587,819,435**	**3,844,597,861**
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)	2021	2020
Cash flows from operating activities			
Cash used in operations	26	(564,657,466)	(22,144,046)
Tax paid		(276,736,042)	(16,735,931)
Net cash used in operating activities		**(841,393,508)**	**(38,879,977)**
Cash flows from investing activities			
Purchase of property and equipment	15	(49,446,035)	(11,467,531)
Investment in securities	14	(168,667,603)	(636,993,593)
Purchase of intangible assets	17	(1,817,597)	(487,408,543)
Proceeds from sale of property and equipment		1,169,440	-
Net cash used in investing activities		**(218,761,795)**	**(1,135,869,667)**
Cash flows from financing activities			
Net proceeds from bond issuance		82,874,796	361,000,000
Net proceeds from borrowings		1,782,804,703	772,986,396
Net decrease/(increase) in amount payable to shareholder		(412,088,011)	8,614,936
Net decrease in lease liabilities		(98,253,885)	(24,382,700)
Net cash flows generated from financing activities		**1,353,586,626**	**1,068,218,632**
Net decrease in cash and cash equivalents		**295,182,300**	**(106,531,012)**
Cash and cash equivalents at the beginning of the year		434,841,806	541,372,818
Total cash and cash equivalents at the end of the year	28	**730,024,106**	**434,841,806**

Certified Accountant

Board of Directors

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

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. The Bank is 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 20/2020 of 31 December 2020 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 foreseeable 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 a material effect on the financial statements.

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.

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.

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.

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.

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 instalment 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 occurred.

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.

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.

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.

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.

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).

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.

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.

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.

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 2021.

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 for future transactions or arrangements.

- IFRS 4 Insurance contracts - Amendments regarding replacement issues in the context of IBOR reform
- IFRS 7 Financial Instruments - Disclosures Amendments regarding replacement issues in the context of the IBOR reform
- IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
- IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform

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 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 resulting from Annual Improvements to IFRS Standards (fees in the '10 per cent' test for derecognition of financial liabilities (effective 1 January 2022)
- IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 1 April 2021)
- 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 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 8 Accounting policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates (effective 1 January 2023)
- IAS 12 – Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (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)
- 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 Company 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.

3. Interest and other similar income

	2021	2020
Interest from loans and advances	4,247,060,987	3,553,316,681
Interest from employees loans	532,826	497,634
Interest from banks and investment securities	122,995,306	89,651,931
Total interest and other similar income	**4,370,589,119**	**3,643,466,246**

4. Interest and other similar charges

	2021	2020
Interest on bonds	446,051,400	464,763,161
Interest on bank overdrafts and loans	648,067,359	411,426,963
Interest on amount payable to shareholder	221,791,749	215,591,027
Interest on lease liabilities	22,665,058	45,049,881
Interest on deposits from customers	448,549,701	383,033,500
Total interest and other similar changes	**1,787,125,268**	**1,519,864,532**

5. Net fees and commission income

	2021	2020
Fees and commission income		
Credit life commission received	86,764,762	76,320,578
Fees and commission expense	(88,909,008)	(96,414,844)
Fees and commission expense		
Net fees and commission income	**(2,144,246)**	**(20,094,266)**

6. Net profit/(losses) from trading

	2021	2020
Foreign exchange gains/(losses)		
Foreign exchange gains/(losses)	134,971,929	(228,837,526)

7. Staff costs

	2021	2020
Personnel expenses present as follows:		
Wages and salaries	504,997,523	464,870,867
Contribution to INSS	8,587,751	9,793,255
Total staff costs	**513,585,274**	**474,664,122**

8. Other operating expenses

	2021	2020
Levies and duties paid - stamp duties	3,370,126	3,955,538
Professional fees	331,389,350	257,515,557
Travelling and representation expenses	40,618,723	32,004,691
Communications	5,676,978	6,972,536
Operating lease rentals	738,714	1,154,720
Marketing and promotions	6,254,308	4,387,861
Fuel	2,804,278	3,017,657
Entertainment	31,530	42,090
Insurance	5,383,034	5,890,086
Fines, penalties and operational losses	14,875,570	1,405,249
Security services	6,594,527	8,525,061
Printing and stationery	11,181,548	10,971,993
Maintenance and repairs	4,125,035	4,563,040
Other expenses	168,130,560	166,500,049
Total other operating expenses	**601,174,281**	**506,906,128**

9. Income taxes

9.1 Income tax recognised in profit or loss

	2021	2020
Current tax		
In respect of current year	314,155,449	140,526,284
Withholding tax	23,887,046	16,635,931
Total current tax	**338,042,495**	**157,162,215**
Deferred tax		
In respect of current year	76,502,222	34,057,911
Total deferred tax	**76,502,222**	**34,057,911**
Total income tax expense recognised in the current year	**414,544,717**	**191,220,126**

Reconciliation of effective tax rate

	2021		2020	
	Tax rate	Value	Tax rate	Value
Profit before taxation		1,280,592,015		583,838,397
Tax at the applicable rate	32.00%	409,789,445	32.00%	186,828,286
Tax effect of the adjustments on taxable income				
Non-deductible expense	4.47%	57,230,760	2.50%	91,473,781
Deductible expense	-11.94%	(152,864,756)	-2.12%	(26,802,973)
Set-off against prior year tax losses	-	-	-	(110,972,810)
Taxation		**314,155,449**	**-**	**140,526,284**
Withholding tax		23,887,046		16,635,931
Total current tax		**338,042,495**		**157,162,215**
Effective tax rate		**26.40%**		**26.92%**

9.2 Current tax assets and liabilities

	2021	2020
Current tax assets (advance corporate tax paid)	201,686	400,000
Current tax liabilities	(201,634,422)	(140,526,283)
	(201,432,736)	**(140,126,283)**
At 1 January	(140,126,283)	300,000
Tax paid	276,736,042	100,000
Current tax for the year recognised in profit or loss	(338,042,495)	(140,526,283)
At 31 December	**(201,432,736)**	**(140,126,283)**

9.3 Deferred tax assets and liabilities

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

	2021	2020
Deferred tax asset breakdown		
Accelerated capital allowances for tax purposes	9,525,327	10,820,228
Unrealised foreign exchange gains/(losses)	-	72,540,341
Total deferred tax assets	**9,525,327**	**83,360,569**
Deferred tax liability breakdown		
Unrealised foreign exchange gains/(losses)	(2,666,980)	-
Total deferred tax liabilities	**(2,666,980)**	**-**
Deferred tax assets and liabilities	**6,858,347**	**83,360,569**
Reconciliation of deferred tax assets		
At 1 January	83,360,569	117,418,482
Accelerated capital allowances	(1,294,901)	3,768,255
Unrealised foreign exchange losses	(75,207,321)	73,146,642
Tax losses available for set off against future taxable income	-	(110,972,810)
At 31 December	**6,858,347**	**83,360,569**

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

	2021	2020
Reconciliation of fiscal losses		
At 1 January	-	346,790,031
Tax losses utilised	-	(346,790,031)
At 31 December	**-**	**-**

10. Cash and deposits with Central bank

	2021	2020
Current assets		
Cash and deposits with Central Bank is as follows:		
Local currency	491,106,145	282,769,581
	491,106,145	**282,769,581**

The balances held with the Central Bank of Mozambique satisfy their requirements to maintain sufficient cash reserves. The minimum cash reserve requirement was MZN 342,712,470 in 2021 (31 December 2020: MZN 238,178,988). The rules in place as at 31 December 2021, as specified in Circular number 06/EMO/2021 of Notice 08/GBM/2019 of the Central Bank, establishes that financial institutions have to deposit an average balance of 10.50% of local currency and 11.50% of foreign currency of its client deposits at the end of each calculation period (2020:11.50% and 34.50% 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

	2021	2020
Current assets		
Cash and due from banks consist of:		
Cash balance		
Cash and mobile money on hand	6,643,412	7,209,794
Due from banks		
Local currency	292,868,773	144,237,933
Foreign currency	32,137	994,051
Total due from banks	**292,900,910**	**145,231,984**
Total deposits with other financial institutions	**299,443,630**	**152,441,778**

12. Loans and advances to customers

	2021	2020
Gross advances	14,431,395,611	11,162,676,317
Impairment provision	(414,847,077)	(260,719,112)
Loans and advances to customers	**14,016,548,534**	**10,901,957,205**
Impairment provision		
At 1 January	260,719,112	244,650,811
Net impairment recognised in profit or loss	162,685,048	218,886,356
Utilisation of allowance for impairment	(8,557,083)	(202,818,055)
At 31 December	**414,847,077**	**260,719,112**
Non-current assets	9,434,419,153	9,434,419,153
Current assets	1,467,538,052	1,467,538,052
Loans and advances to customers	**14,016,548,534**	**10,901,957,205**

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.

13. Other assets

	2021	2020
Prepayments	13,918,149	19,235,777
Other receivables	36,445,037	42,576,421
Impairment provision	(18,333)	(49,055)
Total other assets	**50,344,853**	**61,763,143**
Impairment provision		
At 1 January	49,055	144,095
Net impairment recognised in profit or loss	12,554	-
Impairment provision reversal	(43,276)	(95,040)
At 31 December	**18,333**	**49,055**
The other receivables are made up of the following;		
Advances to employees	4,394,547	4,374,080
Deposits for rentals	3,293,283	4,623,375
Consumables	-	50,000
Sundry debtors	28,757,207	33,528,966
Total other receivables	**36,445,037**	**42,576,421**
Sundry debtors include:		
Credit life commission	14,065,553	27,282,041
Other	14,691,654	6,246,925
Total sundry debtors	**28,757,207**	**33,528,966**

14. Investment securities

As of 31 December 2021 and 31 December 2020, the Bank had the following investments:

		2021	2020
Investment type			
Financial assets at fair value through other comprehensive income	14.1	6,960,302	6,960,302
Financial assets at amortised cost	14.2	1,432,994,176	1,264,326,574
		1,439,954,479	**1,271,286,876**
Opening balance		1,271,286,876	634,293,283
Additions		4,590,637,635	3,556,299,074
Matured		(4,421,970,032)	(2,919,305,481)
At 31 December		**1,439,954,479**	**1,271,286,876**

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 FVTOC.

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.

14.2 Financial assets at amortised cost

	2021	2020
Treasury Bills	1,432,994,176	1,264,326,574

The treasury bills amounting to MZN 1.43 billion (2020: 1.26 billion) have maturities ranging from the 19th of January 2022 to the 17th of March 2022 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 14.94% per annum. The Bank's strategy is to invest in securities that have, from the date of investment, maturities of not more than twelve months.

15. Property and equipment

Cost	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Leasehold improvements	Asset under construction	Total
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
Disposals	(41,820)	-	-	-	-	-	(41,820)
At 01 January 2021	**30,033,671**	**42,293,159**	**36,353,309**	**54,856,015**	**64,411,065**	**2,136,270**	**230,083,489**
Additions	700,188	18,719,829	1,966,389	24,791,396	3,268,233	-	49,446,035
Disposals	(1,089,436)	(7,340,000)	(646,210)	(138,959)	(6,122,479)	-	(15,337,084)
Transfers	-	-	-	34,154	-	(34,154)	-
At 31 December 2021	**29,644,423**	**53,672,988**	**37,673,488**	**79,542,607**	**61,556,819**	**2,102,116**	**264,192,440**
Accumulated depreciation							
At 01 January 2020	**14,308,905**	**16,261,382**	**18,797,956**	**35,448,752**	**25,568,230**	**-**	**110,358,225**
Charge for the year	6,524,717	5,999,583	7,626,859	10,217,307	12,009,609	-	42,378,075
Disposals	(41,820)	-	-	-	-	-	(41,820)
At 01 January 2021	**20,791,802**	**22,260,965**	**26,424,815**	**45,666,059**	**37,577,839**	**-**	**152,721,480**
Charge for the year	3,578,456	9,535,934	5,810,771	11,987,155	10,019,484	-	40,931,799
Disposals	(740,571)	(6,777,500)	(525,347)	(138,048)	(5,167,574)	-	(13,349,040)
At 31 December 2021	**23,629,687**	**25,019,398**	**31,710,239**	**57,515,166**	**42,429,749**	**-**	**180,304,239**
Carrying Value							
At 31 December 2021	**6,014,736**	**28,653,589**	**5,963,250**	**22,027,441**	**19,127,070**	**2,102,116**	**83,888,201**
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**

16. Right-of-use asset

The Bank leases buildings for its operations. Information about leases for which the Bank is a lessee is presented below;

Cost	Rental space	Total
At 01 January 2020	**269,452,712**	**269,452,712**
Additions	13,164,380	13,164,380
Modifications	(6,298,449)	(6,298,449)
At 01 January 2021	**276,318,643**	**276,318,643**
Additions	66,718,838	(60,673,204)
Modifications	(125,858,973)	-
At 31 December 2021	**217,178,509**	**215,645,439**
Accumulated depreciation		
At 01 January 2020	**43,088,490**	**43,088,490**
Charge for the year	41,446,970	41,446,970
At 01 January 2021	**84,535,460**	**84,535,460**
Charge for the year	29,466,413	29,466,413
Termination of lease	-	-
At 31 December 2021	**114,001,874**	**114,001,874**
Carrying Value		
At 31 December 2021	**103,176,635**	**103,176,635**
At 31 December 2020	**191,783,183**	**191,783,183**

16.1 Amount recognised in profit or loss

	2021	2020
Interest on lease liabilities	22,665,058	45,049,881
Depreciation of right of use asset	29,466,413	41,446,970
Expenses relating to short term leases	(432,280)	777,620
	51,699,191	**87,274,471**

16.2 Amount recognised in the statement of cash flows

	2021	2020
Total cash outflow for leases	34,058,993	24,382,700

17. Intangible assets

Cost	Computer Software	Asset under development	Total
At 01 January 2020	**30,771,285**	**60,132,213**	**90,903,498**
Additions	1,612,220	485,796,323	487,408,543
At 01 January 2021	**32,383,505**	**545,928,536**	**578,312,041**
Additions	1,817,597	-	1,817,597
Transfers	521,931,755	(521,931,755)	-
At 31 December 2021	**556,132,857**	**23,996,781**	**580,129,638**
Accumulated depreciation			
At 01 January 2020	**9,430,721**	**-**	**9,430,721**
Charge for the year	6,598,416	-	6,598,416
At 01 January 2021	**16,029,137**	**-**	**16,029,137**
Charge for the year	129,374,282	-	129,374,282
At 31 December 2021	**145,403,419**	**-**	**145,403,419**
Carrying Value			
At 31 December 2021	**410,729,439**	**23,996,781**	**434,726,220**
At 31 December 2020	**16,354,368**	**545,928,536**	**562,282,904**

18. Deposit from customers

Customer deposits are mainly comprised of fixed term deposits.

	2021	2020
Corporate clients		
Fixed term deposits	1,655,647,057	1,176,167,251
Current accounts	12,817,139	67,034,791
Individual clients		
Fixed term deposits	1,872,506,171	1,507,854,199
Current accounts	40,625,311	16,654,647
Total deposit from customers	**3,581,595,678**	**2,767,710,888**
Maturity analysis		
Current liabilities		
Fixed deposits	3,468,377,604	2,652,870,484
Current accounts	53,442,450	83,689,438
Non-current liabilities		
Fixed deposits	59,775,624	31,150,966
Current accounts	-	-

19. Due to banks

Current Liabilities

	2021	2020
Bank overdraft	60,525,669	369,553

Bank overdraft balances refers to facilities with other financial institutions, and have a maturity of 1 year.

20. Other liabilities

Current liabilities

	2021	2020
Accounts Payable	285,432,039	148,516,018
Withholding tax payable	131,850,439	120,033,794
Sundry creditors and accruals	103,783,679	66,467,832
Total other liabilities	**521,066,157**	**335,007,644**

21. Lease liabilities

	2021	2020
Maturity analysis		
Not later than 1 year	57,920,295	67,290,078
Later than 1 year and not later than 5 years	146,599,706	224,125,617
Later than 5 years	-	80,870,400
	204,520,001	**372,286,095**
less: future finance charges	(77,047,638)	(146,559,847)
Total undiscounted lease liabilities at 31 December	**127,472,363**	**225,726,248**
Present value of minimum lease payments due		
Within one year	36,461,033	36,886,206
In second to fifth year inclusive	91,011,330	188,840,042
Present value of minimum lease payments	**127,472,363**	**225,726,248**
Non-current liabilities	91,011,330	188,840,042
Current liabilities	36,461,033	36,886,206
	127,472,363	**225,726,248**

22. Borrowed funds

	2021	2020
Held at amortised cost		
Senior bonds	2,617,735,537	2,534,860,741
Term Loans	4,037,105,252	2,227,156,229
Transaction costs	(71,890,990)	(44,746,670)
	6,582,949,799	**4,717,270,300**

(i) Interest on senior bonds ranges from 16.00% to 20.00% per annum (2020: 14.01% to 22.50% per annum), with maturity dates ranging from April 2024 to September 2026.

(ii) Interest on the term loans ranges from 17.60% to 21.10% per annum (2020: 14.90% to 18.40% per annum), with maturity dates ranging from February 2022 to August 2025.

	2021	2020
Non-current liabilities		
At amortised cost	4,378,713,530	2,436,413,575
Current liabilities		
At amortised cost	2,204,236,269	2,280,856,725
Total borrowed funds	**6,582,949,799**	**4,717,270,300**

23. Amount payable to shareholder

	2021	2020
Loan from shareholder	1,695,333,386	2,423,760,000
Professional fees	311,073,395	366,233,826
	2,006,406,781	**2,789,994,726**
Maturity Analysis		
Non-current liabilities	1,695,333,386	2,423,760,000
Current liabilities	311,073,395	366,233,826
	2,006,406,781	**2,789,994,726**

(i) Loans from Bayport Management Ltd are denominated in USD (2020: 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. The USD denominated loan was fully paid in 2022.

(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 2020	2,395,968,000	244,803,621	2,640,771,621
Issue of shares	87,552,645	(87,552,645)	-
At 01 January 2021	**2,483,520,645**	**157,250,976**	**2,640,771,621**
Deposit for shares	-	369,748,957	369,748,957
Issue of shares	292,479,000	(292,479,000)	-
31 December 2021	**2,775,999,645**	**234,520,933**	**3,010,520,578**

	No of shares	Total
At 01 January 2020	2,395,968	2,395,968
Issue of shares	87,553	87,553
At 01 January 2021	**2,483,521**	**2,483,521**
Issue of shares	292,479	292,479
31 December 2021	**2,776,000**	**2,776,000**

During the year, 292,479 ordinary shares were issued (2020: 87,553).

25. Legal reserves

In compliance with Mozambican legislation, the Bank must allocate each year, to a legal reserve, in the following proportions: a) 30%, when the reserves formed are less than the paid-up capital; b) 15%, when the reserves formed are equal to or greater than the paid-up capital.

As a result, in 2021, a legal reserve amounting to MZN 117,785,481 was transferred based on profits made in 2020.

	2021	2020
At 1 January	128,472,369	63,315,843
Transfer from income surplus account	117,785,479	65,156,526
At 31 December	**246,257,848**	**128,472,369**

26. Cash used in operations

	2021	2020
Profit before taxation	1,280,592,015	583,838,397
Adjustments for:		
Depreciation and amortisation	199,985,227	90,423,461
Loss on disposal of property and equipment and intangibles	818,604	46,500
Unrealised (gain)/loss on foreign exchange	(140,912,191)	227,588,754
Increase in provision for credit impairment	168,334,981	255,347,178
Changes in working capital:		
(Increase)/decrease in other assets	85,451,846	109,884,885
Increase in gross advances	(3,268,755,945)	(2,096,776,965)
Increase in other liabilities	295,943,208	169,130,780
Increase in deposit from customers	813,884,790	638,372,964
Cash used in operations	**(564,657,466)**	**(22,144,046)**

27. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities – 2021

	Opening balance	Currency movements	Other non-cash movements	Cash flows	Closing Balance
Lease liabilities	225,726,248	-	22,665,058	(120,918,942)	127,472,363
Borrowed funds	4,717,270,300	-	971,183,773	894,495,726	6,582,949,799
Amount payable to shareholder	2,423,760,000	(67,982,005)	204,246,013	(864,691,525)	1,695,333,384
Total liabilities from financing activities	**7,366,757,448**	**(67,982,005)**	**1,198,094,844**	**(91,114,740)**	**8,405,755,546**

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	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**

28. Cash and cash equivalents

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

		2021	2020
Cash and deposits with Central Bank	10	491,106,145	282,769,581
Deposits with other financial institutions	11	299,443,630	152,441,778
Due to banks	19	(60,525,669)	(369,553)
Total cash and cash equivalents		**730,024,106**	**434,841,806**

29. Commitments and contingencies

The following commitments and contingencies were present as at the reporting date;

Borrowings
The external lenders term loan contracts include security against our loan book in event of default. Management does not foresee event of default in the near future.

Leases
The entity entered in several leases commitments and are detailed in the Note 21.

Ligations
Contingent liabilities from long outstanding case estimated to be MZN 1,042,704 whereby final is still yet to be finalised.

30. Related parties

	2021	2020
Holding company	Bayport Management Ltd	Bayport Management Ltd
Company under common shareholding	Actvest (Proprietary) Limited	Actvest (Proprietary) Limited
Shareholder	Whatana Investments, S.A	Whatana Investments, S.A
Directors	Hon. Prof José Mateus Muaria Katupha	Hon. Prof José Mateus Muaria Katupha
	Suzzete Jose Dalsuco	Suzzete Jose Dalsuco
	Nazir Bhikha	Nazir Bhikha
	Edgar Baloi	Edgar Baloi
Fiscal Council	CW Ducker	CW Ducker

30.1 Related party balances

	2021	2020
Amount due to related parties		
Bayport Management Ltd (Loan)	1,695,333,386	2,423,760,900
Bayport Management Ltd (Professional fees)	311,073,395	366,233,826
Actvest (Proprietary) Limited (Cost recoveries)	814,491	408,762
Actvest (Proprietary) Limited (Professional fees)	235,242,704	110,894,794

Amounts payable to shareholder are disclosed in note 23.

30.2 Related party transactions

	2021	2020
Bayport Management Ltd		
Interest paid	221,791,749	215,591,027
Professional fees paid	188,301,467	150,560,421
Actvest (Proprietary) Limited		
Professional fees paid	140,817,092	119,789,850
Whatana Investments, S.A		
Management fees	23,367,934	22,553,852
Directors fees		
Directors fees	2,286,278	4,430,454

30.3 Compensation to directors and other key management

	2021	2020
Short term employee benefits	33,329,879	29,156,758
Post-employment benefits	909,988	1,162,138
Total	**34,239,867**	**30,318,896**

Short-term employee benefits adjusted to include remuneration and non-pension related company contributions for 2020. The bank also contributes to INSS pension fund in relation to post-employment benefits. There were no other long-term benefits, termination benefits or share-based payments incurred in 2021 or 2020.

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 2021	Loans and advances	Other assets	Investment in other financial assets	Total
Neither past due nor credit impaired	12,566,724,145	36,445,037	1,439,954,479	14,043,123,661
Past due but not credit impaired	1,727,656,042	-	-	1,727,656,042
Credit impaired	276,393,957	-	-	276,393,957
Impairment allowance	(414,847,077)	(18,333)	-	(414,865,410)
	14,155,927,067	**36,426,704**	**1,439,954,479**	**15,632,308,250**

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**

** Loans and advances to customers exclude deferred expenses and deferred revenue, which are not financial instruments.

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:

	2021	2020
Past due up to		
1 month	867,854,200	437,841,937
1-2 months	258,068,622	172,684,280
2-3 months	147,010,051	111,185,680
3-4 months	100,307,082	74,848,520
Older than 4 months	354,416,086	313,885,268
Loans past due but not credit impaired	**1,727,656,042**	**1,110,445,685**

Valuation of collateral

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

Impairment provision reconciliation	**Stage 1 12 month expected credit losses**	**Stage 2 Lifetime expected credit losses**	**Stage 3 Credit impaired financial assets**	**Total**
At 01 January 2020	59,574,456	52,034,242	133,186,208	244,794,906
Originations	33,727,548	34,189,887	8,306,231	76,223,665
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 01 January 2021	**65,437,627**	**169,538,573**	**25,742,912**	**260,719,112**
Originations	38,207,111	44,662,051	19,910,011	102,779,173
Existing book movements	(20,697,644)	4,176,108	181,668,617	165,147,080
Derecognition (settlements in the ordinary course of business)	(20,761,547)	(35,840,124)	(9,726,219)	(66,327,889)
Write-offs	-	-	(47,470,399)	(47,470,399)
At 31 December 2021	**62,185,547**	**182,536,608**	**170,124,922**	**414,847,077**

31.2 Categories of financial instruments

	2021	2020
Financial assets		
At amortised cost		
Cash and deposits with Central Bank	491,106,145	282,769,581
Deposits with other financial institutions	299,443,630	152,441,778
Loans and advances to customers**	14,155,927,067	10,791,534,310
Other assets	36,463,370	42,525,146
Investment securities	1,432,994,176	1,264,326,574
Fair value through other comprehensive income		
Investment securities	6,960,302	6,960,302
Total financial assets	**16,422,894,690**	**12,540,557,691**
Financial liabilities		
At amortised cost		
Deposit from customers	3,581,595,678	2,767,710,888
Due to banks	60,525,669	369,553
Other liabilities	521,066,157	208,162,887
Lease liabilities	127,472,363	225,726,248
Borrowed funds*	6,654,840,789	4,762,016,970
Amount payable to shareholder	2,006,406,781	2,789,994,726
Total financial liabilities	**12,951,907,437**	**10,753,981,272**

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

** Loans and advances to customers exclude deferred expenses and deferred revenue, 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.

31.4 Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because 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 2021

Cash flows from financial assets	**0-3 months**	**4-12 months**	**1-5 years**	**Total**
Cash and deposits with Central Bank	491,106,145	-	-	491,106,145
Deposits with other financial institutions	299,443,630		-	299,443,630
Loans and advances to customers	1,526,096,455	4,453,685,440	17,952,434,553	23,932,216,448
Other assets	36,463,370	-	-	36,463,370
Investment securities	1,432,994,176	-	-	1,432,994,176
Cash flows from financial assets	**3,786,103,776**	**4,453,685,440**	**17,952,434,553**	**26,192,223,769**

Cash flows from financial liabilities	**0-3 months**	**4-12 months**	**1-5 years**	**Total**
Deposit from customers	558,613,382	3,234,355,584	64,004,805	3,856,973,770
Due to banks	60,525,669	-	-	60,525,669
Other liabilities	521,066,157	-	-	521,066,157
Borrowed funds	1,385,796,368	1,635,872,006	6,192,776,363	9,214,444,737
Amount payable to shareholder	441,895,288	518,342,899	1,655,334,898	2,615,573,085
Cash flows from financial liabilities	**2,967,896,864**	**5,388,570,489**	**7,912,116,066**	**16,268,583,418**
Net financial position	**818,206,912**	**(934,885,049)**	**10,040,318,487**	**9,923,640,351**

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**

31.5 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 2021 and 01 January 2020.

31 December 2021	**Amount**	**Scenario 1 Effect after 10% increase in variable interest rates**	**Scenario 2 Effect after 10% decrease in variable interest rates**
Profit after tax	866,047,298	928,347,049	803,747,547
Equity	3,844,597,858	3,890,778,184	3,766,178,682

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

Assuming no management actions, a rise would decrease the Bank's profit after tax for the year and equity by MZN 62,299,751 (31 December 2020: MZN 21,884,869) 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.

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 2021	MZN	USD	ZAR	TZS	Total
Assets					
Cash and deposits with Central Bank and deposits with other financial institutions	790,517,638	29,613	2,524	-	790,549,775
Loans and advances to customers**	14,155,927,067	-	-	-	14,155,927,067
Other assets	36,463,370	-	-	-	36,463,370
Investment securities	1,439,954,479	-	-	-	1,439,954,479
Total financial assets	**16,422,862,554**	**29,613**	**2,524**	**-**	**16,422,894,691**
Liabilities					
Deposit from customers	3,581,595,678	-	-	-	3,581,595,678
Due to banks	60,525,669	-	-	-	60,525,669
Other liabilities	284,859,133	235,242,704	814,491	149,829	521,066,157
Lease liabilities	127,472,363	-	-	-	127,472,363
Borrowed funds*	6,654,840,789	-	-	-	6,654,840,789
Amount payable to shareholder	-	2,006,406,781	-	-	2,006,406,781
Total financial liabilities	**10,709,293,632**	**2,241,649,485**	**814,491**	**149,829**	**12,951,907,437**
Net financial position	**5,713,568,922**	**(2,241,619,872)**	**(811,967)**	**(149,829)**	**3,470,987,254**

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

** Loans and advances to customers exclude deferred expenses and deferred revenue, which are not financial instruments.

31 December 2020	MZN	USD	ZAR	TZS	Total
Total financial assets	12,539,519,223	1,035,779	2,688	-	12,540,557,690
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**

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.

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.

Sensitivity analysis - 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.

31.8 Foreign exchange risk (continued)

The table below sets out the impact on current earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of the financial years from 01 January 2021 and 01 January 2020 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 2021	Amount	Scenario 1 Effect after 10% appreciation in MZN	Scenario 2 Effect after 10% depreciation in MZN
Profit after tax	866,047,298	903,304,705	828,789,890
Equity	3,844,597,858	3,881,855,266	3,807,340,451

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

Assuming no management actions, an appreciation in MZN would increase profit after tax for the year by MZN 37,258,583 (31 December 2020 by MZN 94,163,269), increase equity by MZN 1 (31 December 2020 by MZN 94,163,269), 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.

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.

33. Fair value measurements (continued)

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 2021		31 December 2020	
	Carrying amount MZN	Fair value MZN	Carrying amount MZN	Fair value MZN
Financial assets				
At amortised cost				
- Investment securities	1,432,994,176	1,432,994,176	1,264,326,574	1,264,326,574
- Loans and advances to customers**	14,155,927,067	14,155,927,067	10,791,485,256	10,791,485,256
Fair value through other comprehensive income				
- Investment securities	6,960,302	6,960,302	6,960,302	6,960,302
	15,595,881,545	**15,595,881,545**	**12,062,772,132**	**12,062,772,132**
Financial liabilities				
Financial liabilities held at amortised cost				
- Deposit from customers	3,581,595,678	3,581,595,678	2,767,710,888	2,767,710,888
- Lease liabilities	127,472,363	127,472,363	225,726,248	225,726,248
- Borrowed funds*	6,654,840,789	6,654,840,789	4,762,016,970	4,762,016,970
- Amount payable to shareholder	2,006,406,781	2,006,406,781	2,789,994,726	2,789,994,726
	12,370,315,611	**12,370,315,611**	**10,545,448,832**	**10,545,448,832**

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

** Loans and advances to customers exclude deferred expenses and deferred revenue, which are not financial instruments.

33. Fair value measurements (continued)

Fair value hierarchy as at 31 December 2021	Level 1 MZN	Level 2 MZN	Level 3 MZN	Total MZN
Financial assets				
At amortised cost				
- Loans and advances to customers	-	-	14,155,927,067	14,155,927,067
- Investment securities	-	-	1,432,994,176	1,432,994,176
Fair value through other comprehensive income				
- Investment securities	-	-	6,960,302	6,960,302
Total	-	-	**15,595,881,545**	**15, 595,881,545**

	Level 1 MZN	Level 2 MZN	Level 3 MZN	Total MZN
Financial liabilities				
At amortised cost				
- Deposit from customers	-	-	3,581,595,678	3,581,595,678
- Lease liabilities	-	-	127,472,363	127,472,363
- Borrowed funds	-	-	6,654,840,789	6,654,840,789
- Amount payable to shareholder	-	-	2,006,406,781	2,006,406,781
Total	-	-	**12,370,315,611**	**12,370,315,611**

Fair value hierarchy as at 31 December 2020	Level 1 MZN	Level 2 MZN	Level 3 MZN	Total 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 MZN	Level 2 MZN	Level 3 MZN	Total 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**

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 2021 and 31 December 2020 as per the requirements of the Bank of Mozambique:

Figures in meticais	2021	2020
Core Capital (Tier I)		
Share Capital Realised	2,775,999,645	2,483,520,645
Legal reserves	246,257,848	128,472,368
Reserves and Retained Earnings Losses	(278,227,866)	(553,060,653)
Intangible Assets	(434,726,219)	(562,282,901)
Impairment Provision Gap	(481,008,964)	(328,265,867)
Core Capital (Tier I)	**1,828,294,444**	**1,168,383,592**
Complimentary Capital (Tier II)		
Other	(1,459,495)	1,195,743
Complimentary Capital (Tier II)	**(1,459,495)**	**1,195,743**
Eligible Capital (Tier I and Tier II)	**1,826,834,949**	**1,169,579,335**
Risk Weighted Assets (RWA)		
Credit Risk	11,675,962,117	9,565,941,461
Off Balance Sheet	-	-
Operational and Market Risk	244,127,981	197,682,596
	11,920,090,098	**9,763,624,057**
Capital Adequacy Ratios		
Core Tier I	15.34%	11.97%
Core Tier II	0.01%	0.01%
Solvency Ratio	15.35%	11.98%
Solvency Ratio (Minimum Required)	8.00%	8.00%

35. Covid -19 Impact

COVID-19 has interrupted the movement of people and goods throughout the world, as well as affecting the profitability and long-term viability of many entities. Although there was an overall improvement in the global economy in 2021, the effects of Covid-19 are still being felt in most industries. This includes supply chain disruptions, changes in demand for goods and services as well as the uncertainty of future government imposed restrictions on operations.

During the year 2020, pervasive lockdowns and movement restrictions due to the COVID-19 pandemic significantly affected economic activity. Many entities faced significant downturns in revenue, profitability and liquidity. At the beginning of 2021, continued effects of the pandemic were experienced with some jurisdictions encountering further waves of the pandemic. Thankfully, in the latter part of 2021, as the effects of the pandemic receded, economies experienced a rebound in activity. Nevertheless, still many uncertainties remain, with respect to the possible future course of the pandemic and its effects, including the ongoing supply chain disruptions experienced worldwide.

Management has evaluated the below in relation of Covid-19 impact on the bank's financial performance;

Going concern uncertainty

<u>Impact on business operations and clients</u>

Management assessment is that the Bank will continue operating as a going concern, in spite of the negative impacts of the pandemic that affected business operations, restriction in movements for agents to reach clients as well as employee movement restrictions (although less stricter than in 2020). Indeed, the Bank has seen growth in market share, increase in profitability as reflected in the increase in net profit between 2020 and 2021 from MZN 392.62 million to MZN 866.05 million, as well as customer acquisition and retention rates.

Management are aware that client expectations are constantly changing and requiring better quality of service and will continue driving various elements, such as introducing new products that suit the client's needs as done in 2021 in order to drive customer satisfaction and experience. Management additionally adopted new technologies such as digitization of the loan origination function as a means to modernisation and improving efficiencies and turnaround time in loan processing.

<u>Impact on employees</u>

The Bank views human capital as the most important resource and adopts a strategy of ensuring the well-being of employees and development of critical skills. The employees were well educated regarding covid-19 prevention mechanism in 2020 and 2021. Management have been paying more attention to employee succession plans to ensure continued efficiency, motivation and retention of the workforce. Respective work shifts were implemented to ensure safe social distancing and prevent the spread of the Covd-19 in the workforce.

The Bank embraced the UNIVAX project, which was an initiative by the private sector to jointly buy vaccines for their employees working with the Ministry of Health. Through this project, Bayport was able to vaccinate all willing employees and their dependents. Management believes that it is as a result of this initiative that despite recording forty-three positive Covid-19 cases in 2021 and fifteen in 2020, no staff lost their lives.

<u>Cost containment</u>

Management implemented cost containment strategies in 2020 and 2021 to lessen the impact of Covid-19 on profitability and liquidity and to ensure that most focus was on critical business operations. In the wake of the Covid-19 pandemic, the necessity of implementation of effective cost containment strategies increased significantly and this aided in managing Covid-19 effects, which were largely novel and uncertain.

Impairment of financial and non-financial assets;

Due to the fact that we deduct at source and we lend to civil servants only with the government continuing to pay salaries without fail, Covid-19 had an insignificant impact on the impairment of assets.

36. 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 2021 and 2020.